H1 FY20 Results

24 February 2020

isentia

Agenda

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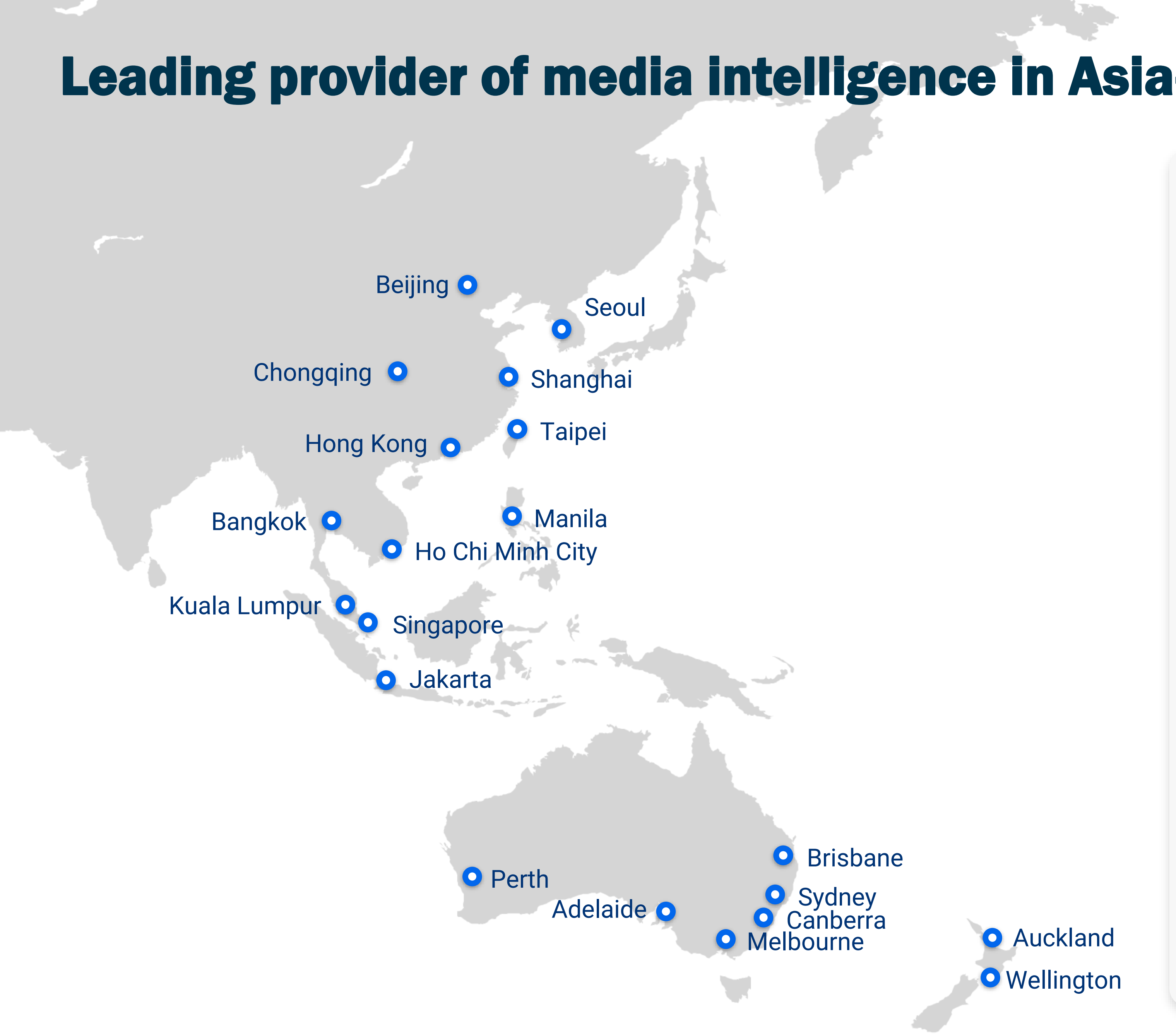
H1 FY20 Overview

Ed Harrison, CEO

Leading provider of media intelligence in Asia-Pacific



H1 FY20 Revenue by Region

ASIA	ANZ
30%	70%

11
Markets

18
Languages

3,263
Subscription customers[1]

90%
Recurring revenue[2]

1. Average subscription customers over 6 months to 31 Dec 2019.
2. Percentage of H1 FY20 revenue that is recurring (subscription & VAS revenue). Social Insights recurring revenue in Asia included from H1 FY20.

Isentia well positioned with unique strengths

	ANZ	Asia
Market trends	Increasing demand for: • greater speed & functionality • powerful on-platform analytics & insights • self-serve options supplemented with human expertise	Increasing demand for: • social media monitoring due to rapid growth of social platforms • cross-regional partners driven by growing multi-nationals • complex media intelligence solutions as local PR & Comms departments grow in sophistication
Leadership	• Most extensive suite of media intelligence products & services • High quality client base including government, leading corporates • Globally awarded insights capability	• Deep expertise in social media analytics • Close partnerships with local and multi-national clients • Unique data sources & multi-language tech capabilities

H1 FY20 Financial Overview

Revenue
$56.5M
$5.7m lower on pcp

Cost base reduced by $5.2m or
10%
Transformation programs provide a variable cost base

