

PMP LIMITED FY16 FULL YEAR RESULTS

PMP now Net Debt free, Continued Strong Free Cashflow

KEY POINTS

- Net Profit (after tax and significant items) of \$0.2M compared to \$8.0M (pcp) due mainly to higher significant items including the previously reported Dick Smith bad debt and fees arising from the new corporate bond.
- Free cashflow¹ at \$37.5M vs \$35.5M, up 5.7% pcp
- Net Profit (after tax before significant items) at \$11.8M was \$0.3M lower pcp
- Earnings per share³ maintained pcp at 3.7 cps
- EBITDA (before significant items) at \$51.2M, down 11.9% pcp
- EBIT (before significant items) at \$23.3M, down 11.7% pcp
- Net Debt free at \$0.7M Net Cash², down from Net Debt² of \$16.3M at 30 June 2015
- Final dividend of 2.4 cents per share unfranked to be paid on 7 October 2016

\$M	FY16	FY15	Var \$	%	Market Guidance
Sales Revenue	816.0	811.7	4.3	0.5%	-
EBITDA (before significant items)	51.2	58.1	(6.9)	(11.9%)	53 - 57
EBIT (before significant items)	23.3	26.4	(3.1)	(11.7%)	24 - 28
Net Profit (before significant items)	11.8	12.1	(0.3)	(2.1%)	11 - 13
Net Profit (after significant items)	0.2	8.0	(7.8)	(97.7%)	-
Free Cash Flow ¹	37.5	35.5	2.0	5.7%	33 - 37
Net Cash / (Net Debt) ²	0.7	(16.3)	(17.0)	-	3 - 7
Earnings Per Share ³	3.7	3.7	-	-	-

¹ Free cashflow is defined as EBITDA (before significant items) less interest paid, income tax, capex and movement in working capital

² Net Cash / (Net Debt) excludes prepaid finance costs

³ Earnings per share is defined as net profit after tax (before significant items)/weighted average number of ordinary shares

COMMENTARY

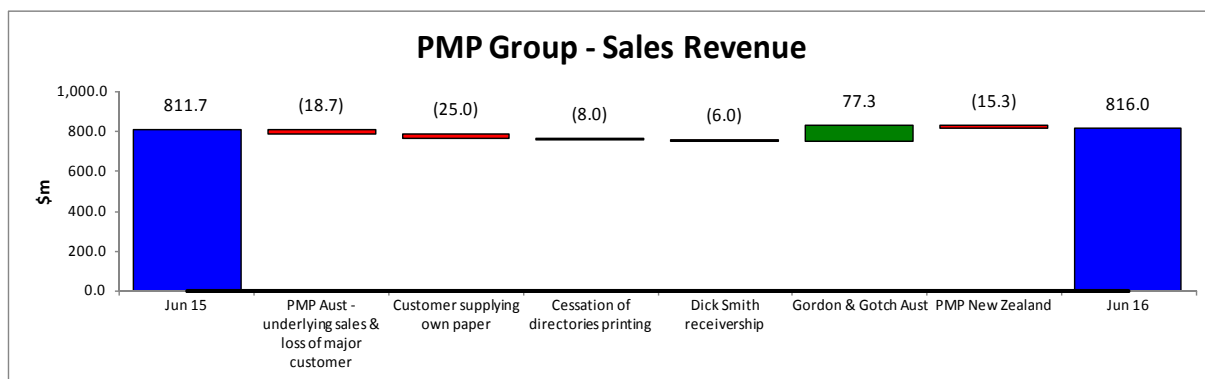
PMP CEO, Peter George, said, "The company has delivered another strong cashflow result and it is encouraging that we have delivered on guidance for free cashflow, Net Debt and NPAT (before significant items). EBIT and EBITDA (before significant items) were slightly under full year guidance, due to lower than expected volumes from key heat set print customers and higher than anticipated operational costs at Griffin Press due to continued increase in demand for short-run on-demand printing."

"It was pleasing to see the successful integration at Gordon & Gotch Australia of the new magazine distribution contracts with Bauer, with sales up \$77.3M pcp. This underpins PMP's capability to successfully integrate businesses / major contracts. Higher volumes at both Distribution Australia and NZ were also welcome. The company has also invested in new digital equipment at Griffin Press to enable it to transition to a world class digital print platform."

"These are important businesses for us and it is encouraging to see the growth at Gordon & Gotch and Distribution."

