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# WPP AUNZ 2016 FULL YEAR RESULTS

24 February 2017

- Merger with WPP effective 4 April 2016, creating a group with over \$850 million in revenue, over 5,000 employees
- Change of name and branding reflecting closer alignment with WPP plc. Fifth largest market for WPP globally
- Strong local market knowledge and relationships combined with iconic International brands, tools and global reach
- Better connectivity across group to unlock value for all businesses
- Continuation of experienced management team with new executive council to drive closer oversight and collaboration
- Optimisation of portfolio to create scale and strengthen competitive positioning
- Ever evolving marketing landscape much better navigated with global partner. WPP is the ideal partner
- Leverage WPP's global insights, IP, expertise and investment in new technology
- In FY17, WPP AUNZ expects to deliver mid-single digit growth in earnings per share

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## 2016 Full Year Highlights

- Navigated early integration phase. Establish a platform for future growth.
- Successful merger of the two groups, achieving positive improvement in net sales of \$865 million [2015: \$855 million].
- Profit before interest and tax (PBIT) of \$141.6 million [\$136.9 million]. PBIT delivered at an increased margin of 16.4% [2015: 16.0%].
- Strong operating cash flow exceeding cash conversion target.
- New debt facilities of \$520 million on materially enhanced terms. Leverage ratio 1.9x [Dec 2016], down from 2.5x [Dec 2015].
- Final dividend of 3.9 cents per share. Total dividend relating to the 2016 year of 6.0 cents [2015: 5.7 cents].
- Strong client interest and engagement with significant new customer wins in the last quarter of the year.
- Opportunities to further optimize and strengthen portfolio.

Headline trading performance presented as if all businesses were owned from 1 January 2016 and excludes one off and significant items.

## WPP AUNZ - 2016 Full Year Results

KEY MEASURES	31 Dec 2016	
Net Sales	<b>\$865m</b> [31 Dec 2015: \$855m]	Net Sales increase of 1.2% against 2015. New business to drive growth
Profit Before Interest and Tax	<b>\$141.6m</b> [31 Dec 2015: \$136.9m]	3.5% growth in PBIT against 2015
Net Sales Margin	<b>16.4%</b> [31 Dec 2015: 16.0%]	Margin improvement on 2015. Realisation of cost synergies to drive margin improvement
EPS Cents Per Share	<b>9.5 cents</b> [31 Dec 2015: 9.2 cents]	4.1% growth in EPS
Dividends Per Share	<b>6.0 cents</b> [31 Dec 2015: 5.7 cents]	Payout ratio 63% of earnings Targeted dividend payout ratio of 60% to 70% of earnings
Leverage Ratio [Debt / EBITDA]	<b>1.9x</b> [31 Dec 2015: 2.5x]	Leverage ratio within targeted range of 1.5x to 2.0x. Strong operating cash flow drives debt reduction

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# Key Financials

Chris Rollinson, WPP AUNZ  
Chief Financial Officer (Interim)

## Headline Profit & Loss - 31 December 2016

31 December \$AUD'M	2015	2016	Growth
Net sales	854.7	864.9	+1.2%
Income from associates	4.1	4.4	
Staff Costs	[529.5]	[542.0]	
Establishment Costs	[59.9]	[55.3]	
G&A Costs	[132.4]	[130.4]	
Total Operating Costs	[721.9]	[727.7]	
Profit before interest and tax	136.9	141.6	+3.5%
Net finance costs	[22.2]	[20.3]	
Profit before tax	114.7	121.3	+5.7%
Tax	[32.7]	[34.6]	
Profit after tax	82.0	86.7	+5.7%
Minority Interests	[4.1]	[5.6]	
Profit after tax and minorities	77.9	81.1	+4.1%

