



BILLERUDKORSNÄS

Interim report Jan–Sep 2020

Resilient performance with
strong cash generation

Q3
2020

22th of Oct 2020 | Lennart Holm, CEO, Ivar Vatne, CFO



Key highlights Q3 2020

- ④ Stable sales volume despite challenging markets
- ④ Successfully accomplished maintenance shutdowns
- ④ Accelerated delivery of cost- and efficiency program
- ④ Strong operating cash flow generation
- ④ Recyclable Flow Wrap launched

Q3 2020

NET SALES
SEK **5 561 m** (5 833)

NET SALES
GROWTH Y/Y
-5%

ADJUSTED EBITDA
SEK **570 m** (639)

Adj EBITDA
MARGIN
10%

ROCE*
3%

NET DEBT/
EBITDA*
2.3

Introducing Recyclable Flow Wrap

- ④ Enables a shift from plastic to paper and high-speed production
- ④ Based on primary fibres, i.e. renewable and biodegradable
- ④ Suitable for confectionery and bakery products
- ④ Excellent barrier properties for medium to high barrier requirements



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%	

Trend Q3	Stable ●	More challenging ●	Stable ●	Stable ●
Outlook Q4	Stable ●	Stable ●	Stable ●	Stable ●

KM7 Q3 and 2020

- ⊗ Overall direction positive - progress continues
- ⊗ Maintenance stop in September successfully completed:
 - › All key activities and planned upgrades executed
 - › Will enable both a higher speed and stability
- ⊗ Very strong customer feedback on delivered material
- ⊗ Producing all intended Board qualities within our specifications
- ⊗ Negative EBITDA impact decreasing
 - › Q3 → SEK 80 m
 - › 2020 → estimate ~ SEK 450 m

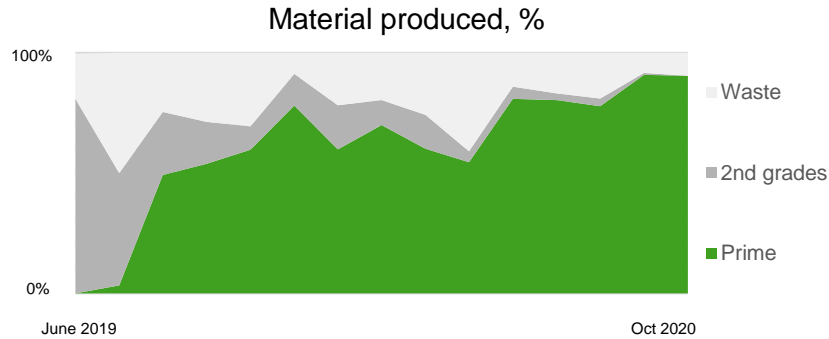
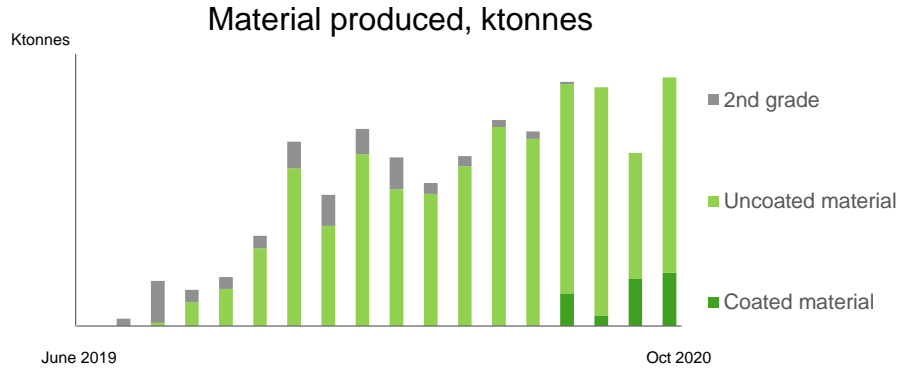


Capturing the value of KM7

- ⊗ Focus is now fully on commercialization
- ⊗ A combination of Covid-19 related market effects have slowed down the commercial ramp-up somewhat
 - › Shift of customer priorities // limited evaluation ability
 - › Weaker market for containerboard
- ⊗ Expected to reach EBITDA break-even during 2021
- ⊗ Journey towards full potential KM7 value through:
 - › Commercializing more volume in financially attractive segments
 - › Scale and flexibility in our 3 Board production sites
 - › Lower fixed cost due to efficiencies in Gruvön

