

2019

IGNITE LIMITED

APPENDIX 4D

PRELIMINARY HALF YEAR REPORT

31 DECEMBER 2018

ABN 43 002 724 334

Lodged with ASX under Listing Rule 4.2A.3

www.igniteco.com

REPORT PERIOD

Reporting period:

1 July 2018 – 31 December 2018

Previous corresponding period:

1 July 2017 – 31 December 2017

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Description	31 Dec 2018 \$000	31 Dec 2017 \$000	Change \$000	Change %
Revenue from ordinary activities ¹	83,048	100,198	(17,150)	(17.1)
Loss from ordinary activities after tax attributable to members	(2,147)	(1,917)	(230)	(12.0)
Net loss for the period attributable to members	(2,147)	(1,917)	(230)	(12.0)

	31 Dec 2018 Cents	31 Dec 2017 Cents		Change %
Net tangible assets per share ²	12.82	15.92	(3.10)	(19.5)

1. The Company adopted AASB 15 during the reporting period on a retrospective basis.

2. Net tangible assets = Net assets less intangible assets

BUSINESS REVIEW

During the half year ended 31 December 2018 Ignite Limited (the “Company”) and its controlled entities (the “consolidated entity”) generated a loss from ordinary activities after tax of \$2,147k (31 December 2017: loss of \$1,917k), a 12.0% increase on the prior half year.

As previously reported, the loss of two large contracting customers during the previous financial year was a major contributor to the \$17,150k reduction in revenue. Gross profit for the half year decreased \$3,045k (18.0%) while the gross profit margin decreased from 16.93% to 16.76%.

Employee benefits expense decreased 15.8% due to slower than anticipated headcount growth and lower commissions while operating lease expense increased 12.7% predominately due to new leases and contractual increases. Depreciation decreased 15.6% due to the full amortisation of leasehold improvements across several offices. Other expenses were down 19.2% on the prior half year due to decreases across a range of expenses including audit and legal fees, marketing expenses and software licences.

Australia/NZ Specialist Recruitment

The Australia/New Zealand Specialist Recruitment business contributed a profit before tax and corporate overheads of \$1,761k versus \$1,418k in the prior half year. This 24.2% profit improvement was due primarily to a 12.0% reduction in operating expenditure.

Significant organisational focus has been directed towards the retention and growth of our key customer relationships. The ACT continued to be our strongest performing business unit with significant revenue growth and profit improvement against the prior half year.

On Demand IT Services

The On Demand IT Services business delivered a profit before tax and corporate overheads of \$184k in the half year on the back of a 25.0% revenue increase. To support the customer demand and growth of this key division, a senior strategic account director was employed to drive business development activities, providing an immediate impact with a growing number of opportunities in the pipeline.

People Services

The People Services business delivered a profit before tax and corporate overheads of \$170k, a 49.1% improvement on the prior half year. Specialist Recruitment customers continue to show a strong interest in the People Services offerings including indigenous recruitment, bulk recruitment (including graduate recruitment), capability assessments and specific recruitment processes.

China Specialist Recruitment

The China Specialist Recruitment business (trading as “Lloyd Morgan”) delivered a profit before tax and corporate overheads of \$39k, down 80.7% on the prior half year. Although revenue was down 41.6% in the half year (impacted mainly by the restructuring and rebuilding of our Beijing and Guangzhou operations), the ongoing investment in the business (including the expansion of our Chengdu office) resulted in a comparatively larger decline in profit in the first half.

A new highly experienced Chief Executive Officer was appointed in October 2018, with a clear focus on growing the business and rebuilding our Beijing and Guangzhou offices. Several key promotions and appointments were made in the first half including a highly skilled internationally experienced manager for the Guangzhou office. These appointments have been supported by strategic initiatives focused on growing our customer base, engaging and developing our candidates and maximising the performance of our consultants, including the development of a Career Path Development Program centred on the retention and growth of our current team.

THE HALF YEAR AHEAD

Our second half growth strategy kicked-off with increased investment in our bids and tenders function as we continue to build our contracting customer base. This investment in highly experienced and proven business professionals with relevant contract recruitment knowledge allows us to leverage the substantial transformational work completed to date into significant value. In collaboration with our experienced leadership team, the bids and tenders function will support the retention and growth of existing customers and the strategic acquisition of new customers to deliver revenue and margin upside for the entire organisation.

The operational improvements we have delivered over the last two years, combined with the financial improvement in our Specialist Recruitment business, continuing profitability of our People Services and On Demand IT Services divisions, and ongoing investment in our China operations, create a solid foundation upon which we can now sustainably grow. This foundation is supported by:

- A growing pipeline of opportunities for both our On Demand IT Services and People Services divisions, which are translating into early wins that should be reflected in the second half.
- Good performance expectations for our China business for the remainder of this financial year, building on strong January 2019 results and an increasing third quarter forecast.
- The newly developed induction and recruitment training programmes which have delivered a significant decrease in Specialist Recruitment employee turnover.

On 23 January 2019, the Chief Executive Officer, Mr Julian Sallabank, tendered his resignation. Mr Sallabank’s final date of employment will be determined subject to the appointment of the new Chief Executive Officer or such other date as agreed with the Board. In the meantime, we have commenced the search for an accomplished and well-credentialed recruitment industry leader, who will use our solid foundations to scale our organisation.

To support our organisational growth strategy, we announced in January 2019 that Mr Fred van der Tang joined our Board of Directors as a non-executive Director. Mr van der Tang is a highly experienced senior recruitment industry executive having worked in a number of countries in both sales and management roles for the world’s largest recruitment firm. He brings a deep understanding of growth

and transformation in the recruitment industry and will play a key role in supporting us through this next phase.

With a full complement of experienced general managers supported by our bids and tenders function we are now well placed to continue improving the critical areas of business operations, namely consultant attraction, retention and productivity, customer acquisition, delivery and growth and ongoing operational efficiencies delivering margin improvement. We are confident we have the right ingredients for organisational success.

DIVIDENDS OR DIVIDEND DISTRIBUTION PLAN

On 27 February 2019 the Directors resolved not to declare an interim dividend for the half year ended 31 December 2018. No interim dividend was paid in the previous corresponding period.

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.

Entity Name	Principal Activity	Country of Incorporation	Class of Shares	Equity Holding % ⁽¹⁾	
				2018	2017
Candle IT & T Recruitment Pty Limited	Dormant	Australia	Ordinary	100	100
Ignite Management Services Pty Limited	Dormant	Australia	Ordinary	100	100
JAV IT Group Pty Limited	Dormant	Australia	Ordinary	100	100
Lloyd Morgan International Pty Limited	Dormant	Australia	Ordinary	100	100
Candle Holdings Limited	Holding	New Zealand	Ordinary	100	100
Candle New Zealand Limited	Operating	New Zealand	Ordinary	100	100
Lloyd Morgan Limited	Holding	Hong Kong	Ordinary	100	100
Lloyd Morgan Hong Kong Limited	Holding	Hong Kong	Ordinary	100	100
Candle Recruitment Pte Limited	Dormant	Singapore	Ordinary	100	100
Beijing Candle Technology Service Co Ltd	Dormant	China	Ordinary	100	100
Lloyd Morgan China Limited	Operating	China	Ordinary	89	89

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