ASX Announcement 29 August 2013

Rubicor: Full year results to 30 June 2013

Financial Highlights		**30 June 2013**	**30 June 2012**	**%Change**
Total Revenue		$237.7m	$290.5m	-18.2%
NDR (Gross Margin)		$39.7	$55.7m	-28.7%
EBITDA	Statutory [1]	($2.2m)	$6.8m	
	Underlying [2]	$1.6m	$6.8m	-76.8%
NPAT attributable to equity holders				
	Statutory [1,3]	($24.4m)	($61.6m)	+60.6%
	Underlying [2,4]	($3.4m)	($0.8m)	
Statutory EPS before interest and tax [1,3]		(22.3) cps	(56.2) cps	
Underlying EPS before interest and tax [2,4]		(3.1) cps	(0.8) cps	
Operating cash flow before interest and tax		$8.6m	$8.4m	
Operating cash flow		$3.4m	$1.7m	

Rubicor Group Limited (ASX:RUB) today reported Underlying earnings before interest tax depreciation, amortisation and impairment (EBITDA) of $1.6 million for the full year ended June 30, 2013, in line with previous guidance. Statutory EBITDA was $(2.2) million, resulting in a Statutory net profit after tax (NPAT) of $(24.4) million and an Underlying NPAT of $(3.4) million. (Table outlining Reconciliation of Statutory and Underlying results available at end of release on page 4).

Operating cash flow continues to be well managed. Operating cash flow after interest and taxation for the full year ended June 30, 2013 was $3.4 million, up 100% compared to $1.7 million pcp.

Mr Kevin Levine, CEO of Rubicor, commented, “Today’s result demonstrates that our business continues to operate within a challenging market, evidenced by our reduced year-on-year revenues. Business confidence and sentiment remains weak and progressively worsened, particularly after Q1. Coupled with inactivity across the government sector in anticipation of the upcoming federal election and the fall of investment across the resources sector, has had and continues to have an adverse effect on hiring activity, directly impacting our NDR and earnings.”

1. After restructuring costs of $3.5m ($1.6m onerous lease provision, $0.7m redundancy payments, $0.9m transaction costs, $0.3m other restricting expense) and unrealised foreign exchange loss of $0.3m (FY12: Nil).
2. Before restructuring costs of $3.5m ($1.6m onerous lease provision, $0.7m redundancy payments, $0.9m transaction costs, $0.3m other restructuring expense) and unrealised foreign exchange loss of $0.3m (FY12: Nil).
3. After $15.7m asset impairment (FY12:$53.4m) reflecting impact of challenging conditions and uncertainty over timing of recovery on certain Rubicor businesses.
4. Before $15.7m asset impairment (FY12:$53.4m), $0.1m amortisation of intangibles (FY12:$2.5m) and $0.2m notional interest on deferred payments for business acquisitions under AIFRS (FY12:$0.5m), net of tax effect.

“Performance levels across the Group were down in the second half of the year, in line with reduced market activity. While we did recognise improved productivity from our consultants, the impact was neutralised due to a decline in our overall headcount. Despite reduced consultant numbers, permanent and contracting volumes stabilised through H2. Positively, we successfully re-signed all our key high volume accounts that were up for review during the period. This did result in some margin reduction however it provides ongoing stability and underpins the strength of our contractor revenue base.”

Mr Levine added, “Our Group has been constrained for a considerable period of time by the significant level of debt we were operating under. This was a clear distraction for the business, management and staff and we were unable to invest in growing consultant headcount and pursue or invest in potential growth opportunities.”

Debt Refinancing

In December 2012, the Company announced an agreement with its bank on a framework to restructure its debt, and on 29 July, 2013 Rubicor announced the successful restructure of its debt facilities. As a result, all debt obligations in respect of the Loan facilities (Term and Subordinated facility) and the Bank Overdraft facility, which amounted to $95.6m at settlement, were extinguished in full in exchange for $7.0m. This will result in a gain of $88.6m in FY14.

As part of the restructure of the debt facilities, Rubicor successfully secured new funding in the form of a debtor finance facility (“Debtor Finance Facility”) with an initial limit of $15 million. This facility provides funding based on approved receivables and the limit will adjust with the value of the approved receivables. This facility has a three year term with no annual review, no financial covenants and no facility amortisation repayments. Funding provided under this facility is dependent upon the purchased receivables remaining approved until they are collected. Other facilities (such as rental guarantees) amounting to $1.9 million, remain in place in the short term and have been backed by funds drawn from the Debtor Finance Facility.

Importantly, the Debtor Finance Facility will allow Rubicor to fund the ongoing needs of the business, including the extinguishment of all vendor earn out payments by November 2013, and support the growth potential of Rubicor over the medium term. Vendor earn-out liabilities of $1.3 million were paid in November 2012. The balance of these liabilities, amounting to $1 million, will be extinguished by November 2013.

