Full year results

Ending 30 June 2019

15 August 2019

Presentation by
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Orora Limited ABN 55 004 275 165

Important information

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”, “forecast”, “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 non-IFRS information unless otherwise stated has not been extracted from Orora’s financial statements.

Current Year Earnings: Underlying Earnings – excludes Significant items
Throughout this presentation, all references to ‘underlying earnings’ (‘underlying EBITDA’, ‘underlying EBIT’, ‘underlying NPAT’, ‘underlying EPS’) exclude the net significant item expenses after tax of $55.8M (described below) to assist in appropriate comparisons with the operating performance of the business and the prior corresponding period.
The net significant item expense after tax is comprised of the following: restructuring costs associated with optimising and aligning the cost base of certain parts of the Australasian and North American businesses of $20.8M and additional decommissioning costs associated with the Petrie Mill site of $35.0M.

Prior Year: Underlying Earnings – excludes Significant items
A net significant item expense of $1.9M and one off tax adjustment of $5.5M (described below) have been excluded to assist in making appropriate comparisons with the current period and operating performance of the business.
The net significant item expense after tax of $1.9M is comprised of the following; a net gain after tax on the sale of the Smithfield site of $22.7M and an expense after tax of $24.6M relating to the restructure of Fibre Packaging NSW including the closure of the Smithfield site and additional costs associated with decommissioning the Petrie Mill site. The net impact from the US tax reform measures was $5.5m, mainly reflecting the one-off revaluation of the Group’s net deferred tax liability to the reduced US tax rate

Minor Reclassification of Prior Year Numbers
Certain prior year amounts have been reclassified for consistency with the current period presentation.

FY19 financial highlights

SALES REVENUE

$4,761.5m

12.1% INCREASE

UNDERLYING EARNINGS BEFORE INTEREST AND TAX (EBIT)

$335.2m

3.7% INCREASE

- **Earnings growth and increased dividends**
- **Continuing to invest**
- **Strong cash flows and balance sheet to continue to pursue growth**

UNDERLYING NET PROFIT AFTER TAX (NPAT)

$217.0m

4.0% INCREASE

UNDERLYING EARNINGS PER SHARE (EPS)

18.0¢

3.7% INCREASE

UNDERLYING RoAFE %

13.0%

100 bps DECREASE

OPERATING CASH FLOW

$268.9m

17.3% DECREASE

FY19 DIVIDEND (per share)

13.0 cps

4.0% INCREASE

LEVERAGE

1.9x

0.4x INCREASE

CAPEX INVESTED IN THE BUSINESS

$180.8m

147% OF DEPRECIATION

Significant Items

On 2 August 2019, Orora announced[1] it would recognise a Significant Item (SI) after tax expense of $55.8 million in the statutory financial results for the year ended 30 June 2019. The SI expense after tax consists of:

$35.0 million provision for additional decommissioning costs associated with the Petrie Mill site

- As has been previously communicated, the decommissioning of the Petrie site is a significant and complex exercise involving multiple government agencies.
- With an amended contract having recently been entered into with the landowner, the scope for the final phase of remediation and decommissioning was able to be finalised.
- This resulted in the estimated cost to complete the decommissioning being higher than previously contemplated.
- A specialist environmental consulting firm has been engaged to manage the completion of the works.
- In terms of cash flow, the costs are expected to be relatively evenly phased over the next 3 financial years.

$20.8 million provision for restructuring and impairment charges

- In May 2019, Orora announced that in response to the slower start to earnings experienced in early calendar 2019, cost structures in both Australasia and North America were being reviewed.
- Orora has since completed this review and determined that certain parts of the business require restructuring to ensure operations are optimised and the cost base aligns with the expected market outlook.
- From a timing and cash flow point of view, the majority of the initiatives will be implemented in the first half of FY20.
- The expected return on these initiatives is ~30% in FY20 and ~65% in FY21.
- In addition, a review of assets was also undertaken as part of this review which resulted in a non-cash impairment charge of $3.7M after tax. There is no material impact on earnings from this impairment charge.

