INVESTOR RESULTS RELEASE

Orora announces results for the full year ended 30 June 2019

FINANCIAL HIGHLIGHTS

- Statutory net profit after tax (NPAT) was $161.2M and earnings per share (EPS) was 13.4 cents per share (cps).
- Underlying NPAT before significant items was $217.0M up 4.0% on the prior corresponding period (pcp). Underlying EPS was 18.0 cps, up 3.7% on pcp.
- Significant item ("SI") expense after tax of ($55.8M) related to restructuring and impairment charges associated with the re-sizing of business groups within both Australasia and North America and additional decommissioning costs associated with the Petrie Mill site (as announced on 2 August 2019).
- Sales revenue was up 12.1% to $4,761.5M.
- EBIT was $335.2M, up 3.7% on pcp.
- Operating cash flow was $268.9M, $56.4M below the pcp (which included $45.5M of sale proceeds). Cash conversion was in line with expectations at ~56.0%, down from ~67.0% in the pcp.
- Final ordinary dividend is 6.5 cps – 30.0% franked and 70.0% sourced from the conduit foreign income account, up 4.0% on a full year basis. The full year dividend represents a pay-out ratio of approximately 72%. The ex-dividend date is 16 September 2019, the record date is 17 September 2019 and the payment date is 21 October 2019.
- Net debt at 30 June was $890M, up from $872M at 31 December 2018 and up from $667M at June 2018, primarily as a result of recent growth investments and impact of FX.
- Leverage was 1.9 times, up from 1.8 times at December 2018 and 1.5 times at June 2018.
- RoAFE was 13.0%, down from 14.0% at pcp reflecting lower earnings in the period in OPS and the lower seasonal contribution from the acquisition of Pollock Packaging ("Pollock").

FINANCIAL SUMMARY (refer to footnotes)

(A$ mil)	FY18[1]	FY19[2]	Change %
Sales revenue	4,248.0	4,761.5	12.1%
EBITDA[3]	445.3	468.1	5.1%
EBIT	323.4	335.2	3.7%
NPAT	208.6	217.0	4.0%
EPS (cents)[4]	17.4	18.0	3.7%
Return on sales[5]	7.6%	7.0%	
Operating cash flow[6]	325.2	268.9	(17.3%)
Cash conversion[7]	67%	56%	
Dividend per share (cents)	12.5	13.0	4.0%
Net debt	667	890	
Leverage[8]	1.5x	1.9x	
Gearing	29%	35%	
RoAFE	14.0%	13.0%	

SEGMENT HIGHLIGHTS

- Australasia EBIT up 6.2% to $246.6M
  - Fibre earnings were higher driven by organic growth supported by the asset refresh program, with improved volumes in several key segments and increased production volumes at the Botany Recycled Paper Mill ("B9" or "the Mill"); and
  - Beverage earnings were higher than pcp driven by stronger Can volumes and continued improved operating efficiencies across both Cans and Glass.
- North American EBIT down 3.6% to $116.6M. In local currency, EBIT was down 11.1% to US$83.4M
  - In OPS, margins were impacted by generally tough market conditions and volume weakness, increased input costs and the lower seasonal contribution from Pollock;
  - An earnings improvement program commenced in February 2019 which delivered some improvement, however further initiatives are underway to optimise the business (which form part of the SI restructuring initiative);
  - The Orora Visual business was steady. New customer wins from 1H19 have continued into 2H19; and
  - The positive FX translation impact on US dollar denominated earnings for the North American segment was $7.8M on pcp.

This report includes certain non-IFRS financial information (operating cash flow, average funds employed, EBIT and EBITDA). This information is considered by Management in assessing the operating performance of the business and has been included for the benefit of investors. References to earnings throughout this report are references to earnings before interest and tax and significant items.

Minor Reclassification of Prior Year Numbers

Certain prior year amounts have been reclassified for consistency with the current period presentation.

The following notes apply to the entire document.

[1] FY18 - The net significant item expense of $1.9M and one-off tax adjustment gain of $5.5M have been excluded from underlying results to assist in making appropriate comparisons with the operating performance of the business and the following corresponding period.

The net significant item expense after tax and US tax reform impact 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 NSW including the closure of the Smithfield site and additional expected costs associated with decommissioning the Petrie Mill site. The total impact from the US tax reform measures was $5.5m, mainly reflecting the one-off revaluation of the Group's net deferred tax liabilities to the reduced US tax rate.

[2] FY19 – The net significant item expenses after tax of $55.8M have been excluded from underlying results to assist in appropriate comparisons with the operating performance of the business and the pcp.

