ASX ANNOUNCEMENT

21 February 2018

PACT GROUP 2018 HALF YEAR RESULTS

HIGHLIGHTS

- Sales revenue up 11% to $808 million
- EBITDA[1] in line with AGM guidance and pcp at $121 million
- EBIT[1] of $87 million, impacted by higher depreciation and amortisation
- NPAT[1] of $51 million
- Earnings benefits realised from transformational growth initiatives undertaken in the prior year
- Strong underlying revenue growth in Australia in the contract manufacturing, materials handling and sustainability sectors
- Stable rigid packaging volumes supported by improved demand in the health and wellness sector
- Commissioning of the new crate pooling business completed on time, with earnings in the period ahead of expectation
- Acquisition of a strategic growth platform in Asia
- Strong interim ordinary dividend of 11.5 cents per share, franked to 65%
- Continued strong cash generation
- Robust balance sheet supported by $176 million equity raising with gearing[1] of 2.2x

$A MILLION	1H2018	1H2017	CHANGE
Sales revenue	**808**	727	11%
EBITDA[1]	**121**	121	-
EBIT[1]	**87**	90	(4%)
NPAT[1]	**51**	53	(4%)
Statutory NPAT	**44**	50	(12%)

(1) EBITDA, EBIT, NPAT and Gearing are non-IFRS financial measures and have not been subject to review by the Company's external auditor. Refer to page 19 of the 2018 Half Year Results Investor presentation for a reconciliation of statutory income and page 22 for definitions of non-IFRS financial measures.

Pact Group Holdings Ltd ('Pact' ASX: PGH) today announced statutory net profit after tax of $44.1 million for the half year ended 31 December 2017. This included a significant expense after tax of $6.4 million. Net profit after tax before significant items was $50.5 million, down 4% compared to the prior corresponding period (pcp) of $52.9 million.

The significant expense after tax included $5.1 million for revisions to earn-out provision estimates mostly due to stronger than expected earnings from Pascoe's in the period.

The Board has determined an interim dividend of 11.5 cents per share (65% franked), in line with the pcp.

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PORTFOLIO DIVERSIFICATION DELIVERS GROWTH

Pact Managing Director and Chief Executive Officer, Malcolm Bundey, said the results for the period illustrated the benefits of the Group's strategy and portfolio diversification.

"We have transformed our product and service portfolio into sectors offering attractive growth opportunities. This included investment of over $200 million in transformational growth initiatives last year which saw us grow our contract manufacturing and materials handling platforms, in addition to increasing our packaging capability to support growth in the attractive health and wellness sector. We continue to realise the benefits of these investments.

"Our new Australian crate pooling business, providing fresh produce supply for Woolworths, commenced operations. Commissioning activities were completed on schedule with earnings in the period above expectation. This has been an important milestone in establishing leading positions in pooling services for returnable produce crates in both Australia and New Zealand.

"Our contract manufacturing businesses delivered robust growth in the period. Pascoe's, acquired in February 2017, delivered strong volumes, with earnings in the period above expectation. Jalco and APM also performed well, assisted by the ramp-up of new contracts and improving demand in the health and wellness sector following customer destocking in the prior year.

"Improved demand in the health and wellness sector also positively impacted volumes in our rigid packaging businesses. We are pleased to see the benefit of our increased exposure to this sector following recent investments," Mr Bundey said.

In the period the Group enhanced its geographic diversity with the acquisition of the Asian packaging operations (excluding Japan) of Closure Systems International (CSI) and the Guangzhou China facility of Graham Packaging Company (GPC) (together "the Asia Acquisition"). This acquisition, excluding Nepal, completed on 15 February 2018 for a provisional consideration of US$109 million. The Group expects to complete the acquisition of CSI Nepal for provisional consideration of US$4.8 million by 30 June 2018. CSI is a leader in rigid plastic closure design and manufacturing. GPC is an established market player in injection blow moulded and extrusion blow moulded bottles in China.

The Group also made a further investment in Australia in the materials handling and sustainability sector with the acquisition of ECP Industries, an IBC and tank reconditioning business, for provisional consideration of $11.5 million.

"We have been very pleased to welcome these businesses to the Group. CSI and GPC are strongly aligned with our existing rigid packaging businesses and build scale to our footprint in Asia, establishing a strong platform to accelerate growth. The businesses significantly enhance our customer diversity, manufacturing, technology and management capability within the Asian region and provide a low-cost manufacturing base which can support new product sales into existing markets.

"In Australia, ECP provides attractive growth to our existing materials handling and sustainability businesses.

