

25 February 2022

2022 Half Year Results

Tim Welsh CEO & Managing Director
Iona MacPherson CFO



Darko
Print Supervisor

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Past performance information given in this Presentation is given for illustrative purposes only and should not be relied upon as (and is not) an indication of future performance. All dollar values are in Australian dollars (A\$) unless otherwise stated.

Non-IFRS Financial Information

This presentation uses Non-IFRS financial information including capital expenditure, PBT, PBT margin, gearing, net debt, operating cash flow, operating cash flow conversion and working capital. This information represents Non-IFRS measures used by the Group, the investment community and Pro-Pac Packaging's Australian peers with similar business portfolios. Pro-Pac Packaging discloses these measures where it better reflects what the company considers to be the underlying performance of the Group.

Certain Non-IFRS financial information has not been subject to review by the Group's external auditor; however, reconciliations have been provided to balances contained in the interim financial report.

Our Zero Harm Focus

Safety Update

- TRIFR at 8.15 improved 13% (FY21 9.36)
- LTIFR at 6.27 improved 15% (FY21 7.36)
- We are making progress driving a culture of safety through leadership, systems, education, and compliance

COVID-19 Update

- COVID safe protocols and government directions continued to be strictly applied
- Non-operational staff successfully worked from home to reduce the risk of transmission
- Vaccinations, testing and reporting protocols were diligently adopted



George
Converting Supervisor

Savieng
Production Operator

Our leadership is committed to building a disciplined safety culture that protects our people and sustainably enhances operational performance

Delivering our strategy

- Achieved top line growth of 4%
- Implemented price increases and freight surcharges in response to the rapid and significant inflation of input costs
- Built contingency plans to buffer supply disruptions
- Completed the closure of the Chester Hill plant
- Growth investment strategy working well with extrusion, printing and laminating capacity fully sold to blue chip customers
- Established the printing and converting Centres of Excellence (COE)
- Consolidated Supreme Packaging operations into the COE
- Continued the profitable growth trajectory in Industrial Specialty Packaging
- Advanced preparations for Microsoft D365 Supply Chain go live in 2HFY22
- Continued to enhance our talent bench strength in key leadership roles



Group Financial Results

PPG

Converting COE, Dandenong, Victoria

Group Financial Performance

Result Headlines

A\$ million	1H22	1H21	Change
Statutory results:			
Revenue	244.7	234.4	10.3
Profit after tax	0.1	6.2	(6.1)
Operating results:			
PBT*	4.2	11.7	(7.5)
PBT Margin*	1.7%	5.0%	(3.3%)

* Non-IFRS measure as defined in the Appendices Page 22

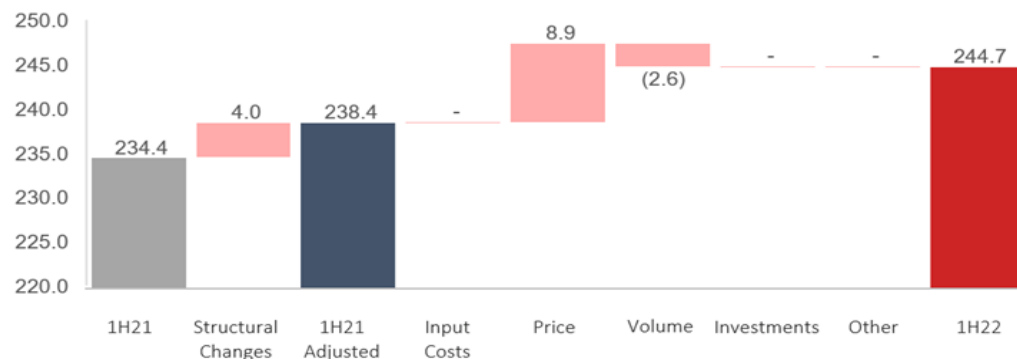
- Solid revenues of \$244.7m (up \$10.3m, 4.4% on pcp) delivered by stronger outcomes in Flexibles and Industrial
- There were a range of factors around continuity of operations and cost inflation that impacted 1H22 earnings, particularly in the Flexibles business:
 - global supply chain disruptions
 - site disruptions
 - labour shortages

There are responses in place or underway for the majority of these issues, and the financial recovery from these measures will be progressively realised through 2H22

