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Amcor announces results for year ended June 30th 2011

Amcor Announces Record Profit Result for the Year ended June 30th, 2011.

22 August, 2011:

Highlights

- Profit after tax and before significant items of \$570 million, up 39%;
- Profit after tax and significant items of \$357 million, up 95%;
- Annual dividend of 35.0 cents per share, up 19%;
- \$150 million on-market share buy-back;
- The negative impact from translation of overseas earnings to Australian dollars on profit after tax and before significant items was approximately \$80 million;
- Significant items, primarily relating to the planned restructuring following the acquisition of the former Alcan Packaging business and the settlement of the Trade Practices class action, were an after tax expense of \$214 million;
- A positive operating cash flow, after significant items of \$440 million;
- Benefits from the acquisition of the former Alcan Packaging well ahead of expectations. At June 30 2011, cost synergies achieved an annualised run rate of \$200 million, which is substantially greater than anticipated at the time of the acquisition; and
- The negative impact from the lag in recovering higher raw material input costs was approximately \$35 million in profit before interest and tax.

In announcing the result, Amcor's Managing Director and CEO, Mr Ken MacKenzie said: "The result for the 2011 year was particularly pleasing. Profit increased 39% and earnings per share were up 32%. This result was achieved against a backdrop of subdued global economic conditions and an \$80 million adverse impact on reported earnings due to the appreciation of the Australian dollar.

"The recent acquisitions have been significant contributors to earnings growth and higher returns. The cash generating capacity of our businesses has improved substantially and this gives us the confidence to increase the annual dividend per share by 19% and announce a \$150 million share buy-back.

"In the current economic environment, these capital management initiatives achieve a balance between returning capital to shareholders, maintaining flexibility to pursue growth and retaining strong credit metrics."

Integration of Alcan Packaging

"Benefits from the Alcan Packaging acquisition over the first 18 months of ownership have exceeded our expectations.

"The cultural integration has been excellent and all co-workers in the new organisation have embraced our business operating model, 'The Amcor Way'. This has ensured there has been alignment, from day one, across the expanded operations.

"Cost synergy targets have increased by approximately 25% compared to expectations outlined at the time of acquisition. The exit run rate of synergies at June 30th was \$200 million, which is an outstanding outcome after just 18 months of ownership.

"The underlying operating performance of the business has also improved substantially and we are now 12 months ahead of schedule in terms of improving margins and returns."

Business Group performance

"The Rigid Plastics business had a strong year with earnings up 29%. This improvement was predominantly driven by an increase in the higher value-add custom volumes in North America and the addition of the Ball Plastics Packaging earnings.

"The Australasia and Packaging Distribution business result was in line with the prior year. This was a solid result given the particularly difficult operating conditions in Australia in the second half of the year.

"The Flexibles business had a very strong result with earnings up 78%. The business was successful in enhancing the product mix across a number of key market segments and also benefited from operational

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improvements at a number of plants. These benefits were partially offset by a lag in recovering substantial raw material cost increases.”

Cash flow and dividend

“Amcor generated strong operating cash flow of \$440 million. This is the sixth consecutive year of strong cash flow and enabled an increase in the final dividend of 6% to 18 cents per share. This increase in the final dividend reflects the Board’s confidence in delivering future earnings growth.”

Future growth

“Over the past six years, Amcor has undergone a substantial transformation that has included the acquisition of Alcan Packaging and Ball Plastics Packaging.

“The significantly improved earnings and strong cash flow, positions the Company to accelerate growth in attractive market segments.

“Our strong footprint in emerging markets enables us to support customers as they expand in these regions. Growth in emerging markets is being driven by increasing consumer spending and the ongoing trend to safer and higher quality food.”

Outlook

“Amcor, as a global leader in our chosen market segments, is well positioned to deliver sustained growth and improving returns to shareholders. In the 2011 year, earnings increased 39% and we expect to achieve higher earnings and returns in the current year.”

A long form of this announcement is linked below.

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