



Orora Full Year Results

Full Year Ended 30 June 2017

Presentation by

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10th August 2017

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.

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- 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.

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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. All non-IFRS information unless otherwise stated has not been extracted from Orora’s financial statements.

Current Year: Underlying Earnings – excludes Significant Item on additional decommissioning costs at Petrie, Queensland

Throughout this presentation, all references to ‘underlying earnings’ (‘underlying EBITDA’, ‘underlying EBIT’, ‘underlying NPAT’, ‘underlying EPS’) exclude an after tax significant item expense (representing \$21.6M EBIT, \$15.1M NPAT) relating to additional expected costs associated with decommissioning the Petrie Mill site. This has been excluded to assist in making appropriate comparisons between the current and prior period and to assess the operating performance of the business. A summary of the Significant Item is included in Appendix 1

Prior Year: Underlying Earnings – excludes profit on sale of land at Petrie, Queensland

Throughout this presentation, all references to ‘underlying earnings’ (‘underlying EBITDA’, ‘underlying EBIT’, ‘underlying NPAT’, ‘underlying EPS’) excludes the 1H16 one-off profit on sale of land at Petrie, Queensland (representing \$8.4M EBIT, \$5.9M NPAT) – previously reported within the “Corporate” segment. This information is presented to assist in making appropriate comparisons with the current period and to assess the operating performance of the business.

Minor Reclassification of Prior Year Numbers

Certain prior year amounts have been reclassified for consistency with the current period presentation.

FY17 financial highlights



SALES REVENUE



NET PROFIT AFTER TAX (NPAT)



OPERATING CASH FLOW



RoAFE % (Return on Average Funds Employed)



EARNINGS BEFORE INTEREST AND TAX (EBIT)



EARNINGS PER SHARE (EPS)



FY17 DIVIDEND (per share)



LEVERAGE



Double-digit earnings growth is being converted into strong cash flow, increased dividends and higher returns. Strong balance sheet to continue to pursue growth

	June 2016 ⁽¹⁾	June 2017
RCFR	6.8	6.8
LTIFR	1.6	1.6

(1) Note: Safety metrics are calculated on a rolling 12 month basis. To enable accurate comparison, prior year statistics have been presented on a pro forma basis to include IntegraColor (acquired 1 March 2016) as if it were owned for the entire period. Results exclude Orora Visual New Jersey, LA/Chicago, and Orange County.

RCFR = (Number of recordable safety incidents / Total number of hours worked for employees and contractors) x 1,000,000

LTIFR = (Number of lost time injuries / Total number of hours worked for employees and contractors) x 1,000,000

Safety is a priority and ongoing journey for Orora

- RCFR was unchanged
 - Continued reinforcement of standards
 - Heightened awareness at existing sites
 - Progressive implementation of Orora’s safety standards and processes at recently acquired sites
- LTIFR was static
 - Emphasis is on minimising the risk of higher consequence incidents by implementing corrective action from risk assessments/root cause analysis
- Continued rollout of comprehensive risk profiling reviews and development of improvement plans for each site
- Focus remains on ensuring best practice tools and processes are available to all employees

“ Goal is zero harm – all injuries are avoidable ”

FY17 Australasia financial highlights



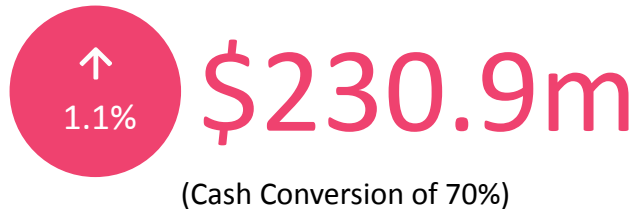
SALES REVENUE



EBIT



OPERATING CASH FLOW



EBIT MARGIN %



RoAFE %



CAPEX INVESTED IN THE BUSINESS



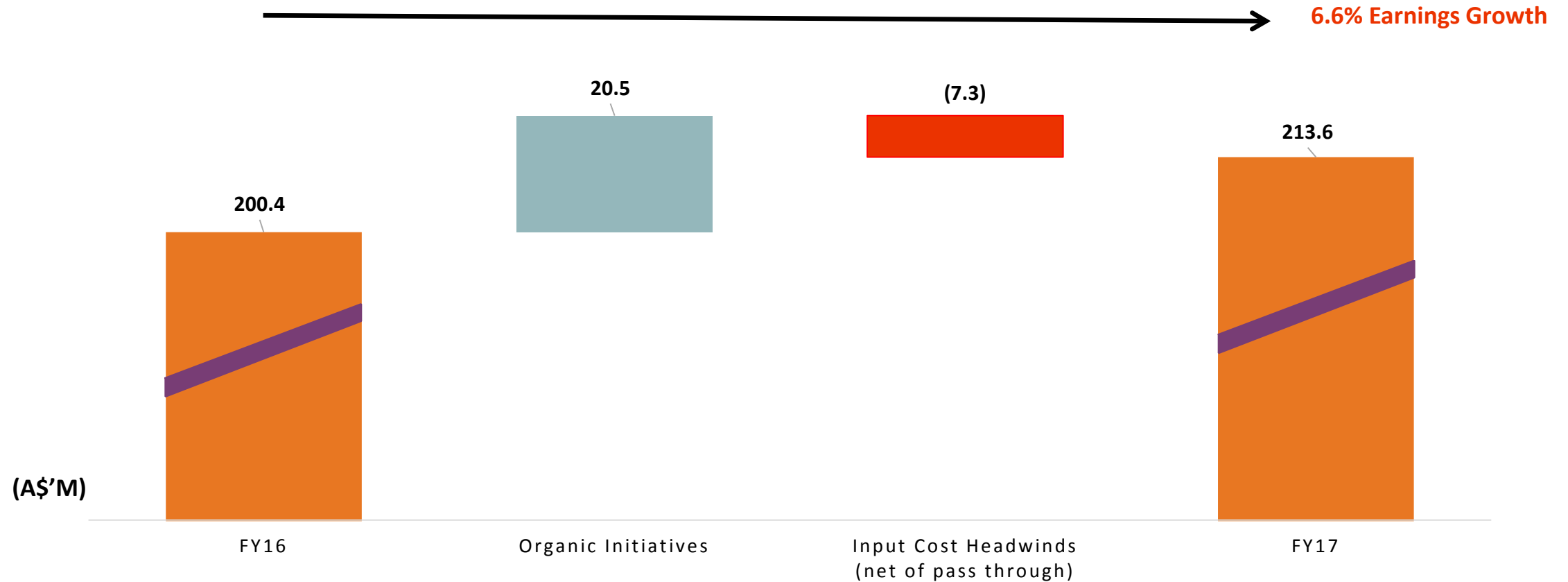
- Continued volume growth in Glass and Wine Closures; Can volumes slightly lower
- Steady volumes in Fibre Packaging with market channel and segmentation strategy tracking well
- B9 produced 373,000 tonnes of recycled paper during FY17
 - Volumes were impacted by unplanned maintenance and paper breaks
 - Reliability and production performance has steadily improved. In the last quarter of FY17, production was approximately at nameplate
- Significant capital investment to drive earnings, margins and RoAFE improvements
 - New dairy sacks line commissioned underpinned by growing exports sales
 - Glass capacity upgrade complete
 - Fibre Packaging equipment refresh program underway
- Strong cash conversion of 70% delivering \$230.9m of operating cash flow

