



# BILLERUDKORSNÄS

Interim report January–March 2020

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Record sales volumes and  
continued price pressure

Q1  
2020

24<sup>th</sup> of April 2020 | Lennart Holm, CEO, Ivar Vatne, CFO



WHAT IF paper packaging is the solution?

# Key highlights Q1

- ⌚ Stable production and solid demand
- ⌚ Record sales volume, up by 9% compared to last year
- ⌚ Limited financial effects of Covid-19 so far
- ⌚ Earnings heavily impacted by continued lower market prices
- ⌚ Ramp-up effects of KM7 of SEK 200 million
- ⌚ Start-up of KM7 coater and certification process initiated
- ⌚ Cost and efficiency programme delivering according to plan

**-2%**

NET SALES GROWTH Y/Y

**12%**

EBITDA MARGIN\*

**3%**

ROCE\*

**2.3**

NET DEBT/EBITDA\*

# Covid-19 effects so far

- ⦿ No major disruptions and limited financial effects
- ⦿ Situation monitored on a daily basis, crisis management in six work streams
- ⦿ Additional cost savings measures have been 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 is expected for the full year
  - › Rescheduled maintenance at Skärblacka, Gävle and Pietasaari will increase full year costs by SEK 35 million
- ⦿ The Board of Directors has withdrawn the proposal for extra dividend

# Market perspective and context

## ⌚ **Solid demand in Q1**

- › Strong market conditions for liquid packaging board
- › Stable market conditions for cartonboard and containerboard
- › Market for sack and kraft paper stabilized at low price levels

## ⌚ **Expectations for Q2**

- › High uncertainty of Covid-19 impact
- › Stable market conditions expected for products in Food & Beverages and Medical & Hygiene
- › Market conditions for Consumer & Luxury Goods could become more challenging
- › Weaker market conditions expected for the Industrial segment
- › Logistical challenges quite likely

# Ramping up KM7 production



- ⦿ Coater start-up and certification of LPB initiated
- ⦿ Solid volume output centered around uncoated liner, challenges around quality gradually overcome
- ⦿ Continued uncertainty connected to the ramp-up and product mix
- ⦿ Negative EBITDA impact for Q1 SEK 200 million
- ⦿ Expected negative EBITDA impact for 2020 SEK 350-450 m

## KM7 EBITDA impact

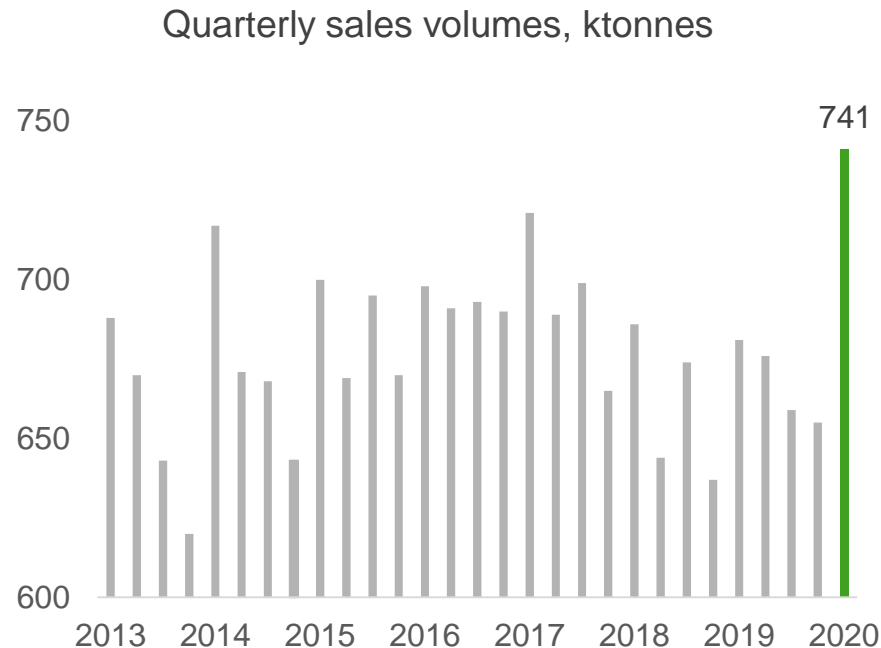
In M SEK

	2019	2020
vs 2018	-640	-350 / -450
vs 2019		+ 190 / + 290

- ⦿ From 2021 positive impact on EBITDA (versus 2018 base year)

