

ASX Release**FOR IMMEDIATE RELEASE****23 August 2019****Isentia Reports FY19 Financial Results**

- Revenue of \$122.5m in line with FY19 guidance in the low to mid \$120m range
- Underlying EBITDA¹ of \$23.1m in line with FY19 guidance in the low to mid \$20m range
- Net debt reduced to \$28.3m from \$43.1m at 30 June 2018, lowest level since 2015
- Underlying Net Profit After Tax & Amortisation (NPATA) of \$9.2m
- Net Profit After Tax (NPAT) loss of \$34.3m due to a \$41m non-cash write-down of previously recognised intangible assets
- FY20 EBITDA guidance of \$20-23m

Isentia Group Limited (ASX: ISD) today released its financial results for the 12 months to June 2019.

FY19 revenue was \$122.5m and FY19 Underlying EBITDA was \$23.1m, both of which are in line with the earnings guidance provided in August 2018.

Isentia's strong operating cash conversion from underlying EBITDA resulted in significant debt reduction with net debt falling to its lowest level since 2015. Net debt of \$28.3m was \$14.8m lower than at 30 June 2018 and \$23.4m lower than at 30 June 2017.

Underlying NPATA was \$9.2m and an NPAT loss of \$34.3m included a \$41m write-down of previously recognised intangibles. This does not impact cashflow or debt covenant compliance.

Isentia Managing Director and CEO Ed Harrison said: "Despite a challenging competitive environment, we are pleased to deliver an underlying operating profit result of \$23.1m which is in line with the earnings guidance provided to the market in August 2018.

"In FY19, we pointed the company in a different direction with the appointment of a new leadership team and the launch of a new strategy. We realised significant operational efficiencies across the organisation through increased automation and the use of our Asia-Pacific network to optimise resource allocation. This ongoing shift from investment in operations to investment in technology continues to improve productivity, reduce costs and, most importantly, deliver higher quality services to our clients.

"Moving the focus of our development pipeline to one of continuous, incremental product delivery has de-risked our investments and generated good results. The number of product and feature releases more than tripled to 66 in FY19. Major product launches during the year included Live Alerts, a large suite of on-platform analytics tools and a new mobile app which we are currently beta testing with clients. In Asia, we established regional product and tech teams, as well as new multi-market sales capabilities.

¹ Underlying EBITDA reflects adjustments for certain non-operating items including restructuring costs and asset impairments.

“While the Australian market remains competitive, we have restructured our account management function and established a dedicated business development team that is focused on new sales and competitive win-backs. We have also refreshed our go-to-market plan which includes a new website, new packages and rate card. This has resulted in growth in new clients and we continue to renew the majority of our contracts.

“Our competitive position was enhanced in April when the Australian Copyright Tribunal issued orders for an interim licence which applies from 1 December 2018. The decision is important because it goes some way towards achieving equity in copyright pricing and it introduces a variable component into what had been a fixed cost. The action in the Copyright Tribunal is ongoing and a final hearing date has been set down for late 2020.

“A particularly pleasing aspect of this result is our strong cash flow conversion from operations which, bolstered at year-end by timing benefit related to payments, enabled Isentia to reduce net debt by \$14.8m to \$28.3m at 30 June 2019.

“Looking ahead, we will be using the foundation set in FY19 as the base for our transformation of the company.”

Strategy update

In February 2019, Isentia unveiled a new strategy which provides a roadmap for transforming the business over the next three years. During H2 FY19, Isentia implemented a range of measures as part of the plan. These included developing new workflows for press production and Daily Briefings, implementing new product management processes and establishing product and technology teams in Asia. A more detailed outline of the objectives and achievements to date of the strategic plan is provided in the FY19 investor presentation.

Australia / New Zealand results

FY19 revenue was \$87.6m. SaaS revenue continues to be impacted by a challenging competitive landscape in Australia. VAS revenue was flat due to new business wins being offset by the loss of clients with SaaS/VAS ‘bundles’. Costs were \$4.3m lower yoy due to ongoing transformation initiatives and a reduction in copyright costs under the new interim licence.

Asia results

FY19 revenue of \$34.8m was flat yoy. In South East Asia, revenue increased by 17% yoy as demand for media intelligence in these markets continued to grow. North Asia remained challenging due primarily to the decline in traditional press monitoring. We are ‘right sizing’ the North Asia cost structure and shifting its focus to Insights. Total Asia costs rose by 6% due to the investment in multi-market sales, marketing and Insights capability in South East Asia. In July, Isentia announced the appointment of James Merritt as new Chief Executive, Asia.

Balance sheet and cash flow

Operating cashflow of \$25.9m highlighted Isentia’s strong operating cash conversion from underlying EBITDA. FY19 cashflow also benefited from improved collections, favourable timing of payments and a tax refund.

Management of the cash envelope remained a priority with gross borrowings reduced to \$43m from \$55m at 30 June 2018 and \$65m at 30 June 2017. This reflects the Board's ongoing focus on debt reduction with both gross and net debt at their lowest levels since 2015.

FY20 Outlook

In FY20, Isentia's Board and management will be focused on the successful execution of the next phase of Isentia's three-year strategic plan.

The media intelligence market in Australia is expected to remain competitive in the year ahead. As outlined in the strategic plan, we expect the rate of revenue decline to slow in FY20 and we will be making significant operating and capital investments in building new product and technology. As a result, we expect FY20 EBITDA to be in the range of \$20-23m, excluding the impact of the change to the AASB16 lease accounting standard.

Investor Conference Call

Isentia Managing Director and CEO Ed Harrison and CFO Peter McClelland will host a conference call with the investment community including a Q&A session at **10am AEST today (23 August 2019)**.

To listen to the webcast please visit:

<https://webcasting.boardroom.media/broadcast/5d1953a64408e43a90ebcbd5>

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