2024 Full Year Results

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Pro-Pac Packaging Limited
ABN 36 112 971 874

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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.

Pro-Pac Company Overview

Pro - Pac Group, 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 for a wide range of industries across multiple segments.

We offer a combination of product and service solutions for:-

Primary Packaging

Packaging that touches and/or houses the product (trays, produce bags, wrap, and pouches).

Secondary Packaging

Packaging that contains multiples of the product for shipping (film, cartons, void fill& packaging consumables).

Tertiary Packaging

Packaging that protects and secures the total package(s) during transport (stretch wrap, stretch hoods & protective sheets).

PPG | integrated. PACKAGING | integrated. RECYCLING | Pro-Pac Packaging | PERFECTION PACKAGING

Safety Performance

- The LTIFR has shown an improvement trend throughout FY24 dropping 20% from FY23.

  FY24 LTIFR at 8.77 (FY23: 10.96)

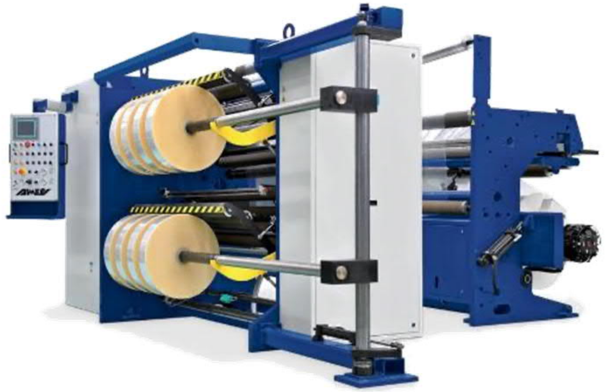
- The TRIFR has also shown an improvement trend throughout FY24, falling by 12% during the period.

  FY24 TRIFR at 18.43 (FY23: 21.01)

- Pro Pac continues to play a proactive role in safety by identifying hazards and risks, managing incidences when they occur with appropriate root cause investigation, and implementing robust actions to prevent similar injuries from recurring.

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

Strategy



- Our key immediate objective is to restore profitability in the business. We are focused on working capital management, product and portfolio profitability, and delivering operational efficiencies at all of our sites.

- We maintain a strong focus on reducing costs and delivering on our promise to improve service, quality, delivery and ease of doing business.

