# PMP LIMITED

ABN 39 050 148 644

**Results for the**
**6 months ended 31 December 2016**

**27 February 2017**

**Peter George, CEO**
**Geoff Stephenson, CFO**

## INVESTOR PRESENTATION


PMP LIMITED

# Contents

# MERGER TO PROCEED: SYNERGY BENEFITS UPGRADED

- Merger due to complete on 1 March 2017
- PMP and IPMG on track to extract synergy benefits from integration
- Annualised transformation savings increased from $40M to circa $55M:
  - cash costs[1] increased from $65M to $80M
- Annualised full year EBITDA[2] of the merged group circa $90M-100M from fiscal 2019 subject to market conditions:
  - after taking into account PMP's weaker earnings
  - IPMG's major customer loss
  - higher synergies
- The merged company has approximately $60M of franking credits upon completion

(1) Estimated cash implementation costs excluding any post completion impacts of onerous lease provisions
(2) Pre-significant items




PMP LIMITED

# 2017 HALF YEAR RESULTS

- H1 results adversely impacted by unusual print market conditions
  - every major heatset print company pursuing industry consolidation
  - aggressive competition to retain existing contracts
- First half sales at $496.6M, up $106.1M or 27.2%
- Industry consolidation of magazine distribution:
  - successful integration of Network (Bauer) contract into Gordon and Gotch in both Australia and New Zealand, sales up $144M
- Significantly weaker result at PMP Australia, sales down $39.0M or 20.5%
  - inability to replace lost print contract volumes and sell price decline
  - planned cost out response to lower activity levels postponed due to pending merger
- At PMP New Zealand, EBITDA[1] down $0.6M pcp
  - higher profits at Gordon and Gotch and sheetfed sales up 15%
  - lower print sell prices
- Free cash flow[2] of $5.7M, down $11.8M pcp
  - better working capital and interest paid offset by higher significant items and lower EBITDA

(1) Earnings before Finance Costs, Income Tax, Depreciation and Amortisation and Significant items
(2) Free cash flow is defined as EBITDA (before Significant items) less Interest paid, Income Tax, Capex and movement in Working Capital




