

ASX Release

FOR IMMEDIATE RELEASE
23 August 2017

Isentia reports FY17 financial results

Isentia Group Limited (ASX:ISD) today reported its financial results for the twelve months to June 2017.

- Revenue of \$155.1 million, a decrease of \$0.9m vs pcip
- EBITDA of \$41.5 million, a decrease of 19% vs pcip
- Statutory Net loss of \$13.5 million compared with a profit of \$24.3 million in FY16, largely reflecting the impairment of King Content
- Impairment of King Content business of \$39.4m
- Underlying NPATA of \$24.7 million, a decrease of 24%
- Operating cash flow of \$33.7m an increase of \$3.0m vs pcip
- Net debt of \$51.7 million at June 2017, a leverage ratio of 1.25x
- Final dividend of 3.08 cents per share, 50% franked, representing a 50% payout of underlying NPATA. Total dividends for the year of 6.18 cents per share.

A\$ millions unless otherwise stated	FY17	FY16	Variance \$m	Variance%
Revenue	155.1	156.0	(0.9)	(1%)
EBITDA	41.5	51.0	(9.5)	(19%)
Statutory NPAT	(13.5)	24.3	(37.8)	(156%)
Underlying NPATA	24.7	32.6	(7.9)	(24%)
Earnings per share (cents)	12.4	16.3	(4.0)	(24%)
Dividend per share (cents)	6.18	8.13	(1.95)	(24%)

Isentia CEO John Croll said: "FY17 was a disappointing year with the business performing below expectations, particularly at King Content. The Board and Management remain confident in the market positioning of Isentia and we have implemented initiatives to improve performance across the business. Client retention is strong with stable client numbers in FY17 Q4 and Isentia has delivered a number of product improvements to support its market leading position."

Australia/New Zealand results

Reported revenue increased 1% to \$107.9 million and reported business line EBITDA decreased 6% to \$46.6 million reflecting a \$5.3 million increase in copyright fees. Adjusting for the reclassification of Two Social, a 2013 acquisition in Australia now included in Content Marketing, revenue increased 2.6% and EBITDA declined 4%. SaaS revenue growth of 1% was affected by increased competition related to the timing of copyright agreements and higher customer churn in H1. The competitive environment stabilized in H2 with the delivery of new products. Adjusted VAS growth of 12% performed strongly with the increased demand for Insights products in the ANZ business.

Asia results

Revenue increased 16% to \$32.9 million. EBITDA of \$6.6 million decreased 5%. This performance reflected a \$0.5 million clean-up of bad debt and higher data costs in North Asia. SaaS revenue growth of 3% was constrained by the delay in the rollout of Mediaportal into South Korea. Strong VAS growth of 30% benefited from higher client demand and the fully integrated acquisitions that benefitted from the upsell to Isentia's client base.

Content marketing results

Revenue of \$14.4 million declined 30% and 35% on a like-for-like basis (adjusted for the reclassification of Two Social). An EBITDA loss of \$4.4 million compared with a profit of \$3.6 million in FY16.

As previously announced to the market, the Board decided to fully write down the value of the business due to its financial performance in FY17. This resulted in an impairment charge of \$39.4 million. The impairment is non-cash and does not impact on banking covenants. The King Content brand has been discontinued and its operations fully integrated into Isentia under the Isentia brand. Management has implemented initiatives to cut the cost base of the business while not affecting the quality of the service to clients. There is a clear plan to deliver a positive contribution in FY18.

Balance sheet and cash flow

Isentia's balance sheet is strong with net debt of \$51.7 million at June 2017 representing a gearing ratio of 1.25x. Isentia's leverage is comfortably within the loan covenant of 3.25x. Operating cash flow of 33.7m increased 9.7% from 2016.

FY18 Priorities

Mr Croll said: "While we are clearly disappointed with the performance of the business during FY17, our priority is to drive shareholder value by leveraging Isentia's market leading position in the ANZ and Asian Media Intelligence market."

Isentia's priorities for FY18 are to:

- Further reduce churn in ANZ through current product enhancements including the rollout of Stories and Mediaportal upgrades;
- Drive greater penetration of SaaS into the Asia region through the launch of Mediaportal into all nine Asian countries where Isentia operates
- Implement operating efficiencies through the further implementation of technology to automate our production operations

Management intend to provide FY18 guidance at the time of the Annual General Meeting scheduled for late November 2017.

Investor Conference Call

Isentia CEO John Croll and CFO James Orlando will host a conference call with the investment community including a Q&A session at **9.30am AEST today (23 August 2017)**.

The call will be webcast live at www.isentia.com/investor-centre

Analysts and investors who wish to participate in the teleconference should dial **1 800 558 698** or **+612 9007 3187** and quote **conference ID 873564**. (NB – media are welcome to listen to the presentation, however the limited question time we have available is for investors and analysts).

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About Isentia

Isentia (ASX:ISD) is APAC's leading integrated Media Intelligence, Insights and Content Marketing business, empowering more than 5000 clients in 11 countries to connect the dots between data and decisions. Isentia blends market-leading monitoring experience with analytics to help the world's biggest brands uncover the whole picture – and act on it. Powered by cutting-edge technology and a team of world class experts, our mission is to help businesses leap-forward where only genuine insight can take them. To find out more about how we inform better decisions, please visit

www.isentia.com