



CAPITAL RAISE – FUND ACQUISITION GROWTH STRATEGY

July 2018

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This presentation has been prepared by Pro-Pac Packaging (**ASX:PPG**) in relation to:

- two acquisitions being undertaken by PPG – Polypak and Perfection Packaging (Acquisitions), (with a vendor placement of new fully paid ordinary shares in PPG (**New Shares**) as part consideration for the Perfection Packaging acquisition); and
- the following underwritten issues of additional New Shares:
- a placement of New Shares to sophisticated and professional investors to be made under section 708 of the Corporations Act 2001 (Cth) (**Corporations Act**);
- a placement of New Shares to Bennamon Pty Ltd, subject to shareholder approval pursuant to section 611 item 7 of the Corporations Act;
- a placement of New Shares to the Chairman of PPG, Ahmed Fahour, subject to shareholder approval pursuant to Part 2E.1 of the Corporations Act and ASX Listing Rule 10.11;
- a placement of New Shares to a non-executive Director of PPG, Mr Rupert Harrington, subject to shareholder approval pursuant to Part 2E.1 of the Corporations Act and ASX Listing Rule 10.11; and
- a Share Purchase Plan to be offered to all PPG shareholders,

(together, **Placements**).

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Presenters



Grant Harrod
PPG, Group CEO

17 years experience at CEO / MD level in public and listed companies

Former CEO/MD of LJ Hooker Limited (2014 – 2017)

Former CEO/MD of Salmat Limited (2008 – 2013)

Former CEO/MD of Corporate Express Limited (2002 - 2008)



John Cerini
PPG, Group COO

CEO of IPG since 2003

More than 25 years of experience in the packaging industry

CEO of Detmold Packaging for 5 years

Divisional General Manager during 10 years of employment at Amcor



TRANSACTION OVERVIEW

Transaction Overview

Details

- Pro-Pac Packaging Limited ¹ (“PPG”) has entered into agreements to acquire Perfection Packaging (Project Wrap) and the Polypak business (Project Stretch):
 - Perfection Packaging is a privately owned hard flexible packaging manufacturer based in Victoria, Australia
 - Perfection Packaging to be acquired for A\$49.8 million (7.0x on FY19F EBITDA \$7.1m)
 - 80% (\$39.84 million) payable in cash upon completion
 - 20% (\$9.96 million) payable in PPG shares, shares to be held in escrow for 2 years
 - Perfection Packaging acquisition expected to complete in September 2018
 - Acquisition of Perfection Packaging is conditional on the completion of the Placement
 - Polypak is a privately owned specialist ‘soft flexible packaging manufacturer & distributor based in Auckland, New Zealand
 - The Polypak business to be acquired for NZ\$8.8 million (4.5x on FY19F EBITDA NZ\$2.0m), with:
 - 80% (NZ\$7.04 million) payable upon completion, adjusted for working capital
 - 20% (NZ\$1.76 million) to be held in escrow, with 50% payable Dec’18 and balance on Jul’19 following achievement of agreed performance targets
 - Polypak acquisition expected to complete in July 2018.

Impact

- Acquisitions are in line with PPG’s strategy of delivering a scalable platform for future growth
 - On strategy to be a leader in the industrial & flexible packaging markets
 - EPS accretive, up 22% including \$8.0m synergies to be delivered in 24 to 36 months post acquisition
 - Net Debt expected to reduce to below 2.0x EBITDA
 - Principals of Polypak and Perfection Packaging to stay on with PPG and integrate into PPG leadership and operations teams

Funding

- The Transaction will be funded by:
 - A \$55.8m two tranche fully underwritten placement at \$0.34 per share;
 - A \$4.0m fully underwritten Share Purchase Plan at \$0.34 per share; and
 - An issue of \$9.96m of PPG shares to the Perfection Packaging vendors at \$0.39 per share.
- Major Shareholder, Bennamon Pty Ltd, Chairman of PPG, Mr Ahmed Fahour, and Non Executive Director, Mr Rupert Harrington to participate in placement to maintain their current level of shareholding and conditional on shareholder approval

