oOh!media Limited

ABN 69 602 195 380

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ASX & Media Announcement

Increased market share and strongly positioned to capitalise on improving audience and market conditions

oOh!media Limited (ASX:OML) (**oOh!**) today announced its financial results for the year ended 31 December 2020 ("CY20").

In a challenging year for the Out of Home segment due to the COVID-19 pandemic, oOh! reinforced its market leading position by increasing its market share[1] in Australia and New Zealand. Additionally it implemented a series of measures to strengthen its financial position and reduce its cost and capital expenditure base by over $120 million.

As a result, oOh! remains well placed to leverage the strong audience and revenue recovery experienced in the final quarter of 2020 and in early 2021, particularly in its key formats of Road, Retail and Street Furniture, while capitalising on the longer term structural growth opportunities in Out of Home.

Overview

- Increased market share in Australia and New Zealand, maintaining #1 position
- Strong audience and revenue recovery in Q4CY20 – Revenues at 70% of the prior comparative period vs 57% in Q3
- $167m capital raised in 1H and debt refinanced in 2H
- Further strengthened balance sheet with over $120m cash savings delivered in CY20:
  - net fixed rent temporary expense savings of $63m in CY20
  - capital expenditure reduction of $49m[2] vs February 2020 guidance
  - operational expenditure savings of $16m (excluding JobKeeper)
  - gearing ratio (Net Debt/Underlying EBITDA) 1.8 times vs 2.6 times (31 Dec 2019)
  - net debt $111m (down from $346m)

- Revenue declined by 34% to $426.5m for CY20. Significant revenue recovery in Q4 across key formats (Road, Retail, Street Furniture, NZ)
- Underlying[3] EBITDA of $63.2m in CY20 compared to $139.0m in CY19
- Underlying NPATA[4] loss of $8.0m compared to $52.4m profit in CY19
- Reported Net Loss after Tax of $35.7m for CY20 (post AASB16)

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[1] oOh! revenues declined by 34% versus a 39% decline across the combined OMA and OMAA published Out of Home industry gross revenues for Australia and New Zealand respectively

[2] FY20 capex of $16m vs $65m mid-point guidance provided in February 2020

[3] 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 4 'Segment information' of the Financial Report. Refer to the same Note 4 for a reconciliation between information on reportable segments to IFRS measures. Underlying also excludes the impact of AASB16

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

Results Commentary – Early and decisive response to COVID-19 positions oOh! well for market recovery

Chief Executive Officer, Cathy O'Connor said oOh!'s decisive response to the COVID-19 movement restrictions across Australia and New Zealand ensured the Company managed the short term challenging conditions during the year.

"The unprecedented restrictions on people movement and resulting audience decline impacted Out of Home more severely than other media segments.

"In response, oOh! acted quickly and decisively to maintain and strengthen our competitive position. That included a $167 million equity raising, refinancing of debt facilities, negotiation with property partners to deliver $63 million in net fixed rent savings, capital expenditure reduction of $49 million and operational cost savings of $16 million (excluding JobKeeper).

"In the meantime, the Company adapted and refined our offer to advertisers, leveraging the strength of our suburban and regional network. The Company also continued to invest in our network assets, including key digital sites such as Military Road in Mosman.

"The Company remains focused on margin growth through the recovery cycle by achieving rent reductions beyond 2020, delivering structural cost savings approaching $10m annual run rate achieved at the end of CY20 and remaining disciplined on capital expenditure.

"As a result, oOh! has strengthened its capacity to manage in the current environment while remaining well positioned to leverage the audience and revenue recovery already evident across our key formats."

Revenue recovery in Q4 2020 extending into 2021

The Company experienced a strong recovery in revenue across key formats in the final quarter of 2020 which has continued into 2021 as people movement restrictions have eased. Overall Q4 paced at 70% of Q4 2019 versus 57% in Q3.

