



BILLERUDKORSNÄS

# Carnegie Forest Seminar 2020

17<sup>th</sup> September 2020

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# Billerud Korsnäs - in brief

**A leading packaging company** offering innovative packaging solutions and sustainable packaging materials made from natural cellulose fibre



**24.4**

**Net sales** (SEK bn)

**2.8**

**EBITDA** (SEK bn)

**4 500**

**Employees**

# Well positioned with strong positions within Covid-19 resilient segments



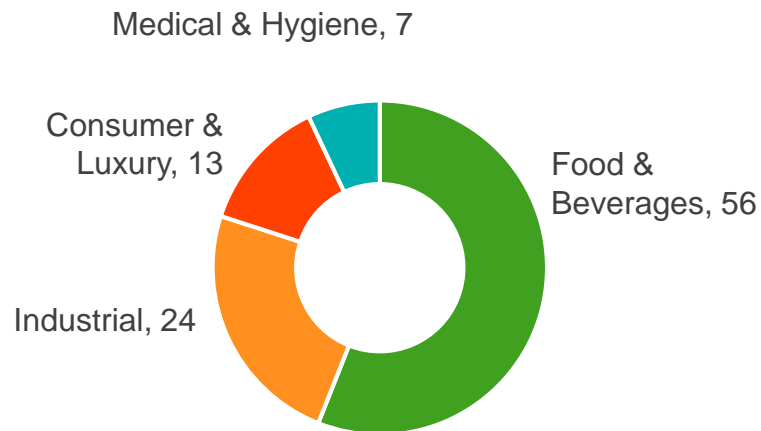
**~2.7 mt**

Sales volume

Light,  
strong and  
pure  
materials

# Large part of sales to non-cyclical segments

Net sales 2019 by market segment, %





# Covid-19 impact

- Relatively limited impact in H1
- Mostly notable within Division Paper & Division Solutions
- Demand decline in certain channels (industry, food service)
- All H1 maintenance re-scheduled to H2
- Slow-steam production in two production sites
- Receivables balance & overdue in good shape

# Business status and outlook



Food & Drink



Medical & Hygiene



Consumer & Luxury



Industrial

Sales split, %

LPB (7.6bn\*)

Cartonboard (1.5bn)

Containerboard (3.6bn)

Kraft Paper (3.5bn)

Sack Paper (2.9bn)

Managed Packaging (0.8bn)

100%

15%

80%

35%

20%

Stable



Stable



More challenging



Weak



Outlook Q3

Stable



Stable



More challenging



More challenging



85%

10%

15%

15%

85%

10%

65%

10%

# Our long-term targets

## FINANCIAL TARGETS

NET SALES GROWTH 3–4%

EBITDA MARGIN >17%

ROCE >13%

NET DEBT/EBITDA <2.5

DIVIDEND RATIO 50%

## HIGHLIGHTED SUSTAINABILITY TARGETS

REDUCED EMISSIONS 59% 2030

WORKPLACE SAFETY 3.2 2020

NEW PRODUCT RATIO 15%

# Profitability transformation is well anchored in our strategy for the coming years

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



# Improving profitability through 3 programmes:



**KM7 ramp-up**



**Cost- and efficiency program**



**Safe and stable production**

# 1) Hiked profitability from our strategic investments

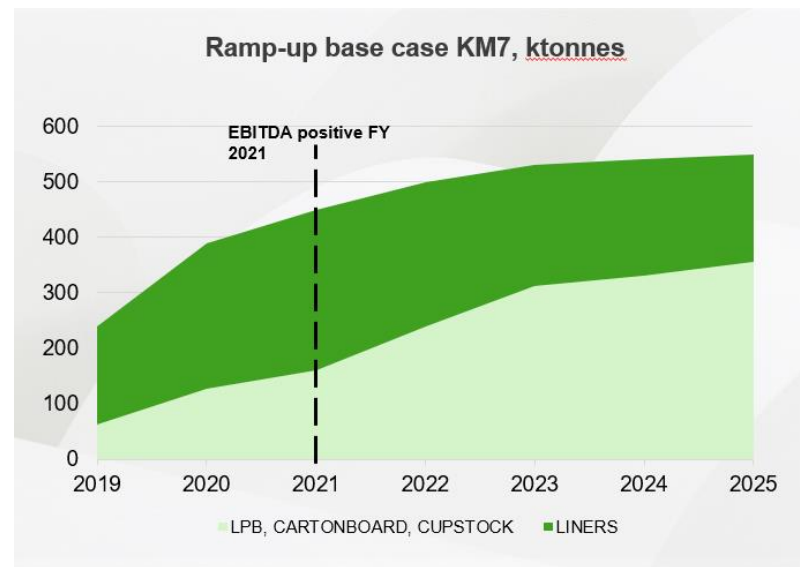
## 1 200 SEK m

positive EBITDA\* effect when fully ramped up

\*KM7 and PM10 accumulated

- ④ KM7 at Gruvön is a strategic investment to capture stable and profitable liquid board business
- ④ Flexibility to produce premium products to meet change in product demand

As communicated at CMD in 2018:

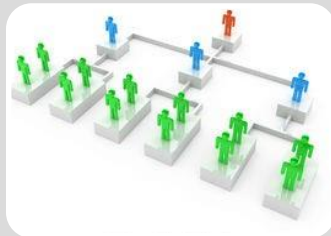


# Continued ramp-up of KM7

- ⌄ 1 year since the start-up of KM7 in Q2
- ⌄ Accelerated ramp-up progress with significant steps forward each quarter
- ⌄ Maintenance shutdown in September, vital for machine upgrades
- ⌄ Original investment case assumptions revisited and updated; reaffirms potential of KM7 when fully ramped up



## 2) Cost reductions and efficiency enhancements



### FTE reduction

- Up to 300 positions announced (Sep'19)
- Impact starting as of Q1'20



### Purchasing & Development

- Centralizing procurement with few preferred suppliers
- Replacing raw material / ingredients with alternatives



### End-2-end Supply Chain

- Warehouse
- Logistics
- Operational savings
- G2M model

- ⌚ Cost and efficiency programme  
SEK 250m in 2020  
SEK 600m run-rate by Q4 2021
- ⌚ Roughly 1/3 split per stream
- ⌚ The programme is on track  
– savings of SEK 140m in H1



### 3) Safe and stable production


Safe and stable production is the key priority  
**4%-points** OEE improvement by 2022

Overall Equipment Efficiency (OEE)




**1%-point OEE =**  
~100 SEK m EBITDA

# Covid-19 doesn't change the fundamentals of our strategy, but amplifies need to accelerate faster



Do more  
faster  
(cost- and  
efficiencies)



Even  
stronger  
focus on  
working  
capital



Tougher  
choices  
around  
investment



## 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 maintenance stops
- ⌚ Raw material costs expected to decline marginally



# Q&A

