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Informazione Regolamentata n. 2053-26-2020	Data/Ora Ricezione 10 Dicembre 2020 20:22:10	---
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<i>Testo del comunicato</i>

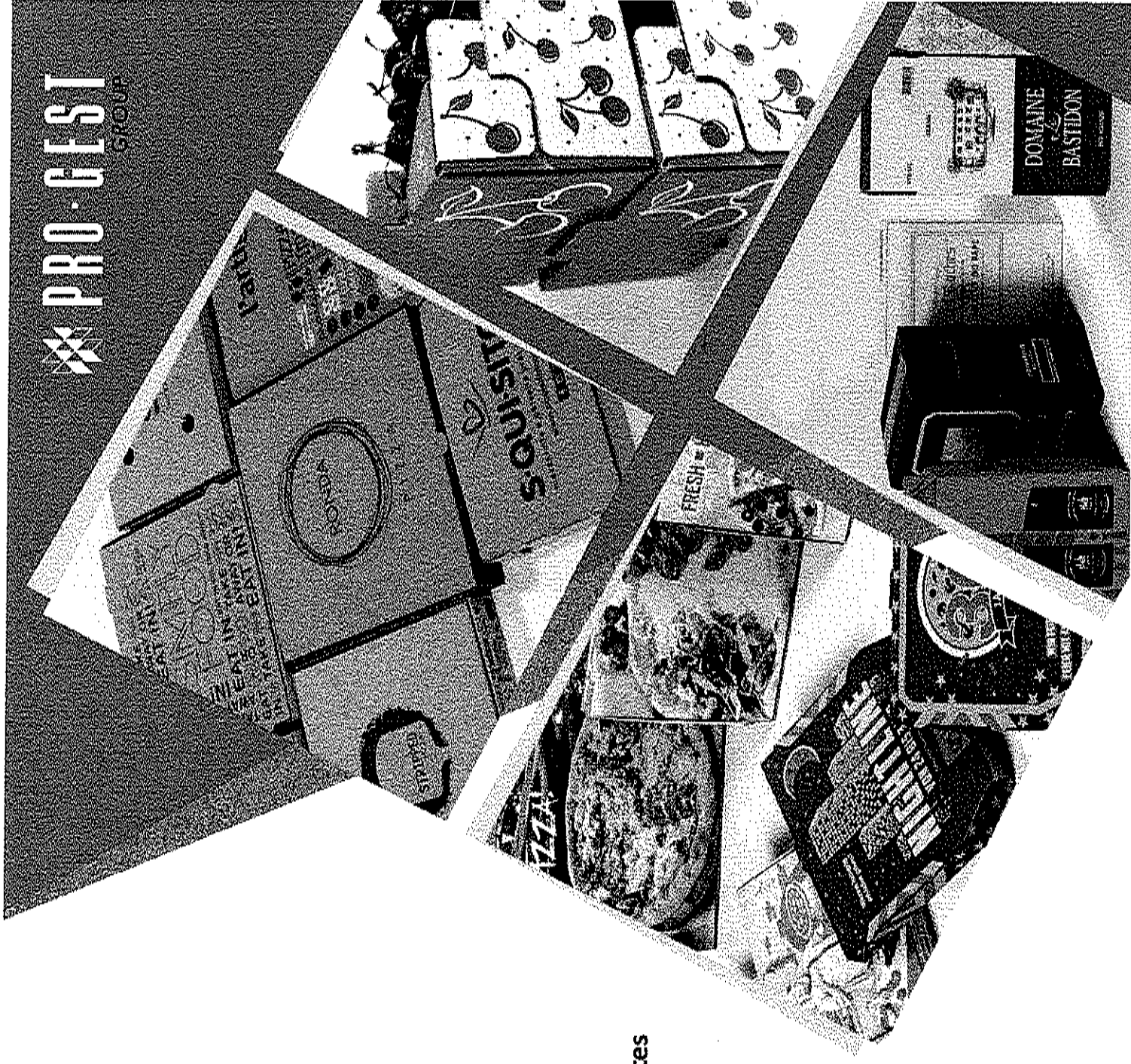
Vedi allegato.

11 December 2020

PRO-GEST

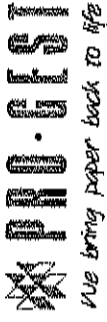
INVESTOR PRESENTATION

- 1) Business Update
- 2) Q3 2020 Financial update
- 3) New Private Placement Notes



PRO-GEST
GROUP

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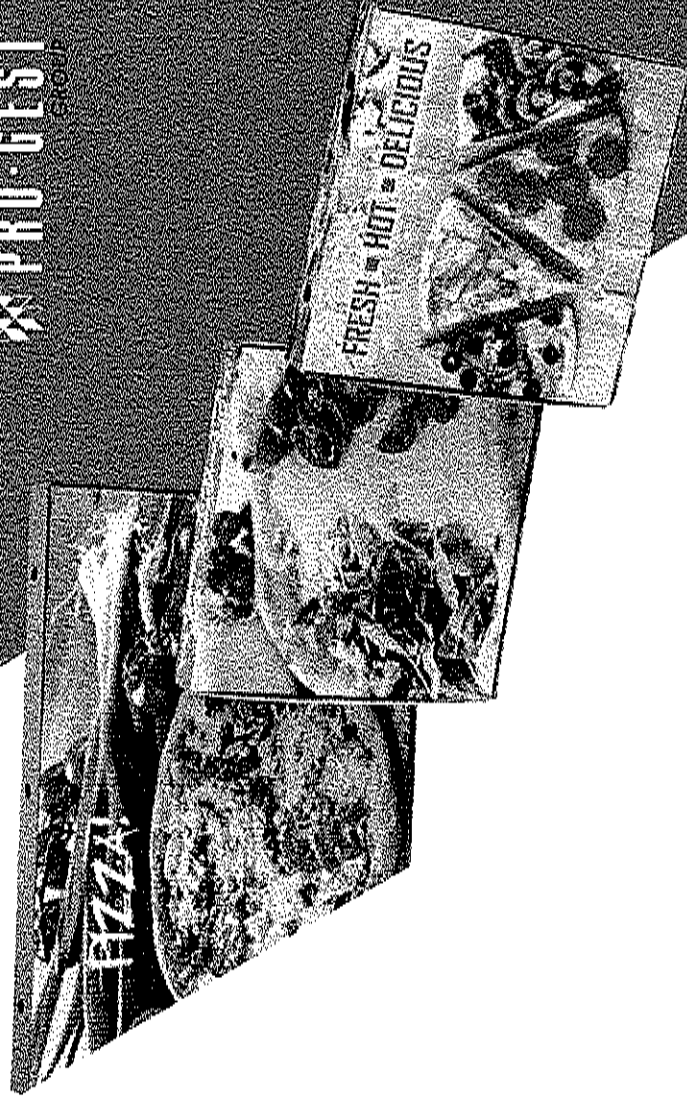
Our agenda for today

1 Business update

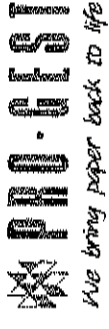
2 Q3 2020 Financial update

3 New Private Placement Notes

PRO-CES



Key business updates



Positive outlook for the Italian corrugated packaging industry, despite Covid-19, backed by favourable secular growth trends (e.g. e-commerce, demand for sustainable packaging)



Improving recent market trends observed post H1 2020, including recovering containerboard prices



Pro-Gest is well positioned for the next growth phase – completed an investment cycle of over €500m and restarted Mantova in November 2020



Pro-Gest strengthened the management team



Business Plan 2020-2024 expected sustained growth

Positive industry outlook, despite Covid-19, backed by favourable secular growth trends



Italian containerboard market

(m tons, 2019)



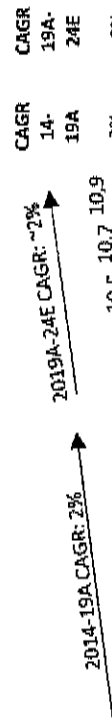
Italian corrugated board production

(m tons, 2019)



Italian paper-based packaging market

(m tons, 2019)



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Favourable trends



Growing consumption



E-commerce growth

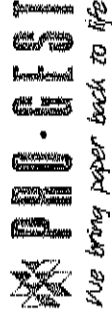


Substitution of plastics

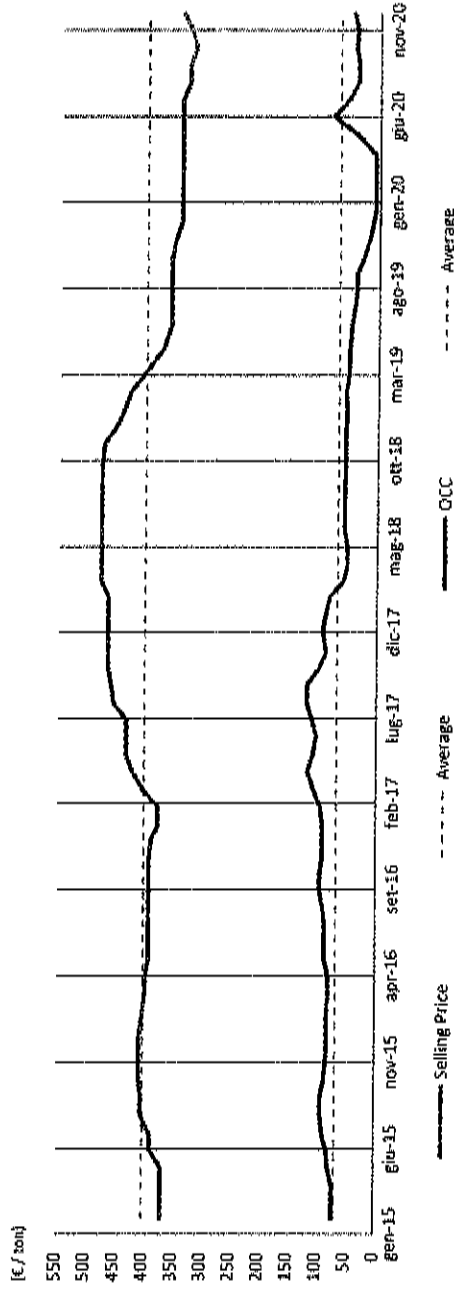


Growth of the discount retailers (example, Aldi, Lidl)

