Pro-Pac Packaging Limited
ABN: 36112971874

ASX - For immediate release

29 August 2024

Pro-Pac Packaging Reports FY 2024 Results

Pro-Pac Packaging Limited (ASX: PPG) ("**Pro-Pac**" or "**the Company**" or "**the Group**") today announces its results for the full year ended 30 June 2024 ("**FY24**").

FY24 Financial Highlights
Revenue from continuing operations was down by 13.0% across the group at $295.2 million.
PBT[1] from continuing operations declined by $11.5 million to a loss of $22.1 million compared to FY23, reflective of reduced revenue volumes, including the flow through effect of lower manufacturing cost recoveries.
EBITDA pre-AASB 16[2] from continuing operations down by $8.7 million to a loss of $7.6 million compared to FY23.
Net debt[3] up $12.8 million at $27.8 million (30 June 2023: $15.0 million).
Safety Highlights
LTIFR[4] reduced by 20% during the financial year to 8.77 for FY24 (FY23: 10.96).

Commenting on the FY24 results, Pro-Pac's CEO & Executive Chairman John Cerini said:

"Pro-Pac has continued to build upon the groundwork laid in recent years to become a focused Australia and New Zealand manufacturer of Flexible film and packaging, with accompanying distribution of our manufactured and related products.

FY24 was a difficult trading year with revenue from continuing operations down 13.0%. This reflected the impact of pass through of lower material costs (primarily resin) to customers as a result of price adjustment mechanisms built into contracts.

Revenue was also impacted by a significant reduction in volumes from our major customer in the Middle East. This was a material change with an impact of more than $17.2 million, of which $12 million occurred in the second half of the year.

In addition, difficult trading conditions, and the impacts of weather conditions negatively impacted agricultural volumes in both Australia and New Zealand. Despite these impacts, the overall volumes in our Flexibles segment (excluding our major customer in the Middle East) were down only 0.5%.

At Pro-Pac we continue to work on winning volume and identifying sales opportunities to restore and grow our revenue.

We have implemented significant cost reduction initiatives which include a reduction in our headcount by 10%, lower cost/overhead structures and improved selling prices.

Our focus is on restoring profitability through sales growth with existing and new customers and lowering costs across the organisation.

We continue to progress our investments in recycling with the commencement of a project to build a 15,000t per annum plant to recycle soft plastics. This facility based in Albury will see Pro-Pac take a leadership role in the plastics industry around soft plastic recycling in the circular economy."

83-85 Banbury Road
Reservoir, 3073, VIC, Australia
PO BOX 441, Reservoir, VIC, 3073

Tel: (03) 9474 4200
Fax: (03) 9269 5199
Web: www.ppgaust.com.au

FY24 Overview

FY24 Continuing Operations Financial Performance

A$ million	FY24 $'M	FY23 $'M	Change
Statutory results:			
Revenue	295.2	339.1	(43.9)
Statutory profit after tax	(53.8)	(8.5)	(45.3)
Operating results:			
EBITDA pre-AASB 16	(7.6)	1.1	(8.7)
EBIT	(15.5)	(5.3)	(10.2)
PBT	(22.1)	(10.6)	(11.5)
PBT margin[5]	*(7.5%)*	*(3.1%)*	*(4.4%)*
Significant items	(25.8)	(0.3)	(25.5)

- Revenue decreased 13.0% to $295.2 million (2023: $339.1 million) during the year reflecting the impact of:
  - Pass through of lower raw material costs (primarily resin) to customers as a result of price adjustment mechanisms built into contracts.
  - Sales to our major customer in the Middle East have materially reduced during second half of the financial year, principally from the continued disruption caused by the Middle East war affecting logistics and customer sentiment;
  - Excluding sales to our major customer in the Middle East, Flexibles volumes were impacted 0.5%
  - Overall volumes were lower compared to prior period due to exit of non-core market segments in Specialty Packaging, along with difficult trading conditions on the back of reduced consumer spending patterns and the weather conditions in both Australia and New Zealand which have an impact on our agricultural volumes.
- EBITDA pre-AASB 16 from continuing operations decreased during the year to a loss of $7.6 million from a profit of $1.1 million in 2023. This is largely due to reduced revenue volumes, including the flow through effect of lower manufacturing cost recoveries.
- Pre-tax loss from significant items for the year increased to $25.8 million (2023: $0.3 million), which included a $22.7 million impairment loss and costs relating to business optimisation and one-off asset write downs of $3 million.

Group (Continuing and Discontinued Operations) Financial Performance

A$ million	FY24 $'M	FY23 $'M	Change
Statutory results:			
Revenue	295.2	341.3	(46.1)
Statutory profit after tax	(53.8)	(10.2)	(43.6)

Balance Sheet

A$ million	FY24 $'M	FY23 $'M	Change
Working capital[6]	62.8	71.1	(8.3)
*Net debt	(27.8)	(15.0)	(12.8)
Other net assets	46.1	79.7	(33.6)
Net assets	81.1	135.8	(54.7)
Share capital	320.5	320.5	-
Other equity	(239.4)	(184.7)	(54.7)

Working capital decreased by $8.3 million during the year:

- Receivables – decrease of $4.5 million, primarily due to lower revenues in the June period compared to the prior year.
- Inventories – decrease of $1.6 million, primarily due to a $1.7 million decrease in raw material holdings as the business continues to right size holdings based on current activity levels.
- Trade payables – increase of $2.3 million, which includes $4 million of funds received in advance with shipment to occur in the first half of FY25. This was offset by a decrease of $1.7 million reflecting lower activities in line with reduced revenue volumes.

