



# BILLERUDKORSNÄS

Interim Report April – June 2019

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Solid underlying result

Q2  
2019

16 July 2019 | Petra Einarsson, CEO, Ivar Vatne, CFO



WHAT IF paper packaging is the solution?

# Key highlights

- ⌚ Strong sales performance
- ⌚ Continued high fibre costs
- ⌚ Results impacted by start-up effects for KM7 of approx. SEK 190 million
- ⌚ Ramp-up of KM7 proceeding according to plan
- ⌚ Divestment of a majority share of Bergvik Skog Öst, to be completed on 30 August

**7%**

NET SALES GROWTH Y/Y

**9%**

EBITDA MARGIN\*

**8%**

ROCE\*

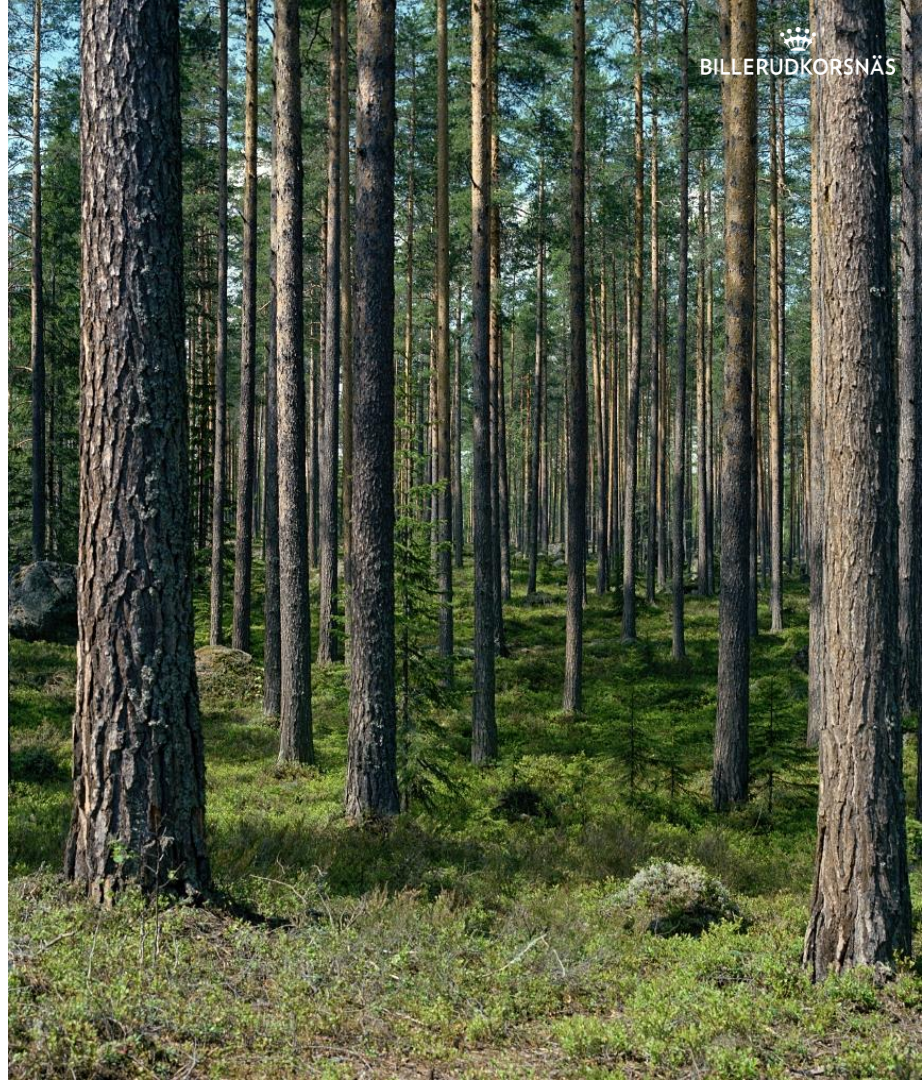
**3.9**

NET DEBT/EBITDA\*

\* Adjusted for items affecting comparability

# Long-term competitive wood supply

- ⊕ Acquisition of Bergvik Skog Öst on 31 May, negative cash effect SEK 5.4 bn
- ⊕ Agreement to divest 89.9% of Bergvik Skog Öst to AMF for approx. SEK 11 bn
- ⊕ 15-year wood supply agreement
- ⊕ Right to repurchase unless offered extension of supply agreement to current conditions
- ⊕ Transaction to be completed 30 August, positive cash effect of approx. SEK 7.9



