



# APN

## OUTDOOR

Your new centre of attention.

2015 Half Year Results

24 August 2015

Richard Herring, CEO

Wayne Castle, CFO



# Agenda

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Highlights

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Financials

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Summary

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Outlook

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Q&A





## Highlights | H1 2015

### Financials

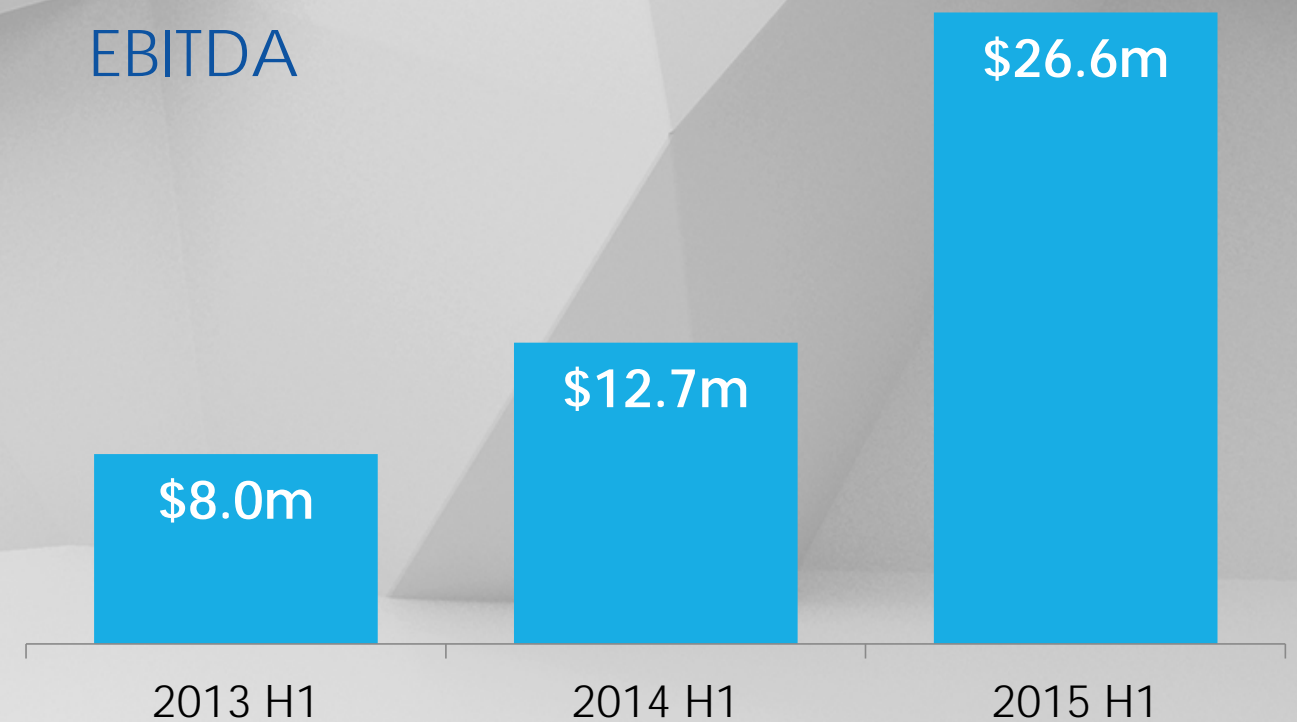
- › Revenue up 25% on previous year with market share growth in both countries
- › EBITDA up 110% on previous year
- › NPATA almost 3x previous year
- › Interim dividend of 4.5 cents per share (fully franked)

### Performance Drivers

- › Strong markets in AU & NZ due to continued audience growth and increased digital penetration
- › On track to deliver additional 17 Elite Screens in 2015 across Australia and New Zealand
- › Contract wins including Sydney Airport
- › All formats and geographies contributing
- › Expansion of XtrackTV into Brisbane



### EBITDA







# Financials

## Results overview | Pro forma

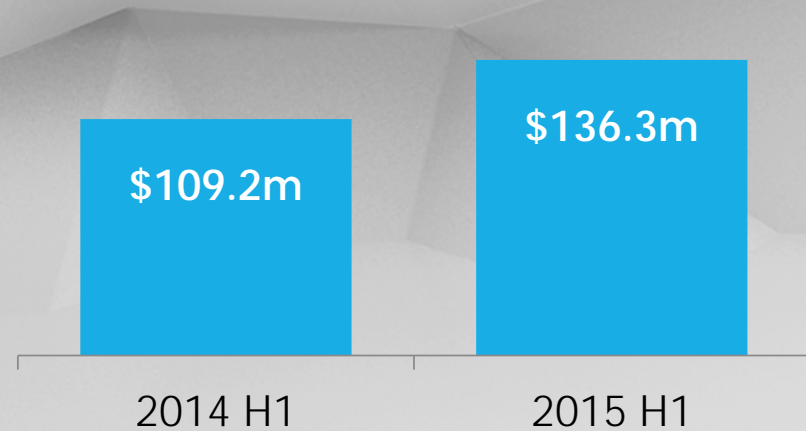
\$ millions	2015 H1	2014 H1	VARIANCE \$	VARIANCE %
Revenue	136.3	109.2	27.1	24.9%
Expenses	(109.7)	(96.5)	(13.2)	13.7%
<b>EBITDA</b>	<b>26.6</b>	12.7	13.9	110.2%
EBITDA margin	19.5%	11.6%		
<b>NPATA</b>	<b>14.0</b>	4.9	9.1	187.6%
<b>EPS – diluted</b> (cents)	<b>8.4</b>	2.9		
<i>Based on NPATA</i>				
<b>Dividend</b> (cents per share)	<b>4.5</b>			