This has been most pronounced in Road, Retail, Street Furniture and New Zealand. Q4CY20 revenue in Retail and NZ was over 90% of the prior corresponding quarter (Q4CY19).

The recovery has continued into 2021 with total revenue for January 2021 pacing at 80% of January 2019 levels. Road, Retail, Street Furniture and NZ revenue levels for January 2021 were at close to 100% of January 2019 revenue levels.

As expected, Fly and Locate continue to be impacted by significantly reduced passenger numbers and CBD audiences.

Balanced commercial lease profile

oOh! maintains a diverse asset base that is focused on providing a full format client offering to the largest Out of Home audience across Australia and New Zealand.

Nearly 60% of CY19 revenues[5] by concession are attached to contracts with an expiry of more than three years.

Fundamentals for Out of Home remain positive

Despite the challenges caused by COVID-19, Ms O'Connor said the longer term fundamentals for Out of Home remain positive.

"Out of Home is a highly effective medium to deliver impactful national broadcast reach in all markets during this period and beyond.

[5] CY19 revenue base has been adopted in this analysis as this represents a truer picture of the revenue opportunity attached to various leases and their relative expiry profile vs CY20 which was significantly impacted by COVID-19.

“The Company saw this through the COVID-19 pandemic with our network playing a pivotal role in public messaging for government agencies and regulatory authorities.

“Equally, the Company continued to deliver ground-breaking and award-winning campaigns for advertisers, leveraging the diversity and scale of our market leading inventory across formats and geographies.

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

“We are uniquely positioned to help drive the Out of Home industry’s share of overall media spend to around 10% in the next few years,” Ms O’Connor said.

Products:

Commute

Commute, which consists of the Company’s street furniture and rail assets, was impacted significantly by restrictions in people movement on public transport in Sydney and Melbourne in the first half. In particular, the rail assets were impacted due to audiences avoiding rail networks, with revenue down by 82% in the second half, compared to revenue from the street furniture assets down 26% for the half. Overall Commute revenue declined by 37% on the prior year to $148 million.

Road

The Group’s Road (billboard) assets performed the strongest in the portfolio. The Company continued to leverage its diversity and scale and strong suburban network to deliver results for advertisers. Revenue recovered in the second half as restrictions started to ease. Full year revenue declined by 19% to $118 million.

Retail

Retail revenue declined by 24% to $106 million. Performance was impacted by larger destination / Tier 1 shopping centres which were more impacted by movement restrictions. Retail had a strong recovery in Q4 to 92% versus the prior corresponding period and over 100% in the key December period.

Fly

As expected, the severe restrictions in air travel resulted in a significant impact in revenue for Fly which declined by 65% to $23 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.

Locate

Locate revenue as expected was impacted by the closure of office buildings and employees working from home. Revenue declined by 68% to $14 million.

Impact of Accounting Standard AASB16

oOh!’s financial results in the Annual 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 31 December 2020 was $111 million; a reduction of $243 million from 31 December 2019.

Following the implementation of management initiatives, the Company's gearing ratio (Net Debt / Underlying EBITDA) as at 31 December 2020 was 1.8 times, compared to the bank covenant level of 4.0 times (reducing to 3.25 times by September 2021).

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.

In December 2020, oOh! extended its bank facilities with existing bank syndicate members with a total three- year $350 million facility maturing in December 2023.

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 dividends were payable for CY20. 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 FY21 – revenue recovery with strong operational leverage to improved market conditions

Revenue has recovered strongly in key formats and for 1Q CY21 is currently pacing at 80% of the corresponding period in CY19.

However, forward visibility remains uncertain given the ongoing effects of COVID-19 and movement restrictions, primarily in the Fly, Rail and Office environments.

oOh! continues to promote its metropolitan, suburban and regional audience strength as the market leader while continuing to manage costs and liquidity to ensure the resilience of the business and leverage to improved market conditions.

Capital expenditure for CY21 is expected to be lower than CY19 ($56m) with decisions aligned to revenue growth opportunities and concession renewals.

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

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