



# BILLERUDKORSNÄS

Interim Report January – September 2019

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Strong financial position

Q3  
2019

24 October 2019 | Petra Einarsson, CEO, Ivar Vatne, CFO



WHAT IF paper packaging is the solution?

# Key highlights

- ⌚ Underlying sales and profitability growth excluding the KM7 impact
- ⌚ Sales impacted by weaker market for sack and kraft paper
- ⌚ Strong balance sheet after sale of a majority stake in Bergvik Skog Öst
- ⌚ Increased focus on efficiency and profitability
- ⌚ Fibre costs remained on historic high levels
- ⌚ Operating profit\* of SEK 153 million
- ⌚ Net profit of SEK 5 754 million, including profit from discontinued operations of SEK 5 677 million

**-4%**

NET SALES GROWTH Y/Y

**11%**

EBITDA MARGIN\*

**6%**

ROCE\*

**1.8**

NET DEBT/EBITDA\*

\* Adjusted for items affecting comparability

# Execution for profitable growth

WE CHALLENGE CONVENTIONAL  
PACKAGING FOR A SUSTAINABLE FUTURE

DRIVE PERFORMANCE



PROFITABLE GROWTH  
BY CREATING  
CUSTOMER VALUE



ACCELERATE SPEED IN  
INNOVATION



EXPAND OUR  
SOLUTIONS BUSINESS



WINNING WITH OUR PEOPLE

Think new – Feel responsibility – Cooperate – Create value

# Drive performance

- ④ Safe and stable production
  - › Paradigm shift in safety mindset
  - › Reach planned capacity increases
  - › Production excellence program (PEX)
- ④ Cost reduction program
  - › Purchasing effectiveness
  - › Efficiency improvements throughout the business
  - › Employee reductions
- ④ Footprint
- ④ Standardized way of working
- ④ Competitive wood supply



# Profitable growth by creating customer value

- ④ Focus our offer to maximize customer benefits and our profitability
  - › Product portfolio optimization
  - › Targeting attractive segments
  - › Value offering to strengthen customers' business
  - › Deeper relationships and better understanding of customers' customer
- ④ Increase production capacity



# Accelerate speed in innovation

- ④ Increase speed to market
  - > Well defined product development and focused commercialization process
  - > Fewer but faster
- ④ Execute flagship pipeline
  - > Paper battery
  - > Paper bottle
  - > Flow wrap
  - > LPB bio barriers
  - > MFC CTMP boost



# Expand our solutions business

- 🕒 Organic growth of solution sales
  - > Managed packaging
  - > Brand owner partnering
  - > New packaging solutions
- 🕒 Growth through acquisitions



# Q3 Key financial figures

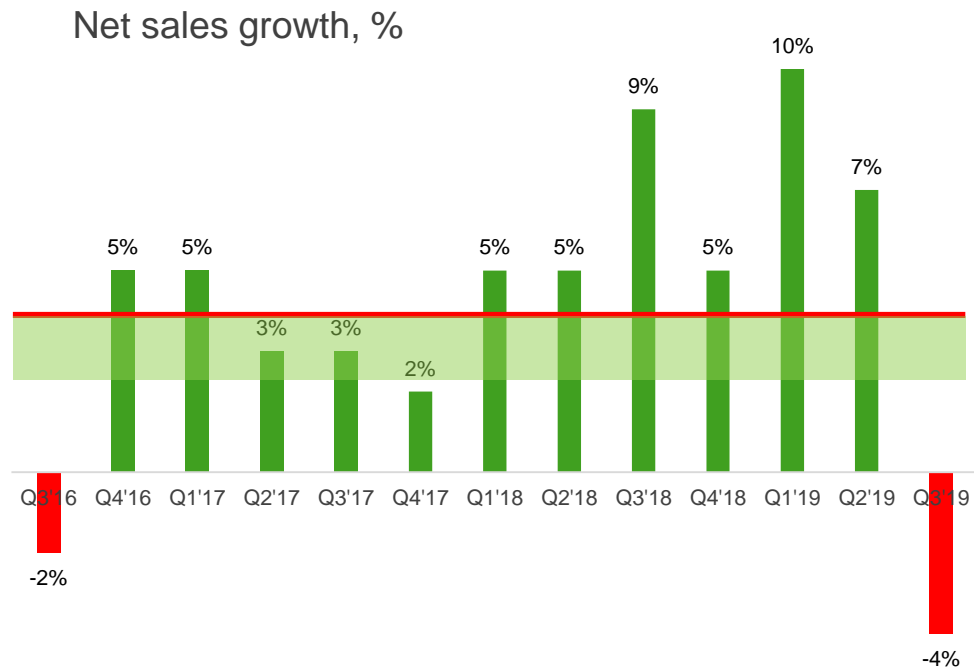
<b>SEK m</b>	<b>Q3 2019</b>	<b>Q3 2018</b>	<b>Change</b>
Net sales	5 833	6 054	-4%
Adjusted EBITDA	639	893	-28%
Adjusted EBITDA margin	11%	15%	
Adjusted operating profit	153	540	-72%
Adjusted operating profit margin	3%	9%	
Net profit	5 754	363	—
Adjusted ROCE	6%	11%	



