enero

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ASX ANNOUNCEMENT

Results for the half-year ended 31 December 2020

11 February 2021

Enero Group Limited (ASX: EGG) today announced its results for the half-year ended 31 December 2020.

Summary

- Net Revenue up 19.0% to $81.0m and Operating EBITDA up 119.9% to $24.3m.
- Net Profit after tax pre significant items to equity holders up 129.2% to $13.3m.
- Operating EBITDA margin improved to 30.0%.
- Earnings per share before significant items up 127.2% to 15.4 cents.
- Interim dividend declared of 10.5 cents, fully franked, up 320% on the same period last year.

Financial performance[3]:

$A million	1HFY2021	1HFY2020	Variance
Net Revenue	81.0	68.0	19.0%
Operating EBITDA[1]	24.3	11.0	129.2%
Operating EBITDA margin	30.0%	16.2%	1380bps
Net profit after tax before significant items[2]	**13.3**	**5.8**	**129.2%**
Statutory net profit after tax to equity holders[2]	**13.3**	**4.0**	**233.6%**
EPS before significant items[2]	15.4 cents	6.8 cents	127.2%
Dividend per share (interim) - fully franked	10.5 cents	2.5 cents	320.0%

Notes:

1. Operating EBITDA is net profit before interest, taxes, depreciation of plant & equipment, amortisation, impairment of intangibles and contingent consideration fair value gains/losses. Operating EBITDA includes depreciation of Right of Use Assets. 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, Brent Scrimshaw said: “The Group delivered an excellent performance in the first half of the year, with all agency brands exceeding expectations despite the obvious challenging health and economic environments faced in all of our key geographies. Our strong client sector exposure to technology, healthcare and consumer staples, where activity level remains high, resulted in 19.0% organic revenue growth. Whilst there was also some benefit received from an operating cost perspective due to travel restrictions, this is a result to be proud of and I want to acknowledge the incredible efforts from all our brands and their teams during this period’’.

Brent added: “These results demonstrate the Group’s strategy of integration, transformation and acceleration is working and we will continue to focus on growing our core brands in the second half of the year, building further scale and additional digital capabilities across markets with more integrated services from our complimentary brands. We have a pro active M&A strategy in play, however, with on going travel restrictions we are stepping through any future opportunities cautiously to ensure the right business and cultural alignment”.

Enero Group Chair, Ann Sherry said: “The outstanding results carry forward the momentum achieved across FY2020 in building long term shareholder value. Given the first half result and strength of the balance sheet, the Directors increased the dividend pay-out for the interim FY2021 dividend to 68% to return further funds to shareholders. We will continue to assess further capital management initiatives in the second half of the year’’.

Business Operating Performance:
Net Revenue was up 19.0% and Operating EBITDA was up 129.2% on the prior reporting period. International markets represented 60% of the Group’s Net Revenue and 73% of the Group’s Operating EBITDA. The USA geography (primarily through OBMedia) drove the Net revenue and Operating EBITDA growth.

The overall Group Operating EBITDA margin achievement of 30.0% was driven by no material movement in global headcount, a 11.3% year on year reduction in operating costs relating to remote working arrangements and reduced travel expenses along with $1.1m of Jobkeeper subsidies in the Australian market received predominantly during the first quarter relating to specific agencies that qualified for the Government support.

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

Operating cash flow for the year was $33.6m and the Group is in a Net Cash position (allowing for contingent consideration payable) of $44.6m as at 31 December 2020.

Dividend:
The Directors declared an interim dividend of 10.5 cents per share, fully franked. The interim dividend will have a record date of 26 February 2021 and a payment date of 16 March 2021.

Leadership Changes:
Brendan York, the Enero Group Chief Financial Officer and Company Secretary, will be leaving the Group on 31 March 2021. Brendan has been with the Group for almost 15 years and was part of the team that steered the Group through a number of strategic phases, acquisitions, divestments and the transformation to what Enero is today. Enero has commenced a search for a new Chief Financial Officer and Company Secretary.

