



BILLERUDKORSNÄS

Interim report January–June 2020

Resilient performance in
uncertain times

Q2
2020

17th of July 2020 | Lennart Holm, CEO, Ivar Vatne, CFO



WHAT IF paper packaging is the solution?

Key highlights Q2 2020

- ④ Continued sales volume increase
- ④ Relatively limited impact from Covid-19
- ④ KM7 ramp-up progress continues as planned
- ④ Earnings continued to be affected by lower market prices
- ④ On track to deliver our cost- and efficiency program

Q2 2020

NET SALES
SEK **6 156 m** (6 293)

NET SALES
GROWTH Y/Y
-2%

ADJUSTED EBITDA*
SEK **774 m** (539)

Adj EBITDA
MARGIN
13%

ROCE**
4%

NET DEBT/
EBITDA*
2.4x

Covid-19 during Q2 2020

- ⌄ Relatively limited impact so far
- ⌄ Covid-19 impact mostly notable within Division Paper & Division Solutions
- ⌄ Mainly volume (demand) decline in certain channels (industry, food service)
- ⌄ All H1 maintenance re-scheduled to H2
- ⌄ Slow-steam production in two production sites
- ⌄ Crisis management through six work streams continues
- ⌄ Receivables balance & overdue in good shape

Business status and outlook



Food & Drink



Medical & Hygiene



Consumer & Luxury



Industrial

Sales split, %	Food & Drink	Medical & Hygiene	Consumer & Luxury	Industrial
LPB (7.6bn*)	100%			
Cartonboard (1.5bn)	15%		85%	
Containerboard (3.6bn)	80%		10%	10%
Kraft Paper (3.5bn)	35%	10%	15%	40%
Sack Paper (2.9bn)	20%		15%	65%
Managed Packaging (0.8bn)			100%	

Status Q2	Stable ●	Stable ●	More challenging ●	Weak ●
Outlook Q3	Stable ●	Stable ●	More challenging ●	More challenging ●

KM7 – 1 year anniversary

- ④ 1 year since the start-up of KM7
- ④ Accelerated ramp-up progress with significant steps forward each quarter
- ④ A number of “teething problems” to be fixed at maintenance shutdown (delayed until September)
- ④ Original investment case assumptions revisited and updated; reaffirms potential of KM7 when fully ramped up



KM7 Q2 and 2020

- ⊕ Annualized production rate at 300 – 350K tons
- ⊕ Successful first production of Crownboard Prestige (sophisticated Cartonboard grade) during Q2 - ahead of plan
- ⊕ Increasing focus on improved product mix in order to minimize low margin and downgraded products to improve contribution per ton
- ⊕ Maintenance shutdown planned for Q3 vital for machine upgrades. Uncertainty of feasibility due to Covid-19
- ⊕ Negative EBITDA impact decreasing vs Q1'20
 - › Q2 SEK 120 m
 - › 2020 SEK 350-450 m → expect to land high in the interval
- ⊕ Expectation to become EBITDA neutral during 2021 remains



Cost and efficiency program on track

- ④ On track to deliver SEK 250 m of cost savings and efficiencies in 2020
- ④ Another sizable contribution in Q2'20 – 90 m SEK
- ④ Work in progress to identify and initiate additional building-blocks to deliver SEK 600 m run-rate by Q4'21