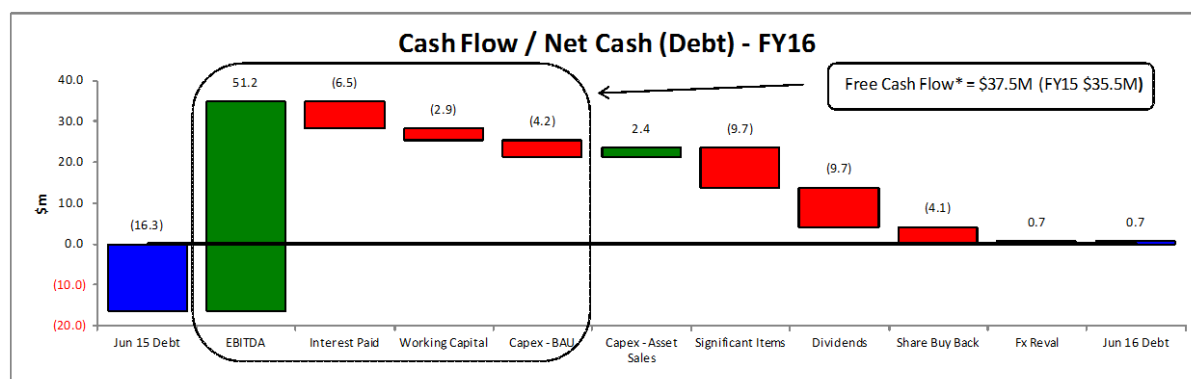
“Our balance sheet continues to improve and the company is now Net Debt free. The Net Cash position of \$0.7M is a first for the company and contrasts favourably to the position four years ago when the company had \$143M Net Debt. This achievement is a clear sign of our cash generating capability and the continued tight control undertaken over working capital and capital expenditure. In addition a new \$40M corporate bond was issued which allowed us to repay the previous \$50M bond, extend tenor and secure lower funding costs” Peter George said.

Sales at \$816.0M were up by \$4.3M or 0.5% pcp. Gordon & Gotch sales were up \$77.3M and Distribution Australia sales rose by 3.3% pcp on higher volumes, but this was mostly offset by lower print sales at PMP Australia of \$57.8M. Adjusting for one off factors, heatset print sales fell in Australia by 4.8% or \$9M. Sales at PMP New Zealand were down \$15.3M on a major publishing contract loss and tight print markets.



FY16 EBIT (before significant items) at \$23.3M was \$3.1M or 11.7% lower compared to \$26.4M pcp with PMP New Zealand down \$2.6M pcp as lower revenue trends from the first half continued into the second half of the year. At PMP Australia, continued tight cost controls, cost-out initiatives and lower depreciation absorbed much of the impact from lower heatset revenues and Griffin costs resulting in a slight reduction in EBIT (before significant items) pcp which was broadly offset by lower Corporate costs.

Free Cashflow remains a key feature of the PMP business model and is its key financial metric. At \$37.5M it was up \$2.0M or 5.7% pcp as better working capital outcomes, lower interest expense and reduced capex offset lower EBITDA.



The market environment in FY16 was challenging with higher than normal levels of retail customer disruption. Competitive pricing levels continued at depressed but stable levels through the year, resulting in a churn of sales contracts as competitors seek to lock in contracts to cover fixed overheads. As advised in February, the closure of Dick Smith adversely impacted second half heatset sales. These factors have all been partially offset by further cost savings commencing in the second half of the year and some new contract wins.

In this context, the focus has been on the disciplined execution of cost-out initiatives and the generation of strong cashflows. These cashflows were used to commence capital management and reduce debt. PMP made good progress on all these fronts during the year.

The fall in EBIT (before significant items) was offset by a reduction in interest expense so earnings before tax (and significant items) at \$17.3M was broadly in line year on year. Statutory profit after tax however fell from \$8.0M pcp to \$0.2M in FY16 due to higher significant items up \$7.5M post tax (mainly due to the Dick Smith receivable impairment and the fees arising from the new corporate bond).

PMP Australia

\$M	FY16	FY15	%
Sales Revenue	334.6	392.3	(14.7)
EBIT(before significant items)	16.5	18.1	(9.0)

Revenues were 14.7% or \$57.6M lower pcp. The main factors behind this were a customer buying their own paper \$25M, the cessation of the directories print contract \$8M, the loss of a major customer \$13M, and Dick Smith going out of business \$6M. After adjusting for these factors, heat-set print sales fell by 4.8% or \$9M. Distribution sales rose by 3.3% pcp, from higher catalogue and newspaper deliveries.

EBIT (before significant items) at \$16.5M was down \$1.6M, as the impact of lower heatset print sales volumes and higher costs at Griffin Press were mostly offset by tight cost controls, cost-out initiatives mainly in the print business and lower depreciation.

