



# Orora Limited

Macquarie Conference

5 May 2016

# Important Information

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## **Forward Looking Statements**

This presentation contains forward-looking statements that involve subjective judgment and analysis and are subject to significant uncertainties, risks and contingencies, many of which are outside the control of, and are unknown to Orora. Forward-looking statements can generally be identified by the use of forward-looking words such as “may”, “will”, “expect”, “intend”, “plan”, “seeks”, “estimate”, “anticipate”, “believe”, “continue”, or similar words.

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In particular, we caution you that these forward looking statements are based on management’s current economic predictions and assumptions and business and financial projections. Orora’s business is subject to uncertainties, risks and changes that may cause its actual results, performance or achievements to differ materially from any future results, performance or achievements expressed or implied by these forward-looking statements. The factors that may affect Orora’s future performance include, among others:

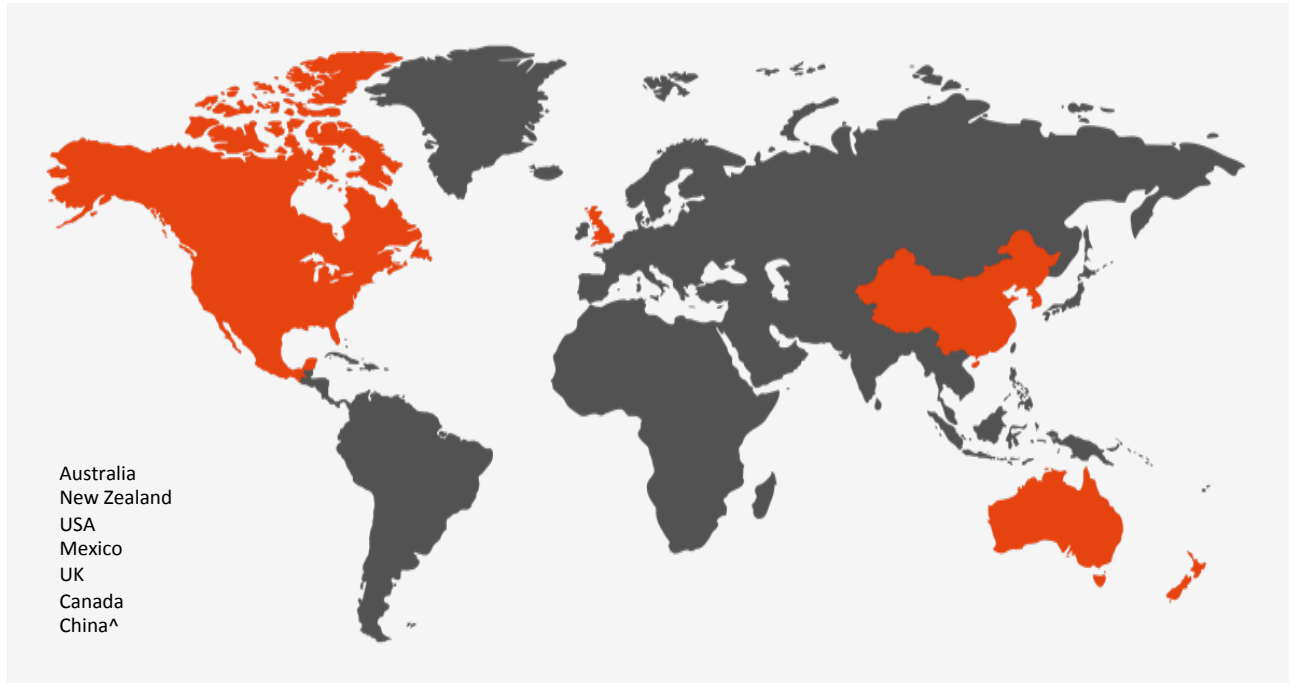
- Changes in the legal and regulatory regimes in which Orora operates;
- Changes in behaviour of Orora’s major customers;
- Changes in behaviour of Orora’s major competitors;
- The impact of foreign currency exchange rates; and
- General changes in the economic conditions of the major markets in which Orora operates.

These forward looking statements speak only as of the date of this presentation. Subject to any continuing obligations under applicable law or any relevant stock exchange listing rule, Orora disclaims any obligation or undertaking to publicly update or revise any of the forward looking statements in this presentation, whether as a result of new information, or any change in events conditions or circumstances on which any statement is based.

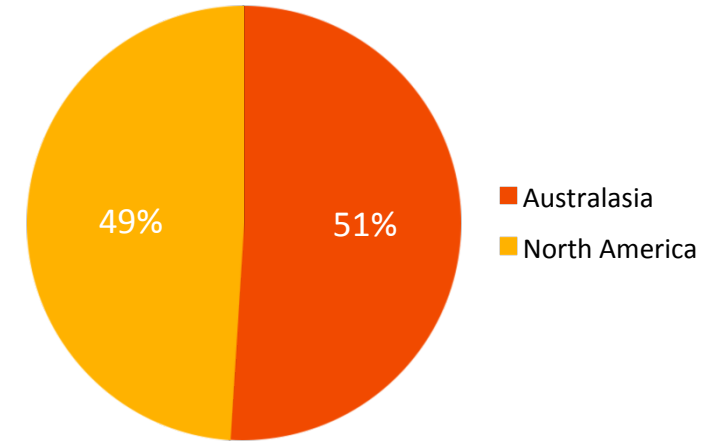
## **Non-IFRS information**

Throughout this presentation, Orora has included certain non-IFRS financial information. This information is presented to assist in making appropriate comparisons with prior periods and to assess the operating performance of the business. Orora uses these measures to assess the performance of the business and believes that the information is useful to investors. All other non-IFRS information unless otherwise stated, have not been extracted from Orora’s financial statements.

- Orora Group overview
- Orora Australasia
  - Overview
  - B9 Recycled Paper Machine – update
- Orora North America
  - Packaging Solutions
  - Point of Purchase
- Orora’s blueprint for creating shareholder value
- Balance sheet & bank debt refinancing
- Outlook



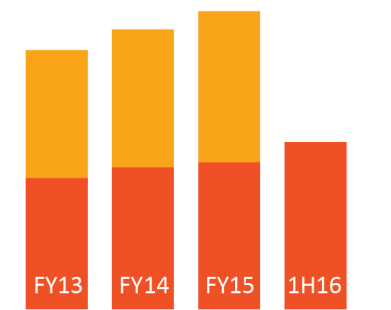
## PRO FORMA SALES BY REGION\*



“ **Geographically focused businesses with national service models** ”

