

14 December 2016

APN Outdoor Group and oOh!media to merge, creating a leading, diversified media group

Rationale

- Creates a leading, diversified out-of-home and online media group in Australia and New Zealand with:
 - a long-term and diversified asset base across classic, digital and online formats;
 - a portfolio of industry-leading digital assets with opportunity to benefit from digital and content capabilities across an enlarged asset base;
 - attractive offering for advertisers, with expanded audience reach and diversity; and
 - enhanced ability to cross-sell media offerings across physical, mobile, online and social environments.
- Combines complementary portfolios and data capabilities with a service offering across key out-of-home formats and enhanced geographic presence.
- The combined business to benefit from continued sector growth as audiences increase.
- Combining leading management expertise and industry experience from both businesses.

Financial highlights

- Merged Group FY16 pro forma EBITDA of \$171 million.¹
- Significant value accretion to be shared by both shareholder groups. The merger is forecast to achieve cost synergies of at least \$20 million per annum², generating FY16 pro forma earnings per share accretion to APN Outdoor and oOh!media shareholders of 14.7% and 14.2% respectively.^{1,3}
- Enhanced financial scale and balance sheet strength, with estimated December 2016 pro forma net debt/FY16 pro forma EBITDA of 1.2x.⁴

Transaction details

- Transaction to be effected via an oOh!media scheme of arrangement expected to be implemented on or around April 2017.
- An all-share ('scrip') transaction, where oOh!media shareholders will receive 0.83 APN Outdoor shares for each oOh!media share held.
- The Directors of APN Outdoor and oOh!media unanimously agree that the Transaction is in the best interests of their respective shareholder groups.
- oOh!media's Board of Directors unanimously recommends that oOh!media shareholders vote in favour of the Scheme, in the absence of any superior proposal and subject to the Independent Expert concluding that the Scheme is in the best interests of oOh!media shareholders.

¹ For APN Outdoor: based on the upper end of its FY16 EBITDA guidance of \$84 million to \$86 million (consistent with its update to the market on 14 December 2016) plus \$2.6 million to include the full year impact of acquisitions made in FY16. For oOh!media: based on the mid-point of its recently upgraded EBITDA guidance of \$72 million to \$74 million (provided to the market on 14 December 2016) plus \$9.5 million to include the full year impact (and associated synergies) of acquisitions made in FY16

² On a run-rate basis, and excluding one-off transaction and integration costs. To be fully realised within two years following implementation of the Transaction

³ Based on NPATA for each company. Excludes one-off transaction and integration costs, and is based on \$20 million of run-rate cost synergies on a fully diluted basis

⁴ Based on the Merged Group's pro forma forecast net debt as at 31 December 2016 and FY16 pro forma EBITDA of \$171 million (before factoring in any synergies, one-off transaction and integration costs of the Transaction)



Transaction details

APN Outdoor Group Limited (ASX: APO) (**APN Outdoor**) and oOh!media Limited (ASX: OML) (**oOh!media**) are pleased to announce that the companies have today entered into a Scheme Implementation Deed under which the two companies will merge via an all-scrip scheme of arrangement (**Scheme**) whereby oOh!media shareholders will receive 0.83 APN Outdoor shares for each oOh!media share held (the **Transaction**).

The Transaction will create a leading, diversified out-of-home and digital media group in Australia and New Zealand with a pro forma market capitalisation of approximately \$1.6 billion⁵ (the **Merged Group**).

On completion of the Transaction, existing APN Outdoor and oOh!media shareholders will own 55% and 45% respectively of the Merged Group.

The Scheme Implementation Deed and the Scheme are subject to usual conditions precedent for a scrip merger, including:

- no regulatory intervention;
- oOh!media shareholder approval; and
- other customary conditions.

As part of the Transaction, APN Outdoor and oOh!media have agreed that both companies will cap final dividends for the year ending 31 December 2016 (**FY16**) at 12.5 cents and 10.0 cents per share respectively.

oOh!media's Board of Directors unanimously recommends that oOh!media shareholders vote in favour of the Scheme, in the absence of any superior proposal and subject to the Independent Expert concluding that the Scheme is in the best interests of oOh!media shareholders.

Consistent with their recommendation, each member of the oOh!media Board intends to vote the oOh!media shares in his or her control in favour of the Scheme in the absence of any superior proposal and subject to the Independent Expert concluding that the Scheme is in the best interests of oOh!media shareholders.

The obligations of APN Outdoor and oOh!media regarding the implementation of the Scheme, the Scheme conditions and deal protections are set out in the Scheme Implementation Deed, a full copy of which will be released on the Australian Securities Exchange (**ASX**) today.

Merger rationale

The Transaction combines two exciting out-of-home companies with complementary, long-term and diversified assets across classic, digital and online platforms, including an attractive and industry-leading portfolio of digital assets. The Transaction creates a service offering across key out-of-home formats, including roadside billboards, transit, rail, airports, retail, offices and other bespoke venue environments, and will enable the Merged Group to benefit from the digital and classic out-of-home capabilities of both businesses across the enlarged portfolio.

The Merged Group will have an enhanced geographic presence across Australia and New Zealand with 8,985 digital and 63,200 classic screens and panels across metropolitan and regional locations that command the attention of audiences. The combination of portfolios will create an attractive offering for advertisers, with expanded audience reach and diversity. These factors are expected to provide an attractive product offering to end customers and media agencies.

