



# **Orora Pro Forma Full Year Results**

**Year Ended 30 June 2014**

*Nigel Garrard – Managing Director and CEO*  
*Stuart Hutton – Chief Financial Officer*

*25 August 2014*

# IMPORTANT – PLEASE READ



Effective 17 December 2013, Orora Limited (the Company) and its controlled entities (collectively referred to as the Orora Group) demerged from Amcor Limited. The demerger was implemented on 31 December 2013. The Company today announced its first full year result as an independent listed entity following the demerger.

Prior to the demerger, the Company and Amcor Limited were required to undertake an internal corporate restructure (Corporate Restructure). The Corporate Restructure took place as at 31 October 2013. As a result of the Corporate Restructure and subsequent implementation of the demerger, the statutory financial information for the Orora Group does not give a relevant view of the performance of the Orora Group as it is currently structured. Accordingly, this presentation largely includes pro forma financial information for the years ended 30 June 2013 and 2014. This pro forma information is prepared on the basis that the business, as it is now structured, was in effect for the period 1 July 2012 to 30 June 2014. A reconciliation between the pro forma financial information and Orora Group's segment financial information sourced from the statutory accounts is included in the Investor Results Release, released by the Company to the market today.

## **Pro Forma EBITDA & EBIT Adjustments (per assumptions on pg 46 of the Amcor Demerger Scheme Book):**

- FY2013:
  - EBITDA includes \$21M depreciation reduction from the demerger related asset impairment
  - EBIT net \$4M benefit - includes \$17M of additional corporate costs offset by \$21M depreciation reduction from the demerger related asset impairment
  - Petrie has been included in FY2013 (excluded in the Amcor Demerger Scheme Book as a discontinued operation). Petrie recorded a \$2M loss in FY2013
  
- FY2014:
  - Pro forma adjustments made to first half only, second half as actual
    - EBITDA includes \$10.5M for half a year of the depreciation reduction from the demerger related asset impairment (\$21M annualised)
    - EBIT net \$2M benefit - includes \$8.5M for half a year of the additional corporate costs (\$17M annualised) offset by \$10.5M for half a year of the depreciation reduction from the demerger related asset impairment (\$21M annualised)

# Disclaimer



## Forward Looking Statements

This presentation contains forward-looking statements that involve subjective judgment and analysis and are subject to significant uncertainties, risks and contingencies, many of which are outside the control of, and are unknown to Orora. Forward-looking statements can generally be identified by the use of forward-looking words such as “may”, “will”, “expect”, “intend”, “plan”, “seeks”, “estimate”, “anticipate”, “believe”, “continue”, or similar words.

No representation, warranty or assurance (express or implied) is given or made in relation to any forward looking statement by any person (including Orora). In addition, no representation, warranty or assurance (express or implied) is given in relation to any underlying assumption or that any forward looking statements will be achieved. Actual future events may vary materially from the forward looking statement and the assumptions on which the forward looking statements are based. Given these uncertainties, readers are cautioned not to place undue reliance on such forward looking statements.

In particular, we caution you that these forward looking statements are based on management’s current economic predictions and assumptions and business and financial projections. Orora’s business is subject to uncertainties, risks and changes that may cause its actual results, performance or achievements to differ materially from any future results, performance or achievements expressed or implied by these forward-looking statements. The factors that may affect Orora’s future performance include, among others:

- Changes in the legal and regulatory regimes in which Orora operates;
- Changes in behaviour of Orora’s major customers;
- Changes in behaviour of Orora’s major competitors;
- The impact of foreign currency exchange rates; and
- General changes in the economic conditions of the major markets in which Orora operates.

These forward looking statements speak only as of the date of this presentation. Subject to any continuing obligations under applicable law or any relevant stock exchange listing rule, Orora disclaims any obligation or undertaking to publicly update or revise any of the forward looking statements in this presentation, whether as a result of new information, or any change in events conditions or circumstances on which any statement is based.

## Non-IFRS information

Throughout this presentation, Orora has included certain non-IFRS financial information. This information is presented to assist in making appropriate comparisons with prior periods and to assess the operating performance of the business. Orora uses these measures to assess the performance of the business and believes that the information is useful to investors. EBIT and EBITDA before Significant Items and Significant items have not been audited but have been extracted from Orora’s audited financial statements. All other non-IFRS information unless otherwise stated, have not been extracted from Orora’s financial statements.

