

# Filtrona plc

## Strategy Presentation: Filter Products Division

PT Sreekumar

15<sup>th</sup> June 2012

# Agenda

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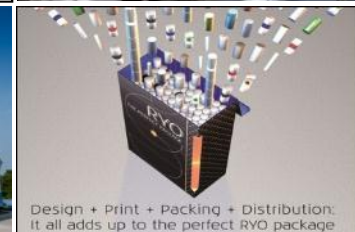
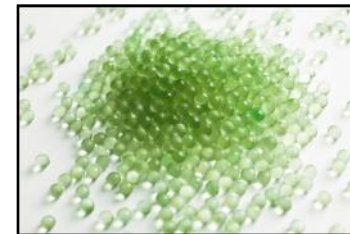


- 1. About Filter Products**
- 2. Market trends**
- 3. Delivering Vision 2015 objectives**

# What we do



- Global leading independent manufacturer and supplier of:
  - Mainstream cigarette filters
  - Innovative filter products
  - Laboratory analysis of tobacco-related products
- Over 700 product specifications in 5 broad product categories
  - c. 50bn rods produced pa
  - 28 patents and registered designs
- Over 350 process specialists and 500 man years of research experience
- Competitive advantages:
  - Flexible manufacturing footprint
  - Quality
  - Cost control
  - Production efficiency



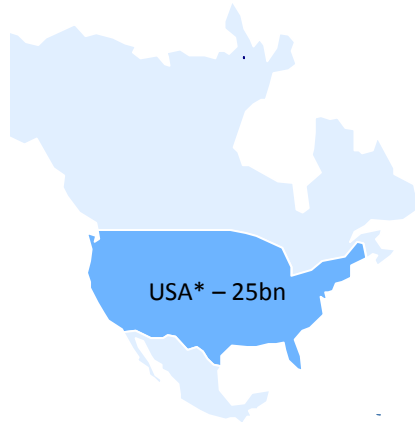
Design + Print + Packing + Distribution:  
It all adds up to the perfect RYO package

**Providing a comprehensive range of filter solutions**

# Where we do it & who for



North America



Europe / Middle East



South America



Asia



**Supplier to >300 customers in more than 75 countries**

NOTE: Figures are production capacity in billion rods  
 \* Denotes the location of a development centre as well as manufacturing facility

# Market trends



**Regulation**



**Illicit trade**

**2011 global market: US\$694bn**  
**Tobacco retail value: +7.1%**  
**Cigarette retail volume: +0.1%**

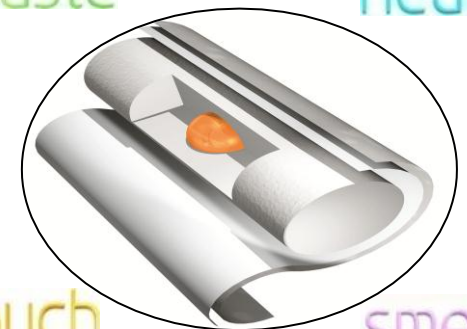


**Consumer need**



**Cost & price**

taste hear



touch smell

**Consumer engagement**

**Increasing role for filter innovation to address industry trends**

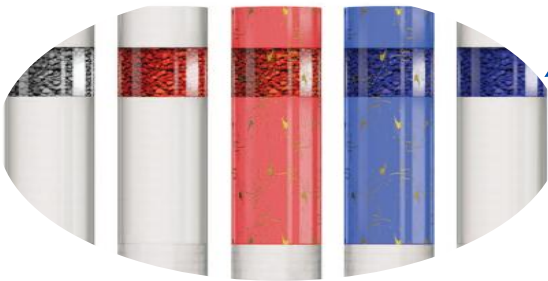
# Identify key new product opportunities



Investment in Scientific Services



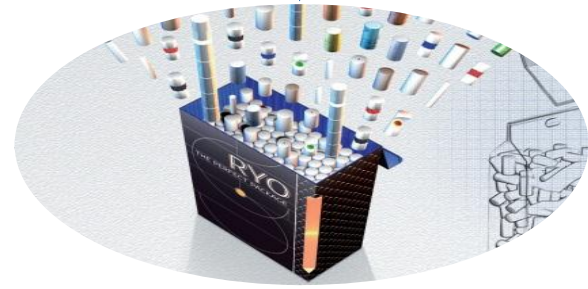
User experience  
- Eg, Capsules  
- Eg, Flavoured thread  
- Eg, Activated carbon



Lifestyle solutions  
- Eg, Slim / Superslims  
- Eg, Low / Ultra low tar  
- Eg, "Eco" ranges