## ACTUAL SALES AUD million

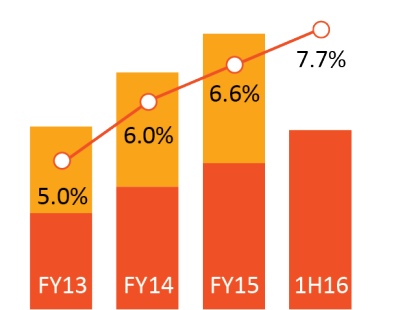
2,943 3,176 3,408 1,899



■ First half sales ■ Second half sales

## ACTUAL EBIT AUD million

148.2 192.1 225.1 145.3



■ First half EBIT ■ Second half EBIT

○ EBIT margin %

# Orora Group - Overview of sales by segment



**Fibre**



**Beverage**



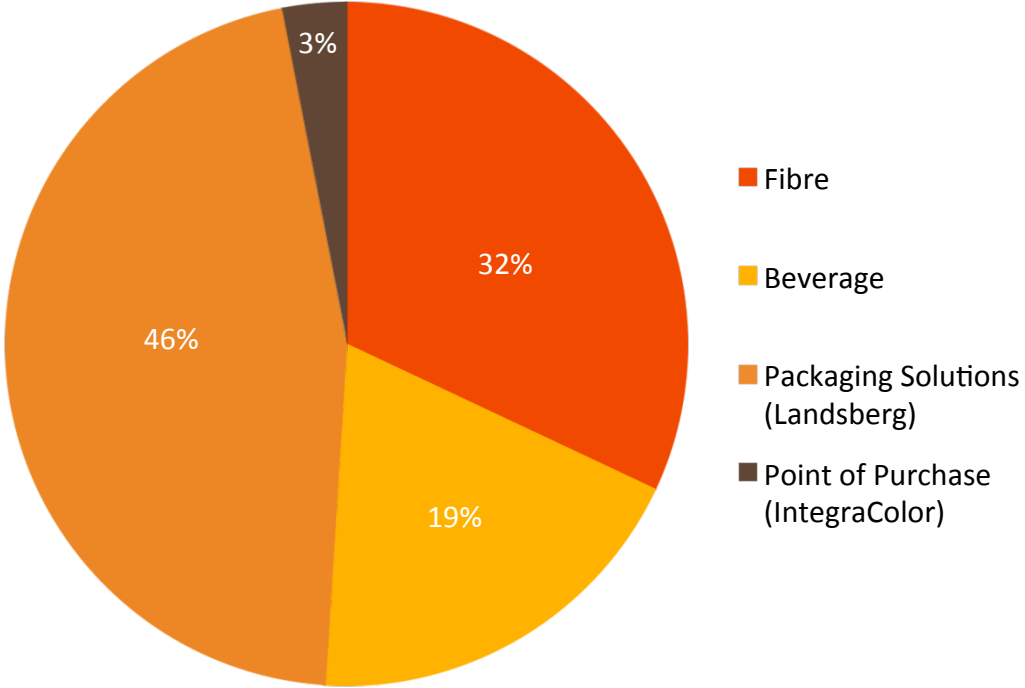
**Packaging Solutions**



**Point of Purchase**



**PRO FORMA SALES BY END SEGMENT\***



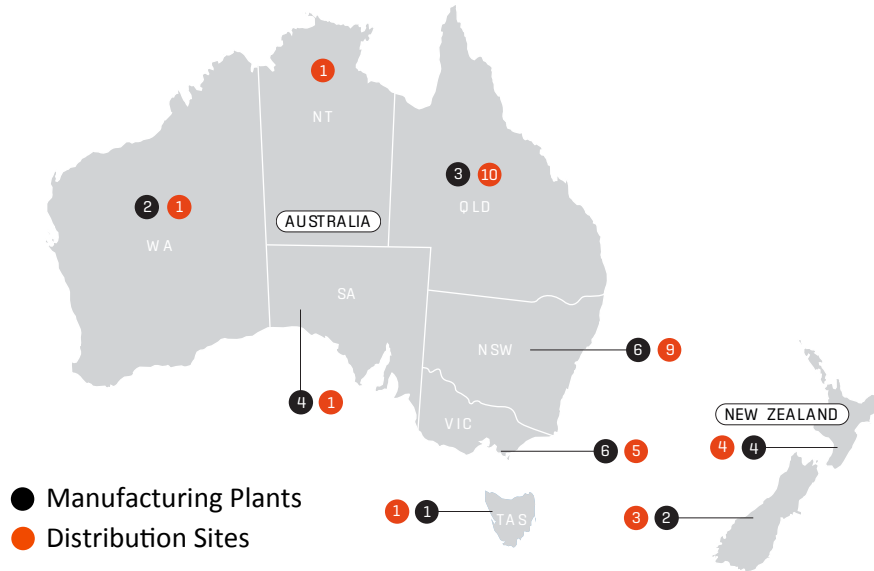
\* Reflects 1H16 sales plus a pro forma adjustment to include 6 months of IntegraColor sales (approx. USD100M p.a., acquired 1 March 2016)

# Orora Australasia overview



## Orora Australia

**3,500** Employees      **2** Countries  
**28** Manufacturing Plants      **35** Distribution Sites

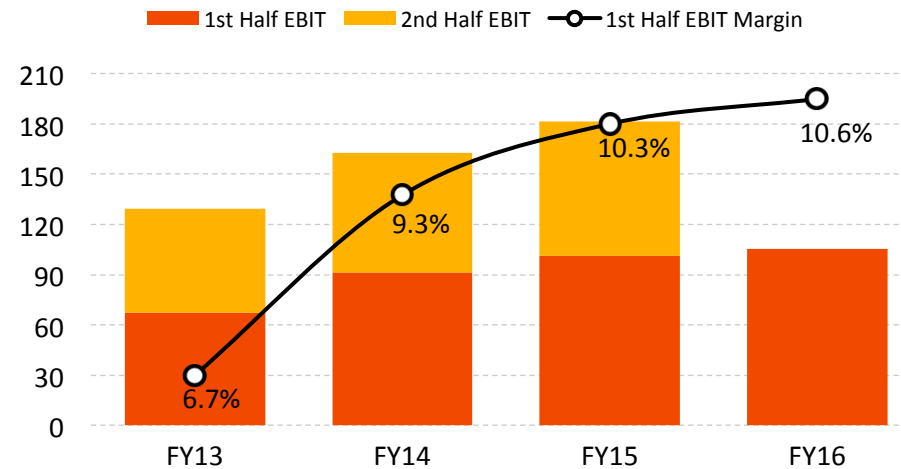


Portfolio of scale businesses with leading positions in their respective markets

- #1 Beverage Cans
- #1 Wine Closures
- #1 Glass Wine Bottles
- #2 Recycled Paper/Corrugated
- #2 Glass Beer Bottles
- #1 Folding Cartons & Sacks

## EBIT Trend

AUD million



“ *Predominantly servicing defensive end markets – 80% food and beverage* ”

# B9 Recycled Paper Machine - Update



## Continued successful ramp up of B9

- Produced 181,000 tonnes during 1H16 (185,000 tonnes in pc) – extended shut affecting volumes
- January 2016 was a record month and made up the 1H16 period on period tonnes shortfall
  - Good operating performance has continued to date during 2H16

## Reiterate B9 ramp up guidance

- Expect to exit FY16 on a quarterly production run rate close to design output capacity of 400,000 tonnes
- Expect to deliver approximately \$15.0M of incremental B9 benefits in FY16, with the remainder of approximately \$6.0M expected in FY17



