



## Richards Packaging Income Fund

2015 Annual General Meeting

May 6, 2016

Gerry Glynn - Chief Executive Officer  
Enzio Di Gennaro - Chief Financial Officer



Good Things  
Come in  
Richards  
Packaging



## Forward-Looking Statements - Disclaimer

This presentation contains certain forward-looking statements regarding future growth potential, results of operations, performance and business prospects of the Fund. These statements contain management's current beliefs and are based on information currently available to the management of the Company. A number of factors could cause actual events or results to differ materially from those discussed in the forward-looking statements. Although these statements are based upon what management believes to be reasonable assumptions, there can be no assurance that actual results will be consistent with these statements. These statements are made as of the date of the Fund's 2015 Annual Report and the Fund assumes no obligation to update or revise them to reflect new events or circumstances.



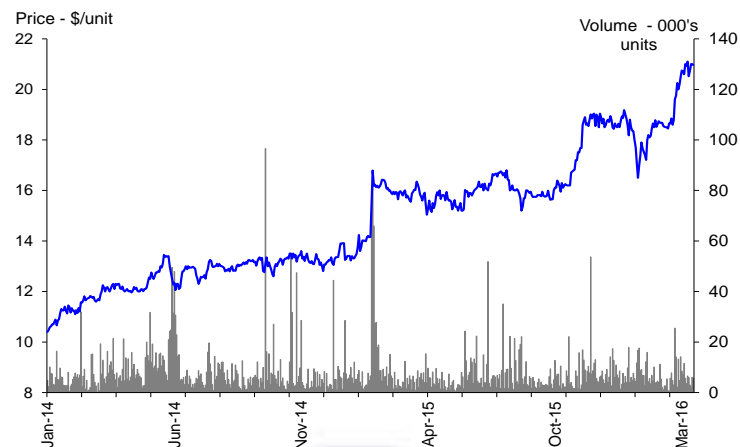
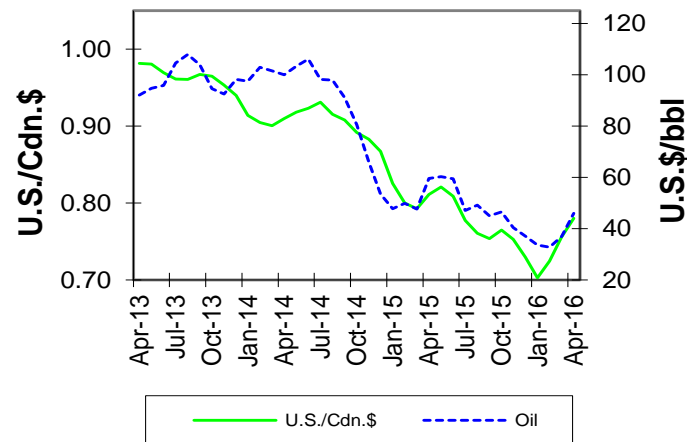
## Investment Proposition

### Financial Markets

- Global stagnation jobless recovery continued but US dollar strength drove packaging down 2% in 2015 (up 5% in 2014)
- Commodities back to 2003 levels with f/x and oil prices converging again
- U.S./Cdn. exchange rate +/- \$0.72
- Short term borrowing rates poised to go higher narrowing spread with Canada
- Government shift to stimulus and growing deficits

### RPI.UN Trading Activity

- Price above \$20 reflecting demand for high-yield securities driving yield down to below 5.5%
- Spike in Feb 2015 due to recommended "top pick" on *BNN* aired Feb. 17, 2015
- Increase in Nov 2015 reflected the Healthmark acquisition and a favourable currency environment
- Debt to EBITDA at 1.3 for 2014 and 1.5 for 2015

