

# Investor Presentation

Results for the 12 months ended 30 June 2010

19 August 2010

- Richard Allely, CEO
- Geoffrey Stephenson, CFO



# 2010 Full Year Results - Agenda

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1. Overview of FY10 Performance – Richard Allely
2. Financial Performance – Geoffrey Stephenson
3. Business Unit Review – Richard Allely
4. Outlook – Richard Allely
5. Questions

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# Full Year Performance Overview

Richard Allely

# Full Year Performance Overview

- Improved Safety



- LTIFR at 6.7 is 23% reduction
- Enhanced processes and systems now in place

- EBIT at \$52.2M in line with market guidance



- Print lower volumes and Distribution revenues 20% lower
- Significant cost reductions across the business from Transformation program

- Lower debt levels (now \$168.1M)



- Operating cash flow \$74.7m up \$31.4m
- Debt down from \$208.3m

- EPS at 6.1 cents per share



- vs negative 7.9 cents in 2009

- Final dividend 1 cent per share



- Fully franked

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# Financial Performance

Results for the 12 months ended 30 June 2010

Geoffrey Stephenson, CFO

\$m	2010	2009	Change
Operating Revenue	1212.1	1345.6	(9.9%)

- 2010 was a challenging year for revenues :
  - Print revenues down by \$81m :
    - loss of market share on price
    - reduced pagination and print frequency from existing customers
  - Loss of Distribution volumes : price and perceived performance (\$21m)
  - Book distribution volumes lower (\$15m)

# Income Statement



\$m	2010	2009	Change
Revenue (Operating Revenue)	1212.1	1345.6	(9.9%)
EBITDA (before significant items)	92.8	96.7	(4.0%)
Depreciation & Amortisation	(40.6)	(41.8)	
EBIT (before significant items)	52.2	54.9	(4.9%)
Borrowing Costs	(17.6)	(18.9)	
Borrowing Costs - mark to market	2.3	(9.6)	
EBT (before significant items)	36.9	26.4	39.5%
Income Tax expense	(12.4)	(7.6)	
Net Profit (before significant items)	24.5	18.8	30.8%
Significant items	(5.5)	(65.2)	
Tax on Significant items	1.6	19.8	
Net profit/(loss) (after significant items)	20.6	(26.6)	

# FY 10 Group Performance

\$m	2010	2009	%
EBIT*	52.2	54.9	(4.9%)
EBIT*/Sales	4.3%	4.1%	
Net Profit after tax (pre significant items)	24.5	18.8	30.8%
EPS (cents)	6.1	(7.9)	
DPS (cents)	1.0	-	
Free Cash flow (\$m)	42.2	3.1	
Return on Funds Employed*	9.5%	9.5%	

Gains in Print AU offset  
Distribution, Gordon and Gotch  
& NZ

Lower Borrowing costs - \$13m  
Lower EBIT - (\$3m)  
Higher Tax expense - (\$5m)  
\$5m

Lower significant items, capital  
expenditure and borrowing costs

\* EBIT is before significant items

- Stronger Print outcomes in H2 on transformation savings outstripped Distribution results.

\$m	H1			H2		
	2010	2009	%	2010	2009	%
Print AU	24.0	23.2	3%	23.7	11.1	115%
Distribution AU	1.5	4.5	(66%)	(3.7)	0.4	
Gordon and Gotch	4.4	8.0	(46%)	3.1	5.0	(37%)
Digital	1.9	2.3	(14%)	1.5	2.3	(37%)
New Zealand	2.7	5.8	(53%)	2.9	3.2	(12%)

\* Before significant items

# Balance Sheet Statistics – 30 June 2010

\$m	Jun 2010	Dec 2009	Jun 2009
Total Assets (\$m)	792.8	804.5	838.0
Shareholders Funds (\$m)	374.9	366.6	351.7

Net Debt (\$m)	168.1	183.7	208.3
Debt to equity (%)	44.8%	50.1%	59.2%
Interest cover (x times)	5.3	5.3	5.1

Stronger Free cash flow  
reduced debt

Trade Working Capital (\$m)	44.1	42.6	51.5
Working Capital/Sales (%)	3.6%	3.3%	3.8%

Very good debtors outcome

Debtor days	33.1	36.1	36.8
Inventory cover (days)	60.0	57.0	60.0
Creditor days	48.8	46.9	45.7

