ORORA

INVESTOR RESULTS RELEASE

Orora announces results for the half year ended 31 December 2019

FINANCIAL SUMMARY – CONTINUING OPERATIONS

- Statutory net profit after tax (NPAT) was $76.6M and earnings per share (EPS) was 6.4 cents per share (cps).
- Sales revenue was $1,835.2M, up 13.3% on the prior corresponding period (pcp).
- Earnings Before Interest and Tax (EBIT) was $133.1M, down 4.1% on pcp.
- Operating cash flow was $127.2M, $12.5M below the pcp. Cash conversion was 72.0%, down marginally from 75.0% in the pcp but in line with management's expectations.
- Interim ordinary dividend is 6.5 cps – 30.0% franked and 70.0% sourced from the conduit foreign income account, in-line with the pcp. The interim dividend represents a pay-out ratio above our indicated payout range - reflecting confidence in the outlook of the continuing business. The ex-dividend date is 26 February 2020, the record date is 27 February 2020 and the payment date is 9 April 2020.
- Net debt at 31 December 2019 was $996M, up from $890M at 30 June 2019 and $872M at December 2018, primarily as a result of major capital expenditure at Gawler and seasonal increases in working capital. Management of working capital in the continuing operations is sound.
- Leverage was 2.3 times, up from 1.9 times at June 2019 and 1.8 times at December 2018.
- RoAFE was 19.2%, down from 21.9% at pcp reflecting lower earnings in North America and the dilutionary impact of the acquisition of Pollock Packaging (Pollock).
- The new lease accounting standard (AASB16 Leases) has been applied from 1 July 2019. The positive impact on NPAT is $1.7M. The impact on the segments is outlined below and in Appendix 1.

DISCONTINUED OPERATIONS

- On 10 October 2019, Orora entered into a binding agreement to sell its Australasian Fibre business (Fibre) to a wholly owned subsidiary of Nippon Paper Industries Co., Limited (Nippon) for an enterprise value of $1,720.0M. Completion of the sale is expected to occur during the third quarter of calendar 2020, subject to customary conditions, including regulatory approvals.
- The Fibre business has been treated as a discontinued operation with associated assets and liabilities separately disclosed in the half year FY20 financial statements (treated as held for sale).
- The Fibre business delivered EBIT of $33.7M.

CHAIRMAN AND BOARD SUCCESSION

- As separately announced, Orora's inaugural Chairman, Mr Chris Roberts, has retired from the Board, effective today. In line with continual Board renewal, which included the appointment of Mr Tom Gorman in September 2019, Mr John Pizzey will also retire from the Board, effective from 31 May 2020.

FINANCIAL SUMMARY – Continuing Operations (refer to footnotes)

(A$ mil)	1H19	1H20[1]	Change %
Sales revenue	1,620.2	1,835.2	13.3%
EBITDA[2]	176.1	194.8	10.6%
EBIT	138.8	133.1	(4.1%)
NPAT	88.4	76.6	(13.3%)
EPS (cents)[3]	7.2	6.4	(11.1%)
Return on sales[4]	8.6%	7.3%	
Operating cash flow[5]	139.7	127.2	(8.9%)
Cash conversion[6]	75%	72%	
RoAFE[7]	21.9%	19.2%	
FINANCIAL SUMMARY – Including Discontinued Operations			
NPAT	113.7	97.3	(14.4%)
EPS (cents)	9.4	8.1	(13.8%)
Dividend per share (cents)	6.5	6.5	-
Net debt	872	996	
Leverage[8]	1.8x	2.3x	
Gearing	34%	39%	

- Mr Roberts will be succeeded as Chairman by Mr Rob Sindel, who joined the Board in March 2019, following an extensive career in executive management, most recently as Managing Director and CEO of CSR Limited.

CAPITAL MANAGEMENT UPDATE

- As previously announced, following completion of the Fibre sale, Orora intends to return approximately $1,200.0M to shareholders.
- Orora is currently working with the relevant tax body to ensure capital management options that deliver the most efficient return of funds to shareholders. Options include a cash return, comprising part capital return and a partially franked special dividend, and an on-market share buyback.
- Further details in relation to the timing and nature of the capital management initiatives will be provided in due course.