31 December \$AUD'M	2015	2016
Staff Costs to Net Sales %	62.0%	62.7%
PBIT to Net Sales Margin %	16.0%	16.4%

## Cost Synergies

Synergy	Category Detail	Original 3 year Target	Current Expectation	Implementation Progress
Corporate and Administration	Focus on banking, corporate and administrative	1.8	↑	<ul style="list-style-type: none"> <li>Transition to WPP global insurance policy</li> <li>Corporate reorganization to simplify structure and reduce compliance costs</li> <li>Debt restructure on materially enhanced debt terms</li> </ul>
Property Rationalisation	Consolidation of property footprint, better space planning of selected business units into campuses	2.5	-	<ul style="list-style-type: none"> <li>Transition of businesses into group campuses - focus on delivering campus strategy</li> <li>New Sydney campus will deliver material savings from mid-2017</li> <li>Trialing agile working environments</li> </ul>
IT and Shared services	Consolidation of duplicated infrastructure, operating costs and back office support functions	2.9	↓	<ul style="list-style-type: none"> <li>Key hires in group CIO and Head of Finance Transformation</li> <li>Entered into WPP global printer agreement</li> <li>Large scale realisation of cost savings delayed due to complexity of legacy systems and pre-existing contractual arrangements.</li> </ul>
Operating Efficiencies	Efficiencies gained through local management oversight and driving integration of services across the group	7.9	-	<ul style="list-style-type: none"> <li>Talent - Established WPP AUNZ Group Talent – focus on recruitment, on-boarding, training and retention</li> <li>Production spend capture progressing slower than expected. Procurement – new head of procurements to develop capability aligned with a group of our size and scale</li> </ul>
<b>TOTAL</b>		<b>15.0</b>	<b>15.0</b>	

## Reported Cashflow

	31 Dec 2015	31 Dec 2016	Last 24 month total
Statutory EBITDA (adjusted for non-cash significant items)	70	135	205
Operating cashflow pre interest and tax	73	180	253
<i>EBITDA conversion to cash flow</i>	<i>104%</i>	<i>133%</i>	<i>123%</i>
Tax paid	[14]	[30]	[44]
Net Interest	[12]	[17]	[29]
Operating Cashflow	47	133	180

- The analysis is prepared based on the Statutory cash flow included in the accounts.
- Strong cash flow conversion
- Cash flow impacted by the fluctuations in the timing of media payments.
- Average EBITDA cash conversion of 123%.
- Targeted EBITDA conversion to cash of 100%
- Focus on efficient and effective working capital management practices



## Balance Sheet

	Reported 31 Dec 2015	Pro-forma 31 Dec 15	Reported 31 Dec 2016
Cash <sup>[a]</sup>	26.9	201.3	87.1
<b>Net working capital</b>	<b>23.1</b>	<b>[66.9]</b>	<b>[66.0]</b>
Investments	90.7	19.5	22.3
<b>Intangibles</b>	<b>522.7</b>	<b>1,083.2</b>	<b>1,240.5</b>
Other Assets	61.8	83.5	128.2
<b>TOTAL ASSETS</b>	<b>725.2</b>	<b>1,320.6</b>	<b>1,412.1</b>
Bank Debt <sup>[b]</sup>	[227.1]	[489.1]	[353.6]
Lease Liability <sup>[b]</sup>	[4.7]	[4.7]	[3.8]
<b>Earnouts <sup>[c]</sup></b>	<b>[15.1]</b>	<b>[19.0]</b>	<b>[23.0]</b>
Other Liabilities	[23.6]	[43.1]	[185.3]
<b>TOTAL LIABILITIES</b>	<b>[270.5]</b>	<b>[555.9]</b>	<b>[565.7]</b>
<b><u>NET ASSETS</u></b>	<b><u>454.7</u></b>	<b><u>764.7</u></b>	<b><u>846.4</u></b>
Net debt <sup>[b-a]</sup>	204.9	292.5	270.3
Net debt including earnouts <sup>[b+c-a]</sup>	220.0	311.5	293.3

### KEY THEMES

- Net working capital has significantly improved. Better management of working capital across the group.
- Reduction in investments from Reported December 15 is primarily due to jointly owned companies moving from associate to subsidiaries as a result of the merger.
- Intangibles have increased significantly as a result of WPP companies now joining the Group.

## Debt Facilities and Gearing

### Australia Core Debt Facilities at 31 December 2016

- Complete refinance of facilities to meet the requirements of the merged group.
- Debt facilities of \$520 million.
- Conscious strategy of single maturity on April 2019 with larger syndicate of 6 banks
- Materially improved terms and covenants reflecting scale and reduced leverage
- Leverage ratio of 1.9x at 31 December 2016.
- Achieved target leverage ratio of 1.5x to 2.0x

	Calculation	31 Dec 16
Leverage	Net Debt/EBITDA	1.9x

Australia core debt facilities maturity	31 Dec 16 \$million
Total Group Facilities	\$520

## Aggregate Earnout Position

	Total Earnouts
	[\$M]
31 December 2015 @ Present Value	15.1
Payments made in 2016	[10.9]
Assumed as part of the WPP Transaction	2.9
Net revisions to prior earnout estimates	15.9
<b>31 December 2016 @ Present value</b>	<b>23.0</b>

