New Trends in European Corrugated

RISI International Containerboard Conference

Edwin Goffard, Smurfit Kappa
14th November 2018
Confidentiality Notice

The content of this presentation is proprietary and confidential information of Smurfit Kappa Group.

The recipient may not distribute, copy, print or otherwise use information from this presentation without the written consent of Smurfit Kappa Group.
About Smurfit Kappa

- 45,000 Employees
- 350 Facilities
- 3 Continents
- 33 Countries
Smurfit Kappa - Position

Europe

- **No. 1** in corrugated (boxes)
- **No. 1** in containerboard
- **No. 1** in kraftliner containerboard
- **No. 1** in Bag-in-Box™

Americas

- **No. 1** in corrugated (boxes) in Colombia
- **No. 3** in corrugated (boxes) in Mexico
- **No. 2** in corrugated (boxes) in Argentina
- **No. 1** in corrugated (boxes) in Central America

Central America

- **No. 3** in corrugated (boxes)

Dominican Republic

- **No. 1** in corrugated (boxes)

Region

- Only Pan-Regional player
European Corrugated Market

Source: ICCA, SK Market Research & Intelligence
Year on Year Growth 2000 - 2017

European Corrugated Production/Shipments Y-Y growth
2000-2017 (Europe including Russia, Turkey and CIS)

Source: ICCA, SK Market Research & Intelligence
Where will we be in 2023?

Corrugated market growth driven by

- Development of customers omni-channel requirements
- E-Commerce
- Discount retailers
- Corrugated as a sustainable, renewable, bio-degradable solution
- Corrugated as a merchandising medium in the battle for consumers
- Highest growth channels are the largest consumers of corrugated
- General GDP+ nature of corrugated consumption

Corrugated is.....

READY FOR OMNI-CHANNEL

ADAPTABLE

Case count 6x2  Case count 5x2

SUSTAINABLE

[Smurfit Kappa logo]
The European Market is Changing...
My biggest fear as a teenager......
3 biggest fears now
The golden age of the consumer
MORE YOUTUBE VIDEOS WERE WATCHED IN 2017 VS 2016

EVERY MINUTE CONSUMERS ARE WATCHING 4,100,000 VIDEOS ON YOUTUBE
WE RECORD AND POST EVERYTHING....
ALSO OUR PACKAGING EXPERIENCES
TODAY THERE ARE AROUND 18,400,000 UNBOXING VIDEOS ON YOUTUBE
Consumers are 71% more likely to buy a product based on social media referrals.

*Source: Hubspot*
The increased awareness around plastic ocean is a clear example of the power shift towards consumers.

The awareness in the world on the size of the problem is growing.
More than double the amount of tweets surrounding plastic

(2018 Q1 compared to Q1 2017)

Source: Brandwatch online trends April 2018
Three main challenges for our customers

How to face the consumer anti-plastic sentiment?

How to drive sales in the different sales channels?

How to deal with the complexity of omni-channel?

Opportunities for paper based packaging!
82% of shoppers prefer paper-based packaging above plastic*

Source: Smurfit Kappa ShelfSmart research with 300 shoppers in Germany
Retailers

"Iceland said it was the first major retailer globally to go "plastic-free" on its own label products and aimed to complete the move by the end of 2023."

16 January 2018 (The Telegraph)

"By 2025, Tesco wants all its packaging to be recyclable or compostable and its total packaging weight to be halved compared to 2007."

14 January 2018 (BBC)

"Sainsbury’s has set a target to reduce packaging by a half by 2020, compared to 2005."

14 January 2018 (BBC)
... more Retailers

"Our long term ambition is for ALL packaging to be recycled where it can be, and we have made a bold start by setting a target that, by 2020, 80% of our products will have packaging that is easy to recycle."

Co-op website, Preventing Packaging Waste

"Asda promises customers it will ‘use less and recycle more’ in fight on plastics"

05 February 2018 (Press Release)

"The world’s first plastic-free supermarket aisle in Amsterdam."

28 February 2018 (The Telegraph)

... AND NOW WE’RE FREE

*Source: Ekoplaza Lab
... And Customers

"Coca-Cola announces new packaging vision, intends to collect and recycle 100% of its packaging by 2030"
19 January 2018 (Business Wire)

"Nestlé announces vision to make 100% of its packaging recyclable or re-usable by 2025"
10 April 2018 (PRNewswire)

"LEGO Group aims for 100% sustainable packaging by 2025"
22 April 2018 (Press Release)

"Unilever and Veolia sign a collaboration agreement on Sustainable Packaging. The three-year partnership will improve waste collection and recycling infrastructure to help create a circular economy for plastics waste"
24 October 2018 (Press Release)
European parliament approves sweeping ban on single-use plastics

The European parliament has overwhelmingly backed a wide-ranging ban on single-use plastics in an effort to tackle pollution in seas, fields and waterways.

Under the proposed directive, items such as plastic straws, cotton swabs, disposable plastic plates and cutlery would be banned by 2021, and 90% of plastic bottle recycled by 2025.

The Market Demand for Alternatives

Non-biodegradable packaging’s days are numbered
82.3% of Europe’s paper-based packaging is recycled, beating all other packaging materials.

A greener alternative

Source: EU report 2014

Paper-based packaging that ticks all the boxes
Better partnerships
Better packaging
Better planet

An initiative that explores and re-imagines packaging for a sustainable world
Three main challenges for our customers

How to face the consumer anti-plastic sentiment?

How to drive sales in the different sales channels?

How to deal with the complexity of omni-channel?

Opportunities for paper based packaging!
The brand's most valuable ad space in every sales channel
Impact on paper-based packaging
paper-based packaging is seen as an growth enabler by all sales channels

<table>
<thead>
<tr>
<th>Super/Hypermarket</th>
<th>Discounters</th>
<th>E-commerce</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expected growth till 2021: &lt;1% p.a.*</td>
<td>Expected growth till 2021: 3% p.a.*</td>
<td>Expected growth till 2021: ca. 20% p.a.*</td>
</tr>
<tr>
<td>The market for Shelf Ready Packaging is projected to growth 4% annual to 2021</td>
<td>Of the products are in Shelf Ready packaging in discounters</td>
<td>Parcel volume will continue to rise 17-28% each year between 2017 and 2021</td>
</tr>
<tr>
<td>4%</td>
<td>90%</td>
<td>17-28%</td>
</tr>
</tbody>
</table>

*Source: Smithers Pira, 2016
*Source: Smurfit Kappa
*Source: Pitnbey Bowes parcel index, 2017
*Source: IGD data, 2017
Many departments are growing their depth of assortment far faster than they are growing revenue.

In Europe **discounters** generate 22% of all FMCG sales.
But E-Commerce is the fastest growing global channel

Source: IGD data, 2017
Advanced eye tracking technology
Accolade Wines – Shelf Ready Packaging example

+13% Sales increase
IT IS NOT A DIFFERENT CHOICE
IT IS A GREATER CHOICE
Three main challenges for our customers

How to face the consumer anti-plastic sentiment?

How to drive sales in the different sales channels?

How to deal with the complexity of omni-channel?

Opportunities for paper based packaging!
The new reality in the Supply Chain
Efficiency: Managing the Complexity
The new "customer" of packaging
Delivery re-invented
Delivery re-invented?
E-Commerce is a less controlled supply chain
Driving supply chain performance by packaging
Paper based packaging for the future

Role of the Paper and Corrugated associations to push this message
OPEN THE FUTURE