

# Acquisition of Spicers

Genesis of the leading Pan-European wholesaler of office supplies

Madrid, 11 July 2011



Unipapel

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# Headlines of the transaction

## A transformational deal for Unipapel

- **Binding offer for the acquisition of 100% of Spicers to DS Smith through a co-investment deal with BECAP SPV Limited**, by which **BECAP would acquire Spicers UK and Ireland business unit for £ 32mn (€ 35.5mn)\*** and **Unipapel would acquire Spicers Continental Europe (CE) business units for £ 168mn (€ 186.5mn).**
- **Spicers CE is a leading Pan-European provider of office products wholesaling solutions** with leading brand recognition and unrivalled offering of products and services in France, Germany, Benelux, Spain and Italy. The company has a strong and consolidated market leading position in the Traditional Office Supply (TOS) and is developing a growing presence in the Electronic Office Supply (EOS) business.
- **Spicers CE sales amount to € 443mn, with EBITDA of € 3.3mn in fiscal year April 2010 - April 2011.**
- **Excellent asset quality:** EBITDA margin > 7%, ROCE > 25% and c. 100% cash conversion.
- **The transaction price of € 186.5mn should be financed through Unipapel cash (€ 41.5mn), and a debt facility of €145mn.**
- **Highly accretive transaction:** Purchase at EV/EBITDA 5.4x well below current Unipapel market multiple of 6.7x\*\*\*.
- The integration of Spicers CE within Unipapel Group shall generate **synergies** from year 3, mainly arising from the perfect geographic and product-mix fit. Additionally the transaction should have an immediate **positive fiscal cash impact of €6mn** (full reinvestment of capital gains from the sale of Ofiservice).
- The resulting Company should be the undisputed European leader in the wholesale distribution of office supplies, equipment and solutions, with total pro-forma sales reaching approx. € 1,300mn and EBITDA of c. € 61m.
- Transaction should be completed in the second half 2011 and **is subject to Spicers work councils clearance and antitrust approval by the EU.**

# Transaction details

## Acquisition of Spicers CE at 5.4x EV/EBITDA

- **Binding offer for the acquisition of Spicers under a co-investment agreement with BECAP SPV Limited:**
  - ✓ Unipapel should acquire 100% of Spicers to DS Smith for £ 200mn (€ 222mn) and, subsequently, sale Spicers UK & Ireland business unit to BECAP SPV Limited for £ 32mn (€ 35.5mn), in accordance with a binding agreement signed by Unipapel and BECAP SPV Limited last July 5<sup>th</sup>.
  - ✓ After both transactions, Unipapel should become exclusive owner of Spicers Continental Europe business units.
- **Net transaction value for Unipapel: € 186.5mn.**
- **Assets to be acquired:** Spicers business units in Continental Europe (France, Germany, Benelux, Italy and Spain).
- No financial debt would be transferred.
- **Price multiple: EV/EBITDA 5.4x.**
- DS Smith would assume the costs derived from unfunded provisions and working capital adjustments, which could lead to a total reduction of the transaction value of between 2.5-5.0% at date of completion, reducing EV/EBITDA paid to 5.2-5.3x.
- **Financing: € 41.5mn in cash + € 145mn syndicated loanfacility agreed with a pool of banks.**
- Syndicated loan facility with 5 years maturity and increasing amortisation schedule.

\* EBITDA fiscal year ending April 2011

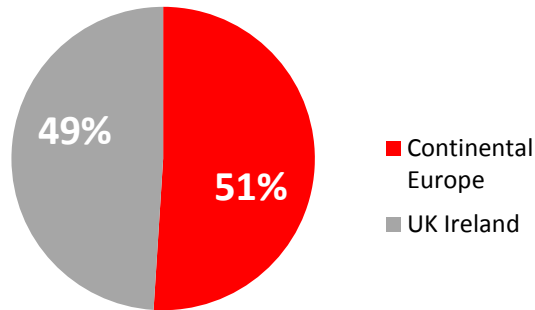


# Overview of Spicers' Continental Europe

A leading Pan-European provider of office products wholesaling solutions

## Sales by country

Consolidated Sales 2010: €813.7mn

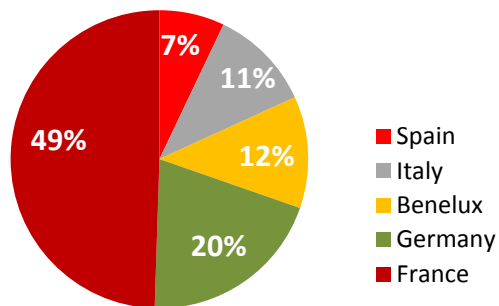


## Geographical presence



## Continental Europe

Sales CE 2010: €442.8mn



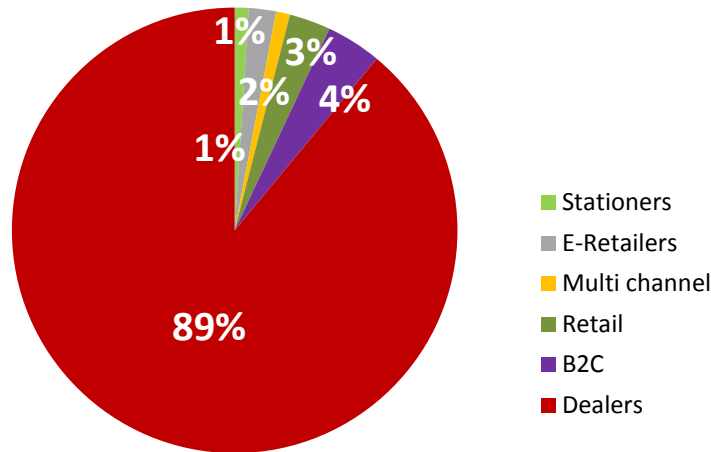
Spicers CE has 12 distribution centres with 265.913 Sq.Ft