“

***Sales growth in line with GDP
EBIT growth driven by ongoing self help initiatives***

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Australasia EBIT growth



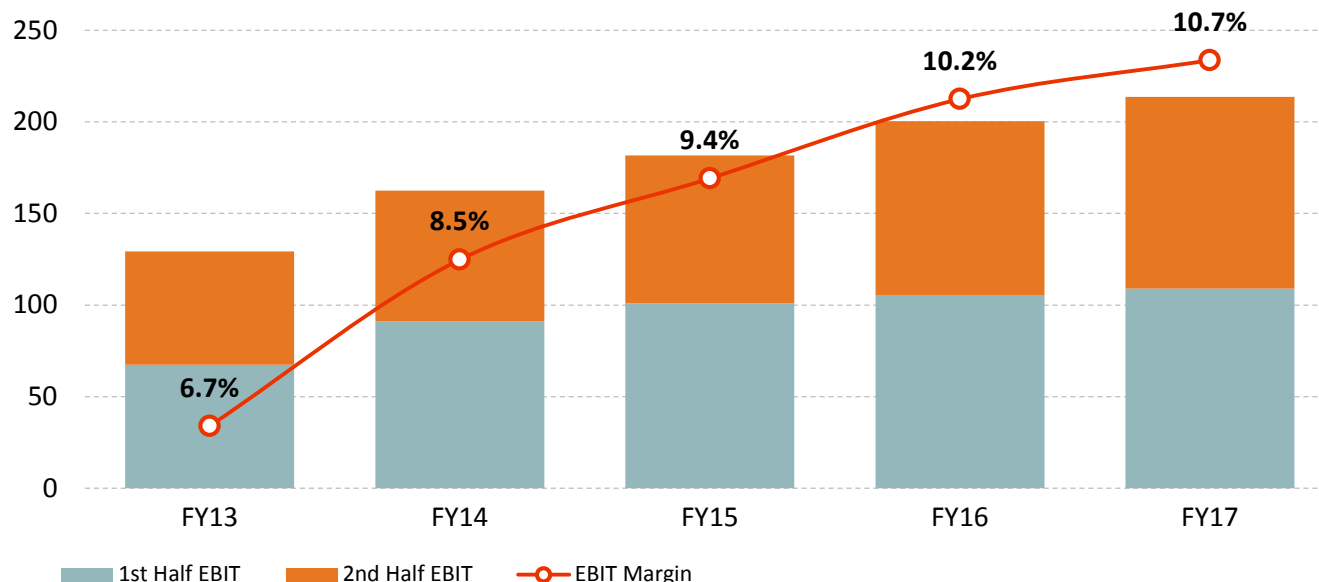
“ Organic earnings benefits more than offset input cost headwinds at Glass & B9 ”

Orora Australasia margin improvement



EBIT Trend⁽¹⁾

AUD Million



RoAFE% 6.9% 8.9% 10.2% 11.6% 12.4%

Return on sales (ROS) up a further 50 bps to 10.7% in FY17

- Higher sales volumes in Glass and Wine Closures, notwithstanding Glass downtime (capacity expansion & SA blackout)
- Final delivery of B9 benefits
- Business-wide manufacturing and operating efficiencies more than offset headwinds in energy and other input costs

Since FY13 - 400bps ROS improvement to 10.7%

- \$82.5M of 'self help' benefits targeted at time of demerger have now been fully realised
- Primary driver of increased margins and improved return on funds employed
- Earnings and returns improvement despite significant headwinds from gas and electricity increases over past 2-3 years
- Reasonable visibility to continue to increase margins in FY18 and beyond
- RoAFE% improvement of 5.5% since Pro Forma FY13

“ Self help programs identified at demerger fully delivered and primarily retained ”

⁽¹⁾ FY13 and FY14 Pro Forma sourced from the 2014 Full Year Investor Results Release

In excess of 65% EBIT growth in Australasia since FY13

Investing to improve manufacturing capability within Fibre Packaging



~\$70M committed for investment in the ANZ Fibre Packaging business over the past 3 years

- Improving quality and output capacity
 - Upgrading printing and converting assets
 - Investment in state-of-the-art large format digital printer
 - Investment in new laser cutting technology
- Improving productivity and safety with automated material handling
- Innovation initiatives to enhance customer value proposition – e.g. cold-chain monitoring system in partnership with Xsense®
- Improving supply chain and distribution
 - Three new distribution centres opened in Queensland
 - Refrigerated logistics partnership with AHG

