

# Strategy Update



March 24, 2020

**Huhtamaki**

# Agenda

1. Shaping the sustainable future
2. Financials supporting our strategic priorities
3. Conclusions

# COVID-19

## Update



Charles Héaulmé  
President and CEO

**Huhtamaki**

These **unprecedented times** remind us of our beliefs and reinforce our commitment to our priorities: **protect people, protect food, protect the planet.**

# In active crisis management mode since mid-January

## Our guiding principles

- The safety and health of all our stakeholders remains our number one focus and priority during COVID-19
- We are following the guidelines from governments, international and local health authorities, and our own health and safety experts
- A global Crisis Management Team is working through the situation, since the initial outbreak in China

## Our key global employee actions

- Provision of up-to date guidelines on how to manage exposure and/or any illness
- Hygiene provision and increased sanitization implemented globally
- Restriction of all non-critical business travel
- Self-quarantine and social distancing policies
- Restrictions on all visitors to Huhtamaki premises
- Working remotely actively encouraged and systems set up for this
- Focus on business and operational continuity

# Actions taken to safeguard business continuity

## Product Safety

Ensuring Huhtamaki products are safe to use – anytime, anywhere

Continuing to look at best ways to test and evaluate surfaces for extra protection – Low risk that our products/ packaging of our products would be contaminated\*

Increased sanitization and hygiene – across offices and factories

## Production Processes

Manufacturing operations are certified and audited for safety – Frequency and depth of cleaning has also been increased globally

Only business critical access is allowed to manufacturing sites – Restricted necessary employees movements, staggering access to sites and containment of teams (e.g. splitting shifts)

Production contingency planning – to offset any production interruption and supply chain limitation

## Business and Financials

Daily business continuity review – global process run by HQ

Daily cash review and financial contingency planning – securing financing and immediate actions to protect profit and balance sheet

Downscaling or cancelling – all internal and external events. Although AGM still planned to take place on April 29th

\*According to recently published data from the US authorities and university labs, COVID-19 virus is detectable for up to 24 hours on cardboard and 72 hours on plastic surfaces. Production and freight lead time are outside this period so transmission through our production process is a low risk

# Status of our operations to-date

## Health of employees

To date, 3 employees (out of 18,589) diagnosed with COVID-19. All three cases are in self-isolation at home and measures have been taken to contain.

## Situation in China

After the temporary interruption in manufacturing during the extended Chinese New Year, we are now running at full capacity, with 94% of employees at work and 90% running rate

Topline temporarily impacted as market demand remains low

## Operations in the rest of the world

Sacramento and Malaysia factories shut down temporarily by authorities. Contingency production already under control

All other sites running normally, managed on a case-by case basis in conjunction with local authorities

## Supply chain

Raw material tensions but no interruption foreseen

Main supply chain constraints coming from logistics

# Our perspective, today, for 2020 – resilience built-in through diversified portfolio

## Food on-the-go (Foodservice packaging)

**Foodservice** sales will be temporarily affected by closures of quick-service restaurants

Demand for food delivery has increased, as people stay more at home

Strong activity in drive-through restaurants continues

## Food on-the-shelf (Flexible and Fiber packaging)

Demand for **flexible packaging** and **fiber packaging** resilient to effects from COVID-19

In Europe, multinationals are building safety stocks and asking for additional volumes on short notice

Limited impact expected on retail business and consumer goods products

We have a healthy balance sheet ensuring our resilience in this temporary crisis

We continue our planned investments and efficiency activities, which are key for our future success



# Shaping the sustainable future



Charles Héaulmé  
President and CEO

**Huhtamaki**

# Agenda

1. Delivering growth
2. A changing world
3. Ambition & strategic priorities
4. Strong business segments

Delivering growth



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# Huhtamaki operates on a global scale

NET SALES

€3.4B

ADJUSTED EBIT MARGIN

8.6%

MANUFACTURING UNITS

81

OPERATING COUNTRIES

35

EMPLOYEES



18,598



# Broadly serving food-on-the-go and food-on-the-shelf

Markets  
Customers

Food-on-the-go

QSR      Food Delivery

Food-on-the-shelf




FMCG      Retail

Products










Convenience      Food safety      Food availability      Food waste reduction

Packaging

Foodservice packaging      Molded fiber packaging      Flexible packaging

# We are integrating Fiber Packaging and Foodservice EAO

## Our current segment structure



## Our new segment structure



We will continue to report our financial performance according to the old segment structure at least during 2020.

## Rationale for the integration

- Improving customers access to combined fiber and paperboard technology
- Leveraging organization synergies and growth opportunities (plastic substitution, food delivery)
- Positive financial benefits

