

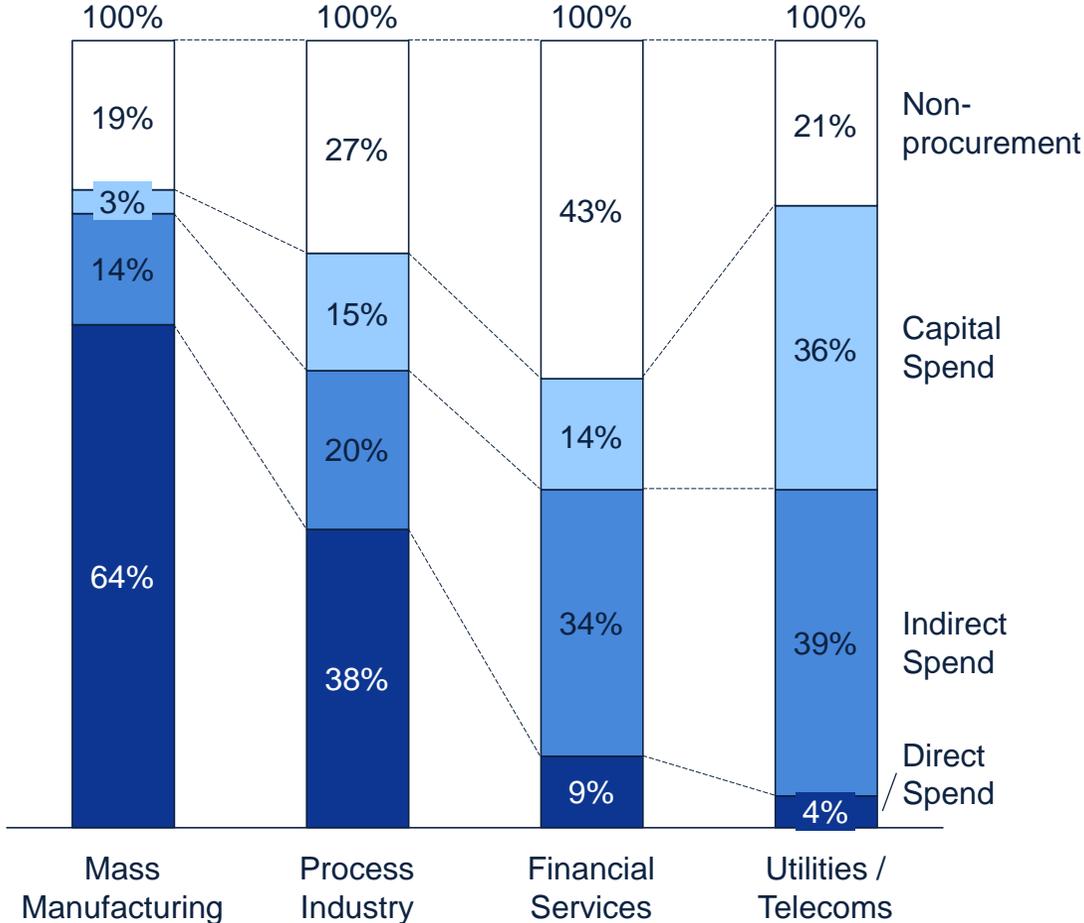
Procurement as a Value Lever

PEI Operating Partners Conference

London, 21 May 2019

1. Procurement is the single largest cost element with 55-80% of the cash outflow going to third party suppliers

Procurement Spend as a % of Total Cash Outflows



Procurement Categories

- Raw Materials
- Chemicals / Commodities
- Manufactured Parts
- Goods for Resale (Retail)
- Food & Beverages
- Packaging
- Energy
- Capex / Construction
- Facilities Management
- Outsourced Services
- Fleet & Logistics
- MRO Supplies
- IT & Telecoms
- Marketing
- Temporary Labour & HR
- Professional Services
- Couriers & Post
- Travel & Office Expenses

There is typically a large opportunity that is easier to get at and is recurring year on year



Skills & Expertise

- Procurement is often under invested
- Rarely find all the expertise needed to understand all areas of spend internally
- Makes it difficult to partner and challenge the business
- Supplier markets are evolving so fast



Positioning

- Lack of remit / clout with the business
- Lack of skilled resources
- As a result, “the business does the buying, and Procurement prepares the contracts”



Total Cost

- Significant opportunities by taking a total cost perspective
- Removing gold-plating from specifications
- Pooling volumes across geographies, business units and sites
- Fully leveraging the supply market



Visibility

- Businesses don't know what they buy
- Spend is split across budget lines
- No single version of the categories
- Contracts are often rolled over each year without proper challenge



