



25 October 2016

MARKET ANNOUNCEMENT

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APN ANNOUNCES ACQUISITION OF THE REMAINING 50% OF ADSHEL AND UNDERTAKES EQUITY RAISING

- APN moves to full ownership of Adshel for \$268.4 million, through acquisition of remaining 50% interest in the Adshel joint venture from a subsidiary of Clear Channel Outdoor
- Purchase price represents an historic EV/ EBITDA multiple of approximately 12.7x¹
- The transaction continues APN's significant business transformation:
 - APN knows the Adshel business well and understands drivers of growth
 - provides Adshel with capital certainty to pursue industry growth opportunities
 - increases exposure to the structural growth trend in the out-of-home industry
 - creates a unique advertiser proposition with an integrated Radio / Outdoor / Mobile / Video offering
- Acquisition funded through a debt bridge facility, accelerated placement and APN's existing debt facilities
 - debt bridge facility to be repaid from proceeds of fully underwritten Equity Raising of \$273 million, comprised of an institutional placement and entitlement offer
- APN also announces the acquisition of digital media business, Conversant Media, for upfront cash consideration of \$11.6 million and performance based earn-outs
- Trading update provided for Adshel and ARN

Sydney, 25 October 2016 –APN News & Media Limited [ASX, NZX: APN] (**APN**) has today announced that it has entered into a binding agreement to acquire the remaining 50% of Adshel that it does not already own (the **Acquisition**). APN will effect the transaction by acquiring Clear Channel Outdoor Pty Limited, whose sole asset is its 50% stake in Adshel Street Furniture Pty Limited (**Adshel**).

Adshel is a leading out-of-home media company, with a #1 position in street furniture in Australia and New Zealand and approximately 22,000 static and digital panels. Adshel commenced its digital roll-out with the successful launch of Adshel Live last year. There are currently 366 digital screens in Australia,

¹ Based on Adshel EBITDA for the 12 months to June 2016. Enterprise value includes Adshel net cash at September 2016 of approximately \$4 million.

with an additional 140 planned and 150 digital screens in New Zealand with 70 planned in 1H2017. Through Adshel Rail, there are an additional 186 digital screens across the Sydney Train Network. Investment in data, digitisation and technology will be the principal driver of Adshel's growth going forward.

Adshel allows advertisers across Australia and New Zealand to connect, engage and influence commuters where they work, live, shop and play. Originally formed in 1997 as a joint venture between APN News & Media and Clear Channel Outdoor, today Adshel is one of the most recognised names in street furniture and a key player in the out-of-home media market reaching 92% of Australians 68 times per fortnight.²

Strategic Rationale

The Acquisition provides Adshel with the capital certainty it needs to pursue growth opportunities and greater alignment with APN, increases APN's exposure to the attractive out-of-home industry, which for the year to date has grown by 17% in Australia³, and creates a unique advertiser proposition with an integrated Radio/Outdoor/Mobile/Video platform. It also provides APN with greater ability to target advertisers with fully integrated campaigns that offer scale, accountability and content creation capabilities.

CEO and Managing Director of APN, Ciaran Davis said:

"The Acquisition of the remaining 50% of Adshel continues APN's significant transformation, placing APN in a stronger position in the Australian media industry by creating a unique proposition to deliver an integrated Radio, Outdoor, Mobile and Video offering.

"The Adshel Acquisition is consistent with the plans we have outlined to focus on our assets in high growth areas, and provides APN with an opportunity to further pursue growth in the outdoor sector. It will allow the Adshel management team to drive the strategic direction of the business and pursue opportunities that facilitate growth, including a continued focus on innovation and the progressive digitisation of the portfolio. As the demands of advertisers rapidly change, this transaction will increase the effectiveness of implementing integrated marketing campaigns at scale, across all of APN's businesses."

In the 12 months to 30 June 2016, Adshel generated revenues of approximately \$170 million and EBITDA of approximately \$42 million.

The Acquisition will be funded by a debt bridge facility, accelerated placement and APN's existing debt facilities. The debt bridge facility is to be repaid from proceeds of a fully underwritten Equity Raising of \$273 million, comprised of an institutional placement of up to approximately \$72 million and an accelerated renounceable entitlement offer with retail rights trading of approximately \$201 million (the **Equity Raising**). Following the conclusion of the Equity Raising and Acquisition, APN expects to have pro forma leverage of 1.65x for APN (pro forma net debt / pro forma LTM EBITDA).⁴

The Acquisition is not subject to any conditions and therefore is expected to be completed today.

² MOVE 2015, People 14yrs and older every 14 days (Adshel posting period).

³ Outdoor Media Association data for the 9 months to September 2016.

⁴ Pro forma LTM to 30 June 2016. Pro forma net debt at 30 June 2016 is after acquisition of Adshel (including Adshel's \$7m of net debt) and Conversant Media, NZ IRD settlement, and proposed sale of ARM.

