



Orora Limited

Macquarie Australia Conference

1 May 2019

Presentation by

Nigel Garrard – Managing Director and CEO



To watch the video visit
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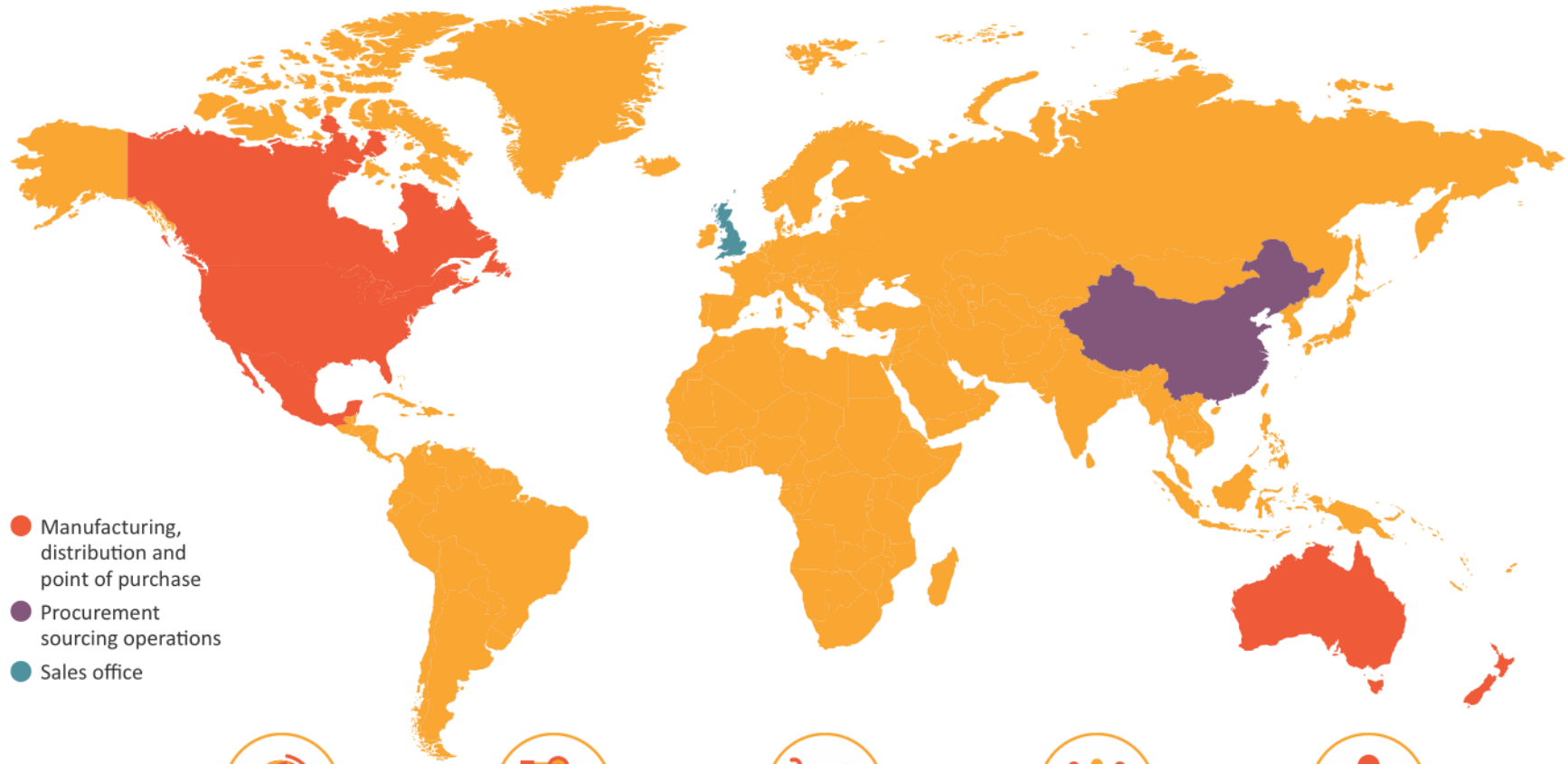
Agenda



