INVESTOR RESULTS RELEASE

Orora announces results for the half year ended 31 December 2020

FINANCIAL SUMMARY

- Underlying net profit after tax (NPAT) before significant items was $91.1M, up 18.9% on the prior corresponding period (pcp). Underlying earnings per share (EPS) was 9.6 cents per share (cps), up 20.0% on the pcp.
- Statutory NPAT was $97.4M and EPS was 10.2 cps.
- Sales revenue was $1,814.1M, down 1.2% on the pcp. On a constant currency basis, revenue was up 3.1% on the pcp.
- Underlying Earnings Before Interest and Tax (EBIT) was $140.0M, up 5.2% on the pcp. Constant currency underlying EBIT was up 7.5% on the pcp.
- Significant items ("SI") income after tax of $6.3M comprised of an incremental net gain from the disposal of the Australasian Fibre business ("Fibre") sale ($12.8M after tax) arising from the post 30 June 2020 completion accounts process, partially offset by additional decommissioning costs at Petrie ($6.5M after tax).
- Operating cash flow was $144.8M, $17.6M above the pcp. Cash conversion was ~79%, up from ~72% in the pcp. The key movements were stronger period earnings, the phasing of base capital expenditure which is weighted to 2H21 and the spend on the G2 rebuild in the pcp (~$25M) which is not repeated in FY21. The outlook for cash conversion for the full year is in excess of 70.0%.
- Interim ordinary dividend is 6.5 cps, in-line with the pcp. The interim dividend is unfranked and sourced from the conduit foreign income account. The interim dividend represents a pay-out ratio of ~68.0%. The ex-dividend date is 3 March 2021, the record date is 4 March 2021 and the payment date is 1 April 2021.
- Net bank debt at 31 December 2020 was ~$277M, down from ~$292M at 30 June 2020, primarily reflecting stronger period earnings, reduced first half capital expenditure, the receipt of a substantial tax refund and the settlement of the working capital completion account adjustment process related to the sale of Fibre, largely offset by the on-market share buyback ("buyback").
- Leverage was 0.9 times, in-line with June 2020 and down from 2.3 times at December 2019.
- RoAFE was 21.4%, up from 19.2% at pcp, reflecting higher earnings across all business units.

DISCONTINUED OPERATIONS

- On 30 April 2020, Orora completed the sale of Fibre to a wholly owned subsidiary of Nippon Paper Industries Co., Limited for an enterprise value of $1,720.0M.
- Net proceeds received in FY20 were ~$1,550.0M. In the first half of FY21, Orora finalised the working capital completion account adjustment process which resulted in further cash inflows of ~$19.7M. There are further amounts to be received in due course related to the deferred settlement of two properties.

FINANCIAL SUMMARY – (refer to footnotes)

(A$ mil)	1H21[1]	1H20	Change %	Change % Constant Currency
Sales revenue	1,814.1	1,835.2	(1.2%)	3.1%
EBITDA[2]	199.4	194.8	2.4%	5.1%
EBIT	140.0	133.1	5.2%	7.5%
NPAT	91.1	76.6	18.9%	
EPS (cents)[3]	9.6	8.0	20.0%	
Return on sales[4]	7.7%	7.3%		
Operating cash flow[5]	144.8	127.2	13.8%	
Cash conversion[6]	79%	72%		
RoAFE[7]	21.4%	19.2%		
Dividend per share (cents)	6.5	6.5	-	
Net bank debt[8]	277	996		
Leverage[9]	0.9x	2.3x		
Gearing	23%	39%		

- The Fibre business delivered EBIT of $33.7M in 1H20.

