ASX ANNOUNCEMENT 10 August 2016

Results for year ended 30 June 2016

Enero Group Limited (ASX: EGG) today announced its results for the year ended 30 June 2016.

Summary:

- Net Revenue up 3% and Operating EBITDA up 44% on prior period.
- Improved Operating EBITDA margin to 11.6%.
- Net profit after tax to equity holders $6.6m.
- Improvement in earnings highlights more consistent business performance in line with "Reliable" phase of Group strategy.

Enero Group CEO, Matthew Melhuish said: "We have delivered revenue, Operating EBITDA and margin growth this year which is a result of the focus around new business conversion and sensibly managing our cost base. Despite more uncertainty in trading conditions, our bigger businesses continue to lead the way for the Group and our international market exposure in the UK, Europe and USA provides more diverse revenue opportunities. Our focus for the coming year will be maintaining our margin, our new Sydney hub office and USA expansion".

Financial performance:

A$ million	FY2016	FY2015	Variance
Net Revenue	113.5	110.3	3%
Operating EBITDA[1]	13.2	9.2	44%
Net profit after tax to equity holders[2]	**6.6**	**(2.8)**	**336%**
Operating EBITDA Margin	11.6%	8.3%	

Notes:

1. Operating EBITDA is net profit before interest, tax, depreciation, amortisation, impairment, loss on sale and restructuring costs. Operating EBITDA is the primary measure used by management and the directors in assessing the performance of the Group. It provides information on the Group's cash turnover excluding significant transactions and non-cash items which are not representative of the Group's on-going operations or cash flow.
2. In the prior reporting period, net profit after tax includes significant items of $4.3m. Refer to attached results presentation for detailed analysis.
3. The results announcement and attached presentation includes the following measures used by the Directors and management in assessing the on-going performance and position of the Group: Operating EBITDA, NPAT before significant items and NPATA before significant items. These measures are non-IFRS and have not been audited or reviewed.

Business operating performance:
Net Revenue was up 3% and Operating EBITDA was up 44% on the prior year. The Operating EBITDA margin increased to 11.6% due to a more stable revenue base and appropriate cost control. International markets now represent 59% of the Group's net revenue and 67% of the Group's Operating EBITDA. Refer to the results presentation for further details on operating business performance.

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Enero Group Limited
FY16 Full Year Results

10 August 2016

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Non-IFRS Performance measures

This results presentation uses non-IFRS performance measures which have not been audited or reviewed. The Company believes that, in addition to the conventional measures reported under IFRS, the Company and investors use this information to evaluate the Company’s performance. Non-IFRS performance measures include Operating EBITDA which is defined in the presentation.

Group Financial Performance

Financial summary

- Operating EBITDA up 44% on the prior reporting period.
- Net revenue up 3% on the prior reporting period.
- Operating EBITDA margin improvement from 8.3% to 11.6% generated from a more stable revenue base and appropriate cost control.
- EPS of 8.0cps.
- Strong cash conversion.
- Improvement in earnings highlights more consistent business performance in line with "Reliable" phase of Group strategy.

Group Financial Performance

Revenue and Operating EBITDA

YEAR ENDED 30 JUNE ($M)	2016	2015	CHANGE
NET REVENUE			
Operating Companies	113.5	110.3	2.9%
Net Revenue	**113.5**	**110.3**	**2.9%**
OPERATING EBITDA			
Operating Companies	19.9	16.3	22.1%
Support office	(5.9)	(6.0)	1.7%
Share based payments charge	(0.8)	(1.1)	27.3%
Operating EBITDA	**13.2**	**9.2**	**43.5%**
Operating EBITDA Margin[3]	**11.6%**	**8.3%**	**3.3bp**

1. Operating EBITDA is net profit before interest, tax, depreciation, amortisation, impairment, loss on sale and restructure costs. Refer to slide 12 for detailed analysis of costs.
2. Operating EBITDA Margin is Operating EBITDA / Net Revenue.

