ASX ANNOUNCEMENT 9 February 2017

Results for half year ended 31 December 2016

Enero Group Limited (ASX: EGG) today announced its results for the half year ended 31 December 2016.

Summary:

- Net profit after tax to equity holders $2.3m.
- Operating EBITDA margin at 9.6%.
- Net Revenue down 11% (3% down on constant currency basis) and Operating EBITDA down 32% (22% down on constant currency basis) on prior period.

Enero Group CEO, Matthew Melhuish said: "The first half of this financial year was very challenging due to difficult UK trading conditions post Brexit, currency headwinds from the stronger Australian dollar and some client losses. However, we continue to focus on our strategy, building around our key geographies and our key service offerings – research and strategy, creative agencies and public relations. We have successfully expanded our USA footprint with the completion of Eastwick Communications and we remain very positive for future success".

Financial performance:

A$ million	1HFY2017	1HFY2016	Variance
Net Revenue	51.2	57.6	(11%)
Operating EBITDA[1]	4.9	7.2	(32%)
Net profit after tax to equity holders[2]	**2.3**	**3.7**	**(38%)**
Operating EBITDA Margin	9.6%	12.6%	

Notes:

1. Operating EBITDA is net profit before interest, taxes, depreciation, amortisation, impairment, and acquisition costs. 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 turnover excluding significant transactions and non-cash items which are not representative of the Group's on-going operations or cash flow.
2. Net profit after tax includes significant items of $0.2m. Refer to attached results presentation for detailed analysis.
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 NPATA before significant items. These measures are non-IFRS and have not been audited or reviewed.

Business operating performance:
Net Revenue was down 11% and Operating EBITDA was down 32% on the prior year. The Operating EBITDA margin reduced to 9.6%. International markets represented 57% of the Group's net revenue and 49% of the Group's Operating EBITDA. The impact of the Eastwick Communications acquisition (initial payment of US$5m) has been included in the consolidated performance from October 2016.

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

Contact:
Brendan York
Group Finance Director
Telephone: +612 8213 3084

ENERO

Enero Group Limited
FY17 Half Year Results

9 February 2017

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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.

Group Financial Performance

Financial summary

- Reported Net revenue down 11% on the prior reporting period (3% decline on a constant currency basis).
- Reported Operating EBITDA down 32% on the prior reporting period (22% decline on a constant currency basis).
- Currency impacts predominately from a weaker GBP resulted in a $4.9m reduction in translated net revenue and a $1m reduction in translated Operating EBITDA.
- Operating EBITDA margin declined from 12.6% to 9.6% reflecting more difficult trading conditions in the period.
- EPS of 2.77 cps.
- Contribution of Eastwick Communications earnings from October 2016.

Group Financial Performance

Revenue and Operating EBITDA

SIX MONTHS ENDED 31 DECEMBER ($M)	2016	2015	CHANGE
NET REVENUE			
Operating Companies	51.2	57.6	(11.1%)
Net Revenue	**51.2**	**57.6**	**(11.1%)**
OPERATING EBITDA			
Operating Companies	7.8	10.7	(27.1%)
Support office	(2.7)	(3.0)	(10.0%)
Share based payments charge	(0.2)	(0.5)	(60.0%)
Operating EBITDA	**4.9**	**7.2**	(31.9%)
Operating EBITDA Margin[3]	**9.6%**	**12.6%**	**(3.0bp)**

1. Operating EBITDA is net profit before interest, tax, depreciation, amortisation, impairment and acquisition costs. Refer to slide 12 for detailed analysis of costs.
2. Operating EBITDA Margin is Operating EBITDA / Net Revenue.

