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# WPP AUNZ 2017 Half Year Results

25 August 2017

connected  
know  
how

know more. do more. be more.

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## 2017 Half Year Highlights

- Progress made in the half year in strengthening the foundation of the merged WPP AUNZ
- Better connectivity across group to unlock value for all businesses
- Continued to optimize and strengthen portfolio to create scale and strengthen competitive positioning
- Disciplined execution of cost initiatives. Cost synergies have positively impacted the half year result
- Strong cashflow driving interest benefit and reduction in balance sheet leverage
- Leverage ratio 1.8x (Jun 2017), down from 1.9x (Dec 2016)

Headline trading performance presented as if all businesses were owned from 1 January 2016 and excludes amortisation, non-cash and significant items.

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## 2017 Half Year Highlights

- Results in line with expectations – delivering growth in a flat market
- Net sales of \$410.0 million, up 0.7% [1H16: \$407.3 million]
- Headline profit before tax of \$41.9 million, up 19.0% [1H16: \$35.2 million]
- Headline EBIT of \$49.1 million, up 4.1% [1H16: \$47.2 million]. Operating margin improvement to 12.0% [1H16: 11.6%]
- Earnings per share of 3.1 cents, up 12.4% [1H16: 2.7 cents]
- Interim dividend of 2.1 cents [1H16: 2.1 cents]. In line with payout ratio of 60% -70% of earnings
- Confirmation of FY 2017 outlook - WPP AUNZ expects to deliver mid-single digit growth in earnings per share

Headline trading performance presented as if all businesses were owned from 1 January 2016 and excludes amortisation, non-cash and significant items.

## WPP AUNZ - 2017 Half Year Results

KEY MEASURES	30 June 2017	
Net Sales	<b>\$410.0m</b> [30 June 2016: \$407.3m]	Net Sales increase of 0.7% against 2016. New business to drive growth
Earnings Before Interest and Tax	<b>\$49.1m</b> [30 June 2016: \$47.2m]	4.1% growth in EBIT against 2016. Digital, Media and Advertising segments delivered strong earnings performance
Net Sales Margin	<b>12.0%</b> [30 June 2016: 11.6%]	Margin improvement on 2016. Benefit of cost synergies drive margin improvement
Profit Before Tax	<b>\$41.9m</b> [30 June 2016: \$35.2m]	19.0% growth in PBT driven by better cash collection and improved debt margin driving a decrease in interest expense
Earnings Per Share	<b>3.1 cents</b> [30 June 2016: 2.7 cents]	12.4% growth in EPS
Dividends Per Share	<b>2.1 cents</b> [30 June 2016: 2.1 cents]	In line with targeted dividend payout ratio of 60% to 70% of earnings
Leverage Ratio [Net debt / EBITDA]	<b>1.8x</b> [30 June 2016: 2.2x]	Leverage ratio within targeted range of 1.5x to 2.0x. Strong operating cash flow drives debt reduction

## Half Year Results by Segment - 30 June 2017

\$AUD'M	Net Sales		Headline PBIT		Headline Margin %		Key Drivers
	2017	% Change	2017	% Change	2017	% Change	
<b>Advertising, Media Investment Management</b>	228.1	8.5%	26.8	23.3%	11.7%	1.4%	<ul style="list-style-type: none"> <li>Media growth driven by strong new business performance.</li> <li>Integrated agency model still resonating with clients</li> </ul>
<b>Data Investment Management</b>	48.6	-6.9%	9.5	-12.7%	19.5%	-1.3%	<ul style="list-style-type: none"> <li>Impact of clients losses in one business</li> <li>Margin impacted by investment in developing deeper capabilities in online panels.</li> </ul>
<b>Public Relations &amp; Public Affairs</b>	28.6	-8.6%	3.6	-9.3%	12.7%	-	<ul style="list-style-type: none"> <li>Performance impacted by client losses in a specific business.</li> <li>Cost control has enabled the margin to be maintained.</li> </ul>
<b>Branding &amp; Identity and Specialist Communications</b>	104.7	-7.8%	9.2	-12.9%	8.8%	-0.5%	<ul style="list-style-type: none"> <li>Digital businesses performing strongly delivering digital marketing transformation.</li> <li>Margin impacted by investment in Hogarth production capabilities.</li> </ul>
<b>Total</b>	410.0	0.7%	49.1	4.1%	12.0%	0.4%	



### 1. Big at home

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Maintaining leadership in our core businesses of media, advertising and PR.



