1H18 Results

Thursday 23 August 2018

APN OUTDOOR

Agenda

1H18 highlights

1H18 financial results

Contract renewals

Contract wins

Data and analytics

Trading update

JCDecaux transaction

Summary

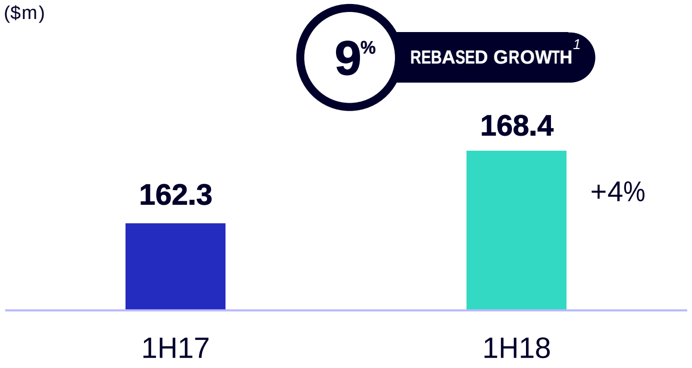
1H18 highlights

- Established a refocussed sales centric approach to the APO business
- High performance executive team and culture put in place
- Successful renewal of existing contracts
- Multiple new contract wins
- Data and analytics capability launched
- Sales momentum continuing in 2H18
- Out-of-home advertising continues to perform well
- Board recommended offer from JCDecaux to acquire APO via Scheme of Arrangement

1H18 financial results

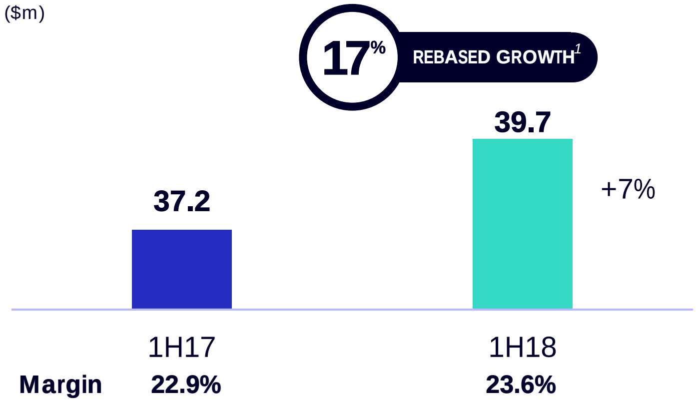
Revenue

($m)



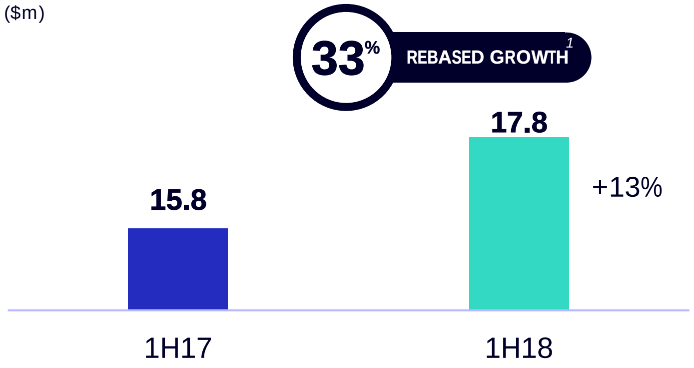
Underlying EBITDA[2]

($m)



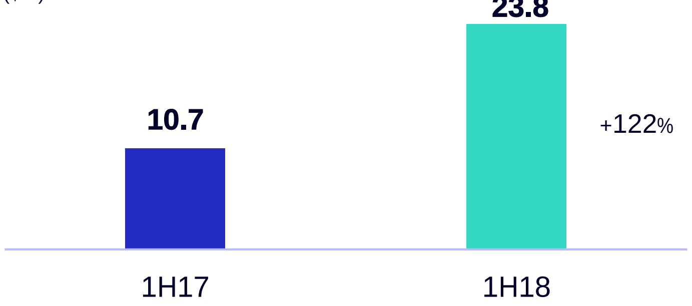
Statutory NPAT

($m)



