



WELLCOM GROUP RAISES FULL YEAR DIVIDEND FOLLOWING STRONG FOURTH QUARTER

22 AUGUST 2017

Wellcom Group Limited (Wellcom) (ASX: WLL), one of the world's leading independent creative production and marketing services agencies, providing content creation and content management services in Australia, New Zealand, Malaysia, the United Kingdom and the United States of America, today announced its results for the year ended 30 June 2017.

	FY17 \$m	FY16 \$m	Change
Statutory Revenue	145.17	156.24	- 7%
Net Revenue (excl. print management pass through costs)	98.69	103.38	- 5%
EBITDA	18.73	19.08	- 2%
EBIT	15.97	16.44	- 3%
Profit after tax from continuing operations	10.63	11.10	- 4%
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Earnings per share	27.12	28.33	- 4%
Dividends per share:			
- Interim Dividend	9.5	9.0	+ 6%
- Final Dividend	13.5	13.5	-
- Total Dividend	23.0	22.5	+ 2%
Franking (%)	100	100	-

In commenting on the result, Mr Wayne Sidwell, Chairman of the Wellcom Group said, "We are pleased to report that, following a strong finish to the year, the Group has exceeded recent earnings guidance. We are also very happy to announce the significant recent new business wins of News Corp (Australia), Mercer (Australia), Tesco (UK), Red Lobster (US) and Southeastern Grocers (US), all of which will have a positive earnings impact in the forthcoming year. Importantly, both Tesco and Southeastern Grocers represent the first significant Knowledgewell implementations into the UK and US markets respectively.

A positive outlook for the Group together with a debt-free balance sheet and strong cash flows from operating activities has allowed the full year dividend for the year ended 30 June 2017 to be increased to 23.0 cents per share, reflecting a payout ratio of 85%."

OPERATING PERFORMANCE

The Group recorded statutory revenue of \$145.17m (2016: \$156.24m), representing a decrease of 7% over the previous financial year, with net revenue (excluding print management pass through costs) of \$98.69m (2016: \$103.38m) representing a decrease of 5% over the same period. The decrease in net revenues followed a strengthening of the Australian Dollar against overseas currencies, with net sales on a constant currency basis being consistent with the prior year. The Group has been successful in replacing the client losses of Dick Smith Holdings, Masters Home Improvement, and Stream Solutions (Westpac Bank) with significant new business wins including Pernod Ricard (US), J.C.Penney (US), Sigma Pharmaceuticals (Australia), Havas Worldwide (UK), and complemented by a full year contribution from Telstra (Australia).

Operating margins within the Group increased to 19.2% on a net revenue basis (2016: 19.0%), with strong margin improvement in both the Australasian and US markets.

EBITDA from continuing operations decreased by 2% to \$18.73m (2016: \$19.08m) with EBIT from continuing operations decreasing by 3% to \$15.97m (2016: \$16.44m), and NPAT from continuing operations decreasing 4% to \$10.63m (2016: \$11.10m).

The effective tax rate for the Group was 33% (2016: 32%).

CASH FLOW AND BALANCE SHEET

The Group generated \$10.11m in cash from operating activities for the year ended 30 June 2017 (2016: \$13.59m) following a strong improvement in cash conversion in the second half of the year. Net assets increased \$0.53m to \$65.96m (2016: \$65.43m). As at 30 June 2017 the Group has cash equivalents in excess of interest bearing liabilities by \$6.68m (2016: \$7.51m). This, in combination with \$8.08m of unused bank facilities (2016: \$8.13m), provides significant capital to pursue complementary acquisitions as they arise.

DIVIDEND

The Directors have declared a fully franked final dividend of 13.5 cents per share, resulting in full year dividends of 23.0 cents per share. This equates to a payout ratio of approximately 85% (2016: 79%). The record date for determining entitlements to the final dividend is 1 September 2017, and payment will occur on 15 September 2017.

OUTLOOK

From 1 September 2017 Wayne Sidwell will transition from his role as Executive Chairman of Wellcom to Non-Executive Chairman. In assuming a non-executive role Mr Sidwell said “The Wellcom Group is in an excellent position with strong leaders and management teams in every part of the business. I will continue to play an active role in mentoring and supporting these individuals, and remain exceptionally passionate about the future for Wellcom and all of our stakeholders.”

Wellcom will continue to push its proprietary Knowledgewell technology into overseas markets, following the current implementations into the major supermarket retailers of Tesco (UK) and Southeastern Grocers (US).

Investment in the expansion of Knowledgewell’s global client base, together with organic growth from existing customers, full year contributions from recent client wins, and a strong pipeline of new business opportunities, is expected to underpin earnings growth during FY18.

Wellcom will pursue further complementary acquisitions that would augment both the geographic and production capabilities of the business, and deliver increased shareholder returns over the longer term.

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