

ASX ANNOUNCEMENT

15 August 2018

PACT GROUP EXPANDS CLOSED LOOP POOLING OPERATIONS THROUGH ACQUISITION OF TIC RETAIL ACCESSORIES

Pact Group Holdings Ltd ('Pact' ASX: PGH) today announced it had entered into an agreement to acquire TIC Retail Accessories Pty Ltd (TIC RA), a division of the TIC Group of companies, for \$122 million. TIC RA is a closed loop plastic garment hanger and accessories re-use business. The acquisition price represents a multiple of 6.5 times FY2018 EBITDA. In addition, the agreement contains provisions for earn-out payments of up to \$30 million, payable on the delivery of specific financial hurdles for the 2019 and 2020 financial years. Completion is expected to occur on 1 October 2018, subject to customary conditions.

TIC RA, established in 1989, transformed the garment hanger industry, eliminating significant waste from single-use plastic hangers and accessories by pioneering a closed loop re-use program. TIC RA's re-use program is a global closed loop supply chain which supplies plastic garment hangers and accessories to garment manufacturers. The hangers and accessories are collected from retail stores following the sale of the garments, sorted and then distributed back to the garment manufacturers for re-use. The program is an innovative and sustainable service solution, which significantly reduces waste in the supply chain, with re-use rates of up to 80%.

TIC RA's client portfolio includes major retail brands and leading department stores in Australia, New Zealand, UK and USA. TIC RA is the leading provider of re-use services in Australia.

TIC RA has a strong global team of over 800 employees supporting sales, manufacturing, sorting and warehousing operations, which has seen significant expansion in Asia, where the majority of global garment manufacturing is now sourced. TIC RA's founders will support integration and ongoing operations for two years following completion, enabling a disciplined transfer of critical product, process and customer know-how.

The acquisition of TIC RA expands the Group's closed loop asset pooling platform. The Group currently holds leading positions in closed loop pooling services for returnable produce crates in Australia and New Zealand. The acquisition of TIC RA adds scale to the platform and expands the Group's geographic reach.

The acquisition will be funded by cash of \$62 million and an issue of \$60 million of shares to the vendors. Cash consideration of \$20 million will be payable on completion, with \$21 million deferred for 6 months, and \$21 million deferred for 24 months. The acquisition is expected to be EPS accretive in year one.

Pact Group's Managing Director and Chief Executive Officer, Malcolm Bunday, said, "The acquisition of TIC RA is a unique opportunity to further leverage our demonstrated capability in closed loop asset pooling and plastics manufacturing and our innovative pooling technologies. TIC RA adds scale to our portfolio and expands our Asian platform.

"TIC RA's sustainability agenda is strongly aligned with the Group's commitment to providing innovative ways to assist our customers to meet their sustainability objectives.

"We are very excited about the growth opportunities this acquisition provides Pact and look forward to welcoming the TIC RA team to the Group."

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For further information contact:

Anita James

General Manager Finance and Investor Relations

+61 416 211 498

+61 3 8825 4116

ABOUT PACT GROUP

Pact is a leading provider of specialty packaging solutions in Australasia, servicing both consumer and industrial sectors. Pact specialises in the manufacture and supply of rigid plastic and metal packaging, materials handling solutions, contract manufacturing services and sustainability services. With operations throughout Australia, New Zealand and Asia, Pact is passionate about innovation and is constantly expanding its diverse product portfolio across a variety of packaging and product substrates and expertise. The objective is to deliver customers the best possible packaging, co-manufacturing and supply chain solutions. Pact employs more than 5,000 people across its business and produces more than 8 billion units of packaging annually. The Group's vision is to enrich lives every day through sustainable solutions.

PACT GROUP HOLDINGS LTD

ABN 55 145 989 644

Level 1, Building 6, 650 Church Street, Richmond VIC 3121 Australia

T +61 3 8825 4100 F +61 3 9815 8388 W pactgroup.com.au

ACQUISITION OF TIC RETAIL ACCESSORIES

TRANSACTION SUMMARY

- Acquisition of TIC Retail Accessories (TIC RA), a closed loop plastic garment hanger and accessories reuse business, from the TIC Group of companies
- Expands the Group's closed loop asset pooling capability, providing scale and expanding geographic reach
- Strongly aligned with the Group's commitment to providing sustainable packaging and supply chain solutions for customers
- Purchase consideration of \$122 million representing a multiple of 6.5 times FY18 EBITDA
- Funded by \$62 million cash and an issue of \$60 million shares to the vendors (\$21 million cash consideration deferred for 6 months, \$21 million deferred for 24 months)
- Earn-out payments of up to \$30 million, payable on the delivery of specific financial hurdles in FY19 and FY20
- EPS accretive in year 1
- Transaction costs of approximately \$1 million to be accounted for in FY19
- TIC RA's founders will support integration and ongoing operations for two years following completion, enabling a disciplined transfer of critical product, process and customer know-how



ACQUISITION OF TIC RETAIL ACCESSORIES

OVERVIEW OF TIC RA

- TIC RA, established in 1989, transformed the garment hanger industry, eliminating significant waste from single-use plastic hangers and accessories by pioneering a closed loop re-use program. TIC RA is now the leading supplier of re-use services in Australia
- TIC RA's re-use program is a global closed loop supply chain which supplies plastic garment hangers and accessories to garment manufacturers. The hangers and accessories are collected from retail stores after the sale of the garments, sorted and then distributed back to the garment manufacturers for re-use
- The re-use program provides customers with a sustainable supply chain solution which significantly reduces waste, with re-use rates of up to 80%
- Attractive client portfolio includes major retail brands and leading department stores in Australia, New Zealand, UK and USA supplied through garment manufacturers located largely in Asia.
- Strong global team of over 800 employees supporting sales, manufacturing, sorting and warehousing
- FY18 sales of \$95 million



ACQUISITION OF TIC RETAIL ACCESSORIES

THE RE-USE PROGRAM

TIC RA's re-use program is a global closed loop supply chain which supplies plastic garment hangers and accessories to garment manufacturers. The hangers and accessories are collected from retail stores after sale of the garments, sorted and then distributed back to the garment manufacturers for re-use.

