FY2018 Results Presentation

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FY2018 RESULT

FY2018 Results Overview

A$ millions	12 months ending 30 June 2018	
Sales Revenue	371.5	up 62%
EBITDA*	16.1	up 32%
NPAT*	3.7	down 32%
Statutory NPAT	(5.1)	down 202%

** before acquisition rationalisation, relocation and restructuring costs (see appendix)*

Dividends

Final dividend of 1.0 cents per share, fully franked*

Total dividend for full year of 2.0 cents per share fully franked

Dividend Reinvestment Plan activated for this dividend.

** Record date of 11 September 2018 , payment date of 6 November 2018*

- Underlying FY18 EBITDA of $16.1 million in line with guidance;
  - Volumes up in cotton, food processing and beverage markets.
  - Margins and sales impacted by weaker grain bags and silage wrap sales due to drought, and higher resin prices and falling A$.
- Completed merger with Integrated Packaging Group (IPG);
  - results include 8 months of trading following completion on 6 November, 2017.
- Statutory loss after tax of ($5.1m);
  - $11.7 million of one off acquisition rationalisation and relocation costs attributed to establishment of growth platform targeting flexible packaging markets.
- Strong focus on efficiencies and synergies;
  - Integration synergies for IPG substantially ahead of target, at $6.0m annualized, $1.5m included in FY18
- Strong cash conversion;
  - Operating cash flow conversion strong at 128%
  - Board declared final 1.0 cent fully franked dividend
- Future Growth Platform now established;
  - Transformation to market-leading ‘Distribution & Flexible Packaging’ business with strong organic growth rates and further market consolidation opportunities.

FY2018 Financial Results Summary

A$ millions	FY2018	FY2017	Movement
Sales Revenues	371.5	229.2	142.3
EBITDA*	16.1	12.2	3.9
EBITDA margins	*4.3%*	*5.3%*	*(1.0%)*
EBIT*	10.4	9.0	1.4
NPAT*	3.7	5.5	*(1.7)*
Statutory NPAT	(5.1)	5.0	*(10.1)*
Operating Cashflow	20.7	11.4	9.3

** before acquisition rationalisation, relocation and restructuring costs (see appendix)*

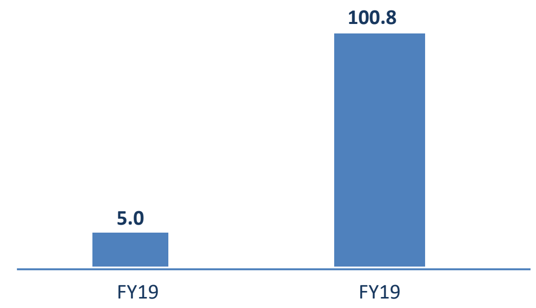
- EBITDA margins impacted by weaker Ag volumes and timing delays recovering increased raw material costs
- NPAT includes higher interest to fund IPG acquisition.
- Statutory profit includes one off acquisition rationalisation, relocation and restructuring costs.
- Operating cash flow reflects tight control and focus on working capital

Balance sheet funding growth

Cash Management

$A millions	FY2018	FY2017
Operating cash flow:	20.7	11.4
Capex:	13.5	2.8
Free cash flow:	7.2	8.6
Operating cash flow conversion:	128%	93%

Debt Maturity Profile (A$ millions)



Proforma Leverage Ratio 30 June 2018 (adjusted for Q1'19 capital raise & acquisitions)

$A millions	Net Debt	Trailing EBITDA	Leverage Ratio
Net Debt:	94		
FY18 EBITDA:		16.1	
IPG 4mth Pre-Acquisition:		8.7	
	94	24.8	3.79x
Net Cash proceeds after acquisitions[1.]:	11.7		
Trailing EBITDA of acquisitions[2.]:		7.9	
Pro Forma 30 June 2018:	82.3	32.7	2.50x

- Leverage Ratio of 3.79x at 30 June 2018 and reducing to 2.50x following capital raise and acquisitions[2.].