Focus

- Procurement activity often done on the side of a desk
- Negotiations are not fact based and structured
- Do it once and do it properly
- No access to benchmarking, knowledge and always starting from scratch
- Technology is making this faster and more effective

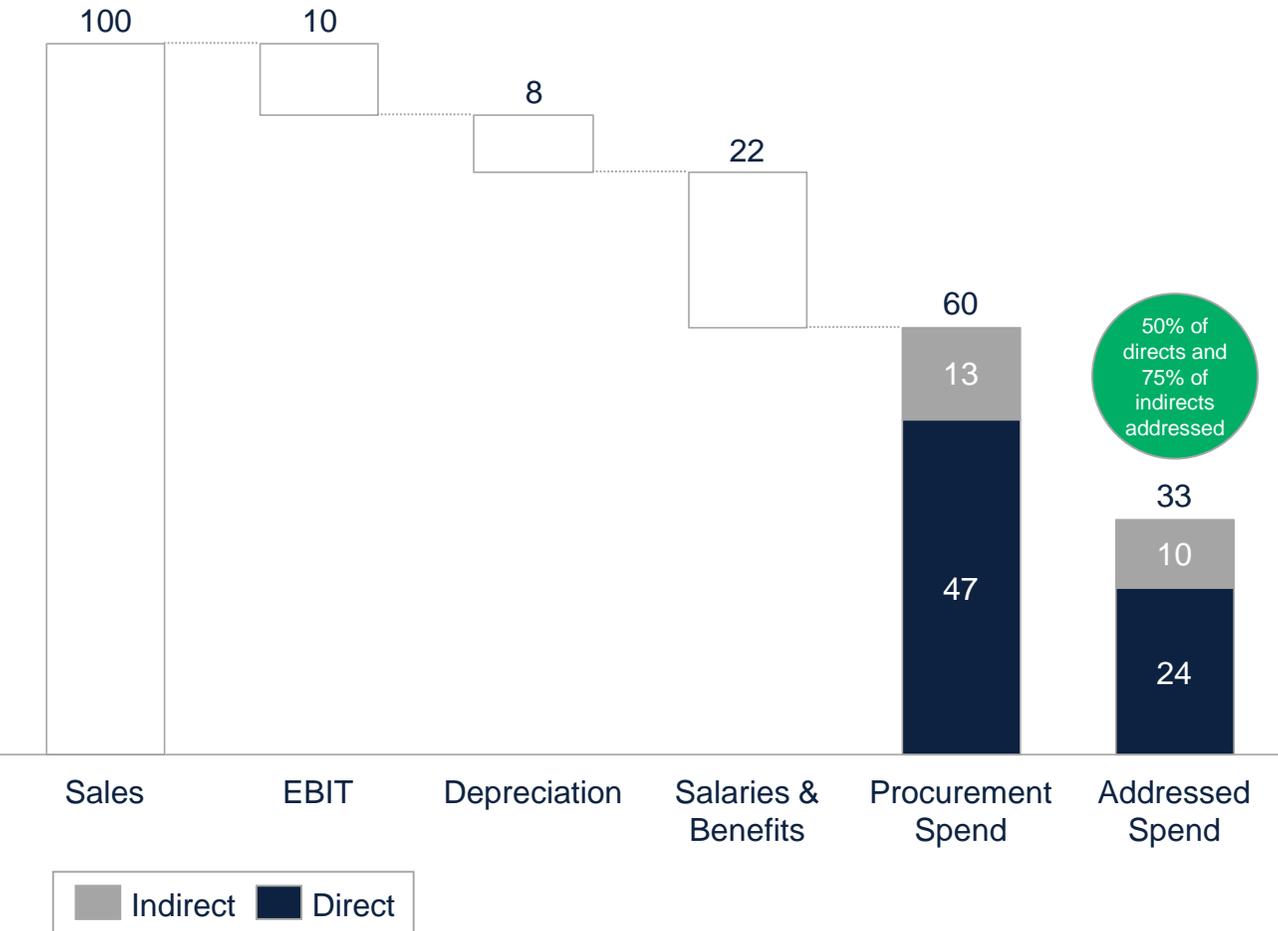


Easy Savings

- No headcount reduction
- Minimal investment
- Effort often with the suppliers not the business
- Savings hit the bottom line as soon as new supplier terms are in place
- Recurring on an annualised basis

A significant impact on EBIT that is clearly measurable and that management usually buys into

Procurement Spend and Savings Potential (Indexed Manufacturing Example)



10% savings = 33% profit improvement

50% of directs and 75% of indirects addressed