- Orora overview and FY19 half year results
- Business group overview and performance
- M&A integration update
- Orora's blueprint for creating shareholder value and innovation update
- Orora's approach to sustainability
- Corporate and trading update
- Outlook



Orora at a glance



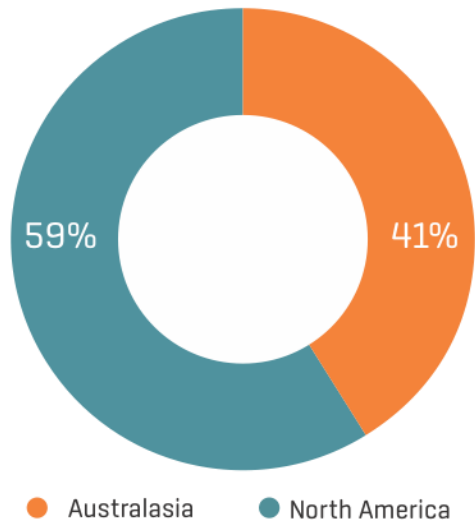
What we do



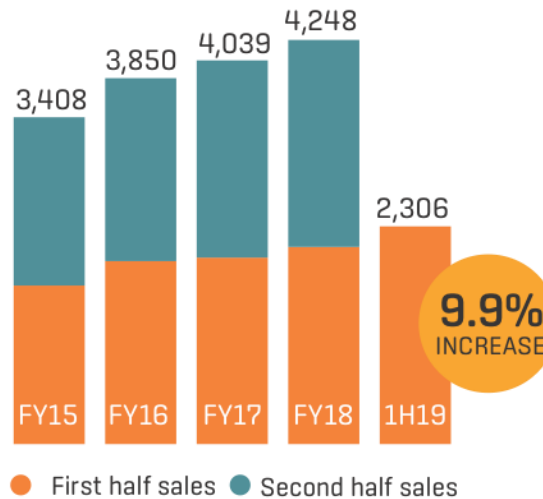
Orora – overview of sales and earnings



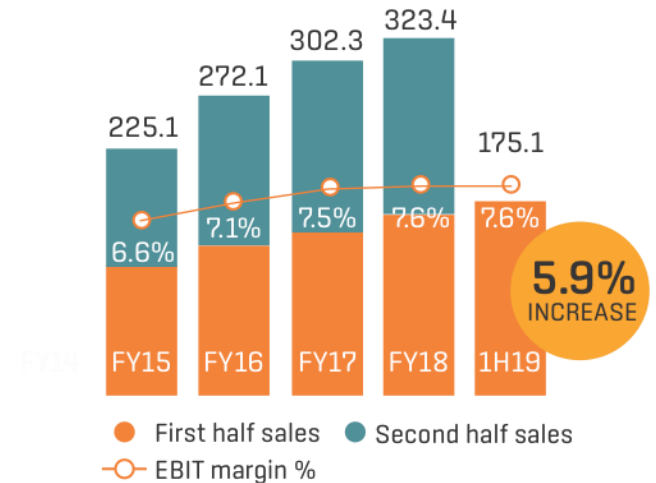
Pro Forma Sales by Region



Sales
AUD million



EBIT
AUD million



North America is now largest revenue generator

History of solid sales and earnings growth

1H19 financial highlights



SALES REVENUE

\$2,306m

9.9% INCREASE

EARNINGS BEFORE INTEREST AND TAX (EBIT)

\$175.1m

5.9% INCREASE

NET PROFIT AFTER TAX (NPAT)

\$113.7m

7.6% INCREASE

UNDERLYING EARNINGS PER SHARE (EPS)

9.4¢

6.8% INCREASE

RoAFE %

14.3%

40 bps INCREASE

OPERATING CASH FLOW

\$132.2m

15.2% DECREASE

FY19 INTERIM DIVIDEND (per share)

6.5 cps

8.3% INCREASE

LEVERAGE

1.8x

0.3x INCREASE

CAPEX INVESTED IN THE BUSINESS

\$73.9m

108% OF DEPRECIATION

Solid earnings growth, increased dividends and higher returns. Strong balance sheet to continue to pursue growth. Refinance and upsize of syndicated bank facilities recently completed.



