

# WE CHALLENGE CONVENTIONAL PACKAGING FOR A SUSTAINABLE FUTURE



**Nordea Forest Products & Paper Seminar | 11 May 2016**

**Susanne Lithander, CFO**



# PURE PLAY PACKAGING MATERIALS COMPANY

High performance packaging materials

➤ Target customer segments requiring strong, light and/or pure packaging

Stable product portfolio

➤ 74% of sales going to consumer sectors

Sustainable alternatives through innovation

➤ Innovation challenging other materials and solutions

Strong financial position

➤ Well-positioned for profitable growth investments

# BILLERUDKORSNÄS IN BRIEF

**NET SALES\***



- Europe 73%
- Asia 17%
- Africa 4%
- Middle East 3%
- South America 2%
- Other 1%

**OPERATING PROFIT\***



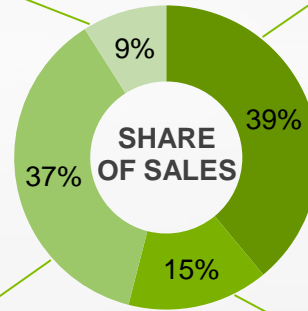
**OTHER**

**CONSUMER BOARD**

Liquid packaging board  
Cartonboard

**PACKAGING PAPER**

Kraft paper  
Sack paper  
Market pulp



**CORRUGATED SOLUTIONS**

Fluting  
Liner  
Managed packaging

**8**

**PRODUCTION UNITS**  
(SWE, FI, UK)

**2.9**

**PRODUCTION CAPACITY**  
(MILLION TONNES)

**4 200**

**NUMBER OF EMPLOYEES**

\*Full year 2015. Excluding non-recurring items



# AIMING TO CAPTURE GROWTH FROM GLOBAL MEGATRENDS



**DEMOGRAPHIC SHIFTS AND  
A CHANGING WORLD MAP**



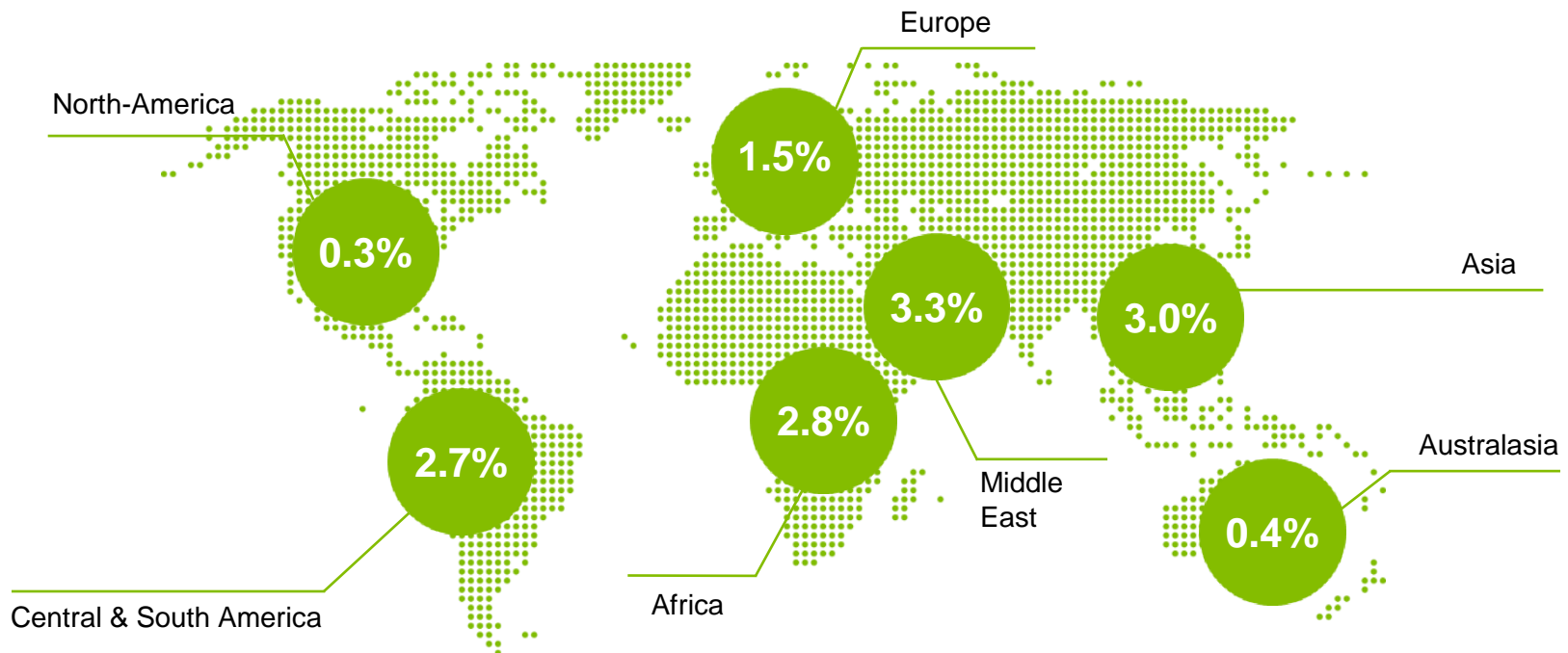
**SUSTAINABILITY CONNECTING  
SEVERAL SUBTRENDS**



**CONSUMERS AND SUPPLY  
CHAINS ARE CHANGING**

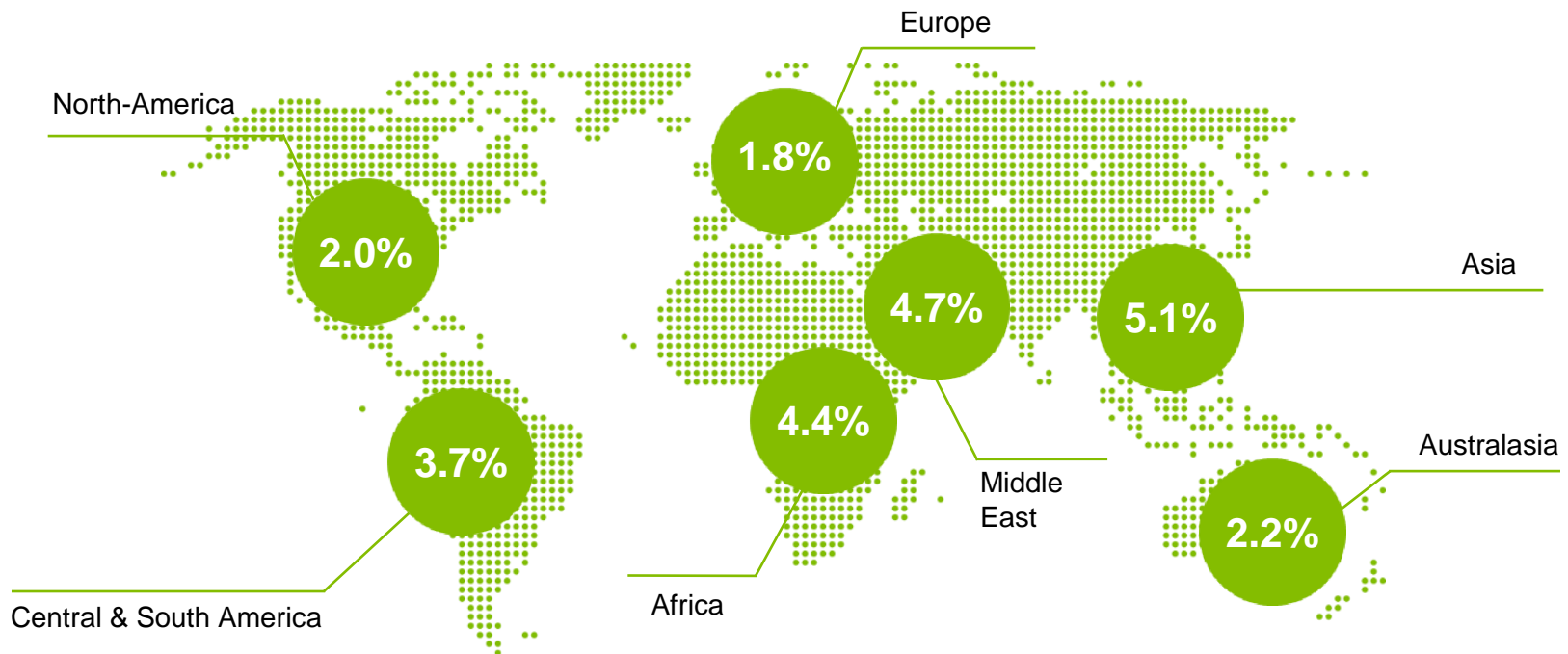


