

ASX Release

24 August 2018

WPP AUNZ LIMITED – 2018 HALF 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 half year ending 30 June 2018.

Financial Highlights

- Delivered organic growth
 - Net sales of \$416.3 million, up 1.5% [2017: \$410.0 million]
 - Headline profit before tax of \$43.4 million, up 3.8% [2017: \$41.9 million].
 - Headline earnings per share of 3.3 cents, up 5.8% [2017: 3.1 cents]
- 10% increase in interim dividend to 2.3 cents per share, fully franked [2017: 2.1 cents per share].
- 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

- Media and advertising segments achieved organic growth, growing net sales and maintaining operating margins.
- Digital businesses in the portfolio also performed strongly through engagements focused on e-commerce, marketing automation and digital transformation.
- Invested in the business to support future growth: new property campus in Melbourne, state-of-the-art production infrastructure.
- Investment in digital media and Data Investment Management businesses.

Current Trading and Outlook

- Production, Data, ecommerce, marketing infrastructure and digital transformation remain key growth areas.
- Expect to deliver circa. 3% growth in earnings per share for the 2018 full year. We remain appropriately conservative in our outlook given the challenging market conditions for specific industry segments in retail and consumer facing brands.

Key Measures – Half Year Results	30 June 2017	30 June 2018	Change
Net sales	\$410.0m	\$416.3m	1.5%
Earnings before interest and tax	\$49.1m	\$49.6m	1.0%
Net sales margin	12.0%	11.9%	
Profit before tax	\$41.9m	\$43.4m	3.8%
EPS [cents per share]	3.1 cents	3.3 cents	5.8%
Total dividends [fully franked]	2.1 cents	2.3 cents	10%
Leverage ratio [debt/EBITDA]	1.8x	1.9x	

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

“Our business continues to deliver headline organic growth. We remain focused on strengthening the foundations and fundamentals of our business, investing in our people and culture, delivering more for our clients, and improving returns to shareholders in the long-term.

“Over the last six months, we have made a number of investments to support this including investing in a new Melbourne property campus to house 15 brands and 360 people; investing in state-of-the-art production infrastructure; and, taking a greater ownership in minorities and associated entities that will ensure we work more cohesively across the Group.

“On a divisional basis, we experienced varied performances across our key areas of operation. Advertising and Media Investment Management showed good growth in net sales and maintained their operating margin. Digital business again performed strongly and have maintained their earnings momentum. The Public Relations and Public Affairs segment has seen growth across the portfolio, a pleasing turnaround from previous periods. While, the Data Investment Management and Branding and Identity businesses experienced pressure from market softness, particularly retail clients,” he said.

Summary of financials – Delivered organic growth in net sales and headline earnings

WPP AUNZ’s results for the half year ending 30 June 2018 delivered an increase in both net sales and headline earnings. Net sales grew 1.5% to \$416.3 million [2017: \$410.0 million]. Headline profit before tax grew 3.8% on the prior period to \$43.4 million [2017: \$41.9 million]. Headline earnings per share was 3.3 cents, up 5.8% on the prior period [2017: 3.1 cents].

Summary of divisional financials – varied performance across segments

SAUD'M	Net Sales		Headline PBIT		Headline Margin	
	2018	\$ Change	2018	\$ Change	2018	Change
Advertising, Media Investment Management	232.8	4.7	28.1	1.3	12.0%	0.3%
Data Investment Management	50.1	1.5	8.3	(1.2)	16.6%	(2.9%)
Public Relations & Public Affairs	29.0	0.4	4.6	1.0	16.0%	3.3%
Branding & Identity and Specialist Communications	104.4	(0.3)	8.6	(0.6)	8.3%	(0.5%)
Total	416.3	6.3	49.6	0.5	11.9%	(0.1%)

Simplified the Group’s portfolio: acquisition of WPP Plc associated entities and minority shareholdings

With a focus on continuing to simplify the Group’s portfolio, during the period, the Company acquired additional WPP Plc related entities and acquired minority shareholdings in our existing businesses. The total investment in these acquisitions was \$14.5 million.

- The Company invested in businesses that were global brands and owned WPP. We acquired Essence, a global digital media planning and buying business and Lightspeed, a global online research panel, bringing ownership to 100%.
- 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%. We also acquired the remaining 18% interest not already owned in Colmar Brunton, a research consultancy business, to take the Group's equity interest to 100%.

Investing for the future

During the period, 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 also invested in high quality, scalable technical printers to support and strengthen group wide production capabilities.

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 in 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 Company's net debt, including earnout payments, totalled \$305.0 million as at 30 June 2018, an increase in net debt of \$55.0 million on the prior period (31 December 2017: \$250.0 million). The increase in net debt since December 2017 is a result of an increase in the net working capital position, the capital investment in the new property campus in Melbourne and production equipment, payment for acquisitions of new entities and minority interests in existing companies and an increase in tax payments as a result of a change in the tax legislation.

As at 30 June 2018, the leverage ratio was 1.9x (from 1.8x at 30 June 2017). This is within our targeted leverage ratio of 1.5x to 2.0x.

Dividend

The Directors of WPP AUNZ declared a fully franked interim dividend of 2.3 cents per share, up 10% (2017: 2.1 cents per share fully franked). This represents a payout ratio of 70% which is 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 2018 and will be paid on 3 October 2018.

Full Year Outlook

The Group remains focussed on driving organic growth across its business, conscious that the market environment continues to be challenging for some retail and consumer facing clients.

Looking ahead, our guidance is unchanged and we expect to deliver circa. 3% growth in earnings per share for the year ended 31 December 2018. Guidance is appropriately conservative given headwinds in retail and FMCG sectors and some particular challenges in a small number of operating companies.

Results Presentation

WPP AUNZ will hold a briefing of its 2018 half year results on Friday, 24 August 2018 at 9:00 am Sydney time. The briefing will be accessible online via a live webcast at <https://webcast.openbriefing.com/4611/>

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 994 669
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: 9586725

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

Chris Rollinson
Chief Financial Officer

Renée Bertuch

WPP AUNZ Limited
+61 [02] 9373 6463

Cannings Strategic Communications
+61 [02] 8284 9990