



# Mondi Capital Markets Day

Consumer Packaging

Ralph Landwehr

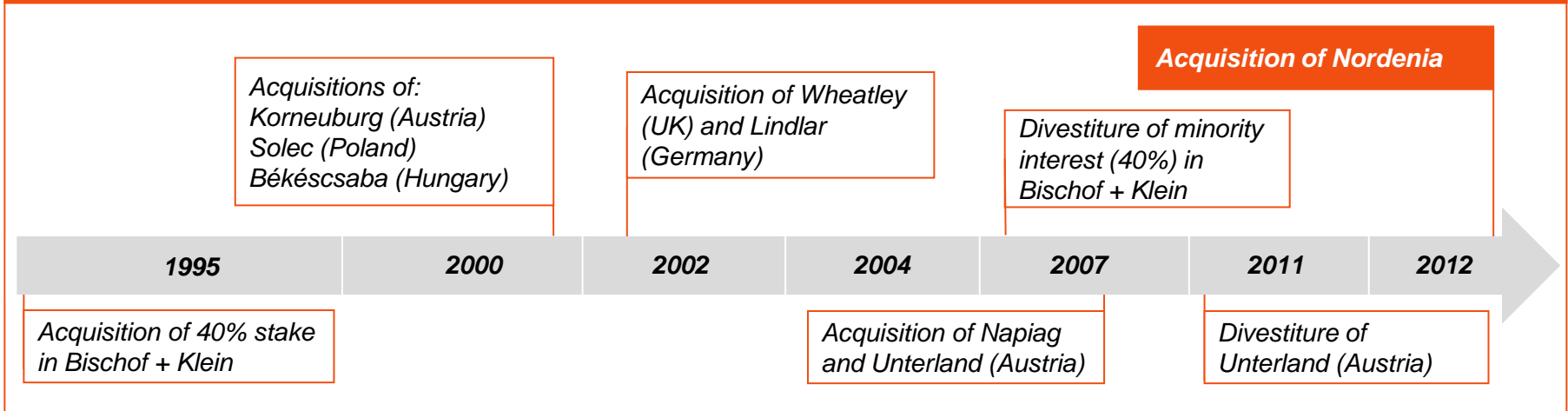
2 September 2013

# Consumer Packaging introduction



The Consumer Packaging business is a global leading innovative solutions provider of hygiene components, speciality films and consumer flexible packaging.