Raw material costs in Q2

Cost of pulpwood decreased



Expected to decrease further, but marginally in Q3

Caustic soda price decreased




Forward looking trend for chemicals look to increase

Purchased pulp pricing impact decreased



New supply agreement in Pietarsaari

Limited energy cost savings in Q2 due to hedging

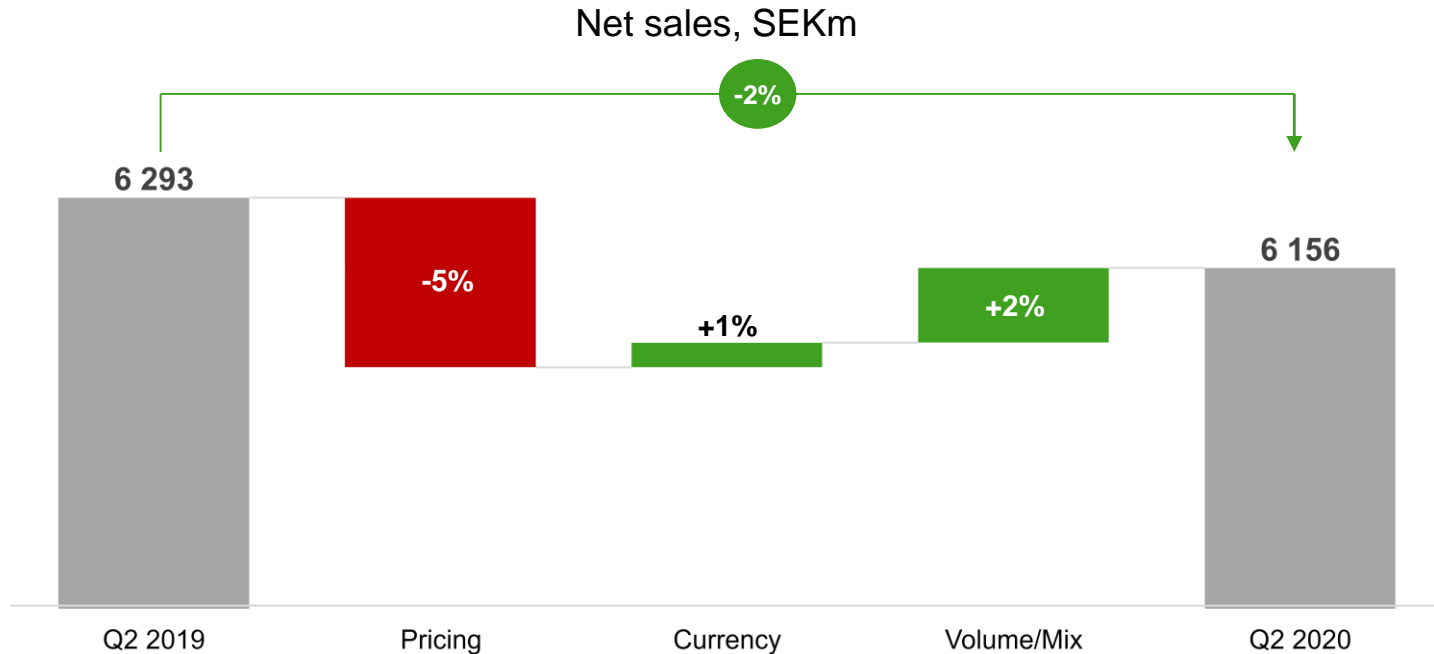


Key financial figures

SEK m	Q2 2020	Q2 2019	Change vs Q2-19	Q1 2020	Change vs Q1-20
Net sales	6 156	6 293	-2%	6 364	-3%
Adjusted EBITDA	774	539	+44%	791	-2%
Adjusted EBITDA margin	13%	9%		12%	
Adjusted operating profit	284	154	+84%	305	-7%
Adjusted operating profit margin	5%	2%		5%	
Net profit	202	154	+31%	164	+23%
Adjusted ROCE	4%	8%		3%	