(1) https://www.ororagroup.com/system/downloads/files/000/000/317/original/19.08.02_Orora_announces_Significant_Item.pdf?1564703103

Orora safety performance

Safety is a priority and ongoing journey for Orora

- RCFR and LTIFR both increased – an unacceptable outcome
  - In response:
    - Global independent review commenced in November 2018
    - Opportunities exist to better prioritise safety improvement actions
    - Review highlighted many areas of excellent safety practice
    - Implementation is underway
- Continued rollout of comprehensive risk profiling reviews and development of improvement plans for each site
- Focus remains on ensuring best practice tools and processes are available to all team members
- Launched a new alcohol and drug policy including education, testing and support program across the Australian business

	June 2018	June 2019
RCFR	**6.8**	**8.1**
LTIFR	**1.8**	**2.3**

RCFR = (Number of recordable safety incidents / Total number of hours worked for employees and contractors) x 1,000,000
LTIFR = (Number of lost time injuries / Total number of hours worked for employees and contractors) x 1,000,000

Goal is zero harm – all injuries are avoidable

FY19 Australasian financial highlights

SALES REVENUE

$2,150.0m

2.1% INCREASE

EBIT

$246.6m

6.2% INCREASE

OPERATING CASH FLOW

$198.5m

15.9% DECREASE

EBIT MARGIN %

11.5%

50 bps INCREASE

ROAFE%

13.4%

IN-LINE WITH PCP

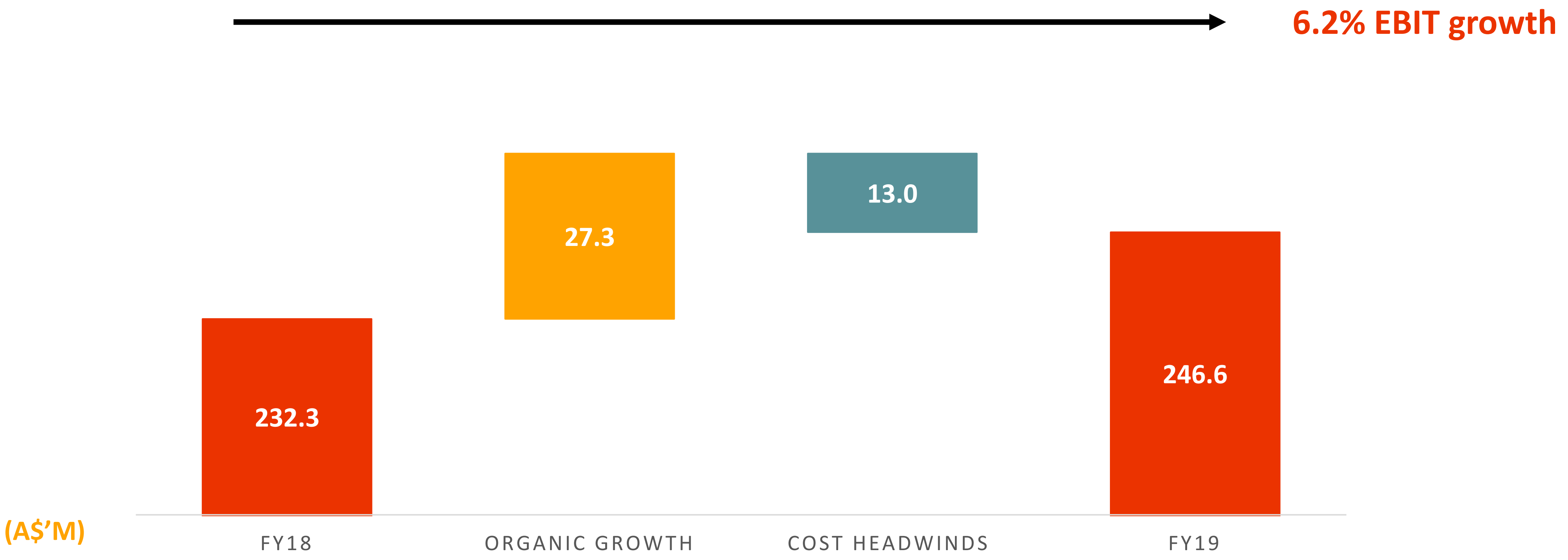
CAPEX INVESTED IN THE BUSINESS

$143.5m

152% of DEPRECIATION

- Underlying sales increased approximately 1.5% after taking into account the pass through of higher aluminium prices.
- Ongoing operational efficiency and cost improvement programs in Fibre Packaging, supported by the record production volumes at B9 and benefits from the asset refresh program investments, were largely offset by the impact of higher input cost prices (kraft paper, starch, electricity and imported carton board).
- Earnings were slightly ahead of the pcp:
    - Higher volumes in certain processed food, fresh produce and meat sectors compared to pcp.
    - Unfavourable seasonal conditions in some regions of Australasia adversely impacted volumes in some key fresh produce sectors (e.g. kiwi fruit and apples).
- New sites opened in Sydney for Fibre's Specialty Packaging and WRS businesses (site consolidation and capacity for future growth).
- Beverage sales and earnings improvement through increased volumes in Cans and improved mix (make v import) on marginally lower Glass volumes in the wine segment following a record pcp.
- RoAFE was in-line with the pcp at 13.4% with increased earnings offset by recent capital investments and increased working capital.
- Confidence in base business continues with significant capital invested in FY19 to drive future growth earnings and margins.
- Investment of over 150% of depreciation in FY19 to further strengthen and grow earnings into the future.

