



# INVESTOR PRESENTATION 2018

Results for the 12 months  
ended 30 June 2018

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30 August 2018

## 2018 FULL YEAR RESULTS

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## 2018 FULL YEAR RESULTS

# HIGHLIGHTS

**Sales<sup>1</sup> at \$734.0M**

- A 21.9% increase compared to last year
  - Driven by a \$131.1M increase in Print Group Australia revenue, with stability in catalogue revenue
  - An additional \$10.8M increase from Marketing Services
- On a like for like basis, sales are down \$108M pcp
  - \$86M Print Au heatset (Coles/Pacific Mag's/lower newspaper & magazine volumes)

**EBITDA<sup>2</sup> at \$40.6M**

- 26% increase compared to last year
  - In line with market guidance given in February 2018
  - EBITDA<sup>2</sup>/sales ratio 5.5% vs 5.4% pcp

**Net Debt at \$32.8M**

- Balance sheet
  - Net Debt better than February 2018 guidance

**Net Loss at (\$43.8M)**

- \$82.6M lower pcp, largely down to reduction in significant items

1. On 1 July 2017, PMP Limited adopted AASB 15 Revenue from Contracts with Customers, resulting in a change in accounting policy and a restatement of balances for the financial year ended 30 June 2017. There was no impact on the EBITDA for the period.

2. Before significant items (see details page 22)

## 2018 FULL YEAR RESULTS

# EXECUTIVE SUMMARY



It was a major task bringing PMP and IPMG together but that is now behind us with the combination of the two businesses now complete.

The consolidation of the businesses was an important and necessary step in our industry which has helped settle the pricing and capacity issues that have long plagued the sector.

The merger resulted in some disruption to productivity and workflow as we met customer needs during the complex integration process which lead to a temporary increase in manufacturing costs. These issues are now behind us and we have a firm control over costs to improve returns

Moving forward we have developed a clear vision and cohesive strategy which is focused on high volume customers, catalogues and cost competitiveness.

By using data to drive more tailored and effective marketing campaigns we are responding to our customers' needs - leveraging this into additional revenue streams across our integrated model

We are investing \$20 million in a new 80 page press with a 4 year payback to :

- retire older inefficient presses and reduce our overall print capacity to better manage demand
- obtain significant reductions in our underlying manufacturing costs
- enhance our service offering through the latest technology

## 2018 FULL YEAR RESULTS

# A CLEAR STRATEGY FOR PMP



## Customers, catalogues and cost competitiveness

Following completion of the physical integration of the merger with IPMG, PMP is moving to a phase of sustainability & 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

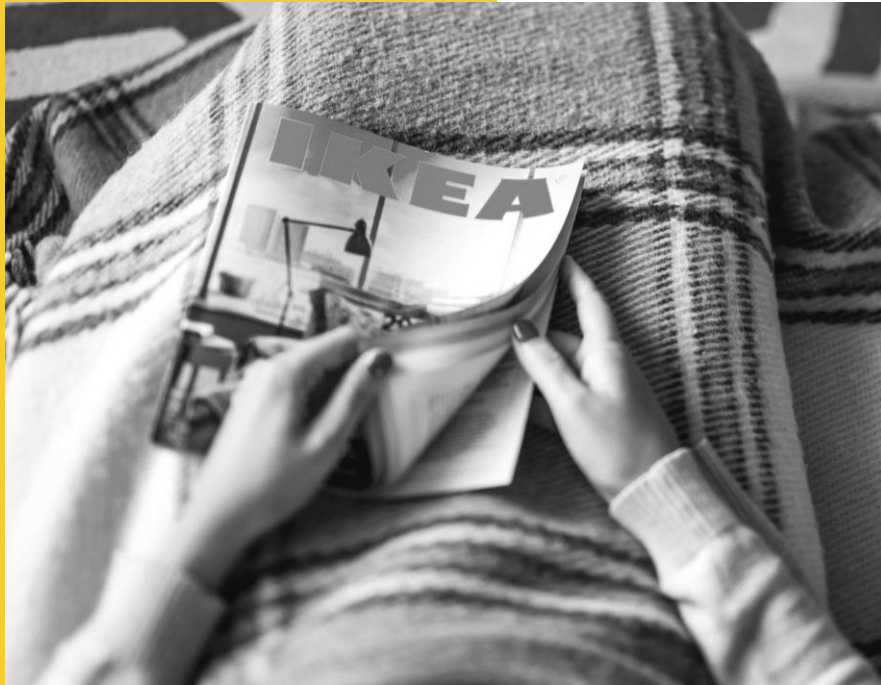
Our top 20 retail customers have shown consistency in spend and volume for catalogues as a key element in their ongoing marketing plans.

