ASX ANNOUNCEMENT 10 February 2016

Results for half year ended 31 December 2015

Enero Group Limited (ASX: EGG) today announced its results for the half year ended 31 December 2015.

Summary:

- Net Revenue up 3% and Operating EBITDA up 57% on prior period.
- Improved Operating EBITDA margin to 12.6%.
- Net profit after tax to equity holders $3.7m.
- Improvement in earnings demonstrating squarely in the "Reliable" phase of Group strategy.

Enero Group CEO, Matthew Melhuish said: "We are pleased to report significant improvements in our group financial performance. A more stable revenue base, increased margin and a number of new business wins were key highlights for the first half. Our UK and European operations were particularly strong. Progress is being made with the USA market but will require further time and investment".

Financial performance:

A$ million	1HFY2016	1HFY2015	Variance
Net Revenue	57.6	56.2	3%
Operating EBITDA[1]	7.2	4.6	57%
Net profit after tax to equity holders[2]	**3.7**	**0.4**	**857%**
Operating EBITDA Margin	12.6%	8.2%	

Notes:

1. Operating EBITDA is net profit before interest, tax, depreciation, amortisation, impairment, loss on sale, commercial settlements 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 $0.6m. 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 57% on the prior year. The Operating EBITDA margin increased to 12.6% due to a more stable revenue base and appropriate cost control. International markets now represent 60% of the Group's net revenue and 69% 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 Half Year Results

10 February 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 57% on the prior reporting period.
- Net revenue up 3% on the prior reporting period.
- Operating EBITDA margin improvement from 8.2% to 12.6% generated from a more stable revenue base and appropriate cost control.
- EPS of 4.5cps.
- Strong cash conversion.
- Weaker Australian dollar lifted reported net revenue by $4.3m and reported Operating EBITDA by $0.5m.
- Improvement in earnings demonstrating squarely in the "Reliable" phase of Group strategy.

Group Financial Performance

Revenue and Operating EBITDA

SIX MONTHS ENDED 31 DECEMBER ($M)	2015	2014	CHANGE
NET REVENUE			
Operating Companies	57.6	56.2	2.5%
Net Revenue	**57.6**	**56.2**	**2.5%**
OPERATING EBITDA			
Operating Companies	10.7	8.3	28.9%
Support office	(3.0)	(3.2)	(6.3%)
Share based payments charge	(0.5)	(0.5)	-
Operating EBITDA	**7.2**	**4.6**	**56.5%**
Operating EBITDA Margin[3]	**12.6%**	**8.2%**	**4.4bp**

1. Operating EBITDA is net profit before interest, tax, depreciation, amortisation, impairment, loss on sale, commercial settlement 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

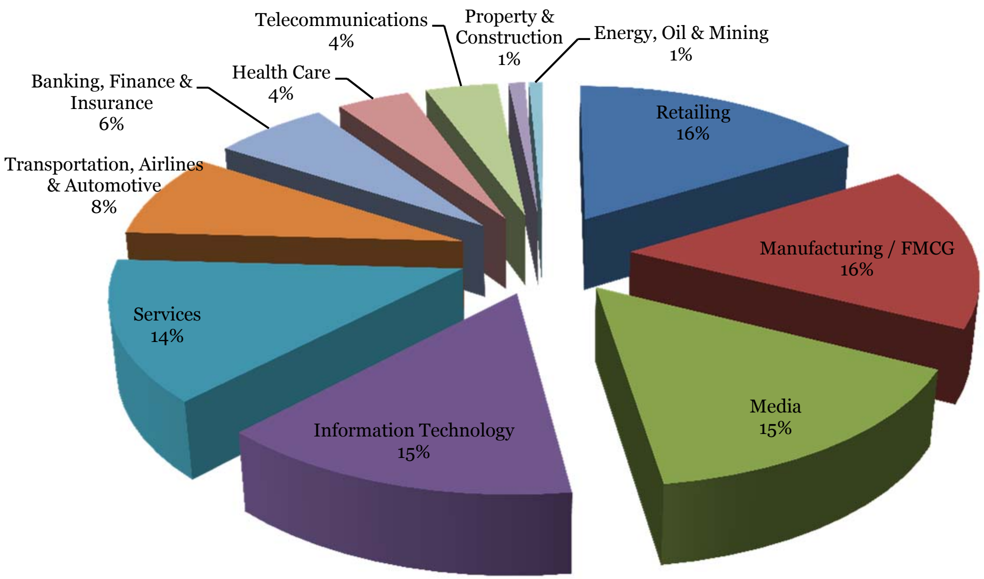
SIX MONTHS ENDED 31 DECEMBER ($M)	2015	2014
Net Revenue	57.6	56.2
Staff costs	39.9	40.6
Staff costs %	*69.2%*	*72.2%*
Operating costs	10.6	11.1
Operating costs %	*18.2%*	*19.8%*
Operating EBITDA	**7.2**	**4.6**
Operating EBITDA Margin	**12.6%**	**8.2%**

