

Orora announces earnings up 27%

16 February 2016

RESULT HIGHLIGHTS

Statutory Results

- Net profit after tax (NPAT) up 27.2% to \$87.9 million
- Earnings per share (EPS) up 28.1% to 7.3 cents
- Sales revenue up 13.9% to \$1.9 billion
- Earnings before interest and tax (EBIT) up 22.7% to \$145.3 million
- Operating cash flow was \$146.1 million, up from \$117.6 million
- Interim ordinary dividend of 4.5 cents per share, 30% franked, up 28.6% and represents a payout ratio of 61.6%
- Net debt \$593 million, down from \$645 million at 31 December 2014
- Leverage was 1.7 times net debt to EBITDA, down from 2.1 times at 31 December 2014 and interest cover was 9.2 times, up from 7.9 times.

Underlying Earnings (excluding profit on sale of land at Petrie, Queensland)⁽¹⁾

- Underlying EBIT was up 15.6% to \$136.9 million
- Underlying NPAT was up 18.7% to \$82.0 million
- Underlying EPS was up 19.3% to 6.8 cents

Orora Group Limited (ASX:ORA) today announced a strong result for the half-year ended 31 December 2015 with reported NPAT up 27%. Commenting on the Group's performance, Orora's Managing Director and CEO, Mr Nigel Garrard, said "Orora's first-half results reflect a positive period for Orora in which the Group delivered on its objectives and produced strong underlying earnings growth, cash flow and increased returns. The results also include the profit on the sale of land at Petrie, Queensland."

"Operationally the Group delivered underlying EBIT growth of 15.6% despite muted economic conditions in both Australasia and North America. This was driven primarily by benefits from Group wide business improvement and cost control programs, North American organic sales growth and the September 2015 acquisition in Ontario, Canada."

"Through sustained financial discipline, Orora has successfully converted this earnings growth into cash flow, which further bolstered the balance sheet and enabled the Group to deliver a 19% increase in underlying EPS."

"An interim dividend of 4.5 cents per share, partially franked to 30% has been declared, an increase of 29% over the prior year. This represents a payout ratio of approximately 62% of NPAT, which is within the indicated range."

Operational performance

Orora Australasia delivered a 4.5% increase in EBIT to \$105.5 million in flat market conditions, with underlying sales increasing 1.8%.

In the Beverage business, sales and earnings were in line with the prior year, with improved operating cost control across the business partially offset by the impact of higher gas costs in the Glass division.

The Fibre Packaging business increased sales through steady organic growth and increased share in selected segments. Orora's transition to the 'go direct' channel in the fruit and produce sector is on track with three new depots announced to be established in Queensland and a strategic partnership with a refrigerated transport company offering fruit and produce customers an integrated end-to-end packaging solution.

Incremental cost reduction and innovation benefits of \$5.4 million were delivered at the B9 Recycled Paper Mill (B9) aided by an additional 9,000 tonnes of paper exported to Orora North America (total exports were 29,000 tonnes). An extended planned maintenance shut was undertaken in September 2015 to address typical ramp-up issues and resulted in production volume for the six months of 181,000 tonnes (compared to 185,000 tonnes in the first half of last year). Production from B9 has steadily improved since the shut, with the period on period shortfall made up by the end of January 2016.

On a constant currency basis, Orora North America delivered an 11% increase in EBIT to USD33.2 million on the back of a 7.5% increase in sales revenue and improved cost efficiency. Despite subdued economic conditions, Landsberg Packaging Solutions increased revenue by 6.6% through continued higher sales to existing customers, winning further market share and benefits from the acquisition of Jakait, effective 1 September 2015. The Manufacturing Division delivered increased earnings through higher volumes, improved manufacturing efficiencies and solid operating cost control, despite continued margin pressure.

Innovation and growth

"Orora is continuing to invest in customer-focused innovation to underpin future growth," said Mr Garrard.

"In the six months since launching the \$45 million Innovation Initiative, approximately \$12 million has been committed to projects across the Group focused on delivering new innovative customer led product solutions, modernising equipment, improving processes and productivity."

"With the Glass business seeing increased future demand from the impact of a lower Australian dollar on wine customer volumes, both from export demand and repatriation of offshore bottling, management is in the final phase of assessing investment options to increase the capacity of our glass forming lines."

"In conjunction with targeting profitable organic and market share growth, Orora continues to actively pursue acquisition opportunities in preferred markets to enhance our geographic footprint and customised product capability."

Outlook

"It is expected the Group will continue to drive organic growth, deliver on the B9 self-help initiatives, and invest in innovation and growth during the remainder of the 2016 financial year, with earnings expected to be higher than reported in 2015, subject to global economic conditions" said Mr Garrard.

MEDIA CALL: Orora is hosting a media call at 10.00am (AEST) today.

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**All amounts in Australian dollars (AUD) unless expressly stated otherwise. Comparisons refer to prior corresponding period (six months ended 31 December 2014).*

For more information, please refer to the Investor Results Release lodged with the Australian Securities Exchange or available at www.ororagroup.com.

⁽¹⁾ *Underlying earnings excludes the 1H16 gain from sale of land at Petrie, Queensland (representing \$8.4 million EBIT and \$5.9 million NPAT)*