

FEATURED CASE STUDY

KKR GLOBAL IMPACT

INVESTMENT:

CMC PACKAGING AUTOMATION

Global manufacturer of sustainable packaging solutions to reduce material usage.

KKR



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INVESTMENT STRATEGY	KKR GLOBAL IMPACT FUND SCSP	INVESTMENT TYPE	MIDDLE MARKET PRIVATE EQUITY
SECTOR	MANUFACTURING	OWNERSHIP STAKE	CONTROL
INVESTMENT DATE	NOVEMBER 2020	IMPACT VALUE CREATION MODALITY	GROWTH
GEOGRAPHY	EUROPE		

INVESTOR & COMPANY OVERVIEW

KKR GLOBAL IMPACT applies KKR's tested approach to scaling companies with proven business models where financial performance and positive societal impact are intrinsically linked. The strategy invests in businesses that provide solutions to global challenges defined by the United Nations' Sustainable Development Goals across these themes: climate action, sustainable living, lifelong learning, and inclusive growth. Global Impact uses the KKR private equity playbook (i.e., active governance, operational enhancements, patient capital) and broader KKR platform to scale meaningful and sustainable outcomes.

CMC PACKAGING AUTOMATION is a leading manufacturer of on-demand sustainable packaging solutions for e-commerce. The company engineers advanced 3D printing technology to match packag-

ing size to product size, significantly reducing the amount of material used. CMC's solutions also offer a cost-effective method of reducing energy and natural resource usage associated with packaging, translating into substantial cost savings for their customers.


INVESTMENT THESIS

KKR sees CMC as a thoughtful solution to environmental challenges associated with the exponential growth of the packaging and e-commerce sectors. Prior to the investment, CMC was materially smaller than its competitors, with a single factory in northern Italy. KKR's capabilities, experience, and network allowed the firm to serve as an authentic management partner to CMC, helping professionalize and expand the business, and support new customer acquisition and product development.

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FINANCIAL MATERIALITY OF IMPACT

KKR's value creation approach demonstrates the GROWTH modality:

IMPACT VALUE CREATION MODALITY	VALUE CREATION ACTIVITY	FINANCIAL VALUE DRIVER	VISIBILITY OF FMI
 GROWTH	Enhance CMC's impact measurement strategy allowing for the development of an online impact calculator for customer use, helping communicate the company's impact value proposition	<ul style="list-style-type: none"> • Revenue growth driven by developing a stronger value proposition grounded in communicable and quantifiable impact benefits to customers 	The potential to further position CMC as impact-focused was visible, but the initiative to develop a robust measurement strategy and engage stakeholders benefited from KKR's capabilities and impact expertise.
	Scale the company's production facilities and operating presence internationally to achieve incremental positive impact, and enhance its product offering to drive the sales of more sustainable packaging solutions	<ul style="list-style-type: none"> • Revenue growth from scaled production, market expansion, and sustainable product development 	The opportunity to scale impact and revenue through increased production capacity and product development was visible, but KKR's network of experts accelerated the strategy.

VALUE CREATION

IMPACT MEASUREMENT AND IMPACT POSITIONING

Drawing on KKR's expertise in impact management, as well as their partnership with the independent sustainable business network and consultancy Business for Social Responsibility, the team helped enhance CMC's impact measurement approach. KKR facilitated a third-party life cycle assessment (LCA) of the company's two core packing products' environmental impact, which played a significant role in commercial discussions with the C-suite as CMC's value proposition is deeply linked with customers' waste reduction commitments.

CMC used the LCA data to develop an online impact calculator allowing customers to compare environmental impacts, including carbon emissions, cardboard use, and transport miles saved, relative to traditional packaging solutions. KKR also supported CMC's impact positioning through media outreach and stakeholder engagement.

VALUE CREATION

INTERNATIONAL EXPANSION AND PRODUCT DEVELOPMENT

Leveraging its manufacturing expertise, network of advisors, and the KKR Capstone team — which supports KKR portfolio companies by identifying and delivering sustainable operational improvements — KKR helped achieve a shared vision of growth by expanding the company's operational footprint and strengthening CMC's service offering. This helped to increase customer service and spare parts revenue from 18% at the time of investment to 27% in 2023. KKR also contributed to CMC's expansion by launching its inaugural US office — more than doubling the number of US employees — and doubling production capacity with the addition of a second production facility. Moreover, by leveraging KKR's long-standing investments in

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warehouse and fulfillment centers, CMC's go-to-market strategy has been professionalized by adding logistical support to scale the business and its impact.

Additionally, KKR strengthened the company's R&D efforts with a focus on centering customer needs to accelerate the development of more sustainable products. For instance, KKR expanded the company's focus on recycled paperboard offerings to help customers with their own sustainability goals. KKR also helped CMC to establish a dedicated R&D center in Italy's packaging valley to increase the development of emerging hardware technology and software capabilities. To inform R&D work, KKR leverages its own impact and market expertise, as well as external resources, recently commissioning a third-party study to review customer needs.

VALUE CREATION

EMPLOYEE OWNERSHIP

In September 2023, KKR supported CMC in implementing a broad-based employee participation program, allowing all employees to participate in the company's financial success. Since 2011, KKR has supported 35 portfolio companies in awarding billions of dollars of total equity value to over 60,000 non-management employees. KKR has found that if applied at a large scale, programs that seek to align the interests of all employees through broad-based ownership programs can lead to greater financial inclusion, worker satisfaction, and financial returns for all stakeholders.

LESSONS LEARNED

- **Stakeholder engagement expertise:** KKR has a strong focus on incorporating stakeholder perspectives in value creation activities (e.g., market positioning, product development) based on the needs of the company's end users, making the team adept at understanding the need for impact-focused products.

The logo for KKR, consisting of the letters 'KKR' in a bold, purple, sans-serif font.The logo for CMC, featuring the letters 'CMC' in a bold, green, sans-serif font with a white outline, positioned above the text 'PACKAGING AUTOMATION' in a smaller, black, sans-serif font.