



ASX Release

25 February 2021

Market Announcements Office
ASX Limited
20 Bridge Street
Sydney NSW 2000

Dear Sir/Madam

WPP AUNZ LIMITED - 2020 Full Year Results

I attach a management presentation entitled "2020 Full Year Results".

Yours faithfully,

A handwritten signature in black ink, appearing to read 'L Gough'.

Linda Gough
General Counsel & Company Secretary
WPP AUNZ Limited
1 Kent Street NSW 2000
+61 414 164 060



2020 FULL YEAR RESULTS

25 FEBRUARY 2021

PRESENTED BY:
JENS MONSEES – WPP AUNZ MANAGING DIRECTOR & CEO
CHRIS ROLLINSON – WPP AUNZ CHIEF FINANCIAL OFFICER



***Creativity empowered
by tech and data
is what differentiates us***

WHO WE ARE

We are the region's largest creative transformation company, bringing together the most creative minds to reshape business futures.

WHAT WE DO

We deliver end-to-end solutions to our clients, helping them drive creative and innovative consumer interactions across their businesses.

A STRONG & DIVERSE REGIONAL FOOTPRINT

We have a presence in major cities across Australia, New Zealand, and South-East Asia.



OUR SOLUTION PILLARS

EXPERIENCE

UX, service design, websites, platforms and applications, voice and augmented reality



TECHNOLOGY

Data management, marketing technology consulting, systems and integration services



COMMUNICATIONS

Advertising, branding and identity, content, media investment, public relations and public affairs, healthcare

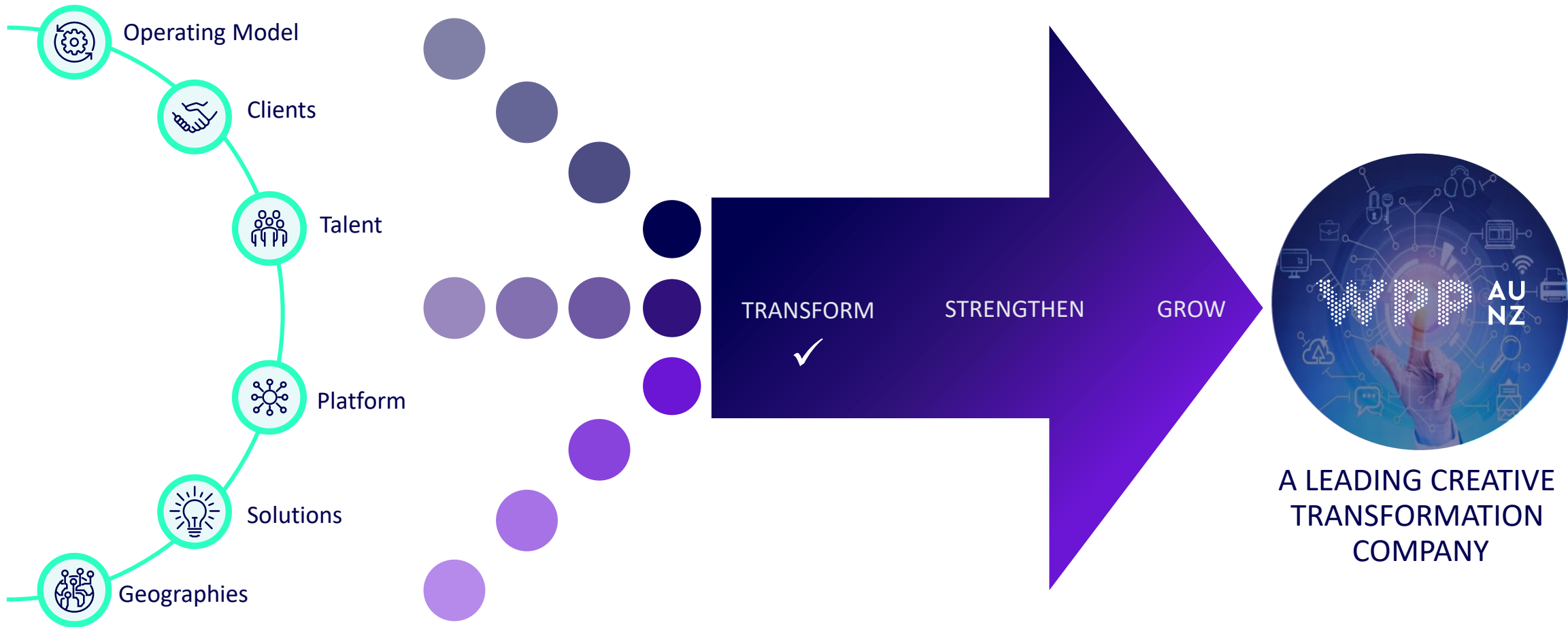


COMMERCE

Retail experience, direct-to-consumer platforms and marketplaces



WPP AUNZ ROADMAP TO GROWTH



BREAKING FROM

THE PAST...

... TRANSFORMING TO...



TRANSFORM PHASE DELIVERABLES – COMPLETED AHEAD OF PLAN

OPERATING MODEL



- Simplified operating model
- Established an integrated Centre of Excellence, a centralised tech hub with partnerships with Adobe, Microsoft, Salesforce and Sitecore

CLIENT FIRST



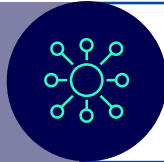
- Establish top client leads and sector practice areas

TALENT



- Introduced performance driven KPI and remuneration schemes for all leaders

PLATFORM



- Launched CRM system capturing and tracking client engagements
- Established new operating models for IT, HR and Finance delivering improvement in performance and cost effectiveness

SOLUTIONS



- Added additional capabilities in technology through the acquisition of Dominion in New Zealand and Meerkats in Australia
- Enhancing technology and creative assets with global partnerships between AKQA and WhiteGREY; and VMLY&R and Geometry

GEOGRAPHIC PRESENCE



- Established a campus in Perth, Brisbane, Adelaide and New Zealand
- Restructured New Zealand operations and materially improved profitability
- Further updates on the Sydney & Melbourne campuses in the FY21 Outlook

HIGHLIGHTS AND ACHIEVEMENTS

A graphic with a dark blue background featuring abstract financial data visualizations like line charts and bar graphs. The text "STRENGTHENED FINANCIAL POSITION" is centered in white, bold, uppercase letters.

STRENGTHENED FINANCIAL POSITION

- Earnings result at the upper end of market guidance provided in December 2020
 - Net sales of \$612 million, down 14% - outperforming the total ad market which was down 15%
 - Delivered \$71 million reduction in cost base, in alignment with our transformation strategy
 - Significantly reduced net debt due to excellent cash collections and strong working capital management
 - Renewed and extended \$420 million in banking facilities
-

A graphic with a dark blue background featuring a blurred image of a stock market ticker board with various numbers and green/red indicators. The text "DIVIDEND RESTORED" is centered in white, bold, uppercase letters.

