Pro-Pac Packaging Limited
ABN: 36112971874

ASX - For immediate release

28 February 2025

Pro-Pac Packaging Reports 1H25 Results

Pro-Pac Packaging Limited (ASX: PPG) ("**Pro-Pac**" or "**the Company**" or "**the Group**") today announces its results for the half year ended 31 December 2024 ("**1H25**").

1H25 Financial Highlights
Revenue from continued operations down by 10.1% across the Group at $142.9 million, this included the material impact of a $13.6 million reduction in sales to our major customer in the Middle East and a 3% reduction in other volumes in the Flexibles business.
PBT[1] decreased by $7.3 million at a loss of $12.8 million compared to 1H24 primarily due to the reduced volumes and revenues for the period.
EBITDA pre-AASB 16[2] declined by $7.6 million at a loss of $6.4 million compared to 1H24.
Net debt[3] up $13.3 million at $41.1 million (30 June 2024: $27.8 million). This was reflective of the negative earnings for the period.
Safety Highlights
LTIFR[4] increased by 7.3 % during 1H25 to 9.41 (FY24: 8.77), with a continued focus required.

Commenting on the 1H25 results, Pro-Pac's CEO & Managing Director Ian Shannon said:

"Our revenue for the half year was $142.9 million, 10.1% lower than the corresponding period of $158.9 million. This decline in revenue included the material impact of reduction in sales to our major customer in the Middle East of $13.6 million.

Volumes across the Flexibles business excluding the sales to our major customer were down 3.0% reflective the challenging market conditions and weather conditions in Australia and New Zealand which impact on our agricultural volumes.

Volumes in our Specialty Packaging business were up 0.6% (excluding exited market categories), which is pleasing in a challenging market.

EBITDA (pre AASB16) was a $6.4 million loss versus $1.2 million profit for 1HY24, however this was an improvement from 2H24 loss of $8.7 million.

Market conditions remain challenging with exchange rate movements likely to continue to impact on our results for 2H25.

The current trading results continue to perform below our expectations, and accordingly we are currently working with advisors to undertake a strategic review of our businesses and to explore and execute on plans for improved profitability and longer term funding arrangements

We are pleased to have the ongoing support of our major shareholder, who provided a $13.0 million facility during the period, with the termination date being extended to 1 March 2026."

1H25 Overview

1H25 Operations Financial Performance

A$ million	1H25 $'M	1H24 $'M	v 1H24 Change	2H24 $'M	v 1H25 Change
Statutory results:					
Revenue	142.9	158.9	(16.0)	136.3	6.6
Statutory profit after tax	(36.8)	(6.9)	(29.9)	(46.9)	10.1
Operating results:					
EBITDA pre-AASB 16	(6.4)	1.2	(7.6)	(8.8)	2.4
EBIT	(8.9)	(2.6)	(6.3)	(12.9)	4.0
PBT	(12.8)	(5.5)	(7.3)	(16.6)	3.8
PBT margin[5]	*(9.0)%*	*(3.5)%*	*(5.5)%*	*(12.2)%*	*3.2%*
Significant items	(24.4)	-	(24.4)	(25.8)	1.4

Revenue decreased 10.1% to $142.9 million (2023: $158.9 million) during the half-year reflecting the impact of:

- Sales to our major customer in the Middle East have materially affected revenue's half-year on half-year, with a reduction of $13.6 million;
- Excluding sales to our major customer in the Middle East, Flexibles volumes were lower by 3.0%, which reflects 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.
- Price increases were implemented during the period for recovery of costs of doing business, with the impact reduced due to lower volumes highlighted above.
- Specialty Packaging maintained volumes half year on half year, with volumes excluding exited market categories up 0.6%.

EBITDA pre-AASB 16 decreased during the half-year to a loss of $6.4 million from a profit of $1.2 million in 1H24 primarily due to the reduced volumes and revenue for the period

The Group continues to look to improve profitability in the face of challenging market conditions.

Pre-tax loss from significant items for the half-year increased to $24.4million (2023: $nil), which included $20.7million impairment losses and $3.2 million non-trading provisions and accruals.

