

SKG: LN | SKG: ID

# Leading. Innovating. Delivering. Progressing.

First Half Results, 31 July 2019



# Disclaimer

This presentation contains forward-looking statements, including statements about the Company's intentions, beliefs and expectations. These statements are based on the Company's current plans, estimates and projections, as well as the Company's expectations of external conditions and events.

Forward-looking statements involve inherent risks and uncertainties and speak only as of the date they are made. The Company undertakes no duty to and will not necessarily update any such statements in light of new information or future events, except to the extent required by any applicable law or regulation.

Recipients of this presentation are therefore cautioned that a number of important factors could cause actual results or outcomes to differ materially from those expressed in any forward-looking statements.

Please refer to the Principal Risks and Uncertainties contained in the H1'19 Press Release for details.

# SKG at H1 2019

Leading, innovating, delivering and progressing

Revenue growth  
of

**4%**

EBITDA growth  
of

**17%**

EBITDA margin of

**18.3%**

ROCE of

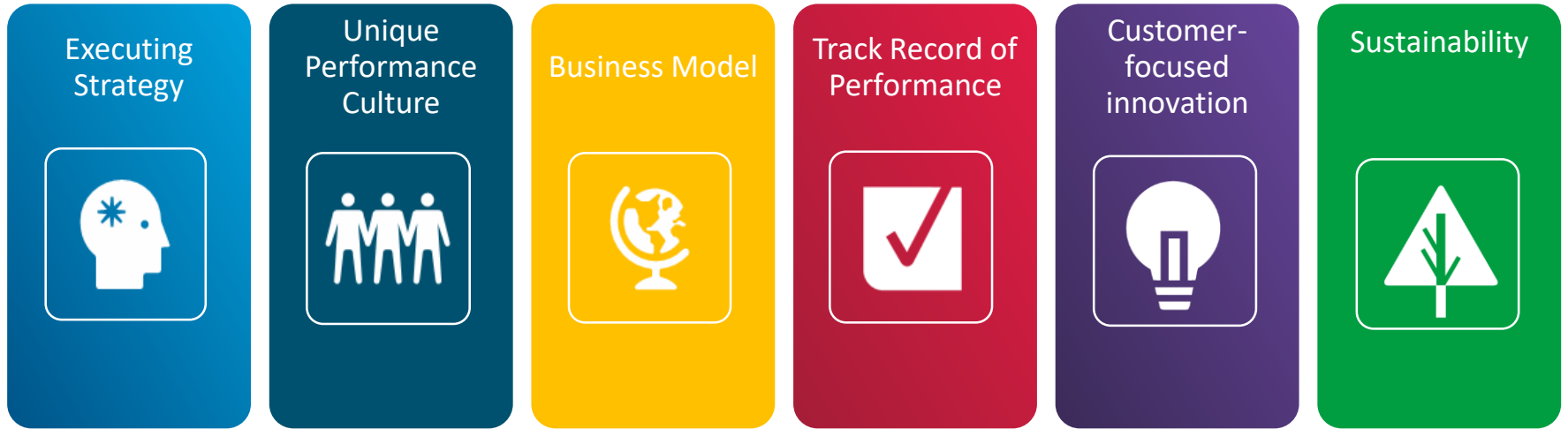
**18.7%**

# 01 Leading



# Leading

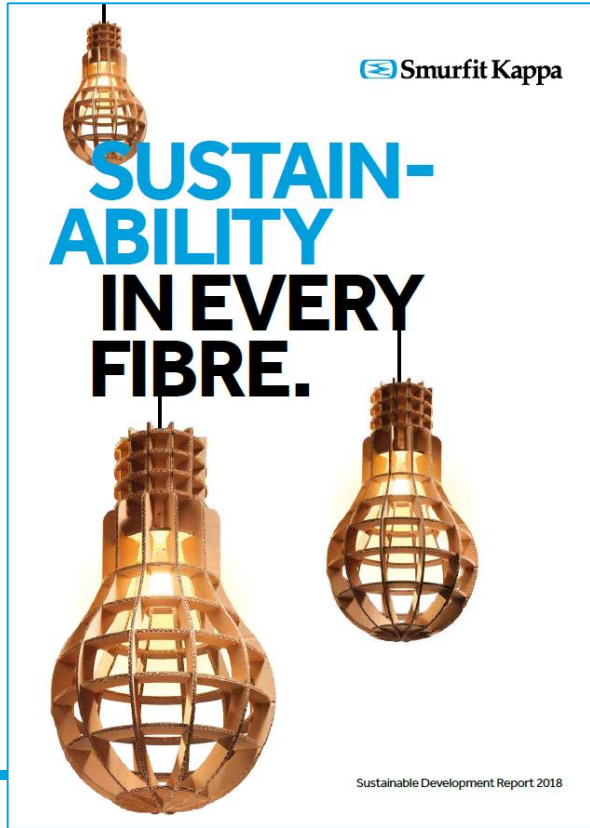
Continued transformation of the company



# Leading in sustainable packaging



# Leading in sustainability



FTSE4Good



# Leading in e-Commerce

Deliver Lisbon, Europe's annual e-logistics conference



DELIVER  
THE EUROPEAN RENDEZVOUS FOR E-LOGISTICS

- ▶ 750 e-tailers attended
- ▶ One of Europe's premier e-commerce events
- ▶ Winning 2 of 5 awards, voted on by retailers
  - "Cool vendor"
  - "Sustainability"
- ▶ Only winner from packaging industry





# 02 Innovating



# Innovation recognised

## Customer, industry and sector awards

▶ 44 awards won in the first half



▶ Awards for

- Design
- Print
- E-logistics
- Sustainability



▶ Awarded in Belgium, Colombia, the Czech Republic, Ireland, Mexico, the Netherlands, Russia, the UK and regionally for Europe and the Americas

