ASX ANNOUNCEMENT

DATE: 14 November 2018

Pact Group Holdings Ltd
2018 Annual General Meeting

Executive Chairman Address

Attached is a copy of the Executive Chairman's address to be presented at Pact Group Holdings Ltd's Annual General Meeting, commencing at 11:00am (Melbourne time), Wednesday 14 November 2018.

A copy of the presentation which accompanies this address will follow.

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ANNUAL GENERAL MEETING

11:00AM, WEDNESDAY 14 NOVEMBER 2018

CHAIRMAN'S ADDRESS

Good morning everyone, I am Raphael Geminder, Executive Chairman of our Company, Pact Group Holdings Limited. On behalf of my fellow Directors, I am delighted to welcome you to Pact Group's fifth Annual General Meeting.

CEO SUCCESSION

We announced in September the resignation of Pact's Managing Director and Chief Executive Officer. We are undertaking a global search for a suitable candidate to replace this critical role. In the near term, I will continue to manage operational matters of the business in the capacity of Executive Chairman.

2018 FINANCIAL SUMMARY

Turning to our financial performance for 2018.

Group sales revenue of $1.7 billion increased 13.5% compared to the prior year, driven primarily by transformational growth initiatives including the Group's new crate pooling business in Australia and the Asian acquisition completed in the second half of the year. These important growth initiatives performed well in the period.

Underlying sales were also ahead, with organic growth in the contract manufacturing, sustainability and infrastructure sectors, along with improved rigid packaging volumes in health and wellness. These were partly offset by lower materials handling volumes along with lower rigid packaging volumes in dairy and agriculture.

Group EBITDA before significant items of $237 million was 2% ahead of the prior year.

EBIT for the year of $165 million was 3% lower than the prior year with higher depreciation and amortisation from acquisitions and the new crate pooling business. Net profit after tax (NPAT) before significant items was $95 million, 5% lower than FY17, and statutory NPAT was $74.5M compared to $90.3 million in the prior year.

Underlying volumes were stable, and we remained focussed on driving efficiency and improvements in our business through operational excellence. However, raw material and energy input costs were particularly challenging in FY18 and this was reflected in our earnings for the year.

Earnings were impacted by time lags in the recovery of those raw material price movements, with the impact exacerbated by significant and rapid movements late in the year. Recovering sharply higher energy costs in the second half of the year also proved difficult.

Despite the challenges of the macro environment, we continued to deliver strong operating cashflows and disciplined balance sheet management, and consequently were able to deliver strong cash returns to our shareholders. Total dividends paid in respect of FY2018 were 23 cents per share, in line with the prior year.

2018 IN REVIEW

I am pleased with the progress and success we achieved on many initiatives throughout the period and the strength of our diverse portfolio.

Our new Australian crate pooling business was commissioned on schedule and performed in line with our expectations. This business provides crate pooling services for fresh produce supply to supermarkets. It is the largest organic growth project ever undertaken by the Group.

Our pooling business is a great example of Pact's market leading innovation with growers, supermarkets and ultimately consumers in stores. After many years in the industry, we developed and patented Viscount's Intellicrate asset tracking capability and built a sophisticated yet easy to use web enabled, cloud-based customer interface for order and stock management. Feedback from all of our customers has been very positive and our system is at the forefront in terms of customer service, sustainability and produce hygiene. The solid execution of this project by the many personnel involved has been incredibly pleasing.

We have formally commenced the transformation program in our Australian rigid packaging business to improve our operational effectiveness, and we remain absolutely focused on driving efficiency through our operational excellence programs. The team has a renewed urgency and I am encouraged at our rate and pace. The challenge in these projects is always execution, but pleasingly we know what needs to be done and we are aligned and focused on getting the job done.

We have established a strong growth platform in Asia following the completion of the Asia Acquisition. Volumes and earnings in the period were in-line with our expectations and integration activities are well advanced. We remain excited about the growth potential of this business and the supply opportunities it provides to the wider Group. It's important to pause and reflect on what this could deliver the group over time, as we transition to a model that encourages low cost sourcing from our growing Asian platform and takes advantage of the opportunities to leverage our core competencies in our home markets, for our Asian businesses.