(1) The Head Quarters have a commercial office

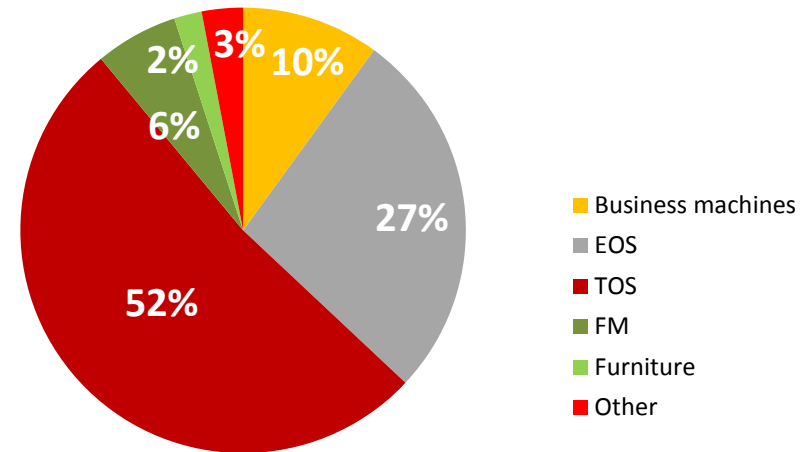
# Overview of Spicers' Continental Europe

With a strong focus in TOS and access to the resilient dealer channel

Sales by customer type



Sales by product type



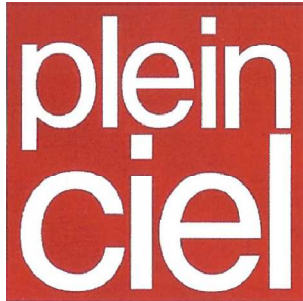
Spicers CE main clients are independent dealers focused on the SME sector. They have access to the broadest product range in the industry.

EOS : Electronic Office Supplies

TOS : Traditional Office Supplies

# Overview of Spicers' Continental Europe

Strong brand recognition with high growth potential



Spicers brand name is synonymous with high quality wholesale services.

Across Europe the Group is recognised as a leading office products wholesaler with best-in-class product range, logistics and marketing solutions.







Calipage and Plein Ciel are #1 and #2 branded retail groups in France with 261 and 162 dealers respectively. Calipage has been successfully rolled out in Belgium (27 dealers), Spain (180 dealers) and recently launched in Germany.



Spicers markets a range of stationery products under its own brand, 5 Star which accounts for approx. 12% of its European sales.

# Overview of Spicers' Continental Europe

High and resilient levels of profitability and cash conversion

Spicers CE					
€mn	2008	2009	2010	2008-2010 cagr	
Sales	431.5	434.4	442.8	1.3%	
EBITDA	27.8	28.6	34.3	11.1%	
EBITDA/Sales	6.4%	6.6%	7.7%		
EBIT	24.9	25,7	31,6	12.7%	
ROCE	23.2%	23.1%	27.8%		
Free cash flow	25.2	22.5	30.6	10.2%	
Cash conversion FCF/EBITDA	91%	79%	89%		

- Spicers CE has demonstrated a solid financial performance during the recent global economic downturn, achieving 11% EBITDA growth and a 10% FCF growth from 2008 to 2010.
- Optimal management of working capital allows for top of the industry ROCE and close to 100% cash conversion.



