



# Capital Markets Day 2015

Consumer Packaging: Significant Value Creation

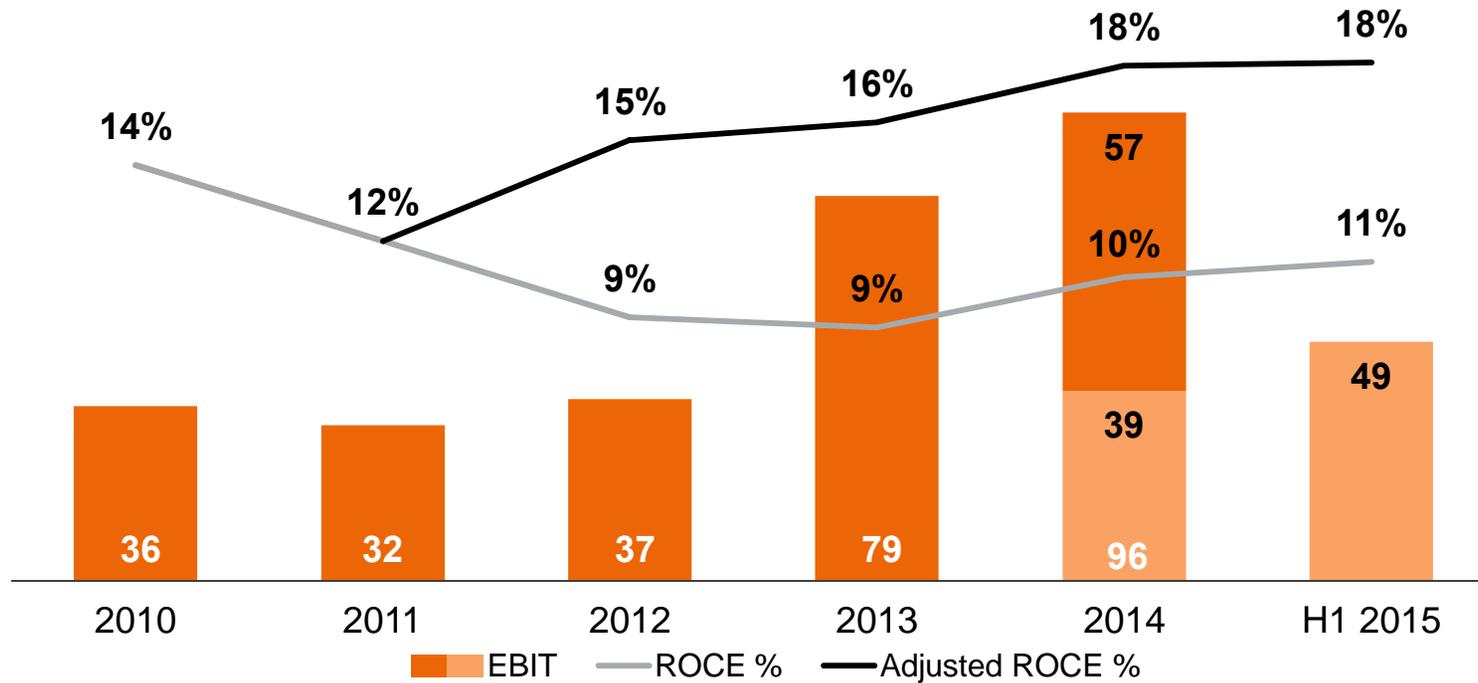
Peter J Oswald

3 November 2015

# Improving financial performance



Underlying operating profit (€ million) ROCE (%) and adjusted ROCE<sup>1</sup> (%)