# Ramp-up is proceeding according to plan



- ⌚ Test-runs – February/March
- ⌚ Stock on wire – 17 April
- ⌚ Paper on pope – 9 June
- ⌚ Coating – August
- ⌚ Certification material – October



# Production stability is the key focus

- ⌚ Production availability has been satisfactory
- ⌚ Lost production volumes have affected us during the first half of the year
- ⌚ Production Excellence Programme (PEX) target to improve OEE\* with 4 percentage points by 2020
- ⌚ Programme drives improvements across all mills
  - › Stretched mill specific targets defined and committed
  - › Focus on loss eradication and track progress
  - › Network and standardised way of working
  - › IT-tool to track, visualize and analyze the progress of the PEX programme is implemented



# A paradigm shift in safety

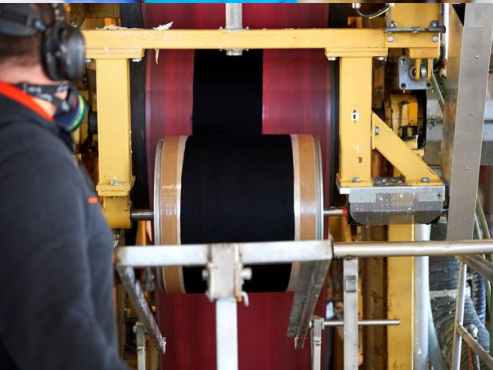
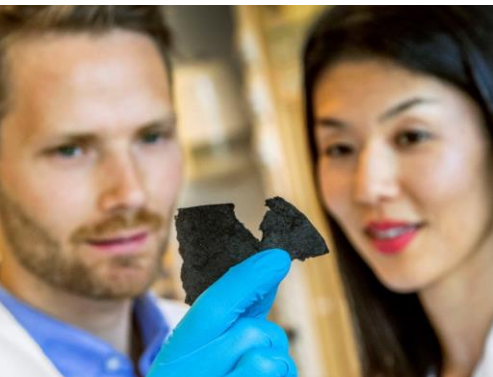
- ④ All accidents can be prevented
- ④ Leaders must show the way
- ④ Internal safety survey has been conducted as part of the furthering of the safety program
- ④ Focus on structure, engagement and predictability
- ④ A safe company is a well-run company

## Lost time injury frequency rate\*, LTIFR

Employees + contractors 2018		Employees YTD	Contractors YTD	Total June	Total YTD
5 <sup>1</sup>	Fatalities, serious injury	0	0	0	0
94	Other lost time injury	35	14	4	49
99	LTI	35	14	4	49
24	Medical treatment	12	10	4	22
2	Restricted work	1	1	0	2
125	TRT	48	25	8	73
461	Minor injuries & first aid	281	36	41	317
1554	Near misses	716	71	121	787
5861	Risk observations	3226	502	353	3728
8,4	LTIFR	8,1	6,8		7,7

<sup>1</sup>No fatalities recorded in 2018

# Innovations through partnerships for a sustainable future



# Q3 Outlook

- ⌚ Market conditions expected to remain good for liquid packaging board and cartonboard
- ⌚ Increased uncertainty in the global containerboard market
- ⌚ Weaker market conditions in some segments, particularly for brown sack paper
- ⌚ Increased price pressure is expected
- ⌚ Total cost of fibre expected to flatten out at the current high level
- ⌚ Focus on operational efficiency and cost savings



A person in a dark long-sleeved shirt is seen from the side, with their hands raised to frame a bright sun in a forest. The sun is low on the horizon, creating a warm, golden glow and lens flare effects. The background consists of out-of-focus trees and foliage.

