WPP AUNZ

WPP AUNZ
2017 Full Year Results

23 February 2018

connected
know
how

know more. do more. be more.

2017 Full Year Highlights

- Strengthened the foundations of WPP AUNZ
  - Managed company portfolio to build scale and strengthen competitive positioning
- Achieved organic revenue growth by:
  - Better connectivity and horizontality
  - Strong new business in Media, Integrated Advertising and Digital
  - Growth in high growth ecommerce, digital transformation and marketing infrastructure services
- Invested for future growth:
  - Investment in production and ecommerce and marketing infrastructure
  - Targeted investment in our people and culture - know more, do more, be more
- Synergies in many cost areas has positively impacted the full year result
- Strong cash flow drives net interest benefit and reduction in balance sheet leverage
- Leverage ratio 1.6x (Dec 17), down from 1.9x (Dec 16)

Headline trading performance presented as if all businesses were owned from 1 January 2016 and excludes amortisation, non-cash and significant items.

2017 Full Year Highlights

- Exceeded updated guidance provided to the market in October
- Net sales of $869.9 million, up 0.6% (2016: $864.9 million)
- Headline EBIT of $138.7 million, down 2.1% (2016: $141.6 million).
- Operating margin 15.9% (2016: 16.4%).
- Headline profit before tax of $125.0 million, up 3.1% (2016: $121.3 million)
- Earnings per share of 9.8 cents, up 3.1% (2016: 9.5 cents)
- Final dividend of 4.2 cents (2016: 3.9 cents), fully franked. Total dividend relating to the 2017 year of 6.3 cents (2016: 6.0 cents), up 5%.
- Dividends are in line with stated payout ratio of 60% -70% of earnings
- FY 2018 outlook - WPP AUNZ expects to deliver circa 3% growth in earnings per share

Headline trading performance presented as if all businesses were owned from 1 January 2016 and excludes amortisation, non-cash and significant items.

WPP AUNZ - 2017 Full Year Results

KEY MEASURES	31 December 2017	
Net Sales	**$869.9m** [31 Dec 2016: $864.9m]	Net Sales increase of 0.6% against 2016. Delivered against soft macro conditions and flat media market
Earnings Before Interest and Tax	**$138.7m** [31 Dec 2016: $141.6m]	2.1% decline in EBIT against 2016. Digital, Media and Advertising segments delivered strong earnings performance. Decline in Data Investment Management and Production.
Net Sales Margin	**15.9%** [31 Dec 2016: 16.4%]	Margin decline on 2016. Right sizing cost base of underperforming units.
Profit Before Tax	**$125.0m** [31 Dec 2016: $121.3m]	3.1% growth in PBT driven by better cash collection and improved debt margin driving a decrease in interest expense
Earnings Per Share	**9.8 cents** [31 Dec 2016: 9.5 cents]	3.1% growth in EPS
Dividends Per Share	**6.3 cents** [31 Dec 2016: 6.0 cents]	Final dividend of 4.2 cents per share [2016:3.9 cents], fully franked. Payout ratio of 64% of earnings [2016: 63%] In line with targeted dividend payout ratio of 60% to 70% of earnings
Leverage Ratio [Net debt / EBITDA]	**1.6x** [31 Dec 2016: 1.9x]	Leverage ratio within targeted range of 1.5x to 2.0x. Strong operating cash flow drives debt reduction

Full Year Results by Segment – 31 December 2017

$AUD'M	Net Sales		Headline PBIT		Headline Margin		Key Drivers
	2017	$ Change	2017	$ Change	2017	Change	
Advertising, Media Investment Management	485.8	24.1	79.1	3.5	16.3%	(0.1%)	• Media growth driven by strong new business performance. • Integrated agency model still resonating with clients
Data Investment Management	99.5	(7.9)	19.9	(5.4)	20.0%	(3.6%)	• Impact of clients losses in one business • Margin impacted by investment in developing deeper capabilities in online panels.
Public Relations & Public Affairs	57.9	(4.5)	9.3	-	16.1%	1.2%	• Performance impacted by client losses in a specific business. • Cost control has enabled the margin to be maintained.
Branding & Identity and Specialist Communications	226.7	(6.7)	30.4	(1.0)	13.4%	(0.1%)	• Digital businesses performing strongly delivering digital marketing transformation. • Underperformance in production businesses.
Total	869.9	5.0	138.7	(2.9)	15.9%	(0.5%)	

WPP AU NZ

Strategy Update

connected know how

know more. do more. be more.

