

ASX Announcement
23 August 2018

APN Outdoor Delivers Strong Earnings Growth ACCC Clears JCDecaux Transaction

APN Outdoor Group Limited (ASX: APO) today announced its results for the half year ended 30 June 2018 (1H18).

1H18 Financial Highlights

\$ millions	1H18	1H17	Change	1H17 Rebased ²	Change
Revenue	168.4	162.3	4%	154.7	9%
Underlying EBITDA ¹	39.7	37.2	7%	33.8	17%
<i>EBITDA Margin</i>	<i>23.6%</i>	<i>22.9%</i>		<i>21.9%</i>	
Statutory NPAT	17.8	15.8	13%		
Non-recurring items (net of tax)	2.1	4.1	(49%)		
Underlying NPAT ¹	19.9	19.9	-	17.5	14%
Underlying NPATA ¹	21.5	21.4	-	19.0	13%
Capital expenditure	14.5	16.1	(10%)		
Net debt	98.2	95.9	2%		
Underlying leverage ratio ¹	1.1	1.1	-		
Interim dividend	7.0c	6.7c	4%		

- Revenue of \$168.4 million
 - Rebased for Yarra Trams and adoption of accounting standard AASB 15, revenue growth on the prior period was 9% and EBITDA growth was 17%
 - Digital revenue 42% of total revenue, up from 37% in 1H17
 - "Classic" revenue stable after rebasing for asset conversions
- Underlying EBITDA¹ up 7% to \$39.7 million, reflecting continued EBITDA margin improvement
- Statutory NPAT up 13% to \$17.8 million (including \$2.1 million of non-recurring items, net of tax)
- Leverage ratio maintained of 1.1x Underlying LTM EBITDA after capital expenditure and investment of \$14.5 million in 1H18 (1H17: \$16.1 million)
- Fully franked interim dividend declared of 7.0 cents per share

1H18 Operational Highlights

- Successful renewals and extension of key contracts including:
 - Sydney Trains
 - XtrackTV
 - Road and Maritime Services
 - Transport for Brisbane
 - Transdev Melbourne
 - Christchurch Airport
 - Adelaide & Parafield Airports
 - Young & Jackson

¹ Underlying results before non-recurring items of \$2.1m, net of tax

² Rebased for the Yarra Trams contract loss and the timing impact from adoption of AASB 15 Revenue from Contracts with Customers

- Successful in the following competitive contract wins:
 - Roads and Maritime Services: contract renewal and extension, adding 34 highly desired panels to APN Outdoor
 - VicRoads: covering the Princes and Western Freeways in Melbourne
 - Queensland Fire and Emergency Services: five new digital opportunities
 - Queenstown Airport: significant asset upgrade program, including new external locations
 - Sydney Airport Terminal 3: Adding to T1, T2 and external assets, this will include replacement of all assets and new digital locations
- Low contract renewal profile across FY18 (3% of total revenue estimate) and FY19 (6% of total revenue estimate)
- Launch of the first stage in-house Dn'A data and analytics capability, utilising attitudinal and behavioural data sources
- Continued roll-out of Calibre, a leading audience measurement system in New Zealand
- B-Line buses inventory launched in April 2018

APN Outdoor Chief Executive Officer and Managing Director, James Warburton, said: "We have acted quickly to affect a significant turnaround of APN Outdoor and there is clear momentum across all parts of our business.

"Today we have reported strong earnings growth, underpinned by solid revenue growth and a prudent cost management program. We have achieved a 100% strike rate in terms of contract renewals and we have also secured several significant new contracts. At the same time, we have invested in our people and in leading innovations such as Dn'A.

"The turnaround has culminated in the proposed JCDecaux transaction, which is a major success for all APN Outdoor shareholders," he said.

"The team remains focused and will continue to drive the results for the coming half."

Gearing and Dividend

The Company continues to maintain conservative levels of debt, with a leverage ratio of 1.1x at 30 June 2018 (1H17: 1.1x), allowing for future investments.

Having regard to the Company's earnings performance and strong financial position, the Board has declared a fully franked interim dividend of 7.0 cents per share.

JC Decaux Scheme Agreement

On 26 June 2018, APN Outdoor entered into a Scheme Implementation Deed with JCDecaux SA (JCDecaux), under which JCDecaux has agreed to acquire 100% of the issued share capital of APN Outdoor for a cash price of \$6.70 per share (Scheme Consideration) (the Scheme).

The Scheme Consideration of \$6.70 per share represents a:

- o 18% premium to the "undisturbed" closing price on 19 June 2018² of \$5.68;
- o 26% premium to the three-month volume weighted average price (VWAP) to 19 June 2018² of \$5.32; and
- o 34% premium to the six-month VWAP to 19 June 2018² of \$5.01

² 19 June 2018, being the day prior to press speculation regarding JCDecaux's takeover interest in APN Outdoor

The Scheme was cleared today by the Australian Competition and Consumer Commission (ACCC). It still requires approval from the Foreign Investment Review Board (FIRB) in Australia and the New Zealand Overseas Investment Office (OIO).

APN Outdoor expects to despatch the Scheme Booklet to shareholders in September 2018.

Mr Warburton said: "We are very pleased to acknowledge the announcement by the ACCC this morning clearing the JCD transaction. This means one of the key hurdles to the highly attractive takeover of APN Outdoor at \$6.70 a share has now been cleared. We expect FIRB and OIO approval to follow ahead of a shareholder vote in October and implementation before the end of the year.

"The APN Outdoor Directors have unanimously concluded that the Scheme is compelling for APN Outdoor Shareholders as it provides an attractive share price premium over APN Outdoor's recent share price performance and the realisation of immediate value through the certainty of an all cash consideration."

Outlook

Year-to-date trading at 23 August 2018 is in line with the Company's expectations.

APN Outdoor reaffirms its guidance for Underlying EBITDA for the 12 months ended 31 December 2018 (FY18) is expected to be in the range of \$92 million to \$96 million.

Overhead growth for FY18 is expected to be 6% to 8%, reflecting a one-off cost base reset to support growth.

Capital expenditure for FY18 is expected to be \$30 million to \$35 million, reflecting growth capex requirements of new tender wins (previous guidance: \$25 million to \$30 million).

APN Outdoor has low contract renewal exposure in FY18 and FY19.

Conference Call

James Warburton (CEO) and Philip Knox (CFO) will host a conference call on 23 August 2018 at 11.00am AEST.

Details for the call are provided as an attachment to this release. The live link to the webcast is: <http://webcasting.boardroom.media/broadcast/5b57fcf6b14eaa0d35075d02>.

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About APN Outdoor

APN Outdoor is a leading outdoor company advertising across Australia and New Zealand, with over 40,000 high-impact connection points in iconic and influential locations.

With a comprehensive, quality platform that reaches 97% of Australians every day, APN Outdoor delivers impact and effectiveness. Our focus on insights, powered by data, provides a deep understanding of audiences, including where to find them and how to connect with them. At the heart of our business are innovative media solutions that amplify, engage and inspire action – ensuring our advertisers achieve smarter impact. It's not outdoor without us.