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ASX ANNOUNCEMENT

19 August 2020

PACT GROUP 2020 FULL YEAR RESULTS

OVERVIEW

A$ MILLION	FY 2020 Statutory	FY 2020 Excl AASB16[1]	FY 2019	Movement Excl AASB16
Revenue	**1,809**	**1,809**	1,834	(1%)
EBITDA (before significant items)	**302**	**234**	231	1%
EBIT (before significant items)	**166**	**151**	148	1%
NPAT (before significant items)	**73**	**81**	77	5%
Statutory NPAT	**89**	**92**	(290)	>100%
Total dividends – cents per share	**3.0**	**3.0**	-	100%

(1) The Company has applied AASB 16: *Leases* from 1 July 2019 using the modified retrospective approach to transition. Accordingly, comparatives have not been restated. Results excluding impacts from AASB16 have been provided to compare current year results to the prior year on a consistent basis. These impacts are detailed at Note 6.2 of the Full Year Consolidated Financial Report.

- Revenue down 1.4% to $1,809.2 million (pcp: $1,834.1 million)
- EBITDA of $301.8 million (pcp: $230.7 million); excluding AASB 16 up 1.3% to $233.7 million
- EBIT of $166.3 million (pcp: $148.4 million); excluding AASB 16 up 1.5% to $150.6 million
- NPAT of $73.2 million (pcp: $77.3 million); excluding AASB 16 up 4.5% to $80.8 million
- Solid operating performance despite COVID-19 challenges
  - Group EBITDA and margins improved
  - Solid organic growth in the Contract Manufacturing hygiene category and in crate pooling services, along with modest underlying growth in New Zealand and Asia
  - Lower underlying packaging volumes in Australia and COVID-19 impacts to volume in the industrial and clothing retail sectors
  - Recovery of pricing lags and tight control of discretionary spend
- Net debt reduced and gearing substantially improved at 2.6x (excluding AASB 16)
- Execution of strategy to *Lead the Circular Economy* progressing well
  - Phase 1 of the turnaround of ANZ packaging business complete
  - Recycling capability to be expanded through strategic investments: agreement to acquire Flight Plastics, a leading provider of recycled packaging in New Zealand; joint venture with Cleanaway and Asahi, to develop recycling capability in Australia, formalised
  - Successful start-up of reuse services to support a major new contract in the USA
  - Sale process in respect of Contract Manufacturing business to recommence
- Dividends resumed, with final ordinary dividend of 3.0 cents per share (65% franked)

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Pact Group Holdings Ltd ('Pact' ASX: PGH) today announced a statutory net profit after tax of $89 million for the year ended 30 June 2020. This included a significant gain after tax of $16 million.

The Company's financial results for the full year reflect the adoption of AASB16: Leases. Comparatives for the prior corresponding period have not been restated. The Company has provided results excluding impacts from AASB16 to compare current year results to the prior year on a consistent basis.

Excluding AASB16 impacts, net profit after tax before significant items was $81 million, up 5% compared to $77 million in the prior corresponding period (pcp).

The Board has determined a final ordinary dividend of 3.0 cents per share, franked to 65% (pcp: nil).

SOLID OPERATING PERFORMANCE DESPITE COVID-19 CHALLENGES

Pact Group Managing Director and Chief Executive Officer, Mr Sanjay Dayal, said, "I am very pleased with our financial performance in FY20. We have delivered improved earnings and margins and have strengthened our balance sheet. These results, delivered in a period where we faced the uncertainty of COVID-19, and the challenges of other macro events, illustrates the resilience of our portfolio, and our discipline in managing cash and protecting our balance sheet.

"I am proud of how well the Company responded to the challenges of COVID-19 and the commitment demonstrated by our people in continuing the safe and efficient operation of our facilities. Our diversified portfolio performed well.

"Demand in most consumer sectors was resilient during the COVID-19 affected period, particularly in the food, home care and hygiene categories. Our strong local manufacturing and service capabilities enabled us to provide security of supply to our customers and quickly respond to their changing needs. We are proud of the speed with which we expanded capacity to meet supply shortages of hand sanitiser and other hygiene products, ensuring the needs of front-line workers and the general community were met.