CAPITAL MANAGEMENT UPDATE

- In August 2020, Orora announced an on-market buyback[10] of up to 10 percent of issued share capital, representing ~96.5 million shares.
- As at 31 December 2020, the buyback is ~44% complete, with ~42.7 million shares bought back at an average price of $2.59, for total consideration of $110.7M. The buyback is forecast to be complete by 30 June 2021. The buyback is expected to cost ~$260M[11].
- The buyback reflects the strength of Orora's balance sheet, current liquidity position and the strong cash generation capability of the Group's businesses (targeting a Group cash conversion of greater than 70% in FY21).
- Shareholders need to ensure their account details are up to date by 4 March 2021 (record date) in order to receive their dividend payment on 1 April 2021. The Dividend Reinvestment Plan will be suspended for the interim dividend.

[1] 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 references to earnings before interest and tax and significant items.
[2] Earnings before interest, tax, depreciation, and amortisation
[3] Calculated as NPAT / weighted average ordinary shares (net of Treasury Shares)
[4] Calculated as EBIT / Sales
[5] Excludes cash significant items that are considered to be outside the ordinary course of operations and discontinuing operations
[6] Calculated as underlying operating cash flow / underlying cash EBITDA
[7] Calculated as annualised 1H21 EBIT / trailing 12 month average funds employed.
[8] Net bank debt excludes the impact of AASB16 Lease Accounting
[9] Calculated as Net Debt (excluding AASB16) / trailing 12 month underlying EBITDA including discontinued operations (excluding AASB16)
[10] An Appendix 3C was released on 17 August 2020. The buyback commenced on 14 September 2020. Orora reserves the right to vary, suspend or terminate the share buyback at any time and to buy back less than the 96.5 million shares.
[11] Based on actual cost to date and using Orora's closing share price on 17 February 2021 of $2.73 to complete the remaining outstanding amount.

STRATEGY UPDATE

- Each business has developed strategic priorities that align with Orora's strategic pillars, have a key focus on sustainability, innovation and digitisation, and which support the objective of becoming a leading sustainable packaging solutions company. The strategic pillars and a summary of the priorities include:
    - Pillar 1: Optimise and grow through operational improvement and best in class execution by:
        - Increasing utilisation of facilities to enhance production volumes and throughput, focus on continued deployment of Industry 4.0 including Integrated Work Systems ("IWS") and data analytics, supply chain excellence, pursuing further automation, driving increased recycled content, focus on account profitability, salesforce effectiveness, M&A integration, refinement of core business processes and harmonisation of estimation procedures.
    - Pillar 2: Enhance and expand core products and services to enhance Orora's customer value proposition through:
        - Capability and capacity expansion, growing share of wallet in current markets, continued developments in light-weighting, continuing to lead digital and fabric printing capability, a focus on consolidating and enhancing eCommerce and digital capabilities, and the establishment of omnichannel capability.
    - Pillar 3: Enter new segments that are complementary to Orora's capability set by:
        - Expanding current substrates into new categories, product expansion, exploration of potential adjacencies for the Australasian Beverage business, the preliminary assessment of potential offshore entry points for the Australasian business and reviewing the strategic direction of Orora Visual ("OV") by the end of calendar 2021.
- These pillars and strategic priorities form a critical part of Orora's refreshed blueprint for shareholder value creation.
- Orora's strategy is expected to continue to generate strong cash flows from the core business operations. Deployment of this cash will be a combination of investments in the core businesses, strategic acquisitions that enhance Orora's product and service offering and capital management condsiderations, which takes into account Orora's dividend payout ratio of 60% - 80% of NPAT.
- Future growth initiatives will continue to be assessed with a rigorous approach to capital allocation ensuring that only value accretive investments that meet Orora's return criteria (to generate a return with an appropriate premium to WACC depending on risk of the investment) are undertaken.

SIGNIFICANT ITEMS

- Total significant items for the first half amount to income after tax of $6.3M and consist of the following:
    - Fibre: During September 2020, the Group finalised the post-close completion accounts process for the divestment of the Australasian Fibre business. This resulted in the recognition of an incremental net gain on disposal of $11.3M (after tax $12.8M).
    - Petrie: Following ongoing project review and reassessment of remediation requirements, additional costs associated with the decommissioning of the former Petrie mill site of $9.3M ($6.5M after tax) have been recognised in respect of estimated costs to complete.

