2021

IGNITE LIMITED

APPENDIX 4D

PRELIMINARY HALF YEAR REPORT

31 DECEMBER 2020

ABN 43 002 724 334

Lodged with ASX under Listing Rule 4.2A.3

www.igniteco.com

REPORT PERIOD

Reporting period:	Previous corresponding period:
1 July 2020 – 31 December 2020	1 July 2019 – 31 December 2019

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Description	**31 Dec 2020 $000**	**31 Dec 2019 $000**	**Change $000**	**Change %**
Revenue from ordinary activities	56,743	70,033	(13,290)	(19.0)
Profit/ (loss) from ordinary activities after tax attributable to members	2,219	(4,992)	7,211	144.5
Net profit/ (loss) for the period attributable to members	2,219	(4,992)	7,211	144.5

	31 Dec 2020 Cents	**31 Dec 2019 Cents**	**Change Cents**	**Change %**
Net tangible assets per share[1]	5.73	4.56	1.17	25.7

1. Net tangible assets = Net assets less intangible assets

BUSINESS REVIEW

During the half year ended 31 December 2020 Ignite Limited (the "Company") and its controlled entities (the "Group") generated a profit from ordinary activities after income tax of $2,219k (31 December 2019: loss of $4,992k), a 144.5% improvement on the comparative period (which included the results for the China operations until their disposal on 18 November 2019).

Profit from continuing operations after income tax of $2,219k (31 December 2019: loss of $2,497k), represented a 188.9% improvement on the comparative period. The current period included the Australian Federal Government JobKeeper Payment subsidy of $2,607k which was recognised in "other income". Excluding the JobKeeper Payment subsidy the result was a normalised operating loss from continuing operations of $388k (31 December 2019: loss of $2,497k), representing an 84.5% improvement on the comparative period.

Revenue from continuing operations decreased 16.6% to $56,743k (31 December 2019: $68,001k) while gross profit from continuing operations decreased 26.9% to $6,515k (31 December 2019: $8,914k) and the gross profit margin decreased from 13.11% to 11.48%. The revenue and gross profit decline were primarily due to the loss of customers, with some reduced demand from continuing customers, as well as reduced demand for permanent recruitment as a consequence of COVID-19. The greater gross profit decline relative to the revenue decline was due to the revenue mix with a lower contribution from high margin permanent placement revenue and On Demand IT Services and People Services revenues.

Employee benefits expense decreased 33.3% due to reduced headcount and salaries as well as lower commission expense. Occupancy expense decreased 65.2% following the relocation of several offices in the prior financial year to more cost-efficient premises. Depreciation and amortisation expense also decreased 47.0% due to the expiry and impairment of property right-of-use assets in the prior financial year. Other expenses were down 45.3% on the comparative period due to savings across a range of items including audit fees, consulting fees, marketing, travel and entertainment, software licenses and subscriptions.

BUSINESS REVIEW (continued)

Despite the decreases in revenue and gross profit for continuing operations relative to the comparative period, the normalised operating loss of $388k, after excluding the JobKeeper Payment subsidy, represented the strongest half year result in nine years. The result reflected the significant inroads achieved during the prior financial year in rationalising the Group's fixed infrastructure costs, including labour and property.

The Specialist Recruitment business contributed a profit before tax and corporate overheads of $1,950k versus $1,102k in the comparative period. This 77.0% increase reflected a significant reduction in operating expenses including a 39.1% reduction in employee benefits expense and a 74.3% reduction in occupancy expense, offset by a 14.5% reduction in contingent labour revenue and a 66.4% reduction in permanent recruitment revenue due to the impact of COVID-19.

In NSW, new leadership, an ongoing focus on consultant performance and productivity and the rationalisation of labour and property infrastructure costs delivered a 150.0% increase in profit before tax and corporate overheads versus a loss in the comparative period. The office relocations in the Sydney CBD and Western Sydney in the prior financial year have delivered financial benefits in the half year, including a 72.0% reduction in occupancy expense on the comparative period.

The relocation of the Melbourne office and impairment of the Brisbane office lease in the prior financial year as well as the surrender of the Southern Sydney office lease in the September 2020 quarter resulted in a 47.0% decrease in depreciation and amortisation expense against the comparative period.

In the ACT there was a 29.0% increase in profit before tax and corporate overheads and it continued to be the strongest performing business unit with significant revenue growth against the comparative period.

The On Demand IT Services business recorded a profit before tax and corporate overheads of $425k in the half year, a 237.3% increase on the comparative period. The improvement reflected a 36.5% reduction in employee benefits expense and a 21.1% reduction in other expenses, together with a 6.2% increase in gross profit. COVID-19 had a major impact on customers with a number of contracts delayed or cancelled or the volume of services required significantly reduced as a consequence of lower end-user demand.

The People Services business delivered a profit before tax and corporate overheads of $60k, a 90.5% decrease on the comparative period. This reflected a 54.6% decrease in revenue and a decline in the profit margin before tax and corporate overheads from 62.3% to 50.1% due to the customer and project mix in the half year. These unfavourable movements reflected the generally lower volume of work due to the delay in the release of the Federal Government budget as well as several ongoing project delays due to COVID-19. Following the release of the Federal Government budget, the business saw a significant increase in tender requests from its largely Federal Government department customers and completed a number of tender submissions in December 2020.