# Safe and stable production

- ⦿ Excellent production and record volumes
- ⦿ Actions to increase production stability starting to show result
- ⦿ Declining LTIFR trend over the past ten months
- ⦿ LTIFR for last twelve months decreased by 40%



# Cost and efficiency program on track

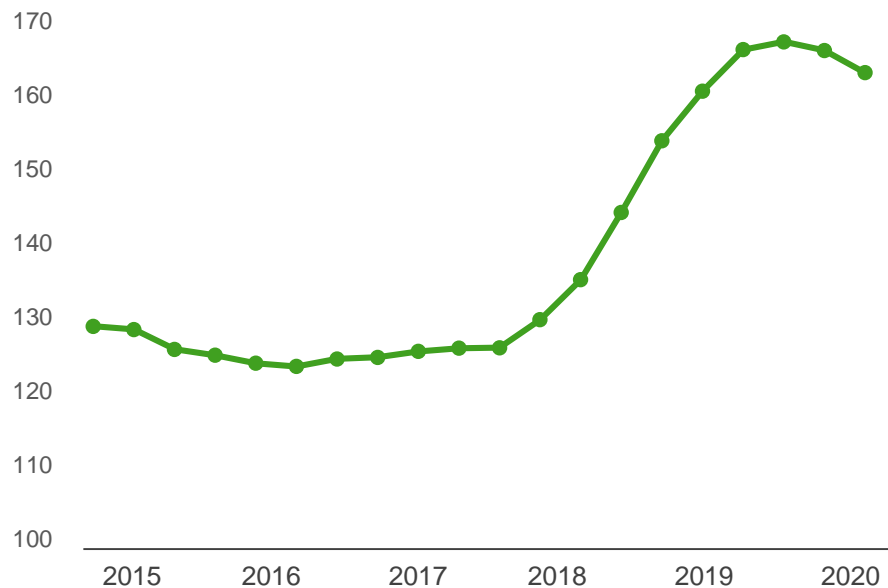
- ⌚ Positive impact in Q1'20 of SEK 50 million
- ⌚ On track to deliver SEK 250 m of cost savings and efficiencies in 2020
- ⌚ Expect a bit back-heavy delivery during 2020
- ⌚ Work in progress to identify additional building-blocks to deliver SEK 600 million run-rate by Q4'21



# Raw material costs

- ⌚ Cost of pulpwood decreased in Q1
  - › Expected to remain flat in Q2 but uncertain (Covid-19)
- ⌚ Caustic soda price decreased in Q1
  - › Forward looking trend for chemicals uncertain (Covid-19)
- ⌚ Pulp pricing impact (purchased) significantly decreased in Q1
- ⌚ Only marginally lower energy impact in Q1 due to hedging

