

Thriving in a Hostile Environment



Caraustar®

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Thriving in a Hostile Environment

- ◆ Exceed Corporate Objectives
 - Financial
 - Market
 - Product Development

Thriving in a Hostile Environment

- ◆ Achieve Individual Career Goals
 - Job Level
 - Financial
 - Life Style

Problem No. 1

- ◆ Hostility is not a constant
 - Traditional Hostility
 - Structural Hostility
 - Global Hostility

Traditional Answers for New Problems

- ◆ Our industry, like most, was asleep
 - Strong Traditional Responses
 - Productivity Growth
 - Capital Investment
 - Innovation in Products and Processes

Results

- ◆ U.S. share of world manufacturing market declined from 14% to 9%
 - Lowest position in two decades
 - Deflationary pricing
 - Overcapacity
 - Higher cost structure (raw materials, energy, employee benefits, tort litigation)
 - Imports at record levels
 - Unemployment

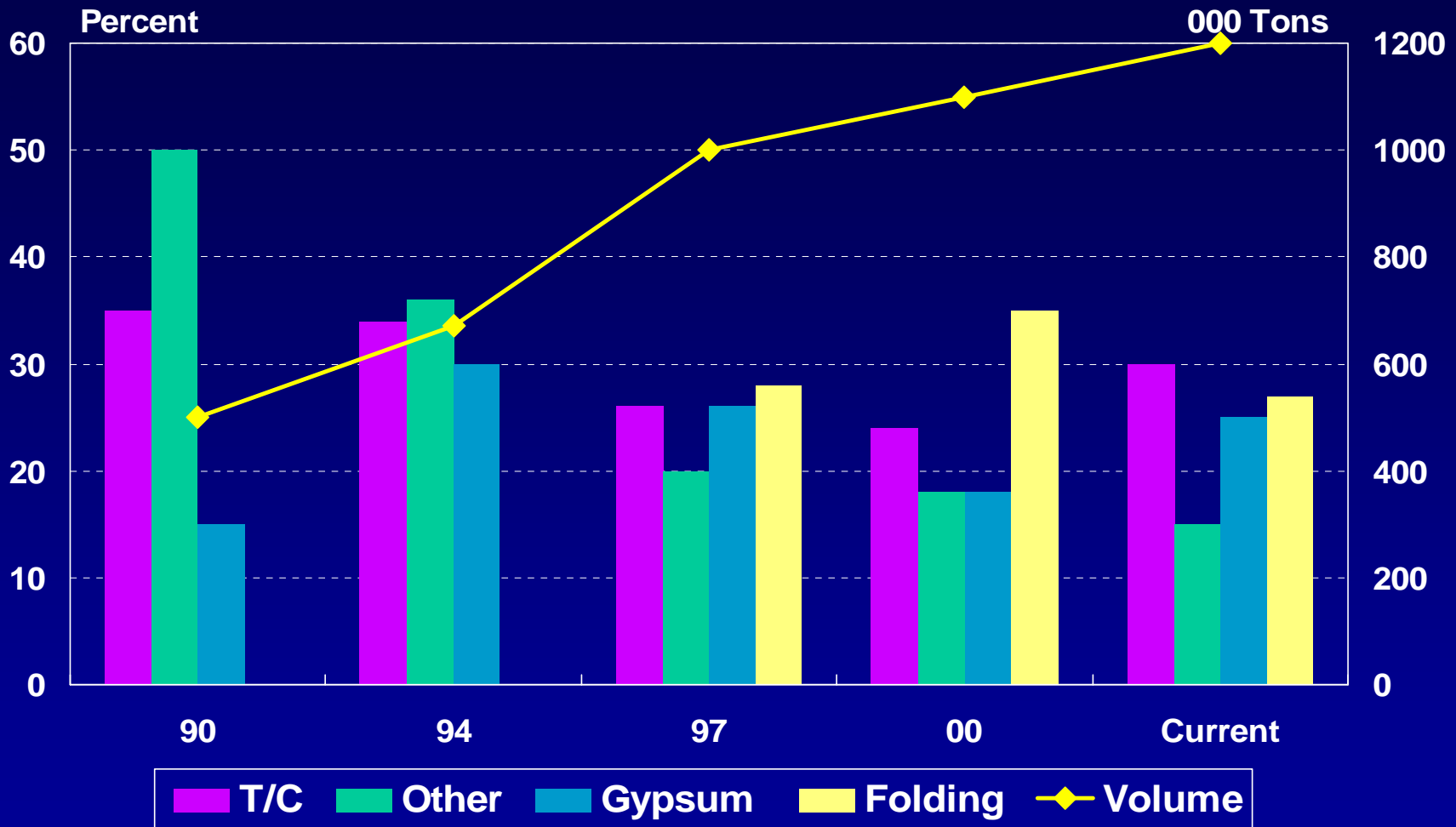
Sounds Bleak?

