ASX ANNOUNCEMENT 10 August 2017

Results for year ended 30 June 2017

Enero Group Limited (ASX: EGG) today announced its results for the year ended 30 June 2017.

Summary:

- Net profit after tax to equity holders $1.8m.
- Capital restrictions released in May 2017 with a special fully franked dividend of 5 cents per share paid on 26 June 2017.
- Operating EBITDA margin at 10.4%.
- Net Revenue down 12% (5% down on constant currency basis) and Operating EBITDA down 22% (12% down on constant currency basis) on prior period.

Enero Group CEO, Matthew Melhuish said: "While it was a challenging trading year, an improvement in the second-half resulted in a full year operating margin of 10.4%. We faced difficult UK trading conditions in the first-half after the Brexit vote with uncertainty affecting client confidence. We had some client losses and also encountered currency headwinds from the stronger Australian dollar which impacted the Operating EBITDA line by $1.5m on a constant currency basis. We continued to push hard to recover the year and also remained focussed on long term value creation. We have successfully expanded our USA footprint with the completion of the Eastwick Communications acquisition and the release of capital restrictions in May 2017 gives us more flexibility as we move into the 'Re-imagined' stage of our strategic plan".

Financial performance[3]:

A$ million	FY2017	FY2016	Variance
Net Revenue	100.2	113.5	(12%)
Operating EBITDA[1]	10.4	13.2	(22%)
Net profit after tax before significant items	**4.9**	**6.6**	**(26%)**
Statutory net profit after tax to equity holders[2]	**1.8**	**6.6**	**(73%)**
Operating EBITDA Margin	10.4%	11.6%	
Earnings per share (EPS) before significant items	5.9 cps	8.0 cps	

Notes:

1. Operating EBITDA is net profit before interest, taxes, depreciation, amortisation, impairment, contingent consideration fair value losses, acquisition costs and one-off dual occupancy 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. Statutory net profit after tax includes significant items of $3.1m. 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 down 12% and Operating EBITDA was down 22% on the prior year. The Operating EBITDA margin reduced to 10.4%. International markets represented 57% of the Group's net revenue and 56% of the Group's Operating EBITDA.

The impact of the Eastwick Communications acquisition (initial payment of US$5m) has been included in the consolidated performance from October 2016.

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

Grant of Share Appreciation Rights to CEO:

The Company today granted CEO Matthew Melhuish 1 million Share Appreciation Rights under the Company's existing Share Appreciation Rights Plan (SARP). This grant will be subject to shareholder approval at the Company's next Annual General Meeting.

The Share Rights will vest in three tranches as follows:

- 333,333 Share Rights with a vesting date of 20 business days after the release to ASX of the Company's preliminary financial report for the financial year ended 30 June 2018 (First Vesting Date).
- 333.333 Share Rights with a vesting date of 20 business days after the release to ASX of the Company's preliminary financial report for the financial year ended 30 June 2019 (Second Vesting Date).
- 333,334 Share Rights with a vesting date of 20 business days after the release to ASX of the Company's preliminary financial report for the financial year ended 30 June 2020 (Third Vesting Date).

Each Share Right when exercised and vested entitles the holder to receive a fraction of a Share based on the following formula:

$$\text{Share entitlement (E)} = \frac{A - B}{A}$$

Where:

A = Enero VWAP for the 20 trading days before the relevant Vesting Date.
B = Enero VWAP for the 20 trading days before the Date of Issue of the Share Right.

If A – B is less than or equal to zero, the Share Right will not vest and will immediately lapse on the applicable Vesting Date.

No payment is required for any Share Rights or any Shares acquired pursuant to any exercised and vested Share Rights. The Plan Rules provide that, subject to the Board's discretion, unvested Share Rights will lapse upon termination of employment.

Contact:
Brendan York
Group Finance Director
Telephone: +612 8213 3084

Enero Group Limited
FY17 Full Year Results

10 August 2017

Disclaimer

This document has been prepared by Enero Group Limited (Enero) and comprises written materials/slides for a presentation concerning Enero. This is not a prospectus, disclosure document or offering document.

This document is for information purposes only and does not constitute or form part of any offer or invitation to acquire, sell or otherwise dispose of, or issue, or any solicitation of any offer to sell or otherwise dispose of, purchase or subscribe for, any securities, nor does it constitute investment advice, nor shall it or any part of it nor the fact of its distribution form the basis of, or be relied on in connection with, any contract or investment decision.