¹ Via wholly owned subsidiaries

Strategic Rationale



The transaction will:

- Strengthen PPG's strategy to become one of the leading players in the growing flexibles packaging market
- Provide an entry into the larger hard flexibles segment
- Deliver significant cost synergies to consolidate Australian manufacturing network
- Open access to new markets and products complementing the existing business
- Increase the diversification of revenues, geographies and customers
- Strengthen PPGs leadership and operations teams
- Provide PPG with additional balance sheet flexibility

Australian Packaging Industry Overview

Pro-Pac will be a leading player in the \$2.2 billion Flexible Packaging segment.



- PPG is a segment leader in manufacture & distributor of soft & hard flexible film for, primary (trays, films, bags & laminates), secondary (shrink film) and tertiary (stretch film) packaging solutions
- Top 3 players in flexibles account for 65% of industry revenue and target different end-segments
 - Amcor – Focus on global FMCG customers
 - Sealed Air – Focus on Meat, Dairy and other technical segments
 - PPG – Focus on Industrial & Logistics, FMCG, Food processing (off farm) & Agriculture (on farm) markets

- PPG is becoming a leading distributor & manufacturer of other packaging and industrial products
- Customers value single source suppliers in this segment for their ability to provide a JIT total solution for all their packaging requirements
- Industrial products include:
 - Tape & Strapping
 - Cartons & Void fill
 - Packaging machinery (including pallet wrapping)
 - PPE & Washroom materials

1. IBISWorld and PPG management estimates

Growth in Flexibles

- PPG future growth to largely be driven by flexible packaging market
 - Flexible segment growing faster than GDP and the overall packaging sector
 - Relatively fragmented with further consolidation opportunities
- Flexible packaging industry in Australia estimated to be worth \$2.2bn p.a¹.
 - Soft flexibles (polyethylene) est. ~\$0.9bn p.a¹.
 - Hard flexibles (laminated polypropylene) est. ~\$1.3bn pa¹.
- Demand expected to grow 47% over next 10 years (CAGR 4%)¹. This is underpinned by:
 - Shift towards convenience packaging, eg; fresh produce in bags
 - Move towards unitisation to reduce product wastage aa consumer buy for today
 - Move towards shrink wrap as a substitute to alternative packaging material (ie beer market)
 - Film based packaging is more cost effective alternative to traditional packaging materials
 - Growth in healthy ready-to-eat snack foods.
 - Pouches replacing alternative rigid packaging.

1. IBISWorld and PPG management estimates



Hard flexible films

The Perfection Packaging acquisition will provide PPG with scale in the mid-market hard flexible packaging film market.

This complements PPG's current business which largely focusses on soft flexible packaging film.

Hard flexible packaging film make up the majority of the flexibles market (\$1.3b of \$2.2b market¹)

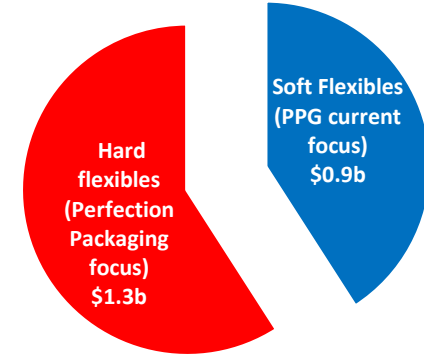
- Contains polypropylene printed film, which may be laminated (e.g. with foils)
- Used in confectionary, ready-to-eat snack foods, fresh produce and pet food packaging
- Barrier based packaging preserves product quality
- Suited to hi-speed automated packaging
- Allows detailed high spec packaging

Industry trends are favourable

- Growth in healthy ready-to-eat snack foods
- Individually packed fresh produce
- Pouches replacing other forms packaging
- Growth in home delivery (online)

1. IBISWorld and PPG management estimates

Flexibles market¹



Examples of products:

Nuts/Fresh Produce



Salty Snacks



Dry Foods



Snack Bars



Pet Foods/Other



Dairy



Personal Care



Fresh Produce





THE ACQUISITIONS

Summary of Perfection Packaging



Background:

- Privately owned flexible packaging manufacturer employing 100 staff based in Victoria, Australia.
- Forecasted production of 80 million meters pa of printed laminate 'hard flexible' (BOPP) primary packaging
- Target FMCG mid-market customers, including shelf-stable healthy snacking, personal care and pet food.
- Strategic rationale** - bolt-on, on strategy, expand FMCG markets, broaden value add capability, significant synergies, enhance technical skills

History:

- Founded in the 1970's.
- Current owners acquired business in early 2000's, now looking to align with larger player to accelerate growth.
- In 2018 further investments were made to expand manufacturing infrastructure to now include; 5 printing presses, 3 laminators & 5 slitters. Provides a 52% increase in capacity. (target production capacity of 134 million meters pa).



Financials:

A\$	FY2016	FY2017	FY2018F	FY2019F	3 Year CAGR
Sales	\$30.5m	\$35.4m	\$40.3m	\$45.5m	14.26%
EBITDA	\$4.5m	\$5.4m	\$6.2m	\$7.1m	16.42%

Perfection Packaging – Product Sales Overview



Core product range:

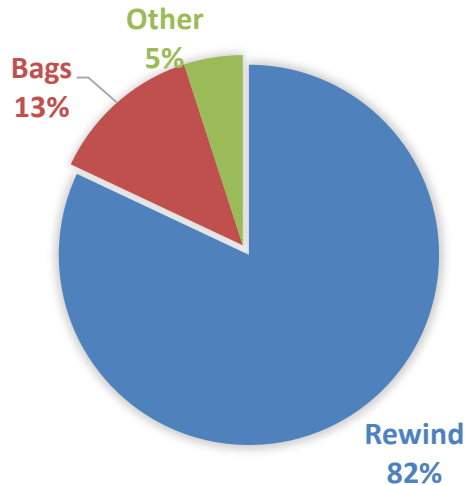
Perfection Packaging offers a dynamic range of hard flexible packaging solutions:

- High definition prints (up to 10 colours);
- Various lamination offerings providing enhanced barrier properties;
- Development and production of high speed structures for efficient production on packing lines;
- Registered over-print varnish; and
- Pouches and bags.

Sales by packaging category:

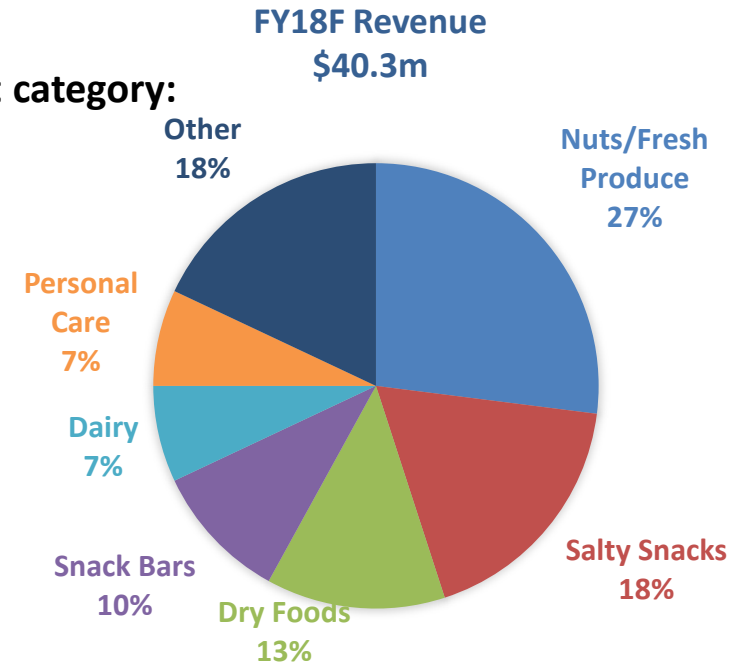
95% of Perfection Packaging sales comes from 2 types of products:

1. Rewind, &
2. Bags



Sales by end product category:

Perfection Packaging has built a strong reputation amongst key Aust mid-market FMCG customers as a highly innovative short-run manufacturing partner.



