



ASX Announcement

17 October 2017

ORORA LIMITED – ANNUAL GENERAL MEETING

10.30AM TUESDAY 17 OCTOBER 2017

MANAGING DIRECTOR AND CEO'S ADDRESS

Introduction

Thank you Mr Chairman. Good morning ladies and gentlemen and welcome.

I am very pleased to update you on further progress Orora has made towards achieving its vision to be the industry leading packaging and visual communications solutions company.

Operationally the business delivered another good performance, driven by the strength and resilience of the Group's core businesses and supplemented by investments Orora has made to drive growth.

It has been a steady and progressive journey for Orora over the last four years since the Company first listed on the ASX in 2013 and we have seen our profits double in that time. The journey began with a pressing need to invest to refresh Orora's core business assets in Australasia and North America and has since evolved to a new phase, with Orora's strong cash conversion and balance sheet strength, providing the Company with capacity and flexibility to invest in innovation and growth opportunities that both deliver sustained value for shareholders.

The Orora Way

Over the journey, an important driver of the Company's track record of performance, has been Orora's culture program, The Orora Way, which articulates the Group's purpose, strategic focus areas, values and outperformance deliverables.

The Orora Way provides every team member with a practical set of guidelines that unite them behind Orora's vision and embed a shared belief in what they do and how they can deliver outperformance.

Orora continues to place a high value on organisational culture because the Company believes that this drives performance and is a compelling source of competitive advantage.

As the business has grown, The Orora Way has continued to play a pivotal role, particularly in helping to integrate newly acquired businesses into the Company and providing a shared sense of purpose. The Orora Way will continue to be a focus and a priority.



Orora's blueprint for creating shareholder value

The Orora Way is underpinned by Orora's 'blueprint for creating shareholder value'. This blueprint is the framework against which Orora assesses initiatives, investments and opportunities. It is a multi-faceted approach comprising organic growth across Australasia and North America, continued investment in innovation and a returns focused approach to allocating capital towards growth investments, across three avenues:

- organic growth capital - which entails investing in our existing business;
- bolt-on mergers and acquisitions - which is largely focussed on expanding Orora's geographic footprint and product capability in North America; and
- adjacent mergers and acquisitions - which involves entering parallel packaging substrates or markets, such as the initial expansion into the North American point of purchase segment.

Orora has capacity to invest between \$150 million to \$200 million per annum in growth initiatives that will support delivery of sustainable value creation for shareholders in the years ahead.

Since Orora's ASX listing in 2013, the Company has been executing against this blueprint and has committed approximately \$400 million in growth initiatives. While the near term focus is appropriately on integration of recent acquisitions, Orora remains committed to its growth investment strategy and has a healthy pipeline of organic growth capital and acquisition targets.

Safety

Turning now to safety and the integral role it plays in defining Orora and the way the Company works. The safety of Orora team members, contractors and visitors is paramount, an injury to anyone, at any Orora workplace, impacts family, friends, colleagues, as well as the Orora business.

Every year Orora invests in a range of programs and initiatives to educate team members about safe work practices and to build awareness to prevent safety issues occurring.

Despite these efforts, in FY17 Orora's Recordable Case Frequency Rate and Lost Time Injury Frequency Rates were unchanged against pro forma prior year figures.

Clearly, the lack of progress is unacceptable and Orora needs to do more in the year ahead to reduce workplace safety incidents. Orora's ultimate safety goal is zero harm.

We have started FY18 with improvement being shown and we are committed to continuing in this vein.

Business performance

As the Chairman noted earlier, the 2017 financial year was another successful year for the Company despite economic and market conditions remaining subdued for Orora's business divisions in Australasia and North America.



Orora Australasia

Looking first at Australasia, which includes the business groups of Fibre and Beverage. The business delivered earnings before interest and tax, which I refer to as EBIT, of \$213.6 million, a 6.6% increase over the prior year and sales revenue growth of 2.3% to just over \$2 billion. This represents another very solid performance from a business that is absorbing significant cost headwinds and is operating in a market that is generally flat.

Fibre earnings were driven higher by further cost reduction and innovation benefits and the achievement of sales growth in targeted market segments.

The Beverage business benefited from growth in exports of bottled wine and improved operating efficiencies across both the Glass and Cans businesses. These more than offset input cost headwinds in the Glass division and marginally lower volumes in Cans.

To help support wine sector growth, the \$42 million capacity expansion of the Glass facility at Gawler in South Australia was commissioned on time and on budget.

At Orora's B9 recycled paper mill at Botany NSW, 373,000 tonnes of paper were produced, down slightly on 2016. This was due to planned additional maintenance shut periods which were aimed at addressing some reliability issues, with those issues now largely addressed.

As a positive long term signal of confidence in the Australasian business, there was a significant increase in capital spending with commitments to investments of approximately \$100 million including the ongoing asset refresh program underway in the Australasian Fibre business.

There remains a further strong pipeline of capital investment opportunities and these will help drive innovation, production efficiencies, quality improvement and capacity expansion.

Orora North America

In North America, it was a strong period for the business, characterised by organic sales growth, improved profitability and the on track integration of the recently acquired Orora Visual businesses.

In local currency terms, sales grew 11.4% to over US\$1.5 billion and a new milestone was reached, with Orora North America accounting for more than 50% of Orora's sales for the first time.

North America's EBIT increased 23.1% to US\$88.6 million, with Orora Packaging Solutions or OPS as it is known, continuing to perform well and the Orora Visual business on track.