› Revenue up \$27.1m and ahead of market growth

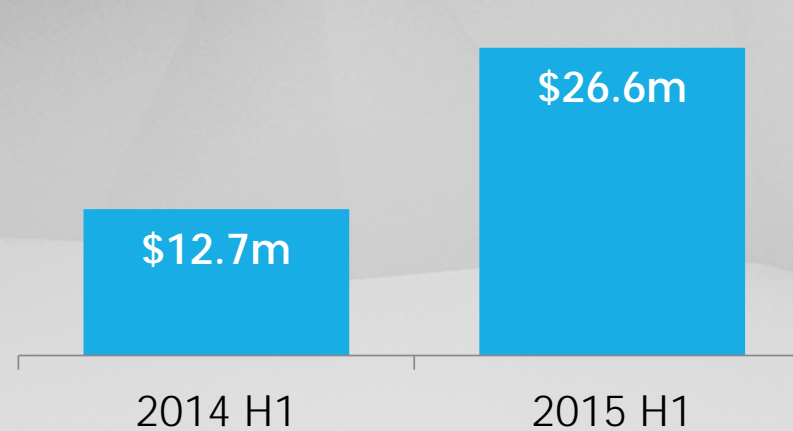
› EBITDA more than double prior year and EBITDA margin increased to 19.5%

› NPATA of \$14m almost 3x prior year

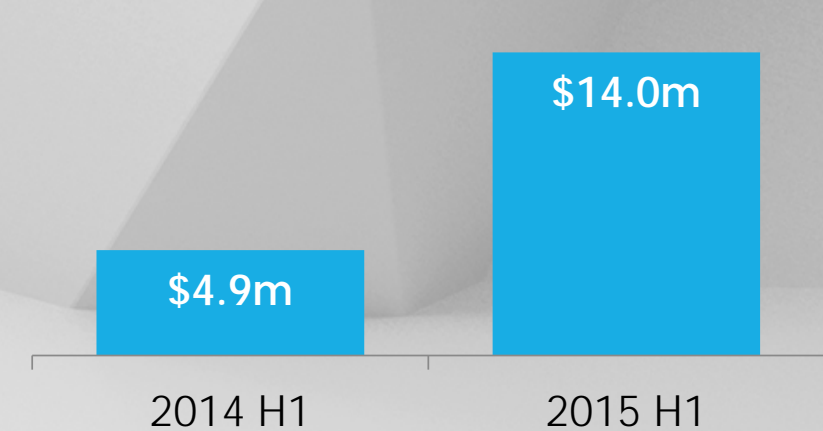
### REVENUE



### EBITDA



### NPATA

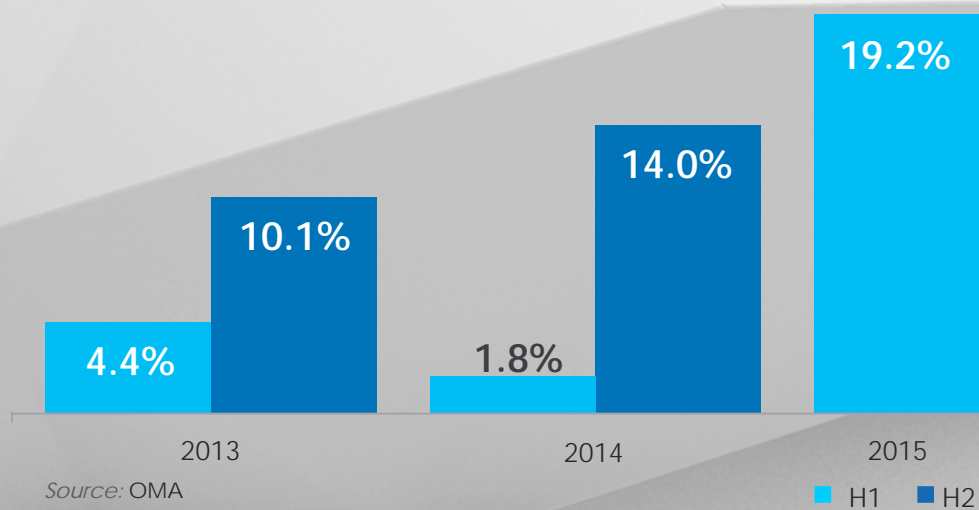




## Revenue by country | Growth on both sides of the Tasman

\$ millions	2015 H1	2014 H1	VARIANCE \$	VARIANCE %
Australia	122.7	100.2	22.5	22.5%
New Zealand	13.6	9.0	4.6	52.0%
<b>TOTAL</b>	<b>136.3</b>	<b>109.2</b>	<b>27.1</b>	<b>24.9%</b>