DIVIDEND RESTORED

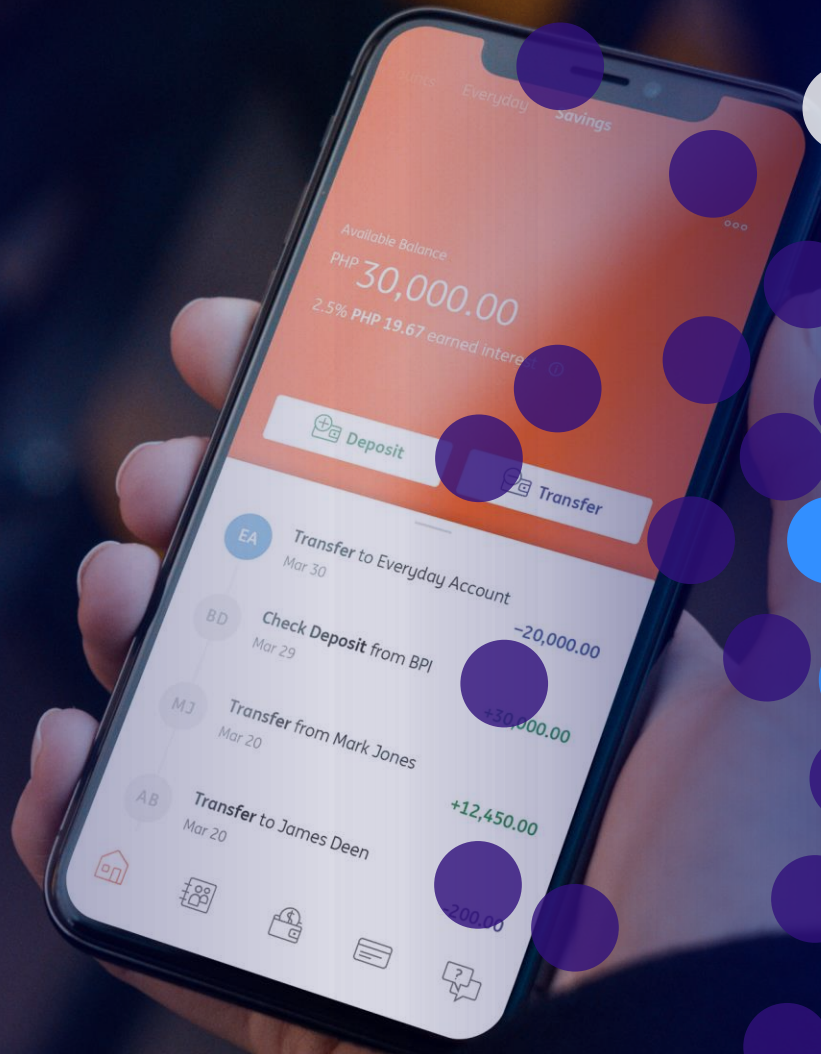
- Return to paying dividends with total dividends declared of 4.4 cents per share, fully franked, for 2020
 - This dividend comprises an ordinary dividend of 2.9 cents per share (a payout ratio of 71% of headline earnings, in line with the usual payout ratio) and a special dividend of 1.5 cents per share, restoring the dividend relating to the proceeds from the sale of Kantar, announced in February 2020 and subsequently cancelled following the disruption caused by the impact of COVID
 - The dividend payments have a record date of 31 March 2021 and will be paid on 7 April 2021
-

A graphic with a dark blue background featuring a silhouette of a person looking out over a city skyline at night. The text "THE YEAR AHEAD" is centered in white, bold, uppercase letters.

THE YEAR AHEAD

- Transformation strategy initiatives now focused on strengthening and growing the business
- Good momentum in recent client engagement, which flows into positive expectations of net sales improvement in FY21
- Improving net sales outlook, combined with sustained reduction in costs, underpin a budgeted improvement in profitability in FY21

FY20 FINANCIALS



FULL YEAR RESULTS

KEY FINANCIALS Continuing businesses

- Results impacted by unprecedented economic, logistical and market challenges we faced dealing with the COVID pandemic
 - Earnings at upper end of guidance provided to the market in December 2020.
 - Net sales \$612.3 million, down 14.1% (2019: \$712.5 million), better than total ad market which was down 15%
 - Headline earnings before interest and tax \$61.9 million, down 32.6% (2019: \$91.8 million).
 - EBIT margin 10.1% (2019: 12.9%). EBIT Margin in 2H in-line with 2019
 - Headline earnings per share of 4.1 cents, down 31.9% (2019: 6.0 cents).
-

TRANSFORMATION PROGRAM

- Resilience in model with diversification of clients, service offerings and geographies
 - Significant reduction in cost base, commencing in March 2020, in response to the reduction in net sales driven by COVID and in alignment with our transformation strategy
 - Delivered a \$71 million reduction in cost base in FY20, inclusive of government subsidies of \$13.6 million
 - We enter FY21 with a leaner and more agile cost base
 - On an annualised basis, the sustainable cost base measures are expected to provide a benefit of approximately \$65 million in FY21
-

CASHFLOW, DEBT AND LEVERAGE Strengthened financial position

- Net debt of \$17.2 million (2019: \$121.4 million). The average daily net debt for the final quarter in 2020 is \$108 million.
 - The net debt result at year end, which is better than guidance, was due to excellent cash collections and early collection of media payments. This benefit is expected to partially unwind in Q1 2021.
 - Balance Sheet leverage ratio of 0.2x (2019: 1.1x), materially better than guidance and below our targeted leverage ratio range of 1.5x to 2.0x
 - Renewal of \$420 million in debt facilities. \$150m working capital facility expiring August 2021. \$270million term facility expiring in August 2023.
-

Note. Headline results exclude the impact of significant and non-cash items and the results of two major units disposed of in 2019, being Kantar and Ogilvy NZ. Prior year figures adjusted on a like-for-like basis for the impact of removal of discontinued operations. Headline EBITDA used in leverage ratio excludes reversal of depreciation of right-of-use assets (AASB 16 Leases).

CONTINUING BUSINESS HEADLINE RESULTS

FULL YEAR 2020

KEY MEASURES (\$AUD'M)	31 DEC 2019	31 DEC 2020	% CHANGE
Net Sales	712.5	612.3	(14.1%)
Earnings Before Interest and Tax	91.8	61.9	(32.6%)
Net Sales Margin	12.9%	10.1%	
Profit Before Tax	77.8	53.0	(31.9%)
Tax Rate	27.4%	28.9%	
Profit After Tax and Minority Interest	51.2	34.9	(31.9%)
Earnings Per Share	6.0	4.1	(31.9%)
Total Dividends for year (1)	2.3 cents	4.4 cents	
Net Debt	121.4	17.2	
Leverage Ratio (Net debt / EBITDA (2))	1.1x	0.2x	

- 1) The 2019 figure of 2.3 cents reflects the 2019 half year ordinary dividend paid. With respect to final dividends for 2019, both the final 2019 ordinary dividend and the 2019 special dividend were cancelled in March 2020 due to the uncertain impact of Covid-19. 2020 total dividends include an ordinary dividend of 2.9 cents per share and a special dividend of 1.5 cents per share.
- 2) Continuing Business Headline EBITDA excluding reversal of depreciation of right-of-use assets (AASB 16 Leases).

