



## Positive outlook following strong FY06 result

31 August 2006

Wellcom Group Limited (Wellcom), a leading Australian provider of pre-media and digital asset management services to corporations, retailers and advertising agencies, today announced its results for the year ended 30<sup>th</sup> June 2006. These are the company's first full year results since its listing in July 2005.

	<b>FY06</b>	<b>Pro-Forma</b>	
	<b>\$m</b>	<b>FY05</b>	<b>Change</b>
		<b>\$m</b>	
Revenue	33.96	30.54	+ 11.2%
EBITDA	9.94	9.48	+ 5%
EBIT	7.35	5.81	+ 27%
Net Profit After Tax	5.53	3.95	+ 40%
Shareholders' Funds	41.90		
	€		
Earnings Per Share	14.4		
Dividend Per Share (Full Year)	10.0		
Final Dividend Per Share	5.0	fully franked	

“We are delighted with our strong result which has exceeded our expectations,” said Mr Wayne Sidwell, Executive Chairman and Chief Executive Officer of Wellcom. “The 2006 financial year has been an important one for Wellcom. The business continues to demonstrate sound organic growth, and this is being supplemented by recent contractual gains and the initiatives the company is taking to broaden its service offer through complementary acquisitions.”

“At the heart of our recent and ongoing growth is our total facilities management (TFM) service, involving the installation of Wellcom technology and staff within clients premises to manage their entire pre-media and asset management resources.”

“In addition to the new business already won over the course of the year, we have successfully re-contracted the major accounts that were due for renewal in the 2007 financial year and successfully converted trial programs with both Pacific Brands and Transurban into firm contracts. This is testimony to our commitment to leading edge technology and ability to provide end-to-end tailored solutions to our customers. Our new state-of-the-art facilities offer greater business flexibility through our expanded digital photography capability and new digital printing facility,” said Mr Sidwell.

“Wellcom has been active in its pursuit of strategic acquisitions that complement and expand the company’s core business offering. In March 2006 we announced our entry into the TV production services market through the acquisition of the Adelaide-based Edit Co.

Today I am pleased to announce the acquisition of The Digital House, a Victorian-based digital printing and computer to plate (CTP) service provider,” said Mr Sidwell. “Through the organic and growth initiatives in place, Wellcom has established a strong foundation for growth in 2007 and beyond,” he added.

## **OPERATING PERFORMANCE**

Revenue growth of 11.2% was achieved in FY06, encompassing a mix of organic growth from existing clients and newly won business from high profile customers. The company has recorded steady growth in direct business sales from the corporate and retail sectors, offsetting weakening spend from advertising agencies. The traditionally weaker second half contained the first contributions from Australian Pharmaceutical Industries (API) and Dick Smith Electronics, both of which were secured as new customers in the opening half of FY06.

EBITDA increased by 5% for the year. Improved production labour utilisation rates, reduced sales labour levels and marginal reduction in other production costs, such as proofing materials and digital send rates, were all contributors to this improvement.

iPrint, the 50%-owned print management joint venture with Australia Post, continues to perform well.

Total EBIT for the year increased by 27%. This was assisted by a reduction of over \$1 million in the depreciation and amortisation charge, owing to the extension of underlying asset lives.

The effective full year tax rate was approximately 26% which is indicative of future rates.

## **CASH FLOW AND BALANCE SHEET**

After allowing for the funding of receivables in the opening half, operational cashflow has been strong. At year end the company boasted a net cash position in excess of \$6 million, leaving considerable scope for the funding of future acquisitions.

## **DIVIDEND**

The Directors have declared a fully franked final dividend of 5 cents per share, in addition to the unfranked dividend of 5 cents per share which was paid in March, bringing the total for the year to 10 cents per share. This equates to a full year payout ratio of approximately 70%. All future dividends are expected to be fully franked.

## **CLIENT GROWTH**

On 8<sup>th</sup> December 2005, Wellcom announced the establishment of a facility managed hub at the Pacific Brands Sydney operation to provide an asset management, retouching and pre-press production service concentrating on the Bonds and Berlei brands, for a six month trial period. Following the successful conclusion of this trial period, Wellcom is delighted to announce the entry into a total facilities management (TFM) service with Pacific Brands. It is envisaged that this agreement will be progressively rolled out across all the brands managed by Pacific Brands.

A similar trial arrangement with Transurban has also been satisfactorily concluded, and a commitment has recently been entered into to provide Transurban with pre-media and full print management services.

## **ACQUISITION OF THE DIGITAL HOUSE**

Wellcom has today announced the acquisition of the Melbourne-based The Digital House business, which is a leading player in the digital printing and premium computer to plate (CTP) services market. CTP is a significant market prospect that compliments and adds value to Wellcom's existing range of products and services, sitting at the back end of the traditional service offer and allowing Wellcom to provide an even greater turnkey product offering.

The acquisition of The Digital House is expected to be effective from 1<sup>st</sup> September 2006 and will add approximately 6 – 8% to Wellcom's current revenue base for the FY07. The acquisition will be funded from existing cash holdings and debt facilities and is expected to be immediately EPS accretive.

## **ASIAN EXPANSION**

It remains a strategic priority for Wellcom to market its suite of on-line asset management services in South East Asia, and the company continues to actively explore opportunities in this region.

## **OUTLOOK**

Wellcom is targeting EBITDA growth in FY07 of at least 15%. This will be sourced from a combination of ongoing organic growth from existing customers, contributions from recent and new contractual gains and input from acquisitive activity, including The Digital House. The company is confident that it has built a strong platform from which to deliver increased shareholder returns over the longer term.

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