

Strong cash flow and efficiency gains ends a 2023 heavily impacted by market headwind

Interim report January-December 2023



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BILLERUD

Performance and key highlights

Full Year 2023

Difficult year. Heavily influenced by customer de-stocking.
All-time-low sales volume

Price pressure across most categories and higher input cost

Relentless focus on working capital enabled strong cash conversion

Strong momentum behind our efficiency enhancement program delivery. Over-delivery vs revised target

Recovery boiler in Frövi completed – on time / on spec and on budget

The Board of Directors proposes a dividend of SEK 2.00 per share (7.50)

SEKm	2023	Change vs 2022
Net sales	41,224	-3%
Adjusted EBITDA	3,613	-56%
<i>% of net sales</i>	<i>9%</i>	<i>-10 ppt</i>
Operating profit – EBIT	534	-91%
<i>% of net sales</i>	<i>2%</i>	<i>-12 ppt</i>
Operating cash flow before capex	3,290	-52%
EPS	1.95	-90%

Performance and key highlights

Q4 2023

Weak volumes in North America and negative price and mix impact in both regions

Sequentially lower input costs, mainly related to pulpwood in Europe

Another strong delivery of our efficiency enhancement program

Excellent cash delivery through working capital focus





Negative profit impact from revaluation of biological assets in the associated company BSÖ

Continue to evaluate alternatives for the US transformation in close dialogue with our suppliers

SEKm	Q4-23	Change vs Q4-22
Net sales	9,566	-20%
Adjusted EBITDA	774	-63%
<i>% of net sales</i>	<i>8%</i>	<i>-9 ppt</i>
Operating profit – EBIT	-191	-114%
<i>% of net sales</i>	<i>-2%</i>	<i>-13 ppt</i>
Operating cash flow before capex	2,216	+31%
EPS	-1.33	-135%

Market conditions remained weak in Q4 as expected

Slight improvement in selective areas into Q1

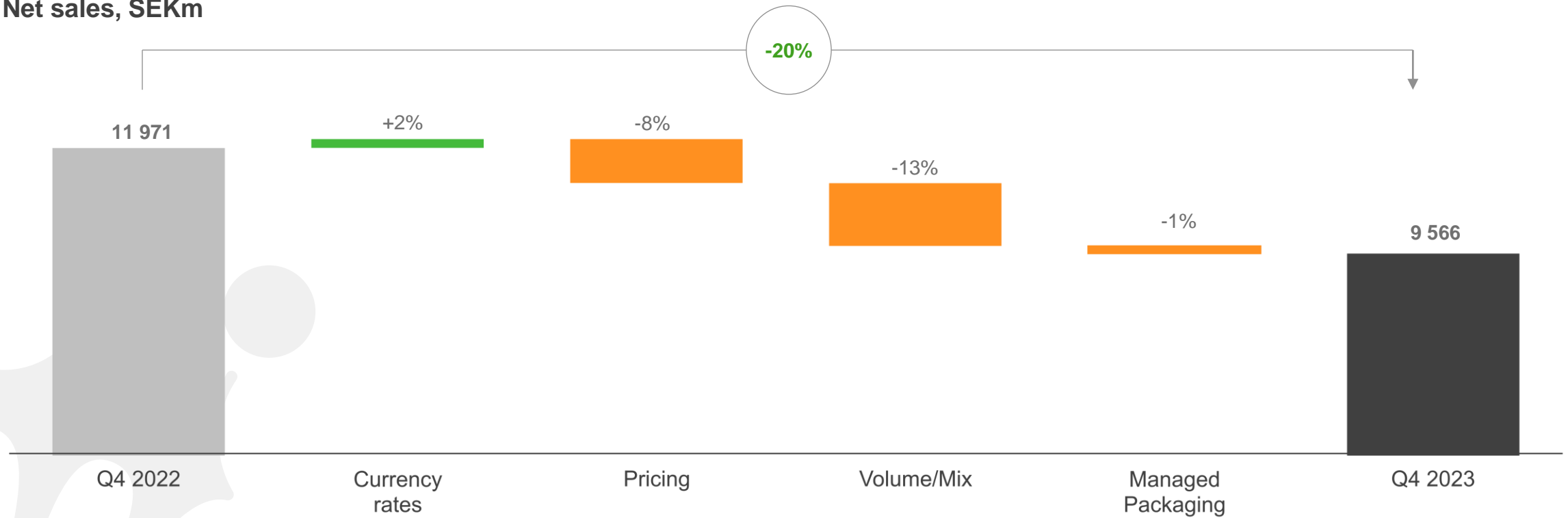
Sales split, % ¹	 Food & Drink	 Printing & Publishing Papers	 Consumer & Luxury	 Industrial
LPB (9.4bn)	100%			
Cartonboard (2.8bn)	25%		75%	
Containerboard (5.4bn)	80%		10%	10%
Kraft & Speciality Paper (5.1bn) ²	50%		30%	10%
Sack Paper (2.9bn)	15%			85%
Graphical Paper (8.3bn)		100%		
Share of Group Net Sales³	~40%	~20%	~10%	~10%
Billerud Market status Q4'23	Normal / Weak	Weak	Weak	Weak
Billerud Market trend outlook	Slightly improving	Slightly improving	Weak	Slightly improving

