ASX Announcement

Pact Group Holdings Full Year 2022 Results

17 August 2022

Earnings in line with guidance & delivering on strategy to lead the Circular Economy

$A millions	**FY21**	**FY22**	**Movement**
Revenue	1,762	1,838	4%
Packaging & Sustainability underlying EBIT	*105*	*110*	*5%*
Material Handling & Pooling underlying EBIT	*54*	*50*	*(8%)*
Contract Manufacturing underlying EBIT	*24*	*(4)*	*(117%)*
Underlying EBIT	183	156	(15%)
Underlying NPAT	94	70	(25%)
Underlying adjustments after tax	(6)	(58)	-
Reported NPAT	88	12	(86%)
Total dividend – cents per share	11	5	(55%)

- Revenue growth of 4% driven by solid demand for sustainable packaging and recycled products
- Increased material prices and labour costs due to supply chain challenges and the cost of the continuing impact of COVID were broadly offset by cost recovery initiatives
- Recorded FY22 underlying EBIT in line with guidance provided at 1H22
- Continued progress towards executing strategy to lead the circular economy
  - Acquired Synergy Packaging for approximately $20 million adding to strength in sustainable health and beauty packaging
  - Commenced operations at Circular Plastics Australia (PET) recycling facility in Albury-Wodonga with international food grade certification in place and producing recycled resin for our joint venture partners
  - Further innovation in plastic packaging and closures with 100% recycled PET milk bottles and 30% recycled HDPE milk bottles manufactured at scale
  - Announced a sustainability partnership with Woolworths Group to provide more than 18,000 tonnes of recycled plastic resin for recyclable plastic packaging per annum, and a significant increase in the use of pooling crates
- Final dividend of 1.5 cents, franked to 65%, resulting in a total dividend of 5.0 cents for the year

Financial performance

Revenue was $1.838 billion for the year, up 4% on FY21, on the back of solid demand for sustainable packaging. Underlying earnings before interest and tax ('EBIT') was $156 million, in line with the guidance previously advised at 1H22 and down 15% on pcp. Underlying net profit after tax ('NPAT') was $70 million, down 25% on the pcp due in part to the absence of one-off revenue in the Contract Manufacturing segment recorded in FY21.

The Company maintained gearing of 2.7x, within its target range, with net debt at $561 million, $24 million lower than pcp, and operating cash conversion of $253 million.

Pact Group Managing Director and Chief Executive Officer, Mr Sanjay Dayal, said: "We achieved sound revenue during the 2022 financial year, against the backdrop of a challenging market and tough economic conditions. While we continue to see escalating demand for recycled content, our performance was impacted by higher costs of both input materials and labour, as well as additional costs due to the ongoing impact of COVID and supply chain disruption.

"We were able to recover some of these costs during the latter half of the year and will continue to do so and our focus remains on cash flow generation. Our inventory was elevated during the second half of the year as we made the

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prudent decision to slowly increase these levels, to ensure our customers received their orders on time, despite the supply chain challenges. We are now in the process of reducing these levels as shipping reliability and raw material pricing begin to show signs of stabilising.”

Segment performance

The Packaging and Sustainability segment reported revenue growth of 7% to $1.209 billion and underlying EBIT growth of 5% to $110 million.

“The revenue and earnings growth in our Packaging and Sustainability segment is an excellent result in the current trading conditions and reflects our disciplined approach to cost recovery. It also reflects strong performances in the New Zealand dairy and fresh food businesses, and in large format industrial packaging in Australia. Growth was also boosted by significant contract wins in the Asian closures business, where we lead the market in light weighting of packaging and closures,” Mr Dayal said.

The Materials Handling and Pooling segment reported revenue growth of 3% to $354 million and a decline in underlying EBIT of 8% to $50 million.

“The results in Materials Handling and Pooling reflect a strong performance by our Pooling business which achieved volume growth against the backdrop of supply chain challenges, and growth in our Infrastructure business including completion of the contract for noise walls for the Mordialloc Freeway bypass in Melbourne. This was offset by a slowdown in activity in our Sulo mobile garbage bin business as local councils delayed tenders for bin contracts.

“We anticipate improvement in the Materials Handling and Pooling segment with increased cost recovery underway and our experience since year end is that councils have opened up their bin tender processes and our Sulo business has been very successful in winning contracts that will be evident in FY23,” Mr Dayal said.

The Contract Manufacturing segment reported a decline in revenue of 5% to $306 million and underlying EBIT loss of $4 million.