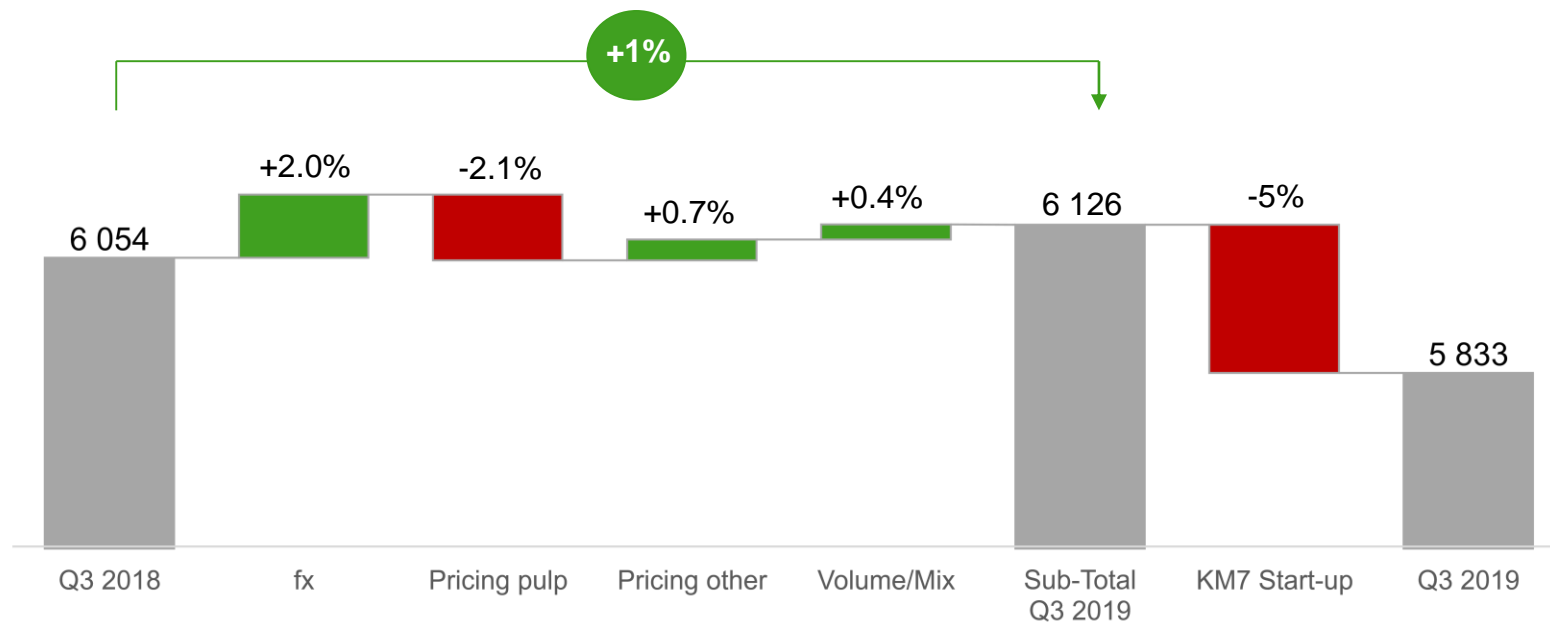
# Negative sales impacted by KM7 ramp-up and weaker market for kraft paper and sack

- ⌚ Primarily driven by KM7 ramp-up  
– 5% pts of total net sales
- ⌚ Division Board flat, but underlying still in growth
- ⌚ Division Paper impacted by weaker market for sack and kraft paper

