



BILLERUDKORSNÄS

# INVESTOR PRESENTATION

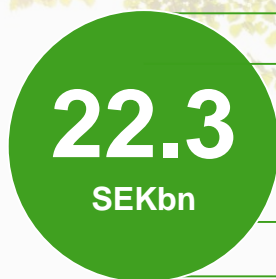
HANDELSBANKEN NORDIC MID/SMALL CAP SEMINAR 2018

23 May 2018 Susanne Lithander, CFO



# PURE PLAY PACKAGING COMPANY

## NET SALES



Europe 71%

Asia 19%

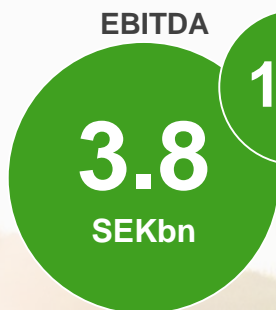
Africa 4%

America 3%

Middle East 1%

Other 2%

## EBITDA



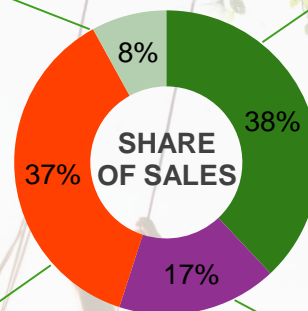
**17%**

MARGIN

## OTHER

## PACKAGING PAPER

Kraft paper  
Sack paper  
Market pulp



## CONSUMER BOARD

Liquid packaging board  
Cartonboard

## CORRUGATED SOLUTIONS

Fluting  
Liner  
Managed Packaging

**8**

PRODUCTION UNITS  
(SWE, FI, UK)

**~3.0**

PRODUCTION CAPACITY  
(MILLION TONNES)

**4,400**

NUMBER OF EMPLOYEES

# THREE BUSINESS AREAS

## PACKAGING PAPER

*Kraft and sack paper for customers with tough demands*

- *Packaging for flour, sugar, carrier bags, medical packaging, building materials, chemicals and more*
- *Growth driven by population growth in emerging markets, ageing population, increasing environmental awareness and more*



### SELECTIVE GROWTH

**2-4% CAGR**

- Asset transformation for increased profitability
- Development of new business models
- Expansion to growing markets

## CONSUMER BOARD

*Liquid packaging board and cartonboard with unique properties*

- *Packaging for milk, juice, preserved foods, beauty and healthcare products, confectionary and more*
- *Growth driven by high urbanization rate, change in consumer behavior and more*



### VOLUME GROWTH

**4-5% CAGR**

- Attractive market providing growth opportunities
- Investments for volume growth
- Innovation with customers and brand owners

## CORRUGATED SOLUTIONS

*Fluting and liner add value*

- *Packaging for fruit and vegetables, white goods and electronics, exclusive drinks and more*
- *Supply chain solutions and packaging optimisations for brand owners*
- *Growth driven by increasing e-commerce and fresh food consumption, package differentiation and changing supply chains*



### VALUE GROWTH

**2-4% CAGR**

- Strong product portfolio setting market standard
- Integrating new business model
- Increasing sales to brand owners

# INVESTMENT HIGHLIGHTS

1.  
Leading  
position in  
our  
segments

2.  
Growth  
segments backed  
up by global  
megatrends

3.  
Clear growth  
strategy to  
capture  
market potential

4.  
Clear innovation  
focus for a  
sustainable  
future

5.  
Stable earnings  
and shareholder  
returns



# LEADING POSITION IN OUR SEGMENTS

Only **primary fibre**  
in portfolio targeting customers and applications requiring  
light, strong and pure materials

**95%**

packaging material in  
product portfolio with a  
growing share of services  
and solutions

