ASX Announcement **27 February 2018**

PMP LIMITED FY18 HALF YEAR RESULTS

KEY POINTS

- **H1 FY18 results**
  - EBITDA (before significant items) at $20.2M, up 82.3% pcp [A]
  - Net Loss (after tax and significant items) of $19.5M compared to $14.5M Loss (pcp)
  - Free cashflow[1] at $0.7M vs $5.7M pcp
  - Net Debt at $32.8M is in line with full year guidance and higher than Net Debt of $18.5M at 30 June 2017

- **Cost - out initiatives**
  - Phase 1 completed
  - Phase 2 cost-out plans underway and broadly on track - $43.5M of annualised savings over FY18-19

- **FY18 guidance**

  Challenging print industry market conditions to continue into H2FY18 - continued difficult market conditions in newspaper, magazine publishing and retail;

  - FY18 EBTDA (before significant items) $40M - $45M (down from $50M - $55M)
  - Net debt $35M - $40M at June 2018 (vs. previous guidance of $30M - $35M)

KEY FINANCIALS HALF YEAR FY18 *, **

$M	H1 FY18	H1 FY17	Var $	%
Sales Revenue	**398.5**	262.2	136.3	52.0%
EBITDA (before significant items)	**20.2**	11.1	9.1	82.3%
EBIT (before significant items)	**4.9**	(1.8)	6.7	-
Net Profit / (Loss) (before significant items)	**1.1**	(2.9)	4.1	-
Loss before Income Tax Expense	**(13.8)**	(13.2)	(0.6)	(4.2%)
Net (Loss) (after significant items)	**(19.5)**	(14.5)	(5.0)	-
Free Cash Flow [1]	**0.7**	5.7	(5.0)	(88.2%)
Net Debt	**(32.8)**	(9.8)	(22.9)	-

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

* Includes six months trading of the IPMG businesses

** Significant Items outlined on page 4

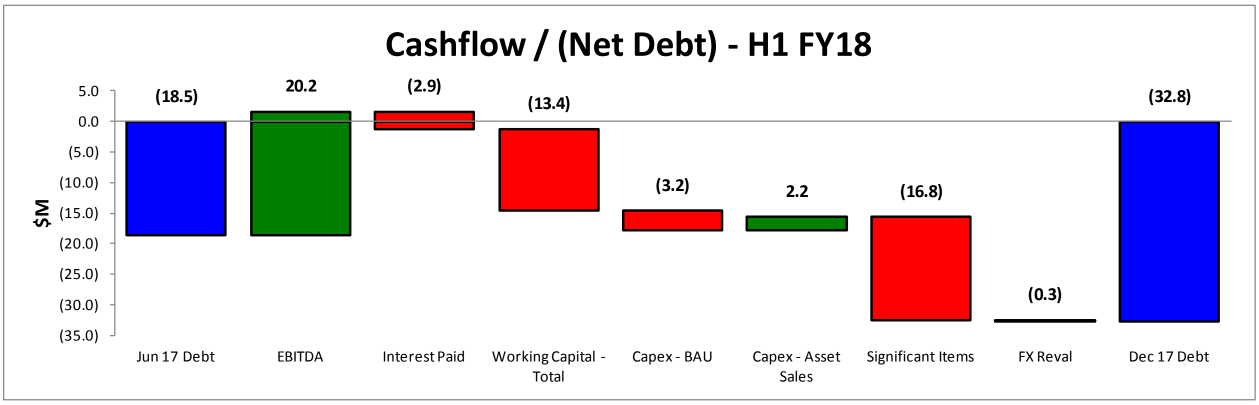
Commentary

Reflecting on the half year, CEO Kevin Slaven said: “Whilst sales are significantly higher pcp, this is because of the inclusion of IPMG Print and Marketing Services revenue, partially offset by lower sales at PMPNZ & Distribution. H1FY18 EBITDA (before significant items) of $20.2M is $4M lower than guidance given in November 2017. This was primarily due to a weaker than expected second quarter in Print Australia, with all other businesses performing to H1 expectations. Whilst the overall heatset print volumes in Australia were slightly ahead of guidance given in November 2017, this was offset by lower

[A] PCP refers to prior comparable period i.e. PMP H1FY17 pre merger results than expected average prices due to a change in work mix mainly in the publishing/newspaper sector and some minor cost-out timing variances."

