



ASX ANNOUNCEMENT

DATE: 18 November 2020

Pact Group Holdings Limited's 2020 Annual General Meeting Speeches

Please find attached addresses to shareholders to be delivered by the Chairman and the Managing Director and Group Chief Executive Officer, at Pact Group Holdings Limited's Annual General Meeting on 18 November 2020, commencing at 12:00PM (AEDT), to be held virtually.

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 the company's Annual General Meeting.

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

ENDS

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This document has been authorised for release by Jonathon West, Company Secretary.

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ANNUAL GENERAL MEETING 12.00PM, WEDNESDAY 18 NOVEMBER 2020 CHAIRMAN'S ADDRESS

2020 IN REVIEW

I would like to first speak to the tragic loss of one of our valued employees. I am very saddened to report that a colleague in our New Zealand team died in a tragic incident in May. On behalf of the Board and the entire Pact family I pass on our condolences to his family.

FY20 was a period of unprecedented challenges, including COVID-19, the devastating bushfires during the Australian summer, and subdued underlying demand in some sectors in our Australian market. I am proud of how the Pact team responded to these challenges and the achievements of the Company in the year.

I would like to particularly commend Management and all employees for the commitment they demonstrated in managing the impacts of COVID-19. The Company swiftly developed a response plan focused on protecting the health and safety of our employees and the community, as well as supporting our customers. The safe and efficient operation of our facilities across our diverse geographies was maintained, and the needs of our customers were supported.

Against the challenging backdrop in the period, our financial performance was pleasing. The Group delivered revenue of \$1.8 billion, in-line with the prior year. EBITDA of \$302 million, was up 1% on the prior year on a comparable basis, and underlying NPAT was up 5%. Group operating cash flows were strong, net debt reduced by \$70 million, and balance sheet metrics were improved. The Board resumed dividends, with a final dividend of 3 cents per share paid, franked to 65%.

In the year, the Company has driven business improvements, captured new growth opportunities and established a new and exciting Vision for the Group through a detailed strategy review. We have made excellent progress in the first stages of the execution of this strategy.

Sanjay will provide you with further comments on these achievements shortly.

SUSTAINABILITY

Sustainability is central to our strategy.

We are committed to protecting the environment and the world in which we live and strive to be recognised as the partner of choice for sustainable packaging solutions by our customers.

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By 2025 we target to reduce, reuse and recycle by:

- eliminating all non-recyclable packaging that we produce;
- having solutions to reduce, reuse and recycle all single use secondary packaging; and
- offering 30% recycled content across our packaging portfolio.

We are actively collaborating with our customers and other stakeholders in product innovation and investments in new manufacturing technology to improve the sustainability of our packaging. Some of our key achievements in FY20 include:

- We decreased consumption of polystyrene resin, our most significant non-recyclable resin, and are working closely with customers to transition products to alternative substrates.
- We have enabled the growth in use of returnable produce crates in Australia's supermarket supply chain through the expansion of our crate pooling operation, reducing single-use corrugate secondary packaging by more than 2,000 tonnes since 2019.
- We have increased the number of products we manufacture from recycled resin by 31% since 2019. We have won contracts in FY20 to supply three Australian supermarket chains with recycled PET meat trays; and
- Critically, we are establishing the recycling capability to provide recycled raw materials to promote the local circular economy. Sanjay will speak to some exciting projects we are undertaking in this area 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 eighth consecutive year. Pact ranked second on the Manufacturing and Consumer Goods list and was a joint winner in a new category of Best Pandemic Pivot. Pact Group was recognised for its ability during the global pandemic to quickly pivot its operations at pace and scale to produce hand sanitiser. Pact's innovative pandemic pivot helps restore the nations confidence that when international supply chains are severely disrupted, a local Australian manufacturer can step up and quickly transform its business model and operations to support the community.

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I will now hand over to our Managing Director and Group CEO, Sanjay Dayal.

CEO'S SPEECH

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 executing our strategy which is to Lead the Circular Economy.

SAFETY

Firstly to safety. Our number one priority.

As the Chairman mentioned we are very saddened by the death of one of our team members in a tragic incident at our Albany site in New Zealand. We have supported detailed investigations into the incident and are committed to preventing similar incidents in the future.

Whilst our Lost Time Injury Frequency Rate for FY20 of 4.0 was improved on 4.7 in the prior year, we remain focused on driving continued improvement in our safety culture and processes.

