



## Interim report January-March 2023

**Challenging quarter with soft demand and  
all-time-high input costs**

26<sup>th</sup> of April 2023

Christoph Michalski, CEO & Ivar Vatne, CFO



# Update on the blastomycosis outbreak at the Escanaba mill

- **On April 14th, Billerud has announced the temporary idling of the Escanaba Mill as a precautionary measure to protect the health and safety of its employees and contractors due to a blastomycosis fungal infection outbreak**
- We work closely with public health officials in their ongoing investigation into the source of these infections, which is currently not known
- This is an exceedingly rare infection, and as we navigate this situation, we are following the recommendations of various experts, including the National Institute for Occupational Safety & Health, the Centers for Disease Control and Prevention and a wide range of state and local Health and Occupational Health agencies
- We are following government recommendation and are taking a number of proactive steps including additional deep cleaning which requires larger portions of the mill to be vacant
- The financial impact (EBITDA) from idling the mill is estimated to be in the range of 100 to 150m SEK

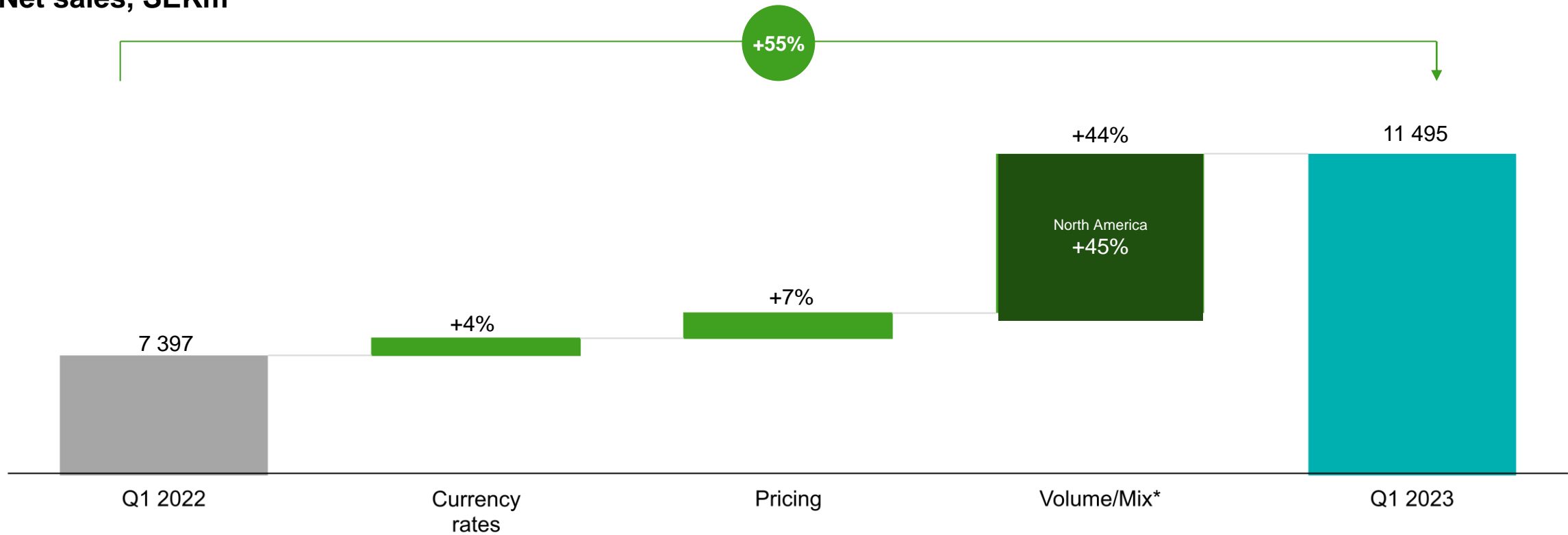
# Performance and key highlights Q1 2023

- Continued strong net sales growth
  - +55% Reported
  - +6% Organic/FX neutral
- Market-related production downtime in several mills
- All-time high input costs
- Price pressure in some categories

SEKm	Q1-23	Change vs Q1 2022
Net sales	11,495	+55%
Adjusted EBITDA	1,484	-11%
<i>% of net sales</i>	13%	-9 pp
Operating profit – EBIT	806	-32%
<i>% of net sales</i>	7%	-9 pp
Operating cash flow before capex	-339	-145%
EPS	2.57	-40%