Certain statements in this presentation are forward looking statements. You can identify these statements by the fact that they use words such as "anticipate", "estimate", "expect", "project", "intend", "plan", "believe", "target", "may", "assume" and words of similar import. These forward looking statements speak only as at the date of this presentation. These statements are based on current expectations and beliefs and, by their nature, are subject to a number of known and unknown risks and uncertainties that could cause the actual results, performances and achievements to differ materially from any expected future results, performance or achievements expressed or implied by such forward looking statements.

No representation, warranty or assurance (express or implied) is given or made by Enero that the forward looking statements contained in this presentation are accurate, complete, reliable or adequate or that they will be achieved or prove to be correct. Except for any statutory liability which cannot be excluded, each of Enero, its related companies and their respective officers, employees and advisers expressly disclaim any responsibility for the accuracy or completeness of the forward looking statements and exclude all liability whatsoever (including negligence) for any direct or indirect loss or damage which may be suffered by any person as a consequence of any information in this presentation or any error or omission therefrom.

Subject to any continuing obligation under applicable law or any relevant listing rules of the ASX, Enero disclaims any obligation or undertaking to disseminate any updates or revisions to any forward looking statements in these materials to reflect any change in expectations in relation to any forward looking statements or any change in events, conditions or circumstances on which any statement is based. Nothing in these materials shall under any circumstances create an implication that there has been no change in the affairs of Enero since the date of this presentation.

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, NPAT before significant items and EPS before significant items which are defined in the presentation.

Group Financial Performance

Financial highlights summary

- Net revenue down 12% on the prior reporting period (5% decline on a constant currency basis).

- Operating EBITDA down 22% on the prior reporting period (12% decline on a constant currency basis).

- Currency headwinds predominately from a weaker GBP impacting Net Revenue by $8.2m and Operating EBITDA by $1.5m on a constant currency year on year basis.

- Operating EBITDA margin declined from 11.6% to 10.4% reflecting more difficult trading conditions and client losses in the period.

- EPS before significant items of 5.9 cps.

- NPAT before significant items of $4.9m.

Group Financial Performance

Financial highlights summary continued

- First acquisition in the Group in over 7 years - Eastwick Communications – a technology focused PR business – significantly strengthening Hotwire's US presence. Earnings included from October 2016 with an annualised net revenue of USD$10m.

- Capital management initiatives:
  - Release of capital restrictions on the Company in place from September 2010 under historical restructured deferred consideration agreements following agreement from remaining vendors.
  - Fully franked special dividend of 5 cents per share paid in June 2017.
  - Share capital adjustment resulting in share capital now more adequately reflecting active equity in the Group.

Group Financial Performance

Revenue and Operating EBITDA

YEAR ENDED 30 JUNE ($M)	2017	2016	CHANGE
NET REVENUE			
Operating Companies	100.2	113.5	(11.7%)
Net Revenue	**100.2**	**113.5**	**(11.7%)**
OPERATING EBITDA			
Operating Companies	16.1	19.9	(19.5%)
Support office	(5.3)	(5.9)	(10.1%)
Share based payments charge	(0.4)	(0.8)	(53.7%)
Operating EBITDA [1]	**10.4**	**13.2**	(21.6%)
Operating EBITDA Margin [2]	**10.4%**	**11.6%**	**(1.2bp)**

1. Operating EBITDA is net profit before interest, tax, depreciation, amortisation, impairment, contingent consideration fair value losses, acquisition costs and non-recurring dual occupancy costs. Refer to slide 14 for detailed analysis of costs.
2. Operating EBITDA Margin is Operating EBITDA / Net Revenue.

