

ASX- For Immediate Release

27 May 2020

PRO-PAC PACKAGING LIMITED TRADING UPDATE AND SITE CONSOLIDATION PLANS

Trading Update

Pro-Pac Packaging Limited (ASX:PPG) is pleased to provide an update on its expected results for the year ending 30 June 2020.

Trading has been better than expected in the challenging COVID-19 environment and the company expects full year EBITDA¹, before significant items of around \$30 million (FY19 - \$28.1m). In addition, the company has continued to work diligently on working capital improvements and the net debt position at 30 June 2020 is expected to be around \$60m (30 June 2019 - \$82.9m).

Site Consolidation Plans

PPG also announces that it will relocate production from its Chester Hill facility in Sydney.

Manufacturing at the Chester Hill site will be phased out from August 2020 and plans are in place for all production to be transferred to other sites in Sydney, Melbourne, Adelaide and Perth.

The transition is expected to be completed by March 2021.

The plan includes the transfer of manufacturing volume from the Chester Hill factory to PPG's other Australian facilities, where the combination of existing and new equipment will be deployed to consolidate the group's footprint and enhance its local manufacturing capability.

Central to this initiative is the investment in a new 7-layer extruder and laminator that will provide new capacity and capability for growth with existing customers and expansion into new markets.

The closure will involve a capital investment of circa \$7 million and one-off costs of circa \$12.6 million which will be incurred over the next two years. Non-cash asset write-offs across the project will be circa \$4.0 million. The project will result in annualised benefits of around \$7.0 million from FY22.

The project will be funded from cash reserves and existing committed banking facilities, supported by the improved EBITDA and net debt positions.

¹ Prior to AASB16 impacts and net of significant items.

Pro-Pac Packaging's CEO & Managing Director Tim Welsh said:

"The closure of the Chester Hill site and relocation of its machinery to Pro-Pac's other facilities will optimise our manufacturing footprint, expand our service offering and is an integral part of our plans to reduce our cost base and grow profitably.

Leveraging our existing resources and obtaining the best possible returns on our investments, is an important priority. The consolidation will ensure our Flexibles division remains a leader in the delivery of flexible packaging products and services, for all of the critical markets we serve. The move will also optimise our other sites and enable the business to focus on innovation and growth.

I'm proud of what the PPG team has achieved this year and particularly how they have responded to the challenges of the COVID-19 pandemic. Not only have our team members prioritised the safety of every employee, but they have also maintained their focus and continued to deliver on strong financial outcomes."

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

For further information contact:

Tim Welsh
Chief Executive Officer and Managing Director
Phone: (61 3) 9474 4200

About PPG:

PPG is a diversified manufacturing and distribution business providing innovative industrial & flexible and rigid packaging solutions for a broad group of blue-chip clients and small-to-medium enterprises. PPG has corporate offices in Sydney and Melbourne, overseeing an international footprint including Australia, New Zealand and Canada. PPG's securities are listed and quoted on the ASX. For further information on PPG 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 Packaging'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 Packaging's control. Important 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 Packaging'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.