# Introducing our diverse Global Executive Team



Charles Héaulmé  
President  
and CEO



Arup Basu  
President,  
Flexible Packaging



Clay Dunn  
President,  
North America



Eric Le Lay  
President, Foodservice EAO  
and Fiber Packaging



Thomas Geust  
CFO



Marina Madanat  
EVP Strategy and  
Business Development



Sami Pauni  
EVP Corporate Affairs and  
Legal, Group General Counsel



Teija Sarajärvi  
EVP Human Resources  
and safety

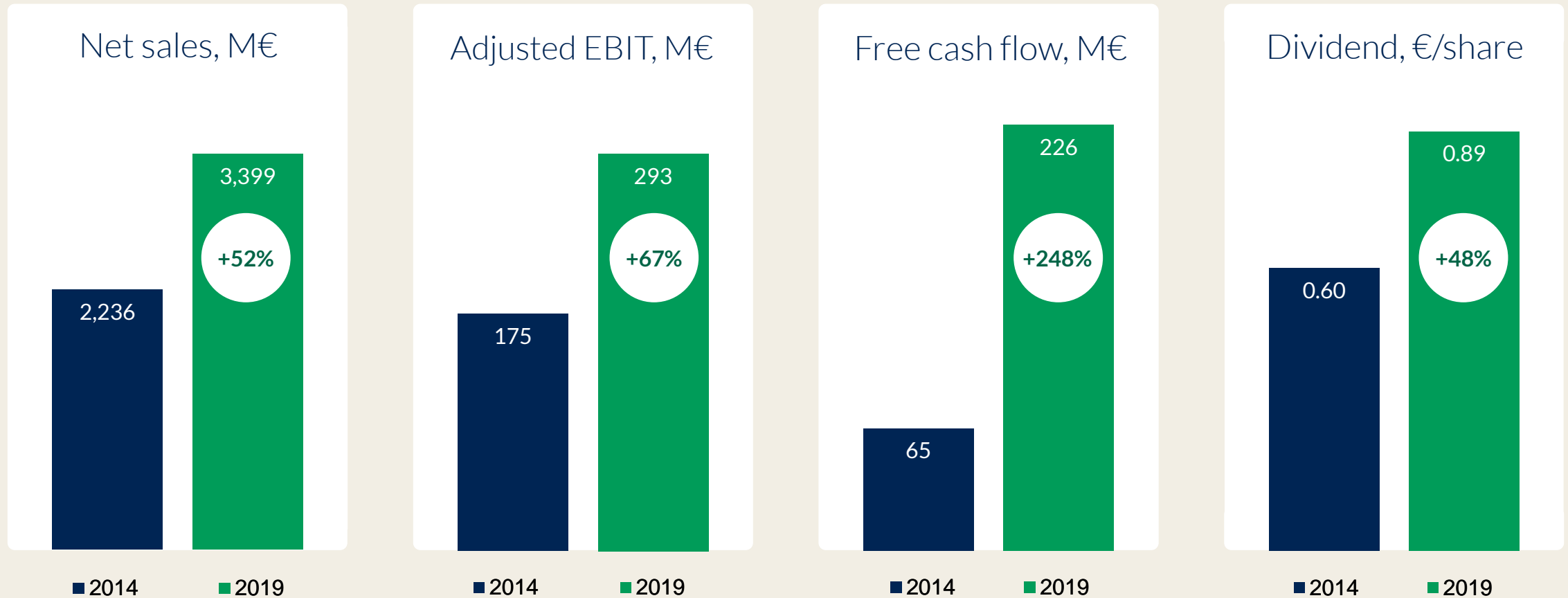


Antti Valtokari  
EVP IT and  
Process Performance



Thomasine Kamerling  
EVP Sustainability  
and Communications

# We have delivered strong growth





# Leveraging our unique value proposition



## Customer centricity

- Long-standing relationships
- Trusted and reliable partner
- High quality product standards
- Strong product innovation



## Global footprint

- Assets in North America and Europe
- Increasing presence in emerging markets
- Local service to customers' needs



## Multiple technologies

- Molded fiber packaging
- Foodservice packaging
- Flexible packaging



## Sustainability

- 70% of raw materials from renewable source
- Fiber packaging portfolio from recycled content
- Customer focused innovation in sustainable solutions

# BEUR 1.5 invested globally in geographic, sustainability and new business model expansion

## Markets

Achieving scale in core European and USA markets

Expanding in Egypt, China, India, UAE, Malaysia, Thailand, Russia, South Africa

## Products

Expanding in sustainable folding carton, bags and wraps

Introducing new sustainable innovations – blueloop for flexible packaging, Fresh molded fiber trays, paper straws

## Business Models

Short-run for foodservice and flexible packaging businesses

Distribution in foodservice

Note: Investments include capital expenditure and M&A at enterprise value for the period of 2015-2019

A changing world

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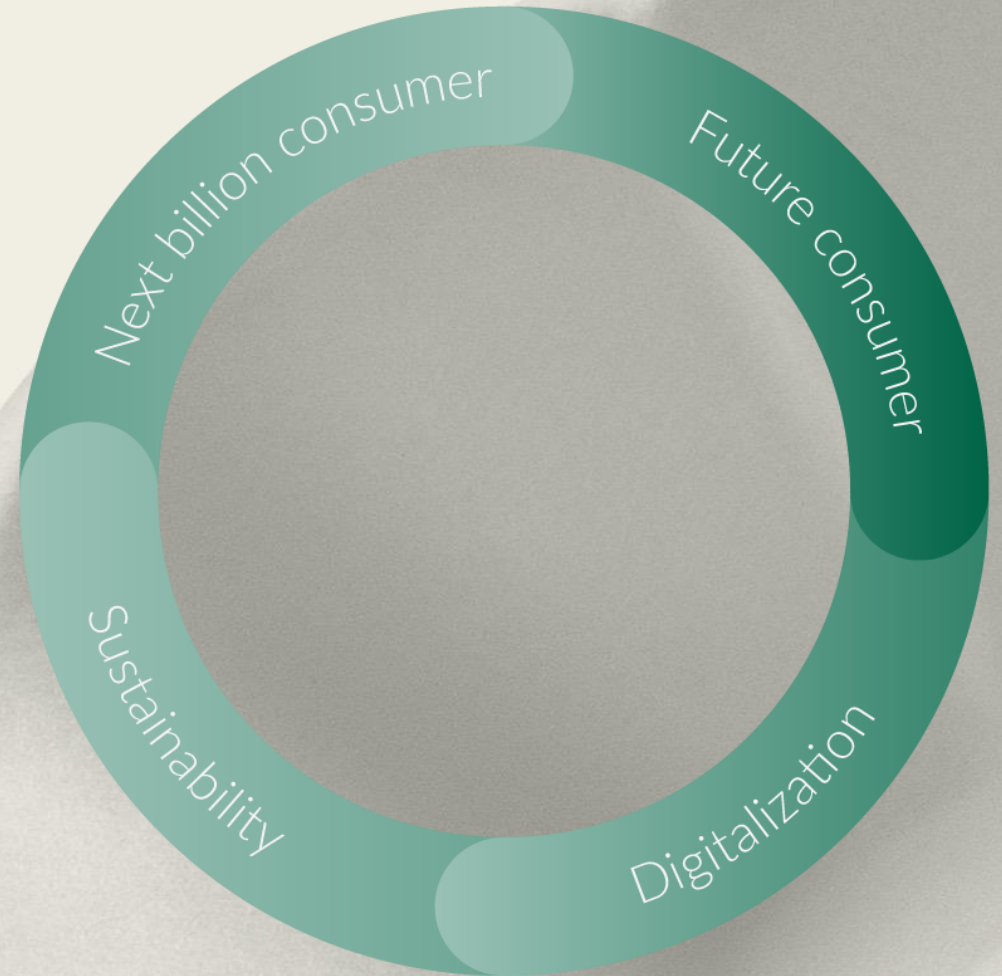
# The future of food packaging is impacted by four transformative trends

