

Appendix 4E

Preliminary financial report

Wellcom Group Limited

ACN 114 312 542

Current reporting period: Year ended 30 June 2019

Previous reporting period: Year ended 30 June 2018

This preliminary final report is provided to the Australian Securities Exchange (ASX) under ASX Listing Rule 4.3A.

Results for announcement to the market

Financial Results

\$'000

| | | | | |
|---|----|-----|----|-----------|
| Revenue * | up | 4% | to | \$160,949 |
| Profit after tax from continuing operations attributable to members | up | 33% | to | \$15,602 |
| Profit after tax from ordinary activities attributable to members | up | 33% | to | \$15,602 |
| Net profit for the period attributable to members | up | 33% | to | \$15,602 |

* Revenues (excluding print management pass through costs) of \$120,430k (2018: \$107,618k) represented an increase of 12% over the previous corresponding financial period.

Dividends / Distributions

| | Amount per security | Franked amount per security |
|--|---------------------|-----------------------------|
| Final dividend for the period ended 30 June 2019 | 11.0 ¢ | 11.0 ¢ |
| Special dividend | 10.0 ¢ | 10.0 ¢ |
| Interim dividend for the period ended 31 December 2018 | 11.0 ¢ | 11.0 ¢ |
| Record date for determining entitlements to the final and special dividend | 6 November 2019 | |
| Payment date for final and special dividend | 27 November 2019 | |

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Results for announcement to the market, based on the audited financial report of Wellcom Group Limited for the year ended 30 June 2019.

Additional Information

Additional Appendix 4E disclosure requirements can be found in the annual financial report of Wellcom Group Limited for the year ended 30 June 2019, lodged in conjunction with this report.

The information contained in this report is to be read in conjunction with any announcements made to the market by Wellcom Group Limited during the financial period.

For further information on Wellcom Group Limited, please visit our website at: www.wellcomworldwide.com

Explanation of Results

Operating results for the year

The Group recorded statutory revenue of \$160,949k (2018: \$155,166k), representing an increase of 4% over the previous financial year, with net revenue (excluding print management pass through costs) of \$120,430k (2018: \$107,618k) 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 \$27,811k (2018: \$20,486k) with EBIT from continuing operations increasing by 35% to \$23,867k (2018: \$17,676k), and NPAT from continuing operations increasing 33% to \$15,602k (2018: \$11,724k).

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 \$6,706k 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 \$2,327k, resulting in a normalised NPAT for the Group of \$13,275k. This represents an increase of 13% over the previous financial year.

Shareholder returns

The shareholder returns presented below are based on results from continuing operations.

| | 2019 | 2018 |
|---|-------|--------|
| Basic earnings per share (cents) | 39.77 | 29.92 |
| Return on net assets (%) | 22.46 | 19.40 |
| Dividend payout ratio - including special dividends | 80.46 | 153.77 |

Liquidity and financial condition

The Group generated \$16,027k in cash from operating activities for the year ended 30 June 2019 (2018: \$15,093k). As at 30 June 2019 the Group has borrowings less cash and cash equivalents of \$725k.

Dividends

A 100% franked final dividend of 11.0 cents per ordinary share was paid on 14 September 2018. The total amount of the dividend paid was \$4,310,900.

A 100% franked interim dividend of 11.0 cents per ordinary share was paid on 15 March 2019. The total amount of the dividend paid was \$4,315,229.

Total dividends paid during the financial year were 22.0 cents per ordinary share. The total amount paid was \$8,626,129.

A 100% franked final dividend of 11.0 cents per ordinary share was declared on 20 August 2019. The record date for determining entitlements to the final dividend is 6 November 2019. The final dividend will be paid on 27 November 2019. The total amount of the final dividend to be paid is \$4,315,229. As this dividend was not declared prior to the end of the financial year it has not been recognised in the accounts for the year ended 30 June 2019.

In addition to the final dividend, Directors have declared a fully-franked special dividend of 10.0 cents per share. The total final dividend proposed is \$3,922,936 and will be franked to 100%. The record date for determining entitlements to the dividend is 6 November 2019 and the payment date is the 27 November 2019.

Total dividends paid or declared in relation to the financial year ended 30 June 2019 were 32.0 cents per ordinary share. The total amount paid or payable is \$12,553,394.

There are no dividend reinvestment plans or share buybacks currently offered or in operation

Net tangible assets per security

Net tangible assets per security at 30 June 2019 was 39.38 cents (2018: 28.87 cents).

Entities over which control has been gained or lost

There has been no change in control over the 100% owned subsidiaries Wellcom London Ltd, Wellcom Group Pte Ltd, Wellmalaysia Sdn Bhd, Wellcom Group Inc, theLab LLC, Dippin' Sauce LLC and Wellcom Group Ltd (Hong Kong). The Group acquired Brandsystems India Pvt Pty on the 3 September 2018.

Subsidiary and Joint Venture entities

| <u>Name of Subsidiary/Joint Venture entity</u> | <u>Country of incorporation</u> | <u>Ownership Interest At 30.06.19</u> | <u>Entity Net Profit After Tax \$'000</u> |
|--|-------------------------------------|---|---|
| Wellcom London Ltd | United Kingdom | 100% | \$1,285 |
| Wellcom Group Pte Ltd | Singapore | 100% | (\$251) |
| Wellmalaysia Sdn Bhd | Malaysia | 100% | \$50 |
| Wellcom Group Inc | United States of America | 100% | \$7,258 |
| theLab LLC ** | United States of America | 100% | - |
| Dippin' Sauce LLC ** | United States of America | 100% | - |
| Wellcom Group Ltd | Hong Kong | 100% | (\$10) |
| Brandsystems Pvt Ltd | India | 100% | \$72 |

* theLab LLC and Dippin' Sauce LLC profits are consolidated within its parent entity Wellcom Group Inc.