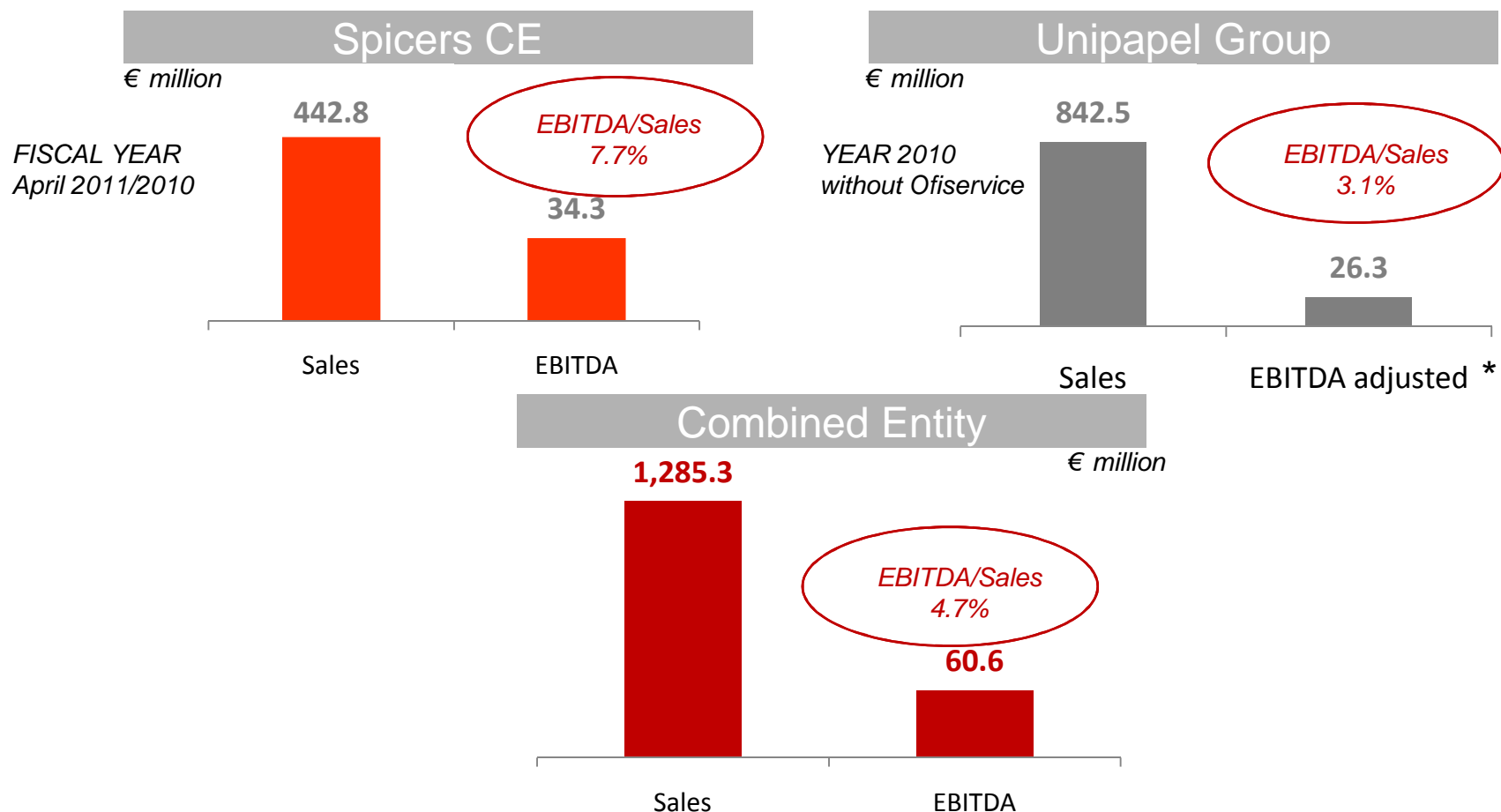
# Strategic rationale

## Spicers CE is a perfect fit

- Spicers CE is a robust and consolidated **franchise with a recurrent solid performance**. The acquisition should **improve operating margin, return and cash conversion of Unipapel Group**: Spicers CE has EBITDA margin > 7% (vs. 3% for Unipapel), ROCE > 25% and FCF/EBITDA of c.100%, due to optimal working capital management.
- High potential for **synergies from day one with limited implementation costs**, coming from the strong geographical and commercial fit and the possibility of optimizing the utilisation rates of Unipapel's TOS manufacturing plants.
- **Balanced product portfolio** with an adequate TOS/EOS mix, allowing Unipapel to reduce the dependence on EOS and to replicate in Continental Europe the "one-stop-shop" model already established in Spain.
- **Speeds up the internationalization process**, allowing Unipapel to strengthen its competitive positioning in those Central European markets where the Group already has a presence. Additionally Unipapel enters a new market. (Benelux).
- Co-investment agreement with BECAP should allow Unipapel to **only acquire the assets of Spicers with stronger fundamentals**.
- **Complementary know-how**: the Group shall benefit from leading e-commerce platforms and best-practice in marketing and logistics services as well as in information systems.
- The transaction would create a strong **entry barrier for large multinational competitors in the European market**. The resulting company should be the undisputed leader in all its markets, with market shares well above its nearest competitor.

# Financial Impact

## Pro-forma financial highlights of the Combined Entity



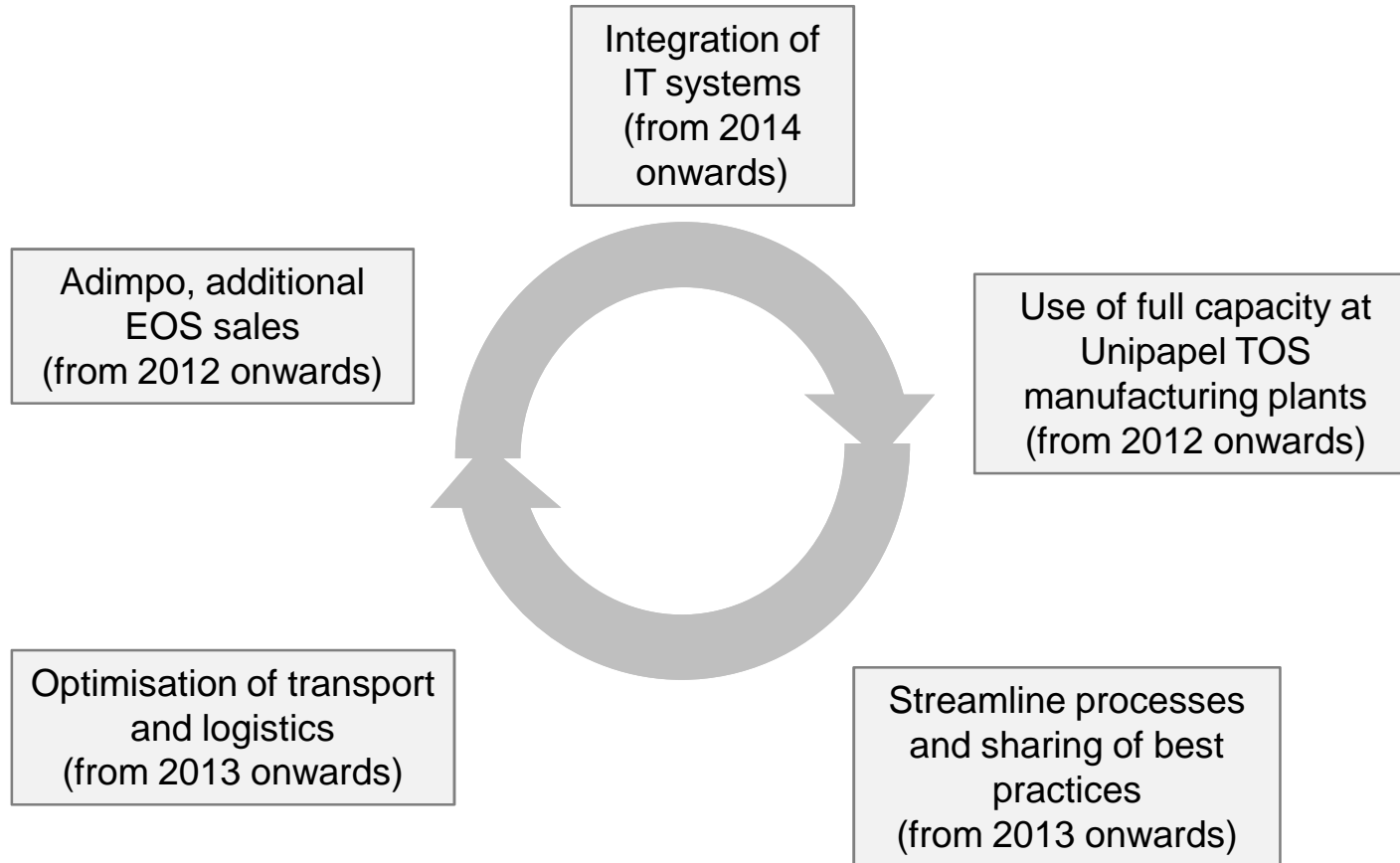
Undisputed leader in a still highly fragmented Pan-European office product wholesaling market (2,5x larger than next competitor) and strong margin improvement.

\* Excludes one-off restructuring charges of €2.1 mn



# Financial Impact

## Sources of operating synergies



Straight-forward synergies, identified across different areas.

