

ASX : PBP

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# 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 <sup>1</sup>

**\$7.4m**

**+20%** on HY20

## Underlying EBIT <sup>1</sup>

**\$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***

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- 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 <sup>1</sup>
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 <sup>1</sup>			
	Actual	Adj. <sup>1</sup>	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)
<b>= Cashflow from Operations</b>	<b>9.5</b>
(-) Capital Investments	(1.1)
(-) Acquisitions	(33.0)
(+) Net Debt Drawdown	39.1
(+) Proceeds from Asset Sales	0.8
<b>= Underlying Net Cash Flow</b>	<b>15.2</b>

*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

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## The Probiotec Group



Probiotec Pharma

Multipack  LJM

