2016 Full Year Results

22 February 2017

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APN OUTDOOR

THE CENTRE FOR ATTENTION

PyeongChang 2018
Tokyo 2020
OFFICIAL OUTDOOR MEDIA PARTNER
OF THE AUSTRALIAN OLYMPIC TEAM

Highlights

Results

Merger update

Outlook

Summary

FY16 - another record year

Revenue and EBITDA above guidance - continued strong growth in operating cashflow and dividend

Revenue	10% to $330.9m
Underlying EBITDA[1]	18% to $86.7m
Underlying NPATA[1]	20% to $51.8m
Statutory NPAT	18% to $48.4m
Operating Cashflow	19% to $66.3m
FY16 Dividend	23% to 19.0cps, fully franked
Leverage	Leverage remains low at 1.0x Underlying EBITDA

Table shows FY16 vs FY15 movements

Note: (1) Underlying results before non-recurring items (NRIs). Refer to Appendix C for reconciliation of Statutory NPAT and NRI commentary

FY16 – delivering on strategy

A very busy 12 months in terms of organic growth and M&A

- Installed base of Large Format Digital (Elite) screens increased by 35 to 87
  - Skewed to 2H16, with 31 screens commissioned
- Digital revenues in FY16 increased to 34% of total revenues (FY15: 23%)
  - 2H16 37% of total revenues
- CATCH commuter trial in market and yielding positive initial results
- Successfully integrated acquisitions of iOM and Metrospace
- Announced transformational merger with oOh!media (ASX:OML) to create a leading diversified out-of-home and online media group
  - Expected to complete in May 2017

Group results

Continued digitisation drives revenue and earnings growth

- Strong revenue growth of 10% in FY16 driving EBITDA growth of 18% and NPATA growth of 20%
- Increased returns to shareholders
  - Diluted EPSA growth of 19% in FY16
  - FY16 DPS of 19.0 cps – up 23%
  - 2H16 DPS of 12.5 cps – up 14%

Sydney Airport, Domestic Terminal

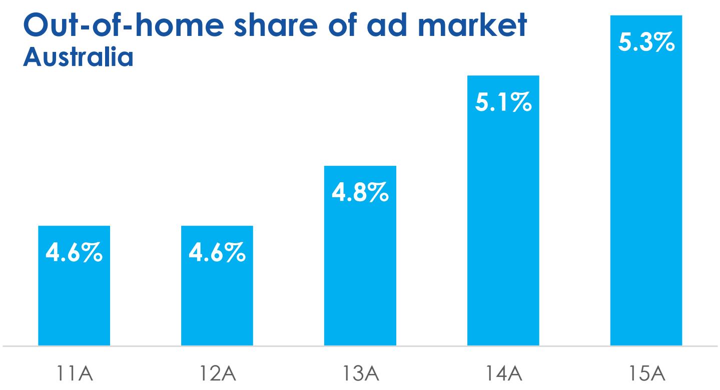
$ millions	FY16	FY15	Growth
Revenue	**330.9**	300.8	10%
EBITDA[1]	**86.7**	73.3	18%
EBIT[1]	**73.9**	63.1	17%
NPAT[1]	**49.2**	41.4	19%
NPATA[1]	**51.8**	43.3	20%
Statutory NPAT	**48.4**	41.0	18%
Diluted EPSA[1] (cps)	**31.0**	26.0	19%
DPS (cps)	**19.0**	15.5	23%
Net debt	**84.0**	57.5	46%

Note: (1) Underlying results before non-recurring items (NRIs). Refer to Appendix C for reconciliation of Statutory NPAT and NRI commentary