2020 NET SALES BY QUARTER

Positive momentum in client engagements as economy improves in 2H 2020

\$AUD'M

	Q1	Q2	H1	Q3	Q4	H2	Full Year
2020	151.9	144.1	296.0	153.6	162.7	316.3	612.3
Change %	(6.1%)	(21.5%)	(14.3%)	(14.3%)	(13.5%)	(13.9%)	(14.1%)

- Improvement in net sales relative to the lower point in Q2 2020, consistent with market trends with media agency market spend reaching a low point for the year in May 2020 ¹
- Strongest improvement in H2 2020 in Global Integrated Agencies, comprising our media and creative agencies

1) SMI Agency Report: October 2020

HEADLINE EARNINGS

CONTINUING OPERATIONS

Overall reduction in operating costs of \$71 million in 2020 in response to COVID

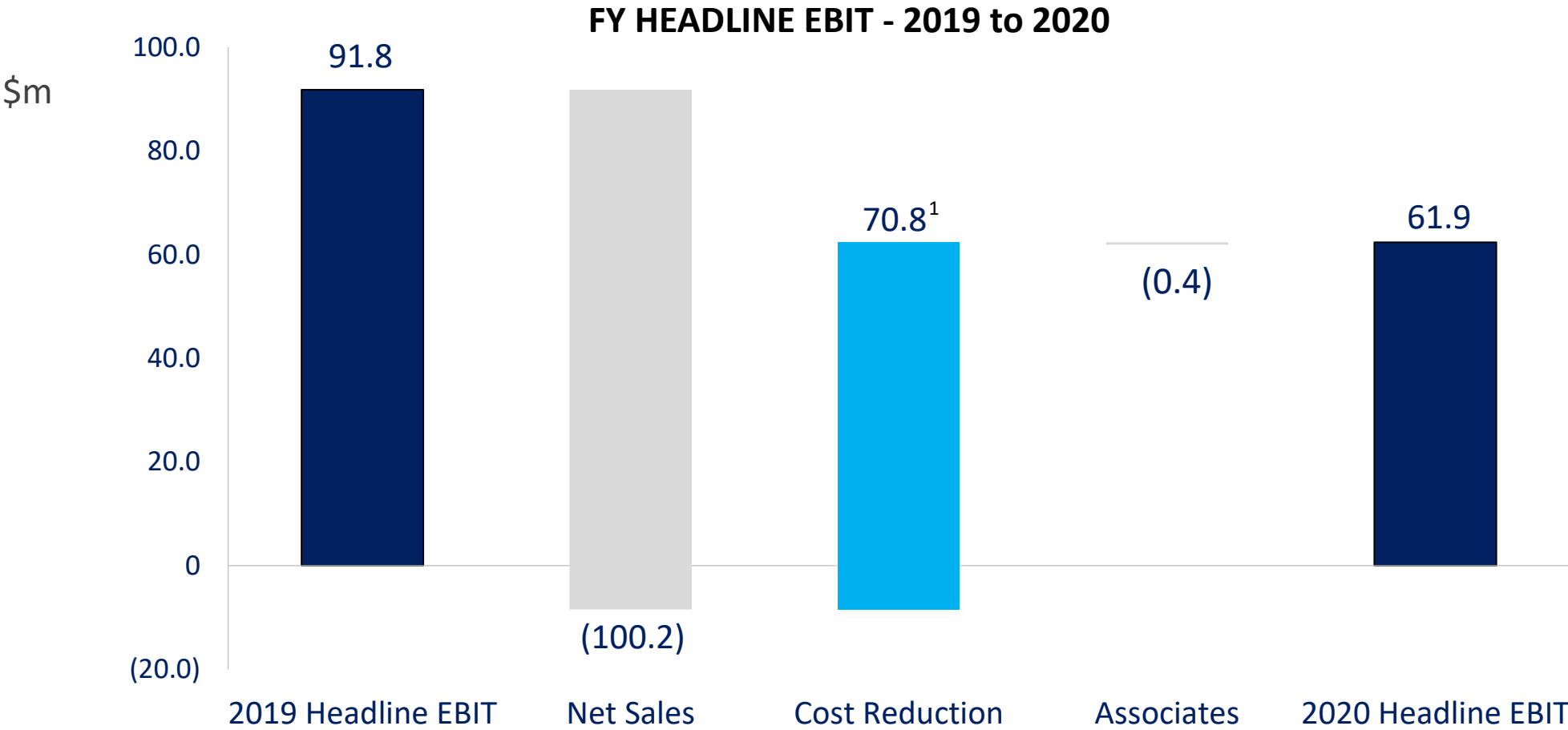
31 DECEMBER \$AUD'M	2019	2020	CHANGE
Net sales	712.5	612.3	(14.1%)
Income from associates	8.7	8.3	
Staff Costs	(481.9)	(426.9)	
Establishment Costs	(42.6)	(39.9)	
General & Administration Costs	(104.9)	(91.9)	
Total Operating Costs	(629.4)	(558.6)	11.2%
Earnings before interest and tax	91.8	61.9	(32.6%)
Net finance costs	(10.9)	(6.1)	
Net finance costs – AASB 16 Leases	(3.1)	(2.8)	
Profit before tax	77.8	53.0	(31.9%)
Tax	(21.3)	(14.9)	
Profit after tax	56.5	38.1	(32.6%)
Minority Interests	(5.3)	(3.2)	
Profit after tax and minorities	51.2	34.9	(31.9%)
EPS	6.0 cents	4.1 cents	(31.9%)

31 DECEMBER \$AUD'M	2019	2020
Staff Costs to Net Sales %	67.6%	69.7%
EBIT to Net Sales Margin %	12.9%	10.1%
EBITDA (\$'million) excl. AASB 16 Leases	106.5	77.4
EBITDA (\$'million)	128.5	102.6

- Balanced the need to protect earnings by reducing costs as net sales declined, while also ensuring we are in a position to grow as stronger trading conditions return
- Staff costs reduction supported by government subsidies of \$13.6 million.
- Establishment cost reduction resulting from Campus strategy with consolidation of offices amongst brands in the Melbourne, Sydney and Brisbane markets.
- General & Administrative costs decline driven by reduction in travel and client servicing costs
- Reduced interest expense through better cash collection over the year.

(*) Prior year figures adjusted on a like-for-like basis for the impact of AASB 16 Leases and Discontinued operations.

FULL YEAR EBIT: DRIVERS



1. Delivered a \$71 million reduction in cost base in FY20, inclusive of government subsidies of \$13.6 million. We enter FY21 with a leaner and more agile cost base. On an annualised basis, the sustainable cost base measures are expected to provide a benefit of approximately \$65 million in FY21

FULL YEAR RESULTS BY SEGMENT

FULL YEAR 2020

\$AUD'M	NET SALES			HEADLINE EBIT			HEADLINE MARGIN	
	2020	\$ CHANGE	% CHANGE	2020	\$ CHANGE	% CHANGE	2020	% CHANGE
Global Integrated Agencies (1)	425.8	(49.6)	(10.4%)	47.6	(12.1)	(20.3%)	11.2%	(1.4%)
Public Relations & Public Affairs	44.5	(11.9)	(21.0%)	6.8	(4.7)	(40.6%)	15.3%	(5.1%)
Specialist Communications	130.7	(31.0)	(19.2%)	12.4	(14.7)	(54.3%)	9.5%	(7.3%)
Large Format Production	11.3	(7.7)	(40.7%)	(4.9)	1.6	25.0%	(43.2%)	(9.0%)
Total Continued Operations	612.3	(100.2)	(14.1%)	61.9	(29.9)	(32.6%)	10.1%	(2.8%)

- All segments impacted by decline in net sales in 2020.
- Cost reduction program and in alignment with our transformation initiatives delivered \$71 million reduction in cost base in 2020
- Global Integrated Agencies first to be impacted by COVID and first to show improvement.
- PR and specialist segments impacted by reduction in client spend resulting from COVID and client losses
- Large format production segment showing improved performance

(1) The Global Integrated Agencies segment was previously named the Advertising and Media Investment Management segment. This segment name has been changed to align with the revised WPP plc reported segments.