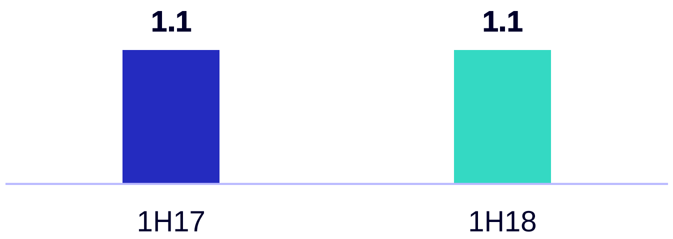
Underlying FCF [2,3]

($m)



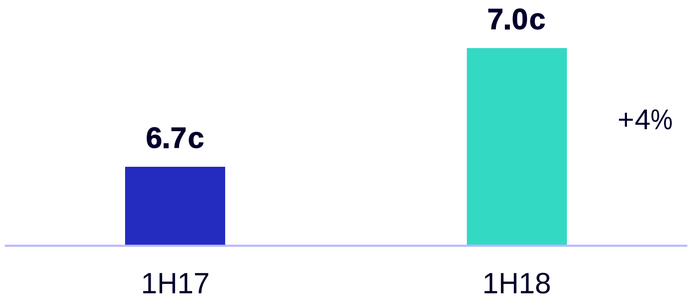
Leverage

TIMES



Interim dividend

PER SHARE



(1)Rebased for the Yarra Trams contract loss and the timing impact from adoption of AASB 15 Revenue from Contracts with Customers
(2)Underlying results exclude NRIs as presented at Appendix B
(3)Free cash flow (FCF) is operating cash flow less capital expenditure and investment outflows and excludes NRIs – refer to slide 8 for further detail

Revenue by format

$ millions	1H18	%	Rebased [1] %	Comment
Billboards	92.9	↑ 10%		Billboard format continues to grow through digital investment
Transit	44.5	↓ (6%)	↑ 15%	Strong result as 1H17 includes ~$8.4m of Yarra Trams revenue
Airports	19.3	↑ 2%		Airport result improving and will benefit from Sydney Airport T3 win into FY19
Rail	11.7	↑ 1%		XtrackTV network complete in FY17 and continues to gain traction
Total revenue	**168.4**	**↑ 4%**	**↑ 9%**	
Classic	97.4	↓ (5%)	↑ 4%	~$1.3m classic revenues converting to digital revenue
Digital	71.0	↑ 18%		134 Large Format Digital panels across ANZ
Total revenue	**168.4**	**↑ 4%**	**↑ 9%**	

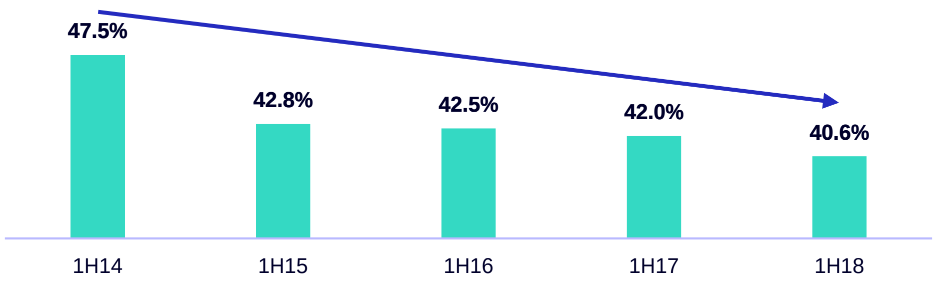
(1)Rebased for the Yarra Trams contract loss and the timing impact from adoption of AASB 15 Revenue from Contracts with Customers