# Innovating on a global scale

Constantly evolving, driven by our 1,000 designers across the globe

**4.5 million**

MEASUREMENTS TO  
VALIDATE PAPER TO BOX

**84,000**

SHOPPER CONTACTS  
FROM SHOPPER RESEARCH

**8,000**

DESIGNS IN  
INNOBOOK

**78,000**

SUPPLY CHAINS IN  
PACK EXPERT

**130,000**

IN-STORE VIEWS IN  
SHELF VIEWER

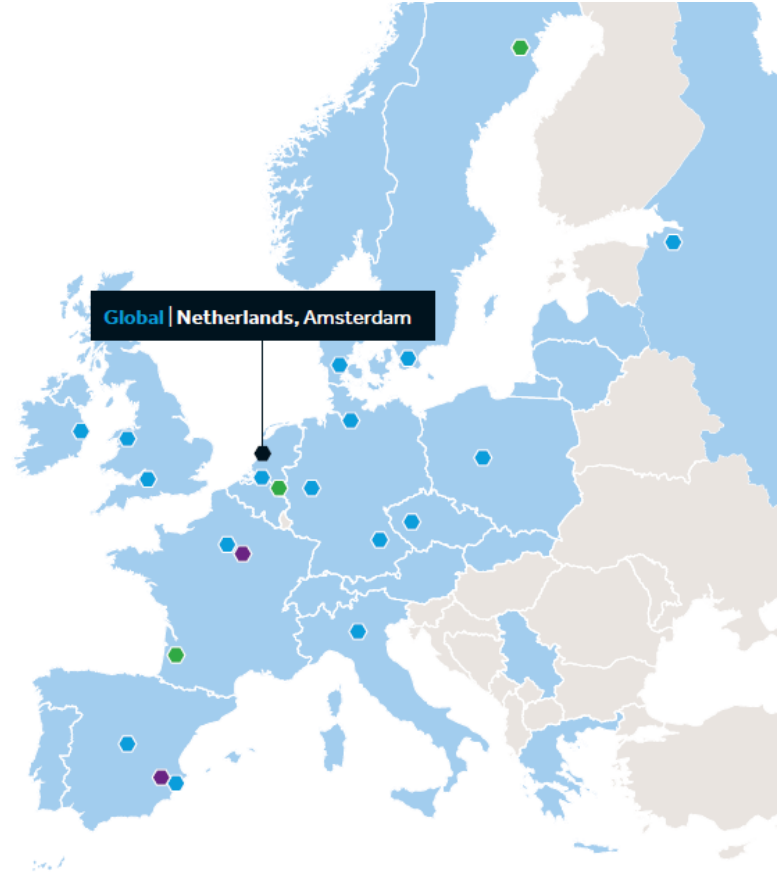
**8,000+**

Machine systems installed



# Innovating

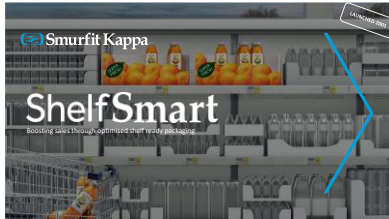
Global network of 26 experience centres



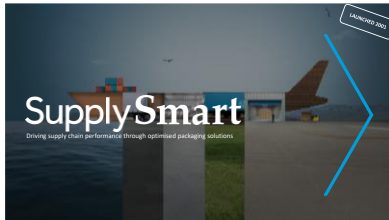
# Innovating

Unrivalled customer offering

SupplySmart ShelfSmart eSmart MachineSystems



- Increasing the visibility and on shelf presence of our customers' product
- Increased visibility improves the probability of the product being purchased
- Supported by real consumer insights
- Scientifically backed approach
- Early adopters seeing their sales increase by over 10%



- Analysing supply chains to give credible cost take-out options
- Ensuring that your packaging is fit for purpose, not just lower cost
- Enabling logistics savings beyond packaging spend
- Scientifically backed approach
- Supported by industry leading depth of data



- Building machine systems since 1967
- 8,200 machines installed
- Enabling customers to increase productivity and reduce labour costs
- Enabling customers to optimise their packaging design for on shelf presence
- Supported by industry leading depth of data

# Innovating for growth

Innovation leading to growth with Kellogg's in the Americas

SupplySmart

*Kellogg's*

- ▶ SKG awarded “Transforming Innovation” award
- ▶ Growing in Mexico and Colombia
- ▶ Over 20 years of working together



38%

Increase in corrugated volumes since 2017

Total Cost Saving to Kellogg's of

14%

Value for Kellogg's

Technical expertise, product development, and consulting advisor

*“Smurfit Kappa is more than just a supplier, it is a business partner”*

Hector Gonzalez, Packaging Procurement Manager at Kellogg's

# Innovating for growth

Using our unique applications to increase our customers' sales

ShelfSmart



14%

increase in  
customers' sales

100%

recyclable

New  
Innovation

*"We have been delighted to work with the team at the Smurfit Kappa Experience Centre on this revolutionary, first to market SRP, called Shelf Facer. Shelf Facer has helped us address an on-going challenge in store of primary packs falling forward and the need to manually 'face up'."*

**Olivia Stone, Marketing Director at Stoa's**

# Innovating

Better Planet Packaging, SKG a thought leader in sustainability



- ▶ Hosting customer events across our operations
- ▶ Presenting at external conferences
- ▶ Supplying paper-based solutions for our customers needs
- ▶ Significant lead-generation





