

## Orora results for the half year ended 31 December 2022

Disciplined execution of strategy results in a solid 7.3% increase in EBIT and an 8.5% increase in underlying EPS compared to the prior corresponding period.

1H23 results reflect double digit earnings growth in North America with a resilient earnings performance in Australasia.

### FINANCIAL SUMMARY

- Underlying net profit after tax (NPAT) was \$108.1m, up 5.3% compared with the prior corresponding period (pcp).
- Underlying earnings per share (EPS) was 12.8 cents per share (cps), up 8.5%.
  - Statutory NPAT was \$108.1m and Basic EPS was 12.8cps, up 7.8% and 11.3% respectively.
- Sales revenue was \$2,264.5m, up 13.9% on the pcp, or up 6.6% on a constant currency basis, driven by:
  - North America revenue up 12.0% (up 2.6% on a constant currency basis), reflecting continued improvement in operating performance; and
  - Australasian revenue up 20.6%, due to higher aluminium costs passed through to customers and continued strength in Cans volumes. Cans revenue also benefited from an improvement in product mix, partially offset by lower Glass volumes, reflecting a slowdown in Australian commercial wine and beer bottle sales.
- Earnings before interest and tax (EBIT) was \$165.8m, up 7.3% (up 2.4% on a constant currency basis), attributable to:
  - Continued strong, double-digit earnings growth in North America, largely driven by performance in Distribution. The increase in EBIT is a result of revenue growth (up 2.6% on a constant currency basis) and a continued focus on business optimisation, customer account profitability management and cost to serve, with OPS margins improving by 30bps to 5.5%.
  - Resilient earnings performance in Australasia, in line with expectations for 1H23, underpinned by growth in Cans across all formats, with EBIT of \$81.1m.
  - Australasian EBIT decline of \$2.9m, or 3.5%, was driven by:
    - Lower commercial wine and beer bottle sales, and a change in Glass sales mix to lower profit margin categories.
    - Timing of inflationary impacts relating to freight, energy and materials, not recovered from contracted price passthrough mechanisms in 1H23, partially offset by cost recoveries and improvement in operating efficiencies impacts.
    - These negative impacts were partially offset by continued growth in Cans volumes and an improvement in mix.

| Financial Summary <sup>1</sup>              | 1H23           | 1H22           | Change %     | Change %<br>Constant<br>Currency |
|---|----------------|----------------|--------------|----------------------------------|
| <b>A\$m</b>                                 |                |                |              |                                  |
| Australasia revenue                         | 534.2          | 443.2          | 20.6%        |                                  |
| North America revenue                       | 1,730.3        | 1,545.4        | 12.0%        | 2.6%                             |
| <b>Total revenue</b>                        | <b>2,264.5</b> | <b>1,988.6</b> | <b>13.9%</b> | <b>6.6%</b>                      |
| EBITDA <sup>2</sup>                         | 225.9          | 212.9          | 6.1%         | 1.1%                             |
| Australasia EBIT                            | 81.1           | 84.0           | (3.5%)       |                                  |
| North America EBIT                          | 84.7           | 70.5           | 20.2%        | 10.2%                            |
| <b>EBIT</b>                                 | <b>165.8</b>   | <b>154.5</b>   | <b>7.3%</b>  | <b>2.4%</b>                      |
| <b>Underlying NPAT</b>                      | <b>108.1</b>   | <b>102.7</b>   | <b>5.3%</b>  | <b>0.5%</b>                      |
| EPS (cents) <sup>3</sup>                    | 12.8           | 11.8           | 8.5%         |                                  |
| Return on Sales (EBIT margin) <sup>4</sup>  | 7.3%           | 7.8%           |              |                                  |
| Underlying operating cash flow <sup>5</sup> | 161.1          | 145.5          | 10.7%        |                                  |
| Cash conversion <sup>6</sup>                | 75.2%          | 75.0%          |              |                                  |
| RoAFE <sup>7</sup>                          | 21.6%          | 21.7%          |              |                                  |
| Dividends per share (cents)                 | 8.5            | 8.0            | 6.3%         |                                  |
| Net Debt <sup>8</sup>                       | 670.8          | 512.2          |              |                                  |
| Leverage <sup>9</sup>                       | 1.9x           | 1.6x           |              |                                  |
| Gearing                                     | 46%            | 39%            |              |                                  |

- Continued strong cash generation, with underlying operating cash flow of \$161.1m, up \$15.6m or 10.7% versus the pcp, with 14.0% growth in Cash EBITDA, partially offset by the investment in working capital, and higher base capex.
- Cash conversion strong at 75.2% (1H22: 75.0%).
- Net debt at 31 December 2022 was \$670.8m, up \$41.8m from 30 June 2022, attributable to the investment in working capital, higher capex and the FX increase on US dollar denominated borrowings (\$26.8m increase), partially offset by higher earnings.
- Leverage was 1.9 times EBITDA, up from 1.8 times at 30 June 2022 and 1.6x at 31 December 2021. Current leverage remains just below the bottom end of the long-term target of 2.0 to 2.5 times EBITDA.
- RoAFE was 21.6%, slightly down from the pcp of 21.7%, reflecting higher Australasian working capital, partially offset by the increase in North American earnings.
- Foreign exchange translation sensitivity on EBIT and NPAT to a 1 cent move in the AUD/USD on an annualised basis is ~\$2.8m and ~\$1.8m, respectively.

