

# Building the best food packaging company in the world

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Stockholm, May 24, 2018

**Huhtamaki**



# We're the global specialist in packaging for food and drink

Net sales

€3.0bn

Comparable growth

3%



EBIT margin

9.0%

ROI

13.6%



Our ambition

The preferred global  
food packaging brand

Employees

17,600



Manufacturing sites

76

Operations in  
34 countries



Our purpose

Helping great products  
reach more people,  
more easily.

# We're well positioned to deliver on our ambitions

Who we are:

Who we serve:

What we offer:

Main materials we use:

#1

**FOODSERVICE**  
packaging company  
operating globally



Paperboard

#1

**FIBER PACKAGING**  
company globally



Recycled fibers

#1

**FLEXIBLE PACKAGING**  
company in  
emerging markets



Plastic & other  
materials

# Our three business areas are organized into four reporting segments

## Foodservice packaging



### Foodservice Europe-Asia-Oceania and North America

- 40 plants on 5 continents
- 8,800 employees
- €1.8bn net sales

## Flexible packaging



### Flexible Packaging

- 25 plants on 3 continents
- 7,000 employees
- €913mn net sales

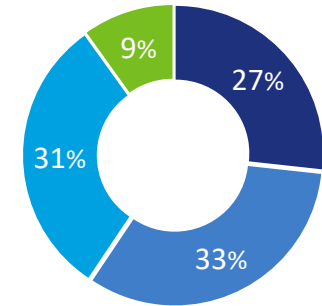
## Fiber packaging



### Fiber Packaging

- 11 plants on 4 continents
- 1,750 employees
- €285mn net sales

## Share of net sales per segment in 2017



- Foodservice Europe-Asia-Oceania
- North America
- Flexible Packaging
- Fiber Packaging

# Megatrends support food packaging growth...

Food packaging offers stable growth opportunities over the cycle

Food contact requirements create a higher entry barrier

Innovations create more sustainable and easy-to-use packaging

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## Megatrends create opportunities for us