“ *B9 production ramp up remains on track* ”



## ORORA NORTH AMERICA



**PACKAGING SOLUTIONS**



**POINT OF PURCHASE**

**“ Driving regional growth & expanding capability ”**



# Landsberg Packaging Solutions overview



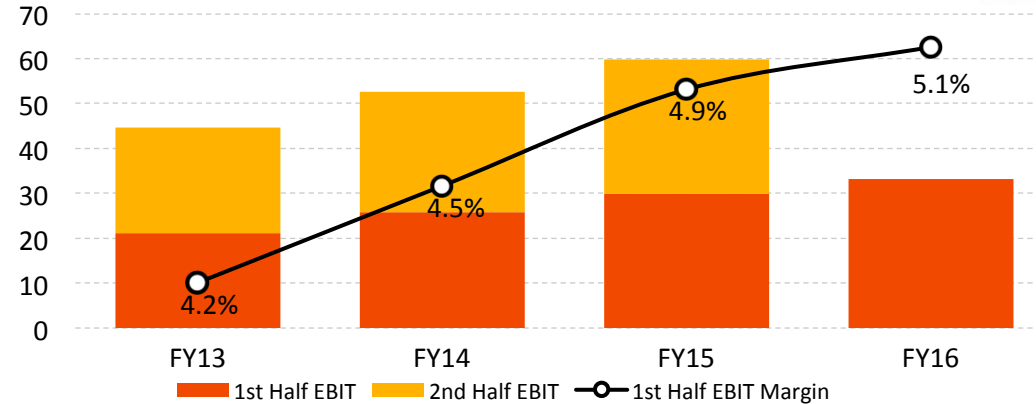
2150 Employees  
10 Manufacturing Plants

5\* Countries  
50 Distribution Sites



\* USA, Canada, Mexico, China, UK

EBIT Trend  
USD million



## Strategic Focus:

- Target markets – food, pharmaceutical/health, IT componentry, automotive parts (combined approximately 40% of revenue)
- Increasing sales to larger corporate accounts – approximately 22% of revenue (\$271M) in FY15, up from 15% (\$126M) in FY10
- Transition toward customised packaging solutions

“ **Sustained organic growth in strategic target markets** ”

# Total Packaging Solutions



**“ Provider of customised, total packaging solutions – extending right across the value chain ”**

# North American Packaging Distribution market



**Estimated market size: USD40-50B**

**Highly fragmented market provides opportunity for growth (organic & M&A)**

- 5,000 to 7,000 market participants
- Top 5 players hold approximately 30% market share
- Landsberg is #4 with only 2%-3% market share



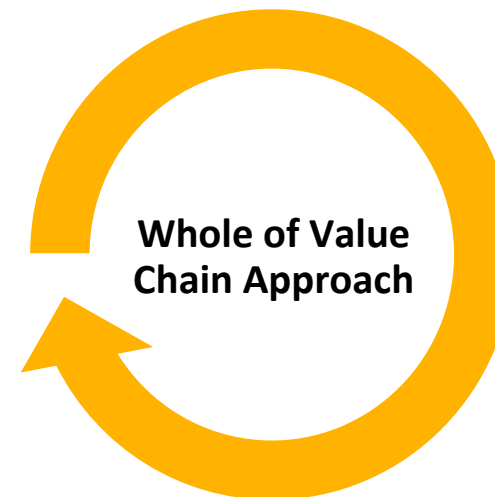
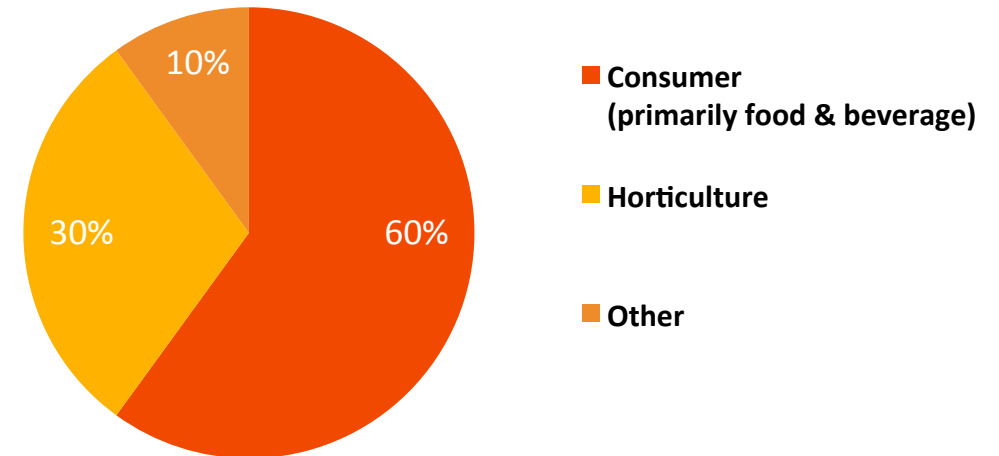
**Leading market participants include:**



# IntegraColor overview

- Texas-based provider of Point of Purchase (POP) retail display solutions & visual communications services
- Approximately USD100M sales revenue
- Acquired on 1 March 2016 for USD77M (approx. AUD107M)
  - 6.9x EBITDA
- Targeting 15% RoAFE by year 3, 20% by year 5
- IntegraColor is an adjacent acquisition for Orora in North America
  - Leverages knowledge/familiarity from Australasia
- New earnings platform in North America – further bolt-on acquisition opportunities in the POP segment
- Attracted by product dynamics & moving further up the value curve and closer to the brand owner
  - Short run
  - Quick turn around
  - Complex
  - Highly customised

## SALES



- Creative & Structural Design
- Multi-Substrate Printing
- Kitting & Shipping
- Inventory Management
- Technology Solutions
- Data Analytics