“ **Investing to improve product quality, cost curve competitiveness and customer value proposition** ”

Over \$70M committed to improving Fibre Packaging manufacturing capability



Converting Equipment Upgrade

\$23M investment in a waste water treatment plant at B9

- Reduces volume of regulated effluent discharged from the site
- Process generates biogas (renewable energy) which will be converted to electricity for use in B9 network and provides steam for boiler water heating
- Technology proven globally
- Project commenced with completion expected early 2018
- Return hurdle metrics at run rate levels in FY19

Addressing energy usage and cost

- Assessing further potential on-site electricity generation investments
- Approximately \$10M invested in energy efficiency projects across ANZ over the past 3 years
- Have set new energy efficiency targets for all manufacturing plants with plans and initiatives being developed
- Orora's gas supply and price is contracted until end of CY19



“ **Actively investing and driving initiatives to offset energy headwinds** ”

Volatile Old Corrugated Cardboard (OCC) prices

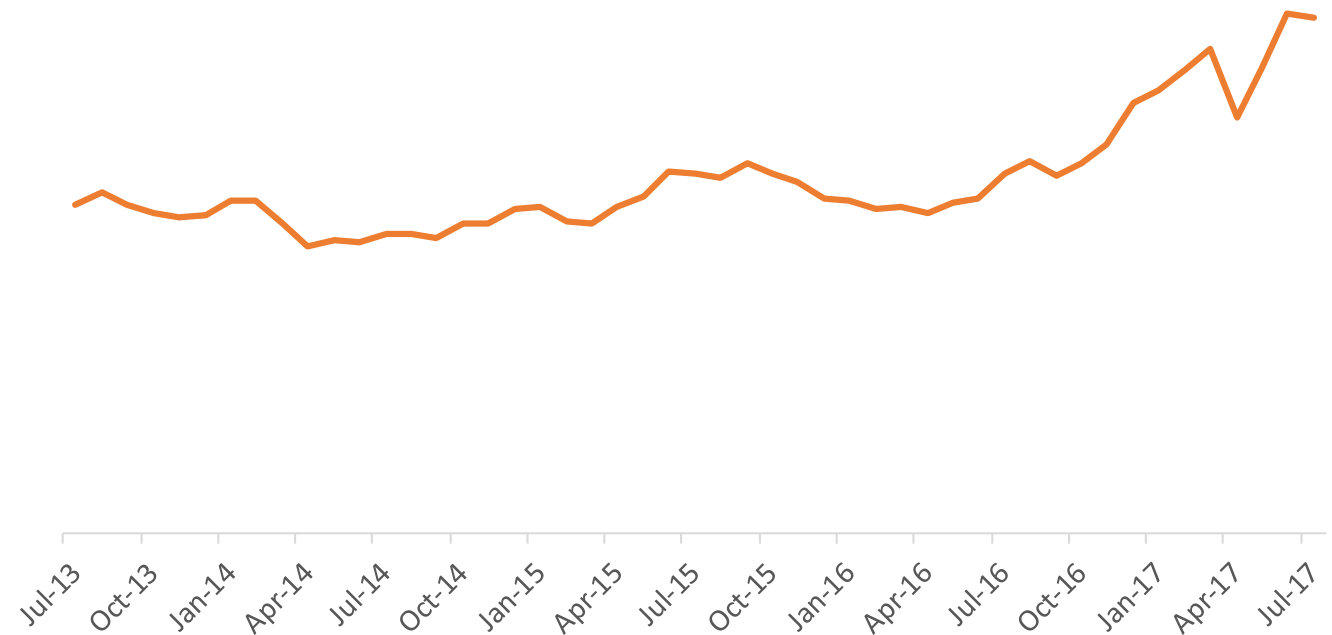


- Orora sources ~90% OCC as feedstock for B9 - range of vendors, mixture of terms
- Orora collects the remaining ~10% of mill requirements directly
- Price of OCC retreated from high set in Mar 17 – but now tracking at the top end of historical range
- Chinese stock levels, new recycled mills, import restraints on soft mix and seasonality driving price volatility
- Some supply contracts are linked to OCC commodity prices.

Sensitivity/offsetting factors:

- \$10 per m/t movement estimated impact on EBIT is \$2.0-2.5M in FY18
- Increasing global paper prices provide partial offset with approximately 80k tonnes exported to USA and side run exported to Asia

OCC AUD\$ / tonne



Source: Average of various RISI OCC indexes in AUD

FY17 North America financial highlights



USD SALES REVENUE



USD EBIT



OPERATING FREE CASH FLOW



(Cash Conversion of 80%)

