



BILLERUDKORSNÄS

# Acquisition of Verso

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20 December 2021

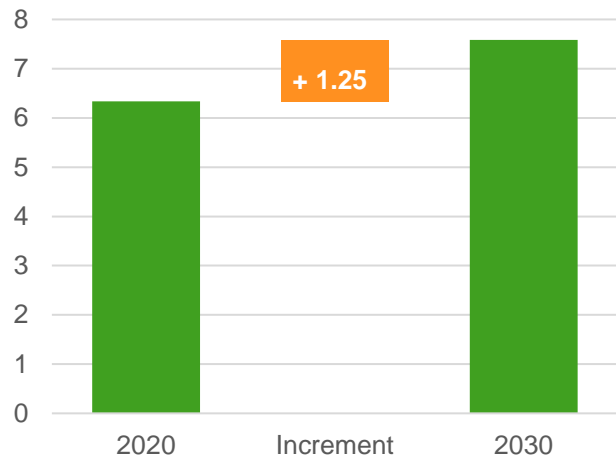


# Securing BillerudKorsnäs profitable and sustainable growth

- ④ Verso will be the cornerstone of our expansion in North America and provide sustainable capacity opportunity for ten years and beyond for BillerudKorsnäs
- ④ Market proximity to one of the largest and growing markets in primary fibre containerboard and cartonboard
- ④ World-class cost base: lowest cost producer in US and in top quintile cost base for export to Europe or Asia
- ④ Two state-of-the-art Paperboard machines with fully integrated pulp supply situated in North Americas' prime quality abundant and cost competitive wood basket
- ④ The acquisition will immediately be accretive to EPS and create significant shareholder value over time with a more profitable product mix

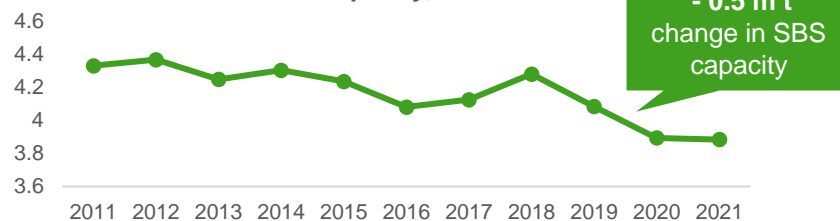
# North America is a growing market with attractive characteristics