2020 FINANCIAL SUMMARY

Turning to our financial performance for FY20. As the Chairman indicated, we delivered solid financial results in a period of significant market uncertainty. At a headline level the Group reported:

- Revenue of \$1.8 billion.
- A statutory net profit after tax of \$89 million.
- Underlying NPAT of \$81 million, up 5%.
- EBITDA of \$302 million, up 1% on a comparable basis.
- Free cash flow generation of \$71 million, up 81% on comparable basis.
- A reduction in net debt of \$70 million and an improvement in leverage to 2.6x.
- And the resumption of dividends, with the payment of a final dividend of 3 cents, franked to 65%.

Despite significant macro challenges in the period we delivered improvements in our controllables and our balance sheet, and captured new business opportunities.

- We delivered solid organic growth in our reuse platform and in the hygiene category in our Contract Manufacturing business.
- In our Packaging segment, we delivered underlying volume growth in New Zealand, and in Asia we are leveraging the benefits of consolidating our regional closures platform.

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- We controlled our costs and pricing was well managed. We recovered pricing lags from prior periods.
- Our Group margins improved.
- I am particularly pleased by the strong cashflow performance and reduction in debt which has given us further balance sheet headroom to drive our strategic initiatives.

Our results illustrate the resilience of our diversified portfolio and our balance sheet discipline.

THE CIRCULAR ECONOMY TRANSITION

Alongside driving improvements in our operating performance, we have been clearly focused on our strategy.

In February I provided detail of our exciting new Vision to Lead the Circular Economy, and a strategy that clearly aligns our capabilities with industry needs.

The plastic packaging industry is changing rapidly. Plastics sustainability is not only a social and environmental need, it is now an economic necessity. There is strong consumer, government and industry support for the development of a circular economy for plastics.

Consumers are becoming more concerned about the waste they produce. The ban on export of plastic waste, the elimination of plastic shopping bags from our supermarkets, and more recently, increased at-home consumption during periods of lockdown due to COVID-19, have increased consumer awareness of the need to improve plastic waste management practices and drive a shift toward a circular economy.

There is increasing demand for reusable and recyclable packaging and the use of recycled content. Demand for sustainable supply chain solutions, such as reuse and pooling, is growing.

Research commissioned by Pact in July 2020 indicated that eighty percent of Australian consumers express concern about the environmental impact of their waste, and two thirds feel guilty about the packaging waste their household produces. Consumers are increasingly focused on sustainable outcomes, and the majority are willing to pay a premium for Australian sourced recycled content.

For Governments, the development of the circular economy not only represents an environmental solution to a waste problem, but also an economic solution. It is a self-sustaining industry that can create both jobs and valuable raw materials, whilst solving the problem of waste. Governments have demonstrated commitment to the development of an effective circular economy through funding and industry support. Recently the Australian government announced a \$600 million commitment to the circular economy through the Recycling Modernisation initiative.

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OUR SPECIAL CAPABILITIES

Pact has “special” positions in the circular economy. These positions enable the Company to lead change in the industry and deliver sustainable competitive advantage.

- We have industry leading packaging capability to improve plastics sustainability through innovation and product design, and the scale and technical know-how to provide a meaningful offtake “sink” for recycled materials.
- We are a leading plastics recycler, well positioned to lead the change needed to “close the loop” on plastics.
- And we have solutions through our reuse platforms that meet the growing need for alternatives to single-use packaging.

We believe our special capabilities across the plastics value chain will provide significant opportunity for value creation.

OUR VISION TO LEAD THE CIRCULAR ECONOMY

Our Vision is to Lead the Circular Economy.

Presented here is our “strategy on a page”. A clear summary of our aspiration and targets, our key priorities, and the enablers required to win.

Our three core priorities are:

1. Strengthen the core by strengthening our balance sheet and improving the competitiveness of our core packaging business.
2. Expand reuse and recycling capability; and
3. Leverage regional scale.

Delivery of these priorities will drive value creation and provide a significant step in delivering our own sustainability aspirations.

STRATEGY IN ACTION

We have already made great progress in the delivery of our strategy. Here are some highlights of our work in FY20.

- We have completed the critical first steps in the turnaround of the Australian packaging business. We have transformed the operating model to align accountabilities to our customer needs. Our new operating model will promote deeper segment knowledge and improve the customer experience. We have appointed strong leadership to lead transformation of our business and deliver change in the way we operate.

