



## ASX Announcement

### 2022 Annual General Meeting Speeches

Date: 16 November 2022

Pact Group Holdings Ltd (ASX: **PGH**, the **Company**) encloses the Chairman's address and the Managing Director and Group Chief Executive Officer's speech to be given today at the Company's Annual General Meeting commencing at 12:00pm AEDT.

The business to be conducted at the Annual General Meeting will be determined by poll. The poll results will be released to the market after the conclusion of the Company's Annual General Meeting.

A copy of the presentation which accompanies these speeches will follow.

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



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## 2022 Annual General Meeting Speeches

Date: 16 November 2022

### **CHAIRMAN'S ADDRESS**

#### **SLIDE 7: FY22 IN REVIEW**

During the 2022 financial year, we experienced unprecedented volatility in demand, in the markets in which we operate, as a result of the COVID pandemic. In addition, we saw significant disruption in both domestic and global supply chains, the scale of which we have not experienced before.

In this context, I am very proud of the way our teams have worked together to respond to these factors, and with the financial results that we have delivered. The Group delivered revenue of \$1.8 billion, which was up on the prior year, and Underlying EBIT of \$156.2 million which was in line with the Underlying EBIT guidance, that we provided the market, at the time of our half year results announcement. Our Underlying NPAT was \$70 million and Reported NPAT was \$12 million. Our Balance Sheet continues to be well managed with net debt lower than the prior year by \$24 million and gearing at 2.7 times. In anticipation of this uncertainty, our Board resolved to pay a final dividend of 1.5 cents, for a total dividend for the full year of 5 cents, franked to 65%. Our target dividend payout ratio remains at 40% of Underlying NPAT and we expect to return to this level once these external factors abate.

The Company has demonstrated a fair degree of resilience during these unprecedented times and at the same time continued to make significant progress towards our strategy, to Lead the Circular Economy, with a range of innovative solutions, that will help our customers achieve their sustainability goals.

Sanjay will provide further detail on the progress we have made towards our strategy shortly.

#### **SLIDE 8: SUSTAINABILITY**

At Pact, sustainability is not a nice to have in our business, it is our business. Sustainability underpins our vision, strategy, and our business decisions. We have been a leader in this area for many years, and for us, it is an ongoing journey of development, seeking to improve our performance, and making innovative changes. We work closely with our customers to develop sustainable solutions that are helping them to solve their own sustainability targets.



Pact's latest initiative is an emissions reduction target. We have committed to reducing greenhouse gas emissions by 50%, by 2030 off a 2021 baseline in Australia and New Zealand. This target is in relation to both the emissions produced directly at recycling and manufacturing facilities, our Scope 1 emissions, and the indirect emissions from purchasing electricity from the grid to power those facilities, our Scope 2 emissions.

Pact has already made significant progress towards achieving this target, with a number of initiatives underway, that will further maximise the energy efficiency of our machinery, reconfigure our processes, and increase the use of renewable energy. At the same time, we are investing in new and efficient equipment, and installing solar panels on existing and new sites - for example, we have significant solar panel projects underway in both NSW and Victoria.

I am very proud to advise you that in a first for an Australian-based manufacturing company, Pact Group has reached an agreement to convert \$420 million of existing loan facilities into Sustainability-Linked Loans. Under this arrangement, Pact will receive loan margin benefits if annual sustainability performance targets are achieved, and a margin penalty if it underperforms. The sustainability performance targets cover the level of recycled content across our packaging portfolio, the amount of recycled material we process and distribute, our scope 1 and scope 2 greenhouse gas emissions, and targets to eliminating the gender pay gap. We have made great progress in all of these areas, and we are committed to continuing the journey. We are confident we can achieve these targets and that is why we have entered into these Sustainability-Linked Loans.

In relation to our recycled content target, Pact's 2025 End of Waste Promise is to eliminate all non-recyclable packaging and offer 30% average recycled content across Pact's plastic packaging portfolio. We are well progressed towards this goal, that will see Pact investing \$75 million over the next three years, to install new technology and equipment with the capability to increase the recycled content in products including milk bottles, food packaging, mobile garbage bins and industrial packaging across our Australian network. We track our progress, and by way of example I am pleased to advise that we have reduced our production of Polystyrene packaging by 34%, decreased production of Polyvinyl Chloride packaging by 51%, and we use an average of 10% recycled content across our plastics portfolio.

We recently announced a strategic partnership with Woolworths that will see Pact use approximately 18,000 tonnes of recycled plastic each year to manufacture and supply packaging for Woolworths' own brand range, including milk bottles, meat trays, fruit and vegetable punnets, and beverage bottles. As part of this partnership, Woolworths plans to increase the use of Pact's reusable plastic produce crates, over the next three years, increasing usage to 80 million crates a year.