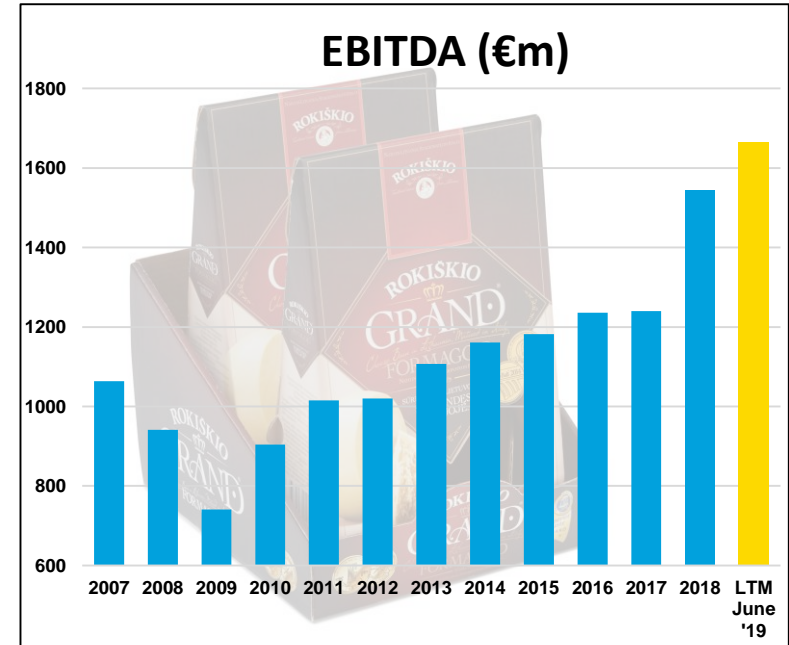
# 03 Delivering



# 2019 Half Year Results

## Continuing to deliver

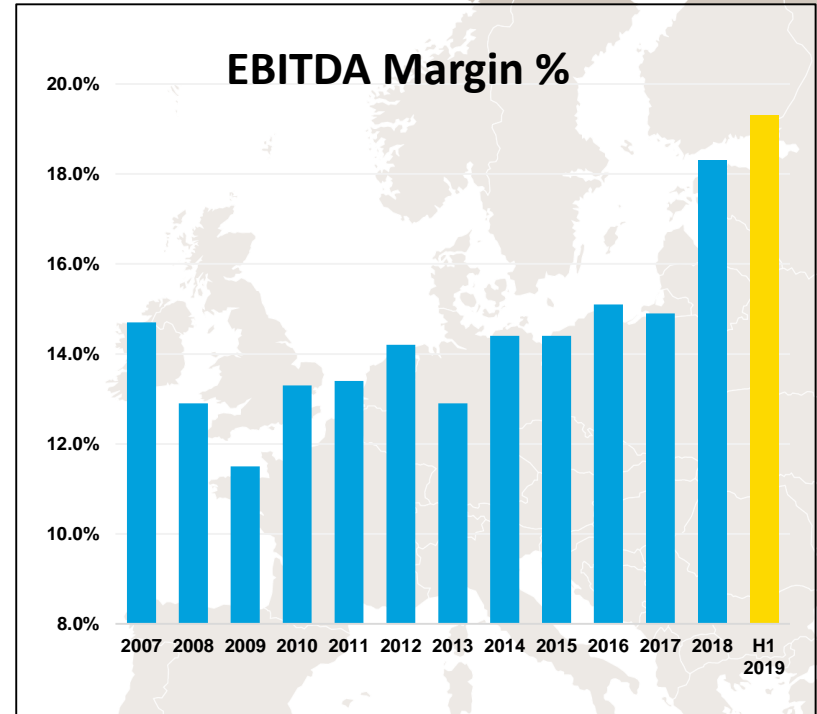
- ▶ Group revenue **growth of 4%**
- ▶ EBITDA of **€847 million** and margin of **18.3%**
- ▶ ROCE of **18.7%**
- ▶ Free Cash Flow generation of **€159 million**
- ▶ Net debt to EBITDA of **2.2x**
- ▶ Interim dividend increased by **10%** to 27.9 cent per share



