

BillerudKorsnäs Capital Markets Webcast 2018: “Unlocking the Potential”

“Unlocking the Potential” is the main theme of BillerudKorsnäs’ Capital Markets Webcast on 17 September 2018. During the webcast, BillerudKorsnäs will provide a strategy update including more insights into the Next Generation and Production Excellence programmes. The group’s long-term financial targets remain unchanged. In addition, new KPIs to measure the group’s progress over the next years will be presented.

BillerudKorsnäs estimates that global demand for sustainable packaging solutions will remain strong, with a growth rate in the packaging market of approximately 3% CAGR. Following a long period of large investments, driven principally by the new KM7 board machine, BillerudKorsnäs is ready to unlock its potential and strengthen its leading position.

Next Generation is close to completion and entails the construction of KM7 and renovations to the existing pulp mills. As well as adding new capacity, this will also contribute to more focused production facilities. The total investment for KM7 is expected to amount to SEK 7.6 billion, which is higher than the previous estimate due to increased costs for the civil and construction project as well as negative currency effects. The machine will be started in March-April 2019 and is expected to produce ~240 ktonnes in 2019 and 390 ktonnes in 2020. The group’s total capital expenditure is expected to amount to SEK 5.3 billion in 2018 and SEK 2.75 billion in 2019, and will level out at SEK 1.3 billion in 2020.

BillerudKorsnäs will continue to pursue its strategy for sustainable solutions and profitable growth, with focus on position, innovation, sustainability and effectiveness. To unlock its full potential over the next years, the group will follow an agenda of prioritised activities aimed at securing the successful ramp-up of KM7, safeguarding the wood supply, stabilising production, enhancing effectiveness, and accelerating innovation and solutions. BillerudKorsnäs has identified certain KPIs to monitor the progress of this work.

“Sustainable packaging has a bright future and BillerudKorsnäs is in a position to increase the pace of challenging the conventional with new solutions. I look forward to presenting our priorities for the next few years, with an agenda that reflects our strong potential”, says Petra Einarsson, BillerudKorsnäs President and CEO.

Unchanged long-term financial targets

BillerudKorsnäs will continue to pursue the following long-term financial targets:

- Organic growth of 3-4% per year
- The EBITDA margin should exceed 17%
- Return on capital employed should exceed 13%
- Interest-bearing net debt in relation to EBITDA should be below 2.5
- The dividend should amount to 50% of net profit

For the new divisions, average annual growth (CAGR 2017-2023) is expected to amount to 0-2% for Paper, 4-5% for Board, and 15-25% for Solutions.



KM7 financial impact

- Expected total impact on EBITDA from KM7 ramp-up:
 - o 2019 SEK -500 million
 - o 2020 SEK -200 million
 - o 2021 EBITDA positive

KPIs

BillerudKorsnäs has set the following KPIs to simplify measurement of the group's progress over the next years:

- An improvement of 4 percentage points in overall equipment efficiency (OEE) over the next 2 years, equivalent to an EBITDA improvement of SEK 100 million for each percentage point
- A reduction in lost time injury frequency rate (LTIFR) from 7.7 in 2017 to less than 1.5 in 2023
- An increase in new product ratio (NPR) from 7% in 2017 to 15% in 2023

Market outlook Q3

In the Capital Markets Webcast, BillerudKorsnäs will also provide an update on the market outlook for the third quarter of 2018:

- Demand and order situation are expected to continue to be strong, with normal seasonal variations for all business areas
- Possibilities of selected sales price increases remain
- Demand-driven wood cost increases are expected to continue
- The financial impact on Q3 2018 from the wood shortage is estimated to be SEK -40 million

Participation details

BillerudKorsnäs will present its view of the potential and targets for the next years during the Capital Markets Webcast on 17 September 2018 between 10.00-12.00 CEST. A link to the webcast is provided at <https://www.billerudkorsnas.com/CMD2018>. To participate by phone and in the Q&A session, please use the following dial-ins:

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