# Financial Impact

## Operating synergies

- Synergies should arise from the implementation of a **Transformation Program**.
- Main targets of the Transformation Program would be a quick **seamless integration into one group** and the creation of a **new culture building from the strengths in each organisation**.
- Target synergies should be quantified and communicated over the coming months and should be executed by a **multidisciplinary team of top managers**.
- Operating synergies would be **achieved within a timeframe of 2 to 3 years**. Most of the identified synergies should come from operating integration and set-up of best-practices within the organisation.
- Some examples:
  - ✓ More than €3m per year of additional EBITDA could be achieved by reaching full use of capacity at Unipapel's manufacturing plants (envelopes, notepads and filing) by sourcing internally Spicers' demand of these product ranges.
  - ✓ More than €4m per year of additional EBITDA could be achieved by both, integrating and specialising transport services and leveraging on better transport rates.

Initiatives to benefit from synergies should lead to increased profitability and growth.

# Financial Impact

## Financing of the deal and post-deal financial situation

NET TRANSACTION PRICE	€ 186.5 mn
- CASH AVAILABLE	- € 67.0 mn
= DEBT DISPOSED <sup>(1)</sup>	€ 119.5 mn

EBITDA SPICERS CE	€ 34.3 mn
EV/EBITDA PAID	5.4 x

### Ex-synergies

CONSOLIDATED EBITDA (PRO-FORMA)	€ 60.6 mn
POST-DEAL NET DEBT <sup>(2)</sup>	€ 207.8 mn
POST-DEAL ND/EBITDA	3.4 x

### Group financial strength is being preserved:

- Solid solvency ratios: ND/EBITDA 3.4x.
- Pro-forma annual Operating FCF<sup>(3)</sup> > €40mn: rapid deleverage.
- 40% of debt is financing working capital (mainly stock with 1 month rotation).
- Large undrawn financing facilities: headroom of €180m, including bank facilities €53mn, commercial debt facilities €77mm and off-balance non-recourse factoring €50mn.
- Commitment to preserve attractive dividend policy.

(1) Out of a total syndicated loan facility of €145mn

(2) Net debt of €207.8mn includes pre-transaction net debt of €21,3mn (at end of 1Q2011)+ Transaction value of €186.5mn

(3) Operating FCF is FCF before debt service and dividends

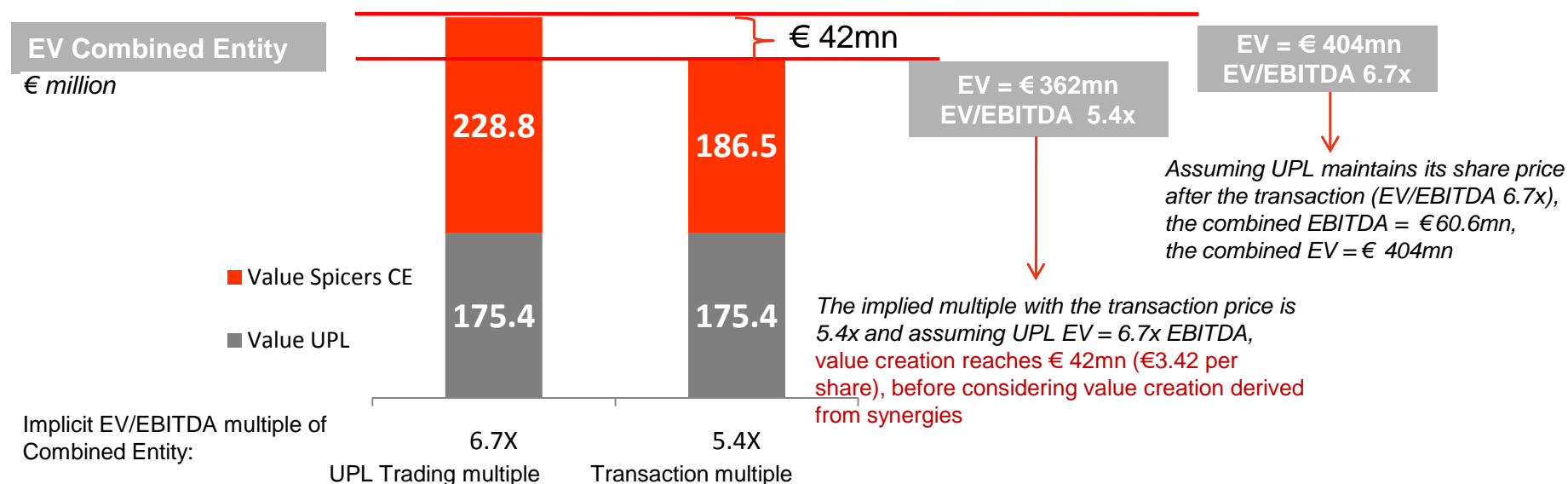
# Value creation for shareholders

## Transaction multiple and value accretion

Spicers Transaction Multiples	EBITDA	Price	Multiple (x)
Continental Europe	€34.3 mn	€186.5 mn	5.4x
UK + Ireland	€2.0 mn	€35.5 mn	17.8x
Total	€36.3 mn	€222.0 mn	6.1x

- We should transfer Spicers assets with low strategic fit (UK + Ireland) at a high multiple (17.8x).
- This allows us to buy Spicers core assets (CE) at a multiple of 5.4x, largely below trading multiple of UPL and peers.

