

SKG: LN | SKG: ID

# Smurfit Kappa Group | Full year 2019 results

5 February 2020

Leading.  
Innovating.  
Delivering.

# Disclaimer

This presentation contains forward-looking statements, including statements about the Company's intentions, beliefs and expectations. These statements are based on the Company's current plans, estimates and projections, as well as the Company's expectations of external conditions and events.

Forward-looking statements involve inherent risks and uncertainties and speak only as of the date they are made. The Company undertakes no duty to and will not necessarily update any such statements in light of new information or future events, except to the extent required by any applicable law or regulation.

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Please refer to the Principal Risks and Uncertainties contained in the FY'19 Press Release for details.

# SKG at full year 2019

Quality delivers

EBITDA of  
**€1,650**  
Million

ROCE of  
**17.0%**

Free Cash Flow of  
**€547**  
Million

EBITDA margin of  
**18.2%**

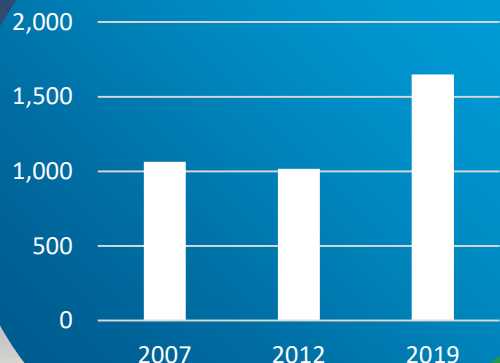
Net debt/ EBITDA of  
**2.1x**

Total dividend growth of  
**11%**

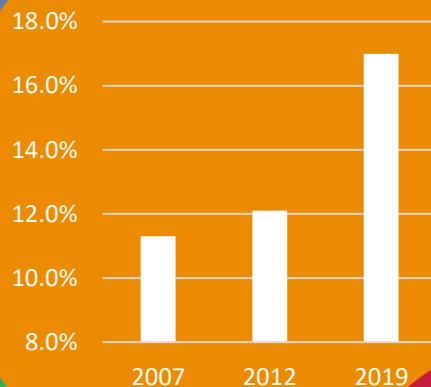
# SKG at full year 2019

Quality delivers

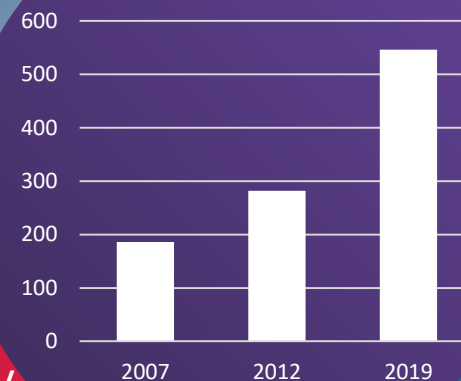
### EBITDA €M



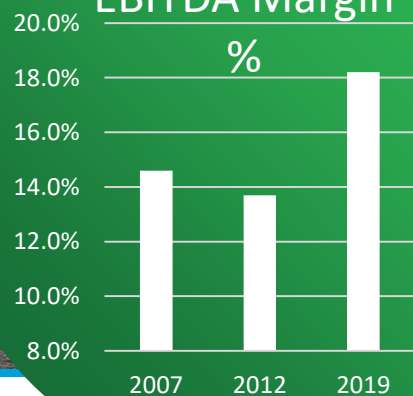
### ROCE %



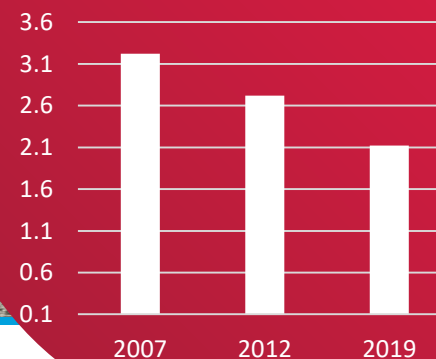
### Free Cash Flow €M



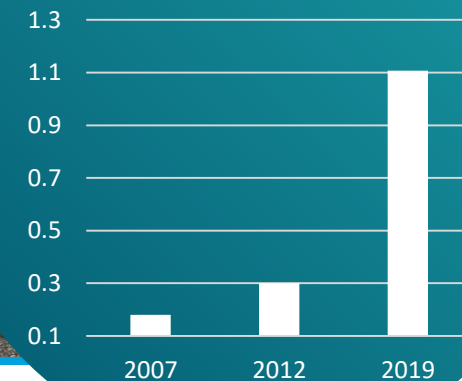
### EBITDA Margin %



### Net Debt / EBITDA



### Dividend (€)





# 01 Leading



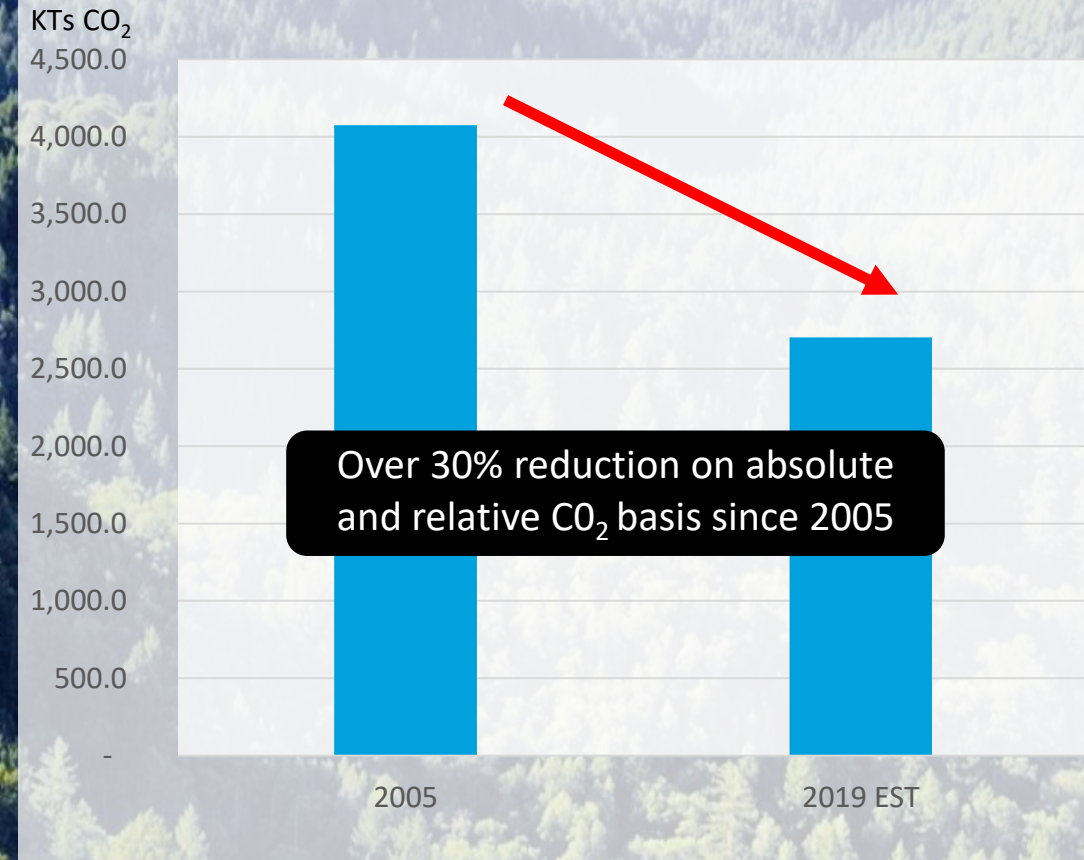


# Leading in Sustainability

A company delivering increasingly strong ESG credentials



- ▶ Delivering on our targets, setting new ones
- ▶ Leading initiatives across the globe
- ▶ Leading position in 3<sup>rd</sup> party ESG ratings



# Leading industry initiative

Better Planet Packaging is a Smurfit Kappa initiative that seeks to reduce packaging waste and ultimately address the challenges of waste and litter that ends up in our oceans and in landfill right across the globe

