



ASX ANNOUNCEMENT

DATE: 13 November 2019

Pact Group Holdings 2019 Annual General Meeting Chairman and Managing Director/CEO Address

Please find attached addresses to shareholders to be delivered by the Chairman and the Managing Director/Chief Executive Officer at Pact Group Holdings Ltd's Annual General Meeting, commencing at 11:00AM (EDST), today in Melbourne, Australia.

The business to be conducted at the Annual General Meeting will be determined by polls. The poll results will be released to the market after the conclusion of Pact Group Holdings Limited's Annual General Meeting.

A copy of the presentation which accompanies these addresses will follow.

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ASX ANNOUNCEMENT

ANNUAL GENERAL MEETING 11.00AM, WEDNESDAY 13 NOVEMBER 2019 CHAIRMAN'S ADDRESS

REVIEW

FY19 was a challenging year for Pact, with earnings impacted by higher raw material and energy costs and weaker demand conditions in some sectors. Notwithstanding these challenges, the Group delivered 10% revenue growth and made improvements on many fronts.

This included the delivery of operating efficiencies and further progress in the transformation of our packaging network. The Group also secured long term customer agreements in our pooling and reuse businesses which will deliver growth in FY20 and beyond.

The Group balance sheet was well managed and operating cashflow was strong. Debt facilities were extended, reducing near term financing risk, and a subordinated term loan facility was established, increasing the Group's funding flexibility.

Given the importance of restructuring and growth initiatives the Board made the decision to suspend dividends in FY19. The Board will continue to balance the capital needs of the business with shareholder returns when making an assessment regarding reinstating dividends.

During FY19 we implemented a new operating model and changed the Group's reporting segments to align with our three key product portfolios:

- Packaging and Sustainability
- Materials Handling and Pooling
- Contract Manufacturing Services

This change has increased the transparency of performance at a product level and will help drive improved decision making across the business.

As I mentioned earlier, we appointed a new CEO in April. Sanjay has led and managed complex major integration and restructuring initiatives. This experience will be extremely valuable as we drive value from the integration of our recent acquisitions and growth initiatives and optimise our packaging network.

Sanjay has initiated a detailed strategy review. The review is now well advanced. The Board will review outcomes and recommendations later this month. I am confident that the review can guide our future direction and enable Pact to realise the greatest value for all shareholders and our other stakeholders.

ASX ANNOUNCEMENT

SUSTAINABILITY

Sustainability lies at the heart of our Group vision, it shapes our core values and is a consideration in all of our business decisions. We recognise that our business activities have a direct impact on the communities in which we operate, and our customers are increasingly looking to us to deliver innovative solutions to support their own sustainability targets.

In FY19 we built upon our commitment to sustainability and have made significant progress towards our Pact 2025 Sustainability Promise to reduce, reuse and recycle. We have expanded our returnable produce crate pooling services in Australia, we have secured growth in our hanger re-use business and have been successful in leveraging Government support and partnership for several exciting initiatives to help develop the recycling circular economy. Sanjay will speak to these exciting opportunities shortly.

I am proud of the progress we have made in our Sustainability journey and reaffirm our commitment to becoming the number one partner for sustainable choices in the packaging industry.

INNOVATION

Pact is Australia's most innovative packaging company. Our technical, design and engineering experts challenge conventional thinking and identify new opportunities through insight led innovation. We continue to receive prestigious industry awards and customer recognition for our innovative packaging solutions.

We were thrilled to make the Australian Financial Review and Boss Magazine's Most Innovative List for the seventh year in succession, one of only three companies to do so. Pact ranked second on the Manufacturing and Consumer Goods list from over 800 organisations across Australia and New Zealand.

In 2019 we were recognised for designing and manufacturing a household mobile garbage bin made from 60% recycled milk bottles. It is particularly pleasing to note that five of our winning nominations from the past seven years have been for innovative sustainability solutions that increase the re-use and recycling of plastic material.

I will now hand over to our Managing Director and Group CEO, Sanjay Dayal, who will take you through the operational performance of the business and provide an overview of our priorities.

ASX ANNOUNCEMENT

CEO'S PRESENTATION

Thank you Mr Chairman and good morning everyone. I am delighted to be presenting to you today as the Chief Executive Officer of your Company. Today I will provide you with an update on Pact's performance over the last year and the progress we have made in enhancing the Group's future growth opportunities.

SAFETY

Since joining Pact, I have talked extensively to our people. I believe that we have highly capable and dedicated employees across the Group and a talented and experienced management team which it is my privilege to lead. Our people are critical to Pact's success and I would like to take this opportunity to recognise their outstanding contribution and thank them for their commitment, particularly in such a challenging year.

We are committed to providing a safe work environment for all of our employees and contractors. There is an ongoing focus on training, processes and systems for our people and I have been pleased to see an improvement in our safety metrics this year. Our Lost Time Injury Frequency Rate improved to 4.7 in FY19 compared to 5.5 in the prior year. However, there is still room for improvement and driving improved engagement and safety outcomes will be one of my key priorities in the year ahead. No injuries are ever acceptable, and Zero Harm will remain our goal.

2018 FINANCIAL SUMMARY

Turning to our financial performance for 2019.

The Group reported a statutory net loss after tax of \$290 million. This included significant items after tax of \$367 million, of which \$327 million was for the non-cash impairment of assets in our Australian packaging business.

