

APN OUTDOOR

THE
CENTRE
FOR
ATTENTION

2015 Full Year Results

22 February 2016
Richard Herring, CEO
Wayne Castle, CFO



Agenda

Introduction

Strategy Review

Financials

Operations

Growth Drivers

Summary

Outlook

Introduction

- › Strong results delivered by the successful multiple path growth strategy
- › Positive industry dynamics & investment in digital products drive financial performance

Revenue	↑ 20% on LY to \$300.8m
EBITDA*	↑ 62% on LY to \$73.3m
Prospectus	Exceeded prospectus & guidance
Digital screens	18 commissioned in 2015
Acquisitions	3 asset acquisitions completed
Dividends	Final dividend of 11 cents (fully franked)

*Pro forma





Strategy Review

Strategy Review | Multiple path growth opportunities

- › **Leadership** - Maintain leadership positions in our key Outdoor categories in Metro areas of Australia & NZ
- › **Quality** - Invest in premium products & the highest quality digital screen locations & technology
- › **Growth** - Pursue multiple path growth opportunities through:

Digital screens

- › Invest in targeted premium digital screen locations
- › Promote attributes to encourage new advertisers & broader usage
- › Maintain clear leadership position in digital billboards

Organic

- › Retain existing contracts on favourable terms
- › Win new contracts within strategic category scope
- › Leverage existing contracts to upgrade panel quality

Acquisitions

- › Complement existing category base
- › Quality assets providing geographic depth & value
- › Provide strong digital prospects



Financials

Results overview | Pro forma

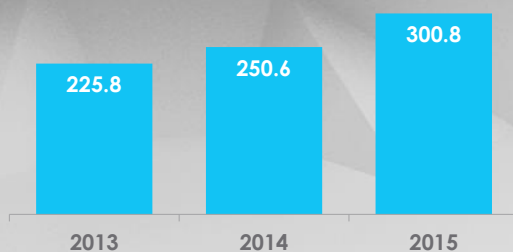
\$ millions	2015	2014	Growth \$	Growth %
Revenue	300.8	250.6	50.2	20%
EBITDA	73.3	45.3	28.0	62%
EBITDA margin	24.4%	18.1%		
NPATA	43.3	23.7	19.6	83%
EPS – diluted (based on NPATA)	26.0 cents	14.1 cents	11.9 cents	84%
Net debt / EBITDA	0.8x	1.7x		

› Revenue up \$50m with 56% dropping through to EBITDA

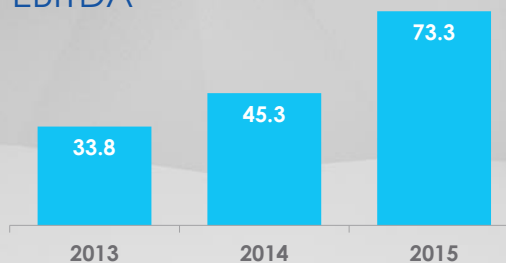
› EBITDA margin expands to 24.4%

› Leverage below 1x

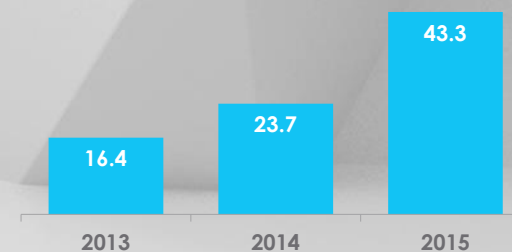
Revenue



EBITDA



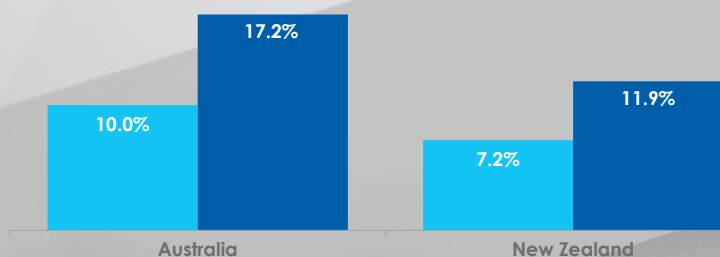
NPATA



Revenue by country | Growth both sides of the Tasman

\$ millions	2015	2014	Growth \$	Growth %
Australia	271.4	230.1	41.3	18%
New Zealand	29.4	20.5	8.9	44%
TOTAL	300.8	250.6	50.2	20%