COVID-19 IMPACT AND RESPONSE

- At the beginning of the COVID-19 pandemic in 2H20, Orora activated its Risk Management Team who continue to steward the Company's response across people, operations, suppliers and customers.
- Orora's response comprises three key focus areas: (1) safety, health and wellbeing, (2) customers and supply chain, and (3) active financial management.
- Orora was swift to implement and continues to operate a range of health and safety measures to respond to, and mitigate, any risk of transmission of COVID-19 at its sites and team members working remotely.
- Orora is working with its customers to ensure continuity and quality of supply. Procurement and operational teams continue to work with vendors to preserve ongoing supply.
- Despite the initial impact of COVID-19, the businesses have adapted and performance has stabilised in 1H21.

SUSTAINABILITY UPDATE

- As part of Orora's ongoing sustainability agenda, Orora launched its new five-year Eco Targets at the start of FY21 covering reductions in CO2 emissions, waste to landfill and water waste.
- Each Target is measured as intensity against production related metrics specific to the activities of each business division.
- The targets reflect the primary activity of each of the business units. These are divided into those which produce packaging; measured against tonnes produced, and those that distribute packaging; measured against floor space square metres.
- In 1H21 Orora begun utilising glass cullet from the new West Australian Container Deposit Scheme ("CDS") in addition to cullet already used from the South Australian and New South Wales schemes. Orora is also on track and making good progress towards the new Eco Targets and will report in further detail at the full year.
- Orora will release its first Modern Slavery Statement for FY20 in March 2021.

LEADERSHIP

- In October 2020, Orora announced the appointment of Mr Shaun Hughes as the Company's new CFO. The appointment followed a comprehensive succession program to replace Mr Stuart Hutton. Shaun has extensive experience with much of his career spent in ASX-listed companies operating across multiple industries, geographies and functions.
- In November 2020, Orora announced the appointment of Mr Frank Pennisi as the new President of Orora Packaging Solutions ("OPS"). The appointment followed a decision by Mr Bernardino (Bernie) Salvatore to retire. Frank has broad leadership experience gained across manufacturing, engineering, logistics and technology companies.

SEGMENT HIGHLIGHTS

- Australasia EBIT up 4.2% to $86.1M
    - The higher earnings were predominately the result of stronger volumes across Cans and Closures. Volume gains were partially offset by an unfavourable mix in Cans and Glass, and previously announced cost headwinds including higher energy and insurance costs; and
    - EBIT margin was down 50 basis points ("bps") compared to the pcp to 19.5%, reflecting the impact of the unfavourable Cans and Glass product mix and cost headwinds.
- North American EBIT up 6.7% to $53.9M
    - In local currency, EBIT was up 12.7% to US$39.0M;
    - EBIT margin was 3.9%, up 30 bps on the pcp;
    - Improved margins were driven by continued execution against strategic improvement initiatives, including increased transparency and analysis of customer account profitability, enhanced sales force effectiveness and a stronger focus on cost

control measures. These actions resulted in an increase in local currency earnings for both OPS and OV;

- OPS local currency sales, EBIT and EBIT margin were both higher than the pcp, with the increase in margin and earnings driven by the previously outlined improvement initiatives that are now embedded within the way OPS operates, supplemented by a stronger performance in the Manufacturing business;
- The closure of traditional 'bricks and mortar' retailers across North America due to COVID-19 continued. This had a direct impact on the OV business with a decline in revenues on the pcp. Despite the lower revenue, OV earnings marginally improved compared to the pcp, driven by the continued focus on defensive end customers and the execution of cost control measures, which included the LA site closure and right sizing the cost base; and
- The negative FX translation impact on US dollar denominated earnings for the North American segment was $3.0M on pcp.

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.