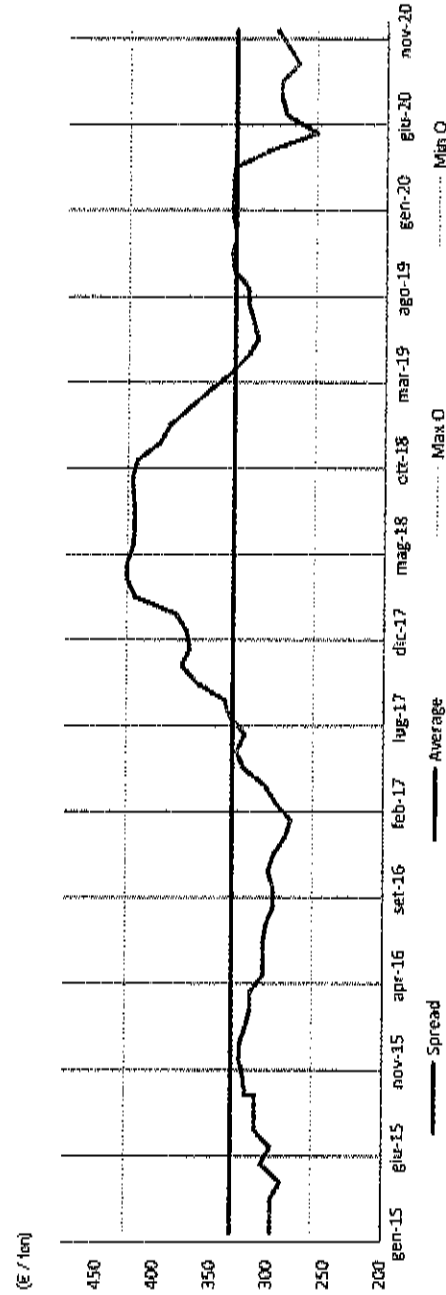
Italian testliner and medium prices showing signs of recovery



Testliner / Medium selling price⁽¹⁾ and Cost of recycled paper (OCC)⁽²⁾ evolution



Spread



Source: Chamber of Commerce in Milan.

(1) Testliner and medium

(2) Calculated as an average of cost for Italian paper and cardboard (50%) and prices for Italian cardboard (50%).

Key highlights

Selling price

- Camera di Commercio data shows an improving trend in testliner and medium prices in October and November
- Consistent with price increases announced by the major European players (Example Smurfit Kappa announced €50/ton testliner price increase in €ope effective 1 October)

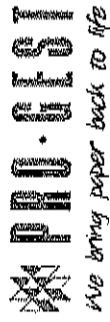
Cost of recycled paper

- Prices have declined after the Covid-19 related spike in H1 2020 (due to lower collections)

Spread

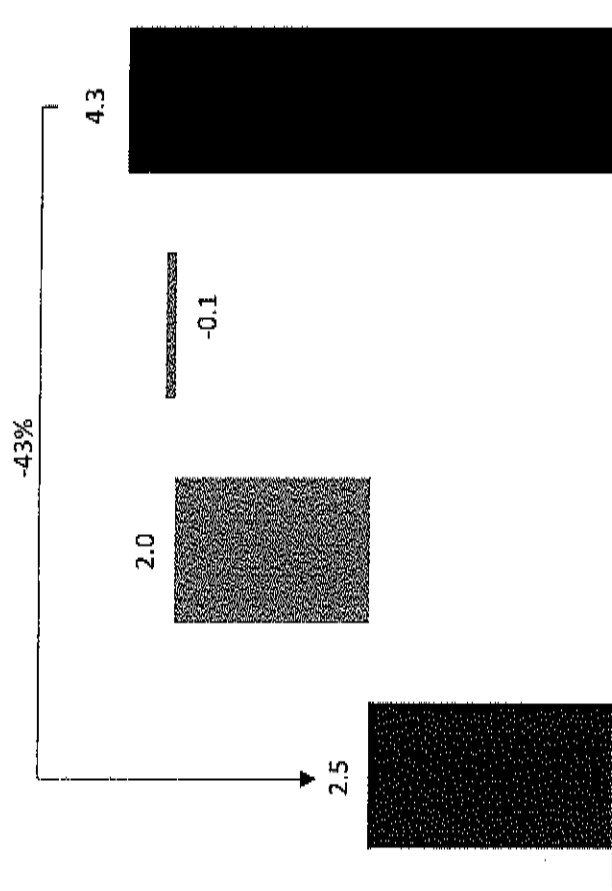
- Spread is improving from the lows of May 2020 (€297/ton in November 2020)

Attractive market: Italy is net importer of containerboard



Italy has a capacity gap vs. local demand

Italian containerboard supply vs. demand
(Mt Tons, 2019)



Highlights

- Italian containerboard domestic supply covers about **half of demand**
- The gap is filled by imports of approximately **2m tons**
- Imports partially include also kraft-based paper
- Imports expected to decrease due to new capacity coming online during 2020/21, including Pro-Gest's Mantova paper mill

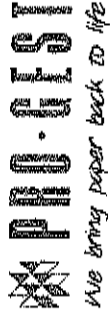
	Production	Import	Export	Demand
Avg. €/Ton		474	369	
2018-2019 volume growth	1.2%	0.2%	2.2%	0.7%

Avg. €/Ton
2018-2019 volume growth

Source: Third-party reports.

Imports have a higher average price per ton as they also include kraft-based paper (virgin)

Italy's leading recycled paper packaging company. Well positioned for the next growth phase



Pro-Gest is one of the few vertically integrated paper packaging producers in Italy

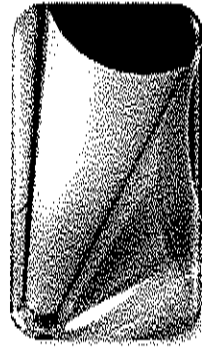
Recycling



- Collects and recycles 31kt⁽³⁾ of paper for recycling

5 recycling facilities

Containerboard



- Produces 600kt⁽³⁾, including 40kt tissue (100kt tissue including Papergroup's acquired assets)
- Capacity of over 1mt including Mantova

8 containerboard and 1 tissue converting facilities

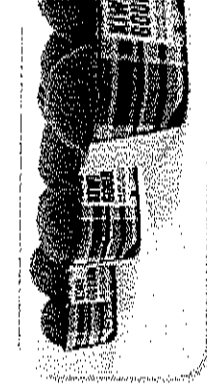
Corrugated Board



- Produces 653m sqm⁽³⁾ of corrugated cardboard

6 corrugator facilities

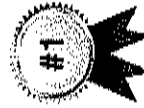
Packaging



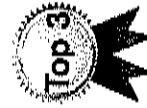
- Produces 288m sqm⁽³⁾ corrugated packaging servicing various end markets

8 corrugated packaging and 1 shopping bag production facilities

Market leadership in Italy

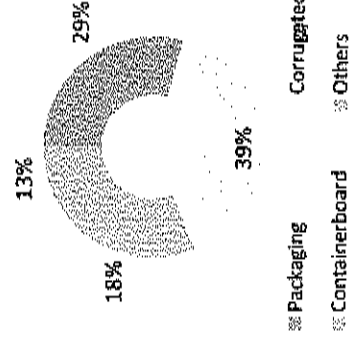


in Containerboard – c.23% market share (estimated about 28% market share, assuming Mantova at full capacity and considering new plants of other competitors)



in Corrugated board and Packaging – c.15% market share

Revenue by segment⁽¹⁾



Source: Group information.

