



Enero Group Limited
ABN 97 091 524 515
Half Year Report
Appendix 4D
Half Year ended 31 December 2021

Results for announcement to the market

Enero Group Limited (the “Company”) and its controlled entities (the “Group”) results for announcement to the market are detailed below.

The current reporting period is 1 July 2021 to 31 December 2021.

The previous corresponding reporting period is 1 July 2020 to 31 December 2020.

Key information

In thousands of AUD

	31 December 2021	31 December 2020	% Change	Amount Change
Gross revenues from ordinary activities	243,452	193,151	26.04%	50,301
Profit after tax attributable to members	13,704	13,273	3.25%	431
Profit for the period attributable to members	13,704	13,273	3.25%	431

Dividends	Amount per security	Total amount AUD'000	Payment date
Fully franked final dividend (2021)	4.4 cents	3,874	6 October 2021
Fully franked interim dividend (2022)	6.0 cents	5,283	16 March 2022

At the date of this report, there are no dividend reinvestment plans in operation.

The remainder of the information requiring disclosure to comply with listing rule 4.2A.3 is contained in the attached financial report for the half year ended 31 December 2021 and the additional information set out below.

Additional Information

	Current period	Previous corresponding period
Net tangible asset backing per ordinary share	0.36	0.33

Explanation of results

Please refer to the attached interim financial report for the half year ended 31 December 2021 and Market Presentation for commentary and further information with respect to the results.

Enero Group Limited
and its controlled entities
ABN 97 091 524 515

Interim Financial Report
For the half year ended 31 December 2021

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Enero Group Limited

Financial Report - half year ended 31 December 2021

Directors' Report

The directors of Enero Group Limited (the "Company") present their report, together with the consolidated financial statements of the Group, being the Company and its controlled entities, for the six months ended 31 December 2021 and the review report thereon.

Directors

The directors of the Company at any time during or since the end of the financial half year are:

Ann Sherry AO – Independent Non-Executive Chair

Ann was appointed as Chair and Non-Executive Director of the Company on 1 January 2020. Ann is a member of the Remuneration and Nomination Committee.

Brent Scrimshaw – Chief Executive Officer

Brent was appointed as Chief Executive Officer and Executive Director of the Company on 1 July 2020.

Anouk Darling – Independent Non-Executive Director

Anouk was appointed as a Non-Executive Director of the Company on 6 February 2017. Anouk is a member of the Audit and Risk Committee and the Remuneration and Nomination Committee.

David Brain – Independent Non-Executive Director

David was appointed as a Non-Executive Director of the Company on 10 May 2018. David is a member of the Audit and Risk Committee.

Ian Rowden – Independent Non-Executive Director

Ian was appointed as a Non-Executive Director of the Company on 21 November 2018. Ian is the Chair of the Remuneration and Nomination Committee.

Louise Higgins – Independent Non-Executive Director

Louise was appointed as a Non-Executive Director of the Company on 10 September 2021. Louise is the Chair of the Audit and Risk Committee.

Susan McIntosh – Non-Executive Director

Susan was appointed as a Non-Executive Director of the Company on 2 June 2000. Susan retired as a Non-Executive Director on 21 October 2021.

Principal activities

The principal activities of the Group during the period were integrated marketing and communication services, including strategy, market research and insights, advertising, public relations, communications planning, design, events management, direct marketing, and programmatic media.

Financial performance for the period

The Group achieved Net Revenue of \$93.2 million, an increase of 15.1% (2020: \$81.0 million) compared to the prior reporting period. The increased revenue was driven by combination of organic revenue growth in BMF, Hotwire, Orchard and OBMedia, and contribution from McDonald Butler Associates acquired in April 2021. This growth was partially offset by a reduction of \$4.3 million due to sale of Frank PR in February 2021. The impact of COVID-19 on revenue pipeline has resulted in a greater weighting to existing client and organic revenue opportunities over new business opportunities. The Group continues to have a high proportion of client revenue exposure to priority verticals: Technology, Healthcare and Consumer staples sectors which have generally increased or at least held business activity levels. Net revenue growth was achieved by continuing businesses in all key geographic markets.

The Group achieved Operating EBITDA of \$29.9 million, an increase of 23.3% (2020: \$24.3 million) compared to the prior reporting period. The Operating EBITDA margin increased from 30.0% in 2020 to 32.1% in 2021. This increase in the Operating EBITDA margin was driven by:

- an increase in revenue and Operating EBITDA in the Group's programmatic media platform business, OBMedia, which connects publishers with the world's largest search engines. The business functions as a platform and therefore has achieved a higher margin than other businesses in the Group;
- reduction in staff cost ratio from 60.1% in 2020 to 58.4% in 2021, as increase in global headcount is relatively low as compared to the revenue growth; and
- no material change in operating costs that continues to be low due to impact of COVID-19, primarily travel expenses and office related costs given remote working arrangements in place.

