



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

# PRO-GEST GROUP

*Financial Highlights Q1-Q3 2019*

11<sup>th</sup> December, 2019

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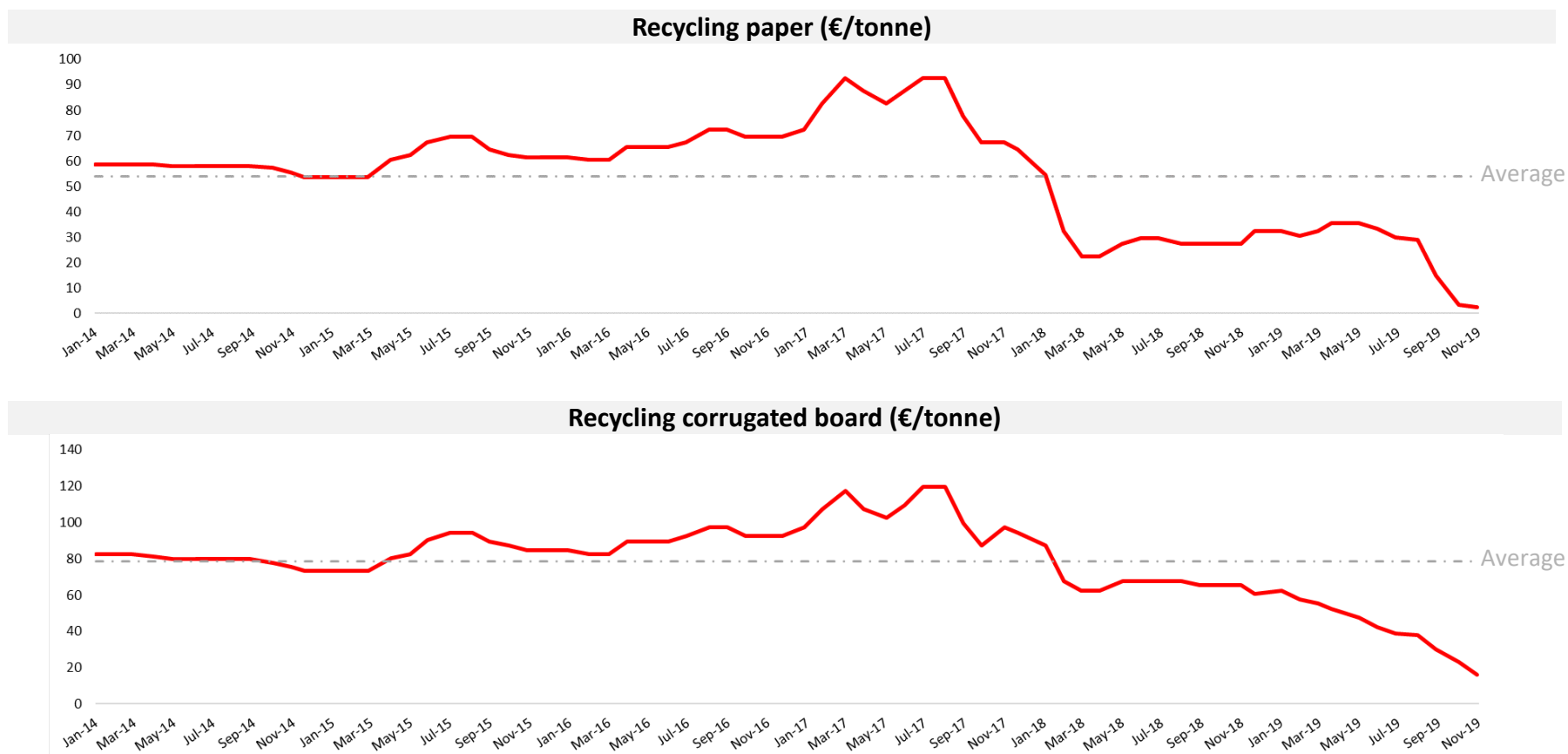
# Agenda

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- Q1-Q3 2019 overview
  - Market update
  - Key developments
  - Results update
  - Revenue performance
  - Cost structure
  - Breakdown of capital expenditure
  - Cash flow
  - Debts repayment