- ◆ It isn't bleak; it's just different
- ◆ Our industry has responded, finally
- ◆ Some invaluable lessons learned

Caraustar's Response

- ◆ A small company that had the answer
- ◆ Diversified its portfolio
 - Unique Technology
 - New Markets
 - Recession Proof

Grade Mix & Volume Strategy

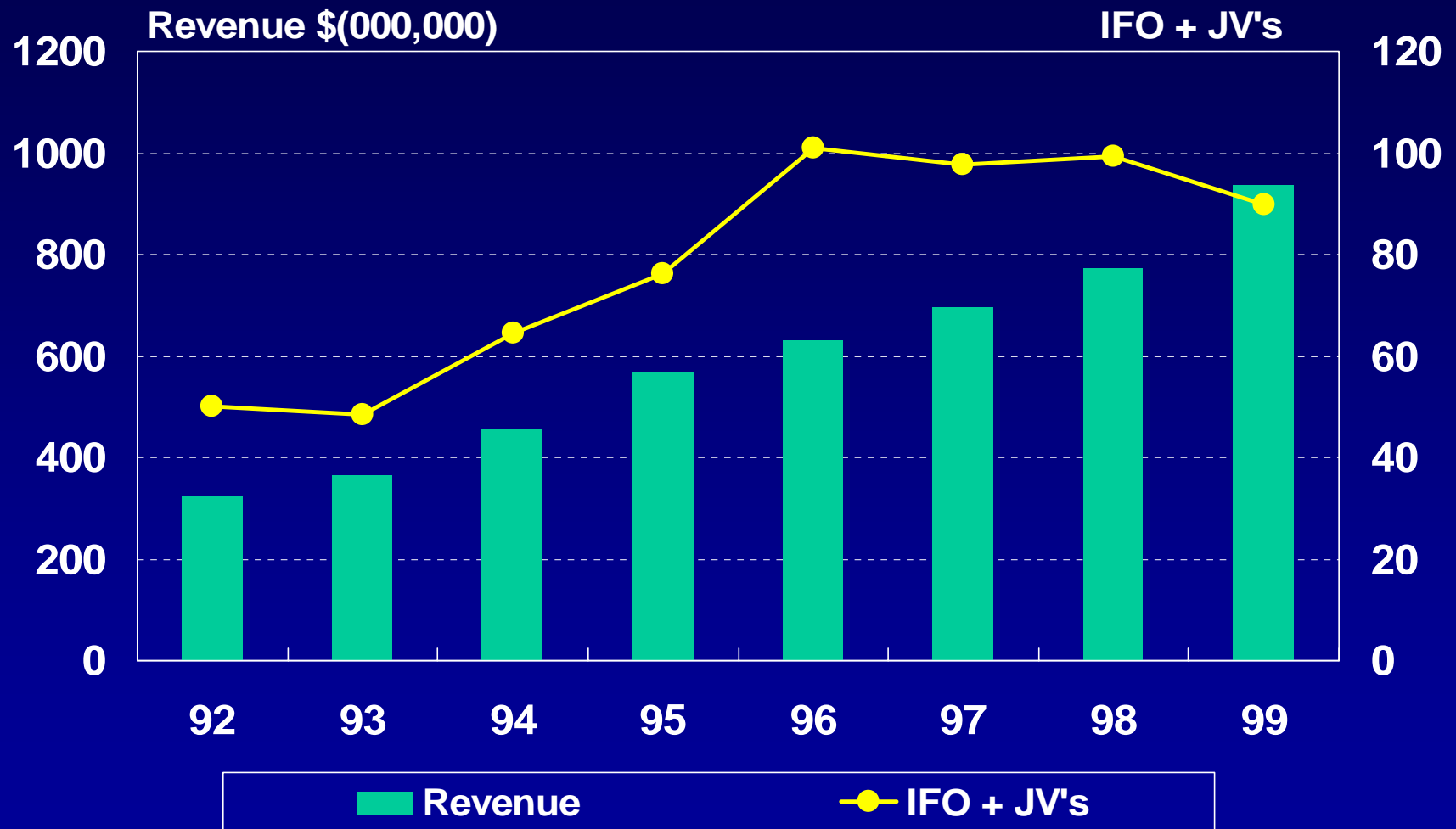