The net profit after tax attributable to equity owners was \$13.7 million, an increase of 3.3% (2020: \$13.3 million) compared to prior reporting period. The growth in net profit after tax attributable to equity owners is lower given the contribution of OBMedia which is 51% owned by the Group. Additionally, the Group fully recouped the Australian brought forward revenue losses in second half of FY2021, resulting in an increase in tax expense in the current reporting period.

In the current period, the operating businesses generated approximately 62% (2020: 60%) of its net revenue and 79% (2020: 73%) of its Operating EBITDA from international markets.

Enero Group Limited**Financial Report - half year ended 31 December 2021****Directors' Report (continued)**

Summary of Group's results:

In thousands of AUD	6 months to 31 Dec-2021	6 months to 31 Dec-2020
Net revenue	93,176	80,964
EBITDA	31,923	26,537
Depreciation of right-of-use assets	(2,012)	(2,274)
Operating EBITDA	29,911	24,263
Depreciation and amortisation	(1,608)	(1,438)
EBIT	28,303	22,825
Net finance (cost)/income	(2)	19
Present value interest charge	(527)	(744)
Profit before tax	27,774	22,100
Income tax expense	(6,653)	(3,761)
Profit after tax	21,121	18,339
Non-controlling interests	(7,417)	(5,066)
Net profit after tax attributable to equity owners	13,704	13,273
Cents per share		
Earnings per share (basic)	15.67	15.36

Reconciliation of Operating EBITDA to Statutory profit after tax:

In thousands of AUD	6 months to 31 Dec-2021	6 months to 31-Dec-2020
Net revenue	93,176	80,964
EBITDA	31,923	26,537
Depreciation of right-of-use assets	(2,012)	(2,274)
Operating EBITDA	29,911	24,263
Depreciation of plant and equipment	(867)	(1,016)
Amortisation of intangibles	(741)	(422)
Net finance (cost)/income	(2)	19
Present value interest charge	(527)	(744)
Statutory profit before tax	27,774	22,100
Income tax expense	(6,653)	(3,761)
Statutory profit after tax	21,121	18,339

Enero Group Limited

Financial Report - half year ended 31 December 2021

Directors' Report (continued)

Segment performance

In thousands of AUD

	Brand Transformation	Creative Technology and Data	Total Segments	Support office	Share based payments charge	Total
2021						
Net Revenue	53,830	39,346	93,176	–	–	93,176
Operating EBITDA	12,784	21,829	34,613	(3,928)	(774)	29,911
Operating EBITDA margin	23.7%	55.5%	37.1%	–	–	32.1%
2020 (restated)						
Net Revenue	49,474	31,490	80,964	–	–	80,964
Operating EBITDA	11,788	16,129	27,917	(3,102)	(552)	24,263
Operating EBITDA margin	23.8%	51.2%	34.5%	–	–	30.0%

Geographic performance

In thousands of AUD

	Australia	UK and Europe	USA	Support office	Share based payments charge	Total
2021						
Net Revenue	35,388	18,043	39,745	–	–	93,176
Operating EBITDA	7,175	4,067	23,371	(3,928)	(774)	29,911
Operating EBITDA margin	20.3%	22.5%	58.8%	–	–	32.1%
2020						
Net Revenue	32,702	19,357	28,905	–	–	80,964
Operating EBITDA	7,664	4,397	15,856	(3,102)	(552)	24,263
Operating EBITDA margin	23.4%	22.7%	54.9%	–	–	30.0%

Capital management

Cash flow – Operating Activities

Cash inflows from operating activities was \$25.3 million (2020: \$33.6 million). The decrease in inflows is primarily attributable to higher income tax payments and unwinding of working capital (as cash conversion in the prior period was significantly higher than the target). The Group converted 98% of EBITDA to cash for the six months ended 31 December 2021 (2020: 137%). The Group targets a cash conversion of 85%.

Cash flow – Investing Activities

Cash outflows for investing activities was \$11.4 million (2020: \$15.4 million). The decrease in outflows was due to lower contingent consideration payments during the current period.

Cash flow – Financing Activities

Cash outflows for financing activities \$8.8 million (2020: \$8.8 million) was consistent with prior reporting period. During the current period, \$3.9 million (2020: \$3.0 million) in dividends were paid to Enero Group Limited shareholders in addition to \$2.0 million (2020: \$2.6 million) in dividends paid to minority shareholders of controlled subsidiaries.

The Company entered into contingent consideration arrangements in relation to its acquisition of McDonald Butler Associates on 26 April 2021. As at 31 December 2021, the Company's estimated contingent consideration liability is \$9.5 million.