# PACKAGING PAPER & BOARD MARKET IS GROWING BY 2.2%





# WE TARGET GLOBAL PACKAGING MARKET GROWING BY 3.4%





# WE HAVE ESTABLISHED A CLEAR GROWTH STRATEGY



# WE ARE INVESTING TO MOVE FURTHER UP THE VALUE CHAIN TOWARDS BRAND OWNERS







# WE ARE EXPANDING THE REACH OF OUR OFFERING

OUR PRESENCE **2013** AND NEW SALES HUBS **2015**



# WE HAVE INVESTED SEK 2 BILLION SINCE 2012 TO INCREASE CAPACITY AND QUALITY LEAD

## PACKAGING PAPER

**260 SEKm**

**Brown sack paper**

- Improved paper quality restoring leadership
- Increased capacity by 20 000 tonnes



## CONSUMER BOARD

**1600 SEKm**

**Liquid Packaging Board  
Cartonboard**

- Improved quality
- Increased capacity by 200 000 tonnes

## CORRUGATED SOLUTIONS

**180 SEKm**

**S/C fluting**

- Improved quality enhancing leadership
- Increased capacity by 40 000 tonnes



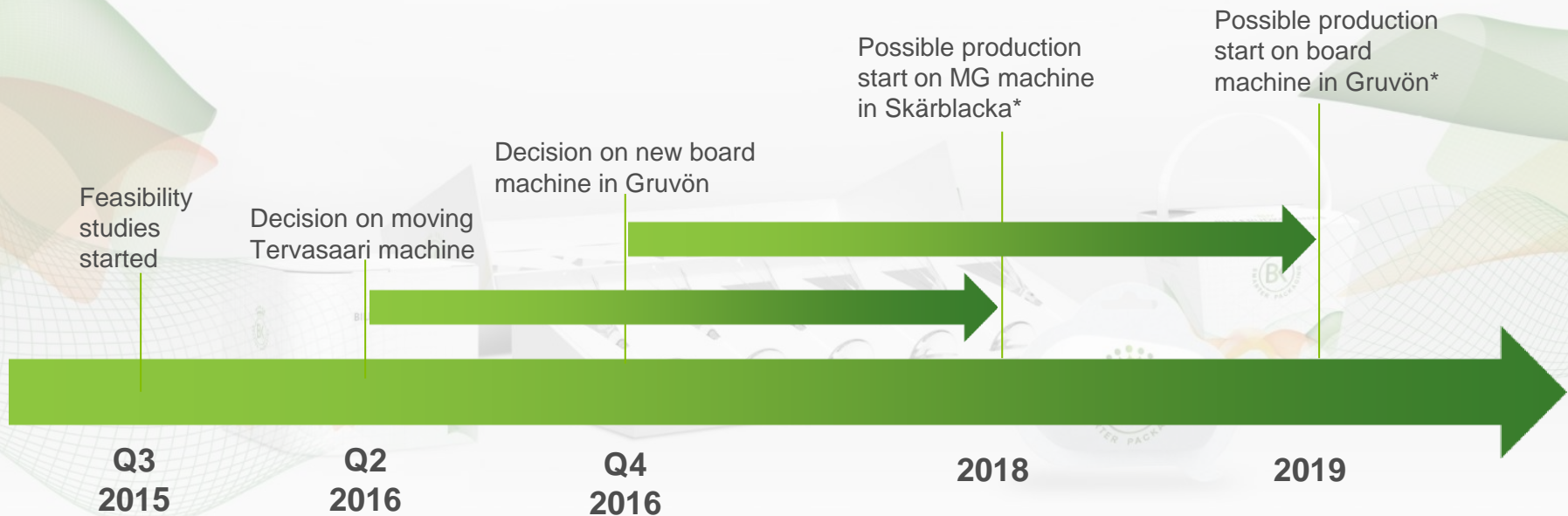
# WE ARE PLANNING TO INVEST MORE THAN SEK 5 BILLION...

- 1** Moving unintegrated Tervasaari MG paper machine to Skärblacka and making it integrated to the pulp production.
- 2** Investing in value adding surface treatment capacity at existing MG paper production in Skärblacka.
- 3** a) Building new board machine at the production unit in Grevön with capacity of approx. 500 000 t/a of liquid packaging board, cartonboard, food service board and white kraftliner.  
 b) Closing paper mill with current capacity of approx. 300 000 t/a\* of kraft paper and liner.
- 4** Moving production of white kraftliner from Gävle to new board machine in Grevön.
- 5** Shifting profitable kraft paper volumes from Grevön to Karlsborg, Skärblacka and Pietarsaari to strengthen product mix.



\* Approximately 40% kraft paper and 60% liner.