Griffin Press responded during the year to the change in consumer and publisher demand with the commissioning of three new digital presses and associated finishing equipment to become the largest digital book printer in Australasia with a market leadership position. While the \$3.2M of operating lease costs per annum are expected to initially be cost neutral, operational costs saving of \$1M are expected as the remaining conventional printing is undertaken digitally. Griffin's customers will benefit from enhanced flexibility and improved DIFOT.

PMP New Zealand

\$M	FY16	FY15	%
Sales Revenue	135.6	150.9	(10.2)
EBIT(before significant items)	8.6	11.1	(23.0)

PMP New Zealand EBIT (before significant items) of \$8.6M, was down \$2.6M or 23% pcp mainly due to a 12% fall in sheetfed sales from a major publishing contract loss, lower selling prices in heatset print and lower magazine print volumes. This was partially offset by a 1.9% rise in distribution volumes and a 2% increase in catalogue print volumes. Further cost savings were achieved across the business.

Gordon & Gotch

\$M	FY16	FY15	%
Sales Revenue	345.8	268.5	28.8
EBIT(before significant items)	2.3	3.0	(21.9)

Gordon & Gotch revenues were up \$77.3M or 28.8% pcp as 4 months of revenues from the Bauer contract and other publishers (following the closure of Network) offset lower revenues from existing customers. EBIT (before significant items) of \$2.3M for the period was down \$0.7M pcp as the impact of lower volumes on existing customers offset part year gains from the new Bauer contract. Gordon & Gotch also entered into a similar agreement with Bauer in New Zealand commencing FY17.

Cashflow

Free cashflow was \$37.5M, up \$2.0M pcp as better working capital movements and lower interest expense more than offsets lower EBITDA. Capital expenditure at \$4.2M was slightly down on pcp and given the useful life of our heatset press fleet, should remain low for the foreseeable future.

Significant Items

Significant items in FY16 were \$14.6M (pre tax). This included \$8.4M of redundancy and restructuring costs, \$2.3M of costs relating to the issue of the new bond and re-payment of the previous bond and a \$3.9M bad debt charge for the Dick Smith receivable which is non recoverable and which was fully impaired in the H1FY16 accounts.

Debt

The company has a Net Cash position at June 2016 of \$0.7M. Net cashflow before capital management for FY16 was \$30.9M with \$13.9M used for capital management initiatives and the balance to reduce financial indebtedness. In September 2015, the company issued a new corporate bond for \$40M, repaid the original \$50M bond as well extending tenor and securing a lower interest coupon.

Capital Management

The company's capital management policy is to distribute annually 100% of NPAT (before significant items) with at least 75% via dividends and any remainder by on-market buyback.

The full year FY16 NPAT (before significant items) is \$11.8M. An interim dividend of 1.2 cents per share \$3.8M was paid out of FY16 profits. After taking this into account \$8.0M is now available for distribution.

Following the FY16 results, the Board was considering maintaining a final unfranked dividend at 1.8 cents per share in line with last year. However, given limited liquidity in the recent share buyback the decision has been taken not to reinstate the buyback but to instead increase the final unfranked dividend by 0.6 cents per share to 2.4 cents per share or \$7.7M declared with a record date of 22 September 2016 and a payment date of 7 October 2016.

In conjunction with the interim dividend announced in February 2016 this results in a dividend payout of \$11.5M or 97% of FY16 NPAT (before significant items). We acknowledge that this is higher than the policy of 75% dividends and is an exception rather than a change to the policy which we will continue to monitor.

OUTLOOK

Retail market conditions and consumer sentiment continued to remain patchy in the lead up to the recent Federal election. As well some of our major customers have restructured their businesses and Dick Smith has closed down. These revenue impacts have been partially offset by some recent new contract wins.

From an industry perspective, 7.4 billion catalogues were delivered in the last 12 months which is relatively stable (down 2.3% pcp) and Roy Morgan research continues to clearly confirm the utility of catalogues with 58% of the Australian population 14yrs+ reading a catalogue and buying from a catalogue in the last 7 days.

PMP expects current market conditions to continue into FY17 with major print contracts still subject to strong price competition. Nevertheless, PMP expects to continue to strengthen its position in the key print and distribution markets and the company's disciplined focus on generating free cashflow will remain for the foreseeable future.

During 2016, the company commenced industry consolidation in magazine distribution with the Gordon & Gotch/Bauer Media contract. PMP continues to look for further opportunities in existing markets for further industry consolidation or cost reduction. In conjunction with this, the company will continue to focus on winning new work with its unique integrated offer while retaining tight cost controls and managing cashflow.

The company will provide a trading update for FY17 at the Annual General Meeting in November 2016.

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