Summary of Polypak



Background:

- Privately owned New Zealand specialist soft flexibles packaging manufacturer & distributor of high-quality polyethylene bags, film and tubes.
- Supplying mainly primary food processors; including meat, poultry & fish markets via unique extrusion and conversion IP. Production plant is based in Auckland, New Zealand, employing 28 personnel.
- Owners looking for generational change.
- Strategic rationale** - bolt-on, on strategy, expand into food processing markets, introduce value add capability, resin & related synergies, enhance technical skills

History:

- The business was established in 1978
- Current owners acquired the business in 1983
- 2015 the company invested in new extruders and bag convertors to expand capacity as sales reached NZ\$13m.

Financials:

NZ\$	FY2016	FY2017	FY2018F	FY2019F	3 year CAGR
Sales	\$11.6m	\$13.1m	\$13.3m	\$13.4m	4.93%
EBITDA	\$1.0m	\$1.8m	\$1.9m	\$2.0m	25.99%



Polypak – Product Sales Overview

Polypak holds a strong niche position in specific categories of the soft flexible packaging market, including; custom plastic bags & specialists sheets for lining cartons, & general use packaging specifically for primary food bulk production, inc; red meat, fish & poultry.

Polypak's products are suited where a very high standard of film quality is required to ensure the safe protection of products being shipped, especially into export markets:



CARTON LINERS

For food hygiene purposes or dust, moisture or contamination protection our extensive array of carton liners are designed to your specifications and manufactured locally.

BAG LINERS

Drum liners, rubbish bags, bulk liners/shrouds, and general poly bags of varying sizes and gauges. Whatever you need a bag for, we can provide a solution.

TUBE & FILM

Single wound sheet for variety of form, fill and seal applications. Pallet caps/covers, inter-leaving films for layer packing and a range of other specialty items.

CLOTHING

Disposable aprons and smocks – sleeved and sleeveless. Hooded and no-hooded in a variety of sizes, colours and gauges. For when single use, disposable protective clothing is required.



