

# **ASIA PACIFIC DIGITAL INVESTOR UPDATE**

**December 2017**

**TRANSFORMATION DELIVERED**



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# Investment Thesis

## 1. APD is a digital transformation company

- Providing the services that enable large corporate clients to compete in the digital economy: strategy, technology, performance marketing and analytics
- Guiding some of the region's largest companies through disruption challenges and the transformation process

## 2. Unique regional platform

- 300+ digital experts across Singapore, Malaysia, the Philippines, Australia and New Zealand
- Unique capability and geographic coverage across APAC

## 3. Long term growth opportunity

- Large corporates are actively seeking assistance to understand and execute on technology-driven threats/opportunities (digital transformation)
- APD has delivered consistent 20-30% annual growth in Asia (ex-Ford)
- Digital transformation provides APD with a long term revenue growth opportunity in Australia and across the region

## 4. Pathway to profitability

- APD is scaling its international businesses into profitability - high quality leadership driving growth and profits
- Laser focus now on moving Australia into profit: new management plus digital transformation offer provide the pathway
- Robust new business pipeline

## 5. Opportunity to Build Value with Strategic Partner

- APD is in receipt of partnering / acquisition proposals from several international organisations that have minimal presence in Asia Pacific
- APD is pursuing these discussions because the right partnership has the capacity to enhance APD's operating performance and value
- Pursuing outcomes that could reasonably deliver a 3-5x increase in shareholder value based on moderate revenue growth over 3-4 years

## Overview of APD | Focus

### Who are we?

We are a digital transformation business delivering growth for our clients.

### What do we do?

We bring together strategy, technology and digital marketing to create the best customer experiences.

### Why do we do it?

To be recognised for creating profound value for our clients and pride for our people.

## Overview of APD | Company Background

Ticker	DIG
Established	April 2014 via merger with existing listed coy to build regional APAC business
Share Price	\$0.12
Market Capitalisation	\$14.4m
Board of Directors	Roger Sharp, Chairman Mark Dalglish Fionn Hyndmann Peter Hynd
Advisory Council	Rajiv Wahi Nonoy Colayco Kim Pfitzner

### Major Shareholder



- North Ridge Partners invests in and advises technology companies within the Asia Pacific region
- Partnership between management and Victor Smorgon Group
- Manages funds for ~50 family offices and HNW
- Australia, New Zealand, Singapore
- Holds ~61% shareholding in APD

### High Level Strategy

#### 1. BUILD

Build integrated digital transformation business operating across ANZ and Southeast Asia

**COMPLETE**

#### 2. OPTIMISE

Deliver scale and sustained profitability from the regional network

**WORK IN PROGRESS**

#### 3. PARTNER

Partner with strategic industry player to deliver full potential

**LIKELY OUTCOME**

# Overview of APD | Unique Regional Platform

- Grown from ANZ base into Southeast Asia via M&A, integration and organic growth
- Unified regional capability with all business units 100% owned, operating under the APD brand and scalable regional delivery
- Team of 300+ digital experts

## Capabilities

### DIGITAL TRANSFORMATION

- Consulting
- Transformation planning and roadmaps
- Channel strategy
- Research

### CUSTOMER EXPERIENCE

- Personas
- Customer journey roadmaps
- Service blueprinting
- Customer experience design

### CUSTOMER ENGAGEMENT

- Marketing automation
- Social media
- Retention and lifecycle marketing

### TECHNOLOGY

- Enabling marketing process with technology
- Digital platform builds
- Support and maintenance of digital IT environment
- Partnerships with major s/w platform vendors

### DIGITAL MARKETING

- SEO & content creation and curation
- Paid search & Media
- Affiliate marketing

