

ICCA Congress 2011

Corrugated Outlook

Tony Smurfit



people
innovative

market leader

latin america



europe

growth

integrated

Tony Smurfit

- Age 47
- Working life:
- Positions:
 - Plant management
 - Divisional management
 - Country management
 - Group management
- Experience:
 - Growth by acquisition
 - Go private
 - Merger
 - IPO
 - Refinancing

Smurfit Kappa and antecedents



SKG - Packaging leader in Europe & Latin America

Region	Grade	Capacity (m tonnes)	% of relevant market	Est. market position
Europe				
	Corrugated	4.5	19%	No 1
	Containerboard	4.5	18%	No 1
Latin America				
	Corrugated	0.8		No 1
	Containerboard	0.7		No 3

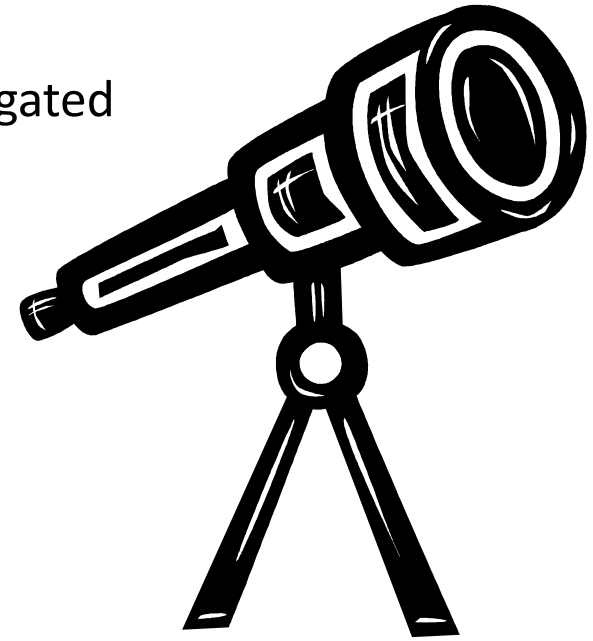
Europe 115 Corrugators

Latin America 25 Corrugators



Presentation

- Corrugated is a great product
- It has its challenges at product and industry level
- There are ways of meeting the challenges
- At an industry level promoting the benefits of corrugated
- At company level – customer and efficiency
- Allow us to get to the ultimate goal
 - Making a return