Australasia EBIT growth



"Organic earnings benefits delivered through growth, operational efficiencies and capital investment which more than offset cost headwinds and unfavourable seasonal conditions"

FY19 North American financial highlights

USD SALES REVENUE

$1,867.8m

12.4% INCREASE

USD EBIT

$83.4m

11.1% DECREASE

OPERATING CASH FLOW (USD)

$67.9m

19.1% DECREASE

EBIT MARGIN %

4.5%

110 bps DECREASE

ROAFE%

15.0%

400 bps DECREASE

CAPEX INVESTED IN THE BUSINESS (USD)

$24.9m

105% of DEPRECIATION

North American Group

- Lower local currency earnings in tough market conditions
- Continued to invest in growth (Bronco/Pollock acquisitions) and organic capital into businesses.
- Integration of the acquisitions is on track
- Cash flow decreased to $67.9M. Cash conversion solid at ~69.0% (73.0% in pcp).
- RoAFE declined by 400bps to 15.0% with lower earnings and the dilutionary impact of the initial contribution of the Pollock acquisition impacting.

OPS

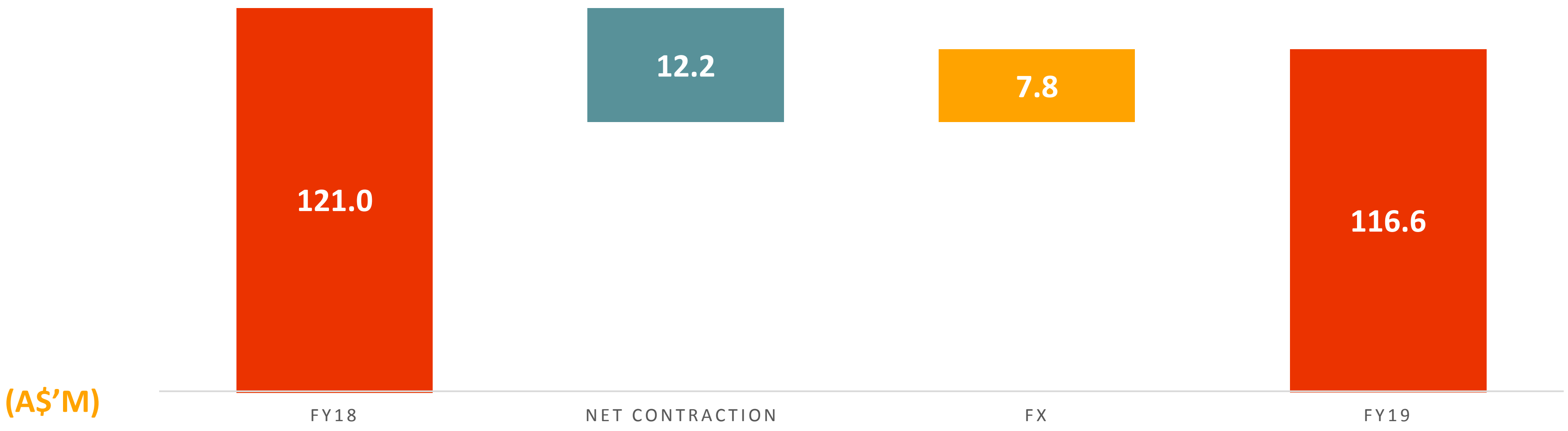
- Sales revenue growth of 14.1% in USD terms
- Landsberg sales increased by ~1.0%. Focus remains on higher growth targeted segments and pass through of increased input costs.
- Manufacturing revenues impacted by additional capacity coming on stream.
- Acquisitions contributed 12.1% of total OPS revenue.
- The ERP system rollout has now been completed. Transition costs associated with the implementation are expected to reduce progressively during FY20.
- EBIT margin decline driven by market pressures, the impact of raw material price pass through and initial (low seasonal) contribution from Pollock.

