

ASX Announcement
22 June 2018

Proposal to Acquire Adshel

SYDNEY: APN Outdoor Group Limited (ASX:**APO**, **APN Outdoor** or the **Company**) wishes to advise it has submitted a revised proposal (the **Proposal**) to acquire 100% of the Adshel businesses in Australia and New Zealand, from HT&E Limited (ASX: **HT1**).

An acquisition of Adshel's street furniture assets, combined with APN Outdoor's transit and billboard platforms, represents an important strategic expansion for APN Outdoor.

Key Highlights of Proposal:

- Purchase price of \$540 million¹
- Adshel's FY18PF EBITDA is estimated to be \$48 million to \$50 million², implying an acquisition multiple at the midpoint of 11.0x EV/EBITDA (pre-synergies)
- Expected pre-tax cost synergies of not less than \$15 million per annum, phased in over 18 months³
- Expected FY18PF EPSA accretion of high-single digits^{3,4}
- Proposed consideration comprises:
 - 54.1 million APN Outdoor shares (the **Share Component**), representing a value of \$310 million based on APN Outdoor's 5-day VWAP of \$5.73, prior to the announcement of the non-binding indicative proposal received from JC Decaux to acquire APN Outdoor on 21 June 2018, and
 - \$230 million in cash, funded by incremental new debt
- The Share Component of the consideration will be provided on the basis that, following the issue to HT&E, HT&E will immediately make an in-specie distribution of APN Outdoor shares to HT&E shareholders on a pro-rata basis
- Expected forecast post-transaction net debt / FY18PF EBITDA of ~2.4x (pre-synergies)
- Transaction conditional on finalisation of confirmatory due diligence, Board approvals of final share sale agreement, APN Outdoor shareholder approval by way of ordinary resolution for purposes of ASX Listing Rule 7.1 and Corporations Act section 611 item 7, Australian Competition and Consumer Commission and New Zealand Commerce Commission approvals
- APN Outdoor underlying FY18 EBITDA guidance of between \$92 million and \$96 million⁵ re-affirmed. Guidance excludes the impact of the potential transaction

¹ Acquired on a debt and cash free basis, subject to completion adjustments under the share sale agreement for the transaction.

² APN Outdoor's estimate of Adshel's pro forma EBITDA forecast for the 12 months ending 31 December 2018, after adjusting for the estimated full year earnings on major rail contracts, which were commissioned during FY18. Excludes synergies and integration costs attributable to the transaction

³ Assumes that APN Outdoor acquires 100% of the Adshel businesses in Australia and New Zealand and that no divestments are required as part of the regulatory approval process.

⁴ Pro forma EPSA represents the fully diluted earnings per share incorporating a pro forma interest expense reflecting post-transaction net debt and after adding back tax-effected amortisation. Accretion calculated assuming APN Outdoor's forecast FY18 EBITDA of \$94.0 million (midpoint of guidance), Adshel FY18PF EBITDA of \$49 million (midpoint of range noted above), cost synergies of \$15 million, excluding transaction and integration costs. One-off integration costs to achieve synergies are expected to be approximately \$12.5 million.

⁵ Underlying EBITDA excludes non-recurring items including transaction related costs and other specific items.

Strategic Rationale:

The acquisition of Adshel would increase diversification across APN Outdoor's out-of-home formats and provide a new platform for growth.

Upon completion of the proposed acquisition, APN Outdoor would become a more diverse out-of-home media group combining its billboard and transit platforms with Adshel's street furniture assets in Australia and New Zealand. APN Outdoor would expect to benefit from an increased audience reach and a diversified asset base across a number of out-of-home formats.

The out-of-home advertising industry's fundamentals remain sound, supported by growing audiences, increased digital inventories and enhanced data analytics. The out-of-home industry's share of total advertising spend in Australia remains under-represented relative to international markets, providing further opportunities for sector growth.

Within the out-of-home advertising industry, street furniture offers solid growth prospects through digitisation. Adshel is still in the infancy of inventory digitisation, with only a small proportion of its Australian inventories digitised.

In addition, the sharing of digital technology and data analytics capabilities across the combined group would be expected to improve advertiser ROI and create an opportunity for APN Outdoor to invest further in innovation.

APN Outdoor Chief Executive Officer and Managing Director, James Warburton, said: "The acquisition of Adshel would represent an important step in our strategy to expand APN Outdoor, deliver new solutions and ideas to our advertisers and generate long-term, sustainable growth for our shareholders.

"There is an opportunity for us to use our expertise in large-scale digital developments to support the roll-out of digital across Adshel's street furniture format, particularly in Australia. We expect this would enable us to bring digital to a broader range of advertisers and complement our existing product offering to those advertisers.

"The combination of Adshel and APN Outdoor also represents an opportunity to realise meaningful cost synergies through the rationalisation of duplication across management, sales and back-office functions."

Financial Impact:

The potential acquisition is expected to deliver FY18PF EPSA accretion of high-single digits⁶, inclusive of pro forma pre-tax cost synergies of not less than approximately \$15 million.

Estimated cost synergies would be expected to be achieved across the sales and marketing functions, administrative and corporate support areas of Adshel. These cost synergies would be expected to be realised within 18 months following completion of the proposed acquisition. One-off integration costs to achieve these cost synergies would be expected to be approximately \$12.5 million.

⁶ Pro forma EPSA represents the fully diluted earnings per share incorporating a pro forma interest expense reflecting post-transaction net debt and after adding back tax-effected amortisation. Accretion is calculated assuming APN Outdoor's forecast FY18 EBITDA of \$94.0 million (midpoint of guidance), Adshel FY18PF EBITDA of \$49 million, cost synergies of \$15 million, excluding transaction and integration costs. One-off integration costs to achieve synergies are expected to be approximately \$12.5 million.