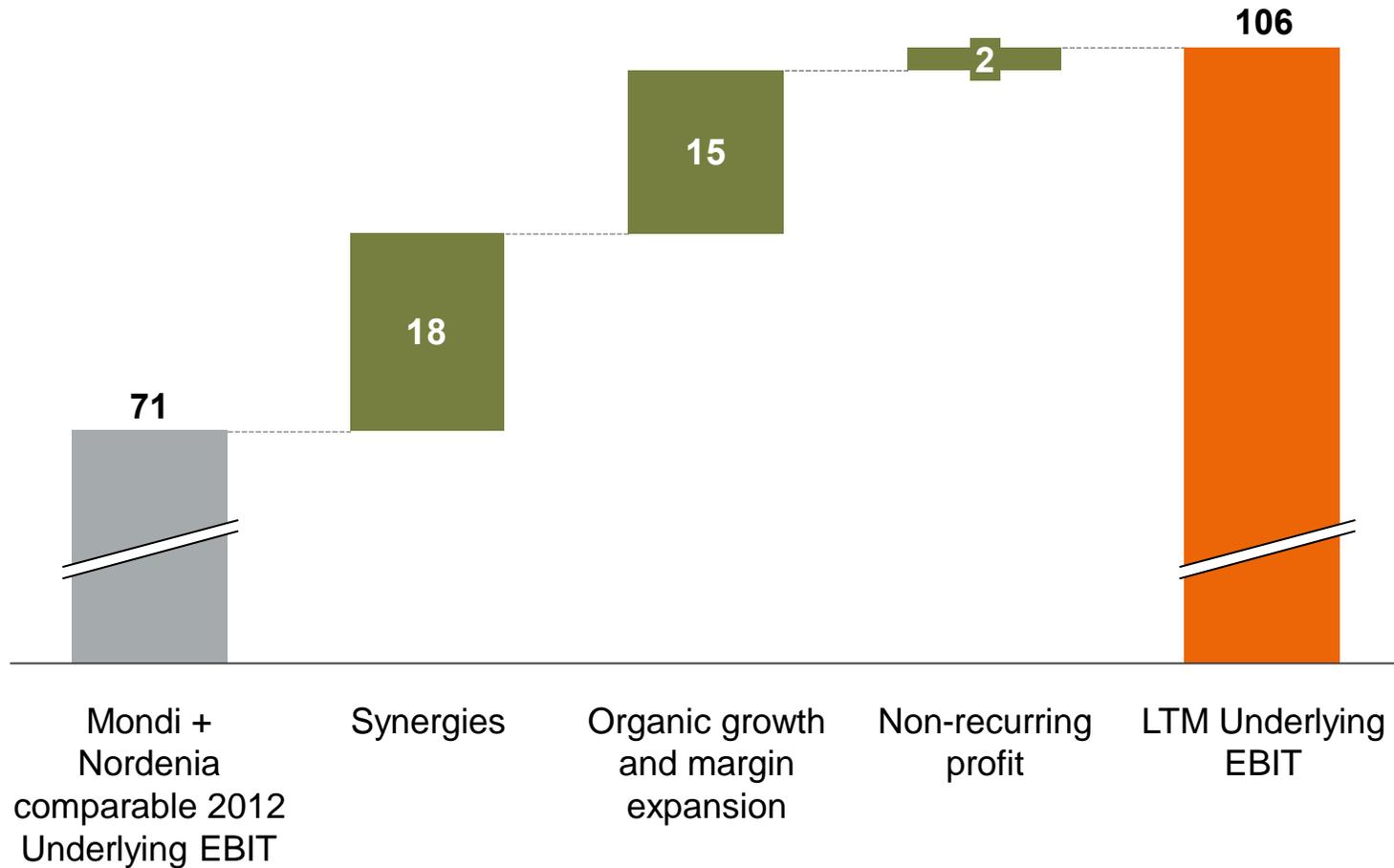
- ROCE over this period diluted by:
- Nordenia acquisition accounting
  - Investment for future growth

1) Capital employed adjusted for goodwill and other fair value adjustments arising from the acquisition of Nordenia. EBIT adjusted for the amortisation of intangibles

# Significant EBIT growth since Nordenia acquisition



2012 to LTM underlying EBIT bridge<sup>1</sup>



1) Comparable 2012 EBIT Mondi's consumer packaging and release liner businesses and Nordenia for the full year adjusted for certain one-off items Excluding operating special items. Excludes additional €2 million synergies realised in other businesses. LTM refers to last twelve months to June 2015

# Consumer Packaging at a glance



Leading producer in core applications



Personal Care



Food



Pet Care



Industrial

Integrated along the value chain



Resin compounding, film extrusion & carded non-wovens<sup>1</sup>



Printing, coating & lamination



Slitting & pouch / bag making

International production capability

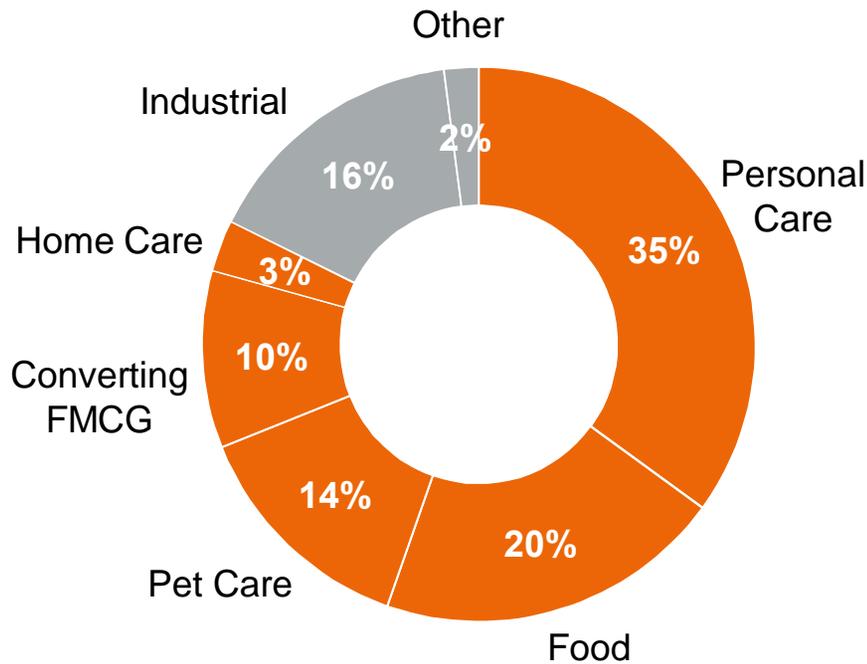
- 17 plants Europe & Russia<sup>1</sup>
- 6 plants USA
- 2 plants Asia

