

Becoming the first choice in food packaging

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ABG Nordic Opportunities
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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 vision

The first choice in food packaging

Employees

18,100



Manufacturing sites

78

Operations in
34 countries



Our purpose

Helping great products reach more people, more easily.

Our business is consumer food and drink packaging

Food-on-the-go

Pre-packed food



Convenience

Short shelf life

Food Safety

Long shelf life

Waste prevention

Our packaging protects food and drink products, delivering them to consumers safely and in good condition, helping to reduce food waste.

We use different materials for different purposes, aiming for optimal packaging

2/3 of raw material we use is renewable



Recycled fibers are derived from either post-consumer or post-industrial recycled materials

– Virgin fiber is used due to food contact regulation
– 97% of virgin fiber used is certified

Different plastics are used to achieve lightweight, fit-for-purpose, long shelf life barrier structures

Our three business areas are organized into four reporting segments

Foodservice packaging



Foodservice Europe-Asia-Oceania and North America

- 40 plants on 5 continents
- 8,930 employees
- €1.8bn net sales

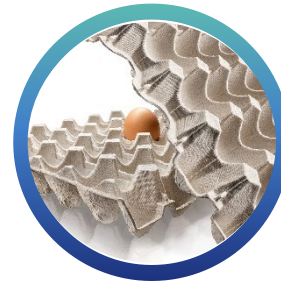
Flexible packaging



Flexible Packaging

- 27 plants on 3 continents
- 7,300 employees
- €913mn net sales

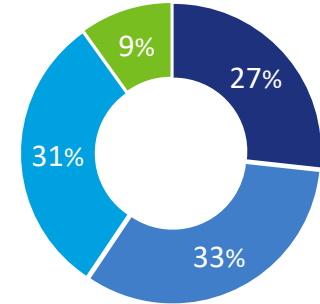
Fiber packaging



Fiber Packaging

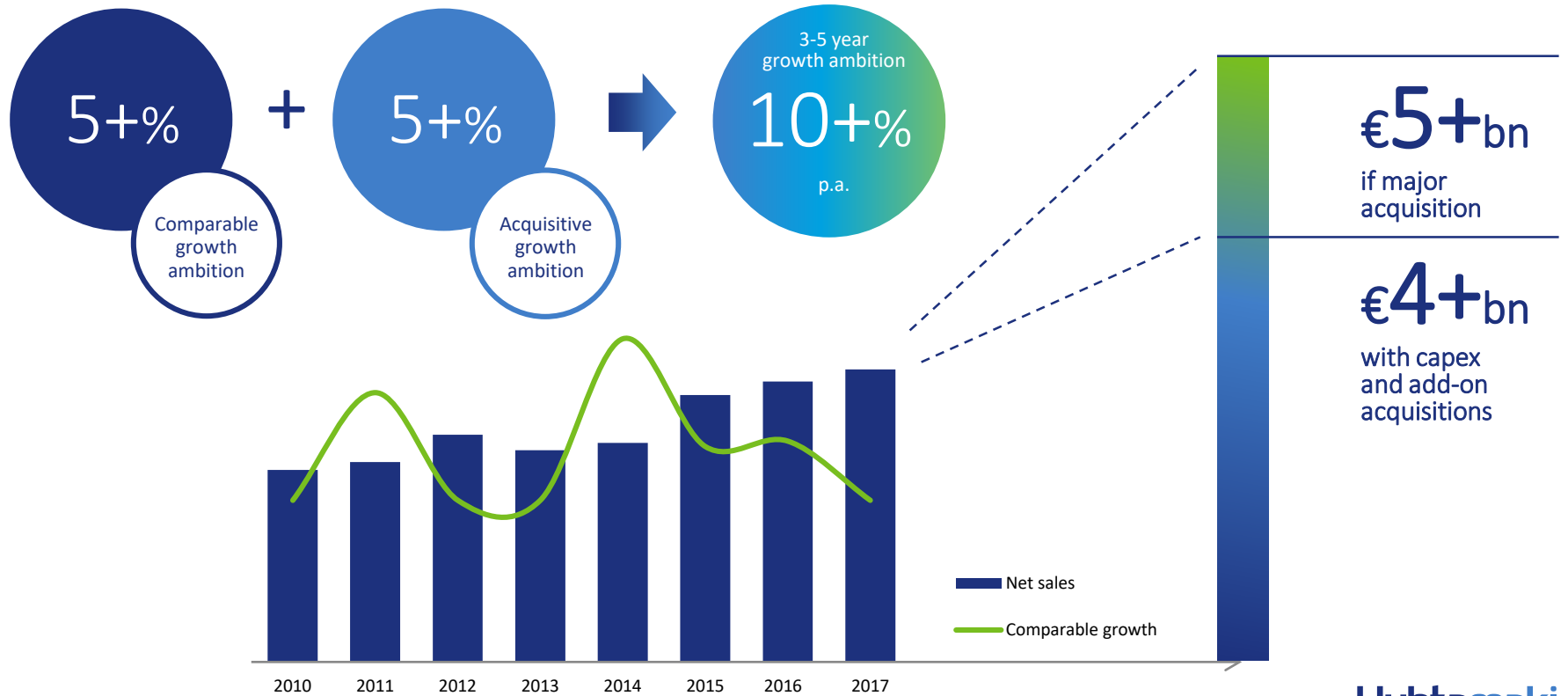
- 11 plants on 4 continents
- 1,750 employees
- €285mn net sales