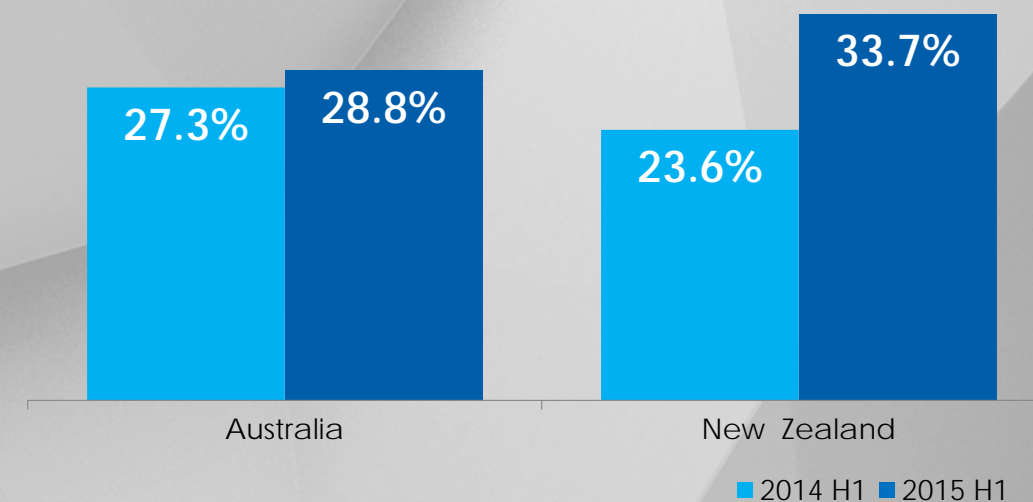
### Market growth | Australia



#### AUSTRALIA

- › Market up 19.2% in the first half with AU growth of 22.5% | Market share up 1.5 percentage points
- › The two prior years recorded low H1 growth compared to H2

### Market share



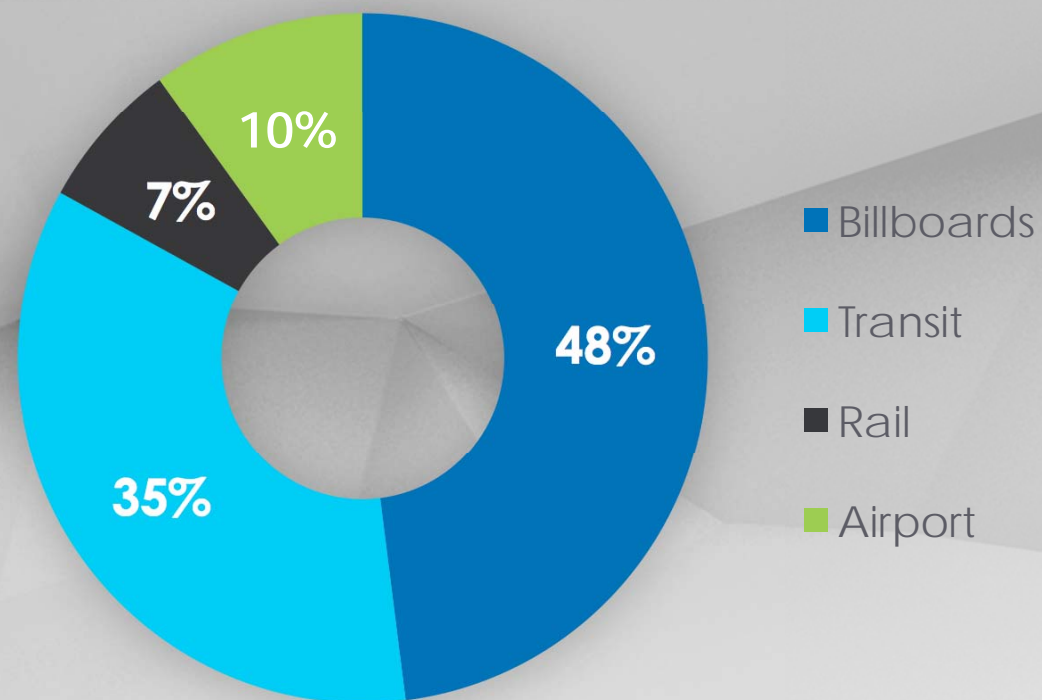
#### NEW ZEALAND

- › Outstanding result with revenue up 52% on last year against market growth of 8.2%
- › Result assisted by Auckland International Airport (AIA) which commenced in November 2014

## Revenue by format | All formats growing

\$ millions	2015 H1	2014 H1	VARIANCE \$	VARIANCE %
Billboards	65.1	53.8	11.3	21.0%
Transit	47.1	41.2	5.9	14.3%
Rail	10.1	5.9	4.2	72.2%
Airport	14.0	8.3	5.7	69.2%
<b>TOTAL</b>	<b>136.3</b>	<b>109.2</b>	<b>27.1</b>	<b>24.9%</b>

% of total revenue



- > All formats contributing to revenue growth
- > Rail increase includes benefit of XtrackTV
- > Airport revenue growth assisted by AIA
- > Includes digital revenue in Billboard, Rail and Airport formats



