2022 Full Year Results

Jonathan Ling - Executive Chairman

Darren Brown - Director & Interim CFO

5 September 2022

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 Annual Financial Report for the year ended 30 June 2022 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, 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 is an Australian & New Zealand business that is focused on using its investment and manufacturing expertise to capitalise on key industry trends including innovation and sustainability

Flexibles

- Bespoke flexible packaging solutions specifically tailored for the industrial, food and beverage, health and agriculture sectors
- Stretch & shrink wrap, agriculture silage packaging, fresh produce bags, barrier and lidding films, industrial protective films
- High valued added laminated and printed films for the FMCG market

Industrial Specialty Packaging

- Distributes high performance packaging and combines this with personalized service from its national footprint
- Focused on innovative solutions for the food & beverage, industrial and health and pharmaceutical industry sectors

Strategy

- Pro-Pac's strategy is to become a focused Australian and New Zealand manufacturer of Film and Flexible packaging with accompanying distribution of our manufactured and related products
- On 24 June 2022 Pro-Pac successfully completed the sale of the Rigid packaging business for approximately A$53 million
- The Company continues to refine the product portfolio of its Industrial Specialty Packaging business, to better align with its core Films and Flexibles business


Thanh
Production Operator

Safety Performance 2022

	2021	2022
TRIFR	9.36	10.81
LTIFR	7.36	7.63

Safety Highlights

- Slight increase in both measures in 2022
- Performance impacted by:
    - Establishment of new factory in Dandenong with many new employees
    - Labour shortages and absenteeism

TRIFR: Total Recordable Injury Frequency Rate per million hours worked
LTIFR: Lost Time Injury Frequency Rate per million hours worked

Group Financial Results

Converting COE, Dandenong, Victoria

Group Financial Performance

Group Financial Performance

A$ million	FY22	FY21	Change
Statutory results:			
Revenue	467.0	440.1	26.8
Profit after tax	(25.9)	7.8	(33.7)
Operating results:			
EBIT	4.3	25.3	(21.0)
PBT*	(2.9)	18.8	(21.7)
*PBT Margin**	*(0.6%)*	*4.3%*	*(4.9%)*
Significant items	(15.6)	(7.6)	(8.0)

Continuing Operations Financial Performance

A$ million	FY22	FY21	Change
Statutory results:			
Revenue	403.9	372.2	31.7
Profit after tax	(42.1)	4.9	(47.1)
Operating results:			
EBIT	(0.2)	20.2	(20.4)
PBT*	(6.8)	14.4	(21.2)
*PBT Margin**	*(1.7%)*	*3.9%*	*(5.5%)*
Significant items	(34.9)	(7.3)	(27.6)

** Non-IFRS measure as defined in the Appendices Page 22*

- Statutory profit after tax was a loss of $25.9 million and includes the operating profit of the Rigid business (PBT $3.9 million) and the profit on the sale of the business (PBT $20.9 million) that was sold on 24 June 2022.
- Continuing operations include the Flexibles packaging business and Industrial Specialty Packaging.

Significant items

	$'000
Intangibles impairment	25.1
Integration and restructuring costs	7.3
Chester Hill closure program	1.4
Source and Sell closure costs	1.0
Indemnifiable losses	0.2
Significant items from continuing operations	**34.9**
Gain on sale of Rigid business	(20.1)
Restructuring and transaction costs	0.8
Significant items from discontinued operations	**(19.3)**
Significant items from group results	**15.6**

Balance Sheet & Cashflow

Balance Sheet

A$ millions	JUN-22	JUN-21	Change
Working capital*	71.0	81.4	(10.4)
Net bank debt*	20.4	51.0	(30.6)
Net debt*	23.6	51.0	(27.4)
Gearing*	4.3x	1.5x	2.8x

