



FOR IMMEDIATE RELEASE

22 February 2017

Isentia reports FY17 H1 financial results and provides Trading Update

Isentia Group Limited (ASX:ISD) today reported its financial results for the six months to December 2016.

Highlights of the FY17 H1 result

- Revenue of \$79.6 million, an increase of 5% YoY
- EBITDA of \$20.5 million down 13% YoY
- Content Marketing EBITDA loss of \$2 million as previously disclosed
- Reported NPATA of \$22.7 million included non-recurring items of \$10.3 million
- Underlying NPATA of \$12.4 million down 17% YoY
- ANZ Value-Added Services (VAS) revenue growth of 15% YoY
- ANZ fixed fee increase to 83% of total ANZ SaaS revenue
- Asia SaaS/VAS revenue growth of 15% YoY (20% on constant currency basis) with margins increasing to 24% from 22%
- Operating cash flow of \$21.4 million reflecting cash flow conversion of 104%
- Interim dividend of 3.1 cents per share (100% franked), a 50% payout of underlying NPATA.

A\$ millions unless otherwise stated	FY17 H1	FY16 H1	Variance \$m	Variance %
Revenue	79.6	75.8	3.8	5%
EBITDA	20.5	23.5	(2.9)	(13%)
Reported NPATA	22.7	13.1	9.1	73%
Underlying NPATA*	12.4	14.9	(2.5)	(17%)
Earnings per share (cents)	6.2	7.4	(1.2)	(17%)
Dividend per share (cents)	3.1	3.7	(0.6)	(17%)

*excludes non-recurring items

Managing Director and CEO John Croll said “Our SaaS and VAS businesses in ANZ and Asia delivered pleasing revenue growth of 7%. In ANZ, VAS growth was strong, increasing 15% supported by higher demand for our Insights products.

“The marginal decline in ANZ SaaS/VAS EBITDA in the first half reflected a more challenging than expected environment for SaaS revenue in November and December and the increase in copyright fees.

“Our Asia SaaS/VAS business delivered strong revenue growth in the first half despite the negative impact from currency. We have achieved significant contract wins including a large

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increase in a key government contract. The strong performance supported an increase in the EBITDA margin from 22% to 24%.

“As previously disclosed, Content Marketing’s performance was disappointing and the 11% revenue decline resulted in an EBITDA loss of \$2 million for FY17 H1. We have made a number of improvements to the content marketing business including appointing Matt Stanton as the new CEO. However our previous guidance for EBITDA breakeven for FY17 will not be achieved.

“In finalising the first half result, we have reviewed the full FY17 outlook and now expect the ANZ and Asia SaaS/VAS business to deliver mid to high single digit revenue growth and low single digit range EBITDA growth. We expect a full year FY17 EBITDA loss in Content Marketing. While I am disappointed in the result, importantly we have a number of initiatives underway to improve execution and grow the business.”

SaaS/VAS - Australia/New Zealand

Revenue growth of 5% was underpinned by 15% growth in VAS which benefited from the strong performance of Insights. Growing demand for our daily reports and Facebook Topic data saw Insights penetration increase from 9.3% to 11.6% year on year.

SaaS revenue growth of 3% reflected the FY16 price increase inclusive of higher copyright fees. Fixed price contracts now comprise 83% of SaaS revenue.

ARPC of \$34,397 increased 5% year on year and reflects a 3-year CAGR growth rate of 11%. Client churn was 6% of client numbers and 2% of client revenue with impact in November and December. EBITDA was \$23.7 million which was 1% below last year.

SaaS/VAS - Asia

In Asia SaaS/VAS revenue increased 15% and 20% on a constant currency basis. The strong underlying growth reflected net client churn maintained at 6% with an increase in the number of VAS clients to 419 from 381. Our successful market entry into Korea saw profitability achieved in Q2 with a promising pipeline of new clients. Average Revenue Per Client increased 13% year on year to \$17,141 and reflects a 3 year CAGR growth of 14%. VAS Average Revenue Per Client increased 8% to \$35,500 reflecting an increase in multi-regional clients. EBITDA of \$3.9 million increased 24% year on year and 29% on a constant currency basis, lifting the margin to 24%.

Content Marketing

Revenue from Content Marketing of \$7.4 million declined 11% YoY reflecting the loss of a number of clients. The EBITDA loss of \$2 million was as previously disclosed to the market. Matthew Stanton commenced as CEO of King Content on 7 February 2017. While the implementation of a new organisational structure and integration of the Content Marketing sales team with Isentia has seen the sales pipeline of the business developed in all markets, lead times to conversion are longer than anticipated.



Balance Sheet

Isentia's balance sheet is strong with net debt of \$56.4 million at December 2016. Gearing is low with a current leverage ratio of 1.17x comfortably within our loan covenant of 3.25x. This provides optionality to continue to fund the growth of the business.

Outlook for FY17

- ANZ and Asia SaaS/VAS (including head office)
 - Revenue growth in mid to high single digit range
 - EBITDA growth low single digit range supported by:
 - Continued strong growth in Asia
 - Operational efficiencies in ANZ in FY17 H2
 - FY17 H2 EBITDA to be double digit growth versus FY17 H1.
- Content marketing
 - FY17 EBITDA loss of \$3 million

For more information:

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Conference call

John Croll, Chief Executive Officer, and Nimesh Shah, Chief Financial Officer, will host a conference call today at 8.30am (AEDT).

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** and quote conference ID **885449**. (NB – media are welcome to listen to the presentation, however the limited question time we have available is for investors and analysts).

About Isentia

Isentia (ASX:ISD) is APAC's leading integrated Media Intelligence, Insights and Content Marketing business. Through both innovative, market leading SaaS as well as strategic advice and direction, Isentia works with over 5,000 clients across 15 countries providing data, analysis, content and consulting services around the clock. To find out more about how we inform better decisions, please visit www.isentia.com.

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