Introduction

Thank you, Mr Chairman. Good morning ladies and gentlemen. It is my pleasure to address you this morning for the first time as Orora’s Managing Director and CEO.

I would like to begin by saying that I am honoured to have the opportunity to lead the Company forward. It has certainly been a very exciting start to my tenure as CEO and a great privilege to announce last week, together with the Chairman, such a fantastic outcome for Orora shareholders and team members. I will talk more about the sale of the Australasian Fibre business to Nippon Paper in a moment.

But first, for the Orora Group moving forward, I am very excited to be leading the business into a new era. Orora has always played a key role in the movement of many thousands of brands to market, helping to ensure that what consumers find inside their packaging or in-store, in the case of Orora Visual, exceeds expectation.

The business will continue to serve multiple industry segments and it is this breadth of customers, coupled with the Company’s geographic spread across Australasia and North America, that will continue to underpin the Company’s strength and I believe, provide enormous opportunity.

Immediate priorities

Since the announcement of my appointment in July, I have been working across a range of activities and focussing on several key priorities.

As the Chairman said, I am not new to Orora. I joined the business in 2011, first to lead Beverage, then moving to Fibre in 2014. This has given me a thorough understanding of Orora’s Australasian business groups and I have therefore prioritised spending time over the past few months, focussing on the North American businesses – Orora Packaging Solutions or OPS as we call it and Orora Visual.

Over that time, I have built a solid understanding of the key drivers and areas of focus for these businesses and am pleased to report to shareholders that the stabilisation and optimisation initiatives announced in June are well underway. The majority of the restructuring initiatives have been implemented and as a result, Orora’s North American businesses have been ‘right-sized’ to meet prevailing market conditions. The teams at OPS and OV are firmly focussed on the task ahead to drive sustainable sales growth. This will continue to be a key priority for the business during the year ahead.

I am also a firm believer in the power of innovation to transform businesses and drive competitive advantage. Very early in my career, I was fortunate enough to be involved with a technology that enabled paint to be applied under water, and while Orora’s customers are yet
to request a sub-sea packaging initiative, further investment in innovation remains a priority for the business.

Another area in which Orora continues to make considerable inroads and one that will continue to be a key priority is sustainable packaging. As consumers and businesses increasingly move towards more sustainable, recyclable options, Orora is well positioned to capitalise on this demand. Orora’s major packaging products are all inherently recyclable. Orora’s intent is to be at the front of the curve on sustainable initiatives and it will remain a priority area of focus and investment under my leadership.

Working with me to drive these priorities and help set the forward direction for Orora, I am pleased to advise that Orora has appointed Matthew Wilson to fill the vacant role of Group General Manager of Strategy. Matthew will join us in early 2020, reporting directly to me. He has extensive experience in Strategy and Mergers and Acquisitions, having worked for JP Morgan for over 14 years and most recently Flagstaff partners. I look forward to welcoming Matthew to the global management team.

Safety

Turning now to safety, which remains a fundamental priority for Orora.

Regrettably, despite an increased focus and further investment in education and training across the business, Orora’s safety results deteriorated in 2019.

Increases in both Recordable Case Frequency Rate and Lost Time Injury Frequency Rates are incredibly disappointing and clearly the Company needs to do more to improve its safety performance. As a result, the focus on safety improvement remains a priority.

Last November, Orora launched an independent Global review of Orora’s safety practices. This review is complete in Australasia and nearing completion in North America. It has provided clear insights into where opportunities exist to better focus safety improvement actions.

Overall the review is helping to assess the root causes of safety incidents and guiding the development of a range of targeted response initiatives.

During the course of the year, Orora also implemented a new alcohol and drug policy across the Australian business, which included extensive education and testing programs.

Orora is committed to doing more to improve workplace safety and will continue to invest in education and training; implement appropriate mitigation plans for high-risk hazards; and ensure Orora’s tools and processes reflect industry standards.

Business performance

With regards to the FY19 business performance, as mentioned by the Chairman, Orora delivered a positive performance in the 2019 financial year despite challenging economic and market conditions.

Orora Australasia

The Australasian business, which comprises the Fibre and Beverage business groups, delivered earnings before interest and tax, or EBIT, of $246.6 million, a 6.2% increase on FY18 and sales revenue growth of 2.1% to $2.15 billion.
In the Fibre business, higher earnings were driven by record production volumes at the Botany Recycled Paper Mill in New South Wales, sales growth in targeted market segments, benefits from organic and innovation investments and savings delivered from the ongoing focus on manufacturing and operating efficiencies.

