

# 2018 MACQUARIE CONFERENCE

Malcolm Bunday – Managing Director and CEO

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Pact Group Holdings Ltd  
ABN: 55 145 989 644



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## **Non IFRS Financial Information**

This presentation uses Non-IFRS financial measures including EBITDA, EBIT, NPAT, operating cashflow, operating cashflow conversion, gearing, interest cover, net interest expense and net debt. These measures are Non-IFRS key financial performance measures used by Pact, the investment community and Pact's Australian peers with similar business portfolios. Pact uses these measures for its internal management reporting as it better reflects what Pact considers to be its underlying performance.

All Non-IFRS financial measures have not been subject to review by the Company's external auditor. Refer to page 20 for definitions of Non-IFRS financial measures.

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# A LEADING PACKAGING SOLUTIONS PROVIDER

**PACT**  
GROUP

Rigid plastic  
and metal  
packaging



- Market leader in rigid plastic packaging in Australia and New Zealand with a growing position in Asia
- Leader in select rigid metals packaging sectors in Australia and New Zealand

Contract  
manufacturing  
services



- A leading supplier of contract manufacturing services in Australia for the home, personal care and health and wellness categories
- Manufacturing capability for liquid, powder, aerosol and therapeutic nutraceutical products

Materials handling  
and infrastructure  
products and  
solutions



- Leading supplier of polymer materials handling products
- Largest provider of returnable produce crate (RPC) pooling services in Australia and New Zealand
- Leading supplier of custom moulded products for use in infrastructure and other projects

Recycling and  
sustainability  
services



- Leading supplier of sustainability, environmental, reconditioning and recycling services

2017 Sales  
revenue

**\$1,475m**

2017 EBITDA

**\$233m**

2017 NPAT

**\$100m**

2017 Total  
dividend

**23.0cps**



**PACT**  
GROUP

# ATTRACTIVE BUSINESS FUNDAMENTALS

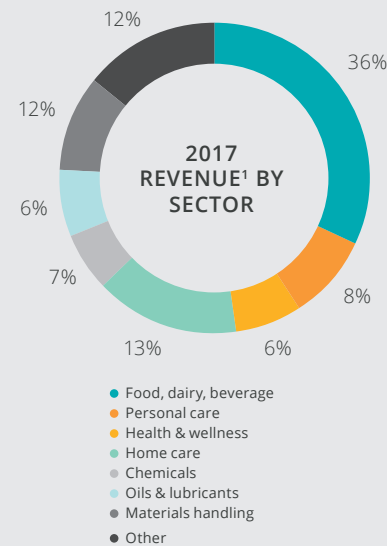
- Regional scale supported by extensive manufacturing and supply network
- Highly diversified product and service portfolio with broad end-market reach
- Attractive customer base, including supply to major regional and global brand owners
- Resilient earnings and strong cash generation
- World-class innovation capability



## REGIONAL SCALE AND EXTENSIVE SUPPLY NETWORK



## DIVERSE END-MARKETS



## DIVERSE PRODUCT PORTFOLIO



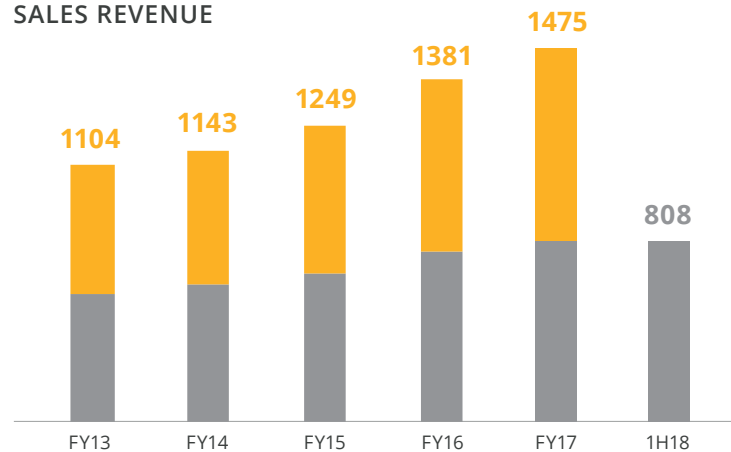
<sup>1</sup> Assumes full year contribution from Asia Acquisition, ECP and the new Australian crate pooling business