Business group overview

1H19 FINANCIAL HIGHLIGHTS

SALES REVENUE

\$1,088m

4.4% INCREASE

EARNINGS BEFORE INTEREST AND TAX (EBIT)

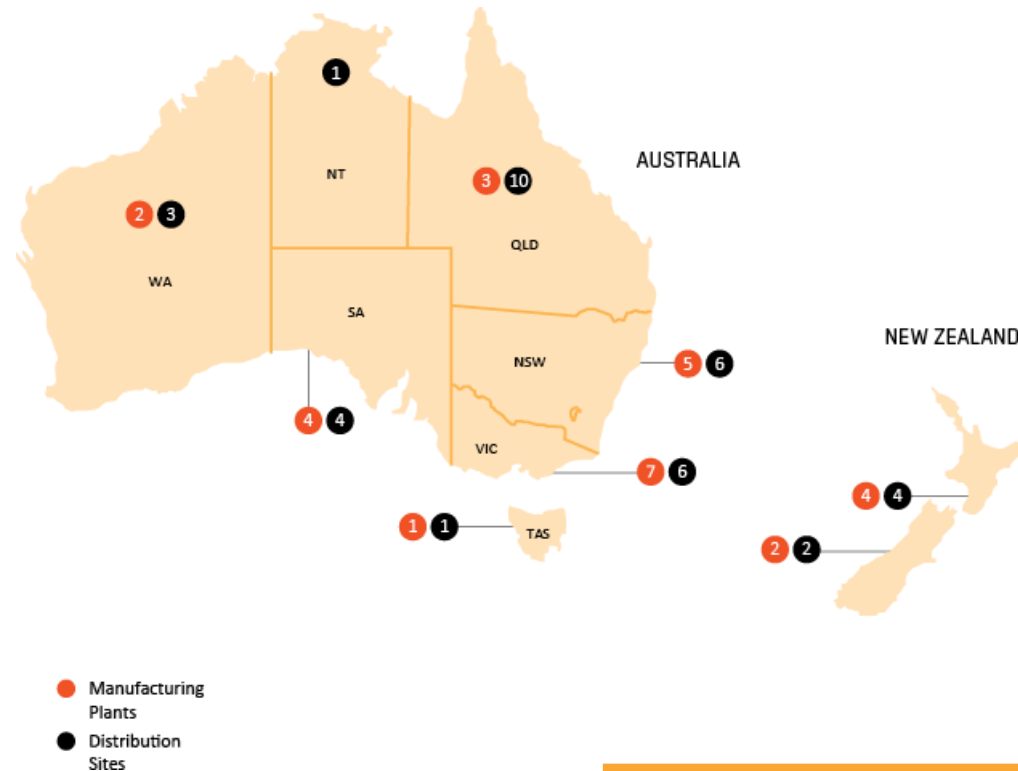
\$127.6m

5.4% INCREASE

ROAFE%

13.5%

40 bps INCREASE



Solid earnings growth from well invested, resilient business segment

1H19 FINANCIAL HIGHLIGHTS

SALES REVENUE (USD millions)

\$882m

7.2% INCREASE

EARNINGS BEFORE INTEREST AND TAX (USD millions)

