



ASX Release
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WPP AUNZ LIMITED – 2018 FULL YEAR RESULTS

WPP AUNZ Limited (“WPP AUNZ,” “the Group”, ASX:WPP), Australasia’s leading marketing content and communications group, today announced its financial results for the year ending 31 December 2018.

Financial highlights

- Results in line with revised guidance:
 - Net sales of \$857.3 million, down 1.4% (2017: \$869.9 million)
 - Headline EBIT of \$121.0 million, down 12.8% (2017: \$138.7 million).
 - Operating margin 14.1% (2017: 15.9%).
 - Headline earnings per share of 8.4 cents, down 14.5% (2017: 9.8 cents).
- Final dividend of 4.0 cents per share, taking total dividends declared for the 2018 year to 6.3 cents per share (2017: 6.3 cents per share). Increase in payout ratio to 75% of headline earnings.
- Entered into new debt facilities of \$520 million with a syndicate of 5 banks. Structure of facilities better aligned to business cashflow and offer improved terms.

Operational highlights

- Solid organic revenue and earnings growth in media, digital and public relations focused businesses.
- Digital businesses delivered growth through their strong service offerings in e-commerce, marketing automation and digital transformation.
- Global repositioning of creative agencies - VMLY&R and Wunderman Thompson.
- Invested in the business to support future growth: new property campus in Melbourne, state-of-the-art production infrastructure.
- Reviewing strategic options for the Kantar business in Australia/New Zealand in line with WPP plc strategic plans.

Current trading and outlook

- Overall market conditions in 2019 are expected to have varied performance in individual segments
- Further growth expected from our digital and public relations focused businesses
- Global account losses create headwinds in the first half of the year for advertising and media segment.

Key Measures	31 December 2017	31 December 2018	Change
Net sales	\$869.9m	\$857.3m	(1.4%)
Headline Earnings before interest and tax	\$138.7m	\$121.0m	(12.8%)
Headline Profit before tax	\$125.0m	\$107.9m	(13.7%)
Headline Net sales margin	15.9%	14.1%	(1.8%)
Headline Profit after tax and minorities	\$83.6m	\$71.5m	(14.5%)
Headline EPS (cents per share)	9.8 cents	8.4 cents	(14.5%)
Total dividend for year (fully franked)	6.3 cents	6.3 cents	
Leverage ratio (debt/EBITDA)	1.6x	1.9x	

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Reconciliation of Headline Profit to Statutory Profit/(Loss) After Tax and Minorities			
	31 December 2017	31 December 2018	Change
Headline Profit after tax and minorities	\$83.6m	\$71.5m	(14.5%)
Significant one-off costs			
Transaction related tax balances	\$7.4m	(\$8.5m)	
Impairment expense (net of tax)	-	(\$62.5m)	
Amortisation of acquired intangible assets	(\$13.5m)	(\$14.1m)	
(Loss)/gain on fair value adjustment of earnouts	(\$3.6m)	\$0.6m	
Business restructure and other one-off costs	(\$0.6m)	(\$4.1m)	
Statutory profit after tax and minorities	\$73.3m	(\$17.1m)	(123.3%)

Commenting on the results John Steedman, Executive Director of WPP AUNZ said:

"We have continued to see varied performance across our portfolio of companies in 2018. Our media, digital and public relations focused businesses have all achieved good organic growth and are performing strongly.

We are disappointed that the strong performance across many of our businesses has not translated into positive Group financial results.

Importantly, we have taken quick action to remedy these underperforming segments in our business. We have accelerated the pace in which we make changes to right-size the business and to allocate our capital to the areas of our business with the greatest opportunity to generate profitable growth.

These initiatives will enable the company to simplify our operating structure (thus reducing costs over time), concentrate on our core businesses, invest in our people, and focus on growth.

In the 2018 year, we made significant investments for the future as we combined the strengths of traditional and digital creative agencies of VMLY&R and Wunderman Thompson, created a new Melbourne campus housing 15 agencies, and reshaped the portfolio of companies under the WPP AUNZ Group. During the year, we acquired additional WPP related entities and increased shareholdings in existing businesses where we had a minority stake, allowing us to execute on strategic initiatives with greater speed and control.