OV

- Orora Visual earnings were impacted by the reset from lost business (customer bankruptcy in FY18).
- As a positive sign for an improving outlook into FY20 and beyond, Orora Visual was able to achieve revenue growth of ~1.0% in FY19.
- The customer value proposition is gaining traction, aided by investments made in harmonising digital print capability across the national footprint and fabric printing, with a number of new accounts on-boarded during the period

North American EBIT

(3.6%) EBIT contraction
((11.1%) excluding FX impact)



"Local currency earnings lower; impacted by generally tough market conditions, ERP transition costs and the reset in OV from the loss of business"

Orora Corporate

Earnings Summary (EBIT)

A$ Million	FY18	FY19	Δ%
Underlying Corporate	**(29.9)**	**(28.0)**	**(6.8)%**

Corporate costs were $28.0M – slightly lower than prior year due to:

- Underlying Corporate costs continue to be well managed
- Costs associated with the acquisitions of Pollock and Bronco were expensed in the period
- Corporate costs in FY20 are expected to be broadly in line with underlying costs in FY19

Operating cash flow in line with expectation

A$ Million	FY18[1]	FY19
EBITDA	445.3	468.1
Non Cash Items	38.9	15.4
Cash EBITDA	**484.2**	**483.5**
Movement in Working Capital	(51.9)	(65.6)
Capex	(155.1)	(151.8)
Proceeds from disposals	48.0	2.7
Operating Cash Flow	**325.3**	**268.9**
Cash Significant Items	(30.0)	(25.5)
Operating Free Cash Flow	**295.3**	**243.4**
Interest	(32.9)	(43.2)
Tax	(41.6)	(51.5)
Growth Capex	(33.9)	(38.4)
Free Cash Flow available to shareholders	**186.9**	**110.2**
Cash Conversion[2]	**67%**	**56%**
Average Working Capital to Sales[3] (%)	**9.1%**	**10.3%**

Underlying operating cash flow[4] decreased 4% to $268.9M

- Cash conversion of 56% – in line with expectation. Solid outcome given heightened organic capital programs.
- Average Working Capital to Sales[5] in line with managements medium term target – increase mainly relates to inventories (raw material price increases and timing issues). Receivables and payables continue to be well managed.

Increased working capital

- Mixed seasonal conditions in Australasia adversely impacted volumes in some key fresh produce sectors (e.g. kiwi fruit & apples) late in the season leading to carrying higher inventories than anticipated (prebuild for next season).
- Planned inventory builds to maintain supply during capital investments in Fibre and Glass.
- Working capital was otherwise generally well managed. The negative impact of a reset on trading terms on the import of aluminium (approximately $25M impact) in 1H19, largely reversed in 2H19 as forecast.
- Expecting to be back in line with target by end of FY20.

Capex spend above depreciation and includes investment in key projects

- Fibre asset refresh
- New warehouse developments at Gawler
- Digital and fabric printing equipment in OV

(1) Included proceeds from sale of land at Smithfield, NSW ($45.5M)
(2) Cash conversion measured as operating cash flow divided by cash EBITDA
(3) Average net working capital for the period/annualised sales
(4) Underlying operating cash flow excludes the proceeds from the sale of Smithfield ($45.5M) in FY18
(5) Average working capital to sales target is 10.0% in the medium term

Balance sheet and debt

Balance Sheet

A$ Million	June 18	June 19
Funds Employed (period end)	2,311	2,625
Net Debt	667	890
Equity	1,630	1,677
Leverage (x)[(1)]	1.5x	1.9x
RoAFE (%) [(2)]	14.0%	13.0%
Undrawn bank debt capacity	354	370

(1) Equal to Net Debt / trailing 12 months underlying EBITDA
(2) Calculated as trailing 12 month EBIT / trailing 12 month average funds employed. Trailing 12 months earnings for Bronco and Pollock also included in FY19

Strong balance sheet with headroom to fund long term growth

Strong balance sheet to enable further growth investment

- Increased leverage with recent acquisitions, heightened capital investment and working capital build
  - Leverage of 1.9x – up from 1.5x in the pcp
  - Adverse FX impact on net debt of $21M

Committed to sensible debt levels and investment grade credit metrics

- Average tenor of facilities is 3.9 years
  - Australian Syndicate increased by A$50M to A$450M with a maturity in April 2022
  - US Syndicate increased by US$100M to US$300M with a maturity in April 2024
- Significant capacity and headroom in facilities and covenants
- Maintaining a disciplined approach to expenditure and acquisitions
- RoAFE declined from 14.0% to 13.0% reflecting lower earnings in the period in OPS, the lower seasonal contribution from Pollock and adverse balance sheet impact from a weaker Australian dollar on US dollar denominated funds employed.

The Orora Way and Sustainability

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Our Orora – culture of driving outperformance

THE ORORA WAY

OUR BELIEF

AT ORORA WE BELIEVE PACKAGING TOUCHES LIVES.
TOGETHER WE DELIVER ON THE PROMISE OF WHAT'S INSIDE.