<sup>1</sup> This report includes certain non-IFRS financial information (operating cash flow, average funds employed, EBIT and EBITDA). This information is considered by Management in assessing the operating performance of the business and has been included for the benefit of investors. References to earnings throughout this report are reference to earnings before interest and tax and significant items.

<sup>2</sup> Earnings before interest tax, depreciation and amortisation

<sup>3</sup> Calculated as underlying NPAT / weighted average ordinary shares (net of Treasury Shares)

<sup>4</sup> Calculated as EBIT / Sales

<sup>5</sup> Excludes cash significant items that are considered to be outside of the ordinary course of operations

<sup>6</sup> Calculated as underlying operating cash flow / cash EBITDA (excludes G3 glass furnace rebuild of \$5.2m)

<sup>7</sup> 1H22 restated as trailing 12-month EBIT / trailing 12-month average funds employed

<sup>8</sup> Net debt excludes the impact of AASB 16 Leases

<sup>9</sup> Calculated as Net Debt / trailing 12-month underlying EBITDA (both excluding AASB 16 Leases)

- The interim dividend is 8.5 cps, a 0.5 cent or 6.3% increase on 1H22, representing a dividend payout ratio of 66.4% (1H22:67.8%). The FY23 total dividend payout range is expected to be towards the top end of the 60%-80% target payout range.
- The interim dividend is unfranked and sourced from the conduit foreign income account. The ex-dividend date is 1 March 2023, the record date is 2 March 2023 and the payment date is 12 April 2023.
- The Dividend Reinvestment Plan (DRP) will be operative for this dividend, with shares purchased on market to meet DRP obligations.

## STRATEGY UPDATE

- The Group's corporate strategy underpins Orora's purpose to be a leading sustainable packaging solutions provider through three strategic pillars:
  - Pillar 1: Optimise to Grow through operational improvement and best in class execution;
  - Pillar 2: Enhance and Expand core products and services to enhance Orora's customer value proposition; and
  - Pillar 3: Enter New Segments that are complementary to Orora's capabilities.
- The financial results for 1H23 demonstrate the continued disciplined execution of a range of strategic initiatives delivering against the Company's strategy.
- Under the Optimise to Grow pillar, North America has continued its strong momentum in proactively managing account profitability and enhancing salesforce effectiveness, further strengthening the platform for future growth. In Australasia, the Beverage business maintained its long-term focus on operational excellence through Advanced Manufacturing and i4.0 initiatives.
- Under the Enhance and Expand Pillar, the North America business has been focused on enhancing the business model and the value proposition for customers through further investment in digital capabilities. The Australasian Beverage business is in the midst of a significant capital investment program to expand capacity and capabilities across our network of sites in order to meet customers' growing demand.
- Under the Enter New Segments pillar, North America continues to assess opportunities to expand its manufacturing and distribution footprints into new markets, as well as explore potential new complimentary products and services, that can enhance our existing value proposition. The Australasian Beverage business has been highly successful in introducing new products to our domestic markets in Glass (olive oil, spirits) and continues to assess opportunities to expand its manufacturing footprint in offshore markets.
- Orora remains well-positioned for growth and continues to actively prepare for the deployment of further capital in the near and medium term.

