

Investor Presentation

Probiotec Limited

Acquisition of Multipack-LJM



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All values are expressed in Australian Dollars unless otherwise stated.

Executive Summary



Probiotec is pleased to announce it has agreed to acquire Multipack-LJM, a strategic acquisition in our value chain that is expected to be highly accretive for shareholders

Attractive acquisition price

\$52.5m

c. 4.2x FY20 Normalised EBITDA

Significant scale

\$70m+

incremental revenue

- ✓ Market leadership in secondary packing with national customer coverage across the key VIC and NSW markets
- ✓ ~40% EPS accretive based on full year FY20 pro forma NPATA ⁽¹⁾
- ✓ Catalyst for site consolidation opportunity
- ✓ Increases packing revenue to ~\$100m p.a. from high quality customers in defensive end markets

Strong EPS Accretion

~40%

pro forma FY20 EPS accretion ⁽¹⁾

Fully debt funded

1.4x

pro forma Net Debt/EBITDA ⁽²⁾

- (1) EPS accretion calculation excludes the impact of deferred consideration and earn-out payments, which remains subject to the future performance of Multipack-LJM. Deferred consideration may be paid in cash or Probiotec shares (at Probiotec's election). See slide 5 for further information
- (2) Excludes deferred consideration, which remains subject to the future performance of the business and may be paid in cash or scrip at Probiotec's election

Investment Highlights



The Multipack-LJM acquisition represents a highly attractive transaction with a strong commercial rationale and compelling financial metrics

- ✓ Creates Australia's leading contract packing business with the scale and capabilities to service the broad requirements of global customers across our Melbourne and Sydney footprint
- ✓ Overlap in pharmaceutical and consumer healthcare customer base provides organic revenue opportunity while new customers and capabilities expand our opportunity set
- ✓ Multipack-LJM's founders will join Probiotec's management team, broadening our executive team and enabling us to fully leverage our capabilities across a larger platform
- ✓ High return on capital operations with strong cashflow generation to drive returns for shareholders
- ✓ Ability to consolidate asset footprint to deliver significant overhead savings over 2-3 years
- ✓ Attractive transaction structure reduces financial risk for shareholders, with high levels of vendor alignment
- ✓ Strong financial metrics, with significant financial accretion while maintaining an appropriate level of gearing

Transaction Overview



- Probiotec has agreed to acquire Multipack-LJM (comprising all of the issued shares of Multipack-LJM Pty Ltd and L.J.M. Marketing Services Pty Ltd) for total consideration of \$52.5 million comprising:
 - \$32.4 million in cash at completion
 - \$7 million payable in Probiotec Scrip at completion
 - \$13.1 million (25%) structured as Deferred Consideration
- Conditional payment of deferred consideration:
 - subject to strict EBITDA performance hurdles over two years following completion, with heavy penalties for underperformance
 - Probiotec retains the option to pay deferred consideration in Cash or Scrip. The Scrip option contemplates fixed pricing (at the upfront scrip price) which further incentivises strong financial outcomes
- Earn-out arrangements in place to incentivise EBITDA outperformance
- Multipack-LJM management will join the Probiotec executive team following the acquisition
- The acquisition will be debt funded using the proceeds of a debt facility provided by our relationship bank, Commonwealth Bank of Australia
- The transaction is expected to deliver a material uplift in EBITDA and be highly accretive to shareholders
- We anticipate the transaction will close at the end of December 2020

Sources	\$m	Uses	\$m
Debt Funding	34.9	Acquire Multipack-LJM	52.5
Scrip Consideration	7.0	Transaction costs	2.5
Deferred Consideration	13.1		

Source of cash & equity	55	Uses of cash & equity	55
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\$m (unless indicated)	Probiotec Underlying FY20A	Acquisition Impact	Pro Forma Underlying FY20
EBITDA	16.9	+12.6	29.5
NPATa	7.8	+3.7	11.0
EPS ¹ (cents per share)	10.4		14.4
<i>Implied accretion</i>			40%
Net Debt ²	6.8		41.7
<i>Net Debt / EBITDA (x)</i>	0.4x		1.4x