Underlying EBITDA[1]
$10.5M
$0.5m lower on pcp

Underlying EBITDA margin
18.5%
Up from 17.7% in pcp

NPATA of
$3.6M
AASB16 neutral impact on NPATA

Net debt
$31.4M
Reduced by $9.7m vs 31 Dec 2018

[1] Underlying EBITDA adjusts for certain non-operating items and is pre AASB 16. Underlying EBITDA post AASB16 was $12.4m

H1 FY20 Operational Overview

Varied market performance

Period of increased competition in ANZ

Double digit growth in SE Asia

North Asia impacted by unrest in Hong Kong, structural decline in Chinese print media

Delivered on strategy

Product transformation begins to solidify leadership position

Over 50 ANZ clients returned from competitors

Completion of numerous automation & other efficiency programs

Restructured cost base

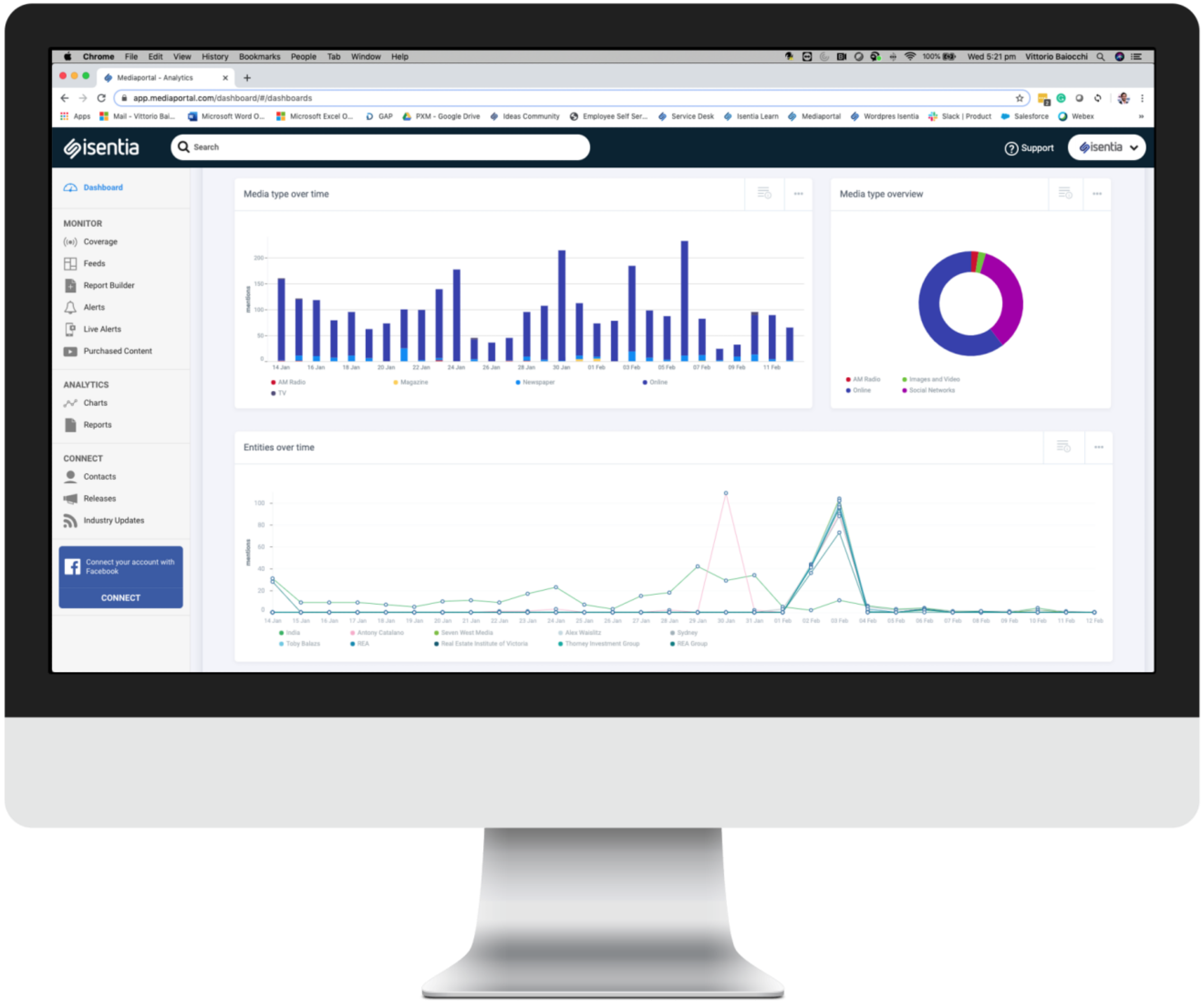
Variabilisation of cost base to preserve future profitability

Cost base reduced by 10%

We have delivered on our commitments in H1 FY20

	H2 FY19 → RESET THE BASE	FY20 → TRANSFORM	FY21/22 GROW
Establish an efficient operating model underpinned by single platform	• Tech solution for single platform fully architected • ANZ Press automation • New workflow for ANZ Daily Briefings • Relocate ANZ administration roles	• Number of platforms/ systems substantially reduced • English-language broadcast automation • ANZ production workflow automation complete	• Single platform and best-practice systems in place • Continue to seek opportunities for further automation
Deliver world-class, market-centric product innovation	• New product innovation culture designed and implemented • Launch new mobile app • Launch new mobile-responsive Daily Briefings	• Launch updated Insights product suite • Launch new self-serve features • Launch other new market-validated products and features	• Continued innovation and product releases to address the changing market • Explore options to grow through partnership
Create regional scale to strengthen Asia Pacific leadership	• Increase product development team in SE Asia • Develop multinational offering and sales structure • Refocus China on Insights	• Build enhanced Asia-led social analytics in Mediaportal to benefit Asia and ANZ • Implement shared service model	• Complete client migration to single platform • Continue to launch new Asia-focused products • Explore options to scale China profitably

