

## Corporate

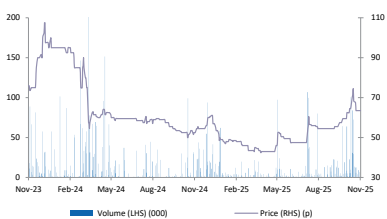
 Current price **63.5p**

 Sector **TMT**

 Code **AEO.L**

 Listing **AIM**

### Share Performance



| % Change     | 1m   | 3m    | 12m   |
|--------------|------|-------|-------|
| <b>AEO.L</b> | +6.7 | +16.5 | +20.9 |

Source: Thomson Reuters, Allenby Capital

### Share Data

 Market Cap (£m) **6.2**

 Shares in issue (m) **9.69**

| 52 weeks (p) | High        | Low         |
|--------------|-------------|-------------|
|              | <b>74.5</b> | <b>42.5</b> |

 Financial year end **December**

Source: Company Data, Allenby Capital

### Key Shareholders

M Hale (Chair) 20.1%

S Quah (CEO) 9.0%

B Geary 8.3%

S Perring 4.9%

A Charlton 4.1%

Source: Company Data, Allenby Capital

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# Aeorema Communications plc (AEO.L)

## Benefits of streamlined strategy flow into forecasts

The decision to move the year end to December has improved clarity regarding underlying revenue and earnings and provided more certainty and visibility to underpin forecasts. The trading update set out revenue/PBT estimates for the current financial year (an 18-month period to end Dec 2025) and we have included forecasts for the 12 months to end Dec 2026. A strategy articulated previously has stabilised and improved the quality of revenues that will steadily benefit core underlying profit margins.

FY25 revenue is expected to be £29.0m or above (FY24 equivalent (18 months): £27.5m), adj. PBT (excluding one-off restructuring costs) no less than £0.7m (FY24 equiv.: £0.32m) and headline reported PBT minimum £0.39m (£0.32m). The FY26 outlook anticipates minimum revenue of £20.4m (12-month equiv. FY25: £21.7m) and £0.73m PBT (12-month equiv. FY25: £0.51m).

- Rebalanced overheads and client portfolio will drive margins:** AEO has streamlined its operations over the last 18 months. This cost reduction exercise is now complete, and its full positive impact will be reflected in FY26 PBT. It has also pivoted its client portfolio towards larger, higher margin projects which enable it to leverage its core expertise. In many cases, the client hasn't changed but AEO has moved up the value chain.
- AEO has broadened its revenue base, secured new global clients and built its profile in additional geographies.** It has added important tentpole events for its creative work. In 2025, it delivered new high profile event contracts at the World Economic Forum in Davos. That will progressively help to diversify revenue. Cannes Lions currently remains the key showcase for AEO's award winning expertise and is its largest single source of revenue.
- Valuation: Strong messages and clear metrics emerging:** The forecasts illustrate how recent focus on profitability feeds into margins. The outlook is underpinned by the financial and operational benefits of restructuring, and a progressively growing pipeline of larger scale work for retained and new clients. The statement reiterates that margin improvement and profit growth are central priorities. The valuation is supported by a FY26e multiple of 12x (8.4x EV/PAT), a 5.5% prospective dividend and a commitment to progressive distributions on the back of higher EPS. AEO has also indicated its intention to use cash for buybacks of up to 5% of its ordinary shares

### Year End: June (FY22 to FY24)/December (from FY25)

| Year end (£'000)              | June 2023A | June 2024A | 18 mths to Dec 2025E | 12 mths to Dec 2025E | December 2026E |
|-------------------------------|------------|------------|----------------------|----------------------|----------------|
| <b>Revenue</b>                | 20.23      | 20.29      | 29.0                 | 21.70                | 20.40          |
| <b>EBITDA</b>                 | 1.09       | 0.44       | 0.40                 |                      | 0.75           |
| <b>Reported PBT</b>           | 1.05       | 0.44       | 0.39                 | 0.51                 | 0.74           |
| <b>Adj. Underlying PBT</b>    | 1.05       | 0.44       | 0.70                 |                      | 0.74           |
| <b>EPS – basic (p)</b>        | 8.04       | 3.11       | 2.78                 |                      | 5.23           |
| <b>Net Cash</b>               | 2.33       | 2.33       | 2.00                 | 2.00                 | 2.20           |
| <b>Dividend per share (p)</b> | 3.00       | 3.00       | 3.00                 |                      | 3.50           |
| <b>Dividend yield (%)</b>     | 4.7        | 4.7        | 4.7                  |                      | 5.5            |
| <b>PER (x)</b>                | 7.9        | 20.4       | 22.8                 |                      | 12.1           |

Source: Company; Allenby Capital. Allenby Capital acts as Nomad &amp; Broker to Aeorema Communications plc (AEO.L).