# Orora Business Highlights



## Pro forma Earnings Summary

A\$ Million	FY13	FY14	Δ%
NPAT	72.1	104.4	44.8
EPS <sup>(1)</sup> (cents)	6.0	8.7	44.8
Segment EBIT			
Australasia	129.3 <sup>(2),(3)</sup>	162.5 <sup>(3)</sup>	25.7
North America	43.5	57.1	31.3
Corporate	(24.6) <sup>(4)</sup>	(27.5)	(11.8)
<b>TOTAL EBIT</b>	<b>148.2</b>	<b>192.1</b>	<b>29.6</b>

## Solid full year result, in line with expectations

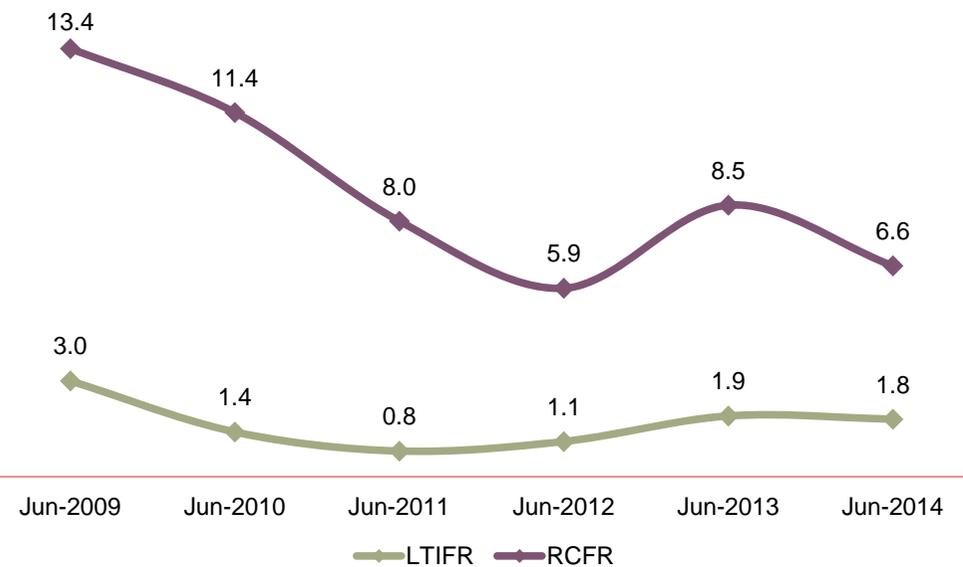
- Strong earnings growth – NPAT up 44.8%
- On target delivery of “self help” cost reduction programs
- Sales growth in North America of 12.1% (constant currency)
- Corporate costs in line with guidance
- Continued conversion of earnings growth into operating cash flow
- Final ordinary dividend of 3.0 cents per share unfranked – total dividends 6.0 cents (represents payout ratio of approx 70% of pro forma earnings)

## Successful demerger from Amcor Limited in December 2013

- Two Non-Executive directors appointed to the Orora Board (Ms Abi Cleland & Ms Samantha Lewis)
- Orora culture program launched
- “Business as usual”

- 1) FY2013 and F2014 calculated as pro forma NPAT divided by number of shares on issue at 30 June 2014
- 2) Earnings for Australasia excludes a net one off cost of \$5.7M relating to the glass inventory write down in the prior year (page 47 of Demerger Scheme Book)
- 3) Earnings before interest, tax and significant item
- 4) Earnings for Corporate excludes one-off items as per page 47 of the Demerger Scheme Book: gains on sale and lease back agreements \$32M and pension curtailment benefit \$15M offset by Botany paper mill non-capitalised delay costs of \$25M and restructuring costs \$14M

# Orora safety performance



## Long-term safety performance improvement

- 51% improvement in RCFR in last 5 years
- 40% improvement in LTIFR in last 5 years
- Disappointed with past 12-24 months – safety is a long term journey

## Strengthened Orora-wide safety leadership team

- Reviewed focus, scope and authority
- Recent safety leadership appointment

## The safety of our employees remains a key priority

# Pro forma full year results



## Pro forma Full Year Financial Highlights

A\$ million	FY13	FY14	Δ%
Sales	2,942.8	3,176.1	7.9
EBITDA	245.6	290.8	18.4
EBIT	148.2	192.1	29.6
NPAT	72.1	104.4	44.8
EPS <sup>1</sup> (cents)	6.0	8.7	44.8
Operating Cash Flow	168.9	224.1	32.7
RoAFE <sup>2</sup> (%)	7.2	9.3	
Dividend (cents)	NA	3.0	

Solid full year result in line with expectations

## Improved sales and earnings growth

- Higher volumes in Glass and Distribution businesses. Volumes generally steady in remaining divisions
- Increasing earnings despite little support from economy
- Cost improvement & efficiency benefits driving continued margin improvement in both Australasia and North America businesses
- Portfolio exits and footprint rationalisation benefits
- EPS up 44.8% to 8.7 cents
- Favourable FX impact – sales \$134.2M, EBIT \$6.1M
- Increased earnings drove RoAFE up to 9.3%

