INVESTOR RESULTS RELEASE

Orora announces results for the full year ended 30 June 2020

FINANCIAL SUMMARY – CONTINUING OPERATIONS

- Underlying NPAT before significant items was $127.7M down 22.8% on the prior corresponding period (pcp). Underlying EPS was 13.2 cps, down 23.3% on pcp.
- Statutory net profit after tax (NPAT) was $27.6M and earnings per share (EPS) was 2.9 cents per share (cps).
- Significant item ("SI") expense after tax of ($100.1M) comprised of restructuring and impairment charges in North America as a result of resetting the businesses to adjust to the tough market conditions which were compounded by the impact of COVID-19 and include costs associated with the closure of the Orora Visual (OV) Los Angeles site as part of a rationalisation of the Californian footprint.
- Sales revenue was $3,566.2M, up 5.2% on the prior corresponding period (pcp).
- Underlying Earnings Before Interest and Tax (EBIT) was $224.3M, down 14.3% on pcp.
- Operating cash flow was $169.8, $72.8M below the pcp. Cash conversion was ~54.0%, down from ~71.0% in the pcp but in line with management's expectations. The key movements included heightened capital at Gawler associated with the successful rebuild of G2, increased inventory to ensure continuity of supply through COVID-19 and to support the growth in the Cans business, taking advantage of early payment discounts in Orora Packaging Solutions (OPS) and the unwind of some working capital financing arrangements. The outlook is for a cash conversion in excess of 70%.
- Final ordinary dividend is 5.5 cps (unfranked). The final dividend represents a total annual dividend pay-out ratio of ~78.0% of Group NPAT before SI (including discontinued operations), which is at the top end of the revised indicated payout range - reflecting the strength of the balance sheet and confidence in the outlook of the continuing businesses. The FY19 total dividend payout ratio was ~72.0% of NPAT before SI. The ex-dividend date is 7 September 2020, the record date is 8 September 2020 and the payment date is 12 October 2020.
- Net bank debt at 30 June 2020 was $292M, down from $996M at 31 December 2019 and $890M at June 2019. This was primarily as a result of the net proceeds of the sale of the Australasian Fibre business (Fibre), partly offset by ~$600.0M of capital management, FX on repayment of US denominated debt, reduced operating cash flow as outlined above and working capital builds in the divested Fibre business which will largely be returned to Orora during FY21.

FINANCIAL SUMMARY – Continuing Operations (refer to footnotes)

(A$ mil)	FY19[1]	FY20[1&2]	Change %
Sales revenue	3,390.2	3,566.2	5.2%
EBITDA[3]	336.9	349.8	3.8%
EBIT	261.8	224.3	(14.3%)
NPAT[1]	165.4	127.7	(22.8%)
EPS (cents)[4]	17.2	13.2	(23.4%)
Return on sales[5]	7.7%	6.3%	
Operating cash flow[6]	242.6	169.8	(30.0%)
Cash conversion[7]	71%	54%	
RoAFE[8]	19.5%	16.0%	
FINANCIAL SUMMARY – Including Discontinued Operations			
NPAT[1]	217.0	168.3	(22.4%)
EPS (cents)	22.5	17.4	(22.7%)
Net debt	890	292	
Leverage[9]	1.9x	0.9x	
Gearing	35%	22%	

- Leverage was 0.9 times, down from 2.3 times at December 2019 and 1.9 times at June 2019.
- RoAFE was 16.0%, down from 19.5% at pcp reflecting lower earnings.
- The new lease accounting standard (AASB16 Leases) has been applied from 1 July 2019. The positive impact on NPAT is $4.3M. The impact on the segments is outlined in Appendix 1.

DISCONTINUED OPERATIONS

- On 30 April 2020, Orora completed the sale of Fibre to a wholly owned subsidiary of Nippon Paper Industries Co., Limited (Nippon) for an enterprise value of $1,720.0M.
- Net proceeds received to date are ~$1,550.0M. There are further amounts to be received in due course related to the deferred settlement of two properties and working capital completion account adjustment process.
- The Fibre business has been treated as a discontinued operation with associated earnings disclosed separately in the FY20 financial statements.

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. This includes the allocation of Corporate Costs to each of the business units, including discontinued operations.

The following notes apply to the entire document.

[1] Continuing Businesses:

FY20 - the net significant item expense after tax of $100.1M relating to restructuring and impairment costs in North America has been excluded from underlying results of the continuing businesses to assist in appropriate comparisons with the operating performance of the business and the pcp.

FY19 – the net significant item expense after tax of $48.9M comprised of restructuring costs associated with re-sizing the businesses and decommissioning costs associated with the Petrie Mill site have been excluded for the same reason.

Discontinued Operations

FY20 - the net significant item income after tax is comprised of the net profit recognised on the divestment of the Australasian Fibre business of $171.7M which includes transaction and restructuring costs. It has been excluded from the underlying results to assist in appropriate comparisons with the operating performance of the business and the pcp.

