

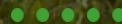


BILLERUDKORSNÄS

# Investor Presentation

SEB Nordic Seminar, Copenhagen January 9 2018

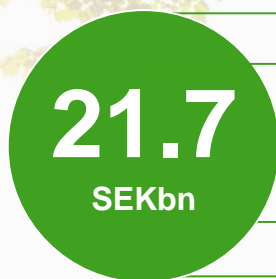
2018-01-09 Susanne Lithander, CFO



# BILLERUDKORSNÄS IN BRIEF

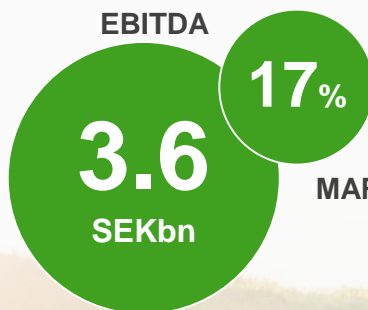
PURE PLAY PACKAGING COMPANY

## NET SALES



- Europe 73%
- Asia 17%
- Africa 4%
- South America 3%
- Middle East 2%
- Other 1%

## EBITDA



MARGIN

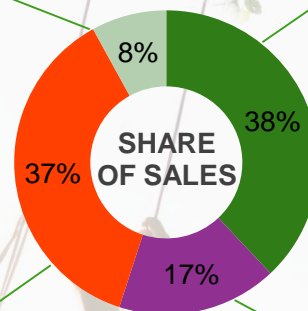
## OTHER

## CONSUMER BOARD

Liquid packaging board  
Cartonboard

## PACKAGING PAPER

Kraft paper  
Sack paper  
Market pulp



## CORRUGATED SOLUTIONS

Fluting  
Liner  
Managed Packaging

**8**

PRODUCTION UNITS  
(SWE, FI, UK)

**3.0**

PRODUCTION CAPACITY  
(MILLION TONNES)

**4,300**

NUMBER OF EMPLOYEES

# THREE BUSINESS AREAS

## PACKAGING PAPER

*Kraft and sack paper for customers with tough demands*

- *Packaging for flour, sugar, carrier bags, medical packaging, building materials, chemicals and more*
- *Growth driven by population growth in emerging markets, ageing population, increasing environmental awareness and more*



### SELECTIVE GROWTH

**2-4% CAGR**

- Asset transformation for increased profitability
- Development of new business models
- Expansion to growing markets

## CONSUMER BOARD

*Liquid packaging board and cartonboard with unique properties*

- *Packaging for milk, juice, preserved foods, beauty and healthcare products, confectionary and more*
- *Growth driven by high urbanization rate, change in consumer behavior and more*



### VOLUME GROWTH

**4-5% CAGR**

- Attractive market providing growth opportunities
- Investments for volume growth
- Innovation with customers and brand owners

## CORRUGATED SOLUTIONS

*Fluting and liner add value*

- *Packaging for fruit and vegetables, white goods and electronics, exclusive drinks and more*
- *Supply chain solutions and packaging optimisations for brand owners*
- *Growth driven by increasing e-commerce and fresh food consumption, package differentiation and changing supply chains*



### VALUE GROWTH

**2-4% CAGR**

- Strong product portfolio setting market standard
- Integrating new business model
- Increasing sales to brand owners

