

# Investor Presentation

Full Year Ending 30 June 2007

Robert Collins

Diana Eilert – Managing Director

Candle Australia Limited

**CANDLE**  
AUSTRALIA LTD

# FY07 in brief

*“The 2007 financial year was another outstanding year for the group, with record revenues, profits, earnings per share and dividends. Our focus on consolidation and back office improvements through the year has established a solid platform for growth well into the future. The outlook for the company remains very positive.”*

*Robert Collins – outgoing Managing Director*

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# FY07 highlights

- Strong organic growth
- EBIT up 18% to \$19.9 million
- Revenue up 10% to \$298 million
- Net profit after tax up 16% to \$13.6 million
- Earnings per share a record 26c
- Record ordinary dividend of 19c per share
- Cash flow almost doubled to \$14.4 million
- Zero net debt
- Positive outlook for the market and company

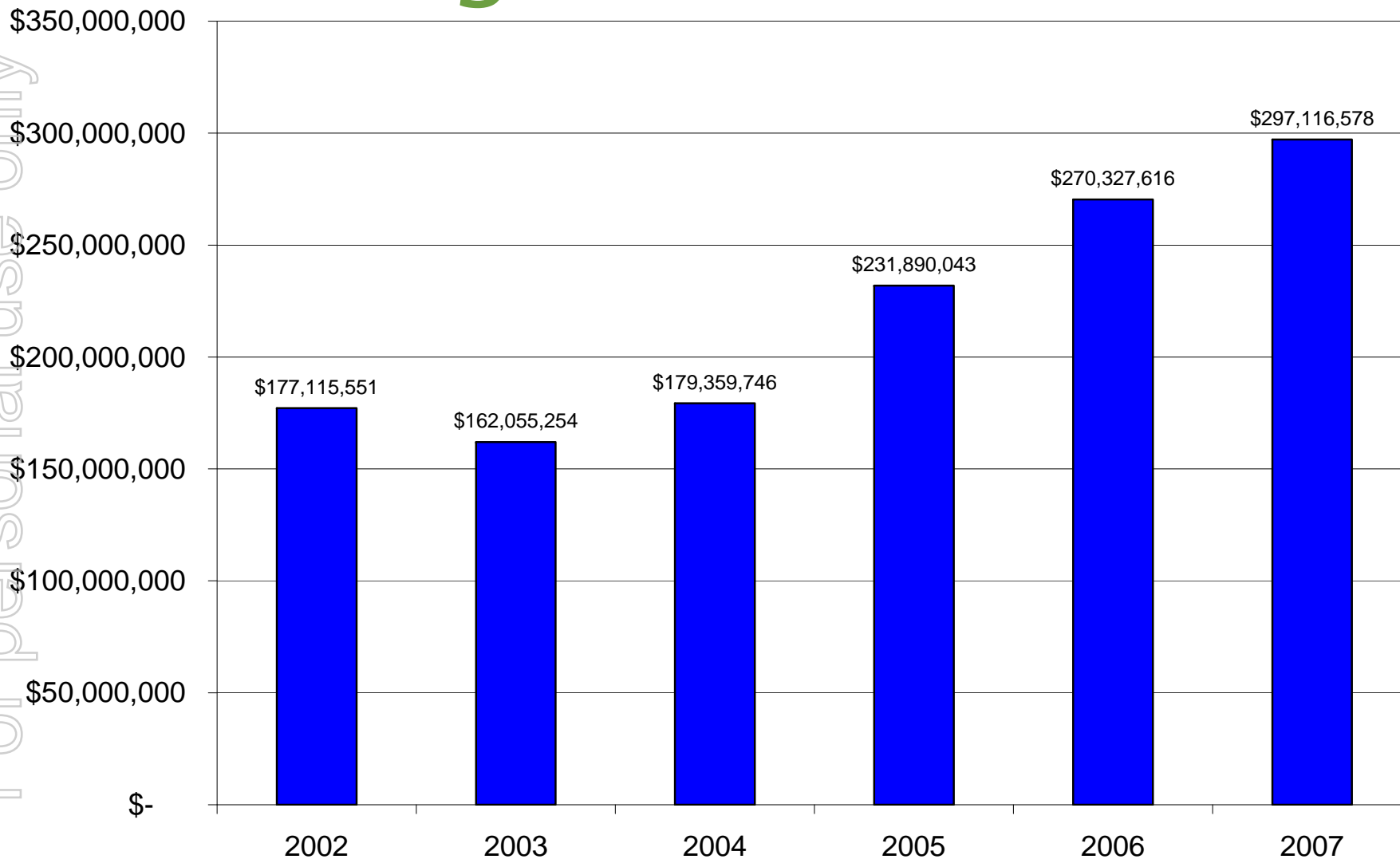
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# FY07 achievements

