

ASX Announcement

2023 Annual General Meeting speeches

Date: 16 November 2023

CHAIR'S ADDRESS

SLIDE 7: FY23 IN REVIEW

I am pleased to advise that for the 2023 financial year the Group delivered solid revenue growth, made excellent progress on our capital works program, and accelerated our Circular Economy Strategy. The Group delivered revenue of \$1.949 billion, up 6% on last year, which was a good result in what was a challenging year with damaging weather events in Australia and New Zealand, changes in customer spending patterns due to elevated inflation, and a slowdown in demand out of China which impacted on the second half of the year.

Despite strong performance at the revenue line, the challenging macroeconomic and supply chain backdrop impacted Pact's earnings more significantly. Underlying EBIT was \$145 million, in line with the guidance we had provided the market and down 7% on last year's underlying EBIT of \$156 million. Our Underlying NPAT was \$45 million versus last year's NPAT of \$70 million and Reported NPAT was a loss of \$7 million, with the difference between the underlying and reported results due to a non-cash impairment for plant and equipment in our Packaging Australia business, and in China, as a result of retiring old equipment.

Our year-end gearing at 3.0 times is above the same time last year when it was 2.7 times and slightly lower than the half-year figure of 3.2 times. The gearing reduction from the half-year was achieved despite:

- investing significant capital into our packaging assets to ready them to produce recycled product; and
- a reduction in EBITDA.

Reflecting the external factors that impacted on performance, and the significant investment in our packaging platform, our Board resolved not to pay a final dividend. Our target dividend payout ratio remains at 40% of Underlying NPAT, however we are continuing to focus on our capital investment program and debt reduction in the near-term.

Sanjay will provide further detail on the progress we have made towards our strategy shortly.

SLIDE 8: SUSTAINABILITY

As I have outlined previously, sustainability is not a nice to have in our business, it is our business. Sustainability underpins our vision, strategy, and our business decisions. Pact is a leader in this area and we remain focused on the Circular Economy. To that end, we work closely with our customers to develop sustainable solutions that help them achieve their sustainability targets.

To support these partnerships and our other valued customers, Pact is continuing to invest in new recycling plants and in our packaging manufacturing capabilities to incorporate more recycled content in our product offerings.

I am pleased to report that in FY23 we achieved an average of 12% recycled content across our entire plastic product portfolio, up from 10% 12 months earlier.

Related to this increase in recycled content, we produced over 54,000 tonnes of recycled material during the year, 42% more than we did in FY22, which is a fantastic achievement and positions us as a leader in the production of recycled plastic resin. And we will dramatically increase our plastic recycling capacity even further with two new Circular Plastics Australia facilities nearing completion in Melbourne later this calendar year, adding to the Pact-operated CPA PET recycling plant in Albury NSW which has been operating successfully for more than 18 months. Once complete, these three facilities alone will have the combined processing capacity of 72,000 tonnes of high-quality resin per annum.

In recognition of the contribution of these facilities to Australia's circular economy, the Circular Plastics Australia PET joint venture was named one of *The Australian Financial Review's Sustainability Leaders* for 2023 in manufacturing and consumer goods.

SLIDE 9: CASE STUDIES

During FY23 we signed two important strategic partnerships with Woolworths and ALDI to supply plastic packaging made with recycled content for their own brand products.

Pact will supply Woolworths with packaging for its own brand portfolio using around 18,000 tonnes of recycled plastic resin sourced from the Pact operated and Australian-based PET and HDPE recycled manufacturing facilities.

With ALDI we will supply recycled plastic packaging for approximately 300 million units of the retailer's fresh food, dairy, beverage and home care products. As a result, ALDI's supply partners will have access to more sustainable options for ALDI's exclusive brand product packaging.



We will source high-quality recycled resins from our existing and new recycling facilities and make it into sustainable packaging solutions for Woolworths, ALDI and other customers.

These are two very important partnerships because they act as proof points that our strategy to lead the Circular Economy is working. It is a strong signal that Australian retailers, and their customers, truly value our sustainable packaging.

Central to Pact's success in FY23 is our people and their commitment to our Circular Economy Strategy as well as living our Values of Safety, Customer, Integrity, Innovation and Respect. I would like to thank all of our talented and innovative people right around the Group, including my fellow Directors and our dedicated management team. Through our collaboration and creativity, the business is progressing its Circular Economy Strategy during a challenging operating environment. Pact is committed to delivering a more sustainable future and I look forward to partnering with our customers and other stakeholders as we continue to offer solutions that benefit the environment and deliver returns to our Shareholders.

Before I finish, I would like to acknowledge the current takeover offer from Bennamon Industries Pty Ltd, a wholly owned subsidiary of Kin Group, for all the ordinary shares in Pact Group. As you know, I am speaking to you today in my capacity as Chair of Pact, and not in my capacity as the owner of Kin. All of the relevant information for shareholders with respect to the takeover offer is available on the ASX and Pact websites. As a result, I will not be addressing any questions in relation to the takeover offer in this forum today.

I will now hand over to Sanjay Dayal, our Managing Director and Group CEO.

CEO'S SPEECH

SLIDE 10: MD & GROUP CEO

Thank you, Chair.

I will cover the highlights from the 2023 financial year and outline our progress to strategy.

SLIDE 11: FOCUS ON OUR PEOPLE

The safety of our people remains our priority and it is the first of our values at Pact – Safety, Customer, Integrity, Innovation and Respect.



We continued to invest in safety over FY23, and pleasingly, our Total Recordable Injury Frequency Rate was 7.1 at year end, which was down 26% on the same time last year. This means we are keeping more of our people safe. I am really proud of this outcome particularly in the context of the large capital build program that the Company embarked on over the year.