<sup>2</sup> Other includes recycling services, infrastructure and other custom moulded products

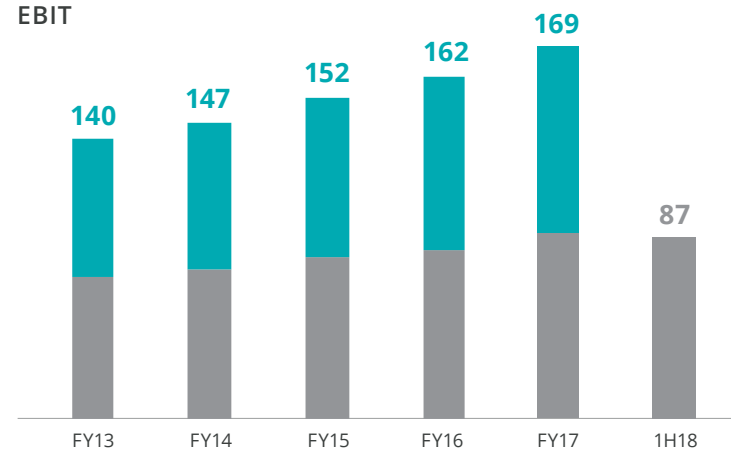


# REVENUE AND EARNINGS GROWTH

## SALES REVENUE



## EBIT



● First half

## HIGHLIGHTS

Resilient business model with stable underlying earnings

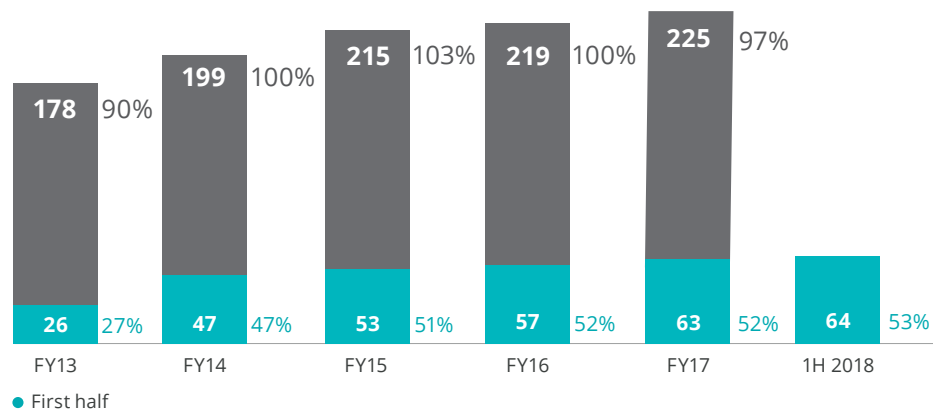
Strong margins supported by disciplined cost management and focus on efficiency

Acquisitions driving revenue and earnings growth and increasing sector diversity



# STRONG CASH GENERATION

## Operating cashflow (\$m) / conversion %



## Debt metrics

	FY16	FY17	Target
Gearing	2.3x	2.8x	<3x
Interest cover	7.2x	7.7x	>5x

## HIGHLIGHTS

Strong underlying cash flow – funding acquisitions and dividend payments

Target dividend payout ratio of 65-75%

Gearing maintained below target level



# OUR STRATEGY AND THE WAY WE DO BUSINESS

## PROTECT OUR CORE AND GROW ORGANICALLY

- Target the delivery of growth in line with GDP over the longer term
  - Leverage market leading platform
  - Differentiate through innovation
  - Expand in higher growth sectors
- Protect our core

## OPERATIONAL EXCELLENCE & EFFICIENCY

- Embed a culture of Operational Excellence utilising lean manufacturing principles
- Consolidate operations and increase automation
- Protect margins from impacts of rising costs and competition

## GROWTH THROUGH A DISCIPLINED APPROACH TO M&A

- Accelerate growth in existing sectors and drive growth in new and adjacent sectors through M&A
- Target sectors which can leverage our extensive sector knowledge and core capabilities in manufacturing and innovation





# OUR INNOVATION ADVANTAGE

DIFFERENTIATE THROUGH INNOVATION

## AUSTRALIA'S MOST INNOVATIVE PACKAGING COMPANY

Pact has been included on the Australian Financial Review's Top 50 Most Innovative Companies List for 5 consecutive years. It is the only packaging company to do so.

