



ASX ANNOUNCEMENT

20 October 2015

2015 Annual General Meeting

CEO address

Good morning ladies and gentlemen,

Firstly, thank you all for attending today. Before I provide you with an update on the previous financial year and talk about some of the work we have been doing across the Group, I would like to re-introduce our Operating businesses to you.

I am pleased to report on the progress the Group has made in the recently completed financial year.

We are now squarely in the “Reliable” phase of our strategic journey and while we didn’t achieve revenue growth to complement our improved Operating EBITDA and margin performance, we are satisfied that all efforts made to date are providing a very strong ongoing platform for the Group. Shareholders can be pleased to know that the Group is in much better overall shape with more settled, aligned and considered approaches being taken across all facets of the business. This is, in no small part, due to the longstanding efforts to increase our capabilities while at the same time reducing complexity, confusion and “noise in the system”.

Being a small, high-quality boutique group with an international footprint and strong brands continues to offer an advantage in the competitive sectors in which we operate. The high quality of our teams means that we can win tasks and deliver work that exceeds client expectations. While our nimble boutique approach means we can serve clients wherever they need us to be, often without requiring significant overhead to be active in a given market.

It cannot be forgotten that this is a people based business and while that brings with it certain challenges, our people are excellent at what they do, they are passionate about their work and are driven to win. Every day our teams are focussed on finding the right solution to drive excellent results for their client’s brands and businesses. Our staff care a lot and when you visit the businesses (as I often do) their passion really shines through.

We are pleased to report that year-on-year operating EBITDA was up 2% to \$9.2m, notwithstanding an 8% decline in year-on-year net revenue to \$110.3m. The Group has been particularly conscious of managing the cost base over the period of revenue decline and the resultant outcome was an improved margin of 8.3% in FY15, up from 7.5% in FY14.

There is still room to improve the overall margin further as the Group was impacted during the year by some specific underperforming business units. The staff cost ratio, while trending down over the course of the year, was 72%, which is higher than the benchmark rate set by the Group. Reducing this ratio to the target ratio of 65% remains an ongoing priority.

In the 2015 financial year completed, international markets delivered 60% of the Group’s operating EBITDA and this is in-line with our plans. The last two years has seen a steady shift towards the international markets becoming more significant to Group revenue and Operating EBITDA contribution.

As a boutique global Company the enhanced role played by offshore businesses puts us in a stronger position to leverage larger revenue opportunities in the UK, Europe and USA markets where most significant marketers are headquartered.

The weaker Australian dollar, particularly in the later part of the financial year, helped to drive increased reported results. The combined UK and European geography had a strong year with an 8.8% increase in Operating EBITDA year on year. There is a confidence in the economic outlook at the moment, particularly around the UK.

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The Australian operations of the Group experienced a 16.1% increase in Operating EBITDA despite the difficult trading conditions which saw revenue decline by 11.4%. This increase in Operating EBITDA is a result of more settled leadership in the various Australian operating units.

Our presence in the USA continues to require scale to deliver incremental revenue and Operating EBITDA growth. With only \$12.5m in Net Revenue and \$1.1m in Operating EBITDA achieved in FY2015 we will aggressively increase our focus on this market in the upcoming financial year. Our ultimate goal is to achieve a more even spread geographically between our three key hubs.

We have continued our drive towards maximising the space available in our Group properties with January 2015 seeing the completion of our first UK hub office, housing Hotwire, Naked Communications and The Leading Edge.

Hub offices in Australia and the USA have significantly increased the opportunities for collaboration between business units. Despite our small size, we have been very effective in servicing global clients in their respective markets through travel and increased use of technology. This has proven to be a more cost effective way to provide the on the ground presence one would expect of a global marketing services business without the capital risk associated with opening a local office in every location we have a revenue opportunity.

For example The Leading Edge conducted work in twenty countries over the last year operating from just its Sydney & London offices.

Shared services across finance, legal, information technology, human resources, learning & development and recruitment are now well established across our three key markets.

Our consistency in remuneration structures including incentive schemes is encouraging a more effective “owner operator” approach among key leaders running each business unit with greater accountability to performance metrics.

Our businesses continue to be at the forefront of client’s marketing needs and are more relevant than ever in our industry. We are a diverse Group with over 750 client relationships across our 11 businesses and exposure to many sectors including retailing, FMCG, media, telecommunications and health care. The largest client in the Group represents only 11% of total Group net revenue.

Hotwire was named the ‘World’s leading Tech PR agency’ in late 2014 by the Holmes Report. The business is extending its global reach and is increasing its presence in the USA market with the relocation of the Global Hotwire CEO to New York along with senior hires in San Francisco.

Frank PR continues to maintain a leading position in the UK consumer PR space with a network of regional office openings including Manchester and Glasgow.

The public relations service represents a sizable proportion of the Group’s revenue and Operating EBITDA and both Frank PR and Hotwire are world-class businesses with a proven track record of consistency, good margins and experienced leadership. The public relations sector is also less susceptible to changes in the economic outlook.

Our Australian based research and insights businesses The Leading Edge, The Digital Edge and Jigsaw Strategic Research all completed improved years and are benefiting from the focus on converting new business opportunities with new clients as well as unlocking valuable insights on consumer behaviour.

BMF continues to hold a highly admired creative reputation here in Australia and is well placed to lift new business conversion in the upcoming year.

Naked Communications has had a better year despite some leadership changes in both the Australian and USA markets in the second half of the year which required re-booting the respective offices. The UK office benefited greatly from the pan-European social media eBay win during the year and the combining of the UK and USA leadership teams will deliver a more consistent approach across the two markets.

Our Australian communications businesses Precinct Group and CPR had good years and are set up well to deliver growth.

OBMedia, based in the USA, consolidated its position as a powerful online ad network and is benefiting from the increased push globally to online ad spend.



We have invested a great deal in our hiring this year increasing our relative bench strength. With new business conversion being a key priority for the upcoming year we hired to bolster this capability. Our Enero New Business Director is predominantly Australian focused in her efforts at the moment however is adding value across all operating business units and we are seeing the desired results.

What is most pleasing is the number of internal promotions we have made during the year. A number of senior leaders in our operating business units stepped up to take on greater responsibility including Managing Director roles. This leap is only possible with a strong support team from within the business and from the Enero support office. Leadership and development of all our staff will remain a key priority for the next year.

Thank you to the Board for its continued support of our strategic goals. Our strategic decisions made over the past two years with Board support are beginning to pay off.

I am very proud of all the staff achievements over the course of the year. The professionalism shown in delivering solutions for our clients confirms that we have very talented staff across the broad areas of creative, strategy and technology.

As we seek to maintain reliable results to our shareholders, we can now look to invest back into our operating businesses, focusing on two key areas in the upcoming financial year –

- Building our profile and scale in the USA; and
- Improving our new business conversion across all of the businesses.

Based on our efforts in the second half of fiscal year 2015 in deploying senior, high quality resources to the USA market in both of our New York based businesses, we feel confident we have the right people for the job.

Our new business drive will be more targeted than ever before. All businesses now have the right tracking tools to outreach, network and follow through with prospective clients.

We will strive for further increases in our operating EBITDA margin by ensuring new business wins lead to incremental operating EBITDA and that our cost base is managed appropriately.

As always, we will continue to foster the collaborative spirit, leaning forward towards technology and always seeking to deliver outstanding work for our clients. This should lead to long term success and drive value for shareholders.

Thank you.

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