# INVESTMENT HIGHLIGHTS

1.  
Leading  
position in  
our  
segments

2.  
Growth  
segments backed  
up by global  
megatrends

3.  
Clear growth  
strategy to  
capture  
market potential

4.  
Clear innovation  
focus for a  
sustainable  
future

5.  
Stable earnings  
and shareholder  
returns



# LEADING POSITION IN OUR SEGMENTS

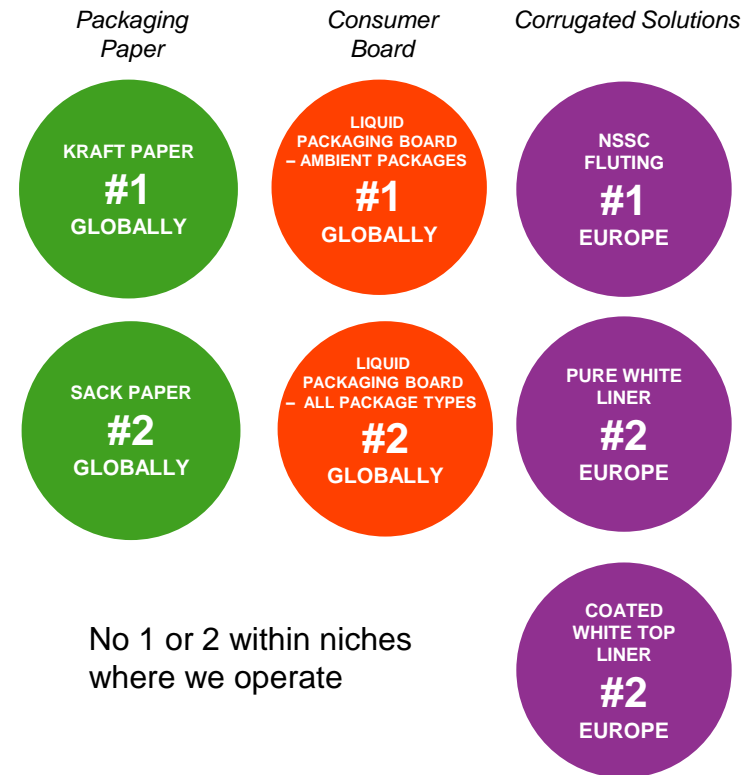
Only **primary fibre**  
in portfolio targeting customers and applications requiring  
light, strong and pure materials

**95%**

packaging material in  
product portfolio with a  
growing share of services  
and solutions

**75%**

of sales towards  
consumer segment with  
stable long-term demand  
growth

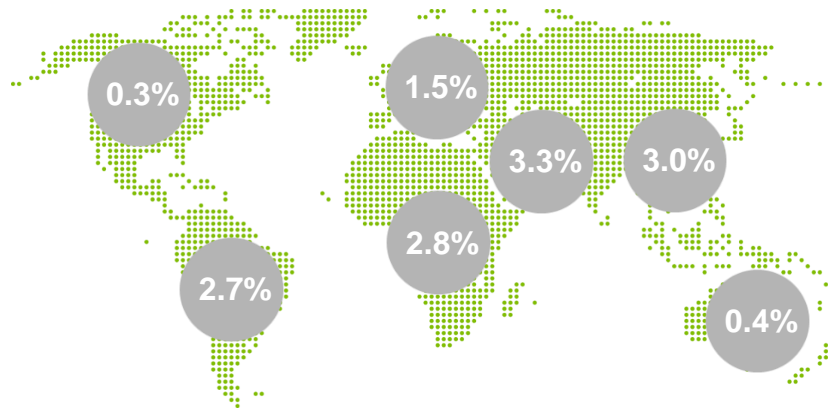


# GROWTH SEGMENTS BACKED UP BY GLOBAL MEGATRENDS

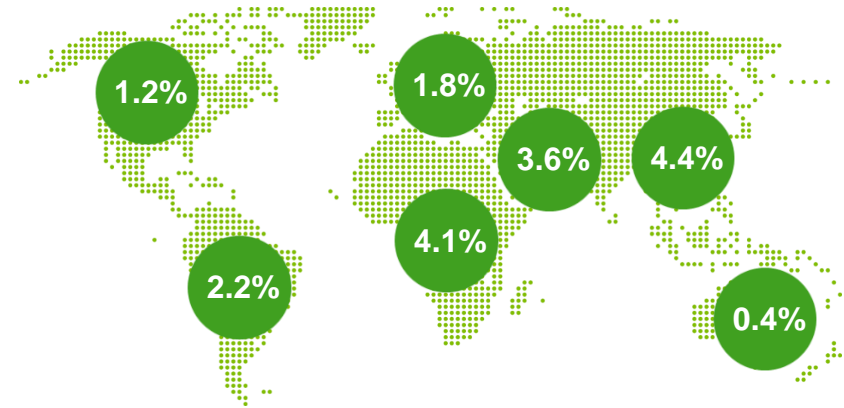
- ④ Global megatrends driving long-term demand for packaging material
  - › Urbanisation
  - › E-commerce
  
- ④ Sustainability awareness is increasing demand for renewable packaging material



# TARGETING THE GLOBAL PACKAGING MARKET



- Global market for packaging paper & board has a growth of 2.2%
- We aim to expand sales in the global packaging market...



