



# Capital Markets Event 2015

## Driving growth and returns

8 October 2015

A decorative graphic at the bottom of the slide consisting of overlapping geometric shapes in shades of red, grey, and orange.

The Power of Less<sup>®</sup>

**1. Introduction**

Miles Roberts

**2. Pan-European packaging**

Stefano Rossi

**3. Iberia**

Stefano Rossi

**4. South East region**

Jean Lienhardt

*Coffee break*

**5. Pan-European customers**

Herve Colleaux

**6. Nestlé – case study**

Francesco van Westrenen  
Alison Coudene (Nestlé)

**7. Developing our service offering**

Mark Shaw

**8. Summary**

Miles Roberts

*Drinks and canapés*

# Introduction

## Consistent strategy and consistent delivery since 2010

### Financial requirements

Consistent GDP+ growth

Reducing cyclicality

Increasing margins

Returns above our cost of capital



### Strategic pillars

**Differentiation**

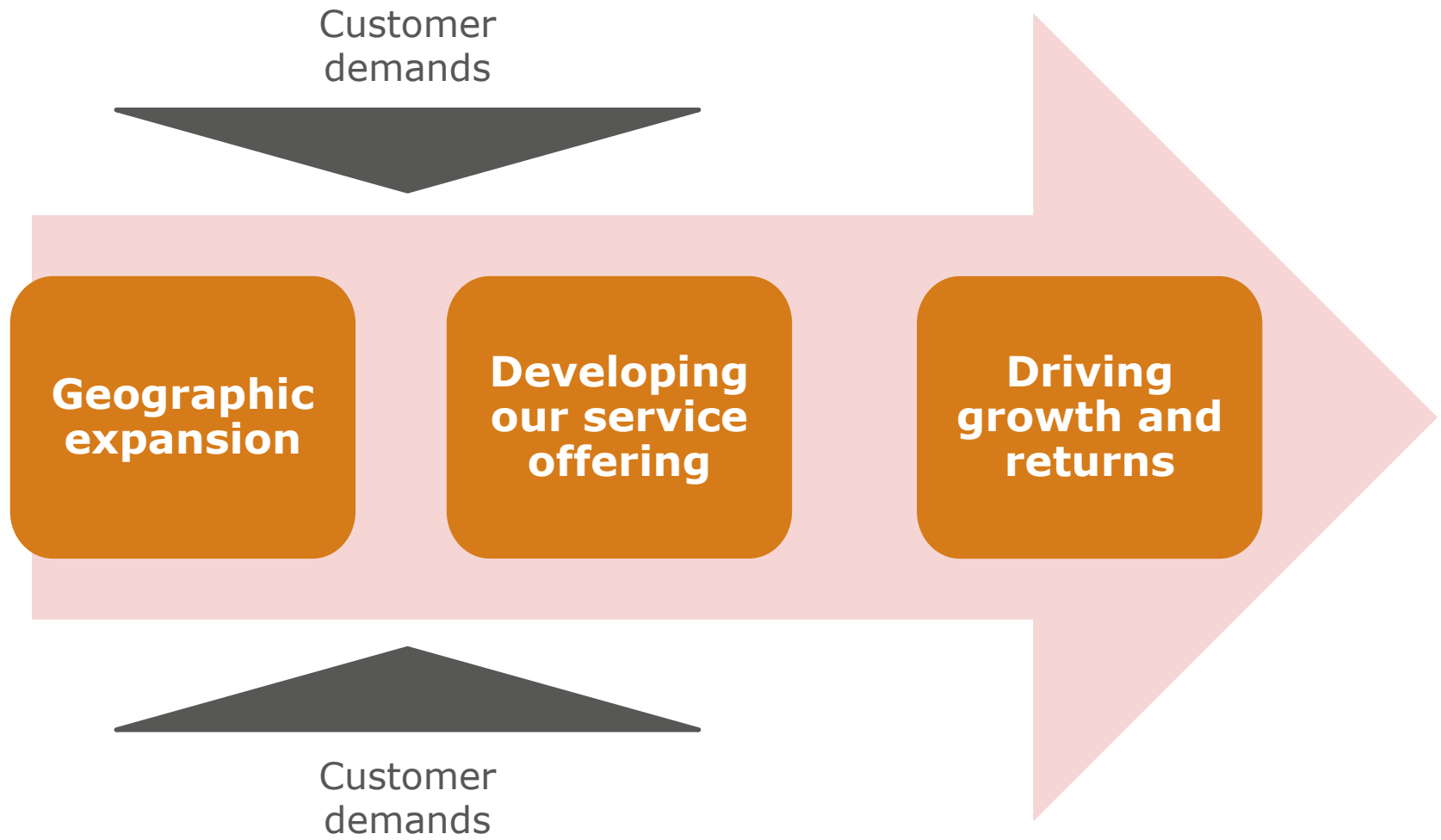
**Business mix**

**Efficiency**

**Culture**

**Managing risk**

**Driving growth and returns**





**Continuing challenging economic backdrop**

**Dynamic consumer and retail environment**

- Changing shopping habits
- Point of sale decision making
- Complexity in retail chain

**Customer challenges**

- Growth
- Margin

**Increasing Retail Ready Packaging (RRP)**

**Consolidation of suppliers**

*“ We use RRP to enhance our brand message ”  
(Global FMCG customer)*

*“ We recently consolidated our supplier base from 60 to 5 companies ”  
(Major FMCG customer)*

**Packaging is more relevant than ever...**

## Customers want a supplier with:

- Broad geographic presence
- Insight into consumer and retail environment
- Innovation, design and display expertise
- Focus on the total cost of ownership, not just price



More Sales



Lower Cost



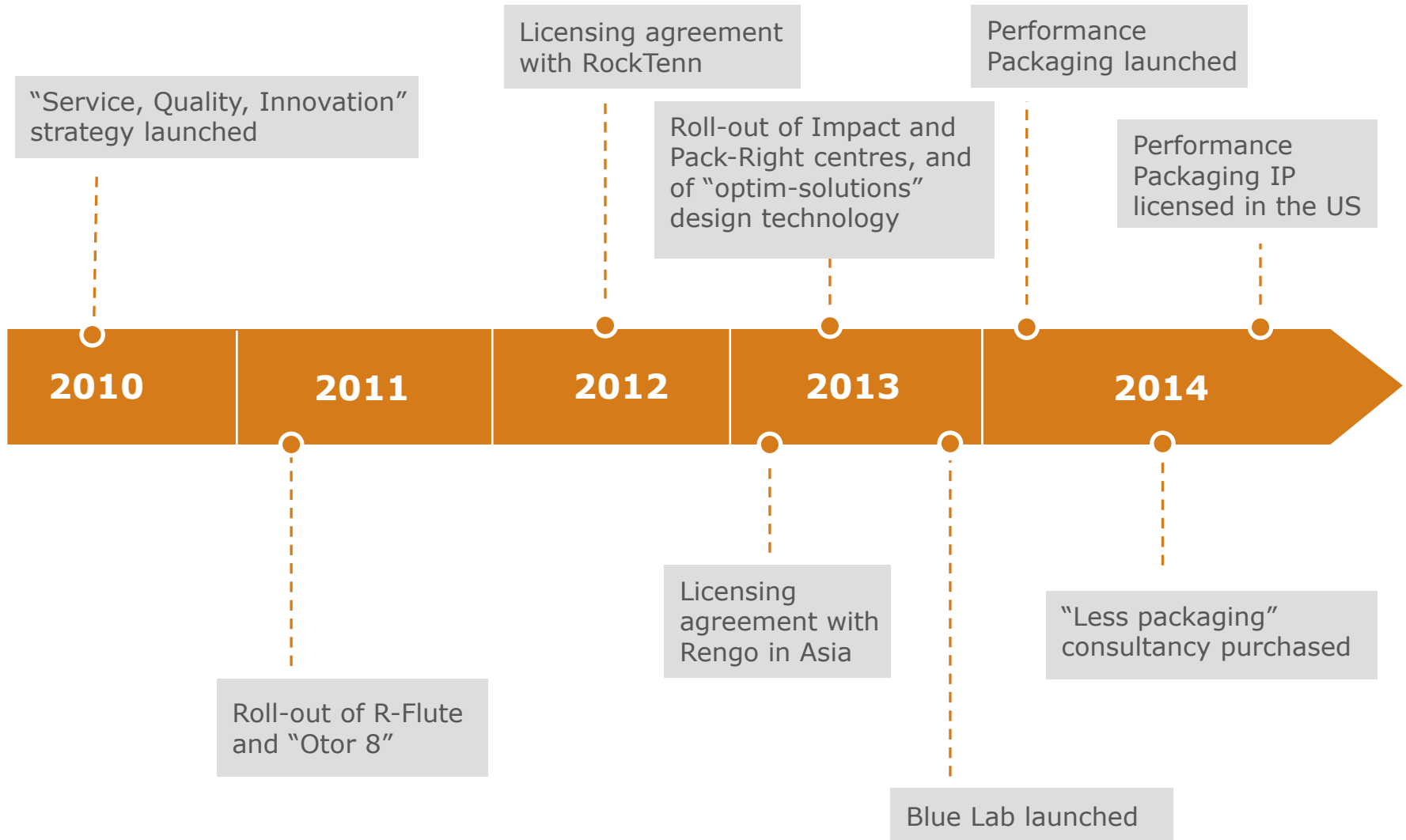
Risk Managed

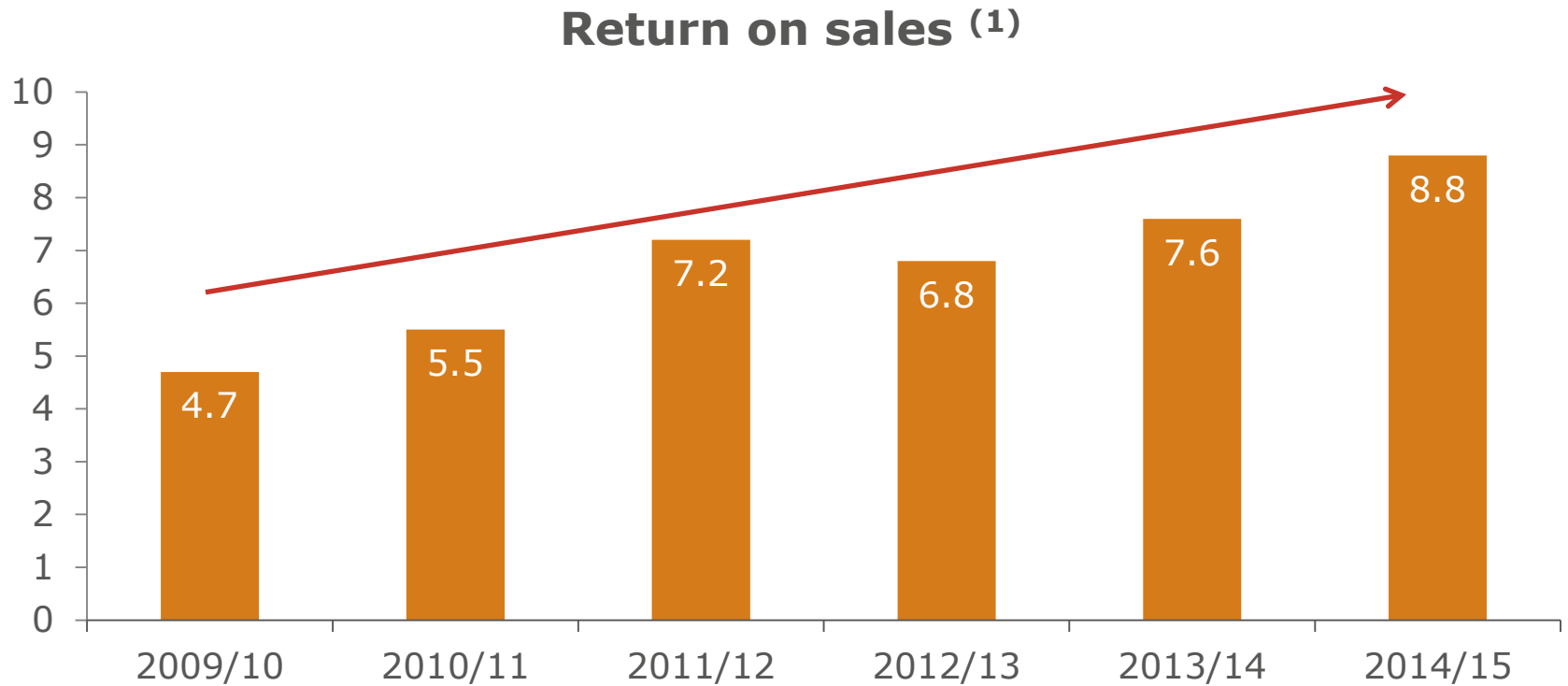


- Consistent organic growth ahead of GDP+1% target and market
- Portfolio management approach
  - Strategic acquisitions enhancing footprint, offering and margins
  - Disposal of non-core
- Underpinned by development of group processes, governance and culture



