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COMPANY PROFILE

LPC: 30 yeasr young and growing up fast!

A small family run business has grown over three decades to become the UK's largest supplier of retailer branded tissue products. With a foothold in continental Europe, LPC now is aiming to make its mark there as well.

Perini Journal

There is not one millisecond of hesitation in Peter Spencer's voice when he responds to the simple question: Can LPC's growth continue at the same fast pace that it has been going for the past decade? "Yes, definitely," confirms Spencer, the company's CEO, without a blink. "It is really just a matter of getting the right people on board who can think in terms of £1 billion in sales, with an international outlook and the necessary market understanding. We can do that, no doubt about it."

LPC, which had a turnover in excess of £250 million in 2009, has grown by more than 15% each year over the past decade. So, with that momentum, keeping up the pace perhaps shouldn't be so difficult. On the other hand, of course, as the base gets bigger, achieving 15% of that each year also becomes harder. But it is clear Spencer sees it as very feasible.

"We are totally committed to retailer branded tissue, with no brands to distract us," says Spencer. "And there is no question that retailer brand is going to continue to grow both in the UK and continental Europe. It's better value for the consumer and it's what the retailers want. While we are already very strong in the UK, we believe there is still room for domestic growth. And continental Europe is also very promising territory for us. The company is already trading with some of the largest European retailers and is poised nicely for future growth based on our current strategic footprint with operations in Sweden, Belgium and France. We are also looking at more tactical acquisitions and growth opportunities, with an eye to Spain and Germany."

Spencer, who joined LPC in mid 2008 as CEO following the unfortunate sudden death of John Danton, had most previously been running an $850 million business in the automotive supply industry.

ROOTS IN INDIA, UGANDA AND RETAIL. LPC originally stood for Leicester Paper Converters, an operation that was started 30 years ago by the five Tejani brothers. The family has its ethnic roots in India but came to the UK in the early 1970s from Uganda where they had been in the coffee business.

In the UK the brothers had a small retail business in the Leicester area which at one point around 1980 had a problem sourcing tissue products. This led them to look at various options and, instead of simply finding new tissue suppliers, they decided to make converted tissue products themselves and thus bought their first converting line. Through the 1980s and 90s they continued to grow at an accelerating pace, first by adding more converting lines and then in 1998 adding the first paper machine to secure their supply of paper. A second machine followed in 2002.

SOLID POSITION IN UK RETAILER BRAND MARKET. With a market leading position supplying retailer branded tissue products in the UK, LPC today has a very strong position and a solid base from which to expand. Other competitors manufacturing retailer brands are SCA and Georgia Pacific amongst other smaller companies. LPC estimates the UK retailer brand tissue market at about 550,000 tons.

LPC has three main plants in the UK, as well as three mill locations in continental Europe in Sweden, Belgium and France. LPC's European mills are located in Kisa, Sweden, purchased from Duni in 2002; Roanne, France from SCA in 2006 and Duffel, Belgium from Kimberly-Clark in 2007.

In the UK all operations are near Leicester, with the largest being the Hamilton site which combines both the KAMNS paper mill (coming from first initials of the five Tejani brothers' names) and a large converting operation running alon-

gside the mill. Converting started there in 1993, paper production began in 1998 with PM1, and PM2 was added in 2002. There are now eight converting lines with a total converting capacity of 70,000 tons. In total, the UK operation utilizes approximately 1.5 million square feet of floor space.
As LPC grew, the New Star Road converting plant opened in 2000 and specializes in facial and napkin production, with a capacity of 20,000 tons. This is a very fast growing business for LPC and this location works closely with LPC's Kisa mill in Sweden for NPD (new product development) for facial grades.
The most impressive site, both from the inside and the outside, is the ultra modern Rothley Lodge converting plant that opened in 2006. Built low into the ground with green and beige exterior colors so it will blend in nicely with the English landscape and the wildlife refuge just behind the plant, Rothley Lodge is a true state-of-the-art tissue converting facility. Output is around 60,000 tons of toilet tissue and kitchen towel in 2009 and there is further space available for a paper machine at this site.