## Nordenia: a significant step for Consumer Packaging



### Product portfolio

**Fastening system for diapers**



**Elastic components for diapers**

Personal Care



Food



Pet Care



Converting FMCG



Home Care

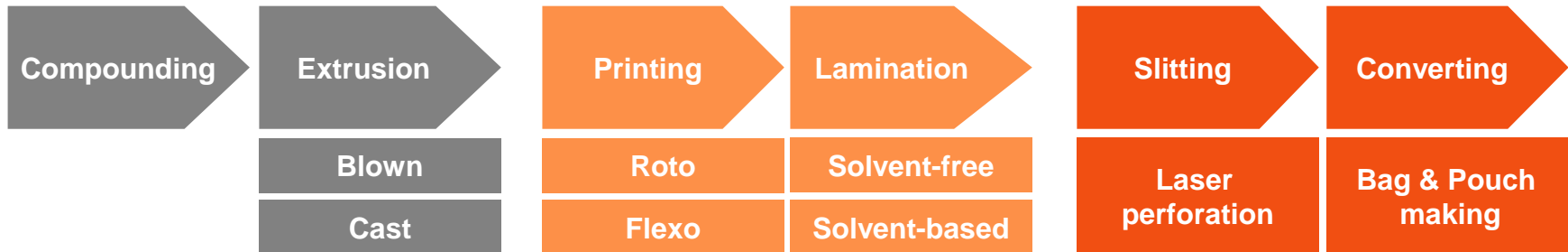


Industrial

# Consumer Packaging integrated value chain



Vertically integrated along the full value chain

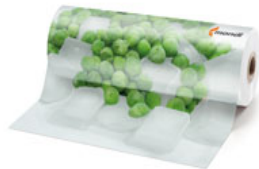


Resin

Films

Printed barrier laminates & hygiene components

Converted packaging solutions



Stand-up pouches

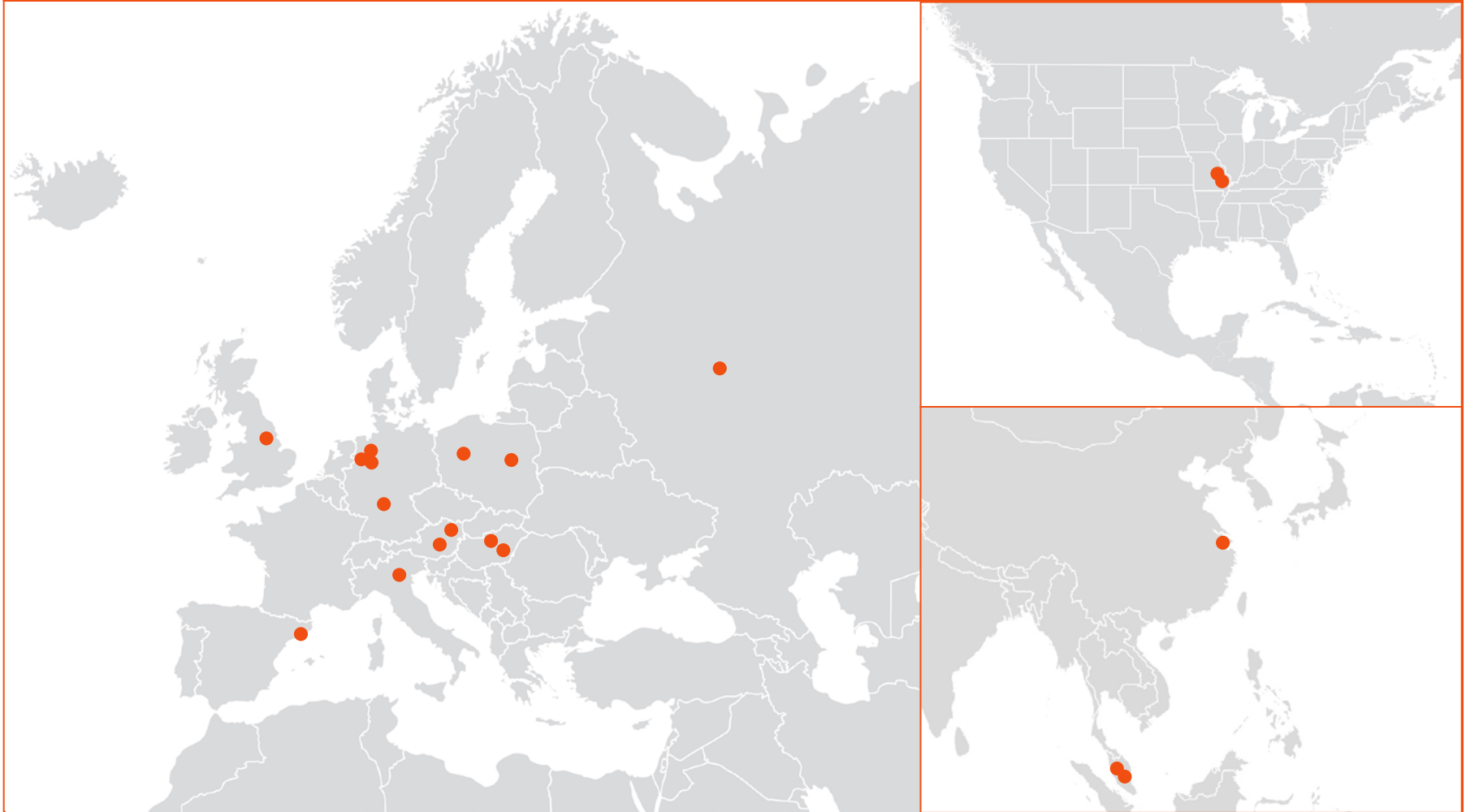
Reclosable plastic bags

Paper-based bags

# International plant network



18 plants in 10 countries



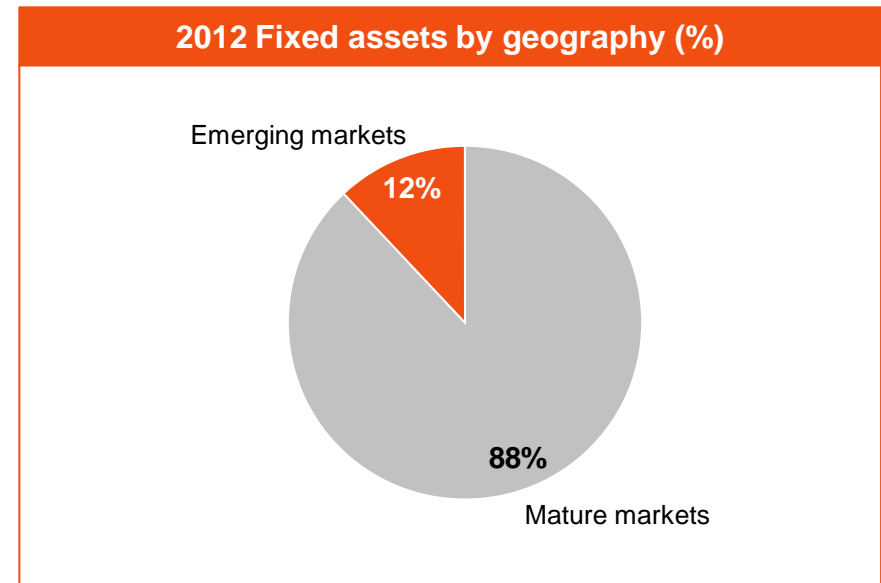
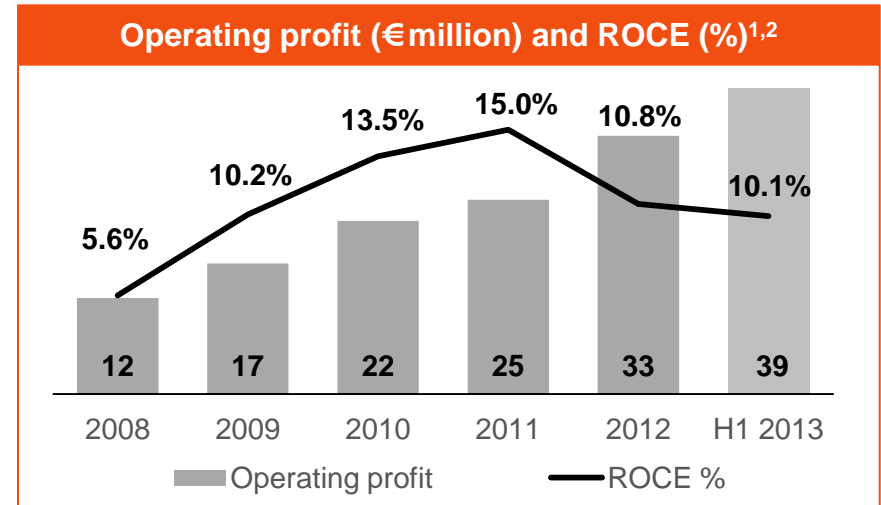
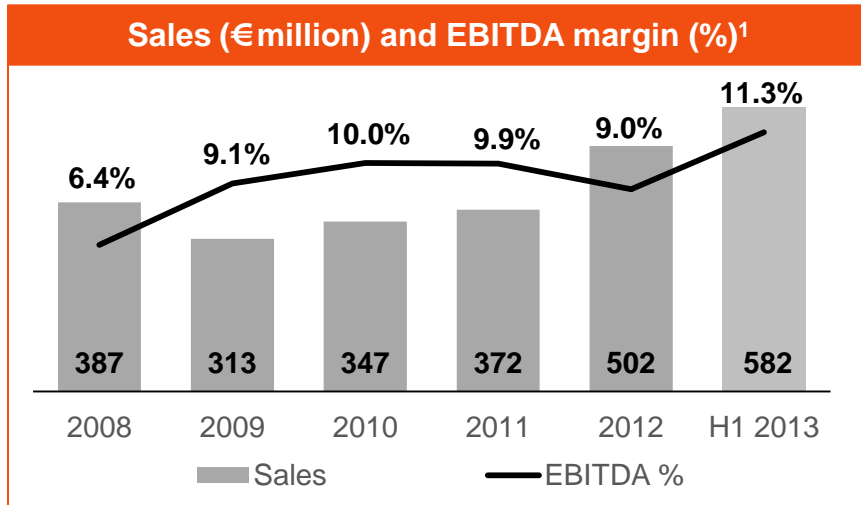
● Consumer Packaging plant. China facility expected to commence operations towards start of 2014.