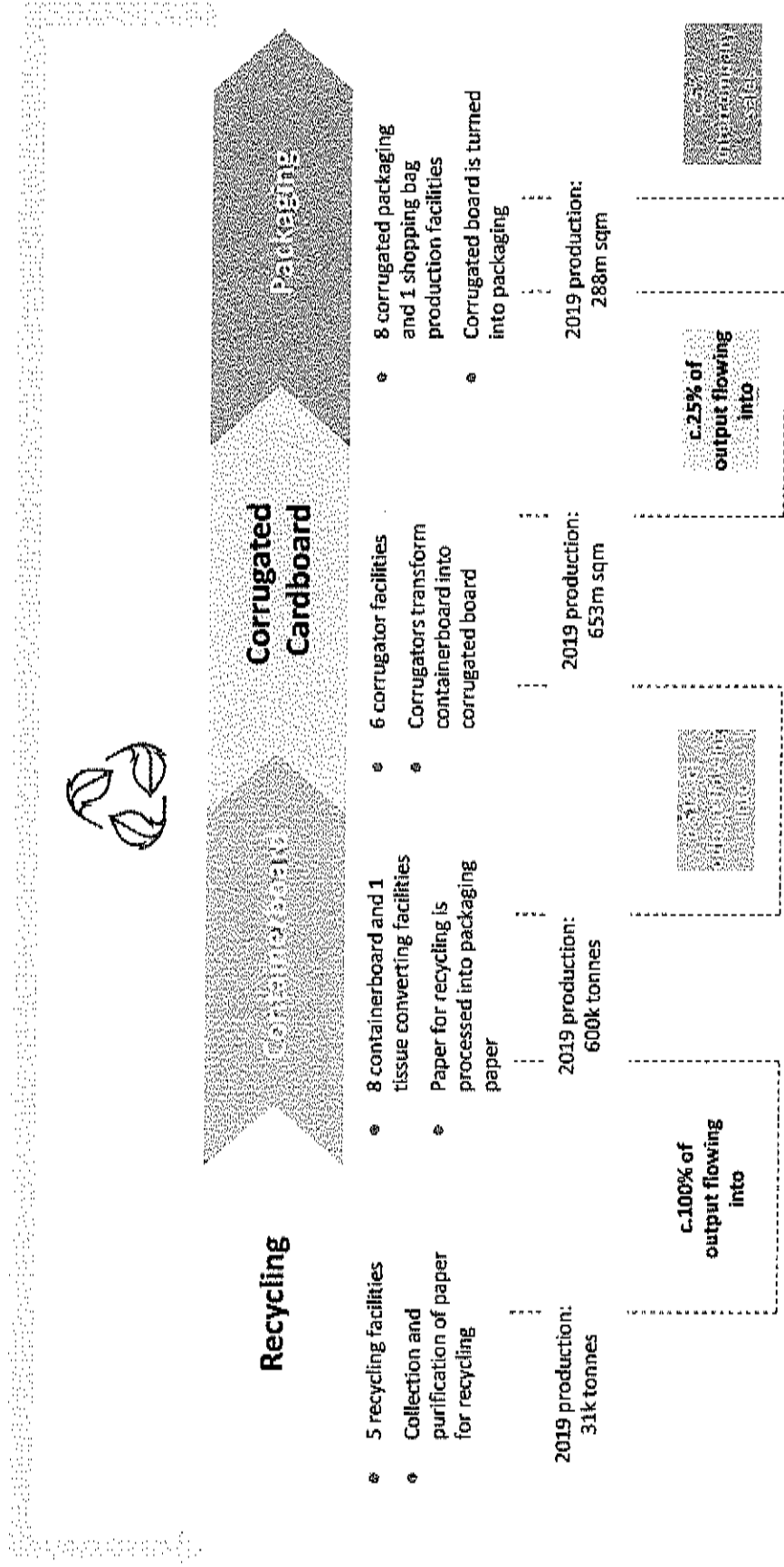
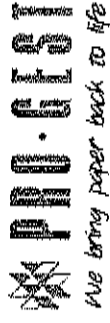
(1) Expressed as a percentage of our total revenues and other income on a consolidated basis gross of Intragroup eliminations – represents FY2019A.

(2) Includes revenues from recycling operations and other income.

(3) FY2019.



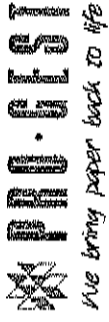
Vertically integrated business model with a full life-cycle offering: recycling to packaging



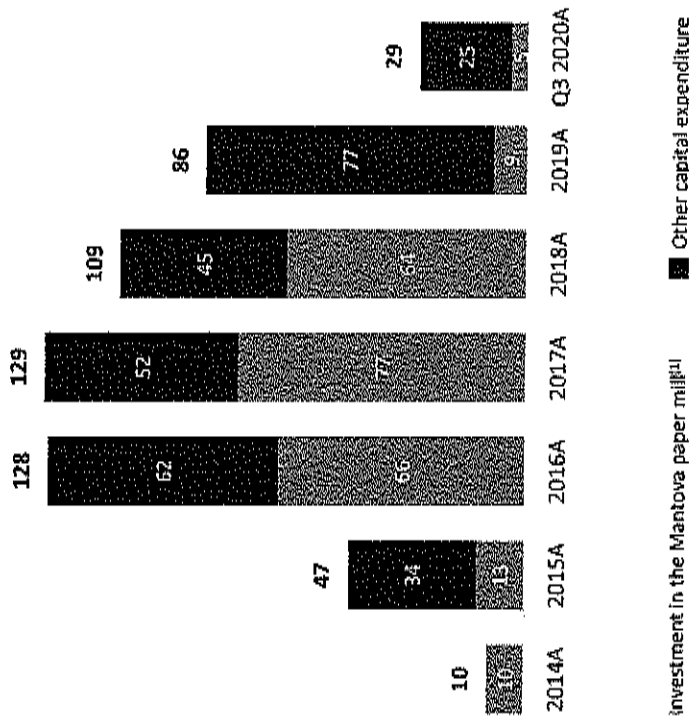
Source: Group information.
 Note: Calculations are based on % of inter-company vs. third party sales.

Vertically integrated business model allowing to reduce costs across the production chain as well as mitigate impact of changes in raw material prices

Completed an investment cycle of €500m+ including acquisitions



Tangible asset capex (€m)

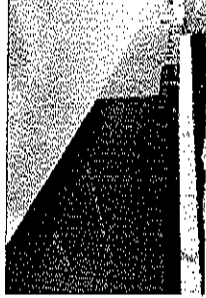


• Total tangible capex for the development of the Mantova site of €232m between 2015 and 9M 2020

Source: Group information.
 Note: The financial information for the year ended December 31, 2014 has not been audited.
 Figures net of divestments at the Mantova site, 10m to be spent in 2020 and 2021 as agreed with the authorities in Mantova and as part of the authorisation obtained.

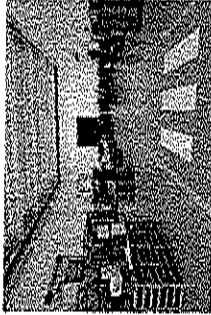
State of the art facilities (selected investments)

Grezzago facility



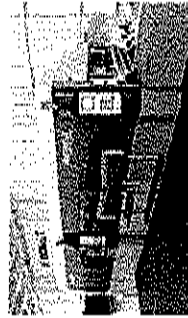
- ✓ State of the art facility – 50,000 sqm. Strategically located near the A4 highway, close to Milan
- ✓ Brand new Fosber corrugator – speed of 450 meters / minute, which will drive productivity improvements
- ✓ 25 sqm of heated floor warehouse to maintain product quality
- ✓ Energy self-sufficient with a new co-gen plant
- ✓ This project will release the Monza facility, a prime real estate, which will be put for sale in 2020/2021
- ✓ To be completed in 2020

€26m investment in Modugno



- ✓ Production facility of 31,000 m² in Modugno (Bari)
- ✓ High graphic and quality standards thanks to advanced computer controlled production lines and latest generation printing technology
- ✓ The technological improvement will allow greater use of recycled raw materials

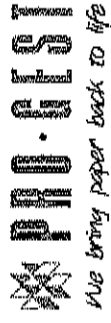
Maximising pizza box production through 3 Bobst machines at Trevikart



- ✓ Fully automated production process
- ✓ Key innovations include a width of 2,1 m, 7,000 die-cut sheets per hour (2x the previous generation) and Power Register, a system which allows a greater accuracy

Material decline in capex expected going forward

Ramp-up of the brand new Mantova mill commenced in November 2020



Key stats

240⁽¹⁾ Investment €m

450,000

Production capacity
tonnes per year



Brand new Valmet machine (OptiConcept M) fully automated with mill-wide Valmet DNA

550,000⁽²⁾ Facility surface sqm

7.6

Width
meters



Will focus on premium light-weight paper (kraft-top-liner and wellenstoff HP) - offers an alternative solution to virgin fiber (kraftliner), which is imported to Italy



Reduce energy consumption by approximately one third when compared to a traditional mill

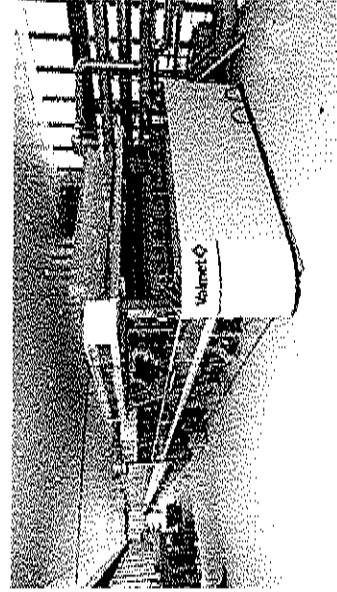
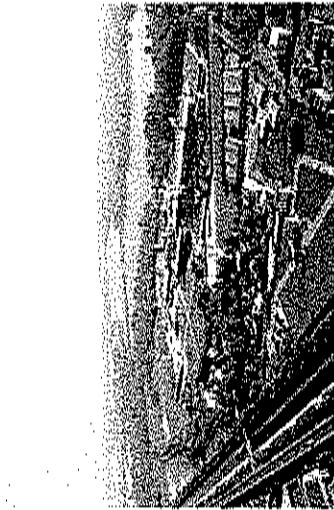
70 - 160 Specialty grades gr/sqm

2021/2022

Full ramp-up
year



Strategically located with close proximity to key industrial hubs in Italy

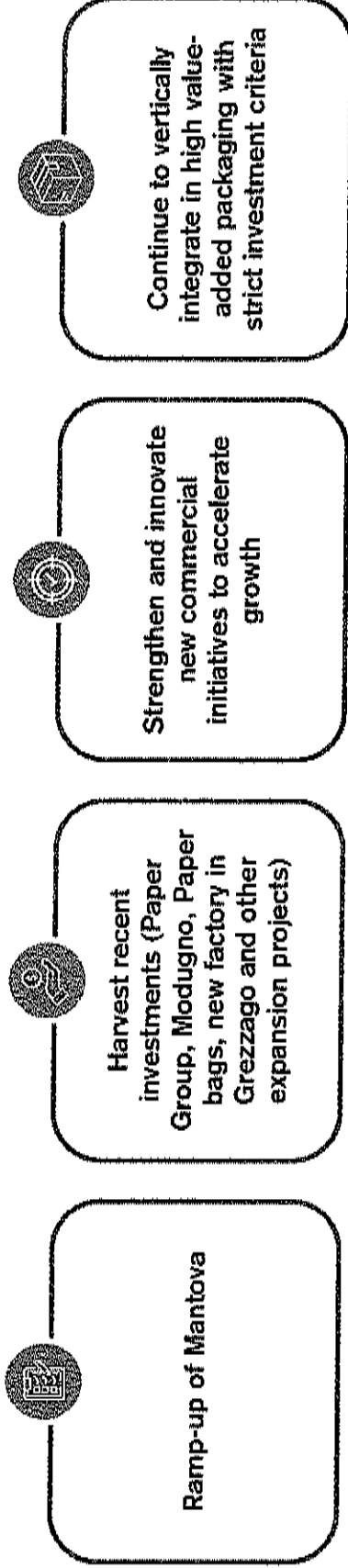


Source: Group Information and Management Business Plan.
 (1) Figure gross of disbursements at the Mantova site.
 (2) Of which 100,000sqm is covered.