More people



Growing middle class



More urban



More sustainable

# ... and our positions offer good opportunities



## World changes create opportunities

8.6bn  
people by 2030

3.2bn  
in middle class

55%  
urban population

### Global challenges:

- Marine plastics
- Waste handling and processing
- Food safety

### Changing consumer habits:

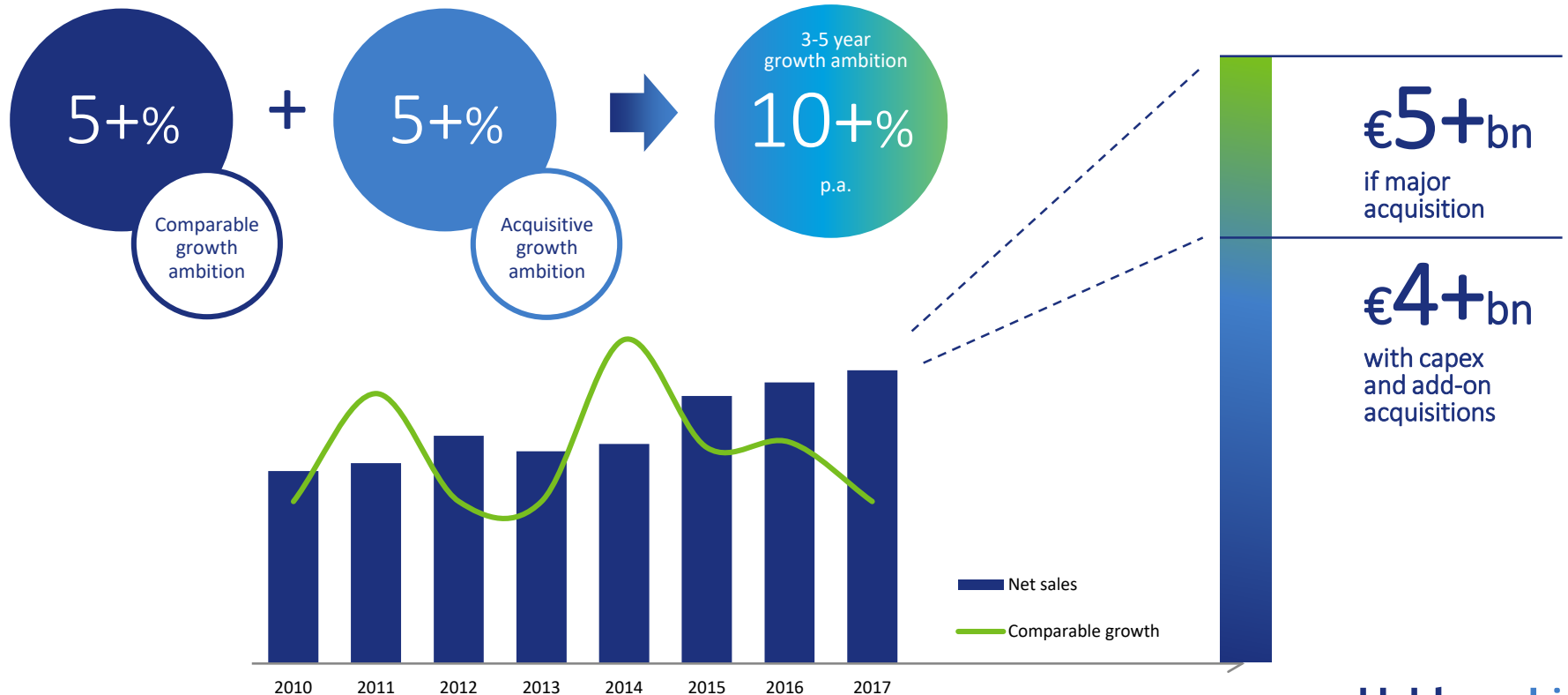
- Lifestyle & convenience
- Home delivery

