



# Orora announces sale of Australasian Fibre Business

10 October 2019

## Orora announces the sale of its Australasian Fibre business for A\$1,720 million to Nippon Paper Industries Co., Limited

<b>Gross and net proceeds</b> <b>Net gain on disposal</b>	<ul style="list-style-type: none"><li>• Enterprise value - A\$1,720 million</li><li>• Net proceeds after tax and costs ~ A\$1,550 million</li><li>• Estimated net gain on sale (to be recognised as a significant item) after tax and transaction related costs of ~A\$225.0 million</li></ul>
<b>EV / FY19 multiples</b>	<ul style="list-style-type: none"><li>• ~11.5x adjusted EBITDA</li><li>• ~18.9x adjusted PBIT</li></ul>
<b>Other Key Points</b>	<ul style="list-style-type: none"><li>• Sale of the Australasian Fibre Business is compelling and in the best interests of shareholders</li><li>• The transaction includes Orora's Fibre Packaging, Paper &amp; Recycling, Cartons, Bags, Functional Coatings and Orora WRS Packaging Distribution businesses in Australia and New Zealand (Australasian Fibre Business)</li><li>• Orora will continue to focus on its market leading Australasian Beverage and its North American businesses – both have attractive organic and inorganic growth outlooks</li><li>• Orora intends to return the majority of net proceeds of A\$1,200 million to shareholders – further details will be provided in due course</li><li>• Completion is expected to occur in early calendar 2020 – subject to customary conditions for a transaction of this nature, including regulatory approvals</li></ul>

## Binding agreement to sell the Australasian Fibre Business subject to customary conditions

- Orora has entered into a binding agreement to sell its Australasian Fibre Business to Nippon Paper
- Following the offer from Nippon Paper, the Orora Board concluded that the sale was compelling and in the best interests of shareholders
  - Implied transaction multiples represented a premium to Orora trading multiples
- Orora Packaging Solutions has entered into a five year supply agreement with Nippon Paper Group to ensure continuity of supply of paper products from the B9 Paper Mill on arm's length terms
  - Key commercial terms are consistent with prior arrangements under which the B9 Paper Mill supplied paper to OPS
- Transaction costs are estimated at approximately A\$25.0 million and related restructuring/separation costs and asset impairments are estimated at approximately A\$20.0 million
- Transaction is subject to customary conditions for a transaction of this nature, including regulatory approvals
- Completion is expected to occur in early 2020

## Transaction with Nippon Paper delivers compelling value for Orora shareholders

- A\$1,720 million enterprise value represents an EV / FY19 adjusted EBITDA multiple of ~11.5x and EV / FY19 adjusted EBIT multiple of ~18.9x
- Implied transaction multiple represents a premium to Orora trading multiples
- The offer fully values the Australasian Fibre Business with reference to the outlook for the business
- The transaction allows Orora to divest a mature, market leading business operating across multiple end markets
- The Australasian Fibre Business, upon completion, will be able to benefit from the synergies and other value enhancements available to Nippon Paper
- Orora will focus on its higher growth and higher return on capital businesses
  - Orora will continue to have a market leading glass and aluminium beverage packaging business in Australasia and its North American businesses are both in the top 5 of their respective market segments
  - Attractive organic and inorganic growth outlooks and strong financial profiles
  - Continuing focus on investing in innovation and growth to deliver superior quality products and service levels
- Completion is not expected to result in loss of any meaningful operational or customer related synergies

# The Australasian Fibre Business is a mature player



## Orora is divesting a mature, market leading business operating across multiple end markets

The Australasian Fibre Business has operations covering:

- Cardboard recycling and the manufacture of recycled packaging paper
- Manufacture of laminated functional paper used for special purpose boxes
- Corrugated box manufacturing and distribution of packaging materials
  - Diversified end markets including fruit & produce, beverage, meat, dry goods and industrial products
- Custom printed folding cartons, tailored bags and sacks
  - Primarily focused on consumer products markets, particularly food, dairy and quick service restaurants

Key statutory numbers:

- FY19 revenue of A\$1.4 billion
- FY19 EBITDA of ~A\$137.0 million
- FY19 EBIT of ~A\$80.0 million

Other key metrics:

- 25 manufacturing plants
- 27 depot facilities
- ~3,300 people
- ~10,000+ customers

# Orora following the transaction



**Orora generated sales revenue of ~A\$3.4 billion and EBITDA of ~A\$350<sup>(1)</sup> million from the Australasian Beverage and North American Businesses in FY19**

**Two market leading businesses with attractive growth outlooks and strong financial profiles**

## Beverage business

- Leading supplier of aluminium cans, glass and wine closures in Australia and New Zealand
- Market leading positions in cans and glass wine bottles
- Growth opportunities with glass beer bottles and wine closures
- Well invested and positioned for growth and participation in trends toward more sustainable beverage packaging

## North America

- Orora's North American businesses includes Orora Packaging Solutions (OPS) and Orora Visual (OV)
- OPS is a top 5 participant in the highly fragmented US\$50.0 billion North American fibre packaging distribution segment
- OV is a top 5 participant in the US\$10.0 billion point of purchase/visual displays segment
- Significant organic and inorganic growth potential through leveraging the breadth of product offering, service levels and a nationwide distribution network
- Initiatives are progressively being implemented to deliver earnings growth through improved processes, efficiencies and cost reductions

*Higher growth and return on capital businesses*

(1) EBITDA represents trading segment only ie excludes Corporate costs

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## Following completion of the transaction, Orora intends to return the majority of the net proceeds of the transaction to shareholders

- Orora expects to receive ~A\$1,550 million of net cash proceeds from the transaction, after taxes, transaction and restructuring costs
  - The transaction is subject to customary closing adjustments
- Orora intends to return the majority of net proceeds of approximately A\$1,200 million to shareholders through efficient capital management initiatives
- Timing and nature of capital management will be communicated in due course
- It is Orora's intention to continue to maintain a strong balance sheet and maintain debt levels within its current target leverage ratio

## Completion and approvals

- The transaction is subject to customary conditions for a transaction of this nature, including regulatory approvals
- The transaction is expected to complete in early 2020

## Business separation

- Planning for business separation has commenced
- Any transitional service agreements between Orora and Nippon Paper will continue for a limited period of time after completion
- Orora expects its corporate cost base to reduce both on completion and then after fulfilling its transitional commitments



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