Pact is widely recognised for its innovation. The Company has won multiple design and innovation awards for products and services from customers and industry bodies.

### Industry

2017 Australian Institute of Packaging  
— Sustainable Packaging & Processing  
(Materials & Packaging) Winner  
rPET Moisturelock Meat Tray

2017 Australian Institute of Packaging  
— Design Innovation of the Year Award  
(Beverage Category)  
A2 Milk bottle

2017 Product of the Year (Laundry Powder)  
Almat

2013-17 Australian Financial Review (AFR's)  
Top 50 Most Innovative Companies

### Corporate

2016 Acquisition International Global  
Excellence Awards — Most Outstanding  
Packaging Solutions Firm

2017 Lawyer International Global Awards  
— Company of the Year (Manufacturing) -  
Australia

2017 Acquisition International Business  
Excellence Awards — Packaging Solutions  
Firm of the Year

### Customer

2016 Dulux Acratex Supplier of the Year  
Finalists

2017 Coca-Cola Amatil — Supplier of  
the Year Finalist (Quality)



### INNOVATION EXCELLENCE

Pact has two centres dedicated to innovation excellence with the capability to provide end to end customer solutions, including product development and re-engineering, testing and evaluation. Our innovation team includes award winning product development and process chemists, technical and design managers and market specialists.

# END TO END SOLUTIONS FOR OUR CUSTOMERS

## DIFFERENTIATE THROUGH INNOVATION

WE CREATE. WE SOURCE. WE ENGINEER. WE MANUFACTURE.

### Create

Inspired thinking for strategic problem solving

Innovators, designers and thought leaders that collaborate to fiercely challenge status quo of the packaging world.

### Source

From the worlds' leading technologies

We have a team dedicated to seeking and securing the rights to licences and leading technologies so that we can deliver world-class solutions.

### Engineer

A seamless transition from concept to reality

Our team of engineers, industrial designers and tool-makers support the transition from concept to reality

### Manufacture

The final packaging solution

Pact Group completes the transition from insight led innovation to packaging solutions that drive economic reward for our customers.



### R-PET MOISTURELOCK™ MEAT TRAY

Pact has designed, manufactured and launched a recycled polyethylene terephthalate (r-PET) Moisturelock™ meat tray which comprises 50% recycled material and is 100% recyclable. It provides a more environmentally friendly alternative to non-recyclable polystyrene meat trays.

The r-PET tray not only provides environmental benefits. The trays can be used without the use of traditional fluid soaker pads due to an innovative moisture-lock design. Consumers no longer need to worry about meat fluids sully their shopping or removing messy soaker pads prior to preparing their meat.

Pact's r-PET Moisturelock™ meat tray is now stocked at more than 350 Foodstuffs Supermarkets throughout New Zealand.



# TRANSFORMATION OF OUR PACKAGING NETWORK

## OPERATIONAL EXCELLENCE AND EFFICIENCY

The Group is assessing opportunities for transformational change through organisational redesign of our Australian rigid packaging network.



### Assessment of Organisational Redesign Opportunities Advancing

- Changes to organisational structures have commenced
- Closure of packaging facilities at two sites is underway
- Assessment of redesign opportunities of the broader network continues, including the identification of resources, cost and business benefits to change

Rapid growth through acquisition has created a complex rigid packaging distribution network in Australia

#### A complex rigid packaging network

- 28 rigid packaging plants in Australia
- Over 700 machines
- Limited standardisation across plants
- Multiple manufacturing technologies
- Significant off-site warehousing

#### Driving a high cost to serve

- Quality
- Freight
- Warehousing
- Inventory control
- Safety and training
- Operations management

# OUR FOCUS ON SUSTAINABLE PACKAGING

## OPERATIONAL EXCELLENCE AND EFFICIENCY

The Group is focused on sustainable packaging design, recycling and the provision of sustainable packaging solutions such as closed loop pooling and reconditioning services