# ...DURING NEXT THREE YEARS...



\*Subject to feasibility study results

# ...TO IMPROVE UNDERLYING PROFITABILITY AND SECURE ORGANIC GROWTH

## PACKAGING PAPER

Focusing on growth segments growing by 2-4% per year

Decreasing volumes on oversupplied markets

## SELECTIVE GROWTH

## CONSUMER BOARD

Increasing volumes on growing Liquid Packaging Board and Cartonboard markets

## VOLUME GROWTH

## CORRUGATED SOLUTIONS

Expanding solution based sales to brand owners

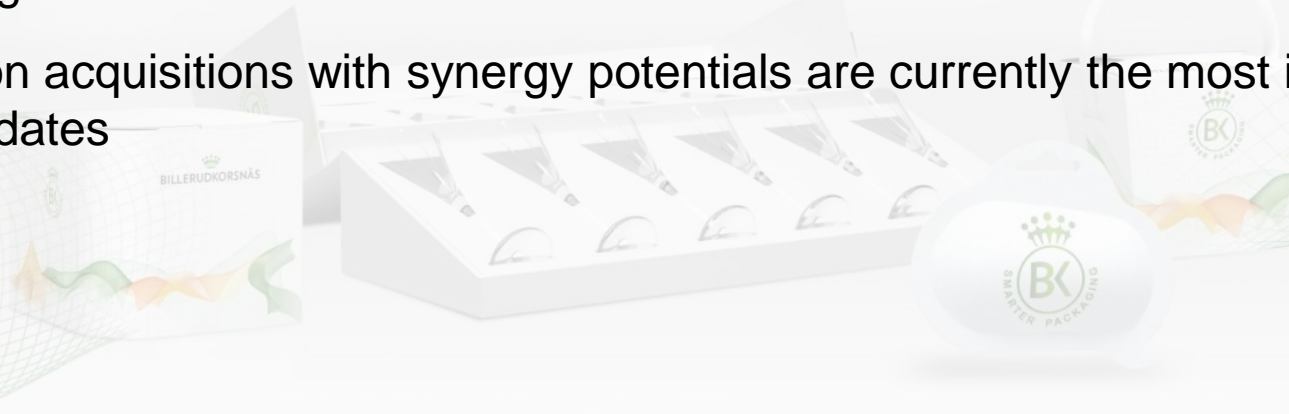
Exiting oversupplied white liner market

## VALUE GROWTH

Improved underlying EBITDA > **1000 SEKm** when fully implemented  
Continued organic growth with **3-4%** per year

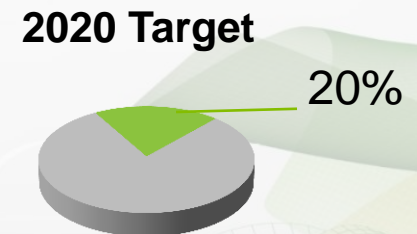
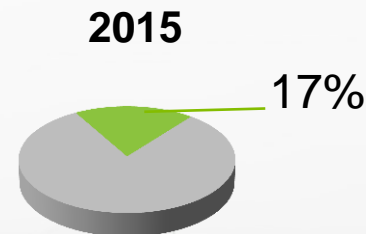
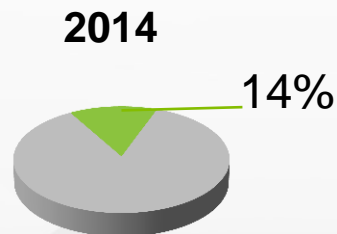
## M&A MAY BOOST LONG-TERM GROWTH

- We have the financial capacity to add M&A growth to organic growth
- We have proven experience in merging businesses and quickly extracting synergies
- Bolt-on acquisitions with synergy potentials are currently the most interesting candidates



