Pro-Pac Packaging Limited
Full Year Results - 2020

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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 has not been subject to review by the Group's external auditor; however, reconciliations have been provided to balances contained in the financial report.

About Pro-Pac Packaging

Pro-Pac Packaging is an innovative Flexibles, Industrial and Rigid 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
- High value added laminated films and pouches for the FMCG market

Industrial

- 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 sourcing partner to global supermarkets

Rigid

- A solutions oriented bottle and closures business that focusses on partnering with small to medium sized 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

FY20 Results & Highlights

FY20 has seen management drive considerable improvement in all key operating & financial metrics, building a platform for further improvement and future growth

30 JUNE 2020

Zero Harm Journey

LTIFR down 14.1% to 6.9

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

Embedding the Team

✓

Organisational structure established and recruitment of high calibre team largely complete

Net Profit after Tax

$6.6m up $158.0m
(FY19: loss of $151.4m)

Lower revenue offset by improved margins from a strategic focus on Flexibles growth & operational efficiencies

Increased EBITDA*

$32.4m up 15.4%
(FY19: $28.1)

Improved EBITDA margin* at 6.8% up 1% (FY19: 5.8%) driven by operational efficiencies, portfolio improvements and procurement savings

Balance Sheet Health

Gearing* down to 1.4x
(FY19: 2.8x)

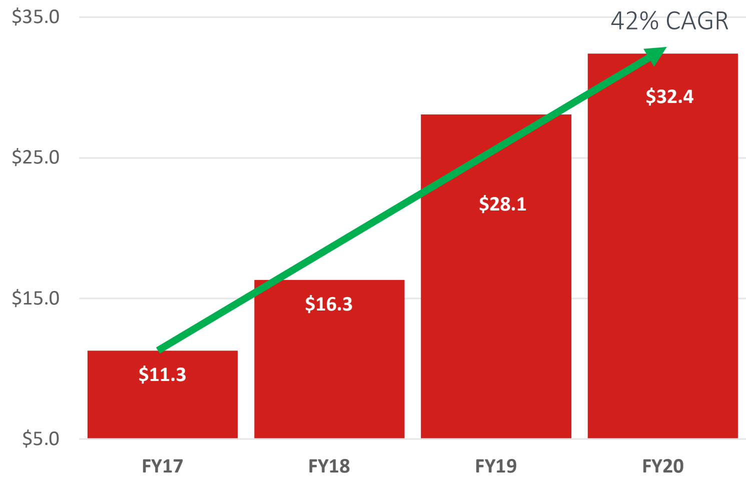
Net debt* $46.1m, down $36.8m (FY19: $82.9m) and senior debt refinanced for 3 years

Dividend Declared

✓

0.4 cents per share
Fully franked

EBITDA* Performance (A$m)



Compound Annual Growth Rate in EBITDA* of 42% since FY17

* Non-IFRS measure as defined in the Appendices (page 20), pre-AASB 16

A Zero Harm Focus

LTIFR reduced by 14.1% to 6.9

Targeting Zero Harm
Driving a culture of safety through leadership, systems, education and compliance

Management Systems
Best Practice Health & Safety Management system deployed

Health, Safety & Environment Team
Continued investment in HSE capability

Our leadership is committed to building a disciplined safety culture that sustainably protects our people and enhances operational performance

FY20 COVID-19 Impacts

- Strict protocols in place to protect the safety, health & wellbeing of our people in Australia and New Zealand, whilst ensuring continuity of operations to support our customers in the supply of essential products and services
- Nimble, domestic manufacturing capability in Australia and New Zealand provided security of supply to existing and new customers
- On-site team members are exercising rigorous protocols of our COVID Safe Plan, including social distancing, hygiene, sanitation, segregation of teams working on site and restricted access to visiting third parties
- Navigating supply chain disruptions while countries around the world adjusted to border restrictions and operating during the pandemic
- Temporary demand variability for products in the food, beverage, grocery, personal care, health and household segments
- No Government JobKeeper assistance or rent relief received
- Less than $0.2m in bad debt write-offs, while ageing of amounts due for collection improved significantly

