

# PMP LIMITED

ABN 39 050 148 644

Results for the  
6 months ended 31 December 2015

22 February 2016

Peter George, CEO  
Geoff Stephenson, CFO

## INVESTOR PRESENTATION



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# 2016 HALF YEAR RESULTS

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# 2016 HALF YEAR RESULTS : HIGHLIGHTS

## Continuing to deliver: key financial targets achieved and interim dividend declared

- First half statutory net profit after tax of \$1.8M – down due to Dick Smith \$2.7m post tax impact (vs \$4.3M last year)
- NPAT (pre-significant items) \$7.8M up 4.9% on \$7.5M pcp
- EBITDA\* \$29.0M and EBIT\*\* \$14.8M
- Strong cash generation continues - Free Cash Flow\*\*\* \$17.5M in first half up 25% pcp
- EBIT\*\* up 2% pcp in core heatset print, distribution and digital business in Aust
- Distribution volumes in Aust up 6.4% pcp – higher frequency
- Net Debt at \$10.4M – Net Debt / EBITDA\* now at 0.2x (down from 0.7x pcp)
- Dividend of 1.8 cps paid in Oct 2015 (50% franked), FY16 interim dividend of 1.2 cps (unfranked)
- Share Buy Back increased by \$1.9M from H1FY16 NPAT (pre-sigs)
- Full Year guidance affirmed

\* Earnings before Finance costs, Income tax, Depreciation and Amortisation and Significant items

\*\* Earnings before Finance costs, Income tax and Significant items

\*\*\* Equals EBITDA (before significant items) less Interest paid, Income tax, Capital expenditure and movement in Working capital

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# 2016 HALF YEAR RESULTS : HIGHLIGHTS

▪ Sales at \$390.5M



- Revenue lower 8.6% (\$36.8m)
  - Mainly due to customer buying its own paper \$24M, underlying sales down 3%
  - Distribution volumes up 6% in Aust
  - Catalogue print volumes down 4% in Aust – exit low margin contracts

▪ EBITDA\* at \$29.0M



- Flow through of cost savings mostly offsets lost publishing volumes in NZ
- EBITDA / Sales ratio maintained at 7.4%

▪ Net Debt at \$10.4M



- Net Debt \$10.4M vs \$40.0M pcp
- Cash Flow from Operations \$15.0M v \$14.4M pcp
- Free cash flow\*\* \$17.5M – up 25%
- Net Debt to EBITDA\* at 0.2x v 0.7x pcp
- Interest Cover 8.2x v 6.4x pcp

▪ Net Profit at \$1.8M



- Net Profit (after sig items) of \$1.8M after bad debt impairment of \$2.7M (vs. \$4.3M pcp)
- Net Profit (before sig Items) of \$7.8M (vs \$7.5M pcp)
- Earnings per share\*\*\* higher at 2.4cps v 2.3cps pcp

▪ Dividend Paid



- Dividend paid Oct'15 1.8 cents per share 50% franked – \$5.9M
- FY16 Interim dividend declared 1.2 cent per share (unfranked) - \$3.8M payable Apr'16

\* Earnings before Finance costs, Income tax, Depreciation and Amortisation and Significant items

\*\* Equals EBITDA (before Significant items) less Interest paid, Income tax, Capital expenditure and movement in Working capital

\*\*\* EPS equals Net Profit after tax (before Significant items) / weighted average number of shares

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# 2016 HALF YEAR RESULTS : HIGHLIGHTS

- PMP Australia revenues down \$28.2m or 12.9%;
  - \$24m due to customer purchasing own paper
  - underlying print and distribution sales down 1%
  - distribution volumes up 6.4% pcp – higher frequency / new business
  - catalogue volumes 4.3% lower: exit low margin contracts
  - core heatset print, distribution and digital business in Aust, EBIT\* up 2% pcp
  
