

# Project Jeroboam

Presentation to Verallia European Restricted Committee

15<sup>th</sup> May, 2019

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# Jeroboam: Principles

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- In view of upcoming sale by Apollo, acting proactively and preemptively
- Innovative concept : Influencing the choice of the future group shareholders, with a view to remain a standalone group with long term capital suppliers
- Promoting a new governance setting to foster and develop employees' rights and interests

# Jeroboam: What we ask for (1)

<h2>Shareholding and Governance</h2>	<ul style="list-style-type: none"> <li>• Target shareholding : bpifrance 10 to 20%, Employees 7,5%, ESG Funds holding a majority of the float.</li> <li>• 2x voting rights after 2 years</li> <li>• Governance : Board comprising of 10 directors, including 3 employee reps (including one designated by CEE), 4 shareholders reps, 1 FCPE, 2 independent directors with industrial know how</li> </ul>
<h2>Société à Mission</h2>	<ul style="list-style-type: none"> <li>• Mission : reduce ecological footprint and improve consumer's health through the development of neutral and durable glass packaging. Establish production best practice in terms of ecological footprint, energy consumption, working conditions and workers health and safety</li> <li>• Mission monitoring and control body to be established, 10 members : 4 appointed by shareholders, 4 appointed by Comité d'Entreprise Européen, 2 appointed by the Management</li> </ul>
<h2>Enterprise Project</h2>	<ul style="list-style-type: none"> <li>• Head office in France</li> <li>• Governance to establish and maintain a Consensual Enterprise Project, allowing stability/progress of the economic and social model, with an objective to preserve and develop human capital satisfaction as well as sound operational performance.</li> <li>• Initial Enterprise Project will include :             <ul style="list-style-type: none"> <li>• Ambitious capex program for health, safety and work conditions, including smoke aspiration devices on all production lines</li> <li>• 6x8 shifts and 32 hours/week for all day workers</li> <li>• Work condition improvement for production shifts</li> <li>• Intensify cooperation with st Gobain research center</li> </ul> </li> </ul>

# Jeroboam: What we ask for (2)

<b>Enterprise Project (continued)</b>	<ul style="list-style-type: none"> <li>• Development of the Ecole Verriere in all geographical footprint</li> <li>• Value technical know how in carrier management and progression</li> <li>• Develop recycling</li> <li>• SRI notation may be useful to attract SRI investors</li> </ul>
<b>Social Dialogue</b>	<ul style="list-style-type: none"> <li>• Finalize favorable Accord de Groupe to implement CSE in each French Company and a Central CSE,</li> <li>• Create a social dialogue Body at the global level (the Worldwide Committee), following same principles as the Comité d'Entreprise Européen, with a mission to facilitate the implementation of best social practices across the group's geographic footprint</li> </ul>
<b>Value Sharing</b>	<p>In addition to employee shareholding :</p> <ul style="list-style-type: none"> <li>• Tax efficient employee savings program to be implemented worldwide</li> <li>• Performance based value sharing program to be implemented worldwide, based on achievable, understandable and negotiated performance targets</li> <li>• Capital gain sharing [TBD]</li> </ul>

# Why it is legitimate

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- IPO Target Enterprise Value : € 5Bn
- Target EV/Employee = € 500K = 10 to 20 Years salary
- Apollo estimated capital gain = € 2Bn over 5 years
- Apollo capital gain/employee = € 200K
- Capital gain/employee/year = € 40k
- Productivity gain over the period = TBD

# Jeroboam: Process so far

Date	Events	Comments
./..		
June 18	Media coverage	First stipulation of Jeroboam
August 18	Letter CGT to Mr Allavena requesting a meeting	
3 <sup>th</sup> October, 2018	Meeting at Verallia HQ	Agreement to discuss the concept
October 18 to March 19	Deterioration of social dialogue in France.	The resistance of the management team slows down the dialogue with Apollo. We mobilize bpifrance
March 19	Informal interaction on potential IPO	The shareholders declare themselves ready to formalize the discussions on Jeroboam as soon as the decision to launch the IPO is officially taken. Continuation of the hostility of the management team.
April 19	Transmission of proposed agreement	It is a question of showing the technical feasibility of Jeroboam and how it could be implemented in practice.
May 19	IPO officially announced CGT Press Release Rothschild, BNP, Citi, Deutsche Bank appointed Confirmation of meeting on 23 <sup>th</sup> May	It is now a question of being fully involved in the IPO process, in order to make it socially exemplary

# Jeroboam: Appeal to [various kind of] investors

	Without Jeroboam : traditional IPO investors	With Jeroboam : Socially responsible Investors
<b>Perimeter</b>	Strategic perimeter adjustable in order to maximize shareholder value	Stable and balanced strategic perimeter
<b>Management Team</b>	Management team chosen in order to implement further productivity measures	Management team: Leadership / Industrial Long term vision more important than cost cutting
<b>Business Plan</b>	Seller's top down Business Plan triggering artificial valuation	Broadly consensual Business Plan triggering sound valuation
<b>Value Sharing</b>	Traditional shareholders value creation at the detriment of human capital	Value creation through giving employees [human capital] the central place in the enterprise project.



# Jeroboam: Negotiation strategy

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- Mobilise workforce on the european and global basis
- High quality project documentation
- Neutralise hostility from management team through adequate interaction with shareholders
- Positive contribution to equity story
- Direct appeal to leading ESG investors

# Jeroboam: Action / Work plan

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- Adjust/complement « What we ask for » with European Committee input
- Discuss/amend/finalize strategy and project organisation at the European level
- Available resources/resources acquisition strategy
- Draw action plan per country :
  - Detailed « what we ask for »
  - Interaction with employee reps/unions/existing social infrastructure
  - Interaction with local management
- Detailed Worldwide Committee specifications
- Design and roll out media/communication strategy
- Design and roll out strategy with politicians