

ASX Announcement

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The Manager
ASX Market Announcements
Australian Securities Exchange Limited
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By e-lodgement

HALF YEAR PERFORMANCE | CORPORATE STRUCTURE | NEW EXECUTIVE APPOINTMENTS

SUMMARY

- Unaudited half year results - revenues flat, EBITDA loss of \$2.75m
- New channels to market and alliances being explored to generate revenue growth
- Accelerated investment in infrastructure spend (premises, IT, finance, HR systems) to support new channels
- Simplified divisional structure launched, with senior management appointments
- Some divisional underperformance during the half, now addressed
- Planned tapering of investment spend from FY17 as company shifts to maximise margins

HALF YEAR UPDATE

APD reports unaudited group revenues of \$28.7m for the half year ending 31 December 2015 (flat in comparison with PCP) with an EBITDA loss of \$2.75m. While an EBITDA loss was expected for H1 due to continuing investment in the regional network, this result was behind plan, reflecting accelerated investment spend plus certain business unit underperformance:

Accelerated Investment in the Regional Platform: APD has been fast-tracking the completion of its regional integration of premises, finance systems and HR functions to deliver a single, streamlined delivery and support platform by the second half of the calendar year. This platform is critical to managing costs and improving reporting speed, and is a prerequisite to fully developing sales and channel partnerships to drive revenue growth.

Performance: APD's Global Clients and Engage businesses underperformed in the second quarter. Global Clients' largest client reduced revenues due to a technology restructuring project, which will continue into H2. APD's Engage division underperformed in Q2. Cost initiatives have immediately been implemented to remedy the underperformance.

Directors note that the first half result is not necessarily indicative of likely full year performance and that a range of factors currently being implemented (see below) will drive second half outcomes. Further detail and analysis of the half year result will be provided at the release of the statutory financial statements in February.

NEW CORPORATE STRUCTURE

The Company has reorganised into two business units: APD, its 360 degree digital services business, and Venture, its eCommerce investment business. From 1 July 2016 the Company will report on the:

- profitability of APD 360 Degree Digital;
- investment in and portfolio value of Venture; and
- corporate costs attributable to running the listed entity (as opposed to its business units).

This reporting framework will highlight the value being created within each business unit and will enable the group to take steps towards monetising its assets at the appropriate time.



MANAGEMENT APPOINTMENTS

Newton Smith (based in Singapore) has been appointed **CEO of the 360 Degree Digital** business unit. Newton was previously Chief Operating Officer of APD, has been with the company since September 2013 and led the establishment of APD's Regional Operations Centre in Manila. He previously held senior roles for IBM from 2004-13 including Global Head of Emerging Markets eCommerce and CEO of IBM's outsourcing business in the Philippines.

Damien O'Donohoe (also based in Singapore) has been appointed **Group CFO**. Damien was previously CFO for Asia Pacific for Sapien Nitro (owned by Publicis) and Global CFO for Nitro from 2008-11. Prior to that he was CFO (UK) and Worldwide Commercial Director for Proximity (owned by Omnicom) between 1993-2008. Damien is a highly experienced financial executive with specific domain knowledge across South East Asia and a track record of performance improvement. His appointment reflects the company's strategy of investing in the systems and processes required to scale at best practise across the region.

Campbell Nicholas, the current CFO for APD Group, remains Company Secretary and moves to a new role of Group Financial Controller.

Stephen Smorgon and **Shaun McNamara** have been appointed Joint CEOs in Australia. Shaun is currently CEO of APD's regional performance marketing business, and has been with the group in various roles since 2002. Steve is currently CEO for APD Interact in Australia and has 17 years' experience in technology, digital marketing and communications. He is or has been a judge for Webbys and several other industry awards.

OTHER INITIATIVES

EY (formerly Ernst & Young) was formerly auditor to Asia Pacific Digital. Subsequent to its resignation as auditor in November 2015, EY and APD commenced discussions on developing a teaming relationship, with EY advising clients on transformation in a digitally disruptive world, and APD providing its 360 degree digital toolkit to implement digital strategies for those clients.

CONCLUSION

The start-up phase of APD's regional expansion is approaching completion and domain experts have now been appointed to drive efficiency and margins.

While the first half financial result fell short of internal targets, your Directors believe APD is well-positioned to meet its strategic goal of delivering a **unique regional digital services platform**, and that the short term initiatives underway provide a clear pathway to target profitability.

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ABOUT APD

Asia Pacific Digital's APD subsidiary www.apdgroup.com is the largest independent digital services business in Asia Pacific. Headquartered in Singapore, APD has around 400 digital professionals in 10 offices in nine countries delivering 360 degree digital services for more than 1,000 clients.

Digital Strategy | Technology | Marketing | CRM | Analytics | eCommerce

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