# North American Point of Purchase (POP) market



Estimated market size: USD10B

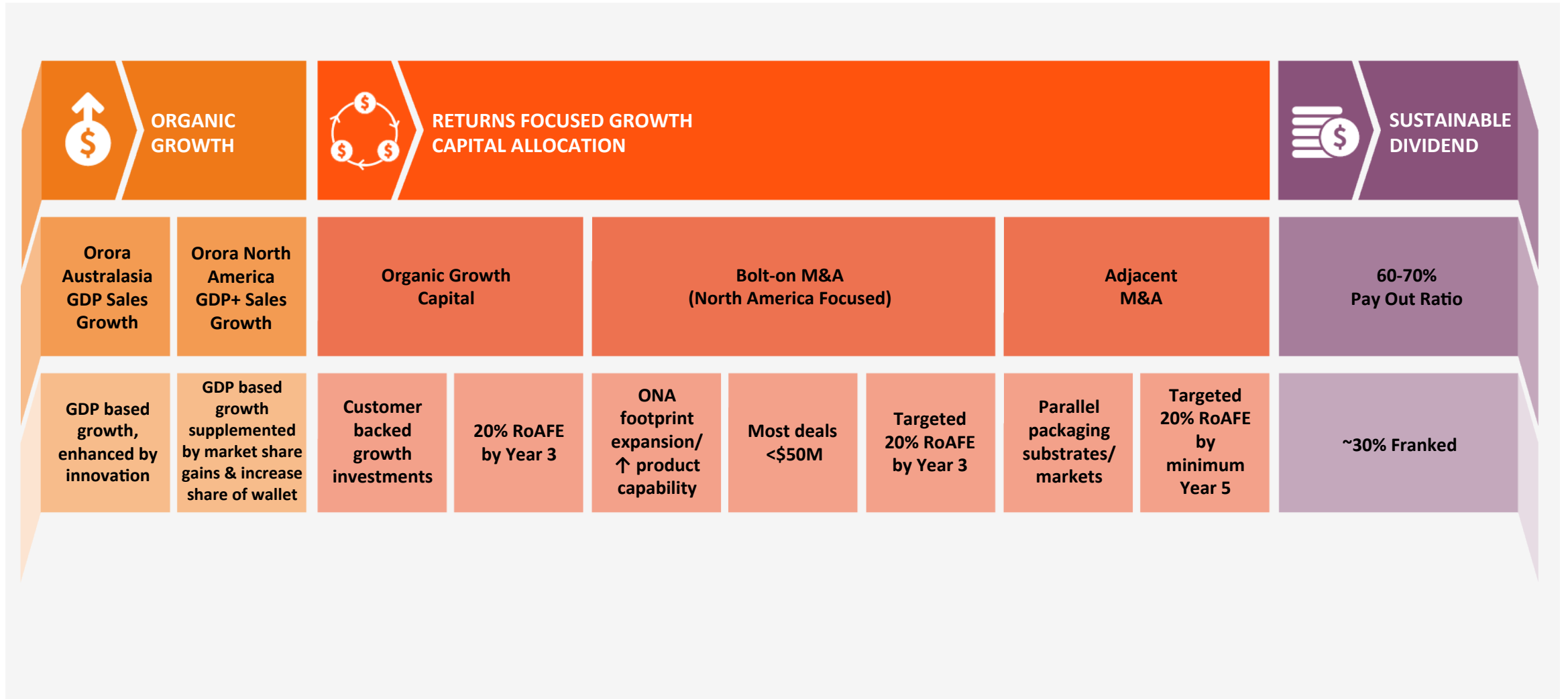
Fragmented industry structure provides growth opportunity (organic and M&A):

- Multiple market participants
- Top 4 players hold an estimated 25% market share
- IntegraColor has 1% market share

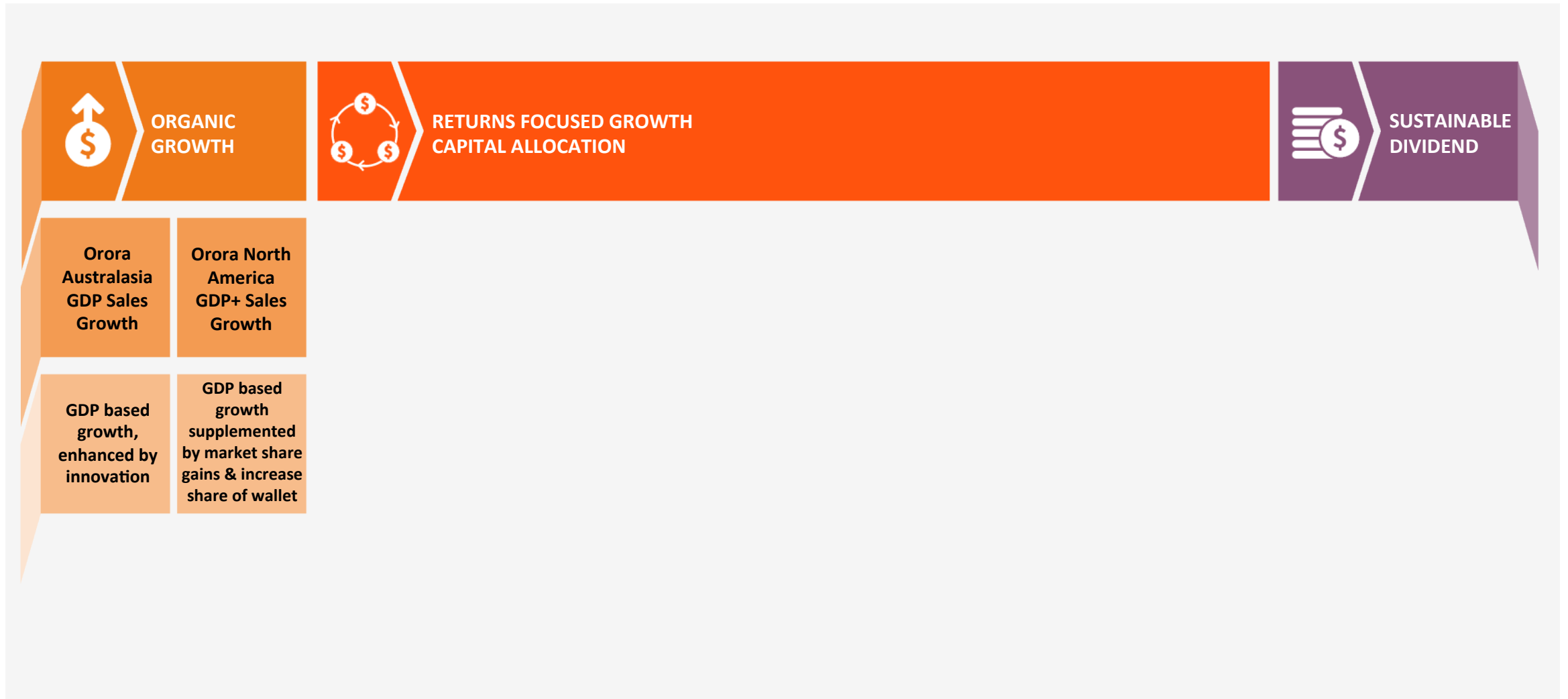
Leading market participants include:

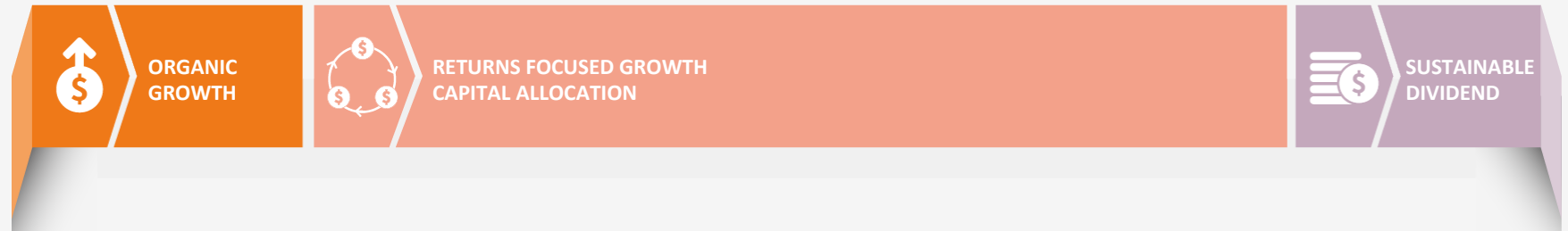


# Orora's blueprint for creating shareholder value



# Orora's blueprint for creating shareholder value





## Organic Growth

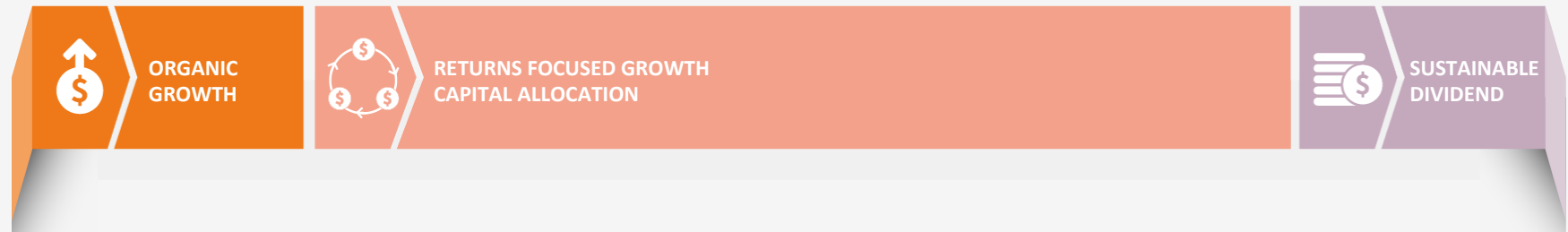
### Australasia

- Sales growth GDP based due to market structure & defensive end market exposure
- Additional earnings growth from innovation, efficiency & procurement

### North America

- Underlying packaging distribution and POP market growth GDP based
- Orora North America organic sales growth of 4-5% driven by:
  - Market fragmentation
  - Opportunity to leverage Landsberg's national footprint





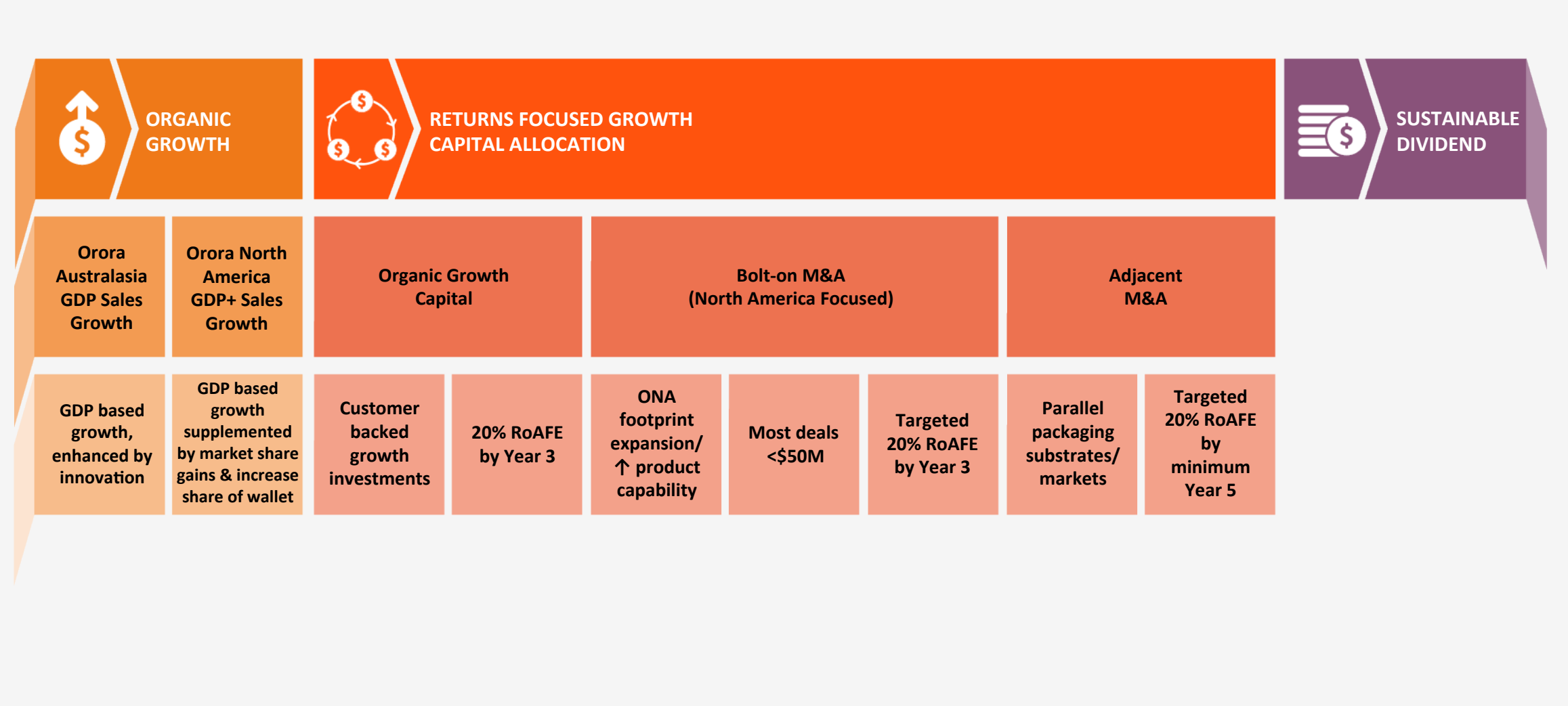
## Organic Growth

### Orora Innovation Initiative

- Launched in July 2015
- Approximately \$45M to be invested over 3 years
- Funded by the disposal of land at Petrie, Queensland
- \$16M approved to date
- Emphasis on enhancing innovation, automation and productivity across Orora
- Principles:
  - Alignment with strategy
  - Ease of implementation
  - Overall innovation portfolio expected to meet hurdle rates

“ *Encouraging entrepreneurial flair & out of the box thinking* ”

