



BILLERUDKORSNÄS

# Handelsbanken Nordic Mid/Small Cap Seminar

3<sup>rd</sup> of June 2020 Ivar Vatne, CFO

# 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**

# First-class packaging material from the forest



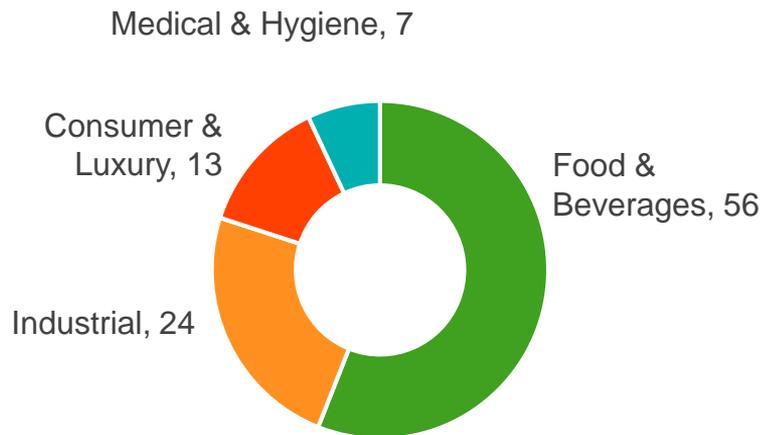
**~2.7 mt**

Sales volume

Light,  
strong and  
pure  
materials

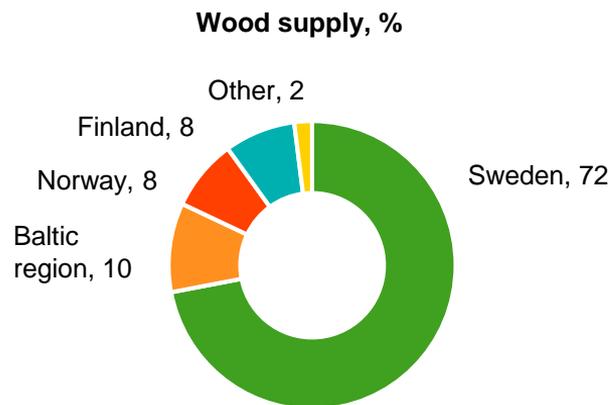
# Large part of sales to non-cyclical segments

Net sales 2019 by market segment, %



# Efficient production close to the raw material

- 8 production sites, whereof 6 integrated mills
- Total production capacity ~3.2 mt/year



