



BILLERUDKORSNÄS

**Carnegie Nordic Forest seminar  
16<sup>th</sup> of September 2022**

CFO Ivar Vatne



BILLERUDKORSNÄS

# This is “new” BillerudKorsnäs (name will change to Billerud in October)

Sales volumes  
2021

**4.0**  
million tonnes

**World leading**  
in superior paper and  
packaging materials  
made from primary  
fibre



**10**

Production units

Frövi  
Rockhammar  
Gruvön  
Gävle  
Karlsborg  
Pietarsaari  
Skärblacka  
Escanaba  
Quinnesec  
Wisconsin rapids

**Passionately committed**  
to sustainability, quality  
and customer value

**Safety** is our highest  
priority

Net sales\*  
2021

**37.2**  
SEK billion



**5 800**

Employees

Member of

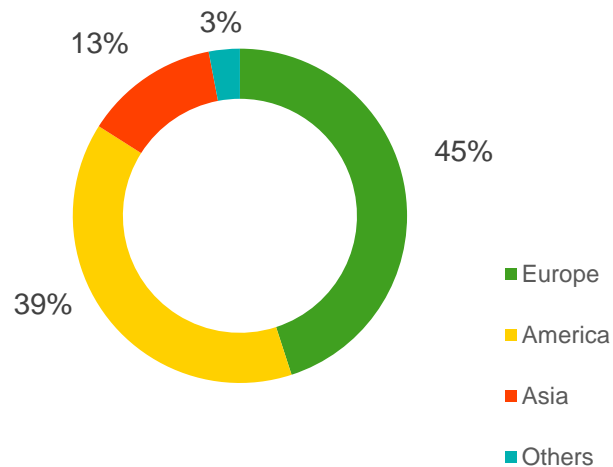
**Dow Jones  
Sustainability Indices**

Powered by the S&P Global CSA

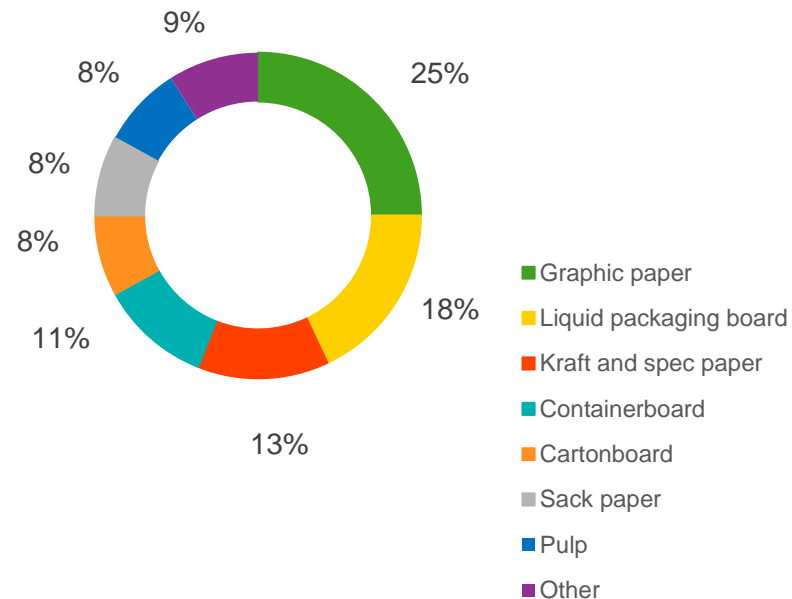
\*Reported net sales for 2021.  
Calculation based on USD/SEK 8.58

# Well diversified geographic and category portfolio post the acquisition of Verso

Q2'22 Net sales by region



Q2'22 Net sales by product segment



# High quality virgin fibre based materials. Most of our products are used for essential product applications



Fluting



Liner



3D Paper



Cartonboard



Kraft Paper  
(Specialty)



Graphical paper



Sack paper



Liquid Packaging  
Board



Kraftpaper  
(Bags)



Kraft paper  
(Medical)