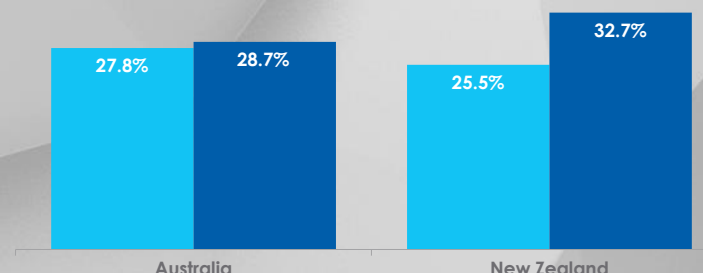
Market growth



Source: OMA and OMANZ

■ 2014 ■ 2015

Market share



Source: OMA and OMANZ

■ 2014 ■ 2015

Australia

- › Market up 17.2% for the year with stronger Q4 growth than anticipated
- › Market share up 0.9 percentage points

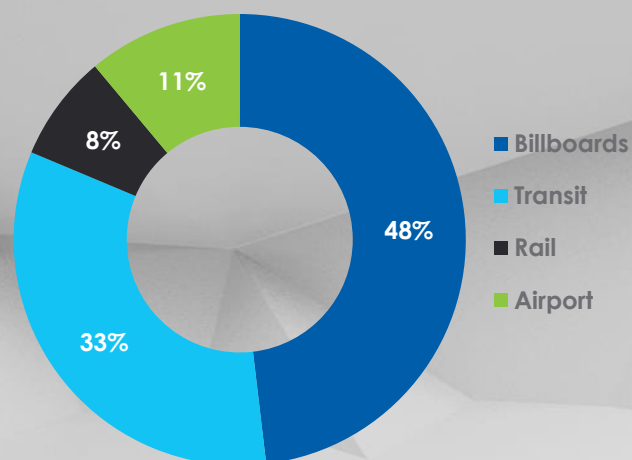
New Zealand

- › Market growth 11.9% & significant share growth
- › Share growth includes Auckland Airport (from November 2014) & Roadside Attractions (from August 2015)

Revenue by category | All categories growing

\$ millions	2015	2014	Growth \$	Growth %
Billboards	143.9	122.9	21.0	17%
Transit	101.0	91.7	9.3	10%
Rail	22.8	16.2	6.6	41%
Airport	33.1	19.8	13.3	67%
TOTAL	300.8	250.6	50.2	20%

% of total revenue



- › All categories contributing to revenue growth
- › Rail increase includes benefit of XtrackTV
- › Airport revenue growth assisted by full year effect of Auckland Airport & expanded Sydney Airport contract
- › Digital revenues included in Billboard, Rail & Airport categories

Revenue by type | Growth in digital & static

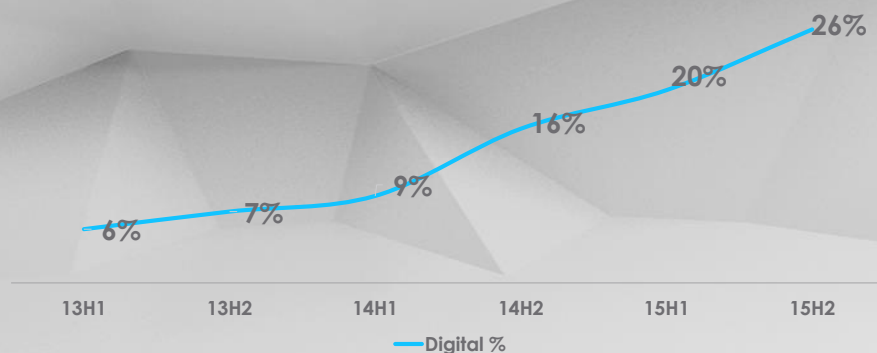
\$ millions	2015	2014	Growth \$	Growth %
Static	231.4	218.3	13.1	6%
Digital	69.4	32.3	37.1	115%
TOTAL	300.8	250.6	50.2	20%