The proposed acquisition is expected to result in APN Outdoor net debt to FY18PF EBITDA (excluding synergies) of ~2.4x. Leverage would be expected to decline to ~2.0x net debt / LTM EBITDA by 31 December 2019 (allowing for synergies).

Following the proposed acquisition, APN Outdoor would continue to target a dividend payout ratio of 50% to 65% of annual NPATA⁷.

Shareholder Approval

The issuance of APN Outdoor shares to HT&E is conditional on APN Outdoor shareholder approval for the purposes of ASX Listing Rule 7.1 and section 611(7) of the Corporations Act.

Standalone FY18 Guidance:

APN Outdoor re-affirms its FY18 guidance provided on 28 May 2018 of underlying EBITDA between \$92 million and \$96 million⁸, and FY18 capex in the range of \$25 million to \$30 million. Guidance excludes the impact of the Transaction.

Advisers

Cadence Advisory and Morgan Stanley are acting as financial advisers and Allens as legal adviser to APN Outdoor.

For more information, please contact:

Investors

Ronn Bechler
Managing Director, Market Eye
P: +61 400 009 774
E: ronn.bechler@marketeye.com.au

Media

Neil Shoebridge
Partner, SKMG
P: +61 417 511 012
E: neil@skmediagroup.com.au

About APN Outdoor

APN Outdoor is a leading outdoor advertising company across Australia and New Zealand, with over 40,000 high-impact connection points in iconic and influential locations.

With a comprehensive, quality platform that reaches 97% of Australians every day, APN Outdoor delivers reach, impact and effectiveness. Our focus on insights, powered by data, provides a deep understanding of audiences, including where to find them and how to connect with them. At the heart of our business are innovative media solutions that amplify, engage and inspire action – ensuring our advertisers achieve smarter impact. It's not outdoor without us.

IMPORTANT NOTICES

This announcement is not financial product or investment advice, a recommendation to acquire New Shares or accounting, legal or tax advice. It does not constitute an invitation or offer to apply for New Shares. It has been prepared without taking into account the objectives, financial or tax situation or needs of individuals. Before making an investment decision, prospective investors should consider the appropriateness of the information having regard to their own objectives, financial and tax situation and needs and seek legal and taxation advice appropriate for their jurisdiction. APN Outdoor is not licensed to provide financial product advice in respect of an investment in shares.

⁷ The payment of a dividend by APN Outdoor remains at the discretion of the directors and will be a function of a number of factors, including the general business environment, the operating results and the financial condition of the Company, future funding requirements, and capital management initiatives.

⁸ Underlying EBITDA excludes non-recurring items including transaction related costs and other specific items.

This announcement contains forward-looking statements, which can usually be identified by the use of words such as such as “may”, “will”, “expect”, “intend”, “plan”, “estimate”, “anticipate”, “believe”, “continue”, “objectives”, “outlook”, “guidance” or words of similar effect. These forward-looking statements are not guarantees or predictions of future performance, and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of APN Outdoor, and which may cause actual outcomes to differ materially from those expressed in the statements contained in this announcement. Undue reliance should not be placed on these forward-looking statements. These forward-looking statements are based on information available to APN Outdoor as of the date of this announcement. Except as required by law or regulation (including the ASX Listing Rules). APN Outdoor undertakes no obligation to update these forward-looking statements.

The pro forma financial information in this announcement has been prepared by APN Outdoor in accordance with the recognition and measurement principles, but not the disclosure requirements, of Australian Accounting Standards (AAS) and APN Outdoor’s adopted accounting policies of applicable accounting standards and other mandatory reporting requirements in Australia. The purchase price accounting for the Transaction in this announcement has been shown on an illustrative basis. APN Outdoor will undertake a formal fair value assessment of all of the tangible and intangible assets, liabilities and contingent liabilities of Adshel post-acquisition, which may give rise to different values to those used for the purposes of the pro forma financial information set out in this Presentation. Investors should also note that the pro forma financial information does not purport to be in compliance with Article 11 of Regulation S-X of the rules and regulations of the U.S. Securities and Exchange Commission (SEC).

Investors should be aware that certain financial measures included in this Presentation are ‘non-IFRS financial information’ under ASIC Regulatory Guide 230: ‘Disclosing non-IFRS financial information’ published by ASIC and also ‘non-GAAP financial measures’ within the meaning of Regulation G under the U.S. Securities Exchange Act of 1934, as amended, and are not recognised under AAS and International Financial Reporting Standards (IFRS). The non-IFRS financial information/non-GAAP financial measures include EBITDA, pro forma EBITDA, net debt, pro forma Net Debt/FY18 pro-forma EBITDA, NPATA and EPSA, pro forma EPSA. APN Outdoor believes the non-IFRS financial information/non-GAAP financial measures provide useful information to users in measuring the financial performance and conditions of APN Outdoor, Adshel and the combined group. The non-IFRS financial information/non-GAAP financial measures do not have a standardised meaning prescribed by AAS and IFRS. Therefore, the non-IFRS financial information is not a measure of financial performance, liquidity or value under the IFRS and may not be comparable to similarly titled measures presented by other entities, and should not be construed as an alternative to other financial measures determined in accordance with AAS or IFRS. Investors are cautioned, therefore, not to place undue reliance on any non-IFRS financial information/non-GAAP financial measures included in this Presentation. This information is unaudited.