Corrugated is a great business

- Service provider
- Product protector
- Marketing medium
- Merchandising aid

It is not just a box



At a fraction of the product cost/marketing budget



Business has its challenges

Product

Competition from
plastics

Perception of
commodity

Increasing cost
pressures

Changes in
customer
behaviour



Industry

Inherently cyclical

Dictated to by
paper prices

Emphasis on raw
material

Cost through the
chain

Push of paper vs
market
orientation



Threats

- Plastic crates



- Mixed packaging



- Push to reduce/eliminate



When in fact - a sustainable good business



The product – far from a commodity



PRODUCTS & SERVICES



GEOGRAPHIC COVERAGE



INNOVATION



MARKET INSIGHT



SUSTAINABILITY



TECHNICAL EXPERTISE



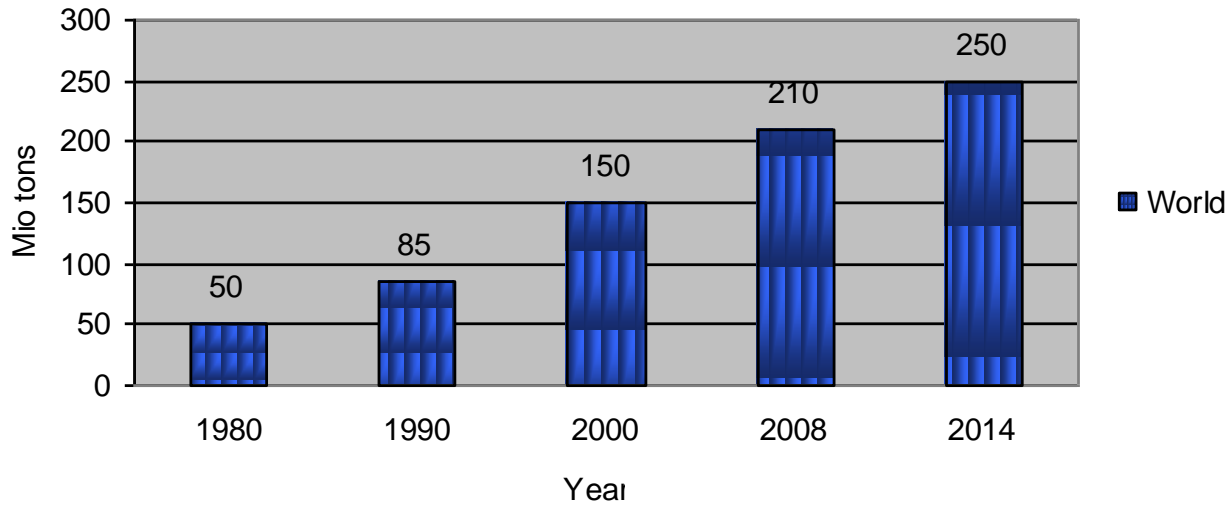
Containerboard innovation

- Trend to larger scale mills
- Trend to lightweighting
- Increasing demand for white – 41% of SKG business
- Improved performance of fluting – high performance
- Tackling energy usage and environmental concerns