Group Financial Performance

Results ratio analysis

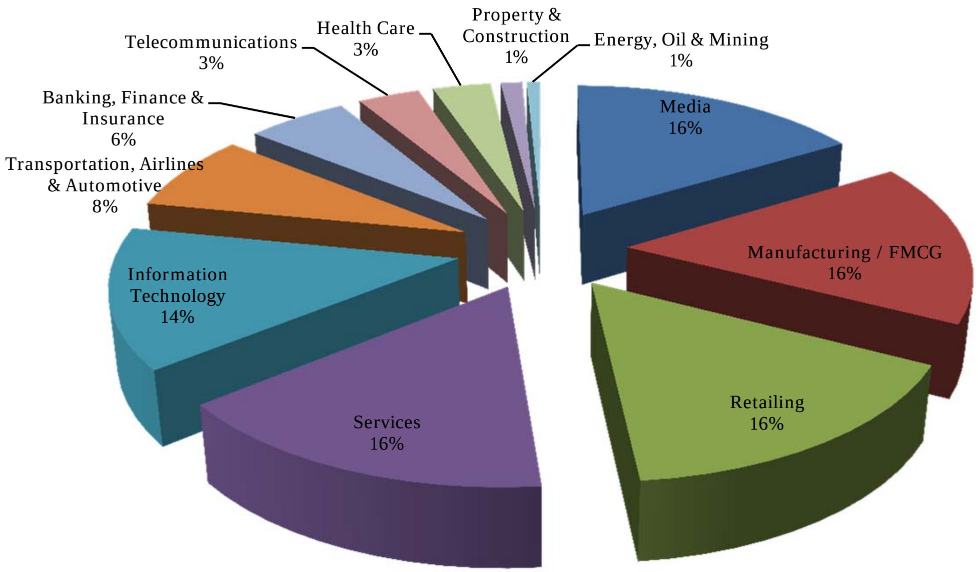
YEAR ENDED 30 JUNE ($M)	2016	2015
Net Revenue	113.5	110.3
Staff costs	79.1	79.4
Staff costs %	*69.7%*	*72.0%*
Operating costs	21.4	21.9
Operating costs %	*18.9%*	*19.9%*
Operating EBITDA	**13.2**	**9.2**
Operating EBITDA Margin	**11.6%**	**8.3%**

Staff costs includes all full time and freelance/casual employees and contractors.

- Staff costs ratio trending down to 69.7% and heading towards the benchmark targets. A $0.3m reduction in overall staff costs despite $3.2m increase in net revenue. Improved resourcing on projects and better collaboration between business units led to the reduction in the ratio.
- Operating costs were down $0.5m year on year from operating cost efficiencies contributing to the 1% reduction in the ratio.