REVENUE

- Sales revenue of $1,814.1M was down 1.2% on pcp, driven by:
    - Volume and revenue growth in all Australasian businesses;
    - OPS increasing revenue by 2.8% in local currency terms;
    - OV revenue declining on the pcp; and
    - $70.0M negative FX impact on US dollar denominated North American sales;
- Underlying sales in Australasia increased ~9.0% after taking into account the pass through of lower aluminium prices.

EARNINGS BEFORE INTEREST AND TAX

- EBIT increased by 5.2% to $140.0M, and was attributable to:
    - Stronger volumes in Cans and Closures; and
    - Improved margins in OPS and OV.
- Earnings increase was partially offset by:
    - Unfavourable mix in Cans and Glass;
    - Cost headwinds associated with energy and insurance; and
    - Negative translational FX impact from US denominated earnings of $3.0M on pcp. US dollar earnings were translated at AUD/USD ~72 cents in 1H21, compared to ~68 cents in pcp.
- Going forward, foreign exchange translation sensitivity on EBIT and NPAT to a 1 cent move in the AUD/USD on an annualised basis is ~$1.8M and ~$0.8M respectively.

BALANCE SHEET

- Key balance sheet movements since June 2020 were:
    - Decrease in other current assets was driven by the receipt of completion account and tax refund amounts related to the sale of Fibre, and a reduction in inventory in Cans, while paper levels were also lower in OPS. This was partially offset by increases in trade receivables due to increased sales. The FX impact was $54.3M (decrease);
    - Net property, plant and equipment ("PP&E") decreased by $36.7M. Capex for 1H21 was $15.8M which included spend on the Revesby small format can line and a new folder gluer in OPS. Depreciation for the period was $33.0M. The FX impact on PP&E was $18.8M (decrease);
    - Intangible assets decreased by $33.4M with $8.5M of investments made in digital platforms and software upgrades. Amortisation for the period was $4.0M. The FX impact was $37.8M (decrease);
    - Net debt decreased by $15.6M during the period with the main drivers being increased operating cash flow, the receipt of a tax refund and settlement of the working capital completion account adjustment process. These were largely offset by $110.7M spent on the buyback. The FX impact was $13.0M (decrease). Orora remains well within all debt covenant requirements;
    - Decrease in payables and provisions was driven primarily by the payment of final Fibre related payables (offset by receipt of working capital completion amounts in receivables) and a reduction in payables in OPS to take advantage of early payment discounts. The FX impact was $58.5M (decrease); and
    - The net Right of Use ("ROU") Lease Liability declined $8.1M. Net Lease Liability remained broadly in-line year on year, with $6.0M of the net movement due to FX.

Revenue Summary

(A$ mil)	1H21	1H20	Change %
Australasia	441.2	412.2	7.0%
North America	1,372.9	1,423.0	(3.5%)
Total sales revenue	**1,814.1**	**1,835.2**	(1.2%)

Earnings Summary (EBIT)

(A$ mil)	1H21	1H20	Change %
Australasia	86.1	82.6	4.2%
North America	53.9	50.5	6.7%
EBIT	**140.0**	**133.1**	5.2%

Balance Sheet (A$ mil)	31/12/20	30/06/20	Change %
Cash	83	107	(22.4%)
Other Current Assets	814	948	(14.2%)
Property, Plant & Equipment	635	672	(5.5%)
ROU Lease Assets	201	217	(7.5%)
Intangible Assets	402	436	(7.8%)
Other Non Current Assets	141	120	17.8%
Total Assets	**2,276**	**2,500**	(9.0%)
Interest-bearing Liabilities	360	399	(9.9%)
ROU Lease Liabilities	255	279	(8.8%)
Payables & Provisions	746	789	(5.5%)
Total Equity	915	1,032	(11.3%)
Total Liabilities & Equity	**2,276**	**2,500**	(9.0%)
Net debt	277	292	(5.3%)
Leverage	0.9x	0.9x	
Gearing	23%	22%	