## New financial reporting cycle enhances clarity

AEO's decision to change the annual financial reporting cycle should enhance visibility for investors. The group's previous June year-end coincided with its traditionally busiest operating period. The shift to December means that from FY26 onwards there will be better clarity regarding short to medium term revenue and earnings potential. This will also give management more confidence regarding the forecast period.

This update included a reporting timetable under which it plans to release the FY25 results (18-months to 31 December 2025) by 30 June 2026; and unaudited interim results to end June 2026 in September 2026.

### Interim results

AEO recently reported its interims for the first 12 months of the current year (to end June 2025). Revenue was a new record for the group at £20.4m (FY24: £20.3m) and underlying PBT was well ahead of the prior year at £0.62m (FY24: £0.44m). Headline PBT was £0.37m (FY24: £0.44m), after restructuring costs. Period end cash was £3.1m, unchanged yoy. AEO maintained an average cash position of £2.1m across the period.

#### Exhibit 1: Summary interims income statement

| Year end 30 June (£m)                                   | 12 Months to<br>30 June 2025 | 12 Months to<br>30 June 2024 |        |
|---|------------------------------|------------------------------|--------|
| <b>Continuing Operations</b>                            |                              |                              |        |
| Revenue   | 20.41                        | 20.29                        | +0.6%  |
| Cost of sales   | (17.04)                      | (16.51)                      | +3.0%  |
| <b>Gross profit</b>                                     | <b>3.37</b>                  | <b>3.78</b>                  | -0.3%  |
| Administrative expenses                                 | (3.02)                       | (3.34)                       | -9.3%  |
| <b>Operating profit</b>                                 | <b>0.35</b>                  | <b>0.44</b>                  |        |
| Finance income  | 0.05                         | 0.04                         |        |
| Finance costs   | (0.03)                       | (0.04)                       |        |
| <b>Profit before taxation</b>                           | <b>0.37</b>                  | <b>0.44</b>                  |        |
| Taxation  | (0.13)                       | (0.14)                       |        |
| <b>Profit for the period from continuing operations</b> | <b>0.24</b>                  | <b>0.30</b>                  | -20.0% |
| Other comprehensive income                              |                              |                              |        |
| Items that may be reclassified to profit or loss        |                              |                              |        |
| Exchange differences (FX)                               | (0.13)                       | (0.09)                       |        |
| <b>Other comprehensive income for the period</b>        | <b>(0.13)</b>                | <b>(0.09)</b>                |        |
| <b>Total comprehensive income for the period</b>        | <b>0.11</b>                  | <b>0.21</b>                  |        |
| <b>Basic (pence)</b>                                    |                              |                              |        |
|   | <b>2.47</b>                  | <b>3.18</b>                  |        |
| <b>Diluted (pence)</b>                                  |                              |                              |        |
|   | <b>2.20</b>                  | <b>2.69</b>                  |        |

Source: Company

Equally positive was that this progress was achieved during a challenging first half for its global brand clients, which are also engaged in cost saving exercises. At the period end, AEO reported a strong pipeline and outlook weighted towards the second half of the calendar year.

The group has confirmed that it intends to pay a dividend based on the unaudited interim results (12 months to end June 2025), rather than await the audited 18 months to end Dec 2025. In September, the Board declared an interim dividend of 3 pence per share in respect of the 12 months to 30 June 2025, payable on 24 November 2025. A prospective final dividend for the extended 18-month reporting period to end Dec 2025 will be determined when it publishes audited results. Distributions are underpinned by a strong cash position which has also enabled the group to consider share buybacks. AEO has indicated that these will be equivalent to c. 5% of its issued share capital.

