

PACKAGING INDUSTRY INSIGHTS

Five Steps for Value Creation in Today's Complex World

Wilson Perumal & Company, Inc.

Executive Summary

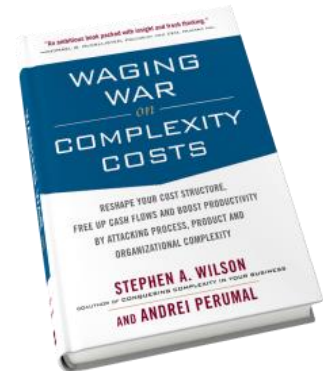
- Packaging companies are currently **facing significant challenges**
 - Ranging from inflation in raw materials to challenging supply chains, and continued growth expectations
- In response, many companies are **launching significant change efforts**
 - Address these challenges, while positioning the organization for growth
- This document outlines **a path for rapid value creation**
 - Read case studies, background on WP&C, and insight into how we can help you reach your goals
- Wilson Perumal & Company is **a leading management consulting firm**
 - Industry expertise and unique capabilities to help companies cut through complexity for profit and growth

**We welcome the opportunity to discuss
how we can help you create value!**

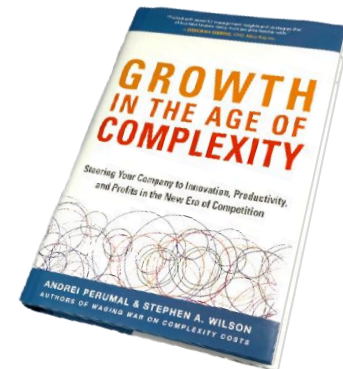
We go deep researching, focusing on and tackling the challenges associated with complexity

- WP&C is a boutique, strategy & operations consulting firm with strong **packaging industry expertise**
- **Founded in 2009 with ~50 full-time consultants**
- **Our focus is complexity**; we help clients compete in a complex world
- Our clients are **leading corporations**, private equity firms, and the US military
- **Typical results: 20-40% EBITDA uplift in 12–18 months**
- **2 books published** by McGraw-Hill and significant work with *The Wall Street Journal*
- Unique **IP and methodologies**: proprietary capabilities such as Square Root Costing
- **Consistently recognized** (e.g., 2019 Best Small Strategy Firm to Work For)