# Orora's blueprint for creating shareholder value

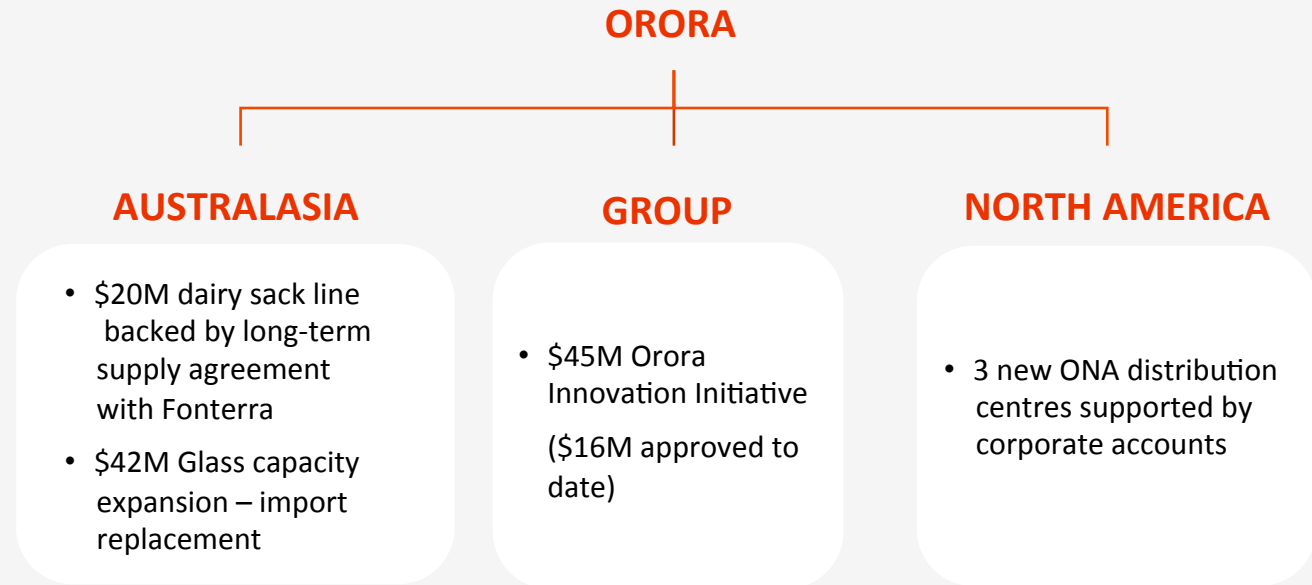




## Returns Focused Growth Capital

Customer-backed investments in existing capability:

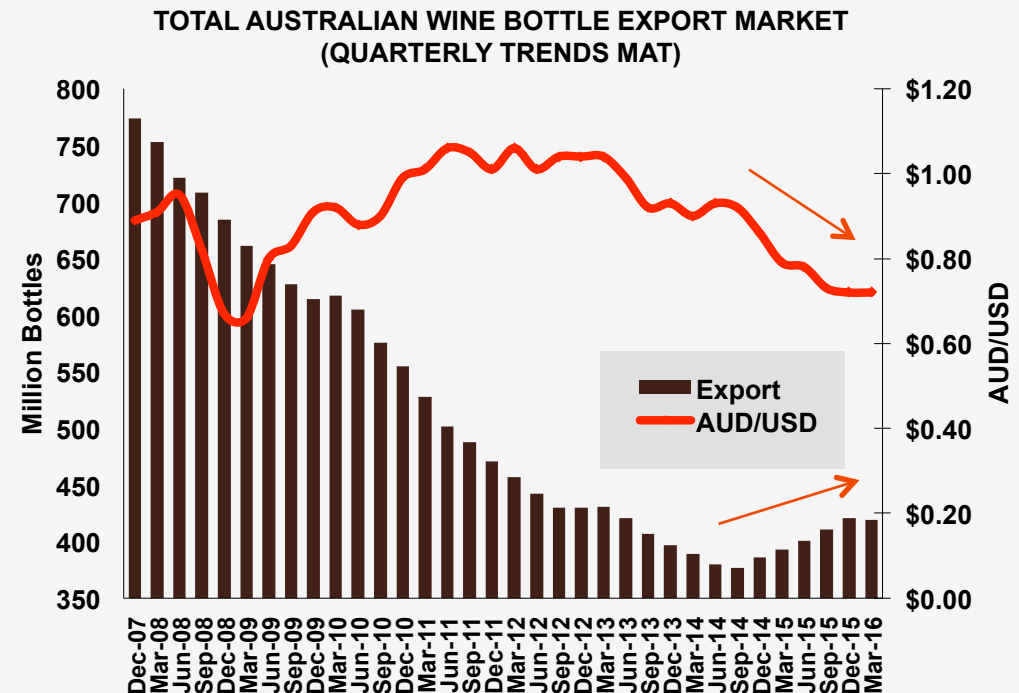
- Attractive use of capital
- Low-risk backed by technical expertise
- Key driver of organic growth
- Strict hurdle rates maintained – 20% by year 3





## Investing \$42M to increase glass bottle capacity

- Announced in February 2016
- Investing in additional glass bottle forming lines to increase off-take from current furnaces
- Wine bottle capacity to increase by 60 million bottles (approximately 8% upgrade)
- Glass business currently in an oversold position – investment is import replacement
- Driven by increased demand within wine segment led by impact of lower AUD
  - Repatriation of wine previously bottled offshore
  - Increased customer volumes (both domestically & export)
- Expect to be fully operational end of FY17
- Expect to be near return hurdle in the first full year of operation (FY18)



Source: Wine Australia, Export Report, March 2016

# Orora's blueprint for creating shareholder value



## Bolt on M&A

- Expand geographic footprint and/or
- Acquire new product capability
- 20% RoAFE hurdle by year 3

Acquisition	Geographic Expansion	Acquired Product Capability	Return Hurdle: 20% RoAFE by Year 3
World Wide Plastics	✓ Texas-based	✓ Rigid plastic clam shells — agricultural market	✓ Expect 20% by year 2 (1 year ahead of schedule)
Jakait	✓ Canada-based	✓ Label making — greenhouse produce market	✓ On track – early stages

