



Pro-Pac Packaging Limited Half-year Results 2021

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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, PBT, PBT margin, gearing, net debt, operating cash flow, operating cash flow conversion and working capital. This information represents Non-IFRS measures used by the Group, the investment community and Pro-Pac Packaging's Australian peers with similar business portfolios. Pro-Pac Packaging discloses these measures where it better reflects what the company considers 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 interim 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

- Manufacturing and distribution of bespoke flexible packaging solutions tailored for the industrial, food and beverage, health and agriculture sectors throughout Australia and New Zealand
- 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



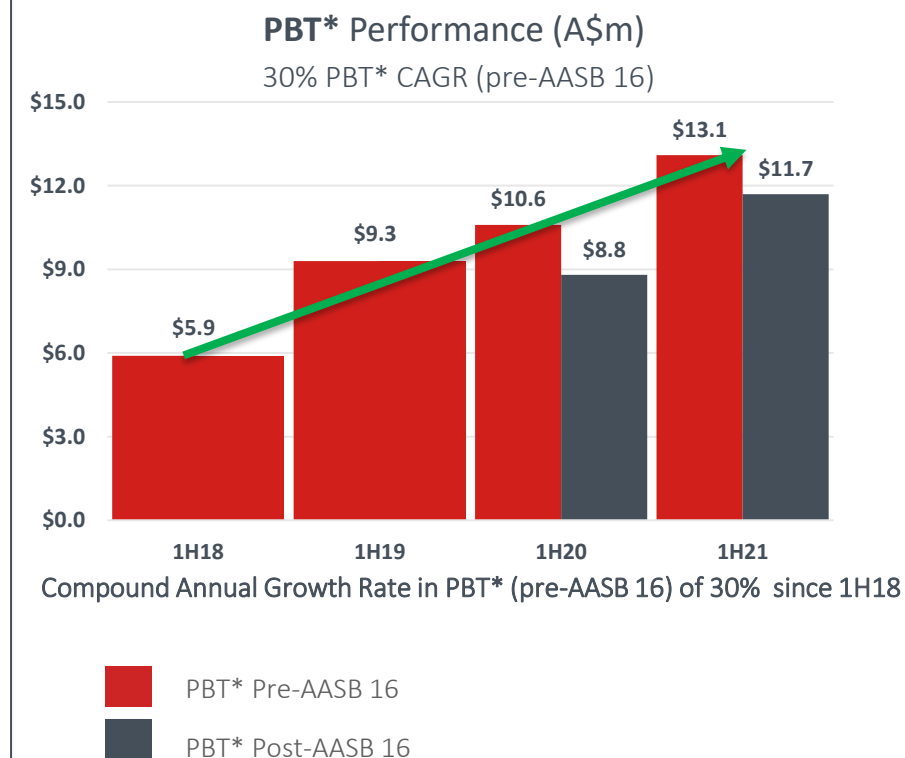
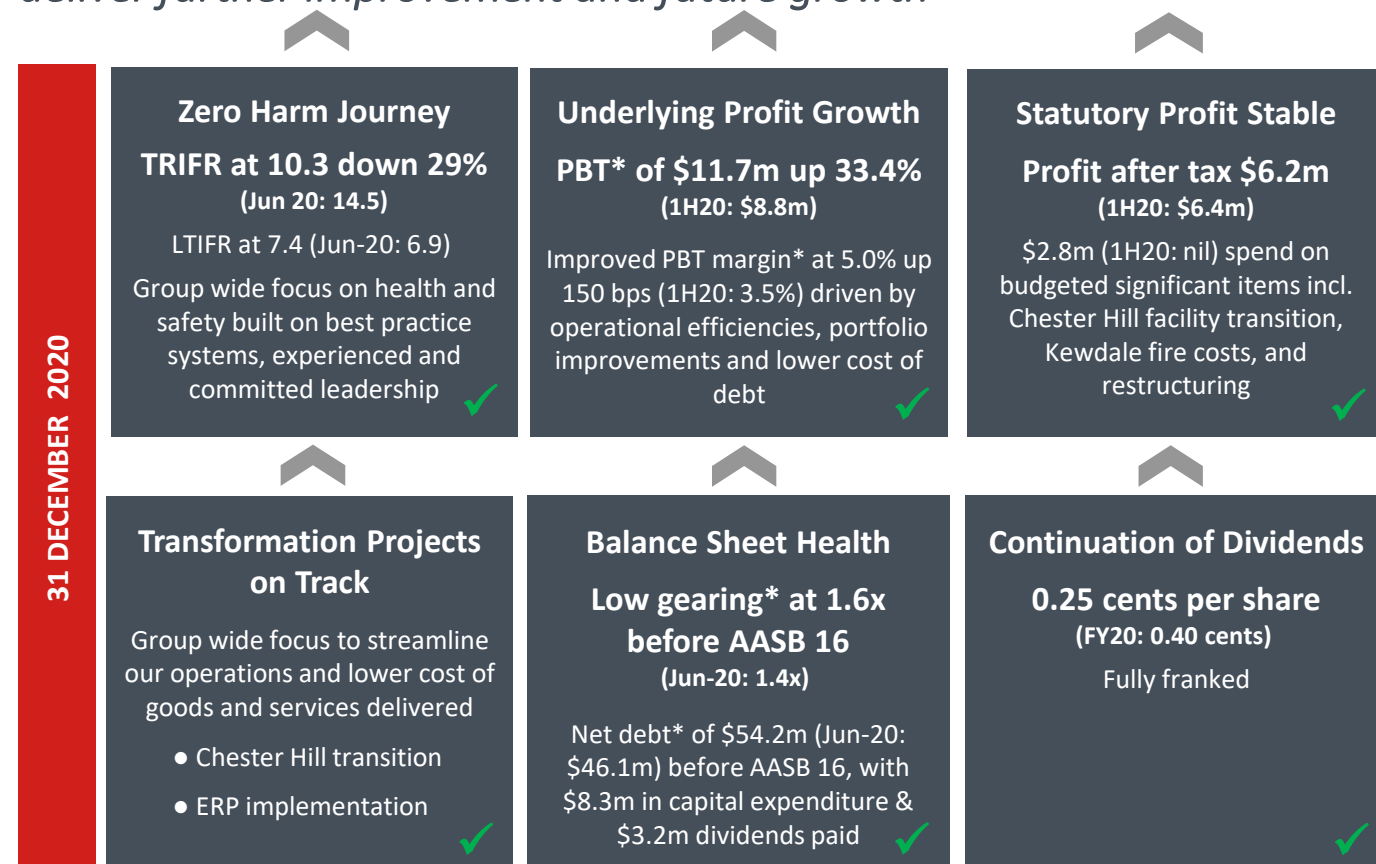
Rigid