Like almost every industry, we too, are facing structural change. We have seen rapid digital transformation, economic headwinds, market changes and we know that Chief Marketing Officers, and the C-Suite in general, are seeking agility and responsiveness when it comes to their marketing needs. Our clients look to us to help them navigate this new world and to remove any complexity that might be an impediment to growth.

As a business, our vision is to offer a far simpler structure and to utilise technology and data wherever we can to help our clients talk to, and transact with, their customers and other key stakeholders as effectively and easily as possible," Mr Steedman concluded.



Reshaping and investment in portfolio of companies

WPP continues to reshape the portfolio of companies. During the year, the company acquired additional WPP related entities and acquired minority shareholdings in our existing businesses. The total of these investments was \$20.8 million.

The Company invested in businesses that were global brands and owned by WPP. We acquired Essence, a global digital media planning and buying business, and Lightspeed, a global online research panel, bringing ownership to 100%.

During the year, there has been the merger of global brands to create the integrated networks VMLY&R and Wunderman Thompson. VML, Y&R, Wunderman, J. Walter Thompson collectively account for 13% of the Company's net sales.

WPP AUNZ continues to acquire minority shareholdings within existing Group companies. During the period, we acquired an additional 10% interest in Aleph, a creative technology consultancy operating in South East Asia, to take our interest to 75%. Further, we acquired the remaining 18% interest not already owned in Colmar Brunton Australia, a research consultancy business.

Campus co-location strategy

During the year, WPP AUNZ invested in a new Melbourne campus, bringing together 15 agencies and 360 people, providing an opportunity for greater customer experience synergies. The group will continue to accelerate the co-location of our businesses, with further consolidation in the Sydney market in 2019.

Kantar

WPP AUNZ owns Kantar in Australia and New Zealand, a data investment management company.

WPP AUNZ's major shareholder, WPP plc have previously announced that their intention is to develop Kantar through a strategic or financial partner, with WPP plc retaining a significant minority interest and strategic links with Kantar.

WPP AUNZ are in discussions with WPP plc regarding our strategic options for the Kantar business in Australia and New Zealand.

The Data Investment Management segment in 31 December 2018 contributed net sales of \$105 million and earnings before interest and tax of \$20 million. The Kantar businesses accounts for the significant majority of this segment.

New banking facilities

In June 2018, the Company entered into new debt facilities totalling \$520 million with a syndicate of 5 banking partners. The debt facilities maturity profile has \$370 million of debt expiring in June 2021, and a \$150 million overdraft working capital facility, expiring on 29 June 2019. This working capital facility will be renewed prior to 30 June 2019. The structure of debt facilities enables the Company to better manage its media payment cycle and short term, mid-month fluctuations in the cash position.

The Companies net debt, including earnout payments, totalled \$270.3 million as at 31 December 2018 (31 December 2017: \$250.0 million). The increase in net debt is as a result of the capital investment in the new Melbourne property campus and production equipment, payment for the acquisition of new entities and minority interests in existing companies and an increase in tax payments. The increase in tax payments is as a result of the change in the tax legislation, and tax payments for both 2017 and 2018 being made in the 2018 year due to payment timing changes resulting from the 2016 merger. Expected tax cash outflow to be aligned with income tax expense going forward.

As at 31 December 2018, the leverage ratio (measured as net debt plus future earnout payments / EBITDA) was 1.9x from 1.6x at 31 December 2017. This is in line with our targeted leverage ratio of 1.5x to 2.0x, albeit at the higher end of the range.

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**Dividends**

The Directors of WPP AUNZ declared a fully franked final dividend of 4.0 cents per share, bringing the total dividend for the year to 6.3 cents per share (2017: 6.3 cents per share). This represents a payout ratio of 75% of headline earnings.

The final dividend will have a record date of 29 March 2019 and will be paid on 5 April 2019.

New Chief Executive Officer search

The search for new Chief Executive Officer is progressing and in the meantime an experienced leadership team remains in place and is empowered to accelerate our transformation.

Results presentation

WPP AUNZ will hold a briefing of its full year results on Friday, 22 February 2019 at 9:00am (AEDT). To register and listen to the live (passive) webcast briefing, please go to <https://webcast.openbriefing.com/4932/>

For more information about WPP AUNZ, please refer to our website www.wppaunz.com, or contact:

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