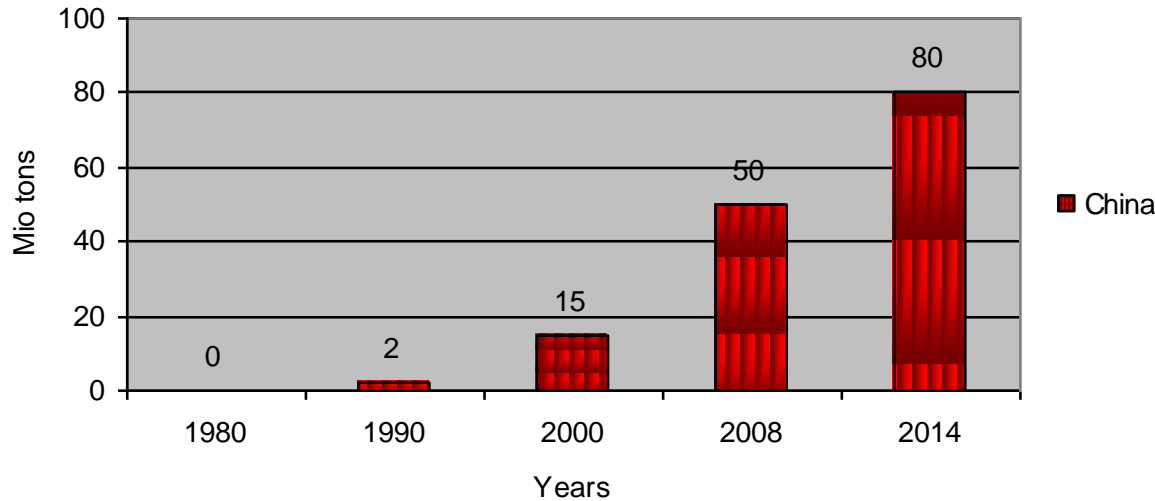


The challenge of costs - Fibre availability

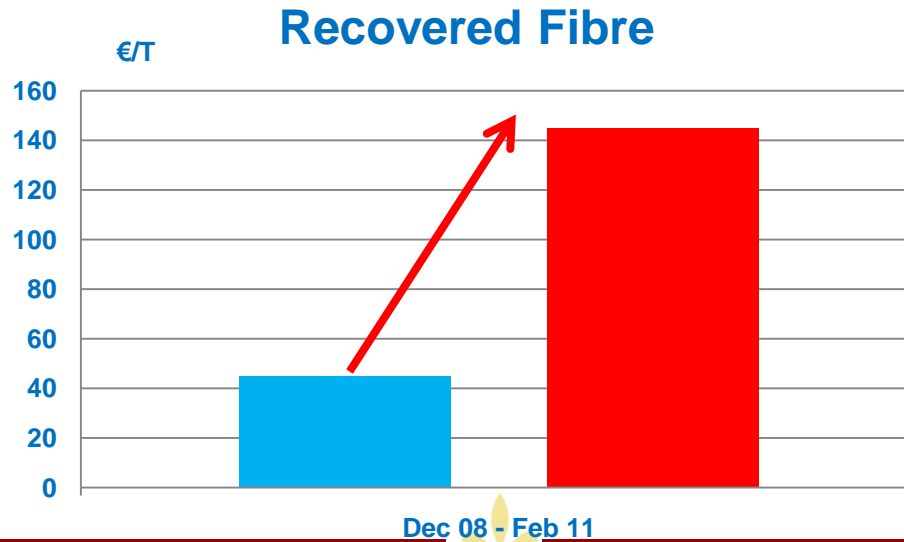
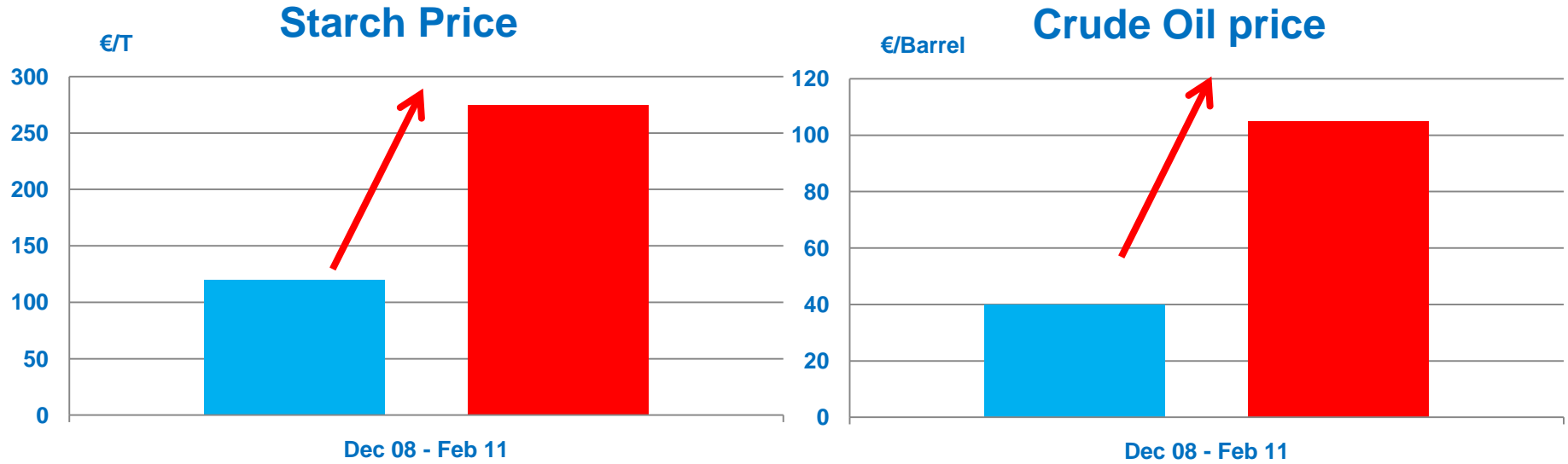
- Recovered paper usage will continue to grow



- China will be the driver



The industry - cost pressures



Cyclicality – changes in supply

- Removal of credit
- Reduction in subsidies
- Inefficient mill closures
- Raw material and wood issues
- Consolidation

Potentially

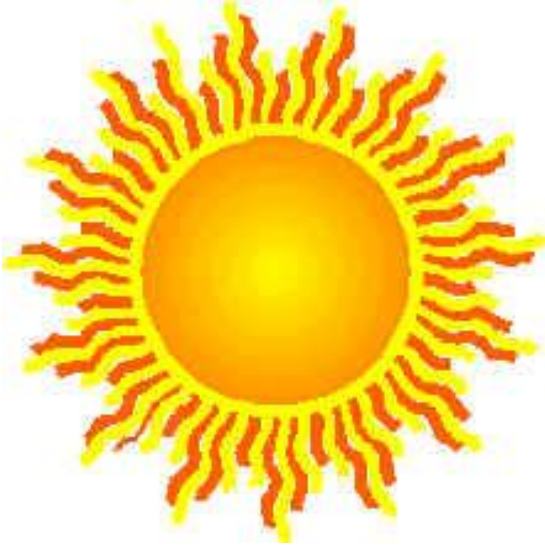
- More Balanced for longer





Plan without supplier
self destruction!

