Pact Group Holdings Ltd
ABN: 55 145 989 644

2021 Half Year Results

Sanjay Dayal – Managing Director and Chief Executive Officer
Richard Betts – Chief Financial Officer

17 February, 2021

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

Important Information

This Presentation contains the summary information about the current activities of Pact Group Holdings Ltd (Pact) and its subsidiaries (Pact Group). It should be read in conjunction with Pact's other periodic and continuous disclosure announcements lodged with the Australian Securities Exchange (ASX), including the Half Year Consolidated Financial Report and associated Media Release released today, which are available at www.asx.com.au.

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All dollar values are in Australian dollars (A$) unless otherwise stated.

Non IFRS Financial Information
This presentation uses Non-IFRS financial information including EBITDA, EBIT, NPAT, operating cashflow, capex, free cashflow, operating cashflow conversion, gearing, interest cover and net debt. These measures are Non-IFRS key financial performance measures used by Pact, the investment community and Pact's Australian peers with similar business portfolios. Pact uses these measures for its internal management reporting as it better reflects what Pact considers to be its underlying performance.

Underlying EBITDA and underlying EBIT are used to measure segment performance and have been extracted from the Segment Information disclosed in the Half Year Consolidated Financial Report.

All Non-IFRS information has not been subject to review by the Company's external auditor. Refer to Page 31 for the reconciliation of underlying EBITDA and underlying EBIT items. Refer to Page 32 for the reconciliation of operating cashflows. Refer to page 34 for definitions of non-IFRS financial measures.

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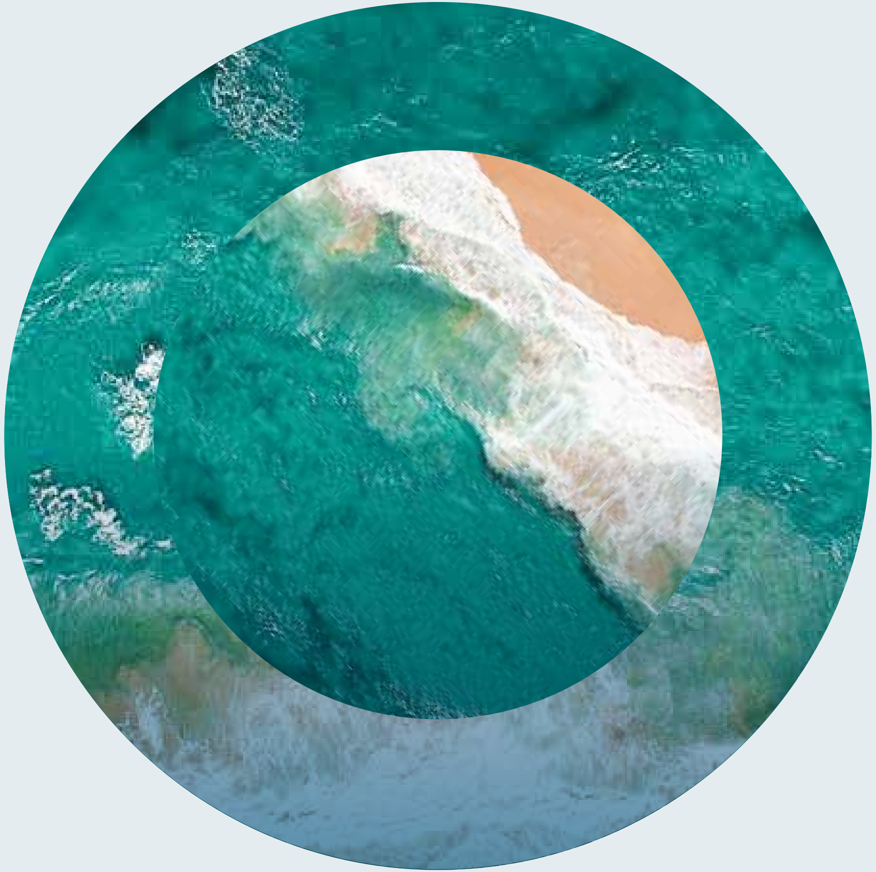
Agenda