PAPER SUPPLY A CRITICAL ISSUE. Total tissue paper capacity within all of LPC's mills is about 210,000 tons per year. In the UK, the company clearly needs a new paper machine, or even two, as it presently makes about 75,000 tons per year of paper and is using significantly more on its UK converting lines. The decision to install a third paper machine has been made and the implementation process is well underway.
"It's no secret that we have a papermaking and converting imbalance," explains Spencer. "But that's the way it works: you grow converting by buying paper and then follows a clear business case for installing a paper machine. Of course we need money to do this so it is about looking three years out and choosing our priorities on where to invest. Being everything to everybody is not possible as you grow."

ONE CLEAR VISION ACROSS VARIED CULTURES. As LPC has grown, particularly through acquisition in recent years, Spencer says, there has been a requirement to bring the different operations together as a group. "There's no point in being a group," he says, "if we are all operating as separate businesses. We have four different businesses and many opportunities to drive synergies across the LPC Group. When you acquire three different mills, from three different companies, it takes time to overcome the various cultural sensitivities and instill the unique LPC way of operating."
"My job is to make one company vision out of what we have, so we can drive synergies and integration, and therefore the profitability, in all aspects of the business. A high priority is getting the right people in the right places. We have been recruiting personnel today that are capable of doing the job above them and ope-rating in a much larger business environment."

SHARP FOCUS ON BIG CUSTOMERS. Another part of that vision is to grow in continental Europe. "Germany and Spain are two areas we are certainly looking at, as well as others. This is based on where we need to be to satisfy retailers that we work with. We plan to be one step ahead of them, as they grow, to be in place to offer the four incredibly critical ingredients in this business: Quality, delivery, cost and innovation."
"We enjoy fantastic on time delivery ratings with our retailer partners and we will continue to focus on this. In this sector, quality and delivery are extremely critical so if you don't have those, you don't have a business. This is a low-margin business, so problems with those issues will cost you big money."
A further key component in LPC's phenomenal success in the UK has been the category management support activities that it offers retailers. This has been highly valued by the retailers, says Marketing Manager Mark Greenberry, and used as a key tool in developing retailer brands, through driving consumer loyalty for retail partners and ultimately a more profitable
business model.
"We carry out full category reviews with our retail partners on a regular basis," comments Greenberry. "This is an opportunity to review the retail marketplace as it is today and, critically, where it is going to go in the next 12-24 months. So we make recommendations about future direction and then we can incorporate packaging development and product development so the retailers are ready to meet the demand."

DECISION TO GET OUT OF AFH. One area where LPC will not be growing is the Away-From-Home (AFH) sector. Spencer explains: "We made a strategic decision to get out of AFH because we feel we can't be excellent at it. It's a little too diverse and dispersed for our business model. With very small volumes, mixed pallets and lots of customers, it is not what we wanted to do strategically."

BECOMING BIG WITHOUT LOSING THE SPIRIT. Going forward, it appears as though LPC has the key ingredients in place for growth. It is just a matter, Spencer says, of looking a few years out and getting the priorities right. At the same time it is important not to lose the aspects that have helped LPC grow so rapidly.

“Quite simply,” he states, “you can't run a big business like a small business. But we certainly want to retain our entrepreneurial spirit, at the same time as we put proper cross-group structures in place to make sure we're getting the efficiencies that a group should get.”
Based on LPC’s very successful track record over 30 years, combined with Spencer’s confidence and clear focus on the future, no one should be surprised if the success continues apace. •

Creation of Europe’s second largest tissue producer

The Tejani family has today signed an agreement to sell the LPC Group to family owned Sofidel S.p.A.. Completion of the sale is subject to the receipt of required regulatory approval in Germany. The combination of LPC and Sofidel will create Europe’s second largest tissue producer with a combined turnover of Euro 1.3 billion per annum. The enlarged group will be enabled to serve its customers with a broader range of products from its reinforced manufacturing footprint in Northern and Southern Europe.

About Sofidel
Sofidel is headquartered in Italy with 17 manufacturing operations in eight countries across Europe producing in excess of 700,000 tonnes ot tissue products per annum. Sofidel generated sales of more than Euro 1 billion in 2009 and currently employs approximately 3,200 people throughout Europe.

Source: Press Release Sofidel S.p.A. - Porcari, Lucca, 01 June 2010.