**The next billion consumers** will come from emerging markets.

**Future consumer** will require packaging to be innovative, individual and sustainable.

**Digitalization** will influence packaging and the way we do business.

**Sustainability** will drive innovation and collaboration.



# The next billion consumers will come from emerging markets

Middle class will increase by 1.8B people in the next 10 years

Coming from China, India, South East Asia and longer-term Africa

Demanding safe access to affordable food every day, enabled by packaging

Driving the need for local scale and cost competitiveness



# Consumer of the future will require packaging to be innovative, individual and sustainable

Consumer of the future values convenience and self expression

Consciousness of personal and environmental wellbeing is increasing

New brands and models are emerging in Food delivery, FMCG, Retail

Increasing demand for innovative, individual, sustainable packaging fast to the market



# Digitalization will influence packaging and the way we do business

The pace of digitalization will accelerate

Creating demand for smart packaging for product traceability and consumer engagement

Technology and analytics will reshape operations

New digital-enabled business models will rise



# Sustainability will drive innovation and collaboration

Increasing consumer sentiment and regulation spreading globally

Demanding circularity and plastic substitution solutions

Driving a need for innovation in products and business models

Requiring us to collaborate across the value chain





# Addressing packaging waste is key for the future

40% of plastics produced globally goes into packaging

Together, five countries account for 55-60% of the plastic waste leakage

Main items found in coastal clean-up:

- Cigarette butts
- Food wrappers
- Straws & stirrers
- Plastic cutlery, bags, bottles & bottle caps



# Understanding the value of packaging within the broader sustainability context



## Health

Packaging promotes hygiene and prevents spread of disease

## Food safety

Packaging keeps food safe from spoilage and preserves its original properties

## Food availability

Packaging allows food to be transported affordably and at low emissions

## Food waste prevention

1/3 of food is wasted, representing 8% of food system's GHG. Packaging prevents food waste

# Partnering is key to making packaging sustainable

We all need to co-operate – Huhtamaki, Industry, Regulators, Communities and Consumers – to promote and create a responsible lifestyle



Innovate for circularity



Promote renewable sources & recycling



Help develop collection & recycling infrastructure



Invest in education



Behave responsibly

# Ambition & strategic priorities



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# Huhtamaki Strategy

We are for shaping the sustainable future of everyday life to offer wellbeing, convenience and responsible lifestyle to billions of people everywhere

