ASX Announcement

Pact Group Holdings First Half FY23 Results

Date: 15 February 2023

Results above guidance for first half, reiterate full year underlying EBIT guidance at slightly above FY22

$A millions	**1H22**	**1H23**	**Change**
Revenue	927	998	8%
Underlying EBIT	83	75	(8%)
Packaging & Sustainability underlying EBIT	*56*	*57*	*3%*
Materials Handling & Pooling underlying EBIT	*28*	*18*	*(35%)*
Contract Manufacturing underlying EBIT	*(1)*	*0*	*72%*
Underlying NPAT	39	26	(33%)
Underlying adjustments after tax	(60)	(2)	(97%)
Reported NPAT (loss)/gain	(21)	24	-
Interim dividend – cents per share	3.5	-	(100%)

- Overall revenue growth of 8% on the prior corresponding period ('pcp') to $998 million driven primarily by recovery of costs and volume growth. Revenue growth was reported in the Packaging & Sustainability segment reflecting increasing demand for sustainable packaging and recycled products, and in the Contract Manufacturing segment reflecting new contract wins and repricing of existing contracts.
- Underlying EBIT of $75 million was 3% above the top of the guidance range provided at the Company's November AGM. This growth was due to strong sales in the last six weeks of the half.
- Continued progress towards executing strategy to lead the Circular Economy:
  - Brought forward capital spend to 1H23 to enable earlier revenue generation in the second half by investing in:
    - Laverton and Altona joint ventures to increase production of recycled resin and flake
    - Platform upgrades in the Processed Foods and Dairy & Beverage packaging sectors to activate recycled content inclusion; and
    - Horsley Park high speed filling line to rapidly increase capacity in liquids manufacturing for the Contract Manufacturing segment.
  - Continued crate pooling penetration and conversion in the Fresh Produce sector and further investment in the crate pool and related facilities.
  - The recently acquired Synergy Packaging business has been integrated and is performing ahead of expectations in the Health & Personal Care packaging sector.

Financial performance

Revenue was $998 million for the half year, up 8% on pcp, reflecting recovery of costs and increasing demand for sustainable packaging in the Packaging & Sustainability segment, and contract wins in the Contract Manufacturing segment. Underlying earnings before interest and tax ('EBIT') was $75 million, 3% above the top of the guidance range provided at Pact's most recent AGM, and down 8% on pcp. Underlying net profit after tax ('NPAT') was $26 million, down 33% on the pcp in line with the performance of the business and increased finance costs.

Pact Group Holdings Limited ABN: 55 145 989 644
Level 5, Building 1, 658 Church Street,
Cremorne, Victoria 3121, Australia
Telephone +61 3 8825 4100 Facsimile +61 3 9815 8388
pactgroup.com

The Company’s Gearing[1] was 3.2 times, which is temporarily higher than normal due to elevated debt on the back of an accelerated capital expenditure program to fund platform upgrades that will bring forward revenue generation, and elevated receivables at the reporting date reflecting strong sales in the last six weeks of the period. Net debt at $633 million was $32 million higher than the pcp, and operating cash flow was $97 million.

Pact Managing Director and Group Chief Executive Officer, Mr Sanjay Dayal, said revenue growth in the first half of the financial year reflected a more stable supply chain later in the half, combined with increasing demand for sustainable packaging.

“Strong sales in the last six weeks of the half year provides momentum going into the second half of the financial year. We were particularly pleased with the performance of our Packaging & Sustainability segment, where we recorded growth in New Zealand fresh food packaging, and in Australian closures,” Mr Dayal said.

“Our Gearing was temporarily elevated at the reporting date reflecting a combination of increased sales late in the half year, which is evident in our Trade Debtors balance at reporting date, and due to the acceleration of our capital program, with $65 million spent on capital during the period. We expect Gearing to normalise in the second half and be below 3.0 times at the year end.

“The capital program was brought forward to prepare our packaging platform to manufacture product containing a high percentage of recycled content. This is in response to the escalating demand we are experiencing for sustainable packaging.”

Segment performance

The Packaging & Sustainability segment reported revenue growth of 9% to $661 million and underlying EBIT growth of 3% to $57 million.