Despite the well publicised challenges facing certain elements of the magazine & newspaper 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.



## 2018 FULL YEAR RESULTS

# A CLEAR STRATEGY FOR PMP



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.

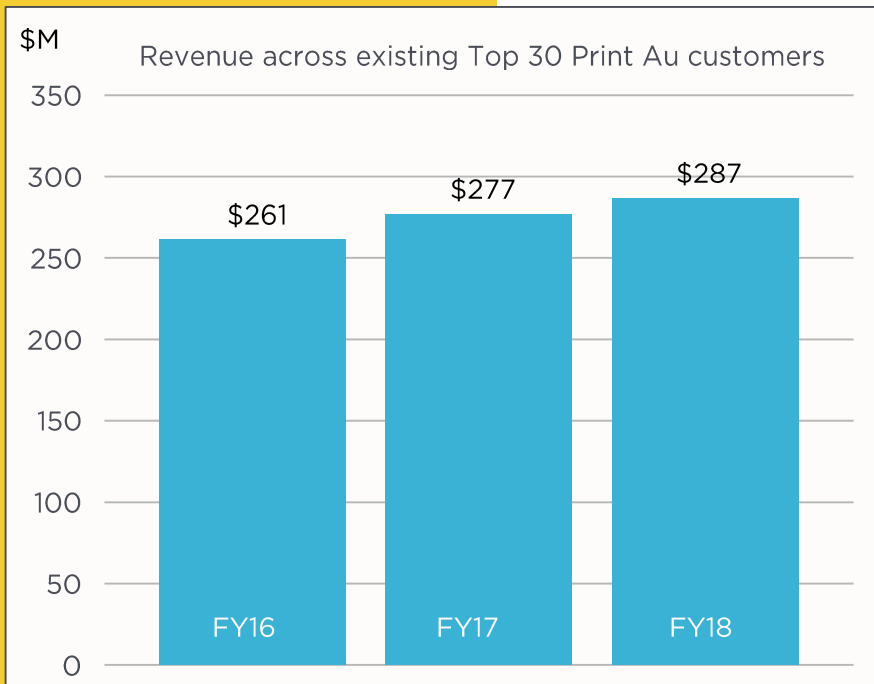
To ensure we maintain a cost competitive operational infrastructure we are investing in a new 80-page Manroland press which will be installed in the second half of calendar 2019 at Warwick Farm, allowing for the phased retirement of older presses at both Moorebank and Warwick Farm.

The new press will provide for cost efficiencies through reductions in labour, energy and repairs and maintenance. Replacing the older presses allows for a net reduction in our overall fleet capacity (circa 10-15%).

The press has a cost of approximately \$20M and is largely financed through export credit funding with a four-year payback expected.