1. Highlights
2. Group Financial Performance
3. Segment Performance
4. Strategy and Priorities
5. Outlook



Highlights

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H121 Results Headlines

Solid improvement in all key metrics | Momentum in the delivery of strategy maintained

Sales revenue
$894m ↑1%
(pcp $885 million)

EBIT (Underlying)
$99m ↑25%
(pcp $79 million)

NPAT (Reported)
$50m ↑44%
(pcp $35 million)

EBIT Margin (Underlying)
11.0% ↑2.1%pts
(pcp 8.9%)

ROIC
12.1% ↑1.3%pts
(pcp 10.8%)

EPS
14.5 cps ↑44%
(pcp 10.1 cps)

Free Cash Flow Generation
$46m ↑119%
(pcp $21 million)

Gearing
2.4x ↓0.5x
(3.2x including leasing)

Dividend
5.0 cps ↑
65% franked
(pcp $Nil)

Key Business Highlights

Strong organic growth | Margins improved | Balance sheet strengthened

Strong organic growth and improved margins

- Organic sales growth of 4%
- Strong volume growth in reuse and pooling services
- Higher demand for hygiene and nutraceutical products
- EBIT and margins strongly improved
- ROIC improved at 12.1%, up 1.3% pts

Solid cash generation and reduced leverage

- Operating cashflow improved, working capital well managed
- Net debt reduced and gearing substantially improved at 2.4x
- Debt maturity profile improved through strategic refinancing

Disciplined management of COVID-19 risks

- Continued volume and earnings resilience
- No material disruption to operations in the period

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Strategy in Action

Growth initiatives on track

Priorities

Focus portfolio and strengthen balance sheet	Turnaround and defend core ANZ consumer packaging businesses	Lead plastics recycling in ANZ	Scale-up reuse solutions	Differentiate industrial and infrastructure businesses	Grow Asian packaging platform

Our Vision

Pact will lead the circular economy through reuse, recycling and packaging solutions

Progress in the period

- Australian packaging turnaround progressing well
- Recycling capability enhanced
  - Acquisition of Flight Plastics NZ completed
  - Albury PET recycling facility on track for commissioning in late CY21
  - Further projects under review, with government funding grants of $12.5 million announced in the period
- Contract wins in packaging and infrastructure sectors, enabled by recycling capability
- Reuse volume improved with new USA contract performing well and increased penetration of crate pooling services
- Major contract renewals in Asia closures
- Sale process in respect of Contract Manufacturing business ongoing

Safety

Lost time injury frequency rate at record low

- LTIFR at record low of 3.8, improved from 4.0 in FY20
- The Company remains focused on continued improvement in safety culture and processes

Strict management of COVID-19 risks maintained

- Strict health and safety protocols maintained at all facilities to protect employees and the community
- All known and potential cases managed within strict guidelines, with no material disruption to operations

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Group Financial Performance

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Financial Results Summary

Solid improvement in all key metrics

$A millions	1H2021	1H2020	Variance
Sales revenue	894	885	1% ↑
Underlying EBITDA	164	145	13% ↑
EBITDA margin	18.4%	16.4%	2pp ↑
Underlying EBIT	99	79	25% ↑
EBIT margin	11.0%	8.9%	2.1pp ↑
Underlying NPAT	52	33	59% ↑
Reported NPAT	50	35	44% ↑
ROIC	12.1%	10.8%	1.3pp ↑
Free cash flow	46	21	119% ↑
Operating cash flow	136	101	35% ↑
Gearing	2.4x	2.9x	0.5x ↓
Gearing (including leasing)	3.2x	3.8x	0.6x ↓
EPS (cps)	14.5	10.1	44% ↑

