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ASX ANNOUNCEMENT

Results for the year ended 30 June 2019

15 August 2019

Enero Group Limited (ASX: EGG) today announced its results for the year ended 30 June 2019.

Summary

- Net Revenue up 25% to $129.5m and Operating EBITDA up 53% to $20.7m.
- Net Profit after tax to equity holders $5.7m.
- Operating EBITDA margin improved to 16.0%.
- Earnings per share before significant items up 53% to 14.2 cents.
- Final dividend declared of 3.0 cents, fully franked. Full year dividends of 5.5 cents, fully franked.

Financial performance[3]:

$A million	FY2019	FY2018	Variance
Net Revenue	129.5	103.7	24.9%
Operating EBITDA[1]	20.7	13.5	53.3%
Operating EBITDA margin	16.0%	13.0%	3bps
Net profit after tax before significant items[2]	**12.1**	**7.9**	**53.2%**
Statutory net profit after tax to equity holders[2]	**5.7**	**8.5**	**(32.9%)**
EPS before significant items[2]	14.2 cents	9.3 cents	52.7%
Dividend per share (interim and final) - fully franked	5.5 cents	4.0 cents	37.5%

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. Refer to attached results presentation for detailed analysis on significant items and a reconciliation to statutory results.
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.

Enero Group CEO, Matthew Melhuish said: "We have delivered an excellent set of results for FY2019 with strong numbers across our key financial metrics in all markets. There is positive momentum in many areas of the Group coming from new business wins and new talent joining the Group. The achievement of 14% organic revenue growth, excluding the impact of acquisitions, demonstrates we can achieve more working together as a Group.

As we enter a new strategic phase, we have further simplified our outward facing brands but more importantly put more strength and capabilities in the larger businesses. We will continue to build digital and data capabilities and we remain ready to invest further through acquisitions in our international network, particularly in the USA, which has experienced incredible growth this year''.

Business Operating Performance:

Net Revenue was up 24.9% and Operating EBITDA was up 53.3% on the prior year. On a like for like basis excluding the impact of acquisitions, revenue was up 14% on the prior year and Operating EBITDA was up 38% on the prior year.

International markets represented 54% of the Group's Net Revenue and 61% of the Group's Operating EBITDA.

Operating cash flow for the year was up 27.5% on the prior year to $18.1m and the Group is in a Net Cash position of $9.5m as at 30 June 2019.

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

Dividend:

The Directors declared an final dividend of 3.0 cents per share, fully franked which represents a total dividend of 5.5 cents per share dividend for the year and an increase of 37.5% on the prior year. The final dividend will have a record date of 23 September 2019 and a payment date of 8 October 2019.

For further information please contact:

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ENERO GROUP FY19 FULL YEAR RESULTS

15 AUGUST 2019

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FY19 FULL YEAR HIGHLIGHTS

Delivering growth

Net Revenue up 25% to $129.5m.

Operating EBITDA up 53% to $20.7m.

Operating EBITDA margin at 16.0%.

Net Profit before significant items to equity holders up 54% to $12.1m[1].

Earnings Per Share (EPS) before significant items up 53% to 14.2 cps.

Capital Management

Final dividend of 3.0 cps declared, fully franked, payable 8 October 2019.

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

Operational

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

Simplification of brands - Precinct joined Hotwire and Naked joined BMF effective for FY20.

Client diversification providing access to higher growth sectors.

1. Refer to slide 7 for a reconciliation to statutory results.

OPERATING COMPANIES

Insight, Strategy, Data & Analytics	Creative & Content	PR & Integrated Communications	Digital & Technology

FY19 KEY FINANCIAL METRICS

Year ended 30 June ($M)

Key Financial Metrics	2019	2018	Variance
Net Revenue	129.5	103.7	24.9%
Operating EBITDA[1]	20.7	13.5	53.3%
Operating EBITDA margin[2]	16.0%	13.0%	3.0bp
Net Profit after tax before significant items to equity holders[3]	12.1	7.9	53.2%
Statutory Net Profit after tax to equity holders[3]	5.7	8.5	(32.9%)
EPS before significant items[3]	14.2 cents	9.3 cents	52.7%
EPS[3]	6.7 cents	10.1 cents	(33.7%)
Dividend per share (interim and final)	5.5 cents	4.0 cents	37.5%

1. Operating EBITDA is net profit before interest, taxes, depreciation, amortisation, impairment of intangibles, contingent consideration fair value losses, gains on sale of assets.
2. Operating EBITDA Margin is Operating EBITDA / Net Revenue.
3. Refer to slide 7 for a reconciliation of Net Profit after tax before significant items to equity holders to Statutory Net Profit after tax to equity holders.