# Market update

## Containerboard – Raw Material Prices 2014-2019

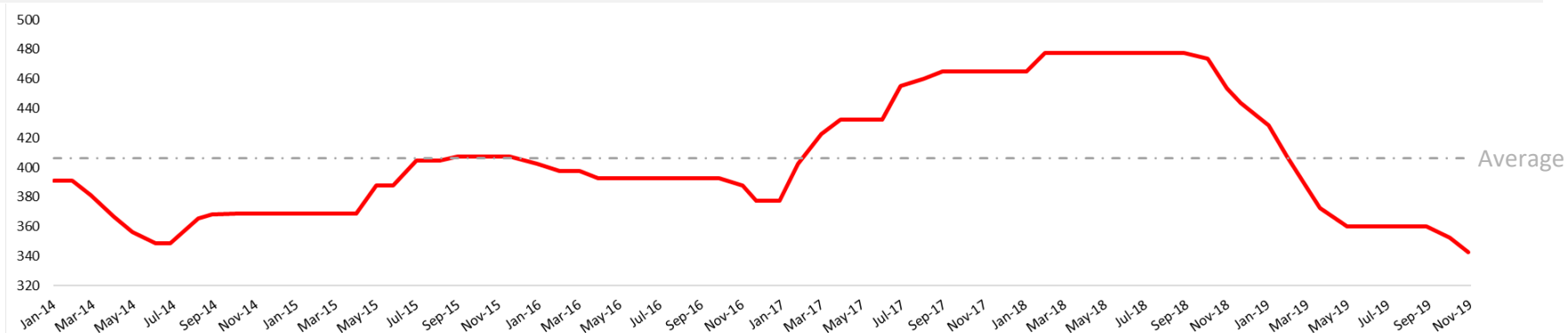


**Recycling paper price has declined materially in last twelve months**

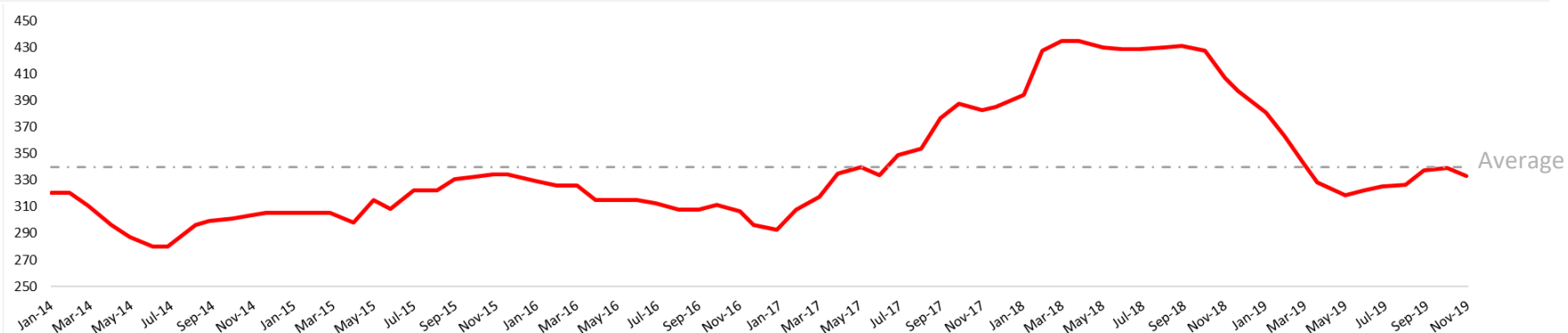
# Market update

## Containerboard – Market Price and margins 2014-2019

**Testliner / Medium carton for corrugators in rolls (€/tonne)**



**Testliner / Medium and OCC spread (€/tonne)**



**While containerboard price has declined, the spread has stabilized**

## Q1-Q3 2019 – Key developments

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### Highlights

- Total revenues are equal to €339.8m as at September 30, 2019 (€328.4m excluding the impact of ex-Paper Group acquisition, now Tolentino Tissue)
- EBITDA adjusted amounted to €53.6m as at September 30, 2019 (EBITDA Normalized is equal to €70.3m, EBITDA Reported €14m including the €39.6m Antitrust fine).
- EBITDA Margin Normalized in the first nine months of 2019 is equal to 21%.

### Key operational elements

- Market conditions remained subdued in Q3, due to weak macroeconomic environment and lower market prices
- The Mantua plant (still idle) in the first nine months of 2019 had a negative EBITDA impact of €10.2m compared to €11m reported in H1. This is due to the renegotiation of Mantua plant gas penalty (€2.5m for each quarter Q2-Q3-Q4 – invoices credited).
- For the first time since 2008, Villa Lagarina paper mill was shut down in August for 5 weeks due to extraordinary maintenance work due every 10 years, with a negative EBITDA impact estimated in about €2.0m.
- Due to unfavorable market conditions, the Group took extra-down time during August in some key plants, with a negative EBITDA impact of about €4.5m.

### Financial Position

- Closed Q3 2019 with Net Financial Indebtedness of €460.2m.

## Q1-Q3 2019 – Key developments

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### AGCM fine

#### Update

- The Italian Competition Authority (AGCM) imposed cartel fines of €287m on 30 major corrugated companies.
- Pro-Gest collaborated with the authorities and as a result was charged a reduced fine of €47.5m.
- Company has appealed the fine with the support of a leading law firm and has requested a precautionary suspension of the payments
- On November 5, the AGCM granted the possibility to pay the fines in 20 monthly instalments of equal amount.
- On November 7, the Regional Administrative Court (TAR) suspended the payment of the fines despite the fact that the Italian Competition Authority had granted Pro-Gest and its affiliates, on the day prior to the hearing.
- A comprehensive compliance structure has been put in place to ensure that such an event does not repeat itself. Compliance process has been signed off by the AGCM as part of their verdict.

#### Next steps

- Next hearing on the merits of the case is scheduled for July 8, 2020.
- The suspension of payments is subject to a suitable guarantee equivalent to the amount of the fine which have to be presented within 60 days of the November 7.