## Revenue by type | Growth in digital and static

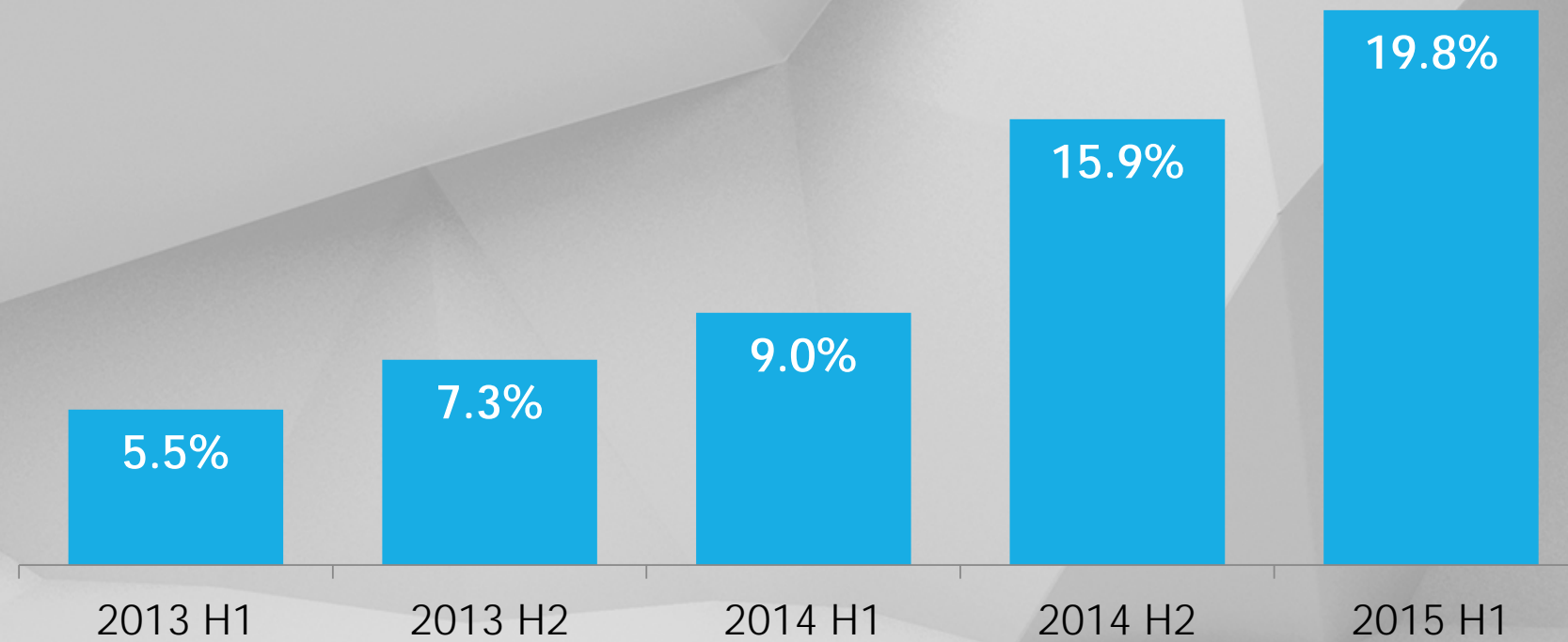
\$ millions	2015 H1	2014 H1	VARIANCE \$	VARIANCE %
Static	109.3	99.3	10.0	10.1%
Digital	27.0	9.9	17.1	174.9%
<b>TOTAL</b>	<b>136.3</b>	<b>109.2</b>	<b>27.1</b>	<b>24.9%</b>

<b>Digital %</b>	<b>19.8%</b>	<b>9.0%</b>
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- › Digital revenue almost 3x prior year
- › Notwithstanding digital growth, static revenue still up 10% with growth in both Transit and Billboard formats
- › Consistent growth of digital revenue - currently contributing 20% of total revenue

### Digital proportion of revenue





## Detailed results | Pro forma

\$ millions	2015 H1	2014 H1	VARIANCE \$	VARIANCE %
Revenue	<b>136.3</b>	109.2	27.1	24.9%
Expenses	<b>(109.7)</b>	(96.5)	(13.2)	13.7%
EBITDA	<b>26.6</b>	12.7	13.9	110.2%
<i>EBITDA margin</i>	<b>19.5%</b>	11.6%		
Depreciation	<b>(4.3)</b>	(3.5)	(0.7)	21.1%
Amortisation	<b>(1.3)</b>	(1.4)	0.1	(4.6%)
EBIT	<b>21.0</b>	7.7	13.3	171.3%
Net interest expense	<b>(2.0)</b>	(2.0)	0.0	(1.7%)
Profit before tax	<b>19.0</b>	5.7	13.3	233.0%
Tax expense	<b>(5.9)</b>	(1.8)	(4.1)	225.6%
NPAT	<b>13.1</b>	3.9	9.2	236.4%
NPATA	<b>14.0</b>	4.9	9.1	187.6%
<i>NPATA margin</i>	<b>10.3%</b>	4.5%		

- › EBITDA of \$26.6m up \$13.9m on pcp from a combination of \$27m revenue increase and 4.8 percentage point gross margin increase
- › Expenses up 14% due primarily to variable costs
- › Increased mix of digital revenues to almost 20% has helped drive EBITDA cut-through of 51%
- › Depreciation \$0.7m up on last year due to digital upgrades
- › Interest inline with prior year
- › NPATA up \$9m on pcp reflecting high operating leverage on increased revenues



## Gross margin | Increased margins on higher revenues

\$ millions	2015 H1	2014 H1	VARIANCE \$	VARIANCE %
Revenue	136.3	109.2	27.1	24.9%
Direct costs	(89.9)	(77.3)	(12.6)	16.4%
<b>Gross margin</b>	<b>46.4</b>	<b>31.9</b>	<b>14.5</b>	<b>45.5%</b>
<b>Gross margin %</b>	<b>34.0%</b>	<b>29.2%</b>		

### Contributors to gross margin



- > Gross margin up \$14.5m from a combination of higher revenue and 4.8 percentage point margin expansion
- > Further margin expansion following a 3% increase in 2014
- > XtrackTV continuing to receive strong market demand though at lower margin | offset by superior margins from Large Format Digital screens



## Operating cash flow | Strong cash conversion

\$ millions	2015 H1	2014 H1	VARIANCE \$	VARIANCE %
EBITDA	26.6	12.7	13.9	110%
Non-cash items	0.2	(0.2)	0.4	(183%)
Change in working capital	11.3	10.5	0.8	8%
OCF before capex	38.1	23.0	15.1	66%
Capital expenditure	(4.9)	(8.6)	3.7	(43%)
OCF after capex	33.2	14.3	18.9	132%
<i>Cash conversion ratio</i>	<i>143%</i>	<i>181%</i>		

\$ millions	2015 H1	2014 H1	VARIANCE \$	VARIANCE %
Growth - large format digital	1.6	3.5	(1.9)	(47%)
Growth - other digital	0.3	0.5	(0.2)	(67%)
Growth - other	1.5	2.2	(0.7)	(69%)
Maintenance	1.4	2.4	(1.0)	(58%)
Capex	4.9	8.6	(3.7)	(57%)