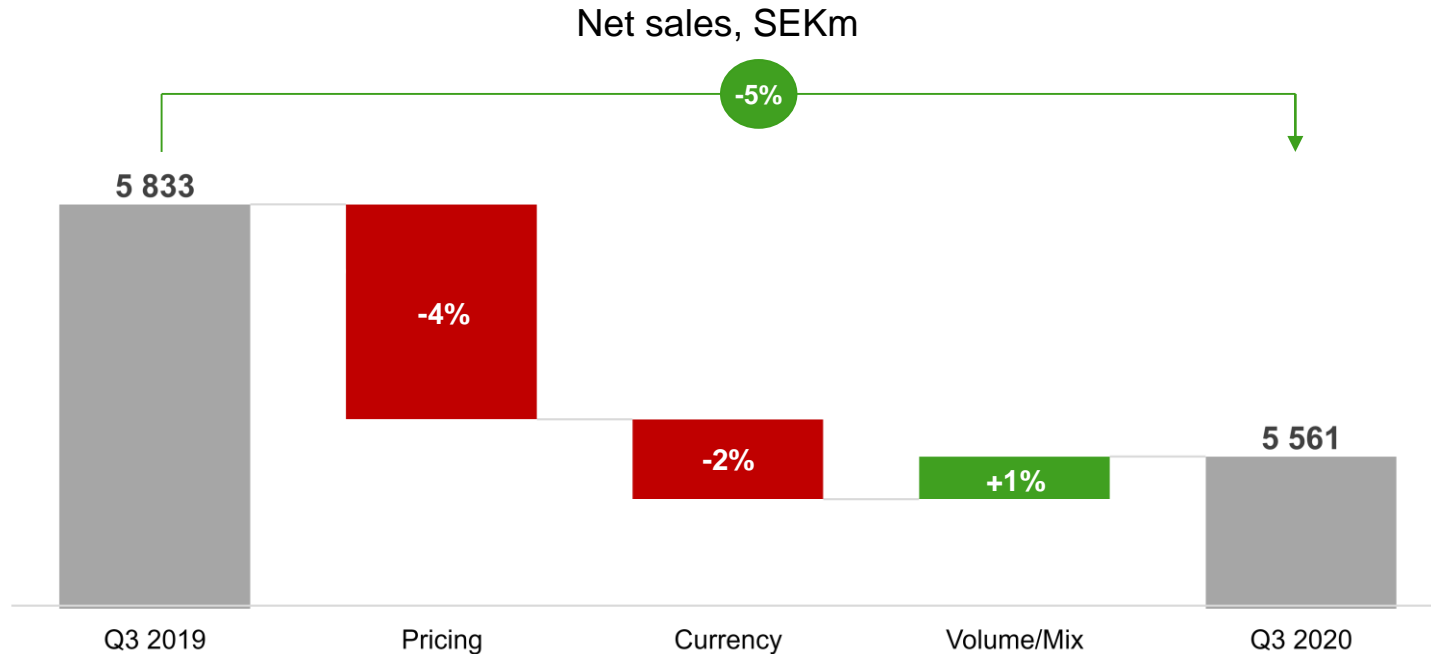


Driving right mix is instrumental for KM7 contribution



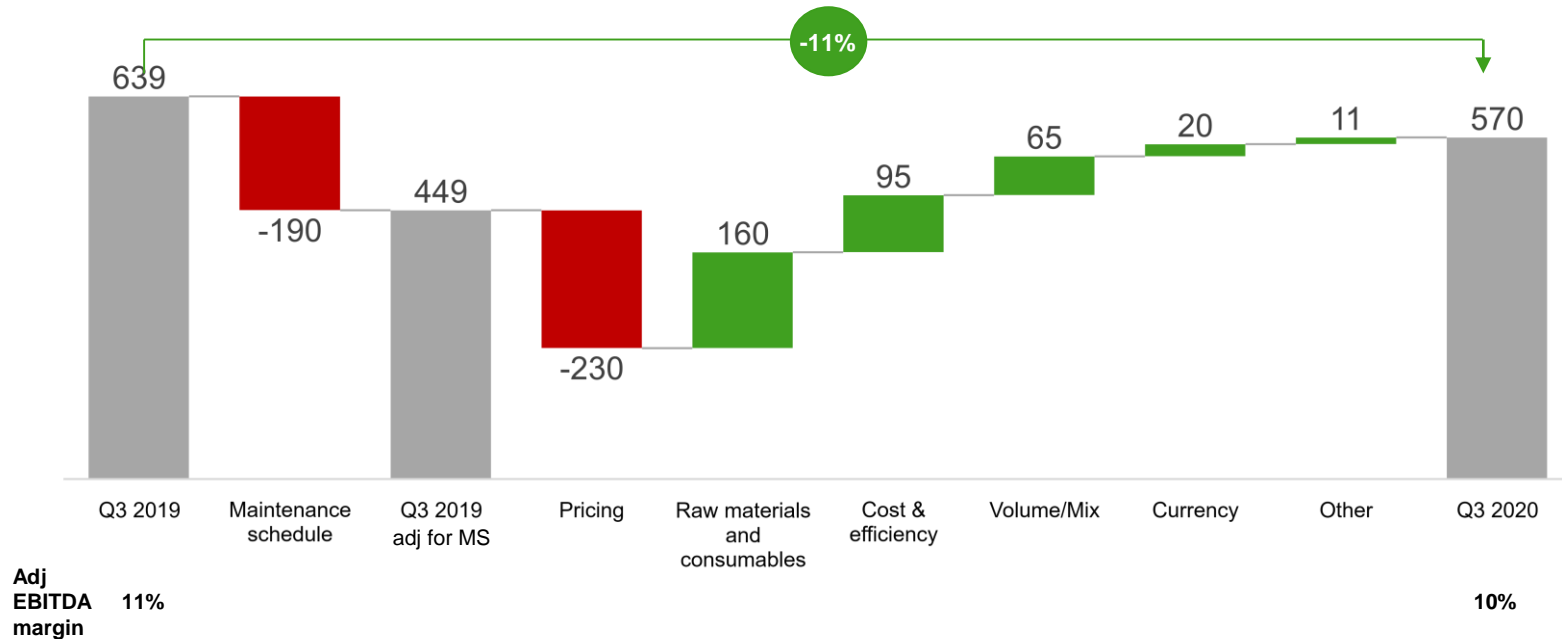
Continuous process to improve EBITDA going into 2021