Expected Settlement	Maturity Profile
	[\$M]
2017	16.3
2018	1.8
2019+	4.9
<b>Total @ Present value</b>	<b>23.0</b>

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# Harnessing the power WPP AUNZ

Mike Connaghan, WPP AUNZ  
Chief Executive Officer

## Full Year Results by Segment - 31 December 2016

\$AUD'M	Net Sales			Headline PBIT			Headline Margin %		
	2015	2016	% Change	2015	2016	% Change	2015	2016	% Change
<b>Advertising, Media Investment Management</b>	442.0	452.7	2.4%	75.7	75.3	-0.4%	17.1%	16.6%	-0.5%
<b>Data Investment Management</b>	105.8	107.4	1.6%	23.2	25.3	9.0%	22.0%	23.6%	1.6%
<b>Public Relations &amp; Public Affairs</b>	59.8	62.4	4.2%	6.4	9.3	44.8%	10.7%	14.9%	4.2%
<b>Branding &amp; Identity and Specialist Communications</b>	247.1	242.4	-1.9%	31.6	31.7	0.3%	12.8%	13.1%	0.3%
<b>Total</b>	854.7	864.9	1.2%	136.9	141.6	3.5%	16.0%	16.4%	0.4%

Know more  
Do more —  
**Be more.**

WPP<sup>AU</sup><sub>NZ</sub>

Connected know-how



### 1. BIG AT HOME

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Maintain leadership position in core business and drive home advantage of our superior scale.



### 2. FUTURE-PROOF

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Future-proof the group through technology, data, content, mobile and proprietary offerings.

## WPP AUNZ Strategy

Deliver 100%  
of client's customer  
experience budget



### 3. LEVERAGE THE POWER OF WPP

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Leveraging WPP's IP, tools, expertise in data management, digital, research and technology investment.



### 4. DRIVE HORIZONTALITY

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Driving collaboration and horizontality across our group for the benefit of our people, our companies and our clients.

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## 1. BIG AT HOME



- Mature low growth – Must win market share.
- Blend best of local and global - strong local market knowledge and relationship with iconic brands, tools and global reach.
- Capture group production work flowing through to strong production and shopper capabilities.
- Optimise portfolio driving efficiency, effectiveness and enhanced capability.



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## 2. FUTURE-PROOF

- Significant lead in the Digital specialists space:
  - DT AKQA – complimentary merger
  - White and Grey – collaboration and engagement
- Invest in data capability and leverage WPP data alliance.
- Consolidating of shopper assets to grow our share of burgeoning customer journey spend.
- Build proprietary tools and partner with clients in helping them transform their business model for the Digital age.
- Focus on Marketing Technology. Immediate opportunities exist around platforms and ecosystems (DT, Wunderman-Bientalto, One20, Adcast, Fusion, VML).

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### 3. LEVERAGING THE POWER OF WPP

- ANZ serious market for WPP – engagement from Global CEO's outstanding.
- Establish the Data Alliance along with access to new proprietary tools to grow our share of data dollars.
- 5<sup>th</sup> largest Global WPP market for Data Alliance.
- Buchanan - Kantar global collaboration piloting Home Tester Club across global test markets.
- The Store - partnering with Geometry and Ogilvy to service key client in Australia, Asia Pacific and now Japan.

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## 4. DRIVE HORIZONTALITY



- Leverage power of group wide resources and relationships.
- Build bespoke client teams/ reduce complexity.
- Better outcomes for clients, our people and our companies.
- New 'Central Support' team formed to foster connectivity, collaboration and horizontality.
- Enhanced campus strategy fosters connectivity and collaboration by locating complementary businesses.
- Geographic hub leaders to drive connectivity.
- People drive growth: aligned incentives; internal mobility for employees; internal training and recruitment service to save headhunter and training fees.

Key Wins (very strong Q4 momentum)



