



BILLERUDKORSNÄS

Year-end report January–December 2019

Stable net sales in a
tougher market

Q4
2019

29th of Jan 2020 | Lennart Holm, CEO, Ivar Vatne, CFO



WHAT IF paper packaging is the solution?

Key highlights

- ④ Flat net sales, but underlying growth excluding the KM7 impact
- ④ Weaker market conditions continues
- ④ KM7 Q4 impact in line with expectations – final CAPEX SEK 7 950 million
- ④ Our cost and efficiency program on-track
- ④ Proposed ordinary dividend of SEK 4.30/share and extra dividend SEK 4.30/share in the wake of successful Bergvik divestment
- ④ Proposed that mandate is obtained for repurchase of shares
- ④ Operating profit* of SEK 126 million
- ④ Net profit of SEK 333 million, including dividend from Bergvik Skog AB of SEK 244 million

0%

NET SALES GROWTH Y/Y

11%

EBITDA MARGIN*

4%

ROCE*

1.9

NET DEBT/EBITDA*

* Adjusted for items affecting comparability

Market perspective and context

- ④ **Division Board:** Stable market for Liquid Packaging Board and Cartonboard
 - › Strong quarter for LPB with improving result and Cartonboard holding up well
 - › Containerboard volumes stable, but pressure on prices (supply/demand)

- ④ **Division Paper:** Continued weakening market / prices and volumes
 - › Negative trend for Brown Sack Paper continued but trend flattening out
 - › White Sack Paper volumes and prices deteriorated, but not to same extent as Brown Sack Paper
 - › Kraft Paper volumes stable but prices under pressure

- ④ **Division Solutions:** Stable but weaker market for Managed Packaging
 - › Managed Packaging repositioning of customer portfolio / trend that market is moving from China to Vietnam
 - › FibreForm growing both sales and earnings

Board proposes 8.6 SEK/share dividend and launching a share buy-back program

Dividend proposal

- ④ 4.30 SEK/share ordinary dividend
- ④ 4.30 SEK/share in extra dividend
- ④ One installment planned paid out during spring 2020

Share buy-back program

- ④ Proposal to launch BK share buy-back program
- ④ Up to 10% of all shares in the company
- ④ Subject to AGM 2020 approval