- ...with a growth of 2.9%
- Key to success is new packaging solutions and sustainable products

# CLEAR GROWTH STRATEGY TO CAPTURE MARKET POTENTIAL

## POSITION

Expand in the value chains



- Increasing sales of solutions to brand owners and improve market mix

## INNOVATION

Turn good ideas into new solutions and materials



- Increasing innovation efforts to develop new packaging solutions expanding potential market segments

## SUSTAINABILITY

Integrate and improve in everything we do



- Maximizing customer value by offering sustainable products challenging alternative materials

## EFFECTIVENESS

Drive a customer focused approach



- Continuously improving production efficiency

**Aim to reach profitable growth of 3-4% per year**



3. Clear growth strategy to capture market potential

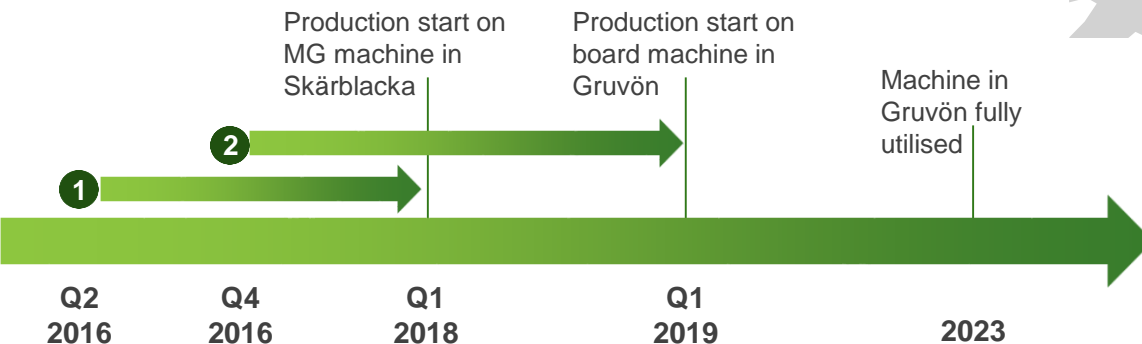
# WE ARE INVESTING TO MOVE FURTHER UP THE VALUE CHAIN TOWARDS BRAND OWNERS



# TWO MAJOR RESTRUCTURING PROJECTS

IMPROVING EFFICIENCY AND SECURING GROWTH

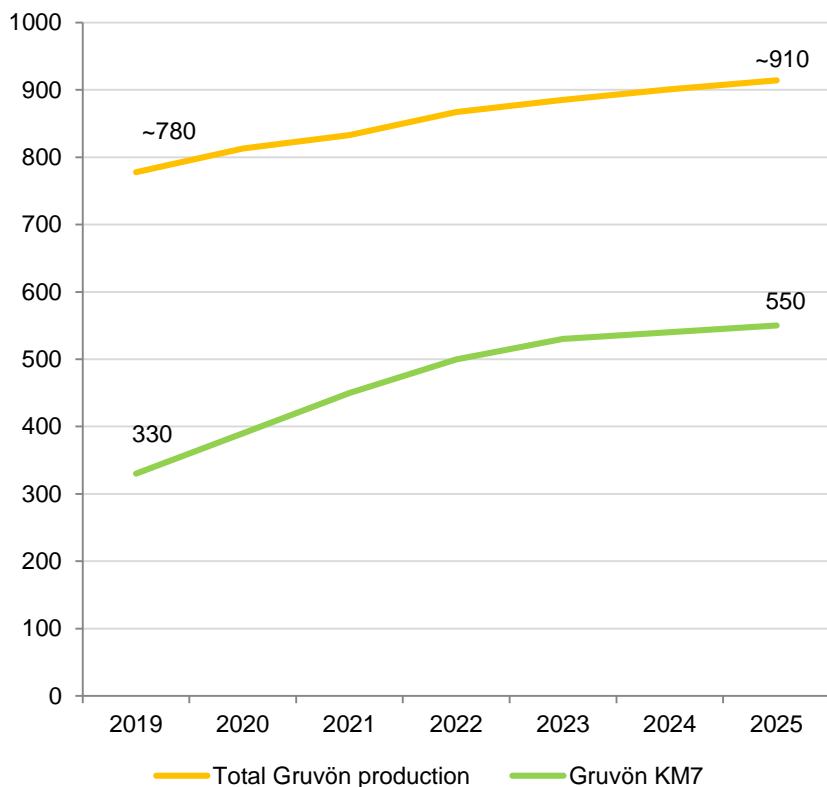