- › Cash conversion higher in the first half as seasonally high Q4 revenues are collected
- › OCF \$18.9m above prior year largely due to earnings but capex timing has also assisted
- › Capex lower in H1 as 2015 digital program accelerates in second half of year



## Debt | Significant reduction

\$ millions	JUNE 2015	DECEMBER 2014
Borrowings		
Senior	63.0	80.0
Working capital	0.6	6.0
Gross debt	63.6	86.0
Cash	(12.3)	(9.9)
Borrowing costs	(0.7)	(0.9)
Net debt	50.6	75.3
<i>Leverage – Net debt vs LTM EBITDA</i>	0.9x	1.7x

- › \$17m of senior debt repaid
- › Net debt of \$50.6m
- › Leverage ratio of 0.9x
- › Working capital facility available to fund bank guarantees and transactional facilities \$49m undrawn at June 2015

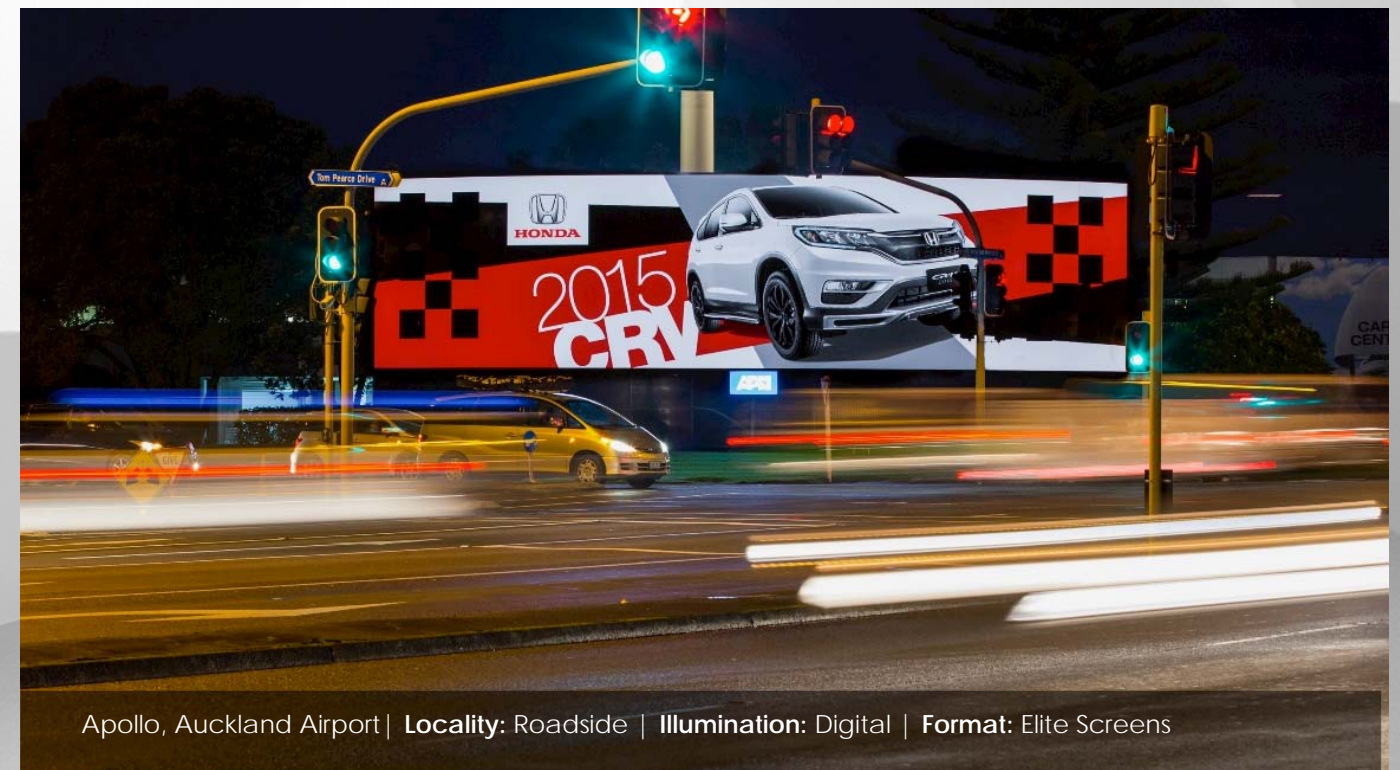


The background is a vibrant, abstract composition of colorful paint splashes and spheres. The colors include bright yellow, green, blue, and red. The splashes are dynamic and fluid, with some forming elongated, curved shapes. The spheres are of various sizes and colors, scattered throughout the scene. The overall effect is one of energy and movement against a solid black background.