Gross margin

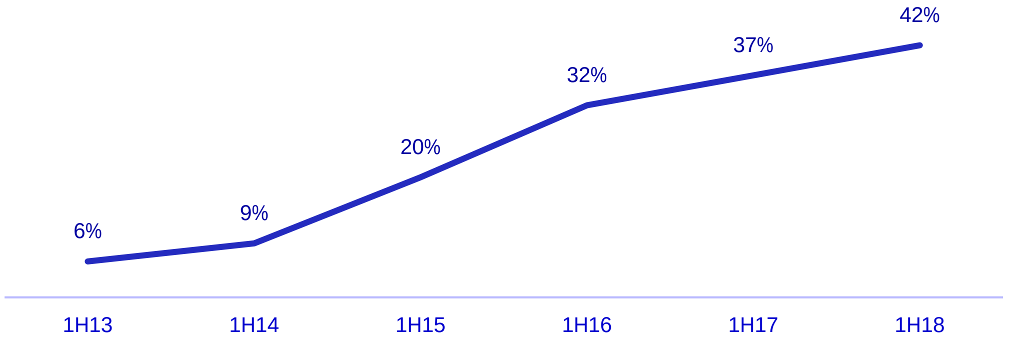
$ millions	1H18	1H17	Change	1H17 Rebased [1]	Change
Revenue	**168.4**	162.3	4%	154.7	9%
Rent	**(68.3)**	(68.2)	0%	(65.7)	(4%)
Sales and marketing	**(19.9)**	(17.6)	(13%)	(17.7)	(12%)
Other	**(16.7)**	(17.1)	2%	(15.3)	(9%)
Total Direct costs	**(104.9)**	(102.9)	(2%)	(98.7)	(6%)
Gross Margin	**63.5**	59.4	7%	56.0	13%
Gross Margin %	***37.7%***	*36.6%*		*36.2%*	

- Gross margin growth of 1 percentage point
- Sales and marketing investment driving revenue growth
- Digital revenue growth of 18%

Rent as a % of revenue



Digital revenue %



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

Overhead costs – investing in people and technology

$ millions	1H18	1H17	Change
Staff costs	**15.0**	14.2	6%
Marketing	**2.1**	1.6	31%
Other	**6.7**	6.4	5%
Overheads [1]	**23.8**	22.2	7%

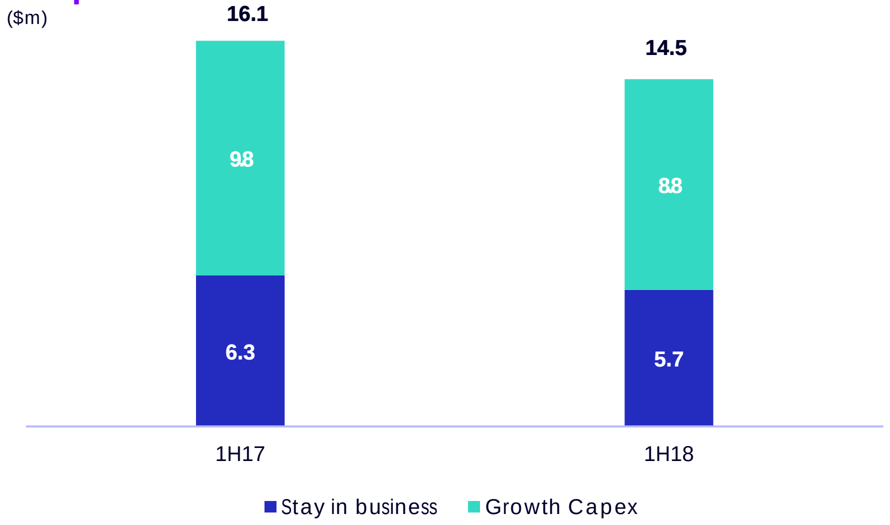
- New senior appointments and restructured executive team
- Refreshed APN Outdoor brand implemented in 1H18
- Data technology initiatives commenced in 1H18
- Cost growth of 7% consistent with February 2018 guidance

(1) Underlying results exclude NRIs as presented at Appendix B

Capital expenditure

- Total capex of $14.5m in 1H18 includes 9 new large format digital billboards built (1H17:16 builds)
- Total large format digital billboards of 134 across Australia and New Zealand

