

27 February 2020

ARQ GROUP (ASX: ARQ)

**Release of Full Year 2019 Financial Results
Year Ended 31 December 2019**

FY2019 Financial Results

Arq Group Limited (**Arq Group**) today announces its results for the year ended 31 December 2019, being underlying EBITDA of \$12.2m from continuing operations¹ (prior to the adoption of AASB 16: Leases) and underlying EBITDA of \$0.2m for discontinued operations² (prior to the adoption of AASB 16).

Total underlying EBITDA for the Company for FY 2019 was \$17.3m (after the application of AASB 16: Leases), which is above the revised Underlying EBITDA guidance range announced to the market on 24 December 2019 of \$13.8m to \$15.8m.

Strategic Review Status Update

The Group is progressing discussions with interested parties for the potential sale of the SMB division and has received a number of non-binding indicative proposals. The Group is progressing parties through with a view to firming up these proposals.

Completion of Sale of Enterprise Business Division

On 11 February Arq Group announced that it had entered into a binding agreement to sell the Enterprise Services Division (**Enterprise**) to an entity owned by a consortium comprising Quadrant Private Equity (**Quadrant**) and certain members of the Enterprise management team for A\$35.0m on a cash and debt free basis.

The sale is scheduled to complete on Monday, 2 March 2020 and the net proceeds received from the sale, after adjustments for net debt items, working capital and insurance cover are anticipated to be \$21.6m, which will be used to retire debt.

In addition to working with its lenders to ensure the orderly reduction of debt, the Company will continue to focus on stringent cost management and value maximising options for the SMB Division (**SMB**).

¹ Continuing operations includes SMB Direct, SMB Indirect and Corporate business units.

² Discontinued operations means the Enterprise business unit.



Board Composition

Following completion of the sale of the Enterprise business division and in conjunction with moving towards a simplified corporate structure, the Board has elected to reduce the number of Directors. Mr Simon Martin and Ms Naseema Sparks will retire from the Board following completion of the sale of the Enterprise business. Mr Andrew Reitzer, Mr Andrew Macpherson, Mr Karl Siegling and Mr Larry Bloch, who will remain as Directors, have agreed to reduce their fees by 50% effective from that date.

"I wish to thank Mr Martin and Ms Sparks for their dedication and commitment to the Company during their tenure as Directors. We have valued their significant contributions." said Mr Reitzer.

ENDS

Please contact Ms Emma Jewell of Red Agency for any media enquiries or Mr Fraser Bearsley for any investor queries.

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About Arq Group

Arq Group, previously Melbourne IT Group, is Australia's leading digital solutions partner.

Arq Group is the dynamic space for smart thinkers. Creating unforgettable experiences, solving complex challenges, and providing seamless, end-to-end solutions – from design thinking to customer solutions, leading mobile, cloud and analytical insights, digital marketing to web design - Arq Group powers the growth of businesses, big and small.

Founded in 1996, Arq Group has evolved from the leading Australian domains and hosting business to a leading digital services partner. Today, the company builds and manages innovative channels to market for many of the country's largest enterprises, whilst simultaneously supporting half a million small businesses throughout their online journey.



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