Cash Management

A$ million	FY24 $'M	FY23 $'M	Change
Net cash flows from operating activities	4.6	(3.0)	7.6
Net cash flows from investing activities	(6.9)	(0.2)	(6.7)
Net cash flows from financing activities	(4.9)	10.2	(15.1)
Net increase/(decrease) in cash	(7.2)	7.0	(14.2)

Cash flows from operating activities were an inflow of $4.6 million which included:

- Decrease in working capital of $8.3 million for the year.

Cash flows from investing activities was an outflow of $6.9 million:

- $8.4 million of payments for plant and equipment which included a new printing press ($3.9 m) and deposits of $3.2 million for equipment associated with the establishment of a soft plastic film recycling plant;
- $2.7 million spent on the development of the new ERP system.
- Additional government grant proceeds of $4.9 million (excl GST) were received and $3.2 million spent during the period (as mentioned above) in association with the recycling plant project (total grant monies received to date $10.5 million (excl GST).

Divisional Results

Flexibles

A$ million	FY24 $'M	FY23 $'M	Change
Revenue	230.1	265.3	(13.3%)
EBITDA pre-AASB 16 before corporate costs	**1.9**	**13.5**	>(100%)
Corporate costs	(3.7)	(11.5)	>(100%)
EBITDA pre-AASB 16 after corporate costs	**(1.8)**	**2.0**	**>(100%)**
EBIT	(11.9)	(3.6)	>(100%)

- Revenue decreased by 13.3% to $230.1 million (2023: $265.3 million) reflecting:
  - Significant loss of volume to our major customer based in the Middle East, down $17.2 million, of which $12 million occurred in the second half of the financial year
  - $16.8 million reduction in price as a pass through of lower raw material costs (primarily resin)
  - $1.2m or 0.5% impact relating to reduced volume relating to difficult trading conditions on the back of reduced consumer spending patterns and the weather conditions in both Australia and New Zealand which impacted on our agricultural volumes.
- The lower revenue volumes also impacted the reduction in profitability during the year to an EBITDA pre-AASB 16 before corporate costs of $1.9 million from $13.5 million in FY23.

Specialty Packaging

A$ million	FY24 $'M	FY23 $'M	Change
Revenue	65.1	73.8	(11.8%)
EBITDA pre-AASB 16 before corporate costs	**4.4**	**4.7**	**>(6.4%)**
Corporate costs	(8.7)	(4.0)	(100%)
EBITDA pre-AASB 16 after corporate costs	**(4.3)**	**0.7**	**>(100%)**
EBIT	(2.1)	(0.0)	>(100%)

- Revenue decreased by 11.8% to $65.1m (2023: $73.8m) as a result of product rationalisation, the exit of non-core market segments to focus on the distribution of speciality packaging and the impact of reduced customer spending patterns.
- The lower revenue volumes also impacted the reduction in profitability, which was offset by improved margins generated by servicing a more profitable product mix. As a result, there was $0.3m or 6.4% decrease in EBITDA pre-AASB 16 before corporate costs.

Outlook

The trading environment continues to remain volatile and challenging in a high inflationary market, which has created uncertainty around consumer buying patterns. However, we will continue with the process of restoring customer confidence through better service delivery, and we will undertake aggressive cost reduction programs to restore profitability.

Our focus on our investment in recycling will ensure the business takes an important leadership role in the Plastics industry around soft plastic recycling and the circular economy.

This announcement has been authorised for release by the Board of Directors.

For further information, please contact:

Investors:
John Cerini
Chief Executive Officer & Managing Director
Email: investors@ppgaust.com.au
Tel: + 61 3 9474 4222

Patsy Ch'ng
Chief Financial Officer
Email: investors@ppgaust.com.au
Tel: +61 3 9474 4222

About Pro-Pac:

Pro-Pac Packaging Limited (ASX: PPG) is an innovative Flexibles and Industrial Specialty Packaging company with a diversified distribution and manufacturing network throughout Australia and New Zealand. Headquartered in Melbourne, Pro-Pac delivers bespoke packaging solutions for a broad group of blue-chip and SME clients in the industrial, food and beverage, health, agriculture and manufacturing sectors. For further information, please visit www.ppgaust.com.au

Forward-Looking Statements:

Some of the statements in this document constitute "forward-looking statements". These forward-looking statements reflect Pro-Pac's current intentions, plans, expectations, assumptions and beliefs about future events and are subject to risks, uncertainties and other factors, many of which are outside Pro-Pac's control, including resin price, labour pressures and exchange rate fluctuations. These factors that could cause actual results to differ materially from the expectations expressed or implied in the forward-looking statements include known and unknown risks. Because actual results could differ materially from Pro-Pac's current intentions, plans, expectations, assumptions and beliefs about the future, you are urged to view all forward-looking statements contained in this document with caution.

[1] PBT refers to profit/(loss) before income taxes and significant items
[2] EBITDA pre-AASB 16 refers profit/(loss) before significant items, depreciation and amortisation, finance costs, interest income, income taxes and before accounting for AASB 16 *Leases*
[3] Net debt is calculated as interest-bearing liabilities, less cash and cash equivalents before accounting for AASB 16 *Leases.* Government grant proceeds net of deposits paid received in FY 24 and FY23 has also been excluded from the FY24 and FY23 net debt calculation (FY 24 $7.3 million and FY23 $6.1 million)
[4] Lost time injuries frequency rate
[5] PBT margin is calculated as PBT divided by revenue
[7] Working capital refers to trade and other receivables and inventories less trade and other payables