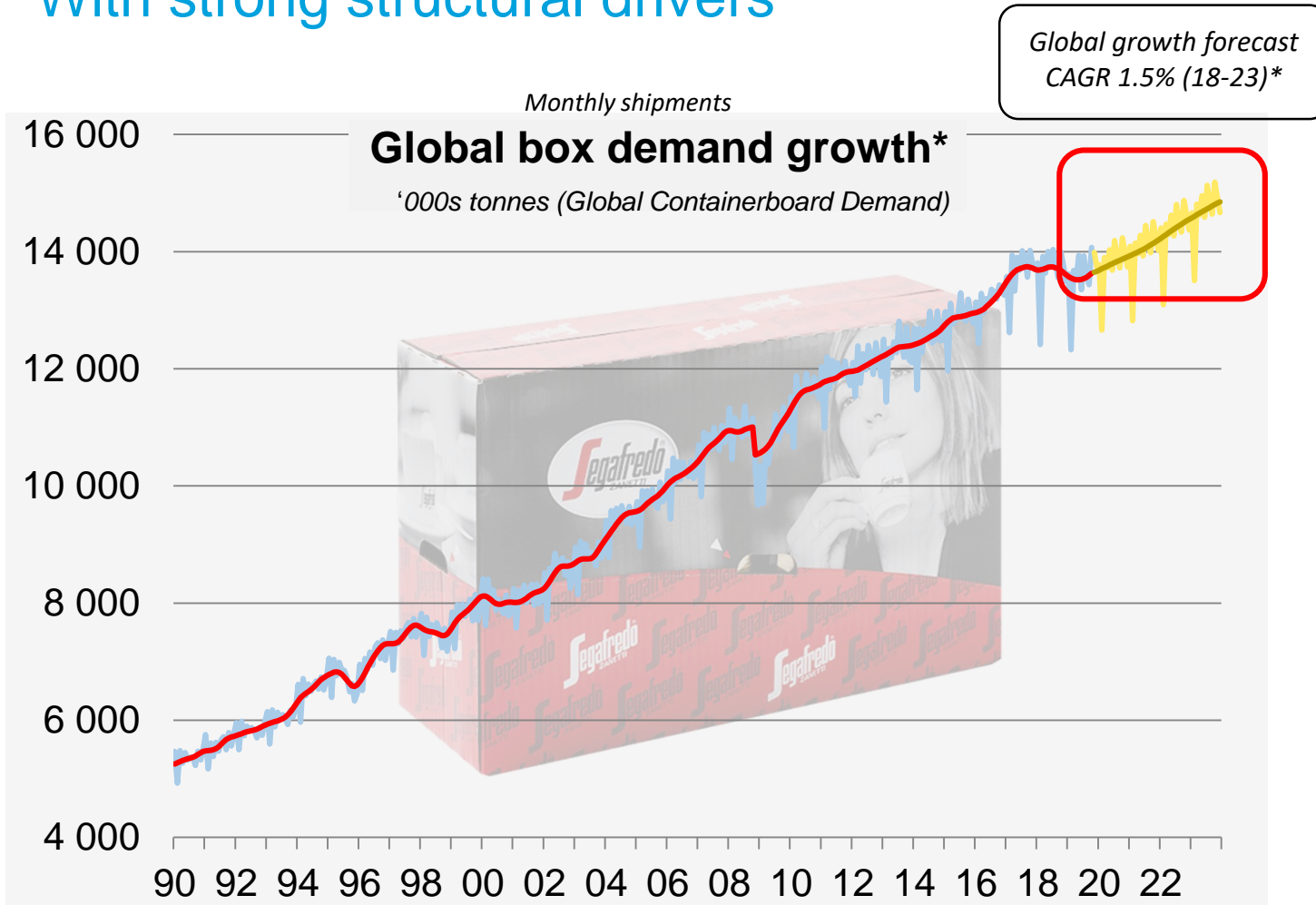


Smurfit Kappa  
**Better Planet  
Packaging**



# Leading in a long-term growth industry

With strong structural drivers



Corrugated as a  
Merchandising medium



Sustainable  
Packaging



e-Commerce



Private Label  
Growth



\*Source Numera Analytics January 2020, using global containerboard demand as a proxy for corrugated demand



# SKG is uniquely positioned as a result of our...

1. Unrivalled Market offering



ShelfSmart

SupplySmart

eSmart

MachineSystems

2. Leading market positions

**Europe**

**#1** Corrugated (boxes)  
Containerboard  
Kraftliner  
Bag in Box

**Americas**

**#1** Colombia - Corrugated (boxes)

**#3** Mexico - Corrugated (boxes)

Only significant Pan-American player

3. World class asset base




4. Our People



- Longevity of senior management
- Global training programmes
- Working with global business schools