I remain extremely proud of our talented and dedicated team at Pact, and I am encouraged by the way we have all embraced our vision and values, which has resulted in a strong commitment to drive our strategy forward at the same time as having a focus on the safety of our people.

SLIDE 12: FY23 RESULTS HEADLINES

I am pleased to report that our revenue grew year on year to \$1.949 billion for FY23, a good result reflecting very strong cost recovery across our business combined with some volume growth. Our Underlying EBIT at \$145 million was within our guidance range, and reflected a year with damaging weather events, changes in customer spending patterns on the back of inflation, and a sharp slowdown in demand out of China during the second half of the year.

We delivered revenue growth in two of our three segments – Packaging & Sustainability, where we continued to see escalating customer demand for sustainable packaging, and in Contract Manufacturing where we benefitted from the trend to onshoring. Revenue was down in our Materials Handling & Pooling segment due to a sharp drop in garment retail demand which impacted on volume in our Retail Accessories business.

We booked a non-cash impairment for plant and equipment of \$53 million in our Packaging Australia business as well as in China which contributed to an underlying Net Profit after Tax loss of \$7 million. This write down was needed as we retired old equipment at the same time as we invest in upgrading our platforms.

Our Gearing was 3.0 times at year end primarily reflecting the scale of our capital program to invest in the Circular Economy strategy.

SLIDE 13: STRATEGY TO LEAD THE CIRCULAR ECONOMY

I am delighted with the progress we have made towards our strategy in FY23. The Group has really accelerated our Circular Economy strategy. Our progress reflects the efforts of everyone at Pact as we strive to bring our strategy to life and to grow the business.

We have entered an agreement to sell 50% of our Crate Pooling business, which is part of our Materials Handling & Pooling segment. This transaction positions us well as we review our portfolio of businesses, and we will consider further divestments in line with our strategy.

Our state-of-the-art liquid fill line at Horsley Park is close to completion and will be commissioned during the coming financial year, positioning our Contract Manufacturing business as a leader in the homecare liquid market in Australia.

In our Reuse business, which is part of the Materials Handling & Pooling segment, we invested in our SULO bin capacity in response to strong demand from councils for the fourth curbside bin rollout and we are well positioned for accelerated growth in this segment.

A significant focus over the year was upgrading our packaging platforms to allow us to produce high-quality packaging containing recycled content at scale.

As outlined by our Chair, we signed two important strategic partnerships with Woolworths and ALDI to convert their own brand products to recycled content. And we had many other examples of our focus on Leading the Circular Economy including our Circular Plastics Australia joint venture PET facility in Albury being fully operational across the year, and two more facilities that will produce recycled resin are nearing completion.

SLIDE 14: ONE PACT TRANSFORMATION PROGRAM

The One Pact Transformation Program was launched as a result of a number of internal and external factors. Our Gearing has been above our preferred level, and we needed to continue to invest in our packaging platform to ensure we remain ahead of the market and able to produce recycled packaging at scale – the Dairy & Beverage platform will be key to meeting the needs of our customers – so further investment is required here. And we needed to reset our cost base.

The external environment was challenging through the year, and the outlook is similar, with cost-of-living pressures, deflationary pressures in China combined with rising domestic freight and energy costs in Australia and New Zealand.

And of course, the sustainability agenda is gaining momentum with the Federal Government establishing a Circular Economy ministerial advisory group; ongoing discussions in relation to recycled content legislation; and the 'Remade in Australia' brand being established.

In response to these factors we launched the One Pact Transformation Program late in the year with three pillars: cost restructuring and profit improvement; divestments and cash generation; and strategy delivery and Circular Economy monetisation.

SLIDE 15: ONE PACT TRANSFORMATION PROGRAM

Our first pillar is around right-sizing our cost base. We have commenced a cost-out program which has resulted in a reduction of around 175 indirect roles as we streamlined our head office and corporate costs to ensure we have a lean business that efficiently services our customers. The focus of the savings here has been on our corporate and management teams with little impact at site level.

We have developed the One Pact way of working so that we share our talented resources across Pact and work together to ensure our customers experience a streamlined and valuable Pact offering.

The savings here are significant. With the exits we have already undertaken we expect to achieve a \$20 million annualised saving, with at least \$15 million in savings expected in FY24. These savings will help to mitigate ongoing demand and inflation headwinds that we are encountering. The cost of the program is in the order of \$5 million.

The next steps in this pillar are to continue redesigning processes to drive efficiency benefits, and to generate savings through our supply chain and procurement processes.

SLIDE 16: ONE PACT TRANSFORMATION PROGRAM

Cash generation is a strong driver for Pact, particularly in view of our Gearing level, and the need to invest in our strategy. This forms the basis for pillar 2. We will deliver the first divestment with Crate Pooling, which is on track to complete later this month, and further divestments will be considered.

SLIDE 17: ONE PACT TRANSFORMATION PROGRAM

In relation to pillar 3, our strategy is gaining momentum with strong demand from customers requiring our recycled packaging. So we continue to invest in our Dairy & Beverage platform, complete the next two recycling joint venture facilities, drive growth through the existing footprint, and continue to grow capacity here.

SLIDE 18: FY24 OUTLOOK

Now to the outlook:

- Revenue in the first quarter of FY24 was \$473 million, which was down 3% on last year
- Underlying EBIT for the first quarter of FY24 is in line with last year
- Underlying EBIT for FY24 is expected to be in line with consensus.

I will now hand back to the Chair who will take us through the formal resolutions.