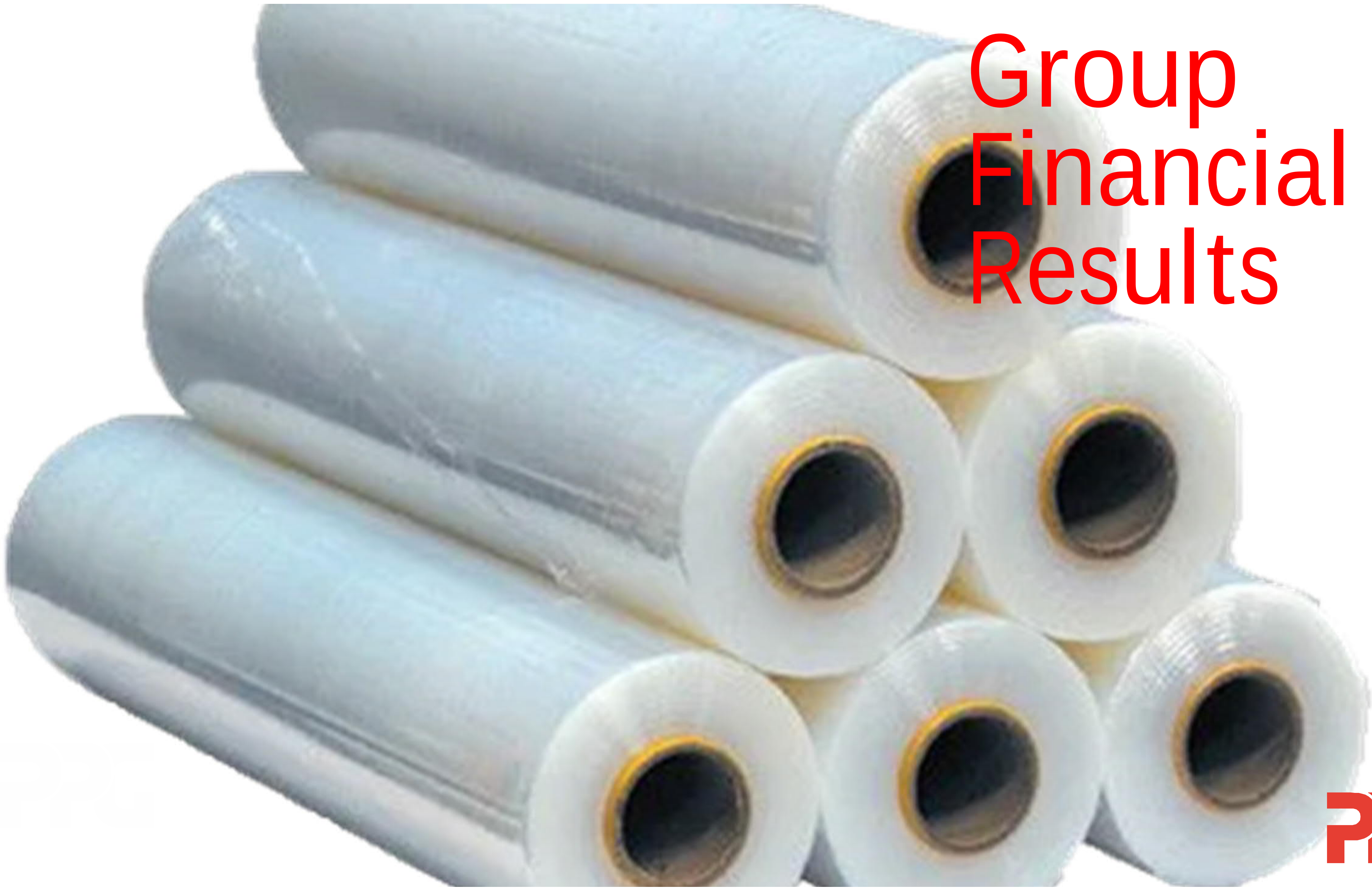
- We are focussed on profitability improvement through aggressive cost reduction programs to reduce headcount by 10% and significantly reduce overhead costs.

- We continue to have a commitment to innovation, sustainability and leadership in soft plastics recycling.

- We plan continued modernisation of our facilities aided by Government Grants.

- We look to achieve organic revenue growth leveraging from our investments in our manufacturing footprint

Group Financial Results



Group Financial Performance

Continuing Operations

A$ million	FY24	FY23	Change
Statutory results:			
Revenue	295.2	339.1	(43.9)
Profit/(loss) after tax	(53.8)	(8.5)	(45.3)
Operating results:			
EBITDA pre-AASB 16	(7.6)	1.1	(8.7)
EBIT	(15.5)	(5.3)	(10.2)
PBT*	(22.1)	(10.6)	(11.5)
*PBT Margin**	(7.5%)	*(3.1%)*	(4.4%)
Significant items	(25.8)	(0.3)	(25.5)

Group (inc. Divested Businesses)

A$ million	FY24	FY23	Change
Statutory results:			
Revenue	295.2	341.3	(46.1)
Profit/(loss) after tax	(53.8)	(10.2)	(43.6)

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

Results Headlines

Revenue decreased 13.0% to $295.2 million (2023: $339.1 million) during the year reflecting the impact of:

- Pass through of lower raw material costs (primarily resin) to customers as a result of price adjustment mechanisms built into contracts.
- Sales to our major customer in the Middle East have materially reduced during second half of the financial year, principally from the continued disruption caused by the Middle East war affecting logistics and customer sentiment;
- Excluding sales to our major customer in the Middle East, Flexibles volumes were impacted 0.5%
- Overall volumes were lower compared to prior period due to exit of non-core market segments in Specialty Packaging, along with difficult trading conditions on the back of reduced consumer spending patterns and the weather conditions in both Australia and New Zealand which have an impact on our agricultural volumes.