5. Leadership in Sustainability



Smurfit Kappa  
**Better Planet Packaging**

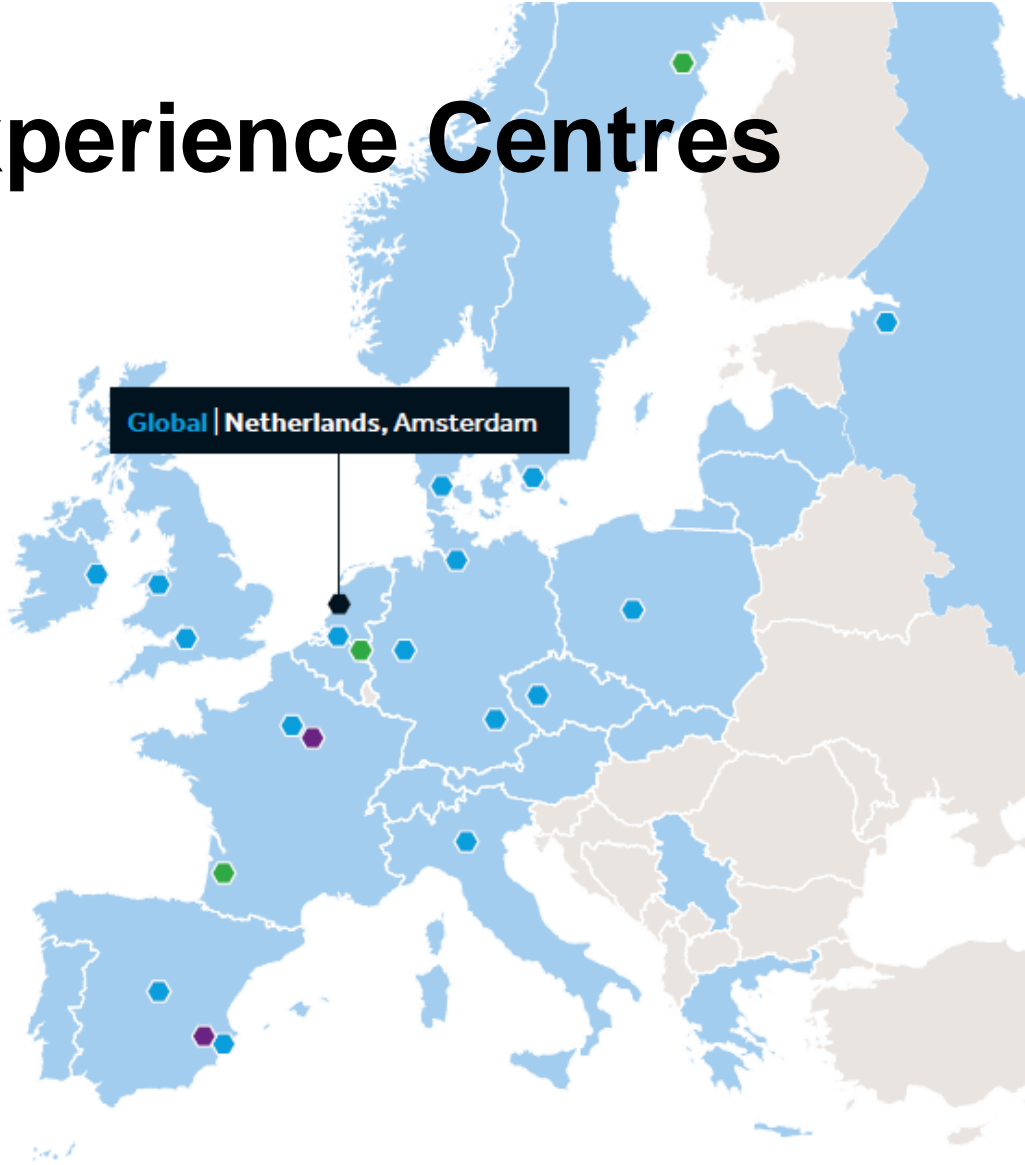
- Cross industry initiatives
- Helping address our customers needs



