

## 2016 Annual General Meeting CEO Address

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Good morning Ladies and Gentlemen,

Firstly, thank you all for attending today.

We are pleased to report a successful FY2016 for the Group from a financial, client and operational standpoint. A significant amount of resources dedicated to new business generation and pleasing results in pitch conversions saw the first year-on-year revenue increase in some time.

While the reported Australian dollar revenue was helped during the year by the weaker Australian dollar exchange rate, we achieved constant currency revenue growth in both of our international markets.

Improvements in our Operating EBITDA, up 44% year-on-year, reflect careful management of our cost base in-line with the 'Reliable' stage of our Group Strategy. This includes an ongoing focus on staff costs, trending down towards our desired target ratio, plus constant vigilance across operating costs. We will unlock more efficiency wherever possible through improved operational measures.

In FY16, our international markets, particularly the UK and Europe, had excellent performances during the year, with all brands in those markets outperforming expectations. On a year-on-year constant currency basis, the UK and Europe hub was 7% up in revenue and 21% up in Operating EBITDA, driven by Hotwire and Frank PR, our two public relations businesses headquartered in London with experienced leadership and a track record of delivering good margins.

Hotwire had a particularly strong year and the Hotwire Labs offering of digital builds, analytics and SEO has given Hotwire a far broader range of capabilities which is proving to be very important in a time when public relations services are overlapping with the wider marketing efforts of clients.

Proximity to international markets continues to be an advantage in pitching for larger pieces of business with global remits.

The Australian operations achieved a 2% increase in Operating EBITDA despite a revenue decline of 14% year-on-year. Our highlight in Australia was the performance of BMF Advertising, which had a stellar year with numerous new business wins including TAL and the Federal Government and many effective campaigns in market. Of our smaller Australian businesses, Naked Communications, The Leading Edge and CPR all enjoyed good years.

FY2017 is an important milestone for our home market with the opening of a new Sydney hub office at 100 Harris Street, Pyrmont. The new office will provide world-class facilities for our staff and clients showcasing new ways of collaborative working. We expect to achieve an even higher level of collaboration between the Australian businesses with everyone in one office on one floor. We are making the short move up the road in early 2017 and we look forward to hosting next year's AGM in our new location.

The USA market showed some improvement with constant currency revenue growth of 12% and Operating EBITDA growth of 55% off a small base. The team are focussed and have achieved some excellent new business wins in the latter part of the financial year. While we haven't yet achieved the desired scale or momentum that we had hoped for in FY2016, we have confidence that FY2017 will be a significant step forward for Hotwire in the USA thanks to the Eastwick Communications acquisition. It is very much in line with our Group strategy.

Eastwick is a quality buy for the Group. It will add instant scale, client connections, new senior talent, fresh perspectives and additional capability to Hotwire in the home of Tech - Silicon Valley, and in the USA more generally. Eastwick was founded over 25 years ago with deep technology connections and relationships which are



extremely valuable and should have a beneficial, flow on effect for Hotwire around their network. Hotwire also has a strong track record of leveraging client relationships to multiple offices and we expect to see existing Eastwick clients serviced by other Hotwire network offices in the near future.

Eastwick will be immediately merged into the existing Hotwire USA business which will now have approximately 42 staff in San Francisco and 28 staff in New York. The acquisition will see Hotwire enter the top 50 PR firms globally in revenue and the US business enter the top 10 Technology PR firms in the USA.

The initial payment of \$5m US Dollars to buy the business was funded from existing cash reserves and will add approximately \$10m US Dollars to the Group's annualised revenues. Future earn-out payments will of course require growth from current profitability levels.

Our ultimate goal is to achieve a more evenly balanced geographic spread between our three key markets for greater stability across our revenue base. We have a diverse mix of clients, with over 650 client relationships across our Group spanning many sectors. Importantly the largest client represents less than 10% of total Group net revenue.

Celebrating the power of our people remains a key focus for the leadership teams across all of our businesses. The requirement for outstanding talent is more important than ever in our intensely competitive industry. We are a people business and the best talent is mobile and in high demand. FY2016 saw a strong number of internal promotions, increased Learning & Development programs and the establishment of the Enero Diversity Committee. Our leaders recognise the importance of ensuring that their staff arrive at work every day feeling energised, confident and excited about making a positive contribution through their work.

Our 2017 goals include:

- a. bedding down the Eastwick acquisition as we are cognisant that a clear focus on integration will ensure the success of this investment; and
- b. maintaining intensity around new business efforts given the natural revenue churn our sector typically faces each year.

We have and will face some material currency headwinds with the recent volatility in the British Pound post-Brexit and the US Dollar in reporting our consolidated Australian Dollar revenues and EBITDA.

In the trading update announced this morning following the end of the first quarter, we reported a 15% revenue decline and a 40% Operating EBITDA decline year on year.

Within this, we have seen a common currency impact of \$2.4m on revenues and \$0.5m on Operating EBITDA simply due to currency exchange compared with the prior year.

Obviously this does not represent the entire year on year decline but is a material portion of it.

The remainder of the decline compared to the prior year has mostly been focused in the UK where confidence appears to have diminished following Brexit and we have seen a weaker pipeline and much longer lead time for clients to sign off projects.

We will however focus on the things we are able to control – new business efforts and ensuring that we have the very best people in place delivering excellent work for our clients.

The flat spot of the first quarter will not stop our drive and we continue to believe the long term goals for the Group are achievable.

Sincere thanks to every colleague across the Group for your partnership, optimism, energy and professionalism. Thanks also to our Board and Management for your leadership and guidance. Finally, thank you to our Shareholders for your support of our ongoing efforts to build a better business.

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