

ASX ANNOUNCEMENT

Enero Group delivers 6% like-for-like EBITDA increase as Australian-based agencies drive growth

28 February 2024: Enero Group Limited (ASX: EGG) (**Enero**) has reported its results for the six months ended 31 December 2023 (FY24 H1), highlighting a 6% like-for-like increase in EBITDA which benefited from the strong performance of its Australian-based agencies.

Key highlights (excluding significant items)

(\$ million)	FY24 H1	FY23 H1	% Change	FY23 H1 LFL ³	% Change LFL ³
Net revenue ¹	100.4	129.5	(22.4%)	105.3	(4.6%)
EBITDA ¹	23.0	44.3	(48.2%)	21.6	6.3%
EBITDA margin	22.9%	34.2%	(11.4) ppts	20.5%	2.4 ppts
Net profit after tax attributable to equity holders	6.7	14.8	(54.6%)	5.8	17.0%
Earnings per share (EPS)	7.3 cents	16.1 cents	(54.3%)	6.2 cents	17.7%
Free cash flow ²	16.9	2.1	724.0%		

Notes:

1. Net revenue is gross revenue recognised in accordance with AASB15 less directly attributable cost of sales. EBITDA is profit before interest, taxes, depreciation, amortisation and any significant items.
2. Free cash flow is operating cash flow less capex and lease liability payments.
3. Like-for-like (LFL) adjusts for the impact of OBMedia traffic that was proactively halted in FY23 Q4.

Updated segments

In FY24 H1 Enero has updated its segments to Technology, Healthcare and Consumer Practice – which includes the Hotwire Group, BMF and Orchard – and OBMedia. The new segments better reflect Enero's business drivers and operational synergies between the agencies.

Consolidated Group performance

Enero reported like-for-like (LFL) EBITDA growth of 6% to \$23 million driven by an 8% EBITDA growth in agencies, while net revenue declined 5% on a LFL basis in FY24 H1.

NPAT of \$6.7 million increased 17% on a LFL basis reflecting higher profits in wholly owned businesses compared to lower profits earned in the non-wholly owned OBMedia.

Statutory (reported 4D) net loss after tax to equity holders of \$12.3 million included a significant non-cash impairment charge of \$25.3 million and fair value gain on contingent consideration of \$8.8 million.

Enero continues to manage its cost program tightly. Expenses fell 9.0% in FY24 H1 with costs lower across all segments.

With staff costs accounting for 87% of the cost base, Enero management will continue its proactive cost management program in the second half.

Technology, Healthcare and Consumer Practice

The Technology, Healthcare and Consumer Practice's EBITDA increased 8% to \$13.5 million with net revenue 6% lower at \$74.8 million. EBITDA growth and margin was driven by the Company's continued focus on profitability, in addition to FY23 cost management initiatives with margin growing 2.3 percentage points, in line with our target range. Enero's Australian-based agencies, BMF and Orchard, delivered robust revenue and EBITDA growth.

The decline in net revenue was largely due to the challenging technology industry globally, which impacted the performance of the Hotwire Group during the half.

The Technology, Healthcare and Consumer Practice continued to make solid progress in FY24 H1, winning several blue-chip clients. The Hotwire Group won Telstra Global with work led from Singapore, utilising its new data and analytics offerings. BMF was appointed by the Department of Health for a national, multi-year, behaviour change campaign, while Orchard was appointed by Beyond Bank to deliver its digital transformation.

OBMedia

OBMedia reported a 1% LFL increase in net revenue to \$25.6 million in FY24 H1 reflecting the impact of market-wide pressure on rates over the half.

EBITDA fell 7% LFL to \$13.9 million, reflecting ongoing investment and inflation in technology costs which was partly offset by lower performance incentives. EBITDA margin fell 4.8 percentage points in FY24 H1 to 54.3%, slightly below our provided range of 55% to 65%.

OBMedia continued to drive forward in FY24 H1 launching the new Google Related Search on Content feed, enabling OBMedia to develop a new revenue stream for its approximately 30 in-house content websites. OBMedia also rolled out its proprietary media buying platform featuring intelligent automation and performance optimisation features.