- Initiated “project refresh”; back office consolidation and management reporting improvements, yielding great results
- Integrated three brands under new Alliance brand
- Continued focus on employer of choice initiatives
- Acquired E. L Consult in HK, China, Malaysia and Singapore
- Grew revenues, operating margin, staff numbers and operating efficiency to record levels
- Maintained ‘conversion ratio’ (EBITDA as percentage of gross profit or net disposable revenue) above industry average at 31%
- Record ordinary dividend return to shareholders

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# Revenue growth



# Strong EBITDA growth

\$25,000,000

\$20,000,000

\$15,000,000

\$10,000,000

\$5,000,000

\$-

2002

2003

2004

2005

2006

2007

\$7,121,246

\$7,472,134

\$8,635,252

\$12,545,415

\$18,677,847

\$21,585,715

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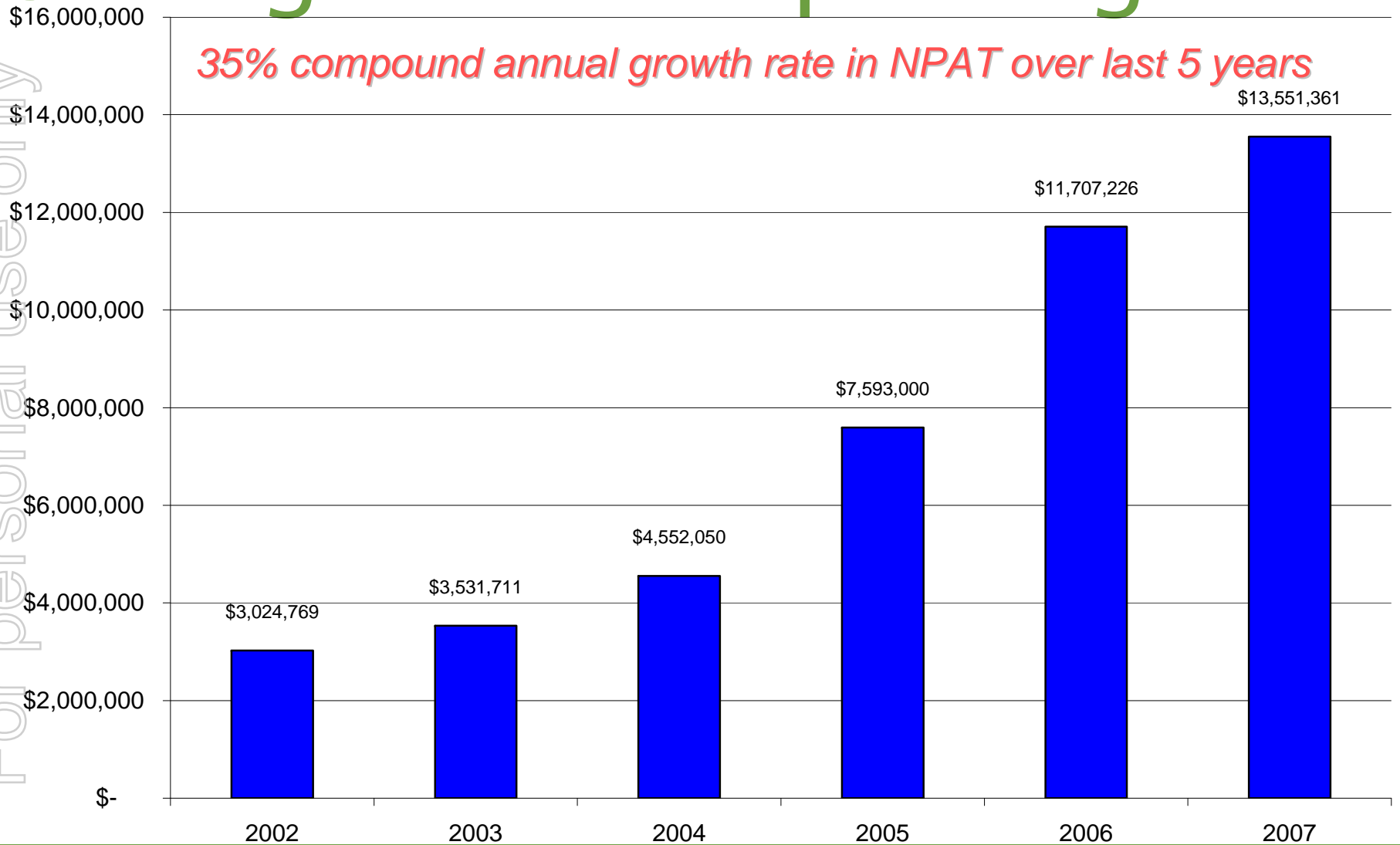
# Margin return