PMP LIMITED

# 2017 HALF YEAR RESULTS: HIGHLIGHTS

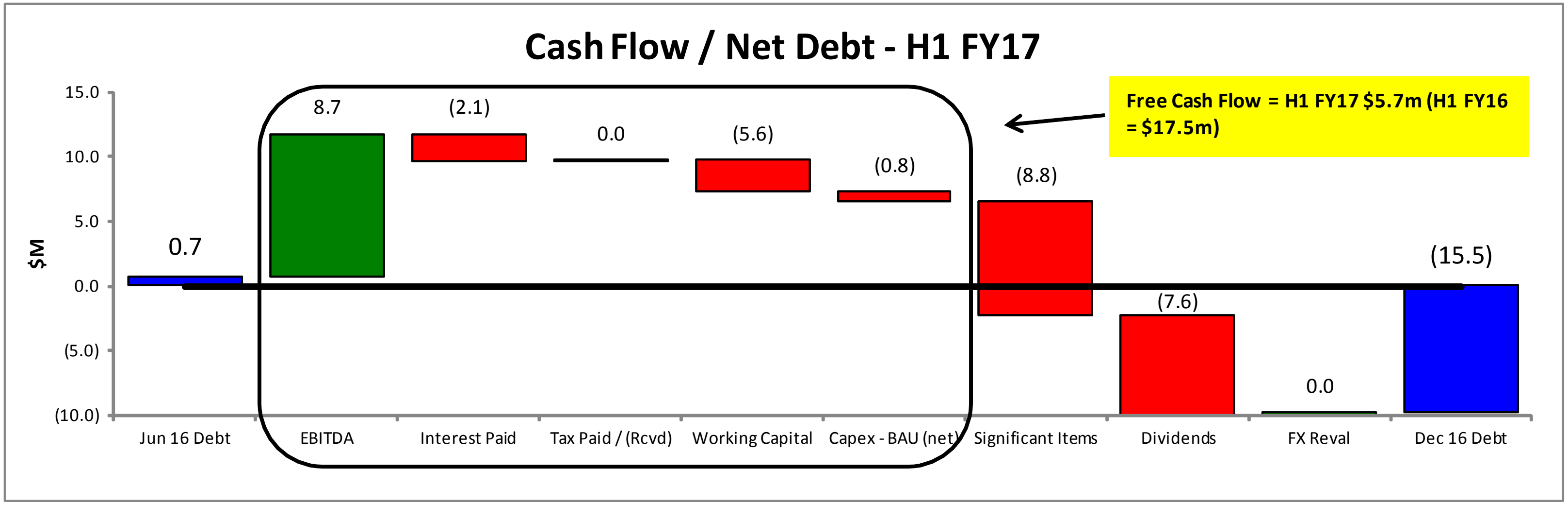
- Sales at $496.6M
  - Sales Revenue higher 27.2% up $106.1M :
    - Gordon and Gotch up $112.6M - new Bauer contract
    - PMP Aust down $39.0M
    - PMP NZ up $32.5M or 45% – new Bauer revenues
- EBITDA[1] at $11.1M
  - Down $17.9M as reduced EBITDA mainly at PMP Australia on lower print revenues
  - Slight EBITDA reduction at PMP New Zealand and GGA offset by lower Corporate costs
- Net Debt at $9.8M
  - Net Debt $9.8M v. Net Debt $10.4M pcp
  - Interest Cover 4.9x v. 8.2x pcp
- Net Loss at ($14.5M)
  - Net Loss (after sig items) of ($14.5M) v. $1.8M Net Profit pcp
- Capital Management
  - Final FY16 dividend of 2.4cps paid in Oct 2016
  - Capital management on hold for 2017 pending merger

(1) Earnings before Finance Costs, Income Tax, Depreciation and Amortisation and Significant items




PMP LIMITED

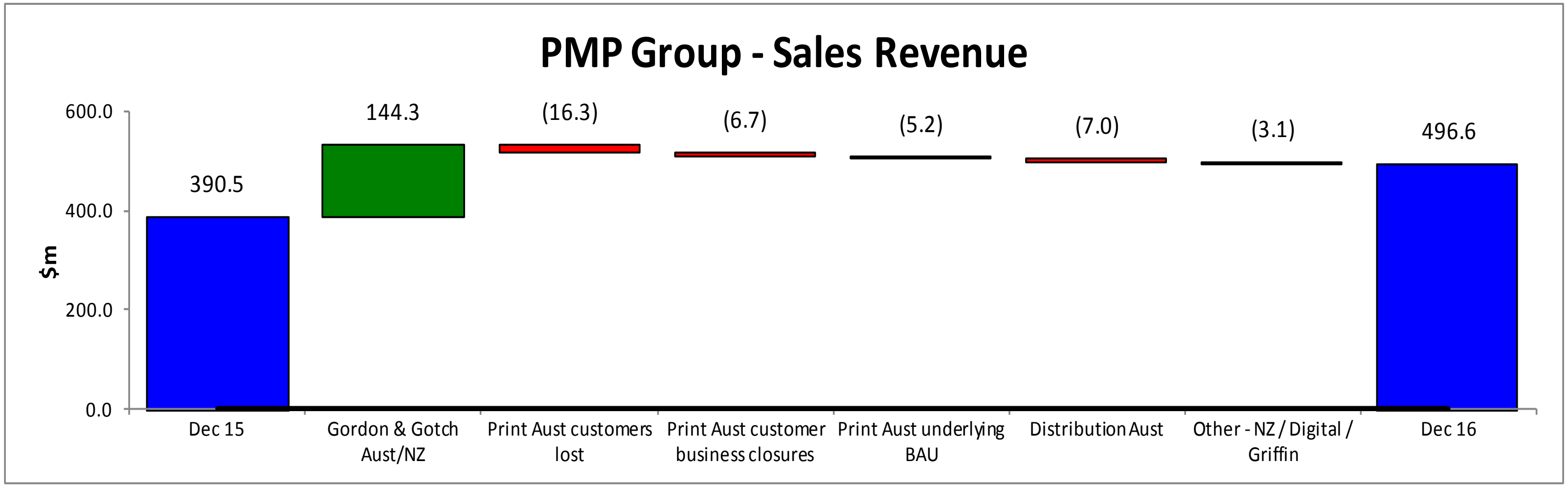
# 2017 HALF YEAR RESULTS: CASH FLOW BRIDGE




