

Orora delivers earnings growth and increased organic investment programs

14 February 2018

RESULTS HIGHLIGHTS¹

Underlying Operating Results Highlights²

- Net profit after tax (NPAT) of \$105.7 million up 14.8% on the prior corresponding period (pcp)
- Earnings per share (EPS) up 14.7% to 8.8 cents on pcp
- Sales revenue was up 6.2% to \$2,097.8 million
- Earnings before interest and tax (EBIT) was \$165.3 million, up 10.5% on pcp
- Interim ordinary dividend is 6.0 cents per share, 30.0% franked, up 20% on pcp
- Operating cash flow was \$155.9M, broadly in line with pcp
- Gross organic capex of \$93 million, representing 150% of depreciation
- Leverage is 1.5 times, down from 1.6 times at 30 June 2017

Statutory Results

- Statutory net profit after tax (NPAT) was \$103.8 million
- Significant item expense after tax of \$1.9 million related to net profit on sale of Fibre Packaging's Smithfield site offset by costs related to the restructure of Fibre Packaging in NSW including the closure of the Smithfield site and potential additional decommissioning costs associated with the Petrie Mill site

Orora Limited (ASX:ORA) today announced a strong operating result for the half year ended 31 December 2017, delivering double-digit underlying NPAT, EBIT and EPS growth.

Commenting on Orora's performance, Managing Director and CEO, Nigel Garrard, said: "Orora's track record of delivering strong and sustainable earnings growth has continued, driven in the first half by organic growth in the Group's core businesses and enhanced by the benefits now beginning to flow from recent acquisitions and capital investments to deliver customer led product solutions and improve productivity."

"Orora's strong cash conversion combined with the strength of its balance sheet, continues to provide the Company with capacity to invest with discipline in innovation, capital projects and acquisition growth opportunities that deliver sustainable value creation for shareholders.

"Based on the success of recent organic investments, the current focus is to invest more to support organic growth and to bolster the capability to drive the integration of the Orora Visual acquisitions, while continuing to evaluate acquisition opportunities against Orora's strategic and financial hurdle rates.

"The Orora Global Innovation Initiative, established in 2015 with \$45 million earmarked for investment in innovation over three years, has now been fully committed, with investments made contributing to earnings growth across the group. As a result of the success of the Innovation Initiative, it will be increased by \$30 million to \$75 million, to continue the focus on bringing new, innovative customer led product solutions to life, whilst improving productivity in the plants," Mr Garrard said.

¹ All amounts in Australian dollars (AUD) unless expressly stated otherwise. Comparisons refer to prior corresponding period (6 months ended 31 December 2017). For more information, please refer to the Investor Results Release lodged with the Australian Securities Exchange or available at www.ororagroup.com

² The net significant item expense after tax of \$1.9M has been excluded from underlying results to assist in making appropriate comparisons with the operating performance of the business and the prior corresponding period. The net significant item expense after tax is comprised of the following; a net gain after tax on the sale of the Smithfield site of \$22.7M and an expense after tax of \$24.6M relating to the restructure of Fibre Packaging in NSW including the closure of the Smithfield site and potential additional costs associated with decommissioning the Petrie Mill site.

Operational performance

Orora Australasia delivered an 11.1% increase in EBIT to \$121.1 million, with sales revenue 5.0% higher to \$1,042.4 million. Both Australasian business groups - Fibre Packaging and Beverage - delivered earnings growth despite flat economic conditions and higher input costs.

Fibre Packaging earnings were higher driven by increased volumes and efficiencies at the NSW Botany B9 Recycled Paper Mill (B9), steady sales growth in targeted market segments and benefits from recent capital investments, which more than offset input cost headwinds. Earnings growth in the Beverage business was driven by higher Glass volumes on the back of continued industry growth in bottled wine exports and delivery of further operating efficiencies.

In local currency terms, Orora North America EBIT increased 13.5% to US\$47.0 million and sales revenue grew 11.1% to US\$822.3 million.

Orora Packaging Solutions (OPS) achieved solid organic sales growth and increased margins by continuing to target higher growth market segments, leveraging its national footprint, product breadth and standardised service offering and driving operating efficiencies. The integration of the Orora Visual point of purchase (POP) acquisitions continues, with financial results improving. Additional resources have been employed to add the capability required to help drive the business forward.

Growth and innovation

In the December half \$93 million was invested in organic capital projects and innovation to drive sustainable growth.

This included the following:

- \$30 million for the continuing Australasian Fibre Packaging asset refresh program to upgrade or replace assets to enhance quality and increase capacity to meet market demands. The cumulative investment commitment over the past two years in the asset refresh program now exceeds \$100 million;
- a further \$8 million on the new secondary water treatment plant at B9, which is on track for commissioning in March 2018;
- two new 'state of the art' high speed large format digital printers (one each for OPS and Fibre Packaging Australia) to be commissioned in the second half of this financial year;
- investment in innovative process improvements at the Gawler glass facility including 'world first' automated swabbing technology and state of the art automated laser mould cleaning machines both of which improve productivity and safety; and
- investment in new small can format capacity at Beverage Cans (NZ).

South Australian renewable energy agreement

Orora has also today announced that it has signed a long term power purchasing agreement with global renewable energy provider Pacific Hydro, to supply wind-generated electricity for Orora's South Australian (SA) operations, which includes the Gawler Glass facility. Under the agreement, Orora has secured the long-term supply of renewable energy from Clements Gap Wind Farm, for a volume equal to Orora's total electricity demand in SA. In addition to the supply of renewable energy, the agreement also includes innovative risk sharing arrangements to further protect Orora's exposure to variable market prices in South Australia.

Commenting on the agreement, Mr Garrard said, "Orora operates energy intensive businesses and is continuing to actively investigate a range of options to manage higher energy prices and safeguard supply for the Australian operations. Renewable energy represents a competitively priced and sustainable energy source and this agreement provides Orora's SA operations with greater energy price certainty over the long-term."

Outlook

Orora expects to continue to drive organic growth and invest in innovation and growth during FY18, with constant currency earnings expected to be higher than reported in FY17, subject to global economic conditions.

MEDIA CALL: Orora is hosting a media call at 9.15 (AEST) today.

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