# Three additional mills in Midwestern US post the acquisition

## Primary production structure of vertically integrated mills



**Gruvön**  
870 kt/year  
Approx. 790  
employees



**Karlsborg**  
335 kt/year  
Approx. 380  
employees



**Escanaba**  
700 kt/year  
Approx. 830  
employees



**Frövi/  
Rockhammar**  
500 kt/year  
Approx. 540  
employees



**Pietarsaari**  
200 kt/year  
Approx. 120  
employees



**Quinnesec**  
400 kt/year paper  
Approx. 420  
employees



**Gävle**  
755 kt/year  
Approx. 710  
employees



**Skärblacka**  
460 kt/year  
Approx. 630  
employees



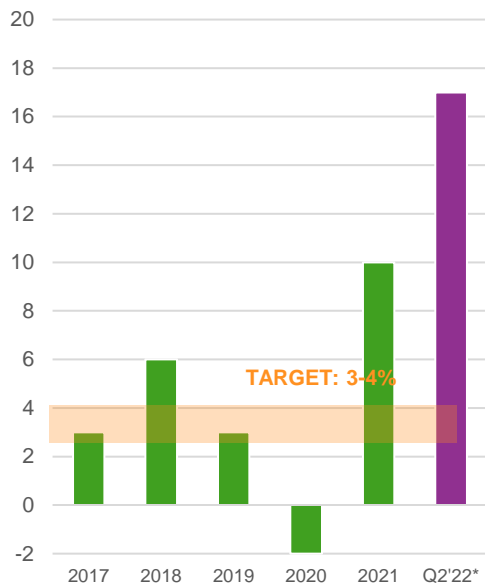
**Wisconsin  
Rapids**  
(Sheets  
converting  
facility)

# Step changed financial performance past years

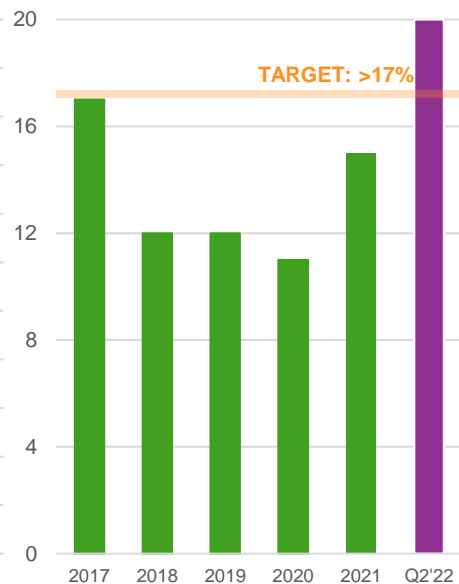
## After a challenging period, we are delivering strongly vs targets