"Whilst the average sell prices at Print Australia are lower than expected, this does not represent a further reduction in prices to heatset customers but rather since November 2017 magazine and newspaper publishers have reduced paginations and quantities in their forward bookings. For the tier one retail catalogue customers, encouragingly we are seeing stability in pricing and increased volumes for a number of customers. This has helped to mitigate the impact of the reduced volumes from publishers. It should also be noted that we have been successful in securing some small format work at higher prices.

The Board and Management are not satisfied with this result and are working hard to ensure we improve the underlying Print Australia results."



Free cashflow in H1 FY18 at $0.7M was down $5.0M pcp as higher EBITDA (before significant items) was offset by higher working capital movements, higher capital expenditure & interest paid. Working Capital movement was $10.9M higher than last year as $6.6M of onerous leases, make good and redundancy provisions from June 2017 were paid out and trade working capital movement was higher by $4.3M pcp.

With gearing at 0.8 times net debt to EBITDA (before significant items) our balance sheet remains strong. Net Debt at 31 December 17 of $32.8M is in line with full year guidance.

As previously advised, in accordance with the new accounting standard AASB 15, PMP has recorded Gordon & Gotch sales on a distribution/commission fee basis which has resulted in lower revenues for both H1FY18 and H1FY17 has also been restated and there is no impact on EBITDA.

Further work on AASB 15 has resulted in a change in first half revenue recognition for freight recovery received from customers. Previously it was offset to freight expense and it will now be included in sales revenue with a corresponding rise in freight expense, as such, EBITDA will not be impacted. The impact in H1FY18 revenue was $21.2M and H1FY17 sales have also been restated.

H1FY18 EBITDA (before significant items) at $20.2M was $9.1M or 82.3% higher compared to $11.1M pcp as higher profits at the Print Australia and Marketing Services businesses from an additional 6 months profits from the IPMG merged entities more than offset lower outcomes at Distribution and Griffin Press.

H1FY18 statutory loss after tax was $19.5M vs $14.5M loss in H FY17. Higher EBITDA was broadly offset by higher depreciation, significant items and interest expense with EBT only $0.6M lower pcp. Income tax expense was up $4.5M year on year due to the non cash reversal of DTA timing differences booked in fiscal 2017 (relating to onerous leases, redundancy provisions and asset impairments/disposals).

Print Australia

$M	H1 FY18	H1 FY17	%
Sales Revenue	**244.7**	112.3	117.9
EBITDA (before significant items)	**9.5**	2.4	-

Revenues at $244.7M were 117.9% or $132.4M higher pcp given $134.3M higher heatset sales from the inclusion of six months of IPMG print revenues and $1.9M lower sales at Griffin Press.

Retail market conditions continued to remain very tough with many retailers controlling costs via format changes/pagination while magazine publisher print runs and titles being published are also reducing.

When including the IPMG print business on a comparable basis H1FY17 tonnes were 158K and for H1FY18 actual tonnes are 135.5K which is a 14% reduction year on year. On a statutory basis however, heatset print volumes were up 105% or 69.3K tonnes pcp.

EBITDA (before significant items) at $9.7M was up $7.9M, as the impact of higher volumes from IPMG heatset print and synergy savings more than offset lower than expected sell prices/mix and higher direct labour costs at Print Australia.

Griffin Press was impacted by lower volumes after customer losses which more than offset operational efficiencies and EBITDA (before significant items) was $0.7M lower pcp.

PMP New Zealand

$M	H1 FY18	H1 FY17	%
Sales Revenue	**64.1**	69.8	(8.1)
EBITDA (before significant items)	**7.6**	7.7	(1.5)

Revenues at $64.1M were down $5.6M or 8.1% pcp (or 3.3% lower in local currency) due to lower heatset and sheetfed print revenues. Gordon & Gotch and Distribution sales were in line year on year.