CONTINUING OPERATIONS SEGMENT HIGHLIGHTS

- Australasia EBIT up 1.8% to $82.6M
  - The higher earnings were driven by stronger Can volumes. While Glass volumes were in line with pcp, earnings were down slightly due to product mix and rising input costs;
  - The new glass warehouse was successfully completed in the half and the rebuild of the G2 furnace has commenced, and is on track;

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.

Minor Reclassification of Prior Year Numbers

Certain prior year amounts have been reclassified for consistency with the current period presentation. This includes the allocation of Corporate Costs to each of the business units, including discontinued operations.

The following notes apply to the entire document.

[1] Orora has initially applied AASB 16 Leases using the modified retrospective approach. Under this method, the comparative information has not been restated. To assist the reader with a consistent year on year analysis, "underlying" refers to figures excluding AASB16 Leases – refer Appendix 1

[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 IH20 EBIT (including AASB16) / average 6 month average funds employed (including AASB16).

[8] Calculated as Net Debt (excluding AASB16) / trailing 12 month underlying EBITDA including discontinued operations

  - The positive impact from lease accounting on EBIT was $0.5M
- North American EBIT was down 12.5% to $50.5M
  - In local currency, EBIT was down 17.2% to US$34.6M;
  - Despite lower underlying earnings compared to the pcp in Orora Packaging Solutions (OPS), earnings are improving and were higher than 2H19;
  - The earnings improvement program initiatives (including restructuring activities) have either been or are progressively being implemented. Benefits from these programs started to flow from Q2;
  - The integration of the Pollock acquisition is on track;
  - The Orora Visual (OV) business experienced a reset in the half with earnings impacted by customers deferral/removal of several major summer promotional campaigns, softness in the packaging and entertainment segments and the loss of key sales representatives predominantly in the entertainment sector after the harmonisation of compensation structures at the start of the financial year;
  - While the performance of OV disappointed in the half, management is committed to the business and delivering on the available growth opportunities to drive improved earnings and returns; and
  - The positive FX translation impact on US dollar denominated earnings for the North American segment was $2.8M on pcp. The positive impact from lease accounting was $8.7M (US$6.0M).

OUTLOOK

Consistent with the outlook previously provided at the AGM in October 2019, Orora expects challenging market conditions to persist for the remainder of FY20. These factors, coupled with the financial impact of the G2 rebuild in H2 and time for the North American improvement initiatives to be fully realised, are expected to result in reported operating EBIT for the continuing operations being lower in FY20. Orora will continue to invest in efficiency, growth and innovation, as well as integrate recent acquisitions and finalise the sale of the Fibre business.

REVENUE

- Sales revenue of $1,835.2M was up 13.3% on pcp, driven by:
  - OPS increasing revenue by approximately 10.5% in local currency terms, primarily from the acquisition of Pollock which completed at the end of 1H19. Underlying sales volumes were in line with pcp;
  - Volume and revenue growth in Cans, while Glass revenues were in line with pcp;
  - $77.6M positive FX impact on US dollar denominated North American sales, on pcp.
- Underlying sales in Australasia increased approximately 5.2% after taking into account the pass through of lower aluminium prices.

EARNINGS BEFORE INTEREST AND TAX

- EBIT decreased by 4.1% to $133.1M, and was attributable to:
  - Weaker earnings in North America from margin pressures and volume weakness; and
  - Rising input costs and volume mix in Glass.
- Earnings decline was partially offset by:
  - Stronger Cans volumes;
  - The positive impact from lease accounting was $9.2M; and
  - Positive translational FX impact from US denominated earnings of $2.8M on pcp. US dollar earnings were translated at AUD/USD ~68.0 cents in 1H20, compared to ~72.0 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 approximately $1.4M and $0.6M respectively.