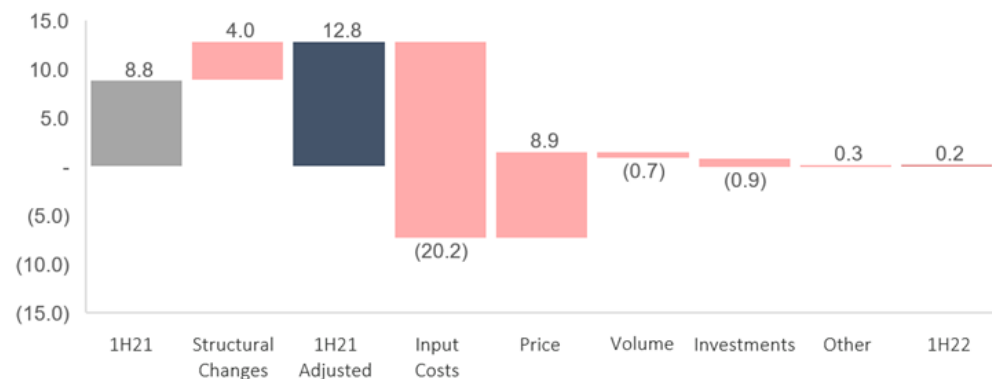
- As a consequence, underlying PBT of \$4.2m was delivered in line with December guidance. PBT margin down 326 bps at 1.7% compared to 1H21
- Significant items of \$4.0m funded the closure of Chester Hill, the establishment of Centres of Excellence, integration and restructuring costs, and one-off costs associated with the ERP consolidation project
- Statutory Profit after Tax of \$0.1m compared to \$6.2m in the pcp

Group Financial Performance

\$'m Revenue



\$'m Profit before tax



* Non-IFRS measure as defined in the Appendices Page 22

Result Headlines

Structural changes

- Acquisition of Supreme Packaging, offset predominantly by divestment of Integrated Machinery and closure of the Chester Hill, NSW manufacturing facility

Price, volume and mix

- Volumes were largely in line with pcp, after adjusting for structural changes, sell price adjusted for rapidly rising input costs

Input costs

- Significant increases in the cost of resin, freight, labour and offsite storage costs
- Delayed recovery of increased input costs impacted trading results in 1H22

Investments

- Relates to increase in occupancy costs associated with the printing and conversion COE, plus incremental depreciation on the 7-layer and finance module of the new ERP
- 7 Layer, Printing and Laminating investments and the establishment of the COE's supporting new wins and a strong pipeline of demand

Responses to Major Events

Pro-Pac successfully managed employee safety and executed responses around several major events

Global Supply Chain Disruptions

Container freight and resin supply led to significant and rapid inflation

- Resin manufacturing plants suffered numerous closures as a direct result of the COVID-19 pandemic
- Extreme weather events in the US during 2021 restricted global supply
- Higher general global demand for polyethylene products post lockdown

Global shipping interruptions resulted in unpredictable shipment timings

- Longer than usual transit times adversely impacted the cash conversion cycle for Industrial Specialty Packaging export sales
- Imported resin delivery delays
- Customer deliveries and revenue forecasts were highly unpredictable

Responses

- A freight surcharge was implemented progressively from November 2021 to offset increased freight charges
- Following price increases in May 2021, significant price increases were implemented again in December. However the timing to recover the balance of inflation will not be fully realised until H2
- Higher inventories of key lines held

Responses to Major Events

Pro-Pac successfully managed employee safety and executed responses around several major events

Site disruptions and labour shortages

- The following factors contributed to production disruptions:
 - Enforced site closures and absenteeism through COVID-19
 - Closures across Victorian sites following storm activity
 - Commissioning delays with relocated key assets from the Chester Hill site
 - Raw material availability
- These production backlogs delayed the realisation of certain price increases and added additional labour and freight costs in order to service customer demand
- Labour costs on several sites were substantially above expectations to address backlogs and meet customer demand (particularly in Flexibles), creating a temporary cost burden on the business

Responses

- The health and wellbeing of our staff was central to numerous actions taken during the pandemic
- Pro-Pac has chosen to invest in this additional labour cost to ensure continuous customer service while also working on a range of strategies to manage labour supply in the short, medium and long term
- Expanded overtime shift hours are in place
- Sub-contracted labour engaged to supplement permanent workforce
- Expanded domestic and international skilled worker recruitment drive including additional talent acquisition resources specifically addressing operational workforce
- Higher inventories of key lines held to combat raw material availability issues
- All transitioned Chester Hill assets are now fully operational