Brendan York said, “I am privileged to be leaving the Group in a very strong position and to have been a part of a unique story in the marketing services industry. I have thoroughly enjoyed being a trusted partner and custodian of some outstanding agencies across Australia, UK, Europe and the USA over a long period of time and proud they have maintained their brand identity. I’d like to thank the wonderful group of colleagues I have been lucky to work with over the years and thank you for your commitment to your agencies and Enero. Enero is in a great place to continue its trajectory and prove that Australia can be the successful base for a marketing services group with a global mindset’’.

This announcement was authorised for release by the Board of Directors.

About Enero:
Enero Group is a boutique network of marketing and communications businesses listed on the ASX that includes creative agency BMF, PR & integrated communications agencies Hotwire, Frank and CPR, strategic data consultancies The Leading Edge and The Digital Edge, digital agency Orchard and programmatic marketing platform OBMedia.

For more information, please visit www.enero.com.

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ENERO GROUP FY21 HALF YEAR RESULTS

11 FEBRUARY 2021

FY21 HALF YEAR HIGHLIGHTS

Strategic focus on Integration, Transformation & Acceleration continues to build momentum across the group.

GROWTH DRIVERS

- Net Revenue up 19.0% to $81.0m.
- Operating EBITDA up 119.9% to $24.3m.
- Operating EBITDA margin at 30.0%.
- Net profit before significant items to equity holders up 129.2% to $13.3m[1].
- EPS before significant items up 127.2% to 15.4 cps.
- Cash flow conversion at 137% of EBITDA.

OPERATIONAL HIGHLIGHTS

- Higher sector exposure to technology, healthcare and consumer staples clients resulted in revenue stability.
- Strong revenue growth of 57.2% in USA geography driven from OB Media's accelerated performance.
- Significant margin uplift through on going cost management and a $1m year on year reduction in travel expenses as travel restrictions remain in place.

CAPITAL MANAGEMENT

- Interim dividend of 10.5 cps declared, fully franked, payable 16 March 2021. Increase in dividend payout ratio to 68% reflective of high free cash-flow for Group.
- Retaining balance sheet flexibility for future acquisitions enhancing core brands, geographical presence and expansion of group services.
- Pro active M&A strategy notwithstanding travel restrictions.

PEOPLE & CULTURE

- Covid-19 employee health and safety continues to be highest priority with nearly 600 employees in 7 countries and 14 cities continuing to deliver award winning client work despite the challenging environment.
- Digital workplace flexibility and collaboration continues in FY2021.

CREATIVE & CONTENT	PR & INTEGRATED COMMUNICATIONS	DIGITAL, DATA, ANALYTICS & TECHNOLOGY
bmf	cpr Issues Government Media; HOTWIRE THE GLOBAL COMMUNICATIONS AGENCY; Frank.	orchard; obmedia •email •display •mobile; THE LEADING EDGE

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

GROUP STRATEGY

OUR AMBITION

CREATIVELY LED. DATA SMART. TECHNOLOGY ENABLED.

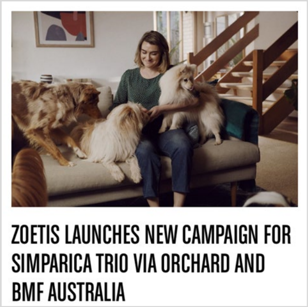
An Integrated portfolio of complimentary marketing services brands around the world

OUR STRATEGY

1. INTEGRATION
2. TRANSFORMATION
3. ACCELERATION

OUR PRIORITIES

DRIVE ORGANIC & CROSS-GEO GROWTH	ALIGN AND REWARD COLLABORATION	FOCUS ON THE CORE	DOUBLE DOWN ON DIGITAL	ESTABLISH INNOVATION AGENDA
- Enero growth labs - Cross-portfolio offering - Cross-border expansion	- Connected culture - Reward collaboration - Incentivise group success	- International scale - Extend core brand offering - Priority for capital allocation	- Invest in world class digital talent - Prioritise for acquisition	- Progressive and advanced tech mandate - Focused on new client solutions