1) Following the acquisition of Ascania. Figures in the presentation exclude Ascania except where expressly stated

# Strong FMCG customer focus



**Consumer Packaging revenue by end-use application in 2014 (%)<sup>1</sup>**



■ Consumer applications: 82%

**€1.3 bn 2014 adjusted revenues**

## 1 Personal Care



- Elastic diaper components
- Mechanical diaper fastening systems
- Siliconised films and paper for femcare and medical applications
- Wicket bags, laminates and films
- Non-wovens for diaper elastic laminates and other applications

## 2 Food



- Roll-stock laminates
- Stand-up pouches and pre-made bags
- Barrier films

## 3 Pet Care



- Roll-stock laminates
- Stand-up pouches and pre-made bags

## 4 Industrial



- Release Liner for graphic arts, tapes, fibre composites and other applications
- Industrial films (surface protection, flooring, furniture and technical films)

<sup>1</sup> Revenue by end-use excluding recently divested sites in Germany (Osterburken) and Malaysia (2 plants), excluding Ascania

# 1 Personal Care: innovation and long-term partnerships



## Key trends

Moderate growth expected in developed markets, restricted by demographics

Higher growth rates expected in emerging markets:

- Higher fertility rates and low penetration of disposable hygiene products

- Development of a consumer oriented middle class with increased purchasing power

Leading brands using innovation and product quality to retain position in both emerging and mature markets

Mondi partnering with key global customers

Acquisition of Ascania in response to increased demand for %binner+(cost advantage) and %softer+materials (especially in Asia) in hygiene products

## Products



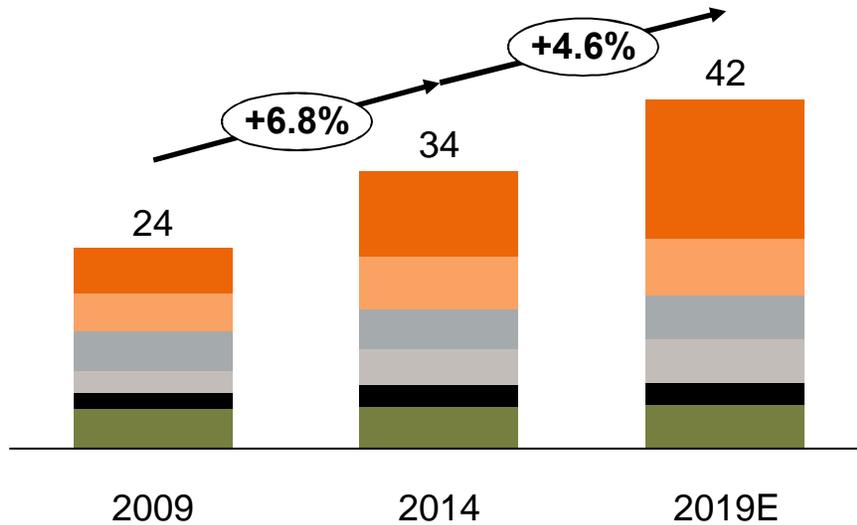
## Customers



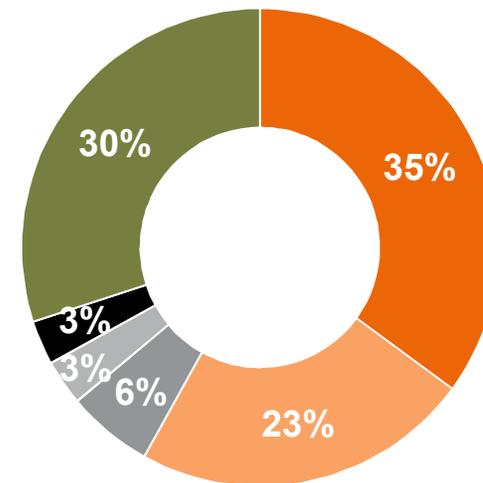
# 1 Global diaper demand continues to grow



Global diaper demand (€ billion)



Global diaper market shares (%)



	CAGR 09-14	CAGR 14-19E
Asia Pacific	13%	10%
Latin America	7%	2%
North America	1%	1%
Middle East and Africa	10%	5%
Eastern Europe	6%	1%
Western Europe	1%	1%