Net Sales impacted by lower market price level and currency fluctuations



Reduced EBITDA due to maintenance phasing Negative pricing off-set by several positive initiatives

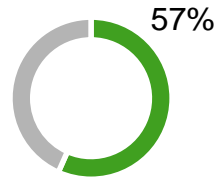
Adj EBITDA, SEKm





Product area Board

Share of net sales
Q3 2020



KEY FIGURES

SEKm	Q3-20	Change vs Q3-19
Net sales	3 149	-4%
<i>of which liquid packaging board</i>	1 701	-3%
<i>of which cartonboard</i>	393	-1%
<i>of which fluting & liner</i>	912	+9%
Net operating expenses, other	-2 880	-1%
EBITDA	269	-30%
EBITDA margin	9%	+3%pts

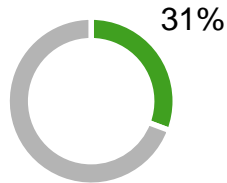
- ⊕ Mixed topline performance
 - > Inventory adjustment in LBP
 - > Cartonboard and Fluting & Liner volume growth, but burdened by negative mix and price decreases

- ⊕ EBITDA reduced – mainly through maintenance phasing and negative market pricing, partly off-set by KM7 ramp-up



Product area Paper

Share of net sales
Q3 2020



KEY FIGURES

SEKm	Q3-20	Change vs Q3-19
Net sales	1 707	-12%
<i>of which sack paper</i>	605	-7%
<i>of which kraft paper</i>	773	-6%
Net operating expenses, other	-1 471	-12%
EBITDA	236	-12%
EBITDA, %	14%	–

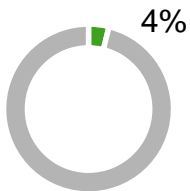
- 👉 Relatively stable market conditions for Product Area Paper
 - Markets are still tough – slow demand and continued pricing pressure
 - Brown sack resilient – improved performance

- 👉 Stable EBITDA margin. Cost- and efficiency programs have helped by off-set negative market pricing



Solutions

Share of net sales
Q3 2020



KEY FIGURES

SEKm	Q3-20	Change vs Q3-19
Net sales	216	-19%
<i>of which Managed Packaging</i>	169	-21%
<i>of which other solutions</i>	48	-9%
Net operating expenses, other	-193	-22%
EBITDA	23	+35%
EBITDA, %	11%	+5%pts

- Ⓧ Continued challenging market conditions hamper our net sales development
 - > Soft demand for both Managed Packaging and FibreForm
- Ⓧ EBITDA improved due to strict cost mitigations

Cost and efficiency program performing well

- ④ Another sizable contribution added in Q3'20 – SEK 95m
- ④ Accelerated delivery in 2020 – SEK 300m
- ④ Raised the ambition level of the program by SEK 50m to 650m - run-rate Q4'2021