## Strong conversion of earnings into cash flow

- Cash conversion<sup>3</sup> increased to 72%, up from 65% in pcp
- Dividend of 3.0 cents declared. Annual dividend of 6.0 cents representing payout of approximately 70%

(1) FY2013 and F2014 calculated as pro forma NPAT divided by number of shares on issue at 30 June 2014

(2) Calculated as pro forma EBIT / average funds employed. Average funds employed for pro forma RoAFE calculations for FY2013 & FY2014 are inclusive of the following two items as though they were part of average funds employed from the beginning of FY2013: a) the impact of the Fibre Division impairment (\$209M) booked in December 2013, b) the B9 recycled paper mill at Botany, New South Wales (B9 was commissioned part way through FY2013).

(3) Cash conversion measured as cash EBITDA less net capital expenditure and movement in working capital divided by cash EBITDA

## Pro forma Earnings Summary (EBIT)

A\$ Million	FY13	FY14	Δ%
Sales Revenue	1,935.7	1,912.9 <sup>(1)</sup>	(1.2)
EBIT (underlying)	129.3	162.5	25.7
EBIT Margin %	6.7	8.5	
Operating Cash Flow	157.2	206.5	31.4

**On target delivery of \$39 million of cumulative cost reduction savings**

## Operating results delivering to expectations

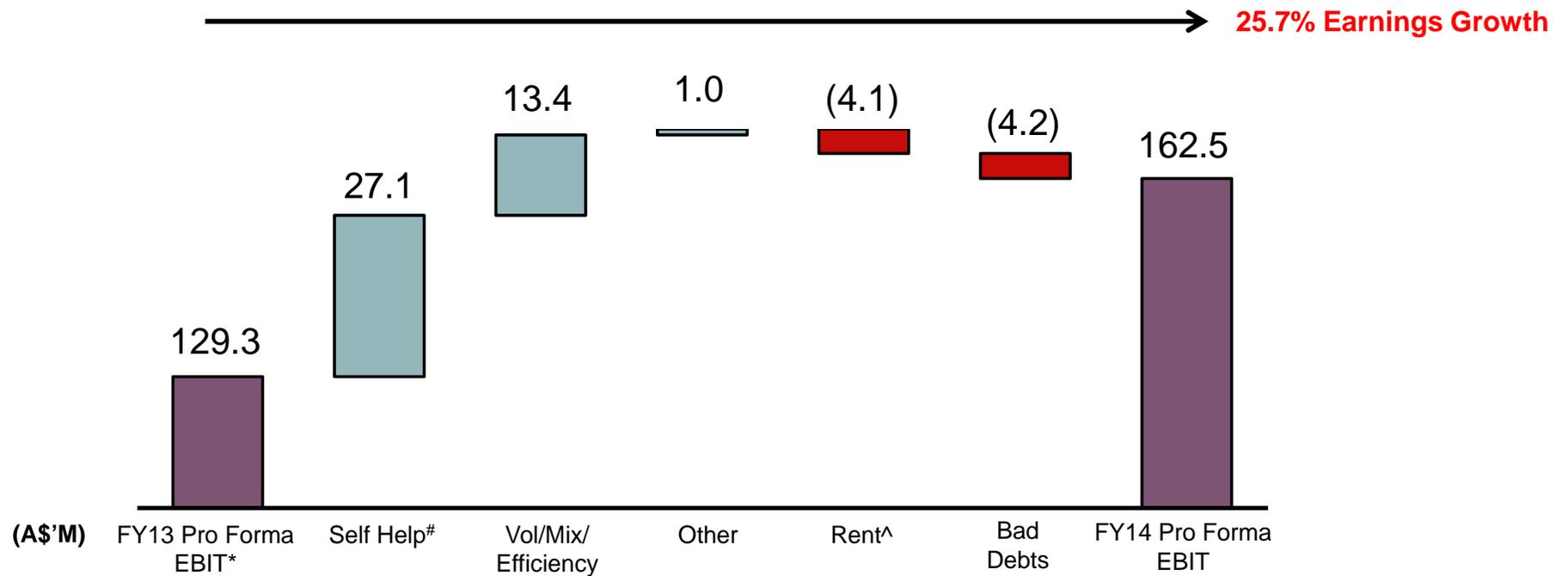
- Higher volumes and increased market share in Glass. Volumes generally stable in other divisions
- Improved earnings in Fibre and Beverage divisions
- On target delivery of \$39M of cumulative cost reduction benefits
  - Representing \$27M of incremental cost reduction benefits in FY2014