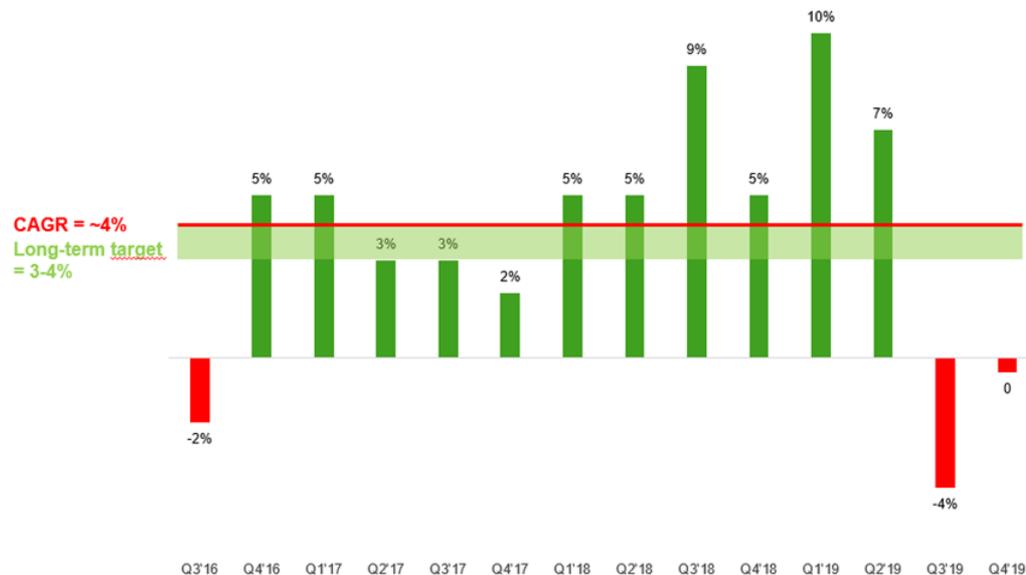
Key financial figures

SEK m	Q4 2019	Q4 2018	Change
Net sales	5 815	5 843	-
Adjusted EBITDA	618	810	-24%
Adjusted EBITDA margin	11%	14%	
Adjusted operating profit	127	443	-71%
Adjusted operating profit margin	1%	8%	
Net profit	333	309	+8%
Adjusted ROCE	4%	9%	

Neutral topline growth in fourth quarter¹

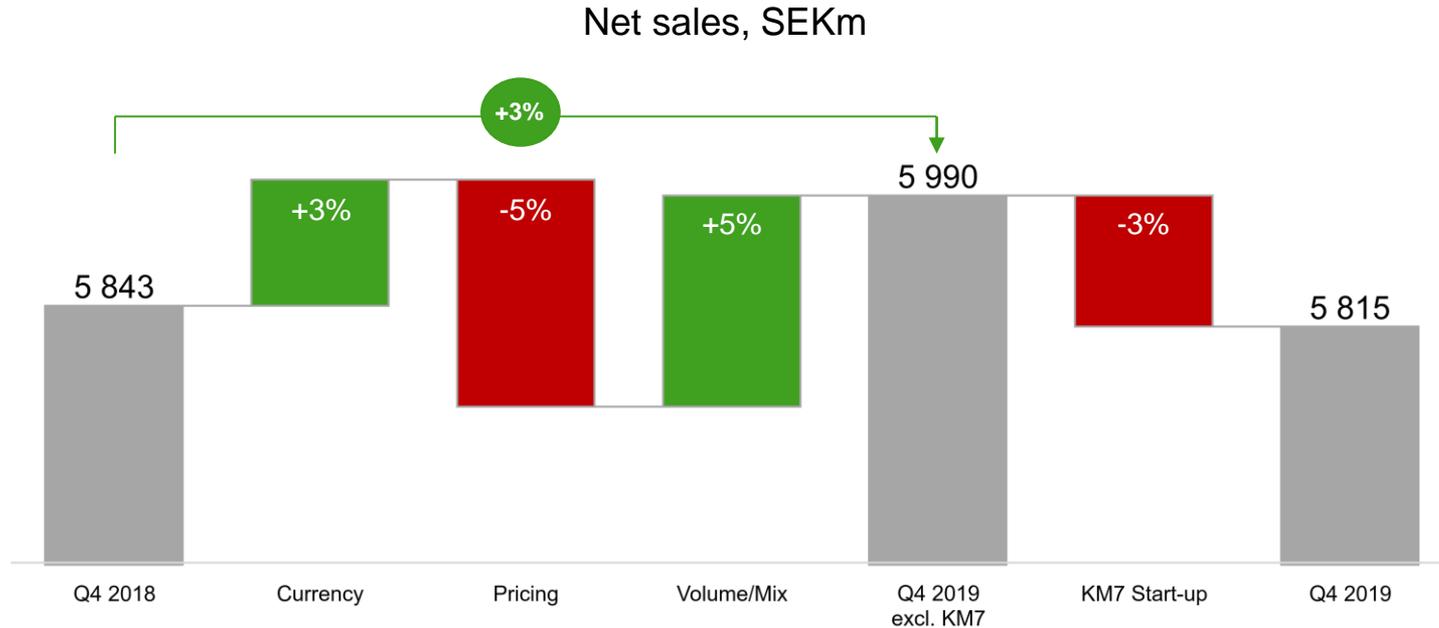
- ⌚ Market conditions continue to be challenging – especially in Division Paper
- ⌚ KM7 ramp-up impacting total with -3% pts of total net sales
- ⌚ Division Board in solid growth – despite impact of KM7 ramp-up