Capex and investments



Cash flow

$ millions	1H18	1H17
Underlying EBITDA [1]	39.7	37.2
Working capital & non – cash items	13.1	10.5
Interest	(2.2)	(1.4)
Tax payments	(12.3)	(19.5)
Operating cash flow [1]	**38.3**	**26.8**
Capex and investments	(14.5)	(16.1)
Free cash flow before NRIs	**23.8**	**10.7**
Non-recurring items	(2.3)	(1.5)
Free cash flow after NRIs	**21.5**	**9.2**

- Positive working capital consistent with business seasonality
- $2.3m of non-recurring items paid predominately related to corporate activity
- Free cash flow excluding NRIs of $23.8m

(1) Underlying results exclude NRIs as presented at Appendix B

Balance sheet

$ millions	30 Jun 2018	31 Dec 2017	*Change*
Cash	17.5	16.9	*0.6*
Other current assets	65.3	71.1	*(5.8)*
Property, plant and equipment	113.2	106.8	*6.4*
Intangible assets and goodwill	255.4	255.5	*(0.1)*
Other financial assets	2.8	2.8	-
Current tax asset provisions	4.3	0.2	*4.1*
Total assets	**458.5**	**453.3**	***5.2***
Trade and other payables	(35.1)	(25.3)	*(9.8)*
Current tax provisions	(0.4)	(1.4)	*1.0*
Payables and provisions	(4.1)	(4.1)	-
Borrowings	(115.0)	(114.8)	*(0.2)*
Other non-current liabilities	(28.4)	(28.3)	*(0.1)*
Total liabilities	**(183.0)**	**(173.9)**	***(9.1)***
Net assets	**275.5**	**279.4**	***(3.9)***
Credit metrics			
Net debt[1]	*98.2*	*98.9*	*(0.7)*
Net debt[1] / Underlying LTM EBITDA [2]	*1.1x*	*1.1x*	-

(1) Net debt excludes borrowing costs and interest rate swaps
(2) Underlying results exclude NRIs as presented at Appendix B

- Conservative balance sheet
- Cash available and undrawn debt of ~$76.0m
- Leverage remains at a conservative level allowing for future investments

1.1x Net debt / Underlying LTM EBITDA

Contract renewals

Sydney Trains

XtrackTV

RMS – Billboards

Brisbane Buses

Transdev Buses – VIC

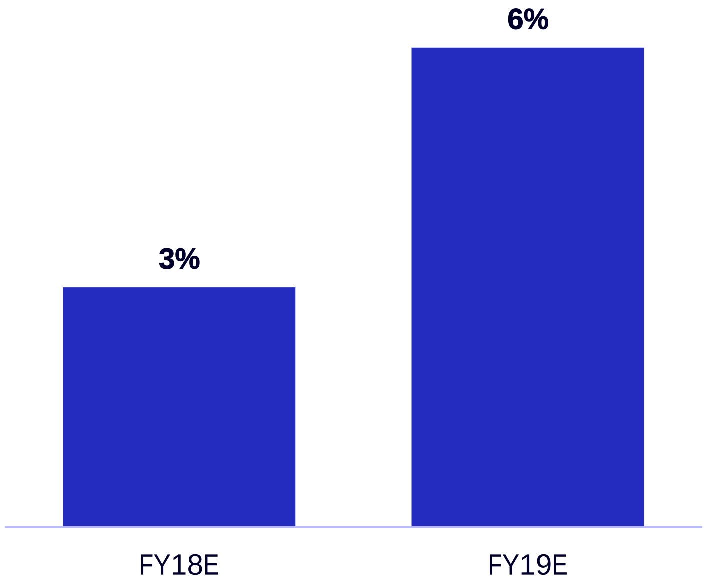
Christchurch Airport

Adelaide &
Parafield Airport

Young & Jackson

Major contract tenures

Low % of contract renewals
in FY18 and FY19.