# Europe 2019 Half Year Results

## Continuing to deliver

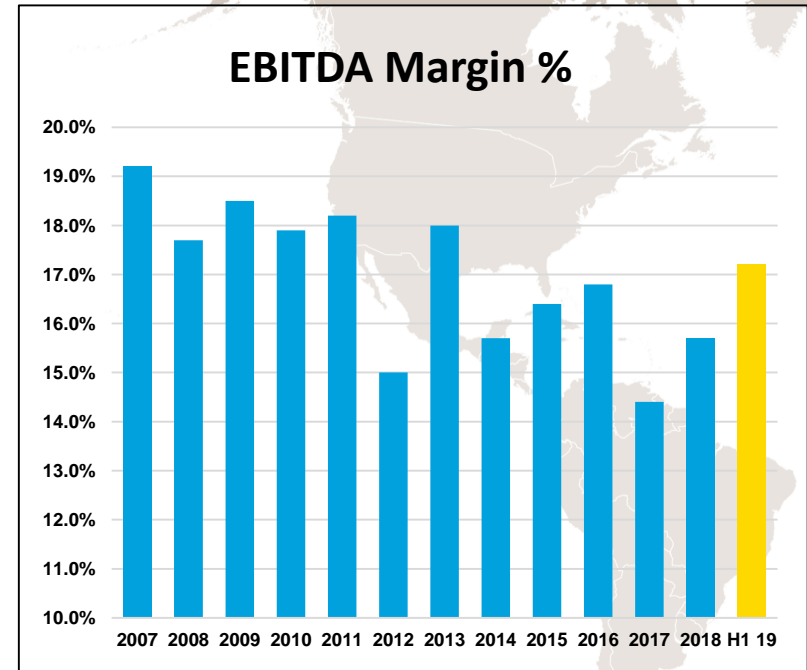
- ▶ EBITDA of €688 million for the half year
- ▶ EBITDA margin of 19.3%
- ▶ Good customer and box price retention
- ▶ Continued box demand growth of 2%
- ▶ Integration of acquisitions in Bulgaria, France and Serbia
- ▶ Delivery from recent investments



# The Americas 2019 Half Year Results

## Continuing to deliver

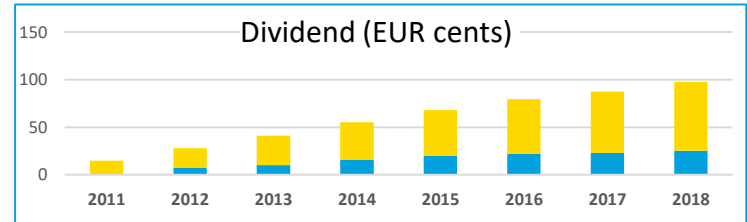
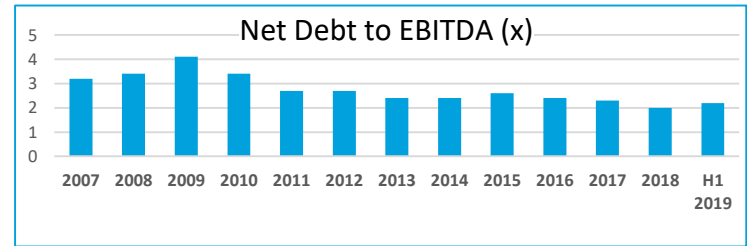
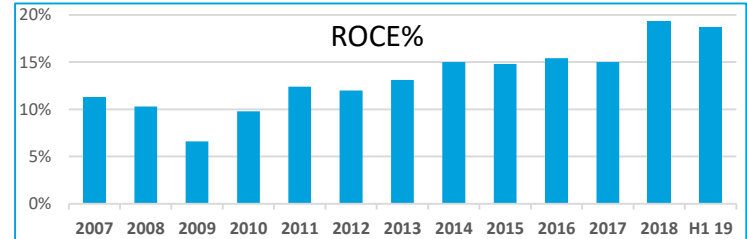
- ▶ EBITDA of €179 million for the half year
- ▶ EBITDA margin of 17.1%
- ▶ Continued corrugated demand growth of 2%
- ▶ Delivery from recent Medium-Term Plan investments in both paper and corrugated
- ▶ Strong performance from Colombia, Mexico and the US



# Financial Strategy

A focus on delivering value for all stakeholders

- ▶ Focus on long-term return on capital employed
- ▶ Delivery of resilient, strong free cash flow
- ▶ Secure balance sheet within stated range of 1.75 : 2.5x
- ▶ Progressive dividend
  - Capital expenditure
  - M&A



# 04 Progressing



# Progressing the Medium-Term Plan

## ▶ **Dynamic and agile nature of plan clear in last 18 months**

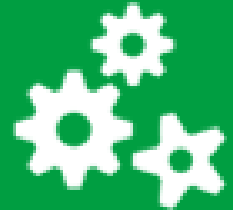
- Reparenco Purchase
- South-Eastern European strategy

## ▶ **Continued progress of plan**

- €600+ million approved
- 15 Case-makers
- 20 Die-cutters for complex designs
- 7 printers
- 13 corrugator upgrades
- Numerous paper de-bottlenecking projects