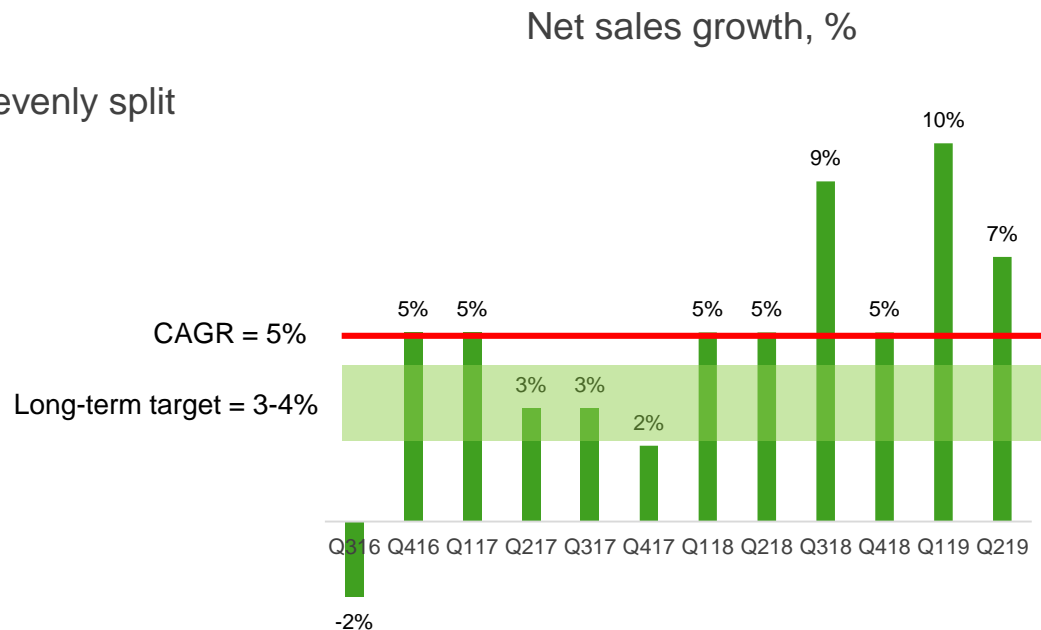
**WHAT IF**  
paper packaging is the solution?

## Q2 Key financial figures

<b>SEKm</b>	<b>Q2 2019</b>	<b>Q2 2018</b>	<b>Change</b>
Net sales	6 293	5 898	7%
EBITDA	579	203	185%
Adjusted EBITDA	539	671	-20%
Adjusted EBITDA, %	9%	11%	
Operating profit	194	-174	N/A
Adjusted operating profit	154	309	-50%
Adjusted operating profit margin, %	2%	5%	

# Continued sales growth – 11<sup>th</sup> quarter in a row

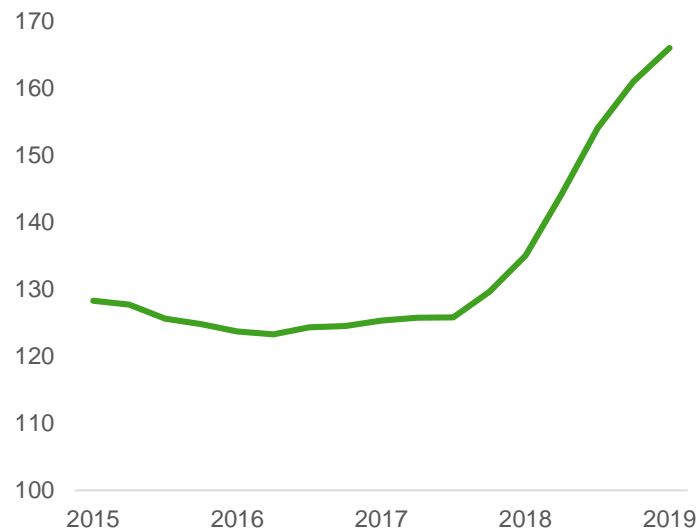
- ⊗ Net sales up 7%
- ⊗ Sales growth drivers relatively evenly split
  - > Currency
  - > Sales volume
  - > Pricing