FY19 - the net significant item expense after tax of $6.9M associated with re-sizing the businesses have been excluded from underlying results for the same reason.

[2] Orora has initially applied AASB 16 Leases using the modified retrospective approach. Under this method, the comparative information has not been restated. To assist the reader with a consistent year on year analysis, refer to Appendix 1

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

[4] EPS is calculated as NPAT / weighted average ordinary shares (net of Treasury Shares).

EPS uses the weighted average ordinary shares which has been adjusted to reflect the share consolidation that was completed in June 2020 as if this had occurred at the beginning of the comparative period, as required by accounting standards.

[5] Calculated as EBIT / Sales.

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

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

[8] Calculated as EBIT (including AASB16) / average funds employed (including AASB16).

[9] Calculated as Net Debt (excluding AASB16) / trailing 12 month EBITDA including discontinued operations excluding AASB16.

CAPITAL MANAGEMENT

- Orora has today announced an on-market buyback[10] of up to 10 percent of issued share capital, representing ~96.5 million shares. The buyback is expected to cost approximately $230M[11]. The buyback will commence in September 2020.
- As announced in May 2020, the Board's preference is to pursue growth investment opportunities.
- However in the absence of imminent opportunities in ANZ and with a focus on organic growth in the North American businesses, return of excess capital to shareholders is considered appropriate.
- The buyback reflects the strength of Orora's balance sheet, current liquidity position and the strong cash generation capability of the Group's businesses (targeting a Group cash conversion of greater than 70% in FY21).
- The Dividend Reinvestment Plan will be suspended for the final dividend and is expected to be suspended while the on-market buyback is undertaken.
- Shareholders need to ensure their account details are up to date by 8 September 2020 (record date) in order to receive their dividend payment on 12 October 2020.

STRATEGY UPDATE

- With the announcement of the sale of Fibre, Orora has completed a review of its strategy.
- The review focused on:
  - A critical assessment of the industries and markets in which Orora operates and trends that will influence future performance
  - Confirming Orora's key competencies and points of competitive advantage
  - Clarifying the key areas of opportunity and challenge within the existing portfolio and key actions to address
  - Identifying potential new opportunities for Orora to leverage its core competencies to expand its products and services over time.
- A set of strategic pillars have since been established to support Orora to execute its objective to become a leading sustainable packaging solutions company. These are:
  - Optimise and grow through operational improvement and best in class execution
  - Enhance and expand core products and services to enhance Orora's customer value proposition
  - Enter new segments that are complementary to Orora's capability set.
- These pillars form a critical part of Orora's refreshed blueprint for shareholder value creation.
- A set of initiatives aligned to these pillars have been identified and prioritised with projects underway and further opportunities to be explored during FY21 and beyond.
- Orora's strategy is expected to continue to generate strong cash flows from the core business operations. Deployment of this cash flow will be a combination of investments in the core businesses, distributions to shareholders (ongoing dividend and/or capital management), as well as strategic acquisitions that enhance Orora's product and service offering.
- Any future growth initiatives will be assessed in the context of a rigorous approach to capital allocation ensuring that only value-adding investments that meet Orora's return criteria (to generate a return with an appropriate premium to WACC depending on risk of the investment) are undertaken. In driving growth, any investment will be supplemented by an ongoing focus on improving operational efficiency and supported by increased innovation and sustainability within the base businesses.

COVID-19 IMPACT AND RESPONSE

- At the beginning of the pandemic, Orora activated its Risk Management Team (RMT) who continue to steward the Company's response across people, operations, suppliers and customers.
- Local safety, HR and operational teams were then mobilised to address each of the identified risks with requirements to report back via the RMT.
- Orora's response comprises three key focus areas: safety, health and wellbeing, customers and supply chain, and active financial management.
- Orora was swift to implement a range of health and safety measures to respond and mitigate any risk of transmission of COVID-19 at its sites and team members working remotely.
- Orora is working with its customers to ensure continuity and quality of supply. Procurement and operational teams continue to work with vendors to preserve ongoing supply.
- While Orora's businesses worked hard to mitigate the impact of COVID-19, as disclosed in May, the total net EBIT impact of COVID-19 was ~$25.0M, with ~90% of the earnings disruption occurring in North America.
- COVID-19 has impacted many end market segments serviced by Orora Visual (OV) in North America and the uncertainty in terms of recovery is the primary reason for the impairment charge.
- Despite the initial impact of COVID-19, the businesses have adapted and performance in North America has recently stabilised.

SIGNIFICANT ITEMS

- Total significant items during the year amount to income after tax of $71.6M and consist of the following:
  - Continuing Businesses - A significant item expense after tax of $100.1M comprising restructuring and impairment charges in North America as a result of resetting the businesses to adjust to the tough market conditions which were compounded by the impact of COVID-19 and included costs associated with the closure of the OV Los Angeles site as part of a rationalisation of the Californian footprint.
  - Discontinued Operations –significant item income after tax of $171.7M in respect of the net profit recognised on the sale of Fibre which includes transaction and restructuring costs.