The net significant item expense after tax is comprised of the following: restructuring costs associated with the re-sizing of business groups within both Australasia and North America of $20.8M and additional decommissioning costs associated with the Petrie Mill site of $35.0M.

[3] Earnings before interest, tax, depreciation and amortisation

[4] Calculated as NPAT / weighted average ordinary shares (net of Treasury Shares)

[5] Calculated as underlying EBIT / Sales

[6] Excludes cash significant items that are considered to be outside the ordinary course of operations

[7] Calculated as underlying operating cash flow / cash EBITDA

[8] Calculated as Net Debt / trailing 12 month EBITDA

RESTRUCTURING INITIATIVE (announced 2 August 2019)

- With economic and market conditions across Australasia and North America remaining challenging and expected to continue to be so, a group wide restructuring initiative has been announced with a number of initiatives already being implemented.
- A significant item expense of $20.8M after tax has been recognised in FY19. This includes a non-cash impairment expense of $3.7M.
- The main aim of the restructuring is to drive efficiency as well as reset the cost base to match the expected market conditions.
- Restructuring activities will largely be implemented by the end of 1H20 with the majority of cash expenses incurred in that same period.
- Returns from this initiative in FY20 are expected to be ~30.0%, increasing to ~65.0% in FY21.

CAPITAL INVESTMENT UPDATE

- The ~$35.0M warehouse project for Glass in Gawler continues on track and is expected to be completed at the end of calendar 2019.
- Preparations for the ~$50.0M rebuild of the G2 Glass furnace, which is scheduled for February to April 2020, are progressing to plan.
- The successful asset refresh program that has been underway in Fibre for most of the last three years is reaching a point of consolidation i.e. the intensity of the level of investment will slow as the sites drive to deliver the expected benefits.
- The integration of the recent acquisitions of Pollock and Bronco in North America continue in line with expectations and are expected to deliver the targeted returns.
- As it has done consistently over recent years, to offset ongoing headwinds, in addition to pursuing organic growth, the Group will continue to invest in cost reduction opportunities and the asset base through asset upgrades, new capacity and new sites.

INNOVATION UPDATE

- To recap, the Orora Global Innovation Initiative was established in July 2015. The total capital allocation to be invested in innovation was $75.0M.
- At 30 June 2019 approximately $66.0M has been committed to initiatives focused on delivering new customer led product solutions and enhancing productivity. Approximately $8.0M was invested during FY19.
- A number of projects are now completed / commissioned and are delivering to expectation and contributing to the earnings of the Group.
- These include the introduction of new laser cutting and creasing solutions which adds production quality and speed to pair with the recently commissioned high speed digital printers.
- With an increasing emphasis on more sustainable packaging, Orora is working on developing and trialling, including in market, a number of initiatives. This includes fibre based fresh produce packaging solutions including fibre trays, fibre punnets and fibre bubble wrap as well as solutions in glass and cans.
- While emphasising Orora's focus on being "customer led" and sustainable, these innovation projects are also an important part of offsetting ongoing input cost headwinds, especially in Australasia.

LEADERSHIP

- On 9 July 2019, Orora announced that after more than 10 years leading the business, Nigel Garrard would retire from the position of Managing Director and Chief Executive Officer, effective 30 September 2019. Mr Garrard will be succeeded by Brian Lowe. Mr Lowe joined Orora in 2011 to lead Orora's Beverage Business Group and is currently Group General Manager, Orora Fibre Packaging Group.
- Also on 9 July 2019, Chris Roberts announced that he will continue as Chairman into 2020 to assist with a smooth transition of the new leadership.
- Orora has today announced the appointment of Tom Gorman as a director. Tom is US based and will join the Board effective 2 September 2019.

OUTLOOK

To help offset challenging market conditions and cost headwinds, in FY20 Orora will continue to invest in efficiency, growth and innovation, as well as integrate recent acquisitions.

REVENUE

- Sales revenue of $4,761.5M was up 12.1% on pcp, driven by:
  - OPS increasing revenue by approximately 14.1% in local currency terms primarily from the acquisitions of Bronco and Pollock which completed during 1H19. Underlying organic sales growth was approximately 1.0%;
  - Strong revenue growth across most of the Cans market segments;
  - Despite some adverse seasonal conditions impacting fresh produce, higher volumes in Fibre reflecting organic growth in most other segments and higher paper sales from B9; and
  - $201.8M positive FX impact on US dollar denominated North American sales, on pcp.
- Underlying sales in Australasia increased approximately 1.5% after taking into account the pass through of higher aluminium prices.