## Continued ramp up of Botany recycled paper mill (B9)

- 18 months into a 2-3 year ramp up period – remains “on track”
- Output exceeding quality expectations – better printability & strength being well received by customers
- B9 export to Orora North America progressing well – circa 40K tonnes expected to be exported in FY2015
- Production continuing to stabilise despite typical ongoing ramp up issues
- Progressive ongoing delivery of cost reduction and innovation benefits

(1) Revenue reduction due to lower aluminium price pass through and footprint rationalisation

# Australasia EBIT growth



On target delivery of “self help” cost reduction initiatives and positive vol/mix/efficiency driving higher earnings  
 Continued short to medium term focus on realising remaining cost reduction initiatives

\* FY2013 excludes the one-off glass inventory write down of \$5.7M (per page 47 of the Demerger Scheme Book)  
 # After classifying \$7.9M of onerous recycling contract losses as a significant item  
 ^As a result of sale and lease back transaction completed in pcg

## *Realisation of targeted cost benefits remains a key priority*



A\$ Million	Total targeted cost reduction benefit	Cumulative cost reduction achieved in FY13	Cumulative cost reduction achieved in FY14
Recycled Paper Mill – B9	50.0	-	3.0
Portfolio exits/plant closures	18.0	8.0	16.9
Cost improvement	25.0	4.0	19.2
<b>Total cost reduction target<sup>1</sup></b>	<b>93.0</b>	<b>12.0</b>	<b>39.1</b>

On target delivery of \$39M of cumulative cost reduction benefits in FY2014; reflecting \$27M of incremental benefits during the year  
 Residual benefits from portfolio exits/plant closures and cost improvement initiatives expected to be fully realised in FY2015  
 B9 guidance unchanged - focus on delivering remaining benefits over the next 2 – 3 years

<sup>(1)</sup> Extent of increased earnings from potential cost reduction benefits a function of a number of factors; subject to general market conditions, competitor pricing strategies and ability of Orora to pass on or offset any cost increases

## Pro forma Earnings Summary (EBIT)

A\$ Million	FY13	FY14	Δ%
Sales Revenue	1,007.1	1,263.2	25.4
EBIT	43.5	57.1	31.3
EBIT Margin %	4.3	4.5	
Underlying Cash Flow	38.3	45.7	19.3

US\$ Million	FY13	FY14	Δ%
Sales Revenue	1,034.5	1,159.7	12.1
EBIT	44.7	52.5	17.4

**Strong sales & earnings growth despite flat market conditions**

### Strong top line performance in a relatively modest market

- Increased organic sales and won new business in the Landsberg distribution division – gaining market share in most regions
- Benefits from strategic focus on securing large corporate accounts & leveraging expanded footprint to win new business
- Manufacturing division improved sales volumes to third parties

### Higher sales and margin improvement initiatives driving earnings growth

- Increased top line translating into earnings growth
- EBIT margin expansion from productivity gains and a focus on improved procurement capability
- Successful pass through (in 1H14) of higher paper prices that impacted the business in the pcg