# INNOVATION WILL FURTHER BOOST TOP LINE AND MARGINS

Proportion of sales accounted for by new products



**+2pp** average margin improvement on new products

# INVESTING IN INNOVATION – ON THREE LEVELS

## 2015 vs 2013:

**2x** # employees

**5x** # projects

**180 %** increased spend

2013

R&D and product  
development



2015

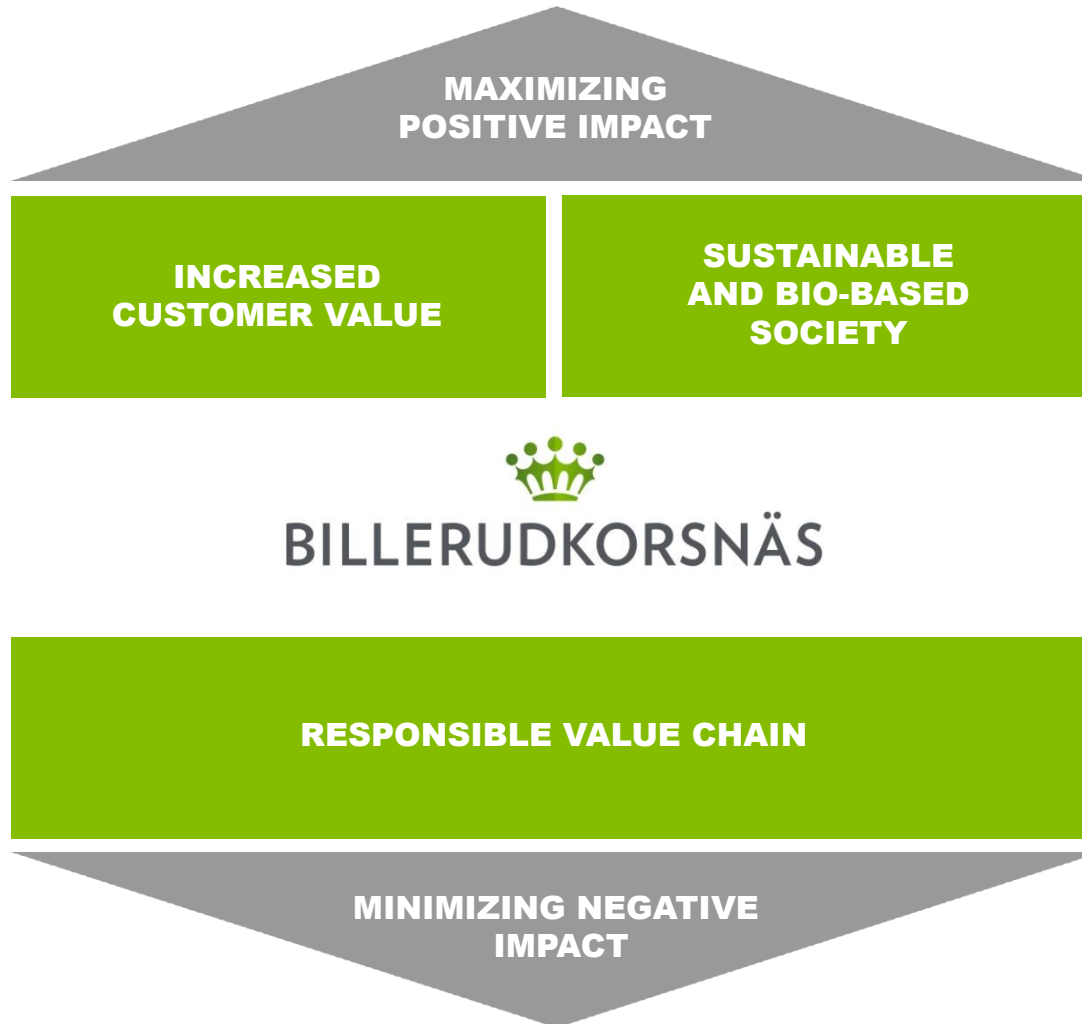
Challenger  
products

Innovation agenda

R&D and product  
development



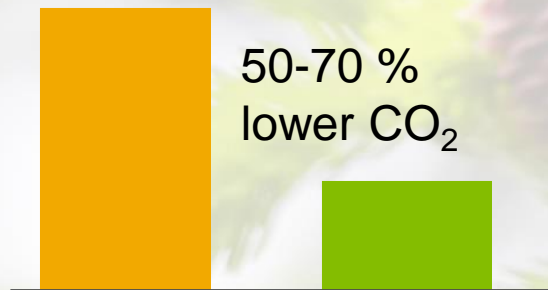
# SUSTAINABILITY AS A BUSINESS OPPORTUNITY



# WE PROVIDE SUSTAINABLE SOLUTIONS

Through our products...

Environmental impact paper vs plastic<sup>1</sup>



... and through our actions



<sup>1</sup> Life cycle assessment, Comparative study of virgin fibre based packaging products with competing plastic materials. IVL, 2015.

# THREE BUSINESS AREAS



**PACKAGING PAPER**

**% of business area sales volume:**  
**Kraft paper** 60%  
**Sack paper** 40%



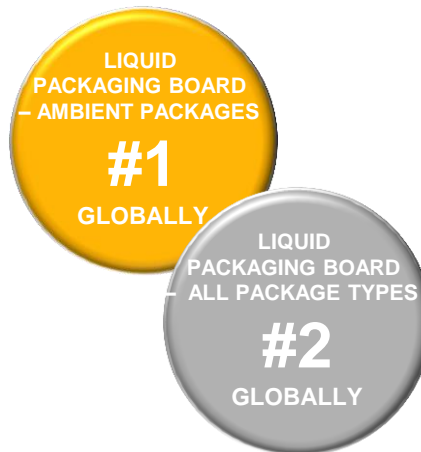
**CONSUMER BOARD**

**% of business area sales volume:**  
**Liquid packaging board** 85%  
**Cartonboard** 15%



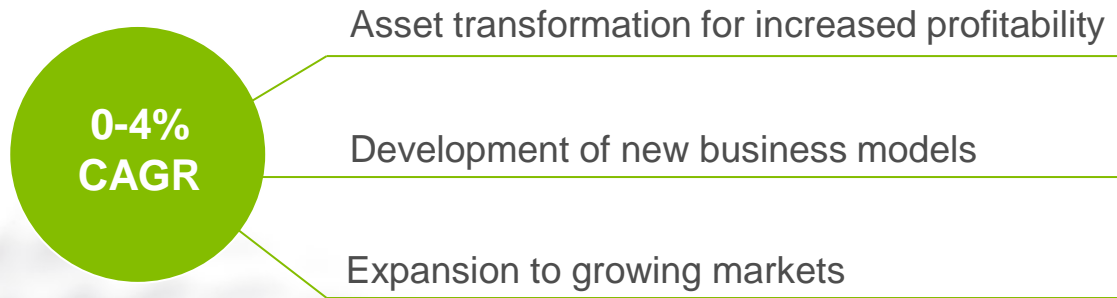
**CORRUGATED SOLUTIONS**

**% of business area sales volume:**  
**Fluting** 60%  
**Liner** 40%



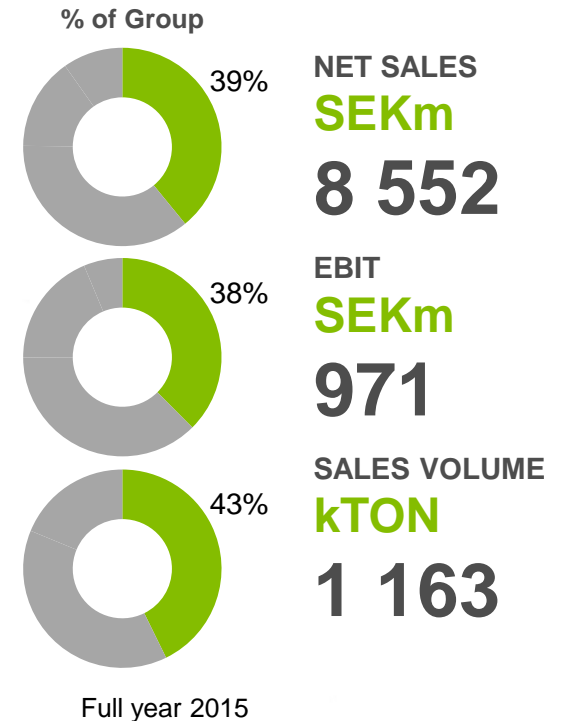
# PACKAGING PAPER

## SELECTIVE GROWTH



### MAIN GROWTH DRIVERS

- Population growth in emerging markets drives demand for food and building materials packaging
- Ageing population drives demand for medical packaging
- Environmental awareness provides opportunities to substitute plastic packaging
- Global cement demand CAGR 5.0%<sup>1</sup>
- Global food packaging demand CAGR 3.5%<sup>2</sup>



1. Estimated CAGR 2012-2022. Source: Freedonia World Cement Report (2013)

2. Estimated CAGR 2014-2024. Source: Smithers Pira, The Future of Packaging – long-term strategic forecast to 2024 (2014), CAGR

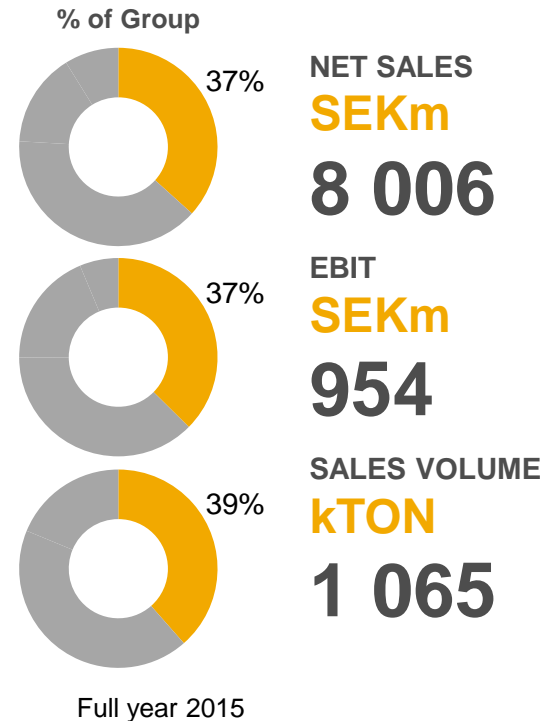
# CONSUMER BOARD

## VOLUME GROWTH



### MAIN GROWTH DRIVERS

- High urbanization rate, primarily in Asia, drives demand for liquid packaging
- Change in consumer behavior drives demand for smaller packages
- Global liquid packaging board demand CAGR 3.4%<sup>1</sup>
- Global cartonboard demand CAGR 4.0%<sup>2</sup>



