2019 HALF YEAR RESULTS

23 August 2019

HALF YEAR 2019 RESULTS SUMMARY

Key financials

- Net sales $405.6 million, down 2.6% (2018: $416.3 million)
- Headline earnings before interest and tax $43.6 million, down 12.6% (2018: $49.9 million)
- Headline earnings per share 2.7 cents, down 15.3% (2018: 3.1 cents)

Strong cashflows and interim dividend maintained

- Cashflow conversion of 91% over last 24 months
- Interim dividend maintained at 2.3 cents (2018: 2.3 cents), fully franked
- Leverage ratio 2.5x (1.9x at Jun 18). Expected to return to within our targeted leverage range of 1.5x to 2.0x by year end
- Kantar sale proceeds to reduce leverage ratio in 2020 providing scope for targeted investment and capital management initiatives
- Both the Kantar sale and the high level of cashflow conversion provide confidence for the maintenance of a high dividend level, or provide scope for targeted investment and capital management initiatives

Mixed performance across the portfolio

- Organic growth in Data Investment Management, Public Relations and Specialist Communications
- Weak media spend market and global and local account losses in prior year impacting Advertising and Media Investment Management segment, as predicted in our internal forecast for the first half
- Global repositioning of VMLY&R and Wunderman Thompson in early stages of local integration
- Good progress in restructure of Large Format Production segment. Cost and operational efficiencies will become evident in the second half, creating a sound rationale that our second half will be stronger

Note. Prior year figures adjusted on a like-for-like basis for the impact of AASB 16 (excluding Leverage Ratio). Headline EBITDA used in leverage ratio excludes reversal of depreciation of right-of-use assets (AASB 16).

HALF YEAR 2019 RESULTS SUMMARY

Progressing strategy to simplify the business

- The Company progressed its strategy to simplify the business to ensure a more integrated offering to clients, greater operational efficiencies and collaborative working environments for our people
- Accelerated our program to reshape our portfolio of businesses: closed, merged or divested 20 businesses in year-to-date 2019
- Announced the sale of Kantar businesses post 30 June 2019. Completion expected in early 2020, delivering net proceeds of c.$150 million
- Invested in campuses in Brisbane and Sydney to bring together brands in the one location and drive collaboration

Outlook

- The overall Australian and New Zealand markets media spend in 2019 is expected to be flat, with varied performance in individual market segments.
- Current expectation is to deliver earnings per share decline of 5% - 10% for the 2019 full year.

KEY FINANCIALS

HEADLINE RESULTS – HALF YEAR 2019

KEY MEASURES ($AUD'M)	30 JUN 2018 (1)	30 JUN 2019	% CHANGE
Net Sales	416.3	405.6	(2.6%)
Earnings Before Interest and Tax	49.9	43.6	(12.6%)
Net Sales Margin	12.0%	10.7%	
Profit Before Tax	42.0	35.4	(15.6%)
Tax Rate	*27.8%*	*28.2%*	-
Profit After Tax and Minorities	26.8	22.6	(15.3%)
Earnings Per Share	3.1 cents	2.7 cents	(15.3%)
Interim Dividend Per Share	2.3 cents	2.3 cents	
Net Debt	305.0	326.0	
Leverage Ratio (Net debt / EBITDA (2))	1.9x	2.5x	

Page 17 details a reconciliation between Headline Results and Reported Earnings.

(1) Prior year figures adjusted on a like-for-like basis for the impact of AASB 16 (excluding Leverage Ratio)

(2) Headline EBITDA excluding reversal of depreciation of right-of-use assets (AASB 16)

HALF YEAR RESULTS BY SEGMENT

$AUD'M	NET SALES		HEADLINE EBIT		HEADLINE MARGIN	
	2019	$ CHANGE	2019	$ CHANGE (*)	2019	CHANGE (*)
Advertising and Media Investment Management	236.7	(9.0)	23.5	(4.7)	9.9%	(1.5%)
Data Investment Management	51.0	0.9	8.8	0.1	17.2%	(0.1%)
Public Relations & Public Affairs	29.0	-	4.8	0.1	16.6%	0.5%
Specialist Communications	80.0	(1.0)	11.2	0.9	14.0%	1.3%
Large Format Production	8.9	(1.7)	(4.7)	(2.7)	(53.1%)	(34.7%)
Total	**405.6**	**(10.8)**	**43.6**	**(6.3)**	**10.7%**	**(1.3%)**

The Data Investment Management will be treated as a held for sale asset at 31 December 2019, if shareholders approval is received for the sale. The shareholder vote is expected to take place in November 2019.