Balance Sheet & Cashflow

Balance Sheet

A\$ millions	DEC-21	JUN-21	Change
Working capital*	103.6	81.4	22.2
Net debt*	82.1	51.0	31.1
Gearing*	3.3x	1.5x	1.8x

Cash Management

A\$ millions	1H22	1H21	Change
Operating cash flow*	(7.3)	16.5	(23.8)
Capital expenditure*	(9.5)	(8.3)	(1.2)
Free cash flow	(16.8)	8.2	(25.0)
Operating cash flow conversion*	(42.5%)	65.1%	n/m

* Non-IFRS measure as defined in the Appendices Page 22

Balance Sheet Results

- The balance sheet has supported significant investment in new technology over the last 3 years, which is starting to deliver growth
- Total facilities of \$117.5m (\$84.5m drawn at 31 December). Existing syndicated facilities expire in March 2023
- Working capital* increase of \$22.2m in part required to proactively manage the COVID-19 disruption to supply chain through increased holdings of inventory and in part due to higher receivables relating to agricultural and export sales
- Net debt* increased to \$82.1m and gearing increased to 3.3x, influenced by reduction in earnings, higher working capital and the funding of \$9.5m capital expenditure*

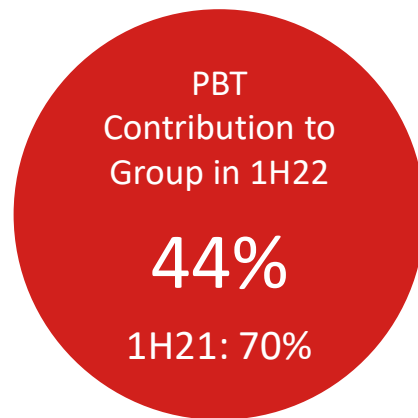
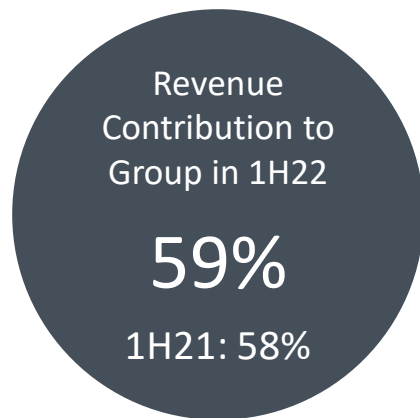
Cashflow Results

- Seasonal cash cycle driven by the Agriculture sector in Australia and New Zealand positively skews operating cash flow conversion* to second half
- A significant increase in the export sales growth in ISP negatively impacted the result, with export delays extending the cash conversion cycle
- Disciplined focus on planned capital expenditure* continued relating to plant and equipment growth capex (\$4.9m) and ERP software (\$3.0m)

Flexibles Packaging

A\$ millions	1H22	1H21	Change
Revenue	144.9	135.7	6.8%
PBT*	2.9	9.7	(70.3%)
PBT margin*	2.0%	7.1%	(516 bps)

* Non-IFRS measure as defined in the Appendices Page 22, Post AASB-16



Result Headlines

- Strong pipeline of revenue demand to support 2H22 earnings
- Revenue grew by \$9.2m, \$4.0m of which was due to the net impact of the Supreme acquisition and the Integrated Machinery divestment
- COVID-19 disruptions and resin cost inflation significantly impacted Flexibles with PBT reducing by \$6.8m to \$2.9m
- Price increases and a freight surcharge were introduced progressively from November, however there is a lag in cost recovery with benefits to be realised in 2H
- The Flexibles team has executed initiatives to counter the COVID-19 impacts and is focused on further optimising the Flexibles customer portfolio and product base
- Additional capacity in lamination has been introduced in February and printing is scheduled for commissioning in 2H22. This capacity is pre-sold
- Flexibles continues to develop and implement strategies to deal with labour shortages, but this remains an ongoing challenge across the market

Industrial Specialty Packaging

A\$ millions	1H22	1H21	Change
Revenue	68.0	62.6	8.7%
PBT*	2.4	1.1	117.0%
PBT margin*	3.5%	1.8%	175 bps

