PMP Limited
ABN 39 050 148 644

Level 12
67 Albert Avenue
Chatswood NSW 2067
Australia

Telephone +61 2 9412 6111
Facsimile +61 2 9413 3939
www.pmplimited.com.au

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ASX Announcement

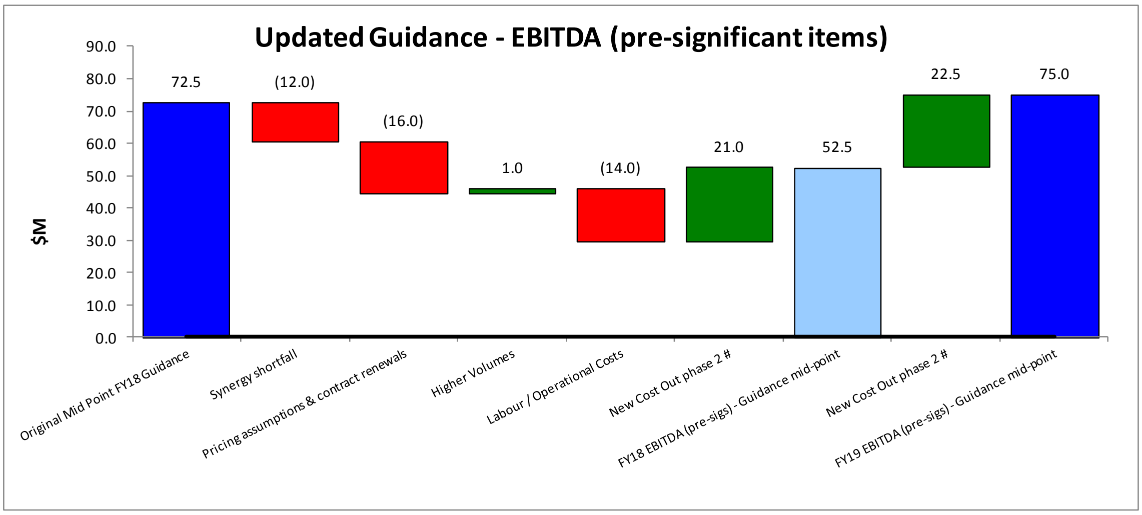
Trading Update and CEO Succession

Update

PMP Limited announces new guidance for fiscal 2018 and 2019. As the integration of PMP and IPMG has progressed, it has now become clear that the guidance previously announced for fiscal 2018 - 2019 will not be met. This new guidance predominantly reflects a higher cost base than the pre merger synergy plan envisaged to accommodate larger than expected volumes of short format work and lower than assumed sell prices. The company has identified and is implementing additional “Phase 2” cost savings to improve profitability.

$M	Earlier Guidance	New Guidance
FY18 EBITDA (pre sigs)	70-75	50-55
FY19 EBITDA (pre sigs)	90-100	70-80
Net debt free fiscal 2019	yes	5-15
Capital management	Feb-18	Aug-18
FY19 ROFE ^	20-25%	15-20%

^ EBIT pre sigs/average funds employed



Issues

Print Australia’s profitability has been adversely affected by :

Synergy Shortfall $12M:

- We originally expected to deliver $55m of cost synergies as a result of the merger. $43M of savings have been delivered. The higher volumes of short run work has been a major factor in preventing PMP from delivering the final $12M of expected labour savings.

Pricing Assumptions and Contract renewals $16M:

- the majority of this relates to assumptions made around pricing. We assumed average higher prices for some of the work in the post-merger volumes;

Labour & Operational Costs $14M:

- the volumes of the short run work, which is labour intensive and required additional equipment to produce therefore resulting in a cost base greater than anticipated. This has resulted in increased manufacturing costs being incurred.

Peter George CEO said, "Given the large amount of short run complex work that was transferred into the merged group we have had to maintain an increased operational cost structure to deliver on customer expectations. This extra short run work required a higher cost base affecting our ability to deliver the full anticipated synergy benefits, and also required additional labour costs including casual employees and overtime payments. We also had to re-set price on some key contracts to reflect market conditions."