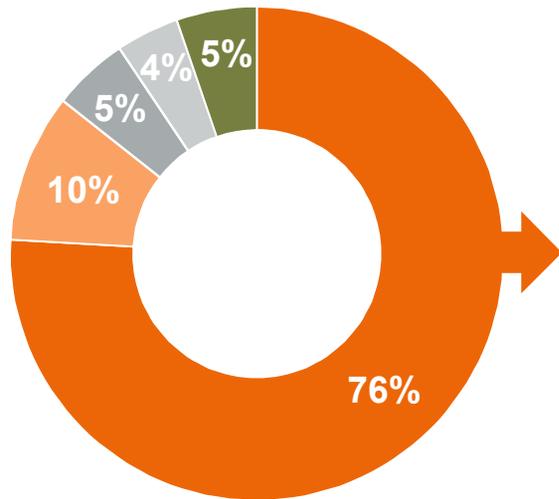
- Procter & Gamble
- Kimberly-Clark
- Unicharm Corp
- SCA Group
- Kao Corp
- Other

Source: Euromonitor passport database, September 2015 (forecast in constant prices)

## 2 3 Good growth expected in European flexible packaging market

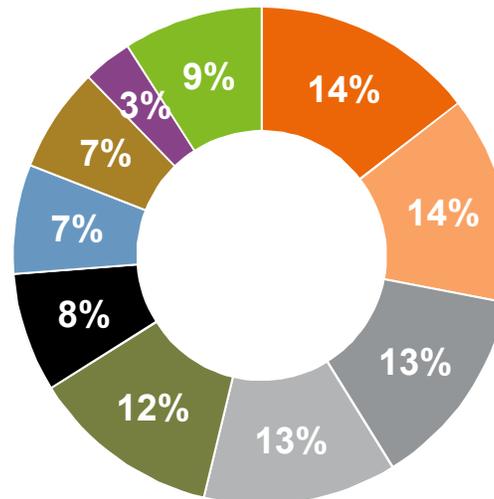


European flexible packaging demand by end-use application (% value)<sup>1</sup>



- Food
- Medical & Pharma
- Pet Food
- Hygiene
- Other

European food flexible packaging demand by end-use application (% value)<sup>1</sup>



- Confectionery
- Dairy products
- Bread, biscuits
- Dried foods, cereals
- Meat, fish, poultry
- Frozen foods & ice cream
- Snacks
- Coffee
- Fresh fruit & vegetables
- Other food

European market expected to grow 2-4%<sup>2</sup>

Mondi expects to deliver growth above market through innovation and focus on higher growth products and end-use applications

1) Source: PCI, The European Flexible Packaging Market to 2019

2) Mondi estimates

## 2 Food: innovating with our customers to increase convenience, empower brands and reduce costs



### Key trends

Largest segment of the flexible packaging market. Expected to grow moderately in Europe to 2019

Main growth drivers include:

- Demographic shifts (single and empty nest households)

- Greater demand for on-the-go food and requirements for convenience/portioning

- Ongoing switch from rigid substrates to reduce material consumption

- Technology improvements such as barrier properties allowing for substitution of foil and metalised films

Key product trends include:

- Improved functionality with convenient solutions (self-close, self-seal, easy-opening, etc.)

- Weight reduction for reduced cost and environmental impact

- Increased focus on communication with customers and packaging as part of product strategy

- Use of stand-up pouch format for applications such as baby food, soups, sauces and stews

### Products



### Customers



Nestlé



### 3 Pet Care: well positioned to grow with our customers



#### Key trends

Products include wet, semi-moist and dry pet food, as well as treats

A growing segment of the European flexible packaging market

Growth drivers include:

- Humanisation of pets

- Requirements for convenience

- Increased pet ownership in developing economies

Key product trends include:

- Increased demand for improved high-quality printing and finishing effects

- Increased use of barrier bags for dietary pet food to extend product protection, particularly for special breeds which require special diets

- Continued transfer from paper to plastic (especially in large formats)

#### Products



#### Customers



## 4 Industrial end-uses: release liner leading global player



### Market overview

Mondi is the third largest supplier of release liner in Europe<sup>1</sup>

The majority of the release liner demand is produced in-house by adhesive coating companies. Mondi is the clear leader for commercial release liner in Europe and a leading global player

Graphic arts will grow moderately globally, mainly driven by the advertising and promotional spend and with Point-of-Purchase / outdoor advertising remaining the dominant application area

Tapes is the fastest growing end-use globally - continued replacement of mechanical fastening solutions

Growth in fibre composites is driven by increasing use in aero industry as well as windmills

