



24 December 2019



ARQ GROUP LTD (ASX: ARQ)

Update on Strategic Review, Guidance and Lender Discussions

ARQ Group Limited (**ARQ Group** or **the Company**) provides the following update on its Strategic Review announced on 24 September 2019.

Strategic Review Update

The Strategic Review remains ongoing with the Company receiving a number of indicative, non-binding bids to separately acquire the Company's SMB Division (**SMB**) and Enterprise Services Division (**ES**). As a result, multiple parties have been provided access to a data room and sale documents with a view to providing Arq Group with a binding offer. Due diligence by the parties is continuing and the Company expects to provide a further update in January 2020.

Affirmation of previous guidance for full year 2019

Trading has continued in line with the Company's previous guidance, and the Company is pleased to re-affirm the full year guidance provided on 13 November 2019, being:

- SMB Core underlying EBITDA of between \$9.7m and \$10.7m for the 2019 year. Revenue for SMB is expected to be between \$65.0m and \$70.0m.¹
- Underlying EBITDA for ES is expected to be in the range of a loss of \$1.0m to \$2.0m.
- Group underlying EBITDA is expected to be in the range of \$13.8m to \$15.8m.

As previously advised, the Strategic Review will include a review of the carrying value of the intangible assets associated with the Enterprise division of the Company and any resulting impairment will be reflected in the FY19 results.

Discussions with lenders

Arq Group has previously advised that it has been in discussions with its lenders, ANZ and NAB, regarding the breach of the net leverage ratio under its loan facilities, including an expected breach as at 31 December 2019. The lenders have continued to be supportive of the Company as it works through the Strategic Review.

The Company's lenders have previously waived the financial covenant breach for the quarters ending 30 September 2019 and 31 December 2019.

The Company's lenders have agreed to provide \$2.5 million of additional funding to the Company for short term working capital requirements on the basis of certain conditions and amendments to the loan facilities, including the granting of security to the lenders for the entire amount of the facilities.

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ENDS.

¹ SMB Direct. SMB Indirect excluded due to sale of TPP reseller (completed July 2019) and indication from remaining single customer who has indicated that they will materially reduce spend as previously disclosed





About Arq Group

Arq Group, previously Melbourne IT Group, is Australia's leading digital solutions partner.

Arq Group is the dynamic space for smart thinkers. Creating unforgettable experiences, solving complex challenges, and providing seamless, end-to-end solutions – from design thinking to customer solutions, leading mobile, cloud and analytical insights, digital marketing to web design - Arq Group powers the growth of businesses, big and small.

Founded in 1996, Arq Group has evolved from the leading Australian domains and hosting business to a leading digital services partner. Today, the company builds and manages innovative channels to market for many of the country's largest enterprises, whilst simultaneously supporting half a million small businesses throughout their online journey.