- 1 Moving unintegrated MG paper machine from Tervasaari, Finland to Skärblacka, Sweden and making it integrated to the pulp production. **SEK ~1.3 billion investment.**
- 2 Building **new board machine** at the production unit in Gruvön with capacity of approx. **550,000 t/a** of liquid packaging board, cartonboard, food service board and white kraftliner. **SEK ~7 billion investment.**



# PRODUCTION AND CAPEX IMPACT

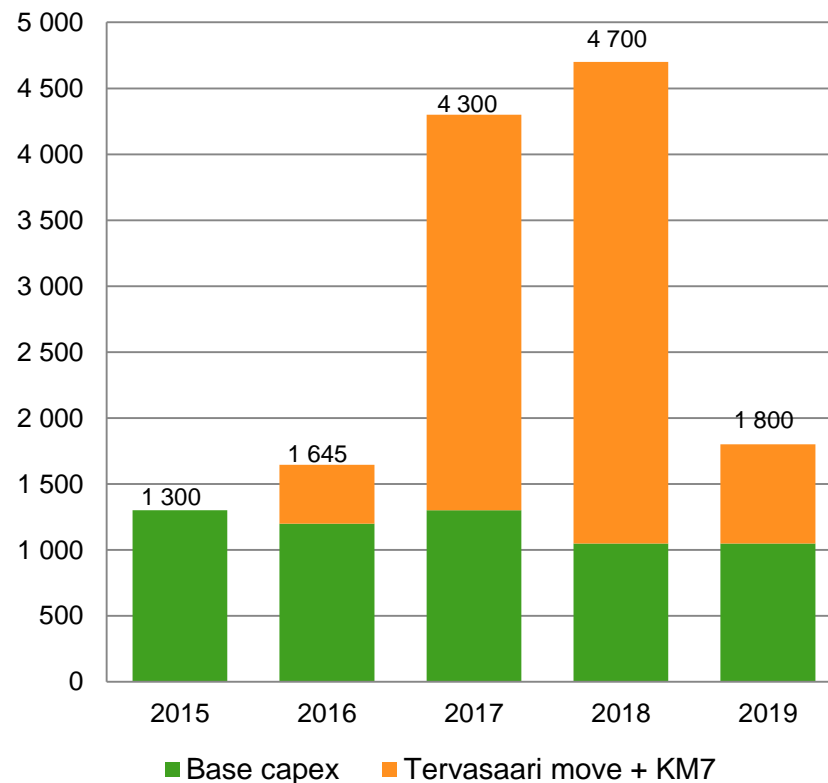
## PRODUCTION

ktonnes



## CAPEX

SEKm



# INVESTMENTS TO IMPROVE UNDERLYING PROFITABILITY AND SECURE ORGANIC GROWTH

<b>PACKAGING PAPER</b> <i>Selective growth</i>	<b>CONSUMER BOARD</b> <i>Volume growth</i>	<b>CORRUGATED SOLUTIONS</b> <i>Value growth</i>
<ul style="list-style-type: none"> <li>▶ <i>Focusing on growth segments growing by 2-4% per year</i></li> <li>▶ <i>Decreasing volumes on oversupplied markets</i></li> </ul>	<ul style="list-style-type: none"> <li>▶ <i>Increasing volumes on growing Liquid Packaging Board and Cartonboard markets</i></li> </ul>	<ul style="list-style-type: none"> <li>▶ <i>Expanding solution based sales to brand owners</i></li> <li>▶ <i>Exiting oversupplied white liner market</i></li> </ul>