Primary fibre Cartonboard market North America, m tonnes



The supply of local SBS is reducing

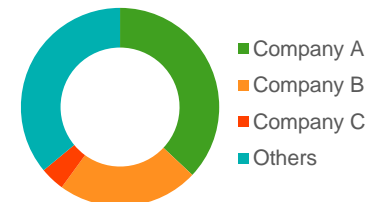
Domestic capacity, m tonnes



The market for independent converters is large

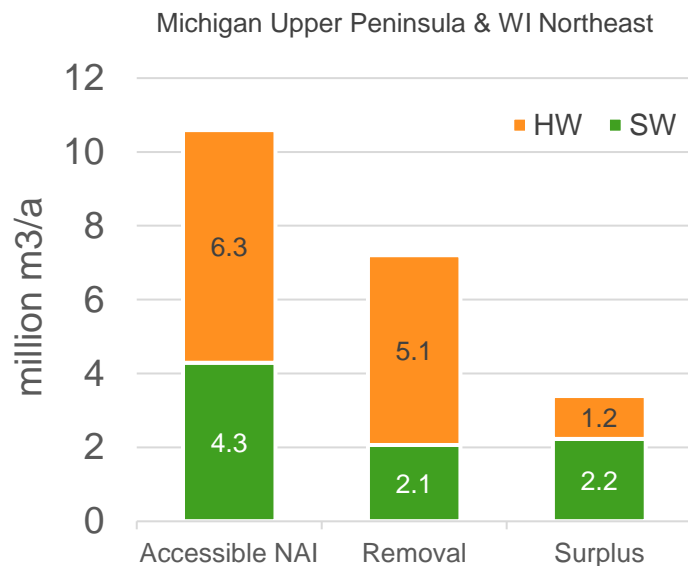
Folding carton converters

36%  
Independent  
converters

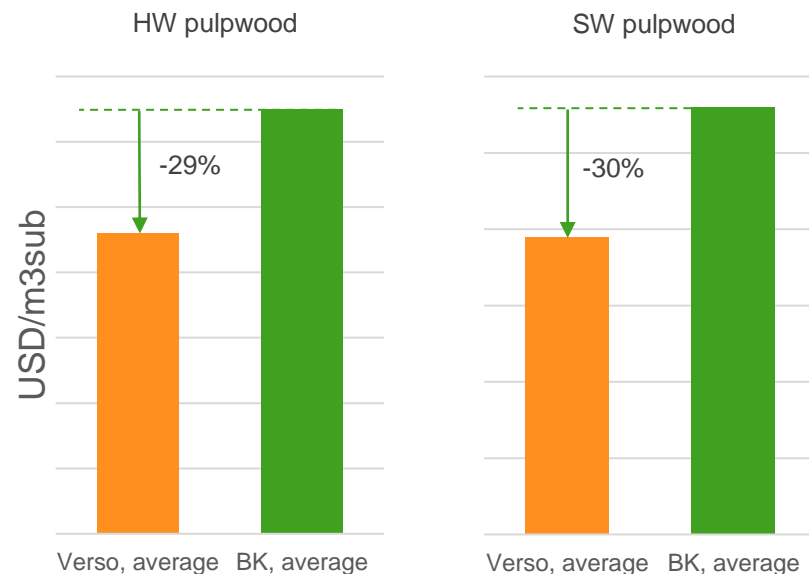


# Verso has large surplus of low-cost fibre with excellent properties

## Net Annual Increment (NAI), Removal and Surplus



## Pulpwood Delivered Cost (2020) – Verso vs BK



# Overview of Verso

## Key highlights

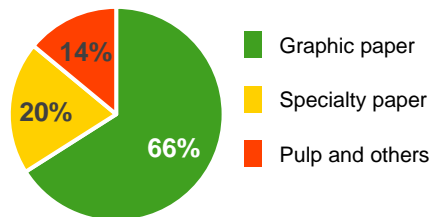
- Leading American producer of graphic and speciality paper and market pulp
- Well positioned production facilities in close proximity to wood supply and customers
- Cost and quality leader with streamlined operations
- 100% pulp integration and procures wood only from sustainable managed forests

## Key figures

2020 revenues by product area

Net sales Q3 '21 LTM  
USD 1 264 m

Adj. EBITDA margin Q3 '21 LTM  
12.5%



## Facility overview

### Escanaba mill



- Three paper machines with annual capacity of ~700 ktonnes paper
- Graphic, speciality paper and packaging
- ~830 employees

### Quinnesec mill



- One paper machine with annual capacity of ~400 ktonnes of paper and one pulp dryer with annual capacity of ~200 ktonnes of market pulp
- Graphic, speciality paper and market pulp
- ~420 employees