OUR VALUES

TEAMWORK	PASSION	RESPECT	INTEGRITY
· Safety first · One Orora · In it together	· Courageous · Innovative · Responsible	· For each other · For the community · For our customers	· Do what is right · True to what we stand for · True to our promise

OUR VISION

TO BE THE INDUSTRY-LEADING PACKAGING SOLUTIONS COMPANY
DELIVERING ON OUR PROMISE EVERY DAY.

OUR STRATEGIC FOCUS

INNOVATE TO LEAD	ENHANCE THE CORE	INVEST TO GROW
· Customer solutions · Technical leadership · Digital enablement	· Doing better every day · Best-in class capabilities – people, process & systems · Improving efficiency	· In partnership with customers · Extending our reach (bolt-on M&A) · Diversified solutions (adjacent M&A)

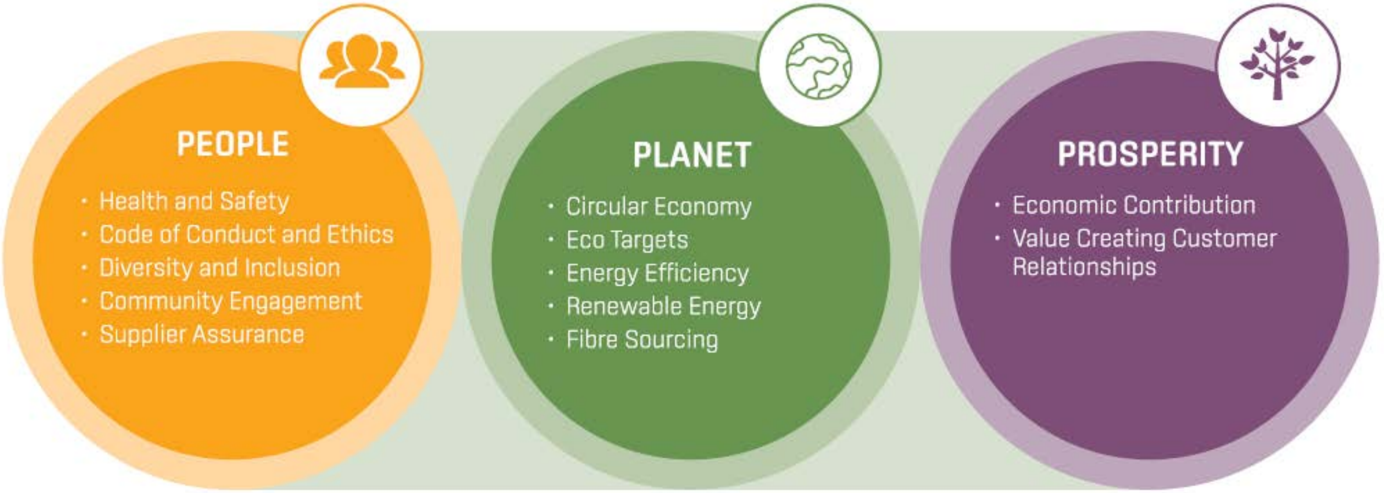
OUR OUTPERFORMANCE

SAFETY	CUSTOMER FOCUS	OUR PEOPLE	FINANCIAL DISCIPLINE
· Zero harm · Injury frequency	· Sales growth · Net Promoter Score	· Engagement · Diversity	· Increasing earnings & ROAFE · Operating cash flow

CREATING SHAREHOLDER VALUE

Orora's sustainability program

- Orora's sustainability program is managed through three focus areas: People, Plant and Prosperity.
- The program aims to minimise Orora's impact on the environment and improve the sustainability of its products and services.
- Orora's approach is guided by being a signatory to the United Nations Global Compact (UNGC) and in particular Principal 8, which requires signatories to 'undertake initiatives to promote greater environmental responsibility'.
- While Orora's sustainability journey is ongoing, we have taken action to reduce emissions and waste and build a more sustainable business for the long term.



Taking action – recycling

Orora is a leading large-scale recycler

Paper

- Orora collects more than 650,000 tonnes of old corrugated containers (‘OCC’) and mixed waste nationally. This OCC is recycled at its paper mill in Botany, NSW to produce 400,000 tonnes of 100% recycled brown packaging paper.
- This process creates a continuous loop of recycling – from paper, to cardboard, and back to paper again.

Glass

- Orora recycles approximately 80% of all glass collected through South Australia’s container deposit scheme at Gawler in South Australia.
- Exploring opportunities to economically source recycled glass for Gawler from other states

Cans

- Orora sources coils of aluminium that contain approximately 70% recycled aluminium to make cans.
- During can production, leftover aluminium is collected and sold back to aluminium manufacturers for recycling.