- PMP New Zealand EBIT\* \$1.2M lower pcp;
  - higher catalogue volumes 3% and cost savings partially offsets lower sheet-fed sales 15.5%
  
- Dick Smith bad debt impairment;
  - \$3.9M pre-tax in both Australia and New Zealand
  - not recoverable

\* Earnings before Finance costs, Income tax and Significant items

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# 2016 HALF YEAR RESULTS : HIGHLIGHTS

- Gordon and Gotch to provide magazine distribution services to Bauer Media and other publishers following closure of Network and Netlink;
  - strengthens existing business and underpins medium term profitability
- Share Buy Back undertaken in first half - \$2.7m of shares bought back;
  - program recommences on 23 Feb 2016 for \$5.4M (includes new \$1.9M)
- Continued tight control – working capital and capex



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# 2016 HALF YEAR RESULTS : RETAIL MARKETS

- Retail market conditions remain difficult;
  - Major print contracts subject to strong pricing competition
  - Churn of sales contracts and anticipate closure of two customer's businesses:
    - largely offset by further cost savings commencing in second half
- Australian Catalogue Association confirms catalogues;
  - Audience reach increases to 19.7M
  - Increased focus on targeting consumers
  - 77% of Australian population engages in catalogues



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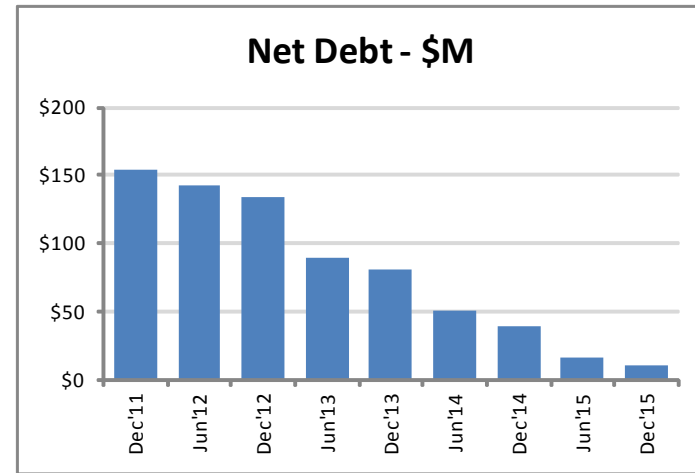
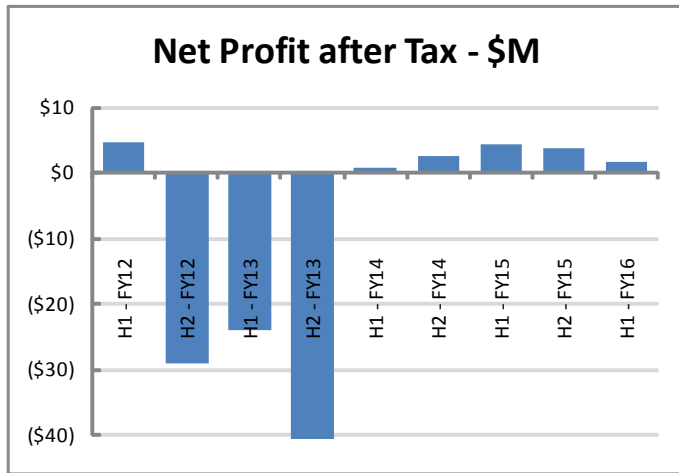
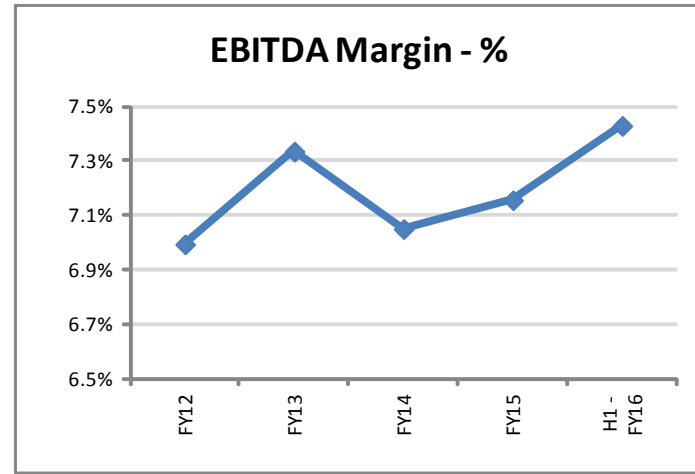
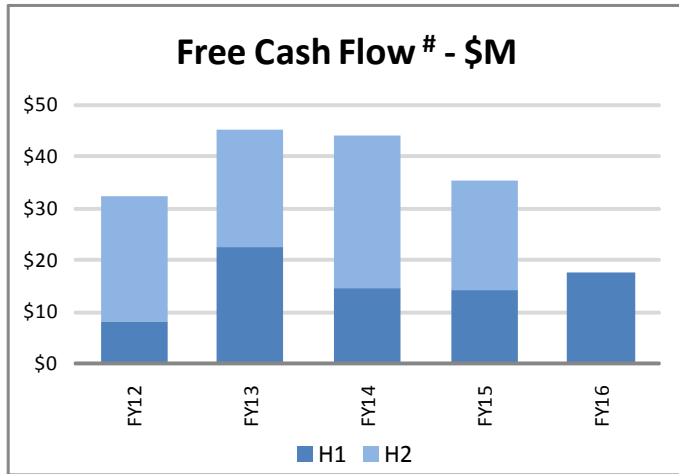
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# MEDIUM TERM FINANCIAL PERFORMANCE