BALANCE SHEET

Significant improvement in net working capital position drives decrease in net debt.

AUD \$'M	31 DEC 2018	31 DEC 2019	31 DEC 2020
Cash ^(a)	63.5	74.8	63.5
Net working capital	(62.8)	(61.8)	(151.9)
Investments accounted for using the equity method	21.9	19.9	21.6
Intangibles	1,187.5	721.8	538.5
AASB 16 Leases - Right-of-Use Asset	-	91.7	52.9
Other Assets	117.6	127.5	109.9
TOTAL ASSETS	1,327.7	973.9	634.5
Bank Debt ^(b)	(315.0)	(192.0)	(75.0)
Lease Liability ^(b)	(1.7)	-	-
AASB16 Leases – Lease Liability	-	(106.3)	(78.9)
Earnouts ^(c)	(17.1)	(4.2)	(5.7)
Other Liabilities	(217.1)	(177.2)	(145.1)
TOTAL LIABILITIES	(550.9)	(479.7)	(304.7)
NET ASSETS	776.8	494.2	329.8
Net debt ^(b-a)	253.2	117.2	11.5
Net debt including earnouts ^(b+c-a)	270.3	121.4	17.2

- Negative net working capital of \$151.9 million at Dec-2020 driven by strong cash collections across the entire group.
- Intangible assets of \$538.5 million decreased mainly as a result of \$174.5 million impairment of goodwill and acquired intangibles recognised at June 2020.
- Net debt including earnouts of \$17.2 million improved by \$104.2 million from Dec-2019 (\$121.4 million). Significant decrease mainly driven by improvement in net working capital

NET DEBT AND LEVERAGE RATIO

Strong cash collection performance supports reduction in net debt

NET DEBT

- Net debt of \$17.2 million (2019: \$121.4 million)
- Better than expected result achieved through strong cash collections and early collection of media payments. The benefit is expected to partially unwind in Q1 2021

LEVERAGE RATIO

- Balance Sheet leverage ratio at year end of 0.2x (2019: 1.1x).
- Our banking covenants require a leverage ratio of less than 3.0 times, measured as net debt including earnouts divided by Headline EBITDA excluding AASB 16 Leases.

BANKING FACILITIES

- We have access to syndicated banking facilities of \$420 million, that were renewed and extended in August 2020. Our debt facilities comprise:
 - \$270 million 3-year revolving term facility maturing in August 2023; and
 - \$150 million rolling annual working capital facility maturing in August 2021.

CASHFLOW

Significant improvement in cashflow driven by strong cash collections and tight management of capital expenditure

KEY MEASURES - AUD \$'M	31 DEC 2019	31 DEC 2020	LAST 24 MONTHS
Statutory EBITDA	143.8	98.1	241.9
Net change in balance sheet and non-cash P&L items	(13.4)	86.5	73.1
Net cash generation from operations	130.4	184.6	315.0
Net interest expense	(15.5)	(9.5)	(25.0)
Tax paid	(24.9)	(26.7)	(51.6)
Net cash generation from operating activities	90.0	148.4	238.4
Capital expenditure	(15.4)	(6.0)	(21.4)
Acquisitions/disposals			
- Net disposal proceeds	163.5	(0.1)	163.4
- Net acquisition payments	(5.5)	(3.0)	(8.5)
- Earnout payments	(13.2)	(3.7)	(16.9)
Net cash flow before financing and distributions	219.4	135.6	355.0

- Average cash conversion over last 24 months of 131% of EBITDA.
- Strong operating cashflow driven by improvement in cash collections and improvement in net working capital position.
- Capital expenditure restrained in 2020 and mainly driven by leasehold improvement expenditure for campuses.
- Net disposal proceeds in 2019 is net cash received from disposal of Kantar and Ogilvy NZ.
- Net acquisition payments in 2020 relate to Dominion, Meerkats and step-up acquisitions in entities that had minority interest shareholdings.

STRATEGY UPDATE

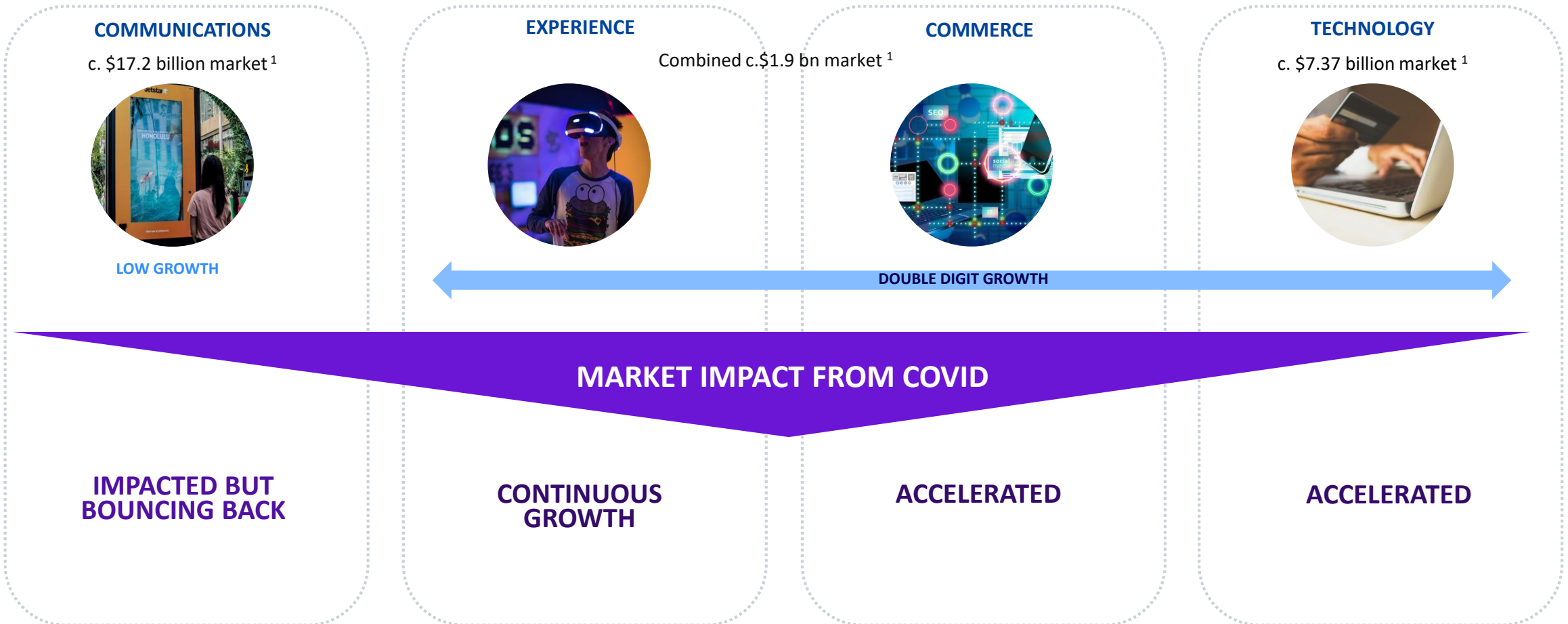


WPP AUNZ ROADMAP 2021



SHIFT IN SPEND TO TARGETED GROWTH AREAS ACCELERATES

PRE-COVID MARKET ASSESSMENT



KEY TRENDS IN 2021



COMMUNICATIONS

- Brands need to **reconnect** with consumer.
- **Personalised content** that informs, entertains and educates now critical in connecting with audiences.
- **Right message**, crafted specifically and exclusively for that channel, at the right time to right audience will be the key to success.



