ASX ANNOUNCEMENT 16 August 2018

Results for year ended 30 June 2018

Enero Group Limited (ASX: EGG) today announced its results for the year ended 30 June 2018.

Summary:

- Net Revenue up 3.5% to $103.7m and Operating EBITDA up 29.8% to $13.5m.
- Net profit after tax to equity holders $8.5m.
- Operating EBITDA margin improved to 13.0%.
- Acquisition of Orchard Marketing on 2 February 2018.
- Final dividend declared of 2.5 cents, fully franked.

Enero Group CEO, Matthew Melhuish said: "FY2018 was a significant step forward in our strategic ambitions. Increases in key financial metrics of revenue, Operating EBITDA and margin, coupled with the acquisition of Orchard Marketing during the year sets the Group up for a successful year ahead. Orchard Marketing has enhanced the Group's digital capabilities in both Australia and the USA and is our key business in our digital pillar. Strong growth in our USA market businesses is re-balancing the geographic contributions of our key hubs. We remain open to further acquisitions to either enhance geographic presence in our hubs or expand services in key businesses".

Financial performance[3]:

A$ million	FY2018	FY2017	Variance
Net Revenue	103.7	100.2	3.5%
Operating EBITDA[1]	13.5	10.4	29.8%
Net profit after tax before significant items	**7.9**	**4.9**	**61.2%**
Statutory net profit after tax to equity holders[2]	**8.5**	**1.8**	**372.2%**
Operating EBITDA Margin	13.0%	10.4%	
Earnings per share (EPS) before significant items	9.3 cps	5.9 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 $0.6m gain on sale of asset (FY2017 - $3.1m of expense items). 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 3.5% and Operating EBITDA was up 29.8% on the prior year.
On a like for like basis excluding the impact of acquisitions and closed offices, revenue was flat and Operating EBITDA was up 10% on the prior year. International markets represented 54% of the Group's net revenue and 54% of the Group's Operating EBITDA.

The impact of the Orchard Marketing acquisition (initial payment of $5m) has been included in the consolidated performance from February 2018 and increased headcount by 70 during the year.

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

Acquisition of Orchard Marketing:

On 2 February 2018, Enero Group completed its acquisition of 100% of the issued capital of Orchard Marketing Pty Limited, a creative and technology agency with offices in Sydney and New York, net revenue for the financial year ended 30 June 2017 of $12 million and over 70 full time staff.

The purchase price comprises an initial cash payment of $5 million plus contingent consideration tied to EBIT targets through to the period 30 June 2021. The agreement is subject to a total purchase price cap of $27 million. The initial cash payment was funded from Enero's existing cash reserves. Over the next 12 months, the acquisition is expected to be accretive to Enero's earnings per share.

Dividend:
The Directors declared a final dividend of 2.5 cents per share, fully franked in relation to FY2018, bringing the total dividend for FY2018 to 4.0 cents per share, fully franked. The final dividend has a record date of 24 September 2018 and is payable on 8 October 2018.

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Enero Group Limited
FY18 Full Year Results

16 August 2018

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

FY18 Highlights

Financial highlights summary

- Net revenue up 3.5% and Operating EBITDA up 29.8% on the prior reporting period
- Operating EBITDA margin up from 10.4% to 13.0% as overall business performance increased and cost efficiencies realised.
- Currency impacts immaterial.
- Statutory EPS of 10 cps (9.3 cps excluding gain on sale of business asset).
- Statutory NPAT to equity holders of $8.5m - up 372% year on year.
- Final dividend declared of 2.5 cents full franked, payable on 8 October 2018. Total dividend of 4.0 cents relating to FY2018 resulting in dividend payout ratio of 43%.

FY18 Highlights

Transitioning into the Re-imagined phase

- Align to key pillars:
  - Strategy, Research & Insights
  - Creative and Content
  - Digital
  - Integrated Communications & Public Relations

- The acquisition of Orchard on 2 February 2018 with offices in Sydney and New York now represents the key business in the digital pillar and enhances the Group's digital capabilities.

- Steady increase in clients with multiple agency touchpoints.

- Future acquisitions will enhance geographical presence in hubs or expansion of services.

Group Financial Performance

Revenue and Operating EBITDA

YEAR ENDED 30 JUNE ($M)	2018	2017	CHANGE
NET REVENUE			
Operating Companies	103.7	100.2	3.5%
Net Revenue	**103.7**	**100.2**	**3.5%**
OPERATING EBITDA			
Operating Companies	19.3	16.1	19.9%
Support office	(5.3)	(5.3)	-
Share based payments charge	(0.5)	(0.4)	(25.0%)
Operating EBITDA[1]	**13.5**	**10.4**	**29.8%**
Operating EBITDA Margin[2]	**13.0%**	**10.4%**	**2.6bp**

1. Operating EBITDA is net profit before interest, tax, depreciation, amortisation, impairment, gains on sale of assets, contingent consideration fair value losses, acquisition costs and non-recurring dual occupancy costs. Refer to slides 13 and 14 for detailed analysis of costs.
2. Operating EBITDA Margin is Operating EBITDA / Net Revenue.

