



**Delivering growth to clients across Asia Pacific
through 360 degree digital services**

April 2016

SUMMARY

1. Strategy:

- APD's 360 Degree Digital business unit now established as stand-alone subsidiary
- Green fields build phase substantially complete and investment tapering off
- New senior executive team in place with significant experience in profit maximisation
- Exited SME ventures to focus on MNC partners

2. Financial:

- Financial KPI target not met in H1. Costs being reduced to match recent revenue levels
- By mid-year Group targeting break even run rate and 360 Degree Digital operating subsidiary into profit
- Resources in place to grow without adding significant fixed overhead - incremental margin to flow to bottom line
- Revenue outlook improving via both organic wins and channel partners

3. Capital Raising:

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- Use of funds: complete the build phase, fund working capital growth, retire term debt
- Fully underwritten by major shareholder

RECAP ON APD



**APAC's largest
independent digital
services company**

**ASX:
DIG**

**400-strong team in
nine countries**

**\$55m revenue
run rate**

360 DEGREE DIGITAL

DIGITAL STRATEGY



CRM
SOLUTIONS



360°

Across the spectrum of the digital landscape, APD offers services to deliver digital growth throughout customer journey.

DEVELOPMENT &
TECHNOLOGY



PERFORMANCE MARKETING



SERVICES

STRATEGY & TECHNOLOGY



DIGITAL
STRATEGY



MARKET
RESEARCH



DEVELOPMENT
& TECHNOLOGY



CREATIVE
SERVICES



DESIGN &
USABILITY



eCOMMERCE

PERFORMANCE MARKETING



AFFILIATE
MARKETING



SEARCH ENGINE
OPTIMISATION



DISPLAY
ADVERTISING



LEAD
GENERATION



PAY PER
CLICK



CONVERSION RATE
OPTIMISATION

CRM



CRM
SOLUTIONS



SOCIAL
MEDIA



DATA &
INSIGHTS



EMAIL
MARKETING

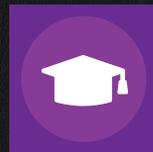
PROVEN SUCCESS ACROSS INDUSTRIES



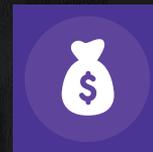
AUTOMOTIVE



ECOMMERCE



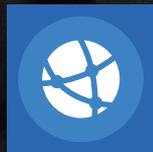
EDUCATION



FINANCE



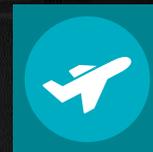
RETAIL



TECHNOLOGY



TELECOMS



TRAVEL

20 YEARS OF CLIENT SUCCESS STORIES

 ACCORHOTELS.COM AVIS® BIGW CHUBB Budget® CapitaLand Dan Murphy's DELL ebay Expedia Fonterra Ford gsk Harvey Norman Grab iab.
singapore iinet
connect better THE FULLERTON HOTEL
SINGAPORE M&S lendlease maxis Nestlé THE
NORTH
FACE Panasonic QANTAS rebel speedo SUZUKI TOYOTA tumblr. VILLAGE ROADSHOW Woolworths

SENIOR MANAGEMENT APPOINTMENTS



Newton Smith
Singapore

Chief Executive Officer

Formerly Head of Emerging Markets
eCommerce for IBM, Partner with PWC
Established APD's operations hub in Manila
Formerly CEO of APD's Strategy and
Technology service lines



Damien O'Donohoe
Singapore

Chief Financial Officer

Formerly CFO for Sapient Nitro (Asia), Nitro
(Global) and Proximity (Global)
Significant experience in integration and
profit improvement

BUILD PHASE NEARING COMPLETION

- Building capability in Asia since 2012
- Now 60% of personnel and ~30% of revenues
- Existing footprint allows us to effectively service the region. Further expansion will be opportunistic / driven by client demand
- Serving local blue chip and MNC clients with integrated approach across geographies, cultures and disciplines
- Scaling through a combination of local relationships and offshore delivery
- Majority of infrastructure spend completed - consolidation of Finance, IT and HR systems in CY16

● Technology & operations hub

● 360 degree digital services

(1) Jakarta is under option



SUCCESS IN SCALING VIA INTEGRATION

- Proven ability to integrate and scale small acquisitions
- Progressive build of infrastructure and capabilities is now driving regional mandates

2012: acquired five person team in Malaysia.

2016: Revenues have grown 10x. 80+ team. Market leader

2015: acquired small team in Singapore.

2016: Revenues up 2.5x in 12 months. Winning regional clients

2016: Agreement to buy in Jakarta

2014: Regional Operations Centre opened in Manila to scale the business

2016: 100 person team, double shift planned.

