Pro-Pac Packaging Limited
Half-Year Results - 2020

27 February 2020

CEO & Managing Director **Tim Welsh**

Important Information

This Presentation contains the summary information about the current activities of Pro-Pac Packaging Limited and its controlled entities (Pro-Pac Packaging or the Group). It should be read in conjunction with the Group's other periodic and continuous disclosure announcements lodged with the Australian Securities Exchange (ASX), including the full-year Consolidated Financial Report and associated Media Release released today, which are available at www.asx.com.au.

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All dollar values are in Australian dollars (A$) unless otherwise stated.

Non-IFRS Financial Information

This presentation uses Non-IFRS financial information including capital expenditure, EBIT, EBIT margin, EBITDA, EBITDA margin, gearing, net debt, operating cash flow, operating cash flow conversion and working capital. This information is Non-IFRS measures used by the Group, the investment community and Pro-Pac Packaging's Australian peers with similar business portfolios. Pro-Pac Packaging uses these measures for its internal management reporting as it better reflects what we consider to be the underlying performance of the Group.

Certain Non-IFRS financial information have not been subject to review by the Group's external auditor; however, reconciliations have been provided to balance contained in the financial report.

About Pro-Pac Packaging

Pro-Pac Packaging is an innovative Industrial, Rigid and Flexible packaging company with a diversified distribution and manufacturing network throughout Australia and New Zealand

Flexibles

- With its Australian and New Zealand manufacturing and distribution network, Pro-Pac Packaging provides bespoke flexible packaging solutions specifically tailored for the industrial, food and beverage, health and agriculture sectors
- Products include stretch and shrink wrap, agricultural silage packaging, fresh produce bags, barrier and lidding films, industrial protective films and complementary machinery
- Integrated Recycling specialises in converting waste plastics into high quality performance products such a Duratrack railway sleepers

Industrial

- A one stop shop for primary, secondary and tertiary packaging with deep expertise in food, beverage, agriculture, retail and health sectors
- Manufactures, sources and distributes high performance packaging and combines this with personalised service from its national footprint
- Pro-Pac Packaging's key focus is to deliver innovative solutions to the manufacturing and industrial industries
- A key global sourcing partner to global supermarkets

Rigid

- Manufactures, sources and distributes high quality rigid containers, closures and related products and services
- A solutions oriented bottle and closures business that focusses on partnering with the small to medium customers seeking technical and business support with tailored, personalised product and supply chain services
- National distribution network and comprehensive product range offers agile and superior service to our customers

Overview

Half Year Results Summary

- Revenues down 2.4% to $251.0 million
  (pcp $257.3 million)
- Statutory profit after tax up to $7.6 million
  (pcp statutory net loss after tax of $144.3 million)
- EBITDA* up 4.7% to $18.1 million
  (pcp $17.3 million)
- Net debt* down 7.6% to $76.6 million
  (Jun-19: $82.9 million)

AASB 16 *Leases*

The statutory financial results for the period reflect the adoption of AASB 16 but comparatives have not been restated. The company has presented Non-IFRS results excluding the impacts of AASB16 to compare current year results to the prior year on a consistent basis.

** Non-IFRS measure as defined in the Appendices, pre-AASB 16*

Our History

Pro Pac Packaging Est 1993

2005
Pro Pac Packaging
Lists on the ASX

2007
PB Packaging Acquired
Rigid Bottle Distribution
Australia

2010
Creative Packaging Acquired
Corrugated Cardboard
Australia

2013
Eco Food Pack Acquired
Thermoform Produce Trays
Australia

2017
Integrated Packaging Acquired
Flexible Industrial Films
Australia & New Zealand

2018
Polypak Packaging Acquired
Specialty Meat Packaging
New Zealand

2018
Perfection Packaging Acquired
FMCG Packaging
Australia

Delivering Improvement

Last 12 months has seen management drive considerable improvement in the key operating parameters, building a platform for the combined business to succeed

31 DECEMBER 2019

Zero Harm Journey
Company wide focus on health and safety built on best practice systems, experienced and committed leadership

