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stichting onderzoek multinationale ondernemingen
centre for research on multinational corporations

AMCOR LTD, a company profile

Written for the EGF seminar, with financial support from the European Commission

SOMO/Sjef Stoop
March 1997

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1. Introduction

Amcor is one of Australia's biggest companies and the 11 the biggest packaging company in the world. It owns and operates 350 plants in 21 countries.
Amcor is not owned or controlled by any other company or bank. The largest shareholder only owns about 7.7%.

Amcor and its subsidiaries are engaged in packaging, forest products, tissue and personal care products and international trading:

Through **Containers Packaging** division, Amcor is engaged in the production of aluminium, steel and aerosol cans for the beverage, food, industrial cosmetic and pharmaceutical markets; metal and plastic closures for conventional and tamper-evident use on bottles and jars; flexible, foil and film packaging; polyethylene-extruded laminates and multi-substrate film, printed bags; rigid plastic containers; folding board cartons, both gravure and offset, and composite cans for food and industrial products, multi-wall paper sacks; domestic disposable wraps and foils; and PET beverage bottles. Its greeting cards and security printing and other security and communications products has been sold in 1995-1996[1].

Through **Amcor Fibre Packaging** division, Amcor is engaged in producing and marketing customized corrugated packaging for fresh and processed food, beverages, household products and a range of industrial uses; point-of-sale display packaging; packaging machinery systems; distribution of packaging and related products; and designing and manufacturing rotary dies for use in the corrugated box industry.

Through **Amcor Paper** Group division, Amcor is engaged in the production of container materials for the fibre box and paper sack industries in Australia and Asia, and for packaging foodstuffs, beverages and many household and industrial products; papers for conversion to bags for industrial and packaging uses, and for envelopes, offset printing, continuous stationery, photocopying and specialized check and security papers; plasterboard liners for the building industry; and cartonboards for packaging food, cosmetics, pharmaceuticals, wine and detergents.

Through **Amcor Merchanting and Trading,** Amcor is engaged in imports and distribution of paper, in the envelope business, trading of paper and raw materials.

Through **Amcor Investments,** Amcor manages its 50-50 joint venture with Kimberly Clark in Australia (tissue, nappies) and the 42% share in the Australian merchanting company Spicers Paper.

Amcor is still quite dependent on Australian and New Zealand. Almost all of the

[1] Amcor's financial year runs from 1 july until 30th of june next year.

Paper group activities and the metal based packaging activities take place in this region. Europe accounted for 18% of total sales in 1995-96, up from 10% the financial year before. Amcor Containers Packaging and Amcor Fibre Packaging are more globally organised. AFP sells even more in the US than in Australia. The next table shows the distribution of last years sales for the two most internationalised divisions.

CONTAINER PACKAGING SALES BY COUNTRY	**%**	**FIBRE PACKAGING SALES BY REGION**	**%**
Australia	54	US	31
Europe	21	Australia	30
Canada	13	Europe	25
New Zealand	7	New Zealand	9
Asia	3	Asia	5
United States	2		

2. Company structure

The next chart gives an overview of the divisional structure of Amcor plus its European subsidiaries.

Amcor

Containers Packaging	Amcor Fibre Packaging	Amcor Paper	Merchanting & Trading	Investments
- all kinds of packaging - In Europe: * Amcor Containers Pack.Europe Ltd, UK * Rentsch: folding cartons flexible pack. tobacco cartons * Amcor Flexibles Europe (UCB) flexible pack. + Schröder&Wagner **Europe: 21% sales**	- corrugated box plants - In Europe: * Amcor Packaging Europe Ltd, UK. * Willander * SACOC Emball Cartonerie * Holfelder * Kiwi salesoffice **Europe: 25% sales** **37% capacity**	- no European activities, besides sales office	- no European activities besides sales office	

Amcor Containers Packaging Europe and Amcor Flexibles Europe are said to be merged, leaving Rentsch as the holding company for paper based packaging.

It is hard to assess the exact extend to which Amcor is a centralised or de-centralised company.
This is partly due to the fact that the company has been in a constant state of flux over the past 10 years, moving from a Australian paper company to a globally operating paper and packaging firm with many activities.
The rate of expansion has slowed down after some major acquisitions in 1995 and early 1996, and Amcor now is entering a stage of consolidation. For example: in Australia the different business names of Container Packaging will be gradually changed into a national identity. At the same time AFP is setting up a regional structure in Australia.

