ASX Release
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WPP AUNZ LIMITED – 2020 HALF YEAR RESULTS

WPP AUNZ Limited ("WPP AUNZ," "the Group", ASX:WPP), Australasia's leading marketing and media service provider, today announced its financial results for the half year ended 30 June 2020.

2020 Half Year Results

- Headline earnings before interest and tax ("EBIT"), at $13.3 million, down 61.5% (2019: $34.6 million), better than originally anticipated at the May 2020 AGM.
- Net sales $296.0 million, down 14.3% (2019: $345.2 million) versus market (down 24%[1]).
- Headline earnings per share of 0.6 cents, down 70.4% (2019: 1.9 cents).
- Strong cashflow conversion of 99% over the last 24 months.
- Government subsidies received totaling $6.6 million.

Strategy to transform, strengthen and grow our business on track

- 2020 strategy deliverables either on track, accelerated or completed.

Focused on financial strength

- Significant step change in cost base in alignment with our transformation strategy delivering $70 million in 2020. Based on current activity levels, we would expect our full year cost base in 2021 to be $80 million to $100 million lower than 2019.
  - Flexible and swift reaction: $28m cost benefit in 1H20.
  - The impact is expected to be sustainable and long-term.
- Strong cash collection with positive operating cashflow of $5.0m in 1H20.
- Net debt of $138.7 million at June 2020 with leverage ratio of 1.6x, at lower end of target range of 1.5x – 2.0x.
- Renewed and extended $420 million in banking facilities.
- Dividend remains on hold but will be continuously reviewed as the market stabilises.

Agile working and business diversity

- Successful transition of 96% of our workforce to working from home while maintaining business continuity.
- Diverse regional footprint, customer base and sector portfolio mitigate exposure risk.

Recent trading and Outlook

- Given the level of economic uncertainty, earnings guidance has not been provided for 2020.
- Proven agility in our cost base, adapting the cost base to current market conditions
- Strengthened financial position by renewing and extending our banking facilities, and by continued strong cash collection, giving us greater flexibility to execute our transformation strategy and pursue growth.
- June and July trading was profitable and ahead of prior year.

(1) Source: SMI total ad market bookings

In announcing the half year results, Jens Monsees, Managing Director and CEO, said:

"Given the dynamic operating environment, faced by most of our clients, I am encouraged to report a financial result that is in line with recent guidance and better than our original projection of a breakeven to $10 million EBIT loss forecast.

"As a business and as individuals, WPP AUNZ has stepped up to the challenge. I am proud of how our employees have responded, with agility and flexibility to the changing environment.

"Through this crisis, our priority has been and will continue to be the health and wellbeing of our employees. The response of our people has been spectacular, with over 96 per cent of our people transitioning to working from home while continuing to do what we do best: provide excellent service to our clients.

"Our diversified regional footprint, quality client portfolio and our leading creative solutions have underpinned a better performance than the market, with our net sales down 14.3 per cent compared to a drop in the market of 24 per cent[1].

Mr Monsees concluded, "We are spot on with our strategy to transform and grow our business by capturing new, digital areas of the marketing and communications landscape. This is more relevant today than ever before as our clients start to transition to a much more digital future."

TRANSFORMATION AND STRATEGY ON TRACK

The 2020 strategy deliverables announced in February have either been completed, on track or accelerated. Key achievements included:

- Launched a centralised tech hub, the Centre of Excellence, with partnerships with Adobe, Microsoft, Salesforce and Sitecore
- Formalised 10 top client leaders to better serve our top clients across the WPP AUNZ brands and capabilities
- Introduced performance driven KPI and remuneration schemes for all leaders
- Successfully restructured New Zealand operations, which are now profitable.

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Mr Monsees, said, "We accelerated some of our transformation initiatives. As a result, we are now ahead of our internal strategy roadmap, with over half of the 2020 deliverables now completed. We are also on track to deliver our $70 million cost out program for the year, and already delivered an 18 per cent cost reduction from the first quarter to the second quarter of 2020.

"In the last six months, we closely partnered with our clients, bringing fresh insights and new digital and creative solutions. It means we now have client leaders in place for our top clients and dedicated sector experts to ensure our whole business can tap into the deep knowledge we have built up over the years within our brands.

"I'm particularly pleased that our New Zealand operations, which have been restructured, are now profitable after reporting a loss in the prior year. We have a new leadership team in place and our brands have been brought together into the one campus. The experience and success in New Zealand so far means we are constantly learning from our progress and improving our broader group strategy."

FOCUSED ON FINANCIAL STRENGTH

The financial results of the business are presented excluding the impact of significant and non-cash items and excluding the results of the two major units disposed in 2019 - Kantar and Ogilvy NZ.

Key Measures – Continuing Business	30 June 2019	30 June 2020	Change
Net Sales	$345.2m	$296.0m	(14.3%)
Headline Earnings before interest and tax	$34.6m	$13.3m	(61.5%)
Headline Profit before tax	$26.9m	$8.5m	(68.5%)
Net sales margin	10.0%	4.5%	
Headline Profit after tax and minorities	$16.0m	$4.7m	(70.4%)
Headline EPS (cents per share)	1.9 cents	0.6 cents	(1.3 cents)
Leverage ratio (net debt/Headline EBITDA)	2.5x	1.6x	

Net sales were $296.0 million, a reduction of 14.3%. Total advertising bookings were down 24%.

