



*Ridiamo vita alla carta*  
*We bring paper back to life*

# **PRO-GEST GROUP**

## *Financial Highlights FY 2017*

31<sup>st</sup> May, 2018

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# Introducing Pro-Gest

## Presenters



*Bruno Zago*

- ➡ Chief Executive Officer, Founder and Owner
- ➡ Established the first Company of the Pro-Gest Group in 1973



*Francesco Zago*

- ➡ Managing Director and Owner
- ➡ Joined Pro-Gest in 2007



*Paolo Facchin*

- ➡ Chief Financial Officer
- ➡ Joined Pro-Gest in 1988

# Key developments

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**A number of milestones were achieved in 2017:**

## Financial performance

- Achieved record revenue of €502m (+12% vs. 2016) and EBITDA of €114m (+20% vs 2016)
  - ✓ Industry leading EBITDA margins of 23% in 2017 (compared to 21% in 2016)

## Financial Position

- €250m Senior Secured Notes issuance completed in December 2017
  - ✓ Closed FY17 with Net Financial Indebtedness of €252m, equivalent to 2.2x Net Financial Indebtedness / EBITDA (0.7x lower than the 2.9x as of LTM Sep-17), reflecting a strong operating performance in Q4 2017

## Asset Disposal

- As anticipated in the Offering Memorandum the Group has completed the disposal of:
  - ✓ Ondulati Giusti and Cartonificio Fiorentino land and buildings through a mortgage assumption agreement
  - ✓ Unused machinery and equipment in Pro-Gest (located in Cartiera di Cagliari) and machinery in Cartiere Villa Lagarina (Mantova)

## Update on Mantova

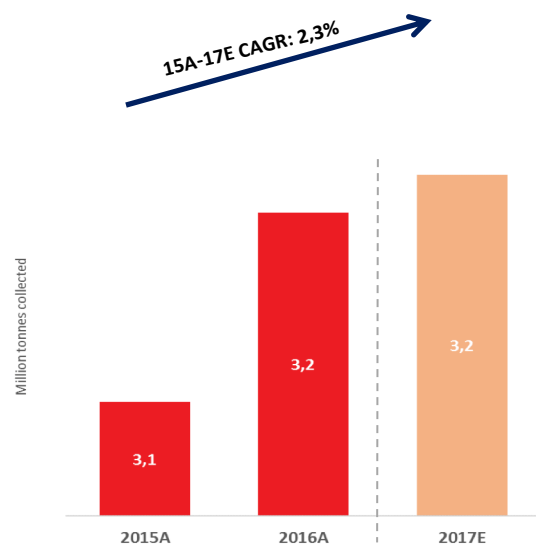
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**The Mantova Project continued to proceed as planned:**

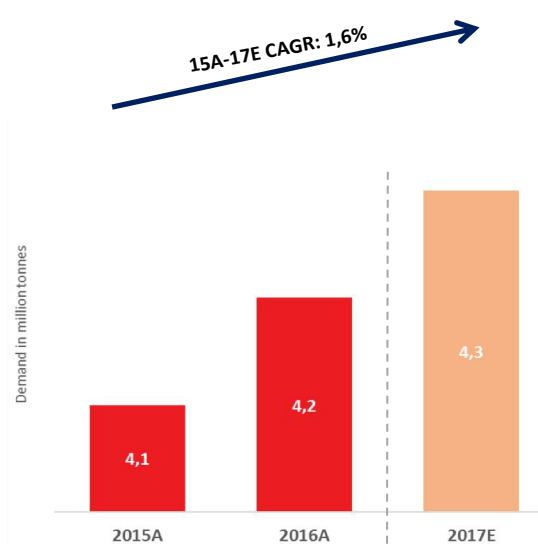
- The Group has completed the redevelopment of the Mantova paper machine
- The procedures regarding the plant's testing phase commenced at the beginning of 2018
- Expected to commence production of containerboard by the third quarter of this year
- Stocked up the warehouse with 50,000 tons of raw materials, with a total value of around €10m
- As of 31<sup>st</sup> December 2017, the Group has invested €156m in technical investments. The Group expects that the total investment for the Mantova Project will be generally around €200m
- **On 25<sup>th</sup> May 2018, the Regional Administrative Court (Tribunale Amministrativo Regionale) of Lombardy has rejected the complaint brought by a number of local public authorities to revoke the environmental authorization we obtained from the Province of Mantova.**