(*) Prior year figures adjusted on a like-for-like basis for the impact of AASB 16.

SALE OF KANTAR BUSINESSES

- Transaction values Kantar at $168 million - multiple of 8.2x Kantar's 2019 budgeted EBITDA
- Proceeds on completion, after transaction costs, and provision for restructure liabilities to the value of $8.4million, are expected to be c.$150 million, payable in cash
- On a 2018 pro-forma basis, the transaction will reduce the Company's net sales by $104 million and EBITDA by $19.7 million. The EBITDA is adjusted for the proportionate greater share of the global brand service fee payable by Kantar
- Post completion of the transaction, WPP AUNZ's global brand service fee payable to WPP plc will reduce to 2.31% of global brand net sales (previously 3.28%). This represents a permanent annual benefit to the Company
- Creates greater balance sheet flexibility to pursue growth and capacity to return funds to shareholders
- Proceeds, if initially used to repay debt, would imply a leverage ratio of c.1.1x on a proforma basis as at 31 December 2018 vs 1.9x as reported
- Assuming all proceeds were used to repay debt and no capital management initiatives were undertaken, the impact of the proposed transaction would have represented a c. 9.2% reduction on 2018 pro forma earnings per share
- Completion of the transaction is expected to be in early calendar year 2020
- Will retain a close relationship with Kantar

KANTAR

HEADLINE EARNINGS

30 JUNE $AUD'M	2018 (*)	2019	CHANGE
Net sales	416.3	405.6	(2.6%)
Income from associates	3.7	4.3	
Staff Costs	(277.1)	(277.6)	
Establishment Costs	(27.8)	(25.5)	
General & Administration Costs	(65.2)	(63.2)	
Total Operating Costs	(370.1)	(366.3)	
Earnings before interest and tax	49.9	43.6	(12.6%)
Net finance costs	(6.2)	(6.5)	
Net finance costs – AASB 16	(1.7)	(1.7)	
Profit before tax	42.0	35.4	(15.6%)
Tax	(11.7)	(10.0)	
Profit after tax	30.3	25.4	(16.1%)
Minority Interests	(3.5)	(2.8)	
Profit after tax and minorities	26.8	22.6	(15.3%)
EPS	3.1 cents	2.7 cents	(15.3%)

30 JUNE	2018 (*)	2019
Staff Costs to Net Sales %	66.6%	68.4%
EBIT to Net Sales Margin %	12.0%	10.7%
EBITDA ($'million) excl. AASB 16	58.8	50.6
EBITDA ($'million)	67.8	62.9

- Staff costs to revenue ratio increase in the period drives a decline in operating margin
- Positive financial result delivered through the campus strategy and consolidation of lease space

(*) Prior year figures adjusted on a like-for-like basis for the impact of AASB 16.

CAPITAL MANAGEMENT AND FUTURE OPPORTUNITIES

- 2019 interim dividend of 2.3 cents per share, fully franked, in line with prior period (2018: 2.3 cents per share)
- 85% payout ratio for the interim dividend
- Targeted full year dividend payout ratio of 60% to 70% of earnings (prior to any change post the Kantar sale)
- Sale of Kantar provides scope for additional capital management initiatives
- Dividend record date - 26 September 2019
- Dividend payment date - 3 October 2019

	31 Dec 2016	31 Dec 2017	31 Dec 2018	31 Dec 2019
Interim dividend	2.1	2.1	2.3	2.3
Final dividend	3.9	4.2	4.0	
Total Dividends per share (cents)	6.0	6.3	6.3	
Earnings per share (cents)	9.5	9.8	8.4	
Payout ratio %	63%	64%	75%	
Total cash outlay ($ million)	51.1	53.6	53.6	