This is an important sustainability partnership for Pact, and it highlights that our strategy is on track. It is also good for the planet as together we will increase the use of recycled plastic at a very significant scale.

#### **SLIDE 9: LEADING INNOVATION**

At Pact, innovation is critical to our ongoing success and we walk the talk. We develop innovative solutions in partnership with our customers, so that they can switch to more sustainable packaging and reuse solutions. I am delighted to be able to advise you that Pact has recently been recognised as one of Australasia's Most Innovative Companies by The Australian Financial Review and Boss Magazine for the tenth consecutive year, a fantastic achievement.

This year's award is in recognition of Pact building and operating Australasia's largest PET plastic recycling facility with its joint venture partners Cleanaway Waste Management, Asahi Beverages and Coca-Cola Europacific Partners. This facility was opened earlier this calendar year and in doing so we have taken a giant step towards rapidly increasing the use of Australian sourced recycled resin in Pact packaging, and in those of our joint venture partners.

This really is fantastic news and a reflection of the progress we are making at Pact, towards leading the Circular Economy.

Of course there have been a number of other innovative solutions developed across the year including:

- the design and manufacture of a 50% recycled polypropylene 15 litre paint pail for Dulux – the first for a major Australian paint brand
- developed Australia's first 50% recycled HDPE bottle for skin care for Ego Pharmaceuticals
- working with Goodman Fielder to transition their packaging for Praise Mayo and Aioli to bottles and jars with 100% recycled PET, an Australian-first in the mayonnaise category.
- the transitioning of one of our Dairy customers, Norco, to 100% recycled milk bottles; and
- introducing fully recyclable meat trays and films in New Zealand.

These firsts for recycled content showcase the kind of solutions that can be achieved by an integrated, industry-wide approach and each of these innovations represents another step towards the end of waste. It is also a testament to the hard work and vision of our people at Pact and is evidence of the value we are creating.

Before handing over to Sanjay, on behalf of everyone at Pact I would like to pay tribute to Ray Horsburgh, who passed away in August this year, and to convey our condolences to Ray's family and friends.



Ray was a highly respected industry leader who served on the Pact board for five years between 2015 and 2020. We remain grateful for his invaluable advice and the contribution he made towards growing our business. On a personal note, I will miss Ray's huge personality, sector knowledge and managerial and personal advice. He was a mentor and a friend. He will be deeply missed and remembered fondly.

I would like to thank our customers, because without them we do not have a business, our dedicated team at Pact, and to thank you, our shareholders, for your support. And I will now hand over to Sanjay Dayal, our Managing Director and Group Chief Executive Officer.

## **CEO'S SPEECH**

### **SLIDE 10: MD & GROUP CEO**

Thank you, Chairman. I will cover the highlights from the 2022 financial year.

### **SLIDE 11: FOCUS ON OUR PEOPLE**

Starting with safety.

The safety of our people continues to be our primary focus. We are committed to caring for our people and cultivating a culture of safety, collaboration, and success at Pact. This is reinforced by our Pact values of safety, customer, integrity, innovation, and respect. The Group continued to invest in safety programs and processes and I am pleased to report that our Total Recordable Injury Frequency Rate improved significantly to 9.6. We are determined to drive further improvement in that metric.

At Pact we have a diverse and engaged workforce who are Proud to be Pact. We have introduced leadership and sales excellence programs which have also been a great success in empowering our people, and these programs will assist in selling our Circular Economy proposition.

I am extremely proud of our talented and dedicated people for embracing our vision and values and driving our strategy forward.

### **SLIDE 12: FY22 RESULTS HEADLINES**

Pact delivered a solid financial performance in FY22 despite the very tough operating conditions we faced. We saw substantial increases in raw material, energy, shipping and labour costs in addition to experiencing continual uncertainty from COVID related disruption to customer supply chains and labour availability. Despite these conditions we delivered revenue ahead of last year, earnings in line with guidance, and a reduction in net debt. These results reflect our ongoing effort to grow our core business combined with our strong focus on the management of controllable costs, as well as recovery of increased material and input costs through pricing.

In FY22 we delivered revenue of \$1.838 billion, up 4% on the prior year. Despite the challenging market conditions, demand for Pact products in our core segments was strong. We reported volume growth in both Packaging & Sustainability and in crate pooling services and this was driven by increased demand for recycled content. Underlying EBIT was \$156.2 million for the year, whilst it was 15% lower than the prior year it was a resilient performance given the environmental challenges. Lower earnings were predominantly driven by our Contract Manufacturing segment. The combined earnings in our Packaging & Sustainability and Materials Handling & Pooling segments were essentially in line with the prior year. Underlying NPAT was \$70.2 million compared to \$93.5 million in FY21.

