

## **Quarterly Activities Report and Appendix 4C**

### **For the Quarter Ended 30 September 2022**

Pro-Pac Packaging Limited (ASX:PPG, “PPG” or “the Company” or “the Group”) provides the following update on its activities for the quarter ended 30 September 2022.

#### **Summary**

- Proceeds received from the rights issue during the quarter of \$22.9 million, with the first \$5.0 million being used to repay amounts outstanding under the syndicated debt facility
- Cash flows from operating activities for the quarter were an outflow of \$6.7 million, which is in line with trading expectations given the reduction in trade creditors utilising funds from the rights issue proceeds, GST payment for the sale of the Rigid business, offset by positive working capital realisation from the exit of the Rigid and Source and Sell businesses
- \$14.5 million of unused facilities available as at 30 September 2022. Cash on hand as at 30 September 2022 was \$9.3 million resulting in total available funding of \$23.8 million

#### **Quarterly Activities**

##### Rights Issue

During the quarter ending 30 September 2022, the Company announced a pro-rata accelerated renounceable entitlement offer of new ordinary shares in the Group to eligible existing shareholders, comprising an accelerated institutional rights issue and a retail rights issue, expected to raise gross proceeds of \$30.2 million.

On 7 September 2022 the institutional component of the entitlement offer successfully completed, with \$22.9 million being received by the Company in the quarter ended 30 September 2022.

On 10 October 2022 the retail component of the entitlement offer successfully completed.

##### Source and Sell

During the quarter ended 30 September 2022, the Company entered into an agreement to transfer future sale and purchase contracts in relation to the Source and Sell business (which is part of Industrial segment) to Rank Sharp Industries Limited. The Company’s related employees and their entitlements were also transferred. The extended working capital cycle of the Source and Sell business resulted in the business being considered non-core to the Group.

### Revenue performance

The Group's revenue of \$94.0 million for the 3 months ending 30 September 2022 is set out below:

<b>Revenue by operating segment</b>	<b>Q1 FY23 \$m</b>	<b>%</b>
Flexibles	72.5	77.1
Industrial	21.5	22.9
<b>Total</b>	<b>94.0</b>	<b>100.0</b>

### Appendix 4C: Item 6 – Payments to related parties

Payments to related parties, and their associates for the quarter ending 30 September 2022 totalled \$1,414,965, comprising:

- Remuneration of \$385,688 paid to key management personnel, in their capacity as Directors and Executive;
- Purchases of \$1,029,277 for goods and services from Pact Group Limited, as the ultimate parent of the Pro-Pac Group has significant influence over Pact Group Limited by virtue of its share ownership in, and representation on the Board of Directors of Pact Group Limited. Consequently, Pact Group Limited is a related party of the Group.

Purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions.

### Appendix 4C: Item 7.6 – Details of Financing Facilities

As at 30 September 2022 the Group's financing facilities comprised \$22.5 million syndicated debt facility and \$10.0 million bank overdraft, expiring on 31 July 2023, as well as standby credit arrangements totalling \$6.3 million. As at 30 September 2022 the Group had drawn down \$24.3 million (undrawn: \$14.5 million) under the Facilities.

In the quarter ending 30 September 2022, the Company repaid \$5.0 million of the syndicated debt facility with proceeds received from the rights issue. Additionally, the Company has undertaken to make amortising payments of \$1.0 million per month for the period 28 February 2023 to 30 June 2023.

Bank loans are secured by first ranking registered equitable mortgage over the Company and controlled entities and cross-interlocking guarantees from the Company and controlled entities.

The group has agreed, on a best endeavours basis, to recapitalise the business financing facilities and repay all amounts outstanding under the syndicated debt facility by no later than 14 November 2022. The Group is well advanced in its process with alternative financiers to secure replacement financing facilities for the business, with an expectation of completion within the second quarter for FY2023.

At 30 September 2022, the Group had unrestricted access to the following lines of credit:

	Facility Currency	Maturity Date	Interest Rate	Total Facility	Utilised as at 30 September 2022	Repayments due within 1 year
<b>Secured Facilities</b>			%	A\$'000	A\$'000	A\$'000
ANZ Syndicated Facility Agreement - A1*	NZD	31/07/2023	7.90%	2,542	2,100	2,100
ANZ Syndicated Facility Agreement - C1*	AUD	31/07/2023	7.11%	15,000	15,000	15,000
ANZ Syndicated Facility Agreement - C1*	NZD	31/07/2023	7.90%	5,000	4,389	4,389
ANZ Interchangeable Letters of Credit and Bank Guarantees	AUD	Various	n/a	3,945	1,671	801
HSBC Interchangeable Bank Guarantees	USD	Various	n/a	1,155	1,155	675
ANZ Bank Overdraft	AUD	31/07/2023	7.11%	10,000	-	-
<b>Total Facilities as at 30 September 2022</b>				<b>37,642</b>	<b>24,757</b>	<b>23,407</b>

\* The group has agreed, on a best endeavours basis, to recapitalise the business financing facilities and repay all amounts outstanding under the syndicated debt facility by no later than 14 November 2022. In the event of full repayment not being made, the Group has undertaken to make amortising payments of \$1.0 million per month for the period 28 February 2023 to 30 June 2023.

