

# Colorpak Limited

January 2011





# **Investor Presentation First half results – 2011**

## Shareholder Information

<b>Substantial Shareholders</b>	<b>No. of Shares</b>	<b>%</b>	<b>6 month movement</b>
Carton Services Pty Ltd (Commins family)	26,018,534	32.1	No change
Perpetual Limited	10,527,670	13.0	1% Reduction 14 Jan '11
Hunter Hall Limited	8,887,018	11.0	No change
Argo Investments Limited	4,149,000	5.1	No change
Total for substantial shareholders	50,411,734	61.2	
All other shareholders	30,743,417	38.9	
Total shares on issue	81,155,151	100.0	



# Market Reputation

Consistently ranked as one of the industry's top suppliers by BIS Shrapnel for :

- Reliable delivery;
- Competitive price/value for money;
- Ability to respond to customer needs;
- Consistent quality and machineability;
- Response time for urgent orders.



# Financial Overview

## Financial Overview

### Results Summary – 6 months to December

(\$000s)	2010	2009	Change
Sales (goods/services)	43,491	42,560	2.2%
EBITDA (*)	7,986	8,056	-0.9%
EBITDA %	18.4%	18.9%	
Reported NPAT	2,810	3,744	
Underlying NPAT (*)	3,785	3,744	1.1%
NPAT % (*)	8.7%	8.8%	

(\*) Excludes impact of acquisition transaction costs

Cash Management (\$000s)	6 months to December	
	2010	2009
Operating cash flow	<b>5,632</b>	4,551
Capex (net)	<b>(2,098)</b>	(381)
Acquisition Costs	<b>(995)</b>	-
Free cash flow	<b>2,539</b>	4,170
Dividends	<b>(2,232)</b>	(1,420)
Reduction in net debt	<b>307</b>	2,750

## Financial Overview

### Earnings – 6 months to December

	2010	2009
<b>Earnings</b>		
EPS (cents) Reported	3.46	4.63
EPS (cents) Underlying (*)	4.66	4.63
Interest Cover (times)	5.77	5.11
<b>Dividend</b>		
Interim (fully franked) (cents)	1.50	1.50
<b>Balance Sheet</b>		
Gearing (Debt/Debt+Equity)	26.8%	29.8%
Net Equity (\$000's)	61,152	59,042
Net assets per share (cents)	75.4	72.8
(*) Excludes impact of acquisition transaction costs		

## Balance Sheet Conservatively Managed

Debt Facilities	<ul style="list-style-type: none"><li>• Existing debt facilities expire May 2012 (bills) and April 2014 (leasing);</li><li>• No bill facilities mature within next 12 months;</li><li>• Currently renegotiating extension of facilities;</li></ul>
Debt Covenants	<ul style="list-style-type: none"><li>• Financial ratios well within bank covenants;</li></ul>
Debt Capacity	<ul style="list-style-type: none"><li>• Capacity to finance further growth.</li><li>• Net Debt / (Net Debt + Book Equity) 26.8%;</li></ul>
Interest Rates	<ul style="list-style-type: none"><li>• 84% of debt swapped to fixed rates maturing between 2012 and 2014.</li></ul>

# Highlights

## Operations

### Capex program:

- Capex of \$2.1 mill in half directed at expanding the company's product range;

### Sales Revenues

- Major customers on contracts of between one and two years
- Beverage sector going well
- Pipeline healthy with PharmaKit opportunities – New pharmaceutical customer signed up for a two year contract in January 2011.
- Re-signed two existing pharmaceutical customers for two year contracts.

### Profit

- EBITDA margin remained solid at 18.4%.
- EBITDA down slightly on last year.
- NPAT from continuing operations 1.1% up on last year.

## Highlights

### Dividends

- Interim Dividend of 1.50 cents fully franked, payable 4 April 2011.