# Cash flow statement

\$m	2010	2009
EBITDA (Before significant items)	92.8	96.7
Less: Cash Significant items	(5.0)	(28.8)
Add: Other non-cash items	(2.8)	(6.9)
<b>EBITDA (cash)</b>	<b>85.0</b>	<b>61.0</b>
Borrowing costs	(17.1)	(19.9)
Income tax refunds/(paid)	1.8	(2.6)
Net movement in working capital	5.0	4.8
<b>Cash flow from operating activities</b>	<b>74.7</b>	<b>43.3</b>
Cash flow applied to investing activities	(32.5)	(40.2)
<b>Free Cash flow</b>	<b>42.2</b>	<b>3.1</b>

- Total facility size = \$248m
- Net debt at 30 June 2010 = \$168m
- \$180m syndicated facility matures May 2012
- \$68m matures in Q4 2011
- Average level of debt hedged – 74%
- Debt/EBITDA strengthened from 2.15x(Jun-09) to 1.81x(Jun-10)

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# Business Unit

# Review

Richard Allely

# PRINT AUSTRALIA



2010 FULL YEAR RESULTS

(\$m)	2010	2009	Variance (%)
Operating Revenue	492.1	568.5	(13.4%)
EBIT*	47.7	34.3	39.3%
EBIT* ratio	9.7%	6.0%	

\* Before significant items

## Comment:

- Operational efficiencies and lower costs have offset lower volumes

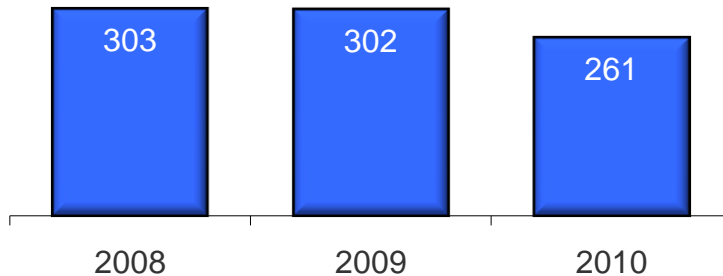
## Highlights

- Significant long term contract renewals
- Transformation Phase II complete
- Uplift in production efficiency
- Opportunities for further cost savings in fiscal 2011/12

## Key issues

- Further reduction in operating costs
- Extract value for our differentiated offer (products/services)

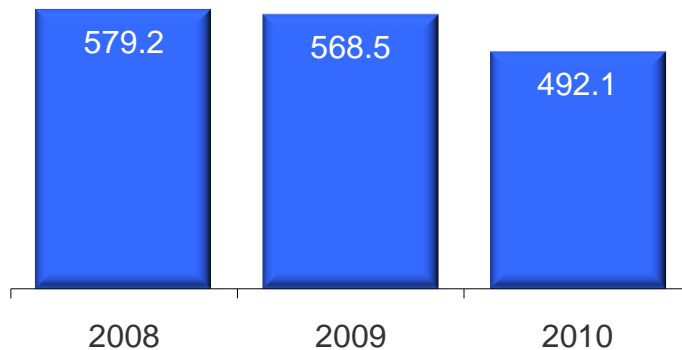
Volume (Tonnes 000's)



**Print volume** decreased by 13.7%:

- Magazines – 6.8%
- Catalogues – 17.3%
- Books – 5.5%

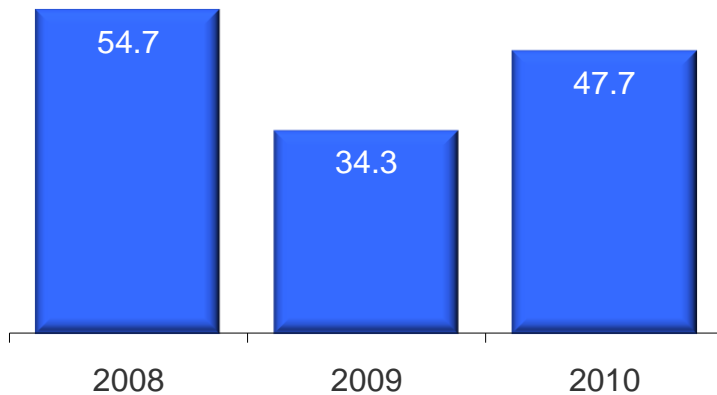
Revenue \$m



**Revenue** decrease of 13.4%:

- Loss of market share
- Exit of low margin work
- Lower average selling price
- Reduction in pagination/circulation

