

**HD** Visy Industries in Packaging Industry (Australia)

**WC** 1,373 words

**PD** 17 December 2014

**SN** Euromonitor Local Company Profiles

**SC** EULOCOP

**LA** English

**CY** Copyright 2014 Euromonitor International Ltd

**LP**

#### STRATEGIC DIRECTION

Visy Industries has **operations** across an array of pack types, many of which are experiencing a gradual decline. The primary pack type in which Visy has a competitive advantage is rigid plastic, which has a strong future as one of the fastest-growing pack types across worldwide. It is here that the **company** will place most of its efforts during the forecast period.

**TD**

#### KEY FACTS

##### Summary 1 Visy Industries: Key Facts

Full name of **company:** Visy Industries  
 Address: Level 11, 2 Southbank Boulevard, Southbank, VIC 3006, Australia  
 Tel: +61 (3) 9247 4747  
 www: [www.visy.co.au](http://www.visy.co.au)  
 Activities: Manufacturer of glass packaging, paper-based containers, HDPE bottles and PET bottles

Source: Euromonitor International from **company** reports, trade press

##### Summary 2 Visy Industries: Operational Indicators

Year end June	2012	2013
Net sales	A\$3,900.0	
<b>million</b> A\$4,100.0 <b>million</b>		
Employees	9,600	9,500
Production Sites (in Australia)	99	101

Source: Euromonitor International from **company** research

#### **COMPANY** BACKGROUND

Visy Industries dates back to 1948, and it is the largest privately-owned paper recycling and packaging **company** in the world. The **company** was managed by Richard Pratt from 1969 until his death in 2009. Since then, ownership has been split evenly between three of his children, with his son, Anthony Pratt, taking over as Executive Chairman.

The **company** is attempting to tie its development and growth to the fast-growing food and beverage industries in Asia. Anthony Pratt has famously called for an end to Australia's reliance on the **mining** boom, encouraging investors to invest instead in a "dining boom". Visy Industries aims to establish a number of manufacturing plants in Asia Pacific. These include the doubling in size of a factory in Rayong, Thailand, from which it supplies packaging for global giants such as Coca-Cola and Heinz, and exports to markets such as Japan and **China**. Visy Industries's goal is for the Asian "dining boom" to account for 20% of **company** earnings.

The economic slowdown experienced by Australia since 2008 forced Visy Industries to engage in a surge of acquisitions, most notably the PET bottle and rigid plastic packaging **operations** of HP Plastics Pty Ltd in 2012, which included facilities in Sefton and Minto (New South Wales) and Footscray and Dandenong (Victoria).

In addition to strengthening Visy Industries's position in the strong growth categories of PET bottles and rigid plastic packaging, the **acquisition** also improves its ability to cater to smaller customers. Given its position as one of the biggest packaging companies in the world, Visy Industries has typically specialised in large orders for major brands that are of a similar size to itself. The **acquisition** of HP Plastics Pty Ltd, on the other hand, allows Visy to focus on smaller runs, of 50 **million** units or less.

Visy Industries was responsible for a number of packaging innovations in 2013, including the development of the Tap King for Lion Corp, a 3.2 litre PET bottle similar to a mini-keg that consumers can keep in their fridge. Much of the packager's focus, however, has been on light weight packaging, with its factory in Rayong, Thailand producing rigid plastic jars that are 25% lighter than the packaging being replaced. Light weight metal beverage cans are also being produced at its Brisbane factory. Meanwhile, the paper mill in Tumut, New South Wales produces light weight paper that is up to 33% lighter than the packaging it is replacing.

## PRODUCTION

Despite Visy Industries's rapidly expanding **operations** in Asia, the bulk of the **company's operations** remain in Australia, with 101 sites out of a total of more than 200. In addition to the 30 recycling depots and plants across Australia, Visy also manufactures paper-based containers (predominately corrugated cardboard boxes, which fall outside of Euromonitor International's definition of packaging), PET bottles, metal beverage cans, metal food cans and rigid plastic containers.

In 2013, a new factory opened in Stapylton, Queensland, manufacturing metal beverage cans and metal food cans. This occurred despite a gradual trend away from these pack types, particularly metal food cans, which experienced a 1% decline in retail unit volume sales in food packaging in 2013. Metal food cans, however, registered strong growth in Asia Pacific, where Visy Industries intends to focus in the forecast period.

