ASX Release | 24 January 2012

Talent2 International Limited (ASX: TWO) today confirmed that it expected to report in line with the guidance provided on 16 December 2011. The results, which are in the process of being reviewed by its auditors, are expected to be reported as follows, compared to the previous corresponding period:

Revenue	A$158.2m, up 7.0%
Gross Profit	A$91.8m, down 1.6%
EBITDA	A$5.3m, down 59.3%
Net Debt	A$25.9m up from A$4.2m as at 30 June 2011

"We are disappointed with this result", said John Rawlinson, Talent2's Chief Executive Officer. "Whilst we have invested in current and expected future growth, this has not yet translated into results in what has been a period of uncertainty and delayed decision making. The deferral of hiring decisions by clients in the last month of the period resulted in the Company reporting at the lower end of the guidance given in December".

"Our investments in Marketing, Client Service, HR and Systems will support future growth, and whilst we have not seen returns from them to date, they have contributed to us winning our largest contract in the United Kingdom, in conjunction with our partner Allegis", said Rawlinson. "This contract, the details of which are currently being finalised, will commence implementation during the second half, is with a major financial institution in the United Kingdom, and whilst not contributing significantly this year, will support our growth plans in 2013."

The Managed Services business reported revenue of A$94.6m, up 8%, gross profit of A$59.2m, up 4%, and EBITDA of A$5.8m, down 41%.

Within the Managed Services business, revenue from Recruitment Managed Services rose 2%, Payroll 4%, and Learning 24%. This change in revenue mix and the business' investments in areas including account management, continuous improvement, product development and implementation resources has contributed to the business' EBITDA result.

The Recruitment business reported revenue of A$63.4m, up 5%, gross profit of A$32.4m down 11% and an EBITDA loss of A$0.5m, compared to a profit of A$3.1m in the prior period. Average consulting headcount has increased by 13%, to 370, and compared to the corresponding period, productivity has fallen 21%. "Positive performances by our contracting businesses and our China business were overshadowed by underperformance in the permanent side of the business across most locations", said Rawlinson. "Locations exposed to the financial services sector have suffered most, and we are repositioning our business to address this imbalance, as well as continuing to focus on the contracting side".

Net debt at the reporting date was A$25.9m, comprising debt of A$31.2m and net of cash of A$5.3m. During the period, the Company generated a negative cash flow from operations of A$5.7m after the payment of tax of A$7.0m and the progressive payment of A$4.2m over the period to fund the implementation of a major payroll project. This project will continue to require funding in the second half to an estimated further amount of A$3.0m, and will become cash positive following go-live in mid 2012.

Debt increased over the period primarily due to payments made in relation to the Origin HR acquisition (A$5.0m) and due to the purchase of the non-controlling interest in the Company's recruitment operations in Japan (A$1.2m). The Company distributed A$8.0m by way of dividend in the period. In addition to its loan facility, the company has a working capital facility of A$10.0m in place through a combination of Commercial Bills and an overdraft.

The Company anticipates that it will be in a position to release its full half year results on Wednesday 8th February 2012.

For further information please contact:

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