Quarterly net sales growth¹

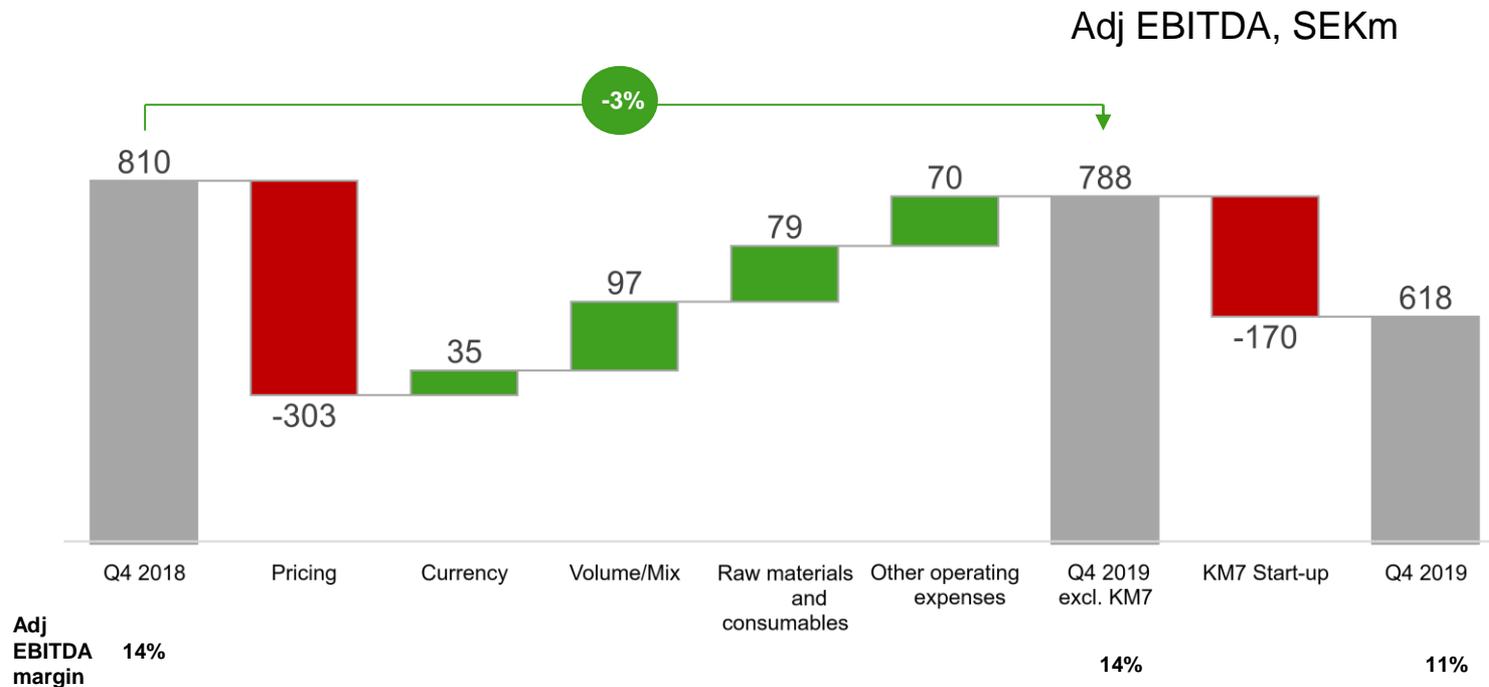


¹ Compared to corresponding quarter previous year

Underlying sales growth +3% (excl KM7) driven by Board. Volume/mix growth off-set by negative pricing



Adj EBITDA impacted by pricing and KM7 ramp-up, partly off-set by volume, cost savings and lower fibre costs