EBIT MARGIN %



OPS

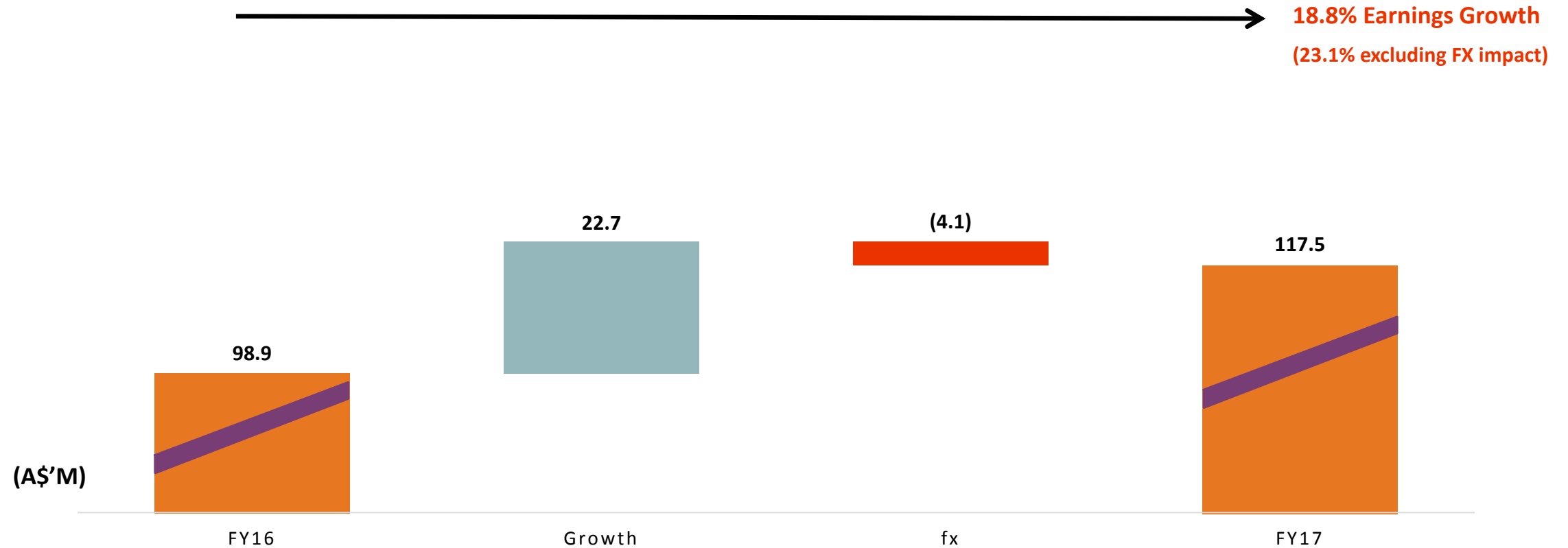
- Delivered strong organic sales growth with USD revenues up 4.2% despite economic and market conditions remaining flat
- Manufacturing division focus on improved efficiencies and operating cost control to offset ongoing margin pressure and easing volumes as new capacity comes on-stream.
 - Reorganised sales team to focus on offering custom products directly to customers
- ERP system rollout plan was revised early in 2017. Project is progressing in line with expectations. A further 14 sites have gone live since January 2017, bringing the total live sites to 29.

Orora Visual

- Orora Visual Dallas (formerly IntegraColor) is performing to expectation.
 - Integration is on track, with synergies flowing as expected
- Expanded national footprint with 3 further POP and visual solutions acquisitions completed in 2H17

“ **North America growing strongly – combination of organic and growth investment** ”

North America EBIT growth



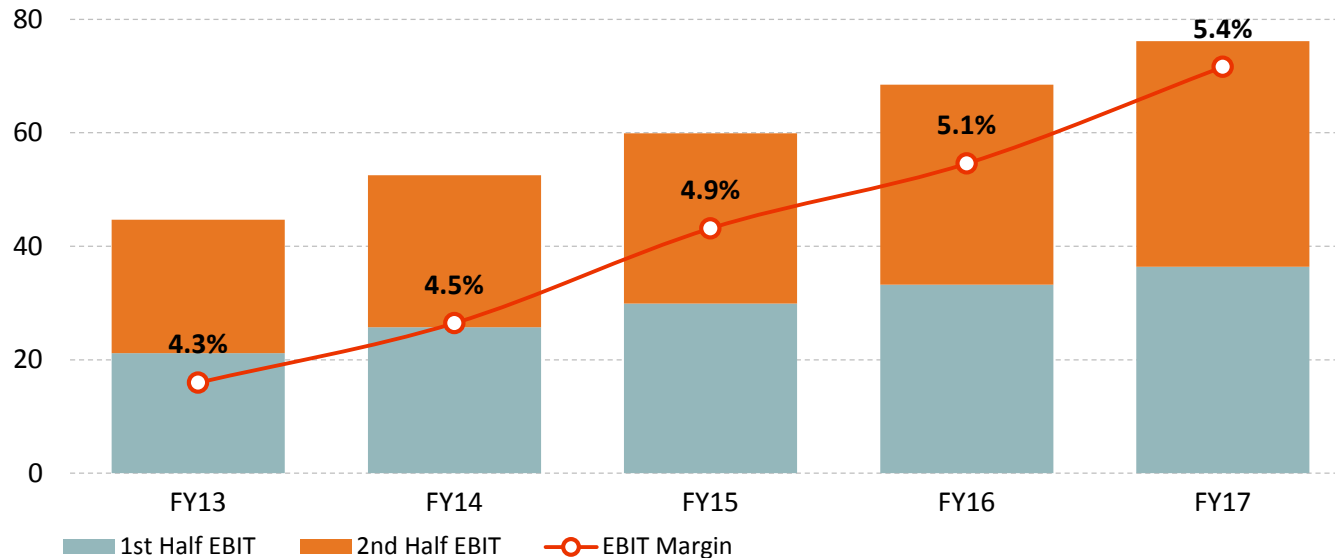
“ ***Sales growth (organic & share gain), margin expansion and contribution from Orora Visual driving 23% constant currency earnings growth*** ”

OPS margin improvement



EBIT Trend⁽¹⁾

USD Million



ROS up a further 30 bps to 5.4% in FY17

- Emphasis on moving towards higher value, customised offerings in targeted segments of food, IT, auto parts and pharmaceutical/health
- Continued focus on procurement and supply chain optimisation
- Leveraging national footprint customised offering to expand with existing corporate accounts and win new customers

Since FY13 - 110bps improvement in ROS to 5.4%

- Continued focus on increasing corporate account sales through investing in infrastructure to support targeted sectors
- OPS primary packaging acquisitions - World Wide Plastics, Jakait and Global Flex – expanding offering and geographic reach
- Benefit of scale as volumes increase through existing infrastructure

In excess of 70% EBIT growth in OPS since FY13

⁽¹⁾ FY13 and FY14 Pro Forma sourced from the 2014 Full Year Investor Results Release

