



ASX Announcement

29 November 2021

Pact Group Holdings Limited's 2021 Annual General Meeting Speeches

Please find attached addresses to shareholders to be delivered by the Chairman and the Managing Director and Group Chief Executive Officer, at Pact Group Holdings Limited's Annual General Meeting, commencing at 12:00PM (AEDT), to be held virtually.

The business to be conducted at the Annual General Meeting will be determined by polls. 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 addresses will follow.

ENDS

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This document has been authorised for release by Jonathon West, Company Secretary.



ASX Announcement 2021 Annual General Meeting Speeches

2021 IN REVIEW

At the risk of stating the obvious, it's fair to say that the past year has been challenging, not just for us here in Australia, but globally. For more than 18 months, COVID 19 has done enormous social and economic damage globally and while vaccination rates are high in Australia, recent events in Europe would seem to confirm that the battle against this insidious pandemic, is not quite yet over.

Nevertheless, I am pleased to report another successful year for our Company. During the year, the Group delivered strong earnings growth, improved margins, a robust cash performance and lower net debt. We made great progress in our strategy. Our performance in the year demonstrates the capability and commitment of our people to maintaining the safe and efficient operation of our facilities and diligently supporting the needs of our customers.

Against the challenging backdrop in the period, our financial performance was pleasing. The Group delivered revenue of \$1.8 billion, EBIT of \$183 million and underlying NPAT of \$94 million. Group operating cash flows were strong, net debt reduced, and balance sheet metrics were improved. The Board increased dividends, with total dividends declared of 11 cents per share, franked to 65%, up 8 cents per share.

In the year, the Company has driven business improvements, captured new growth opportunities and made great progress in the delivery of our strategy to Lead the Circular Economy.

Sanjay will provide you with further comments on these achievements shortly.



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SUSTAINABILITY

Sustainability is at the heart of everything we do at Pact.

We are committed to protecting the environment and the world in which we live through the supply of recycling, reuse and sustainable packaging solutions for our customers.

We strive to be recognised as the partner of choice for sustainable packaging and a leader in the circular economy. We divert plastic material from landfill through our recycling and reuse operations, and in our packaging manufacturing operations we repurpose recycled materials into value-add products.

We believe this is not only good business ... but it is also the right thing to do. And that is why we have set ourselves ambitious goals.

By 2025 we plan to:

- eliminate all non-recyclable packaging that we produce;
- have solutions to reduce, reuse and recycle all single use secondary packaging; and
- offer 30% recycled content across our packaging portfolio.

We will do this by collaborating with our customers and other stakeholders in product innovation and by investing in new manufacturing technology to improve the sustainability of our packaging.



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Some of our key achievements in FY21 include:

- We continued to decrease consumption of polystyrene resin, our most significant non-recyclable resin, and are working closely with customers to transition products to alternative substrates. Since 2018 we have reduced our use of non-recyclable resins by 34% or 3,000 tonnes. We have now fully decommissioned the production lines in NZ used to make
- Expanded Polystyrene foam trays for the meat industry and have transitioned these customers into 100% Recycled Polyethylene Terephthalate food trays.
- We continued to grow the use of returnable produce crates in Australia's supermarket supply chain. We have reduced single-use corrugate secondary packaging by more than 2,700 tonnes since 2018.
- Our retail accessories business continued to grow and is now supporting the reuse of 1.2 million garment hangers each day through global retailers.
- We produced over 33,000 tonnes of recycled resins, 59% of our 2025 target. Our products averaged 8% recycled content and we are on track to increase this to more than 10% in the next twelve months; and
- Critically, we are expanding our recycling and manufacturing capability to provide recycled content solutions to our customers and promote the development of an effective local circular economy. Sanjay will speak to some exciting projects we are undertaking in this area shortly.

I am proud of the progress we have made and reaffirm our commitment to becoming the number one partner for sustainable choices in the packaging industry.

INNOVATION

Pact is Australia's most innovative packaging company. Our technical, design and engineering experts challenge conventional thinking and identify new opportunities through insight led innovation. We continue to receive prestigious industry awards and customer recognition for our innovative packaging solutions.



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Recently, Pact was honoured to be recognised as one of Australia and New Zealand's Most Innovative Companies by the Australian Financial Review for the ninth consecutive year. We won this award from over 800 nominated organisations, for our innovative freeway noisewalls made from up to 75% recycled plastic.

