

20 August 2020

Orora Limited (ASX: ORA) has announced financial results for the full year ended 30 June 2020. As it responded to the impacts of COVID-19 during the second half, Orora completed the sale of its Australasian Fibre business, finalised the review of its strategy, reduced debt and returned \$600 million to shareholders.

RESULTS OVERVIEW – Continuing Operations¹

Operating results for the Full Year ended 30 June 2020

- Sales revenue from continuing operations was \$3,566.2 million, up 5.2% on pcp
- Underlying Earnings Before Interest and Tax was \$224.3 million, down 14.3% on pcp
- Underlying Net Profit After Tax (NPAT) from continuing operations, was \$127.7 million², down 22.8% on pcp. Earnings Per Share³ (EPS) was 13.2 cps
- Operating cash flow was \$169.8 million, \$72.8 million below the pcp
- Cash conversion was ~54.0%, down from ~71.0% at pcp
- RoAFE was 16.0%, down from 19.5% at pcp

Key Group Metrics

- **Statutory NPAT** was \$239.9 million. EPS³ was 24.9 cps
- **Final ordinary dividend** of 5.5 cps unfranked and 100% sourced from the conduit foreign income account
- **Net debt** at 30 June 2020 was \$292.0 million, reduced from \$890.0 million at pcp
- **Leverage** was 0.9 times, down from 1.9 times at June 2019 and below target range of 2.0 – 2.5x

Capital return - Orora has today announced a further return to shareholders via an **on-market buy-back** of up to 10 percent of issued share capital (~96.5 million shares), at an expected cost of ~\$230.0 million⁴, to commence September 2020. This follows the \$600.0 million capital return that was completed in June 2020.

Review of strategy – The review of strategy was completed during the second half and focused on:

- critically assessing the markets in which Orora operates and trends that will influence future performance;
- confirming Orora's core competencies and competitive advantage;
- clarifying areas of opportunity and identifying actions to address challenges within the existing portfolio; and
- innovation to identify opportunities for Orora to improve productivity and expand its range of products and services over time.

Orora has since established a set of strategic pillars that support its objective to become a leading sustainable packaging solutions company.

1. Orora Australasia (comprising the Beverage business group with contributions from the Glass, Cans, and Closures divisions) and Orora North America (comprising the Orora Packaging Solutions (OPS) and Orora Visual (OV)).

2. From continuing operations and before significant items. The net significant item loss after tax of \$100.1M relating to restructuring and impairment charges in North America has been excluded from underlying results of the continuing businesses to assist in appropriate comparisons with the operating performance of the business and the pcp.

3. EPS is calculated as NPAT / weighted average ordinary shares (net of Treasury Shares). EPS uses the weighted average ordinary shares which, as required by accounting standards has been adjusted to reflect the share consolidation that was completed in June 2020 as if this had occurred at the beginning of the comparative period.

4. Based on the closing share price of \$2.39 on 19 August 2020

These include:

- **Optimise and grow** through operational improvement and best-in-class execution.
- **Enhance and expand** core products and services to enhance Orora's customer value proposition.
- **Enter new segments** that are complementary to Orora's capability set.

Orora's strategy is expected to continue to generate strong cash flows from the core business operations. Deployment of this cash flow will be a combination of investments in the core businesses, distributions to shareholders (ongoing dividend and/or capital management), as well as strategic acquisitions that enhance Orora's product and service offering.

Commenting on the review of strategy, Managing Director and CEO, Brian Lowe, said: "the focus is on leveraging the Australasian Beverage capabilities via exploring footprint expansion and complementary products and services. Separately, the medium term priorities for the North American businesses will be to drive organic improvement initiatives including enhancing digital capabilities and productivity.

OPERATIONAL PERFORMANCE

Orora Australasia

Orora Australasia delivered sales revenue \$785.9 million in line with pcp (FY19: \$778.7 million). EBIT of \$147.2 million was 7.4% lower than the pcp, mainly as a result of the G2 rebuild (\$8.0 million) and COVID-19 (net ~\$3.0 million).

North America

Despite North American sales revenue being steady at US\$1,866.4 million, EBIT declined 29.6% to US\$51.8 million. This was from a combination of market weakness and margin pressure. In addition, the estimated net impact of COVID-19 on North American EBIT was ~US\$15.0 million.

Commenting on Orora's FY20 result, Managing Director and CEO, Brian Lowe, said: "As a leading manufacturing and packaging solutions company, Orora adjusted, adapted and targeted its operations to meet the challenges presented by COVID-19 while keeping team members safe and meeting our commitments as an essential services provider.

"Orora maintained its strong focus on investment in the Australasian Beverage business during the period with the successful rebuild of the G2 furnace and capacity expansion of the Gawler Glass site, which forms part of a ~\$200.0 million investment in this world class Glass facility over the last five years. The business also introduced innovations related to digital printing of Cans and embossing of Closures during the period.

"While the Australasian Beverage business saw solid growth in Cans volumes and was largely able to mitigate the impact of COVID-19, there was some unfavourable product mix across both Glass (imported product) and Cans and lower Glass (wine exports) volumes, which combined with the adverse earnings impact from the G2 rebuild, resulted in lower FY20 earnings.

"The trading conditions in North America were already tough and the emergence of COVID-19 saw both Orora Packaging Solutions (OPS) and Orora Visual (OV) results being further adversely impacted. As a result, earnings were down on the prior year. Despite this disruption, OPS continued its gross margin percentage improvement trajectory and the Pollock integration delivered revenue synergies in the Health & Safety segment during the period.

"Both North American businesses expanded their improvement programs during the second half, with further cost reduction initiatives including furlough, permanent reductions in headcount and OV consolidating its operating footprint in California which contributed to a recent stabilisation of earnings.

"Despite the near-term negative impact of COVID-19, the overall Orora business retains its strong balance sheet, which combined with the strong cash generation capability of its businesses, provides capacity and flexibility to return value to shareholders via the buyback announced today and to preserve optionality for future growth investment opportunities," Mr Lowe said.

Significant Items

Significant items during the year amounted to net income after tax of \$71.6 million and consisted of:

- Significant item income after tax of \$171.7 million in respect of the net profit recognised on the sale of the Australasian Fibre business which includes transaction and restructuring costs.

- A reset of the North American businesses to respond to tough market conditions which was compounded by COVID-19, a significant expense after tax of \$100.1 million was recognised. This includes costs associated with the closure of the OV Los Angeles site and a partial impairment of the OV business.

OUTLOOK

Orora expects the challenging and uncertain market conditions to persist for the foreseeable future. Despite the current COVID-19 pandemic, Orora's businesses qualify as essential services providers in both Australasia and North America and are therefore able to continue to operate. A number of improvement initiatives have been successfully implemented across the Orora businesses and pleasingly, North American financial performance has stabilised. A further update will be provided at the AGM in October.

Authorised for release to the ASX by Orora's Company Secretary, Ann Stubbings.

ENDS

MEDIA CALL: Orora is hosting a media call at 9.30AM (AEST) today

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