

ASX ANNOUNCEMENT

2018 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:

- CEO - Matthew Melhuish;
- Non-executive Director - Susan McIntosh;
- Non-executive Director – David Brain; and
- Non-executive Director - Anouk Darling.

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

- Company Secretary & Group Finance Director - Brendan York; and
- Group Director - People & Culture - Fiona Chilcott.

Our external auditors KPMG are here today and are available to answer any shareholder questions on the audit of Enero Group's 2018 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.

I am pleased to report on the progress of the Group in FY2018.

We continue our careful deployment of our capital, this year completing the acquisition of Orchard in February 2018 for an initial payment of \$5 million and future payments tied to its performance over the next three years. This acquisition provides a rapid increase in the Group's digital capabilities and the foothold of that business in the USA market gives further opportunities to grow our general USA market reach. Importantly, this acquisition projects the Group forward in its aims to centre its services around digital and technology.

FY2018 was a year of great change for the Group as well as the marketing services industry. Opportunities are opening up as the premise of how a marketing services group should operate has shifted. We have seen new players emerge in the form of professional services and consulting firms with active acquisition strategies. We are seeing shifts in the larger holding groups who are now consolidating brands while attempting to increase scale. We are committed to maintaining an agile stance on our shape to respond to the industry and marketplace, and we believe we're just the right size to allow our businesses to take advantage of the power of a network ... while not being so large that we don't know intimately what each business stands for. We remain focused on ensuring that the Group has a coherent story to tell.

The Group had a very strong operating year with improvements in all key financial metrics. Operating EBITDA margins are broadly in line with industry benchmarks. The net profit after tax to equity holders of \$8.5 million was the highest in nine years. The Board declared an FY2018 final dividend of 2.5 cents per share, fully franked, in August 2018. This brings total dividends paid for FY2018 to 4 cents per share, fully franked – a 43% dividend payout ratio. We are committed to returning profits to our supportive shareholders while also giving ourselves flexibility to respond quickly to investment opportunities.

We have cautiously used some leverage to complete our recent acquisitions through contingent consideration arrangements. Structuring deals this way incentivises the sellers to drive future performance and links the total purchase price to agreed financial outcomes. The Group also has cash reserves to satisfy these future cash consideration commitments with a net cash position of \$6.7 million as at 30 June 2018. The Group has also generated strong cash flows over the past three years converting Operating EBITDA to cash at a rate between 85% and 100% with low future fixed asset requirements thanks to the co-location strategy. The Board is open to prudently increasing leverage for further acquisitions if that is determined to be the best strategy.

We continue to actively seek acquisition partners to expand our geographical presence in the key markets we operate in or expand services to facilitate more client touchpoints. Patience will be required to find the right fit for our Group and we will only bring in additional capabilities that match our strategic ambitions.

Trading for the first quarter of FY2019 has been strong, in line with expectations allowing for the full year impact of the Orchard acquisition.

Welcome to David Brain as a new Independent Non-Executive Director. David's experience in Integrated Communications and Public Relations, which makes up a significant proportion of our revenue, makes him invaluable to our teams and businesses. He has already provided fresh perspectives on opportunities for our key markets. Thank you to my fellow Board members for your support during the year.

I would like to express my thanks to my colleague Roger Amos, who after eight years of service to the Company as Deputy Chairman and Chair of the Audit and Risk Committee is not standing for re-election at this year's AGM. Roger joined the Group in much more difficult times than we have today and provided the Group with great counsel and sage advice. He leaves the Group in a strong position. On behalf of all of the Board and the Enero Executive team, we wish him all the best in his future endeavours.

I am pleased to announce that Anouk Darling will be taking on Chairing the Audit and Risk Committee.

On behalf of the Board, I would like to sincerely thank all the talented staff we have working in the Group for your contributions over the financial year. Being based in Europe, I have had a chance to spend time with many of the UK teams in particular and I'm continuously impressed with their problem solving for clients.

Finally, thank you to shareholders for your ongoing support of the Group and I look forward to sharing our progress with you throughout the year.

Thank you.

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