# 02 Innovating



# Supported by our 26 Global Experience Centres



# Innovation-led and data driven solutions

<b>&gt;1,000</b> designers	<b>&gt;7,500</b> solutions	<b>&gt;200</b> automation projects	<b>&gt;90,000</b> consumer insights	<b>&gt;80,000</b> supply chains analysed
Unique <b>Innovation</b> Approach	Widest <b>Product</b> <b>Portfolio</b>	End-to-end <b>Capabilities</b>	Largest amount of <b>(Consumer)</b> <b>Insights</b>	Leading <b>Market</b> <b>Positions</b>
Scientific approach Global infrastructure Largest team of designers (>1,000)	Over 7,500 innovative packaging solutions ready to be implemented	Paper, Packaging, Solutions: from forestry to recycling Over 200 automation projects per year	More than 90,000 consumer insights worldwide Unique ShelfSmart approach and User Experience lab	26 Experience Centres worldwide More than 80,000 supply chains analysed across the world



# In partnership with our customers

SKG is increasingly seen as the partner of choice in our sector

Leading and growing positions  
in 5 of the worlds **top FMCG** companies

Customer  
Value



Company A\*: +17%

Company B\*: +11%

Company C\*: +21%

Company D\*: +171%

Company E\*: +109%

# 03 Delivering





# The awareness around sustainable packaging is growing

Climate change

24% of consumers' biggest concern\*

Packaging waste

17% of consumers' biggest concern\*

Responsibility

48% of consumers' expect manufacturers to take the lead\*

\*Source: Who cares, who does? Consumer response to plastic waste, Kantar September 2019

# Moving from single-use plastic to paper-based packaging increases the positive perception of a brand

The environmental perception increases by 170%<sup>1</sup>

The likeability increases by 30%<sup>1</sup>

The quality perception increases by 25%<sup>1</sup>

## Give your customers something to smile about

Smurfit Kappa  
**Better Planet  
Packaging**

<sup>1</sup>Smurfit Kappa research with 7,350 consumers in UK, NL, GE, SP, FR, USA

# Delivering Sustainable Packaging Solutions today for tomorrow's world

## FULL RANGE OF PAPER AND CARTON



Alternatives to PLASTIC BAGS, WRAPS

## TUBES



Alternatives to PLASTIC POUCHES

## BAG-IN-BOX



Alternatives to PLASTIC BOTTLES

## HONEYCOMB AND HD CORRUGATED



Alternatives to POLYSTYRENE BUFFERS

## FULL RANGE OF CORRUGATED



Alternatives to PLASTIC TRAYS, CLAMSHELLS



# Delivering new products to solve our customer's challenges

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Packaging**

**EXAMPLE:**  
A growing market of > 10 billion multipacks



- Replaces unsustainable stretch film
- Lower carbon footprint compared to plastic wraps
- Up to 30% less packaging material compared to common cardboard sleeves
- 100% recyclable and plastic free, no glue
- Significant amount of recycled fibres used
- Improves the environmental perception and reputation of the product producer
- Convenient consumer handling and easy to remove cans

 **Smurfit Kappa | TopClip**  
The sustainable leader of the pack

Source: Euromonitor 2019 data based on consumption: Poland, Russia, France, Germany, Italy, Netherlands, Spain, Sweden, Switzerland, United Kingdom

# 2019 Full Year Results

Continuing to deliver

- ▶ Group revenue of €9,048 million
- ▶ EBITDA up 7% to €1,650 million and EBITDA margin of 18.2%
- ▶ ROCE of 17.0%
- ▶ Strong free cash flow generation of €547 million for the year
- ▶ Net debt to EBITDA of 2.1x
- ▶ Proposed final dividend increase of 12% to 80.9 cent per share



# Europe - 2019 Full Year Highlights

Continuing to deliver

- ▶ EBITDA of €1,332 million for the year
- ▶ EBITDA margin of 19%
- ▶ Strong box price retention
- ▶ Corrugated demand growth of over 4% supported by acquisitions, organic in line with expectations
- ▶ Successful integration of recent acquisitions



