

Press Release

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Purchase of Orora Limited's
Paperboard Fiber Based, Packaging Business in Australia/New Zealand

Nippon Paper Group has announced an agreement with Orora Limited (“Orora”), a listed company of the Australian Securities Exchange, to purchase (“Transaction”) its paperboard fiber based, packaging business in Australia and New Zealand (“Business”). The signing of the contract was resolved at the Board of Director’s meeting held today on October 10, 2019.

The final structure for purchasing the Business which involves Nippon Paper’s consolidated subsidiary Paper Australia Pty Limited (“AP”, headquartered in Melbourne, Australia) will be confirmed in due course. The purchase of the business is subject to final approval from the relevant authorities and other closing conditions, and is expected to be completed during the fiscal year ending March 2020.

1. Background

Nippon Paper Group is promoting packaging, household paper products/health care, chemicals, energy and logs & lumber business as five key growth areas. Supported by recent trends recognizing the environmentally-friendly nature of paper as a renewable material, Nippon Paper has been exploring opportunities to expand its value chain from base paper to processing as well as to expand business in Japan and abroad through capital investment and M&As.

Orora has established strong operations in Australia and New Zealand through a comprehensive business model combining a wastepaper collecting system with cutting-edge corrugated base paper manufacturing, highly automated cardboard production and the provision of packaging-related materials and associated services. The company split from world-leading packaging company, Amcor Plc. in 2013, and is a customer of Nippon Paper Group’s subsidiary AP which was acquired in 2009 after. The two companies have a long-standing successful business relationship based on the supply of kraft linerboard and bag and sack papers.

Through the acquisition of the Business, Nippon Paper Group will be entering the integrated corrugated paperboard manufacturing business in the Oceania region. Nippon Paper seeks not only to augment the synergistic effects with AP, but also plans to further build the Group’s packaging business on a global scale.

2. Summary of businesses in scope

(1) Orora Limited's paperboard fiber based, packaging business in Australia and New Zealand

Businesses in scope include: the B9 Paper Mill, fiber converting, specialty packaging, cartons, bags, functional coatings and Orora WRS packaging distribution I

(2) Business results of Orora Limited's Australia/NZ paperboard, packaging business (FY end on June.2019)

	Orora Australasian Fibre Consolidated P&L summary(b)(FY19A)
Sales	AUD 1,426 million
Operating Profit	AUD 91 million

(3) Balance sheet of Orora Limited's Australia/NZ paperboard, packaging business

Asset		Liability	
Item	Book value	Item	Book value
Total	AUD 1,676 million*	Total	AUD 354 million*

*Source: Information Memorandum from Orora Limited

(4) Transaction price and settlement method

Enterprise value of AUD1.72 billion in cash, subject to adjustment for movements in working capital and debt items.

(5) Source of funds

Financial stability will be ensured in executing this Transaction.

Nippon Paper plans to fund through a bridge loan from Mizuho Bank, which will be re-financed by loans from financial institutions, issuing of bonds and hybrid financing and does not expect to fund through the issuance of shares (equity financing).

(6) Transaction scheme

After the signing of the contract with Orora, Nippon Paper is considering acquiring through a newly established subsidiary of AP.

Funds that will be required to complete the acquisition will be procured through capital increase and loans from Nippon Paper.

3. Orora Limited

(1)	Name	Orora Limited	
(2)	Address	109 Burwood Road, Hawthorn, Victoria 3122, Australia	
(3)	Representative(s)	Brian Lowe (CEO) and Stuart Hutton (CFO)	
(4)	Business	Manufacturing and distribution of fiber, glass and aluminum packaging and cans	
(5)	Capital	AUD 0.488 billion	
(6)	Establishment	November 7, 1949; listed on the Australian Securities Exchange on 18 December 2013	
(7)	Net assets	AUD 1.645 billion	
(8)	Gross assets	AUD 3.918 billion	
(9)	Major shareholders	HSBC Custody Nominees (Australia) Ltd. 33.28% JP Morgan Nominees Australia Pty Ltd. 13.06% Citicorp Nominees Pty Ltd. 10.70%	
(10)	Relationship between listed company and relevant company	Capital	n/a
		Personnel	n/a
		Business relationship	Sales of kraft linerboard and kraft paper for bags and sacks through subsidiary company AP
		Status of related party	n/a

4. Schedule

(1)	Board of Director's meeting	October 10, 2019
(2)	Signing of contract	October 10, 2019 (expected)
(3)	Business transfer	January 31, 2020 (expected)

5. Business forecast

Transaction is expected to complete on January 31, 2020.

If the Transaction successfully completes by March 31, 2020, impact from the Transaction on Nippon Paper's business for the fiscal year ending March 2020 will be announced as soon as details are determined. If the Transaction is not completed by April 2020, there will be no impact on consolidated or non-consolidated financial results for the fiscal year ending March 2020.