ASX Release

FOR IMMEDIATE RELEASE **24 August 2020**

Isentia Reports FY20 Financial Results

- Revenue of $110.3 million, down $12.2m on FY19
- Transformation program reduces cost base; total costs down $10.0m on FY19
- Underlying EBITDA[1] of $20.9m, down $2.2m on FY19
- Underlying EBITDA margin of 18.9% in line with prior year (FY19: 18.8%)
- Net Profit After Tax before Amortisation (NPATA)[2] loss of $4.9m due to $10.8m in costs associated with the closure of North Asia[3]
- Net debt reduced by $3.7m to $24.6m at 30 June 2020 (30 June 2019: $28.3m)
- Successful management of COVID-19 revenue and cost impacts to limit net impact on earnings

Isentia Group Limited (ASX: ISD) today released its financial results for the twelve months ended 30 June 2020.

During the 2020 financial year, Isentia continued the strategic transformation of its business to deliver a more streamlined operating model and to build efficient regional scale. The performance across its key markets was varied, with ANZ experiencing competitive pressure, South East Asia showing growth and margin expansion despite COVID-19 headwinds, and North Asia posing ongoing challenges prior to its closure on 30 June.

FY20 revenue was $110.3m, with mid-single digit revenue growth in South East Asia, offset by lower revenue in ANZ and North Asia.

Transformation and efficiency programs delivered a 10% reduction in total costs. As a result, the decline in FY20 revenue had a limited impact on Underlying EBITDA which was $20.9m and the underlying EBITDA margin was stable at 18.9% (FY19: 18.8%).

Isentia Managing Director and CEO Ed Harrison said: "In FY20, we managed through challenging market and working conditions to execute on our strategic plan, realising further operational efficiencies, releasing new product features and streamlining our footprint with the exit from North Asia. Our strategy delivered revenue growth and margin expansion in South East Asia, and in ANZ, we achieved stable margins and over 300 new client wins, many from our competitors. Our improved operating efficiency and strong cash flow conversion allowed us to fund our strategic initiatives and pay down debt in parallel.

[1] Underlying EBITDA adjusts for certain non-operating items and is pre AASB 16.
[2] NPATA is net profit after tax before the amortisation of acquired intangibles.
[3] Includes $8.7m in non-cash costs and $2.1m in cash costs.

"Although COVID-19 disrupted the operations of many of our clients in H2 FY20, the essential nature of our products and services, and rapid reaction to the crisis resulted in a limited impact on earnings and our financial position remains strong. Our clients continue to turn to us for support in understanding the implications of the pandemic on their organisations and these relationships have been strengthened by their reliance on our COVID-19 Hub and other managed services.

"We also made good progress on our strategic plan as we continued to drive efficiencies across the business, including the automation of press and broadcast workflows which increased the speed of content delivery and reduced costs. Our commitment to world-class product innovation continued as our development teams released numerous new features and functions that improved business outcomes and enhanced the customer experience. Looking ahead, the exit from North Asia will free up capital and management attention that we can now use to drive regional scale across ANZ and South East Asia."

Strategy Update

Isentia continued to deliver against its three-year strategy which was launched in February 2019. In FY20, the company's ongoing investment in product development provided a pipeline of new and differentiated features such as a new analytics dashboard, enhancements to Live Alerts, next generation broadcast and automated translations. Isentia further improved the usability and functionality of its mobile app.

Isentia also realised operational efficiencies including the further consolidation of its platforms and systems to simplify its technology footprint, and machine learning was used to automate workflows and remove cost. South East Asia remained a priority and Isentia continued to leverage its core products, technology and infrastructure across these markets. The company's strengths in the region included its deep expertise in social media analytics, cross-regional partnerships, unique data sets and multi-language tech capabilities.

ANZ results

In FY20, ANZ revenue was $76.4m. Despite a highly competitive market, our sales team continued to attract new customers and win back clients from other providers. Increased demand for COVID-19 specific insights products resulted in 6% growth in 2H FY20 VAS revenue compared to the first half. ANZ total costs reduced by $7.4m which represented a 14% reduction on the prior year. The ANZ Contribution (pre AASB 16) of $30.6m was 11% lower on pcp but the contribution margin was stable at 40% (FY19: 39%).

Asia results

In FY20, Asia revenue was $33.9m with mid-single digit revenue growth in South East Asia offset by underperformance in North Asia, which was impacted by an ongoing decline in print media in China and unrest in Hong Kong. The Asian cost base was reduced by 8.5% due to the implementation of efficiency programs. Asia Contribution (pre AASB 16) of $4.8m was 60.2% higher on pcp and the contribution margin increased to 14% (FY19: 9%). In South East Asia, revenue growth and efficiency programs resulted in a 52.5% increase in South East Asia contribution.

On 30 June 2020, Isentia announced the closure of its North Asia operations which remained loss-making and cash flow negative. Given the size of the market and unique data sets, significant capital investment would have been required to drive future growth. Net closure costs of $10.8m were booked in FY20; of which $2.1m is for cash items. Isentia will now focus on building regional scale across ANZ and South East Asia where there is significant alignment in terms of customer needs, data sets and our existing capabilities.

Balance sheet and cash flow

Operating cash conversion remained strong and management of the cash envelope remained a key priority. Operating cash flow of $16.2m reflected lower revenue, an increase in taxation and timing benefits in H2 FY19. Net debt was reduced by $3.7m to $24.6m at 30 June 2020. Isentia is in a strong financial position with sufficient headroom on its debt facility.

FY21 Outlook

The economic uncertainty created by COVID-19 and the Copyright Tribunal proceedings has limited earnings visibility for FY21. As a result, Isentia will not provide FY21 financial guidance.

Despite the economic uncertainty, we expect both the media intelligence sector and Isentia's subscription model to remain resilient, allowing continued focus on the strategic plan and ongoing investment in new products and technology.

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 AEDT today (24 August 2020)**.

To listen to the webcast please visit:

https://webcast.boardroom.media/isentia-group-limited/20200824/NaN5f2771d1d736d200197e3bca

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

For more information:

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The release of this announcement was authorised by the Board.

About Isentia

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