### Products

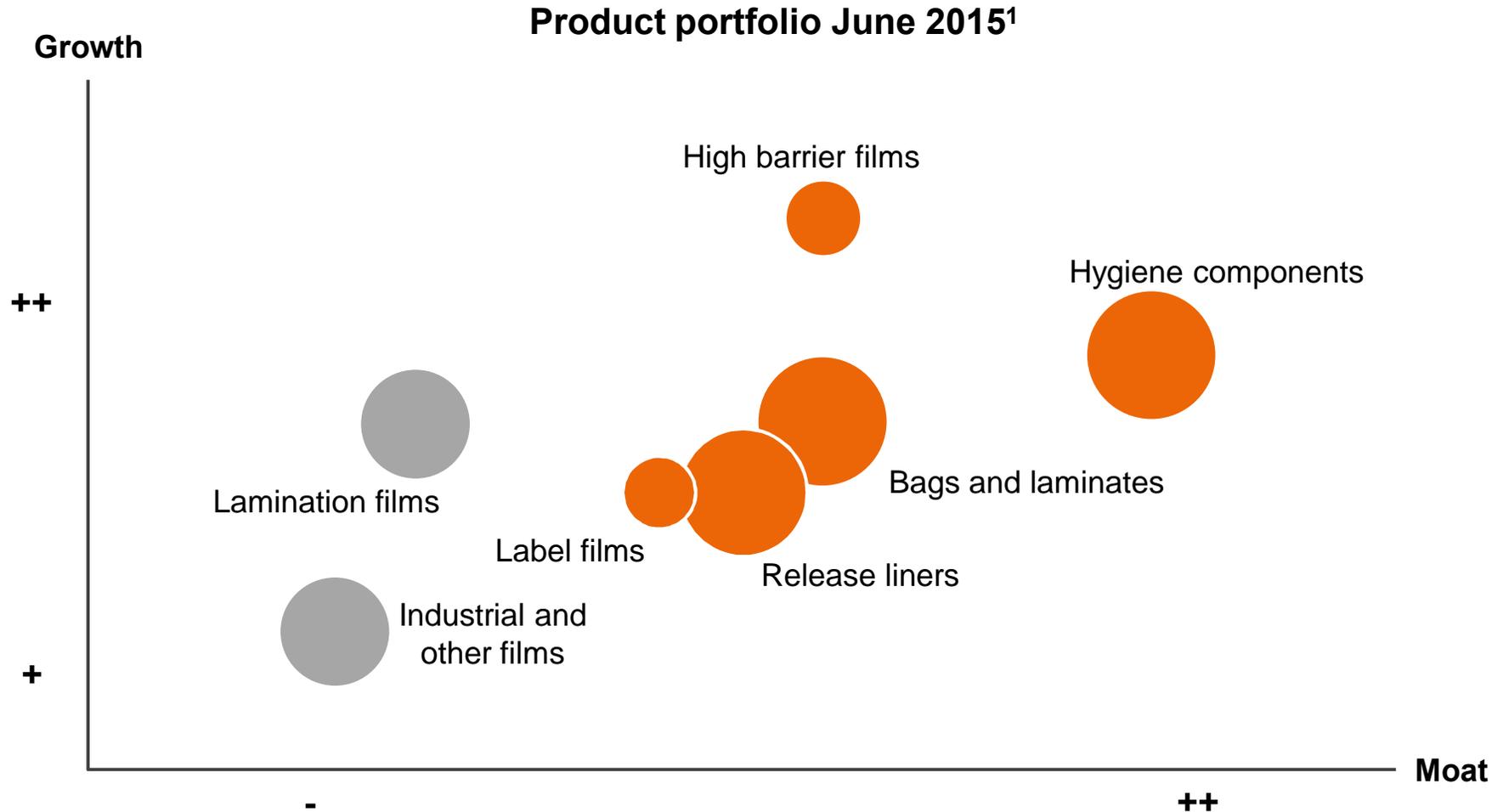


### Customers



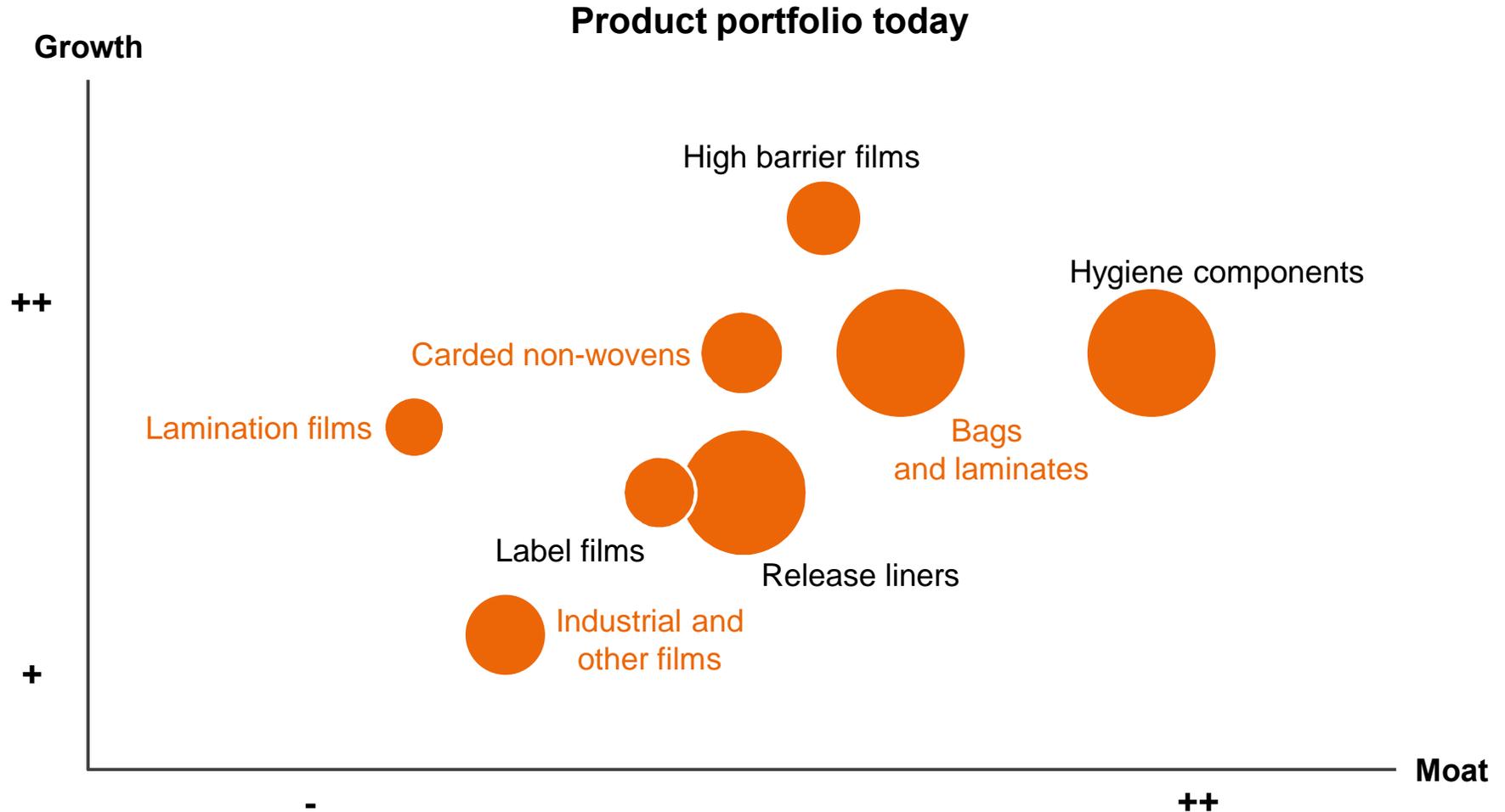
1) Based on sales including all release liner end-use applications. Source: AWA Global Release Liner Market Study 2014 and management estimates

# Product portfolio June 2015 included certain lower value added product groups



1) High barrier films includes those used in laminate constructions. Bubble sizes are guidance only

# Product portfolio today



1) Completion subject to approval of competition authorities

The divestiture of Osterburken and Ipoh, the acquisition of Ascania and KSP<sup>1</sup> and ongoing product mix changes repositions the business to higher value-added products

# Taking the business to the next level will require deep customer focus



Our new approach to innovation is to focus not only on the needs of our direct customer, but also on the needs of all participants in the different stages of the value chain



*We focus on all steps in the value chain*

# Case study: Bynsa Superpremium Dogfood shaped FlexziBox



## Objectives

Customer wanted to differentiate from competitors by launching completely new packaging