* Non-IFRS measure as defined in the Appendices Page 22, post AASB-16

Revenue
Contribution to
Group in 1H22

28%

1H21: 27%

PBT
Contribution to
Group in 1H22

37%

1H21: 8%

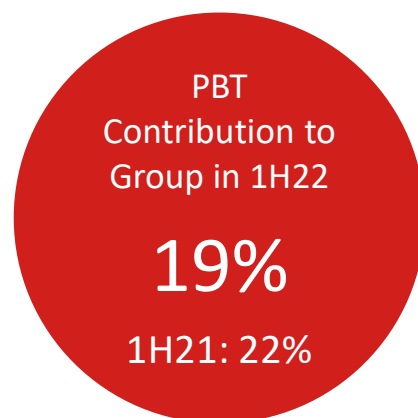
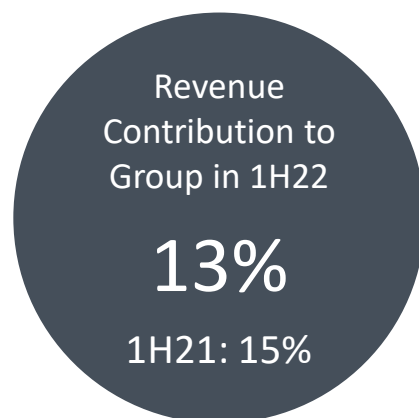
Result Headlines

- The ISP business has continued its growth trajectory with increased revenue, up 9% at \$68.0m (1H21 \$62.6m) and significantly improved PBT, up 117% at \$2.4m (1H21 \$1.1m)
- ISP continues to deliver on its strategy for growth, centred around developing a customer centric value culture based on solutions-oriented partnerships. This result has been achieved despite the ISP business being impacted by global shipping and supplier delays, and labour shortages
- Price increases were introduced in November, at the same time as a roll out of a freight surcharge

Rigid Packaging

A\$ millions	1H22	1H21	Change
Revenue	31.8	36.1	(12.0%)
PBT*	1.2	3.0	(60.5%)
PBT margin*	3.8%	8.4%	(462 bps)

• Non-IFRS measure as defined in the Appendices Page 22, Post AASB-16



Result Headlines

- The Rigid business has continued to adjust well to the new COVID-normal, re-basing production levels from peak COVID-19 demand and performing largely in line with expectation
- Revenue down 12% at \$31.8 million (1H21: \$36.1 million)
- PBT down \$1.8 million at \$1.2 million compared to \$3.0 million in 1H21
- Following a management and sales team restructure in November 2021, the Rigid business is focussed on converting the extensive new business pipeline
- Early new business wins combined with price increases, freight surcharge, and the realisation of cost efficiencies, position this business well for 2H22