Contract wins

RMS

- 50 large billboards with a potential for 22 digital conversions
- A further potential for 34 greenfield digital sites

Vic Roads

- Princes Freeway and Western Freeway – potential for 10 greenfield sites consisting of 4 digital and 6 static billboards

QFES

- 5 large format digital opportunities
- 4 new high quality static billboards (3 greenfield)

Contract wins

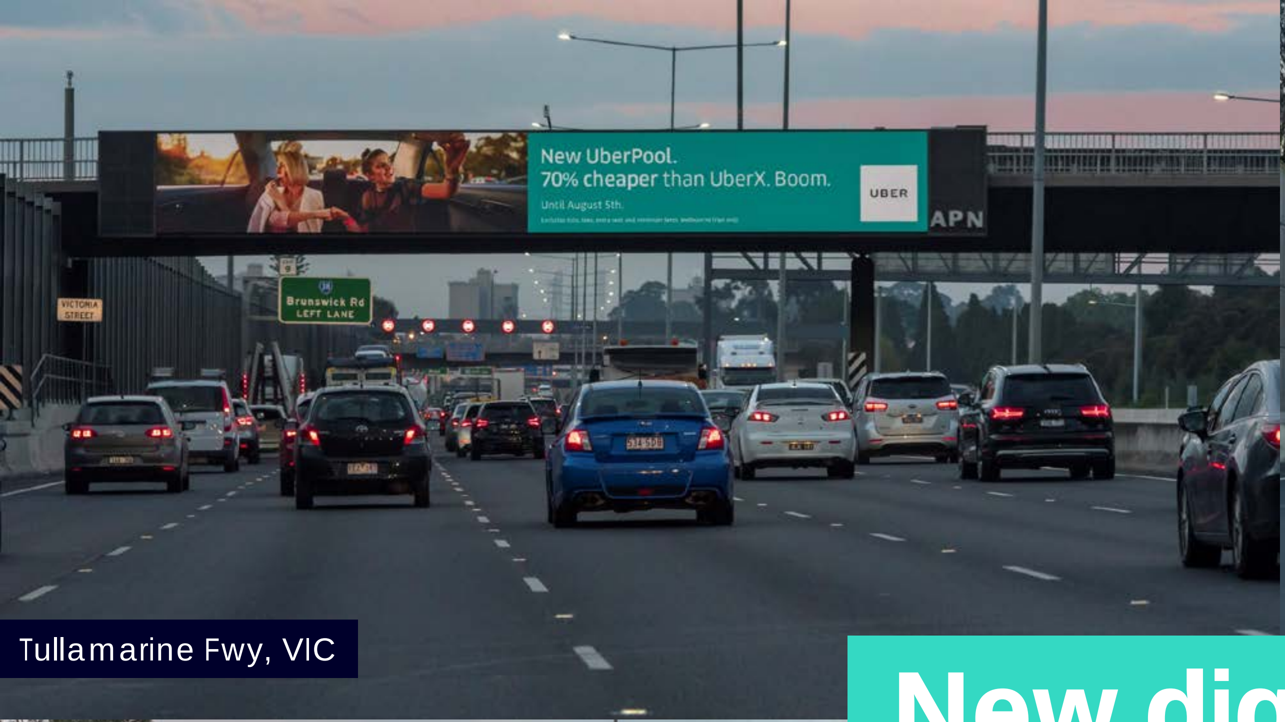
Queenstown Airport

- Significant asset upgrade to digital
- Important and growing South Island Airport to add to Auckland and Christchurch airports