- 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



1H21 Results & Highlights

1H21 has seen management drive considerable improvement in key operating & financial metrics, with investment to deliver further improvement and future growth



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

A Zero Harm Focus

TRIFR at 10.3 reduced by 29%

Targeting Zero Harm

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



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

LTIFR increased to 7.4 (June 2020: 6.9) and remains a key focus for Pro-Pac

FY20 COVID-19 Impacts

- Strict protocols continue to protect the safety, health & wellbeing of our people in Australia, New Zealand and Malaysia, whilst ensuring continuity of operations to support our customers in the supply of essential products and services
- Rigorous protocols of our COVID Safe Plan embedded within on-site teams, including social distancing, hygiene, sanitation, separation of teams working on site and restricted access to visiting third parties
- Global shipping delays causing supply chain disruptions
- Demand variability for products in the food, beverage, grocery, personal care, health and household segments has eased in 1H21
- Nimble, domestic manufacturing capability in Australia and New Zealand continued to ensure security of supply to customers
- Minimal bad debt write-offs, with continued improvement in the aging of amounts due for collection
- No Government JobKeeper assistance or rent relief received

Financial Results Summary

Continual improvement in profitability delivered (before significant items), planned increase in working capital

A\$ million	Post AASB-16			Pre AASB-16		
	1H21	1H20	Change	1H21	1H20	Change
Statutory results:						
Revenue	234.4	251.0	(16.6)	234.4	251.0	(16.6)
Profit after tax	6.2	6.4	(0.2)	7.2	7.6	(0.4)
Operating results:						
PBT*	11.7	8.8	2.9	13.1	10.6	2.6
PBT Margin*	5.0%	3.5%	1.5%	5.6%	4.2%	1.4%