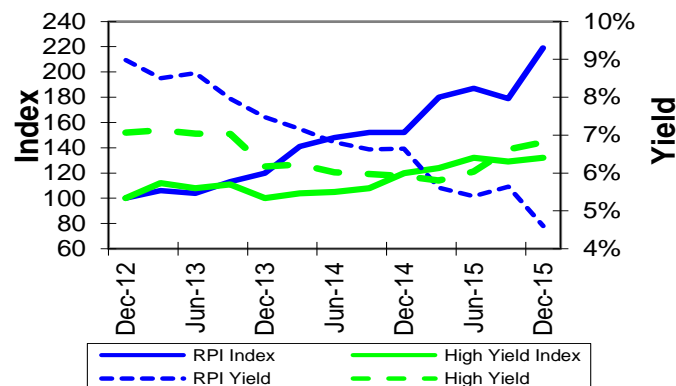




## Investment Proposition

### High Yield Diversified Market

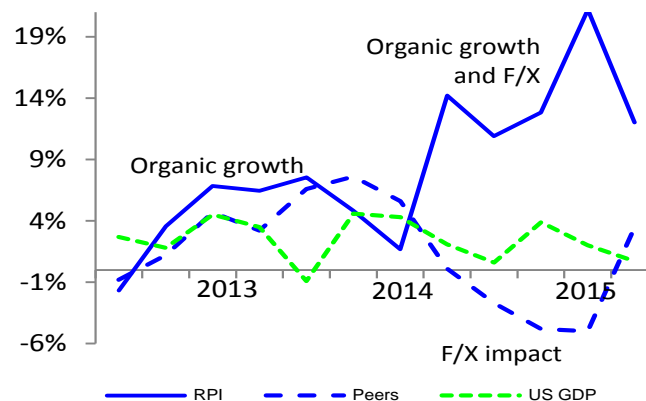
- December 2012 Price Index = 100
- Includes 40 corporations and trusts with yields in excess of 5%
- Yields stabilizing – between 6% and 7%
- Average price index flattening reflecting market volatility
- Average payout 64% (2014 - 67%), monthly distribution 7.8¢ (2014 - 7.53¢) and leverage 2.2 (2014 - 2.5)



### North American Packaging Industry

- Market flat in 2015 as GDP expansion was offset by US dollar strengthening
- RPI positive impact from F/X with growth in US operations
- 190 acquisitions (187 in 2014); median multiple of 8.5x EBITDA (8.2x in 2014)

Revenue Growth





## Customer Base

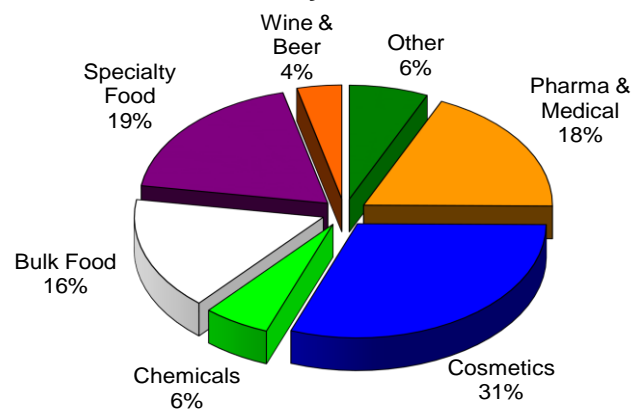
### Cornerstones of Strategy

- Diversified base dominated by small regional premium product marketers
- One of the largest distributors of European and Asian glass for the specialty food, wine and spirits markets
- Leading supplier of sterile IV, chemo and oral drug packaging and dispensing systems to health care service providers in Canada
- Largest distributor of surplus packaging
- Only major distributor with dedicated in-house plastics manufacturing capability

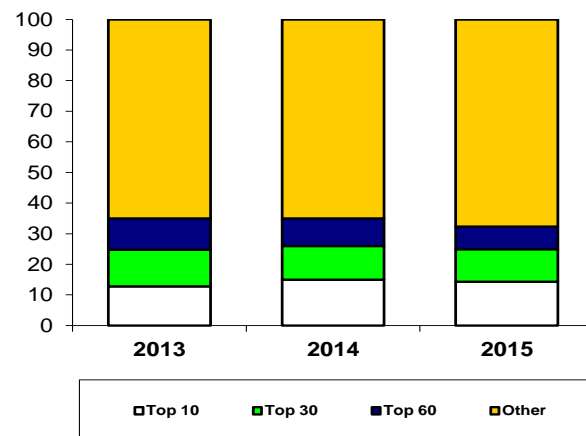
### Diversified Customer Base

- Focus on customers with high value for our unique product & services
- Continue to optimize concentration of large customers; In top 60, large customers up \$6 mil. (2014 – up \$5 mil.); but small up \$24 mil. (2014 - \$9 mil.)
- Reduce top 60 to 32% (2014 & 2013 – 35%)