Group Financial Performance

Results ratio analysis

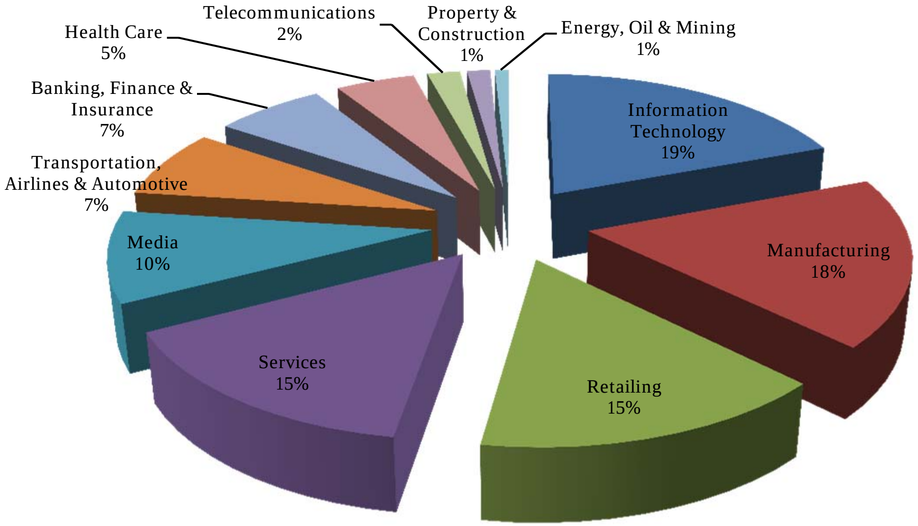
SIX MONTHS ENDED 31 DECEMBER ($M)	2016	2015
Net Revenue	51.2	57.6
Staff costs	36.8	39.9
Staff costs %	*71.9%*	*69.2%*
Operating costs	9.6	10.6
Operating costs %	*18.8%*	*18.2%*
Operating EBITDA	**4.9**	**7.2**
Operating EBITDA Margin	**9.6%**	**12.6%**

Staff costs includes all full time and freelance/casual employees and contractors.

- A $3.1m reduction in staff costs assisted by currency translation, however unable to reduce staff costs to the same ratio as net revenue decline.
- Operating costs reduced by $1m on prior period, partly assisted by currency translation ($0.8m), however the ratio has been impacted by lower net revenue. Further operating cost efficiencies from Sydney hub office only likely in FY18 as cross over period from existing Sydney lease results in double rent for two months in 2HFY17.