MARS



UBER



red rooster®

News Corp



vodafone

NETFLIX

Moët Hennessy



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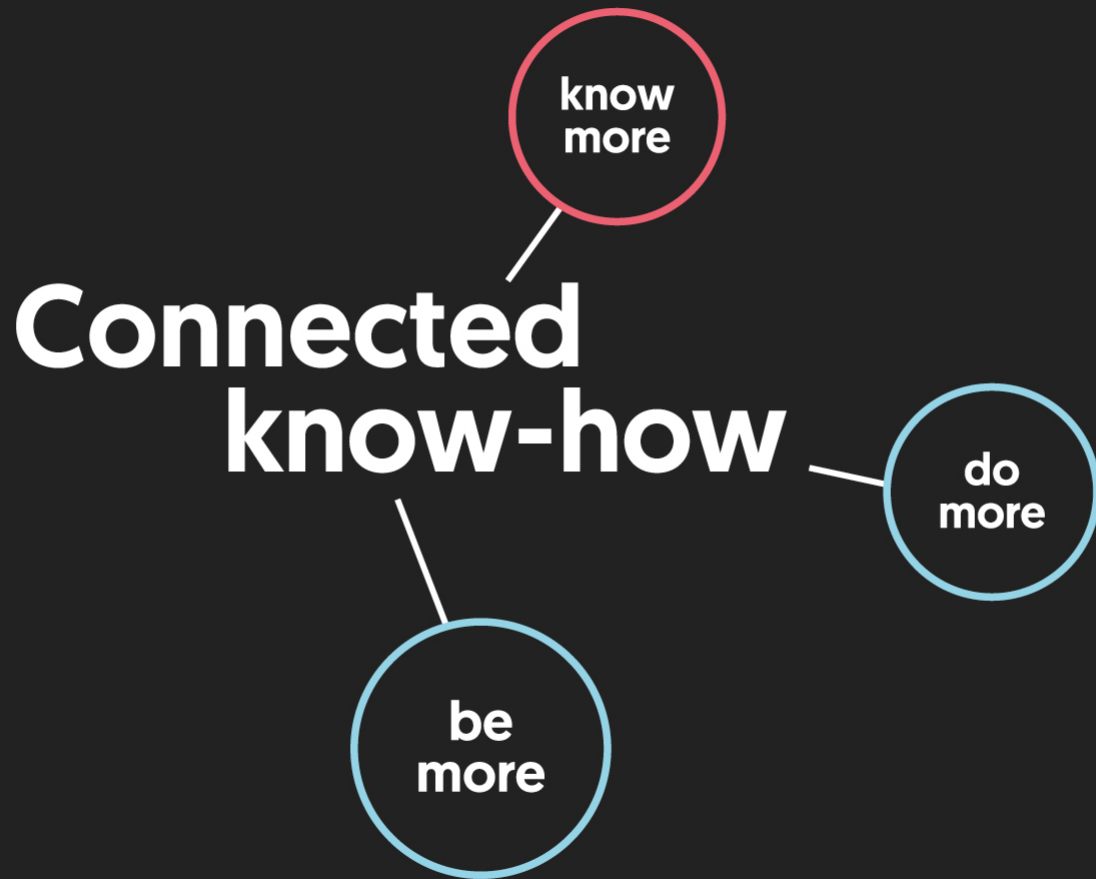
# WPP AUNZ 2016 Full Year Results

Summary and Outlook

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## Outlook and Summary

- 2017 to build on momentum established since the merger in April 2016.
- Meaningful cost synergies to flow from this year, on track to deliver A\$15 million target over three years.
- Growing organic revenues from new and existing clients remains a priority. Position the business for future growth by pushing hard into areas of production, data, marketing infrastructure and shopper marketing.
- Merger is about blending the best of local and global. WPP AUNZ teams positioned to 'Know more, Do more, Be more'.
- Buy in of all companies and staff to our new purpose – cultural change which will bring opportunity for all stakeholders.
- In FY2017, WPP AUNZ expects to deliver mid-single digit growth in earnings per share.



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# Media Market Overview

John Steedman, WPP AUNZ  
Executive Chairman Media Investment Management



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## 2016 Vs. 2015 Demand by Media Type

