

Rubicor: Half year results to 31 December 2013

	H1 FY14	H2 FY13	H1 FY13	H1 FY14 vs H2 FY13	H1 FY14 vs H1 FY13
Total Revenue (\$m)	101.7	111.2	126.5	-8.5%	-19.6%
Gain on debt forgiveness (\$m)	88.6	0.0	0.0		
NDR (Gross Margin)					
Statutory (\$m) ¹	107.1	18.1	21.6		
Underlying (\$m) ²	18.4	18.1	21.6	1.7%	-14.8%
EBITDA					
Statutory (\$m) ^{1,3}	89.1	(2.3)	0.1		
Underlying (\$m) ^{2,4}	0.6	0.3	1.3	100.0%	-53.8%
NPAT attributable to equity holders					
Statutory (\$m) ^{1,3}	86.0	(12.2)	(12.2)		
Underlying (\$m) ^{2,4,5}	(0.6)	(1.9)	(1.5)	68.4%	60.0%
Earnings per share					
Statutory (\$m) ^{1,3}	78.5	(11.1)	(11.2)		
Underlying (\$m) ^{2,4,5}	(0.5)	(1.7)	(1.4)	68.4%	60.0%

Rubicor Group Limited (ASX:RUB) today announced a statutory net profit after tax attributable to equity holders of \$86.0 million, as compared to a net loss of \$12.2 million in the previous corresponding period. This result included a gain on debt forgiveness of \$88.6 million, resulting from the restructure of its debt facilities in July 2013. On an underlying basis, there was a net loss after tax of \$0.6 million compared to a loss of \$1.5 million in previous corresponding period.

Rubicor's CEO Mr Kevin Levine, stated, "The first half of the year again provided challenging trading conditions for the recruitment industry, however despite this volatility Rubicor achieved further stability in its results, attributable to an increase in temp margins and a significant reduction in operational costs."

-
- 1 Includes gain on debt forgiveness of \$88.6m (H1 FY13: \$Nil) and abnormal revenue of \$0.1m (H1 FY13: \$Nil).
 - 2 Excludes gain on debt forgiveness of \$88.6m (H1 FY13: \$Nil) and abnormal revenue of \$0.1m (H1 FY13: \$Nil).
 - 3 Includes restructuring costs of \$0.2m (H1 FY13: \$1.2m - \$0.7m onerous lease provision and \$0.5m redundancy payments).
 - 4 Excludes restructuring costs of \$0.2m (H1 FY13: \$1.2m - \$0.7m onerous lease provision and \$0.5m redundancy payments).
 - 5 Excludes taxation relating to gain on debt forgiveness of \$1.8m (H1 FY13: \$Nil), notional interest on vendor liabilities of \$0.1m (H1 FY13: \$0.1m), asset impairment of \$Nil (H1 FY13: \$9.3m) and tax effect of underlying adjustments of \$Nil (H1 FY13: \$0.1m).

“The management team concentrated their efforts on reducing overall operational costs whilst investing in consultant headcount to fill strategic gaps and take advantage of demand in stronger sectors. Having been hamstrung in previous years from significant debt levels, it is a positive move for the Group to drive medium-term growth strategies through investment in our most important asset – our people.”

Business Performance

In line with the challenging trading conditions, the Group’s total revenue declined to \$101.7 million, down 19.6% on the pcp and down 8.5% on the second half of FY13. Net Disposable Revenue (NDR) or Gross Margin, declined 14.8% from the same period last year, although was up 1.7% on the second half of FY13, impacted by an improvement in temporary recruitment margins and higher fees from managed services and human capital solutions.

Underlying EBITDA of \$0.6 million was recorded, which was down 53.8% on the prior corresponding period, however was up 100% when compared to the second half of FY13 as a result of higher NDR and lower costs. Employee benefits expenses, rental and other expenses reduced by \$2.5 million or 12% on the pcp.

Capital Management and Debt Refinancing

In July 2013 the Company restructured its debt facilities. As a result, all debt obligations in respect of the Loan facilities (Term and Subordinated facility) and Bank Overdraft facility, which in aggregate amounted to \$95.6 million at settlement, have been extinguished in full, in exchange for \$7.0 million. This resulted in a gain of \$88.6 million. The Company secured new funding in the form of a debtor finance facility with an initial limit of \$15 million.

