

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 performance³:

\$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 items²	13.3	5.8	129.2%
Statutory net profit after tax to equity holders²	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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