

ASX ANNOUNCEMENT

17 February 2021

PACT GROUP 2021 HALF YEAR RESULTS

OVERVIEW

A\$ MILLION	1H2021	1H2020	Movement
Revenue	894.4	885.1	1%
Underlying EBITDA	164.2	145.4	13%
Underlying EBIT	98.6	78.6	25%
Underlying NPAT	52.1	32.7	59%
Reported NPAT	49.9	34.8	44%
Interim dividend - cents per share	5.0	0.0	5.0

- Revenue up 1.1% to \$894.4 million (pcp: \$885.1 million)
- Underlying EBITDA up 13.0% to \$164.2 million (pcp: \$145.4 million)
- Underlying EBIT up 25.3% to \$98.6 million (pcp: \$78.6 million)
- Underlying NPAT up 59.3% to \$52.1 million (pcp: \$32.7 million)
- Strong operating performance with solid organic volume growth and higher margins
 - Strong growth in garment hanger reuse and crate pooling services
 - Stable demand for packaging products in Australia, New Zealand and Asia
 - Higher demand for hygiene products and nutraceuticals in Contract Manufacturing
- Net debt further reduced, and leverage improved
 - Reduction in net debt of \$68 million
 - Gearing at 2.4x (3.2x including leasing) significantly improved and well within targeted range
- ROIC improved to 12.1% (pcp 10.8%)
- Execution of strategy to *Lead the Circular Economy* on track
 - Phase two of the Australian packaging turnaround progressing well
 - Recycling capability further enhanced
 - Acquisition of Flight Plastics Ltd in New Zealand completed in January 2021
 - Further plastic recycling facilities being evaluated in Victoria, Queensland and Western Australia and supported by Government funding
 - Albury PET recycling facility on track
 - Strong growth in reuse volumes
 - Consolidation of the closures business into Asia progressing
 - Sale process in respect of Contract Manufacturing businesses is ongoing
- Interim ordinary dividend of 5.0 cents per share (65% franked)



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Pact Group Holdings Ltd ('Pact' ASX: PGH) today announced net profit after tax (NPAT) of \$50 million for the half year ended 31 December 2020, up 44% compared to \$35 million in the prior corresponding period (pcp).

Underlying NPAT was \$52 million, up 59% compared to \$33 million in the pcp.

The Board has determined an interim ordinary dividend of 5.0 cents per share, franked to 65% (pcp: nil).

STRONG ORGANIC GROWTH AND IMPROVED MARGINS

Pact Group Managing Director and Chief Executive Officer, Mr Sanjay Dayal, said, "Our results in this period demonstrate a solid improvement in all key metrics. We have delivered strong organic growth, improved our margins, and managed our balance sheet with discipline. Gearing reduced and free cashflow was improved. I am very pleased with the financial performance of the Company in the period and the progress we are making in executing our strategy.

"In our Packaging and Sustainability segment we saw improved volumes in the agricultural, industrial and health and wellness sectors. Favourable mix and disciplined cost management helped deliver improved margins and EBIT. Volumes in our Australian business have stabilised, and with good progress in our turnaround activities, we are delivering improvements in our operational performance.

"We have seen strong earnings momentum in our Materials Handling and Pooling segment with EBIT up 26% driven by strong organic growth. We have delivered increased pooling penetration in the fresh produce sector, and the expansion of hanger reuse services in the USA is progressing very well.

"Our Contract Manufacturing segment continued to benefit from strong demand for hygiene products early in the period. Pleasingly, demand for nutraceutical products in the health and wellness sector also improved, and we benefited from continued improvement in platform efficiency. EBIT was up over 300% and margins were strongly improved.

"We have delivered these results against a backdrop of continued operational challenges and market disruption arising from COVID-19. I am very proud of how well the Company is responding to these challenges, the resilience of our portfolio, and the commitment demonstrated by our people in maintaining the safe and efficient operations of our facilities."

GEARING REDUCED AND BALANCE SHEET STRENGTHENED

"We remain focused on maintaining a robust balance sheet", Mr Dayal said. "In the period we delivered strong operating cashflow and further reduced debt, with net debt \$68 million lower than December 2019. Gearing reduced and is comfortably within our targeted range at 2.4x. Near term refinancing risk was removed, with the extension of \$298 million of debt to FY25 previously maturing in July 2021.

"Our capital allocation framework is guiding our investment decisions. Capital expenditure was well controlled, and strongly aligned with strategy. Recognising the strong earnings and cash performance in the period, the Board has determined an interim dividend of 5.0 cents per share."

