



20 April 2017

ASX Announcement

Annual General Meeting – Addresses

In accordance with Listing Rule 3.13, attached are the Chairman's and CEO's addresses which will be delivered at the Annual General Meeting being held in Sydney today, commencing 11:00am (Sydney time).

-Ends

For more information

Richard Herring

Managing Director and CEO

+61 2 8569 3100

Wayne Castle

CFO and Company Secretary

+61 2 8569 3039

Annual General Meeting

Chairman's and CEO's Addresses

20 April 2017

INTRODUCTION

Good morning ladies and gentlemen.

My name is Doug Flynn and I am the Chairman of the Company. I would like to warmly welcome you to the AGM of APN Outdoor Group Limited.

I declare this Annual General Meeting of APN Outdoor Group Limited properly constituted and open.

I would like to introduce my fellow directors here with us today.

- Richard Herring – executive director and CEO;
- Pat O'Sullivan – independent non-executive director and chair of the Audit and Risk Management Committee;
- Lisa Chung – independent non-executive director and chair of the Remuneration and Nomination Committee; and
- Jack Matthews – independent non-executive director.

I would also like to introduce Wayne Castle, our CFO and Company Secretary and David Wiadrowski, Partner with PricewaterhouseCoopers our current auditor.

CHAIRMAN'S ADDRESS

I would like to take this opportunity to make some opening remarks before I hand you over to Richard Herring who will provide a business update, after which we will attend to the formal proceedings of this meeting.

This is now our third AGM as an ASX-listed company.

Importantly, for those shareholders who have been with us since listing in December 2014, we have now delivered a cumulative total shareholder return of 125% inclusive of share price appreciation and dividends.

We have now achieved three years of solid growth.

2016 was another record result, with underlying EBITDA up 18% to \$86.7 million on revenues of \$330.9 million.

In 2016, the Company also achieved a 20% increase in underlying net profit after tax before amortisation to \$51.8 million.

Our results benefitted from investment in digital innovation and acquisitions, including the successful integration of both iOM and Metrospace. During 2016, we commissioned a record 35 new Digital Elite screens, bringing our total inventory to 87 screens by the end of the year.

As part of our core strategy we continue to invest in innovative digital and technology solutions, and are pleased to offer advertisers the most expansive large format digital network across Australia and New Zealand.

Recognising our healthy cash flow generation and low gearing, we increased the full year dividend 23% to 19 cents per share fully franked. This represents a payout ratio of approximately 60% of underlying net profit after tax and before amortisation, which is at the upper end of the Board's stated Dividend Policy.

Out-Of-Home continues to take market share from other traditional media categories and now stands at 5.3% of the advertising market in Australia, based on revenues reported by the Outdoor Media Association. The growth in Out-Of-Home is largely a reflection of the increased inventory available following recent years of digitisation and the benefits that digital products offer advertisers over traditional classic billboards that used to dominate the industry.

However, we are conscious that the broader advertising market remains highly competitive as it rapidly evolves, with digital online (think Google and Facebook) now dominating the overall advertising market growth at the expense of many other traditional media categories.

Increasingly, it is apparent that a large part of the competition for the Out-Of-Home category is expected to be in mobile devices. With the ability to target Out-Of-Home advertising to people's personal devices based on their geographic location, it's clear smartphones and tablets will be a continued digital battleground for Out-Of-Home advertising spend.

In December last year we entered into a Scheme Implementation Deed to merge with oOh!media. The benefits will be seen by both shareholder groups as well as advertisers as we compete across the broader advertising market.

Pleasingly for shareholders, the merger is expected to deliver significant value accretion, including pre-tax cost synergies of at least \$20 million per annum. These projected savings are expected to take two years to realise from implementation of the merger and exclude one-off transaction and integration costs.

Our timeline for the transaction includes the ACCC indicative decision date of 4 May 2017 and we expect oOh!media to put the transaction to its shareholders for a vote in late June to enable implementation in July.



In conclusion, the past year was a solid year for APN Outdoor as we built on the strong financial results and market performance achieved in 2015 and delivered a record result for 2016. We look forward to an exciting year ahead and the management team and Directors are committed to continuing this success during 2017.

I would like to thank the management team and our employees for all their hard work and dedication to achieving these great results for the Company and its shareholders.

