



WELLCOM GROUP CONTINUES STRONG EARNINGS GROWTH

20 AUGUST 2019

Wellcom Group Limited (Wellcom) (ASX: WLL), is a leading global creative production and digital marketing services company. Using state-of-the-art proprietary technology (Knowledgewell) the business services many of the world's largest retailers, brands, corporations and advertising agencies.

	FY19 \$m	FY18 \$m	Change
Statutory Revenue	160.95	155.17	4%
Net Revenue (excl. print management pass through costs)	120.43	107.62	12%
EBITDA	27.81	20.49	36%
EBIT	23.87	17.68	35%
Profit after tax from continuing operations	15.60	11.72	33%
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Earnings per share from continuing operations	39.77	29.92	33%
Dividends per share from continuing operations:			
Interim Dividend	11.0	10.0	10%
<i>Franking (%)</i>	<i>100</i>	<i>100</i>	-
Final Dividend	11.0	11.0	-
<i>Franking (%)</i>	<i>100</i>	<i>100</i>	-
Special Dividend	10.0	25.0	(60%)
<i>Franking (%)</i>	<i>100</i>	<i>100</i>	-

OPERATING PERFORMANCE

The Group recorded statutory revenue of \$160.95m (2018: \$155.17m), representing an increase of 4% over the previous financial year, with net revenue (excluding print management pass through costs) of \$120.43m (2018: \$107.62m) representing an increase of 12% over the same period. Revenues increased in each of Wellcom's operating segments (Australasia, United States and United Kingdom), with contributions from new business wins including David Jones (Australia), Countdown (NZ), Southeastern Grocers (US), HomeAway - Expedia (UK), The Body Shop International (UK) and Christie's (UK).

EBITDA from continuing operations increased by 36% to \$27.81m (2018: \$20.49m), with EBIT from continuing operations increasing by 35% to \$23.87m (2018: \$17.68m) and NPAT from continuing operations increasing 33% to \$15.60m (2018: \$11.72m).

The effective tax rate for the Group was 33% (2018: 33%).

As reported on 23 July 2019, the Group result was influenced by a number of non-trade performance related impacts in the year to 30 June 2019, as detailed below:

- As of 30 June 2019 management reached a buyout agreement with the landlord of Wellcom's existing US commercial property lease. The terms of the agreement are such that the Group recognised a net benefit before tax of approximately \$6.7M in the year ended 30 June 2019. At the same time as entering into the buy-out agreement, management entered into a new long-term commercial property lease in Brooklyn, New York, which will form the base for Wellcom's US operations for the years to come.
- Partially offsetting the gain on the property lease buyout are a number of non-recurring costs incurred during the period, including dilapidation costs relating to Wellcom London's former commercial property lease; acquisition related costs incurred in respect of the Scheme Implementation Deed entered into with Innocean (see below), and costs associated with the relocation of a major client from Columbus, Ohio to New York.

The net after tax effect of the above adjustments, together with incremental management incentives driven by the improvement in EPS, was \$2.33m, resulting in a normalised NPAT for the Group of \$13.28m. This represents an increase of 13% over the previous financial year.

CASH FLOW AND BALANCE SHEET

The Group generated \$16.03m in cash from operating activities for the year ended 30 June 2019 (2018: \$15.09m). As at 30 June 2019 the Group has borrowings less cash and cash equivalents of \$0.73m.

DIVIDEND

The Directors have declared a fully franked final dividend of 11.0 cents per share (2018: 11.0 cents per share) together with a special dividend of 10.0 cents per share (2018: 25.0 cents per share). This equates to a payout ratio of approximately 80% (2018: 154%).

The record date for determining entitlements to both the final dividend and special dividend is 6 November 2019, and payment for both dividends will occur on 27 November 2019. Both the final dividend and special dividend will be fully franked.

WELLCOM ENTERS INTO SCHEME IMPLEMENTATION DEED WITH INNOCEAN

As announced on 31 July 2019, Wellcom has entered into a Scheme Implementation Deed (SID) with Innocean Worldwide Inc (Innocean) (KRX: 214320) under which Innocean has agreed to acquire 85% of the issued share capital of Wellcom for \$6.70 in cash per share (Scheme Consideration) by way of a scheme of arrangement (Scheme) that is subject to Wellcom shareholder approval and court approval in accordance with the requirements of Part 5.1 of the Corporations Act 2001 (Cth). The Scheme Consideration values Wellcom at \$265.8 million on a fully-diluted basis.

The Directors of Wellcom believe the Scheme Consideration represents compelling value for Wellcom shareholders, and unanimously recommend that Wellcom shareholders vote in favour of the Scheme, in the absence of a superior proposal and subject to an independent expert concluding that the Scheme is in the best interest of Wellcom shareholders. Each Director of Wellcom intends to vote in favour of the Scheme in respect of all the Wellcom shares controlled or held by or on behalf of that Director, subject to those same qualifications.

Mr Wayne Sidwell, Chairman of the Wellcom Group said: “Innocean’s offer for Wellcom shares reflects Wellcom’s leading market position and strength of its underlying business. It will be business as usual under Innocean’s ownership and I am looking forward to continuing with Wellcom as an executive and shareholder. Innocean’s ownership will provide a great opportunity for Wellcom’s businesses and people by offering a larger geographical footprint and new opportunities in complementary business channels.”

For further information regarding the Scheme together with a copy of the Scheme Implementation Deed please refer to Wellcom’s announcement of 31 July 2019.

For further information contact:

Wayne Sidwell
Chairman
Wellcom Group Limited
(03) 9946 8000

Andrew Lumsden
Chief Financial Officer & Company Secretary
Wellcom Group Limited
(03) 9946 8000