- EPS accretion is shown on an NPATA basis and assumes that the acquisition had completed on 1 July 2019 and excludes transaction costs, integration expenses and amortisation of acquired identifiable intangibles. Quoted Pro Forma EPS assumes shares are issued to the vendors at \$1.75 per share to satisfy the upfront share consideration. The quoted EPS accretion does not reflect the payment of deferred consideration (up to \$13.1 million) which remains subject to the future financial performance of Multipack-LJM and can be paid in cash or Probiotec shares. Any shares issued to satisfy the deferred consideration would be issued at the same price as the upfront share consideration. Total shares issued to satisfy the upfront and deferred consideration are capped at 11.2 million
- Excludes deferred consideration which can be satisfied in cash or Probiotec shares

Multipack-LJM Overview



Overview

- Multipack-LJM is one of Australia's leading Contract Packing operations
- The business has been in operation for over 23 years and has grown to now occupy over 30,000 sqm of warehouse floor-space
- The business mechanically or manually packs a broad range of fast moving products for pharmaceutical, veterinary, cosmetic, food and beverage and consumer end markets
- Multipack-LJM's 'Clean Room' capability and significant regulatory accreditation enables them to provide Co-packing services for medical supplies, pharmaceuticals and OTC products
 - Ideal for organisations without appropriate in-house capability
- Other value-enhancing capabilities include:
 - Cold-storage co-packing capabilities
 - Third-party logistics (co-packing) services
 - Automated co-packing services e.g. shrink wrapping, shrink-sleeving, auto-carton, blister-packing
 - NPD, labelling and consumer display services for retailers
- Large scale footprints in Australia's key consumer markets of Sydney and Melbourne

Key Packing Services

Core Co-packing

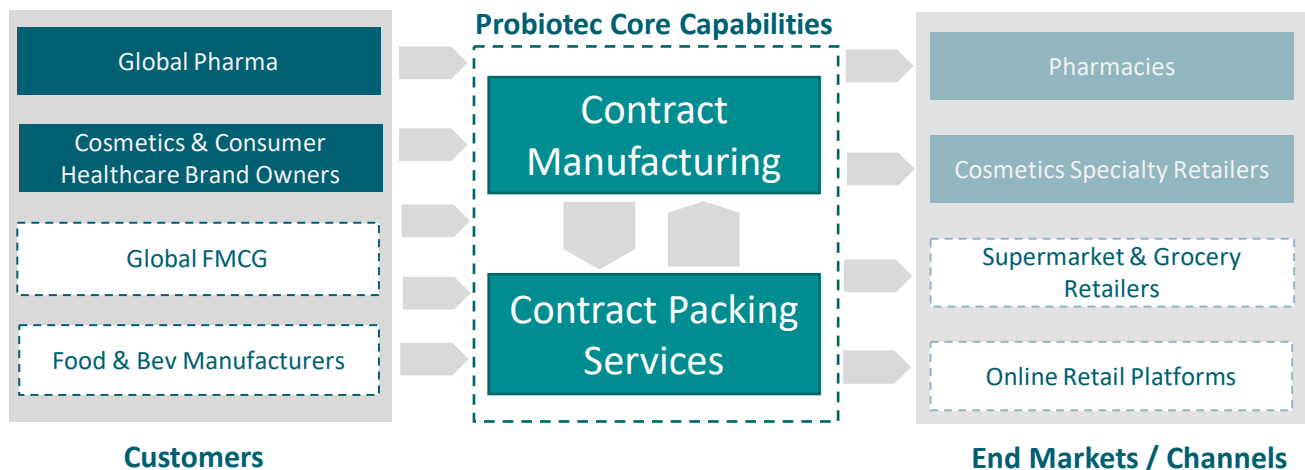
- Clean Room
- Cold Store
- Shrink Wrap
- Blister Packing
- Auto-cartoning

Customised & Value-added Services

- Display units
- Gift-sets
- Multipacks
- Labelling & Re-works
- Third-party logistics



Expanding our Value Chain



- ✓ New customers in large and stable end markets
- ✓ National account coverage with a VIC and NSW service footprint
- ✓ Exposure to growing online retail fulfilment channels
- ✓ Opportunity to selectively target manufacturing contracts for packing customers