Group Financial Performance

Results ratio analysis

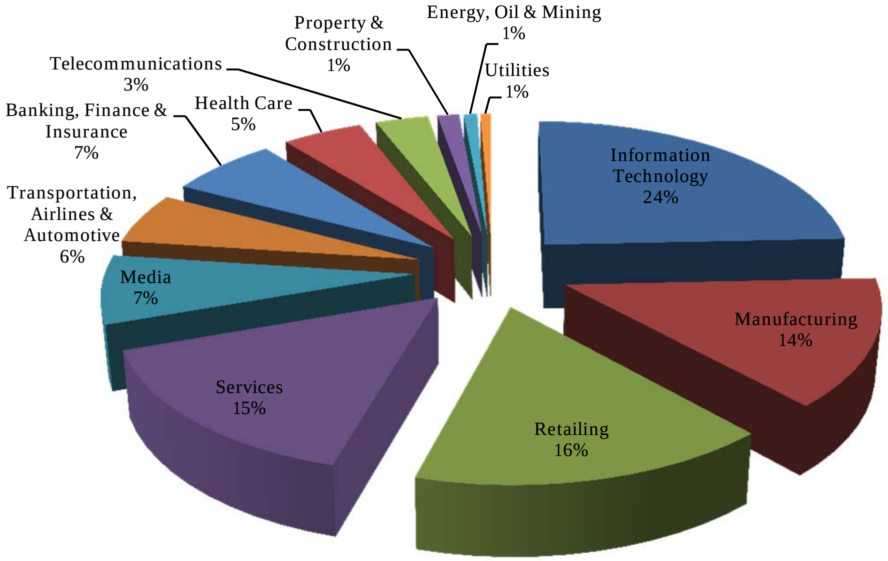
YEAR ENDED 30 JUNE ($M)	2017	2016
Net Revenue	100.2	113.5
Staff costs	71.4	79.1
Staff costs %	*71.3%*	*69.7%*
Operating costs	18.6	21.4
Operating costs %	*18.6%*	*18.9%*
Operating EBITDA	**10.4**	**13.2**
Operating EBITDA Margin	**10.4%**	**11.6%**

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

- A $7.7m reduction in staff costs assisted by currency translation, however unable to reduce staff costs to the same ratio as net revenue decline.
- Operating costs reduced by $2.8m on prior period, partly assisted by currency translation ($1.4m). Further operating cost efficiencies in Sydney hub office from FY18.

Group Financial Performance

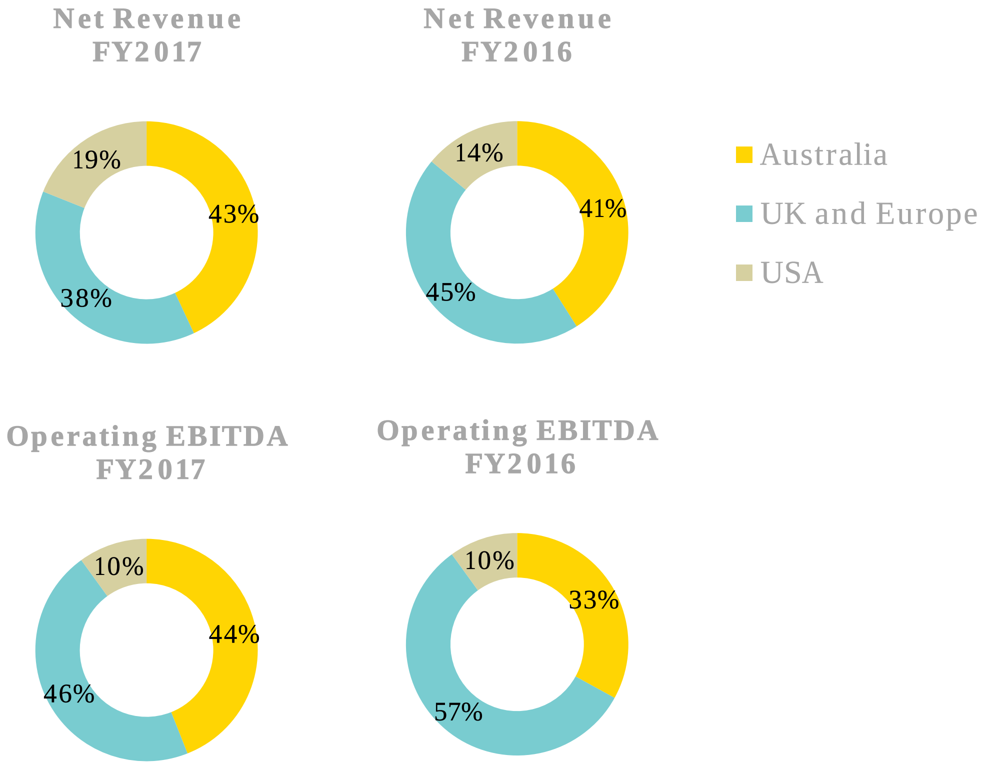
Revenue By Industry



- Strong mix of clients across market industry and sector groups demonstrates diversification of revenue.
- Largest client represents 13% of group net revenue.
- Top 10 clients represent 31% of total revenue across > 700 client relationships.