### 2. Future-proof

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Future-proof the group through technology, data, content, mobile and proprietary offerings.



### 3. Leverage the power of WPP

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Leveraging WPP's IP, tools, expertise in data management, digital and research.



### 4. Drive horizontality

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Driving collaboration and horizontality across our group for the benefit of our people, our companies and our clients.

**WPP AUNZ Strategy is to**  
deliver 100%  
of a client's customer  
experience budget

Bringing together the best knowledge, thinking and talent to meet our clients' challenges with bigger, better and smarter ideas.

**know  
more**

Harnessing the knowledge and expertise of our 5,500 people who collectively work across multiple disciplines for every major client and category in the market.

# Connected know-how

**do  
more**

Our companies and people are able to play on a bigger stage – accessing opportunities, and realising ideas that are only possible when you're part of something bigger.

**be  
more**

The scale and diversity of our group creates unlimited opportunities for growth for our people, our companies and our clients – allowing them to realise their full potential.

## Know More

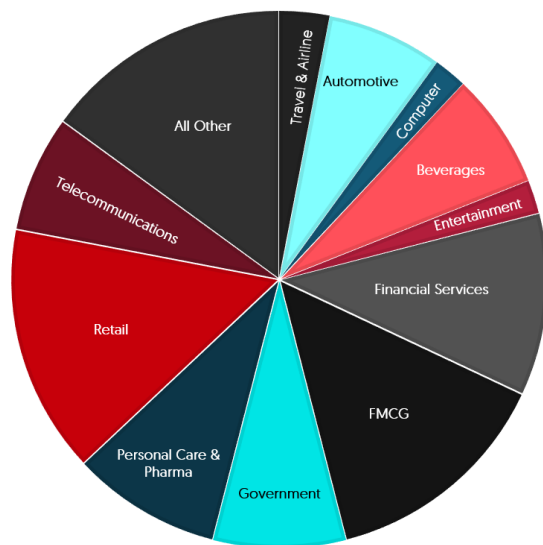
### Diversified portfolio of clients and service offerings

#### Multiple Client Engagements

Average of 7  
Touchpoints  
- Top 50 Clients

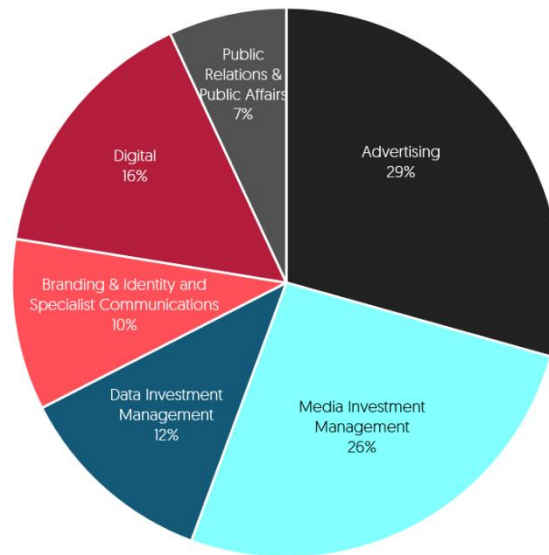
#### Diverse Client Industry Base

Net Sales by Industry



#### Multiple Service Offerings

Net Sales by Segment





## Know More - The Bond Campus, Sydney



**15**  
**businesses**



**630**  
**people**



**\$1.6m**  
**annual savings**



## Do More – New business wins

 AKQA	 Ogilvy	 Kantar	 Colmar Brunton
 Webbing	 Ikon	 HealthWallace	 Wunderman
 Landor	 Geometry	 MediaCom	 Y & R
 AKQA (Millipede)	 WhiteGREY	 MediaCom	 MediaCom