⁵ Based on share prices as at 13 December 2016. Excludes any benefit from synergies



Significant value accretion is expected for both shareholder groups. The merger is expected to deliver pre-tax cost synergies of at least \$20 million per annum, on a full run-rate basis and excluding one-off transaction and integration costs. Identified cost synergies primarily reflect the leveraging of the combined infrastructure, the elimination of duplication in the combined business and the reduction of outsourced costs. These include savings in broad group expenditure, costs relating to installation, production and systems, rationalisation of head office costs and savings in outsourced costs under a single operating model. These synergies are expected to be achieved within two years from completion of the Transaction, while one-off implementation costs are projected to be approximately \$10 million. The Transaction is expected to deliver FY16 pro forma earnings per share (EPS) accretion of 14.7% and 14.2% respectively to existing APN Outdoor and oOh!media shareholders.^{6,7}

The Merged Group will have enhanced financial scale and balance sheet strength, which will support its ability to pursue future growth opportunities.

Experienced Board and management team

The Merged Group will benefit from the experience and expertise from a combined management team and Board. The Merged Group's Board will comprise eight Directors, with four each from APN Outdoor's and oOh!media's current Boards. Doug Flynn will be appointed as the Merged Group's Chairman, Brendon Cook appointed as the Merged Group's CEO and Managing Director, and Wayne Castle as the Chief Financial Officer.

Comments

Doug Flynn, Chairman of APN Outdoor said: *"The merger of APN Outdoor and oOh!media is a compelling opportunity for all shareholders. The businesses bring together complementary asset portfolios across key formats in metropolitan and regional markets to create a leading and diversified out-of-home and digital online media group in Australia and New Zealand. We are excited by the growth prospects presented by this merger."*

Michael Anderson, Chairman of oOh!media said: *"The combination of these businesses will create an attractive media offering, supported by a passionate and experienced team. We believe the amount of cost synergies expected to be generated, and the resulting EPS accretion will create substantial value for both shareholder groups. We are pleased that the enhanced balance sheet strength and financial scale, together with increased funding opportunities, will support the Merged Group's ability to pursue future growth and digitisation opportunities."*

Indicative timetable and next steps

oOh!media shareholders do not need to take any action at the present time.

oOh!media shareholders will be given the opportunity to vote on the Scheme at a meeting expected to be held in March 2017. Subject to the approval of oOh!media shareholders and the other conditions of the Scheme being satisfied, the Scheme is expected to be implemented in April 2017.

A Scheme Booklet containing information relating to the Scheme, reasons for the Directors' recommendation, an Independent Expert's report and details of the Scheme Meeting is expected to be sent to oOh!media shareholders in February 2017.

⁶ For APN Outdoor: based on the upper end of its FY16 EBITDA guidance of \$84 million to \$86 million (consistent with its update to the market on 14 December 2016) plus \$2.6 million to include the full year impact of acquisitions made in FY16. For oOh!media: based on the mid-point of its recently upgraded EBITDA guidance of \$72 million to \$74 million (provided to the market on 14 December 2016) plus \$9.5 million to include the full year impact (and associated synergies) of acquisitions made in FY16

⁷ Based on NPATA for each company. Excludes one-off transaction and integration costs, and is based on \$20 million of run-rate cost synergies on a fully diluted basis



Further information on the Transaction has been provided in the supporting investor presentation also released to the ASX today.

Acknowledgement—Richard Herring

The Board of APN Outdoor wishes to acknowledge the significant contribution of Richard Herring, Chief Executive Officer of APN Outdoor, who has done an outstanding job in leading APN Outdoor through its private equity owned period, its initial public offering, and then as a very successful public company chief executive.

Richard, together with his senior management team, has driven APN Outdoor's successful out-of-home digitisation strategy which has led to strong organic growth achieved for our company. Richard will continue to be available for twelve months from the implementation of the Transaction as a consultant to assist as required in the integration of the two businesses.

Doug Flynn said: *"Due to the compelling nature of the Transaction for shareholders, Richard has agreed to stand aside to facilitate this attractive merger. After 16 years as a chief executive and 22 years in the out-of-home industry, Richard is keen to explore other opportunities in the business world. On behalf of the APN Outdoor Board I would like to thank Richard for the terrific job he has done in growing the business and wish him all the best for his future endeavours."*

Acknowledgement—Peter McClelland

The Board of oOh!media also wishes to acknowledge the vital contribution of Peter McClelland, Chief Financial Officer and Chief Operating Officer of oOh!media.

Peter has led the finance, shared services and investor relations teams through several value accretive acquisitions, private equity ownership, the initial public offering and subsequent listed activity. With Brendon, Peter has clearly articulated oOh!media's diversified strategy to the market, and has built the capability and performance of oOh!media with strategic hires and cost optimisation projects.

Michael Anderson said: *"Peter has also graciously agreed to stand aside to facilitate this merger. The Board and Management selected Peter on the basis of his strong financial acumen, deep commercial skills and positive leadership and engagement style. His leadership throughout oOh!media's rapid growth is a testament to the calibre of Peter, which is evidenced by the value he has generated for shareholders of oOh!media."*

Advisers

Cadence Advisory and UBS are acting as financial advisers to APN Outdoor, while Gilbert + Tobin is acting as legal adviser.

Highbury Partnership and Macquarie Capital are acting as financial advisers to oOh!media, while Herbert Smith Freehills is acting as legal adviser.

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