EXPERIENCE

- Marketer responsibilities for **CX** will venture into employee experience.
- **Personalisation** will become expected by CEOs – significant resourcing required to deliver
- **Omnichannel experiences** reflect behavioural truths. Marrying the human with the digital.



COMMERCE

- **E-commerce** has passed the tipping point and will be a key focus for all companies (big and small).
- The **intersection of physical and digital commerce** will continue and requires services to connect.
- Data driven loyalty programs and **AI-driven recommendation engines**



TECHNOLOGY

- Investment in **Martech and Ad Tech** will steer towards building better utility for customers.
- Marketing **Automation / Programmatic** ramps up, underpinned by enterprise platforms.
- No matter the tech choice, it needs to be shaped by **simplicity and convenience** Which means easy to use, easy to plug in.

BUILDING BLOCKS THAT ARE SEAMLESSLY INTEGRATED

	TECH & DATA IMPLEMENTATION	MEDIA OPERATIONS	CONTENT CREATION	SPECIALITY SERVICES
Platforms / Channels	SiteCore, Salesforce, Adobe , Microsoft	Google, Facebook, Netflix, Smart TV, Radio	Individual, Automated, Artwork, Creative Content	Individual, Automated, POS Material, Press Content
Our Brands	<div>AKQA</div> <div>VMLY&R</div> <div>aleph</div> <div>WUNDERMAN THOMPSON</div>	<div>[m] PLATFORM</div> <div>groupm</div> <div>essence</div> <div>Landor</div> <div>HOGARTH</div> <div>big</div> <div>Ogilvy</div> <div>buchanan</div>	<div>opr</div> <div>CANNINGS</div> <div>hill+knowlton</div>	<div>barton deakin</div> <div>Government Relations</div> <div>hill+knowlton</div> <div>Strategies</div>

AN INTEGRATED APPROACH: CLIENT EXAMPLE



FROM TRANSFORM TO STRENGTHEN: KEY FOCUS AREAS

2020 'TRANSFORM' FOCUSSED ON ALL PILLARS



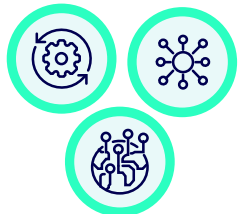
Clients



Solutions



Talent



Operational Excellence



2021 'STRENGTHEN' TILTED TO CLIENTS, SOLUTIONS AND TALENT

- Expansion of client leaders program to drive stronger client engagement and focus on scale growth in the top clients.
- Ensure service quality and retention by closely monitoring and reviewing NPS scores
- Leverage the CRM system, established in 2020, to capture client engagement and drive new business opportunities

- Continue to drive growth opportunities through further strengthening the Centre of Excellence, enhanced digital and tech capabilities and focused M&A
- Strengthen our portfolio with integrated service offerings focused on commerce, technology and experience:
 - AKQA and WhiteGREY – drives a stronger connection between digital and creative
 - VMLY&R and Geometry – specialist services in retail, commerce and experience
 - Ikon and Switched On Media – merges traditional and digital media with data capabilities
- Establish a sustainability and purpose practice to capture growing demand for advice on sustainable solutions, corporate marketing approaches and strategies

- Agile and flexible working model, enabled by virtual reality and digital tools
- Invest in the development of our talent pool, via our training hub, The Academy, training for future proof creative, data and tech capabilities
- Consistent group wide performance based incentives and KPIs

- Continue to roll-out campuses in Australia, for Melbourne and Sydney
- Further grow our footprint in SE Asia and tap into global resources offshore
- Portfolio rationalisation and simplification through divesting low growth and low margin units
- Drive further efficiencies in operating model: shared services in HR, IT and finance.

STRENGTHEN STRATEGY - 2021 FINANCIAL OBJECTIVES

NET SALES
2021 TARGET
GROWTH 3% - 6%



Expansion of client solutions – Experience, Commerce and Technology

Offer integrated solutions across client base

Retention of existing client engagements

Gain market share when market bounces further back after COVID.



Strengthen Enablers



Clients



Talent



Solutions

OPERATING PROFIT
2021 TARGET
40% - 50% GROWTH



Shared Services - Consolidation of HR, IT and Finance

Portfolio Rationalisation –review of low growth and low margin units

Campus Model – rationalisation of property foot print

Service Costs – Expanded use of offshore facilities



Operational Excellence



Platform



Operating Model



Geographies

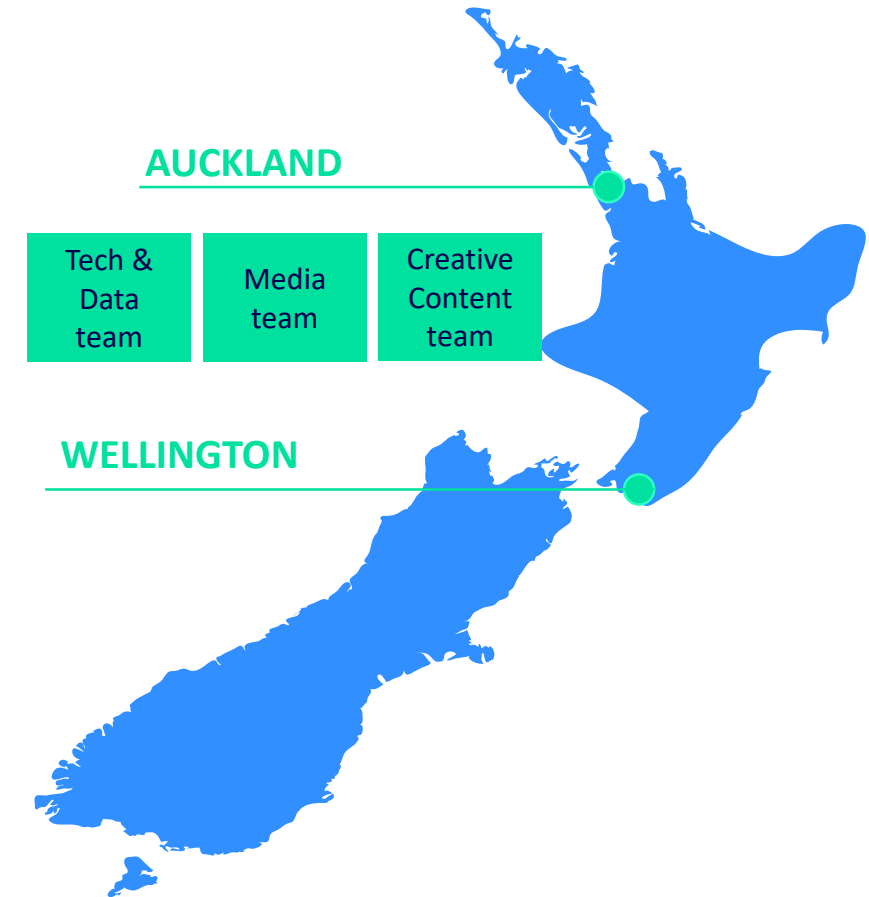
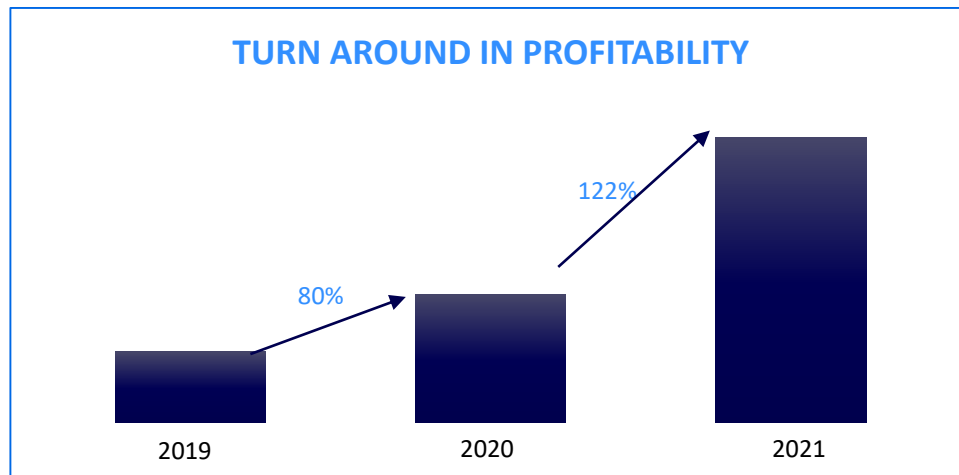
OPERATING MARGIN
2021 TARGET
3% - 4% IMPROVEMENT