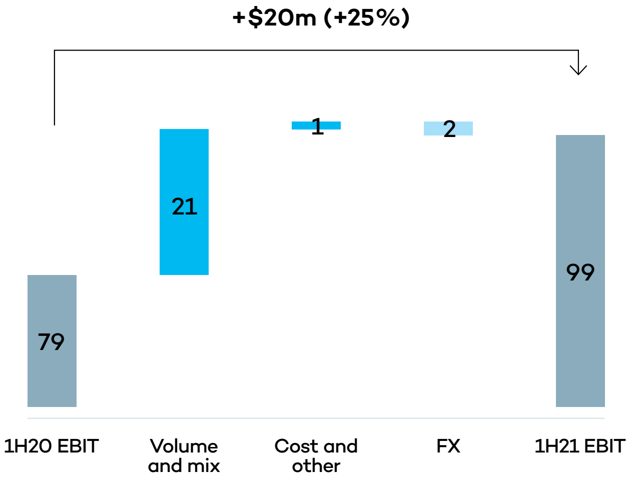
Commentary

- Strong organic sales growth of 4%, offset partly by the pass through of lower raw material input costs and FX
- Underlying EBIT up 25% with solid organic volume growth and disciplined margin management
- EBIT margins improved by 2.1 pp
- Free cashflow of $46 million more than doubled and gearing improved
- Strong EPS growth

Group EBIT

Solid organic volume growth and disciplined margin management

Underlying EBIT Bridge 1H2020 to 1H2021
(A$ million)



Commentary

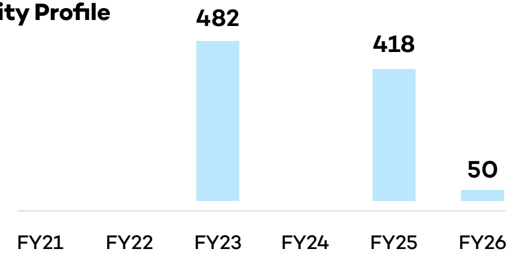
- Solid improvement in volume and mix, driven primarily by growth in pooling and reuse services, strong demand in the hygiene category and improved demand in the health and wellness, agricultural and industrial sectors
- Margins well managed
- Disciplined cost management and efficiency
- Investment to support the Australian packaging turnaround

Balance Sheet Metrics

Gearing and debt reduced | Debt maturity profile improved

$A millions	1H2021	1H2020
Net Debt[1]	599	667
Gearing[1]	2.4	2.9
Gearing (including leasing)	3.2	3.8
Interest Cover[1]	8.5	5.9
ROIC	12.1%	10.8%

Debt Maturity Profile



Commentary

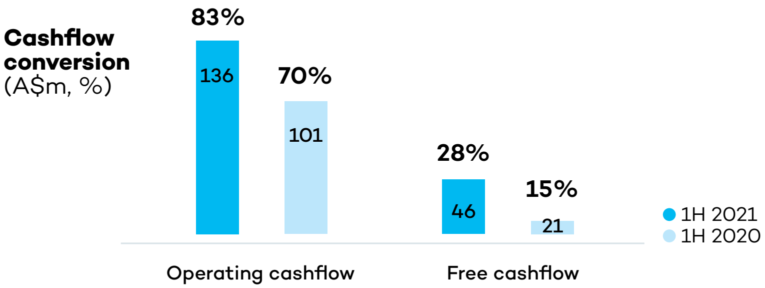
- Gearing improved at 2.4x, well within targeted range of less than 3.0x
- Net debt reduced by $68 million versus pcp
- Debt maturity profile improved with extension of $298 million debt to FY25, previously maturing in FY22
- Average tenor of 3 years
- Undrawn debt capacity of $308 million

1. Metrics presented excluding the impact of lease accounting following the adoption of AASB16.

Cash Management

Strong cashflow generation | Cash conversion improved

$A millions	1H 2021	1H 2020	Variance
Statutory operating cashflow	100	66	51%
Capex	35	30	19%
Free cash flow	46	21	119%
Operating cashflow	136	101	35%
Operating cash flow conversion	83%	70%	13.4pp