EBITDA pre-AASB 16 from continuing operations decreased during the year to a loss of $7.6 million from a profit of $1.1 million in 2023. This is largely due to reduced revenue volumes, including the flow through effect of lower manufacturing cost recoveries.

Pre-tax loss from significant items for the year increased to $25.8 million (2023: $0.3 million), which included a $22.7 million impairment loss and costs relating to business optimisation and one-off asset write downs of $3 million.

Balance Sheet

Balance Sheet

A$ million	JUN-24	JUN-23	Change
Working capital*	62.8	71.1	(8.3)
Net debt*	(27.8)	(15.0)	(12.8)
Other net assets	46.1	79.7	(33.6)
Net assets	81.1	135.8	(54.7)
Share capital	320.5	320.5	-
Other equity	(239.4)	(184.7)	(54.7)

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

Balance Sheet Results

Working capital decreased by $8.3 million during the financial year:

- Receivables – decrease of $4.5 million primarily due to lower revenue in the June period compared to the prior year;
- Inventories – decrease of $1.5 million predominantly due to a reduction in raw material holdings; and
- Trade payables – increase of $2.3 primarily due to receipt of monies in advance for raw materials with shipment to occur in FY25 offset by lower activities in line with reduced revenue volumes.

Net debt increased in the current period from $15.0 million to $27.8 million (excludes government grant of $7.3 million (June 23: $6.1 million)).

Cashflow

Cash Management

A$ millions	FY24	FY23	Change
Net cash flows from operating activities	4.6	(3.0)	7.6
Net cash flows from investing activities	(6.9)	(0.2)	(6.7)
Net cash flows from financing activities	(4.9)	10.2	(15.1)
Net increase/(decrease) in cash	(7.2)	7.0	(14.2)

** 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 $4.6 million, compared to an outflow of $3.0 million in the corresponding period (which included the realignment of payables).
- Cash flows from investing activities was an outflow of $6.9 million which included:
  - $8.4 million of payments for plant and equipment which included a new printing press ($3.9 m) and deposits of $3.2 million for equipment associated with the establishment of a soft plastic film recycling plant;
  - $2.7 million spent on the development of the new ERP system.
  - Additional government grant proceeds of $4.9 million (excl GST) were received and $3.2 million spent during the period (as mentioned above) in association with the recycling plant project (total grant monies received to date $10.5 million (excl GST).

Operating Segment Performance

Flexibles

A$ million	FY24	FY23	Change
Revenue	230.1	265.3	(35.2)
EBITDA pre-AASB 16 before corporate costs	1.9	13.5	(11.6)
Corporate costs	(3.7)	(11.5)	(7.8)
EBITDA pre-AASB 16 after corporate costs	(1.8)	2.0	(3.8)
EBIT	(11.9)	(3.6)	(8.3)

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

Result Headlines

Revenue decreased by 13.3% to $230.1 million (2023: $265.3 million) reflecting:

- Significant loss of volume to our major customer based in the Middle East, down $17.2 million, of which $12 million occurred in the second half of the financial year
- $16.8 million reduction in price as a pass through of lower raw material costs (primarily resin)
- $1.2m or 0.5% impact relating to reduced volume relating to difficult trading conditions on the back of reduced consumer spending patterns and the weather conditions in both Australia and New Zealand which impacted on our agricultural volumes.

The lower revenue volumes also impacted the reduction in profitability during the year to an EBITDA pre-AASB 16 before corporate costs of $1.9 million from $13.5 million in FY23.

Specialty Packaging

A$ million	FY24	FY23	Change
Revenue	65.1	73.8	(8.7)
EBITDA pre-AASB 16 before corporate costs	4.4	4.7	(0.3)
Corporate costs	(8.7)	(4.0)	(4.7)
EBITDA pre-AASB 16 after corporate costs	(4.3)	0.7	(5.0)
EBIT	(2.1)	(0.0)	(2.1)

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

Result Headlines

Revenue decreased by 11.8% to $65.1m (2023: $73.8m) as a result of product rationalisation, the exit of non-core market segments to focus on the distribution of specialty packaging and the impact of reduced customer spending patterns.