EBIT \$m



**EBIT** has increased by 39.3% despite the drop in volumes. This is attributed to:

- Transformation phases I and II savings:
  - Labour
  - Production efficiency
  - Paper management
- Freight & Logistics savings
- Reduction in support costs

# DISTRIBUTION AUSTRALIA



2010 FULL YEAR RESULTS

(\$m)	2010	2009	Variance (%)
Operating Revenue	84.5	105.7	(20.0%)
EBIT*	(2.2)	4.9	
EBIT* ratio	(2.6%)	4.6%	

\* Before significant items

## Comments:

- Loss of market share
- Investment in network efficiency
- Investment in business development capability

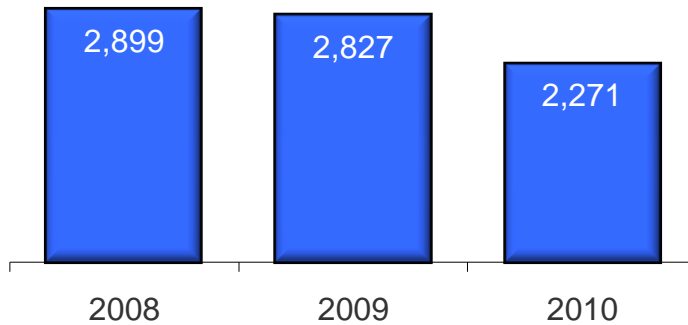
## Highlights

- Won major contract in Q4 (Target)
- Distribution Network now delivers to customer expectations
- A re-energised culture

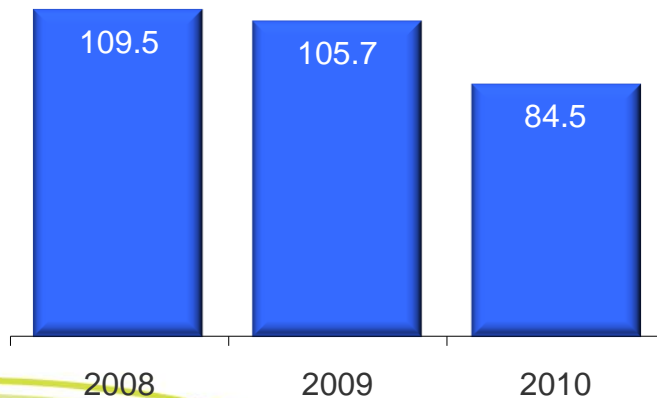
## Key Issues

- Market share at 30% is too low
- Need to drive lower operating costs
- Competitive rivalry driving lower market pricing

Units Delivered - (millions)

