

## ASX ANNOUNCEMENT

26 February 2019

### Pro-Pac Packaging Limited 2019 Half-Year Results

#### Highlights

- ❖ EBITDA<sup>1,2</sup> (before significant items) up 80% to \$17.3 million
- ❖ Sales revenue<sup>2</sup> up 63% to \$257.3 million
  - Includes \$99.5 million incremental revenue contribution from recent acquisitions
- ❖ Significant items before tax of \$151.7 million
  - Includes non-cash goodwill impairment of \$149.0 million
- ❖ Statutory net loss after tax of \$144.3 million (pcp: \$3.2 million)
- ❖ Successfully completed PolyPak and Perfection Packaging acquisitions
  - Diversifying and strengthening position in higher growth food-based flexible packaging market
- ❖ Build-up of working capital in anticipation of stronger agricultural sales season has impacted cash reserves
- ❖ Balance sheet gearing of 3.4x (30 June 2018: 3.8x)
- ❖ No ordinary interim dividend determined

\$A millions	H1 2019	H1 2018
Sales revenue	257.3	158.0
EBITDA <sup>1,2</sup> (before significant items)	17.3	9.6
EBIT <sup>1,2</sup> (before significant items)	13.3	7.5
Statutory NPAT <sup>1,2</sup>	(144.3)	(3.2)

1. EBITDA, EBIT, NPAT and Gearing are non-IFRS financial measures and have not been subject to review by the Company's external auditor. Refer to page 21 of the 2019 Half-Year Results Investor Presentation for a reconciliation of statutory profit/loss and page 25 for definitions of non-IFRS financial measures.
2. FY19 half-year accounts include 6 months revenue and earnings contribution from 6 November 2017 acquisition of Integrated Packaging Group Pty Ltd (pcp: 2 months); 6 months revenue and earnings contribution from 1 July 2018 acquisition of the assets of Polypak Plastics Limited (pcp: nil); 4 months revenue and earnings contribution from 1 September 2018 acquisition of the Perfection Packaging Unit Trust (pcp: nil).

Pro-Pac Packaging Limited (ASX: PPG) today announced a statutory net loss after tax of \$144.3 million for the half-year ended 31 December 2018. Net profit after tax but before significant items was \$6.6 million, up 63% compared to the prior corresponding period of \$4.0 million.

Acting Chief Executive Officer and Chief Financial Officer, Mr Rick Rostolis, said, “whilst we saw strong performances in our Rigid business and recent acquisitions, the first-half was significantly impacted by lower than expected agricultural sales in our Industrial & Flexibles business. Combined with increased input costs and adverse foreign exchange movements, this has led to a result well below our initial expectations. Earnings have also been negatively impacted by the lag in recovering significantly higher raw material input costs through price increases.”

As a consequence of weaker than anticipated sales, there has been a build-up in working capital that has impacted cash reserves. The Group has recently implemented a working capital reduction and operational efficiency and effectiveness program to free-up cash, leverage scale and more effectively align capacity with demand.

“The Perfection Packaging and Polypak acquisitions that were completed during the half-year are performing to our internal expectations and are an important part of rolling-out our value-added flexible packaging offering. These acquisitions are well aligned with our strategy to create a diversified portfolio to target and grow in attractive industry sectors whilst also mitigating our reliance and impact of volatility in traditional industry sectors such as agriculture,” Mr Rostolis said.

The Group continues to undergo significant change following the November 2017 acquisition of the Integrated Packaging Group as it transforms itself from a distributor of general packaging (and packaging related) products to a manufacturer with a focus on packaging products into higher growth segments of the market (eg Food).

Mr Rostolis said, “the acquisition of Integrated Packaging is pivotal to the Group’s long-term strategy to become a major player in the flexibles packaging market. The integration of this business has proven more difficult than anticipated, however, we are now developing a diverse business model focussing on higher growth markets while extracting operational efficiencies.”

As disclosed to the market in its 26 November 2018 trading update, the Group undertook an assessment of the carrying value of assets as part of its half-year accounts process. This assessment resulted in the Group recognising a non-cash goodwill impairment charge of \$149.0 million (after tax) in the 2019 half-year accounts. The impairment charge reflects on-going difficult trading conditions in the Industrial & Flexibles business. The impairment charge has been reported as a significant item in the Group’s 2019 half-year accounts.

The Board determined that no interim dividend will be paid.

## **OUTLOOK**

Given weak macro-economic conditions, the Company advised that its full-year 2019 EBITDA (before significant items) is likely to be at the lower end of its guidance range of \$30-\$33 million.

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**About Pro-Pac Packaging:**

*Pro-Pac Packaging is a diversified manufacturing and distribution business providing innovative industrial & flexible and rigid packaging solutions for a broad group of blue-chip clients and small-to-medium enterprises. Pro-Pac Packaging has corporate offices in Sydney and Melbourne, overseeing an international footprint including Australia, New Zealand and Canada. Pro-Pac Packaging's securities are listed and quoted on the ASX. For further information on Pro-Pac Packaging visit [www.ppgaust.com.au](http://www.ppgaust.com.au).*

**Forward Looking Statements:**

*Some of the statements in this document constitute "forward-looking statements". These forward-looking statements reflect Pro-Pac Packaging's current intentions, plans, expectations, assumptions and beliefs about future events and are subject to risks, uncertainties and other factors, many of which are outside Pro-Pac Packaging's control. Important factors that could cause actual results to differ materially from the expectations expressed or implied in the forward-looking statements include known and unknown risks. Because actual results could differ materially from Pro-Pac Packaging's current intentions, plans, expectations, assumptions and beliefs about the future, you are urged to view all forward-looking statements contained in this document with caution.*