Group Financial Performance

Results ratio analysis

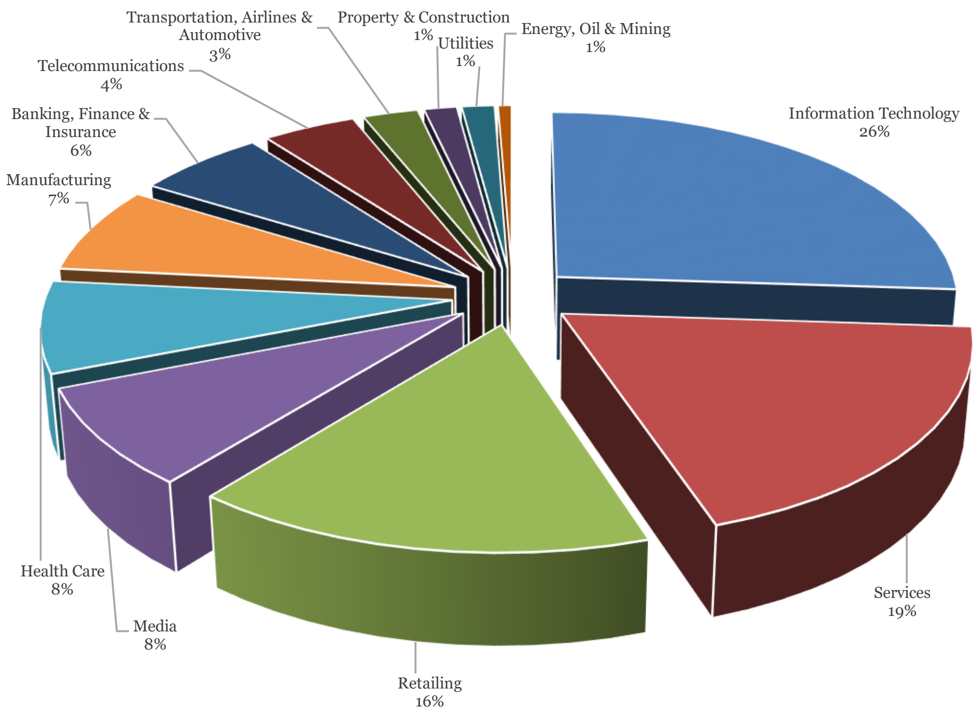
YEAR ENDED 30 JUNE ($M)	2018	2017
Net Revenue	103.7	100.2
Staff costs	72.3	71.4
Staff costs %	*69.7%*	*71.3%*
Operating costs	18.1	18.6
Operating costs %	*17.5%*	*18.6%*
Operating EBITDA	**13.5**	**10.4**
Operating EBITDA Margin	**13.0%**	**10.4%**

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

- A marginal increase in staff costs matched against revenue increase resulted in staff costs ratio being under 70%.
- Operating costs reduced by $0.5m against prior period followed continued efforts in reducing costs, and cost efficiencies in Sydney hub office which had a full year effect in FY18. Orchard's move into the existing Sydney and New York office infrastructure will realise further savings in FY19.
- FY17 included $7.5m Net Revenue (at small EBITDA margin) from the London and New York offices of Naked Communications.

