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ASX ANNOUNCEMENT

Results for the half year ended 31 December 2018

Enero Group Limited (ASX: EGG) today announced its results for the half year ended 31 December 2018.

Summary

- Net Revenue up 33% to $63.7m and Operating EBITDA up 75% to $10.0m.
- Net Profit after tax to equity holders $6.1m.
- Operating EBITDA margin improved to 15.7%.
- Earnings per share before significant items up 95% to 7.2 cents.
- Interim dividend declared of 2.5 cents, fully franked.

Enero Group CEO, Matthew Melhuish said: "We have made a great start to FY2019 with strong numbers across all our key financial metrics in all markets. Most pleasing was the achievement of 15% organic revenue growth, excluding the impact of acquisitions, along with the number of new client wins in the first half. We continue to build digital and data capabilities across our pillars and we remain ready to invest further through acquisitions in our international network, already representing over half of the Group, where larger growth opportunities exist".

Financial performance[3]:

$A million	1HFY2019	1HFY2018	Variance
Net Revenue	63.7	47.8	33.3%
Operating EBITDA[1]	10.0	5.7	75.4%
Operating EBITDA margin	15.7%	11.9%	
Net profit after tax before significant items	**6.1**	**3.2**	**90.6%**
Statutory net profit after tax to equity holders[2]	**6.1**	**3.8**	**60.5%**
EPS before significant items	7.2 cents	3.7 cents	94.6%
Dividend per share (fully franked)	2.5 cents	1.5 cents	

Notes:

1. Operating EBITDA is net profit before interest, taxes, depreciation, amortisation, impairment of intangibles, contingent consideration fair value gains/losses, gains/losses on sale of assets and acquisition 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 flow generation excluding significant transactions and non-cash items which are not representative of the Group's on-going operations.
2. For 1HFY2018, statutory net profit after tax includes a significant item of a $0.6m gain on sale of asset. 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 EPS before significant items. These measures are non-IFRS and have not been audited or reviewed.

Business Operating Performance:

Net Revenue was up 33.3% and Operating EBITDA was up 75.4% on the prior year. On a like for like basis excluding the impact of acquisitions, revenue was up 15% on the prior year and Operating EBITDA was up 40% on the prior year. International markets represented 52% of the Group's Net Revenue and 53% of the Group's Operating EBITDA.

Refer to the results presentation for further details on operating business performance.

Dividend:

The Directors declared an interim dividend of 2.5 cents per share, fully franked in relation to the six months ended 31 December 2018. The interim dividend will have a record date of 28 February 2019 and a payment date of 18 March 2019.

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ENERO GROUP FY19 HALF YEAR RESULTS

13 FEBRUARY 2019

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FY19 HALF YEAR HIGHLIGHTS

Delivering growth

Net Revenue up 33% to $63.7m.

Operating EBITDA up 75% to $10.0m.

Operating EBITDA margin at 15.7%.

Earnings Per Share (EPS) before significant items up 95% to 7.2 cps.

Digital capability expansion through Orchard acquisition in FY18 has fuelled revenue growth and opportunities.

Capital Management

Interim dividend of 2.5 cps declared, fully franked, payable 18 March 2019.

Balance sheet flexibility for future acquisitions enhancing geographical presence in hubs and expansion of services.

Operational

Alignment under key service pillars allows for more agency touchpoints from existing clients.

Client diversification providing access to higher growth sectors.

OPERATING COMPANIES

Insight & Strategy

THE LEADING EDGE

the digital edge

Creative & Content

bmf

NAKED

Integrated Communications & PR

HOTWIRE
THE GLOBAL COMMUNICATIONS AGENCY

Frank.

cpr
Issues
Government
Media

Precinct

Digital

orchard

Obmedia
•email •display •mobile

FY19 KEY FINANCIAL METRICS

Six months ended 31 December ($M)

Key Financial Metrics	2018	2017	Variance
Net Revenue	63.7	47.8	33.3%
Operating EBITDA[1]	10.0	5.7	75.4%
Operating EBITDA margin[2]	15.7%	11.9%	3.8bp
Net Profit after tax before significant items to equity holders	6.1	3.2	90.6%
Statutory Net Profit after tax to equity holders	6.1	3.8	60.5%
EPS before significant items	7.2 cents	3.7 cents	94.6%
EPS	7.2 cents	4.5 cents	60.0%
Dividend per share	2.5 cents	1.5 cents	66.7%

1. Operating EBITDA is net profit before interest, taxes, depreciation, amortisation, impairment of intangibles, contingent consideration fair value gains/losses, gains/losses on sale of assets and acquisition costs.
2. Operating EBITDA Margin is Operating EBITDA / Net Revenue.

