

NEWS RELEASE

14 August 2024

Orora delivers resilient earnings result despite challenging market conditions

Financial headlines for the full year end 30 June 2024 (including seven months of Saverglass earnings)

- Sales revenue of \$4,697.6m, up 9.5% (excluding Saverglass, sales revenue was \$3,992.2m, down 7.0%)
- Underlying earnings before interest and tax (EBIT) of \$404.0m, up 26% (excluding Saverglass, underlying EBIT was \$323.4m, up 0.9%)
- Underlying net profit after tax (NPAT) of \$223.7m, up 10.2%
- Statutory (NPAT) from continuing operations of \$185.2m, flat compared to the prior year
- Underlying earnings per share (EPS)¹ of 17.9 cents per share (cps)
- Final ordinary dividend of 5.0cps, with full year dividends of 10.0cps, representing a full-year dividend underlying payout ratio of 60.5%
- Orora Packaging Solutions (OPS) EBIT US\$109.5m down 2.7%. Global Beverage EBIT \$237.0m, up 54.6% (excluding Saverglass, Australasia Beverage EBIT was \$156.4m, up 2.0%)
- Cash conversion remains strong at 80.5%², up from 70.2%. Underlying operating cash flow of \$397.0m, increasing 47.1%³
- Orora is currently in discussions to potentially divest the OPS business. The potential outcome would be a specialised, value-added beverage packaging business with a strengthened balance sheet, supporting future growth and shareholder returns.
- Orora notes, per its ASX announcement on 13 August 2024, it has received and rejected an opportunistic, conditional and non-binding indicative proposal from Lone Star Fund XII Acquisitions. The Board carefully considered the indicative proposal and determined it is not in the best interests of its shareholders, as it materially undervalues Orora.

Orora Limited (ASX: ORA) has today announced its financial results for the year ended 30 June 2024.

Commenting on Orora's full year results, Managing Director and Chief Executive Officer, Brian Lowe said:

"The past financial year was a transformative period for Orora, as we completed the acquisition of premium global glass business Saverglass, one of the most significant milestones in the company's history. While economic headwinds persisted across a number of regions, Orora has reported EBIT of \$404.0m, up 26% which includes seven months of contribution from Saverglass, and was slightly ahead of our trading update issued in April.

"We continued to navigate market challenges including lower customer demand for commercial wine, craft beer and premium spirits, as well as some sustained higher costs across the supply chain. Despite these factors, our team has demonstrated tremendous determination throughout the year to deliver a resilient result.

"Improvements undertaken in the OPS business in North America in recent years is evident in EBIT margins growing to 5.6%, despite softness in the macroeconomic environment impacting volumes across the broader manufacturing industry.

"Across our global Beverage business, excluding Saverglass earnings contribution, underlying EBIT increased 2.0% despite lower revenue. Earnings declined in Australasian Glass primarily due to a challenged commercial wine market, however this was offset by our Cans business, with record cans production delivering volume and earnings growth, and production capacity maximised across our sites.

"The financial performance of Saverglass for the first seven months under Orora ownership was consistent with our trading update in April, in light of continued customer destocking. Saverglass is a quality business with a compelling value proposition.

¹ Earnings Per Share (EPS) is calculated as underlying NPAT / weighted average ordinary shares (net of Treasury Shares).

² Cash conversion is calculated as underlying operating cash flow / cash EBITDA and excludes Saverglass and base capex (\$33.6m) for the G3 furnace rebuild.

³ Underlying operating cash flow excludes cash significant items that are considered to be outside of the ordinary course of operations.

Encouragingly, industry commentary as well as our own inventory data indicates improvement in the destocking issue, with trends expected to normalise in early calendar year 2025. We enter the new financial year with a newly formed Global Glass business unit comprising Saverglass and our Gawler facility, and while the external environment remains challenging, we are well placed to capitalise on growth opportunities when market conditions improve,” Mr Lowe said.

Commenting on discussions to potentially divest OPS, Mr Lowe said: “Since the de-merger of Orora in 2013, we have steadily transformed the portfolio of businesses within the Orora Group. These decisions have been consistent with the creation of sustainable shareholder value and the company’s long-held strategic ambition to focus on beverage containers, given our strong view about the attractive long-term growth profile of this segment. Saverglass has provided the final building block in this strategic journey such that this focus can be materially accelerated. Therefore, we are currently in discussions to potentially divest the OPS business. Substantial work remains to finalise this divestment, and this will only proceed if the value and terms align to our own internal view of OPS’ value. The creation of value for our shareholders remains a priority.”

Formation of Global Glass business

The acquisition of Saverglass, completed on 1 December 2023, has enabled the creation of a Global Glass business combining the Saverglass business with the Gawler facility in Australia. A new operating structure comprises three key regions (Asia-Pacific, Europe and Americas) with P&L accountability, reporting to President Jean Marc Arrambourg. Capacity will be managed across seven manufacturing sites and four decoration sites, with volumes able to be seamlessly shifted across locations depending on demand, utilisation and cost. The formation of the Global Glass business ensures it is well positioned when market conditions improve.

Sustainability update

Orora continued to make good progress across its sustainability program, with goals aligned to the pillars of Circular Economy, Climate Change and Community. Under the Circular Economy pillar, Orora achieved an average of 50% recycled content in its manufactured glass products, up from 38% in FY23, and an average of 72% recycled content in the aluminium flat sheets and coils used to make its cans, up from 57% in FY23. Under the Climate Change pillar, the Group’s goal is to achieve a 40% reduction in greenhouse gas emissions for Scope 1 and 2 by 2035. Scope 1 & 2 greenhouse gas emissions decreased by 13.8% (utilising Market-based factors for S2) and 17.8% (utilising Location-based factors for S2) from the FY19 baseline. In FY24, construction of an oxygen-fuelled furnace at Gawler progressed, expected to be completed in late 2024 and which will reduce carbon emissions by ~20%. Saverglass recommissioned its furnace F5 at Feuquières (France) as a low-carbon hybrid furnace, delivering a CO₂ reduction of ~12% per tonne of glass produced. OPS introduced its Sustainable Design Lab, a state-of-the-art facility designed to drive innovation and convert more customers to sustainable packaging solutions.

Outlook

- OPS - EBIT to be broadly in line with 2HFY24 exit run-rate with benefits from transformation and cost management continuing. Well positioned for any recovery in US economy.
- Global Beverage (Australasia) - slightly lower EBIT with growth in Cans more than offset by the impact of the G3 furnace rebuild at Gawler.
 - Cans – volume growth from new capacity coming online, more weighted to 2HFY25.
 - Glass – growth from export wine volumes and new products more than offset by soft commercial wine market and impact of G3 furnace rebuild (~\$16m in 1HFY25).
- Global Beverage (Saverlass) - Higher full-year EBIT with twelve months of earnings compared to seven in FY24. Continuation of 2HFY24 exit run-rate ahead of volume uplift. Business positioned for volume recovery from end of de-stocking cycle expected early CY25.
- This outlook remains subject to global and domestic economic conditions and currency fluctuations.

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

MEDIA CALL: Orora is hosting a media call at 12.00PM (AEST) today

Register for the call at this link:

<https://s1.c-conf.com/diamondpass/10040762-ufgyeg.html>

Participants will be provided with dial-in details and a personal PIN code upon registration.

ENDS

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