# Developing our service offering

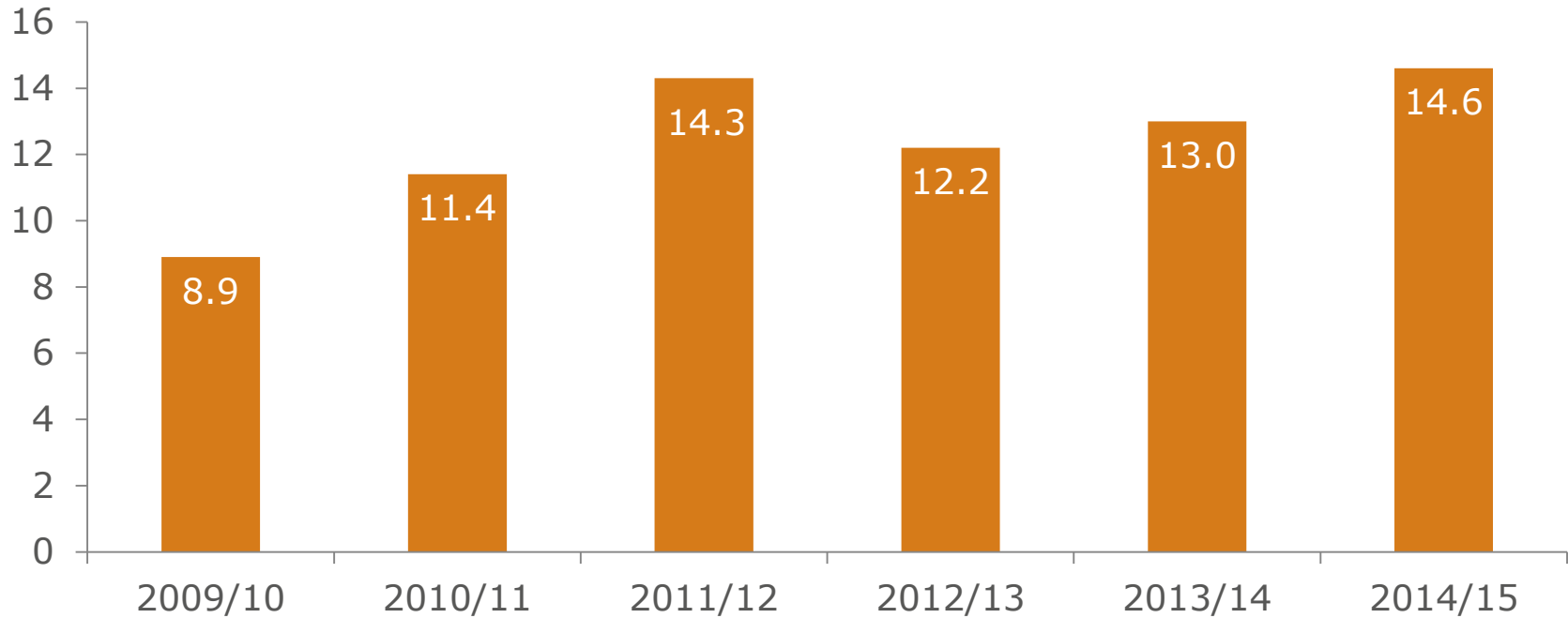




(1) Reported RoS, before exceptional items and amortisation

Medium term target upgraded in June 2015 by 100 basis points to 8 – 10%

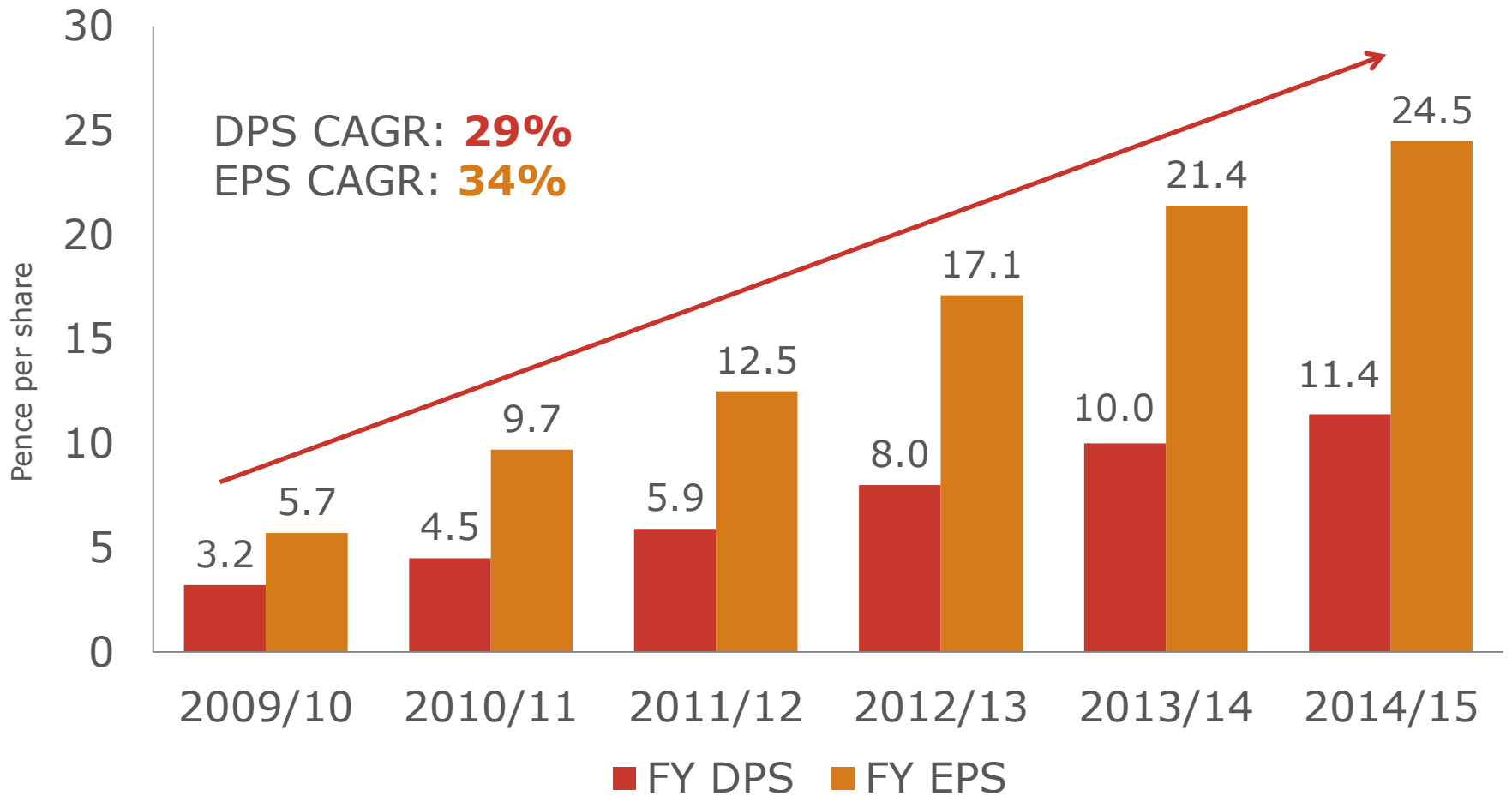
## Return on average capital employed (1)



