



**ASX ANNOUNCEMENT**

**FOR IMMEDIATE RELEASE TO THE MARKET**

**PPK Group Limited – ASX Code: PPK**

**Tuesday 28 August 2018**

**EXECUTIVE CHAIRMAN’S COMMENT – PRELIMINARY FINAL REPORT  
Year Ended 30 June 2018**

**PPK Group Limited** (PPK), the only AUSTRALIAN OWNED “Original Equipment Manufacturer” (OEM) of Load Haul Dump machines (CoalTram-LHD) for the underground coal mining industry, whilst recording an overall loss for the full year, has returned to profit and positive free cash flow generation for the second half of FY 18.

Conditions in the underground coal mining sector continued to improve in 2018 and look set to continue for the 2019 financial year as outlined below:

- The Australian Government’s Department of Industry, Innovation and Science forecasts coal exports to become Australia’s largest export earner in 2018-19.
- South32, one of PPK’s major customers, have forecast Illawarra coal production increases from 4.1 million tonnes in FY2018, 6 million tonnes in FY2019 and 8 million tonnes in FY2020.
- Improved pricing and profitability for Australian mines is due in large part to increased demand, improved coal prices and a lower Australian dollar.
- Existing customers confirming they have approved capital allocated for new heavy equipment purchases; and
- PPK continues to benefit from “care and maintenance” mines being re-opened and anticipates positive market share growth from newly announced mines being opened in both New South Wales and Queensland.

PPK’s immediate focus on leveraging its CoalTram, Rambor and Firefly brands and its strong reputation for sales and servicing these products has positioned the Group such that Directors expect to achieve a Full Year after tax profit for the 2019 financial year.

**FINANCIAL RESULTS**

While Full Year 2018 results for the company still show an overall loss of \$1.561M (2017: \$0.560M profit after a \$4.677M gain on sale of property and listed shares), given the size of the 2018 first half loss, the overall turnaround between the 1<sup>st</sup> and 2<sup>nd</sup> half was extremely positive, with a 2<sup>nd</sup> half profit of \$0.284m being recorded.

**PPK GROUP LIMITED**

ABN: 65 003 964 181

Level 27, 10 Eagle St, Brisbane QLD 4000  
GPO Box 754, Brisbane Qld 4001  
Tel: +61 7 3054 4500 Fax: +61 7 3054 4599

With regard to the Full Year 2018:

- Revenue of \$35.107M is up 20%
- NPAT loss of \$1.561M is down 379%
- 2<sup>nd</sup> half NPAT profit \$0.284M is up 115%
- FY2018 cash surplus of \$0.208M is an increase of \$0.747M in 2<sup>nd</sup> half
- Current assets of \$17.403M with \$8.663M highly liquid
- Debt of \$2.000M secured by property and three CoalTrams, no principal repayments due in the next financial year

PPK has significantly improved cashflow metrics from its operating activities to minus \$0.176M (FY2017: minus\$7.615M), indicating it is moving towards achieving a positive cash flow for the 2019 financial year. If the funds from a major customer of \$1.057M had been paid on 29 June 2018 as expected, and not received on 2 July 2018, then PPK would have been in a cash positive position of \$0.881M from its operating activities for the 2018 financial year.

Looking at the current financial year 30 June 2019:

- Actual July 2018 revenue and profitability in line with forecasts, with continued free cash flow generation occurring
- Internal full year group forecasts for continued improvement in revenue growth and profitability
- Potential for the Board to reinstate a dividend of up to \$0.01 per share in 2019

#### Mining Equipment Division

The profit from this business unit was \$0.253M (FY2017: \$2.725M loss, FY2016: \$6.699M loss) with the 2<sup>nd</sup> half trading results being positive and recording an overall profit of \$0.945M (overall an annual turnaround of \$2.978M for FY2018). Continuing this trend, July 2018 revenues and profits were in line with PPK forecasts.

PPK Board and management have a strong view that mining companies in the underground coal mining sector have capital allocated to spend in the foreseeable future. As many of the existing underground heavy equipment fleets are nearing the end of their physical life, engines for CoalTram competitor products are past their regulatory approval periods and with most of our competitors having indicated they no longer want to operate in this industry sector, it should be a positive time for PPK to take advantage of the situation.

With the CoalTram being the lowest emission LHD available in Australia, able to generate key machine performance data and being ideally suited to many of the “low seam” mines that are being developed in New South Wales particularly, PPK believes it is on the cusp of receiving multiple orders for new and used machines.

Over the last 12 months PPK Mining Equipment division focussed on bringing new mining technology to its customers including the newly designed and developed Rambor-Firefly Longwall Face Drill Rig that will improve both productivity and safety during mine production. This new product release has generated significant industry interest with initial orders received towards the end of the 2018 financial year from both QLD and NSW based customers. PPK engineers are also working on a new generation underground personnel transportation vehicle that will take levels of safety, comfort and the provision of key operating data for mine owners to a new level, while again minimising emission levels.

## Investment Property and Investing Sectors

As noted in the FY2017 Annual Report, PPK has exited the Investment Property Sector.

The Nerang Street Southport Project Trust sold the development land at Southport, Queensland in August 2018 and settlement has been completed.

PPK continues to own a small portfolio of listed shares which will be liquidated as opportunities arise.

## Other Investment Opportunities

PPK continues to investigate new opportunities outside of the mining sector to create a diversified, secondary income stream for the Group. To date, there have been no opportunities sufficiently attractive to proceed to a formal investigation process.

## **OUTLOOK**

On the back of a 2<sup>nd</sup> half profit of \$0.284m and FY2018 net cash surplus of \$0.208M, which was an increase of \$0.747M in 2<sup>nd</sup> half of the 2018 FY, the PPK Board is confident the Group has turned the corner to sustained profitability.

The Mining Equipment Division's July 2018 results showed revenue and profitability in line with internal forecasts, with positive free cash flow generation after all costs including those of PPK corporate head office and associated ASX listing costs.

Our internal full year group forecast, which is for a continued improvement in both revenue growth and profitability, allows the Board to contemplate the reinstatement of a modest dividend of up to \$0.01 per share for the coming financial year.

With current assets of \$17.403M, with \$8.663M of this being highly liquid, and no principal repayments of debt required to be made in the next financial year, PPK Group begins the 2019 financial year in its strongest position in recent years.

PPK Group is now in a position to benefit from any new capital expenditure released by its major mining customers as they either refurbish or replace aging or "out of code" equipment. The Group will also continue its investment in new product technology that will assist our customers to mine coal in a continued safe and more productive manner over the next few years.

PPK intends to hold its AGM in Brisbane on Tuesday November 27<sup>th</sup> at the Brisbane Club and, as fellow shareholders, the Board looks forward to your attendance.

For further information contact:

**Robin Levison**  
Chairman  
Tel: (07) 3054 4500