

Orora delivers double-digit underlying earnings growth for the third consecutive year

10 August 2017

RESULT HIGHLIGHTS*

Underlying Operating Results Highlights¹

- Net profit after tax (NPAT) up 14.4% to \$186.2 million
- Earnings per share (EPS) up 14.6% to 15.6 cents
- Sales revenue up 4.9% to \$4,039.1 million
- Earnings before interest and tax (EBIT) of \$302.3 million, up 11.1%
- Final ordinary dividend of 6.0 cents per share, 30.0% franked. Total dividend is 11.0 cents, up 15.8%
- Operating cash flow was \$331.5 million, up from \$313.8 million
- Net debt \$674 million, up from \$630 million at 30 June 2016
- Leverage is 1.6 times, down from 1.7 times at 30 June 2016

Statutory Results

- Statutory net profit after tax (NPAT) was \$171.1 million
- Significant item expense of \$15.1 million after tax related to additional expected Petrie Mill decommissioning costs²

Orora Group Limited (ASX:ORA) today announced another strong operating result for the full year ended 30 June 2017, delivering double-digit underlying NPAT, EBIT and EPS growth for the third consecutive year.

Commenting on Orora's performance, Managing Director and CEO, Nigel Garrard, said, "Operationally the business has delivered another strong performance, driven by the strength and resilience of the Group's core businesses and augmented by investments Orora has made to drive growth, particularly with establishing a national footprint for Orora Visual in the North American point of purchase (POP) and visual communication sector."

"Orora Australasia delivered solid earnings and sales growth which more than offset input cost headwinds. In North America, the business delivered constant currency earnings growth of 23.1% and now, with a second stream of earnings beginning to flow from Orora Visual, has contributed more than 50% of Orora's sales for the first time.

"Since listing on the ASX in late 2013, Orora has been executing 'The Orora Way' operating model, which encompasses the Company's strategic pillars of enhancing the core, innovating to lead and investing to grow. The Group's disciplined focus and successful delivery against this operating model has guided Orora to more than double earnings over that period.

"Importantly, Orora's strong cash conversion combined with the strength of its balance sheet, provides the Company with capacity and flexibility to continue to invest with discipline in innovation as well as organic and new growth opportunities, to deliver sustainable value creation for shareholders," Mr Garrard said.

Operational performance

Orora Australasia delivered a 6.6 % increase in EBIT to \$213.6 million, with sales revenue 2.3% higher to \$2,001.6 million. Both Australasian business groups - Fibre Packaging and Beverage - delivered earnings growth despite flat economic conditions and higher input costs.

¹ Excluding significant item expense of \$15.1 million in FY17 and significant item gain of \$5.9 million in FY16.

² An after tax significant item expense of \$15.1 million relating to additional expected 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 cost.

Fibre Packaging earnings were higher driven by further cost reduction and innovation benefits and the achievement of sales growth in targeted market segments. The Beverage business earnings growth was driven by higher Glass volumes and improved operating efficiencies across both the Glass and Cans businesses, which more than offset input cost headwinds in the Glass division and marginally lower volumes in Cans.

Orora North America reported EBIT that was 18.8% higher to \$117.5 million, with sales revenue up 7.6% to \$2037.5 million, despite economic and market conditions remaining flat. In local currency terms, EBIT increased 23.1% to US\$88.6 million and sales revenue grew 11.4% to US\$1,536.1 million.

Orora Packaging Solutions (OPS) grew sales by continuing to leverage its national footprint, product breadth and standardised service offering to grow sales with existing corporate accounts and win new customers. OPS EBIT margins were also higher, reflecting the sustained focus on growing corporate accounts and the move to higher value, customised offerings in the targeted market segments of food, IT, auto and pharmaceutical/health.

Having now completed its first full financial year as part of Orora, Orora Visual Dallas (formerly IntegraColor) has performed in line with expectations. The integration of Orora Visual Dallas and recently acquired point of purchase (POP) and visual communication businesses is on track, with synergies being realised as expected.

Growth and innovation

During the year, Orora continued to invest in a range of focused initiatives/projects, innovation and acquisitions to drive sustainable future growth, including:

- \$141 million to acquire three further North American POP and visual communication businesses to establish a national footprint – Register (New Jersey), Garvey Group (Chicago and Los Angeles) and Graphic Tech (Los Angeles).
- Successful completion of the \$42.0 million investment to increase manufacturing output of the Gawler glass furnaces by 60 million bottles with the project expected to exit FY18 contributing EBIT in line with Orora's return criteria
- \$25 million to upgrade the plant and machinery at the Revesby Fibre Packaging plant which will be progressively commissioned in FY18.
- Committed to invest \$23 million to construct a secondary water treatment plant at B9 that not only will reduce the impact on the environment by reducing regulated effluent discharges but will also generate renewable energy by converting biogas to electricity. This plant is expected to be commissioned in early calendar 2018.
- A further ~\$15 million, as part of the \$45 million Orora Global Innovation Initiative, to a range of projects that enhance innovation, modernisation and productivity, taking the cumulative approvals under this initiative to approximately \$29 million.

Outlook

Orora expects to continue to drive organic growth and invest in innovation and growth in the year ahead, with constant currency earnings expected to be higher than reported in FY17, subject to global economic conditions.

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 (12 months ended 30 June 2016). For more information, please refer to the Investor Results Release lodged with the Australian Securities Exchange or available at*

www.ororagroup.com