# H1 operational highlights

## H1 operational highlights | Growth agenda delivers results

- › 12 Elite Screen approvals in 2015 to date
- › Contract wins
  - Sydney Airport tender win
  - AIA build complete
  - WA bus advertising contract extension
- › XtrackTV expanded into Brisbane
  - 13 additional screens now totalling 79
- › Well executed Trade Marketing initiative supports Transit revenue growth





# H1 operational highlights | Elite Screen update

- › Clear leadership position maintained
- › Only high quality opportunities considered
- › Delivered 12 Elite Screen approvals (3 already built) to date in 2015
- › Sydney development very positive

	OPERATIONAL	PLANNING APPROVED
Sydney	7	5
Melbourne	8	2
Brisbane	8	
Adelaide	2	1
Perth	4	
New Zealand	8	1
<b>TOTAL</b>	<b>37</b>	<b>9</b>







# H2 activity & development



## H2 activity and development | Summary

- › XtrackTV expansion into Adelaide
- › Launching 2,000 Beacons into Sydney bus network
  - Capitalising on mobile connectivity through proximity engagement
  - Broad application to drive deeper advertiser engagements
- › NZ strategic acquisition completed | Roadside Attractions
- › Expanded Sydney Airport contract commences in Q4
  - Revolutionising airport advertising with leading edge digital executions
  - Relaunching refurbished T2 Domestic Terminal - digital screen domination
- › On track to deliver additional 17 Large Format Elite Screens in 2015
  - 51 high quality digital screens by the end of 2015
  - Pipeline extends into 2016 and beyond

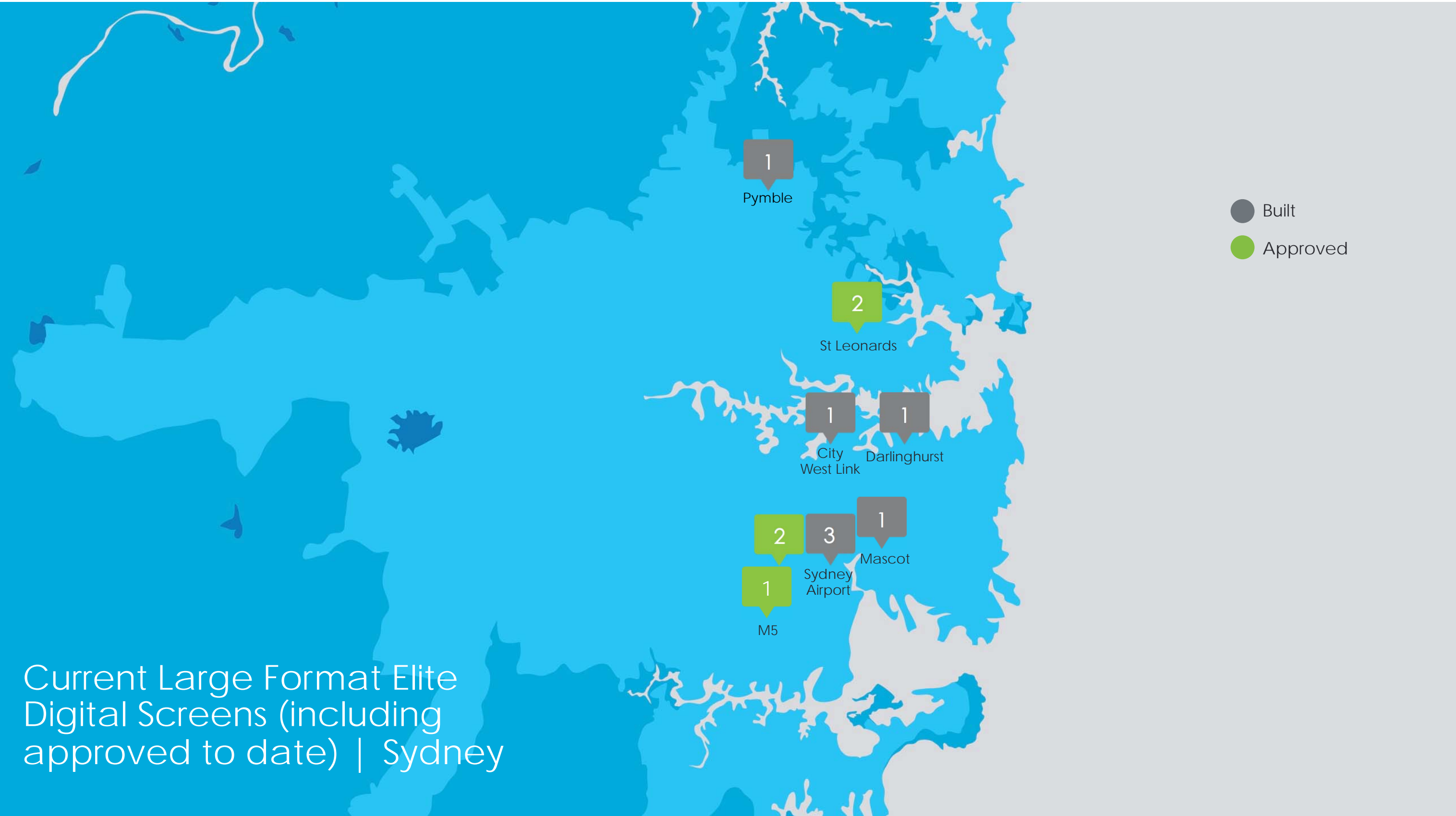
## Current Large Format Elite Digital Screens





## Current Large Format Elite Digital Screens (including approved to date)





Current Large Format Elite Digital Screens (including approved to date) | Sydney





All traffic entry Landmark, NSW | **Locality:** Airport externals  
**Direction:** Inbound | **Illumination:** Digital | **Format:** Elite Screens



## Summary

- › Very strong financial results providing a positive start to the year
  - Solid market growth and improved market share in Australia and New Zealand
  - Increased digital penetration expanding margins
- › Strategy of digital screen development leadership on track
- › Contract wins and renewals success
- › Initiatives and development agenda to continue in H2 and provide further opportunity for growth into 2016



A collection of various blue and white feathers is scattered across a black background. The feathers vary in size and shape, some showing a gradient from white to blue. In the center, a bright cyan rectangular box contains the word "Outlook" in a white, sans-serif font.