 **Smurfit Kappa**  
Open the future



# The Americas - 2019 Full Year Highlights

Continuing to deliver

- ▶ EBITDA of €360 million for the year
- ▶ EBITDA margin of 17.5%, significant year-on-year improvement
- ▶ Continued corrugated demand growth of 2%
- ▶ Continued ramp-up of Mexican and Colombian mill projects securing additional recycled containerboard tonnage for the region



# Disciplined and Effective Capital Allocation

Using strong free cash flow to deliver secure and progressively superior returns



**Capital  
Expenditure**



**Balance sheet  
strength**



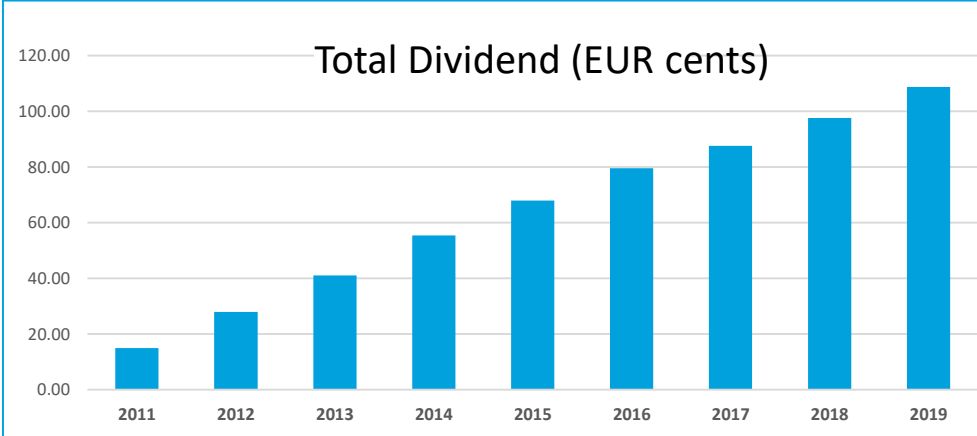
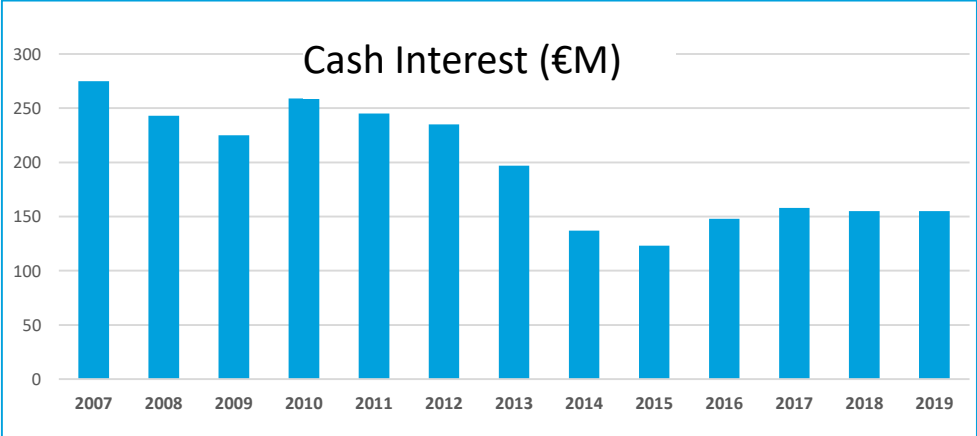
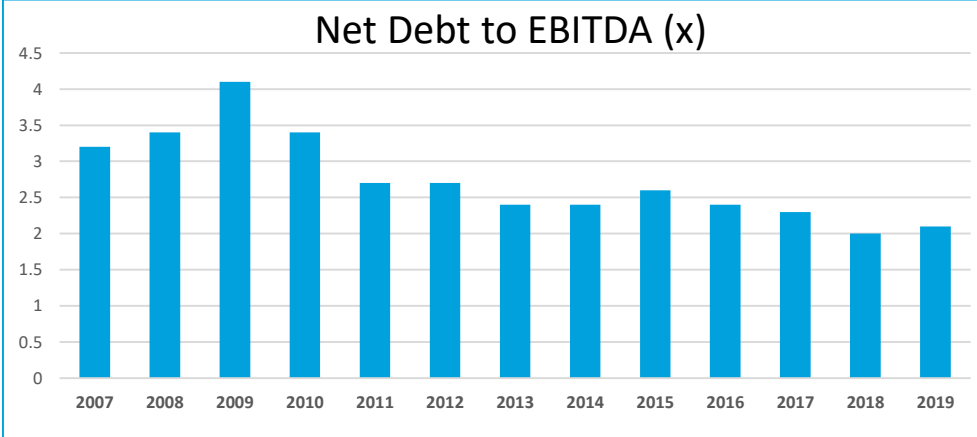
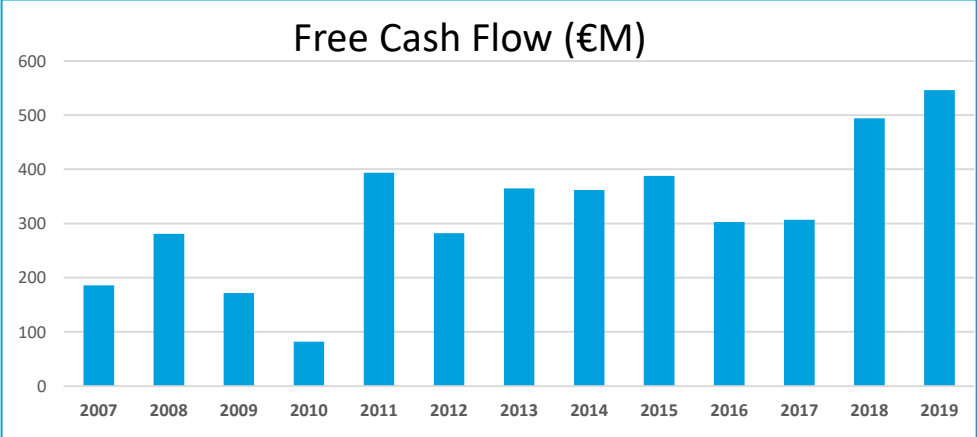
**M&A**