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EXECUTION OF STRATEGY PROGRESSING WELL

In the period the Company continued to progress its strategy to lead the circular economy through reuse, recycling and packaging solutions. Several significant initiatives were progressed in the period, including:

- **Phase two of the Australian packaging turnaround continued.** Market segment strategies have been developed and implementation is underway. Operational performance, safety, quality and delivery has improved.
- **Expansion of recycling capability.** The acquisition of Flight Plastics Ltd in New Zealand was completed in January. Flight will be integral in growing Pact's competitive position in the ANZ fresh food packaging segment. Construction of the Albury PET recycling facility commenced and is on track for commissioning in late CY2021. Further recycling projects are being evaluated in Victoria, Queensland and Western Australia.
- **Deliver value from recycling.** There is growing demand for recycled content as industry and governments progress delivery of ambitious 2025 sustainability targets. The Company continued to leverage its integrated recycling capability to differentiate and win in the market, including supply contracts in the fresh food segment, home and personal care categories and infrastructure sector.
- **Expansion of reuse services.** Strong growth in reuse volumes with new USA contract performing well and increased penetration of crate pooling services in Australia.
- **Growing the Asian packaging business.** Renewal of major customer contracts in Asia were completed in the period, removing near term contract risk, and consolidation of the regional closures platform was progressed.
- **Sale process in respect of the Company's Contract Manufacturing businesses.** The Company recommenced the sale process in respect of its Contract Manufacturing business. The process is ongoing.

Commenting on the progress the Company has made, Mr Dayal said, "We are progressing well in the execution of our strategy to *lead the circular economy*. Our targets and our new capital allocation framework are guiding our decision making. I am pleased by the progress we have made to date.

"We are seeing improvements from the work completed on the turnaround of our Australian packaging business. Our new operating model, strong leadership, and investments in platform capability, are delivering improvements in operational performance, safety, quality, and delivery. Volumes have stabilised and margins are improving. We are confident that our approach will improve platform competitiveness and sharpen our focus on growth opportunities.

"Our reuse platform has delivered strong growth in the period through increased penetration of pooling and geographic expansion of hanger reuse services. In FY21 we expect revenue from our reuse platform to be around 13% of total group revenue, strongly improved from only 1% in FY17. More than half the growth has been delivered organically, illustrating our market leading capability and the compelling sustainability and efficiency benefits of reuse.

"Plastics recycling continues to be an exciting and rapidly evolving part of our strategy. With capability across the value chain, Pact is taking a leading role in developing plastics recycling infrastructure in Australia. Construction of our new Albury facility has commenced, and we are reviewing several other projects that would further enhance our leading position in plastics recycling in ANZ. These job creating projects have been accelerated by funding grants from both state and federal governments, with \$12.5 million of grants for these projects announced this year, already illustrating the governments' shared commitment to creating world class infrastructure to manage local processing of Australia's waste.

"Strong demand for recycled content is critical to closing the loop on plastics. Pleasingly, demand is gaining momentum as customers and governments progress delivery of ambitious 2025 sustainability targets. Pact's integrated recycling capability will be a key enabler to deliver these targets, and a number of customers are already engaging on developing strategic partnerships.

"Pact is leveraging its capability to provide recycled content to differentiate and win. The acquisition of Flight has provided a competitive platform to supply sustainable packaging in the Fresh Food segment and has been a key



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enabler to contract wins in the period. Pact is the leading company in New Zealand offering packaging made from locally sourced recycled PET.

“Development of a domestic circular economy for plastics is a compelling opportunity to create value, improve jobs creation and deliver positive environmental outcomes. I am proud of the leading position Pact is taking in this exciting period of change.”

OUTLOOK

The business continues to demonstrate sustainable momentum and earnings resilience. In a seasonally softer second half we forecast similar underlying trends to that which we enjoyed in the first half, but anticipate a weaker hygiene category.

We expect underlying EBIT for the full year to be better than last year, subject to the duration and economic impact of uncertainty related to Covid-19 and other global conditions.

ENDS

Pact will host an investor briefing at 10.00am (AEDT) today. Teleconference registration can be made via the link <https://s1.c-conf.com/diamondpass/10012459-p44ctg.html>. The briefing can also be accessed at <https://webcast.boardroom.media/pact-group-holdings-ltd/20210216/NaN601b719a212fd8001b73d09f>. A recording of the briefing will be available on the Pact website as soon as practicable after the briefing.

For further information contact:

Anita James

General Manager Finance and Investor Relations
+61 416 211 498
+61 3 8825 4116

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