A\$ million	Post AASB-16			Pre AASB-16		
	DEC-20	JUN-20	Change	DEC-20	JUN-20	Change
Balance sheet:						
Working capital*	91.6	82.3	9.3	91.6	82.3	9.3
Net debt*	110.7	103.8	6.9	54.2	46.1	8.1
Gearing*	2.4x	2.2x	0.2x	1.6x	1.4x	0.2x

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

1H21 Review (post AASB 16)

- Revenue of \$234.4m (down 6.6% on pcp) due to:
 - targeted and successful focus on shifting business mix towards higher margin products, partially offset by new business and combined with rise and fall resin input price reductions and the divestment and exit of non-core businesses
- Profit after tax is \$6.2m (down \$0.2m on pcp) due to:
 - \$2.0m of significant items after tax (1H20: nil) for budgeted costs predominantly relating to the Chester Hill project, additional operating costs associated with the Kewdale fire and restructuring costs
- Increased PBT* to \$11.7m (up \$2.9m on pcp) due to:
 - PBT margin* expansion of 150 bps from improved business mix, the completion of several operational initiatives to streamline costs, increased corporate costs and a decrease in finance costs
- Net debt* of \$54.2m before AASB 16 (up \$8.1m on pcp) following capital investment of \$8.3m, payment of a final dividend of \$3.2m and an increase in working capital of \$9.3m
- Interim dividend declared of 0.25 cents per share fully franked

Disciplined Cash Flow Management

A disciplined focus on cash flow management continues

1H21 Review (post AASB 16)

Embedded cash management discipline delivered:

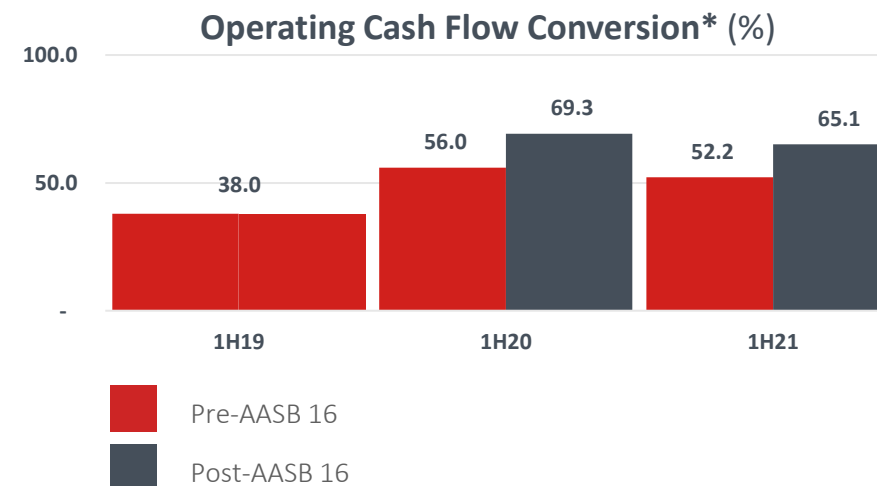
- 65.1% operating cash flow conversion* (1H20: 69.3%) influenced by the increases in working capital* required to proactively manage the COVID-19 supply chain challenges and the implementation of major projects
- Disciplined focus on planned capital expenditure* relating to plant and equipment (\$6.3m) and ERP software (\$2.0m)
- Seasonal cash cycle driven by the Agriculture sector in Australia and New Zealand positively skews operating cash flow conversion* to second half

Key Priorities

- Continuous improvements in cash flow management and disciplines
- Disciplined capital investment focused on superior ROI projects, supported by well managed delivery and governance oversight

Cash Management

A\$ millions	1H21	1H20	Change
Operating cash flow*	16.5	17.3	(0.8)
Capital expenditure*	(8.3)	(0.7)	(7.6)
Free cash flow*	8.2	16.6	(8.4)
Operating cash flow conversion*	65.1%	69.3%	(420) Bps