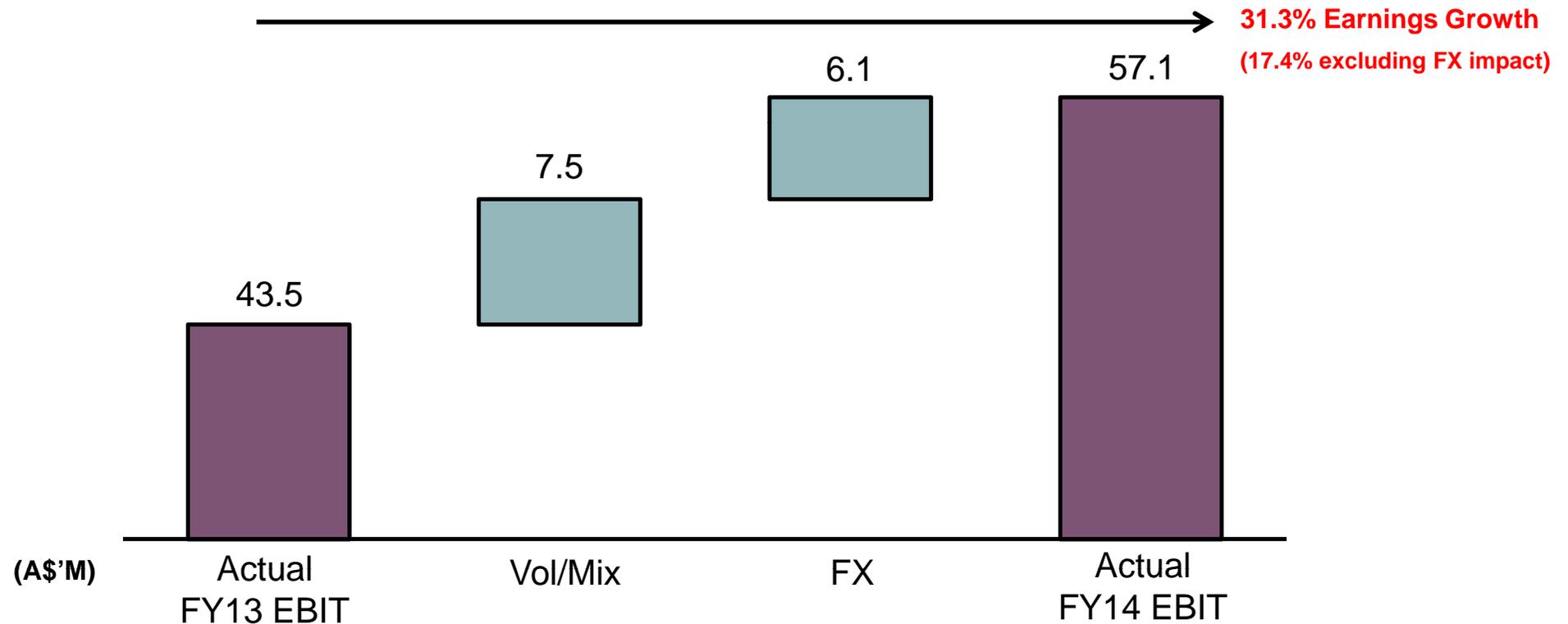
### FX benefit

- Translational benefit on North America sales and earnings \$134.2M and \$6.1M on pcg, respectively

### M&A

- On July 1 2014, completed a small bolt on acquisition of a Texas, USA based distributor of plastic packaging products to the food and produce sector - servicing customers in USA, Mexico and Canada

## North America EBIT growth



**Strong organic growth & margin improvement initiatives driving earnings  
Favourable FX benefit**

## Pro forma Earnings Summary (EBIT)

A\$ Million	FY13	FY14	Δ%
Corporate	(24.6)	(27.5)	(11.8)

## Corporate costs in line with guidance

- Pro forma corporate costs of \$27.5M, up from \$24.6M in pcp
- Prior to demerger, the business already had a number of corporate and shared service functions
  - Historically these costs were included within the Australasia operating segment result
  - These costs are now included and form part of Corporate Costs
- Per Demerger Scheme Book, \$17M of annualised corporate costs have been added to the business
  - Represent costs associated with becoming a standalone entity (includes Board, Company Secretarial, listing and ongoing fees, added corporate functions etc)
- Actual additional costs incurred in the first 6 months as a standalone entity are in line with the Demerger Scheme Book guidance

## *Strong underlying operating cash flow*



A\$ Million	Pro Forma FY13	Pro Forma FY14
EBITDA	245.6	290.8
Non Cash Items	14.0	19.5
Movement in Working Capital	(37.2)	(4.7)
Net Capex	(53.5)	(81.5)
<b>Underlying Operating Cash Flow</b>	<b>168.9</b>	<b>224.1</b>
Cash Significant Items	(55.6)	(57.3)
Operating Free Cash Flow	113.3	166.8
Average Working Capital to Sales <sup>1</sup> (%)	11.0	10.6

**Strong conversion of increased earnings into cash**

### **Strong conversion of earnings growth into cash**

- Underlying operating cash flow up \$55.2M (32.7%)

### **Average working capital to sales ratio improved to 10.6%**

- Well managed throughout the year
- Footprint rationalisation benefits reducing inventory holdings
- Remains a focus across the business

### **Base capex within guidance range of 80-90% of pro forma depreciation**

- Reinvestment below depreciation reflects significant capital invested in recent years

### **Cash significant item projects remain on track**

- Spend this year mostly relate to the cost reduction and footprint rationalisation initiatives and the onerous recycling contracts
- Remaining spend of approximately \$10M in FY15 for cost reduction projects

# Balance sheet and Debt



## Balance Sheet

A\$ Million	Pro Forma June 13	Actual June 14
Funds Employed (period end)	1,978	2,018
Net Debt	696	636
Equity	1,282	1,382
Pro forma Leverage (x)	2.9	2.2
Pro forma RoAFE (%) <sup>(1)</sup>	7.2	9.3

### Healthy balance sheet enabling future growth

- Strong earnings growth and cash conversion reducing leverage
- Leverage below Management target range of <2.5x
- Gearing is 31% - down from 35% in pcp
- Considerable capacity and headroom in covenants
- Disciplined approach to expenditure and acquisitions
- Realisation of cost out benefits and higher North America earnings driving improved pro forma return on average funds employed

Strong balance sheet providing platform for future growth

(1) RoAFE is calculated as EBIT / average funds employed. Average funds employed for pro forma RoAFE calculations for FY2013 & FY2014 are inclusive of the following two items as though they were part of average funds employed from the beginning of FY2013: a) the impact of the Fibre Division impairment (\$209M) booked in December 2013, b) the B9 recycled paper mill at Botany, New South Wales (B9 was commissioned part way through FY2013).