Improved underlying EBITDA > **+1 200 SEKm** when fully implemented  
 Continued growth with **3-4%** per year

Lower currency exposure  
 - SEK 2 bn

Reduced price volatility in product portfolio

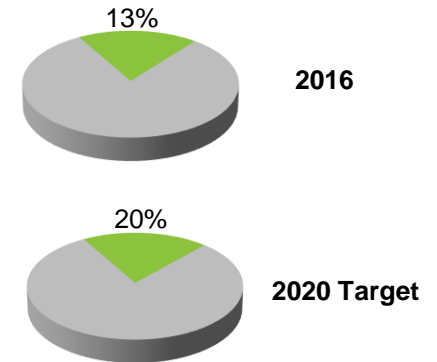
ROI in line with our return target of 13%

Limited exposure to pulp market

# CLEAR INNOVATION FOCUS FOR A SUSTAINABLE FUTURE

- ④ Long history of award winning packaging innovations
- ④ Challenging boundaries of fibre based packaging in order to reduce usage of fossil materials
- ④ Innovation will strengthen top line and margins

Proportion of sales accounted for by new products



2013: Axello® ZAP



2014: D-Sack

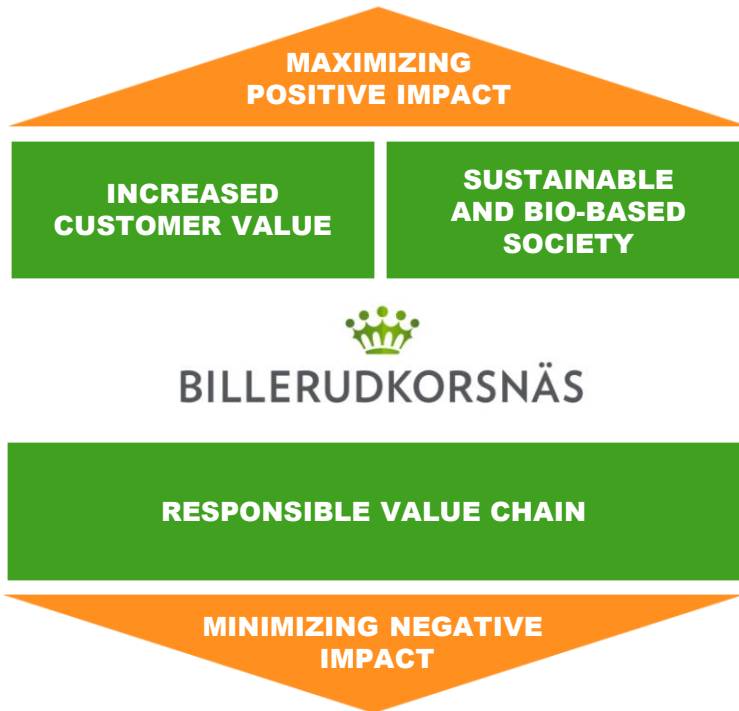


2015: FreeFormPack®

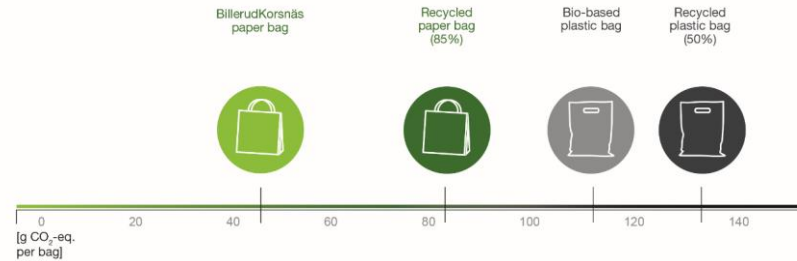


2016: QuickFill® Clean

# WE PROVIDE SUSTAINABLE SOLUTIONS



## Paper bag\* - Best choice for the climate



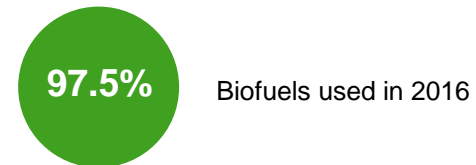
## Walk the talk

MEMBER OF  
**Dow Jones Sustainability Indices**  
In Collaboration with RobecoSAM





