



**ASX ANNOUNCEMENT**

18 October 2016

## 2016 Annual General Meeting Chairman Address and Trading Update

### **2016 Annual General Meeting Chairman Address**

Good morning Ladies and Gentlemen,

I am your Chairman, John Porter, and I would like to welcome you all here today to the Annual General Meeting of Enero.

I have been advised that we have the necessary quorum of Shareholders present and I declare the meeting open.

I will now introduce my fellow directors:

- Chief Executive Officer Matthew Melhuish;
- Deputy Chairman Roger Amos;
- Non-executive Director Susan McIntosh; and
- Non-executive Director Russel Howcroft

Max Johnston is not attending the AGM today. Max has opted not to stand for re-election as a Director this year after five years of loyal service on the Board. I'd like to thank Max for his efforts after joining the Group in far different shape than we have today. His guidance and counsel is truly appreciated by the Board and the Executive team and we wish him well for his future endeavours.

Seated in the front row we have members of the Enero executive team:

- Company Secretary Brendan York;
- Group Strategy and Operations Director Stephen Watson; and
- Group Human Resources Director Katie McGrath.

Our external auditors KPMG are here today and are available to answer any shareholder questions on the audit of Enero Group's 2016 Financial Statements.

The notice convening this Meeting has been sent to all registered shareholders. If there is no objection, I will take the Notice of Meeting as read.

2016 proved to be a very impressive year from the Group with significant improvements in revenue and operating EBITDA along with double digit operating margins. This gives Enero a great foundation for growth and expansion in the coming years.



The Group reported a 44% increase in Operating EBITDA to \$13.2 million this financial year, off a 3% increase in revenue. Much of this has come down to intense efforts at new business conversion while appropriately managing the cost base.

Our 10 businesses, in 8 countries and 15 cities, have over 550 talented staff. We continue to have excellent capabilities across public relations, research and insight, strategy, creative ideation, data and production. In FY2016, 59% of revenue and 67% of EBITDA was generated in international markets. These markets, particularly the UK and USA continue to provide access to larger scale revenue opportunities. Being based in Belgium, I am frequently meeting UK leadership teams to hear about their progress.

Last year we noted key goals of expansion in the US and growth opportunities through investment in people ahead of the revenue curve. We have committed to numerous investment programs in teams which should provide longer term scale and rewards. To further strengthen our UK hub, we will invest in The Leading Edge in FY2017 resulting in additional costs for the coming year as we push our growth plans to build a bigger business. We expect to realise these investment returns in FY2018 and beyond.

In relation to our US expansion plans, we were very pleased to announce the acquisition of Eastwick Communications just a few short weeks ago. Matt will talk in further detail around the impact of this acquisition.

The Group has accumulated a healthy cash balance during this period of capital restrictions. While these restrictions lapse within the next two years following the expiration of the deferred consideration liabilities, the Board is actively identifying strategic opportunities for acquisitions and investments in our current businesses. We hope to make some more definitive progress this coming financial year in addition to what we have already completed.

The Enero share price has steadily risen over the past twelve months with our improved results which is an endorsement from our shareholders that we are delivering appropriate returns. This group of businesses remain a strong portfolio of assets and many of our businesses have the highest reputation in their respective markets.

We have earlier today provided a first quarter FY2017 trading update. While the Revenue and EBITDA contribution is down on the prior year there have been some significant headwinds from currency exchange and a general downturn in UK economic confidence. Despite the tough start, we continue to be optimistic about the long term earnings capabilities of the Group. Matt will talk in greater detail about the trading update.

Thank you to the Board for continuing to guide the Group through challenges and opportunities as they present themselves.

On behalf of the Board, I would like to thank the Executive team, management teams and all the employees of the Group for the significant efforts you have made with all stakeholders over the year.

Finally, thank you to our shareholders for your continued support and I look forward to reporting back with more progress in 2017.

I will now hand over to Matt to speak in more detail about the Company as well as show some of the great work the people in our Group have been doing over the past twelve months.

Thank you.



### **Enero Group Trading Update**

#### **Financial performance for the three months ended 30 September 2016 (unaudited):**

<b>A\$ million</b>	<b>YTD</b>	<b>YTD</b>	<b>Variance</b>
	<b>30 Sep 2016</b>	<b>30 Sep 2015</b>	
Net Revenue	24.7	28.9	(14%)
Operating EBITDA <sup>1</sup>	2.2	3.7	(40%)
Operating EBITDA Margin	8.9%	12.8%	

Notes:

1. Operating EBITDA is net profit before interest, tax, depreciation, amortisation, impairment, loss on sale and restructuring costs. Operating EBITDA is the primary measure used by management and the directors in assessing the performance of the Group. It provides information on the Group's cash turnover excluding significant transactions and non-cash items which are not representative of the Group's on-going operations or cash flow.
2. This presentation includes the Operating EBITDA measure used by the Directors and management in assessing the on-going performance and position of the Group. This measure is a non-IFRS measure.

#### **Business operating performance:**

Net Revenue was down 14% and Operating EBITDA was down 40% on the prior year. The Operating EBITDA margin decreased to 8.9%.

The Group faced material currency headwinds in the first quarter of FY2017 as compared to the first quarter of FY2016.

The common currency impact of the appreciation of the Australian dollar as compared to the British Pound and US Dollar was approximately \$2.4m in Net Revenue and \$0.5m in Operating EBITDA.

Excluding these impacts, the decline in Net Revenue was 7% and decline in Operating EBITDA was 31% on a year-on-year basis.

The Group was also impacted in the first quarter of FY2017 by a downturn in UK trading conditions following Brexit which resulted in weaker new business conversion for a number of the UK based businesses.

The Australian and USA based operations continue to trade in line with the prior year.

Contact:

Brendan York  
Group Finance Director  
+61 2 8213 3084