## SUSTAINABILITY UPDATE

- Orora has made good progress on 'Our Promise to the Future' sustainability goals and commitments which are aligned to the pillars of Circular Economy, Climate Change and Community.
- As a proven leader in Circular Economy initiatives, Orora is on track to achieve its 2025 goal of 60% recycled content in the glass packaging it manufactures. Our new Cullet Beneficiation Plant at Gawler, South Australia, is now operational and is helping to drive the average recycled content in our manufactured glass containers above the 38% achieved in FY22. The Cullet Beneficiation Plant will significantly increase the recycled content in our glass packaging and reduce both greenhouse gas emissions and the use of virgin material in production.
- Under the Climate Change pillar, Orora is on track to achieve our interim goal of a 40% reduction in greenhouse gas emissions for Scope 1 and 2 by 2035. In 1H23, Orora continued to progress the following initiatives:
  - Contract signed to construct an Oxygen Plant to upgrade the G3 furnace at the Gawler Glass Plant to oxyfuel technology in 2024. This will enable a ~20% reduction in G3 furnace CO<sub>2</sub> emissions. The G3 furnace will move into the top 10% of energy efficient furnaces worldwide, delivering Orora a step change reduction in fossil fuel use and reducing greenhouse gas emissions;
  - Prepared the review and implementation of findings from the Task Force on Climate-related Financial Disclosures (TCFD) for publication in 2023. No material risks were identified, with our strategy fit-for-purpose and supportive of long-term sustainable growth;
  - Entered into a Solar Power Purchase Agreement (PPA) as part of ongoing renewable energy initiatives to procure greenhouse gas free electricity for the global business; and
  - Continued to procure electrical warehouse-based vehicles for OPS in North America.
- Under the Community pillar, which focuses on the safety, health and human rights of Orora's team members and communities, Orora has led a number of initiatives including launching Stay Safe rules globally; a global Safety Assurance Audit; Our Orora Culture Shaping workshops; Women in Leadership (WILO) program, now in its seventh year; Publishing Orora's third Modern Slavery Statement; and Delivering Unconscious Bias training across Orora's North American business.

## OUTLOOK

- The Orora Group earnings are expected to be higher in FY23, reflecting the resilience of the business in what is a challenging year of economic conditions.
- In North America, we expect 2H23 EBIT to be up on 2H22, delivering EBIT growth for the full year.
- In Australasia, we expect 2H23 EBIT to be up on 2H22, with FY23 EBIT to be broadly in line with FY22.
- This outlook remains subject to global and domestic economic conditions, currency fluctuations and the continuing impacts of the COVID-19 pandemic.

## BALANCE SHEET

- Key balance sheet movements since June 2022 were:
  - Cash and cash equivalents were up \$32.7m to \$85.3m;
  - Other current assets decreased \$18.1m as a result of lower trade and other receivables (-\$29.2m), partially offset by an increase in inventory (+\$11.5m). Trade and other receivables decreased due to stronger debtor collections in North America and timing of aluminium passthrough recovery receipts. Inventory levels increased in Australasia, largely reflecting higher Glass inventory, partially offset by a depletion of Cans finished goods. The FX impact to other current assets was \$10.9m (increase);
  - Property, plant and equipment (PP&E) increased by \$48.1m. Capex spend for 1H22 was \$84.8m which included \$28.9m for Cans line and ends capacity investment, \$5.2 relating to the G3 furnace rebuild and \$9.1m for the Oxygen Plant. Depreciation for the period was \$31.4m (excluding RoU assets). The FX impact on PP&E was \$2.7m (increase);
  - Goodwill and intangible assets increased by \$3.7m as a result of movement in FX rates, up \$4.7m, partially offset by \$5.0m amortisation for the period and \$4.0m of IT related additions;
  - Borrowings increased by \$74.5m and net debt increased by \$41.8m, with the main drivers being the increased capex and the investment made in working capital, partially offset by stronger North American earnings. The FX impact was \$26.8m (increase). Orora remains well within all debt covenant requirements and at 31 December 2022 had committed undrawn debt facilities of \$415.2m to support future investment, growth and debt re-financing requirements;
  - Decrease in payables and provisions of \$50.6m was driven primarily by the decrease in trade and other payables of \$54.8m, relating principally to lower commodity prices attributable to aluminium and the timing of aluminium payments relating to 2H22 inventory build. The FX impact was \$7.6m (increase); and
  - The net of Right of Use (RoU) asset and lease liability decreased \$2.0m. RoU assets and lease liabilities relate predominantly to the North American businesses, with very few leases in Australasia.

| Balance Sheet<br>A\$m                 | 31 Dec<br>2022 | 30 June<br>2022 | Change %    |
|---------------------------------------|----------------|-----------------|-------------|
| Cash                                  | 85.3           | 52.6            | 62.0%       |
| Other Current Assets                  | 1,237.0        | 1,255.1         | (1.4%)      |
| Property, Plant & Equipment           | 733.3          | 685.2           | 7.0%        |
| ROU Lease Assets                      | 168.0          | 173.7           | (3.3%)      |
| Goodwill & Intangible Assets          | 436.9          | 433.2           | 0.9%        |
| Other Non-Current Assets              | 117.4          | 109.0           | 7.7%        |
| <b>Total Assets</b>                   | <b>2,777.9</b> | <b>2,708.8</b>  | <b>2.6%</b> |
| Borrowings                            | 756.1          | 681.6           | 10.9%       |
| ROU Lease Liabilities                 | 216.8          | 224.5           | (3.5%)      |
| Payables & Provisions                 | 1,020.4        | 1,071.0         | (4.7%)      |
| Total Equity                          | 784.6          | 731.7           | 7.2%        |
| <b>Total Liabilities &amp; Equity</b> | <b>2,777.9</b> | <b>2,708.8</b>  | <b>2.6%</b> |
| Net Debt                              | 670.8          | 629.0           |             |
| Leverage                              | 1.9x           | 1.8x            |             |
| Gearing                               | 46%            | 46%             |             |