## Returns focused capital management



Total Debt Facility	\$1,100 million
Net debt	\$636 million
Cash on hand	\$31 million
Drawn Debt	\$667 million
Undrawn Capacity	\$433 million
Leverage	2.2x EBITDA <sup>(1)</sup>

### Strong cash conversion of increasing earnings driving strengthening balance sheet

- Leverage 2.2x EBITDA – down from 2.9x at June 13

### Committed to maintaining sensible debt levels

- Targeting investment grade credit metrics
- Substantial headroom remains

### Disciplined use of free cash flow to enhance longer term growth

- Declared dividends at top end of 60 – 70% payout policy
- Anticipate further targeted bolt on M&A focused on enhancing core operations and/or improving industry structure
- Committed to investment hurdle rate - 20% ROI by year 3
- Capital management opportunities in absence of suitable growth investments to be considered

# Our Orora – culture of driving outperformance



## WHAT WE BELIEVE

At Orora we believe packaging touches lives.  
Together we deliver on the promise of what's inside.

## WHAT WE VALUE



### TEAMWORK

*We are one Orora, without silos.  
We keep each other safe.  
We are in it together – or not at all.*



### PASSION

*Be courageous.  
Be curious and innovate.  
Be responsible and deliver.*



### RESPECT

*For each other.  
For the community.  
For our customers.*



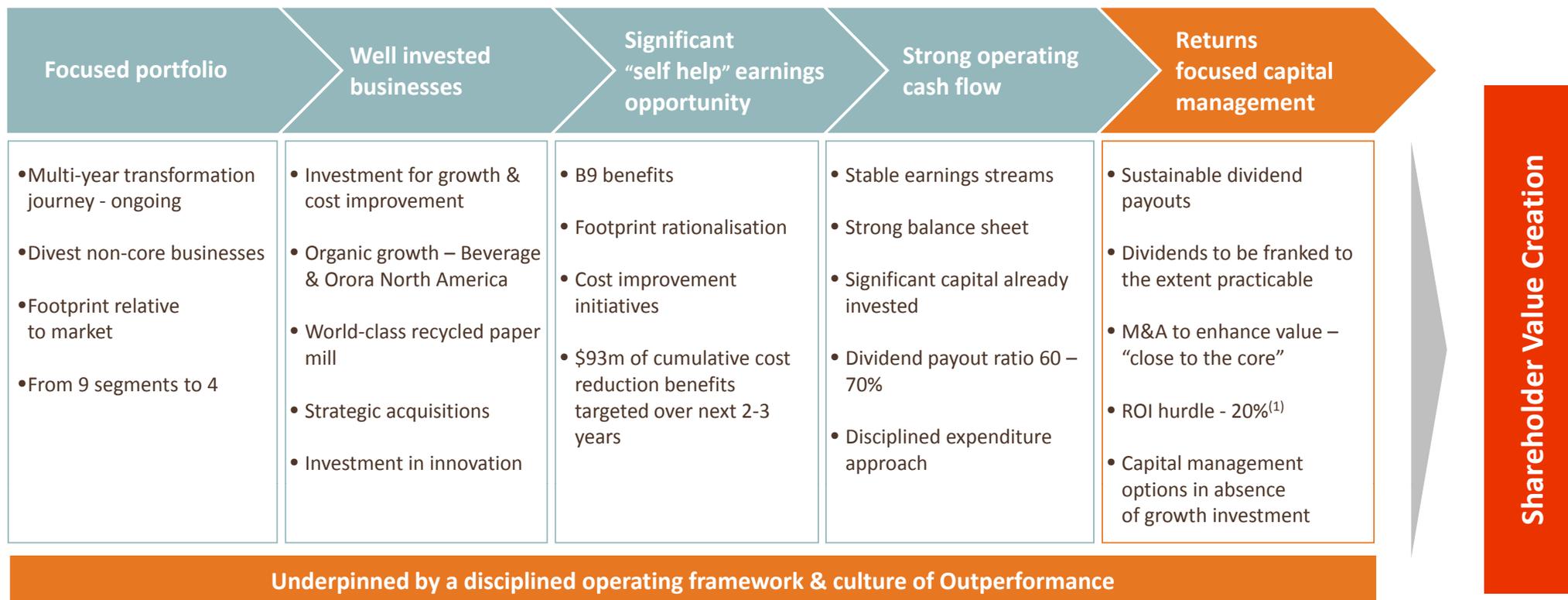
### INTEGRITY

*Do what is right.  
Be true to what we stand for.  
Be true to the promise we make.*

## WHAT WE DELIVER

Outperformance: through customer focus, safety,  
financial discipline and our people.