1. Estimated CAGR 2014-2025. Source: BillerudKorsnäs analysis on Pöyry 2014 and Zenith International 2015

2. Estimated CAGR 2011-2025. Source: Vision Hunters 2015

# CORRUGATED SOLUTIONS

## VALUE GROWTH

**2-4%  
CAGR**

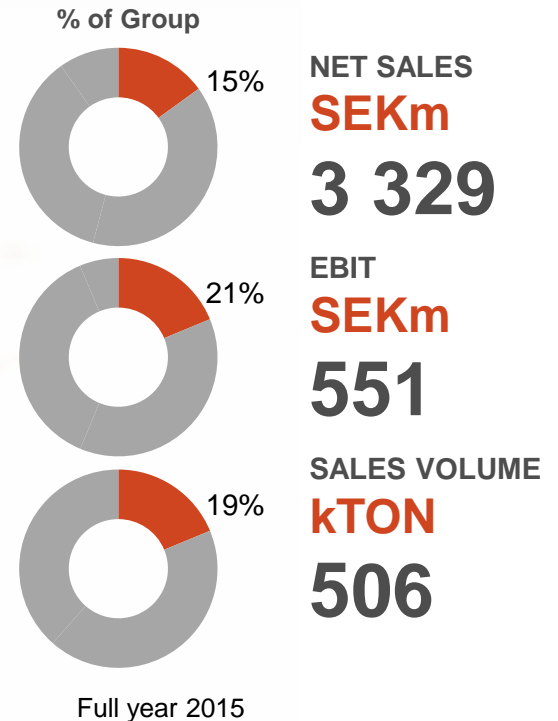
Strong product portfolio setting market standard

Integrating new business model

Increasing sales to brand owners

### MAIN GROWTH DRIVERS

- Increasing e-commerce and fresh food consumption
- Package differentiation
- Changing supply chains require simplification of packaging solutions
- Global containerboard demand CAGR 2.6%<sup>1</sup>

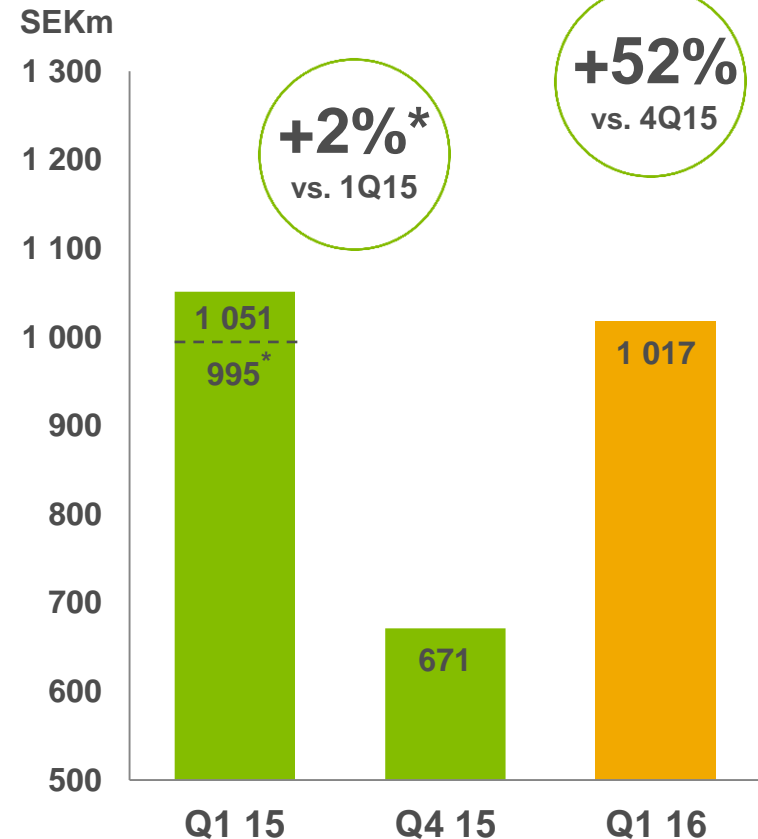
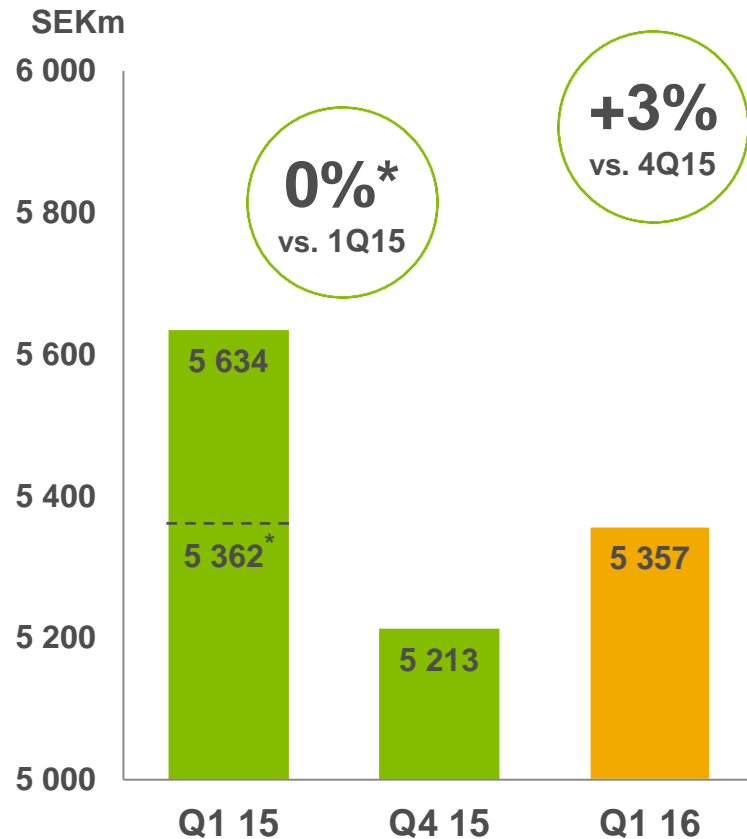