Revenue Summary

(A$ mil)	FY18	FY19	Change %
Australasia	2,104.8	2,150.0	2.1%
North America	2,143.2	2,611.5	21.9%
Total sales revenue	**4,248.0**	**4,761.5**	**12.1%**

EARNINGS BEFORE INTEREST AND TAX

- EBIT increased by 3.7% to $335.2M, with the gain attributable to:
  - The higher revenue drivers outlined above;
  - B9 production volumes above design capacity;
  - The ongoing focus on improving manufacturing and operating efficiency across the Australasian business;
  - Glass and Cans product mix with an ongoing focus on innovation and value added product lines; and
  - Positive translational FX impact from US denominated earnings of $7.8M on pcp. US dollar earnings were translated at AUD/USD ~72.0 cents in FY19, compared to ~78.0 cents in pcp.
- Earnings gains were partially offset by:
  - Higher electricity ($3.0M impact - all in 1H19) and raw material costs (kraft paper and starch) of approximately $13.0M; and
  - Weaker local currency earnings in North America from margin pressures and volume weakness.
- Going forward, foreign exchange translation sensitivity on EBIT and NPAT to a 1 cent move in the AUD/USD on an annualised basis is approximately $1.8M and $1.1M respectively.

Earnings Summary (EBIT)

(A$ mil)	FY18	FY19	Change %
Australasia	232.3	246.6	6.2%
North America	121.0	116.6	(3.6%)
Underlying Corporate	(29.9)	(28.0)	(6.4%)
Underlying EBIT	**323.4**	**335.2**	**3.7%**

BALANCE SHEET –

- Key balance sheet movements since June 2018 were:
  - Increase in other current assets was largely driven by acquired receivables and inventory as part of the Bronco and Pollock transactions and inventory builds as a result of mixed climatic conditions in some regions of Australasia adversely impacting volumes in some key fresh produce sectors and to maintain supply during forthcoming asset refresh / furnace rebuilds. The FX impact was $33.3M (increase);
  - Net property, plant and equipment (PP&E) increased by $71.8M with ongoing investment in the base businesses including the ongoing asset refresh program in Fibre as well as the PP&E from the Bronco and Pollock acquisitions. Capex for FY19 of $180.8M included spend on the following major items: Fibre asset refresh, new warehouse developments and initial pre spend on G2 rebuild at Glass, digital and fabric printing equipment in OV to harmonise and expand the service offering and projects approved under the Orora Global Innovation Initiative. Depreciation for the period was $122.9M. The FX impact on PP&E was $13.8M (increase);
  - Intangible assets increased by $120.0M with the additions of Bronco and Pollock and general IT software development costs. Amortisation for the period was $10.0M. The FX impact was $22.4M (increase);
  - Net debt increased by $222.5M during the period with the main drivers being the acquisitions in North America and ongoing base and growth capital investment across the business. During 2H19, the $400.0M Syndicated Facility was refinanced and upsized to $450.0M and the US Syndicated Facility was also refinanced and upsized from US$200.0M to US$300.0M. The FX impact was $21.2M (increase); and
  - Increase in payables and provisions was largely driven by the recently announced restructuring and decommissioning provisions, the impact of acquisitions and FX impact of $24.0M (increase).

Balance Sheet (A$ mil)	30/06/18	30/06/19	Change %
Cash	88	70	(20.1)%
Other current assets	1,230	1,376	11.9%
Property, plant & equipment	1,694	1,766	4.2%
Intangible assets	495	615	24.2%
Investments & other assets	110	91	(17.3)%
Total Assets	**3,617**	**3,918**	8.3%
Interest-bearing liabilities	755	960	27.2%
Payables & provisions	1,232	1,313	6.6%
Total equity	1,630	1,645	0.9%
Total liabilities & equity	**3,617**	**3,918**	8.3%
Net debt	667	890	
Leverage	1.5x	1.9x	
Gearing	29%	35%	

