ASX ANNOUNCEMENT

15 August 2018

PACT GROUP 2018 FULL YEAR RESULTS

OVERVIEW

A$ MILLION	FY2018	FY2017	CHANGE
Sales revenue	**1,674**	1,475	13%
EBITDA (before significant items)	**237**	233	2%
EBIT (before significant items)	**165**	169	(3%)
NPAT (before significant items)	**95**	100	(5%)
Statutory NPAT	**74**	90	(18%)
Total Dividends – cents per share	**23**	23	-

- Final ordinary dividend of 11.5 cents per share, franked to 65%
- EBITDA impacts of $13 million from higher input costs in the second half
  - Delay in recovering significantly higher raw material input costs
  - Significant increase in Australian energy costs only partially recovered in the market
- Strong revenue and earnings growth from strategic growth initiatives, in line with expectations
  - Australian crate pooling business fully commissioned with financial returns in line with expectation
  - Integration of the Asia Acquisition progressing to schedule
- Stable underlying volume supported by portfolio diversity
  - Solid underlying growth delivered in contract manufacturing, sustainability and infrastructure sectors
  - Lower materials handling volumes due to raw material shortages following a major supplier plant outage in May and June and timing of government projects
  - Lower rigid packaging volumes impacted by a major customer plant closure in the dairy sector and the impact of drought conditions in the agricultural sector
- Strong focus on efficiency and operational effectiveness
  - Transformation of the Australian rigid packaging network commenced with two plants closed in the period and management structures realigned
  - Efficiency benefits from operational excellence programs delivered
- Adverse impact to earnings from foreign exchange movements
- Continued strong cash generation and robust balance sheet with gearing[1] of 2.5x

EBITDA, EBIT, NPAT and Gearing are non-IFRS financial measures and have not been subject to audit by the Company's external auditor. Refer to page 22 of the 2018 Full Year Results Investor presentation for a reconciliation of statutory income and page 25 for definitions of non-IFRS financial measures.

Pact Group Holdings Ltd ('Pact' ASX: PGH) today announced statutory net profit after tax of $74 million for the year ended 30 June 2018. This included a significant expense after tax of $20 million. Net profit after tax before significant items was $95 million, down 5% compared to the prior corresponding period (pcp) of $100 million.

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Significant items before tax of $23 million were recognised in the period (pcp: $13 million). This included deferred settlement costs of $9 million, due primarily to a higher earn-out for the Pascoe's acquisition with earnings in the period above expectations; acquisition costs of $4 million, mostly related to transaction costs for the Asia Acquisition; and restructuring costs of $10 million, related, in part, to the initial phase of the Australian rigid packaging network redesign program.

BUSINESS REVIEW

Group sales revenue of $1,674 million increased 13% ($199 million) compared to the pcp, driven by transformational growth initiatives, including the new crate pooling business in Australia and the Asia Acquisition, along with higher underlying sales.

Underlying sales in Australia were up on the pcp. The Group delivered solid organic growth in the contract manufacturing, sustainability and infrastructure sectors and improved rigid packaging volumes into the health and wellness sector. This was partly offset by lower materials handling volumes, due to raw material shortages following a major supplier plant outage across May and June, and lower rigid packaging volumes, impacted by a major customer plant closure in the dairy sector, and drought conditions in the agricultural sector.

Disappointingly, underlying sales in International were down on the pcp, with lower materials handling volumes in New Zealand, impacted by the timing of government projects and weak industrial demand in China.

Group EBITDA of $237 million was 2% ahead of the pcp, with a solid contribution from growth initiatives that were partially offset by the adverse impact of time lags in recovering higher raw material costs following a significant and rapid increase in input prices in the second half, higher Australian energy costs, lower pricing from contract extensions in the prior year and foreign exchange.

Efficiency benefits from operational excellence programs and lower costs following the start-up of new contracts in Jalco in the prior year mitigated continued higher costs to serve in the Australian rigid packaging businesses.

EBIT of $165 million for the year was $5 million or 3% lower than the pcp, with higher depreciation and amortisation from acquisitions and the new crate pooling business.

Pact Group Managing Director and Chief Executive Officer, Malcolm Bundey, said, "Our strategic growth initiatives have performed well, with revenue and earnings in line with expectations. Integration of our acquisition in Asia is on schedule and our Australian crate pooling business is fully commissioned and operating in line with expectations.

"Our diversified portfolio has mitigated the impact of volume softness in some sectors. Solid organic growth in the contract manufacturing, sustainability and infrastructure sectors offset the impact of lower materials handling and rigid packaging volumes in the period.

"Raw material input costs have been challenging. Whilst we have disciplined raw material cost recovery mechanisms across our business, earnings have been adversely impacted by time lags. The impact of these lags was exacerbated by the significant and rapid movements in input prices later in the period. We expect to recover these costs in future periods.

"Energy prices in Australia also increased sharply in the second half and, as we anticipated, recovering these additional costs has been difficult. Consequently, our earnings reflect significant unrecovered energy costs.

"Against these headwinds, we have been strongly focused on driving efficiency. We have delivered improvements in the business through our operational excellence programs and we have commenced transformation of our rigid packaging network.

"We have been challenged by the macro environment, and this is reflected in our earnings. However, we remain focused on managing the levers within our control, and our business remains strong," Mr Bundey said. "I would like to thank our talented team across the organisation for their outstanding contribution and commitment during the year."

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BALANCE SHEET AND GEARING

The Group has maintained a robust balance sheet. Net debt at the end of the year was $599 million, a reduction of $47 million compared to the pcp. The reduction in net debt was supported by continued strong underlying operating cash flows and the proceeds from the equity raising of $176 million completed in the first half of the year.