**Progressive  
Dividend**

Strong free cash flow supports our capital allocation priorities

# Disciplined and Effective Capital Allocation





# Technical guidance

<b>Cash interest</b>	€135m
<b>Cash tax payment</b>	€220m
<b>Working capital as a % of sales</b>	7-8%
<b>Capital expenditure</b>	€615*
<b>Effective tax rate</b>	26%
<b>Impact of US\$1c move on EBITDA</b>	€3.3m

*\*Includes impact of IFRS 16 of approximately €50-60 million*

# 04

# Summary and Outlook



# Delivering on our Vision

To be a **globally admired** business, **dynamically delivering** secure and superior returns for all stakeholders

# Globally admired.....

Recognised by 3<sup>rd</sup> parties for ESG and Innovation actions

- ▶ Innovating on a global scale
- ▶ 63 awards from across our global operations
- ▶ Leading positions in 3<sup>rd</sup> party ESG indices
- ▶ New 3<sup>rd</sup> party ESG accreditations
  - Member of ISS Solactive “Beyond Plastic Waste Index”
  - Awarded LSE Green Economy mark
- ▶ Leading ESG initiatives across globe





# Dynamically delivering.....

Delivering results for our customers and all our stakeholders



Customer focused,  
innovative products

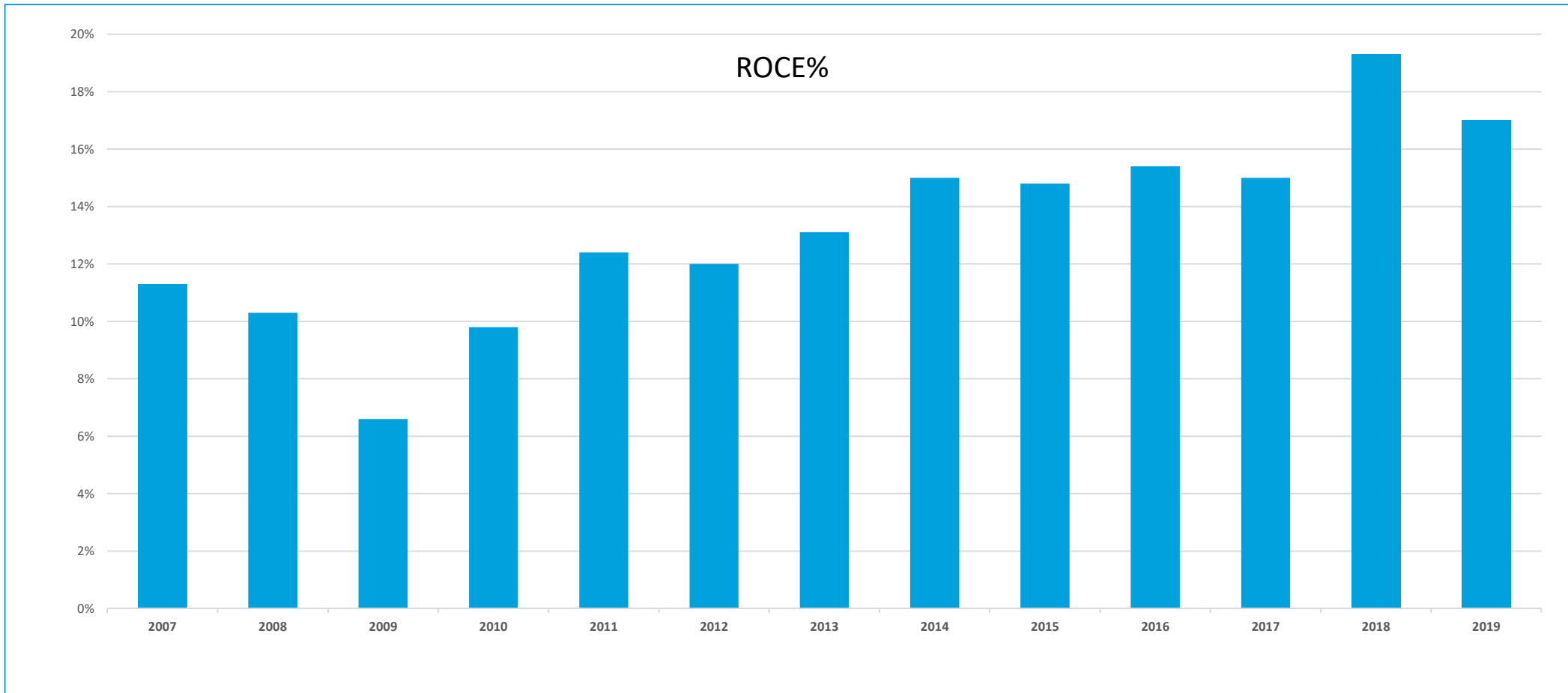
Expansion to new  
geographies

Sustainability focus

Flexible and agile  
investment demonstrated  
by the Medium-Term Plan



# ....Secure and superior returns



# What we said in February 2018.....

On a journey to secure and improved through the cycle returns

## SKG in 5 years.....

A clear global leader in paper based packaging

- An optimised integrated model