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

Improving the Balance Sheet

Our capital management priorities are to maintain a strong balance sheet, and provide financial flexibility for growth and shareholder returns

1H21 Review

Strong balance sheet:

- Total facilities of \$100m (\$90m senior debt and \$10m overdraft) enabling capacity to fund growth
- Working capital* increase of \$9.3m in part required to proactively manage the COVID-19 disruption to supply chain and the implementation of major projects
- Net debt* increased by \$8.1m, with \$8.3m capital expenditure* in 1H21 and payment of final dividend of \$3.2m
- Low gearing* maintained at 1.6x
- All banking covenants comfortably met

Key Priorities

Further working capital improvement opportunities to be pursued in inventory and payables

Balance Sheet

A\$ millions	DEC-20	JUN-20	Change
Working capital*	91.6	82.3	9.3
Net debt*	54.2	46.1	8.1
Net debt* (post-AASB 16)	110.7	103.8	6.9
Gearing*	1.6x	1.4x	0.2x
Gearing* (post-AASB 16)	2.4x	2.2x	0.2x



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

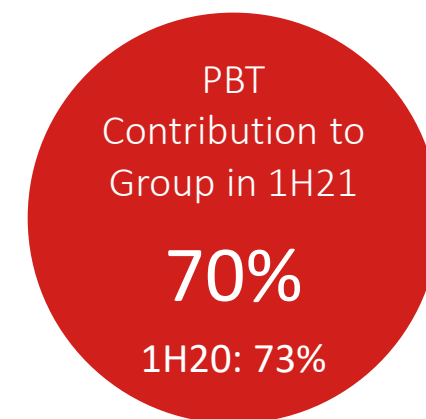
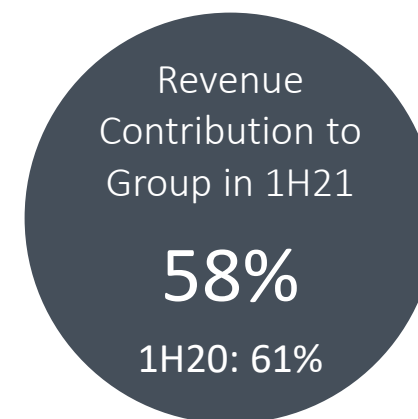
Flexibles Packaging

Manufacturing and distribution of bespoke flexible packaging solutions tailored for the industrial, food and beverage, health and agriculture sectors throughout Australia and New Zealand

1H21 Review (post AASB 16)

- The Flexibles business has performed strongly compared to pcg with:
 - Revenue down 11.2%; and
 - PBT* up 9.9%.
- The exit of less profitable business continued which reduced revenue. The exit from less profitable and non-core business is now complete, with revenue rebased for future growth
- New business of \$9.7m annualised was won in 1H21, which contributed \$2.3m revenue to 1H21 and will convert progressively through 2H21 and early FY22
- Contracted rise and fall provisions relating to resin input costs resulted in a revenue drop of \$0.9m but had no material impact on earnings
- Revenue reduced from the divestment of the forage business (\$5.1m), exit of Canadian operations (\$2.7m), and a decline in global textiles demand combined with a stronger AUD reducing cotton export sales (\$2.5m)
- PBT* and PBT margin* continued to improve due to the repositioning of the portfolio and the delivery of profit improvement initiatives
- A key priority for Flexibles in 2H21 and FY22 will be organic top line growth supported by:
 - an increasingly strong pipeline, with opportunities driven by customer and consumer demand for innovative and bespoke packaging; and
 - the sales restructure, completed in 1H20, which focused on key account management and new business development, driving an increased level of sales effectiveness

A\$ millions	1H21	1H20	Change
Revenue	135.7	152.8	(11.2)%
PBT*	9.7	8.8	9.9%
PBT margin*	7.1%	5.8%	137 bps



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

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

1H21 Review (post AASB 16)