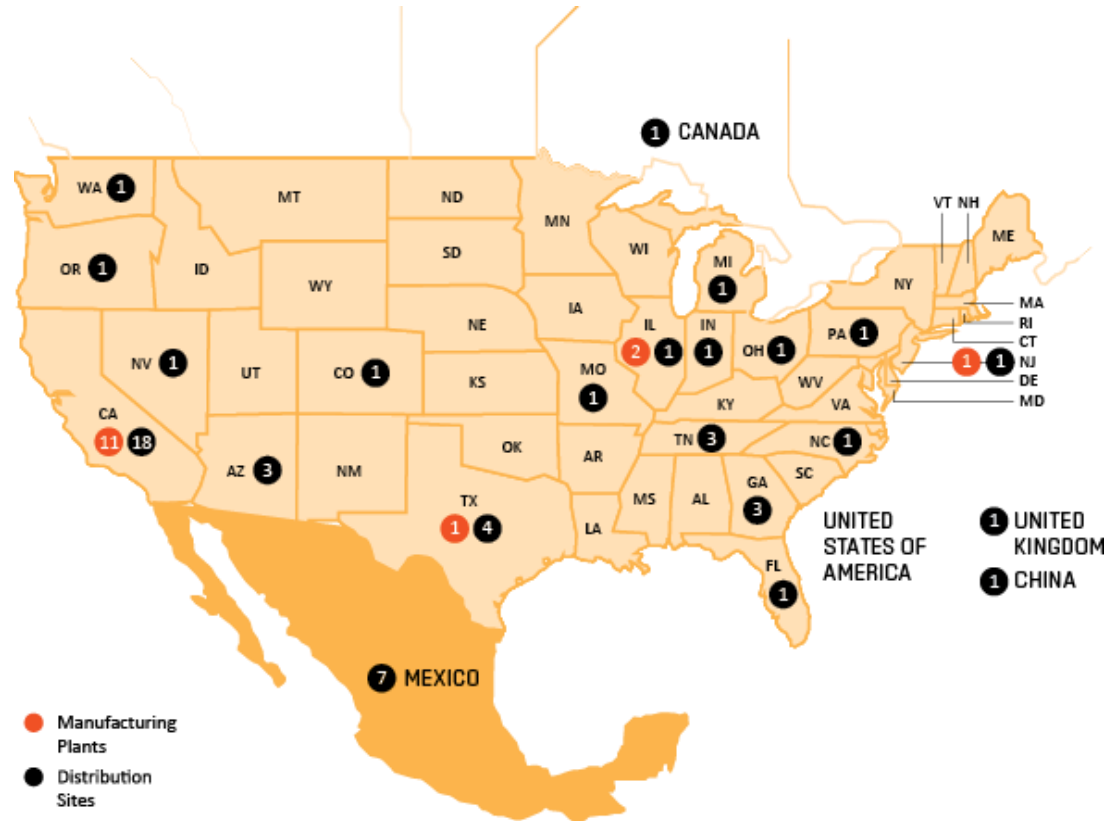
\$46.5m

1.1% DECREASE

ROAFE%

20.0%

40 bps DECREASE



Steady earnings in tough market conditions



M&A integration update

Acquisitions of Pollock Packaging and Bronco Packaging are aligned to Orora's North American focused M&A growth strategy in OPS

- Bronco (effective 1 September 2018) is a highly regarded specialist packaging business primarily serving corporate accounts in the fresh food manufacturing industry
- Pollock (effective 1 December 2018) is a leading provider of industrial/retail packaging solutions and facility supplies and is a vertically integrated corrugated box manufacturer
- These businesses provide 'on-demand' packaging solutions to customers across the USA, with a particular focus in the large and fast growing state of Texas
- The combined consideration totaled US\$104M (~\$140M)
- Both have good cultural alignment
- Senior leader seconded to Dallas to lead integration process
- Synergy identification progressing as expected – target is US\$6.5M
- Implementation of synergies is underway
- Integrations are 'on track'



Pollock and Bronco are high quality, earnings and returns accretive acquisitions.

