

ASX Release

23 February 2018

WPP AUNZ LIMITED – 2017 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 2017.

Financial Highlights

- Headline profit is ahead of October 2017 guidance:
 - Reported profit before tax of \$125.0 million, up 3.1% [2016: \$121.3 million].
 - Reported profit before interest and tax of \$138.7 million, down 2.1% [2016: \$141.6 million]
- Net sales of \$869.9 million, up 0.6% [2016: \$864.9 million].
- Strong operating cash flow drives reduction in interest and leverage.
- Leverage ratio of 1.6x [Dec 17], down from 1.9x [Dec 16].
- Final dividend of 4.2 cents per share, fully franked, taking total dividends declared for the 2017 year to 6.3 cents per share fully franked, up 5% [2016: 6.0 cents per share].

Operational Highlights

- Strong new business performance in media, advertising and digital segments.
- Bespoke client team models gaining traction in the market.
- Investment in people and culture.

Current Trading and Outlook

- Soft market conditions expected to continue
- Continuing to strengthen the foundation of WPP AUNZ to support growth.
- Growing organic revenues from new and existing clients remains a priority.
- Expect to deliver circa. 3% growth in earnings per share for the 2018 full year.
- Strength of cashflow, low capex needs and continuing debt reduction expected to drive increased dividends.

Key Measures	31 December 2016	31 December 2017	Change
Net sales	\$864.9m	\$869.9 million	0.6%
Profit before interest and tax	\$141.6m	\$138.7m	[2.1%]
Profit before tax	\$121.3m	\$125.0m	3.1%
Net sales margin	16.4%	15.9%	
EPS [cents per share]	9.5 cents	9.8 cents	3.1%
Total dividends [fully franked]	6.0 cents	6.3 cents	5.0%
Leverage ratio [debt/EBITDA]	1.9x	1.6x	

Commenting on the results Michael Connaghan, Chief Executive Officer of WPP AUNZ said:

“Our business has been resilient in soft market conditions, with headline numbers coming in above our revised guidance in October 2017. We are focused on strengthening the fundamentals of our business, investing in our people and culture, delivering more for our clients, and improving returns to shareholders in the long-term.

“On a divisional basis, our business has experienced a two speed performance. Advertising and Media Investment Management are leading the pack, growing their market position with robust new business wins. Our Digital business continues to perform strongly, with good new client momentum. In Data Investment Management, Public Relations and Public Affairs and in some Production businesses we have experienced pressure from both market softness and individual company underperformance.

“In the coming year, our focus is on investing for future growth: in production, data and marketing infrastructure and most importantly, our people and culture. This year we will roll-out an equity staff incentive scheme aimed at retaining the best people in the market.

“Looking ahead, we expect to deliver circa. 3% growth in earnings per share for the year ended 31 December 2018.”

Summary of financials – better than expected headline results

WPP AUNZ's results for the full year ending 31 December 2017 delivered a headline profit before tax of \$125.0 million, an increase of 3.1% on the prior period [2016: \$121.3 million], driven by better cash collection and a decrease in interest relating to the company's reduced debt position. The headline results were delivered against soft macro conditions and a flat media market. Net sales grew 0.6% to \$869.9 million [2016: \$864.9 million].

Net profit before tax and interest was \$138.7 million, down 2.1% on the prior period [2016: \$141.6 million], and earnings per share was 9.8 cents, up 3.1% on the prior period [2016: 9.5 cents].

Group Strategy to deliver 100% of a client's customer experience budget on track

WPP AUNZ's strategy to deliver 100% of a client's customer experience budget saw it deliver on its 'know more, do more, be more' approach with consolidation of agencies, an increase in the number of agencies working across clients, and early success with team models.

In 2017, the group had an average of nine agency touchpoints across its largest 50 clients.

Over the year, the Group saw the consolidation of 18 agencies that had strong complementary skills and clients. This included: advertising agency The White Agency with Grey; digital agency DT with AKQA; branding agencies Designworks and Landor; and Ikon New Zealand with GroupM.

Cash, Gross Debt and Facilities – strong cashflow drives reduction in debt and leverage
WPP AUNZ continues to be a strong cash generative business with a focus on efficient and effective working capital management practices.

The Company has continued to deleverage its balance sheet. The Company's net debt including earnout payments totalled \$250.0 million as at 31 December 2017, a reduction of \$43.3 million on the prior period [31 December 2016: \$293.3 million]. The reduction in net debt was driven by strong operating cash flow. As of 31 December 2017, the leverage ratio was 1.6x down from 1.9x at 31 December 2016 and within our targeted leverage ratio of 1.5x to 2.0x.

Cost synergies – on track to deliver synergies

WPP AUNZ has committed to the market to deliver \$15 million of cost synergies per annum over a three-year period and we are well on track in this process. The Group has achieved cumulative annual synergies of \$14.8 million in the 2017 financial year [2016: cumulative annual synergies of \$4.9 million]. The achieved synergies are primarily from corporate and administration efficiencies, operating efficiencies and property rationalisation..

The consolidation of WPP AUNZ's property footprint is well progressed. In June, a Sydney campus was opened at The Bond building on Hickson Road, Millers Point. This has provided office space for 630 people in 15 businesses and facilitated increased collaboration and creative benefits.

Consolidation of IT and Shared services has been an area of delay, with challenges faced in consolidation of IT platforms and back office systems. This will be a key area of focus in the 2018 financial year.

Dividend

The Directors of WPP AUNZ declared a fully franked final dividend of 4.2 cents per share [2016: 3.9 cents per share fully franked] bringing total dividends for the year to 6.3 cents per share. This represents a payout ratio of 64% which is in line with the Group's target dividend payout ratio of between 60% and 70% of underlying profit. The final dividend will have a record date of 29 March 2018 and will be paid on 6 April 2018.

Strength of cashflow, low capex needs and continuing debt reduction expected to drive increased dividends.

Results Presentation

WPP AUNZ will hold a briefing of its 2017 full year results on Friday, 23 February 2018 at 9:00 am Sydney time. The briefing will be accessible online via a live webcast at <http://webcast.openbriefing.com/4168/>

Or for those wishing to dial-in. Details are below:

Dial-in number:

Australia	+61 2 8038 5221 or 1800 123 296 [toll free]
Canada	1855 5616 766
China	4001 203 085
Hong Kong	800 908 865
India	1800 3010 6141
Japan	0120 477 087
New Zealand	0800 452 782
Singapore	800 616 2288
United Kingdom	0808 234 0757
United States	1855 293 1544

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Conference ID: 1397209

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

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