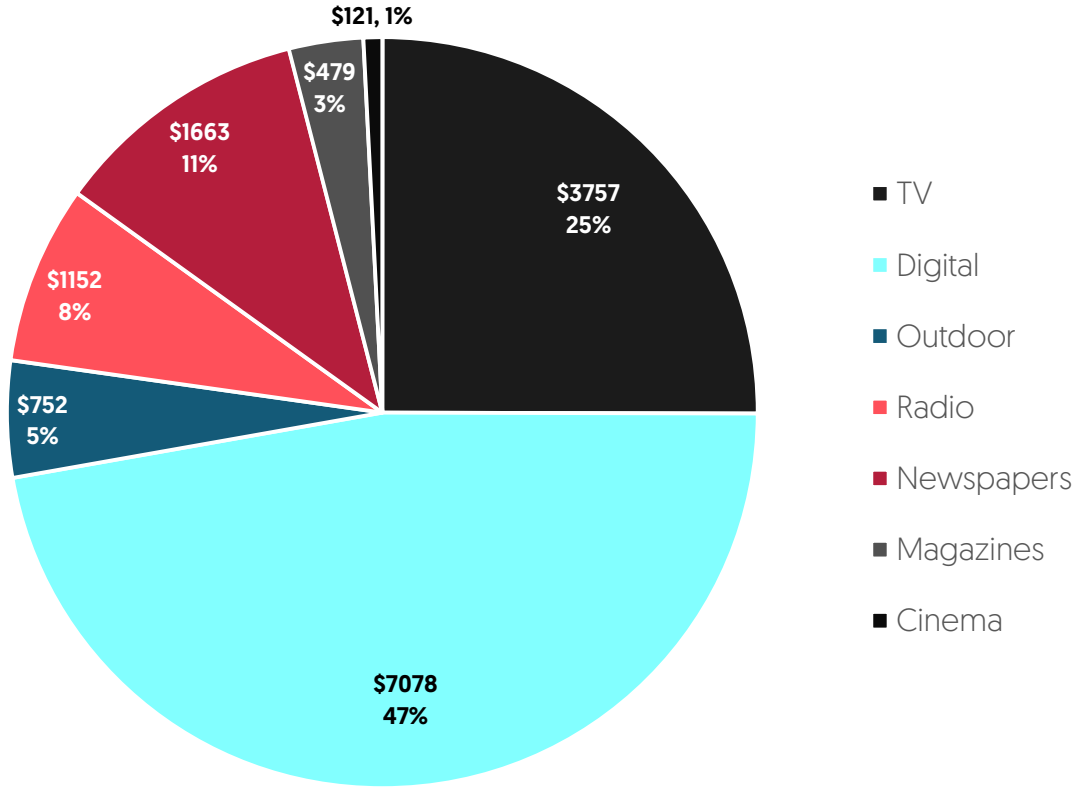
### Positive growth in the market

- 2016 was a softer year than 2015 which grew by +9%
- The Federal Election underpinned a spend increase in the Government category of +30% [\$82m]
- Seven West Media secured an additional ~\$30m as Olympic expenditure

MEDIA TYPE	2016 VS. 2015
Television	-3.8%
Digital	+17.7%
Outdoor	+11.0%
Radio	+4.0%
Newspapers	-11.0%
Magazines	-3.0%
Cinema	+5.0%
Market	+6.0%

SOURCE: SMI, CEASA, PWC, GroupM

## 2016 Expenditure (\$m) by Media Channel



## 2016 Vs. 2015 Demand by Key Categories

### Government & Wagering standout categories in 2016

- Government growth was driven by expenditure supporting the Federal Election, delivering \$80m of growth to the category with TV, Digital and Newspaper experiencing above trend growth from the category
- Proposed Government and Opposition amendments to legislation has the potential to impact one of the fastest growing advertising categories - Wagering
- The top two categories moved expenditure from TV and re-invested in digital, radio and OOH

CATEGORY	2016 VS. 2015
Automotive Brand	+1.7%
Retail	+3.4%
Insurance	-1.2%
Food /Produce/Dairy	+1.4%
Travel	+5.1%
Government	+30.2%
Domestic Banks	+8.0%
Restaurants	-0.3%
Home Furnishing / Appliances	+6.8%
Wagering	+12.8%

SOURCE: Standard Media Index 2016 vs 2015

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## 2017 Demand Forecast

### Positive market growth forecast at +4.2%

- Digital and Outdoor continue to deliver robust growth
- TV forecast to decline, but at a lower rate than 2016.
- Digital growth to be driven by Video and Mobile. However concerns around viewability, ad-fraud and third party verification may arrest growth
- Newspapers will cycle over high Government demand from 2016 Federal Election

MEDIA TYPE	2017 VS. 2016
Television	-1.7%
Digital	+11.2%
Outdoor	+5.3%
Radio	+3.2%
Newspapers	-10.0%
Magazines	-5.0%
Cinema	+5.3%
Market	+4.2%

SOURCE: GroupM Forecast

## Share of Media Expenditure by Media Type

MEDIA TYPE	2015	2016F	2017F
Television	27.6%	25.0%	23.6%
Digital	42.5%	47.2%	50.4%
Outdoor	4.8%	5.0%	5.1%
Radio	7.8%	7.7%	7.6%
Newspapers	13.2%	11.1%	9.6%
Magazines	3.3%	3.2%	2.9%
Cinema	0.8%	0.8%	0.8%