BALANCE SHEET

- Key balance sheet movements since June 2019 were:
  - Decrease in other current assets was largely driven by reclassification of discontinued operations receivables, inventory and other current assets as part of the Fibre sale, of $424.2M. Collections performance across the remaining business improved, however this was partially offset by inventory builds in Glass ahead of the furnace rebuild and to support growth in Cans. The FX impact was $1.0M (increase);
  - The introduction of AASB16 Leases has meant that Right of Use (ROU) Assets and Lease Liabilities are now brought onto the balance sheet (effective 1 July 2019) and are located within Property, Plant & Equipment (assets) and Interest-bearing Liabilities (liabilities);
  - Net property, plant and equipment (PP&E) decreased by $858.1M with $1,115.2M being reclassified to discontinued operations. Capex for 1H20 for the continuing operations was $57.4M which included spend on the following major items: new warehouse developments and pre spend on G2 rebuild at Glass, and fabric printing equipment in OV to harmonise and expand the service offering. Depreciation for the period was $55.9M. The addition of $253.3M of ROU assets largely relates to the North American businesses, with smaller lease assets in the continuing Australasian business. The FX impact on PP&E was $0.7M (increase);
  - Intangible assets decreased by $93.8M with the reclassification of discontinued operations being the large majority of the movement. Amortisation for the period was $5.8M, while investments in digital platforms and software upgrades totalled $6.1M. The FX impact was $0.1M (decrease);
  - Net debt increased by $106.2M during the period with the main drivers being increased working capital in Fibre, reduced earnings in North America and capital expenditure at Gawler to support the warehouse development and the furnace rebuild. These were somewhat offset by improvements in working capital in the North American and continuing Australasian businesses. The FX impact was $0.0M. Orora remains well within all debt covenant requirements;
  - Interest-bearing Liabilities includes $300.6M of lease liabilities;

Revenue Summary

(A$ mil)	1H19	1H20	Change %
Australasia	402.6	412.2	2.4%
North America	1,217.6	1,423.0	16.9%
Total sales revenue	**1,620.2**	**1,835.2**	**13.3%**

Earnings Summary (EBIT)

(A$ mil)	1H19	1H20	Change %
Australasia	81.1	82.6	1.8%
North America	57.7	50.5	(12.5%)
EBIT	**138.8**	**133.1**	**(4.1%)**

Balance Sheet (A$ mil)	30/06/19	31/12/19	Change %
Cash	70	84	19.2%
Other Current Assets	1,375	930	(32.4%)
Property, Plant & Equipment	1,766	908	(48.6%)
Intangible Assets	615	521	(15.3%)
Investments & Other Assets	92	84	(8.6%)
Assets held for sale	-	1,942	-
Total Assets	**3,918**	**4,469**	14.1%
Interest-bearing Liabilities	960	1,381	43.9%
Payables & Provisions	1,313	873	(33.5%)
Total Equity	1,645	1,584	(3.7%)
Liabilities directly associated with the assets held for sale	-	631	-
Total Liabilities & Equity	**3,918**	**4,469**	14.1%
Net debt	890	996	
Leverage	1.9x	2.3x	
Gearing	35%	39%	

  - Assets held for sale relates to the asset base of the Fibre business;
  - Decrease in payables and provisions was driven primarily by the reclassification of discontinued operations and improvements in managing payables in the continuing operations, largely driven by the re-negotiation of extended terms on aluminium in Australasia. The FX impact was $0.9M (increase); and
  - Liabilities directly associated with the assets held for sale relate to the Fibre business.

CASH FLOW – CONTINUING OPERATIONS

- Earnings were converted into cash as forecast with operating cash flow of $127.2M, down on pcp by 9.0%.
- Cash conversion of 72.0% was marginally lower than 75.0% reported in the pcp.
- Cash conversion including discontinued operations was 38.6%, down from 51.6% on the pcp, largely driven by working capital increases in Fibre.
- Main movements / points to note in cash flow of continuing operations include:
  - Decrease in cash EBITDA (sum of EBITDA and non-cash items), in-line with lease adjusted earnings;
  - Inventory build ahead of the G2 rebuild at Gawler, to ensure continuity of supply to customers, while working capital levels for Cans increased in-line with increased volumes, largely offset by the final benefit from extended terms on aluminium imports; and
  - Gross capex (base and growth) was approximately 160% of underlying depreciation. With the G2 rebuild to be completed in 2H20, gross capex is expected to remain at ~150% of depreciation in FY20.
- Average total working capital to sales was 8.5% (7.4% in pcp), with the increase largely attributable to increased inventory during the year and OPS taking advantage of settlement discounts. Some seasonal impacts also contributed, as well as capital investment related timing issues.
  - The medium term management target for average total working capital to sales is less than 10.0%. With the continuing business being more cash generative post the sale of Fibre, this target will be reassessed in due course.