Target was to imitate a woman's bag for the Superpremium Petfood segment

Launch in Q3 2014

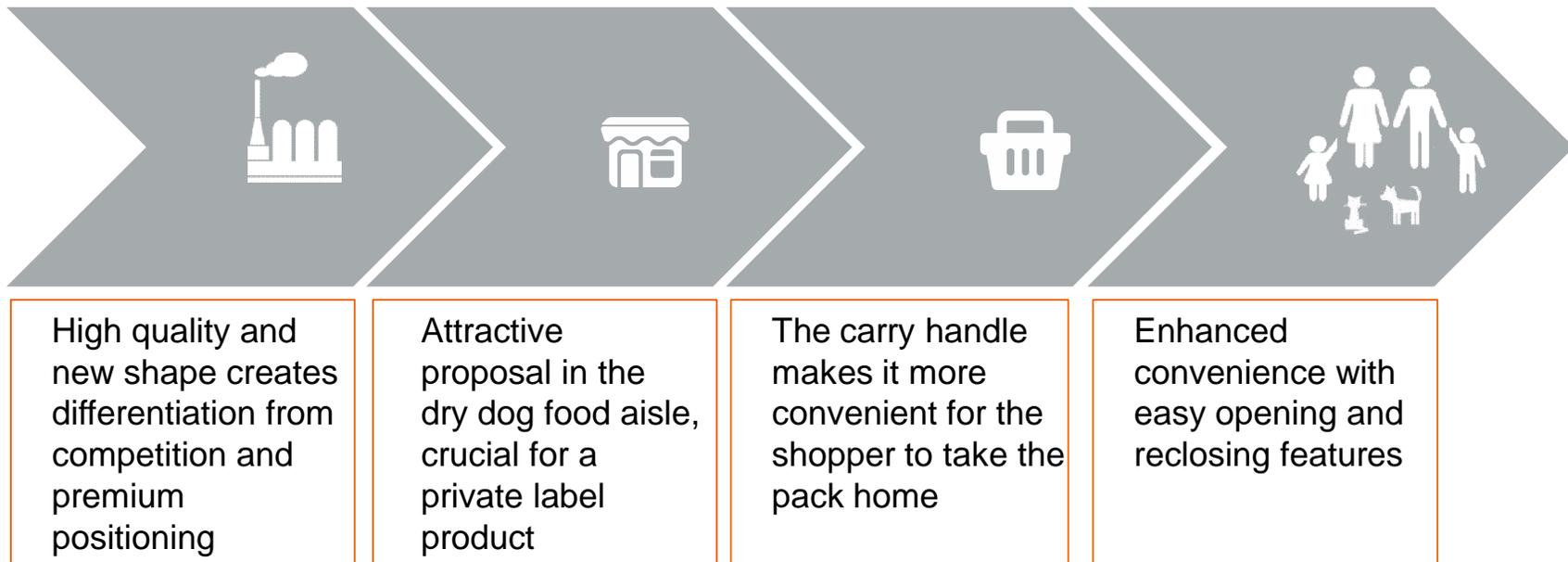
## Mondi solution

Triplex material printed with matt lacquer at Mondi Poznan

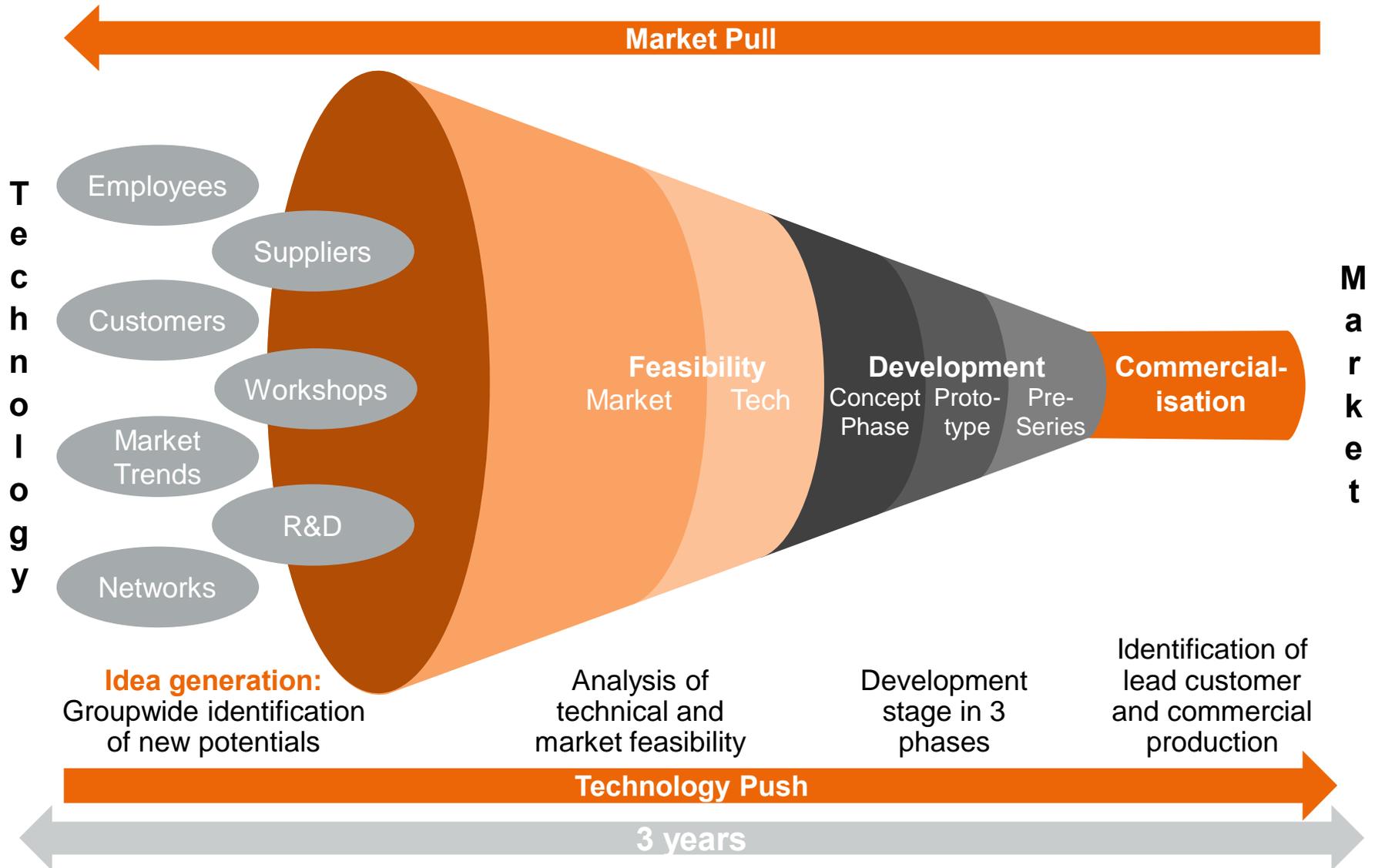
Converting in Mondi Steinfeld, including die cut handle and front slider