# Blue chip customer base



More than 90% of sales to FMCGs

# Consumer Packaging key financials

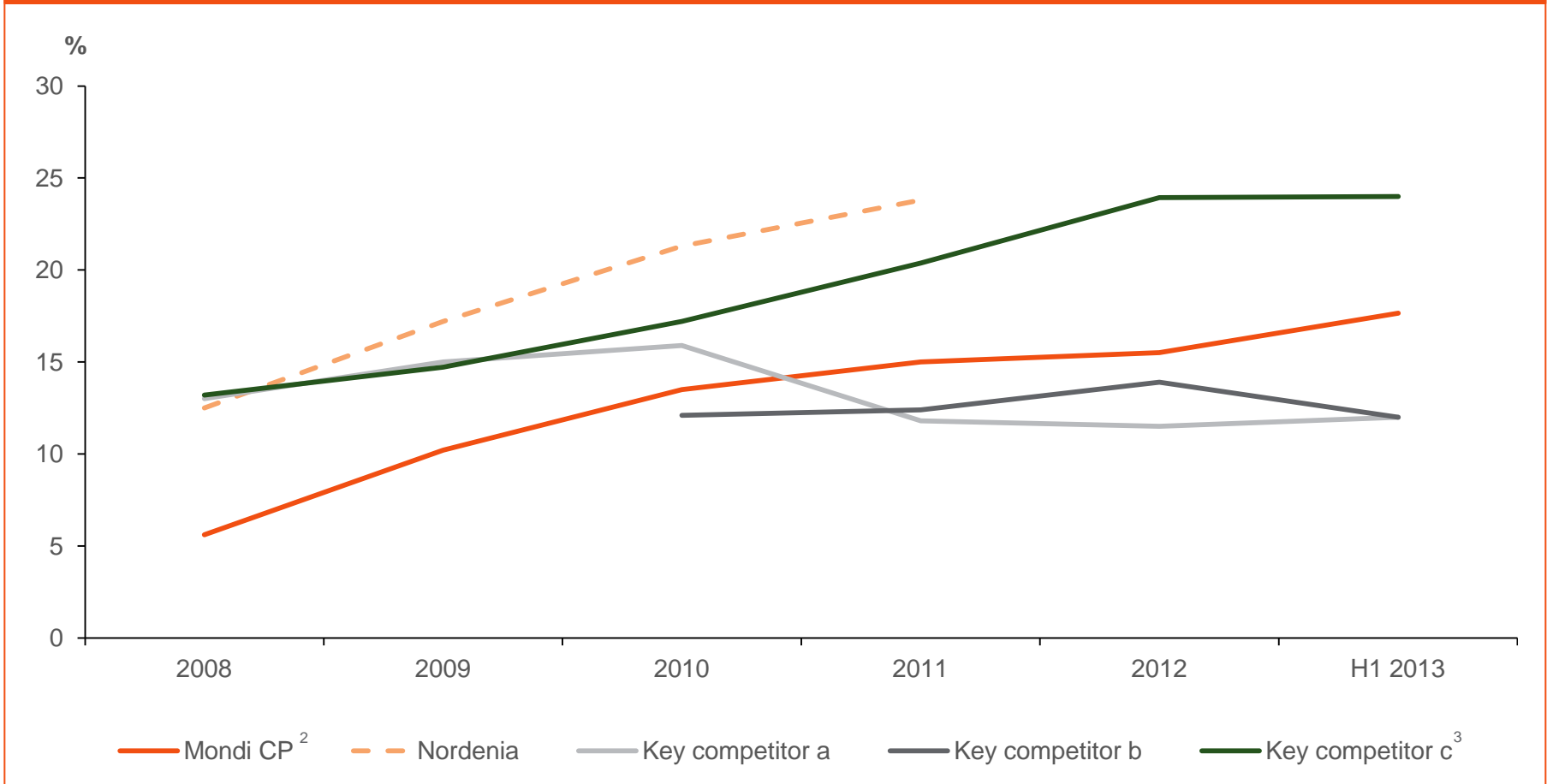


(1) Financial results shown in 2008 to 2012 are for the full financial year. (2) Underlying operating profit and ROCE % has been adjusted for one-off costs. Norderia included in 2012 from date of acquisition. (3) 2012 pro forma sales including Norderia for entire year.

# Consumer Packaging return on capital employed



Consumer Packaging ROCE<sup>1</sup> benchmark (%)