## Do More - Portfolio Optimization



**FEWER, BIGGER, BETTER**

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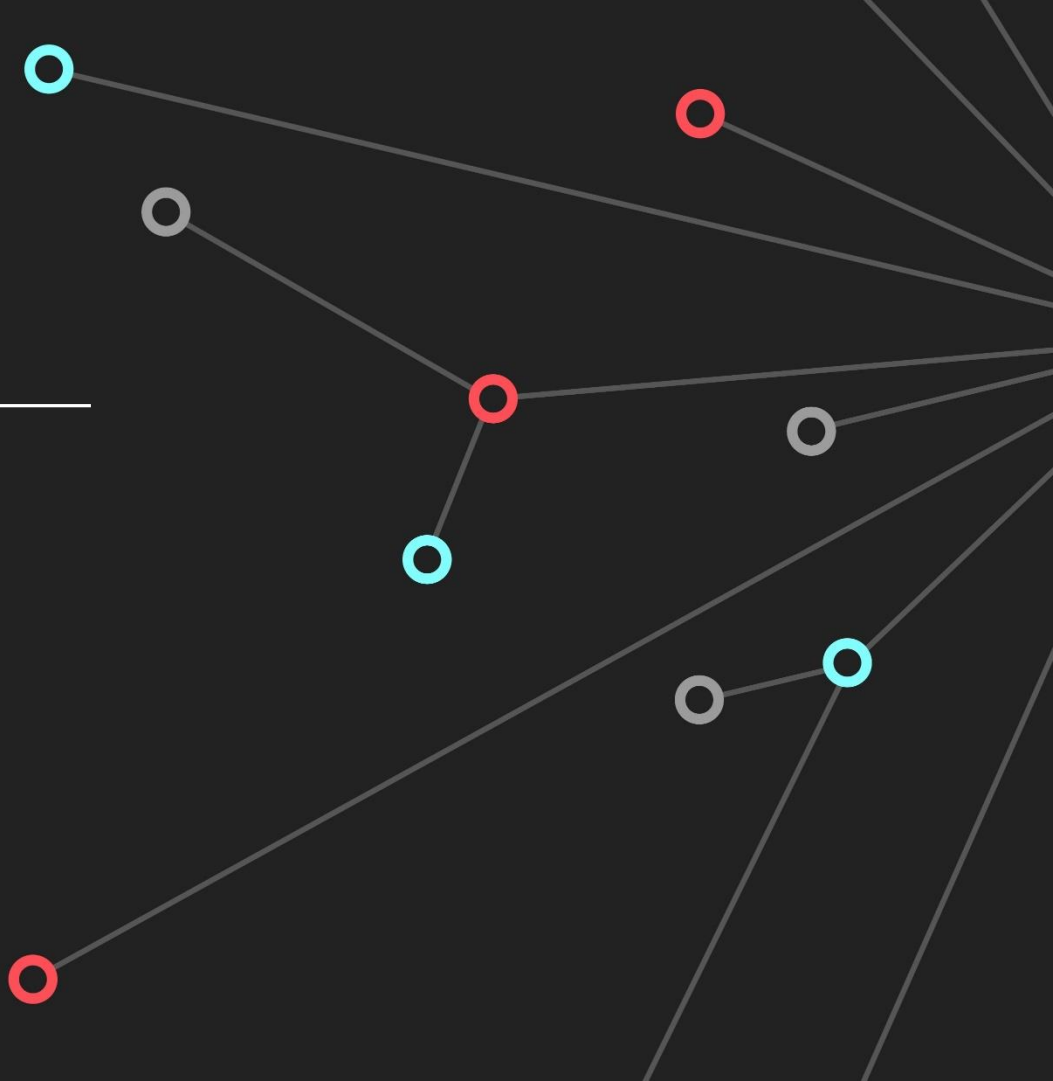
## Be More - Mobile/Flexibility/Diversity

- Strengthening of management team with new appointments in period:
  - Chief Financial Officer [Chris Rollinson internal appointment].
  - Group Chief HR & Talent Officer [Elissa Good-Omozusi ex-GroupM AUNZ]; and
  - Chief Technology Officer [Eduardo Dowd ex GroupM Latam].
- Creation of centralised recruitment function.
- All training and development to be offered Group wide, <80% of training must be cross functional. Train with others from the Group and learn Who, What, How and for Whom they work.
- In market for a strong commercial COO.
- Annual awards celebrating collaboration across Group [announced at Leadership Conference, August 30]