Digital %	23.1%	12.9%
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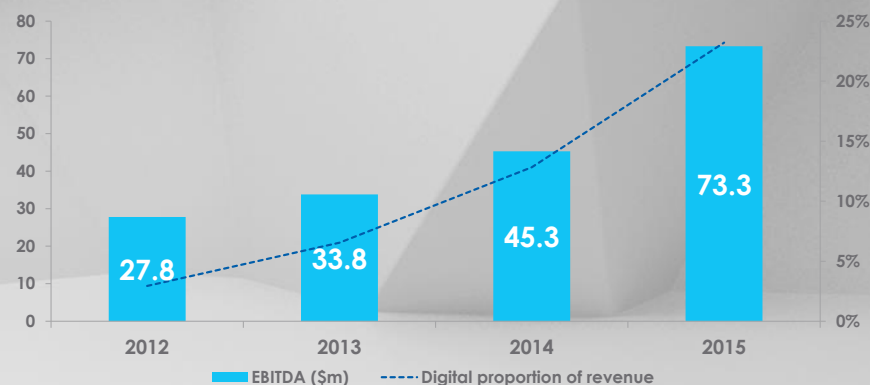
› Digital revenue more than double previous year

› Notwithstanding digital growth, static revenue still up 6% with growth in both Transit & Billboard categories

Digital proportion of revenue



Digital leverage

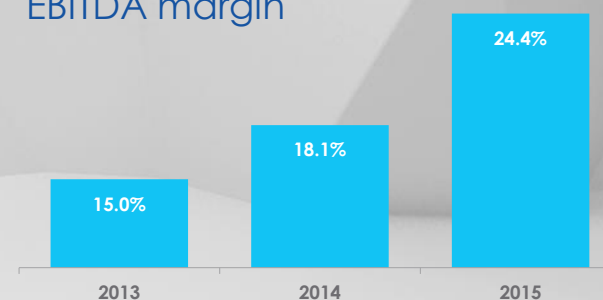


Detailed results | Pro forma

\$ millions	2015	2014	Growth \$	Growth %
Revenue	300.8	250.6	50.2	20%
Expenses	(227.5)	(205.3)	(22.2)	11%
EBITDA	73.3	45.3	28.0	62%
EBITDA margin	24.4%	18.1%		
Depreciation	(7.5)	(7.1)	(0.4)	6%
Amortisation	(2.7)	(2.8)	0.1	(5%)
EBIT	63.1	35.3	27.7	78%
Net interest expense	(3.5)	(4.1)	0.6	(13%)
Profit before tax	59.5	31.3	28.3	90%
Tax expense	(18.1)	(9.6)	(8.5)	88%
NPAT	41.4	21.6	19.8	91%
Amortisation after tax	1.9	2.0	(0.2)	(7%)
NPATA	43.3	23.7	19.6	83%
NPATA margin	14.4%	9.5%		

- › EBITDA margin improved 6.3% to 24.4%
- › Increased mix of digital revenues has helped drive EBITDA cut-through of 56%
- › Tax rate & interest as expected

EBITDA margin

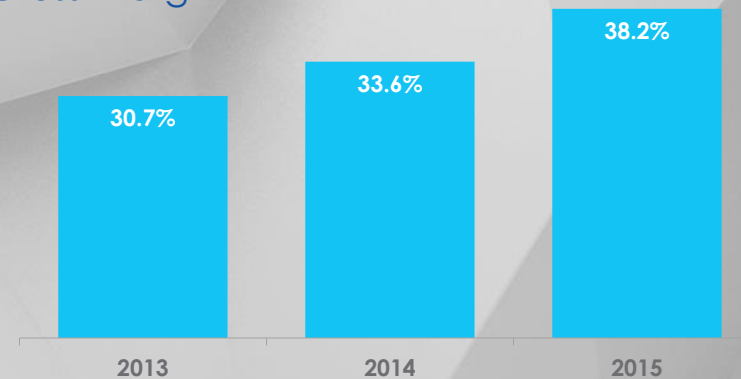


Gross margin | Continued margin expansion

\$ millions	2015	2014	Growth \$	Growth %
Revenue	300.8	250.6	50.2	20%
Direct costs	(186.0)	(166.3)	(19.7)	12%
Gross margin	114.8	84.3	30.5	36%
Gross margin %	38.2%	33.6%		

Gross margin

- › Gross margin up \$30m from a combination of higher revenue & 4.6 percentage point margin expansion
- › Continued margin expansion driven by increased digital & transit revenues at higher margins



