



QMS Media Limited
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ASX release

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QMS Media reports strong H1 FY17 result

QMS Media Limited (ASX: QMS) today announced its financial results for the six months to 31 December 2016 (H1 FY17).

Financial highlights:

- Strong revenue and earnings uplift driven by landmark digital developments and contribution from New Zealand acquisitions.
- Revenue up 78% to \$79.0 million (H1 FY16: \$44.4 million).
- Underlying EBITDA up 67% to \$17.9 million (H1 FY16: \$10.7 million).
- Digital media revenue accounted for 66% of Australian Media Revenue and 43% of Total Group Media Revenue.
- Statutory NPAT up 32% to \$7.5 million (H1 FY16: \$5.7 million).
- Operating cash conversion increased to 90% (H1 FY16: 19%).
- Interim dividend of 0.8 cents per share (cps), fully franked.
- Upgraded FY17 EBITDA guidance to \$37.0 million, including an approximate \$1 million contribution from the QMS Sports acquisitions (before transaction costs).

Operational highlights:

- Strong delivery on premium landmark digital roll-out across Australia and New Zealand.
 - On-track to exceed our original target of 66+ landmark digital billboards in FY17, with a minimum of 68 now expected.
 - 61 sites operational, which includes 16 new sites switched on in H1.
- Significant growth in New Zealand following successful integration of iSite.
 - Almost doubled our landmark digital portfolio in New Zealand, with 9 new sites switched on in H1.
 - Auckland Transport concession progressing well, Commuter Network ready for launch in H2.
- Expansion into in-stadia sports advertising – QMS Sport.
 - Investments in OAMM, LIVE Docklands and Sportsmate completed in H1.
 - Extends QMS' dynamic digital capabilities across broader asset base and provides access to engaged, high-value audience.
 - Provides presence in major sporting stadia in key markets, including Sydney and New Zealand, accessing millions of attendees and broadcast viewers each year.
 - Ability to foster deeper audience engagement via co-ordinated multi-platform campaigns, including digital and social integration.



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QMS Managing Director and CEO Barclay Nettlefold said, “Our strong result reflects the continued delivery of our organic digital development strategy, and the strong performance of our New Zealand business following the acquisition and integration of iSite in FY16.

“Digital is continuing to drive strong double-digit growth in Out of Home across Australia and New Zealand, and remains core to our business. Two-thirds of our Australian media revenue and 43% per cent of Group media revenue came from our digital assets in the first half. Our landmark digital roll-out is progressing ahead of expectations, and we are on track to exceed our original target, with over 68 sites now expected to be switched on by the end of the financial year.

“The media landscape is continuing to evolve toward more co-ordinated and targeted campaigns, and we are well placed to unlock additional value from our portfolio by leveraging customised, dynamic digital content across multiple platforms. With QMS Sport, we now have a digital presence in major sporting stadia across Australia and New Zealand. This provides us with access to a large, highly engaged audience in a connected environment, which is ideal for delivering tailored content through in-venue digital, mobile, social and experiential channels in real-time.”

Result commentary

Strong revenue and earnings growth was predominantly driven by the contribution from new landmark digital developments and a full period contribution from the New Zealand acquisitions completed in December 2016.

The underlying EBITDA margin of 23% (H1 FY16: 24%) reflected an increased contribution from the lower-margin New Zealand business and continued investment in overheads to support future growth.

Net profit after tax was up 32% to \$7.5 million, with higher finance costs and income tax expense compared to the prior period.

Operating cash flow conversion increased to 90% with a continued focus on working capital management.

The strong momentum in our digital development strategy continued in the half, with 16 high quality landmark digital sites switched on, bringing our aggregate portfolio at 31 December 2016 to 61, with permits approved for a further 19 sites.

During the period QMS Media invested \$22.4 million in sports digital outdoor media and technology assets, including:

- An 80% stake in Out and About Marketing and Media (OAMM), a leading provider of in-bowl digital stadium and other advertising at key sporting stadia across Australia and New Zealand.
- A 50% stake in LIVE Docklands, which holds the rights to several digital advertising assets within Melbourne’s Etihad Stadium.
- A 20% strategic stake in Sportsmate Australia, a leading developer of sporting apps across a number of popular sporting codes, including AFL, NRL, Cricket, Rugby, Soccer, NFL and NBA.

The investments were funded through a combination of debt and an institutional placement. QMS has maintained a conservative balance sheet, with net debt of \$17.3 million (or 0.5x historical EBITDA) at 31 December 2016.

Dividend

The Board has declared an interim fully franked dividend of 0.8 cps. The interim dividend equates to a dividend payout ratio of 34% of H1 FY17 NPAT, which the Board believes appropriately balances the distribution of profit to shareholders and the reinvestment of earnings for future growth. Our dividend policy remains unchanged at 30% - 50% of NPAT, weighted to second half.

The interim dividend will be paid on 21 April 2017. The record date for determining the entitlement is 10 March 2017.

FY17 outlook upgraded

QMS has upgraded its full year FY17 EBITDA guidance to \$37 million, including a part-year contribution from the Sports acquisitions of approximately \$1 million (before transaction costs).

The above guidance reflects:

- Ongoing strength of Out-of-Home industry fundamentals in Australia and New Zealand.
- Delivery of QMS' upgraded landmark digital billboard target of 68+ in FY17, and a full period contribution from billboards switched on in FY16.
- Full year contributions from:
 - Acquisitions completed in FY16 – iSite, Omnigraphics NZ and ABSee.
 - Auckland Transport and Bali Airport concessions.
- Advertising market seasonality, with underlying revenue and earnings more weighted to H1.
- Ongoing investment in corporate overheads, reflecting previously highlighted commitment to systems, resources and capability development.

Analyst and investor briefing

The company will conduct an analyst and investor briefing on the H1 FY17 results today at 11.00am AEDT. The investor presentation has been lodged with ASX, and the teleconference will be available using the dial in details below:

Australia toll-free: 1800 123 296
International: +61 2 8038 5221
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QMS Media Limited is a publicly listed company on the Australian Stock Exchange. QMS is a leading outdoor media company in Australia, New Zealand, and Indonesia, specialising in premium landmark digital and static billboards, street furniture, retail and transit media.