



ASX Announcement

18 August 2021

Pact Group Full Year FY2021 Results

A\$ million	FY2021	FY2020	Movement
Revenue	1,761.6	1,809.2	(3%)
Underlying EBITDA	314.9	301.8	4%
Underlying EBIT	182.9	166.3	10%
Underlying NPAT	93.5	73.2	28%
Reported NPAT	87.5	88.8	(1%)
Total dividends - cents per share	11.0	3.0	>100%

- Higher earnings and improved margins
 - Strong organic growth in closures and reuse services
 - Stronger demand in agricultural and industrial sectors in Australia and New Zealand
 - Disciplined management of raw material input costs
 - Crate pooling volumes remain robust
 - Lower volumes in the Contract Manufacturing hygiene category, cycling out COVID-19 related demand in prior year
 - EBIT margins up 1.2% to 10.4%
- Net debt reduced and leverage improved to 2.4x (pcp 2.6x)
- ROIC improved to 11.8% (pcp 10.6%)
- Execution of strategy to Lead the Circular Economy gaining momentum
 - Australian packaging operations stabilised and growth emerging
 - Further progress in developing a national network of plastics recycling infrastructure with commitment to construct two new facilities by 2023
 - Albury recycling facility on track for commissioning by end of 2021
 - Flight acquisition integrated, increasing capability to provide quality, locally processed recycled content in the fresh food segment
 - Recycling capability has underpinned new contract wins in the packaging and infrastructure sectors
 - Increased penetration of pooling in the fresh produce sector
 - Geographic expansion of reuse, with USA performing above expectation and new contract win in Europe
 - Asian packaging platform delivering growth
 - Sale process in respect of the Contract Manufacturing business is ongoing
- Final ordinary dividend of 6 cents per share (65% franked to be paid in October 2021), taking total dividends for the year to 11 cents per share (pcp: 3 cents per share)

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Pact Group Holdings Ltd ('Pact' ASX: PGH) today announced net profit after tax (NPAT) of \$88 million for the year ended 30 June 2021, down 1% compared to \$89 million in the prior corresponding period (pcp).

Underlying NPAT was \$94 million, up 28% compared to \$73 million in the pcp.

The Board has determined a final ordinary dividend of 6 cents per share, franked to 65% (pcp: 3 cents per share).

Growth in earnings and margins

Pact Group Managing Director and Chief Executive Officer, Mr Sanjay Dayal, said, "I am very pleased with the performance of the Company in the period. Volumes in key segments improved, and we delivered solid growth in underlying earnings and margins. Cashflow increased and gearing reduced. These results demonstrate the great progress we are making in the delivery of strategy and our Vision to *lead the circular economy*.

"In our Packaging and Sustainability segment we delivered strong volume growth in closures, underpinned by the consolidation of our regional platform in Asia. This is a particularly pleasing result given the continued challenges arising from COVID-19 in the region. In Australia and New Zealand, we benefitted from stronger demand in agricultural and industrial sectors. Volume was also supported by contract wins underpinned by our circular economy credentials and growing demand for sustainable packaging. Rising raw material input costs later in the period were very well managed and margins were improved.

"The earnings momentum in our Materials Handling and Pooling segment has continued, with EBIT up 23% driven by strong organic growth. USA reuse services performed above expectation, and we continued to increase penetration of pooling in the fresh produce sector.

"Normalised demand in the hygiene category in our Contract Manufacturing segment delivered lower earnings, cycling out COVID-19 related demand in the prior period. Demand for nutraceutical products in the health and wellness sector was improved, and we benefited from continued improvement in platform efficiency."

Improved cashflow generation and gearing

"We remain focused on maintaining a robust balance sheet", Mr Dayal said. "In the period we delivered strong operating cashflow and reduced debt. Gearing improved and is comfortably within our targeted range at 2.4x.

"Our capital allocation framework is guiding our investment decisions. Capital expenditure was well controlled and focused on platform reinvestment and capability to support strategic objectives.

"Recognising the strong earnings and cash performance in the period, the Board has determined a final dividend of 6 cents per share, delivering total dividends for FY21 to 11 cents per share."



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Delivery of strategy gaining momentum

The Company continued to progress its strategy to lead the circular economy through reuse, recycling and packaging solutions. Mr Dayal said, "Improvements in the Company's performance have been underpinned by the delivery of strategy. I am pleased with the progress we are making.

"Operations in our Australian packaging business have stabilised, and margins are improving. Our new operating model, strong leadership, and investment in platform capability, are delivering improvements in operational performance, safety, quality, and delivery. We have developed detailed segment strategies which are guiding our investment decisions and will continue to drive growth in margins. We are targeting to return margins in our Australian packaging business to global industry standard by 2025.

"A national network of plastics recycling infrastructure is critical to an effective local circular economy, and Pact is leading the industry through investment in scaled solutions. We are collaborating with recognised industry participants to gain access to important waste streams needed for recycling, and to secure offtake of recycled products. We recently announced plans to construct two new plastics recycling facilities, which together will lift Australia's recycling capability by 40,000 tonnes. These facilities will complement our new Albury plant, which will be commissioned by the end of this year, and several other projects that are under evaluation.

"Pleasingly, there has been strong demand for offtake from our new facilities. Customers are increasingly recognising the need to develop strategic partnerships to access local recycled content that will be necessary to deliver ambitious 2025 sustainability targets.

"To support our customers in their transition to recycled content solutions, we are investing in end-to-end organisational capability. Our manufacturing, technical and innovation expertise enables differentiation in the market and is driving top-line growth. Our circular economy credentials have already underpinned several new contracts in the packaging and infrastructure sectors.

"Pact completed the acquisition of Flight Plastics NZ in the period, which has provided access to quality, locally processed food-grade recycled PET for use in food packaging. Our supply of recycled content solutions through Flight has been a key enabler to contract wins in the fresh food segment in Australia and New Zealand.

"Our reuse platform continues to deliver strong growth. There are compelling sustainability and efficiency benefits of reuse, and we expect earnings momentum to continue, as customers increasingly seek sustainable alternatives to single use packaging.

"Our closures business had a solid year, demonstrating the capability of our regional closures team. Our focus is now turning to how we can accelerate growth in Asia and further leverage our capability here.

"It has been 18 months since we launched our strategy, and my confidence that it provides the opportunity to deliver significant long-term value has only grown. The circular economy transition is accelerating, with growing consumer demand for sustainable packaging, strong government support and legislative changes. I am proud of the industry leading position Pact is taking in this exciting period of change."



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Outlook

We expect further progress in the delivery of strategy and earnings resilience in FY22. In our first quarter, demand is expected to be generally in line with recent trends, though margins will be impacted by higher raw material and international freight costs.

COVID-19 continues to create market uncertainty. An update on trading will be provided at the AGM on 17 November 2021.

~END~

Pact will host an investor briefing at 10.00am (AEST) today. The briefing can be accessed live at https://event.webcasts.com/starthere.jsp?ei=1484253&tp_key=a4ed1a8092. A recording will be available on the Pact website as soon as practicable.

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