Operating cash flow | Strong cash conversion

\$ millions	2015	2014	Growth \$
EBITDA	73.3	45.3	28.0
Working capital & non-cash items	(11.7)	(0.4)	(11.3)
OCF before capex	61.6	44.9	16.7
Cash conversion ratio	85%	99%	
Capital expenditure	(13.5)	(20.9)	7.4
Asset acquisitions	(12.0)	-	(12.0)
Other	(2.8)	-	(2.8)
OCF after capex	33.3	24.0	9.3
Interest	(3.5)		
Tax	(2.0)		
Dividends	(9.2)		
Net cashflow	18.6		
Net debt - start of year	76.1		
Net debt - end of year	57.5		

- › Operating cashflows fund investment activities, dividends & debt reduction
- › Tax & dividend payments to increase in 2016
- › Cash conversion impacted by prepayment of rent. Normalised cash conversion 92%
- › \$19m reduction in net debt
- › Net debt/EBITDA reduces to 0.8x at 31 Dec

Balance Sheet | Substantial headroom

\$ millions	Dec 2015	Dec 2014	Growth \$
Cash	9.0	9.9	(0.9)
Other current assets	75.8	66.3	9.5
Property, plant & equipment	77.9	71.8	6.1
Intangible assets & goodwill	222.9	213.9	9.0
Other non-current assets	3.6	1.7	1.9
Total assets	389.2	363.6	25.6
Trade & other payables	(22.7)	(27.8)	5.1
Tax & other provisions	(21.8)	(6.5)	(15.3)
Borrowings	(65.9)	(85.1)	19.2
Other non-current liabilities	(30.7)	(27.9)	(2.8)
Total Liabilities	(141.1)	(147.3)	6.2
Net assets	248.1	216.3	31.8
Net debt / EBITDA	0.8x	1.7x	
Net debt / (net debt + equity)	19%	26%	

- › Net assets of \$248m up 15% on previous year
- › Investment activities funded by operating cashflows
- › \$55m of funding available at 31 Dec from undrawn facilities & cash

The background is an abstract composition of bold, geometric shapes in red, teal, and grey, creating a dynamic and textured visual field. A solid blue rectangular box is centered horizontally, containing the word "Operations" in white, sans-serif font.

Operations

Operations | Elite Screens

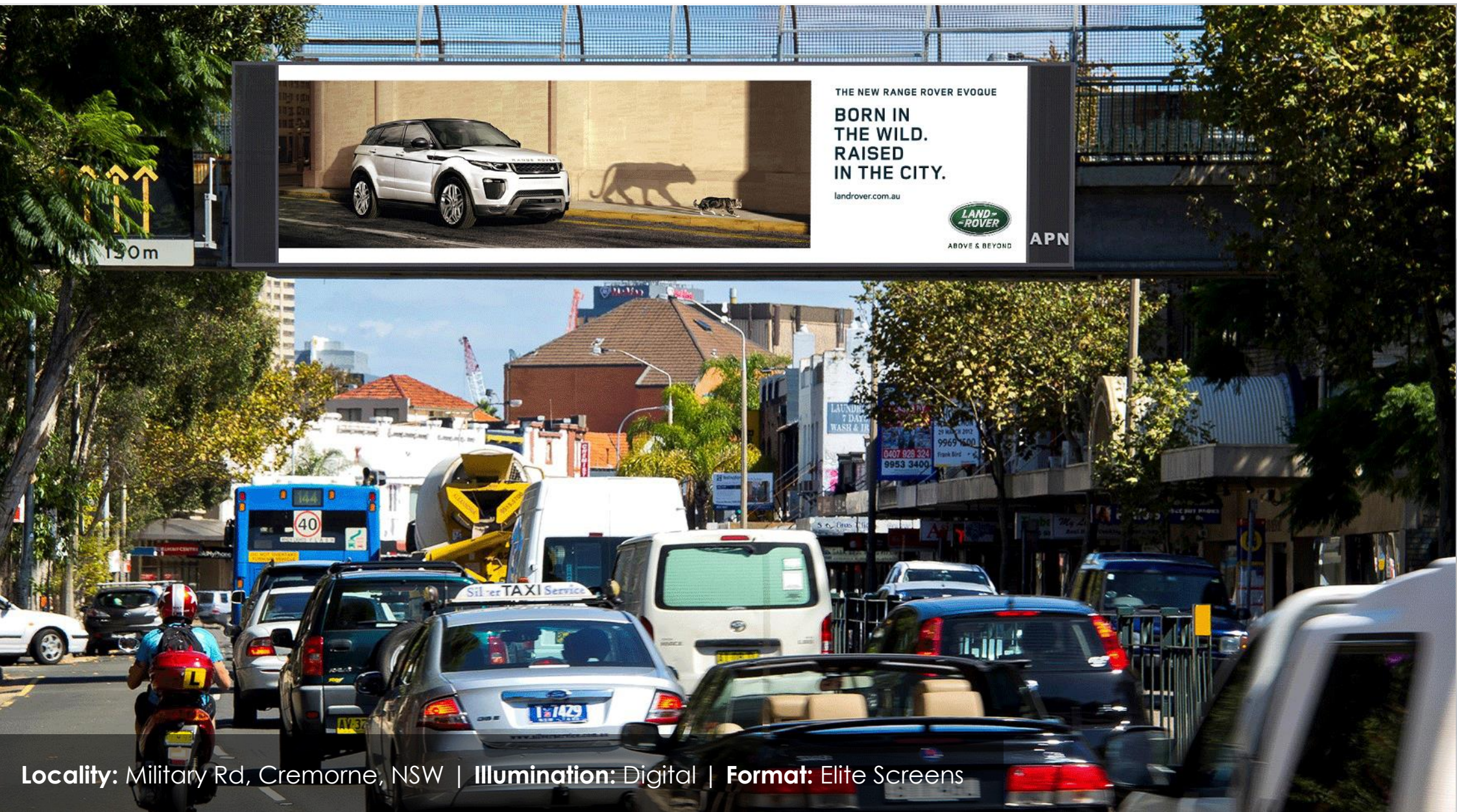
- › Leadership position extended with 52 Elite Screens
- › Additional 18 Elite Screens built & operational in 2015
- › Only premium quality Metro locations
- › Industry leading technology
- › Half of new screens in important Sydney market
- › Advertiser support continues to broaden
- › Increased use of digital creative capabilities