# Organic net sales growth helped by pricing carry over positions

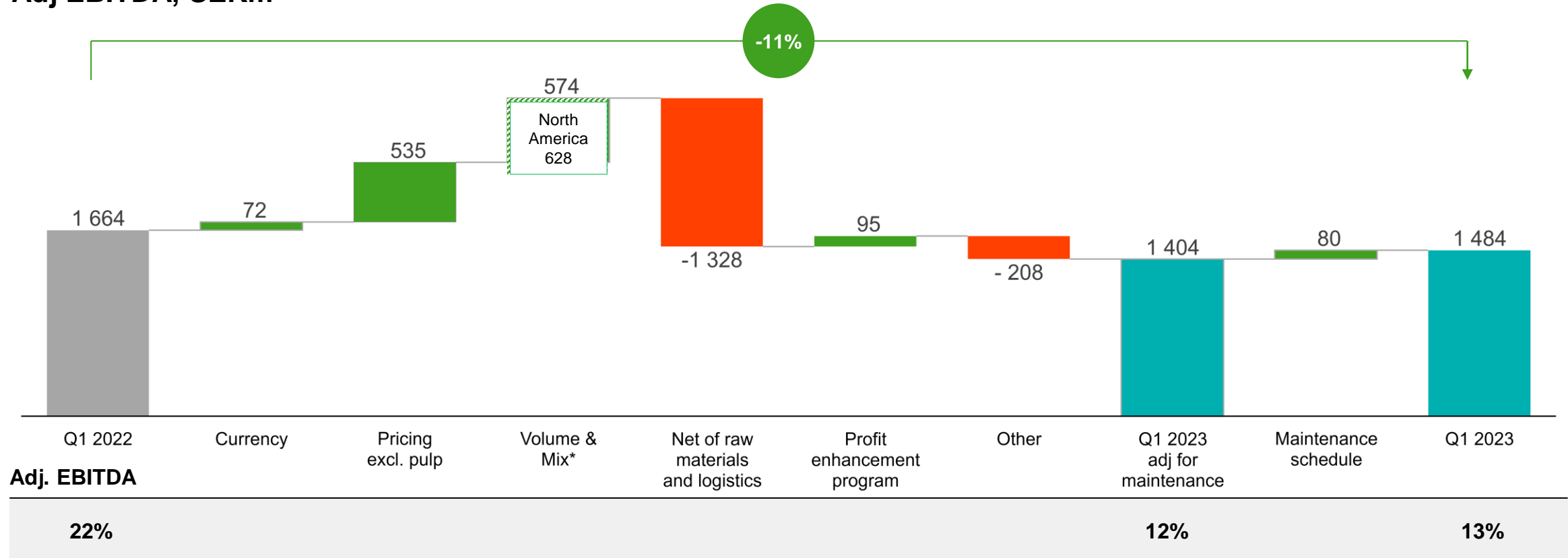
Net sales, SEKm



\*Consolidation of Verso

# Cost inflation rallies past pricing/mix help in Europe US holding up well despite heavy production curtailment

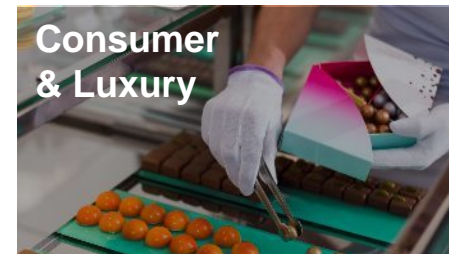
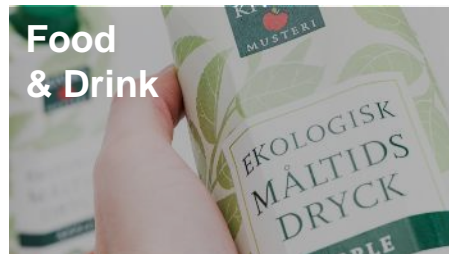
## Adj EBITDA, SEKm



\*Consolidation of Verso

# Challenging market conditions during the quarter

## Outlook into Q2 likely more challenging with exception being LPB



Sales split, %<sup>1</sup>

	Food & Drink	Printing & Publishing Papers	Consumer & Luxury	Industrial
LPB (8.6bn)	<b>100%</b>			
Cartonboard (3.5bn)	<b>25%</b>		<b>75%</b>	
Containerboard (5.5bn)	<b>80%</b>		<b>10%</b>	<b>10%</b>
Kraft & Speciality Paper (5.2bn) <sup>2</sup>	<b>50%</b>		<b>30%</b>	<b>10%</b>
Sack Paper (3.9bn)	<b>15%</b>			<b>85%</b>
Graphical Paper (8.6bn)		<b>100%</b>		
<b>Share of Group Net Sales<sup>3</sup></b>	<b>~40%</b>	<b>~20%</b>	<b>~10%</b>	<b>~10%</b>
Billerud Market status Q1'23	Stable / Challenging	Challenging	Challenging	Challenging
Billerud Market trend outlook	Stable / Challenging	Challenging	Challenging	Challenging

<sup>1)</sup> 2022 Net Sales in bn SEK. <sup>2)</sup> Excluding medical paper. <sup>3)</sup> Total Group Net Sales include Currency hedging and Solutions & Other, not allocated to end-use segments

# All-time high input costs in Europe US overall stable



**Stable  
cost for  
fibre**



**Slightly higher  
cost for  
chemicals**



**Lower  
energy  
cost**



**Stable  
logistics  
cost**



**Higher  
cost for  
fibre**



**Slightly higher  
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European wood market continues to be impacted by Russian import stop and high energy prices