Commentary

- Strong operating cashflow driven by improved earnings and disciplined working capital management
- Capital expenditure well controlled, strong focus on platform reinvestment and capability to support strategic objectives

Capital Returns

ROIC improved to 12.1%

Capital Allocation

Operating cash flow

Sustenance capital
Annual spend 70% of depreciation[1]

Maintain a strong balance sheet
Gearing under 3.0x

Dividends
> 40% of Underlying NPAT

Organic growth and restructuring
Prioritised based on ROIC return (>15%) and in aligned segments

M&A
Strategically aligned and delivers 15% ROIC in the medium term

Maximise Shareholder Value
ROIC above 13.5%[2]

Performance

- Operating cash flow improved to $100 million (up 51% on pcp)
- Gearing at 2.4x (pcp 2.9x)
- Investments in recycling capability
- Interim dividend determined of 5.0 cents per share, at payout of 33% of Underlying NPAT
- ROIC improved to 12.1% (pcp 10.8%)

1. Depreciation excluding the depreciation of right of use assets
2. ROIC represents return on invested capital and is defined as rolling 12 months underlying EBIT divided by rolling 12 months average total assets (excluding cash, cash equivalents and deferred tax) less current liabilities (excluding interest bearing liabilities and tax liabilities)

Segment Performance

Packaging & Sustainability

Improved margins driven by favourable mix and disciplined cost management

$A millions	1H 2021	1H 2020	Variance
Sales revenue	566	585	(3%)
EBITDA	97	96	1%
EBITDA margin	17.1%	16.4%	0.7pp
EBIT	54	51	7%
EBIT margin	9.5%	8.6%	0.9pp

Performance

- Favourable volume and mix, with improved demand from agricultural, health and wellness and industrial sectors. Demand in the dairy, food and beverage sector stable
- Margins improved with favourable mix and disciplined cost management
- Investment to support turnaround, including segment strategy review
- Benefit of lower depreciation and property sale in China
- Revenue impacted by pass through of lower raw material input costs and adverse foreign exchange

COVID-19

- Consumer packaging sectors resilient, though volume in Asia was slightly impacted by lockdowns and related customer closures
- Demand in most industrial sectors improved

Materials Handling & Pooling

EBIT growth and improved margins driven by higher pooling and reuse volumes

$A millions	1H 2021	1H 2020	Variance
Sales revenue	176	161	9%
EBITDA	47	38	22%
EBITDA margin	26.6%	23.9%	2.7pp
EBIT	31	25	26%
EBIT margin	17.7%	15.4%	2.3pp

Performance

- Strong growth in garment hanger reuse services driven by the successful ramp-up of USA contract
- Improved pooling volumes in the fresh produce category, with increased penetration, solid underlying demand and an incremental month of supply for ALDI
- Fewer available infrastructure projects in the period
- Margin % improved through disciplined cost management

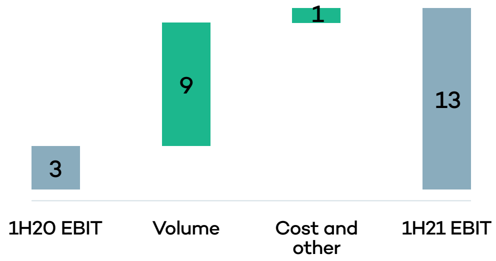
COVID-19

- Strong rebound in demand for garment hanger reuse services in Q1, returning to usual seasonal expectations by end of the period
- Slow restart to infrastructure projects

Contract Manufacturing Services

Strong EBIT and margin growth driven by improved volumes and platform efficiency

$A millions	**1H 2021**	**1H 2020**	**Variance**
Sales revenue	169	157	7%
EBITDA	21	11	91%
EBITDA margin	12.3%	6.9%	5.4pp
EBIT	13	3	308%
EBIT margin	8.0%	2.1%	5.9pp



Performance

- Strong volumes in the hygiene category in Q1
- Improved demand in the health and wellness category
- Improved underlying efficiency and disciplined pricing

COVID-19

- Continued strong demand for hygiene products in Q1, moderating later in the period

