

Organic initiatives drive Orora earnings forward

9 August 2018

RESULTS HIGHLIGHTS¹

Underlying Operating Results Highlights for the full year ended 30 June 2018²

- Net profit after tax (NPAT) of \$208.6 million up 12.0% on the prior corresponding period (pcp)
- Earnings per share (EPS) was up 11.5% to 17.4 cents per share (cps)
- Sales revenue was up 5.2% to \$4,248.0 million
- Earnings before interest and tax (EBIT) was \$323.4 million, up 7.0%
- Final ordinary dividend is 6.5 cps, 30.0% franked. Total dividend for FY18 is 12.5 cps, up 13.6%
- Operating cash flow was \$325.3 million, broadly in line with the pcp
- Net debt of \$667 million, down from \$674 million
- Leverage is 1.5 times, down from 1.6 times at 30 June 2017

Statutory Results for the full year ended 30 June 2018

- Statutory net profit after tax (NPAT) was \$212.2 million
- A net significant item expense after tax of \$1.9 million related to net profit on the sale of Fibre Packaging's Smithfield site, offset by costs related to the restructure of Fibre Packaging in New South Wales, including the closure of the Smithfield site and potential additional decommissioning costs associated with the Petrie Mill site
- Net one-off benefit from US tax reform measures was \$5.5 million, reflecting the revaluation of the Group's deferred tax liabilities

Orora Limited (ASX:ORA) has announced strong profit growth for the year ended 30 June 2018 with underlying NPAT and EPS up 12.0% and 11.5% respectively.

Commenting on Orora's performance, Managing Director and CEO, Nigel Garrard, said: "Orora has continued its year-on-year track record of delivering earnings growth, strong cash generation and disciplined capital management to report double-digit profit growth, despite flat trading conditions in key markets."

"The result included benefits from the sustained focus on driving organic growth and margin improvement in the core businesses combined with incremental benefits now starting to flow from capital investments and the annualisation of earnings from Orora Visual acquisitions completed during FY17.

"Consolidation and integration of investments was the underlying focus in FY18, with a number of asset refresh and innovation investments made across the business, including the Fibre Packaging New South Wales restructure and the introduction of two state-of-the-art high speed digital printers to both the Australasian and North American markets. There was also steady progress on the integration of Orora Visual, especially in the second half, and the implementation of the ERP roll out in Orora Packaging Solutions, with completion expected by the first quarter of FY19.

¹ All amounts are in Australian dollars (AUD) unless expressly stated otherwise. Comparisons refer to prior corresponding period (12 months ended 30 June 2017). Prior corresponding period underlying results exclude an after tax significant item expense relating to additional expected costs associated with decommissioning the Petrie Mill site (representing EBIT of \$21.6 million and NPAT of \$15.1 million). 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 \$1.9 million and net one-off tax benefit of \$5.5 million from restating deferred tax liabilities as a result of US tax reforms have 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 \$22.7 million and an expense after tax of \$24.6 million 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.

“Orora also announced two separate power purchase agreements (PPA) with renewable energy providers to supply wind-generated electricity to Orora’s operations in South Australia, Victoria and New South Wales, where the Company operates its largest and most energy intensive plants. Under the PPAs, Orora has secured competitive long-term supply of renewable energy for volumes equivalent to 80% of Orora’s total electricity requirements in Australia.

“The PPAs, together with Orora’s \$23 million investment in a waste water treatment plant at the Botany B9 Recycled Paper Mill (B9) and the Company’s status as one of Australia’s leading recyclers of glass and cardboard, provide a stable and sustainable foundation for the Australasian business over the long term.

“Importantly, Orora’s strong cash conversion combined with the strength of its balance sheet, continues to provide Orora with capacity and flexibility to invest with discipline in innovation as well as organic and new growth opportunities that deliver sustainable value creation for shareholders,” Mr Garrard said.

Operational performance

Orora Australasia delivered an 8.7% increase in EBIT to \$232.3 million, with sales revenue 5.2% higher to \$2,104.8 million. Both Australasian business groups - Fibre Packaging and Beverage - delivered earnings growth despite flat economic conditions and higher input costs.

Fibre Packaging earnings were driven higher by improved reliability and production performance at B9, sales growth in targeted market segments and benefits from recent capital investments to enhance the customer value proposition and improve productivity. Earnings growth in the Beverage business was driven by higher Can volumes, increased wine volumes at Glass as a result of the capacity expansion at Gawler in South Australia and continued industry growth in bottled wine exports.

In local currency terms, Orora North America (ONA) EBIT increased 5.9% to US\$93.8 million and sales revenue grew 8.1% to US\$1,661.2 million.

In flat market conditions, Orora Packaging Solutions (OPS) delivered stable earnings with sales growth benefits offset by a lag in recovering higher input costs and transition costs associated with the implementation of the new ERP system. The performance of Orora Visual continued to improve following senior management changes early in the second half and the addition of resources to assist integration. Orora Visual results were adversely impacted by a US\$2.2 million doubtful debt provision.

Growth and innovation

During the year, \$189 million was invested in organic capital projects and innovation to drive sustainable growth. This included the following:

- \$30 million for the ongoing 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 made to the asset refresh program now exceeds \$120 million.
- \$8 million to complete the final build phase for the \$23 million waste water treatment plant at B9, with commissioning of the plant in progress and expected to complete in the first half of FY19.
- As part of the Orora Global Innovation Initiative, the commissioning of two new ‘state of the art’ high speed, large format digital printers (one each for OPS and Fibre Packaging), which takes the cumulative investment under this initiative to in excess of \$45 million.
- \$7 million investment in new small format can capacity at Beverage Cans (NZ).

Looking forward:

- Driven by the success of the Orora Global Innovation Initiative thus far, a further \$30 million was committed to continue the focus on bringing new, innovative, customer-led product solutions to life, as well improving productivity in the plants. This takes the total to \$75 million. This additional amount is expected to be invested over the coming two to three years.
- As announced in May 2018, the construction of a new \$35 million warehouse at Gawler to increase capacity to hold inventory on site, reducing offsite pallet storage and transport costs is now underway and expected to be completed by end of calendar 2019.

Outlook

Orora expects to continue to drive organic growth and invest in innovation and growth during FY19, with constant currency earnings expected to be higher than reported in FY18, subject to global economic conditions.

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

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