Brand-specific requirements  
Eg, Recessed filters

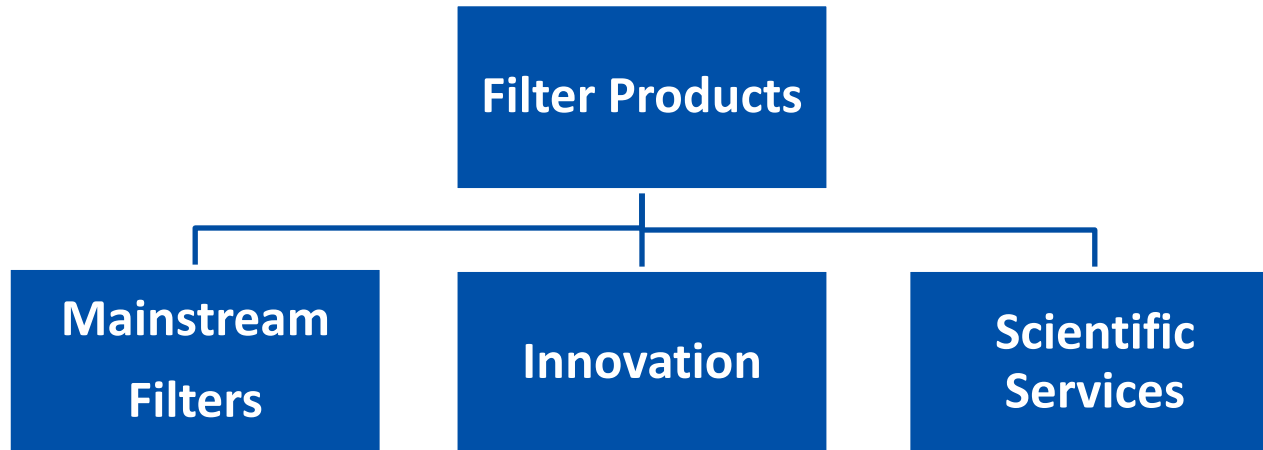


Full bespoke service for RYO brands

**Targeting growth opportunities on a number of fronts**

# Strengthen organisational structure & talent base

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- Re-invigorated senior management team and new commercial appointments
  - Sharper sales focus across all 3 business units
- Divisional HR function to focus on skills development, retention and succession
- Active programmes through the Filters' Learning Centre and Graduate trainee programmes
- International assignments to enhance training and develop executive skills

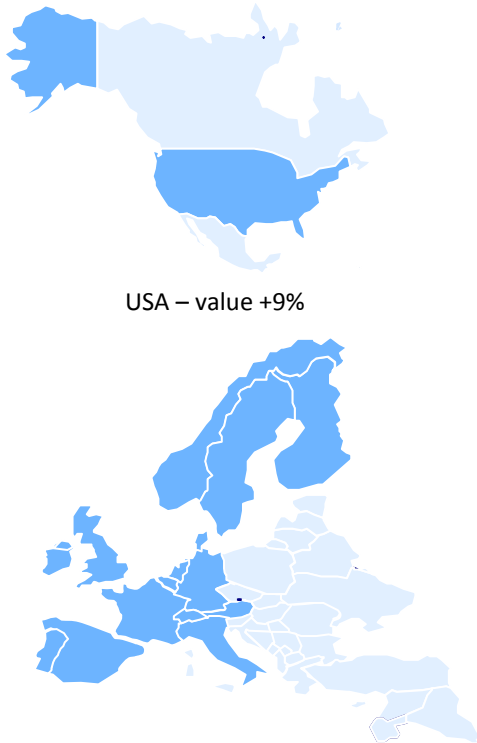
**Focused organisational structure aligned with GTM strategy**

# Focus on faster growing markets / economies



## Value markets

*Generate 2x revenue per stick*



USA – value +9%

Western Europe – value +8%

## Volume markets

*Growing low to mid single-digits*



China – 2.4tn

India – 105bn

Vietnam – 96bn

Philippines – 81bn

Indonesia – 240bn

## Innovation markets

*Equate to 50% global special filters*



Russia – 360bn

Japan – 200bn

South Korea – 86bn

**Focus on critical countries in volume, value & innovation markets**



# Identify value-creating, complementary M&A

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## Filtrona's M&A scorecard ...

## ... in the context of Filter Products

### PLACE:

- Potential for acquisitions / JVs in under-represented markets

### PRODUCT & MARKETS:

- Limited in mainstream filters ...
- ... BUT possible opportunities in:
  - Innovation
  - Scientific services
  - Developing Other Tobacco Products categories

### PEOPLE:

- Local knowledge in new markets
  - Local talent with international mobility
- 

**Potential for M&A / JVs to complement organic GTM strategy**

# Invest in improving operational excellence & execution



Investment in high speed flexible machines in Indonesia

- Continuing review of alignment to customer requirements
  - Customer footprint
  - Facility size and capacity
  - Capabilities and product range
- Focus on balanced regional technical expertise
- Two-year investment programme for production machinery
- Technology and process improvement programmes to deliver:
  - Improved production
  - Lower waste
  - Shorter lead times

**Operational excellence → improved gearing**

# Conclusion



## Vision 2015 objectives ...

## ... and some examples of what we're doing

### Identify key new product opportunities

- Continued innovation to capture industry growth trends
- More competitive on standard filters
- Investment in Scientific Services

### Strengthen organisational structure & talent base

- New structure aligned to focused GTM strategy

### Focus on faster growing markets / economies

- Head office re-located to Singapore
- Creation of regional development centres
- Centres of operational excellence established
- Stronger commercial focus

### Identify value-creating M&A opportunities

- Potential for M&A / JVs to complement organic GTM strategy

### Invest in improving operational excellence & execution

- Investment in machinery upgrades
- Continued improvement initiatives

**Well-positioned to deliver Vision 2015 objectives**



## Questions

## Appendix

# Appendix 1

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## **PT Sreekumar - Managing Director, Filter Products**

PT Sreekumar joined Filtrona in 1995, being initially responsible for the Company's joint venture in India. Before being appointed to his current role in 2005, Sreekumar was Regional Director for Asia Pacific, responsible for the business in Asia and the Middle East. Prior to joining Filtrona, Sreekumar worked for the Indian tobacco company Godfrey Philips.

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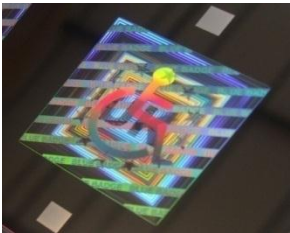
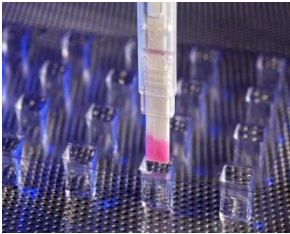
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