CASH FLOW

- Increased earnings were converted into cash with operating cash flow of $144.8M, up on pcp by 13.9%.
- Cash conversion of 79.0% was stronger than 72.0% reported in the pcp.
- Main movements / points to note in cash flow include:
  - Increase in cash EBITDA (sum of EBITDA and non-cash items), broadly in-line with lease adjusted earnings;
  - Increase in trade receivables in-line with increased sales;
  - Early payment of payables in North America to capture settlement discounts;
  - One-off unwind of extended terms related to a supplier in Australia;
  - Reduction in Cans inventory and paper in OPS;
  - Lower base capex of $21.4M compared to the pcp of $50.0M reflects the impact of the G2 rebuild at Gawler of ~$25.0M in the pcp, and a second half phasing of base capex in Australasia; and
  - Gross capex (base and growth) was ~80% of underlying depreciation for the first half. FY21 base capex is expected to be ~90% of underlying depreciation (excluding depreciation of leases).
- Average total working capital to sales was 6.9% (8.5% in pcp), with the decrease largely attributable to increased sales and reduced inventory in Cans and OPS, partially offset by the net impact of increased receivables and decreased payables.
  - The medium term management target for average total working capital to sales is less than 10.0%.

Cash Flow

Cash Flow (A$ mil)	1H21	1H20	Change %
EBITDA	**199.4**	**194.8**	2.4%
Lease repayments[12]	(30.5)	(31.8)	
Non-cash Items	14.4	13.5	
Cash EBITDA	**183.4**	**176.5**	3.9%
Movement in Total Working Capital	(17.1)	(0.1)	
Base capex	(21.4)	(50.0)	
Sale proceeds	-	0.8	
Operating cash flow	**144.8**	**127.2**	13.9%
Cash significant Items	(18.0)	(14.8)	
Operating free cash flow	**126.8**	**112.4**	
Interest – Group[13]	(9.0)	(20.7)	
Tax - Group	18.9	(35.6)	
Growth capex	(5.0)	(11.3)	
Free cash available to shareholders	**131.7**	**44.7**	
Cash conversion	79.0%	72.0%	

[12] Cash impact of AASB16 Leases has been included in operating cash to provide a view of cash EBITDA

[13] Group includes values pertaining to continuing and discontinuing operations

AUSTRALASIA

KEY POINTS

- Australasia EBIT increased by $3.5M to $86.1M, 4.2% higher than the pcp.
- The increase in EBIT was predominately driven by stronger volume growth in Cans and Closures. Volume gains were partially offset by an unfavourable mix in Cans and Glass and cost headwinds related to insurance (~$1.0M) and energy (~$1.5M).
- Return on sales decreased by 50 bps from 20.0% to 19.5% as a result of unfavourable mix and cost headwinds impacting margins.
- Underlying sales in Australasia increased 9.0% after taking into account the pass through of lower aluminium prices.
- Operating Cash Flow was $91.8M, up $10.8M compared to the pcp.
- Cash conversion was ahead of the pcp at 76.6%. In comparison to the pcp, cash EBITDA increased in line with higher earnings, negative movement in net working capital was driven by increased receivables due to increased sales and decreases in payables, largely due to the one-off unwind of extended terms related to a supplier in Australia, partly offset by a reduction in Cans inventory, while base capital expenditure was materially lower, with the prior period including investment relating to the G2 rebuild at Gawler of ~$25M.
- RoAFE was 28.0%, down from 31.4% in the pcp, with increased earnings offset by the commissioning of G2 and warehouses at Gawler in FY20.
- Economic conditions in Australia remain subdued and uncertain, principally due to the continuing impact from COVID-19, while the introduction of tariffs on Australian wine by China will also impact Orora.

BEVERAGE BUSINESS GROUP

Beverage Cans:

- Volumes were up on the pcp, underpinned by steady volumes in carbonated soft drinks (CSD) (including volumes transitioning from other substrates) and growth in both craft beer and mainstream beer segments (switch from glass). Volumes also increased in non-alcoholic beverages such as still and sparkling water, and other alcoholic beverages such as seltzers and wine.