Group Financial Performance

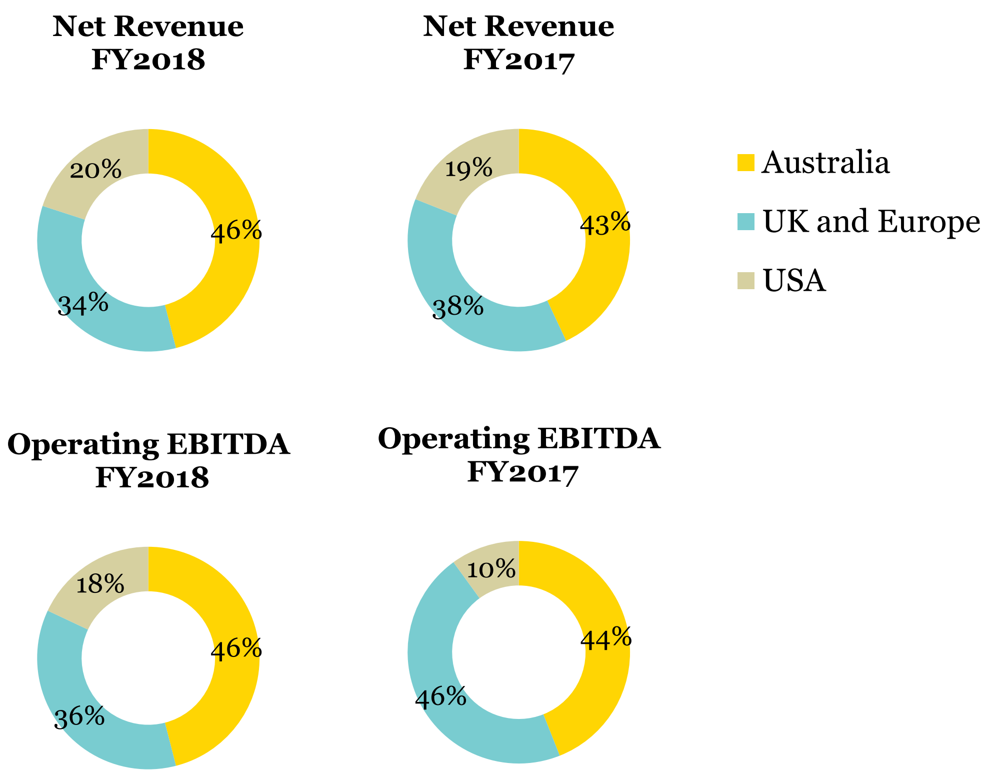
Revenue By Industry



- 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 24% of total revenue across > 700 client relationships.
- Health Care industry the largest increase in the current year due to client base in Orchard.

Operating Performance

Geographical Contribution from operating companies



- Geographical contribution to revenue largely consistent with prior period with the decrease in UK and Europe offset by growth in USA. Australian revenue to proportionately increase in FY19 reflecting full year contribution from Orchard.
- Geographical contribution to Operating EBITDA in line with revenue contributions.
- International operations accounted for 54% of the Operating Companies EBITDA in FY18, down from 56% in FY17, due to a decrease in contribution from UK and Europe offset by growth in the USA.

Operating Performance

Geographical Results from operating companies

YEAR ENDED 30 JUNE ($M)	2018	2017	CHANGE	CONSTANT CURRENCY CHANGE
NET REVENUE				
Australia	48.2	42.9	12.4%	12.4%
UK and Europe	35.1	38.0	(7.6%)	(10.4%)
USA	20.4	19.3	5.7%	8.7%
Total	**103.7**	**100.2**	**3.5%**	
OPERATING EBITDA				
Australia	8.9	7.0	27.1%	27.1%
UK and Europe	6.9	7.4	(6.8%)	(10.2%)
USA	3.5	1.7	105.9%	122.8%
Total	**19.3**	**16.1**	**19.9%**	

- **Currency impact:** 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.
- The USA market achieved the most substantial organic revenue and EBITDA growth in FY18.
- Strong organic revenue and Operating EBITDA growth in Australia this period including the contribution from Orchard for the period February to June 2018.

Operating Performance

Australia

YEAR ENDED 30 JUNE ($M)	2018	2017	CHANGE	CONSTANT CURRENCY CHANGE
Net Revenue	48.2	42.9	12.4%	-
Operating EBITDA	8.9	7.0	27.1%	-
Operating EBITDA margin	18.5%	16.3%	2.2bp	-

Key highlights:

- Increased revenue year on year (including 5 month contribution from Orchard) and further margin improvement.
- BMF performed well organically growing a number of existing clients along with Australian Federal Government wins.
- Improved performance from smaller agencies (CPR, Frank, Precinct).
- Full year of Sydney hub office realised more property cost efficiencies. Orchard relocated to Pyrmont in April 2018 to take further advantages of all Sydney based businesses in one building.

HOTWIRE THE GLOBAL COMMUNICATIONS AGENCY

THE LEADING EDGE

bmf

Frank.

NAKED

orchard

cpr Issues Government Media

the digital edge

Precinct

Operating Performance

UK and Europe

YEAR ENDED 30 JUNE ($M)	2018	2017	CHANGE	CONSTANT CURRENCY CHANGE
Net Revenue	35.1	38.0	(7.6%)	(10.4%)
Operating EBITDA	6.9	7.4	(6.8%)	(6.8%)
Operating EBITDA margin	19.7%	19.6%	0.1bp	-

Key highlights:

- While overall revenue was down 7.6% year on year, excluding the impact of the closed office of Naked Communications in FY17 ($4.3m), revenue increased 4.2% year on year and the margin improved.
- Hotwire and Frank PR continue to trade well with above average margin achievement showing consistency of Communications & PR businesses.
- Hotwire European offices of France and Spain had a strong year.

