ASX ANNOUNCEMENT

20 February, 2019

PACT GROUP 2019 HALF YEAR RESULTS

OVERVIEW

A$ MILLION	H1 2019	H1 2018	CHANGE
Sales revenue	**915**	808	13%
EBITDA (before significant items)	**110**	121	(9%)
EBIT (before significant items)	**70**	87	(20%)
NPAT (before significant items)	**36**	51	(29%)
Statutory NPAT	**(320)**	44	(824%)
Interim dividend – cents per share	**-**	11.5	(100%)

- Statutory net loss after tax of $320 million (pcp: statutory net profit after tax of $44 million)
- Significant items after tax of $355 million expense (pcp: $6 million), including an after tax non-cash asset impairment of $327 million
- Sales revenue up 13% to $915 million (pcp: $808 million)
- EBITDA of $110 million (pcp: $121 million)
- NPAT of $36 million (pcp: $51 million)
- Significant adverse earnings impacts from lags in recovering higher raw material costs and ongoing higher energy costs
- Underlying volumes adversely impacted by drought conditions, availability of materials handling projects and weak demand in the dairy, food and beverage sector in Australia and New Zealand. Higher demand from the health and wellness sector
- Prior year acquisitions and TIC Retail Accessories performing in line or slightly above expectations
- New crate pooling win with ALDI, to commence in late 2019, further enhancing scale of crate pooling services
- Operational excellence programs have been accelerated and the Network Redesign is progressing with urgency
- New operating model implemented and reporting segments changed

Pact Group Holdings Ltd ('Pact' ASX: PGH) today announced a statutory net loss after tax of $320 million for the half year ended 31 December 2018. This included a significant expense after tax of $355 million. Net profit after tax before significant items was $36 million, down 29% compared to $51 million in the prior corresponding period (pcp).

Taking into account the current earnings performance and the importance of the Network Redesign, the Board has determined that there will be no interim dividend (pcp 11.5 cps).

PACT GROUP HOLDINGS LTD
ABN 55 145 989 644

Level 1, Building 6, 650 Church Street, Richmond VIC 3121 Australia
T +61 3 8825 4100 **F** +61 3 9815 8388 **W** pactgroup.com.au

PACT GROUP

ASX ANNOUNCEMENT

Pact Group Executive Chairman, Raphael Geminder, said, "It has been a very challenging start to the year. Our results reflect significant input cost headwinds and weaker demand conditions in some sectors.

"These challenges have required us to reassess the carrying value of our assets, and disappointingly, we have recognised impairment expenses in the period in relation to assets in our Australian business.

"These ongoing challenges have required us to respond with decisive action. We are accelerating our steps to transform the business and to better position us to improve performance to deliver long-term shareholder value. Our new operating model will increase transparency and the way we assess performance. Improving our margins and our customer experience is a key priority.

"We are progressing with urgency the transformation of our network and are reshaping our cost base. We have made significant progress in the network redesign program during the period with three additional plant rationalisations, that will be largely finalised by the end of H219. Despite the short term pain, pleasingly we have started to improve our cost base through our efficiency initiatives.

"In demonstrating a disciplined approach to capital management, the Board has determined that an interim dividend will not be paid, with operating cashflows retained to invest into critical efficiency and growth initiatives.

"This includes an investment to grow our asset pooling services business, following a new contract win with ALDI. The contract, expected to commence late in 2019, represents an exciting growth opportunity for our Australian pooling business. It is testament to the success our pooling business has already demonstrated in providing world class innovative pooling services for fresh produce supply in Australia.

"It has been a challenging start to the year, and this is reflected in our earnings. Despite this, we have remained steadfastly focused on delivering change and leveraging our market leading platform to deliver long-term shareholder value."

BUSINESS REVIEW

Group revenue for the half year increased 13% compared to the pcp to $915 million, driven primarily by the Asian acquisition, undertaken in the second half of FY2018, and the acquisition of TIC Retail Accessories, completed 31 October 2018.

Underlying revenue was up 1% versus the pcp. The impact of higher pricing, reflecting the partial pass through of higher input costs, was mostly offset by lower overall net volumes. Pleasingly, Contract Manufacturing volumes were stronger, largely due to growth in demand in the health and wellness sector. However, Packaging volumes were down on the pcp, impacted by weak agricultural demand due to drought conditions and generally subdued demand in the dairy, food and beverage sector in Australia and New Zealand. Materials Handling volumes were adversely impacted by fewer available bin and infrastructure projects.

Group EBITDA of $110 million was $11 million (9%) lower than the pcp. Earnings were favourably impacted by the contribution from the Asian and TIC acquisitions. These benefits were offset by lags in recovering significantly higher raw material prices along with significant increases in Australian energy cost versus the pcp. Efficiency improvements from the acceleration of the Group's operational excellence program largely offset the impact of lower overall net volumes.

EBIT of $70 million for the half year was $17 million (20%) lower than the pcp.

PACT GROUP HOLDINGS LTD
ABN 55 145 989 644

Level 1, Building 6, 650 Church Street, Richmond VIC 3121 Australia
T +61 3 8825 4100 **F** +61 3 9815 8388 **W** pactgroup.com.au

ASX ANNOUNCEMENT

SIGNIFICANT ITEMS

As previously announced, the Group has recognised pre-tax asset impairment expenses of $369 million in the period, including impairment of fixed assets in the Australian packaging business and impairment of goodwill in Australia. The impairment reflects the current challenging trading conditions and a moderated assessment of long-term growth for the Group's Australian businesses.

In addition, the Group has recognised as Significant Items in the period restructuring costs of $34 million, largely relating to the Group's network redesign and rationalisation program, and other items of $5 million.

GROWTH AND EFFICIENCY

- Growth in asset pooling – In the period the Group was awarded a contract to supply returnable produce crate pooling services to ALDI growers. The Group will invest approximately $20 million to support the contract, which is expected to commence late in the 2019 calendar year.

- Network redesign - During the period the Group accelerated the redesign of its packaging network. The Group announced the rationalisation of a further three packaging facilities, including one of the Group's largest facilities in Australia, and the establishment of an import supply model for certain product categories. The rationalisations are expected to be finalised late in FY19. Plant closures announced in the prior year have been completed, with benefits in-line with expectations.

- Operational excellence – the Group remains focused on delivering efficiency through various procurement, supply-chain, manufacturing and overhead initiatives. Efficiency benefits in H219 will be enhanced by specific overhead improvement initiatives implemented in Q219.

OUTLOOK

Mr Geminder said, "Pact has market leading positions across an attractive portfolio. Our diversification strategy has positioned the Group well, and we see significant growth opportunities ahead of us.

"In the near term we are absolutely focused on managing the fundamentals, to deliver maximum value from our portfolio, whilst driving with urgency the transformation of our business."

The Group expects EBITDA for the full year ending 30 June 2019 to be in the range of $230 million to $245 million. The range is impacted by uncertainty around the speed with which revenue and efficiency projects can be delivered and the rate with which input cost lags can be recovered.

Looking forward, the Board will continue to balance the capital needs of the business with shareholder returns in order to make a final assessment regarding reinstating dividends at the appropriate time.

ENDS

ASX ANNOUNCEMENT

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 564458. The briefing can also be accessed at https://webcasting.boardroom.media/broadcast/5c3693c00c2bd45e09d6dcbf. A recording of the briefing will be available on the Pact website as soon as practicable after the briefing.

For further information contact:

Anita James
General Manager Finance and Investor Relations
+61 416 211 498
+61 3 8825 4116