### Reduce

Light-weighting  
Sustainable packaging design

### Reuse

Returnable produce crate pooling services  
Drum and IBC reconditioning  
Use of recycled resin where product specifications allow

### Recycle

Customer and industry waste collection and recycling services  
Internally generated waste recycling



PACT IS PROUD TO BE ONE OF THE LARGEST RECYCLERS OF RESIN IN AUSTRALIA AND NEW ZEALAND. RECYCLING PLASTIC MAKES SENSE ECOLOGICALLY AND ECONOMICALLY — FOR OUR CUSTOMERS, OURSELVES AND OUR COMMUNITY. IT REDUCES WASTE AND SAVES COSTS.

25,000 tonnes of resin recycled annually

1,000,000 steel drums reconditioned or recycled annually

Leading supplier of returnable produce crate pooling services in Australia and New Zealand

Winner of multiple sustainability design awards

# EXPANDING IN ASIA

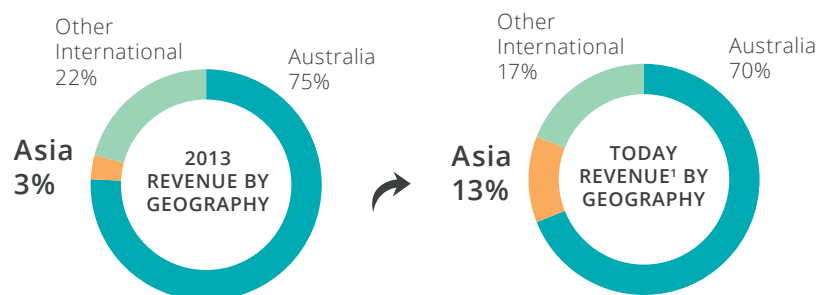
## LEVERAGE OUR MARKET LEADING PLATFORM

The acquisition of CSI Asia (excluding Japan) and Graham Packaging (China) has materially enhanced our Asia footprint and has established a platform to accelerate growth.

The Asia Acquisition will provide the Group with a broader range of opportunities to deliver continued growth in the Asian rigid plastic packaging market

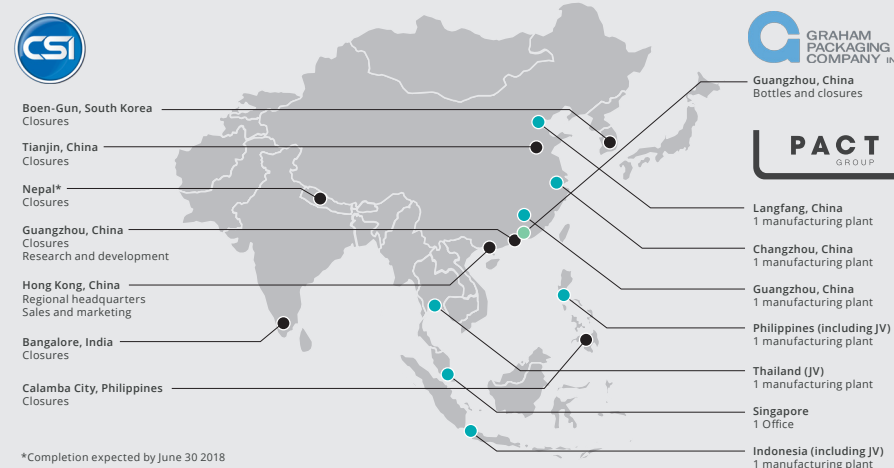
### Investment Highlights

- Strong regional position in plastic closures and bottles
- Reputation for quality, service, technical expertise and innovation
- Significantly enhances customer diversity, manufacturing, technology and management capability to accelerate growth within region
- Experienced local management team with significant regional experience
- Provides scale in Asia



### Strong Regional Platform

15 plants in SE Asia and China



### Integration of Asia Acquisition Progressing Well

- Earnings in line with expectation
- Management structures agreed
- Integration onto the Group's IT platform scheduled to commence in May 2018



# GROWING IN CONTRACT MANUFACTURING

## EXPAND IN ATTRACTIVE SECTORS

The Group has established a market leading contract manufacturing platform with exposure to the attractive health and wellness, personal care and home care categories with annual sales in excess of \$350 million.