Cash and Debt:

In thousands of AUD	31 Dec-2021	30-Jun-2021
Cash and cash equivalents	56,512	50,718
Contingent consideration liabilities	(9,485)	(20,126)
Net Cash¹	47,027	30,592

1. Net cash excludes lease liabilities recognised in accordance with AASB16 *Leases* as they are considered operational liabilities.

Enero Group Limited

Financial Report - half year ended 31 December 2021

Directors' Report (continued)

Basis of preparation

This report includes Operating EBITDA, a measure used by the Directors and management in assessing the on-going performance of the Group. Operating EBITDA is a non-IFRS measure and has not been audited or reviewed.

Operating EBITDA is calculated as profit before interest, taxes, depreciation of plant and equipment, amortisation of intangibles, impairment of intangibles, and loss on disposal of controlled entities. Operating EBITDA, which is reconciled in the table on page 3 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.

Issue of shares and Share Appreciation Rights (SARs)

Shares issued on exercise of SARs

During the half year ended 31 December 2021, the Company issued 1,389,589 ordinary shares (31 December 2020: 580,659 shares) to employees exercising share appreciation rights under the Company's Share Appreciation Rights Plan (SARP). The issue price of these shares was \$3.17 and these shares rank equally with existing shareholders.

Share Appreciation Rights issued

During the half year ended 31 December 2021, a total of 4,525,000 Share Appreciation Rights (31 December 2020: 3,900,000) were issued to senior employees of the group under the existing SARP.

Dividends

Dividends declared and paid by the Company to the members since the end of the previous financial year were:

	Amount per security	Total amount AUD'000	Payment date
Fully franked final dividend (2021)	4.4 cents	3,874	6 October 2021

Subsequent to the interim reporting date, the Directors have declared an interim dividend, with respect to ordinary shares, of 6.0 cents per share, fully franked. The interim dividend will have a record date of 25 February 2022 and a payment date of 16 March 2022. The financial effect of this dividend has not been brought to account in the financial statements for the half year ended 31 December 2021 but will be recognised in the subsequent financial period.

Subsequent Events

For events subsequent to the interim reporting date, refer to note 12 *Subsequent events*.

Lead auditor's independence declaration

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 22 and forms part of the directors' report for the half year ended 31 December 2021.

Rounding off

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and, in accordance with that Class Order, amounts in this Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

This report is signed in accordance with a resolution of the directors.

Dated at Sydney this 17th day of February 2022.



Ann Sherry AO
Chair

Enero Group Limited**Financial Report - half year ended 31 December 2021****Consolidated interim income statement
for the six months ended 31 December 2021**

In thousands of AUD	Note	2021	2020
Gross revenue		243,452	193,151
Directly attributable costs of sales		(150,276)	(112,187)
Net revenue	3	93,176	80,964
Other income		93	1,356
Employee expenses		(54,434)	(48,679)
Occupancy costs		(721)	(883)
Travel expenses		(313)	(70)
Communication expenses		(720)	(904)
Compliance expenses		(824)	(952)
Depreciation and amortisation expense		(3,620)	(3,712)
Administration expenses		(4,334)	(4,295)
Finance income		9	36
Finance costs		(538)	(761)
Profit before income tax		27,774	22,100
Income tax expense	4	(6,653)	(3,761)
Profit for the period		21,121	18,339
Attributable to:			
Equity holders of the parent		13,704	13,273
Non-controlling interests		7,417	5,066
		21,121	18,339
Earnings per share			
Basic (AUD cents)	5	15.67	15.36
Diluted (AUD cents)	5	15.24	15.23

The condensed notes on pages 11 to 18 are an integral part of these consolidated interim financial statements.

Enero Group Limited

Financial Report - half year ended 31 December 2021

**Consolidated interim statement of comprehensive income
for the six months ended 31 December 2021**

In thousands of AUD	Note	2021	2020
Profit for the period		21,121	18,339
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations		1,375	(3,349)
Total items that may be reclassified subsequently to profit or loss		1,375	(3,349)
Other comprehensive income for the period, net of tax		1,375	(3,349)
Total comprehensive income for the period		22,496	14,990
Attributable to:			
Equity holders of the parent		14,911	10,301
Non-controlling interests		7,585	4,689
		22,496	14,990

The condensed notes on pages 11 to 18 are an integral part of these consolidated interim financial statements.