## Q1-Q3 2019 – Key developments

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### Enviromental review of Mantua plant

#### Update

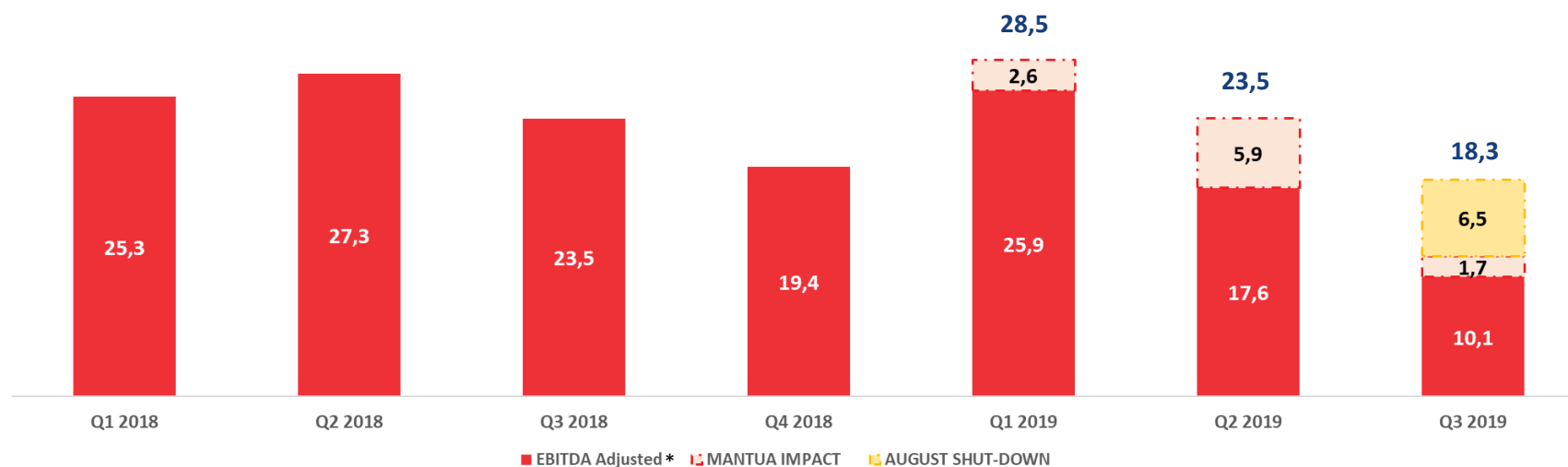
- Mantua mill commenced testing phase in early 2019.
- In mid-May 2019, the Province of Mantua issued an order for the immediate suspension of testing activities.
- Main concern for the Civil Society and the Municipality is the incineration plant (There is a single authorization for the mill and the incinerator).
- A preventive denial of the EIA was issued by the Province of Mantua on 11 October 2019
- Subsequently, Pro-Gest made a new proposal whereby it gave away the possibility to construct the incinerator in order to resolve the matter.
- On October 31, the Province of Mantua announced that the new proposal made by Pro-Gest could have "important and positive effects on the environmental impacts already assessed".
- On November 12, the technical documentation necessary to support the completion of the new assessments of environmental impacts and public health, was presented. All pending documents will be submitted by December 31.



# Q3 2019 – Results update

Results by quarter Q1 2018 – Q3 2019

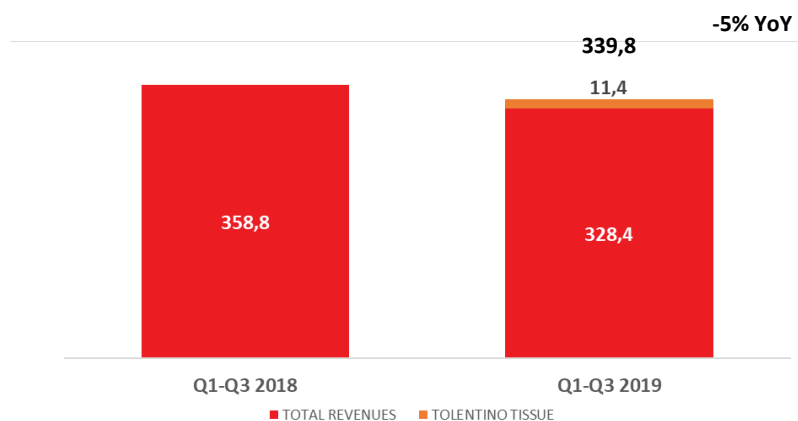
## Normalized EBITDA (€m)



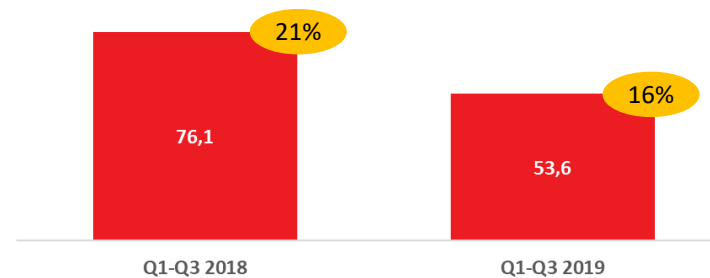
\* EBITDA Adjusted: EBITDA reported adjusted for provision related to AGCM Fine

