PMP LTD FY14 HALF YEAR RESULTS

PMP Returns to Profit

The successful implementation of the strategy to transform the company into a leaner, stronger and more competitive entity confirms PMP's position as a leader in the print and distribution industry. The business returned a modest profit in the first half of financial year 2014.

KEY POINTS

- **PMP's recovery strategy remains on track:**
  - Net Profit (after significant items) was $0.8M, compared to a Net Loss (after significant items) of $24.3M in the previous corresponding period (pcp).
  - EBIT (before significant items)[2] for 1H FY14 was $16.5M compared to $19.1M pcp, in line with full year market guidance;
  - Normalised EBIT (before significant items)[2] $17.0M vs $17.7M pcp;
  - Net Debt was reduced to $81.3M, down from $134.5M pcp, also in line with guidance;
  - Free cashflow $10.9M up $1.7M pcp.

- Clear, sustainable strategy and disciplined execution are delivering benefits:
  - Transformation Plan Phase 3 in Australia partially delivered with completion in the third quarter;
  - Gearing ratio [Net Debt to EBITDA (pre significant items)] reduced to 1.2x from 1.9x;
  - Significant items totalled $9.4M (including $8.6M of redundancies) versus $41.4M pcp.

- A sustainable and profitable PMP continues to emerge:
  - PMP Australia's key catalogue business showing resilience with volumes remaining steady. There was a slight increase in magazine activity although, as anticipated, directory volumes were much lower;
  - Distribution volumes across the company were up 9.1%;
  - $50M corporate bond issue successfully placed during the period.

KEY FINANCIALS 1H FY14

$M	**1H FY14**	**1H FY13**[1]	**%**
Sales Revenue	**463.0**	512.8	(9.7)
EBITDA (before significant items)[2] FY14 EBITDA includes $3.4M of property sale and leaseback expense	**33.7**	38.7	(12.9)
EBIT ((before significant items)[2] FY14 EBIT includes $2.6M of property sale and leaseback expense net of notional building depreciation	**16.5**	19.1	(13.8)
Net Profit (before significant items)	**7.4**	7.9	(6.4)
Net Profit/(Loss) (after significant items)	**0.8**	(24.3)	-
Free Cash Flow	**10.9**	9.2	18.7
Net Debt	**(81.3)**	(134.5)	39.6
Earnings Per Share (before significant items)	**2.3**	2.4	

[1] Restated balance $0.3M for December 2012 due to AASB 119 Employee Benefits policy change. Reduces EBIT (before significant items) from $19.4M to $19.1M.

[2] Refer to reconciliation to statutory results on page 2.

COMMENTARY

The tough market conditions which were evident in the prior year continued through the current period, but the Board is encouraged that the company's performance indicates the business strategy is delivering the anticipated results.

The company continues to face challenges as the industry is going through substantial structural changes, the strategy to transform PMP into a leaner, stronger and more competitive industry leader has enabled the company to return a modest net profit (after significant items) during the period.

Strategic direction

PMP CEO, Peter George, said, "The company has delivered a solid result and in line with market expectations. EBIT, EBITDA and Net Debt were all consistent with guidance and it was heartening to see a small bottom-line profit being recorded."

"The company has been totally transformed over the past eighteen months as we have successfully implemented the first two priorities of our three stage strategic vision which I detailed at our Annual General Meeting (AGM). We have substantially reduced the cost base of the business and also considerably reduced financial risk. We are now focused on the third priority, which is to build a more competitive PMP."

"From a greatly strengthened position we believe the company will be able to more effectively participate in the rationalisation that the industry desperately needs."

Transformation Plan

Following the successful completion of Phase 2 of the Australian Transformation Plan last fiscal year, the Phase 3 strategy was finalised during the period. This will be the final Phase of the Plan and it is anticipated to be fully completed during the third quarter of the current year. The full year cash cost will be in the order of $14M with annualised savings expected to be $19.2M.

Operating Performance

"The industry we operate in continues to be challenged by cyclical and structural factors with forecast industry volumes remaining volatile and excess industry capacity creating downward pricing pressure," Mr George said. "However there are some early indications that this pricing pressure is beginning to reduce and that recent aggressive pricing practices are moderating to a more sustainable level."

In H1 FY14 there are a number of non trading items as outlined below. This indicates normalised EBITDA is down $2.0M pcp and normalised EBIT is $0.7M lower.