Enero Group Limited

Financial Report - half year ended 31 December 2021

**Consolidated interim statement of changes in equity
for the six months ended 31 December 2021**

In thousands of AUD	Attributable to owners of the Company							Total	Non-controlling interests	Total equity
	Share capital	Retained profits / (Accumulated losses)	Profit appropriation reserve	Share based payment reserve	Reserve change in ownership interest in subsidiary	Foreign currency translation reserve				
Opening balance at 1 July 2020	99,515	(383)	33,209	10,541	(1,417)	(18,843)	122,622	2,355	124,977	
Profit for the period	–	13,273	–	–	–	–	13,273	5,066	18,339	
Other comprehensive loss for the period net of tax	–	–	–	–	–	(2,972)	(2,972)	(377)	(3,349)	
Total comprehensive income for the period	–	13,273	–	–	–	(2,972)	10,301	4,689	14,990	
Transactions with owners recorded directly in equity:										
Shares issued to employees on exercise of Share Appreciation Rights	941	–	–	(941)	–	–	–	–	–	
Dividends paid to equity holders	–	–	(3,033)	–	–	–	(3,033)	(2,649)	(5,682)	
Share based payment expense	–	–	–	552	–	–	552	–	552	
Closing balance at 31 December 2020	100,456	12,890	30,176	10,152	(1,417)	(21,815)	130,442	4,395	134,837	
Opening balance at 1 July 2021	100,456	(16,555)	36,847	10,592	–	(3,018)	128,322	3,761	132,083	
Profit for the period	–	13,704	–	–	–	–	13,704	7,417	21,121	
Other comprehensive income for the period net of tax	–	–	–	–	–	1,207	1,207	168	1,375	
Total comprehensive income for the period	–	13,704	–	–	–	1,207	14,911	7,585	22,496	
Transactions with owners recorded directly in equity:										
Shares issued to employees on exercise of Share Appreciation Rights	4,405	–	–	(4,405)	–	–	–	–	–	
Dividends paid to equity holders	–	–	(3,874)	–	–	–	(3,874)	(2,025)	(5,899)	
Share based payment expense	–	–	–	774	–	–	774	–	774	
Closing balance at 31 December 2021	104,861	(2,851)	32,973	6,961	–	(1,811)	140,133	9,321	149,454	

The condensed notes on pages 11 to 18 are an integral part of these consolidated interim financial statements.

Enero Group Limited**Financial Report - half year ended 31 December 2021****Consolidated interim statement of financial position
as at 31 December 2021**

In thousands of AUD	Note	31 Dec-2021	30-Jun-2021
Assets			
Cash and cash equivalents		56,512	50,718
Trade and other receivables		48,481	46,941
Other assets		4,521	4,925
Total current assets		109,514	102,584
Deferred tax assets		2,185	2,038
Plant and equipment		3,333	3,796
Right-of-use assets	6	7,340	7,979
Other assets		164	164
Intangible assets	7	118,313	118,156
Total non-current assets		131,335	132,133
Total assets		240,849	234,717
Liabilities			
Trade and other payables		62,439	63,161
Contingent consideration payable	8	1,817	10,886
Lease liabilities	9	5,791	5,589
Employee benefits		5,110	4,586
Income tax payable		2,923	2,155
Total current liabilities		78,080	86,377
Contingent consideration payable	8	7,668	9,240
Lease liabilities	9	4,823	6,262
Employee benefits		824	755
Total non-current liabilities		13,315	16,257
Total liabilities		91,395	102,634
Net assets		149,454	132,083
Equity			
Issued capital		104,861	100,456
Accumulated losses		(2,851)	(16,555)
Profit appropriation reserve		32,973	36,847
Other reserves		5,150	7,574
Total equity attributable to equity holders of the parent		140,133	128,322
Non-controlling interests		9,321	3,761
Total equity		149,454	132,083

The condensed notes on pages 11 to 18 are an integral part of these consolidated interim financial statements.

Enero Group Limited**Financial Report - half year ended 31 December 2021****Consolidated interim statement of cash flows
for the six months ended 31 December 2021**

In thousands of AUD	Note	2021	2020
Cash flows from operating activities			
Cash receipts from customers		251,572	198,514
Cash paid to suppliers and employees		(220,231)	(162,299)
Cash generated from operations		31,341	36,215
Interest received		9	36
Income taxes paid		(6,048)	(2,647)
Interest paid		(11)	(16)
Net cash from operating activities		25,291	33,588
Cash flows from investing activities			
Proceeds from sale of plant and equipment		6	–
Acquisition of plant and equipment		(396)	(511)
Contingent consideration paid	8	(11,000)	(14,885)
Net cash used in investing activities		(11,390)	(15,396)
Cash flows from financing activities			
Payment of lease liabilities	9	(2,875)	(3,126)
Dividends paid to equity holders of the parent		(3,874)	(3,033)
Dividends paid to non-controlling interests in controlled entities		(2,025)	(2,649)
Net cash used in financing activities		(8,774)	(8,808)
Net increase in cash and cash equivalents		5,127	9,384
Effect of exchange rate fluctuations on cash held		667	(1,692)
Cash and cash equivalents at 1 July		50,718	47,581
Cash and cash equivalents at 31 December		56,512	55,273

The condensed notes on pages 11 to 18 are an integral part of these consolidated interim financial statements.