SUSTAINABILITY UPDATE

- As part of Orora's sustainability agenda, new Eco Targets have been set which build on the success of the previous 5-year targets, which were met in FY19.
- The aim is for a 5% improvement on each Eco Target ratio for the Production and Distribution businesses across CO_2e, waste to landfill, and water use, by 30 June 2024.
- Each Target is measured as intensity against production related metrics specific to the activities of each business division.
- The targets reflect the primary activity of each of the business units. These are divided into those which produce packaging; measured against tonnes produced, and those that distribute packaging; measured against floor space square metres.

BOARD UPDATE

- A new Safety, Sustainability and Environment Committee of the Board has been formed, which is chaired by Ms Abi Cleland.

[10] An Appendix 3C was released today. It is intended that the buyback will commence no earlier than 14 September 2020. Orora reserves the right to vary, suspend or terminate the share buyback at any time and to buy back less than the 96.5 million shares.

[11] Based on Orora's closing share price on 19 August 2020 of $2.39.

- As previously announced, Mr Chris Roberts retired from the Board, effective 12 February 2020. Mr Rob Sindel, who joined the Board in March 2019, was appointed as the Chairman of the Board at the same time. Mr John Pizzey retired from the Board, effective 31 May 2020. Mr Tom Gorman, who joined the Board in September 2019, is the new chairman of the Human Resources Committee.

CONTINUING OPERATIONS SEGMENT HIGHLIGHTS

- Australasia EBIT down 7.4% to $147.2M
    - The lower earnings were the result of previously announced cost headwinds in Glass (G2 rebuild unrecovered overheads and gas), higher insurance costs, negative impacts of COVID-19 and operational inefficiencies caused by volatility in volumes across the footprint and unfavourable mix in Glass. These headwinds were partially offset by the continued growth in Cans volumes and earnings;
    - The rebuild of the G2 furnace and forming line upgrade were successfully completed; and
    - The positive impact from lease accounting on EBIT was $1.1M
- North American EBIT was down 25.0% to $77.1M
    - In local currency, EBIT was down 29.6% to US$51.8M;
    - Despite lower underlying earnings in OPS from volume headwinds in some regions, which was compounded by COVID-19, the gross margin percentage continues to improve and was higher in 2H20 than 1H20;
    - The earnings improvement program initiatives (including restructuring activities) announced in 1H20 continue to gather traction and are being expanded upon as the process matures. Benefits derived from these programs are expected to continue into FY21 and beyond;
    - The integration of Pollock Orora was disrupted by COVID-19 but revenue synergies, from introducing a range of health, sanitation and safety products through the broader Landsberg business, are ahead of expectation;
    - Measures to contain the spread of COVID-19 resulted in the widespread closure of retailers across North America which had a direct impact on the OV business with a decline in revenues and earnings in 2H20;
    - Management remains committed to OV and while economic recovery may take time, some recent new customer wins including in the targeted grocery supermarket segment, indicate a more defensive base and the opportunity to drive improved earnings and returns into the future;
    - The positive FX translation impact on US dollar denominated earnings for the North American segment was $4.9M on pcp; and
    - The positive impact from lease accounting was $18.4M (US$12.3M).

OUTLOOK

Orora expects the challenging and uncertain market conditions to persist for the foreseeable future. Despite the current COVID-19 pandemic, Orora's businesses qualify as essential services providers in both Australasia and North America and are therefore able to continue to operate. A number of improvement initiatives have been successfully implemented across the Orora businesses and pleasingly North American financial performance has stabilised. A further update will be provided at the AGM in October.

REVENUE

- Sales revenue of $3,566.2M was up 5.2% on pcp, driven by:
  - OPS increasing revenue by 3.4% in local currency terms, primarily from the acquisition of Pollock Orora which completed in December 2018. Underlying sales volumes were down on the pcp;
  - Volume and revenue growth in Cans, while Glass volumes and revenues were down marginally on the pcp; and
  - $170.7M positive FX impact on US dollar denominated North American sales, on pcp.
- Underlying sales in Australasia increased approximately 2.9% after taking into account the pass through of lower aluminium prices.

EARNINGS BEFORE INTEREST AND TAX

- EBIT decreased by 14.3% to $224.3M, and was attributable to:
  - ~$25.0M related to the impacts of COVID-19;
  - Lower earnings in North America from volume weakness in some regions; and
  - Unrecovered overheads associated with the rebuild of G2, rising input costs and weaker volumes and mix in Glass.
- Earnings decline was partially offset by:
  - Stronger Cans volumes and earnings;
  - Delivery of profitability improvement initiatives in OPS and acceleration of synergies from Pollock Orora related to the Health & Safety segment;
  - The positive impact from lease accounting of $19.5M; and
  - Positive translational FX impact from US denominated earnings of $4.9M on pcp. US dollar earnings were translated at AUD/USD ~67.0 cents in FY20, compared to ~72.0 cents in pcp.
- 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 $1.2M and $0.3M respectively.