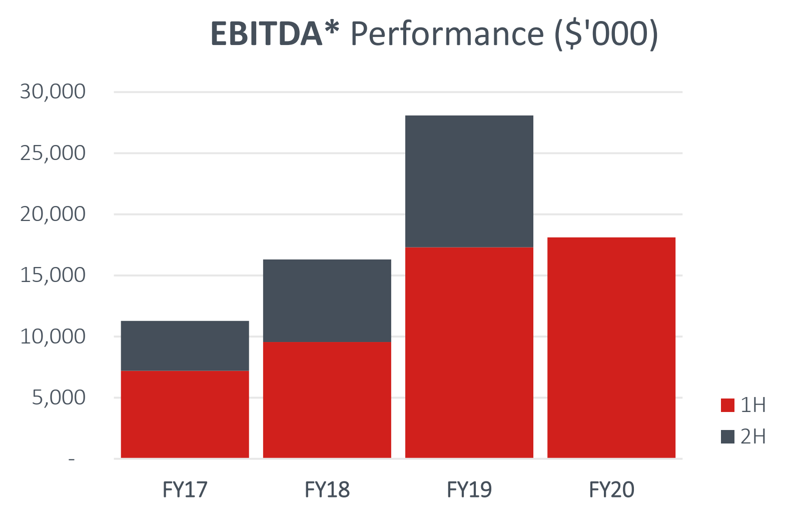
Identifying Right Team
Organisational structure established for divisional and functional leadership

Improving Business Mix
Increased EBITDA* contribution from growing flexible packaging sector

Margin Growth
Increased EBITDA margin* by 0.5% to 7.2% (1H19: 6.7%) led by operational efficiency and procurement savings

De-leveraging Business
Reduced net debt* by $22.2m to $76.6m (DEC-18: $98.8m) led by disciplined cash management

Sustainable Working Capital
Reduced working capital* by $22.2m to $102.1m (DEC-18: $124.3m) led by inventory demand planning



* Non-IFRS measure as defined in the Appendices, pre-AASB 16

A Zero Harm Focus

Returning all our people home safely at the end of the day is our first priority

Targeting Zero Harm
Lost Time Injury Frequency Rate (**LTIFR**)

Stop For Safety & People
Weekly cadence with entire leadership team

General Manager Health, Safety & Environment
Appointed in September 2019

Health & Safety Management System (HSMS) provides a risk management framework as a foundation for sustainable improvement

Date	Rolling LTIFR
December 2019	7.5
June 2019*	8.0

** Restated following internal review for consistency*

The Right Team

New leadership implemented at the executive and non-executive levels shortly before 30 June 2019, to reposition Pro-Pac Packaging to execute on growth as a combined, larger packaging manufacturer and distributor

Jonathan Ling
Non-Executive Chairman

Appointed April 2019

Mr Ling has extensive experience in complex manufacturing businesses. He was previously Managing Director and CEO of GUD Holdings Limited and Managing Director and CEO of Fletcher Building Limited.

Tim Welsh
CEO & Managing Director

Appointed May 2019

Mr Welsh has extensive management experience gained in food, packaging and chemical industries, and most recently at PPG Industries, a NYSE listed global manufacturer, where he was Australian and New Zealand Vice President and General Manager, Architectural Coatings.

- Divisional Leadership
- Information Technology
- Health, Safety & Environment
- Procurement
- People & Culture
- Legal
- Finance

Executive leadership structure implemented, appointments nearing completion, objectives finalised during 1H20

Financial Results Summary

Stronger balance sheet, reduced leverage and improved profitability delivered

A$ million	*Post-AASB 16* **1H20**	*Adopt AASB 16* **1H20**	*Pre-AASB 16* **1H20**	**1H19**	**Change**
Statutory results:					
Revenue	251.0	-	251.0	257.3	(2.4)%
Profit/(loss) after tax	6.4	(1.2)	7.6	(144.3)	105.3%
Operating results:					
EBITDA*	25.0	6.9	18.1	17.3	4.7%
EBITDA margin*	10.0%	2.8%	7.2%	6.7%	49 bps
EBIT*	14.9	1.3	13.6	13.3	2.5%
EBIT margin*	5.9%	0.5%	5.4%	5.2%	26 bps

