Clarius Group

2011 Investor Presentation

Presented by: Geoff Moles,
Founder & Managing Director

www.clarius.com.au

Clarius Group

alliance recruitment Corporate Services	Administration, Sales and Marketing	Brisbane, Melbourne, Mount Waverley, Parramatta, Perth, Sydney
candle	Information Communications Technology	Adelaide, Auckland, Brisbane, Canberra, Hong Kong, Melbourne, Perth, Sydney, Wellington,
IGNITE	Contractor Management Services	Sydney
jav I.T. GROUP	Managed IT Services and Professional IT Staffing	Melbourne, Sydney
LLOYD MORGAN Accounting Talent Specialists	Accounting, Banking and Finance	Brisbane, Melbourne, Mount Waverley, Parramatta, Perth , Sydney
LLOYD MORGAN Executive	Executive	Beijing, Hong Kong , Shanghai
SouthTech	Engineering and Technical Personnel	Brisbane, Melbourne, Sutherland, Sydney
the one umbrella	Library, Records and Knowledge Management	Brisbane, Canberra, Melbourne, Sydney

Clarius is a leading white collar contracting and recruitment specialist with brands across Australia, New Zealand and Asia

Agenda

Overview

Financials

Dividend Announcement

Highlights of FY 2011

Non Cash Goodwill Impairment Summary & De-recognition of Tax Losses

State of the Market

Looking Ahead

Overview

Established in 1984 by Geoff Moles

Listed on the Australian Securities Exchange in 1997

Strategic growth by acquisition – 14 completed

Strong presence across all white collar based recruitment disciplines

Experienced in operating in a cyclical environment

Financial Results

	FY 2011	Movement	FY 2010
Revenue	$267.2m	0.5%	$266.1m
Net profit after tax*	$4.7m	55%	$3.0m
Impairment of goodwill after tax	$14.6m	-	-
De-recognition of tax losses	$0.4m	-	-
Reported net profit / (loss) after tax	$(10.3)m	-	$3.0m
Underlying EPS (cents)*	5.3 cents	39.5%	3.8 cents
Operating cash flow	$8.7m	Increase of $9.9m	$(1.2)m
Dividend	4.0 cents	100%	2.0 cents

* Before non cash impairment write down and de-recognition of tax losses

Full Year Financial Results

P&L	FY 2011	FY 2010
Revenue	$267.2m	$266.1m
Gross Profit (Margin)	$51.9m	$48.6m
Employee Benefits Expense	$33.9m	$33.1m
Finance Costs	$0.3m	$0.4m
Other Overheads	$11.0m	$10.4m
Underlying NPAT	**$4.7m**	**$3.0m**
Statutory NPAT	$(10.3)m	$3.0m
Operating cash flow	$8.7m	$(1.2)m

Financial Position

Financial Position	FY 2011	FY 2010
Trade Receivables	$53.6m	$54.8m
Intangible Assets	$53.4m	$68.6m
Bank Overdraft	$0.5m	$2.2m
Contributed Equity	$90.3m	$104.0m

- Positive cash flow of $8.6m provides strong financial position and minimal debt
- 88.2m shares on issue
- 3.2m options
- Impairment write down of $14.6m
- Strong balance sheet with capacity for future growth and acquisitions

Dividend Announcement

- 2.0 cents interim dividend per share paid 28th March, 2011
- 2.0 cents final dividend per share
- Fully franked
- Payment date of 14th October, 2011
- DRP discount 2.5%

Highlights – FY 2011

NPAT up 55% to $4.7m*

- The business continues to strengthen and consolidate post GFC through continued economic turbulence
- 2011 was a year of focusing on core activities and building a strengthened albeit leaner executive team and ramped up sales force
- The increase in profit is largely attributable to an increase in permanent revenue
- The latter part of the financial year saw permanent recruitment activity flatten but a marked increase in contractor demand – this has continued into FY 2012
- Heightened focus on “delivery” capability has ensured the business has maximised the limited opportunities available in a difficult market

* Before non cash impairment write down and de-recognition of tax losses

Highlights – FY 2011

Operating Cash Flow increases by $9.9m in FY 2011

- Operating cash flow for the year was positive at $8.7m compared to a net outflow of $1.2m in FY 2010
- This allowed for a reduction in our overdraft and provided a surplus cash at balance date
- Cash flow has been significantly improved in the 2011 financial year due to an increased focus on working capital management
- The balance sheet strength allows capacity for strategic acquisitions as they arise