New  
packaging  
innovations

Circular  
economy in  
action

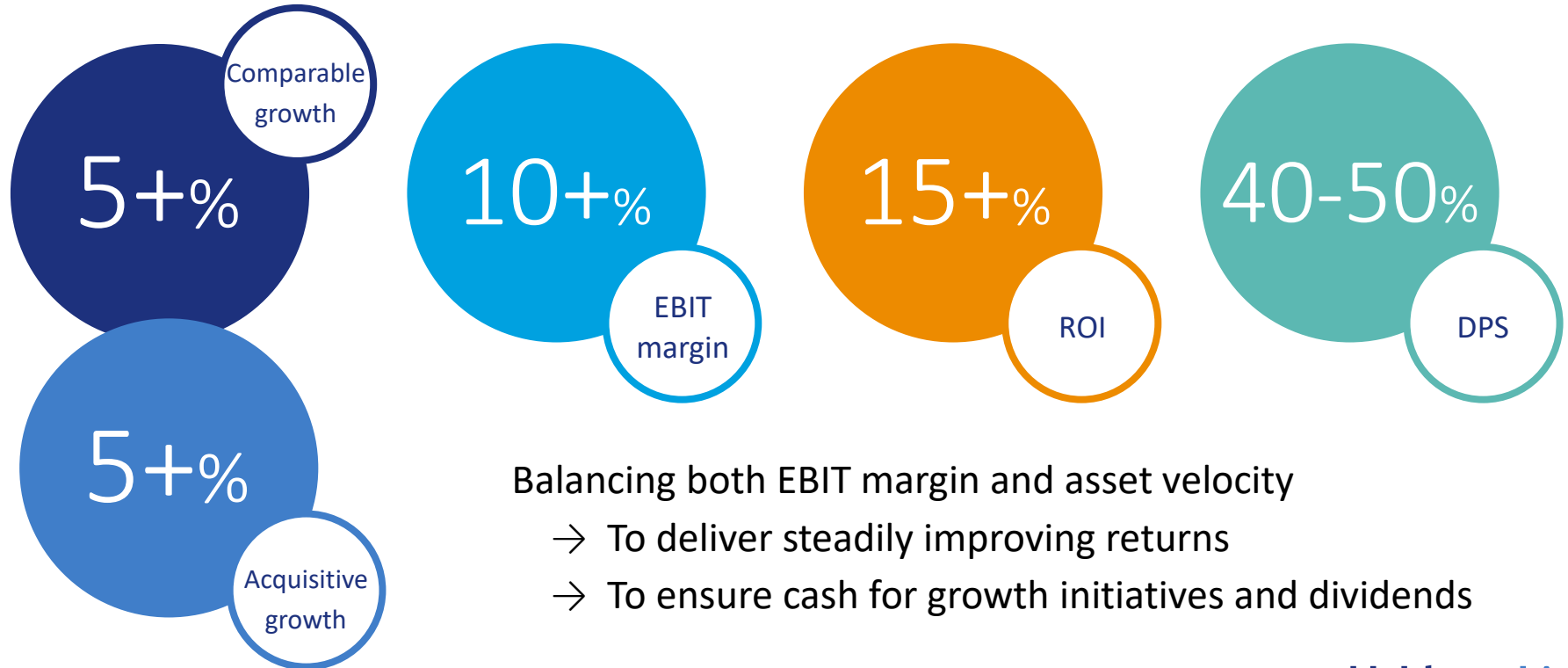
Responsible  
consumer  
behavior

# We target long-term growth both organically and via acquisitions





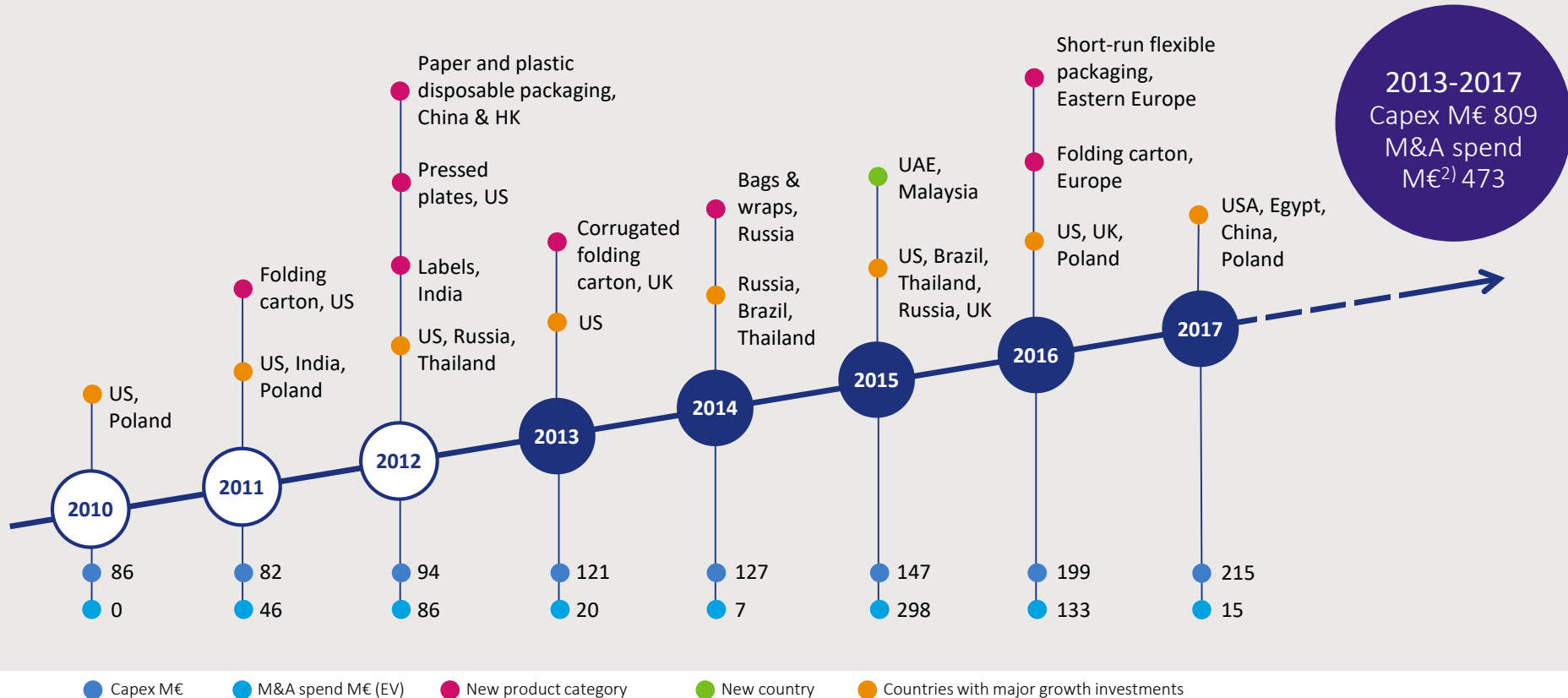
# Growth and operational efficiency drive profitability improvement – Summary of our long-term ambitions