Share of net sales per segment in 2017



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

We target long-term growth both organically and via acquisitions



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

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

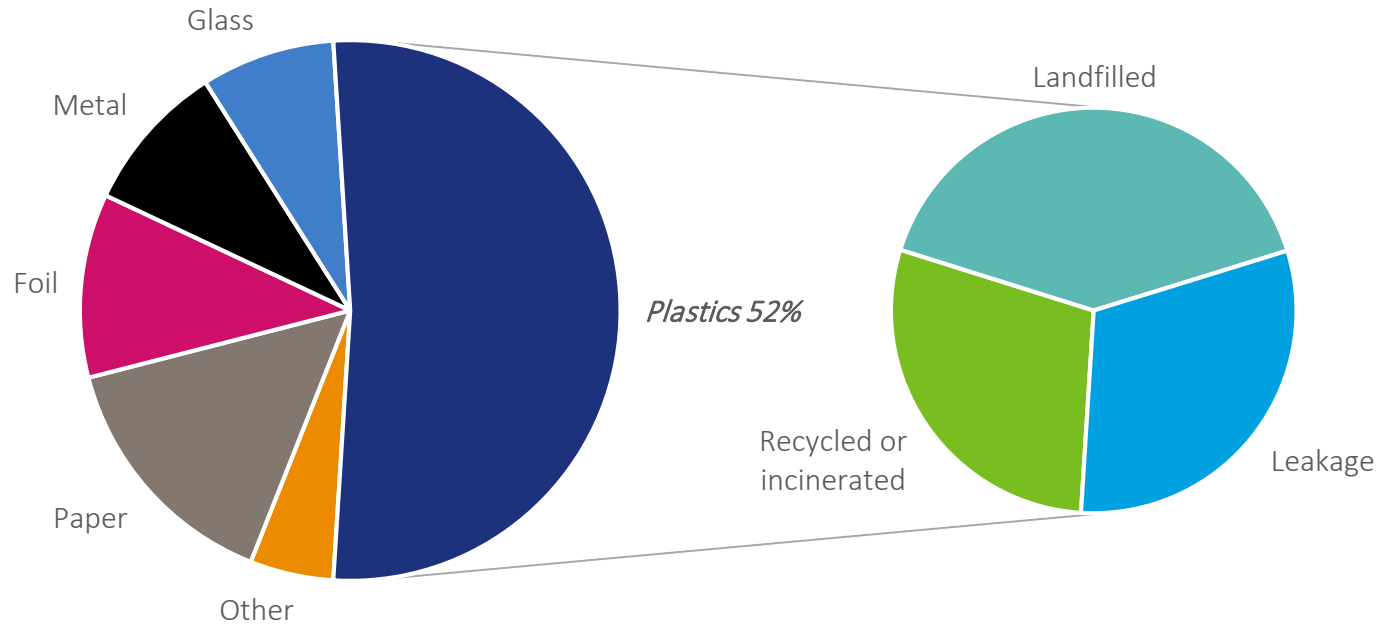
Responsible
consumer
behavior

Fresh – an example of sustainable innovation

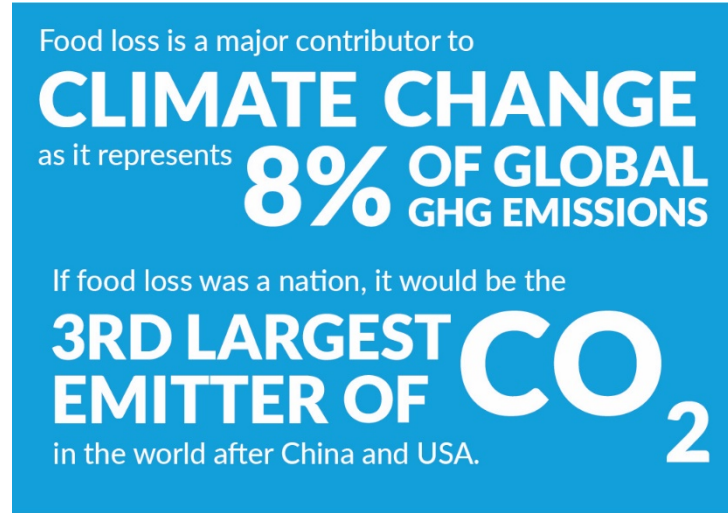
- Ovenable and microwaveable fiber based tray for ready meals
- Biodegradable and widely recyclable
- Aims to replace the commonly used black plastic trays
- Joint development between Huhtamaki, Södra, and Saladworks
 - Partly EU-funded project with focus on sustainability and plastic replacement
- Now in second consumer test phase
 - Longer period
 - More meal variations



52% of global consumer packaging is made of plastics – of which 14% get recycled today

