

# Market Update

September 2016

# Overview

- Rising costs
- The containerboard market
- The UK sheet feeding market
- The UK box market
- Summary

# Congratulations...

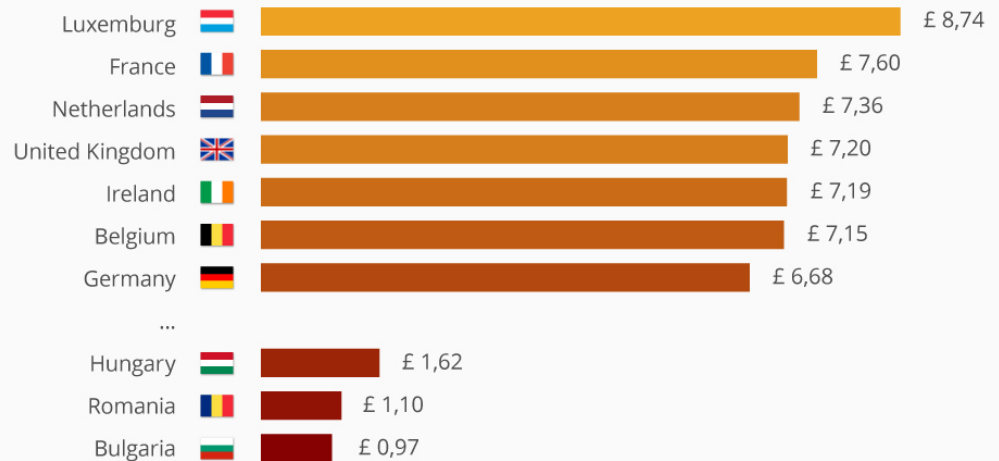
Somewhat unstructured price  
decrease programme

# UK national living wage

- Replaces the £6.50/hour minimum wage
- Set to rise by 40% to £9/hour by 2020
- Has taken many box plants to break even or even loss

## Putting the UK National Living Wage in Perspective

Minimum wages per hour in selected EU countries\*



\* as of January 2016 in all countries except UK (April 1 2016)