A$ million	*Post-AASB 16* **DEC-19**	*Adopt AASB 16* **DEC-19**	*Pre-AASB 16* **DEC-19**	**JUN-19**	**Change**
Balance sheet:					
Working capital*	102.1	-	102.1	98.4	3.8%
Net debt*	138.5	61.9	76.6	82.9	(7.6)%
Gearing*	3.2x	0.5x	2.7x	2.8x	(0.1)x

1H20 performance includes:

- Revenue of $251.0m (down 2.4% on pcp) due to shifting business mix towards higher margin products in Flexibles business, outweighed by:
  - Reduced volumes, product rationalisation, supply and service delivery issues in Industrial business
  - Softer revenues for health and wellness segment in Rigid business
- Increased EBITDA margin of 7.2% due to:
  - Focus on growth segments through recent acquisitions in Flexibles; and
  - Operational efficiencies, centralised procurement and embedded cost disciplines
- Net debt of $76.6m (down 7.6%), despite 3.8% increase in working capital due to seasonal requirements
- Gearing 2.7x (down 0.1x), led by earnings growth
- No interim dividend declared, focus remains on reducing gearing levels

** Non-IFRS measure as defined in the Appendices.*

Flexibles Packaging

With its Australian and New Zealand manufacturing and distribution network, Pro-Pac Packaging provides bespoke flexible packaging solutions specifically tailored for the industrial, food and beverage, health and agriculture sectors

1H20 Review

1H20 performance includes:

- Continued revenue growth in the Perfection Packaging and Polypak Businesses
- Incremental $8.4m in revenue and $1.2m in EBITDA from 2018 Perfection Packaging acquisition to include full 6-months (1H19: 4-months)
- Additional EBITDA growth of $1.9m achieved through margin expansion from profit improvement initiatives

Key Priorities

Major areas of focus:

- Invest and grow with newly acquired extrusion technology
- Continuing to improve the operational fundamentals
- Advance site consolidation and overhead reduction
- Deepen customer intimacy

** Non-IFRS measure as defined in the Appendices, pre-AASB 16*

A$ millions	1H20	1H19	Change
Revenue	152.8	146.1	4.6%
EBITDA*	14.2	11.0	28.5%
EBITDA margin*	9.3%	7.6%	173 bps

Revenue Contribution to Group in 1H20

61%

1H19: 57%

EBITDA Contribution to Group in 1H20

76%

1H19: 63%

Shifting business mix toward higher margin products in Flexibles packaging

Industrial Packaging

A one stop shop for primary, secondary and tertiary packaging with deep expertise in food, beverage, agriculture, retail and health sectors

1H20 Review

1H20 performance includes:

- Decline in revenue and EBITDA due to:
  - Weaker manufacturing and industrial volumes
  - Continued SKU reduction of product portfolio
  - Supply and service delivery issues improving

Key Priorities

Major areas of focus:

- Getting the basics right
- Improve margins by leveraging new Procurement capabilities
- Right size business to a lower cost model and focus on value delivery
- Implement systems that enhance the customer experience

A$ millions	1H20	1H19	Change
Revenue	67.3	77.6	(13.2)%
EBITDA*	1.1	2.8	(59.0)%
EBITDA margin*	1.7%	3.6%	190 bps

Revenue Contribution to Group in 1H20

27%

1H19: 30%

EBITDA Contribution to Group in 1H20

6%

1H19: 15%

* Non-IFRS measure as defined in the Appendices, pre-AASB 16

Rigid Packaging

A solution oriented business that focusses on partnering with the small to medium customers seeking technical and business support with tailored, personalised product and supply chain services

1H20 Review

1H20 performance includes:

- New business pipeline delivering modest growth in alternative market verticals outweighed by softer revenues in the health and wellness segment, primarily due to regulatory changes in China affecting Nutraceutical imports

Key Priorities

Major areas of focus:

- New business opportunities in food and beverage, as well as emerging domestic health and wellbeing segments
- Advance the portfolio analysis and focus on niche product capabilities
- Improved plant efficiencies and consolidation of sourcing

A$ millions	1H20	1H19	Change
Revenue	30.8	33.6	(8.2)%
EBITDA*	3.3	4.0	(17.4)%
EBITDA margin*	10.7%	11.8%	118 bps

Revenue Contribution to Group in 1H20

12%

1H19: 13%

EBITDA Contribution to Group in 1H20

18%

1H19: 22%

* Non-IFRS measure as defined in the Appendices, pre-AASB 16

Disciplined Cash Flow Management

A focus on cash flow management led to a further reduction in net debt during seasonally high requirements in the period to 31 December

1H20 Review

Embedded cash management discipline delivers:

- 56% operating cash flow conversion, stronger than 1H19
- Seasonal cash cycle skews operating cash flow conversion into 2H for additional net debt and gearing reduction
- Improved free cash flows and operating cash flow conversion
- Focus on essential capital expenditure

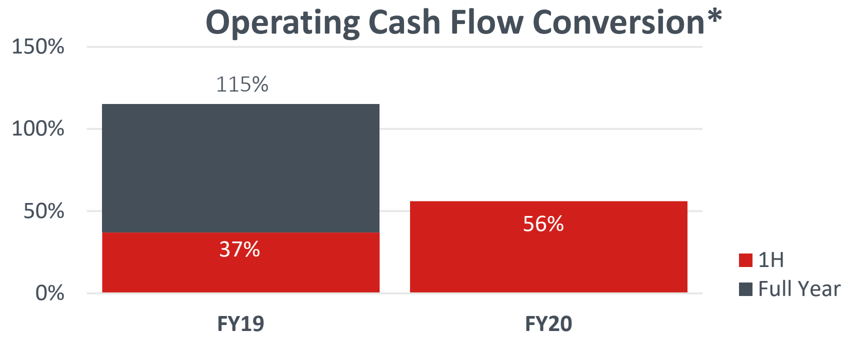
Key Priorities

Major areas of focus:

- Prioritise capital investment for superior ROI projects

Cash Management

A$ millions	1H20	1H19	Change
Operating cash flow*	10.2	6.4	3.7
Capital expenditure*^	(0.7)	(3.5)	2.8
Free cash flow*	9.5	2.9	6.5
Operating cash flow conversion*	56.0%	37.0%	1,899 bps



** Non-IFRS measure as defined in the Appendices, pre-AASB 16*
^ Payments for property, plant and equipment of $1.0m, less disposal proceeds of $0.3m

Improving the Balance Sheet

Our capital management priorities are to strengthen the balance sheet, provide financial flexibility for growth and shareholder returns

1H20 Review

Continued focus on working capital delivers:

- Stronger balance sheet:
  - Minimal working capital increase of $3.7m (1H19: $12.4m^), despite seasonally high requirements at 31 December
  - Net debt reduction of $6.3m
  - Gearing reduction to 2.7x

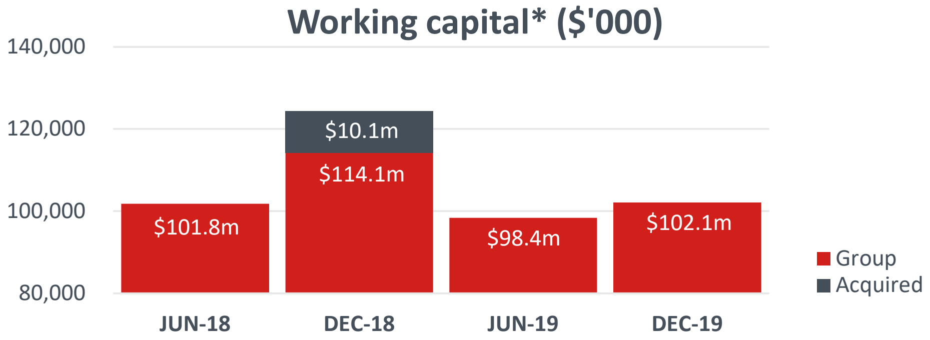
Key Priorities

Major areas of focus:

- Further working capital and net debt reduction expected in 2H20

Balance Sheet

A$ millions	DEC-19	JUN-19	Change
Working capital*	102.1	98.4	3.7
Net debt*	76.6	82.9	(6.3)
Gearing*	2.7x	2.8x	0.1x



** Non-IFRS measure as defined in the Appendices, pre-AASB 16*
^ After excluding working capital from Perfection Packaging ($9.6m) and Polypak ($0.5m) on acquisition during 1H19

Business Priorities

Business Priorities

Key Priorities

- Build a sustainable safety culture
- Invest and grow Flexibles business and optimize manufacturing footprint
- Establish a stable platform for growth, focused on customer – People, Processes and Systems
- Strengthen the balance sheet
- Improve Industrial and Rigid business margins and return to growth

Outlook

Outlook

‘We expect a continuation of our improved business performance to achieve a full year 2020 EBITDA above the prior year, subject to macroeconomic conditions and Coronavirus supply chain disruptions’*

* Before one-off, non-recurring items and pre-AASB 16

Appendix

Adopting AASB 16 Leases

AASB 16 Leases became effective for Pro-Pac Packaging on 1 July 2019, requiring operating lease arrangements to be recognised on balance sheet

The impact on the profit or loss for 1H20 is shown in the table below:

A$ million	Pre-AASB 16	Adopt AASB 16	Post-AASB 16
Revenue from contracts with customers	251.0	-	251.0
Raw materials and consumables used	(152.4)	-	(152.4)
Employee benefits expense	(43.5)	-	(43.5)
Occupancy, distribution, administration and selling expenses	(37.7)	6.9	(30.8)
Other income	0.7	-	0.7
EBITDA	**18.1**	**6.9**	**25.0**
Depreciation and amortisation expense	(4.5)	(5.6)	(10.1)
EBIT	**13.6**	**1.3**	**14.9**
Interest income	-	-	-
Finance costs	(3.0)	(3.1)	(6.1)
Profit/(loss) before income tax	**10.6**	**(1.8)**	**8.8**

Impact of adopting AASB 16:

Lease liability (and right-of-use asset) of $67.7m recognised on 1 July 2019

Lease expense no longer recognised, payments are deducted from lease liability

Depreciation of right-of-use asset recognised

Interest expense relating to time value of lease liability

Reconciliations

Reconciliation to EBIT & EBITDA

A$ millions	*Post-AASB 16* 1H20	*Adopt AASB 16* 1H20	*Pre-AASB 16* 1H20	1H19	Change
Profit/(loss) before tax	**8.8**	**(1.8)**	**10.6**	**(142.4)**	**153.0**
Add: one-off, non-recurring items	-	-	-	151.7	(151.7)
Add: finance costs	6.1	3.1	3.0	4.2	(1.2)
Less: interest income	-	-	-	(0.2)	0.2
EBIT	**14.9**	**1.3**	**13.6**	**13.3**	**0.3**
Add: deprecation and amortisation	10.1	5.6	4.5	4.0	0.5
EBITDA	**25.0**	**6.9**	**18.1**	**17.3**	**0.8**

Reconciliation to NPAT

A$ millions	*Post-AASB 16* 1H20	*Adopt AASB 16* 1H20	*Pre-AASB 16* 1H20	1H19	Change
Profit/(loss) after tax	**6.4**	**(1.2)**	**7.6**	**(144.3)**	**151.9**
Add: one-off, non-recurring items	-	-	-	151.7	(151.7)
Less: tax on one-off, non-recurring items	-	-	-	(0.8)	0.8
NPAT	**6.4**	**(1.2)**	**7.6**	**6.6**	**1.0**