(1) Reported ROACE, before exceptional items and amortisation

- Medium term target 12 – 15%

# Substantial and growing shareholder returns



**Driving growth and returns**

# Pan-European packaging

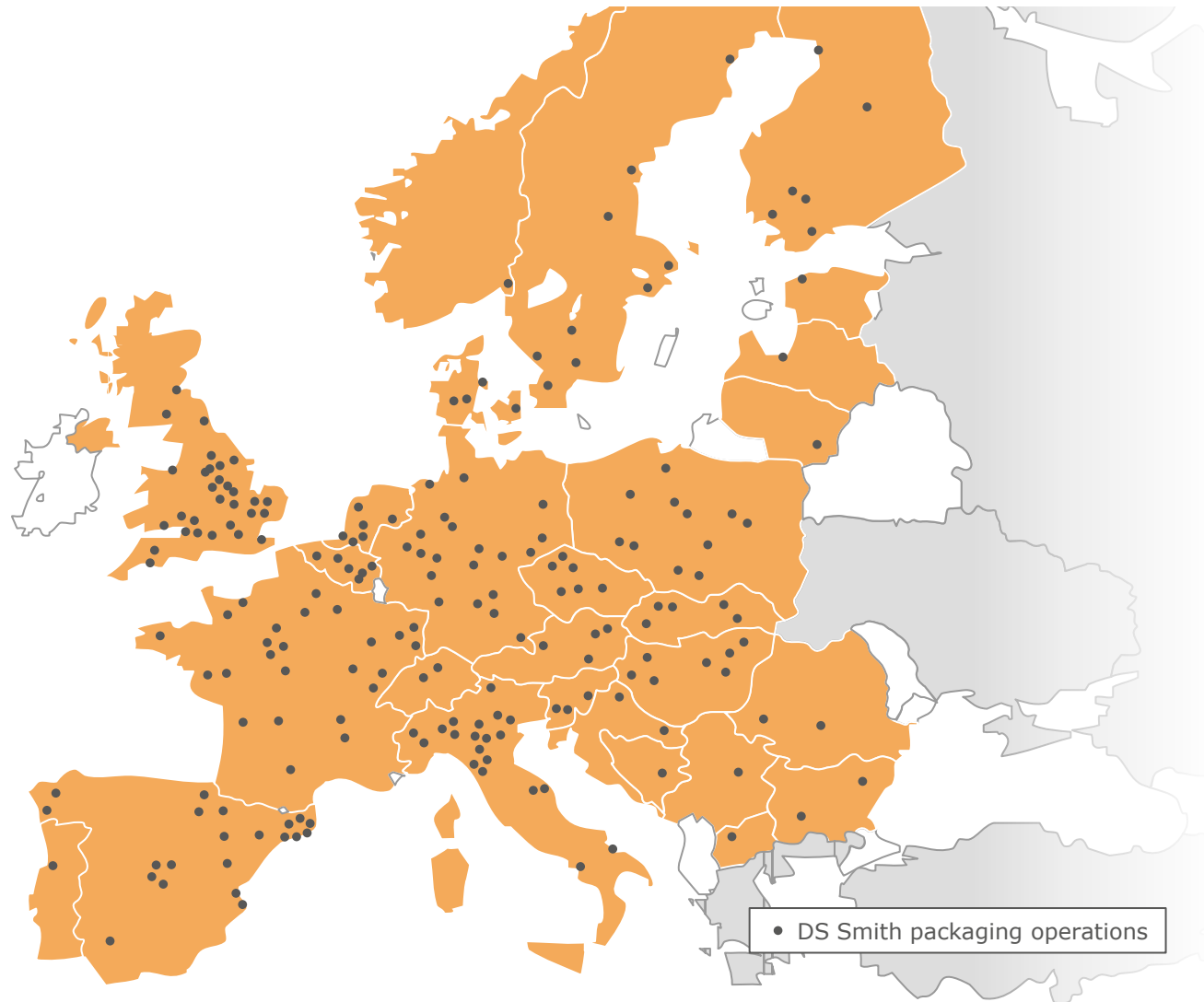
**27 years in the packaging industry**

**Extensive experience working across Europe**

**Appointed Head of Packaging in 2014**

**Focus on:**

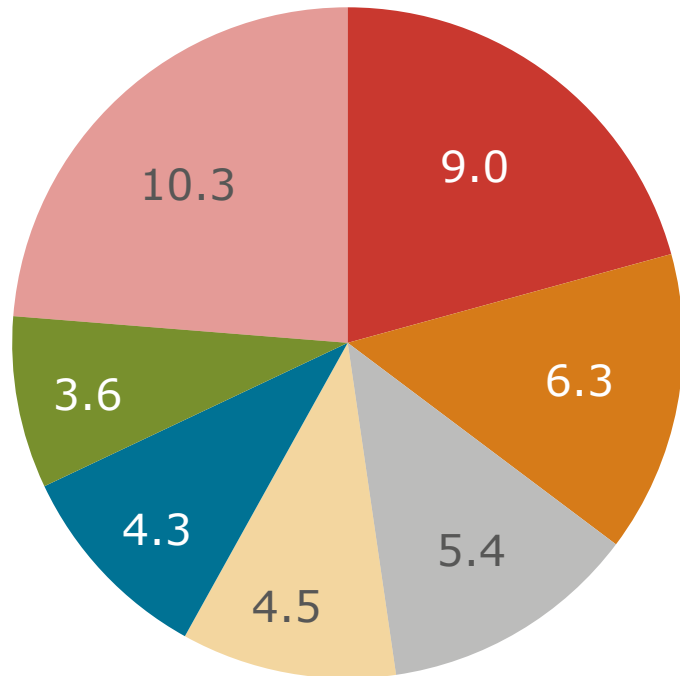
- **Customers**
- **People**
- **Delivery**



# Iberia



## European corrugated packaging market (mms)



### Growing market

- +5% corrugated market growth<sup>(1)</sup>
- +3% GDP growth forecast<sup>(2)</sup>

■ Germany ■ Italy ■ France ■ Spain ■ UK ■ Poland ■ Rest

**Source:** FEFCO annual report 2014

(1) Growth in corrugated market in Spain (mms) 2013 – 2014

(2) JPMorgan Economic Research, 2 October 2015. Forecast real GDP growth 2014-2015: 3.3%; Real GDP growth 2015 – 2016: 3.2%

## Driving growth and returns

### Andopack – November 2014

- Entry-point acquisition
- Double-digit volume growth since acquisition

### Lantero – August 2015

- Transforms position in Iberia
- Delivers c.10% market share in Spain
- FMCG focussed business
- Reinforces pan-European position for customers