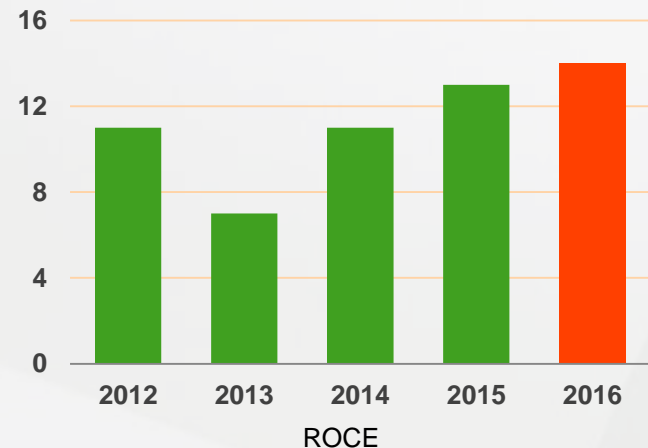
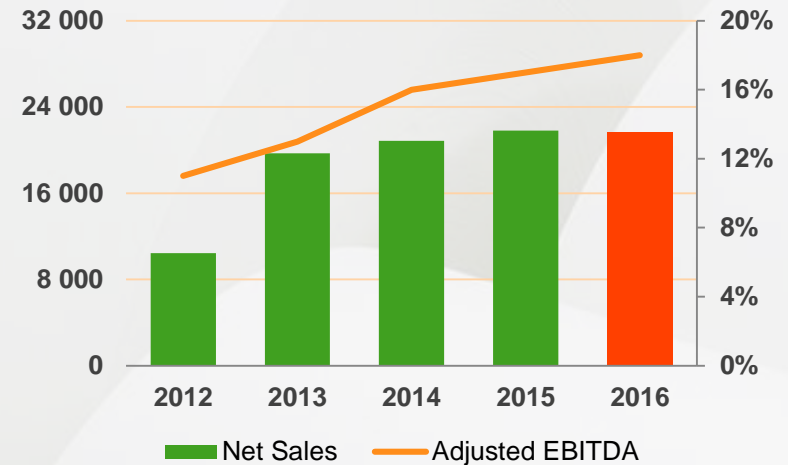
## Towards fossil-free production



\*BillerudKorsnäs paper bag from primary fibre, produced in Sweden

# STABLE EARNINGS AND SHAREHOLDER RETURNS

- ④ Stable underlying earnings over recent years
- ④ Average ROCE of 13% during the history of the company
- ④ Average TSR of 23% per year for past 5 years
- ④ Proven track record of accretive investments



# FINANCIAL TARGETS AND TARGET FULFILLMENT

FULL YEAR 2016

Area	Target	Outcome 2016	
Growth	3-4%	0.3% <sup>1</sup>	
EBITDA	>17%	18% <sup>2</sup>	✓
ROCE	>13%	14% <sup>2</sup>	✓
Net debt/EBITDA	<2.5	1.1	✓
Dividend policy	50%	59%	✓

1. For comparable units (excluding divested and acquired operations)

2. Excluding non-recurring items



## summary

- 
- ④ Focused product portfolio with leading global and regional positions in growing markets
  - ④ Global trends imply growth opportunities
    - › Sustainability, demographic shifts, digitalization and changed consumer behavior
  - ④ We invest in all of our four strategic pillars:
    - › Position expansion, Innovation, Sustainability and Efficiency
  - ④ Two major restructuring projects to increase profitability and secure long-term growth
  - ④ Strong financial position with low leverage and a well-balanced leverage policy