1. *Subject to EGM approval*
2. *Polypak & Perfection Packaging*

Group Safety performance

	FY18	FY17
Lost time injury frequency rate (LTIFR)	13.4	17.3

- Pleasing 22.5% reduction in LTIFR, however there is recognition of the need for further improvement
- Safety is a core element of all operational excellence programs
- Focus is on achieving a zero harm work environment

YEAR IN REVIEW

FY2018 Business Update

- Completed merger with Integrated Packaging (6 Nov 2017), to establish growth platform to become a market leader in distribution & flexible packaging sector.
- Integration well underway with $6.0m million in annualised synergies identified.
- Further acquisitions underway in line with strategy:
  - Completed (1/7/18) PolyPak, specialist protein packaging market servicing NZ meat, chicken & seafood customers. [Details; FY18: A$11.8m annual sales, A$1.7m EBITDA. Paid A$8.0m]
  - Completing (1/9/18) Perfection Packaging, high growth hard flexibles packaging market servicing FMCG customers. [Details; FY18: A$40.3m annual sales, A$6.2m EBITDA. Paid A$48.9m]
- Board diversity and experience strengthened with recent appointment of three new non-exec directors. Mr Darren Brown appointed 2/07/18, Ms Leonie Valentine and Ms Marina Go appointed 1/08/18.

Divisional Results

Divisional Results ($ millions):

Industrial & Flexible:		
Sales	310.0*	up 83%
EBITDA	14.7*	up 60%

- Volumes up in food packaging, cotton and beverage customers.
- Volumes down in grain & grass customers due to unfavourable weather conditions.
- Margins impacted by rising resin costs and weakening A$.
- Commissioned new high speed flexographic printer to increase capacity and efficiency. Supplier late delivery resulted in savings being delayed until 1H19.

Rigid:		
Sales	61.1	up 2%
EBITDA	6.7	down 4%

- Volumes continue to grow in dairy, personal care, nutraceutics and chemical markets.
- Improved margins following review of supply chain.
- Opened new purpose-built NSW distribution centre.
- Strategic review of Rigid Packaging completed, Board reviewing recommendations.

Corporate:		
EBITDA	(5.3)	up 32%

- Corporate cost increases attributed to establishing the new integrated organisation.

**Includes 8 months of IPG results from 6 November, 2017.*

Integration Synergies Update

Integration synergies with IPG substantially ahead of target:

- **Phase 1** = $1.5 million annualized savings achieved in FY18 results
- **Phase 2** = $4.5 million annualized savings implemented, including phase 1 & 2 total $6.0 million savings.

Following acquisition of Perfection Packaging, opportunity to consolidate manufacturing network which will deliver further synergy costs savings.

FY2019 STRATEGY & OUTLOOK

Building a diversified business …the new PPG Group

Leader in Distribution & Flexible Packaging markets

Distribution:

- A diversified distribution company, providing primary, secondary & tertiary packaging solutions, across blue chip, distributors and SME clients.
- Products sourced via international and local specialist manufacturers
- Key markets include: industrial, logistics, food processing, health, FMCG, retail, hospitality.
- 7 purpose built distribution facilities located in; Sydney (2), Melbourne (2), Brisbane (1), & Perth (1) and Auckland (1)

Manufacturing:

- Leading specialist manufacturer of soft & hard flexible films and rigid packaging products
- Key markets include: agricultural, pharma, industrial, horticultural, food, beverage, nutraceutical & personal care.
- Customers include; direct, contract manufacturer and distributors.
- 13 specialist manufacturing facilities located in Melbourne (4), Sydney (4) and Perth (1), Brisbane (1), Adelaide (1) and Auckland (2).