BALANCE SHEET

- Key balance sheet movements since June 2019 were:
  - Decrease in other current assets was largely driven by the receivables, inventory and other current assets included in the sale of Fibre of $514.8M. Collections performance across the continuing businesses improved, which combined with lower sales activity in North America in Q4, reduced overall receivable balances. These reductions were partially offset by tax instalments paid in advance, inventory builds to maintain continuity of supply in COVID-19 environment as well as to support growth in Cans and the unwinding of some working capital financing. The FX impact was $9.6M (increase);
  - Net property, plant and equipment (PP&E) decreased by $1,093.8M with $1,145.4M being disposed of with the sale of Fibre. Capex for FY20 for the continuing operations was $112.4M which included spend on the following major items: new warehouse development, the G2 rebuild and upgrade of a forming line at Glass, a flexo folder gluer in OPS and fabric printing equipment in OV to harmonise and expand the service offering. Depreciation for the continuing business during the period was $67.5M. The FX impact on PP&E was $0.1M (increase);
  - Intangible assets decreased by $178.9M with $106.4M related to impairments, largely at OV. $78.7M of intangible assets were included with the sale of Fibre. Amortisation for the period was $12.1M, while investments in digital platforms and software upgrades totalled $5.8M. The FX impact was $12.5M (increase);
  - The introduction of AASB16 Leases has meant that Right of Use (ROU) Assets and Lease Liabilities are now brought onto the balance sheet (effective 1 July 2019). ROU Assets of $217.3M largely relates to the North American businesses, with very few leases in Australasia;
  - Net debt decreased by $598M, primarily as a result of the net proceeds of the sale of Fibre, partially offset by ~$600.0M of capital management, heightened capital at Gawler, FX on repayment of US denominated debt, increased inventory to support the Cans business, taking advantage of early payment discounts in OPS, the unwinding of some working capital financing arrangements and working capital builds in the divested Fibre business which will largely be returned to Orora during FY21. FX impact was $27.6M (increase);
  - Decrease in payables and provisions was driven primarily by the sale of Fibre as well as taking advantage of early payment discounts in OPS. The FX impact was $8.3M (increase); and
  - ROU Liabilities of $279.4M largely relates to the North American businesses, with very few leases in Australasia.

Revenue Summary

(A$ mil)	FY19	FY20	Change %
Australasia	778.7	785.9	0.9%
North America	2,611.5	2,780.3	6.5%
Total sales revenue	**3,390.2**	**3,566.2**	**5.2%**

Earnings Summary (EBIT)

(A$ mil)	FY19	FY20	Change %
Australasia	159.0	147.2	(7.4%)
North America	102.8	77.1	(25.0%)
EBIT	**261.8**	**224.3**	**(14.3%)**

Balance Sheet (A$ mil)	30/06/19	30/06/20	Change %
Cash	70	107	52.6%
Other Current Assets	1,375	948	(31.1%)
Property, Plant & Equipment	1,766	672	(62.0%)
Intangible Assets	615	436	(29.1%)
Investments & Other Assets	92	120	30.3%
ROU Assets	-	217	-
Total Assets	**3,918**	**2,500**	(36.2%)
Interest-bearing Liabilities	960	399	(58.4%)
Payables & Provisions	1,313	789	(39.9%)
ROU Liabilities	-	279	-
Total Equity	1,645	1,032	(37.2%)
Total Liabilities & Equity	**3,918**	**2,500**	(36.2%)
Net debt	890	292	
Leverage	1.9x	0.9x	
Gearing	35%	22%	

CASH FLOW – CONTINUING OPERATIONS

- Earnings were converted into cash as forecast with operating cash flow of $169.8M, down on pcp by 30.0%.
- Cash conversion of 54.2% was lower than 70.7% reported in the pcp.
- Main movements / points to note in cash flow of continuing operations include:
  - Decrease in cash EBITDA (sum of EBITDA and non-cash items), in line with lower earnings;
  - Inventory build to support the Cans business volume growth and ensure continuity of supply to customers in the event of supply risk in light of COVID-19;
  - Early payment of payables in North America to capture settlement discounts and unwind of some supplier financing arrangements; and
  - Gross capex (base and growth) was approximately 167.0% of underlying depreciation. The G2 rebuild of ~$50.0M was a major contributor to the heightened capital investment in FY20.
- Average total working capital to sales was 8.3% (8.4% in pcp), with year-on-year sales moving in line with average working capital.
  - The medium term management target for average total working capital to sales is to be less than 10.0%.