## 2018 FULL YEAR RESULTS

# OUR LEADING CUSTOMERS

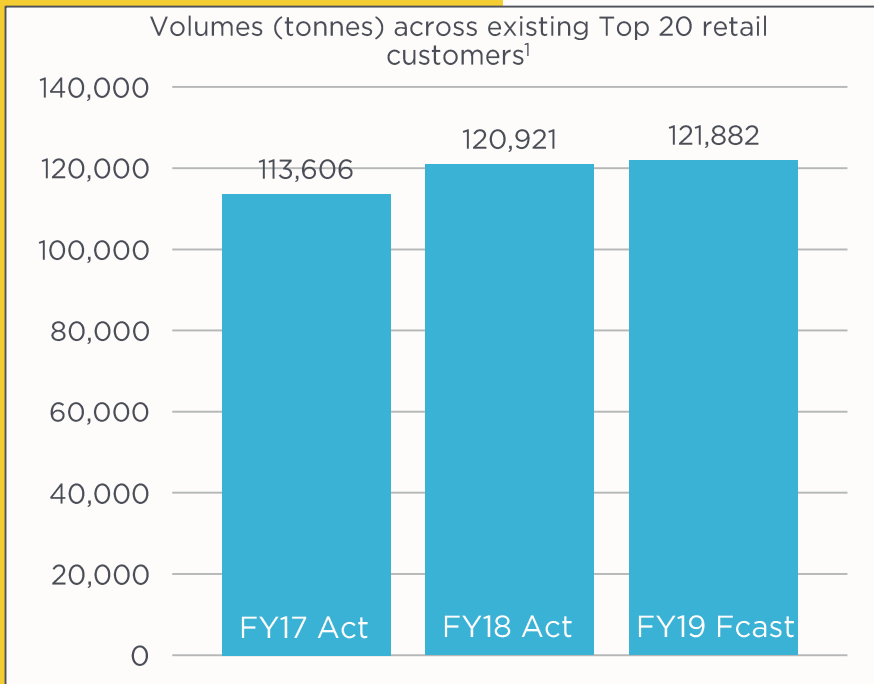


- Six of our top ten customers are brands that Australians trust most<sup>1</sup>
- All of our top 30 appeared in the overall results, a strong endorsement of the role our channel plays
- Revenue for our Top 30 customers is growing year on year, a strong endorsement of the role our channel plays
- Many of these customers are only using a subset of the services we can offer to bring impact to their catalogue marketing

1. Roy Morgan Net Trust Index 2018

## 2018 FULL YEAR RESULTS

# CATALOGUES REMAIN STEADY



- Both print volumes and revenue from our Top 20 retail customers has in fact increased from FY17 to FY18, and we are expecting further volume growth in FY19
- In addition :
  - Whilst overall unaddressed volumes to households remain in slow decline, large retailers are committed to catalogues as a key driver of retail performance
  - We deliver to 6.7million Australian households every week
  - July 18 monthly catalogue distribution volumes are up 4% pcp

1. On a consistent customer basis



## 2018 FULL YEAR RESULTS

# LOOKING FORWARD



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.

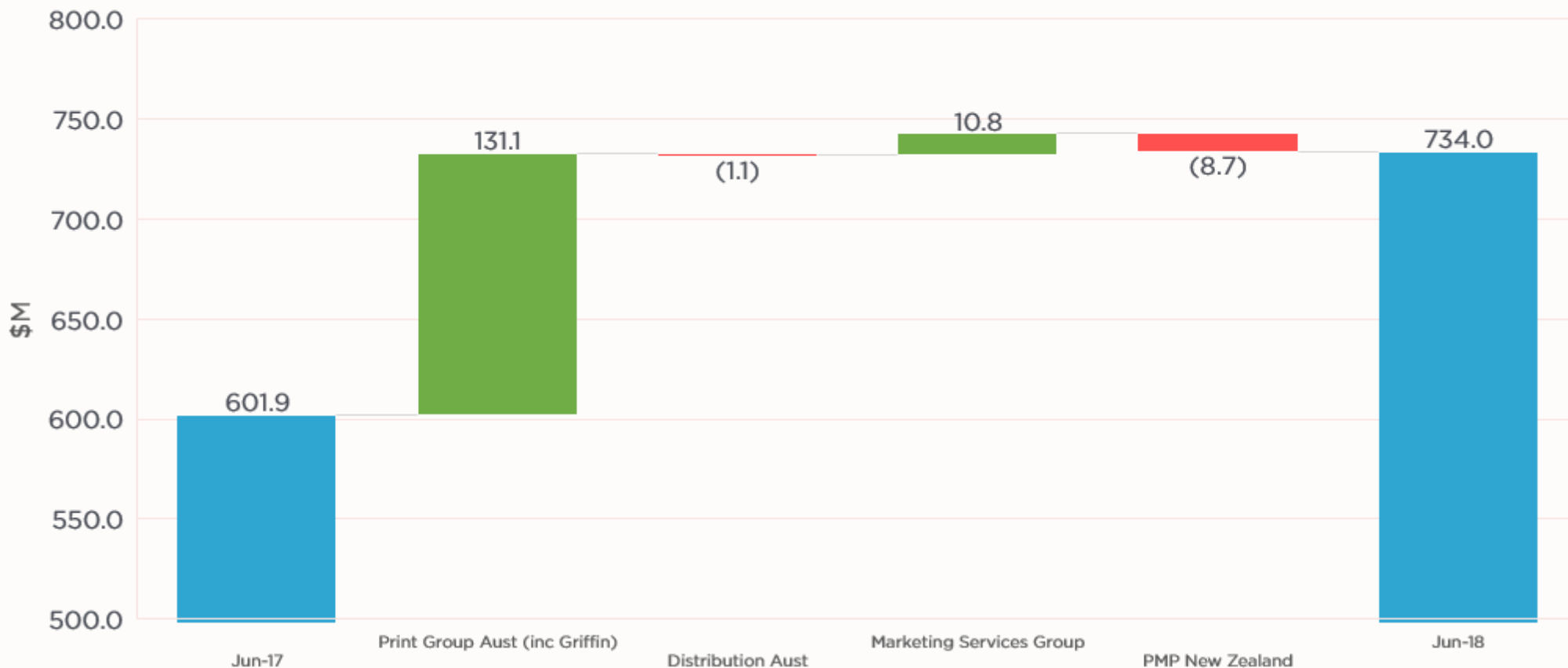
The capability we have built is better aligned and able to drive value for our clients and increased margins for our business. Given the improved industry structure and realignment of capacity to better match demand, together with recent contract wins & renewals, we see indications that heatset pricing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