Mediaportal is APAC's most widely used media intelligence platform



Investment in Mediaportal is delivering:

- increased number of data sources
- broader analytics tools
- greater customer engagement and platform utilisation

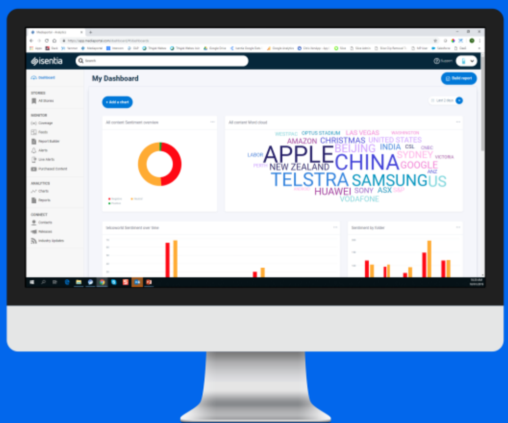
>36k Mediaportal Users

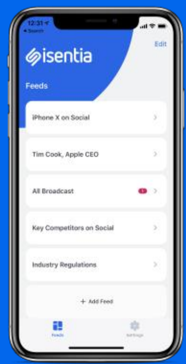
>6m Data sources

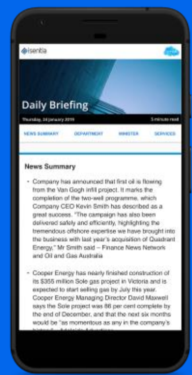
Isentia offers most extensive suite of products and services

Empowering our customers to make great decisions

- Unique provider of software plus managed services
- Fast and powerful proprietary SaaS platform utilising machine learning
- Leading provider of embedded analytics and multilingual capabilities
- Unmatched data set in terms of size and diversity of content
- Access to expert advice and support in event of crisis
- Proprietary search algorithms deliver accurate and relevant content