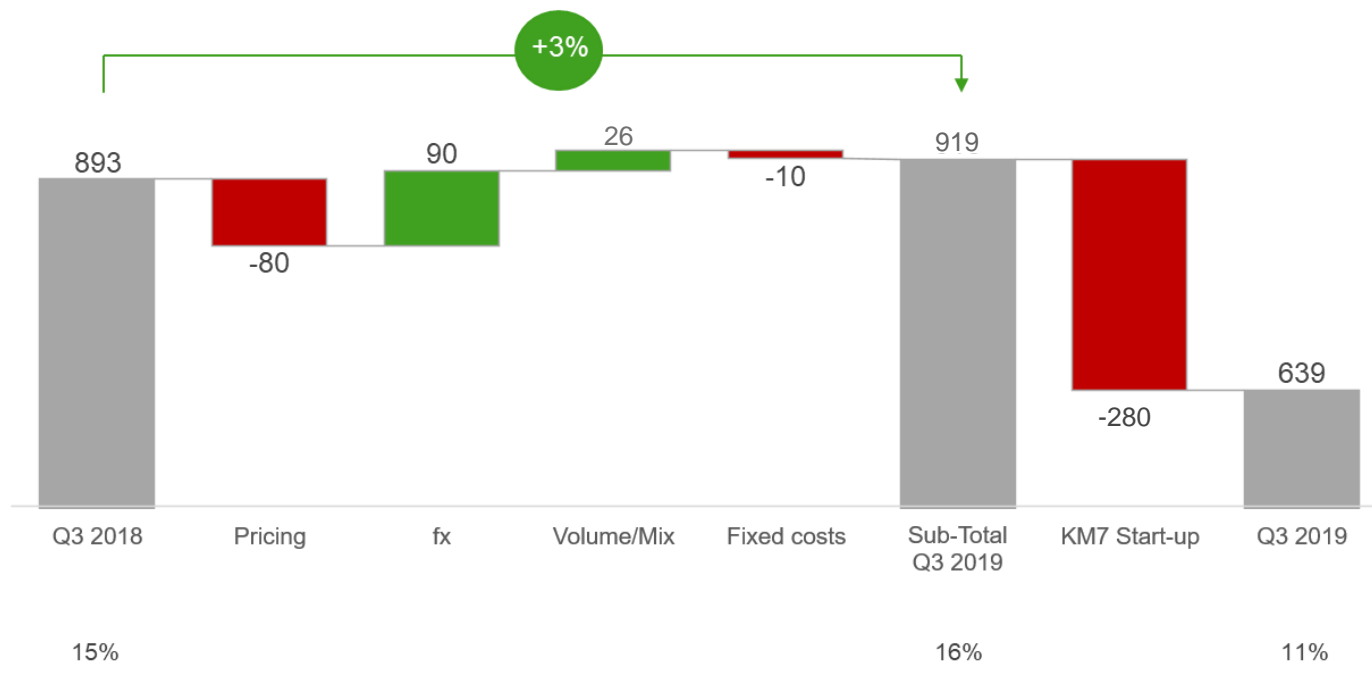
**CAGR = 4%**  
 Long-term  
 target = 3-4%



# Underlying net sales growth (excl KM7)



# Profitability heavily impacted by negative volume and mix impact from KM7. Underlying EBITDA growth



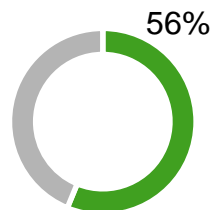
# Gearing up to deliver our cost programme

- ⌚ Short term: Start to see effects coming through in our Q3 results
- ⌚ Long term: Getting ready to deliver on all project streams as of 2020
- ⌚ Structural saving targets confirmed
  - › 2020: SEK 250 million run-rate impact
  - › 2021: SEK 600 million run-rate impact
- ⌚ Provision of SEK 30 million in Q3'19



# Division Board

Share of net sales  
Q3 2019



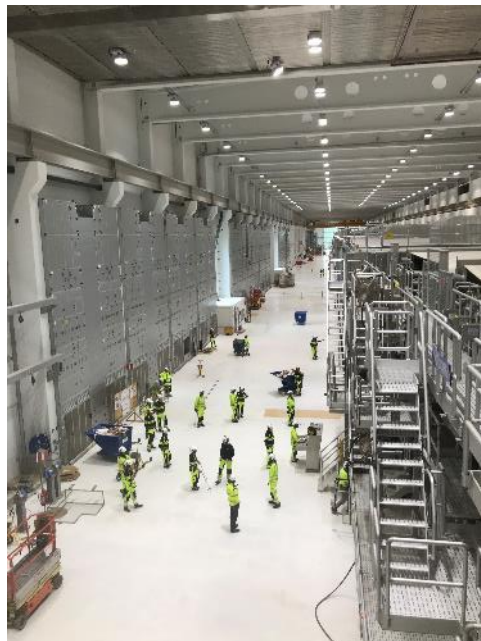
## KEY FIGURES\*

SEKm	Q3-19	Change vs Q3-18
Net sales	3 279	–
<i>of which liquid packaging board</i>	1 762	-2%
<i>of which cartonboard</i>	397	18%
<i>of which fluting &amp; liner</i>	834	-7%
Net operating expenses, other	-2 895	9%
EBITDA	384	-37%
EBITDA margin	12%	

- Ⓢ Flat net sales vs previous year – mainly impacted by KM7
  - Board excl KM7 grew by 5%
- Ⓢ EBITDA declined due to KM7 start-up effects and mix (pulp)
  - EBITDA margin excl KM7 17%