Financial Results Summary

Stronger balance sheet, reduced leverage and improved profitability delivered

A$ million	*Post-AASB 16* **FY20**	*Adopt AASB 16* **FY20**	*Pre-AASB 16* **FY20**	**FY19**	**Change**
Statutory results:					
Revenue	478.2	-	478.2	485.8	(1.6)%
Profit/(loss) after tax	6.6	(2.1)	8.7	(151.3)	105.7%
Operating results:					
EBITDA*	46.4	14.0	32.4	28.1	15.4%
EBITDA margin*	9.7%	2.9%	6.8%	5.8%	100 bps
EBIT*	26.2	3.0	23.2	18.7	23.6%
EBIT margin*	5.5%	0.6%	4.8%	3.9%	99 bps

A$ million	*Post-AASB 16* **JUN-20**	*Adopt AASB 16* **JUN-20**	*Pre-AASB 16* **JUN-20**	**JUN-19**	**Change**
Balance sheet:					
Working capital*	82.3	-	82.3	98.4	(16.1)
Net debt*	103.8	57.7	46.1	82.9	(44.4)
Gearing*	2.2x	0.8x	1.4x	2.8x	(1.4) x

* *Non-IFRS measure as defined in the Appendices (page 20)*

FY20 performance includes:

- Revenue of $478.2m (down 1.6% on pcp) due to:
  - shifting business mix towards higher margin products in Flexibles business;
  - better revenues for health and wellness segment sales in Rigid business; offset by
  - reduced volumes, product rationalisation and sourcing disruptions in the Industrial business
- Increased EBITDA margin of 6.8% due to:
  - refocusing the portfolio on higher margin growth segments in the Flexibles division; and
  - operational efficiencies and centralised procurement disciplines including better resin price outcomes
- Net debt of $46.1m (down $36.8m on pcp) due to:
  - Increase in EBITDA to $32.4m
  - Decrease in working capital of $16.1m
- Balance sheet strengthened with gearing at 1.4x (down from 2.8 x pcp)
- Reinstatement of dividend – dividend declared of 0.4 cents per share fully franked

Disciplined Cash Flow Management

A disciplined focus on cash flow management delivered significant reductions in net debt

FY20 Review

Embedded cash management discipline delivered:

- 150% operating cash flow conversion, significantly stronger than FY19
- Disciplined focus on capital expenditure
- Strong improvement in free cash flows supported balance sheet deleveraging and enables capacity to pursue growth opportunities
- Seasonal cash cycle driven by the Agriculture sector skews operating cash flow conversion to 2H

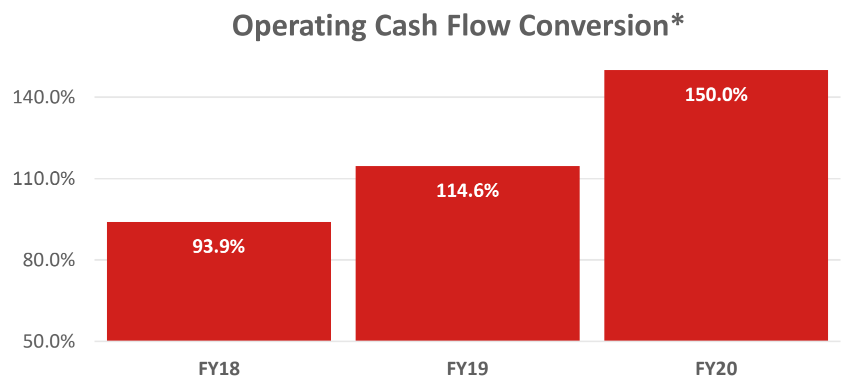
Key Priorities

Major areas of focus:

- Maintaining cash flow disciplines
- Disciplined capital investment focused on superior ROI projects

Cash Management

A$ millions	FY20	FY19	Change
Operating cash flow*	48.6	32.2	16.4
Capital expenditure*^	(5.8)	(6.2)	0.4
Free cash flow*	42.8	26.0	16.8
Operating cash flow conversion*	150%	115%	3,500 bps