### ANALYTICS

- Customer experience analytics
- Media analytics

## Technologies / Partners



### REGIONAL

~10 FTEs

### MALAYSIA

16% of revenues  
~115 FTEs

### PHILIPPINES

1% of revenues  
~65 FTEs  
Delivery Hub

### SINGAPORE

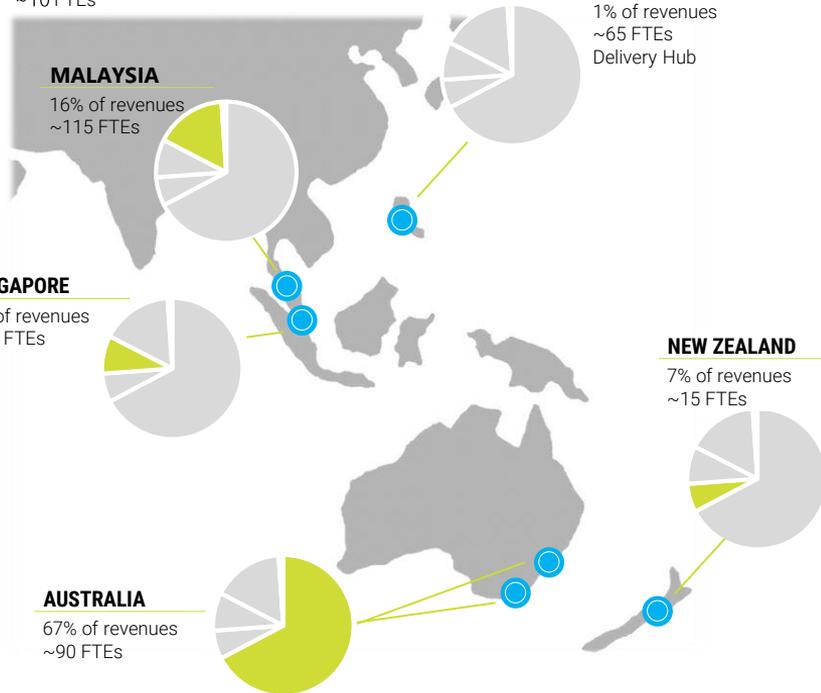
9% of revenues  
~20 FTEs

### NEW ZEALAND

7% of revenues  
~15 FTEs

### AUSTRALIA

67% of revenues  
~90 FTEs

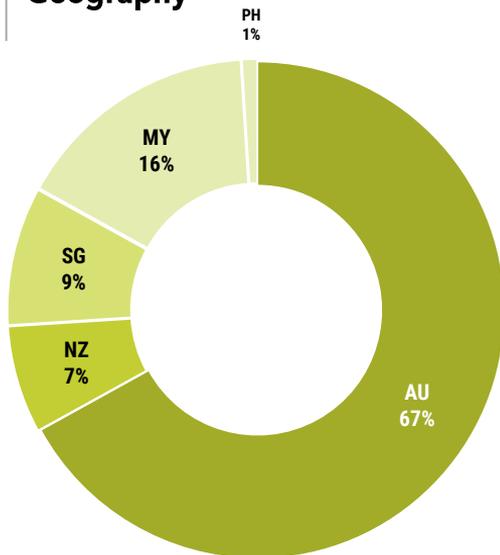


Full regional coverage is provided from key country hubs

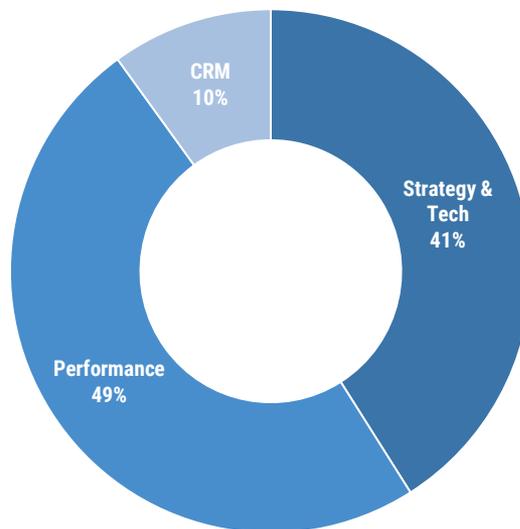


## Overview of APD | Revenue Profile

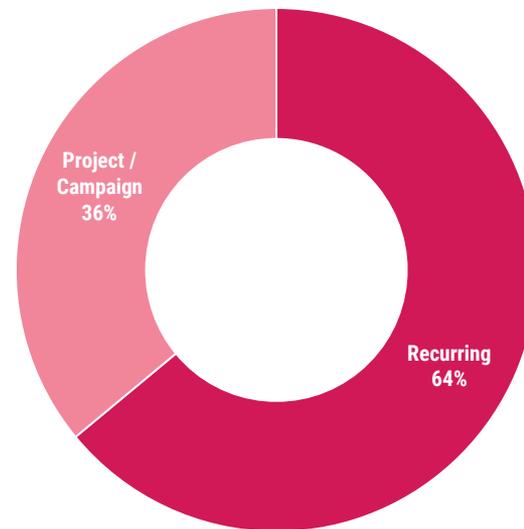
### By Geography



### By Service



### By Tenure



## Overview of APD | Key People



**Scott Player**  
*CEO Australia*

18+ years' experience spanning technology, marketing, media, creative, digital and start-ups.



