

ASX ANNOUNCEMENT

30 August 2018

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2018

The Directors of Clarius Group Limited (CND) today released the audited financial results for the year ended 30 June 2018.

Financial Summary

- Revenue decreased 7.2% to \$142,236k (2017: \$153,282k)
- Gross profit decreased 1.3% to \$32,209k (2017: \$32,627k)
- Gross profit margin improved to 22.6% (2017: 21.3%)
- Loss for the year after tax decreased 31.1% to \$2,566k (2017: \$3,724k loss)
- Employee benefits expense reduced by 9.0%
- Operating rental expense reduced by 6.2%
- Operating cash inflow improved to \$4,117k (2017: \$239k)
- Cash balance improved 55.6% to \$2,782k (2017: \$1,788k)
- Debtor finance facility utilised decreased by 80.7% to \$628k (2017: \$3,253k)
- Net cash/(debt) improved 247.0% to \$2,154k net cash (2017: \$1,465k net debt)
- Net assets were \$14,075k (2017: \$16,591k)
- Gearing was zero (2017: 8.1%)
- No final dividend was declared

Operational Review

Revenue from the Australia and New Zealand Specialist Recruitment business trading as “Ignite” declined 8.8% in the 2018 financial year from \$130,460k to \$118,964k. This reduction was driven by the decline in revenue from the loss of two large payrolling services contracts during the year.

Despite the decline in revenue there were several stand out performances during the year, namely:

- Profit before corporate overheads and tax improved 14.7% in the 2018 financial year from \$3,366k to \$3,859k. This was consistent with our goal to either improve or rationalise low margin customer contracts.
- Our Australian Capital Territory office continued to perform strongly, delivering a profit before corporate overheads and tax up 26% on 2017.
- Under new leadership our Victorian business returned to profitability before corporate overheads and tax for the first time in many years.

The Australian operations bolstered execution of its strategy with the appointment of three experienced general managers in the core east coast states of Victoria, New South Wales and Queensland. These new leaders collectively add over seventy years of recruitment and operational experience to our Australian executive team.

Revenue from the On Demand Business declined 4.0% from \$9,778k to \$9,386k due to the completion of projects from the previous financial year and delays in the ramp-up of new projects awarded in 2018. However, profit before corporate overheads and tax remained flat at \$526k (2017: \$527k).

The China Specialist Recruitment business, trading as “Lloyd Morgan”, grew revenue 8.4% from \$10,347k to \$11,212k, while overall profit before corporate overheads and tax dropped from 3.0% to 1.1% of revenue due to higher than normal professional fees, consulting fees and long-term performance incentive accruals.

Strategy Review

The initiatives undertaken over the last twelve months, aligned with our 2020 “Back in Black” strategy, have delivered major operational improvements and generated ongoing positive momentum during the 2018 financial year.

Our “Back in Black” strategic plan focuses on three core areas:

- Retaining, supporting and servicing the needs of our current customers and candidates.
- Acquiring new customers to deliver revenue and margin upside for the organisation.
- Developing organisational efficiencies in the back office and front office recruitment processes.

The initiatives we have delivered over the last twelve months include:

- Continued implementation of the strategic plans for the four operating segments: Specialist Recruitment, On Demand and People Services in Australia and New Zealand and Specialist Recruitment in China.
- Enhancement of our front office recruitment processes and cross-business unit revenue opportunities through the implementation of an industry-leading applicant tracking system which reduced eighteen candidate databases to one.
- Implementation of a new payroll and billing system which has improved our back office efficiencies and productivity.
- Recruitment of an experienced Australian leadership team capable of motivating our people to deliver improved operating results.

Innovation, focused on developing efficiencies in the back office and front office recruitment processes, will form a critical component of our strategy for the 2019 financial year.

Our strategic focus on people will be strengthened further in the 2019 financial year. Our online training platform, including our recently launched online induction program, will be complemented by intensive recruitment training.

In the 2019 financial year our Australia/New Zealand Special Recruitment business will be supported by a full complement of highly experienced general managers. Our China operations provide us with a unique and strategic footprint from which to continue to expand our market presence. Similarly, our On Demand business unit represents a specialised pillar of growth.

The combination of our China operations, On Demand service offering and deep vertical expertise, including large-scale Australia and New Zealand contracting capabilities, creates a truly differentiated brand in each of the markets in which we operate.

Our leadership additions, along with our successful transformation work undertaken to date, gives us great confidence that we have the ability to attract and train the most suitable people to further grow our existing teams and achieve our “Back in Black” strategy.

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Shareholder and Analyst Enquiries

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About Ignite

Clarius Group Limited trading as Ignite (ASX: CND) is a company limited by shares, incorporated and domiciled in Australia and listed on the Australian Securities Exchange.

For more than 30 years the Company has been using its deep industry expertise and extensive relationships to unite permanent, contract and temporary workers with government, non-government entities and private clients of all sizes throughout the Asia Pacific region. In Australia, these segments are Specialist Recruitment, On Demand and People Services whilst in China the Group focuses solely on Specialist Recruitment.

The Company operates in 11 cities across Australia and China and employs more than 250 people.

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Clarius Group Limited trading as Ignite

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