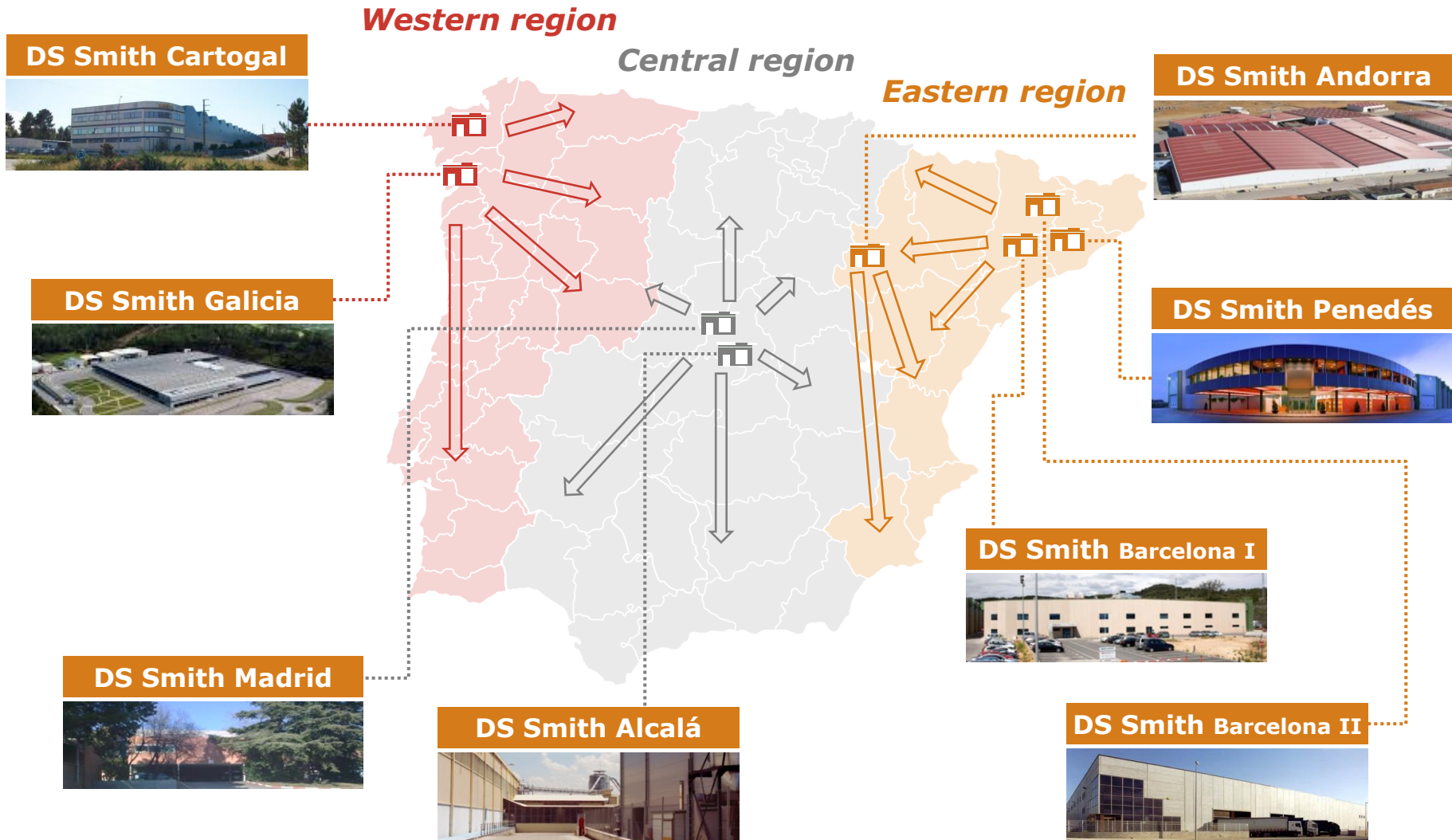
### Complementary customer bases

### Scope for improved asset utilisation

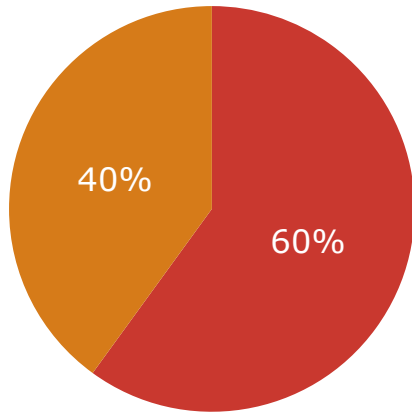
### In line with medium term targets

**Strong strategic and financial rationale**

# Good coverage of Iberian peninsula

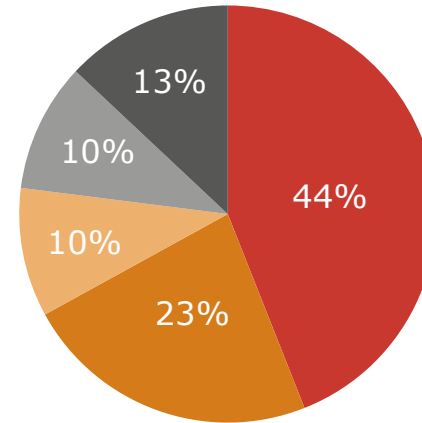


Sales breakdown



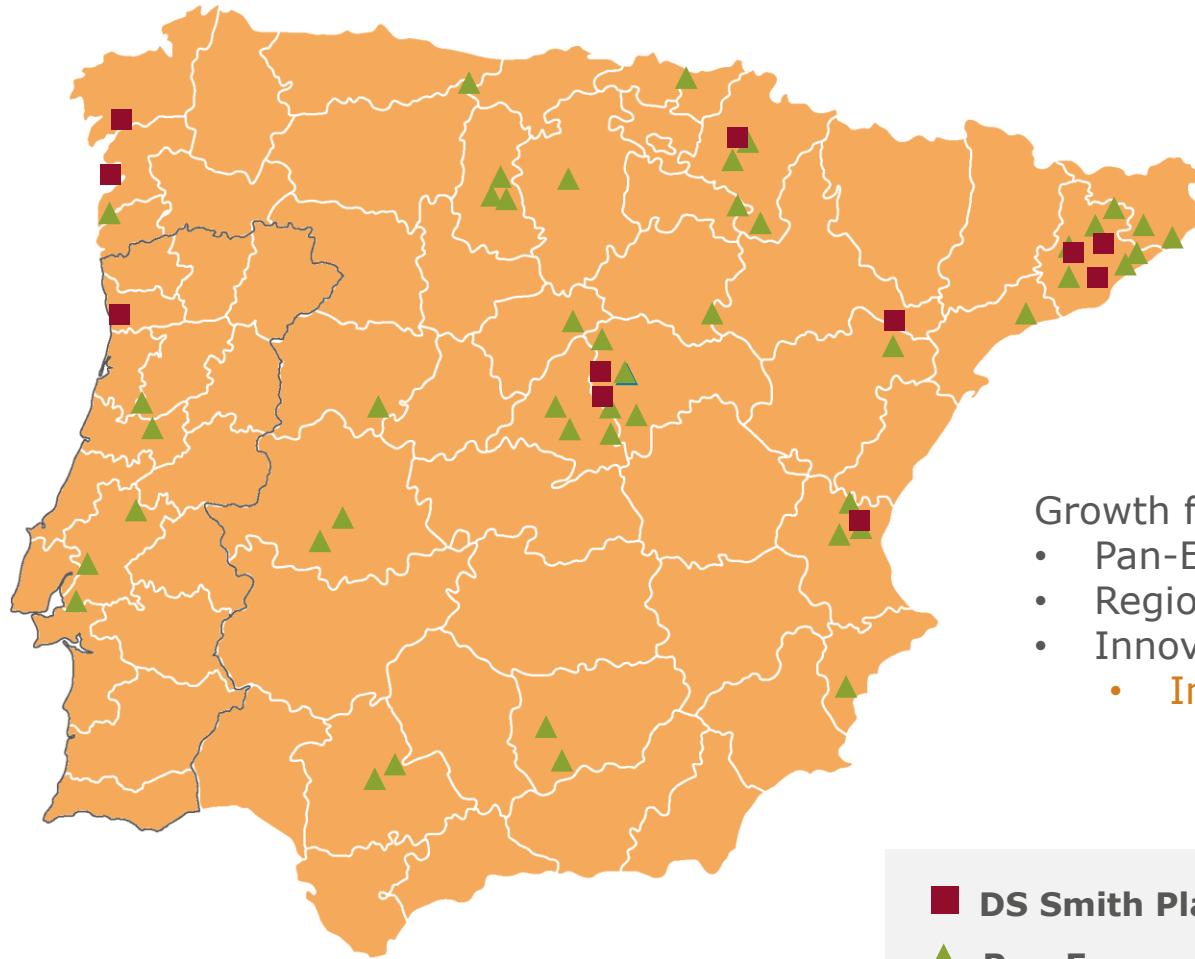
Industrial FMCG

Length of client relationship



>20 yrs 15 - 20 yrs  
 10 - 15 yrs 5 - 10 yrs  
 <5 yrs





- Growth from:
- Pan-European customers
  - Regional customers
  - Innovation
    - Impact centre in Madrid

- DS Smith Plants
- ▲ Pan-European FMCG businesses

## Experienced team and process

### Lantero - integration conference on 3 August

- Consistent approach between DS Smith, Andopack and Lantero

## Rigorous approach to integration

- Fast roll-out of sales and marketing
- Complementary customer bases
- Synergy delivery
- Improved asset utilisation



NO CONFÍE EN TENER BUENA SUERTE

Solo con cruzar los dedos no basta. Nos centramos en las necesidades de su negocio para ayudarle a conseguir resultados.

Para obtener resultados necesita a une Packaging Strategist.

**Confident of successful and rapid integration**

*“ Thank you for sharing this excellent news with us. We look forward to seeing how this enables further business opportunities between us and DS Smith ”*

**Large pan-Euro  
FMCG customer**

*“ In Andorra we saw great potential in your plant in both, facilities and human team. I am convinced that you are already working on the improvement points we discussed in our visit, especially those relating to process control, quality checks... I hope you take the opportunity and become a reference supplier for further growth ”*

**Large pan-Euro  
FMCG customer**

*“ Very good news ”*

**Large pan-European consumer  
durables customer**

# South East region

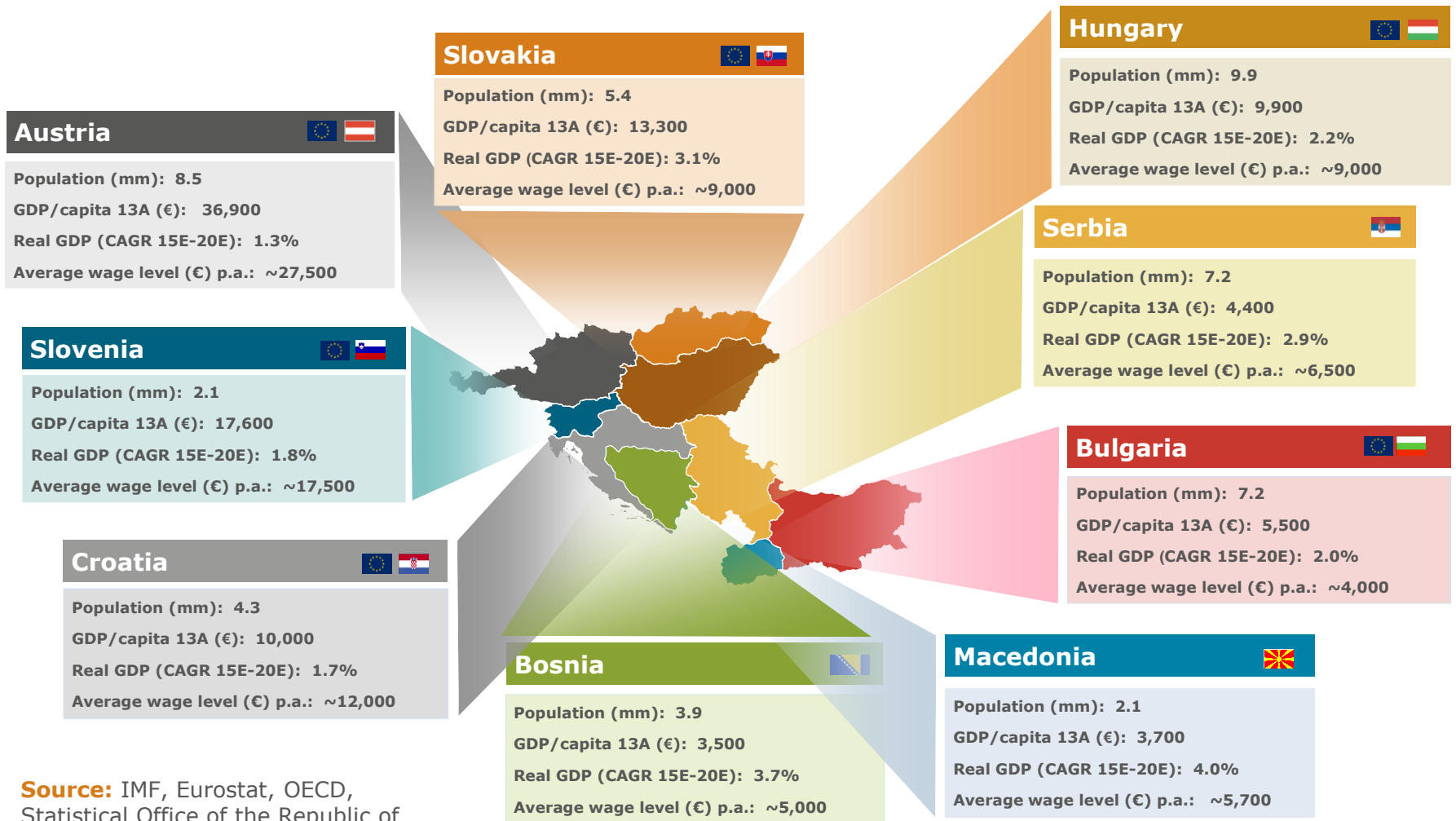


## **Current role – Head of Packaging, Spain and South East Region**

Joined DS Smith in 1994

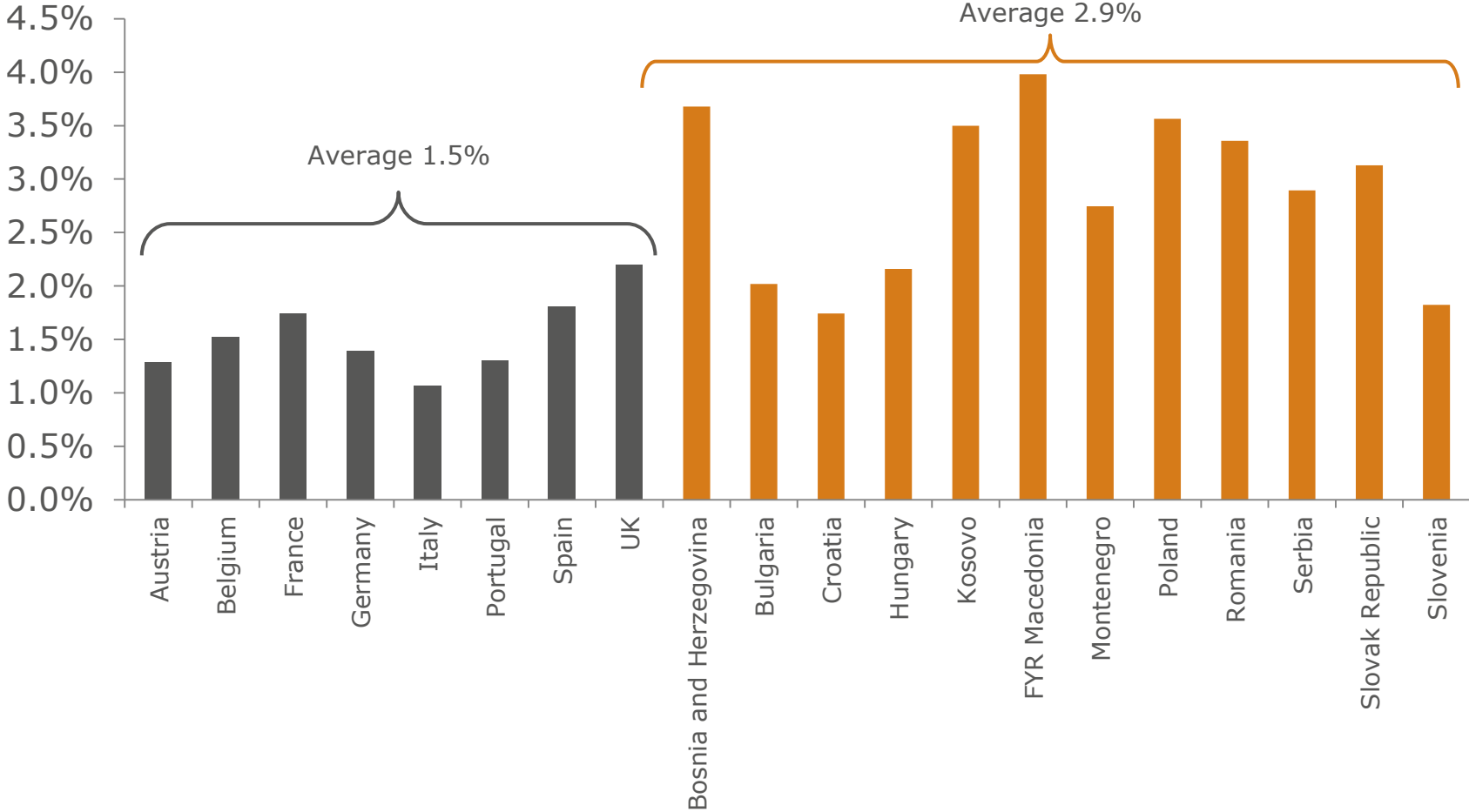
- Head of Packaging France & Poland (2006 -2012)
- Head of Packaging Italy & Central Europe (2012 - 2015)

# Strong macro-economic drivers



**Source:** IMF, Eurostat, OECD, Statistical Office of the Republic of Serbia, Federation of Bosnia and Herzegovina Institute of Statistics

## 2015-2020 GDP forecast CAGR



Source: 2015 – 2020 estimates, GDP at constant prices, in local currency; IMF World economic outlook, April 2015.