1. Big at home

Maintaining leadership in our core businesses of media, advertising and PR.

2. Future-proof

Future-proof the group through technology, data, content, mobile and proprietary offerings.

WPP AUNZ Strategy is to deliver 100% of a client's customer experience budget

3. Leverage the power of WPP

Leveraging WPP's IP, tools, expertise in data management, digital and research.

4. Drive horizontality

Driving collaboration and horizontality across our group for the benefit of our people, our companies and our clients.

Bringing together the best knowledge, thinking and talent to meet our clients' challenges with bigger, better and smarter ideas.

know more

Harnessing the knowledge and expertise of our 5,500 people who collectively work across multiple disciplines for every major client and category in the market.

Connected know-how

do more

Our companies and people are able to play on a bigger stage – accessing opportunities, and realising ideas that are only possible when you're part of something bigger.

be more

The scale and diversity of our group creates unlimited opportunities for growth for our people, our companies and our clients – allowing them to realise their full potential.

Diversified portfolio of clients and service offerings

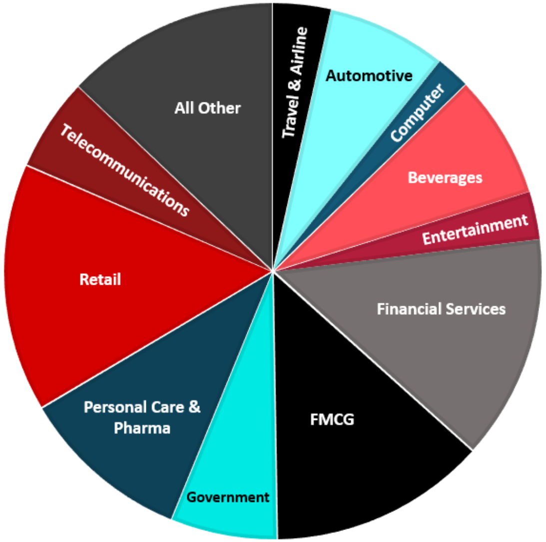
Multiple Client Engagements

Average of 9 Touchpoints
- Top 50 Clients

(2016: Average of 7 Touchpoints)

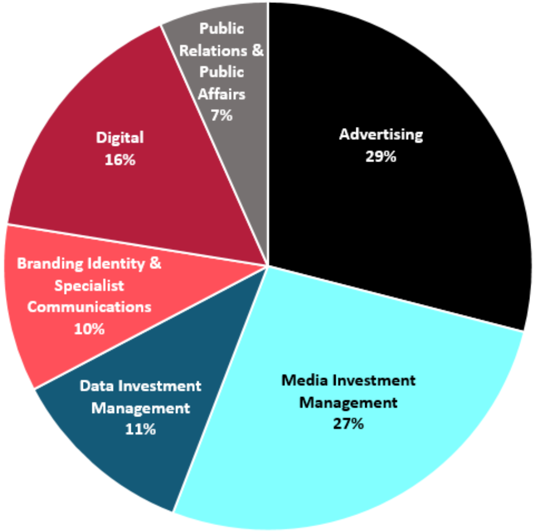
Diverse Client Industry Base

Net Sales by Industry



Multiple Service Offerings

Net Sales by Segment



WPP AUNZ Teams

Portfolio Optimization – 2017 Initiatives

Strengthened portfolio of companies

Leveraging scale and enhancing capabilities for the benefit of clients

Key Financials

Chris Rollinson
Chief Financial Officer

Headline Profit & Loss – 31 December 2017

31 December $AUD'M	2016	2017	Growth
Net sales	864.9	869.9	+0.6%
Income from associates	4.4	6.5	
Staff Costs	(542.0)	(549.9)	
Establishment Costs	(55.3)	(53.0)	
General & Administration Costs	(130.4)	(134.8)	
Total Operating Costs	(727.7)	(737.7)	
Earnings before interest and tax	141.6	138.7	-2.1%
Net finance costs	(20.3)	(13.7)	
Profit before tax	121.3	125.0	+3.1%
Tax	(34.6)	(34.0)	
Profit after tax	86.7	91.0	+4.9%
Minority Interests	(5.6)	(7.4)	
Profit after tax and minorities	81.1	83.6	+3.1%