Balance Sheet

A$ million	Dec-24 $'M	Jun-24 $'M	Change
Working capital[6]	61.8	62.8	(1.6)%
Net debt	(41.1)	(27.8)	47.8%
Other net assets	24.9	46.1	(46.0)%
Net assets	45.6	81.1	(43.8)%
Share capital	320.5	320.5	-
Other equity	(274.9)	(239.4)	(5,.9)%

Working capital decreased by $1.0 million during the half-year, primarily due to:

- Receivables – increase of $5.8 million or 9.8%; with December 2024 quarter revenues exceeding those in the June 2024 quarter. Partially offset by:
- Inventories – decrease of $7.2 million or 11.3% primarily due to reduced raw material holdings compared to the June 2024 period.

Net debt increased by $13.3 million to $41.1 million during the period, which was a result of the negative earnings during the period.

Cash Management

A$ million	1H25 $'M	1H24 $'M	Change
Net cash flows from operating activities	(7.1)	0.9	<(100)%
Net cash flows from investing activities	(1.1)	(4.9)	(77.5)%
Net cash flows from financing activities	7.8	(1.8)	>100%
Net increase/(decrease) in cash	(0.4)	(5.8)	>100%

Cash flows from operating activities were an outflow of $7.1 million, which was reflective of the trading results and interest cost for the period.

Net capital expenditure was $1.2 million (1H24: $4.9 million), including $0.9 million (1H24: $1.4 million) of payments in relation to the development of the new ERP system. There was minimal spend on plant and equipment for the period, with the prior period capital expenditure including $2.6 million of payments for a new Printing Press, which became operational in Q3FY24.

Divisional Results

Flexibles

A$ million	1H25 $'M	1H24 $'M	Change
Revenue	108.6	124.5	**(12.8)%**
EBITDA pre-AASB 16 before corporate costs	(2.3)	**5.7**	**>(100)%**
Corporate costs	(5.1)	(5.0)	**2.0%**
EBITDA pre-AASB 16 after corporate costs	(7.4)	0.7	**>(100)%**
EBIT	(10.1)	(3.0)	**(100)%**

Revenue decreased by 12.8% to $108.6 million (2023: $124.5 million) during the half-year reflecting the impact of:

- Sales to our major customer in the Middle East have materially affected revenue's half-year on half-year, with a reduction of $13.6 million;
- Excluding sales to our major customer in the Middle East, Flexibles volumes were lower by 3.0%, which reflects 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.
- Price increases were implemented during the period for recovery of costs of doing business, with the impact reduced due to lower volumes highlighted above.

The EBITDA pre-AASB 16 performance declined during the period primarily due to the reduced volumes and revenues for the period. The business continues to look to improve on operating performance in the face of a difficult trading environment.

Industrial Specialty Packaging

A$ million	1H25 $'M	1H24 $'M	Change
Revenue	34.2	34.4	**(0.6)%**
EBITDA pre-AASB 16 before corporate costs	3.3	2.6	**26.9%**
Corporate costs	(1.6)	(1.4)	**14.3%**
EBITDA pre-AASB 16 after corporate costs	1.7	1.2	**41.7%**
EBIT	1.8	1.2	**50.0%**

Revenue decreased by 0.6% to $34.2 million (2023: $34.4 million), which included $0.4 million reduction relating to non-core market segments. Volumes excluding exited market categories were up 0.6%.

The EBITDA pre-AASB 16 performance was an improvement on the prior period as the business concentrated on cost reduction and margin improvement.

Outlook

First half FY2025 EBITDA (before significant items) was an improvement on second half FY2024 (before significant items), however we expect full year FY2025 to be below FY2024 EBITDA (before significant items).

Market conditions and exchange rate movements continue to be challenging and will impact expected results in the second half.

The business continues to perform below expectations, and accordingly we are currently working with advisors to undertake a strategic review of our businesses and to explore and execute on plans for improved profitability and longer term funding arrangements.

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

For further information, please contact:

Investors:

Ian Shannon

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 received net of deposits paid has also been excluded from the HY25 and FY24 net debt calculation (HY25 $7.3 million and FY24 $7.3 million)
[4] Lost Time Injury Frequency Rate per million hours worked
[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