CASH FLOW

- Increased earnings were converted into cash as forecast with operating cash flow of $268.9M, down on pcp by 17.3%.
- Operating cash flow conversion was ~56.0%, which was in line with guidance for FY19 reflecting ongoing capex above depreciation and inventory build in the Glass and Fibre businesses.
- Cash conversion was lower than ~67.0% reported in pcp however in-line with the underlying pcp of ~58.0%. The pcp included the benefit of sale proceeds from the Smithfield site ($45.5M) and adjusting for this, the underlying cash conversion was ~58.0%.
- Main movements / points to note include:
  - Increase in EBITDA of $22.8M;
  - Due to mixed seasonal conditions in Australasia adversely impacting volumes in some key fresh produce sectors late in the season, inventories were higher than anticipated. Additional planned inventory was held for capital investment related inventory builds for Fibre and Glass.
  - The impact of a reset on trading terms on the import of aluminium (approximately $25.0M impact) in 1H19, largely reversed in 2H19 as forecast;
  - FY18 included the one off impact from the sale of the Smithfield site; and
  - With ongoing investment in base capital and Orora Global Innovation Initiative investments, gross capex (base and growth) was approximately 150% of depreciation. With the G2 rebuild, it is expected to remain at an elevated level in FY20 of ~120%.

Cash Flow (A$ mil)	FY18[1]	FY19[1]	Change %
EBITDA	445.3	468.1	5.1%
Non-cash Items	38.9	15.4	
Movement in Total Working Capital	(51.9)	(65.6)	
Base capex	(155.1)	(151.8)	
Sale proceeds	48.0	2.7	
Operating cash flow	325.3	268.9	**(17.3%)**
Cash significant Items	(30.0)	(25.5)	
Operating free cash flow	295.3	243.4	
Interest	(32.9)	(43.2)	
Tax	(41.6)	(51.5)	
Growth capex	(33.9)	(38.4)	
Free cash available to shareholders	186.9	110.2	
Cash conversion	67.2%	55.6%	

AVERAGE WORKING CAPITAL

- Average total working capital to sales was 10.3% (9.1% in pcp) mainly in inventory reflecting higher raw material prices, some seasonal impacts as well as capital investment related timing issues. These are summarised as follows:
  - Glass inventory build for the G2 furnace rebuild has commenced. This will be elevated further at the 1H20 half year, before largely unwinding by the end of FY20;
  - As forecast at June 2018, higher inventories in Fibre Packaging are being held to ensure that customers are not impacted through the Fibre asset refresh program – this is likely to be the case through the remainder of calendar 2019;
  - Mixed climatic conditions in Australasia adversely impacted volumes in some key fresh produce sectors late in the season, which lead to higher inventories than anticipated; and
  - While receivables management is solid, there is still room for improvement and will continue to be a focus as economic conditions remain challenging.
- The medium term management target for average total working capital to sales is less than 10.0%. As the above timing related items are expected to reverse over the coming financial year, the Group expects to be in line with this target.

AUSTRALASIA

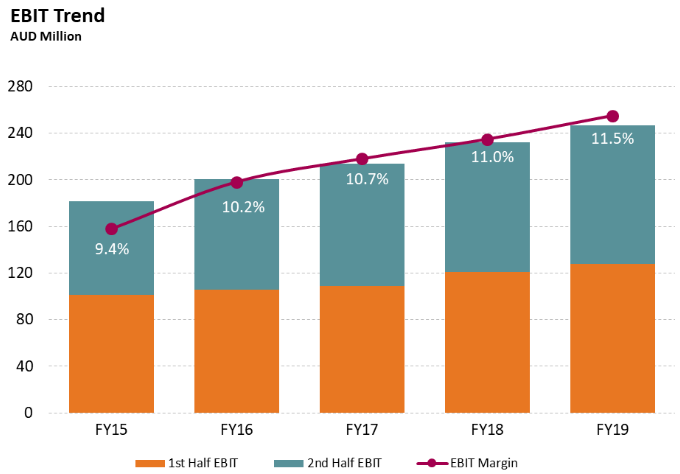
KEY POINTS

- Australasia increased EBIT by $14.3M to $246.6M, 6.2% higher than pcp.
- The EBIT growth reflected ongoing delivery of self-help programs and benefits from organic investments which more than offset input cost headwinds and volume softness in certain fresh produce and wine segments.
- The return on sales increased by 50 bps from 11.0% to 11.5%.
- Underlying sales in Australasia increased approximately 1.5% after taking into account the pass through of higher aluminium prices.
- Operating Cash Flow was in line with expectations at $198.5M.
- Cash conversion was below pcp at 55.4%. In comparison to pcp, working capital and base capital investment were largely flat. The benefit of the sale proceeds from the Smithfield site ($45.5M) in pcp was not repeated (underlying cash conversion in pcp excluding Smithfield proceeds was approximately 54.0%).
- RoAFE was flat at 13.4% on the pcp with increased earnings offset by recent capital investments and increased working capital.
- Economic conditions in Australia remain flat, with organic volume growth broadly in line with GDP.