Revenue by End User



Diversified Customer Base





## Annual Results

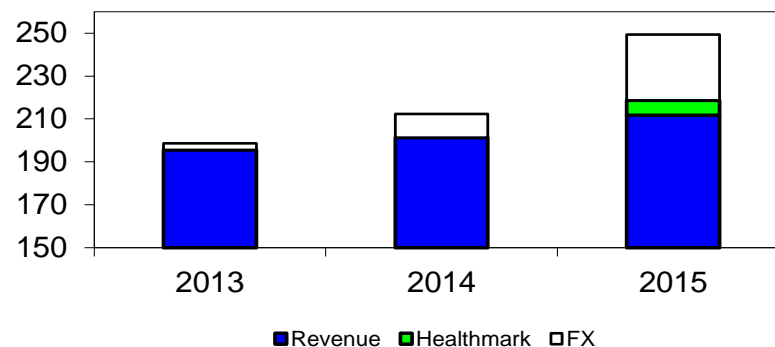
### Revenue

- Organic growth 5% or \$10.4 mil. both in Top 60 and small customers (2014 – \$5.8 mil.)
- Non-cash currency translation impact of \$19.8 mil. (2014 – \$8.0 mil.)
- 2% closures, 1% glass increase; 1% plastic decrease
- Healthmark acquisition diversifies healthcare market offering

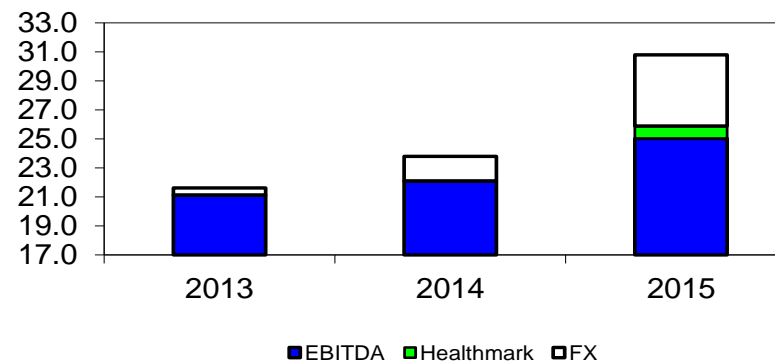
### EBITDA

- EBITDA up \$6.1 mil. at 12% of sales (2014 – up \$2.2 mil.) or 0.8% of sales
- Inventory \$2.4 mil. provision (2014 – \$1.4 mil.)
- FX currency impact \$3.2 mil. (2014 – \$1.2 mil.)
- Working capital payback approximately 3 years
- Expansion capital impact \$0.1 mil.

(\$ millions)



(\$ millions)





## Healthmark

- Purchase price - \$18,757
  - Includes
    - \$6,674 working capital and plant & equipment
    - \$12,083 customer relationships, goodwill net of deferred tax
  - Financing
    - Term debt - \$15,000
    - Revolver - \$1,757 (repaid)
    - Contingent consideration - \$2,000
- Q4 2015 Revenue \$6,945; Net income \$648
- Contingent consideration
  - Based on future earnings for 2016 or 2017 (at seller's option)
  - Without limitation
  - Payable 90 days after year end.



