

August 2011

wellcom

The
WELLCOM
GROUP
LIMITED

Results
FY2011

Melbourne Sydney Adelaide Auckland London Singapore Kuala Lumpur

HIGHLIGHTS

- 19% increase in NPAT from continuing operations.
- Solid growth in TFM (hubs) in Group pre-media with continued growth of revenues (67% of revenues in FY11 vs 64% of revenues in FY10)
- UK pre-media business returned to consistent profitability.
- Asian bases established in Singapore and Malaysia.
- Net tangible assets per share increased by 4% to 52.56 cents.
- 18% increase in full year dividends.

KEY RESULTS

	FY11	FY10	Change
	\$m	\$m	%
Revenue	57.25	54.62	+ 5
EBITDA from continuing operations	13.82	13.00	+ 6
EBIT from continuing operations	11.85	10.45	+ 13
Profit after tax from continuing operations	9.15	7.66	+ 19
Discontinued Operations / Minority Interest	0.47	-	
Statutory Net Profit for the period	9.62	7.66	+ 26
EPS – Continuing Operations (cents)	23.34	19.55	+ 19
EPS – Statutory (cents)	24.56	19.55	+ 26
DPS (cents)	16.5	14.0	+ 18
Franking (%)	100.0	100.0	-
Return on net assets (%)	17.42	14.98	+ 16

FINANCIAL POSITION

	FY11	FY10	Change
	\$m	\$m	%
Net cash flows from operating activities	11.66	11.06	+ 5
Capital Expenditure (excl. business acquisitions)	2.32	3.82	-39
Net Debt (Cash & Equivalents)	-	0.17	n/a
Gearing (Net Debt:Equity) [%]	n/a	0.3	large
Interest Cover [x]	n/a	19.6	large
NTA Per Share (cents)	52.56	50.75	+ 4

STRATEGIC AND OPERATIONAL UPDATE

- Exited sheet fed and web printing, now pure digital media.
- Increased focus on development of Knowledgewell software suite.
- Further growth in corporate and retail sector client base.
- Building relationships in US and Asia.
- Courts & BBH now established in Asia – workflows will provide large productivity increases.
- Acquisition of balance of iPrint Corporate Pty Ltd shares.



BLUE CHIP CLIENT BASE



MARKET CONDITIONS & TRENDS

- Retailers continue to invest strongly in catalogues.
- Group TFM revenues increasing (67% of revenues FY11 vs 64% revenues FY10)
- Steady flow of customer activity, all geographic locations.
- Generally strong activity across corporations and retailers.
- Organic pre-media sales growth of 5% on prior period.
- Some pricing pressure.
- Working with major retailers and corporations in digital production.

New Business

- Australia – Liquor Marketing Group, Masters Home Improvement (Woolworths), American Express, Sigma Pharmaceuticals, Dan Murphy's, Citibank, House, BT Financial.
- Singapore – BBH.
- London – BBH.
- New Zealand – AMP, Dick Smith Electronics.

New - Prospective

- Asian retailers and corporations.
- UK retailers and corporations.
- US ad agencies and cosmetic and pharmaceuticals companies.
- Australia / New Zealand corporations.

FY11 BUSINESS ANALYSIS BY REGION

	Pre Media A/Asia		Pre Media UK		Group Result	
	FY11	FY10	FY11	FY10	FY11	FY10 Continuing Operations
Segment Revenues	51,467	48,961	6,653	6,494	57,248	54,623
Segment Trading Result	12,066	12,156	728	(584)	12,794	11,476
Margin	23.4%	24.8%	10.9%	(9.0)%	22.3%	21.0%
Joint Venture Income	972	1,011			972	1,011
Results from Operating Activities	13,038	13,167	728	(584)	13,766	12,487
Margin	25.3%	26.9%	10.9%	(9.0)%	24.0%	22.9%
Unallocated & Restructure*					(1,920)	(2,042)
Net Interest Income/(Expense)					281	(24)
Income Tax Expense					(2,981)	(2,761)
Minority / Discontinued Ops					477	-
Net Profit					9,623	7,660

*Restructure costs \$614k before tax in FY11 (FY10:\$513k)

2H11 BUSINESS ANALYSIS BY REGION

	Pre Media A/Asia		Pre Media UK		Group Result	
	2H11	2H10	2H11	2H10	2H11	2H10 Continuing Operations
Segment Revenues	25,193	22,282	3,186	3,153	28,151	26,208
Segment Trading Result	5,743	5,606	240	(169)	5,983	5,376
Margin	22.8%	25.2%	7.5%	(5.4)%	21.3%	20.5%
Joint Venture Income	377	446			377	446
Results from Operating Activities	6,120	6,052	240	(169)	6,360	5,822
Margin	24.3%	27.2%	7.5%	(5.4)%	22.6%	22.2%
Unallocated & Restructure*					(1,136)	(1,204)
Net Interest Income/(Expense)					182	27
Income Tax Expense					(1,194)	(1,172)
Minority / Discontinued Ops					-	-
Net Profit					4,212	3,473

