For personal use only

# NEWS RELEASE

18 February 2021

# Orora delivers solid first half result

## RESULTS OVERVIEW

### Operating results for the half year ended 31 December 2020

- Underlying net profit after tax (NPAT) before significant items was $91.1 million, up 18.9% on the prior corresponding period (pcp)
- Underlying earnings per share (EPS)[1] was 9.6 cents per share (cps), up 20.0% on pcp
- Sales revenue was $1,814.1 million, down 1.2% on pcp. On a constant currency basis, sales revenue was up 3.1% on pcp
- Underlying Earnings Before Interest and Tax (EBIT) was $140.0 million, up 5.2% on pcp. On a constant currency basis underlying EBIT was up 7.5% on pcp
- Operating cash flow was $144.8 million, $17.6 million above the pcp
- Return on average funds employed (RoAFE)[2] was 21.4%, up 220 basis points from 19.2% at pcp

### Key Group Metrics

- **Statutory NPAT** was $97.4 million. Statutory EPS was 10.2 cps
- **Interim ordinary dividend** of 6.5 cps unfranked, 100% sourced from the conduit foreign income account
- **Net debt**[3] at 31 December 2020 was ~$277 million, reduced ~$15 million from ~$292 million at 30 June 2020
- **Leverage** was 0.9 times, in line with June 2020

**Orora Limited (ASX: ORA)** has announced a solid set of financial results for the half year ended 31 December 2020.

Orora Managing Director and CEO, Brian Lowe, said "We are pleased to announce that all businesses reported an increase in underlying EBIT compared to the prior corresponding period as a result of disciplined execution against our revised strategy.

"In Australasia, Orora's market leading Beverage business continued its track record of earnings growth. The earnings improvement was predominately driven by strong volumes across Cans and Closures. Volume gains were partially offset by an unfavourable mix in Cans and Glass driven by an increase in at home consumption and ongoing higher energy and insurance costs.

"In North America, constant currency earnings were higher for both Orora Packaging Solutions (OPS) and Orora Visual (OV), following increased sales force effectiveness and a strong focus on cost control measures. OPS returned to revenue growth and is well positioned in a growing and diverse customer market. The impact of COVID-19 in North America was materially greater than that felt in Australasia, with many retailers remaining closed, negatively impacting OV revenue for the period.

"Orora's strong cash flow capability, combined with the strength of its balance sheet, continues to provide the Company with operating and strategic flexibility to invest in innovation, as well as organic and new growth opportunities that deliver long term, sustainable value."

---

[1] Calculated as NPAT / weighted average ordinary shares (net of Treasury Shares)
2 Calculated as annualised 1H21 EBIT / trailing 12 month average funds employed.
3 Net debt excludes the impact of AASB16 Lease Accounting

For personal use only

**Operational performance**

Orora Australasia delivered underlying EBIT of $86.1 million for the period, a 4.2% increase on the pcp. Sales revenue was 7.0% higher to $441.2 million.

Orora North America (comprising the OPS and OV business groups) delivered underlying local currency EBIT of US$39.0 million, up 12.7% compared to the pcp, while EBIT margins expanded 30 bps to 3.9%. North American sales revenue was 2.0% higher to US$993.1 million.

**Capital management update**

As at 31 December 2020, Orora's on-market buyback of up to 10% of issued share capital (representing ~96.5 million shares) announced in August 2020, is approximately 44% complete, with ~42.7 million shares bought back at an average price of $2.59, for total consideration of $110.7 million. The on-market buyback is expected to be completed by 30 June 2021.

**Strategy update**

Orora's revised strategy announced in August 2020 consists of a set of strategic pillars which support the Company's objective of becoming a leading provider of sustainable packaging solutions. 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.

Commenting on strategy, Managing Director and CEO, Brian Lowe, said: "As previously communicated, the focus is on leveraging the Australasian Beverage capabilities via exploring footprint expansion and complementary products and services. A preliminary assessment of international Beverage footprint expansion is underway, and we continue to actively assess and invest in our future requirements to meet customer and consumer needs. To this end, we have completed the rebuild of the G2 glass furnace at Gawler, we are increasing recycled content in glass, and we have commenced expansion into slim cans at Revesby.

"In respect of North America, new results-focused leadership is steering both OPS and OV in a positive direction and is aligned to our revised strategy and strategic priorites. OPS is entering the second phase of our strategy as we position the business for sustainable growth. We will review the strategic direction of OV by the end of calendar year 2021."

**Sustainability update**

Orora is passionate in its commitment to be a leading sustainable packaging solutions company. Sustainability is a core component of the revised strategy, and we have continued to increase the recycled content of packaging as part of our approach in supporting the Circular Economy. We are making good progress towards the new Eco Targets announced in August 2020 which cover reductions in $CO_2$ emissions, waste to landfill and water waste.

We will release our first Modern Slavery Statement for FY20 in March 2021.

**Executive leadership**

Orora's Executive Team has been refreshed with the recent appointment of capable and results-focused leaders. Orora was delighted to announce the appointment of Shaun Hughes as its new Chief Financial Officer in October 2020. Our North American businesses have also benefited from new experienced leadership, with Frank Pennisi appointed as the President of OPS in November 2020, and Bob Firenze appointed as President of Orora Visual in March 2020.

**Significant Items**

Total significant items for the first half amounts to income after tax of $6.3 million and consisted of:

- An incremental gain of $12.8 million after tax from the disposal of the Australasian Fibre Business sale arising from the post 30 June 2020 completion accounts process.
- Additional decommissioning costs of $6.5 million after tax at Petrie following ongoing project review and reassessment of estimated remediation requirements.

**Discontinued operations**

Following the divestment of the Australasian Fibre Business on 30 April 2020 to a wholly owned subsidiary of Nippon Paper Industries Co., Limited, the working capital completion account adjustment process resulted in further cash inflows of $19.7 million. Further amounts will be received in due course relating to the deferred settlement of two properties.

## OUTLOOK

Orora delivered a solid operating performance in the first half of FY21, with improved operating momentum and financial performance across all business units. Correspondingly, at a Group level Orora is forecasting higher earnings in FY21 compared to the prior year.

In Australasia, Orora expects second half FY21 EBIT to be negatively impacted by lower wine bottle exports to China and the smaller 2020 wine vintage. Full year EBIT is expected to be broadly in line with FY20.

In North America, in a continuation of the improved operating and financial performance, Orora expects EBIT to be higher in second half FY21 compared to second half FY20 and for the Full Year.

This outlook remains subject to global and domestic economic conditions and the impacts of the COVID-19 pandemic.

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

**ENDS**

**MEDIA CALL:** Orora is hosting a media call at 1.00PM (AEST) today

**TELEPHONE:** Local dial in: +612 8373 3507 / Toll free dial in: 1800 175 864

**ACCESS CODE:** 3393097

Company contacts:


**Media enquiries**

Rebecca Smith
+61 421 380 796

**Investor enquiries**

Shaun Hughes
Chief Financial Officer
+61 439 500 283

Grant Warner
General Manager Treasury and Investor Relations
+61 439 002 416


For personal use only