Hard Flexible


MAP Trays


Machinery


Custom Cartons


Cotton Wrap


Barrier Films

Shrink Film


Silage Wrap


Rigid Packaging


Stretch Wrap

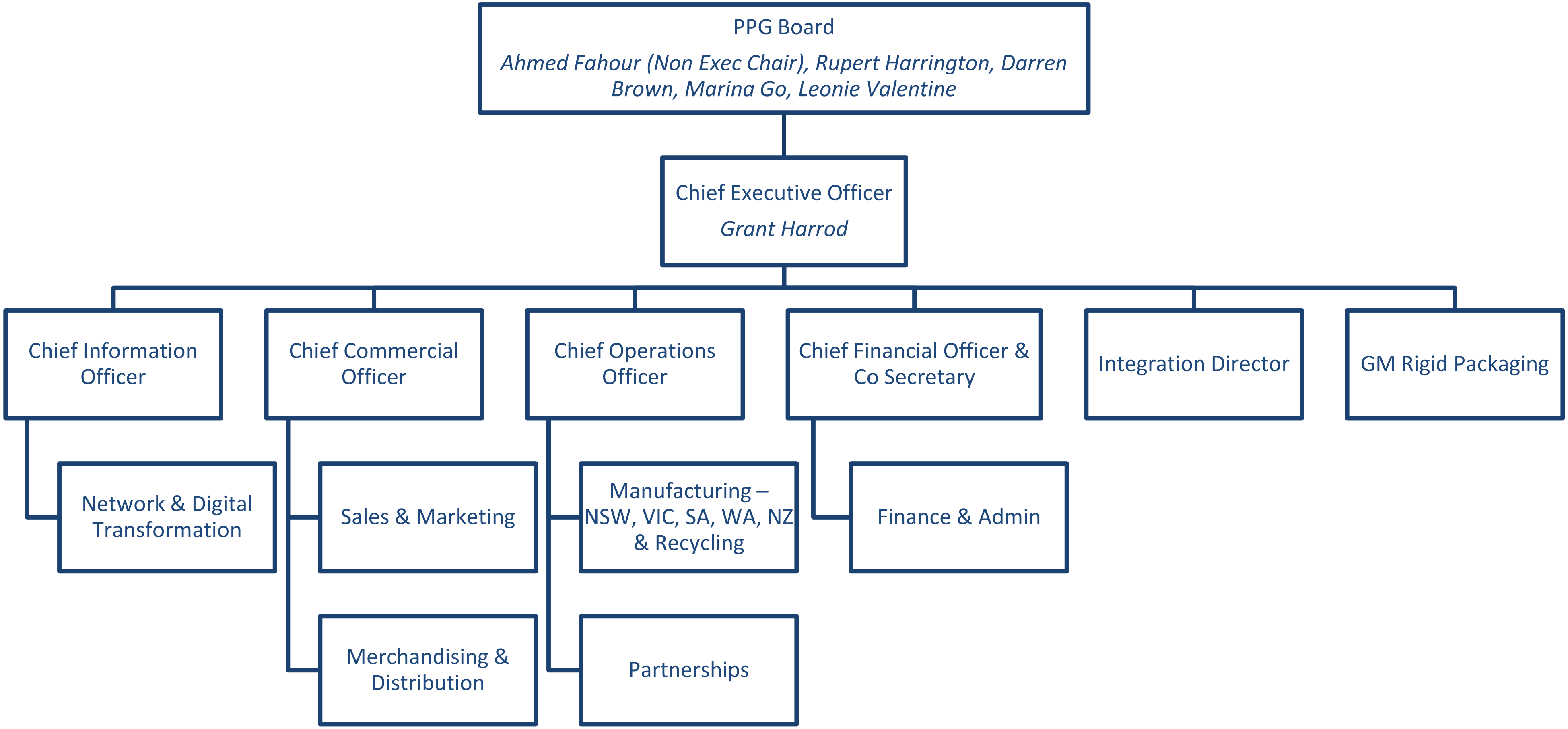
Fresh Produce

Strategy for Growth

PPG now a vertically integrated industry leader across flexible, industrial & rigid packaging