## Q1-Q3 2019 – Results update

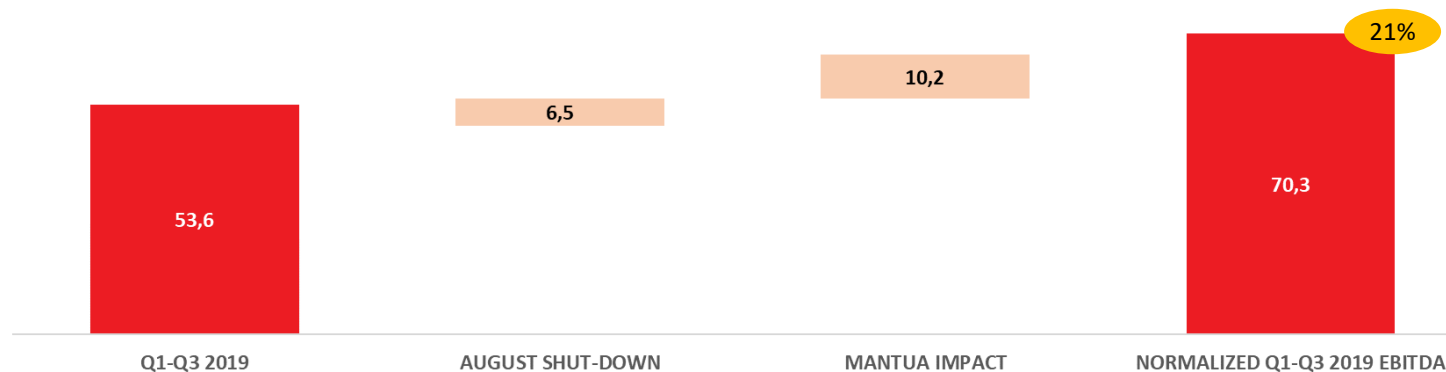
### Total Revenues (€m) and Var % YoY



### EBITDA Adj\* (€m) and EBITDA Adj %



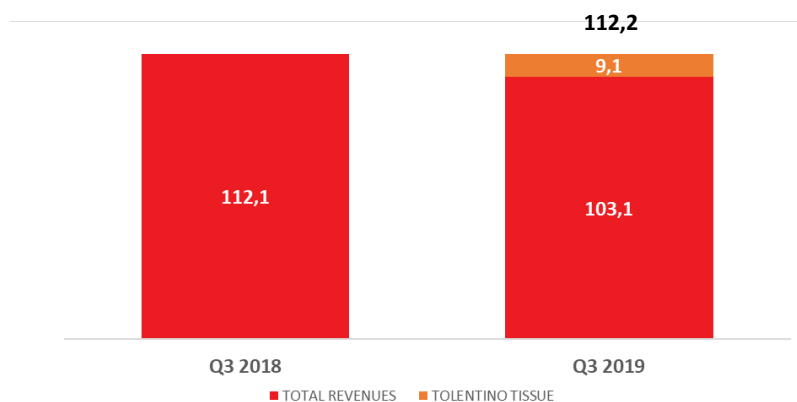
### Normalized EBITDA (€m)



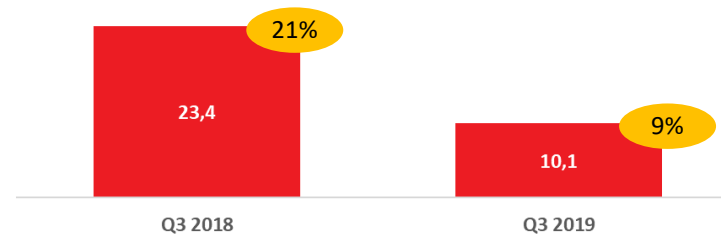
\* Not considering provision for AGCM Fine

## Q3 2019 – Results update

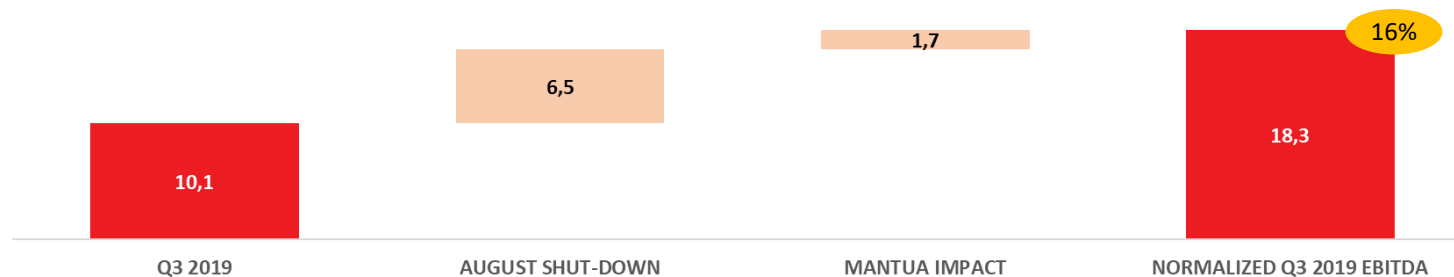
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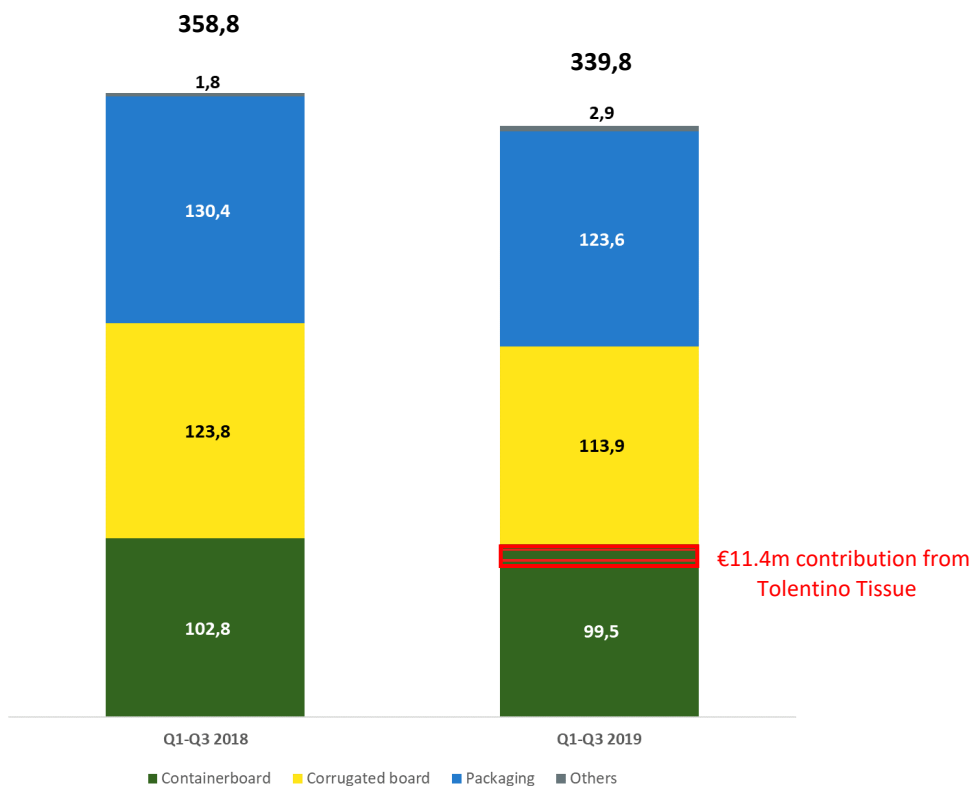
### Normalized EBITDA (€m)