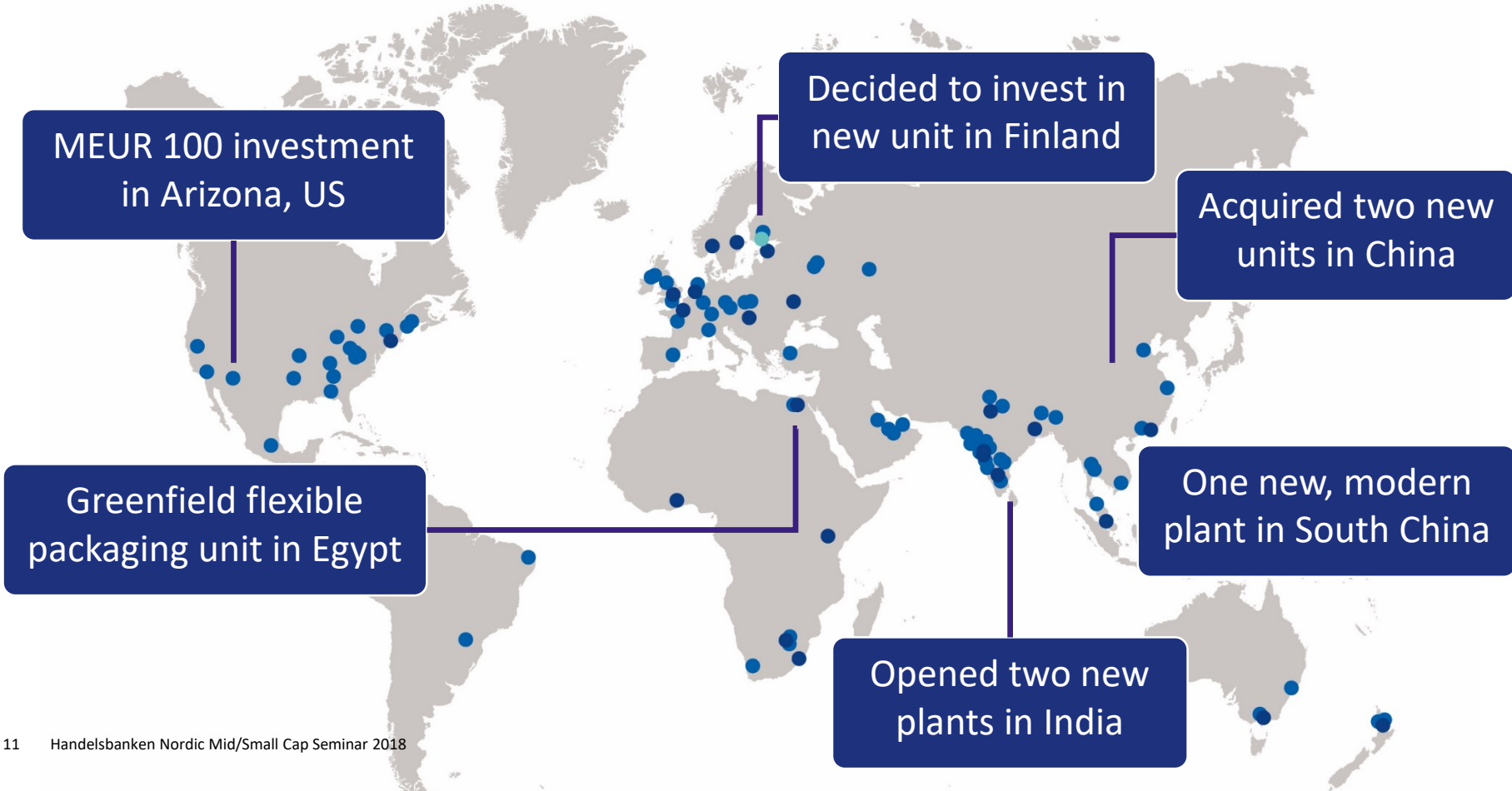
Balancing both EBIT margin and asset velocity