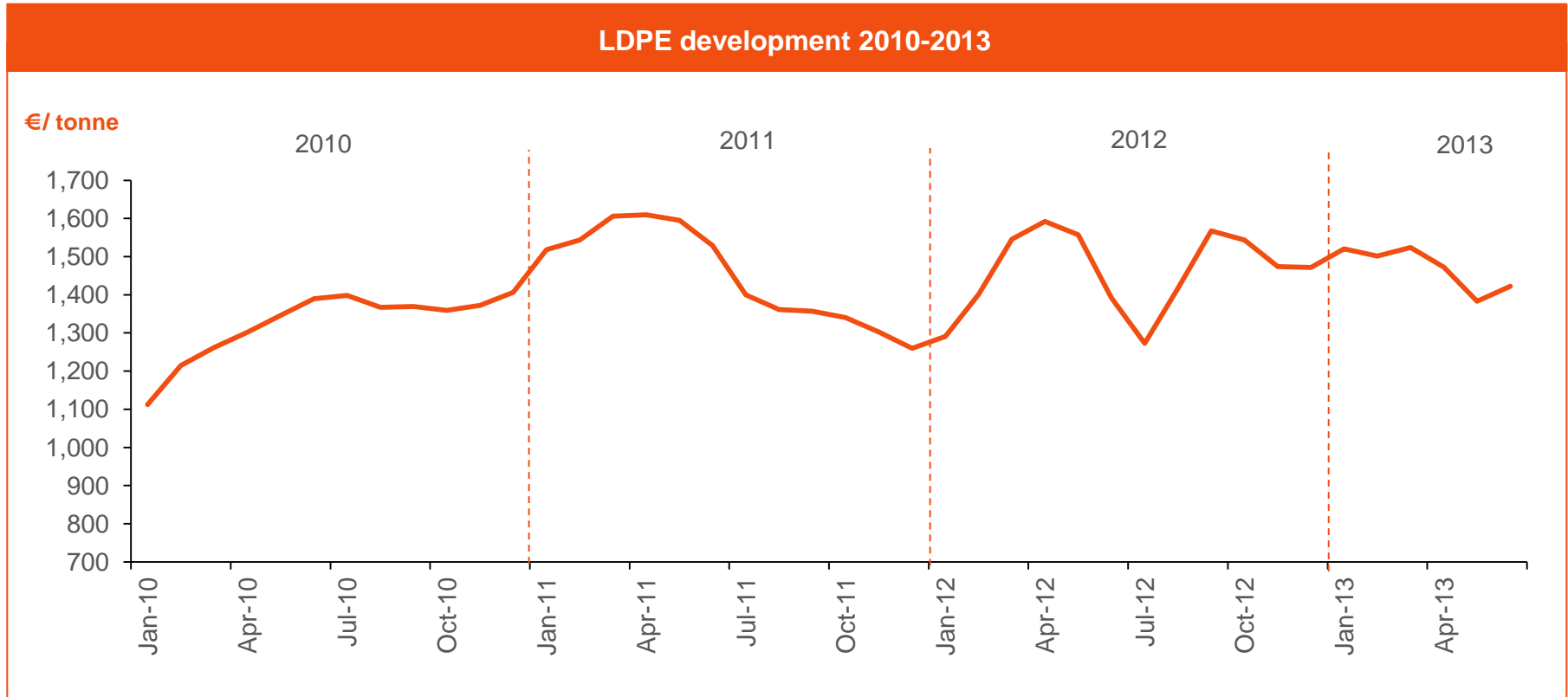


(1) See appendix for definitions of ROCE.

(2) Includes Nordenia from the date of acquisition (October 2012). In 2012 and H1 2013 capital employed has been adjusted to exclude goodwill and other fair value adjustments arising from the Nordenia acquisition. EBIT has been adjusted to exclude amortisation of intangibles and one-off acquisition costs.

(3) Flexibles Division, ROCE as at year ended 30 June.

# PE price development



- PE prices during 2011 / 2012 at historically high levels
- Despite high PE price volatility, resilient business model: approximately 75% of sales under framework agreements which include a resin price pass through provision

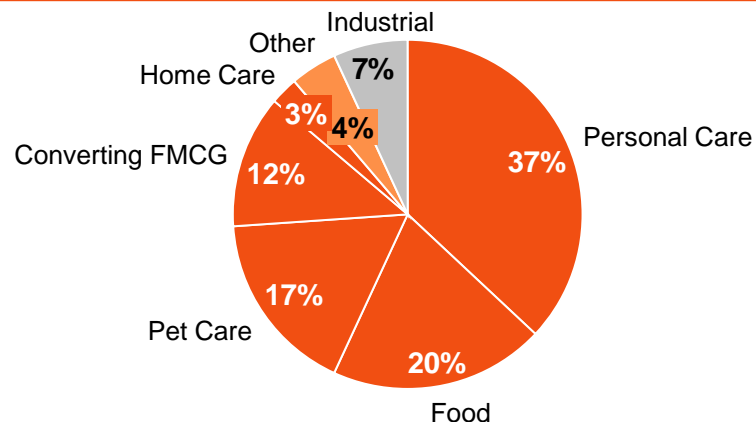
Source: ICIS.



# Key end-use applications



## Consumer Packaging applications (2012 sales %)



€1.2 billion<sup>1</sup>

## End-use applications

### Personal and Home Care<sup>2</sup>

- Elastic diaper components
- Mechanical diaper fastening systems
- Siliconized films for individual sanitary napkins
- Wicket bags (for baby and femcare)
- Bundle films
- Label films (for consumer products)
- Roll-stock laminates
- Mono films roll-stock
- Roll-stock material for detergent

### Food

- Laminating films (for flexible consumer packaging)
- Roll-stock laminates
- Stand-up pouches
- Mono films roll-stock

### Pet Care

- Roll-stock laminates
- Premade bags
- Stand-up pouches

### Industrial

- Surface protection films
- Form fill & seal films (FFS films)

(1) Includes Nordenia revenue for entire year in 2012. "Other" includes consumer as well as other applications.

(2) Personal and Home Care have been grouped for simplification, although they are separate end-use applications.

# Key global consumer packaging trends



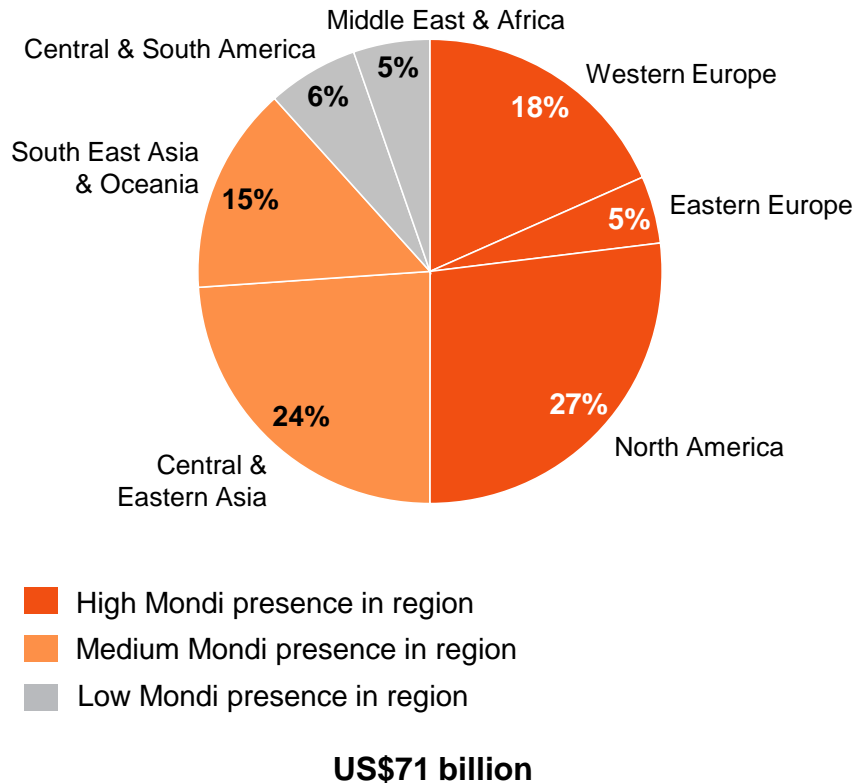
- Rise in consumer wealth, combined with a developing retail framework, continue to drive growth in emerging economies
- Growth opportunities for value-added packaging have emerged, especially in the food and beverage sectors
- Packaged food, pet care and healthcare expected to be the main engines of growth going forward
- Continued trend towards convenience and health awareness
- Focus on the environment, with packagers increasingly shifting towards downgauging and lightweight



# The global consumer packaging market



## Global consumer packaging consumption<sup>1</sup>



## Key regional trends

- Europe and North America represent 50% of the total consumer packaging market
- Western Europe has experienced volume growth and is expected to follow the same trend in the medium term. More attractive growth rates are expected in Eastern Europe during the same period
- North American consumer packaging consumption has grown in line and slightly above GDP. The market is expected to grow moderately in the medium term
- Asia-Pacific:
  - Rapid economic development continues to hold the greatest growth potential for consumer packaging
  - China expected to grow in the medium term due to economic development, and rising per capita income
- Latin America and the Middle East / Africa also offer opportunities

(1) Source: PCI Global Flexible Packaging Trends to 2016.