## Driving growth and returns

### Strong track record in Eastern Europe

- Consistently high volume growth
- Growing customer base
- Requirement for capacity

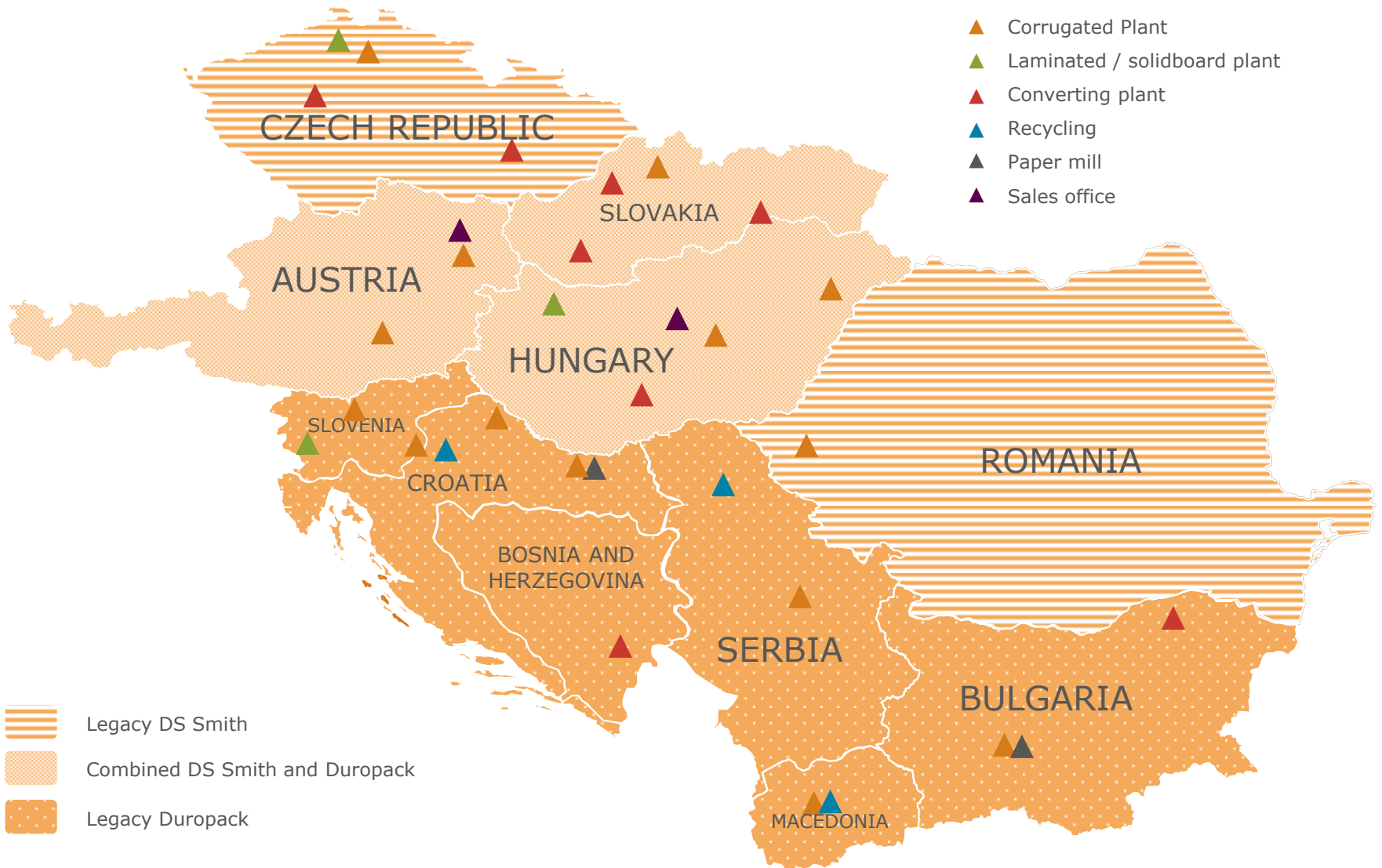
### Duropack acquired on 31 May 2015

- Highly complementary geographic fit
- Market leader in south-eastern Europe region, c. 25%
- Strengthened pan-European capability and access to new customers
- Enterprise value c.€300m, funded from existing debt facilities
  - Post-synergy EBITDA multiple 5 – 6x

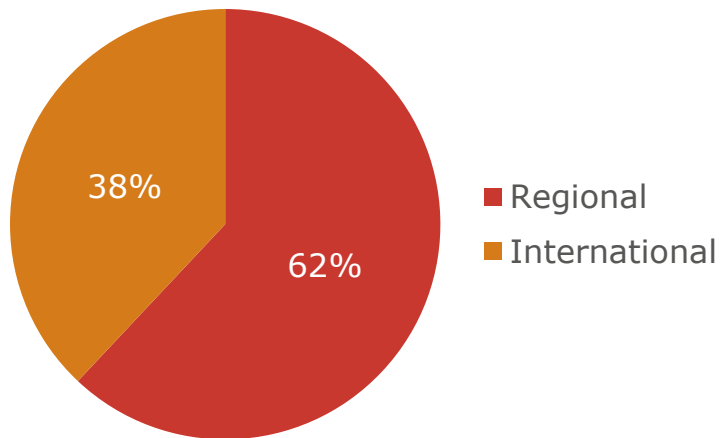
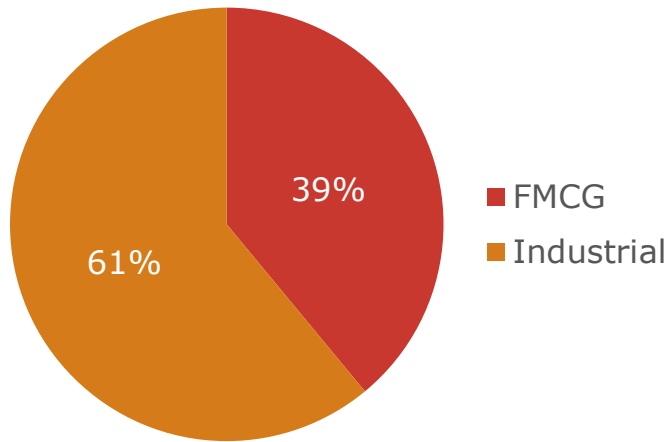
## Compelling strategic and financial rationale

- **Acquisition – 31 May**
- **Integration conference on 2 - 3 June**
  - New management structure in place
  - “Best of both” philosophy
- **Integrated sales and marketing**
  - Roll out of design and innovation tools
  - Impact centres in Hungary and Bulgaria
- **Upgraded synergies – September 2015**
- **In line with medium term targets**

**Rapid integration based on well proven processes**



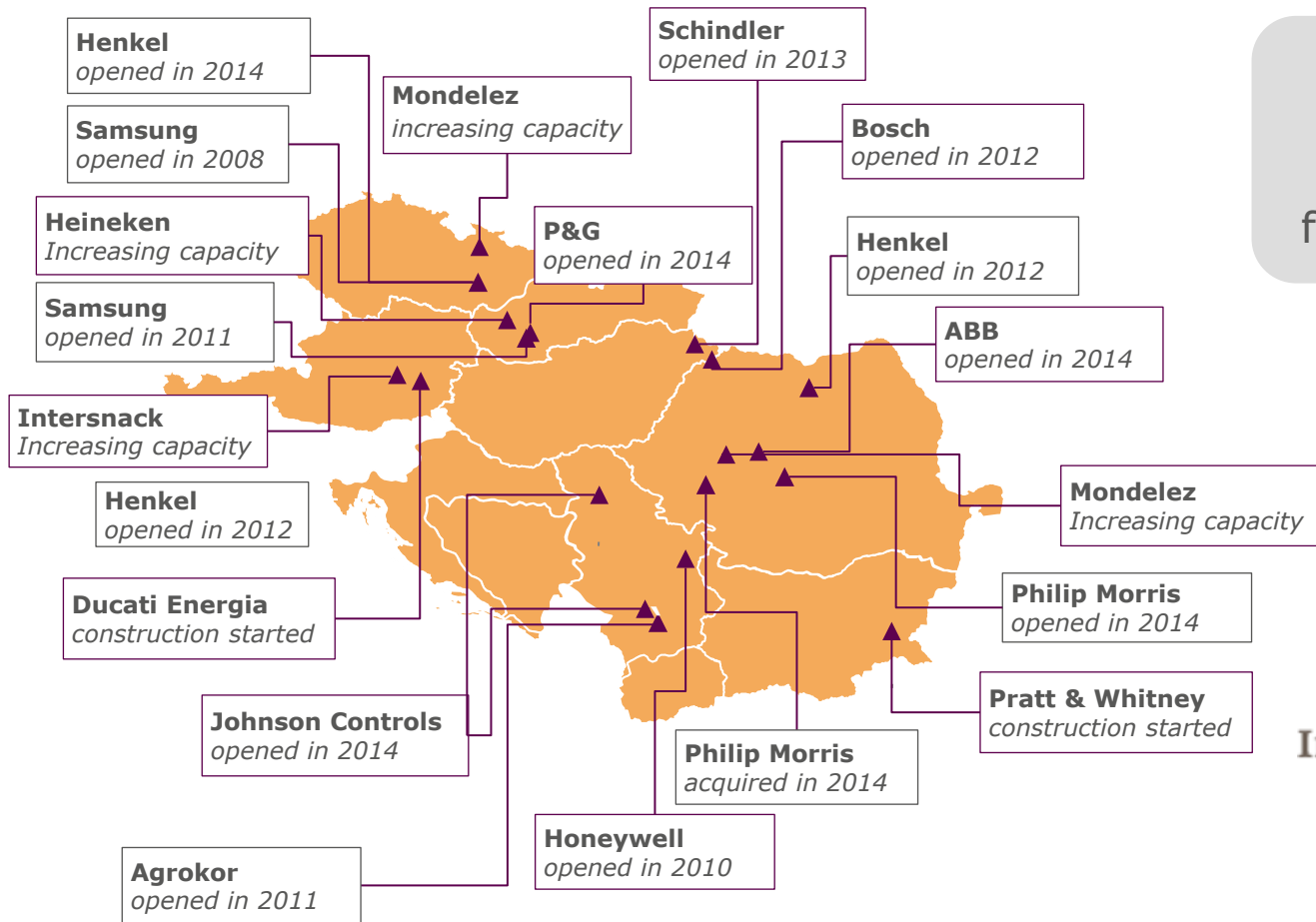
## Duropack sales split



## International customers



# Significant growth potential in the region



International customers with recently opened facilities in the region



▲ Production facilities of selected international players opened recently



- **Growth from international customers**

- Additional volume with Intersnack



- **Growth from regional customer driven by innovation**

- Kandit - largest Croatian producer of Confectionary and long term customer of Duropack
- Previously, mainly traditional American boxes
- Now expanded offering to include displays



*“ We are used to having great service and support from Duropack and we are very pleased to be able to increase the co-operation with new announced projects and products in the near future! ”*



# Pan-European customers

## Background

- Joined DS Smith in 2012
- Prior to that, a range of sales / management roles at Mars and other multinational businesses

## European Sales and Marketing Director

- Leader of the sales & marketing function
- Responsible for leading the growth focus from major accounts
- C. 75 customers
  - Over 80% FMCG by revenue
- Team of 70 people
  - Multi-functional teams