EARNINGS OUTLOOK & IMPACT OF ACQUISITIONS

Earnings update

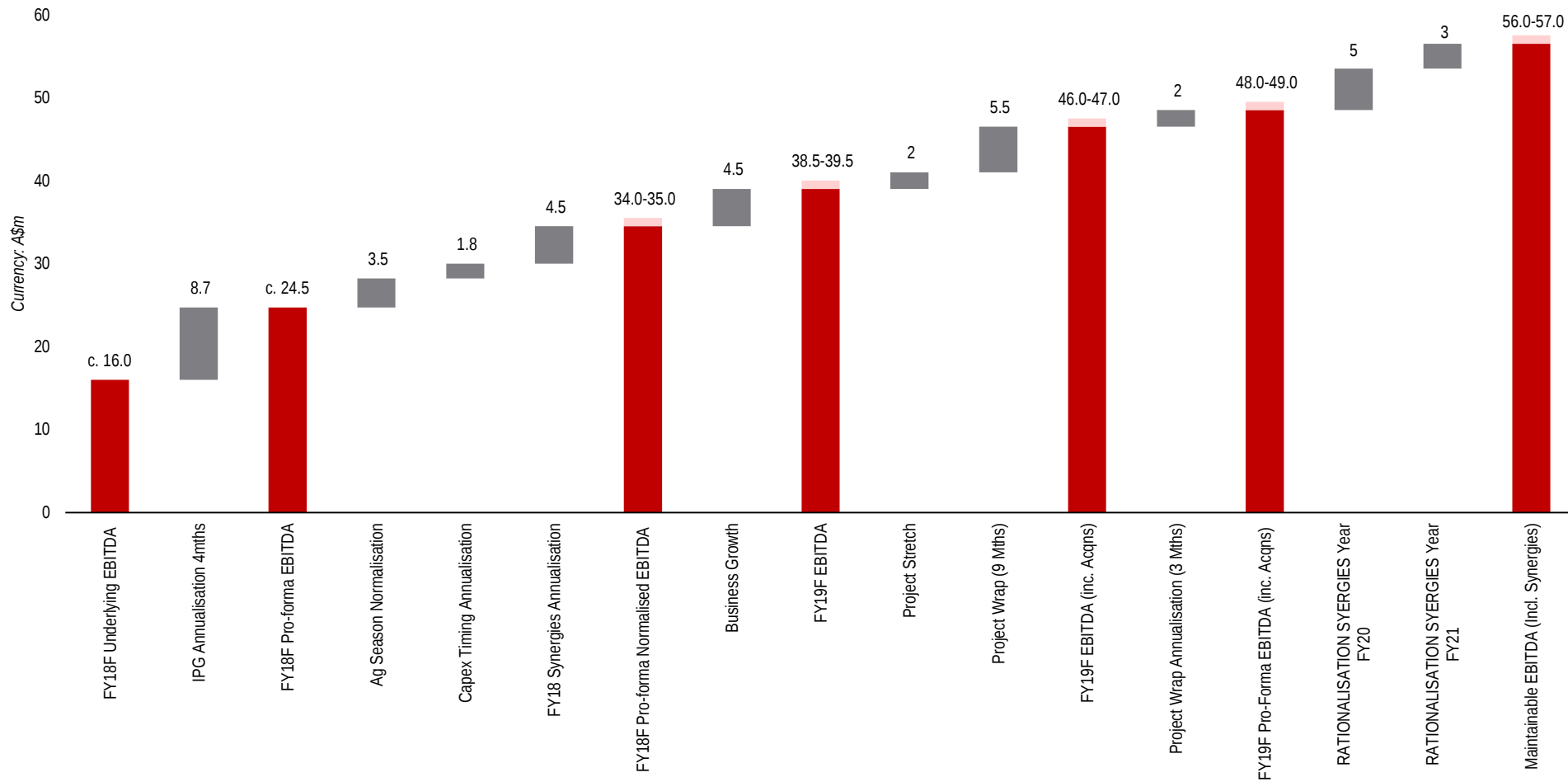
FY18

- PPG expects to generate (subject to finalisation of the audit):
 - FY18 Pro Forma sustainable EBITDA of \$34-\$35 million
 - FY18 Underlying EBITDA expected to be c. \$16.0 million
- FY18 has seen favourable results in key cotton, food processing & beverage markets, but rising resin prices and an adverse grain & grass season has impacted sales & margins.
- Integration synergies continue to exceed forecast, now on annualised \$6.0 million p.a run rate. (\$1.5 million of this benefit is included in FY18 Underlying EBITDA).
- Strategic review of the Rigid division is ongoing.

FY19 outlook

- PPG expects resin price growth to slow and rise & fall contract recoveries to flow through, plus the agricultural market to return to avg. 10 year production yields.
- PPG anticipates FY19 EBITDA (including acquisitions) of c.\$46-\$47 million subject to no material adverse market conditions

Forecast EBITDA - FY18 to Maintainable post acquisition EBITDA



Acquisition Synergies - site consolidation strategy

- Substantial synergies to be realised through acquisitions
- \$8.0m p.a synergies via rationalisation of manufacturing facilities:
 - \$5.0m p.a achieved within 24 months post acquisition; and
 - An additional \$3.0m p.a achieved within 36 months post acquisition
- One off redundancy & rationalisation costs of \$10.0m over 18 month period
- Update site consolidation strategy:

Facilities	FY17A	FY18/19A	FY19/20F
Industrial/Flexible Manufacturing:	7 sites	7 sites* (*includes addition of new 'Perfection Packaging' site & closure of 1 site)	6 sites
Industrial/Flexible Distribution Centres:	8 sites	5 sites* (*closed Acacia Ridge, Laverton & Beverly)	4 sites
Total Industrial/Flexible sites:	15 sites	12 sites	10 sites
Rigid Manufacturing:	5 sites	5 sites	5 sites
Rigid Distribution:	3 sites	3 sites	3 sites
Total Rigid Sites:	8 sites	8 sites	8 sites
Total Group:	23 sites	20 sites	18 sites