- Free cash flow in the first half down $11.9M pcp
  - working capital movements $3.8M favourable pcp
  - lower interest $2.2M pcp
  - EBITDA down $17.9m pcp



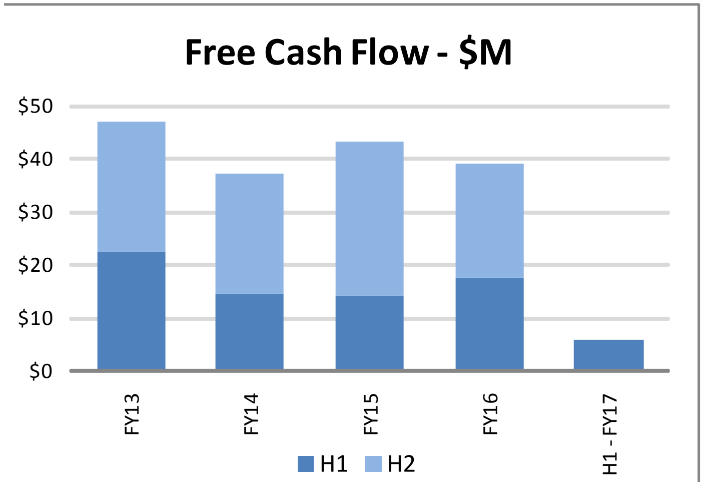
# 2017 HALF YEAR RESULTS: SALES REVENUE BRIDGE