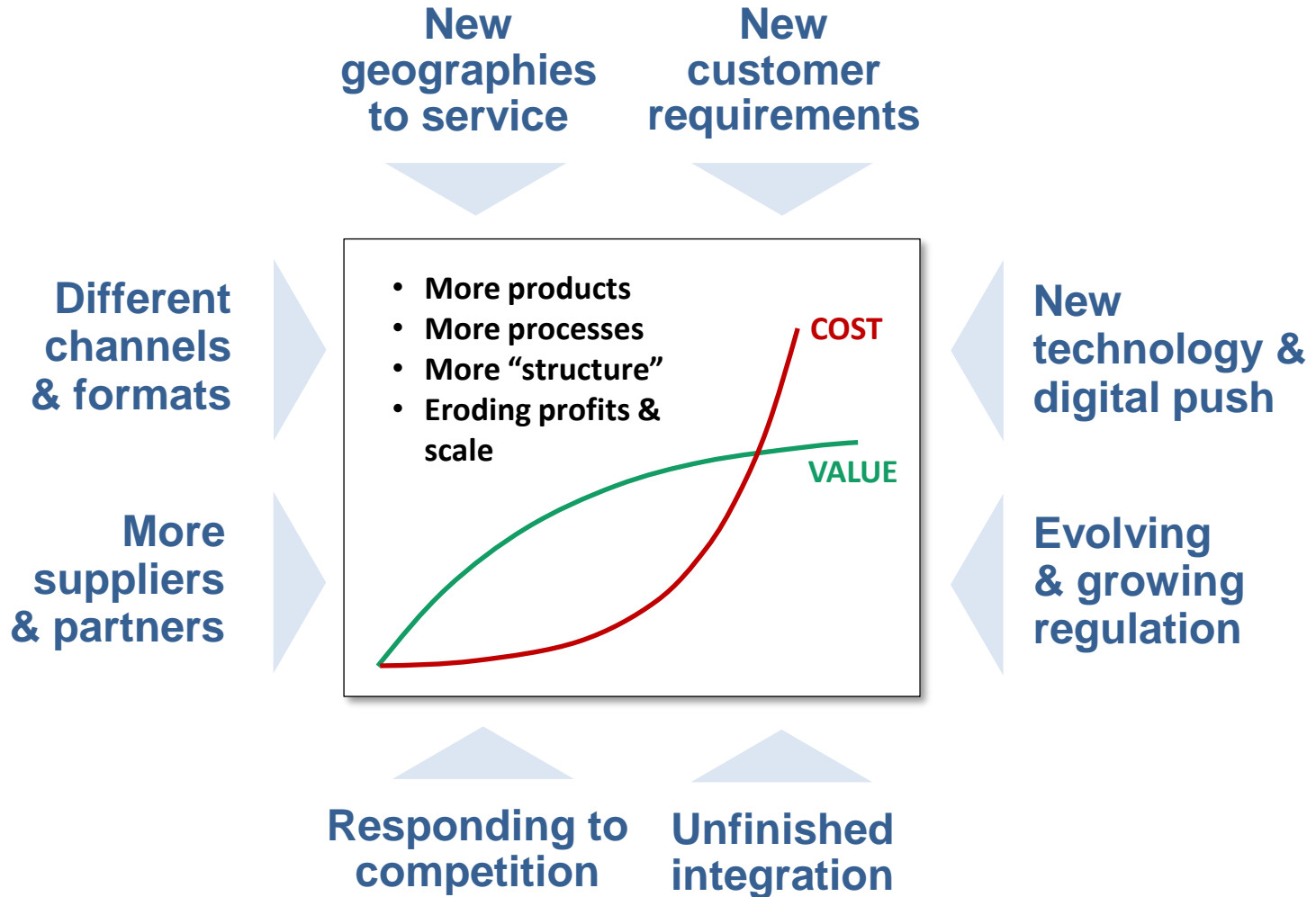
McGraw-Hill, 2009



McGraw-Hill, 2017



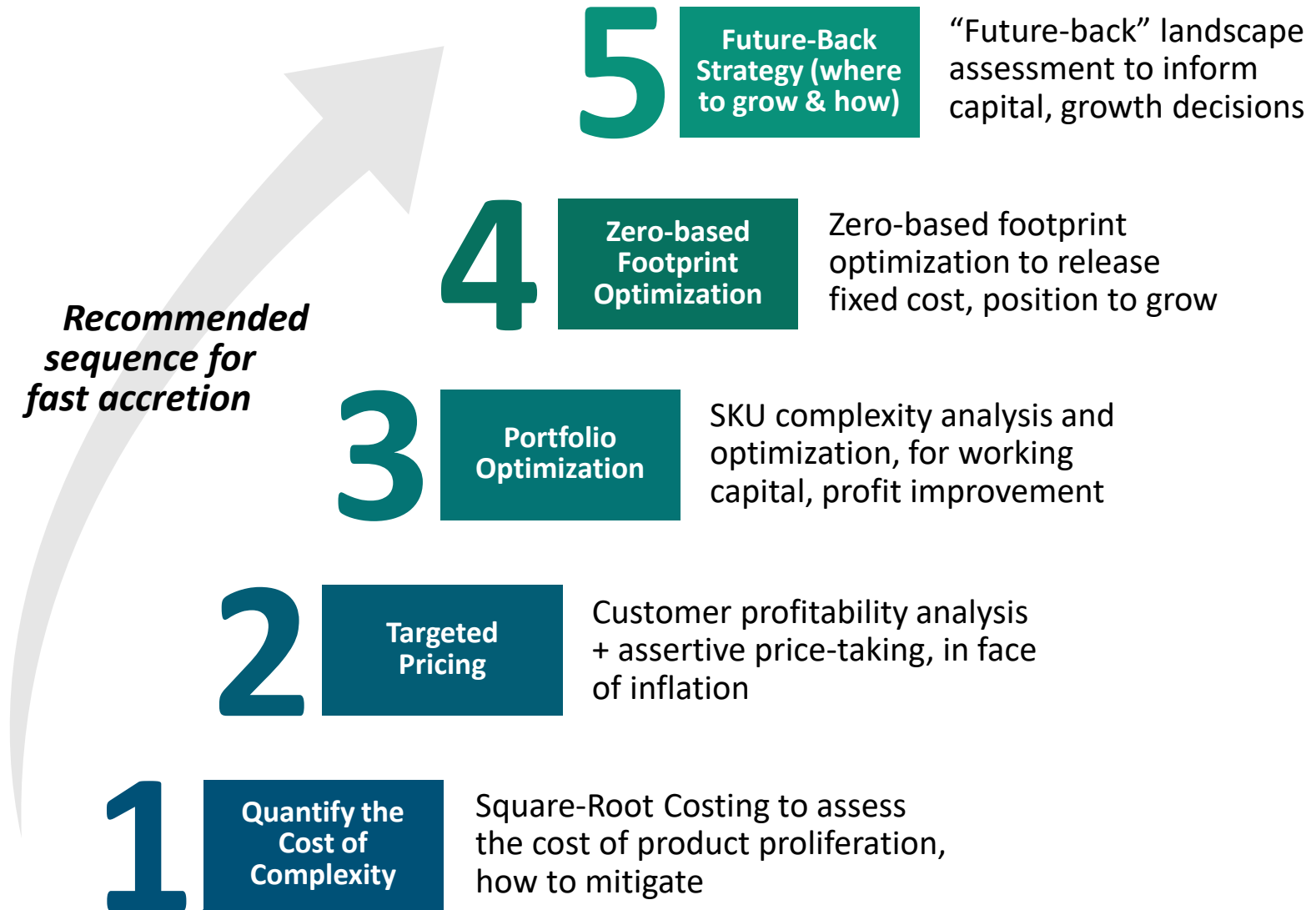
Our perspective is that most companies are overwhelmed by complexity



Packaging companies are facing an evolving set of challenges

- ❑ Input cost inflation, putting margins under pressure
- ❑ Product proliferation increasing, eroding efficiency
- ❑ Changing customer demand patterns
- ❑ Supply chain & network issues lingering
- ❑ Strategic capital allocation considerations