# Orora's blueprint for creating shareholder value

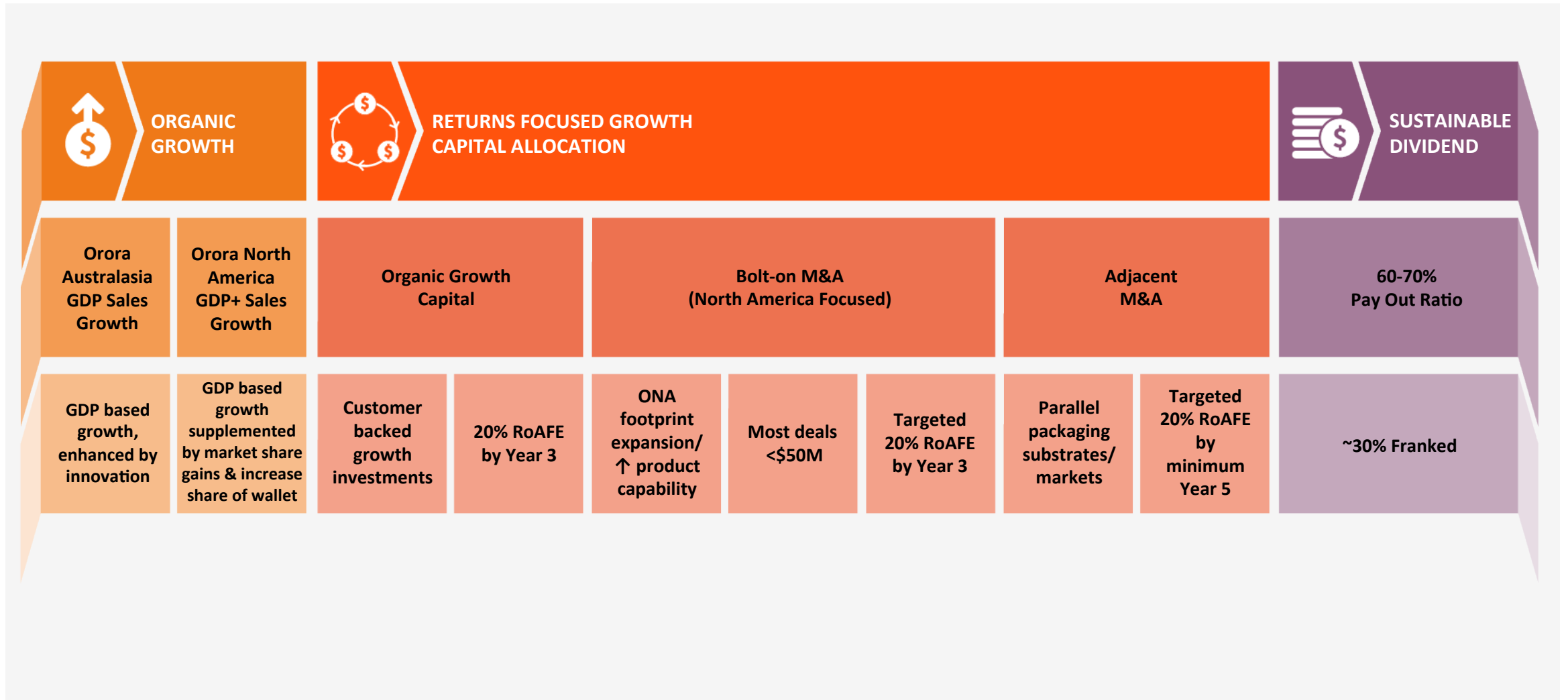


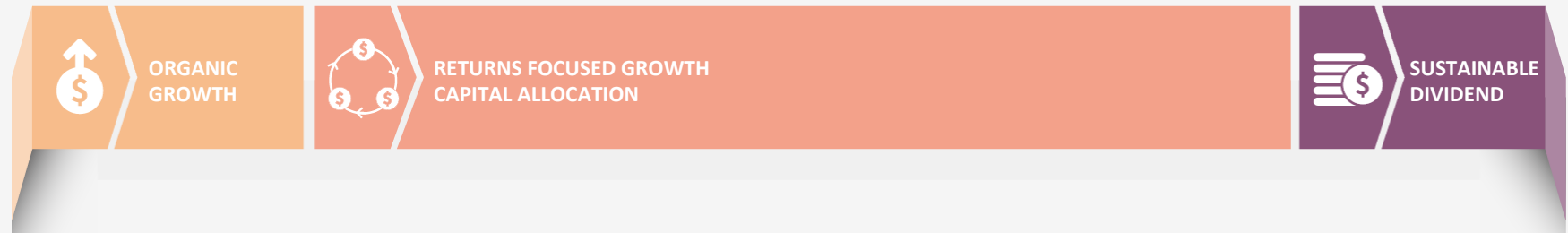
## Adjacent M&A

- Acquisitions in parallel packaging substrates or markets
- Targeted 20% RoAFE by a minimum of year 5

Acquisition	Parallel Packaging Substrate	Alignment to Strategy	Return Hurdle: 20% RoAFE by Year 5
IntegraColor	<ul style="list-style-type: none"> <li>✓ Point of purchase retail display solutions &amp; other visual communications services</li> <li>✓ Attractive market, previously not Orora North America core competency (leverages knowledge/familiarity from Australasia )</li> </ul>	<ul style="list-style-type: none"> <li>✓ Platform for future organic &amp; bolt-on M&amp;A growth</li> <li>✓ Established position in a number of identified target markets</li> <li>✓ Focused on large corporate accounts</li> </ul>	<ul style="list-style-type: none"> <li>✓ Expect 15% RoAFE by year 3, 20% RoAFE by year 5</li> </ul>

# Orora's blueprint for creating shareholder value



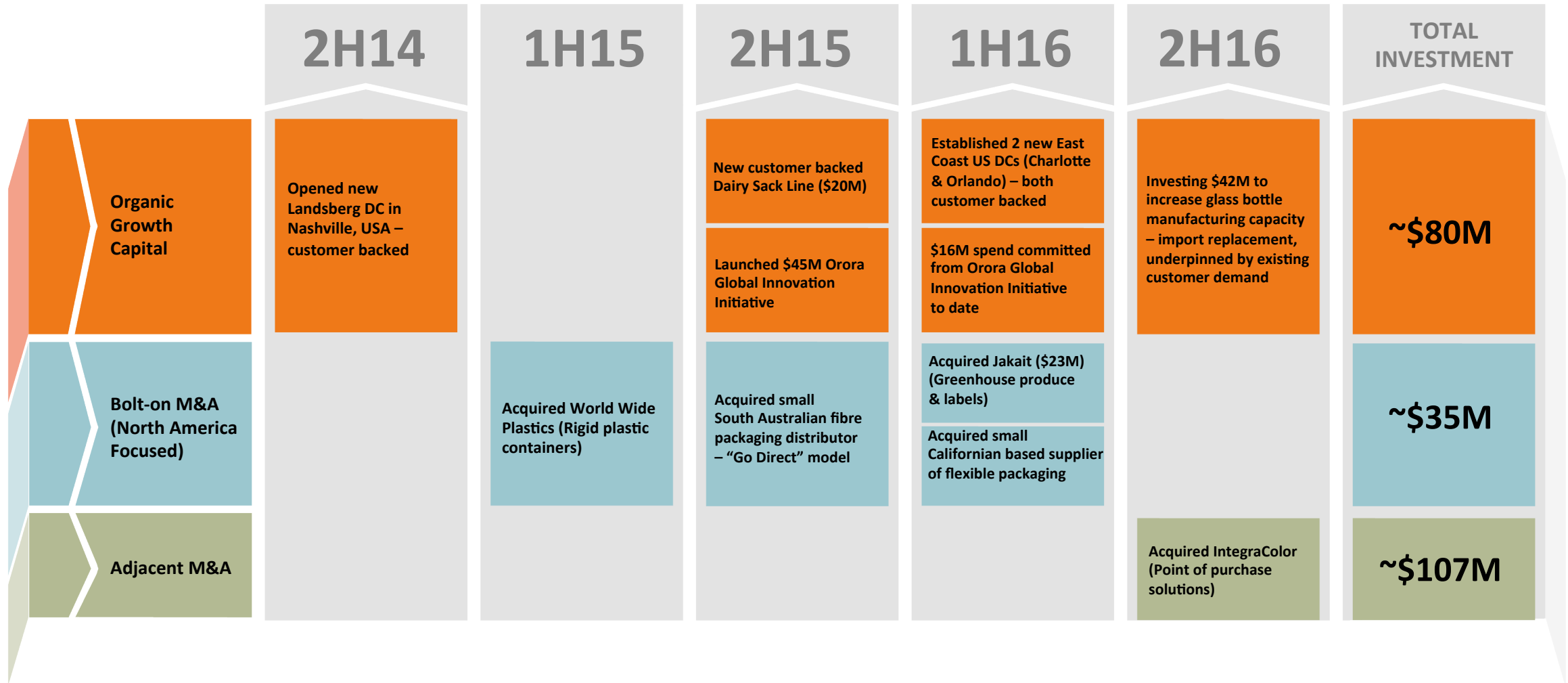


## Sustainable dividend policy

- Indicated 60-70% payout ratio
- ~30% franked
- Both annual dividends since listing have been paid at the top of this range
  - FY14: 70%
  - FY15: 69%



