

Orora announces increased earnings and further acquisitions

15 February 2017

RESULT HIGHLIGHTS*

- Net profit after tax (NPAT) up 12.3% to \$92.1 million
- Earnings per share (EPS) up 12.3% to 7.7 cents
- Sales revenue up 4.1% to \$1,975.4 million
- Earnings before interest and tax (EBIT) up 9.3% to \$149.6 million
- Operating cash flow was \$157.5 million, up from \$126.1 million
- Interim ordinary dividend (30% franked) is 5.0 cents per share, up 11.1%, representing a pay-out ratio of 65%
- Net debt \$639 million, up from \$593 million at 31 December 2015
- Leverage was 1.6 times, down from 1.7 times at 31 December 2015 and interest cover was 9.9 times, up from 9.2 times

Orora Group Limited (ASX:ORA) today announced a strong result with net profit after tax increasing 12.3% to \$92.1 million for the half-year ended 31 December 2016.

The Company also confirmed it has signed definitive agreements to acquire The Garvey Group and Graphic Tech businesses for US\$54 million (approx. A\$71 million) as part of growing its North American Point of Purchase (POP) business. These acquisitions represent a multiple of 5.8 times last 12 month's EBITDA. In addition, Orora has agreed to reimburse the vendors for recent growth capital investments totalling US\$5.0 million. The transactions are expected to be completed by the end of March 2017.

Orora's Managing Director & CEO, Nigel Garrard said "both the results and acquisitions demonstrate the company's focus on driving shareholder value and investing for future growth."

Financial results

Orora's business again performed strongly over the period, delivering double digit EPS growth of 12.3%.

Operationally, Orora delivered EBIT growth of 9.3% despite flat economic conditions and input cost headwinds, such as escalating energy prices in Australia. Earnings were driven higher by improving Group-wide operational efficiency and cost control initiatives, solid sales growth in Orora North America, from both Orora Packaging Solutions (OPS) and an on-target contribution from IntegraColor (Point of Purchase business acquired in March 2016).

"Through continued financial discipline, Orora has been able to convert the growth in earnings into increased cash flow and improved returns, further strengthening the balance sheet and creating a strong platform from which to invest for future growth," Mr Garrard said.

Orora has declared an interim dividend of 5.0 cents per share, partially franked to 30%, which is an increase of 11.1% over the prior year. This represents a pay-out ratio of approximately 65% of NPAT, which is within the indicated range.

Operational performance

Orora Australasia delivered a 3.3% increase in EBIT to \$109.0 million. This was led by organic initiatives which delivered underlying earnings growth of approximately \$10.0 million, however this was largely offset by cost pressures (mainly energy) in Glass and the Botany Recycled Paper Mill (B9) of approximately \$7.0 million. Earnings

growth was achieved despite underlying sales increasing by 1.0% which is reflective of the flat economic environment.

Strong growth was recorded by Orora North America, with the business delivering a 24.7% increase in local currency EBIT to US\$41.4 million. This was driven by a 13.1% growth in sales revenue to US\$740 million. OPS continued to deliver strong organic sales growth, with revenues increasing approximately 6.0%, resulting from ongoing success targeting corporate customers with multi-site operations and leveraging its customised value proposition and scale. With the integration of IntegraColor continuing on track, this business delivered earnings and cash flow in line with expectations.

Innovation, growth and acquisitions

“Orora continues to invest for future growth, both organically within the core businesses and through bolt-on acquisitions to build regional capability and scale in North America. Since listing three years ago, Orora has announced growth investments of approximately A\$380 million,” said Mr Garrard.

“Today’s acquisitions of The Garvey Group and Graphic Tech businesses for US\$54.0 million complement the January 2017 acquisition of The Register Print Group (US\$44.0 million) and are further examples of Orora’s growth investment strategy,” Mr Garrard said.

“The latest acquisitions are strategically important in growing the North American Point of Purchase business as they expand Orora’s coverage in the US, providing a national manufacturing and fulfilment footprint able to serve corporate customers across multiple locations.”

“Orora’s Point of Purchase business will now be generating approximately US\$230 million in revenue and will offer a unique value proposition in the US market, which we believe will be a compelling factor for customers seeking a full range of product and service requirements across multiple locations.”

In Australia, key organic growth investments are on track. The A\$42.0 million investment to increase the manufacturing output of the Gawler glass furnaces is on target for completion by March 2017 and the A\$20.0 million state-of-the-art dairy sack line at Keon Park (Victoria) commenced production during the period.

Meanwhile, Orora continues to make investments to support growth through the A\$45.0 million Global Innovation Initiative. Since launching 18 months ago, approximately A\$26.0 million has been committed to delivering customer-led product solutions and enhancing productivity. Team members have been actively involved in generating new business ideas through a successful internal crowd sourcing program, with many concepts now receiving funding support through the Innovation Initiative.

Outlook

“Orora expects to continue to drive organic growth and to invest in both innovation and growth opportunities during the remainder of FY17, with earnings expected to be higher than reported in FY16, subject to global economic conditions” Mr Garrard said.

MEDIA CALL: Orora is hosting a media call at 9.15am (AEST) today.

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**All amounts in Australian dollars (AUD) unless expressly stated otherwise. Comparisons refer to prior corresponding period (6 months ended 31 December 2015). A surplus parcel of land was sold at Petrie, QLD in 1H16. Unless otherwise stated, the one-off benefit realised in the period ended 31 December 2015 relating to the sale (representing \$8.4 million EBIT, \$5.9 million NPAT, \$20.0 million operating cash flow) has been excluded to assist in making appropriate comparisons with the current period. For more information, please refer to the Investor Results Release lodged with the Australian Securities Exchange or available at www.ororagroup.com.*