**NET SALES**

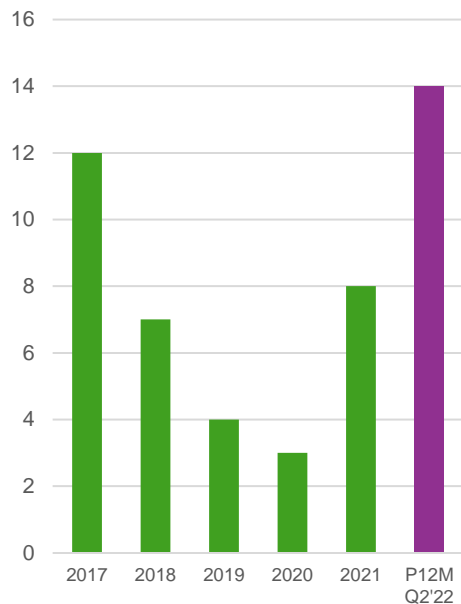
Net sales growth, %


**EBITDA MARGIN**

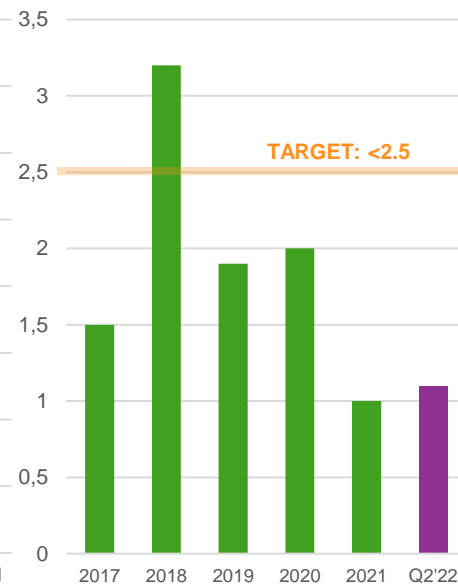
EBITDA margin, %


**ROCE**

ROCE, %


**NET DEBT LEVERAGE**

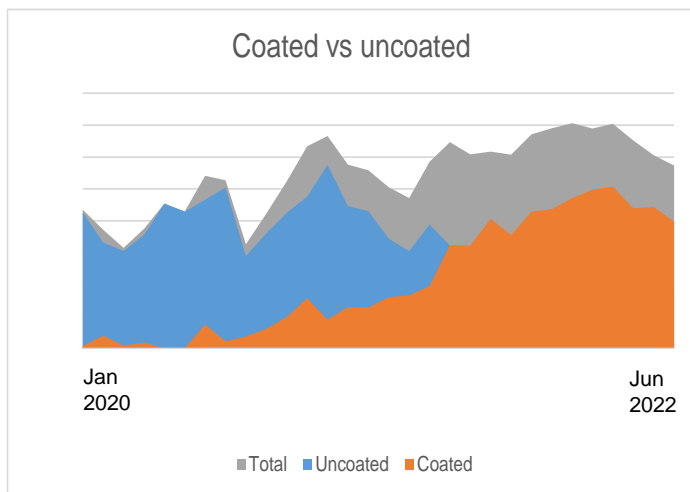
Net debt/ EBITDA



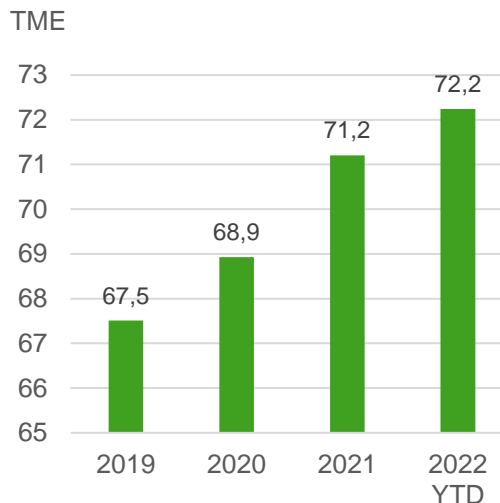
\*Net sales growth excluding currency effect, the acquisition of Verso and the divestment of Beetham

