

Wellcom Group 2014 AGM



The Welcome.

On behalf of my fellow directors, Mr Charles Anzurat and Mr Kerry Smith, welcome to the 2014 Wellcom Group – Annual General Meeting.

I am Wayne Sidwell, Executive Chairman, and it is with great pleasure that I open these proceedings today.

Company Boards are pivotal to the ongoing wellbeing of an organisation.

At Wellcom, it is more so.

And the role of Wellcom's Board Members goes well beyond their boardroom presence. They understand the business and they know the people.

Having such a strong combination of talent and experience on the Board, has again steered us to our present global status, and maintained our strong financial position for 2014.

To Charles and Kerry, thank you for your ongoing hard work and invaluable contributions.

As well as the Board Members, I am joined by our CEO, Mr Steve Rees. Steve has had a very busy year overseeing the implementation of the company's major strategies.

I would also like to introduce and welcome our Chief Financial Officer, Company Secretary and Global Chief Operations Officer, Mr Andrew Lumsden.

We are also joined today by our company auditor, Mr Jude Lau, Partner, HLB Mann Judd, and a warm welcome to you Jude.

Finally a warm welcome to everyone here today.

Welcome.

Results for 2013-14.

I was buoyed by the 2014 results. We have achieved so much more in terms of implementation, and this includes:

- high level future planning
- re-structuring
- facilities management
- people transitioning
- and most importantly a significant directional change to our products and services.

I am also delighted by our share price performance over that period.

The results for 2013-14 were to forecast.

The result could have been a standout. But this was dampened by an unseasonal slow final quarter that arose suddenly and unpredictably around the announcement of the Australian Federal Budget.

This arrested the strong sales trend previously seen in the first three quarters of the year.

Once again we have offered our shareholders a fully franked, full year dividend, which has increased to 19 cents, up 6% on previous year.

Our Statutory revenues from continuing operations, increased to \$90.09 million, up 15% on prior year.

Our net revenues (excluding print management costs) increased to \$62.74 million, up 17% on prior year.

Earnings before interest and tax increased to \$11.4 million, up 10% on P.C.P.

Operating margins excluding the **thelab** acquisition were maintained at around 23%.

Net profit after tax from continuing operations, increased to \$8.6 million, up 10% on prior year.

We maintained our zero net debt position, with cash flows from operating activities of \$6.86 million, and cash on hand, sitting at \$6.14 million at June 30 2014.

And to complete the financial report, the acquisitions of **thelab** in the US, and **ThinkBone** in Sydney, have been fully funded out of cashflow.

Last year I said we would take significant steps to deliver a growth position for 2014 and I believe we have performed well.

2014 Overview – our biggest year for Change and paving the way for Challenge.

Wellcom as an organisation maintains a strong culture of Change and Challenge – we carefully plan every aspect of our business – we pressure test strategies at executive management level.

A prime example of this was our services segmentation policy dividing the Wellcom offering into three core services. These were:

- Value-add Creative Content
- High Volume Production Artwork
- and Technology.

High volume production artwork is akin to the manufacturing industry here in Australia. Globally we're simply out-priced for this type of work, and our clients recognise this.

This prompted intensive research into this product offering and the by-product was our transition and commitment to higher value-add services, without abandoning the lower value end of the market.

Last year I announced that we were carefully and gradually moving our focus towards creative content in preference to content management, artwork services, and pre media.

Firstly, our high volume production activity was undergoing cost pressure from clients who wanted lower pricing for such services.

Secondly, these same services represented a significant part of our business. And therefore we became far more efficient and employed our proprietary software (Knowledgewell) to reduce direct labour input.

It's important to state that this part of our business remains very relevant and many clients still require it. But the pricing, and margins in particular, remained under pressure.

Prior to 2011 it was becoming abundantly clear that we needed to address margin pressure, and find a way to keep this high volume work.

We examined our options for sending work offshore to third partner suppliers in Asia.