"The Company has responded quickly and has identified a number of new cost out projects, described as "Phase 2 cost initiatives". These will be undertaken over the ensuing 18 months. We have started to implement several of these including: changes in shift patterns at the larger sites to significantly reduce overtime, commissioning of additional bindery equipment, further headcount reductions and repricing work on smaller format presses. These savings are expected to improve FY19 profitability to $70 to $80M."

Stage 2 Cost Initiatives

The incremental annualised benefit from the new Phase 2 cost initiatives is estimated to be $43.5M. These will be delivered over fiscal 2018-2019. The cash cost to deliver these projects is estimated to be an additional $29M which will be incurred $20M in fiscal 2018 and $9M in fiscal 2019.

With these initiatives, we expected the underlying EBITDA run rate for the second half of fiscal 2018 to be in line with original guidance.

Over time, we expect market pricing to reflect the new improved industry structure.

The rationale of the merger has not diminished. The resultant reduction in capacity and forecast synergies of the merged group coupled with the overall improvement in industry structure should ensure a more profitable and sustainable PMP.

Distribution and Marketing Services in Australia and PMP's operations in New Zealand remain on target.

Capital Management

The Board remains committed to its capital management strategy, but in light of the expected first half results, it is likely that this strategy will recommence with the final dividend for fiscal 2018.

Debt

Net debt at June 2018 is expected to be $30M-$35M. The peak net debt period for fiscal 2018 has now occurred and was slightly under expectations at $60M. The net debt guidance for June 2019 is $5M - $15M.

Retirement of Peter George

PMP CEO, Peter George, has informed the Board he will accelerate his retirement following a tragic family bereavement and step down at the end of November 2017. Mr George and the Board were planning for his retirement in 2018, having passed the age of 65, and had been working through a considered succession planning program.

On behalf of shareholders the Board wishes to thank Peter for his tremendous contribution to PMP. Under Peter's leadership PMP has been transformed from an inefficient, loss-making company with significant debt to become the clear industry leader with both scale and capability.

PMP Chairman, Mr Matthew Bickford-Smith, said: "It has been a privilege to work with Peter. His disciplined focus on efficiency and cash generation have secured PMP's future. The merger with IPMG could not have been achieved without Peter's vision and leadership. We offer our deepest condolences to him and his family at this difficult time."

"Given Peter's original intention to retire next year, we had already begun the succession planning process, which will now be accelerated. A thorough search of external and internal candidates is well advanced and should be completed by the end of the calendar year when a permanent appointment will be made. To assist the transition the Company and Peter have agreed for him to remain engaged as a consultant. "

Interim CEO Appointment

In the meantime, PMP announces the appointment of Kevin Slaven as Interim CEO to commence on 1 December.

Mr Slaven is the former IPMG Group CEO, who joined PMP with the merger in March 2017. He is currently responsible for the Distribution and Marketing Services division in PMP. Mr Slaven was appointed CEO of IPMG in July 2013 after originally joining the business in 2000 as CFO and Company Secretary. He is currently the Deputy Chair of the Australasian Catalogue Association.

"Kevin is a well-respected and highly effective leader in the industry with a strong track record of managing integrated print and distribution. We are fortunate to have someone with his experience of print leadership and knowledge of our business to step in at short notice," said Mr Bickford-Smith.

Mr Slaven said: "I look forward to building on the strong foundations that Peter George and the Board have put together following the merger. Much of the integration has been done. The next step is to complete the integration, the phase 2 initiatives, and leverage PMP's position as the pre-eminent print media and marketing services company in Australasia."

For further information please contact:

Peter George
CEO
Phone: 02 9412 6001

Matthew Bickford-Smith
Chairman
Phone: 0448 359 065

<u>Investor Relations</u>
Michael Brown
Phone: 0400 248 080

<u>Media Inquires</u>
Rodd Pahl
Phone: 0411 607 520