	2004	2005	2006	2007
<b>Operating Margin (EBIT as percentage of revenue)</b>	<b>3.9%</b>	<b>4.8%</b>	<b>6.3%</b>	<b>6.7%</b>
<b>Gross Margin or Net Disposable Revenue (NDR)</b> <i>Million \$</i>	<b>32.1</b>	<b>41.9</b>	<b>60.7</b>	<b>69.6</b>
<b>EBITDA</b> <i>Million \$</i>	<b>8.6</b>	<b>12.5</b>	<b>18.7 *</b>	<b>21.6</b>
<b>EBITDA margin on Gross Margin or NDR %</b>	<b>26.9%</b>	<b>29.9%</b>	<b>30.8%</b>	<b>31.0%</b>
<b>Income Per Share (excluding interest, tax, depreciation)</b> <i>cents</i>	<b>22.5</b>	<b>29.2</b>	<b>38.6</b>	<b>41.4</b>

\* Includes an adjustment \$0.1m to 2006 accounts to achieve common method for employee share option valuation

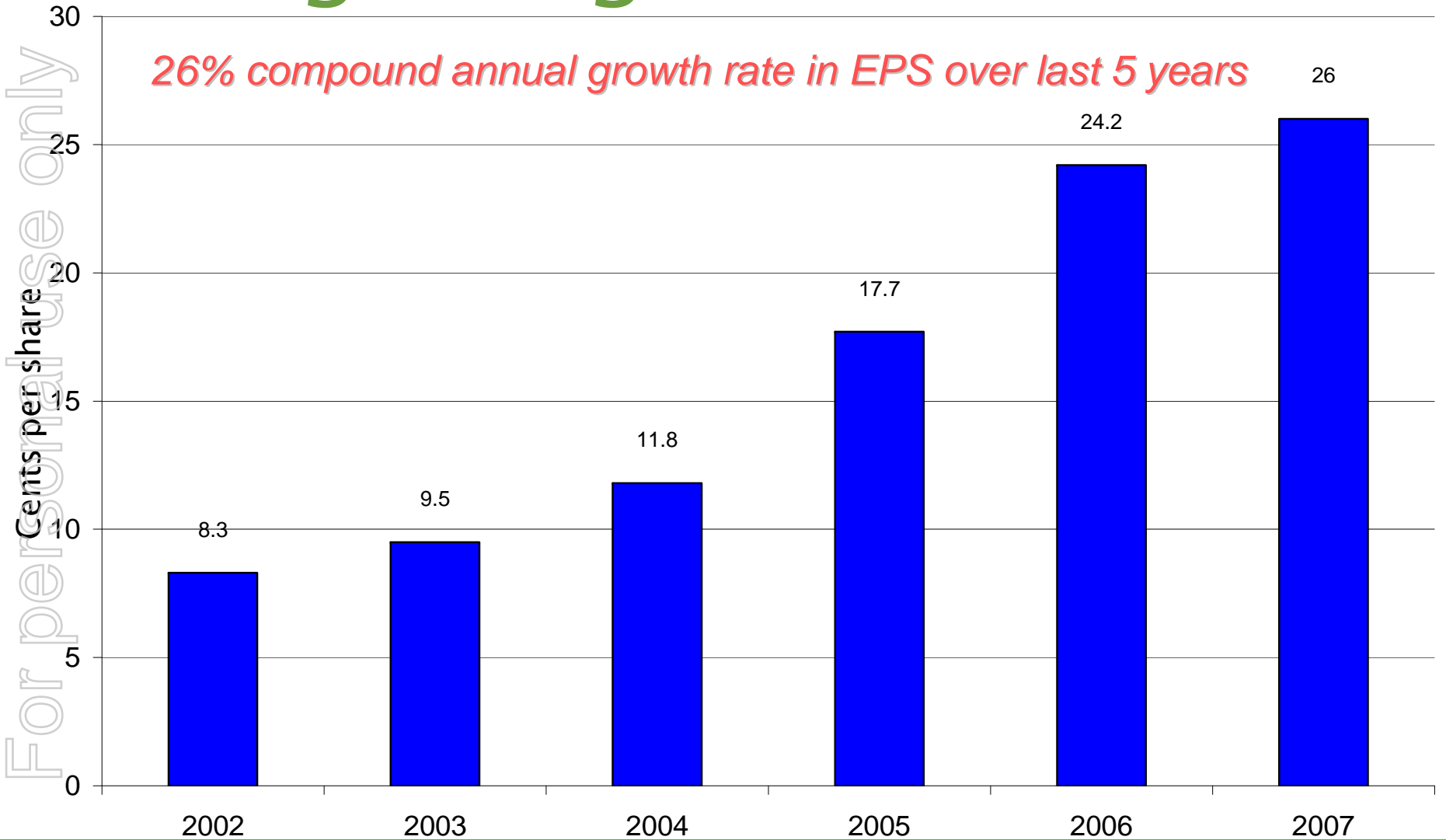
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# Strong after tax profit growth

