



ASX ANNOUNCEMENT

29 October 2014

2014 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.

The completed financial year marks an important milestone in our turn-around journey. While we are only partway through our three-phase strategic plan of Remedial, Reliable and Re-Imagined, it is very pleasing to see all the hard work beginning to bear fruit.

Over the past year we have been very focussed on simplifying and strengthening our shared platforms behind the scenes to allow our businesses to run better at the baseline while at the same time providing greater levels of transparency and accountability. This coupled with our efforts to foster collaboration across companies and geographies and further develop and inspire our talented people has resulted in a stronger financial performance and an improved level of confidence across the Group.

We may have made great progress in this financial year but the job is by no means finished. We will maintain our intensity to drive Enero further forward, focussed on becoming an even better business, positioned as a highly collaborative, agile and forward leaning marketing services group. We may be a smaller Group when compared to some on the world stage, however, today's super competitive business dynamic means that clients are more focused on finding the right solution or idea to drive results for their brands and their business rather than doggedly maintaining a commitment to an international alignment. The ability of smaller, nimble, high quality boutique players like ours to shape around the client without the bureaucracy, politics and alignment issues of the larger groups offers us a real competitive advantage. We are big enough to cope, yet small enough to care.

We are very pleased with the improved financial performance during the 2014 financial year. At the beginning of the year we set out to improve the earnings margin generated from our revenue and run our businesses better from the baseline. To that end we have delivered an increase in Operating EBITDA margin from 2.8% in FY2013 to 7.5% in FY2014.

Clearer financial metrics, better process and improved accountability have gone a long way to achieving a better level of financial rigour within each Operating Brand. However, the improved financial performance of the Group should only be seen as part of the story.

Our progress has also delivered:

- Better collaboration – there were significant improvements in cross selling services of the Operating Brands, increased client touch points and joint client pitches and wins;
- Improved cost alignment – a re-alignment of the cost base in each Enero company to better reflect the current levels of business activity;
- A more integrated Group support office - providing a better level of service to the Operating Brands across Finance, Commercial, Legal, Human Resources and IT.



- Stronger focus on talent and the development of staff – our global learning & development function has been embraced across each Operating Brand and our in-house recruitment team is delivering the highest calibre of candidates to join our talent pool.

Our companies continue to deliver world-class work for our clients day-in, day-out to help them solve their marketing and business problems. Looking forward, the 11 Operating Brands of Enero are very well placed to capture the ever growing revenues from digital, social, data driven and mobile campaigns, for example:

Hotwire continues to lead its field in Tech PR and is a global alternative to the traditional generalist PR groups. The Hotwire network of offices, including a rapidly growing USA presence, presents opportunities to approach large scale global technology companies and the increasing number of technology start-ups to provide ambitious communications campaigns.

Frank PR continues to maintain an iconic position particularly in the UK consumer PR space, creating ‘public reactions’ for clients that get people talking, blogging and tweeting.

Naked Communications has transformed over the course of the last year to become a better aligned and resourced global boutique agency group. The strategic DNA and focus on behaviour change that has always been a hallmark of Naked will remain, however, adding high calibre creative talent, a focus on CRM and Data analytics, and improved production capabilities is putting Naked back at the forefront of creating disruptive marketing solutions for clients.

BMF has a renewed sense of energy this year, unearthing brilliance and consistently delivering an excellent creative product. BMF remains one of the leading creative agencies in Australia with strong momentum, a world-class reputation and a blue chip client list.

Our strategic research and insights businesses, The Leading Edge, The Digital Edge and Jigsaw, are more relevant than ever. In a world that is ever more complex, clients need help to find innovative ways to unlock opportunity across their business. Their work spans consumer insight, qualitative and quantitative research, online research panels, data science and analytics, price modelling and shopper marketing among others.

Precinct, our B2B communications agency, is ‘taking the boring out of business communications’ and providing clients with brilliant solutions for communications campaigns to key stakeholders, be they staff, business customers or investors.

The marketing services sector continues to shift and evolve at pace and so have we. We have moved to ensure greater flexibility in our cost structures by increasing the proportion of variable staff costs to total staff costs where it makes sense to do so. Each business remains adaptable and open to change, able to focus on faster growing markets or sectors and new media as trends emerge.

Trading conditions continue to remain subdued in some markets where discretionary spending remains under review. However, the Group is better placed through a more even geographic spread of operations. The UK market fared well with positive impacts from greater economic confidence emerging in the UK, and this operation represented 47% of the Group’s Operating EBITDA for FY2014. Our USA hub requires further scale to make a more significant impact there. In the future, we will seek to invest in both Hotwire and Naked Communications in the USA ahead of the curve to drive scale. We have just recently hired the Naked global creative and strategy director in New York and will shortly add senior talent to Hotwire USA. This makes a great deal of strategic sense given the sheer size of that market and the potential international benefit that comes from being in close proximity with the headquarters of major multinational corporations.

