



ASX Release

OUTLOOK FOR FY20 & FY21

Sydney, Australia – 17 December 2020

WPP AUNZ Limited (“**WPP AUNZ**” or the “**Company**”) (ASX: WPP), Australasia’s leading creative transformation company, today provided an outlook for the business for both the financial year ending 31 December 2020 (“**FY20**”) and financial year ending 31 December 2021 (“**FY21**”).

This information has been provided in order to keep the market informed post WPP AUNZ’s recently completed internal budgeting process for FY21 and in light of the recent proposal received from WPP plc, as announced to the market on 30 November 2020 and the revised proposal announced today. Please refer to the separate revised proposal announcement for further detail.

Summary

FY20 Outlook: top-line impacted but cost-out program underpins profitability

- October and November trading were in-line with internal expectations.
- Good momentum in recent client engagements as the economic environment improves, which flows into positive expectations for FY21.
- FY20 net sales are expected to be between \$607 million and \$610 million, a decline of circa 14% to 15% on FY19, primarily due to the impact of COVID-19.
- FY20 Headline EBIT¹ is expected to be between \$59 million and \$62 million.
- On track to deliver \$70 million in cost savings for 2020, of which \$50 million are sustainable cost saving measures implemented since March 2020. On an annualised basis, the sustainable cost measures are expected to provide a benefit of approximately \$65 million in FY21.

Strengthening financial position

- Net debt is estimated to be approximately \$110 million as at 31 December 2020, a reduction from \$128 million as at 30 September 2020.
- Leverage ratio expected to be between 1.4x and 1.5x as at 31 December 2020, at the lower end of WPP AUNZ’s target range of 1.5x – 2.0x.

FY21 Outlook: material profit improvement expected

- Net sales are expected to be between \$630 million and \$650 million.
- Improving net sales outlook, combined with the positive impact of the 2020 cost reduction program underpins a material improvement in profitability with Headline EBIT expected to be between \$85 million and \$95 million.
- FY21 outlook predicated on the assumption that the economy continues its recovery and there are no new material COVID-related economic impacts and restrictions.

¹ Excluding significant and one-off items including amortisation and impairment expenses

Dividends

- The Board expects to return to paying dividends in the 2021 year and expects to declare a dividend as part of its FY20 result which will be announced as part of the FY20 result announcement in late February 2021.
- In determining the quantum of dividends to be paid, the Board will consider the ordinary and special dividends foregone by shareholders in the 2020 year, the leverage ratio as at 31 December 2020 and the outlook for the business and the economy generally.

OUTLOOK FOR FY20 AND FY21

Summary of guidance for FY20 and FY21

The table below outlines the headline results expected for the years ended 31 December 2020 and 2021. This excludes the impact of significant and non-cash items and the results of two major units disposed of in 2019, being Kantar and Ogilvy NZ.

Metric	FY19 Actual	FY20 Guidance	FY21 Guidance
Net sales	\$712.5m	\$607m - \$610m	\$630m - \$650m
Headline EBITDA ²	\$106.5m	\$75m - \$78m	\$100m - \$110m
Headline EBIT ³	\$91.8m	\$59m - \$62m	\$85m - \$95m

FY20 Outlook: Top-line impacted by COVID-19 but sustainable improvement in cost base delivered.

WPP AUNZ expects to deliver net sales of between \$607 million and \$610 million for the 2020 financial year and a Headline EBIT of between \$59 million and \$62 million.

The Company has seen an improvement in revenue off the lows earlier in the year and October and November actual net sales were in line with internal expectations. It expects that the December quarter, traditionally the largest revenue period for the group, will still be below the previous corresponding period. A net sales decline of 14% to 15% in Q4 (versus Q4 2019) is expected. This compares to a 14.3% decline (versus Q3 2019) for the September 2020 quarter. However, the improving economic environment and current client engagement and momentum provide a platform for revenue growth going into FY21.

The media agency market spend, as measured by SMI⁴, reached a low point for the year in May 2020 and has improved considerably since that time with November data showing a return to growth after 26 months. Interim SMI data for November showed the market up 0.1% compared to November 2019.

The Company is on track to achieve a substantial reduction in costs of \$70 million in 2020, of which \$50 million are from sustainable cost saving measures implemented since March 2020. The sustainable cost saving measures are aligned with the transformation strategy and, on an annualised basis, are expected to provide a benefit of approximately \$65 million in FY21.