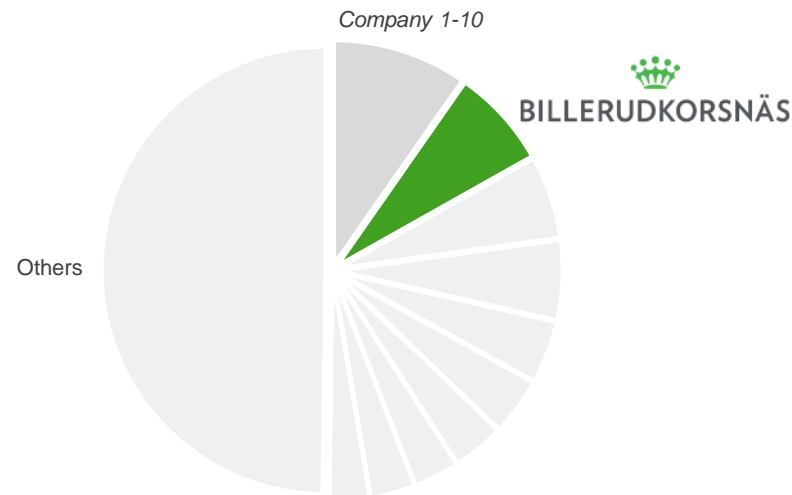
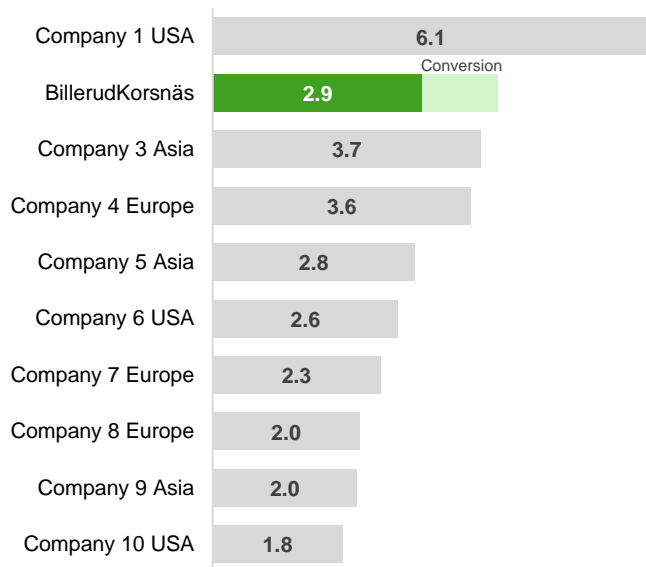
In addition, **Wisconsin Rapids converting facility** (paper production idled) where own manufactured rolls are converted to sheets, and a hydroelectric power company

# BillerudKorsnäs will be #2 in virgin fibre products with a quality and cost advantage

## Capacity

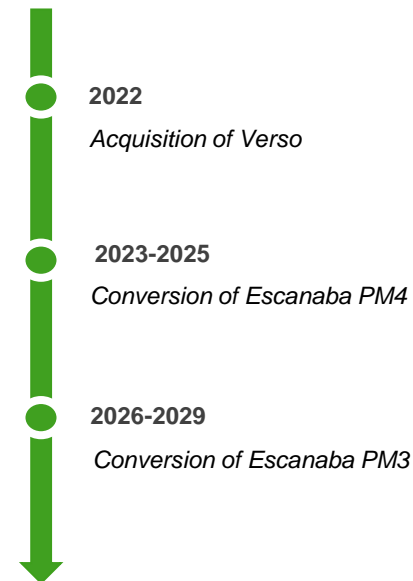
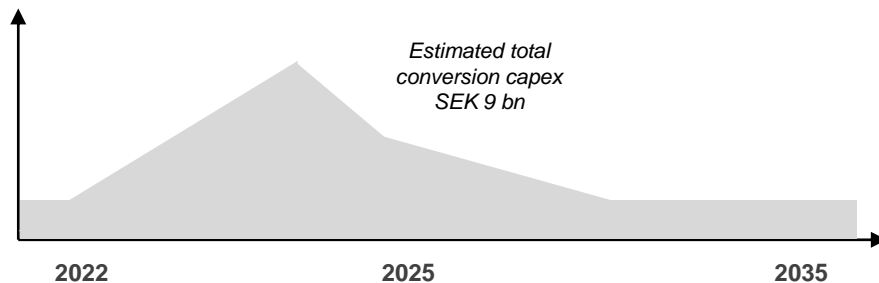
## Market share

