



ASX ANNOUNCEMENT

27 February 2019

RESULTS ANNOUNCEMENT FOR THE HALF YEAR ENDED 31 DECEMBER 2018

The Directors of Ignite Limited (IGN) today released the reviewed financial results for the half year ended 31 December 2018.

Financial Summary

- Revenue decreased 17.1% to \$83,048 (31 December 2017: \$100,198k);
- Gross profit decreased 18.0% to \$13,917k (31 December 2017: \$16,962k);
- Gross profit margin declined to 16.76% (31 December 2017: 16.93%);
- Loss from ordinary activities after income tax increased 12.0% to \$2,147k (31 December 2017: loss of \$1,917k);
- Loss from continuing operations increased 23.4% to \$2,141k (31 December 2017: loss of \$1,735k);
- Australia/New Zealand Specialist Recruitment profit before tax and corporate overheads increased 24.2%;
- On Demand IT Services profit before tax and corporate overheads decreased 44.7%;
- People Services profit before tax and corporate overheads increased 49.1%;
- China Specialist Recruitment profit before tax and corporate overheads decreased 80.7%;
- Employee benefits expense decreased 15.8%;
- Finance costs decreased 30.1%;
- Net operating cashflow improved 38.0% to \$669k (31 December 2017: \$1,079k);
- Net assets were \$11,764k (30 June 2018: \$14,075k); and
- No interim dividend was declared.

Operational 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 income tax of \$2,147k (31 December 2017: loss of \$1,917k), a 12.0% increase on the prior half year, while the loss from continuing operations of \$2,141k (31 December 2017: loss of \$1,735k) represented a 23.4% 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

- Profit before tax and corporate overheads increased 24.2% to \$1,761k (31 December 2017: \$1,418k).
- Achieved a 12.0% reduction in operating expenditure.
- ACT was the strongest performing business unit with significant revenue growth and profit improvement against the prior half year.

On Demand IT Services

- Profit before tax and corporate overheads decreased 44.7% to \$184k (31 December 2017: \$333k).
- Revenue increased 25.0%.
- 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

- Profit before tax and corporate overheads increased 49.1% to \$170k (31 December 2017: \$114k).
- 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

- Profit before tax and corporate overheads decreased 80.7% to \$39k (31 December 2017: \$202k).
- Revenue was down 41.6% impacted mainly by the restructuring and rebuilding of our Beijing and Guangzhou operations.
- A new highly experienced China Chief Executive Officer was appointed in October 2018.

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.

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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.

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Shareholder and Analyst Enquiries

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Chief Executive Officer
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About Ignite

Ignite Limited (ASX: IGN) is a company limited by shares, incorporated and domiciled in Australia and listed on 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 customers of all sizes throughout the Asia Pacific region. In Australia, these segments are Specialist Recruitment, On Demand and People Services whilst in China the Company focuses solely on Specialist Recruitment.

The Company operates in 10 cities across Australia and China and employs more than 230 people.

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