Starting conversations

adcorp

Chairman's Address to AGM

28 November 2014

The financial year still presented significant challenges for Adcorp and as a result, most of the year was spent restructuring the business in order to reduce operating costs while continuing to invest in the growing areas of our business; namely creative, digital and video/television production. These challenges were mainly bought about by uncertain economic conditions that created low demand for our employment marketing services and a reduction in advertising activity across our government business, due to ongoing efficiency initiatives designed to reduce costs, along with a Federal election. Pleasingly the demand for our property marketing services increased during the same time and we continue to see opportunities within this sector.
Press advertising continued its decline and the online landscape changed with the continued growth in the number of websites available for advertising and the introduction of pay walls for some news sites. The growth in digital networks provided opportunities for us to increase the reach of our clients' advertising; however revenue streams from such activities are typically lower than those of traditional media.

AREAS OF FOCUS

Based on the changes within the media landscape and the economy in general, it is clear that we need to continue to evolve the business into a nimble, highly efficient specialist services marketing agency that rigorously recovers its operating costs when adding value to clients.
As such the main areas of focus for Adcorp include:

- Assessing client profitability based on the costs of service and the value added.
- Further rationalisation of shared service or head office costs.
- Continued diversification of our service offering and expedited efforts centring on the growth areas of digital and TV/video production.
- Network-wide focus on the acquisition of new business across all our business pillars.

OUR RESULTS

- Revenue declined 11% on prior year, to $18.5 million.
- Operating costs were reduced by 12% on prior year to $21.3 million with the benefit of some of these cost-cutting initiatives to flow into the new financial year.
- Loss after income tax and non-controlling interest was $2.6m, an improvement of $4.3m on the prior year's Loss of $6.9m (which included impairment costs of $3.4m)

No dividends have been declared for the year.
This year saw two new Directors join the Board and I would like to thank Garry Lemair and Dean Capobianco for their contributions in restructuring Adcorp to improve business performance and build a sustainable business model moving forward.
Likewise to all Adcorp employees who have continued to work diligently in the service of their clients while the business changes and adapts to the challenges it faces.

OUTLOOK
The new financial year is showing some stabilisation of activity however there is no evidence as yet to support significantly improving economic conditions. It is also early days for the Australian Government's Master Media Advertising contract that we commenced on 1 July 2014 as part of an alliance with the Mitchell and Partners media buying company.
Our focus remains to continue our business transformation to improve overall performance and provide a return to shareholders.

FURTHER UPDATE
I would now like to provide a further update to shareholders on activity this financial year. Conditions in some areas of our business have continued to be challenging and despite a solid pipeline of new business opportunities, our speed in securing these opportunities has not been as fast as we would have liked.
Consequently we commenced reviewing the non-performing areas of our business and undertook a significant restructuring program that was implemented earlier in November. This had the effect of reducing annualised expenditure by approximately $1.4million and redirecting resources to expedite new business growth in key areas.
Costs will continue to be vigorously managed and opportunities for further efficiencies will be examined and then implemented as quickly as possible where this makes a material impact to performance.
We have also now signed an agreement for alternative financing that will meet our working capital cash flow needs and our Guarantee facilities. We have commenced the transition of these facilities and expect them to be in place by January 2015.
The Board and management team are all focused on the vital task of returning Adcorp to a more sustainable financial position.

Ends

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