EPS	9.5 cents	9.8 cents	+3.1%

31 December $'M	2016	2017
Staff Costs to Net Sales %	62.7%	63.2%
EBIT to Net Sales Margin %	16.4%	15.9%
EBITDA ($'million)	157.2	154.1

- General & Administration costs include synergy savings in property, recruitment, printer, travel, accommodation and other office services.
- Reduced interest expense through better cash collection and improved debt margin

Cost Synergies

Synergy	Category Detail	3 year Target	2016 benefit achieved	2017 benefit achieved
Corporate and Administration	Focus on banking, corporate and administrative	1.8	1.0	4.5
Operating Efficiencies	Efficiencies gained through local management oversight and driving integration of services across the group (cost categories - travel, print, recruitment, office supplies)	7.8	2.9	2.9
Property Rationalisation	Consolidation of property footprint, better space planning of selected business units into campuses	2.5	1.0	2.5
IT and Shared services	Consolidation of duplicated infrastructure, operating costs and back office support functions	2.9	-	-
TOTAL		**15.0**	**4.9**	**9.9**

- Committed to the market the delivery of cost synergies of at least $15 million per annum over a 3 year period.
- Achieved cost synergy savings, including net interest benefit of $9.9 million for the year ended 31 December 2017.
- Property campus strategy well progressed – new Sydney campus established in June 2017.
- Delay in delivering benefits from IT and finance consolidation
- Interest benefit of $3.0 million (2016: $1.0m) from lower interest rate on banking facilities through WPP relationship and more effective cash collection procedures

Balance Sheet ($M)

	Reported 31 Dec 2016	Reported 30 June 2017	Reported 31 Dec 2017
Cash [a]	87.1	180.5	111.2
Net working capital	(66.0)	(86.6)	(40.6)
Investments	22.3	23.4	23.4
Intangibles	1,257.6	1,250.7	1,235.4
Other Assets	128.2	129.4	126.7
TOTAL ASSETS	1,429.2	1,497.4	1,456.1
Bank Debt [b]	(353.6)	(428.7)	(338.8)
Lease Liability [b]	(3.8)	(3.3)	(2.7)
Earnouts [c]	(23.0)	(25.4)	(19.7)
Other Liabilities	(202.4)	(207.9)	(235.0)
TOTAL LIABILITIES	(582.8)	(665.3)	(596.2)
NET ASSETS	846.4	832.1	859.9
Net debt [b-a]	270.3	251.5	230.3
Net debt including earnouts [b+c-a]	293.3	276.9	250.0

KEY THEMES

- Negative net working capital of $40.6 million (Dec 16: $66.0 million). Strong working capital performance across the year.
- Net debt including earnouts of $250.0 million (Dec 16: $293.3 million). Reduction in debt of $43.3M.
- Investments represents investments in associated entities
- Intangibles of $1,235.4 million (Dec 2016: $1,258 million) - decreased through amortisation of intangibles.

Reported Cashflow ($M)

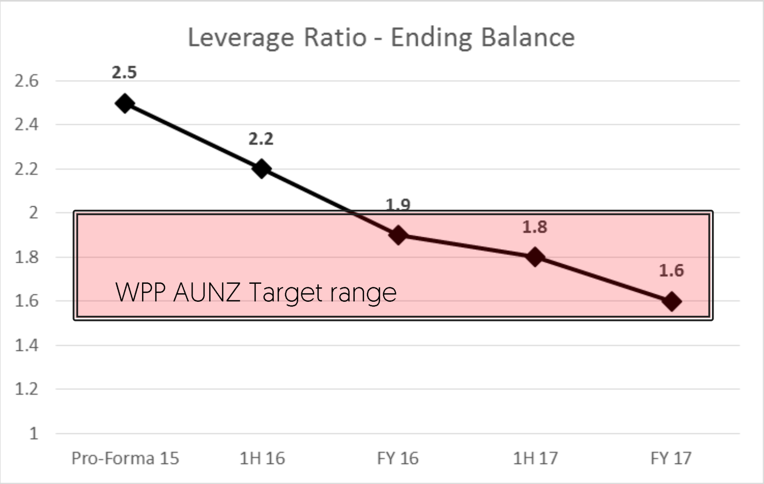
	31 December 2016 12 months	31 December 2017 12 months	Last 24 month total
Statutory EBITDA (adjusted for non-cash significant items)	135	153	288
Operating cashflow pre interest and tax	180	134	314
EBITDA conversion to cash flow	*133%*	*88%*	*109%*
Tax (paid)/received	(30)	9	(21)
Net Interest	(17)	(14)	(31)
Operating Cashflow	133	129	262