We expanded the Group's pooling platform with the acquisition of TIC Retail Accessories. This acquisition completed on October 31st this year. TIC represents a unique opportunity to further leverage our demonstrated capability in closed loop pooling and our commitment to delivering sustainable packaging and supply chain solutions for our customers. We believe TIC is at the forefront of sustainable retail pooling solutions and has considerable scope to grow, as we integrate our expertise developed across the broader pooling businesses.

And pleasingly, our innovation capability was recognised, for the 6th consecutive year, with inclusion again in the AFR's Most Innovative Companies List. Innovation is a key advantage and our ability to differentiate through innovation, deliver innovation excellence and provide end-to-end customer solutions remains critical to our ongoing success. Our innovation team includes award winning product development, process, technical and design managers and market specialists. We are extremely proud of their achievements.

Although macro conditions meant that FY18 was a challenging year for us, we have delivered significant improvements to the business platform and have managed operations to position us well going forward. Our Company remains strong and with a renewed sense of urgency, I am very positive about our future.

OUR DIVERSIFIED PORTFOLIO

In 2013, only 5 years ago, Pact Group was predominantly a rigid packaging company, with packaging generating over 90% of revenue.

We have transformed the company over recent years, growing leading positions in three highly complementary product offerings, with the capability of providing comprehensive packaging, product and supply chain solutions for our customers. Our three product portfolios include:

- Packaging and sustainability;
- Materials handling and pooling; and
- Contract manufacturing services.

Each portfolio leverages the Group’s excellence in manufacturing, product development and innovation capabilities, strong customer relationships, extensive sector know-how and core to all our businesses is our commitment to sustainability.

We remain focussed on integrating our manufacturing capability with packaging solutions, providing a strong, vertically integrated platform to deliver future growth.

Across the business we have significant opportunities to continue to drive growth. We are focused on three key priorities in the nearer term:

1. Continue to reduce waste and minimise environmental impacts, whilst leveraging our market leading capabilities to deliver sustainable product and service solutions to support our customers achieve their sustainability agendas.
2. Deliver a step change in efficiency and execute the redesign of our packaging network with speed and urgency.
3. Pursue M&A opportunities in our core sectors where both growth and significant operational efficiencies can be realised.

FOCUS ON SUSTAINABLE PRODUCT SOLUTIONS

As I mentioned, 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.

Fortunately, we have been at the forefront of this commitment to sustainable packaging solutions for many years. It’s not just talk, it’s in the unique DNA of the company.

The bottom line is that our customers want sustainable packaging solutions and we are uniquely placed to deliver these. We are the largest processor and consumer of post-industrial recycled resin in Australia and New Zealand, we don’t only recycle plastics we are also the consumer of the recycled plastics and that’s unique; 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 we recognize that our industry has room to improve.

In 2015 Pact implemented its War on Waste program, targeting a reduction in waste through the supply chain, focusing on food waste, resource and operational waste and diversion from landfill. We have now launched Pact 2025. Pact 2025 extends the Group's commitment to the war on waste, in its vision to:

Reduce – eliminate all non-recyclable packaging that we produce;
Reuse – have solutions to reduce, reuse and recycle all single use secondary packaging in supermarkets; and
Recycle – we will offer 30% recycled content across all our packaging portfolio.

We have a shared responsibility to protect the environment, and I am proud of Pact's contribution. Pact 2025 is a bold aspiration and frankly we have a lot of work to achieve our objective, BUT it sets the Group clear targets to continue to reduce waste and minimise environmental impacts, whilst supporting our customers with product and service solutions to achieve their sustainability agendas.

We see our commitment to a transparent sustainability agenda, coupled with our innovation capability and our ability to use the recycled material as a key strength in supporting our customer's needs. Our sustainable product solutions, including light-weighting and the use of recycled materials, has been widely recognised and awarded. Pact was a 2018 Worldstar winner for our *Moisturelock rPet Meat tray*.

In addition, we see pooling as one of the key enablers for our customers to further enhance their sustainability agenda's. In an environment where our customers are increasingly looking for opportunities to minimise environmental impacts through sustainable packaging solutions, we believe plastic pooling solutions are proven and as a result have strong growth potential.

We have grown our position in pooling services in recent years. Pact is the leading provider of pooling services for Returnable Produce Crates or RPC's in Australia and New Zealand. This follows the commissioning of our new business in Australia in FY18 and the acquisition of the Fruit Case Company in New Zealand, in FY17. We have achieved this with proprietary technology, that is in market and delivering every day.