Cash Management

A$ millions	FY22	FY21	Change
Operating cash flow*	11.3	48.5	(37.2)
Capital expenditure*	(17.2)	(14.5)	(2.7)
Free cash flow	(1.0)	33.9	(34.9)
Operating cash flow conversion*	47.7%	106.6%	n/m

** Non-IFRS measure as defined in the Appendices Page 22*

Balance Sheet Results

- Focussed working capital reduction at year end, with benefit of Rigid sale driving improvement year on year
- Net debt reduced with sale of Rigid business
- Net debt at 31 December 2021 was $82.1m

Cashflow Results

- Increased capital expenditure due to establishment of new conversion factory in Dandenong South and new print machine at Perfection Packaging. Investment continued relating to ERP implementation costs.

Capital Management

- Pro-Pac's net bank debt increased to $29.4m at 31 August 2022 (30 June 2022: $23.6m)
- Negotiations with Pro-Pac's existing banking group have resulted in covenant waivers for the remainder of FY23, on the condition that $5.0m will be repaid on its syndicated debt facility following the Offer, and a further $5.0m will be paid on an amortised basis from February 2023 to June 2023
- The Board has determined that the most appropriate path forward involves an Equity Raising to partially repay Pro-Pac's syndicated debt facility while the Company focuses on stabilising its operations and restoring the profitability of the business back towards its underlying potential
- Pro-Pac will partially repay its syndicated debt facility and retain its overdraft facility for the purposes of financing short term liquidity and other forms of bank support

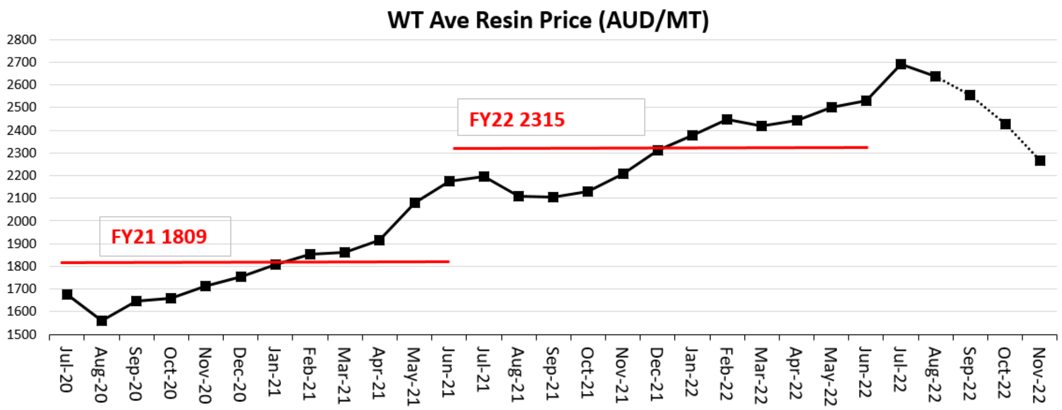
Dividend

- No dividend has been declared for the 2022 year.

Flexibles Packaging

A$ millions	FY22	FY21	Change
Revenue	279.5	260.0	7.5%
EBIT	(0.7)	22.2	(103.0%)
PBT*	(2.7)	19.9	(113.4%)
PBT margin*	(1.0%)	7.7%	(860 bps)

** Non-IFRS measure as defined in the Appendices Page 22, Post AASB-16*



Result Headlines

- Revenue increase of $19.4m driven by increased price of $9.2m and volume $10.2m
- PBT decrease of $22.6m due to increased raw material costs of $27.3m, increased freight and distribution costs of $4.7m and increased overheads $3.2m which include increased fixed costs from the new conversion factory at Monash road, Dandenong South

Industrial Specialty Packaging

A$ millions	FY22	FY21	Change
Revenue	124.4	112.2	11.0%
EBIT	1.6	(0.4)	(511.7%)
PBT*	1.0	(1.3)	(176.4%)
PBT margin*	0.8%	(1.1%)	190 bps

