2024 Half Year Results

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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 flexible packaging business that is focused on using its manufacturing and investment expertise to capitalise on key industry trends including innovation and sustainability, to provide total packaging solutions protecting and enhancing products relied on by our customers.

Flexibles

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

Specialty Packaging

- Distributes high performance packaging and combines this with personalized service from its national network of distribution centres
- Focused on innovative solutions for the food & beverage and industrial industry sectors

Safety Performance

- LTIFR at 8.31 (FY23: 10.96)
- As we continue our safety journey and increasing our safety awareness across the business, the LTIFR continues to improve with reduced injuries resulting in loss time for the business.
- TRIFR at 21.24 (FY23: 21.01)
- TRIFR remains constant, however we anticipate it to improve as we continue to implement robust actions to prevent similar injuries from recurring.
- Pro Pac Group has reviewed its Risk Management Framework, increased our resources, reassessed its risk profile and risk mitigation approach to achieving a cohesive and aligned safety culture

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

Strategy

- Continue to improve our safety performance by achieving a cohesive and aligned safety culture
- Improve operational efficiencies across the Australia and New Zealand operations
- Build on the improved service quality, delivery and the ease of doing business
- Drive business development and sales growth with new and existing customers
- Invest for the future through the development of sustainable products in the recycling of soft plastics

Group Financial Results

Group Financial Performance

Continuing Operations

A$ million	1H24	1H23	Change
Statutory results:			
Revenue	158.9	183.3	(24.4)
Profit/(loss) after tax	(6.9)	(4.9)	(2.0)
Operating results:			
EBITDA pre-AASB 16	1.2	(0.8)	2.0
EBIT	(2.6)	(3.7)	1.1
PBT*	(5.5)	(6.2)	0.7
PBT Margin*	(3.5%)	(3.4%)	0.1
Significant items	-	(0.3)	0.3

Group (inc. Divested Businesses)

A$ million	1H24	1H23	Change
Statutory results:			
Revenue	158.9	185.5	(26.6)
Profit/(loss) after tax	(6.9)	(5.7)	(1.2)

* Non-IFRS measure as defined in the Appendices Page 20

Results Headlines

- Revenue decreased 13.3% to $158.9 million (1H23: $183.3 million) during the half-year partly reflecting the impact of pass through of lower raw material costs (primarily resin costs) to customers as a result of price adjustment mechanisms built into contracts.
- Sales volumes were lower compared to prior period with difficult trading conditions on the back of reduced consumer spending patterns in the marketplace and the current weather conditions in both Australia and New Zealand are having an impact on our agricultural volumes.
- Benefits of cost reduction programs completed in the prior period saw EBITDA pre-AASB 16 from continuing operations improve during the half-year to a profit of $1.2m from a loss of $0.8m in 1H23.
- Significant items were nil in the current half-year.

Balance Sheet

Balance Sheet

A$ million	DEC-23	JUN-23	Change
Working capital*	76.3	72.3	4.0
Net debt*	(22.9)	(15.0)	(7.9)
Other net assets	74.4	78.5	(4.1)
Net assets	127.8	135.8	(8.0)
Share capital	320.5	320.5	-
Other equity	(192.7)	(184.7)	(8.0)

* Non-IFRS measure as defined in the Appendices Page 20

Balance Sheet Results

Working capital increased by $4.0 million during the half-year:

- Receivables – increase of $1.0 million or 1%;
- Inventories – decrease of $2.7 million predominantly due to a reduction in raw materials; and
- Trade payables – decrease of $5.7 million following a reduction in inventory and the reduced activity in December compared to June as a result of destocking throughout the supply chain.

The increased working capital, along with capital investment resulted in net debt increasing from $15.0 million to $22.9 million (excludes government grant of $5.6 million (June 23: $6.1 million)).