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

- Staff costs ratio trending down to 69.2% and closing towards the benchmark targets. A $0.7m reduction in overall staff costs despite $1.4m increase in net revenue. Improved resourcing on projects and better collaboration between business units led to this 3% reduction in the ratio.

- Operating costs were down $0.5m year on year from operating cost efficiencies contributing to the 1.6% reduction in the ratio.

Revenue By Industry

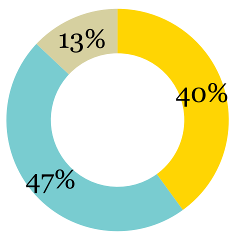


- Strong mix of clients across market industry and sector groups demonstrates diversification of revenue.
- Largest client represents only 9% of group net revenue.
- Top 10 clients represent 37% of total revenue across > 550 client relationships.

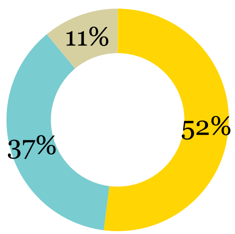
Operating Performance

Geographical Contribution from operating companies

Net Revenue 1H FY2016

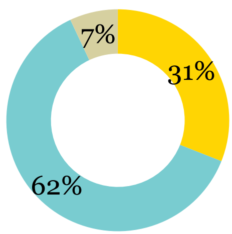


Net Revenue 1H FY2015

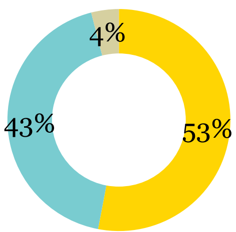


- Australasia
- UK and Europe
- USA

Operating EBITDA 1H FY2016



Operating EBITDA 1H FY2015



- Geographical contribution to revenue now more heavily weighted to UK and Europe. USA continues to be undersized.
- Geographical contribution to Operating EBITDA reflects improved profitability in the UK and European businesses. International operations accounted for 69% of the Group Operating EBITDA in 1HFY16.

Operating Performance

Geographical Results from operating companies

SIX MONTHS ENDED 31 DECEMBER ($M)	2015	2014	CHANGE	CONSTANT CURRENCY CHANGE
NET REVENUE				
Australasia	22.9	29.3	(21.8%)	(21.8%)
UK and Europe	27.0	21.0	28.6%	13.1%
USA	7.7	5.9	30.5%	6.0%
Total	**57.6**	**56.2**	**2.5%**	
OPERATING EBITDA				
Australasia	3.3	4.4	(25.0%)	(25.0%)
UK and Europe	6.7	3.5	91.4%	63.9%
USA	0.7	0.4	75.0%	59.8%
Total	**10.7**	**8.3**	**28.9%**	

- **Currency impact:** weaker Australian dollar lifted reported net revenue by $4.3m and Operating EBITDA $0.5m.
- On a constant currency basis, revenue and Operating EBITDA growth achieved for both international hub markets.

Operating Performance

Australasia

SIX MONTHS ENDED 31 DECEMBER ($M)	2015	2014	CHANGE	CONSTANT CURRENCY CHANGE
Net Revenue	22.9	29.3	(21.8%)	(21.8%)
Operating EBITDA	3.3	4.4	(25.0%)	(25.0%)
Operating EBITDA margin	14.4%	15.0%	(0.6bp)	-

Key highlights:

- Revenue decline year on year impacted results however margins fundamentally maintained.
- Revenue is closer in line with 2HFY15 of $24.1m (5% down 1HFY16 vs 2HFY15) showing more stability in revenue base, but continue to focus efforts on new business conversion.
- BMF in stronger position retaining a number of clients, achieving new business wins and confirming its excellent creative reputation.
- The Leading Edge continues to perform well.
- Smaller agencies which were more susceptible to client losses experienced difficult trading conditions in the period.