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

2018 FULL YEAR RESULTS

# SALES REVENUE BRIDGE

Group External Sales Revenue<sup>1</sup> – FY18



1. On 1 July 2017, PMP Limited adopted AASB 15 Revenue from Contracts with Customers, resulting in a change in accounting policy and a restatement of balances for the financial year ended 30 June 2017. There was no impact on EBITDA for the period.

## 2018 FULL YEAR RESULTS

# OPERATIONS SUMMARY

Net Sales Revenue (\$M) <sup>1</sup>	FY18	FY17	Var\$	Var%
Print Group Australia	440.6	309.5	131.1	42.4%
Distribution Australia	85.8	86.8	(1.1)	(1.2%)
Marketing Services Group	87.5	76.7	10.8	14.0%
PMP New Zealand	120.1	128.8	(8.7)	(6.8%)
Total	734.0	601.9	132.1	21.9%

EBITDA (\$M) <sup>2</sup>	FY18	FY17	Var\$	Var%
Print Group Australia	24.3	16.9	7.4	43.6%
Distribution Australia	2.9	3.0	(0.1)	(3.2%)
Marketing Services Group	6.3	3.6	2.7	75.4%
PMP New Zealand	10.6	12.4	(1.8)	(14.7%)
Corporate/Other	(3.5)	(3.8)	0.2	5.9%
Total	40.6	32.2	8.4	26.0%