Results

- ◆ Grew throughout the 90's at 15% CAGR, top and bottom line

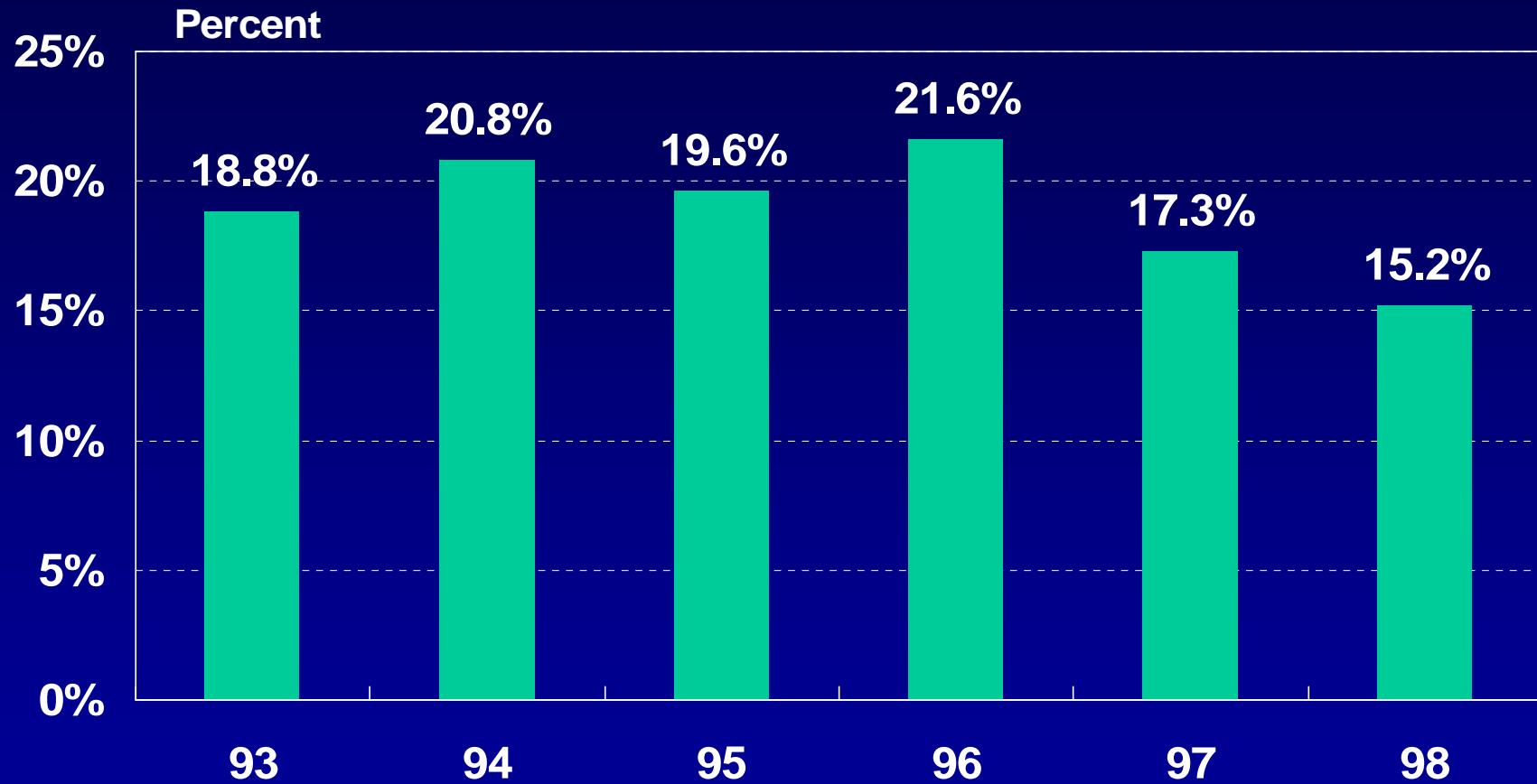
Old Economy

Revenue & IFO + JV's



Old Economy

Return on Invested Capital

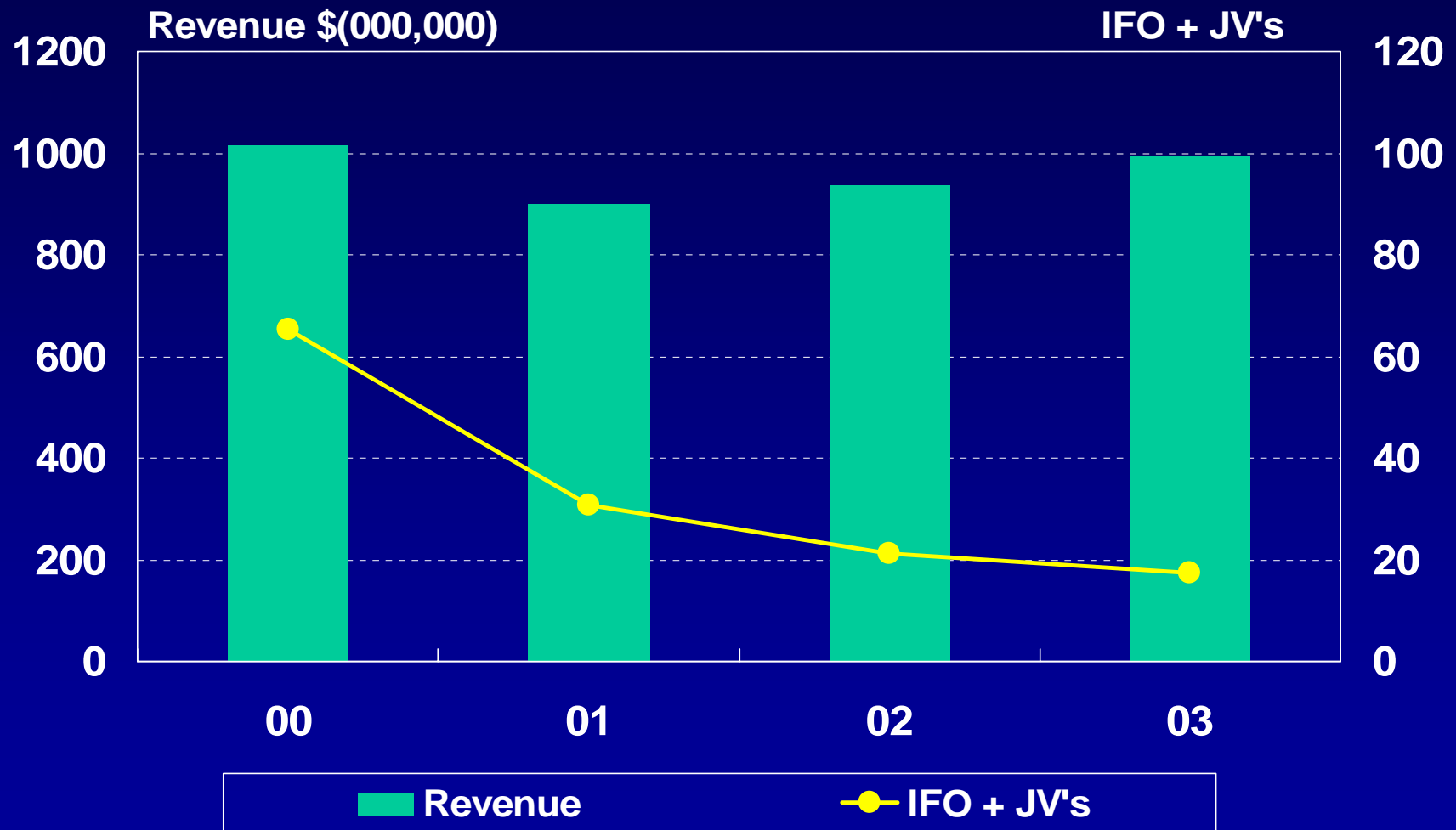


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- ◆ Look again