## Benefits along the value chain



# Complemented by a rigorous innovation process



# Leverage cost advantage of CEE-plants



# Summary

## Strategic value drivers

**Customer focused innovation**

**Focus on performance**

**Maintain a high-quality, low-cost asset base**

Leading positions in chosen end-use applications, in particular hygiene and pet food

High-quality asset base with vertical integration along the value chain

Specialised production footprint with focus on CEE with certain cost advantages

Proprietary processing technology (elastic laminates)

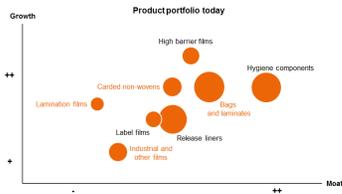
Blue chip customer base

Platform to leverage customer base and develop in markets with less presence

# Value creation will be significant



**Enhanced product portfolio**



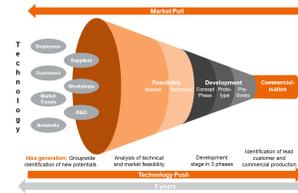
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**Deep customer focus**



+

**Rigorous innovation process**

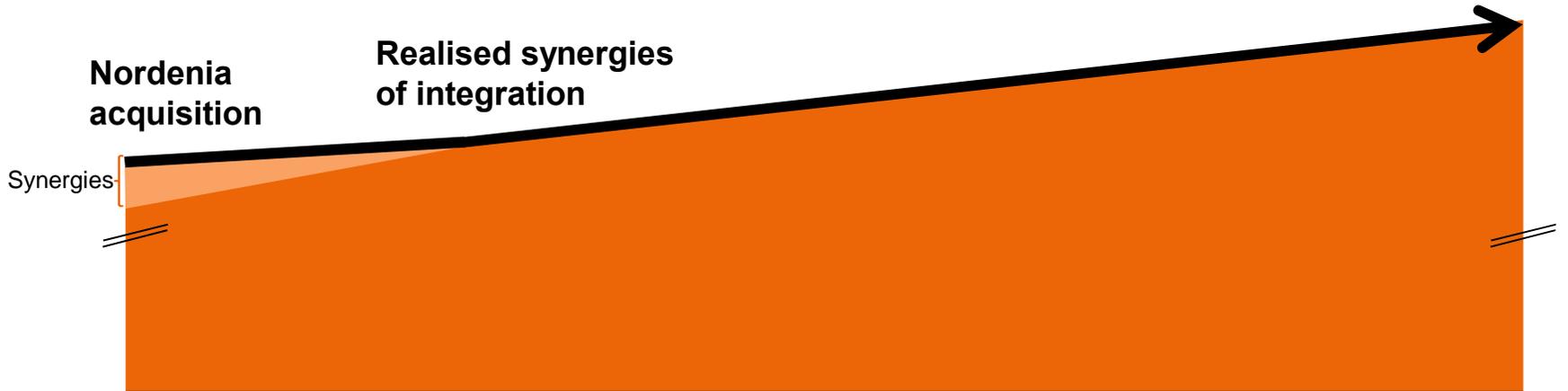


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**Cost advantage of CEE**



**= Value creation**



2012

2014

2020

**Sustainable profit growth from a combination of market growth, market share growth and margin expansion**

Note: graph not to scale

# Consumer Packaging market information sources and definitions



## **Sources PCI:**

*The European Flexible Packaging Market to 2019*

## **PCI region definitions:**

### **Europe**

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

## **Euromonitor, passport database as of September 2015. Region 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 & Montenegro, Slovakia, Slovenia, Ukraine*

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

**Asia Pacific (inc. Australia):** *Azerbaijan, Australia, China, Hong Kong, India, Indonesia, Japan, Kazakhstan, Malaysia, New Zealand, Pakistan, Philippines, Singapore, South Korea, Taiwan, Thailand, Uzbekistan, Vietnam*

**Africa and the Middle East:** *Algeria, Cameroon, Egypt, Iran, Israel, Kenya, Morocco, Nigeria, Saudi Arabia, South Africa, Tunisia, United Arab Emirates*

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