# Excellent delivery of 3 company priorities we mobilized around in 2019

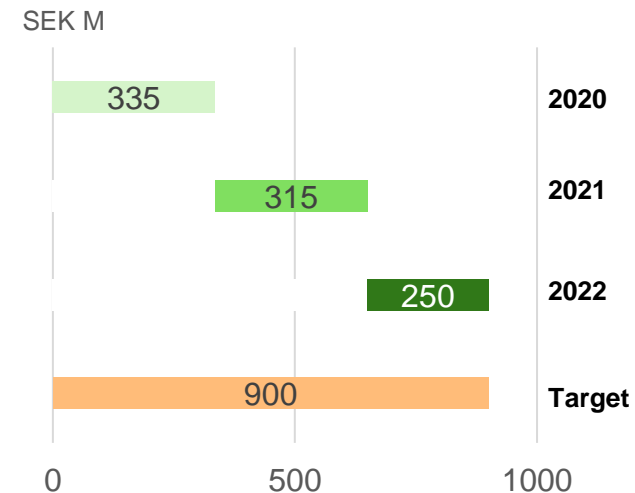
## 1. KM7 ramp-up / mix



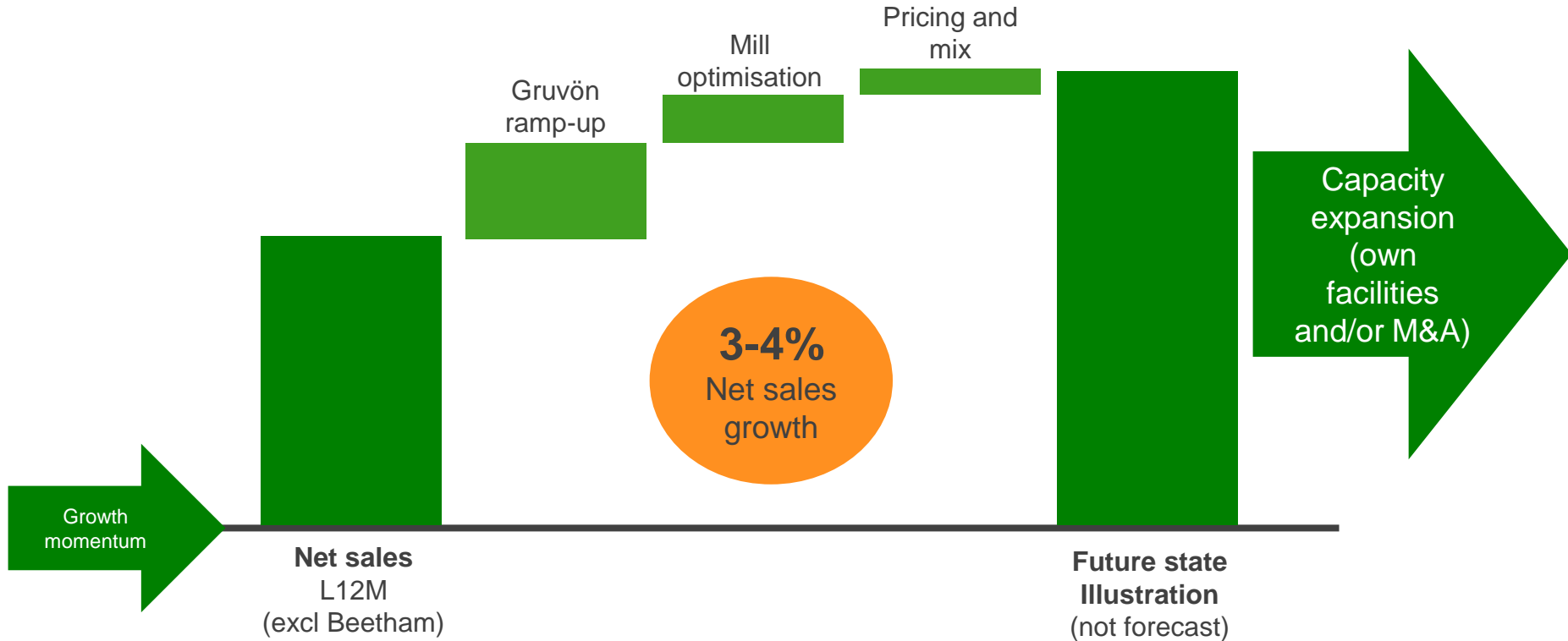
## 2: Stable production



## 3. Cost and efficiency



# Room to meet our net sales target range for coming four years Thereafter, new capacity needed to continue growth momentum





# Strategy for sustainable growth presented in November 2021

## WE CHALLENGE CONVENTIONAL PACKAGING FOR A SUSTAINABLE FUTURE

**SAFETY FIRST: ZERO LOST TIME INJURIES**

**DELIVER SUSTAINABLE PROFITABLE GROWTH IN PACKAGING MATERIALS (2020-2030)**

### COMMERCIAL

- With Europe as powerhouse ignite growth for **Paperboard** in North America
- Accelerate growth with select opportunities for **LPB**
- Improve the mix through profitable applications in **sack and kraft paper**
- Step up impact led **innovation**