So - how bright is the future?



Question

- Deal with these challenges:
 - Less cyclical
 - Moving away from a commodity
 - A sustainable and renewable resource

Will it alter the corrugated operating model?

- What is the best corrugated model?



Operating models

- Which is the best?

The one that begins with the customer



Beginning with the customer

- **They are:**
 - Big/ small customers
 - Wanting big/ small boxes
 - Local/ national/ multinational
 - Specialised / basic demands
 - Skilled/ design dependant

- One size doesn't fit all of them – why should it us?



Operating philosophy

- Customer orientation
- People
- Motivation
- Operating excellence



‘Living in the customer’s world’



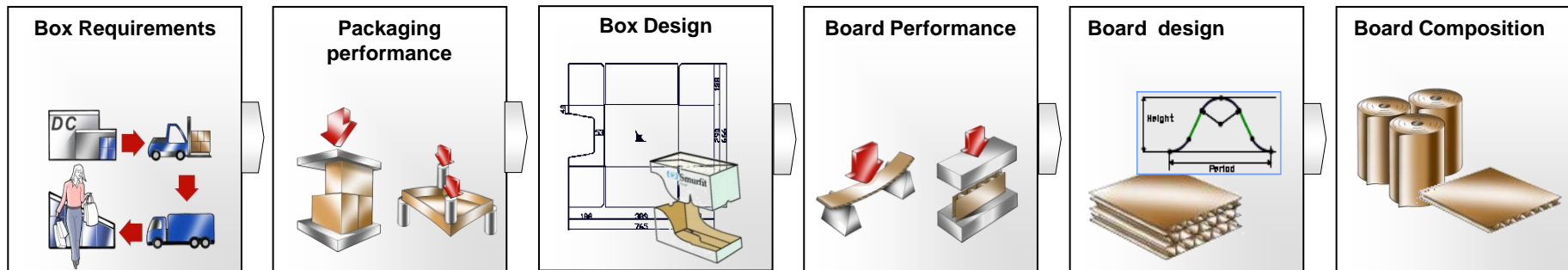
Capitalise on our strengths as an industry

- Performance packaging



Performance packaging

- Lightweight paper
- Reduce your amount of non-functional packaging material
- Resulting in packaging that is neither too light nor too heavy
 - Fit for purpose, fit for customer



Capitalise on our strengths as an industry

- Lightweighting
- Print



More print

- Entering the marketing arena
- Selling and packaging the product
- Better quality recycled substrate



Be Different



Use Family



Be Large



Capitalise on our strengths as an industry

- Lightweighting
- Print
- Mechanised packaging



More mechanised packaging

- Understanding the customers logistics and cost pressures
- “Packing the package”



Capitalise on our strengths as an industry

- Lightweighting
- Print
- Mechanised packaging
- Value added



More value added

- Support our customers winning on shelf
- Will the shopper see your product
 - Stopping power



Keep Upright



Create Facing



Add Message



Leadership

- The business doesn't run by itself
- The key resource is people
- Organised
- Motivated
- Drawn together by leadership



This is where we come in!