FY19 GROUP FINANCIAL PERFORMANCE

Revenue and Operating EBITDA

Year ended 30 June ($M)

	2019	2018	Variance
Net Revenue	129.5	103.7	24.9%
Net Revenue	**129.5**	**103.7**	**24.9%**
Operating EBITDA			
Operating Companies	27.3	19.3	41.5%
Support office	(5.8)	(5.3)	(9.4%)
Share based payments charge	(0.8)	(0.5)	(60.0%)
Operating EBITDA	**20.7**	**13.5**	**53.3%**
Operating EBITDA margin	**16.0%**	**13.0%**	**3.0bp**

- Impact of Orchard Marketing acquisition – acquired in February 2018 and therefore in comparative period for five months.
- 14% Organic revenue growth in existing businesses (excluding impact of acquisitions).
- Staff costs ratio trending down to 68.1% (FY2018: 69.7%). Staff costs includes all fulltime employees and freelance/contractors. Variable staffing allowing more flexibility to adjust cost base to revenue requirements.
- Operating costs ratio down to 16.0% (FY2018: 17.5%) as further rental efficiencies obtained from co-locations and strong cost discipline across all businesses.

FY19 GROUP FINANCIAL PERFORMANCE

Year ended 30 June ($M)

Profit and Loss Summary	2019	2018
Net Revenue	129.5	103.7
Other Revenue	0.1	0.2
Staff costs	(88.1)	(72.3)
Operating expenses	(20.8)	(18.1)
Operating EBITDA[1]	**20.7**	**13.5**
Depreciation	(2.2)	(2.5)
Amortisation of intangible asset	(1.0)	(0.7)
Net Interest	0.5	0.1
Present value interest charges	(1.2)	(0.6)
Tax	(2.3)	(1.3)
Non-controlling interests	(2.4)	(0.6)
NPAT before significant items[2] to equity holders	**12.1**	**7.9**
Significant items[3]	(6.4)	0.6
Statutory Net profit after tax to equity holders	**5.7**	**8.5**

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. Refer to slide 8 for significant items.

FY19 GROUP FINANCIAL PERFORMANCE

Year ended 30 June ($M)

Significant Items	2019	2018
Contingent consideration fair value loss[1]	(6.4)	-
Gain on sale of asset[2]	-	0.6
Total significant items	**(6.4)**	**0.6**

1. The contingent consideration fair value loss is in relation to the re-estimation of future payments for the Eastwick Communications acquisition.
2. The gain on sale of asset relates to the sale of the Dark Blue Sea domain registry business and domain asset portfolio in October 2017.

FY19 GEOGRAPHICAL RESULTS

Operating Companies only

Year ended 30 June ($M)

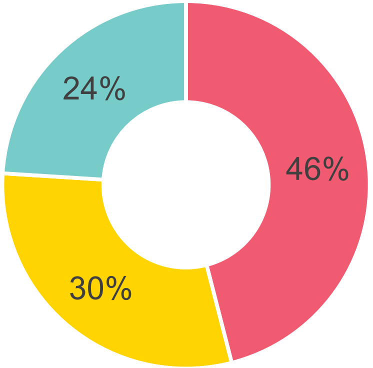
	2019	2018	Variance	Constant Currency Variance
Net Revenue				
Australia	60.0	48.2	24.5%	24.5%
UK and Europe	38.6	35.1	10.0%	5.6%
USA	30.9	20.4	51.5%	51.8%
Total	**129.5**	**103.7**	**24.9%**	
Operating EBITDA				
Australia	10.7	8.9	20.2%	20.2%
UK and Europe	6.5	6.9	(5.8%)	(8.9%)
USA	10.1	3.5	188.6%	165.3%
Total	**27.3**	**19.3**	**41.5%**	

- International operations accounted for 54% of total revenue and 61% of Operating Companies EBITDA. The Group's exposure to overseas markets continues to provide bigger and more networked client opportunities along with greater margin attainment.
- The relative contribution from Australian operations increased due to the acquisition of Orchard Marketing in the second half of FY2018 which is predominantly Australian based.
- Weaker Australian dollar positively impacting reported Net Revenue by $3.1m and reported Operating EBITDA by $0.5m on a constant currency year on year basis.