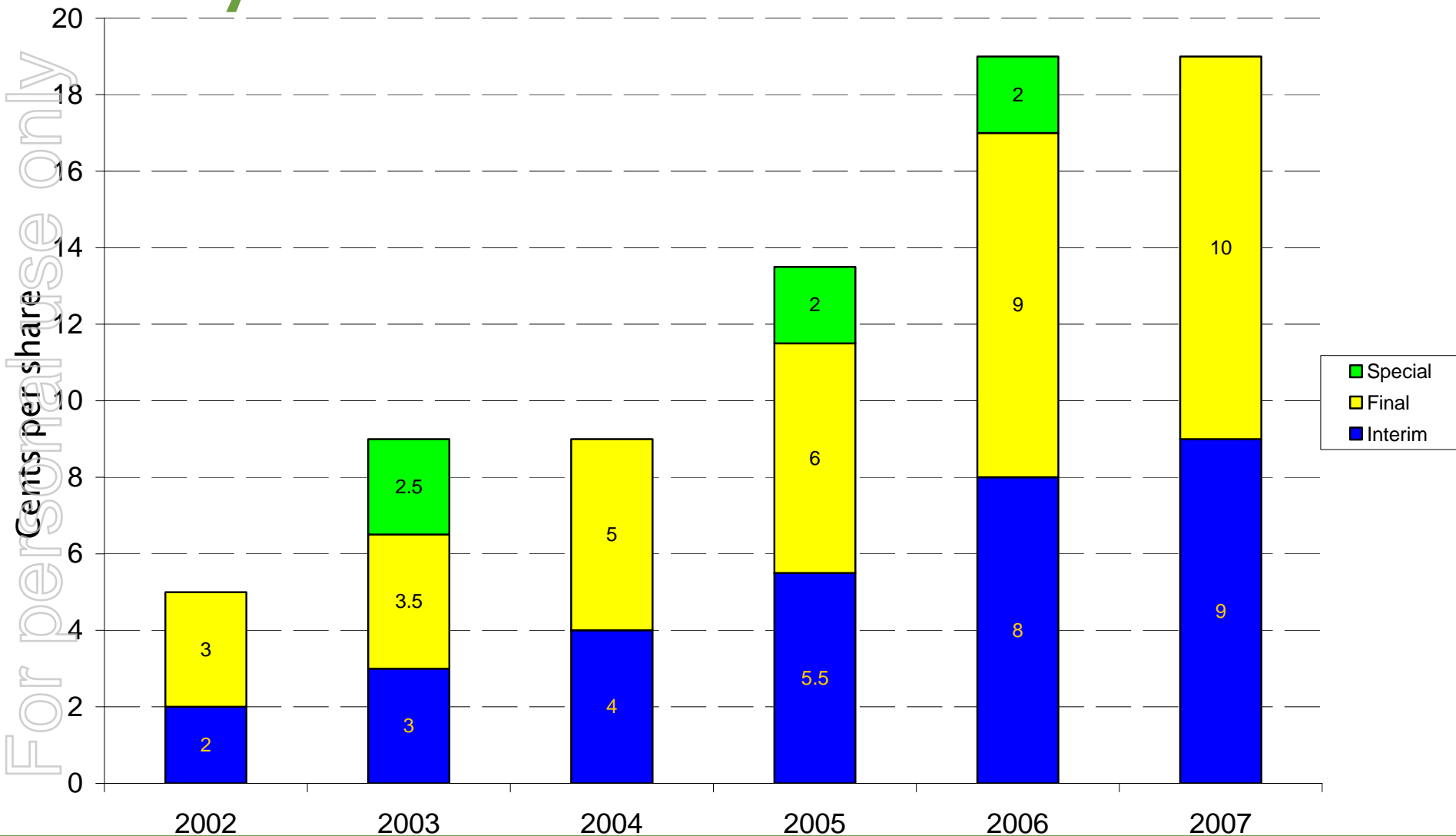


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