## CASH FLOW

- Underlying operating cash flow remains strong at \$161.1m, \$15.6m higher than the pcp, driven by EBITDA growth of \$13.0m, partially offset by an increase in working capital and higher base capex.
- EBITDA up 6.1% to \$225.9m.
- Strong cash conversion for 1H23 at 75.2% (1H22:75.0%), excluding the G3 Furnace rebuild capex of \$5.2m.
- Main movements to note in the cash flow include:
  - Increase in cash EBITDA (sum of EBITDA, lease repayments and non-cash items), up 14.0%;
  - Total increase in the movement in working capital, up \$8.2m to \$38.9m, was broadly in-line with the increase in EBITDA, up \$13.0m; and
  - Base capex of \$21.3m was \$3.1m higher compared to the pcp. This includes \$5.2m relating to the G3 Furnace rebuild.
- Interest payments of \$15.9m were \$7.0m higher than the pcp, reflecting the impact of higher base interest rates, capex investments during 1H23 and increased gross debt from the on-market buyback in FY22.
- Tax payments of \$28.3m in 1H23 are lower than the pcp due to timing of FY22 tax payments.
- Growth capex of \$63.5m, was \$40.8m higher than the pcp. This relates to investment in the new Cans multi-size line at Dandenong and ends capacity expansion at the Ballarat plant (\$28.9m) as well as construction of the Cullet Beneficiation Plant (\$2.2m) and Oxygen Plant (\$9.1m)
- FY23 total capex is expected to be ~\$230m, with growth capex of ~\$150m.

| Cash Flow <sup>1</sup><br>A\$m             | 1H23         | 1H22         | Change %       |
|--|--------------|--------------|----------------|
| <b>EBITDA</b>                              | <b>225.9</b> | <b>212.9</b> | <b>6.1%</b>    |
| Lease repayments <sup>10</sup>             | (31.2)       | (29.6)       |                |
| Non-cash Items                             | 26.5         | 10.8         |                |
| <b>Cash EBITDA</b>                         | <b>221.2</b> | <b>194.1</b> | <b>14.0%</b>   |
| Movement in Total Working Capital          | (38.9)       | (30.7)       |                |
| Base Capex                                 | (21.3)       | (18.2)       |                |
| Sale Proceeds                              | 0.1          | 0.3          |                |
| <b>Underlying Operating Cash Flow</b>      | <b>161.1</b> | <b>145.5</b> | <b>10.7%</b>   |
| Cash Significant Items                     | (20.5)       | (12.2)       |                |
| <b>Operating Free Cash Flow</b>            | <b>140.6</b> | <b>133.3</b> | <b>5.5%</b>    |
| Interest                                   | (15.9)       | (8.9)        |                |
| Tax  | (28.3)       | (45.5)       |                |
| Growth capex <sup>11</sup>                 | (63.5)       | (22.7)       |                |
| <b>Free Cash Available to Shareholders</b> | <b>32.9</b>  | <b>56.2</b>  | <b>(41.4%)</b> |
| <i>Cash Conversion</i> <sup>6</sup>        | 75.2%        | 75.0%        |                |

<sup>10</sup> Cash impact of AASB 16 Leases has been included in operating cash to provide a view of cash EBITDA  
<sup>11</sup> Net of Government grants received

## NORTH AMERICA

### KEY POINTS

- North American sales were up 12.0% to \$1,730.3m, driven by pricing disciplines in Distribution, partially offset by volume softness in Manufacturing. On a constant currency basis, revenue was up 2.6% to US\$1,159.8m.
- North America's EBIT increased by 20.2% to \$84.7m (up 10.2% on a constant currency basis to US\$56.8m).
- Strong earnings growth was largely driven by the performance in Distribution. This reflects continued business optimisation gains and an ongoing focus on active account profitability management, operating efficiency and a relentless focus on managing inflationary inputs and cost to serve.
- Manufacturing volumes down in line with the broader industry, with earnings performance supported by strong pricing disciplines.
- North America's EBIT margin increased 30bps to 4.9% compared to the pcp.
- Underlying operating cash flow increased by 38.1% to US\$62.7m, attributable to higher cash EBITDA, up 21.8%, lower base capex, down US\$2.0m on pcp, and lower working capital, down US\$2.2m on the pcp.
- Total capex of US\$5.4m was slightly lower than pcp of US\$7.2m.
- Continued strong cash conversion of 86.2%, up from 1H22 of 76.0%
- RoAFE of 20.4% was up 220bps, driven by the increase in North American earnings.
- Reported EBIT includes a positive \$7.7m FX translation impact.