** Non-IFRS measure as defined in the Appendices (page 20), pre-AASB 16*
^ Payments for property, plant and equipment of $6.1m, 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

FY20 Review

Continued focus on working capital delivers:

- Stronger balance sheet:
  - Debt refinancing to March 2023 with total facilities of $102.5m ($92.5m senior debt and $10m overdraft) enabling capacity to fund growth
  - Working capital decrease of $16.1m
  - Net debt reduction of $36.8m
  - Gearing reduction to 1.4x

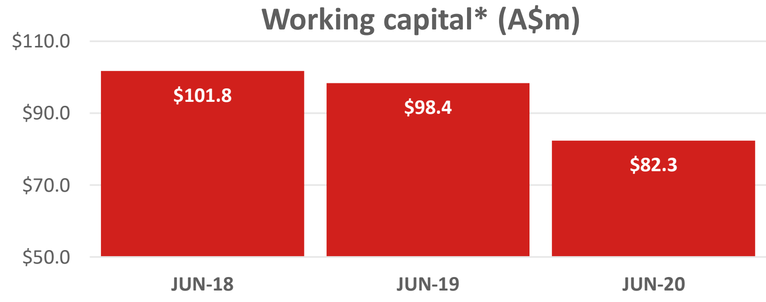
Key Priorities

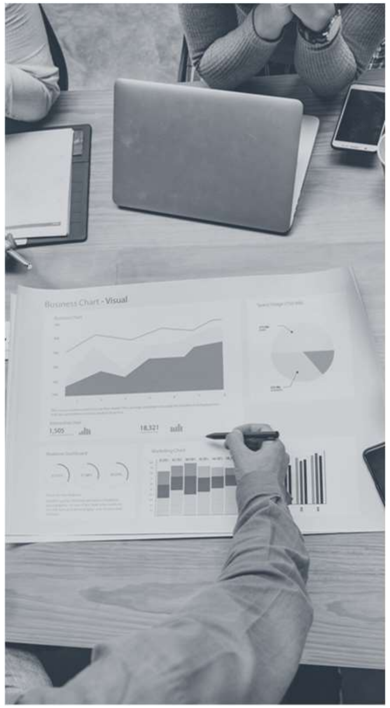
Major areas of focus:

- Further working capital improvement opportunities to be pursued in FY21, albeit not expected to be as substantial as FY20

Balance Sheet

A$ millions	JUN-20	JUN-19	Change
Working capital*	82.3	98.4	(16.1)
Net debt*	46.1	82.9	(36.8)
Gearing*	1.4x	2.8x	(50)%





* Non-IFRS measure as defined in the Appendices (page 20), pre-AASB 16

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

FY20 Review

- Increased revenue of $14.0m compared to pcp, a combination of:
  - new and existing customer growth
  - continuing revenue growth in the Perfection Packaging and Polypak businesses acquired in FY19 with an incremental two-months revenue of $8.4m in FY20 from the acquisition of Perfection Packaging
  - a better overall Agricultural season following moderation of the drought in Australia
- EBITDA margin expansion during FY20 to 8.4% (FY19: 6.9%) through effective execution of profit improvement initiatives, focussed portfolio management, better negotiation of resin prices, and a continuing commitment to customer centricity
- A strategic partnership was established with global Agricultural packaging company Tama Group in June 2020 where Pro-Pac divested its Australian agricultural forage distribution business with a 10 year agreement for Tama to exclusively distribute Pro-Pac's range of SilaWRAP film to the agricultural sector, with no net EBITDA changes in year one, guaranteed and increasing minimum annual volumes and improvements in working capital for Pro-Pac.