## Quarterly Earnings

	<b>Annual 2014</b>	<b>Q1 2015</b>	<b>Q2 2015</b>	<b>Q3 2015</b>	<b>Q4 2015</b>	<b>Annual 2015</b>
(\$ 000's)						
<i>f/x</i>	\$0.91	\$0.81	\$0.81	\$0.76	\$0.75	\$0.78
<b>Revenue</b>	212,285	56,329	60,304	64,174	68,623	249,430
<i>Organic</i>	5,786	1,648	2,803	4,593	1,395	10,434
<i>Organic - %</i>		3.4%	5.5%	8.7%	2.5%	4.9%
<i>Healthmark</i>					6,945	6,945
<i>f/x</i>	7,973	3,688	4,057	6,639	5,382	19,766
<b>Margin %</b>	15.7%	16.1%	16.3%	16.9%	16.9%	16.6%
<b>Expenses</b>	9,529	2,538	2,648	3,022	3,054	11,262
<b>EBITDA</b>	23,797	6,467	7,143	7,737	8,535	29,882
<i>Organic including Healthmark</i>	960	195	308	1,044	1,332	2,879
<i>f/x</i>	1,226	564	642	1,076	924	3,206
<b>EBITDA %</b>	11.2%	11.5%	11.8%	12.1%	12.4%	12.0%





## Distributable Cash

	<b>Annual 2014</b>	<b>Q1 2015</b>	<b>Q2 2015</b>	<b>Q3 2015</b>	<b>Q4 2015</b>	<b>Annual 2015</b>
(\$ 000's)						
EBITDA	23,797	6,467	7,143	7,737	8,535	29,882
Interest	2,029	499	531	525	628	2,183
Dividends - Vision	-204	-	-	-50	-	-50
Cash income tax	6,822	1,864	1,972	2,212	2,560	8,608
Maintenance capital	728	426	253	401	215	1,295
<b>Distributable cash flow</b>	14,422	3,678	4,387	4,649	5,132	17,846
Distribution Per unit	86.8¢	22.2¢	22.2¢	22.3¢	22.3¢	89.0¢
Payout ratio	71%	71%	59%	56%	51%	58%
Free cash flow	4,247	1,074	1,785	2,040	2,523	7,422



## Working capital changes

	<b>Q4 2014</b>	<b>Q1 2014</b>	<b>Q2 2014</b>	<b>Q3 2014</b>	<b>Q4 2014</b>
(\$ 000's)					
<i>f/x</i>	\$0.86	\$0.79	\$0.80	\$0.75	\$0.72
<b>Accounts receivable</b>	429	-1,915	272	-1,381	1,738
<b>Inventory</b>	-145	1,235	-5,106	-962	-3,982
<b>Prepaid expenses</b>	138	-658	211	115	586
<b>Accounts payable</b>	-607	-1,669	3,190	2,382	139
	-185	-3,007	-1,433	154	-1,519

## Balances

<b>Cash</b>	1,127	266	-	878	794
<b>Term debt</b>	32,500	32,500	32,500	32,500	47,000



## Distribution Policy & Free Cash Flow

### Distribution Policy

- Pro forma reflects long term rates of 3% interest and a U.S./Cdn. 80.5¢ exchange rate net of tax
- Distributions for 2015 will be return of capital reflecting cash flow from Richards US
- Monthly distributions of 7.35¢ per Unit increased to 9.35¢ per Unit in April 2016
- Payout target of 80% reflects uncertain times

### Free Cash Flow Deployment

- Free cash flow reflects higher EBITDA and associated income taxes
- Patents spend on Dispill
- Working capital for organic growth;
- Expansion on new customer moulds and equipment
- 2015 NCIB continues – 11,300 Units @ \$18.50 (2014 – 6,900 Units @ \$12.74); in 2016, 16,000 @ \$18.05

<i>(\$ millions)</i>	<b>2015</b>	<b>Adj's</b>	<b>Proforma</b>
EBITDA	29.9	(0.6)	29.3
Interest	(2.2)	(0.6)	(2.8)
Dividends - Vision	0.1		0.1
Taxes	(8.6)	0.4	(8.2)
Maintenance capital	(1.3)		(1.3)
Future Distributable cash	17.9		17.1
Current distribution level	10.4	2.8	13.2
Payout Ratio	58%		77%

<i>(\$ millions)</i>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Free Cash Flow	3.5	<b>4.2</b>	<b>7.4</b>
Patent Defence Costs	1.3	—	—
Working Capital	(4.6)	<b>0.8</b>	<b>6.3</b>
Expansion Capex	0.4	<b>0.3</b>	<b>0.4</b>
Unit Buyback	0.4	<b>0.1</b>	<b>0.2</b>
Debt Repayment	6.0	<b>3.0</b>	<b>0.5</b>

