**25 NOVEMBER 2014**

# OPUS GROUP LIMITED
# ANNUAL GENERAL MEETING
# HELD AT CACTUS IMAGING
# 12 RACHEL CLOSE, SILVERWATER NSW 2128

## CHAIRMAN'S ADDRESS

While the prime purpose of today's meeting is to report on FY14, the focus of the Board and management of the OPUS group is squarely on the future now that it has reduced its debt level to a minimum. .

As foreshadowed at last year's Annual General Meeting, for most of FY14 the Group worked on recapitalisation to establish a strong platform for future growth and profitability. That process has now been completed as a result of a partnership with the 1010 Group and in conjunction with Wilson HTM Corporate Finance Limited and Richard Celarc, an executive director of OPUS. The investment and contribution of these parties provides a very clear signal of the potential of the OPUS Group now that the debt burden it has carried since 2012 has been removed.

The Group can look to the future with renewed confidence and will devote its energies to, first, delivering earnings growth through enhanced profitability as a result of a much leaner operation and, second, implementing its core strategies.

Recognising the changing dynamics of the print industry both locally and globally, the OPUS strategy is to be the leading technology driven business services group and the preferred partner to many of the world's largest book publishers. OPUS believes that print services will be increasingly produced on digital devices delivered direct to the end user or partner retailer and printed on demand. OPUS is well placed to satisfy this changing dynamic and aims to partner with publishers, governments and other content producers to help them meet the challenges currently taking place in their supply chains. The application of technology to produce business solutions for our partners is also being adopted in our Out of Home Division which has been achieving significant growth in recent months.

### <u>FY14 Results</u>



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I would like to make a few general comments on the results for FY14. Our CEO will speak in more detail on these and on our overall operations. Trading conditions overall, particularly margin pressures, continued to be tight and FY14 saw a further fall in earnings, with the adjusted EBITDA 16% lower than that of FY13 on a sales revenue base that was marginally higher. These conditions were exacerbated by the effects of the Group's high debt level which restricted our ability to overcome business challenges and distracted management from operational issues. The result was further impacted by a decision taken to strengthen the balance sheet by recognising a significant charge against goodwill.

## Outlook

With the removal of the distractions of coping with the effects of ongoing financial pressures and with the recapitalisation process, the senior management is now fully focused on securing business opportunities and improvements. For some time, a comprehensive rationalisation plan had been compiled to combat the effects of difficult trading conditions but lack of funding meant that the plan could not be implemented until sufficient working capital became available. That plan has now been fully implemented with the result that considerable annualised cost savings will be achieved. These savings, along with substantially reduced financial charges, will result in significantly improved profitability over the course of the next eighteen months. As we restore confidence in us on the part of our customers and suppliers we look forward to securing additional business development to underpin a future growth path. The Board is confident that a much improved financial performance will emerge through 2015.

FY14 was a challenging year and I would like to thank my fellow directors for the support and encouragement they showed in meeting the many issues and problems we faced and for their enthusiasm in pushing ahead to secure a satisfactory outcome for the Group's recapitalisation. As Bret Jackson, James Sclater and Simon Rowell have stepped down from the Board, I would like to express my appreciation of their contributions over the past three years and the continuing support they have given me. I must also pay particular tribute to the work and effort of the senior management team of Cliff Brigstocke, our CEO, Richard Celarc, executive director and Mark Heron, former COO, in keeping operations moving in the face of considerable obstacles. I also welcome CK Lau to the Board, for his experience and standing in both the global and the Australian print industry will be invaluable as we take the Group forward.

I now invite our CEO, Cliff Brigstocke, to report in greater detail about our operations in FY14 and our strategies for future growth.



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## CHIEF EXECUTIVE OFFICER'S ADDRESS

Thank you Bill.

As Bill has reported in some detail, the 2014 financial year was predominantly focused on restructuring the company's financial position which absorbed significant effort and management time. It was certainly pleasing to achieve such a successful outcome however the focus on this, with limited management resource, was a distraction away from running the day to day business, which was already facing a challenging environment.