**Simone Iles**  
*CEO New Zealand*

20+ years of senior marketing roles in retail, telco, financial services and Government, has led several digital transformations.



**Ines Almeida**  
*Chief Transformation Officer*

20+ years of experience in technology, business strategy, innovation and change, having worked for companies such as KPMG, Thoughtworks and SapientNitro.



**Andrew Burgess**  
*Head of Technology*

20+ years' experience in Finance, Telecoms, Automotive and Professional Services, leading large teams designing, delivering and operating global digital platforms.



**John Matthews**  
*Head of Performance*

15+ years' experience across all areas of Performance Marketing in the UK, Australia and Southeast Asia.



**Tobias Wilson**  
*CEO Singapore*

10+ years of experience building and running digital businesses in Asia.



**Chee Hung Goon**  
*CEO Malaysia*

15+ years in advertising and digital marketing in Malaysia and Vietnam.



**David Caldwell**  
*CEO Philippines*

30+ years of corporate leadership with 16 in Philippines BPO.

# Digital Transformation Opportunity

- APD's Digital Transformation consulting offering was launched in early 2017 to leverage APD's core services
- Two core components:
  - **Initial Transformation 'Sprint'** - a six-week strategic consulting project to establish, clarify and document a client's digital strategy and transformation needs ahead of longer-term and larger-scale engagement
  - **Transformation Project Delivery** - a multi-year, retained project across multiple disciplines to plan and execute digital strategies
- 'Sprints' have been completed for two household names in H1
- Project Delivery for these Sprints is in advanced planning - expected to commence in H2
- Material uplift likely when Delivery commences
- Pipeline of new 'Sprints' scheduled for H2 - strong growth prospects

## What is Digital Transformation?

- Digital transformation is the investment by companies in technology, business models and processes to compete effectively in the fast-moving digital economy.
- Clients undergoing digital transformation typically engage business partners like APD in multi-year, retained relationships across multiple disciplines to assist in the planning and execution of digital strategies.
- The rapid pace of technology development means that most of APD's corporate clients are now considering or undergoing some form of digital transformation to gain or retain competitive advantage.

## Why APD?

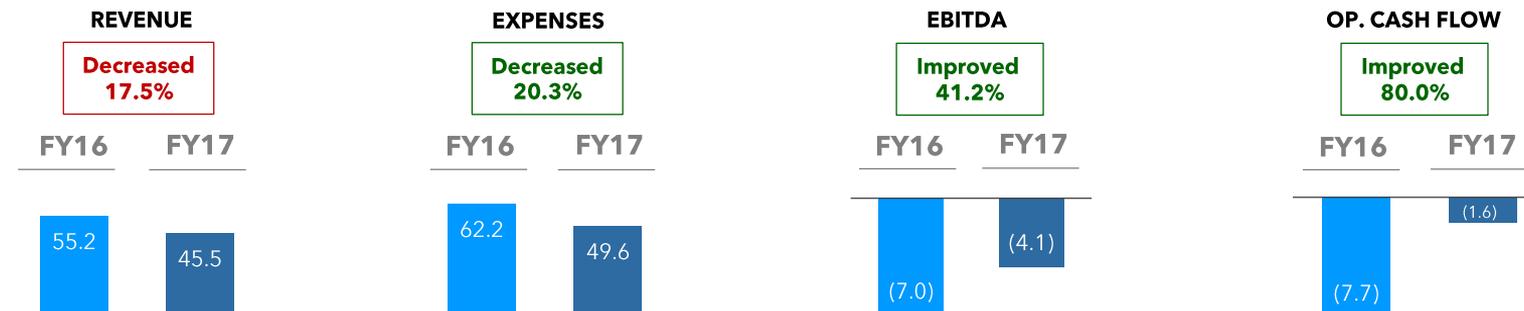
Digital transformation is a rapidly growing, but competitive space. APD is successfully competing and winning against major consultancy groups:

- **Independence** - APD is not wedded to a particular technology and works with clients to fit solutions to needs rather than single mandated solution.
- **Agility** - using 'agile' methodology, APD can quickly deploy a small team to work on a short-term sprint that allows a client to commence their transformation in a fast, cost-effective and highly responsive manner
- **Technology-led** - where others go to market along industry verticals, APD's solution is industry-agnostic and informed by a deep understanding of technology.
- **Practitioners** - APD can also execute on large components of the project via its experienced team of digital marketers and technologists around the region.