Enero Group Limited

Financial Report - half year ended 31 December 2021

Condensed notes to the consolidated interim financial statements for the six months ended 31 December 2021

1. Statement of significant accounting policies

a. Reporting entity

Enero Group Limited (the "Company") is a company domiciled in Australia. The consolidated interim financial report of the Company for the six months ended 31 December 2021 comprises the Company and its subsidiaries (together referred to as the "Group").

The consolidated annual financial report of the Group as at and for the year ended 30 June 2021 is available at www.enero.com.

b. Statement of compliance

The consolidated interim financial report is a general-purpose financial report which has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the Corporations Act 2001 and with IAS 34 *Interim Financial Reporting*.

The consolidated interim financial report is presented in Australian dollars and has been prepared on the historical cost basis except for derivative financial instruments, contingent consideration payables and share-based payment transactions which are stated at their fair value.

The consolidated interim financial report does not include all the information required for a full annual financial report and should be read in conjunction with the consolidated annual financial report of the Group as at and for the year ended 30 June 2021 any public announcements made by the Company during the period in accordance with the continuous disclosure requirements arising under the Corporations Act 2001 and ASX Listing Rules.

The consolidated interim financial report was approved by the Board of Directors on 17 February 2022.

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and, in accordance with that Class Order, amounts in this financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

c. Significant accounting policies

The accounting policies applied by the Group in this consolidated interim financial report are the same as those applied by the Group in its consolidated annual financial report as at and for the year ended 30 June 2021.

New Standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2021 and have not been applied in preparing these consolidated interim financial statements. None of these standards are expected to have a significant effect on the Group's financial statements.

d. Estimates

The preparation of this report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

In preparing this report, the significant judgements made by management in applying the Group's accounting policies and the key sources of uncertainty in estimation were the same as those that applied to the consolidated annual financial report of the Group as at and for the year ended 30 June 2021.

Measurement of fair value

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Enero Group Limited

Financial Report - half year ended 31 December 2021

1. Statement of significant accounting policies (continued)

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level of input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values of Contingent consideration payable refer note 8.

As the inputs in these valuations are not based on observable market data, this is deemed a Level 3 measurement of fair value.

2. Operating segments

The Group defines its operating segments based on the manner in which services are provided in the operational geographies and on internal reporting regularly reviewed by the Enero Executive team on a monthly basis, who are the Group's chief operating decision makers (CODM).

Revenues are all derived from services which are similar in the nature and outputs, operate in similar economic environments and have a comparable customer mix. The Group's service offering includes integrated marketing and communication services, including strategy, market research and insights, advertising, public relations, communications planning, design, events management, direct marketing, and programmatic media. The Group includes Hotwire, BMF, CPR, Orchard, TLE and OB Media.

Following management's review of the business portfolio at the beginning of current reporting period, a new global operating model was implemented by the Group. The portfolio was separated into following two segments to better assess its performance, make decisions on resource allocation and report both to the CODM and to the Board:

- Brand Transformation: human generated creative ideas to transform the way customers and stakeholders connect and engage with brands. This includes public relations and communications consultancy Hotwire and CPR and creative agency BMF.
- Creative Technology and Data: high quality customer experience connected by technology and enabled by data. This includes digital agency Orchard, advertising technology platform OB Media and strategic data consultancy TLE.

The measure of reporting to the Enero Executive team is on an Operating EBITDA basis (defined below), which excludes significant and non-operating items which are separately presented because of their nature, size and expected infrequent occurrence and does not reflect the underlying trading of the operations.

In relation to segment reporting, the following definitions apply to operating segments:

Operating EBITDA: is calculated as profit before interest, taxes, depreciation of plant and equipment, amortisation of intangibles, impairment of intangibles, and loss on disposal of controlled entities.