- ❑ Renewed focus on identifying next wave of growth

Our Response: Five steps for outsized value creation



1

Quantify the
Cost of
Complexity

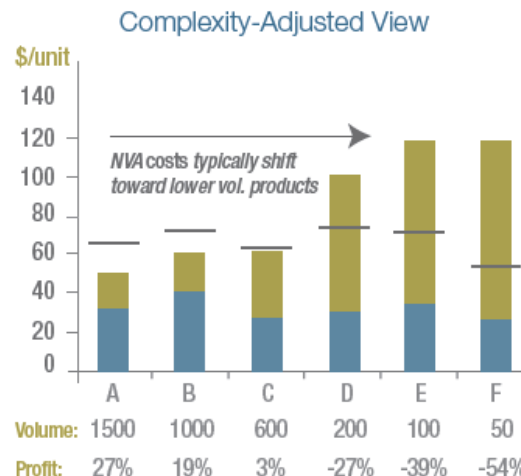
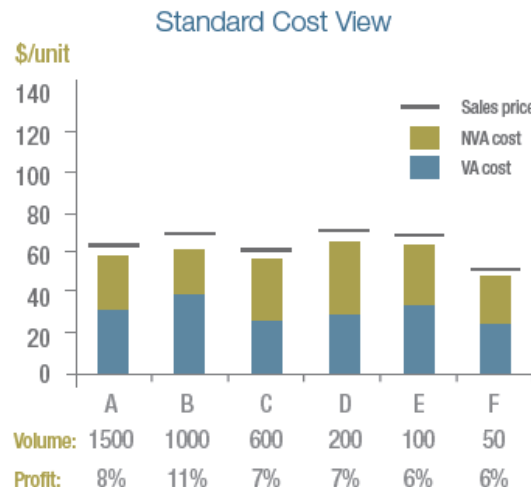
Better understand where you're making money and where you're not

Situation: Most companies rely on standard costs and do not have an accurate view of product or customer profitability. This results in product proliferation and lower profitability.