BRAND PORTFOLIO

PR AND INTEGRATED COMMUNICATIONS | CREATIVE AND CONTENT | DIGITAL, DATA AND ANALYTICS

cpr Issues Government Media · Frank. · HOTWIRE · bmf · orchard · OB media · THE LEADING EDGE

CORE GROUP

enero

FY21 KEY FINANCIAL METRICS

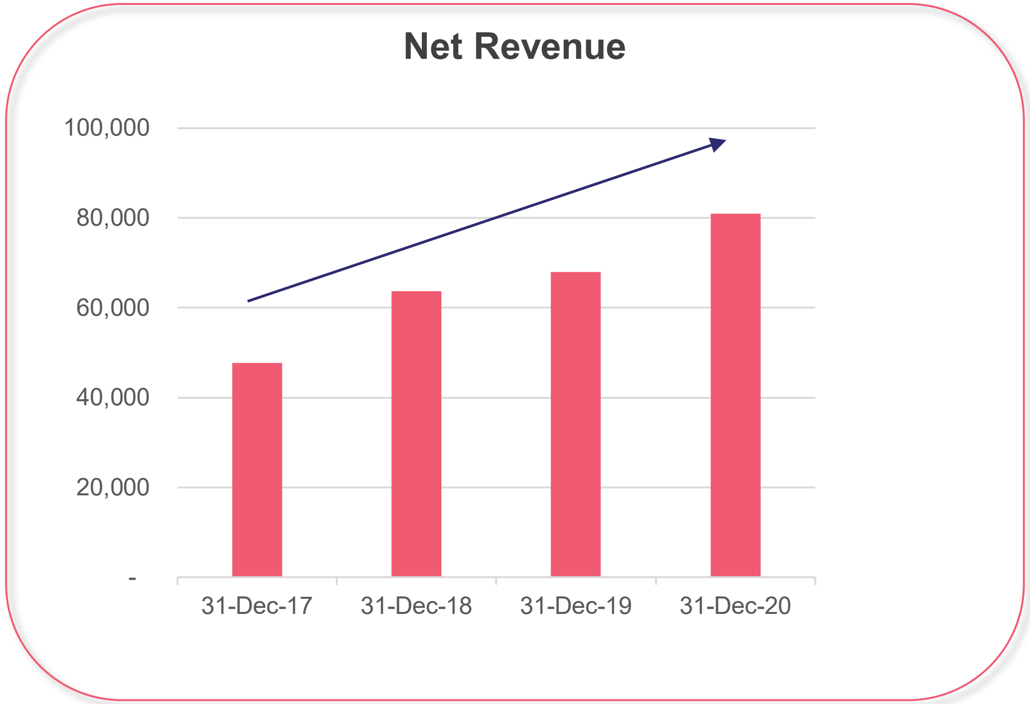
Half year ended 31 December ($M)