### Balance Sheet

- Reduction in gearing (debt/debt+equity), from 29.8% in June to 26.8%.
- Gearing expected to lift to around 30% by June 2011 following settlement on CHH acquisition.

## Outlook

### Financial

- Underlying results of business continue to track well;
- Full year results will be impacted by further acquisition costs and the accounting for the premium on acquisition, with net positive impact on full year results;
- Cash generation, for full year, excluding acquisition costs, of around \$10 million.

### CAPEX

- 2011 approx \$4.0 million, excluding capex on new systems related to CHH acquisition.

### Growth Opportunities

- Organic growth remains the primary focus of our sales teams.
- Following CHH acquisition, the company will continue to have a strong balance sheet.



# **CHH Acquisition Update**



# CHH Acquisition

- Sale Agreement signed to acquire Carter Holt Harvey's (CHH) folding carton operations in Australia and New Zealand, excluding the Smithfield operations.
- Smithfield site to be sold to another industry participant.
- Smithfield transaction is subject to ACCC approval. Decision expected Feb 17<sup>th</sup>.
- Net consideration of A\$5 million for operating assets and assumption of certain liabilities.
- Significant acquisition that will enhance Colorpak's business:
  - Compelling strategic rationale;
  - Unique opportunity to take a leading role in the folding cartons sector;
  - Opportunity for synergies; and
  - Attractive acquisition metrics.



# CHH Acquisition

- Funding:
  - Acquisition, transaction and any subsequent consolidation costs to be funded from a combination of existing cash balances, ongoing operating cash flow and extended debt facilities;
  - No current plans for any equity capital raisings associated with the transaction;
  - Gearing expected to remain well within bank covenants;
- Financial parameters:
  - Expected to be earnings per share (EPS) accretive, based on cost synergies alone in the first full year (FY 2012) following acquisition (on a normalised basis);
  - Additional capital expenditure requirements expected to be minimal;
  - Increase revenue from A\$80 million to approximately A\$210 million pa;
  - Increase annual EBITDA to approximately A\$16.5 million, before costs and other synergies;