Opportunity: Use WP&C's Square-Root Costing to understand EBITDA and clarify cost of complexity.

Standard methodologies spread costs evenly making all products look profitable

Square Root Costing reveals which products are truly profitable, and which are not



Square Root Costing in Action

At  MillerCoors™ we determined the cost and profitability of 1,700 products across all nine breweries, down to the operating profit level

"This was a quick and painless way to understand our true product profitability, and it challenges how we think about our business. I am extremely pleased with the results."

—Fernando Palacios
EVP, Chief Integrated Supply Chain Officer
MillerCoors LLC

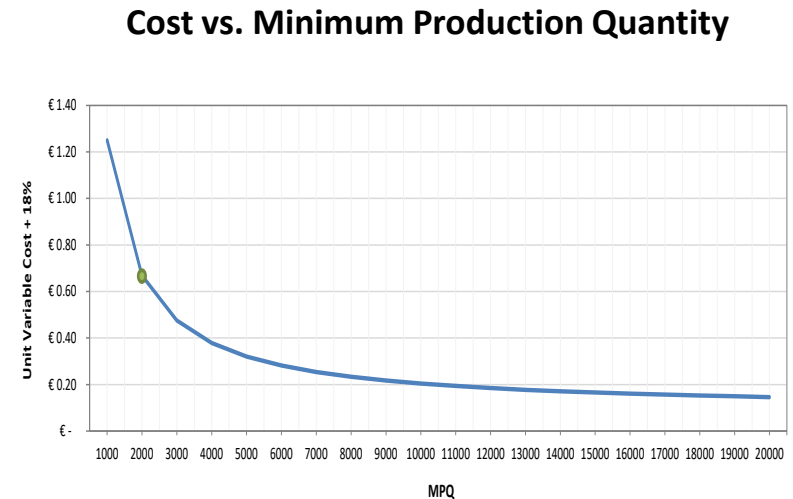
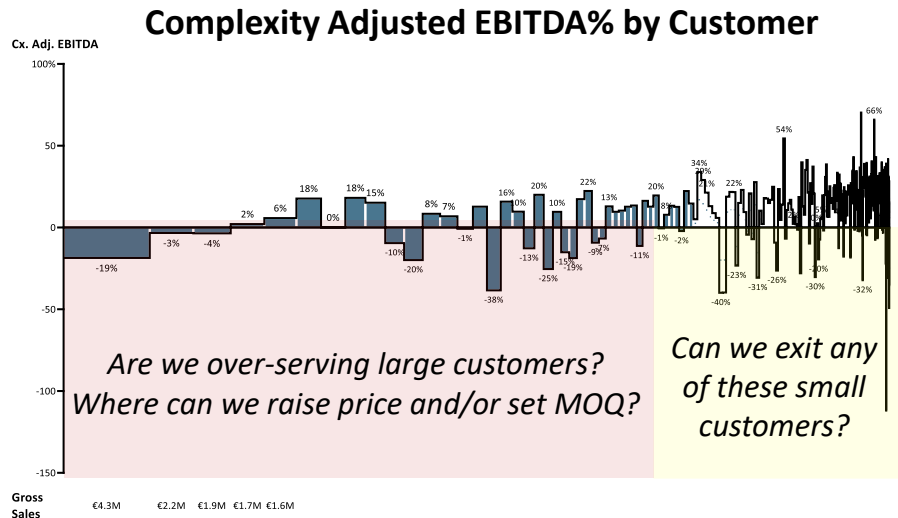
2

Targeted Pricing

Identify and execute pricing / cost-to-serve opportunities

Situation: Many companies lack visibility to customer or channel profitability and have been slow to take specific pricing actions. Inflation has hit raw materials, making it imperative to take price now.

