To watch the video visit ororagroup.com/about/invest-innovate-grow-1556595438
Orora Limited
Macquarie Australia Conference
1 May 2019

Presentation by
Nigel Garrard – Managing Director and CEO

Orora Limited ABN 55 004 275 165
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

- **7 Countries**
- **43 Manufacturing plants**
- **91 Distribution sites**
- **6.8K Team members**
- **54K Shareholders**
## What we do

**Our products and services**
- Glass bottles
- Aluminium cans
- Closures and caps
- Boxes and cartons
- Point-of-purchase displays

**Packaging equipment**
- Recycled paper
- Rigid packaging
- Bags and sacks
- Flexible packaging
- General packaging materials and supplies
- Printing and signage

---

**Orora delivers an extensive range of tailored packaging and visual communication solutions**

**Research and technology**
- Product sourcing
- Automation and engineering
- Innovation and Design
- Kitting and fulfilment
- Logistics services
- Digital technology
North America is now largest revenue generator

History of solid sales and earnings growth
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
Business performance - Australasia

1H19 FINANCIAL HIGHLIGHTS

SALES REVENUE

$1,088m

4.4% INCREASE

EARNINGS BEFORE INTEREST AND TAX (EBIT)

$127.6m

5.4% INCREASE

ROAE% 13.5%

40 bps INCREASE

Solid earnings growth from well invested, resilient business segment
Business performance - North America

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
Recent North American acquisition’s 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

**ORGANIC GROWTH**

- Orora Australasia GDP Sales Growth
- Orora North America GDP+ Sales Growth

**RETURNS FOCUSED GROWTH CAPITAL ALLOCATION**

- Organic Growth Capital
- Bolt-on M&A (North America Focused)
- Adjacent M&A

**GDP based growth, enhanced by innovation**

- GDP based growth supplemented by market share gains & increase share of wallet

- Customer backed growth investments
- 20% RoAFE by Year 3
- ONA footprint expansion/↑ product capability
- Most deals <$100M
- Targeted 20% RoAFE by Year 3
- Parallel packaging substrates/markets
- Targeted 20% RoAFE by minimum Year 5

**RETURNS FOCUSED GROWTH**

- Pay Out Ratio
  - 60-70%
  - ~30% Franked

**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

Benefits from growth investments starting to impact earnings
Orora - growth and innovation investment

$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
Examples of Global Innovation Initiatives

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
Examples of Global Innovation Initiatives

Smarter produce labels

- Showcased as last year’s 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.
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
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
Trading update

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
Outlook

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.
Important information

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.

No representation, warranty or assurance (express or implied) is given or made in relation to any forward looking statement by any person (including Orora). In addition, no representation, warranty or assurance (express or implied) is given in relation to any underlying assumption or that any forward looking statements will be achieved. Actual future events may vary materially from the forward looking statement and the assumptions on which the forward looking statements are based. Given these uncertainties, readers are cautioned not to place undue reliance on such forward looking statements.

In particular, we caution you that these forward looking statements are based on management’s current economic predictions and assumptions and business and financial projections. Orora’s business is subject to uncertainties, risks and changes that may cause its actual results, performance or achievements to differ materially from any future results, performance or achievements expressed or implied by these forward-looking statements. The factors that may affect Orora’s future performance include, among others:

- 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.

These forward looking statements speak only as of the date of this presentation. Subject to any continuing obligations under applicable law or any relevant stock exchange listing rule, Orora disclaims any obligation or undertaking to publicly update or revise any of the forward looking statements in this presentation, whether as a result of new information, or any change in events conditions or circumstances on which any statement is based.

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.