



# adcorp

## Adcorp Business Update

A weakening economy coupled with significantly reduced advertising activity is currently placing pressure on our financial performance. This has necessitated a major review of our operations and capabilities brought on by these deteriorating market conditions, and we have initiated a series of actions to adapt our business for the future.

During the months of July and August, we have experienced a significant reduction in advertising spend across our traditional print media platforms. This decrease is not sector specific however changes in advertising policy and mandated expenditure cuts by Governments around the country have resulted in a significant decline in volumes for our Master Media Agency contracts. In addition a number of national clients have reduced expenditure. More recently our mining and resources clients have reduced activity as they defer or scrap expansion projects.

The recent well-publicised organisational changes within our major media suppliers are symptomatic of the issues facing our industry and have an impact on our own products and services. We remain focused on providing a sustainable quality service to our clients by ensuring our business has the relevant capabilities to deliver these services into the future. We are committed to appropriate training and skills development within our teams, while driving efficiencies in our underlying operations.

On a positive note, we have seen a solid demand for our digital, creative, strategic media and video production services and continue to invest appropriately to grow the business in this direction, while adapting our technology solutions to manage the new media landscape.

The effect of this reduced activity has severely impacted our revenues. In light of this discernible trend we are appropriately reducing our cost base, but we anticipate that the reduced revenues, compounded by the costs of restructuring the business, will severely impact our financial result for FY13. With these prevailing market conditions, we anticipate incurring a loss for the first half of FY13.

By implementing necessary cost reductions in our traditional business, adapting our model to more efficiently service changing client needs with a broader range of digital, video and creative solutions, and investing in new service offerings, we are confident that Adcorp will adapt to the changing environment now and in the future.

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**Starting conversations**

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