**75%**

of sales towards  
consumer segment with  
stable long-term demand  
growth

*Packaging  
Paper*



*Consumer  
Board*



*Corrugated Solutions*



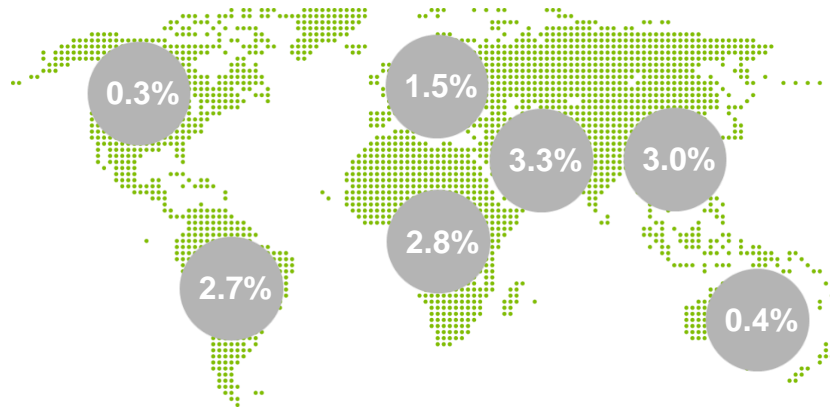
No 1 or 2 within niches  
where we operate

# GROWTH SEGMENTS BACKED UP BY GLOBAL MEGATRENDS

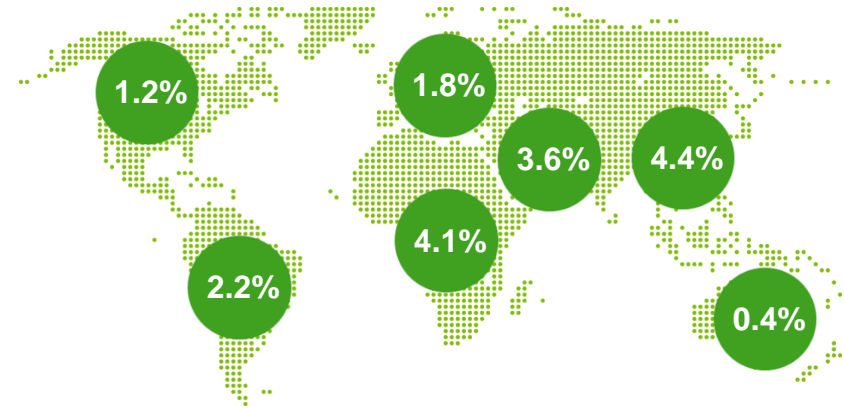
- ④ Global megatrends driving long-term demand for packaging material
  - › Urbanisation
  - › E-commerce
  
- ④ Sustainability awareness is increasing demand for renewable packaging material



# TARGETING THE GLOBAL PACKAGING MARKET



- Global market for packaging paper & board has a growth of 2.2%
- We aim to expand sales in the global packaging market...



- ...with a growth of 2.9%
- Key to success is new packaging solutions and sustainable products

# CLEAR GROWTH STRATEGY TO CAPTURE MARKET POTENTIAL

## POSITION

Expand in the value chains



- Improve market mix and increase sales of solutions to brand owners

## INNOVATION

Turn good ideas into new solutions and materials



- Increasing innovation efforts to develop new packaging solutions to expand potential market segments

## SUSTAINABILITY

Integrate and improve in everything we do



- Maximizing customer value by offering sustainable products challenging alternative materials

## EFFECTIVENESS

Drive a customer focused approach



- Secure reliability and customer service - prioritize stability, quality, timeliness and volume

**Aim to reach profitable growth of 3-4% per year**





9 3. Clear growth strategy to capture market potential

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



# INVESTMENTS TO IMPROVE UNDERLYING PROFITABILITY AND SECURE ORGANIC GROWTH

## PACKAGING PAPER *Selective growth*

- ▶ *Focusing on growth segments growing by 2-4% per year*
- ▶ *Decreasing volumes on oversupplied markets*

## CONSUMER BOARD *Volume growth*

- ▶ *Increasing volumes on growing Liquid Packaging Board and Cartonboard markets*

## CORRUGATED SOLUTIONS *Value growth*

- ▶ *Expanding solution based sales to brand owners*
- ▶ *Exiting oversupplied white liner market*

**Next Generation - improved underlying EBITDA > +1 200 SEKm when fully implemented**  
**Continued growth with 3-4% per year**