# Equals EBITDA (before Significant items) less Interest paid, Income tax, capital expenditure (excl. payments for purchase of the Man Roland Press in FY12 – \$17.5M & FY13 - \$14.1M) and movement in Working capital





# 2016 HALF YEAR RESULTS : HIGHLIGHTS

\$M	1H FY16	1H FY15	%
Sales Revenue #	<b>390.5</b>	427.3	(8.6%)
EBITDA (before significant items)	<b>29.0</b>	31.4	(7.7%)
Depreciation & Amortisation	<b>(14.3)</b>	(15.8)	9.5%
EBIT (before significant items)	<b>14.8</b>	15.7	(5.9%)
Net Profit After Tax (before significant items)	<b>7.8</b>	7.5	4.9%
Significant items post tax	<b>(6.0)</b>	(3.1)	(92.3%)
Net Profit / (Loss) (after significant items)	<b>1.8</b>	4.3	(58.8%)

# After adjusting for a print customer buying their own paper (\$24M), underlying sales down \$12.8M or 3%



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# 2016 HALF YEAR RESULTS : HIGHLIGHTS

Key Metrics	1H FY16	1H FY15	%
Cash Flow from Operating Activities (\$m)	15.0	14.4	3.9%
Free Cash Flow (\$m) *	17.5	14.1	24.7%
Net Debt (\$m)	(10.4)	(40.0)	74.1%
EBITDA to Sales Revenue (%)	7.4%	7.4%	
EPS (before significant items) ** - cps	2.4	2.3	

\* Equals EBITDA (before Significant items) less Interest paid, Income tax, capital expenditure and movement in Working capital

\*\* EPS equals Net Profit after tax (before Significant items) / Weighted average number of shares



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# 2016 HALF YEAR RESULTS : Reconciliation of EBITDA

\$M	1H FY16	1H FY15	%
Statutory Profit	1.8	4.3	
Income tax (expense)/ benefit	(1.0)	(2.0)	
Statutory Profit before Income tax	2.7	6.3	
Significant Items (pre tax)	8.6	4.5	
<b>Profit before significant items</b>	<b>11.4</b>	<b>10.8</b>	<b>5.2%</b>
Net finance costs *	3.4	4.9	
<b>EBIT (before significant items)</b>	<b>14.8</b>	<b>15.7</b>	<b>(5.9%)</b>
Depreciation & Amortisation	14.3	15.8	
<b>EBITDA (before significant items)</b>	<b>29.0</b>	<b>31.4</b>	<b>(7.7%)</b>