(A$ mil)	FY18	FY19	Change %
Sales Revenue	2,104.8	2,150.0	2.1%
EBIT	232.3	246.6	6.2%
EBIT Margin %	11.0%	11.5%	
RoAFE	13.4%	13.4%	

Segment Cash Flow

(A$ mil)	FH18	FY19	Change %
EBITDA	**324.3**	**342.0**	**5.5%**
Non-cash Items	26.3	16.4	
Movement in Total Working Capital	(48.9)	(46.9)	
Base Capex	(111.3)	(114.0)	
Sale Proceeds	45.6	1.0	
Operating Cash Flow	**236.0**	**198.5**	**(15.9%)**
Cash Significant Items	(14.4)	(0.5)	
Operating Free Cash Flow	**221.6**	**198.0**	
Cash Conversion	67.3%	55.4%	



FIBRE BUSINESS GROUP

- Fibre earnings were higher than pcp driven by successful revenue growth in targeted market segments, additional sales/production volume at B9 and manufacturing and operating efficiencies across the perimeter. These gains were partially offset by mixed climatic conditions across Australasia and input cost headwinds in kraft paper, starch and electricity.

Fibre Packaging:

- Higher volumes in certain processed food, fresh produce and meat sectors compared to pcp. Some of the meat benefit, particularly in 1H19, was due to drought conditions in parts of Australia which led to the short term increased culling of herd numbers.
- Climatic conditions in some regions of Australasia adversely impacted volumes in some key fresh produce sectors (e.g. kiwi fruit and apples).
- Ongoing operational efficiency and cost improvement programs being supported by the asset refresh investments were largely offset by the impact of higher input cost prices (kraft paper, starch and imported carton board). Earnings were in line with pcp.

Botany Recycled Paper Mill (B9):

- B9 production volumes were up on pcp and exceeded design capacity again.
- The impact of input costs increases from higher electricity and starch costs was approximately $5.0M.
- The commissioning of the secondary waste water treatment plant is nearing completion - benefits are being delivered to expectation. The plant reduces B9's impact on the environment by reducing regulated discharges in effluent from the site and also generates renewable energy by converting biogas to electricity for use in the Mill.
- Old Corrugated Cardboard (OCC) is the primary feedstock for B9 and is sourced from a range of vendors with a mix of terms and contract tenure. The impact of the movement in OCC prices, which continue to be volatile, has not been material in FY19.

BEVERAGE BUSINESS GROUP

- Beverage earnings were higher than pcp driven by higher Cans volumes, favourable product mix in Cans and Glass and continued improvement in operating efficiencies across all businesses.

Beverage Cans:

- Volumes were up on the pcp, underpinned by steady volumes in carbonated soft drinks (CSD) in ANZ as volumes begin to transition from other substrates and strong growth in the Pacific Islands, growth in mainstream beer (switch from glass) and craft beer segments and increased volumes of other non-alcoholic beverages such as still and sparkling water.
- The successful commissioning of a new small format can capability in New Zealand in 1H19 has supported the volume growth in the region.
- Earnings were higher due to the increased sales volumes and sound operational management.

Glass:

- Volumes were marginally lower in comparison to a record pcp reflecting reduced volumes in some wine export markets, partially offset by market share gains in beer and increased volumes in non-alcoholic beverages such as kombucha.
- Favourable product mix, together with an ongoing focus on operational cost improvements, drove an increase in earnings compared to pcp.
- Construction of new onsite storage facilities is progressing to plan with the existing warehouse extension completed in January 2019. The new warehouse is on track for completion in December 2019.

AUSTRALASIA (continued)

