ASX Announcement **22 February 2016**

PMP LIMITED FY16 HALF YEAR RESULTS

Financial performance on track: interim dividend declared, full year guidance affirmed

PMP continues to deliver with a net profit after tax for the half year to 31 December 2015 ("H1FY16") at $1.8M vs $4.3M prior corresponding period (pcp). H1FY16 EBITDA (pre significant items) was $29.0M and importantly free cashflow[1] at $17.5M was up 24.7% pcp, while Net Debt reduced to $10.4M. The company declared an interim dividend of 1.2 cents per share (unfranked). Full Year guidance is affirmed.

KEY POINTS

- After the Dick Smith bad debt impairment for $2.7 million post tax, Net Profit (after tax and significant items) was $1.8M post tax, compared to $4.3M (pcp)
- Net Profit (after tax before significant items) was $7.8M up 4.9% pcp
- Earnings per share[2] was up pcp at 2.4 cps
- EBITDA (pre significant items) at $29.0M, down 7.7% pcp
- Free cashflow[1] at $17.5M vs $14.1M, up 24.7% pcp
- Net Debt reduced to $10.4M, down by 74.1% from $40.0M at December 2014 and now represents 0.2x leverage
- Interim dividend of 1.2 cents per share unfranked, to be paid on 6 April 2016

$M	1H FY16	1H FY15	Var $	%
Sales Revenue	**390.5**	427.3	(36.8)	(8.6%)
EBITDA (before significant items)	**29.0**	31.4	(2.4)	(7.7%)
EBIT (before significant items)	**14.8**	15.7	(0.9)	(5.9%)
Net Profit (before significant items)	**7.8**	7.5	0.4	4.9%
Net Profit (after significant items)	**1.8**	4.3	(2.5)	(58.8%)
Free Cash Flow [1]	**17.5**	14.1	3.5	24.7%
Net Debt	**(10.4)**	(40.0)	29.7	74.1%
Earnings Per Share [2] (cents)	**2.4**	2.3	0.1	-

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

[2] Earnings per share is defined as net profit after tax (pre significant items)/weighted average shares

COMMENTARY

PMP CEO, Peter George, said, "The company has delivered another good result, slightly ahead of our expectations when full year guidance was announced. It was pleasing to see the core heatset print, distribution and digital businesses in Australia record an improved EBIT (pre significant items) by $0.2M pcp and that NPAT (after significant items) would also have been an improvement of $0.2M pcp but for the Dick Smith bad debt."

"Net Debt has been reduced by 74.1% over the last 12 months and is at a new all-time low. This is a clear sign of our cash generating capability and the continued tight control undertaken over working capital and capital expenditure" said Peter George.

Sales at $390.5M were down by $36.8M or 8.6% pcp, with $24M due to a print customer buying their own paper. Underlying sales were down $12.8M or 3%.

H1FY16 EBIT (before significant items) at $14.8M was $0.9M or 5.9% lower compared to $15.7M mainly due to lower PMP New Zealand profits.

Free Cash Flow[1] remains a key feature of the PMP business model and is our key financial metric. At $17.5M it was up $3.5M or 24.7% pcp as better working capital outcomes and lower capex offset reduced EBITDA. H1FY16 free cashflow had some favourable timing variances pcp which are expected to partially reverse in the second half of the year.

PMP has seen a continuation of existing market conditions in 2016 with major print contracts still subject to strong price competition as competitors chase contracts to lock in volumes over the medium term. This has resulted in a churn of sales contracts along with the anticipated closure of two customer's businesses which will be largely offset by further cost savings commencing in the second half of the year.

In conjunction with the 6.4% increase (pcp) in PMP catalogue and newspaper distributions, research undertaken by the Australian Catalogue Association indicates that 2014/15 delivered a stable performance for catalogue and letterbox marketing with an increased audience reach to 19.7M. 77% of the Australian population engaged in catalogues within a four week period. The industry is developing stronger targeting and datasets to allow retailers to market to specific consumer groups. PMP is well placed to benefit from these trends.

<u>PMP Australia</u>

$M	**H1 FY16**	**H1 FY15**	**%**
Sales Revenue	**190.4**	218.6	(12.9)
EBIT(before significant items)	**11.8**	12.0	(1.8)

Revenues were 12.9% or $28.2M lower pcp. The main factors behind this were the final flow through impact of a print customer deciding to buy their own paper ($24M at the sales line). After adjusting for this factor, heat-set print and distribution sales fell by 1%. Distribution volumes rose by 6.4% pcp, with higher catalogue and newspaper deliveries. The volume of catalogues printed were down 4.3% pcp as a result of the company exiting low margin contracts.