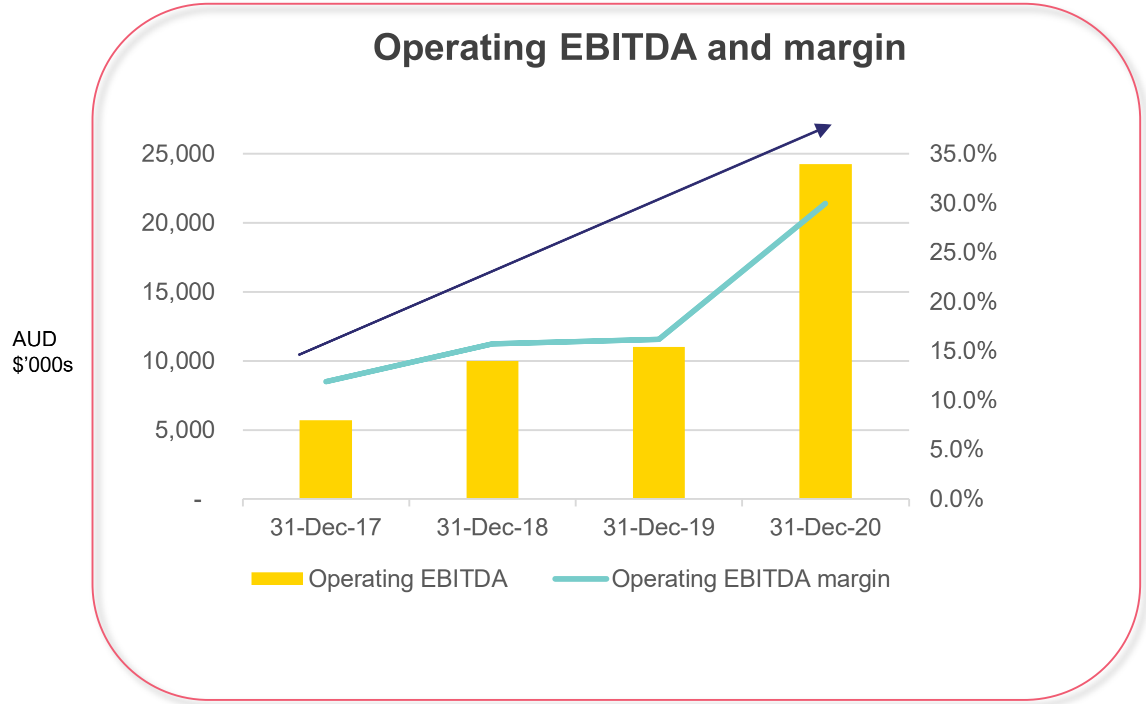
Key Financial Metrics	1HFY2021	1HFY2020	Variance
Net Revenue	81.0	68.0	19.0%
Operating EBITDA[1]	24.3	11.0	119.9%
Operating EBITDA margin[2]	30.0%	16.2%	1380bp
Net Profit after tax before significant items to equity holders[3]	13.3	5.8	129.2%
Statutory Net Profit after tax to equity holders[3]	13.3	4.0	233.6%
EPS before significant items[3]	15.4 cents	6.8 cents	127.2%
EPS[3]	15.4 cents	4.7 cents	230.3%
Dividend per share (interim) – fully franked	10.5 cents	2.5 cents	320.0%

1. Operating EBITDA is net profit before interest, taxes, depreciation of plant & equipment, amortisation, impairment of intangibles, contingent consideration fair value losses.
2. Operating EBITDA Margin is Operating EBITDA / Net Revenue.
3. Refer to slide 6 for a reconciliation to statutory results.

FY21 KEY FINANCIAL METRICS

Accelerated growth in Net Revenue, Operating EBITDA and margin





Highlights

- Transformation of the Group continues with Net revenue and Operating EBITDA acceleration at a higher margin.
- The simplified brand portfolio and capital being allocated for growth to the larger brands in core services has increased scale in demand areas of digital and integrated communications.
- Operating EBITDA margin expansion with growth in higher margin businesses, material travel cost out during Covid-19 and better leverage in corporate overhead cost base.

FY21 GROUP FINANCIAL PERFORMANCE

Half year ended 31 December ($M)

Revenue and Operating EBITDA	1HFY2021	1HFY2020	Variance
Net Revenue	81.0	68.0	19.0%
Net Revenue	**81.0**	**68.0**	**19.0%**
Operating EBITDA			
Operating Companies	28.0	14.3	94.6%
Corporate office	(3.1)	(2.7)	(13.5%)
Share based payments charge	(0.6)	(0.6)	-
Operating EBITDA	**24.3**	**11.0**	**119.9%**
Operating EBITDA margin	**30.0%**	**16.2%**	**1380bp**

- 19.0% Organic revenue growth year on year (20.4% on a constant currency basis). 19.5% Organic revenue growth against 2HFY2020 showing comparable growth across calendar year of 2020.
- Staff costs ratio down to 60.1% (1HFY2020 - 68.6%) without any material overall headcount movement as revenue base trends to higher margin services. Variable staffing continues to allow more flexibility to adjust cost base to revenue requirements.
- Operating costs ratio (including right-of-use asset charge) down to 11.6% (1HFY2020: 15.5%) with significant cost out during COVID-19. Operating costs down $1.2m (or 11.3%) year on year primarily in travel costs of $1.0m as travel restrictions remain in place.