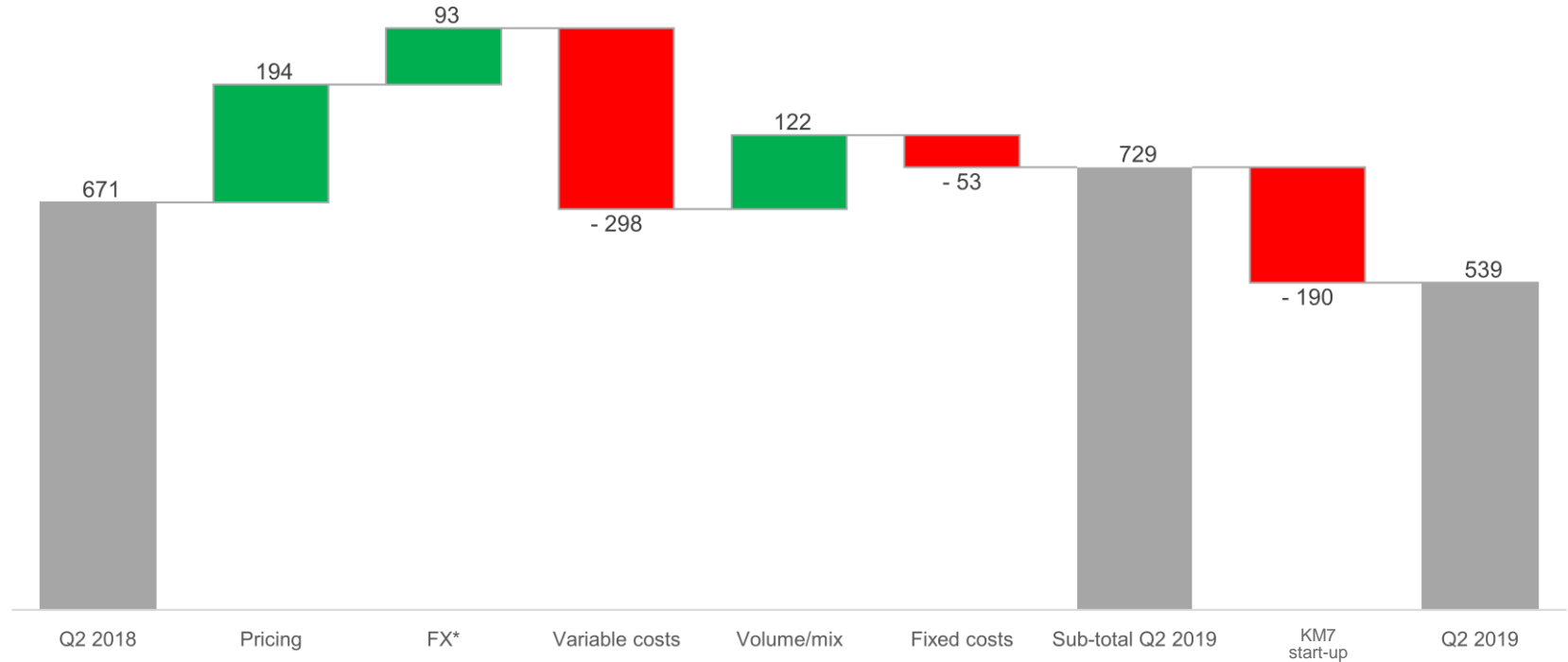
# Continued headwind from raw material costs

- ⦿ Total cost of fibre continued to increase in Q2
  - › Expected to flatten out on current high level
- ⦿ Caustic soda prices decreased
  - › Back at the same level as in Q4 2017
- ⦿ 300 MSEK of increased raw material cost vs last year

Wood Cost Index (WCI\*), rolling 12 months



# Underlying EBITDA growth when taking into account KM7 start-up effects



Adj  
EBITDA%  
11%

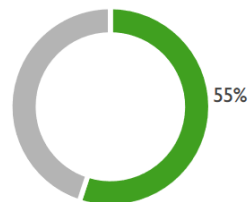
12%

9%

# Division Board



Share of Group's net sales for Q2 2019



## KEY FIGURES\*

SEKm	Quarter	
	Q2 -19	Q2 -18
Net sales	3 463	3 079
<i>of which liquid packaging board</i>	1 860	1 798
<i>of which cartonboard</i>	373	329
<i>of which fluting &amp; liner</i>	961	741
Net operating expenses, other	-3 064	-2 605
<b>EBITDA</b>	<b>399</b>	<b>474</b>
EBITDA, %	12%	15%

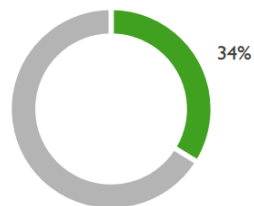
- ⊙ Net sales +12%
  - › Higher sales volume the key driver
- ⊙ EBITDA fell due to higher fibre costs, production disturbances in Gävle and KM7 effects