** Non-IFRS measure as defined in the Appendices Page 22, post AASB-16*

Result Headlines

- Revenue increase primarily due to Source and Sell increased revenue
- Margin improvement due to more favourable product mix and price recovery

Rigid Packaging (Discontinued Operations)

A$ millions	FY22	FY21	Change
Revenue	63.0	68.0	(7.2%)
EBIT	4.5	5.1	(12.3%)
PBT*	3.9	4.5	(12.9%)
PBT margin*	6.1%	6.5%	(40 bps)

- *Non-IFRS measure as defined in the Appendices Page 22, Post AASB-16*

- This business has been sold on 24 June 2022

Senior Management Changes

Jonathan Ling	Executive Chairman
Darren Brown	Chief Financial Officer
John Cerini	Executive General Manager Flexibles Division

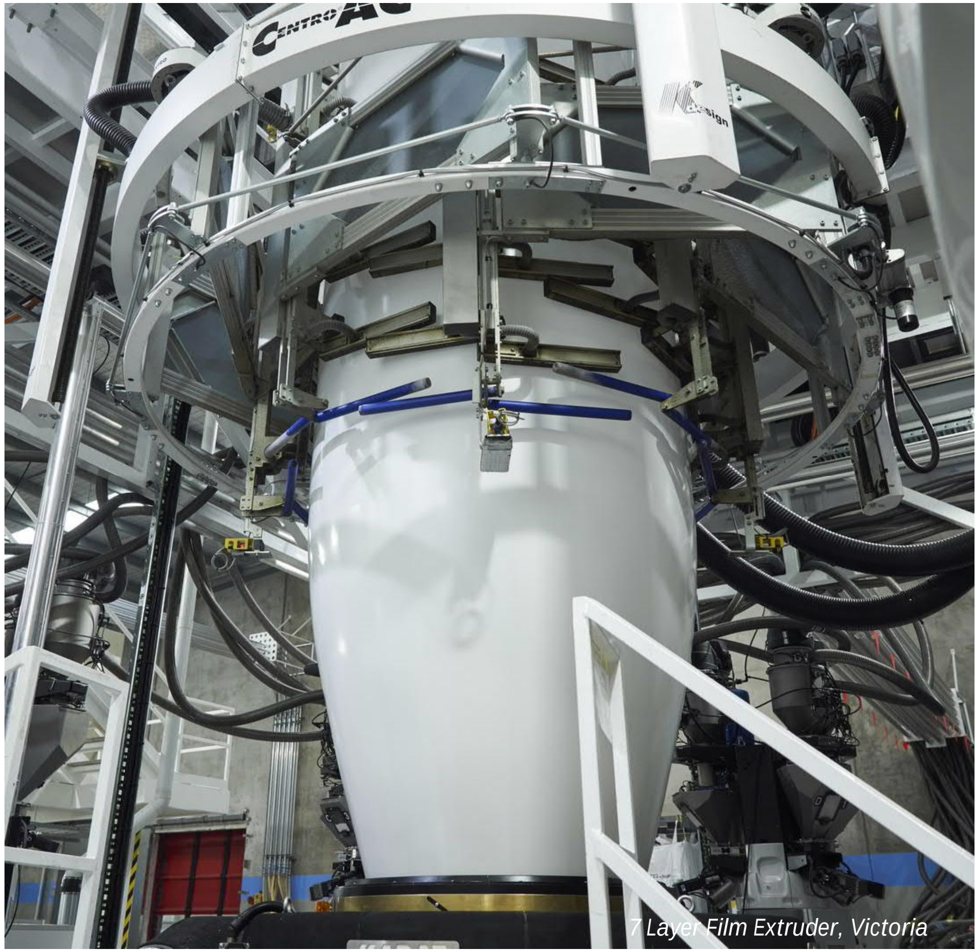
Key Growth Initiatives

- Improving performance in the newly established Printing and Conversion facilities in Dandenong, particularly in regard to machine and labour efficiency
- Improving performance and effectiveness of our new ERP system in the sites where commissioning has occurred before rolling out to additional sites
- Generating revenue growth and expected returns from recently installed growth investments:
  - 7-layer extruder at Reservoir factory
  - 8 colour printer at Dandenong
  - New capacity at Regency Park
  - New laminator at Dandenong