1) 2023 Net Sales in bn SEK. 2) Excluding medical paper. 3) Total Group Net Sales include Currency hedging and Solutions & Other, not allocated to end-use segments

Q4'23:

Sales decline driven by weak demand and continued price erosion

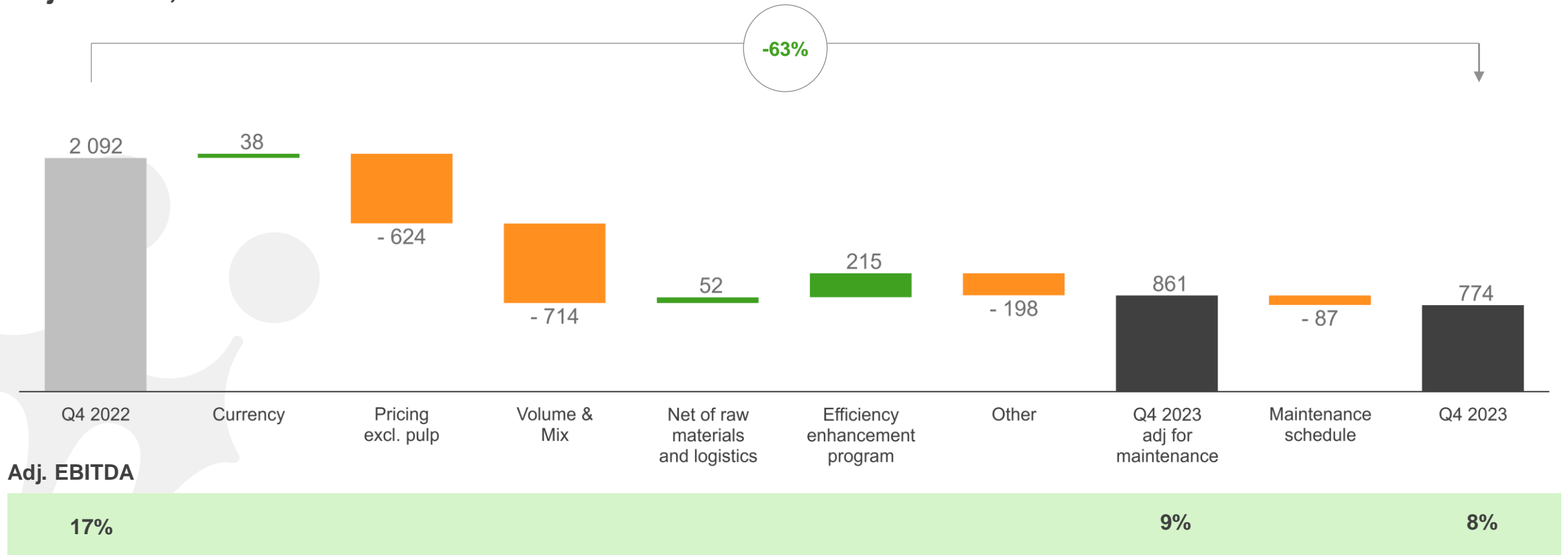
Net sales, SEKm



Q4'23:

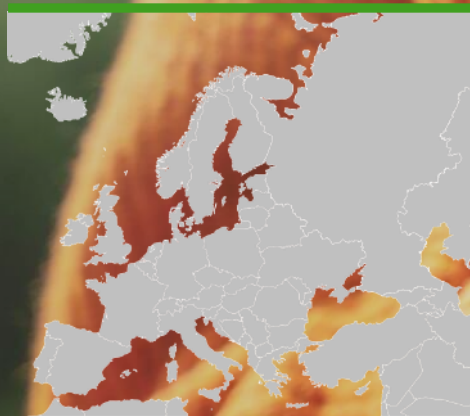
Efficiency enhancement program and input cost decline unable to offset weak market demand

Adj EBITDA, SEKm



REGION

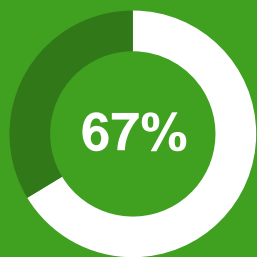
Europe



Region

Europe


- Continued weak conditions for all categories except LPB, which is more normalized
- Negative net sales due to pricing pressure and unfavorable mix. Sales volume flat
- Reduced profitability first and foremost from lower sales prices and unfavorable mix, partly offset by lower input costs
- Significantly improved LPB pricing position secured from Q1'24