1. Optimise platform	2. Margin Expansion	3. Expand sales Channels	4. M&A	5. Sustainability
• Complete integration of PP & IP businesses. • Implement new integrated leadership structure. • Establish a performance focused culture across the group.	• Drive operational effectiveness, via reduced wastage, improved productivity & efficiency. • Identify and implement additional synergy opportunities, via network consolidation and site optimization	• Continue focus on blue chip & corporate customers. • Expand focus into small to medium enterprise (SME) customers. • Launch digital sales strategy.	• Fragmented markets, opportunity to drive consolidation and establish leadership position. • Identify and engage strategic M&A opportunities. • Strong M&A pipeline, advanced discussion underway.	• Become a leader in sustainable packaging choices, including degradable, bio-degradable & recycled choices. • Expand recycled plastic waste to product strategy. • Continue to improve sustainability of operations, via reducing waste & water, lower carbon emissions and zero harm.

Building for the future



Focus on sustainability

‘Integrated Recycling’, a leading manufacturer of wood composite products using recycled post consumer plastic waste

- Products include; decking, benches, bollards, etc.
- Launched ‘**DURATRACK**’ recycled composite replacement railway sleepers (~$320m addressable market in Aust*).
  - Tested by Monash University, last 4x longer than equivalent timber hardwood sleeper.
  - Currently supplying number of heritage and tourist railway operators
  - Awarded contract to provide in-field trials for QLD Rail, shipments to start in 1H19.

*Frost & Sullivan Report 20/4/2017

FY2019 OUTLOOK

Growth Platform for the Future

- FY18 was a period of transforming the business.
- More diverse business servicing high growth resilient markets.
- Well placed to become the leader and drive consolidation of core markets.
- Strong focus on operational effectiveness with ongoing synergy savings.
- Recent acquisitions will enhance business diversity, reducing reliance on agriculture.
- Solid platform now established to deliver future growth.
- Improved balance sheet leverage following recent capital raise and acquisitions

Trading Update

Following the changes undertaken in FY2018, the PPG Group is now on track to achieve higher revenue and earnings in FY2019. The Group expects:

- It will benefit from the strong outlook in the fresh & dry foods, logistics, industrial and beverage markets,
- achieve additional synergies with further site consolidations and improved operational effectiveness,
- the ongoing drought to impact grain bag and silage wrap volumes,
- the continuing rise of raw material costs and falling Aus$ will impact margins in the short term before customer rise & fall clauses take effect.
- FY2019 sales are on target for Distribution and Rigid divisions and Polypak is trading ahead of expectation. Flexible is currently tracking below target given trading conditions as outlined, and
- the Perfection Packaging acquisition to complete on 1 September 2018 and will help extend the company's sales into higher growth FMCG and food processing markets.

Outlook

Given the ongoing uncertainty of the drought, energy prices and foreign exchange, the company has updated its FY2019 underlying EBITDA to a range of $37 million to $42 million, including acquisitions with the upper end dependent upon a more favourable macro environment.

Reflecting its confidence in the prospects for the business, the Board has declared a final 1.0 cent fully franked dividend with a record date of 11 September 2018 and payable on 6 November 2018. This takes the full year dividend paid to 2.0 cents per share. The PPG Board confirmed it will continue its Dividend Reinvestment Plan for this dividend.

APPENDIX

Australian Packaging Industry Overview

Pro-Pac will be a leading player in the $2.2 billion Flexible Packaging segment.