- Increased geographic diversity
- Continued balance sheet strength to seize opportunities
- Delivering secure and superior returns

Investing\*  
**€1.6 billion**

New Medium Term  
Target Metrics

ROCE  
**17%\*\***


**1.75x to 2.5x**  
Net Debt to  
EBITDA

**DRIVEN BY OUR PERFORMANCE CULTURE**

\*€1.6 billion is in addition to base capex, which is maintenance capex plus environmental capex, approximately €320 million per annum

\*\*Assumptions include incremental returns from increased capital spend, stable pricing, normal inflation offset by ongoing productivity gains, no impact of foreign exchange

32 PAPER | PACKAGING | SOLUTIONS

 Smurfit Kappa



# Outlook

## A Quality Company, Leading, Innovating and Delivering

1. A Quality Business | Consistently Delivering Strategically, Operationally & Financially

2. Disciplined and Effective Capital Allocation Delivering Progressively Superior Returns

3. Strong Free Cash flow Generation Delivering Secure Returns

4. Progressive Dividend Stream reflects confidence in the increased strength of SKG's Operating Model and unique prospects

5. The Corrugated Industry Leader with Attractive Medium and Long-Term Growth prospects

# Leading. Innovating. Delivering .

Follow us on Twitter at [@smurfitkappa](https://twitter.com/smurfitkappa) and on LinkedIn at [‘Smurfit Kappa’](https://www.linkedin.com/company/smurfit-kappa).



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**Better Planet  
Packaging**

**If the product  
biodegrades in nature,  
why not the packaging?**



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Packaging**