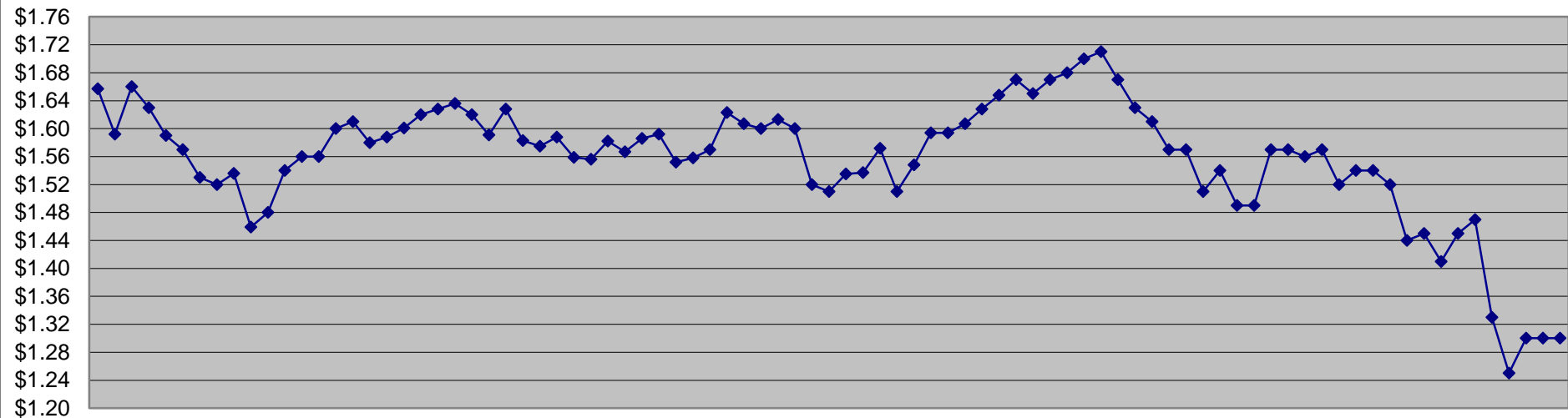


Source: Institute of Economic and Social Research / Gov.uk

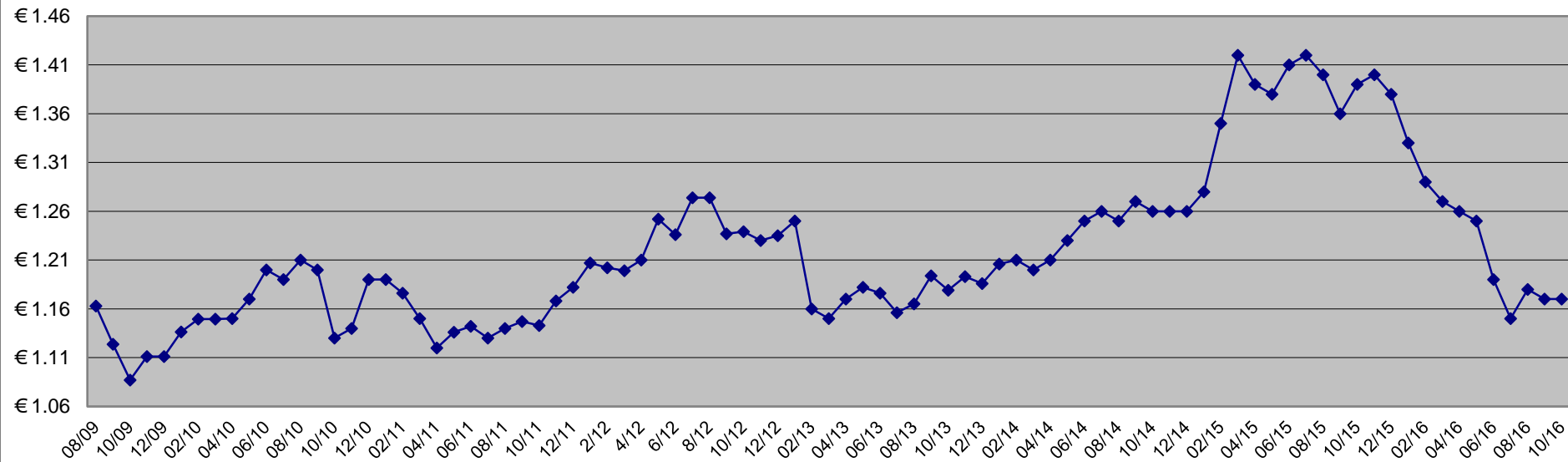
THE HUFFINGTON POST **statista**

# Brexit prompted an immediate 10% fall