

Wellcom Group Limited

Results for the six months ended 31 December 2012

18 February 2013

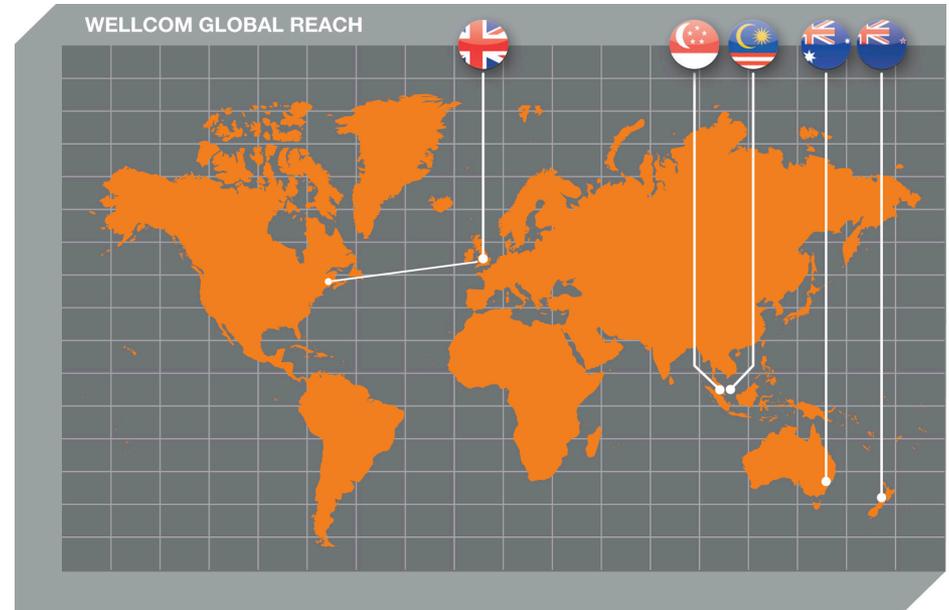
Wayne Sidwell, **Executive Chairman**

Julian Graham, **General Manager Wellcom Technologies**

Melbourne ■ Sydney ■ Adelaide ■ Auckland ■ London ■ Singapore ■ Kuala Lumpur

Company Background

- Australia's leading pre-media services company
- Global reach servicing clients in Australia, New Zealand, Singapore, Malaysia, UK and the US
- Long standing blue chip client relationships
- Reliable performance
- Consistent dividend history
- Leading edge technology solutions - Knowledgewell and Canopy



Blue Chip Client Base



Highlights

Net revenues (excluding print management pass through costs) of \$27.4M, down by 7%

- Cost management initiatives in response to recent pricing pressure have been put in place
- Solid growth in TFM (hubs) in Group pre-media (74% of Global revenues in 1H13 vs 71% of Global revenues in 1H12)

Earnings before interest and tax of \$4.8M, down by 33%

- Reflects significant internal investment in current and future technology products

NPAT from continuing operations of \$3.6M down by 32%

Strong cash and financial position

- No debt and cash flows from operating activities of \$4.2M.
- Cash on hand approximately \$15.2M.
- Net tangible assets per share of 48.58 cents.

Fully franked interim dividend of 8 cents per share

Market and Trading Conditions

Market conditions and trends

- Retailers continue to invest in catalogues (print and online)
- Move towards direct marketing and digital media
- Group TFM revenues increasing (74% of Global revenues 1H13 vs 71% Global revenues 1H12)
- Generally soft activity across corporations and retailers
- Working with major retailers and corporations to transition to digital production
- Offshore “Centre of Excellence” in Kuala Lumpur now fully operational

New Business

- Commonwealth Bank of Australia (print management)
- National Australia Bank (print management)
- Kikki K (pre-media)
- Long Tall Sally (Pre-media / photography)
- LK Bennett (Pre-media / photography)
- Crossroads (Photography)