Assuming that UPL trading multiple is preserved, the transaction should add value of €3.42/share before synergies



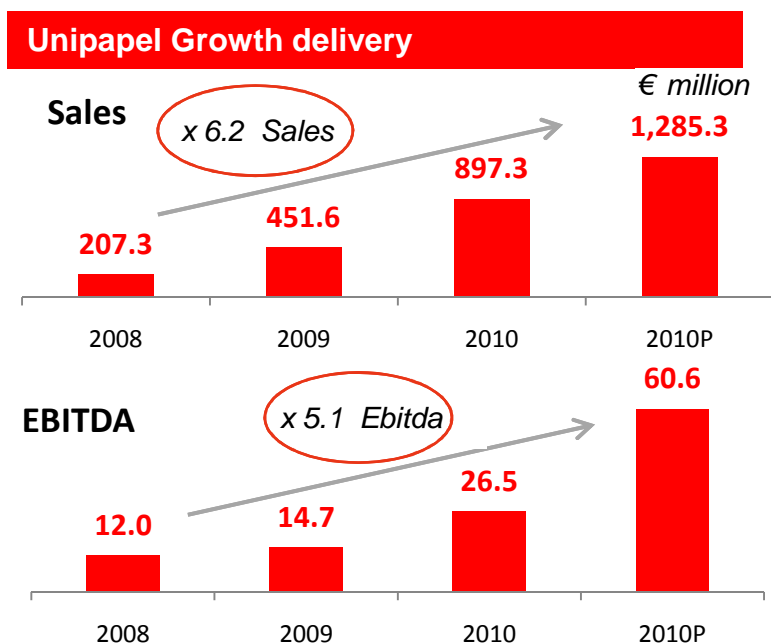
Additional €0.5 /share from fiscal savings of € 6mn (lower tax burden on capital gains from the sale of Ofiservice due to full re-investment of proceeds)

# Value creation for shareholders

## Strategic development delivers value

In just 6 months, Unipapel has undertaken a **complete transformation** by:

- **Selling its 50% stake in Ofiservice at 13,0x EV/EBITDA:** a non-core asset with declining profitability and full exposure to Spain,
- **Signing a binding offer to acquire Spicers CE at 5,4x EV/EBITDA:** a core and fully complementary asset with recurrent profitability and 93% exposure to other European markets with higher growth potential,
- **With no relevant impact in financial strength and solvency,**
- **With a net increase of 56% in sales and +110% in EBITDA and a highly positive impact on profitability and FCF,**
- **And delivering part of this value creation to shareholders through a €12mn extraordinary dividend (€ 100/share).**



2010P= Pro-forma with Spicers CE and without Ofiservice

EBITDA 2010 before €2.1mn one-off restructuring costs

	BUSINESS SOLD	BUSINESS TO BE BOUGHT
	Ofiservice* (50%)	Spicers CE (100%)
Sales (€m)	64.0	442.8
EBITDA (€m)	5.3	34.3
EBIT (€m)	4.6	31.6
FCF (€m)	2.4	30.6
EBITDA mg	8.3%	7.7%
EBIT mg	7.2%	7.1%
Cash conversion	45%	89%

\*Ofiservice excluding consolidation adjustments

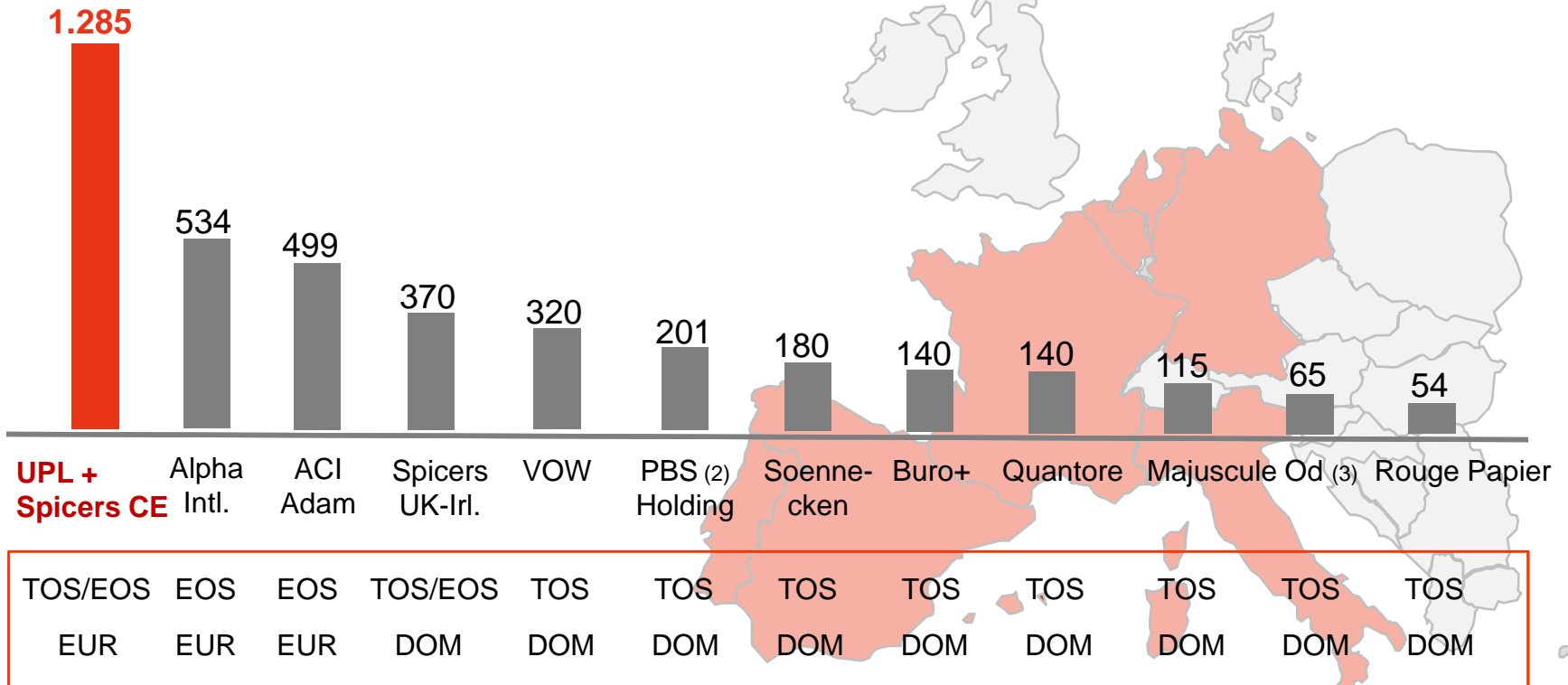


Unipapel

# The New Unipapel Group

The undisputed Pan-European leader

European ranking, sales €mn (1)



The combined entity should be the undisputed leader in Europe with sales 2.5x times ahead of its nearest competitor.