Key priorities & outlook

FY23 Outlook

- Our key priority is to return the Flexibles business back to the profitability it achieved in FY21 and to reduce our corporate overheads.
- We expect that resin costs will continue to stabilise albeit at record high levels. We also expect that cost increases across most spend categories will continue and, in particular energy costs.
- Our focus will be on optimising margin through sell prices and cost management, reducing our corporate overheads and improving factory efficiencies to restore profitability in the FY23 year.



7 Layer Film Extruder, Victoria

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 the Group for FY22 is shown in the table below:

	FY22			FY21		
A$ millions	Pre-AASB 16	Adopt AASB 16	Post-AASB 16	Pre-AASB 16	Adopt AASB 16	Post-AASB 16
Revenue from contracts with customers	467.0	-	467.0	440.1	-	440.1
Operating expenditure	(456.4)	13.0	(443.4)	(407.0)	12.3	(394.7)
EBITDA*	10.6	13.0	23.6	33.2	12.3	45.5
Depreciation and amortisation expense	(8.6)	(10.7)	(19.3)	(8.6)	(11.5)	(20.2)
EBIT*	2.0	2.3	4.3	24.5	0.8	25.3
Finance costs, net	(3.9)	(3.3)	(7.2)	(2.7)	(3.8)	(6.5)
PBT*	(1.9)	(1.0)	(2.9)	21.8	(3.0)	18.8
Significant items	(15.6)	-	(15.6)	(7.6)	-	(7.6)
Profit before income tax	(17.6)	(1.0)	(18.6)	14.2	(3.0)	11.2

** Non-IFRS measure as defined in the Appendices Page 22*

George
Leading Warehouse Storeman

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 Continuing Operations for FY22 is shown in the table below:

	FY22			FY21		
A$ millions	Pre-AASB 16	Adopt AASB 16	Post-AASB 16	Pre-AASB 16	Adopt AASB 16	Post-AASB 16
Revenue from contracts with customers	403.9	-	403.9	372.2	-	372.2
Operating expenditure	(398.4)	10.4	(388.0)	(345.7)	10.5	(335.2)
EBITDA*	5.5	10.4	15.9	26.4	10.5	37.0
Depreciation and amortisation expense	(7.5)	(8.6)	(16.1)	(7.3)	(9.5)	(16.8)
EBIT*	(2.0)	1.8	(0.2)	19.1	1.0	20.2
Finance costs, net	(3.9)	(2.7)	(6.6)	(2.7)	(3.1)	(5.8)
PBT*	(5.9)	(0.9)	(6.8)	16.5	(2.1)	14.4
Significant items	(34.9)	-	(34.9)	(7.3)	-	(7.3)
Profit before income tax	(40.8)	(0.9)	(41.8)	9.2	(2.1)	7.0

** Non-IFRS measure as defined in the Appendices Page 22*

George
Leading Warehouse Storeman

Reconciliations

Reconciliation to EBIT* & EBITDA* for the Group

A$ millions	FY22 Pre-AASB 16	FY22 Adopt AASB 16	FY22 Post-AASB 16	FY21 Pre-AASB 16	FY21 Adopt AASB 16	FY21 Post-AASB 16
Profit/(loss) before tax	(17.6)	(1.0)	(18.6)	14.2	(3.0)	11.2
Add: significant items	15.6	-	15.6	7.6	-	7.6
Add: finance costs	4.0	3.3	7.3	2.9	3.8	6.7
Less: interest income	(0.1)	-	(0.1)	(0.2)	-	(0.2)
EBIT*	2.0	2.3	4.3	24.5	0.8	25.3
Add: depreciation and amortisation	8.6	10.7	19.3	8.6	11.5	20.2
EBITDA*	10.6	13.0	23.6	33.2	12.3	45.5