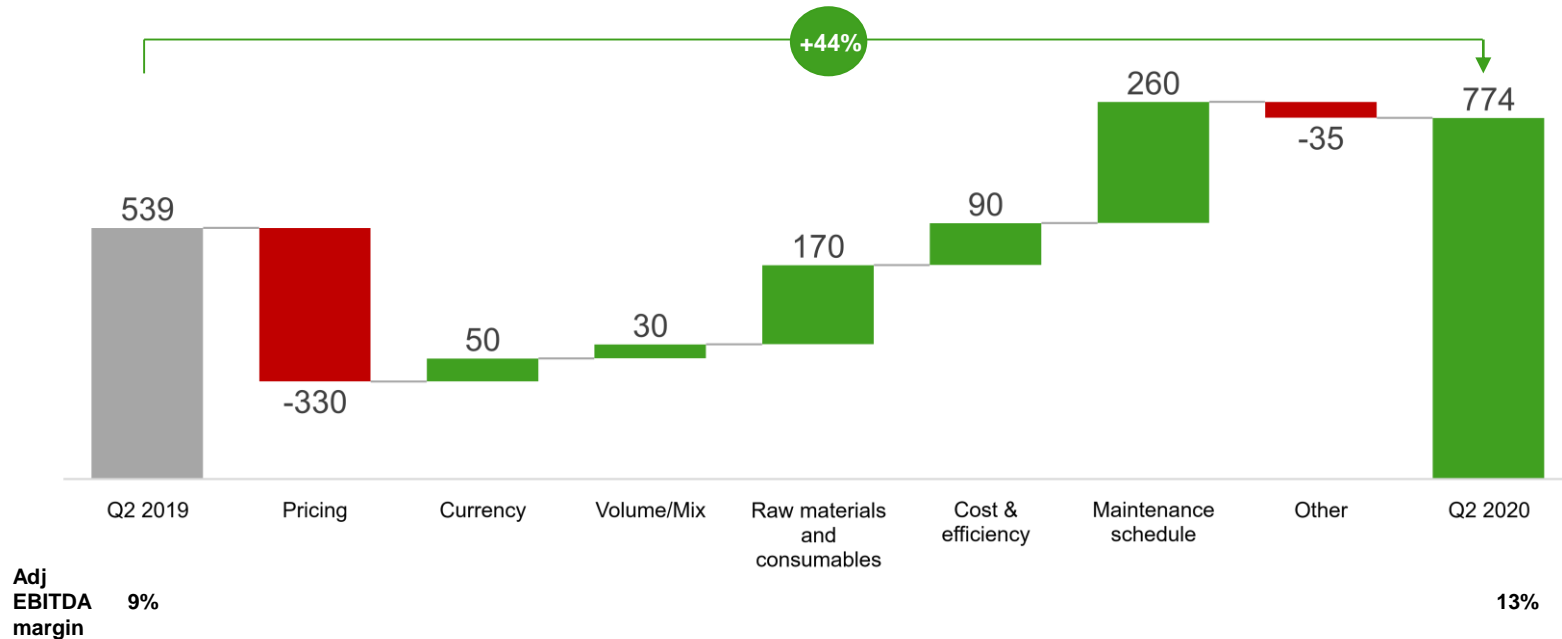
Adjusted for items affecting comparability

Volume/mix growth and benefit from currency rates offset by lower paper market prices



Strong adjusted EBITDA, supported by improving cost structure and timing of maintenance stops

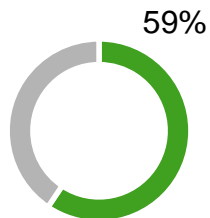
Adj EBITDA, SEKm





Division Board

Share of net sales
Q2 2020



KEY FIGURES

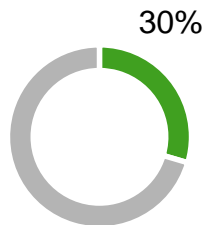
SEKm	Q2-20	Change vs Q2-19
Net sales	3 656	+6%
<i>of which liquid packaging board</i>	2 077	+12%
<i>of which cartonboard</i>	431	+16%
<i>of which fluting & liner</i>	1 009	+5%
Net operating expenses, other	-3 054	–
EBITDA	602	+51%
EBITDA margin	16%	+4% pts

- ⊙ Net sales growth across all segments
 - > Stable production and KM7 ramp-up
 - > 1H customer inventory build-in in LPB
- ⊙ Positive EBITDA contribution driven by maintenance schedule, raw material costs decrease and KM7 Start-up
 - > EBITDA margin excl. KM7 21%



Division Paper

Share of net sales
Q2 2020



KEY FIGURES

SEKm	Q2-20	Change vs Q2-19
Net sales	1 825	-14%
<i>of which sack paper</i>	633	-20%
<i>of which kraft paper</i>	861	-4%
Net operating expenses, other	-1 522	-19%
EBITDA	303	+25%
EBITDA, %	17%	+6% pts