With 30 recycling centres across Australia, Visy Industries is also the largest recycler in the domestic market. The **company** also operates the kerbside collection of recyclable rubbish for a large number of local councils in Australia. This recycled waste is then used as an input for Visy's products, making a "closed loop supply chain". Such recycled products have not tended to involve packaging for retail products, but are instead corrugated cardboard boxes used by industry. Visy Industries's leadership of recycled paper was challenged in 2013, by the opening of the A\$500 **million** recycling plant by Amcor Australasia and Packaging Distribution in Botany Bay.

The packager is also improving its recycling capacity, with a new recycling plant in Smithfield, which aims to grow to the popularity of recycled PET and recycled HDPE (or rPET and rHDPE) for food and beverage products. Whilst PET and HDPE have long been recycled, concerns that the end product was not safe for food consumption has held back the utilisation of recycled plastic as packaging for food and beverages. This situation is beginning to change. As new technology serves to increase the perception that recycled PET and HDPE bottles are safe to be used for food and beverage packaging, Visy Industries will be in an ideal position to make the most of this trend.

As a very large **company**, it predominately deals with similarly large clients, although this has started to change with the **acquisition** of HP Plastics Pty Ltd in 2012. Visy provides the packaging for a wide variety of major brands, ranging from Golden Circle and Berri fruit juices, to Up&Go flavoured milk drinks and Sanitarium peanut butter.

## Summary 3 Major End-use Markets for Visy Industries by Pack Type 2012

Pack type product	Industry	Major end-use
Glass jars	Spreads	Nut-based
spreads, jam		
Liquid brick cartons	Dairy	Flavoured milk
drinks		
HDPE bottles	Fruit juice	Fruit nectar
Gable top cartons	Fruit juice	Fruit nectar
Liquid brick cartons	Dairy	Milk
Gable top cartons	Dairy	Milk
Liquid brick cartons	Sauces, dressings and condiments	Stocks

Source: Euromonitor International from **company** research, trade interviews

## COMPETITIVE POSITIONING

After Orora Ltd, Visy Industries is the largest supplier of packaging in Australia. The **company** is overexposed, however, given that several pack types are experiencing either stagnant or slow unit volume growth, at least in the domestic market. Metal food cans is a good example of this trend, with a 1% retail unit volume CAGR expected in food packaging over the forecast period, with a distinct possibility that growth will be slower. Meanwhile, glass jars is tipped to experience a slightly dip in retail unit volume sales over the forecast period. Gable top cartons, where Visy is one of two major competitors, has also experienced a steady downturn for a decade, although the rate of decline is beginning to plateau.

As a result of the lack of opportunities in Australia and far brighter prospects in Asia Pacific, Visy has opened a factory in Stapylton, between Brisbane and the **Gold** Coast, catering to Australian food manufacturers looking to export products to Asia Pacific. While the pace of unit volume growth of metal food cans is stagnating in Australia, growth opportunities remain promising across Asia Pacific.

Visy's brightest prospects come from rigid plastic, which is expected to experience a 2% retail unit volume CAGR in both beauty and personal care and home care over the forecast period, and a 3% retail unit volume CAGR in both tissue and hygiene and food packaging. The strong growth projected in food packaging is particularly promising. This is where Visy Industries possesses its greatest strength, with food and beverages accounting for a 70% share of **company** revenue. Rigid plastic is becoming increasingly competitive, particularly given Pact Group's initial public offering in 2013, and the inevitable expansion of **operations**, much of which is likely to be in this packaging type.

**CO** vsybd : Visy Industries | prth : Pratt Holdings Ltd

**IN** iplascp : Plastic Containers/Packaging | i8395412 : Packaging/Labeling Services | iadmin : Administrative/Support Services | ibcs : Business/Consumer Services | iindstrls : Industrial Goods | ipap : Packaging | i9211 : Waste Management/Recycling Services | iewm : Environment/Waste Management

**NS** c01 : Profiles of Companies | ccat : Corporate/Industrial News

**RE** austr : Australia | brisbn : Brisbane | apacz : Asia Pacific | ausnz : Australia/Oceania | queensl : Queensland

**PUB** Euromonitor International Ltd

**AN** Document EULOCOP020150309each002y4