# Outlook

## Outlook

The Outdoor advertising market continues to benefit from share gains from other traditional media. These structural changes are being driven by the fragmentation of audiences of other media, together with the unique advertising opportunity created by digital outdoor screens.

In the second half of 2014, the Outdoor advertising market in Australia grew by 14%. These strong prior period results need to be considered in the context of expectations for H2 2015. Whilst forward bookings for H2 are ahead of the same time last year, there still remains around 50% of revenue to be written to achieve the revised forecast.

As a result of the strong performance from H1 and our current view of H2 market conditions, APO has revised its pro forma EBITDA forecast for the year ending 31 December 2015 to an increase of mid-teens percent above the Prospectus forecast of \$53.7m.

The board has confirmed its intention to pay a full year dividend for the year ending 31 December 2015 reflecting a payout ratio in the order of 60% of pro forma NPATA.





Q & A



A large, textured iceberg floats in the water, with a significant portion submerged below the surface. The scene is lit from above, creating a bright, hazy atmosphere. The water is a deep, dark blue, while the sky is a pale, bright blue. The iceberg's surface is uneven and shows signs of melting and weathering.

# Appendix



## Detailed expenses | Pro forma

\$ millions	2015 H1	2014 H1	VARIANCE \$	VARIANCE %
Direct costs	<b>89.9</b>	77.3	12.6	16.4%
Overheads	<b>19.8</b>	19.2	0.6	3.0%
<b>Total expenses</b>	<b>109.7</b>	96.5	13.2	13.7%
Rental of ad space	<b>58.3</b>	51.9	6.4	12.4%
Employee expenses	<b>15.9</b>	13.7	2.2	16.2%
Sales & marketing	<b>14.7</b>	11.3	3.4	30.3%
Other expenses	<b>20.8</b>	19.6	1.2	5.9%
<b>Total expenses</b>	<b>109.7</b>	96.5	13.2	13.7%



## Reconciliation | Pro forma to statutory results

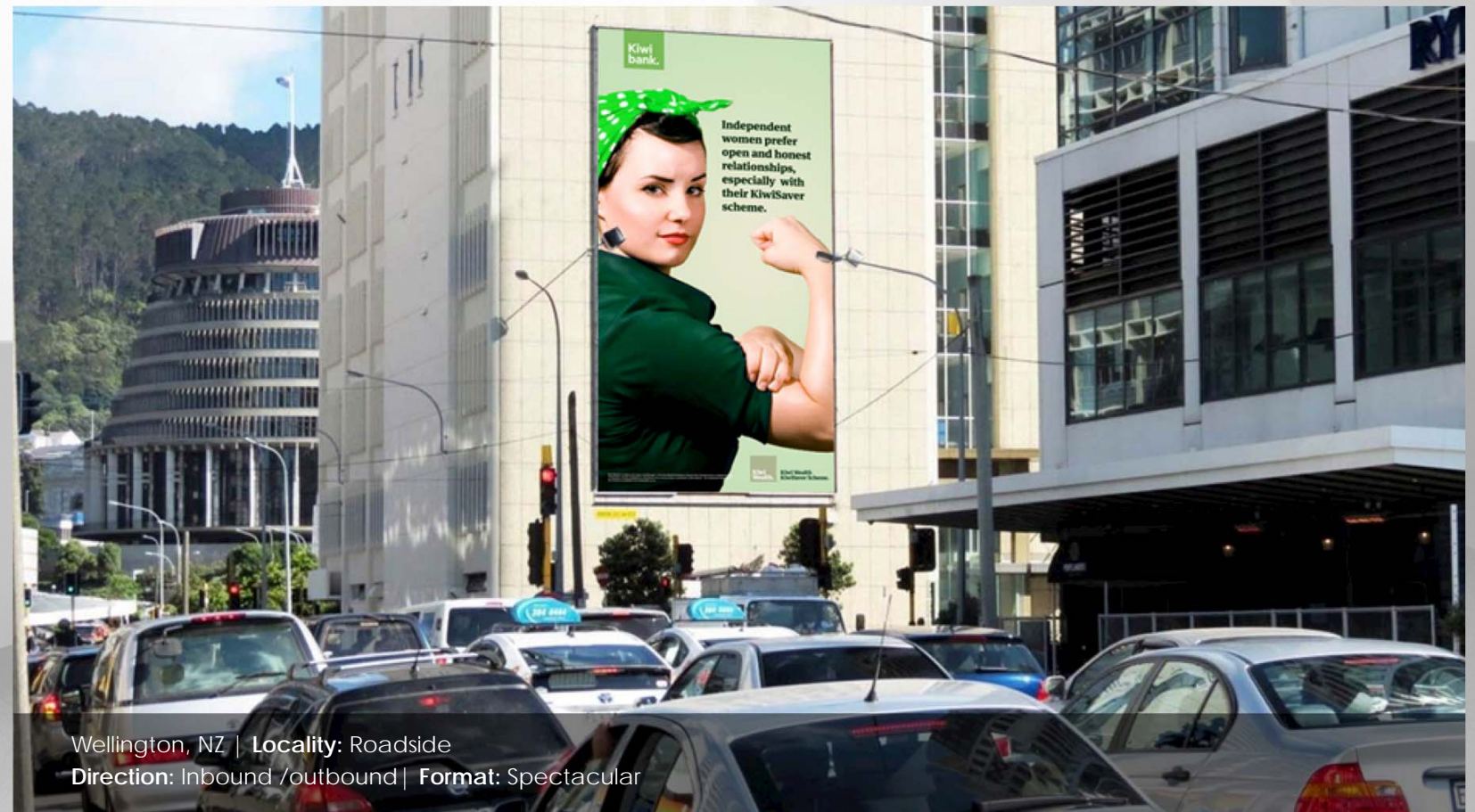
\$ millions	2015 H1	2014 H1
Pro forma EBIT	21.0	7.7
Finance costs	(2.3)	(10.6)
Pro forma adjustments		
Onerous lease		(4.4)
Other		1.5
Statutory PBIT	18.7	(5.7)
Pro forma NPAT	13.1	3.9
Onerous lease		(4.4)
Interest		(8.2)
Other	(0.3)	1.2
Tax effect of adjustments	0.1	3.8
Statutory NPAT	12.9	(3.7)