EBIT at $11.8M was down $0.2M, however after excluding the Griffin Press reduction pcp of $0.4M, the core heatset print, distribution and digital EBIT (pre significant items) was up $0.2M pcp.

<u>PMP New Zealand</u>

$M	**H1 FY16**	**H1 FY15**	**%**
Sales Revenue	**71.2**	77.3	(7.9)
EBIT(before significant items)	**5.2**	6.4	(18.9)

PMP New Zealand EBIT (pre significant items) of $5.2M, was down $1.2M or 18.9% on pcp mainly due to a 15.5% fall in sheetfed sales from a contract loss, which was partially offset by a 3.3% increase in heatset catalogue volumes, a 3.7% rise in Distribution volumes and further cost savings.

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

Gordon & Gotch

$M	H1 FY16	H1 FY15	%
Sales Revenue	**128.9**	131.4	(1.9)
EBIT(before significant items)	**0.6**	0.6	-

Gordon & Gotch returned an EBIT (pre significant items) of $0.6M for the period, flat pcp as a 1.9% reduction in revenues was offset by additional cost reductions.

As released to ASX in January 2016 Gordon and Gotch is to provide magazine distribution services to Bauer Media over the next five years in Australia and New Zealand including to other publishers for which Network Services and Netlink Distribution currently provide distribution services. The new contracts are expected to generate circa $300M sales per annum with around $100M from 4 months trading in FY2016. The additional margin, negative working capital benefits and capital expenditure in FY2016 are incorporated into the guidance provided at the 2015 Annual General Meeting. As the full year sales flow through in FY2017, additional margins will strengthen the business by mitigating the impact of lower base business volumes on the Gordon & Gotch business and contributing some additional profits on a net basis.

Cash Flow

Cash from operations, as per the Appendix 4D, was $15.0M, up $0.6M pcp as better working capital movements pcp offset higher significant items and lower EBITDA. Capital Expenditure was $1.0M and given the useful life of our heat-set press fleet, should remain low for the foreseeable future.

Significant Items

Significant items in H1FY16 were $8.6M (pre tax). This included $2.4M of restructuring costs, $2.3M of costs relating to the issue of a new bond and re-payment of the previous bond and a $3.9M bad debt charge for the Dick Smith receivable which is viewed as non recoverable.

On 5 January 2016, PMP advised the ASX that as a result of Dick Smith entering into voluntary administration, PMP’s bad debt exposure would be a maximum of $4.0 million. Actual bad debt exposure is $3.9 million ($2.7 million post tax) which has been fully impaired in the H1FY16 accounts.

The Dick Smith bad debt impairment is the largest bad debt in over 10 years and given the materiality and one- off nature of this impairment it has been treated as a significant item.

In the last three years, PMP sales have been $2.6 Billion and bad debts (including Dick Smith) have totalled $5.8M which is 0.2% of sales.

Debt

The company continues to make strong progress on reducing debt. Net debt was down by 74.1% during the last 12 months to another new all-time low of $10.4M which is $6M better than expected largely due to working capital outcomes and lower capital expenditure. This compares to $40.0M pcp at December 2014 and Net debt to EBITDA (pre significant items) has reduced to 0.2x from 0.7x pcp.

Capital Management

The company’s policy on capital management is to distribute annually 100% of NPAT (pre significant items) with at least 75% via dividend. NPAT (pre significant items) in H1FY16 was $7.8M and an interim dividend of 1.2 cents per share unfranked or $3.8M has been declared with a record date of

22 March 2016 and is to be paid on 6 April 2016. This represents circa 50% of first half fiscal year 2016 NPAT (pre significant items).

Following the AGM in November 2015, the company commenced its share buyback program of $6.2M. Between 23 November 2015 and 31 December 2015 the company purchased 5.3M shares for $2.7M at an average price of 51.1 cents. On 23 February 2016 the company will recommence the share buyback for the remaining $3.5M. In addition, the company intends to buyback a further $1.9M (circa 25%) out of the H1FY16 NPAT (pre significant items). The total buyback between 23 February and 30 June 2016 is $5.4M.

OUTLOOK

Trading conditions remain challenging with mixed signals in the Australian retail sector. Industry demand for catalogues remains stable. PMP New Zealand is experiencing tougher than expected trading conditions with pricing pressure in heatset printing.

Notwithstanding the expected continuation of the existing market conditions and the likely loss of the Dick Smith and Masters volumes in the second half, we are on track to deliver our goals and affirm the full year guidance provided at the AGM:

- FY16 EBITDA (pre significant items) to be in the range $53M - $57M
- FY16 EBIT (pre significant items) to be in the range of $24M - $28M
- NPAT (pre significant items) $11M - $13M
- Full year net debt guidance range is $3M - $7M
- Full year Free Cash Flow[1] $33M - $37M

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

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