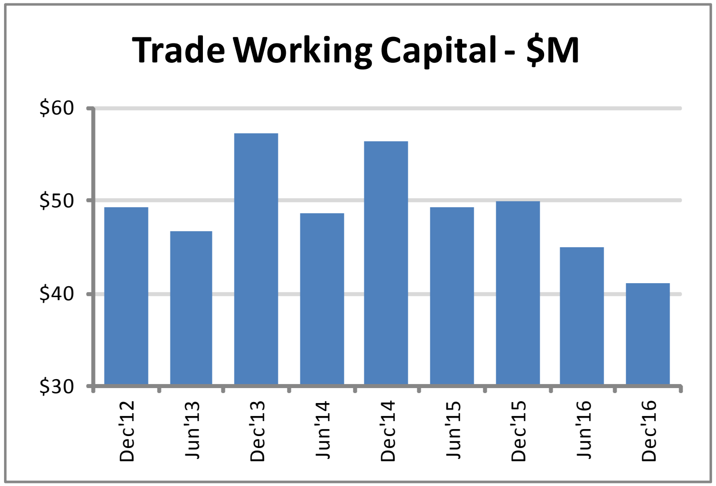


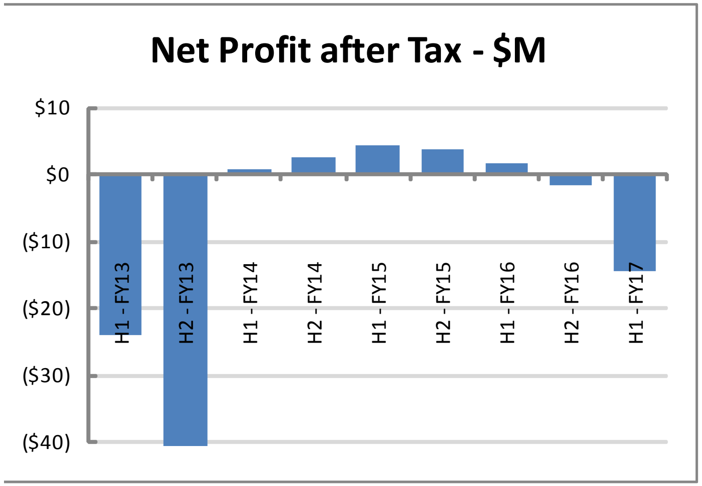

- Higher sales at Gordon and Gotch Australia & New Zealand following the Bauer transactions partly offset by lower print & distribution sales in Australia
  - lower than normal levels of print contract churn
  - unsuccessful in replacing print contracts lost in fiscal 2016

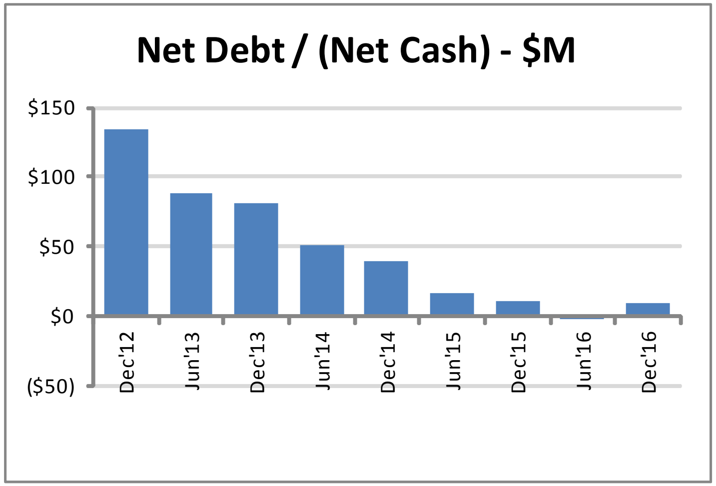


# 5 YEAR FINANCIAL PERFORMANCE







PMP LIMITED

# 2017 HALF YEAR RESULTS: INCOME STATEMENT

| $M | 1H FY17 | 1H FY16 | % |
|---|---|---|---|
| Sales Revenue | **496.6** | 390.5 | 27.2% |
| EBITDA (before significant items) | **11.1** | 29.0 | (61.8%) |
| Depreciation & Amortisation | **(12.9)** | (14.3) | 9.6% |
| EBIT (before significant items) | **(1.8)** | 14.8 | (112.3%) |
| Net Profit / (Loss) After Tax (before significant items) | **(2.9)** | 7.8 | (137.5%) |
| Significant items post tax | **(11.6)** | (6.0) | (91.3%) |
| Net Profit / (Loss) (after significant items) | **(14.5)** | 1.8 | - |



# 2017 HALF YEAR RESULTS: KEY METRICS

| Key Metrics | 1H FY17 | 1H FY16 | % |
|---|---|---|---|
| Cash Flow from Operating Activities ($m) | **(2.2)** | 15.0 | (114.4%) |
| Free Cash Flow ($m) | **5.7** | 17.5 | (67.6%) |
| Net Debt ($m) | (9.8) | (10.4) | 5.0% |
| EBITDA to Sales Revenue (%) | **2.2%** | 7.4% | |
| EPS (before significant items) - cps | **(0.9)** | **2.4** | |



