

2015 HY Results webcast 26/2/15**Peter George CEO**
Geoff Stephenson CFO

Good morning ladies & gentleman and welcome to this webcast of PMP Limited's 2015 interim results presentation.

PMP continued its steady progress towards building a strong, sustainable business during the six months to December 2014.

Bottom line profit increased to \$4.3million (up from 0.8m PCP). Net debt has more than halved from December 13 to \$40m.

Guidance for EBIT, EBITDA and net debt which we issued at the AGM is affirmed and the company remains on track to be net debt free by June 2016.

Our underlying businesses performed well during the period. Normalised EBIT was up slightly on the prior corresponding period. Reported EBIT was down \$0.8m on the prior period at \$15.7m largely because of new property lease costs.

EBITDA at \$31.4m was 6.7% or \$2.3m below last year with \$1m of this relating to new property lease costs. Offsetting this, cash interest costs were \$3.0 below the Dec 13 number.

Our transformation program is largely completed although continuous improvement programs are in place to ensure our cost structure remains appropriate. This program has enabled PMP to remain competitive as our markets changed and excess capacity in the print industry drove down pricing.

Our strong competitive position has been evident during the half year with over \$20million of new business written in our Australian operations. Most of this new work will commence in the fourth quarter of FY15.

We have also considerably bolstered the company's financial strength with net debt/EBITDA at 0.7 x at December compared to 1.2 x last year.

PMP NZ performed well with EBIT up 17% on the prior year, fuelled by revenue increases in the heat set and sheet fed printing business and further cost savings.

PMP Australia produced an EBIT result broadly in line with last year after taking into account higher property lease costs. Revenue in this business was down 5% largely driven by volume decreases.

The main drivers of this volume decline were:

- A culling of our revenue base to eliminate loss making business
- The insolvency of a major distribution customer
- The decision of a major customer to go from weekly to fortnightly catalogues

Selling prices for catalogue printing stabilised compared to the same period last year.

Griffin Press had a strong half year with revenue up 26% on p.c.p. This business retained all existing customers and signed new business during the period. It continues to benefit from the resurgence in popularity of books (total retail sales up 2.3% in Australia last year) and the move to printing on demand which has boosted local printing at the expenses of book imports.

Page 6 of the slide pack provides an overview of the impact of our transformation program over the last 2.5 years.

In summary by June we will have:

- Reduced net debt by over \$120million
- Generated \$123million in trading cash flows to fund the restructure of the PMP workforce, the exit of our directory printing business and the acquisition of new capital equipment
- We have refocused the group back to its core skills of printing and distribution. We have re-integrated and co-located our print and distribution sites
- Our core sales proposition is now the bundle of pre-media, print and distribution – Seven of our top 15 customers now take more than one PMP service
- Our workforce has been realigned to better serve our customers
- We offer geographical and product based diversity to our customers
- We continue to assist our retail customers to better target their catalogues to specific geographic and demographic audiences

I will now hand over to Geoff to take you through the detailed financial results for the half.

Thanks Peter and good morning,

Sales in the first half at \$427M were down 7.7% or \$36M with \$23M of this due to Gordon & Gotch.

In the core business it was good to see in NZ sheet-fed sales up by 6% and Heatset volumes were 2% higher while at Griffin Press there was a 26% rise in revenues after new contract wins.

The flipside to this was a fall in catalogue volumes in Australia down 6% yoy, 5% of this was due to the decision to withdraw from negative and low margin print contracts.

Volumes were down 8% in Distribution AU, 4% from an insolvent customer and 3% was due to an existing customer going from weekly deliveries to fortnightly.

First half EBIT on page 8 at \$15.7M was \$800k or 4.8% lower as higher profits at PMP NZ and Griffin Press plus additional transformation savings were offset by lower volumes in both Heatset and Distribution AU and higher property rent expense.

After adjusting for the extra property rental expense and lower lease savings from the Chullora and Digital sites, normalised EBIT was \$17.1M which is marginally higher YOY.

Cash from operations on page 12 at \$14.4M was \$800k higher pcp as reduced sig items and interest payments more than offset movements in working capital and lower EBITDA.

The increase in working capital is a consequence of the usual trading activity which builds in the lead up to Xmas and will wash out of the system in the second half as it did last year.

Free cashflow at \$14.1M was slightly down YOY as lower EBITDA and working capital changes offset reduced interest paid and lower capex.

Net debt on page 13 has fallen to \$40M which is pleasing progress and net debt to EBITDA (pre sigs) at 0.7x is well down on 1.2x this time last year.

Cash at bank and spare debt facility on page 14 totals \$62M which is more than sufficient headroom to support the business and we re-affirm our net debt guidance for June 15 at between \$17M-\$22M.

In February we exchanged on the sale/leaseback of our Christchurch property for net proceeds of NZ\$8.2M with settlement due in June 2015.

Looking forward, we expect to be net debt free by June 2016.

I'll now hand back to Peter

Thanks Geoff

I would like to conclude by saying a few words on the outlook for the remainder of FY 15.

We believe strongly in the value of the catalogue as a critical element of retailing in Australasia. Catalogues are a highly effective selling tool. Research by Roy Morgan consistently finds catalogues to be the most useful media for the retailing of groceries, liquor, furniture, electrical and electronic goods.

PMP is also heavily involved in the printing and distribution of suburban newspapers which remain a major medium for real estate advertising.

There has been a history of relative stability in the number of catalogues delivered to letterboxes in Australia over the last several years. Thus far, digital advertising has not made the significant inroads on catalogues as it has with other advertising media.

We are confident of our ability to build a sustainable, profitable and cash generating business model as the leading integrated supplier in the catalogue market.

From time to time retailers will experiment with things such as pagination and frequency of delivery. Some of our customers have done this in the current period. We do not see any general trend towards lower catalogue numbers and accordingly we reaffirm our guidance for the full year.

EBITDA	Range 56-60m
EBIT	Range 24-28m
Net Debt at June	Range 17-22m

We also reaffirm that the capital management initiatives announced at the AGM remain on track.

Thank you ladies and gentleman