*Restructure costs \$614k before tax in 2H11 (2H10: 357k)

1H11 BUSINESS ANALYSIS BY REGION

	Pre Media A/Asia		Pre Media UK		Group Result	
	1H11	1H10	1H11	1H10	1H11	1H10 Continuing Operations
Segment Revenues	26,274	26,679	3,467	3,341	29,097	29,599
Segment Trading Result	6,324	6,550	488	(415)	6,812	6,100
Margin	24.1%	24.6%	14.1%	(12.4)%	23.0%	20.6%
Joint Venture Income	595	565			595	565
Results from Operating Activities	6,919	7,115	488	(415)	7,407	6,665
Margin	26.3%	24.6%	14.1%	(12.4)%	25.5%	22.5%
Unallocated & Restructure*					(784)	(838)
Net Interest Income/(Expense)					99	(51)
Income Tax Expense					(1,787)	(1,533)
Minority / Discontinued Ops					477	-
Net Profit					5,412	4,243

*Restructure costs \$0k before tax in 1H11 (1H10: \$156k)

PRE-MEDIA – AUSTRALASIA

	FY11	FY10	Change	
	\$m	\$m	%	
Revenue	51,467	48,961	+ 5	<ul style="list-style-type: none"> • Organic sales growth of 5% notwithstanding strategic exit from Queensland print sheet fed market. • Increased investment in software development. • Start up losses in Asia. • DSO from 48 days (June 10) to 44 days (June 11)
Segment Result	12,066	12,156	-1	
Margin %	23.4	24.8	-6	
JV (iPrint)	972	1,011	-4	
Results from Operations	13,038	13,167	-1	
Margin %	25.3	26.9	+ 6	
Staffing	281	244	+ 15	

PRE-MEDIA – UNITED KINGDOM

	FY11	FY10	Change	
	\$m	\$m	%	
Revenue	6,653	6,494	+ 2	• Organic sales growth of 2%.
Segment Result	728	(584)	+ 225	• Consistently profitable.
Margin %	10.9	(9.0)	+ 221	• Management team now settled.
Staffing	45	42	+ 7	Development team employed.
				• Knowledgewell now actively marketed.
				• Cost base complements current activity.
				• DSO from 55 days (June 10) to 34 days (June 11)

BALANCE SHEET ANALYSIS

	JUN 11	JUN 10	Commentary
Current Assets			
Cash and Debtors	28,970	17,148	Working Capital Ratio – 2.9 (2010: 2.1), DSO 43 days (2010: 53 days). Iprint cash and debtors. .
Inventories	1,635	2,840	
Other	809	908	
Total Current Assets	31,414	20,896	
Non current Assets			
Investments	0	3,523	Acquisition of previously equity accounted iPrint Corporate.
Intangibles	31,908	31,249	Disposal of Cadillac, inclusion of iPrint.
Property Plant & Equipment	4,725	10,608	Reduction due to disposal of Cadillac.
Other	1,654	1,886	
Total Non Current Assets	38,287	47,266	
Total Assets	69,701	68,162	
Current Liabilities			
Creditors, Tax & Employee Provisions	16,556	11,004	Increase reflects acquisition of iPrint Corporate..
Borrowings	-	1,338	Reduction reflects disposal of Cadillac.
Total Current Liabilities	16,556	12,342	
Non Current Liabilities			
Employee Provisions and Other	638	1,156	
Borrowings	-	3,528	Reduction reflects disposal of Cadillac.
Total Non Current Liabilities	638	4,684	
Total Liabilities	17,194	17,026	
Total Equity	52,507	51,136	

RESULTS FEATURES

- Sound organic revenue growth of 5% in volatile market driven by:
 - organic growth in TFM hub revenues
 - Asian expansion
- Australia operating result held notwithstanding investment in IT.
- UK pre-media business restructured. \$1.3M turnaround in operating result.
- Asia established, small trading loss.
- Cash on hand of approximately \$18M.
- Net tangible assets per share increased by 4% to 52.56 cents.
- Total dividends increased by 18%, payout ratio maintained.

OUTLOOK

- Growth platform established – geographic and service expansion growing.
- Further investment in Knowledgewell product suite (next generation).
- UK business expanding with business acquisition.
- Asia presence now established and we are pitching for new clients.
- Global brands are now engaging us for their European and Asian fulfillment.
- UK building relationships with US based customers wanting to fulfill in Asia and Europe.
- Stable base for growth.

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