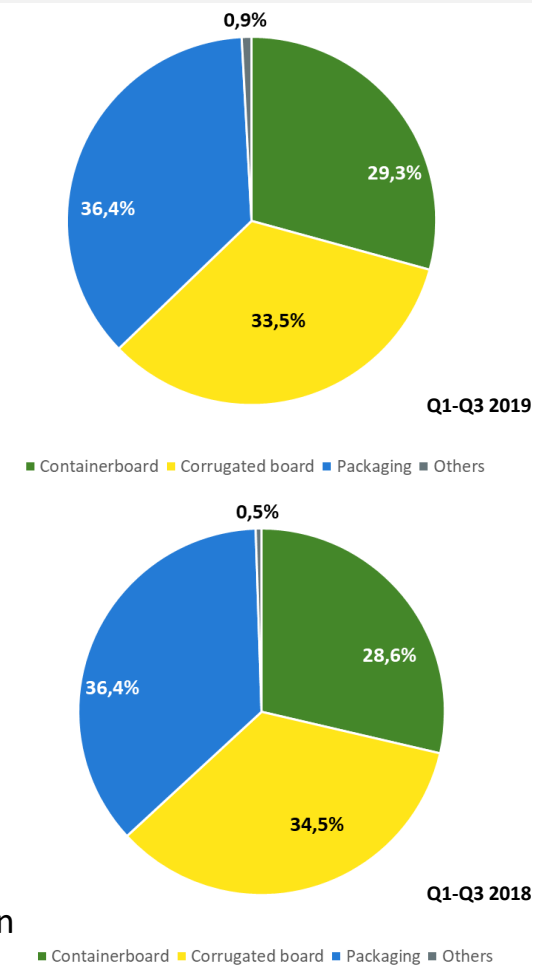
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# Q1-Q3 2019 - Revenues Performance

Total revenues (€m)



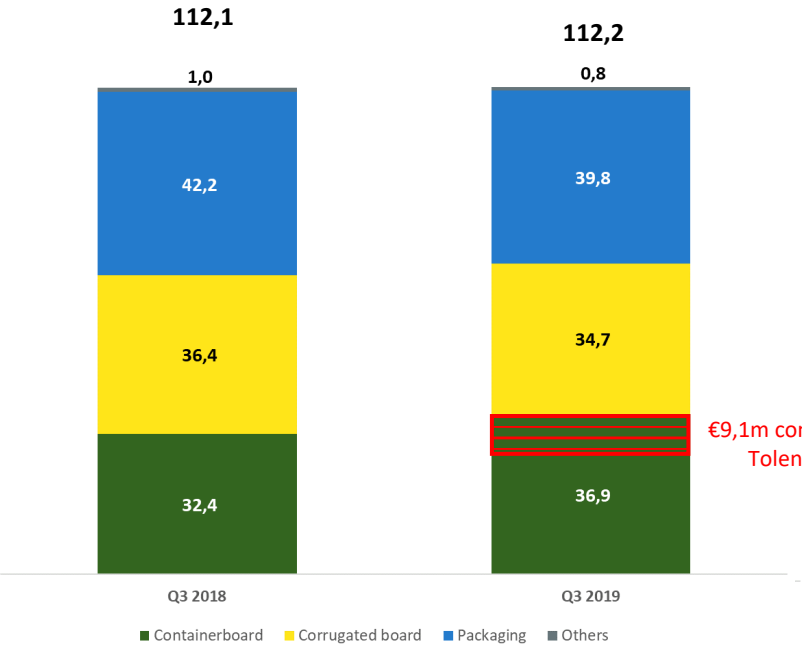
% by division



- Lower revenues reflective of lower paper prices compared to the same period in 2018.