SOURCE: SMI, CEASA, PWC, GroupM

FACEBOOK MISREPORTING	BRAND SAFETY, AD-FRAUD, VIEWABILITY (BAV)	GROUPM APPROACH
<ul style="list-style-type: none"> <li>Misreporting of a number of audience metrics: audience reach, video views, time spent and app referrals</li> <li>No billable impact to clients but impacted overall share allocated to Facebook</li> <li>Traditionally closed to third party verification</li> </ul>	<ul style="list-style-type: none"> <li>Recent Brand Safety issues with YouTube Preferred (YTP) inventory. Specifically premium brands appearing on hate speech videos. GroupM AU clients not affected as we no longer buy YTP.</li> <li>Global push for Brand Safety and Ad-Fraud, including updated global guidelines to combat 'instant articles' and 'fake news'.</li> <li>'Walled Gardens' emerging making it harder to monitor and standardize. E.g. Snapchat latest platform to refuse third party verification.</li> </ul>	<ul style="list-style-type: none"> <li>First line of defense will always be to partner with premium Australian publishers as curated, journalistic content has lower risk for Brand Safety and Ad-Fraud.</li> <li>GroupM has also partnered with Moat / Grapeshot for independent BAV verification. Recognized as world class technology vendors.</li> <li>Bespoke solution between GroupM and Moat to visualize BAV data in GroupM Knowledge room with &gt;6B rows of data.</li> </ul>

## 3 Year Demand Forecast

MEDIA TYPE	2017	2018	2019
Television	-1.7%	-0.5%	-0.5%
Digital	+11.2%	+10.2%	+7.6%
Outdoor	+5.3%	+5.0%	+0.3%
Radio	+3.2%	+0.1%	+0.4%
Newspapers	-10.0%	-1.5%	-1.0%
Magazines	-5.0%	-0.7%	-0.3%
Cinema	+5.3%	+5.0%	+2.5%
Market	+4.2%	+5.2%	+3.9%

SOURCE: GroupM Forecast

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Thank You.



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# WPP AUNZ 2016 FULL YEAR RESULTS

## Appendix

## Statutory Profit & Loss

31 December \$AUD'M	2015	2016
Net revenue	395.8	765.2
Income from associates	14.1	4.0
Profit before interest and tax	[24.3]	106.2
Net finance costs	[13.2]	[17.3]
Profit before tax	[37.5]	88.9
Tax	[6.8]	[26.0]
Profit after tax	[44.3]	62.9
Profit after tax and minorities	[52.6]	55.0
Transaction related profits/(costs)	[1.3]	1.6
Impairment of non-current assets and other non-cash items	[81.8]	[23.8]
Strategic review and business restructure costs	[4.5]	-
Business close down and other one-off profits/(costs)	[4.6]	2.6
<b>Reported net profit after tax</b>	<b>39.6</b>	<b>74.6</b>

## One Off Costs

31 December \$AUD'M	2015	2016
<b>Transaction related costs</b>		
Advisor, listing and debt restructure fees	1.3	7.6
(Gain)/Loss on revaluation of associates (non-cash)	-	(12.1)
Revaluation of non-current assets	-	3.3
<b>Total transaction related (gains)/costs</b>	<b>1.3</b>	<b>(1.4)</b>
<b>Impairment of non-current assets and other non-cash items</b>		
Impairment charges (non-cash)	78.6	-
Amortisation of intangible assets (non-cash)	1.6	14.7
Lease accounting (non-cash)	1.8	-
Loss on fair value accounting of deferred cash settlements (non-cash)	3.1	13.5
<b>Total impairment of non-current assets and other non-cash items</b>	<b>85.1</b>	<b>28.2</b>
<b>Strategic review and business restructure costs</b>		
Centralised cost restructuring	1.3	-
Operating restructure & staff efficiency measures	6.5	-
<b>Total Strategic review and business restructure costs</b>	<b>7.8</b>	<b>-</b>
<b>Business close down and other one-off costs</b>		
Business restructuring (gains)/costs	1.5	(3.2)
Losses on closed and merged business	4.8	0.6
<b>Total Business close down and other one-off costs</b>	<b>6.3</b>	<b>(2.6)</b>
<b>Total: PBT @ 100% share</b>	<b>100.5</b>	<b>24.2</b>
<b>Total: Income Tax Benefit &amp; Non-Controlling Interests</b>	<b>(8.4)</b>	<b>(4.6)</b>
<b>Total: NPAT @ WPP AUNZ share</b>	<b>92.1</b>	<b>19.6</b>