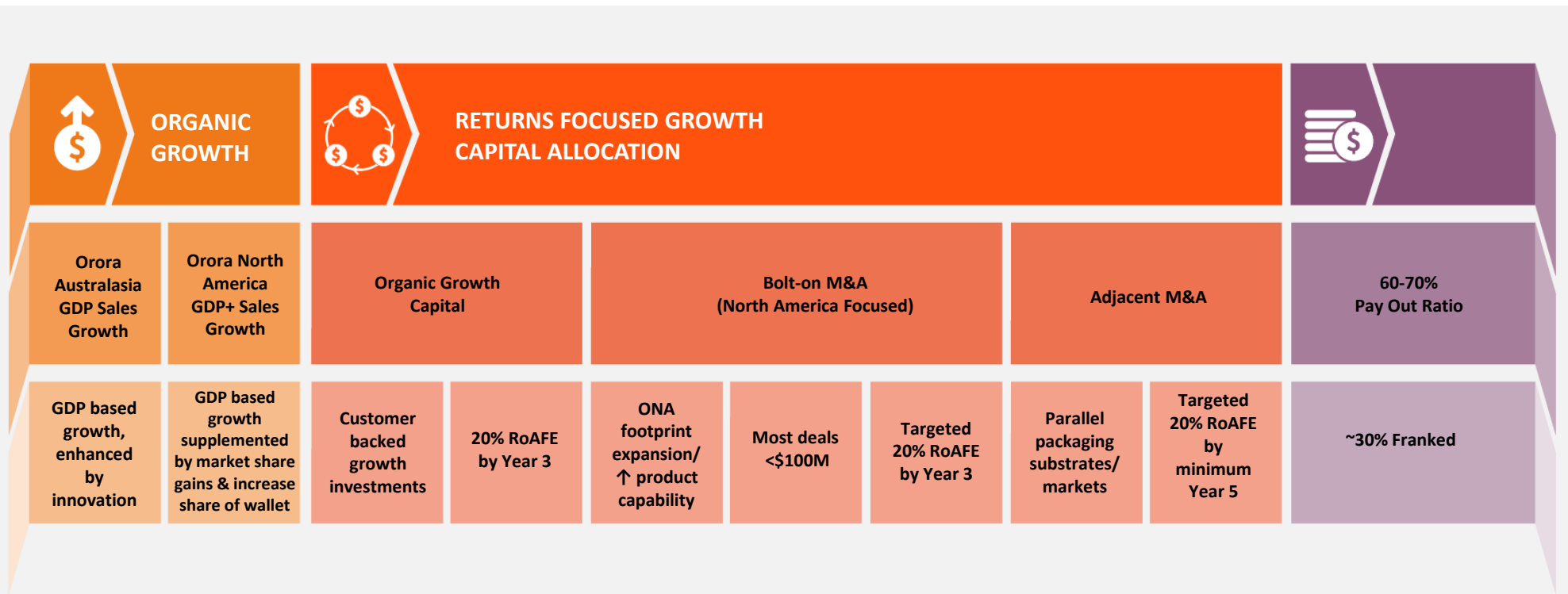
Focus on the large and growing Texas market.

Cost synergy opportunities already identified and being implemented



**Creating
shareholder value**

Orora's blueprint for creating shareholder value



Estimated \$150M - \$200M of annual capacity for returns-focused organic and M&A growth investments

Orora has committed ~\$650M since ASX listing in December 2013

	FY14	FY15	FY16	FY17	FY18	FY19	TOTAL INVESTMENT
Organic Growth Capital	Opened new Landsberg DC in Nashville, USA – customer backed	New customer backed Dairy Sack Line (\$20M)	Established 2 new East Coast US DCs (Charlotte & Orlando) – both customer backed	\$29M spend committed from Orora Global Innovation initiative to date	Invested additional \$23M in Orora Global Innovation Initiative, Increased capital allocation by \$30M to \$75M	Commissioned new sleek can line in NZ (\$7M)	~\$215M
Bolt-on M&A (North America Focused)		Launched \$45M Orora Global Innovation Initiative	Investing \$42M to increase glass bottle manufacturing capacity – import replacement, underpinned by existing customer demand	Jakait: established new fresh produce focused packaging solutions facility in central Mexico	Glass warehouse expansion through purchase and upgrade of 2 adjacent warehouses and commitment to build a further warehouse in CY19	Glass warehouse expansion stage 1 completed in Jan 2019. Final stages will be completed by end of CY19	
Adjacent M&A		Acquired World Wide Plastics (Rigid plastic containers)	Acquired Jakait (\$23M) (Greenhouse produce & labels)	Acquired Register – expanding POP footprint into the Northeast of USA (\$63M)	Two small bolt on acquisitions in Aust - a specialist corrugated box converter and a distributor of consumable packaging	Acquired Pollock, a market leading Texas based packaging and facility supplies business for a total consideration of US\$80.5m (A\$110m)	
		Acquired small South Australian fibre packaging distributor – “Go Direct” model	Acquired small Californian based supplier of flexible packaging	Acquired Garvey & Graphic Tech – expanding POP footprint into the Midwest & West of USA (\$78M)		Acquired Bronco, a specialist packaging business primarily serving corporate accounts in the fresh food manufacturing industry for up to \$23.5M (A\$33.0M).	~\$330M
			Acquired IntegraColor (Point of purchase solutions)	Acquired small Sydney based specialist corrugated box converter - part of “SME” strategy			~\$107M