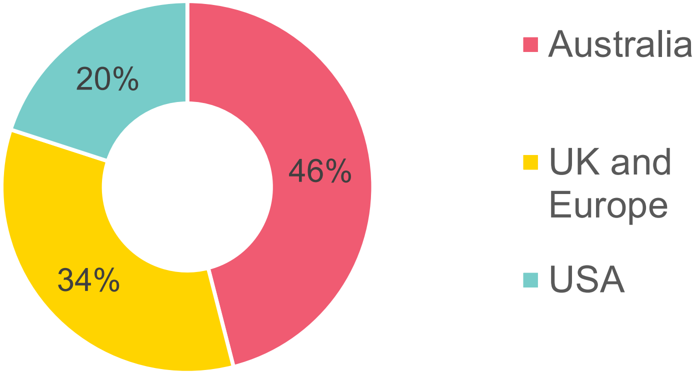
FY19 GEOGRAPHICAL RESULTS

Geographical contribution from operating companies

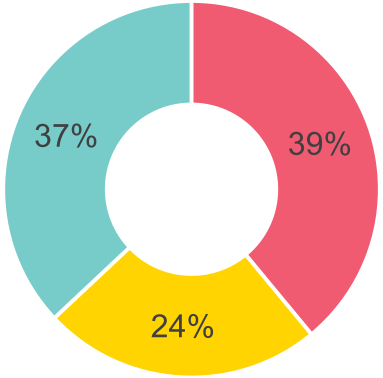
Net Revenue FY2019



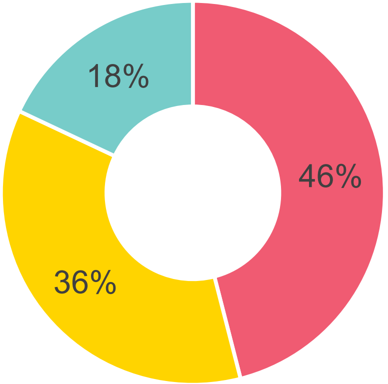
Net Revenue FY2018



Operating EBITDA FY2019



Operating EBITDA FY2018



FY19 GEOGRAPHICAL RESULTS

Australia

Year ended 30 June ($M)

	2019	2018	Variance	Constant Currency Variance
Net Revenue	60.0	48.2	24.5%	-
Operating EBITDA	10.7	8.9	20.2%	-
Operating EBITDA margin	17.8%	18.5%	(0.7bp)	-

Highlights

- Strong results despite slight margin decrease year on year. Margins in line with expected industry range.
- Orchard inclusion for full FY19 (vs five months in prior year). Excluding the impact of the acquisition, Australian market organic revenue was flat year on year.
- BMF continues to trade well with notable client wins for Tourism Tasmania, Agoda and various Federal Government and NSW State Government projects during the year.
- Orchard Marketing trading strongly with new client wins in its healthcare division (Flordis and Avant Mutual).
- Brand simplification activated in FY19 with Precinct joining Hotwire and Naked joining BMF. In both cases combining the businesses results in stronger capability sets along with more scale for larger businesses.

FY19 GEOGRAPHICAL RESULTS

UK and Europe

Year ended 30 June ($M)

	2019	2018	Variance	Constant Currency Variance
Net Revenue	38.6	35.1	10.0%	5.6%
Operating EBITDA	6.5	6.9	(5.8%)	(8.9%)
Operating EBITDA margin	16.8%	19.7%	(2.9bp)	-

Highlights

- Increased efforts on new business have led to a 10% increase in revenue year on year (6% on constant currency basis).
- Hotwire continues to trade well with new UK and Europe client wins (Omron, Visa, Sengled) and benefitting from global wins in the USA market transferring to UK and Europe (Facebook, NetApp). A new UK MD has been appointed for FY20.
- Frank PR trading in line with prior year.
- Margin decline in current reporting period predominantly due to investments in senior level talent ahead of the revenue curve in both businesses.

FY19 GEOGRAPHICAL RESULTS

USA

Year ended 30 June ($M)

	2019	2018	Variance	Constant Currency Variance
Net Revenue	30.9	20.4	51.5%	51.8%
Operating EBITDA	10.1	3.5	188.6%	165.3%
Operating EBITDA margin	32.7%	17.2%	15.4bp	-