Group Financial Performance

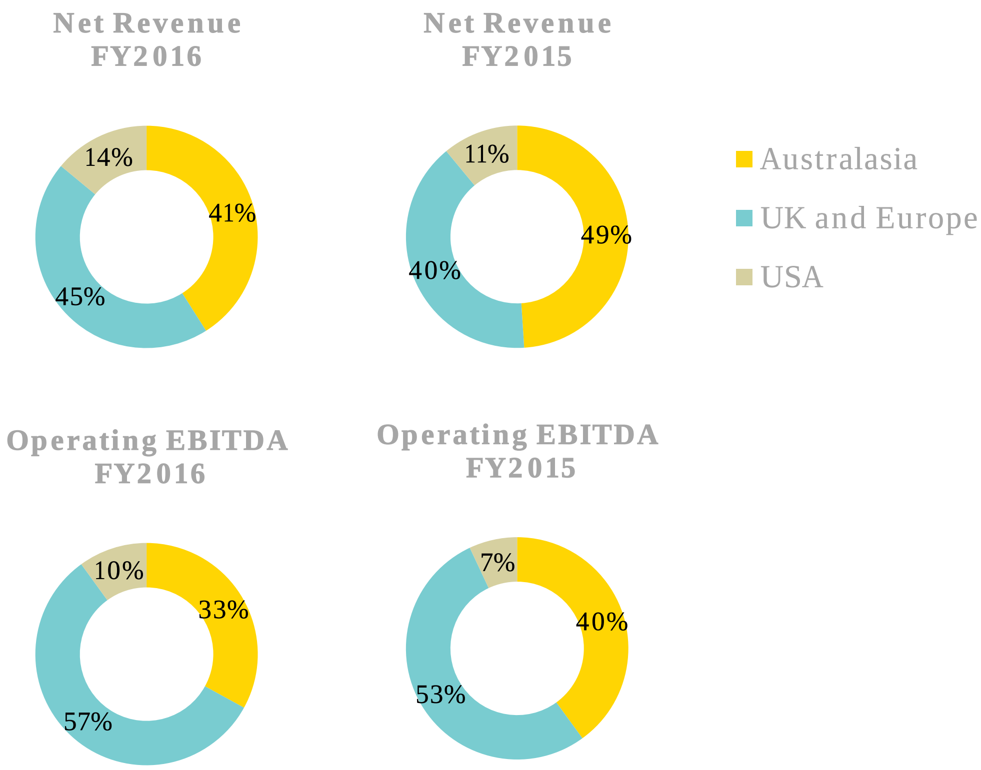
Revenue By Industry



- Strong mix of clients across market industry and sector groups demonstrates diversification of revenue.
- Largest client represents 9.9% of group net revenue.
- Top 10 clients represent 39% of total revenue across > 650 client relationships.

Operating Performance

Geographical Contribution from operating companies



- Geographical contribution to revenue now more heavily weighted to UK and Europe. USA, while improving in 2HFY16, continues to be undersized.
- Geographical contribution to Operating EBITDA reflects higher margin businesses in the UK and Europe. International operations accounted for 67% of the Operating Companies EBITDA in FY16.

Operating Performance

Geographical Results from operating companies

YEAR ENDED 30 JUNE ($M)	2016	2015	CHANGE	CONSTANT CURRENCY CHANGE
NET REVENUE				
Australasia	46.0	53.4	(13.9%)	(13.9%)
UK and Europe	51.2	44.4	15.3%	6.7%
USA	16.3	12.5	30.4%	12.3%
Total	**113.5**	**110.3**	**2.9%**	
OPERATING EBITDA				
Australasia	6.6	6.5	1.5%	1.5%
UK and Europe	11.4	8.7	31.0%	21.4%
USA	1.9	1.1	72.7%	54.8%
Total	**19.9**	**16.3**	**26.8%**	

- **Currency impact:** weaker Australian dollar lifted reported net revenue by $5.6m and Operating EBITDA $0.7m.
- On a constant currency basis, revenue and Operating EBITDA growth achieved for both international hub markets.

Operating Performance

Australasia

YEAR ENDED 30 JUNE ($M)	2016	2015	CHANGE	CONSTANT CURRENCY CHANGE
Net Revenue	46.0	53.4	(13.9%)	-
Operating EBITDA	6.6	6.5	1.5%	-
Operating EBITDA margin	14.3%	12.2%	2.1bp	-

Key highlights:

- Revenue decline year on year however improved EBITDA and margin as a result of focus on managing cost base.
- 1HFY16 and 2HFY16 revenue and EBITDA consistent demonstrating stability in base revenue.
- BMF performing well, retaining a number of clients, achieving new business wins and confirming its excellent creative reputation.
- Smaller agencies continue to face difficult trading conditions and have had mixed results for the year.
- Moving to new Sydney hub office (100 Harris St, Pyrmont) in early 2017.

Operating Performance

UK and Europe

YEAR ENDED 30 JUNE ($M)	2016	2015	CHANGE	CONSTANT CURRENCY CHANGE
Net Revenue	51.2	44.4	15.3%	6.7%
Operating EBITDA	11.4	8.7	31.0%	21.4%
Operating EBITDA margin	22.3%	19.6%	2.7bp	-

Key highlights:

- Improvement in revenue (7% growth year on year on constant currency basis).
- Hotwire and Frank PR continue to trade well with above average margin achievement showing consistency of PR businesses.
- 2HFY16 results lower than 1HFY16.
- Hotwire Labs offering opening up new revenue streams in digital builds, SEO and analytics.
- Uncertain economic outlook following Brexit.