# Market update

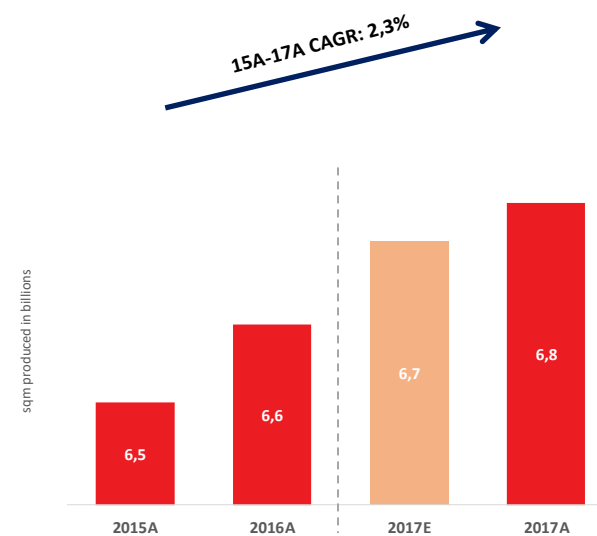
## Municipal Recycling (Italy)



## Containerboard (Italy)



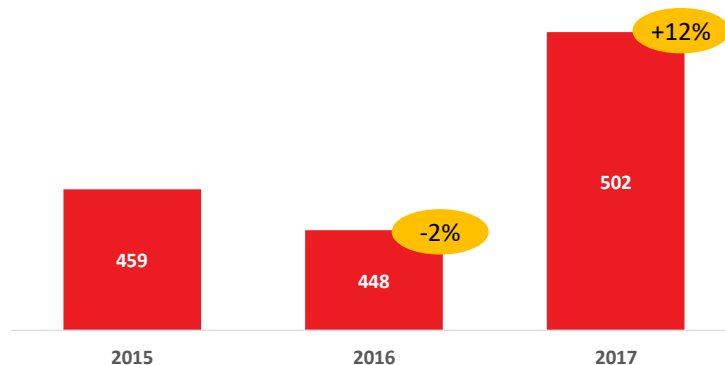
## Corrugated sheets and boxes (Italy)



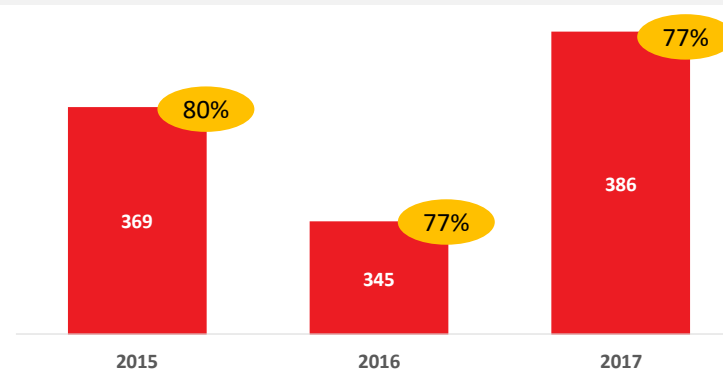
**Market backdrop remained strong. In 2017, total production of corrugated sheets and boxes reached 6.8bn sqm (+2.8% over 2016)**