### Leading Platform

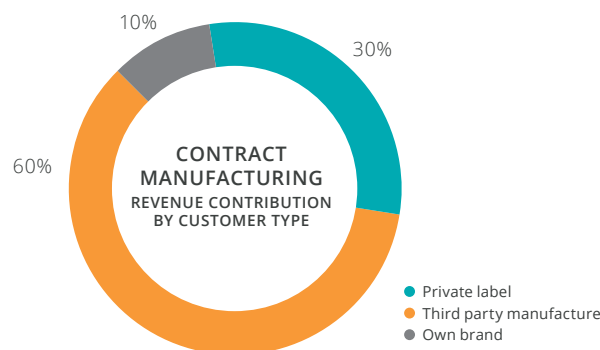
- Broad customer base supporting both leading brand owners and private label manufacture
- Manufacturing capability for liquids, powders, aerosols and therapeutic nutraceutical products
- 7 manufacturing facilities and a dedicated creative centre
- Compliant with the Australian Therapeutic Goods Administration's (TGA) licencing requirements

### Attractive Growth Fundamentals

- Increasing need for lowest cost manufacture
- Increasing demand for private label products
- Growing demand for health and wellness products



Trusted supplier to leading brand owners, supermarkets and hardware stores





# A LEADING POSTION IN CRATE POOLING

## EXPAND IN ATTRACTIVE SECTORS

The Group has established a leading position in Australia and New Zealand for the supply of pooling services for returnable produce crates. This includes operations in Australia to support fresh produce supply to Woolworths.



Viscount Pooling Systems commissioned on schedule in August 2017

Supports fresh produce supply to Woolworths

Annual sales revenue of \$40-\$50 million with attractive growth opportunities

### A transformational growth platform

- Largest organic growth initiative ever undertaken by Pact
  - Capital spend of approximately \$70 million
  - 4 new automated and HACCP accredited wash facilities operational
  - A crate pool of 4 million RFID enabled crates manufactured
- Complements existing crate pooling services in ANZ
- Significant opportunity to leverage the platform for future growth

### Significant innovation

- Development of Viscount's Intellicrate® asset tracking capability
- Development of a user-friendly customer interface



### Attractive Growth Opportunities

- Higher utilisation of RPCs and other packaging formats for produce (e.g. horticultural bins)
- Increased use of RPC's for non-produce items such as protein and eggs
- Store ready presentation crates
- Innovation

# A STRONG PLATFORM FOR THE FUTURE



## Market leading positions

- Rigid plastic and metal packaging
- Contract manufacturing services
- Largest provider of returnable produce crate pooling services
- Leading supplier of sustainability services



## Attractive business fundamentals

- Regional scale
- Highly diversified product and customer portfolio
- Resilient earnings
- Strong cash generation
- Market leading innovation



## Strong growth opportunities

- Expansion in Asia
- Continued growth in attractive sectors



# OUTLOOK

## FY18

We expect to achieve higher revenue and earnings (before significant items) in FY18, subject to global economic conditions.





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# DEFINITIONS OF NON-IFRS FINANCIAL MEASURES

**Capex** represents capital expenditure payments for property, plant and equipment

**EBITDA** refers to EBITDA before significant items. EBITDA is defined as earnings before net finance costs, tax, depreciation and amortisation

**EBIT** refers to EBIT before significant items. EBIT is defined as earnings before interest and tax

**Gearing** is calculated as net debt divided by rolling 12 months EBITDA

**Interest cover** is calculated as rolling 12 months EBITDA divided by rolling 12 months net interest expense

**Net debt** is calculated as interest bearing liabilities less cash and cash equivalents

**Net interest expense** is equivalent to net finance costs and is net of interest revenue

**NPAT** refers to NPAT before significant items. NPAT is defined as net profit after tax

**Operating cashflow** is defined as EBITDA less the change in working capital, less changes in other assets and liabilities and excluding securitisation cash impact

**Operating cashflow conversion** is defined as operating cashflow divided by EBITDA

**Significant items** are items that are non-recurring, individually material or do not relate to the operations of the existing business