FY21 GROUP FINANCIAL PERFORMANCE

Half year ended 31 December ($M)

Profit and Loss Summary	1HFY2021	1HFY2020
Net Revenue	81.0	68.0
Other Revenue	1.4	0.3
Staff costs	(48.7)	(46.7)
Operating expenses	(7.1)	(8.2)
Right-of-use assets depreciation charge	(2.3)	(2.4)
Operating EBITDA[1]	**24.3**	**11.0**
Depreciation of plant & equipment	(1.0)	(1.1)
Amortisation of intangible assets	(0.4)	(0.5)
Net Interest	-	0.1
Present value interest charges – contingent consideration	(0.4)	(0.7)
Present value interest charges – finance leases	(0.4)	(0.4)
Income tax	(3.8)	(1.4)
Non-controlling interests	(5.0)	(1.2)
NPAT before significant items[2] to equity holders	**13.3**	**5.8**
Significant items[3]	-	(1.8)
Statutory Net profit after tax to equity holders	**13.3**	**4.0**

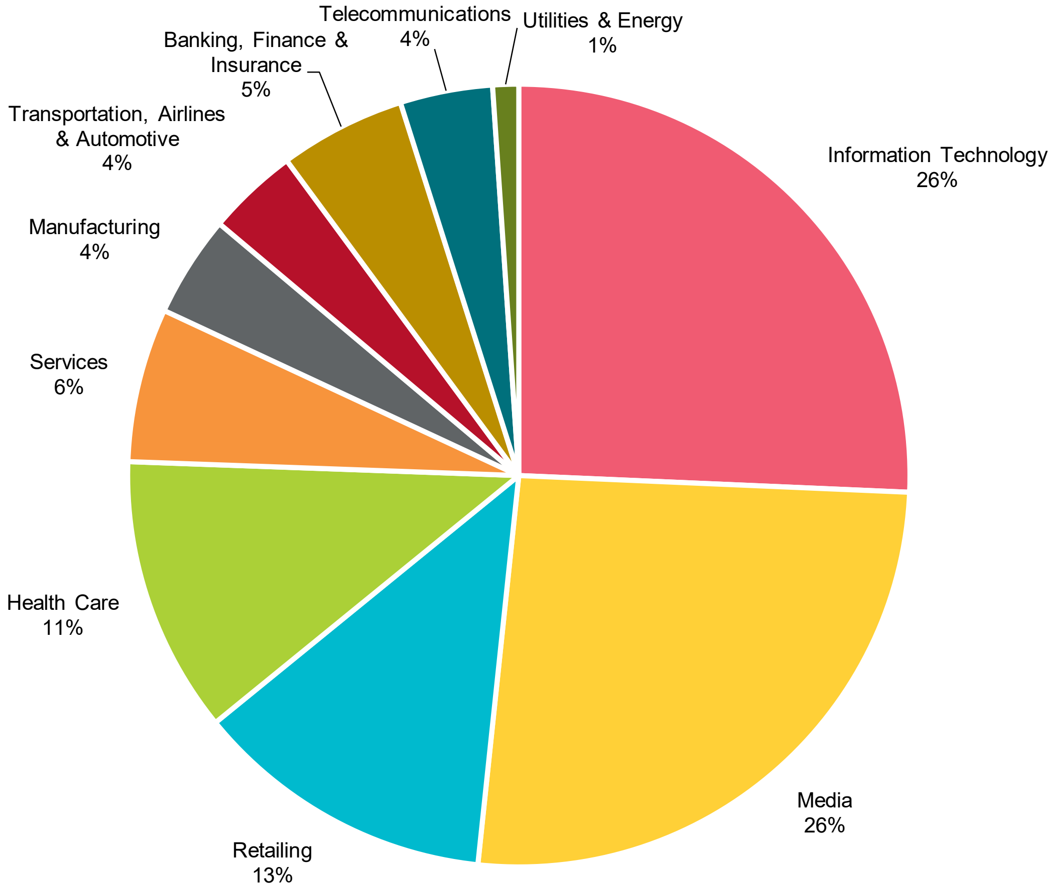
1. Operating EBITDA provides meaningful information on the Group's cash flow generation excluding significant transactions and non-cash items which are not representative of the Group's ongoing operations.
2. NPAT before significant items represents net profit after tax before the impact of significant, non-recurring and non-operational items.
3. Significant items of $1.8m in H1FY2020 is represented by contingent consideration fair value loss in relation to the re-assessment of future payments for the Eastwick Communications acquisition.