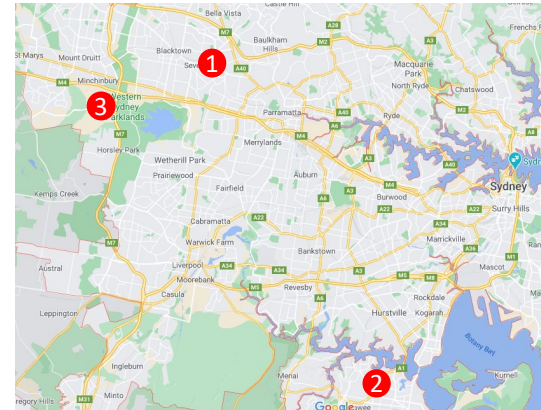


Clear Investment Strategy



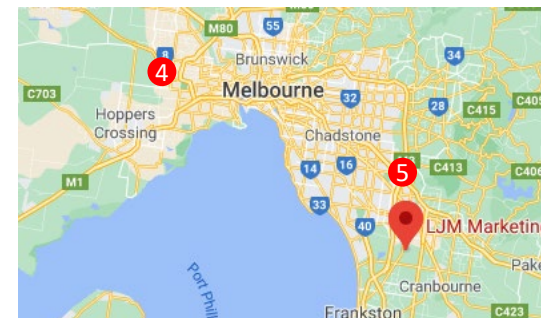
- Multipack-LJM is positioned to provide the full spectrum of contract packing services to a broad range of global customers
 - Able to service national accounts across key markets in NSW and Victoria
 - Large scale footprint and full-service capability provides flexibility to meet large and small-run packing needs
 - Growth opportunity underpinned by growing online sales channels and social media-led growth in niche product categories that require local packing services
- Probiotec's post acquisition strategy is to:
 - Continue to win share of new customers in targeted markets of Pharma, Consumer Healthcare and FMCG
 - Leverage national account capability to grow
 - Drive innovation and service offering to provide a broader range of packing and manufacturing services to key customers
- Site consolidation opportunity over next 2-3 years provides an opportunity to drive material cost savings
 - Future cost savings are not reflected in financials presented in this presentation