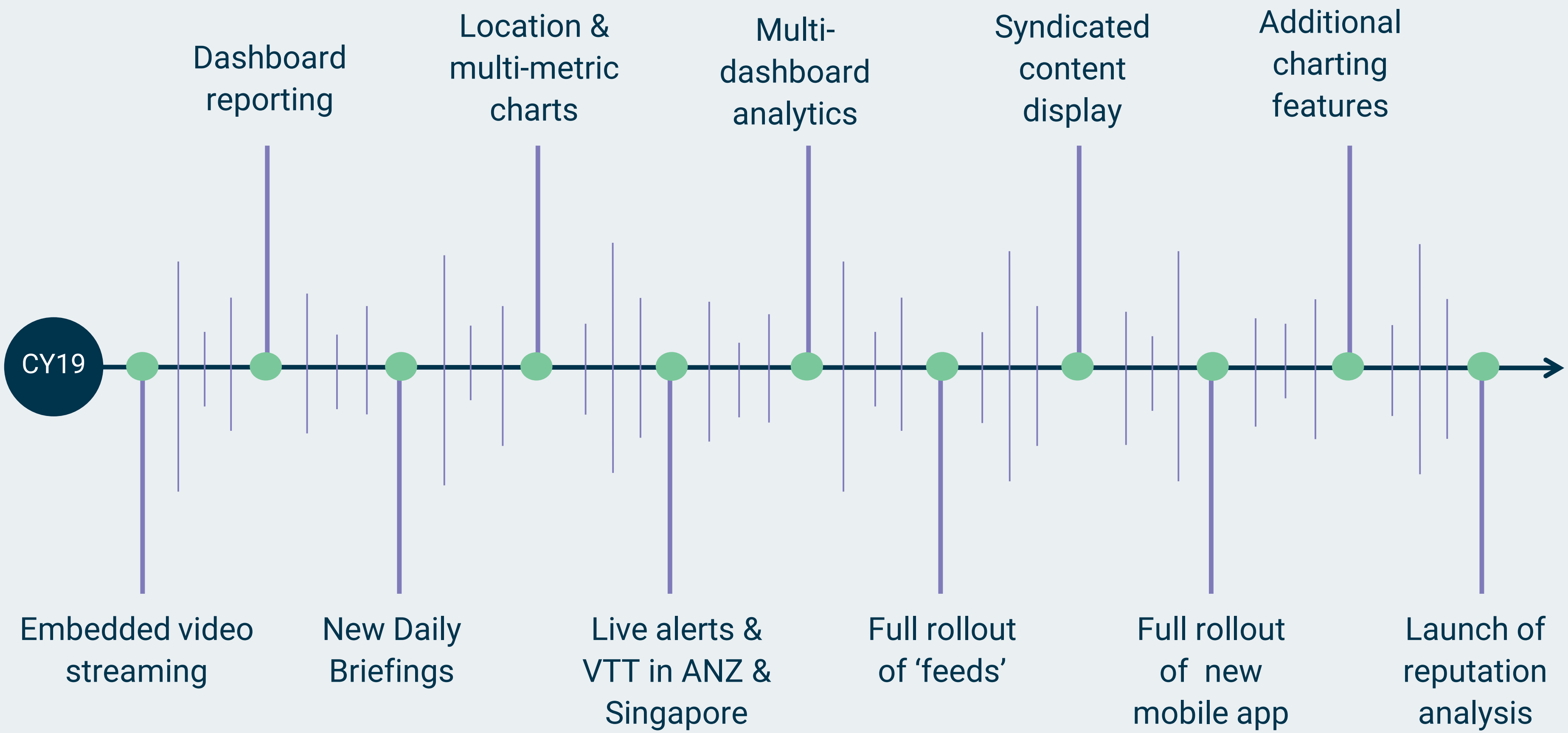




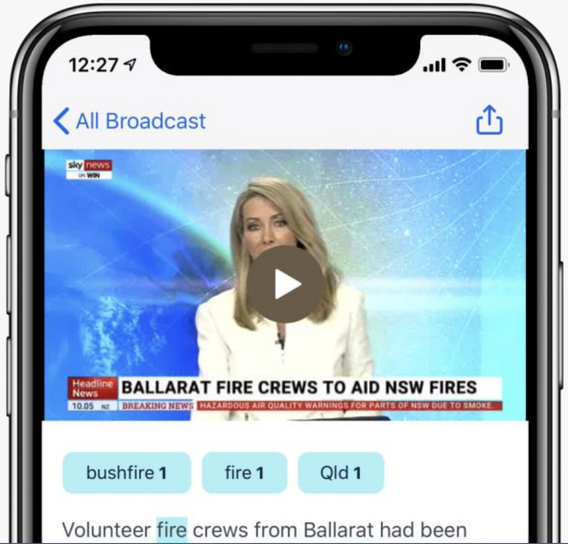


We are delivering more market-centric features ...

Ongoing enhancement of Mediaportal platform



... and world-class product



New Mobile App

- Notification for new media items across social & traditional media
- Sharing of media items using native tools including SMS, email & WhatsApp
- Continuous development throughout 2020

Reputation Analysis

- Entirely new approach to reputation management
- Reporting methodology combines social & survey data
- Allows organisations to understand what stakeholders think, feel and say about them

Investing in technology to improve client experience

Transforming our tech

Best-in-class engineering practices

Latest generation programming languages

Leading-edge cloud architectures

Integrating third party SaaS providers into tech stack

Increased use of AI & machine learning

Business Outcomes

- Scalable and reliable tech stack
- Reduced costs across data pipelines
- Faster product development

Client Outcomes

- Faster delivery of content
- Improved relevance
- Continuous release of new products and features

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Financial Performance

Peter McClelland, CFO

H1 FY20 Financial Results Summary [1]

Focus on stabilising and setting the base for profitable growth

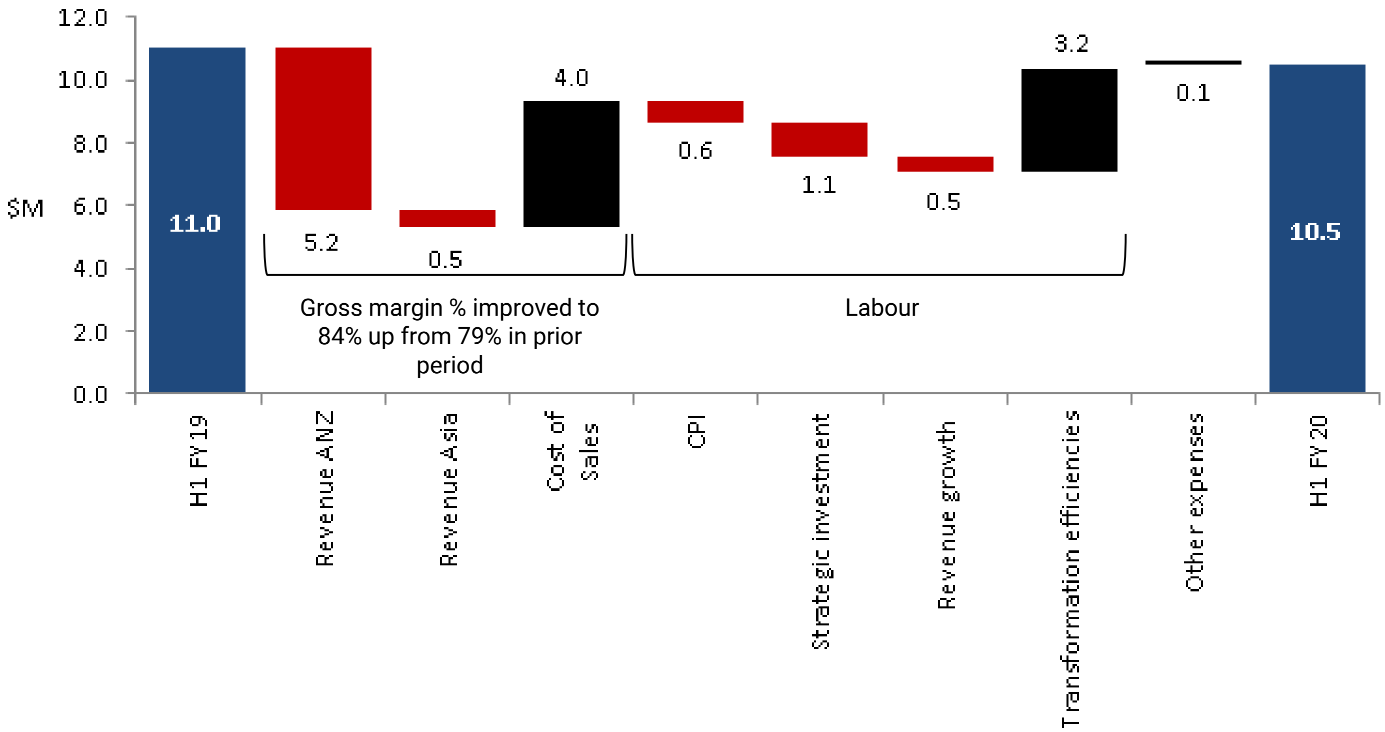
Overview		H1		
$M	FY20	FY19	VARIANCE	VARIANCE %
Revenue	**56.5**	**62.2**	**(5.7)**	**(9.1%)**
ANZ	39.5	44.7	(5.2)	(11.6%)
ASIA	17.0	17.5	(0.5)	(2.8%)
Cost of Sales	**9.0**	**13.0**	**4.0**	**30.6%**
Operating Expenses	**37.0**	**38.2**	**1.2**	**3.1%**
Underlying EBITDA pre AASB 16[1]	**10.5**	**11.0**	**(0.5)**	**(4.5%)**
Underlying EBITDA Margin	*18.5%*	*17.7%*		
Underlying EBITDA incl AASB 16	**12.4**	**11.0**	**1.4**	**12.7%**
Subscription Customers	**FY20**	**FY19**		
Average Monthly Customers	3263	3390		