Share with top 10 customers 15% - 100%

Corrugated spend €1.2bn

- Supplier rationalisation
- The basics (quality and service) still important
- Innovation high on agenda
- Demand for retail and market insight increasing
- Technical knowledge / support growing (as R&D resources under pressure)
- Cost reductions (product  total cost of ownership)
- Growing expectations on supply chain and/or sustainability
- Global solutions



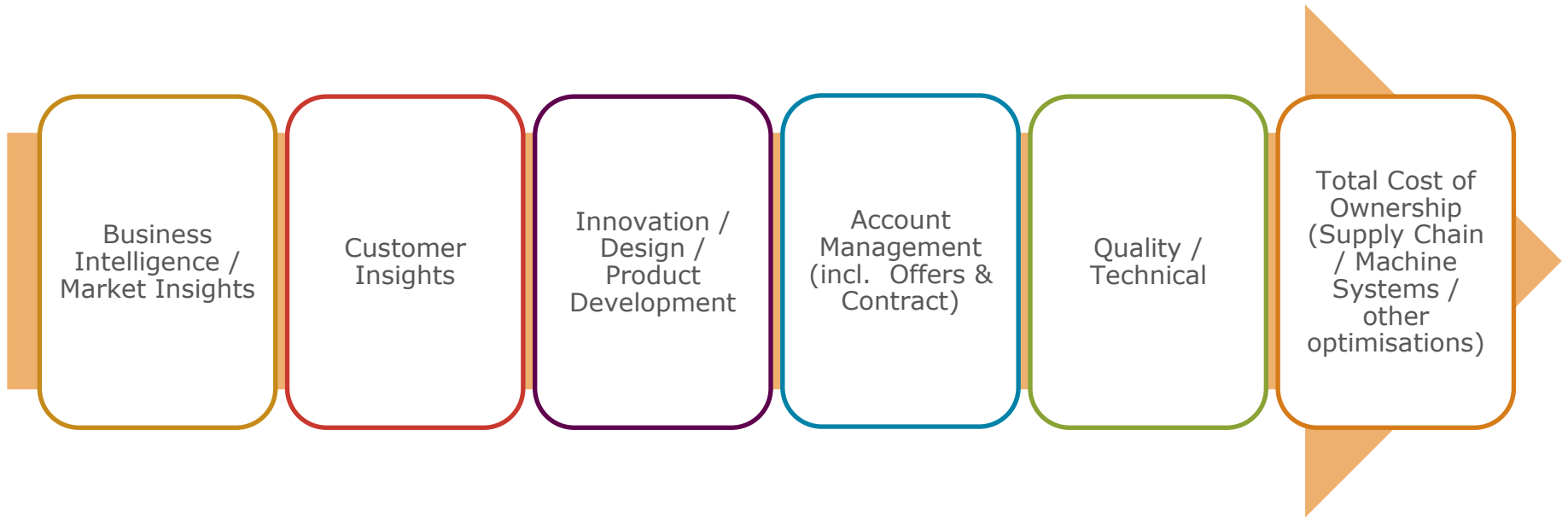
More  
Sales



Lower  
Cost



Risk  
Managed



**Driving growth and returns**

# Nestlé – case study

**Joined in 1995**

**Lead account director for Nestlé since 2005**

**Leading a multi-functional team organised around customer needs**

- Design
- Category/market insights
- Supply-chain expertise
- Quality management
- Finance ... and any other area that adds value



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## **Zone Europe, Middle East & North Africa Procurement Group Manager for Fibre Packaging, Nestlé**

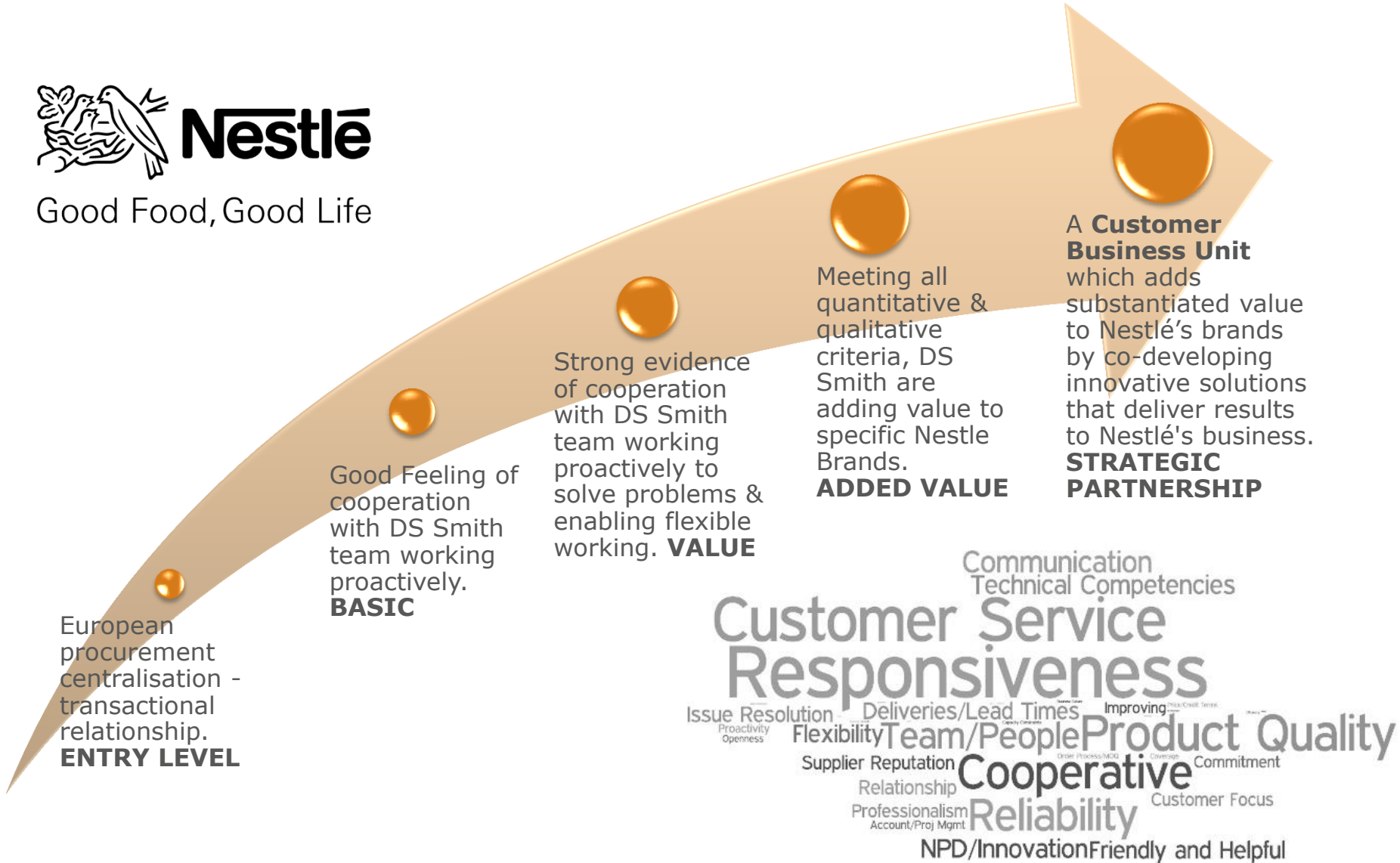
- Joined Nestlé in 1994
  - Current role from 2013
  - Range of procurement and operational roles
- Leads team of 12 fibre packaging strategic buyers
- Leading the Leadership Development Pillar for Zone Procurement
- Expectations: ensure we use our resources to add value in line with business needs in the most effective way

- Working together for decades, centralised procurement at European level for 10 years
- Grown from 4 categories in 2005 to all 8 European categories in 2015
- Deliver to 80 Nestlé locations from 52 DS Smith sites in 19 countries
- #1 fibre-based packaging supplier in Europe for 4 out of the 5 last years
- Recent wins:  