Highlights

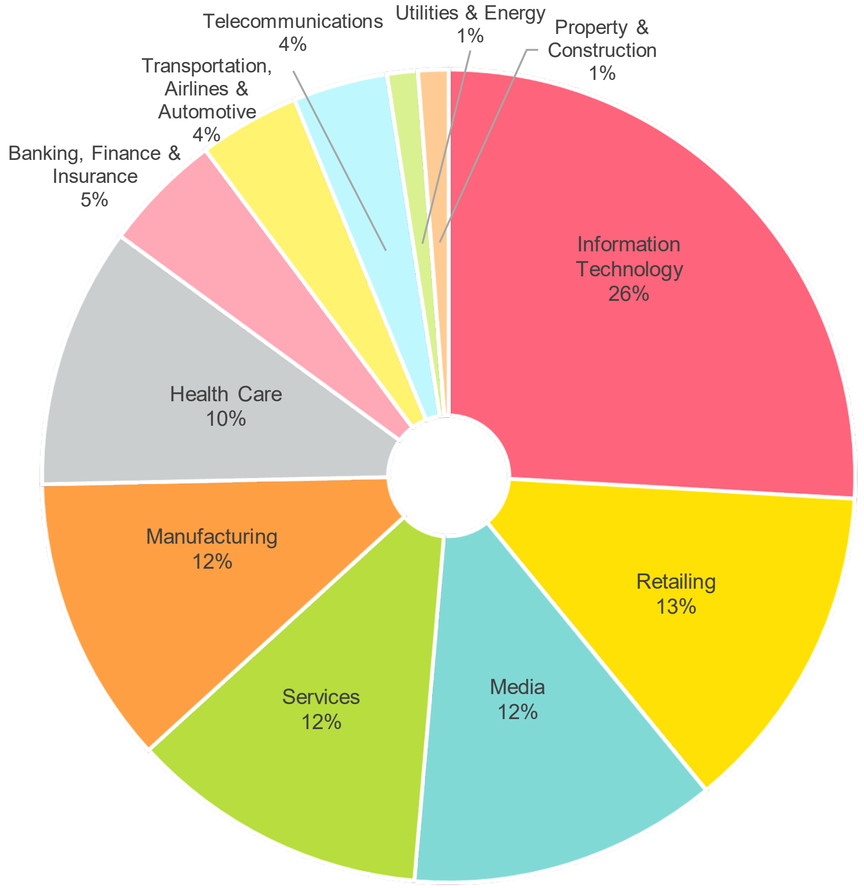
- Material revenue improvement in USA market including constant currency impacts along with significant margin acceleration from greater scale.
- Hotwire USA building momentum with key client wins – NetApp, MacAfee, Adobe, Facebook, Cummins along with more multi-office network clients.
- Possible further USA based pop-up offices in FY20.
- OBMedia's growth in current period from its online ad network, 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 34% 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)

	30 Jun 2019	30 Jun 2018
Cash	43.8	34.4
Net Working Capital	0.8	(0.4)
Other Assets	2.7	1.8
Fixed Assets	5.8	6.3
Intangibles	110.4	110.1
Total Assets	**163.5**	**152.2**
Provisions & Other Liabilities	9.3	8.3
Income Tax Payable	0.5	1.1
Finance Lease	0.5	1.9
Contingent Consideration	33.8	25.8
Net Assets	**119.4**	**115.1**

- Refer to slide 17 for analysis of contingent consideration including maturity profile.
- Refer to slide 16 for Net Cash analysis.
- Final dividend of 3.0 cps fully franked payable on 8 October 2019. Total dividend for FY19 of 5.5 cps. Dividend payout ratio of 39% marginally under FY18 ratio.
- $18.3m franking credit balance.
- Refer to slide 18 for analysis of cash conversion and working capital.

BALANCE SHEET & CAPITAL MANAGEMENT

Leverage
As at ($M)

	30 Jun 2019	30 Jun 2018
Cash	43.8	34.4
Finance Leases	(0.5)	(1.9)
Contingent Consideration	(33.8)	(25.8)
Net Cash	**9.5**	**6.7**
Debt to Operating EBITDA ratio[1]	0.1x	0.1x
Debt including contingent consideration to Operating EBITDA ratio[1]	1.7x	2.0x

1. Operating EBITDA represents last twelve months.

- Net Cash of $9.5m (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 17 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	1.6
Re-estimate of expected payments (fair value loss)	6.4
Payments	-
Balance at 30 June 2019 (at present value)	**33.8**

Contingent Consideration – maturity profile ($M)

	Maturity profile
FY20	11.7
FY21	12.9
FY22	11.0
Total (at gross value)	**35.6**

- 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

Year ended 30 June ($M)

	2019	2018
Operating EBITDA	20.7	13.5
Movement in working capital	(0.1)	1.7
Equity incentive expense	0.7	0.5
Gross Cash Flow	**21.3**	**15.7**
Net interest received	0.5	0.1
Tax paid	(3.7)	(1.6)
Operating cash flow	**18.1**	**14.2**
Cash funded capex	(1.7)	(1.6)
Finance lease payments	(1.4)	(1.4)
Free cash flow	**15.0**	**11.2**

- Small working capital unwind in the period however working capital remains comparatively low.
- Cash conversion at 103% 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 with the increase predominantly in the USA. Australian operations continue to utilise historical tax losses (expected through to FY21).
- Capex in line with prior period and within expected annual range. No significant capex projects expected in FY20.

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