Our ambition is to become the first choice in sustainable food packaging

Our strategic priorities are Growth, Competitiveness, Talent, Sustainability

We are grounded in our values –  
**Care, Dare, Deliver**



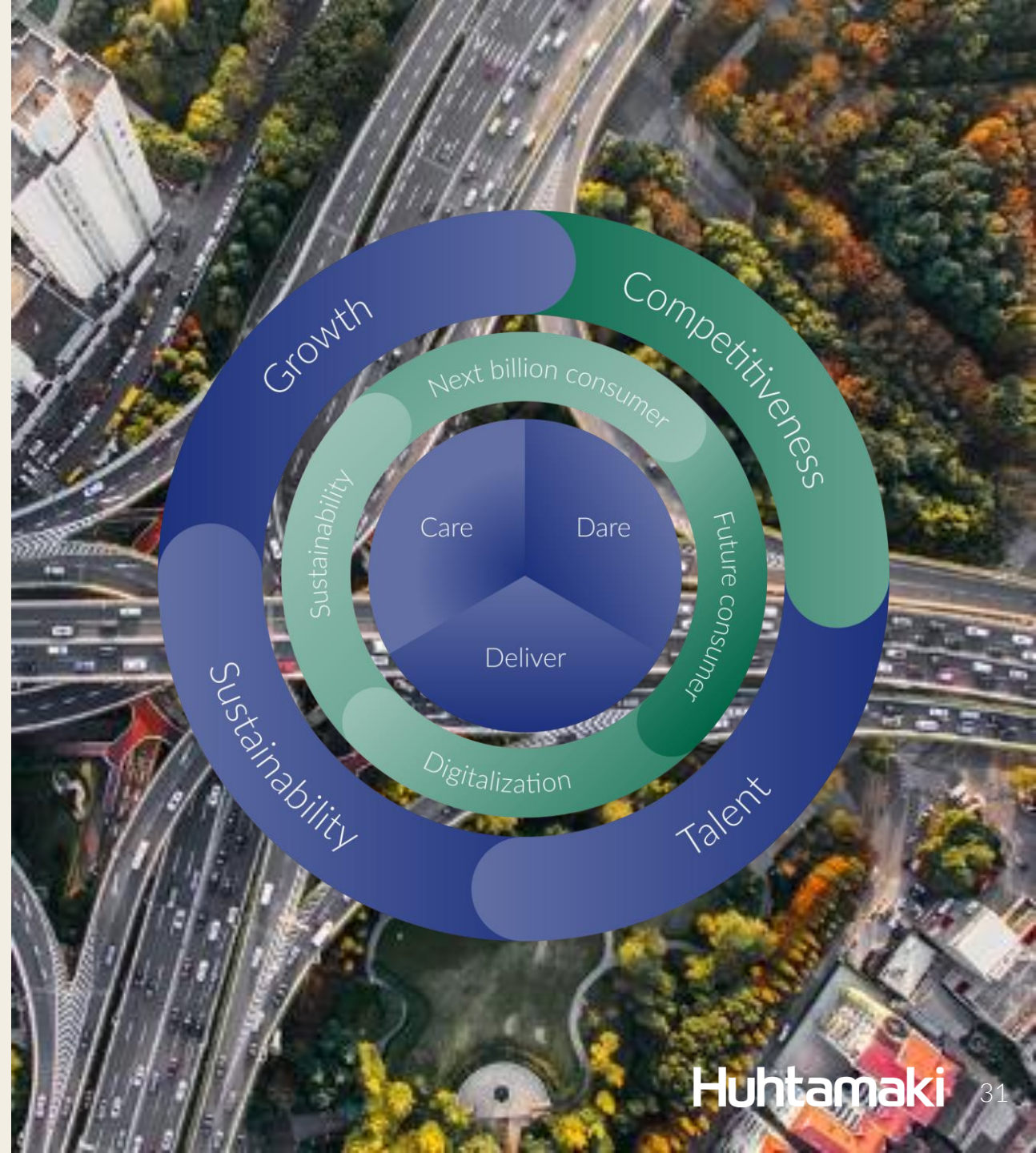
# We will grow our business

- Pursue scale in our core businesses through organic investments and M&A
- Expand in emerging markets, especially Asia
- Develop sustainable solutions
- Develop food delivery packaging business
- Step up long-term innovation and venturing



# We will improve our competitiveness

- Achieve world-class operational performance
- Focus on process performance
- Achieve scale and structural efficiencies across the company
- Digitize our operations and modernize IT



# We will develop our skilled **talent**

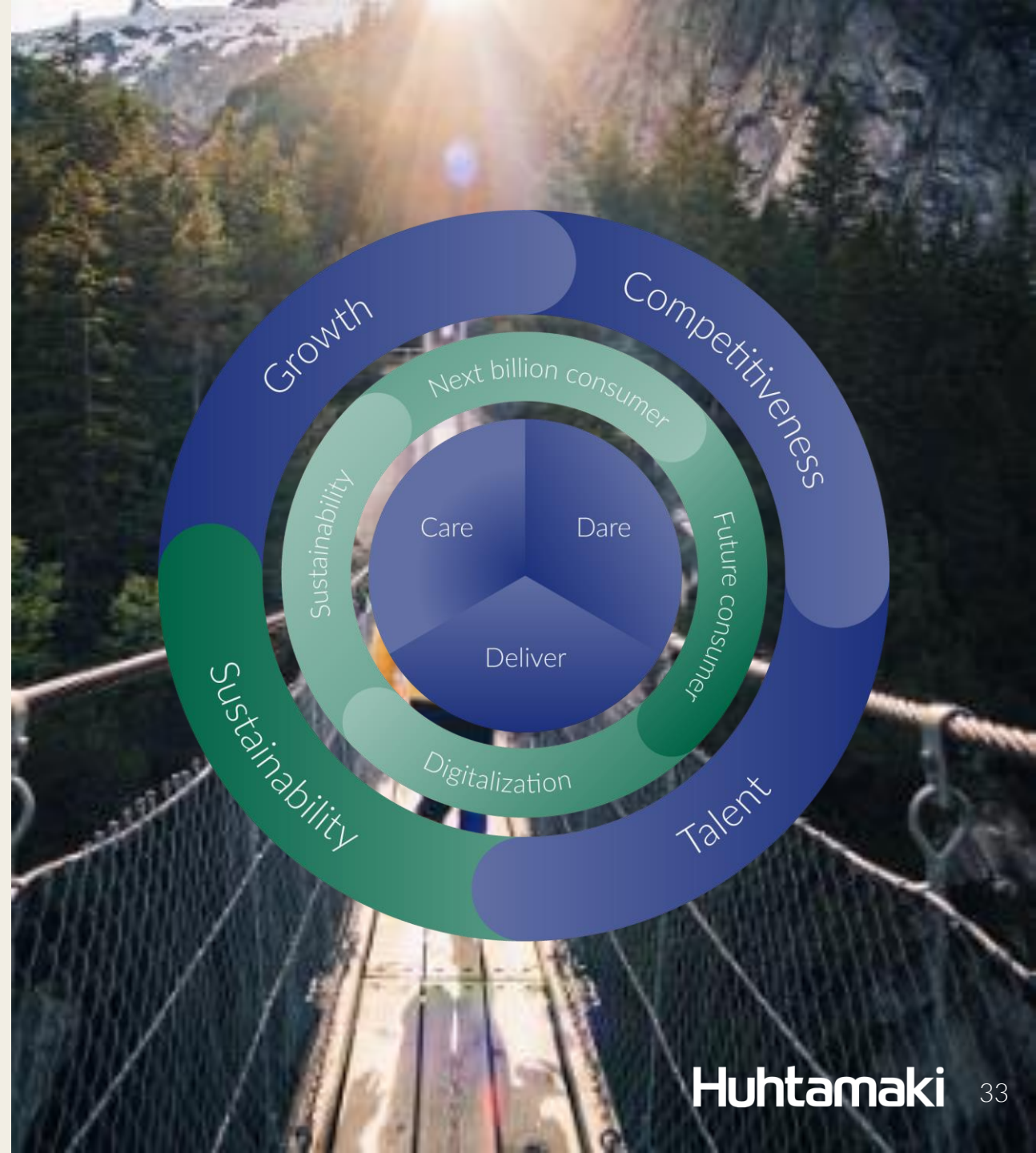
- Develop strategic capabilities
- Promote high-performance culture
- Develop zero-accident safety culture
- Embed our strong values in the way we work and in all our business decisions – everyday