Cashflow

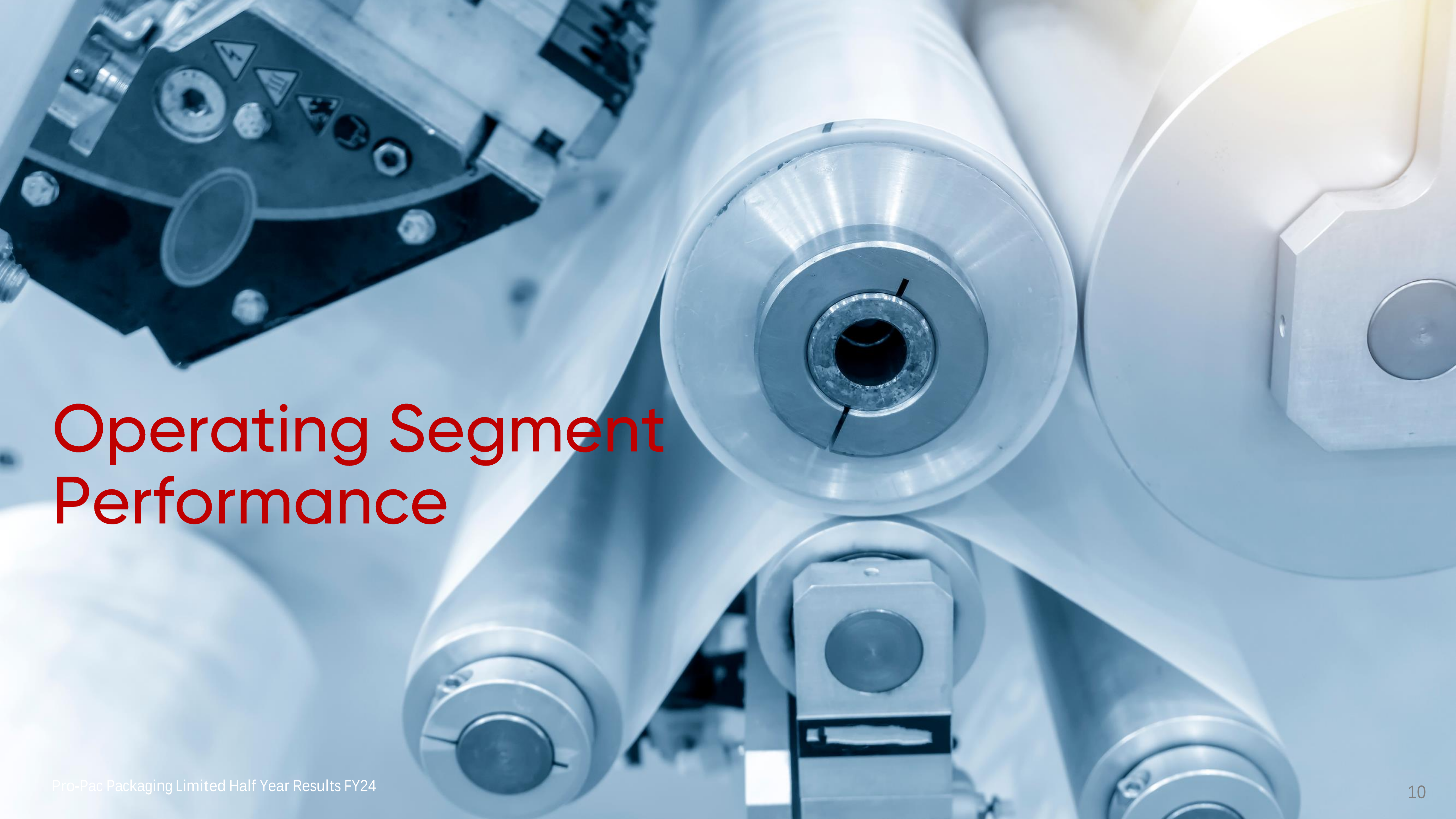
Cash Management

A$ millions	1H24	1H23	Change
Net cash flows from operating activities	0.9	(15.5)	16.4
Net cash flows from investing activities	(4.9)	(2.0)	(2.9)
Net cash flows from financing activities	(1.8)	19.3	(21.1)
Net increase/(decrease) in cash	(5.8)	1.8	(7.6)

* Non-IFRS measure as defined in the Appendices Page 20

Cashflow Results

- The Group has returned to more normalised levels of cash flows compared to the prior period which included the completion of a rights issue which raised net proceeds of $28.3 million.
- Cash flows from operating activities were an inflow of $0.9 million, compared to an outflow of $15.5 million in the corresponding period (which included the realignment of payables).
- Cash flows from investing activities was an outflow of $4.9 million which included:
  - $2.6 million of payments for a new printing press, which became operational in Q3FY24; and
  - $1.4 million (December 2022: $1.3 million) spent on the development of the new ERP system.