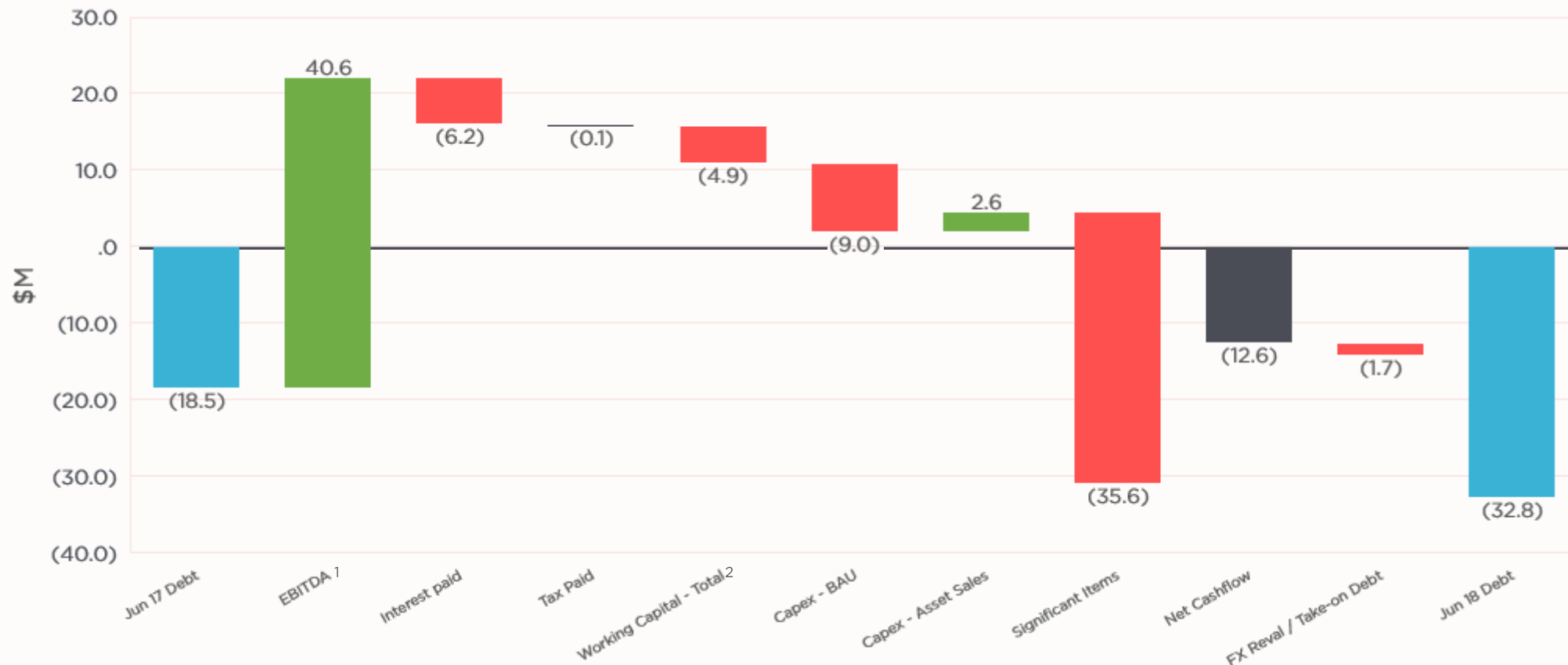
1. Revenue restated due to PMP early adopting AASB 15, resulting in a restatement of revenue and expenses and no impact on EBITDA

2. Before significant items

## 2018 FULL YEAR RESULTS

# CASH FLOW BRIDGE

Cash flow / (Net Debt) – FY18



1. Before significant items

2. Includes \$10.2M onerous leases, make good and redundancy provisions from June 2017 that were paid during FY18. Underlying trade working capital movement is positive \$5.3M

## 2018 FULL YEAR RESULTS

# BUSINESS UNIT SUMMARY



- Print Group Australia statutory revenue<sup>1</sup> at \$440.6M is up by \$131.1M or 42.4%<sup>2</sup> :
  - Statutory EBITDA<sup>3</sup> \$24.3M up \$7.4M or 43.6% pcp
    - higher heatset volumes and synergy savings mostly offset by lost contracts (Coles), lower than expected sell prices/mix and higher direct labour costs during the post merger integration
  - On 12 months like for like basis, sales fell from \$842M to \$734M :
    - Print sales down \$86M (Coles/Pacific Mag's/newspapers/magazines)
    - EBITDA<sup>3</sup> was down \$7.8M
- PMP New Zealand revenue<sup>1</sup> \$120.1M down (\$8.7M) or (6.8%) :
  - Heatset volumes down (3.5%) pcp - competitive market conditions continue
  - Distribution volumes 2.0% higher
  - EBITDA<sup>3</sup> at \$10.6M is (\$1.8M) lower pcp
    - Heatset down (\$2.0M) due to lower sell prices
    - Gotch up \$0.9M pcp or 86.7% through operational efficiencies and favourable price/mix
    - Sheetfed down (\$0.4M) pcp - lower volumes

1. Revenue restated due to PMP early adopting AASB 15, resulting in a restatement of revenue and expenses and no impact on EBITDA
2. As FY18 includes 12 months of IPMG sales, compared with 4 months in the FY17 result
3. Before significant items

## 2018 FULL YEAR RESULTS

# BUSINESS UNIT SUMMARY



- Distribution Australia revenue<sup>1</sup> \$85.8M down (\$1.1M) / (1.2%) pcp
  - Volumes up 0.8% vs industry<sup>2</sup> down 2.3%, lower sell price delivered EBITDA<sup>3</sup> at \$2.9M down by (\$0.1M) pcp
  - Operational and administration savings and higher volumes offset by lower sell prices in a competitive environment
  