Opportunity: Ideal environment for targeted, assertive price-taking. Build case with customers to raise price, adjust service levels, or exit.



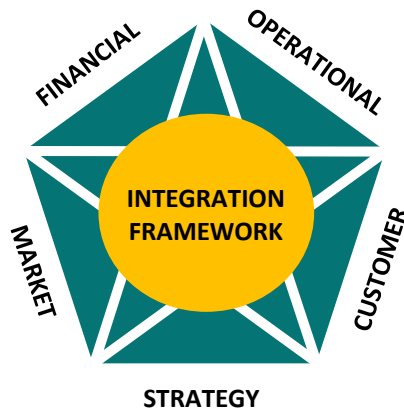
Client achieved 12%–18% price increases using our Square Root Costing approach to quantify true EBITDA, then taking case to customers

Reshape your product portfolio—go beyond the tail—for Working Capital, EBITDA

Situation: Companies have proliferated product offering chasing revenues increasing complexity (costs). Other factors shaping portfolio include ESG trends, asset-base, supply chain strengths/weaknesses.

Opportunity: Trim SKUs and reshape offering to optimize EBITDA, capacity, working capital based on strategic direction.

5-Facet Approach to Portfolio Optimization



Sample Client Results

SOURCES OF BENEFITS	IMPACT
<ul style="list-style-type: none"> Defined profitability by product segment Rationalized, repriced dilute products Established new operational capabilities 	<ul style="list-style-type: none"> ✓ 15% EBITDA improvement in 8 months ✓ \$25M reduction in working capital (WC)
<ul style="list-style-type: none"> Operational benefits: reduced raw material shortage & downtime, improved throughput and quality/defect rates Commercial improvements 	<ul style="list-style-type: none"> ✓ 15% WC benefits ✓ 18% EBIT benefit ✓ 9% increase in manufacturing capacity
<ul style="list-style-type: none"> SKU rationalization and consolidation Improved range mgmt. Enabled salesforce/go-to-market redesign 	<ul style="list-style-type: none"> ✓ 400 bps EBIT improvement ✓ 22% WH WC reduction ✓ 50% of SKUs removed from WH
<ul style="list-style-type: none"> Cost analysis across portfolio, mfg. sites and distribution (Square Root Costing) Rationalized product portfolio, reducing # 3-touch distribution moves 	<ul style="list-style-type: none"> ✓ \$35M reduction in distribution costs ✓ Simplified product portfolio
<ul style="list-style-type: none"> Category, brand and SKU rationalization Improved range management Exit / sale of unprofitable brands 	<ul style="list-style-type: none"> ✓ 10% EBIT improvement ✓ 18% WC reduction ✓ Exit 9 brands and 1 category

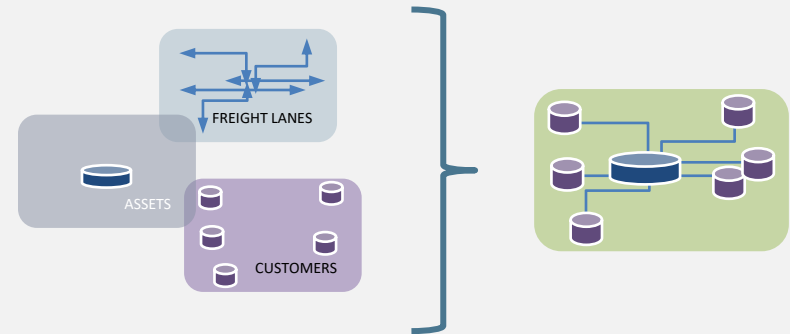
4 Zero-Based Footprint Optimization

Execute a zero-based footprint optimization to release fixed cost, position to grow

Situation: Companies' production assets often diverge from optimal in the pursuit of customers, via acquisition, and stretching equipment life cycles. The pandemic has heightened the need to rethink supply chain.