Glass:

- Despite the impact of a smaller 2020 wine vintage, total tonnage was broadly in-line with the pcp, with wine volumes slightly behind the prior period, offset by growth in beer and other beverage categories.
- Ongoing focus on operational cost improvement and the benefits of the warehouses commissioned in FY20 have flowed as anticipated, however they were largely offset by unfavourable product mix movement and the impact of increased energy prices. Earnings were broadly in-line with the pcp.
- Orora continues to work closely with customers to understand and plan for the impact of China tariffs on bottled wine exports in 2H21 and beyond.

Closures:

- Closure volumes were up on the pcp reflecting increased at home consumption resulting in an increase in earnings. China tariffs did not appear to have an impact on closures as exports to China predominantly relate to corked bottles.

(A$ mil)	1H21	1H20	Change %
Sales Revenue	441.2	412.2	7.0%
EBIT	86.1	82.6	4.2%
EBIT Margin %	19.5%	20.0%	
RoAFE	28.0%	31.4%	

Segment Cash Flow

(A$ mil)	1H21	1H20	Change %
EBITDA	**109.9**	**105.4**	4.3%
Lease repayments	(3.1)	(3.1)	
Non-cash Items	13.1	11.7	
Cash EBITDA	**119.9**	**114.0**	5.2%
Movement in Total Working Capital	(17.7)	6.4	
Base Capex	(10.4)	(39.4)	
Operating Cash Flow	**91.8**	**81.0**	13.3%
Cash Significant Items	(13.8)	(10.1)	
Operating Free Cash Flow	**78.0**	**70.9**	
Cash Conversion	76.6%	71.0%	

INNOVATION & GROWTH UPDATE

- Beverage Cans is to invest more than $13.0M in small format can capability at Revesby (NSW) to meet customer preferences and demand. This will be completed in 2H21 and is complementary to the existing small format can capability already installed in Rocklea (Qld) and Wiri (Auckland).
- Orora currently recycles ~80% of South Australia's CDS glass volumes. With the introduction of a CDS in Western Australia in October 2020, Glass commenced transporting recycled glass from WA to South Australia. This will increase recycled glass content over time from ~25% to ~40%, further enhancing Orora's Sustainability agenda. The business continues to seek further opportunities to source recycled content.
- Beverage Cans and Glass have continued to focus on operational excellence through Advanced Manufacturing including data analytics and IWS deployment. In line with this strategy, investment has continued in the Industry 4.0 plant efficiency initiative. The data analytics platform has now been rolled out to all Cans body sites to provide better data to problem solve and improve efficiencies. The Glass site implementation will be completed in 2H21.
- The benefits of the ~$35.0M warehouse at Gawler to enable onsite storage of inventory and further reduce offsite pallet storage and transport costs have materialised as forecast.
- Orora continues to invest in capacity and innovation to produce best in class products and services. At Glass, ~$240M has been invested in the world class Gawler facility since the demerger, including the G2 furnace rebuild, capacity expansions, mould insourcing, system upgrades and on-site, highly automated warehouse capacity.
- At Cans, lines have been upgraded in Auckland and Brisbane, followed shortly by Sydney, to produce multi size products, while the decoration and differentiation capability is market leading. Cans continues to explore a number of innovative concepts in aluminium containers.
- Quality and service are paramount, and investments in eCommerce enhancements continue to assist with customer engagement.

PERSPECTIVES FOR REMAINDER OF 2021

- The Australasian business will continue to identify and implement cost reduction initiatives, as well as reinvest in upgrades to the asset base and new capacity and new sites with the support of customers. This is consistent with Orora's proven approach to offset ongoing headwinds, in addition to pursuing organic and inorganic growth.
- With the success of investments in Australasia to date, investment in innovation, including innovation that drives sustainability improvements, will continue to enhance the value proposition and / or improve productivity and drive earnings growth of the Australasian business.
- The most recent wine vintage was weaker and exports are expected to remain subdued. Orora expects industry wine bottle volumes to decline in 2H21.
- Orora continues to work closely with customers to understand and plan for the impact of China bottled wine exports in 2H21 and beyond.
- Energy prices are expected to remain steady beyond the reset experienced in calendar 2020 (2H20 and 1H21). A further increase in insurance costs of ~$0.75M will impact the Australasian business in 2H21.
- The negative impact on EBIT in 2H20 of ~$8.0M associated with the rebuild of G2 will largely unwind in 2H21, with the expected benefit to be in the order of ~$6.0M, but this will be more than offset by glass volume declines. Cash conversion in FY21 and beyond is expected to be greater than 70.0%.