Strategy

Our Vision to Lead the Circular Economy

Aspiration

Vision	Pact will Lead the Circular Economy through reuse, recycling and packaging solutions
Target	Top quartile shareholder returns and 30% recycled content across portfolio by 2025

Priorities

Strengthen Our Core		Expand Reuse and Recycling Capability			Leverage Regional Scale
Focus portfolio and strengthen balance sheet	Turnaround and defend core ANZ consumer packaging businesses	Lead plastics recycling in ANZ	Scale-up reuse solutions	Differentiate industrial and infrastructure businesses	Grow Asian packaging platform

Enablers

- Safe, diverse and motivated workforce
- Competitive manufacturing
- Segment skilled sales capability
- Differentiated solutions through technical expertise and innovation
- Circular economy credentials and communication
- Disciplined capital management
- Data-driven decision-making

Our Near Term Priorities

The execution of our strategy is on track and our near-term priorities are clear

Priorities

- Focus portfolio and strengthen balance sheet
- Turnaround and defend core ANZ consumer packaging businesses
- Lead plastics recycling in ANZ
- Scale-up reuse solutions
- Differentiate industrial and infrastructure businesses
- Grow Asian packaging platform

Our Vision

Pact will lead the circular economy through reuse, recycling and packaging solutions

Near term initiatives

- Progress Phase 2 of the turnaround of the core packaging business
- Expand plastics recycling infrastructure in Australia
- Deliver value from recycling through differentiation in packaging and infrastructure sectors
- Increase penetration of reuse solutions
- Leverage consolidation of regional closures platform in Asia
- Progress sale process in respect of the Contract Manufacturing business

1. Turnaround of Australian Packaging Business

Operational improvements delivered as turnaround gathers momentum

Improving our competitiveness

Strategy and growth

- Targeted segment strategies developed with implementation underway
- Leverage circular economy credentials to differentiate and grow
- Develop an improved service model for small and mid-size customers

Operational improvements

- Improvements in safety, quality and delivery in the period
- Improvements in operational performance accelerated by new operating model
- Improving S&OP (sales and operations planning) processes and reliability of equipment a key focus

Investment in the business platform

- Initiatives underway to increase capability to process recycled raw materials and enhance capability in attractive segments

Our Turnaround Approach

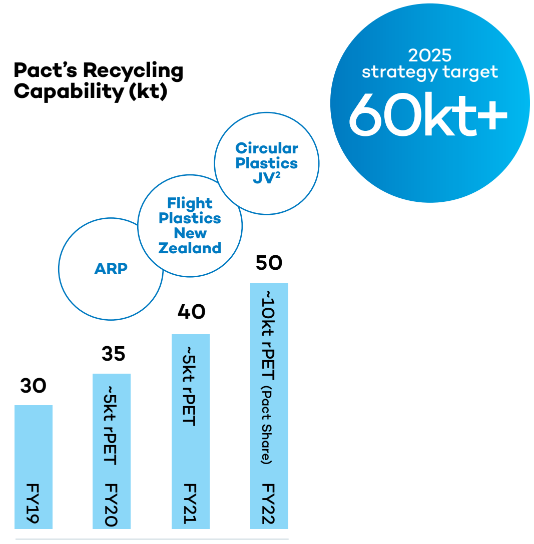
Phase 1 – Structure and Leadership	**Restructure** the business to deepen the focus on customer segments and re-establish clear accountabilities	✓
	Appoint strong leadership to deliver change	✓
Phase 2 – Improve competitiveness	**Develop targeted segment strategies** to improve performance and differentiate in the market	✓
	Improve the competitiveness of our manufacturing platform	In Progress

2. Expand Plastics Recycling Infrastructure in Australia

Solid progress made in developing infrastructure to support targeted demand of over 60kt recycled plastics by 2025

Leading plastics recycling

- Construction of new PET recycling facility in Albury progressing well, expected to be operational late CY21
- Further expansion opportunities have been identified
- Strong state and federal government support for development of local recycling infrastructure through funding grants
  - $9.5 million to develop a mixed plastics recycling facility in Western Australia
  - $3.0 million to develop a HDPE recycling facility in Victoria