Australian Packaging
A$20-22 billion[1]

- Fibre Packaging
- Flexible Packaging ~$2.2 billion[1]
- Rigid Packaging
- Other Packaging

Flexible Packaging:

- **PPG is a segment leader in manufacture & distributor of soft & hard flexible film for, primary (trays, films, bags & laminates), secondary (shrink film) and tertiary (stretch film) packaging solutions**
- Top 3 players in flexibles account for 65% of industry revenue and target different end-segments
  - Amcor – Focus on global FMCG customers
  - Sealed Air – Focus on Meat, Dairy and other technical segments
  - PPG – Focus on Industrial & Logistics, FMCG, Food processing (off farm) & Agriculture (on farm) markets

Other Packaging:

- **PPG is becoming a leading distributor & manufacturer of other packaging and industrial products**
- Customers value single source suppliers in this segment for their ability to provide a JIT total solution for all their packaging requirements
- Industrial products include:
  - Tape & Strapping
  - Cartons & Void fill
  - Packaging machinery (including pallet wrapping)
  - PPE & Washroom materials

1. IBISWorld and PPG management estimates

Growth in Flexibles

- PPG future growth to largely be driven by flexible packaging market
- Flexible segment growing faster than GDP and the overall packaging sector
- Relatively fragmented with further consolidation opportunities
- Flexible packaging industry in Australia estimated to be worth $2.2bn p.a[1.]
    - Soft flexibles (polyethylene) est. ~$0.9bn p.a[1.]
    - Hard flexibles (laminated polypropylene) est. ~$1.3bn pa[1.]
- Demand expected to grow 47% over next 10 years (CAGR 4%)[1]. This is underpinned by:
    - Shift towards convenience packaging, eg; fresh produce in bags
    - Move towards unitisation to reduce product wastage aa consumer buy for today
    - Move towards shrink wrap as a substitute to alternative packaging material (ie beer market)
    - Film based packaging is more cost effective alternative to traditional packaging materials
    - Growth in healthy ready-to-eat snack foods.
    - Pouches replacing alternative rigid packaging.

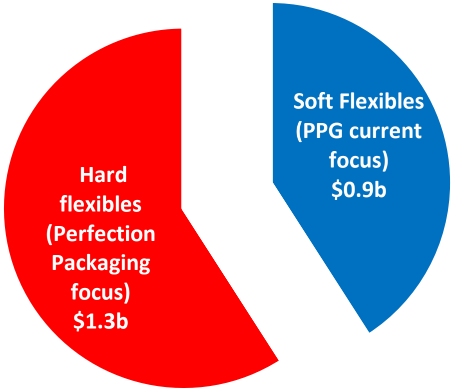
1. IBISWorld and PPG management estimates

Hard flexible film market overview

Hard flexible packaging film make up the majority of the flexibles market ($1.3b of $2.2b market[1])

- Includes polypropylene printed film (BOPP), which may be laminated (e.g. with foils)
- Used in long shelf products including; confectionary, ready-to-eat snack foods, fresh produce and pet food packaging
- Barrier based packaging preserves product quality across wide range on environmental conditions
- Suited to hi-speed automated packaging
- Allows more detailed high spec packaging

Flexibles market[1]



Industry trends are favourable:

- Growth in healthy ready-to-eat snack foods
- Individually packed fresh produce
- Pouches replacing other forms packaging
- Growth in home delivery (online)

Examples of hard flexible film products:

Nuts/Fresh Produce

Salty Snacks

Dry Foods

Snack Bars

Pet Foods/Other

Dairy

Personal Care

Fresh Produce

1. IBISWorld and PPG management estimates

Appendix 4E: Statutory Profit & Loss

	Consolidated 2018 *$000's*	Consolidated 2017 *$000's*
Revenue		
Sales of goods	371,455	229,244
Interest income	222	149
Total Revenue	**371,677**	**229,393**
Expenses		
Raw materials and consumables used	236,499	153,498
Employee benefits expense	63,174	33,134
Other expenses from ordinary activities	25,048	12,670
Distribution costs	16,409	10,053
Occupancy costs	14,184	7,690
Depreciation and amortisation expense	5,738	3,225
Finance costs	5,291	1,307
Total Expenses	**366,343**	**221,577**
Profit before income tax expense and acquisition, rationalisation, relocation and restructuring expenses	5,334	7,816
Acquisition, rationalisation and relocation expenses *(see appendix)*	11,671	914
(Loss) / Profit before income tax expense for the year	(6,337)	6,902
Income tax benefit / (expense)	1,212	(1,886)
(Loss) / Profit after income tax expense for the year	**(5,125)**	**5,016**