INNOVATION & GROWTH UPDATE

- In 1H18, the Glass business committed ~$35.0M to build a new warehouse at Gawler to enable Orora to hold inventory onsite and further reduce offsite pallet storage and transport costs. The project is on track to be completed by December 2019. The investment is expected to deliver a return of 15% by reducing the cost of offsite storage and cartage.
- Preparation work has continued at Gawler for the rebuild of the second furnace (G2), which is scheduled to take place between February and April 2020. The total cost of the rebuild is ~$50.0M with the majority to be spent in FY20.
- While G2 is offline, the second forming line off G2 (first line was upgraded in 2017) will also be upgraded for an estimated cost of $10.0M. This will add ~10M bottles of annual capacity. The benefits are expected to flow from FY21.
- At B9, commissioning of the new $25.0M secondary waste water treatment plant is now largely complete. Benefits are being delivered in line with expectation.
- As consumer preferences evolve towards more sustainable packaging, Orora's Beverage and Fibre Research & Technology teams are working closely with customers, from farmers to retailers, on new product development. Some of these innovative products have now been successfully rolled out to the market and include fibre trays and punnets as well as water / wine in a can.
- Orora has continued investing in advanced data analytics to provide further insight and analysis into manufacturing processes. Some early benefits have been realised by providing insights into overall equipment effectiveness, spoilage, energy usage and material consumption.
- The Fibre asset refresh program continued during FY19 to support additional projects including asset replacement, upgrades and debottlenecking. The cumulative commitment made to the asset refresh program for Fibre Packaging Australasia is now in excess of $125.0M.
- In light of progress made to date and the desire to consolidate the investments made since the commencement of the Fibre refresh program in Australasia, the program will continue at a reduced intensity.
- To consolidate the number of sites and provide capacity for further growth, Fibre opened new facilities in Sydney, NSW for both Speciality Packaging and WRS.
- The Australasian businesses continue to actively utilise the Orora Global Innovation Initiative to enhance innovation, modernisation and productivity.
- Sales from the new high speed, large-format digital printer commissioned at Fibre Packaging's Oakleigh (Victoria) site are tracking to expectation and the feedback from customers continues to be positive. Digitally printed corrugated boxes have been sold into the wine, beer, fruit and produce, industrial and point of sale markets.
- Orora recently introduced new laser cutting solutions which adds production quality and speed to match the recently commissioned high speed digital printers.

PERSPECTIVES FOR 2020

- Approximately 50% of the restructuring initiative relates to Australasia. A return of approximately 30% is expected in FY20.
- Orora uses approximately 5 petajoules (PJ) of gas annually to produce glass at Gawler and paper at B9. Existing gas contracts mature in December 2019. Orora has now successfully secured new supply arrangements with multiple parties for two years. Some supply contracts have additional options at Orora's call. The anticipated net cost headwind from gas price increases in 2H20 will be ~$3.5M with a further ~$3.5M impact in 1H21.
- OCC commodity prices continued to be volatile in FY19. Through the year, as part of the ordinary course of business, a number of contracts have been renewed. There is no change to the EBIT sensitivity from OCC price movements, taking into account the recent contract renewals, on an annualised basis, a $10 per m/t movement in OCC commodity price represents an impact of approximately $0.5M.
- With global demand for kraft paper remaining steady, prices remaining high and a weaker Australian Dollar, Orora faces a further headwind of ~$5.0M in FY20. Whilst this is expected to be passed through to the market, there is a lag as it is likely to take 2-3 years.
- In preparation for the G2 rebuild, Orora will continue to build stock to ensure continuity of supply to customers. This will adversely impact working capital and cash flow in 1H20. While G2 is being rebuilt, the expected negative impact on EBIT in 2H20 is ~$8.0M. This will largely reverse in FY21.
- Insurance costs globally have increased sharply and Orora has not been immune. In Australasia, insurance costs will increase by ~$3.0M in FY20.
- The Orora Global Innovation Initiative will continue to be accessed by the Australasian business to enhance the value proposition and/or improve productivity and drive earnings growth. With the success of the investments in Australasia to date, Orora expects there will be further commitments to support innovative new-customer led product solutions in FY20 and beyond.
- As it has done consistently over recent years, to offset ongoing headwinds, in addition to pursuing organic growth, the Australasian business will continue to identify and implement cost reduction opportunities as well as reinvest in the asset base through asset upgrades, new capacity and new sites.

NORTH AMERICA

KEY POINTS

- North America's reported EBIT declined 3.6% to $116.6M. This includes a positive $7.8M translation impact.
- In local currency terms, EBIT declined 11.1% to US$83.4M. This is a result of generally tough market conditions impacting volumes and margins in OPS and the earnings reset in OV from the loss of business during FY18. These combined with other factors flowed through to the EBIT margin which was lower at 4.5% (5.6% in pcp).
- Sales grew 12.4% to US$1,867.8M mainly from acquisitions. Net organic sales growth was ~1.0%.
- EBIT includes the initial earnings contributions from the Bronco and Pollock acquisitions completed effective 1 September and 1 December 2018 respectively. The integration of both businesses is on track.
- Cash flow decreased to $96.9M while cash conversion declined to ~69.0% (~73.0% in pcp). The decline in cash conversion was driven by increases in working capital, partly offset by reduced capital spend.
- RoAFE declined by 400bps to 15.0% with lower earnings and the initial dilutionary impact of the Bronco and Pollock acquisitions.
- In response to the tough market conditions, management have already implemented a number of initiatives aimed at improving processes, efficiencies and taking costs out of the business. This earnings improvement program has recently been bolstered with further dedicated external resources. While these initiatives progressively gained traction in FY19, most of the benefits are expected to impact in FY20. The costs associated with implementing this program have been included in the group wide restructuring initiative significant item expense.