\* Includes benefit of lower coupon on new bond and lower average borrowings



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# 2016 HALF YEAR RESULTS : SIGNIFICANT ITEMS

\$M	Pre-Tax
Redundancy costs & other costs	2.0
Bond break fee	1.5
Impairment of trade receivables	3.9
Write off of prepaid financing costs & other costs	1.2
<b>Total Significant items</b>	<b>8.6</b>



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# 2016 HALF YEAR RESULTS : CASH FLOW

\$M	1H FY16	1H FY15	Var \$
EBITDA (Before significant items)	29.0	31.4	(2.4)
Borrowing costs	(4.2)	(4.4)	0.1
Income tax refunds/ (paid)	0.0	0.0	-
Net movement in working capital	(6.2)	(10.3)	4.1
<b>Trading Cash flow</b>	<b>18.6</b>	<b>16.7</b>	<b>1.8</b>
Significant items	(3.6)	(2.3)	(1.3)
<b>Cash Flow from Operations (Appendix 4E)</b>	<b>15.0</b>	<b>14.4</b>	<b>0.6</b>
Asset sales	0.0	0.0	0.0
Capital Expenditure	(1.0)	(2.7)	1.7
Dividends	(5.9)	0.0	(5.9)
Share buy back	(2.7)	0.0	(2.7)
<b>Net Cash Flow</b>	<b>5.4</b>	<b>11.8</b>	<b>(6.3)</b>
Gain/(Loss) on translation of NZ Debt / Cash	0.5	(0.1)	0.6
Reconciliation to Net Debt movement	6.0	11.7	(5.7)
<b>Free Cash Flow *</b>	<b>17.5</b>	<b>14.1</b>	<b>3.5</b>

\* Equals EBITDA (before significant items) less Interest paid, Income tax, Capital expenditure and movement in Working capital

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# 2016 HALF YEAR RESULTS : BALANCE SHEET METRICS

	Dec-15	Dec-14
Total Assets (\$m)	447.9	494.8
<b>Shareholders Funds (\$m)</b>	<b>267.0</b>	<b>275.0</b>
<b>Net Debt (\$m)</b>	<b>10.4</b>	<b>40.0</b>
Interest Cover (EBITDA*/Interest) times	8.2	6.4
<b>Net Debt to EBITDA* (times)</b>	<b>0.2</b>	<b>0.7</b>
<b>Net Debt to Equity (%)</b>	<b>3.9%</b>	<b>14.6%</b>
Net Tangible Assets per share (cps)	0.75	0.76
Trade Working Capital (\$m)	51.9	56.3
Debtor Days	36.2	35.7
Cash Conversion (%) **	64.0%	53.3%
Return on Funds Employed (%) ***	8.59%	8.51%

\* Earnings before Finance Costs and Income tax, Depreciation and Amortisation and Significant Items

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

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



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# 2016 HALF YEAR RESULTS : Capital management & debt profile

- First Half FY16 net debt at \$10.4M which is down from \$40.0M at Dec 2014
- Net Debt / EBITDA\* ratio of 0.2x has decreased from 0.7x at Dec 2014
- 1.8 cents per share dividend (50% franked) - paid 6 October 2015
- 1.2 cents per share interim dividend (unfranked) declared - to be paid 6 April 2016
- Share Buy Back commenced Nov 2015 - \$2.7m of shares (5.3m shares) bought back
- Share buy-back recommences on 23 Feb 2016 - \$5.4m (includes new \$1.9M)
- Free Cash Flow H1 FY16 includes some favourable timing variances in working capital YOY which will partially reverse in H2.