Enero Group Limited

Financial Report - half year ended 31 December 2021

2. Operating segments (continued)

2021 In thousands of AUD	Brand Transformation	Creative Technology and Data	Total segments	Unallocated	Eliminations	Consolidated
Gross revenue	73,261	170,225	243,486	–	(34)	243,452
Directly attributable cost of sales	(19,431)	(130,879)	(150,310)	–	34	(150,276)
Net revenue	53,830	39,346	93,176	–	–	93,176
Other income	93	–	93	–	–	93
Operating expenses	(39,369)	(17,043)	(56,412)	(4,934)	–	(61,346)
EBITDA	14,554	22,303	36,857	(4,934)	–	31,923
Depreciation of right-of-use assets						(2,012)
Operating EBITDA						29,911
Depreciation of plant & equipment and amortisation of intangibles						(1,608)
Net finance costs						(529)
Profit before income tax						27,774
Income tax expense						(6,653)
Profit for the period						21,121
As at 31 December 2021						
Goodwill	98,627	16,777	115,404	–	–	115,404
Other intangibles	2,857	52	2,909	–	–	2,909
Assets excluding intangibles	39,509	54,580	94,089	31,747	(3,300)	122,536
Total assets	140,993	71,409	212,402	31,747	(3,300)	240,849
Liabilities	50,371	30,086	80,457	14,238	(3,300)	91,395
Total liabilities	50,371	30,086	80,457	14,238	(3,300)	91,395
2020 (restated)						
In thousands of AUD	Brand Transformation	Creative Technology and Data	Total segments	Unallocated	Eliminations	Consolidated
Gross revenue	67,141	126,072	193,213	–	(62)	193,151
Directly attributable cost of sales	(17,667)	(94,582)	(112,249)	–	62	(112,187)
Net revenue	49,474	31,490	80,964	–	–	80,964
Other income	428	928	1,356	–	–	1,356
Operating expenses	(36,101)	(15,822)	(51,923)	(3,860)	–	(55,783)
EBITDA	13,801	16,596	30,397	(3,860)	–	26,537
Depreciation of right-of-use assets						(2,274)
Operating EBITDA						24,263
Depreciation of plant & equipment and amortisation of intangibles						(1,438)
Net finance costs						(725)
Profit before income tax						22,100
Income tax expense						(3,761)
Profit for the period						18,339
As at 30 June 2021						
Goodwill	97,729	16,777	114,506	–	–	114,506
Other intangibles	3,285	365	3,650	–	–	3,650
Assets excluding intangibles	42,926	38,243	81,169	44,254	(8,862)	116,561
Total assets	143,940	55,385	199,325	44,254	(8,862)	234,717
Liabilities	62,163	36,887	99,050	12,446	(8,862)	102,634
Total liabilities	62,163	36,887	99,050	12,446	(8,862)	102,634

* All segments are continuing operations.

The Group implemented a new global operating model resulting in change in composition of its operating segments. Accordingly, the Group has restated the previously reported segment information for the prior reporting period.

Major Customer

Net revenue from a customer (2020: 2 customers) represents more than 10% of Group's total net revenue, with below segment breakdown:

Percentage of Group's total net revenue	2021	2020
Brand Transformation	–	10.4
Creative Technology and Data	20.9	18.7
	20.9	29.1

Enero Group Limited

Financial Report - half year ended 31 December 2021

3. Revenue

The Group's operations and main revenue streams are those described in its consolidated annual financial report as at and for the year ended 30 June 2021.

Disaggregation of revenue

In the following table, net revenue is disaggregated by primary geographical markets, which reconciles to the net revenue of the Group (see Note 2). No further disaggregation is required as substantially all revenue is recognised over time and all revenue is generated from fee for services.

In thousands of AUD	2021	2020
Primary geographical markets		
Australia	35,388	32,702
UK and Europe	18,043	19,357
USA	39,745	28,905
Total	93,176	80,964

4. Income tax expense

Recognised in the income statement

In thousands of AUD	2021	2020
Current tax expense		
Current year	6,881	3,901
Adjustments for prior years	(91)	–
	6,790	3,901
Deferred tax expense		
Origination and reversal of temporary differences	(137)	(140)
	(137)	(140)
Income tax expense in income statement	6,653	3,761
Numerical reconciliation between tax expense and pre-tax accounting profit		
Profit for the period	21,121	18,339
Income tax expense	6,653	3,761
Profit before income tax	27,774	22,100
Income tax expense using the Company's domestic tax rate of 30% (2020: 30%)	8,332	6,630
Increase in income tax expense due to:		
Share-based payment expense	232	166
Unwind of present value interest	81	110
Decrease in income tax expense due to:		
Effect of lower tax rate on overseas income	(1,736)	(1,305)
Over-provision for tax in prior years	(91)	–
Effect of losses not previously recognised	–	(1,619)
Other (subtraction)/non-deductible items	(165)	(221)
Income tax expense on pre-tax net profit	6,653	3,761

Enero Group Limited**Financial Report - half year ended 31 December 2021****5. Earnings per share**

	2021	2020
Profit attributable to equity holders of the parent		
In thousands of AUD		
Profit for the period	21,121	18,339
Non-controlling interests	(7,417)	(5,066)
Profit for the period attributable to equity holders of the parent	13,704	13,273
<i>Weighted average number of ordinary shares</i>		
In thousands of shares		
Weighted average number of ordinary shares – basic	87,471	86,428
Shares issuable under equity-based compensation plans	2,438	715
Weighted average number of ordinary shares – diluted	89,909	87,143
Earnings per share		
Basic (AUD cents)	15.67	15.36
Diluted (AUD cents)	15.24	15.23