The lower revenue volumes also impacted the reduction in profitability, which was offset by improved margins generated by servicing a more profitable product mix. As a result, there was $0.3m or 6.4% decrease in EBITDA pre-AASB 16 before corporate costs.

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 $50m+ facility (including building and development costs), targeted to complete in Q2FY26. The company has received $10.5m in grant funding to date, with $3.2m paid in deposits on equipment.
- 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. A development application has been approved, with building works expected to begin in 1H FY25.
- 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.

Outlook

FY25 Outlook

- The trading environment continues to remain volatile and challenging in a high inflationary market, which has created uncertainty around consumer buying patterns. However, we will continue with the process of restoring customer confidence through better service delivery, and we will undertake aggressive cost reduction programs to restore profitability.

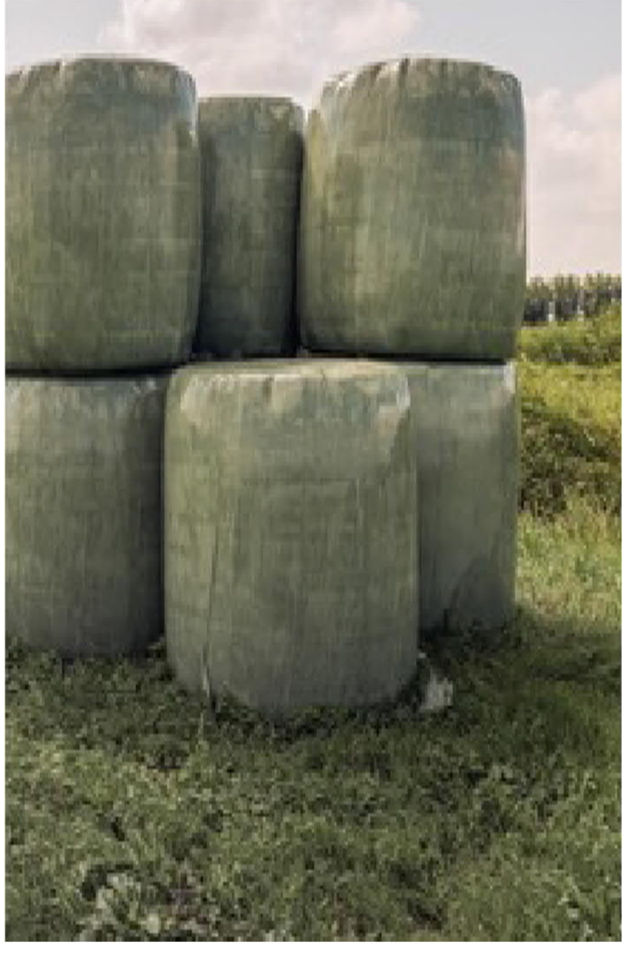
- Our focus on our investment in recycling will ensure the business takes an important leadership role in the Plastics industry around soft plastic recycling and the circular economy.

Appendices

Reconciliations – Continuing Operations

The impact on the profit or loss for Continuing Operations for FY24 is shown in the table below:

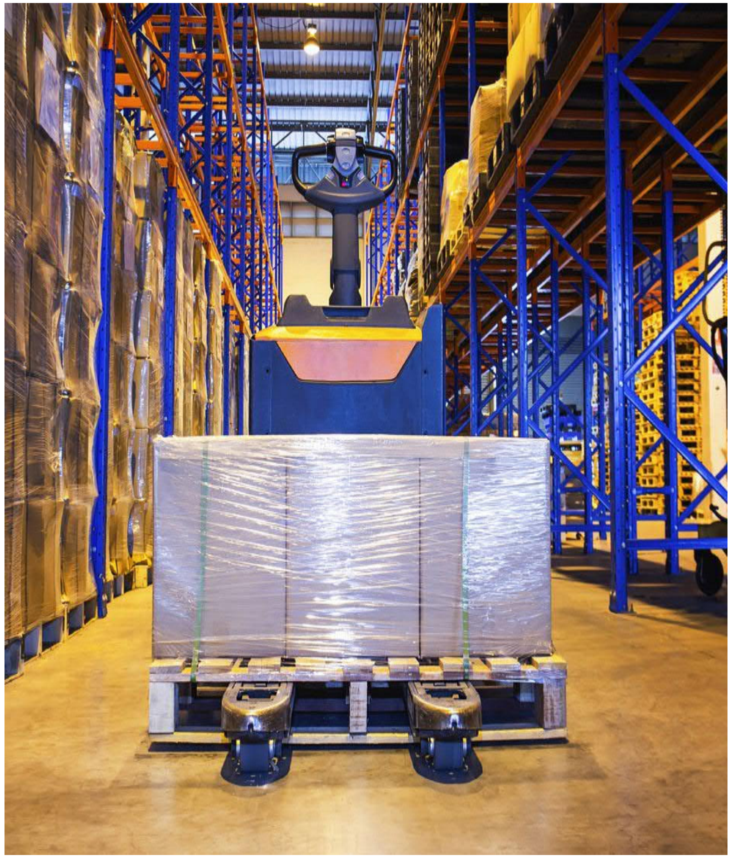
	FY24			FY23		
A$ millions	Pre-AASB 16	Adopt AASB 16	Post-AASB 16	Pre-AASB 16	Adopt AASB 16	Post-AASB 16
Revenue	295.2	-	295.2	339.1	-	339.1
Operating expenditure	(302.8)	12.0	(290.8)	(338.0)	10.8	(327.2)
EBITDA*	(7.6)	12.0	4.4	1.1	10.8	11.9
Depreciation and amortisation expense	(10.1)	(9.8)	(19.9)	(8.3)	(8.9)	(17.2)
EBIT*	(17.7)	2.2	(15.5)	(7.2)	1.9	(5.3)
Finance costs, net	(3.9)	(2.7)	(6.6)	(2.9)	(2.4)	(5.3)
PBT*	(21.6)	(0.5)	(22.1)	(10.1)	(0.5)	(10.6)
Significant items	(25.8)	-	(25.8)	(0.3)	-	(0.3)
Profit/(loss) before income tax	(47.4)	(0.5)	(47.9)	(10.4)	(0.5)	(10.9)



Reconciliations - Group

The impact on the profit or loss for the Group (continuing and discontinued) for FY24 is shown in the table below:

	FY24			FY23		
A$ millions	Pre-AASB 16	Adopt AASB 16	Post-AASB 16	Pre-AASB 16	Adopt AASB 16	Post-AASB 16
Revenue	295.2	-	295.2	341.3	-	341.3
Operating expenditure	(302.8)	12.0	(290.8)	(340.3)	10.8	(329.5)
EBITDA*	(7.6)	12.0	4.4	1.0	10.8	11.8
Depreciation and amortisation expense	(10.1)	(9.8)	(19.9)	(8.3)	(8.9)	(17.2)
EBIT*	(17.7)	2.2	(15.5)	(7.3)	1.9	(5.4)
Finance costs, net	(3.9)	(2.7)	(6.6)	(2.9)	(2.4)	(5.3)
PBT*	(21.6)	(0.5)	(22.1	(10.2)	(0.5)	(10.7)
*Significant items	(25.8)	-	(25.8)	(2.7)	-	(2.7)
Profit/(loss) before income tax	(47.4)	(0.5)	(47.9)	(12.9)	(0.5)	(13.4)



Reconciliations

Reconciliation to net debt

A$ millions	JUN-24	JUN-23
Borrowings	21.6	17.2
Less: cash and cash equivalents	(1.1)	(8.3)
Net Debt*	20.5	8.9
Less: Government grant proceeds	7.3	6.1
	27.8	15.0

Working capital

A$ millions	JUN-24	JUN-23
Trade Receivables	59.3	63.8
Inventory	63.8	65.3
Trade Payables	(60.3)	(58.0)
Working Capital	62.8	71.1

Significant items – continuing operations

A$ millions	JUN-24	JUN-23
Impairment losses	(22.7)	-
Business optimisation and one-off asset write offs	(3.1)	-
Significant items	(25.8)	-

** 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

FY23 means the financial year (12 months) ended 30 June 2023

FY24 means the financial year (12 months) ended 30 June 2024

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 net of deposits paid

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 and inventories less trade and other payables

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