EBIT (before significant items)

	FY14 H1			FY13 H1
EBIT as reported	7.5			(22.0)
Significant Items	9.0			41.4
EBIT (before significant items)	16.5	(15%)		19.4
			AASB 119	(0.3)
property rent new	2.6			
	19.1	0%	restated	19.1
Lease saving	(2.1)			
(Chullora/Digital)			no PMM as sold	(1.4)
normalised EBIT	17.0	(4%)	normalised EBIT	17.7

FY14 full year EBIT guidance $26M-$30M

EBITDA (before significant items)

	FY14 H1			FY13 H1
EBITDA as reported	24.7			(2.4)
Significant Items	9.0			41.4
EBITDA (before significant items)	33.7	(14%)		39.0
			AASB 119	(0.3)
property rent new	3.4			
	37.1	(4%)	restated	38.7
Lease saving	(2.1)			
(Chullora/Digital)			no PMM as sold	(1.7)
normalised EBITDA	35.0	(5%)	normalised EBITDA	37.0

FY14 full year EBITDA guidance $60M - $64M

PMP Australia

$M	1H FY14	1H FY13	%
Sales Revenue	**230.3**	262.9	(12.4)
EBIT(before significant items)	**12.8**	17.2	(25.6)

PMP Australia EBIT at $12.8M was $4.4M lower primarily driven by property sale leaseback expense, the sale of PMM partially offset by lower lease costs at Chullora and Digital. Trading profit was $2.5M lower. Catalogue volumes stabilised and magazine activity was slightly higher, although revenue was impacted by lower directory volumes. Transformation savings and continued cost controls were offset by lower print sell prices. Distribution volumes were up 7.7% with the addition of two major new clients and as the company's major customers now take up integrated offers of all PMP products and services.

PMP New Zealand

$M	1H FY14	1H FY13	%
Sales Revenue	**83.7**	82.4	1.6
EBIT(before significant items)	**5.5**	4.8	14.9

PMP New Zealand continued to perform strongly with EBIT up 14.9% to $5.5M as cost savings offset print market conditions. Distribution performed particularly well with 14.6% higher volumes.

Gordon & Gotch

$M	1H FY14	1H FY13	%
Sales Revenue	**149.1**	167.5	(11.0)
EBIT(before significant items)	**0.8**	0.2	-

Gordon & Gotch returned an improved EBIT of $0.8M for the period up $0.6M as transformation savings offset lower volumes

Free Cash Flow

Free Cash Flow at $10.9M was $1.7M higher as a $0.3M reduction in cash from operations was more than offset by lower capital expenditure.

Sale and Lease Back Program

The final element of the company's Australian property sale and lease back program has been completed with the sale of the remaining portion of the Clayton site. Settlement is expected to occur today for net proceeds of $7.6M, with a profit of $4.0M, which will be recorded in the second half accounts.

During the period the company's New Zealand sheetfed printing operations were consolidated with other company operations at Enterprise Park in Auckland; the equipment at the vacated Chullora site in Sydney has been dismantled and the site is ready to be sub-let; and the spare space at the Digital site in Alexandria has now been sub-let.

Significant Items

Phase 3 Transformation Plan payments of $14.0M are expected in FY14 which will generate $19.2M of annualised savings. In the first half $4.0M was paid, mainly for redundancies, which will produce $8.5M of annualised savings. A further $10.0M will be spent in the second half with additional annualised savings of $10.7M anticipated.

Debt

The company continues to reduce debt with Net Debt reducing by 39.6% during the period, down to $81.3M from $134.5M pcp and in line with guidance. Gearing ratio [Net Debt to EBITDA (pre significant items)] has reduced from 1.9x to 1.2x.

During the period a $50M four year term corporate bond issue was successfully executed and the existing bank facility maturity was extended to September 2015.

OUTLOOK – Reaffirms full year guidance

The company expects the business environment for the remainder of FY14 to remain challenging with industry trends and competitive activity continuing.

The company reaffirms full year guidance provided at the AGM, that is for FY14 EBITDA (pre significant items) to be in the range of $60M to $64M and EBIT (pre significant items) between $26M to $30M.

Net Debt is now anticipated to be to be in the range of $60M to $65M at June 2014, down from $70M to $75M as advised at the AGM.

For further information contact:

Investors:

Peter George
Chief Executive Officer
+61 2 9412 6111

Geoff Stephenson
Chief Financial Officer
+61 2 9412 6111

Media:

Ian Greenshields
+61 419 344 811