# Continued commitment to a proven strategy



<sup>(1)</sup> Measured as EBIT to Funds Employed

# Committed to creating shareholder value



## What we said we would do

- \$30-40m of cumulative cost reduction benefits expected to be realised in FY14
- Organic growth – Orora North America & Beverage
- Sustainable dividend payouts
- M&A to enhance value – “close to the core”
- Disciplined expenditure approach
- Dividends to be franked to the extent practicable

## What we have done

- \$39m of cumulative cost reduction benefits delivered in FY14
- 12.1% constant currency sales growth in Orora North America & secured additional market share in Glass
- Interim & final dividends declared at upper end of 60-70% payout policy
- Completed first bolt on acquisition in Orora North America
- FY14 capex 80-90% of depreciation
- Nil franking credit balance. Expect interim FY15 dividend to be partially franked

## Shareholder value creation

- Total shareholder returns of in excess of 15% in the six months since listing<sup>1</sup>
- 6.0 cent dividend – approximately 70% payout
- Pro forma RoAFE improved to 9.3% from 7.2% in pcg
- **We remain committed to generating further shareholder value through delivery on identified cost reduction initiatives and the sensible allocation of free cash flow**

(1) Dividends reinvested in security. Reflecting period 18 Dec 2013 to 30 June 2014

## *Perspectives for FY2015*



### **Orora Australasia**

- Ongoing ramp up of B9 and delivery of expected cost reduction and innovation benefits
- Increased Glass market share in wine and beer, commencing July 2014 and July 2015 respectively
- Glass furnace rebuild (G1) – estimated cost \$30M, out of operation for three months
- Transition to full import sourcing model for aluminium post Alcoa ceasing Australian manufacturing at end of CY2014
- Closure of small subscale Cartons plant in Zillmere, QLD
- Business to work through implications of the Australian Carbon Tax repeal

### **Orora North America**

- Integrate the small bolt on acquisition made on 1 July 2014
- Expenditure for replacement ERP system approved – cost approximately A\$22M spread evenly over next two years

## *Outlook*

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- We expect the Group to continue to deliver on the cost reduction initiatives in 2015 with earnings to be higher than that reported (on a pro forma basis) in 2014, subject to global economic conditions



*Appendix slides*

## *Pro forma profit after tax for year ended 30 June 2014*



A\$ Million	Pro Forma FY13 <sup>1</sup>	Pro Forma FY14 <sup>2</sup>
Sales	2,942.8	3,176.1
EBITDA	245.6	290.8
<b>EBIT</b>	<b>148.2</b>	<b>192.1</b>
Interest expense	(44.0)	(41.3)
<b>Pro forma profit before tax</b>	<b>104.2</b>	<b>150.8</b>
Tax expense	(32.1)	(46.4)
<b>Net profit after tax (before SIs)</b>	<b>72.1</b>	<b>104.4</b>
Declared dividend – cps	N/A	6.0
Dividend - \$	N/A	72.4
Payout ratio	N/A	70%

<sup>1)</sup> FY13 interest and tax per Scheme Book assumptions

<sup>2)</sup> First half FY14 interest and tax per Scheme Book assumptions. Second half FY14 interest and tax equal to actual expense incurred

## Significant items

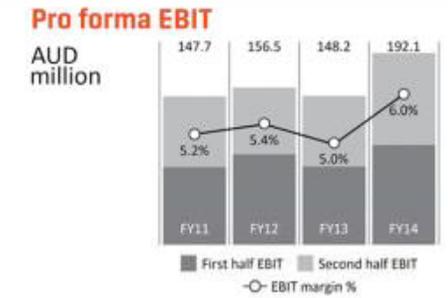


(A\$ million)	2013		2014	
	P&L	Cash	P&L	Cash
Costs incurred on demerger	-	-	19.2	13.5
Asset impairments recognised on demerger	-	-	209.8	-
Australasia restructuring	171.7	55.6	22.4	57.4
Gain arising on disposal of Fairfield property	(57.3)	-	-	-
<b>Significant Items before related income tax expense</b>	<b>114.4</b>	<b>55.6</b>	<b>251.4</b>	<b>70.9</b>
Income tax benefit on significant items	(39.1)	-	(69.8)	-
<b>Significant items after related tax expense</b>	<b>75.3</b>	<b>-</b>	<b>181.6</b>	<b>-</b>