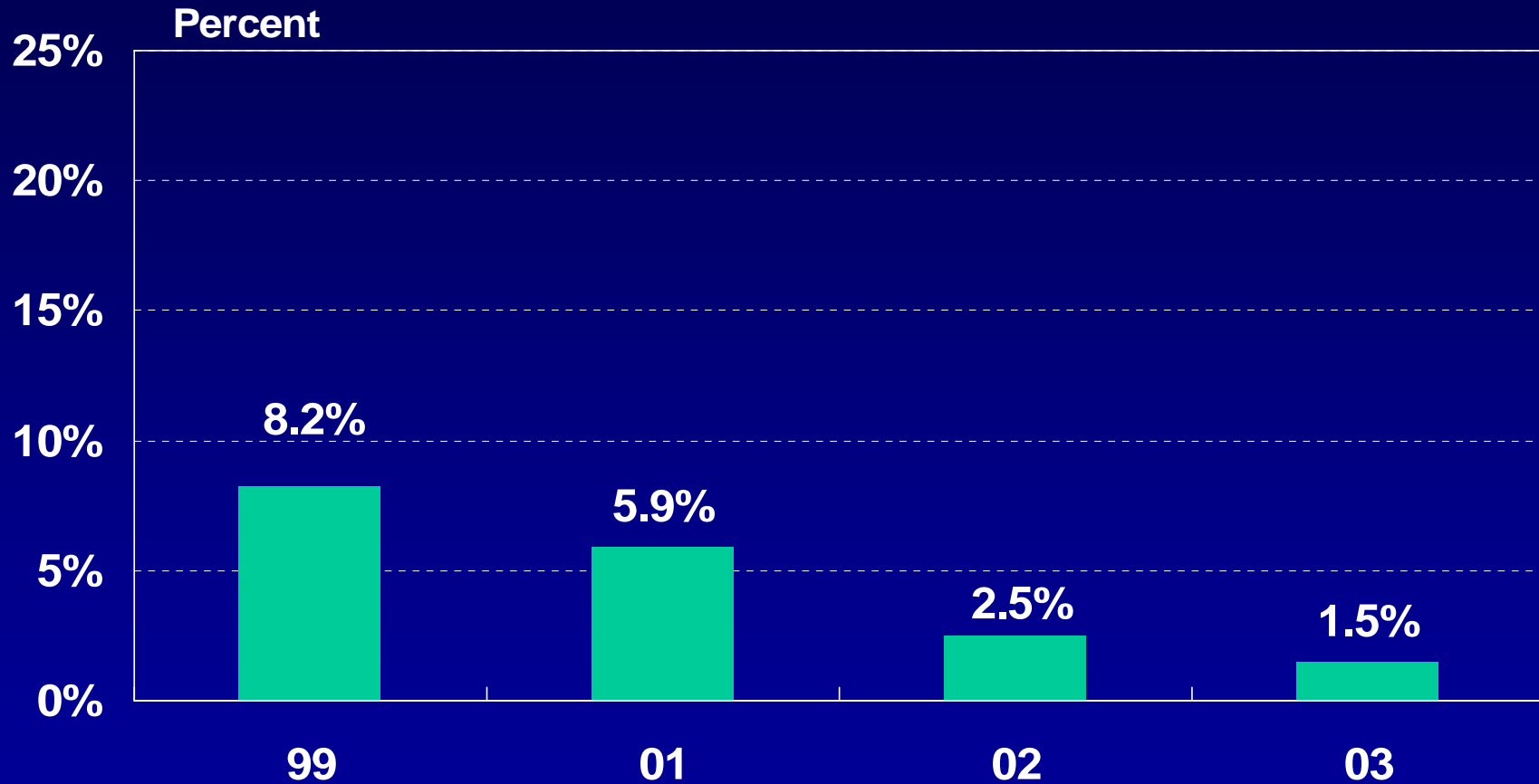
New Economy

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New Economy

Return on Invested Capital



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- ◆ Rightsizing but not downsizing
 - New Technology
 - New Products
 - New Markets
 - Cross Pollination

Right-Sizing

Paperboard Mills

- ◆ Halifax 2002
- ◆ Rittman #2 (Idled) 2002
- ◆ Buffalo 2003
- ◆ Cedartown 2003

Converting

- ◆ Ashland Carton 2002
- ◆ Carolina Converting 2002
- ◆ 8 Tube & Core Facilities 2002

The Industry

- ◆ The right answers (for now)
 - Rationalizations
 - Closures
 - Consolidations
 - Functions
 - Facilities