FY19 GROUP FINANCIAL PERFORMANCE

Revenue and Operating EBITDA

Six months ended 31 December ($M)

	2018	2017	Variance
Net Revenue	63.7	47.8	33.3%
Net Revenue	**63.7**	**47.8**	**33.3%**
Operating EBITDA			
Operating Companies	13.3	8.6	54.7%
Support office	(2.9)	(2.6)	(11.5%)
Share based payments charge	(0.4)	(0.3)	(33.3%)
Operating EBITDA	**10.0**	**5.7**	**75.4%**
Operating EBITDA margin	**15.7%**	**11.9%**	**3.8bp**

- Impact of Orchard Marketing acquisition – acquired in February 2018 and therefore not in comparative period.
- 15% Organic revenue growth in existing businesses (excluding impact of acquisitions).
- Staff costs ratio trending down to 68.4% (1HFY2018: 70.3%). Staff costs includes all fulltime and freelance/contractors. Variable staffing allowing more flexibility to adjust cost base to revenue requirements.
- Operating costs ratio down to 16.0% (1HFY2018: 18.0%) as further rental efficiencies obtained from co-locations.

FY19 GROUP FINANCIAL PERFORMANCE

Six months ended 31 December ($M)

Profit and Loss Summary	2018	2017
Net Revenue	63.7	47.8
Other Revenue	0.1	0.1
Staff costs	(43.6)	(33.6)
Operating expenses	(10.2)	(8.6)
Operating EBITDA[1]	**10.0**	**5.7**
Depreciation	(1.0)	(1.3)
Amortisation of intangible asset	(0.5)	(0.2)
Net Interest	0.2	-
Present value interest charges	(0.5)	(0.1)
Tax	(1.1)	(0.7)
Minority Interests	(1.0)	(0.2)
NPAT before significant items[2]	**6.1**	**3.2**
Significant items[3]	-	0.6
Net profit after tax to equity holders	**6.1**	**3.8**

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 ongoing operations.
2. NPAT before significant items represents net profit after tax before the impact of significant, non-recurring and non operational items.
3. The Significant item in 1HFY2018 was a profit on the sale of the Dark Blue Sea domain registrar business.

