

ASX : PBP

Probiotec Limited

HY21 Results & Outlook

25 February 2021



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All values are expressed in Australian Dollars unless otherwise stated.

Financial Highlights

Probiotec Limited

Revenue

\$42.6m

(3%) on HY20

Underlying EBITDA ¹

\$7.4m

+20% on HY20

Underlying EBIT ¹

\$5.6m

+26% on HY20

Cashflow Generation

\$7.9m

>100% of Underlying EBITDA

Underlying EPS

4.8 cps

+28% on HY20

Half Year Dividend

2.0 cps

+33% on HY20

Strong performance achieved in HY21 despite uncertain environment

- Transformative acquisition of Multipack LJM completed on 31 December 2020, with control passing to Probiotec on 1 January 2021
 - Strong relationships with a range of global FMCG and Consumer Healthcare clients
 - Performance since announcement has been stronger than expected
- Pleasing revenue performance with strong levels of organic new business generation across manufacturing and packing offsetting weakness in cough & cold sales (which are expected to recover in FY22)
- Earnings performance was strong, reflecting our ongoing focus on operating efficiency and rebasing of cost structures in response to COVID
- Strong cash generation supports increased returns for shareholders
- Term debt maturities extended for 3 years as part of the Multipack transaction
- Range of acquisition opportunities continuing to be assessed

Transformative acquisition with an attractive growth profile

Overview

- Acquisition of Multipack LJM was completed on 31 December 2020, with control passing to Probiotec on 1 January 2021
- Key management personnel retained
- Multipack-LJM performance has been stronger than we anticipated at the time of the transaction, with record performance observed over recent months delivering confidence for a materially higher result than the business delivered in FY20
- Strong focus on maximising shareholder value
 - Maximising synergies across the combined group
 - Potential site consolidation and other cost-out opportunities

Investment Highlights

- ✓ Natural extension of Probiotec's packing operations
- ✓ Creates greater scale and diversification across customers, end-markets and services
- ✓ Introduces new customer relationships which can be leveraged into new manufacturing opportunities and underpins expansion into new products
- ✓ Opportunity to consolidate Probiotec's Sydney packing footprint over next 18-36 months
- ✓ Attractive entry multiple positioning for strong returns for shareholders

Delivering Scale

Multipack-LJM Eastern Creek facility



Delivering Scale

LJM Marketing Services Dandenong facility



HY21 Earnings Breakdown

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Driving earnings growing despite uncertain environment

HY21 Results Snapshot

	H1 FY21 ¹
Sales revenue	42.6
EBITDA	7.4
D&A (excl Acquired Intangibles)	(1.8)
EBIT	5.6
Interest	(1.1)
Tax	(0.9)
NPAT	3.6
Shares on Issue ('millions)	74.8
EPS (underlying) – cps	4.8

Reconciliation and Comparison

	H1 FY21 ¹			
	Actual	Adj. ¹	Underlying	Vs PCP
EBITDA	5.9	+1.6	7.4	+20%
EBIT-a	3.3	+2.4	5.6	+26%
NPAT-a	1.2	+2.4	3.6	+44%
EPS-a	1.7c	+3.2c	4.8c	+28%

Balance Sheet & Cashflow

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Significant capacity exists to meet additional inorganic opportunities

\$9.5m

→ Underlying Cash Flow from Operations

- Strong focus on optimising working capital and capex to achieve strong cashflow generation and drive returns
- Net Capex over the HY21 period totalled \$33.3m, comprising
 - Acquisitions & intangible asset purchases → \$28.3m
 - Plant & equipment → \$1.1m
 - Asset sales → \$0.8m (in flow)
- Probiotec currently maintains a conservative balance sheet, with leverage below 1.5x on a pro forma basis

Underlying Cash Flow Generation (\$'m)	h/e 31/12/20
EBITDA (Underlying)	7.4
(-) Tax	(0.9)
(-) Working Capital	4.1
(-) Interest Expense	(1.1)
= Cashflow from Operations	9.5
(-) Capital Investments	(1.1)
(-) Acquisitions	(33.0)
(+) Net Debt Drawdown	39.1
(+) Proceeds from Asset Sales	0.8
= Underlying Net Cash Flow	15.2

We remain focused on executing our growth strategy and look forward to providing updates on growth initiatives throughout the upcoming year

1

Maintain and develop relationships with Tier 1 customers

Leverage Probiotec capabilities to expand product manufacturing in attractive categories
Drive innovation with customers to maximise the revenue and margin opportunity

2

Maximise opportunity from onshoring of domestic manufacturing

Identify attractive opportunities to capture share from customers onshoring their production
Utilise existing capacity and/or use demand to underpin capacity expansions

3

Proactively assess acquisition and capital investment opportunities

Disciplined approach to acquisition opportunities in core manufacturing and packing sectors
Identify attractive greenfield/brownfield opportunities

4

Drive operational improvement and cost synergies

Continue to leverage Probiotec's core operational strength and customer service capabilities
Optimise the Sydney packing footprint
Removal of Covid-19 related costs

- While COVID-19 impacts are still being closely managed, we are increasingly confident about the short term outlook for the business and excited about the outlook for the business into FY22 and beyond
- **We affirm our previously provided guidance** that we expect FY21 EBITDA for our existing businesses will meet or exceed FY20 performance, however revenue growth will be challenging prior to a recovery in FY22
- Improved margins being achieved due to reduced cost base, portfolio rationalisation of low margin products and continued focus on efficiency, synergies and cost-out programs
- Multipack-LJM performance has been stronger than we anticipated at the time of the transaction
- Probiotec continues to assess a range of inorganic growth initiatives, though we remain highly disciplined around value and strategic focus when considering any acquisition

Probiotec is positioned for a break-out year in FY22 reflecting the investments made in executing our strategy over the last 2-3 years

Organic Drivers

- ✓ Normalisation of cold and flu volumes into FY22
- ✓ ~\$10m of new revenue from contracts secured in 2020 (onboarding over next 6-12 months)
- ✓ Strong pipeline of tenders in process – emerging evidence of customers onshoring production



Multipack-LJM

- ✓ Multipack-LJM to deliver full year contribution in FY22
- ✓ Business seeing strong growth over recent months, with most business secured under medium-term contracts
- ✓ Opportunity for further growth as we cross sell services across the enlarged platform



Inorganic Opportunities

- ✓ Site consolidation in NSW providing earnings upside into FY22/23
- ✓ Assessing a number of acquisition opportunities
 - Highly synergistic Co-Packing bolt-ons
 - New capabilities in consumer healthcare and cosmetics
 - Geographic expansion in pharma manufacturing

Contact Us

Probiotec Limited

Probiotec Limited

83 Cherry Lane
Laverton North
VIC 3026
Australia

Email: info@probiotec.com.au

Telephone: +61 3 9278 7555

www.probiotec.com.au

The Probiotec Group



Probiotec Pharma

Multipack  LJM