Recycled Boxboard Mill Closures

Tons Removed from the System

Caraustar 398

Newark 360

Rock-Tenn 185

Sonoco 162

SSCC 115

Other 505

Total Tons 1,725

Uncoated Tons 1,295

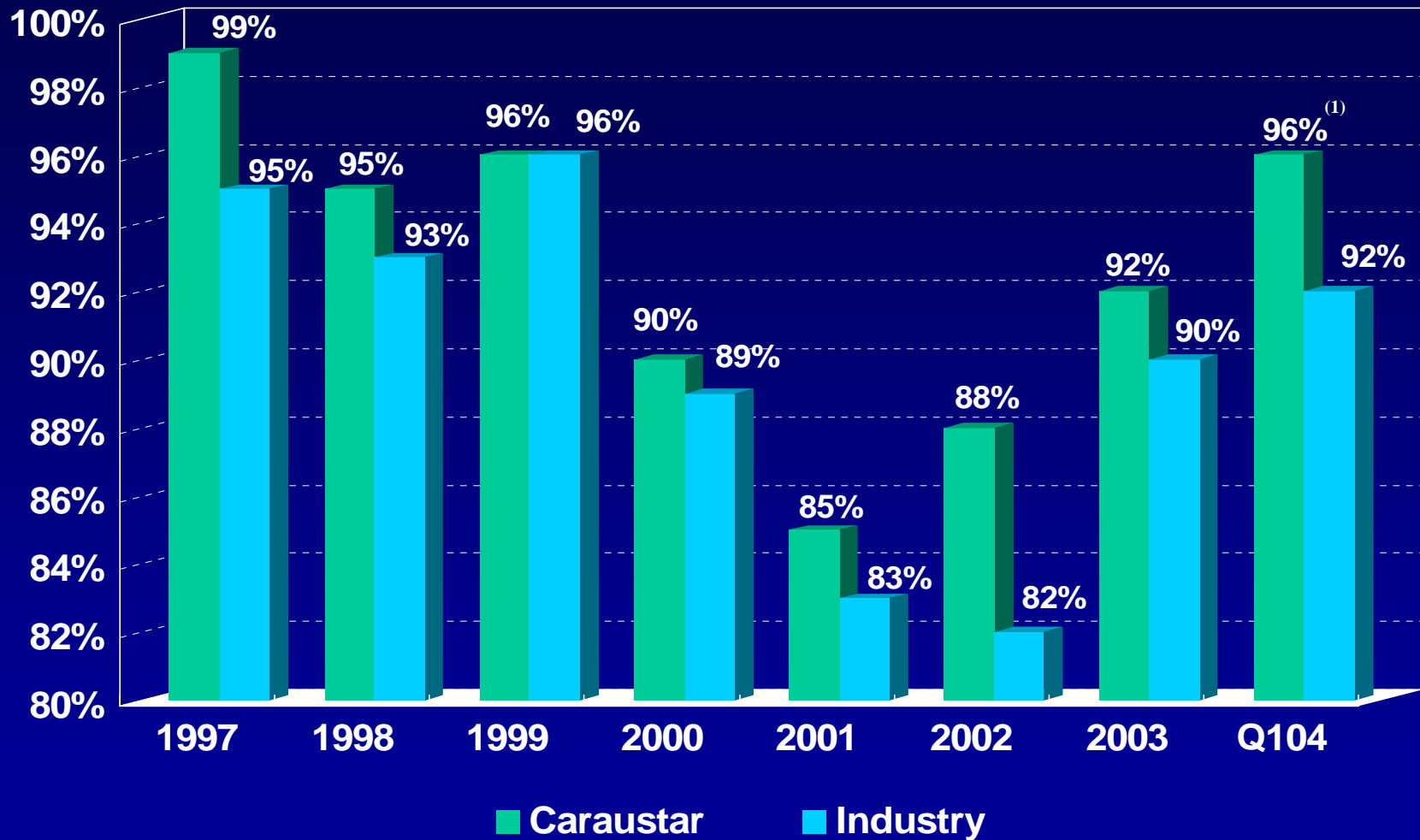
Coated Tons 430

Companies 16

Facilities 36

Machines 37

Mill Capacity Utilization



⁽¹⁾Excludes closed or idled machines

Source: American Forest and Paper Association.

The Future

- ◆ Technology must support growth
 - High productivity & low operating cost will not create success
- ◆ Technology linked with broad-based relationships
- ◆ Growth remains a valid objective

Career Objectives

- ◆ Reconsider your definition of success
 - Does it sync with the new economy?
 - Does it conflict with lifestyle criteria?
 - Are you married to the status quo?
- ◆ Does your definition recognize the corporate challenges?
 - And the changes that are integral to the challenges?

Career Success Factors

- ◆ Broaden your language base
- ◆ Improve your technical capabilities
- ◆ Volunteer for the new business
- ◆ Be prepared to travel