Operating Segment Performance

Flexibles

A$ million	1H24	1H23	Change
Revenue	124.5	143.4	(18.9)
EBITDA pre-AASB 16	1.3	0.0	1.3
EBIT	(2.2)	(2.9)	0.7

* Non-IFRS measure as defined in the Appendices Page 20, Post AASB-16

Result Headlines

- Revenue decreased by 13.2% to $124.5 million (2022: $143.4 million) reflecting the impact of pass through of lower raw material costs (primarily resin costs) to customers as a result of price adjustment mechanisms built into contracts.
- Volumes were lower compared to prior period with difficult trading conditions on the back of reduced consumer spending patterns in the marketplace.
- The EBITDA pre-AASB 16 performance was improved on the prior period with the benefit of cost reduction programs which were taken in the corresponding period.

Specialty Packaging

A$ millions	1H24	1H23	Change
Revenue	34.4	39.9	(5.5)
EBITDA pre-AASB 16	0.6	0.6	-
EBIT	0.4	0.6	(0.2)

* Non-IFRS measure as defined in the Appendices Page 20, post AASB-16

Result Headlines

- Revenue decreased by 13.8% to $34.4 million (1H23: $39.9 million) as a result of the impact of difficult trading conditions and product rationalisation to better align with targeted market segments.
- The EBITDA pre-AASB 16 performance was in line with last year despite a decrease in volumes for the business as the business exited non-core segments and concentrated on cost reduction and margin improvement.

Investing in the Circular Economy

- PPG has committed to becoming an industry leader in the recycled plastics and circular economy through the development of a soft plastics recycling facility.
- The Company has been awarded a grant of $13.9m to build a $30m+ facility, targeted to complete in Q4FY25. The first instalment of the grant of $5.6 million was received in 2023.
- The grant was received from the Federal Government's Modern Manufacturing Initiative to establish a soft plastic film recycling plant and create a circular economy for the plastic waste through the development of recycled raw materials which can be used in packaging films and products manufactured by PPG and its business partners.
- Kin Group, the Company's major shareholder, has committed to the role of developer of the selected site in Albury. Significant work has been done on preparation of the development application, which is expected to be lodged in the near term, with initial building works beginning Q4FY24.
- The required equipment has been selected after an extensive investigation and tendering process, and agreements entered into with major suppliers.
- Discussions with interested industry collaboration partners is being undertaken to establish a consortium of equity and sponsor parties to optimise the collection of feedstock, processing of waste plastic films and the offtake of manufactured products with recycled content.


No Artificial Colours or Flavours
12 PACKS
4x
ARNOTT'S
mini
JATZ
original
Scotch Finger


SaM's PANTRY
SCORCHED ALMOND
NUT BAR
SALTED CARAMEL
NUT BAR
ROASTED HAZELNUT
PROTEIN BAR
CHOCOLATE BROWNIE
PROTEIN BAR
BLUEBERRY ALMOND


Cobs
NATURAL
POPCORN
SEA SALT


8
MISSION
Wraps
Super Soft


MESSY MONKEYS
CHOCOLATE FLAVOURED
RICE PUFF BAR

OUTLOOK


CC's
Tasty Cheese
Kettle
ORIGINAL
SEA SA
Thins


VIOLET CRUMBLE
It's the way it shatters that matters.