Elite Screens	Dec 2015	Dec 2014	2015 Builds
Sydney	14	5	9
Melbourne	11	8	3
Brisbane	9	8	1
Adelaide	5	2	3
Perth	5	3	2
New Zealand	8	8	-
Total	52	34	18

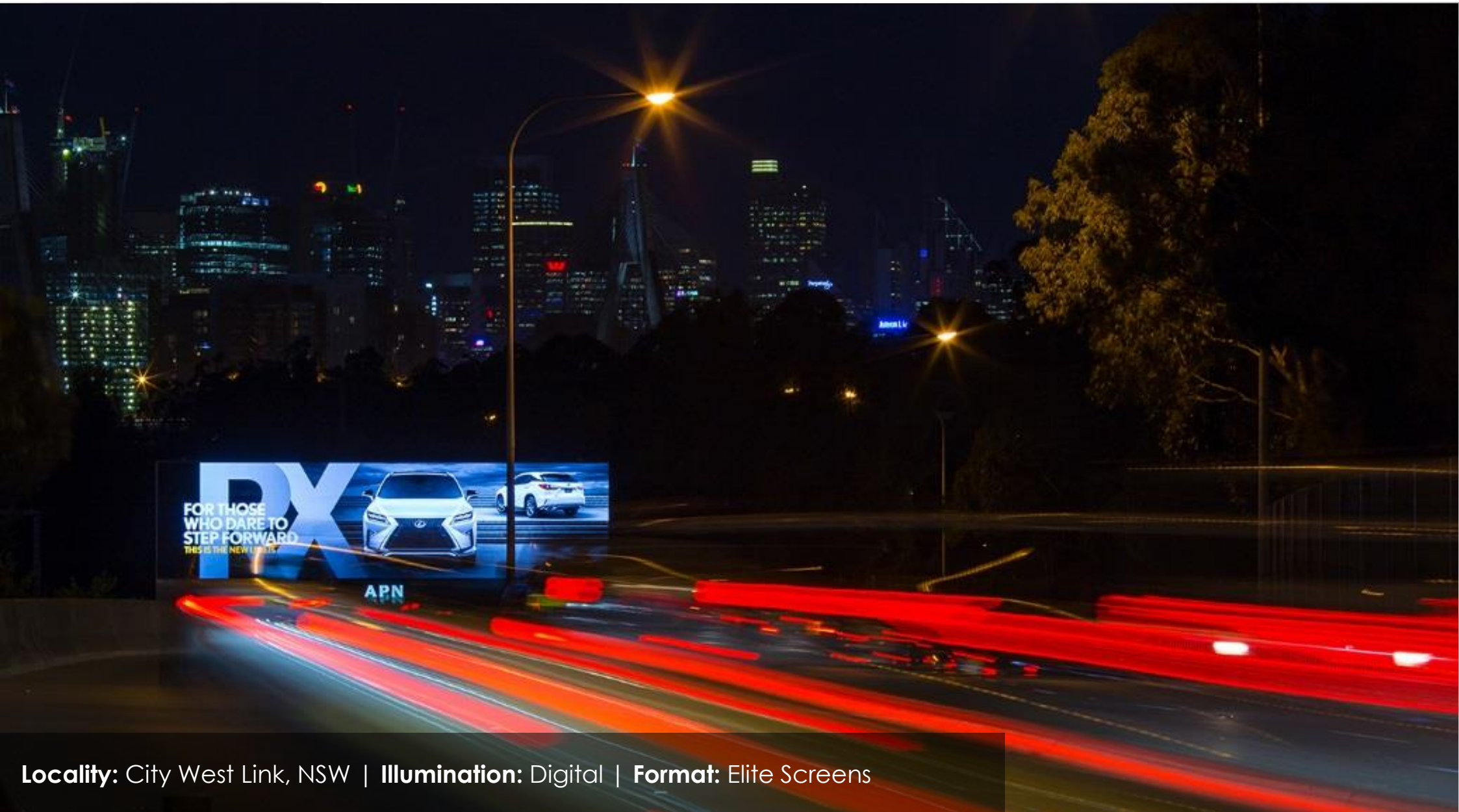




Locality: Sydney Airport, NSW | **Illumination:** Digital | **Format:** Elite Screens



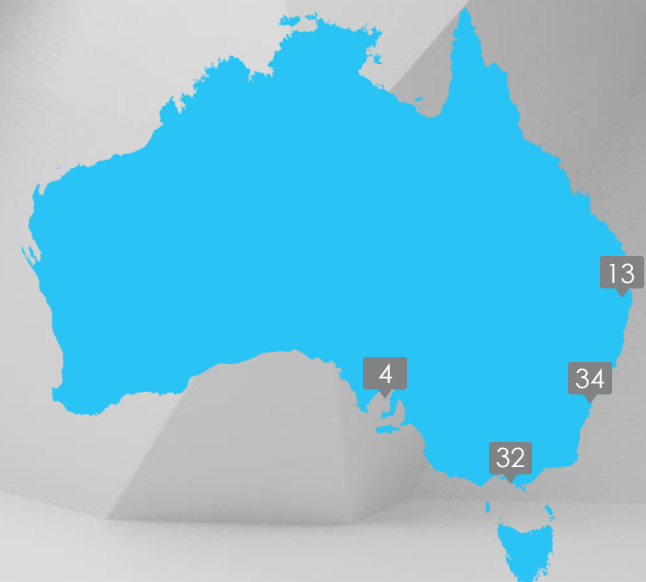
Locality: Military Rd, Cremorne, NSW | **Illumination:** Digital | **Format:** Elite Screens



Locality: City West Link, NSW | **Illumination:** Digital | **Format:** Elite Screens

Operations | XtrackTV

- › Continued strengthening of breakthrough new product
- › Expanded into Brisbane & Adelaide – a network of 83 panels
- › All four major capital city rail audiences now reached
- › Key characteristics of unique audience & environment resonating with advertisers
- › Ability to play TVCs / content is attracting advertiser's screen budgets



Operations | Organic

Renewed & expanded key contracts

- › Sydney Airport win & development
 - › Retained T1 & external billboard contract
 - › Won T2 internal contract (commenced Oct)
 - › Delivered a significant development capital program
 - › World leading digital formats installed - 4 external and 119 internal
 - › Strong advertiser support
- › Renewed WA Bus advertising contract
- › Asset upgrades at Auckland Airport complete
- › Won Media I 'National Sales Team of the Year' award



Operations | Acquisitions

- › Targeted acquisitions support strong organic growth
- › Three asset acquisitions completed in 2015
 - › Roadside Attractions in NZ
 - › Drive by Developments in Australia
 - › Adspace in Australia
- › Strong digital development opportunities
- › Aligned with category & quality focus
- › Total investment of up to \$45m depending on site approvals | \$12m spent in 2015