### ORORA PACKAGING SOLUTIONS (OPS) AND ORORA VISUAL (OV)

- OPS revenue growth was primarily attributable to price increases, as the business continues to cycle out less profitable accounts, creating and driving operational improvements.
- OPS EBIT margin improved by 30bps to 5.5%, reflecting the importance of improving customer account profitability, realising benefits from acquisition integration and managing supply cost inflation.
- Growth in North American earnings in 1H23 largely reflects an improved operating performance in Distribution, where disciplined pricing management and account profitability execution continues to drive improvements in operating efficiency and cost to serve. The 1H23 earnings from Manufacturing were broadly in line with the pcp.
- The North American EBIT margin increase was the result of the profit improvement programs focussed on margin recovery and efficiency. The improved financial performance was driven by:
  - Price increases executed in the prior periods and strong active management of inflationary pressures;
  - Continued business optimisation through embedded pricing disciplines driving alignment and prioritisation, leveraging the ERP and associated data analytics to provide additional transparency to sales representatives, further enhancing account profitability, decision making on price, procurement, and costs to serve; and
  - An increase in the quality of customer earnings as the share of wallet from profitable customers expanded, and unprofitable customers were exited and replaced.
- OV continued to execute its business improvement programs which delivered EBIT margin expansion and earnings growth in the period.
- OV operations were aligned under OPS to support operational and back-office efficiencies and to optimise growth opportunities.

| Financial Summary <sup>1</sup><br>A\$m | 1H23    | 1H22    | Change % |
|--|---------|---------|----------|
| Sales Revenue                          | 1,730.3 | 1,545.4 | 12.0%    |
| EBIT                                   | 84.7    | 70.5    | 20.2%    |
| EBIT Margin %                          | 4.9%    | 4.6%    |          |
| RoAFE <sup>7</sup>                     | 20.4%   | 18.2%   |          |

| Financial Summary <sup>1</sup><br>US\$m | 1H23    | 1H22    | Change % |
|---|---------|---------|----------|
| Sales Revenue                           | 1,159.8 | 1,130.7 | 2.6%     |
| EBIT                                    | 56.8    | 51.5    | 10.2%    |

| Segment Cash Flow <sup>1</sup><br>US\$m | 1H23        | 1H22        | Change %     |
|---|-------------|-------------|--------------|
| <b>EBITDA</b>                           | <b>81.8</b> | <b>78.3</b> | <b>4.5%</b>  |
| Lease repayments                        | (19.5)      | (20.2)      |              |
| Non-cash Items                          | 10.5        | 1.7         |              |
| <b>Cash EBITDA</b>                      | <b>72.8</b> | <b>59.8</b> | <b>21.8%</b> |
| Movement in Total Working Capital       | (5.0)       | (7.2)       |              |
| Base Capex                              | (5.2)       | (7.2)       |              |
| Sale Proceeds                           | 0.1         | -           |              |
| <b>Underlying Operating Cash Flow</b>   | <b>62.7</b> | <b>45.4</b> | <b>38.1%</b> |
| Cash Significant Items                  | -           | (0.3)       |              |
| <b>Operating Free Cash Flow</b>         | <b>62.7</b> | <b>45.1</b> | <b>39.1%</b> |
| <i>Cash Conversion</i>                  | 86.2%       | 76.0%       |              |

### STRATEGY, GROWTH AND INNOVATION UPDATE

- The North American management team have been focused on establishing platforms that enable scalable expansion. This includes seeking to differentiate themselves through their design capabilities, product expertise, tailored customer solutions, experience of their sales teams, disciplined execution and supply chain excellence.
- Strategically, OPS continues to focus on providing customised solutions that enhance the value of its customers' products and services, specialising in small and medium sized runs, enhancing sustainability, whilst also reducing the costs of their packaging. OPS benefits from its vertically integrated corrugate manufacturing capability, ensuring enhanced customer responsiveness and operating flexibility.
- Given Orora's broader focus on providing sustainable packaging solutions, the North American management team is committed to leading the market in not only driving increased penetration of sustainable products, but also in educating the market about sustainable product alternatives.
- OPS continues to invest in new digital platforms that improve productivity and the customer experience. The refreshed eCommerce platform is enabling customers to transact digitally with customised product offerings via digital channels and on a just-in-time basis. The omnichannel strategy is designed to integrate all channels of customer engagement and improve the overall customer experience.
- With the OV business now to be managed as part of OPS, focus has turned to identifying, assessing and ultimately executing on initiatives to generate incremental value from the combination of the two businesses.