\* Earnings before Finance Costs and Income tax, Depreciation and Amortisation and Significant Items

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# 2016 HALF YEAR RESULTS : CONCLUSIONS

## **PMP has delivered expected results, interim dividend declared:**

- Continued disciplined focus on core expertise of print and distribution
- Continued confidence in ability to generate strong sustainable free cash flows for foreseeable future, subject to market conditions
- Print market remains difficult, pricing pressure on large contracts
- Second half performance will be impacted by sales contracts churn, cost savings to offset
- Leverage at all time low of 0.2x
- Dick Smith one-off bad debt impact of \$2.7m post tax
- **Affirm earnings and debt guidance as provided at the AGM in November 2015**
  - FY16 EBITDA (pre-significant items) to be in the range of \$53M - \$57M
  - FY16 EBIT (pre-significant items) to be in the range of \$24M - \$28M
  - Full year net debt guidance range is \$3M - \$7M
  - NPAT (pre-significant items) \$11M - \$13M
  - Full year Free Cash Flow\* \$33M - \$37M

\* Equals EBITDA (before significant items) less Interest paid, Income tax, Capital expenditure and movement in Working capital

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# 2016 HALF YEAR RESULTS

## ADDENDUM



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# 2016 HALF YEAR RESULTS : OPERATIONS SUMMARY

Sales Revenue (\$M)	1H FY16	1H FY15	Var \$	Var %
PMP Australia #	190.4	218.6	(28.2)	(12.9%)
PMP New Zealand	71.2	77.3	(6.1)	(7.9%)
Gordon and Gotch Group	128.9	131.4	(2.5)	(1.9%)
<b>TOTAL GROUP</b>	<b>390.5</b>	<b>427.3</b>	<b>(36.8)</b>	<b>(8.6%)</b>

EBIT * (\$M)	1H FY16	1H FY15	Var \$	Var %
PMP Australia	11.8	12.0	(0.2)	(1.8%)
PMP New Zealand	5.2	6.4	(1.2)	(18.9%)
Gordon and Gotch Group	0.6	0.6	0.1	10.9%
Corporate/Other	(2.8)	(3.2)	0.4	13.4%
<b>TOTAL GROUP</b>	<b>14.8</b>	<b>15.7</b>	<b>(0.9)</b>	<b>(5.9%)</b>

# After adjusting for a print customer buying their own paper (\$24M), underlying sales (excluding significant item) down \$3.8M or 1.8%

\* Earnings before Finance Costs and Income tax and Significant Items



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# 2016 HALF YEAR RESULTS

## PRINTING BUSINESS

### ➤ Australia

- Catalogue volumes down 4.3%;
  - Base business catalogue volumes flat
  - Exit from low margin contracts account for catalogue shortfall
- Magazine volumes down 5%
- Cost out program to mitigate EBIT impact of loss of major customer in H2
- Griffin Press volumes down 12% with significantly lower orders from a major customer (undergoing a business restructure)
- Griffin Press sell price up 8% due to mix of work

### ➤ New Zealand

- EBIT down due to ;
  - loss of major publishing contract (heatset and sheetfed)
  - partially offset by additional retail contracts and cost reductions
- Catalogue volumes up 3% due to new contracts won and increased activity
- Re-signed a significant amount of contracted retail customers
- Operational performance and cost control remains strong

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# 2016 HALF YEAR RESULTS

## LETTERBOX DISTRIBUTION BUSINESS

### ➤ Australia

- Higher distribution volumes by 6%
  - 2% due to higher frequency / volumes from existing customers (unaddressed)
  - 2% due to new business growth (unaddressed)
  - Newspaper distribution volumes up 19% on new business and additional mastheads

### ➤ New Zealand

- Mass Distribution volumes up 2% from securing new contracts
- Newspaper volumes also up 4% pcp



