



NEWS & MEDIA

APN News & Media Limited
2017 Annual General Meeting
SYDNEY, 4 May 2017

CEO's Address to Shareholders

Thank you, Peter, and good morning. Thank you for joining us for today's meeting.

At last year's AGM, a vision was outlined for APN to become an Australian focused, growth-orientated media and entertainment company, primarily focused on radio and outdoor.

As the Chairman has commented, 2016 was a transformative year and today we are a much simpler business with full ownership of high quality metropolitan assets in the growth sectors of radio and outdoor, and we are making good progress driving digital transformation across the Group.

From content creation, to amplification via radio, outdoor, social and video channels, our portfolio of assets is unique in Australian media because of the complementary nature of what we describe as 'Away From Home' advertising solutions.

We are now in a position for our divisions to work closer together for the benefit of our audiences, advertisers and shareholders.

2016 Business Performance

Looking back briefly at our 2016 results, given the significant transformational activity during the year, this slide (number 3) focuses on pro forma financials for 2016, rather than the statutory result.

ARN delivered revenues of \$225.3 million and EBITDA of \$86.1 million in 2016, representing 2 per cent and 4 per cent growth respectively.

Adshel's strong earnings momentum continued, with above-market growth in both Australia and New Zealand. Overall, on a standalone basis, Adshel EBITDA increased by 21 per cent to \$46.2 million, with revenue up 17 per cent to \$205.8 million.

Unprofitable Hong Kong contracts saw Cody's revenue decline to \$27.1 million and EBITDA was a loss of \$1.3 million.

Overall, Group pro-forma revenues grew 5 per cent to \$458.2 million and EBITDA was up 8 per cent to \$117.1 million.

I'd now like to take a closer look at the divisions.

Adshel

Adshel is the No.1 street furniture operator in Australia and New Zealand that combines a road, rail and petro-convenience network, reaching 92 per cent of Australians.

Our digital expansion programme continued in 2016. At the end of the year we had 366 digital roadside screens in Australia, and 150 in New Zealand. Less than two years after they were launched, digital revenues in 2016 accounted for over 30 per cent of Adshel's advertising revenue.

Our intention is to continue investing in digital assets to drive revenues and market share, with a further 207 screens being deployed in 2017, across both countries. And subject to the outcome of tenders for contracts, we have stated our plan is to invest circa \$50 million in capital expenditure in 2017.

Mike Tyquin was promoted to the role of CEO earlier in the year bringing 20 years' experience in the outdoor media sector and having played a central role developing and delivering Adshel's successful digital, data and automation programmes over the last 18 months.

Adshel is well positioned to drive further revenue growth to the street furniture sector, as scale and capability improves in a number of ways.

- Leading the way in evolving Street Furniture to provide smart cities solutions of the future that are increasingly engaging commuter audiences.
- Remember, the reach of street furniture is unmatched and provides best-in-class efficiency for advertisers.
- The level location of our assets and scale of coverage provides us with unique access to data and insights to know where audiences are and the flexibility to reach them.
- Digitisation of street furniture delivers broadcast capability for advertisers and high value geo-targeted CBD and suburban solutions.
- The ability to drive greater response from audiences by being both engaging and entertaining at eye level, driving consumers to take action. Add to that, the ever increasing cross-platform campaigns integrating mobile devices, which will drive further engagement.
- And finally, automated media buying, as Adshel is the first to market in digital out-of-home programmatic, that will enable greater ease in trading.

Hong Kong Outdoor

Looking at our Hong Kong Outdoor operations, our focus on rebuilding the business is progressing with a return to profitability in the second half of 2017 a key priority. We have restructured and resized the business under an extensive cost cutting programme.

Key contracts are the driver for future growth and in the second half of 2016 we were pleased to secure some good strategic contract wins, including the renewal of the Western and Eastern Harbour Tunnels. We have also secured the contract for Hong Kong tram shelters.

Australian Radio Network (ARN)

Turning now to ARN, radio remains an incredibly strong sector with the market growing four per cent in 2016, thanks to the delivery and commercialisation of content across multiple platforms. Overall listenership continues to grow with over 10 million people tuning in to commercial radio in 2016.

At ARN, ratings improvement saw good recovery of audience numbers towards the end of 2016 on both the KIIS and Pure Gold networks.

In Sydney, KIIS 1065 was the No.1 FM station and we finished the year with the No.1 and No.2 breakfast shows with Kyle & Jackie O and Jonesy & Amanda performing well. We were pleased to renew the contracts of Kyle & Jackie O for another five years, safeguarding against a significant loss to revenue had they moved to another station.

In Melbourne, Gold 104.3 is a strong and consistent performer and in 2016, was No.1 for four of the eight survey periods. Melbourne is a key market for us and in 2017 we are pleased with the progress both KIIS 101.1 and Gold are making.

In Brisbane, 97.3 again ended the year as the No.1 station with the No.1 breakfast show. A change of talent was necessary on the breakfast show in 2017 which has caused some initial loss of audience, however, the new team has settled well and we are confident they will regain top spot.

