

ASX Release

24 February 2017

WPP AUNZ LIMITED – 2016 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 ended 31 December 2016.

Financial Highlights

- Achieved guidance range delivering \$141.6m profit before interest and tax.
- Increase in final dividend to 3.9 cents giving a full year dividend of 6.0 cents (up 5%).

Operational Highlights

- Completion of WPP plc and STW Group merger, and rebrand to WPP AUNZ Limited with combined net sales of A\$865 million.
- Merger integration in line with expectations, strong agency engagement, reinforced leadership team structure, momentum to achieve identified cost efficiencies in 2017.
- New Executive Council in place to deliver closer oversight and local control of operating companies.

Current Trading and Outlook

- Momentum through a number of new business wins in the final quarter of 2016, across all business segments.
- Driving organic growth through winning market share and driving cost efficiencies.
- Expect to deliver mid-single digit growth in earnings per share for the full year 2017.

Key Measures	31 Dec 2015	31 Dec 2016	Change
Net sales	\$855m	\$865m	+1.2%
Profit before interest and tax	\$136.9m	\$141.6m	+3.5%
Net sales margin	16.0%	16.4%	+0.4%
EPS (cents per share)	9.2 cents	9.5 cents	+4.1%
Final dividend (fully franked)	3.6	3.9 cents	+8.3%
Total dividend	5.7 cents	6.0 cents	+5.3%
Leverage ratio (debt/EBITDA)	2.5x	1.9x	Driven by strong cash conversion - Hit target range

*The Group’s results are presented on a like-for-like basis, as if all businesses were owned from 1 January 2016 and exclude one-off and significant items incurred during the period.

Commenting on the results Michael Connaghan, chief executive of WPP AUNZ said:

“I absolutely believe that pound for pound we have one of the best marketing communications businesses on the planet. When you combine the local power of a home grown group such as STW with the iconic brands of WPP’s international units, we really do have an amazing platform.”

“We are pleased with the progress that has been achieved during 2016 across our combined Group. Our business model continues to deliver organic growth as well as future expansion opportunities through the global WPP Group. In particular, the merger provides exciting pathways for our talented people and generates market leading services for our clients.

“While we remain cautious on the outlook, given a flat media market, restrained client spend and a subdued macro-economic environment, we saw significant momentum in new client wins in the final months of the year. At this stage, we expect to deliver mid-single digit growth in earnings per share for the full year 2017.”

Full Year Report

The 2016 full year earnings 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. The integration of the combined businesses has been very positive with 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. It has been a year of integration and establishing a platform for growth in 2017 and beyond.

New Management Structure

During the initial stages of integration, the key objective has been to drive oversight and collaboration across the Group. Along with Rose Herceg and Rob Currie, new senior executive positions have been filled with the appointments of: John Steedman – Chairman Media Services; Kieran Moore – CEO Public Relations and Public Affairs; Ben Dixon – CEO Data Investment Management and Lester Feintuck – CEO Digital and Design. The new management structure provides the oversight required to ensure the 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.

Summary of Financials

WPP AUNZ’s results for the year ended 31 December 2016 delivered net sales of \$865 million, up 1.2% on the prior period (2015: \$855 million) and headline profit before interest and tax of \$141.6 million, up 3.5% on the prior period (\$136.9 million). The headline results were delivered at a margin of 16.4%, up from 16.0% in the prior year.

Revenue and Cost synergies

As previously outlined to the market, it is anticipated that as a result of the merger, at least \$15 million of cost synergies will be achieved over a period of three years. The projected synergy targets are tangible and achievable. While confidence and conviction is strong, the synergies will take time to impact on the results. Limited cost synergies are visible during 2016, which was a year to invest in people, systems and structures that establish a platform for sustainable synergy realisation.

Revenue synergies, through better collaboration between companies across the group, remains a key opportunity for achieving incremental organic growth.

Portfolio Optimisation

A key point of differentiation for WPP AUNZ is our ability to blend local agencies and global brands. We continue to look for opportunities to rationalize the portfolio of companies to build brands with scale. Post the year end, we announced the following transactions:

- Merger of Landor Australia with Designworks, combining the strength of Landor's global brand with the agility, local expertise and knowledge of Designworks.
- Leading creative technology agency DT is joining the global AKQA network. DT is one of the fastest growing agencies in the WPP AUNZ group and 2016 was a record year. DT will transition to AKQA's brand in the future, adding 220 employees as well as offices in Sydney, Melbourne, Auckland and Singapore to AKQA's global network.

Cash, Gross Debt & Facilities

During the 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 31 December 2016, the Company's net debt, plus finance lease liabilities and earn out payments totaled \$293 million (pro-forma 31 December 2015: \$312 million). The reduction in debt is driven by strong operating cash flow and improved working capital management. The operating cash flow for the 2016 year was \$133 million and reflected EBITDA cash conversion of 133% which exceeded the Group's cash conversion target of between 85% and 100% of EBITDA.

Dividend

The Directors of WPP AUNZ declared a fully franked final dividend of 3.9 cents per share (2015: 3.6 cents per share). The total dividend relating to the 2016 year is 6.0 cents (2015: 5.7 cents). This represents a payout ratio of 63%, in line the Group's target dividend payout ratio of between 60% and 70% of underlying profit.

The final dividend will have a record date of 24 March 2017 and will be paid on 31 March 2017.

Results Presentation

WPP AUNZ's 2016 full year results presentation will take place at a briefing at 72 Christie Street, St Leonards, on Friday, 24 February 2017 at 9:00 am AEST. The briefing will be accessible online via a live webcast at <http://webcast.openbriefing.com/3272/>

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

Michael Connaghan
Chief Executive Officer
WPP AUNZ Limited
+61 (02) 9373 6463

Chris Rollinson
Interim Chief Financial Officer
WPP AUNZ Limited
+61 (02) 9373 6463