Cash Flow – continuing operations

Cash Flow (A$ mil)	FY19	FY20	Change %
EBITDA	336.9	349.8	**3.8%**
Leases[12]	-	(65.9)	
Non-cash Items	6.0	29.5	
Cash EBITDA	**342.9**	**313.4**	**(8.6%)**
Movement in Total Working Capital	(45.5)	(69.0)	
Base capex	(56.6)	(84.4)	
Sale proceeds	1.7	9.9	
Operating cash flow	**242.5**	**169.8**	**(30.0%)**
Cash significant Items	(25.0)	(42.1)	
Operating free cash flow	**217.5**	**127.7**	
Interest – Group[13]	(43.1)	(44.6)	
Tax - Group	(39.4)	(49.1)	
Growth capex	(33.6)	(33.0)	
Free cash available to shareholders	**101.4**	**1.0**	
Cash conversion	70.7%	54.2%	

[12] Cash impact of AASB16 Leases has been included in operating cash to provide a like-for-like cash EBITDA (includes principal and interest).

[13] Group includes values pertaining to continuing and discontinuing operations.

AUSTRALASIA – Continuing Operations

KEY POINTS

- Australasia EBIT declined by $11.8M to $147.2M, 7.4% lower than the pcp.
- The decline in EBIT reflected the previously announced second half cost headwinds related to the G2 rebuild (~$8.0M) and increased gas prices (~$1.5M) as well as higher annual insurance costs (~$1.0M).
- A further net ~$3.0M related to COVID-19 impacts, largely due to operational inefficiencies caused by volatility in volumes and unfavourable mix in both Glass and Cans. Overall glass volumes were down on the pcp. These headwinds were partially offset by the continued growth in Cans volumes.
- Return on sales decreased by 170 bps from 20.4% to 18.7%, in line with the aforementioned cost headwinds.
- Underlying sales in Australasia increased 2.9% after taking into account the pass through of lower aluminium prices.
- Operating Cash Flow was in line with expectations at $120.0M.
- Cash conversion was below pcp at ~58.0%. In comparison to pcp, cash EBITDA declined in line with lower earnings, investments in working capital were made through an increase in aluminium inventories to support growth and ensure continuity of supply to Cans customers and some customer/vendor finance products were unwound. Base Capex was materially higher due to the G2 rebuild. These amounts more than offset the benefits of extended aluminium terms in 1H20 and the receipt of a $9.0M instalment in relation to reaching several key milestones at Petrie.
- Cash conversion in FY21 and beyond is expected to be greater than 70.0%.
- RoAFE was 27.0%, down from 30.3% in the pcp, with lower earnings, recent capital upgrades and higher inventories leading to the decline.
- EBIT includes a $1.0M benefit from lease accounting.
- Economic conditions in Australia remain weak and uncertain, particularly in Victoria, due to the continuing impact from COVID-19.

COVID-19 IMPACT

- The Beverage businesses are classified as essential services.
- In Cans, while volumes across the second half were up on the pcp, the profile was different. This was driven by stronger volumes in the grocery channel in March/early April as the "stay at home" orders led to consumers pantry stocking. This demand dropped off in late April/May but then recovered back to more normal levels in June. The demand in the route trade has been subdued since March which has an adverse impact on volumes and mix.
- Glass sales volumes followed a very similar trend to Cans, especially in the beer segment. Overall, volumes in Q4 were slightly down on the pcp, largely due to lower export wine volumes.
- The G2 rebuild was successfully completed during the period with commissioning now complete. The rebuild was delayed by ~2 weeks not only due to changes in working conditions and methods as a result of COVID-19, but also the ability to mobilise key vendors and commissioning engineers.

BEVERAGE BUSINESS GROUP

Beverage Cans:

- Volumes were up on the pcp, underpinned by steady volumes in carbonated soft drinks (CSD) (including volumes transitioning from other substrates), growth in both mainstream (switch from glass) and craft beer segments. Volumes continued to increase in non-alcoholic beverages such as still and sparkling water.

(A$ mil)	FY19	FY20	Change %
Sales Revenue	778.7	785.9	0.9%
EBIT	159.0	147.2	(7.4%)
EBIT Margin %	20.4%	18.7%	
RoAFE	30.3%	27.0%	

Segment Cash Flow

(A$ mil)	FY19	FY20	Change %
EBITDA	**201.0**	**192.3**	(4.3%)
Leases	-	(6.1)	
Non-cash Items	14.3	21.0	
Movement in Total Working Capital	(27.8)	(35.1)	
Base Capex	(28.1)	(61.6)	
Sale Proceeds	-	9.5	
Operating Cash Flow	**159.4**	**120.0**	(24.8%)
Cash Significant Items	(25.0)	(20.6)	
Operating Free Cash Flow	**134.4**	**99.4**	
Cash Conversion	74.0%	57.9%	

- Earnings were higher due to the increased sales volumes, however due to the volatility in volumes, operational efficiency was adversely impacted.