² EBITDA shown on pre-AASB 16 basis and excluding significant and one-off items

³ Excluding significant and one-off items including amortisation and impairment expenses

⁴ SMI Agency report: November 2020



FY21 Outlook: Strategic initiatives, improved economic environment and sustainable cost savings to drive margin improvement in FY21.

The Company is budgeting a material improvement in profitability in the 2021 financial year, as the economic environment strengthens leading to improved client spend, particularly in WPP AUNZ's media investment management and advertising businesses. WPP AUNZ's GroupM business predicts a bounce back in media market demand in FY21, with total market demand expected to increase by 15%⁴ in FY21, returning to 2019 levels of activity at the end of FY21.

Additionally, this growth outlook is expected to be enhanced by the ongoing benefits from the transformation strategy which seeks to drive revenue growth in the areas of communications, technology, commerce and experience.

Net sales are expected to be between \$630 million and \$650 million, representing a 4% to 6% increase on FY20 which is conservative compared with GroupM media market projections of 15% growth in FY21. This sales increase, combined with a starting cost base which is approximately \$65 million lower in FY21, leads to a budgeted improvement in Headline EBIT which is expected to be between \$85 million and \$95 million.

The FY21 outlook is based on WPP AUNZ's internal budget which was developed as part of its normal budgeting process and has been approved by the WPP AUNZ Board of Directors, however we note that actual results may vary from the budget. The FY21 budget metrics are towards the upper end of the ranges presented. The FY21 outlook statement is predicated on the assumption that the economy continues its recovery and there are no new material COVID-related economic impacts and restrictions.

STRATEGY UPDATE: TRANSFORM, STRENGTHEN, GROW.

WPP AUNZ announced a transformation strategy in February 2020 to return its business to strong, profitable and sustainable growth. The strategy is being implemented in three phases: transform, strengthen and grow, over a three-year period to the end of 2022 and focuses on four areas of the market: communications, technology, experience and commerce.

The Company will move into the 'strengthen' phase of its strategy in FY21. This phase includes initiatives to drive client engagement, top line growth, and expansion in growing areas of the market. It will concentrate on investing in technology (Martech, data), commerce and experience solutions, while maintaining best-in-class, technology-driven services and solutions in communications (media, creative, PR).

These strategic initiatives are expected to provide an improved and sustainable platform for the Company to achieve future revenue and profit growth.

NET DEBT, LEVERAGE AND FACILITIES

Strong cash collection performance supports reduction in net debt

The Company's budget reflects an expectation of net debt including earnouts as at 31 December 2020 to be approximately \$110 million.

⁴ GroupM forecast: This Year, Next Year report – December 2020



The leverage ratio as at 31 December 2020 is expected to be between 1.4x and 1.5x, at the lower end of WPP AUNZ's target leverage ratio of 1.5x – 2.0x. The Company's banking covenants require a leverage ratio of less than 3.0 times, measured as net debt including earnouts divided by Headline EBITDA⁵.

The Company has access to syndicated banking facilities of \$420 million, that were renewed and extended in August 2020. The Company's debt facilities comprise:

- \$270 million 3-year revolving term facility maturing in August 2023; and
- \$150 million rolling annual working capital facility maturing in August 2021.

DIVIDENDS

Given the improving economic environment and expectation of better trading conditions in FY21, as well as the expected stronger financial position with reduced net debt, WPP AUNZ expects to return to paying dividends in the 2021 year, commencing with the expectation of a dividend to be declared in conjunction with the FY20 results in late February 2021.

In determining the quantum of dividends to be paid, the Board will consider the ordinary and special dividends foregone by shareholders in the 2020 year, the leverage ratio as at 31 December 2020, as well as the outlook for the business and the economy generally.

INVESTOR PRESENTATION

WPP AUNZ will hold a briefing of its outlook for FY20 and FY21 on Thursday, 17 December 2020 at 11:00am (AEDT). To listen to the live conference, please register via the link: <https://s1.c-conf.com/diamondpass/10011507-ksozps.html>

Ends

About WPP AUNZ:

WPP AUNZ is Australasia's leading creative transformation company. You can read more at wppaunz.com or follow us @WPP_AUNZ

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⁵ EBITDA on a pre-AASB 16 basis