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- We have entered an agreement to acquire Flight Plastics, a leading PET recycler in New Zealand with a competitive position in the fresh food segment
- We formalised a joint venture arrangement with Cleanaway and Asahi, which will develop PET recycling capability in Australia.
- In our reuse business we have grown our pooling revenues by 27% with the startup of operations to support the ALDI fresh produce supply chain, and we have expanded our reuse platform to support a major new contract in the USA.
- And we consolidated our regional closures platform and invested in new capability in Asia.

These are very pleasing achievements and illustrate the focus we have in transforming the Company.

More recently we recommenced the sale process in respect of our Contract Manufacturing business, which had been suspended due to COVID-19. This process is ongoing.

MOMENTUM IN STRATEGY

We will maintain the momentum in delivering our strategy. Our key initiatives for FY21 are included here. I will provide further comment on some of these initiatives on the following slides.

TURNAROUND OF THE CORE PACKAGING BUSINESS

The turnaround of our core packaging business is a priority. Having completed Phase 1 of the turnaround, we will continue work on Phase 2.

Phase 2 will drive improvements in our competitiveness.

- We will continue to improve our core business fundamentals. I am really pleased with the improvements we have already made on safety, quality, delivery, and cost. Our new operating model is supporting further improvements in this area.
- We will continue to invest in our platform capability.
- And we will develop segment strategies that will improve our capability to win in the market. The strategies will sharpen our focus on growth opportunities, guide our investment decisions, and leverage our innovation capability and access to recycled materials to differentiate.

Whilst we continue to progress the turnaround, I am confident these actions will provide the pathway to lift performance.

LEVERAGE VALUE FROM RECYCLING

We have made great progress in expanding our recycling capability which will be a key differentiator for Pact in the market.

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To meet our target of 30% recycled content across our portfolio by 2025 we will require in excess of 60,000 tonnes of recycled raw materials. The initiatives we have already undertaken, including the Cleanaway and Asahi Joint Venture, the acquisition of Flight plastics and the acquisition of Australian Recycled Plastics, provide a significant step in achieving this target, increasing our recycling capacity from around 30,000 tonnes to 50,000 by 2022.

This represents a significant step change in our capability to provide food grade recycled content, sourced from recycled materials that support the local circular economy. This capability will establish for us an important competitive advantage.

INCREASE PENETRATION OF REUSE SOLUTIONS

Our strategy has reconfirmed the huge opportunity we have in scaling up our positions in returnable produce crate pooling and garment hanger reuse.

FY20 was a significant year in expanding both our pooling and reuse platforms. With these expansions now both operational, our strategic focus has shifted to driving organic growth through increased penetration.

In our pooling platform, we have identified potential to lift penetration rates in existing produce categories from around 47% up to 70% over the strategy period. In addition, we can expand the produce categories we support and enter new fresh produce loops such as eggs and protein.

In our garment hanger reuse business, TIC, we have the potential to expand further in offshore markets. We have established a strong platform in Asia with the scale to capably support services globally.

We are proud of the industry leading capability we have developed in our pooling platform, which provides a sustainable alternative to single-use packaging for our customers.

OUR TARGETS

We believe through our strategy we can deliver significant long-term value for all stakeholders. We have set clear targets that we will hold ourselves accountable for.

By 2025 we will deliver:

- Top quartile shareholder returns
- ROIC above 15%; and the
- The Company's sustainability promise of 30% recycled content across its portfolio.

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We will maintain a strong balance sheet, and ensure our investments and divestments are clearly aligned to strategy.

And we will target the payment of dividends to you, our shareholders, in line with our dividend policy.

FY21 TRADING UPDATE

Now, briefly looking ahead to FY21.

In trading to date, the business has demonstrated earnings resilience. Pleasingly we have seen good earnings momentum in our reuse business, supported by improved clothing retail demand and increased volumes into the USA. In our Contract Manufacturing segment, volumes have been higher than the same period last year and efficiency is improved. Packaging volumes have been in line with seasonal expectations. We expect EBIT (before significant items) for the half year to be ahead of the prior comparative period.

The duration and economic impact of COVID-19 remains uncertain. A further update on FY21 trading will be provided at the Company's half year results in February.

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 FY20. I'm confident that our strategy will guide 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 the Chairman who will go through the formal resolutions of today's meeting.