Reconciliation to NPAT* for the Group

A$ millions	FY22 Pre-AASB 16	FY22 Adopt AASB 16	FY22 Post-AASB 16	FY21 Pre-AASB 16	FY21 Adopt AASB 16	FY21 Post-AASB 16
Profit/(loss) after tax	(25.2)	(0.7)	(25.9)	10.0	(2.1)	7.8
Add: significant items	15.6	-	15.6	7.6	-	7.6
Less: income tax on significant items	2.8	-	2.8	(2.3)	-	(2.3)
NPAT*	(6.7)	(0.7)	(7.4)	15.3	(2.1)	13.2

** Non-IFRS measure as defined in the Appendices Page 22*

Robotic Palletising

Reconciliations

Reconciliation to EBIT* & EBITDA* for Continuing Operations

A$ millions	FY22 Pre-AASB 16	FY22 Adopt AASB 16	FY22 Post-AASB 16	FY21 Pre-AASB 16	FY21 Adopt AASB 16	FY21 Post-AASB 16
Profit/(loss) before tax	(40.8)	(0.9)	(41.8)	9.2	(2.1)	7.0
Add: significant items	34.9	-	34.9	7.3	-	7.3
Add: finance costs	4.0	2.7	6.7	2.9	3.1	6.0
Less: interest income	(0.1)	-	(0.1)	(0.2)	-	(0.2)
EBIT*	(2.0)	1.8	(0.2)	19.1	1.0	20.2
Add: depreciation and amortisation	7.5	8.6	16.1	7.3	9.5	16.8
EBITDA*	5.5	10.4	15.9	26.4	10.5	37.0

Reconciliation to NPAT* for Continuing Operations

A$ millions	FY22 Pre-AASB 16	FY22 Adopt AASB 16	FY22 Post-AASB 16	FY21 Pre-AASB 16	FY21 Adopt AASB 16	FY21 Post-AASB 16
Profit/(loss) after tax	(41.4)	(0.7)	(42.1)	6.4	(1.5)	4.9
Add: significant items	34.9	-	34.9	7.3	-	7.3
Less: income tax on significant items	(3.0)	-	(3.0)	(2.2)	-	(2.2)
NPAT*	(9.5)	(0.7)	(10.1)	11.6	(1.5)	10.1

** Non-IFRS measure as defined in the Appendices Page 22*

Robotic Palletising

Reconciliations

Reconciliation to Operating Cash Flow* for the Group

A$ millions	FY22 Pre-AASB 16	FY22 Adopt AASB 16	FY22 Post-AASB 16	FY21 Pre-AASB 16	FY21 Adopt AASB 16	FY21 Post-AASB 16
Net cash flows from operating activities	(3.1)	9.7	6.5	18.9	8.5	27.4
Add: income tax paid	0.9	-	0.9	1.8	-	1.8
Add: significant items paid/(received), net	(3.1)	-	(3.1)	13.1	-	13.1
Add: interest paid	3.7	3.3	7.0	2.6	3.8	6.4
Less: interest received	(0.1)	-	(0.1)	(0.2)	-	(0.2)
Operating cash flow*	(1.7)	13.0	11.3	36.2	12.3	48.5
EBITDA	10.6	13.0	23.6	33.2	12.3	45.5
Operating cash flow conversion	(16.8)%	100%	47.7%	109.1%	100%	106.6%