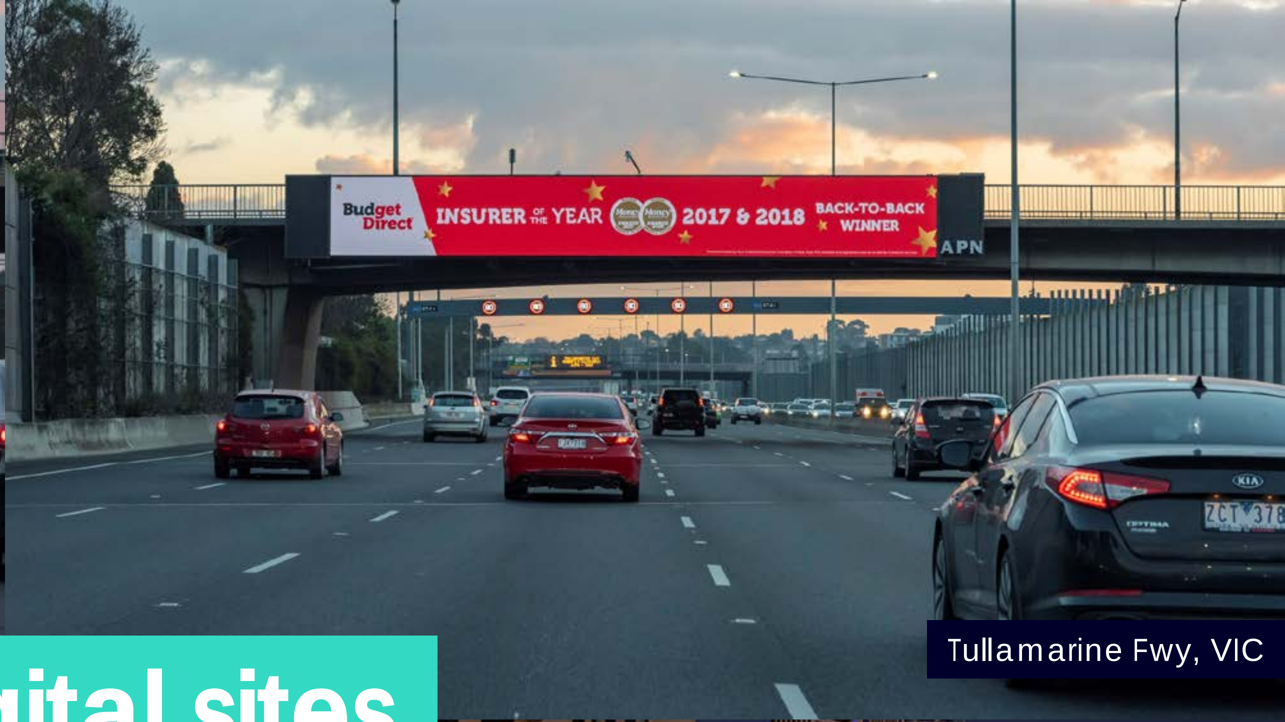
Sydney Airport

- APO to take over Qantas T3 Terminal (including external)
- Renewal of T1 and T2 and addition of T3 until 2025

New digital sites



Tullamarine Fwy, VIC



Tullamarine Fwy, VIC

Tullamarine Fwy, VIC

Surfers Paradise, QLD

Southern Expressway, SA

Sir Donald Bradman Drive, SA

Gold Coast, QLD

New digital sites

Ponsonby, Auckland, NZ

Carina, SA

Southern Expressway, SA

APN | DNA

Data

Insights

Assets

Owned and controlled by us

Dn’A phase 1

Survey	Segmentation	Behaviour	Geolocation
nielsen	Helix Personas By Roy Morgan Research		here
Australian Bureau of Statistics; Census 100 years 1911–2011 9 August 2011	geoTribes It’s all about people.		
APN OUTDOOR	geoTribes Explorer		

Trading update and guidance

- Year-to-date trading at 23 August 2018 is in line with the Company's expectations
- 28 May 2018 guidance reaffirmed: FY18 underlying EBITDA of $92m to $96m[1]
- Overhead growth for FY18 is expected to be 6% - 8% reflecting a one off cost base reset to support growth
- Capital expenditure for FY18 is expected to be $30m to $35m reflecting growth capex requirements of new tender wins (previous: $25m to $30m)
- Low contract renewal exposure in FY18 and FY19