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# Key Financials

Chris Rollinson  
Chief Financial Officer



## Headline Profit & Loss – 30 June 2017

30 June \$'M	2016	2017	Growth
Net sales	407.3	410.0	+0.7%
Income from associates	2.5	3.1	
Staff Costs	[268.0]	[276.1]	
Establishment Costs	[28.6]	[26.0]	
G&A Costs	[66.0]	[61.9]	
Total Operating Costs	[362.6]	[364.0]	
Profit before interest and tax	47.2	49.1	+4.1%
Net finance costs	[12.0]	[7.2]	
Profit before tax	35.2	41.9	+19.0%
Tax	[10.1]	[12.5]	
Profit after tax	25.1	29.4	+17.1%
Minority Interests	[1.7]	[3.1]	
Profit after tax and minorities	23.4	26.3	+12.4%
EPS	2.7 cents	3.1 cents	+12.4%

30 June \$'M	2016	2017
Staff Costs to Net Sales %	65.8%	67.3%
EBIT to Net Sales Margin %	11.6%	12.0%
EBITDA [\$'million]	54.5	56.3

- Achieved growth in a flat market at an improved margin
- Cost synergies have a positive impact on the half year results
- Reduced interest expense through better cash collection and improved debt margin

## Cost Synergies

Synergy	Category Detail	3 year Target
Corporate and Administration	Focus on banking, corporate and administrative	1.8
Property Rationalisation	Consolidation of property footprint, better space planning of selected business units into campuses	2.5
IT and Shared services	Consolidation of duplicated infrastructure, operating costs and back office support functions	2.9
Operating Efficiencies	Efficiencies gained through local management oversight and driving integration of services across the group	7.9
<b>TOTAL</b>		<b>15.0</b>

- Committed to the market the delivery of cost synergies of at least \$15 million per annum over a 3 year period.
- Half year results benefit from realization of cost synergies.
- Property campus strategy well progressed – new Sydney campus established in June 2017.
- Delay in delivering benefits from IT and finance consolidation.

## Reported Cashflow (\$M)

	30 June 2016 12 months	30 June 2017 12 months	Last 24 month total
Statutory EBITDA (adjusted for non-cash significant items)	87*	156	243
Operating cashflow pre interest and tax	113	165	278
<i>EBITDA conversion to cash flow</i>	<i>130%</i>	<i>106%</i>	<i>114%</i>
Tax paid	[23]	[13]	[36]
Net Interest	<u>[15]</u>	<u>[16]</u>	<u>[31]</u>
Operating Cashflow	75	136	211

- The analysis is prepared based on the Statutory cash flow included in the accounts. EBITDA for the 12 months ended 30 June 2016 includes the results of WPP entities from 1 April 2016.
- Strong cash flow conversion.
- Cash flow impacted by the fluctuations in the timing of media payments.
- Average EBITDA cash conversion of 114%.
- Targeted EBITDA conversion to cash of 100%.
- Focus on efficient and effective working capital management practices.



## Balance Sheet (\$M)

	Reported 30 June 2016	Reported 31 Dec 2016	Reported 30 June 2017
Cash <sup>(a)</sup>	71.5	87.1	180.5
<b>Net working capital</b>	<b>[62.5]</b>	<b>[66.0]</b>	<b>[86.6]</b>
Investments	17.2	22.3	23.4
<b>Intangibles</b>	<b>1,246.5</b>	<b>1,257.6</b>	<b>1,250.7</b>
Other Assets	128.4	128.2	129.4
<b>TOTAL ASSETS</b>	<b>1,401.1</b>	<b>1,429.2</b>	<b>1,497.4</b>
Bank Debt <sup>(b)</sup>	[370.0]	[353.6]	[428.7]
Lease Liability <sup>(b)</sup>	[4.2]	[3.8]	[3.3]
<b>Earnouts <sup>(c)</sup></b>	<b>[15.5]</b>	<b>[23.0]</b>	<b>[25.4]</b>
Other Liabilities	[178.6]	[202.4]	[207.9]
<b>TOTAL LIABILITIES</b>	<b>[568.3]</b>	<b>[582.8]</b>	<b>[665.3]</b>
<b>NET ASSETS</b>	<b><u>832.8</u></b>	<b><u>846.4</u></b>	<b><u>832.1</u></b>

