

# DLH STRATEGY 2010–2012 – BACK TO BLACK

## Our point of departure

### Our situation and the strategy for the future

Prior to the global economic slowdown DLH has grown the business through several (16) acquisitions both upstream in forestry and production as well as expansions in the market. DLH has during the last two years faced massive losses and an increasing debt. The business model and ability to control and adjust to changed market situations has shown to be vulnerable.

DLH is in a difficult situation but has very good opportunities to become a strong, leading and profitable player in the wood supply business. The actions already taken in the last part of 2009 and the strategy for the next three years (2010–2012) will bring DLH in a much stronger position. DLH in the future will be characterized by a strong market orientation, more focus and critical mass, more unity and a reduced complexity. For DLH the journey will result in significantly improved financial performance (revenue, EBITDA and NIBD), a stronger and more clear business model and a freedom to act and develop the business even further.

### Actions already taken

As announced a number of actions have already been taken in order to reduce the losses and prepare the way forward. DLH has laid off 1,000 employees, closed down sales and production sites and reduced the number of locations. In parallel to that a new arrangement has been settled with the banks, a new organization has been launched and the Back to Black strategy has been developed and approved.

## The strategy

### DLH's ambition

The ambition is to be the leading wholesaler of wood in the markets and segments DLH chooses to serve with wood from a global sourcing network. Being the leader allows DLH to set the pace, drive the development, have a strong offer to the

customers and also have the size, the scale and a responsible way of doing business that makes DLH attractive to do business with for the group's suppliers.

Financially the ambition is first of all to become profitable and reduce the debt significantly because it gives the strength and freedom to act and develop the many promising business opportunities.

### The strategy

To meet the ambitions the strategy is to:

- Focus the business model on sales and sourcing and divest all forestry and production activities to reduce complexity and capital demands
- Be fully market oriented and achieve excellence in core disciplines like sales, pricing, supply chain and management of working capital
- Become one transparent highly efficient and co-working organization with industrialized processes and same way of working

### Profile of the future DLH

The company that results from implementation of the strategy in DLH is:

- A wholesaler with a strong European position and focus, foothold in Russia and USA and activities in other markets served by Global Trading
- A well coordinated, strong and flexible Global Sourcing activity capable at finding attractive products and ensure an efficient supply at competitive prices while maintaining high environmental standards
- A focused and less complex organization acting as one global company with clear coordinated goals focusing on optimizing the whole chain and working closely together
- An organization developing and utilizing best practice across the organization with focus on activities like sales management, pricing, supply chain and management of working capital
- A more transparent organization with better reports and information and much better ability to control and act to changes and opportunities

## The journey and the key initiatives

### An ambitious transformation

DLH is looking into an exciting but demanding change. It is demanding because:

- There are a lot of things to be done in the years to come
- DLH is under time pressure and a successful turn-around should give the group the total freedom to act
- DLH is changing DNA from "the independents" to One Company

### The next three years in brief

2010 will be focused on keeping the financial goals, divest companies, get the new organization to work and harvest some low hanging fruits in each unit and with regards to working capital.

2011 will be focused on Go To Market and more structural efforts to reduce working capital further. During 2011 DLH will also consider to implement more initiatives (lean, warehouse restructuring, transport optimization, IT etc.) that is not yet directly included in the strategy.

2012 will be offensive with more initiatives on the market side and a strong growth plan for the period after 2012 – after the group has become Back to Black.

### The key initiatives

#### 1. Divestment of production and forestry activities

During 2010 and 2011 DLH will divest all forestry and production activities including CIB – Congolaise Industrielle des Bois, GIB – Gabonaise Industrielle des Bois, Carl Ronnow (Malaysia) Sdn. Bhd., PW Hardwood in USA and I-DRY in Holland. This will be done to reduce debt and losses but also in order to focus the competencies on sales and supply. DLH is simply spread over a too large range of activities globally meaning that it is hard to be excellent in the many disciplines.

#### 2. Reduction of working capital

During 2010 and 2011 DLH will reduce working capital (prepayments, stocks, debtors and creditors) considerably. The ambition is not "just" to reduce working capital but also to be much better at managing it in the future especially when the market rebounds. It is a two year programme. Working capital will be an integrated part of KPI's, incentives and reporting. In the first part of 2010 DLH will focus on some "hot spots" in the

organization holding the largest potential. Before summer 2010 DLH will have developed a blue print for our future set up and management of working capital in DLH.

#### 3. Implementation of a new organization

The new more functional organization was initiated 1.1.2010 but there is still a way to go. Business plans are prepared for each of the units and they are to be implemented and will be revised twice a year. Reporting and controlling are enhanced. An organizational handbook is to be implemented outlining roles, KPI's meeting structures etc. ensuring that everybody works in a structured way and uses the best practice across the organization. GPO (Global Procurement Office) will together with Hyperion (reporting) be rolled out in 2010 but further roll out of GTS is put on hold to focus the efforts on the sales and market issues.

#### 4. Go To Market

The local initiatives will be supported by a group wide programme developing best practice competencies and methods regarding market development, sales management, sales, pricing and development of new products and services. One of the corner stones in this programme is regular Go To Market conferences where leaders meet and exchange practice and get inspired.

# Organization

## Idea

The idea is to transform from a group of many individual companies and sites and act as One Company. This means that focus will be on optimizing the results for the group and on establishing a closer teamwork. More similar and clear structures, KPI's and guidelines are to be implemented across the units to improve support and to emphasize development into One Company.

## Structure

A functional oriented structure with global functions for Forestry, Global Sourcing and Trading respectively and the Sales Regions Nordic, USA, Europe and Russia are implemented by 1 January 2010. Group Management consists of CEO Kent Arentoft, CFO Carsten Vindnæs, EVP Martin Grome, EVP Poul Leineweber, EVP Hroar Bay-Smidt and EVP Björn Ljungberg.



## Roles of the organizational units

Unit	Role
Group Management	To drive and coordinate the development of the group and ensure implementation of the strategy.
Support	To support the business, ensure efficient processes and drive a development towards One Company.
Forestry	To drive and optimise the sustainable output of concessions in accordance with DLH's policies.
Global Sourcing	To identify, negotiate, source and handle logistics for an attractive product range making it available to the trading and sales in line with the policies of DLH (FSC, environment etc.).
Global Trading	To support Regional Sales in established regions and to develop new business by optimising return from back to back trading.
Sales Region	To penetrate a region with the full product line up and value proposition of DLH and optimise the market contribution and customer satisfaction.