Key Results

	1H13 (\$m)	1H12 (\$m)	Change (%)
Statutory revenue	38.71	48.06	-19.4
Net revenue *	27.38	29.56	-7.4
EBITDA	5.66	8.14	-30.4
EBIT	4.78	7.13	-33.0
Profit after tax	3.57	5.27	-32.3
Net profit for the period	3.57	5.27	-32.3
EPS (cents)	9.11	13.45	-32.3
DPS (cents)	8.0	8.0	-
Franking (%)	100.0	100.0	-
Return on net assets (%)	6.48	9.71	-33%

- Recent pricing pressure is being managed
- Internal investment in technology
- Dividend per share maintained at 8 cents per share

* Net revenue excludes print management pass through costs

Summary Financial Position

	1H13 (\$m)	FY12 (\$m)
Cash and debtors	26.19	27.61
Inventories and work in progress	1.37	1.02
Intangibles	34.88	32.89
Debt	Nil	Nil
Equity	55.11	55.39
NTA per share (cents)	48.58	54.23
Debtor days	43	43
Working capital ratio	2.25	2.50
	1H13 (\$m)	1H12 (\$m)
Capital expenditure (\$m)	0.65	0.30
Net cash flows from operating activities (\$m)	4.23	0.78

- Strong financial position with no debt
- Capital expenditure increased following investment in Malaysian Centre of Excellence
- Intangibles increased due to Dreamwalk acquisition
- Cash flows back to normal levels

1H13 Group Results

\$ '000 AUD	1H13	1H12	Change
Statutory revenue	38,706	48,061	-19.4%
Less: Pass through costs	(11,238)	(18,497)	+39.3%
Net segment revenue	27,378	29,564	-7.4%
Segment result	5,613	8,008	-30.0%
Margin	20.5%	27.1%	-24.4%
Results from operating activities	5,613	8,008	-30.0%
Margin	20.5%	27.1%	-24.4%
Unallocated & restructure *	(829)	(878)	+5.6%
Net interest income	255	307	+16.9%
Income tax expense	(1,470)	(2,168)	+32.2%
Net profit for the year	3,569	5,269	-32.3%

* Includes \$132K of redundancy/restructure costs in 1H13 (1H12 -\$126K)

Pre-Media Australasia

\$' 000 AUD	1H13	1H12	Change
Net segment revenue	23,897	25,705	-7.0%
Segment result	4,761	7,147	-33.4%
Margin	19.9%	27.8%	
Staffing	288	282	

- Pricing pressure being managed
- Increased investment in software development
- Integration of Dreamwalk Pty Ltd
- DSO of 43 days (Dec 12) from 42 days (Jun 12)

Pre-Media United Kingdom

\$' 000 AUD	1H13	1H12	Change
Net segment revenue	4,619	5,034	-8.2%
Segment result	852	861	-1.1%
Margin	18.4%	17.1%	
Staffing	52	61	

- Loss of major client revenues largely offset by new business wins
- Active marketing of Knowledgewell
- Continued improvement expected in margins
- DSO of 42 days (Dec 12) from 48 days (Jun 12)

Strategic and Operational Update

- Continued development of the Wellcom software suite – Knowledgewell and Canopy
- Growth in design and digital services
- Further growth in corporate and retail sector client base
- Building relationships in Asia and UK
- Successful integration of Dreamwalk Pty Ltd (acquired 2nd July 2012)
- Offshore “Centre of Excellence” in Kuala Lumpur now fully operational
- Complimentary acquisitions are being considered

Creative Agency

Strategy Creative Brand Design Design Artwork Pre-media Photography Packaging TV Online Distribution Content Management Print Management

wellcom

Outlook

- Expected improvement in the second half result
- Growth platform established – geographic and service expansion
- Knowledgewell / Canopy
- Asian presence now established and we are pitching for new clients
- Global brands are now engaging us for their European and Asian fulfillment
- Stable base for acquisitive growth that offer customer and capability expansion
- New business – Commonwealth Bank of Australia, National Australia Bank, Long Tall Sally, LK Bennett, Crossroads

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Disclaimer

The material in this presentation is a summary of the results of Wellcom Group Limited (Wellcom) as at the 18 February 2013, for the six months ended 31 December 2012 together with an update on Wellcom's activities, and is current at the date of preparation, 18 February 2013. Further details are provided in the Company's half year accounts and results announcement released on 18 February 2013.

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