- To deliver steadily improving returns
- To ensure cash for growth initiatives and dividends

# We have made major investments in growth in 2010-2017



# Our main footprint actions in 2017



# Acquisition of Tailored Packaging – access to a national network of distribution centers in Australia

- Foodservice packaging distribution and wholesale group based in Sydney
- Ability to efficiently service main states across the country and strong sourcing capability
- Debt free purchase price (for 65% majority) EUR 35 million
- Annual net sales approx. EUR 85 million, approx. 130 employees
- Will be part of the Foodservice Europe-Asia-Oceania business segment



- Huhtamaki foodservice manufacturing units
- Huhtamaki fiber packaging manufacturing unit

# Ajanta Packaging further strengthens our labeling business in India

- Leader in Pressure Sensitive labels in India with two manufacturing units
- Complementary to existing Huhtamaki business with similar customer base
- Expansion of printing technologies to Dry-Offset and Flexo-Gravure Combination printing
- Debt free purchase price approx. EUR 13 million
- Annual net sales approx. EUR 10 million
- Approx. 170 employees
- Acquisition to be completed during Q2, business will become part of Flexible Packaging business segment

# How we support our customers' growth

## We invest to expand our network and to improve our capabilities

- Follow global customers
- Serve local customers

## We're a safe pair of hands throughout our network

- Global standards locally
- Constant quality & reliable delivery

## We offer a wide product range to make our customers' lives easier

- Food packaging experience and planned product range expansion

## We take innovation into next level

- Game-changing
- Incremental
- Sustainability enhancing

Enhanced collaboration across competent and experienced teams that we continuously develop

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Developing & building our manufacturing capability is in our DNA

