oOh!media Limited
ABN 69 602 195 380

24 August 2020

ASX & Media Announcement

oOh! maintains market share and strengthens balance sheet

oOh!media Limited (ASX:OML) (**oOh!**) today announced its financial results for the half year ended 30 June 2020 (“1H20”).

Chief Executive Officer Brendon Cook said: “We have maintained market share while strengthening our balance sheet, having responded quickly to the challenges presented by COVID-19. While revenue and profits predictably declined, our decisive early action to raise additional equity, reduce costs and capital expenditure and manage cash flows has reduced debt by 67 per cent and positioned the company well for the future.”

Overview

- Revenue declined by 33% to $205.0m
- oOh! maintained its leading market share in Australia and New Zealand Out of Home markets
- Underlying[1] EBITDA of $10.8m compared to $56.0m in prior corresponding period
- Underlying NPATA[2] loss of $16.9m compared to $18.2m profit in prior corresponding period
- Reported Net Loss after Tax of $27.5m (post AASB16)
- Strengthened balance sheet and focus on cost reduction and cash management to manage through unprecedented market and audience decline caused by COVID-19
    - gearing ratio (Net Debt / EBITDA) of 1.2 times, comfortably within banking covenants and down from 2.6 times (31 December 2019)
    - net debt $115.2m (down 67% from 31 December 2019); cash on hand $125.1m at 30 June and over $230m in available undrawn facilities
    - cash collection remains firm – cashflow from operations $183.6m, and $86.2m after accounting for fixed rent payments

1H20 Results Commentary – oOh! implements immediate measures to manage through unprecedented market decline

Chief Executive Officer, Brendon Cook said COVID-19 restrictions across Australia and New Zealand caused an unprecedented decline in Out of Home audiences. Combined with the general economic slow-down, this caused a significant decline in revenue for the second quarter. However, oOh! was quick to respond by implementing measures to manage through the current volatility while ensuring the business remains well positioned to benefit from longer term structural growth in Out Of Home markets.

[1] Underlying results exclude the impact of non-cash impairment and integration costs in the current year, and integration expenses in the prior year. Underlying EBITDA is disclosed in Note 3 ‘Segment information’ of the Financial Report. Refer to the same Note 3 for a reconciliation between information on reportable segments to IFRS measures. Underlying also excludes the impact of AASB16

[2] NPATA is NPAT excluding the after-tax impact of acquisition related amortisation charges.

“Although we are seeing national audiences starting to bounce back, Out of Home has been impacted disproportionately by the COVID-19 restrictions in people movement compared to other sectors, resulting in the market declining by 36% in Australia and 41% in New Zealand.

“In response, our immediate focus was to strengthen our balance sheet, reduce our fixed cost base and optimise our organisational structure to address these challenges head on.

“The completion of the successful equity raising in April strengthened our financial position which we have further boosted with a strong focus on cash management resulting in a gearing ratio (net debt/EBITDA) of 1.2 times at June 30 which is comfortably within our covenants.

“We continue to have constructive discussions with our commercial partners, which delivered $17 million in fixed rent savings into the second quarter without oOh! releasing any material sites during the period.

“Meanwhile operational expenditure declined by $12 million while reducing our capital expenditure by $19 million compared to prior half year.

Out of Home audiences recovering

Mr Cook said Out of Home remains a highly effective medium to deliver effective national broadcast reach in all markets during this period and beyond.

“As we have seen in New Zealand, audience growth has recovered strongly which has led to a 36% increase in our revenue in July from June, although the latest lockdown may affect the current quarter.

“Using advanced mobile data we can also see that Out of Home audiences are returning across Australia when looked at nationally, although of course some areas are still heavily impacted.

“Total Out of Home audience volumes as at 17 August 2020 were tracking at 75% of their 2019 level up from a low of circa 50% in mid-April[3].

“Combined roadside and retail audience volumes in regional areas have recovered to 93% of their level compared to the same week last year, having dipped as low as 57% in mid-April.

“We are also seeing a similar trend in suburban areas, which are currently at 68% of 2019 levels according to roadside audience measurements.

Even with Victoria in lockdown and other movement restrictions, oOh! is still able to reach over +370 million contacts per week nationally across our billboards and shopping centre networks alone, which doesn’t include our other formats such as street furniture.”

