

ASX ANNOUNCEMENT

Enero Group delivers like-for-like net profit increase in FY24

15 August 2024: Enero Group Limited (ASX: EGG) (**Enero**) has reported its results for the 12 months ended 30 June 2024 (FY24), highlighting a 7% like-for-like increase in net profit which benefited from the double-digit growth in its Australian-based agencies.

Key highlights (excluding significant items)

(\$ million)	FY24	FY23	% Change	FY23 LFL ³	% Change LFL ³
Net revenue ¹	189.7	241.6	(21.5%)	202.3	(6.2%)
EBITDA ¹	37.4	78.8	(52.6%)	41.7	(10.4%)
EBITDA margin	19.7%	32.6%	(12.9) pts	20.6%	(0.9) pts
Net profit after tax attributable to equity holders	10.3	24.4	(57.8%)	9.6	7.0%
Earnings per share (EPS)	11.3 cents	26.4 cents	(57.4%)	10.4 cents	8.2%
Free cash flow ²	21.7	54.4	(60.1%)		

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, amortisation and any significant items.
2. Free cash flow is operating cash flow less capex and lease liability payments.
3. Like-for-like (LFL) adjusts for the impact of OBMedia traffic that was proactively halted in FY23 Q4.

Consolidated Group performance

Enero reported a like-for-like (LFL) increase in NPAT of 7% year-on-year (YoY) to \$10.3 million in FY24 reflecting lower interest expense and higher profits in wholly owned businesses compared to lower profits earned in the non-wholly owned OBMedia.

Net revenue declined 6% on a LFL basis to \$189.7 million in FY24. The decline was largely driven by challenging international technology and ad tech markets, in part offset by the strong contribution from Australian-based agencies BMF and Orchard. EBITDA declined 10% on a LFL basis to \$37.4 million with ongoing cost initiatives implemented throughout FY24.

Statutory (reported 4E) net loss after tax to equity holders of \$44.2 million included a significant non-cash impairment charge of \$70.8 million relating to the ROI DNA and GetIT intangibles and fair value gain on contingent consideration of \$22.4 million.

Enero continued to implement ongoing cost management initiatives in FY24 across all segments, declining 5% on a LFL basis to \$152.4 million in FY24. FY25 is expected to benefit from these initiatives.

Technology, Healthcare and Consumer Practice (THC Practice)

Net revenue in the Technology, Healthcare and Consumer Practice of \$143.5 million declined 4% YoY in FY24 on a continuing business basis (excluding disposed business CPR) reflecting contrasting performances between the agencies.

EBITDA of \$22.8 million declined 6% on a continuing business basis and reflected a largely unchanged margin of 16%. The Australian-based agencies, BMF and Orchard, delivered double-digit revenue growth with expanding margins whilst US led Hotwire Group continued to navigate technology headwinds.

The THC Practice agencies are making strong progress on their key metrics with 66% of the Group's revenue now earned from clients who have relationships with more than one THC Practice brand or country. At the end of FY24, THC Practice had 34 clients with annual revenue greater than \$1m, up from 27 in FY23.

Enero's agencies continue to be recognised for its outstanding work and top-tier capabilities. BMF was the most shortlisted agency at the Australian Effie Awards, the pre-eminent award program for marketing effectiveness; Orchard won a global PMEA award for pharmaceutical marketing excellence with GSK and Hotwire launched the first in a series of AI technology and consulting solutions, GAIO.tech.

These achievements have translated into some significant wins with blue-chip clients of scale including Endeavour Group (which includes BWS, Dan Murphy's, Pinnacle Wines and more); Palo Alto; STAN, Alinta Energy and Lilly.

OBMedia

Net revenue in OBMedia of \$46.2 million declined 8% on a LFL basis in FY24. Market-wide weakness in Q3 impacted the results, with some recovery in Q4 with growth quarter-on-quarter. EBITDA of \$23.5 million declined 17% on a LFL basis in FY24 with a margin of 51% with cost management initiatives undertaken in FY24 H2.

OBMedia continued to invest in data science capabilities, developing AI tools for content creation and automated campaign activation.

The strategic review of OBMedia remains ongoing. To ensure a competitive sale process, Enero is now actively engaged in a non-exclusive due diligence process with multiple select bidders and anticipates engaging in contractual negotiations with a preferred bidder at the conclusion of the due diligence phase in Q2 FY25.

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

"Throughout FY24, our Australian-based agencies, BMF and Orchard, repeatedly proved their ability to drive substantial growth and deliver-market leading outcomes for a roster of blue-chip clients. This success is driven by our ongoing dedication to our operating strategy, world-class talent, best-in-class capabilities, and renowned work.

Despite the tough trading conditions in the technology sector, our teams at Hotwire have continued to integrate their client offerings into a global, market-leading suite of services that can uniquely drive reputation, relationships and revenue for clients. When the technology sector recovers, we are in a very strong position to benefit from it."

Strong capital position

Enero's cash balance of \$46.7 million at 30 June 2024 (30 June 2023: \$52.4 million) remains strong, driven by healthy cash conversion at 88% of EBITDA which also enabled the further repayment down of debt down to \$3 million.

Net cash adjusted for contingent consideration was \$38.2 million increasing from \$13.0 million at 30 June 2023. A contingent consideration balance of \$5.5 million is associated with the acquisitions of ROI DNA and GetIT in July 2022 and MBA in April 2021.

FY24 final dividend payment supported by strong balance sheet

The Directors declared a final dividend of 2.0 cents per share, fully franked, representing a payout ratio of 51%, within the guided range. The final dividend will have a record date of 20 September 2024 and a payment date of 3 October 2024.

Enero's buyback program completed on 30 April 2024 with 2 million shares acquired and the maximum opportunity captured given limited trading volumes.

Enero's strong balance sheet retains flexibility to pursue Enero's growth plans and supports the delivery of our balanced capital management strategy.

Outlook

Trading for July remained broadly consistent with the end of FY24 H2.

Technology, Healthcare & Consumer Practice continues to operate in a challenging technology industry internationally. The segment is benefiting from cost initiatives taken in FY24 Q4.

OBMedia revenue broadly in line with FY24 Q4.

OBMedia sale process remains ongoing and Enero anticipates engaging in contractual negotiations with a preferred bidder at the conclusion of the due diligence phase in Q2 FY25.

Enero remains focused on proactively managing its cost base.

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 by going to <https://s1.c-conf.com/diamondpass/10038819-6d9fng.html>. Registered participants will be able to participate in the Q&A.

A replay will be available after the call at <https://www.enero.com/investor-centre>.

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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), digital and experiential agency Orchard and adtech platform OBMedia.

www.enero.com

For further information, please contact:

Investors:

Howard Marks

Automic Markets

m. +61 402 438 019

howard.marks@automicgroup.com.au

Media:

Abigail Dawson

Group Communications Director

m. +61 415 169 987

abigail.dawson@enero.com

Cathy Hoyle

General Counsel & Company Secretary

m. +61 405 292 077

cathy.hoyle@enero.com

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.