- Successfully completed the acquisition of Register (New Jersey) in January 2017, Garvey Group (Chicago and Los Angeles) and Graphic Tech (Los Angeles) in March 2017
- Chief Operating Officer commenced in May 2017 to help drive Orora Visual's integration and growth strategy, reporting to CEO and President
- Integration of Orora Visual Dallas is on track - synergies being realised as anticipated
- Early stage integration of Register, Garvey and Graphic Tech progressing well
- Good employee engagement across all acquired businesses
- Orora Visual's national value proposition is being well received by customers with orders starting to flow
- Investment to be made in FY18 to enable consistent high quality offering throughout the footprint

**Established a single
'go to market' brand**

See the new Orora Visual website
www.ororavisual.com



“ ***Integration on track*** ”
***Orora Visual's national value proposition
is seeing good customer engagement***

Earnings Summary (EBIT)

A\$ Million	FY16	FY17	Δ%
Underlying Corporate	(27.2)	(28.8)	(5.9)

Corporate costs were \$28.8M – slightly higher than prior year due to:

- ongoing restructuring costs in Australasia that are delivering cost reductions and increasing earnings
 - Costs associated with assessing the feasibility of growth options in North America
 - A surplus parcel of land that was compulsorily acquired in 2013 was settled during the period. The gain was not material
- Corporate costs in FY18 are expected to be broadly in line with underlying costs in FY17

Strong operating cash flow



A\$ Million	FY16 ⁽¹⁾	FY17
EBITDA	379.6	418.4
Non Cash Items	34.9	32.5
Cash EBITDA	414.5	450.8
Movement in Working Capital	(23.5)	(14.7)
Net Capex	(77.2)	(104.6)
Operating Cash Flow	313.8	331.5
Cash Significant Items	(4.7)	(1.2)
Operating Free Cash Flow	309.1	330.2
Interest	(29.2)	(34.3)
Tax	(52.5)	(49.1)
Growth Capex	(21.8)	(32.5)
Free Cash Flow available to shareholders	205.6	214.3
Cash Conversion³	76%	74%
Average Working Capital to Sales² (%)	9.6	8.4

Operating cash flow increased 5.6% to \$331.5M

- Reflecting higher earnings and disciplined balance sheet management
- Cash conversion of 74% - in excess of 70% management target⁽³⁾

Continued improvement in working capital management

- AWC to sales reduced to 8.4%⁽⁴⁾ - below both prior year and 10% target
- Benefits from implementing working capital programs identified in FY16
- Continued emphasis on optimising working capital across the Group

Increased total capex includes investment in key projects

- Capex includes over \$30M on upgrading printing and converting assets in Fibre Packaging, initial \$10M spend on B9 waste water treatment plant and approx. \$15M invested in innovation projects
- Net capex includes \$20M of proceeds from the sale of surplus land
- Growth capex represents spend on Glass capacity expansion and the final spend on dairy sack line

(1) Excludes initial proceeds from sale of land at Petrie, Queensland (\$20.0M)

(2) Average net working capital for the period/annualised sales

(3) Cash conversion measured as operating cash flow divided by cash EBITDA

(4) Average working capital to sales target is 10.0% in the medium term

Balance Sheet

A\$ Million	June 16	June 17
Funds Employed (period end)	2,128	2,221
Net Debt	630	674
Equity	1,498	1,547
Leverage (x) ⁽¹⁾	1.7	1.6
RoAFE (%)	12.7	13.6
Undrawn bank debt capacity	408	350

(1) Equal to Net Debt / trailing 12 months underlying EBITDA

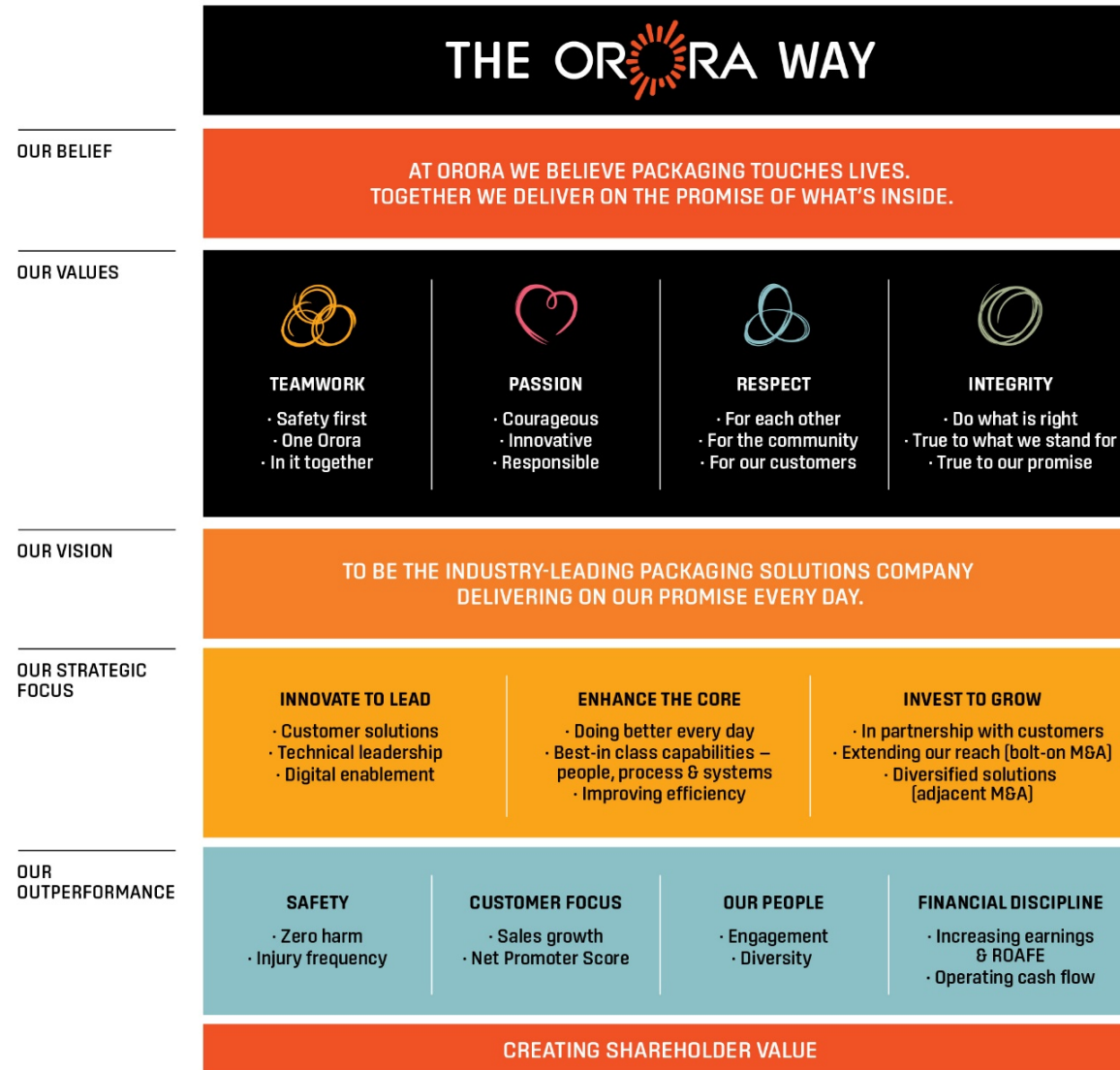
Robust balance sheet to enable further growth investment