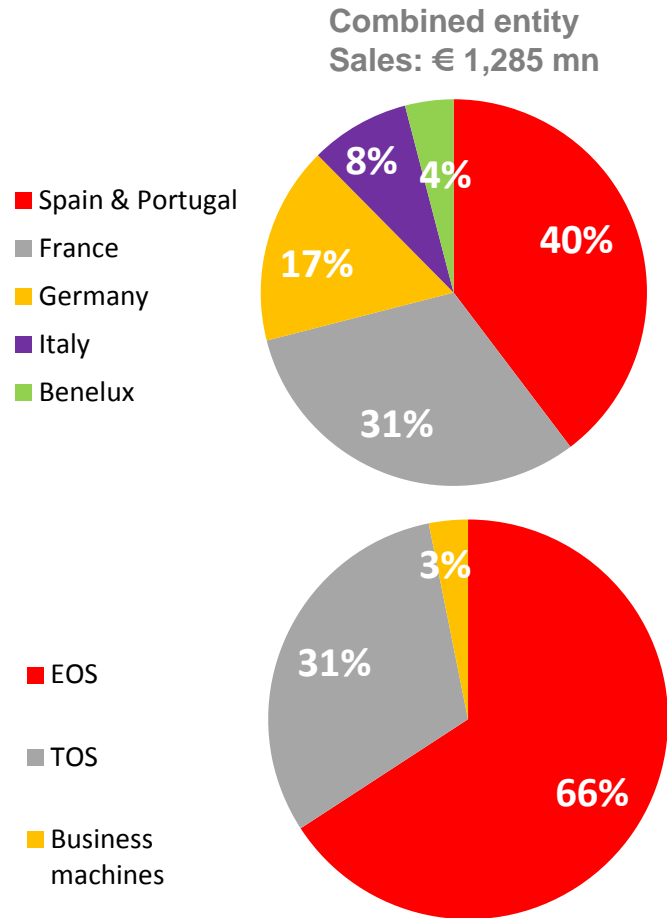
(1) Latest data (2010), (2) Data for 2009, (3) Office Distribution, (4) TOS= Traditional Office Supplies, EOS= Electronic Office Supplies, (5) EUR = European focus, DOM = Domestic focus



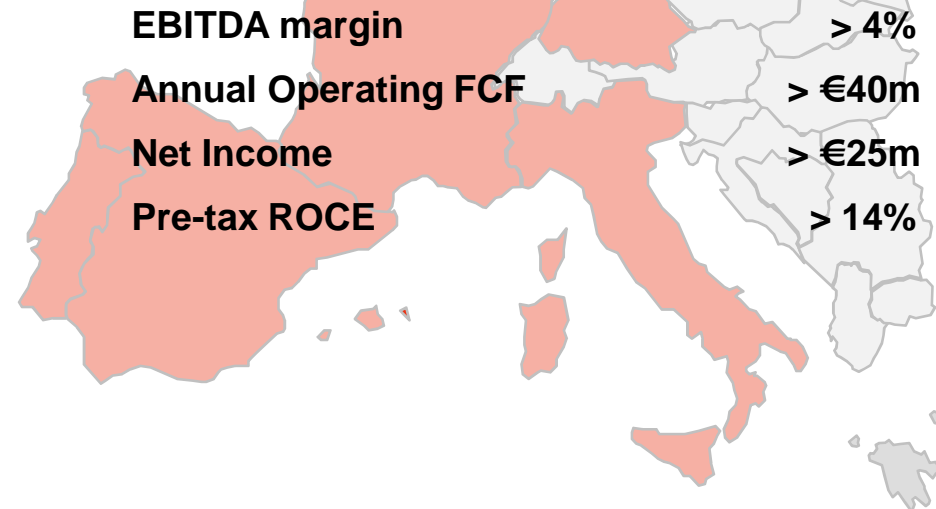


# The New Unipapel Group

A well-established market leader with outstanding profitability



## Key financial references of the New Combined Entity (synergies not included)



Balanced country and product portfolio  
Benchmark in profitability and cash generation profile



# The New Unipapel Group

Global geographical footprint and logistic network

## Spicers CE distribution centres

France	194.913 Sq Ft
Germany	30.000 Sq Ft
Benelux	18.000 Sq Ft
Spain	11.000 Sq Ft
Italy	12.000 Sq Ft

## Unipapel Group distribution centres

Spain	40.300 Sq Mt
France	7.500 Sq Mt
Germany	2.500 Sq Mt
Italy	2.500 Sq Mt



- Unipapel Group**
  - ★ Head Quarters
  - ☆ Distribution centres
  - ★ Sales office
- Spicers**
  - Distribution centres
  - Sales office

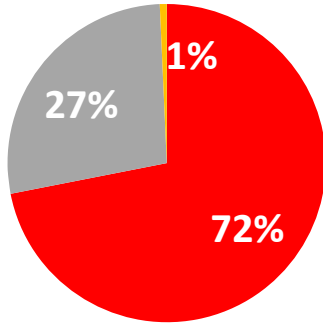
A robust logistic network with 20 warehouses should ensure best-in-class service.