in value of sterling

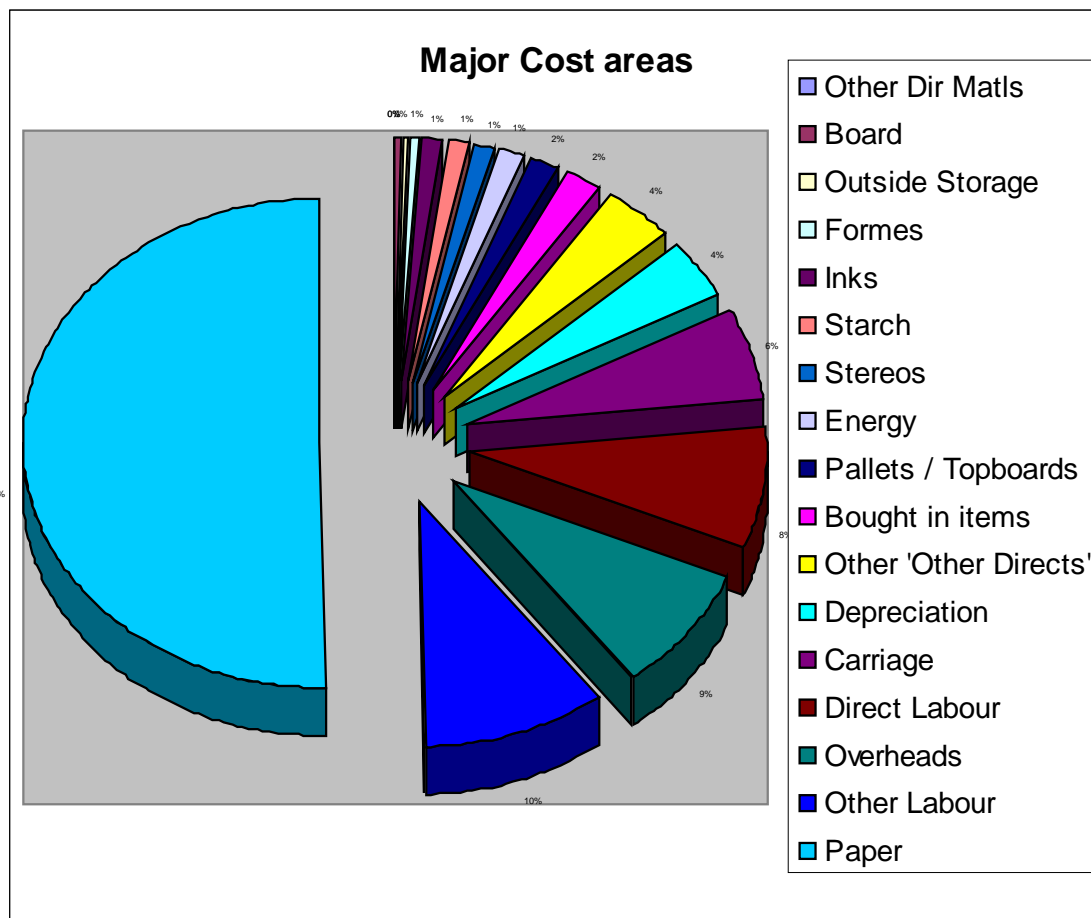
## Monthly Prices - Dollar: Pound



## Monthly Prices - Euro: Pound



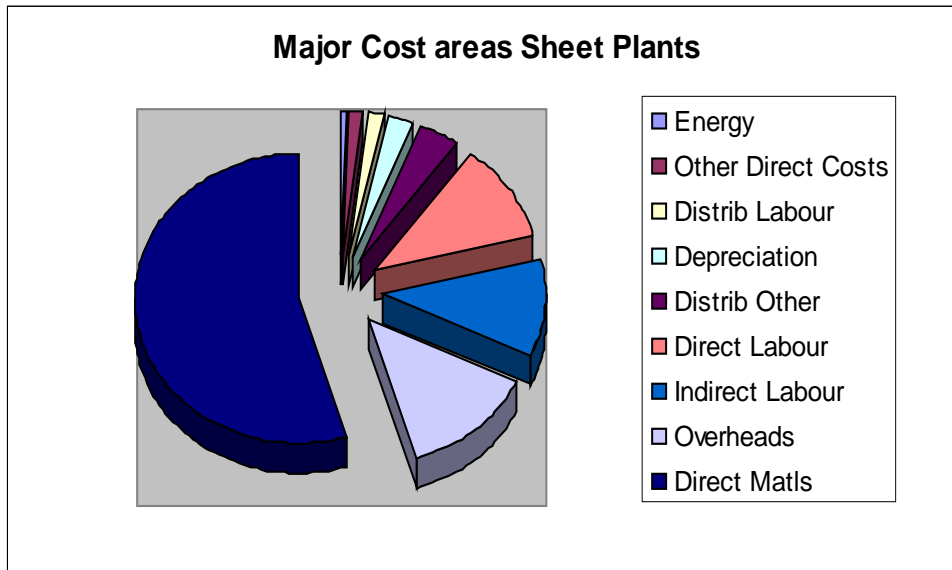
# Typical Major Cost Areas (Integrated)



