ASX ANNOUNCEMENT

30 August 2018

PMP LIMITED FY18 FULL YEAR RESULTS & STRATEGIC UPDATE

- FY18 results delivered on restated guidance with EBITDA* of $40.6M
- Merger integration complete, initial productivity and workflow issues behind us
- Clear strategy based on high volume customers, catalogues and cost competitiveness
- Press investment to provide production and cost efficiencies, net capacity reduced
- FY19 Q1 trading in line with expectations

FY18 Results

$M	FY18‡	FY17	Var $	%
Sales Revenue - Statutory	**734.0**	601.9	132.1	21.9%
EBITDA (before significant items)	**40.6**	32.2	8.4	26.0%
EBIT (before significant items)	**9.4**	3.7	5.7	153.9%
Net Profit/(Loss) (before significant items)	**1.1**	(1.9)	3.1	-
Significant Items (post tax)	**(44.9)**	(124.5)	79.6	-
Net (Loss) (after significant items)	**(43.8)**	(126.4)	82.6	-
Net Cash Flow [1]	**(12.6)**	(10.7)	(1.9)	(17.5%)
Net Debt [2]	**(32.8)**	(18.5)	14.3	-

[1] Net Cash Flow equals Cash Flow from Operations less Investing Cash Flows
[2] Net Debt at $32.8M was better than guidance of $35M-$40M

- Group: Sales up $132.1M to $734.0M‡ however on a like for like combined business basis sales dropped by $108M from $842M to $734M.

- Print Australia:
  - Heatset sales up $134.8M to $410.9M‡, however ($86M) lower on a like for like basis due to ($61M) customer losses resulting from the merger with IPMG (predominately Coles and Pacific Magazines) and ($25M) from lower volumes mainly from existing newspaper and magazine publishing customers.

  - EBITDA* up $7.4M to $24.3M, however $8.5M lower on a like for like combined business basis due to the lower revenue noted above and a temporary increase in manufacturing costs resulting from the disruption to productivity and workflow as we met customer needs through the complex integration process. These integration issues are now behind us and we have a firm control over costs to improve returns.

  - Tier 1 retail catalogue sales are performing well with scope for further improvement. Of Print Australia's Top 30 customers, the Group currently provides additional distribution and/or digital marketing services to half of those customers.

- Distribution Australia: EBITDA* down $0.1M at $2.9M. Catalogue volumes up 1.3% pcp from increased market share.

- Marketing Services: EBITDA* $6.3M‡, up from $3.6M pcp. Growth is being driven by higher digital marketing services revenue and Gordon & Gotch improved margins.

- PMP New Zealand EBITDA* down ($1.8M) pcp as lower sell/price mix offset cost savings.

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*EBITDA is before significant items

‡ FY18 Results includes 8 additional months of IPMG sales pcp

Strategy: Customers, catalogues and cost competitiveness

- Following completion of the physical integration of the merger with IPMG, PMP is now focused on sustainability and growth.
- We have developed a clear vision and cohesive strategy based around our full-service capability of delivering print, distribution and value-adding marketing services focused on high volume customers, catalogues and cost competitiveness.
- We are investing in a new $20 million 80-page press to reduce our cost base. This will allow us to retire older inefficient presses and reduce our overall print capacity to better manage demand, obtain significant reductions in our underlying manufacturing costs whilst enhancing our service offering through the latest technology.
- By using data to drive more tailored and effective marketing campaigns, we are responding to our customers' needs and leveraging this into additional revenue streams across our integrated model.
- The future sees PMP as a profitable and sustainable business based on the effectiveness of retail catalogues, strategic engagement with Tier 1 customers and an optimised operational infrastructure.
- Growth is expected to be achieved through our competitive strength of having a full-service capability in print, distribution and value-adding marketing services together with heatset print pricing showing the anticipated signs of stabilising.

CEO COMMENTARY

Strategy

It has been a major undertaking bringing PMP and IPMG together but that is now behind us with the combination of the two businesses now complete. Our focus during calendar 2017 was on the physical integration of our printing plants. The consolidation of the businesses was an important and necessary step in our industry which has helped reduce the significant surplus capacity and resultant weak pricing issues that have long plagued the sector.

Post-merger, we have developed a clear vision and cohesive strategy for the business going forward; focused on high volume customers, catalogues and cost competitiveness. Our Top 20 Australian retail print customers (representing 25% of PMP's total group revenue) have shown consistency in spend and volume for catalogues, and continue to see catalogues as a crucial pillar in their ongoing marketing plans. Despite the well-publicised challenges facing certain elements of the publishing sector (representing 13.5% of PMP's total group revenue) we are committed and able to provide support, service and value to our publisher customers.