Cash Flow – continuing operations

Cash Flow (A$ mil)	1H19	1H20	Change %
EBITDA	**176.1**	**194.8**	**10.6%**
Leases[9]	-	(31.8)	
Non-cash Items	10.1	13.5	
Cash EBITDA	**186.2**	**176.5**	**(5.2%)**
Movement in Total Working Capital	(25.5)	(0.1)	
Base capex	(21.8)	(50.0)	
Sale proceeds	0.8	0.8	
Operating cash flow	**139.7**	**127.2**	**(9.0%)**
Cash significant Items	(13.7)	(14.8)	
Operating free cash flow	**126.0**	**112.4**	
Interest – Group[10]	(19.3)	(20.7)	
Tax - Group	(36.1)	(35.6)	
Growth capex	(10.3)	(11.3)	
Free cash available to shareholders	**60.2**	**44.7**	
Cash conversion	75.0%	72.0%	

[9] Cash impact of AASB16 Leases has been included in operating cash to provide a like-for-like cash EBITDA

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

AUSTRALASIA – Continuing Operations

KEY POINTS

- Australasia increased EBIT by $1.5M to $82.6M, 1.8% higher than pcp.
- The increased EBIT reflected the continued growth in Cans volumes, which more than offset volume softness in the wine segment. Overall glass volumes were in-line with pcp.
- Return on sales decreased by 10 bps from 20.1% to 20.0%, largely due to insurance and other input cost increases as well as adverse product mix at Glass, largely offset by increased Cans sales.
- Underlying sales in Australasia increased 5.2% after taking into account the pass through of lower aluminium prices.
- Operating Cash Flow was in line with expectations at $81.0M.
- Cash conversion was below pcp at 71.0%. In comparison to pcp, working capital improved with the temporary impact of a reset on trading terms on the importation of aluminium (approximately $25.0M impact) in 1H19 reversing. This was partially offset by an increase in inventories to ensure continuity of supply to customers in preparation for the rebuild of G2 in 2H20, and higher aluminium inventories to support greater Cans volumes. Base Capex was materially higher due to the commencement of rebuild works on G2.
- RoAFE was 31.4%, down from 31.6% in the pcp, with increased earnings offset by recent capital upgrades and higher inventories.
- EBIT includes a $0.5M benefit from lease accounting.
- Economic conditions in Australia remain flat with further uncertainty in the outlook due to the unknown impact from bushfires, ongoing drought and coronavirus.

BEVERAGE BUSINESS GROUP

- Beverage earnings were higher than pcp driven by increased Cans volumes, partially offset by product mix in Glass and increased insurance and other input costs.

Beverage Cans:

- Volumes were up on the pcp, underpinned by steady volumes in carbonated soft drinks (CSD) in Asia Pacific as volumes continue to transition from other substrates, growth in both mainstream (switch from glass) and craft beer segments and increased volumes of other non-alcoholic beverages such as still and sparkling water.
- Earnings were higher due to the increased sales volumes and sound operational cost management.

Glass:

- Overall volumes were in line with the pcp. Volumes were lower in some wine markets (largely export), partially offset by continued market share gains in beer and increased volumes in non-alcoholic beverages such as kombucha.
- While there is an ongoing focus on operational cost improvement, this was more than offset by unfavourable product mix, rising raw material and input costs, resulting in marginally lower earnings compared to the pcp.

Closures:

- Volumes were lower on the pcp reflecting softness in some wine markets, resulting in a small reduction in earnings.

INNOVATION & GROWTH UPDATE

- In 1H18, the Glass business committed ~$35.0M to build a new warehouse at Gawler to enable Orora to hold inventory onsite and further reduce offsite pallet storage and transport costs. The project was completed on time and on budget in December 2019, with final commissioning of autonomous pallet stacking vehicles due by the end of Q3. The investment is expected to deliver a return of ~15% by reducing the cost of offsite storage and cartage. These benefits will gradually come through in the second half of FY20 with the full benefit to be achieved in FY21.

(A$ mil)	1H19	1H20	Change %
Sales Revenue	402.6	412.2	2.4%
EBIT	81.1	82.6	1.8%
EBIT Margin %	20.1%	20.0%	
RoAFE	31.6%	31.4%	

Segment Cash Flow

(A$ mil)	1H19	1H20	Change %
EBITDA	**102.0**	**105.4**	3.3%
Leases	-	(3.1)	
Non-cash Items	11.4	11.7	
Movement in Total Working Capital	(6.6)	6.4	
Base Capex	(8.9)	(39.4)	
Sale Proceeds	(0.1)	-	
Operating Cash Flow	**97.8**	**81.0**	(17.2%)
Cash Significant Items	(13.7)	(10.1)	
Operating Free Cash Flow	**84.1**	**70.9**	
Cash Conversion	86.3%	71.0%	