FY21 CLIENT ANALYSIS

Revenue diversification

- Strong client diversification with mix of clients across market industries and sectors and largest client represents 18.7% of group Net Revenue.
- Top 10 clients represent 47% of total revenue.
- Top 20 clients represent 55% of total revenue.
- > 300 client relationships. Efforts across the Group to maximise larger clients with more touchpoints has resulted in a smaller number of overall client relationships.
- Highest growth in Health Care and Information Technology sectors consistent with strategy and sector expertise.
- Key clients:

Revenue by industry



FY21 GEOGRAPHICAL RESULTS

The USA region continues to deliver both geographic scale and profitable growth

Half year ended 31 December ($M) – Operating Companies only

	1HFY2021	1HFY2020	Variance	Constant Currency Variance
Net Revenue				
Australia	32.7	30.7	6.6%	6.6%
UK and Europe	19.4	19.0	2.0%	3.5%
USA	28.9	18.3	57.2%	66.0%
Total	**81.0**	**68.0**	**19.0%**	
Operating EBITDA				
Australia	7.7	5.8	31.3%	31.3%
UK and Europe	4.4	2.7	63.4%	67.5%
USA	15.9	5.8	172.6%	187.9%
Total	**28.0**	**14.3**	**94.6%**	

- International operations accounted for:
  - 60% of total Net Revenue; and
  - 73% of Operating EBITDA (excluding corporate office).

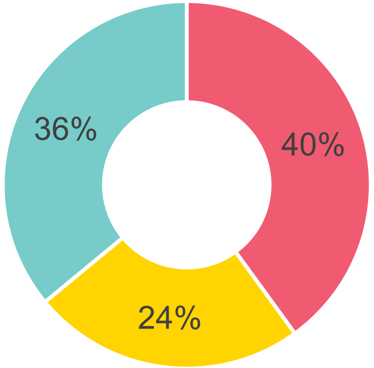
  The Group's exposure to overseas markets continues to provide bigger and more networked client opportunities along with greater margin attainment.
- The stronger Australian dollar created some currency headwind in 1HFY21 with constant currency growth variances all above real variances on year on year basis:
  - Net Revenue impacted by $1.1m; and
  - Operating EBITDA impacted by $0.3m

  However, as local operations are independently managed, the risk is limited to translation at each reporting period.