ORORA PACKAGING SOLUTIONS

- OPS delivered constant currency revenue growth of approximately 14.1% - predominantly from acquisitions.
- Net organic revenue growth was 1.0%. This was largely a reflection of challenging market conditions experienced across the OPS business.
- The acquisitions of Bronco and Pollock were completed during 1H19, adding scale and increasing OPS exposure to the large and growing Texas market.
- EBIT margins declined to 4.2% from 5.5% in the pcp. This was caused by margin pressures from generally tough market conditions and new manufacturing capacity coming on stream, the impact of the Pollock acquisition (initially lower return on sales and earnings more weighted to the first half of Orora's fiscal year) as well as the impact of passing through raw material increases.
- The ERP system rollout has been completed and the transition costs are progressively being removed which will positively impact FY20.
- As the ERP implementation matures and confidence has grown in the integrated data solution, there is more emphasis on growth with some benefits already being realised. This is expected to continue progressively in FY20 and beyond.
- Landsberg will continue to leverage its national footprint, product breadth and standardised service offering, to deliver sales growth from both increased share of wallet with existing corporate accounts and new customer wins.

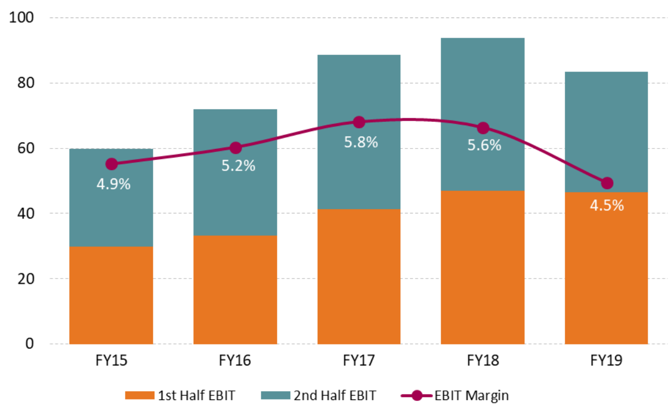
(A$ mil)	FY18	FY19	Change %
Sales Revenue	2,143.2	2,611.5	21.9%
EBIT	121.0	116.6	(3.6%)
EBIT Margin %	5.6%	4.5%	
RoAFE	19.0%	15.0%	

(US$ mil)	FY18	FY19	Change %
Sales Revenue	1,661.2	1,867.8	12.4%
EBIT	93.8	83.4	(11.1%)

Segment Cash Flow

(A$ mil)	FY18	FY19	Change %
EBITDA	146.1	149.7	2.5%
Non-cash Items	6.6	(8.3)	
Movement in Total Working Capital	(7.6)	(17.7)	
Base Capex	(33.9)	(28.5)	
Sale Proceeds	0.7	1.7	
Operating Free Cash Flow	**112.0**	**96.9**	**(13.5%)**
Cash Conversion	73.3%	68.5%	

EBIT Trend
USD Million



ORORA VISUAL

- Orora Visual financial results in FY19 were impacted by the reset from lost business (customer bankruptcy in FY18). As a positive sign for an improving outlook into FY20 and beyond, Orora Visual was able to achieve revenue growth of ~1.0% in FY19.
- As evidenced by the sales growth achieved, the customer value proposition is gaining traction with a number of share of wallet gains from existing customers as well as a number of new accounts being on-boarded.
- As the business continues its integration journey and further leverages collaboration and drives efficiencies across all sites, the business is expected to drive towards the targeted returns.

NORTH AMERICA (continued)