Wood Cost Index (WCI\*), rolling 12 months



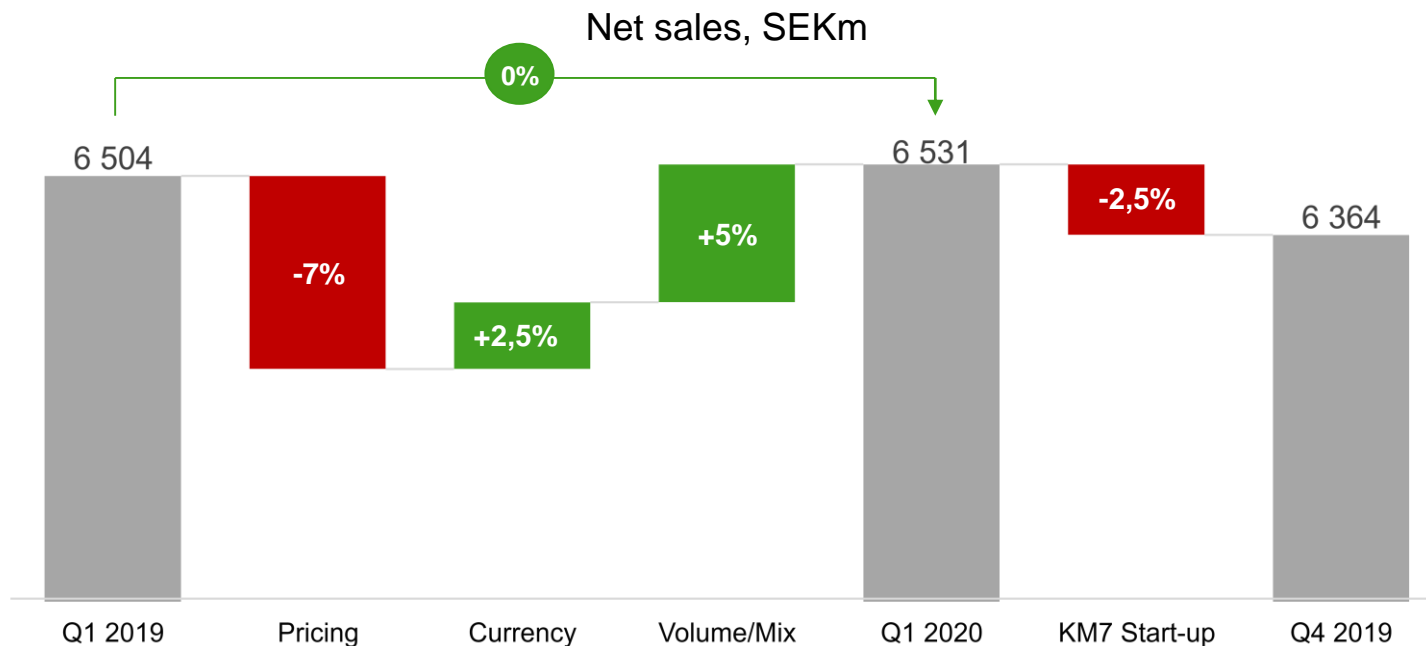


# Key financial figures

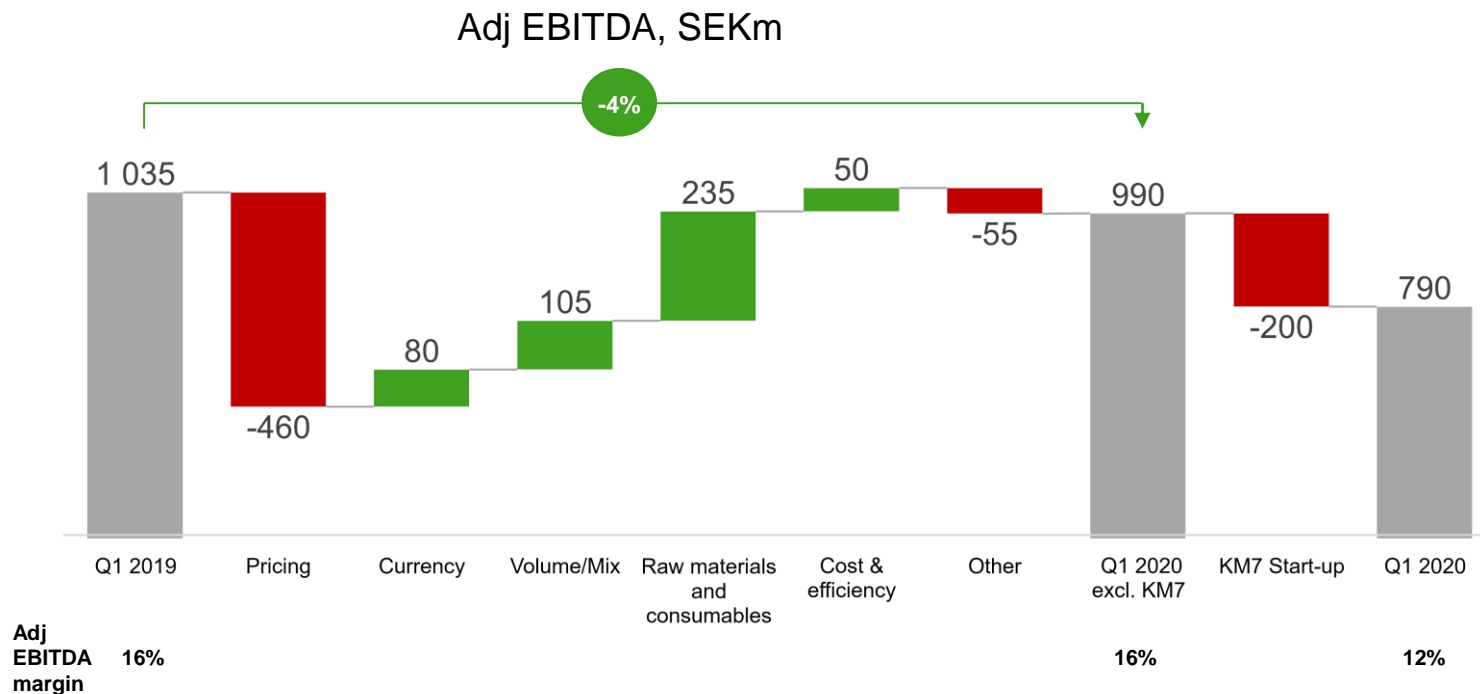
<b>SEK m</b>	<b>Q1 2020</b>	<b>Q1 2019</b>	<b>Change vs Q1-19</b>	<b>Q4 2019</b>	<b>Change vs Q4-19</b>
Net sales	6 364	6 504	-2%	5 815	9%
Adjusted EBITDA	791	1 035	-24%	618	28%
Adjusted EBITDA margin	12%	16%		11%	
Adjusted operating profit	305	653	-53%	127	172%
Adjusted operating profit margin	5%	10%		2%	
Net profit	164	451	-64%	333	-51%
Adjusted ROCE	3%	9%		4%	

Adjusted for items affecting comparability

# Volume/mix growth and benefit from currency rates offset by lower market prices

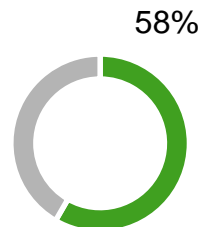


# Adjusted EBITDA impacted by pricing and KM7 ramp-up, partly offset by lower fibre costs, volume and cost savings



# Division Board

Share of net sales  
