



## WELLCOM GROUP DELIVERS 37% FULL YEAR EBITDA GROWTH

22 AUGUST 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 results for the year ended 30 June 2008.

	<b>FY08</b>	<b>FY07</b>	<b>Change</b>
	<b>\$m</b>	<b>\$m</b>	
Revenue	77.86	53.14	+46.5%
EBITDA	16.05	11.66	+37.6%
EBIT	12.02	8.13	+47.8%
Net Profit After Tax	7.86	5.82	+34.9%
	<b>¢</b>	<b>¢</b>	
Earnings Per Share	20.05	14.86	+34.9%
Earnings Per Share (excl. Amort.)	21.60	16.70	+29.3%
Dividend Per Share	13.00	11.00	+18.2%
Franking (%)	100	100	

“We are delighted to report a result which has exceeded both our original expectations and revised target of 25-35% growth at the EBITDA level,” said Mr Wayne Sidwell, Executive Chairman and Chief Executive Officer of Wellcom. “Organic sales growth of 9% was complemented by \$9.5m in sales from businesses acquired during the year, and a full year contribution from Cadillac Printing. This provides a solid base for growth next year.”

“Our focus is on digital 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 including digital on-line and television production, 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 our proprietary Knowledgewell software, which collectively enable us to provide appropriate and effective value-add solutions to meet our clients’ ever-evolving needs.”

“With over twenty hubs now in operation, our total facilities management (TFM) service concept continues to provide our corporate customers with the means to control their own digital assets and reduce production lead times, bringing savings in time, resources and costs.”

“Our TFM model gives us the opportunity to present customers with direct contact and streamlines the production process.” said Mr Sidwell.

“The year has also seen further success in broadening our customer base. Wellcom has concluded a contract with Crown Casino and has trials with Foodworks and Honda Motorcycles and Power Tools. Each involves the establishment of their digital asset management system, as well as design and production at Honda and Foodworks.”

“Knowledgewell, our proprietary digital asset management software, has been instrumental in providing customers with the productivity gains that justify their investment in our services. We are continually enhancing our software offering, introducing access to the system across the Web, deploying a Content Management System for Products this month and developing a Merchandising Interface for our retail clients to be available in the new year.”

“Acquisition activity during the year was concentrated in the opening half, when two transactions were concluded that geographically extended existing capabilities and delivered a presence in complementary business areas. This is in line with our stated strategy of pursuing synergistic acquisitions. Both acquisitions have performed very strongly. The 50%-owned Cadillac Printing improved on its prior year performance and is trading above expectations in the new year,” said Mr Sidwell.

“This has been a productive year for Wellcom. We are carrying good momentum into the new financial year which will provide the foundation for satisfactory growth in FY09 at the key EPS line,” Mr Sidwell concluded.

## **OPERATING PERFORMANCE**

Wellcom recorded revenue growth of over 46% for the full year to 30 June 2008, including organic growth of 9% and sales advances in all States of operation. This result reflects sound organic growth from direct business sales in the corporate and retail sectors, a full year’s contribution from Cadillac Printing (FY07: 6.5 months) and the first-time inputs from acquisitions. Most notable of these was Keene Repro, based in London, with a sales contribution of \$9.2 million. Cadillac’s full year inclusion contributed an additional \$12.9 million of revenue on the previous year.

Underlying margins have been maintained, notwithstanding difficult trading conditions in the middle of the second half in the UK. Overall margins were adversely impacted by a full year’s contribution from Cadillac Printing, which operated at a modest level of profitability at the EBITDA level, as well as a weaker than expected performance from the Brisbane operations.

iPrint, the 50%-owned print management joint venture with Australia Post, continues to perform well, contributing \$1.11 million of equity-accounted earnings, an increase of over 25% on FY07. iPrint has benefited from the steady volumes from Australia Post and continued growth in supply of print management services to Pacific Brands during the year.

Total EBIT for the year increased by nearly 48% to \$12.02 million. This result is after absorbing a 14% increase in the depreciation and amortisation charge, to \$4.03 million.

The full year effective tax rate of 29% is in line with the prior year. The future effective tax rate is anticipated to revert to approximately 30%, but this will be dependent on the level of franked dividends received from the iPrint joint venture.

## **ACQUISITIONS**

During the year Wellcom concluded two separate acquisitions:

- Keene Repro Limited (Keenes) – effective from 1 October 2007, Wellcom acquired this London based company in the digital pre-media market. Keenes has a list of blue chip clients that will benefit from Wellcom's TFM concept and we have already won our first successful joint pitch to Vodafone, which commenced trading in May 2008.
- Visualise IT – effective from January 2008, Wellcom acquired the business and selected assets of this New Zealand based digital pre-media, design and web construction & design business. The purchase of this business has already enabled Wellcom to leverage its client base by providing services in New Zealand to one of its newest customers in Australia, Repco Corporation.

## **CASH FLOW AND BALANCE SHEET**

The company has registered a strong improvement in net operational cash flow which, at \$10.5 million, represents a 47% increase over FY07. Over the course of the year Wellcom's net debt position increased to \$6.98 million (2007: \$5.19 million), owing to the consideration paid for Keenes and an increase in inventories at Cadillac Printing. Year end gearing (net debt : equity) of 14.8% provides flexibility to pursue any appropriate opportunities that may arise.

## **DIVIDEND**

The Directors have declared a fully franked final dividend of 7 cents per share, bringing the full year dividend to 13 cents per share, fully franked. This equates to a payout ratio of approximately 65%, and represents an 18% increase over the prior corresponding period. The record date for determining entitlements to the final dividend is 12 September 2008, and payment will occur on 24 September 2008.

## **OUTLOOK**

Wellcom is targeting full year EPS growth in FY09 of around 10%. 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.

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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