



## ASX ANNOUNCEMENT

19 November 2018

### FY2018 Annual General Meeting – Chairman Address

Good afternoon.

The advertising and media market continues to evolve at pace with new digital mediums replacing or complementing old mediums. With this, print media continues to decline however this has been offset by growth in outdoor, radio and digital media advertising. The future growth opportunities however remain in digital media channels, particularly those optimised for mobile devices and with video capability.

Adcorp's agency solutions team continues to focus on bringing these opportunities to both our current and future clients, with the goal of delivering effective strategic marketing and communications solutions that can be measured against campaign objectives.

We are expanding the development of video content solutions delivered to global entertainment companies through Showrunner Productions and we expect to grow their contribution to earnings over the next several years. Showrunner has now completed six series of video content and is rapidly gaining a reputation for quality productions globally.

While the market and economic uncertainty remains challenging our focus on delivering strategic marketing communications coupled with continued operating realignment and enhanced sales capability will start to deliver results to help us achieve profitable growth in our business and overall positive financial performance.

#### KEY RESULTS

*Total billings of \$45,010,350 were down 12% from the previous year due to reduction in spend from clients in the real estate and government sectors.*

*Operating revenues of \$12,786,202 were down 4% from the previous year*

*Revenue margin increased 9% to 28.4%*

*Operating expenses increased by 5% to \$15,103,358 due to an increase in Showrunner TV Production costs*

*A net operating loss for the consolidated entity after providing for income tax and non-controlling interest amounted to \$2,109,626 compared to the previous year's loss of \$1,490,980.*

Adelaide  
Auckland  
Brisbane  
Canberra  
Christchurch  
Darwin  
Melbourne  
Perth  
Sydney  
Tauranga  
Wellington

#### Starting conversations

Adcorp Australia ABN 72 002 208 915

#### POSTAL

PO BOX 601  
Broadway NSW 2007

#### SYDNEY

Level 2, 309 George Street  
Sydney NSW 2000

#### adcorp.com.au

T: 02 8524 8500  
F: 02 8524 8700

For personal use only



## BUSINESS PERFORMANCE OVERVIEW

The Company experienced a decrease in billings through FY18 however despite this, revenue margin improved 9% over the prior period.

As a result of overall business performance, the Company implemented a number of programs in the second half of FY18 designed to deliver more profitable revenue streams by restructuring our operations and better aligning expenses to revenues. The business was restructured along three key divisional areas – sales/account management, agency solutions and operations – this has resulted in improved accountabilities, better margins and has developed our forecasting capability.

This has also led us to review all our client accounts to ensure they provide long term profitability for the Company, while ensuring we are able to provide our clients with real, value-add services which ultimately and demonstrably help accelerate their businesses.

The **New Zealand** component of our business continues to deliver its employee branding and talent attraction services to blue chip clients providing a positive alternate revenue stream to traditional transactional employment advertising, which has historically underpinned the business in that market.

Our shareholding in **Quadrant Creative** continues to work well with this business increasing their footprint from South East Queensland to other states where they provide market leading residential property marketing services.

**Showrunner** continued to specialise in factual documentary making and its three initial series are continually being marketed by our distribution partners globally. In 2018 Showrunner achieved significant growth with the completion and delivery of 24 factual documentary episodes for a global streaming broadcaster. 72 Dangerous Animals Latin America commenced screening on Netflix in December 2017 and was followed by 72 Dangerous Animals Asia in August 2018. Investment was required in the form of technology services and equipment to support the delivery of these programs and this will subsequently benefit other productions. Additional programs are currently in development and we are working with international distributors on the pre-sales of these concepts.

Adcorp holds a 15% shareholding in **Shootsta** which is an innovative start-up providing its clients with filming equipment and an editing hub that allows the rapid turnaround of high-quality video content. The financial year saw rapid overseas expansion of the Shootsta business with their geographic footprint expanding to Asia, the United Kingdom and the United States. Sales teams have been formed in these regions and brand awareness is growing as are sales volumes. These international teams are backed by the Australian operations which continue to perform to expectations.

Adelaide  
Auckland  
Brisbane  
Canberra  
Christchurch  
Darwin  
Melbourne  
Perth  
Sydney  
Tauranga  
Wellington

## Starting conversations

Adcorp Australia ABN 72 002 208 915

## POSTAL

PO BOX 601  
Broadway NSW 2007

## SYDNEY

Level 2, 309 George Street  
Sydney NSW 2000

## adcorp.com.au

T: 02 8524 8500  
F: 02 8524 8700



## OUTLOOK

FY19 will see the Agency business undergo a complete transformation to focus on fewer, more profitable clients under a new agency brand and structure while also allowing us to narrow our focus on sectors for business development. This will provide the means for the Company to be confident that financial performance will improve.

After a complete strategic review of the business, focussed on both short and long term opportunities, the Company has developed a new strategic plan for the business which the Board has endorsed and the business is now in the final stages of implementation.

This strategy has raised capital via a rights issue in order to transition our Australian Agency business to a newly branded, smaller yet profitable, strategic marketing solutions business. This new agency business together with our other profitable operating divisions of New Zealand, Quadrant and Showrunner, and with our 15% stake in Shootsta, is expected, after the transition period, to generate both positive cashflows and EBITDA for the Adcorp group moving forward.

While the Company required short term capital to implement these changes, they should present an inflection point on historical financial performance, resulting in a positive EBITDA and cash generative business, albeit off a smaller base, providing future value for shareholders.

As part of the completion of this transformation Alex Parsons has moved to an executive director role until early December and David Morrison has become our operational CEO and Managing Director. I would like to acknowledge the pivotal role Alex has played in the restructuring and transformation of the company. Thanks Alex.

We believe that, after many years of losses, the implementation of this new long term strategy will create an unencumbered future for the business, one which acknowledges and works with market trends and generates long term sustainable growth for both the agency and video aspects of our Company.

I would like to take this opportunity to thank the staff and directors for their efforts, commitment and contribution to the business in FY18 and look forward to working with them to realise our aspirations in FY19 and beyond.

Adelaide  
Auckland  
Brisbane  
Canberra  
Christchurch  
Darwin  
Melbourne  
Perth  
Sydney  
Tauranga  
Wellington

---

For further information, please contact:  
David Morrison - Chief Executive Officer  
Adcorp Australia Limited  
+61 (02) 8524 8555  
davidmorrison@adcorp.com.au

**Starting conversations**

Adcorp Australia ABN 72 002 208 915

**POSTAL**

PO BOX 601  
Broadway NSW 2007

**SYDNEY**

Level 2, 309 George Street  
Sydney NSW 2000

**adcorp.com.au**

T: 02 8524 8500  
F: 02 8524 8700

For personal use only