Benefits from growth investments starting to impact earnings

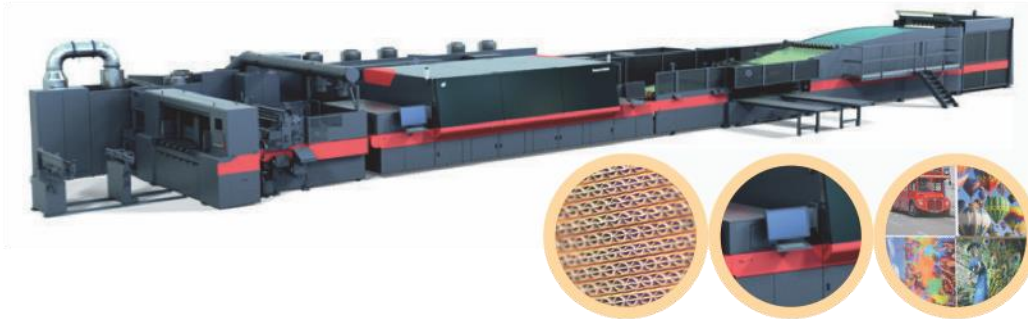
\$75 million

Global Innovation Initiative

- Established in 2015
- Supports the development of customer-led products and improvement in plant productivity

Additional \$30m committed in 2018, taking the total innovation initiative to \$75 million





Game-changing EFI digital printers

- Offer exceptional 'photographic quality' print on carton board at very high speed
- Takes digital printing to the next level and is the first of its kind in Australasia market. Like machine commissioned by OPS in California



Investing in productivity gains at Gawler

- Orora continues to invest in process improvements
- Including world-first automated swabbing robot and automated laser mould cleaning machine at Gawler in SA

Creative can concepts

- Orora has invested in can design/decoration capability
- Supports customers to deliver customised campaigns and/or creative concepts
- Ability to rapidly deliver tailored solutions



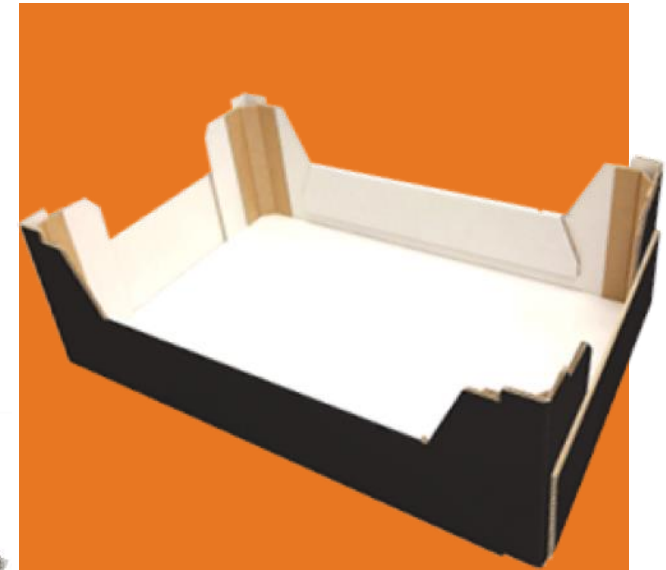


Smarter produce labels

- Showcased as last years Innovation Expo
- ACCU label is a world leader in eco-friendly fruit labelling technology
- Authentication capability
- Exclusive to Orora in Australia

Limitronic digital printer

- Provides on-demand, variable printing onsite for customers
- Print directly on carton board, removing need for plastic labels



Smarter produce trays

- The Ghelfi 'no crush' packaging solution maximises the strength of trays used to transport/display fresh produce
- Exclusive to Orora in Australasia

