



ASX Announcement

17 July 2014

Growth Initiatives and Performance Metrics

Executive Summary

- Updates on steps being taken to build regional footprint
- Expansion of operations in Asia accelerated across all divisions in Q4 of FY14
- Next Digital Asia announces significant new client wins in Malaysia
- Regional Operations Centre to open in Manila in October 2014
- Forward performance metrics outlined

New Business Units

Since acquiring and integrating FutureLab in Kuala Lumpur, the company's *Strategies & Solutions* division has established digital agencies under the Next Digital brand in Shanghai and Singapore. Front line employees have been recruited and Jakarta is now under consideration. At the same time, Kuala Lumpur has recently secured key client wins (see below) and will double in size this year.

The company's *Customer Acquisition* division is actively evaluating launching its performance channels in Asia via organic growth and acquisition.

The company's *Customer Management* division under the Jericho brand has completed the build-up of its team in Singapore and is now rolling out its SmartMailPro email platform in multiple markets and languages across the region, both directly and pursuant to the group's commercial alliance with aCommerce.

eCommerce has recruited Sean Seah, who is based in Hong Kong, to run cellarmasterwines.com and lead the group's search for additional ecommerce ventures across the region.

Clients of the group have requested service in Jakarta, Indonesia. The company is actively planning to launch a green fields operation there in the next 12 months.

Acquisitions

The company remains of the view that a combination of acquisitions and organic growth will be necessary to drive international revenues to 50% of the group total within the next few years.

Due diligence has been undertaken on several potential acquisitions this calendar year. None have yet been pursued, typically on pricing grounds. The company plans to expand via acquisition and subsequent integration, but only on accretive terms.

Client Wins

Early successes are emerging. Following the group's recent eBay and Village Roadshow appointments, Next Digital Asia has recently been retained by a number of new clients including Maxis, Malaysia's largest telco, and by Fonterra, one of the world's largest dairy companies. Jericho has been retained across the region by Carlson Rezidor, the international hotels group. These client engagements were won in highly competitive processes.

Manila Regional Operations Centre (ROC)

On 1 October 2014 Asia Pacific Digital will open a world-class operations centre in Makati, National Capital Region, the Philippines. The ROC will deliver operational and technical solutions for the region, creating the economies of scale required to underpin the company's current expansion programme.

The ROC will have an initial capacity for 120 people. Newton Smith, who is Group CEO of Asia Pacific Digital's Next Digital business unit, is responsible for establishing the ROC. Mr Smith was previously CEO of IBM's BPO business in the Philippines, which he built to more than 12,000 employees serving IBM clients across the globe.

Resources will be progressively built up in Manila through a combination of job creation to satisfy client demand in Asia and by transferring some higher cost roles within the group. In April the company announced annualised savings of \$500,000 from establishment of the ROC. This run rate will be achieved during FY15.

Performance Metrics

In its recent market updates the company announced that it would accelerate its expansion in Asia and its related investment spend in the last quarter of FY14. It also announced a break even earnings target. Directors confirm that, as set out above, this increase in spend occurred during the last quarter. Accordingly, the company is targeting a break even result at the Underlying EBITDA¹ level for FY14 and the foreseeable future.

The company has adopted the following targets against which to measure its performance:

- Conclude core Asian capability build out within three years
- Minimum workforce in Asia within two years: 50%
- Annual organic growth in international revenues: 30%
- Ratio of international to total revenues within three years: 50% run rate
- Maintain break even EBITDA result while investing in regional growth
- Minimum operating company EBITDA margin after completion of network build out: 10%

Directors note that organic growth alone in international revenues from the current base line of around 20% of group revenues will not deliver the 50% target sought. This target is therefore contingent on the company being able to make acquisitions at pricing that is accretive.

¹ Underlying EBITDA excludes business acquisition costs, impairment, restructuring expenses and non-cash share option expense. Underlying EBITDA has been used because the Directors consider that this amount reflects the operating earnings result and excludes costs that aren't attributable to the normal trading activities of the company.

For more information:

Peter Hynd
Executive Director
phynd@asiapacificdigital.com

Campbell Nicholas
Chief Financial Officer
cnicholas@asiapacificdigital.com

About Asia Pacific Digital Limited

Asia Pacific Digital (ASX:DIG) is the leading independent digital marketing and commerce company in the region, offering an integrated digital value chain through Australasia, Southeast Asia and the Peoples Republic of China to more than 1,000 corporate clients through four divisions: Strategy & Solutions, Customer Acquisition, Customer Management end-to-end eCommerce.