Pro-Gest overall: well-defined and focused strategy for the future



Key strategic priorities



Underlying principles

Entrepreneurial organisation and state of the art technology to support competitive edge vis-à-vis other market players

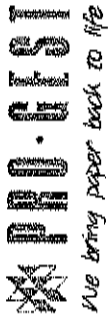


Environmental and sustainability focus



Business principles aligned to core family values and new market requirements

Pro-Gest has strengthened its executive team



New strategic hires and future management roles



Silvano Storer
Pro-Gest Board Member and Business
Plan Implementation Manager

50


- Joined the Group in January 2020 as Financial and Planning Advisor of the Board
- Responsible for running operations and strategy
- Previously CEO of Benetton Sports System and Marzotto



Paolo Fregolent
Group CFO and IT manager

12

- Appointed as Administrative Coordination Manager in January 2020 and responsible for the financial reporting
- Served previously as Managing Director and Group CFO at Mezzalana Investment Group and Eat's Italia
- Worked as Investment Manager at Nordest Merchant NEM Sgr for 15 years

 Years in the industry

In addition, in the coming months, ProGest will be broadening its Board of Directors from the current 5 to 9 members, including the nomination of two independent board members



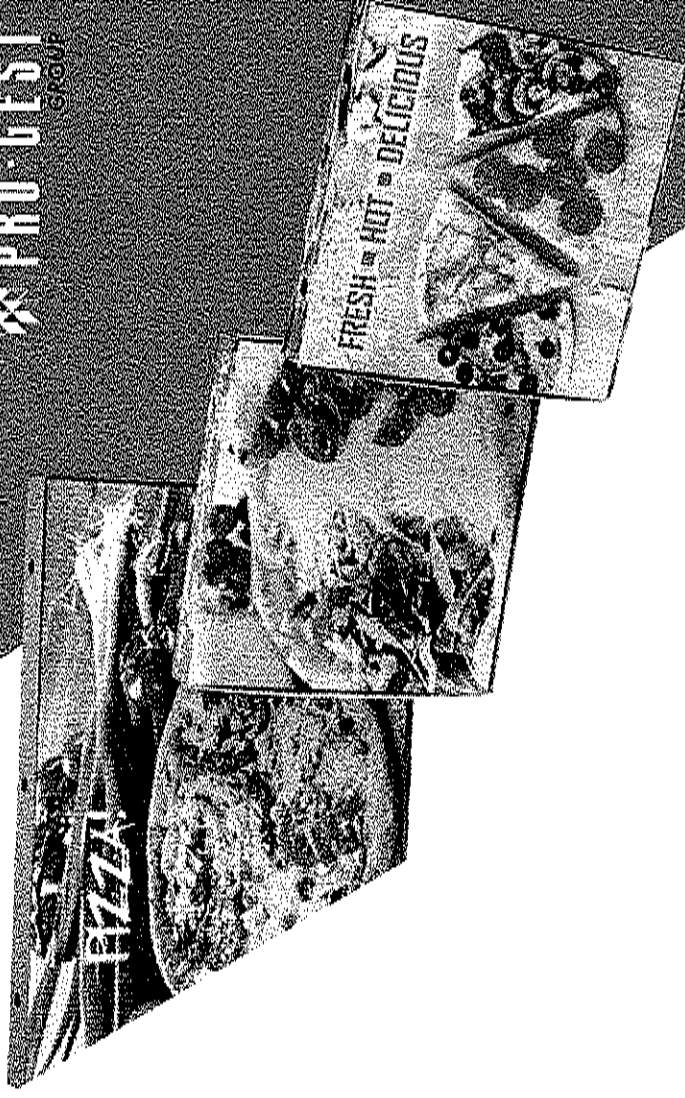
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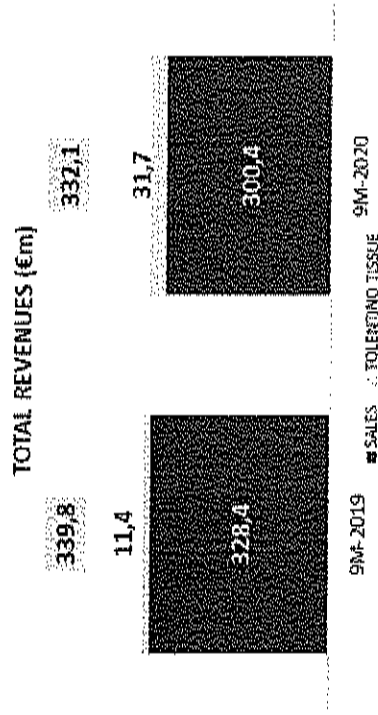
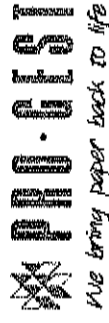


Q3-2020 Executive summary

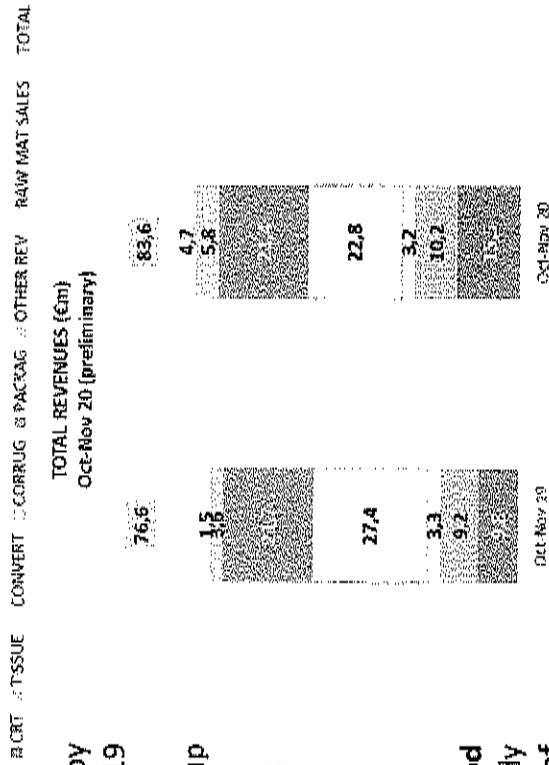
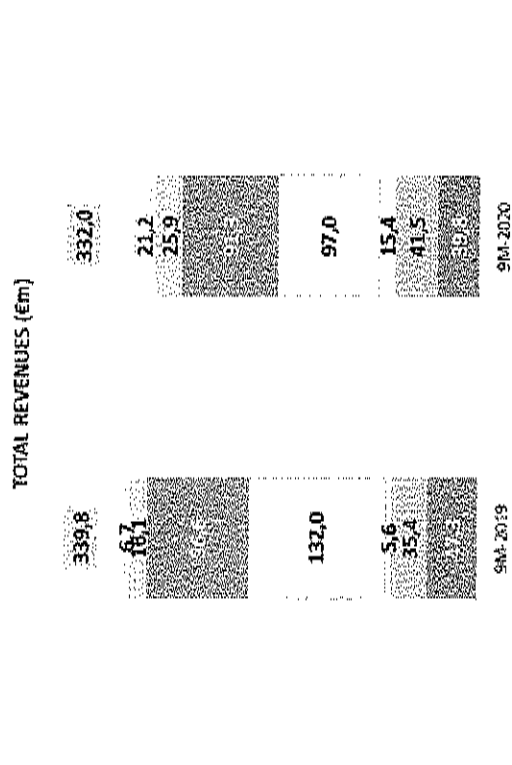


- The Covid-19 during 2020 has changed all the world economic scenarios.
- Since Pro-Gest operates in a strategic industry (food and beverage) which is resilient, in this contest, to strong impacts, only some slowdown of the production activity happened in Q2 and Q3.
- The Q3-2020 YTD income statement results are as follows:
 - Total sales equal to €332,1m (-2,3% vs LY)
 - EBITDA adjusted equal to **€58,2m (17,5% on total sales and +8,6% vs same period of LY)**
 - Net income equal to €17,5m (+ €47,3m vs same period of LY which included the negative effect relating to the AGCM fine 2019 provision equal to €39,5m)
- Relating to **Q3-2020 balance sheet items** the main changes are:
 - **Working capital:** no receivable insolvencies; no payment delay from the customers; **all our suppliers, all the expected debts towards banking institutions as well as all the other debts (social security, tax, etc.) paid regularly;** consequently total WC is equal to €185,0m (vs €193,4m as at the end of 2019; the working capital % on sales slightly reduced from 43,1% to 41,9%)
 - **Capex:** equal to €28,6m (vs €62,0m of the same period of LY), confirming the change in capex strategy aiming at reducing investments
 - **NFP:** Net Financial Position equal to € 442,3 (vs € 465,9 mil as at the end of 2019)
- **Mantova:** the plant of Mantova obtained **all the authorizations and permits to produce and restarted all its activities on November, 23 2020;** turnover of November equal to almost about € 1 mil recorded in the first days of trials.
- **AGCM:** AGCM: The fines levied by the AGCM have been challenged by Pro-gest Group requesting the annulment or reduction of them. Pro-gest Group has been granted by the AGCM the possibility to pay the €45m fine (residual amount after considering the €2,4m instalment prudentially paid last February) in 30 monthly instalments. The decision on the merits of the case is currently expected by the TAR after the hearing scheduled for the next March 10, 2021. Meanwhile, **Pro-Gest Group will not be required to pay any instalment until that decision and it has not been required to issue any guarantee in favor of the AGCM**