### OPERATIONS

- Improve efficiency to best in class
- Realize the potential across the three board mills
- Explore possibilities to boost capacity

### WOOD SUPPLY

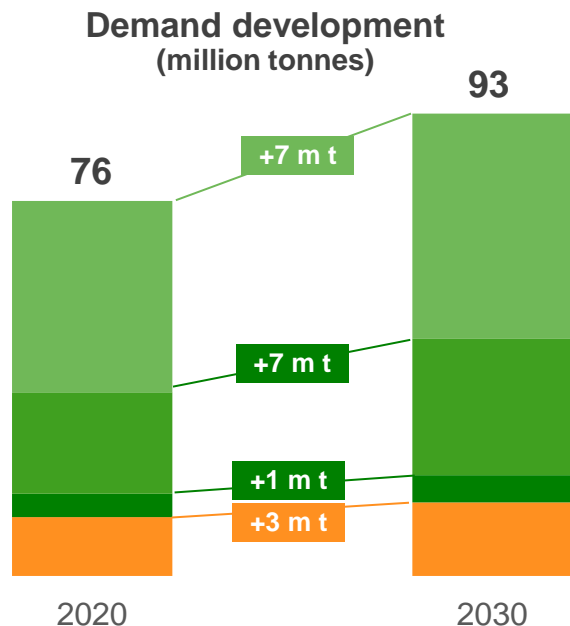
- Optimise fibre consumption
- Build long-term partnerships
- Secure competitive fibre availability
- Develop lean, green and flexible wood supply chain

**SHAPE A SUSTAINABLE FUTURE**

**WIN WITH OUR PEOPLE**

**ONE BILLERUDKORSNÄS**

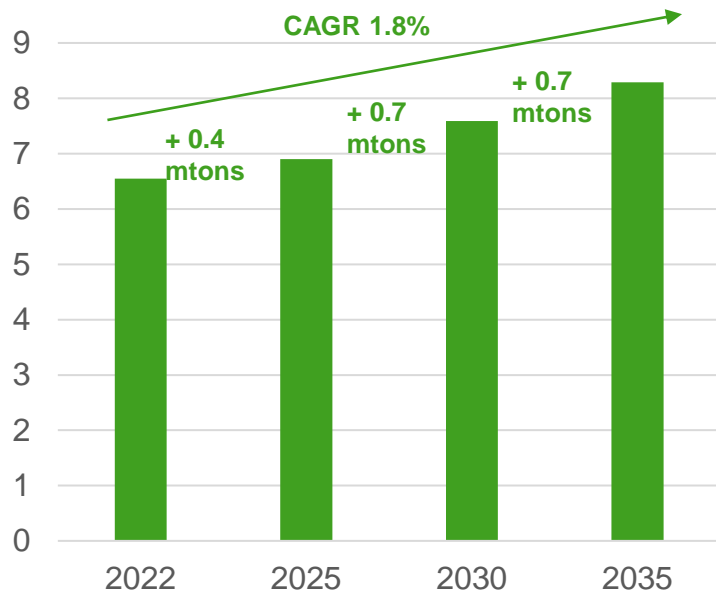
# We will prioritise board over paper in view of our market position, growth opportunities and competitive dynamics



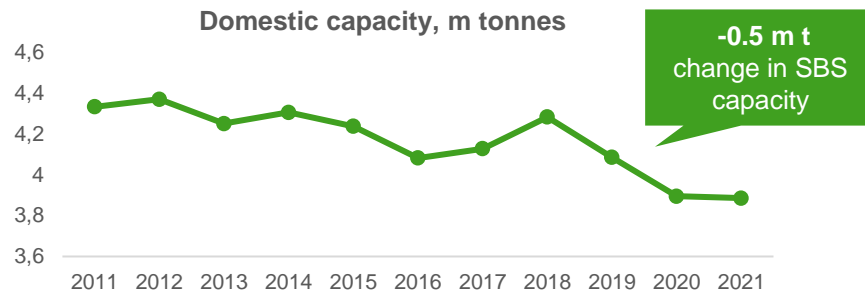
Product category	Market growth rate	BillerudKorsnäs' market position 2020
Containerboard	2% (primary fibre)	#2 Semi-chemical fluting, Europe #4 White kraftliner, Europe
Cartonboard	3%	#5 Cartonboard, Europe
LPB	1-2%	#1 LPB, long-life ambient packaging, globally #2 LPB, all types of packaging, globally
Sack&Kraft	1% (Sack) 3% (Kraft)	#5 Kraft paper, globally #1 MG paper, globally #4 Sack paper, globally