# 2017 HALF YEAR RESULTS: RECONCILIATION OF EBITDA

| $M | 1H FY17 | 1H FY16 | % |
|---|---|---|---|
| Statutory Profit | **(14.5)** | 1.8 | |
| Income tax (expense)/ benefit | **(1.3)** | (1.0) | |
| Statutory Profit before Income tax | **(13.2)** | 2.7 | |
| Significant Items (pre tax) | **9.1** | 8.6 | |
| **Profit before significant items** | **(4.1)** | 11.4 | (135.8%) |
| Net finance costs | **2.3** | 3.4 | |
| **EBIT (before significant items)** | **(1.8)** | 14.8 | (112.3%) |
| Depreciation & Amortisation | **12.9** | 14.3 | |
| **EBITDA (before significant items)** | **11.1** | 29.0 | (61.8%) |



# 2017 HALF YEAR RESULTS: SIGNIFICANT ITEMS

| $M | Pre-Tax |
|---|---|
| Redundancy costs & other costs | 6.6 |
| Costs of merger with IPMG | 2.3 |
| **Net Cash Significant Items** | **8.9** |
| Loss on sale of PP&E | 0.1 |
| **Non-cash Significant Items** | **9.1** |
| **Total Significant items** | **9.1** |

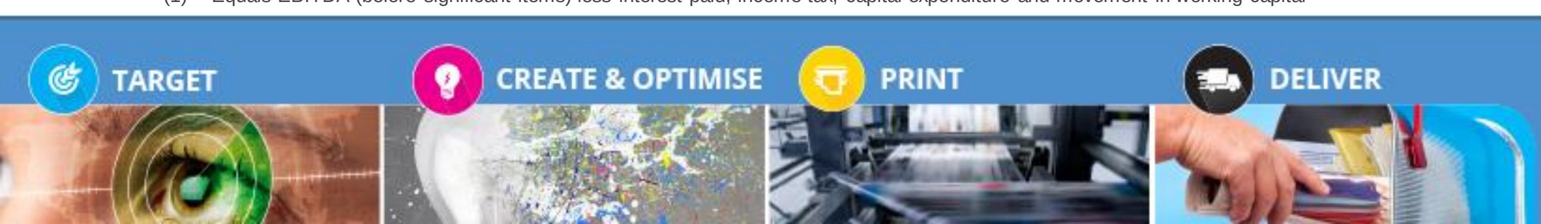


# 2017 HALF YEAR RESULTS: RECONCILIATION OF CASHFLOW

| $M | 1H FY17 | 1H FY16 | Var $ |
|---|---|---|---|
| EBITDA (Before significant items) | **11.1** | **29.0** | (17.9) |
| Borrowing costs | **(2.1)** | (4.2) | 2.2 |
| Income tax refunds/ (paid) | **0.0** | 0.0 | 0.0 |
| Net movement in working capital | **(2.4)** | (6.2) | 3.8 |
| **Trading Cash flow** | **6.6** | **18.6** | **(12.0)** |
| Significant items | **(8.8)** | (3.6) | (5.2) |
| **Cash Flow from Operations (Appendix 4D)** | **(2.2)** | 15.0 | (17.2) |
| Asset sales | **0.1** | 0.0 | 0.1 |
| Capital Expenditure | **(0.9)** | (1.0) | 0.1 |
| Dividends | **(7.6)** | (5.9) | (1.8) |
| Share buy back | **0.0** | (2.7) | 2.7 |
| **Net Cash Flow** | **(10.6)** | 5.4 | (16.0) |
| Gain/(Loss) on translation of NZ Debt / Cash | **0.1** | **0.5** | (0.5) |
| Reconciliation to Net Debt movement | **(10.5)** | 6.0 | (16.5) |
| **Free Cash Flow** [1] | **5.7** | **17.5** | **(11.9)** |

(1) Equals EBITDA (before significant items) less interest paid, income tax, capital expenditure and movement in working capital