- Revenue trends consistent with prior period.
- Transformation programs continue to deliver greater variability and overall reductions in cost structure. Total costs reduced by $5.2m or 10%.
- Underlying EBITDA margin pre AASB16 improved to 18.5%
- Implementation of AASB 16 Leases increased underlying EBITDA by $1.9m. NPAT impact is neutral.

[1] Underlying EBITDA reflects adjustments for certain non-operating items.

Underlying EBITDA pre AASB16[1]

Cost transformation programs deliver a variable cost base to protect profit margins



H1 revenue below pcp with continued double digit growth in South East Asia offset by competitive landscape in Australia and declines in North Asia

Transformation programs have delivered:

- Greater variability to cost structures
- Total year on year cost reduction

Allowing absorption of:

- Inflation
- Strategic investment in Product & Tech and Business Development
- Cost increases in South East Asia in line with revenue

[1] Underlying EBITDA reflects adjustments for certain non operating items.

H1 FY20 ANZ Results Summary

ANZ market challenging but transformation programs stabilise profitability

ANZ	H1			
$M	**FY20**	**FY19**	**VARIANCE**	**VARIANCE %**
Revenue				
SaaS - Media Intelligence	31.0	35.8	(4.8)	(13.4%)
VAS	8.5	8.9	(0.4)	(4.5%)
Total SaaS/Vas	**39.5**	**44.7**	**(5.2)**	**(11.7%)**
ANZ Contribution pre AASB 16	**16.2**	**15.8**	**0.4**	**2.5%**
Contribution Margin	41%	35%		
ANZ Contribution incl AASB 16	**16.3**	**15.8**	**0.5**	**3.1%**

ANZ revenue has seen continued growth in new revenue offset by competitive pressures driving net client losses and price compression

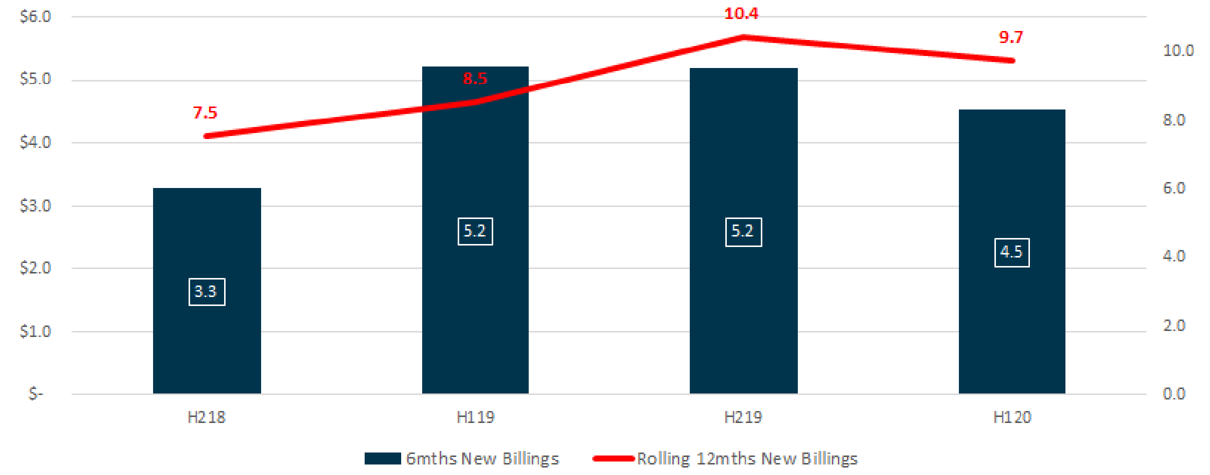
Cost transformation programs preserve profitability and deliver $5.6m or c.20% lower cost base:

- Variable copyright structure contributing along with other cost of sales initiatives
- Labour efficiency programs

ANZ Contribution is the profit before the allocation of Head Office costs.