In Beverage, earnings growth was driven by higher Can volumes, favourable product mix in Glass and Cans and the ongoing focus on operating efficiencies across all Beverage businesses.

**Orora North America**

In Orora’s North American segment, which comprises OPS and Orora Visual, sales revenue grew by 21.9% to $2.61 billion compared to FY18, but EBIT was lower, down 3.6% to $116.6 million.

In local currency terms, sales revenue grew 12.4% to US$1.87 billion in FY19, while EBIT declined 11.1% to US$83.4 million.

The OPS business completed the multi-year ERP system rollout during the period, avoiding adverse impacts on existing customers and ensuring that base business sales revenues were not materially impacted. Costs associated with the transition are progressively being removed. Confidence in the new ERP system continues to grow, allowing teams to place more emphasis on growth.

The acquisitions of Bronco Packaging and Pollock Packaging were also completed during FY19. The integration of both businesses is delivering to expectation, adding scale and increasing OPS’s exposure to the large and growing Texas market. OPS’s constant currency revenue growth of 14.1% was primarily driven by early contributions of these acquisitions.

The performance of Orora Visual continues to steadily improve. The combination of new account wins and share of wallet gains from existing customers, helped to drive sales growth during the period, providing further evidence that the national customer value proposition is gaining traction.

**Sale of Australasian Fibre business**

As we look forward, it will be an exciting new chapter for Orora with the sale of the Australasian Fibre business expected to complete early in 2020.

To echo the Chairman’s comments earlier, I believe the transaction is a great outcome for Orora shareholders and team members.

Nippon Paper Group is one of the world’s largest forest, paper and packaging companies and has a strong track record of long-term investment to support growth, including in people and technology. For Orora’s Fibre business team members, who will transition to new ownership, the combination of the Orora Fibre business with Nippon Paper Group’s subsidiary, Australian Paper, provides great opportunity for both groups to expand into new sectors and broaden their value proposition.

The binding offer from Nippon Paper Group fully values the Australasian Fibre business with reference to the benefits expected from the asset refresh program that Orora has undertaken in recent years and the prevailing outlook for the business.
As the Company moves through transition to complete the sale process, Management and I are committed to supporting all Orora team members. Orora people are what makes this business and we will ensure that they are treated with integrity and respect as we move through this process.

**Orora following the transaction**

Following completion, Orora will be a more streamlined group of businesses.

To put that into perspective, in FY19, the combination of the Australasian Beverage and North American businesses generated sales revenue of approximately $3.4 billion and EBITDA of approximately $350 million, excluding corporate costs.

At that size, Orora Group remains a considerable force in Australasian manufacturing and has long term growth options in North America.

The Beverage business is a leading supplier of cans, glass and wine closures in Australia and New Zealand.

It occupies the number one market position in cans and glass wine bottles and is number two in glass beer bottles and wine closures.

The Beverage business is well positioned for further growth, particularly as consumers move towards more sustainable beverage packaging formats.

The North American businesses, OPS and OV, are likewise well positioned. OPS is a top 5 participant in the highly fragmented US$50.0 billion North American packaging distribution segment. OV is a top 5 participant in the US$10.0 billion point of purchase and displays segment.

**First quarter trading and outlook**

Turning now to a trading update, with the sale of the Australasian Fibre business announced last week, my comments will be limited to the Beverage and North American businesses only.

As expected, subdued trading conditions have continued in both Australasia and North America, where we have not seen any material improvement in economic and market conditions.

The Beverage business performance is in line with the prior year.

However, the North American businesses will be behind at the Half Year (with First Half of FY19 being a strong comparative). To offset these challenging market conditions and known cost headwinds, Orora has implemented the majority of the restructure initiatives announced in June and continues its focus on improving and optimising the North American businesses. While these initiatives are progressively delivering the expected benefits, the impact will be more weighted to the second half of FY20.

Before closing and handing back to the Chairman, I would like to pay tribute to the Orora team members and thank them for their commitment and passion. It is their continued efforts that deliver both for the Company and shareholders.
Thank you also for your support of Orora. I will now hand you back to the Chairman.

Thank you.

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