Lower currency exposure  
- SEK 2 bn

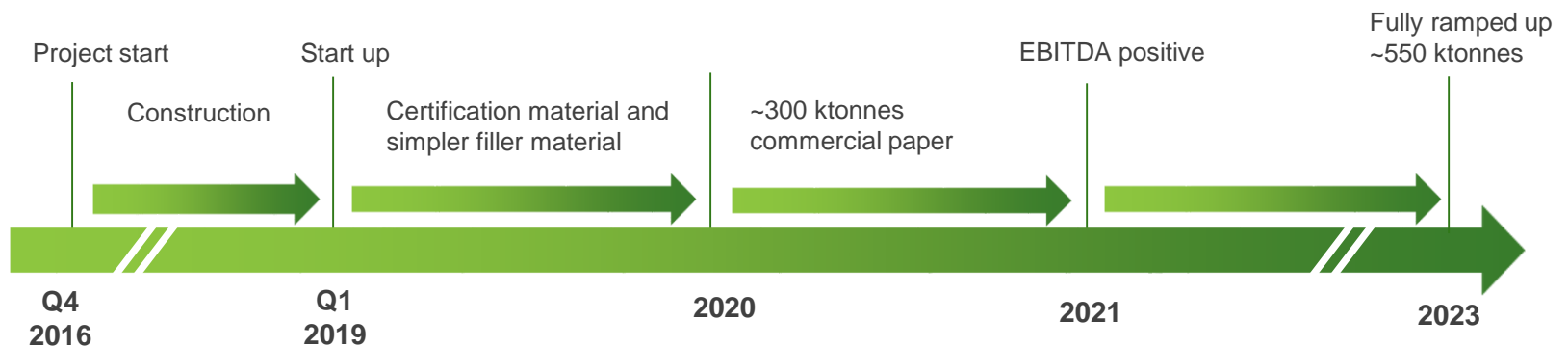
Reduced price volatility in product portfolio

ROI in line with return target of 13%

Limited exposure to pulp market

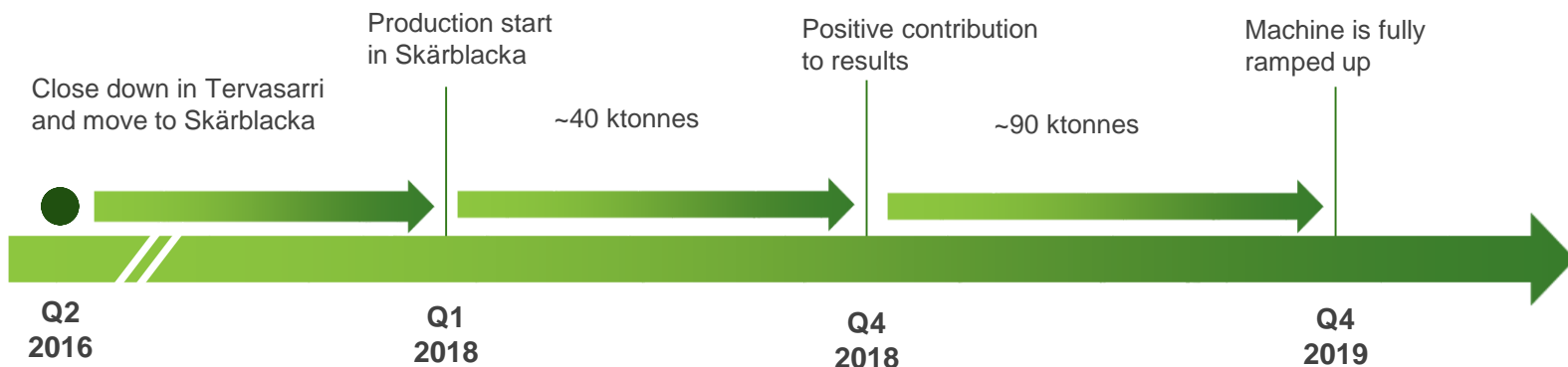
# GRUVÖN PROGRESSING ACCORDING TO PLAN

- Keeping time frame
- Reinforced organisation
  - Programme management office
    - Machine ready
    - Mill ready
    - Product ready
    - Business ready



# WORLD-LEADING MG CENTRE IN SKÄRBLACKA

- Project on track
- The Tervasaari machine is under start-up in Skärblacka (PM10)
- The machine is expected to produce ~40 ktonnes this year
- When fully ramped late 2019 PM10 will produce ~90 ktonnes MG paper\*

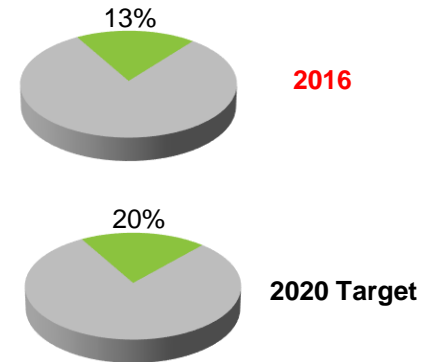


\*Machine Glazed – high-gloss paper

# CLEAR INNOVATION FOCUS FOR A SUSTAINABLE FUTURE

- ④ Long history of award winning packaging innovations
- ④ Challenging boundaries of fibre based packaging in order to reduce usage of fossil materials
- ④ Innovation will strengthen top line and margins