## Pathway to Profitability | FY18 and Current Half

### FY17 Progress - substantial improvements in FY17 across costs, EBITDA and operating cash flow

- APD lost its major client, Ford Motor Company, setting back profitability by 12 months
- APD launched its digital transformation consulting offer in response, to build multiple client revenue streams and minimise client concentration
- Recent client wins and pipeline are replacing Ford revenues



### 1HFY18

- New Zealand and Singapore recording record revenues - all businesses outside Australia are now in or moving into profit
- New management in Australia plus new business pipeline will drive profit improvement in CY18
- Revenue reductions and restructuring costs associated with Ford will impact H1 with H1 revenues and EBITDA down on PCP

# Pathway to Profitability | Looking Forward

**FY18 Target: Australia is key - new management team plus growing digital transformation pipeline provide the pathway to profit**

## MALAYSIA

% of Revenues 16%

**Contribution** Long term profitable, high margin

- Commentary**
- Built from five to 114 FTEs over five years.
  - Delivered consistently strong profit margins in recent years

## SINGAPORE

% of Revenues 9%

**Contribution** Recently moved to profit

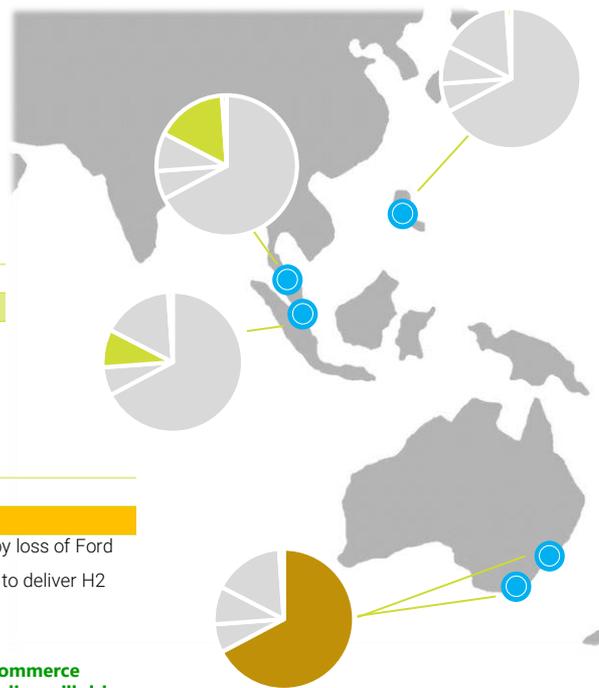
- Commentary**
- Acquired in 2015, capabilities expanded, revenues grown threefold, moved into profit in Q2 FY17
  - Outlook for continued growth

## AUSTRALIA

% of Revenues 67%

**Contribution** Loss-making

- Commentary**
- Australia most significantly impacted by loss of Ford
  - Retained highly experienced personnel to deliver H2 pipeline opportunities
  - Short-term drag on bottom line
  - **Delivering key transformation & e-commerce projects that are currently in the pipeline will drive Australia into profit**



## PHILIPPINES

% of Revenues 1%

**Contribution** Delivery hub – cost centre

- Commentary**
- Delivery hub operating well to support group
  - Underutilised at current revenue levels
  - Higher utilisation will unlock attractive economics

## NEW ZEALAND

% of Revenues 7%

**Contribution** Recently moved to profit

- Commentary**
- Invested in building team & expanding capabilities.
  - Now seeing outcomes with strong revenue growth / profit in recent months from transformation projects

## REGIONAL

**Staffing** 10 staff

**Contribution** Costs fully allocated to countries

- Commentary**
- CEO, CFO, HR, legal, finance

# Opportunity to Build Value with Strategic Partner

## Strategic Partner Strategy

- APD supports its clients with a comprehensive suite of digital transformation, technology and marketing services across the region
- Many global consulting, transformation and marketing service providers need to be able to serve their clients in APAC, but have no presence here
- An acute talent shortage, combined with few acquisition targets operating at scale, makes it challenging for them to expand in APAC

## Benefits of Partnering

- APD has a viable strategy with, or without, a strategic partner
- The right strategic partner would be an *accelerator* to drive growth through leveraging APD's regional platform

## Current Process

- Initial exploration process commenced 12 months ago. Informal discussions have continued
- Multiple non-binding indicative proposals have been received in last two weeks
- Negotiations are expected to continue through Q3
- Directors believe that there is a good prospect of reaching agreement with one of the parties, however proposals are subject to further negotiation, due diligence and approvals, and therefore remain subject to completion risk
- Pursuing outcomes that could reasonably deliver a 3-5x increase in shareholder value based on moderate revenue growth over 3-4 years.

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