“We advised during the first half of the year that trading would remain challenging in our Contract Manufacturing segment, and the business continued to be impacted negatively during the second half of the year by elevated raw material pricing and supply chain costs, and by lower volumes. With a new management team in place we have made progress in the areas of expense management and in winning significant new contracts. These new contracts will contribute volume and earnings growth to FY23, and pleasingly, we are seeing the impact of the supply chain issues stabilise,” Mr Dayal said.

Strategic update

The Company continues to progress its strategy to lead the circular economy and a number of strategic initiatives were progressed during the second half of the year.

“I am delighted with the significant progress we have made with our strategy to lead the circular economy throughout the year. We have opened a new joint venture recycling facility in Albury with two more joint venture recycling facilities in development, acquired the Synergy Packaging business, and recently announced an important partnership with Woolworths, along with many other achievements that will drive value.” Mr Dayal said.

Aligned with its goal to produce innovative packaging solutions and diverting plastic waste material from landfill, the Company acquired Synergy Packaging for approximately $20 million. Synergy Packaging specialises in the manufacture of PET and 100 per cent recycled PET packaging tailored to the beauty, cosmetics, nutraceutical, and food segments.

The Circular Plastics Australia (PET) joint venture recycling facility in Albury-Wodonga, which is operated by the Company, commenced operations in Q3 and has attained international food safety approval and commenced supplying high quality food grade recycled resin to the Company.

The Company introduced a range of innovative new packaging and closures products during the year that it is producing at scale, including 100% recycled PET milk bottles for Norco, 30% recycled HDPE milk bottles for Meadow Fresh, and has developed fully recyclable PET protein trays and films for the New Zealand market.

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Pact's sustainability credentials have been further strengthened with the announcement that it has set an emissions target to reduce scope 1 and 2 Greenhouse Gas emissions by 50% by 2030 in Australia and New Zealand from a FY21 baseline. This is in addition to its target to increase average recycled content across plastics to 30% by FY25.

The recently announced sustainability partnership with Woolworths is proof that the Company is the end-to-end provider of recycled content into recycled packaging. The partnership will be the largest of its kind in retail Australia, with more than 18,000 tonnes of Pact's recycled plastic resin to be used every year to manufacture high-quality recycled and recyclable plastic packaging. In addition, Woolworths plans to scale up the use of Pact's reusable plastic produce crates over the next three years, increasing usage from approximately 50 million to 80 million crates a year.

"Our first PET recycling facility with joint venture partners commenced production in Albury-Wodonga in Q3 and is operating well. A second PET recycling facility with similar capacity is under construction in Melbourne with the same joint venture partners, while a mixed plastics recycling facility is under construction in Laverton, Victoria in partnership with Cleanaway Waste Management. A further three recycling facilities are in the early stages of planning.

"With our pipeline of new recycling facilities, combined with our investments in new technology and equipment at our packaging manufacturing facilities across Australia, we are leading the way in the manufacture of high-quality recycled resin and in the production of packaging, closures, and products with high recycled content.

"The recent announcement of our sustainability partnership with Woolworths is proof that our strategy is resonating with our customers and our sustainability credentials have been further enhanced with our emissions reduction target. I would like to acknowledge and thank the Woolworths team for their vision and commitment to sustainability that has enabled this partnership. Demand for recycled and recyclable plastic packaging in Australia is growing and Pact will continue to work with committed partners to meet that demand.

"Pleasingly, Australia and New Zealand are committed to progressing a legislative platform that advances sustainability and the circular economy. Polices such as the container deposit scheme and the waste export ban are providing the right environmental platform to grow Australia's recycling industry and increase domestic demand for Australian recycled content.

"We look forward to delivering further value to our investors, and I would like to thank the team at Pact for their efforts in what has been a very challenging year." Mr Dayal said.

Dividend

The Pact Group Holdings board has resolved to pay a final dividend of 1.5 cents per share. The total dividend for the FY22 year is 5.0 cents per share and this represents a payout ratio of 25% of underlying NPAT. The final dividend will be paid on 6 October 2022 and the record date for the dividend is 25 August 2022.

Outlook

Pact expects supply chain availability issues, rising raw material costs and elevated energy prices to remain throughout the first half of the 2023 financial year, before normalising in the second half of FY23. As a result, the Company expects underlying EBIT to grow slightly in FY23.

Pact will provide a further update at the AGM in November.

Pact will hold an investor briefing at 11am AEST today. This briefing will be webcast and accessible as follows
https://edge.media-server.com/mmc/p/pw6dhzoz

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