96FM in Perth was repositioned at the end of 2016 after a challenging year and has already seen its share increase by over 30 per cent, returning the station to its heritage position.

In Adelaide, Mix102.3 is the No.1 station with the No.1 FM breakfast show and continues to perform very strongly.

New commercial leadership, at both national level and in Melbourne, has been introduced to the business and Rob Atkinson, with over 25 years of media sales experience, was recently appointed CEO, moving from his role as CEO of Adshel where his strategic thinking and leadership successfully delivered record revenue and profits.

Multiplatform business

Of course, ARN is more than just an FM broadcast business, and we continue to make good progress improving our multi-platform content distribution strategy, building new audiences and driving new revenue opportunities.

Our music streaming and digital entertainment brand, iHeartRadio, experienced strong growth in 2016 – and now has over 1.2 million App downloads, with 750,000 registered users, of which over 50 per cent are under 30 years old. We launched over 70 new stations last year, and saw a 94 per cent increase in mobile listening hours, as well as a 400 per cent increase in podcasting.

Emotive, our specialist, end-to-end video content marketing agency, has been in operation for just over two years, and is now profitable and helping secure incremental revenue for the wider APN group. Since launch, it has had over 120 million video views and is setting the standard for short-form video content creation.

Acquiring Conversant Media was an important step in strengthening the Group's digital presence

and diversifying revenues, while broadening our audience to include a younger, more male-focused demographic.

With a combined digital audience of over four million unique users and over 1.6 million monthly video views, the integration of Conversant Media with ARN is progressing well, through the sharing of content and resources, as well as providing new advertising opportunities.

Trading Update

After four months of trading, APN Group revenues are in line with strong 2016 comparatives on a pro-forma basis.

The radio market remained soft in March and April, on strong first half 2016 comps. ARN's revenue YTD is behind expectations with the second half 2016 trend continuing into 2017. Further cost action has been taken, however earnings have been impacted by contracted cost increases.

Adshel's performance improved significantly in March and forward bookings to June are in line with expectations. NZ is growing strongly on the back of accelerated digitisation while permits are obtained for some Australian locations. Revenue growth exceeds cost growth year to date.

Company name change

As the Chairman has already pointed out, we are a very different Company today.

When APN was established in 1988, the name stood for Australian Provincial Newspapers, directly pointing to the Company's foundations in print media. In the decades since, APN has diversified and totally transformed – with the transactions in 2016 marking the final shift away from traditional publishing and eliminating any exposure we had to having to close that business.

Today, we are asking you to vote on the resolution to adopt a new name for the Company, as we move APN from being a holder of media assets and re-position it as a tier one media business, uniquely placed in the media landscape.

I'm delighted to introduce you to HT&E – Here, There & Everywhere.

This is the first time a media company in Australia will bring together the critical away from home channels of radio, outdoor and digital – unlocking their power to better engage, influence and drive audience behaviour as we connect and interact with them, here, there and everywhere.

Marketing in Motion

When consumers are in motion, or here, there and everywhere, they are more open to marketing messages, and we believe our assets can help brands and businesses capitalise on that mindset.

Our purpose and ambition is to unlock the power of marketing in motion.

Powered by technology, more of our lives are lived on the go – in the car, travelling to work, on mobile devices. Consumers welcome relevant entertainment, education and content and as a result, reward brands that deliver this relevance.

Our ambition is to make Marketing in Motion the most powerful way to grow brands and audiences.

Of course, this is the opposite to the in-home experience where, according to Nielsen, there are over 7 million Australians using streaming services, where eyeballs follow the experience – self-curated; on demand; ad-free; skipped; and blocked. With technology disrupting advertising models and affecting consumer control in the home, we believe the flight of advertising revenue will continue towards radio, outdoor and digital.

It's no wonder marketing in motion channels are in growth. With ubiquitous reach of an open and receptive audience, radio, outdoor and digital all experienced growth in 2016, as more clients shift budget away from TV and print.

HT&E will allow us to take a strategic position uniting our assets and giving us a unique opportunity to grow revenue share.

We are investing in new capabilities that will help us understand how to better engage and influence our audiences.

We have created a central resource team for cross-platform ideas, research and data. As announced in March, Tony Kendall has been internally appointed to the newly created role of Chief Revenue Officer. Tony has extensive experience in media, particularly in implementing integrated solutions across industries, and is already starting to make ground, to drive incremental Group revenues across our combined media assets.

Our overarching strategy remains the same, as we continue to focus on growing our audience base, diversifying revenues, expanding our digital and data capabilities, and optimising integration across the Group. But with our strong mix of assets, we have an opportunity to work together under the new HT&E umbrella, to derive revenue and new opportunities across the board.

HT&E reflects our new direction and I would encourage you to vote in favour of the name change.

Thank You

In closing, I would like to thank all our employees for their hard work and commitment, in what was a very busy year. The talent we have in this business is first class and we could not have achieved the results we did without their skill and dedication.

I'd also like to thank Jeff Howard and the rest of the management team for their drive and commitment.

Finally, I'd like to reiterate the Chairman's thanks to you, our shareholders, for your support as we set about building a new phase of growth for the business.

Thank you.

- ENDS -

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