That said, it is encouraging to note we held our revenue line to that of 2013. Whilst the underlying business has been clearly impacted by the events in 2014, holding revenue, key staff, suppliers and overall market position has placed us well to take advantage of the many opportunities we have in 2015.

From a 2014 divisional perspective, our Publishing Division delivered revenues of $95.5m compared to $97.2 prior year. In the main, this 2% decline was due to the loss of a long term customer which impacted the last quarter by the difference. The uncertainty surrounding the capital raise (at the time) and considerable margin pressure impacted the Publishing Division's adjusted EBITDA resulting in a 14% decline from $14.6 m to $12.6m.

Our Outdoor Media Division achieved a credible 9% revenue increase from $19.7 to $21.m compared to prior year. This is following the growth trend of the Outdoor Advertising industry and new client acquisition. From an EBITDA perspective, the distraction of the planned sale of this division, coupled with margin pressure, delivered an EBITDA of $3.1m compared to $3.4m previous year.

Despite the issues faced in 2014, it was a year that proved the strong skill set and ability of our management team and dedicated staff. In the year we delivered on several major initiatives, including the successful capital raise, expansion of our technology platform and our Asia Pacific dynamic production network, all of which will set solid foundations for the 2015 year and beyond.

### KEY BUSINESS FOCUS AREAS FOR FY2015

***Reset of the Group Cost Base – Publishing Division***

Following the successful capital restructure, we initiated throughout July and August 2014 a major re-



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set of our cost base. As a result we are now much leaner and have a crystal clear plan and focus on what is required to return the business to its former profit levels and beyond.

Approximately $5m of annual cost has been removed effective September 1, 2014. This initiative has now correctly sized the business and will allow OPUS to secure improved market share and deliver enhanced profit.

This cost base, in parallel with investment in new and highly efficient digital production equipment will ensure we deliver product much faster, economically and closer to the end customer.

Further, we will increasingly offer a combination of print locations to meet the changing market needs, including long run & colour printing in China via 1010 Printing as well as the Asia Pacific OPUS facilities including Singaporean, Australian and New Zealand plants.

**Outdoor Media**

The 2015 outlook for Out of Home Advertising in both Australia and NZ is for continued growth, with Cactus Imaging leading the market through the investment in a new 5 metre wide UV Star Pro8. The new machine will support the growth that Cactus is capitalizing on within the Out of Home market, while allowing the company to develop our retail fabric and high end markets it opened through the investment in Latex print technology late last year.

Transit, Road Side Billboards and Retail point of purchase remain stable revenue channels for Cactus, however with the new investment; other markets such as high end retail, promotional soft furnishing and wall paper will be introduced to the business. While generally smaller run sizes, these markets typically achieve a higher rate per metre.

## Group Outlook

As a singularly focused and lean operation, combined with our Asia Pacific footprint, we are confident of delivering improved and sustainable profits.

We are executing our post-capitalisation plan, in relatively simple steps:

The first step, largely completed, has re-set the cost base of the business. Aside from the significantly improved profitability of the business units where this was implemented, we are now able to more aggressively improve market share.



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Secondly, we can now package a full offer that includes a combination of our facilities in Sydney, Maryborough, Canberra, Auckland & Singapore. Importantly and as part of the 1010 Printing 'family' based in Hong Kong, we have full access to their first class facility in China.

Finally, technology investment will continue. For the Outdoor division, the latest and state of the art digital print technology was installed in November 2014. We are also investing in further finishing equipment for our Maryborough and Sydney sites.

As outlined, we wasted no time and implemented the first step in July & August. With a clear focus on delivering real customer value combined with revenue growth and strong cost control, we are confident of delivering an improved EBITDA performance over 2014.

On behalf of our senior team, staff and the Board I thank you for your ongoing support of the Company.

**- ENDS -**

**CONTACTS**

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