Q1 2020



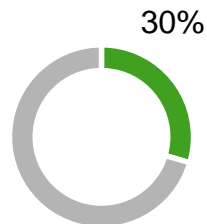
## KEY FIGURES\*

SEKm	Q1-20	Change vs Q1-19
Net sales	3 712	+5%
<i>of which liquid packaging board</i>	2 060	+4%
<i>of which cartonboard</i>	399	+15%
<i>of which fluting &amp; liner</i>	1 017	+7%
Net operating expenses, other	-3 134	+10%
EBITDA	578	-15%
EBITDA margin	16%	-3% pts

- Ⓧ Net sales growth across all segments
  - › Higher volumes due to stable production and KM7 ramp-up
- Ⓧ EBITDA impacted by KM7 ramp up effects and market pricing
  - › EBITDA margin excl. KM7 21%

# Division Paper

Share of net sales  
Q1 2020



## KEY FIGURES\*

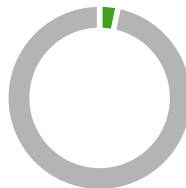
SEKm	Q1-20	Change vs Q1-19
Net sales	1 880	-18%
<i>of which sack paper</i>	633	-32%
<i>of which kraft paper</i>	878	-6%
Net operating expenses, other	-1 617	-12%
EBITDA	263	-43%
EBITDA, %	14%	-6% pts