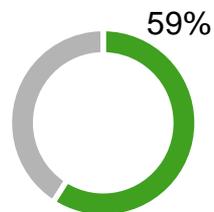
Cost and efficiency program on track

- ⌚ Positive impact already in Q4 – several program streams underway and progressing
- ⌚ Still on track to deliver SEK 250 m of cost savings and efficiencies in 2020
- ⌚ Expect a bit back-heavy delivery during 2020
- ⌚ Working through additional building-blocks to deliver SEK 600 m run-rate by Q4'21



Division Board

Share of net sales
Q4 2019



KEY FIGURES*

SEKm	Q4-19	Change vs Q4-18
Net sales	3 414	+7%
<i>of which liquid packaging board</i>	1 962	+16%
<i>of which cartonboard</i>	351	+15%
<i>of which fluting & liner</i>	878	-11%
Net operating expenses, other	-2 894	+14%
EBITDA	520	-17%
EBITDA margin	15%	-5% pts

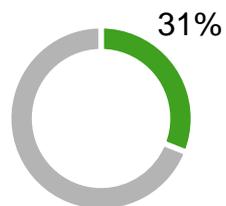
- ↻ Strong net sales growth across most segments
 - › Both LBP and cartonboard with solid growth
 - › Containerboard hit by market pricing challenges

- ↻ Flat underlying EBITDA
 - › EBITDA margin excl KM7 18%

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

Division Paper

Share of net sales
Q4 2019



KEY FIGURES*

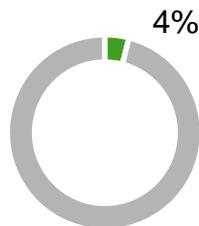
SEKm	Q4-19	Change vs Q4-18
Net sales	1 776	-13%
<i>of which sack paper</i>	537	-32%
<i>of which kraft paper</i>	859	+2%
Net operating expenses, other	-1 556	-8%
EBITDA	220	-38%
EBITDA, %	12%	-6% pts

- Ⓧ Another tough quarter for Paper, net sales -13%
 - Further decline in Sack paper sales driven by volume and pricing
- Ⓧ EBITDA impacted by significant pricing pressure and segment mix

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

Division Solutions

Share of net sales
Q4 2019



KEY FIGURES*

SEKm	Q4-19	Change vs Q4-18
Net sales	250	-3%
<i>of which Managed Packaging</i>	213	-8%
<i>of which other solutions</i>	37	+12%
Net operating expenses, other	-249	-5%
EBITDA	19	+35%
EBITDA, %	8%	+3% pts

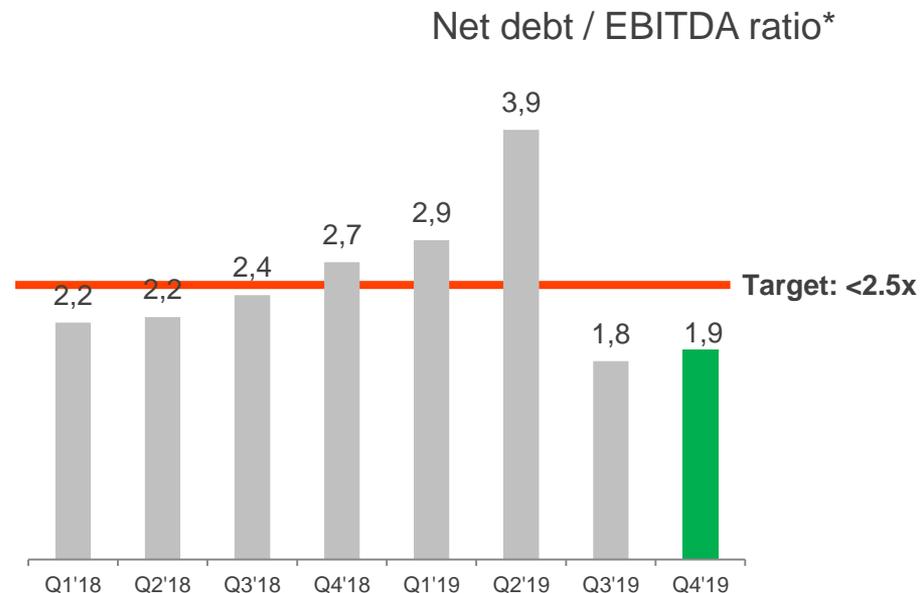
- ⌚ Net sales decline by 3%
 - > Managed packaging net sales decreased due to customer portfolio optimization
 - > Continued strong FibreForm® growth