Proportion of sales accounted for by new products



2013: Axello® ZAP



2014: D-Sack

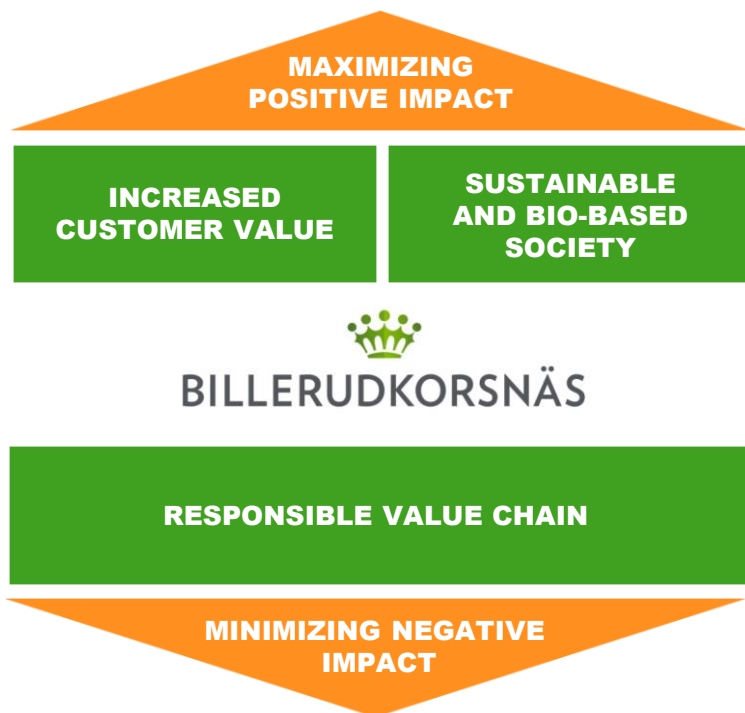


2015: FreeFormPack®

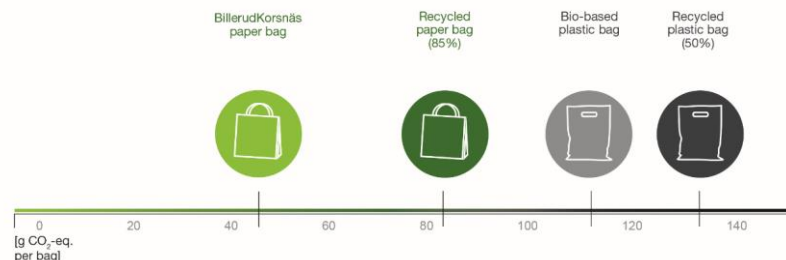


2016: QuickFill® Clean

# WE PROVIDE SUSTAINABLE SOLUTIONS



## Paper bag\* - Best choice for the climate



## Walk the talk

MEMBER OF  
**Dow Jones Sustainability Indices**  
In Collaboration with RobecoSAM