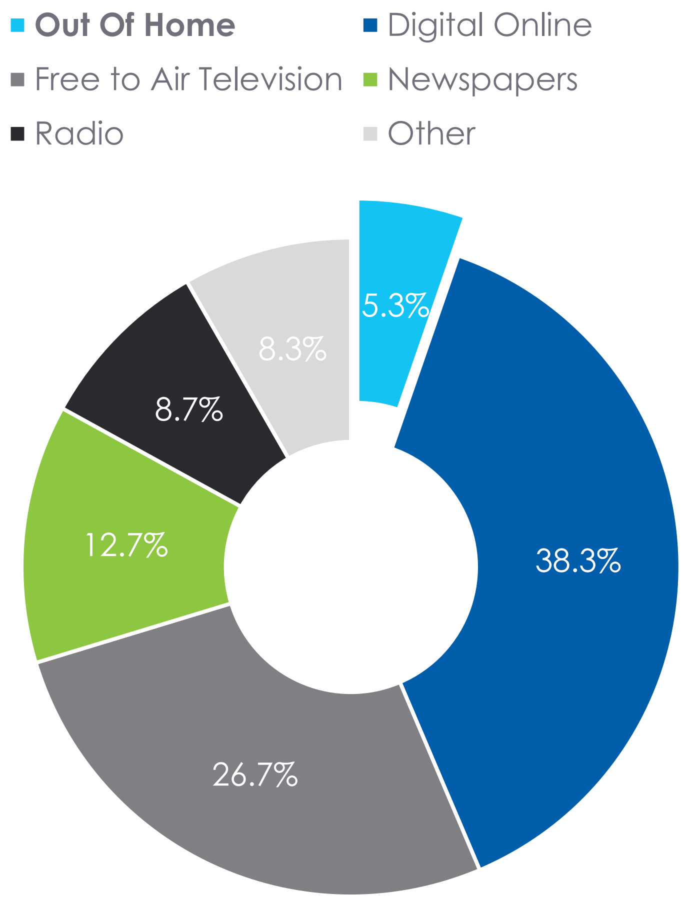
Group results

Out-of-home now over 5% of the market…and growing

- Out-of-home growth remains strong; currently 5.3% of Australian advertising market
- Broader advertising sector is highly dynamic – well-funded media operators across out-of-home, traditional and new media
- Digital online advertising is a significant competitive force
- Investment in digitisation, data, insights and innovation will drive future out-of-home growth



Source : OMA | CEASA



Revenue by format

Strong growth in Billboards, Rail and Airport digitised formats

$ millions	FY16	FY15	*Growth*
Billboards	**160.8**	143.9	12%
Transit	**99.5**	101.0	(1%)
Rail	**26.8**	22.8	18%
Airport	**43.8**	33.1	32%
Total	**330.9**	300.8	10%

Auckland, New Zealand

- Digitisation driving strong revenue growth
- Transit broadly flat with incremental revenue being allocated to digital formats – CATCH trial in market yielding positive initial results
- Rail includes full year effect of Brisbane and Adelaide rollouts in FY15
- Airport growth assisted by major asset upgrade programmes at Sydney and Auckland airports in FY15 and FY16

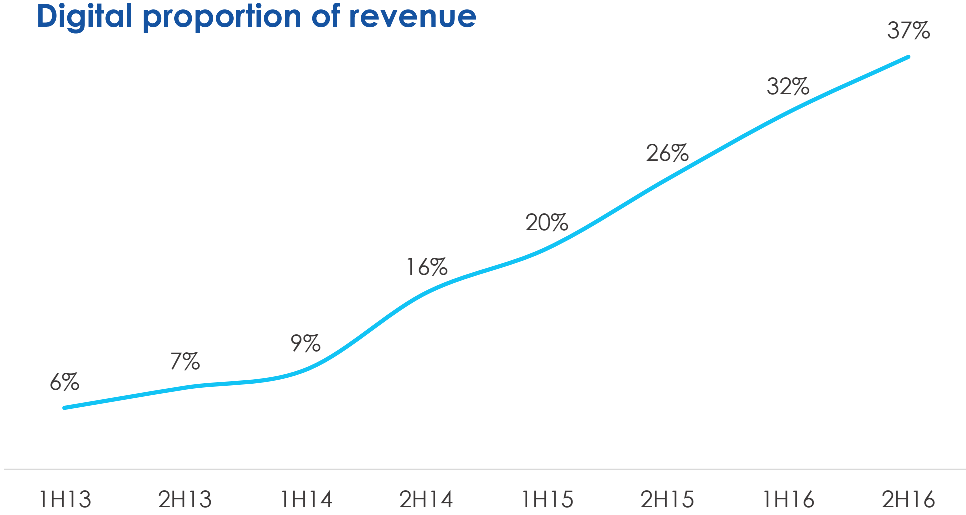
Revenue by mix

Revenue mix continues to skew towards digital

$ millions	FY16	FY15	*Growth*
Classic	**216.9**	231.4	(6%)
Digital	**114.0**	69.4	64%
Total	**330.9**	300.8	10%
Digital %	***34%***	*23%*	