# Key focus end-use applications for Mondi



## Personal Care



## Food



## Pet Care



Leading global supplier of hygiene components

1

Target value-added applications

2

Preferred European partner

3

# 1 Personal care activities

## Products



Elastic components for diapers



Fastening system for diapers



## Overview

- Sales 2012: 37%
- 7 plants: Gronau, Jackson, Halle, Barcelona, Szada, Sungai Siput, Pereslavl
- Main products:
  - Elastic diaper components
  - Mechanical diaper fastening systems
  - Siliconised films for individual sanitary napkins
  - Wicket bags (for baby and femcare)
  - Bundle films

## Key customers



## Key competitors

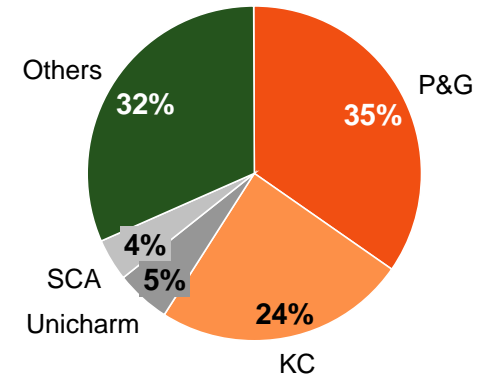
- |                   |            |
|-------------------|------------|
| ● Amcor           | ● Clopay   |
| ● Aplix           | ● Mitsui   |
| ● Bemis           | ● Souminen |
| ● Bischof + Klein | ● Tredegar |

# 1 Drivers of hygiene end-use applications

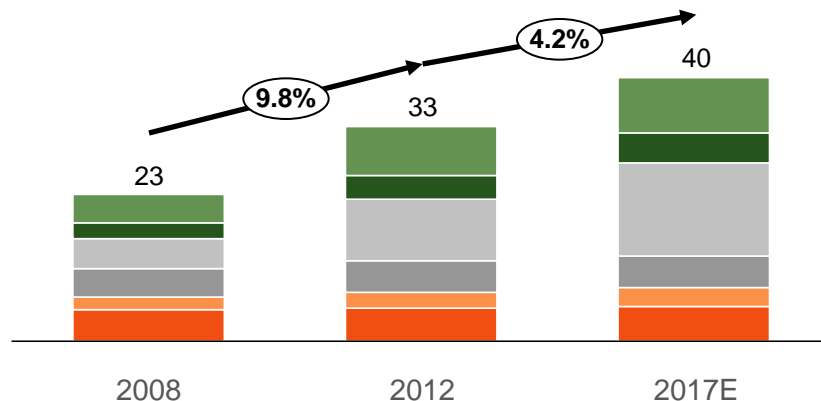
## Overview

- Diapers is the largest hygiene end-use application, accounting for approximately half of global hygiene products consumption
- Attractive growth primarily driven by emerging markets, with moderate development in mature markets. Consumption experienced solid growth through global economic slowdown
- Principal growth drivers in developed economies include extension of usage and aging population trends
- Attractive growth rates in emerging economies are attributable to:
  - Increasing disposable income (increased product penetration)
  - High birth rates and catch up potential
- Premium brands displayed stronger growth than private label brands from 2007 to 2012

## Global diaper market share<sup>1</sup>



## Global diaper market size (€million)<sup>2</sup>



	CAGR 08-12	CAGR 12-17E
Latin America	13%	2%
Middle East and Africa	14%	4%
Asia Pacific	18%	9%
North America	3%	0%
Eastern Europe	5%	3%
Western Europe	2%	1%

(1) Source: Euromonitor Database, June 2013. (2) Source: Euromonitor Database, June 2013 (forecast in current prices). See definitions in appendix.

## Products



## Overview

- Sales 2012: 20%
- 12 plants: Jackson, Poznan, Pereslavl, Iberica, Szada, Halle, Sungai Siput, Wheatley, Korneuburg, Napiag, Solec, Békécsaba
- Main products:
  - Rollstock films / laminates
  - Stand-up pouches
  - Mono films rollstock with and without coldseal
  - Reclosable plastic bags

## Key customers



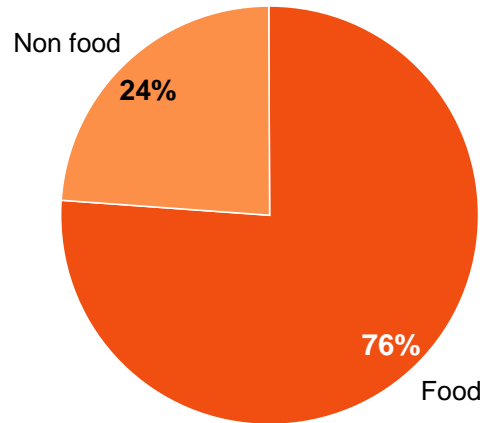
## Key competitors

- Amcor
- Bemis
- Bischof + Klein
- Constantia Flexibles
- Huhtamaki
- Korozo
- Printpack
- Südpack
- Sonoco