The company structure consists of a relatively small international headquarters, with international divisions which are responsible for all operational activities.
The board of directors had the overall responsibility for the corporate governance of the company, including its strategic direction, the review of the plans established by the management team and the monitoring of performance against those plans. Besides formal meetings, the directors of the board follow an on-going program of visits to Amcor's operating plants, both in Australia and at off-shore locations.
The board has in place a number of arrangements intended to identify and manage

areas of significant business risk. These include the maintenance of:
* procedures to consider and approve the strategic direction of the company
* detailed and regular budgetary, financial and management reporting
* procedures to manage financial and operational risks
* established organisational structures, procedures, manuals and policies
* comprehensive insurance and risk management programs and
* the retention of specialised staff and external advisors

The main features of last year's activities were:
* establishment of a task force to review audit procedures and to oversee implementation of the Victorian Government's SafetyMAP Standards, which are a requirement for self-insurance of worker's compensation.
* formation of senior level risk management committees at divisional and business unit levels.
* inclusion of Asian and European operations in Amcor's stringent occupational health and safety compliance reporting program.
* continuance of an extensive safety and environmental auditing program by internal teams and external consultants.

It is interesting to notice that at Amcor, in contrast to many other company's, the division managers are not part of the executive board.

Concluding from these remarks form the annual report, it is clear that Amcor's division operate within a tightly defined corporate structure, especially in regard to financial procedures. These will off course also influence operational activities. For example: The annual report over 1995-1996 announces that 'all Amcor's businesses will be involved in a particularly comprehensive program to reduce costs'.

Mr. Ciragan also indicated that the Amcor's financial difficulties in Australia will certainly affect the investments in Europe. In this respect it is clear that there are at least some things on general company level which are important to discuss for every EWC within Amcor.

On the other hand, the colleagues in former UCB plants in the Netherlands and Belgium and former Rentsch plants in Berlin did not notice a big change in operational affairs after the take-over. But maybe it is too early for this.

The regional structure is less important than the divisional structure. In fact Amcor operates mainly through it's international divisions. Here, national borders and even continents are often of minor importance. E.g. the greenfield site of AFP in March (UK) is an almost exact copy of the Scoresby plant near Melbourne (Australia).

Also in 'social issues', Amcor uses some central procedures. The annual report over 1995-1996 announces that 'throughout the company we place major emphasis on the health and safety of our people and all the Amcor businesses have targets to reduce injuries.

Health and safety is an integral part of Amcor's management activities which include measuring our performance against external benchmarks, auditing and the use of external consultants.

The target in 1995-96 was a reduction of 20% in the lost time injury frequency rate. Overall, there was a 5% reduction in the lost time injury rate across all Amcor's operations worldwide.

Also the divisions have strong central procedures. For example in the 1995-1996 annual report the AFP division announces: " a detailed review of administrative procedures was initiated, aimed at improving efficiency and lowering costs and a regional organisation structure was implemented to improve management effectiveness."
The containers division was a separate company, bought 10-15 years ago, and still has its own headquarters.
Rentsch is a very centralised division/company, with all marketing and other central functions performed in Switzerland, leaving the other plants with a plain production task. But is also the goal of Amcor, to link the Rentsch activities in the tobacco industry with the similar business of Leigh Mardon in Australia and Asia.

3. Amcor in Europe

Amcor's presence in Europe is of relatively recent origin. The first step was taken by the AFP division, with the entry in the UK box market in 1988, followed shortly afterwards by the acquisition of 49% and later of the other 51% of Sacoc France (corrugated boxes). AFP continued with the acquisition of 49% of Willander Holding in the UK (corrugated boxes) and the acquisition of 50% of Holfelder Germany (Corrugated). Amcor raised the share in all these companies to 100%. Also in Portugal, where Amcor only owns 35% of the former Rentsch daughter company, the intention is to increase equity.