- Growth in digital revenue continuing strongly – now over one third of revenues
- Large Format Digital (Elite Screens) increased by 35 to 87, with 31 commissioned in 2H16
- Conversion to digital and transition of revenue from Classic driving lower overall Classic revenue
- Production and installation trends inline with respective Classic media revenues

Digital proportion of revenue

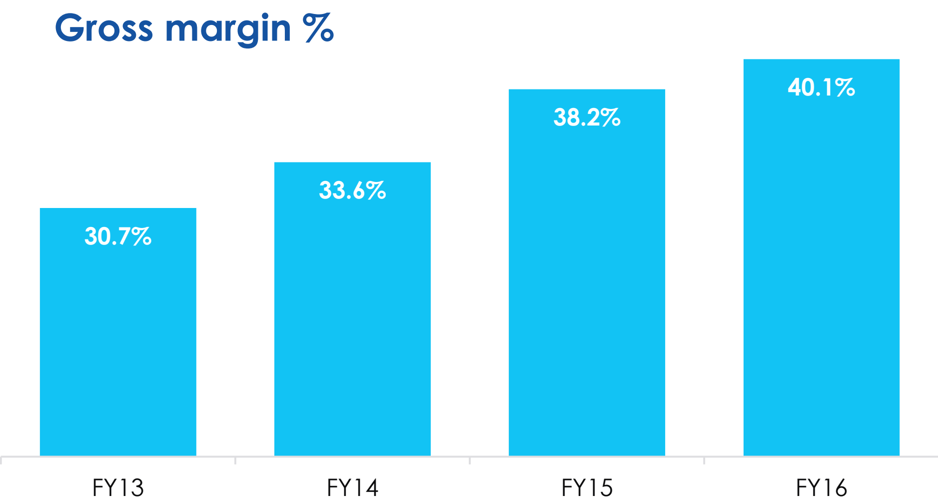


Gross margin

Continued growth in gross margin

$ millions	FY16	FY15	*Growth %*
Revenue	**330.9**	300.8	10%
Direct costs	**(198.3)**	(186.0)	7%
Gross margin	**132.6**	114.8	16%
Gross margin %	**40.1%**	38.2%	

- Operating leverage and increasing digital mix driving margin expansion
- Disciplined approach to contract renewals



Megatram , Melbourne

Cost base

Maintained disciplined cost approach

$ millions[1]	FY16	FY15	*Change*
Direct Costs	**198.3**	186.0	7%
Overheads	**45.9**	41.5	11%
Total expenses	**244.2**	227.5	7%

Note: (1) Underlying results before non-recurring items (NRIs). Refer to Appendix C for reconciliation of Statutory NPAT and NRI commentary

- Direct costs up 7% and lower than revenue growth of 10%, leading to improved gross margin
- Overheads up 11% – includes increased digital running costs of $1.1m and investment in new sales and digital roles of $1.1m
- Rental of ad space held at 41% of revenues

Balance Sheet

Low leverage and high headroom

$ millions	Dec 2016	Dec 2015	*Change*
Cash	**19.0**	9.0	*10.0*
Other current assets	**75.5**	75.8	*(0.3)*
Property, plant & equipment	**96.6**	77.9	*18.7*
Intangible assets & goodwill	**256.4**	222.9	*33.5*
Other non-current assets	**3.9**	3.6	*0.3*
Total assets	**451.4**	389.2	*62.2*
Trade & other payables	**(31.7)**	(22.7)	*(9.0)*
Tax & other current liabilities	**(20.6)**	(21.8)	*1.2*
Borrowings	**(102.7)**	(65.9)	*(36.8)*
Other non-current liabilities	**(27.2)**	(30.7)	*3.5*
Total liabilities	**(182.2)**	(141.1)	*(41.1)*
Net assets	**269.2**	248.1	*21.1*
Net debt[1]	***84.0***	*57.5*	*26.5*
Net debt / LTM EBITDA	***1.0x***	*0.8x*	
Net debt / (net debt + equity)	***23.7%***	*18.8%*	