# North America is an attractive paperboard market and our largest growth opportunity

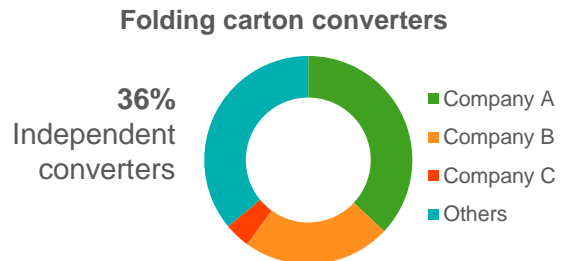
Primary fibre cartonboard market, m tonnes



Supply of local SBS is reducing

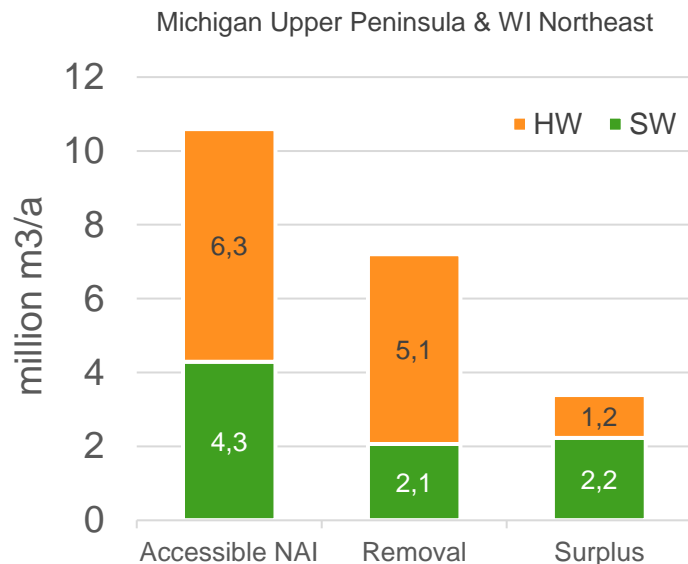


Market for independent converters is large

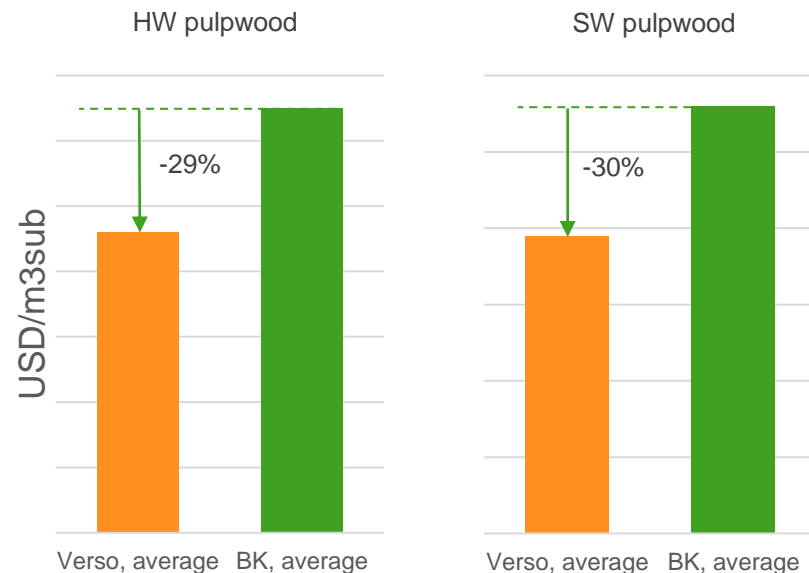


# Billerud North America has large surplus of low-cost fibre with excellent properties

## Net Annual Increment (NAI), Removal and Surplus



## Pulpwood Delivered Cost (2020) – Verso vs BK



# Billerud North America is the cornerstone of our expansion

- World-class cost base: lowest cost producer in the US and top quintile cost base for export to Europe or Asia
- Prime quality, abundant and cost competitive wood basket
- Planned conversion into state-of the art paperboard production with fully integrated pulp supply
- Market proximity to one of the largest and growing markets in primary fibre containerboard and cartonboard



# Transformation program – status

- ④ Concept study completed confirming ingoing (business case) assumptions
- ④ Pre-feasibility started in June – expected completion during 1H'23
- ④ Program leader reporting to CEO and project team being established
- ④ Project areas clearly defined
  - > Technology readiness
  - > Product readiness
  - > Mill readiness
  - > Business readiness
- ④ Project milestones:
  - > CAPEX approval: end 1H'23
  - > Expected machine downtime: 2025
  - > Expected machine start-up: end 2025 // early 2026



# BillerudKorsnäs is to a large extent self-sufficient on electricity and we manage stability through hedging

Energy mix 2021 (incl. Billerud North America)

