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www.pmplimited.com.au**ASX Announcement****28 October 2016****PMP Limited to merge with IPMG**

PMP Limited, an integrated print and distribution specialist, has entered into an agreement to merge (“the transaction”) with IPMG Group¹ (IPMG), a print and digital services provider, privately owned by members of the Hannan family.

On completion of the transaction PMP will acquire 100% of IPMG and will issue new PMP shares to the IPMG shareholders² who together will hold a maximum 37% interest in PMP (equating to a consideration value of approximately \$119m³). IPMG will be entitled to nominate two directors to the PMP Board. The transaction is subject to closing conditions including approval at a meeting of PMP shareholders scheduled for Friday 16 December.

PMP has appointed Grant Thornton to prepare an Independent Expert’s Report on whether the transaction is fair and reasonable for PMP Shareholders. PMP Independent Chair Matthew Bickford-Smith said that the PMP Directors unanimously recommended shareholders vote to approve the transaction, in the absence of a superior proposal and subject to the Independent Expert’s conclusion. PMP shareholders will be sent a Notice of Meeting containing information relating to the transaction and the Independent Expert’s Report in the coming weeks.

IPMG is a long established print and digital services provider operating in Australia. IPMG operates through various businesses including Hannanprint, Inprint and Offset Alpine. On a pro-forma basis IPMG generated approximately \$362m of revenues and \$21m of normalised EBITDA for the 12 months ended 30 June 2016.

Mr Bickford-Smith said, “We face significant challenges in the print industry in Australia due to changes in demand. We welcome the merger with IPMG. IPMG is a strong fit with PMP and together we are better placed to address these industry issues and create a more efficient and sustainable PMP.”

¹ PMP will acquire 100% of IPMG Holding Company, of which IPMG Pty Ltd is a subsidiary. A copy of the Share Sale Deed has been separately disclosed.

² IPMG shareholders own collectively 100% of IPMG Group and include Michael Hannan 25.6%, Lindsay Hannan 49.6%, and Adrian and Richard O’Connor 24.8%.

³ PMP will issue up to a maximum of 187,970,295 PMP shares to the IPMG shareholders (being equal to 37% of PMP on a diluted basis, including vested performance rights) reflecting their relative ownership interest in IPMG Group. The exact number of shares to be issued will depend on completion account adjustments. The implied value of shares issued to IPMG is \$119,361,137 assuming a PMP share price of \$0.635 as at 27 October 2016.

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The merger is expected to deliver approximately \$40m per annum of pro-forma cost synergies across the combined group with one-off cash costs totalling approximately \$65m. It is expected that full run-rate synergies will take up to 18 – 24 months to achieve following completion.

Before pro-forma cost synergies, the transaction multiple is approximately 5.7x FY16 normalised IPMG EBITDA (approximately 2.0x FY16 normalised EBITDA after full pro-forma synergies and excluding one-off implementation cash costs). The merger is materially EPS and cash flow accretive on a pro-forma FY16 basis,⁴ inclusive of pro-forma synergies. IPMG is being merged into PMP on a net debt free basis.⁵

PMP has secured credit approved commitments from ANZ for new debt facilities of up to \$60m to fund working capital requirements and the one-off implementation costs of delivering the synergies. Gearing is anticipated to increase moderately in 2HFY17 reflecting upfront implementation cash costs however is expected to reduce thereafter subject to the timing of synergy benefits. Future capital expenditure commitments are expected to remain low.

Given the cash demands of delivering synergies, PMP will suspend both dividends and share buy backs during the implementation period. PMP will continue to progressively review capital management policies but does not expect to recommence dividends or share buy-backs before 2018 subject to trading conditions.

PMP CEO Peter George said, “As we make decisions in the year ahead to deliver the integration and anticipated cost savings, we will work closely with our employees and their Union to achieve the best possible outcomes for our customers, employees and shareholders.

“PMP and IPMG have taken decisive action to bring about the proposed merger so that we can combine and adapt to the realities of Australia’s print industry in the decade ahead, in the process creating sustainability and value for our customers and shareholders.”

IPMG Executive Chairman, Michael Hannan said, “This merger is an important strategic decision not only for PMP and IPMG, but importantly for all of the customers of both companies as it will drive innovation and efficiency. Customers remain at the heart of our business.

“It is the shared intention of the parties to respond to industry challenges by reducing under-utilised and older press and bindery fleet capacity. It will enable us to bring the best aspects of our firms together to more efficiently deliver world-class services and products.”

END.

⁴ As if the transaction was completed on 1 July 2015 and inclusive of full run-rate pre-tax synergies of \$40m.

⁵ The transaction will include the assumption of one of IPMG’s existing equipment financing facilities. IPMG will retain an equivalent amount of cash on balance sheet at completion to offset this facility.

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