OPS continued to execute on its organic footprint expansion strategy, opening a new fresh produce packaging solutions facility in Central Mexico.

It is pleasing to report that Orora Visual, formerly IntegraColor, performed in line with expectations and the integration process of the three subsequent Orora Visual acquisitions is also on track.

Orora spent a further \$141 million to acquire Register, Garvey Group and Graphic Tech in the 2017 financial year. These businesses have since been united with IntegraColor to create Orora Visual.



Since investing in Orora Visual, the question that is often asked is: What is POP? This short video provides an introduction to you of the POP business.

As you can see, it's a great business, doing great work for a broad range of customers, including many well-known brands.

In North America, the POP market dynamics are attractive. It is a large market, with an estimated value in excess of USD\$10 billion and is currently a fragmented market with multiple participants.

Most companies operating in the segment service the North American market by shipping from their one or two locations. Orora Visual, on the other hand, is able to serve the market locally from its national footprint of integrated production and fulfilment hubs, allowing Orora Visual to significantly improve speed to market and to reduce freight costs. This provides Orora Visual with a strong competitive advantage in a market where customers increasingly want to partner with companies that can implement integrated, national marketing campaigns, quickly.

Many of Orora Visual's customers need to respond to a dynamic and evolving marketplace. With digital disruption and e-commerce changing the way consumers shop and engage in-store, it has become increasingly important for Orora Visual customers to get their in-store presence right. This means many things – including more frequent promotional campaigns and an increased demand for a heightened consumer in-store experience – areas where Orora Visual has the capability, and therefore the opportunity, to grow and win market share.

In addition to its strong market position, the Orora Visual business is well-balanced, with a broad customer base, servicing a range of market segments, from 'bricks and mortar' retail through to the entertainment industry, horticultural, food and beverage, healthcare and more. This spread of customers outside of traditional 'bricks and mortar' retail, provides a natural hedge against the impact of market disruption, with retail customers needing to invest more in-store to generate sales and win market share.

So while it is still very early days, the combination of these market dynamics and Orora Visual's capability and capacity, represent an important new growth opportunity for your Company.

Growth and innovation

Outside of Orora Visual, the Company has also continued to invest in a range of focused initiatives and innovations to drive sustainable future growth.

As part of a multi-year upgrade program for Orora's Fibre business, approximately \$25 million was committed to upgrade the plant and machinery at the NSW Revesby Fibre Packaging plant. This investment will provide Revesby with the capability and capacity to fulfil production demand in NSW for the foreseeable future. Some \$70 million of capital has now been committed to the Fibre business since 2013.

As part of the NSW fibre facility upgrade, Orora decided to close the Smithfield facility and contracts have been entered into for the sale of this property, with settlement expected before the end of December 2017.

Orora has also commenced construction on a \$23 million secondary water treatment plant at the B9 paper mill. The plant will not only reduce the impact on the environment by reducing regulated effluent discharges, but will also generate renewable energy by converting biogas to electricity for consumption on-site.

There has been a lot of public discussion and debate about energy pricing and availability over recent months. Orora continues to investigate alternatives to optimise its energy position for the short and long term. Good progress has been made on a number of fronts and we are investigating a range of traditional and renewable options.

Other than cost, the other factor to consider with energy is the overall usage, or energy intensity. A rigorous internal program has been implemented to reduce energy intensity with expectations that savings of over 10% can be made over the coming two to three years. Strong progress has been made on this initiative to date.

Innovation continues to be an important strategic focus for Orora. The Company established the \$45 million Orora Global Innovation Initiative in 2015 and since then has committed approximately \$29 million, with a number of new projects currently being evaluated.

A few weeks ago, Orora was also awarded a place on the Australian Financial Review's annual Top 50 Most Innovative Companies List. These awards recognise and celebrate companies committed to innovation and Orora is proud to have been recognised as one of Australia's Top 50 most innovative companies for the third time since listing.

First quarter trading

Turning now to the first quarter of the 2018 financial year and it is pleasing to report the operations in both Australasia and North America are ahead of the same period last year and both are trading in line with our internal expectations. Major capital projects are all progressing as expected.

In releasing the full year 2017 results, Orora highlighted the volatility in pricing of old corrugated cardboard or OCC as we refer to it, with OCC being a key input into the Botany B9 paper mill. Recent months have seen a retreat in pricing trends from the high in July/August, largely as a result of the restriction of import licenses in China for OCC.

The graph shows the volatility in OCC pricing over 2017, which is likely to continue. That said, the recent price movements are positive for Orora as it seeks to renew some longer term OCC contracts and the price reductions abate some of the cost headwinds communicated with the full year results.

Outlook

Given the 'on plan' results for the first quarter, Orora expects to be able to deliver underlying earnings growth for the full year in constant currency terms, subject, of course, to global economic conditions.

Consistent with Orora's strategy and The Orora Way, the focus for the year ahead will be:

- Executing with excellence on the key business projects that are ongoing across the Company;



- Continuation of the global innovation initiative across both product and process innovations;
- Continued integration of the recent Orora Visual acquisitions; and
- Further disciplined allocation of free cash flow to organic capital growth projects and acquisitions that meet targeted return levels.

Conclusion

Orora looks forward to continued disciplined investment in its core business to drive growth, cost, quality, service improvement and, of course, innovation and automation.

The Orora Way, the culture and the outperformance mantra, will continue to be the focus for the business. These are seen as vital to supporting the generation of long term shareholder value.

I will now hand you back to the Chairman.

Thank you.

-ends-