# We will embed sustainability in everything we do

- Become world-class in environmental, social governance
- Strengthen and focus innovation on sustainable packaging designed for recycling, composting or re-use
- Achieve over 80% of renewable or recyclable raw material use
- Achieve carbon-neutral production
- Collaborate with value chain to provide circularity



# We are setting high ambition for sustainability, building on a strong base and track record to deliver

## Achievements 2015 – 2019

- Sustainable innovations in paper straws, blueloop and Fresh commercialized
- 13% lower GHG emissions per tonne of products
- 68% renewable materials
- More than 98% of fiber from recycled or certified sources
- 74% of industrial waste recycled
- Supplier risk management process in place

## Our 2030 ambition

100%

of products designed to be recyclable, compostable or reusable

Carbon neutral

production and science-based emission target

100%

renewable electricity

>80%

renewable or recycled raw material

100%

of fiber from recycled or certified sources

>90%

of non-hazardous waste recycled or composted

# We are grounded in our strong values



## Care

We **care** for each other, our customers, partners and communities. We care for the future of our planet embedding sustainability in everything we do.



## Dare

We **dare** to innovate, grow and have an impact. We are a diverse and entrepreneurial team seeking new opportunities with our customers.



## Deliver

We commit and **deliver** solutions to our customers, with integrity and as a team. We are ambitious and strive for high performance.

# Our long-term financial ambition

Our ambition

First choice in  
sustainable food  
packaging

Comparable growth

5+%

Adjusted EBIT margin

10+%

Net debt/Adjusted EBITDA

2-3

Dividend payout ratio

40-50%

Strong business  
segments



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# Foodservice EAO

## Global key accounts in QSR, Coffee and FMCG

- Strong business with room to grow product portfolio and expand geographically
- Well positioned to expand in emerging markets

## Plastic substitution

- Unique platform in paperboard conversion and molded fiber, to develop complex sustainable solutions
- Global reach and scale allows to industrialize new solutions fast

## Agile models

- Agile model serving small accounts, combining short-run, long-run, sourcing and distribution capabilities
- Base to build a strong food delivery packaging business



5-7%

Comparable growth  
ambition

9-11%

EBIT margin  
ambition

# Fiber Packaging

## Egg and fruit protective packaging

- Steady underlying growth and plastic substitution in some geographies
- Room to expand geographically, within product categories and to take share from plastic
- Base to develop circular models together with Foodservice

## Molded fiber technology

- Plastic substitution in QSR, FMCG and Grocery Retail drives demand for more complex molded fiber applications
- Our molded fiber technology and application development capabilities position us well to capture this opportunity together with Foodservice



3-5%

Comparable growth  
ambition

13-15%

EBIT margin  
ambition

# North America

## Retail, Foodservice, Consumer goods

- Convenience lifestyle driving growth for our core products
- Room to expand in growing categories – folded carton, molded fiber, private label pressed plates

## Unique capabilities position us well to capture growth

- Brand building and retail expertise
- Ice cream systems and capabilities
- Paperboard technology and ability to do complex promotion management
- Molded fiber technology and scale
- Strong track record in sustainability
- National network allowing us to offer right products in the right markets to the right customers



3-5%

Comparable growth  
ambition

9-10%

EBIT margin  
ambition



# Flexible Packaging

## Strong demand for flexible packaging

- Strong underlying demand for FMCG products, driven by emerging markets
- Flexible packaging remains superior solution for modern retail supply chain
- Footprint in fast growing emerging markets with further room to expand
- Accelerating innovation in line with our customer needs positions us for growth above market

## Competitiveness, agility and sustainability

- Improving operations to be the best-in-class will drive rise in profitability
- Increasing agility, while maintaining quality and reliability
- Actions in circularity, advocacy and innovation for sustainability will enhance our industry leadership



6-8%

Comparable growth  
ambition

9-11%

EBIT margin  
ambition

# Financials supporting our strategic priorities



Thomas Geust  
Chief Financial Officer

**Huhtamaki**

# Building profitable growth from our excellent market position

Capture

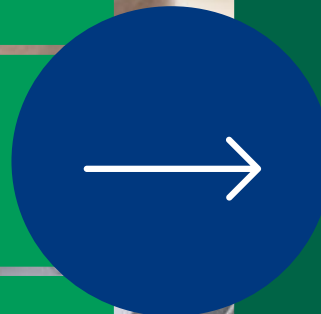
**GROWTH**

Improve

**PROFITABILITY**

Generate

**CASH FLOW**



Prioritized

**INVESTMENTS**

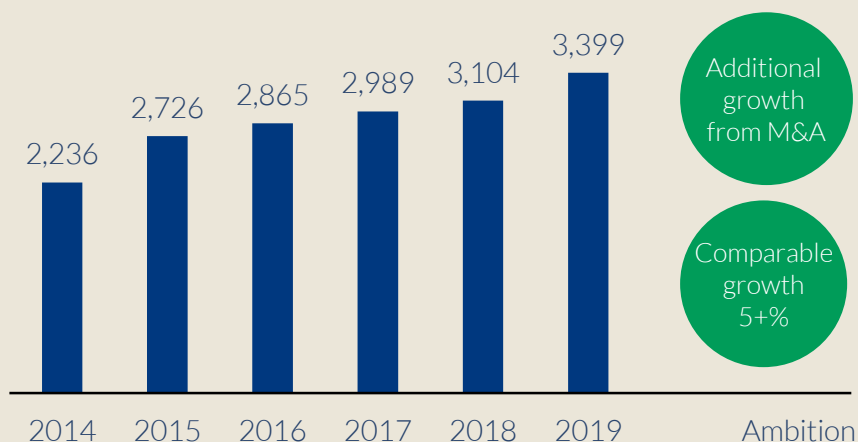
Predictable

**DIVIDENDS**

# Continue to grow by allocating capital efficiently

## Net sales and growth rates

(EUR million and %)