Sydney Footprint



1. ABS: 6,500 sqm (Seven Hills)
2. South Pack: 2,500 sqm (Kirrawee)
3. Multipack: 13,000 sqm (Eastern Creek)

Melbourne Footprint



4. Probiotec: 20,000 sqm (Laverton)
5. Multipack: 17,000 sqm (Dandenong South)

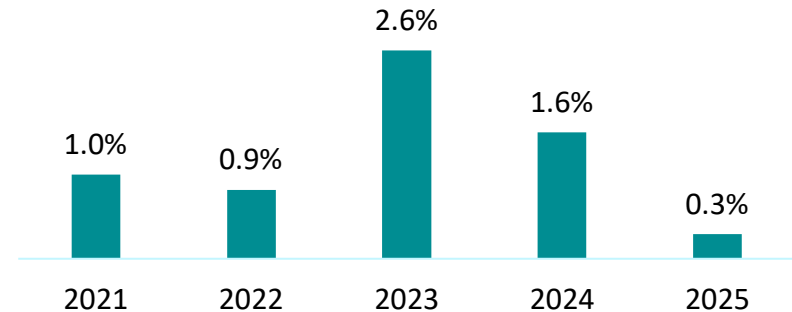
Co-Packing Industry Overview



Packing Services Market

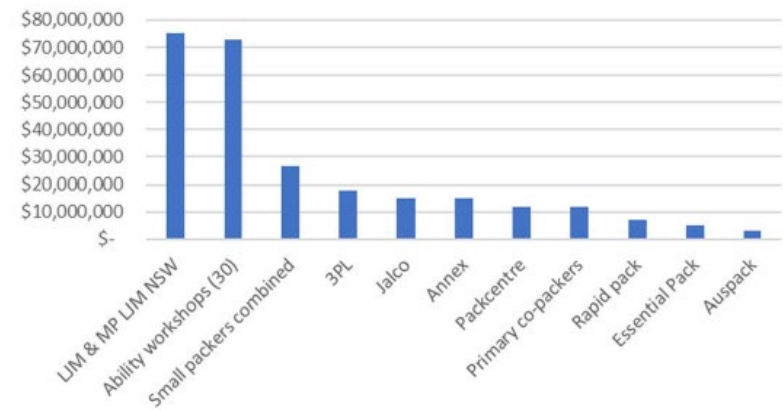
- The packing and packaging services market is valued at approximately \$2.2bn and characterised by defensive revenues and stable demand
- Demand and revenue growth is underpinned by:
 - Outsourcing activity by manufacturers seeking ongoing cost savings;
 - Increasingly complex packing requirements in fast-moving industries;
 - Stricter and evolving regulatory requirements around labelling; and
 - Online purchasing trends increasing importation of small-run products that require local customisation and/or re-packing.
- The key end-markets served by the industry are defensive categories:
 - Pharmaceutical goods (~23%)
 - Cosmetics (~5%)
 - Food & beverage (~49%)
- The domestic secondary co-pack market is believed to be worth over \$300m p.a. and lags other key markets on a *per capita* basis, suggesting further growth is achievable
- The basis of competition in the market is typically a function of:
 - Reliability: Critical factor for packing items consumed by people and animals. Typically a major focus for regulatory accreditation
 - Capacity & Capability: Ability to meet broad packing requirements and scale up rapidly and utilise automation is critical to meeting customers requirements and maintaining cost efficiency

Market Outlook – Revenue Growth



Source: IBISWorld, Packing Services in Australia (N7320), February 2020

Key Competitors



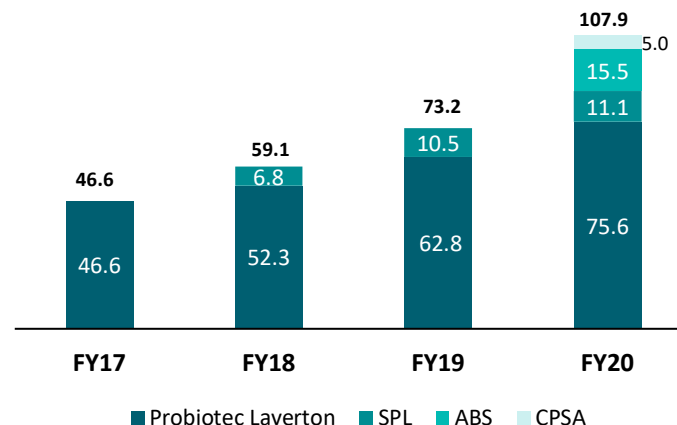
Source: Multipack Management estimates




Attractive acquisitions



Probiotec has a strong track record of successful acquisitions and is actively considering a number of additional opportunities

- Probiotec has made a number of accretive acquisitions in the contract packing space which leverage our pharma customer base
- We intend to continue to acquire good companies at attractive prices – with a focus on manufacturing and packing businesses that are exposed to defensive end-markets and high quality counterparties
 - Pharma / Consumer Healthcare
 - Cosmetics
 - FMCG



Business Acquired	Date Acquired	Value	EBITDA Multiple	FY20A Revenue	Run-rate Revenue
 SOUTH PACK <small>LABORATORIES (AUST) PTY LTD</small>	Oct-17	\$12.9m	~4.3x	\$11.1m	\$11.1m
 <i>Simply the best!</i>	Aug-19	\$26m	~5.0x	\$15.5m	\$17.0m
	Dec-19	\$4.6m	n.a.	\$5m	\$9.0m

Strategy Execution



1

Maintain and develop relationships with customers

Leverage Probiotec capabilities to expand product manufacturing in attractive categories
Drive innovation with customers to maximise the revenue and margin opportunity

2

Maximise opportunity from onshoring of domestic manufacturing

Identify attractive opportunities to capture share from customers onshoring their production
Utilise existing capacity and/or use demand to underpin capacity expansions

3

Proactively assess acquisition and capital investment opportunities

Disciplined approach to acquisition opportunities in core manufacturing and packing sectors
Identify attractive greenfield/brownfield opportunities

4

Drive operational improvement and cost synergies

Continue to leverage Probiotec's core operational strength and customer service capabilities
Optimise the Sydney packing footprint
Removal of Covid-19 related costs

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