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PMP 2009 full year results

Friday, 14th August 2009 – The Board of print, distribution and media services group PMP Limited today announced earnings before interest and tax (EBIT) before significant items of $54.2 million for the year ended 30 June 2009 – in line with market guidance.

Key points:

- EBIT (before significant items) $54.2 million, down 36.3% on last year
- Net debt $208.4 million, below guidance of $220m
- Restructuring initiatives including redundancy costs and asset write downs of $65.2 million
- Phase I of transformation plan complete
- Phase II well under way

	12 months to 30 June		
$m	2009	2008	Change
Revenue (Operating Revenue)	1,345.6	1,347.3	0.1%
EBITDA (before significant items)	96.0	125.9	(23.7%)
Depreciation & Amortisation	(41.8)	(40.8)	(2.5%)
EBIT (before significant items)	54.2	85.1	(36.3%)
Borrowing costs	(18.9)	(18.4)	(2.7%)
Borrowing costs – mark to market	(9.6)	(0.9)	>>
EBT (before significant items and after borrowing costs)	25.7	65.8	(60.9%)
Income Tax expense	(7.5)	(19.2)	<<
Net Profit (before significant items)	18.2	46.6	(60.9%)
Significant items (before tax)	(65.2)	26.6	>>
Income tax benefit (on significant items)	19.8	5.7	>>
Net (loss)/profit (after significant items)	(27.2)	78.9	>>

The Chairman, Mr Graham Reaney, said the results reflect a turbulent and unsatisfactory year for PMP, which has led to significant changes to improve performance, including a new Chief Executive Officer, a new executive leadership team and a transformation program.

"These changes will position PMP competitively to deliver long-term, stable growth once the market recovers. However, the one-off costs associated with transformation, combined with a depressed print market, have necessarily dampened PMP's financial results during 2008/9," he said.

Net profit after tax (before significant items) decreased from $46.6 million to $18.2 million. EBT (before significant items and after borrowing costs) was $25.7 million (which included a borrowing cost mark-to-market increase of $8.7 million), reduced from $65.8 million, while sales fell by 0.1% to $1,345.6 million.

Significant items of $65.2 million were noted, including cash costs of $28.8 million, largely due to redundancies and restructuring costs. The remaining $36.4 million in non-cash costs relates largely to impairment of assets.

Despite this, the Group's balance sheet remains strong. PMP ended the year with net bank debt of $208.4 million, up from $199.6 million in June 2008 after a year that included acquiring the Scribo business and large restructuring costs. On the back of this, PMP's gearing ratio (debt:equity) increased slightly to 59.3% from 50.5% in the previous year, with interest cover decreasing from 6.5 to 5.1 times.

During the year PMP bought back 4,009,386 shares at an average price of 34.36 cents per share, for a total consideration of $1,377,709.

PMP will not be declaring a final dividend for the year ended 30 June 2009.

Print

Commenting on operating performance, PMP CEO Mr Richard Allely said Print had a disappointing year, with revenues falling 3.9% to $696.4 million after Print volumes declined significantly in the fourth quarter. "This, combined with substantial pressure on pricing, led to EBIT falling 36.5% to $41.6 million."

However, following the implementation of a transformation plan, which has taken costs of $26 million out of the business, he believed Print's cost structure is now appropriate for the new size and shape of the market. "This new structure will allow the business to both operate profitably in the current economic conditions and to prosper when the market improves."

Distribution

PMP's letterbox distribution business also struggled, following significant customer service issues, leading to a reduction in market share. This resulted in EBIT declining 7.9% to $7.0 million compared to $7.6 million in the previous year.

Despite the division's poor results, Mr Allely remains optimistic about its long-term future. "With the recent appointment of Andrew Williams, Executive General Manager, PMP Distribution and David Chesser, General Manager, PMP Distribution, the business now has a strong leadership team. Under this experienced new management, the division is already making headway in repairing customer relationships and restoring profitability," he said.

Gordon and Gotch

Despite the difficult economic conditions and declining magazine circulation, Gordon and Gotch held its own in the market. Mr Allely said the division's EBIT result fell 6.6% to $11.6 million, and was offset slightly by the 100% acquisition of The Scribo Group Pty Limited in September 2008.

He sees the Scribo acquisition as an important investment. “The acquisition introduces a new set of retailers to the Gordon and Gotch network and complements its product range.”

PMP Digital Premedia
Despite revenues falling by 18.0%, as customers reduced their marketing spend, tight financial management enabled the Digital Premedia business to largely protect its EBIT result, which declined by only 2.1% to $7.2 million.

New Zealand
Mr Allely said the continued negative growth in the New Zealand economy had taken an inevitable toll on PMP New Zealand’s performance. “Print and Distribution volumes were down on fiscal 2008, largely due to the stalled property market. Property publication revenues affect 90% of the Maxum business, which produces a range of media for the real estate industry.”

Transformation
Mr Allely said PMP was already well on its way to lifting operating performance with a transformation plan that would restore its reputation among staff, customers and the industry.

“Phase I of our transformation program, which was completed at year end, saw significant cost cutting across the business. Phase II began in July 2009, creating a low-cost, customer-focused operating model focusing on improving earnings by making the business substantially less complex.”

Outlook
Mr Allely said that, while the potential for revenue growth will be limited in the year ahead, PMP will continue to optimise the business and look for efficiency opportunities to deliver earnings growth.

“Market conditions are expected to continue to be challenging throughout 2010. We will therefore continue to focus on re-energising PMP as a lean, efficient, customer-focused print, distribution and media services company.”

He noted PMP’s fundamental strengths, including - a strong balance sheet, a streamlined cost structure, well invested physical assets and a highly experienced workforce.

“With a transformation agenda addressing supply chain management, sales force alignment and manufacturing excellence, PMP is rapidly improving its competitive position. Beyond fiscal 2010, the Group has enormous potential to generate good cash flows to pay down debt and reward our shareholders.”

Mr Allely, said PMP would be in a position to provide the market with first half guidance at its Annual General Meeting in November.

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