- The Industrial business has performed strongly compared to pcg with:
 - Revenue down 7.1%; and
 - PBT* up 61.1%.
- Revenues were lower than prior year but exceeded internal expectations with Industrial volumes strengthening progressively throughout 1H21 despite supply chain and sourcing disruptions due to the COVID-19 pandemic
- Consistent with our group strategy, Management refocused the product range to higher margin market sectors where we know we can win and grow
- The Cosmic Packaging business was divested at the end of 1H20, resulting in lower revenue for 1H21 (\$0.9m)
- PBT margins* improved as a result of the refocusing of the product range, and from the completion of several operational initiatives to streamline costs and to support future growth

A\$ millions	1H21	1H20	Change
Revenue	62.6	67.3	(7.1)%
PBT*	1.1	0.7	61.1%
PBT margin*	1.8%	1.0%	74 bps

Revenue
Contribution to
Group in 1H21

27%

1H20: 27%

PBT
Contribution to
Group in 1H21

8%

1H20: 6%

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

1H21 Review (post AASB 16)

- The Rigid business has performed strongly compared to pcg with:
 - Revenue up 17.1%; and
 - PBT* up 19.0%.
- The COVID-19 pandemic continued to provide sales volume and margin opportunities, particularly for triggers and pumps for hand sanitiser and other cleaning and hygiene products
- Improvements in the lawn and garden space were driven by more favourable weather conditions than prior year and growth also reflected a partial recovery in the food service sector. New business conversion in specialty closures in the FMCG space also contributed to revenue and earnings growth.

A\$ millions	1H21	1H20	Change
Revenue	36.1	30.8	17.1%
PBT*	3.0	2.5	19.0%
PBT margin*	8.4%	8.3%	13 bps

Revenue
Contribution to
Group in 1H21

15%

1H20: 12%

PBT
Contribution to
Group in 1H21

22%

1H20: 21%

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

Transformational Projects

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

Chester Hill Transition (announced 27 May 2020)

- Manufacturing at Chester Hill is being transitioned to other manufacturing sites in Sydney, Melbourne, Adelaide and Perth to consolidate footprint
- Investment in a new 7-layer extruder (commissioned February 2021) and laminator provide new capacity and capability for growth with existing customers and expansion into new markets
- On track for estimated completion date – June 2021
- No change to budget and annualised benefits, with circa \$7m cost reduction still expected in FY22
- Capital expenditure* of \$2.1m and one-off costs of \$0.9m incurred in 1H21

ERP replacement project

- Consolidation of multiple disparate existing systems onto a single integrated ERP platform
- Microsoft Dynamics 365 selected and KPMG engaged as system implementer
- Project will deliver standardised processes across the group, improvements in efficiency, transparent and timely information to enable better decision making and reduced technology complexity
- Reduction in corporate and operational costs expected
- Phase 1 on track for estimated completion date – March 2021
- Overall project on track for estimated completion date – June 2022
- Capital expenditure* and one-off costs still expected to be less than \$8.0m, with \$2.0m capitalised in 1H21

Supreme Packaging Acquisition

Supreme is a flexible packaging business that services markets in core verticals of food, beverage and produce