# Leading positions in premium segments

## Liquid packaging board



# 2  
Globally

## Fluting and Liner



# 1  
Europe<sup>1</sup>

<sup>1</sup> Primary fiber-based NSSC fluting

## Cartonboard



# 1  
Europe<sup>2</sup>

<sup>2</sup> Coated primary fibre-based liner

## Kraft paper



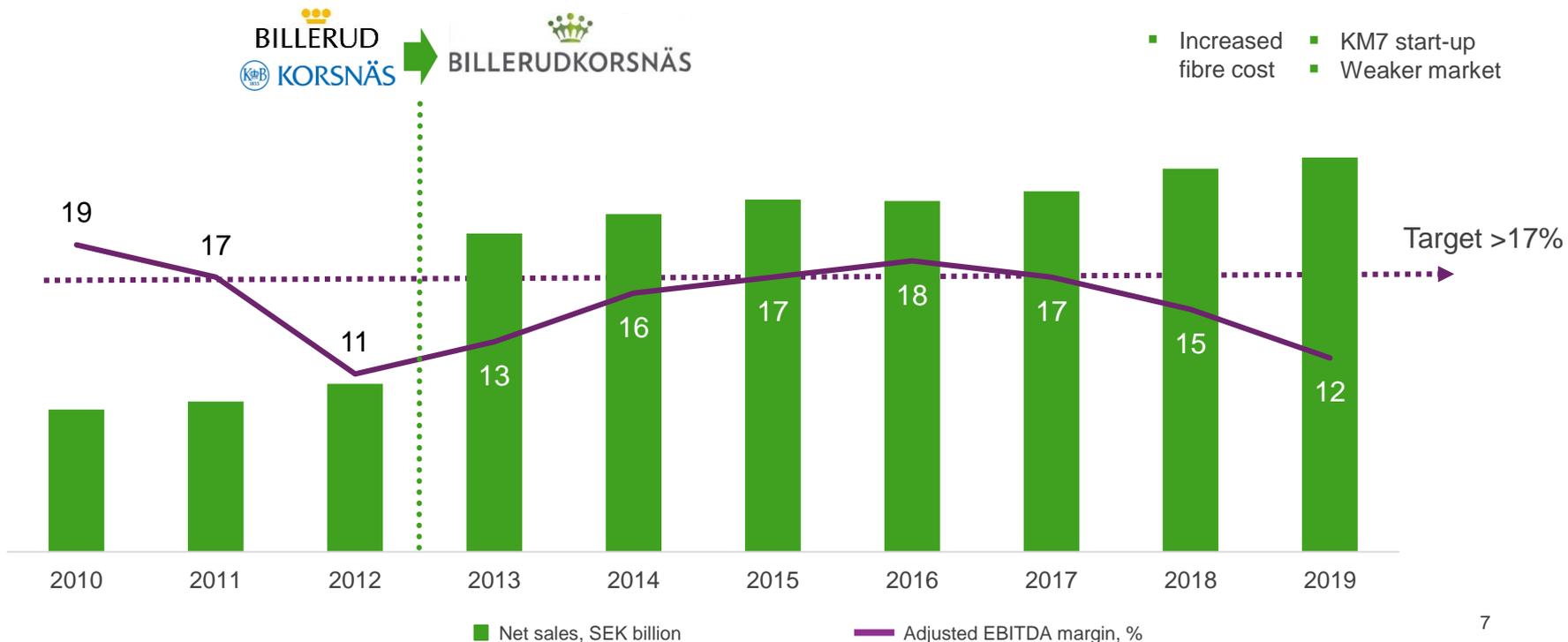
# 1  
Europe

## Sack paper



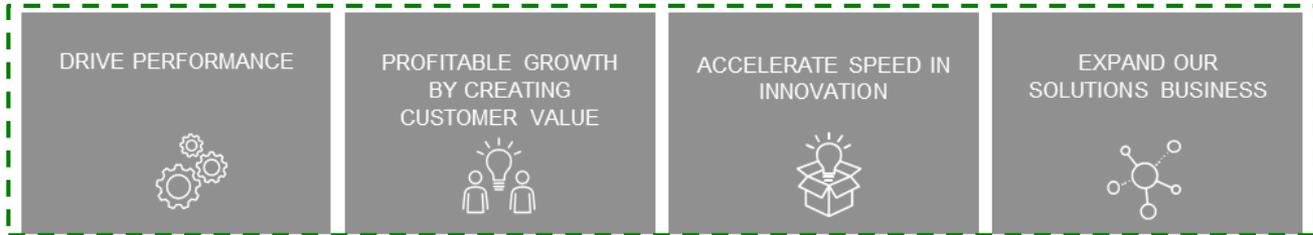
# 2  
Globally

# Last years underlying profitability not satisfactory



# Driving profitability is well anchored in our strategy for the coming years

WE CHALLENGE CONVENTIONAL  
PACKAGING FOR A SUSTAINABLE FUTURE



WINNING WITH OUR PEOPLE  
Think new – Feel responsibility – Cooperate – Create value

# Improving profitability through 3 programs



**KM7 ramp-up**



**Cost- and efficiency program**



**Safe and stable production**

# 1) Hiked profitability from our strategic investments

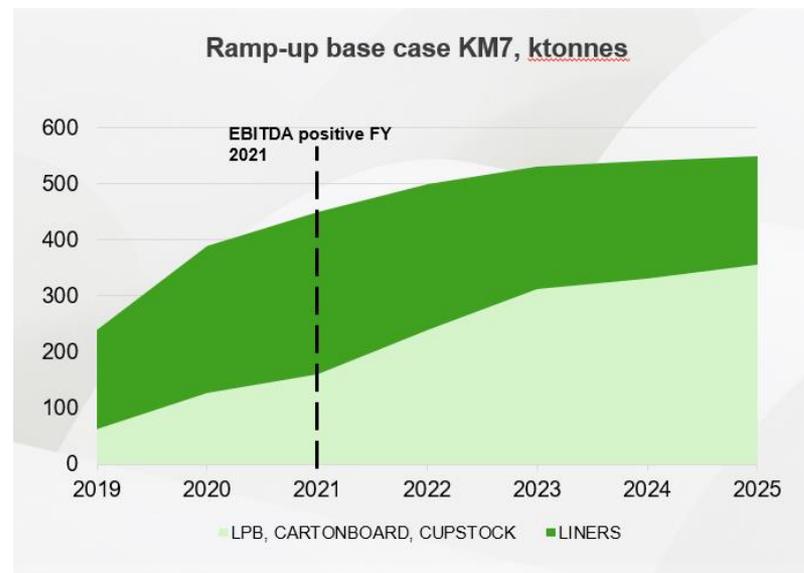
## 1 200 SEK m

positive EBITDA\* effect when fully ramped up

\*KM7 and PM10 accumulated

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

As communicated at CMD in 2018:



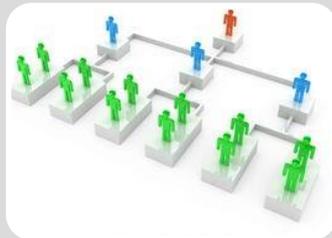
# Q1: Continued ramp-up of KM7



- ⊕ Start of production during the summer 2019
- ⊕ In first quarter 2020 the coater started and the process to certify material for liquid packaging board was initiated
- ⊕ Production and quality on decent levels and output centered around uncoated liner and cup stock
- ⊕ Estimated negative effect SEK 350-450 million\* in 2020
- ⊕ From 2021 positive impact\* on EBITDA