# Q1 2016 - STABLE PERFORMANCE DESPITE SLOW RAMP-UP

## NET SALES

## EBITDA

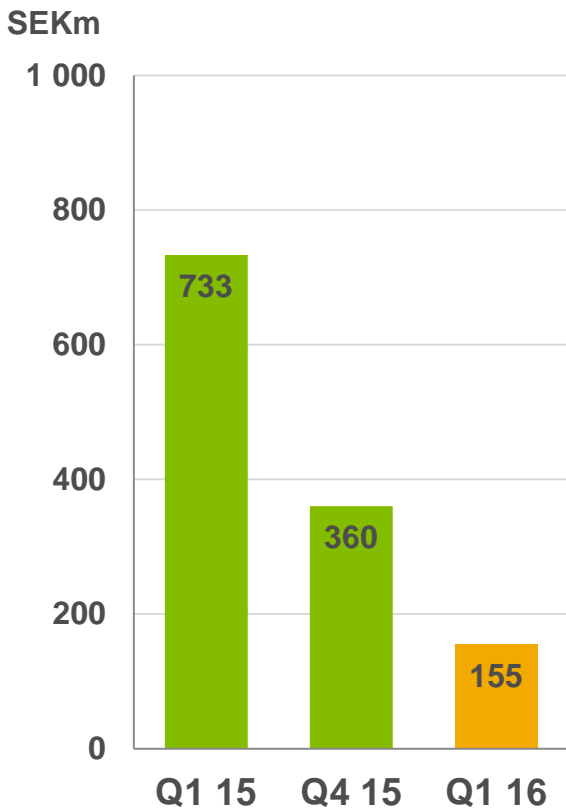


\* Excluding divested operations

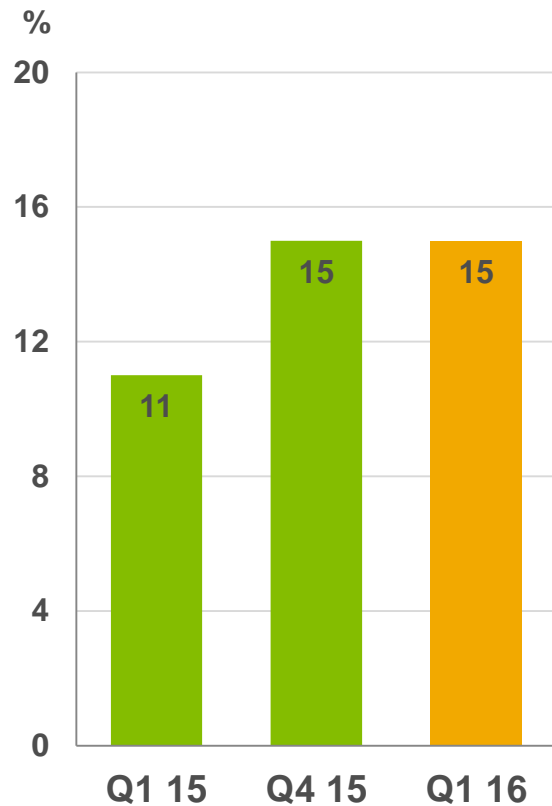


# Q1 2016 - STABLE PERFORMANCE DESPITE SLOW RAMP-UP

## OP. CASH FLOW

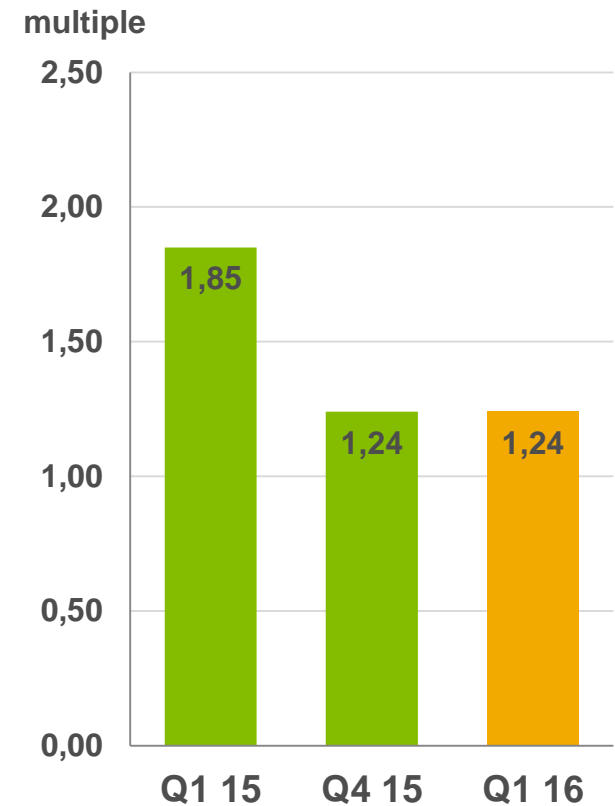


## ROCE



ROCE based on rolling 12 months

## NET DEBT/EBITDA







# FINANCIAL TARGETS SUPPORT OUR GROWTH STRATEGY

Organic growth 3-4%  
per year

EBITDA > 17%

ROCE > 13%

Net Debt / EBITDA  
< 2,5

Dividend policy –  
distribute 50% of net profit as dividend

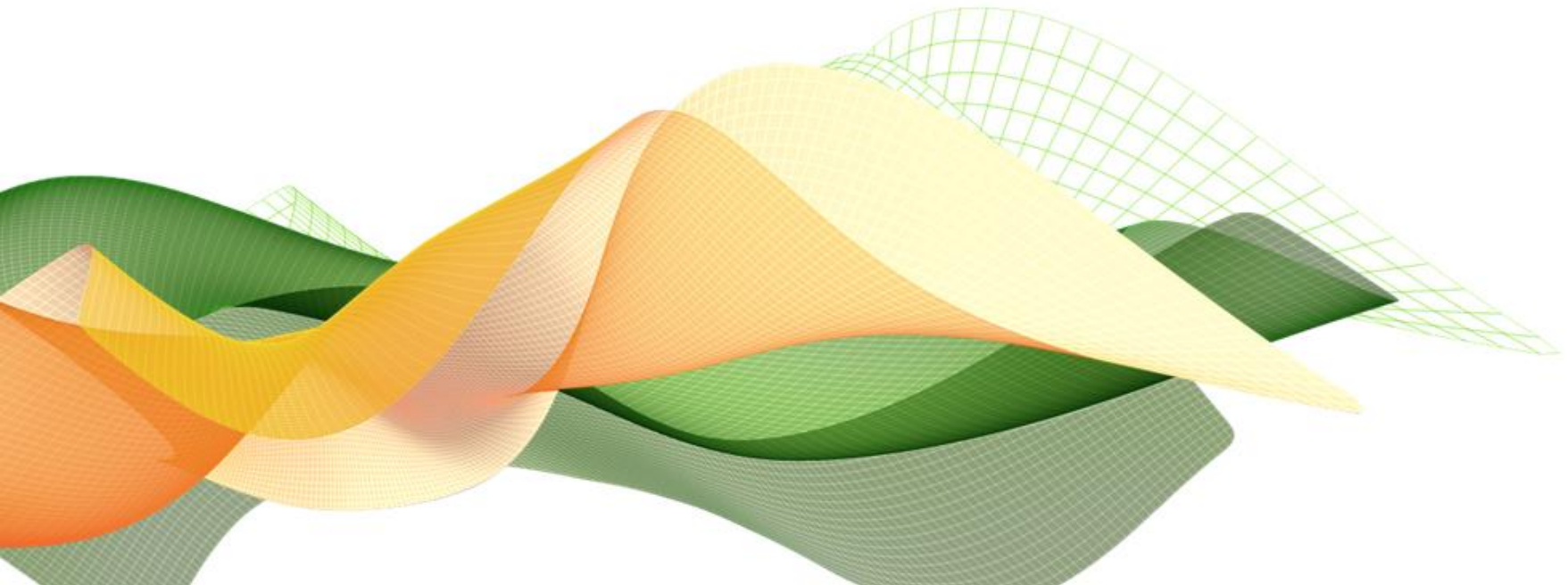


## SUMMARY

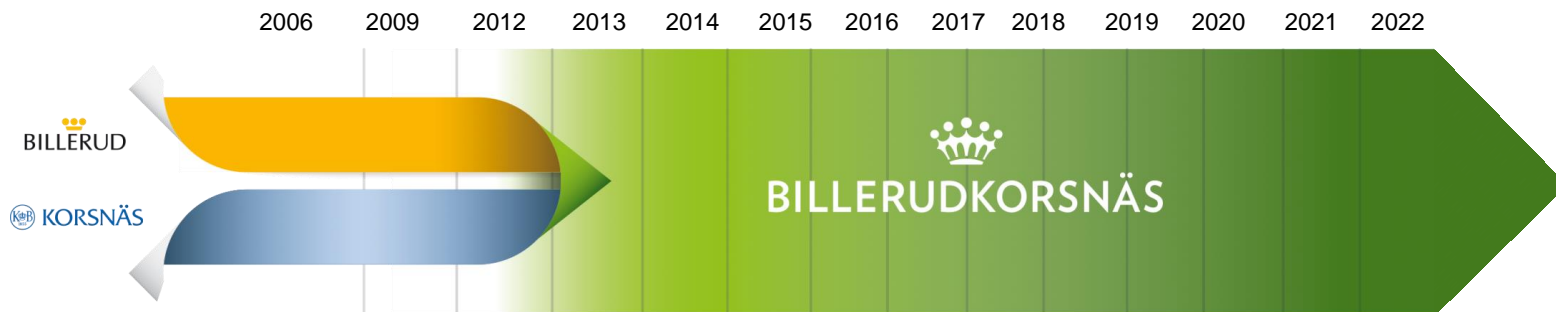
- Global trends imply major growth opportunities
  - Sustainability, demographic shifts, digitalization and changed consumer behavior
- We invest in all of our four strategic pillars:
  - Position expansion, Innovation, Sustainability and Efficiency