Other facilities (rental guarantees) in the amount of \$1.6 million have been cash backed by funds (disclosed in other non-current assets) drawn from the debtor finance facility.

Operating cash flow before interest and taxation was an outflow of \$4.1 million, a direct result of payments deferred pending the debt restructure. Vendor earn-out exit payments of \$0.04 million were paid in the period and the remaining vendor earn-out payments are estimated at \$0.8 million.

Strategic Initiatives

Growing consultant headcount in order to meet medium-term strategic growth objectives continues to be the primary focus for Rubicor, demonstrated by a net growth of 13 consultants (7% up on Jun 13) added in October through December.

The operational restructure, as referenced in the FY13 annual report, resulted in a reduction in employee benefits expenses. Despite the investment in consultants in the second quarter, employee benefits expenses reduced by \$1.5 million or 11%. Other expenses fell 7% when compared to the same period.

Continued rental expense reductions have been realised as a result of office co-locations which occurred mainly in the second half of FY13. In addition, some premises were exited in the current period, in exchange for better premises with more space at lower rentals. This resulted in rental expense reducing by \$0.6 million or 29% over the prior period.

Perusing overseas growth opportunities remains fundamental to the Group's strategy. Rubicor has continued to add headcount to its Singapore operation alongside the secondment of the IT Group Managing Director to Singapore in January, charged with developing presence in the region. A small London office was also established to explore opportunities in the Digital and Technology sector, a core sector for the Group.

Mr Levine said, "Rubicor has delivered across many key areas this half. We restructured our debt, reduced our underlying NPAT loss, grew consultant headcount, reduced operating costs, repositioned brands generating losses in FY13 and made focused investments overseas. Despite the conditions, we reported improving trends in NDR and profitability as compared to the second half of the previous financial year. While we still have a way to go, it is pleasing to see positive outcomes from our operational restructure and short-term strategies. We have a stable platform, and remain focused to deliver on our medium term strategies and build a sustainable business."

Outlook

Focusing on Rubicor's short-term outlook, Mr Levine said, "Despite reduced volumes in the first half, engagement levels have picked up since the start of the calendar year, however we remain cautious as we are unsure as to how sustainable this is and how this will translate for the remainder of the year. Notwithstanding this uncertainty, we continue to focus on adding headcount in strategic growth areas, delivering improved consultant productivity, cost reduction and stability in performance in the short term, and to invest in and execute on our medium term strategic initiatives."

APPENDIX: RECONCILIATION OF STATUTORY AND UNDERLYING RESULTS

	2013	2013	2013	2012	
6 Months ended 31 December	Stat \$M	Underlying Adj'ments \$M	Underlying \$M	Underlying \$M	Change %
Revenue	101.7	-0.1	101.6	126.5	-19.6%
Gain on debt forgiveness	88.6	-88.6	0.0	0.0	
On hired labour costs	-83.2	0.0	-83.2	-104.9	
NDR (Gross margin)	107.1	-88.7	18.4	21.6	-14.8%
EBITDA	89.1	-88.5	0.6	1.3	-53.8%
Depreciation	-0.3	0.0	-0.3	-0.3	
Amortisation	-0.1	0.0	-0.1	-0.1	
EBIT	88.7	-88.5	0.2	0.9	-77.8%
Interest on vendor liabilities	-0.1	0.1	0.0	0.0	
Finance costs	-0.6	0.0	-0.6	-2.3	
Profit Before Tax	88.0	-88.4	-0.4	-1.4	71.4%
Tax	-1.8	1.8	0.0	0.1	
NPAT	86.2	-86.6	-0.4	-1.3	69.2%
NPAT - Equity holders	86.0	-86.6	-0.6	-1.5	60.0%
EPS (cents)	78.5	-79.0	-0.5	-1.4	60.0%

**Enquiries:**

Kevin Levine
CEO, Rubicor
Tel: 02 8061 0000

Kate Parker
Marketing Manager, Rubicor
Tel: 02 8061 0020

About Rubicor

The Rubicor Group is one of Australasia's 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 19 offices and specialists in the provision of permanent and contract recruitment across the Public and Private Sector including Digital, Technology & Media Communications, Medical, Health & Science, Financial, Professional & Business Services, Legal, HR and S&M, Industrial, Engineering, Resources, Trades & Hospitality, Business Support & Contact Centres.

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