Net debt <sup>(b-a)</sup> 302.7 270.3 251.5

Net debt including  
earnouts <sup>(b+c-a)</sup> 318.2 293.3 276.9

### KEY THEMES

- Net working capital has improved by \$20.6 million from December 2016 to [86.6M] as a result of better management of working capital across the group.
- Driven by improvement in collection of debtors across the group
- Net debt including earnouts of \$276.9 million [December 2016: \$293.3 million]. Continued trend in reduction in net debt balance.

## Debt Facilities and Gearing

### Australia Core Debt Facilities at 30 June 2017

- Access to debt facilities of \$520 million
- Conscious strategy of single maturity in April 2019. Syndicate of 6 banking partners
- Leverage ratio of 1.8x at 30 June 2017 [ 1.9x at 31 December 2016] - within targeted leverage ratio of 1.5x to 2.0x

	Calculation	30 June 2017
Leverage	Net Debt/EBITDA	1.8x

Australia core debt facilities maturity	30 June 2017 \$million
Total Group Facilities	\$520

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# Summary and Outlook

Mike Connaghan  
Chief Executive Officer

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## Summary and Outlook

- Progress made in the half year in strengthening the foundation of the merged WPP AUNZ
- Renewed focus and targeted investment in our people and culture - know more, do more, be more
- Better connectivity across group to unlock value for all businesses
- Continue to optimize and strengthen portfolio to create scale and strengthen competitive positioning
- Position the business for future growth further investing in production, data and marketing infrastructure
- Disciplined execution of cost initiatives to drive margin improvement
- Strong operating cashflow and reduced balance sheet debt and leverage
- In FY2017, WPP AUNZ expects to deliver mid-single digit growth in earnings per share.

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# Q&A



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# 2017 Half Year Results

## Appendix

## 2017 Vs. 2016 Demand by Media Type

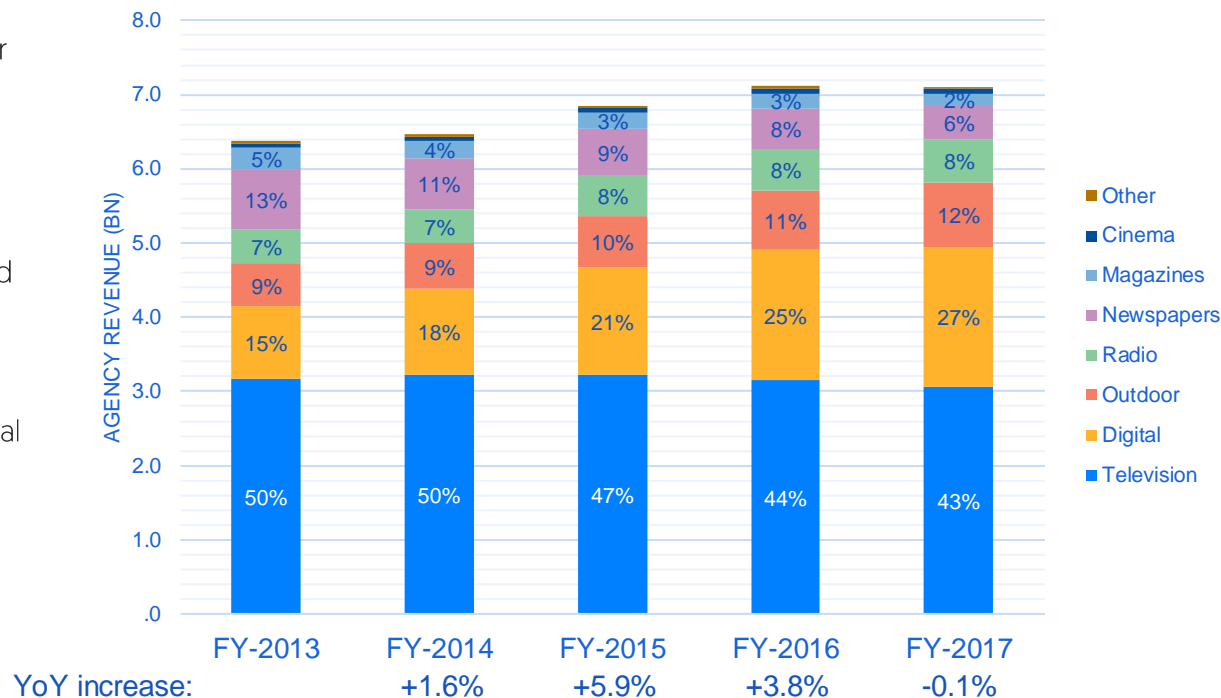
	AGENCY SECTOR REVENUE		TOTAL MARKET REVENUE FORECAST	
Media	Change YTD June 2017	Share of Media	Change Cal 2017f	Share of Media
Television	-2.2%	43%	-1.5%	24%
Digital	+2.1%	27%	+11.3%	51%
Outdoor	+8.5%	12%	+5.3%	5%
Radio	-0.5%	9%	+3.2	7%
Newspapers	-22.5%	6%	-10.0%	9%
Magazines	-14.7%	2%	-5.0%	3%
Cinema	+0.8%	1%	+5.5%	1%
<b>Media Total</b>	<b>-1.6%</b>		<b>+4.5%</b>	
Source:	SMI (Agency only) YTD June 2017		GroupM full year 2017 forecast based on CENSUS historical total market data	