Enero is continuing to progress its strategic review with respect to OBMedia with indicative offers due 25 March 2024.

Commenting on the results, Enero Group CEO, Brent Scrimshaw said:

"Throughout FY24 H1 our Australian-based agencies, BMF and Orchard, continued to prove their ability to drive robust growth in a competitive market, which is a result of our deep-focus and award-winning work in the healthcare and consumer practice.

"Despite a global downturn in the technology industry and ongoing macro-economic headwinds, we remain focused and agile in our approach to navigating the global economic and industry challenges in our technology practice, while continuing to refine our diversified portfolio."

Strong capital position

Enero's cash balance at 31 December 2023 increased to \$54.5 million (30 June 2023: \$52.4 million) with strong operating cash flows funding the dividend, share buyback and contingent consideration payments. Net cash adjusted for contingent consideration was \$27.4 million compared to net cash of \$13.0 million at 30 June 2023.

A contingent consideration balance of \$18.1 million is associated with the acquisitions of ROI DNA and GetIT in July 2022 and MBA in April 2021.

FY24 H1 operating cash flow was \$20.1 million, with cash conversion at 108% of EBITDA compared to 36% in FY23 H1.

FY24 interim dividend payment supported by strong balance sheet

The Directors declared an interim dividend of 3.0 cents per share, fully franked, representing a payout ratio of 41%, within the guided range. The interim dividend will have a record date of 21 March 2024 and a payment date of 12 April 2024.

Enero's strong balance sheet retains flexibility to pursue Enero's growth plans and supports the delivery of our capital management strategy. Enero will resume the on-market share buyback on 28 February 2024, highlighting the Board's ongoing confidence in the Company and its commitment to delivering increasing shareholder returns.

Trading update

Enero's Australian-based agencies continued to perform well in January while international market conditions remained challenging.

Australian agencies BMF and Orchard delivered strong revenue growth in January, up 20% YoY, benefiting from favourable timing of projects and soft performance in January 2023.

Hotwire Group declined 4% YoY (9% YoY in constant currency) in January and continues to be impacted by a challenging international technology industry.

Enero remains focused on proactively managing its cost base given these ongoing challenges.

OBMedia continues to be impacted by market-wide pressure in January. Strategic review progressing with indicative offers due 25 March 2024.

Share buyback to recommence from 28 February 2024.

Investor conference call being held at 10:30am AEST today

An investor conference call with Brent Scrimshaw (CEO) and Carla Webb-Sear (CFO) will be held today at 10.30am AEST. To participate, please register here. Registered participants will be able to participate in the Q&A.

A replay will be available after the call here (<https://www.enero.com/investor-centre>).

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Authorised for release by the Board of Directors



About Enero:

Enero Group is a specialist portfolio of marketing, technology and communications businesses listed on the ASX (Australian Stock Exchange) that includes creative agency BMF, PR and integrated communications agencies the Hotwire Group (Hotwire, ROI DNA, GetIT), digital and experiential agency Orchard and adtech platform OBMedia.

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Forward Looking Statements

Certain statements made in this release are forward-looking statements. These forward-looking statements are not historical facts but rather are based on Enero Group's current expectations, estimates and projections about the industry in which Enero Group operates, and beliefs and assumptions. Forward looking statements can generally be identified by the use of forward looking words such as 'anticipate', 'believe', 'expect', 'project', 'forecast', 'estimate', 'likely', 'intend', 'should', 'will', 'could', 'may', 'target', 'plan' and other similar expressions within the meaning of securities laws of applicable jurisdictions. Indications of, and guidance or outlook on future earnings, distributions or financial position or performance are also forward looking statements. These statements are not guarantees of future performance and are subject to known and unknown risks, uncertainties and other factors, some of which are beyond the control of Enero Group, are difficult to predict and could cause actual results to differ materially from those expressed or forecasted in the forward -looking statements. Enero Group cautions shareholders and prospective shareholders not to place undue reliance on these forward-looking statements, which reflect the view of Enero Group only as of the date of this release. There can be no assurance that actual outcomes will not differ materially from these forward-looking statements.