**Outlook**

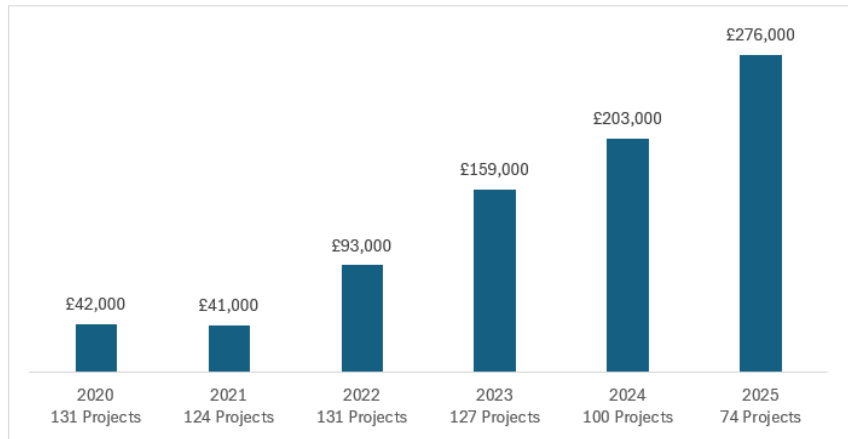
AEO’s cost reduction and rebalancing programme, initiated in 2024, is now complete. This positions Aeorema for enhanced operational efficiency and should be reflected in improved margins. The group hasn’t set out a specific target for net margin growth, but this is a key performance metric.

We would expect to see progressive improvement in net margins from the current c. 2% towards 4-5% or higher over time. It expects to build on resilient relationships with its blue-chip client base, where it has seen no major client losses, and solid revenue generation for key periods.

**With no further adjustments for restructuring we forecast headline and underlying FY26 PBT of £0.74m 12 months to 31 December 2026.**

We believe that the following chart illustrates the strategic progress made over the last five years, as the group refocused its efforts on a smaller number of larger more strategic briefs with its clients, which reflects how its client relationships have evolved. This pivot from production to provision of high-end strategic advice has enabled AEO to leverage its resources very effectively. We expect this to be reflected in a steady recovery in group margins.

**Exhibit 2: Material Growth in Average Project Scale**



Source: Company

The outlook points to further progress in this respect. AEO reports that continued traction in its key international markets, particularly North America and EMEA, in ways that reinforce its position in strategic communications and live experiences.

Revenue visibility is underpinned by client commitment to annual events, such as Cannes Lions, and a growing US business which has attracted leading US brands both within the US and internationally. The three new global brands added to the client portfolio in 2025 included a high-profile fitness industry entity. One of the new brands at Cannes Lions was introduced by an existing client.

In North America, Cheerful Twentyfirst delivered a series of high-profile projects across multiple client sectors this year. These includes large-scale brand activations for The Wall Street Journal at the United Nations General Assembly, a multi-day summit for AI-powered advertising platform Smartly, and delivery of conferences such as Climate Week. The group confirmed that c. 40% of this work is attributable to new clients.

Other initiatives have built client relationships in the region. In September, AEO delivered an immersive 1,300-person concert for Instacart in New York. This represented the group's first major step into brand-to-consumer experiences in North America.

Although efforts to broaden and diversify group activities will help balance activity across the year and reduce seasonality, Cannes Lions is likely to remain a key platform for the AEO's creative and delivery capabilities. The momentum continues to build and at this summer's event it was retained by a broader client mix and strengthened its partnerships with global brands and agencies. This has helped the group to access additional opportunities for new clients at major international events. These include CES (Las Vegas), Davos (Switzerland), Art Basel (Miami) and SXSW (Austin).

The outlook is built on a broader portfolio and strong pipeline across multiple regions and industry sectors. AEO's clients include a wide range of brands, agencies and commercial partners and it expects to continue to grow into 2026.