PMP LIMITED

# 2017 HALF YEAR RESULTS: BALANCE SHEET METRICS

| | Dec-16 | Dec-15 |
|---|---|---|
| Total Assets ($m) | 453.0 | 445.8 |
| **Shareholders Funds ($m)** | **238.9** | **267.0** |
| **Net Debt ($m)** | **9.8** | **10.4** |
| Interest Cover (EBITDA/Interest) times | 4.9 | 8.2 |
| **Net Debt to EBITDA[1] (times)** | **0.3** | **0.2** |
| **Net Debt to Equity (%)** | **4.1%** | **3.9%** |
| Net Tangible Assets per share (cps) | 0.66 | 0.75 |
| Trade Working Capital ($m) | 41.1 | 49.9 |
| Debtor Days | 33.9 | 36.2 |
| Cash Conversion (%) [2] | 59.5% | 64.0% |
| Return on Funds Employed (%) [3] | 2.55% | 8.59% |

(1) Equals EBITDA (before significant items) less interest paid, income tax, capital expenditure and movement in working capital

(2) Cash Conversion is calculated as Cash flow from operations (adjusted for Significant items) / EBITDA before Significant items

(3) ROFE equals EBIT (before Significant item) / Average funds employed



# 2017 HALF YEAR RESULTS: DEBT PROFILE & CAPITAL MANAGEMENT

- Net debt December 2016 is $9.8M v. $10.4M net debt at December 2015
- Capital Management
  - final unfranked dividend from FY16 profits - 2.4 cps ($7.6M) – paid Oct'16
  - on hold for 12 months given the merger and subsequent cost out plan
- Facilities in place to support merger transformation program
  - extended maturity date of O/D facilities to December 2017
  - new $30M receivables financing facility and $30M working capital facility to assist in IPMG integration
  - minimum cash balance to be held of $15.5M (as cash at bank – not pledged)




PMPLIMITED

# 2017 HALF YEAR RESULTS: OUTLOOK

**PMP will deliver on the Merger**

- Upon completion, the merged group will move quickly to finalise and execute a transformation/integration plan
- Merged group EBITDA guidance (pre-significant items) for FY17 $36M - $41M. Takes into account:
  - PMP's weaker first half EBITDA
  - IPMG's expected trading
  - latest synergy savings March-June 2017
- Annualised savings from transformation circa $55M – up $15M vs original numbers
- Cash costs[1] to achieve higher synergies now $80M vs $65M with the spend to be from March 2017 to June 2018
- EBITDA[2] of the merged group on a full-year basis, including annualised savings expected to be circa $90M-$100M in fiscal 2019 subject to market conditions
- The merged company has approximately $60M of franking credits upon completion

(1) Estimated cash implementation costs excluding any post completion impacts of onerous lease provisions
(2) Pre-significant items



# ADDENDUM



# 2017 HALF YEAR RESULTS : BUSINESS UNIT SUMMARY

- PMP Australia revenue at $151.4M is down $39.0M or 20.5% :
  - loss of two major print customers $16.3M + customer closures/liquidation $6.7M
  - underlying heatset print sales down $5.2M or 4.3%
  - distribution revenue down $7M on 12.6% lower volumes :
    - units delivered down 12.6% on contract loss / lower existing customer activity
  - EBIT at $4.8M loss is down $16.5M :
    - lower heatset sales volumes
    - lower print sell prices
    - flow through of FY16 cost savings
    - postponed FY17 cost out programme due to pending merger
    - secured new print and distribution contracts which partially offset contract losses and retained a number of key contracts
  - Griffin Press higher operational costs (continued increase in demand for short-run on-demand printing) and lower revenues (customer activity)



# 2017 HALF YEAR RESULTS : BUSINESS UNIT SUMMARY

- PMP New Zealand EBIT[1] at $4.6M is $0.5M lower pcp :
  - higher profits at G&G and sheet-fed sales up 15% pcp
  - price pressure in the print business
  - distribution volumes flat
  - further cost-out initiatives and tight cost control