\* Comparable figures for 2018 restated according to the new division structure

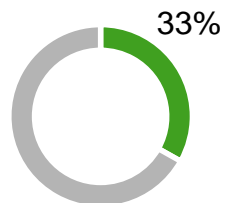
# Production started at our new KM7 – company milestone



- ⊕ Q3 negative EBITDA impact of SEK 280 m
  - › Slightly lower than estimated
  - › Volume and mix main drivers
  - › 2/3 split to Board (1/3 Paper)
  - › Volume trend improved in back-half of Q3
  
- ⊕ SEK 650 m KM7 impact for FY2019 intact
  - › Q4 impact estimated to SEK 180 m
  
- ⊕ SEK 200 m KM7 impact for FY2020 intact

# Division Paper

Share of net sales  
Q3 2019



## KEY FIGURES\*

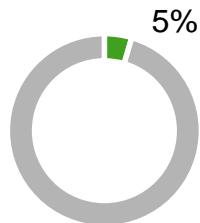
SEKm	Q3-19	Change vs Q3-18
Net sales	1 932	-14%
<i>of which sack paper</i>	651	-27%
<i>of which kraft paper</i>	819	-13%
Net operating expenses, other	-1 664	-8%
EBITDA	268	-38%
EBITDA, %	14%	

- ⌚ Net sales declined by 14%
  - Paper excl KM7 grew by -12%
  
- ⌚ EBITDA declined due to reduced prices, lower volumes and unfavourable product mix
  - EBITDA margin excl KM7 19%

\* Comparable figures for 2018 restated according to the new division structure

# Division Solutions

Share of net sales  
Q3 2019



## KEY FIGURES\*

SEKm	Q3-19	Change vs Q3-18
Net sales	266	4%
<i>of which Managed Packaging</i>	213	-3%
<i>of which Packaging Solutions</i>	53	47%
Net operating expenses, other	-249	-5%
EBITDA	17	–
EBITDA, %	6%	

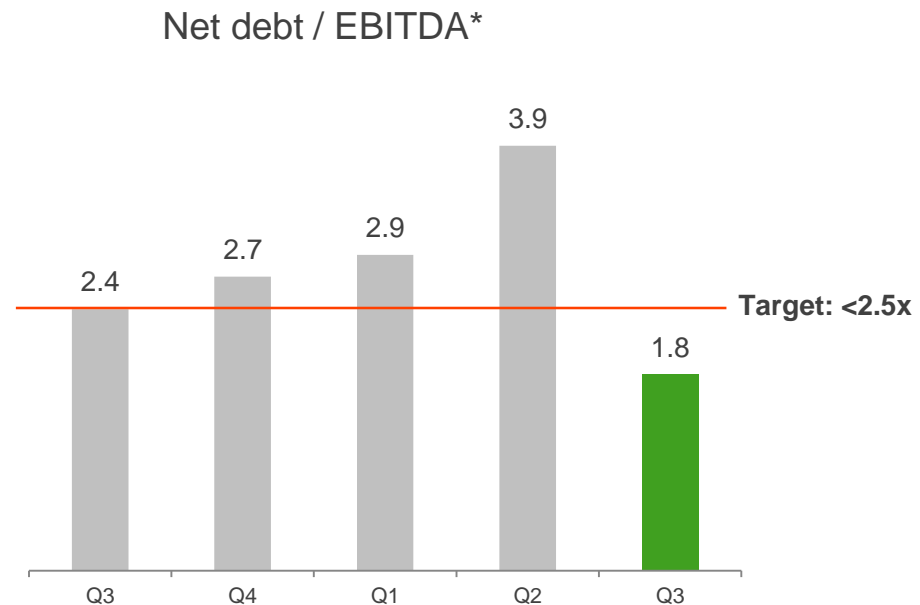
- Ⓢ Net sales grew by 4%
  - Improved sales mix and positive currency effects
  - Supported by FibreForm®
  
- Ⓢ EBITDA increased mainly due to improved sales mix

\* Comparable figures for 2018 restated according to the new division structure



# Strong balance sheet

- ⌚ Net debt SEK 5.5 billion at 30 September
- ⌚ Net debt EBITDA ratio 1.8 – well below target
- ⌚ In November dividend payment of approx. SEK 445 million



\* Based on past 12 months EBITDA (Q418-Q319). Adjusted for items affecting comparability.

# Summary and Q4 outlook

- ④ Strong financial position and reviewed strategic priorities for the next five years
- ④ The market for Division Board is expected to be stable
- ④ Weaker market conditions in some segments, particularly brown sack paper and kraft paper for industrial use, with increased pricing pressure
- ④ Slightly lower total cost of fibre due to lower pulpwood prices
- ④ KM7 start-up effects of approx. SEK 180 million
- ④ Focus on operational efficiency and cost savings



# BILLERUDKORSNÄS

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