North America

- Corrugated board manufactured by Orora Packaging Solutions contains approximately 55% recycled content

Taking action – renewable energy and efficiency

- Orora has signed two long-term power purchase agreements (PPA's) with renewable energy providers to supply wind generated electricity to Orora's operations in South Australia, Victoria and New South Wales, where Orora operates it largest and most energy intensive plants. Under the PPA's, Orora has secured the supply of renewable energy for volumes equivalent to 80% of Orora's total electricity requirements in Australia.
- Orora has invested approximately $25 million in a secondary water treatment plant at the Botany paper mill in NSW. The waste water plant, reduces the impact on the environment by reducing the volume of regulated water discharges produced by the paper making process and the water treatment process also generates bio-gas which is converted into electricity for consumption by the paper mill.
- Orora has invested a further $10 million, to improve energy efficiency across its operations in Australia and New Zealand. This has led to a 10% reduction in overall energy consumption.
- Orora is continuing to invest in renewable energy by exploring opportunities in cogeneration and small scale solar at certain sites.

Taking action – Eco targets

At the time of demerger, Orora adopted Eco targets for the year ending 30 June 2019. These defined Orora's goals to reduce the intensity of greenhouse gas emissions, waste to landfill and water use across the business.

Orora over achieved on these five year goals as outlined below.

New Eco targets are being developed which will be announced during FY20.

GOAL

ACHIEVED 28% 28% 15%

Sustainable and next generation packaging solutions

Consumers across the world are telling our customers they want to reduce their impact on the world and that they want to buy products in recyclable packaging.

In response, Orora is partnering with customers to investigate and test a range of sustainable packaging initiatives. Some examples include:

Glass & Cans

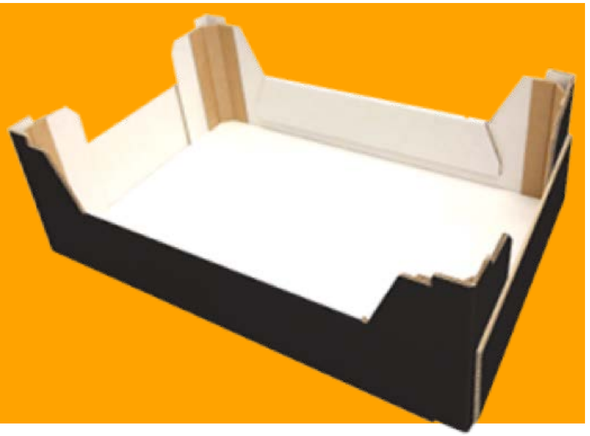
- 100% recyclable products with high levels of recycled content – continuous loop of recycling
- Transition from other substrates continues

Fibre Trays

- Showcased at last years Innovation Expo
- Made from paper so are 100% recyclable
- Designed to protect the fresh produce while inside the corrugated box
- Provides produce branding opportunities

Smarter produce trays

- The Ghelfi 'no crush' packaging solution maximises the strength of trays used (with lower fibre content) for fresh produce
- Exclusive to Orora in Australasia



Fibre Punnets

- Recyclable punnets are made from paper
- Maintains integrity of produce during transportation so product arrives on retail shelves in premium condition
- Brand awareness opportunities via artwork printing on punnets

Culture, Strategy and Perspectives for FY20

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Orora's blueprint for creating shareholder value

ORGANIC GROWTH

- **Orora Australasia GDP Sales Growth**
  - GDP based growth, enhanced by innovation
- **Orora North America GDP+ Sales Growth**
  - GDP based growth supplemented by market share gains & increase share of wallet

RETURNS FOCUSED GROWTH CAPITAL ALLOCATION

- **Organic Growth Capital**
  - Customer backed growth investments
  - 20% RoAFE by Year 3
- **Bolt-on M&A (North America Focused)**
  - ONA footprint expansion/ ↑ product capability
  - Most deals <$100M
  - Targeted 20% RoAFE by Year 3
- **Adjacent M&A**
  - Parallel packaging substrates/ markets
  - Targeted 20% RoAFE by minimum Year 5

SUSTAINABLE DIVIDEND

- **60-70% Pay Out Ratio**
  - ~30% Franked

Estimated $150M - $200M of annual capacity for returns-focused organic and M&A growth investments