In Summary

Understanding the business

- Understand the value proposition
- Analyse the cost base
- Build efficiency
- Work on the model of returns
- Better always beats bigger



In Summary

Organise our industry “voice”

- Product/industry has a bright future
- Up to us to promote the benefits
- Paper based packaging is
 - Sustainable
 - Recyclable
 - Renewable
- Have a responsibility to the future of our industry



In summary

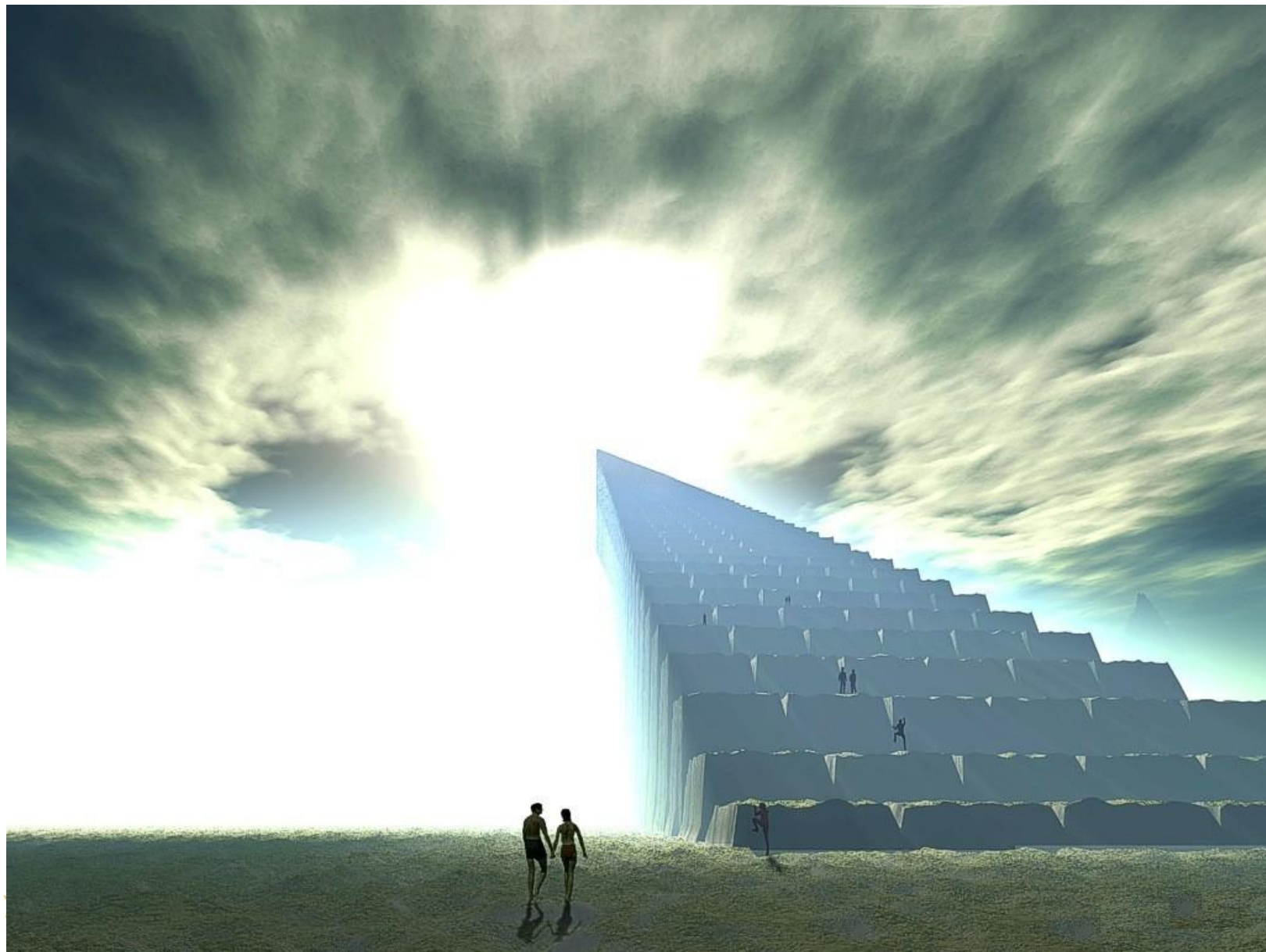
- A great product in a good industry
- Moving on
 - Steps rather than step changes
- Will continue to change
- We shape our own destiny
 - Not rely on paper
 - Natural advantages
 - Innovate
 - Make our product and offer appropriate



Follow the model that begins with the customer



We aim for more



Our return can also be sustainable