6. Right-of-use assets

In thousands of AUD	31-Dec-2021	30-Jun-2021
Property leases		
At cost	16,697	15,279
Accumulated depreciation	(9,357)	(7,300)
Net carrying amount	7,340	7,979

In thousands of AUD	6 months to 31-Dec-2021	12 months to 30-Jun-2021
Reconciliations of the carrying amounts of right-of-use assets:		
Carrying amount at the beginning of the period	7,979	11,759
Addition	–	839
Re-measurement of lease liabilities	1,345	–
Disposal of controlled entities	–	(108)
Disposal	–	(55)
Depreciation	(2,012)	(4,291)
Effect of movements in exchange rates	28	(165)
Carrying amount at the end of the period	7,340	7,979

Enero Group Limited

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7. Intangible assets

In thousands of AUD	Goodwill	Contracts and customer relationships	Total
31 Dec-2021			
At cost	210,338	7,665	218,003
Accumulated amortisation	–	(4,756)	(4,756)
Impairment	(94,934)	–	(94,934)
Net carrying amount	115,404	2,909	118,313
Reconciliations of the carrying amounts of intangible assets:			
Carrying amount at 1 July 2021	114,506	3,650	118,156
Amortisation	–	(741)	(741)
Effect of movements in exchange rates	898	–	898
Carrying amount at 31 December 2021	115,404	2,909	118,313
30-Jun-2021			
At cost	208,979	7,609	216,588
Accumulated amortisation	–	(3,959)	(3,959)
Impairment	(94,473)	–	(94,473)
Net carrying amount	114,506	3,650	118,156
Reconciliations of the carrying amounts of intangible assets:			
Carrying amount at 1 July 2020	107,997	1,105	109,102
Acquired through business combination	12,316	3,428	15,744
Disposal of controlled entities	(6,136)	–	(6,136)
Amortisation	–	(874)	(874)
Effect of movements in exchange rates	329	(9)	320
Carrying amount at 30 June 2021	114,506	3,650	118,156

Goodwill Cash Generating Unit (CGU) allocation

In thousands of AUD	31-Dec-2021	30-Jun-2021 (restated)
Cash Generating Unit (CGU):		
Brand Transformation	98,627	97,729
Creative Technology and Data	16,777	16,777
Search Marketing	–	–
Net carrying amount	115,404	114,506

The Group implemented a new global operating model resulting in change in composition of its CGU group. Accordingly, carrying value of goodwill (previously fully allocated to Operating Brands CGU) was reallocated across Brand Transformation CGU and Creative Technology and Data CGU using a relative value approach. Under this approach, relative value of goodwill is determined by reference to value-in-use of CGUs as at the date of the re-organisation. The Group completed an assessment for impairment before the reallocation of goodwill using same assumptions as those applied by the Group in its consolidated annual financial report as at and for the year ended 30 June 2021 and concluded that the recoverable amount of CGUs exceeded the carrying value.

The re-organisation had no impact on the Search Marketing CGU Group, which do not obtain synergies with businesses within Creative Technology and Data segment and have no carrying value.

Enero Group Limited

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8. Contingent consideration payable

In thousands of AUD	31 Dec-2021	30-Jun-2021
Current		
Contingent consideration payable	1,817	10,886
Non-current		
Contingent consideration payable	7,668	9,240
Total	9,485	20,126

In thousands of AUD	6 months to 31-Dec-2021	12 months to 30-Jun-2021
Reconciliations of the carrying amounts of contingent consideration:		
Carrying amount at the beginning of the period	20,126	25,553
Recognised in business combination	–	8,931
Unwind of present value interest	271	642
Effect of movements in exchange rates	88	(115)
Contingent consideration paid	(11,000)	(14,885)
Carrying amount at the end of the period	9,485	20,126

There is uncertainty around the actual payments that will be made as the payments are subject to the performance of McDonald Butler Associates subsequent to the reporting date. Factors which could vary the amount of contingent consideration payable due include a net revenue threshold for future payments, the basis of the average net revenue over the contingent consideration period and purchase price cap. Actual future payments may differ from the estimated liability.

Fair value measurement:

Level 3 fair values

The following tables show the valuation techniques used in measuring Level 3 fair values for financial instruments measured at fair value in the statement of financial position, as well as the significant unobservable inputs used.

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Contingent consideration payable	Discounted cash flows: The valuation model considers the present value of expected capped payments (payable over 3 years), discounted using a risk-adjusted discount rate. The expected payment is determined by considering the possible scenarios of forecast average net revenue, the amount to be paid under each scenario and the probability of each scenario.	<ul style="list-style-type: none"> - Forecast average net revenue. - Risk-adjusted discount rate: 3.26%. 	The estimated fair value would increase (decrease) if: <ul style="list-style-type: none"> - the net revenue is higher (lower); or - the risk-adjusted discount rate were lower (higher).

