ASX - For immediate release

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Pro-Pac Packaging Reports FY 2023 Results

Pro-Pac Packaging Limited (ASX: PPG) ("**Pro-Pac**" or "**the Company**" or "**the Group**") today announces its results for the full year ended 30 June 2023 ("**FY23**").

FY23 Financial Highlights
Revenue from continued operations down by 5.5% across the group at $339.1 million, reflecting the impact of site consolidation/rationalisation and a focused transition towards more profitable market segments.
PBT[1] from continuing operations improved by $1.8 million to a loss of $10.6 million compared to FY22, with selling prices now better aligned to our cost structures and cost reduction initiatives continuing to favourably impact results.
EBITDA pre-AASB 16[2] from continuing operations up by $1.2 million to a profit of $1.1 million compared to FY22.
Net debt[3] down $9.7 million at $13.9 million (30 June 2022: $23.6 million).
Significant Highlights
LTIFR[4] increased to 10.96 for FY23 (FY22: 7.63). Decline in performance for the trailing 12 months was impacted by site consolidation in the prior year. A focus on an improved safety culture for the entire business remains.
The Group successfully refinanced its previously syndicated debt facilities through the establishment of a $30.0 million debtor finance facility, whilst maintaining its $5.0 million bank overdraft facility.
The Group completed a pro-rata accelerated renounceable entitlement offer of new ordinary shares (rights issue), which raised net proceeds of $28.3 million
The Company is focused on business development opportunities, improved margins and lower cost structures. We are gaining new customers and achieving growth in our existing customer base. We expect our increased profitability to continue into the new financial year and result in an improved positive pre-AASB 16 EBITDA for the 2024 financial year.

Commenting on the FY23 results, Pro-Pac's CEO & Managing Director John Cerini said:

"We have been resolutely focused on delivering our strategy of improved operational performance, cost reduction and position for profitable growth, in the face of a challenging market and in a high inflationary period which has created uncertainty around consumer buying patterns.

Revenue from continuing operations for the full year was $339.1 million, as we focused on margin improvement, both through the development of sales growth in higher value-add and higher margin products and reducing cost structures.

We are gaining new customers and achieving growth in our existing customer base, as we restore customer confidence through better service delivery.

Recent investments in new equipment and site rationalisations completed will allow the business to grow volumes without the need for further significant capital spend.

The Flexibles business has secured the Arnotts contract for their flexible packaging requirements, which will benefit FY24.

We also remain focused on lowering costs across the organisation and creating a structure to achieve more profitable growth.

Innovation also plays a key role in our strategic plans. We believe there are real benefits for our customers and our communities through our committed approach to innovation.

Our focus on our investment in recycling, which will be supported by the receipt of the first instalment of a Government grant of $5.6 million, will help to ensure the business takes an important leadership role in the Plastics Industry around soft plastic recycling and the circular economy.

Pleasingly we are continuing to see the positive signs from all this work in recent times."

FY23 Overview

FY23 Continuing Operations Financial Performance

A$ million	FY23 $'M	FY22 $'M	Change
Statutory results:			
Revenue	339.1	358.7	(19.6)
Statutory profit after tax	(8.5)	(45.3)	36.8
Operating results:			
EBITDA pre-AASB 16	1.1	(0.1)	1.2
EBIT	(5.3)	(5.8)	0.5
PBT	(10.6)	(12.4)	1.8
PBT margin[5]	*(3.1%)*	*(3.5%)*	*0.4%*
Significant items	(0.3)	(33.9)	33.6

- Revenue from continuing operations of $339.1m a 5.5% decrease from 2022 reflecting the impact of site consolidation and a focused transition towards more profitable market segments.
- Cost reduction initiatives continue to favorably impact results.
- EBITDA pre-AASB 16 from continuing operations improved during the year to a profit of $1.1m from a loss of $0.1m in 2022:
  - Selling prices are now better aligned to our cost structures.
  - The benefits from this and cost reduction activities will continue to materialise during 2024.
- Reduced level of significant items.

Group (Continuing and Discontinued Operations) Financial Performance

A$ million	FY23 $'M	FY22 $'M	Change
Statutory results:			
Revenue	341.3	467.0	(125.7)
Statutory profit after tax	(10.2)	(25.9)	15.7
Operating results:			
EBITDA pre-AASB 16	1.0	11.6	(10.6)
EBIT[6]	(5.4)	5.3	(10.7)
PBT	(10.7)	(1.9)	(8.8)
PBT margin	*(3.1%)*	*(0.4)%*	*(2.7%)*
Significant items	(2.7)	(16.6)	13.9

Half yearly financial performance comparison - Continuing Operations

A$ million	2H23 $'M	1H23 $'M	2H22 $'M
Statutory results:			
Revenue	155.8	183.3	173.4
Operating results:			
EBITDA pre-AASB 16	1.9	(0.8)	(5.0)
EBIT	(1.6)	(3.7)	(5.0)
PBT	(4.4)	(6.2)	(11.3)

- Half yearly profitability from 2H22 to 2H23 has continued to improve.
    - Selling prices are now better aligned to our cost structures.
    - Cost reduction initiatives favorably impacting results
- We expect the positive profitability trend to continue into FY24.