## Towards fossil-free production

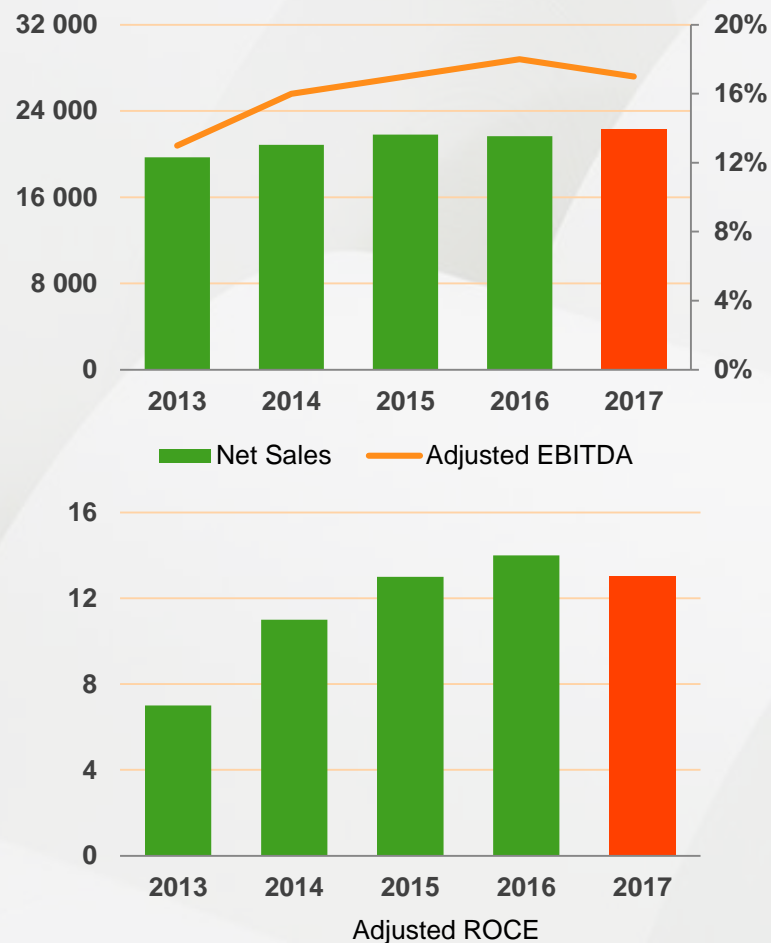


Biofuels used in 2016

\*BillerudKorsnäs paper bag from primary fibre, produced in Sweden

# STABLE EARNINGS AND SHAREHOLDER RETURNS

- ④ Stable underlying earnings over recent years
- ④ Average ROCE of 13% during the history of the company
- ④ Average TSR of 22% per year for past 5 years
- ④ Proven track record of accretive investments



# FINANCIAL TARGETS AND TARGET FULFILLMENT

FULL YEAR 2017

- Financial targets fulfilled
- Strong demand offset by production disruptions
- Record high production levels
- Increased focus on operational excellence

Area	Target	Outcome 2017	
Growth	3-4%	3%	✓
EBITDA	>17%	17%	✓
ROCE	>13%	13% <sup>1</sup>	✓
Net debt/EBITDA	<2.5	1,53	✓
Dividend policy	50%	54%	✓

1. Adjusted for items affecting comparability



# SUMMARY

- 
- ④ Focused product portfolio with leading global and regional positions in growing markets
  - ④ Global trends imply growth opportunities
    - › Sustainability, demographic shifts, digitalization and changed consumer behavior
  - ④ We invest in all of our four strategic pillars:
    - › Position expansion, Innovation, Sustainability and Efficiency
  - ④ Stable earnings and target fulfillment