Group Financial Performance

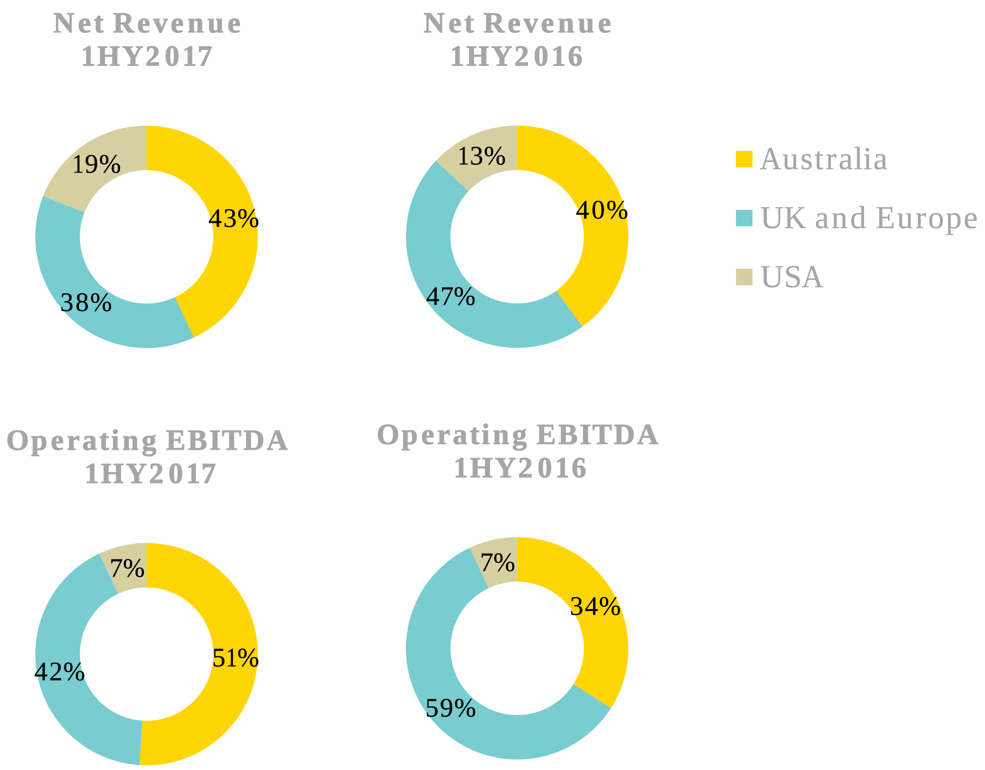
Revenue By Industry



- Strong mix of clients across market industry and sector groups demonstrates diversification of revenue.
- Largest client represents 13% of group net revenue.
- Top 10 clients represent 37% of total revenue across > 550 client relationships.

Operating Performance

Geographical Contribution from operating companies



- Geographical contribution to revenue more evenly spread due to increase in USA following completion of Eastwick acquisition and softening in UK and Europe.
- Geographical contribution to Operating EBITDA reflects the improved margin in Australia market.
- International operations accounted for 49% of the Operating Companies EBITDA in 1HY17, down from 66% in 1HY16, mainly impacted by UK and Europe trading conditions.

Operating Performance

Geographical Results from operating companies

SIX MONTHS ENDED 31 DECEMBER ($M)	2016	2015	CHANGE	CONSTANT CURRENCY CHANGE
NET REVENUE				
Australia	22.0	22.9	(3.9%)	(3.9%)
UK and Europe	19.6	27.0	(27.4%)	(12.2%)
USA	9.6	7.7	24.7%	28.5%
Total	**51.2**	**57.6**	**(11.1%)**	**(2.8%)**
OPERATING EBITDA				
Australia	4.0	3.3	21.2%	21.2%
UK and Europe	3.2	6.7	(52.2%)	(40.4%)
USA	0.6	0.7	(14.3%)	(16.4%)
Total	**7.8**	**10.7**	**(27.1%)**	**(17.4%)**

- **Currency impact:** stronger Australian dollar reduced reported net revenue by $4.9m and reported Operating EBITDA by $1m.
- On a constant currency basis, net revenue decline is only 2.8%.
- Strong Operating EBITDA growth in Australia this period.

Operating Performance

Australasia

SIX MONTHS ENDED 31 DECEMBER ($M)	2016	2015	CHANGE	CONSTANT CURRENCY CHANGE
Net Revenue	22.0	22.9	(3.9%)	-
Operating EBITDA	4.0	3.3	21.2%	-
Operating EBITDA margin	18.2%	14.4%	(3.8bp)	-

Key highlights:

- Small revenue decline year on year however significant improvement in EBITDA and margin as a result of focus on managing the cost base.
- BMF performing well with excellent creative and strategy reputation.
- Naked Communications had a strong 1H FY17 with new business wins (Sigma Pharmaceuticals, RMIT).
- Other smaller agencies have had mixed results, most notably Dark Blue Sea who was impacted by lower domain sales in the period.
- Moved to new Sydney hub office (100 Harris St, Pyrmont) on 30 January 2017. Further operating efficiencies to be realised in FY18 from more flexible office space.

Operating Performance

UK and Europe

SIX MONTHS ENDED 31 DECEMBER ($M)	2016	2015	CHANGE	CONSTANT CURRENCY CHANGE
Net Revenue	19.6	27.0	(27.4%)	(12.2%)
Operating EBITDA	3.2	6.7	(52.2%)	(40.4%)
Operating EBITDA margin	16.3%	24.8%	(8.5bp)	-

Key highlights:

- Significant impact of Brexit on general consumer and economic confidence has resulted in weaker pipelines and longer lead time to convert projects in UK market.
- Despite this, Hotwire and Frank PR continue to trade well with above average margin achievement showing consistency of PR businesses.
- Naked Communications impacted by loss of two key clients (eBay and Virgin Atlantic).
- The Leading Edge FY17 investment program underway with staffing doubled in 1HFY17. This is impacting margin in the current period but will help to achieve scale and better returns in FY18.