Price decreases on caustic soda off-set by other chemicals

2/3 of electricity consumption hedged for 2023

Product area

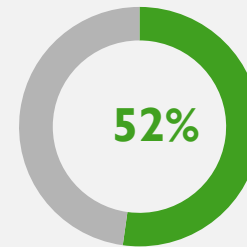
# Paper





Product area  
**Paper**

- Net Sales almost tripled – mainly result of inclusion of our North American business
- Organic and FX neutral net sales growth +13% vs previous year
- Volume soft due to customer destocking and expectations of weaker market conditions
- 78K tons of production curtailment
- Profitability still holding up well in both regions
- Outlook for Q2 challenging



Share of net sales  
**Q1 2023**

SEKm	Q1-23	Q1-22	Change
Net sales	6,002	2,219	170%
<i>of which graphic paper</i>	2,337	–	–
<i>of which kraft and speciality paper</i>	1,545	877	76%
<i>of which sack paper</i>	856	827	4%
<i>of which pulp</i>	1,254	504	149%
Net operating expenses	-4,747	-1,517	213%
EBITDA	1,255	702	79%
EBITDA margin	21%	32%	-11 pp

Product area

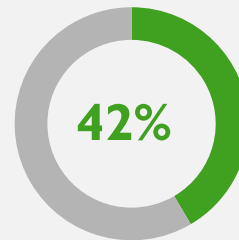
# Board



Product area

# Board

- Sales growth +9% vs previous year
- FX neutral sales growth +5% vs previous year, mainly due to pricing carry over positions
- Sales growth for all categories
- Volume soft due to customer destocking and expectations of weaker market conditions
- 39K tons of production curtailment
- Profitability challenged with all-time-high input cost in Europe



Share of net sales  
**Q1 2023**

SEKm	Q1-23	Q1-22	Change
Net sales	4,775	4,375	9%
<i>of which liquid packaging board</i>	2,479	2,218	12%
<i>of which containerboard</i>	1,424	1,296	10%
<i>of which cartonboard</i>	812	775	5%
Net operating expenses	-4,354	-3,328	31%
EBITDA	421	1,047	-60%
EBITDA margin	9%	24%	-15 pp

# Weak cash flow quarter driven by working capital increase

## Balance sheet remaining strong.

- Negative cash flow conversion due to lower operating liabilities and one-off tax payment
- Inventory above target level – being worked
- Continued solid balance sheet  
Net Debt / Adj EBITDA remaining well below target
- Proposed dividend of SEK 1,863 m to AGM

### Reduced CAPEX guidance for 2023:

- ~ SEK 2.9 bn
  - Base CAPEX SEK 2.0 bn (1.5 Europe // 0.5 NA)
  - Frövi recovery boiler SEK 0.9 bn

SEK m	Q1-23	Q1-22
Profit before tax	726	1,145
Adjustments for non-cash items	548	372
Taxes paid	-281	-29
Cash flow from changes in working capital	-1,332	-734
<b>Cash flow from operating activities</b>	<b>-339</b>	<b>754</b>
Investments in tangible and intangible assets	-768	-556
<b>Operating cash flow after investments in tangible and intangible assets</b>	<b>-1,107</b>	<b>198</b>
SEK m	Q1-23	Q1-22
Net debt	5,757	10,770
<b>Net debt / adjusted EBITDA</b>	<b>0.7</b>	<b>2.4</b>
<b>Adj ROCE %</b>	<b>16%</b>	<b>11%</b>

# 3-years profit and efficiency enhancement program on track to meet 2023 target

- ✔ Program fully mobilized for 2023
- ✔ Multiple initiative owners and engagement across full European org
- ✔ 95M SEK EBITDA impact delivered in Q1
- ✔ On track to meet expected 400M SEK EBITDA impact in 2023
- ✔ In parallel, also maturing initiative pipeline for 2024-2025

## Highlighted initiatives with impact in Q1

- ☆ Pricing: Target price point outliers in Paperboard and S&K to optimize portfolio pricing
- ☆ Procurement: Expand supplier base to secure competitive pricing and manage supply chain risk
- ☆ Operations: Create focus teams to solve targeted downtime causes across mills using error code data
- ☆ Mix: Improve product allocation to optimize board machine output (LPB, Carton- & Containerboard)



# Priorities for the rest of 2023

## Relentless focus on items that we can control

- ✔ Deliver and accelerate our efficiency enhancement programme
- ✔ Selective curtailments in combination with a focus on price and mix management
- ✔ Cash flow conversion with tight control on working capital
- ✔ Tough choices on cost and investments may result in postponed activities

### Strategic projects and programs well on track

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- Frövi recovery boiler (expected start-up Q3 2023)
- Norway BCTMP feasibility ready Q3 2023
- US conversion pre-feasibility ready in later in 2023 defining overall capex needs and timing





## Outlook for Q2 2023

- ✓ Continued weak market conditions due to customers' destocking and softer demand
- ✓ Lower volumes on the back of production curtailments
- ✓ Cost inflation expected to ease
- ✓ Intensified price pressure for most categories