# The New Unipapel Group

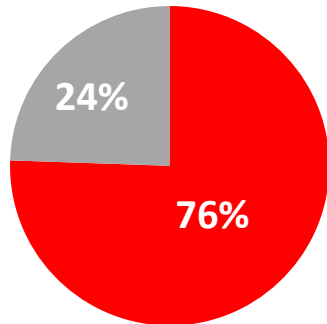
## Spain and Portugal

Sales, Combined entity



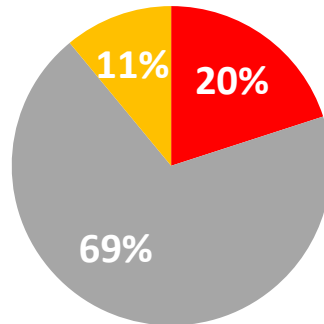
■ EOS ■ TOS ■ Business machines

Sales, Unipapel Group



■ EOS ■ TOS

Sales, Spicers CE

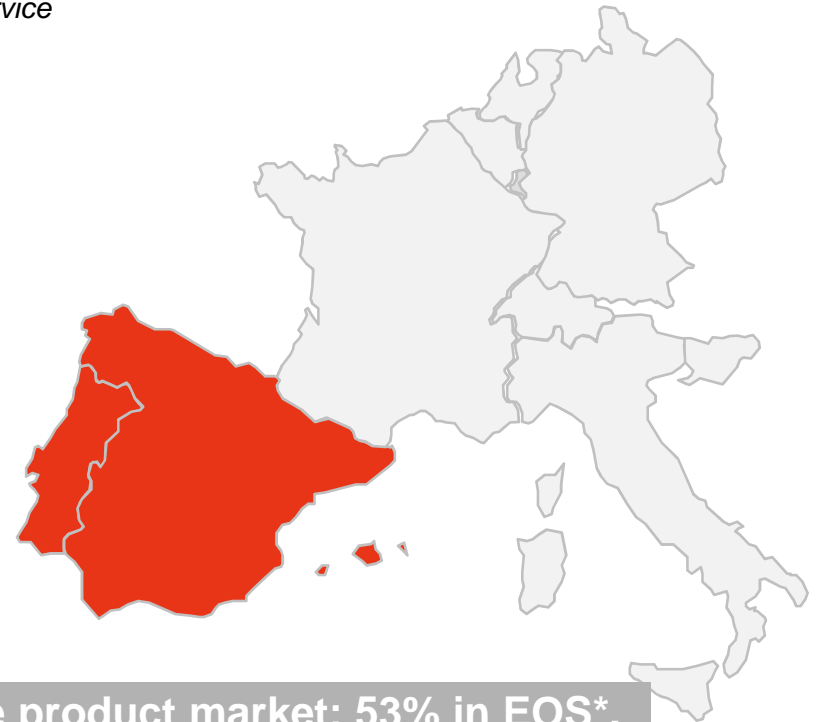


■ EOS ■ TOS ■ Business machines

Unipapel Group, 2010*	€ 490.7 mn	€ 17.2 mn
Spicers CE, April 2011/2010	€ 32.5 mn	€ 0.2 mn
Combined entity EBITDA/Sales, %	€ 523.2 mn	€ 17.4 mn 3.3%

\* Excluding Ofiservice

	Sales	EBITDA
Unipapel Group, 2010*	€ 490.7 mn	€ 17.2 mn
Spicers CE, April 2011/2010	€ 32.5 mn	€ 0.2 mn
Combined entity EBITDA/Sales, %	€ 523.2 mn	€ 17.4 mn 3.3%



**#1 in Spain with a market share > 15% in the office product market; 53% in EOS\*.  
Strong potential for margin enhancement due to synergies.**

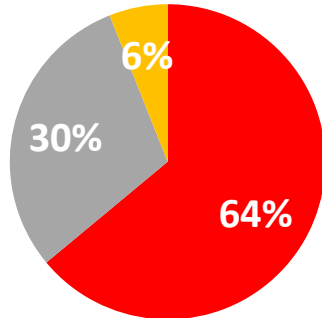
\* in-house estimates, based on the total estimated size of the domestic office product market expressed at wholesale selling prices. The total office products market includes all consumables and durables required in an office, except for computers and can be segmented in Traditional Office Supplies (paper, envelopes, pens, notepads, filing, etc), Electronic Office Supplies (printer cartridges and tonners, data storage media, computer cleaning), Business Machines (scanners, faxes, printing devices, shredders and consumer electronics), Facilities Management (break room supplies, health & safety equipment, janitorial products) and Office Furniture.



# The New Unipapel Group

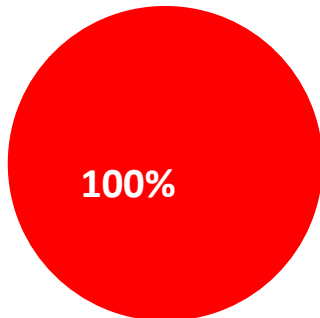
## France

Sales, Combined entity



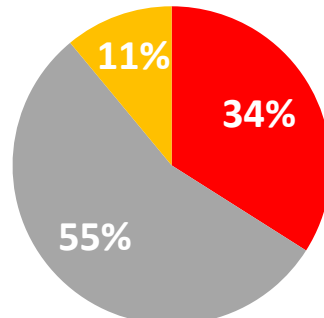
■ EOS ■ TOS ■ Business machines

Sales, Unipapel Group



■ EOS

Sales, Spicers CE



■ EOS ■ TOS ■ Business machines

Unipapel Group, 2010	€178.9 mn	€4.1 mn
Spicers CE, April 2011/2010	€215.0 mn	€16.4 mn
Combined entity EBITDA/Sales, %	€ 393.9 mn	€20.5 mn 5.2%

Sales	EBITDA
€178.9 mn	€4.1 mn
€215.0 mn	€16.4 mn
€ 393.9 mn	€20.5 mn 5.2%



**1 in France with a market share > 6% in the office product market; 18% in EOS  
Highly profitable business.**

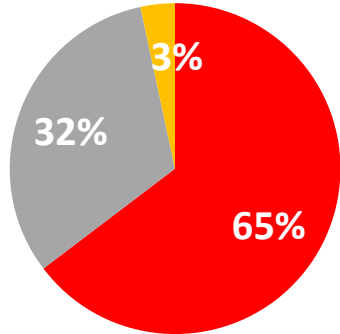
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# The New Unipapel Group

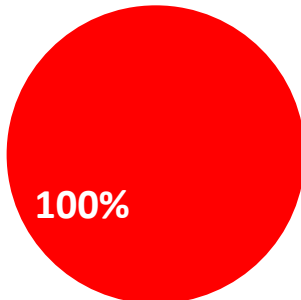
## Germany

Sales, Combined entity



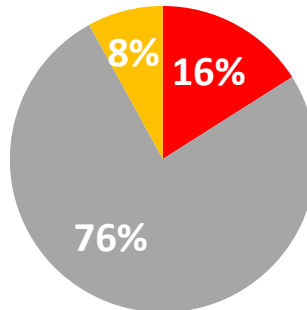
■ EOS ■ TOS ■ Business machines

Sales, Unipapel Group



■ EOS

Sales, Spicers



■ EOS ■ TOS ■ Business machines

Unipapel Group, 2010	€ 120.8 mn	€ 2.6 mn
Spicers CE, April 2011/2010	€ 87.7 mn	€ 6.0 mn
Combined entity EBITDA/Sales, %	€ 208.5 mn	€ 8.6 mn 4.1%

	Sales	EBITDA
Unipapel Group, 2010	€ 120.8 mn	€ 2.6 mn
Spicers CE, April 2011/2010	€ 87.7 mn	€ 6.0 mn
Combined entity EBITDA/Sales, %	€ 208.5 mn	€ 8.6 mn 4.1%



1 in Germany with a market share > 3% in the office product market; 8% in EOS  
Strong growth potential due to highly fragmented market structure.