# FY17 results update

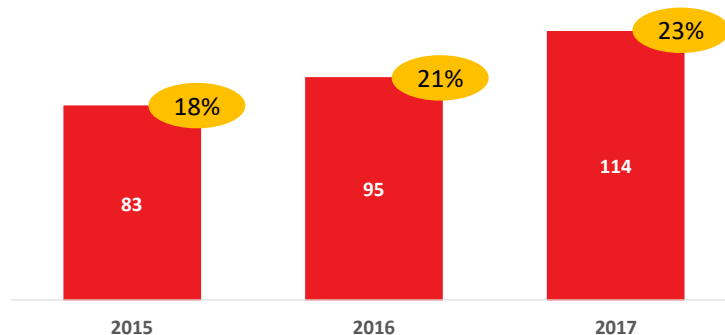
Historical Revenues (€m) and Var YoY



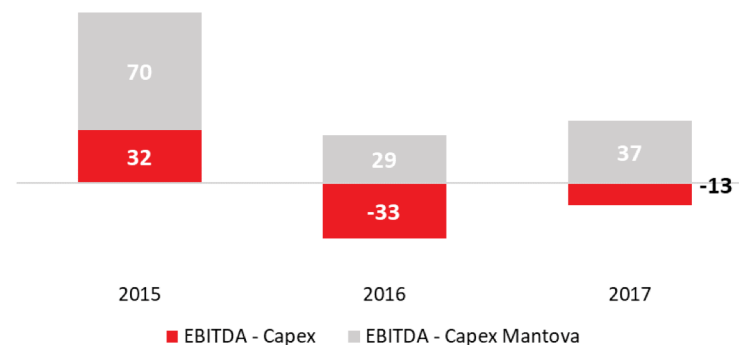
Operating expenses (€m, excluding D&A) and % on revenues



EBITDA (€m) and EBITDA %



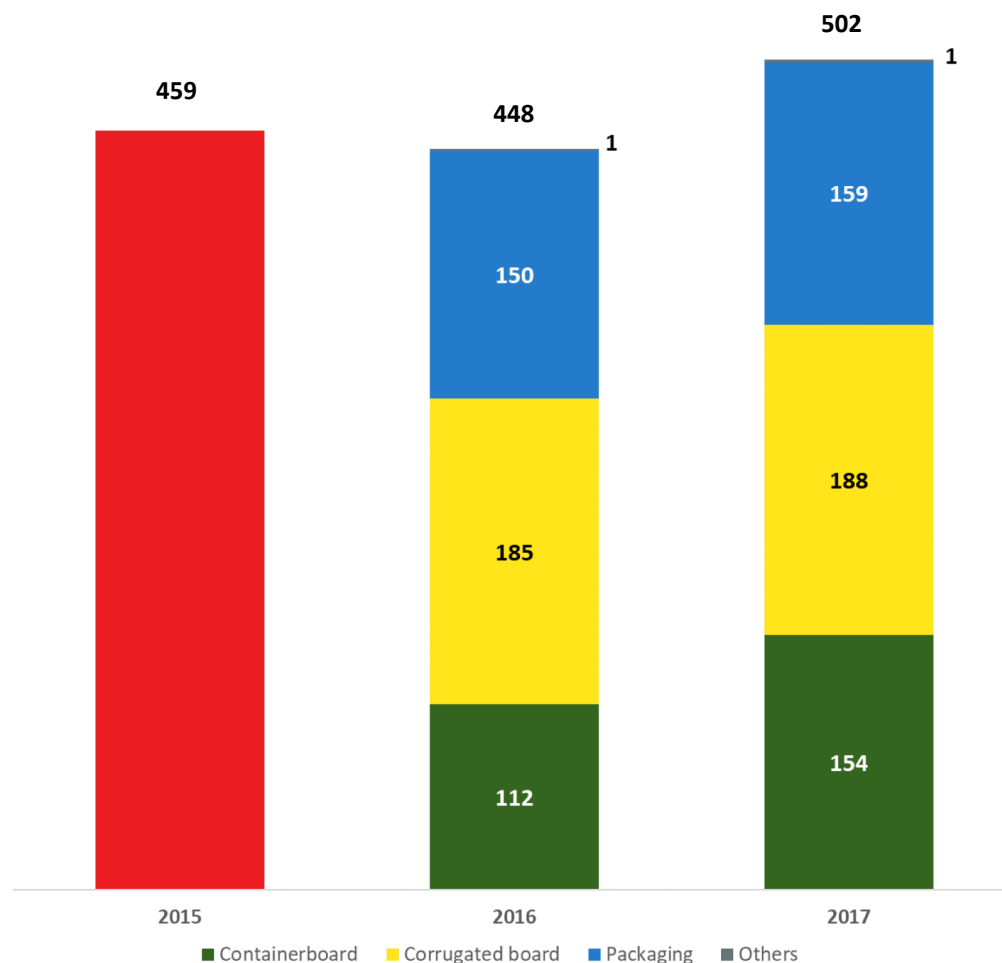
EBITDA less Capex (€m)



