WELLCOM GROUP LIFTS EARNINGS 11% AND CONFIRMS FULL YEAR GUIDANCE

19 February 2019

Wellcom Group Limited (Wellcom) (ASX: WLL), is a leading global 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.

	1H19 $m	1H18 $m	Change
Statutory Revenue	79.95	75.87	5%
Net Revenue (excl. print management pass through costs)	58.88	52.12	13%
EBITDA	11.45	10.37	10%
EBIT	9.79	8.91	10%
EBT	9.54	8.88	8%
Profit after tax from continuing operations	**6.60**	**5.96**	**11%**
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Earnings per share – from continuing operations	16.84	15.21	11%
Interim dividend per share	11.0	10.0	10%
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 11% increase in earnings per share. In the past six months we have on-boarded significant new business, including David Jones in Australia, Tommy Hilfiger in the US and The Body Shop in the UK. We have also completed the acquisition of Brandsystems (Marketing Resource Management technology), further strengthening the Group's technology offering."

OPERATING PERFORMANCE

Wellcom recorded statutory revenue of $79.95m for the half-year to 31 December 2018 (1H18: $75.87m), representing an increase of 5% over the previous corresponding period. Net revenue (excluding print management pass through costs) of $58.88m for the half-year (1H18: $52.12m) represented an increase of 13% over the previous corresponding period. Revenues increased in each of Wellcom's operating segments, with contributions from recent new business wins including David Jones (Australia), Countdown (NZ), Southeastern Grocers (US), HomeAway - Expedia (UK), and The Body Shop International (UK).

Operating margins within the Group were reduced slightly to 19% from 20% 1H18.

Earnings before interest, tax, depreciation and amortisation for the Group increased 10%, to $11.45m (1H18: $10.37m) with earnings before interest and tax for the Group increasing by 10%, to $9.79m (1H18: $8.91m), and net profit after tax from continuing operations increasing by 11%, to $6.60m (1H18: $5.96m).

The effective tax rate for the Group the half-year was 31% (1H18: 33%).

CASH FLOW AND BALANCE SHEET

The Group generated $5.92m in cash from operating activities for the half-year ended 31 December 2018 (1H18: $6.46m). As at 31 December 2018 Wellcom has net debt of $5.14m (1H18: cash in excess of interest bearing liabilities of $6.23m).

DIVIDEND

The Directors have declared a fully franked interim dividend of 11 cents per share (1H18: 10 cents per share). This equates to a payout ratio of approximately 66% (1H18: 65%). The record date for determining entitlements to the interim dividend is 1 March 2019, and payment will occur on 15 March 2019.

OUTLOOK

Wellcom continue to have a positive outlook for the Group's services, with a strong pipeline of new business opportunities, and organic growth from existing customers, evident in all key markets.

Following a competitive tender Wellcom has very recently been awarded the global business of Christie's auction house, with transition from the incumbent service provider expected to occur in the coming months. This relationship will involve Wellcom providing dedicated studio services in a number of key markets for Christie's including London, New York and Hong Kong.

The recent acquisition of Brandsystems has further strengthened Wellcom's proprietary technology offering, providing an end to end solution for businesses to plan, budget, execute, store and analyse their marketing efforts, and allowing marketing departments to increase efficiency.

Previous guidance of full year EPS growth prior to acquisitions of between 10% and 15% is maintained.

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