# CHH Acquisition

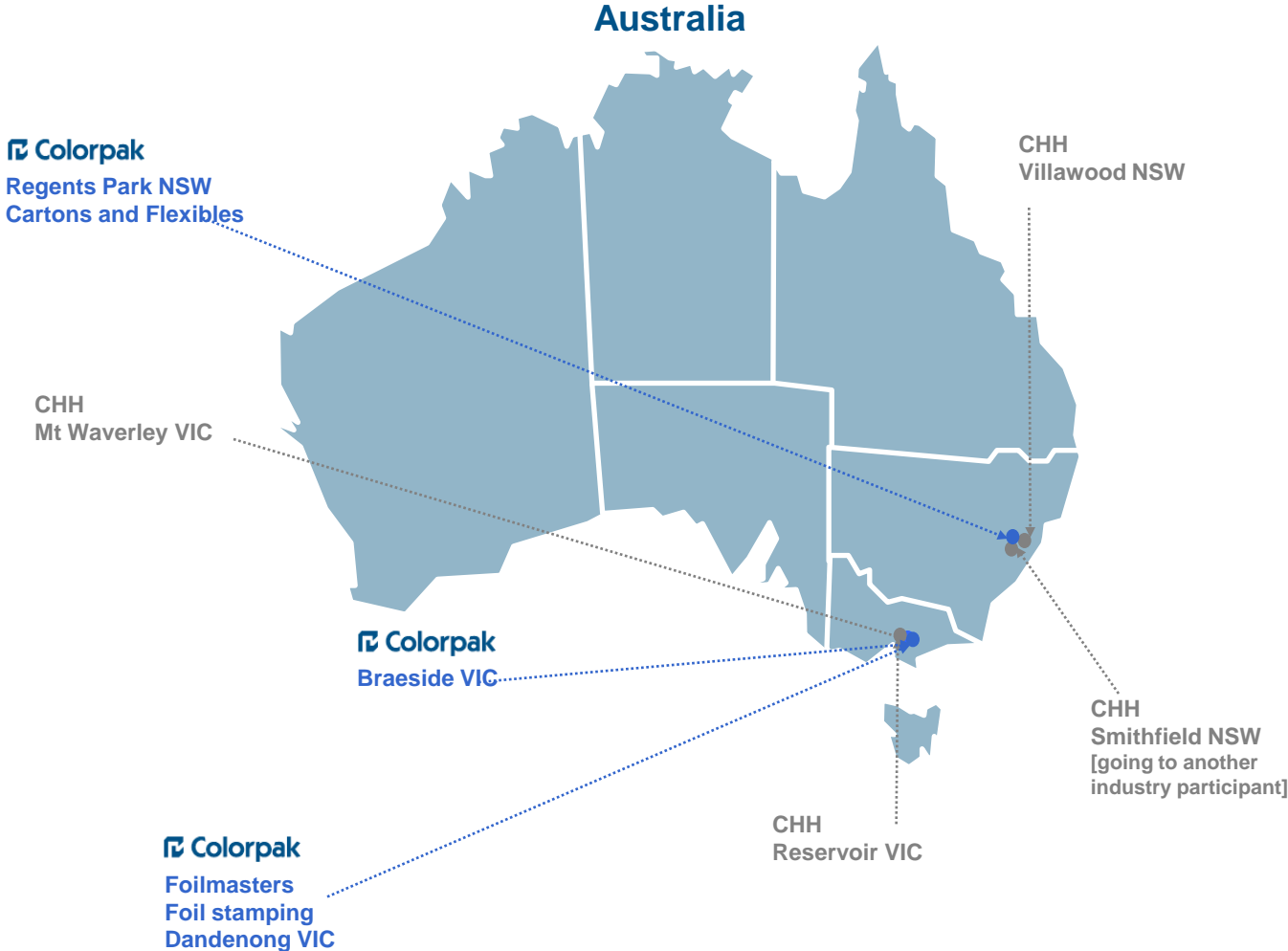
- Integration:
  - Implementation plan is in place to deal with integration risk;
  - Colorpak brand to be rolled out from acquisition date;
  - Customer feedback very positive.

## Colorpak is acquiring from CHH one of the leading folding carton board businesses in Australia and New Zealand

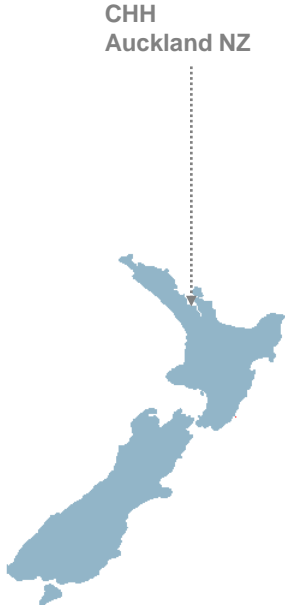
- 4 plants and 494 employees.
- Operations in Melbourne, Sydney and Auckland.
- Provides products and services to customers throughout Australia and New Zealand.
- Financial performance of CHH operations (excluding Smithfield):
  - sales of approx \$130 million;
  - EBITDA of approx \$4 million<sup>1</sup>;
  - net operating assets of approx \$50 million.
- Acquisition includes the Montage solutions centre which provides pre-press, structural design services and machine systems to the trade as well as CHH carton and corrugated businesses (Aust only).