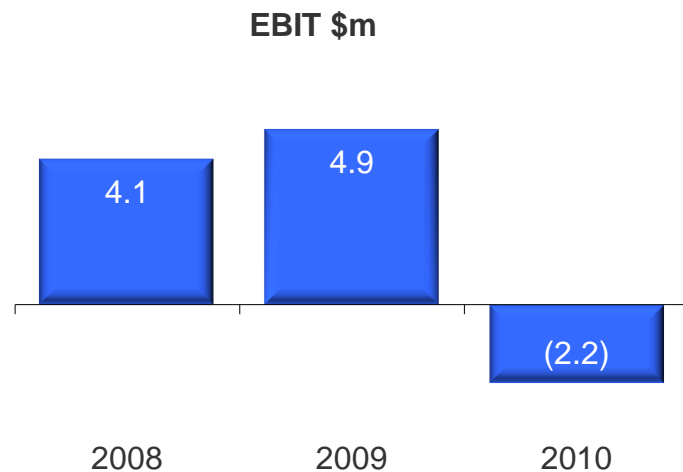


Revenue \$m



**Revenue** down 20.0% due to 19.7% drop in volumes.

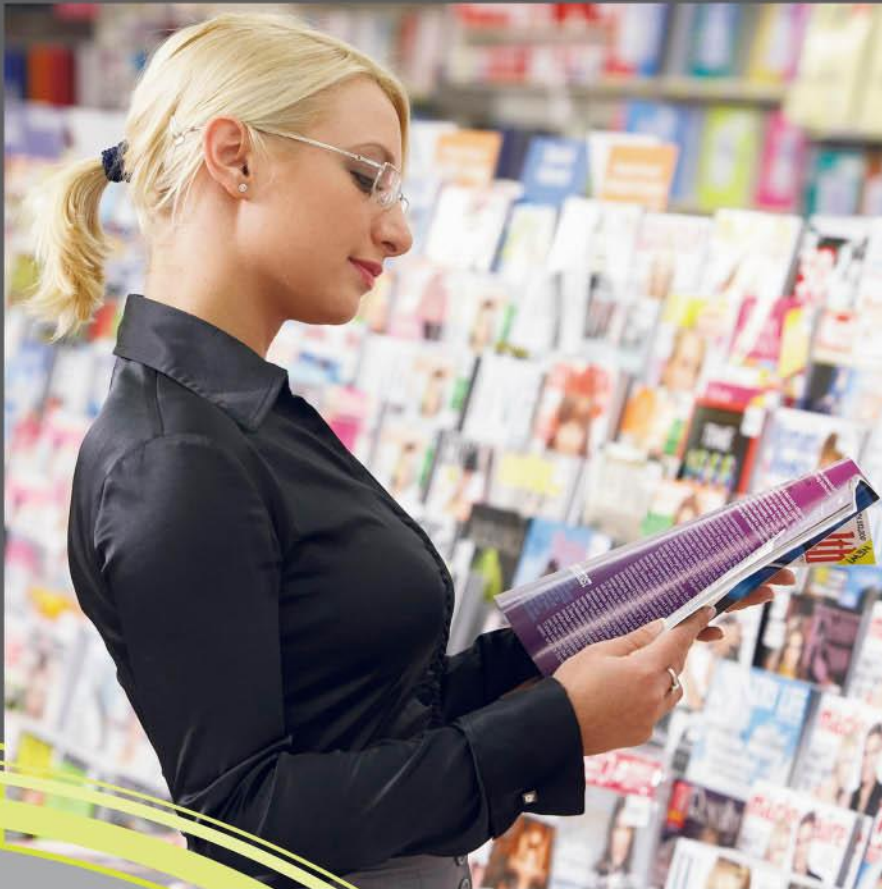
	\$m
<b>FY09 Revenue</b>	<b>106</b>
Customers lost	(24)
Lower volumes from existing customers	(5)
New business	8
<b>FY10 Revenue</b>	<b>85</b>



**EBIT** decreased by \$7.1m to a loss of \$2.2m. This is due to:

- Drop in revenue by 20.0%
- High relative fixed cost network model
- Investment in network efficiency and business development

# GORDON AND GOTCH AUSTRALIA



2010 FULL YEAR RESULTS

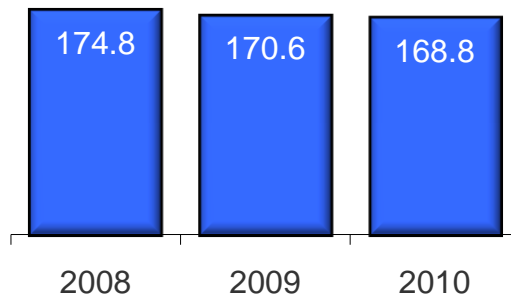
(\$m)	2010	2009	Variance (%)
Operating Revenue	408.9	428.4	(4.6%)
EBIT*	7.5	13.0	(42.4%)
EBIT* ratio	1.8%	3.0%	

\* Before significant items

## Comments :

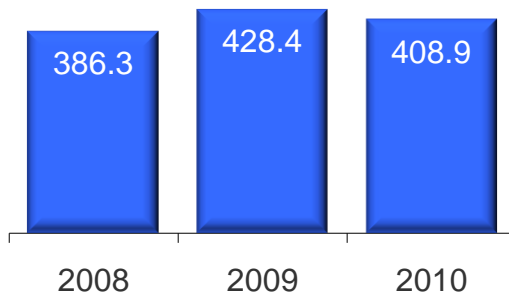
- Pacific Magazines distribution contract renewed for further 10 years
- Significant new business wins and 100% of imported magazines distribution
- Declining magazine circulation

