

ASX Release

25 August 2017

WPP AUNZ LIMITED – 2017 HALF YEAR RESULTS

WPP AUNZ Limited [“WPP AUNZ” “the Group” ASX:WPP], Australasia’s leading marketing content and communications group, today announces its financial results for the six months ending 30 June 2017.

Financial Highlights

- Reported Profit before Interest and Tax of \$49.1 million, up 4.1% [1H16: \$47.2 million]
- Reported Profit before Tax of \$41.9 million, up 19.0% [1H16: \$35.2 million]
- Margin improvement with PBIT margin increasing to 12.0% from 11.6% in 1H16
- Strong operating cash flow drives debt reduction
- Continued deleveraging of the balance sheet – leverage ratio 1.8x [31 Dec 16: 1.9x]
- Interim dividend declared of 2.1 cents per share, fully franked [1H16: 2.1 cents per share]

Operational Highlights

- Half year results have benefited from the realisation of cost synergies
- Optimised the portfolio of companies to strengthen competitive positioning
- Reinforced the senior leadership team

Current Trading and Outlook

- Growing organic revenues from new and existing clients remains a priority. Pushing hard into areas of production, data and marketing infrastructure
- Expect to deliver mid-single digit growth in earnings per share for the full year 2017

Key Measures	30 June 2016	30 June 2017	Change
Net sales	\$407.3m	\$410.0m	0.7%
Profit before interest and tax	\$47.2m	\$49.1m	4.1%
Profit before tax	\$35.2m	\$41.9m	19.0%
Net sales margin	11.6%	12.0%	0.4%
EPS [cents per share]	2.7 cps	3.1 cps	12.4%
Interim dividend [fully franked]	2.1 cents	2.1 cents	-
Leverage ratio [debt/EBITDA]	2.2x	1.8x	

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

“Our half year results for 30 June 2017 were in line with expectations. Despite a flat media market, our strategy of bringing together the best knowledge, thinking and talent to meet our clients’ challenges has served us well.

“In what continues to be an uncertain global environment, we have delivered growth in all our key financial metrics and made significant progress in cost synergies and operational efficiencies that positions us well to capitalise on future opportunities.

“While we remain cautious on the outlook, due to continuing external headwinds, we now have a good grasp of the levers within our control and the people and culture to deliver on our purpose. We are on track to deliver mid-single digit growth in earnings per share for the full year 2017.”

Summary of financials – earnings growth at an improved operating margin

WPP AUNZ’s results for the six months ending 30 June 2017 delivered a headline profit before interest and tax of \$49.1 million, up 4.1% on the prior period [1H16: \$47.2 million] driven by a disciplined approach to cost management, better connectivity and optimisation across the group and working capital improvements. The headline results were achieved at a margin of 12.0%, up from 11.6% in the prior comparable period.

Net profit before tax was \$41.9 million, up 19.0% on the prior period [1H16: \$35.2 million], and earnings per share was 3.1 cents, up 12.4% on the prior period [1H16: 2.7 cents].

Revenue and cost synergies – on track to deliver synergy savings

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. There has been significant progress made to lock in cost savings and we have seen in the results a positive impact from the realisation of cost synergies post the merger.

In June, the new 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. We anticipate that the co-location of three separate WPP AUNZ offices to The Bond will deliver \$1.6 million in annual cost savings.

Portfolio Optimisation – building business of scale

In line with our stated strategy of ‘Fewer, Bigger, Better’ the first half has seen the consolidation of a number of agencies that were felt to have strong complementary skills and clients. This included amongst others: The White Agency with Grey; and DT with AKQA. As a group we are already seeking ways to increase collaboration and team models for the benefit of our people and our clients.

In Australia and New Zealand, we remain focused on bigger, better and smarter ideas – harnessing the knowledge and expertise of our 5,500 people who collectively work across multiple disciplines for every major client and category in the market. The scale and diversity of the group creates opportunities for growth in our people, our companies and our clients.

Cash, Gross Debt and Facilities – strong cashflow drives reduction in debt and leverage

WPP AUNZ has access to debt facilities of \$520 million through a syndicate of six banks. The Company's net debt, plus finance lease liabilities and earnout payments totalled \$277 million as at 30 June 2017 (31 December 2016: \$293 million). The reduction in debt is driven by strong operating cash flow with average EBITDA cash conversion of 106% over the past 12 months.

The Company has continued to deleverage its balance sheet. As of 30 June 2017, the leverage ratio was 1.8x down from 1.9x at 31 December 2016 and consistent with our targeted leverage ratio of 1.5x to 2.0x.

Dividend

The Directors of WPP AUNZ declared a fully franked interim dividend of 2.1 cents per share fully franked (2016: 2.1 cents per share). This represents a payout ratio in line with the Group's target dividend payout ratio of between 60% and 70% of underlying profit. The interim dividend will have a record date of 26 September 2017 and will be paid on 3 October 2017.

Results Presentation

WPP AUNZ's 2017 half year results presentation will take place at a briefing at Level 4, 30 The Bond, 30-34 Hickson Road, Millers Point, on Friday, 25 August 2017 at 9:00 am AEST. The briefing will be accessible online via a live webcast at <http://webcast.openbriefing.com>.

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

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