

ASX Announcement

28 November 2017

Asia Pacific Digital Limited 2017 AGM Address

Chairman's Address

Good morning ladies and gentlemen it is now just after 9.00am and I would like to extend a warm welcome to the Asia Pacific Digital Limited Annual General Meeting for 2017. My name is Roger Sharp and I will chair today's meeting.

Our General Counsel and Company Secretary Sam Monkivitch confirms that a quorum is present and that no other items of business have been notified therefore we will work to the agenda published with the Notice of Meeting.

I now formally declare the meeting open.

The Notice of Meeting and Explanatory Statement were despatched to shareholders on 23 October 2017 in compliance with the Company's Constitution and I propose to take them as read.

Before we get underway, I would like to introduce you to my fellow Directors Mark Dalgleish and Peter Hynd. We have an apology from our Singapore-based Non-Executive Director, Fionn Hyndman.

I'd also like to acknowledge the presence of our auditors from BDO, John Bresolin and Shona Crichton.

Before we go any further, please could you check that your mobile phones have been switched off and note that photographic equipment and recording devices may not be used during the meeting.

Today's business

Firstly, I will update shareholders on the company's performance. Then I will deal with the formal business as set out in the Notice of Meeting.

Please note that questions will be limited to those shareholders present who have registered today and who hold a voting card. I ask that shareholders who wish to ask questions to identify themselves prior to asking their question(s) and if relevant state which organisation they represent.

Company Update

In the year to 30 June 2017, your company reported EBITDA of \$(4.1)m, a 42% improvement over the prior corresponding period. The core operating business reported EBITDA (before listed company costs) of \$(2.2)m, a 52% improvement over the prior period.

This profit improvement was driven by tight management of operational margins and overhead reductions, notwithstanding a 17% reduction in revenues (primarily driven by the loss of Ford Motor Company as a client).

This company's priority is to move into sustainable profitability as quickly as possible.



The loss of Ford is well-documented by now. Ford was our largest client, peaking at 15% of revenues. After some adjustment we are beginning to recover from the loss, after working hard to launch new revenue streams, win new clients and reduce our costs.

We recently closed the company's Shanghai office, which principally served Ford, but have endeavoured at some cost to keep talented and experienced professionals who worked with us on Ford in the business until we can replace the revenue stream.

We have a new leadership team in Australia. CEO Scott Player and the team are taking steps to improve profitability. There is a lag effect and we are now doing the hard work now to reap the benefits in due course.

This year we launched our digital transformation consulting business, which brings together all of our resources to help large clients navigate the tricky waters of digital disruption. We completed our first two consulting assignments, and have several more in the pipeline. These assignments tend to build a solid book of delivery work, which we believe can help us to grow and improve our profitability.

Our businesses outside Australia are beginning to show their promise. APD continues to occupy an important piece of the digital landscape in Malaysia, where it has been profitable for some time. APD Singapore is showing strong growth and is moving into profit. APD Philippines remains our core operational hub. APD New Zealand has also shown good growth and last month moved into profit.

The combined effect of all of these factors is that your company expects to report a loss from operations in the first half of this financial year, and an improvement in the second half.

As we work on earnings we are also working to strengthen the company's balance sheet. At the full year the Company reported that it was working on a comprehensive range of capital initiatives to restructure its balance sheet, reduce debt and provide working capital through the end of FY18.

While it is recapitalising, the Company's liquidity position remains constrained. However, APD has now sold its residual shares in aCommerce, with proceeds of ~A\$725,000 due on or before 4 December, and has reached an in-principle agreement to extend its convertible note maturity through January 2019. Other capital initiatives are underway.

Strategic Partner Process

Shareholders will recall that this time last year we announced a process to introduce a strategic shareholder into the company.

We have recently received several non-binding, indicative proposals from potential partners who propose to invest in or acquire APD's operating business. These proposals have been received from complementary organisations that offer digital transformation services to their clients, but do not have an adequate presence in Asia Pacific.

The bidders are well known to APD and directors believe there is a reasonable probability that a transaction will be concluded, assuming due diligence and negotiations are concluded satisfactorily.

The Company has pursued these discussions because it believes that the right partnership has the capacity to enhance APD's operating performance and accelerate its profit improvement programme. In considering the alternatives, Directors are focused on the partner and proposal most likely to deliver medium term value for the Company's shareholders, employees and clients.



Based on the initial proposals received and subject to future negotiations, Directors are pursuing outcomes that could reasonably deliver a material uplift in shareholder value.

So, in summary, we are recovering from the loss of Ford, we are building a digital transformation business that we believe has genuine traction, our operations outside Australia are improving, our new management team in Australia is working hard to restore the business to profitability, and we have again received proposals from strategic partners.

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Thank you for attending today and before we move to the formal business of the meeting, I'd like to ask if there are any questions.