Highlights – FY 2011

Clarius Major Accounts (CMA) Implementation

- The establishment of the CMA team at the beginning of FY 2011 delivered strong results showing significant improvements to efficiency and delivery while reducing costs
- CMA is the home for high volume lower margin accounts that are heavily focussed on KPI’s allowing for lower cost delivery and appropriate remuneration models
- Two new accounts have been rolled out of the Candle business and into CMA at the beginning of FY 2012 which will result in further efficiencies

Highlights – FY 2011

Recruitment brands showing stronger sustainability and endurance during market turbulence

- Account wins including majors in FY 2011 will provide solid growth opportunities in FY 2012 – NAB, NBN, ATO, Powerlink, SBS etc
- Some significant existing accounts were also renewed – Western Power, SA Government
- Strong % margin growth recorded in FY 2011 - particularly in Candle
- SouthTech (Engineering) delivered its highest profit in its 25 year history off the back of ongoing strong demand
- Leaner management structures and more focus on sales force activity
- Stronger contractor capabilities in previously permanent driven businesses
- Returns on investment in FY 2011 will be realised in FY 2012

Highlights – FY 2011

Investment in Ignite brings profitable result

- The launching of Ignite in August 2010 has resulted in the business delivering a healthy profit in year 1 and providing a strong platform for growth into FY 2012 and beyond
- The Ignite division provides payroll and contractor management services to both existing Clarius contractors and external clients
- Ignite will house the recruitment related lines of service that will provide an opportunity to develop capability in recruitment and workforce management and related solutions

Non Cash Goodwill Impairment & De-recognition of tax losses

Impairment write down reflects brand restructuring and market volatility

- Several Clarius acquisitions have been subject to an impairment write down – these businesses were bought by Clarius during peak cycles in the market
- The write down reflects the revaluation of the assets from the price paid pre GFC to the value in today's markets based on the reduced opportunities for our services
- Although each line of business has performed more strongly in FY 2011 than the previous year, the view has been taken that recovering to pre GFC profitability will take longer than previously anticipated given ongoing market volatility
- A $0.4m non cash write back of tax losses was also incurred in FY 2011

Non Cash Goodwill Impairment

Impairment write down reflects brand restructuring and market volatility:

Lloyd Morgan Australia

- Delivered good profit in FY 2011 off the back of several years of losses
- Has developed stronger contracting capability in FY 2011 – less permanent recruitment dependant, thus less volatile to the market conditions
- Management consolidation and investment in 2011 will return further improved results in FY 2012

Alliance

- Alliance is the aggregation of 6 acquisitions – all businesses bought during peak market conditions
- Alliance Corporate Services delivered a strong result and showed positive signs of recovery from the GFC with improving contractor numbers
- Alliance Financial Services faced a challenging market during H2 due to market conditions
- Good results coming out of a strong economy in WA are expected to continue to improve into FY 2012

Non Cash Goodwill Impairment

Impairment write down reflects brand restructuring and market volatility:

Candle New Zealand

- Delivered significantly improved profits in FY 2011 from FY 2010
- Market conditions due to natural disasters caused some market uncertainty with no strong signs of significant improvement into FY 2012

JAV IT

- JAV IT delivered a strong result in FY 2011 – up 23% on FY 2010
- The non renewal of a large parcel of business from a significant client will have a negative impact on profit into FY 2012 and FY 2013 resulting in the decision to write down the goodwill for the brand
- The client involved remains a strong client of JAV IT who continues to provide services to them
- JAV IT has gone from having 1 significant client relationship to over 28 clients in the last 18 months
- The rate of new business activity continues to improve with the increased investment in the new business development capability

Clients

Telstra Westpac nab

RBS The Royal Bank of Scotland 'yes' OPTUS CPA AUSTRALIA CISCO

HUAWEI Stockland NBNCo Limited citi IBM

westernpower AMP AGL

State of the Market

The market remains uncertain with the turbulence of global financial markets – but a more robust model allows for improved returns

- Unemployment remains low though has shown some signs of increasing – this provides an opportunity as supply becomes more in line with demand
- Improvements in job fill rates allow an increase in market share even if the market demand declines
- Demand is still strong in IT and Engineering – IT particularly is showing no signs of weakening at this stage
- Investment in thriving regions (WA, QLD) is showing positive results and will continue to buffer the turbulence seen in other regions

Looking Ahead

Despite challenging global economic conditions, we are confident of continued growth

- Signs of improved contractor demand across all brands
- A stronger and more efficient business is seeing returns on investments
- Recent restructuring will benefit into FY 2012
- Investment in recruitment related services leveraging from the core capabilities and infrastructure of the business will provide significant opportunities for growth for businesses like Ignite
- An acquisition strategy that focuses on strong industry sectors and in lines of business with strong recurring revenue (i.e. contracting) will provide us with scope to grow and diversify

Disclaimer

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