Sensitivity analysis

Reasonably possible changes at 31 December 2021 to one of the significant unobservable inputs, holding other inputs constant, would have the following effects on the fair values of contingent consideration:

In thousands of AUD	Increase	Decrease
Movement of 5% in average net revenue	1,355	(2,625)
Movement of 0.5% in risk-adjusted discount rate	(124)	126

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9. Lease liabilities

In thousands of AUD	31 Dec-2021	30-Jun-2021
Current		
Lease liabilities	5,791	5,589
Non-current		
Lease liabilities	4,823	6,262
Total	10,614	11,851

In thousands of AUD	6 months to 31-Dec-2021	12 months to 30-Jun-2021
Reconciliations of the carrying amounts of lease liabilities:		
Carrying amount at the beginning of the period	11,851	16,907
Re-measurement of lease liabilities	1,345	–
Addition	–	839
Disposal of controlled entities	–	(225)
Other disposals	–	(61)
Repayments	(2,875)	(6,162)
Present value interest relating to lease liabilities	256	736
Effect of movements in exchange rates	37	(183)
Carrying amount at the end of the period	10,614	11,851
Lease liabilities commitments (at carrying value)		
Within one year	5,791	5,589
One year or later and no later than five years	4,823	6,262
Carrying amount at the end of the period	10,614	11,851

10. Contingent liabilities

Indemnities

Indemnities have been provided to Directors and certain Executive Officers of the Company in respect of third parties arising from their positions, except where the liability arises out of conduct involving lack of good faith. No monetary limit applied to these agreements and there are no known obligations outstanding at 31 December 2021.

11. Key management personnel and other related party disclosures

In addition to Executive and Non-Executive Directors, there were key management personnel of the Group during the reporting period.

A number of the key management personnel, or their related entities, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. There were no transactions with the Company or its subsidiaries and key management personnel in the current or prior reporting period.

There were no transactions with the Directors during the current or prior reporting period.

12. Subsequent events

Dividend

Subsequent to the interim reporting date, the Directors have declared an interim dividend, with respect to ordinary shares, of 6.0 cents per share, fully franked. The interim dividend will have a record date of 25 February 2022 and a payment date of 16 March 2022. The financial effect of this dividend has not been brought to account in the financial statements for the half year ended 31 December 2021 but will be recognised in subsequent financial reports.

Except for the events listed above there has not arisen, in the interval between the end of the interim period and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in the future financial period.

Enero Group Limited

Financial Report - half year ended 31 December 2021

Directors' Declaration

In the opinion of the directors of Enero Group Limited ("the Company"):

1. the condensed interim consolidated financial statements and notes set out on page 6 to 18 are in accordance with the Corporations Act 2001 including:
 - (a) giving a true and fair view of the Group's financial position as at 31 December 2021 and the performance for the half-year ended on that date; and
 - (b) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Sydney this 17th day of February 2022.

Signed in accordance with a resolution of the directors:

A handwritten signature in black ink, appearing to read "Ann Sherry".

Ann Sherry AO
Chair



Independent Auditor's Review Report

To the shareholders of Enero Group Limited

Report on the Interim Financial Report

Conclusion

We have reviewed the accompanying **Interim Financial Report** of Enero Group Limited.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Interim Financial Report of Enero Group Limited does not comply with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 31 December 2021 and of its performance for the Half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Interim Financial Report** comprises:

- Consolidated interim statement of financial position as at 31 December 2021.
- Consolidated interim income statement, consolidated interim statement of comprehensive income, consolidated interim statement of changes in equity and Consolidated interim statement of cash flows for the Half-year ended on that date
- Notes 1 to 12 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The **Group** comprises Enero Group Limited (the company) and the entities it controlled at the Half year's end or from time to time during the Half-year Period.

The **Half-year Period** is the 6 months ended on 31 December 2021.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with these requirements.



Responsibilities of the Directors for the Interim Financial Report

The Directors of the Company are responsible for:

- the preparation of the Interim Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- such internal control as the Directors determine is necessary to enable the preparation of the Half-year Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Interim Financial Report

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Interim Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its performance for the Half-Year ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of an Interim Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

KPMG

Kenneth Reid

Partner

Sydney

17 February 2022



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Enero Group Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Enero Group Limited for the half-year ended 31 December 2021 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.

A handwritten signature of the KPMG firm, written in blue ink.

KPMG

A handwritten signature of Kenneth Reid, written in blue ink.

Kenneth Reid

Partner

Sydney

17 February 2022