ANZ Focus On Client Acquisition And Retention

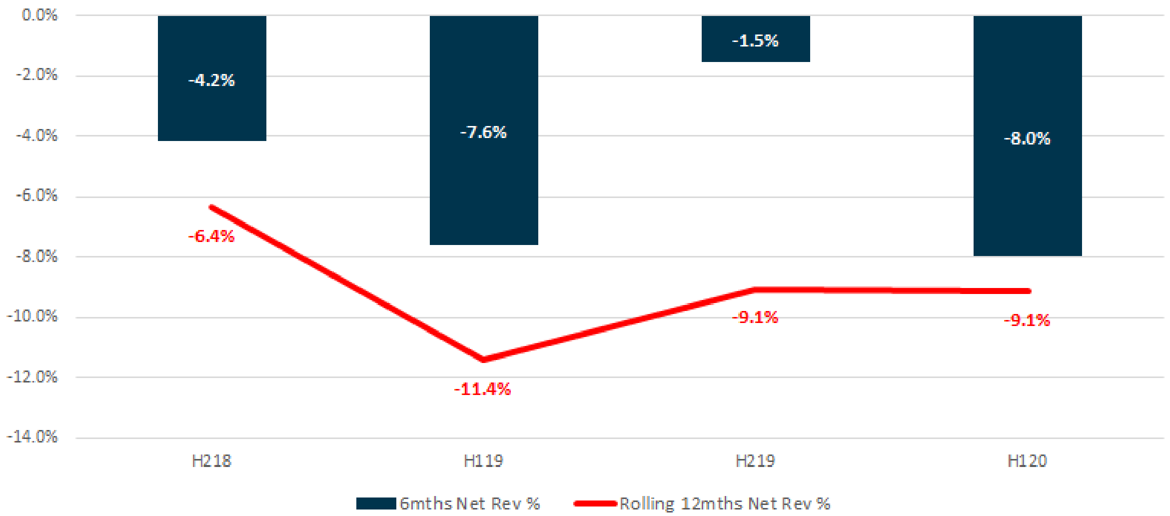
ANZ Annualised New Billings $m



New sales:

- Strong new revenue and win back performance continues
- Annualised new revenue of $9-10m

ANZ Net Win/Loss of Subscription Billing[1]



Net Win / Loss:

- Seasonality and timing of contract renewals impact on H1 with the loss of a few larger clients impacting on results
- Rolling 12 month net losses steady at 9.1%

[1] Net change in the subscription billing run rate over the period due to client wins and losses.

H1 FY20 Asia Results Summary

Double digit revenue growth in South East Asia, North Asia underperforming

ASIA	H1			
$M	**FY20**	**FY19**	**VARIANCE**	**VARIANCE %**
Revenue				
SaaS - Media Intelligence	8.3	8.0	0.3	3.8%
VAS	8.7	9.5	(0.8)	(8.4%)
Total SaaS/Vas	**17.0**	**17.5**	**(0.5)**	**(2.8%)**
ASIA Contribution pre AASB 16	**2.1**	**1.9**	**0.2**	**10.5%**
Contribution Margin	12%	11%		
ASIA Contribution incl AASB 16	**3.1**	**1.9**	**1.1**	**58.7%**

Double digit client growth in Asia

- Double digit revenue growth in South East Asia
- North Asia impacted by demonstrations in Hong Kong and a decline in traditional media in China

Total Asia cost reduction of $0.7m or 4.5%

- Cost actions continue to right size in North Asia
- Investment in resources in South East Asia in line with revenue growth
- Process efficiency programs launched across Asia

Asia Contribution is the profit before the allocation of Head Office costs.

Group Operating Expenses[1]

Cost transformation programs providing a variable cost base and year on year savings

Total Expenses		H1		
$M	FY20	FY19	VARIANCE	VARIANCE %
Employee expenses	28.6	29.6	1.0	3.4%
Cost of Sales	9.0	13.0	4.0	30.6%
Occupancy	2.7	2.6	(0.1)	(3.8%)
Software and support	1.9	1.9	0.0	0.0%
Communication & Marketing	1.2	1.4	0.2	14.3%
Other operating expenses	2.6	2.6	0.0	0.0%
Total expenses	**46.0**	**51.2**	**5.2**	**10.1%**
Full-time Equivalent (FTEs)	*1162*	*1198*	*36*	*3.0%*

[1] Excludes AASB 16

Cost transformation programs deliver greater variability into business operating model.

Total expenses (pre AASB16) reduced by $5.2m or 10%

- Net labour savings in ANZ and North Asia
- Investment in labour in Product, Tech and Business Development in line with strategy
- Management of labour cost inflation pressures
- Cost of sales savings through variability added to Australia copyright and Asia production costs

FY20 costs shown pre impact of AASB16 for comparative purposes. AASB16 would decrease occupancy by $1.9m and total expenses reduce to $44.1m