- Reduced leverage through conversion of earnings into cash
 - Leverage of 1.6x - down from 1.7x at June 2016 and pcp
 - Adverse FX impact on net debt of \$15.1M

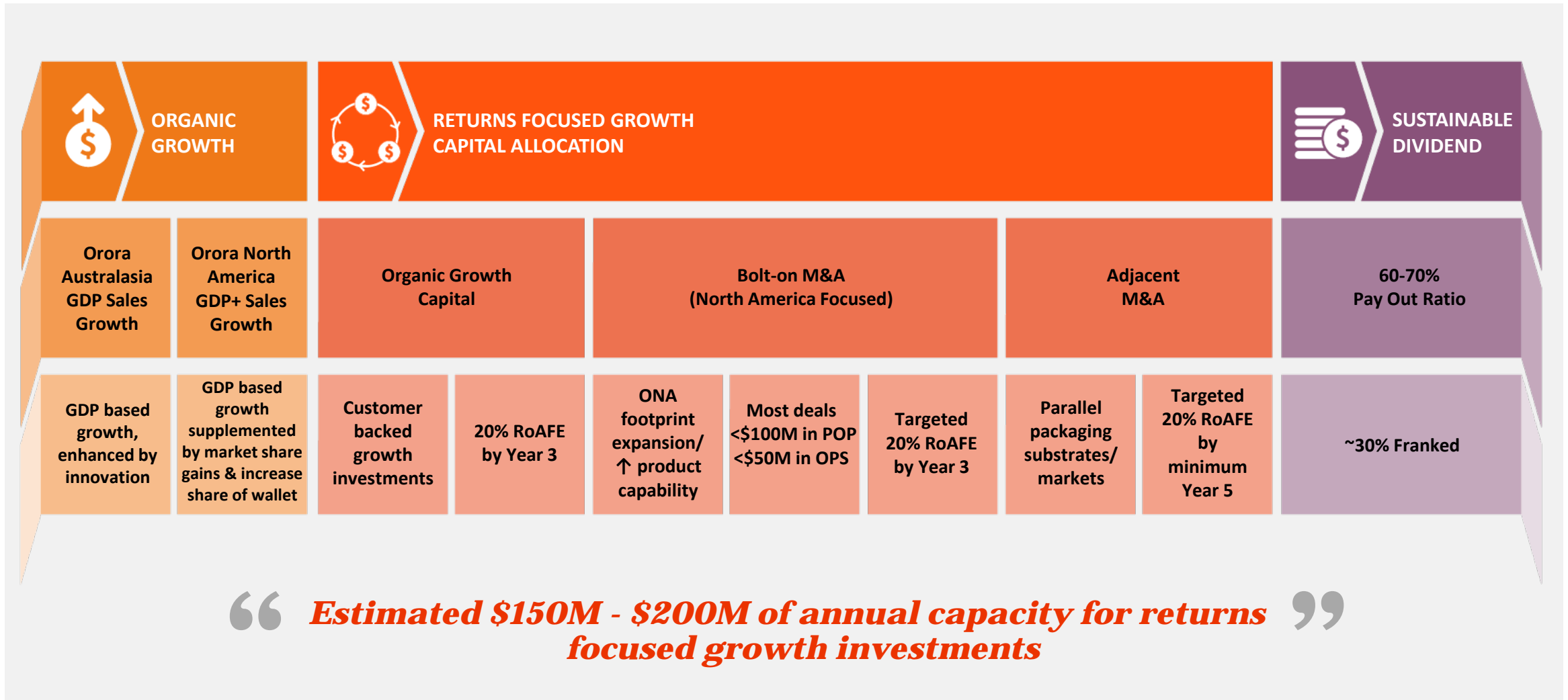
Committed to sensible debt levels and investment grade credit metrics

- Average tenor of facilities is 4.1 years
- Significant capacity and headroom in facilities and covenants
- Maintaining a disciplined approach to expenditure and acquisitions