I will now invite Richard Herring, our CEO to address the meeting to provide a business update.

[Slide 3 – CEO address]

CEO PRESENTATION – RICHARD HERRING

Good morning everyone and thank you for joining us. I am Richard Herring and as CEO of APN Outdoor, I'm delighted to present you with an overview of the business and the highlights of our 2016 performance.

[Slide 4 – Business Overview]

For those of you who are not familiar with our business, we are a leading Out-Of-Home advertising company operating in the major metropolitan areas of Australia and New Zealand. We operate in four different categories including Roadside, Rail, Transit and Airport.

Our assets are characterised by quality presentation at premium locations. We pride ourselves on having the highest quality portfolio of digital billboards in Australia.

[Slide 5 –2016 Financial Highlights]

Turning to our financial highlights for 2016, you can see from the graphical illustrations that we've continued a strong growth trajectory across revenue and earnings since listing in 2014. Revenues were up 10% on the previous year to \$330.9 million which drove an 18% increase in EBITDA and a 20% increase in NPATA.

Our effective business model combined with an increasing digital mix assisted in expanding our gross margin by 2% during the year. Margin expansion, prudent cost management and our inherent operating leverage allowed EBITDA to grow at a greater rate.

These strong results also generated improved operating cash flow, providing us further confidence to increase the 2016 full year dividend by 23%.

In summary, the 2016 results display the benefits of successful implementation of our strategic objectives and business initiatives which are designed to deliver growth.

[Slide 6 – 2016 Revenue by category]

Overall, we achieved a combined 10% growth in revenue across our four Out-Of-Home categories. Individually, there was strong growth across all digitised categories with the non-digital Transit category reporting a slight decline of 1%.

Revenue growth is largely attributable to the digitisation taking place in Roadside, Rail and Airport. The Airport category achieved an impressive increase in revenue of 32% on the prior year with over 300 digital screens and 600 classic panels now in place across Australia and New Zealand airports. This growth was underpinned by major asset upgrade programmes at Sydney and Auckland airports over the past couple of years providing an attractive portfolio of Airport based assets for advertisers.

Despite Transit being slightly down for the year, progress was made in the innovation space launching the CATCH product and a trial on 50 buses across Sydney.

Rail, achieved an increase in revenue of 18% on the prior year largely attributable to the rollout of XTrack TV in Brisbane and Adelaide in the 2015 financial year.

Digital revenues increased 64% and Classic contracted by 6% on the prior year. Importantly, as we convert classic billboards to digital screens, we will continue to see revenue uplift in the new digital product at the expense of classic assets, with a net overall increase in both revenues and earnings benefiting the group on a portfolio basis.

[Slide 7 – 2016 Operational highlights]

Operationally, 2016 was a very busy year. We grew organically with our largest ever rollout of digital assets.

Also, earnings accretive assets were acquired from MetroSpace and iOM and we successfully integrated both businesses during the second half of the year. The performance and contribution to earnings of these modest acquisitions were ahead of expectations. I am pleased to note we have already completed 3 digital conversions from within this portfolio.

We ended the year with 87 Digital Elite screens, most of the newly commissioned screens occurring in the second half of the year.

Other operational highlights included the launch of the CATCH trial which I mentioned earlier.



[Slide 8 – Digital Elite Screens]

Digital screens have enhanced our portfolio offering and our engagement with advertisers, creating opportunities to target new revenue streams. Given strong advertiser demand last year, we accelerated our rollout plans in the second half of the year building 31 new Digital Elite screens and bringing the total built for the year to 35. So far, this year we have commissioned a further 3 new Elite Digital billboards.

[Slide 9 – Outlook]

Having delivered strong growth in 2016, APN Outdoor is well positioned for 2017.

- The transformational merger between APN Outdoor and oOh!media remains on track
- Year-to-date trading is in line with Company's expectations. Revenue and EBITDA for the first quarter above prior corresponding period
- Continued growth in revenues and earnings in 2017
- Historically, revenues and EBITDA skewed to second half of year
- Digital billboard conversion rollout continues with 3 new Digital Elite screens commissioned since 1 January 2017 with a further 7 currently under construction

On behalf of the Management Team at APN Outdoor, we thank you for your support.

I will now hand back to Doug to conduct the formal proceedings of the meeting.