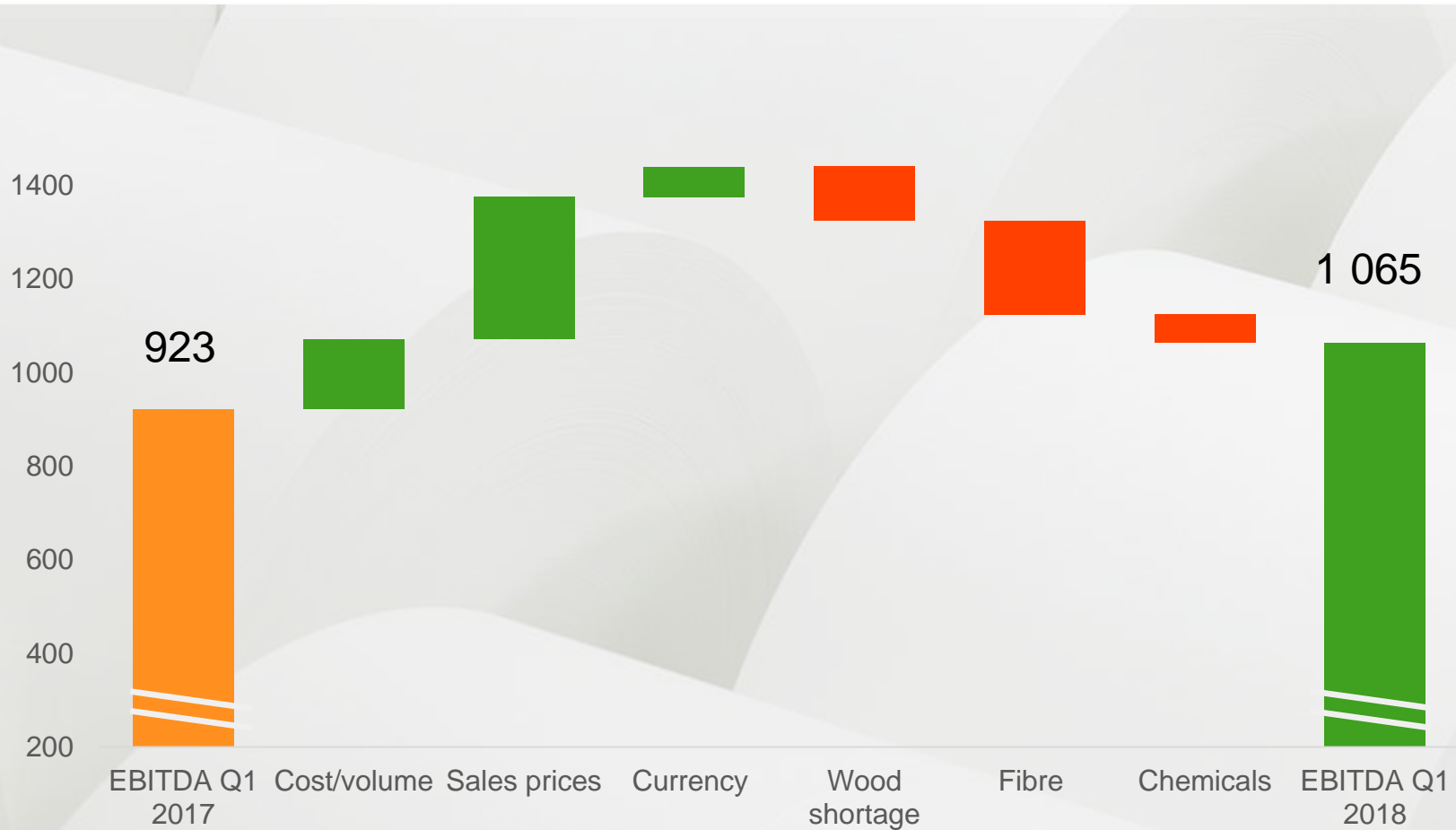
**BILLERUDKORSNÄS**

# Appendix Q1 2018

# Q1 2018 KEY HIGHLIGHTS

- **Stable production**
- **Strong results** - adjusted EBITDA margin 19%
- **High demand** - net sales up 5%
- Investments progressing **according to plan**
- **Positive market outlook** in both the short and long term

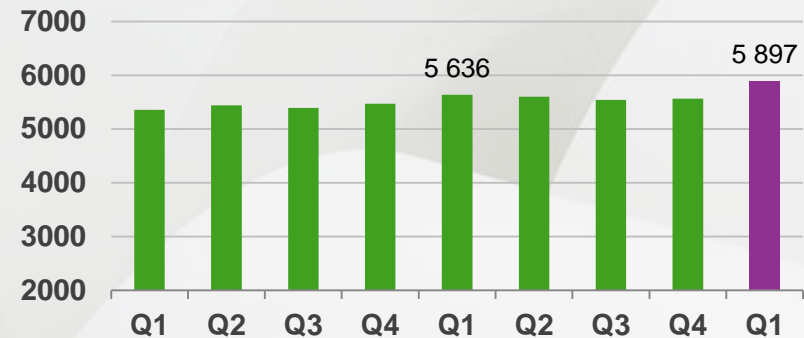
# HIGHER SALES PRICES DRIVE EBITDA



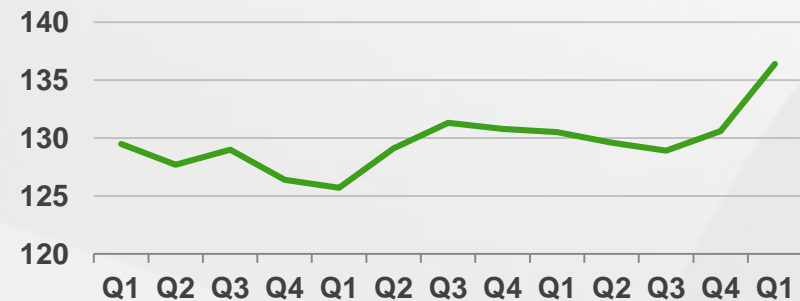
# INCREASED NET SALES

- Continued strong demand in all business areas
- Increased sales prices
- Stable production
- Negative effect from shortage of wood
- Positive currency effects