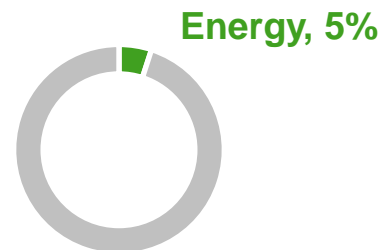
TWh	Consumption	Self-generation	Purchases
Renewable fuels <sup>1)</sup>	20.5	18.3	2.3
Electricity	4.5	2.3	2.3
Fossil fuels <sup>2)</sup>	3.1	–	3.1
Other <sup>3)</sup>	0.3	–	0.3
<b>Total</b>	<b>28.4</b>	<b>20.6</b>	<b>8.0</b>

<sup>1)</sup> Bio fuels; black liquor, bark, wood residues, pitch oil, etc.

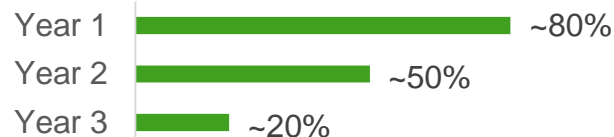
<sup>2)</sup> Of which natural gas 2.6 TWh

<sup>3)</sup> District heat and steam in Pietarsaari

Breakdown of operating costs H1'2022 (incl. Billerud North America)



Hedging for purchases of electricity exposed to spot price



## Q2: Record financial performance in a milestone quarter

- ⊗ First quarter with Verso included – net sales +75%
- ⊗ Strong organic growth, both in Europe +17% and North America +19%
- ⊗ All-time-high EBITDA and operating cash flow. EPS up more than 4x vs LY
- ⊗ Price and mix improvements more than offset cost inflation
- ⊗ Excellent cash delivery and strong balance sheet position

SEKm	Q2-22	Change vs Q1-21
Net sales	11 408	+75%
Adjusted EBITDA	2 267	+157%
<i>% of net sales</i>	20%	+6 pp
Operating profit – EBIT	1 609	+298%
<i>% of net sales</i>	14%	+8 pp
Operating cash flow after capex	1 669	96%
EPS	6.83	+455%



## Outlook for Q3

- ⦿ Despite macro-economic uncertainty, the business is expected to remain strong in the third quarter
- ⦿ Continued cost inflation for inputs, especially for pulpwood in Europe
- ⦿ Positive price impact and mix improvements expected to offset higher costs
- ⦿ Maintenance and upgrade stops:
  - › Gävle, Karlsborg and Escanaba maintenance
  - › Quinnesec maintenance and upgrade





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