- We have set out plans to increase profitability and secure growth
- Business area strategies support organic growth targets
  - Value growth, Selective growth and Volume growth
- Our balance sheet allows organic growth and M&A
- Financial targets support growth strategy



# APPENDIX



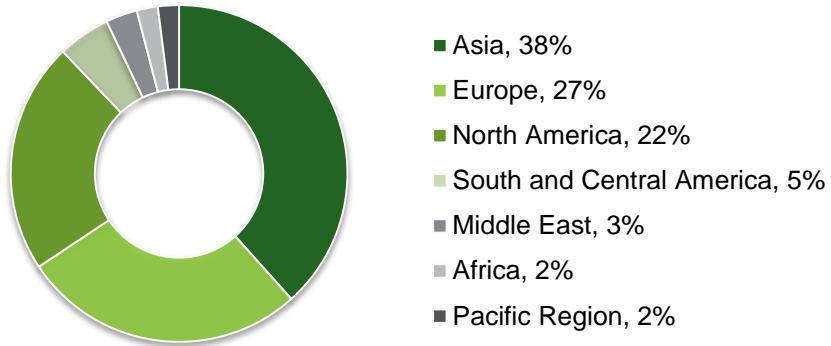
# SUCCESSFUL INTEGRATION HAS ENABLED A STRONG PLATFORM FOR GROWTH



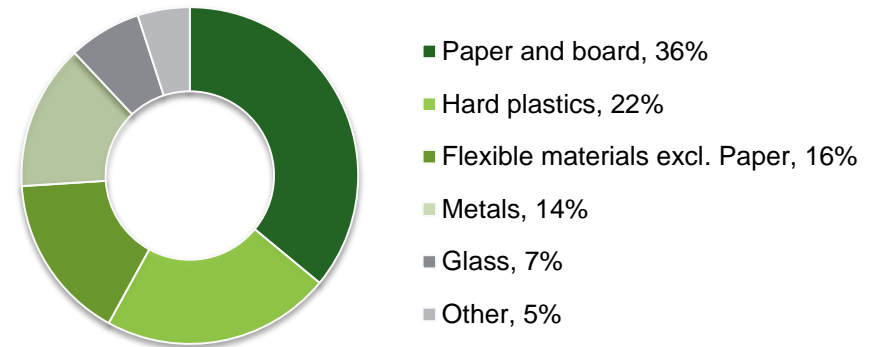
- ▶ Packaging focused materials and solutions provider
- ▶ Broader product portfolio
- ▶ Higher portion of sales to consumer segments
- ▶ Annual synergies of approximately SEK 530 million
- ▶ Sharply reduced pulp market exposure
- ▶ Lower relative currency exposure

# GLOBAL PACKAGING MARKET

GLOBAL PACKAGING MARKET,  
BY REGION<sup>1</sup>



GLOBAL PACKAGING MARKET,  
BY MATERIAL<sup>1</sup>



# SALES PER REGION



## SALES PER REGION

- Europe 70%
- Asia 14%
- Africa 7%
- South America 4%
- Middle East 2%
- Other 3%