- Marketing Services Group revenue<sup>1</sup> \$87.5M up \$10.8m or 14.0% pcp
  - Consists of Marketing Services and Gordon & Gotch AU
  - Full Year run rate of IPMG Marketing Services sales, partly offset by lower revenues at Gordon & Gotch AU (\$3.0M)
  - EBITDA<sup>3</sup> at \$6.3M up from \$3.6M pcp :
    - Higher EBITDA<sup>3</sup> at Gordon & Gotch as cost savings, organisational efficiencies and higher prices offset lower volumes
    - Marketing Services EBITDA<sup>3</sup> \$2.2M higher from new IPMG businesses and lower costs at PMP Digital

1. Revenue restated due to PMP early adopting AASB 15, resulting in a restatement of revenue and expenses and no impact on EBITDA
2. Australasian Catalogues Association 12 months to June 2018
3. Before significant items



## 2018 FULL YEAR RESULTS

# INCOME STATEMENT

\$M	FY18	FY17	%
Sales Revenue <sup>1</sup>	734.0	601.9	21.9%
EBITDA (Before significant items)	40.6	32.2	26.0%
Depreciation and Amortisation	(31.3)	(28.5)	(9.6%)
EBIT (Before significant items)	9.4	3.7	153.9%
Net Profit / (Loss) After Tax (Before significant items)	1.1	(1.9)	
Significant items post tax	(44.9)	(124.5)	
Loss (After significant items)	(43.8)	(126.4)	

1. Revenue restated due to PMP early adopting AASB 15, resulting in a restatement of revenue and expenses but no impact on EBITDA

## 2018 FULL YEAR RESULTS

# KEY METRICS

	FY18	FY17	Var %
Cash Flow from Operating Activities (\$M)	(6.1)	(12.5)	51.3%
Net Cash Flow (\$M)	(12.6)	(10.7)	(17.5%)
Net Debt (\$M)	(32.8)	(18.5)	
EBITDA <sup>1</sup> to Sales Revenue <sup>2</sup> (%)	5.5%	5.4%	
Net Debt / EBITDA <sup>1</sup>	0.8x	0.6x	

1. Before significant items

2. Revenue restated due to PMP early adopting AASB 15, resulting in a restatement of revenue and expenses and no impact on EBITDA

## 2018 FULL YEAR RESULTS

# RECONCILIATION OF CASH FLOW

\$M	FY18	FY17	Var\$
EBITDA (Before significant items)	40.6	32.2	8.4
Borrowing costs	(6.2)	(4.9)	(1.3)
Income tax (paid)	(0.1)	(0.1)	0.1
Net movement in working capital <sup>1</sup>	(4.9)	11.9	(16.8)
<b>Trading Cash Flow</b>	<b>29.5</b>	<b>39.1</b>	<b>(9.6)</b>
Significant Items	(35.6)	(51.6)	16.0
<b>Cash Flow from Operations (per Appendix 4E)</b>	<b>(6.1)</b>	<b>(12.5)</b>	<b>6.4</b>
Asset Sales	2.6	0.3	2.3
Capital Expenditure	(9.0)	(2.0)	(7.1)
Dividends	0.0	(7.6)	7.6
Acquisition of controlled entity	0.0	11.1	(11.1)
<b>Net Cash Flow</b>	<b>(12.6)</b>	<b>(10.7)</b>	<b>(1.9)</b>
Take-on loans Other / Acquisition	(1.5)	(8.5)	7.0
(Loss) on translation of NZ / Other Cash	(0.2)	(0.1)	(0.2)
<b>Reconciliation to Net Debt movement</b>	<b>(14.3)</b>	<b>(19.2)</b>	<b>4.9</b>

1. Working capital movement for FY18 includes payments from the balance sheet of \$10.2M for provisions booked as significant items at June 2017 for make good, onerous leases and redundancies.

