



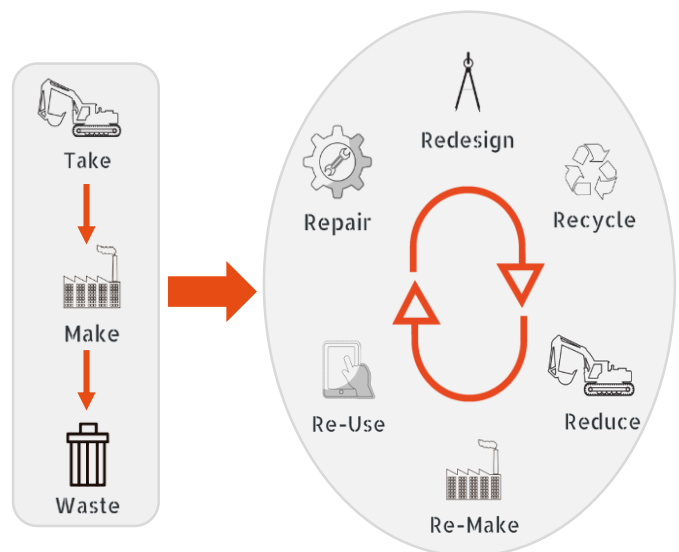
# DECALIA | Circular Economy

*Redesign, Reuse, Reduce*

## The case for Circular Economy

From linear to circular: our civilization functions with a linear approach in which we draw on a finite stock of raw materials and energy to make goods and services that we then throw away, generating often-toxic waste in an unbridled wastage of resources. This model is obviously not sustainable in the long term.

The circular economy entails a revolutionary way of thinking across the entire value chain: resource management, design, production and consumption. In a circular economy, factors of production flow into the economy endlessly and never end up into waste.



### Circular Economy is...

- an inevitable transition towards a more sustainable model
- a new consumption and production paradigm
- positive for air, water & environment
- positive for business with a projected incremental growth 7% by 2030

*Source: EEA - European Environmental Agency*

This new paradigm is positive for the environment with potential CO<sub>2</sub> emission reduction, waste reduction and a lower dependency on natural resources.

Circularity is also positive for business, as people and the economy due to a more job intensive model that could create considerable cost savings, quantified by the EU at USD 600bn per year only in Europe

# Circular Economy | Trends

Increasing population, environmental impact and natural resources depletion are the key sustainability issues, the circular economy is the long term solution

The Circular Economy is a solution to tackle these problems by optimizing the resources, the production processes and changing the ownership concept with utilization

Circular supplies, resource recovery, product life extension, sharing platforms, product as a service: these are some of the main business models that enable circularity

## Public sector involvement

After the initial adoption of an action plan in 2015, this year the EC has updated the circular economy package

The transition is supported by the European Structural & Investment Fund which includes 5.5bn for waste management funding and 650mn under Horizon 2020

## 5 relevant circular business models:



**Circular Supplies:** Utilization of fully renewable, recyclable or biodegradable resource inputs in order to reduce waste



**Resource recovery:** Transforming waste into value. Recovery of embedded value at the end of the manufacturing process



**Product life extension:** Product lifecycle extension reduces waste and creates business opportunities in re-manufacturing and repairing



**Sharing platforms:** Sharing platforms enable reutilization of used products and increase potential uses of manufactured goods. Facilitate allocation of overcapacity



**Product as a service:** Alternative to the buy-and-own model, the lease or pay-per-use model increases product longevity, reduction of waste

## Why NOW?

### Short Term

- China's ban on plastic import: huge pressure and business opportunities in developed countries
- Regulation push in EU: alternatives to landfill and polluting materials
- Consumer Awareness: premium price for more sustainable packaging
- Valuation: cyclicals are trading at affordable valuations due to recession fears and ETFs selling pressure

### Long Term

- Profitability: margin expansion for "service-like" and aftermarket businesses
- Profitability: less pressure from raw material costs
- Growth: strong growth trend
- Multiple expansion: circularity is particularly appealing to a new set of investors (dividend and value investors)