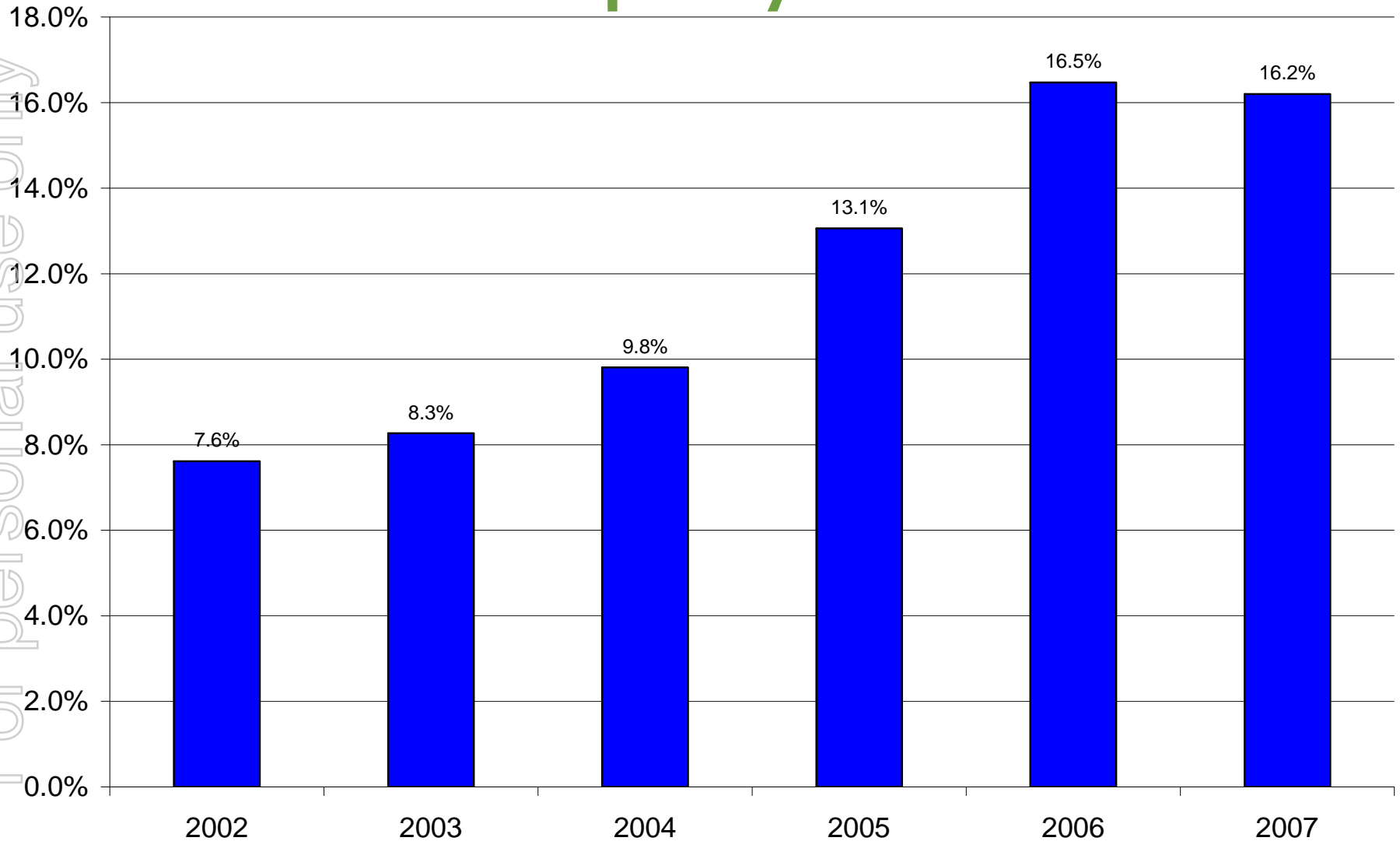
# Strong EPS growth