## 2018 FULL YEAR RESULTS

# BALANCE SHEET METRICS

	Jun 18	Jun 17
Total Assets (\$M)	518.3	570.0
Shareholder Funds (\$M)	210.4	255.1
Net Debt (\$M)	32.8	18.5
Interest Cover (EBITDA Before significant items/interest) times	6.0	6.3
Net Debt to EBITDA <sup>1</sup> (times)	0.8	0.6
Net Debt to Equity (%)	15.6	7.3
Net Tangible Assets per share (cps)	0.34	0.43
Trade Working Capital (\$M)	45.6	56.8
Debtor Days	29.4	34.1
Cash Conversion (%) <sup>2</sup>	72.6%	121.3%
Return on Funds Employed (%) <sup>3</sup>	3.6%	1.4%

1. Before significant items. Uses a rolling 12 month EBITDA

2. Cash Conversion is calculated as Cash Flow from operations (adjusted for significant items) / EBITDA before significant items. Adjusted for the \$10.2M of items booked in June 2017 and paid in FY18 underlying cash conversion is 97.6%

3. ROFE equals 12 months rolling EBIT (before significant items) / Average funds employed

## 2018 FULL YEAR RESULTS

# DEBT PROFILE



- Net Debt June 2018 is \$32.8M :
  - Better than guidance \$35M - \$40M
  - vs \$18.5M Net Debt at June 2017
  - Net Debt/EBITDA 0.8x vs 0.6x at June 2017
- Extended ANZ Facilities to February 2019 :
  - Receivables Financing \$40M
  - Working Capital \$10M
- Sufficient cash / facilities headroom
- Net Debt June 2019 to be broadly flat year-on-year
- PMP continues to maintain a disciplined approach to its application of capital expenditure with a desire to maintain a conservative balance sheet.





# FY18 FULL YEAR RESULTS ADDENDUM



## 2018 FULL YEAR RESULTS

## UNITS

	FY18	FY17	Var%
Print AU	253.1	186.6	35.7%
Print NZ	36.0	37.3	(3.5%)
Print Tonnes ('000)	289.1	223.8	29.1%
Distribution AU	2,146.0	2,129.2	0.8%
Distribution NZ	638.6	625.8	2.0%
Distribution Units (Mio)	2,784.6	2,755.1	1.1%
Gordon and Gotch AU	190.0	212.6	(10.6%)
Gordon and Gotch NZ	36.2	40.5	(10.8%)
Gordon and Gotch Copies (Mio)	226.1	253.1	(10.7%)

## 2018 FULL YEAR RESULTS

## SIGNIFICANT ITEMS

\$M	Cash	Non cash	Total
Redundancy costs & other costs	27.0	0.0	27.0
Press relocation costs	5.5	0.0	5.5
Onerous Leases	3.1	0.0	3.1
Reversal of P&E impairment <sup>1</sup>	0.0	(0.9)	(0.9)
<b>Sub Total FY18</b>	<b>35.6</b>	<b>(0.9)</b>	<b>34.7</b>
Net (gain) on disposal of P&E <sup>2</sup>	(1.9)	0.0	(1.9)
Onerous lease provisions <sup>3</sup> (to be released 2019 – 2024)			6.6
<b>Total significant items (As per note 2b of Appendix 4E)</b>			<b>39.4</b>

1. Predominantly write back of press transferred during FY18
2. Forms part of the Asset Sales line on the Cash Flow statement
3. New onerous leases and changes in assumptions for previously booked provisions in relation to closed sites. These costs will be paid out from FY19-FY24

## 2018 FULL YEAR RESULTS

# RECONCILIATION OF EBITDA

\$M	FY18	FY17	%
Statutory (Loss)	(43.8)	(126.4)	-
Income tax (expense)/benefit	(5.6)	18.1	-
Statutory (Loss) before Income tax	(38.2)	(144.6)	-
Significant Items (before tax)	(39.4)	(142.6)	-
Profit/(Loss) Before significant items	1.1	(1.9)	-
Income tax (expense)	(0.8)	(0.5)	-
Net finance costs	(7.4)	(5.1)	-
EBIT (Before significant items)	9.4	3.7	153.9%
Depreciation & Amortisation	31.3	28.5	-
EBITDA (Before significant items)	40.6	32.2	26.0%

## 2018 FULL YEAR RESULTS

# DISCLAIMER

The material in this presentation is a summary of the results of PMP Limited (PMP) for the full year ended 30 June 2018 and an update on PMP's activities and is current at the date of preparation, 30 August 2018. Further details are provided in the Company's FULL YEAR accounts and results announcement released on 30 August 2018.

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