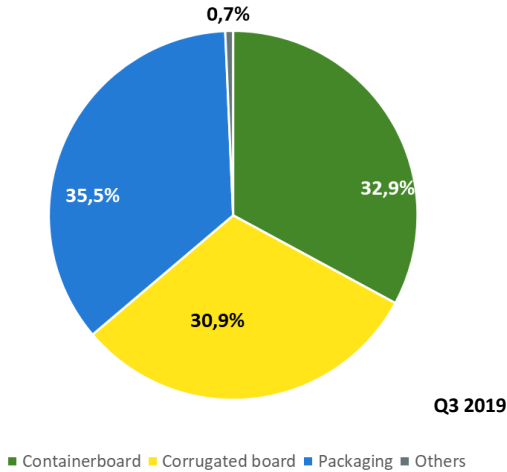
# Q3 2019 - Revenues Performance

Total revenues (€m)

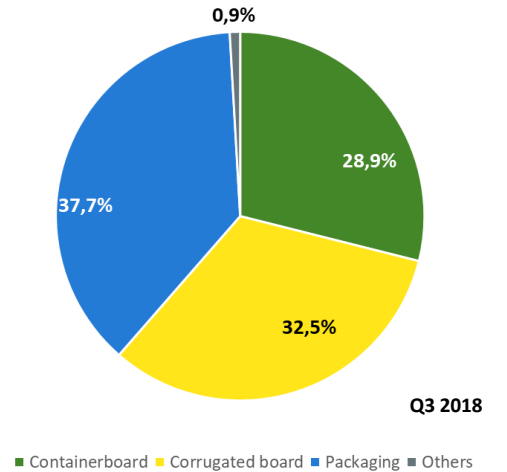


€9,1m contribution from Tolentino Tissue

% by division



Q3 2019

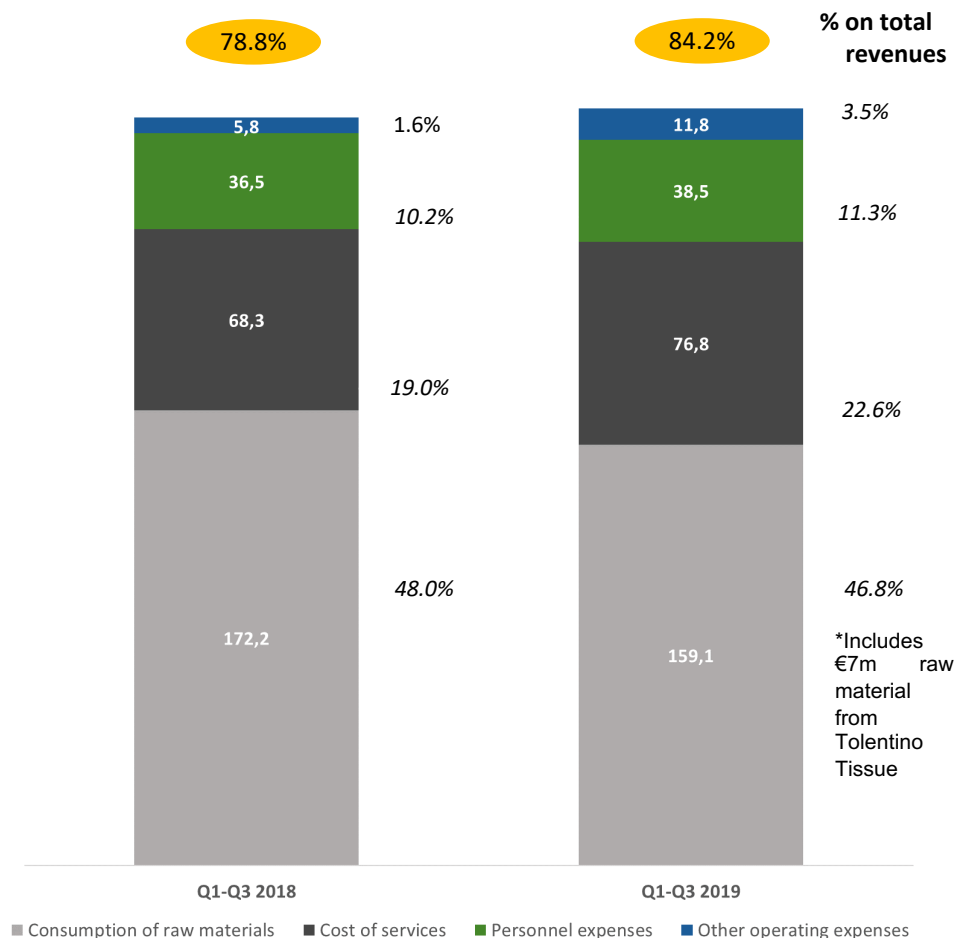


Q3 2018

■ Lower revenues reflective of lower paper prices compared to the same period in 2018.