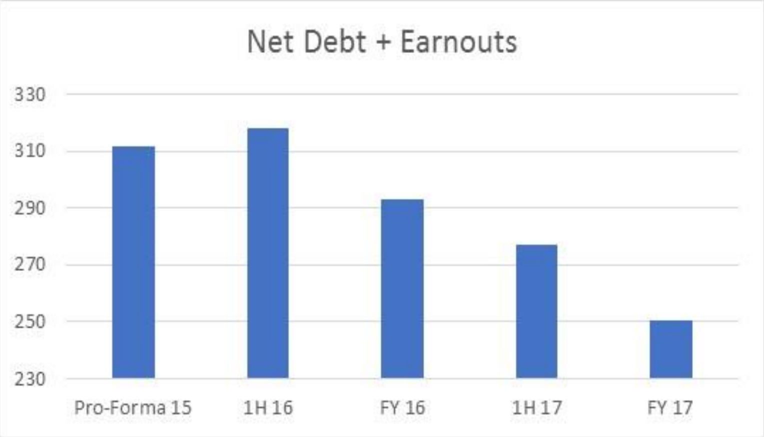
- The analysis is prepared based on the Statutory cash flow included in the accounts.
- Strong cash generative business and cash flow conversion.
- Cash flow impacted by the fluctuations in the timing of media payments.
- Average EBITDA cash conversion of 109% over a 24 month period
- Targeted EBITDA conversion to cash of 100%.
- Focus on efficient and effective working capital management practices.

Debt Facilities and Gearing

Australia Core Debt Facilities at 31 December 2017

- Access to debt facilities of $520 million
- Conscious strategy of single maturity in April 2019. Syndicate of 6 banking partners
- Leverage ratio of 1.6x at 31 December 2017 (1.9x at 31 December 2016) - within targeted leverage ratio of 1.5x to 2.0x
- Leverage ratio calculated as Net debt plus earnouts / EBITDA
- Achieved reduction in leverage with flat EBITDA





WPP AUNZ

Summary and Outlook

Mike Connaghan
Chief Executive Officer

Summary and Outlook

- Overall market conditions in 2018 are expected to be flat with varied performance in individual segments:
  - Media market driven by digital and outdoor.
  - Challenging market for retail and consumer facing brands.
  - High growth in ecommerce, digital transformation and marketing infrastructure.
- Focus on unlocking organic revenue growth
  - Better connectivity across the group to unlock value for all businesses
  - Driving Horizontality – team models gaining traction in market
- Investing for future growth
  - Investment in our people and culture
  - Focused investment in production
- Continue to optimise and strengthen portfolio
- Focus on execution of cost initiatives and margin improvement
- In FY2018, WPP AUNZ expects to deliver circa 3% growth in earnings per share.
- Strength of cashflow, low capex needs and continuing debt reduction expected to drive increased dividends

Q&A

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know more. do more. be more.

2017 Full Year Results

Appendix

Statutory Profit & Loss

31 Dec $AUD'M	31 Dec 2016	31 Dec 2017
Net revenue	765.2	869.9
Income from associates	4.0	5.4
Profit before interest and tax	106.2	116.4
Net finance costs	(17.3)	(14.4)
Profit before tax	88.9	102.0
Tax	(26.0)	(21.3)
Profit after tax	62.9	80.7
Minority Interest	(7.9)	(7.4)
Profit after tax and minorities	55.0	73.3
Transaction related profit and related tax balances	(1.6)	(7.4)
Amortisation of acquired intangible assets and other non-cash items	23.8	17.1
Business close down and other one-off profit/(costs)	(2.6)	0.6
Reported net profit after tax	**74.6**	**83.6**

Significant and Non-Cash Items

31 December $AUD'M	31 Dec 2016	31 Dec 2017
Transaction related costs/(gains)		
Advisor, listing and debt restructure fees	7.6	-
Gains on revaluation of associates (non-cash)	(12.1)	-
Revaluation of non-current assets	3.3	-
Other adjustments	-	(1.9)
Total transaction related gains	**(1.4)**	**(1.9)**
Amortisation of acquired intangible assets and other non-cash items		
Amortisation of intangible assets (non-cash)	14.7	19.3
Loss on fair value accounting of contingent cash settlements (non-cash)	13.5	3.6
Total amortisation of non-current assets and other non-cash items	**28.2**	**22.9**
Business close down and other costs		
Business restructuring gains	(3.2)	-
Losses on closed and merged business	0.6	0.6
Total business close down and other costs	**(2.6)**	**0.6**
Total: PBT @ 100% share	**24.2**	**21.6**
Total: Income Tax Benefit & Non-Controlling Interests	**(4.6)**	**(11.3)**
Total: NPAT @ WPP AUNZ share	**19.6**	**10.3**