## 2013 - 2016 Expenditure (\$m) by Media Channel

### Positive market growth forecast at +4.5%

- Digital and Outdoor continue to deliver robust growth
- TV forecast to decline, but at a lower rate than 2016
- Digital growth to be driven by Video and Mobile. However concerns around viewability, ad-fraud and third party verification may arrest growth
- Newspapers will cycle over high Government demand from 2016 Federal Election

### Change in Share by Media





## Statutory Profit & Loss

30 June \$AUD'M	30 June 2016	30 June 2017
Net revenue	306.3	410.0
Income from associates	2.7	2.6
Profit before interest and tax	38.5	48.5
Net finance costs	[8.4]	[7.7]
Profit before tax	30.1	40.8
Tax	[8.6]	[11.4]
Profit after tax	21.5	29.4
Minority Interest	[2.7]	[3.1]
Profit after tax and minorities	18.8	26.3
Transaction related gain	5.7	1.3
Amortisation of non-current assets and other non-cash items	[4.9]	[7.5]
<b>Reported net profit after tax</b>	<b>19.6</b>	<b>20.1</b>

## Significant and Non-Cash Items

30 June \$AUD'M	30 June 2016	30 June 2017
Transaction related costs/[gains]		
Advisor, listing and debt restructure fees	6.6	-
Gain on revaluation of associates (non-cash)	(12.1)	-
Transaction related gain	-	(1.9)
<b>Total transaction related gains</b>	<b>(5.5)</b>	<b>(1.9)</b>
Amortisation of non-current assets and other non-cash items		
Amortisation of intangible assets (non-cash)	5.0	9.7
Loss on fair value accounting of contingent cash settlements (non-cash)	1.0	0.7
<b>Total amortisation of non-current assets and other non-cash items</b>	<b>6.0</b>	<b>10.4</b>
Business close down and other costs		
Losses on closed and merged business	0.3	-
<b>Total business close down and other costs</b>	<b>0.3</b>	<b>-</b>
<b>Total: PBT @ 100% share</b>	<b>0.8</b>	<b>8.5</b>
<b>Total: Income Tax Benefit &amp; Non-Controlling Interests</b>	<b>(1.7)</b>	<b>(2.3)</b>
<b>Total: NPAT @ WPP AUNZ share</b>	<b>(0.9)</b>	<b>6.2</b>

## Aggregate Earnout Position

	Total Earnouts
	[\$M]
31 December 2016 @ Present Value	23.0
Payments made in 2017	[0.7]
Net revisions to prior earnout estimates	3.1
<b>30 June 2017 @ Present value</b>	<b>25.4</b>

Expected Settlement	Maturity Profile
	[\$M]
2017	10.9
2018	7.5
2019+	7.0
<b>Total @ Present value</b>	<b>25.4</b>