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**Date of lodgement:** 27-Feb-2008

**Title:** Open Briefing®. Clarius. CEO on 1H FY08 Results & Outlook

**Record of interview:**

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Clarius Group Limited today reported net profit after tax of \$5.3 million for the half year to 31 December 2007 compared with a profit of \$6.4 million in the first half of FY07. Before one-offs, EBIT was slightly higher at \$9.4 million and NPAT was \$6.04 million. What were the major factors impacting your results in the first half of FY08?

**CEO Diana Eilert**

The result was in line with our guidance. Underlying EBIT was slightly up on the prior corresponding period as we delivered reasonable organic revenue and profit growth, with additional contributions from acquisitions.

Net profit after tax of \$5.3 million was down by \$1.1 million on last year for two main reasons.

Firstly, underperformance of Lloyd Morgan Australia business where there was a substantial loss of staff in late FY07. The effect flowed into the current financial year, with reduction in profit of \$1.6 million when compared with the previous corresponding period.

Secondly, non-recurring “one-off” items of \$1.1 million which represented restructuring, redundancies and costs relating to senior management changes.

**corporatefile.com.au**

Revenue grew by 13 percent to \$163.0 million. What were the drivers of your revenue growth? How much was organic and how much reflected acquisitions in FY07?

**CEO Diana Eilert**

The higher revenue was a mix of organic and acquisition growth, with just over half from the acquisitions. Revenue for the half also reflects the shift toward permanent placements.

**corporatefile.com.au**

You've identified Lloyd Morgan Australia as one of the main reasons for the reduction in profit. How is that business performing now?

**CEO Diana Eilert**

Our key focus has been on improving the performance of this business. The Lloyd Morgan team is very capable, motivated and committed to improving the performance of the business. We have supplemented the team with a number of new account executives and are seeing significant improvement in our pipeline, with some good early wins.

We have increased our sales staff in Lloyd Morgan Australia, and the Melbourne sales force is at the levels of April 2007. As these people reach their potential, we expect to see continued improvement in the business.

**corporatefile.com.au**

Candle ICT accounts for 45 percent of your group margin. What was the performance of Candle ICT over the first half of FY08?

**CEO Diana Eilert**

Candle ICT continued to do well, with a solid increase in profit. Consistent with other businesses, we saw a significant shift to permanent placements.

**corporatefile.com.au**

Cash flow from operations was a negative \$4.1 million compared with a positive \$6.3 million in the previous corresponding period. Traditionally your business has had strong cash flows. What factors affected cash flow in the latest half? Are there any implications for your interim dividend payment?

**CEO Diana Eilert**

Clarius' underlying operating cashflow was \$5.0 million positive.

The impact of two major events led to a reported operating negative cashflow for the half.

Firstly, Clarius made three acquisitions in the half. Two of the acquisitions (JAV IT and SouthTech Personnel) were to acquire the business assets only. Clarius was required to fund the initial working capital requirements of these two businesses which, in total, was a one-off cash impact of \$5.1 million.

Secondly, there was a timing issue driven by the dates of public holidays. In the December 2007 half there were 14 fortnightly contractor pay periods compared with 13 in the prior corresponding period. This resulted in an additional \$4.0 million cash outflow.

The one-off impacts on cash do not have any implications for the interim dividend payment. We've declared a 9.0 cent per share fully franked interim dividend.

**corporatefile.com.au**

Your balance sheet at 31 December 2007 showed an overdraft of \$13 million, but no non-current debt? Do you intend to refinance the overdraft?

**CEO Diana Eilert**

As at 31 December 2007 we had drawn facilities of \$13 million which have been used to fund one-off operating cashflow issues, as discussed above, as well as partly cash funded acquisitions.

Our facilities are a mix of bank overdraft and bank bills with Westpac Banking Corporation, and are classified as short term debt. Whilst only \$13 million has been drawn, Clarius has in excess of \$26 million available.

Clarius' net debt to equity ratio is a very comfortable 10 percent and we expect to maintain minimal debt levels.

**corporatefile.com.au**

You implemented cost saving measures during the first half of FY08. What savings have these delivered?

**CEO Diana Eilert**

Cost saves were incurred late in the half, so the run rate will not benefit us until the current half. Of course, the new acquisitions will require a slight increase in our back office staff levels as we migrate such functions as payroll, HR, marketing and accounting.

**corporatefile.com.au**

You have now been Managing Director of Clarius for six months and your December report says that you have an established strategy. Can you reiterate that strategy?

**CEO Diana Eilert**

We're focussed on contracting and permanent recruitment for professionals in the five industry sectors where we can achieve above market growth and profit. These sectors are ICT, Business Support, Accounting, Banking and Finance and Engineering, within the Asia Pacific.

By delivering a "benchmark" customer experience for our target customers, and for our contractors and candidates we aim to outperform our competitors.

**corporatefile.com.au**

Acquisitions have over recent years been a key growth driver for Clarius. What is your acquisition strategy?

**CEO Diana Eilert**

Our primary focus is on driving organic growth. We have tightened our acquisition criteria, and proactively view opportunities. We will make acquisitions where we see a business that is consistent with our strategy and meets our criteria, which includes being value accretive.

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Interest rates are rising in Australia and global economic conditions are uncertain with the US economy slowing. What trends are you seeing in white collar recruitment and contracting in your Australian and Asian markets?

**CEO Diana Eilert**

The 2008 year has started strongly in the markets to which we are exposed.

We are seeing strong demand and wage growth across the sectors in which we operate. In the IT sector we have seen buoyant demand for permanent and contracting staff and salary growth of over 5 percent during the past six months.

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You met your guidance for the first half of FY08. What guidance can you provide for the current half year to 30<sup>th</sup> June?

**CEO Diana Eilert**

If the current momentum continues, we expect to see revenue and profit in the second half exceed our first half.

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Thank you Diana.

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For further information about Clarius Group, visit [www.clarius.com.au](http://www.clarius.com.au) or call Diana Eilert on +61 2 9250 8100.

For previous Clarius Group Open Briefings, or to receive future Open Briefings by email, visit [www.corporatefile.com.au](http://www.corporatefile.com.au).

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