Financials Q3-20 – Revenues details



- Q3-2020 YTD revenues are equal to €332,1m (vs €339,8m in the same period of LY with a decrease equal to -2,3%)
- Main changes on sales compared to LY are due to:
 - LFL sales of paper mills, corrugators and packaging affected by reduction mainly of prices and some volumes coming from Covid-19 emergency and the consequent market consumption slowdown
 - Tolentino sales equal to €31,7m (vs €11,4m of 2019) due to ramp-up of the plant acquired in mid 2019
 - Other revenues (€25,9m vs €16,1m of '19); main changes are due to:
 - €8,2m of capital gains (Voghera e Carbonera)
 - €3,2m of insurance reimbursement
 - Raw material/comieco sales (€10,2 vs €6,2m of 2019)

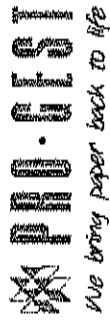


- Overall market conditions are improving significantly in Oct-Nov period (increase of prices and volumes, creating positive impact on sales, mainly of paper mills). Management believes that this trend is the beginning of a potential recovery, in the near term, of the prices and the quantities.

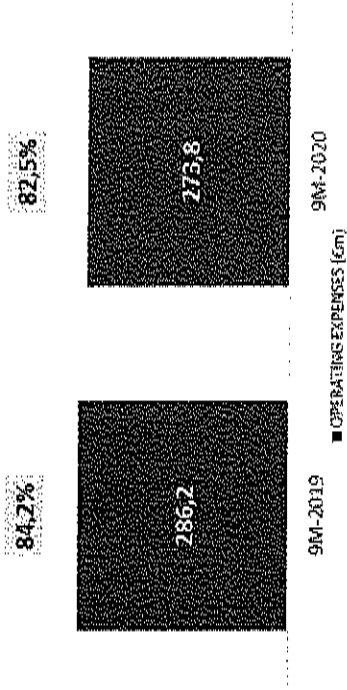
Legend: PAPER, CORRUG, OTHER REV, RAW MAT SALES, TOTAL



Financials Q3-20 – Opex details



OPERATING EXPENSES (€m, excluding D&A) and % on revenues



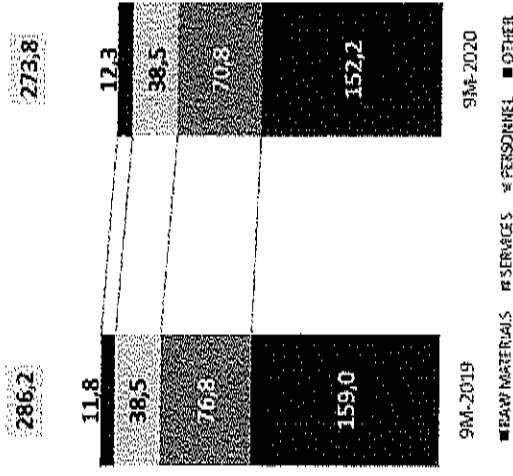
Q3-2020 YTD operating expenses are equal to €273,8m (vs €286,2m in the same period of LY for a decrease of -4,3%) with a 1,7% improvement on % of revenues (from 84,2% to 82,5%), which confirms **capability of the Group to adequate costs to the sales trend**

As mentioned above, the consumption of raw material and gas improved vs LY (from 46,8% to 45,8% on revenues) thanks to low raw material prices, aggressive purchasing negotiations and the positive effect coming from new agreements with the gas suppliers (in the first nine months of 2020 this effect is estimated in about €8,8m)

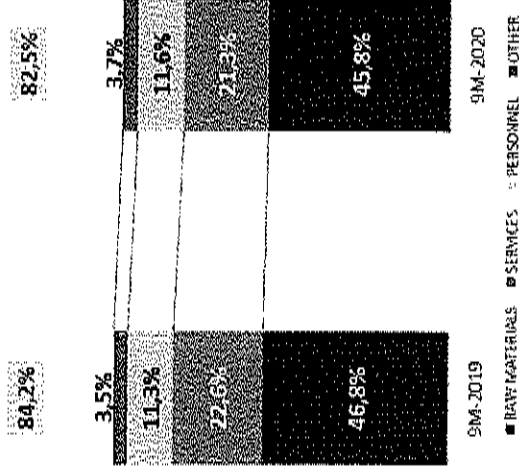
Relating to “services”, management continued its cost-cutting activity exploiting its market competitiveness

Labour cost is substantially stable in value vs LY

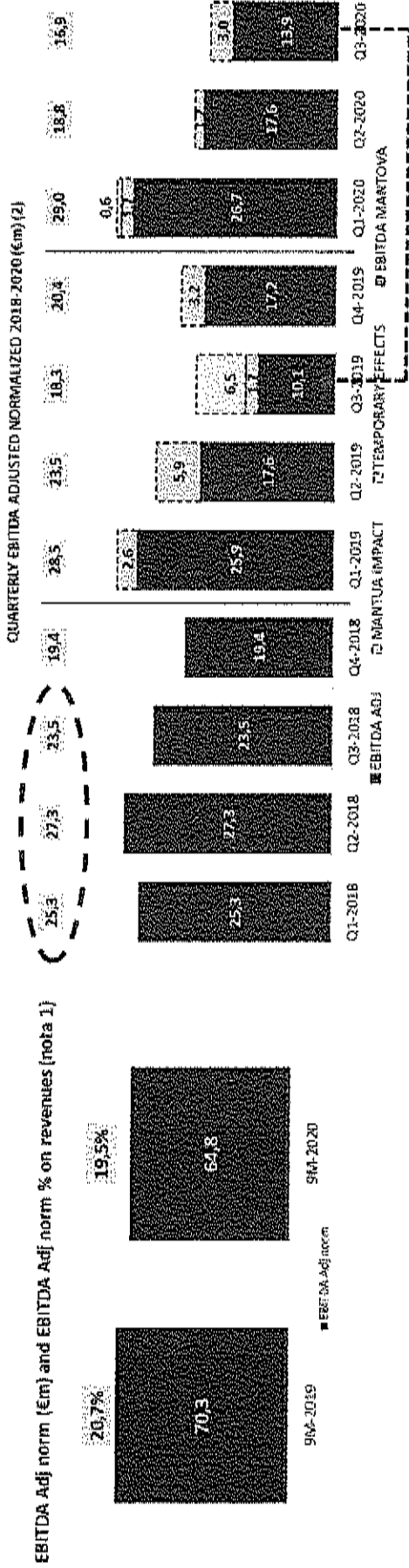
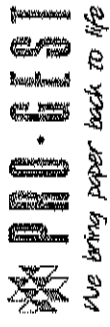
OPERATING EXPENSES EVOLUTION (€m, excluding D&A)



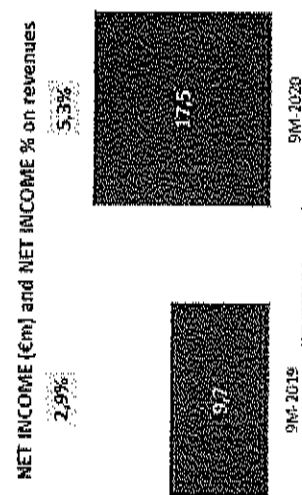
OPERATING EXPENSES EVOLUTION (excluding D&A) % on revenues



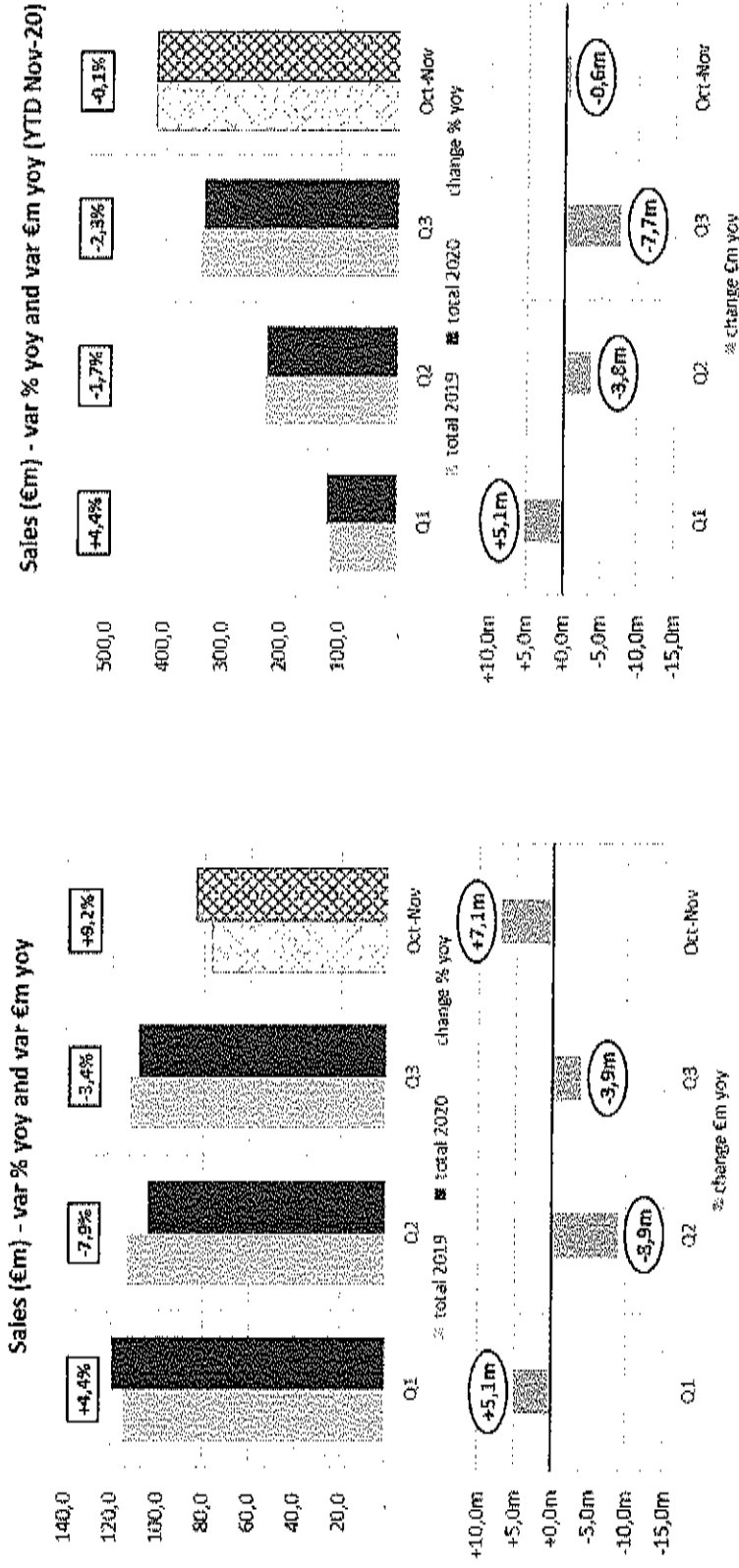
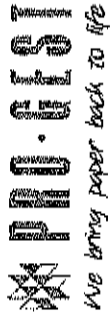
Financials Q3-20 – EBITDA by quarter