** Non-IFRS measure as defined in the Appendices Page 22*

Reconciliations

Reconciliation to Operating Cash Flow* for Continuing Operations

A$ millions	FY22 Pre-AASB 16	FY22 Adopt AASB 16	FY22 Post-AASB 16	FY21 Pre-AASB 16	FY21 Adopt AASB 16	FY21 Post-AASB 16
Net cash flows from operating activities	0.1	7.7	7.8	11.9	7.4	19.2
Add: income tax paid	0.9	-	0.9	1.8	-	1.8
Add: significant items paid/(received), net	(3.9)	-	(3.9)	12.8	-	12.8
Add: interest paid	3.7	2.7	6.4	2.6	3.1	5.7
Less: interest received	(0.1)	-	(0.1)	(0.2)	-	(0.2)
Operating cash flow*	0.7	10.4	11.1	28.8	10.5	39.3
EBITDA	5.5	10.4	15.9	26.4	10.5	36.9
Operating cash flow conversion	13.2%	100%	70.0%	109.0%	100%	106.5%

** Non-IFRS measure as defined in the Appendices Page 22*

Mahesh
Operations Manager

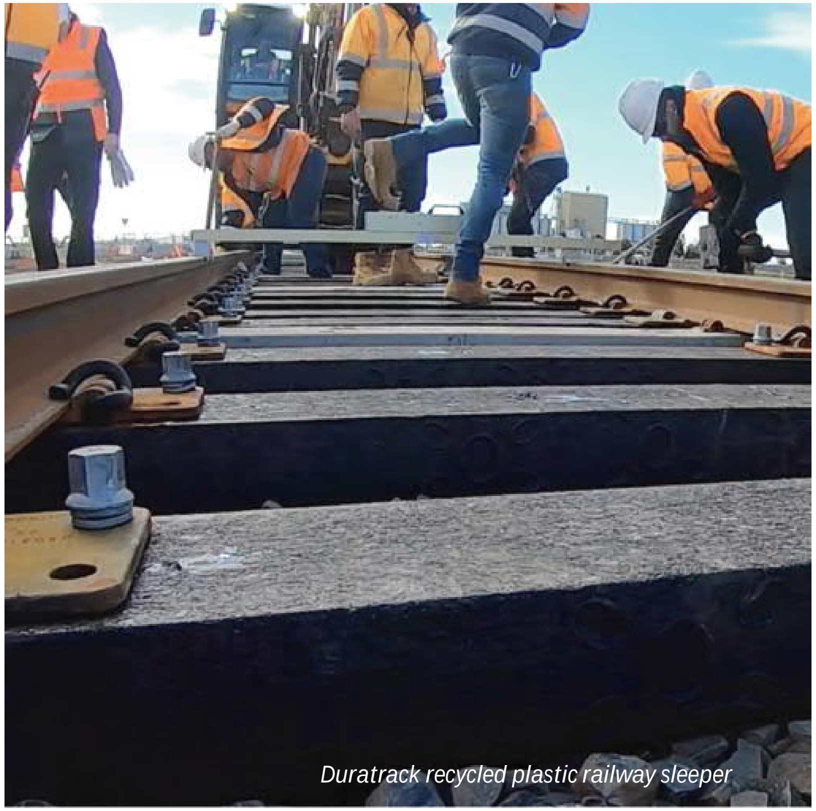
Reconciliations

Reconciliation to Gearing* for the Group

A$ millions	JUN-22	JUN-21
LTM EBITDA* (Post AASB 16)	23.6	45.5
Less: Adjustment for AASB 16 Leases	(13.0)	(12.3)
LTM Adjusted EBITDA* (pre-AASB 16)	10.6	33.2
Borrowings	25.0	58.9
Less: cash and cash equivalents	(1.3)	(7.9)
Net debt*	23.6	51.0
Gearing*	2.2x	1.5x

