



RECRUITMENT & TECHNOLOGY SOLUTIONS

2023

Annual General Meeting

21 November 2023

Executive Director's Update

Thank you for the opportunity to address you today at IGNITE's Annual General Meeting.

As noted in our Annual Report for the period ending 30 June 2023, the statutory result for the Group was a loss after income tax of \$1,549k as compared to loss after income tax of \$285k in the prior corresponding period. Clearly that was a very disappointing result.

I joined IGNITE as a Non-Executive Director in March 2022, and stepped into the business as an Executive Director in March 2023. I intend to provide you with an update on the steps taken and progress made as Executive Director, to turn around IGNITE's financial performance.

My key messages to all our people have been it is all about you our PEOPLE our CUSTOMERS, our CANDIDATES, and our SHAREHOLDERS. It is all about adopting a GROWTH MINDSET (as our goal is to be a top 3 provider to each of our State and Federal Government customers) and developing ONE WAY OF WORKING.

We are a Specialist Recruitment business in Technology, Engineering and Business Support with a small Managed Services business.

Importantly, all our people, have a significant part to play in our future success, whether they are a Leader, Business Manager, Account Manager, Resource or in our Shared Services team.

So, turning to **OUR PEOPLE**.

Pleasingly we achieved 96% participation in our May engagement survey, and a 71% engagement score. Most importantly, 98% of our people responded they know what they need to do to be successful in their role.

In support of our people, we are continuing to invest time, energy, and resources in on the desk coaching, learning and development, leadership development, recognition, and rewards.

In Q1 FY24, we have invested in Leaders26, Launch24, and Celebrate23. We also launched our new employee value proposition, which includes a commitment to forty hours of learning opportunities to support personalised career progression.

Our new employee value proposition has helped retain our people. We have achieved a 54% improvement in retention in the 4 months to 31 October 2023, as compared to the prior corresponding period.

We launched our Equity Incentive Scheme on 20 October 2023, to retain our tenured, high performing people, and to ensure alignment around creating shareholder value.

So, turning to **OUR CLIENTS and CANDIDATES**.

Specialist Recruitment is IGNITE's core business, serving State and Federal Government, in NSW and ACT. Our Specialist Recruitment business represents over 87% of the Group's gross margin, and our core disciplines are Technology, Engineering and Business Support. In addition, we continue to operate a small Managed Services business.

From a client and candidate perspective we continue to focus on Federal Government, where Ignite is a Top 10 provider (with our aim to be a Top 3 provider to each of our key customers). In Q1 FY24, we were pleased to be appointed to the People Panel Phase 2, for the whole of Federal Government from September 2023 to 30 June 2027.

We will work with commercial clients as and when partnership opportunities emerge. Customer demand for contingent labour and permanent recruitment remains positive for Specialist Recruitment.

Our Managed Services business was restructured in late 2022 and performed well during 2023. Following a tender submission in February 2023, we received news in June 2023 that our largest gross margin customer contract would not be renewed. This will negatively impact Managed Services in FY24, although it is not material to the overall Group.

In Q1 FY24, we have had some success growing our gross margins and volumes with several of our Top 20 Federal Government clients, in the Specialist Recruitment business.

By end H1 FY24 we will have completed a commercial review of all existing Specialist Recruitment and Managed Services customer contracts to assess opportunities to improve our gross margins and grow volumes.

Following the launch of our new branding and website on 30 June 2023, we have achieved a 208% increase in organic traffic in just four months, driven by our strategic content creation and SEO initiatives.

So, turning to **ONE WAY OF WORKING.**

We are developing one way of working across the Group regarding processes, systems, technology, and future innovations to support our people to make more placements.

Our leaders' focus is on ensuring all our Specialist Recruitment resources understand their productivity contribution and performance targets on a daily, weekly, monthly, quarterly, and annual basis.

To this end, in Q1 FY24, we engaged a Technology lead, a Data Expert and a Bullhorn Expert to help take advantage of Bullhorn Analytics, and Bullhorn Automations to improve the costs, productivity, and efficiency of Specialist Recruitment business.

In parallel, we have also invested to replicate all our DATA in Bullhorn and Astute to improve the costs, productivity, and capacity of our Shared Services team.

It is our intention that this programme of work and one-off investment will conclude in H1 FY24.

So, turning to **OUR SHAREHOLDERS**

The leadership of the business are committed to turning around the financial performance of the business at speed. By focussing on understanding, measuring, and rewarding people for their productivity, performance, and contribution to profit. We have made positive early progress in Q1 FY24.

As reported in our most recent Appendix 4C, the **FINANCIAL HIGHLIGHTS as compared to prior corresponding period (ending 30 September 2022) are:**

- EBITDA of \$305k, up 173%
- NPAT of \$140k up 123%
- Net Cash received from operating activities of \$317k, up 122%

So, turning to our **FINANCIAL SUMMARY**, for the first 4 months ended 31 October 2023, **as compared to prior corresponding period (ending 31 October 2022)**, our results reflect the following:

Gross profit of \$3,977k is down 11% on the comparative period in FY23 as:

Specialist Recruitment, contingent labour hire gross margin increased by 2%, as consultant productivity has improved, and we continue to focus on higher gross margin engagements. This has delivered a 17% increase in average gross margin per contractor versus the comparative period in FY23.

Managed Services gross margin decreased by 65% due to the expiration of several high margin projects that were present in the comparative period in FY23, as well as the closure of the Talent Solutions business in Q3 FY23.

The Group's active contractors on 31 October 2023 decreased by 139 contractors (19%) to 587 compared to the comparative period in FY23, with Managed Services responsible for 55 of this decrease and Business Support a further reduction of 58 contractors.

Gross profit margin was 11.6%, down from 12.1% for the comparative 4 months in FY23, due to the decline in the proportion of profit contribution of Permanent Revenue and higher margin Managed Services. Contingent labour hire represented 87% of the Group's gross margin in the current period, compared to 77% in the comparative 4 months in FY23.

Employee costs are down 35% year on year, when compared with the first 4 months in FY23.

Total operating overheads decreased by 27% versus the first 4 months in FY23. We completed a review of all significant commercial contracts for services, e.g., technology managed services, software licenses, LINKEDIN, SEEK, leases etc., in Q1 FY24. We have identified more than \$400,000 in annualised savings that will be realised no later than H2 FY25.

So, turning to **CASH**: The business has had positive operating cashflows for four consecutive quarters, for the period ending 30 September 2023. We intend to continue our focus on cash management.

OUTLOOK

IGNITE has traded profitably for the first 4 months of FY24.

We will continue to invest in training and learning and development to provide our people with the necessary skills, experience, and qualifications they need to be successful.

In improving each team member's productivity and performance, and our leaders applying appropriate commercial discipline and focus, IGNITE is well placed to grow its market share in Federal Government, where we are a Top 10 provider.

The seasonally adjusted unemployment rate of 3.7% for October 2023 continues to point to a shortage of appropriate candidates in the market. The October 2023 annual CPI of 5.4% and higher official cash rates point to increased costs of living with resultant upward pressure on employment costs.

We expect these factors to positively impact the Group, highlighting the vital role our people play in sourcing candidates for our clients while also benefiting from upward pressure on revenue and gross margins from increases in the cost of labour.

My focus for the year ahead is on creating a high-performance environment for our people, and developing an accountable culture, to deliver results for our clients, our candidates, and our shareholders.

In closing, we expect to deliver a significant improvement in year-on-year net profit.