Cost levels

Cost levels	%
Other Dir Matls	0.0
Board	0.2
Outside Storage	0.4
Formes	0.6
Inks	1.0
Starch	1.1
Stereos	1.3
Energy	1.3
Pallets / Topboards	1.6
Bought in items	2.0
Other 'Other Directs'	3.8
Depreciation	3.9
Carriage	6.2
Direct Labour	7.9
Overheads	8.5
Other Labour	10.0
Paper	50.2
Total Costs	100.0

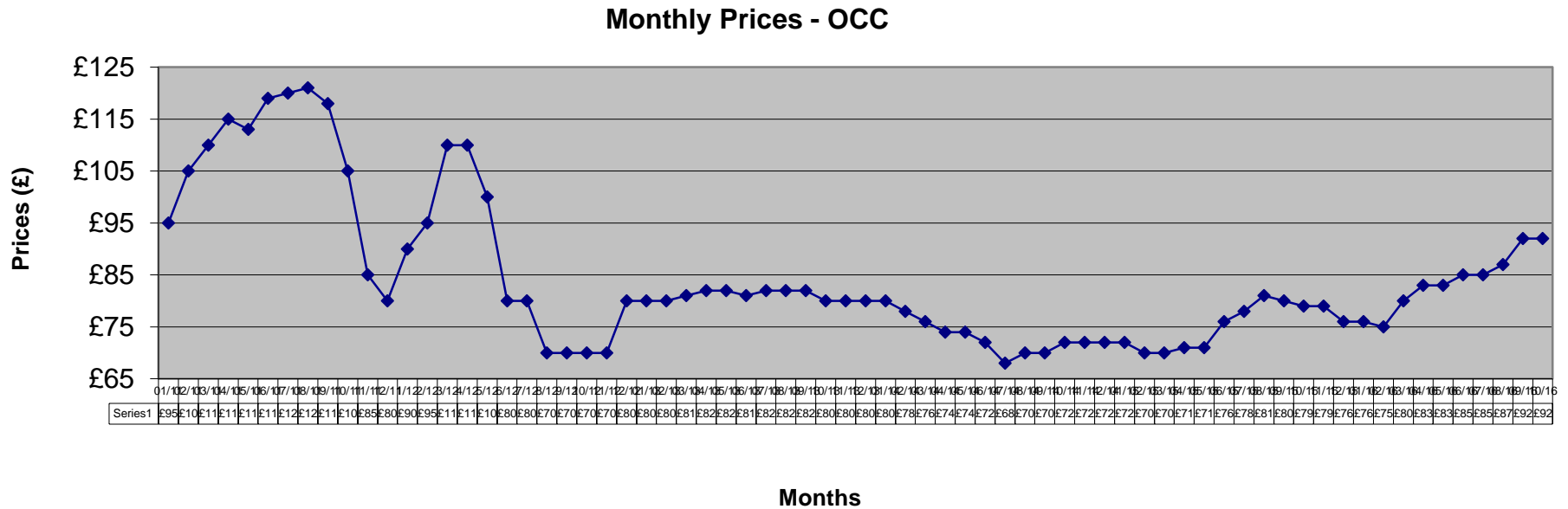
# Typical Major Cost Areas (Sheet Plant)



## Cost levels

	%
Energy	0.6
Other Direct Costs	1.4
Distrib Labour	1.6
Depreciation	2.6
Distrib Other	3.9
Direct Labour	10.9
Indirect Labour	11.0
Overheads	13.2
Direct Matls	54.8
<b>Total Costs</b>	<b>100.0</b>

