



## Market Update - TWO

**Revenue for the 6 months to 31 December 2008 up 19% to \$128.0m, gross profit up 27% to \$82.9m and EBITDA down 16% to \$7.6m.**

**Recurring revenue streams from the Group's HRO businesses generated EBITDA up 85% showing resilience. Recruitment EBITDA dropped 83% due to a dramatic downturn in the October to December quarter. Cost base adjusted effective from Jan 2009.**

**Focus remains on solid cash flows, a strong balance sheet, conservative gearing and organic growth for HRO in 2009.**

---

Talent2 International Limited (TWO) today provided an update on its trading performance for the six months to 31 December 2008, as compared to the previous corresponding period. The preliminary results, which are in the process of being reviewed by the Group's auditors, include:

- **Revenue for the 6 months to 31 December 2008 up 19% to \$128.0m, gross profit up 27% to \$82.9m and EBITDA down 16% to \$7.6m. After allowing for an impairment charge of \$1.8m, the Group reported EBIT of \$1.6m down 73%.**
- **The Group reported a cash balance of \$17.9m at 31 December, and debt of \$18.3m. Net interest for the six months was negligible at \$0.2m.**
- **Managed Services revenue grew by 38% to \$60.6 million and the division generated EBITDA of \$6.7m, up 85%.**

"Our focus on driving Managed Services revenue continues to deliver results," commented Andrew Banks, Talent2's Managing Director. "We continue to see demand for our HR Outsourcing service offerings, driven by the burning platform of employers looking to cut costs in their volume recruitment where staff turnover remains, or in getting better value for their training and development expenditure."

"Payroll outsourcing was the stand out performer in this area giving organisations fast and immediate cost savings," said Banks.

- **Recruitment revenue grew by 6% to \$67.3m and the division generated EBITDA of \$0.9m down 83%.**

"Revenue grew due to the impact of acquisitions and expanded office locations compared to the corresponding period," Banks said. "The fall in profitability was directly caused by the turmoil in global markets resulting in an unprecedented "full stop" in decision making from customers in October in the permanent recruitment business across virtually all locations in which we operate," he said.

“While it recovered somewhat in November and December this was not enough to rescue profitability in the second quarter,” Banks said. “With such a sudden move it was impossible to reduce costs in the same time frame. Talent2 has since reduced its annual cost base by approximately \$10 million per annum, effective 1 January 2009. The majority of our offices traded profitably in December, but we will continue to adjust our cost base to match demand over the coming year.”

Banks noted that whilst 70% of the company’s growth has been organic, following a review of all the acquisitions made in Talent2’s five-year history, it was deemed prudent to take an impairment charge of \$1.8m on the businesses acquired in Hong Kong, the United Kingdom and India. This arises as the discounted cash flow valuations of these investments in the current economic environment did not support the carrying value. Banks advised “The Group remains committed to these markets but we felt it appropriate to take the accounting charge at this time so as to minimise any downside surprises down the track.”

“Both debt levels and cash balances have been impacted by the weakening of the Australian dollar over the last six months,” Banks advised, pointing out that “during the half we increased debt by \$1.73m to fund the acquisition of The Learning Group, and repaid A\$0.5m of our US dollar foreign currency loans from our natural hedge of US dollar denominated earnings.”

Talent2’s Chief Executive Officer, John Rawlinson, said that the priorities in managing the business during these challenging times were to “focus on outstanding customer service, retaining our best people, and ensuring all the while that our cash flow remains positive with a strong emphasis on the recurring revenue services in HRO.”

“This will ensure that we can capitalise on the re-bounce as it occurs and resume faster revenue and EBITDA growth in all of the geographies we operate in today,” he said.

#### **About Talent2**

Around the world companies seeking competitive advantage are outsourcing their human resources (HR) requirements. To meet the increasing demand, Talent2 has strengthened its position as Asia Pacific’s first end-to-end human resources outsourcing (HRO) business.

Talent2 is leading the region in executive recruitment, HR business process outsourcing and technology. It is focused on providing integrated HR solutions that are innovative and effective. Talent2 helps its clients to “Acquire, Manage and Optimise” their talent so that they can focus on growing their businesses.

Talent2 has offices across Australia, Bahrain, China, Hong Kong, India, Japan, Malaysia, New Zealand, Oman, Papua New Guinea, Qatar, Singapore, Taiwan, the UAE, the UK and the US to serve its extensive client base of blue-chip multi-nationals and public sector organisations.

#### ***For further information, please contact:***

Andrew Banks, Managing Director, Talent2  
Telephone - +61 2 9087 6208  
email – [andrew.banks@talent2.com](mailto:andrew.banks@talent2.com)

John Rawlinson, CEO, Talent2  
Telephone – +61 3 9918 0919  
e-mail – [john.rawlinson@talent2.com](mailto:john.rawlinson@talent2.com)