

ASX Announcement

12 November 2015

Chairman's Address – 2015 Annual General Meeting

Ladies and gentlemen good afternoon and welcome to the Asia Pacific Digital Annual General Meeting for 2015. My name is Roger Sharp and I will be chairing today's meeting.

Our Company Secretary Campbell Nicholas confirms that a quorum is present so we can now formally declare the meeting open. Before we get underway, I'll make introductions to the company's directors and senior executives who are present today.

Firstly I'd like to introduce you to my fellow Directors Mark Dalgleish and Peter Hynd, and to our Company Secretary Campbell Nicholas. We have apologies from two of our Non-Executive Directors, Fionn Hyndman and Laura Ashton, both of whom are based in Singapore.

Present today are a couple of our senior executives: Sam Monkivitch, who is our General Counsel, and Steve Smorgon, who is the CEO of our Interact Division in Australia. Feel free to approach our executives to ask them questions after the meeting.

Today's business

There are two major components to today's meeting.

Firstly, I will speak briefly about your company's performance during the year, and will update you on some important developments since year end.

Secondly, we will deal with the formal business as set out in the Notice of Meeting.

Please note that mobile phones, photographic equipment and recording devices may not be used during the meeting. After the meeting, refreshments will be available.

Let's start with a review of the 2015 financial year.

As you know this was your company's first full year as Asia Pacific Digital. Five separate businesses, each representing part of the digital value chain, were brought together to pursue a strategy of integration and growth in Asia.

During the year the company integrated these subsidiaries into a single business, a 360 degree digital services provider, with operations across the Asia Pacific region. If you like, into a much smaller version of Accenture or Sapient Nitro, with common ownership and incentives, a single set of business rules and the same cultural norms across the business.

We believe the integrated model that APD now operates under provides significantly enhanced prospects for our stakeholders - for our shareholders, for our clients, and for our employees.

This transformation has required a very significant effort within a relatively short period of time and I'm pleased to be able to update you on the journey today.



Why we have put this business together

In today's business environment the pace of change is lightning quick, to a large extent due to the ubiquitous and cheap computing power that smart phones and the Internet have placed in the hands of consumers. Life is changing quickly and businesses everywhere need to keep up, or face being disrupted. Hence the commonly used term "digital disruption."

This environment is giving rise to significant threats and opportunities as established companies scramble to reinvent themselves to survive, and as new, disruptive challengers change the commonly understood, often decades-old, rules of business.

You might ask, what is the relevance of this to you as a shareholder in Asia Pacific Digital? The answer is simple: today, corporates everywhere need capable digital partners who can help them to defend their market positions, or to challenge the status quo.

APD was formed to meet this opportunity: to deliver digital growth to its clients. Our role is to help our clients to define their digital strategies, then to build the technology they need to implement those strategies, to attract customers for them online and then to retain those customers.

We have assembled a formidable team of nearly 400 digital professionals operating from 10 offices across 8 countries, serving more than 1,000 clients - including some of the region's and the world's major corporations. Some of our clients use us for just one or two services, and others use us for everything in our toolkit - from strategy through execution. Whether our clients use just one service line or many, they typically all have one thing in common - they need to succeed online and they need to do a better job of it than their competitors.

A contextual note about the environment that your company operates in. Firstly, there is a genuine shortage of quality digital talent around the world. Our business is a fusion of consulting, marketing and technology and for us, and every firm like us, people are hard to find and they're hard to retain. We have been extraordinarily successful in attracting some of the best talent in the region. People want to work for us because we're big enough to deliver at scale, and make an impact, but small enough to be nimble, if not fun to work for. In an age of disruption we are the challenger, recruiting great people and winning clients from the big end of town.

We have gone to great lengths to establish APD in the right geography, with the right skills and tools to make a difference for its clients.

Your company has embarked on an ambitious mission, building infrastructure, systems and human capability in this enterprise. We are now nearly operating at scale and anticipate winding back our investment phase shortly. This will enable us to drive profit into the business.

Milestones Achieved in FY15

Your company achieved a significant number of milestones during the year and I'll spend a few minutes recapping five of them: Operations, Branding, Footprint, Service Lines and Clients.

1. **Operations.** The company opened its Regional Operations Centre in Manila, a competitively priced technology and support services hub. The ROC as we call it has 120 seats and enables the company to develop technology and run internal processes like accounting, operations and HR from a highly competitive cost base. The ROC will enable us to scale across the region.

