

ASX ANNOUNCEMENT

Enero Group delivers 25% net revenue growth and strong free cash flow

18 August 2023: Enero Group Limited (ASX: EGG) has reported its results for the 12 months ended 30 June 2023 (FY23), highlighting the strong revenue growth and cash flow generation while the Group continues to deliver its operational strategy.

Key highlights (excluding significant items)

(\$ million)	FY23	FY22	% Change
Net revenue ¹	241.6	193.4	24.9%
EBITDA ¹	78.8	66.2	19.1%
EBITDA margin	32.6%	34.2%	(1.6 pts)
Net profit after tax attributable to equity holders	24.4	27.1	(10.0%)
Earnings per share (EPS)	26.4 cents	30.9 cents	(14.6%)
Free cash flow ²	54.4	41.9	29.8%

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, amortization and any significant items.
2. Free cash flow is operating cash flow less capex and lease liability payments

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

“Enero’s FY23 results reflect the continued focus and refinement of our long-term operating strategy and our response to a dynamic market. The Group continued to win clients across the world, which is a great indicator that our transformation strategy is working, even during these challenging times. In FY23, 31% of our revenue now comes from clients who have relationships with more than one Enero brand, which is a testament to the strategic relevance of our market-leading capabilities.”

“Throughout FY23 we’ve continued to make necessary cost reduction decisions whilst continually sharpening our offering to be the most effective and unique set of modern-marketing services around the globe. Given our track record and diversified portfolio, we remain confident that we will continue to build momentum in FY24 and beyond, as macroeconomic pressures ease.”

Strong results in Creative Technology and Data with Brand Transformation impacted by challenging macro conditions

Creative Technology & Data

The Creative Technology & Data segment's net revenue was up 31% to \$113.5 million driven by continued strong growth in OBMedia despite proactively managing traffic quality at the end of FY23, while Orchard delivered a solid full-year performance with key client wins.

Brand Transformation

The Brand Transformation segment's net revenue was up 20% to \$128.2 million as it benefited from the acquisition of ROI DNA and GetIT from 1 July 2022. Excluding the acquisitions and adjusting for FX, organic net revenue declined 9% in a challenging global macroeconomic environment. In the second half of the financial year, the Group implemented a series of cost savings initiatives that delivered improved margins in the mid 20's in the fourth quarter.

Strong capital position

The Group's cash balance at 30 June 2023 decreased to \$52.4 million (30 June 2022: \$98.7 million) due to the acquisitions of ROI DNA and GetIT and repayments of the majority of debt. Net cash adjusted for contingent consideration was \$13.0 million with net cash of \$52.3 million at 30 June 2022.

The contingent consideration balance of \$30.7 million is associated with the acquisitions of ROI DNA and GetIT in July 2022 and MBA in April 2021, a fair value gain was recognized in FY23 relating to all acquisitions due to lower earnings expectations.

FY23 operating cash flow was \$61.5 million, with cash conversion at 102% of EBITDA compared to 96% in FY22. The group targets a cash conversion of 85%.

FY23 dividend payment supported by strong balance sheet

The Directors declared a final dividend of 4.5 cents per share, fully franked, representing a payout ratio of 44%. The final dividend will have a record date of 19 September 2023 and a payment date of 3 October 2023.

Enero's strong balance sheet supports the delivery of our capital management strategy, during FY23 the Group initiated an on-market share buyback, highlighting the Board's ongoing commitment to delivering increasing shareholder returns, as well as its confidence in the Group's value and growth opportunities.

Trading update

Trading for July remained resilient, despite ongoing challenging macroeconomic conditions with current expectations that technology clients will begin to return to more normalised trading in CY2024.

OBMedia is expected to grow from its recent rebased trading with EBITDA margins in the target range of 55%-65%.

In July, Agencies are cycling a strong comparative period and revenue has declined by -8% YoY due to client reorganisations and delays in spend predominately in the technology vertical. The Group's health and consumer agencies, Orchard and BMF, have grown revenue 4% YoY.

Full year benefit of cost initiatives taken in FY23 and ongoing focus on profitability underpin expected increased margins in Agencies over the first half compared with last year.

Commencing a strategic review of Enero's 51% investment in OBMedia to ensure shareholder value is maximised.

Commenting on Enero Group's outlook for FY24, Brent Scrimshaw said:

"Enero is a distinctively positioned creative technology company driving reputational and commercial growth for well-known global brands. Although macroeconomic headwinds impacted some client spending and led to a number of delayed projects in FY23, we remain confident that our growth strategy including the integration and experimenting of new technology - such as AI - to position us for future success."

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.

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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) and CPR, digital and experiential agency Orchard and adtech platform OB Media.

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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.

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