Situated along Mordialloc Freeway, the walls transform approximately 570 tonnes of hard-to-recycle plastic materials into panels spanning 32,000 square metres, providing a second life for single use plastic milk bottles. At the end of their 40-year lifespan, each panel will be 100 per cent recyclable.

This is an outstanding example of value creation opportunities that exist in the circular economy. And a testament to the hard work, the vision and the commitment of our people at Pact.

Congratulations

I will now hand over to our Managing Director and Group CEO, Sanjay Dayal.



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CEO'S SPEECH

Thank you, Mr Chairman, and good morning. I am delighted to be presenting to you today as the Chief Executive Officer of your Company. Today, I will provide you with an update on Pact's performance over the last year and the progress we are making in executing our strategy to Lead the Circular Economy.

SAFETY

Firstly, to safety. Our number one priority.

We have continued to improve our safety culture and processes across Pact. While our lost time injury frequency rate for FY21, at 4.2, was up on the prior year, there has been a reduction in the severity of incidents, which is good news. Like the rest of Pact, I am committed to ensuring this continues.

We have managed the health and safety risks associated with COVID-19 very well. It's been quite inspiring to see first-hand the way our employees have come together during these challenging times. Strict health and safety protocols, strong team-work and vigilant management and compliance protected our sites and our people and resulted in no material impact to our operations during the period. This focus continues today.

Vaccination has been a key priority. In areas where vaccines are not funded, the Company has provided funding support to protect our people, and in other areas we have provided incentives to increase vaccination rates.

2021 FINANCIAL SUMMARY

Turning to our FY21 financial highlights. As the Chairman indicated, we delivered solid improvements across all key financial metrics.



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We achieved solid organic growth in key segments, with growth in closures and reuse services particularly pleasing. Efficiency programs delivered benefits, and sharply rising raw material input costs later in the period were well managed. Our margins improved.

Our balance sheet remains strong. In FY21 we reported gearing at 2.4 times, well within our targeted range, and cashflow was solid. This supported an increase in our dividend payout.

These results were delivered against a backdrop of continued operational challenges and market disruption arising from COVID-19. I am very proud of how well the Company performed through these challenges and the demonstrated resilience of our portfolio.

REDEFINING PACT IN THE MARKET

Our performance in FY21 illustrates the great progress we are making in transforming Pact as we drive toward our strategic vision to lead the circular economy.

Through our strategy we have redefined Pact. Today we are a sustainable packaging solutions provider, firmly recognised by industry, our customers and government as leaders in this space.

We are differentiated through our circular economy credentials, with deep experience and capability in packaging, recycling and reuse solutions. Our industry is undergoing a radical transformation into sustainable options and our unique and integrated capability provides a significant value creation opportunity.



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OUR VISION TO LEAD THE CIRCULAR ECONOMY

The circular economy transition is accelerating, with growing consumer demand for sustainable packaging, strong government support and legislative changes. Our strategy to lead the circular economy aligns our special capabilities in packaging, reuse and recycling to industry needs.

Presented here is our “strategy on a page” giving a clear summary of our aspiration and targets, our key priorities, the enablers required to win, and our values.

Our strategy sets out three core priorities for the Company:

1. Strengthen our core – here we are focused on improving our business fundamentals and delivering margin growth.
2. Expand our reuse and recycling capability – here we are focused on leveraging our special capabilities in recycling and reuse to differentiate and win.
3. Leverage regional scale - here I refer to our Asian business. Pact has a “special” position in closures, with regional scale, deep category expertise and special technical capability that provides a competitive advantage in the region. Our strategy seeks to leverage this competitive advantage.

Delivery of our strategy represents a significant value creation opportunity for the Company, in addition to a significant step in delivering our own sustainability aspirations.



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STRATEGY HIGHLIGHTS

As the Chairman said earlier, we are making strong progress in delivering our strategy. Included here are some highlights of our progress in FY21.