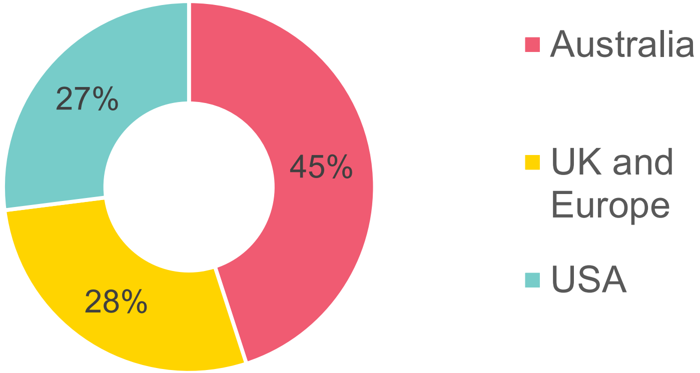
FY21 GEOGRAPHICAL RESULTS

Geographical contribution from operating companies

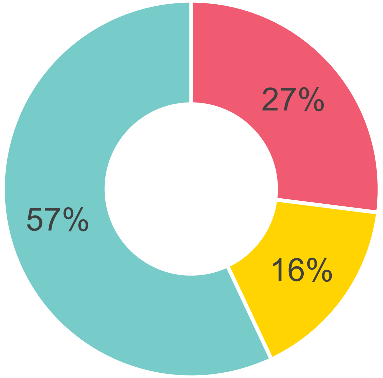
Net Revenue 1HFY2021



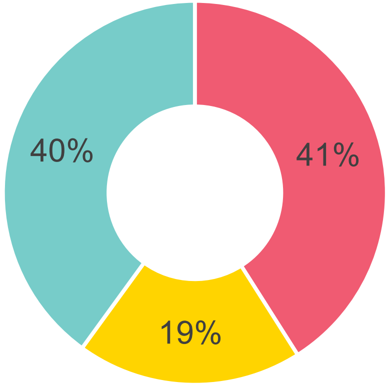
Net Revenue 1HFY2020



Operating EBITDA 1HFY2021



Operating EBITDA 1HFY2020



FY21 AUSTRALIA RESULTS

Australia

Half year ended 31 December ($M)

	1HFY2021	1HFY2020	Variance	Constant Currency Variance
Net Revenue	32.7	30.7	6.6%	6.6%
Operating EBITDA	7.7	5.8	31.3%	31.3%
Operating EBITDA margin	23.4%	19.0%	440bp	-

Highlights

- Strong organic growth of 6.6% year on year (17.2% up on 2HFY20) as stability continues in Australian client base.
- BMF continues to be recognised as a leading Australian creative agency. 1HFY2021 new business wins included Pacific Smiles carsales.com.au and Petbarn. Existing client portfolio (ALDI, Rest Super, Australian Federal Government) remains strong.
- Orchard trading strongly with significant exposure to healthcare sector. 1HFY2021 new business wins included Val Morgan, Uniting Financial Services and Transport for NSW. Growth in organic revenue base as healthcare clients (Zoetis, Boehringer, MSD) increased spend on digital transformation. Consumer based clients starting to re-engage.
- Smaller agencies (Hotwire, The Leading Edge, Frank and CPR) are trading in line with expectations with wins including Cloudflare, Secure Code Warrior and Beam Suntory.
- 1HFY2021 Jobkeeper subsidies of $1.1m received in Australia (2HFY2020 - $0.4m) limited to specific businesses in Group and only available in first quarter of year.

FY21 UK AND EUROPE RESULTS

UK and Europe

Half year ended 31 December ($M)

	1HFY2021	1HFY2020	Variance	Constant Currency Variance
Net Revenue	19.4	19.0	2.0%	3.5%
Operating EBITDA	4.4	2.7	63.4%	67.5%
Operating EBITDA margin	22.7%	14.2%	850bp	-

Highlights

- Investment in senior hires in FY2020, ahead of the revenue curve have delivered organic revenue growth of 3.5% on a constant currency basis in the current period and 3.7% up on 2HFY2020.
- Hotwire had a strong first half in the UK and Europe despite economic headwinds as a result of the pandemic. Enterprise technology clients continue to require sophisticated communication strategy and advice. 1HFY2021 new client wins include Klarna, Kindle, Trade Republic and Snapchat.
- Frank, also impacted by economic challenges relating to the pandemic, maintained revenue consistent year on year, with a lower operating cost base resulting in higher margin.
- Covid-19 related government programs in UK and Europe have not materially changed results for the businesses.