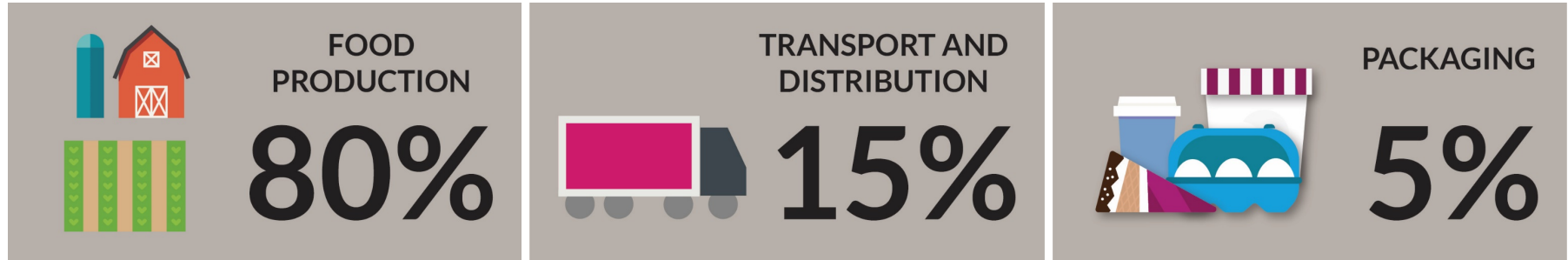


Food waste and loss is a global challenge



- Using appropriate packaging can help reduce food waste at almost every stage of the food chain*

Packaging accounts for app. 5% of food's CO₂ footprint



- Proper packaging results in less greenhouse gas emissions
- In many applications more packaging leads to lower overall carbon footprint due to reduced food waste

What makes something recyclable?

Packaging design

We have most control here – we can design the packaging with recyclable materials



Infrastructure

We have little control here – some ability to influence via partnership. We can drive demand by designing more recycled content



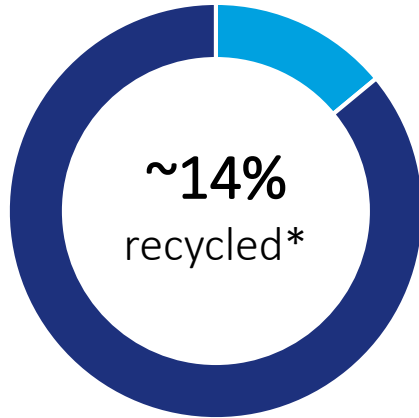
Consumer

We can inform the consumer but can't make the consumer recycle even when the other two requirements have been met.