- In our Australian packaging business, we have increased margins and delivered improvements in operational performance, safety, quality, and delivery. A new operating model, strong leadership, and investment in platform capability have created a solid foundation that will support continued improvements in performance throughout the strategy period. Our target is to return margins to global industry standard by 2025.
- Construction of our new Albury recycling facility is progressing well. This facility, that will increase Australia's recycling capability by 20,000 tonnes, will be operational next month, on time and under budget. In the period we also announced plans to construct two further plastics recycling facilities, which together will lift Australia's recycling capability by another 40,000 tonnes. Several other projects remain under evaluation. I will speak to the innovative industry solutions we are developing in more detail shortly.
- We completed the acquisition of Flight Plastics, New Zealand's only food grade PET recycler. Flight has provided Pact immediate access to quality, locally processed recycled PET for use in packaging in the fresh food segment and will allow operational synergies to be realized.
- Pact's access to recycled materials, coupled with its manufacturing, technical and innovation expertise, is differentiating its service capability in the market and driving top-line growth. I am very pleased to announce that this month we were awarded a \$20 million grant from the Federal Government's Modern Manufacturing Initiative that will support continued investments in manufacturing capability to meet customer demand for recycled content in locally made packaging in line with the Government's 2025 National Packaging Targets.



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- In our reuse business, strong demand for hanger reuse services and continued penetration of pooling in the fresh produce sector delivered double digit revenue and EBIT growth.
- And finally, our closures business had a great year delivering solid organic growth, demonstrating the capability of our regional closures team.

As you can see, we have made great progress, and Pact is leading change that is transforming our industry.

Finally, some comments on the divestment process for Contract Manufacturing.

Recently we announced we had ceased this process because, to be blunt, we could not reach an agreement that met our value expectations. International supply disruption and demand volatility arising from COVID-19 has created a challenging operating environment for the business in the near term. Against this backdrop we could not execute a sale transaction that would realise the true value of the business to Pact.

Simply, now is not the time to sell.

We believe, at this time, retaining the business delivers greatest value for our shareholders. Our balance sheet is robust, and we are confident we can deliver on our strategy while Contract Manufacturing remains in our portfolio.

Our focus now is on managing the short-term headwinds while developing a pathway to improve performance.

To this end, we have appointed new management that is reinvigorating the team following the distractions of the sale process. This is bringing a sharp focus on performance and a renewed sense of urgency in action.



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The team is recovering higher supply chain and raw material costs in the market, and we do expect improvements overtime.

We expect to see demand improve following the easing of lockdown restrictions in Victoria and New South Wales. We are also looking at opportunities to diversify our customer portfolio, to increase volume resilience.

As we look beyond these near-term challenges, we see opportunity for step-change improvement in efficiency and capacity expansion through small-scale investments. We will review these opportunities with fresh eyes, and where value exists, progress them with urgency.

Whilst Contract Manufacturing is not core to our strategy to lead the circular economy, it has the potential to deliver significantly more value than the sale process could deliver. Our focus is to deliver this value.

STRATEGIC GROWTH INITIATIVES

We continue to progress the delivery of our strategy with energy and excitement.

Our key ongoing initiatives are included on this page. I will provide further comment on these opportunities on the following slides.

DELIVER MARGIN GROWTH IN AUSTRALIAN PACKAGING

As I mentioned earlier, we are targeting to return margins in our Australian Packaging business to global industry standard by 2025. Attainment of this target represents a significant value creation opportunity.



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We are driving margin improvement through four key levers: strategy, operational performance, procurement and supply chain, and finally, people. These levers are enabling us to differentiate in the market, improve operational performance and quality, and reduce cost.

We have already made good progress over the last year, and I remain confident these levers will continue to drive further improvement.

LEAD PLASTICS RECYCLING

Our recycling and manufacturing capability enables us to deliver change that others cannot.

Plastics recycling infrastructure is essential to an effective circular economy, and Pact is leading the industry in building a network of recycling facilities through innovative industry solutions.

As I mentioned earlier, we acquired Flight plastics in New Zealand, giving us access to packaging with up to 100% recycled content in the fresh food segment.

Our first new PET recycling plant in Albury, in partnership with Cleanaway and Asahi, will be operational next month, on time and under budget.

In July of this year, we announced a further partnership with Cleanaway, through which we will build a new plastics recycling plant in Laverton, Victoria. This plant will produce 20,000 tonnes of recycled plastics for use in beverage, dairy and other grocery categories.

And in August, we announced a partnership with Cleanaway, Asahi and Coca-Cola Europacific Partners that will jointly develop another 20,000 tonne PET recycling facility in Australia.



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We have several other projects under evaluation that will create for Pact a recycling network across Australia and New Zealand.

Our investment in recycling infrastructure is establishing an important advantage in access to recycled materials. This, coupled with our manufacturing, technical and innovation capability that will support the transition to recycled content packaging, differentiates us in a rapidly changing market.