(1) Underlying results exclude NRIs as presented at Appendix B

JCDecaux transaction

- APO and JCDecaux have entered into a scheme implementation deed for JCDecaux to acquire 100% of APO
- Recommended transaction by the APO Board of Directors with the $6.70 all cash scheme consideration representing:
  - 18% premium to the ‘undisturbed’ closing price on 19 June 2018[1] of $5.68
  - 26% premium to the 3-month volume weighted average price (VWAP) to 19 June 2018[1] of $5.32
  - 34% premium to the 6-month VWAP to 19 June 2018[1] of $5.01
  - Represents a 12.9x multiple of EV/EBITDA at the mid-point of guidance range
- Scheme cleared by ACCC. FIRB and NZ OIO approvals expected to follow
- Shareholder vote expected to be held in October
- Implementation on track for completion by the end of the year

1 19 June 2018, being the day prior to press speculation regarding JCDecaux’s takeover interest in APN Outdoor

Summary

- Momentum across all parts of the business
- Strong earnings growth underpinned by solid revenue growth
- Key new contract wins and successful renewal of existing contracts
- Investment in innovation and people
- FY18 guidance reaffirmed
- JCDecaux acquisition proposal recommended[1] by APO Directors

(1) In the absence of a superior proposal and subject to the Independent Expert concluding that the Scheme is in the best interests of APO shareholders

Appendix A Income statement (underlying)

$ millions	1H18	1H17	Change	1H17 rebased [2]	Change
Revenue	**168.4**	162.3	4%	154.7	9%
Direct costs	**(104.9)**	(102.9)	2%	(98.7)	6%
Gross margin	**63.5**	59.4	7%	56.0	13%
Gross Margin	***37.7%***	*36.6%*		*36.2%*	
Overheads	**(23.8)**	(22.2)	7%	(22.2)	7%
Underlying EBITDA [1]	**39.7**	37.2	7%	33.8	17%
EBITDA Margin	**23.6%**	22.9%		21.8%	
Depreciation & amortisation	**(8.3)**	(7.3)	14%	(7.3)	14%
Underlying EBIT [1]	**31.4**	29.9	5%	26.5	18%
Net interest expense	**(2.5)**	(1.8)	39%	(1.8)	39%
Underlying NPBT [1]	**28.9**	28.1	3%	24.7	17%
Tax expense	**(9.0)**	(8.2)	10%	(7.2)	25%
Underlying NPAT [1]	**19.9**	19.9	0%	17.5	14%

- 4% revenue improvement resulting in 7% Underlying EBITDA growth
- Yarra Trams contract loss has been mitigated reflected in rebased revenue growth of 9%
- Gross margin improved to 37.7% driven by lower rent as a proportion of revenue
- Overheads increased by 7% consistent with guidance
- D&A reflects increased capex spend and asset acquisitions
- Interest reflects increased debt of ~$8m YoY

(1) Underlying results exclude NRIs as presented at Appendix B
(2) Rebased for the Yarra Trams contract loss and the timing impact from adoption of AASB 15 Revenue from Contracts with Customers

Appendix B Reconciliation

$ millions	1H18	1H17
Underlying NPAT [1]	19.9	19.9
Corporate transaction costs	(2.6)	(3.4)
Restructuring costs	(0.4)	-
Impairment of assets	-	(2.2)
Gross non-recurring items	**(3.0)**	**(5.6)**
Tax on non-recurring items	0.9	1.5
Net non-recurring items	**(2.1)**	**(4.1)**
Statutory NPAT	**17.8**	**15.8**

- Non-recurring items:
  - Corporate transaction costs relate to the terminated merger with oOh!media in 1H17 and Adshel / JCD transactions in 1H18
  - Restructuring costs relate to senior management changes
  - Impairment of assets in 1H17 relate to investment in Catch technology trial and investment in associate