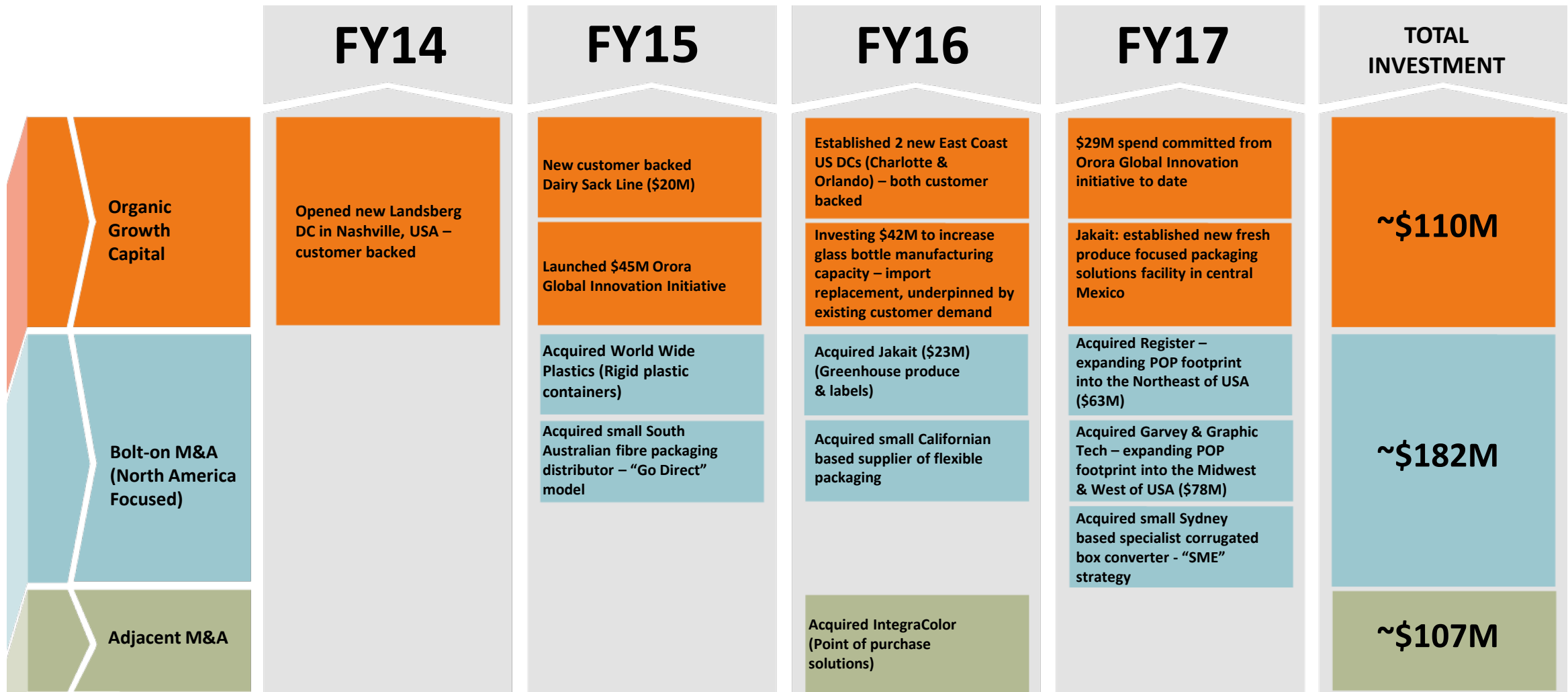
“ Strong balance sheet with significant headroom to fund growth ”



Orora's blueprint for creating shareholder value



Orora has committed ~\$400M since ASX listing in December 2013



“Majority of expected benefits from growth projects impact FY18 and beyond”

Committed to creating shareholder value



What we said we would do

1. Organic sales growth, profitable market share gain & improved efficiency/cost control
2. Increasing profitability (return on sales)
3. Bolt on M&A – primarily focused on ONA footprint expansion and/or increase product capability
4. Invest in innovation to enhance customer value proposition
5. Customer driven growth investments
6. Sustainable dividend payouts
7. Disciplined expenditure approach

What we have done in FY17

1. OA - delivered 2.7% underlying sales growth
ONA - 4.2% organic sales growth in OPS, opened new site in Central Mexico; Orora Visual financial performance in line with expectations
2. OA margin expanded 50 bps - ongoing focus on 'self-help'
ONA margin improved 60 bps - positive impact from Orora Visual and OPS margin expansion (+30 bps to 5.4%)
3. Acquired Register, Garvey & Graphic Tech – expanding Orora Visual footprint. Integration of Orora Visual Dallas on track. Acquired small corrugated box converter (Sydney) – Fibre Packaging “SME strategy”
4. Invested a further ~\$15M in innovation initiatives. \$29M in total since inception has now been approved
5. \$42M Glass capacity expansion project completed. Commissioning & commercial sales at new dairy sack line
6. Declared dividends up 15.8% on pcp – at the top end of 60-70% payout range
7. Operating free cash flow up 5.6%. Cash conversion 74% - above 70% target

Shareholder value creation

- EPS growth of 14.6%
- 11.0 cent dividend – approximately 70% payout
- RoAFE improved to 13.6% from 12.7% in pcp
- Orora remains committed to generating further shareholder value through a continued focus on profitable sales growth, cost control and efficiency, investments in innovation and the disciplined allocation of free cash flow to growth projects that are expected to meet targeted returns
- A pipeline of acquisition targets continues to be developed – subject to the opportunities meeting the hurdle rates and being strategically compelling, acquisitions will continue to be pursued and executed as appropriate