PMP New Zealand EBITDA (before significant items) of $7.6M, was down $0.1M pcp (and up $0.2M in local currency). Gordon & Gotch profit was up $0.6M as improved operational efficiencies outweighed lower volumes. Heatset print was down $0.2M year on year as lower sell prices and volumes were offset by tight cost controls and lower input costs (it was flat pcp in local currency). Sheetfed volumes were lower with sales down 9.4% and profit $0.4M lower in constant currency. Distribution was $0.1M below last year.

Distribution

$M	H1 FY18	H1 FY17	%
Sales Revenue	**46.2**	47.3	(2.3)
EBITDA (before significant items)	**2.6**	3.0	(13.2)

The distribution business in Australia recorded sales of $46.2M down $1.1M or 2.3% as new business wins were offset by lower volumes from existing customers and customers not re-signed. Volumes in H1FY18 were 1.3% lower pcp**.** From an industry perspective, 3.56 billion catalogues were delivered in the last 6 months. This is lower than previous years (down 4.1% pcp).

EBITDA (before significant items) at $2.6M was 13.2% or $0.4M lower pcp as operational and administration savings were offset by lower volumes and sell prices in a competitive environment.

Marketing Services (including Gordon & Gotch Australia)

$M	H1 FY18	H1 FY17	%
Sales Revenue	**43.5**	32.9	32.3
EBITDA (before significant items)	**1.8**	(0.4)	-

The Marketing Services business comprises PMP Digital, SBM and the marketing services businesses (PEP Central, Traction Digital, Holler and Spectrum Group) and Gordon & Gotch Australia. Revenue at $43.5M was up by $10.6M pcp as higher digital revenues up $11.9M were partially offset by lower sales at Gordon & Gotch down $1.3M or 4.4% pcp.

Volumes at Gordon & Gotch were down 11.6% pcp with lower volumes and fewer titles from some customers.

H1 EBITDA (before significant items) at $1.8M was $2.2M higher pcp due to $1.8M higher profit at Marketing Services from the new IPMG businesses and lower costs at PMP Digital. Gordon & Gotch EBITDA (pre significant items) at $0.8M was up 113.5% or $0.4M pcp as higher sell prices and lower operational & administration costs more than offset the impact from lower volumes.

Significant Items

Significant items in H1 FY18 were $15.0M (pre tax) up $5.9M pcp including $0.4M of non-cash items. Cash significant items totalled $14.6M, with $16.8M cash out mainly for redundancies and press relocations - less cash received from sale of plant & equipment $2.2M.

Debt

The company has a Net Debt position at December 2017 of $32.8M which is $14.2M higher than June 2017. We have agreed to extend our existing banking facilities to February 2019 and as the peak transformation spend has concluded have reduced the working capital facility from $30M to $10M effective March 2018. Sufficient headroom/cash is available to fund future transformation requirements.

OUTLOOK

PMP expects challenging print industry market conditions to continue into H2 FY18, with continued difficult market conditions in newspaper and magazine publishing. Tough retail conditions are also expected to continue for our customers, which will be reflected in their orders.

As announced to the ASX on 14 February 2018 PMP's guidance for FY18 is now $40M-$45M EBITDA (before-significant items).

"Whilst overall Australian print volumes are in line with what has previously underpinned guidance, and noting that all cost initiatives are largely being met, the revised guidance given on 14 February 2018 was driven mainly by a reduction in expected volumes of higher margin magazines and newspapers (offset by higher than expected volumes of lower margin catalogues)." said Kevin Slaven

All other business units within PMP are performing largely in line with expectations of previous guidance.

Net debt at June 2018 is now expected to be $35M - $40M, up from our November 2017 guidance of $30M - $35M. The $10M reduction in EBITDA has been partially offset by $5M favourable outcomes in working capital, capital expenditure and significant items.

Whilst PMP remains confident that the changes to industry structure and its continued focus on costs will provide the opportunity to improve profitability over the medium term, it recognises the ongoing challenging conditions in the retail, publishing and newspaper industries. Previously reported cost out initiatives are expected to provide circa $20M-$25M of annualised savings in FY19.

PMP's combined offer through its print, digital, distribution and marketing services businesses opens up new opportunities to deliver effective and efficient integrated marketing campaigns for its customers.

For further information contact: Investors:

Kevin Slaven	Geoff Stephenson
Chief Executive Officer	Chief Financial Officer
+61 2 9412 6082	+61 2 9412 6082