In 1994 this was followed by the acquisition of RIG Rentsch (folding cartons) which became part of the containers packaging division. In 1996 UCB's packaging division was taken over. Subsequently the containers packaging division was split in Europe between a folding cartons part, Rentsch, and a flexible packaging part, UCB. Schroeder and Wagner was moved from folding cartons (Rentsch) to the flexible packaging part.
AFP has a European headquarters. So has Rentsch and Flexible packaging.
Rentsch and Flexible packaging both belong to Containers packaging which also has a European headquarters, but this consists of only one person, mr. Hobson, However, this person is responsible for all strategic acquisition, expansions, etc. There is no overall European headquarters.

The next chart gives an overview of Amcor's European activities (in brackets the number of plants):

Amcor in Europe:

<u>Containers Packaging</u>

Folding cartons
Rentsch:
Switzerland (1)
Spain (1)
France (1)
Germany (1)
Portugal (1)
Poland (1)

Flexible packaging
UCB
Belgium (3)
the Netherlands (2)
Germany (2)
Spain (1)
Sales offices in UK, US
France, Hungary, Poland

<u>Amcor Fibre packaging</u>

Amcor Packaging/ Willander	**Holfelder**	**SACOC/Arco Carton/Odicee Emball Cartonerrie**
UK (13)	Germany (4)	France (6)

Sales office of Kiwi (UK)

<u>Amcor Paper</u>

Sales office UK

<u>Amcor Trading</u>

Zimmerlund Norway
Sales office UK

4. Financial situation

Amcor has always been a very healthy company from the financial point of view. Conservative financial management have led to low levels of debt.
The next chart gives the financial objects and the level to which they have been achieved in the last financial year.

OBJECTIVE	PERFORMANCE IN 1995-96
* A prudent level of gearing, ie net debt should not exceed 40% of net debt plus shareholders' equity	* Gearing 34% at June 30 1996
* Real growth in sales of core businesses of at least 10% per year	* 13% growth
* Net interest should be covered at least five times by earnings	* Net interest cover 5.1 times

It is interesting to note that Amcor left out of its most recent annual report the objective which it always included before: 15% annual increase in earnings per share. The 'real growth in sales' objective has taken its place.

1995-1996 marked a change from years of increasing profits. For the first time in many years, profits went down. In the past two years Amcor's net profit has fallen from Dollars 402 million in 1994-95 to Dollars 356 million in 1995-96. Still investment was quite high, although not as high as the record breaking 1993-1994 year. This resulted in a somewhat increased level of debt. In 1995 profits were still 5.4 times as high as interest payments. In 1996 this decreased to 4 times, still a comfortable figure. Taking into account "abnormals" (exceptional charges) this was somewhat lower.

FINANCIAL SUMMARY Years ended 30 June	**1996**	1995	1994	1993	1992
Capital expenditure ($m)	640	549	438	366	176
Acquisitions/investments ($m)	227	229	664	342	179
Total ($m)	867	778	1,102	708	355
Cash flow from operations ($m) *	307	501	394	345	324
Interest paid cover (times)					
-pre abnormals	4.0	5.4	6.6	5.4	3.4
-post abnormals	3.8	5.0	5.4	5.6	3.7
Net interest cover (times)					
-pre abnormals	5.1	6.4	9.0	6.8	4.1
-post abnormals	4.9	6.1	7.4	7.0	4.4

* After payment of tax and dividends but excluding abnormal items and the effect of the Dividend Reinvestment Plan

Amcor has admitted flat paper prices have forced to downgrade it's full-year profit forecasts by 10 per cent.
Analysts had been forecasting that world white paper prices would increase in early 1997 but excess capacity and sluggish demand had delayed any price rise until later in the year. Estimates on Amcor's full-year net profit have been cut from Dollars 320 million to between Dollars 270 million and Dollars 290 million.
Excess capacity of paper supplies has come directly from Indonesian-based companies increasing production and flooding the Australasian market.

Amcor's Australasian packaging division is still feeling the effects of a price war with Melbourne businessman Mr Dick Pratt's business. Mr Pratt has expanded his operations and cut prices in an effort to grab market share from Amcor, resulting in profit margins being squeezed.
Despite the gloomy outlook, Amcor said there were several positive signs emerging, including a pick-up in sales volumes in the past six months. However, a 15 to 20 per cent fall in paper prices had overshadowed this improvement.

To balance the increasing debt, Amcor intends to raise another USDollars 30 million in convertible notes. According to the company this is not linked to any planned acquisition.