# Fully franked dividends

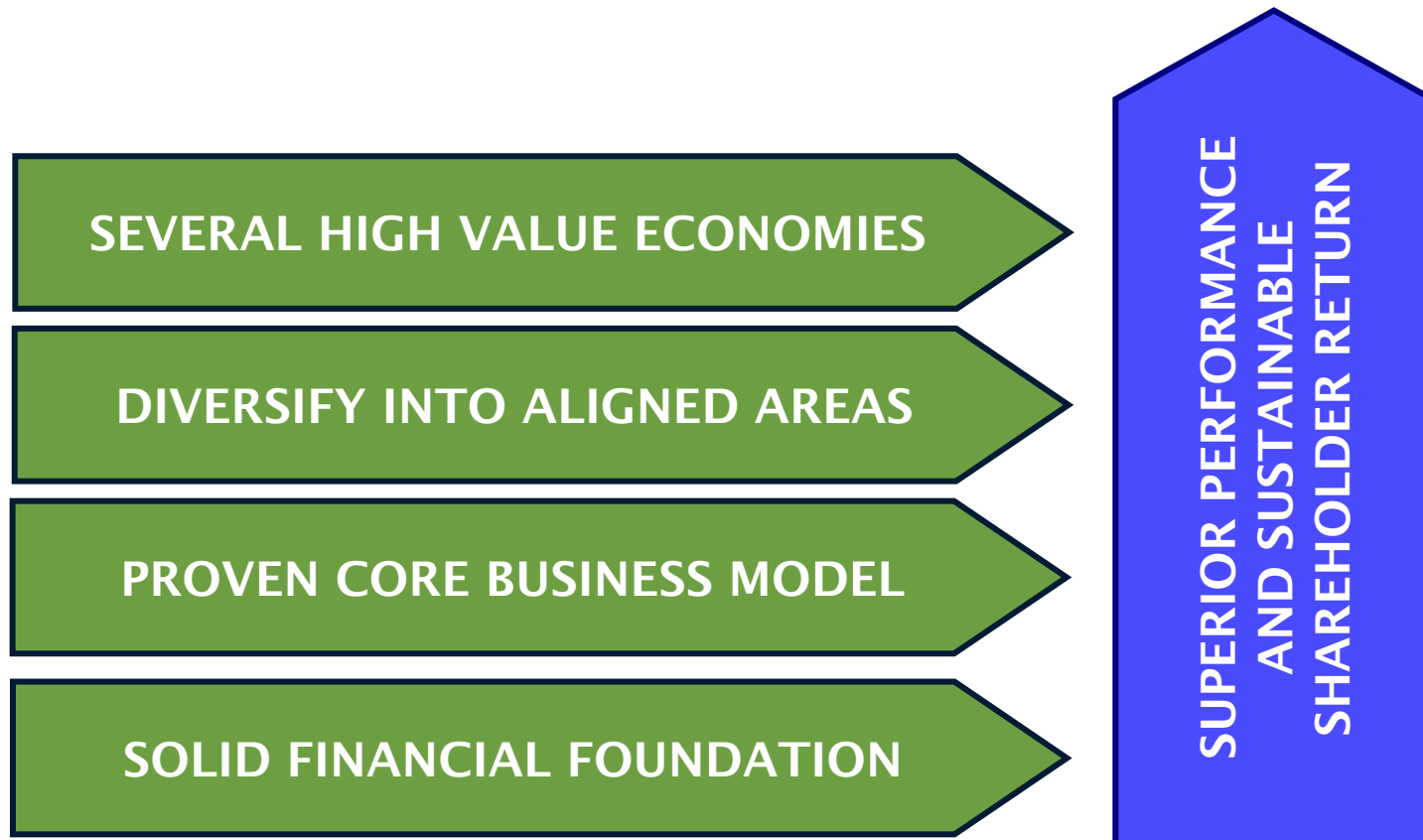


# Return on Equity



# Business model

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# Strategy for ongoing success

- Preserve core recruitment model
  - Add to existing lines and new lines by organic expansion and acquisition
- Diversify across economic zones
  - Ensure income derived from multiple economic areas and expand into new geographic locations
- Diversify into “near-by” areas of expertise
  - Leverage current assets (locations, clients etc.)
  - Acquire and retain new talent
- Strict governance and financial discipline

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# Post balance date events

- New Managing Director
  - Diana Eilert – experienced manager working with very experienced team
- Acquired JAV IT Group, IT services business
  - Low risk, high margins
  - Peers trade on > 16x multiples
  - Leverages existing assets and clients
- Acquired Reality Check
  - Pre-employment screening
  - Huge market potential
  - New and existing clients

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# Current Initiatives

- Leverage knowledge of IT markets
  - Diversification into IT services via JAV IT Group
  - Focus on major corporations and integrators
  - Leverages Candle's assets including client base
- Overseas expansion
  - Further growth in Asia Pacific region
  - Expansion of operations
  - Expansion of brands
- Service the 'in house' recruitment market
  - New revenue streams based on term contracts
  - Pre-employment screening

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# CND: compelling investment

- Sound macro economic conditions
- Proven business model with outstanding returns
