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Record of interview:

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Candle Australia Limited today announced the acquisition of the Asian operations of E.L Consult, an executive recruitment company. What is the strategic rationale behind this acquisition? How do you envisage your business developing in Asia?

MD Rob Collins
There are several reasons why entering the Asian market is a sound strategy for us. Firstly, many of our clients want us to operate in the region. They benefit from our services in Australia and New Zealand and wish to experience the same level of service and quality outcomes in Asia. Secondly, as the competition for talent grows, we see an opportunity to service Australasian-based companies with talent from the south-east Asian market. Finally, it makes sense for us to be exposed to different economies to reduce our dependence on the cycles of the Australasian economy.

We selected E.L Consult for the experience of its management team of over twenty years which reduces the new market entry risk. In addition, the spread of E.L Consult's businesses across three locations in China, as well as Hong Kong, Singapore and Malaysia, provides a broad platform into huge growth markets.

The acquisition is a springboard into Asia, not only in executive search, but also for introducing our brands in other white collar recruitment sectors to E.L Consult's blue chip multinational client base.

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What are your strategies for integrating E.L Consult into your existing businesses? What impact will it have on all your brands?

MD Rob Collins
We acquired the executive recruitment business of Lloyd Morgan a little over a year ago with the strategic intent of growing it into an international brand. The re-branding of the E.L Consult businesses to the Lloyd Morgan name is the first step in integration. The Asian businesses will benefit from the introduction of our recruitment model, our accounting platform, and our very successful front-of-house recruitment software.

E.L Consult Asia recruits in a range of industry sectors, including banking and finance, information and communications technology (ICT), logistics and manufacturing, oil and gas, garment and textile and government. Most of its business is filling middle management roles and above. While primarily a permanent recruitment company, we plan to grow the contracting and temporary side of the business given that this is the back-bone of our business which generates recurring revenues. E.L Consult opens up the opportunity for organic growth in contracting and temporary assignments for our other brands.

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Candle Australia expects to pay around A$3 million for the deposit, in a combination of cash and scrip, the total consideration being dependent on performance over a four-year period. How will the acquisition affect your balance sheet and earnings per share?

MD Rob Collins
Given the strategic importance of the acquisition, we plan to re-invest the profits into growth in the region. On that basis, we expect the acquisition to be EPS neutral for the next year or so.

The initial deposit of around A$3 million will be funded by a combination of cash from our existing cash flows and scrip. It will have no effect on our cash on hand, which was $4.7 million at 31 December 2006, giving us plenty of scope for further acquisitions.

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Do you intend to continue further expansion via acquisition into Asia?

MD Rob Collins
The opportunity for further expansion is there, however, we expect we will invest much less than ten percent of our current market capitilisation over the next three years. We plan to remain predominantly an Australian-based company with regional operations in New Zealand and Asia.

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E.L Consult operates a recruitment business in Australia. Why did you not purchase the entire E.L Consult business including the Australian operation?

MD Rob Collins
Our primary interest is the Asian business. The E.L Consult Australia business, which operates under a different model, was not part of the negotiation. As we already have a successful executive recruitment brand in Australia, namely Lloyd Morgan, we did not actively pursue the Australian operation. In addition, the spread of businesses in Asia was attractive. As I said, E.L Consult Asia operates in a range of industry segments, including banking and finance, information and communications technology (ICT), logistics and manufacturing, oil and gas, garment and textile and government. As these segments are similar to those the Australian based Lloyd Morgan targets we expect many cross-selling opportunities to follow.

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Candle Australia purchased Lloyd Morgan in January 2006. How has this business performed and how do you think the Asian acquisition will impact on its future performance?

MD Rob Collins
In the first twelve months, Lloyd Morgan has performed to expectation. As we enter the second year, we've seen a tightening supply of middle management personnel, however, the business is expected to continue to grow year on year.

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What is the recent trend in trading conditions and what's the outlook for dividends and earnings in the current full year?

MD Rob Collins
We continue to trade well and expect to achieve our planned growth for the full year. Operating cash flows remain strong and our dividend policy of paying between 70 and 80 percent of our earnings as fully franked dividends has not changed. As has been the case in the past, if there are opportunities for other capital management initiatives, we will make those decisions closer to the end of the year.

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Thank you Rob.

For further information about Candle Australia, visit www.candle.com.au or call Rob Collins on +61 2 9250 8100.

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