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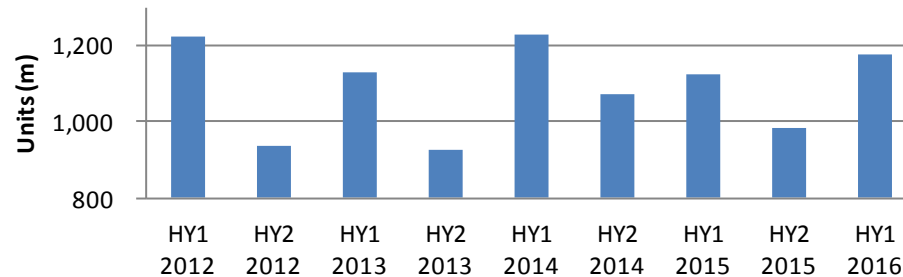
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# DISTRIBUTION AUSTRALIA OVERVIEW

## LETTERBOX DISTRIBUTION BUSINESS

### ➤ Australia

- Higher Unaddressed volumes by 6%
  - 2% due to higher frequency / volumes from existing customers, 2% due to new business growth
- Recent performance -



- 36 direct employees
- 460 Distributors across 898 distribution areas with a network of 9,225 Deliverers nationally
- A reach of 7.8m letterboxes across Australia (1.2m of which do not accept advertising material) with 98% coverage regularly achieved
- PMP's unique client offer is to provide a one-stop Print & Distribution solution across a national footprint
- Low capital investment



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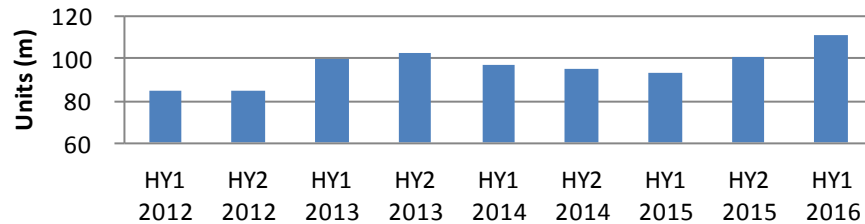
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# DISTRIBUTION AUSTRALIA OVERVIEW

## NEWSPAPER DISTRIBUTION BUSINESS

### ➤ Australia

- Newspaper distribution volumes up 19% on new business and additional mastheads
- Year on year performance -



- Aligned delivery network to the Letterbox business where possible
- Opportunity to further grow revenue through add on services i.e. ad bags, wrapping, inserts
- Low capital investment



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# 2016 HALF YEAR RESULTS

## MAGAZINE DISTRIBUTION BUSINESS (GORDON AND GOTCH)

### ➤ Australia

- EBIT flat YOY
- Volumes increase 7.4% YOY – new contract
- Continued focus on Warehousing and Pick & Pack initiatives
- Agreement to provide distribution services to Bauer Media

### ➤ New Zealand

- Revenue and Volumes up 2.7% due to new clients secured
- Outlook improving in second half due to provision of distribution services to Bauer Media



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# 2016 HALF YEAR RESULTS : UNITS

	1H FY16	1H FY15	Var %
Print AU	85.1	89.1	(4.5%)
Print NZ	20.7	21.0	(1.3%)
<b>Print Tonnes ('000)</b>	<b>105.8</b>	<b>110.1</b>	<b>(3.9%)</b>
Distribution AU	1,319.6	1,240.6	6.4%
Distribution NZ	330.1	318.5	3.7%
<b>Distribution Units (Mio)</b>	<b>1,649.7</b>	<b>1,559.1</b>	<b>5.8%</b>
Gordon and Gotch AU	66.6	62.0	7.4%
Gordon and Gotch NZ	5.9	5.7	2.7%
<b>Gordon and Gotch Copies (Mio)</b>	<b>72.5</b>	<b>67.7</b>	<b>7.0%</b>



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# 2016 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 2015 and an update on PMP's activities and is current at the date of preparation, 22 February 2016. Further details are provided in the Company's HALF YEAR accounts and results announcement released on 22 February 2016.

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