Reconciliation to Gearing* for Continuing Operations

A$ millions	JUN-22	JUN-21
LTM EBITDA* (Post AASB 16)	15.9	36.9
Less: Adjustment for AASB 16 Leases	(10.4)	(10.5)
LTM Adjusted EBITDA* (pre-AASB 16)	5.5	26.4
Borrowings	25.0	58.9
Less: cash and cash equivalents	(1.3)	(7.9)
Net debt*	23.6	51.0
Gearing*	4.3x	1.9x



Duratrack recycled plastic railway sleeper

Reconciliations

Reconciliation of Significant Items* for the Group

A$ millions	FY22 Pre-AASB 16	FY22 Adopt AASB 16	FY22 Post-AASB 16	FY21 Pre-AASB 16	FY21 Adopt AASB 16	FY21 Post-AASB 16
Rigid divestment gain, less associated costs	(19.3)	-	(19.3)	-	-	-
Goodwill impairment	25.0	-	25.0	-	-	-
Integration and restructuring costs	7.3	-	7.3	4.1	-	4.1
Chester Hill closure program	1.4	-	1.4	5.4	-	5.4
Source and sell closure costs	1.0	-	1.0	-	-	-
Indemnifiable losses	0.2	-	0.2	(1.8)	-	(1.8)
Significant items before income tax	15.6	-	15.6	7.6	-	7.6
Income tax (expense)/benefit	2.8	-	2.8	(2.3)	-	(2.3)
Significant items after income tax	18.5	-	18.5	5.3	-	5.3
Payments in relation to significant items	7.1	-	7.1	14.9	-	14.9
Receipts from in relation to significant items	(10.2)	-	(10.2)	(1.8)	-	(1.8)
Significant items paid/(received), net	(3.1)	-	(3.1)	13.1	-	13.1

** Non-IFRS measure as defined in the Appendices Page 22*

Fillor
Extrusion Team Leader

Reconciliations

Reconciliation of Significant Items* for Continuing Operations

A$ millions	FY22 Pre-AASB 16	FY22 Adopt AASB 16	FY22 Post-AASB 16	FY21 Pre-AASB 16	FY21 Adopt AASB 16	FY21 Post-AASB 16
Goodwill impairment	25.0	-	25.0	-	-	-
Integration and restructuring costs	7.3	-	7.3	3.8	-	3.8
Chester Hill closure program	1.4	-	1.4	5.4	-	5.4
Source and sell closure costs	1.0	-	1.0	-	-	-
Indemnifiable losses	0.2	-	0.2	(1.8)	-	(1.8)
Significant items before income tax	34.9	-	34.9	7.3	-	7.3
Income tax (expense)/benefit	(3.0)	-	(3.0)	(2.2)	-	(2.2)
Significant items after income tax	32.0	-	32.0	5.1	-	5.1
Payments in relation to significant items	6.3	-	6.3	14.6	-	14.6
Receipts from in relation to significant items	(10.2)	-	(10.2)	(1.8)	-	(1.8)
Significant items paid/(received), net	(3.9)	-	(3.9)	12.8	-	12.8

** Non-IFRS measure as defined in the Appendices Page 22*

Fillor
Extrusion Team Leader

Definitions of Non-IFRS Financial Measures

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

FY21 means the full year (12 months) ended 30 June 2021

FY22 means the full year (12 months) ended 30 June 2022

Adjusted EBITDA means EBITDA before AASB 16 Leases for the last 12-months, adjusted for material acquisitions or disposals

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

EBIT refers to PBT before finance costs and interest income

EBIT margin is calculated as EBIT divided by revenue

EBITDA means profit/(loss) before significant items, depreciation and amortisation, finance costs, interest income and income taxes

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

PBT margin is calculated as PBT 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 borrowings, less cash and cash equivalents

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

Operating cash flow is defined as net cash flows from operating activities, plus payment for significant items, income taxes paid and net interest paid

Free cash flow represents operating cash flow, less capital expenditure

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

ROI refers to return on investment

Working capital refers to trade and other receivables, inventories, deposits and prepayments, less trade and other payables

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Pinakin
Lamination Operator