BALANCE SHEET, DEBT & LEVERAGE

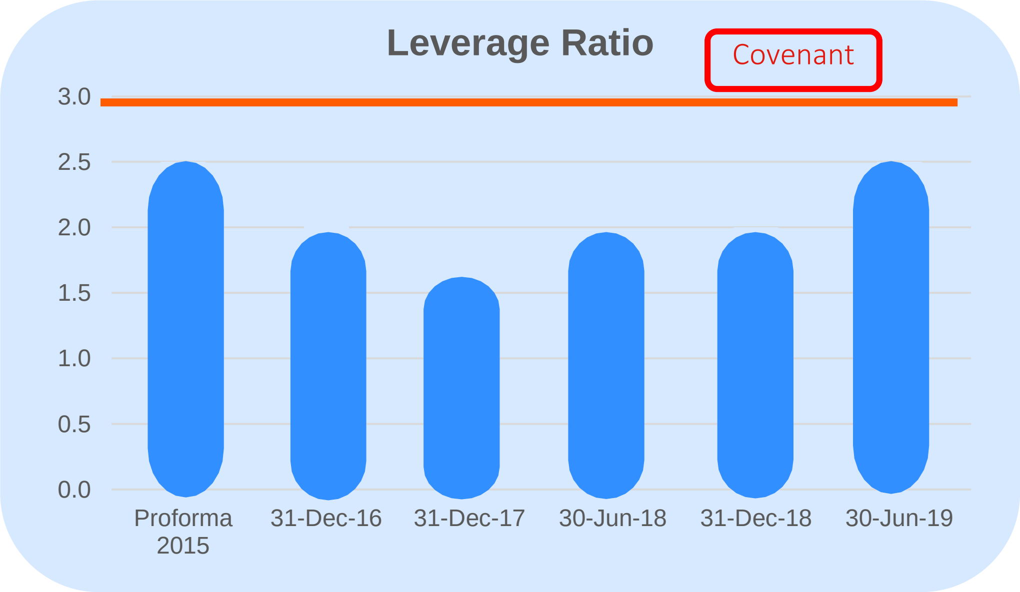
BALANCE SHEET

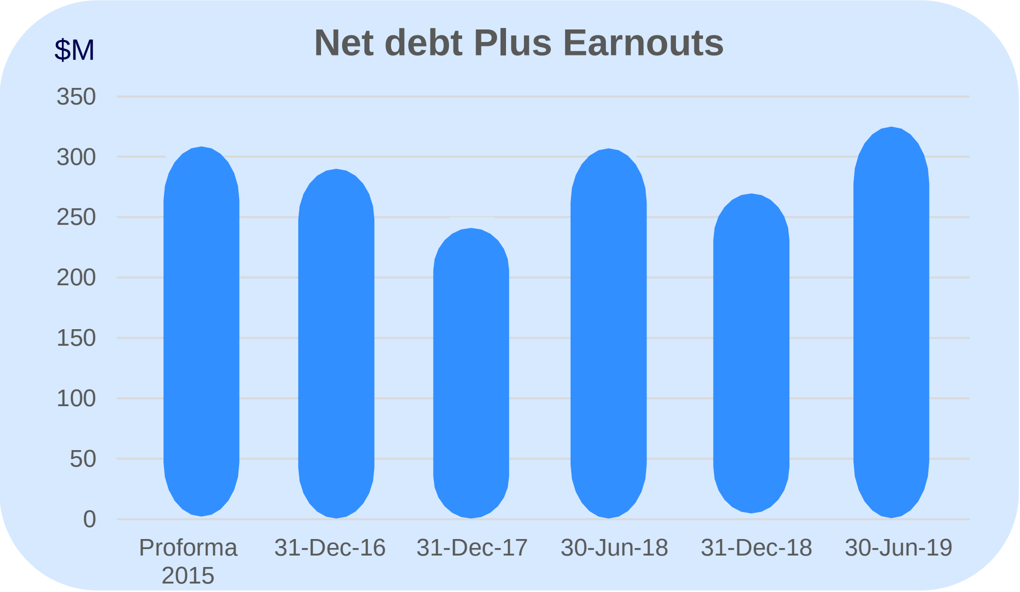
AUD $'M	REPORTED 30 JUN 2018	REPORTED 31 DEC 2018	REPORTED 30 JUN 2019
Cash [a]	129.4	63.5	69.2
Net working capital	**(32.7)**	**(62.8)**	**(45.6)**
Investments accounted for using the equity method	25.8	21.9	22.1
Intangibles	**1,238.5**	**1,187.5**	**883.5**
AASB 16 - Right-of-Use Asset	-	-	83.3
Other Assets	120.6	117.6	122.3
TOTAL ASSETS	**1,481.6**	**1,327.7**	**1,134.8**
Bank Debt [b]	(412.6)	(315.0)	(385.0)
Lease Liability [b]	(2.3)	(1.7)	-
AASB16 – Lease Liability	-	-	(101.3)
Earnouts [c]	**(19.5)**	**(17.1)**	**(10.2)**
Other Liabilities	(218.1)	(217.1)	(158.2)
TOTAL LIABILITIES	**(652.5)**	**(550.9)**	**(654.7)**
NET ASSETS	**829.1**	**776.8**	**480.1**
Net debt [b-a]	285.5	253.2	315.8
Net debt including earnouts [b+c-a]	305.0	270.3	326.0

- Negative net working capital of $45.6 million at Jun-2019 has improved from Jun-2018 ($32.7 million), however has reduced by $17.2 million compared to Dec-2018 ($62.8 million).
- Intangible assets of $883.5 million, decreased as a result of $294.7 million of impairment.
- Net debt including earnouts of $326.0 million increased by $55.7 million from Dec-2018 ($270.3 million).
- AASB 16 Right-of-use asset and lease liability has been recognised for the first time in 2019 and will unwind over the term of the leased assets impacted by the new accounting standard.