The impairment was disappointing and highlights the need to move with urgency in improving the performance of our business.

The Group delivered revenue of \$1.8 billion in FY19, 10% higher than the prior year, with growth driven by the Asian acquisition that was completed in the second half of FY18 along with the acquisition of TIC Retail Accessories completed in October 2018.

Underlying revenues were generally in line with the prior year. The impact of growth in demand for packaging in Asia and growth in crate pooling volumes in Australia, together with higher pricing, was offset by lower underlying net volumes due to weaker demand conditions in some sectors.

ASX ANNOUNCEMENT

Group EBITDA of \$231 million was 3% lower than the prior year. Earnings were impacted by higher raw material and energy costs and weaker underlying volumes. Pleasingly pricing was improved in the second half, and resin costs reduced. This enabled us to recover some of the adverse pricing lags which had impacted earnings in recent periods.

Recent acquisitions performed in line with expectations and we continued to manage our controllables, delivering significant efficiencies in our operations and reducing overheads.

Operating cashflow was strong and the balance sheet was managed with discipline. Net debt at the end of the period was \$684 million, an increase of \$84 million in the year. Pleasingly we extended \$380 million of debt to January 2022, improving average tenor of our debt to 3.6 years. Gearing at the end of FY19 was 3x.

In June we established a \$50 million subordinated term loan. We have used this loan to pay down senior debt, improving head room on our senior debt and providing a very cost-effective improvement in our balance sheet capacity. We have sufficient capacity to continue planned efficiency activities and complete existing growth projects.

OUR PRIORITIES

Pact's has market leading manufacturing and innovation capability and strong relationships with many leading and trusted brands. However, in several areas, there are opportunities for us to improve.

To this end, we are focused on three key priorities in the near term:

- Firstly, deliver improvements in core business fundamentals. Get the basics right.
- Secondly, work towards our 2025 Sustainability Promise through delivery of profitable growth in this essential space.
- And finally, clarify Pact's strategy, to provide direction into the future. This is critical.

I will talk through each of these priorities in more detail on the following slides.

DELIVER IMPROVEMENTS IN CORE BUSINESS FUNDAMENTALS

Pact has market leading capabilities, yet our performance across a number of metrics does not adequately reflect this. Delivering further improvements in our fundamentals, including safety, efficiency, quality and delivery is critical to enable us to grow our core business and improve our capital returns. Our customers must remain at the heart of everything we do. Our goal will be to exceed their expectations in quality, service, value and innovation.

ASX ANNOUNCEMENT

PROGRESS OUR SUSTAINABILITY PROMISE

Sustainability is a core pillar of Pacts commitment to its employees, the communities in which it operates and its customers. I have been incredibly impressed by Pact's capability and commitment with respect to sustainability.

Pact is the largest processor and consumer of post-industrial recycled resin in Australia and New Zealand; it offers schemes for hard to collect recycled packaging; it launders, reconditions and refurbishes bulk packaging; it actively replaces single-use packaging with pooling and reuse solutions; and designs products which minimise impact to the environment.

Last year Pact launched its 2025 Sustainability Promise. In FY19 we made great progress in this area, with significant steps made in expanding our capability in sustainability services. This growth illustrates the increasing importance of sustainability to our customers.

Firstly, we have grown capability in our **recycling business**, leveraging government support for several exciting initiatives which will support development of a local circular economy. Development of circular economies offers real growth opportunities for Pact. Not just as recyclers, but as consumers of recycled resins in sustainable packaging solutions. This in turn, enables our customers to achieve their sustainability agendas.

Secondly, we have secured new contracts in our **pooling and reuse businesses** which will expand operations in FY20.

We are incredibly proud of the **pooling** capability we have developed. We have built a world class platform delivering market leading capability, and importantly, a supply chain solution for our customers with a low environmental footprint. In FY19 Pact secured a long-term agreement with ALDI for supply of returnable produce crate pooling services into its stores across Australia. Services commenced, on schedule, in August. I am delighted by how well this business has been operating, with 100% customer satisfaction to date.

Pact's garment hanger **reuse platform** also delivers an innovative and sustainable closed loop supply chain solution which reduces plastic waste and cost. Like our crate pooling platform, our reuse platform supports the Group's commitment to providing innovative ways to assist our customers to meet their sustainability objectives. We have recently secured a long-term agreement with a major retailer in the USA for the supply of reuse services. Following the commencement of this contract in FY20, Pact will be the leading supplier globally of hanger reuse services. An outstanding achievement.

I believe Pact's leadership and unique capability with respect to sustainability services has a very exciting future.

ASX ANNOUNCEMENT

STRATEGY REVIEW

Our future direction will be guided by the outcomes of a strategic review that I have initiated. This review will identify the activities and operations which are core to Pact's continued success and will guide future resource allocation and capital investment.

Our industry is going through change and we must ensure that we are leveraging our strengths to realise the opportunities of the future.

This work is well advanced and I am very happy with the progress to date. The Board will consider outcomes and recommendations later this month. We will look forward to sharing these with you in February alongside our half year results.

2020 TRADING UPDATE

Now, briefly looking ahead to FY20.

Trading conditions in the first four months of FY20 have been in line with our expectations as announced in August. Our earnings guidance remains unchanged.

THANK YOU

I would 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 FY19. 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. I will now hand back over to Ruffy who will go through the formal resolutions of today's meeting.