FY19 GEOGRAPHICAL RESULTS

Operating Companies only

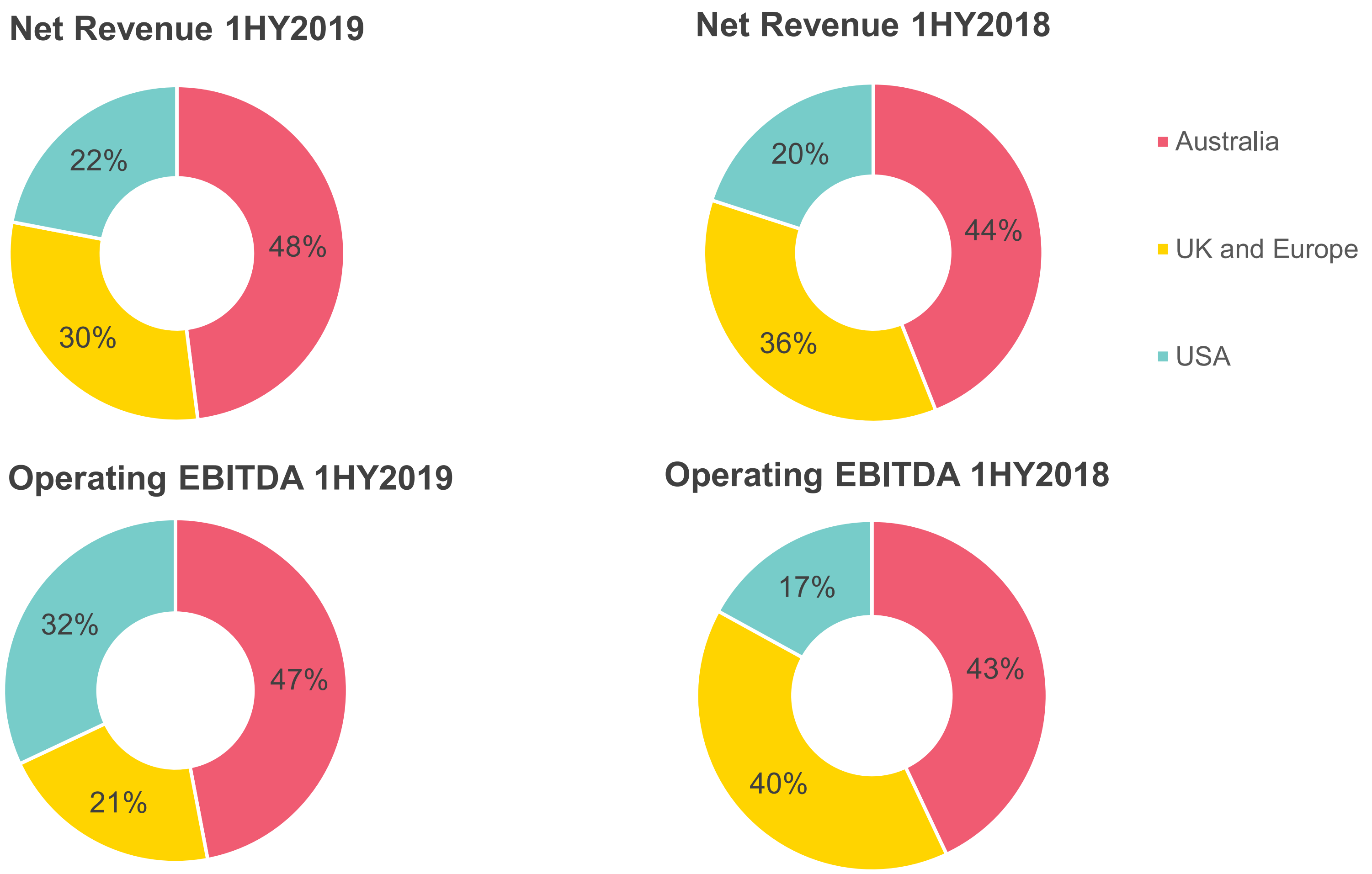
Six months ended 31 December ($M)

	2018	2017	Variance	Constant Currency Variance
Net Revenue				
Australia	30.4	20.9	45.5%	45.5%
UK and Europe	19.2	17.2	11.6%	6.0%
USA	14.1	9.7	45.4%	43.2%
Total	**63.7**	**47.8**	**33.3%**	**34.2%**
Operating EBITDA				
Australia	6.2	3.7	67.6%	67.6%
UK and Europe	2.9	3.5	(17.1%)	(18.1%)
USA	4.2	1.4	200.0%	167.7%
Total	**13.3**	**8.6**	**54.7%**	**58.9%**

- International operations accounted for 52% of total revenue and 53% of Operating Companies EBITDA in 1HY19. The Group's exposure to overseas markets continues to provide bigger and more networked client opportunities.
- The relative contribution from Australian operations increased due to the acquisition of Orchard Marketing which is predominantly Australian based.
- Weaker Australian dollar positively impacting reported Net Revenue by $1m and reported Operating EBITDA by $0.2m on a constant currency year on year basis.