## Q1-Q3 2019 – Cost structure

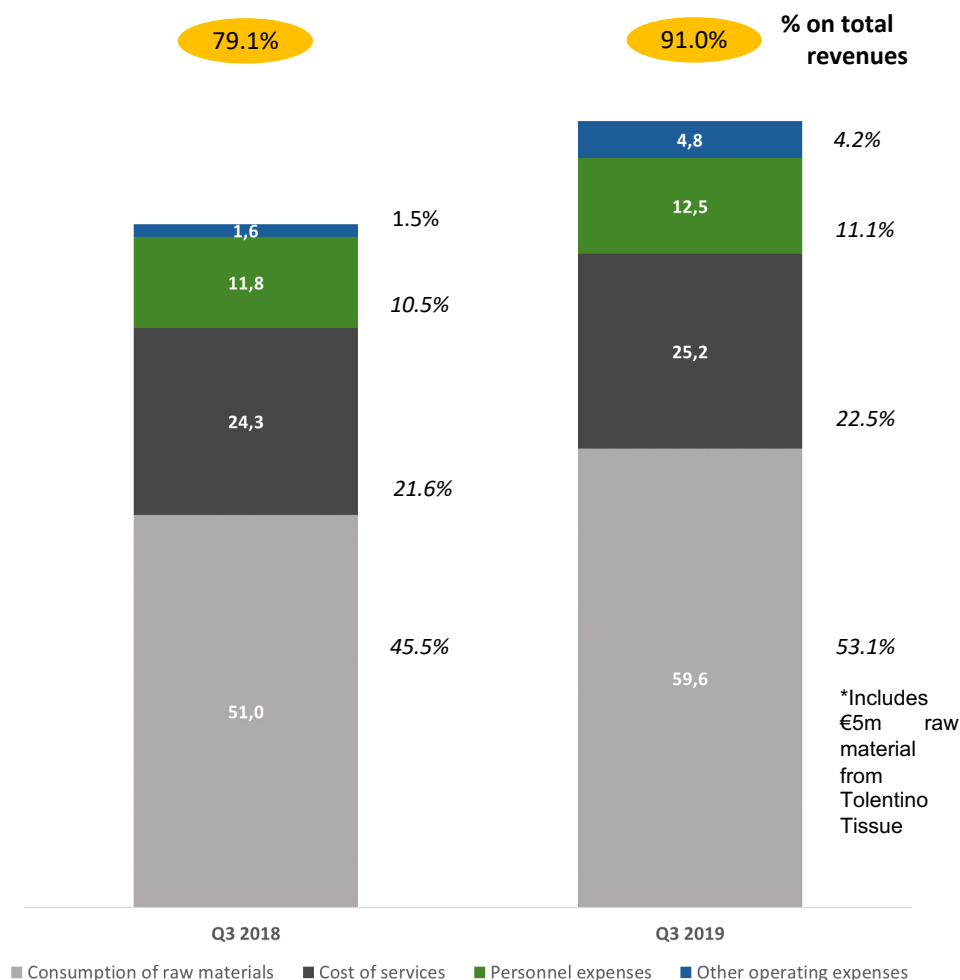
### Operating expenses evolution (€m, excluding D&A)



- The operating expenses, as percentage on total revenues, increased by 5.4% compared to Q1-Q3 2018.
- Consumption of raw materials:
  - ✓ equal to 46.8% on total revenues (compared to 48% in Q1-Q3 2018).
- Cost of services:
  - ✓ increased by €8.5m related mainly to €8.0m of Mantua plant costs (€1.0m in Q1-Q3 2018). They include also €2.0m for Tolentino Tissue (ex Papergroup plants).
- Personnel costs:
  - ✓ increased by €2.0m in Q1-Q3 2019. They include €1.2m for Tolentino Tissue Tech.
- Other operating expenses:
  - ✓ increased by €6.0m in Q1-Q3 2019 of which €2.6m related to emission costs and about €1.0m to Mantua plant (both not present in Q1-Q3 2018).

## Q3 2019 – Cost structure

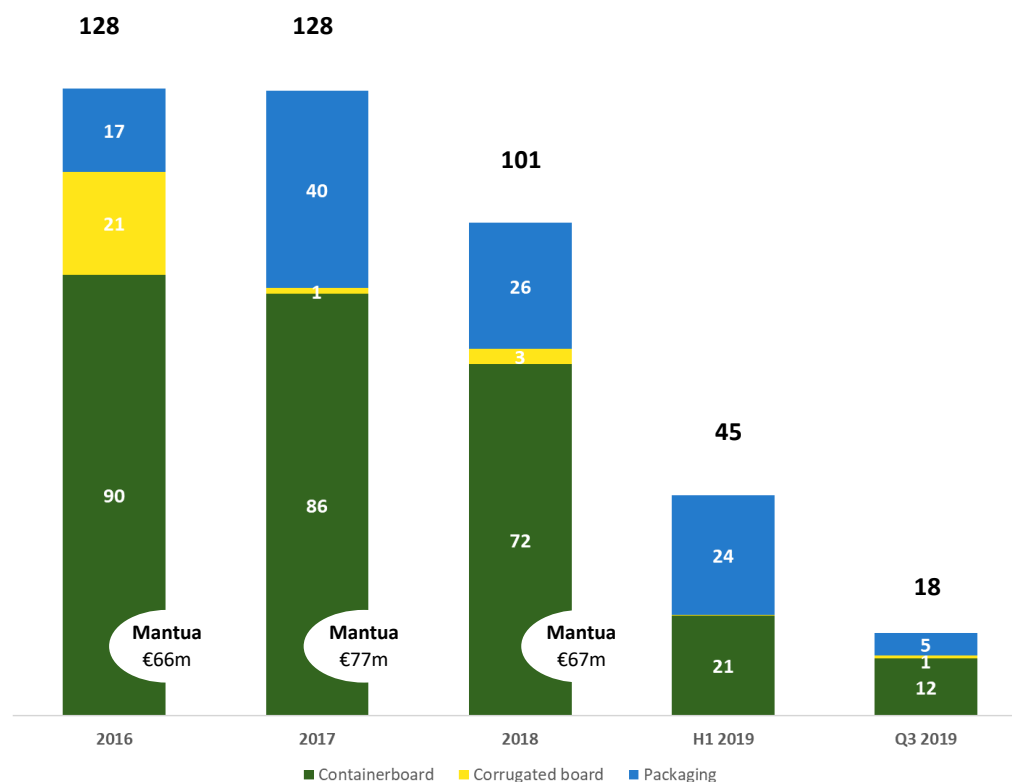
### Operating expenses evolution (€m, excluding D&A)