Glass:

- Overall volumes were down moderately on the pcp. Volumes were lower in some wine markets (largely export) and beer, offset in part by new customer wins in non-alcoholic beverages such as kombucha.
- While there is an ongoing focus on operational cost improvement, this was more than offset by unfavourable product mix, the impact of increased insurance and gas prices and the earnings impact associated with the G2 rebuild. Earnings were down on the pcp.

Closures:

- Volumes were lower on the pcp reflecting softness in some wine markets, resulting in a small reduction in earnings.

INNOVATION & GROWTH UPDATE

- Orora currently recycles ~80% of South Australia's Container Deposit Scheme (CDS) glass volumes. Commencing in October 2020, Glass will recycle a high proportion of the Western Australian CDS glass volumes, transporting the recycled glass to South Australia. This will increase Orora's recycled glass content over time from ~25% to ~35%. The business will continue to seek further opportunities to source recycled content.
- In continuing best in class decoration and product differentiation, the Cans business commissioned a new state of the art Digital Proofing Printer at Dandenong, Victoria. The Digital Proofing Printer materially improves the time taken to produce prototype designs and short run promotional products, enabling greater customer engagement through further product customisation.
- Investment has continued in the Industry 4.0 plant efficiency initiative. A data analytics platform which was successfully piloted at a single site in FY20, is now being been rolled out to all Cans body sites to provide better data to problem solve and improve efficiencies.
- 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 was completed on time and on budget in December 2019, with final commissioning of autonomous pallet stacking vehicles completed in 2H20. The investment is expected to deliver a return of ~15% by

reducing the cost of offsite storage and cartage. These benefits gradually commenced through the second half of FY20, with the full benefit to be achieved in FY21.

- While G2 was offline, the second forming line (first line was upgraded in 2017) was also upgraded for a cost of ~$10.0M. This will add ~10M bottles of annual capacity.
- Orora continues to invest in capacity and innovation to produce best in class products and services. At Glass, approximately $200 million has been invested in the world class Gawler facility over the last five years, including the G2 furnace rebuild, capacity expansions, mould insourcing, system upgrades and on-site, highly automated warehouse capacity.
- At Cans, lines have been upgraded in Auckland and Sydney to produce multi size products while the decoration and differentiation capability is market leading. Cans continues to explore a number of innovative concepts in aluminium containers.
- With the positive outlook for can volume growth and with the support of customers as appropriate, a range of plant upgrades or capacity expansions are likely to be made in the medium term.

PERSPECTIVES FOR 2021

- The Australasian business will look to identify and implement cost reduction initiatives as well as reinvest in upgrades to the asset base, new capacity and new sites with the support of customers. This is consistent with Orora's approach over recent years to offset ongoing headwinds, in addition to pursuing organic and inorganic growth.
- With the success of investments in Australasia to date, investment in innovation will continue to enhance the value proposition and / or improve productivity and drive earnings growth of the Australasian business.
- The most recent wine vintage was weaker and exports are expected to remain subdued. Orora expects industry wine bottle volumes to decline in FY21.
- The anticipated net cost headwind from energy price increases in 1H21 will be ~$1.5M. Energy prices are expected to remain steady beyond this reset.
- The negative impact on EBIT in 2H20 of ~$8.0M associated with the rebuild of G2 will largely unwind in 2H21, with the expected benefit to be in the order of ~$6.0M.
- A further $1.5M of increased insurance costs will impact the Australasian business in FY21.

NORTH AMERICA

KEY POINTS

- North America's EBIT declined 25.0% to $77.1M.
- In local currency terms, EBIT declined 29.6% to US$51.8M. The estimated net impact of COVID-19 in North America was ~US$15.0M. This is a result of market conditions impacting volumes and EBIT margins in OPS while OV revenue (excluding LA) declined ~35.0% in Q4 as retail customers in particular were impacted by store closures. These combined with other factors flowed through to the EBIT margin which was lower at 2.8% (3.9% in pcp).
- Sales were flat at US$1,866.4M. Net organic sales were down in OPS, while sales also declined in OV.
- Revenue synergy realisation from the Texas based Pollock acquisition was accelerated during COVID-19 by leveraging supply lines and introducing a range of Health & Safety based products across the broader Landsberg business. This led to an increase in revenues in that segment of more than ~US$10.0M.
- Operating Cash Flow was in line with expectations at $49.8M, down from $83.1M in the pcp, with cash conversion also declining to ~47.0% (~65.0% in pcp). The decrease in cash conversion was driven by increased working capital by electing to pay suppliers early to take advantage of settlement discounts (~US$30.0M), offset by reduced capital spend as the businesses focused on organic earnings improvement programs.
- Cash conversion in FY21 and beyond is expected to be greater than 70.0%.
- RoAFE declined by 360bps to 9.0% in line with lower earnings.
- EBIT includes a positive A$4.9M FX translation impact and A$18.4M (US$12.3M) benefit from lease accounting.