# Progress towards long-term ambitions

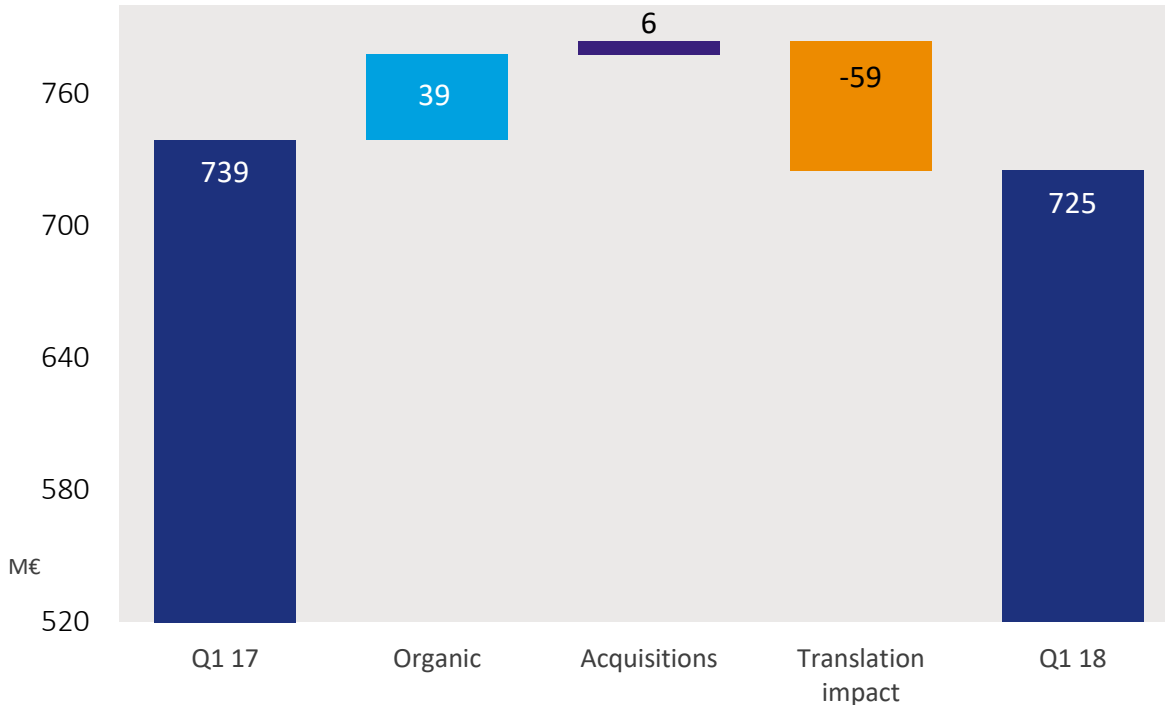
	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	Q1 2018	Long-term ambition
Organic growth	3%	6%	4%	4%	3%	5%	5+%
EBITDA margin	11.2%	11.6%	12.5%	13.3%	13.0%	12.4%	14+%
EBIT margin	7.4%	7.8%	8.7%	9.4%	9.0%	8.3%	10+%
ROI	12.1%	12.6%	14.7%	14.7%	13.6%	13.3%	15+%
ROE	15.8%	16.1%	18.1%	17.7%	17.0%	16.7%	18%
Capex/EBITDA	50%	49%	43%	52%	55%	37%	40%
Net debt/EBITDA	1.6	1.0	1.6	1.8	1.8	1.8	2-3
Free cash flow, MEUR	56	65	91	100	56	-18	150
Dividend payout ratio	47%	47%	40%	40%	42%	n/a	40-50%

Helping great  
products reach more  
people, more easily



Q1 2018: Solid comparable  
growth, negative currency impact

# Good underlying organic growth in Q1



## Net sales growth split in Q1 18

- 5% comparable growth with all business segments contributing
- 8% in emerging markets; Eastern Europe, India and MEA leading
- 1% from acquisitions
- Negative currency translation impact of MEUR 59 (app. -8%)

# Solid comparable growth across business segments

	Q1 18	Q4 17	Q3 17	Q2 17	Q1 17	2017	Long-term ambitions
Foodservice E-A-O	5%	6%	4%	2%	3%	4%	5-7%
North America	5%	2%	2%	1%	2%	2%	2-5%
Flexible Packaging	6%	9%	7%	-2%	3%	4%	6-8%
Fiber Packaging	5%	4%	5%	8%	4%	5%	5-7%
<b>Group</b>	<b>5%</b>	<b>5%</b>	<b>4%</b>	<b>1%</b>	<b>3%</b>	<b>3%</b>	<b>5+%</b>

- Flexible Packaging growth driven by good development in India and MEA, Europe also positive
- Good demand of core paper items in Southern and Eastern Europe within Foodservice E-A-O
- Strong growth in both branded and private label retail tableware in North America
- Solid growth of Fiber Packaging in Russia, the UK and Southern Europe; North West growth impacted by sales price decline