# Orora has invested approx. \$220M in growth since ASX Listing in December 2013



# Healthy balance sheet providing platform for future shareholder value creation



## A strong balance sheet with capacity to fund growth capital investments

- Net Debt was \$593M and leverage 1.7x at December 2015
- Pro forma December 2015 leverage\* of 2.0x after impact of growth capital investments announced in 2H16
- Leverage remains below Management target ( $\leq 2.5x$ )
- Substantial capacity and headroom in facilities and covenants - undrawn capacity of \$465M at December 2015
- Focused on maintaining a disciplined approach to expenditure and acquisitions

**“ Estimated \$100M - \$150M of annual capacity for returns focused growth investments ”**

## Completed successful bank debt refinancing in April 2016

### Action:

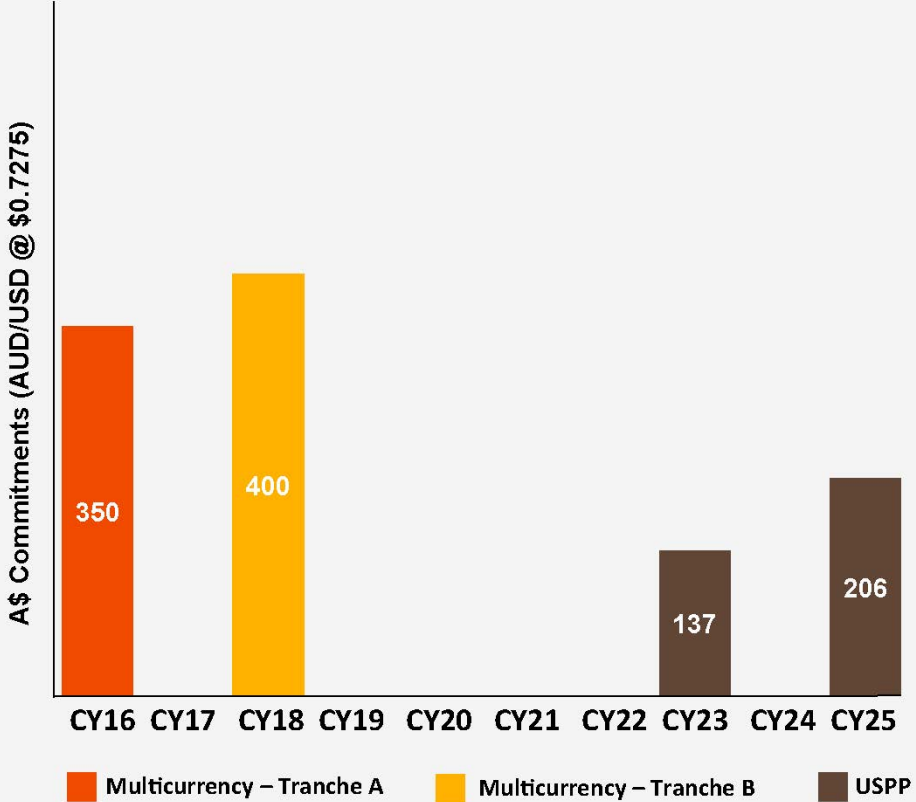
- Replaced A\$350M multicurrency debt maturing in December 2016 with the following facilities:
  - 5 year USD denominated facility of US\$200M (A\$250M+)
  - 2 year AUD denominated facility of A\$100M
- Extended maturity of Tranche B (A\$400M multi-currency) facility from December 2018 to December 2019

### Outcome:

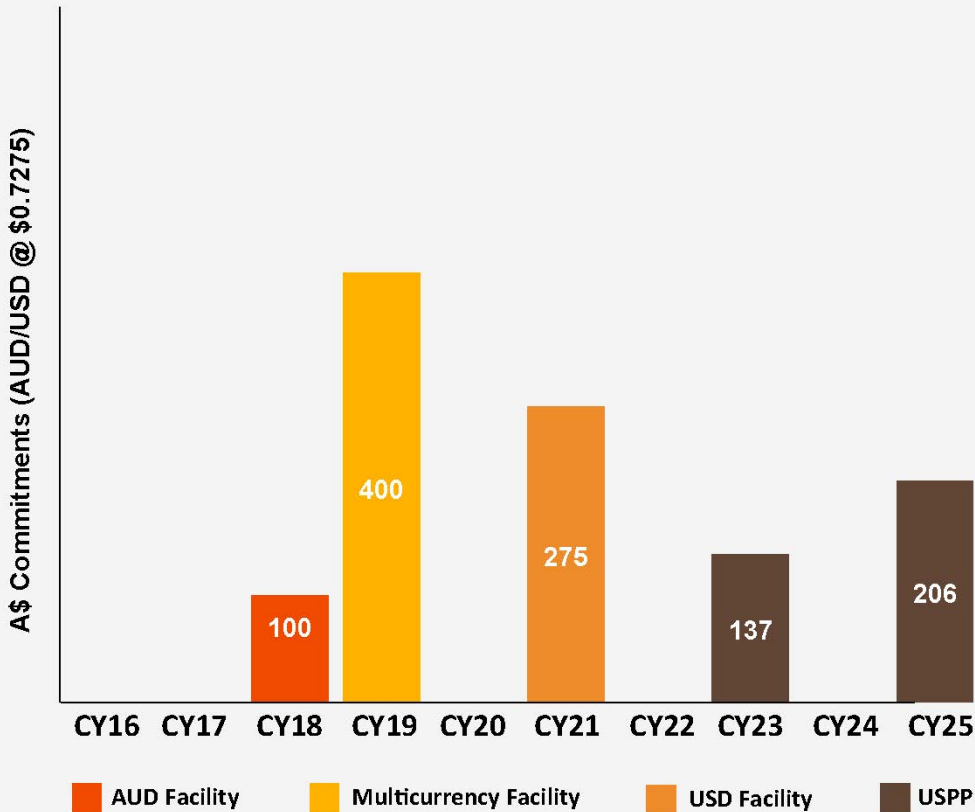
- Extends and smooths debt maturity profile
- Provides funding diversification and manages undrawn line fees
- Strong support from both existing and new banks introduced to the Orora program
- Overall, minimal impact on interest cost from extending maturity profile

# Extended and smoothed debt maturity profile

### OLD DEBT MATURITY PROFILE



### NEW DEBT MATURITY PROFILE



Orora expects to continue to drive organic growth, deliver on the B9 'self help' initiatives and invest in innovation and growth during the remainder of FY16, with earnings to be higher than reported in 2015, subject to global economic conditions



**“ Maintain guidance provided at the 1H16 result in February 2016 ”**