INNOVATION AND GROWTH UPDATE

- After the slower than expected start to second half earnings in OPS, caused by a combination of external and internal factors, a self-help earnings improvement program was initiated in February 2019. A number of these initiatives have been implemented and have already delivered some improvement in margins. With market conditions expected to continue to be challenging, Orora has engaged additional external resources to work alongside OPS Management to continue to drive efficiencies and maintain the focus on sales growth across the business.
- The functional and organisational integration of Bronco and Pollock which, together, have added ~500 people to the North American business, continues "on track" with accountabilities firmly embedded. The focus on the customer experience and delivering cost related synergies are tracking to plan.
- Seasonally, Pollock earnings are weighted approximately 70% in the first half of Orora's fiscal year.
- Landsberg remains focused on executing its organic market growth strategy by leveraging its national footprint, extensive product breadth, service offering and customised value proposition to secure new larger multi-site corporate accounts, as well as increase sales with existing customers. This is also important in the context of integrating Bronco and Pollock.
- The new high speed large format digital printer (same as Fibre Packaging Australia) has been commissioned in Southern California, enhancing the value proposition, including print quality and speed to market. Sales and margins are progressing to expectation.
- The Manufacturing Division, as part of its own "asset refresh" program (which will not be as extensive as Fibre Australasia), has commissioned a new 6 colour press in Northern California. This has provided a step up in capability and opened new higher value add markets.
- Orora Visual continues to successfully build out its value proposition to serve national corporate customers with a consistent point of purchase (POP), visual communications and fulfilment offering across multiple locations. Orora Visual has two creative design centres in Los Angeles on the west coast and one in New Jersey on the east coast. This combines well with the expected "uniformity of offering" benefits from digital and fabric printing capability recently installed across Orora Visual's footprint.
- Having established a more solid foundation, the focus for Orora Visual is to continue to grow share of wallet with existing customers and on-board new accounts, while also driving efficiencies in manufacturing.

PERSPECTIVES FOR 2020

- Approximately 40% of the restructuring initiative relates to North America. A return of approximately 30% is expected in FY20.
- In-line with the increases in Australasia, insurance costs in North America will rise ~$1.0M in FY20.
- The North American businesses will continue to utilise the Orora Global Innovation Initiative to drive innovation, modernisation and productivity.
- The focus for the North American businesses is to consolidate and deliver on the existing earnings improvement programs, both from sales growth and cost efficiency, and successfully complete the integration of Pollock and Bronco.
- The above activity would not preclude further M&A growth, however for now the focus is appropriately as outlined above.

CORPORATE

- Corporate costs of $28.0M were slightly lower than underlying costs in the pcp of $29.9M.
- Corporate costs continue to be well managed.
- Corporate costs in FY20 are expected to be broadly in line with underlying costs in FY19.
- Orora successfully completed the refinancing of its syndicated bank debt facilities in April 2019. The Australian Syndicate was increased by A$50.0M to A$450.0M with a maturity in April 2022 while, at the same time, the US Syndicate was increased by US$100.0M to US$300.0M with a maturity in April 2024. The average tenor of facilities was increased from 2.1 years to 3.9 years. There were no material changes to banking syndicate counterparties or commercial terms.
- While Orora has been positively impacted by lower US tax rates (and tax reforms), Orora operates in several other jurisdictions where adverse rules are either already in or coming into effect. The effective tax rate in FY19 was slightly lower than historical levels, however going forward Orora expects the effective tax rate to be slightly higher than historical rates.

SIGNIFICANT ITEMS

Restructuring and Impairment

- In May 2019, Orora announced that in response to the slower start to earnings experienced in early calendar 2019, cost structures in both Australasia and North America were being reviewed.
- As announced on 2 August 2019, Orora has since completed this review and determined that certain parts of the business require restructuring to ensure operations are optimised and the cost base aligns with the expected market outlook.
- A $20.8M after tax provision for restructuring and impairment charges was recognised and separately disclosed in the June 2019 financial accounts as a significant item.
- From a timing and cash flow point of view, the majority of the initiatives will be implemented in the first half of FY20.
- The expected return on these initiatives is ~30% in FY20 and ~65% in FY21.
- In addition, a review of assets was also undertaken as part of this review which resulted in a non-cash impairment charge of $3.7M after tax. There is no material impact on earnings from this impairment charge.

Petrie Decommissioning

- The decommissioning of the Petrie site is a significant and complex exercise involving multiple government agencies.
- With an amended contract having recently been entered into with the landowner, the scope for the final phase of remediation and decommissioning was able to be finalised. This has resulted in the estimated cost to complete the decommissioning being higher than previously contemplated.
- A specialist environmental consulting firm has been engaged to manage the completion of the works.
- A $35.0M after tax provision for additional decommissioning costs associated with the Petrie Mill site was recognised and separately disclosed in the June 2019 financial accounts as an SI.
- In terms of cash flow, the costs are expected to be relatively evenly phased over the next 3 financial years. Outstanding proceeds from the original sale of the land of ~$10.0M are expected to be received equally in FY20 and FY21.

CONFERENCE CALL

Orora is hosting a conference call for investors and analysts at 10:00am today. The audio cast will be available on the Orora website, www.ororagroup.com, within 24 hours.