Operating Performance

USA

SIX MONTHS ENDED 31 DECEMBER ($M)	2016	2015	CHANGE	CONSTANT CURRENCY CHANGE
Net Revenue	9.6	7.7	24.7%	28.5%
Operating EBITDA	0.6	0.7	(14.3%)	(16.4%)
Operating EBITDA margin	6.3%	9.1%	(2.8bp)	-

Key highlights:

- Revenue improvement (29% up year on year on constant currency basis) including Eastwick Communications contribution.
- Operating EBITDA and margin impacted by difficult trading conditions for OB Media and Naked Communication's loss of Virgin Atlantic.
- Completed the acquisition of Eastwick Communications effective October 2016 to increase the scale of Hotwire in the US market increasing Hotwire US staff to 75. Results include three months of earnings contribution.

Group Financial Performance

Profit & Loss Summary

SIX MONTHS ENDED 31 DECEMBER ($M)	2016	2015
Net Revenue	51.2	57.6
Other revenue	0.1	0.1
Staff Costs	(36.8)	(39.9)
Operating Expenses	(9.6)	(10.6)
Operating EBITDA[1]	**4.9**	**7.2**
Operating EBITDA Margin	9.6%	12.6%
Depreciation & Amortisation	(1.5)	(1.5)
Net Interest	0.1	0.1
Present value interest charges	(0.1)	-
Tax	(0.8)	(1.4)
Minority interests	(0.1)	(0.7)
NPAT before significant items[2]	**2.5**	**3.7**
Significant items[3]	(0.2)	-
Net profit after tax to equity owners	**2.3**	**3.7**

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 on-going operations.
2. NPAT before significant items represents net profit after tax before the impact of significant, non-recurring and non operational impacting items.
3. Significant items in FY17 included Incidental Acquisition costs of $0.2m.

Group Financial Performance

Balance Sheet

($M)	31 Dec 2016	30 Jun 2016
Cash	33.9	37.6
Net Working Capital	(2.4)	(3.4)
Other Assets	1.9	2.2
Fixed Assets	8.1	4.9
Intangibles	85.0	75.5
Total Assets	**126.5**	**116.8**
Provisions & Other Liabilities	5.5	5.5
Finance lease	2.4	-
Contingent Consideration	8.4	-
Net Assets	**110.2**	**111.3**

- Contingent deferred consideration liability (Tranche 3A&3B liabilities) of $5.1m not recognised at 31 December 2016. Target EBITDA hurdles to trigger payments are $53.7m and $63.7m respectively. Final contingent liability expires in September 2018.
- Recognised contingent consideration relating to Eastwick Communications acquisition.
- Dividend and share buy back restriction continues until the Tranche 3A&3B liabilities are either paid, cancelled or expired.
- $21.8m in franking credits.
- Refer to slide 14 for analysis on cash conversion and working capital.

Group Financial Performance

Cash Flow & Working Capital Management

SIX MONTHS ENDED 31 DECEMBER ($M)	2016	2015
Operating EBITDA	4.9	7.2
Movement in Working Capital	1.1	3.2
Equity Incentive Expense	0.2	0.5
Gross Cash Flow	6.2	10.9
Net Interest Received	0.1	0.1
Tax paid	(1.0)	(0.5)
Operating Cash Flow	5.3	10.5
Cash funded capex	(1.7)	(0.4)
Free Cash Flow	**3.6**	**10.1**

- Small working capital balance unwind in the period however working capital balance (excluding cash) remains unsustainably low.
- Tax payments made in relation to overseas tax jurisdictions.
- Increased capex for 1HYFY17 relating to new Sydney hub office.
- Total capex for 1HFY17 was $4.2m ($3.9m relating to Sydney hub office). Limited cash funding required with $2.5m funded under lease finance.