Next generation packaging

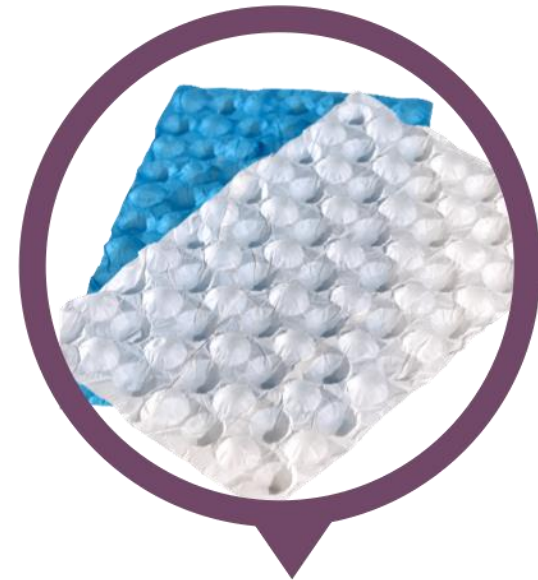
- Consumers across the world are telling our customers they want to reduce their impact on the world and that they want to buy products in recyclable packaging.
- In response, Orora is partnering with customers to investigate and test a range of sustainable packaging initiatives. Some examples include:



Fibre trays



Fibre punnets



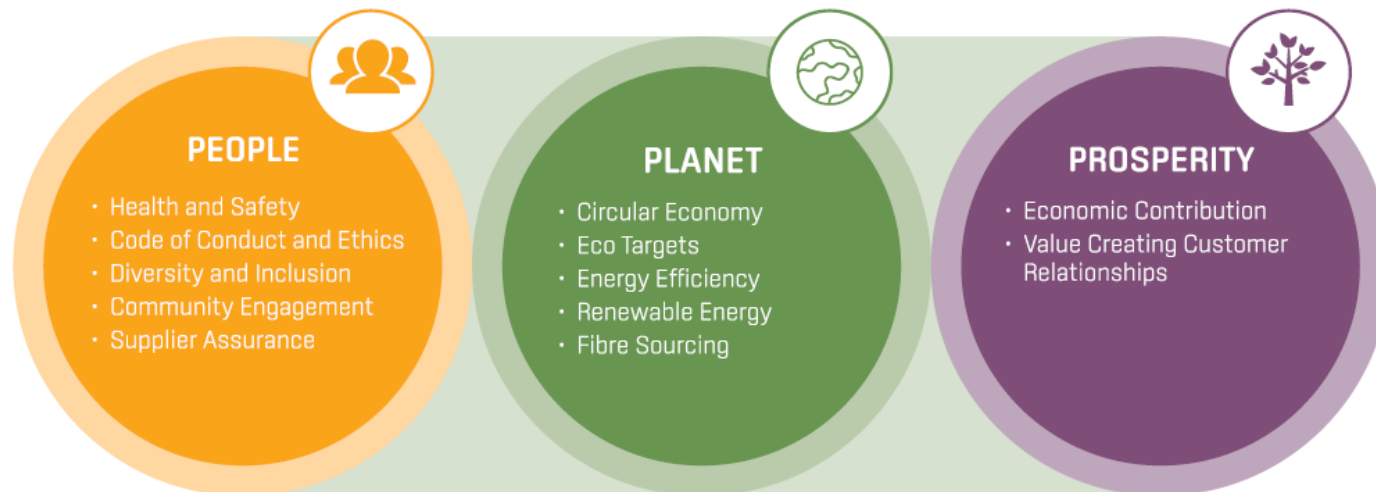
Fibre bubble wrap



Orora's approach to sustainability

Orora's sustainability program

- Orora's sustainability program is managed through three focus areas: People, Plant and Prosperity.
- The program aims to minimise Orora's impact on the environment and improve the sustainability of its products and services.
- Orora's approach is guided by being a signatory to the United Nations Global Compact (UNGC) and in particular Principal 8, which requires signatories to 'undertake initiatives to promote greater environmental responsibility'.
- While Orora's sustainability journey is ongoing, we have taken action to reduce emissions and waste and build a more sustainable business for the long term.