m tonnes, selected primary fibre products



# Sequential conversion of Escanaba facility to paperboard production

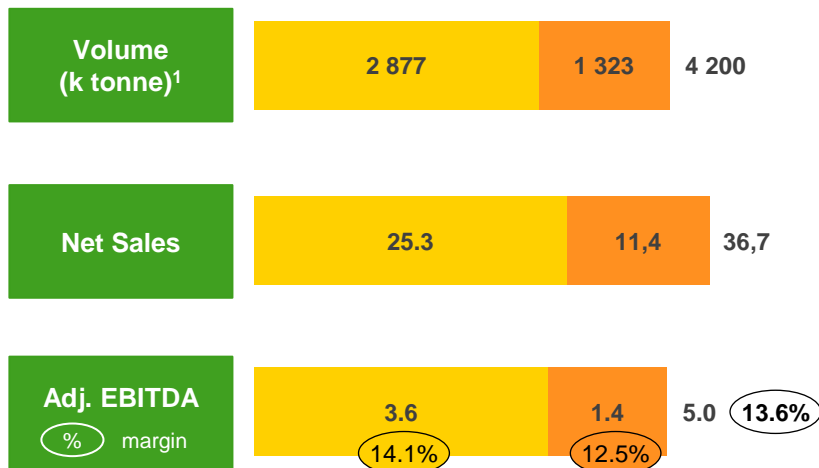
- ⦿ BillerudKorsnäs plans to convert the Escanaba mill into a world-class, sustainable, integrated paperboard production facility by 2029
- ⦿ The conversion will involve rebuilding two paper machines. The 1<sup>st</sup> machine is planned to be converted by 2025 and the 2<sup>nd</sup> machine by 2029. Conversions will yield around 400K tons of incremental volume
- ⦿ BillerudKorsnäs estimates that the investment for the conversion project will be up to SEK 9 billion, whereof around two thirds to be invested up to 2025 and the remainder up to 2029



# Combined financials and business split

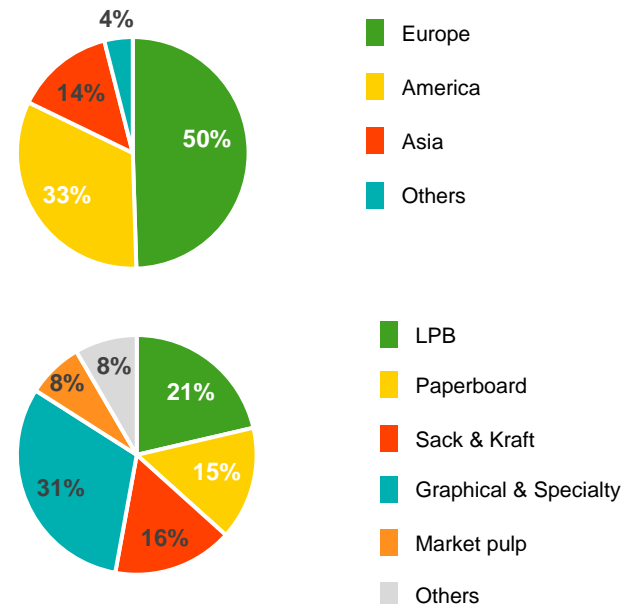
## Combined key financials

SEK bn, Q3 21 LTM pro forma



## Combined revenues by region and category

Combined revenues, 2020 pro forma



Source: Company filings. FX rate 9.04 SEK/USD  
 1) Short tonnes converted to metric tonnes

■ BillerudKorsnäs ■ Verso



# Transaction details

## Agreement and consideration

- ④ The acquisition will be effected pursuant to a merger agreement under which Verso will merge with a wholly-owned subsidiary of BillerudKorsnäs
- ④ BillerudKorsnäs will acquire Verso for a purchase price of approx. USD 825 million in cash, corresponding to USD 27.00 per share
- ④ The consideration corresponds to a premium of 35% compared to the closing price of Verso's share on 17 December
- ④ Enterprise value of approx. USD 970 million inclusive of Verso's cash, net debt and other debt-like items as of 30 September 2021
- ④ Enterprise value / adjusted EBITDA for LTM Q3'21 multiple of approx. 6x

## Shareholder and regulatory approval

- ④ Verso's Board of Directors, acting upon the recommendation of a special Board committee, has unanimously approved and resolved to recommend the transaction to Verso's shareholders
- ④ The completion of the transaction is subject to shareholder approval in Verso, as well as customary regulatory approvals from competition and energy authorities