Reconciliation to Appendix 4E Statutory Accounts

Pro-Pac Packaging
Corporate Protective Packaging Specialists

Slide 4 & 5 – NPAT

	FY2018	FY2017	Var
(Loss)/Profit before income tax for the year	(6,337)	6902	
Acquisition, rationalisation, relocation expenses	11,671	914	
Profit before income tax expense and acquisition, rationalisation, relocation and restructuring costs	5,334	7,816	
Less Tax @ 30%	1,600	2,345	
NPAT before acquisition, rationalisation, relocation and restructuring costs	**3,734**	**5,471**	**(1,737)**

Slide 5 – Underlying EBIT

	FY2018	FY2017	Var
Underlying EBITDA	16,141	12,199	
Less Depreciation and Amortisation expense	5,738	3,225	
Underlying EBIT, before acquisition rationalisations, relocations & restructuring costs	**10,403**	**8,974**	**1,429**

Slide 6 – Operating Cashflow

	FY2018	FY2017	Var
Net cashflows provided by operating activities	13,104	8,072	
Income tax paid	518	2,140	
Interest paid	7,329	1,307	
Interest received	(222)	(149)	
Operating cashflow	**20,729**	**11,370**	**9,359**
Underlying EBITDA	16,141	12,199	
Cash conversion rate	**128%**	**93%**	

Slide 6 – Net Debt

	FY2018	FY2017	Var
Interest bearing trade finance		800	
Current Liabilities / Borrowings	6,004	1,098	
Non Current Liabilities/ Borrowings	91,224	27,116	
Less Cash	(3,204)	(12,259)	
Net debt	**94,024**	**15,955**	**78,069**

Balance Sheet

As at:	30 June 2018 ($m)	30 Jun 2017 ($m)	Commentary
Cash & equivalents	3.2	12.3	
Trade & other receivables	83.3	37.7	
Inventories	95.5	35.1	Inventory increase with IPG acquisition
PPE	36.5	15.2	Increase with IPG acquisition
Intangibles	184.7	71.3	Goodwill increase with IPG acquisition
Other	24.1	8.3	
Total assets	**427.3**	**179.9**	
Trade & other payables	93.3	31.4	
Borrowings	97.2	28.2	Increased debt with IPG acquisition
Other	16.6	6.7	
Total Liabilities	**207.2**	**66.3**	
Net assets	**220.1**	**113.6**	
Net Debt	**94.0**	**15.9**	

One off costs associated with acquisition rationalisation, relocation and restructuring.

($000's)	**FY2018**	**FY2017**
Discontinued and redundant stock lines:	3,440	
Onerous leases and exit costs:	2,600	
Redundancy costs:	112	
Fixed asset disposals and write offs:	1,075	
Third party consultants, temporary staff and relocations:	765	
Other costs and legal fees:	3,679	
Total acquisition rationalisations, relocations, restructuring costs:	**11,671**	**914**

Project Wrap capital raise - sources and uses

- $48.1m of the placement proceeds will primarily be used to fund the cash component of acquisitions of Polypak and Perfection Packaging
- In addition, $9.96m of consideration to be issued to the Perfection Packaging vendors in the form of PPG shares
- Shares to be issued to Perfection Packaging vendors will be subject to a voluntary escrow of 24 months
- The remainder of funds will be used for restructuring, transaction costs and working capital

Sources of Funds

Issue of shares to vendors	[$m]	10.0
Placement shares	[$m]	55.8
Share Purchase Plan	[$m]	4.0
Total Funds required	**[$m]**	**69.8**

Uses of Funds

Cash consideration for acquisitions	[$m]	48.1
Share consideration for acquisitions	[$m]	10.0
Restructuring, transaction costs and working capital	[$m]	11.7
Total Use of Funds	**[$m]**	**69.8**

Thank You

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