



## ASX Announcement

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13 October 2016

**ORORA LIMITED – ANNUAL GENERAL MEETING  
10:30 THURSDAY 13 OCTOBER 2016  
MANAGING DIRECTOR AND CEO ADDRESS**

### Introduction

Thank you Mr Chairman. Good morning ladies and gentlemen.

It was 1031 days ago today that Orora listed on the Australian Securities Exchange.

In that time Orora's operating profit has grown strongly, as the business improvement and growth plans have been implemented. The passion and commitment of Orora's team members is something we are very proud of and, over those 1031 days, a culture of outperformance and delivering on our promises has been embedded.

### The Orora Way

From the beginning, Orora has recognised that the passion of its now 6200 team members is a compelling source of competitive advantage. Orora's team members have played a unique role in shaping the company's culture and in developing the proprietary The Orora Way, which includes our belief statement, our company values and the outperformance deliverables that continue to drive Orora's success.

What sets Orora apart – and what has delivered Orora's positive results so far and what will continue to see Orora positively grow – is its people and its culture.

During the 2016 financial year, Orora conducted its first global engagement survey since listing to measure engagement across each Orora business and to seek team member views on a range of topics, including leadership, strategy, reward and team work.

Pleasingly, team member engagement has increased 10 per cent since 2012 when the last survey was conducted, just prior to Orora's listing. It now sits above the norm for manufacturing companies.

It is also pleasing to report that many of Orora's team members are also shareholders. Orora believes that having a financial stake in the Company will further align the interests of our team members with you, our shareholders. Last year saw the launch of Orora's first Employee Share Scheme for Australian-based team members, and this has recently been extended to Orora's New Zealand team members.

## **Safety**

At Orora, the safety of employees is fundamental. Each injury to a team member impacts their family, friends and fellow team members, as well as the Orora business.

While the reduction in the Lost Time Injury Frequency Rate over the last year was pleasing, the lack of progress on Recordable Cases, which remained static over the period, highlights the need for this to be an area of continued focus for all business groups.

The pleasing reduction in Lost Time Injuries, which was down 21 per cent during the year, reflects:

- Firstly, a continued emphasis on reducing the risk of higher severity incidents; and
- Secondly, the benefits of implementing corrective actions from root-cause analysis of serious incidents and near misses.

The business continues to develop comprehensive risk profiles and implement appropriate mitigation plans for high-risk hazards and sites, and focus on ensuring that Orora's tools and processes reflect industry best standard and are available to all team members.

Safety is an ongoing journey and Orora's goal of zero harm remains unchanged.

## **Strategic focus and 2016 achievements**

The last financial year saw the further development of The Orora Way, uniting Orora team members across Australasia and North America with a shared vision for the future and linking their day-to-day efforts to three strategic areas of focus – innovating to lead in Orora's chosen markets, enhancing the core operations and investing to grow the business. I will now outline some of the key achievements over the past year through the lens of those three strategic priorities.

### ***Innovate to lead***

Orora has a passion for innovation and it is a core area of focus.

At Orora, we anticipate changing consumer preferences and trends and deliver innovative packaging solutions that help customers establish, maintain, and grow leading positions in their respective markets.

July 2015 saw the announcement of the establishment of the Orora Global Innovation Initiative, a program to invest \$45.0 million over three years in value-generating innovation, modernisation and productivity initiatives. In its first year, Orora has committed approximately \$20.0 million in funding to a range of product and process innovations.

Orora's way is to challenge each other to be better, to do things in new ways, to listen to each and every idea, and to seek out innovation.

To further drive and cultivate innovative thinking, in July this year Orora launched a crowd-sourcing platform for team members across the Company to contribute and develop ideas for the Orora Global Innovation Initiative. The initiative, which we called Fresco – meaning Fresh



in Spanish – has attracted a very high level of participation, with over 630 ideas submitted in just three weeks by Orora team members across the business.

The Orora app was also launched and this allows Orora’s shareholders, team members and other stakeholders to keep up-to-date with Orora news and announcements in a contemporary, easy to use way. This app is now available to shareholders and I encourage you to download the app and stay up to date on the happenings here at Orora.

### ***Enhance the core***

Orora’s second strategic priority is ‘enhance the core’, which is about optimising the core operations.

In Australasia, given the defensive end markets that Orora serves, sales are expected to grow broadly in line with GDP and in 2016 financial year, underlying sales grew 2.5 per cent.

In North America, the packaging solutions and point-of-purchase industries generally grow in line with GDP and this growth is expected to be supplemented through market share gains and increasing sales to existing customers. In the 2016 financial year, organic sales in North America grew approximately six per cent, which was well ahead of the broader economy.

The last twelve months have seen the implementation of a number of initiatives aimed at driving efficiency, productivity and cost reduction.

Further improving efficiency, in January this year the Orora Packaging Solutions business in North America successfully started the roll-out of a new enterprise resource planning (**ERP**) system. The roll-out remains on track and we now have 11 sites on the system, with a clear plan in place for the remaining sites.

### ***Invest to grow***

The third area of strategic focus is to ‘invest to grow’.

Orora is driven by a returns-focused approach to capital allocation, encompassing three avenues:

Organic growth capital – investing in existing capability with a focus on customer-backed initiatives.

Bolt-on mergers and acquisitions – these will largely be focused on North America, where Orora seeks acquisitions to extend, or increase, product capability and/or expand geographic footprint. The year saw the addition of the Jakait business in Ontario, Canada, which is a specialist provider to the greenhouse produce sector; and

Adjacent mergers and acquisitions – this involves acquisitions in parallel packaging substrates or parallel markets, such as the recent expansion into the point-of-purchase segment in North America through the IntegraColor acquisition.