Share of net sales
Q4 2023


SEKm	Q4-23	Q4-22	Change
Net sales	6,388	7,270	-12%
<i>Liquid packaging board</i>	2,260	2,224	+2%
<i>Containerboard</i>	1,304	1,447	-10%
<i>Kraft and specialty paper</i>	889	1,095	-19%
<i>Sack paper</i>	620	1,007	-38%
<i>Cartonboard</i>	596	807	-26%
<i>Pulp</i>	635	588	+8%
Net operating expenses	-5,688	-6,214	-8%
EBITDA	700	1,056	-34%
EBITDA margin	11%	15%	-4 ppt

Further cost declines in the quarter with fibre price as main driver. Expecting higher cost base into Q1




Lower cost for fiber

Fibre prices stabilized on high levels




Lower cost for chemicals

Minor decline on chemicals prices



Higher energy costs

Higher spot prices in the quarter



Lower logistics costs

Limited impact from logistical challenges

REGION

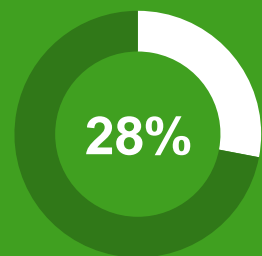
North America



Region

North America

- Continued weak conditions, but de-stocking phase is coming to an end
- Negative net sales due to significantly lower sales volume and unfavorable mix
- Stable pricing for graphic paper, price pressure for specialty and pulp
- Mills still operating at <60% of capacity
- Reduced profitability first and foremost from lower sales volume and unfavorable mix, partly off-set by lower input cost



Share of net sales
Q4 2023

SEKm	Q4-23	Q4-22	Change
Net sales	2,706	4,004	-32%
<i>Graphic paper</i>	1,943	2,975	-35%
<i>Specialty paper</i>	424	539	-21%
<i>Pulp</i>	339	491	-31%
Net operating expenses	-2,400	-2,869	-16%
EBITDA	306	1,135	-73%
EBITDA margin	11%	28%	-17 ppt

Minor movements in in North American cost base

Expected to continue into Q1



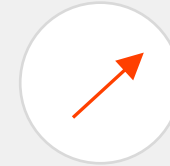
**Higher
cost for
fiber**



**Lower cost
for
chemicals**



**Lower
energy
costs**



**Higher
logistics
costs**

Continued working capital focus delivering strong cash flow in the quarter

- Excellent cash flow conversion of 99% for the year
- Leverage remaining well below target of <2.5 despite challenging year
- Final capex of SEK 3.2bn for 2023, decreasing to normalized level after Frövi recovery boiler completion
- Board of Directors proposes a dividend of SEK 2.00/share

CAPEX of SEK 2.3 bn in 2024

Base CAPEX SEK 2.2 bn (1.5 EU // 0.7 NA)

Frövi recovery boiler SEK 0.1 bn

SEKm	Q4-23	Q4-22	2023	2022
Profit before tax	-355	1,181	185	5,873
Adjustments for non-cash items	1,473	1,498	2,963	2,488
Taxes paid	-113	-344	-561	-453
Cash flow from changes in working capital	1,211	-643	703	-1,079
Cash flow from operating activities	2,216	1,692	3,290	6,829
Investments in tangible and intangible assets	-973	-990	-3,177	-3,330
Operating cash flow after investments in tangible and intangible assets	1,243	702	113	3,499

SEKm	Q4-23	Q4-22
Net debt	5,927	4,581
Net debt / adjusted EBITDA	1.6	0.6
Adjusted ROCE %	2%	18%

We challenge
conventional packaging
for a sustainable future


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Printed and converted on Billerud Supreme 175 gsm / 8.5 pt liner and B-flute.


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Efficiency enhancement program: Year-end result exceeding accelerated target Now fully mobilized for 2024

2023 over-delivering vs accelerated target

- Impact of 215M SEK in Q4
- 615M SEK impact first year of program
- Reaching accelerated financial target of 600M SEK

Highlighted initiatives with impact in Q4

- Corporate: FTE reduction program initiated, reducing fixed costs
- Commercial: Revise monetization model for rapid deliveries, improving contribution and value proposition
- Supply chain: Increase flexibility and reduce cost in deep sea outbound logistics
- Operations: Improve root cause analysis follow-up, ensuring stability and avoiding fixed costs

215M SEK

Impact in Q4

615M SEK

Impact year-end (Jan-Dec)



Clear and few company priorities for 2024: Drive **profitability improvement** and secure **long-term attractive positions**

Proceed with the preparations for our strategic investment projects

Implement a selective strategy upgrade for Region Europe

Continue to deliver EBITDA uplifts from our efficiency enhancement program - 700M SEK incremental as 2024 target

Outlook for Q1 2024



Market conditions expected to slightly improve from weak levels



Improved price position in liquid packaging board more than offset price pressure in other categories



Increased total input costs



Positive impact from efficiency enhancement program





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