“The Packaging & Sustainability segment performed well with growth in both revenue and underlying EBIT. We have more work to do in cost recovery and removing costs, despite this, Packaging Australia’s 9% increase in revenue reflects a more stable supply chain towards the end of the half, cost recovery, and increasing demand for sustainable packaging,” Mr Dayal said.

“Packaging New Zealand’s fresh food business reported strong volume growth and its dairy business had record sales in December on the back of a late growing season in New Zealand.”

“Our Asian closures business reported mixed results by country reflecting the varying conditions in the region including improved performance in India and Nepal, and a sugar shortage in the Philippines causing a short-term closure of soft drink manufacturing.”

“The Recycling business reported revenue growth reflecting strong demand for recycled resin and flake, and our newly acquired Synergy Packaging business performed ahead of plan.”

“We anticipate a strong second half in this segment, primarily in Packaging New Zealand where the later growing season will drive volume growth in the dairy business.”

The Materials Handling & Pooling segment reported revenue down 4% to $179 million and a decline in underlying EBIT of 35% to $18 million.

“Despite a stable performance in Australia, the Materials Handling & Pooling business was significantly impacted by a downturn and destocking in the US and Europe garment retail sector, in addition to reduced demand from China during COVID lockdowns. Volume in the pooling business was impacted by adverse weather conditions impacting growing regions in Australia and New Zealand,” Mr Dayal said.

“We expect improvement in the Materials Handling & Pooling segment with our Sulo bins business expected to report growth through the second half on the back of significant local council contract wins. We expect recovery in our pooling business with a recent return to stable weather and growing

[1] Gearing is calculated as interest bearing liabilities (excluding lease liabilities recognised under AASB16 Leases) less cash and cash equivalents, divided by rolling 12 months underlying EBITDA (excluding the impact of lease accounting under AASB16 Leases).

conditions, and we are hopeful of a recovery in the Retail Accessories business in the fourth quarter as the US and Europe garment retail sectors recover and China rebounds from COVID lockdowns."

The Contract Manufacturing segment reported growth in revenue of 18% to $177 million and underlying EBIT loss of $0.2 million.

"These results reflect repricing of contracts and new contract wins, particularly in the health and wellness business. The second half of the year will see the full impact of these contract wins and repricing, and we expect to report positive EBIT in this business for the full year," Mr Dayal said.

Strategic update

The Company continues to progress its strategy to lead the Circular Economy. The four components required for a successful Circular Economy are raw material availability, recycling infrastructure, finished goods manufacturing, and demand for packaging containing recycled content. The Company reported progress in each of these areas.

"Our primary focus over the recent half year was on accelerating the upgrade of our packaging platforms to enable the production of high-quality packaging containing recycled content. A number of projects were completed during the period, we have upgraded to include recycled content in our Processed Foods and Dairy & Beverage sectors, and a new plastic packaging facility opened in Laverton, Victoria," Mr Dayal said.

"We also invested in our mobile garbage bin manufacturing capacity so we could meet significant demand from local councils for additional bin rollouts. A new facility in Horsley Park, NSW, due to open in FY24 will contain a high-speed liquid filling line increasing our capacity to produce liquid laundry, health and personal care products.

"The Circular Plastics Australia (PET) joint venture recycling facility in Albury, NSW, is now fully operational and two new joint venture recycling projects in Laverton and Altona, Victoria, will commence operations this calendar year. These recycling plants will enable us to increase production of recycled resin and flake."

Dividend

The Pact Group Holdings board resolved to not pay an interim dividend. This decision reflects the desire to preserve cash to allow the Company to reduce debt and continue its capital program in line with its Vision to lead the Circular Economy.

Outlook

Pact reiterates guidance of FY23 underlying EBIT to be slightly ahead of FY22 underlying EBIT, noting that the demand outlook is uncertain.

Pact will hold an investor briefing at 11am AEDT today. This briefing will be webcast and accessible via the following link: https://edge.media-server.com/mmc/p/tw6a7kbd

For further information contact:

Investors and analysts
Carolyn Ireland
GM - Investor Relations & Strategy
+61 403 045 905

Media
Simon Dowding
Head - Strategic Communications & Government Relations
+61 438 480 860

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