Some clients expressed a desire to send work offshore if it:

- meant a lower ratecard
- was quality assured
- could be delivered in a timely manner
- and did not breach confidentiality or client I.P security.

We sent some carefully prepared work to what we considered to be pre-qualified suppliers – but the results when they returned were far from quality assured. As a result we had to re-work it locally, thus impacting our margin and defeating the very purpose of the exercise.

This meant work was not returned in a timely manner and we could not guarantee our client's security and I.P.

In response we re-structured and ramped up our Malaysian operations. We put in place the expertise and created a quality assured facility that could deliver on all of the criteria mentioned previously.

In 2014 we have delivered a full year of service delivery from 'the Centre of Excellence' in KL, and the results have been outstanding.

Just to recap, 'the Centre of Excellence' has kept our high volume digital artwork in-house without impacting margin.

At the higher end of the value-add service delivery, we realised that many studio hubs were originating design rather than simply taking third party design and re-purposing it into other media. Our clients were now expecting us to design their work from the outset.

This was a significant development.

Our analysis showed that our artwork and pre media specific personnel, were going to require upskilling to meet the new design and creative challenge. This has been done.

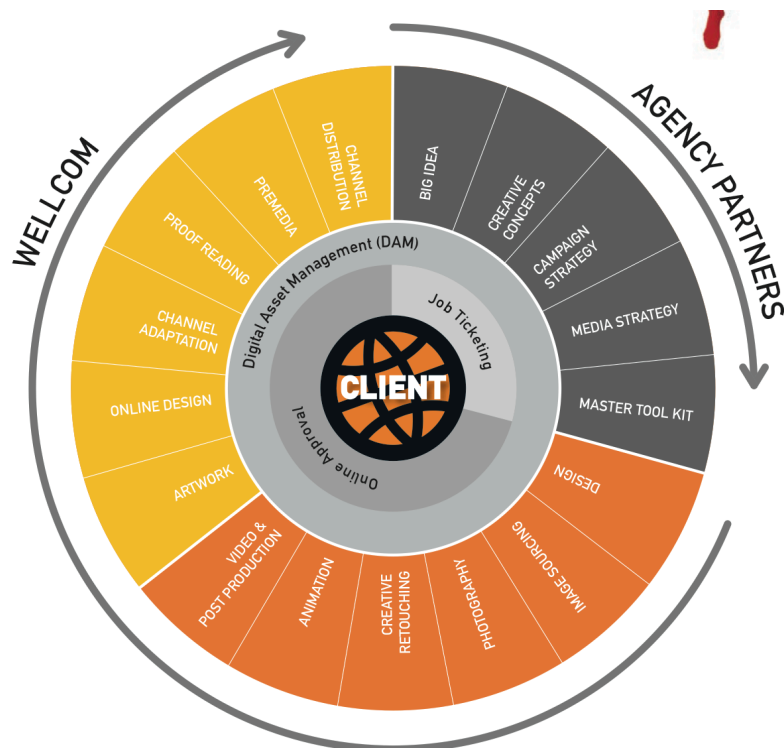
We then set up dedicated facilities to begin the provision for more design work.

This level of service was never to compete with the advertising agency model and does not today – nor into the future.

SO...WHAT DO WE DO?

I could attempt to explain what we do in this chart, but I will simply add this very quickly.

You'll note the dark gray areas. This represents advertising agency services and the yellow-orange sectors represent Wellcom services.



But rather than go through it line by line, let's allow Wellcom Worldwide's creative teams to take you through what we do in making creative content.

Here we go.

PLAY VIDEO.

I trust you can now better understand what we do and I hope you see just how far advanced we have become.

And this started as a test model that was incubated within the confines of our Port Melbourne facility, some years ago.

It included traditional design, online digital design and development, video and post production, and was joined by copywriting provision for everything from a TVC to corporate video, packaging, website copy, press ads, and annual reports.

It was exciting. It worked. The Group then began to extend the model into our other Group territories.