- ⌚ Customer mix reduced topline, but helped to improve EBITDA

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

Strong balance sheet post Bergvik disposal and CAPEX program allows for additional shareholder remuneration

- ⓪ Net debt SEK 5.5 billion at 31 of Dec
- ⓪ Net debt EBITDA ratio 1.9 – well below target
- ⓪ Entering a new phase with lower CAPEX levels
- ⓪ Proposed* 1 780M SEK dividend in 2020 and initiating a share buy-back program
- ⓪ Clear ambition to stay <2.5 in net debt ratio – even with extra dividend / share buy-back plan



* Based on past 12 months EBITDA. Adjusted for items affecting comparability.

KM7 update



Total KM7 capex SEK 7 950 million



- ⌚ Most of components are now paid and assets activated
- ⌚ Out of SEK 7 950m, last adjustments to be paid out in 2020 (SEK 190 m)
- ⌚ The SEK 7 950m includes a deduction of ~SEK 200m, relating to withheld payments to a supplier in the project. The dispute will be tried in legal proceedings

SEKm	2019 Actuals	2020 Guidance
Base capex	1 231	1 300
KM7 capex	1 637	190
Total capex	2 868	1 490

- ⌚ ~ SEK 400m of depreciation expected for 2020
- ⌚ KM7 investment clear driver of current low group ROCE (4% 2019)

Q4'19 KM7 EBITDA impact of 170M SEK



- ⌚ Will take time before KM7 produces sufficient volume output and generates strong margins before starting point is overtaken
- ⌚ EBITDA impact for Q4'19 – 170M SEK - in line with expectations and significantly down vs Q3'19 impact
- ⌚ Significant stronger volume output in Q4'19 vs Q3'19
- ⌚ Total KM7 EBITDA 2019 impact of 640M SEK
- ⌚ 90.000 ktonnes produced in 2019 (liner & cupstock)

2020 EBITDA impact SEK 150-350 m



- ⌚ Uncertainty connected to the ramp-up and moving towards more sophisticated grades
- ⌚ Coating testing and certification initiated in 2020, but significant production output still centered around liner & cupstock
- ⌚ 150-350M SEK of EBITDA impact expected for 2020 – a clear improvement vs 2019

KM7 EBITDA impact

In M SEK

	2019	2020
vs 2018	-640	-150 / -350
vs 2019		+ 490 / + 290

- ⌚ Negative EBITDA impact 2020 mainly hitting 1H – 2/3 Board 1/3 Paper

First quarter outlook

- ④ Stable demand for liquid packaging board and cartonboard
- ④ Somewhat uncertain market conditions for containerboard, but expected to stabilize
- ④ For sack and kraft paper market conditions are expected to remain weak throughout the first quarter
- ④ The total cost of fibre expected to be reduced due to lower pulpwood prices