FY19 GEOGRAPHICAL RESULTS

Geographical contribution from operating companies



FY19 GEOGRAPHICAL RESULTS

Australia

Six months ended 31 December ($M)

	2018	2017	Variance	Constant Currency Variance
Net Revenue	30.4	20.9	45.5%	-
Operating EBITDA	6.2	3.7	67.6%	-
Operating EBITDA margin	20.4%	18.4%	2.0bp	-

Highlights

- Strong growth in Australian market for all businesses.
- Orchard included for current period. Excluding the impact of the acquisition, Australian market organic revenue growth of 3%. Overall margin increase due to further rental efficiencies.
- BMF continues to trade well winning important Federal Government and NSW State Government projects.
- Orchard Marketing trading strongly with new client wins in its healthcare division.
- The Leading Edge, Frank, Precinct and Hotwire have good momentum and are benefiting from the collaborative environment.

FY19 GEOGRAPHICAL RESULTS

UK and Europe

Six months ended 31 December ($M)

	2018	2017	Variance	Constant Currency Variance
Net Revenue	19.2	17.2	11.6%	6.0%
Operating EBITDA	2.9	3.5	(17.1%)	(18.1%)
Operating EBITDA margin	15.1%	19.8%	4.7bp	-

Highlights

- Increased efforts on new business have led to a 12% increase in revenue year on year (6% on constant currency basis).
- Hotwire continues to trade well with new UK and Europe client wins and benefitting from global wins in the USA market.
- Frank PR trading in line with prior year.
- Margin decline in current reporting period partly due to seasonality and some investments in people ahead of the revenue curve.

FY19 GEOGRAPHICAL RESULTS

USA

Six months ended 31 December ($M)

	2018	2017	Variance	Constant Currency Variance
Net Revenue	14.1	9.7	45.4%	43.2%
Operating EBITDA	4.2	1.4	200.0%	167.7%
Operating EBITDA margin	29.8%	14.4%	15.4bp	-

Highlights

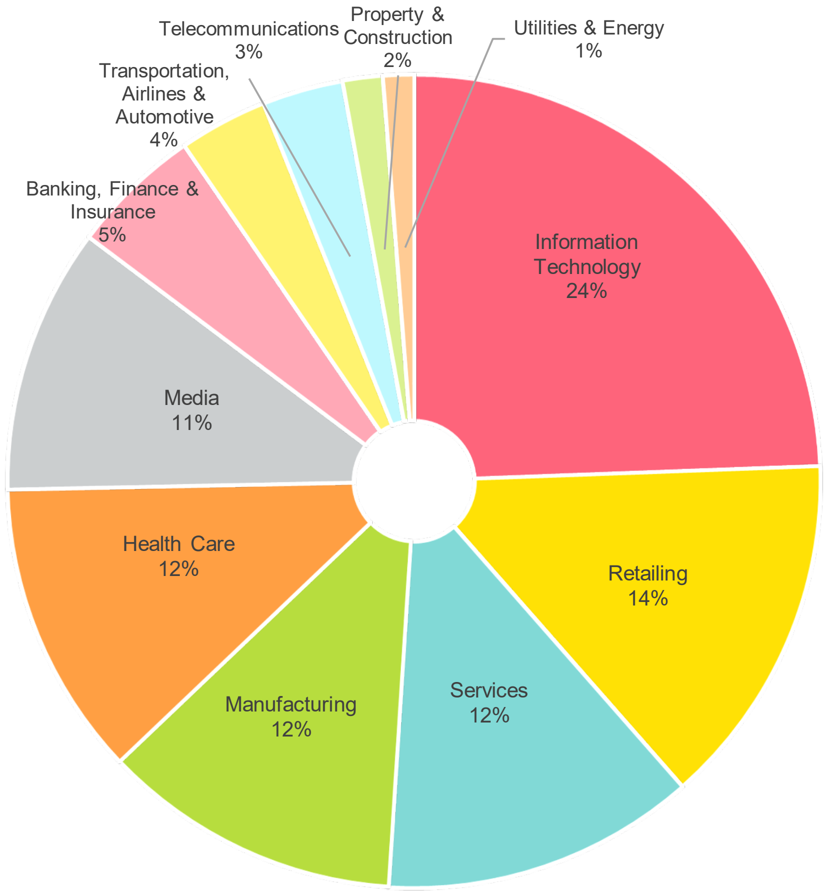
- Material revenue improvement in USA market including constant currency impacts.
- Hotwire USA building momentum with key client wins – NetApp, MacAfee, Adobe along with more multi-office network clients.
- Hotwire Mexico City office opened to service new client demand.
- OBMedia's growth in current period, in a higher margin business, boosted overall margin.