A heavier emphasis on design was then gradually rolled into the hubs network. In some larger hubs, this included website and eAdvertising campaigns. It was also evident that we required a new form of project and account manager to drive the change of direction.

The one stop shop scenario was becoming self evident, but also required further impetus.

The Board was keenly observing this transition, and at the same time considering some new developments in possible acquisitions.

Two possibilities emerged and apart from being totally synergistic with current Wellcom business, both offered the extended advantage and expertise in creative content.

This was the value-add.

In Sydney, we purchased the business **ThinkBone**, a pre-eminent video and post production company that would offer our clients creative and t.v. post production options in our biggest market. The timing and the expertise were perfect.

The acquisition of **ThinkBone**, is an important step in our creative content development, and this business is already embedded into our new facilities in Pyrmont, Sydney.

Half way across the globe another acquisition opportunity arose – again a business highly regarded in its marketplace – a business with a blue chip client base – a business that epitomised the direction Wellcom is heading – and a business that could provide shared expertise to more speedily advance our current transition into global creative content.

BUT, more importantly, this single acquisition introduced Wellcom to the US marketplace.

The acquisition of **thelab** – gave Wellcom an opening to the U.S.A.

Within the single purchase we have a coast to coast US network with offices in LA, California, Columbus, Ohio, and New York City – a total pan American expansion.

We are now **truly global**.

thelab's synergy with Wellcom was immediate.

thelab was a family business where the son took on the reins, and in doing so, changed the business paradigm to creative content, rather than mechanical pre media.

The synergy can be found in the levels of service provision – one that encompasses traditional design and online design; video and animation creation; TV and video post production; digital photography; creative retouching and digital asset management.

As the previous showpiece video demonstrated, you can understand my excitement about our direction, not to mention, our acquisitions.

Our Strategies.

The Wellcom business has transformed. In line with our joint strategic direction of creating a long lasting global footprint for our shareholders, we now work in Europe, Asia, Oceania and the Americas. We offer our clients a 24 hour a day production cycle.

This is expansion in its truest form and expansion means a realigned strategy in terms of people. In 2013 we developed a People strategy at the base and middle management levels in line with our change of services direction.

This year and next, we are extending this to include senior management changes.

The Board strategy was to streamline the management supply chain by elevating Chris Grawe from Managing Director of Wellcom London, to Global Creative Services Director.

From his Wellcom London business, Chris already had vast experience in the US market handling clients including GAP and DKNY. His promotion therefore became a natural progression.

While Wellcom has enjoyed strong executive management consistency for some years, the Board also saw the opportunity to put into effect a further, strategic executive management realignment.

This saw the Wellcom Melbourne GM, Andrew Sidwell, move across to London, and Andrew Lumsden become Global Operations Officer as well Chief Financial Officer. In Melbourne, our Operations Manager, Barry Delaney, was promoted to General Manager.

Our senior management moves serve several purposes. Chris Grawe in his new role will transition **thelab** into the Wellcom business as well as managing his US clients out of both the US and UK, and Asia.

Chris will work with David Bridges of **thelab**. David will take on the role of creative ambassador for the Group providing valuable I.P in terms of creative content approach, process management and account management.

Andrew Sidwell becomes MD Wellcom London, and brings with him considerable experience in selling design, hubs and Knowledgewell. This will be tremendous advantage for the London operation.

Change is critical at all Group levels and this will solidify the executive management team further. We embrace challenge as effectively as we embrace change.

We have always addressed change ahead of the curve. We do again with our “new era” strategies that will maintain the Group’s strong position well into the next five-year cycle.

It includes:

- A NEW UPSELL STRATEGY

We continually review our extensive list of products and services and overlaying this list against what clients currently buy from us. This identifies any gaps in current offerings to individual clients, and highlights possible opportunities for achieving strong organic growth.

- USING **thelab’s** CREATIVE I.P

We will be looking at ways in which the Group can individually utilise I.P from **thelab** in order to win new business and increase existing business.