**Exhibit 3: Income Statement**

| Year-end (£)                         | June<br>2022 | June<br>2023  | June<br>2024  | Dec<br>2025* | Dec<br>2026  |
|--------------------------------------|--------------|---------------|---------------|--------------|--------------|
| <b>Revenue</b>                       | <b>12.21</b> | <b>20.23</b>  | <b>20.29</b>  | <b>29.00</b> | <b>20.40</b> |
| Cost of sales                        | (9.17)       | (15.90)       | (16.52)       | (24.01)      | (16.50)      |
| Gross profit                         | 3.04         | 4.33          | 3.77          | 5.00         | 3.90         |
| Gross margin                         | 25%          | 21%           | 19%           | 17%          | 19%          |
| Other income                         | 0            | 0             | 0             | 0            | 0            |
| Administrative expenses              | (2.17)       | (3.24)        | (3.33)        | (4.60)       | (3.22)       |
| Operating profit                     | 0.87         | 1.09          | 0.44          | 0.39         | 0.68         |
| Operating margin                     | 7%           | 5%            | 2%            | 1.3%         | 3.3%         |
| Exceptional income                   |              |               |               |              |              |
| Exceptional costs                    |              |               |               |              |              |
| <b>Operating profit post-excepts</b> | <b>0.87</b>  | <b>1.09</b>   | <b>0.44</b>   | <b>0.39</b>  | <b>0.68</b>  |
| Finance income                       | 0.24         | 0.22          | 0.04          | 0.06         | 0.06         |
| Finance costs                        | (0.03)       | (0.05)        | (0.04)        | (0.02)       | (0.00)       |
| <b>Profit before taxation</b>        | <b>0.84</b>  | <b>1.05</b>   | <b>0.44</b>   | <b>0.43</b>  | <b>0.74</b>  |
| Taxation                             | (0.20)       | (0.29)        | (0.14)        | (0.14)       | (0.24)       |
| <b>Profit for the year</b>           | <b>0.64</b>  | <b>0.76</b>   | <b>0.30</b>   | <b>0.29</b>  | <b>0.50</b>  |
| Exchange differences                 | 0.04         | (0.12)        | (0.09)        | 0.00         | 0.00         |
| <b>Other comprehensive income</b>    | <b>0.04</b>  | <b>(0.12)</b> | <b>(0.09)</b> | <b>0.00</b>  | <b>0.00</b>  |
| <b>Total comprehensive income</b>    | <b>0.68</b>  | <b>0.64</b>   | <b>0.21</b>   | <b>0.29</b>  | <b>0.50</b>  |
| Dividend cost                        | (0.18)       | (0.28)        | (0.29)        | (0.29)       | (0.34)       |
| <b>Profit per ordinary share:</b>    |              |               |               |              |              |
| Total basic EPS (p)                  | 6.92         | 8.04          | 3.11          | 3.06         | 5.23         |
| Total diluted EPS (p)                | 5.81         | 6.83          | 2.69          | 2.65         | 4.52         |