## NORTH AMERICA (continued)

### PERSPECTIVES FOR FY23 – NORTH AMERICA

- Kelly Barlow has been appointed President of OPS. Kelly previously led the Distribution business and has played a leading role in the development and execution of the customer account profitability program.
- The focus for North America remains on driving further positive momentum and continuing to build on the demonstrated operating and earnings performance momentum to drive further, cost efficiencies and earnings growth.
- Management is confident of the business' ability to perform through the cycle and provide a strong platform for growth in the medium-to-long term.
- The Distribution business has performed strongly, particularly in Mexico, Northern California and the East. This is expected to continue as investments in sales resources and capabilities over the past 18 months contribute to volume growth.
- Manufacturing is expected to be impacted by recent softness, as seen in the broader industry.
- Inflationary pressures are starting to stabilise with embedded pricing disciplines enabling further price adjustments, if required.
- Assess OPS manufacturing footprint and consider and scale expansion and consolidation opportunities.
- OPS' business platforms are more stabilised and scalable, enabling Management to continue to actively assess M&A product and service capability opportunities in North America.
- With the full year impact of FY22 price increases and continuation of the profit improvement program, further EBIT growth is expected in North America in 2H23.

## AUSTRALASIA

### KEY POINTS

- Sales revenue was up 20.6% driven by 3.0% net volume growth, 10.8% higher aluminium cost passthrough and 6.8% cost inflation recoveries. The increase in volume was driven by continued strong Cans volume demand, with Cans revenue benefiting from both growth in Cans volumes, and improved mix. This growth in Cans revenue was partially offset by lower Glass volumes, reflecting a slowdown in domestic and export consumer demand for Australian commercial wine bottles, and lower beer bottle sales.
- Whilst pricing drove the majority of the top-line revenue growth, volumes grew revenue by 3%, with growth in Cans and new Glass product categories offsetting wine and beer glass sales.
- Excluding the impact of aluminium passthrough, sales revenue increased 9.8%.
- EBIT was in-line with expectations for 1H23, down 3.5% to \$81.1m. This result underscores the resilience of the Beverage business with strong consumer demand for Cans, whilst managing the timing impacts of inflationary pressures relating to freight, energy and materials not recovered from contracted price passthrough mechanisms during 1H23.
- Australasia's 1H23 earnings performance reflects:
  - Continued growth in Cans volumes, supported by production efficiencies, and an improvement in product mix;
  - A reduction in Glass bottle volumes driven by lower sales of Australian commercial wine bottles, for both export and domestic sales, and beer bottles. The earnings contribution from new Glass products in 1H23 was higher than the contribution in 1H22; and
  - Short term timing impacts of inflationary pressures not recovered from contracted price passthrough mechanisms during 1H23.
- EBIT margin of 15.2%, primarily reflects the dilutionary impact of higher aluminium costs passed through to customers and the timing of inflationary impacts in 1H23.
- Underlying operating cash flow of \$67.7m was \$15.8m below the pcp as a result of the investment in working capital, up \$10.7m to \$31.6m, and higher base capex.
- Cash conversion of 64.8% (excluding G3 Glass furnace rebuild), down on the pcp. The movement in working capital largely reflects an increase in Glass inventory, partially offset by a depletion of Cans finished goods. Raw materials in Australasia were modestly higher reflecting higher Aluminium ahead of the commissioning of the new Cans multi-size line at Dandenong. The increase in Glass finished goods also supports a required inventory build ahead of the G3 furnace rebuild.
- Base capex of \$13.3m was \$4.9m higher than the pcp, with the increase driven by commencement of the G3 furnace rebuild (\$5.2m).
- Growth capex of \$63.2m was \$40.5m higher, primarily due to investment in the Dandenong cans line (\$25.9m), Ballarat ends capacity expansion (\$3.0m), the Cullet Beneficiation Plant (\$2.2m) and the Oxygen Plant (\$9.1m).
- The multiple year growth capex program will underpin incremental future earnings growth over the medium term.
- RoAFE was 23.0%, a decline of 250 bps on 1H22, reflecting higher working capital.