Net sales, SEKm



TCW index



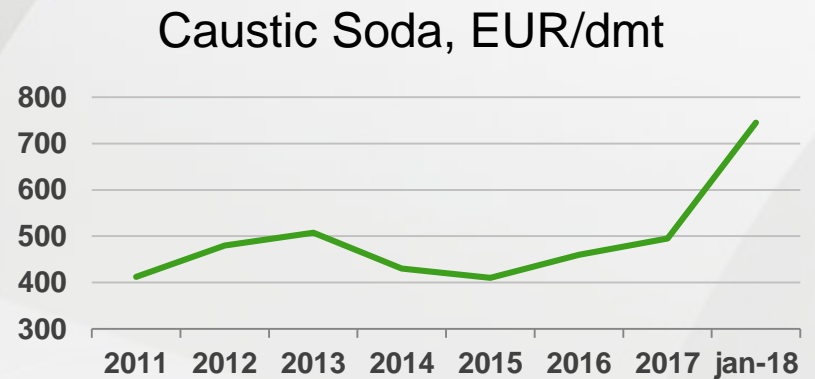
Source: Riksbanken – Total Competitiveness Weight Index

# NEGATIVE EFFECTS FROM COST INCREASES

- Demand-driven price increase for wood
- Pulp prices at all-time high levels
- Increased chemical prices



Source: BillerudKorsnäs – Total consumption hard and soft wood

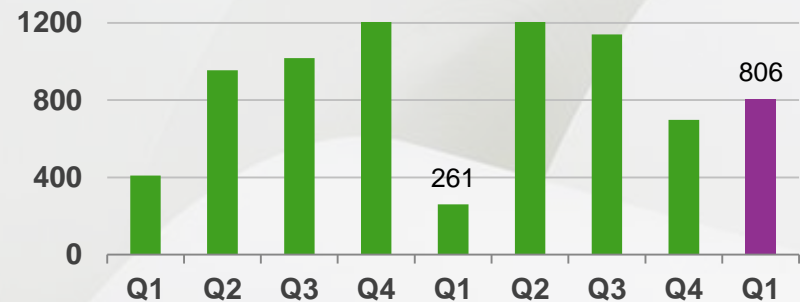


Source: IHS

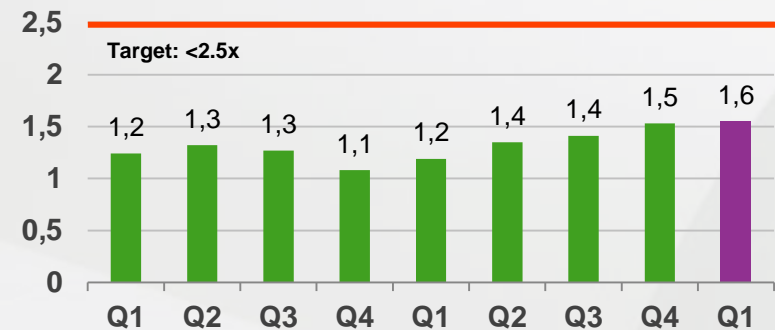
# STRONG UNDERLYING CASH FLOW

- Solid cash flow from operations to handle investments
- ROCE in line with target despite increased capital employed
- Net debt increased to MSEK 6,056 (4,165)
- High interest from debt investors
- Bergvik Öst deal expected to be finalised end of 2018

Cash flow from operations, SEKm



Net debt/EBITDA





# FINANCIAL TARGETS

Area	FY target	Outcome Q1 2018	
Growth	3-4%	5%	✓
EBITDA	>17%	18%	✓
ROCE	>13%	13%	✓
Net debt/EBITDA	<2.5	1.55	✓

# 2018 OUTLOOK

- Demand and order situation are expected to be strong with normal seasonal variations for all business areas
- Demand-driven cost increases expected to continue
- The financial impact on Q2 2018 from wood shortage is estimated to MSEK 50-75
- Overall capacity will remain at 2017 level
  - Increased volume for Consumer Board
  - Reduced volumes for Corrugated Solutions and Packaging Paper due to impact from Gruvön investment
- One-off impact on EBIT from investment project will be SEK ~210 million
  - SEK 75 million due to longer stop in Gruvön
  - SEK 75 million due to education, extra personnel etc.
  - Increased depreciation SEK 60 million