As the end of the period gearing was 2.5x, an improvement from 2.8x in the pcp, driven by a combination of EBITDA growth and lower net debt. Both gearing and interest cover remain within the Group's targeted levels. Successful refinancing activities during the period increased tenor on debt facilities to 3.9 years. Disciplined cash and balance sheet management continue to support the Group's growth initiatives.

Mr Bundey said, "We have continued to deliver solid operating cash flows. Our balance sheet remains strong. Pleasingly, during the year we refinanced expiring debt and extended tenor. Gearing is improved on the prior year and remains below our targeted level.

"We also continue to deliver strong cash returns to our shareholders. I am delighted to report a final dividend of 11.5 cents per share. Total FY2018 dividends are in line with the previous year, illustrating our confidence in the earnings and cash generation of the business."

TRANSFORMATION OF AUSTRALIAN RIGID PACKAGING NETWORK

In the period the Group progressed assessment of network redesign opportunities in its Australian rigid packaging business. The first phase of this program, implemented in the period, resulted in the closure of two rigid packaging facilities and the realignment of management structures. The remaining program is subject to further financial and stakeholder analysis.

Mr Bundey said, "Whilst we do enjoy scale and geographic advantages, the combination of over 50 acquisitions over 15 years has resulted in some scale inefficiencies. Making the right products, in the right place on the right equipment and operating footprint is critical in the rigids sector."

TIC ACQUISITION

The Group today announced it had entered into an agreement to acquire TIC Retail Accessories (TIC), a closed loop plastic garment hanger and accessories re-use business, for $122 million. 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, 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'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 after sales from retail stores, 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%.

Commenting on the acquisition, Mr Bundey said, "The acquisition of TIC is a unique opportunity to further leverage our demonstrated capability in closed loop asset pooling and plastics manufacturing. TIC adds scale to our portfolio and expands our Asian platform. TIC'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 have made significant investments in our product and service portfolio in recent years which has diversified our business and enhanced our growth opportunities. Today the Group enjoys leading positions not only in the supply of rigid packaging, but also in materials handling sustainability solutions and contract manufacturing services across Australia, New Zealand and Asia. TIC will complement our offering."

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INNOVATION

In July 2018 Pact was recognised, for the sixth consecutive year, as one of Australia's most innovative companies with inclusion on the 2018 Australian Financial Review's Most Innovative Companies list.

"We are delighted to be recognised on the list for the sixth consecutive year," Mr Bundey said. "It is testament to our relentless focus on seeking new and improved solutions for our customers and our manufacturing processes. Innovation is what differentiates the Group and is a core pillar of our strategy."

PLASTICS SUSTAINABILITY

Sustainability is a core pillar of Pacts commitment to its employees, the communities in which it operates and its customers. Our Vision is to enrich lives everyday through sustainable packaging solutions.

Pact has been at the forefront in its commitment to sustainable packaging solutions. In 2015 Pact implemented its *War on Waste* program, targeting a reduction in waste through the supply chain, focussing on food waste, resource waste and operational waste and diversion from landfill.

Pact 2025 extends the Group's commitment to the war on waste, in its vision to:

1. Reduce – eliminate all non-recyclable packaging that we produce
2. Reuse – have solutions to reduce, reuse and recycle all single use secondary packaging in supermarkets (secondary packaging is used to transport products through the supply chain and includes disposable boxes, pallets, shrink wrap and strapping)
3. Recycle – we will offer 30% recycled content across all our packaging portfolio

Commenting on the Group's significant sustainability credentials and *Pact 2025*, Mr Bundey said, "We are the largest processor and consumer of post-industrial recycled resin in Australia and New Zealand; we offer schemes for hard to collect recycled packaging; we launder, recondition and refurbish bulk packaging; we actively replace single-use packaging with our pooling solutions; and we design products which minimise the impact to the environment, but our industry has room to improve.

"We have a shared responsibility to protect the environment, and I am proud of Pact's contribution. We are large recyclers and use recycled materials in many of the products we make. Pact 2025 is a bold aspiration and it sets the Group clear targets to continue to reduce waste and minimise environmental impacts, whilst supporting our customers with product solutions to achieve their sustainability agendas."

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OUTLOOK

Mr Bundey said the Group remains well positioned for the future. "Our diversification strategy has positioned the Group well, and we see significant growth opportunities. We remain focussed on efficiency and will continue to challenge cost headwinds.

"Our business today is more complex, diversified and of far greater scale than it has ever been. As a result of the transformational changes to the Group's portfolio over the last two years, we are undertaking a review of our operating model to ensure we have the correct management structure, transparency and organisational capability to deliver the greatest potential return from all parts of the business.

"We expect to achieve higher revenue and earnings (before significant items) in FY2019, subject to global economic conditions," Mr Bundey said.

The following is also relevant to earnings expectations in FY2019. Including the impact to earnings from the acquisition of TIC, which is anticipated to complete on 1 October 2018, the Group expects:

- EBITDA (before significant items) between $270 million and $285 million;
- Depreciation and amortisation between $84 million and $86 million;
- Net finance costs between $38 million and $40 million, subject to changes in market interest rates; and
- An effective tax rate (% of net profit before tax and significant items) between 29.0% and 29.5%.

The completion of the acquisition of TIC remains subject to customary conditions.

ENDS

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Pact will host an investor briefing at 10.00am (AEST) today. This can be accessed by dialling +61 2 9007 3187 (Australia Local) or 1800 558 698 (Australia Toll Free) and entering conference ID 851149. The briefing can also be accessed at http://webcasting.brrmedia.com/broadcast/5b42adf9a923b90efbeec129. A recording of the briefing will be available on the Pact website as soon as practicable after the briefing.

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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.