### Units Delivered - (millions)

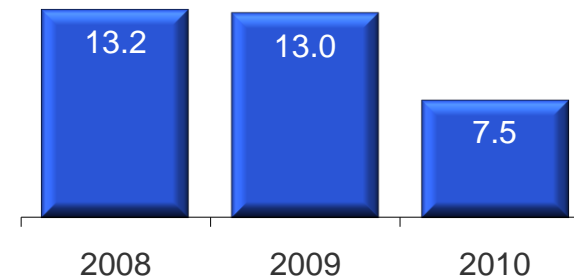


- **Revenue** decrease of 4.6% is primarily in book distribution which was impacted by a decline in available new titles
- **EBIT** decrease of 42.4% is due to a \$4m drop in book distribution and decline in magazine circulation (1%)

### Revenue \$m



### EBIT \$m



# PMP DIGITAL PREMEDIA



2010 FULL YEAR RESULTS

(\$m)	2010	2009	Variance (%)
Operating Revenue	31.1	33.9	(8.3%)
EBIT*	3.5	4.6	(25.4%)
EBIT* ratio	11.1%	13.7%	

\* Before significant items

## Comments:

- Lower advertising spend has driven a reduction in both revenue and earnings
- Successful extension of the Experion license agreement

# PMP NEW ZEALAND



2010 FULL YEAR RESULTS

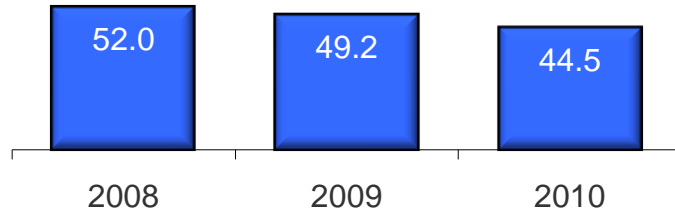
(\$m)	2010	2009	Variance (%)
Operating Revenue	195.6	209.1	(6.5%)
EBIT*	5.6	9.0	(38.3%)
EBIT* ratio	2.8%	4.3%	

\* Before significant items

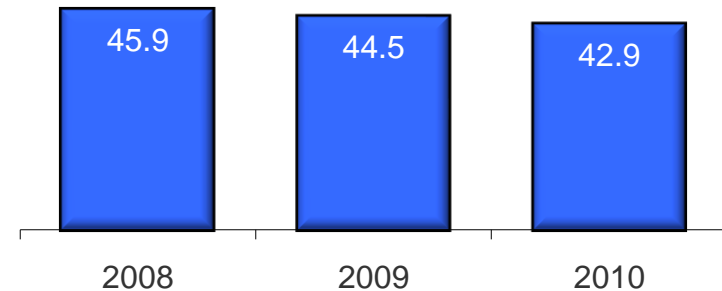
## Comments:

- Revenue down on FY 09 due to lower Print volumes and lower average selling price
- Higher average paper cost due to unfavourable FX hedges
- NZ business transformation plan under development

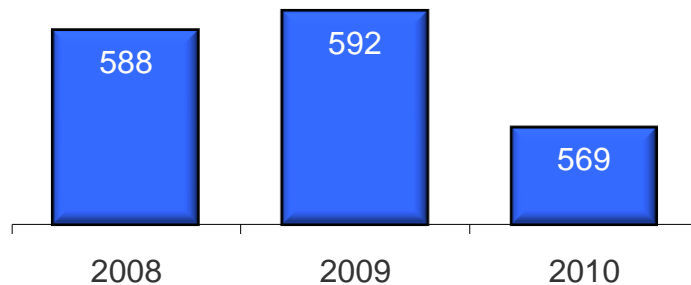
Print volume (tonnes 000's)



Gordon & Gotch Units Delivered - (millions)



Distribution Units Delivered - (millions)



**Print** volumes down by 9.6% due to general economic conditions and some market share loss

**Distribution** volumes down 3.9% due to economic conditions

**Gordon & Gotch** slight volume decline and small reduction in magazine circulation partially offset by IMD acquisition

# Outlook

Richard Allely

- Not planning for any significant improvement in economic conditions
- Expect stronger operating earnings in fiscal 2011
- Competitive pressures in the Letterbox distribution market expected to continue
- Continued focus on debt reduction

# Questions

The material in this presentation is a summary of the results of PMP Limited (PMP) for the twelve months ended 30 June 2010 and an update on PMP's activities and is current at the date of preparation, 19 August 2010. Further details are provided in the Company's full year accounts and results announcement released on 19 August 2010.

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