FY21 USA RESULTS

USA

Half year ended 31 December ($M)

	1HFY2021	1HFY2020	Variance	Constant Currency Variance
Net Revenue	28.9	18.3	57.2%	66.0%
Operating EBITDA	15.9	5.8	172.6%	187.9%
Operating EBITDA margin	54.9%	31.6%	2330bp	-

Highlights

- Material revenue improvement in USA market as well as significant margin acceleration from nature of services.
- Hotwire USA revenue remains stable among the existing technology client base. 1HFY2021 new business wins included Zoom, eBay Corporate, Procore and Desktop Metal.
- OBMedia, a programmatic marketing specialist, whose platform connects publishers with the world's leading search engines, increased materially in current half year. This was due to increased demand for search and ad-inventory as Covid-19 accelerates the transition from offline to online. Due to the platform nature of the business, the uplift in revenue is achieved at a high margin.
- No Covid-19 related government subsidies received in USA market.

BALANCE SHEET & CAPITAL MANAGEMENT

Summary Balance Sheet
As at ($M)

	31 Dec 2020	30 Jun 2020
Cash	55.3	47.6
Net Working Capital	(13.0)	(4.2)
Other Assets	3.0	3.1
Fixed Assets	4.3	4.9
Right of Use Assets[1]	9.5	11.8
Intangibles	106.7	109.1
Total Assets	**165.8**	**172.3**
Provisions & Other Liabilities	4.7	4.5
Income Tax Payable	1.5	0.4
Lease Liabilities	14.1	16.9
Contingent Consideration	10.7	25.5
Net Assets	**134.8**	**125.0**

- Balance sheet retains flexibility to pursue further acquisitions enhancing geographical presence in hubs or expansion of services.
- Refer to slide 15 for Net Cash analysis.
- Refer to slide 15 for analysis of contingent consideration including maturity profile.
- Interim dividend of 10.5 cps fully franked payable on 16 March 2021. 1HFY2021 payout ratio of 68%, up from FY2020 payout ratio as the Board determined the strong earnings and cash flow in excess of Group's capital needs should be returned to shareholders.
- $15.0m franking credit balance.
- Refer to slide 16 for analysis of cash conversion and working capital.

BALANCE SHEET & CAPITAL MANAGEMENT

Net Cash/Debt
As at ($M)

	31 Dec 2020	30 Jun 2020
Cash	55.3	47.6
Contingent Consideration	(10.7)	(25.5)
Net Cash	**44.6**	**22.1**
Debt to Operating EBITDA ratio[1,2,3]	-	-
Debt including contingent consideration to Operating EBITDA ratio[1,2,3]	0.3x	1.0x

1. Operating EBITDA represents last twelve months.
2. Debt or debt like items are contingent consideration.
3. Lease liabilities recognised under AASB16 $14.1m (30 June 2020: $16.9m) have been excluded for this analysis as they are considered operational liabilities.

Contingent Consideration – movement during period ($M)

	Contingent Consideration
Opening 1 July 2020 (at present value)	25.5
FX revaluations	(0.3)
Present value interest unwind	0.4
Payments	(14.9)
Balance at 31 Dec 2020 (at present value)	**10.7**

Contingent Consideration – maturity profile ($M)

	Maturity profile
FY22	11.0
Total (at gross value)	**11.0**

CASH FLOW & WORKING CAPITAL

Half year ended 31 December ($M)

	1HFY2021	1HFY2020
Operating EBITDA	24.3	11.0
Right-of-use asset depreciation charge	2.3	2.4
Movement in working capital	9.0	0.4
Equity incentive expense	0.6	0.6
Gross Cash Flow	**36.2**	**14.4**
Net interest received	-	0.1
Tax paid	(2.6)	(1.6)
Operating cash flow	**33.6**	**12.9**
Cash funded capex	(0.5)	(0.9)
Hire purchase liability payments	-	(0.5)
Lease liability payments	(3.1)	(3.3)
Free cash flow	**30.0**	**8.2**

- Material working capital reduction in 1HFY2021 linked with strong cash conversion and a number of large trade debtor receipts in December skewed cash flow. Expect unwind in 2HFY2021 as working capital position excluding cash is negative.
- Cash conversion at 137% of EBITDA (excludes right-of-use asset depreciation charge).
- Tax payments made primarily 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 lower than prior period as capex projects minimised in 1HFY2021.

DISCLAIMER

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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 which is defined in the presentation.