DEBT FACILITIES AND LEVERAGE RATIO

- Syndicated Debt Facility
  - Access to debt facilities of $520 million with a syndicate of 5 banking partners
  - Maturity profile:
    - $370 million – 3 year term maturing June 2021
    - $150 million – Rolling annual working capital facility expiring 29 June 2020
- Leverage ratio
  - Leverage ratio of 2.5x at 30 June 2019 (1.9x at 30 June 2018)
  - Expect to bring the leverage ratio within the targeted leverage ratio of 1.5x to 2.0x by year end through improvement in net working capital and stronger earnings in the second half of the year
  - Leverage ratio calculated as Net Debt including earnouts/EBITDA
  - There is material headroom in the banking covenants – covenant is less than 3.0x





USE OF CASHFLOW

KEY MEASURES - AUD $'M	12 months to 30 Jun 2018	12 months to 30 Jun 2019	Last 24 month Total
EBITDA (excluding impairment and amortisation)*	**160.4**	**130.7**	**291.1**
Net change in working capital and non-cash items	(36.9)	0.8	(36.1)
Net cash generation from operations	**123.5**	**131.5**	**255.0**
Dividends received from associates	5.1	3.9	9.0
Net interest expense	(14.4)	(15.2)	(29.6)
Tax received/(paid)	(23.9)	(39.6)	(63.5)
Net cash generation from operating activities	**90.3**	**80.6**	**170.9**
Capital expenditure and amounts to related parties	(28.1)	(14.5)	(42.6)
Acquisitions			
- Net acquisition payments	(16.1)	(11.3)	(27.4)
- Earnout payments	(10.2)	(11.5)	(21.7)
Net cash flow before financing and distributions	**35.9**	**43.3**	**79.2**

Key themes

- Net working capital and other non-cash items has significantly improved which has resulted in an increase in net cash generated.
- Capital expenditure is mainly in relation to leasehold improvement expenditure
- Net acquisition payments relate to a step up in acquisitions in entities that had minority interest shareholdings.

* Prior year figures adjusted on a like-for-like basis for the impact of AASB 16.

SUMMARY AND OUTLOOK

SUMMARY AND OUTLOOK

Outlook: Challenging operating environment in advertising and media impacting 2019 guidance; opportunities for market share growth and transformation of our businesses

- Expect to deliver a reduction in headline earnings per share of 5% -10% for FY2019
- Media market forecast to be flat to negative in 2019
- Challenging market for retail consumer facing brands, impacting Large Format Production and Advertising and Media Investment Management companies
- Good growth opportunities continue to exist in ecommerce, digital transformation and marketing infrastructure along with growth in market share in traditional ad and media businesses

Focused on: simplifying the Group; driving collaboration; delivering integrated solutions

- Continued reshaping of the portfolio with further consolidation of the portfolio planned in 2H19
- Make it easier for clients to access our best people and resources
- Investment and focus on high growth potential businesses in the portfolio

New Chief Executive Officer and Managing Director Jens Monsees appointed

- Jens to commence on 1 October 2019
- Jens has a strong international reputation for building brands and leading change. Together with the leadership team, he will be charged with developing a strategic plan to further accelerate our positioning for future growth and to capitalise on the many opportunities available through our scale.

APPENDIX

HEADLINE TO REPORTED EARNINGS

30 June AUD $'M	2018	2019
Headline profit after tax and minorities	26.8	22.6
Adjustment for AASB 16	1.0	-
Significant one-off costs		
Transaction related tax balances	(8.5)	-
Amortisation of acquired intangible assets	(6.9)	(7.6)
(Gain)/loss on fair value adjustment of earnouts	0.7	(0.6)
Business restructure and other one-off costs	-	(6.2)
Sub-total	13.1	8.2
Impairment expense ($294.7m less $33.0m tax)	-	(261.7)
Reported profit/(loss) after tax and minorities	13.1	(253.5)

- The impairment expense relates predominantly to the impairment of brand names, customer relationships and goodwill across the Advertising and Media Investment Management and Data Investment Management segments within WPP AUNZ.
- The amortisation expense in 2019 relates to the amortisation of intangible assets acquired predominantly as part of STW Group's acquisition of WPP plc's Australian and New Zealand entities.
- The business restructure costs relate to the co-location of offices, right-sizing of operations and other one-off costs associated with the merger of certain brands within the group.