Orora has committed ~$675M since ASX listing in December 2013

	FY14	FY15	FY16	FY17	FY18	FY19	TOTAL INVESTMENT
Organic Growth Capital	Opened new Landsberg DC in Nashville, USA – customer backed	New customer backed Dairy Sack Line ($20M) Launched $45M Orora Global Innovation Initiative	Established 2 new East Coast US DCs (Charlotte & Orlando) – both customer backed Investing $42M to increase glass bottle manufacturing capacity – import replacement, underpinned by existing customer demand	$29M spend committed from Orora Global Innovation initiative to date Jakait: established new fresh produce focused packaging solutions facility in central Mexico	Invested additional $23M in Orora Global Innovation Initiative, Increased capital allocation by $30M to $75M Glass warehouse expansion through purchase and upgrade of 2 adjacent warehouses and commitment to build a further warehouse in CY19	Commissioned new sleek can line in NZ ($7M) Glass warehouse expansion stage 1 completed in Jan 2019. Final stages will be completed by end of CY19	~$240M
Bolt-on M&A (North America Focused)		Acquired World Wide Plastics (Rigid plastic containers) Acquired small South Australian fibre packaging distributor – "Go Direct" model	Acquired Jakait ($23M) (Greenhouse produce & labels) Acquired small Californian based supplier of flexible packaging	Acquired Register – expanding POP footprint into the Northeast of USA ($63M) Acquired Garvey & Graphic Tech – expanding POP footprint into the Midwest & West of USA ($78M) Acquired small Sydney based specialist corrugated box converter - part of "SME" strategy	Two small bolt on acquisitions in Aust - a specialist corrugated box converter and a distributor of consumable packaging	Acquired Pollock, a market leading Texas based packaging and facility supplies business for a total consideration of US$80.5m (A$110m) Acquired Bronco, a specialist packaging business primarily serving corporate accounts in the fresh food manufacturing industry for up to $23.5M (A$33.0M).	~$330M
Adjacent M&A			Acquired IntegraColor (Point of purchase solutions)				~$107M

Committed to creating shareholder value

What we said we would do

1. Organic sales growth, profitable market share gain & improved efficiency/cost control
2. Increasing profitability (return on sales)
3. Bolt on M&A – primarily focused on NA footprint expansion and/or increase product capability
4. Invest in innovation to enhance customer value proposition
5. Customer driven growth investments
6. Sustainable dividend payouts
7. Disciplined expenditure approach

What we have done in FY19

1. ANZ - delivered 1.5% underlying sales growth, NA – ~1.0% organic sales growth in both OPS and Orora Visual (reset year)
2. ANZ margin increased to 11.5% from 11.0% in the pcp - ongoing focus on 'self-help' and capital investment programs delivering benefits. US EBIT margins declined – impact of margin pressures in tough market conditions, initial low seasonal contribution from Pollock and effect of pass through of higher raw material costs
3. OPS integrating recent Bronco/Pollock acquisitions is on track. ERP system now implemented (will be M&A synergy and broader efficiency enabler). OV continues consolidation phase
4. Continued investment in growth capital and innovation across the Group. ~150% of depreciation invested in FY19. New sites in Sydney for Fibre's Specialty Packaging and WRS businesses.
5. First stage of Gawler warehouse completed and new warehouse construction on track, new sleek can line in NZ commissioned, successful further investment in Fibre asset refresh program digital printers commissioned in Australia and North America, laser cutting solutions being installed in Australia
6. Declared dividends up 4.0% on pcp – ~72% payout ratio beyond high end of indicated 60 - 70% payout range.
7. Operating cash flow $268.9M. Cash conversion 56% - in line with FY19 expectations

Shareholder value creation

- Underlying EPS growth of 3.7%
- 13.0 cent dividend – approximately 72% payout
- RoAFE declined to 13.0% from 14.0% in June 2018 (margin pressures in OPS and early phase of Pollock integration)
- Orora remains committed to generating further shareholder value through a continued focus on profitable sales growth, cost control and efficiency, investments in innovation and the disciplined allocation of free cash flow to growth projects that are expected to meet targeted returns
- The current near term focus is on consolidating the business by implementing restructuring programs and integrating recent acquisitions. While not the current priority - M&A opportunities will be assessed and executed as appropriate subject to them meeting investment hurdle rates and being strategically compelling.

Perspectives for 2020

Leadership

- On 9 July 2019, Orora announced the following:
  - Nigel Garrard would retire from the position of Managing Director and Chief Executive Officer, effective 30 September 2019. Mr Garrard will be succeeded by Brian Lowe, currently the Group General Manager Fibre Packaging Group, and
  - Chris Roberts will continue as Chairman into 2020 to assist with a smooth transition of the new leadership.
- Orora announced today the appointment of Tom Gorman as a new Director. Tom is US based and will join the Board from 2 September 2019.

