



## **STRONG FIRST HALF PERFORMANCE DRIVEN BY MAIDEN INPUT FROM UK ACQUISITION**

**25 FEBRUARY 2008**

Wellcom Group Limited (Wellcom) (ASX: WLL), a leading provider of pre-media and digital asset management services in Australasia and the United Kingdom, primarily to corporations and retailers, today announced its interim results for the six months ended 31 December 2007.

	<b>1H08</b>	<b>1H07</b>	<b>Change</b>
	<b>\$m</b>	<b>\$m</b>	
Revenue	39.87	20.17	+98%
EBITDA	9.32	5.98	+56%
EBIT	7.41	4.45	+67%
Net Profit After Tax	4.73	3.40	+39%
	<b>¢</b>	<b>¢</b>	
Earnings Per Share	12.08	8.68	+39%
Earnings Per Share (excl. Amortisation)	12.59	9.34	+35%
Fully Franked Dividend Per Share	6.00	5.00	+20%

The strong first half performance outlined above is in line with that envisaged at the time of the company's trading update statement of 18 January 2008, and contains the following notable features:

- Sound organic growth from the core Australian pre-media operations.
- A better than originally anticipated input from Keene Repro (Keenes), the UK-based pre-media business acquired with effect from 1 October 2007. In the opening half, Keenes contributed sales revenue in excess of \$3.8 million and earnings before tax of approximately \$1.1 million.
- The turnaround to modest profitability by the 50%-owned subsidiary, Cadillac Printing.

“We are very pleased with this first half outcome,” said Mr Wayne Sidwell, Executive Chairman and Chief Executive Officer of Wellcom. “It places us in a strong position to record a significant advance in full year earnings as the solid growth prospects of our domestic business are supplemented by our well-timed move into the UK market.”

“In the Australian market, activity levels with retailers have remained buoyant, and the favourable trend amongst corporates to internalise brand execution is resulting in a growing number of design requests and opportunities, notably in the area of online catalogues. At the heart of Wellcom’s success is our ongoing commitment to new products and services, as well as our constant investment in leading edge technologies. Our Knowledgewell software has undergone further development, and our local area marketing module has been successfully rolled out to selected clients. We are pleased to advise the recent three-year extension to our contract to provide production services to Optus, via M & C Saatchi,” said Mr Sidwell.”

“Our total facilities management (TFM) service concept continues to attract increased support, with over 17 active hubs now in place. Volumes and breadth of work consistently exceed original expectations, as evidenced by recently established operations for both BP Australia and Repco Corporation. TFM facilitates the delivery of superior value-add services, the strengthening of customer relationships and the optimisation of up-sell opportunities across our product suite. It is also a logical vehicle to introduce to the UK market,” noted Mr Sidwell.

“The Keenes acquisition has traded ahead of the expectations held at the time of its purchase and Wellcom’s technology is progressively being integrated into the business. Keenes brings with it a roster of blue chip clients, as well as providing us with valuable exposure to a market that is home to many multinational brands that are logical targets for our industry-leading Knowledgewell proprietary software. We are also pleased to report the recent successful conclusion of the first joint pitch between Wellcom and Keenes, securing a contract from Vodafone UK for pre-media services. In addition, we see scope for complementary acquisitions to the base established in the UK through Keenes,” added Mr Sidwell.

“As demonstrated by the Keenes purchase, acquisitions are a key focus in our growth strategy. Since the end of the half we have also acquired a small business in New Zealand, Visualise It, which provides pre-media and web site hosting and construction services. This geographic extension of our activities complements that occurring within our client base, with both our Repco Corporation and Pacific Brands relationships now embracing New Zealand. Asia also remains an area of interest to us, and we continue to carefully assess the available opportunities,” said Mr Sidwell.

“This has been a satisfying six months for Wellcom, and one in which significant steps have been taken to maintain the earnings momentum previously evident within the company. We are confident that we can deliver on the growth potential attached to our business model and strategy, resulting in improved shareholder returns over the longer term,” Mr Sidwell concluded.

## **OPERATING PERFORMANCE**

Revenue growth of 98% for the six months to 31 December 2007, to nearly \$40 million, was delivered through a combination of factors, including the first-time inclusion of Keenes, full contributions from the acquisitions concluded over the course of FY07 (most notably Cadillac Printing) and sound underlying organic growth in the Australian market. The half featured recently won custom from BWS (Woolworths), BP Australia, Repco Corporation and Danks,

as well as a full six months in respect of the hub established for Westpac late in calendar 2006. The major TFM contract with Pacific Brands continues to perform well.

Underlying margins in the Australian operations have been broadly maintained, after allowing for the modest level of earnings derived from the approximately \$12 million of revenue contributed by Cadillac Printing in the half. The performance of this business is steadily improving following the restructuring activity undertaken at the end of FY07. The newly-acquired Keenes operation has posted a strong margin in what is traditionally its seasonally stronger half to the financial year.

iPrint, the 50%-owned print management joint venture with Australia Post, has registered sound growth during the latest half. A 40% increase in equity-accounted earnings, to \$0.67 million, was assisted by a full half's supply of print management services to Pacific Brands.

Total EBIT for the half increased by 67% to \$7.41 million. This translated to a 39% increase in net profit after tax, reflecting the move to a net interest charge following debt-funded acquisition activity, as well as a higher effective tax rate close to the prevailing domestic corporate rate of 30% (vs. 25%).

## **CASH FLOW AND BALANCE SHEET**

Net operational cash flow increased by over 50%, to \$4.3 million, despite a significant increase in tax and interest payments over the comparable half in FY07. Net debt at period end, of approximately \$10.7 million, equates to a modest gearing (net debt to equity) level of under 23%, leaving considerable flexibility for further complementary acquisition activity. Interest cover in the latest half was very strong, at in excess of 14 times.

## **DIVIDEND**

The Directors have declared a fully franked interim dividend of 6.0 cents per share, fully franked. This is a 20% increase over the comparable period in FY07 and represents a payout ratio of approximately 50%. The record date for determining entitlements to the interim dividend is 11 March 2008, and payment will occur on 26 March 2008.

## **OUTLOOK**

Following this strong first half performance, and based on the sound trading conditions evident in the opening weeks of the second half, Wellcom is pleased to advise that its full year EBITDA growth is now expected to fall towards the upper end of the 25-35% guidance range first provided in the trading update announcement on 18 January 2008. The second half will benefit from a full six months contribution from Keenes, albeit the seasonally weaker half of that business' financial year. Wellcom remains in a very strong financial position from which to pursue additional growth opportunities that may present themselves in the short to medium term.

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