2. **Branding.** We rebranded all our business units as APD in order to implement the company's 360 degree strategy. To make this more than a skin deep exercise, we worked to define APD's culture, values and business goals. The rebranding slowed us down, but we are now recovering momentum.
3. **Footprint.** We have a finely tuned acquisition model in Asia that is working very well indeed. The first business we acquired, in Malaysia, is now eight times larger than it was four years ago. This year we acquired and integrated @ccomplice in Singapore and its revenues have now more than doubled inside a year. Indonesia is next.
4. **Service Lines.** We transferred one of our most senior executives to Asia to launch performance marketing, and have started to win business there in a large and fast-growing market. We also became one of only five resellers globally of the IBM Marketing Cloud.
5. **Clients.** We secured a number of flagship clients such as Village Roadshow, Goodyear Dunlop, GrabTaxi, ACE Insurance and CapitalLand. Encouragingly, these clients see us as an end-to-end service provider rather a vendor operating in silos - as we were under the old business model.

At shareholders will be aware, at the start of this transformation process we set ourselves a set of transparent benchmarks and I'm pleased to say that we delivered well against these milestones during the year.

FY15 Results and KPIs

During the company's three year growth phase we have adopted five KPIs, against which we track our performance. They are: building out our Asian network; earning 50% of our revenues outside Australia; employing 50% of our employees in Asia; achieving a minimum 30% organic growth rate in Asia; and running between breakeven and modest losses while expanding.

Let's review our progress on these five fronts.

1. Network

Our core Asian capabilities are on track, with strong businesses in Singapore and Malaysia, a dynamic support hub in Manila, and both performance marketing and CRM capabilities building across the region. We are well advanced in our assessment of launch opportunities and strategy for Indonesia.

2. International Revenues

In the year to 30 June, APD earned around 33% of its revenues from outside Australia, a number that will increase over time.

3. 50% of our employees in Asia

Around 60% of our employees are now located in Asia, which is a significant milestone that we are proud of.

4. Minimum 30% organic growth in Asia

We achieved 66% growth in FY15. That number won't be replicated in 2016 however the foundations are in place for sustained growth in Asia.

5. Contain losses while building the network

We reported a \$1.5m EBITDA loss before expensing employee options. It's a tall order to break even while expanding in eight countries with a depreciating currency. We have carried additional overhead to expand into Asia and we are rapidly reaching the point where we can scale back our investment and begin to drive profits.

I'll cover three other developments before taking questions, then moving to today's formal business.

Firstly, channel partnerships. As I mentioned earlier in my address, the major global consulting, technology and marketing companies all plan to enter our space but don't necessarily have all the capabilities they need to deliver for their clients in this region. APD on the other hand has built a relatively well-oiled machine that needs more clients. So we intend negotiating at least one channel partnership this year to improve our origination capability.

Secondly, governance. This year we refreshed the company's Board of Directors, with the appointments of Laura Ashton and Mark Dalglish as longstanding director David Sweet retired. Both Laura and Mark will seek election shortly and have prepared statements on their backgrounds and skill. I'm pleased to report that the level of engagement and expertise around the board table is exceptionally high and that your management team is being appropriately challenged.

Thirdly, the company announced on Tuesday that it has raised \$4m from a convertible note issue led by Prime Partners in Singapore. This is the first Asia-led investment the company has received and we think reflects both the significant progress made in Asia, and the scale of continuing opportunity across the region. The notes are unsecured and carry a 10% interest rate, converting to shares at a premium to historical trading levels.

Summary

In summary, we have made significant progress in this journey. In the next 18 months we will be looking to reduce our corporate overhead and scale back our investment spend in order to trend towards the profit margins you would expect from a business like this.

My fellow Directors and I would like to thank Asia Pacific Digital's shareholders and employees for their continuing support as we complete this journey.

Now to the formal business of the meeting.

ABOUT APD

APD (<http://www.apdgroup.com>) is a 360-degree digital services firm that delivers digital growth to more than 1,000 clients across the Asia Pacific region.

APD employs almost 400 digital professionals in Sydney, Melbourne, Auckland, Shanghai, Hong Kong, Manila (its technology hub), Kuala Lumpur and Singapore (Head Office).

Clients include such as Bayer, Budget, Cisco, Dell, eBay, Ecco, Expedia, Fonterra, Ford, GSK, Lend Lease, Lenovo, Maxis, Nestlé, Panasonic, Qantas, Tumblr and Village Roadshow.

APD has four divisions: APD Interact, who create interactive customer experiences; APD Acquire, who attract and retain customers via performance-based channels; APD Engage, who engage customers through sophisticated communication strategies and technology platforms, and; APD Venture, who invest in end-to-end eCommerce partnerships.

Asia Pacific Digital is listed on the Australian Stock Exchange and its ordinary shares are traded under the ticker DIG.