Aggregate Earnout Position

	Total Earnouts
	($M)
31 December 2016 @ Present Value	23.0
Payments made in 2017	(10.8)
Net revisions to prior earnout estimates	7.5
31 December 2017 @ Present value	**19.7**

Expected Settlement	Maturity Profile
	($M)
2018	7.2
2019	9.5
2020+	3.0
Total @ Present value	**19.7**

Media Market Overview

2017F Vs. 2016 Demand by Media Type

Positive growth in the market

- When final results are published 2017 is likely to be a softer year than 2016 which grew by +7.8%
- 2017 was buoyed by the Same Sex Marriage debate but started cautiously as it cycled over a competitive 2016
- 2016 was underpinned by The Federal Election and Census with a spend increase in the Government category of +30% ($82m).

MEDIA TYPE	2017F VS. 2016
Television	-0.7%
Digital	+7.7%
Outdoor	+6.5%
Radio	+1.5%
Print	-9.1%
Cinema	+4.0%
Market	+2.8%

SOURCE: SMI, CEASA, PWC, GroupM

Demand Forecast

2018 improvement in ad growth forecast at +4.2%

- Key events likely to drive growth include the Winter Olympics, four State Elections and the possibility of a Federal Election
- Amazon is expected to ramp up activity in 2018 which is expected to drive Retail, Entertainment and Food if they launch Amazon Fresh.

MEDIA TYPE	2017	2018F
Television	-0.7%	0.8%
Digital	+7.7%	+8.4%
Outdoor	+6.5%	+5.3%
Radio	+1.5%	+1.9%
Print	-9.1%	-5.8%
Cinema	+4.0%	+4.2%
Market	+2.8%	+4.2%

SOURCE: GroupM Forecast

2017 vs. 2016 Demand by Key Categories

Automotive Brand, Retail, QSRS & Gambling standout growth categories in 2017

- The top three categories, Automotive, Retail (mostly Food/Alcohol) & Insurance, all increased YoY delivering an additional $112m to the market
  - They moved expenditure from Print and re-invested in OOH, Radio and Digital
- Australia's public debate on same sex marriage in 2H has delivered at least $10m in new advertising expenditure although there has been a significant decline in Government spending in 1H due to money injected into last year's Election & Census
- Proposed Government and Opposition amendments to legislation has the potential to impact one of the fastest growing advertising categories – Gambling
- Retail emerged as the fastest growing category despite a significant slowdown in demand in the 2H
- Top Declines were Government (-12%), Auto Dealers (-16%) & Media (-19%)

CATEGORY	2017 VS. 2016 YTD
Automotive Brand	+6.8%
Retail	+9.5%
Insurance	+1.6%
Travel	+2.1%
Food /Produce/Dairy	-5.5%
Restaurants	+12.1%
Domestic Banks	+4.7%
Government	-12.5%
Home Furnishing / Appliances	+0.7%
Gambling	+12.8%
Total Top 10	+3.5%

SOURCE: Standard Media Index 2017 vs 2016

Share of Media Expenditure by Media Type

MEDIA TYPE	2016	2017F	2018F
Television	24.9%	24.0%	23.2%
Digital	48.5%	50.8%	52.8%
Outdoor	5.2%	5.4%	5.4%
Radio	7.5%	7.4%	7.2%
Print	13.2%	11.6%	10.5%
Cinema	0.8%	0.8%	0.8%

SOURCE: SMI, CEASA, PWC, GroupM

3 Year Demand Outlook

MEDIA TYPE	2017F	2018F	2019F
Television	-0.7%	0.8%	0.5%
Digital	+7.7%	+8.4%	+6.9%
Outdoor	+6.5%	+5.3%	+3.5%
Radio	+1.5%	+1.9%	+1.5%
Print	-9.1%	-5.8%	-4.9%
Cinema	+4.0%	+4.2%	+4.2%
Market	+2.8%	+4.2%	+3.6%

SOURCE: GroupM Forecast