Operating Performance

UK and Europe

SIX MONTHS ENDED 31 DECEMBER ($M)	2015	2014	CHANGE	CONSTANT CURRENCY CHANGE
Net Revenue	27.0	21.0	28.6%	13.1%
Operating EBITDA	6.7	3.5	91.4%	63.9%
Operating EBITDA margin	24.8%	16.7%	8.1bp	-

Key highlights:

- Significant improvement in revenue (13% 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.
- Hotwire Labs offering opening up new revenue streams in digital builds, SEO and analytics.
- Naked benefiting from full period of eBay contract.
- Improving economic outlook and increased consumer confidence particularly in the UK.

Operating Performance

USA

SIX MONTHS ENDED 31 DECEMBER ($M)	2015	2014	CHANGE	CONSTANT CURRENCY CHANGE
Net Revenue	7.7	5.9	30.5%	6.0%
Operating EBITDA	0.7	0.4	75.0%	59.8%
Operating EBITDA margin	9.1%	6.8%	2.3bp	-

Key highlights:

- Revenue improvement in all businesses (6% up year on year on constant currency basis).
- Continue to build capabilities organically in addition to hiring and relocating senior management to New York office. Further time needed to settle teams in.
- Assessing plans to achieve scale and access to larger revenue opportunities in the short and medium term.

Group Financial Performance

Profit & Loss Summary

SIX MONTHS ENDED 31 DECEMBER ($M)	2015	2014
Net Revenue	57.6	56.2
Other revenue	0.1	0.1
Staff Costs	(39.9)	(40.6)
Operating Expenses	(10.6)	(11.1)
Operating EBITDA[1]	**7.2**	**4.6**
Operating EBITDA Margin	12.6%	*8.2%*
Depreciation & Amortisation	(1.5)	(2.0)
Net Interest earned	0.1	-
Tax	(1.4)	(1.0)
Minority interests	(0.7)	(0.6)
NPAT before significant items[2]	**3.7**	**1.0**
NPATA before significant items[3]	**3.7**	**1.4**
Significant items – restructure costs[4]	-	(0.6)
Net profit after tax to equity owners	**3.7**	**0.4**

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. Excludes non-cash amortisation of acquired intangibles 1HFY16: $nil (1HFY15: $0.4m).
4. Restructure costs represents employee redundancy costs.

Group Financial Performance

Balance Sheet

($M)	31 Dec 2015	30 Jun 2015
Cash	34.4	25.8
Net Working Capital	(2.9)	0.5
Other Assets	2.0	2.5
Fixed Assets	6.0	7.0
Intangibles	83.7	84.5
Total Assets	**123.2**	**120.3**
Provisions & Other Liabilities	5.2	4.8
Net Assets	**118.0**	**115.5**

- Contingent deferred consideration liability (Tranche 3A&3B liabilities) of $33.4m not recognised at 31 December 2015. 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.

Cash Flow & Working Capital Management

YEAR ENDED 31 DECEMBER ($M)	2015	2014
Operating EBITDA	7.2	4.6
Movement in Working Capital	3.2	(0.4)
Restructure costs	-	(0.6)
Equity Incentive Expense	0.5	0.5
Gross Cash Flow	10.9	4.1
Net Interest Received	0.1	-
Tax paid	(0.5)	(0.8)
Operating Cash Flow	10.5	3.3
Capex	(0.4)	(1.3)
Free Cash Flow	**10.1**	**2.0**

- Cash conversion was in excess of Operating EBITDA in 1HFY16. Conversion ratio expected to be lower in 2HFY16 given deficit in net working capital balance at 31 December 2015.
- Working capital balance reduction in the period through continued rigour in cash flow management.
- Tax payments made in relation to overseas tax jurisdictions.