

PMP 2010 Full year results

Thursday, 19th August 2010 – PMP Limited today announced earnings before interest and tax (EBIT) before significant items of \$52.2M for the full year ended 30 June 2010 – in line with market guidance.

Key points:

- Net Profit (before significant items) \$24.5M up 30.8% on last year
- Net debt \$168.1M down from \$208.3M in June 2009
- NPAT \$20.6M up from a loss of \$26.6M last year
- Fully franked Dividend declared at 1c per share, nil prior period

Income Statement Full-Year ended 30 June 2010

\$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)	

The Chairman, Mr Graham Reaney, said that, notwithstanding a fall in operating revenue, PMP's full year result delivered strong EBT, Net Profit and cash flow.

He commented that cash flow performance was strong, with free cash flow \$39.1M higher year on year. PMP ended 2010 with net debt of \$168.1M, down from \$208.3M in June 2009. The Group's gearing ratio (debt:equity) has reduced from 59.2% to 44.8%, with interest cover remaining stable at 5.3 times.

Given this improved financial position, Mr Reaney reported that the PMP Board has declared a fully franked dividend of 1 cent per share.

Print

Commenting on operating performance, PMP CEO Mr Richard Allely said: "Our Print division revenues declined by 13.4% to \$492.1M, with print volumes lower by 13.7% for the year to June 2010. The fall in revenues was largely attributable to loss of low margin work to competitors and reduced pagination and print frequency from existing customers. Despite this drop in volumes, the Print division increased EBIT by 39.3% due to the productivity gains realised through its transformation program and lower average paper prices. With a highly experienced management team and significant long-term contract renewals in place, this business is looking at the year ahead with confidence."

Distribution

Distribution ended the year by winning a major, weekly national contract. However, this and other mid-sized new wins did not offset the impact of major contract losses in the first half of fiscal 2010 combined with lower spend from existing customers. As such, sales revenues fell by 20%, while EBIT declined to a loss of \$2.2M for the full year, as we invested to rebuild the network.

Despite this result, Mr Allely remains confident about Distribution's long-term future. "With a redesigned network operating model and business development teams in place across the country, all the foundations of a successful business are now in place," he said.

Gordon and Gotch

Lower book publishing volumes were only partially offset by a new distribution contract with News Magazines and as such, Gordon and Gotch delivered an EBIT of \$7.5M, down by 42.4% on the previous year.

Despite this, the company continued to gain market share, becoming the number one magazine distributor in the country, supported by the re-signing of a long-term contract with Pacific Magazines for a further 10 years. In addition, following the closure of NDD, Gordon & Gotch has secured 100% of imported magazine distribution.

PMP Digital Premedia

In Digital Premedia, EBIT declined to \$3.5M due to falls in corporate advertising spend. New products and services such as dMarketer (formerly Adcast) will enable this division to deliver an improved result in fiscal 2011.

New Zealand

In New Zealand, revenues continued to decline due to the challenging market conditions, resulting in an EBIT of \$5.6M or 38.3% lower. However, there are early signs of an underlying improvement in the economy and growing optimism for some pick up as the year progresses. Mr Allely expects fiscal 2011 to show significant earnings improvement. We are currently formulating a transformation plan for this business.

Outlook

Mr Allely said he was optimistic about an improvement in operating earnings performance in fiscal 2011.

“Notwithstanding the early indications that advertising markets are improving, PMP’s real strengths in the next financial year will come from within the company. The Group is now far more efficient, customer-focussed and properly structured to deliver improved returns to our owners.”

“We have taken the complexity and bureaucracy out of the business, regained the trust of our customers and substantially improved PMP’s culture. We will continue to drive operational efficiencies and are well positioned to benefit from any uplift in the overall economic environment.

Mr Allely said PMP will provide a market update at its Annual General Meeting in November 2010.

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