Despite the challenges caused by COVID-19, Mr Cook said the longer term fundamentals for Out of Home remain positive.

“Our strategy remains focused on capitalising on these key structural drivers of growth and leveraging our diverse product portfolio, backed by data, to deliver results for advertisers.

“We continue to lead the industry in creating a new media business and we are uniquely positioned to help drive the Out of Home industry’s share of overall media spend over 7% in 2019 to 10% in the next few years,” Mr Cook said.

Products:

Commute

Commute, which includes the Company’s rail assets in the major public transport markets of Sydney and Melbourne, was impacted significantly by restrictions in people movement in the second quarter. Revenue declined by 35% to $72.7 million.

Road

The Group’s Road (Billboard) assets were the best performing format. Revenue was impacted initially but recovered strongly in June as some restrictions were eased. Revenue declined by 19% to $54.6 million.

[3] oOh! Smart Reach, DSpark, Aggregated weekly total volumes, 4,000+ oOh! Roadside and Retail locations

Retail

Retail revenue declined by 34% to $40.9 million. Performance in this segment was mixed with smaller/grocery weighted centres performing better than larger destination / Tier 1 shopping centres which were more impacted by movement restrictions.

Fly

As expected, the severe restrictions in air travel resulted in a significant impact in revenue for Fly which declined by 45% to $18.0 million. oOh!'s airport assets are weighted more towards domestic travel which can be expected to recover more quickly than international travel when COVID-19 air travel restrictions are lifted and include key major commuter route road facing sites in the Sydney Airport precinct.

Locate

Locate revenue was impacted by the closure of office buildings and employees working from home. Revenue declined by 51% to $11.2 million.

Impact of Accounting Standard AASB16

oOh!'s financial results in the Financial Report are presented in accordance with the leasing standard AASB16. Full details of the result after the application of the AASB16 standard are contained in the Operating and Financial Review within the Directors' Report and should be read in conjunction with this announcement.

Strengthened financial position

Net debt at 30 June 2020 was $115.2 million; a reduction of $239.3 million from 31 December 2019.

The Company amended debt arrangements with its lending syndicate to increase its gearing covenant from 3.25 times to 4.0 times Net Debt / EBITDA for calendar year 2020, reflecting ongoing strong support from the Company's lending partners. The gearing covenant steps down to 3.5 times at the 31 March 2021 testing date.

Following the implementation of management initiatives, the company's gearing ratio (Net Debt / EBITDA) as at 30 June 2020 has been materially reduced to 1.2 times compared to 2.6 times at 31 December 2019. The gearing excludes the impact of AASB16 on its right of use liabilities which are not seen as debt for the purposes of applying the banking covenants.

This level of gearing remains comfortably within the Company's banking covenants.

Dividend

The Company announced at the time of the equity raising on 26 March 2020 that following completion of the DRP for the final dividend for CY19, the Board would temporarily suspend future dividends.

As a result, no interim dividend is payable for 1H20. The Board will revisit this decision in future periods based on the prevailing market conditions and with consent of the Company's lenders.

Outlook for FY20

Trading in 3Q FY20 continues to build with August 2020 pacing at 60% of August 2019 compared to May 2020 which was pacing at 25% of May 2019.

Trading conditions remain uncertain and difficult to forecast and the Company does not consider it appropriate to provide earnings guidance for FY20.

oOh! continues to promote its metropolitan and regional audience strength as the leader in the market.

oOh! continues to manage its costs and liquidity to ensure the strength of the business is maintained in the short term and is positioned to leverage revenue and earnings growth as market conditions improve.

This announcement has been authorised for release to the ASX by the Board of Directors.

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About oOh!media

oOh!media is a leading Out of Home media company that is enhancing public spaces through the creation of engaging environments that help advertisers, landlords, leaseholders, community organisations, local councils and governments reach large and diverse public audiences.

The company's extensive network of more than 37,000 digital and static asset locations includes roadsides, retail centres, airports, train stations, bus stops, office towers, cafes, bars and universities.

Listed on the ASX, oOh! employs around 800 people across Australia and New Zealand and had revenues of $649 million in 2019. It also owns digital publisher Junkee Media, printing business Cactus, and experiential provider oOh! Experiential.

The company invests heavily in technology and is pioneering the use of sophisticated data techniques that enable clients to maximise their media spend through unrivalled and accurate audience targeting. Find out more at oohmedia.com.au