STRONG PERFORMANCE IN A COVID-19 ENVIRONMENT

20 Nov 2020

Melbourne: Orica (ASX: ORI) today announced statutory Net Profit After Tax for the 12 months ended 30 September 2020 of $168 million, down 31% on the prior corresponding period (pcp), and underlying EBIT of $605 million, down 9% on the pcp. Underlying earnings per share decreased by 23% to 75.7 cents per share.

Orica Managing Director Alberto Calderon said: “Our FY20 financial result demonstrates the resilience of our operating and financial performance in the face of the global pandemic.

“After a strong first half that delivered growth in volumes, revenue and earnings, COVID-19 temporarily disrupted our strategic momentum. Despite this, I am pleased to report that we achieved all the major initiatives, and passed all the key strategic milestones, that we set ourselves for the year.

“These initiatives included the successful acquisition of Exsa, which has brought greater diversification into both copper and gold and reduced our exposure to coal, and Burrup commencing production of high quality ammonium nitrate. We also completed the rollout of our SAP project which standardises end-to-end processes from an enterprise system supporting the entire organisation, enabling fact-based and real-time data-driven analysis and insight.

“Furthermore, we achieved our global adoption targets for our world-leading suite of digital solutions. We now have 87 sites benefiting from our BlastIQ™ platform, a number which we expect to double on average for several years, and we have now completed over 1,000 wireless blasts since launching WebGen™ in 2017. We are confident that the deployment of our new WebGen™ 200 product, and achieving critical mass, will drive ongoing profitable growth.

“At the same time, we significantly increased the strength of our balance sheet through a very timely capital raising and US Private Placement, both of which were oversubscribed.

“The realisation of all these key objectives through a challenging period has further solidified our platform for future growth"

New greenhouse gas emission target

After reducing operational Scope 1 and Scope 2 greenhouse gas emissions by nine per cent over the financial year, Mr Calderon announced a step change target for the company.

“Over the past year we have made good progress in reducing our impact on the environment, having met or exceeded many of our sustainability targets. Today though, I am very proud to announce our new target on our journey to decarbonise Orica – a reduction of our Scope 1 and 2 emissions by at least 40 per cent by 2030[1].

“This is not just an aspirational goal. It is a very real, credible and achievable target, supported by the science and proven technology that has delivered our strong recent track record in meeting emissions targets.

“We will achieve this new goal by reducing emissions from our industrial processes, increasing efficiency, partnering with government and civil society to drive adoption of low-emissions technology and by leveraging our expertise in innovation to support emerging technologies.”

Capital Management and Dividends

Orica's gearing 36.4% remains within the company's target range of 30-40%.

The Board has declared an unfranked final ordinary dividend of 16.5

cents per share, bringing the full year dividend to 33.0 cents per share. The final dividend is payable on 15 January 2021 to shareholders registered at the close of business on 1 December 2020.

Mr Calderon said “Our strong result, healthy Balance Sheet and confidence in the future have enabled us to maintain a dividend, reduced to reflect continuing uncertainty in our operating environment.”

Outlook

Given the ongoing global uncertainty, EBIT in the 2021 financial year is expected to be skewed towards the second half, subject to COVID-19 recovery. Our focus will remain on realising initial benefits from our strategic priorities and solid, established growth platform.

Mr Calderon said: “While the COVID situation means the year ahead cannot be predicted with any great certainty, the impacts are temporary.

With most of our customers operations returning to pre-COVID activity, we have cautious optimism about the year ahead. With continued momentum, we expect to deliver a significant increase in EBITDA and a return to EBIT growth in the year ahead.

We will stay focused on what we can control – making our operations as efficient as possible, driving our growth engines, and working hard to minimise our impact on the environment and deliver climate-resilient economic growth.”

Capital expenditure in the 2021 financial year is anticipated between $380 million and $400 million (excluding Burrup) with a continued focus on growth capital and plant reliability.

Notes

[1] *From FY19 levels of existing operations. Reference baselines will be adjusted for any material acquisitions and divestments based on GHG emissions at the time of the transaction*

- 2020 Full Year Results ASX Announcement
- 2020 Full Year Results Preliminary Final Report
- 2020 Full Year Results Group Compendium (XLSX)
- 2020 Full Year Results Group Compendium (PDF)
- 2020 Full Year Results Investor Presentation

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