Conversant Media

APN has also entered into a binding agreement to acquire Conversant Media, which will facilitate the growth of APN's audience base through an enhanced content offering and diversification of revenues into the growing revenue streams of mobile, social and video. Subject to the satisfaction of certain conditions, this Acquisition is expected to complete at the end of this month (October 2016).

Equity Raising

The approximately \$273 million fully underwritten Equity Raising comprises the following:

- an institutional placement of 29.4 million new fully paid ordinary shares in APN (**New Shares**) to raise approximately \$72 million (the **Institutional Placement**); and
- an approximately \$201 million, 5-for-13 accelerated renounceable entitlement offer of New Shares with retail rights trading (**Entitlement Offer**). This Entitlement Offer comprises an accelerated institutional component (**Institutional Entitlement Offer**) and a retail component with retail rights trading (**Retail Entitlement Offer**),

each at the offer price of \$2.45 per New Share (**Offer Price**). The Offer Price represents a 27.5% discount to APN's last closing price of \$3.38 on 24 October 2016 and a 20.1% discount to the theoretical ex-rights price (**TERP**).⁵

The Equity Raising is fully underwritten by Credit Suisse (Australia) Limited (**Credit Suisse**) and UBS AG, Australia Branch (**UBS**) (the **Underwriters**).

Institutional Placement

The \$72 million Institutional Placement will be conducted under a bookbuild on 25 October 2016 and will include:

- an issue of approximately 17.4 million New Shares to UBS at the Offer Price, to raise A\$43 million, which will be issued and paid for today. These New Shares will be immediately offered for sale by UBS to institutional investors as part of the bookbuild,⁶ and
- an offer of approximately 12.0 million New Shares to institutional investors to raise \$29 million.

APN shares have been placed in trading halt while the Institutional Placement and Institutional Entitlement Offer are undertaken.

⁵ The theoretical ex-rights price (TERP) is the theoretical price at which APN shares should theoretically trade immediately after the ex-date for the Entitlement Offer. The TERP is a theoretical calculation only and the actual price at which APN shares trade immediately after the ex-date for the Entitlement Offer may vary from TERP. TERP is calculated by reference to APN's closing price of \$3.38 per share on 24 October 2016, being the last trading day prior to the announcement of the Entitlement Offer. TERP has been calculated to include the New Shares issued to UBS under the Institutional Placement as they are being issued on a cum entitlement basis.

⁶ New Shares issued to UBS under this component of the Institutional Placement will be entitled to participate in the Entitlement Offer, and investors who purchase such New Shares from UBS will also be required to take up an equivalent number of entitlements under the Institutional Entitlement Offer.

Entitlement Offer

Under the Entitlement Offer, eligible shareholders are invited to subscribe at the Offer Price for 5 New Shares for every 13 existing APN shares (**Entitlement**) held as at 7:00pm (Sydney time) on Thursday, 27 October 2016 (**Record Date**).

Approximately 82.1 million new APN shares will be issued under the Entitlement Offer. New Shares will rank equally with existing APN shares from their time of issue.

Institutional Entitlement Offer

Eligible institutional shareholders will be invited to participate in the Institutional Entitlement Offer, which will take place from 25 October 2016 to 26 October 2016.

Eligible institutional shareholders can choose to take up their Entitlement in whole, in part or not at all. Institutional Entitlements cannot be sold on ASX or NZX. As the Entitlement Offer is renounceable, Entitlements not taken up by eligible institutional shareholders by the close of the Institutional Entitlement Offer, and Entitlements of ineligible institutional shareholders, will be offered for sale through an institutional shortfall bookbuild to be conducted on Wednesday, 26 October 2016 (**Institutional Shortfall Bookbuild**). Any proceeds from the sale of institutional Entitlements under the Institutional Shortfall Bookbuild will be remitted proportionally to those institutional shareholders, less any applicable withholding tax. There is no guarantee that there will be any proceeds remitted to those institutional shareholders.

APN shares have been placed in trading halt while the Institutional Entitlement Offer and Institutional Shortfall Bookbuild are undertaken.

Retail Entitlement Offer

Eligible retail shareholders with a registered address in Australia, New Zealand or Ireland on the Record Date will be invited to participate in the Retail Entitlement Offer. The Retail Entitlement Offer will open on 2 November 2016 and close at 5.00pm on 17 November 2016. Eligible retail shareholders will have the opportunity to participate at the same Offer Price and offer ratio as the Institutional Entitlement Offer.

Eligible retail shareholders will be allotted Entitlements (**Retail Entitlements**) which can be traded on ASX. Retail Entitlements will not be tradeable on NZX. If eligible retail shareholders do not wish to take up all or part of their Retail Entitlements they can seek to sell all or part of their Retail Entitlements on the ASX or by transferring them directly to another person to realise value for those Retail Entitlements ahead of the Retail Shortfall Bookbuild (referred to below). Retail Entitlements can be traded on the ASX from 27 October 2016 to 10 November 2016.