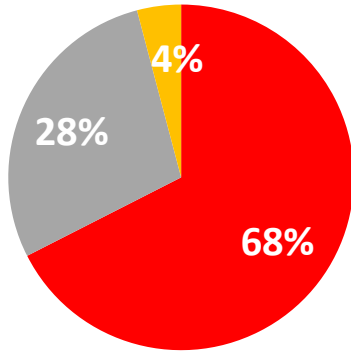
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# The New Unipapel Group

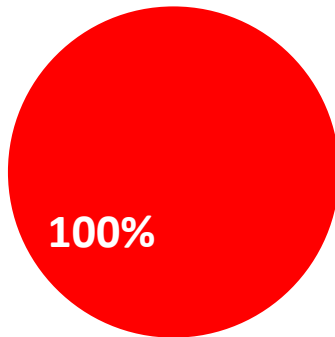
## Italy

Sales, Combined entity



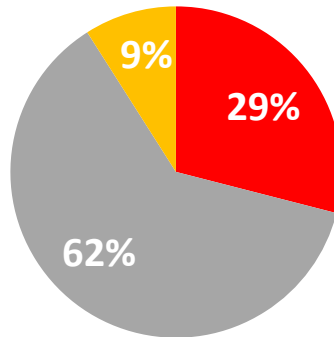
■ EOS ■ TOS ■ Business machines

Sales, Unipapel Group



■ EOS

Sales, Spicers



■ EOS ■ TOS ■ Business machines

Unipapel Group, 2010	€ 56.9 mn	€ 0.6 mn
Spicers CE, April 2011/2010	€ 48.0 mn	€ 2.2 mn
Combined entity EBITDA/Sales, %	€ 104.9 mn	€ 2.8 mn 2.7%

	Sales	EBITDA
Unipapel Group, 2010	€ 56.9 mn	€ 0.6 mn
Spicers CE, April 2011/2010	€ 48.0 mn	€ 2.2 mn
Combined entity EBITDA/Sales, %	€ 104.9 mn	€ 2.8 mn 2.7%



**#5 in Italy with a market share >2% in the office product market; 7% in EOS\*. Non-incumbent position with high potential for growth and margin expansion.**

*\* in-house estimates, based on the total estimated size of the domestic office product market expressed at wholesale selling prices. The total office products market includes all consumables and durables required in an office, except for computers and can be segmented in Traditional Office Supplies (paper, envelopes, pens, notepads, filing, etc), Electronic Office Supplies (printer cartridges and tonners, data storage media, computer cleaning), Business Machines (scanners, faxes, printing devices, shredders and consumer electronics), Facilities Management (break room supplies, health & safety equipment, janitorial products) and Office Furniture.*

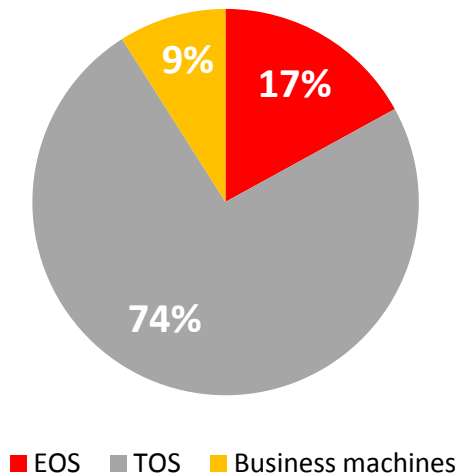


# The New Unipapel Group

Benelux

	Sales	EBITDA
Unipapel Group, 2010	€ 0.0 mn	€ 0.0 mn
Spicers CE, April 2011/2010	€ 51.2 mn	€ 3.5 mn
Combined entity EBITDA/Sales, %	€ 51.2 mn	€ 3.5 mn 6.8%

Sales, Combined entity



# 2 in Benelux with a market share of just 1% in the office product market\*.  
A small business with best-in-class profitability.

\* in-house estimates, based on the total estimated size of the domestic office product market expressed at wholesale selling prices. The total office products market includes all consumables and durables required in an office, except for computers and can be segmented in Traditional Office Supplies (paper, envelopes, pens, notepads, filing, etc), Electronic Office Supplies (printer cartridges and tonners, data storage media, computer cleaning), Business Machines (scanners, faxes, printing devices, shredders and consumer electronics), Facilities Management (break room supplies, health & safety equipment, janitorial products) and Office Furniture.



# Group Strategy

Vision, mission, values and key differentiation guidelines

- I. Consolidate wholesale distribution business in office supplies (TOS, EOS).
- II. Diversify portfolio with hardware and software.
- III. Develop services and solutions.

## Our Mission

- Value creation for OEMs
- Provide our customers with the tools to achieve their goals
- Develop best in class services
- Build the best teams
- Transform the brand

## Our Values

- Integrity
- Respect
- Teamwork
- Accountable to our customers, providers and shareholders





# Group Strategy

New brand name

- A new brand to represent new strategy and corporate values.
  - Sales & Marketing expertise.
  - Best-in-class logistics.
  - Superior management capabilities.
  - Ethical values.
- Unipapel remains as the brand for the industrial business.
- The new brand will be abstract and easy to pronounce in all languages.

# Conclusions

- Binding offer to acquire a robust and consolidated leader with a recurrent solid performance.
- Highly accretive transaction for Unipapel.
- Strong track record in delivering value creation through corporate transactions.
- Improvement in operating margins and potential for synergies.
- Enhanced ROCE.
- The combined entity should have both, a balanced product and geographical mix.
- Extension of Unipapel leadership across Continental Europe.
- Strengthening the positioning towards manufacturers
- Converting the Group as a truly Pan-European wholesale distributor.



**A perfect strategic fit that should create value for all stakeholders and ensure sustainable and profitable growth.**

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