Cash Flow

Operating cash conversion remains strong

Cash Flows			Comparable financial information	
$M	H1 FY20 Per HY report	AASB 16 adjustment	H1 FY20	H1 FY19
Cash flows from operating activities				
Receipts from customers (inclusive of GST)	63.6		63.6	69.2
Payments to suppliers and employees (inclusive of GST)	(56.1)	1.9	(58.0)	(58.4)
Net Interest	(1.3)	(0.2)	(1.1)	(1.2)
Income taxes paid	(2.2)		(2.2)	(1.5)
Net cash from operating activities	**3.9**	**1.7**	**2.2**	**8.1**
Cash flows from investing activities				
Payments to vendors for prior year assets acquisition	-		-	(2.4)
Payments for property, plant and equipment	(0.6)		(0.6)	(0.7)
Payments for intangibles	(4.5)		(4.5)	(3.0)
Proceeds from release of security deposits	0.1		0.1	0.0
Net cash used in investing activities	**(5.0)**	-	**(5.0)**	**(6.0)**
Cash flows from financing activities				
Proceeds from borrowings	5.0		5.0	-
Repayment of borrowings	(5.8)		(5.8)	(4.0)
Repayments of leases	(2.0)	(1.7)	(0.3)	(0.2)
Net cash from/(used in) financing activities	**(2.7)**	**(1.7)**	**(1.0)**	**(4.2)**
Net increase in cash and cash equivalents	**(3.8)**	-	**(3.8)**	**(2.0)**
Cash and cash equivalents at the beginning of the financial period	14.7		14.7	11.9
Cash and cash equivalents at the end of the financial period	10.9		10.9	9.9

- Cash conversion remains strong. The reversal of prior period timing benefits impacted H1.
  - Adjusting for these - comparable net cash from operations increases to $7.7m
- No dividends paid or declared during the period
- AASB16 reclassification between operating activities and financing activities.

Debt Facility

Facility Renewed

Term Debt $M	Available	Debt Drawdown	Guarantees Drawn	Undrawn
Facility A1	34.3	34.3	0.0	0.0
Facility A2	11.0	8.0	0.0	3.0
Facility B	3.0	0.0	0.4	2.6
Total debt	**48.3**	**42.3**	**0.4**	**5.6**
Cash and cash equivalents and prepayments		10.9		
Net debt		**31.4**		

RATIOS[1]	BANK COVENANT	ACTUAL	EBITDA HEADROOM
Leverage Ratio	< 2.75x	1.48x	51%
Debt Service Cover Ratio	> 1.25x	2.45x	26%

[1] Ratios and headroom on 12 month rolling basis

- In December 2019, facility was extended to 31 July 2021.
- Net debt of $31.4m, down $9.7m on 31 Dec 2018.
- Covenant headroom on debt facility exists.

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FY20 Outlook

Ed Harrison, CEO

COVID-19 Outbreak

- Isentia is assessing the impact of the COVID-19 outbreak on its Asian operations including on the demand for media intelligence in the region, sales pipeline and ability of our staff to deliver products and managed services.

- At this stage, the outbreak has not had a material impact on the business, but the situation is being monitored closely and Isentia will update the market should this change.

FY20 Outlook

Reaffirm FY20 Guidance

Expect revenue decline to be similar to FY19

Significant operating and capital investments in building new products and technology

FY20 EBITDA guidance of $20M – $23M

Excluding the impact of AASB16 lease accounting standard

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Q&A

Ed Harrison, CEO
Peter McClelland, CFO

A

Appendix

AASB16 *Leases*

Adopted AASB16 Leases on 1 July 2019 which has resulted in the recognition of right-of-use assets and corresponding lease liabilities. Straight-line operating expense recognition in EBITDA is replaced with a depreciation charge for the right-of-use assets and an interest expense on the recognised lease liabilities.

Overview

- Predominantly relates to office leases

Balance Sheet

- Initial recognition of right-of-use assets $10.1m and corresponding lease liability
- Finance lease capitalised previously under AASB117 with net carrying value of $1.2m now presented under right-of-use assets
- DTA and DTL recognised as a result of AASB16 adoption

Profit & Loss

- The adoption of AASB16 has resulted in a H1 increase underlying EBITDA by $1.9m
- This is offset by an increase in depreciation of $1.8m and net finance costs of $0.2m

Cashflow

- No impact on net cashflows
- Increase in reported operating cashflows offset by higher financing cashflows

Disclosure

- H1 2020 Profit & Loss, stated on a same basis as the prior year
- H1 2019 comparatives are not restated
- H1 2020 EBITDA and contribution shown pre and post AASB16 impact