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3. Deliver Value from Recycling

Pact's leading recycling capability will be a key enabler for customers to deliver ambitious 2025 sustainability targets

Using recycled materials to differentiate and win

- Demand for recycled content is accelerating, with a step change required to deliver 2025 customer commitments
- Customers are now engaging Pact to develop strategic partnerships to "lock-in" access to recycled materials

Growing demand for recycled content in the packaging and infrastructure sectors

Fresh food segment

- Pact has secured a new contract to supply trays with up to 100% recycled PET through major supermarkets in ANZ

Home and personal care categories

- Pact is supporting a major multinational increase the use of recycled content through the supply of packaging with up to 50% rHDPE for leading brands in the home and personal care categories

Noisewalls

- Pact is supplying noisewalls with up to 70% recycled content to a major Victorian infrastructure project

4. Increase Penetration of Reuse Solutions

Compelling sustainability and efficiency benefits of reuse is driving strong growth in pooling and hanger reuse services

Increased pooling penetration in the fresh produce sector

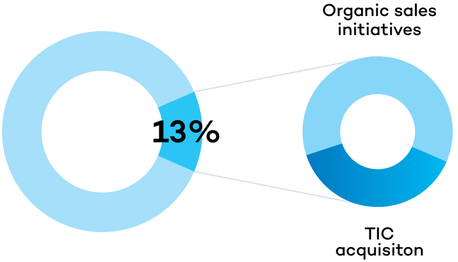
- Growth in 1H21 delivered from conversion in new produce categories
- >10% annual growth expected over medium term from further penetration and diversification in new categories

Geographic expansion of garment hanger reuse services

- Sales revenue growth of > 40% from FY19 to FY21F
- Customer portfolio improved through geographic diversification and expansion
- Margins improved through scale benefits
- Further opportunities for expansion in offshore markets

Reuse solutions has grown to 13% of total group revenue (from 1% in FY17)

Reuse solutions sales revenue FY21F

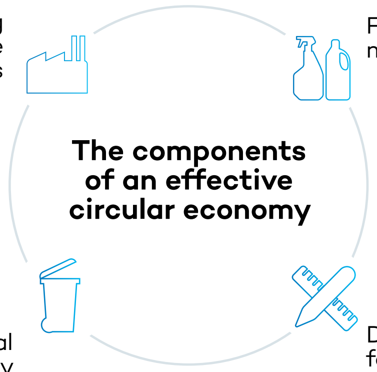


A Shared Commitment to Developing the Circular Economy

The circular economy is a compelling opportunity to create value, improve jobs creation, and deliver positive environmental outcomes

Shared commitment across the value chain

- Strong government commitment to "turbo charging" progress in each component of the value chain through policy and industry support
  - Recycling and Waste Reduction Act 2020
  - Recycling Modernisation Fund
  - Modern Manufacturing Initiative
- Pact is now recognised by government, industry and customers as a leader in the circular economy



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Summary

Solid progress in the delivery of strategy

- Improvement in all key metrics
- Strong cash generation
- Balance sheet strength improved with lower net debt and gearing
- ROIC improved
- Interim dividend of 5 cps
- Key strategic initiatives on track
- Committed to top quartile returns by 2025

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Outlook

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Outlook

The business continues to demonstrate sustainable momentum and earnings resilience. In a seasonally softer second half we forecast similar underlying trends to that which we enjoyed in the first half, but anticipate a weaker hygiene category.

We expect underlying EBIT for the full year to be better than last year, subject to the duration and economic impact of uncertainty related to Covid-19 and other global conditions.