This announcement has been authorised for release by the Board of Directors.

**For further information, please contact:**

**Investors:**

Jonathan Ling  
Chairman

Email: [investors@ppgaust.com.au](mailto:investors@ppgaust.com.au)

Tel: + 61 3 9474 4222

John Cerini

CEO & Managing Director

Email: [investors@ppgaust.com.au](mailto:investors@ppgaust.com.au)

Tel: +61 3 9474 4222

**About Pro-Pac:**

Pro-Pac Packaging Limited (ASX: PPG) is an innovative Flexibles and Industrial Specialty Packaging company with a diversified distribution and manufacturing network throughout Australia and New Zealand. Headquartered in Melbourne, Pro-Pac delivers bespoke packaging solutions for a broad group of blue-chip and SME clients in the industrial, food and beverage, health, agriculture and manufacturing sectors. For further information, please visit [www.ppgaust.com.au](http://www.ppgaust.com.au)

## Appendix 4C

### Quarterly cash flow report for entities subject to Listing Rule 4.7B

**Name of entity**

Pro-Pac Packaging Limited

**ABN**

36 112 971 874

**Quarter ended ("current quarter")**

30 September 2022

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>			
1.1 Receipts from customers		93,494	93,494
1.2 Payments for			
(a) research and development		(36)	(36)
(b) product manufacturing and operating costs		(60,986)	(60,986)
(c) advertising and marketing		-	-
(d) leased assets		(475)	(475)
(e) staff costs		(24,111)	(24,111)
(f) administration and corporate costs		(13,410)	(13,410)
1.3 Dividends received (see note 3)		-	-
1.4 Interest received		11	11
1.5 Interest and other costs of finance paid		(1,131)	(1,131)
1.6 Income taxes paid		-	-
1.7 Government grants and tax incentives		-	-
1.8 Other (provide details if material)		-	-
<b>1.9 Net cash from / (used in) operating activities</b>		<b>(6,664)</b>	<b>(6,664)</b>
<b>2. Cash flows from investing activities</b>			
2.1 Payments to acquire or for:			
(a) entities		-	-
(b) businesses		-	-
(c) property, plant and equipment		(2,156)	(2,156)
(d) investments		-	-
(e) intellectual property		(651)	(651)
(f) other non-current assets		-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(2,807)</b>	<b>(2,807)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	23,583	23,583
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(688)	(688)
3.5	Proceeds from borrowings	3,799	3,799
3.6	Repayment of borrowings	(7,598)	(7,598)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (repayment of Lease Liability)	(1,572)	(1,572)
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>17,524</b>	<b>17,524</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	1,322	1,322
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(6,644)	(6,644)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2,807)	(2,807)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	17,524	17,524
4.5	Effect of movement in exchange rates on cash held	(77)	(77)
4.6	<b>Cash and cash equivalents at end of period</b>	<b>9,318</b>	<b>9,318</b>

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	9,318	1,322
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>9,318</b>	<b>1,322</b>

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	1,415
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

<b>7.</b>	<b>Financing facilities</b> <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1	Loan facilities		
	(a) Loan facilities – ANZ Syndicated Funding Agreement (A1)	2,542	2,100
	(b) Loan facilities – ANZ Syndicated Funding Agreement (C1)	20,000	19,389
7.2	Credit standby arrangements		
	(a) Interchangeable Letters of Credit and Bank Guarantees – ANZ	5,100	1,671
	(b) Interchangeable Bank Guarantees - HSBC	1,155	1,155
7.3	Other (Bank Overdraft - ANZ)	10,000	-
7.4	<b>Total financing facilities</b>	<b>38,797</b>	<b>24,315</b>
7.5	<b>Unused financing facilities available at quarter end</b>		<b>14,482</b>
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
	Details included in the Quarterly Activities Report		

<b>8.</b>	<b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1	Net cash from / (used in) operating activities (item 1.9)	(6,644)
8.2	Cash and cash equivalents at quarter end (item 4.6)	9,318
8.3	Unused finance facilities available at quarter end (item 7.5)	14,482
8.4	Total available funding (item 8.2 + item 8.3)	<b>23,800</b>
8.5	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	<b>3.58</b>
	<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
	8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	Answer: n/a	

8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: n/a

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: n/a

*Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.*

## Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 28 October 2022



Authorised by: .....  
John Cerini – CEO & Managing Director

## Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.