## AUSTRALASIA (continued)

| Financial Summary <sup>1</sup><br>A\$m | 1H23  | 1H22  | Change<br>% |
|--|-------|-------|-------------|
| Revenue                                | 534.2 | 443.2 | 20.6%       |
| EBIT                                   | 81.1  | 84.0  | (3.5%)      |
| EBIT Margin %                          | 15.2% | 19.0% |             |
| RoAFE <sup>7</sup>                     | 23.0% | 25.5% |             |

| Segment Cash Flow<br>A\$m             | 1H23 <sup>1</sup> | 1H22 <sup>1</sup> | Change<br>%    |
|---------------------------------------|-------------------|-------------------|----------------|
| <b>EBITDA</b>                         | <b>104.0</b>      | <b>106.0</b>      | <b>(1.8%)</b>  |
| Lease repayments                      | (2.0)             | (1.9)             |                |
| Non-cash Items                        | 10.6              | 8.4               |                |
| <b>Cash EBITDA</b>                    | <b>112.6</b>      | <b>112.5</b>      | <b>0.1%</b>    |
| Movement in Total Working Capital     | (31.6)            | (20.9)            |                |
| Base Capex                            | (13.3)            | (8.4)             |                |
| Sale Proceeds                         | -                 | 0.3               |                |
| <b>Underlying Operating Cash Flow</b> | <b>67.7</b>       | <b>83.5</b>       | <b>(18.9%)</b> |
| Cash Significant Items                | (20.5)            | (11.8)            |                |
| <b>Operating Free Cash Flow</b>       | <b>47.2</b>       | <b>71.7</b>       | <b>(34.2%)</b> |
| <i>Cash Conversion</i> <sup>6</sup>   | 64.8%             | 74.2%             |                |

## BEVERAGE BUSINESS GROUP

### Cans:

- Cans revenue in 1H23 was significantly higher than the pcp, reflecting the impact of higher aluminium costs which have been passed on to customers, and from growth in volumes and improved product mix.
- Earnings were above the pcp driven by growth in volumes, across all formats, and an improvement in product mix in 1H23. The business was impacted by the timing of inflationary pressures, partially offset by contracted price passthrough mechanisms, cost recoveries and improvement in operating efficiencies.
- Volumes were up on the pcp, underpinned by ongoing strong demand in both craft beer and RTD's, and carbonated soft drink segments, which benefited from a continuation of the preference shift to can formats. Slim and Sleek can volumes were up in 1H23, reflecting improved consumer mobility and trading in on-premises and convenience channels, compared to the pcp.
- Volumes increased in other alcoholic beverages such as seltzers, RTD's, and wine and non-alcoholic beverages such as energy drinks, still and sparkling water.

### Glass:

- Revenue and earnings were below the pcp, largely attributable to a reduction in Glass bottle volumes driven by lower sales of Australian commercial wine bottles, for both export and domestic sales, as well as lower beer bottle volumes.
- The business continued to be impacted by a packaging mix shift in beer, higher supply chain costs and commodity prices (Soda Ash), combined with the timing impact of cost passthrough recovery to customers.
- Revenue and earnings from new Glass products, including the Spirits and Olive Oil markets in 1H23, were higher than the pcp.

### Closures:

- Closure earnings were slightly below the pcp due to lower commercial wine volumes and supply chain challenges of coated and decorated sheets.

## STRATEGY, GROWTH AND INNOVATION UPDATE

- Orora Australasia's strategy continues to be underpinned by a relentless focus on creating value with customers through our leadership in packaging decoration and design, and reliable and high quality supply through manufacturing and supply chain excellence.
- With a portfolio of leading sustainable packaging formats, Orora is well-placed to benefit from continued momentum in consumer preference towards recycled packaging formats.
- Orora continues to invest in capacity and capabilities in its market leading Australasian operations to support strong end-market customer demand and in our commitment to a sustainable future.
- The Australasian operations are in a period of growth in capital expenditure, reflecting a strong customer-led outlook for Can volume growth, underpinned by long-term customer contracts and customer filling expansion investments. This includes:
  - Cans ends capacity expansion at Ballarat;
  - Cans new multi-size line at Dandenong; and
  - Cans second line at Revesby, with construction to commence in 2H23 with commissioning in FY25. This investment will add a further ~10% capacity to Orora's can body production to meet the growth in cans demand.
- Commitment to sustainability is reflected by the investments in a Cullet Beneficiation Plant and oxyfuel technology for the G3 Glass furnace rebuild.
  - The Cullet Beneficiation Plant (gross cost of ~\$25m) is now operational. Total Government funding of \$8.0m has been received to support this development through the Recycling Modernisation Fund.
  - Construction of an Oxygen Plant, at a gross cost of ~\$40m, is planned to be completed in 2024 to upgrade the G3 glass furnace at Gawler to oxyfuel technology. The first outlays for this project were made during 1H23 (\$9.1m). Government funding of \$12.5m through the Modern Manufacturing Initiative will be welcomed to support the planned construction.
- The Beverage Group continued to focus on operational excellence through Advanced Manufacturing and i4.0 initiatives, including data analytics, which has been rolled out to all Cans body sites and at Glass, automation and lean manufacturing programs. These programs have enabled productivity gains and contributed to Cans production volumes being higher than the pcp.
- Innovation in new product development continues to be a cornerstone of Orora Australasia. This includes the expansion into new glass formats such as Spirits and Olive Oil bottles. The business has also developed a new premium flint colour (Orora Crystal) that will underpin further penetration in the domestic spirits market.
- With Cans, Orora maintains its market leading decoration and differentiation capabilities, partnering with a range of customers in the introduction of new beverage products to market.
- Within the Closures business, product capabilities are being enhanced through further investment in equipment, increased focus on driving volume growth in higher margin products and mitigating supply chain risk by insourcing flat sheet aluminium supply.
- Quality and service remain paramount, and investments in eCommerce enhancements continue to assist with customer engagement.