- EBITDA normalized (1) is equal to €64,8m in Q3-2020 YTD (19,5% as a % on revenues) vs €70,3m of LY (20,7% as a % on revenues); excluding Mantova costs and Villa Lagarina shutdown impacts
- EBITDA adjusted is equal to €58,2m (19,0% on revenues) vs €53,6m of LY (16,6% on revenues); the 2020 EBITDA is influenced by the Q1 capital gains relating to the sale of a machinery owned by ex Cartiera di Voghera (€2,9m) and to the real estate sale made by Cartiera di Carbonera S.p.A. (€5,4m).
- The Q3-2020 YTD EBITDA confirms that, even if we are fronting a Covid-19 emergency scenario and a low level of selling prices, the **Group and its management have been able to protect and improve the profitability**, adequating costs/plants efficiency to the sales trend
- **the Q3-20 EBITDA adjusted is equal to €13,8m vs €10,1m of the same**
- The graph on the right shows the net income in Q3-2020 YTD (equal to €17,5m) vs net income of the same period of LY (equal to €9,7m adjusted), recalculated excluding AGCM 2019 provisions set aside equal to €39,5m (net income reported is equal to -€29,8m)

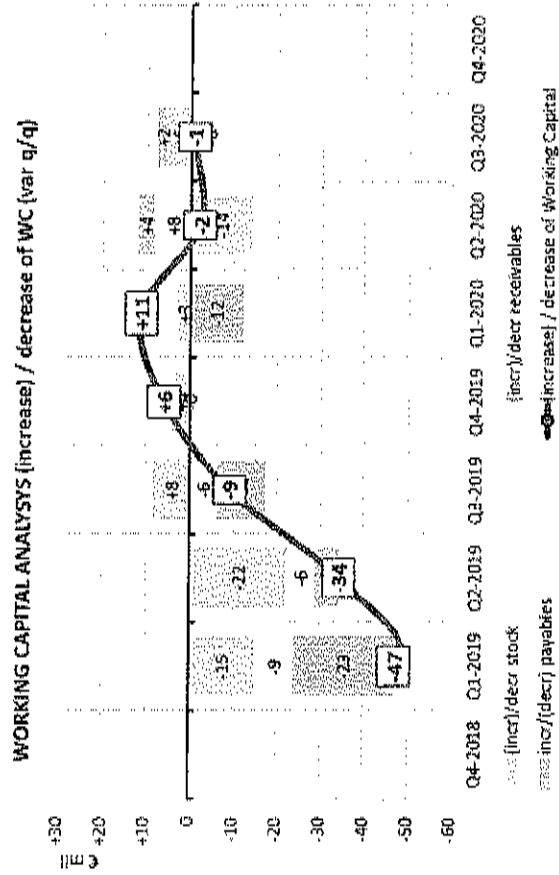
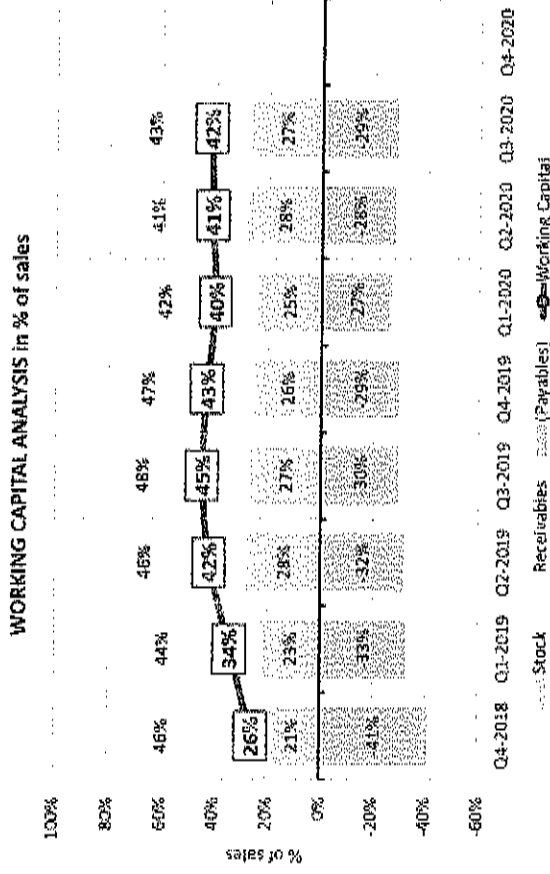
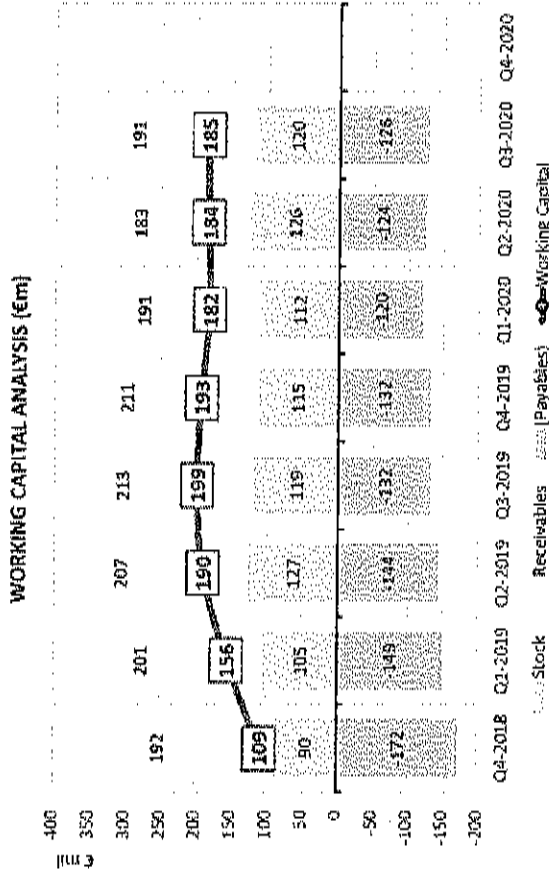
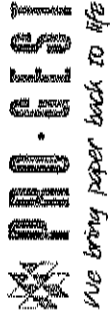


Financials Q3-20 – Focus on COVID impact



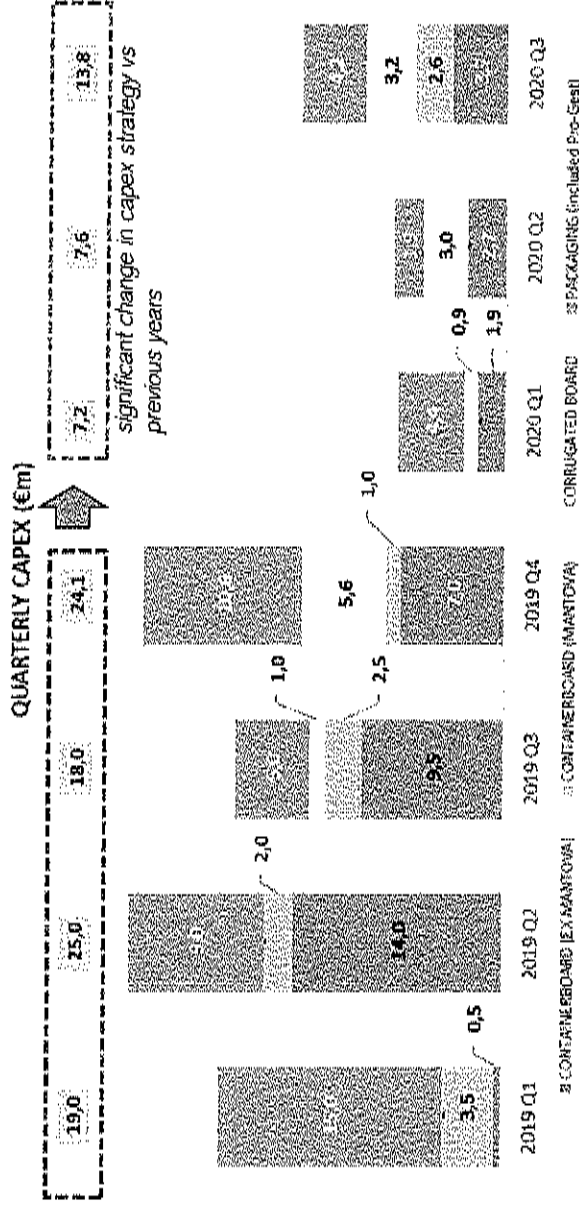
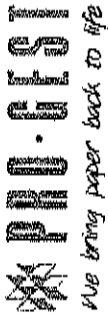
- The graphs above show the sales trend of the first three quarters and also the Oct-Nov sales, which confirm the market recovery promptly exploited by the Group; note that the Oct-Nov histograms refer only to two months and so it represents only two-third of a quarter
- The Covid-19 impact is evident in the negative results of Q2 and Q3 quarters.
- For sure, there is a Covid-19 impact also on Oct-Nov which has not been calculated

