Orora announces sale of Australasian Fibre Business
10 October 2019
Transaction summary

Orora announces the sale of its Australasian Fibre business for A$1,720 million to Nippon Paper Industries Co., Limited

| Gross and net proceeds | • Enterprise value - A$1,720 million  
|                        | • Net proceeds after tax and costs ~ A$1,550 million  
|                        | • Estimated net gain on sale (to be recognised as a significant item) after tax and transaction related costs of ~A$225.0 million  

| EV / FY19 multiples | • ~11.5x adjusted EBITDA  
|                    | • ~18.9x adjusted PBIT  

| Other Key Points | • Sale of the Australasian Fibre Business is compelling and in the best interests of shareholders  
|                 | • The transaction includes Orora's Fibre Packaging, Paper & Recycling, Cartons, Bags, Functional Coatings and Orora WRS Packaging Distribution businesses in Australia and New Zealand (Australasian Fibre Business)  
|                 | • Orora will continue to focus on its market leading Australasian Beverage and its North American businesses – both have attractive organic and inorganic growth outlooks  
|                 | • Orora intends to return the majority of net proceeds of A$1,200 million to shareholders – further details will be provided in due course  
|                 | • Completion is expected to occur in early calendar 2020 – subject to customary conditions for a transaction of this nature, including regulatory approvals  

Key Transaction Details

Binding agreement to sell the Australasian Fibre Business subject to customary conditions

• Orora has entered into a binding agreement to sell its Australasian Fibre Business to Nippon Paper

• Following the offer from Nippon Paper, the Orora Board concluded that the sale was compelling and in the best interests of shareholders
  – Implied transaction multiples represented a premium to Orora trading multiples

• Orora Packaging Solutions has entered into a five year supply agreement with Nippon Paper Group to ensure continuity of supply of paper products from the B9 Paper Mill on arm's length terms
  – Key commercial terms are consistent with prior arrangements under which the B9 Paper Mill supplied paper to OPS

• Transaction costs are estimated at approximately A$25.0 million and related restructuring/separation costs and asset impairments are estimated at approximately A$20.0 million

• Transaction is subject to customary conditions for a transaction of this nature, including regulatory approvals

• Completion is expected to occur in early 2020
Strategic Rationale

Transaction with Nippon Paper delivers compelling value for Orora shareholders

• A$1,720 million enterprise value represents an EV / FY19 adjusted EBITDA multiple of ~11.5x and EV / FY19 adjusted EBIT multiple of ~18.9x

• Implied transaction multiple represents a premium to Orora trading multiples

• The offer fully values the Australasian Fibre Business with reference to the outlook for the business

• The transaction allows Orora to divest a mature, market leading business operating across multiple end markets

• The Australasian Fibre Business, upon completion, will be able to benefit from the synergies and other value enhancements available to Nippon Paper

• Orora will focus on its higher growth and higher return on capital businesses
  – Orora will continue to have a market leading glass and aluminium beverage packaging business in Australasia and its North American businesses are both in the top 5 of their respective market segments
  – Attractive organic and inorganic growth outlooks and strong financial profiles
  – Continuing focus on investing in innovation and growth to deliver superior quality products and service levels

• Completion is not expected to result in loss of any meaningful operational or customer related synergies
The Australasian Fibre Business is a mature player

Orora is divesting a mature, market leading business operating across multiple end markets

The Australasian Fibre Business has operations covering:
- Cardboard recycling and the manufacture of recycled packaging paper
- Manufacture of laminated functional paper used for special purpose boxes
- Corrugated box manufacturing and distribution of packaging materials
  - Diversified end markets including fruit & produce, beverage, meat, dry goods and industrial products
- Custom printed folding cartons, tailored bags and sacks
  - Primarily focused on consumer products markets, particularly food, dairy and quick service restaurants

Key statutory numbers:
- FY19 revenue of A$1.4 billion
- FY19 EBITDA of ~A$137.0 million
- FY19 EBIT of ~A$80.0 million

Other key metrics:
- 25 manufacturing plants
- 27 depot facilities
- ~3,300 people
- ~10,000+ customers
Orora following the transaction

Orora generated sales revenue of ~A$3.4 billion and EBITDA of ~A$350\(^{(1)}\) million from the Australasian Beverage and North American Businesses in FY19

Two market leading businesses with attractive growth outlooks and strong financial profiles

**Beverage business**
- Leading supplier of aluminium cans, glass and wine closures in Australia and New Zealand
- Market leading positions in cans and glass wine bottles
- Growth opportunities with glass beer bottles and wine closures
- Well invested and positioned for growth and participation in trends toward more sustainable beverage packaging

**North America**
- Orora’s North American businesses includes Orora Packaging Solutions (OPS) and Orora Visual (OV)
- OPS is a top 5 participant in the highly fragmented US$50.0 billion North American fibre packaging distribution segment
- OV is a top 5 participant in the US$10.0 billion point of purchase/visual displays segment
- Significant organic and inorganic growth potential through leveraging the breadth of product offering, service levels and a nationwide distribution network
- Initiatives are progressively being implemented to deliver earnings growth through improved processes, efficiencies and cost reductions

*Higher growth and return on capital businesses*

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\(^{(1)}\) EBITDA represents trading segment only ie excludes Corporate costs
Capital Management

Following completion of the transaction, Orora intends to return the majority of the net proceeds of the transaction to shareholders

- Orora expects to receive ~A$1,550 million of net cash proceeds from the transaction, after taxes, transaction and restructuring costs
  - The transaction is subject to customary closing adjustments
- Orora intends to return the majority of net proceeds of approximately A$1,200 million to shareholders through efficient capital management initiatives
- Timing and nature of capital management will be communicated in due course
- It is Orora's intention to continue to maintain a strong balance sheet and maintain debt levels within its current target leverage ratio
Timing

Completion and approvals

- The transaction is subject to customary conditions for a transaction of this nature, including regulatory approvals
- The transaction is expected to complete in early 2020

Business separation

- Planning for business separation has commenced
- Any transitional service agreements between Orora and Nippon Paper will continue for a limited period of time after completion
- Orora expects its corporate cost base to reduce both on completion and then after fulfilling its transitional commitments