"The Group today enjoys leading positions in attractive sectors with significant long-term growth opportunities. Pursuing these opportunities whilst maintaining our strong positions in our core sectors is central to our strategy," Mr Bundey said.

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AUSTRALIA'S MOST INNOVATIVE PACKAGING COMPANY

In the period Pact was recognised as one of only five companies in Australasia included on the Australian Financial Review's Most Innovative Companies list for five consecutive years. Pact was the only packaging company to do so.

"It was pleasing to be recognised on the list for the fifth consecutive year," Mr Bundey said. "It is testament to our relentless focus on seeking new and improved solutions for our customers and our manufacturing processes. Innovation is what differentiates the Group and is a core pillar of our strategy."

MANAGING THE FUNDAMENTALS AND MAINTAINING STRONG SHAREHOLDER RETURNS

The Group continued to implement the Operational Excellence Program across its manufacturing footprint, with efficiency benefits in the period partly mitigating the impact of higher costs to support quality and customer delivery. Operating cashflow was improved, and the balance sheet was strengthened by an equity raising of $176 million in the period.

"Our efficiency programs remain critical to our long-term success," Mr Bundey said. "The implementation of our Operational Excellence Program continues to progress well with further benefits delivered in the period. We are incurring higher costs to support quality and customer delivery in some of our Australian rigid packaging businesses. Accelerating the delivery of efficiency initiatives to help mitigate these costs, in addition to energy cost increases expected in the second half, is a priority.

"Strong cash generation is fundamental to our growth strategy. We have continued to demonstrate disciplined management of our cash and delivered an improved operating cashflow performance in the period. Our balance sheet is strong.

"We continue to deliver strong cash returns to our shareholders. I am delighted to report an interim dividend of 11.5 cents per share, in line with the prior period.

"It is pleasing to see the transformation of our business," Mr Bundey said. "Our strategy is creating a diversified business and increasing our future growth opportunities. I would like to take this opportunity to thank our talented people across the organisation for their outstanding contribution and commitment in delivering this outcome and to welcome the employees of our newly acquired businesses to Pact".

BUSINESS REVIEW

Group sales revenue for the half year increased 11% versus the pcp to $808.1 million, driven by transformational growth initiatives undertaken in the prior year and improved underlying sales.

Solid underlying growth was delivered in Australia, with strong demand in the contract manufacturing, materials handling and sustainability sectors. This was partly offset by lower volumes in International markets. Rigid packaging volumes were generally stable with improved volumes in the health and wellness sector offset by lower demand in the dairy, food and beverage sector due in part to a major customer plant closure.

Group EBITDA was in line with the pcp, favourably impacted by higher overall volumes and benefits from the Operational Excellence Program, which together offset the impact of adverse foreign exchange movements, lower pricing following contract extensions in the prior year, and higher costs in the Australian rigid packaging businesses to support product quality and customer delivery. EBIT of $86.8 million for the half year, was 4% lower than the pcp due to higher depreciation and amortisation arising from acquisitions and the new crate pooling business.

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OUTLOOK

Mr Bundey said the Group remains well positioned for the future. “Our diversification strategy has positioned the Group well, and we are seeing the benefits of our strategy realised in earnings. We remain focussed on efficiency and will continue to challenge cost headwinds. Our outlook for the FY18 year remains unchanged. We expect to achieve higher revenue and earnings (before significant items) in FY18, subject to global economic conditions,” Mr Bundey said.

ENDS

Pact will host an investor briefing at 10.00am (AEDT) today. This can be accessed by dialling +61 2 9007 3187 (Australia Local) or 1800 558 698 (Australia Toll Free) and entering conference ID 324584. The briefing can also be accessed at http://webcasting.boardroom.media/broadcast/5a53ec22dcb03733b3f8b386. A recording of the briefing will be available on the Pact website as soon as practicable after the briefing.

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ABOUT PACT GROUP

Pact is a leading provider of specialty packaging solutions in Australasia, servicing both consumer and industrial sectors. Pact specialises in the manufacture and supply of rigid plastic and metal packaging, materials handling solutions, contract manufacturing services and sustainability services. With operations throughout Australia, New Zealand and Asia, Pact is passionate about innovation and is constantly expanding its diverse product portfolio across a variety of packaging and product substrates and expertise. The objective is to deliver customers the best possible packaging, co-manufacturing and supply chain solutions. Pact employs more than 4,000 people across its business and produces more than 8 billion units of packaging annually. The Group’s vision is to enrich lives every day through sustainable solutions.