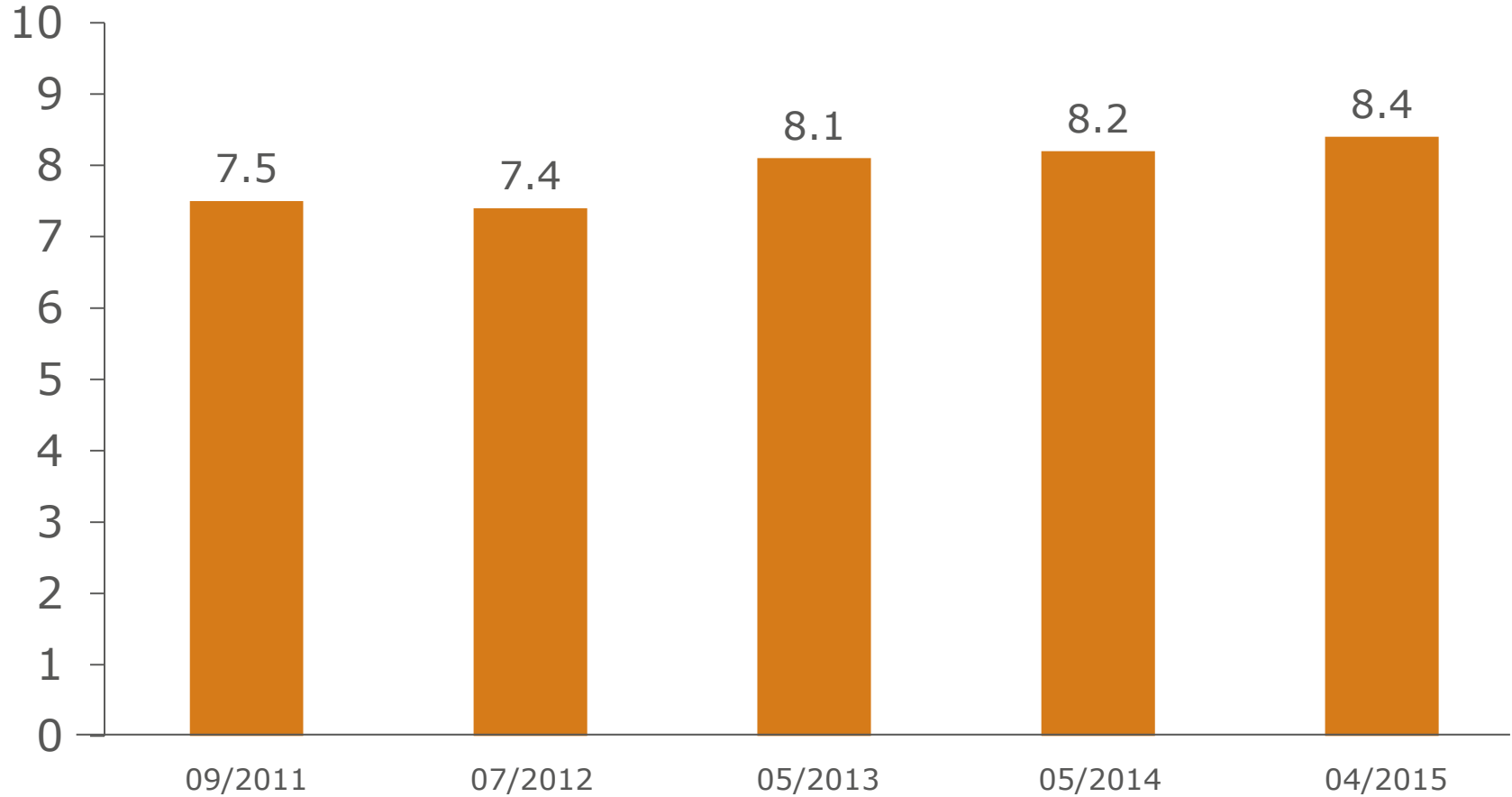


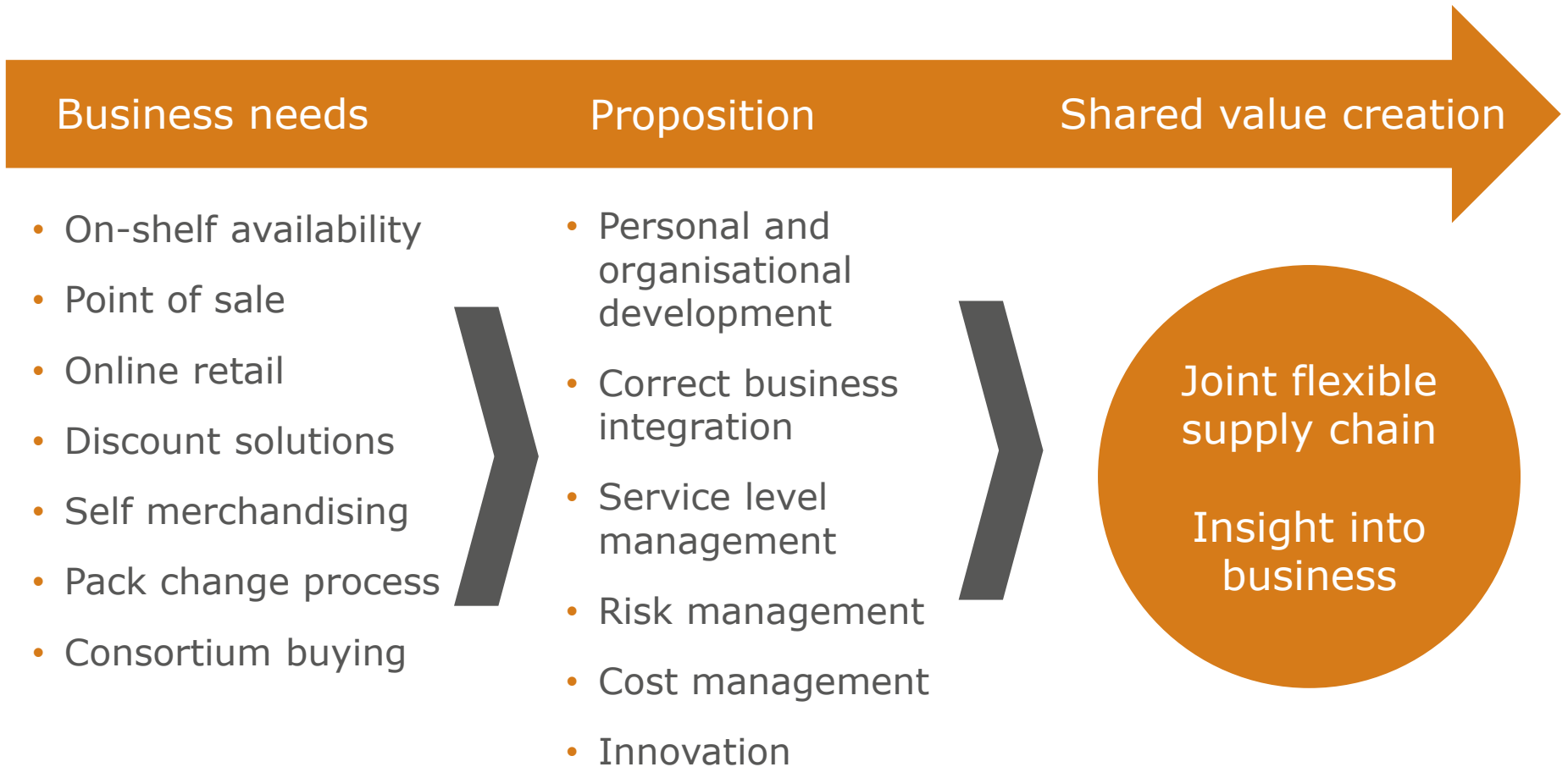


Good Food, Good Life



## Customer satisfaction rating



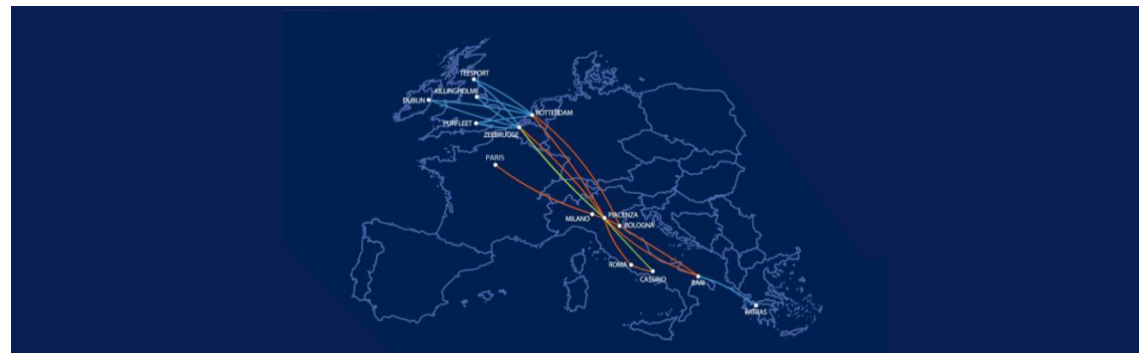


- Joint DS Smith / Nestlé construct
- C. 20+ senior individuals from both organisations and externally
- Objective: to nourish discussions beyond the mainstream, to develop and agree on action plans that make a difference
- Platform for **leveraging** the strength of our **relationship** to help us **create** new business opportunity, co-develop new **custom offerings** to overcome complex challenges, and develop a profit-enhancing **value chain**

Founding member of Alliance4YOUth

Responsible sourcing forum

Co-ordinated transportation

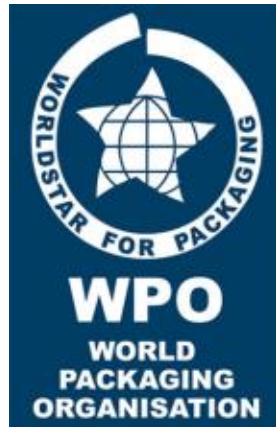


Nestle #1 fibre-based packaging supplier across Europe – 4 out of last 5 years

#1 supplier across all categories, in UK 2015 and Germany 2014

Most Innovative Packaging Supplier 2013

Worldstar Award 2013  
DSS Germany







**Chameleon**

# Developing our service offering

**Joined DS Smith 1993**

**Range of operational roles in both the UK and mainland Europe**

**Market Development Director**

- **Packaging services offering**

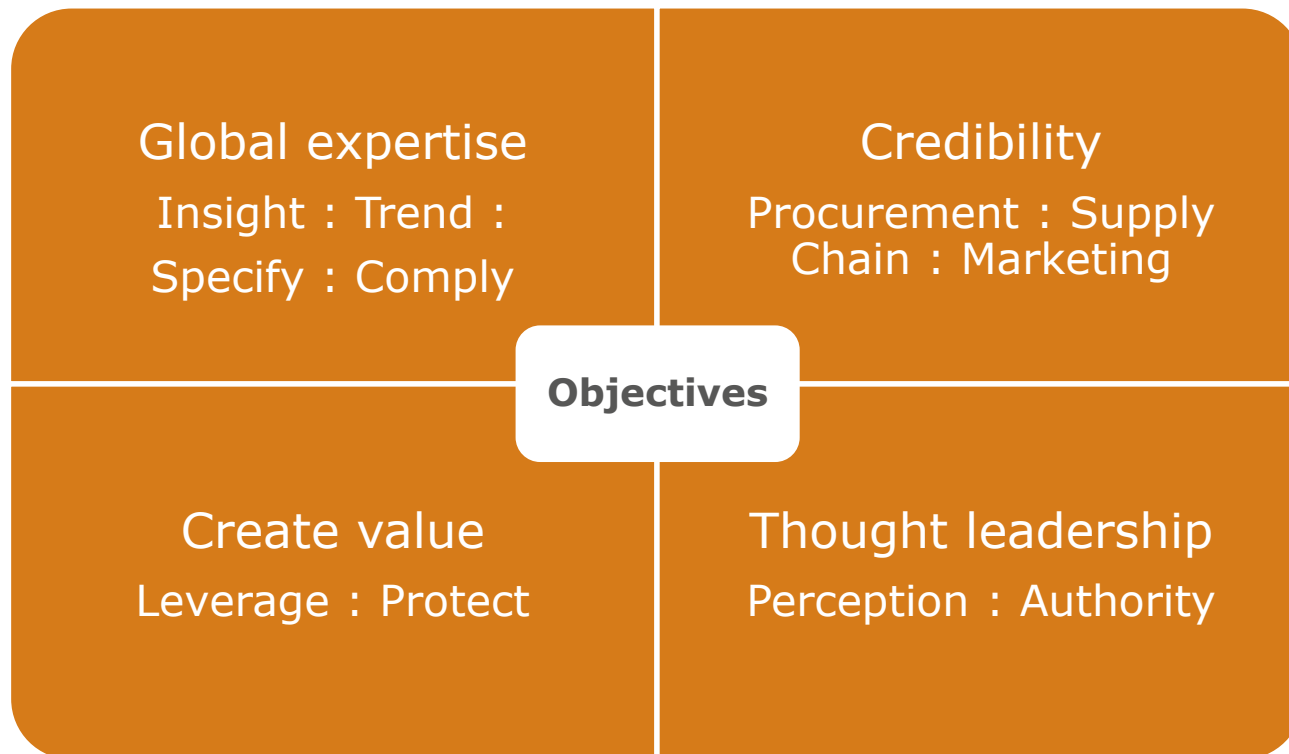
To **sell more** and **spend less**

**Via**

- Insight driven creativity, design and innovation
- Packaging & value chain optimisation
- Brand equity & compliance
- Flexible operational efficiency
- Differentiation and competitor advantage
- Global solution

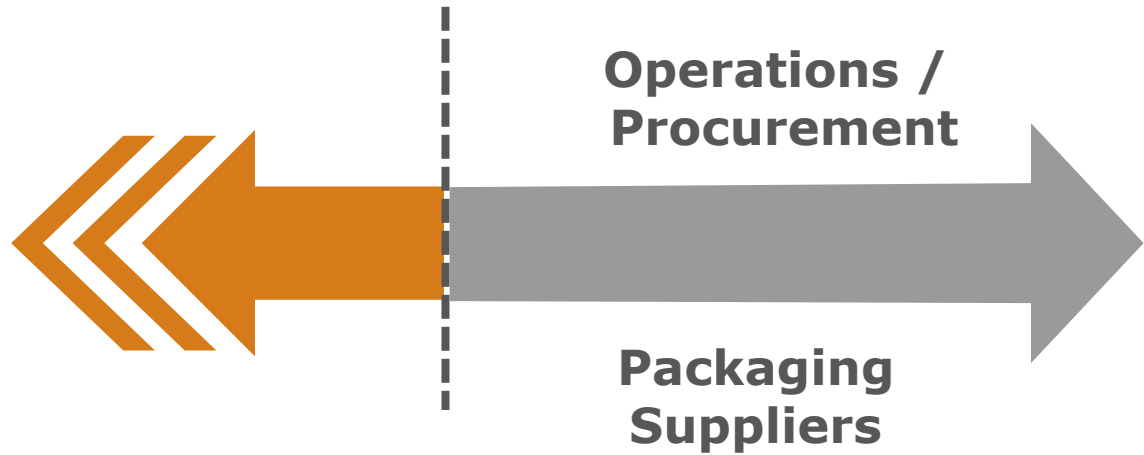


**We partner with customers to reveal their brand promise, delivering results that benefit their business and the environment**