**Solid performance both at top-line and EBITDA level. Group continues to invest for growth**

# Revenue Performance

## Revenue breakdown (€m)

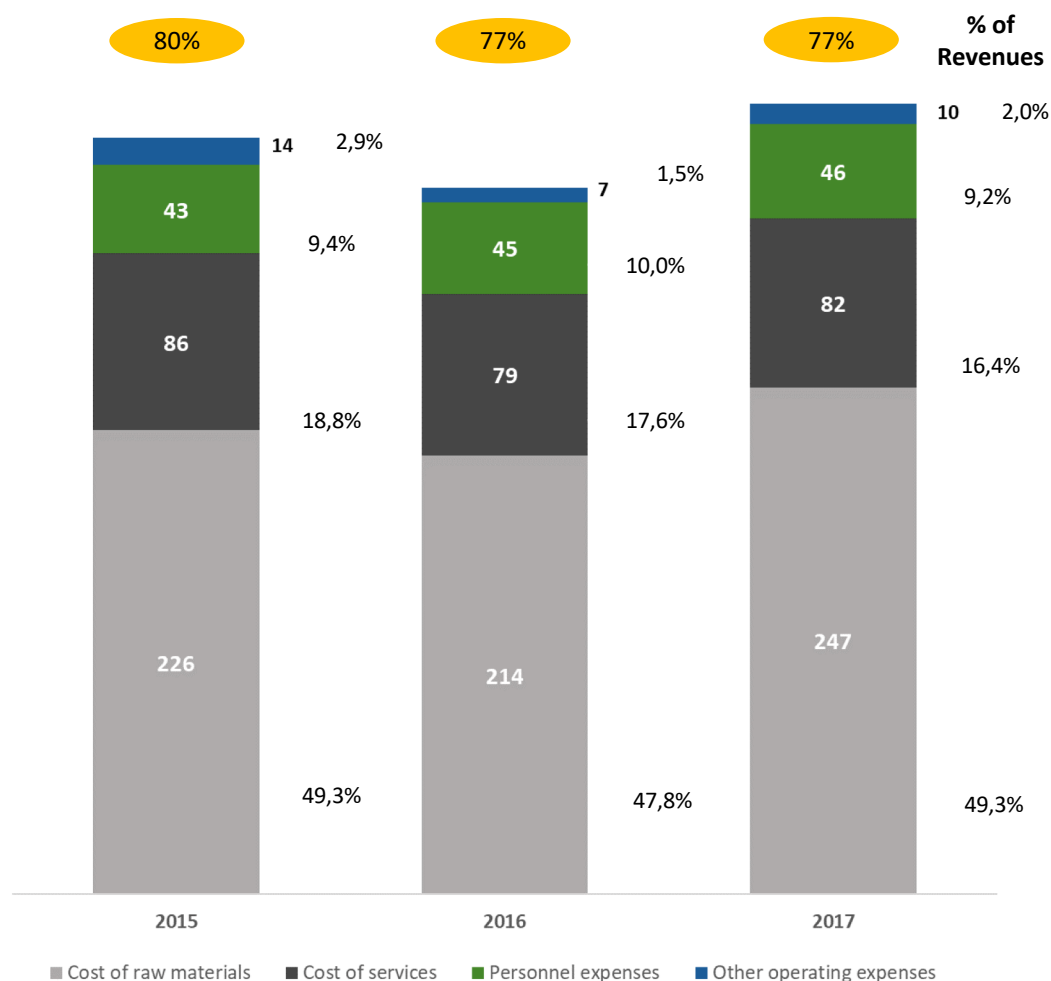


- Revenue reached €502m in 2017 compared to €448m in 2016, mainly driven by:
  - ✓ Growth in the containerboard and packaging driven by higher volumes and improved pricing
  - ✓ Optimization after installation of new gas turbines at the Tolentino and Cartitalia plants in 2016 (temporary negative effect on 2016 sales volumes) and temporary operational downtime of the Carbonera plant due to extensive maintenance works and upgrades



# Cost structure

## Operating expenses evolution (€m, excluding D&A)



■ Operating expenses have remained stable at 77% of revenue in 2017, mainly due to continued focus on the company's cost structure

■ Cost of services:

✓ Lower energy costs in 2017 with respect to 2016 due to the reduction of the unit rate attributable to the implementation of cogeneration plants in the Group's paper mills, (c.€1m less)

■ Personnel costs:

✓ Higher wages and salaries in 2017 related to an increase in employees (1,029 in 2017 – 996 in 2016)

## Earnings performance

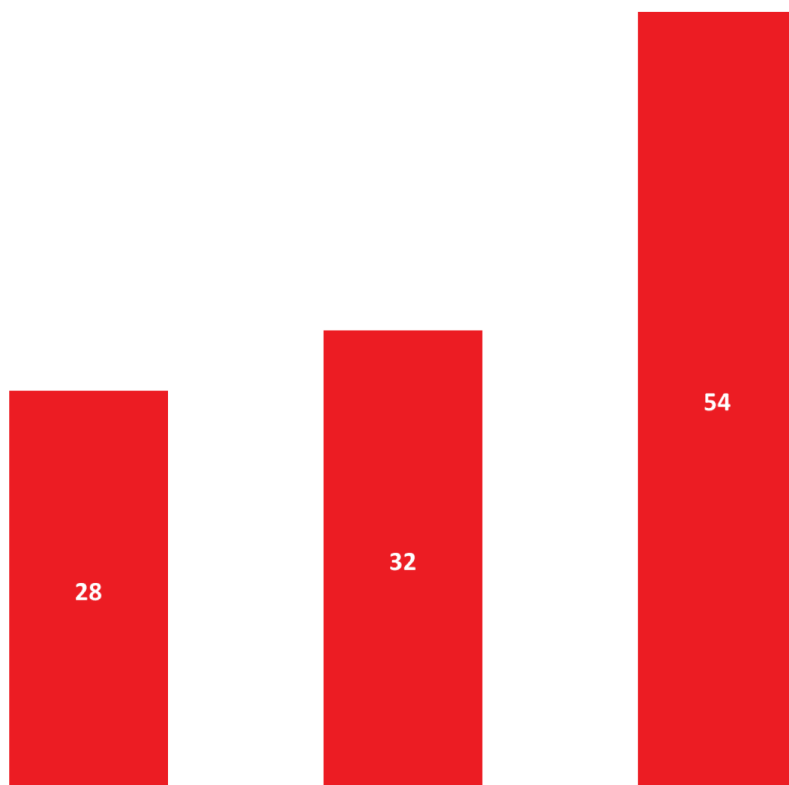
Net Income (€m)

% of  
Revenues

6%

7%

11%



■ Growth in Net Income from €32m in 2016 to €54m in 2017 supported by:

- ✓ Increase of revenues
- ✓ Improvement in margins

2015

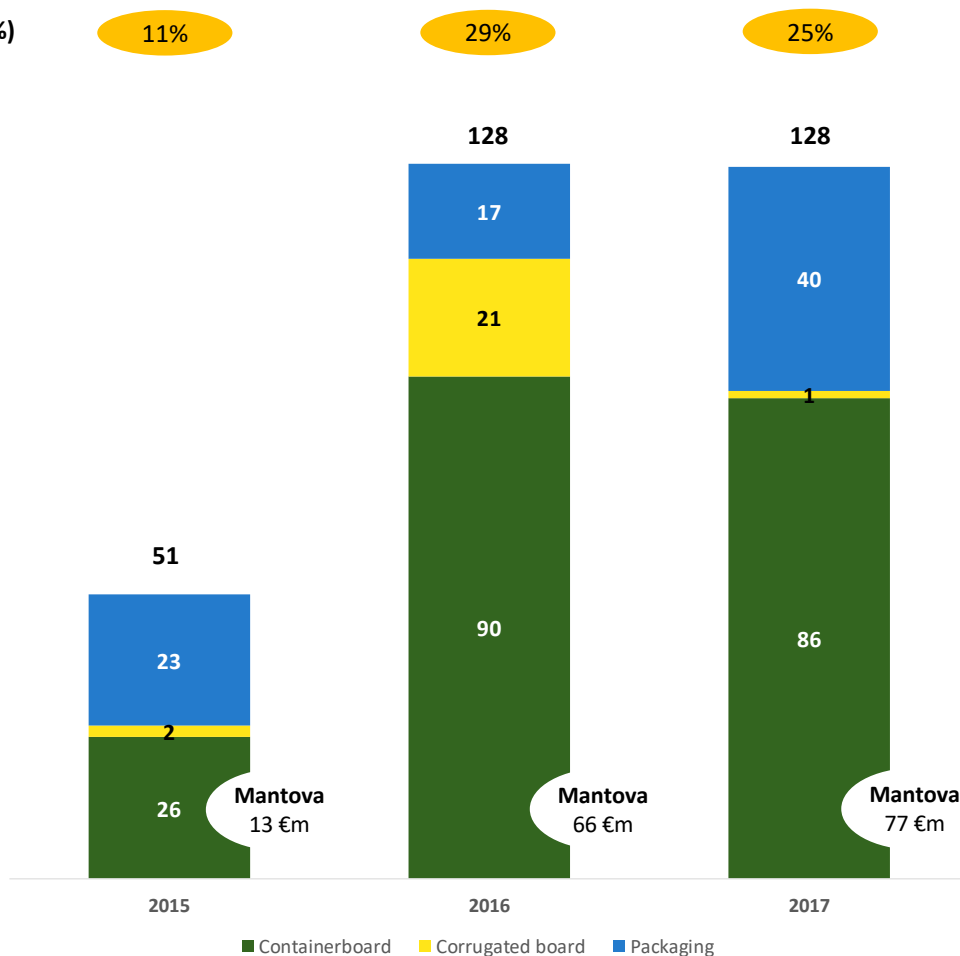
2016

2017

# Breakdown of capital expenditure

Capex (€m)

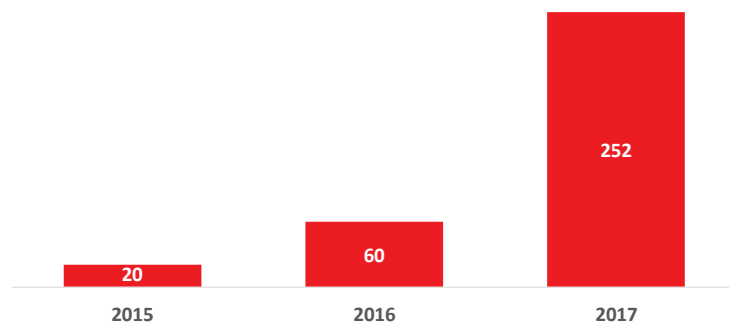
Revenues (%)



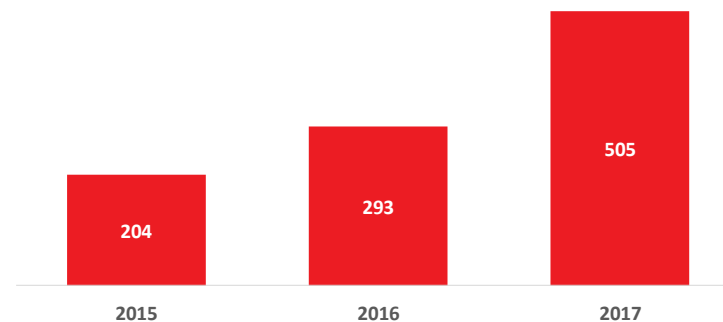
- Expansion Capex remained stable at €128m in 2017 due to significant investments in the Mantova paper mill (€77m in 2017) as well as in further capacity improvements
- Total capex for the last 3 years amounts to over €300m
- 2017 Packaging Capital expenditure includes €18.4m for the acquisition of new machine in Modugno plant (Trevikart)