(A$ mil)	FY19	FY20	Change %
Sales Revenue	2,611.5	2,780.3	6.5%
EBIT	102.8	77.1	(25.0%)
EBIT Margin %	3.9%	2.8%	
RoAFE	12.6%	9.0%	

(US$ mil)	FY19	FY20	Change %
Sales Revenue	1,867.8	1,866.4	(0.1%)
EBIT	73.6	51.8	(29.6%)

Segment Cash Flow

(A$ mil)	FY19	FY20	Change %
EBITDA	**135.9**	**157.5**	15.9%
Leases	-	(59.8)	
Non-cash Items	(8.3)	8.5	
Movement in Total Working Capital	(17.7)	(33.9)	
Base Capex	(28.5)	(22.8)	
Sale Proceeds	1.7	0.4	
Operating Cash Flow	**83.1**	**49.8**	(40.1%)
Cash Significant Items	-	(21.5)	
Operating Free Cash Flow	**83.1**	**28.3**	
Cash Conversion	65.1%	46.9%	

COVID-19 IMPACT

- Both OPS and OV are classified as essential services.
- The impact of COVID-19 on North America was materially greater than that felt in Australasia. Refer to OPS and OV commentary below.
- The businesses successfully managed the safety of Orora's people and continue to provide effective service to customers while focussing on a realignment of operating costs commensurate with prevailing volumes, with performance recently stabilising across both businesses.

ORORA PACKAGING SOLUTIONS

- OPS delivered constant currency revenue growth of approximately 3.4%, all from acquisitions, with underlying revenues down on the pcp. This was largely a reflection of challenging market conditions experienced across the OPS business as a result of COVID-19.
- EBIT was lower than the pcp.
- While the gross margin percentage continued to improve throughout the year, the reduction in volumes resulted in lower earnings.
- Underlying EBIT margins declined to 3.1% from 4.1% in the pcp but were in line with 2H19 on lower revenue.
- The EBIT margin decline compared to the pcp was the result of generally tough market conditions, exacerbated by the revenue declines as a result of COVID-19.

OPS IMPROVEMENT PROGRAM

- The comprehensive OPS improvement program announced in 1H20 was supplemented with further initiatives across all facets of the business with a focus on adapting the product offering, preserving and growing volume with existing and new customers, margin improvement and efficiency / cost reduction. Many of these initiatives have proven successful, with further activity continuing. Examples include:
    - The total workforce was reduced by approximately 200 (~100 in 1H20 and a further ~100 in 2H20);
    - An OPS wide price increase (mainly cost recovery in nature) was implemented in late Q2 / early Q3 with negligible customer resistance;
    - Sourcing and procurement of high demand products such as masks, gloves, sanitiser and janitorial products though Pollock Orora; and
    - Modified work schedules, access to the Federal Government's CARES program (no EBIT impact), furlough of staff and the elimination of all overtime and discretionary spending such as travel.
- Gross margin improvement initiatives are continuing to positively impact with the exit rate percentage ~60 bps higher than the pcp. This is being enabled by the ongoing optimisation of the ERP implementation, which has enhanced decision making on price, procurement and costs to serve.

ORORA VISUAL

- While OV's Q3 was in line with 1H20 performance, the impacts of COVID-19 were felt immediately from late Q3 with retailers closing stores and many promotional resets being deferred.
- Q4 revenue declined by ~35.0% on the pcp and the business recorded a loss of approximately US$5.0M for the year.
- There are opportunities to drive profit growth and improve returns – the immediate focus is on reducing costs while at the same time positioning to rebuild revenue growth as end markets recover.
- In relation to cost reduction, in addition to resetting costs across the business, the OV Los Angeles site has been closed. With the loss of customers in the entertainment segment during 1H20 and COVID-19 related closure of cinemas nationwide, OV has consolidated its west coast operating footprint to Orange County. The consolidation maintains consistent capabilities across the country and will create synergies for the Californian footprint. The costs of this site closure are included in the significant item expense.

- In terms of revenues, OV has been able to pivot and provide COVID-19 related signage and had some new customer wins in the large supermarkets segment. Defensive end segments including food, beverage, horticulture and education now represent over 60% of the revenue base.

INNOVATION AND GROWTH UPDATE

- The OPS improvement program initiatives will continue in FY21 with incremental benefits expected. The journey to previously experienced EBIT margins will take time, but the increase in gross margin percentage, even during COVID-19, supports the work undertaken to date.
- OPS is investing in a new digital platform to replace legacy web portals to encourage better customer engagement by offering customised products via digital channels. This platform is expected to be live by the third quarter of FY21.
- OPS has continued to integrate new talent into the business with new senior leaders recently joining and more expected in the year ahead.
- While temporarily disrupted by COVID-19, the integration of Pollock Orora continues. The delivery of revenue synergies in the Health and Safety segment across Landsberg ahead of schedule has been positive.
- Orora Visual continues to build its value proposition to serve national customers with a consistent point of purchase, visual communications and fulfilment offering across multiple locations. A new fabric line was commissioned in Orange County in the first half and a second line was commissioned in New Jersey in the second half to supplement the existing line at that location. These fabric lines are gaining traction with high levels of utilisation booked through the first half of FY21.
- Orora Visual continues to invest in digital technology including Customer and Consumer Engagement capability and print on demand solutions.