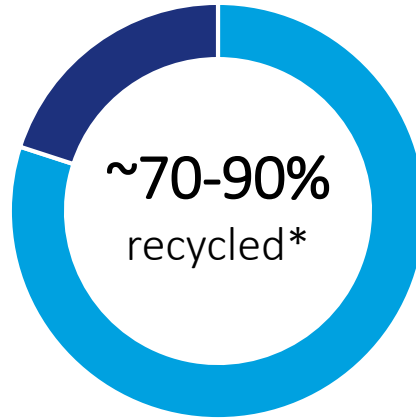


Recycling rates vary – upside potential to utilize valuable materials remain

Plastic packaging



Steel

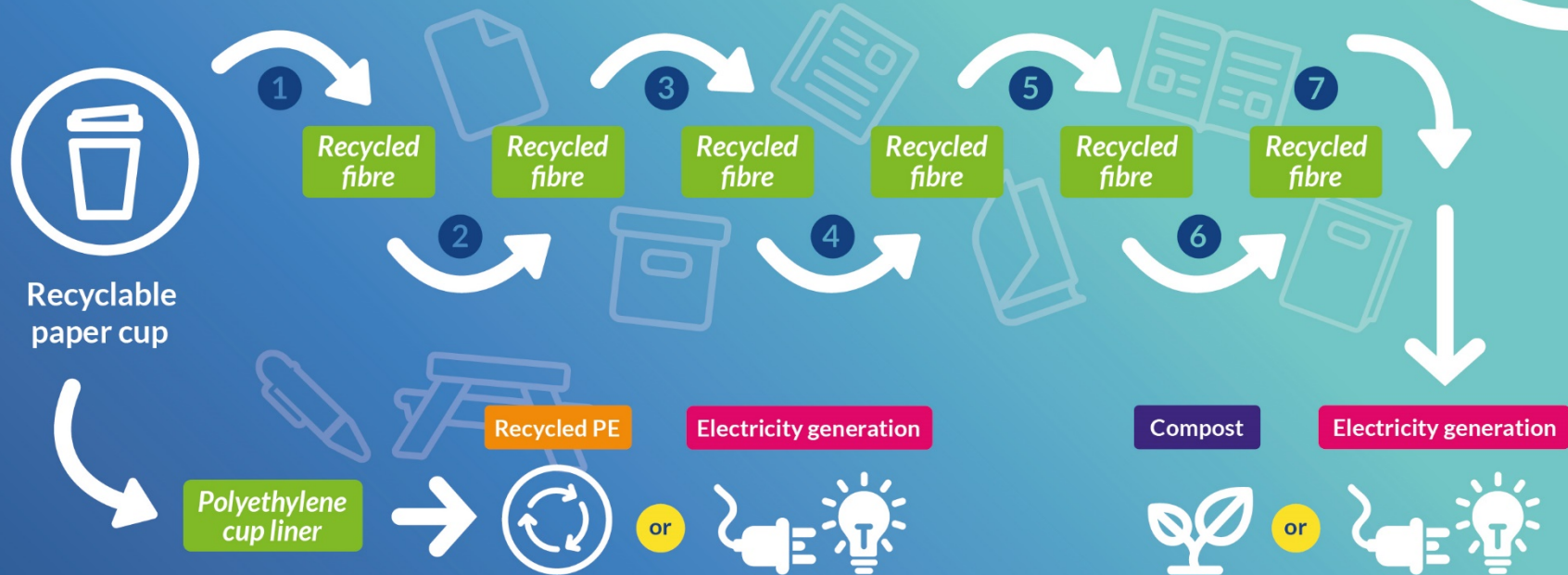


Paper



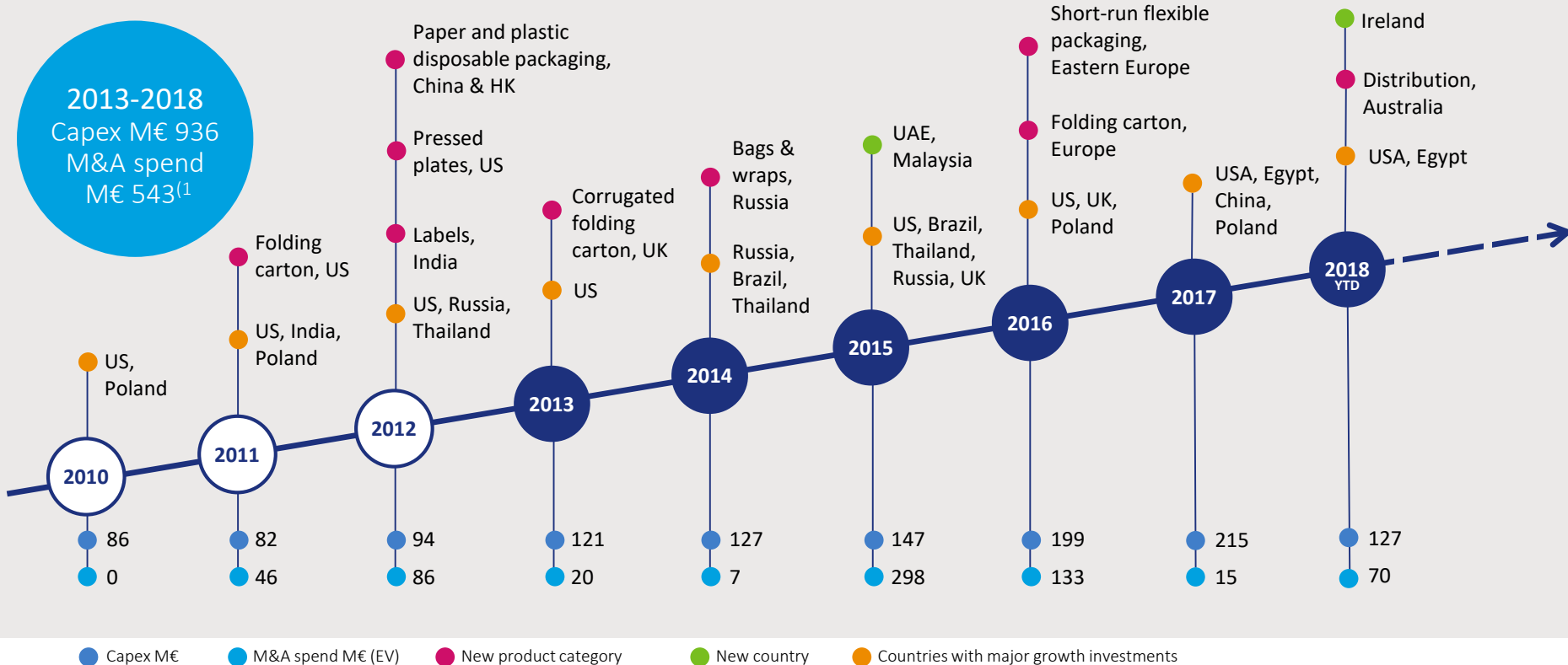
Paper cup recycling

The fibre in our recyclable cup can be used up to seven times and then composted or used to generate electricity



Good for the environment. Good for the economy. Good for people

Solid track record of growth investments



¹⁾ Enterprise value

Achieving our vision: The first choice in food packaging

Grow

AMBITION

10+%

- Organic and innovative growth 5+%
- Acquisitive growth 5+%

Build more

- Continue organic investments
- Continue disciplined acquisitions

Sustainability

- Ensure food safety
- Reduce food waste
- Fit-for-purpose material choices and converting

Raise EBIT margin

AMBITION

10+%

- Topline growth
- Operating efficiency

Strengthen collaboration

- Focus on food
- Engaged and high performing teams

Live our purpose every day

Helping great products reach more people, more easily.