- Work has commenced at Gawler for the rebuild of G2, which is scheduled to complete in April 2020. The total cost of the rebuild is ~$50.0M with approximately half spent by 31 December 2019, and the remainder to be spent in 2H20.
- While G2 is offline, the second forming line (first line was upgraded in 2017) will also be upgraded for an estimated cost of $10.0M. This will add ~10M bottles of annual capacity. The benefits are expected to flow from FY21.
- The Cans business is currently commissioning a new state of the art Digital Proofing Printer at Dandenong, Victoria. This will materially improve the time taken to produce prototype designs and short run promotional products, enabling greater customer engagement through further product customisation.
- With the positive outlook for can volume growth and with the support of customers as appropriate, a range of plant upgrades or capacity expansions are likely to be made in the near term.

PERSPECTIVES FOR REMAINDER OF 2020

- The Australasian restructuring initiative announced in August 2019 almost exclusively related to the discontinued operations of the Fibre business. As such, no benefits are expected to be delivered by the continuing Australasia business.
- Orora uses approximately 3 petajoules (PJ) of gas annually to produce glass at Gawler. As previously announced, new supply arrangements commenced on 1 January 2020 with multiple parties for two years. Some supply contracts have additional options at Orora's call. The anticipated net cost headwind from gas price increases in 2H20 will be ~$1.5M with a further ~$1.5M impact in 1H21.
- The G2 rebuild will have a negative impact on EBIT in 2H20 of ~$8.0M. This will largely reverse in FY21.
- A further $1.0M of insurance costs will impact the Australasian business in 2H20.
- With the success of investments in Australasia to date, the Orora Global Innovation Initiative will continue to be accessed to enhance the value proposition and / or improve productivity and drive earnings growth of the Australasian business. Orora expects there will be further commitments to support innovative new-customer led product solutions in 2H20 and beyond.
- The Australasian business will continue to identify and implement cost reduction initiatives as well as reinvest in upgrades to the asset base, new capacity and new sites. This is consistent with Orora's approach over recent years to offset ongoing headwinds, in addition to pursuing organic growth.

NORTH AMERICA

(A$ mil)	1H19	1H20	Change %
Sales Revenue	1,217.6	1,423.0	16.9%
EBIT	57.7	50.5	(12.5%)
EBIT Margin %	4.7%	3.6%	
RoAFE	15.3%	11.7%	

(US$ mil)	1H19	1H20	Change %
Sales Revenue	881.5	974.1	10.5%
EBIT	41.8	34.6	(17.2%)

KEY POINTS

- North America's EBIT declined 12.5% to $50.5M.
- In local currency terms, EBIT declined 17.2% to US$34.6M. This is a result of generally tough market conditions impacting volumes and margins in OPS, the earnings reset in OV from the deferral/removal of major customer campaigns, subdued trading in the packaging and entertainment segments and the loss of several key sales representatives post a harmonisation of compensation structures. These combined with other factors flowed through to the EBIT margin which was lower at 3.6% (4.7% in pcp).
- As previously announced, to address these headwinds, a number of initiatives in both businesses have been or are being implemented. These initiatives progressively gained traction in the half, particularly during Q2. These are expected to continue to build into 2H20 and beyond.
- Sales grew 10.5% to US$974.1M, driven by acquisitions. Net organic sales were flat in OPS, while sales declined in OV.
- The integration of the Texas based Pollock acquisition is on track.
- Cash flow increased to $46.2M while cash conversion increased to ~74.0% (~58.0% in pcp). The increase in cash conversion was driven by sound working capital management and reduced capital spend as the businesses focused on earnings improvement programs.
- RoAFE declined by 360bps to 11.7% with lower earnings and the initial dilutionary impact of the Pollock acquisitions.
- EBIT includes a positive A$2.8M FX translation impact and A$8.7M (US$6.0M) benefit from lease accounting.