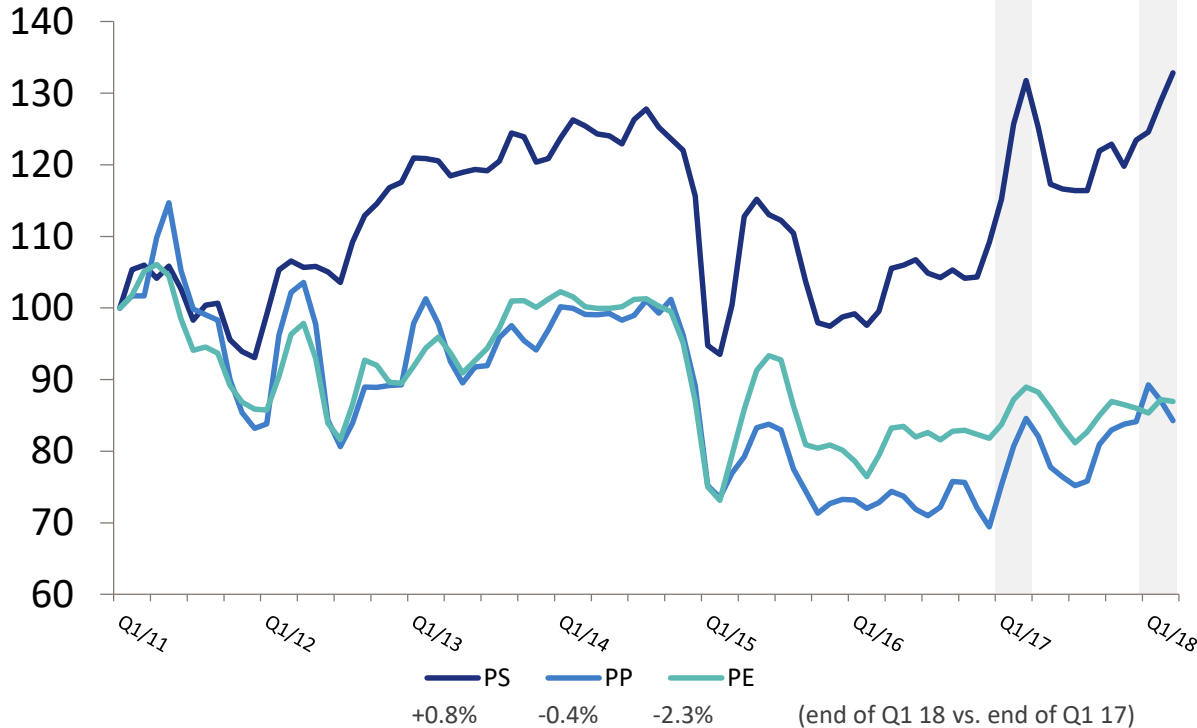
# Currency headwind impacted earnings negatively

<i>MEUR</i>	Q1 18	Q1 17	<i>Change</i>	FY 2017
Net sales	<b>725.2</b>	739.4	-2%	2,988.7
EBITDA	<b>90.1</b>	94.0	-4%	389.7 <sup>1</sup>
<i>Margin</i>	<b>12.4%</b>	12.7%		13.0% <sup>1</sup>
EBIT	<b>60.0</b>	62.8	-4%	267.7 <sup>1</sup>
<i>Margin</i>	<b>8.3</b>	8.5%		9.0% <sup>1</sup>
EPS, EUR	<b>0.40</b>	0.43	-7%	1.90 <sup>2</sup>
ROI	<b>13.3%<sup>1</sup></b>	14.6%		13.6% <sup>1</sup>
ROE	<b>16.7%<sup>2</sup></b>	17.4%		17.0% <sup>2</sup>
Capital expenditure	<b>33.3</b>	47.0	-29%	214.8
Free cash flow	<b>-18.0</b>	-8.8	-105%	55.5