Amcor has fallen more than 21 per cent on the stock exchange in 1996.
Analysts said Amcor was well managed and much less dependent on international pulp and paper prices than many investors assumed, but it was still battling harsh

economic conditions across the full range of its Australian operations.

As for Amcor's European activities, the picture is less gloomy. A good performance by Amcor Packaging Europe was highlighted in the group's review of the year ended June 30. Flat results in the main Australian businesses, and low margins in Australia and New Zealand, contrasted with good results posted by the UK and US fibre packaging businesses.
But Holfelder in Germany again traded at a loss. Holfelder, is being turned around and was expected to break even by the end of 1997. At flexibles, Spain and the Netherlands are reported to have difficulties at the market situation.
The (former UCB) Dutch plant has lost some important customers. In Belgium on the other hand, a more active marketing approach has led the former UCB plant to increase production.

5. Amcor by division

The next overview will show how the different diviosns have performed over the past 2 years. It will become clear that the paper division has the highest profit margin on net sales, the highest profit margin on net sales and the highest profits per employee, with the containers packaging coming second. Margins at Merchanting&trading and AFB are only half of those of the paper group.

5.1 Amcor Paper Group

The paper division is the historical heart of the Amcor group. It is mainly active in Australia, with only one mill outside Australia, in the US. In Australia Amcor also has its own plantations. It has been announced by the end of 1995 that Amcor Paper was looking for an entry in Europe, but given the present situation this seems highly unlikely. However, would Amcor Paper take up activities in Europe, then maybe the Holfelder mill might become part of this division.

Products		
Linerboard and corrugating medium for fibre boxes		
Brown papers for sacks, bags and packaging		
Cartonboards for packaging food and household products		
Fine papers for uses ranging from envelopes and printing to photocopying, specialised cheque and security papers		
Functionally-coated papers and paperboard		
Plasterboard liners for the building industry		
Pine timber for home building		
Results at a glance	**1995-96**	**1994-95**
Profit before interest and tax $M	241	240
Net sales $M	1,430	1,412
Total assets $M	1,953	1,708
Profits as % of net sales	16.8%	17.0%
Profits as % of assets	12.3%	14.1%
Profits per employee	57,800$	59.177$
Employees at 30 June	4,169	4,056

The division has shown declining results over the past 2 years, due to fierce competition. Still, regarding the state of the industry, margins are still quite high.

5.2 Merchanting & Trading

In 1994 Amcor combined it's merchanting and trading divisions into one. Margins have been decreasing, but it should be kept in mind that in trading, profits as % of net sales are never very high.

Results	1995-96	1994-95
Profit before interest and tax $m	21	32
Net sales $m	948	913
Total assets $m	373	393
Profits as % of net sales	2.2%	3.5%
Profits as % total assets	5.6%	8.1%
Profit per employee	18,800$	29,795$
Employees at 30 June	1,117	1,074

5.3 Amcor Fibre Packaging

AFP will seek continued organic business growth in the US, Europe and Asia and will retain a strong focus on reducing costs and restructuring operations in Australia, New Zealand and Germany. Growth will be augmented by small medium-sized acquisitions.

Results at a glance	1995-96 $m	1994-95 $m
Profits before interest and tax	130	160
Net sales	2,251	2,102
Total assets *	1,775	1,832
Profits as % of net sales	5.8%	7.7%
Profits as % total assets	7.3%	8.7%
Profits per employee	14,206$	18,400$
Employees at 30 June	9,151	8,697
* Note: Decrease due to the impact of exchange rates		

5.4 Amcor Containers Packaging

The next chart lists the broad range of products, produced by this division.
It will be clear that the biggest part of this broad range of products, is only produced in Australia and New Zealand (NZ). In Europe, only the Halen plant en Schroeder & Wagner have paper based inputs. Overall for this division, 20% of inputs is paper-based.