## H2 activity and development | Roadside Attractions

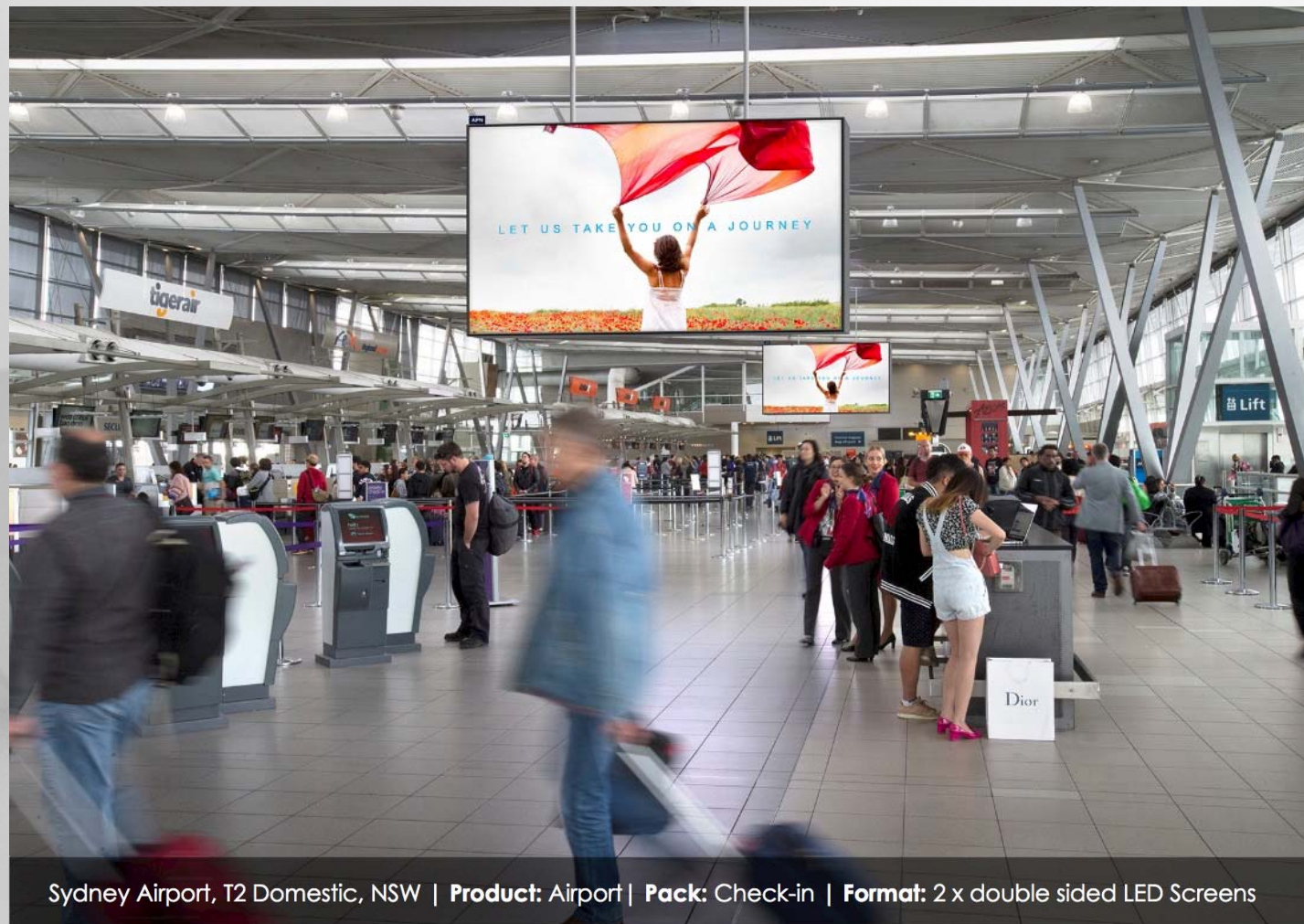
### Growing our NZ coverage

- › Completion of an important strategic acquisition in NZ
- › Geographically complements our NZ billboard audience reach
- › Additional 113 high quality billboards
- › Improves the scope of digital conversion opportunities
- › Annual revenue circa NZ\$2.4m





# Sydney Airport | T2 internal development plans



Sydney Airport, T2 Domestic, NSW | Product: Airport | Pack: Check-in | Format: 2 x double sided LED Screens



Sydney Airport, T2 Domestic, NSW | Product: Airport | Illumination: Digital | Format: 7.5m x 4.2m LED Screen



## About APN Outdoor | Most progressive Trans-Tasman Outdoor business

Portfolio of premium, high-traffic metro sites across specific categories:

- › Billboards – Large format static and digital
- › Transit network across Australia – 90%+ coverage of Australian capital city bus and tram networks
- › Airports across Australia and New Zealand, including internal and external digital sites
- › Rail – including roadside locations and XtrackTV

APN Outdoor’s strategy is characterised by:

- › Leadership positions in our chosen formats
- › Digital conversion and development
- › Premium quality and metro-centric focus
- › Consistent track record of contract renewals
- › Consumer led marketing focus





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