"We experienced some demand slow-down in the industrial sector, impacted by end-market disruption during COVID-19, and our hanger reuse business, TIC, was adversely impacted by significant weakness in the clothing retail sector. Pleasingly, we responded rapidly with tight cost management to mitigate earnings impacts.

"Aside from COVID-19, underlying demand trended in line with our first half. We delivered solid organic growth in our materials handling segment following the expansion of pooling services into the ALDI fresh produce supply chain, and the expansion of reuse services in the USA to support a major new contract. Volumes in our offshore operations were up, with both New Zealand and Asia improved.

"Underlying volumes in our Australian packaging businesses remained challenging. Whilst the industrial sector experienced some benefit in the second half from easing of drought conditions, this benefit was offset by the impact of bushfires and other macro factors. Volumes into the dairy, food and beverage sector were lower, and health and wellness volumes continued to be impacted by customer destocking. This also impacted our Contract Manufacturing business, with the health and wellness category down significantly on the prior year.

"We improved the strength of our balance sheet despite the challenging backdrop in the period. We reduced net debt and significantly improved our gearing. Gearing at the end of the period was 2.6x, well within our targeted range. Operating cashflows were strong illustrating disciplined working capital management, and capital expenditure was well controlled, with spend in the period strongly aligned to the delivery of the Group's strategy."

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EXECUTION OF STRATEGY PROGRESSING WELL

In the period the Company completed a review of its strategy and established a Vision to *lead the circular economy through reuse, recycling and packaging solutions*. Several significant initiatives were progressed in the period, including:

- **The turnaround of the Australian packaging business.** Phase 1 of the turnaround was complete. The operating model was transformed to align accountabilities to customer needs, and senior leadership were appointed to lead the transformation.
- **Expansion of recycling capability.** The Company formalised a joint venture agreement with Cleanaway and Asahi to jointly develop a PET recycling facility in Australia, expected to be operational by 2022. The Company also entered an agreement to acquire Flight Plastics NZ, a leading provider of sustainable packaging, which will support a competitive platform in the ANZ fresh food segment (remains conditional on regulatory approval). These arrangements compliment the acquisition of Australian Recycled Plastics (51% share) in the first half and the Company's existing recycling platform.
- **Expansion of the Company's reuse platform.** Crate pooling services into the ALDI fresh produce supply chain commenced in August 2019, and hanger reuse services to support a major contract in the USA commenced in January 2020 with both performing in line with expectations.
- **Sale process in respect of the Company's Contract Manufacturing businesses**. The Company will recommence the sale process in respect of its Contract Manufacturing business after suspending the process due to restrictions associated with COVID-19.

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 have completed the critical first steps in the turnaround of our Australian packaging business and have clear plans for the next phase. Our plans will improve the competitiveness of our platform and sharpen our focus on growth opportunities. This is crucial to the success of our strategy. Our packaging business is integral to delivering value in the circular economy.

"Our recycling initiatives will see us grow our recycling capability to over 50,000 tonnes by 2022, providing a point of differentiation in the market and the supply required to enable us to meet our target of 30% recycled content across our portfolio by 2025.

"Our reuse platforms are best-in-class and provide the platform for us to now drive deeper penetration of reuse solutions and reduce single use packaging."

OUTLOOK

We expect our diversified portfolio to be resilient with trading in the first quarter of FY21 in most sectors to be generally in line with recent trends.

The duration and economic impact of COVID-19 is uncertain. An update on trading will be provided at the AGM on 18 November 2020.

ENDS

Pact will host an investor briefing at 10.00am (AEST) today. Teleconference registration can be made via the link https://s1.c-conf.com/diamondpass/10008383-invite.html. The briefing can also be accessed at https://webcast.boardroom.media/pact-group-holdings-ltd/20200819/NaNpact-group-fy20. A recording of the briefing will be available on the Pact website as soon as practicable after the briefing.

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

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