Growth Drivers

Growth Drivers | Continuation of Multiple Path growth strategy

› Digital Screen development

- › Accelerated rollout of Elite Screens targeting 20+ new Elite Screens in 2016 – mostly conversions
- › Currently 54 screens active with approval to develop an additional 9 screens
- › XtrackTV
 - › agreement reached with the PTA to extend in to the Perth market completing the national network
 - › exclusive content agreement reached with Sky TV
- › Continue to develop leading edge technology connecting brands with consumers via mobile devices
- › Piloting with Sydney Buses an integrated digital screen / Wi-Fi / App consumer interface



Growth Drivers | Continuation of Multiple Path growth strategy

› Organic

- › Audience Growth – Expect to continue the absolute & relative audience growth of Outdoor
- › Contract renewal profile
 - › No major renewals in 2016
 - › Assessment of new contracts may offer opportunities
- › Marketing initiatives
 - › Olympic partnership association
 - › Continue to lead research to better understand the relationship between our products & consumers

› Acquisition activity

- › Further targeted acquisitions to be explored



The background is a complex, three-dimensional geometric pattern. It consists of numerous white triangular facets that are arranged in a way that creates a sense of depth and perspective. Some facets are slightly offset from others, giving the impression of a crystalline or architectural structure. Interspersed among the white facets are thin, sharp lines of various colors, including shades of purple, pink, blue, green, and red. These colored lines appear to be the edges of the facets or perhaps thin layers of different materials. The overall effect is a vibrant, modern, and abstract visual texture.

Summary

Summary

- › Focused multiple path strategy is delivering results
- › Key financial drivers
 - › Strong market fundamentals with improved market share in Australia and New Zealand
 - › Increased digital penetration attracting new advertisers & expanding margins
 - › Strategic acquisitions
 - › Contract wins & renewals success underpin growth
- › Leadership in large format digital enhanced with accelerated rollout in 2016
- › Future strategic growth agenda well progressed & delivering results



A close-up photograph of a person's eye, heavily adorned with vibrant blue and purple makeup. The eye is looking directly at the camera. A bright blue rectangular overlay is positioned over the center of the eye, containing the word "Outlook" in a white, sans-serif font. The background is a blurred pattern of blue and purple light spots, creating a bokeh effect.

Outlook

Outlook Statement

Outdoor advertising momentum from 2015 has continued into the early months of 2016. However, our revenues and earnings are weighted to the second half of the year. Assuming a continuation of current market conditions we expect a revenue increase for 2016 in the range of 8% to 11% and full year EBITDA to be in the range of \$84m to \$88m.

Demand from advertisers and agencies for our large format digital screens remains strong and as a result, we are planning to accelerate our rollout programme in 2016 to over 20 new digital Elite Screens. To date we have commissioned 2 new Elite Screens in 2016 with a further 9 approved and at various stages of construction.



Questions



Appendix

About APN Outdoor | Most progressive Trans-Tasman Outdoor business

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

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

APN Outdoor's strategy is characterised by:

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



Detailed expenses | Pro forma

\$ millions	2015	2014	Growth \$	Growth %
Direct costs	(186.0)	(166.3)	(19.7)	12%
Overheads	(41.5)	(39.0)	(2.5)	6%
Total expenses	(227.5)	(205.3)	(22.2)	11%
Rental of ad space	(121.8)	(108.2)	(13.5)	12%
Employee expenses	(31.9)	(29.3)	(2.6)	9%
Sales & marketing	(31.6)	(25.1)	(6.4)	26%
Other expenses	(42.3)	(42.7)	0.4	(1%)
Total expenses	(227.5)	(205.3)	(22.2)	11%

Reconciliation | Pro forma to statutory results

\$ millions	2015	2014
Statutory NPAT	41.0	(12.2)
Onerous lease	-	4.5
Other one-off adjustments	-	3.6
Strategic realignment	-	1.3
Listed company costs	-	(0.9)
Offer costs	-	11.9
Management Equity Plan	-	0.8
Net interest adjustments	0.5	26.2
Tax effect of adjustments	(0.1)	(13.6)
Pro forma NPAT	41.4	21.6

Debt | Reconciliation to balance sheet

\$ millions	Dec 2015	Dec 2014
Borrowings		
Senior	66.5	80.0
Working capital	-	6.0
Gross debt	66.5	86.0
Cash	(9.0)	(9.9)
Net debt before borrowing costs	57.5	76.1
Borrowing costs	(0.6)	(0.9)
Net debt	56.9	75.3
<i>Net debt LTM EBITDA</i>	0.8x	1.7x

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