

ASX Code: ORA

Price: \$3.52

12 Mth Target Price: \$4.10

Rating: Buy

Business Summary

Orora Limited (ORA) provides a range of tailored packaging and visual communication solutions. This includes design and manufacture of packaging products such as fibre-based packaging, glass bottles, beverages cans, corrugated boxes, recycled paper, multi-walled paper bags and point of purchase displays. Orora also offers broad end-to-end packaging solutions and complementary services, including global product sourcing, distribution, design, printing and warehouse optimisation.

Glass Bottles: The company's facility produces bottles for all beverage types from beer, wine, cider and alcoholic ready-to-drink styles to carbonated soft drinks and juices.

Aluminum Cans: Company produce beverage cans, bottle and can ends, supported by a powerful suite of enhancements. The markets for Ororas beverage cans include beer and cider, alcoholic ready to drink, carbonated soft drinks, juices, wine and energy drinks.

Boxes and Cartons: Orora manufactures and supplies an innovative range of corrugated boxes and specialised cardboard packaging to leading brands. Company's products are used in a variety of market segments, including grocery, wine and beverage, fresh produce, meat, seafood and poultry, manufacturing, technology, retail, automotive and e-commerce packaging.

Other Products: Company also manufactures products like Closures and caps, point of purchase displays, packaging equipment, recycled paper, Rigid Packaging, Bags and Snacks, flexible packaging & General packaging materials and supplies.

Services: Company provides services like Printing and signage, Research and technology, product sourcing, Automation and engineering, innovation and design, kitting and fulfilment, Logistics services and Digital Technology.

Latest Research

What would operating leverage look like?

After ~30%+ outperformance YTD, we expect investors will be asking whether they should hold onto ORA. Clearly 1H24 will be a tough environment for all packaging companies and ORA is no exception.

However, we see a few reasons to be optimistic 1.) Valuation remains undemanding, 2.) Solid 2H momentum/exit rates; and 3.) Potential for acquisitions (albeit reduced). Subsequently we remain positive, as we are optimistic around what margins could look like in 2H24/FY25 when volumes in the North American manufacturing business return.

For more information see research 18 Aug 2023.

Snapshot

Date	1 September 2023
Market Cap.	\$2,976m
Shares on issue	845.4m
12 Month High	\$3.93
12 Month Low	\$2.83

Rating

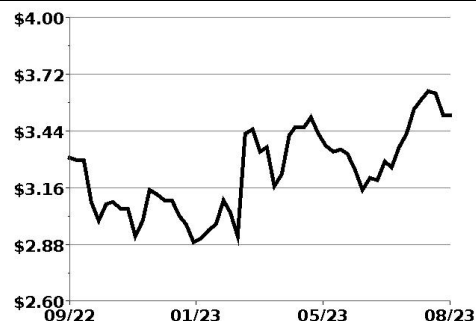
Rating	Buy
12 Mth Target Price	\$4.10
Capital Gain	16.5%
Gross Yield	5.4%
Implied Total Return	21.9%

Investment Fundamentals

FYE 30 Jun		2023A	2024F	2025F	2026F
Profit	\$m	203.0	197.0	211.0	228.0
Profit (norm)*	\$m	203.0	197.0	211.0	228.0
EPS*	¢	24.0	23.0	25.0	27.0
EPS Growth	%	9.1	-4.2	8.7	8.0
P/E*	x	14.7	15.3	14.1	13.0
P/E Relative	%	0.0	0.0	0.0	0.0
DPS	¢	18.0	17.0	19.0	20.0
Yield	%	5.1	4.8	5.4	5.7
Franking	%	0.0	0.0	0.0	0.0