## ▶ **Continued, disciplined approach**

- Each project must stand on it's own merits prior to approval



# Progressing the Medium-Term Plan | Europe



## Paper integration

- ▶ Roermond, the Netherlands
- ▶ Increasing trend for lightweight containerboard grades in market
- ▶ 36,000 tonnes of incremental lightweight capacity



## Targeted box volume growth

- ▶ Moscow, Russia
- ▶ High quality print and die-cut investment in Moscow
- ▶ Growth with existing European FMCG customers

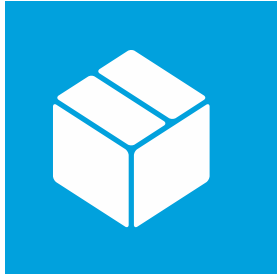


## Cost Take Out

- ▶ Mold, the UK
- ▶ Reducing 3<sup>rd</sup> party storage costs in corrugated plant in Wales
- ▶ Caters for increasing hygiene demands of customer base

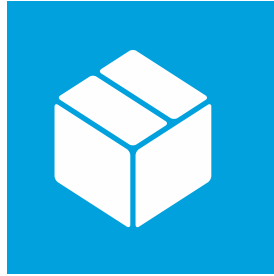


# Progressing the Medium-Term Plan | The Americas



## Targeted growth, the US

- ▶ Growth in requirements for non-plastic alternative packaging
- ▶ Investing in US to cater for trend
- ▶ Significant pipeline to satisfy



## Targeted growth

- ▶ Atlas, Mexico
- ▶ Applying European experience
- ▶ Caters for large local retailer trends



## Paper Integration

- ▶ Papelsa, Colombia
- ▶ Reduce 3rd party purchase of paper
- ▶ Creation of +38,000 tonnes capacity

# Progressing our M&A

Delivering our recycled containerboard capacity requirements with Reparenco

- ▶ Securing our strategic recycled containerboard requirements in Europe
- ▶ Acquiring an independent player
- ▶ Agile approach, balancing internal investment with acquisition opportunities
- ▶ Earnings from day 1

400kt

Lightweight  
Recycled capacity

€30m+

Synergies being  
realised

Market  
consolidation

# Progressing our M&A

Increasing our geographic diversity by expanding into South-Eastern Europe

- ▶ Expansion into higher growth markets
- ▶ Creation of a regional, integrated system
- ▶ Leveraging the SK brand with FMCG accounts
- ▶ Strategy to grow box demand and paper supply