Reconciliations

Reconciliation to Operating Cash Flow

A$ millions	*Post-AASB 16* **1H20**	*Adopt AASB 16* **1H20**	*Pre-AASB 16* **1H20**	1H19	Change
Net cash flows from/(used in) operating activities	**11.1**	**4.0**	**7.1**	**(1.6)**	**8.7**
Add: income tax paid	0.5	-	0.5	1.7	(1.2)
Add: significant items paid, net^	0.2	-	0.2	2.4	(2.2)
Add: interest paid	5.5	3.1	2.4	4.1	(1.7)
Less: interest received	-	-	-	(0.2)	0.2
Operating cash flow	**17.3**	**7.1**	**10.2**	**6.4**	**3.8**

^ Includes payment in relation to one-off, non-recurring items of $3.2m, less proceeds received in relation to the Kewdale fire claim of $3.0m

Reconciliations

Reconciliation to Gearing

A$ millions	*Post-AASB 16* **1H20**	*Adopt AASB 16* **1H20**	*Pre-AASB 16* **1H20**	**JUN-19**	**Change**
LTM EBITDA	42.7	13.8	28.9	28.1	0.8
Add: unconsolidated LTM EBITDA from acquisitions*	-	-	-	1.3	(1.3)
LTM Adjusted EBITDA	**42.7**	**13.8**	**28.9**	**29.4**	**(0.5)**
Bank loans	96.6	-	96.6	100.1	(3.5)
Trade finance	-	-	-	4.6	(4.6)
Finance leases and hire purchase liabilities	-	(1.3)	1.3	1.8	(0.5)
Lease liabilities	63.2	63.2	-	-	-
Interest-bearing liabilities	**159.8**	**61.9**	**97.9**	**106.5**	**(8.6)**
Less: cash and cash equivalents	(21.3)	-	(21.3)	(23.6)	2.3
Net debt	**138.5**	**61.9**	**76.6**	**82.9**	**(6.3)**
Gearing	**3.2x**	**0.5x**	**2.7x**	**2.8x**	**(0.1)x**

** Portion of LTM EBITDA for Perfection Packaging and Polypak Plastics prior to acquisition*

Reconciliations

Reconciliation of Significant Items

A$ millions	*Post-AASB 16* **1H20**	*Adopt AASB 16* **1H20**	*Pre-AASB 16* **1H20**	**1H19**	**Change**
Impairment losses	-	-	-	149.0	(149.0)
Onerous lease and exit costs	-	-	-	0.8	(0.8)
Acquisition and integration costs	1.1	-	1.1	1.9	(0.8)
Business interruption costs	1.7	-	1.7	-	1.7
Reversal of provisions	(2.8)	-	(2.8)	-	(2.8)
Significant items before income tax	**-**	**-**	**-**	**151.7**	**(151.7)**
Income tax (expense)/benefit	-	-	-	(0.7)	0.7
Significant items after income tax	**-**	**-**	**-**	**151.0**	**(151.0)**
Payments in relation to significant items	3.2	-	3.2	2.4	0.8
Receipts from insurer	(3.0)	-	(3.0)	-	(3.0)
Significant items paid, net	**0.2**	**-**	**0.2**	**2.4**	**(2.2)**

Definitions of Non-IFRS Financial Measures

1H19 means for the half-year ended 31 December 2018

1H20 means for the half-year ended 31 December 2019

Adjusted EBITDA means EBITDA, plus any unconsolidated LTM EBITDA attributable to operations acquired

Capital expenditure represents payments for property, plant and equipment less disposal proceeds

EBIT refers to profit/(loss) before finance costs and interest income, income taxes and one-off, non-recurring items

EBIT margin is calculated as EBIT divided by revenue

EBITDA refers to EBIT before depreciation and amortisation

EBITDA margin is calculated as EBITDA divided by revenue

Gearing is calculated as net debt divided by LTM Adjusted EBITDA

LTM means the last 12-month period

Net debt is calculated as interest-bearing liabilities, less cash and cash equivalents

NPAT refers to profit/(loss) before one-off, non-recurring items after income taxes

Operating cash flow is defined as EBITDA less the change in working capital, less changes in other assets and liabilities

Operating cash flow conversion is defined as operating cash flow divided by EBITDA

ROI refers to return on investment

Working capital refers to trade and other receivables, plus inventories and other assets, less trade and other payables