WELLCOM GROUP CONTINUES EARNINGS GROWTH, RAISES DIVIDEND PER SHARE, AND ANNOUNCES ADDITIONAL SPECIAL DIVIDEND

20 February 2018

Wellcom Group Limited (Wellcom) (ASX: WLL), is a worldwide creative production and marketing services company. With state-of-the-art technology (Knowledgewell) the business services the world's major retailers, corporations and advertising agencies.

	1H18 $m	**1H17 $m**	**Change**
Statutory Revenue	75.87	73.93	3%
Net Revenue (excl. print management pass through costs)	52.12	49.68	5%
EBITDA	10.37	9.84	5%
EBIT	8.91	8.47	5%
EBT	8.88	8.44	5%
Profit after tax from continuing operations	**5.96**	**5.70**	**5%**
	¢	**¢**	
Earnings per share – from continuing operations	15.21	14.53	5%
Interim dividend per share	10.0	9.5	5%
Franking (%)	100	100	-
Special dividend per share	25.0	-	-
Franking (%)	100	-	-

In commenting on the result, Mr Wayne Sidwell, Chairman of the Wellcom Group said, “We are pleased to report a result reflecting a 5% increase in earnings per share. The first half of the financial year has included the establishment of a full-service creative studio for Countdown (NZ), together with the first significant implementation of our Knoweldegwell technology in an overseas market with Tesco (UK). We continue to have a very positive outlook for the Group's services, with strong prospects in all key markets."

OPERATING PERFORMANCE

Wellcom recorded statutory revenue of $75.87m for the half-year to 31 December 2017 (1H17: $73.93), representing an increase of 3% over the previous corresponding period. Net revenue (excluding print management pass through costs) of $52.12m for the half-year (1H17: $49.68m) represented an increase of 5% over the previous corresponding period. New business wins contributing to the growth in revenues included Coundown (NZ), J.C.Penney (US), Red Lobster (US) and Tesco (UK)

Operating margins within the Group were maintained at 20% on a net revenue basis.

Earnings before interest, tax, depreciation and amortisation for the Group increased 5%, to $10.37m (1H17: $9.84m) with earnings before interest and tax for the Group increasing by 5%, to $8.91m (1H17: $8.47m), and net profit after tax from continuing operations increasing by 5%, to $5.96m (1H17: $5.70m).

The effective tax rate for the Group the half-year was 33% (1H17: 33%).

CASH FLOW AND BALANCE SHEET

The Group generated $6.46m in cash from operating activities for the half-year ended 31 December 2017 (1H17: $2.66m). As at 31 December 2017 Wellcom has no net debt with cash and cash equivalents in excess of interest bearing liabilities by $6.23m (1H17: $3.79m).

DIVIDEND

The Directors have declared a fully franked interim dividend of 10 cents per share (1H17: 9.5 cents per share). This equates to a payout ratio of approximately 66% (1H17: 65%). The record date for determining entitlements to the interim dividend is 2 March 2018, and payment will occur on 16 March 2018.

In addition to the interim dividend, the Directors have declared a fully-franked special dividend of 25 cents per share. The purpose of the special dividend is to return a portion of surplus capital and excess franking credits equitably to shareholders and, through debt financing, ensure Wellcom achieves a more efficient capital structure. Importantly, Wellcom will maintain the flexibility to fund future growth opportunities, and the ability to fully frank future dividends. The record date for determining entitlements to the special dividend is 2 March 2018, and payment will occur on 16 March 2018.

OUTLOOK

Wellcom will continue to push its proprietary Knowledgewell technology into overseas markets, following the recent implementations into the major supermarket retailers of Tesco (UK) and Countdown (NZ), and the current implementation for Southeastern Grocers (US), due to complete in the second half of FY18.

Following the announcement of the special dividend, Wellcom will continue to review capital management initiatives that will increase shareholder value whilst delivering an efficient capital structure for the business. The ability to take advantage of value accretive acquisition opportunities where they arise, will remain.

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