Entitlements not taken up by the close of the Retail Entitlement Offer, and Entitlements of ineligible retail shareholders, will be offered for sale through a retail shortfall bookbuild to be conducted on or about 22 November 2016 (**Retail Shortfall Bookbuild**). Any proceeds from the sale of Retail Entitlements under the Retail Shortfall Bookbuild will be remitted proportionally to those retail shareholders, less any applicable withholding tax. There is no guarantee that there will be any proceeds remitted to those retail shareholders.

Entitlements may only be exercised by eligible shareholders, being persons who have a registered address in Australia, New Zealand or Ireland, and certain categories of institutional investors in Hong Kong, Singapore, United Kingdom, Switzerland, Norway, France, Italy, Ireland and Germany. Persons in

the United States and persons acting for the account or benefit of a person in the United States will not be eligible to purchase or trade Entitlements on ASX, or take up or exercise Entitlements purchased on ASX or transferred from another person.

It is the responsibility of purchasers of Retail Entitlements to inform themselves of the eligibility criteria for exercise. If holders of Retail Entitlements after the trading period ends do not meet the eligibility criteria, they will not be able to exercise the Retail Entitlements. In the event that holders are not able to take up their Retail Entitlements, those Retail Entitlements will be sold into the Retail Shortfall Bookbuild and holders may receive no value for them.

Eligible retail shareholders are encouraged to carefully read the Retail Offer Booklet for further details relating to the Retail Entitlement Offer. APN expects to lodge the Retail Offer Booklet with the ASX and NZX and dispatch the Retail Offer Booklet and personalised Entitlement and Acceptance Forms to eligible retail shareholders on or about 2 November 2016. The Retail Offer Booklet will be made available on APN's website (www.apn.com.au).

Equity Raising Timetable

The indicative timetable for the Equity Raising is as follows:

Event	Date
Announcement of acquisition and capital raising	Tuesday, 25 October 2016
Trading halt commences	
Institutional Placement conducted	
Institutional Entitlement Offer opens	
Institutional Entitlement Offer closes	Wednesday, 26 October 2016
Institutional Shortfall Bookbuild	
Trading halt lifted	Thursday, 27 October 2016
Retail Entitlements commence trading on ASX (on a deferred settlement basis)	
Record Date for the Entitlement Offer (7.00pm Sydney time)	
Settlement of Institutional Placement	Monday, 31 October 2016
Issue and quotation of New Shares under Institutional Placement ⁷	Wednesday, 2 November 2016
Retail Entitlement Offer opens	Wednesday, 2 November 2016

⁷ Excludes New Shares on-sold by UBS, which will be transferred to purchasers on the Institutional Placement settlement date.

Retail Offer Booklet despatched	
Retail Entitlements commence trading on ASX on a normal settlement basis	Thursday, 3 November 2016
Settlement of the Institutional Entitlement Offer	
Issue and quotation of New Shares under the Institutional Entitlement Offer	Friday, 4 November 2016
Proceeds (if any) under the Institutional Shortfall Bookbuild despatched	Monday, 7 November 2016
Retail Entitlements trading ends	Thursday, 10 November 2016
Retail Entitlement Offer closes (5.00pm Sydney time)	Thursday, 17 November 2016
Retail Shortfall Bookbuild	Tuesday, 22 November 2016
Settlement of the Retail Entitlement Offer	Friday, 25 November 2016
New Shares issued under the Retail Entitlement Offer	Monday, 28 November 2016
New Shares issued under the Retail Entitlement Offer commence trading on ASX and NZX on a normal settlement basis	Tuesday, 29 November 2016
Dispatch of holding statements for New Shares under the Retail Entitlement Offer	Tuesday, 29 November 2016
Proceeds (if any) under the Retail Shortfall Bookbuild despatched	

APN Trading Update

Adshel

- At APN's 1H16 results APN discussed expectations for Adshel in H216 reflecting first half EBITDA growth of +20%, offset by a number of one off items from the 2015 results (~\$3.5 million).
- Q3 2016 revenue growth of 27% far exceeded market growth of 14% and visibility for Q4 is good with solid forward bookings in place.
- As a result, underlying earnings growth has continued, in line with expectations.

ARN

- The softer start in July and August, as foreshadowed at APN's 1H16 results, continued into September despite early signs of recovery. While ratings softness early in the year improved over Surveys 5 and 6, revenue recovery is taking longer than expected, particularly in Melbourne. The radio market has also been softer than expected.

- Further cost savings have been implemented to partly offset these conditions, and a range of revenue initiatives have been put in place. Subject to the market and ratings share for the remainder of the year ARN EBITDA for the half is now expected to be down by ~\$2 million on the prior corresponding period, excluding the benefit of any licence fee reductions.

Additional details

Further details of the Acquisition and Equity Raising are set out in the Investor Presentation which is available on the ASX and NZX. This includes important information with respect to the Institutional Placement and Entitlement Offer, including key risks involved in an investment in APN or the New Shares.

ENDS

Shareholder Enquiries

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