

## Reaping the benefit of macro tailwinds & finetuning

Enero Group Limited (ASX:EGG) is a creative technology company providing a range of marketing and communication services, via businesses located in 13 cities across seven countries with more than 600 employees. Group companies work with high growth businesses through two specialist capabilities: Brand Transformation, and Creative data and Technology. In FY2021, EEG has finetuned its portfolio and focused on delivering growth via greater integration across geographies, improving digital advertising and marketing capabilities and accelerating entry into innovative areas of digital marketing. Enero's global technology sector clients include Adobe, ebay, facebook, Honeywell and LinkedIn. In Australia, the high quality client list includes Aldi, Tourism Tasmania and Rest Super. With significant client wins during 2021, Enero is well positioned for further growth.

### Business model

Key businesses in the group include Hotwire, focused on communications for technology companies globally, BMF a creative, campaign focused, agency in Australia, Orchard, delivering digital campaigns and marketing automation in Australia and the US and, OB Media, a programmatic marketing platform delivering targeted advertising to potential on-line customers. In FY21, the largest revenue segments were 26% from technology related businesses and 21% from online media. Retainers (recurring revenue) from clients comprised 54% of revenue with project-based revenues the remaining 46%. Client retention is high with almost one-third of Enero's clients with the group for six years or more and 78% with the company for more than two years. Nearly half of operating EBITDA came from the US (48%), with Australia contributing 33% and UK & Europe 19%.

### FY21 result evidence of a sector and company turnaround

Enero grew net revenues by 18.3% to \$160.6m, and from continuing businesses +14%, and improved EBITDA margin from 11% to 22% through growth in higher margin businesses and improved cost management. Underlying net profit after tax was \$22.8m, up 76.7% on the prior year. Non-cash and non-recurring items totalled \$23.2m after tax. Through the course of FY21, Enero sold the Frank PR agency for an accounting loss of \$9.9m, closed 12 dormant foreign subsidiaries and recognised non-cash currency reserve losses of \$13.1m. EGG acquired a specialist technology sector marketing business in the UK for £3.5m and deferred payments over 3.5 years to be integrated with Hotwire. The company noted that the first six weeks of FY22 continued to deliver strong year-on-year revenue momentum and that organic and inorganic opportunities will remain the focus for FY22.

### EGG is delivering on digital marketing opportunities globally

Despite ongoing COVID-related uncertainty, Enero has delivered strong organic and acquired growth and strengthened the suite of services on offer with continuing strength in technology related business one of the tail-winds for advertising and marketing. EGG's geographic diversity and technology focus have delivered dividends. Based on consensus EBITDA for FY22, Enero is trading around 30% below the median EV/EBITDA of its listed Australian peers.

#### Historical earnings and ratios (in A\$m)

Year	Net Revenue	EBITDA Adj.*	NPAT Adj.*	NPAT Rep.	EPS Adj.*(c)	EPS Rep.	DPS (c)	EV/Sales	EV/EBITDA	P/E Adj.*
06/18a	103.7	13.5	8.5	8.5	9.8	9.8	4.0	2.1	16.5	33.9
06/19a	129.5	14.3	5.7	5.7	6.5	6.5	5.5	1.7	10.8	22.2
06/20a	135.8	24.4	12.9	10.7	15.0	12.5	6.0	1.6	9.1	21.0
06/21a	160.6	45.6	22.8	(0.4)	26.4	(0.5)	14.9	1.4	4.9	11.9

Source: Company data \*EBITDA, NPAT & EPS adj for one-time, non-cash items

## Media & Advertising

10<sup>th</sup> September 2021

### Share details

ASX Code	EGG
Share price	\$3.15
Market Capitalisation	\$273.3M
Shares on issue	86.7M
Net cash at 30/06/2021	\$44.5M
Free float	70.37%

### Share performance (12 months)



### Upside Case

- Rebound in advertising expenditure continues
- Technology, healthcare and consumer sectors continue to grow
- Acquired businesses add value

### Downside Case

- Tech sector growth slows and spend falls
- Pricing pressure from clients
- Increased privacy regulation hinders targeting

### Catalysts/upcoming events

- AGM, 21<sup>st</sup> October 2021
- Interim results FY22, Feb 2022

### Comparable companies (Aust/NZ)

GTN Ltd (ASX:GTN), HT&E (ASX:HT1), IVE Group (ASX:IVE), Ooh!Media (ASX:OML)

### Top 5 shareholders

Regal Funds Mgmt	14.86%
RG Capital Multimedia	12.95%
Perpetual Ltd	12.27%
Wilson Asset Mgmt	11.31%
Perennial Value	8.6%

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# FINANCIAL SERVICES GUIDE

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**of**

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**Effective Date: 6<sup>th</sup> May 2021**



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- who we are
- our services
- how we transact with you
- how we are paid, and
- complaint processes

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Website: [www.afca.org.au](http://www.afca.org.au); Email: [info@afca.org.au](mailto:info@afca.org.au); Telephone: 1800931678 (free call)

In writing to: Australian Financial Complaints Authority, GPO Box 3, Melbourne, VIC, 3001.

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