Financials Q3-20 – Working Capital



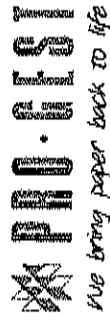
- The analysis shows that in 2019 the Group has increased significantly its WC, due to higher stocks (to protect profitability during cyclical trend of the market) and lower payables, due to payments of the investments
- In 2020 the Group has recovered by about €8m and has reduced the % on sales from 43,1% to 41,9% (compared to the end of 2019)
- In 2021, the restart of Mantova plant should create the conditions for significant reduction of raw material stock

Financials Q3-20 – Capex



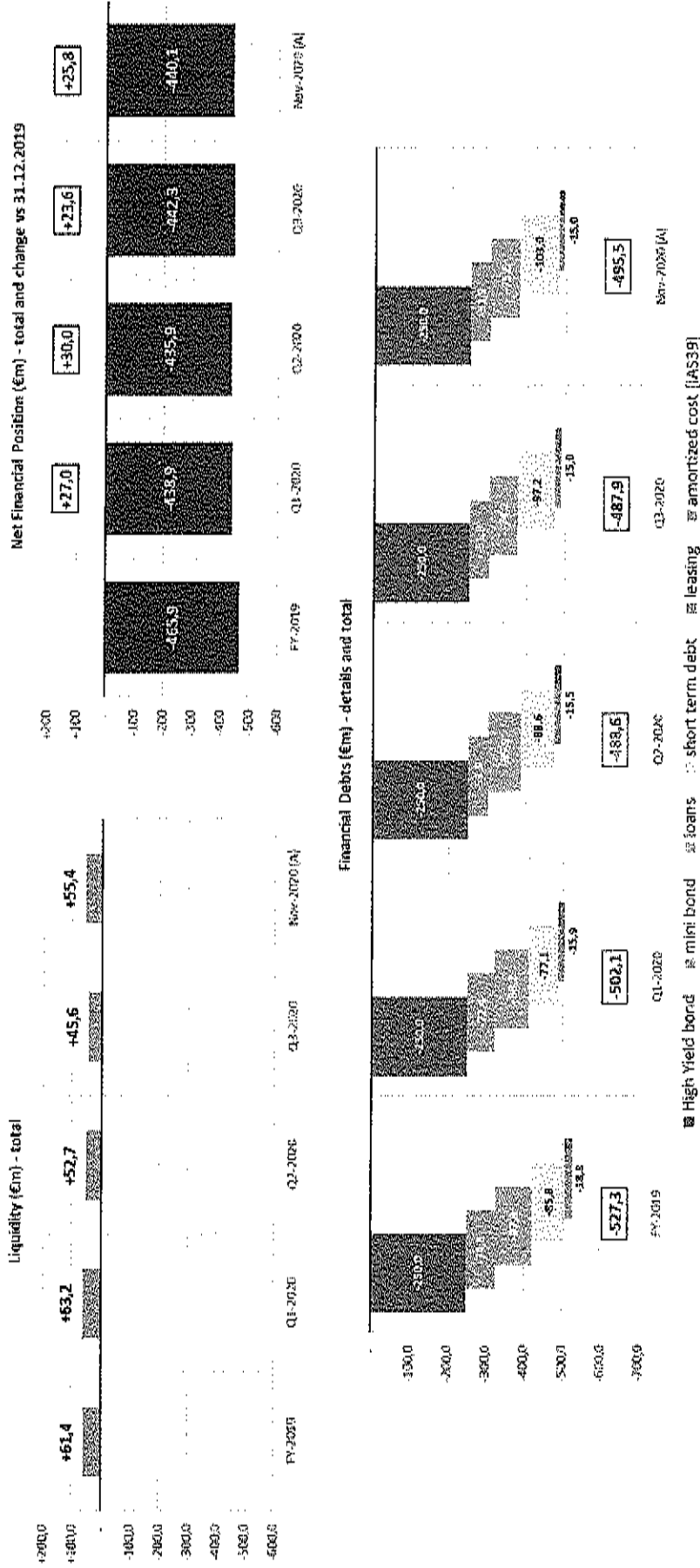
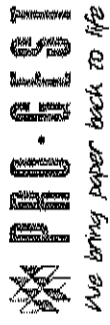
- The graph shows quarterly capex from Q1-2019 to Q3-2020.
- Capex in Q3-2020 is equal to €13,8m of which:
 - €3,7m Containerboard (mainly due to new cogeneration machinery)
 - €2,6m Mantova paper mill (final investments requested for the restart of plant, occurred on November, 23)
 - €3,2m Corrugated (mainly due to new corrugator machinery in Grezzago)
 - €4,2m Packaging and Pro-Gest (mainly due to the building of Grezzago factory and the completion of HQ of the Group)
- The total amount, equal to €28,6m does not consider asset disposals during the period (the capex net of disposals is equal to about €25,0m)

Financials Q3-20 – EBITDA to Cash Flow bridge



(€/m)	9M-2020
EBITDA adjusted	58,2
(increase) / decrease of working capital	8,4 < see working capital analysis
(increase) / decrease of other items	(7,9) < this amount includes €6m of capex payables at the end of Q3-2020
Operating cash flow	58,7
(capex)	(19,0) < see capex analysis (this amount excludes €6m of capex payables at the end of Q3-2020)
Cash flow after capex	39,7
(increase) / decrease of financial investment	0,9
increase / (decrease) of AGCM fine / TFR / others	(2,4) < payment of the AGCM fine february instalment
(increase) / decrease of other asset / investment	-
Cash flow after extraordinary items	38,2
(taxes)	(3,3)
Operating Post-tax free cash flow	34,9
(interest)	(11,3)
Cash flow	+23,6 < equal to more than 40% of cash conversion during 2020
(NFP) at the beginning of the period	(465,9)
(NFP) at the end of the period	(442,3)
Variation of NFP	+23,6
(€/m)	9M-2020
increase / (decrease) of FINANCIAL DEBTS	(39,4)
increase / (decrease) of EQUITY	-
increase / (decrease) of LIQUIDITY	(15,8)
LIQUIDITY at the beginning of the period	61,4
LIQUIDITY at the end of the period	45,6
Variation	(15,8)

Financials Q3-20 – Net Financial Position



- The Nov-2020 Net Financial Position improvement, equal to +€25,8m, confirms that **the business during 2020**, although the Covid-19 impact, has **generated liquidity**, in a situation in which, above all, there are no overdue payables toward banks, suppliers, employees or other creditors
- The Nov-2020 amount of financial debts shows an increase of short term debt % of utilization; the short term debt is equal to about €103m and represents the 56% of uncommitted available credit lines
- The Nov-2020 liquidity is equal to €55,4m, not so different compared to the beginning of the year and so confirming the **capability of the Group to manage liquidity even in a slowdown business period**

Note: Liquidity and NFP do not include securities regarding related parties (€26.5m) and bank bonds (€2.0m).

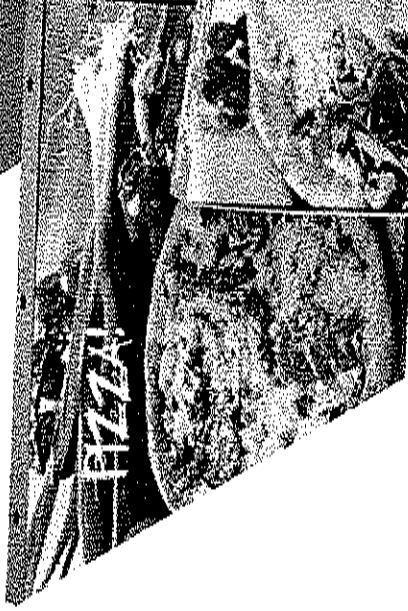
Our agenda for today

Business update

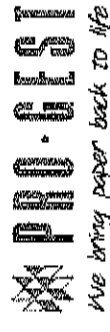
Q3 2020 Financial update

3 New Private Placement Notes

PRO-CFS
SOUTH

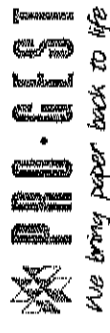


Pro-Gest historical performance and Business Plan 2020-2024



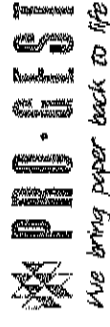
- Pro-Gest is a ~450 M€ family-run company mainly active in recycled paper containerboard (“Testliner”) and related corrugated board/packaging (~90% of sales) in Italy. Group is also present in tissue business (~10% of sales)
- Growth has been fueled organically (expansion of own capacity, accounting for ~30%) and by a string of M&A with local paper companies (scale deals, ~70% of growth), plus a recent portfolio expansion with a tissue-based acquisition
- EBITDA adjusted (clearing one-off effects) have been fairly stable in the range of 90-100 M€ (~20% on revenues), reported EBITDA declining in 2019, affected by several one-off events (AGCM fine for ~50 M€, Mantova production stoppage, Villa Lagarina accident in ‘17-’19) and cyclical declining prices
- Free cash flows (FCF) has been negative in the last three years (‘17-’19) due to large expansion CapEx (~240 M€ ‘15-’19 only for Mantova mill, restarted at the end of Nov 2020 following all the authorizations by local administration; the total investments in the period 2015-2019 was equal to ~500 M€, including Mantova mill), increase in working capital and M&A (Tolentino); the combination of all these choices has determined a negative net financial position equal to ~465 M€ at the end of 2019
- At the beginning of 2020, management decided to change Pro-Gest Group capital structure, with Credit Suisse as financial advisor, to overcome complexity of relationship with numerous lenders and also to strengthen the financial position and support business development and primarily Mantova relaunch. Starting from April, management developed a new Business Plan 2020-2024 as a reference point for potential investors.
- Our Business Plan 2020-2024 envisions:
 - We expect our sales through 2024 to increase significantly, with Mantova accounting for more than half of the increase
 - We expect our EBITDA growth to be similarly robust, with margins increasing through 2024
 - We aim to reduce our Net Financial Position from 2020 to 2024 by approximately half, due to the benefit of the new capital structure and the refinancing of the €250m high yield bond at the end of 2024
 - We expect our NFP/EBITDA ratio to steadily improve through 2024

