26 August 2015

Media Release – 2015 full year result

Highlights*

- Net profit after tax (NPAT) up 25.9% to $131.4 million
- Earnings per share (EPS) up 25.9% to 10.9 cents
- Sales revenue up 7.3% to $3.4 billion
- Earnings before interest and tax (EBIT) up 17.2% to $225.1 million
- Operating cash flow was $260.8 million, up from $218.9 million
- Final ordinary dividend of 4.0 cents per share, 30% franked. Total dividend is 7.5 cents per share, up 25.0% and represents a payout ratio of 68.8%
- Net debt $607 million, down from $636 million at prior corresponding period
- Leverage was 1.9 times net debt to EBITDA, down from 2.2 times at prior corresponding period

Orora Group Limited (ASX:ORA) today announced a strong result for the full-year ended 30 June 2015. Commenting on the Group’s performance, Orora’s Managing Director and CEO, Mr Nigel Garrard, said “The 2015 financial year has been a successful period for Orora in which the Group delivered on its objectives and generated strong earnings growth and increased returns.”

“Operationally the Group delivered strong EBIT growth of approximately 17% despite subdued market conditions in both Australasia and North America. This was driven primarily by benefits from business improvement programs, which are slightly ahead of target, and increased market share in the Glass and North American businesses.”

“Through continued financial discipline, Orora has successfully converted this earnings growth to underlying cash flow, which further strengthened the balance sheet, lowered debt servicing costs and enabled the Group to deliver approximately a 26% increase in NPAT and EPS.”

“A final ordinary dividend of 4.0 cents per share, partially franked to 30%, has been declared. Combined with the interim unfranked dividend of 3.5 cents per share, total declared dividends increased to 7.5 cents, an increase of 25% over the prior year. This represents a payout ratio of approximately 69% of NPAT, which is again at the top end of the indicated range, reflecting the confidence the Board and Management has in the business.”

Operational performance

Orora Australasia delivered an 11.8% increase in EBIT to A$181.6 million in flat market conditions, with underlying sales increasing 2.5% broadly in line with GDP.

In the Beverage business, the Glass division grew market share in the wine segment and the scheduled rebuild of the G1 glass furnace at Gawler, South Australia was delivered on time and on budget. Beverage
can volumes were stable, and the business delivered higher earnings through increased manufacturing efficiency.

The Fibre Packaging business reported higher earnings, largely driven by the benefits of cost-improvement initiatives and increased volumes in most end markets, offsetting weakness in the beverage and grocery segments. Incremental cost reduction and innovation benefits of $18.4 million were delivered at the B9 recycled paper mill (B9) in the period, taking the cumulative benefits to $21.4 million, slightly ahead of guidance. The mill increased production by approximately 10% to 367,000 tonnes of recycled paper. Export of paper to the Orora business and external customers in North America increased from 8,500 tonnes to 55,300 tonnes during the period.

During the year, Orora announced an investment of approximately $20.0 million in a new state of the art dairy sack line as a result of securing a supply agreement with Fonterra. The machine will be commissioned in late calendar 2016. It will be located at Orora’s existing facility in Keon Park, Victoria. Commenting on the investment, Mr Nigel Garrard said “As a customer led company, long-term investments and contracts such as this demonstrate Orora’s commitment to invest in initiatives for customers and drive innovation.”

On a constant currency basis, Orora North America delivered a 14.1% increase in EBIT to USD59.9 million, on the back of a 6.2% increase in sales revenue and improved cost efficiency. Landsberg Packaging Solutions increased sales by 8.7% through higher sales to existing customers, winning market share and benefits from the integration of the World Wide Plastics acquisition. The Manufacturing division delivered higher earnings through manufacturing efficiencies and strong cost control despite continued margin pressure.

Innovation and growth

“Orora’s customer focus and innovation will continue to underpin future growth,” said Mr Garrard.

“Orora Australasia’s selection as a supplier of the year by both Lion and Coca-Cola Amatil is testament the Group’s customer-led approach.”

“The Group has launched the Orora Global Innovation Fund to invest approximately $45 million (aided by the recent disposal of land at Petrie, Queensland) over three years on innovation, modernisation and productivity projects.”

“In conjunction with targeting profitable organic and market share growth, Orora continues to actively pursue acquisition opportunities in preferred markets to enhance geographic footprint, extend the value proposition and achieve greater economies of scale.”

Acquisition of Jakait

Orora announces it has signed an agreement to acquire the assets and business of Jakait, a supplier of packaging, logistics services and label products to the greenhouse produce sector based in Ontario, Canada.

The consideration is C$16.5M (A$17.2M) which represents an EBITDA multiple of 5.6 times. There is also an additional returns based consideration component of up to C$5.5M (A$5.7M) payable over 5 years. The anticipated effective date is 1 September 2015.

Commenting on the acquisition, Nigel Garrard said “The acquisition of Jakait is consistent with the Group’s growth strategy for North America as it provides further capability in the large food and produce..."
market and expands Orora’s geographic footprint into Canada. Some cost and revenue synergies are expected to be realised in the next two years as the business is integrated with Orora’s existing activities.”

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 FY16, with earnings expected to be higher than FY15, subject to global economic conditions,” said Mr Garrard.

* All amounts in Australian dollars (AUD) unless expressly stated otherwise. Comparative financial information for the six month period ended 31 December 2013 has been presented on a pro forma basis, providing the most relevant view of the performance of the Orora Group as it is currently structured, prior to the demerger from Amcor effective 17 December 2013. For more information, please refer to the Investor Results Release lodged with the Australian Securities Exchange or available at www.ororagroup.com.

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