# Summary of Net Financial Indebtedness

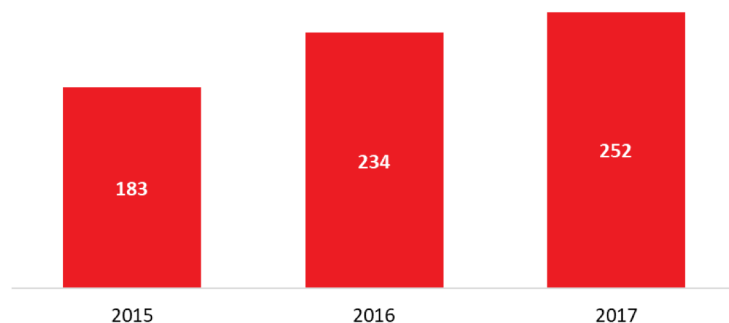
**Cash (€m)\***



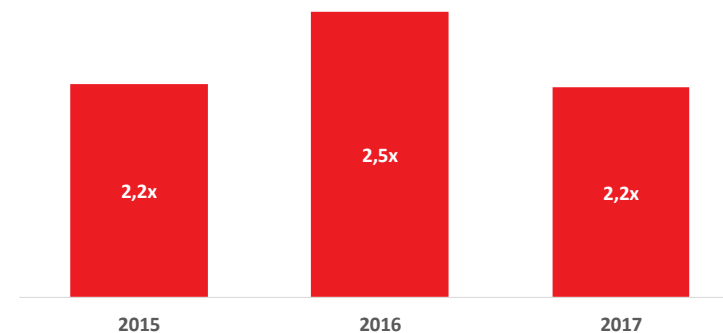
**Financial Debts (€m)**



**Net Financial Indebtedness (€m)\***



**Net Financial Indebtedness/EBITDA**



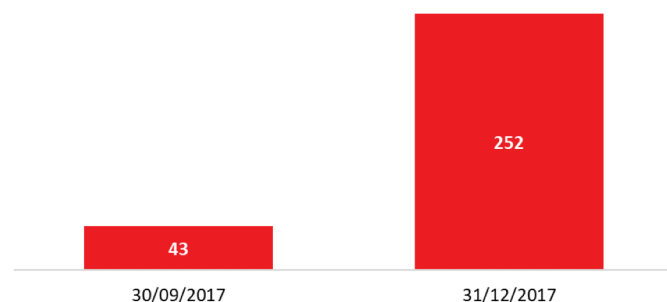
**Lower Net Financial Indebtedness / EBITDA in 2017 compared to 2016, mainly driven by strong operating performance**

\* Not included securities (€14m) and other financial receivables regarding related parties

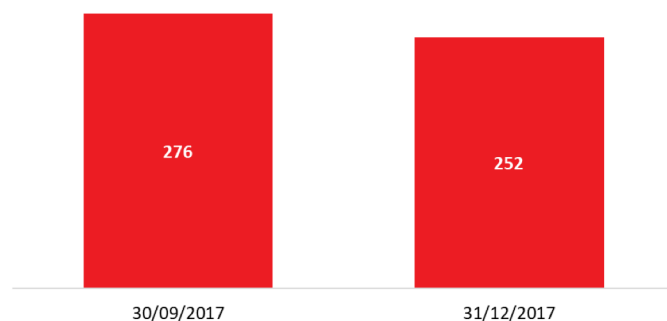
# Summary of Net Financial Indebtedness (cont'd)

Details as at 30<sup>th</sup> September, 2017 – 31<sup>st</sup> December, 2017

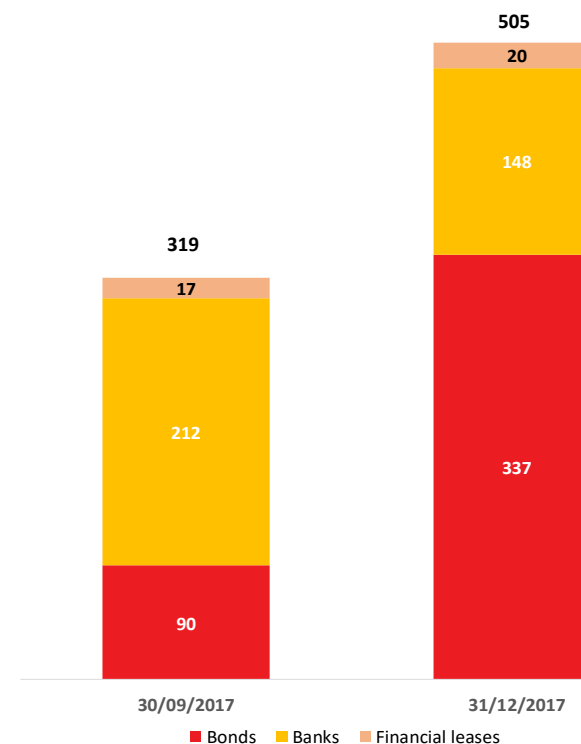
## Cash (€m)\*



## Net Financial Indebtedness (€m)\*



## Financial Debt (€m)



**Strong Q4 performance led to a decline in Net Financial Indebtedness to from €276m €252m**

\* Not included securities (€14m) and other financial receivables regarding related parties