Shanghai

Manila

Kuala Lumpur

Singapore

Jakarta

Chinese language operations hub

WINNING REGIONAL CLIENTS

- Velocity is growing:
 - FY15: one regional mandate
 - FY16: six regional mandates in 15 countries
- Partnering with MNC clients across APAC in the FMCG, telco, banking, insurance, hotels, technology and building materials.
- Sticky, retained revenues across multiple disciplines and geographies
- Rolling out client digital infrastructure, ecosystems and brands across diverse geographies

 APD locations

 Serving clients in these countries from APD locations



PROGRESS v 3 YEAR KPIS

KPI

1. Build core capabilities in Asia
2. 50% of revenues outside Australia.....
3. Locate 50% of employees in Asia.....
4. 30% growth rate in Asia
5. Profit



OUTCOME

- Completed
- ~35% - on track
- ~60% - completed
- 25% in H1
- Below target in FY16; trending to profit run rate

MANAGEMENT AGENDA

PRIORITIES

COMPLETE BUILD

REVENUE MOMENTUM

MAXIMISE PROFIT

Manage the transition from greenfields establishment in Asia to profitable growth

Expand Southeast Asia geographic footprint as opportunities allow

Complete back end integration

Increase win rate and velocity in SE Asia

Expand channel partnerships and relationships

Increase local accountability through managing via country P&Ls

Shut or rationalise businesses not meeting minimum targets

Improve Australia profitability

Core business to be profitable in CY2016; achieving industry margins in CY17

Option executed to acquire Indonesian business

HR and financial systems and processes

More regional clients in pipeline

Trial teaming arrangement with EY

Enables removal of cost and improved in-country client management

SME ventures have been exited to focus on MNC ventures

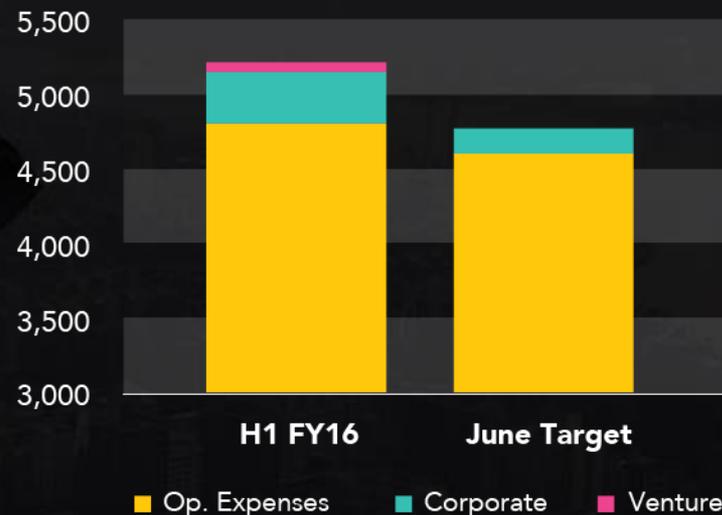
Profit improvement plan underway

COMMENTS

COST RUN RATE

- Costs are being reduced by ~\$5m pa to match recent revenue levels
- Mid-year target cost run rate is ~\$4.8m pm versus \$5.2m H1 monthly average
 - Completion of 'green field' investment phase means less one-off investment
 - Country-based management structure has delivered simplification and savings
 - Growth initiatives deemed unlikely to deliver profits in CY16 discontinued
- Savings have minimal impact on revenue generation or delivery capability

H1 v TARGET



- APD's 360 Degree Digital subsidiary is a stand-alone entity
- Public company corporate overheads are now ~\$2.2m pa - exclude subsidiary operating expenses which are fully allocated to 360 Degree Digital

IMPACT OF COST REDUCTIONS

- Cost initiatives will allow 360 Degree Digital subsidiary to move into profit by mid year
- Group to achieve EBITDA break even during CY2016

ILLUSTRATION OF IMPACT OF COST INITIATIVES*	H1 FY16	H1 FY16 Monthly Average	Mid-CY16 Monthly Target
360 Degree Digital Services			
Revenues	28,493	4,749	4,750*
Operating Expenses	(28,804)	(4,801)	(4,570)
EBITDA – 360 Degree Digital EBITDA Margin	(311) (1.1)%	(52) (1.1)%	180 3.8%
EBITDA - Venture	(288)	(48)	-
Corporate Costs	(2,131)	(355)	(185)
APD Group EBITDA	(2,730)	(455)	Break even run rate

- Illustrative scenario showing result if revenues did not increase from H1
- Exact month-to-month outcomes are subject to normal variances

REVENUE AND MARGIN ANALYSIS

- With break even imminent, revenue growth will drive profitability
- Forward revenue outlook is improving and partnerships showing early results
- Resources are being leveraged to drive revenue growth without major fixed cost increases
- Incremental margins will fall to the bottom line
- Operating subsidiary is targeting a minimum 10% EBITDA margin
- Table illustrates annual revenue growth required over two years to deliver a range of EBITDA margin targets for 360 Degree Digital business unit

TARGET EBITDA MARGIN – JUNE 2018

	5.0%	7.5%	10.0%	12.5%
Annual Revenue Growth Rate Required to June 2018	5%	11%	18%	26%
Annualised Revenues \$'000	61,000	68,000	77,000	89,000
EBITDA Run Rate \$'000	3,000	5,100	7,700	11,100

RIGHTS ISSUE

- One for five non-renounceable issue at 30cps to raise A\$5.7m
- Fully underwritten by major shareholder, North Ridge Partners www.northridgepartners.com
- NRP is owned by its management team and Victor Smorgon Group
- Use of funds:
 - complete greenfields rollout
 - complete internal systems integration
 - working capital to fund growth
 - retire term debt
- Key Dates:
 - Record Date 15 April 2016
 - Offer Opening Date 20 April 2016
 - Offer Closing Date 2 May 2016

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apd