Appendix

Reconciliation of Statutory Income

$A millions	1H 2021	1H 2020
Statutory profit before income tax expense	**70.4**	**46.6**
Add: net finance cost and loss on de-recognition of financial assets	25.6	33.1
Reported EBIT	**96.0**	**79.7**
Add: Underlying adjustments	2.6	(1.1)
Underlying EBIT	**98.6**	**78.6**
Add: depreciation and amortisation expense	65.6	66.7
Underlying EBITDA	**164.2**	**145.4**

$A millions	1H 2021	1H 2020
Statutory net profit for the period	**49.9**	**34.8**
Add: Underlying adjustments	2.6	(1.1)
Tax effect of significant items	(0.4)	(1.0)
NPAT	**52.1**	**32.7**

Cashflow Reconciliation

$A millions	1H 2021	1H 2020
Statutory net cash flows provided by operating activities	**100.1**	**66.2**
Payments for property, plant and equipment	(35.1)	(29.6)
Proceeds from sale of property, plant and equipment	2.5	0.5
Repayment of lease liability principal (net of incentives received)	(23.0)	(16.5)
Sundry items	1.7	0.6
Free cash flow	**46.2**	**21.1**
Statutory net cash flows provided by operating activities	**100.1**	**66.2**
Borrowing, trade debtor securitisation and other finance costs paid	24.2	33.7
Income tax paid / (received)	8.3	(5.4)
Business restructuring spend	1.8	5.6
Other items	0.8	1.8
Proceeds from securitisation of trade debtors	1.2	(0.7)
Operating cash flow	**136.3**	**101.1**

Underlying Adjustments

$A millions	1H 2021	1H 2020
Transaction costs	(0.8)	(1.8)
Restructuring costs	(1.8)	(1.7)
Net gain on lease modification	0.0	4.5
Total underlying adjustments before tax	**(2.6)**	**1.1**
Tax effect of underlying adjustments above	0.4	1.0
Total underlying adjustments after tax	**(2.2)**	**2.1**

Definitions of Non-IFRS Financial Measures

Capex represents capital expenditure payments for property, plant and equipment

Underlying EBITDA refers to EBITDA before underlying adjustments. EBITDA is defined as earnings before net finance costs and losses on de-recognition of financial assets, income tax, depreciation and amortisation – refer to page 31 for a reconciliation to statutory profit for the period

EBITDA margin is calculated as underlying EBITDA as a percentage of revenue

Underlying EBIT refers to EBIT before underlying adjustments. EBIT is defined as earnings before net finance costs and losses on de-recognition of financial assets and income tax – refer to page 31 for a reconciliation to statutory profit for the period

EBIT margin is calculated as underlying EBIT before significant items as a percentage of revenue

Free cashflow is defined as statutory net cash flows provided by operating activities capex, less repayments of lease liability principals and after proceeds from asset sales and other sundry items

Gearing is calculated as net debt divided by rolling 12 months underlying EBITDA excluding the impact of lease accounting following the adoption of AASB16

Interest cover is calculated as rolling 12 months underlying EBITDA divided by rolling 12 months net finance costs and losses on de-recognition of financial assets (with underlying EBITDA and net finance costs both excluding the impact of lease accounting following the adoption of AASB16)

Net finance costs and losses on de-recognition of financial assets is net of interest income

Net debt is calculated as interest bearing liabilities (excluding lease liabilities recognised under AASB16) less cash and cash equivalents

Underlying NPAT refers to NPAT before underlying adjustments. NPAT is defined as net profit after tax – refer to page 31 for a reconciliation

Operating cashflow is defined as underlying EBITDA, less changes in working capital, less changes in other assets and liabilities and excluding the impact of proceeds from securitisation of trade debtors – refer to page 32 for a reconciliation to statutory net cash flows provided by operating activities

Operating cashflow conversion is defined as operating cashflow divided by underlying EBITDA

ROIC represents return on invested capital and is defined as rolling 12 months underlying EBIT divided by rolling 12 months average total assets (excluding cash, cash equivalents and deferred tax) less current liabilities (excluding interest bearing liabilities and tax liabilities)

Underlying adjustments (referred to as significant items in prior periods), includes items that are individually material or do not relate to the operating business. The measurement of underlying adjustments is consistent with that used for significant items in prior periods.