- Experienced management who know the industry
- Diversified incomes across many geographies
- Low risk 'blue chip' client base
- No net debt & strong balance sheet
- Proven ability to execute with 24 year history
- Positive operating cash flow
- Organic growth underpins company success
- Proven acquisition model which delivers value
- 70-80% earnings as franked dividends

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# Outlook

- Expect macro conditions for employment services to remain in demand across all economic zones
- Expect demand for ICT, accounting, banking, finance and executive talent to remain strong
- Expect to diversify recruitment 'lines of business'
- Improved efficiencies as a result of "project refresh"
- Launch new and innovative services in the RPO market
- Organic expansion of lines of business; more staff and offices
- Continued focus on quality acquisitions within the region
- Active diversification around the core services model
- Profit and earnings per share growth to continue

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# Appendix: Valuation table

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<b>Shares on Issue</b>	<b>53.4 million</b>
<b>Share Price (24/8/07)</b>	<b>\$3.48</b>
<b>Market Capitalisation</b>	<b>\$186 million</b>
<b>Net Debt/Cash (-)</b>	<b>\$0.1 million surplus</b>
<b>Enterprise Value</b>	<b>\$186 million</b>
<b>EBITDA</b>	<b>\$21.6 million</b>
<b>EBITDA/EV multiple</b>	<b>8.6 times</b>
<b>EPS</b>	<b>26 cents</b>
<b>Price Earnings Ratio (historical earnings)</b>	<b>13.4 times</b>
<b>Dividend per share (fully franked)</b>	<b>19 cents</b>
<b>Yield (tax paid at 30c in \$)</b>	<b>5.5%</b>

# Disclaimer

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