Key Priorities

- Commission newly acquired 7-layer extrusion technology to accelerate organic growth
- Embed new customer relationships and focus on customer engagement
- Chester Hill site consolidation to deliver $7m savings in FY22
- Continuing to improve the operational fundamentals

A$ millions	FY20	FY19	Change
Revenue	285.1	271.1	5.2%
EBITDA*	24.0	18.8	27.7%
EBITDA margin*	8.4%	6.9%	149 bps

Revenue Contribution to Group in FY20

59%

FY19: 56%

EBITDA Contribution to Group in FY20

72%

FY19: 64%

Shifting business mix toward, value added, higher margin segments in flexible packaging

** Non-IFRS measure as defined in the Appendices (page 20), pre-AASB 16*

Industrial Packaging

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

FY20 Review

FY20 performance includes:

- Decline in revenue and EBITDA due to:
  - Continued focus on product portfolio optimisation
  - Weaker food service, manufacturing and industrial volumes
  - Supply chain and sourcing disruptions - now improving
- Small divestment of non-core business in 1H20 resulting in decrease in revenue of $7.9m and EBITDA of $0.2m

Key Priorities

Major areas of focus:

- Focus on value delivery to accelerate organic growth
- Improve margins by leveraging procurement capabilities
- Right size business to a lower cost model
- Continuing to improve the operational fundamentals

A$ millions	FY20	FY19	Change
Revenue	123.2	152.6	(19.2)%
EBITDA*	0.7	3.7	(82.0)%
EBITDA margin*	0.5%	2.4%	(186) bps

Revenue Contribution to Group in FY20

26%

FY19: 31%

EBITDA Contribution to Group in FY20

2%

FY19: 13%

** Non-IFRS measure as defined in the Appendices (page 20), 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

FY20 Review

FY20 performance includes:

- Highly responsive in addressing rapidly changing COVID-19 market with increased demand for hand sanitiser, cleaning and health care products
- New business pipeline delivering growth in alternative market verticals offsetting softer 1H 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
- Efficiencies in the cost base including leveraging procurement capability
- Advance the portfolio analysis and focus on niche product capabilities

A$ millions	FY20	FY19	Change
Revenue	69.8	62.1	12.5%
EBITDA*	8.7	6.6	30.9%
EBITDA margin*	12.4%	10.7%	175 bps

Revenue Contribution to Group in FY20

15%

FY19: 13%

EBITDA Contribution to Group in FY20

26%

FY19: 23%

** Non-IFRS measure as defined in the Appendices (page 20), pre-AASB 16*

FY21 Transformational Projects

Strategic projects initiated to optimise operational footprint, increase manufacturing capability & drive efficiency in operations

Chester Hill Transition (announced to the ASX on 27 May 2020)

- Manufacturing at Chester Hill to be transitioned to other Pro-Pac sites in Sydney, Melbourne, Adelaide and Perth to consolidate footprint
- On track to be completed by end March 2021
- Investment in a new 7-layer extruder and laminator will provide new capacity and capability for growth with existing customers and expansion into new markets
- The closure involves a capital investment of $7m and one-off costs of circa $12.6m. Non-cash write offs will be circa $4m
- Annualised benefits of around $7m expected from FY22
- Capital expenditure of $2.5m, one-off costs of $5.2m and non-cash write offs of assets and inventory of $4.0m recognised in FY20

ERP replacement project

- Consolidation of multiple disparate existing systems onto a single integrated ERP platform
- Project commenced in June 2020 and will last circa 18 months
- Microsoft Dynamics 365 selected
- Project will deliver standardised processes across the group, improvements in efficiency, transparent & timely information to enable decision making and reduced technology complexity
- Vision & validate phase underway to confirm final costs, benefits and timeline – capex and one-off costs expected to be less than $8m with $30k of capitalised costs recognised in FY20.

Outlook

FY 21 Outlook & Business Priorities

As we enter FY21, the broader macroeconomic conditions remain uncertain due to the ongoing impact of COVID-19. We will continue to prioritise the safety, health & wellbeing of our people in Australia, New Zealand and Malaysia, while doing everything within our control to ensure continuing operations and the supply of essential products and services to our customers.

That said, the first two months of the year have started well and carried forward positive momentum, with performance currently tracking ahead of prior year.

