



Turnaround

PRESS RELEASE
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Subject A Year in Review

Wow, what a year..... 2008 was the epitome of the rollercoaster ride that is the recruitment industry.

The fruitful first half of the year led to a number of agencies developing their businesses and growing in consultant numbers, opening new offices and developing new service lines, diversifying and paying decent multiples for targeted acquisitions.

Positive optimism was maintained into the new Financial Year, however, the global economic crisis has hit, those still in denial of this won't be in business in 12 months time to speak about how they didn't know what all the talk was about. Consensus is, "it's not going to get any better over the next 6 months".

Admittedly, as none of us have crystal balls, no one can confidently say how 2009 will pan out, but most believe it will be at least March / April next year before any of us can put a handle on the state of the market to gauge how the rest of next year will go.

The last couple of months have seen many recruitment agencies start their first and second rounds of redundancies. With Hudson, Ambition, Aquent, Chandler Macleod and Link making redundancies, to name but a few.

Performance for consultants, managers and teams will therefore be monitored more closely than ever for the duration of 2009. Consultants working for recruitment companies that are now pushing activities harder than ever before are the lucky ones, as those working for companies that aren't wont be working at all in the near future. Additionally, should you think you that your job is getting hard and not as enjoyable as it once was, tough luck, it's going to get harder and is going to be as hard if not harder elsewhere for the next 12 months, so you must get ready and be willing to fight to survive.

So what developments will 2009 hold for consultants, start ups, new service lines and acquisitions?

As a consultant, if you are running at above 80% of your budget / numbers / activities, you should be safe. If you are however below 80%, look out, as should the company you are working for identify someone else that can come in and take over your desk who they are confident will be up and above 80% in a short period of time, it will be an easy decision for them to make.

Start ups beware, we have all heard about starting a business in a down turn gives the opportunity to take market share etc etc. However now is the absolute wrong time to start a new business. Over the last 3 months we have experienced many business owners coming to us that have been up and running for less than 18 months and are now desperately wanting out. We touched on earlier how it will be at least March / April next year before anyone can actually understand where this market is and therefore starting a business before then would be commercial suicide.

We have spoken with a number of established recruitment companies who have said they simply have to push forward with opening new offices and new service lines in 2009 because their current business costs have been factored whilst times were good on the potential future revenues to be generated by their new offices / service lines, admitting if they don't push forward, they wont survive. (ummm, how reassuring!)

The beginning of 2008 was a great year for acquisitions or at least for those who were selling their businesses. The two stand outs of the year being Ambit and Gemteq. The Butters brothers achieved an even greater ICONic result in selling Ambit to Peoplebank for \$100 million. While the Gemteq boys can't have stopped rubbing their hands together and smiling with joy from the \$40 million deal they struck with Rubicor at a 4 or 5 times multiple having a temp business consisting of less than 25% of new revenue.

2009 will see the acquisition market heat up, however it will be the buyers now getting to good deals with agencies feeling the pinch and acquisition being the only way out for some at whatever multiple may be on the table. Interesting times ahead!!!

Some say the market change has long been required to wash through the industry, cleansing it of some of the less reputable players. The truth is however, many of those that will be lost over the next 12 months will be the good guys of the industry that work with such high ethics and professionalism they often loose out commercially getting the placements over the line to their cut throat competitors.

In the recession of the early 90's, over half the recruitment agencies in Australia were lost through liquidation and consolidation. For all of our sakes we truly hope this doesn't happen again and without that crystal ball all we can suggest is to pull up your socks and be ready to fight harder than ever so

the company you are working for can live on to speak about the tough times it faced in the year 2009.