27 February 2009

Rubicor: Half year results to 31 December 2008

Financial Highlights	31 December 2008	31 December 2007	Change
Total Revenue	$179m	$181m	-1%
NDR (Gross Margin)	$49.0m	$50.6m	-3%
EBITDA [1]	$8.3m	$12.3m	-32%
Statutory NPAT	$(20.8)m	$1.4m	-
Underlying NPAT [2]	$0.3m	$6.1m	-95.5%
Underlying EPS [2]	0.3c	5.8c	-95.5%
Operating cash flow [3]	$18.6m	$9.0m	107%

Rubicor Group Limited (ASX:RUB), one of Australasia's leading recruitment services companies, today announced first half EBITDA of $8.3m (before non-recurring items of $0.7m), 32 per cent down on prior year. This is marginally better than the anticipated decline of 35 per cent advised to the market on 15 December 2008.

The results reflect the sharp deterioration in trading conditions in late 2008. Underlying net profit after tax was $0.3m, after one-off costs associated with restructuring and transaction fees of $0.5m and higher interest costs from increased borrowings and fees. The statutory net loss after tax was $20.8m, of which $18.2m reflected goodwill write-offs.

Commenting on the results, Mr Wayman Chapman, CEO of Rubicor, said: "Although our first quarter results were comparatively strong, in November we experienced a rapid fall in demand in permanent recruitment across many of our markets. We have responded to these conditions, aligning our cost base accordingly.

"On the positive side 20 of our 22 businesses are profitable and we have seen a doubling of the cash we are generating from them through strong working capital management. Temporary and contracting revenue remains strong and sectors such as government, health and utilities have held up relatively well.

"The Rubicor model has proved to be responsive to these challenging economic conditions with amounts owing to vendors reduced by $22m as payments align with profitability."

[1] Before non-recurring items
[2] Excluding amortisation of intangibles and notional interest on deferred payments for business acquisitions under IFRS
[3] Before interest and taxation

Performance

Revenue and net disposable revenue remained broadly in line with prior year assisted by contributions from the acquisition of Gemteq and Steelweld. Operating costs, in particular employee costs increased 8 per cent, reflecting the increased size of the group and the inability to reduce costs in the short term due to the speed and severity of the downturn.

Cost Saving

Extensive work was undertaken in November and December to align the cost base to market demand, resulting in one-off costs of $0.4m pre-tax. These measures are expected to save $6m on an annualised basis from January 2009 onwards. Further cost saving initiatives are being actively pursued, along with performance efficiency drives.

Asset Impairment

Rubicor has undertaken extensive reviews of the carrying value of its assets, in particular the goodwill associated with business acquisitions. As a result the company has written-off $18m, representing 17 per cent of the total goodwill balance.

Capital Management and Debt Refinancing

Prudent capital management is a priority in the current trading environment. Accordingly and as previously announced in December 2008, the directors confirm that there will be no interim dividend for the half year.

Debt reduction and refinancing remain imperatives for Rubicor. Existing facilities totalling $27m are subject to repayment or renewal within the next 12 months. Although Rubicor did not meet its covenants at 31 December, the bank has given a waiver for non compliance and Rubicor is actively pursuing a debt refinancing program in conjunction with its bankers. This is not sufficiently advanced to permit further disclosure. Facilities will be further reviewed in response to the refinancing outcome.

Outlook

Looking to the future, Mr Chapman said, "We remain cautious while these difficult trading conditions persist. In the longer term, we are confident that permanent demographic changes will ensure the outlook remains positive for established, specialist recruiters, with close ties to clients and a strong candidate base."

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