CORN FLAKES
Just Right
NUTRI-GRAIN
Sultana Bran
Origin

FY24 Outlook

- The trading environment remains challenging in a high inflationary market which has impacted consumer buying behaviour.
- Our customer service levels have now been restored at levels which meet and exceed expectations, whilst maintaining a strong focus on reducing costs.
- Recent investments in new equipment, including the new printing press installed in Q3FY24, will allow the business to grow volumes when the market rebounds, without the need for further significant capital spend.
- We continue to work on innovative product offerings, together with our customers, to meet recycled content targets of future Australian Packaging Covenant Organisation (APCO) mandates, which is our strategic priority.
- Our focus on our investment in recycling assisted by the Government Grant, will ensure the business takes an important leadership role in the Plastics Industry around soft plastic recycling and the circular economy. We anticipate further announcements on our partnerships and industry collaboration, but our objective is to be operational by Q4FY25.
- However, given the current trading environment, business remains challenging and volatile.
  - We are experiencing higher operating costs on the back of increased input costs;
  - Market remains soft with low consumer confidence, resulting in subdued volumes in our existing customer base;
  - The current weather conditions in both Australia and New Zealand have had an impact on our agricultural sale volumes;
  - The disruption being caused by the Middle East war is starting to affect logistics and customer sentiment and will negatively impact our export sales to the region.
- In light of this and following a disappointing January result, we expect to be around breakeven EBITDA (pre-AASB 16) for the FY24 year.

Appendices

Reconciliations – Continuing Operations

The impact on the profit or loss for Continuing Operations for 1H24 is shown in the table below:

A$ millions	1H24 Pre-AASB 16	1H24 Adopt AASB 16	1H24 Post-AASB 16	1H23 Pre-AASB 16	1H23 Adopt AASB 16	1H23 Post-AASB 16
Revenue	158.9	-	158.9	183.3	-	183.3
Operating expenditure	(157.7)	5.4	(152.3)	(184.1)	5.0	(179.1)
EBITDA*	1.2	5.4	6.6	(0.8)	5.0	4.2
Depreciation and amortisation expense	(4.6)	(4.6)	(9.2)	(4.0)	(3.9)	(7.9)
EBIT*	(3.4)	0.8	(2.6)	(4.8)	1.1	(3.7)
Finance costs, net	(1.8)	(1.1)	(2.9)	(1.3)	(1.2)	(2.5)
PBT*	(5.2)	(0.3)	(5.5)	(6.1)	(0.1)	(6.2)
Significant items	-	-	-	(0.3)	-	(0.3)
Profit/(loss) before income tax	(5.2)	(0.3)	(5.5)	(6.4)	(0.1)	(6.5)

* Non-IFRS measure as defined in the Appendices Page 20

Reconciliations - Group

The impact on the profit or loss for the Group (continuing and discontinued) for 1H24 is shown in the table below:

A$ millions	1H24 Pre-AASB 16	1H24 Adopt AASB 16	1H24 Post-AASB 16	1H23 Pre-AASB 16	1H23 Adopt AASB 16	1H23 Post-AASB 16
Revenue	158.9	-	158.9	185.5		185.5
Operating expenditure	(157.7)	5.4	(152.3)	(186.4)	4.9	(181.5)
EBITDA*	1.2	5.4	6.6	(0.9)	4.9	4.0
Depreciation and amortisation expense	(4.6)	(4.6)	(9.2)	(3.9)	(3.9)	(7.8)
EBIT*	(3.4)	0.8	(2.6)	(4.8)	1.0	(3.8)
Finance costs, net	(1.8)	(1.1)	(2.9)	(1.3)	(1.2)	(2.5)
PBT*	(5.2)	(0.3)	(5.5)	(6.1)	(0.2)	(6.3)
Significant items	-	-	-	(1.3)	-	(1.3)
Profit/(loss) before income tax	(5.2)	(0.3)	(5.5)	(7.4)	(0.2)	(7.6)

* Non-IFRS measure as defined in the Appendices Page 20

Reconciliations

Reconciliation to net debt

A$ millions	DEC-23	JUN-23
Borrowings	19.8	17.2
Less: cash and cash equivalents	(2.5)	(8.3)
Net Debt*	17.3	8.9
Less: Government grant proceeds	5.6	6.1
	22.9	15.0

Working capital

A$ millions	DEC-23	JUN-23
Trade Receivables	64.8	63.8
Inventory	63.8	66.5
Trade Payables	(52.3)	(58.0)
Working Capital	76.3	72.3

* 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

1H23 means the half year (6 months) ended 31 December 2022
1H24 means the half year (6 months) ended 31 December 2023
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 profit/(loss) before significant items, finance costs, interest income and income taxes
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
EBITDA pre-AASB 16 means EBITDA before AASB 16 Leases
PBT refers to profit/(loss) before significant items and income taxes
PBT margin is calculated as PBT divided by revenue
Net debt leverage ratio 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 and government grant proceeds
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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