PERSPECTIVES FOR 2021

- The focus for the North American businesses is to consolidate and deliver on the existing earnings improvement programs, including sales growth, margin improvement and cost efficiency, noting these programs are likely to take some time to reach full expectation. The continued improvement in gross margin in OPS provides optimism.
- While both businesses have recently experienced stabilising performance, market conditions in North America remain challenging with ongoing uncertainty surrounding COVID-19. The effects are particularly prominent in California and Texas, which represent ~60% of total North American revenue.
- OPS will continue to progress the integration of Pollock Orora.
- M&A in the current businesses is not a priority in FY21.
- US$1.5M of escalating insurance costs will impact the North American business in FY21.

CAPITAL MANAGEMENT

- Orora returned ~$600.0M, or 49.7cps to shareholders in June 2020, comprising two components:
    - capital return of A$150.0M – 12.4 cents per share
    - special dividend of A$450.0M – 37.3 cents per share (50% franked)
- At the same time, an equal and proportionate share consolidation of ~0.8 shares for every one share (i.e. 5 shares became 4) was undertaken, to adjust Orora's number of shares for the quantum of the cash return.
- Orora will commence an on-market buyback in September of up to ten percent of total shares, totalling ~$230.0M.

CORPORATE

- Corporate costs have been allocated to the continuing business segments with prior year’s figures being restated for comparison.
- Ongoing Corporate costs are expected to reduce commensurate with those previously allocated to the Australasian Fibre business. Accordingly, the expectation is there will be minimal stranded costs.
- During the year, in terms of debt facilities, the Group entered into several new bilateral facilities:
    - a $35.0M bilateral facility due to mature in January 2022;
    - a $35.0M bilateral facility due to mature in April 2021; and
    - a $25.0M bilateral facility due to mature in March 2021.
- There were no material changes to banking counterparties or commercial terms across these facilities.
- A part repayment of US$7.0M was made to USPP debt holders.
- After the completion of the sale of the Fibre business, Orora also cancelled or reduced several of its facilities, including:
    - cancelling a $50.0M bilateral facility that was due to mature in September 2020;
    - reducing the USD revolving facility due to mature in April 2024 from US$300.0M to US$150.0M; and
    - reducing the revolving multicurrency facility due to mature in April 2022 from $450.0M to $350.0M.
- Orora has substantial headroom within current facilities and does not have any material maturities until April 2022.
- While it remains complex, the decommissioning of the Petrie site is progressing as expected, with several milestones completed. Approximately $20.0M was spent on decommissioning in the year, with a similar level of expenditure likely in FY21.

CONFERENCE CALL

Orora is hosting a conference call for investors and analysts at 11:00am today. The audio cast will be available on the Orora website, www.ororagroup.com, within 24 hours.

ORORA

APPENDIX 1 – LIKE FOR LIKE EARNINGS

LIKE FOR LIKE EARNINGS

- Orora has initially applied AASB 16 Leases using the modified retrospective approach. Under this method, the comparative information has not been restated. To assist the reader with a consistent year on year analysis, “like for like” refers to figures excluding AASB16 Leases

FINANCIAL SUMMARY – CONTINUING BUSINESS – FY20 LEASE ADJUSTED

(A$ mil)	FY19	FY20	Change %
Sales revenue	3,390.2	3,566.2	5.2%
EBITDA	336.9	283.9	(15.7%)
EBIT	261.8	204.8	(21.8%)
NPAT	165.4	123.4	(25.4%)
EPS (cents)	17.2	12.8	(25.6%)
Return on sales	7.7%	5.7%	
Operating cash flow	242.6	169.8	(30.0%)
Cash conversion	71%	54%	
Net debt	890	292	
Leverage	1.9x	0.9x	
Gearing	35%	22%	
RoAFE	19.5%	14.2%	

AUSTRALASIA

(A$ mil)	FY19	FY20	Change %
Sales Revenue	778.7	785.9	0.9%
EBIT	159.0	146.1	(8.1%)
EBIT Margin %	20.4%	18.6%	
RoAFE	30.3%	27.5%	

NORTH AMERICA - AUD

(A$ mil)	FY19	FY20	Change %
Sales Revenue	2,611.5	2,780.3	6.5%
EBIT	102.8	58.7	(42.9%)
EBIT Margin %	3.9%	2.1%	
RoAFE	12.6%	6.6%	

NORTH AMERICA – USD

(US$ mil)	FY19	FY20	Change %
Sales Revenue	1,867.8	1,866.4	(0.1%)
EBIT	73.6	39.4	(46.4%)

Authorised for release to the ASX by Orora’s Company Secretary, Ann Stubbings.