FY19 CLIENT ANALYSIS

Revenue diversification

- Strong client diversification with mix of clients across market industries and sectors.
- Largest client represents 12% of group Net Revenue.
- Top 10 clients represent 33% of total revenue across > 600 client relationships.
- Increased exposure to Automotive and Health Care following Orchard Marketing acquisition.

Revenue by industry



BALANCE SHEET & CAPITAL MANAGEMENT

Summary Balance Sheet
As at ($M)

	31 Dec 2018	30 Jun 2018
Cash	38.4	34.4
Net Working Capital	1.2	(0.4)
Other Assets	2.5	1.8
Fixed Assets	6.3	6.3
Intangibles	110.8	110.1
Total Assets	**159.2**	**152.2**
Provisions & Other Liabilities	9.0	8.3
Income Tax Payable	1.1	1.1
Finance Lease	1.2	1.9
Contingent Consideration	26.7	25.8
Net Assets	**121.2**	**115.1**

- Refer to slide 16 for analysis of contingent consideration including maturity profile.
- Refer to slide 15 for Net Cash analysis.
- Interim dividend of 2.5 cps fully franked payable on 18 March 2019. Dividend payout ratio of 35% marginally under FY18 ratio.
- $19.0m franking credit balance.
- Refer to slide 17 for analysis of cash conversion and working capital.

BALANCE SHEET & CAPITAL MANAGEMENT

Leverage
As at ($M)

	31 Dec 2018	30 Jun 2018
Cash	38.4	34.4
Finance Leases	(1.2)	(1.9)
Contingent Consideration	(26.7)	(25.8)
Net Cash	**10.5**	**6.7**
Debt to Operating EBITDA ratio[1]	0.1x	0.1x
Debt including contingent consideration to Operating EBITDA ratio[1]	1.6x	2.0x

1. Operating EBITDA represents last twelve months.

- Net Cash of $10.5m (30 June 2018 - $6.7m) at balance date.
- Balance sheet retains flexibility to pursue further acquisitions enhancing geographical presence in hubs or expansion of services.
- Refer to slide 16 for payment profile of contingent consideration.

BALANCE SHEET & CAPITAL MANAGEMENT

Contingent Consideration – movement during period ($M)

	Contingent Consideration
Opening 1 July 2018 (at present value)	25.8
FX revaluations/ present value interest unwind	0.9
Payments	-
Balance at 31 December 2018 (at present value)	**26.7**

Contingent Consideration – maturity profile ($M)

	Maturity profile
FY19	-
FY20	11.7
FY21	6.1
FY22	11.0
Total (at gross value)	**28.8**

- Recognised contingent consideration relating to both the Eastwick Communications and Orchard Marketing acquisitions.
- There is uncertainty around the actual payments that will be made as the payments are subject to performance subsequent to the reporting date, including payments being based on the average of the preceding four year EBIT, capping on certain payments (or the total purchase price) and minimum thresholds. Actual future payments may differ from the estimated liability.
- The differential between present value and gross value is the future present value interest unwind over the remaining term of the agreements.

CASH FLOW & WORKING CAPITAL

Six months ended 31 December ($M)

	2018	2017
Operating EBITDA	10.0	5.7
Movement in working capital	(0.9)	5.8
Equity incentive expense	0.4	0.3
Gross Cash Flow	**9.5**	**11.8**
Net interest received	0.2	-
Tax paid	(1.7)	(0.6)
Operating cash flow	**8.0**	**11.2**
Cash funded capex	(0.9)	(0.3)
Free cash flow	**7.1**	**10.9**

- Small working capital unwind in the period however working capital remains comparatively low.
- Cash conversion at 95% of Operating EBITDA.
- Increased interest received due to cash from international operations being repatriated to Australia.
- Tax payments made predominantly in relation to overseas tax jurisdictions. Australian operations continue to utilise historical tax losses.
- Capex up on the prior period but within expected annual range.

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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.

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