SCOPE TO ADD
FURTHER GROWTH
VIA ACQUISITIONS
IN DATA AND TECH

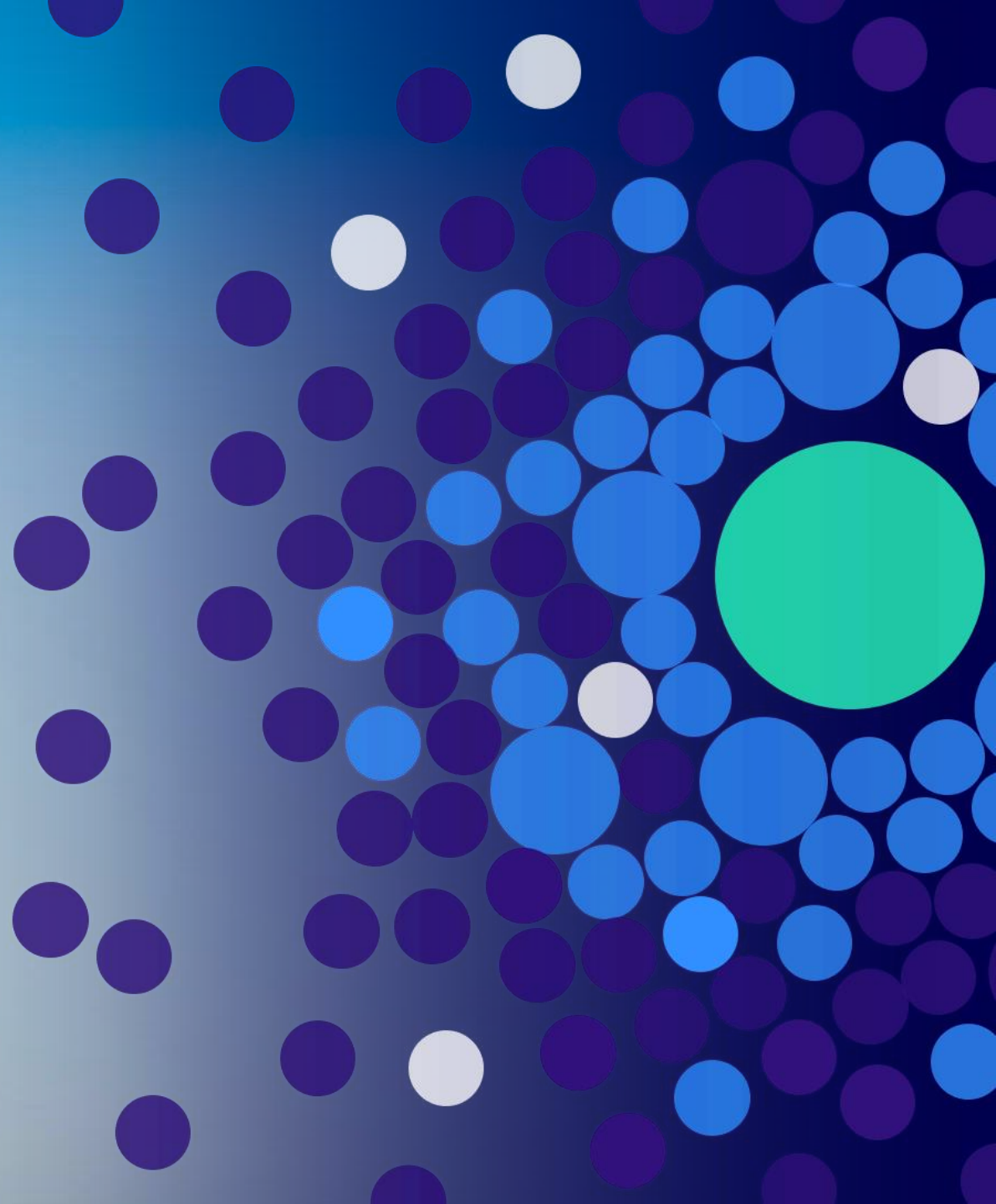
STRATEGY BLUE-PRINT: NEW ZEALAND

FOCUS AREAS AND ACHIEVEMENTS

- Clients served by cross branded teams
- Collaboration strategy has resulted in multiple group client wins and robust new business pipeline
- Investment into tech and digital talent hired as shared cost across brands
- Consolidation of property footprint taking campus approach
- One team of IT/HR/Finance servicing all brands