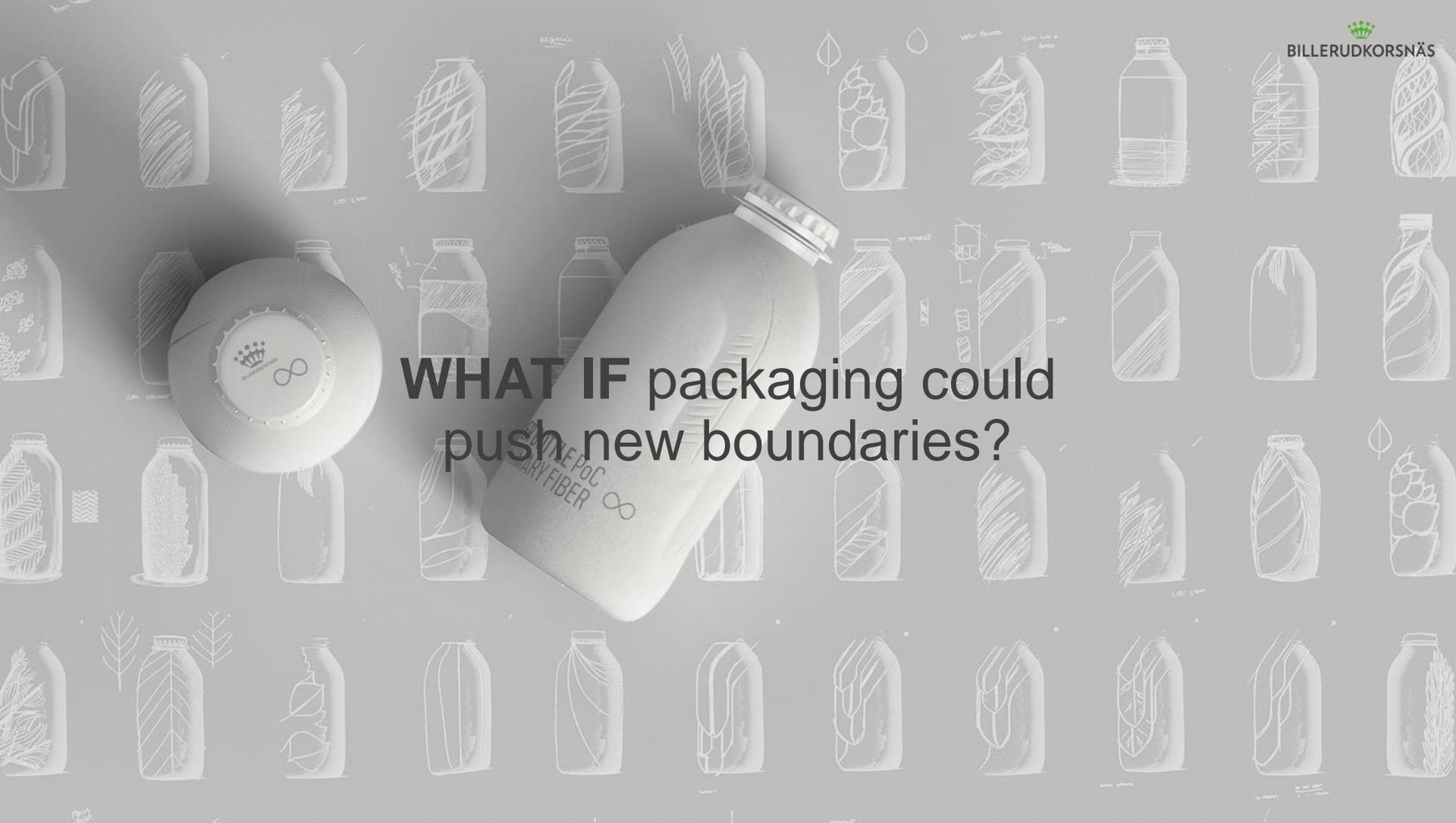


Summary

- ⦿ Divestment of Bergvik Skog Öst resulted in a strong net profit for the year
– proposal to increase dividend for 2019
- ⦿ Weaker market gave a challenging second half year / fourth quarter, especially for Division Paper whereas LPB and Cartonboard remained solid
- ⦿ KM7: Q4'19 start-up impact in line with expectations // 2020 guidance SEK 150-350M EBITDA impact
- ⦿ Cost reduction program on track
- ⦿ Q1-20: Market stabilizing / continued uncertainties for some grades (Division Paper)



WHAT IF packaging could
push new boundaries?





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