Group Financial Results

Isentia Group

GROUP	H1			
$M	FY20	FY19	VARIANCE $M	VARIANCE %
ANZ	**39.5**	**44.7**	**(5.2)**	**(12%)**
SaaS - Media Intelligence	31.0	35.8	(4.8)	(13%)
VAS	8.5	8.9	(0.4)	(5%)
Content Marketing	-	-	-	-
Asia	**17.0**	**17.5**	**(0.5)**	**(3%)**
SaaS - Media Intelligence	8.3	8.0	0.3	4%
VAS	8.7	9.5	(0.8)	(8%)
Content Marketing	-	-	-	-
Revenue	**56.5**	**62.2**	**(5.7)**	**(9%)**
Copyright, consumables and other direct purchases	(11.8)	(16.0)	4.2	(26%)
Employee costs	(28.6)	(29.6)	1.0	(3%)
Other operating expenses	(5.6)	(5.6)	0.0	(0%)
Expenses	**(46.0)**	**(51.2)**	**5.2**	**(10%)**
Underlying EBITDA pre AASB 16	**10.5**	**11.0**	**(0.5)**	**(5%)**
AASB16 Adjustment	**1.9**	-	-	-
Underlying EBITDA after AASB 16 Adjustment	**12.4**	-	-	-
EBITDA margin	*18%*	*18%*	0.0	5%
Non-operating items	(0.5)	(1.5)	1.0	(64%)
Impairment of assets	-	(22.3)	22.3	(100%)
Loss on disposal of assets	(0.1)	(0.0)	(0.0)	121%
EBITDA	**11.9**	**(12.8)**	**24.7**	**(193%)**
Depreciation and amortisation	(5.2)	(3.7)	(1.5)	40%
Amortisation of acquired intangibles	(3.8)	(4.1)	0.3	(7%)
Finance costs	(1.2)	(1.2)	(0.0)	1%
Profit/(loss) before tax	**1.7**	**(21.8)**	**23.6**	**(108%)**
Tax	(1.0)	(0.3)	(0.6)	203%
NPAT	**0.7**	**(22.1)**	**22.7**	**(103%)**
add back: Amortisation of acquired intangibles after tax	3.0	3.2	(0.2)	(6%)
NPATA	**3.6**	**(19.0)**	**22.5**	**(119%)**
add back: Impairment of assets	-	21.6	(21.6)	(100%)
add: Extraordinary items (net of tax)	0.4	1.2	(0.8)	(69%)
Underlying NPATA	**4.0**	**3.8**	**0.2**	**5%**
Underlying Earnings per share (cents)	*2.0*	*1.9*	0.1	5%

- Underlying EBITDA excludes non- operating items.
- Depreciation and amortisation increased due to adoption of AASB16.

Summary Balance Sheet

$M	December 2019	June 2019
Current assets		
Cash and cash equivalents	10.9	14.7
Trade and other receivables	18.2	20.6
Income Tax Refund Due	0.1	0.1
Prepayments	2.1	1.5
Total current assets	**31.2**	**36.9**
Non-current assets		
Property, plant and equipment	3.1	3.8
Right-of-use assets	10.5	-
Intangibles	95.1	97.3
Deferred Tax Assets	6.0	3.5
Total non-current assets	**114.7**	**104.7**
Total Assets	**145.9**	**141.6**
Current Liabilities		
Trade and other payables	12.8	17.8
Contract liabilities	5.0	5.2
Borrowings	2.8	3.8
Lease liabilities	4.0	0.6
Contingent consideration	-	0.7
Current Tax Liabilities	0.4	1.6
Provisions	4.1	5.4
Total current liabilities	**29.1**	**35.1**
Non-current liabilities		
Borrowings	39.1	39.2
Lease liabilities	6.9	0.6
Derivative financial instruments	0.2	0.3
Contingent consideration	1.3	0.6
Deferred Tax Liabilities	9.7	7.1
Provisions	0.3	0.6
Total non-current liabilities	**57.4**	**48.4**
Total Liabilities	**86.5**	**83.3**
Total equity	**59.4**	**58.2**

- Decrease in trade receivables in line with underlying revenue performance; continued focus on collections.
- Recognition of right-of-use assets and corresponding lease liability under AASB16.
- DTA and DTL increased due to the adoption of AASB16.
- Decrease in trade payables due to reversal of timing benefits in payments from prior period.
- Contingent consideration treated as non current.

Cash Flow – Cash Envelope

Operating cash conversion remains strong

Cash Flows			Comparable financial information	
$M	H1 FY20 Per HY report	AASB 16 adjustment	H1 FY20	H1 FY19
Underlying EBITDA	12.5	1.9	10.6	11.0
(Increase) / decrease in net working capital	(4.5)		(4.5)	1.3
Net cash from operating activities	**8.0**	**1.9**	**6.1**	**12.3**
Operating cash flow conversion %	*63.9%*		*57.3%*	*111.6%*
Payments for property, plant and equipment	(0.6)		(0.6)	(0.7)
Payments for intangibles	(4.5)		(4.5)	(3.0)
Proceeds from release of security deposits	0.1		0.1	0.0
Net cash used in investing activities	**(5.0)**	-	**(5.0)**	**(3.6)**
Net finance costs paid	(1.3)	(0.2)	(1.1)	(1.2)
Tax paid	(2.2)		(2.2)	(1.5)
Payments to vendors for prior year assets acquisition	-		-	(2.4)
Proceeds from borrowings	5.0		5.0	-
Repayment of borrowings	(5.8)		(5.8)	(4.0)
Repayments of leases	(2.0)	(1.7)	(0.3)	(0.2)
Other one-off items including restructuring costs	(0.5)		(0.5)	(1.5)
Net cash from/(used in) financing activities	**(6.8)**	**(1.9)**	**(4.9)**	**(10.7)**
Net cash flow	**(3.8)**	-	**(3.8)**	**(2.0)**
Cash and cash equivalents at the beginning of the financial period	14.7		14.7	11.9
Cash and cash equivalents at the end of the financial period	10.9		10.9	9.9
Gross drawn debt	**42.3**		**42.3**	**51.0**
Net debt	**31.4**		**31.4**	**41.1**

- The cash flow includes the reclassification between operating activities and financing activities under AASB 16. The comparable financial information excludes these adjustments.
- The increase in net working capital in H1 FY20 includes a reversal of prior period timing benefits. If this was adjusted, operating cash flow conversion would increase to 99.0%.
- In H1 FY20 further resources invested to develop a single technology platform, resulting in higher payments for intangibles.
- Management of the cash envelope is a key focus. In H1 FY20, net debt reduced by $9.8M from Dec 2018 to $31.4M.

Thank you

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