

Enero trading update; Naked Communications new chapter

Naked Communications new chapter

Enero Group Limited (ASX: EGG) today announced that, following a review by the new Naked Communications Global CEO, Richard Dunmall, Naked will undertake a business investment program to entrench its position as one of the leading communications agencies in the world. The program will include:

- Investment in senior leadership and talent management programs across key markets including greater focus on creating a global hub in the New York office and development of a stronger global network;
- Investment in new systems, IP and tools to deliver the next level of communications planning, strategy and data analytics to clients; and
- Partnerships with data and media focused technology companies.

Following the appointment of Richard Dunmall on 9 November 2012, Enero believes now is the right time to ensure Naked Communications is poised to deliver long term growth.

Mr Dunmall, said: “It was very quickly clear to me that Naked needs a refresh of its operational focus in addition to new tools and IP to assist that process. I have already visited most of our key markets and consider this investment necessary to ensure we perform at our peak”.

“In the complex media landscape we see across the globe today, Naked’s proposition remains even more valid as clients seek to optimise their brand and communications architecture across owned, earned and bought media and social channels. Our strength lies in Naked’s ability to not only provide an independent voice but to couple this with creative thinking and problem solving. Naked remains one of the most awarded and highly regarded marketing services businesses.”

Matthew Melhuish, CEO of Enero added: “The new Naked executive team has the full support of the Enero Board as it makes this new investment. We recognise Naked is a vital brand for Enero, offering expertise in both the communications planning and digital space”.

The cost of the investment program is expected to be approximately \$2m in EBITDA across the second half of FY13.

Enero Group trading update

Enero Group also provided a trading update on the first four months of FY13 through to 31 October 2012:

Financial Performance for four months ended 31 October 2012 (unaudited)

A\$ million	YTD 31 Oct 2012	YTD 31 Oct 2011
Net Revenue	46.5	99.8
Operating EBITDA ¹	1.8	9.9
<i>Pro forma (continuing businesses)²</i>		
Net Revenue	44.8	49.9
Operating EBITDA ¹	1.7	3.8



Notes:

1. Operating EBITDA is earnings before interest, tax, depreciation, amortisation, impairment, loss on sale, fair value adjustments to deferred consideration, and restructuring costs. Operating EBITDA is the primary measure used by management and the directors in assessing the performance of the Group. It provides information on the Group's cash turnover excluding significant transactions and non-cash items which are not representative of the Group's on-going operations or cash flow.
2. Pro forma excludes the contribution of Field Marketing businesses sold in November 2011, Retail Insight's point-of-sale business sold in September 2011, BWM sold in August 2012, ISS Marketing sold in June 2012, Image Box sold in May 2012, the closure of Counterpoint, Yield Media, Marching Ants during FY2012. Pro forma revenue and Operating EBITDA are presented to provide an accurate representation of the Group's current year operations compared to the same operations in the prior period.
3. The results announcement and attached presentation includes the following measures used by the Directors and management in assessing the on-going performance and position of the Group: Operating EBITDA, Pro forma net revenue, pro forma Operating EBITDA. These measures are non-IFRS and have not been audited or reviewed.

Pro Forma business operating performance:

Pro forma revenue was down 10% on prior year and pro forma EBITDA was down 55% on prior year. Contributing factors to the performance as compared with the prior year on a pro forma continuing business basis were:

- Difficult trading conditions continue to impact the three key hubs.
- BMF has been impacted by the loss of the retained Commonwealth Bank business, reducing overall operating margins.
- Naked Communications continues to be impacted by difficult trading conditions in Europe and weaker performance in smaller non-core offices where discretionary projects have been reduced along with a general reduction in client spending.

Hotwire, Frank PR and The Leading Edge continue to perform consistent with the prior year. Enero Group continues to focus on further group operational efficiencies and better talent attraction and retention across its businesses.

Financial Position:

The Company had \$21.1m of total cash at 31 October 2012 with \$0.4m in cash capped deferred consideration payments to make over the next six months. After setting aside minimum cash holding level requirements for ongoing working capital purposes across all of the business units, the Company has an excess cash balance of approximately \$7.5m available for investment purposes. The second half FY13 cost of Naked \$2m investment program will be funded from future cash flows of the operating businesses and/or the available excess cash balance.

The Company will complete a review of the carrying value of its intangible assets as part of its interim review process for the first half of FY2013 after assessing the first half trading results and the impact of the investment program.

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