Raw material costs in Q3

**Cost of
pulpwood
decreased**



Expected to
decrease slightly in
Q4

**Caustic
soda cost
increased**



Forward looking
trend for chemicals
volatile

**Purchased
pulp cost
impact
decreased**



**Higher energy
cost in Q3**



Strong operating cash flow generation

- ⌚ Working capital improvement, mainly from lower payables post KM7 program
- ⌚ Normalized CAPEX levels for 2020
Estimate SEK ~ 1.3 bn
- ⌚ Net debt / adjusted EBITDA at 2.3
– below target
- ⌚ Expected decision regarding Frövi soda recovery boiler in Q1'21

SEK m	Q3-20	Q3-19
Operating surplus, etc.	506	576
Change in working capital, etc.	126	-365
Net financial items, taxes, etc.	55	-43
Cash flow from operating activities	687	168
Operative investments	-267	-629
Operating cash flow after operative investments	420	-461

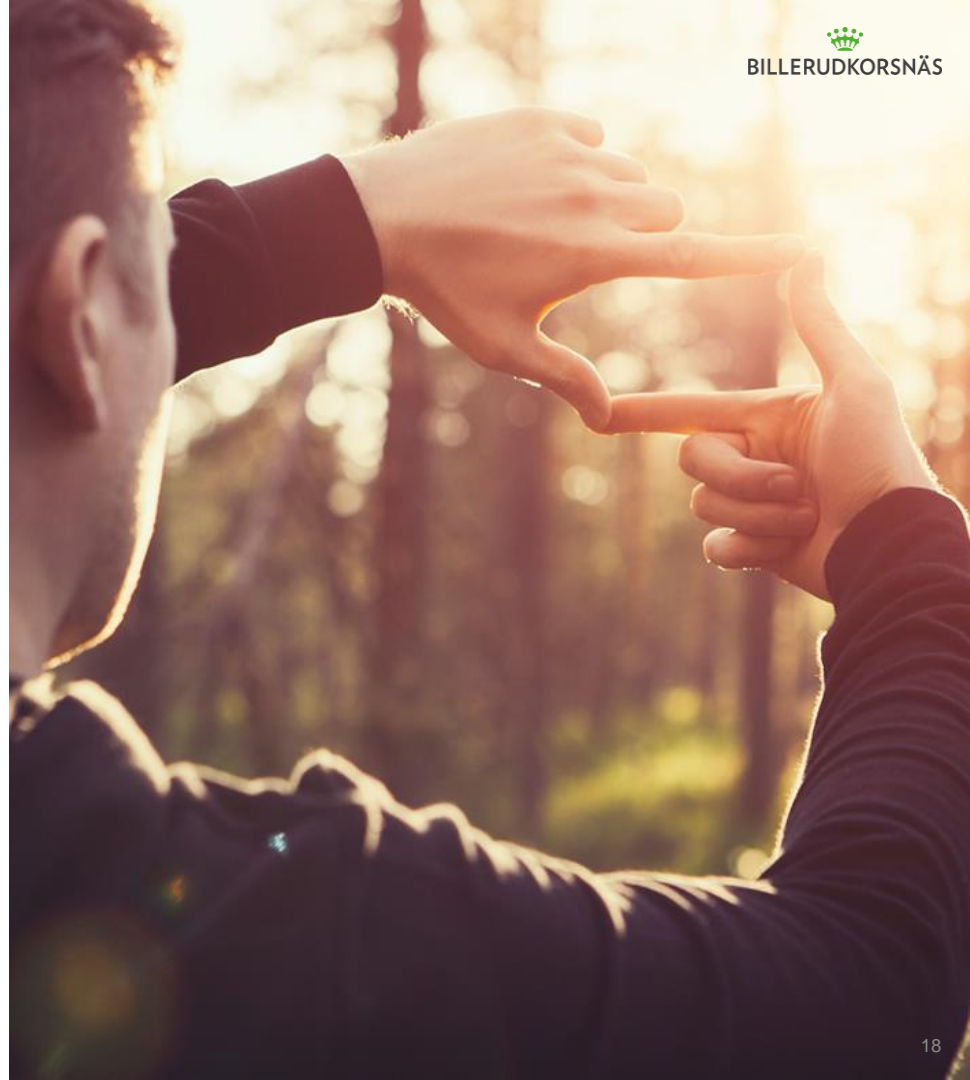
Q3 Summary

- Resilient performance – stable volume and strong cash generation
- Successfully accomplished maintenance shutdowns
- Accelerated delivery of our cost- and efficiency program. Raised program ambition to SEK 650 m
- Recyclable Flow Wrap launched



Q4 Outlook

- ④ Unchanged market conditions
- ④ Raw material costs expected to decline slightly
- ④ Several planned maintenance stops
- ④ Continued KM7 ramp-up built on positive customer feedback





BILLERUDKORSNÄS