* Adjusted for goodwill and unusual items
Source: Based on Citi estimates

Share Price Chart



Total Return on \$10,000 Investment



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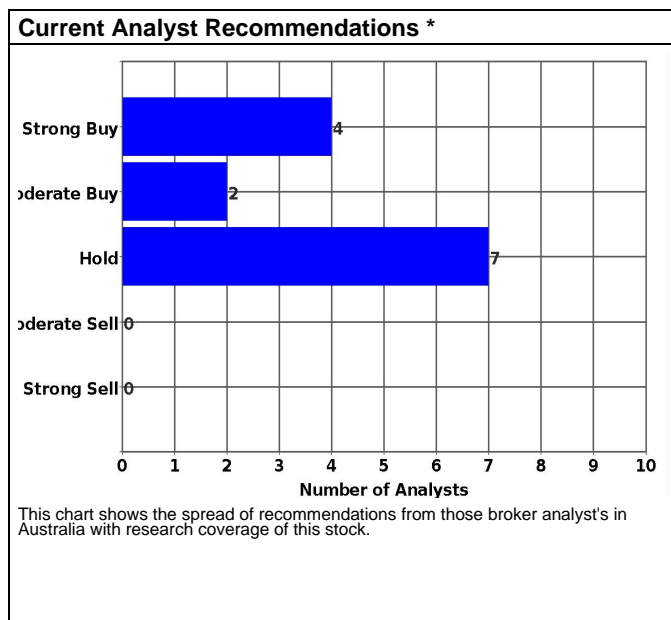
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Profit & Loss (\$M)					
	2019A	2020A	2021A	2022A	2023A
Sales Revenue	4,769	3,566	3,538	4,091	4,291
Total Revenue ex. Int.	4,775	3,571	3,542	4,095	4,298
EBITDA	468	350	369	403	438
Depreciation & Amort.	-133	-126	-120	-118	-123
Goodwill Amortisation	--	--	--	--	--
EBIT	335	224	249	286	315
Net Interest	-39	-50	-33	-27	-42
Profit Before Tax	296	174	216	259	273
Income Tax	-65	-46	-60	-69	-70
Outside Equity Int.	--	--	--	--	--
Profit after Tax	230	340	163	187	203
Significant Items after Tax	-69	-100	-27	-2	-18
Reported Profit after Tax	161	240	136	185	185
Preferred Dividends	--	--	--	--	--

Cash Flow (\$M)					
	2019A	2020A	2021A	2022A	2023A
Receipts from Customers	--	--	--	--	--
Funds from Operations	--	--	--	--	--
Net Operating Cashflow	298	19	271	258	250
Capex	-190	-168	-57	-92	-190
Acquisitions & Investments	-144	-8	-2	--	--
Sale of Invest. & Subsid.	--	1,637	2	--	--
Net Investing Cashflow	-332	1,474	-36	-100	-184
Proceeds from Issues	5	8	1	--	--
Dividends Paid	-157	-607	-113	-135	-143
Net Financing Cashflow	13	-1,454	-286	-156	-66
Net Increase Cash	-20	40	-52	2	1
Cash at Beginning	88	70	107	51	53
Exchange Rate Adjust.	3	-3	-5	0	5
Cash at End	70	107	51	53	58

Ratios and Substantial Shareholders						
	2019A	2020A	2021A	2022A	2023A	
Profitability Ratios						
EBITDA Margin	%	9.82	9.81	10.44	9.86	10.20
EBIT Margin	%	7.03	6.29	7.04	6.98	7.34
Net Profit Margin	%	4.83	3.58	4.43	4.63	4.73
Return on Equity	%	14.02	12.37	20.39	25.90	25.37
Return on Assets	%	6.59	6.54	7.73	7.70	8.32
Debt/Safety Ratios						
Net Debt/Equity	%	54.12	55.38	91.82	116.65	125.17
Interest Cover	x	8.51	4.44	7.59	10.69	7.53
Top 5 Substantial Shareholders						
The Vanguard Group Inc.					5.5%	
Connor, Clark and Lunn Financial Group Ltd					5.1%	

Balance Sheet (\$M)					
	2019A	2020A	2021A	2022A	2023A
Cash & Equivalent	70	107	51	53	58
Receivables	674	460	498	562	517
Inventories	642	413	399	651	639
Other Current Assets	60	75	33	42	43
Current Assets	1,446	1,056	981	1,308	1,258
Prop. Plant & Equipment	1,766	889	828	859	987
Intangibles	615	436	411	433	440
Other Non-Current Assets	60	75	33	42	43
Non-Current Assets	2,472	1,444	1,344	1,401	1,544
Total Assets	3,918	2,500	2,325	2,709	2,802
Interest Bearing Debt	960	679	756	906	1,060
Other Liabilities	1,313	789	800	1,071	942
Total Liabilities	2,274	1,468	1,556	1,977	2,002
Net Assets	1,644	1,032	769	732	800
Share Capital	484	334	81	-37	-39
Reserves	165	139	108	139	168
Retained Earnings	996	559	580	630	672
Outside Equity Int.	--	--	--	--	--
Total Shareholders Equity	1,644	1,032	769	732	800



Principals & Directors	
Principals	
Company Secretary	Ms Ann Stubbings
Directors	
Mr Brian Phillip Lowe(Chief Executive Officer,Managing Director)	
Mr Michael Anthony Fraser(Non-Executive Director)	
Mr Thomas Joseph Gorman(Non-Executive Director)	
Mr Alan Robert(Rob) Harold Sindel(Non-Executive Director,Non-Executive Chairman)	
Ms Abigail (Abi) Pip Cleland(Non-Executive Director)	
Ms Samantha (Sam) Lewis(Non-Executive Director)	

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