Note: (1) Net debt excludes borrowing costs

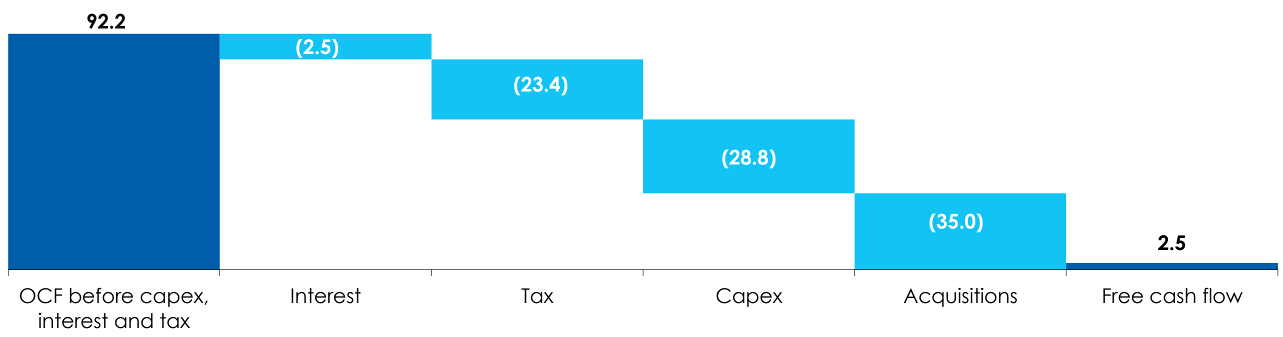
- Strong balance sheet with $269m net assets
- Net debt/EBITDA at 1.0x provides substantial headroom to fund growth activities
- $48m of funding available at 31 December from undrawn facilities and cash

Operating cashflows

Cash conversion improving to 106% of Underlying EBITDA

- Working capital assisted by timing differences. Reversal of these timing differences and revenue growth in FY17 will result in increased working capital and lower cash conversion in FY17
- Tax payments increased and reflect normal instalment rates
- Total capex of $28.8m includes significant digital investment and asset acquisitions – expected to accelerate in FY17
- Cost of Metrospace and iOM acquisitions $35m

$ millions	FY16	FY15	*Change*
Underlying EBITDA[1]	**86.7**	73.3	18%
Working capital & non-cash items	**5.5**	(12.2)	145%
OCF before interest and tax	**92.2**	61.1	51%
Cash conversion ratio	***106%***	*83%*	
Interest	**(2.5)**	(3.3)	
Tax payments	**(23.4)**	(2.0)	
Operating cash flow	**66.3**	55.8	19%



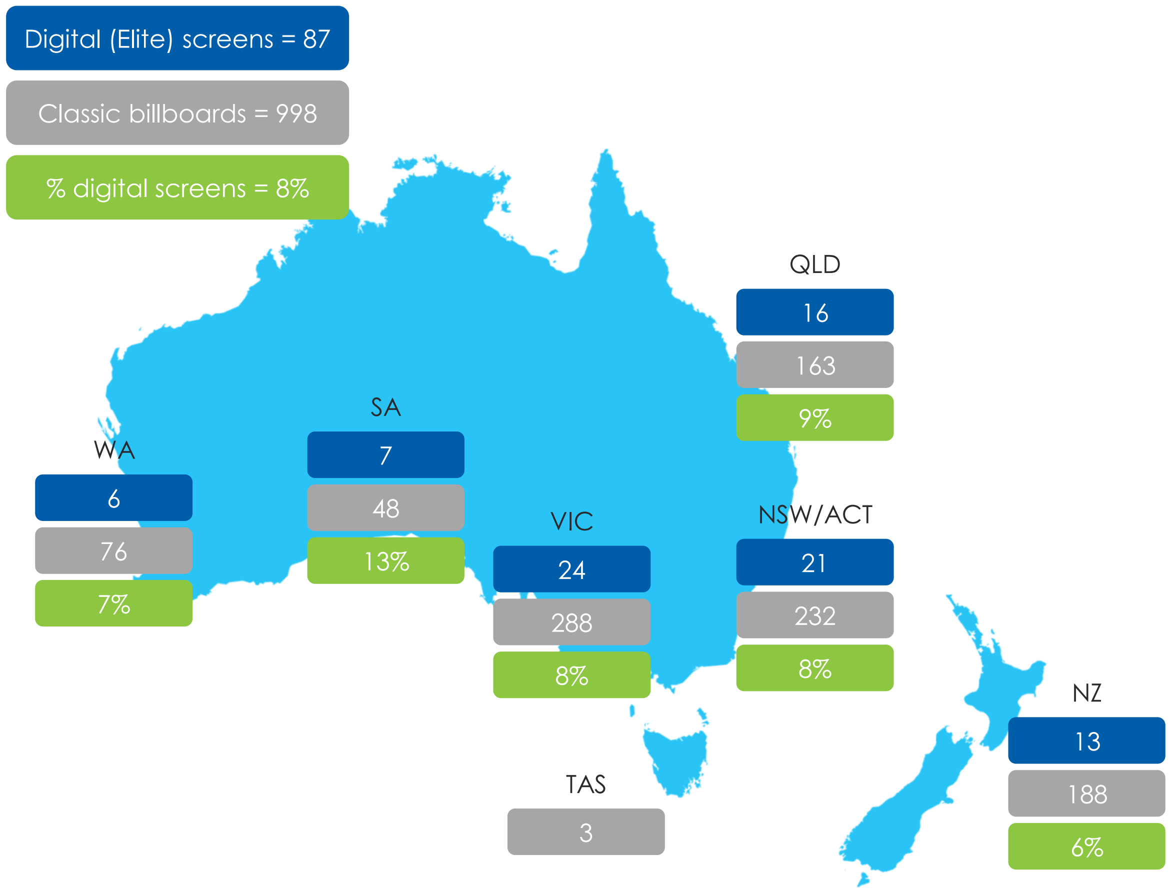
Note: (1) Underlying results before non-recurring items (NRIs). Refer to Appendix C for reconciliation of Statutory NPAT and NRI commentary