Segment Cash Flow

(A$ mil)	1H19	1H20	Change %
EBITDA	**74.1**	**89.4**	20.6%
Leases	-	(28.7)	
Non-cash Items	(1.3)	1.8	
Movement in Total Working Capital	(18.9)	(6.5)	
Base Capex	(12.9)	(10.6)	
Sale Proceeds	0.9	0.8	
Operating Cash Flow	**41.9**	**46.2**	10.3%
Cash Significant Items	-	(4.7)	
Operating Free Cash Flow	**41.9**	**41.5**	
Cash Conversion	57.5%	73.9%	

ORORA PACKAGING SOLUTIONS

- OPS delivered constant currency revenue growth of approximately 14.5%, all from acquisitions, with underlying revenues stable. This was largely a reflection of challenging market conditions experienced across the OPS business.
- EBIT was higher in 1H20 than 2H19. Earnings momentum continued to improve throughout the half as the impact from the various improvement program initiatives gathered traction.
- Underlying EBIT margins declined to 3.5% from 5.1% in the pcp (which was a stronger comparative period), but were up from 3.1% in 2H19.
- The margin decline compared to the pcp was the result of generally tough market conditions, the dilutionary impact of the Pollock acquisition (initially lower return on sales) as well as the impact of being unable to pass through raw material increases. Margins have continued to steadily improve since the reset encountered in the second half of FY19.
- In response to the margin reset, OPS has developed a comprehensive improvement program. This is across all facets of the business with a focus on volume growth, margin recovery and efficiency / cost reduction. While a number of initiatives have already been implemented and are delivering, activity is continuing. Examples include:
  - Approximately 100 roles were removed from the business in Q1 of FY20;
  - An OPS wide price increase (mainly cost recovery in nature) was introduced in late Q2 / early Q3;
  - Gross margin improvement initiatives, enabled by the ongoing optimisation of the ERP implementation, which has enhanced decision making on price, procurement and costs to serve. Further opportunities exist to leverage the integrated data solution, which will continue to provide benefits progressively in 2H20 and beyond;
  - Insourcing more corrugated volumes from the Orora Manufacturing division to improve utilisation and therefore margins; and
  - The ERP implementation is on track and improved customer service levels are being achieved which has provided sales representatives further capacity to target new business, with several new accounts already on-boarded.

ORORA VISUAL

- Orora Visual financial results in 1H20 were impacted by subdued trading in the packaging and entertainment segments, the deferral / removal of several large summer campaigns and the loss of key sales representatives predominantly in the entertainment sector after the harmonisation of compensation structures at the start of the financial year.
- The sales representatives have since been replaced, with good progress made in Q2 on increasing revenue with existing customers and several new accounts on-boarded.
- The business continues to improve the level of collaboration to drive efficiencies across all sites.
- There are opportunities to drive profit growth and improve returns – the focus going forward will be on building management capability and execution.

INNOVATION AND GROWTH UPDATE

- The integration of Pollock is on track. Having successfully navigated the first 12 months, the focus is now moving toward enhancing the customer experience, integrating systems and processes and delivering further cost related synergies.
- Implementation of the OPS improvement program initiatives will continue in the second half with incremental benefits expected. The journey to previously experienced margins will take time.
- OPS has commenced investment in a new digital platform to replace legacy web portals to encourage better customer engagement by offering customised products via digital channels.
- A new Customer Experience Centre, similar to Orora centres in San Jose and San Diego, will be opened in Los Angeles in calendar 2020. The centres provide OPS the ability to better engage with customers and

highlight the value-add product offering and customised packaging design solutions in person.

- The high speed large format digital printer which was commissioned in Southern California and the 6 colour press printer commissioned in Northern California are further enhancing the value proposition, including print quality and speed to market. Sales and margins are progressing to expectation.
- Orora Visual continues to build its value proposition to serve national customers with a consistent point of purchase, visual communications and fulfilment offering across multiple locations. Orora Visual has three creative design centres in Los Angeles on the west coast, one in Dallas and one in New Jersey on the east coast. These combine well with the expected "uniformity of offering" benefits from digital and fabric printing capability. A new fabric line was commissioned in Orange County in the first half and a second line will be commissioned in New Jersey in 2H20 to supplement the existing line at that location.
- Orora Visual continues to invest in digital technology including Customer and Consumer Engagement capability and print on demand solutions.

PERSPECTIVES FOR REMAINDER OF 2020

- Market conditions in North America remain challenging with ongoing uncertainty regarding trade tensions with China and the coronavirus.
- The focus for the North American businesses is to consolidate and deliver on the existing earnings improvement programs, including sales growth, margin improvement and cost efficiency, noting these programs are likely to take some time to reach full expectation.
- The North American businesses will continue to utilise the Orora Global Innovation Initiative to drive innovation, modernisation and productivity especially in the area of digital capability.
- OPS to continue to progress the integration of Pollock.
- The above activity would not preclude further M&A investment, however the immediate focus is as outlined above.