Operating Performance

USA

YEAR ENDED 30 JUNE ($M)	2016	2015	CHANGE	CONSTANT CURRENCY CHANGE
Net Revenue	16.3	12.5	30.4%	12.3%
Operating EBITDA	1.9	1.1	72.7%	54.8%
Operating EBITDA margin	11.7%	8.8%	2.9bp	-

Key highlights:

- Revenue improvement in all businesses (12% up year on year on constant currency basis). EBITDA and margin improvement from client wins.
- While the businesses lack scale in the market, continue to open up bigger revenue opportunities.
- Assessing plans to achieve scale and access to larger revenue opportunities in the short and medium term.

Group Financial Performance

Profit & Loss Summary

YEAR ENDED 30 JUNE ($M)	2016	2015
Net Revenue	113.5	110.3
Other revenue	0.2	0.2
Staff Costs	(79.1)	(79.4)
Operating Expenses	(21.4)	(21.9)
Operating EBITDA[1]	**13.2**	**9.2**
Operating EBITDA Margin	11.6%	8.3%
Depreciation & Amortisation	(3.1)	(4.2)
Net Interest earned	0.2	0.1
Tax	(2.2)	(2.3)
Minority interests	(1.5)	(1.2)
NPAT before significant items[2]	**6.6**	**1.5**
Significant items[3]	-	(4.3)
Net profit after tax to equity owners	**6.6**	**(2.8)**

1. Operating EBITDA provides meaningful information on the group's cash flow generation excluding significant transactions and non cash items which are not representative of the group's on-going operations.
2. NPAT before significant items represents net profit after tax before the impact of significant, non-recurring and non operational impacting items.
3. Significant items in FY15 included Restructure costs of $1.7m and Loss on deregistration of dormant subsidiaries of $2.6m.

Group Financial Performance

Balance Sheet

($M)	30 Jun 2016	30 Jun 2015
Cash	37.6	25.8
Net Working Capital	(3.4)	0.5
Other Assets	2.2	2.5
Fixed Assets	4.9	7.0
Intangibles	75.5	84.5
Total Assets	**116.8**	**120.3**
Provisions & Other Liabilities	5.5	4.8
Net Assets	**111.3**	**115.5**

- Contingent deferred consideration liability (Tranche 3A&3B liabilities) of $17.4m not recognised at 30 June 2016. Target EBITDA hurdles to trigger payments are $53.7m and $63.7m respectively. Final contingent liability expires in 2018.
- Dividend and share buy back restriction continues until the Tranche 3A&3B liabilities are either paid, cancelled or expired.
- $21.8m in franking credits.
- Refer to slide 14 for analysis on cash conversion and working capital.
- Decrease in intangibles relating only to foreign currency translation.

Group Financial Performance

Cash Flow & Working Capital Management

YEAR ENDED 30 JUNE ($M)	2016	2015
Operating EBITDA	13.2	9.2
Movement in Working Capital	4.2	-
Restructure costs	-	(1.7)
Equity Incentive Expense	0.8	1.1
Gross Cash Flow	18.2	8.6
Net Interest Received	0.2	0.1
Tax paid	(1.4)	(1.7)
Operating Cash Flow	17.0	7.0
Capex	(1.1)	(2.6)
Free Cash Flow	**15.9**	**4.4**

- Cash conversion was significantly in excess of Operating EBITDA in FY16.
- Working capital balance reduction in the period through continued rigour in cash flow management however expectation of some unwind in 1HFY17 as net working capital currently negative.
- Tax payments made in relation to overseas tax jurisdictions.
- Reduced capex for FY16 in preparation for heavier capex requirements in FY17 relating to new Sydney hub office.