IMPAIRMENT OF INTANGIBLE ASSETS

30 June 2019 AUD $'M	Advertising and Media Investment Management	Data Investment Management	Specialist Communications	Total
Impairment of Intangible assets				
Goodwill	147.7	37.0	-	184.7
Brand Names	62.4	3.4	-	65.8
Customer Relationships	36.7	3.9	3.6	44.2
Total impairment of intangible assets	**246.8**	**44.3**	**3.6**	**294.7**

Goodwill – represents the unidentifiable intangible assets acquired through acquisitions

Brand Names - represents the brand names acquired predominately as part of the acquisition of WPP plc owned entities in 2016

Customer Relationships - represents the customer relationships acquired predominately as part of the acquisition of WPP plc owned entities in 2016

The impairment charge follows a review of the carrying value of the group's assets based on varied trading results. This has been driven primarily by the Advertising and Media Investment Management segment as a result of weak media spend and softening of the future outlook. Due to the ongoing repositioning of global brands including the potential sale of the Data Investment Management segment, customer attrition in some segments, and the slowdown in the overall Australian economy, management has reassessed its estimate of forecasted cashflows and growth rates to reflect the factors outlined above.

The impairment charge represents a write down of circa 25% of the intangible asset value contained in the balance sheet at 31 December 2018.

The impairment charge is non-cash in nature and have no impact on the company's debt facilities, compliance with bank covenants or its ability to undertake capital management initiatives.

AASB 16 - OVERVIEW

AASB 16 effective 1 January 2019

- All leases treated the same. No differentiation between operating and finance leases
- Primary impact is property leases
- All leases on balance sheet. Exceptions are short term and low value leases
- Balance sheet gross up at 30 June 2019 includes a $83.3 million right-of-use asset and a $101.3 million lease liability shown on the balance sheet
- Right-of-use asset = lease liability plus lease payments prior to commencement plus direct costs plus costs to restore the site less incentives
- Lease liability = present value of future lease payments
- Higher total expense initially as interest is front loaded

AASB 16 LEASES – IMPACT OF NEW ACCOUNTING STANDARD

30 JUNE $AUD'M	2018 Reported	AASB 16 Adjustments	2018 Adjusted	2019 excl. AASB 16	AASB 16 Adjustments	2019 Reported
Net sales	416.3		416.3	405.6		405.6
Operating lease expense	(9.0)	9.0	-	(12.3)	12.3	-
Other Costs	(348.5)		(348.5)	(342.7)		(342.7)
EBITDA	58.8	9.0	67.8	50.6	12.3	62.9
Depreciation/Amortisation	(9.2)	(8.7)	(17.9)	(8.2)	(11.1)	(19.3)
Earnings before interest and tax	49.6	0.3	49.9	42.4	1.2	43.6
Net finance costs	(6.2)		(6.2)	(6.5)		(6.5)
Net finance costs - AASB 16	-	(1.7)	(1.7)	-	(1.7)	(1.7)
Profit before tax	43.4	(1.4)	42.0	35.9	(0.5)	35.4
Tax	(12.1)	0.4	(11.7)	(10.2)	0.2	(10.0)
Profit after tax	31.4	(1.0)	30.3	25.7	(0.3)	25.4
Minority Interests	(3.6)		(3.5)	(2.8)		(2.8)
Profit after tax and minorities	27.8	(1.0)	26.8	22.9	(0.3)	22.6
EPS	3.3 cents	(0.2) cents	3.1 cents	2.8 cents	(0.1) cents	2.7 cents
Leverage Ratio (Net debt / EBITDA)	1.9x		1.7x	2.5x		2.1x

- The implementation of AASB 16 Leases will significantly change reported results however will have no economic impact upon the Group, its cashflows, or shareholder value.
- The operating leases impacted for the Group are primarily property leases for employee office space.
- EBITDA will materially increase as a result of operating lease expense being replaced by depreciation and interest costs.
- Profit after tax and minorities in both 2018 and 2019 half years are overall adversely impacted. Over the life of the leases, the cumulative net impact on profit after tax and minorities will be $Nil.