Large Format Digital

Leadership of Large Format Digital billboard network

- Digitisation accelerated with 35 new Elite Screens
- Most extensive network of Elite Screens
- High profile locations added include:
  - Story Bridge (Brisbane)
  - M4 Homebush (Sydney)
  - Nepean Highway Brighton (Melbourne)
  - Victoria Park Flyover (Auckland)
- Increasing use of digital creative capabilities
- Opportunity for further digitisation with accelerated investment in FY17

Roadside large format screens operating (31.12.16)

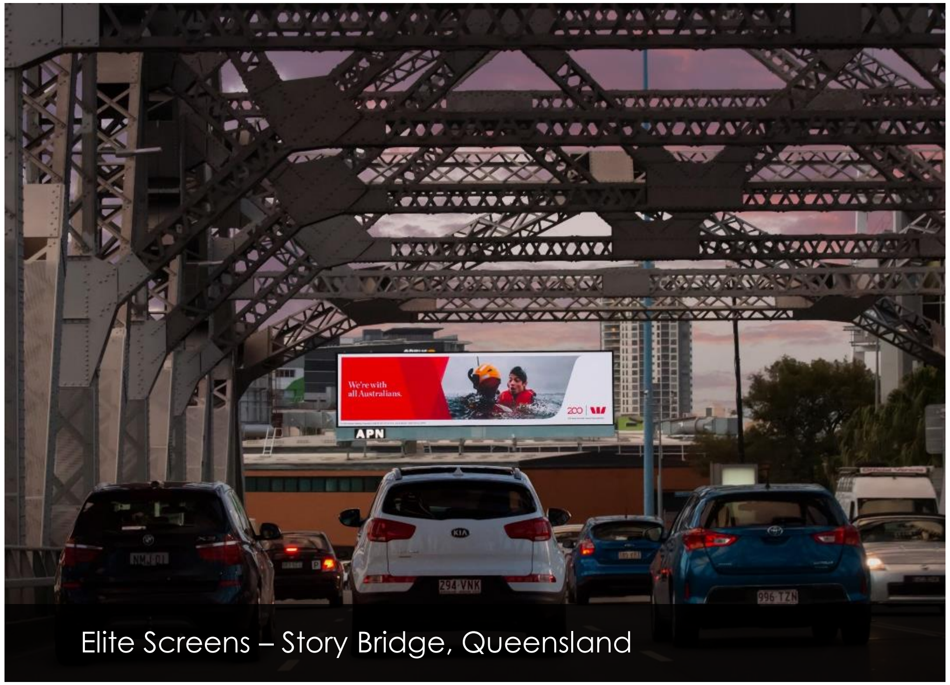


Bull Creek, Kwinana Freeway, Perth

Acquisitions

Two bolt-on acquisitions successfully integrated

- Successful integration of both iOM and Metrospace
- Sites well received by advertisers, revenue performance in line with expectations
- Three digital conversions completed, including iconic Story Bridge site in Brisbane
- Healthy pipeline of further conversion opportunities