I am pleased to report that our balance sheet remains strong, with net debt of \$561 million which was \$24 million below the prior year end. Operating cashflows were solid and reflected us holding higher inventory through the year to service our customers whilst being impacted by the shipping reliability issues. We continue to maintain a strong focus on managing cashflow and working capital. Gearing was consistent with the half year at 2.7 times, comfortably below our target range of 3 times.

And as previously outlined, the Board resolved to pay a final dividend of 1.5 cents, to bring the total dividend for the year to 5 cents, franked to 65%.

### **SLIDE 13: OUR VISION TO LEAD THE CIRCULAR ECONOMY**

I am really delighted with the progress we have made on our strategic journey this year. It has taken a number of years of investment and planning, however Pact is now recognised by industry, customers and government as a sustainable packaging solutions provider leading the Circular Economy in our region. The Circular Economy is driven by customer demand and our customers include many household names with their own commitments to increase the recycled content in their packaging. And that is why we are the logical strategic partner for Asahi Beverages, Coca-Cola Europacific Partners, Woolworths Group and other retailers when they are looking to increase the recycled content in their packaging.

In line with the progress made particularly in the UK and Europe to use local waste for recycling and to increase the level of recycled content in packaging, Australia and New Zealand are committed to progressing a legislative platform that advances sustainability and the circular economy. Policies such as the container deposit scheme and the waste export ban are providing the right environmental platform to grow Australia's recycling industry and increase demand for Australian recycled content.

With our strategy to Lead the Circular Economy, we are well positioned to help our customers achieve their sustainability objectives.

#### **SLIDE 14: STRATEGIC PRIORITY HIGHLIGHTS**

Our strategy to Lead the Circular Economy through reuse, recycling and packaging solutions is certainly on track. We have made further significant progress on several initiatives during the year, including:

- commencement of operations at our new Circular Plastics Australia (PET) joint venture recycling facility in Albury and attaining international food safety approval for the recycled resin produced at the site
- completion of the acquisition of Synergy Packaging for \$20 million, enhancing our ability to supply recycled packaging in the health and beauty sector
- converting numerous customers in Australia and New Zealand to recycled product, including milk bottles, closures, and meat trays; and
- the Woolworths strategic partnership.

We have two additional recycling facilities under construction that will further increase the amount of recycled resin we produce. These facilities are due for completion during 2023, and a further three are in the planning stage. With this pipeline of new facilities, combined with our investments in new technology and equipment at our packaging manufacturing facilities across Australia and New Zealand, we are leading the way in the manufacture of high-quality recycled products.

#### **SLIDE 15: STRATEGIC GROWTH TARGETS**

At Pact we are focused on bringing the Circular Economy to life and in doing so, growing returns to our shareholders. There are several targets that we will achieve through FY23 and beyond that will provide you with insight into our strategic direction and the financial and sustainable benefits of our strategy. These are to:

- Deliver value from the Circular Economy of at least an additional \$25 million of EBIT, with the run rate achieved by the end of FY25
- Increase the average recycled content across plastics to 30% by the end of FY25
- Lift EBIT margins in Packaging Australia to 10% by FY26
- Refine the portfolio and reset gearing levels to below 2.5 times by FY24
- Achieve a safety target of TRIFR below 8.0 by FY24; and
- Achieve an emissions target to reduce our Scope 1 and 2 greenhouse gas emissions by 50% by 2030 in Australia & New Zealand from a FY21 baseline.

I am delighted with our strategic progress and look forward to sharing our success as we move towards achieving these targets.



## **SLIDE 16: OUTLOOK**

And now to the outlook.

Global and domestic supply chain has improved, but remains challenged and continues to impact our cost base. We expect further cost recovery, via increased prices, but pleasingly at lower frequency and lower rates than previous increases.

In relation to segment performance:

- Packaging & Sustainability is currently similar to last year, reflecting continued improvement in our largest Division
- Materials Handling & Pooling is slightly below last year, due to a poor growing season across ANZ, weak US retail demand and lockdowns impacting Retail Accessories; and
- Contract Manufacturing is at breakeven, having recently renewed major contracts.

We expect Underlying EBIT in the range of \$68 million to \$73 million and Underlying NPAT in the range of \$20 million to \$25 million for the first half of FY23.

We will provide a further update in February.

I am very excited for the future of Pact as we continue to deliver on our strategy, and I thank you for your support.

I will now hand back to the Chair who will take us through the formal resolutions.

**~ ENDS ~**