(1) Measured on the basis of CHH's folding carton board business first full year contribution to EBITDA under Colorpak's ownership

# Colorpak and CHH overview



## New Zealand



# Strategic rationale

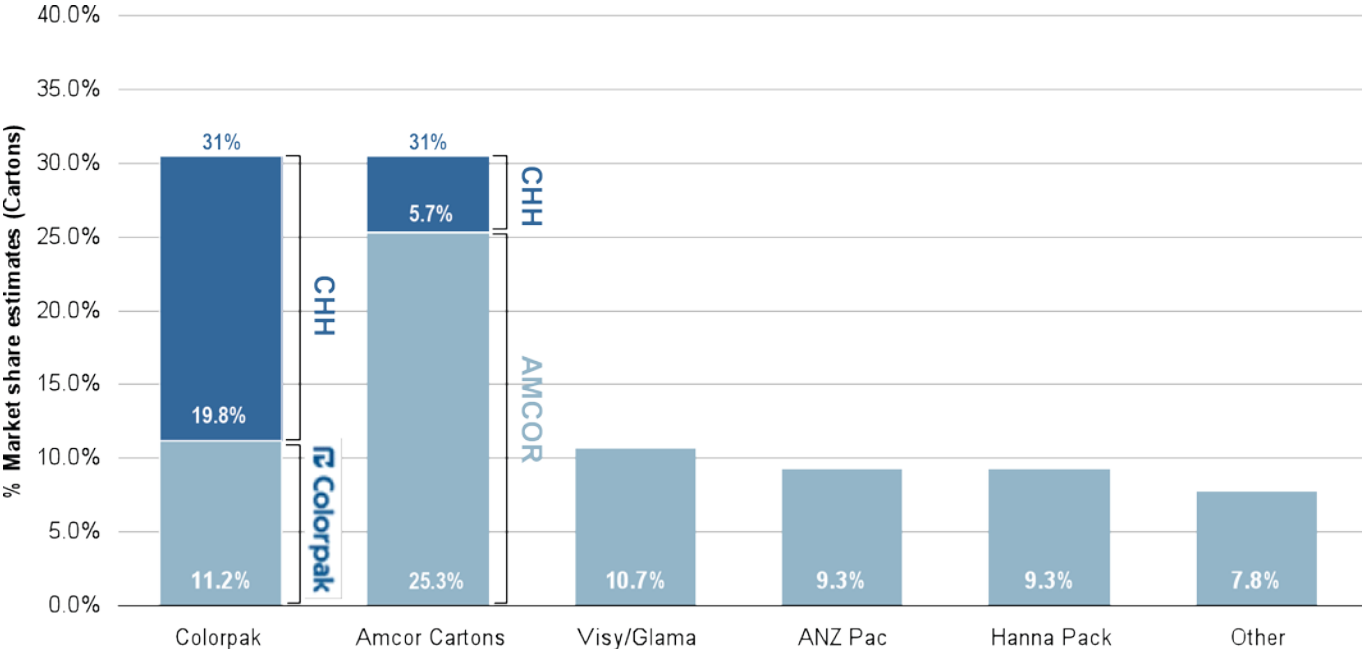
- Ability to extend the customer offering to a full range of products and services throughout both Australia and New Zealand.
- Enhanced manufacturing capabilities and flexibility through the increase in scale of operations and range of equipment available.
- Overhead cost reductions, procurement cost savings and improved operational efficiencies as well as product and customer service benefits from the consolidation of operations.
- Increased relevance to suppliers as a result of the increased size and scale of its folding carton converting business in Australia.
- Broader customer base.



# Conditions


- Proposal is subject to various conditions precedent
  - Australian Competition & Consumer Commission approval of the Smithfield site, expected on 17 February 2011;
  - Assignment of property leases.
- Expect to complete the transaction March 1<sup>st</sup> 2011.

# Industry structure



Based on BIS Shrapnel estimates of folding carton market (\$620 million p.a.) and not including substituted materials or fully packed imported products

## Colorpak has been actively acquiring and integrating packaging businesses for the past 12 years...



1998	Foilmasters (Victoria)
2000	Hale Foldpack (New South Wales)
2001	Pemara Packaging (Victoria)
2004	Castle Graphics (New South Wales)
2010	Remedies printing business (New South Wales)

# Colorpak Limited

## Thank you