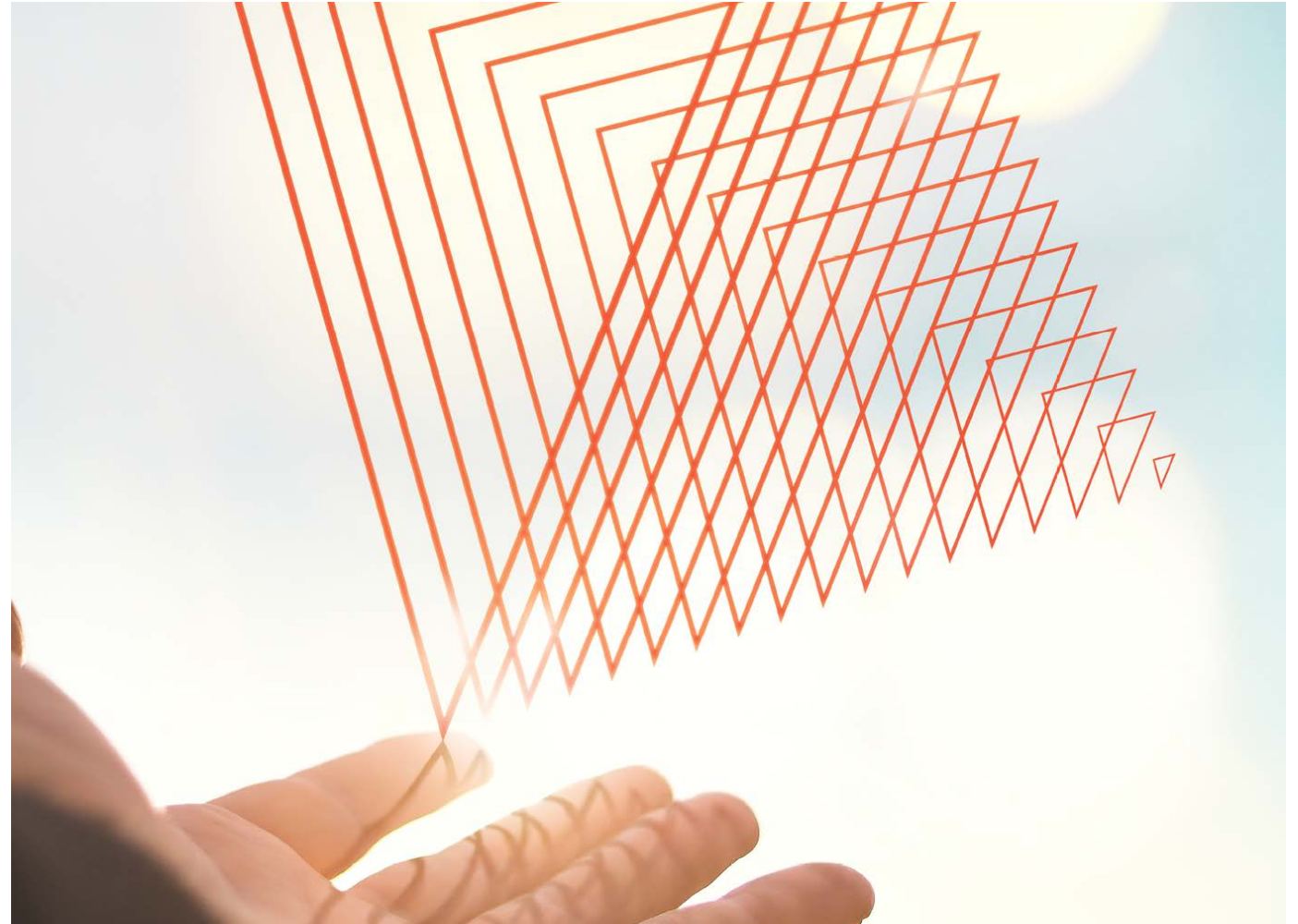
Australasia

- The \$42M Glass upgrade project has been completed successfully and the investment is expected to exit FY18 generating PBIT benefits at return hurdle rates.
 - Orora has made positive progress in relation to securing warehouses nearby the Gawler facility which will include assessment of further investment in warehouse automation
- Volatility and uncertainty remains in the Australian electricity market and is expected to continue for the foreseeable future and presents further potential downside risk.
 - the estimated adverse impact at B9 in 2H18 is \$6M-\$8M.
 - This will be partially offset by expected EBIT benefits from the secondary water treatment plant once it is successfully commissioned.
 - In addition further additional energy efficiency projects and supply options will continue to be assessed.
- OCC commodity prices increased in the second half of FY17 and, while volatile, if they remain at the current higher levels will adversely impact earnings in FY18.
 - For FY18 a \$10 per m/t movement in OCC commodity price represents an impact of approximately \$2.0-2.5M on EBIT.
 - Some offsetting EBIT benefits come from higher export prices to both the US (approx. A\$130 / tonne) and Asia (approximately A\$50 /tonne).
- Net capex in FY18 is expected to be in approximately 110% of depreciation. Expenditure will be more weighted to the first half of FY18.
- As it has done consistently over recent years, to offset ongoing headwinds, in addition to pursuing organic growth, the Australasian business will continue to identify and implement cost reduction opportunities and utilise the Orora Global Innovation Initiative.

North America

- The integration of Orora Visual acquisitions expected to remain on track.
 - Several key management roles have been filled and are supporting the integration of the four Orora Visual locations.
 - Future revenue growth is expected to be enhanced by marketing the fully integrated national footprint value proposition.
- OPS will pursue further customer supported organic geographic expansion opportunities and continue to roll out and integrate the new ERP system.
- The North American businesses will continue to utilise the Orora Global Innovation Initiative to drive innovation, modernisation and productivity.

Orora expects to continue to drive organic growth and invest in innovation and growth during FY18, with constant currency earnings expected to be higher than reported in 2017, subject to global economic conditions





Appendix 1

\$15.1M Significant Item

Additional Decommissioning Costs

Significant item – higher decommissioning cost for old Petrie Mill site



- An after tax significant item expense of \$15.1M relating to expected additional decommissioning costs at the Petrie Mill site has been recognised in FY17.
- This followed an interim project review and a reassessment of the estimated costs to complete.
- The increase in expected decommissioning costs is due to a range of factors including;
 - delays in the commencement of some works;
 - the scope and complexity of remediation works required; and
 - increases in costs.

“ Orora is committed to meeting its obligations for the remediation of the former Petrie Mill site ”