## Drivers of food end-use applications

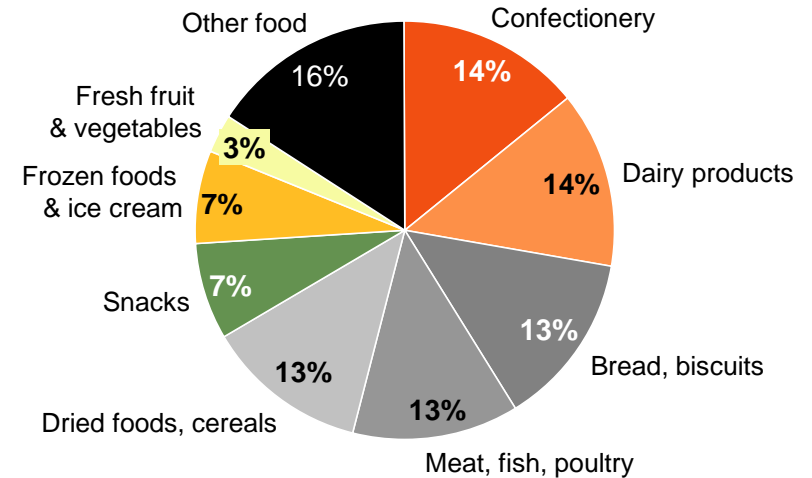


European consumer packaging demand by end-use application (%)



€12 billion

European food consumer packaging demand by food application (%)



€9 billion

- Consumer packaging for food expected to grow moderately in mature markets
- Asia, led by strong growth in China and India, will be the fastest growing food packaging regional market followed by South America

Source: The European Flexible Packaging Market to 2017, PCI and PCI Global Flexible Packaging Trends to 2016.  
Non-food: cigarettes and tobacco, medical and pharmaceutical, toiletries and hygiene, petfood and others.



## Drivers of food end-use applications



### Demographic and social changes

- Aging population
- Increasing smaller or single households
- Changing lifestyles:
  - Increased consumption of packaged food
  - Greater demand for 'on the go' food
- Globalisation / regionality – food transport requirements
- Increasing food regulation

### What does this mean for food packaging?

- Convenience:
  - Ready meals
  - Smaller sized packages
  - “Out-of-home” market
  - Active packaging
- Freshness:
  - Regionality
  - Lifestyle-homing
  - Health and wellness
- Sustainability:
  - Focus on lightweight solutions
  - Packaging to avoid product spillages
- Packaging as part of product strategy

### Mondi's focus

- Value added applications attractive in terms of:
  - Size
  - Growth
  - Profitability
  - Company fit

## Products



## Overview

- Sales 2012: 17%
- 10 Plants: Békéscsaba, Halle, Jackson, Korneuburg, NovaSac, Poznan, Slavnika, Solec, Steinfeld, Szada
- Main products:
  - (Retort) rollstock laminates
  - Pre-made bags (plastic, hybrid paper-based, polywoven)
  - (Retort) stand-up pouches

## Key customers



## Key competitors

- Bischof + Klein
- Constantia Flexibles
- Exopack
- Hood Packaging
- Peel Plastics
- U-Flex

# Development of pet food packaging



One-ply paper bags



Multiwall paper bags



Plastic bags



Hooded top slider



Paper-based bags



Aluminum cans



Sausage casing



Aluminum tray



Retortable stand-up pouch



Reclosable bags

1930

1940

1950

1960

1970

1980

1990

2000

## Packaging requirements of pet owners



Average size of households is declining, less time to prepare meals and food (work-life balance), more feeding “on-the-go”

- Adjustment in package sizes (single serve)
- Long shelf life (barrier properties)



Pet humanisation, health awareness, “emotional” buying

- Attractive packaging to differentiate at point of sales
- High demand for fresh and functional petfood
- The packaging should resemble the type of petfood

Increasing need for convenience (e.g. aging population)

- Easy handling & dosing
- Easy opening & reclosing
- Carry handles
- Lightweight packaging