# OCC prices are rising



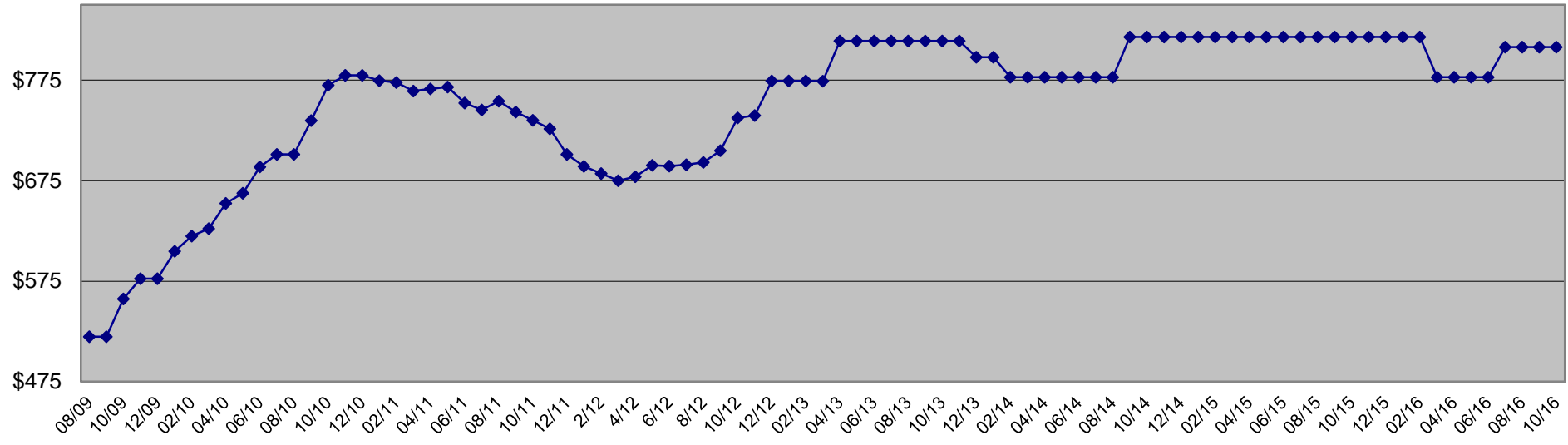


# The containerboard market

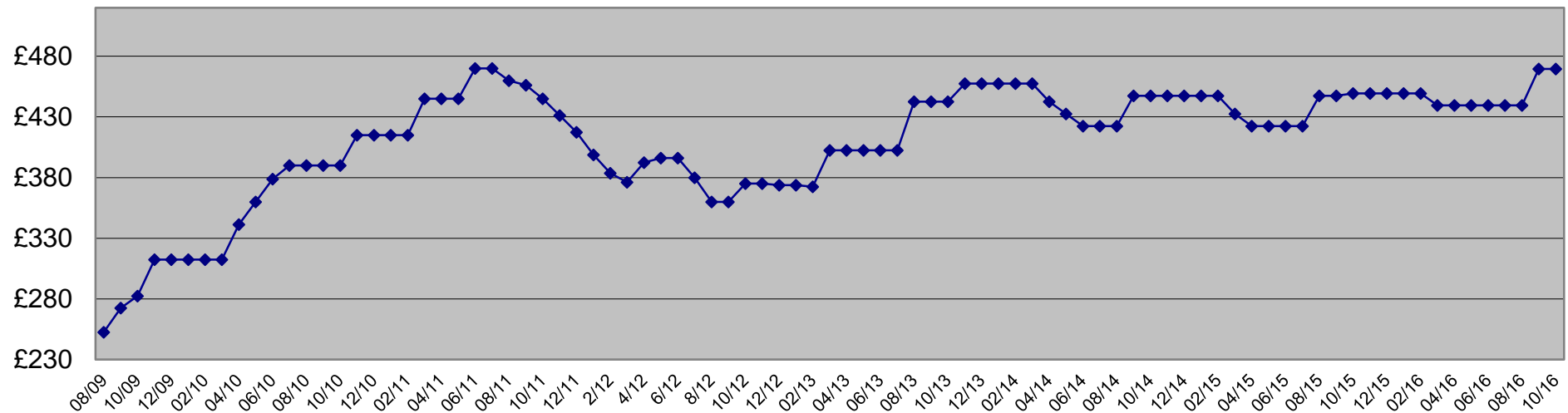
- Kraft liner prices are up
- Testliner prices are up
- Your situation will vary