Key Priorities

- Continue to build a sustainable safety culture with a zero harm focus
- Deliver on the Chester Hill site consolidation & ERP major projects
- Deepen market penetration in valued added segments with existing long-term and new customer relationships established during the COVID-19 pandemic
- Aim to maintain balance sheet gearing below 2.0 x (Pre AASB-16)
- Improve margins through operational efficiencies and focused procurement activity
- Continue focus on maximising shareholder value through:
  - ✓ Organic growth – by improving the core business and growing organically over the longer term; and
  - ✓ Inorganic growth – growth through earnings accretive acquisitions in existing and adjacent market segments

A further business update at the Annual General Meeting in November.

Appendices

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 FY20 is shown in the table below:

A$ million	Pre-AASB 16	Adopt AASB 16	Post-AASB 16
Revenue from contracts with customers	478.2	-	478.2
Operating expenditure	(445.8)	14. 0	(431.8)
EBITDA*	**32.4**	**14.0**	**46.4**
Depreciation and amortisation expense	(9.2)	(11.0)	(20.2)
EBIT*	**23.2**	**3.0**	**26.2**
Significant items	(5.0)	-	(5.0)
Finance costs, net	(5.8)	(5.9)	(11.7)
Profit/(loss) before income tax	**12.4**	**(2.9)**	**9.4**

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

** Non-IFRS measure as defined in the Appendices (page 20), pre-AASB 16*

Reconciliations

Reconciliation to EBIT* & EBITDA*

A$ millions	Post-AASB 16 FY20	Adopt AASB 16 FY20	Pre-AASB 16 FY20	FY19	Change
Profit/(loss) before tax	**9.4**	**(2.9)**	**12.4**	**(152.7)**	**165.0**
Add: significant items	5.0	-	5.0	163.3	(158.3)
Add: finance costs	11.8	5.9	5.9	8.1	(2.3)
Less: interest income	(0.1)	-	(0.1)	(0.1)	-
EBIT*	**26.2**	**3.0**	**23.2**	**18.7**	**4.4**
Add: depreciation and amortisation	20.2	11.0	9.2	9.3	(0.1)
EBITDA*	**46.4**	**14.0**	**32.4**	**28.1**	**4.3**

Reconciliation to NPAT*

A$ millions	Post-AASB 16 FY20	Adopt AASB 16 FY20	Pre-AASB 16 FY20	FY19	Change
Profit/(loss) after tax	**6.6**	**(2.1)**	**8.7**	**(151.3)**	**160.0**
Add: significant items	5.0	-	5.0	163.3	(158.3)
Less: tax on significant items	(1.5)	-	(1.5)	(4.3)	2.8
NPAT*	**10.2**	**(2.1)**	**12.2**	**7.7**	**4.5**

** Non-IFRS measure as defined in the Appendices (page 20), pre-AASB 16*

Reconciliations

Reconciliation to Operating Cash Flow*

A$ millions	*Post-AASB 16* FY20	*Adopt AASB 16* FY20	*Pre-AASB 16* FY20	FY19	Change
Net cash flows from/(used in) operating activities	**53.5**	**8.5**	**45.0**	**15.8**	**29.2**
Add: income tax paid	(2.4)	-	(2.4)	4.5	(6.9)
Add: significant items paid, net	1.6	-	1.6	4.5	(2.9)
Add: interest paid	10.5	5.9	4.6	7.5	(2.9)
Less: interest received	(0.1)	-	(0.1)	(0.1)	-
Operating cash flow*	**63.1**	**14.4**	**48.6**	**32.2**	**16.4**