## SALES PER REGION

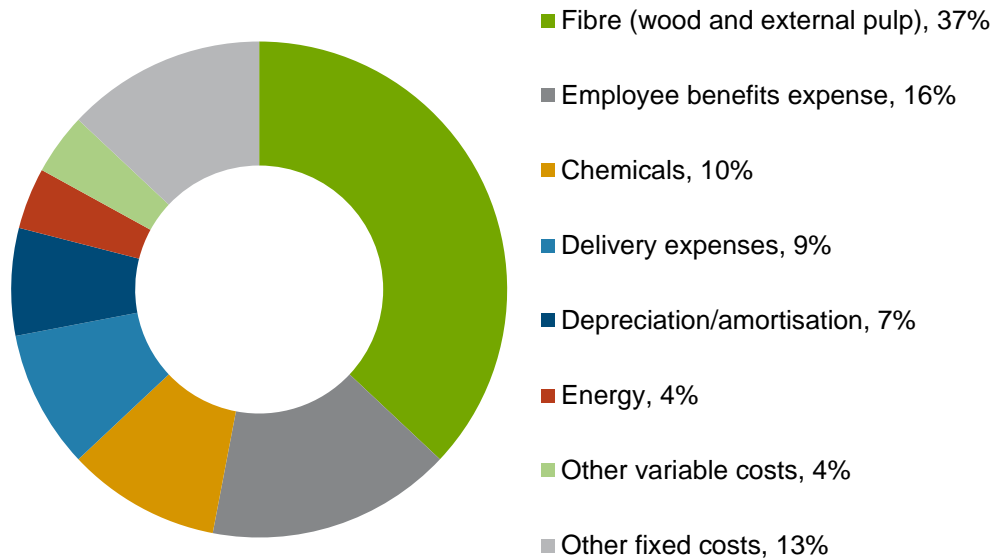
- Europe 69%
- Asia 22%
- Middle East 5%
- Africa 2%
- South America 2%

## SALES PER REGION

- Europe 72%
- Asia 19%
- Africa 5%
- South America 2%
- Other 2%



# COST STRUCTURE



- No significant forest assets
- Purchases made from handful of major suppliers
  - Bergvik Skog, Holmen, Mellanskog, Stora Enso and Sveaskog
  - Large amount of private land owners in Central and Northern Sweden
- The majority of wood raw materials acquired locally
- About 20% of the wood requirement is imported
  - Majority from the Baltics



# SENSITIVITY ANALYSIS

## IMPACT ON PROFIT/LOSS BEFORE TAX

Variable	Change	SEKm
Sales volume	+/- 10%	+/-900
Exchange rate, SEK <sup>1</sup>	+/- 10%	-/+640
Fibre prices	+/- 10%	-/+700
Price of electricity <sup>2</sup>	+/- 10%	-/+30
Interest rate on loans <sup>3</sup>	+/- 1 percentage point	-/+43

1 Excluding effects of currency hedging.

2 Excluding effects of electricity price hedging.

3 Excluding effects of interest hedging.





# CAPITAL ALLOCATION FOCUSES ON GROWTH

WE HAVE CLEAR PRIORITIES

1

Maintain a capital structure and liquidity position that secure execution of dividend policy



② Investing in organic growth based on the strategy



③ M&A to support strategy



④ Excess capital return to shareholders



## PRODUCTION UNITS

### SWEDEN

Gävle, 725 ktonnes

Gruvön, 685 ktonnes

Frövi/Rockhammar, 470 ktonnes

Skärblacka, 420 ktonnes

Karlsborg, 300 ktonnes

### FINLAND

Pietarsaari, 200 ktonnes

Tervasaari, 100 ktonnes

### UNITED KINGDOM

Beetham, 45 ktonnes

**Total production  
capacity**



**2 945**

**Thousand  
tonnes**



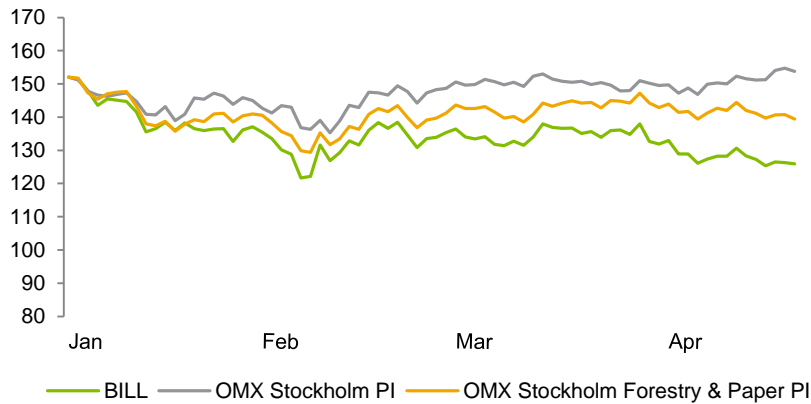
# BILLERUDKORSNÄS SHARE

Symbol: BILL

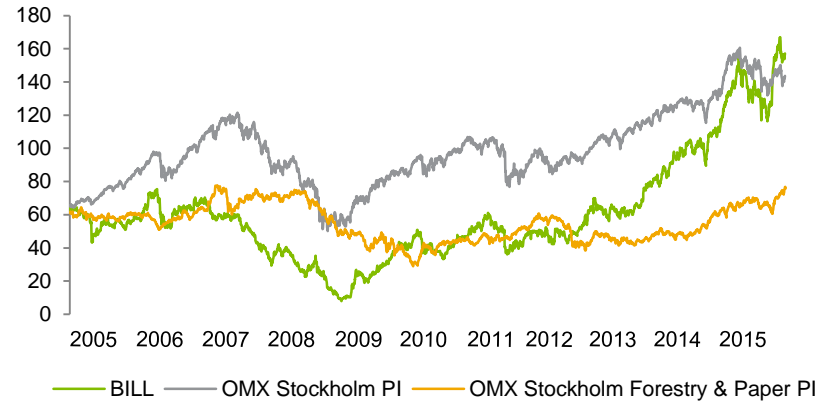
Trading platform: Nasdaq Stockholm

IPO: November 20, 2001

Share performance 2016



Share performance 2005-2015



# OWNERSHIP STRUCTURE



- Foreign shareholders, 43.3%
- Swedish mutual funds, 21.9%
- Swedish individuals incl. closely held companies, 19.6%
- Swedish institutions, 15.2%

Shareholder	Number of shares	Percent of votes
FRAPAG Beteiligungsholding AG	31 300 000	15.1
AMF Insurance & Funds	14 623 122	7.1
Swedbank Robur Funds	8 144 171	3.9
Fourth Swedish National Pension Fund	6 345 359	3.1
Handelsbanken Funds	5 106 343	2.5
Lannebo Funds	4 677 088	2.3
Norges Bank Investment Management	4 218 469	2.0
Alecta	4 000 000	1.9
DFA Funds (USA)	3 922 599	1.9
Catella Funds	3 298 171	1.6
<b>Total 10 largest shareholders</b>	<b>85 635 322</b>	<b>41.4</b>
<b>Total excluding share buy-backs</b>	<b>206 951 152</b>	<b>100.0</b>
The company's own bought-back shares	1 268 682	0.0
<b>Total</b>	<b>208 219 834</b>	<b>100.0</b>



# BILLERUDKORSNÄS