Elite Screens – Story Bridge, Queensland

CATCH update

Trial yielding positive results

- Initial trial of 50 buses in market | agreed with Sydney Buses
- 27" screen playing SKY News Live, Sports, Weather & 6 x partner TVCs & CATCH TVCs
- Free internet browsing via WiFi
- Mobile device connection providing rich content and personalised offers
  - Lifestyle by Foxtel, SKY News Live, sport & business, SNACKABLETV (millennial content), personalised offers, recipes & State Transit content
- Decisions in relation to the next steps are expected to be taken in the coming months

Merger update

All-scrip merger between APN Outdoor and oOh!media to create a leading, diversified out-of-home and online media group with value accretion to both shareholder groups

- Creation of a leading, diversified out-of-home and online media group with a portfolio of complementary digital and out-of-home assets across Australia and New Zealand
- All-scrip merger via an oOh!media Scheme of Arrangement
  - OML shareholders to receive 0.83 APO shares for every OML share they own
  - Merged group will have pro forma market capitalisation of circa $1.8 billion
  - Expected cost synergies of at least $20 million to be realised on a run-rate basis within two years following implementation of the merger
- $400m debt facility to support the merged group now confirmed
- oOh!media shareholders expected to vote on the Merger in April 2017
- The Merger is expected to be implemented in May 2017

Outlook

- Transformational merger between APN Outdoor and oOh!media
- Robust out-of-home market growth in Australia and New Zealand
  - Audience growth and digital investment
  - Outdoor expected to continue to take share from other traditional media
- Ongoing shift to digital driving revenue growth
  - Conversion of classic to digital formats attracting larger revenues
  - Partially offset by resultant lower classic revenues and associated production and installation services
- Accelerated capex investment in digital
  - Smaller Elite Screen format to be rolled out into both metro and regional locations during 2017
- Continued revenue and earnings growth in FY17
  - January results above pcp and inline with expectations
  - Full year impact of 2016 acquisitions

Summary

- Leading digital asset portfolio driving growth with increasing interest, activity and revenue from advertisers expected to continue

- FY16 delivered a record result
  - Revenue up 10% to $330.9 million
  - Underlying EBITDA up 18% to $86.7 million
  - Underlying NPATA up 20% to $51.8 million

- Strong growth in operating cashflows

- Strong growth in fully franked dividend
  - FY16 DPS up 23% to 19.0cps

Barrack St, Perth

Appendices

Appendix A

Detailed results

$ millions[1]	FY16	FY15	*Growth*
Revenue	**330.9**	300.8	10%
Expenses	**(244.2)**	(227.5)	7%
EBITDA	**86.7**	73.3	18%
EBITDA margin	***26.1%***	*24.3%*	
Depreciation | amortisation	**(12.8)**	(10.2)	27%
EBIT	**73.9**	63.1	17%
Net interest expense	**(3.2)**	(3.5)	(9%)
Tax expense	**(21.5)**	(18.2)	18%
NPAT	**49.2**	41.4	19%
Amortisation after tax	**2.6**	1.9	37%
NPATA	**51.8**	43.3	20%
NPATA margin	**15.7%**	14.4%	

Note: (1) Underlying results before non-recurring items (NRIs). Refer to Appendix C for reconciliation of Statutory NPAT and NRI commentary

Appendix B

Detailed costs

$ millions[1]	FY16	FY15	*Change*
Rental	**134.7**	121.8	11%
Agency commissions and rebates	**31.3**	28.0	12%
Staff costs	**5.7**	6.7	(15%)
Other	**26.6**	29.5	(10%)
Direct Costs	**198.3**	186.0	7%
Staff costs	**26.7**	25.2	6%
Marketing	**2.4**	2.4	-
Other	**16.8**	13.9	21%
Overheads	**45.9**	41.5	11%
Total expenses	**244.2**	227.5	7%

Note: (1) Underlying results before non-recurring items (NRIs). Refer to Appendix C for reconciliation of Statutory NPAT and NRI commentary

Appendix C

Reconciliation of Statutory NPAT to Underlying NPATA

$ millions	FY16	FY15
NPAT – statutory	**48.4**	41.0
Merger transaction costs (net of tax)	0.8	-
Net interest adjustments (net of tax)	-	0.4
NPAT – underlying	**49.2**	41.4
Amortisation (net of tax)	2.6	1.9
NPATA – underlying	**51.8**	43.3

› Non-recurring items:

- FY16 – transaction costs related to the proposed merger with oOh!media incurred up to 31 December 2016
- FY15 – net interest associated with an onerous lease

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