# Financing of the acquisition and the conversion

## Additional debt, a rights issue and operating cash flow

### Debt

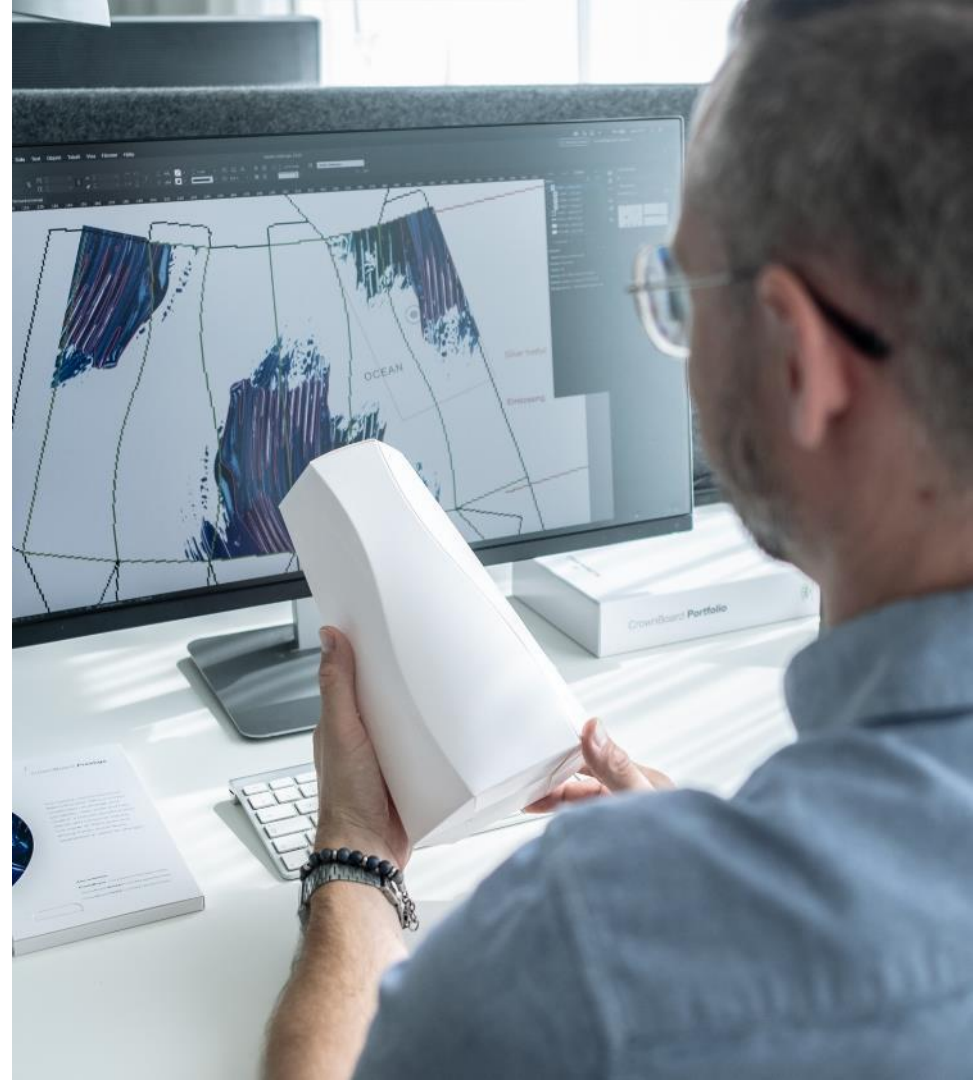
- ⌚ BillerudKorsnäs will utilize a new credit facility of SEK 6.0 billion and cash for the acquisition. This bridge loan is planned to be refinanced by issuance of debt instruments and an equity rights issue
- ⌚ The net debt / EBITDA ratio after the transaction will be around 2.7x, temporarily higher than the target level of 2.5x

### Rights issue

- ⌚ The Board of Directors intends to propose to be authorized to resolve upon a rights issue of up to SEK 3.5 billion. The rights issue is planned to be conducted in 2022 following completion of the transaction
- ⌚ The four largest shareholders, controlling 37.7% of the share capital, support the acquisition and have expressed their intention to subscribe for their pro rata share in the rights issue
- ⌚ Together with an underwriting from Danske Bank and SEB (subject to certain conditions) the rights issue will be fully covered