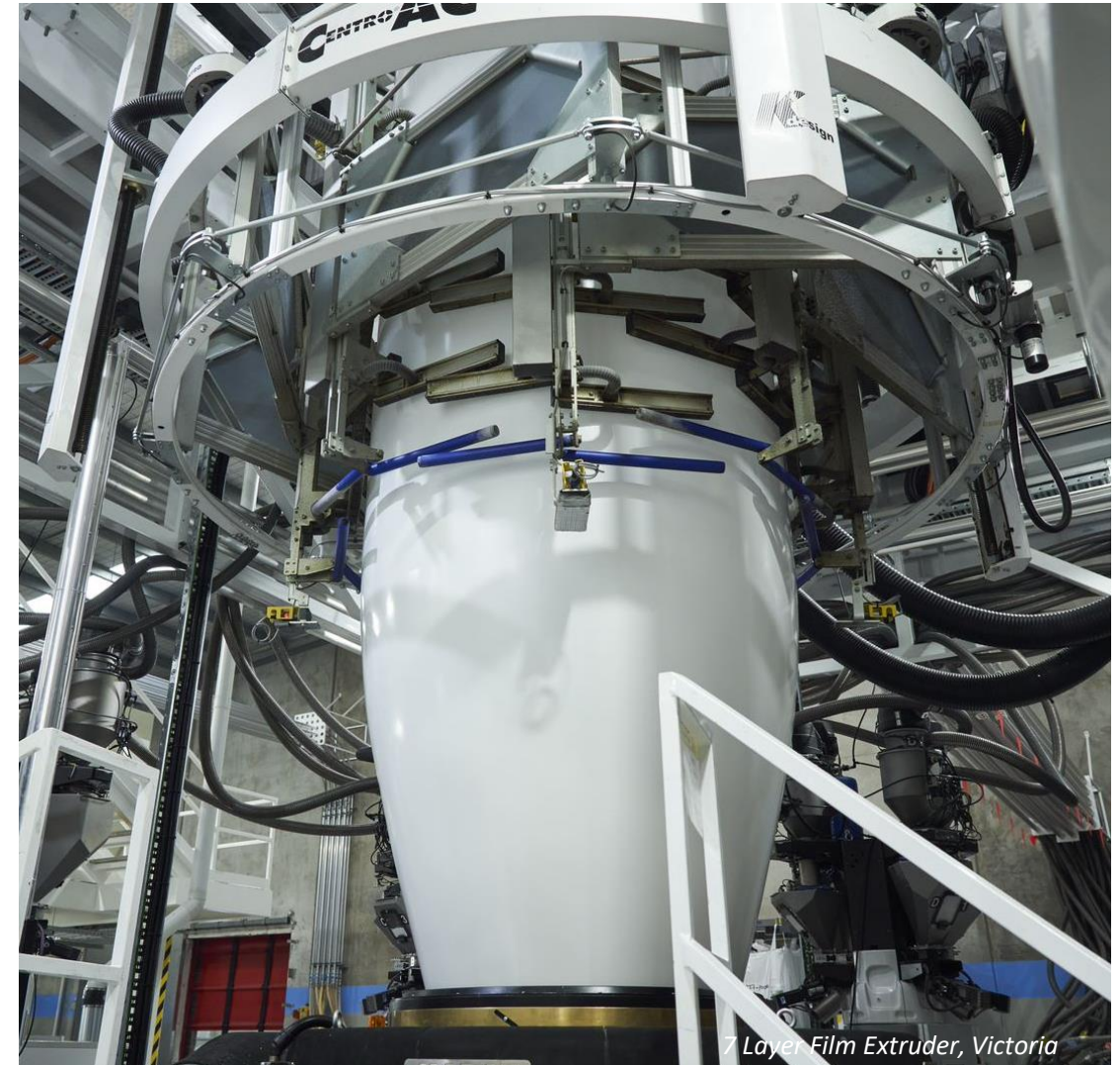
Outlook

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FY22 Outlook

- Strong demand arising from onshoring and diversifying risk from single supplier reliance
- Strong pipeline of demand to support 2H22 performance
- The installation of additional capacity in printing and laminating is scheduled for 2H22 and will ease capacity constraints
- Strategies are in place to mitigate each of the various issues arising from the COVID-19 pandemic and other inflationary challenges
- Expected that the operating environment will remain challenging, particularly around labour shortages and shipping delays – development of labour supply strategies to address shortages underway
- As a result of the above, Pro-Pac Packaging expects its underlying PBT* for 2H22 to be in the range of \$7.8m-11.8m (2H21 \$7.1m) and therefore FY22 to be in the range of \$12m-\$16m (FY21 \$18.8m)

** Non-IFRS measure as defined in the Appendices Page 22*



Appendices

PPG



Adopting AASB 16 Leases

AASB 16 Leases became effective for Pro-Pac Packaging on 1 July 2019, requiring operating lease arrangements to be recognised on balance sheet

The impact on the profit or loss for 1H22 is shown in the table below:

A\$ millions	1H22			1H21		
	Pre-AASB 16	Adopt AASB 16	Post-AASB 16	Pre-AASB 16	Adopt AASB 16	Post-AASB 16
Revenue from contracts with customers	244.7	-	244.7	234.4	-	234.4
Operating expenditure	(234.0)	6.5	(227.5)	(215.5)	6.5	(209.0)
EBITDA*	10.7	6.5	17.2	18.9	6.5	25.4
Depreciation and amortisation expense	(4.3)	(5.4)	(9.6)	(4.1)	(6.1)	(10.2)
EBIT*	6.4	1.1	7.6	14.7	0.5	15.2
Finance costs, net	(1.6)	(1.7)	(3.4)	(1.6)	(1.9)	(3.5)
PBT*	4.8	(0.6)	4.2	13.1	(1.4)	11.7
Significant items	(4.0)	-	(4.0)	(2.8)	-	(2.8)
Profit before income tax	0.8	(0.6)	0.2	10.3	(1.4)	8.8