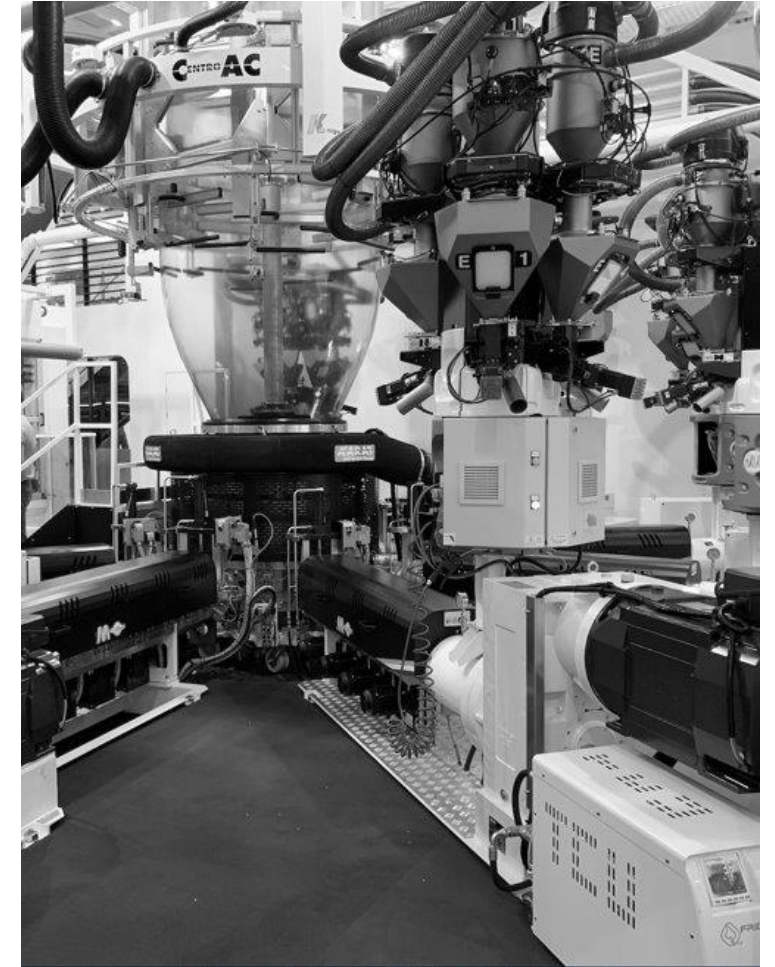
- Consistent with Pro-Pac's strategy of growth through earnings accretive acquisitions in existing and adjacent market segments, on 31 January 2021 the company acquired the business and assets of Supreme Packaging Pty Ltd (Supreme), a flexible packaging business in Clayton, Victoria that employs 50 staff
- This acquisition comprises flexographic printing, slitting and bag making assets and services markets in core Pro-Pac verticals of food, beverage and produce. Supreme's capability includes pre-press and design, 8 colour printing, slitting, bag making and micro perforation.
- Supreme is certified to ISO 9001
- Purchase price of \$3.2m (\$0.5m in deferred consideration)
- Based on historical performance, Supreme is expected to deliver revenues of circa \$10m-12m in FY22



| Outlook

FY21 Outlook

Subject to macroeconomic and COVID-19 conditions remaining stable, and no major disruptions to Pro-Pac's supply chain, we continue to expect a full year PBT (before significant items) above the prior year.*



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

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 1H21 is shown in the table below:

A\$ millions	1H21			1H20		
	Pre-AASB 16	Adopt AASB 16	Post-AASB 16	Pre-AASB 16	Adopt AASB 16	Post-AASB 16
Revenue from contracts with customers	234.4	-	234.4	251.0	-	251.0
Operating expenditure	(215.5)	6.5	(209.0)	(232.9)	6.9	(226.0)
EBITDA*	18.9	6.5	25.4	18.1	6.9	25.0
Depreciation and amortisation expense	(4.1)	(6.1)	(10.2)	(4.5)	(5.6)	(10.1)
EBIT*	14.7	0.5	15.2	13.6	1.3	15.0
Finance costs, net	(1.6)	(1.9)	(3.5)	(3.0)	(3.1)	(6.1)
PBT*	13.1	(1.4)	11.7	10.6	(1.8)	8.8
Significant items	(2.8)	-	(2.8)	-	-	-
Profit before income tax	10.3	(1.4)	8.8	10.6	(1.8)	8.8



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

Reconciliations

Reconciliation to EBIT* & EBITDA*

A\$ millions	1H21			1H20		
	Pre-AASB 16	Adopt AASB 16	Post-AASB 16	Pre-AASB 16	Adopt AASB 16	Post-AASB 16
Profit/(loss) before tax	10.3	(1.5)	8.8	10.6	(1.8)	8.8
Add: significant items	2.8	-	2.8	-	-	-
Add: finance costs	1.6	2.0	3.6	3.0	3.1	6.1
Less: interest income	-	-	-	-	-	-
EBIT*	14.7	0.5	15.2	13.6	1.3	14.9
Add: depreciation and amortisation	4.1	6.1	10.2	4.5	5.6	10.1
EBITDA*	18.9	6.5	25.4	18.1	6.9	25.0

