Orora acquires Pollock
29 November 2018
## Transaction summary

**Orora acquires Pollock – a market leading Texas based packaging and facility supplies business for a total consideration of US$80.5m (A$110m)**

| **Consideration** | • US$75.5m (A$103m) paid upfront  
|                   | • Holdback of US$5m (A$7m) payable in instalments at 6, 9 & 12 month milestones |
| **EBITDA Multiple** | • 8.7x LTM |
| **ROI Hurdle Rate** | • Will be returns accretive and targeting to meet 20% RoAFE by 3rd full year of ownership |
| **Sales Revenue** | • >US$260.0m (LTM) (A$355m)  
|                   | • Steadily growing sales revenues combined with a focus on margin improvement |
| **Synergies** | • Approximately US$6m (A$8m)  
|               | • Expected over the first 2-3 years  
|                 | • Relating to operating cost reductions (including footprint), procurement and administration efficiencies  
|                 | • Opportunities for sales synergies across the expanded OPS business |
| **Other Key Points** | • Scale acquisition – 6 sites in Texas (second largest and fastest growing state in the US), as well as presence in Georgia, New Jersey, North Carolina and California  
|                  | • In-house box manufacturing capability  
|                 | • Management committed to minimum 2 year term  
|                | • Pollock is on SAP (since 2005)  
|               | • Earn out of up to US$2m (A$2.8m) payable based on robust earnings growth hurdles in first 12 months |
Pollock overview

Pollock is a leading provider of industrial, retail and facility supplies and is a vertically integrated corrugated box manufacturer

• One source approach to the market focused on the facility supplies, packaging & packaging equipment, food service supplies and retail supplies segments.
• Celebrating 100 years of operations this year
• Headquartered in Dallas, TX
• 10 locations across 5 states (6 in Texas)
• Approx 440 employees
• Significant synergy opportunities – both cost and revenue

Sales by Product Category

- Packaging & Packaging Equipment: 40%
- Facility Supplies: 33%
- Food Service Supplies: 12%
- Retail Supplies: 11%
- Office Supplies: 3%
- Misc: 1%
In-house packaging design and manufacturing / Packaging Solutions portfolio

Manufacturing capabilities include:

- In-house design
- Flexo folder gluers
- Rotary die cutting
- Flat die cutting
- Multicolor direct print
- Label laminating
- Kitting
- Specialty gluing
- Collating & packing
- Assembly & fulfillment
- Warehousing

Packaging Solutions portfolio:

**Beverage**
- Custom Craft Beer Packaging
- Liquor Boxes
- Wine Boxes & Partitions

**Industrial Packaging**
- Corrugated for Tray Formers & Case Erectors
- Slip Sheets & Pads
- Specialists in Dim/Weight Packaging
- Plain Boxes
- Jumbo – Bin & Appliance Boxes

**Retail**
- Litho Laminated Boxes
- Informational Displays
- Consumer Electronics Boxes

**Point of Purchase**
- Wholesale Club Displays
- Sidekick Hanging Displays
- Standee’s Full Scale Displays
- Countertop Displays
- Dropped Ceiling Displays

**Food Service**
- Carry Out Containers
- Beverage Containers
- Pizza Boxes

**Food Packaging**
- Produce Containers
- Meat Packing Boxes
- Bakery Packaging
- Canned Beverage Trays
Alignment with Orora’s Value Creation strategy

- Pollock is the largest M&A transaction for OPS
Alignment with Orora’s growth strategy in packaging solutions

The acquisition of Pollock aligns with Orora’s four key strategic M&A pillars

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<thead>
<tr>
<th>FOOTPRINT</th>
<th>CUSTOMERS</th>
<th>CAPABILITY</th>
<th>TALENT</th>
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<tbody>
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<td>• Increases exposure to attractive Texas market, a growth state and the second largest economy in the USA</td>
<td>• Serves long term blue chip customers</td>
<td>• Strong brand equity</td>
<td>• Experienced, stable and proven management team</td>
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<td>• Opportunities for site consolidation and synergies</td>
<td>• Well balanced customer concentration</td>
<td>• Leverage Pollock’s strong position in Facility Supplies across broader OPS footprint</td>
<td>• Strong cultural fit</td>
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<td>• Established customers in Orora’s current segments and strong adjacency in attractive Facility Supplies</td>
<td>• Manufacturing capability a platform for vertical integration for existing OPS businesses in Texas</td>
<td>• Key management have all signed 2 year agreements</td>
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<td>• Consolidate relationships with key current OPS customers</td>
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Significant synergies are available over the first 2 – 3 years totalling approximately US$6m p.a.

Cost synergies
- Operating cost reductions
- Footprint consolidation
- Procurement
- Working capital management
- Administration efficiency

Sales synergies
- New corporate accounts
- Expanded facility supplies offering to existing OPS customers
Key financial metrics

- Purchase Price - up to US$80.5m
  - Upfront payment of US$75.5m
  - Holdback of US$5.0m
    - Balance progressively payable at 6, 9 and 12 month milestones
- Earn-out of up to US$2m, payable approximately 12 months after completion based on business growth of greater than 8.5% in first year
- Structure: Acquisition of the stock of Pollock by Landsberg Orora
  - Plant and equipment will be tax deductible upfront
  - Goodwill is tax deductible over 15 years
- Conditions to completion: None, simultaneous sign and close
- Customary representations and warranties
- LTM revenue of >US$260m (A$355m)
- LTM EBITDA of US$9.3m (A$12.7m)
- Seasonality for Orora fiscal years – EBITDA is approx. 2/3 in first half and 1/3 in second
Strong integration plan

- Senior Orora Manager will relocate to Dallas for at least first 12 months of integration
- Business will be branded Pollock Orora
- Business will be integrated into OPS with Pollock CEO to report to OPS CEO
- A detailed 100 day integration plan has been prepared with clear responsibilities and accountabilities
- Steering group includes Orora MD & CEO / CFO
- Procurement and administrative functions will be integrated and optimised across the group
- Cross-sell opportunities will be coordinated centrally
- Pollock is on SAP; Integration onto OPS SAP environment expected in first 12 – 18 months