	2014	2015	2016	2017	2018	2019
Total	3%	22%	5%	4%	4%	10%
Comparable	6%	4%	4%	3%	5%	6%
M&A	-1%	9%	3%	2%	3%	2%
FX	-2%	9%	-2%	-1%	-4%	3%

CAGR of comparable and M&A growth 6% (2014-2019)

## Capture growth avenues

### Scale our core business

- Follow and serve our customers
- Expand in emerging markets

### Invest in growth products and solutions

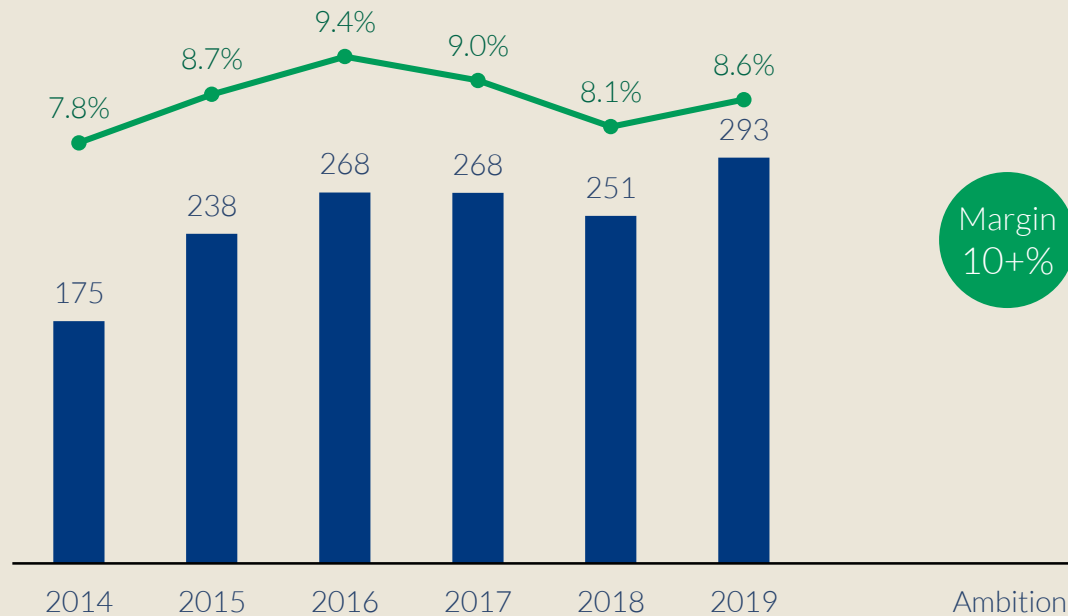
- Develop sustainable solutions
- Innovation and partnering

Capex, M&A and partnering will be the vehicles to facilitate the growth in our attractive markets

# Focus on improving profitability

## Adjusted EBIT

(EUR million and % of net sales)



## Actions to improve profitability

Offer value to customers

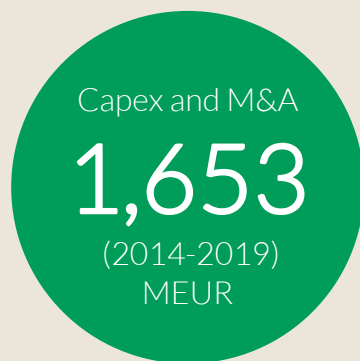
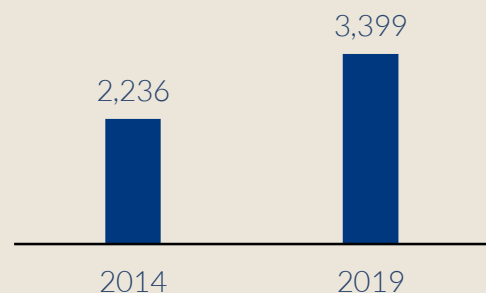
Improve operational performance by

- Benefitting from scale
- Manufacturing efficiencies
- Eliminating waste
- Competitive equipment

Optimize and leverage footprint

# Capex and M&A support growth

## Net sales (EUR million)



## Capex

### New units and major expansions

- Continued expansion into retail and foodservice in North America
- New units, e.g. in Egypt
- New products, e.g. Fresh, paper straws

## M&A

### 19 acquisitions since 2011

- Expansion in emerging markets
- New capabilities, e.g. folded carton, short-run capabilities in flexible packaging and foodservice

## Capital allocation

### Strict discipline on selection of growth avenues

- Capex, M&A or partnering
- In line with our Net Debt / EBITDA ratio

## Capex

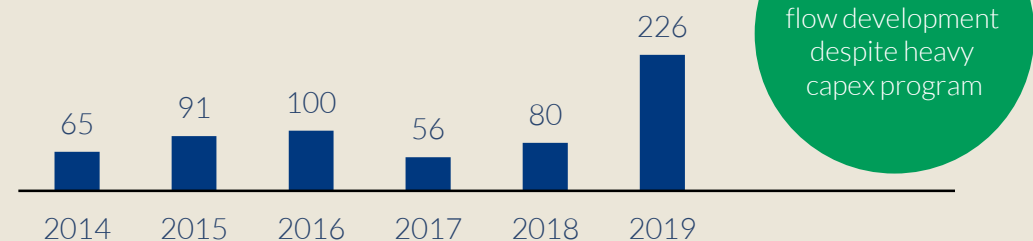
- Continue to focus on growth investments
- Capture opportunities by investing in new sustainable innovations
- Productivity and automation

## M&A

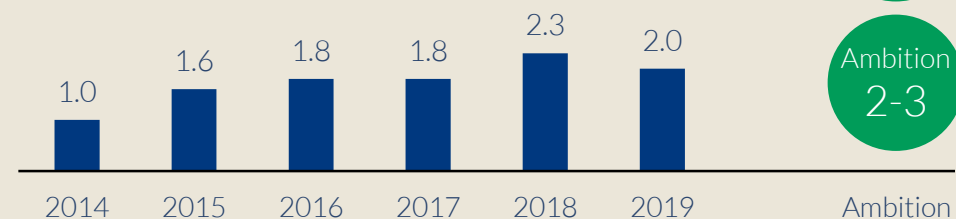
- New geographies
- New capabilities
- Expand product portfolio