Operating Performance

Geographical Contribution from operating companies



- Geographical contribution to revenue more evenly spread due to increase in USA following completion of Eastwick acquisition and softening in UK and Europe.
- Geographical contribution to Operating EBITDA reflects the improved margin in Australia market.
- International operations accounted for 56% of the Operating Companies EBITDA in FY17, down from 67% in FY16, mainly impacted by UK and Europe trading conditions.

Operating Performance

Geographical Results from operating companies

YEAR ENDED 30 JUNE ($M)	2017	2016	CHANGE	CONSTANT CURRENCY CHANGE
NET REVENUE				
Australia	42.9	46.0	(6.7%)	(6.7%)
UK and Europe	38.0	51.2	(25.9%)	(12.9%)
USA	19.3	16.3	18.5%	22.6%
Total	**100.2**	**113.5**	**(11.7%)**	**(4.9%)**
OPERATING EBITDA				
Australia	7.0	6.6	6.2%	6.2%
UK and Europe	7.4	11.4	(34.8%)	(22.8%)
USA	1.7	1.9	(16.3%)	(13.4%)
Total	**16.1**	**19.9**	**(21.6%)**	**(11.8%)**

- **Currency impact:** stronger Australian dollar negatively impacting reported net revenue by $8.2m and reported Operating EBITDA by $1.5m on a constant currency year on year basis.
- On a constant currency basis, net revenue decline is only 4.9%.
- Strong organic Operating EBITDA growth in Australia this period.

Operating Performance

Australia

YEAR ENDED 30 JUNE ($M)	2017	2016	CHANGE	CONSTANT CURRENCY CHANGE
Net Revenue	42.9	46.0	(6.7%)	-
Operating EBITDA	7.0	6.6	6.2%	-
Operating EBITDA margin	16.3%	14.3%	2.0bp	-

Key highlights:

- Small revenue decline year on year however significant improvement in EBITDA and margin as a result of focus on managing the cost base.
- BMF performed well with excellent creative and strategy reputation and Federal Government wins.
- Naked Communications had a strong FY17 with new business wins (Sigma Pharmaceuticals, RMIT, Crazy Domains).
- Other smaller agencies have had mixed results, most notably Dark Blue Sea who was impacted by lower domain monetisation in the period.
- Moved to new Sydney hub office (100 Harris St, Pyrmont) on 30 January 2017. Further operating efficiencies to be realised in FY18 from more flexible office space.

Operating Performance

UK and Europe

YEAR ENDED 30 JUNE ($M)	2017	2016	CHANGE	CONSTANT CURRENCY CHANGE
Net Revenue	38.0	51.2	(25.9%)	(12.9%)
Operating EBITDA	7.4	11.4	(34.8%)	(22.8%)
Operating EBITDA margin	19.6%	22.3%	(2.7bp)	-

Key highlights:

- Significant impact of Brexit on general consumer and economic confidence has resulted in weaker pipelines and longer lead time to convert projects in UK market.
- Despite this, Hotwire and Frank PR continue to trade well with above average margin achievement showing consistency of PR businesses.
- Naked Communications impacted by loss of two key clients (eBay and Virgin Atlantic) and subsequent closure in March 2017.
- The Leading Edge FY17 investment program now completed scaling up the business to 20+ staff. This impacted margin in FY17 but will help to achieve scale and more revenue opportunities in FY18.

Operating Performance

USA

YEAR ENDED 30 JUNE ($M)	2017	2016	CHANGE	CONSTANT CURRENCY CHANGE
Net Revenue	19.3	16.3	18.5%	22.6%
Operating EBITDA	1.7	1.9	(16.3%)	(13.4%)
Operating EBITDA margin	8.5%	11.7%	(3.2bp)	-

Key highlights:

- Revenue improvement (23% up year on year on constant currency basis) including Eastwick Communications contribution for 9 months.
- Operating EBITDA and margin impacted by difficult trading conditions for higher margin OB Media business and Naked Communication's loss of Virgin Atlantic (and subsequent closure in March 2017).
- Completed the acquisition of Eastwick Communications effective October 2016 to increase the scale of Hotwire in the US market increasing Hotwire US staff to 75. Results include nine months of earnings contribution and a successful integration program.