Taking action - recycling



Orora is one of Australia's leading large-scale recyclers



Paper

- Orora collects more than 700,000 tonnes of old corrugated containers ('OCC') and mixed waste nationally. This OCC is recycled at its paper mill in Botany, NSW to produce 400,000 tonnes of 100% recycled brown packaging paper.
- This process creates a continuous loop of recycling – from paper, to cardboard, and back to paper again.



Glass

- Orora recycles approximately 80% of all glass collected through South Australia's container deposit scheme at Gawler in South Australia.
- Exploring opportunities to economically source recycled glass for Gawler from other states



Cans

- Orora sources coils of aluminium that contain approximately 70% recycled aluminium to make cans.
- During can production, leftover aluminium is collected and sold back to aluminium manufacturers for recycling.

Taking action – energy efficiency

- Orora has signed two long-term power purchase agreements (PPA's) with renewable energy providers to supply wind generated electricity to Orora's operations in South Australia, Victoria and New South Wales, where Orora operates its largest and most energy intensive plants. Under the PPA's, Orora has secured the supply of renewable energy for volumes equivalent to 80% of Orora's total electricity requirements in Australia.
- Orora has invested approximately \$25 million in a secondary water treatment plant at the Botany paper mill in NSW. The waste water plant, reduces the impact on the environment by reducing the volume of regulated water discharges produced by the paper making process and the water treatment process also generates bio-gas which is converted into electricity for consumption by the paper mill.
- Orora has invested a further \$10 million, to improve energy efficiency across its operations in Australia and New Zealand. This has led to a 10% reduction in overall energy consumption.



Taking action – Eco targets

At the time of demerger, Orora adopted Eco targets for the year ending 30 June 2019. These defined Orora’s goals to reduce greenhouse gas emissions, waste to landfill and water use across the business.

Orora is on track to achieve the targets set at Demerger

New Eco targets will be set in calendar 2019





Corporate update

Debt Refinancing

- Successfully completed refinancing of syndicated bank debt facilities in April 2019
- Australian syndicate increased by A\$50M to A\$450M with maturity in April 2022
- US Syndicate increased by US\$100M to US\$300M with maturity in April 2024
- Additional capacity available under both syndicates
- No material change to banking syndicate counterparties or commercial terms
- Average tenor of facilities increased from 2.4 years to 4.2 years

Petrie

- Decommissioning progressing to plan
- Assessment of final scope and remaining costs to complete is nearing completion



Trading update and outlook

Market conditions

- Slower start to calendar 2019 than previous years – primarily North America. Improvement seen in March / April
- Expecting ongoing challenging market conditions in North America, some mixed short term demand signals appearing in ANZ
- Reviewing cost structures as appropriate
- Adverse weather in Queensland had a minor impact

Australasia

- Continue to identify and implement cost reduction opportunities, invest in asset upgrades and utilise the Orora Global Innovation Initiative
- Input costs:
 - The renewable energy PPA's entered into in FY18 are providing greater certainty for electricity costs – no material impact is expected in the coming periods
 - Sound progress is being made on securing gas from January 2020 (legacy contract expires December 2019)
 - Kraft and starch prices continue at heightened levels – the majority of the \$4.0M headwind encountered in the first half is expected to continue in the second half
 - Ongoing OCC commodity price volatility continues to be well managed
 - Recent US\$10 reduction in US paper prices will not have a material impact.

North America

- OPS is focused on integration of M&A and ERP optimisation – both key drivers for future growth
 - OPS is steadily progressing the optimisation phase of the ERP system
 - ERP transition costs incurred in calendar 2018 continue but are progressively rolling off
 - The integration of Bronco/Pollock is on track with the focus on delivering synergies as soon as practical
- The integration of Orora Visual acquisitions continues to drive the business forward towards targeted returns

Orora expects to continue to drive organic growth, integrate recent North American acquisitions and invest in innovation during the remainder of FY19, with constant currency underlying earnings expected to be higher than reported in FY18, subject to global economic conditions



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 Earnings: There are no changes to reported statutory earnings and no significant items.

Prior Years: Underlying Earnings – excludes Significant items

Throughout this presentation, all references to ‘underlying earnings’ (‘underlying EBITDA’, ‘underlying EBIT’, ‘underlying NPAT’, ‘underlying EPS’) exclude significant items.