

# Training wins recruits

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The performance of the recruitment sector in 2005 could best be described as mixed, which is surprising given the strong levels of employment and the demand for skilled labour.

The share price performance of entrants such as Chandler Macleod and Peoplebank has been lacklustre, while strong growth in the online employment market has bolstered confidence in Seek.

Since Seek listed on the Australian Stock Exchange in April 2005, its share price has risen 50 per cent, and the stock is now trading on a price-earnings ratio of about 30 times 2005-06 consensus forecasts.

But it is important to recognise that Seek is not the only company with exposure to the online employment market, and online recruitment is only one of a number of growth areas for the industry.

One of the more important developments has been a move by recruitment companies to provide training programs.

Demand has accelerated for the training of employees in workplace health and safety, compliance, regulation and financial services. Government subsidies are provided for many of the courses.

Catalyst Recruitment managing director George Zammit believes training services have become an integral part of human resources management.

Catalyst purchased MindAtlas in August 2005 hoping to establish a strong presence in the training industry, and Zammit is now running the slide rule across a few potential acquisitions.

MindAtlas is an established provider of learning solutions and provides module-based training online or face to face.

It is a registered training organisation that issues nationally recognised certificate qualifications in vocational education.

While MindAtlas has a strong client base that includes BP, JB Hi-Fi and Sakata, the benefits of tapping into the 3000 companies that Catalyst services through its existing businesses should substantially increase the company's client base.

Catalyst should also benefit from cross-selling opportunities.

Zammit says substantial growth can be achieved by increasing MindAtlas's product offering.

MindAtlas was Catalyst's eighth acquisition since 2001.

Since 2002, the company has recorded three years of back-to-back profit growth and earnings per share has more than doubled. Revenue has also doubled since Zammit set out on the acquisition trail in 2001.

In 2006, management expects MindAtlas to contribute \$1.5 million towards earnings before interest and tax - or about 30 per cent of group EBIT.

Based on these forecasts, Catalyst's earnings per share in 2005-06 should be about 8¢, for a price-earnings ratio of 10.5 times.

Catalyst has a history of paying strong dividends.

In 2004-05 a special dividend of 4¢ brought the full-year dividend to 8.5¢, giving a yield of 10 per cent based on the company's current share price of 75¢.

Management has expressed a desire to continue returning cash to shareholders, unless other strategic objectives take precedence.

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## Company history

\*December 1990: Company formed by Tony Beddison, Paul Veitn and George Zammit as a provider of recruitment services

\*June 1999: Floated on ASX

\*December 2002: Acquired the majority of recruitment and labour hire operations from rival Atria

\*May 2003: Completed acquisition of Premium Group

\*Feb 2004: Acquired Townsville operations of Kanlodge

\*July 2004: Acquired Canberra recruitment operations of The Green Green Group

\*Dec 2004: Acquired Tasmanian-based Jet Personnel Recruitment

\*August 2005: Acquired MindAtlas