Operating Performance

USA

YEAR ENDED 30 JUNE ($M)	2018	2017	CHANGE	CONSTANT CURRENCY CHANGE
Net Revenue	20.4	19.3	5.7%	8.7%
Operating EBITDA	3.5	1.7	105.9%	122.8%
Operating EBITDA margin	17.2%	8.5%	8.7bp	

Key highlights:

- Revenue improvement in the year and excluding the impact of the closed Naked Communications office in FY17 ($3.2m), achieved double digit revenue growth of 27%.
- Hotwire's USA offices had a strong year, with a number of multi-office network client wins.
- OBMedia improved performance in FY18.

Group Financial Performance

Profit & Loss Summary

YEAR ENDED 30 JUNE ($M)	2018	2017
Net Revenue	103.7	100.2
Other revenue	0.2	0.2
Staff Costs	(72.3)	(71.4)
Operating Expenses	(18.1)	(18.6)
Operating EBITDA[1]	**13.5**	**10.4**
Operating EBITDA Margin	13.0%	10.4%
Depreciation	(2.5)	(3.5)
Amortisation of intangible assets	(0.7)	(0.3)
Net Interest	0.1	0.1
Present value interest charges	(0.6)	(0.2)
Tax	(1.3)	(1.5)
Minority interests	(0.6)	(0.1)
NPAT before significant items[2]	**7.9**	**4.9**
Significant items[3]	0.6	(3.1)
Net profit after tax to equity owners	**8.5**	**1.8**

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. Refer slide 14 for significant items analysis.

Group Financial Performance

Significant items

YEAR ENDED 30 JUNE ($M)	2018	2017
Gain on sale of asset	0.6	-
Contingent consideration fair value loss	-	(2.3)
Incidental acquisition costs	-	(0.2)
Non-recurring dual occupancy costs	-	(0.6)
Total significant items	**0.6**	**(3.1)**

- A gain on the sale of the Dark Blue Sea domain registry business and domain asset portfolio of $627k following sale of non-core assets to Group.

Group Financial Performance

Balance Sheet

($M)	30 June 2018	30 June 2017
Cash	34.4	32.5
Net Working Capital	(0.4)	(2.4)
Other Assets	1.8	2.0
Fixed Assets	6.3	6.9
Intangibles	110.1	83.1
Total Assets	**152.2**	**122.1**
Provisions & Other Liabilities	9.4	5.7
Finance lease	1.9	3.3
Contingent Consideration	25.8	10.1
Net Assets	**115.1**	**103.0**

1. Net Cash is Cash less Finance Leases less Contingent Consideration.

- Orchard Marketing acquisition – 2 February 2018. Initial payment of $5m and recognised contingent consideration payments tied to EBIT targets through to 30 June 2021. Refer to slide 16 for analysis.
- Net Cash[1] of $6.7m (2017: $19.1m) at balance date.
- Debt to Operating EBITDA ratio at 30 June 2018 0.1x (2.0x including contingent consideration).
- Final dividend of 2.5 cents declared and payable 8 October 2018. Total dividend of 4.0 cents for FY18.
- $19.8m 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 2017 (at present value)	10.1
Acquisition	19.4
Payments	(4.5)
Present value interest unwind/FX revaluations	0.8
Revisions to prior estimates of expected consideration	-
Balance 30 June 2018 (at present value)	**25.8**

($M)	Maturity Profile
FY 2019	-
FY 2020	11.4
FY 2021	6.0
FY 2022	11.0
Total (at full value)	**28.4**

- 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 years EBIT, capping on certain payments (or total purchase price) and minimum thresholds. Actual future payments may differ from the estimated liability.
- The differential between present value and full value is the future present value interest unwind over the term of the agreements.

Group Financial Performance

Cash Flow & Working Capital Management

YEAR ENDED 30 JUNE($M)	2018	2017
Operating EBITDA	13.5	10.4
Movement in working capital	1.7	1.8
Share based payments expense	0.5	0.4
Incidental acquisition costs	-	(0.2)
One off dual occupancy costs	-	(0.7)
Gross Cash Flow	**15.7**	**11.7**
Net Interest Received	0.1	0.1
Tax paid	(1.6)	(2.0)
Operating Cash Flow	**14.2**	**9.8**
Cash funded capex	(1.6)	(1.3)
Finance lease payments	(1.4)	(0.8)
Free Cash Flow	**11.2**	**7.7**

- Small working capital balance unwind in the period however working capital balance (excluding cash) remains comparatively low.
- Cash conversion in excess of 100% of EBITDA.
- Tax payments made predominantly in relation to overseas tax jurisdictions.