CORPORATE

- As separately announced, Orora's inaugural Chairman, Mr Chris Roberts, has retired, effective today. In line with continual Board renewal, which included the appointment of Mr Tom Gorman in September 2019, John Pizzey will also retire from the Board, effective 31 May 2020. The new Chairman is Mr Rob Sindel, who joined the Board in March 2019, following an extensive career in industry, including as Managing Director and CEO of CSR Limited.
- With the imminent sale of the Australasian Fibre business and the addition of the Group General Manager Strategy in January 2020, a detailed review of Orora's strategy, with a primary focus on the continuing businesses including growth options, has commenced.
- As part of this review, investment hurdle rates and capital management will also be reassessed to ensure they are appropriate for driving long term shareholder value. Further details of the review of strategy will be communicated in due course.
- Corporate costs have been allocated to the continuing business segments with prior year's figures being restated for comparison.
- Corporate costs are expected to reduce post the completion of the sale of the Australasian Fibre business from FY21.
- One of the $50.0M Bilateral Facilities, due to mature in July 2019, was refinanced with an existing relationship bank, with no material changes to commercial terms.
- While it remains complex, the decommissioning of the Petrie site is progressing as expected. Approximately $10.0M was spent on decommissioning in the half with a similar level of expenditure likely in the second half.

CONFERENCE CALL

Orora is hosting a conference call for investors and analysts at 11:00am today. The audio cast will be available on the Orora website, www.ororagroup.com, within 24 hours.

APPENDIX 1 – LIKE FOR LIKE EARNINGS

LIKE FOR LIKE EARNINGS

- Orora has initially applied AASB 16 Leases using the modified retrospective approach. Under this method, the comparative information has not been restated. To assist the reader with a consistent year on year analysis, "like for like" or "underlying" refers to figures excluding AASB16 Leases

GROUP

- Underlying net profit after tax (NPAT) was $74.9M down 15.3% on the prior corresponding period (pcp). Earnings per share (EPS) was 6.2 cents per share (cps), down 13.9% on the pcp.
- EBIT was $123.9M, down 10.7% on pcp.
- Leverage was 2.3 times, up from 1.9 times at June 2019 and 1.8 times at December 2018.
- RoAFE was 17.3%, down from 21.9% at pcp.

AUSTRALASIA

- EBIT was $82.1M, up 1.2% on pcp.
- EBIT Margin was 19.9%, down 0.2% on the pcp.
- RoAFE was 31.0%, down from 31.6% at pcp.

NORTH AMERICA

- Australia dollar EBIT was $41.8M, down 27.6% on pcp.
- EBIT Margin was 2.9%, down 1.8% on the pcp.
- RoAFE was 9.3%, down from 15.3% at pcp.
- US dollar EBIT was $28.8M, down 31.0% on pcp.

FINANCIAL SUMMARY – CONTINUING BUSINESS – LEASE ADJUSTED

(A$ mil)	1H19	1H20	Change %
Sales revenue	1,620.2	1,835.2	13.3%
EBITDA	176.1	163.0	(7.4%)
EBIT	138.8	123.9	(10.7%)
NPAT	88.4	74.9	(15.3%)
EPS (cents)	7.2	6.2	(13.9%)
Return on sales	8.6%	6.8%	
Operating cash flow	139.7	127.2	(8.9%)
Cash conversion	75%	72%	
Dividend per share (cents)	6.5	6.5	-
Net debt	872	996	
Leverage	1.8x	2.3x	
Gearing	34%	39%	
RoAFE	21.9%	17.3%	

AUSTRALASIA

(A$ mil)	1H19	1H20	Change %
Sales Revenue	402.6	412.2	2.4%
EBIT	81.1	82.1	1.2%
EBIT Margin %	20.1%	19.9%	
RoAFE	31.6%	31.0%	

NORTH AMERICA - AUD

(A$ mil)	1H19	1H20	Change %
Sales Revenue	1,217.6	1,423.0	16.9%
EBIT	57.7	41.9	(27.6%)
EBIT Margin %	4.7%	2.9%	
RoAFE	15.3%	9.3%	

NORTH AMERICA – USD

(US$ mil)	1H19	1H20	Change %
Sales Revenue	881.5	974.1	10.5%
EBIT	41.8	28.8	(31.0%)

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