# Cash flow generation enables investments and a solid balance sheet

## Free cash flow (EUR million)



## Net debt/adjusted EBITDA



Deliver profitable growth, working capital efficiency and continued disciplined capital allocation

Active screening of financing alternatives - diversified sources and maturities, benefiting from low interest rates

Higher tax spend following profitable growth and operations in high-tax jurisdictions

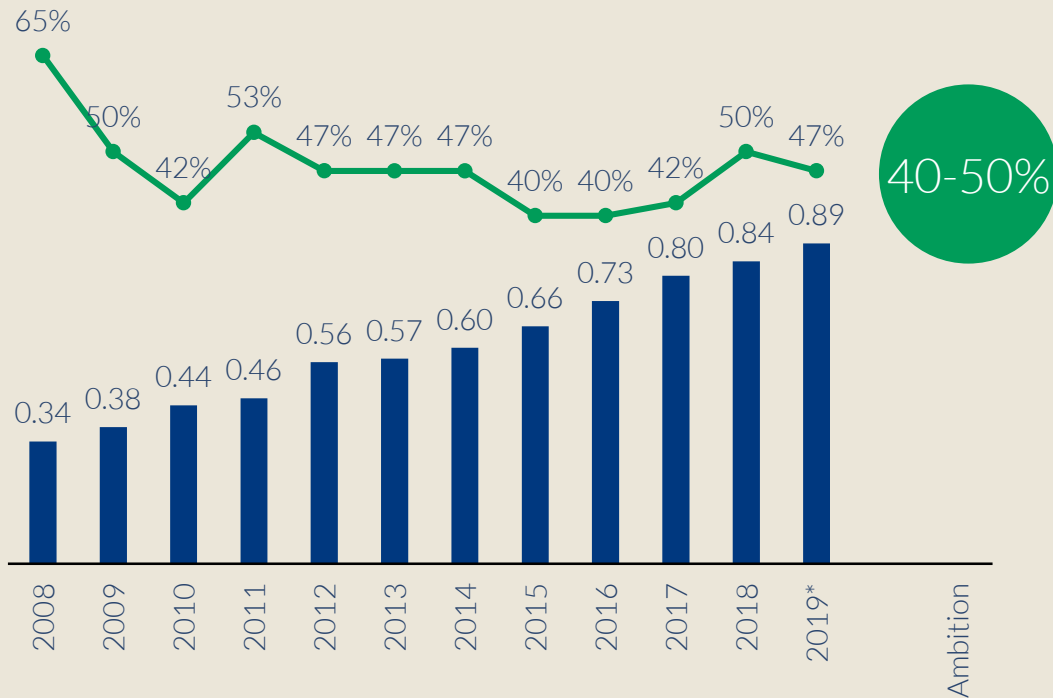
While maintaining and controlling debt levels

We are building on a strong financial foundation

- Average maturity 3.4 years
- EUR 302 million of unused committed credit facilities maturing in 2023
- End of year 2019 net debt levels allow for acquisitions up to some 800 MEUR

# Growth visible also in dividends

Dividend per share and payout ratio  
(EUR million)



\* Dividend for 2019 is a proposal made by the Board of Directors.

## Strong track record of dividends

2019 is the 11th year of growing dividends\*

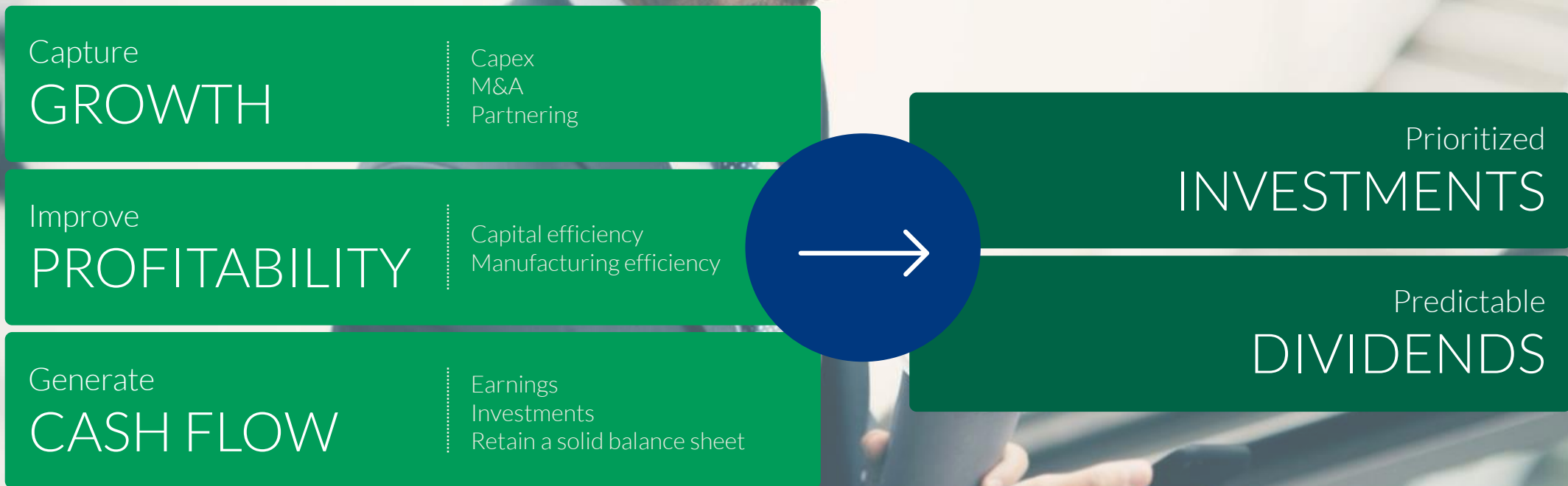
Dividend has increased 162% since 2008\*

