

## **RUN RELEASES HALF YEAR RESULTS**

### ***COMPANY STABILISED & LOOKING TOWARDS GROWTH***

RUN Corp Limited (RUN), Australia's largest specialist property management company, today released the company's results for the half year ended 31 December 2006.

Chief Executive Officer Mr Nathan Cher said that in the last six months, RUN had successfully overcome the operational hurdles it faced last year and was now looking to move ahead in 2007.

A key highlight of the six month period was the completion of the stabilisation program which was announced last April. Mr Cher said this program has resulted in high customer satisfaction levels, increased branding in the marketplace and major cost reductions. With the company now operationally stable, he said he expected RUN to move to a monthly breakeven operating cash flow position during the last quarter of the financial year ending June 2007 as indicated last August.

#### **KEY TARGETS ACHIEVED IN LAST SIX MONTHS**

Mr Cher said that RUN had achieved a number of key targets in the last six months including:

##### **1. Completion of decentralisation program**

RUN had completed its decentralisation program on time and within budget. The company's lease on the former central Port Melbourne site had expired and customer service teams were now operating from eight RUN branded suburban offices in Carlton, Clifton Hill, Essendon, Hawthorn, Malvern East, Mount Waverley, Prahran and Richmond. Staff providing shared services, including IT, finance and administration functions, are based in the Prahran office.

In Sydney, RUN had refurbished or opened new customer service offices in six suburbs - Artarmon, Bondi Beach, Edgecliff, Hurstville, Ryde, St Leonards - as well as in the CBD; and in Brisbane, four offices were operating in Coorparoo, Nundah, Springwood and Toowong.

"RUN now has qualified property managers and leasing consultants in 19 customer service outlets in prime rental areas throughout Melbourne, Sydney and Brisbane. This gives us the largest retail presence of any property management company in Australia," said Mr Cher.

Mr Cher said the decentralisation program had been very well received by both property owners and tenants. "Customer satisfaction feedback is very high," he said.

## **2. Finalisation of rent roll integration**

The company had successfully migrated all Victorian and New South Wales residential properties on to its unique property management system which is called RUN Property Management (RPM).

Mr Cher said that RPM as a Customer Relationship Management platform had the ability to store more data than any other property management system on the market and to update property records instantaneously for immediate use by all RUN managers and property owners.

"As such, RPM gives RUN a unique competitive advantage in customer service management, delivery, new product roll-out and back end office processing which cannot be matched in this country," he said.

## **3. Launch of RUNonline**

Mr Cher said that RUN had made excellent progress with a number of technological innovations designed to enhance customer service levels.

One example of this was **RUNonline**, a free web based management tool for RUN property owners, which had been launched last September. This service enables property owners to check statements, review invoices and payments and examine property photographs online.

Mr Cher said this service had proved to be very popular with RUN owners with over 1,450 signing up as registered users.

## **4. Launch of RUN Rental Alert Service**

The company had also introduced a unique search management tool for tenants last October called Run Rental Alert Service. This automatically alerts registered prospective tenants on a daily basis to property vacancies which match their search criteria and it also advertises open for inspection times.

"There has been a massive take up of this service," said Mr Cher. "Over 23,500 tenants have used it since it was introduced last year and we currently have over 4,000 active alerts registered."

## **5. Increases in income**

RUN had programmatically moved through its property portfolio to ensure that all rents were in line with current market values.

"In today's very tight rental market, rents are rising significantly," said Mr Cher. "This is good news for RUN because our commission income is charged at a fixed percentage of rents, so as rents go up, there's a corresponding increase in commission which requires practically no additional outlay or resources. We are continuing to review the portfolio on a regular basis."

## **6. Reductions in overheads & staff costs**

RUN had significantly improved operating efficiencies in the six month period as a result of completing integration of its Victorian and NSW rent rolls, reducing overheads, streamlining operational processes and restructuring staff functions.

Staffing levels had been managed down by a further 28 per cent from their 2006 levels with a reduction in total staff numbers from 308 to 260 full time equivalents in the six month period to 31 December 2006.

## **7. New business development strategies**

RUN had implemented a range of strategies in the six month period to stimulate organic growth including the establishment of professional 'new business development' teams in Melbourne, Brisbane and Sydney.

Mr Cher said that these teams had signed up over 400 new properties to RUN in the last three months.

"We are very pleased with these results and expect the number of new property owners signing on with RUN to increase steadily over the next six months," he said.

## **PROPERTIES UNDER MANAGEMENT**

RUN had 19,878 properties under management as at 31 December 2006 and company revenue had been supported by higher average weekly rentals (three per cent higher than 30 June 2006), lower vacancy rates and higher other revenue streams.

Mr Cher said that RUN had successfully stabilised property retention levels during the December quarter as a result of achieving high customer satisfaction levels and increased brand awareness in the marketplace.

## **FINANCIAL RESULTS**

Mr Cher said that RUN during the six months to 31 December, RUN had tracked in line with internal budgets and milestones that had previously been released to the market.

Total revenue for the six month period was \$12.8 million, with \$9.9 million generated from property management commission income with the balance relating to letting fees, sales commission, other ancillary income and interest income.

Total EBITDA loss for the half year was \$0.2 million, with an EBITDA profit achieved for the December 2006 quarter. The improvement from the EBITDA loss of \$2.5 million for the previous half year ended June 2006 was a direct result of the successful stabilisation of the business and the impact of a major cost reduction program.

The consolidated loss for the half year, after income tax, was \$3.1 million. This represented a significant reduction from the loss in the previous half year to June 2006 of \$13.4 million.

The consolidated loss for the half year, before income tax, was \$4.4 million which included non-cash amortisation expenses and depreciation of \$2.6 million.

At 31 December 2006, the Group had bank debt of \$42 million with \$1.8 million cash on deposit. In addition, unused bank facilities were \$1.4 million.

## **OUTLOOK**

Mr Cher said: "I am confident that we have successfully overcome the operational hurdles we encountered in 2006.

"I believe that due to the organisational restructure and a range of customer service and business development initiatives introduced over the last six months, RUN's foundations are now solid.

"Looking ahead, the company is projecting a monthly breakeven operating cash flow position during the last quarter of the financial year ending June 2007. This is based on forecast ongoing improvements in new business development, maintenance of lower property attrition levels and further enhancements to organic growth.

"Today, we are continually receiving feedback from RUN property owners and tenants who are enthusiastic about the top quality local service we are providing. In addition, we have the biggest branded retail presence of any property management company in the country and our unique technology systems are producing cost and time efficiencies which our competitors simply can't match.

"All the right pieces are now in place for RUN to move forward and fulfil its potential as the pre-eminent property management company in this country.

"To help further develop new growth opportunities, fund ongoing working capital and reduce bank debt, the Board is continuing to work towards its previously announced capital raising program. This is likely to be in the range of \$6 million to \$10 million during the June 2007 half year," he said.

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