

Amcor Examines Global Operations As Its Net Slumps

MELBOURNE, Australia -- Seven weeks after taking the helm at [Amcor](#) Ltd., Chief Executive Ken MacKenzie unveiled a 50% fall in fiscal-year net profit and a sweeping "fix, sell or close" review of the packaging company's 240 plants in 40 countries.

Amcor posted net of 173.2 million Australian dollars (US\$130.9 million) for the year ended June 30, down from A\$345.7 million a year earlier. Sales rose to A\$11 billion from A\$10.41 billion.

The result included A\$270 million of after-tax charges, including A\$210 million for asset write-downs, mainly for accelerated depreciation of its three 40-year-old Australian paper-recycling mills. Amcor also took charges for closing three packaging plants in Canada.

The review is likely to incur charges of A\$100 million to A\$150 million over the next two years and raise between A\$500 million and A\$1 billion from asset sales, the company said.

Mr. MacKenzie abandoned his predecessor Russell Jones's two-year, 20% profit-growth target, declining to give any guidance for fiscal 2006 because of uncertainty over raw-material prices and subdued economic conditions in some of Amcor's markets.

Mr. Jones quit in December amid an investigation into alleged cartel behavior in Amcor's Australian cardboard-box division. Mr. MacKenzie said yesterday that the Australian Competition and Consumer Commission's probe had distracted Amcor's management during the past eight months.

Amcor shares slumped 5.8% to a six-week low of A\$6.78. The stock has fallen 8% this year, compared with a 10% increase in Australia's benchmark index. Amcor was unable to fully pass on rises in raw-material and energy costs during the year. Mr. MacKenzie said about 90% of the increased costs were eventually passed on, with some lag.

"It's a low-margin commodity business with very powerful customers like Coca-Cola who want big volumes at very low prices," said Herschel Asset Management's Saxon Nicholls. "There's a number of input costs Amcor can't control, and they're in a relatively weak position to try to pass them on."

During the past 18 months Amcor has closed five factories and eliminated 1,000 jobs in a A\$158 million restructure of its PET packaging division, which is the world's biggest maker of plastic bottles for water and soft drinks.

The PET restructure and Mr. MacKenzie's review follow a A\$4 billion spending spree by Amcor in recent years, which included the A\$2.83 billion acquisition of packaging assets from Germany's Schmalbach-Lubeca AG in 2002.

"It's a disappointing result," said Rob Patterson, managing director of Argo Investments, an Amcor shareholder. "Clearly, given the result, they do need to do some work on their operations."

Mr. MacKenzie has set a two-year time frame to overhaul or dump Amcor's poorly performing businesses. He declined to identify which plants are facing closure but said Amcor won't divest its major divisions, PET, Flexibles and Australasia.

Source: Dow Jones Newswire, August 25, 2005