* Non-IFRS measure as defined in the Appendices Page 22



George
Leading Warehouse Storeman

Reconciliations

Reconciliation to EBIT* & EBITDA*

	1H22			1H21		
	Pre-AASB 16	Adopt AASB 16	Post-AASB 16	Pre-AASB 16	Adopt AASB 16	Post-AASB 16
A\$ millions						
Profit/(loss) before tax	0.8	(0.6)	0.2	10.3	(1.4)	8.8
Add: significant items	4.0	-	4.0	2.8	-	2.8
Add: finance costs	1.7	1.7	3.4	1.6	2.0	3.6
Less: interest income	(0.1)	-	(0.1)	-	-	-
EBIT*	6.4	1.1	7.6	14.7	0.5	15.2
Add: depreciation and amortisation	4.3	5.4	9.6	4.1	6.1	10.2
EBITDA*	10.7	6.5	17.2	18.9	6.5	25.4

Reconciliation to NPAT*

	1H22			1H21		
	Pre-AASB 16	Adopt AASB 16	Post-AASB 16	Pre-AASB 16	Adopt AASB 16	Post-AASB 16
A\$ millions						
Profit/(loss) after tax	0.5	(0.4)	0.1	7.2	(1.0)	6.2
Add: significant items	4.0	-	4.0	2.8	-	2.8
Less: income tax on significant items	(1.2)	-	(1.2)	(0.8)	-	(0.8)
NPAT*	3.4	(0.4)	3.0	9.2	(1.0)	8.2

* Non-IFRS measure as defined in the Appendices Page 22



Reconciliations

Reconciliation to Operating Cash Flow*

A\$ millions	1H22			1H21		
	Pre-AASB 16	Adopt AASB 16	Post-AASB 16	Pre-AASB 16	Adopt AASB 16	Post-AASB 16
Net cash flows from operating activities	(19.8)	4.8	(15.0)	4.2	4.6	8.9
Add: income tax paid	0.9	-	0.9	1.2	-	1.2
Add: significant items paid, net	3.5	-	3.5	3.3	-	3.3
Add: interest paid	1.6	1.7	3.3	1.3	1.9	3.2
Less: interest received	-	-	-	-	-	-
Operating cash flow*	(13.8)	6.5	(7.3)	10.0	6.5	16.5
EBITDA	10.7	6.5	17.2	18.9	6.5	25.4
Operating cash flow conversion	(128.7%)	100%	(42.5%)	52.9%	100%	65.1%

