Out of the box

Amcor earnings soar on package of global deals

MICHAEL RODDAN
PACKAGING

SHARES in packaging heavyweight Amcor have surged after the group revealed its full-year earnings had jumped, fuelled by its global expansion program.

Amcor yesterday posted a net profit of $US680 million ($944 million) for the year to June, up 35 per cent on the previous year.

The Melbourne-based company said that across its "continuing operations", earnings clocked in 0.4 per cent lower.

Amcor chief Ron Delia said the group's bottom line had been supported by acquisitions and improvements to its operating performance.

"“Over the past 12 months there have been a number of growth initiatives announced," Mr Delia said.

"These include acquisitions in South Africa, Brazil, China and India, as well as new greenfield plants announced in the Philippines and Indonesia."

He added: "The balance sheet remains very strong, and we have completed 60 per cent of the $US500 million share buyback that was announced in February."

Shares in the company surged 4.3 per cent, outstripping gains on the broader bourse.

Amcor's revenue clocked in at $US9.61 billion — a 3.5 per cent fall from last year.

Mr Delia said the group was expecting higher earnings over the year in constant currency terms — a measurement that assumes exchange rates stay constant. But he flagged a challenging first half for the group's flexible packaging business.

The group said underlying demand had "remained subdued" in developing markets and there was an unfavourable impact on earnings from movements in the Swiss Franc.

Amcor will pay a final unfranked dividend of US21c, bringing the total distribution to US40c for the year.

That compares with payments totalling US39.2c the previous year.

In Australian currency, this year's dividend will be paid as 53c — an increase of 23 per cent over the previous year.

Amcor added 54c to $13.05.

THE AUSTRALIAN

Rain puts cloud on Village profits

LEISURE

WATER is essential for Village Roadshow's Sea World and Wet'n'Wild theme parks but the wettest January in 50 years has washed away some of the group's earnings.

Tropical storms, including Cyclone Marcia, lashed the company's Queensland theme parks during peak attendance periods across summer and Easter.

Earnings from Village Roadshow's breadwinning theme park division fell 4 per cent to $92.5 million.

Co-chief executive of the Melbourne-based company, Graham Burke, described the year as "shockingly abhorrent".

"There was torrential rain on so many of the key holiday days. Where we would have expected 15,000-20,000 people, we got 1500," he said.

Mr Burke said the rain cost the company between $5 million and $7 million in profit and held the company back from posting what would have been a record result.

The group posted a net profit of $43.9 million for the year to June, down 4 per cent on the previous year. Mr Burke said the company expected an improvement this financial year.

"Based on law of averages, and there's some science to long-range weather forecasts, that this year with good weather, we should be looking to perform at a more normalised level," Mr Burke said.

The company hopes to boost ticket sales by dropping prices and encouraging people to buy tickets earlier.

Weather woes weren't the only thing hitting the bottom line. Returns from the Las Vegas Wet'n'Wild dropped 12 per cent when a rival water park opened nearby.

But box office hits, including *The Imitation Game, American Sniper* and *50 Shades of Grey* helped Village's cinema division increase earnings by 14 per cent.

Mr Burke said the outlook was positive for the coming year with the final instalment of the *Hunger Games* franchise.

The company expects to keep increasing overall spend per person by introducing hot food at the candy bar.

Its shares rose 46c to $6.36.

A polar bear at Sea World laps up the rain which hit profits.

THE SHORT CUT
with ROGER MONTGOMERY

Stormy forecast dampens hopes

HERE in the Short Cut column, we like to warn you about weak companies and the reasons why we won't buy them.

We may even suggest a name so disliked, and with prospects so poor, we may even consider profiting from what we believe to be its inevitable collapse.

Today, however, we present an entire country whose prospects we believe are deteriorating rapidly.

That country is ours: Australia.

Let's begin with the slowdown in the resource sector.

Thanks to low iron ore prices, the big producers are producing more to cover their fixed interest expenses.

As a result, it's cheaper for China to produce steel, so even though they're only consuming 728 million tonnes, they're producing 839 million tonnes.

The extra 111mt is being put on the global market, which is causing big steel producers like the Indian company, Arcelor Mittal, to report declining revenues and precipitously falling profits and cash flows.

Coal is another input. Prices have fallen two-thirds and America's biggest producers, like Walter Coal and Alpha Natural Resources, have filed for Chapter 11 bankruptcy.

That means they can keep producing — and keep downward pressure on prices — without having to pay their debts.

The slide in the resource sector means investment intentions are declining, too.

Unemployment in this sector, which employs about 10 per cent of the workforce, is rising.

Next, manufacturing: As I have warned previously, both sides of politics have ineptly hollowed out our manufacturing sector, believing we are better off seeing it go broke and then purchased by overseas investors who bring their technology and intellectual property. The stupidity of this is obvious to anyone.

I would rather see a strong and competitive industry adding value to our exports, which would reduce our need for foreign capital.

Thanks to years of Cabinet members with little management experience running our country, we will soon have as many as another 50,000 people looking for work as auto manufacturing in Australia grinds to a halt in 2016-17.

Australia isn't growing fast enough to avoid an increase in unemployment.

It is hoped the building industry can help soak up some of the jobs lost.

With record high levels of commencements, completions and building approvals, there are superficial grounds for optimism.

But here's the issue: even though activity levels are high, population growth is declining. This usually leads the level of commencement and completion activity.

Remember, residential real estate prices are at record highs.

The banks are slowing lending on investment properties and have raised interest rates on all existing investment loans.

ASIC has warned that its investigation of lending practices revealed banks were not lending responsibly.

That finding tells me, when people lose their jobs or interest rates go up, or both, the levels of bad debts will be high.

It's our own little subprime lending crisis.

Roger Montgomery is chief investment officer at the Montgomery Fund