Balance Sheet

A$ million	FY23 $'M	FY22 $'M	Change
Working capital[7]	74.8	71.1	3.7
Net debt	(13.9)	(23.6)	9.7
Other net assets	74.9	69.2	5.7
Net assets	135.8	116.7	19.1
Share capital	320.5	291.7	28.8
Other equity	(184.7)	(175.0)	(9.7)

- Working capital increased by $3.7 million during the year:
    - Receivables – decrease of $19.3 million; due to the divestment of the Rigid and Source & Sell businesses.
    - Inventories – decrease of $9.4 million with better inventory optimisation.
    - Trade payables – decrease of $31.7 million to bring trade creditors within agreed trading terms.
- The Group successfully refinanced its previously syndicated debt facilities through the establishment of a $30.0 million debtor finance facility in the 1H23.
- The Group completed a pro-rata accelerated renounceable entitlement offer of new ordinary shares (rights issue), which raised net proceeds of $28.3 million.
- Net debt reduced by $9.7 million to $13.9 million from $23.6 million in 2022.
- The net debt balance excludes the $6.1 million (including GST) of government grant proceeds received in June 2023.

Cash Management

A$ million	FY23 $'M	FY22 $'M	Change
Net cash flows from operating activities	(3.0)	6.5	(9.5)
Net cash flows from investing activities	(0.2)	33.3	(33.5)
Net cash flows from financing activities	10.2	(46.4)	56.6
Net increase/(decrease) in cash	7.0	(6.6)	13.6

- Cash flows from operating activities were an outflow of $3.0 million which included the increase in working capital of $3.8 million. For the second half of FY23 there was an inflow of $13.5 million.
- Cash flows from investing activities was an outflow of $0.2 million:
  - Net capital expenditure reduced to $7.7 million (FY22: $17.2 million), due to the higher growth capital expenditure already invested into the business in recent years;
  - During FY23 $5.6 million was received in relation to proceeds from a Government grant;
  - FY22 included $50.8 million (FY23: $1.9 million) in proceeds from businesses disposed.
- Cash flows from financing activities during the period of $10.2 million, reflected:
  - $28.3m of net proceeds received from the successful rights issue;
  - A reduction in net debt from $23.6 million to $13.9 million.

Divisional Results

Flexibles

A$ million	FY23 $'M	FY22 $'M	Change
Revenue	265.3	279.5	(5.1)%
EBITDA pre-AASB 16	2.0	1.0	95.0%
EBIT	(3.6)	(2.7)	(32.1)%

- Revenue decreased by 5.1% to $265.3 million (2022: $279.5 million) reflecting the impact of site consolidation and a focused transition towards more profitable market segments.
- Service delivery has improved in the year, which is expected to allow for business development opportunities in FY24 to leverage off the Group's investment in capacity in recent years.
- Selling prices have now been better aligned with increased costs experienced, with this recovery to continue to materialise in FY24.
- The businesses are beginning to win back volume from customers which were previously lost.

Specialty Packaging

A$ million	FY23 $'M	FY22 $'M	Change
Revenue	73.8	79.2	(6.8)%
EBITDA pre-AASB 16	0.7	0.1	>100%
EBIT	(0.04)	(1.9)	(97.7)%

- Revenue decreased by 6.8% to $73.8m (2022: $79.2m) as a result of product rationalisation, the exit of non-core market segments to focus on the distribution of specialty packaging, and the impact of supply chain challenges.
- The increased pricing in response to higher supply chain input costs and a reduction in cost structures throughout the business has improved the specialty packaging business' profitability.

Outlook

The trading environment remains challenging in a high inflationary market, which has created uncertainty around consumer buying patterns. However, we continue with the process of restoring customer confidence through better service delivery.

We will maintain a strong focus on reducing costs.

Recent investments in new equipment and site rationalisations completed will allow the business to grow volumes without the need for further significant capital spend.

Our focus on our investment in recycling will ensure the business takes an important leadership role in the Plastics Industry around soft plastic recycling and the circular economy.

The Flexibles business has secured the Arnotts contract for their flexible packaging requirements, which will benefit FY24.

We are gaining new customers and achieving growth in existing customer base.

We expect our increased profitability to continue into the new financial year and result in an improved positive pre-AASB 16 EBITDA for FY24.

This announcement has been authorised for release by the Board of Directors.

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About Pro-Pac:

Pro-Pac Packaging Limited (ASX: PPG) is an innovative Flexibles and Industrial Specialty Packaging company with a diversified distribution and manufacturing network throughout Australia and New Zealand. Headquartered in Melbourne, Pro-Pac delivers bespoke packaging solutions for a broad group of blue-chip and SME clients in the industrial, food and beverage, health, agriculture and manufacturing sectors. For further information, please visit www.ppgaust.com.au

Forward-Looking Statements:

Some of the statements in this document constitute "forward-looking statements". These forward-looking statements reflect Pro-Pac's current intentions, plans, expectations, assumptions and beliefs about future events and are subject to risks, uncertainties and other factors, many of which are outside Pro-Pac's control, including resin price, labour pressures and exchange rate fluctuations. These factors that could cause actual results to differ materially from the expectations expressed or implied in the forward-looking statements include known and unknown risks. Because actual results could differ materially from Pro-Pac's current intentions, plans, expectations, assumptions and beliefs about the future, you are urged to view all forward-looking statements contained in this document with caution.

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[1] PBT refers to profit/(loss) before income taxes and significant items
[2] EBITDA pre-AASB 16 refers profit/(loss) before significant items, depreciation and amortisation, finance costs, interest income, income taxes and before accounting for AASB 16 *Leases*
[3] Net debt is calculated as interest-bearing liabilities, less cash and cash equivalents before accounting for AASB 16 *Leases.* Government grant received in FY23 totaling $6.1 million (incl GST) has also been excluded from the FY23 net debt calculation.
[4] Lost time injuries frequency rate
[5] PBT margin is calculated as PBT divided by revenue
[6] EBIT refers to profit/(loss) before significant items, finance costs, interest income and income taxes
[7] Working capital refers to trade and other receivables, inventories, deposits and prepayments, less trade and other payables