* Non-IFRS measure as defined in the Appendices Page 22



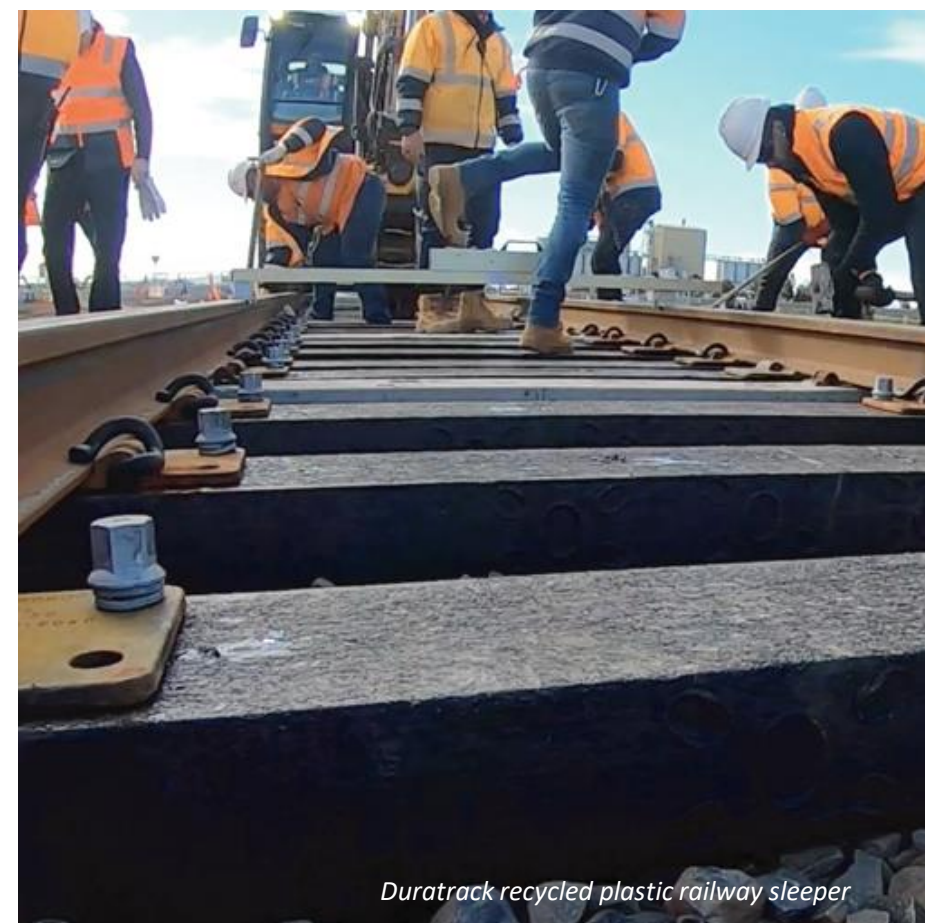
Maresh
Operations Manager

Reconciliations

Reconciliation to Gearing*

	DEC-21	JUN-21
<i>A\$ millions</i>		
LTM EBITDA* (Post AASB 16)	37.3	45.5
Less: Adjustment for AASB 16 Leases	(12.3)	(12.4)
LTM Adjusted EBITDA* (pre-AASB 16)	25.0	33.1
Borrowings	83.7	58.9
Less: cash and cash equivalents	(1.7)	(7.9)
Net debt*	82.1	51.0
Gearing*	3.3x	1.5x

* Non-IFRS measure as defined in the Appendices Page 22



Duratrack recycled plastic railway sleeper

Reconciliations

Reconciliation of Significant Items*

A\$ millions	1H22			1H21		
	Pre-AASB 16	Adopt AASB 16	Post-AASB 16	Pre-AASB 16	Adopt AASB 16	Post-AASB 16
Site consolidation and exit costs	1.2	-	1.2	0.9	-	0.9
Acquisition and integration costs	2.7	-	2.7	0.4	-	0.4
Business interruption costs	0.1	-	0.1	1.3	-	1.3
Litigation costs and reversal of provisions	-	-	-	0.2	-	0.2
Significant items before income tax	4.0	-	4.0	2.8	-	2.8
Income tax (expense)/benefit	(1.2)	-	(1.2)	(0.8)	-	(0.8)
Significant items after income tax	2.8	-	2.8	2.0	-	2.0
Payments in relation to significant items	6.9	-	6.9	3.3	-	3.3
Receipts from insurer	(3.4)	-	(3.4)	-	-	-
Significant items paid, net	3.5	-	3.5	3.3	-	3.3

* Non-IFRS measure as defined in the Appendices Page 22



Fillor
Extrusion Team Leader

Definitions of Non-IFRS Financial Measures

Unless otherwise stated in this presentation, all metrics are disclosed post-AASB 16



1H21 means the half-year ended 31 December 2020

1H22 means the half-year ended 31 December 2021

Adjusted EBITDA means EBITDA before AASB 16 Leases for the last 12-months, adjusted for material acquisitions or disposals

Capital expenditure represents payments for property, plant and equipment, and intangible assets, less disposal proceeds

EBIT refers to PBT before finance costs and interest income

EBIT margin is calculated as EBIT divided by revenue

EBITDA means profit/(loss) before significant items, depreciation and amortisation, finance costs, interest income and income taxes

PBT refers to profit/(loss) before significant items and income taxes

PBT margin is calculated as PBT divided by revenue

Gearing is calculated as net debt divided by LTM Adjusted EBITDA

LTM means the last 12-month period

Net debt is calculated as borrowings, less cash and cash equivalents

NPAT refers to profit/(loss) before significant items after income taxes

Operating cash flow is defined as net cash flows from operating activities, plus payment for significant items, income taxes paid and net interest paid

Free cash flow represents operating cash flow, less capital expenditure

Operating cash flow conversion is defined as operating cash flow divided by LTM EBITDA

ROI refers to return on investment

Working capital refers to trade and other receivables, inventories, deposits and prepayments, less trade and other payables

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*Pinakin
Lamination Operator*