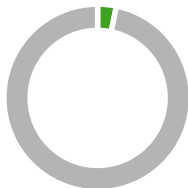
- Ⓧ Changed market conditions continue to impact Div Paper
 - › Negative pricing impact over the past four quarters
 - › Slower demand in certain segments due to Covid-19
- Ⓧ Positive EBITDA contribution driven by maintenance timing



Division Solutions

Share of net sales
Q2 2020

3%



KEY FIGURES

SEKm

Net sales

of which Managed Packaging

of which other solutions

Net operating expenses, other

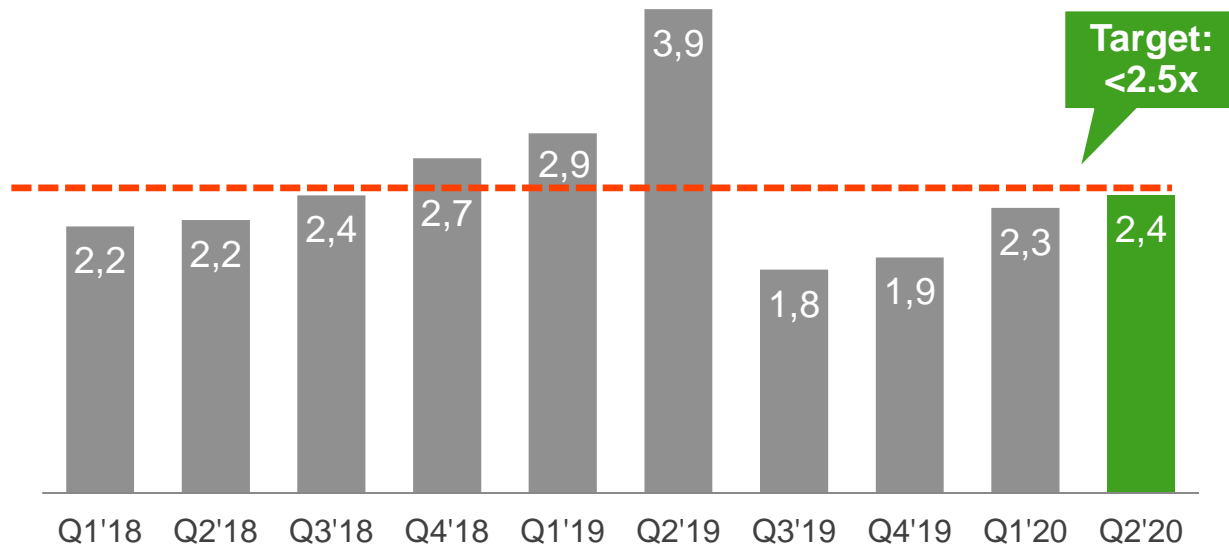
EBITDA

EBITDA, %

	Q2-20	Change vs Q2-19
Net sales	190	-29%
<i>of which Managed Packaging</i>	151	-34%
<i>of which other solutions</i>	39	+3%
Net operating expenses, other	-187	-26%
EBITDA	3	-70%
EBITDA, %	2%	-4% pts

- ⦿ Net sales declined due to North American based brand owners impacted by Covid-19
 - FibreForm sales flattening out after a strong Q1
- ⦿ EBITDA impacted by sales reduction, partly off-set by reduced costs

Strong balance sheet, below leverage target



- ⦿ Net debt SEK 6.71bn at 30 June
- ⦿ Net debt / Adj EBITDA ratio 2.4x – below target
- ⦿ Limited debt maturity over the coming 2 years
- ⦿ CAPEX for 2020 estimated to SEK 1.3 bn
- ⦿ Forest revaluation completed during Q2

Q2 Summary

- Continued sales volume increase
- Relatively limited impact from Covid-19
- KM7 ramp-up progress continues and potential when fully ramped-up reaffirmed
- Earnings continued to be affected by lower market prices
- On track to deliver our cost- and efficiency program



Q3 Outlook

- ⌄ Uncertainty related to Covid-19 remains
- ⌄ Somewhat more challenging market conditions for most segments. Exceptions being products designated to Food & Beverages and Medical & Hygiene, where we expect a more stable situation
- ⌄ Several planned maintenance stops
- ⌄ Raw material costs expected to decline marginally





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