(1) Underlying results exclude NRIs

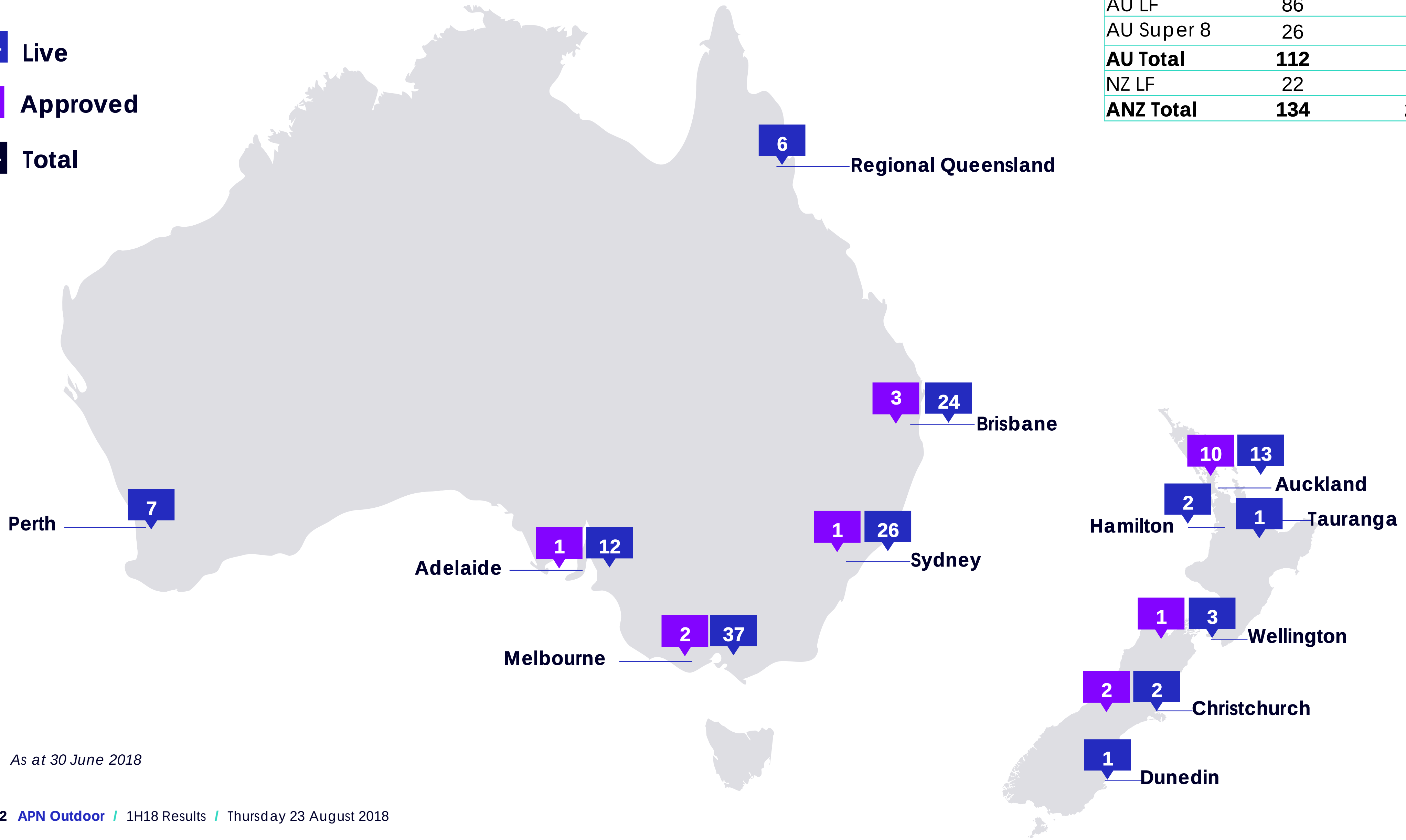
Appendix C Roadside Digital Coverage[1]

134 Live

20 Approved

154 Total

Format	Live[1]	Approved [1]	Total [1]
AU LF	86	5	91
AU Super 8	26	2	28
AU Total	**112**	**7**	**119**
NZ LF	22	13	35
ANZ Total	**134**	**20**	**154**



(1) *As at 30 June 2018*

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Non-IFRS and Underlying measures have not been subject to audit or review.

Glossary	
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
LTM	Last twelve months
NRIs	Non recurring items
NPAT	Net profit after tax
NPATA	Net profit after tax adding back tax effected amortisation
NPBT	Net profit before tax
Underlying	Excludes non-recurring items
cps	Cents per share

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