Opportunity: Take a 'clean-sheet' approach to assess optimal footprint and release significant fixed costs.

Develop Idealized Zero-Based Network

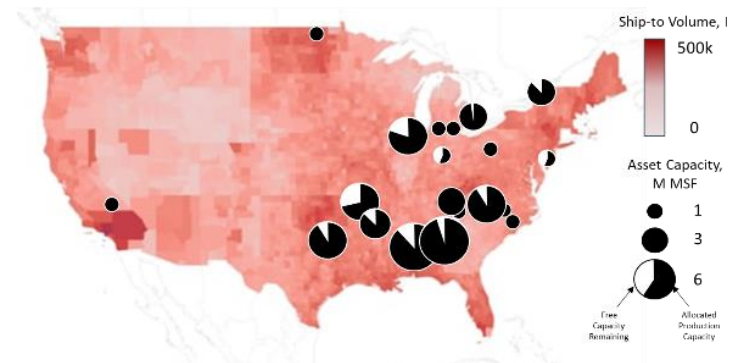


- Overlay asset capacities to service customer demand
- Optimal unconstrained location based on proximity & freight

Client Example

- Created customer demand “Centers of Gravity” by asset type
- Incorporated transport data
- Shifted centers of gravity toward supplier, and compared outcomes to current location to identify new footprint
- **Outcome:** a CAPEX and consolidation plan with a total **project savings estimated at \$40–\$50M**

Refine Practical Footprint



- Define asset by type, capacity, and location
- Resolve conflicts & verify solution practicality

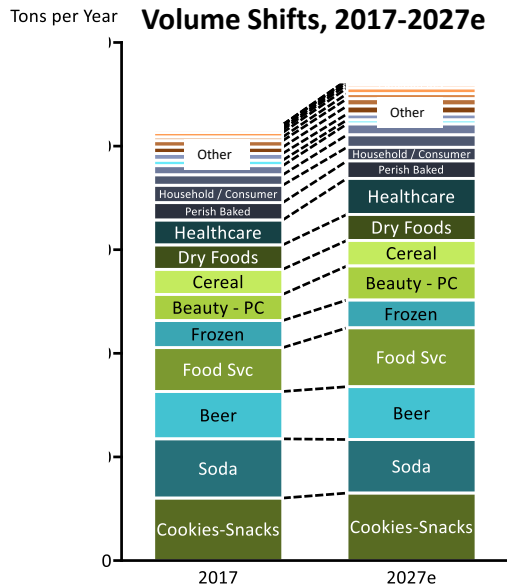
5 Future-back Strategy (where to grow & how)

Unlock growth plan, strategic capital decisions via a 'future-back' analysis

Situation: Typical for companies to make capital allocation and growth strategy decisions with a 'now-forwards' lens, but such decisions can have a 10–20 year impact. What is needed is a 'future-back' view to get past incremental thinking.

Opportunity: Exercise to understand trends, trajectory of end-markets identifies may reshape strategy. Evolving technologies, shrinking and growing markets, footprint decisions lead to teeing up 'no-regret' 5-year end points.

A 10-year View of the End Markets Led to Significant Near-Term Benefits



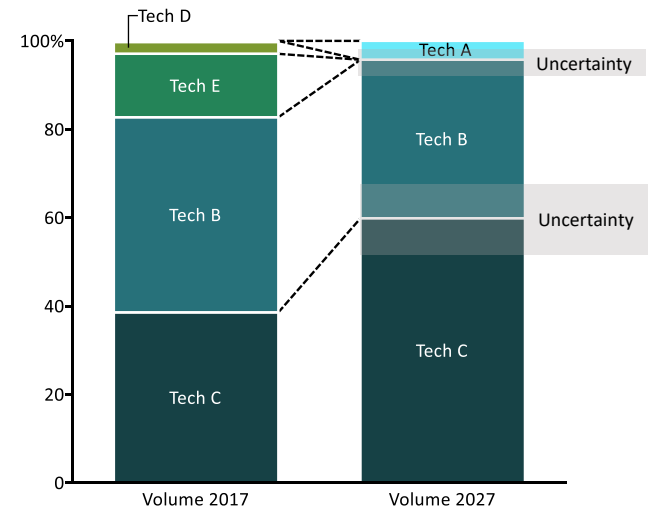
Recommendation 1

Strategic investments in different technology that would **reduce capital assets by 2/3**

