



WELLCOM GROUP DELIVERS 17% FULL YEAR EBITDA GROWTH - POSITIVE FY08 OUTLOOK

29 AUGUST 2007

Wellcom Group Limited (Wellcom) (ASX: WLL), a leading Australian provider of pre-media and digital asset management services primarily to corporations and retailers, today announced its results for the year ended 30 June 2007.

	FY07	FY06	Change
	\$m	\$m	
Revenue	53.14	33.96	+56.5%
EBITDA	11.66	9.93	+17.4%
EBIT	8.13	7.35	+10.6%
Net Profit After Tax	5.82	5.53	+5.3%
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Earnings Per Share	14.86	14.42	+3.1%
Dividend Per Share	11.00	10.00	+10.0%
Franking (%)	100	50	

“This is a pleasing result which has exceeded our original expectations of 10-15% growth at the EBITDA level,” said Mr Wayne Sidwell, Executive Chairman and Chief Executive Officer of Wellcom. “It comprises a mixture of organic and acquisitive growth, and provides a strong platform from which to maintain Wellcom’s robust underlying earnings momentum.”

“Our focus is on content development and management on behalf of a growing range of blue chip clients, particularly in the corporate and retail sectors. Our services lend themselves to content directed at all media outlets, not just those of a more traditional nature, such as print. Growth is being derived from existing clients, new business gains and the pursuit of synergistic acquisitions. Underpinning Wellcom’s success is our commitment to new products and services and an ongoing investment in leading edge technologies, which collectively enable us to provide appropriate and effective value-add solutions to meet our clients’ ever-evolving needs.”

“With fifteen individual hubs now in operation, our total facilities management (TFM) service concept continues to meet, if not surpass, expectations. This has proven to be a successful model, as it facilitates the delivery of superior value-add services to our customers whilst generating satisfactory returns for the company. Working inside large retailers or

corporations allows us to strengthen our relationships with them, and optimises up-sell or cross-sell opportunities across our growing suite of services,” said Mr Sidwell.

“The year has also seen further success in broadening our customer base. In addition to the Westpac contract announced in November 2006, Wellcom has secured valuable new custom from BP Australia, Danks, BWS (the Woolworths Liquor Division) and Repco Corporation. Announced earlier this month, the Repco contract will involve the establishment of their digital asset management system, as well as design and production of Repco’s catalogue, press and point of sale activity. Central to this business gain is Wellcom’s proprietary software, Knowledgewell, which leads the digital and content management industry,” Mr Sidwell noted.

“Acquisition activity during the year was concentrated in the opening half, when three transactions were concluded that geographically extended existing capabilities or delivered a presence in complementary business areas. This is in line with our stated strategy of pursuing synergistic acquisitions. Of these acquisitions, Digital House has performed very strongly while Image Studios has traded in line with expectations. Only the 50%-owned Cadillac Printing has proved slightly disappointing, hampered by competitive market conditions. Recent restructuring of this business, together with the commissioning of new presses, promises an improved contribution in FY08,” said Mr Sidwell.

“This has been a busy and productive year for Wellcom. Significantly, we are carrying good momentum into the new financial year which promises a continuation of the strong growth evident in FY07 at the key EBITDA line,” Mr Sidwell concluded.

OPERATING PERFORMANCE

Wellcom recorded revenue growth of over 56% for the full year to 30 June 2007, including organic growth of over 12% and sales advances in all States of operation. This result reflects sound organic growth from direct business sales in the corporate and retail sectors, the commencement of the Pacific Brands contract and first-time inputs from acquisitions. Most notable of these was Cadillac Printing, which was consolidated from December 2006 and contributed over \$9 million of revenue.

Underlying margins have held up well, after allowing for the impact of a soft Victorian advertising market, notably in the first half, and costs incurred in respect of the five TFM hubs installed at Pacific Brands nationally. Overall margins were adversely impacted by the performance of Cadillac Printing which operated at a small loss, a result exacerbated by consolidation of only the seasonally weaker second half.

iPrint, the 50%-owned print management joint venture with Australia Post, continues to perform well, contributing \$0.88 million of equity-accounted earnings, an increase of over 60% on FY06. iPrint has benefited from the commencement of supply of print management services to Pacific Brands during the year.

Total EBIT for the year increased by nearly 11% to \$8.13 million. This result is after absorbing a 37% increase in the depreciation and amortisation charge, to \$3.53 million.

The full year effective tax rate of over 29% is higher than originally expected owing to the recognition in the second half of a prior year underprovision for tax of approximately \$0.28 million. The future effective tax rate is anticipated to revert to approximately 28%, but this will be dependent on the level of franked dividends received from the iPrint joint venture.

ACQUISITIONS

During the year Wellcom concluded three separate acquisitions:

- Digital House – effective from 1 September 2006, Wellcom acquired this Melbourne-based, leading player in the digital printing and premium computer to plate (CTP) services market. Sitting at the back end of the traditional service offer, CTP complements and adds value to Wellcom's existing range of products and services and allows Wellcom to provide an enlarged turnkey product offering.
- Image Studios – effective from 1 November 2006, Wellcom acquired the business, and selected assets and liabilities of this provider of digital pre-media, design, digital posters, laminating and high quality offset printing services. Image Studios delivers a presence in the Brisbane market which Wellcom is leveraging through the introduction of its existing data management technology and systems capabilities.
- Cadillac Printing – effective from 14 December 2006, Wellcom acquired a 50% interest in this Adelaide-based heatset and coldset web printing business. Cadillac Printing offers Wellcom's existing clients the ability to seamlessly order large run printed material, and provides Wellcom with the opportunity to sell its suite of pre-media and digital asset management services to Cadillac's range of retail, government and corporate clients.

CASH FLOW AND BALANCE SHEET

The company has registered a strong improvement in net operational cash flow which, at \$7.1 million, represents an 89% increase over FY06. Over the course of the year Wellcom has moved to a modest net debt position of approximately \$5.19 million, largely reflecting the first-time consolidation of Cadillac Printing and the borrowings incurred by that business in the purchase of its new high speed Rotoman press. Year end gearing (net debt : equity) of under 12% provides considerable flexibility for the pursuit of further bolt-on acquisitions.

DIVIDEND

The Directors have declared a fully franked final dividend of 6 cents per share, bringing the full year dividend to 11 cents per share, fully franked. This equates to a payout ratio of approximately 74%, and represents a 10% increase over the partially franked payment of 10.0 cents per share in respect of FY06. The record date for determining entitlements to the final dividend is 15 September 2007, and payment will occur on 4 October 2007.

OUTLOOK

Wellcom is targeting full year EBITDA growth in FY08 of 10-15%. Contributory factors will be ongoing organic growth from existing customers, contributions from recent and new contractual gains, full year contributions from recent acquisitions and an improved performance from Cadillac Printing following recent restructuring of that business. Wellcom will continue to pursue complementary acquisitions that, if concluded, may augment the short term growth outlook. The company remains confident that it has built a strong base from which to deliver increased shareholder returns over the longer term.

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