Products	Made in
Aluminium, steel & aerosol cans	Aust, NZ
Caps and closures	Aust, NZ, Canada, Asia
Flexible packaging	Aust, NZ, US, Europe, Asia
Rigid plastic containers	Aust, NZ, Asia
Folding cartons	Aust, NZ,
Tobacco cartons	Europe, Asia
Composite cans	Aust, NZ
Multi-wall paper sacks	Aust, NZ, Asia
Domestic wraps & foils	Aust, NZ
PET (plastic)	Aust, NZ,
Beverage bottles	Canada
Coated & laminated products	Canada
Plastic tubes, thermoformed plastic containers & lids	Canada
Flexible bulk containers	Canada

In comparison with the other Amcor divisions, results at this division have decreased only a little:

Results at a glance	1995-96	1994-95
Profit before interest and tax ($m)	235	240
Net sales ($m)	2,571	2,080
Total assets ($m)	2,319	2,130
Profits as a % of net sales	9.1%	11.5%
Profits as a % of assets	10.1%	11.3%
Profits per employee	21.783$	22.207$
Employees at 30 June	10,788	10,807

6. Amcor's packaging strategy

In fibre packaging (cardboard boxes) Amcor intends to put greenfield plants in. The first was at March (UK), soon followed by a second one at Mold (UK). Besides Amcor bought the Wilander group.

(The next part is an excerpt from Packaging Week, july 1993)

Amcor is now tweaking the noses of the leading box-makers in Britain -Smurfitt, ASSI, David Smith, SCA and Linpak - and other European producers as part of its plan to become a force in the world box-making market. By 1994 it will produce more boxes in Europe than its parent company produces in Australia. Already Amcor has more capacity in Europe than it has in other regions it is targeting for expansion: South-East Asia and the United States.

Orchestrating the European push is Briton Peter Carrington, managing director of Amcor Packaging Europe. When Carrington joined the company, Amcor's plan was to enter the industry through Britain, then expand on to the Continent. 'We wanted a 300,000 to 500,000-tonne capacity within a five-year period,' he says.
Carrington was presented with a hit-list of British box-making plants to examine for takeovers. 'There were some nice ideas, but to me it was all a bit of a joke,' he says. 'There was a load of stuff on the list which you could wipe off instantly. Companies were either in the wrong place or used old assets.'
Carrington rejigged the plan, opting to build a greenfield plant at March rather than buy an existing company. The March plant, similar to the one in Scoresby, on Melbourne's outskirts, opened in early 1988 with a capacity of 70,000 tonnes a year.
Amcor then moved like a company possessed. It has:
* Bought 100% of French box manufacturer SACOC, which has a sheet plant near Paris and a new box-manufacturing plant at St Quentin, to the north. The latter started operations in October 1990 with a capacity of 65,000 tonnes a year. Amcor installed new computer management and accounting systems.
* Bought 49% of the Willander Group.
* Started building another greenfield plant at Mold, near Chester in north Wales. This will have a capacity of 70,000 tonnes a year and will start producing early in 1994.
* Bought 50% of the German paper and packaging group Holfelder.

(Note: Amcor now (situation early 1997) has full ownership of all these companies. It has also commissioned a new Dollars 55 million plant at Preston, UK).

Building the March plant and stocking it with the latest equipment, predominantly from Mitsubishi, was the most important decision Carrington has made, given that he was entering a mature market.
Carrington says the absence of an instant customer base, which Amcor would have picked up by buying an existing operation, was another worry. 'When you buy a

company, you have a position in the market already and you can develop it from there.'

The decision to start from scratch has been a good one. The March plant, with a staff of 120, began recording profits before interest within 17 months, and within 20 was making profits after interest. 'We went into three shifts in June this year and we are heading to fill the third shift now,' Carrington says. 'We are hitting all the targets that we first set up.' The plant, with its top-of-the-range equipment, changed the rules in the industry, Carrington says. 'The total UK market, for the sake of argument, is about 1.8 million tonnes. There are 100 serious corrugators, so you are talking broadly 18,000 tonnes a plant. We have plants which can produce 70,000 tonnes each.'

Amcor also has the edge in efficiency. 'Typically the output per head in England is between 85 and 95 tonnes per person per year. At March, we are up in the 300s and we won't stop until we are in the 500s. We know we can produce a better-quality corrugating board than anyone else, and our conversion facilities can hold things at a much tighter tolerance.'

The new plant at Mold represents a much lower risk. The learning curve will be kinder and staff can be transferred from the March plant.

Amcor was able to enter the market at the bottom end, where there was a gap left by producers who were concentrating on more expensive, sophisticated boxes. 'They left behind the bedrock of the industry: the straight, ordinary box,' Carrington says. 'We have been happy to concentrate on that market, which makes up 60-70% of the total, with our present operations, ignoring the high value-added stuff. We are able to do that with the lowest-cost production and highest-tech machinery.'