Investing for the future growth of Orora remains a key priority and during the 2016 financial year more than \$190.0 million was committed to organic and acquisition growth initiatives across the business.

### **IntegraColor**

It is worth taking a moment to speak more about the IntegraColor acquisition. It has now been seven months since Orora acquired IntegraColor and it is pleasing to report that the integration is tracking well and the business is performing in line with our expectations.

The acquisition of IntegraColor has strengthened Orora North America to become an end-to-end provider of total, customised packaging solutions and it improves Orora's ability to participate across the customer's full value chain.

A pipeline of North American point-of-purchase acquisition targets is being developed to complement IntegraColor and the richness of opportunity that has been identified is pleasing.

### **Business performance**

Turning now to the operational highlights of Orora's business divisions. As the Chairman said, the 2016 financial year was a successful period for the Company despite flat economic conditions across all markets in which we operate

#### ***Orora Australasia***

The Australasian business generated underlying sales growth of 2.5 per cent with the Fibre Packaging business increasing sales through steady organic growth, improved agricultural volumes in both Australia and NZ and higher sales to the Australian grocery sector.

The transition to a 'go direct' channel in the Queensland fruit and produce sector is progressing well with new depots established in Bundaberg and Mareeba, both in Queensland, and a further site to open in Innisfail in late 2016.

The Beverage business had a solid year with the Glass division commencing supply in July of a new beer contract, and we saw overall wine volumes increasing through the period.

With steadily growing demand and the Glass business being effectively oversold, and therefore relying on imports to maintain supply, Orora announced a \$42.0 million investment to increase the manufacturing capability of the glass forming lines in South Australia by 60 million bottles. We expect this upgrade to be complete by mid 2017.

Overall, Australasian earnings grew 10.4 per cent to \$200.4 million fuelled largely by volume growth, incremental benefits at the recycled paper mill, B9, and improved overall operating efficiency. These gains offset input cost inflation in areas such as energy and soda ash, in particular.

The Australasian business converted the increased earnings into cash flow, which improved 5.2 per cent to a total of \$228.5 million.

### ***Production ramp up at B9***

During the year, production ramp up at the B9 recycled paper mill continued to track in line with expectations and the mill successfully exited the 2016 financial year at a run rate equivalent to design output capacity of 400,000 tonnes.

After an extended maintenance shut in September 2015, which impacted first-half volumes, manufacturing consistency improved in the second half of the year, enabling the mill to produce 382,000 tonnes in the 2016 financial year – an increase of over 15,000 tonnes compared with the previous year.

80,000 tonnes were exported to the Orora business and external customers in North America – which is an increase of 45 per cent over the prior year.

### ***Orora North America***

Before discussing the North American business, it is important to note that following the March 2016 acquisition of IntegraColor, Orora North America now comprises two business groups:

- Orora Packaging Solutions – encompassing the existing Landsberg and Manufacturing divisions; and
- IntegraColor – the recently acquired point-of-purchase business.

In North America, Orora delivered another period of strong local currency sales growth, with revenue increasing 11.9 per cent to US\$1.4 billion, despite market conditions remaining subdued.

While the business began to see benefits from the recent acquisitions of IntegraColor and Jakait, excluding the effect these acquisitions, organic sales in Orora Packaging Solutions increased approximately six per cent.

In terms of EBIT, North American earnings improved 20.2 per cent to US\$72.0 million driven by sales growth, margin improvement initiatives and the benefit of recent acquisitions. In Australian dollar terms, EBIT grew 38.1 per cent including the benefit of currency translation gains.

Earnings growth and sound working capital management resulted in North American operating cash flow being up 33.0 per cent to \$90.2 million.

### **Sustainability**

Orora's values of teamwork, passion, respect and integrity underpin the business' approach to sustainability. Team members aim to do what is right, to keep each other safe, and to operate in a way that demonstrates respect for each other, the community, the environment and Orora's customers.

In April 2016, Orora committed to the world's largest corporate sustainability initiative, the United Nations Global Compact, which is both a framework for action and a platform for demonstrating corporate commitment and leadership. Orora is committed to making the Global



Compact principles part of the strategy and day-to-day operations of the business and the first UNGC Progress report will be provided in the coming year.

### **First quarter trading**

Turning to the first quarter of 2017 financial year, the economies of Australia, New Zealand and North America remain subdued, and it is expected that these conditions will continue for the remainder of the financial year.

Orora's trading results for the first quarter are ahead of the same period last year, and are in line with our expectations.

By way of update on two key growth capital projects that are underway within the business:

- The Glass capacity expansion is on track, with two of the three lines now successfully upgraded and fully operational. As originally planned, expansion of the remaining line will take place in March 2017 so as to not interfere with the peak demand period.
- At the same time, commissioning of the new dairy sack line at Thomastown, here in Victoria, remains on schedule and is expected to be fully operational by the end of 2016.

Consistent with Orora's strategy, the focus for the year ahead will be:

1. Executing with excellence on the key business projects that are currently underway across the Company;
2. Utilising the Orora Global Innovation Initiative to generate product innovation and efficiency opportunities in line with our customer-led strategy;
3. Continued integration of the North American acquisitions of Jakait and IntegraColor; and lastly
4. Further disciplined allocation of free cash flow to organic growth projects and acquisitions that are expected to meet our targeted returns.

Orora expects to be able to deliver higher earnings in 2017 than those reported in 2016, subject of course to global economic conditions.

### **Conclusion**

To conclude, the continued investment made in embedding the culture to drive outperformance and competitive advantage supports generating long-term shareholder value.

Orora's disciplined approach, value-creating strategy, investment in the business and strong pipeline for growth has positioned the business well.



Orora looks forward to a period of accelerated innovation, ongoing enhancements to core business and further strategic investments to drive growth for our shareholders.

I will now hand you back to the Chairman.

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