- HUBS SERVICE EXTENSION

We plan to extend hubs service offering across our entire hubs network.

This includes online design and development in the bigger hubs, and a system of upselling Wellcom head office design services into the smaller hubs.

It also includes strategies to sell in Knowlegewell technologies.

- CENTRE OF EXCELLENCE STRATEGY

Having opened Wellcom USA, this leaves the door open to an entirely new market and future growth.

- TECHNOLOGY SALES RE-FOCUS

Our approach to new Knowledgewell iterations, and how we sell the software, undergoes constant review.

This is to best determine smarter sales strategies that are in line with any client's specific requirements.

- NEW MARKETING STRATEGY

A new Marketing campaign began in 2014 with a second campaign for 2015.

It will continue to be developed to assist with the sell-in of all Wellcom products and services worldwide.

Wellcom will also send its flagship magazine VISION to all shareholders as well as clients and suppliers, keeping everyone informed of what is happening within the businesses globally.

- ONGOING COST SAVING INITIATIVES

The Board has mandated regular and ongoing cost saving initiatives across the Global network. A senior review committee will investigate all options moving forward and report regularly to the Board. This is a high priority.

New Business.

We have had some significant new business gains for the year. All are well credentialed blue-chip clients, and span the globe.

The UK is building a reputation for fashion and retail with digital photography, high end creative retouching and 3D illustration, design, artwork adaptation and project management.

London adds:

Visit England

BASF

The White Company

Radley

Blossom Mother and Child

Other business wins include **Sam Edelman**; **Accurist**; and **Canon**.

Closer to home, new business wins include retail giants Kmart and Target.

Both are significant wins.

I'm also very pleased to announce that David Jones continues with our joint partnership with advertising agency, Whybin TBWA.

Big wins were also had with corporate giants MSD Pharmaceuticals and Stockland Property Group in Sydney, while in Melbourne, we added Bulla, CSR Sugar (alongside Target and Kmart) to the growing list of clients.

In New York, [and independent of **thelab** acquisition], was a very significant win with BBH. BBH is one of the world's leading advertising agencies, and we provide creative hubs to BBH in London, Singapore and now, New York.

And of course in the US, we added new business through the acquisition of **thelab** with agency Dentsu McGarry Bowen; Simon Malls; DKNY; Laird & Partners; David & Goliath and Victoria's Secret.

These are all significant blue chip accounts.

The significance of being truly Global.

We can now trade on the fact that we service heavy-weight corporate and retail clients globally. I firmly believe this is a game changer in our business paradigm shift.

And there is no better game-changer than having creative hubs positioned in every Wellcom location across the network, across the globe.

I feel this this is an important point for winning new local and global business.

And I believe the best is yet to come.

2014.

2015.

And the Future.

I have discussed the Kuala Lumpur Centre of Excellence in detail. It's future is assured.

I firmly believe its growth is assured. All infrastructure costs have been covered off in the previous years and it's ready for organic growth – and ready for new business out of the US and the UK.

Asia.

Described in two words – ***vitaly important.***

Not just because we feel there is untapped growth in the region, but because we know there are untapped acquisition possibilities to be made. Michael Bettridge is in command of the Asian operation. His job is to be vigilant for new business and alert for potential acquisitions.

Courts Megastores have renewed their contract with us for the provision of marketing services in Singapore and Kuala Lumpur.

Asia remains a key focus. With highly visible proof of concept offices in Singapore and Kuala Lumpur, this is where the Wellcom Board is keenly looking to drive new opportunities.

The Group's strong financial position makes an Asian acquisition something that could be actioned quickly, should the right opportunity present itself.

Creative Hubs.

As I said, I'm extremely pleased to announce that Wellcom hubs are now deployed globally and I have to say that it makes an brilliant sales pitch when you can say that our hubs are deployed across the world.

In 2014 they reached in excess of 70% of gross revenue and are the Group's powerhouse performers.

