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24 February 2020

ASX & Media Announcement

oOh! delivers revenue growth in line with market; Commute integration on track

oOh!media Limited (ASX:OML) (**oOh!**) today announced its financial results for the year ended 31 December 2019 (FY19). Comparative movements over prior year are reported on a pro forma basis [1].

- Revenue increased to $649.6 million (up 1% on prior year)
- Commute business continues to deliver strong contribution; revenue growth of 5% (ahead of the broader Out Of Home market)
- Integration of Commute on track - $16 million annualised run rate synergies achieved in FY19 with $2 million expected in FY2020 (FY20)
- Underlying[2] EBITDA - $139.0 million and within revised guidance range (down 5% on prior year)
- Underlying Net Profit After Tax (NPAT) $37.9 million (down 23% on prior year)
- Underlying NPATA[3] of $52.4 million (down 10% on prior year)
- Reported NPAT of $13.4 million (post AASB16)
- Fully franked final dividend of 7.5 cents per share, steady on prior corresponding year. Fully underwritten DRP will operate for the final dividend

FY19 Results Commentary

Chief Executive Officer Brendon Cook said while the media market was challenging in 2019, oOh! delivered revenue growth in line with the broader Out Of Home (OOH) market, maintained market share in both Australia/New Zealand and continued its successful integration of the Commute business.

“In a tough year for media, the overall market declined by an estimated 5%; however, OOH continued to out-perform the broader market and grew by 1% in Australia.

“Following the difficult second and third quarters, we delivered a stronger performance and recovered share in the fourth quarter to deliver revenue growth in line with the OOH market and earnings within our guidance range.

“We continued to successfully integrate Commute into the wider business. Commute revenue grew ahead of the OOH market and we delivered our target of $16m in run rate synergies for the year.

“Commute is now our largest division by revenue and its strong performance in FY19 demonstrates its significant contribution to enhancing our diversified asset portfolio and supporting our acquisition business case.

“We remained disciplined on operating and capital expenditure to ensure the Company is appropriately positioned to manage through the short term challenging environment while continuing our investment in people, data and systems to deliver sustainable revenue and earnings growth over the medium to longer term.

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[1] All pro forma figures refer to oOh!’s results for FY19 compared to the FY18 results combined with the management accounts for Commute for the period in FY18 when it was not under OML ownership

[2] Underlying results exclude the impact of integration related expenses and non-cash impairment expenses in the current year, and acquisition and integration expenses in the prior year. Underlying EBITDA is disclosed in Note 4 ‘Segment information’ of the Annual Financial Report. Refer to the same Note 4 for a reconciliation between information on reportable segments to IFRS measures. Underlying also excludes the impact of AASB16

[3] NPATA is NPAT excluding the after tax impact of acquisition related amortisation charges.

"Meanwhile, we generated strong operating cashflows in the second half, in keeping with the Company's stated objective to reduce leverage towards a gearing ratio of 2 times by the end of 2020.

"Despite a difficult media market, the fundamentals for OOH remain positive. The sector continues to benefit from structural changes in the media market including the ability to make 'one to many' advertising geographically and contextually relevant, further enabled by data and digitisation.

"Our strategy remains focused on capitalising on these key structural drivers of growth and leveraging our diverse product portfolio, backed by data, to deliver results for advertisers.

"That includes the launch of SMART Reach; our data science tool that combines the most robust anonymised data sets available, enabling advertisers to maximise their media spend and reach 25% more buyer audience across the media landscape.

"We continue to lead the industry in creating a new media business and we are uniquely positioned to help drive the Out of Home industry's share of overall media spend from 6% to 10%," Mr Cook said.

Operational highlights:

- Continued successful integration of Commute – integrated sales and operational team structure implemented; delivered FY19 exit run-rate of $16 million in cost synergies with $2 million further synergies in 2020
- Launch of SMART Reach - data science tool to ensure brands are targeting the right audience providing access to more than 400 specific audience segments based on buyer-graphics, demographics, psychographics and consumer behaviours
- Continued progress in data and the technology platform with approximately 50% of revenue booked on the new platform in final weeks of FY19
- Full year capital expenditure at the low end of guidance - $56.2 million – timing delays and prioritisation of key initiatives in a weak revenue environment

Product highlights:

- **Commute** continued to grow revenues greater than the broader OOH sector, up 5% on a pro forma basis. The rail assets benefitted from the Melbourne / Sydney package offering subsequent to the Metro Trains Melbourne contract win effective April 2018 which generated the strong first half growth.

- **Road** revenue declined by 5% for the full year. The first half was impacted by the Federal election in May which caused a reduction in big-brand advertising while the third quarter was adversely impacted by the weaker macro environment and unprecedented reduction in advertising spend. However, an improvement in bookings in the fourth quarter resulted in positive pacing for that quarter with the second half pacing down by 2% versus 9% in the first half.

- **Retail** revenue grew by 5%, consistent with the improved performance from the prior year despite a challenging retail environment.

- **Fly** revenue declined by 3% and was impacted by the reversion of the Sydney Airport Qantas Terminal to the Sydney Airport Corporation Limited, after growing by 12% in the first half following the introduction of In Flight in the latter half of 2018.

- **Locate by oOh!** grew revenues by 3% for the full year.

Impact of new Accounting Standard AASB16

oOh!'s financial results in the Annual Financial Report are presented in accordance with the new leasing standard AASB16 from 1 January 2019. 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 Review within the Directors' Report and within the Annual Financial Report and should be read in conjunction with this announcement.

Financial position
Net debt reduced from $372.5 million in the prior year to $354.5 million as at 31 December 2019. The Company's gearing ratio (net debt/Underlying EBITDA) was steady at 2.6 times at 31 December 2019 versus the pro forma prior year, despite the decline in EBITDA. This level of gearing remains well within the Company's banking covenants and oOh! continues to target a leverage ratio approaching 2.0 times by end 2020.

Capital expenditure was $56.2 million. This included the roll out of new inventory at the recently re-won Brisbane Airport contract, in addition to growth initiatives across the business.

Dividend
In line with its dividend policy, oOh! declared a fully franked final dividend of 7.5 cents per share, which was steady on the prior year.

The record date for entitlement to receive the final dividend is 2 March 2020 with a payment date of 27 March 2020.

The Company's dividend reinvestment plan ("DRP") will operate for the final 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 3 March 2020, the first working day after the dividend record date. Terms and conditions of the Company's DRP are available on the oOh! investor website.

Outlook and guidance for FY20

oOh! expects the Out Of Home sector to continue to gain market share across media formats in FY20. The Company takes the opportunity to provide guidance for the year ending 31 December 2020 of an Underlying EBITDA pre AASB16 range of $140 million - $155 million. The Company continues its disciplined approach to capital expenditure with a forecast capital expenditure range of $60 million - $70 million for FY20.

oOh!'s overall strategy will deliver long term sustainable revenue and earnings growth to maximise shareholder value creation.

This announcement has been authorised for release to the ASX by the Board of Directors.

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