



Pro-Pac Packaging Limited

ACN: 112 971 874

Annual General Meeting

Tuesday 25th November 2014



Chairman's Address

Good morning and welcome to Pro-Pac's 2014 Annual General Meeting. Thank you for your attendance. My name is Elliott Kaplan and I am a Director of Pro-Pac and your current Chairman. I would like to introduce the other members of the Board, Mr Ahmed Fahour, Dr Gary Weiss and our CEO Brandon Penn. Our CFO and Company Secretary, Mark Saus is also in attendance and also present is our auditor, Mark Nicholaeff from UHY Haines Norton.

While the 2014 financial year could be categorised as a year of consolidation with the integration of the 10 acquisitions made during the financial year and the implementation of major cost reduction strategies, the ongoing focus on continuing to grow the top line and enhancing the bottom-line performance enabled the Company to report an improved and pleasing result.

In difficult trading conditions revenue grew by 26% to \$218 million, approximately half of which was organic growth, and EBITDA increased by 22% to \$13.5 million. Profit after tax was up by 19% to \$6.1 million. The cost out strategies have started to yield results with administration, distribution and selling expenses reducing year on year from 25.7% to 22.1% as a percentage of sales. Margins however were negatively impacted through a mixture of adverse foreign exchange movements, rising raw material input prices and an increase in lower margin direct drop ship sales.

In addition to organic growth, the Company continues to seek value enhancing acquisition opportunities. In October we announced the acquisition of the business and assets of Nelson Joyce and a current pipeline of further potential acquisitions is under assessment.

A fully franked interim dividend of one cent per share was paid on 20 May 2014 and a fully franked final dividend of one cent per share was paid earlier this month.

In September I announced that I would be stepping down as Chairman at the conclusion of this meeting. As I said previously, periodic strengthening and renewal of the Board is an important element of a growing company and renewal of the Chairman's role is no exception. In March we were extremely pleased to announce the appointment of Mr Ahmed Fahour as an additional non-executive director and as previously announced, Ahmed has agreed to take on the role of Chairman with effect from the conclusion of this meeting. Ahmed is an experienced Chairman who will provide strong leadership, strategic insight and direction to Pro-Pac's management.

On the subject of management, in August we were very pleased to welcome Mr Peter Sutton into our senior management team as group COO. Our extremely capable MD of our Industrial Division, Wendy Penn, has decided to retire at the end of this calendar year and Peter will be assuming the additional role of Industrial Division MD. Wendy has been integral to the significant growth of our Industrial Division and under her stewardship, through acquisitions and organic growth, that division has experienced a more than sixfold increase in revenue. Personally and on behalf of the Board I thank Wendy for her tireless efforts, dedication and outstanding contribution to Pro-Pac over the past seven years.



I would also like to thank my fellow directors for their input and counsel and, on behalf of the Board, I again express thanks to our hard working and dedicated CEO Brandon Penn, CFO Mark Saus, Rigid Division MD Hadrian Morrall and all the rest of our management team and staff.

On that note, I will hand over to Brandon Penn, our MD and CEO, who will present a more detailed review of the 2014 financial year and provide an update on trading conditions and strategies going forward.

Ends

Managing Director and CEO's Address

2014 Financial Year Review

First and foremost I would like to take this opportunity to thank Elliott Kaplan for his stewardship as chairman over the last several years. During this period the company has significantly grown and transformed during a fast changing and volatile environment. Under the new stewardship of Ahmed Fahour we look forward to building on our strong and sound platform to take our business to the next level.

As the Chairman mentioned 2014 was a year of consolidation and integration after the 10 newly acquired acquisitions from the prior period. This was in line with our strategy to grow our business in the more defensive food packaging industry and over the past financial year, we have developed a national footprint of business units in this sector. This strategy has worked well and is starting to reap rewards as demonstrated by our strong organic growth despite an otherwise subdued and highly competitive industrial packaging market.

Trading and Operational Update

As mentioned, despite a generally weak and competitive environment our businesses have continued to achieve good top line growth with sales for the first four months of FY15 circa 11% ahead of the corresponding period in the previous financial year. However, given that the majority of our finished products and production inputs are imported, the continued decline in the Australian Dollar/US Dollar exchange rate coupled with the current very competitive market conditions is putting pressure on margins.

Our consolidation and value extraction strategies are making good progress and we continue to win new business as we roll out new products nationally. Following the recently announced acquisition of the Sydney based packaging business of Nelson Joyce, we are continuing to review a solid pipeline of acquisition opportunities.



We are continuing to focus on extracting the value from recent acquisitions and this involves further investment in business development resources and product training nationally. We have a number of projects under way to improve both our supply chain efficiencies and to deliver reduced operating costs.

A key cost out exercise was the establishment of an offshore processing and procurement centre in Malaysia which is now fully functional and will deliver further cost savings going forward.

Finally, I would like to take this opportunity to join the Chairman in thanking our hard working and talented management team and employees whose contribution is integral to our future success.

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