Group Financial Performance

Profit & Loss Summary

YEAR ENDED 30 JUNE ($M)	2017	2016
Net Revenue	100.2	113.5
Other revenue	0.2	0.2
Staff Costs	(71.4)	(79.1)
Operating Expenses	(18.6)	(21.4)
Operating EBITDA[1]	**10.4**	**13.2**
Operating EBITDA Margin	10.4%	11.6%
Depreciation & Amortisation	(3.8)	(3.1)
Net Interest	0.1	0.2
Present value interest charges	(0.2)	-
Tax	(1.5)	(2.2)
Minority interests	(0.1)	(1.5)
NPAT before significant items[2]	**4.9**	**6.6**
Significant items[3]	(3.1)	-
Net profit after tax to equity owners	**1.8**	**6.6**

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 FY17 included Incidental Acquisition costs of $0.2m., contingent consideration fair value losses of $2.3m and one off dual occupancy costs of $0.6m. Refer slide 14.

Group Financial Performance

Significant items

YEAR ENDED 30 JUNE ($M)	2017	2016
Contingent consideration fair value loss	(2.3)	-
Incidental acquisition costs	(0.2)	-
Non-recurring dual occupancy costs	(0.6)	-
Total significant items	**(3.1)**	**-**

- Contingent consideration fair value loss represents:
  - Revisions to estimates for future vendor consideration payments for Eastwick Communications $2.2m; and
  - Tranche 3a/3b contingent consideration payments of $0.1m paid in May 2017.
- Incidental acquisition costs relating to Eastwick Communications.
- One off dual occupancy costs relating to the Sydney office move to 100 Harris St Pyrmont.

Group Financial Performance

Balance Sheet

($M)	30 June 2017	30 June 2016
Cash	32.5	37.6
Net Working Capital	(2.4)	(3.4)
Other Assets	2.0	2.2
Fixed Assets	6.9	4.9
Intangibles	83.1	75.5
Total Assets	**122.1**	**116.8**
Provisions & Other Liabilities	5.7	5.5
Finance lease	3.3	-
Contingent Consideration	10.1	-
Net Assets	**103.0**	**111.3**

- Recognised contingent consideration relating to Eastwick Communications acquisition. Refer to slide 16 for analysis.
- Dividend and share buy back restriction released in May 2017. Fully franked special dividend of 5 cents per share ($4.3m) paid on 26 June 2017.
- $20m in franking credits.
- Refer to slide 17 for analysis on cash conversion and working capital.

Group Financial Performance

Contingent consideration

($M)	Contingent Consideration
Opening 1 July 2016 (at present value)	-
Acquisition	7.8
FX revaluations/present value interest	0.1
Revisions to prior estimates of expected consideration	2.2
Balance 30 June 2017 (at present value)	**10.1**

($M)	Maturity Profile
FY 2018	4.5
FY 2019	-
FY 2020	4.7
FY 2021	0.9
Total (at present value)	**10.1**

- Recognised contingent consideration relating to Eastwick Communications acquisition. There is uncertainty around the actual payments that will be made as the payments are subject to the performance of Eastwick Communications subsequent to the reporting date, including a minimum EBIT threshold for future payments and a final uncapped payment based on the average of the preceding four years EBIT. Actual future payments may differ from the estimated liability.

- All historic contingent deferred consideration liabilities (Tranche 3A&3B liabilities) expired during the year following agreement with remaining holders.

Cash Flow & Working Capital Management

YEAR ENDED 30 JUNE($M)	2017	2016
Operating EBITDA	10.4	13.2
Movement in working capital	1.8	4.2
Share based payments expense	0.4	0.8
Incidental acquisition costs	(0.2)	-
One off rental costs	(0.7)	-
Gross Cash Flow	**11.7**	**18.2**
Net Interest Received	0.1	0.2
Tax paid	(2.0)	(1.4)
Operating Cash Flow	**9.8**	**17.0**
Cash funded capex	(1.3)	(1.1)
Finance lease payments	(0.8)	-
Free Cash Flow	**7.7**	**15.9**

- Small working capital balance unwind in the period however working capital balance (excluding cash) remains comparatively low.
- Tax payments made in relation to overseas tax jurisdictions.
- Total capex for FY17 was $5.3m ($4.0m relating to Sydney hub office). Limited cash funding required with all $4.0m funded under lease finance for a 36 month term.