# Regional Strength



**Orora**  
**\$3.2 BILLION** FY14 Revenue  
**115 Sites, 7 Countries**  
**36 Manufacturing Plants**  
**79 Distribution Centres**  
**5,500 Employees**



## Overview

- A portfolio of scale businesses with leading positions in their respective markets
- Predominantly services the defensive food and beverage segments
- 3,500 employees across 26 plants and 25 distribution centres
- Focused on fibre (recycled paper, corrugated boxes, cartons and sacks and distribution of packaging materials) and beverage (glass bottles, beverage cans and wine closures) packaging within Australia and New Zealand

## Fibre business

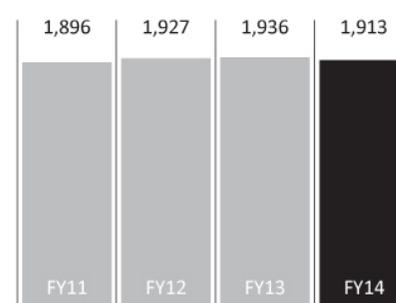
- The Fibre operating division produces corrugated boxes, cartons and sacks and manufactures recycled paper
- The business has the number one position in cartons and sacks, and the number two position in corrugated and recycled paper in Australia
- Integrated operations with recycled paper (annual capacity of 400,000 tonnes) manufactured for use in the corrugated box operations
- Predominantly supplies products to the Australian and New Zealand markets with more than 65% of sales to the defensive food and beverage segments



## Sales & Earnings History

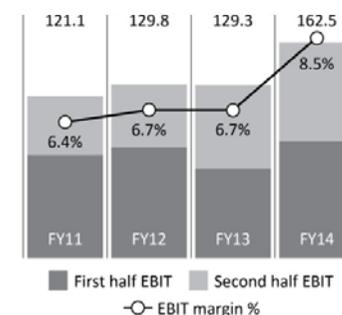
### Pro forma sales revenue

AUD million



### Pro forma EBIT

AUD million



## Beverage business

- The Beverage operating division produces aluminium beverage cans, glass bottles and wine closures
- The business has the number one position in beverage cans, and the number two position in glass bottles and wine closures in Australia
- Manufacturing footprint covering Eastern Australia, Western Australia and New Zealand with 6 beverage can plants as well as glass and wine closure operations



# Orora North America



## Overview

- Orora North America is a large packaging distributor and manufacturer, headquartered in Buena Park, California
- Comprises 10 manufacturing plants and 54 distribution sites and 2,000 employees across five countries
- Orora North America has two operating divisions – Landsberg and Manufacturing (under the Manufactured Packaging Products (MPP) and Corru-Kraft (CK) brands)

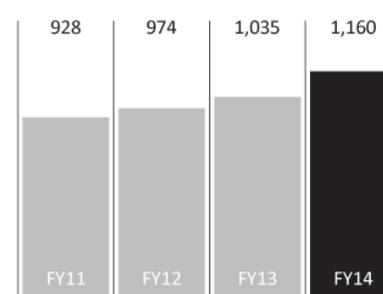
## Landsberg

- Large distributor of corrugated boxes, shipping materials, label supplies, janitorial products and packaging equipment predominantly in North America
- Purchases, warehouses, sells and delivers over 7,000 packaging products and other related materials sourced from a variety of manufacturers
- The Landsberg Engineered Packaging Solutions group specializes in flexible packaging capabilities, packaging equipment, full-line automation and technical expertise
- Total solutions approach to service also includes vendor managed inventory, just-in-time inventory logistics, fulfilment services, strategic account services and electronic ordering capabilities
- Sales are principally generated by a commission-based sales force comprising approximately 300 sales representatives

## Sales & Earnings History

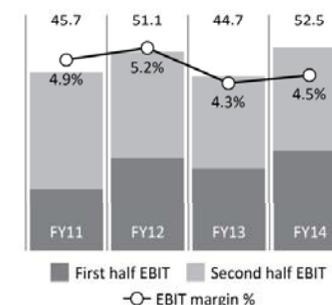
### Pro forma sales revenue

USD million



### Pro forma EBIT

USD million



## Manufacturing (MPP and CK)

- Manufacturing operating division provides Packaging Distribution with an integrated value chain in corrugated products
- Corru-Kraft (CK) produces corrugated sheets that are sold to external customers and Manufactured Packaging Products (MPP)
- Manufactured Packaging Products is a converter of corrugated sheets, producing custom and stock corrugated boxes, point-of-purchase displays, merchandising packaging, die cuts and other specialty packaging products for sale to a range of distributors and brokers, including Landsberg Orora