Net corporate overheads decreased $1,571k (36.1%) against the comparative period. This was mainly due to headcount reductions and associated salary and on cost savings as well as reductions in other operating expenses, including a 61.6% reduction in occupancy expense due to office relocations, a 54.0% reduction in finance costs due to lower utilisation of the debtor finance facility, and a 48.1% reduction in other expenses arising from reductions in various items including audit fees, consulting and legal fees, software licenses and subscriptions.

THE HALF YEAR AHEAD

The Group has commenced the second half of the financial year confidently and believes it is well positioned to benefit from the anticipated improvements in economic and trading conditions following the impact of COVID-19 in the first half, as well as the delayed issue of the Federal Government budget.

The inroads made during the prior financial year in exiting the China business and rationalising the Group's fixed infrastructure costs, including labour and property, began to deliver benefits at earnings before interest and tax in the first half despite the impact of COVID-19 on revenue and gross profit. These financial benefits will continue to be realised in the second half of the financial year.

The Group expects the strengthening customer demand for contingent labour experienced at the end of the December quarter to continue during the March quarter and into the June quarter as contractors return from leave, customers re-open offices and health, economic and trading conditions continue to improve in key markets.

In the Specialist Recruitment division, customer demand for contingent labour services is trending positively and the second half forecast anticipates strong revenue growth led by the ACT division. The NSW and Victorian divisions are forecasting volume increases in permanent recruitment as business confidence in those states continues to improve, though are currently not expected to exceed their pre-COVID-19 levels this financial year. The ACT division is forecast to deliver a strong result in the second half versus the first half of the financial year with strong contingent labour revenues from its Federal Government customers compensating for lower permanent recruitment revenues. As a result of the forecast volume increase, all divisions are currently interviewing and hiring new consultants to join the Group in the March quarter.

The On Demand IT Services division continues to work with existing customers on developing and delivering a number of new projects in the second half as several large end-user customers examine their longer term requirements.

The second half of each financial year has traditionally been the strongest trading half for People Services and the team are very positive about the opportunities for success over the coming months following the submission of a number of tenders in December and January for its predominantly Federal Government customers which are expected to be awarded shortly.

The Group is reviewing its short to medium term office facility requirements post-COVID-19, in conjunction with tele-commuting and remote working options for its permanent staff, which may result in further rationalisation of occupancy expenses while also providing permanent staff with greater flexibility and improved work-life balance.

Federal and State Government COVID-19 related public health notices and guidelines continue to be monitored and adhered to as far as they impact permanent staff and customer facing contractors.

Subsequent to the end of the reporting period the Group successfully extended its debtor finance facility with Scottish Pacific Business Finance for a further twelve months such that it will now expire on 20 February 2023.

The search for a new industry-experienced Chief Executive Officer concluded in February 2021 with the announcement that Mr Tim Moran would be joining the Group in early March 2021. Mr Moran was most recently the Asia-Pacific Regional Director for SThree, where he had held various senior roles since 2009.

THE HALF YEAR AHEAD (continued)

As Asia-Pacific Regional Director, Mr Moran had full responsibility for the day-to-day operations and business strategies of SThree as well as its portfolio of specialist recruitment brands within the Asia Pacific region. SThree is a leading multi-brand international staffing company providing specialist contract and permanent recruitment services in the STEM (Science, Technology, Engineering and Mathematics) sector. Prior to SThree, Mr Moran worked for Michael Page Group as Manager – Finance from 2002 until 2009.

Mr Garry Sladden, currently the Executive Chairman of the Group, will return to being Non-Executive Chairman following a short handover period with Mr Moran.

After the best half year financial performance in nine years, the key focus areas for the second half are to:

- Induct a new Chief Executive Officer and develop detailed 3 and 5 year strategic growth plans;
- Continue driving efficiencies and rationalisation in labour and property infrastructure costs;
- Continue attracting high-quality recruitment consultants;
- Continue working closely with current Federal and State Government customers positioning the Group as a leading provider of contingent labour and permanent recruitment services; and
- Retain and grow the contingent labour workforce.

As such, despite the ongoing impact of COVID-19, and assuming no significant worsening in community health and safety from COVID-19 subsequent to the date of this report, the Directors continue to remain cautiously optimistic about the outlook for the Group and its full year financial performance. All business units and staff are confident that the first half positive momentum will continue through the second half of the financial year delivering value for shareholders.

DETAILS OF ENTITIES OVER WHICH CONTROL HAS BEEN LOST

During the half year ended 31 December 2020 the Company's wholly owned non-operating Hong Kong subsidiary Lloyd Morgan Limited was deregistered.

ASSOCIATES AND JOINT VENTURES

The Company does not have any holdings in associates or joint ventures.

PARENT ENTITY

The ultimate parent entity and ultimate controlling entity within the consolidated entity is Ignite Limited. The condensed consolidated financial statements incorporate the assets, liabilities and results of the following controlled entities as at the reporting date.

				Equity Holding %[1]	
Entity Name	**Principal Activity**	**Country of Incorporation**	**Class of Shares**	**31 Dec 2020**	**31 Dec 2019**
Ignite New Zealand Holdings Limited	Holding	New Zealand	Ordinary	100	100
Ignite IT Services Limited	Operating	New Zealand	Ordinary	100	100

1. The proportion of ownership interest is equal to the proportion of voting power held.

DIVIDENDS OR DIVIDEND DISTRIBUTION PLAN

On 23 February 2021 the Directors resolved not to declare an interim dividend for the half year ended 31 December 2020. No interim dividend was paid in the previous corresponding period.