# Containerboard Prices

## Monthly Prices - Kraft



## Monthly Prices - Test 3

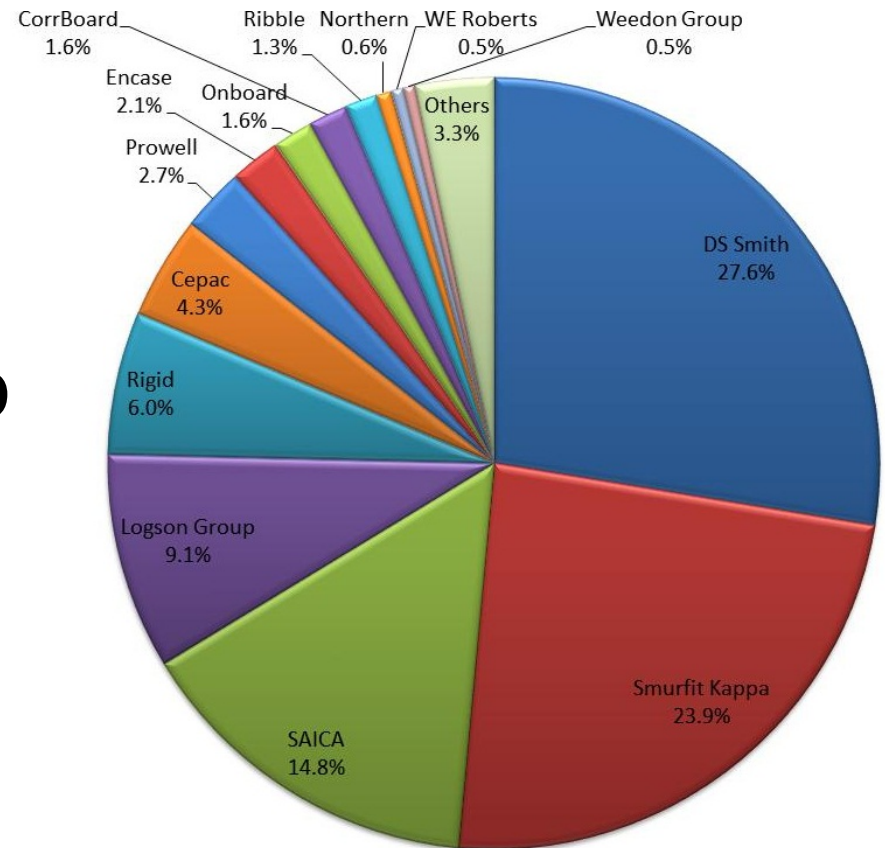


# UK Sheet Feeder Market

- Widening in the supply:demand balance
  - Significant new capacity
    - Board24, DS Smith, CorrBoard, Onboard Corrugated
      - Some bedding in issues continue
    - General capacity creep continues
  - Some sheet plants introduced corrugators
- Sheet feeding margins have hit a trough
  - Many price lists are now unsustainable
  - Certainly many ‘specials’ are unsustainable

# UK Box Market

- Consolidation will continue
- A number of sheet plants are looking to sell
- Large groups are looking to buy



# Summary

- Market picking up mightily
- Labour costs will continue to rise
- Containerboard prices are rising
- Sheet feeder deflation has been unsustainable in places
- You have lots of options:
  - Value engineer / share the savings
  - Take out cost
  - Invest in productive kit
  - Win significantly more work to lower your unit cost
  - Buy a competitor
  - Talk to clients about pricing
  - Business – like life – is a balance