26 August 2019

ASX & Media Announcement

Revenue growth of 5% achieved, on track for key Commute integration and synergy targets

oOh!media Limited (ASX:OML) (**oOh!**) today announced its financial results for the half-year ended 30 June 2019 (1H19) [1].

- Pro forma revenue rose to $304.9 million (up 5%)
- Commute business delivered a strong contribution with 13% revenue growth (half-on-half) and continues to perform ahead of the acquisition business case
- Underlying[2] EBITDA $56 million (down 4%)
- Underlying Net Profit After Tax (NPAT) $9.0 million (down 24%)
- Underlying NPATA[3] of $18.2 million (up 3%)
- $10 million annualised run rate synergies achieved to date; on track for $16 million run rate synergies target for delivery this year and more expected in 2020
- Underlying opex growth tracking at 4%, below previous guidance range of 5-7%
- Fully franked interim dividend of 3.5 cents per share, steady on prior corresponding period. Fully underwritten DRP will operate for interim dividend

1H19 Results Commentary

Chief Executive Officer Brendon Cook said the result underscored the importance of oOh!'s diversification strategy, lifting revenue in a period when external factors slowed advertising spending.

"The diversity and scale of oOh!'s multi-platform portfolio delivered a solid performance in the half despite the external conditions," Mr Cook said.

"Growth in our key portfolio products, excluding Road, helped lift revenue by 5% on a pro forma basis. This was driven by a notable contribution from Commute, ongoing growth in our Fly and Locate products, and an improvement in Retail.

Mr Cook added: "The top line performance was impacted by subdued trading during the May federal election and the accompanying softer macroeconomic environment. This negatively affected the performance of Road in particular. Our gross profit was also impacted by the product mix.

"Opex growth is being tightly controlled, and yet we are still making strategic investments in data, sales excellence, content and creativity to drive future revenue growth. Capex spending will be at the lower to mid-range of our guidance.

"The team remains fully focused on the disciplined execution of our strategy to build a data-centric, scalable, multi-format Out of Home business. Advertisers continue to increasingly preference Out of Home as a key category for media spending supporting oOh!'s medium term growth prospects in this sector.

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[1] All Pro forma figures refer to oOh!'s results for 1H18 combined with the management accounts for Commute for the period when it was not under OML ownership

[2] Underlying results exclude the impact of certain non-operating items, including acquisition-related and other items. These items form the reconciliation between segment operating profit before depreciation and amortisation expense and statutory operating profit before depreciation and amortisation expense in Note 3 'Operating segments' of the consolidated financial statements. Underlying also excludes the impact of AASB16.

[3] NPATA excludes the after tax impact on acquisition related amortisation charges, including the amortisation attached to the Adshel acquisition

“We continue to lead the industry in creating a new media business and we are best placed to help drive the Out of Home industry’s share of overall media spend from 6% to 10%,” Mr Cook said.

Operational highlights:

- Successfully integrating Commute’s highly complementary segments of street furniture and rail into the Company’s sales propositions
- Back office and support functions physically integrated – on track for FY19 exit run-rate of $16 million in cost synergies with further synergies in 2020
- Continued progress in data and the technology platform with all products including Commute on the platform by the end of 2019
- Pre-synergy operational expenditure growth of 4%, below prior guidance for growth of between 5% and 7%
- Full year capital expenditure expected at the lower to mid-range of between $55 million and $70 million

Product highlights:

- **Commute** demonstrated strong double-digit growth in the first half, increasing by 13% on a pro forma basis. The business has largely overcome the loss of the Yarra Trams contract through asset roll outs across the Public Transport Victoria bus shelter contract and Metro Trains Melbourne. New Zealand operations performed well.
- **Road** revenue declined by 9% during the first half. This format is typically driven by big brand-based advertising which was adversely affected during the federal election and softer macro-economic environment. The first half also compared to a very strong 1H18 which saw significant advertising expenditure by the banking and automotive sectors. oOh! anticipates this softness will improve in Q4 as investment in brand building returns.
- **Retail** revenue grew by 6% which was a pleasing turn-around from -2% in the prior corresponding period and reflects the outcomes of the repositioning of this format which oOh! undertook from late Q2 in 2018.
- **Fly** continued its strong momentum from 2018 with revenue growing by 13%, including the revenue contribution from Qantas In-Flight which was ahead of expectations and demonstrates the value of this innovation.
- **Locate by oOh!** delivered double-digit growth of 10%, continuing its momentum from 2018 based on the consolidation of the office market and go-to-market offering.
- **Other** revenue represents the contribution from Junkee Media and Cactus Imaging.

Impact of new Accounting Standard AASB16

This is the first period where oOh!’s results are also reported in accordance with the new leasing standard AASB16. While this does not change the economic performance and cash flows of the business, it has resulted in changes to the Company’s reported statutory result. Full details of the result after the application of the AASB16 standard are contained in the Operating and Financial Report which should be read in conjunction with this announcement.

Financial position

Excluding the impact of AASB16, oOh!’s net debt/pro forma[4] Underlying EBITDA ratio was 2.7 times at 30 June 2019. This level of gearing remains well within the Company’s banking covenants and debt will reduce over FY19 given the weighting of the Company’s earnings to the second half. oOh! is targeting a leverage ratio below or approaching 2.0 times in 2020.

Capital expenditure was $28.3 million. This included investments in the digitisation of the Commute assets, the roll out of new assets in Brisbane Airport and the continued investments to digitise the network. For FY19, oOh! is targeting the lower to mid-range end of its stated capital expenditure guidance of between $55 million and $70 million.

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[4] Pro forma refers to oOh!’s results combined with the management accounts for Commute for the period when it was not under OML ownership

Outlook

On 16 August 2019 oOh! delivered a trading update and revised guidance for FY19. Prior to that date, guidance was for underlying EBITDA of between $152 million and $162 million (excluding integration costs and the impact of AASB16). oOh! has since advised underlying EBITDA to be between $125 million and $135 million, excluding integration costs and the impact of AASB16.

As previously advised, the Company's adjusted guidance was based on a view that a significant and broad-based decline in Q3 bookings could not be sufficiently offset by improved Q4 bookings.

"This has been a disappointing outcome for us and, from the available data and commentary from other media participants, we believe this to be a temporary but significant event driven predominantly by weaker market conditions," said Mr Cook.

"While the recent adjustment to our earnings forecast for the year due to current market conditions is disappointing, the Company has tested a number of potential scenarios for future trading and has concluded that no equity raising is required, excluding the Company's dividend reinvestment plan. This conclusion is, in part, because of the highly cash generative nature of the business," Mr Cook said.

Dividend

In line with its dividend policy, oOh! declared a fully franked interim dividend of 3.5 cents per share, which was steady on the prior corresponding period.

The record date for entitlement to receive the interim dividend is 30 August 2019 with a payment date of 20 September 2019.

The Company's dividend reinvestment plan ("DRP") will operate for the interim dividend and the DRP has been fully underwritten. The DRP is consistent with the Company's commitment to de-leverage. The last date for receipt of the election notice for participation in the DRP is 2 September 2019, the first working day after the dividend record date. Terms and conditions of the Company's DRP are available on the oOh! investor website.

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