- The operating expenses, as percentage on total revenues, increased by 11.9% compared to Q3 2018.
- Consumption of raw materials:
  - ✓ equal to 53.1% on total revenues (compared to 45.5% in Q3 2018). This reflects the impact of Tolentino Tissue as well as the consumption of raw materials on prices fixed in Q2 2018.
- Cost of services:
  - ✓ increased by €0.9m in Q3 2019.
- Personnel costs:
  - ✓ increased by €0.7m in Q3 2019, included Tolentino Tissue.
- Other operating expenses:
  - ✓ increased by €3.2m in Q3 2019 of which €0.9m related to emission costs and about €1.0m to Mantua plant (both not present in Q3 2018).

# Breakdown of capital expenditure

## Expansion Capex (€m)



- Q3 2019 investments in containerboard concern mainly Villa Lagarina plant, almost €9.0m:
  - ✓ €4.6m cogeneration upgrade
  - ✓ €1.5m warehouse for recycling paper
  - ✓ €2.5m paper machine revamping
- The investments in the packaging sector (€5m) in Q3 2019 are mainly related to the extension offices in Group's headquarter and construction of a new factory in Grezzago (near Milan) for Cartonstrong.



## Q1-Q3 2019 – Cash flow

### EBITDA Adjusted to cash flow bridge

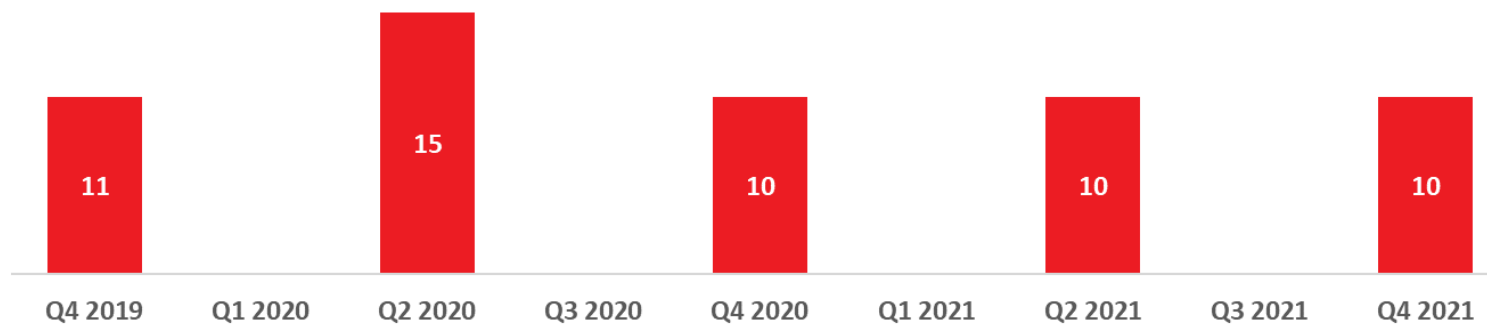
(€m)	Q1-Q3 2019	Q3 2019
<b>EBITDA ADJUSTED</b>	<b>53,6</b>	<b>10,1</b>
Change in working capital	(90,9)	(9,4)
<i>Inventory</i>	(28,9)	8,4
<i>Trade receivables</i>	(21,4)	(6,1)
<i>Trade payables</i>	(40,6)	(11,7)
Other cash flow items	(12,7)	(6,2)
<b>Operating cash flow</b>	<b>(50,0)</b>	<b>(5,5)</b>
Capex	(67,2)	(18,3)
<b>Cash flow after expansion capex</b>	<b>(117,2)</b>	<b>(23,8)</b>
Interests	(13,2)	(4,5)
<b>DECREASE (INCREASE) IN NFP</b>	<b>(130,5)</b>	<b>(28,4)</b>
<b>INITIAL NFP</b>	329,7	431,9
<b>FINAL NFP</b>	460,2	460,2
<b><i>Delta</i></b>	<b>130,5</b>	<b>28,4</b>

Cash at 30.09 was equal to €60.3m.

# Debts repayment

## Reimbursement

### Bonds (€m)



### Long term loans (€m)