We are developing tools that will allow the catalogue channel to deliver improved insights and measure return on investment. This will allow us to enhance the segmentation, targeting and measurement of this channel and thereby delivering clear attribution for print in the marketing mix. These efforts both enhance our core print offer today and open new revenue streams going forward.

To ensure we maintain a cost-competitive operational infrastructure we are investing in a new 80-page Manroland press to be commissioned in the second half of calendar 2019 at Warwick Farm, allowing for the phased retirement of older presses at both Moorebank and Warwick Farm.

The new press will provide production efficiencies through wider web width, increased running speed and faster make-readies, and in addition cost efficiencies through reductions in labour, energy, and repairs and maintenance. Replacing older presses allows for a net reduction in our overall fleet capacity (circa 10-15%). The new press is largely financed through export credit funding with a four-year payback expected.

Outlook

Hard decisions and focus have delivered us to a point where we can look to the future and make choices in how we evolve our company to meet our customers' needs.

The future sees PMP as a sustainable, profitable and cash generating business based on the stability and effectiveness of retail catalogues which we can efficiently service through an optimised operational infrastructure and grow through our competitive strength of having a full-service capability of print, distribution and value-adding marketing services.

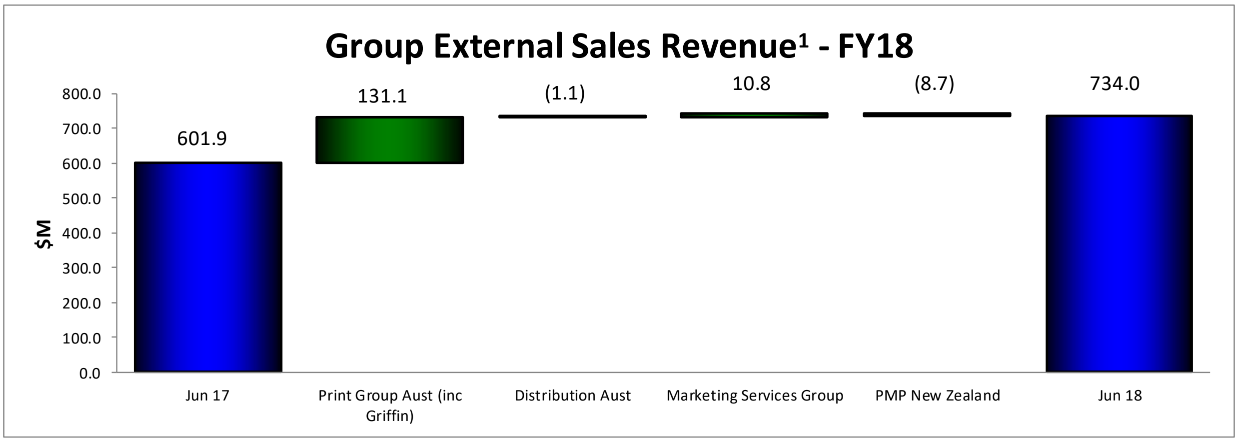
The capability we have built is better aligned and able to drive value for our clients and increased margins for our business. Given the improved industry structure and realignment of capacity to better match demand, together with recent contract renewals, we see indications that heatset pricing is stabilising in Australia.

In FY19 the full year impact of expected additional post-merger savings will be realised however they will be largely offset by lower print volumes mainly in newspapers and magazines. Early indications of FY19 trading indicate print and distribution volumes for Q1 are in line with expectations. Further update to be provided at the AGM.

Net debt will increase during the course of fiscal 2019 as working capital peaks but will then return to be more in line with fiscal 2018 levels by the end of fiscal 2019. PMP continues to maintain a disciplined approach to its application of capital expenditure with a desire to maintain a conservative balance sheet.

