



WELLCOM GROUP ANNOUNCES STRONG EARNINGS GROWTH, CONFIDENT ON FUTURE OUTLOOK

21 AUGUST 2018

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

	FY18 \$m	FY17 \$m	Change
Statutory Revenue	155.17	145.17	+ 7%
Net Revenue (excl. print management pass through costs)	107.62	98.69	+ 9%
EBITDA	20.49	18.73	+ 9%
EBIT	17.68	15.97	+11%
Profit after tax from continuing operations	11.72	10.63	+10%
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Earnings per share	29.92	27.12	+10%
Dividends per share:			
- Interim Dividend	10.0	9.5	+5%
- Special Dividend	25.0	-	-
- Final Dividend	11.0	13.5	-19%
- Total Dividend	46.0	23.0	100%
Franking (%)	100	100	-

In commenting on the result, Mr Wayne Sidwell, Chairman of the Wellcom Group said, "Following a strong finish to the year, we are very pleased to report a result reflecting a 10% increase in earnings per share in addition to a significant return of funds to shareholders, totalling 46 cents per share.

The demand for high quality visual content continues to grow, with the speed at which brands can produce this content playing a significant role in their success. Wellcom's expertise is in ensuring that our clients' marketing and advertising creative content is delivered in the right context, with speed, accuracy, and consistency. The business is well positioned for the future, with the ability to service global customers in all leading consumer markets."

OPERATING PERFORMANCE

The Group recorded statutory revenue of \$155.17m (2017: \$145.17m), representing an increase of 7% over the previous financial year, with net revenue (excluding print management pass through costs) of \$107.62m (2017: \$98.69m) representing an increase of 9% over the same period. Revenues increased in each of Wellcom's operating segments (Australasia, United States and United Kingdom), with substantial contributions from new business wins including News Corp (Australia), Countdown (NZ), Red Lobster (US), Southeastern Grocers (US), Tesco (UK) and HomeAway - Expedia (UK).

Operating margins within the Group increased to 19.7% on a net revenue basis (2017: 19.2%).

EBITDA from continuing operations increased by 9% to \$20.49m (2017: \$18.73m), with EBIT from continuing operations increasing by 11% to \$17.68m (2017: \$15.97m) and NPAT from continuing operations increasing 10% to \$11.72m (2017: \$10.63m).

The effective tax rate for the Group was 33% (2017: 33%).

CASH FLOW AND BALANCE SHEET

The Group generated \$15.09m in cash from operating activities for the year ended 30 June 2018 (2017: \$10.11m) following strong improvement in cash conversion. As at 30 June 2018 the Group has net debt of \$2.20m.

DIVIDEND

The Directors have declared a fully franked final dividend of 11.0 cents per share (2017: 13.5 cents per share), resulting in full year dividends of 46.0 cents per share (2017: 23.0 cents per share). This equates to a payout ratio of approximately 154% (2017: 85%). The purpose of the increased dividends in the year was to return a portion of excess franking credits equitably to shareholders and, through debt financing, ensure Wellcom achieves a more efficient capital structure. Importantly, Wellcom maintains the flexibility to fund future growth opportunities, and the ability to fully frank future dividends.

The record date for determining entitlements to the final dividend is 31 August 2018, and payment will occur on 14 September 2018.

OUTLOOK

Wellcom expects to continue the Group's recent success in the forthcoming financial year, anticipating full year EPS growth prior to acquisitions of between 10% and 15%. Contributory factors will include full year contributions from recent client wins, coupled with a strong pipeline of new business opportunities and organic growth from existing customers.

Wellcom has also agreed provisional terms for the acquisition of the business and selected assets of Brandsystems International Pte Ltd (Singapore).

Brandsystems Marcom Manager is an MRM (Marketing Resource Management) system that allows the marketing departments of large and mid-sized companies to plan, budget, manage and analyse their entire global marketing efforts.

Wellcom has partnered with Brandsystems since April 2015, with the MRM module forming a component of Wellcom's Knowledgewell technology.

In commenting on the prospective acquisition, Mr Wayne Sidwell, said "The acquisition of Brandsystems further strengthens Wellcom's technology offering, providing an end to end solution for businesses to plan, budget, execute, store and analyse marketing campaigns and content. The technology is recognised as a 'Visionary' in the Gartner MRM Magic Quadrant, and has a strong, experienced and motivated management team ready to move into their next phase of global expansion."

The acquisition, which is expected to complete during September 2018, will be funded by a combination of cash reserves and debt finance.

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