It may sound like a cliché, but in a business like ours people really are our most valuable asset. Creativity and smart thinking are at the heart of any successful marketing services business, and to continue to over-achieve in this area, we have invested heavily in both training and creating an environment where staff have a great working experience



each day. We see a very strong correlation between a motivated and well rewarded group of staff and improved business performance and we intend to continuously refine our programs to ensure best practice. The end outcome of this effort is a higher quality of work delivered to clients on a more consistent basis - happy staff leads to happy clients and a better bottom line.

This year was also strategically important from a leadership point of view. We have successfully hired several new CEOs and leaders across a number of the Operating Brands, in all cases undergoing a careful selection criteria to ensure each new leadership member has a relevant skill set and is aligned with the collaborative spirit of the Group.

Our in-house recruitment function continues to flourish and is now entrenched as the focal point in our Australian, UK and USA hiring requirements. The learning and development program completed its first full year of operation and we are pleased to say that every operating business in the Group participated in some form. We also sent the largest delegation from Australia to South by South West (SXSW), a world leading tech and digital conference held in Austin, Texas earlier this year. The delegation covered a broad range of disciplines and businesses and this is all part of our considered plan to ensure that our businesses are at the forefront of technology and can share latest trends with staff and clients alike.

We continue to push forward on operational changes to drive further collaboration amongst the Operating Brands.

Our co-location efforts have yielded the following results over the past two years:

- Sydney – from six offices to three offices;
- Melbourne – from four offices to two offices;
- London – from five offices to three offices; and
- New York – from three offices to one office

Even as we speak we are about to take the London hub office approach further by moving Naked and The Leading Edge into the same building as Hotwire.

As we have reduced the number of locations saving operating costs, we have also invested time and effort to ensure that our work environments are spaces that help inspire creativity and ‘outside the box’ thinking, along with areas to collaborate between Operating Brands. Collaboration is now included as a key performance indicator for the senior leadership of each Operating Brand, and having this cascaded throughout the businesses will provide them with the ability to achieve beyond the normal reach of an individual business.

We remain very much committed to running a global group out of our three hubs of London, Sydney and New York. Our existing office network plus highly mobile teams allow us to be everywhere our clients need us to be, whether delivering a pan European PR campaign, shopper marketing projects in South America or conducting communications projects across Asia. This office footprint will continue to allow us to pursue organic growth opportunities balanced with a manageable operating cost base.

I want to touch on two recent events in our businesses that demonstrate the high quality assets that we have in the Group.

Firstly, Hotwire PR was very recently named best Technology PR agency worldwide by the Holmes Report. The number of PR agencies competing for this is quite astonishing and Hotwire outgunned some of the biggest independent PR groups in the world to receive top honours.

Secondly, Naked Communications was just awarded a Cannes Chimera for the second year in a row. This is the first time ever an agency has received this award two years running. The Cannes Chimera is an initiative between Cannes Lions Festival and the Bill and Melinda Gates foundation that uses creativity to help solve global issues. Naked’s award winning concept was called “Watch for Good” which proposed that for viewers of video content,



instead of skipping ads, they could watch the ad in full by pressing the “Watch for Good” button. The advertiser pays the full pay-per-view cost, but the publisher shares the fee, donating a portion to the Watch for Good fund.

While awards recognition is terrific and does drive industry PR and inbound new business enquiry, the greatest compliment our teams can be paid comes from the organic growth of long standing client relationships and the positive referral that comes with that. I am delighted to say that across the Group we have many positive, deep and productive client relationships and we cherish every one of them. We are always conscious that we are only successful if our clients are successful.

I wish to thank the Board for its unwavering support and faith in the Executive team as this has allowed us to maintain our laser-like focus on our strategic goals. I would also like to thank the Executive team for their tireless work and commitment in building a much better, quality business, one that we can all be proud of. Most importantly, I’d like to thank my colleagues, all 650 of them, for the amazing effort that you make every day to deliver world-class solutions for our clients. Your talent and professionalism coupled with your sense of fun, openness and enthusiasm energises us all.

Reflecting back on our three-phase strategy this year has been focused on beginning to demonstrate reliability to our stakeholders. Reliability is clearly not a one year story but an ongoing theme. The year ahead is also filled with opportunities to develop and improve our Group and to further invest back into our brands. Our better networked, more integrated Group will continue to strive for improved financial performance. With more stable operating structures and more settled leadership teams, we plan to target revenue growth opportunities while maintaining the right cost structure. This should in turn allow us to achieve a higher margin.

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. We are excited about the future and eagerly looking forward to the journey ahead.

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