The acquisition of TIC is another unique opportunity to further leverage our demonstrated capability in closed loop pooling. TIC expands our pooling capabilities from RPCs to plastic garment hangers and accessories and illustrates that both the demand and the use of pooling can be very broad and delivers our customers and the community material savings and life cycle benefits.

Importantly the acquisition of TIC adds scale to our pooling platform and expands our geographic reach. TIC's re-use program is a global closed loop supply chain which supplies garment hangers and accessories to garment manufacturers. The hangers and accessories are collected after sales 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% versus one-way hangers.

Pact's innovation capabilities and our broad portfolio of sustainability services including pooling, in addition to recycling and reconditioning services, positions our company well as the world increasingly focuses on minimizing the impact of plastics on the environment. Increasingly customers are seeking ways to partner with Pact to make sustainability an integral part of their supply chain.

DELIVER A STEP CHANGE IN EFFICIENCY

Pact has a culture of operational excellence and has continuously sought to deliver efficiencies throughout our operations to protect our margins from rising costs and other market pressures.

Following significant increases in costs in FY18, there is an urgent need for us to address our cost base.

We have formally commenced our packaging network redesign and will progress with a renewed sense of speed and urgency. We remain confident that we will deliver material efficiency benefits over time, which could potentially improve EBITDA by up to $50 million. We believe payback on capital required would be less than 3.5 years.

In FY18 we started laying the foundations for this transformation. We realigned management structures to better support a future state and invested in key leadership capability to support the transformation. In addition, we actually got on with it and closed two manufacturing sites. Closing sites is complex, time consuming and requires a fair amount of planning and focus.

More recently we announced the closure of a major manufacturing facility in NSW, which follows extensive work in establishing a reliable and cost-effective import supply chain for select product categories. Our Asian platform and the many years of experience operating in the region were critical in helping us get to that decision.

It is disappointing that we are not able to manufacture competitively in those categories, but equally we must deliver competitive pricing to our customers. Our challenge is to ensure that we optimise our scale advantage. Making the right products, in the right place on the right equipment and operating footprint is critical. Transforming our network is key to achieving this.

We will continue to focus on opportunities to transform the network, in addition to delivering ongoing operational excellence initiatives across the organisation and importantly we will act with speed and purpose to deliver those projects on time and on budget.

DISCIPLINED M&A

The Group has a long-standing track record of success in identifying value accretive acquisition opportunities, executing transactions in a disciplined and systematic manner, and delivering cost synergies and operational efficiencies through integration. Acquisitions have driven earnings growth and enabled the Group to expand and diversify its product and customer portfolio.

The Asia Acquisition completed in FY18 has materially enhanced the Group's Asian footprint and customer diversity, providing a strong platform to drive future growth. Further, the acquisition in Asia allows us to use the platform we have acquired to add to our domestic capability and add capability from our home base to the newly acquired business. These benefits are not always readily transparent, but they are very valuable over time. The TIC acquisition will benefit from our deep skills in Asia and the broader group will benefit immensely from TIC's supply chain and logistics knowledge.

M&A remains a core growth driver for the Group. Following our expansion into contract manufacturing and pooling, near term opportunities for all of our M&A will be focused on consolidating our positions within our three core product portfolios and delivering operational efficiencies.

Our M&A approach will always remain disciplined with an eye to value enhancement and strategic fit.

TRADING UPDATE AND 2019 OUTLOOK

Now, briefly looking ahead to FY2019.

Earnings for the first half of FY2019 are expected to be weaker than the pcp, adversely impacted by on-going lags in recovering higher than anticipated resin costs and higher costs for contract manufacturing materials.

Based on our projected run rate for the first half, EBITDA for FY2019 would be around $245 million, compared to $237 million in the pcp. EBITDA would be skewed to the second half with higher benefits from efficiency programs and a full 6-month contribution from TIC.

The projected run-rate for FY2019 assumes no recovery of input price lags. A change in the cost environment in the second half would impact on EBITDA expectations.

Previous guidance for depreciation and amortisation, net finance costs and the Group's effective tax rate remains unchanged.

I'd like to take this opportunity to thank our talented and committed team of people across all areas of the organisation for their ongoing contribution in FY18. I'm confident that our renewed focus and dedication to the task at hand will drive the business to further success. I would also like to thank my fellow Directors for their support and guidance and you, our shareholders, for your ongoing support.