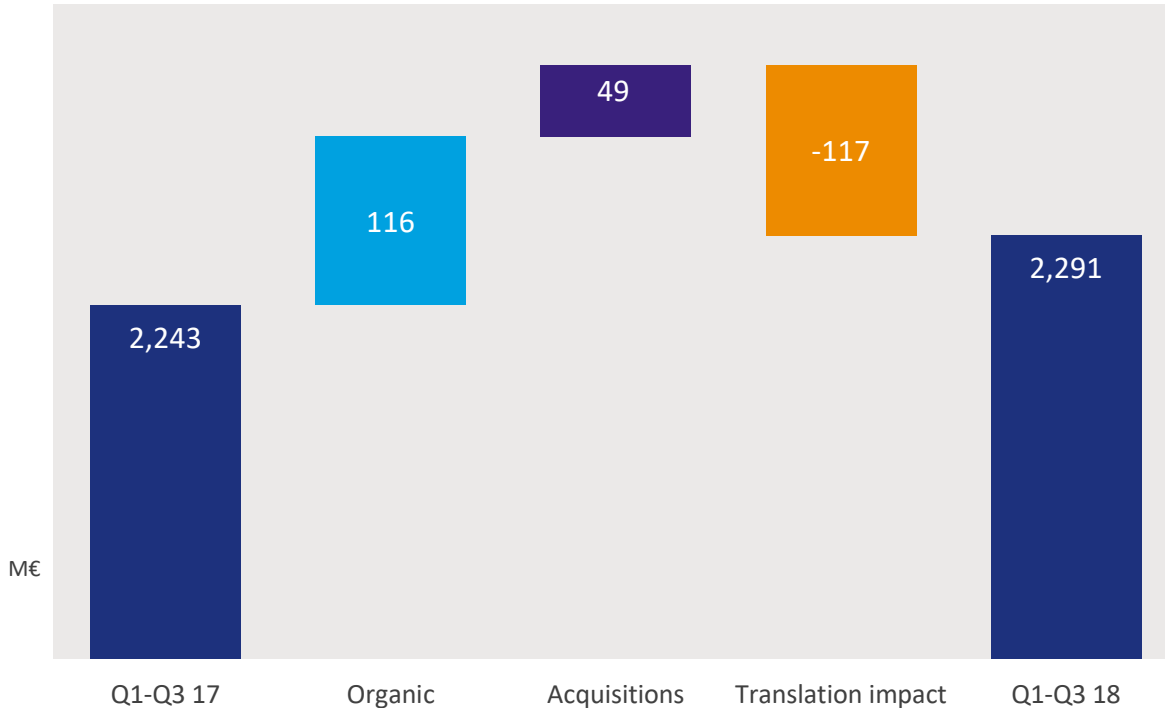
Q3 2018 results

Comparable growth

	Q3 18	Q2 18	Q1 18	Q4 17	Q3 17	YTD 18	YTD 17	FY 2017	Long-term ambitions
Foodservice E-A-O	5%	5%	5%	6%	4%	5%	3%	4%	5-7%
North America	2%	2%	5%	2%	2%	3%	1%	2%	2-5%
Flexible Packaging	6%	11%	6%	9%	7%	8%	3%	4%	6-8%
Fiber Packaging	4%	3%	5%	4%	5%	4%	5%	5%	5-7%
Group	4%	6%	5%	5%	4%	5%	3%	3%	5+%

- Flexible Packaging; good volume development in India and Europe
- Solid growth in Foodservice E-A-O; led by core paperboard items and global key accounts
- Strong paperboard growth in North America moderated by lower sales of branded tableware
- Strong growth of fiber packaging in the UK, Russia, Brazil and Africa

Currency translation impacting good year-to-date growth



Net sales growth split in Q1-Q3 18

- 5% comparable growth
- 8% in emerging markets; growth strongest in Africa, Russia, Brazil and India
- 2% from acquisitions
- Negative currency translation impact of M€ 117 (app. 5%)