The future, Carrington says, is in specialisation. 'In box making, you can no longer be all things to all people. Now it's about spotting what you can do differently. If you are going to be the same as everybody else, you shouldn't even play the game.'

Some of the competitors, like ASSI and Linpak, are now setting up greenfield operations of their own, rather than revamping their existing operations.

He says that out-and-out market share is not an aim for Amcor. The company has become a bit battle-weary with its market-leadership status in Australia and New Zealand. 'We have always said that we want 10% of the UK market.

When we fill March, we will have 3.5% of the national market. If we fill Mold, we get another 3.5%.'

At the same time, he is quietly on the lookout for other purchases, especially in France (where Amcor has 2% of the market through SACOC), Spain and Italy. 'Our single plant in France looks a bit lonely and we are keen to get bigger there.'

Eastern Europe is another possibility, but Carrington says a purchase there is unlikely at this stage. 'We are fully stretched at the moment and don't have a ready commando team of managers. Why should we take the risk in this stage of our development? Through our German company we have a sheet plant in the Czech border, and we could use that as a springboard some time for getting eastern European experience.'

According to Carrington, Amcor's employee management, which he describes as light years ahead of everybody else's, is a big reason for its success. 'We have no demarcation between blue-collar and white-collar workers. Everybody is paid a salary and everybody is on the same superannuation scheme.

'If anyone at any level is absent for any reason, he or she will get full pay for three months. If incapacitated, he will get full pay for three months and half-pay for the rest of his working life. The unions can't come within a mile of us because we are doing the right thing. Our absenteeism last year at March was 1.2%, which is about a quarter of the industry average and about an eighth of the industry worst.'

(end of quotes, see next chapter for a different view on industrial relations at Amcor UK).

Flexible packaging is being developed by Amcor as a global business, along with manufacturing corrugated boxes, high value added products such as cigarette packaging and closures, and plastic lids for a range of containers.

Within this sector, tobacco packaging in emerging markets is an important growth area. Rentsch has announced new ventures in Turkey and Central Asia.

7. Employment and industrial relations

In two years time, Amcor's employment i Europe more than doubled, from 1872 in 1994 to 4708 in mid 1996.

EMPLOYMENT:

Australia		13,146	**Asia**	Hong Kong	185
New Zealand		1,750		Singapore	450
US		2,137		Malaysia	304
Canada		1,182		Indonesia	277
Mexico		11		South Korea	6
Europe	UK	1,063		China	540
	Switzerland	314		Japan	5
	Germany	1,363		Thailand	591
	France	514			**25,292**
	Belgium	729			
	Netherlands	183			
	Hungary	1			
	Spain	151			
	Poland	138			
	Norway	16			
	Canary Islands	211			
	Portugal	25			
	TOTAL EUROPE	4708			

Labour relations at Amcor in Australia and New Zealand are basicly good. In Europe the picture is mixed. The British unions report a anti-union policy and harsh personnel management, e.g. dismissing people when they are ill.
In Spain unions are not represented in the works councils. In other countries, relations are 'normal'.

It is important to note that Amcor is one of the very few companies to report clear standards on personnel policy in its annual report, e.g. on health and safety. This is worked out at divisional level.

Another one of Amcor's key objectives is to ensure its people receive satisfactory retirement benefits. In the 1993 annual report Amcor stated its commitment to equal employment opportunities. Internal systems have been reviewed to ensure gender bias is removed from renumeration and career progression. Women are specifically recruited for roles traditionally occupied by men.
It may be useful within the EWC to monitor how is Amcor is living up to these standards in the different European countries. Mr. Ciragan indicated that as yet there is no coherent European employee policy. E.g. UCB did not have a very well developed policy in this field.

A major problem at some European plants, especially those of Flexibles, is overtime. Both Belgium and Germany report that they have a lot of work, but not enough people. Machines are being used very intensely. In Germany the problem is aggravated by recruiting problems. Staff shortages are so big, that the company has offered an extra 20DM an hour for an extra night shift. At Rentsch in Switzerland the large amount of overtime it caused by personelreductions.

Holfelder in Germany is facing serious job cuts, 150 in early 1997, with some 100 still to follow. Transport has been outsourced to TNT.