

ASX Release

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WPP AUNZ LIMITED – 2016 HALF YEAR RESULT

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 ended 30 June 2016.

Key features of the six month period include:

- Merger with Australia and New Zealand businesses of WPP plc approved by shareholders on 4 April 2016.
- Change of name and branding to WPP AUNZ Limited reflecting the closer alignment with WPP plc.
- Merger integration in the initial stages. Very positive beginning with strong engagement and collaboration from local business units and support from WPP global operations.
- The Group’s Headline Results are presented on a like-for-like basis, as if all businesses were owned from 1 January and exclude one-off and significant items incurred during the period.
 - Headline Net Sales of \$407.3 million, flat on prior period (2015: \$407.5 million).
 - Headline profit before interest and tax of \$47.2 million, flat on the prior period (2015: \$47.4 million).
 - Headline PBIT was delivered at a margin of 11.6%, in line with the prior period.
- Strong operating cash flow and exceeding EBITDA cash conversion target.
- Entered into new core debt facilities of \$520 million. Materially enhanced terms reflecting scale and reduced leverage. Next debt maturity will not arise until mid-2019.
- Interim dividend of 2.1 cents per share, fully franked (2015: 2.1 cents per share).

(\$ millions)	2016	2015	Change
Net Sales	407.3	407.5	(0.1%)
EBIT	47.2	47.4	(0.4%)
Margin	12%	12%	-

Summary of the result

WPP AUNZ's Chief Executive Officer, Michael Connaghan, said: "WPP AUNZ's results for the half year ended 30 June 2016 delivered net sales of \$407.3 million, flat on the prior period (2015: \$407.5 million) and headline profit before interest and tax of \$47.2 million, in line with the prior period (\$47.4 million). The results were delivered at a margin of 11.6%.

"The 2016 half year results are the first results presented under the name WPP AUNZ Limited, having completed the merger with the Australian and New Zealand businesses of WPP plc in April 2016. While we are still very much in the initial stages of the merger integration, it has been a very positive beginning. There has been strong engagement and collaboration from local business units and support from WPP global operations. The substantial benefits of the merger are tangible providing the Group with access to new tools, technologies and client relationships. The merger provides exciting pathways for our talented people and generates market leading services for our clients. 2016 will be a year of integration and establishing a platform for 2017 and beyond.

"During the early stages of integration the key objective has been to drive oversight and collaboration across the group. Along with Rose Herceg and Rob Currie, we have invested in senior executive positions with the appointment of: John Steedman - Chairman Media Services; Kieran Moore - CEO Public Relations and Public Affairs; and Ben Dixon - CEO Data Investment Management. The new management structure provides the oversight required to ensure our business units get the most out of being part of the largest marketing services group globally and at the same time ensure local autonomy remains intact. The structure brings together specialist expertise and allows for informed and agile decision-making.

"We have previously outlined to the market that we expect to achieve at least \$15 million of annual cost synergies as a result of the merger over a period of three years. Post transaction completion, we have made investment to validate, challenge and refine the cost synergy assumptions. The simple conclusion was an enhanced confidence in reaching and exceeding projected synergy targets. While it will be challenging, they are real and achievable. While confidence and conviction is strong, the synergies will take time to impact on the results. There will be limited synergy benefits in 2016. It is a year to invest in people, systems and structures that will establish a platform for sustainable synergy realization."

2016 Full Year Outlook

The outlook is presented on a like-for-like basis, looking at the performance of all business units in the Group as if they were owned for the entire period. The outlook excludes the impact of one off gains and costs resulting from the merger with WPP plc and other non-cash costs such as amortisation of intangible assets.

On a like for like basis, WPP AUNZ expects to deliver headline profit before interest and tax of between \$140 million and \$147 million (2015: \$137.0 million). Connaghan said: "This represents mid-to-high single digit organic growth. We are cautious in our outlook for the Group given a flat media market, restrained client spend and a subdued macro-economic environment in key markets. The Group will achieve this organic growth through winning market share and driving cost efficiencies."

Cash, Gross Debt & Facilities

During the half year, in connection with the merger, the group entered into new debt facilities of \$520 million to refinance both the existing debt facilities of the Group and certain intercompany

indebtedness owed to WPP plc. The debt facilities are on materially better terms than the prior debt facilities reflecting the size of the merged group and the reduction in leverage. The Group's next debt maturity will not arise until the first half of 2019.

As at 30 June 2016, the Company's net cash balance was \$71.5 million (31 December 2015: \$26.9 million). The Company's gross debt, finance lease liabilities and earnout liabilities totaled \$389.7 million (31 December 2015: \$246.9 million). The Company's net debt position increased to \$318.2 million at 30 June 2016 (31 December 2015: \$220.0 million) driven primarily by increased debt required as part of the financing of the merger.

Operating Cash Flows

Lukas Aviani, WPP AUNZ's Chief Financial Officer said: "The Group's cash flows were positively impacted by the timing of media payments at 30 June 2016. The operating cash flow for the 2016 half year was strong and exceeds the Group's cash conversion target of between 85% and 100% of EBITDA."

Dividend

The Directors of WPP AUNZ declared a fully franked interim dividend of 2.1 cents per share (2014: 2.1 cents per share). This Group's target is a full year dividend payout ratio of between 60% and 70% of underlying profit.

The interim dividend will have a record date of 6 September 2016 and will be paid on 20 September 2016. A dividend reinvestment plan (DRP) will not operate in respect of the interim dividend.

Results Presentation

WPP AUNZ's 2016 half year results presentation will take place at a briefing at 72 Christie Street, St Leonards, on Friday, 19 August 2016 at 9:00 am AEST. The briefing will be accessible online via a live webcast at <http://webcast.openbriefing.com/2945/>

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