Market conditions

- Expecting ongoing challenging market conditions, predominantly in North America

Capital expenditure to be ~120% of depreciation

- Benefits delivered from recent capital investments have given management confidence to pursue further organic investment in the base business
- Gross total capex (base and growth) is expected to be approximately 120% of depreciation for FY20 mainly by investing in the completion of the new warehouse expansion at Gawler, the G2 glass furnace rebuild (scheduled for February to April 2020) as well as ongoing asset refresh program in Fibre (albeit at a lower intensity).
- There will be an adverse earnings impact of ~$8.0M (second half of FY20) from the rebuild of G2.

Australasia

- As it has done consistently over recent years, in addition to pursuing organic growth and to offset ongoing input cost headwinds, the Australasian business will continue to identify and implement cost reduction opportunities, invest in asset upgrades, new capacity, new sites and utilise the Orora Global Innovation Initiative
- Approximately 50% of the SI restructure charge is in Australasia and is expected to deliver a return of 30% in FY20.
- Input costs:
  - Orora has successfully secured new gas supply arrangements with multiple parties for two years. The anticipated net cost headwind from gas price increases in 2H20 will be ~$3.5M with a further ~$3.5M impact in 1H21
  - Kraft prices are again expected to remain at heightened levels in FY20. A further headwind of $5.0M is expected this financial year
  - Insurance costs have increased sharply - the estimated impact is ~$3.0M
  - OCC commodity prices volatility to continue into FY20, sensitivity is unchanged from previous guidance:
    - $10 per m/t movement in OCC commodity price represents a gross annualised impact of approximately $0.5M on EBIT

North America

- The focus for the North American businesses is to consolidate and deliver on the restructuring programs – this is both to drive growth and improve cost efficiency.
- Successfully continue the integration of Pollock and Bronco with the focus on delivering synergies as soon as practical
- Approximately 40% of the SI restructure charge is in NA and is expected to deliver a return of 30% in FY20.
- The increased insurance cost impact is ~$1.5M.

Outlook

To help offset challenging market conditions and cost headwinds, in FY20 Orora will continue to invest in efficiency, growth and innovation, as well as integrate recent acquisitions.

Appendix 1 - Fibre refresh program site summary

Manufacturing Site	Conversion upgrade	Corrugator upgrade	Automation upgrade
Revesby – NSW	✓ ✓		✓
Scoresby – VIC	✓ ✓ ✓ ✓	✓	
Brooklyn – VIC	✓ ✓	✓	
Athol Park – SA	✓	✓	
Rocklea – QLD			✓
Wiri – NZ	✓	✓	✓
Christchurch – NZ		✓	
Hastings – NZ	✓	✓	✓

Benefits

- Improving product quality, efficiency and capacity
- Strengthening cost curve competitiveness
- Enhancing customer value proposition
- Improving safety
- ~15% return on investments by year 3 – organic, low risk investments
    - Expect some benefits will be shared with market

Over $125M committed to improving Fibre Packaging manufacturing capability

Appendix 2 – AASB 16 Leases

Orora has completed an indicative assessment of AASB 16 and the estimated impact upon the Group's statement of financial position at 1 July 2019 and income statement for the year ending 30 June 2020.

Estimated impact on statement of financial position as at 1 July 2019[1]	
Right-of-use assets	$455.0m
Right-of-use liabilities	$545.0m

Estimated impact on the income statement for the year ending 30 June 2020	
Increase in EBITDA	$96.0m
Increase in Depreciation expense	$74.5m
Increase in EBIT	$21.5m
Increase in interest expense	$20.0m
Increase in net profit before tax	$1.5m
Increase in net profit after tax	$1.0m

[1] The net effect of the new right-of-use assets and lease liabilities, adjusted for deferred tax will be recognised in retained earnings effective 1 July 2019. Comparative financial information will not be restated for the adoption of AASB 16.

- Leases largely relate to property in Australasia and North America
- EBITDA will increase as the operating lease cost currently charged against EBITDA will effectively be replaced by depreciation and interest expense
- Statutory operating cash flows will increase as cash paid under lease arrangements attributable to the repayment of principal will be included in financing cash flows. To enable comparison for investors, Orora will separately disclose this item and/or provide restated cash flows on a like for like basis. The overall net movement in cash will remain the same
- The impact to NPAT and EPS is not material
- The actual financial impact for the 30 June 2020 financial year will also be contingent on any new leases that are entered into, or any lease modifications, that occur during the financial year
- Certain metrics will move materially, such as RoAFE, Leverage and Interest Cover – Orora will provide metrics on a consistent basis to assist with comparative analysis