I am very proud of our leadership, innovation, collaboration, and visionary approach in this important area of growth.

INCREASE PENETRATION OF REUSE SOLUTIONS

Our strategy focuses on improving packaging sustainability not only through recycling, but also reuse. Reusable packaging provides a sustainable alternative to single-use packaging and provides a more circular solution than recycling, keeping packaging in use for longer before it reaches end-of-life.

Pact's reuse platform is best-in-class.

Our crate pooling platform boasts world-class facilities and innovative asset tracking technology, with capability to improve efficiency and significantly reduce waste through the entire supply chain. Our network of over 6 million crates has the capability to replace 850 million single use boxes in their life. At end of life the crates are recycled and used in other industrial products.

Our garment hanger reuse business provides an innovative and sustainable reuse service for garment hangers and accessories. The reuse model dramatically reduces use of single-use plastic hangers, through a closed-loop system whereby hangers are reused multiple times, and then recycled at end-of-life.



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Reuse has been an area of significant growth for Pact, and we remain very optimistic of continued growth in this space. In crate pooling, we expect to deliver growth through increased penetration in the fresh produce sector and diversification of pooling into new categories such as protein. We are also investing in “smart packaging” - supply chain solutions that can improve efficiency and reduce waste.

In reuse services, we have the opportunity to diversify and grow further in offshore markets and this remains a focus for us.

GROW ASIAN PACKAGING PLATFORM

With delivery of strategy in other areas now gaining momentum our focus is turning to the opportunities to accelerate growth in our Asian region.

Our closures and Asian packaging business is sizeable. It generates over \$280 million in revenue. We have centralised management under the leadership of an experienced team based in Asia.

We operate in 9 countries, with over 20 sites and 1000 employees. We have regional scale with deep category expertise and special technical capability that provides a competitive advantage in the region.

We are well positioned to grow. The performance of our closures and Asian business in FY21 has given us confidence that our opportunities are significant.



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OUR TARGETS

I am very pleased with the transformation we are delivering at Pact.

We have delivered improvements in key metrics and maintained strong cash generation.

Our balance sheet strength has improved, and gearing is comfortably within targeted levels.

ROIC is improving.

We are targeting top quartile shareholder returns by 2025. Our progress so far gives me confidence that we can achieve this. Our strategic positioning and continued progress on improving business fundamentals will ensure our success.

I am looking forward to sharing further progress with you.

1H FY22 OUTLOOK

Now, briefly looking ahead to FY22.

Our portfolio continues to demonstrate resilience through significant market and supply chain disruption. I am delighted by the capability and discipline demonstrated by the entire Pact team in managing this environment, while continuing to operate our business in a safe and efficient manner and deliver on our strategy.

Volumes across most of our businesses have been generally in line with expectation despite the disruption arising from raw material shortages and pallet availability. Maintaining continuity of supply to our customers, however, has required increased working capital in some areas.



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Pleasingly, strict margin management activities are covering higher raw material and international freight costs. In the Packaging and Sustainability segment these actions will mostly mitigate the impact to earnings in our first half. Covering these costs in our garment hanger reuse business has been more challenging, but we are making great progress here too.

In the 2nd half, we expect positive underlying demand to continue. While market and supply chain disruption is expected to persist in the near term, it will be managed with the same focus and discipline that has been demonstrated to date.

In our Contract Manufacturing segment, as we discussed earlier, performance has been impacted by lower demand, due to lockdowns in Victoria and New South Wales, and by higher input costs. It means for the first half, Underlying EBIT is expected to break even. While easing COVID-19 restrictions are expected to create a slightly more favourable demand environment in the 2nd half, further cost increases will challenge margins.

For the Group, we expect Underlying EBIT in the first half of FY22 to be around \$80 million. Excluding the Contract Manufacturing segment, this will be around \$5 million lower than the prior year.

A further update on earnings expectations for FY22 will be provided at the Company's half year results in February.



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I'd like to take this opportunity to thank our talented and committed team of people across all areas of the organisation for their ongoing contribution in FY21. I'm confident that our strategy will guide the business to further success. I would also like to thank my fellow Directors for their support and guidance and you, our shareholders, for your ongoing support.

I will now hand back over to the Chairman who will go through the formal resolutions of today's meeting.

-ENDS-