

ASX Announcement

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The Manager
ASX Market Announcements
Australian Securities Exchange Limited
Sydney NSW 2000

By e-lodgement

FY16 FINANCIAL PERFORMANCE | ACHIEVEMENT OF YEAR-END TARGETS

- APD's build phase is nearly complete, with infrastructure and teams now in place operating at scale across the region, serving multinational clients. New investment is being scaled back.
- FY16 group revenues were up 1.7% to \$55 million, with organic growth in Asian client revenues (excluding Global Clients) up by 49% ⁽¹⁾.
- EBITDA result from continuing operations \$(5.9)m, comprising 360° Digital Services business unit \$(3.2)m (including \$500k of restructuring costs) and Head Office costs \$(2.7)m.
- APD's 360° Digital Services business unit achieved a breakeven result in June 2016 and is trending to profit after delivering ~\$4m in cost reductions during H2 (as outlined in the Company's April 2016 Rights Issue documents).
- Head Office costs are being reduced to reflect completion of the core Asian platform.
- The management team is targeting sustained industry profit margins during CY17. The journey to sustained profitability will not be linear, with seasonal variances affecting quarterly results.
- APD is winning significant new clients across Asia.
- The Company has shifted to a country P&L framework in FY17 to better promote its 360° Digital Services offer and improve local client servicing.

DIVISIONAL PERFORMANCE

- *Asia* - (excluding Global Clients division) - delivered excellent revenue growth, up 49% year-on-year. Significant regional mandates were won and are being executed across the network. Malaysia delivered another strong performance, and is now in double-digit sustainable profit margins. Singapore has invested heavily in its team and infrastructure and late in Q4 commenced a major regional engagement with Chubb Insurance. APD's Regional Operations Centre in the Philippines operated well and will move to a double shift to accommodate growing volumes. APD won its first Philippines client.
- *Australia* - revenues were flat as market conditions remained subdued and 360 Degree Digital integration took longer than anticipated. Significant focus is being applied to growing Australian revenues and improving profitability.
- *New Zealand* - revenues were down as APD migrated its Enterprise clients from a legacy technology platform to the IBM Marketing Cloud and launched its 360° Digital Services business unit. The business has now stabilised and is in a position to grow in FY17.
- *Global Clients* ⁽¹⁾ - Revenues from Global Clients' largest account declined by 21% during FY16 due to a major technology re-platforming that has constrained broader digital activity. While revenues are expected to remain at current levels during FY17, other client wins in Asia have more than replaced the decrease, and have reduced client concentration.

PROFITABILITY

- APD's build phase is nearly complete. Infrastructure and teams are now in place and operating at scale across the region. New investment has been scaled back, and businesses that will not achieve target profitability within the required timeframe have been exited.
- These initiatives delivered ~\$4m of sustained cost savings and together with improving revenues, led to a breakeven EBITDA result in June 2016.
- APD has been integrating premises, financial and HR systems to deliver a single, streamlined delivery and support platform to enable the business to scale. This platform is critical to managing technology project delivery, shared regional resourcing and management of margins. The process will be completed by the end of CY16.
- APD now has the ability to scale revenues and drive more incremental margin to the bottom line (given that regional management, teams and infrastructure are already established).

KPI PERFORMANCE

- APD set five multi-year targets at the commencement of its regional build process:

KPI Target	Status
1. Build core Asian capabilities	Achieved
2. 50% of group revenues outside of Australia	On track, Global Clients reduction impacted FY16, but strong growth achieved / outlook for SG, MY, PH in FY17
3. 50% of employees located in Asia	Achieved
4. 30%+ organic growth rate in Asia	Core Asia operations (excluding Global Clients) grew at 49%
5. EBITDA \$0–\$(2)m in build phase	FY16 EBITDA loss exceeded target, however breakeven run rate re-established in June 2016

Outlook

- The outlook is positive with significant client wins and momentum building in Asia.
- Australia has been slower to integrate than APD's other 360° Digital Services business units, but the leadership and capability are now in place to deliver both growth and profitability.
- While financial progress will not be linear, it is expected that APD will move to sustained profitability in CY17.

Further information

The Company will provide a detailed investor presentation shortly.

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