They remain the single biggest cross-sell agents in the Group bringing in sales for Wellcom satellite services such as video and post production; digital print; online development; and print management.

Now when you apply the fact that the average hub delivers around 30% of Wellcom services, then the opportunity for organic growth becomes obvious and remains a high priority.

To assist in this initiative, further emphasis will be placed on mentoring Hub Managers to identify opportunity for cross-sell.

This exposes Hub Managers to the entire Wellcom product range. This also includes upsell where clients may require in-house online design, Video/TVC, or Web development out of the Hub.

As part of the creative content strategy, it is planned to offer more creative content solutions inside the hubs network.

This will include online design and digital development capability.

With the proliferation of online internet activity, Wellcom is very well positioned to provide creative content quickly and efficiently for all our clients.

Technology.

Knowledgewell remains a key focus of the business.

Our proprietary Knowledgewell software continues to underpin both our production services and many of our clients' marketing workflow requirements.

We continue to invest in Knowledgewell's expansion, iteration and relevance to a changing media landscape.

Knowledgewell technology must be cloud-based, media agnostic and device independent. Today, brands need to connect their message with their consumers in the channel those consumers demand. Knowledgewell is that enabler.

Wellcom has the results, the case studies, and the resolve to pick up new business through its technology platform.

The UK.

Having brought in significant new business growth, and keeping a strong handle on cost containment, the London office has had a good year.

We expect this to continue and grow under the administration of Andrew Sidwell.

Australia and New Zealand.

These divisions remain the key revenue providers within the Group. It includes Wellcom Sydney, Wellcom Melbourne, Wellcom Adelaide, Wellcom Auckland and satellite businesses Wellcom Print Management Services and Digital House.

Significant new business gains in 2014 will reflect well in 2015. We have also invested in much needed infrastructure, with Wellcom's Sydney headquarters moving to Pyrmont Sydney, in purpose built facilities that allows for further expansion.

The Wellcom Auckland business has also moved into custom built premises in the CBD. This has offered efficiencies of scale bringing the business closer to its client base. Now with two Hubs and direct corporate clients, this operation is at the forefront of creative content design and development.

Wellcom Print Management Services has had a busy and successful full twelve months servicing both major corporate contracted clients, as well as being supported by large-scale “project” clients.

Digital House has also enjoyed a very solid year and has gained a reputation for high quality and turnaround in the digital print market sector. It’s also important to note that this technology is the future of print globally.

Evidence of their quality can be seen in the printing of Wellcom’s corporate Annual Report. Both businesses remain excellent examples of Wellcom cross-sell.

We now commence the formal part of the meeting:

Only shareholders or their duly appointed proxies or corporate representatives, can vote at today's meeting. You will have been issued with a yellow voting card. When I ask you to vote on a show of hands, please hold up your yellow voting cards.

If there is any shareholder here who is eligible to vote and does not have a yellow coloured card, would you please raise your hand now and keep it raised until you are attended by a representative of our share registry.

Non-voting shareholders with blue cards can ask questions, whilst visitors have red cards and may not vote or speak in respect to any item at this meeting.

I now ask you to receive and consider the reports of the Directors and the Auditor, and the financial statements for the year ended 30 June 2014 for the Company, and its controlled entities.

Are there any shareholder questions and/or comments on any aspect of the financial statements and reports?

Do I have anyone to propose the adoption of the Financial Statements and Reports?

Do I have a seconder for the motion?Thankyou.

All those entitled to vote and are in favour of the motion to adopt the Financial Statements and Reports, please raise your yellow cards.

Motion carried.

The next item on the agenda is the Remuneration Report. Please note this is a non binding vote.

I would ask you to consider and if you think fit, pass the following as an ordinary resolution:

Resolution 1: “That the Remuneration Report for the financial year ended 30 June 2014 be adopted”.