# Financial implications

- ④ Shareholder value through:
  - > EPS accretive immediately
  - > Around 400 ktonnes of incremental volume
  - > EBITDA % boost with more profitable product mix after conversion
- ④ Acquisition and transformation will be financed through a combination of a rights issue (up to SEK 3.5 billion), additional debt and operating cash flow
- ④ Financial targets are maintained
  - > Net sales growth between 3-4%
  - > EBITDA margin >17%
  - > Net debt/ EBITDA < 2.5x
  - > Dividend >50% of net profit
- ④ Acquisition costs of around SEK 135 million will be reported as item affecting comparability in Q4'21 results



# Estimated time schedule

Early March 2022	Approval of Verso's shareholders at a special shareholder meeting
Q1-Q2 2022	Receipt of regulatory approvals
Q2 2022	General meeting in BillerudKorsnäs to resolve on rights issue
Q2 2022	Acquisition expected to be completed
Q2-Q3 2022	Rights issue expected to be completed



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Q&A



### **Use of Non-IFRS Financial Metrics**

This presentation includes certain non-IFRS financial measures. These non-IFRS measures are an addition, and not a substitute for or superior to, measures of financial performance prepared in accordance with IFRS and should not be considered as an alternative to performance measures derived in accordance with.

### **Forward-looking statements**

This presentation contains forward-looking statements that reflect BillerudKorsnäs' current expectations and views of future events and developments. Some of these forward-looking statements can be identified by terms and phrases such as "may", "expects", "anticipates", "plans", "projects", "estimates" and the negatives thereof and analogues or similar expressions. The forward-looking statements include statements relating to the expected characteristics and financial results of the combined company; expected growth of our paperboard business; expected financing; expected benefits of the proposed transaction; expected EBITDA of the combined entity; BillerudKorsnäs' plans with respect to Verso; its assets, including the timing and cost of the conversion; and expected timing of closing of the proposed transaction and satisfaction of closing conditions, including receipt of applicable regulatory approvals. The forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond our control, which could cause actual results to differ materially from such statements.

### **IMPORTANT ADDITIONAL INFORMATION**

In connection with the proposed transaction, Verso expects to file with the SEC and furnish to its stockholders a proxy statement on Schedule 14A, as well as other relevant documents regarding the proposed transaction. Promptly after filing its definitive proxy statement with the SEC, Verso will mail its definitive proxy statement and a proxy card to Verso's stockholders entitled to vote at a special meeting relating to the proposed transaction, seeking their approval of the respective transaction-related proposals. The proxy statement will contain important information about the proposed transaction and related matters. STOCKHOLDERS AND SECURITY HOLDERS OF VERSO ARE URGED TO READ THESE MATERIALS (INCLUDING ANY AMENDMENTS OR SUPPLEMENTS THERETO) AND ANY OTHER RELEVANT DOCUMENTS IN CONNECTION WITH THE TRANSACTION THAT VERSO OR BILLERUDKORSNAS WILL FILE WITH THE SEC WHEN THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT VERSO, THE TRANSACTION AND THE OTHER TRANSACTIONS CONTEMPLATED BY THE MERGER AGREEMENT THAT HOLDERS OF VERSO'S SECURITIES SHOULD CONSIDER BEFORE MAKING ANY DECISION REGARDING VOTING. This presentation is not a substitute for the proxy statement or for any other document that Verso or BillerudKorsnäs may file with the SEC and send to Verso's stockholders in connection with the proposed transaction. The proposed transaction will be submitted to Verso's stockholders for their consideration. Investors and security holders may obtain copies of these documents and any other documents filed with or furnished to the SEC by Verso or BillerudKorsnäs free of charge through the website maintained by the SEC at [www.sec.gov](http://www.sec.gov), or on Verso's investor website, <https://investor.versoco.com/>.

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