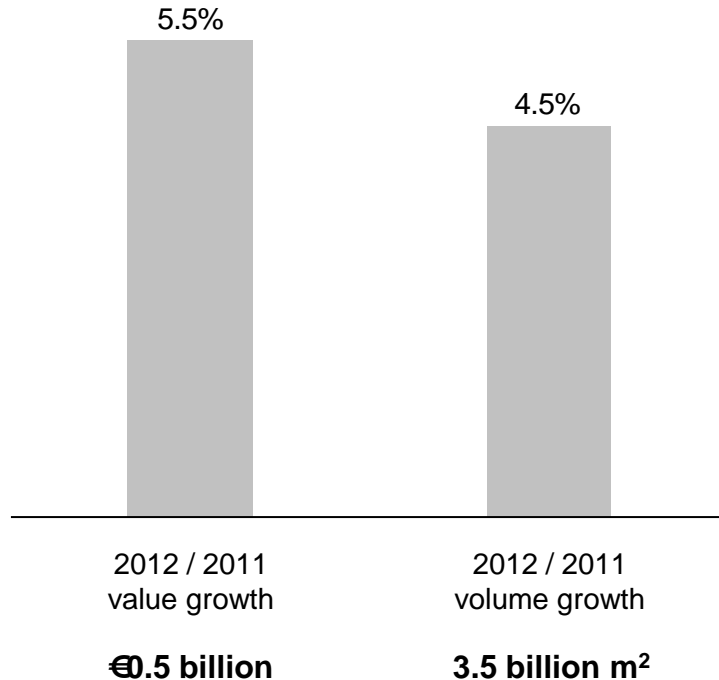
Increasing concern about sustainability

- Alternative packaging solutions & materials
- As little waste as possible

## 3 European Pet Care packaging



### Pet care packaging 2012 / 2011 growth (%)

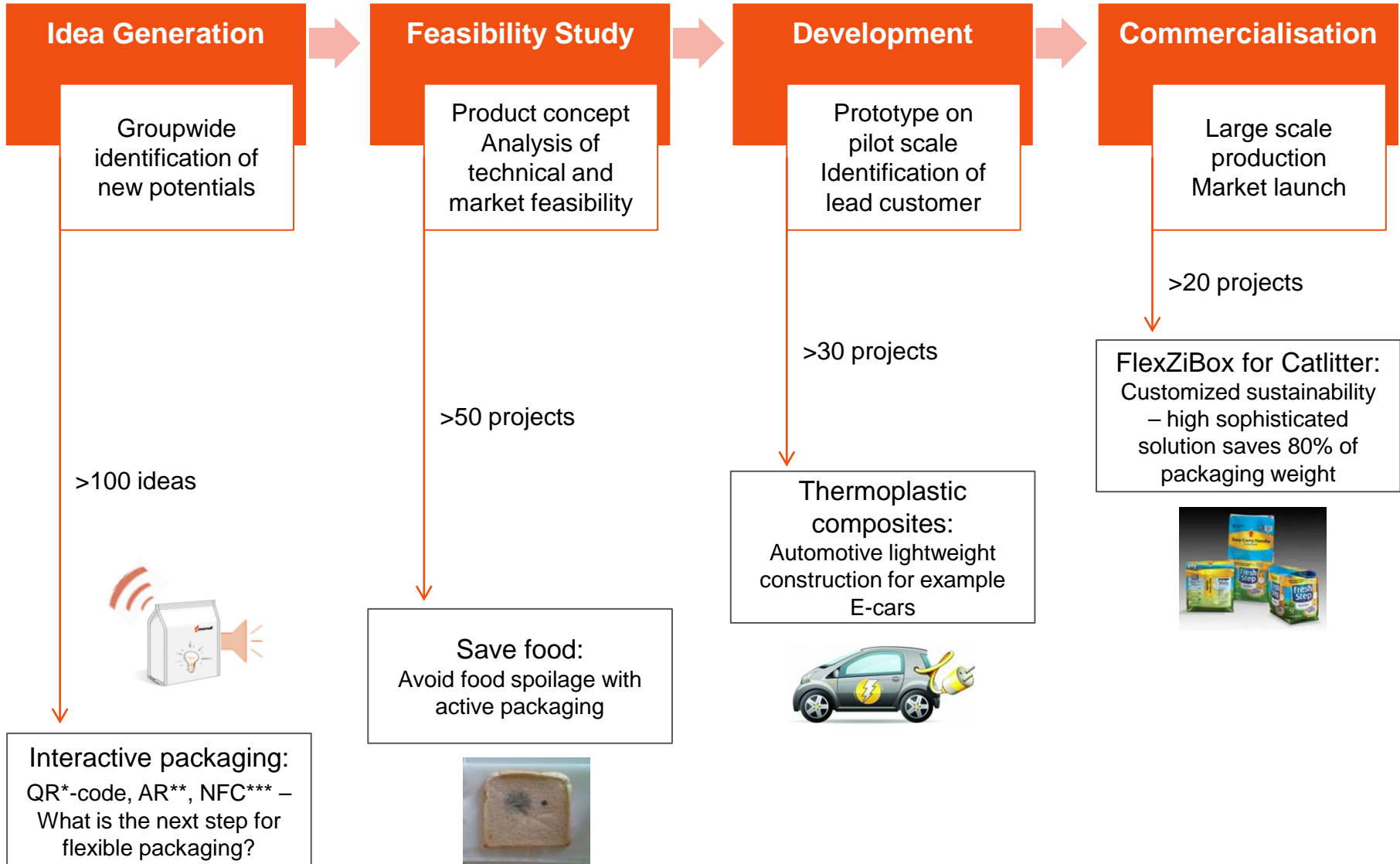


### Overview

- Pet care packaging represents approximately 4.5% of the European consumer packaging market
- Market has experienced strong growth due to increased pet ownership and pet “humanisation” trends (urbanisation, rising disposable income, rising number of single households)
- Market expected to grow in the medium term in Europe and rest of the world
- Key trends:
  - Continuous growth in stand up pouches for wet pet food
  - Premium dried pet food in both smaller and larger packs
  - Introduction of more sophisticated formats
  - Ongoing switch from paper to plastics
  - Move from low barrier materials to high barrier with gas flushing, more fitments, such as reclosable devices
  - Woven PP sacks for large packs of dry pet food

Source: PCI The European Flexible Packaging Market to 2017.

# Innovation pipeline



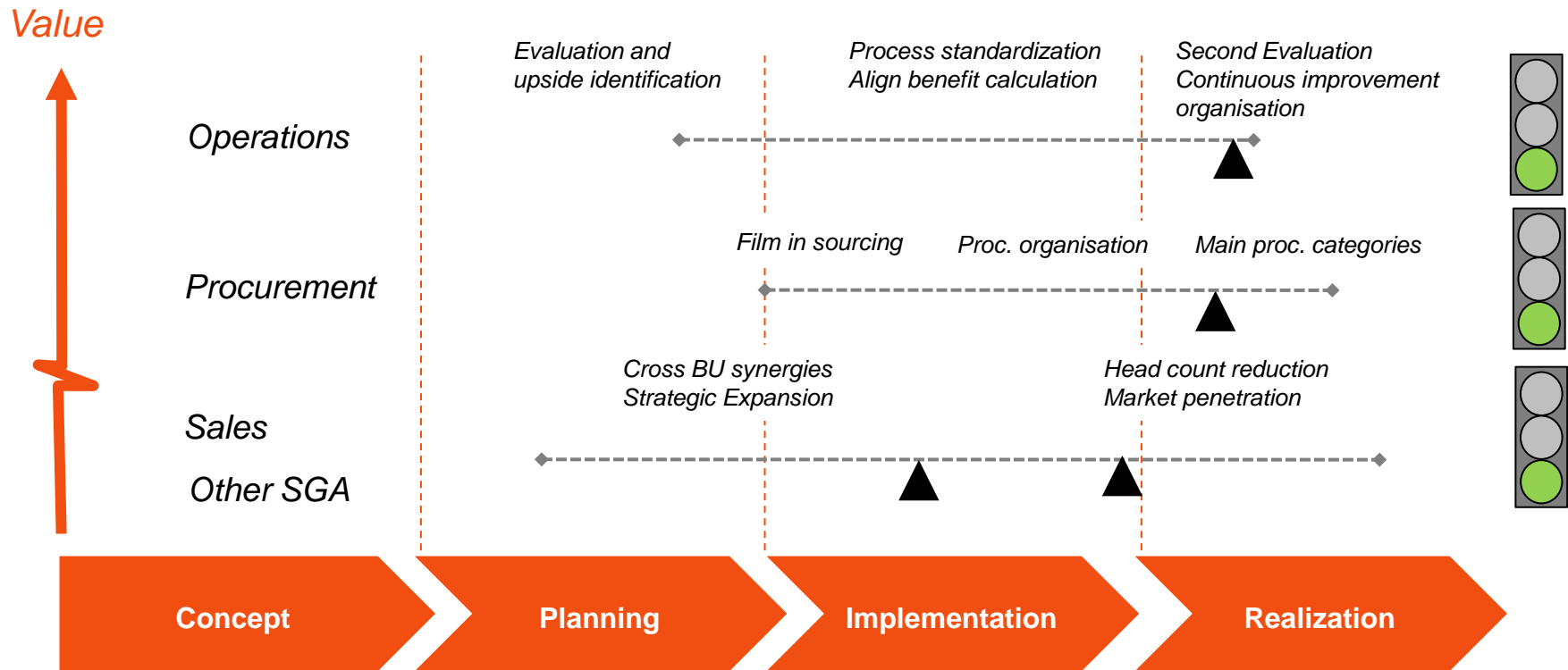
\*QR – Quick Response \*\*AR – Augmented Reality \*\*\*NFC – Near Field Communication