## AUSTRALASIA (continued)

### PERSPECTIVES FOR FY23 - AUSTRALASIA

- FY23 EBIT is expected to be broadly in line with FY22 as the business returns to growth in 2H23, with the short term 1H23 cost inflation impacts expected to be recovered from price increases in 2H23, including the opportunity for further out-of-cycle contract discussions given the magnitude of cost inflation pressures.
- The Australasian business will continue to identify and implement cost reduction initiatives, reinvest in upgrades to the asset base, build out new capacity with the support of customers and mitigate supply chain challenges. This is consistent with Orora's proven approach to offset ongoing cost headwinds, in addition to pursuing organic and inorganic growth.
- Wine Glass volumes will continue to be impacted by consumer demand for Australian commercial wine.
- Growth capex underpins medium term earnings growth, with incremental future earnings to flow from FY24.
- Investment in capex in 2H23 will comprise the following projects:
  - Cans ends capacity expansion at Ballarat (~\$30m total project cost), scheduled to be fully operational by March 2023;
  - Cans multi-size line at Dandenong (~\$80m total project cost), scheduled for completion by June 2023;
  - Cans second line at Revesby (~\$85m total project cost), with construction to commence in 2H23; completion scheduled for FY25;
  - Glass G3 furnace rebuild at Gawler (~\$90m total project cost), scheduled for completion in 2024; and
  - Construction of the Oxygen Plant at Gawler (~\$40m total project cost), scheduled for completion in 2024.
- The impact on Orora of recent energy market price volatility in Australia has been lessened due to the following renewable energy PPAs and wholesale / retail fixed price contracts.
  - Wholesale gas contract for Gawler (Glass) with annual usage 100% contracted until end of 2025 and partially contracted to end of 2027;
  - VIC/NSW/SA electricity usage mostly hedged until end of 2027 under wind farm PPA's; and
  - Various gas and electricity retail fixed price contracts by state which expire at various intervals through to 2026.

## CORPORATE

- Corporate costs are allocated directly to the business segments.
- As of 31 December 2022, Orora has substantial committed headroom under its existing debt facilities (\$415.2m) with no material maturities until July 2023.
- The following committed medium term bank debt facilities were put in place in late 1H23 and January 2023 to fund ongoing capital expenditure projects and to re-pay maturing debt facilities in July 2023:
  - \$110m increase in facility limit to the global syndicated multi-currency facility maturing in November 2024;
  - A new \$50m bilateral revolving debt facility maturing January 2026; and
  - A new US\$100m bilateral term debt facility maturing January 2028.

Including these facilities, the total debt headroom expands to ~\$610m.

- Leverage ratio of 1.9x is just below the bottom end of the long-term target of 2.0x – 2.5x but is expected to increase in FY23 and FY24 due to the growth capex program, with earnings to flow from FY24.
- Cash conversion in FY23 is expected to be greater than 70.0%, excluding the G3 Glass Furnace rebuild (which is treated as base capex).
- The decommissioning of the Petrie site continues to be a significant and complex exercise involving multiple government agencies. Approximately \$20.5m was spent on decommissioning the site during 1H23 (\$12.2m in the pcp). The impact of the unprecedented rainfall levels in Queensland has delayed completion to 2H23. The Group continues to engage a specialist environmental consulting firm to manage the completion of the remaining remediation works. The Petrie related provision at 31 December 2022 represents management's best estimate in respect of the anticipated costs to complete the remediation, using all currently available information and considering applicable legislative and environmental regulations.
- Orora expects dividends in FY23 to be towards the top end of its target payout range (60% - 80% of NPAT).
- Dividends in FY23 will be unfranked, due to the near-term capital investment programs and the tax benefits associated with Australia's instant asset write-off legislation for capital expenditure. The Group does not expect to frank future dividends until after FY24.

## CONFERENCE CALL

Orora is hosting a conference call for investors and analysts at 10:30am today. The audio cast will be available on the Orora website, [www.ororagroup.com](http://www.ororagroup.com), within 24 hours.

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