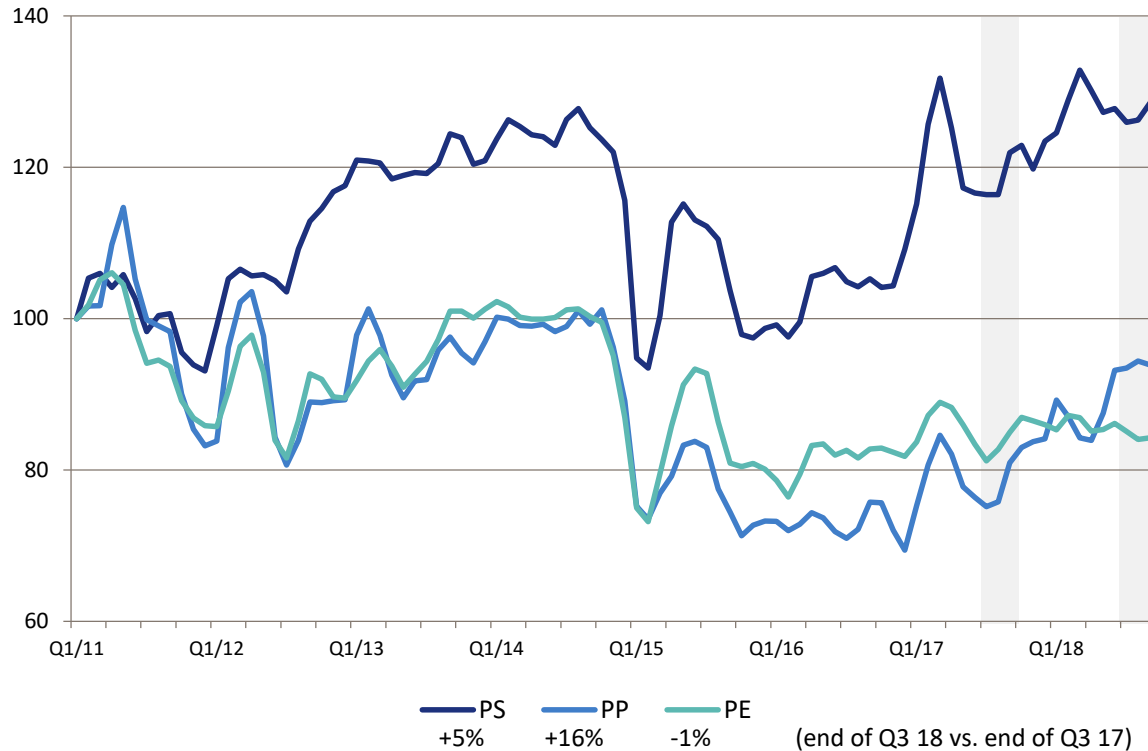
Strong net sales growth, high cost environment

MEUR	Q3 18	Q3 17	Change	Q1-Q3 18	Q1-Q3 17	Change
Net sales	779.8	732.0	7%	2,290.9	2,243.3	2%
Adjusted EBITDA ¹	87.6	94.0	-7%	278.4	294.4	-5%
Margin ¹	11.2%	12.8%		12.2%	13.1%	
Adjusted EBIT ²	56.5	64.3	-12%	186.7	202.7	-8%
Margin ²	7.3%	8.8%		8.2%	9.0%	
Adjusted EPS, EUR ³	0.38	0.44	-12%	1.25	1.39	-10%
ROI ²				12.2%	13.9%	
ROE ³				15.4%	16.4%	
Capital expenditure	45.6	48.7	-6%	126.5	144.1	-12%
Free cash flow	-3.3	17.0		23.5	5.2	

Q3 18 Highlights

- Earnings improvement in Foodservice E-A-O
- High costs and unfavorable product mix burdened North America margins
- Q3 main changes:
 - Input costs, price/mix -9 MEUR
 - Distribution -5 MEUR
 - Currency -0.4 MEUR
 - Organic & acquired growth +7 MEUR (incl. Goodyear impact)

Up-trending cost environment in raw materials



- Overall cost inflation
- Sharp increase in plastic resins in emerging markets
 - e.g. PET films up 25% in India during Q3
- Prices of fiber varied
 - OCC and post-consumer fiber low; post-industrial fiber higher
 - Paperboard high, following pulp increases

Profit below long-term ambitions – actions ongoing

1. Pricing

Restore gross margin, currently impacted by cost increases (ongoing)

2. Cost-out and efficiency improvements

Cost-out activities including:

- Write-off of non-competitive lines; India, North America (Q4 2018)
- Focused restructuring plans (Q4/18 – H1/19), e.g.
 - Closure of EPS in Poland (Q4 2018)
 - Optimized foodservice manufacturing footprint in New Zealand (Q4 2018)

Efficiency improvement actions including:

- Automation in Western Europe, Southeast Asia (2019-2020)

