

Orora delivers earnings growth in challenging conditions

15 August 2019

RESULTS HIGHLIGHTS¹

Underlying operating results highlights for the full year ended 30 June 2019

- Net profit after tax (NPAT) was \$217.0M, up 4.0% on the prior corresponding period (pcp)
- Earnings per share (EPS) was 18.0 cents per share (cps), up 3.7% on pcp
- Sales revenue was up 12.1% on pcp to \$4,761.5M
- Earnings before interest and tax (EBIT) was \$335.2M, up 3.7% on pcp
- Final ordinary dividend is 6.5 cps – 30% franked and 70% sourced from the conduit foreign income account. Total dividend for FY19 is 13.0 cps, up 4.0% on pcp
- Operating cash flow was \$268.9M in line with underlying pcp
- Return on average funds employed was 13.0% down from 14.0% at pcp
- Net debt at 30 June was \$890.0M, up from and \$667.0M at pcp mainly due to acquisitions
- Leverage was 1.9 times up from 1.5 times at June 2018

Statutory results for the full year ended 30 June 2019

- Statutory net profit after tax (NPAT) was \$161.2M
- Statutory earnings per share (EPS) was 13.4 cents per share
- As announced on 2 August, statutory results include a significant item after tax expense of \$55.8M related to additional decommissioning costs associated with the Petrie Mill site and restructuring and impairment charges across the Group

Orora Limited (ASX:ORA) has announced financial results for the full year ended 30 June 2019 with underlying net profit after tax (NPAT) up 4.0% to \$217.0 million, earnings before interest and tax (EBIT) 3.7% higher to \$335.2 million and earnings per share (EPS) up 3.7% to 18.0 cents per share.

Commenting on Orora's result, Managing Director and CEO, Nigel Garrard, said: "Orora has delivered another year of earnings growth, with underlying NPAT, EBIT and EPS all higher, despite challenging economic and market conditions, particularly in North America."

"The positive result underlines the value of Orora's portfolio of businesses, serving established market segments and spread across geographies in Australasia and North America, with solid profit growth in Australasia helping to offset lower earnings from North America.

"Orora has been proactive in responding to the challenging market conditions by completing a group wide restructuring initiative which resulted in recording a significant item expense after tax of \$20.8 million. This initiative impacts both Australasia and North America and aims to drive efficiency, as well as reset the cost base to better match expected market conditions.

"In terms of the segment results, the Australasian Fibre and Beverage businesses continue to demonstrate strength and resilience, with revenue growth and earnings benefits from a continued focus on operating efficiency and investments in assets and innovation driving profit growth, despite further input cost pressures.

¹Underlying results exclude significant items. For more information on significant items, please refer to the Investor Results Release lodged with the Australian Securities Exchange or available at www.ororagroup.com

"In North America, constant currency earnings were lower, with Orora Packaging Solutions and Visual businesses encountering volume and margin pressures in generally tough trading conditions especially in early calendar 2019. The continued focus on higher growth market segments in OPS and the addition of new account wins in Orora Visual helped deliver sales growth. The integration of the recent acquisitions (Bronco Packaging, effective 1 September 2018 and Pollock Packaging, effective 1 December 2018) are delivering to expectation," Mr Garrard said.

Operational performance

Orora Australasia delivered EBIT of \$246.6 million for the period, a 6.2% increase on the pcp. Sales revenue was 2.1% higher to \$2,150.0 million. Earnings were higher across both Australasian business groups - Fibre and Beverage - despite higher input costs and flat market conditions.

Fibre earnings benefited from record production volumes at B9, which again exceeded design capacity, sales growth in targeted market segments, benefits from recent organic and innovation investments and the continued focus on manufacturing and operating efficiencies. Earnings growth in the Beverage business was driven by higher Can volumes, favourable product mix and continued improvement in operating efficiencies.

Orora North America EBIT declined 3.6% to \$116.6 million versus pcp. Sales revenue was 21.9% higher to \$2,611.5 million, primarily reflecting early contributions from the Bronco and Pollock acquisitions and the effects of a weaker Australian dollar. In local currency terms, EBIT declined 11.1% to US\$83.4 million and sales revenue grew 12.4%, to US\$1,867.8 million compared to the pcp.

In response to the lower trading activity and with the ERP roll out completed, an earnings improvement program commenced in February aimed at improving processes, efficiencies and taking cost out of the business. This has delivered some improvement and has been recently bolstered with further dedicated resources to help implement these and the restructuring initiatives.

Growth and innovation update

During the period, more than \$300 million was invested in acquisitions, organic capital projects and innovation to drive sustainable growth.

This included the following:

- ~\$110 million to acquire Pollock, a market leading provider of packaging and facility supplies, headquartered in Texas;
- ~\$33 million to acquire Texas based packaging distributor, Bronco;
- ~\$95 million to support asset replacement, upgrades and debottlenecking in the Australasian business group including final commissioning of the secondary waste water treatment plant at Botany, a new can line in New Zealand and laser cutting and creasing solutions to support the large-format, high speed digital print customer offering;
- Progressive spend on the \$35.0 million warehouse project at Gawler glass plant in South Australia which is on track to be completed by December 2019; and
- ~\$33 million in North America to upgrade manufacturing assets in OPS and ensure uniformity of capability in the OV national network.

Innovation update

- The \$75 million Orora Global Innovation Initiative continues its focus on bringing new, innovative, customer-led product solutions to life, as well as a number of initiatives aimed at improving productivity in the plants. To date, ~\$66 million has been committed to the initiative, with the remaining amount expected to be invested over the year.
- In line with increasing consumer and customer focus on sustainable packaging, Orora continues to invest in and trial new sustainable packaging products, with some innovations now in market, including fibre based trays and punnets for fresh produce as well as supporting the trend in consumer preferences toward glass and aluminium substrates.

"In closing, as announced in early July, I will retire from the position of Managing Director and CEO on 30 September, 2019 and be succeeded by Brian Lowe, who currently leads the Fibre Packaging business group. To assist with a smooth transition the Chairman has agreed to continue in his role into 2020 and today Orora has announced that Tom Gorman, who is US based, will join the Board effective 2 September 2019."

"Moving forward, I wish Brian and the team at Orora every success. Orora remains well positioned, with a strong balance sheet and cash flow capability that provides capacity and flexibility to invest with discipline in innovation as well as organic and new growth opportunities to deliver sustainable value for shareholders," Mr Garrard said.

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.

MEDIA CALL: Orora is hosting a media call at 9.00AM (AEST) today.

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