Asset Impairment

Rubicor has undertaken a review of the carrying value of the company’s assets. In light of continuing challenging trading conditions in some of Rubicor businesses, and uncertainty over the timing of a recovery, an impairment charge of $15.7 million has been deemed appropriate.

Strategic Initiatives

Our focus in the second half was to restructure the business, in order to unlock the existing value within our network of brands to increase efficiency, extract synergies and reduce costs. Operations were restructured to align certain specialist brands with industry sectors and vertical markets. This resulted in the streamlining of the operating and management structure, where nine of the existing brands were positioned under the two newly created specialist Groups; Professional Services and Digital, Technology, Media & Communications. Through a strategic integration, the nine brands have been reduced to five, seeing eight brand MDs replaced by two Group MDs.

Mr Levine said "The restructure has meant that the Group's talent pools can now service a much wider customer base. Utilising this collaborative approach to service delivery, the business is now better positioned to facilitate stronger long-term client and candidate relationships, increasingly adding value by delivering a broader product offering to clients and providing more job opportunities to candidates. Having undertaken these changes, the business is now in good shape to experience efficiency benefits in FY14."

As part of the ongoing drive for improved synergies the company has also been consolidating the number of offices it operates through co-locating complementary brands. During the financial year there was a reduction in the number of offices from 23 to 17. While this has assisted in reducing the cost base, it has also improved collaboration between businesses, leveraging each business' area of expertise, and increasing joint initiatives. The consolidation of further offices, and rental savings have been identified for FY14.

Rubicor will continue to actively pursue initiatives to enhance the Group's overall performance, including the closure of non performing brands operating in markets with limited growth potential. Additional investment will be allocated to increase consultant headcount in order to fill identified gaps and address growth opportunities. Management will however, continue to monitor consultant costs in line with economic conditions and identify and action cost saving opportunities where necessary.

In recent months a significant investment has been made in growing the Singapore operation. This has included the appointment of two practice heads, the addition of new consultants and the moving of premises that has enhanced our employer proposition.

Commenting, Mr Levine said, "We will continue to invest in Singapore to broaden the Company's product and service offering in the current financial year. Rubicor is committed to increasing its Asian footprint and plans to open a second office in Asia during the second half of FY14."

The commercialisation of the Managed Services offering (RPO) has generated greater penetration within the existing client base and further opportunities have been identified for FY14. The Company plans to enhance the Managed Services product offering throughout the coming year.

Unlocking the full value and extracting all the synergies across the group to the fullest extent cannot be achieved without the use of technology. To this end, Rubicor is working towards the implementation of an enterprise level, database platform. When completed, the common database platform is expected to result in increased revenue benefits through enhanced client and candidate visibility, improved collaboration and greater cross-selling opportunities across the network of brands. Additionally, in the latter part of the implementation, we expect the new database platform will also enable significant cost savings and efficiencies in the back office in FY15.

In relation to the strategic initiatives put in place in FY13, Mr Levine said, "Rubicor has achieved two significant milestones in the last seven months. The streamlined structure has reenergised our businesses and positions us well to unlock significant value at both the brand and Group levels through driving sustainable growth, enhanced productivity and improved revenue outcomes. The recent debt restructure has enabled us to bring stability to the business and more importantly provides the opportunity for us to continue to pursue our strategic initiatives and look at growth opportunities in the year ahead."

Outlook

Commenting on the near term outlook, Mr Levine said, "We anticipate difficult market conditions will continue, with soft demand to persist throughout 2014. Despite the sluggish outlook, we have established a robust platform to action our strategic initiatives and our restructured balance sheet will allow further expansion in the coming year as we proactively seek opportunities in growth markets."

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About Rubicor

The Rubicor Group is one of the largest recruitment services companies providing services throughout Australia, New Zealand and South East Asia. Operating as a network of 18 specialist recruitment brands, the Group offers search, selection, bulk recruitment, professional and support level contracting services and organisational development.

Established in 2005, The Rubicor Group operates from 17 offices and specialises in the provision of permanent and contact recruitment across Professional Services, ICT & Digital Media, Mining Resources & Engineering, Health, Human Resource Consulting and Workforce Solutions.

The combined strength of our house of brands further cements Rubicor's position as diverse and widely networked organisation with a consummate ability to match talent with global opportunities. More information is available at www.rubicor.com.au

Reconciliation of Statutory and Underlying results

	2013	2012
Statutory EBITDA	**(2.2)**	**6.8**
Transaction costs	0.9	0.0
Onerous lease expense	1.6	0.0
Restructure - redundancy	0.6	0.0
Restructure – other	0.3	0.0
Unrealised FX losses	0.4	0.0
Underlying EBITDA	**1.6**	**6.8**

	2013	2012
Statutory NPAT	**(24.4)**	**(57.4)**
Underlying adjustments	3.8	0.0
Amortisation intangibles	0.1	2.5
Notional interest (earn outs)	0.2	0.4
Impairment charge	15.7	53.4
Tax effect	1.3	4.3
Underlying NPAT	**(3.4)**	**(0.8)**