Source: Company; Allenby forecasts. \* 18-month period

**Exhibit 4: Consolidated Statement of Financial Position**

| Year end 30 June (£)                 | June<br>2022  | June<br>2023  | June<br>2024  | Dec<br>2025*  | Dec<br>2026   |
|--------------------------------------|---------------|---------------|---------------|---------------|---------------|
| <b>Non-current assets</b>            |               |               |               |               |               |
| Intangible assets                    | 0.57          | 0.57          | 0.56          | 0.56          | 0.56          |
| Property, plant and equipment        | 0.22          | 0.43          | 0.34          | 0.35          | 0.35          |
| Right-of-use assets                  | 0.82          | 0.70          | 0.57          | 0.50          | 0.45          |
| Deferred taxation                    | 0.03          | 0.01          | 0.00          | 0.00          | 0.00          |
| <b>Total non-current assets</b>      | <b>1.64</b>   | <b>1.71</b>   | <b>1.48</b>   | <b>1.41</b>   | <b>1.36</b>   |
| <b>Current assets</b>                |               |               |               |               |               |
| Trade and other receivables          | 3.13          | 3.50          | 4.42          | 6.00          | 5.50          |
| Cash and cash equivalents            | 1.71          | 2.44          | 3.12          | 2.00          | 2.20          |
| Current tax receivable               | 0.00          | 0.00          | 0.00          | 0.00          | 0.00          |
| <b>Total current assets</b>          | <b>4.84</b>   | <b>5.95</b>   | <b>7.54</b>   | <b>8.00</b>   | <b>8.00</b>   |
| <b>Total assets</b>                  | <b>6.49</b>   | <b>7.65</b>   | <b>9.02</b>   | <b>9.41</b>   | <b>9.36</b>   |
| <b>Current liabilities</b>           |               |               |               |               |               |
| Trade and other payables             | (2.96)        | (3.88)        | (5.37)        | (5.70)        | (6.00)        |
| Bank loans                           | (0.08)        | (0.08)        | (0.03)        | (0.02)        | (0.00)        |
| Lease liabilities                    | (0.12)        | (0.11)        | (0.11)        | (0.11)        | (0.11)        |
| Current tax payable                  | (0.18)        | (0.07)        | (0.12)        | (0.15)        | (0.20)        |
| Provisions                           | (0.04)        | (0.04)        | (0.04)        | (0.04)        | (0.04)        |
| <b>Total current liabilities</b>     | <b>(3.38)</b> | <b>(4.19)</b> | <b>(5.67)</b> | <b>(6.02)</b> | <b>(5.85)</b> |
| <b>Non-current liabilities</b>       |               |               |               |               |               |
| Bank loans                           | (0.11)        | (0.03)        | 0.00          | 0.00          | 0.00          |
| Lease liabilities                    | (0.74)        | (0.61)        | (0.50)        | (0.50)        | (0.50)        |
| Deferred taxation                    | 0.00          | 0.00          | (0.03)        | 0.00          | 0.00          |
| Provisions                           | (0.00)        | (0.01)        | (0.02)        | (0.02)        | (0.02)        |
| <b>Total non-current liabilities</b> | <b>(0.85)</b> | <b>(0.65)</b> | <b>(0.55)</b> | <b>(0.52)</b> | <b>(0.52)</b> |
| <b>Total liabilities</b>             | <b>(4.23)</b> | <b>(4.84)</b> | <b>(6.22)</b> | <b>(6.54)</b> | <b>(6.37)</b> |
| <b>Net assets</b>                    | <b>2.25</b>   | <b>2.81</b>   | <b>2.81</b>   | <b>2.87</b>   | <b>2.99</b>   |

Source: Company; Allenby forecasts. \* 18-month period

## Exhibit 5: Consolidated Statement of Cash Flows

| Year end 30 June (£)                         | June<br>2022 | June<br>2023 | June<br>2024 | December<br>2025* | December<br>2026 |
|--|--------------|--------------|--------------|-------------------|------------------|
| <b>Net cash flow from op. activities</b>     | 0.92         | 1.46         | 1.21         | (0.60)            | 0.60             |
| <b>Cash flows from investing activities</b>  |              |              |              |                   |                  |
| Acquisition of Subsidiary (net)              | 0.00         | 0.00         | 0.00         | 0.00              | 0.00             |
| Finance income                               | 0.00         | 0.00         | 0.04         | 0.06              | 0.07             |
| Purchase of intangible assets                | 0.00         | 0.00         | 0.00         | 0.00              | 0.00             |
| Purchase of PPE                              | (0.18)       | (0.33)       | (0.05)       | (0.12)            | (0.07)           |
| Repayment of leasing liabilities             | (0.07)       | (0.18)       | (0.14)       | (0.16)            | (0.06)           |
| <b>Cash used in investing activities</b>     | (0.25)       | (0.50)       | (0.16)       | (0.23)            | (0.07)           |
| <b>Cash flows from financing activities</b>  |              |              |              |                   |                  |
| Repayment of borrowings                      | (0.06)       | (0.08)       | (0.08)       | (0.01)            | 0.00             |
| Dividends paid                               | 0.00         | (0.19)       | (0.29)       | (0.29)            | (0.33)           |
| Proceeds from borrowings                     | 0.00         | 0.00         | 0.00         | 0.00              | 0.00             |
| Shares issued                                | 0.00         | 0.05         | 0.00         | 0.00              | 0.00             |
| <b>Cash used in financing activities</b>     | (0.06)       | (0.22)       | (0.37)       | (0.29)            | (0.33)           |
| <b>Net increase in cash/cash equivalents</b> | 0.61         | 0.73         | 0.68         | (1.12)            | 0.20             |
| <b>Cash/cash equivalents at start</b>        | 1.10         | 1.71         | 2.44         | 3.12              | 2.00             |
| <b>Cash and cash equivalents at end</b>      | 1.71         | 2.44         | 3.12         | 2.00              | 2.20             |

Source: Company; Allenby forecasts. \* 18-month period

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