** Non-IFRS measure as defined in the Appendices (page 20), pre-AASB 16*

Reconciliations

Reconciliation to Gearing*

A$ millions	*Post-AASB 16* **FY20**	*Adopt AASB 16* **FY20**	*Pre-AASB 16* **FY20**	**FY19**	**Change**
EBITDA*	46.4	14.0	32.4	28.1	4.3
Add: unconsolidated LTM EBITDA from acquisitions^	-	-	-	1.2	(1.2)
Adjusted EBITDA*	**46.4**	**14.0**	**32.4**	**29.3**	**3.1**
Bank loans	66.5	-	66.5	100.1	(33.6)
Trade finance	-	-	-	4.7	(4.7)
Finance leases and hire purchase liabilities	-	(1.0)	1.0	1.8	(0.8)
Lease liabilities	58.7	58.7	-	-	-
Less: cash and cash equivalents	(21.4)	-	(21.4)	(23.6)	2.2
Net debt*	**103.8**	**57.7**	**46.1**	**82.9**	**(36.8)**
Gearing*	**2.2x**	**0.8x**	**1.4x**	**2.8x**	**(1.4)x**

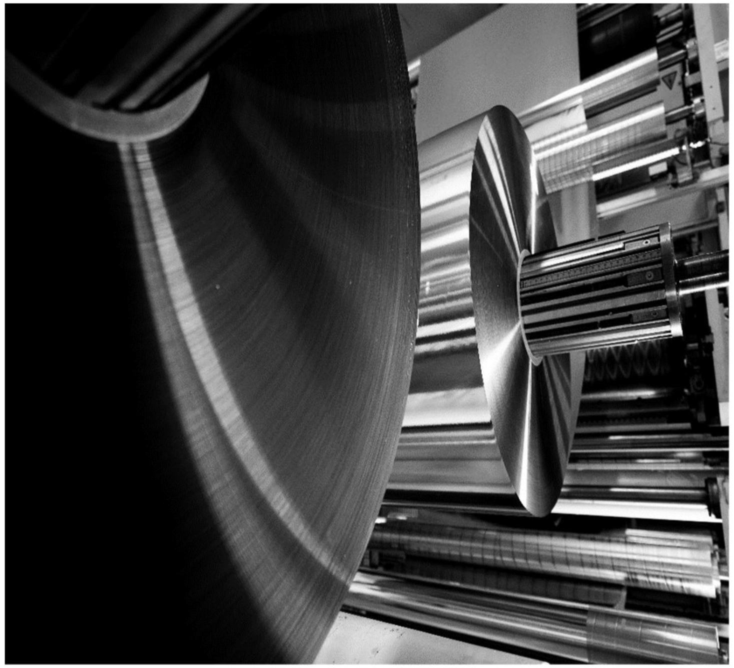
** Non-IFRS measure as defined in the Appendices (page 20), pre-AASB 16*

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

Reconciliations

Reconciliation of Significant Items*

A$ millions	*Post-AASB 16* FY20	*Adopt AASB 16* FY20	*Pre-AASB 16* FY20	FY19	Change
Goodwill impairment losses	-	-	-	149.0	(149.0)
Surplus lease and exit costs	2.1	-	2.1	1.0	1.1
Restructuring costs	3.2	-	3.2	10.4	(7.2)
Chester Hill closure program	9.2	-	9.2	-	9.2
Reversal of provisions and other liabilities	(2.8)	-	(2.8)	(1.0)	(1.8)
Profit on disposal of business	(4.7)	-	(4.7)	-	(4.7)
Kewdale fire losses, net of insurance proceeds	(2.0)	-	(2.0)	3.9	(5.9)
Significant items before income tax	**5.0**	**-**	**5.0**	**163.3**	**(158.3)**
Income tax (expense)/benefit	(1.5)	-	(1.5)	(4.3)	2.8
Significant items after income tax	**3.5**	**-**	**3.5**	**159.0**	**(155.5)**
Payments in relation to significant items	7.4	-	7.4	4.5	2.9
Receipts from insurer	(5.8)	-	(5.8)	-	(5.8)
Significant items paid, net	**1.6**	**-**	**1.6**	**4.5**	**(2.9)**



** Non-IFRS measure as defined in the Appendices (page 20), pre-AASB 16*

Definitions of Non-IFRS Financial Measures

Unless otherwise stated in this presentation, all metrics are disclosed pre-AASB 16

FY19 means the year ended 30 June 2019

FY20 means the year ended 30 June 2020

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 significant 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 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 significant 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, inventories, deposits and prepayments, less trade and other payables