CAGR 9% during the last 10 years\*

The Board of Directors aims at predictable and growing dividends



# Building profitable growth from our excellent market position



# Long-term financial ambitions

Comparable growth

5+%

Adjusted EBIT margin

10+%

Net debt/Adjusted EBITDA

2-3

Dividend payout ratio

40-50%

# Conclusions



Charles Héaulmé

President and CEO

**Huhtamaki**

# Our businesses plan will deliver sustainable profitable growth

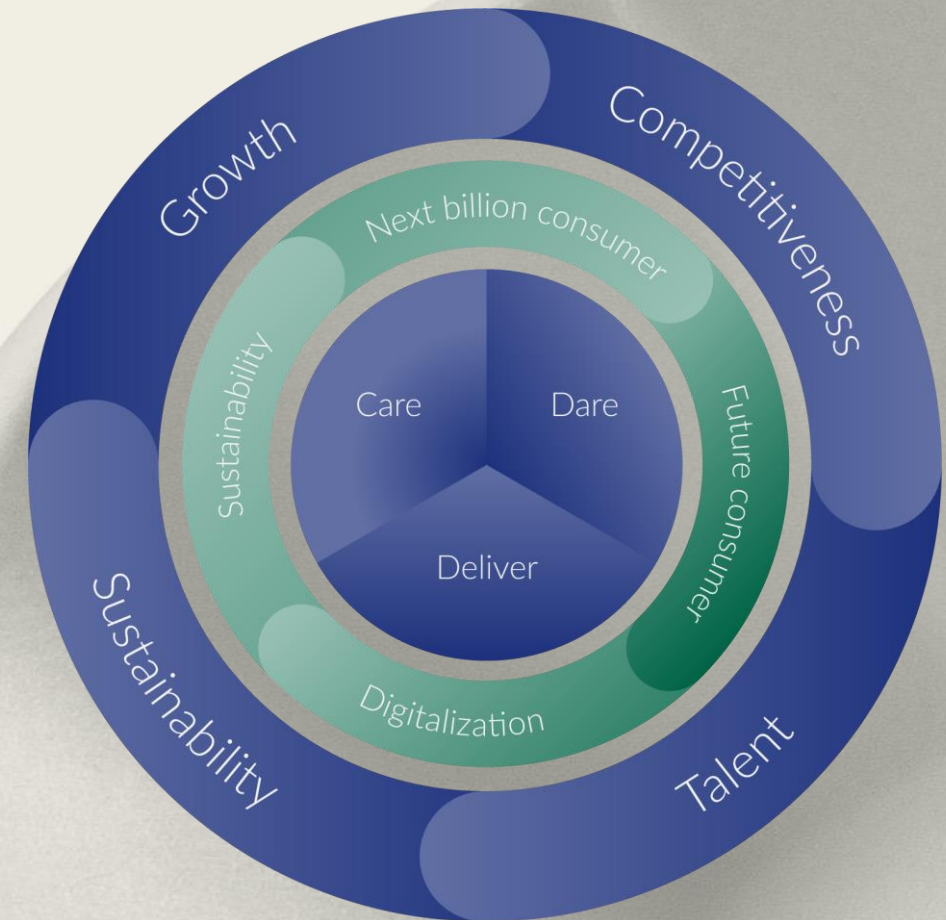
## Strategy focused on four pillars

**Growth.** Scale current core business, invest in emerging markets, invest in developing sustainable solutions, develop food delivery packaging business, step-up long-term innovation for growth.

**Competitiveness.** Drive world-class operations, achieve scale and structural efficiencies, digitize operations.

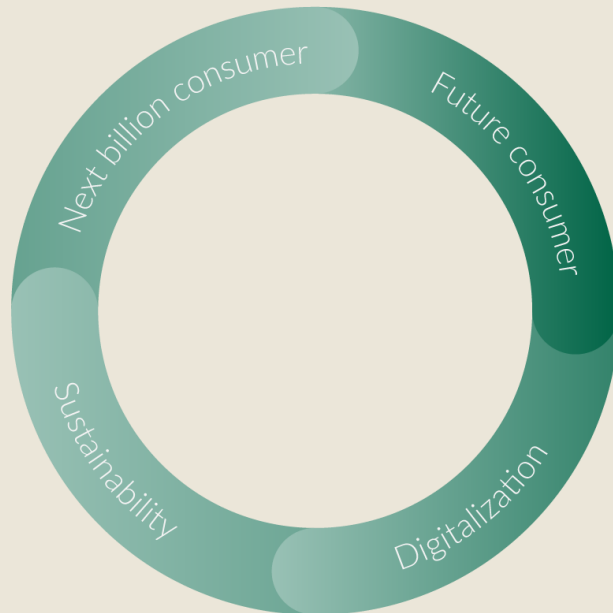
**Talent.** Develop new strategic capabilities, promote high-performance culture, develop zero-accident culture and embed our strong values in the way we work.

**Sustainability.** Raise our ambition, focus innovation on sustainable products, improve operations towards carbon neutrality, engage in partnership for effective circular economy



# We have the strengths to embrace current transformative trends

## Transformative trends



Our global footprint and leadership in Emerging Markets

Our fiber and paperboard expertise

Our manufacturing scale and complex supply chain mgmt. capabilities

Our innovation and execution culture

**In conclusion:** We have a high ambition grounded in our strong point of view and culture



What we stand for

Shaping the sustainable future of everyday life to offer wellbeing, convenience and a responsible lifestyle to billions of people everywhere

What we live by

Care  
Dare  
Deliver



What is our ambition

First choice in sustainable food packaging

Thank you!

For further information, please contact us:  
[www.huhtamaki.com/investors](http://www.huhtamaki.com/investors)  
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