Design consultancy with a sense of reality



## Organic and inorganic development

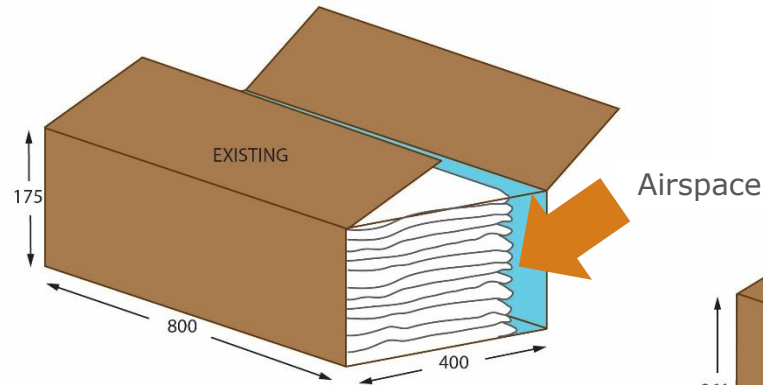
### Acquisition of “less packaging”

- Strategic consulting business
- Specialised in optimising long supply chains
- Retail and brand owner insight and relationships

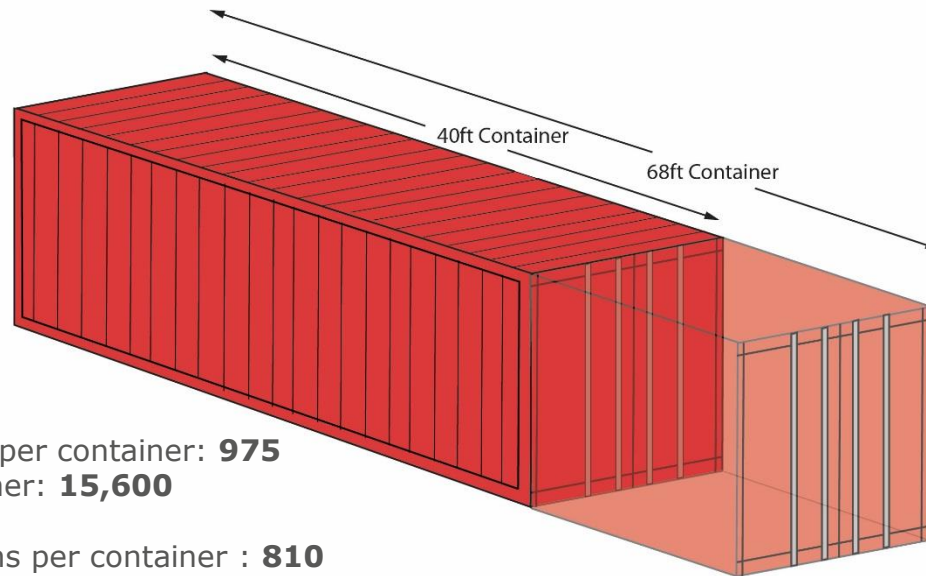
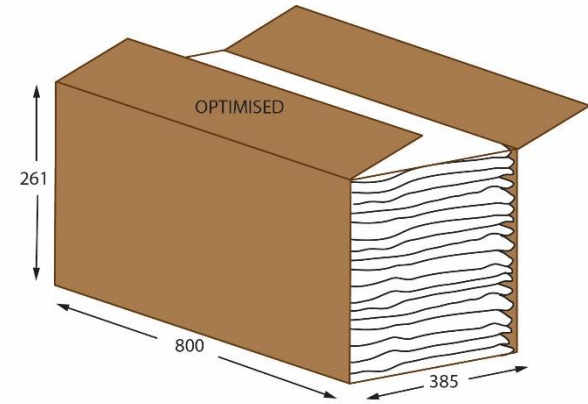


*“ Providing scalable packaging management solutions for global execution ”*

Existing units quantity per carton: **16**



Optimised units quantity per carton: **28**



Existing cartons per container: **975**  
Units per container: **15,600**

Optimised cartons per container : **810**  
Units per container: **22,680**

**45%** increase in units per container



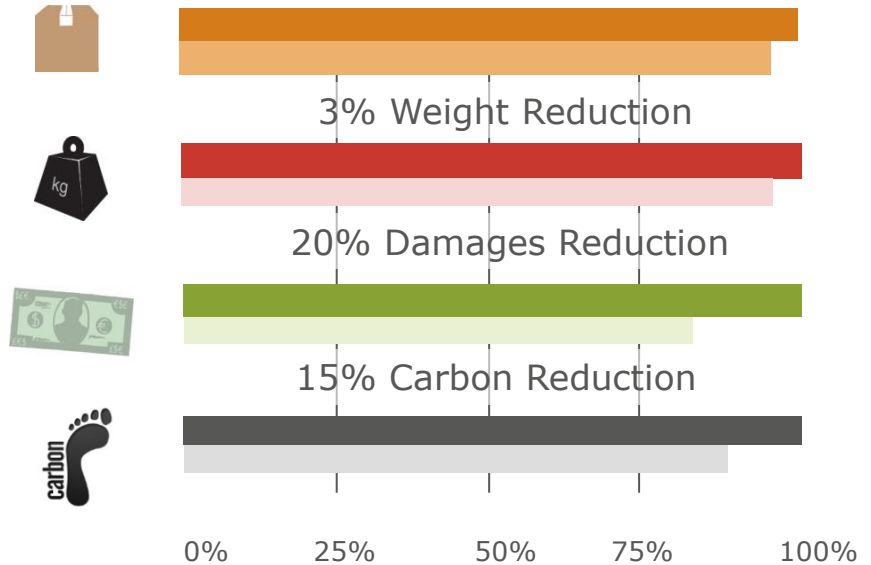
## Background

This project set up to achieve two goals

Furniture packaging that protected the planet and the product through all retail channels to market

Solution eradicated all expanded polystyrene (EPS) and significantly reduced damages across the category

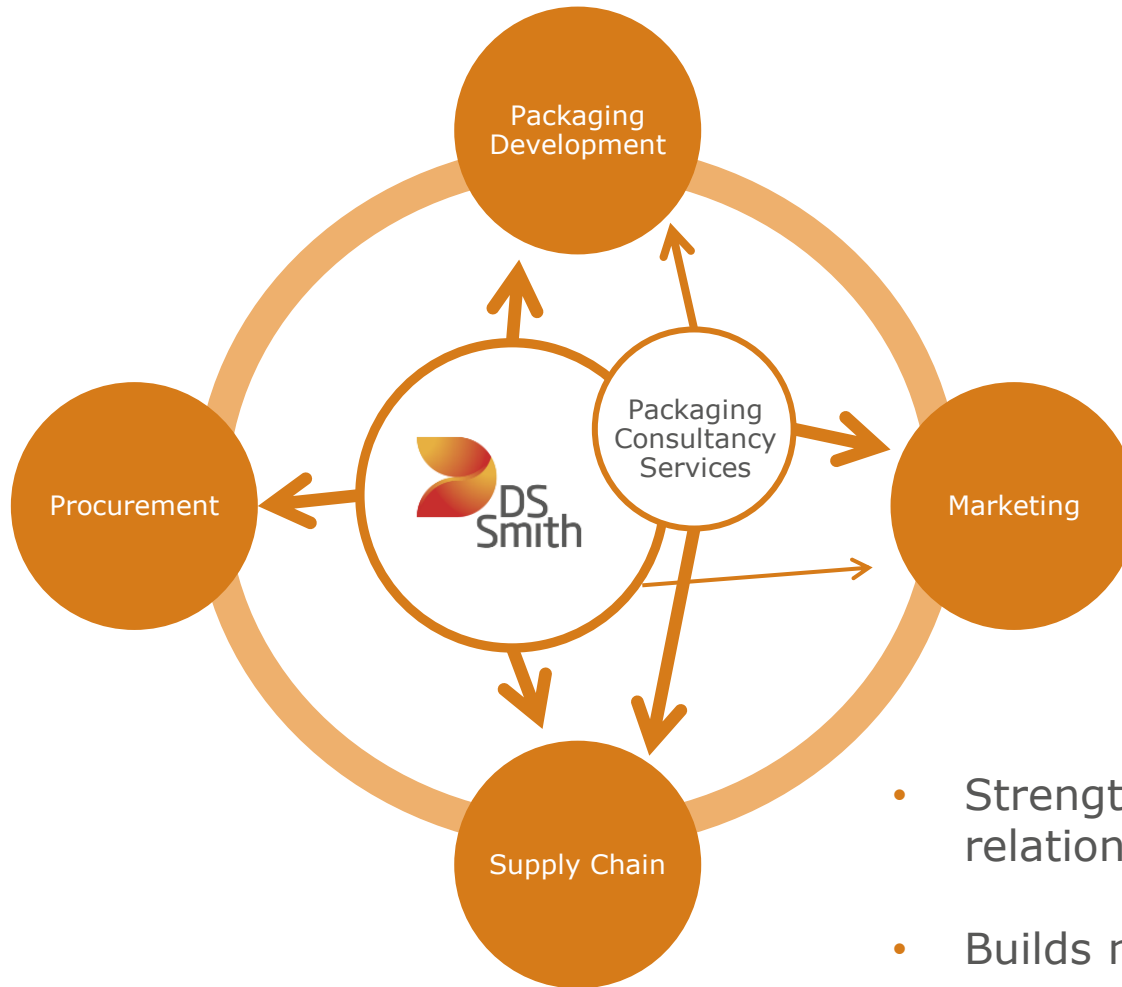
## Analysis



*“ The first time I met them about 4 years ago, I immediately recognised Less Packaging had a unique and compelling offer without equal in the market. At M&S I've been fortunate enough to work in partnership with them successfully ever since and am convinced this still hasn't changed ”*

**Roger Wright**  
Head of technical packaging,  
general merchandise

## Customer Contact Points



- Strengthens existing relationships
- Builds new relationships



- Strengthens our links with retailers
- Extend our consulting approach into brands



- Greater visibility of market dynamics
- Better engagement with global customers

## A Single Network Of Customer Satisfaction

The **right** facility for the **right task**, continuous collaboration

### PackRight Centre



'High street'

### Impact Centre



'Concept store'

### Packaging Consultancy Services



'Flagship store'

- **Research and insight into consumers, brands and retailers**
- **More high level contacts at our customers**
- **Better understanding of total customer requirements, globally**
- **Involved earlier in the process**
- **Credible for global design projects**
- **Global management of packaging design and compliance**

YOUR M&S

Sainsbury's

 **TARGET**

 next

  
MORRISONS

 B&Q

 castorama

 **TESCO**

Pier1 imports®

sears

 **K**  
kmart

Kingfisher





the brand promise



the execution in store



the blind spot

# Summary