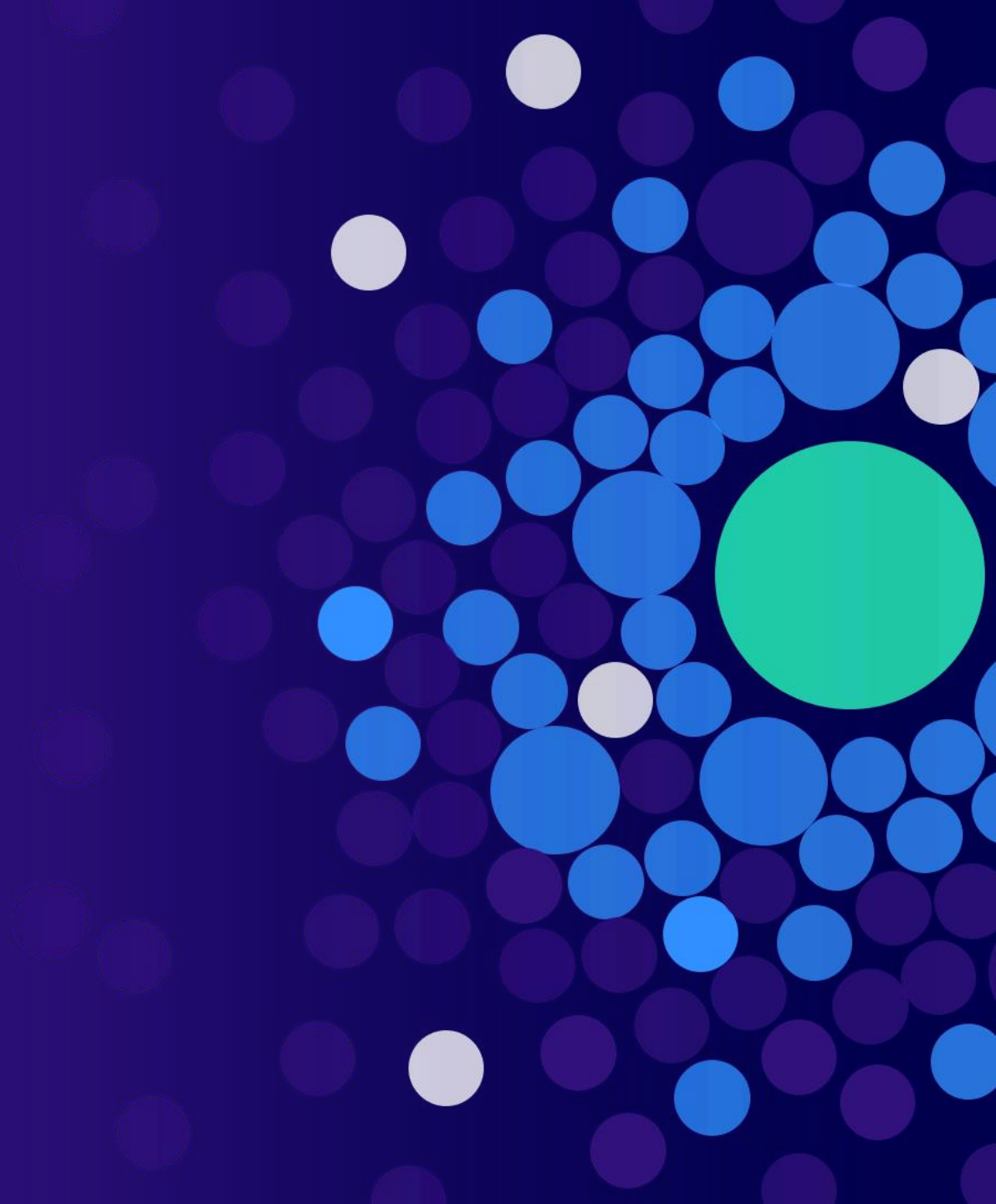
OUTLOOK



THE FUTURE

- Improving net sales outlook, combined with sustained cost reductions, places us in a strong position for an improvement in profitability in FY21
- Reaffirmed guidance for FY21:
 - Net sales between \$630m - \$650m
 - Headline EBITDA between \$100m - \$110m
 - Headline EBIT between \$85m - \$95m
- January 2021 earnings are ahead of budget and prior corresponding periods (Jan 2020 & Jan 2019). The Company will provide an update on its 2021 outlook in April 2021
- Our strategy is well placed in targeting growing areas of the market – experience, commerce and technology
 - FY21 is about strengthening our business and driving growth
- Tailwinds for our business include:
 - Continued spend on e-commerce
 - Increased investment in marketing technology
 - Returning confidence in the advertising and media markets

APPENDIX



WPP PLC OFFER – SCHEME OF ARRANGEMENT

- As announced on 17 December 2020, WPP AUNZ received an offer from WPP plc to buy the shares WPP plc does not currently own at A\$0.70 per share ("Offer").
- The Offer was an increase to a previous offer of \$0.55 per share made by WPP at the end of November 2020, which was announced to the market on 30 November 2020.
- After careful consideration of the Offer, the independent board committee determined that it was in the best interests of shareholders to seek to enter into a binding scheme implementation deed ("SID") and on 25 December 2020, WPP and WPP AUNZ entered into the SID. The SID was released to the market on 29 December 2020.
- The Offer contemplates that the A\$0.70 per share will be reduced by the cash amount per share of any permitted dividends paid by the Company in 2021 prior to the completion of the transaction (including the dividends announced today in the Company's FY20 results). Any further dividends are subject to Board approval, tax and accounting considerations, ATO approval, agreement with WPP plc and banking consents.
- As of today, the Scheme process is well underway and WPP AUNZ is in the final stages of preparing a draft Scheme Booklet for regulatory comment.
- Under the current timetable a Scheme Meeting is planned for the third week of April. This timetable may change.

FY21 GUIDANCE

KEY METRICS (\$M) DECEMBER YEAR END	FY19 ACTUAL ²	FY20 ACTUAL ³	FY21 GUIDANCE ⁴
Net sales	\$712.5m	\$612.3m	\$630m - \$650m
Headline EBITDA	\$106.5m	\$77.4m	\$100m - \$110m
Headline EBIT	\$91.8m	\$61.9m	\$85m - \$95m

- Stronger performance in H2 2020, with benefit of cost savings programs and benefit of government subsidies
- Delivered \$71 million in cost savings for 2020, of which \$50 million are sustainable cost saving measures implemented since March 2020.
 - The sustainable measures are aligned with the transformation strategy and, on an annualised basis, are expected to provide benefit of approximately \$65 million in FY21.
- Improving net sales outlook, combined with the positive impact of the cost reduction program, underpin a budgeted improvement in profitability in FY21
- Transformation strategy initiatives focused on strengthening and growing the business
- The FY21 guidance is based on the underlying Board-approved budget, however actual results may vary from the budget. The FY21 budget metrics are towards the upper end of the ranges presented

1) Headline results excludes the impact of significant and non-cash items and the results of two major units disposed of in 2019, being Kantar and Ogilvy NZ.

2) Prior year figures adjusted on a like-for-like basis for the impact of removal of discontinued operations.

3) 2020: Continuing Business Headline EBITDA excluding reversal of depreciation of right-of-use assets (AASB 16 Leases). 2019: Total Business Headline EBITDA excluding AASB 16 Leases.