Reconciliation to NPAT*

A\$ millions	1H21			1H20		
	Pre-AASB 16	Adopt AASB 16	Post-AASB 16	Pre-AASB 16	Adopt AASB 16	Post-AASB 16
Profit/(loss) after tax	7.2	(1.0)	6.2	7.6	(1.2)	6.4
Add: significant items	2.8	-	2.8	-	-	-
Less: income tax on significant items	(0.8)	-	(0.8)	-	-	-
NPAT*	9.2	(1.0)	8.2	7.6	(1.2)	6.4

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



Reconciliations

Reconciliation to Operating Cash Flow*

A\$ millions	1H21			1H20		
	Pre-AASB 16	Adopt AASB 16	Post-AASB 16	Pre-AASB 16	Adopt AASB 16	Post-AASB 16
Net cash flows from operating activities	4.3	4.6	8.9	7.1	3.8	11.1
Add: income tax paid	1.2	-	1.2	0.5	-	0.5
Add: significant items paid, net	3.3	-	3.3	0.2	-	0.2
Add: interest paid	1.3	1.9	3.2	2.4	3.1	5.5
Less: interest received	-	-	-	-	-	-
Operating cash flow*	10.1	6.5	16.5	10.2	7.1	17.3
EBITDA	18.9	6.5	25.4	18.1	7.1	25.0
Operating cash flow conversion	52.2%	12.9%	65.1%	56.0%	13.3%	69.3%



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

Reconciliations

Reconciliation to Gearing*

A\$ millions	DEC-20			JUN-20		
	Pre-AASB 16	Adopt AASB 16	Post-AASB 16	Pre-AASB 16	Adopt AASB 16	Post-AASB 16
EBITDA*	33.2	13.6	46.8	32.4	14.0	46.4
Add: unconsolidated LTM EBITDA from acquisitions	-	-	-	-	-	-
LTM Adjusted EBITDA*	33.2	13.6	46.8	32.4	14.0	46.4
Bank loans	66.6	-	66.6	66.5	-	66.5
Hire purchase and finance leases	0.7	(0.7)	-	1.0	(1.0)	-
Lease liabilities	-	57.2	57.2	-	58.7	58.7
Less: cash and cash equivalents	(13.1)	-	(13.1)	(21.4)	-	(21.4)
Net debt*	54.2	56.5	110.7	46.1	57.7	103.8
Gearing*	1.6	0.8	2.4	1.4x	0.8x	2.2x



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

Reconciliations

Reconciliation of Significant Items*

A\$ millions	1H21			1H20		
	Pre-AASB 16	Adopt AASB 16	Post-AASB 16	Pre-AASB 16	Adopt AASB 16	Post-AASB 16
Site consolidation and exit costs	0.9	-	0.9	-	-	-
Acquisition and integration costs	0.4	-	0.4	1.1	-	1.1
Business interruption costs	1.4	-	1.4	1.7	-	1.7
Litigation costs	0.4	-	0.4	-	-	-
Reversal of provisions and other liabilities	(0.2)	-	(0.2)	(2.8)	-	(2.8)
Significant items before income tax	2.8	-	2.8	-	-	-
Income tax (expense)/benefit	(0.8)	-	(0.8)	-	-	-
Significant items after income tax	2.0	-	2.0	-	-	-
Payments in relation to significant items	3.3	-	3.3	3.2	-	3.2
Receipts from insurer	-	-	-	(3.0)	-	(3.0)
Significant items paid, net	3.3	-	3.3	0.2	-	0.2



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

Definitions of Non-IFRS Financial Measures

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

1H20 means the half-year ended 31 December 2019

1H21 means the half-year ended 31 December 2020

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

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

EBITDA refers to profit/(loss) before finance costs and interest income, income taxes and significant items

PBT refers to profit/(loss) before income taxes and significant items

PBT margin is calculated as PBT divided by revenue

Gearing is calculated as net debt divided by Adjusted EBITDA before accounting for AASB 16 *Leases* (unless otherwise stated)

LTM means the last 12-month period

Net debt is calculated as interest-bearing liabilities, less cash and cash equivalents before accounting for AASB 16 *Leases* (unless otherwise stated)

NPAT refers to profit/(loss) before significant items after income taxes

Operating cash flow is defined as net cash flows from operating activities, plus income tax paid, plus interest paid (net of interest income), plus significant items paid

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