Material saving to optimise the whole supply chain



*Eleven pallets of packaging material with the old concept  
→ ONE pallet of packaging material with the new Mondi solution*

# Focus on performance: integration process



- By: *Progress*
- Improvement of internal processes
  - Focus on operational excellence
  - Utilization of group synergies (know-how transfer, benchmarking, etc.)
  - Encouraging a culture of fact-based decision making
  - Reducing all kinds of waste, control variation and focus on increasing flexibility



# Challenges and opportunities



## Challenges

- Increasing food regulation (however an advantage vs. smaller players)
- Raw material cost increases (however, approximately 75% of sales with pass through provisions)
- European economic environment

## Opportunities

- Grow by product innovation and technologically advanced solutions
- Grow with global FMCG customers, maximise cross selling opportunities
- Strengthen position in emerging markets developing existing platform with new plant in Taicang
- Continue to achieve operational synergies and improve margins via plant specialisation

## Group strategic framework

Achieve leading market positions

Maintain a high-quality, low-cost asset base

Grow through customer focused development

Continuous focus on performance

## Consumer Packaging value drivers

- Leading positions in chosen end-use applications, especially hygiene and pet food
- High-quality asset base with vertical integration along the full value chain
- Proprietary processing technology
- Strong product innovation culture
- Platform to develop in emerging markets by following customers into new geographies
- Continuous focus on operational performance and plant optimisation / synergies



## Appendices

# Consumer Packaging market information sources and definitions (1/2)



## *Sources PCI:*

*Global Flexible Packaging Trends to 2016, PCI Films Consulting Ltd, July 2012.*

*The European Flexible Packaging Market to 2017, PCI Films Consulting Ltd, July 2013.*

## *PCI regional definitions:*

### **Western Europe**

*Austria, Benelux Denmark, Finland, France, Germany, Greece, Ireland, Italy, Norway, Portugal, Spain, Sweden, Switzerland, United Kingdom.*

### **Eastern Europe**

*Balkan States (Albania, Bosnia, Croatia, Macedonia, Slovenia, Serbia& Montenegro), Baltic States (Estonia, Latvia, Lithuania), Belarus, Bulgaria, Czech Republic, Hungary, Moldova, Poland, Romania, Russia, Slovakia, Turkey (reclassified to EE), Ukraine.*

### **North America**

*Canada, Mexico, USA.*

### **Central & South America**

*Central America & Caribbean Islands, Argentina, Brazil, Chile, Colombia, Ecuador, Peru, Venezuela, Other Central & South America.*

### **Central & East Asia**

*Central Asian Republics, China, Japan, South Korea, Taiwan.*

### **South East Asia & Oceania**

*Bangladesh, India, Indonesia, Malaysia, Pakistan, Philippines, Singapore, Sri Lanka, Thailand, Vietnam, Other Asia, Australia, New Zealand.*

### **Middle East & Africa**

*Iran, Israel, Oman, Saudi Arabia, Syria, UAE, Other Middle East, Algeria, Kenya, Morocco, Nigeria, South Africa, Tanzania, Tunisia, Other Africa.*

# Consumer Packaging market information sources and definitions (2/2)



## *Sources Euromonitor:*

*Euromonitor Tissue and Hygiene Passport database, as of July 2013.*

## *Euromonitor regional definitions:*

### **Western Europe**

*Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, United Kingdom.*

### **Eastern Europe**

*Belarus, Bosnia-Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, Georgia, Hungary, Latvia, Lithuania, Macedonia, Poland, Romania, Russia, Serbia and Montenegro, Slovakia, Slovenia, Ukraine.*

### **North America**

*Canada, USA.*

### **Latin America**

*Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, Guatemala, Mexico, Peru, Uruguay, Venezuela.*

### **Asia Pacific**

*Azerbaijan, China, Hong Kong, China, India, Indonesia, Japan, Kazakhstan, Malaysia, Pakistan, Philippines, Singapore; South Korea, Taiwan, Thailand, Uzbekistan, Vietnam.*

### **Australasia**

*Australia, New Zealand.*

### **Africa and Middle East**

*Algeria, Cameroon, Egypt, Iran, Israel, Kenya, Morocco, Nigeria, Saudi Arabia, South Africa, Tunisia, United Arab Emirates.*

# Consumer Packaging ROCE benchmark notes



## *Return on Capital Employed (ROCE) definitions:*

### *Mondi:*

*ROCE: Trailing 12 month underlying operating profit (including share of associates' net income) / 12 month trailing capital employed.*

*Capital employed: net segment assets plus investment in associates, deferred tax, and other non operating assets and liabilities excluding financial investments.*

### *Key competitor a, key competitor b:*

*ROCE: underlying operating profit / average capital employed.*

*Capital employed: shareholders' equity plus net debt.*

### *Key competitor c:*

*ROCE: operating profit before significant items / average funds employed.*

### **FORWARD - LOOKING STATEMENTS**

*It should be noted that certain statements herein which are not historical facts, including, without limitation those regarding expectations of market growth and developments; expectations of growth and profitability; and statements preceded by "believes", "expects", "anticipates", "foresees", "may" or similar expressions, are forward-looking statements. Since these statements are based on current knowledge, plans, estimates and projections, they involve risks and uncertainties which may cause actual results to materially differ from those expressed in such forward-looking statements. Various factors could cause actual future results, performance or events to differ materially from those described in these statements. Such factors include in particular but without any limitation: (1) operating factors such as continued success of manufacturing activities and the achievement of efficiencies therein, continued success of product development plans and targets, changes in the degree of protection created by Group's patents and other intellectual property rights, the availability of capital on acceptable terms; (2) industry conditions, such as strength of product demand, intensity of competition, prevailing and future global market prices for the Group's products and raw materials and the pricing pressures thereto, financial condition of the customers, suppliers and the competitors of the Group, potential introduction of competing products and technologies by competitors; and (3) general economic conditions, such as rates of economic growth in the Group's principal geographical markets or fluctuations of exchange rates and interest rates.*

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