NORTH AMERICA

KEY POINTS

- North America's EBIT increased 6.7% to $53.9M.
- In local currency terms, EBIT increased 12.7% to US$39.0M. EBIT margins increased 30 bps to 3.9%.
- Sales grew 2.0% to US$993.1M. Sales increased in OPS, while sales declined in OV.
- Operating cash flow increased to $53.0M while cash conversion increased to ~84% (~74% in pcp). The increase in cash conversion was driven by an improvement in working capital, with increased receivables due to improved sales and reduction in trade payables to capture early settlement discounts offset by decreases in inventory.
- RoAFE increased by 370bps to 15.4% in-line with higher earnings and the OV impairments made in FY20.
- Reported EBIT includes a negative A$3.0M FX translation impact.

COVID-19 IMPACT

- Both OPS and OV are classified as essential services.
- The impact of COVID-19 on North America was materially greater than that felt in Australasia. While OPS has returned to revenue growth, many retailers remain closed, negatively impacting OV revenue.
- The businesses continued to successfully manage the safety of Orora's people and continues to provide effective service to customers while focussing on a realignment of operating costs commensurate with prevailing volumes.

ORORA PACKAGING SOLUTIONS

- EBIT was higher than the pcp in both Q1 and Q2.
- OPS delivered constant currency revenue growth of ~2.8%.
- EBIT margins were higher than the pcp. EBIT margins improved to 4.6% from 4.1% in the pcp (4.2% from 3.6% in the pcp, excluding the benefits of lease accounting).
- The EBIT margin increase was the result of traction gained in executing the profit improvement program focussed on volume growth, margin recovery and efficiency / cost reduction. The improved financial performance in 1H21 was driven by:
    - Headcount reductions made in FY20;
    - OPS price increases made in FY20 have held; and
    - OPS remains focussed on continued execution of the comprehensive improvement program which includes further leveraging the ERP and associated data analytics to provide additional transparency to sales representatives, further enhancing decision making on price, procurement and costs to serve.
- Revenue synergy realisation from the Texas based Pollock acquisition, which had accelerated during 2H20 with the onset of COVID-19 by leveraging supply lines and introducing a range of Health & Safety based products across the broader Landsberg business, reduced in 1H21 as competition in this space materially impacted margins.
- Margin improvement initiatives are continuing to positively impact with Q2 EBIT margins ahead of Q1.

ORORA VISUAL

- OV revenue was below the pcp in constant currency in Q1 and Q2 due to challenging trading conditions with retail store closures and the deferral of retailers' promotional programs during the COVID-19 pandemic.
- Despite lower revenue and more competitive market conditions, EBIT improved compared to the pcp, driven by the execution of cost control measures which included the LA site closure and right sizing the cost base.
- Q1 revenue was ~10.0% down on the pcp. A shorter 'holiday season' was truncated into Q2, resulting in improved revenue performance, albeit still down ~3.0% on the pcp.

