

2024

IGNITE LIMITED

APPENDIX 4D

PRELIMINARY HALF YEAR REPORT

31 DECEMBER 2023

ABN 43 002 724 334

Lodged with ASX under Listing Rule 4.2A.3

www.igniteco.com

REPORT PERIOD

Reporting period:

1 July 2023 – 31 December 2023

Previous corresponding period:

1 July 2022 – 31 December 2022

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Description	31 Dec 2023 \$000	31 Dec 2022 \$000	Change \$000	Change %
Revenue from continuing operations	50,241	55,252	(5,011)	(9.1)
Profit/(loss) from continuing operations after tax attributable to members	213	(507)	720	142.0
Net profit/(loss) for the period attributable to members	213	(820)	1,033	126.0
	31 Dec 2023 Cents	31 Dec 2022 Cents	Change Cents	Change %
Net tangible assets per share ¹	4.43	4.71	(0.28)	(5.9)

1. Net tangible assets = Net assets less intangible assets

FINANCIAL REVIEW

Revenue from continuing operations decreased 9.1% from \$55,252k to \$50,241k in the half while gross profit decreased 9.4% from \$6,566k to \$5,951k and the gross profit margin decreased modestly from 11.88% to 11.84%. The decrease in gross profit relative to revenue was due to the lower gross profit contribution from permanent recruitment and Managed Services compared to the prior comparative period. Contingent labour hire now represents 87.0% of the Group's gross margin from continuing operations.

Specialist Recruitment accounted for 98.1% of revenue from continuing operations (31 December 2022: 95.2%), with the Managed Services business making up the balance.

Employee benefits expense decreased \$1,307k (26.5%) primarily due to the reduction in headcount. Total internal headcount on 31 December 2023 was 49 versus 66 in the comparative period.

Other expenses increased \$104k (6.7%) compared to the prior comparative period, which is primarily related to the increase in non-recurring expenses of \$247k. Systems implementation costs associated with One Way of Working were \$231k. From February 2024 we will deliver \$200k of the \$400k annualised savings previously communicated.

Cash and cash equivalents on 31 December 2023 increased 688.9% to \$1,846k (30 June 2023: \$234k). Net cash from operating activities for the half year was \$705k (31 December 2022: \$215k cash used in operating activities), a 427.9% improvement compared to the prior comparative period, with the movement due to improved cash collections and reduced GST payable. Cash receipts from customers decreased \$5,481k (8.6%) to \$58,024k (31 December 2022: \$63,505k) while payments to suppliers, contractors and employees decreased \$5,818k (9.8%) to \$53,853k (31 December 2022: \$59,671k), a net improvement of \$337k (8.8%) compared to the prior comparative period.

FINANCIAL REVIEW (Continued)

Cash from financing activities was \$915k (31 December 2022: \$11k), reflecting cash received from the Institutional and Retail rounds of the Entitlement Offer of \$3,093k, with associated costs of \$89k paid after 31 December 2023. The Shortfall round of the Entitlement Offer¹ remains open at the date of this report. The funds received through the offer have been used to repay the debtor finance facility which was undrawn on 31 December 2023 (30 June 2023: \$2,008k drawn). It is expected that these funds will significantly reduce the reliance of the Group on the facility, with substantial interest cost savings in the second half of the financial year. The applicable interest rate on 31 December 2023 was 10.34%. The balance of financing activities related to the payment of lease liabilities of \$169k (31 December 2023: \$198k).

OPERATIONAL REVIEW

Specialist Recruitment contributed 98.1% of the Group's revenue from continuing operations and 95.5% of profit before corporate overheads. Specialist Recruitment contributed a profit before allocation of corporate overheads of \$2,838k versus \$1,999k in the prior comparative period. This 42.0% increase in profitability was primarily due to a decrease in employee benefits expense of 30.9% compared to prior comparative period.

The 6.3% decrease in consolidated revenue results from the decrease in contingent labour revenue of 5.8% due to a significant reduction in the number of low margin contractors in Business Support, as well as the 34.6% decrease in permanent placement revenue on the prior comparative period. Gross profit from Specialist Recruitment decreased by 4.5% to \$5,676k with gross margins increasing modestly from 11.3% to 11.5%.

As of 31 December 2023, there were 507 active contractors within Specialist Recruitment versus 659 as of 31 December 2022, due to the continued focus on higher margin engagements that has seen a 20.4% increase in the average gross margin per contractor compared to the prior comparative period.

The On Demand IT Services business recorded a profit before allocation of corporate overheads of \$136k in the half year, a 62.5% decrease on the prior comparative period due to the loss of the largest gross margin customer contract as communicated in the 2023 Annual Report.

OUTLOOK

Ignite has a significantly lower total headcount and overall cost base than FY23.

Management continues to invest in training, 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.

For our Managed Services business, following the unfortunate news in June 2023 that our largest gross margin customer contract would not be renewed, its relative contribution to the Group will be significantly lower in FY24.

The seasonally adjusted unemployment rate of 3.9% for December 2023 continues to point to a shortage of appropriate candidates in the market.

Management expects to deliver a significant improvement in full year profit for our shareholders.

¹ Details of the accelerated pro-rata non-renounceable entitlement offer (Entitlement Offer) are available on the ASX. First announced on 23 November 2023, with results of Institutional and Retail rounds published on 27 November 2023 and 22 December 2023 respectively. The Shortfall round will close no later than 14 March 2024.

DETAILS OF ENTITIES OVER WHICH CONTROL HAS BEEN GAINED OR LOST

During the half year ended 31 December 2023, the Company has not gained or lost control over any entities.

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:

Entity Name	Principal Activity	Country of Incorporation	Class of Shares	Equity Holding % ¹	
				31 Dec 2023	31 Dec 2022
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 20 February 2024 the Directors resolved not to declare an interim dividend for the half year ended 31 December 2023. No interim dividend was paid in the previous corresponding period.