## Q1 18 Highlights

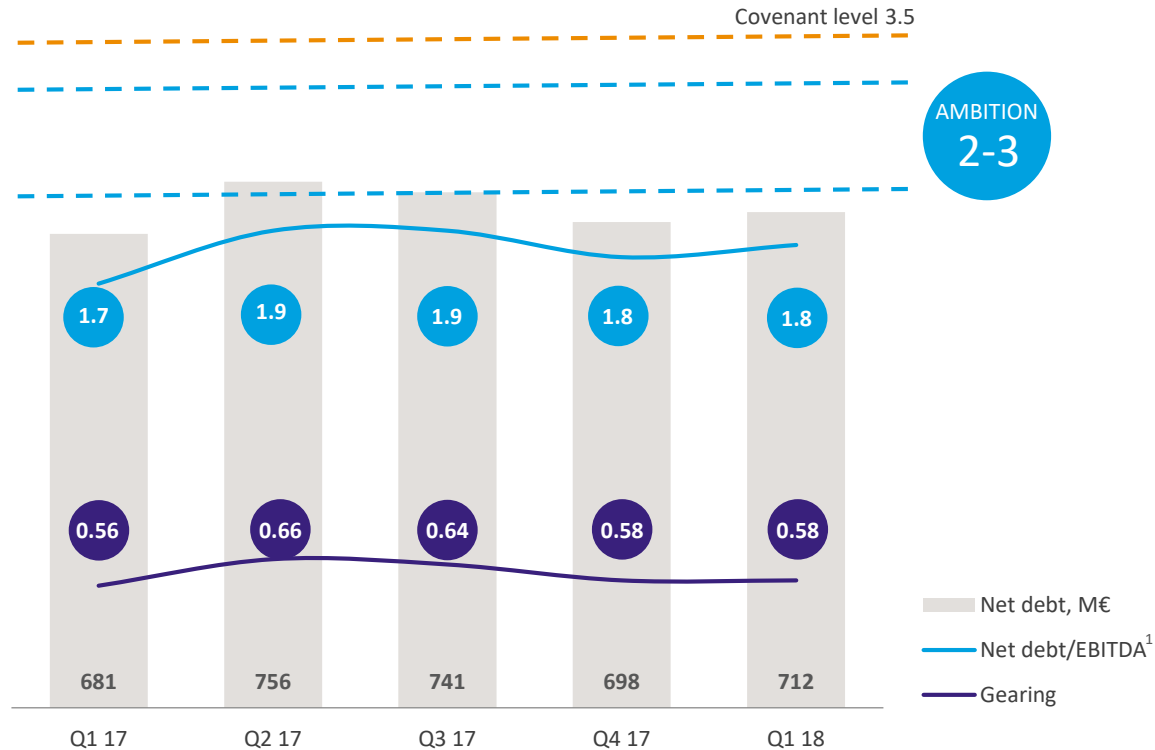
- Currency impact on earnings EUR -4 million; in comparable currencies earnings improved slightly
- Significant earnings improvement in Foodservice E-A-O
- North America earnings decline due to currency, high distribution costs and Goodyear start-up

# Inflationary pressures on raw materials



- Prices for plastic resins increased across markets
- Prices for paperboard were higher than previous year
- Prices of recycled fiber varied; low in Europe, high in North America

# Debt position remained stable



- Net debt/EBITDA stable at 1.8
- At the end of Q1 18
  - Cash and cash equivalents MEUR 111
  - Unused committed credit facilities available MEUR 311
- Funds available for acquisitions approx. MEUR 400-500

# Solid financial position

<i>MEUR</i>	Mar 2018	Dec 2017	Mar 2017
Total assets	<b>2,938</b>	2,931	2,946
Operating working capital	<b>562</b>	512	533
Net debt	<b>712</b>	698	681
Equity & non-controlling interest	<b>1,220</b>	1,208	1,222
Gearing	<b>0.58</b>	0.58	0.56
ROI <sup>1</sup>	<b>13.3%</b>	13.6%	14.6%
ROE <sup>1</sup>	<b>16.7%</b>	17.0%	17.4%

- Dividend of approx. MEUR 83 paid early May
  - Dividend of €0.80 per share
    - Payout ratio 42%
    - Yield approx. 2.3%
- Currency translation impacting balance sheet

# Outlook 2018

The Group's trading conditions are expected to remain relatively stable during 2018. The good financial position and ability to generate a positive cash flow will enable the Group to address profitable growth opportunities. Capital expenditure is expected to be approximately at the same level as in 2017 with the majority of the investments directed to business expansion.

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## Short-term risks and uncertainties

Volatile raw material and energy prices as well as movements in currency rates are considered to be relevant short-term business risks and uncertainties in the Group's operations. General political, economic and financial market conditions can also have an adverse effect on the implementation of the Group's strategy and on its business performance and earnings.



# Financial calendar 2018

July 20

**Half-yearly Report 2018**

October 25

**Q3 18 Interim Report**



# Thank You!

For further information, please contact us:

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# Huhtamaki