4) FY21 guidance predicated on the assumption that the economy continues its recovery and there are no new material COVID-related economic impacts and restrictions

FY20 RESULTS BY HALF

Profitability supported by cost reduction program in alignment with transformation strategy

\$AUD'M

	H1	% Change	H2	% Change	Full Year	% Change
Net Sales	296.0	(14.3%)	316.3	(13.9%)	612.3	(14.1%)
EBIT	13.3	(61.6%)	48.6	(15.1%)	61.9	(32.6%)

- Stronger profitability in H2 2020 driven by benefit of reduction in cost base and benefit of government subsidies
- Benefit of cost savings program seen in 2H EBIT margin

NET SALES RESULTS BY SEGMENT

FULL YEAR 2020

\$AUD'M	NET SALES H1		NET SALES H2		NET SALES Full Year	
	H1 2020	% CHANGE	H2 2020	% CHANGE	2020	% CHANGE
Global Integrated Agencies (1)	202.2	(12.0%)	223.7	(9.0%)	425.8	(10.4%)
Public Relations & Public Affairs	22.9	(20.8%)	21.6	(21.3%)	44.5	(21.0%)
Specialist Communications	66.4	(14.6%)	64.2	(23.4%)	130.7	(19.2%)
Large Format Production	4.5	(49.1%)	6.7	(33.2%)	11.3	(40.7%)
Total Continued Operations	296.0	(14.3%)	316.3	(13.9%)	612.3	(14.1%)

- Overall improvement in 2H net sales, relative to the low point in Q2 2020 and consistent with market trends with media agency market spend reaching a low point for the year in May 2020. Media market showed growth in final quarter of 2020 ¹
- Strongest improvement in H2 2020 in Global Integrated agencies, comprising our media and creative agencies

1) SMI Agency Report: December 2020

HEADLINE TO REPORTED EARNINGS

	TOTAL BUSINESS		CONTINUING BUSINESS		DISCONTINUED BUSINESS	
31 DECEMBER \$AUD'M	2019	2020	2019	2020	2019	2020
Headline profit after tax and minorities	62.8	34.9	51.2	34.9	11.5	-
Significant one-off costs						
Gain/(loss) on disposal of subsidiaries and associates	1.6	(0.1)	(3.0)	(0.1)	4.6	-
Impairment expense*	(268.5)	(173.5)	(217.2)	(173.5)	(51.3)	-
Amortisation of intangible assets	(15.1)	(5.8)	(12.8)	(5.8)	(2.3)	-
Gain/(loss) on fair value adjustment of earnouts	0.7	(0.1)	0.7	(0.1)	-	-
Lease impairment and onerous lease expense	-	(6.8)	-	(6.8)	-	-
Business restructure and other one-off costs	(9.1)	(1.2)	(8.3)	(1.2)	(0.8)	-
Reported loss after tax and minorities	(227.6)	(152.6)	(189.4)	(152.6)	(38.2)	-

* Impairment expense for 2020 includes \$172.3 million (post tax) impairment of intangible assets plus a further \$1.2 million impairment of equity accounted investments.

- The impairment expense includes brand names, customer relationships, goodwill and equity accounted investments across the group.
- The amortisation expense in 2020 relates to the amortisation of intangible assets acquired predominantly as part of merger with WPP plc's Australian and New Zealand entities.
- The loss on disposal of subsidiaries and associates relates to the disposal of Graffiti in 2020.
- The business restructure costs relate to right-sizing of operations, one-off tax payments and other one-off costs associated with the restructuring of certain brands within the group.

INTANGIBLE ASSET IMPAIRMENT

- As announced in the 2020 half year results, the Company has taken an impairment charge following a review of the carrying value of the group's assets based on the current trading results and the uncertainty surrounding the course of COVID-19 and the flow-on economic impacts. No further material impairments were recorded in the second half of 2020.
- The impairment charge represents a write down of circa 24% of the intangible asset value contained in the balance sheet at 31 December 2019.
- The impairment charge is non-cash in nature and has no impact on the company's debt facilities, or its compliance with bank covenants.
- No impairment included for the Large Format Printing segment as all intangibles have been previously impaired.

31 DECEMBER 2020 AUD \$'M	GLOBAL INTEGRATED AGENCIES	PUBLIC RELATIONS	SPECIALIST COMMUNICATIONS	TOTAL
Impairment of intangible assets				
Goodwill	106.6	26.1	34.3	167.0
Brand Names	1.2	0.1	0.3	1.6
Customer Relationships	5.2	0.4	0.3	5.9
Total impairment of intangible assets (pre-tax)	113.0	26.6	34.9	174.5
Taxation on Brand Names and Customer Relationships	(1.9)	(0.1)	(0.2)	(2.2)
Total impairment of intangible assets (post-tax)	111.1	26.5	34.7	172.3

Goodwill – represents the unidentifiable intangible assets acquired through acquisitions.

Brand Names - represents the brand names acquired predominately as part of the acquisition of WPP plc owned entities in 2016.

Customer Relationships - represents the customer relationships acquired predominately as part of the acquisition of WPP plc owned entities in 2016.

TOTAL BUSINESS HEADLINE RESULTS

FULL YEAR 2020

	TOTAL BUSINESS			CONTINUING BUSINESS			DISCONTINUED BUSINESS (2)		
KEY MEASURES (\$AUD'M)	31 DEC 2019	31 DEC 2020	% CHANGE	31 DEC 2019	31 DEC 2020	% CHANGE	31 DEC 2019	31 DEC 2020	% CHANGE
Net Sales	819.4	612.3	(25.3%)	712.5	612.3	(14.1%)	106.9	-	-
Earnings Before Interest and Tax	108.6	61.9	(43.0%)	91.8	61.9	(32.6%)	16.8	-	-
Net Sales Margin	13.3%	10.1%		12.9%	10.1%		15.7%	-	-
Profit Before Tax	93.8	53.0	(43.5%)	77.8	53.0	(31.9%)	15.9	-	-
Profit After Tax and Minority Interest	62.8	34.9	(44.4%)	51.2	34.9	(31.9%)	11.5	-	-
Earnings Per Share	7.4	4.1	(44.4%)	6.0	4.1	(31.9%)	1.4	-	-

Page 32 details a reconciliation between Headline Results and Reported Earnings.

(1) Prior year figures adjusted on a like-for-like basis for the impact of AASB 16 Leases (excluding Leverage Ratio) and removal of discontinued operations.

(2) Discontinued Business includes the results of the two major units disposed in 2019 - Kantar and Ogilvy NZ:

- Ogilvy NZ was held from 1 January 2019 to 9 August 2019 (approximately a 7 month period), and
- The Kantar businesses were held from 1 January 2019 to 6 December 2019 (approximately an 11 month period).

HEADLINE RESULTS

IMPACT OF DISCONTINUED OPERATIONS

31 DECEMBER \$AUD'M	2020 TOTAL BUSINESS	DISCONTINUED	2020 CONTINUING	2019 TOTAL BUSINESS	DISCONTINUED	2019 CONTINUING
Net sales	612.3	-	612.3	819.4	106.9	712.5
Income from associates	8.3	-	8.3	8.7	-	8.7
Total Operating Costs	(558.6)	-	(558.6)	(719.6)	(90.2)	(629.4)
Earnings before interest and tax	61.9	-	61.9	108.6	16.8	91.8
Net finance costs	(8.9)	-	(8.9)	(14.8)	(0.8)	(14.0)
Profit before tax	53.0	-	53.0	93.8	15.9	77.8
Tax	(14.9)	-	(14.9)	(25.4)	(4.0)	(21.3)
Profit after tax	38.1	-	38.1	68.4	11.8	56.5
Minority Interests	(3.2)	-	(3.2)	(5.6)	(0.3)	(5.3)
Profit after tax and minorities	34.9	-	34.9	62.8	11.5	51.2
		-				
EPS	4.1 cents	-	4.1 cents	7.4 cents	1.4 cents	6.0 cents
		-				
EBITDA excl. AASB16	77.4	-	77.4	125.1	18.6	106.5
EBITDA	102.6	-	102.6	148.6	20.1	128.5
		-				
Management Fee	10.9	-	11.2	19.9	8.1	11.9
% of Global Brand Net sales	2.31%	-	2.31%	3.28%	7.52%	2.31%

Note. Discontinued operations include the Kantar businesses for Australia and New Zealand, and Ogilvy NZ.