

ASX Release

FOR IMMEDIATE RELEASE

23 August 2018

Isentia reports FY18 financial results

- Statutory revenue of \$137.1m, Media Intelligence¹ revenue of \$132.6m
- EBITDA of \$28.6m, Media Intelligence EBITDA of \$33.1m
- NPATA of \$10.5m, Underlying NPATA of \$11.5m
- Strong operating cash flow of \$28.4m
- Net debt of \$43.1m was down from \$51.7m at 30 June 2017. Leverage ratio 1.5x
- Content marketing exit completed during FY18 with an EBITDA loss of \$4.5m
- No final dividend as capital management focus shifts to investment for future growth.
- FY19 revenue guidance in the low to mid \$120m range and FY19 EBITDA guidance in the low to mid \$20m range. This assumes copyright costs in Australia remain stable although expectations are that these costs may be reduced in FY19.

Isentia Group Limited (ASX: ISD) today released its financial results for the twelve months to June 2018.

On a statutory basis, revenue was \$137.1m (\$155.1m pcp) and media intelligence revenue was \$132.6m (\$140.8m pcp). Revenue growth was impacted by the operating environment in ANZ which was partially offset by growth in Asia's value added services (VAS). EBITDA was \$28.6m (\$41.5m pcp) and media intelligence EBITDA was \$33.1m (\$45.9m pcp). The exit from the content marketing business was completed to schedule during FY18 with an EBITDA loss of \$4.5m.

Isentia Chairman Doug Snedden said: "FY18 has been an important year as we put in place a restructuring agenda which, we believe, will deliver improvements in operating performance over the medium term. Despite the recent challenges, we have an incredible franchise across the Asia-Pacific region which we are leveraging to address the shifting market realities. Our focus is on stabilising the competitive situation in ANZ and growing our business in Asia. With 79% of revenue recurring, the cash flow generation of our subscription model and conservative balance sheet remain key strengths as we move forward."

Incoming Managing Director and CEO Ed Harrison said: "I look forward to contributing to the next stage of Isentia's journey as we adapt to an evolving marketplace. Isentia has a strong brand, premium products and an enviable customer base and these factors are a great starting point for transformation. Since joining Isentia, I have been impressed by the appetite for change and recognition of the challenges within the business."

¹ Media Intelligence includes SaaS and VAS businesses only

FY19 Priorities

Mr Harrison said: “We are focused on a number of strategic initiatives that will enable the company to respond quickly to market changes and prepare for a long term transformation that will drive future performance. These include;

- Restructuring sales and account management teams to drive productivity and build closer relationships with customers.
- Delivering annualised gross cost savings of almost \$11m which have been identified and will be actioned by end FY2020.
- Commencing proceedings in the Copyright Tribunal to obtain an industry-based licensing agreement to ensure a level playing field for all participants.
- Rolling out Mediaportal across Asia so that the platform is available for the first time in all markets.
- Strengthening product development and innovation to meet market demand for differentiated customer services.

Australia / New Zealand results

Statutory revenue was \$100.4m (\$116.5m pcp) and Media Intelligence revenue was \$97.7m (\$107.9m pcp). Revenue was affected by structural headwinds as traditional media volumes continued to fall as well as an increasingly competitive landscape that led to higher customer churn and price erosion. In addition, 1H FY17 included Two Social revenue of \$1.1m which was exited in FY18. Media Intelligence EBITDA was \$40.2m (\$46.6m pcp).

Asia results

Statutory revenue decreased by 5% to \$36.8m due to the inclusion of content marketing in the prior period. Media Intelligence revenue rose by 6.0% to \$34.9m driven by VAS growth in expanding North Asian markets. Media Intelligence EBITDA was \$4.8m (\$6.6m pcp). This decline reflected a changing revenue mix as lower margin VAS sales accounted for a higher percentage of the total.

Content Marketing

Isentia’s exit from the content marketing business was completed during FY18 and an EBITDA loss of \$4.5m was recorded.

Balance sheet and cash flow

Isentia’s balance sheet remains strong with net debt of \$43.1m compared to \$51.7m at 30 June 2017. With a gearing ratio of 1.5x and interest cover of 13.0x, Isentia has significant covenant headroom on its debt facility.

In FY18, 79% of Isentia’s revenue was recurring as it generated steady cash flow from its contracted customer base. During FY18, net debt was reduced by \$8.7m and operating cash flow was \$28.4m.

Capital Management & Final Dividend

Isentia's Board has decided not to pay a final dividend. The capital management decision was taken to conserve cash and provide greater investment flexibility for future growth with priorities including product development and debt reduction. An interim dividend of 0.647 cents per share was paid in March 2018.

FY19 Guidance

FY19 revenue guidance in the low to mid \$120m range and FY19 EBITDA guidance in the low to mid \$20m range. This assumes copyright costs in Australia remain stable although expectations are that these costs may be reduced in FY19.

Investor Conference Call

Isentia Chairman Doug Snedden, Managing Director and CEO Ed Harrison and CFO James Orlando will host a conference call with the investment community including a Q&A session at **10am AEST today (23 August 2018)**.

The call will be webcast live at:

<http://webcasting.brrmedia.com/broadcast/5b331722b194a60e16d688e4>

Analysts and investors who wish to participate in the teleconference should dial **1800 558 698 / +612 9007 3187** and quote conference ID **427804**.

NB. This is an analyst and investor call. The media are welcome to listen to the presentation.

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About Isentia

Isentia (ASX:ISD) is APAC's leading integrated Media Intelligence and Insights business with operations in 11 markets. 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