€15-20m+  
expected EBITDA  
in 2019

Synergies  
in 2020+

Higher  
growth  
markets

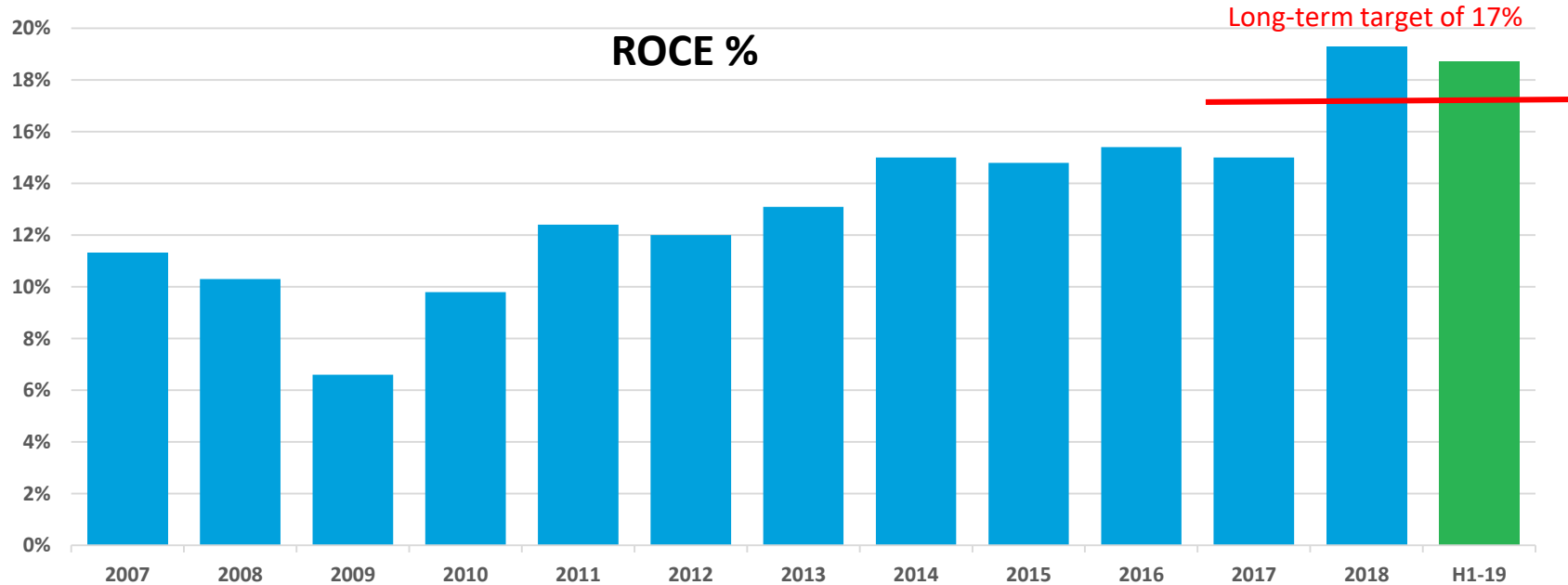
# 05

## Summary and Outlook



# SKG today | Continuing to transform the business

## Financial performance

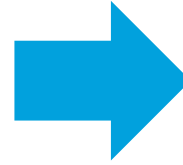


# SKG today | Continuing to transform the business

## Asset Quality

Townsend Hook (UK)

From 2 heavier weight machines



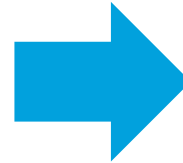
To one state of the art lightweight machine



## Asset Quality

Julich (Germany)

From old, semi-automatic machinery



To state-of-the-art automatic machines



# SKG today | Continuing to transform the business

## Geographic diversity

- ▶ 350+ facilities
- ▶ 35 Countries
- ▶ 65,000 customers



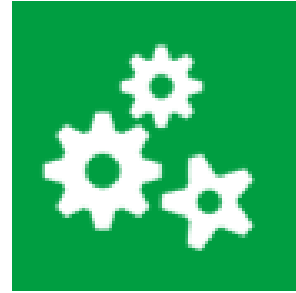
## Integration

- ▶ 12 machines closed in last 10 years
- ▶ 44% increase in tonnes per machine in last 10 years
- ▶ Investing in lightweight containerboard capacity
  - Townsend Hook, Roermond, Reparenco



# SKG today | Continuing to transform the business

## Medium-Term Plan



## People



- ▶ Over 300 managers will complete executive training at Insead
- ▶ Making SKG safer: continued improvements in safety statistics
- ▶ Loyalty and longevity of staff



# Outlook

Continuing to transform the business

- ▶ SKG continue to be the partner of choice for corrugated customers
- ▶ To continue to benefit from strong secular drivers
- ▶ Multiple prospects for continued delivery



# Appendix



# Technical guidance

Cash interest	€160m
Cash tax payment	€240-250m
Working capital as a % of sales	7-8%
Capital expenditure	€650-700m*
Effective tax rate	25%
Impact of US\$1c move on EBITDA	€3.3m
Supplier financing	Approx. €100m

**IFRS 16, Leases, impact in 2019\*\***

*\*not including the impact of IFRS 16*

*\*\* based on 2018 numbers*

- ▶ EBITDA increase of approx. 5%
- ▶ Net debt increase of 11-12%
- ▶ Net debt to EBITDA, marginal move
- ▶ ROCE decrease of approximately 1%

# Innovation Press Releases

Log on to our website to see all the innovation and sustainability related press-releases from the first half 2019 in one place



# Let's design packaging waste into extinction

Follow us on Twitter at [@smurfitkappa](https://twitter.com/smurfitkappa) and on LinkedIn at '[Smurfit Kappa](https://www.linkedin.com/company/smurfitkappa)'.