(A$ mil)	1H21	1H20	Change %
Sales Revenue	1,372.9	1,423.0	(3.5%)
EBIT	53.9	50.5	6.7%
EBIT Margin %	3.9%	3.6%	
RoAFE	15.4%	11.7%	

(US$ mil)	1H21	1H20	Change %
Sales Revenue	993.1	974.1	2.0%
EBIT	39.0	34.6	12.7%

Segment Cash Flow

(A$ mil)	1H21	1H20	Change %
EBITDA	**89.5**	**89.4**	0.1%
Lease repayments	(27.4)	(28.7)	
Non-cash Items	1.3	1.8	
Cash EBITDA	**63.4**	**62.5**	1.6%
Movement in Total Working Capital	0.6	(6.5)	
Base Capex	(11.0)	(10.6)	
Sale Proceeds	-	0.8	
Operating Cash Flow	**53.0**	**46.2**	14.7%
Cash Significant Items	(4.2)	(4.7)	
Operating Free Cash Flow	**48.8**	**41.5**	
Cash Conversion	83.6%	73.9%	

- Revenue in defensive end segments including food, beverage, horticulture, education and beauty, home & apparel was either flat or higher than the pcp. These segments represent over 60% of the revenue base.
- There are further initiatives underway within OV to drive profit growth and improve returns.

INNOVATION AND GROWTH UPDATE

- The OPS improvement program is continuing to gain traction with the improvement in earnings on the pcp in-light of COVID-19 encouraging. New initiatives will continue to be implemented over 2H21 and beyond.
- OPS continues to invest in new digital platforms to replace legacy web portals and enable customers to transact digitially with customised product offerings via digital channels. The omnichannel strategy is designed to integrate all channels of customer engagement and improve the overall customer experience.
- Automation at Orora Fresh Canada has commenced to remove manual work processes and drive costs out.
- OPS has committed capital to improving the Pollock Manufacturing capability.
- The journey to previously experienced EBIT margins in OPS will take time, but positive momentum in EBIT margins experienced in the most recent half, even during COVID-19, supports the work undertaken to date.
- Orora Visual continues to build on its value proposition to serve national customers with consistent point of purchase, visual communication and fulfilment offerings. New fabric lines commissioned in Orange County and New Jersey in FY20 assisted the fulfillment of customer demand that drove an increase in revenue in some segments, including Beauty, Home and Apparel. These fabric lines are gaining traction with high levels of utilisation in 1H21 expected to continue into 2H21.
- Orora Visual continues to invest in digital technology including Customer and Consumer Engagement capability and print on demand solutions.

PERSPECTIVES FOR REMAINDER OF 2021

- The focus for the North American businesses is for the new Management teams to build on the improved operational performance and momentum gained in 1H21 to drive the earnings improvement programs underway which include sales growth, margin improvement and cost efficiency. The improvement in EBIT margin in both businesses evidences the positive momentum building within Orora's North American operations.
- Seasonally, Pollock earnings are weighted ~70% in the first half of Orora's fiscal year. A further increase in insurance costs of ~US$0.75M will impact the North American business in 2H21.While both businesses have experienced improved operating and financial performance in 1H21, market conditions in North America continue to remain challenging with the future impacts of COVID 19 uncertain. These effects are particularly prominent in California and Texas, markets that represent ~60% of total North American revenue.
- Review the strategic direction of Orora Visual by the end of calendar 2021.
- M&A in the current North American businesses is not an immediate priority.
- Cash conversion in FY21 and beyond is expected to be greater than 70.0%.

CORPORATE

- Corporate costs are allocated directly to the business segments.
- Corporate costs have been resized post the sale of Fibre.
- Orora has a $350M Syndicated Facility maturing in April 2022. The refinance process has commenced. The facility is expected to be refinanced before June 2021.
- The decommissioning of the Petrie site remains complex. A further $9.3M ($6.5M after tax) has been recognised in respect of estimated costs to complete. ~$13.8M was spent on decommissioning in the half, with a similar level of expenditure likely in 2H21.

PERSPECTIVES FOR REMAINDER OF 2021

- The Full Year 2021 dividend is expected to be towards the top end of Orora's target payout range (60% - 80% of NPAT).
- The current on-market buyback is expected to be completed by June 2021.

CONFERENCE CALL

Orora is hosting a conference call for investors and analysts at 11:30am today. The audio cast will be available on the Orora website, www.ororagroup.com, within 24 hours.

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