



WELLCOM GROUP CONTINUES STRONG EARNINGS GROWTH AND RAISES DIVIDEND PER SHARE

21 February 2017

Wellcom Group Limited (Wellcom) (ASX: WLL), a leading global independent creative production agency, providing content creation and content management services in Australia, Auckland, Singapore, Kuala Lumpur, London, New York, Ohio and Los Angeles, today announced its results for the half-year ended 31 December 2016.

	1H17	1H16	Change
	\$m	\$m	
Statutory Revenue	73.93	80.33	-8%
Net Revenue (excl. print management pass through costs)	49.68	52.11	-5%
EBITDA	9.84	9.39	5%
EBIT	8.47	8.09	5%
EBT	8.44	8.02	5%
Profit after tax from continuing operations	5.70	5.39	6%
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Earnings per share – from continuing operations	14.53	13.76	6%
Dividend per share	9.5	9.0	6%
Franking (%)	100	100	0%

In commenting on the result, Mr Wayne Sidwell, Executive Chairman of the Wellcom Group said, "We are pleased to report a result reflecting a 6% increase in earnings per share. Careful cost management practices have followed generally challenging market conditions and the recent closure of two large clients, Dick Smith Electronics and Masters Home Improvement. Wellcom's expertise is in ensuring our clients' content is delivered in the right context, with speed, accuracy and consistency. Our ongoing development of technology, through our proprietary Knowledgewell software, enables us to reduce lead times and realise significant cost savings for clients. A positive outlook for the Group with strong prospects in key markets, and a debt-free balance sheet, has allowed the fully franked interim dividend to be increased to 9.5 cents a share."

OPERATING PERFORMANCE

Wellcom recorded statutory revenue of \$73.9m for the half-year to 31 December 2016 (1H16: \$80.3m), representing a decrease of 8% over the previous corresponding period. Net revenue (excluding print management pass through costs) of \$49.7m for the half-year (1H16: \$52.1m) represented a decrease of 5% over the previous corresponding period. This followed adverse currency movements, with net revenues excluding foreign exchange impacts growing 1% on the previous corresponding period. The first half also saw the absorption of the prior year account losses of Stream Solutions (Westpac Bank), Dick Smith Holdings and Masters Home Improvement. New business wins during the half-year included AHM Medibank (Australia), Sigma Pharmaceuticals (Australia), Chemmart (Australia), Treasury Wine Estates (Australia), Pernod Ricard (US) and Havas Worldwide (UK).

Earnings before interest, tax, depreciation and amortisation for the Group increased 5%, to \$9.84m (1H16: \$9.39m). Operating margins within the Group improved to 20.0% on a net revenue basis (1H16: 18.2%), following careful cost management and after accounting for a one-off cost of \$0.35m associated with the receivership of Dick Smith Holdings in the first half of FY16.

Earnings before interest and tax for the Group increased by 5%, to \$8.47m (1H16: \$8.09m) with net profit after tax from continuing operations increasing by 6%, to \$5.70m (1H16: \$5.39m). The effective Group tax rate for the half-year was 33% (1H16: 33%).

CASH FLOW AND BALANCE SHEET

The Group generated \$2.66m in cash from operating activities for the half-year ended 31 December 2016 (1H16: \$5.20m). As at 31 December 2016 Wellcom has no net debt with cash and cash equivalents in excess of interest bearing liabilities by \$3.78m (1H16: \$3.30m). This, in combination with \$8.12m of unused facilities, provides significant capital to pursue growth opportunities as they arise.

DIVIDEND

The Directors have declared a fully franked interim dividend of 9.5 cents per share (1H16: 9.0 cents per share). This equates to a payout ratio of approximately 65% (1H16: 65%). The record date for determining entitlements to the interim dividend is 3 March 2017, and payment will occur on 17 March 2017.

SENIOR MANAGEMENT APPOINTMENTS

Effective 1 March 2017 Steve Rees will retire from his role as Chief Executive Officer of Wellcom Australia/NZ, though will remain with the business in an advisory capacity.

Andrew Sidwell will assume the role of Chief Executive Officer of Wellcom Australia/NZ, having held a variety of senior management positions within the Group over the past eight years, most recently as Managing Director of Wellcom London.

Duncan Stokes is appointed Managing Director of Wellcom London. Duncan joined the Wellcom Group in 2016 having previously held the positions of Managing Director and CEO of Redworks (WPP/Ogilvy).

OUTLOOK

Wellcom expects moderate growth for the full the financial year, notwithstanding generally subdued market conditions.

The business continues to pursue complementary acquisitions that would augment both geographic and production capabilities, and deliver increased shareholder returns over the longer term.

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