New Private Placement Notes of up to €200m



- New Private Placement Notes for a total of up to €200m to be drawn in two phases:
 - phase 1
 - €125m secured Notes of €90m and €35m at Cartiere di Villa Lagarina S.p.A. and Tolentino S.p.A. respectively fully subscribed by Carlye Global Credit ("Carlyle"); the transaction is subject to customary closing conditions and is expected to close by the end of December 2020.
 - phase 2
 - Carlyle has provided an additional commitment to subscribe for additional Notes in an amount up to €75m to be issued by Cartitalia S.r.l.,
 - The incremental €75m notes are expected to be issued before the end of 2021
 - €25m of the €75m can be cancelled by 30 June 2021, at no cost
- The Notes have a maturity of December 2025
- Callable after two years (NC27 months, 104, par)
- Notes are secured and guaranteed
- Phase 1 proceeds will be used to refinance existing indebtedness, as well as to strengthen the capital structure of the Pro-Gest Group.
- Phase 2 proceeds will be used to support the recent restart of the operations at the company's Mantova plant, and the growth of the core business of the Group

Transaction will create flexibility in Group's capital structure and strengthen liquidity to support growth



Transaction will allow the Pro-Gest Group to refinance all existing facilities with financial covenants and address near term maturities, by end December 2020



Will provide sufficient liquidity to support the Group's growth ambitions, following the completion of a material capex cycle, including the restart of the Mantova mill



Liquidity flexibility with an additional commitment of up to €75m that may be drawn by December 2021



Will extend the debt maturity profile and simplify the capital structure



Sustainable total cash interest costs of approximately €18m pro-forma for the Phase 1 transaction.⁽¹⁾ FCCR of c.3.1x⁽²⁾

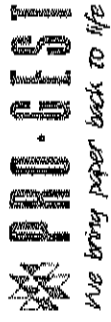


The total average cost of money for the Group planned in the business plan is equal to about 5,5-6,0% (existing High Yield bond plus New Private Placement Notes plus total short term uncommitted lines)

(1) Pro-forma for the Phase 1 transaction with €125mn Notes issued and with all the rest of indebtedness.

(2) Inclusive of PIK Interest (pro-forma for the Phase 1 transaction) with €125mn Notes issued based on ITM September 2020 EBITDA equal to about €76m.

Sources & Uses and pro forma capitalisation



Phase 1: Sources & uses

Sources	€m	Uses	€m
New Notes @ Cartiere Villa Lagarina	90	Mini-bonds repayment	52
New Notes @ Tolentino	35	Loans repayment	61
		Transaction costs (including redemption premia)	10
		Cash on balance	2
Total Sources	125	Total Uses	125

Phase 1: Pro Forma capitalisation structure

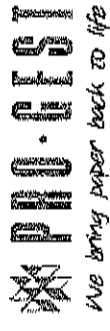
	Status quo Oct-20A		Pro forma Oct-20A	
	Amount	xEBITDA	Amount	xEBITDA
(€ in millions)				
LTM Sep-20 EBITDA Adjusted (does not take into account Mantova Plant Run Rate)	76	(0,62x)	76	(0,64x)
Cash	(47)	0,69x	(45)	-
Mini-bonds	52	0,99x	14	0,19x
Loans	75	0,20x	15	0,20x
Leasing	15	1,39x	105	1,39x
Bilateral bank facilities ⁽¹⁾	105	3,30x	250	3,30x
Senior Notes	250	-	90	1,19x
New Notes @ Cartiere Villa Lagarina	-	-	35	0,46x
New Notes @ Tolentino	-	-	-	-
Total debt	497	6,56x	509	6,73x
Net debt	450	5,94x	461	6,08x







Phase 2 Notes (up to €75m) to be used to support the Group's growth, including the restart of Mantova

Source: Based on unaudited October 2020 management accounts.

[1] 100% revolving and uncommitted lines, as typical in the Italian market. Represents about 55% of the total uncommitted available lines that the Group has access to.

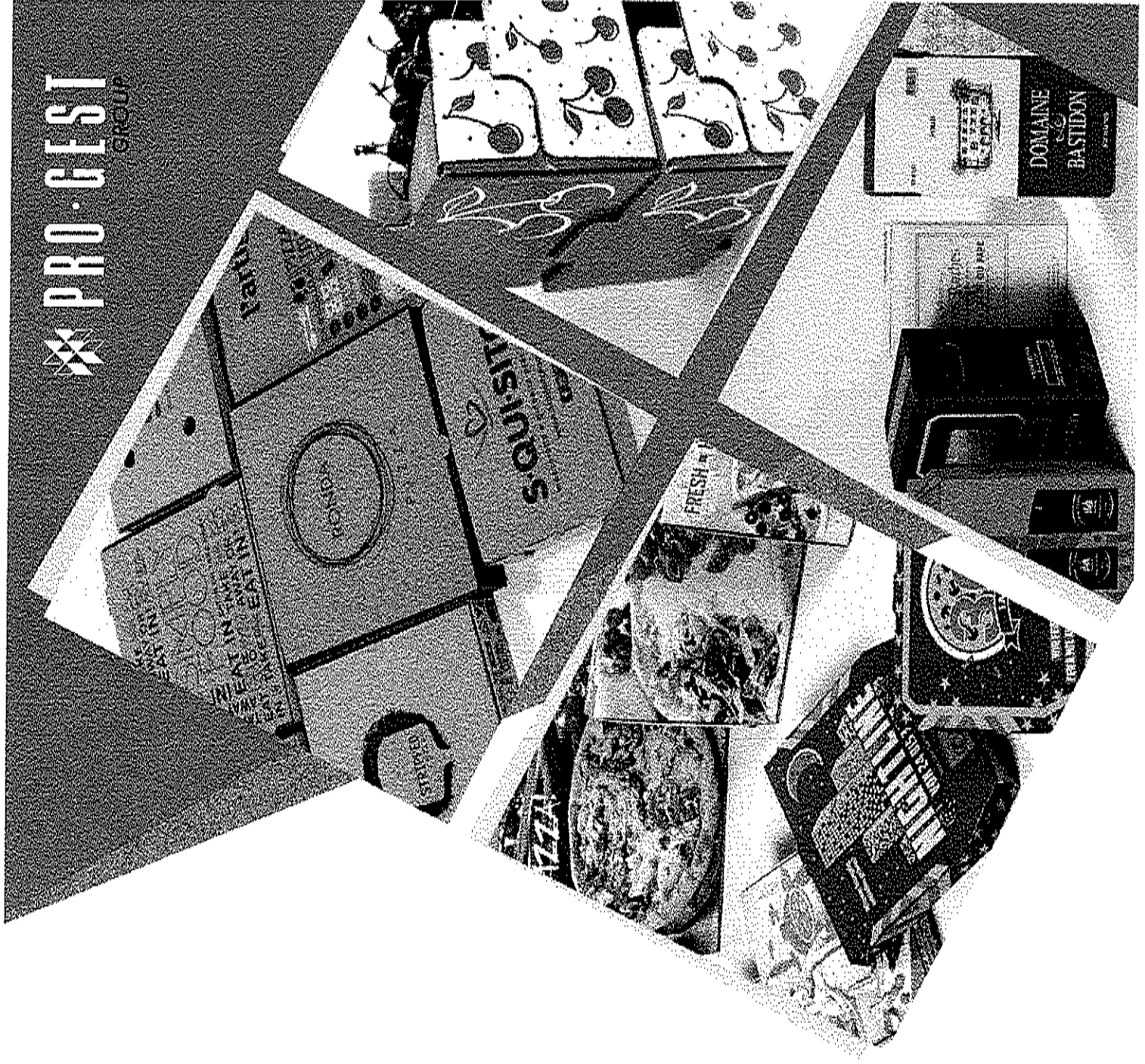
Pro-Gest is well positioned for growth and steady free cash flow generation



-  Core business showing signs of recovery amid an improving outlook for the corrugated industry
-  Mantova is ramping up and we expect to achieve run-rate EBITDA by 2022/2023, with positive EBITDA contribution expected in 2021
-  Capex requirements are relatively low compared to historical (about €25m-€30m per year in 2020-2024 period)
-  Sustainable cash interest costs
-  No meaningful debt maturities until 2024 (other than €15m loans)
-  Our Business Plan 2020-2024 aims to sustain growth in terms of sales, EBITDA and cash generation to provide a stable financial position for the refinancing of the High Yield bond and 2025 New Private Placement Notes at or prior to their maturities

11 December 2020

PRO-GEST
GROUP



Fine Comunicato n.2053-26

Numero di Pagine: 32