All reporting segments experienced a decline in sales relative to prior comparable period due in part to declining activity driven by the COVID-19 pandemic and client losses in certain businesses.

Continuing Business Headline earnings per share was 0.6 cents which was a decline of 70.4% on the prior year. EBIT was $13.3 million as the decline in sales experienced predominantly in the second quarter was only partly offset by a $28 million reduction in operating costs (cost reduction and Government Subsidies). Operating cashflows remain strong with cashflow conversion of 99% over the last 24 months, and good management of working capital in the six months has resulted in strong cash position at June 2020 despite the decline in earnings.

Net debt was $138.7 million at 30 June 2020 and the Group's leverage ratio was 1.6x which is within our targeted leverage range of 1.5x to 2.0x.

Cost Reduction Initiatives

In May, we announced a $70 million cost program for the 2020 year. Based on current activity levels, we would expect our full year cost base in 2021 to be $80 million to $100 million lower than 2019.

We have already seen the benefit of this program in our first half result with costs reducing 18 per cent from the first quarter to the second quarter. A total of c.$28 million reduction in operating costs was achieved in 1H20. This included government benefit payments (including Job Keeper) of $6.6 million.

The impact of the cost initiatives is expected to be sustainable and long-term. The Group's agile cost base means it can adapt its cost base to future changes in net sales.

Renewal and extension of debt facilities

In order to strengthen our position and provide stability and flexibility to pursue growth, we proactively renewed and extended our debt facilities.

The renewed and extended facilities, as announced on the 17 August 2020, are:

- $270 million 3-year revolving term facility maturity extended from June 2021 to August 2023
- $150 million rolling annual working capital facility extended from June 2021 to August 2021

The unchanged banking covenants require a leverage ratio of less than 3x and an interest cover ratio (EBITDA to Net Interest Expense) not less than 4x. The leverage ratio is calculated as Net Debt including earnouts divided by headline EBITDA. The group leverage ratio sits under both covenant limits with a leverage ratio of 1.6x as at 30 June 2020 and the interest cover ratio is 10.5x.

Balance Sheet and Dividends

As announced on 16 July 2020, the Group recorded an after-tax impairment charge of $174 million relating to intangible assets. The impairment charge relates to acquired intangible assets including brand names, customer relationships and goodwill. It is non-cash in nature and has no impact on the company's debt facilities and compliance with bank covenants.

The Board of Directors have determined not to declare an interim dividend. Dividends remain on hold but will be continuously reviewed as the market stabilises.

OUTLOOK

There remains economic uncertainty across the markets in which we operate as certain regions experience a second wave of COVID-19 and government regulated shut-downs. For this reason, we are unable to provide earnings guidance for the remainder of the 2020 financial year.

We have seen an improved EBIT in the months of June and July compared to April and May, as cost initiatives implemented early in 2Q20 flow through. June and July results were also positive relative to the same time in 2019.

The second quarter is expected to be the low point in net sales, with performance in the second half driven by transformation initiatives and expectations of improved client spend.

In commenting on the outlook, Mr Monsees, said: "We are operating in an environment that changes almost daily. Our response so far gives me confidence we can continue to adapt.

"What we are sure of is that digital transformation and maintaining consumer engagement has never been more critical for our clients. In these areas we offer clients the best and most creative end-to-end marketing and communications services.

"We enter the second half of the year with a positive view. Clients continue to invest in marketing and communications. June and July trading months were profitable and ahead of prior year.

"Our business is in good health, with strong cash collection and reduced debt levels versus the previous year. We have the financial stability and flexibility in our business to continue to execute our strategy and drive growth."

RESULTS BRIEFING

WPP AUNZ will be holding an investor and analyst briefing at 10:00am today.

To access the results presentation briefing, please register via the registration link here no later than 30 minutes before the briefing: https://wppaunz.eventbritestudio.com/115167434898

Registered participants will receive a calendar invite and a link to the live briefing before the results are released. Investors can submit their written questions via the Q&A tab. Questions will be moderated.

For those unable to access Microsoft Teams, there will be conference call access. Please pre-register for the conference call here: https://s1.c-conf.com/DiamondPass/10008742-invite.html

Once registered you will receive a calendar invite with a dial-in number, passcode and unique access PIN. To join the conference, simply dial one of the numbers provided, enter the passcode followed by your PIN.

For more information, please contact:

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About WPP AUNZ
WPP AUNZ is a marketing and media company headquartered in Sydney, Australia and listed on the Australian Securities Exchange (ASX:WPP). Creativity empowered by technology and data is what differentiates us. We bring together Australia, New Zealand and South-East Asia's most creative minds to reshape business futures. With nearly 4,000 people across over 60 brands, we are spread across major cities in Australia, New Zealand and South-East Asia. For more information about WPP AUNZ, please refer to our website wppaunz.com

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