- Ⓢ Another quarter with negative sales growth
  - Significantly lower pricing than last year
  
- Ⓢ EBITDA impacted by lower prices and negative mix
  - Partly offset by lower raw material cost and good cost control

# Division Solutions

Share of net sales  
Q1 2020

3%



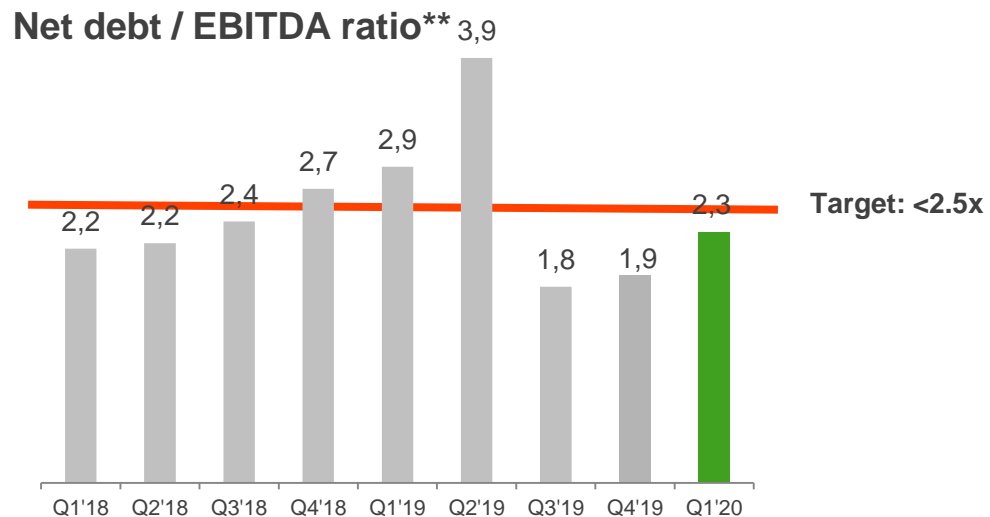
## KEY FIGURES\*

SEKm	Q1-20	Change vs Q1-19
Net sales	205	0%
<i>of which Managed Packaging</i>	147	-16%
<i>of which other solutions</i>	58	+81%
Net operating expenses, other	-195	+1%
EBITDA	10	-23%
EBITDA, %	5%	-1% pts

- Ⓢ Net sales decline by 3%
  - Lock down in China affected sales for Managed Packaging
  - Compensated by strong FibreForm® growth
  
- Ⓢ EBITDA improved by changed customer mix

# Strong balance sheet and entering a phase with lower CAPEX levels

- ⌚ Net debt SEK 5 951 billion at 31 March
- ⌚ Net debt EBITDA ratio 2.3 – below target
- ⌚ Limited debt maturity over the coming 2 years
- ⌚ CAPEX for 2020 guidance lowered by SEK 200 M to SEK 1.3 bn
- ⌚ Proposed\* dividend SEK 889 million to be paid out in May



\* Board recommendation – subject to AGM approval

\*\* Based on past 12 months EBITDA adjusted for items affecting comparability

# Summary

- ⦿ Sales volume growth and production excellence
- ⦿ EBITDA impacted by continued lower prices and KM7 ramp-up impact
- ⦿ Limited financial effects of Covid-19 so far, but increased uncertainty
- ⦿ Strong financial position and precautionary measures taken





# Q2 Outlook

- ⌚ Stable market conditions expected for products in Food & Beverages and Medical & Hygiene
- ⌚ Market conditions for Consumer & Luxury Goods could become more challenging
- ⌚ Weaker market conditions expected for the Industrial segment
- ⌚ Fibre costs expected to remain flat from Q1
- ⌚ Logistical challenges expected
- ⌚ Remaining KM7 start-up effects in 2020 estimated to SEK 150-250 million
- ⌚ IAS41 revaluation exercise of biological assets to be undertaken in Q2





**WHAT IF** packaging could  
push new boundaries?