- Gordon and Gotch Australia revenue $241.5M up $112.6M pcp :
  - Bauer new contract volumes, successfully integrated into platform
  - EBIT[1] is $0.6M lower : new revenues from Bauer largely insulated the impact of lower volumes from existing customers
  - looking at further logistics cost savings
  - underpins PMP's capability to successfully integrate businesses / major contracts

(1) Earnings before Finance Costs, Income Tax and Significant items



# 2017 HALF YEAR RESULTS : OPERATIONS SUMMARY

| Sales Revenue ($M) | 1H FY17 | 1H FY16 | Var $ | Var % |
|---|---|---|---|---|
| PMP Australia | 151.4 | 190.4 | (39.0) | (20.5%) |
| PMP New Zealand | 103.6 | 71.2 | 32.5 | 45.6% |
| Gordon and Gotch Group | 241.5 | 128.9 | 112.6 | 87.3% |
| **TOTAL GROUP** | **496.6** | **390.5** | **106.1** | **27.2%** |

| EBIT ($M) | 1H FY17 | 1H FY16 | Var $ | Var % |
|---|---|---|---|---|
| PMP Australia | (4.8) | 11.8 | (16.5) | (140.5%) |
| PMP New Zealand | 4.6 | 5.2 | (0.5) | (10.4%) |
| Gordon and Gotch Group | 0.0 | 0.6 | (0.6) | (96.2%) |
| Corporate/Other | (1.7) | (2.8) | 1.1 | 38.9% |
| **TOTAL GROUP** | **(1.8)** | **14.8** | **(16.6)** | **(112.3%)** |



# 2017 HALF YEAR RESULTS : UNITS

| | 1H FY17 | 1H FY16 | Var % |
|---|---|---|---|
| Print AU | 71.3 | 85.1 | (16.2%) |
| Print NZ | 20.2 | 20.7 | (2.4%) |
| **Print Tonnes ('000)** | **91.5** | **105.8** | **(13.5%)** |
| | | | |
| Distribution AU | 1,152.7 | 1,319.6 | (12.6%) |
| Distribution NZ | 329.7 | 330.1 | (0.1%) |
| **Distribution Units (Mio)** | **1,482.3** | **1,649.7** | **(10.1%)** |
| | | | |
| Gordon and Gotch AU | 109.5 | 66.6 | 64.5% |
| Gordon and Gotch NZ | 20.9 | 5.9 | 254.5% |
| **Gordon and Gotch Copies (Mio)** | **130.4** | **72.5** | **79.9%** |



# 2017 HALF YEAR RESULTS : DISCLAIMER

The material in this presentation is a summary of the results of PMP Limited (PMP) for the six months ended 31 December 2016 and an update on PMP's activities and is current at the date of preparation, 27 February 2017. Further details are provided in the Company's HALF YEAR accounts and results announcement released on 27 February 2017.

No representation, express or implied, is made as to the fairness, accuracy, completeness or correctness of information contained in this presentation, including the accuracy, likelihood of achievement or reasonableness of any forecasts, prospects, returns or statements in relation to future matters contained in the presentation ("forward-looking statements"). Such forward-looking statements are by their nature subject to significant uncertainties and contingencies and are based on a number of estimates and assumptions that are subject to change (and in many cases are outside the control of PMP and its Directors) which may cause the actual results or performance of PMP to be materially different from any future results or performance expressed or implied by such forward-looking statements.

This presentation provides information in summary form only and is not intended to be complete. It is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor.

Due care and consideration should be undertaken when considering and analysing PMP's financial performance. All references to dollars are to Australian Dollars unless otherwise stated.

To the maximum extent permitted by law, neither PMP nor its related corporations, Directors, employees or agents, nor any other person, accepts any liability, including, without limitation, any liability arising from fault or negligence, for any loss arising from the use of this presentation or its contents or otherwise arising in connection with it.

This presentation should be read in conjunction with other publicly available material. Further information including historical results and a description of the activities of PMP is available on our website, [www.pmplimited.com.au](http://www.pmplimited.com.au)