Impact on the company



1. Acquisitions are on strategy to become a leader in the industrial and flexible packaging market.
2. EPS accretive 22% (3.7 cps), including the \$8.0 million of identified synergies to be delivered over a 2 to 3 year period.
3. Net Debt to EBITDA expected to reduce to below 2.0x through increased earnings base



TRANSACTION FUNDING AND CAPITAL RAISING

Capital raising overview

Offer Structure

Offer Price

Offer Terms

- The Transaction will be funded by:
 - \$55.8m two tranche placement to sophisticated and professional investors at \$0.34 per share:
 - Tranche 1 raising A\$22.6m under PPG's existing placement capacity pursuant to ASX Listing Rules 7.1 and 7.1A
 - Tranche 2 raising A\$33.2m conditional on shareholder approval.
 - \$9.96m vendor placement of PPG shares at \$0.39 per share
 - \$4.0m Share Purchase Plan at \$0.34 per share
- Tranche 2 is proposed to be issued to Bennamon Pty Ltd, Chairman of Pro-Pac, Mr Ahmed Fahour, and Non-Executive Director, Mr Rupert Harrington, to allow them to maintain their current level of shareholding in Pro-Pac.
- Tranche 2 will be priced and have the same terms and conditions as Tranche 1, but requires shareholder approval
- Under the Share Purchase Plan (SPP), eligible shareholders will be able to apply and subscribe for up to \$15,000 of new shares at the same price at which they are issued under the Placement.
- Placement and SPP shares will be issued at \$0.34 per share
- New shares will rank equally with existing shares on issue
- Bell Potter is Lead Manager to the Placement
- Placement and Share Purchase Plan fully underwritten by Bell Potter

Sources and uses

- \$48.1m of the placement proceeds will primarily be used to fund the cash component of acquisitions of Polypak and Perfection Packaging
- In addition, \$9.96m of consideration to be issued to the Perfection Packaging vendors in the form of PPG shares
- Shares to be issued to Perfection Packaging vendors will be subject to a voluntary escrow of 24 months
- The remainder of funds will be used for restructuring, transaction costs and working capital

Sources of Funds

Issue of shares to vendors	[\$m]	10.0
Placement shares	[\$m]	55.8
Share Purchase Plan	[\$m]	4.0
Total Funds required	[\$m]	69.8

Uses of Funds

Cash consideration for acquisitions	[\$m]	48.1
Share consideration for acquisitions	[\$m]	10.0
Restructuring, transaction costs and working capital	[\$m]	11.7
Total Use of Funds	[\$m]	69.8

Indicative Timetable

Event	Date/Time (AEST)
Record Date for Share Purchase Plan (SPP)	7:00pm, Friday 29 June 2018
Announcement of acquisitions, placement and trading resumes	Monday 2 July 2018
Settlement of Tranche 1 shares	Thursday, 5 July 2018
Allotment of Tranche 1 shares	Friday, 6 July 2018
SPP Opens	Monday, 9 July 2018
Tranche 1 shares begin trading	Monday, 9 July 2018
SPP closes	Monday, 30 July 2018
Allotment of SPP shares	Monday, 6 August 2018
General meeting of shareholders to approve the issue of shares to Bennamon Pty Ltd, Chairman and Non-Executive Director	Thursday, 30 August 2018
Settlement of Tranche 2 shares	Wednesday, 5 September 2018
Allotment of Tranche 2 shares	Thursday, 6 September 2018
Tranche 2 shares begin trading	Friday, 7 September 2018

Timetable is indicative only and PPG and the Lead Manager reserves the right to amend the dates in this presentation at its discretion and without notice, subject to the ASX Listing Rules and Corporations Act



Thank You

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