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

# Division Paper



Share of Group's net sales  
Q2 2019



## KEY FIGURES\*

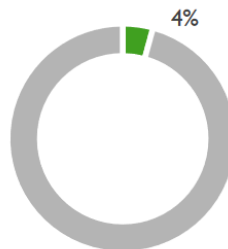
SEKm	Quarter	
	Q2 -19	Q2 -18
Net sales	2 129	2 127
<i>of which sack paper</i>	794	760
<i>of which kraft paper</i>	895	903
Net operating expenses, other	-1 887	-1 829
<b>EBITDA</b>	<b>242</b>	<b>298</b>
EBITDA, %	11%	14%

- ⌚ Net sales flat
  - › Pricing and FX offset by negative sales volumes
- ⌚ EBITDA fell due to higher cost for fibre and lower volumes with a more unfavorable product mix

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

# Division Solutions

Share of Group's net sales  
Q2 2019



## KEY FIGURES\*

### SEKm

Net sales  
*of which Managed Packaging*  
*of which Packaging Solutions*  
 Net operating expenses, other

### EBITDA

EBITDA, %

### Quarter

Q2 -19    Q2 -18

268    279

229    243

38    37

-253    -269

**15**    **10**

6%    4%

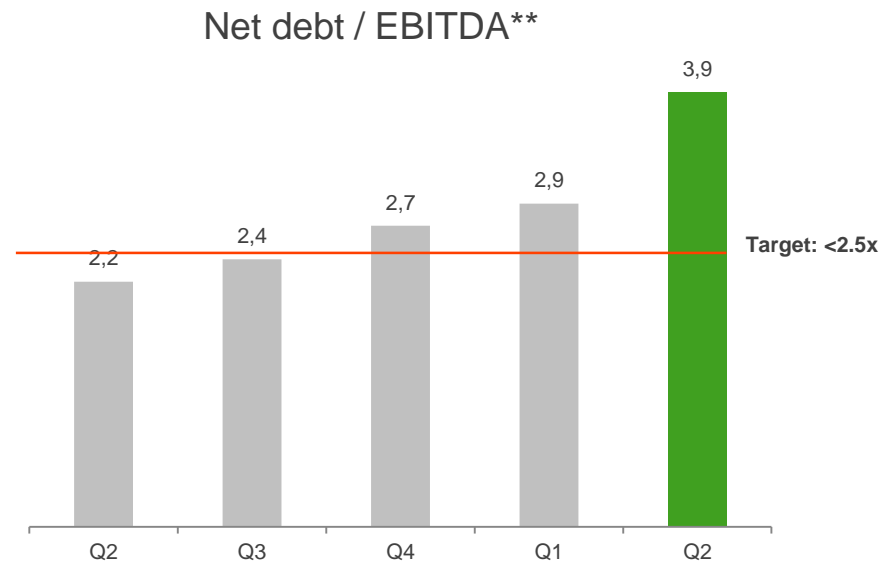
- ⊙ Net sales -4%
  - › Revaluation of customer segment mix
  
- ⊙ Improved results due to higher prices in Packaging Solutions, positive currency effects and good cost control

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



# Temporarily higher debt ratio than target

- Net debt SEK 12,7 billion at the end of June
- Acquisition of Bergvik Skog Öst increased the net debt by approx. SEK 5.4 billion
- Dividend payment of approx. SEK 445 million
- At completion of the sale of Bergvik Skog Öst in Q3 the debt/EBITDA is expected ~1.5\*
- Well positioned with a strong B/S position for further growths and M&A opportunities



\* Based on past 12 months EBITDA (Q318-Q219)

\*\* Adjusted for items affecting comparability

# Long-term financial targets

Area	FY target	Q2 2019
Net sales growth	3-4%	7%
EBITDA margin*	>17%	9%
ROCE*	>13%	8%
Net debt/EBITDA*	<2.5	3.9
Dividend policy*	50%	59%**

\*Adjusted for items affecting comparability

\*\* Dividend for 2018

# Unlocking the potential

## SECURE



Successful ramp-up of KM7  
Competitive wood supply

## IMPROVE



A safe company is a well-run company  
Stabilise production

## ACCELERATE



Innovate for growth  
Capture new solutions sales



# BILLERUDKORSNÄS

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