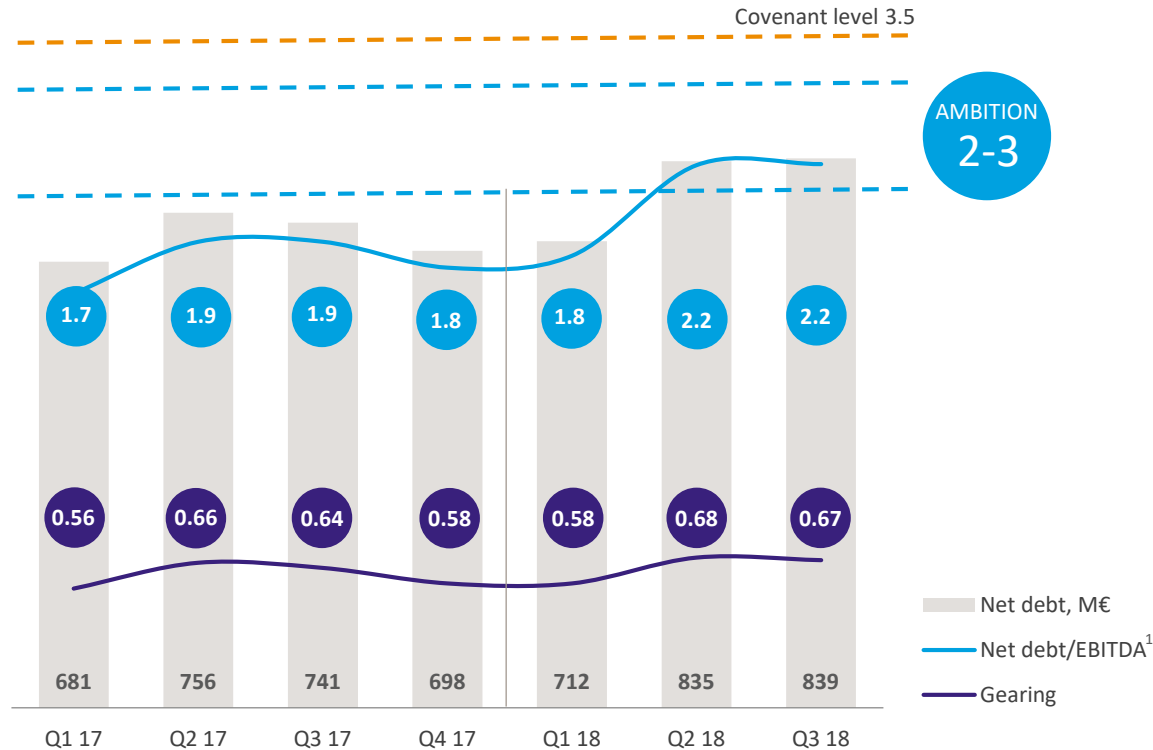


**Annualized gross profit improvement target MEUR 15-18,
estimated IAC MEUR -30 in Q4 18**

3. Maintain stable SG&A

Current efficiency competitive (ongoing)

Debt position includes Q2 acquisitions



- Net debt/EBITDA at 2.2
- At the end of Q3 18
 - Cash and cash equivalents MEUR 79
 - Unused committed credit facilities available MEUR 306
- Funds available for acquisitions approx. MEUR 400-500

Progress towards long-term ambitions

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	YTD Q3 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%	12.2%	14+%
EBIT margin	7.4%	7.8%	8.7%	9.4%	9.0%	8.2%	10+%
ROI	12.1%	12.6%	14.7%	14.7%	13.6%	12.2%	15+%
ROE	15.8%	16.1%	18.1%	17.7%	17.0%	15.4%	18%
Capex/EBITDA	50%	49%	43%	52%	55%	45%	40%
Net debt/EBITDA	1.6	1.0	1.6	1.8	1.8	2.2	2-3
Free cash flow, MEUR	56	65	91	100	56	24	150
Dividend payout ratio	47%	47%	40%	40%	42%	n/a	40-50%

- Group growth is on track
- Profitability improvement actions ongoing

Helping great products
reach more people,
more easily

Financial calendar 2019

February 14

Results 2018

Week 8

**Annual Accounts 2018
& Directors' Report**

April 25

**Q1 19 Interim Report
AGM**

July 19

**Half-yearly Report
2019**

October 23

Q3 19 Interim Report



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