Recommendation 2

Realign production on existing assets to achieve **\$7-13M** in near term savings by realigning production on existing assets

Distribution of Future Volume by Asset, %

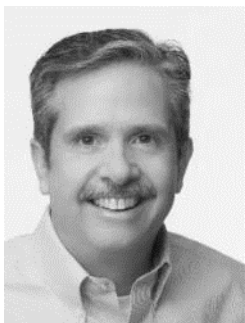


Our team brings strong project experience, analytical tools & approaches, and deep industry experience



Stephen Wilson, Managing Partner

- Founder and Managing Partner of WP&C; advisor to CEOs, senior executives and private equity investors
- Co-author of *Growth in the Age of Complexity* and *Waging War on Complexity Costs*, both McGraw Hill
- Project experience in the paper & packaging industry, and relevant topics including complexity reduction, profitability analysis, zero-based network optimization, and growth strategy
- Previous experience with Marakon, George Group Consulting (Principal), and Accenture (Partner)
- MBA Finance and Strategy, Wharton



Bob Feeser, Senior Advisor, Paper & Packaging Industry

- Executive with 35 years of experience in the paper and packaging industry
- Former President of the \$7 billion global Consumer Packaging segment and a member of the leadership team at WestRock, a \$18 billion leading provider of paper and packaging solutions
- Previously, EVP, Global Operations for MeadWestvaco with responsibility for the company's operations, procurement, supply chain, and capital management
- Deep experience leading global operations, supply chain, business development in emerging markets, M&A, integration, sales, capital management, R&D, and innovation



David Toth, Partner

- 20+ years of combined industry, consulting, and entrepreneurial experience
- Supported and led large scale business transformations at Cargill, AT&T, Lowes, and Lexmark
- Supply chain integration and transformation expert (former Partner, George Group/Accenture & Celerant)
- Director of Supply Chain, Lexmark; Dir. Of Global Supply Chain Operations, Menlo Worldwide (now XPO)
- Experience delivering growth strategy, go-to-market reengineering, and product rationalization projects
- MS and BS Industrial Engineering, Purdue University

Our clients attest to our results

“WP&C combines the level of talent and capability of the name-brand strategy firms with the great working relationship, partner engagement, and level of personal commitment you can only get with a smaller firm. **WP&C is the best of both worlds.**”

—Dave Hoogmoed, President, Land O’Lakes Purina Feed

“You are analytical and smart, but **you also get things done!**”

—Chris Harwood, Head of Strategy & Operations Development, Dixons Retail plc

“**Fantastic piece of work!** You’ve really shed a lot of light on our business.”

—Rupert Pearce, CEO, Inmarsat plc

“Over the last few years, we have used many consulting firms, including McKinsey and Bain, but we feel **we got the most value in this area from WP&C.**”

—Bert Davis, SVP Transformation, Stanley Black & Decker

“WP&C is helping us transform our business. **Their insights are phenomenal!**”

—Dave Hoogmoed, President, Land O’Lakes Purina Feed

“If you take all six times where we looked at this, over the past ten years, and rolled them all up together, and multiplied by ten, **it would still not be as good as this work.**”

—Bill McNabb, CEO, Vanguard Group, Inc.

“This was a quick and painless way to understand our true product profitability, and **it challenges how we think about our business.** I am extremely pleased with the results.”

—Fernando Palacios, COO, MillerCoors LLC

“This work represents the best understanding of the ammunitions logistics base I have seen...**I for one have been waiting for this for years.**”

—Installation Commander, CAAA

“I have been more than pleased with what you have been able to accomplish in this time. **Beyond my expectations...Spectacular!**”

— Peter Benton, COO, Worldwide Clinical Trials, Inc.



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