I, as Chairman of the meeting advise I am holding 57 valid shareholder proxies in relation to this resolution, which represents 9,811,717 ordinary shares, being:

38 proxies for, 11 proxies against and 8 open proxies. The proxy's voting in favour of the resolution represent 98.14% of the shares voted.

**I will be voting for the resolution in relation to all open proxies.
Do I have anyone to propose this resolution?**

Do I have a seconder for the motion?Thankyou.

All those entitled to vote and are in favour of this motion, please raise your yellow cards.

Resolution passed as an Ordinary Resolution.

The next item on the agenda is the re-election of company directors.

I ask you to consider, and if you think fit, pass the following as an ordinary resolution:

Resolution 2: “That Mr Charles Anzarut who, in accordance with clause 12.11 of the Constitution of the Company, retires from office, and being eligible, offers himself for re-election as a Director of the Company”.

I, as Chairman of the meeting advise I am holding 62 valid shareholder proxies in relation to this resolution, which represents 9,818,519 ordinary shares, being:

51 proxies for, 1 proxy against and 10 open proxies. The proxy's voting in favour of the resolution represent 99.05% of the shares voted.

I will be voting for the resolution in relation to all open proxies.

Do I have anyone to propose this resolution?

Do I have a seconder for the motion?Thankyou.

All those entitled to vote and are in favour of this motion, please raise your yellow cards.

Resolution passed as an Ordinary Resolution.

That finalises the Resolutions to be passed at this meeting.

I now throw the floor over to you for your say.

Do we have any questions please?

We have now reached the end of the formalities for the 2014 Wellcom Group AGM.

To sum up I would like to say I remain upbeat for 2015.

With the advent of Wellcom USA, I firmly believe we enter a new and exciting era for the Wellcom Group, Worldwide.

Our creative products service compass is set. We are providing more of what our clients expect; and demand; through creative content.

2014 has been a year of careful and painstaking planning for the future – planning for the next five years.

It has represented Change – it offers Challenge. To meet this, we have already moved our business ahead of the curve in terms of directional positioning.

From the senior executive management down ... we are ready!!

We have broken away from the past, but have managed to hold the traditional services that were at one time in jeopardy. This has been achieved through a more cost effective, quality assured product out of the Centre of Excellence in Kuala Lumpur. Margins remain protected.

We maintain a strong cash position. In what has been a challenging economic environment, we have delivered to forecast.

Wellcom Worldwide's expertise has expanded to include creative content and production across all the online media channels including branded websites; digital, design, tv, video; digital display; social media; online shopping channels and eCommerce.

The previous year we had determined a series of strategies that we progressively and systematically rolled out.

We will never be complacent. We acknowledge and monitor Asia's economic growth forecasts and how it can impact us at both a local level and a global level.

Five leading economists in the AFR recently took a very negative point of view about the global economy. They pointed to a new wave of global volatility, driven mainly by the diverging economic fortunes of the world's principal economies.

We as a global player are exposed in all markets. We have been through it before and we know what to do. We have strategies in place to handle any such tough times.

I'm always careful, but I'm also optimistic.

We're global. We're open for business 24/7; and in the space of less than one year we have built a pan American presence.

I believe 2015 introduces the most exciting time in Wellcom's fourteen year history.

With proceedings coming to a close, I would like to take this opportunity on behalf of my fellow directors, Mr Charles Anzarut, Mr Kerry Smith and our CEO, Mr Steve Rees, and our CFO Andrew Lumsden, and our senior management team, to again thank our staff and their families across all of the Wellcom worldwide networks, for their fine work, their loyalty and dedication. We are blessed to have such talented and dedicated individuals in our company.

Sincere thanks must also go to our clients, whose faith in our ability to constantly deliver has kept us where we are today.

Finally, I would like to thank you, our shareholders and say it is with pleasure that we have passed on another strong fully franked dividend.

On behalf of your Board of directors, I would like to thank you for your time today.

I hereby formally close the 2014 Wellcom Group Annual General Meeting.

Thankyou.