\* Compared with 2018 as base year

## 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 50m in Q1

### 3) Safe and stable production

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

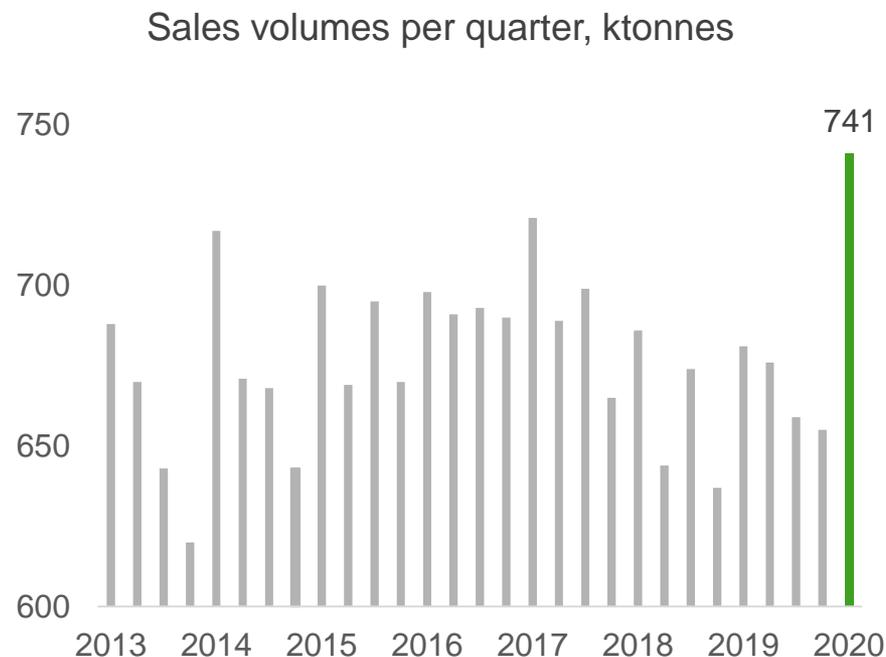
Overall Equipment Efficiency (OEE)



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

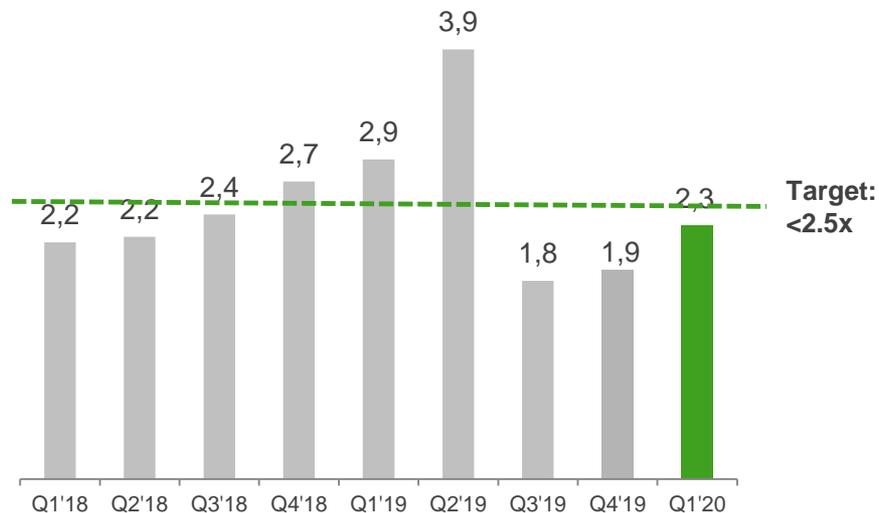
# Q1: All-time high sales volumes

- ⊕ Measures to improve production stability has started to pay off
- ⊕ Safety and production stability go hand in hand
- ⊕ Number of accidents at work decreased



# Solid balance sheet and lower CAPEX after a period of large investments

Net debt / EBITDA ratio\* below target



## 2018

- World-leading MG centre at Skärblacka

## 2019

- New board machine at Gruvön (KM7)

## 2020–2021

- Base investments around SEK 1.3 bn/year (final costs for KM7 included)

\* 12 months EBITDA adjusted for items affecting comparability

# Covid-19 effects

- ⦿ Proposal of extra dividend was withdrawn at AGM in May
- ⦿ No major disruptions and limited financial effects
- ⦿ Situation monitored on a daily basis, crisis management in six work streams
- ⦿ Additional cost savings measures initiated
- ⦿ Division Solution sales affected in Q1 and will weaken further
- ⦿ First half-year planned maintenance stops postponed
  - › Gruvön led to a negative effect of SEK 40 million in Q1
  - › KM7: An additional negative impact of SEK 100 million expected for the full year
  - › Rescheduled maintenance at Skärblacka, Gävle and Pietasaari will increase full year costs by SEK 35 million

# Our long-term targets remain

## 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%

# Q&A