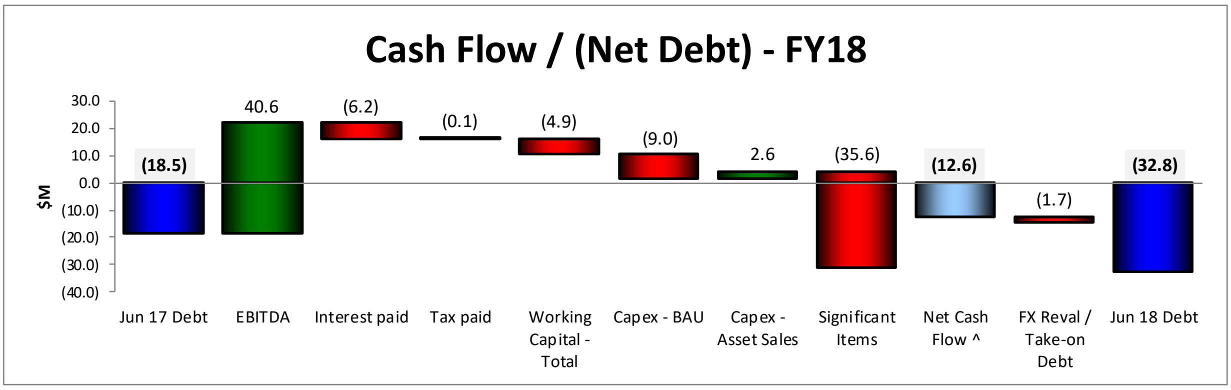
RESULTS COMMENTARY

Review of FY18 Results



1. On 1 July 2017, PMP Limited early adopted AASB15 Revenue from Contracts with Customers, resulting in a restatement of revenue

Group sales rose $132.1M from $601.9M in FY17 to $734.0M in FY18 as FY17 only included four months of IPMG sales. However, on a 12 months like for like combined business basis, sales fell from $842M to $734M, a drop of $108M comprising of $86M in Print Australia and $22M in PMP New Zealand and Marketing Services. The Print reduction was predominantly due to the loss of Coles and Pacific Magazines at $61M, with a further $25M of reductions mainly in newspaper and magazine sales. Details of revenue recognition changes are outlined in Appendix 1.



^ Net Cash Flow equals Cash Flow from Operations less Investing Cash Flows

Net cash flow in FY18 at ($12.6M) was higher by $1.9M pcp as higher EBITDA (before significant items) and lower cash significant items were offset by working capital movements, higher capital expenditure and interest paid. Working Capital movement was ($4.9M) as $10.2M of onerous leases, make good and redundancy provisions from June 2017 were paid out while trade working capital movement was positive by $5.3M.

With gearing at 0.8 times net debt to EBITDA (before significant items) our balance sheet remains strong. Net debt at June 2018 of $32.8M is better than full year guidance of $35M - $40M.

FY18 EBITDA (before significant items) at $40.6M was $8.4M or 26.0% higher compared to $32.2M pcp. This was positively impacted by the additional eight months profits from the IPMG businesses and post-merger savings which more than compensated for any negative influences on profitability such as lower publishing volumes, impact of lower sell prices resulting from renegotiated contracts around the time of the merger and certain uncontrollable input costs such as electricity.

FY18 statutory loss after tax was $43.8M vs $126.4M loss in FY17. Higher EBITDA was partially offset by higher depreciation and interest costs. The main improvement was a $103.3M drop in significant items. Income tax expense was $6.3M mainly due to the reversal of DTA timing differences booked in FY17 (relating to onerous leases, redundancy provisions and asset impairments and disposals).

DIVISIONAL OVERVIEWS

<u>Print Australia</u>

$M	**FY18**	**FY17**	**%**
Sales Revenue	**440.6**	309.5	42.4
EBITDA (before significant items)	**24.3**	16.9	43.6

Revenues at $440.6M were 42.4% or $131.1M higher pcp given $134.8M higher heatset sales from the inclusion of an additional 8 months of IPMG print revenues partially offset by lower volumes with existing customers (newspapers and magazines) and $3.7M lower sales at Griffin Press. On a statutory basis, heatset print volumes were up 38.1% or 67.4K tonnes pcp.

When including the IPMG print business on a comparable basis FY17 heatset tonnes were 293.2kt and for FY18 actual tonnes are 244.4kt which is a 16.6% reduction year on year mainly due to post merger customer losses $61M (Coles and Pacific Magazines) and lower volumes on existing publishing and newspaper customers.

EBITDA (before significant items) at $24.3M was up $7.4M, positively impacted by the higher volumes from IPMG heatset print and post-merger savings which more than compensated for the reduced publishing volumes, impact of lower sell prices resulting from renegotiated contracts around the time of the merger and certain uncontrollable input costs such as electricity.

Whilst the operating infrastructure costs of Griffin Press were significantly reduced during the year and operating performance was improved, the result from this business was impacted by lower volumes after 2 major customer losses earlier in the year resulting in a $0.7M lower EBITDA (before significant items) pcp.

PMP New Zealand

$M	**FY18**	**FY17**	**%**
Sales Revenue	**120.1**	128.8	(6.8)
EBITDA (before significant items)	**10.6**	12.4	(14.7)

Revenues at $120.1M were down $8.7M or 6.8% pcp (or 4.4% lower in local currency) due to lower heatset and sheetfed print revenues. Gordon & Gotch and Distribution sales were broadly in line year on year.

PMP New Zealand EBITDA (before significant items) of $10.6M, was down $1.8M pcp (and down $1.6M in local currency). Gordon & Gotch EBITDA (before significant items) was up $0.9M as improved operational efficiencies and favourable price/mix outweighed lower volumes. Heatset print EBITDA (before significant items) was down $2.0M year on year as lower sell prices offset tight cost controls and lower input costs. Sheetfed revenues were lower, down 5.9%. Distribution EBITDA (before significant items) was $0.3M below last year.

Distribution

$M	**FY18**	**FY17**	**%**
Sales Revenue	**85.8**	86.8	(1.2)
EBITDA (before significant items)	**2.9**	3.0	(3.2)

The Distribution business in Australia recorded sales of $85.8M down $1.1M or 1.2% as higher volumes were offset by lower sell price/mix. Volumes in FY18 were 0.8% higher pcp vs industry lower by 2.3%**.**

EBITDA (before significant items) at $2.9M was 3.2% or $0.1M lower pcp as operational and administration savings and higher unaddressed and newspaper volumes (up 0.8%) were offset by unfavourable price/mix in a competitive pricing environment.

Marketing Services (including Gordon & Gotch Australia)

$M	**FY18**	**FY17**	**%**
Sales Revenue	**87.5**	76.7	14.0
EBITDA (before significant items)	**6.3**	3.6	75.4

The Marketing Services business comprises PMP Digital, SBM, Spectrum Communications, Traction Digital and Holler together with Gordon & Gotch Australia. Revenue at $87.5M was up by $10.8M pcp as higher digital marketing services revenues up $13.8M were partially offset by lower sales at Gordon & Gotch down $3.0M or 5.0% pcp. Volumes at Gordon & Gotch were down 10.6% pcp with lower volumes and fewer titles from a number of customers.

EBITDA (before significant items) at $6.3M was $2.7M higher pcp due to $2.2M higher profit at SBM and the digital marketing services businesses from the extra 8 months sales at the IPMG businesses and lower costs at PMP Digital. Gordon and Gotch EBITDA (before significant items) at $3.2M was up 20.6% or $0.5M pcp as favourable price/mix and lower operational and administration costs offset the impact from lower volumes.

Significant Items

Significant items booked in FY18 were $39.4M down $103.3M pcp. Cash significant items paid during FY18 totalled $35.6M with $27.0M for restructuring mainly labour related costs, press relocations $5.5M and new onerous leases $3.1M. Non-cash significant items were $0.9M gain from revaluation of prior plant and equipment impairments. In addition, there was a net gain of $1.9M on asset disposals and a further $6.6M of new onerous lease provisions which will be paid between FY19-FY24.

Debt

The company has a Net debt position at June 2018 of $32.8M which is better than market guidance of $35M - $40M and $14.3M higher than June 2017. We have extended our existing banking facilities to February 2019 and will renegotiate them in due course. Net debt/EBITDA (before significant items) is 0.8x at June 2018.

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APPENDIX 1
REVENUE RECOGNITION

As previously advised, in accordance with the new accounting standard AASB 15 (Revenue from contracts with customers), PMP has recorded Gordon & Gotch sales on a distribution/commission fee basis which has resulted in lower revenues for both FY18 and FY17. In FY18, the application of the new accounting standard has resulted in a $434M reduction in revenue and a $434M reduction in cost of finished goods sold. There has been no impact on EBITDA.

Further work on AASB 15 has resulted in a change in 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 FY18 revenue was $37.7M and FY17 revenue and freight expenses have also been restated.

For further details see Annual Report and Appendix 4E.

The following table summarises the impact of adopting AASB 15 on each line item in the Group's Consolidated statement of profit or loss for the year ended 30 June 2017.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS	**2017 $'000**	**2017 $'000**	**2017 $'000**
YEAR ENDED 30 JUNE 2017	**Reported**	**Adjustment**	**Restated**
Continuing operations			
Sales revenue	1,051,483	(449,607)	601,876
Other revenue	6,139	2,761	8,900
Raw materials and consumables used	(198,627)	(6,613)	(205,240)
Cost of finished goods sold	(489,667)	488,200	(1,467)
Employee expenses	(283,312)	-	(283,312)
Outside production services	(12,784)	-	(12,784)
Freight	(38,840)	(34,741)	(73,581)
Repairs and maintenance	(15,659)	-	(15,659)
Occupancy costs	(43,194)	-	(43,194)
Other expenses	(85,922)	-	(85,922)
Depreciation and amortisation	(28,549)	-	(28,549)
Finance costs	(5,087)	-	(5,087)
Loss before income tax	(144,019)	-	(144,019)
Income tax benefit	17,592	-	17,592
Net loss after income tax	**(126,427)**	**-**	**(126,427)**