



# BILLERUDKORSNÄS

Interim report Jan–Dec 2020

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Return to underlying sales  
growth

Q4  
2020

29 January 2021 | Christoph Michalski, CEO and Ivar Vatne, CFO



# Key highlights Q4

- ④ Flat net sales, excluding currency effects growth was 2%
- ④ Sales volumes increased by 5%
- ④ Adjusted EBITDA 10%
- ④ Continued positive operational efficiency across key sites
- ④ Structural savings of SEK 100 million

# Key highlights 2020

- ④ Net sales declined by 2% and neutral FX impact
- ④ Sales volume growth by 4%, supported by the ramp-up at Gruvön
- ④ Adjusted EBITDA margin 11%
- ④ Cost and efficiency programme delivered above target
- ④ Strong cash flow delivery
- ④ Leading position in Dow Jones Sustainability Index maintained
- ④ Proposed dividend SEK 4.3 per share

# Business status and market outlook



Food & Drink



Medical & Hygiene



Consumer & Luxury



Industrial

Sales split, %

LPB (7.7bn\*)

100%

Cartonboard (1.7bn)

15%

85%

Containerboard (3.9bn)

80%

10%

10%

Kraft Paper (3.4bn)

35%

10%

15%

40%

Sack Paper (2.4bn)

20%

15%

65%

Managed Packaging (0.6bn)

100%

Market trend Q4'20

Stable



Stable



Stable



Mixed



Market outlook

More positive



Stable



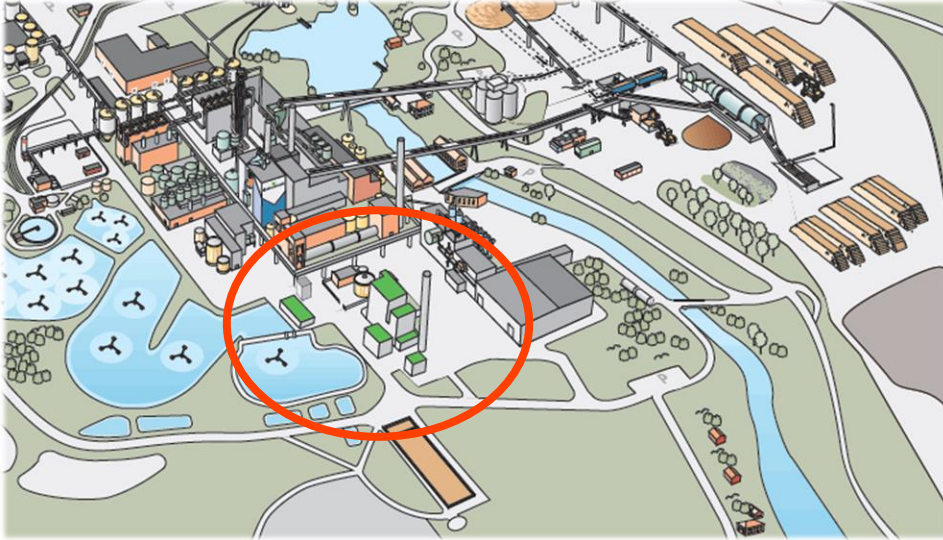
Stable



More positive



# New recovery boiler at the Frövi Mill



- ④ Total investment estimate of SEK 2.6 billion
- ④ Increased efficiency and integration of the mill
- ④ Improved environmental performance
- ④ Planned to be in operation by the end of 2023
- ④ The investment is planned to be financed by cash flow from operating activities
  - > Cash flow will be impacted by SEK 700 million in 2021
- ④ The existing recovery boiler will be in operation until start-up
  - > Additional SEK 25 m yearly depreciation until closure in 2023 (expect SEK 475 m in total future quarterly depreciation)

2019-2020

2021

2022-2023

Start-up by the  
end of 2023

PRE-PROJECT

GROUND WORKS

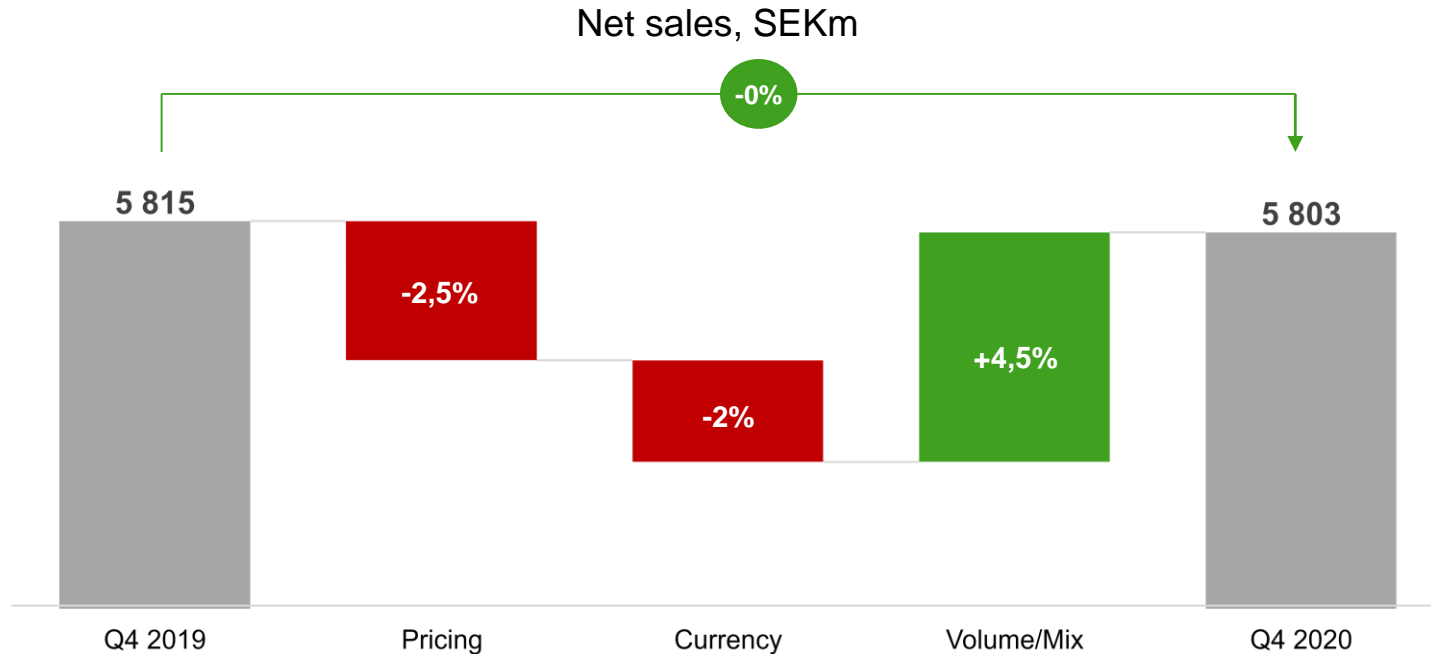
ASSEMBLY OF THE RECOVERY BOILER

# KM7 Q4'20 and 2021

- ⊕ Progress continued in Q4 – another step in the right direction
  - › Negative EBITDA effect reduced to SEK -50M million
  - › Accumulated 2020 EBITDA impact of SEK -450 million
- ⊕ ~350k tons produced during 2020, mainly uncoated products
- ⊕ Key focus for 2021 is to:
  - › Improve mix towards higher value segments
  - › Increase speed for higher output
  - › Continue LPB qualification
- ⊕ Expectation to reach break-even during 2021 remains



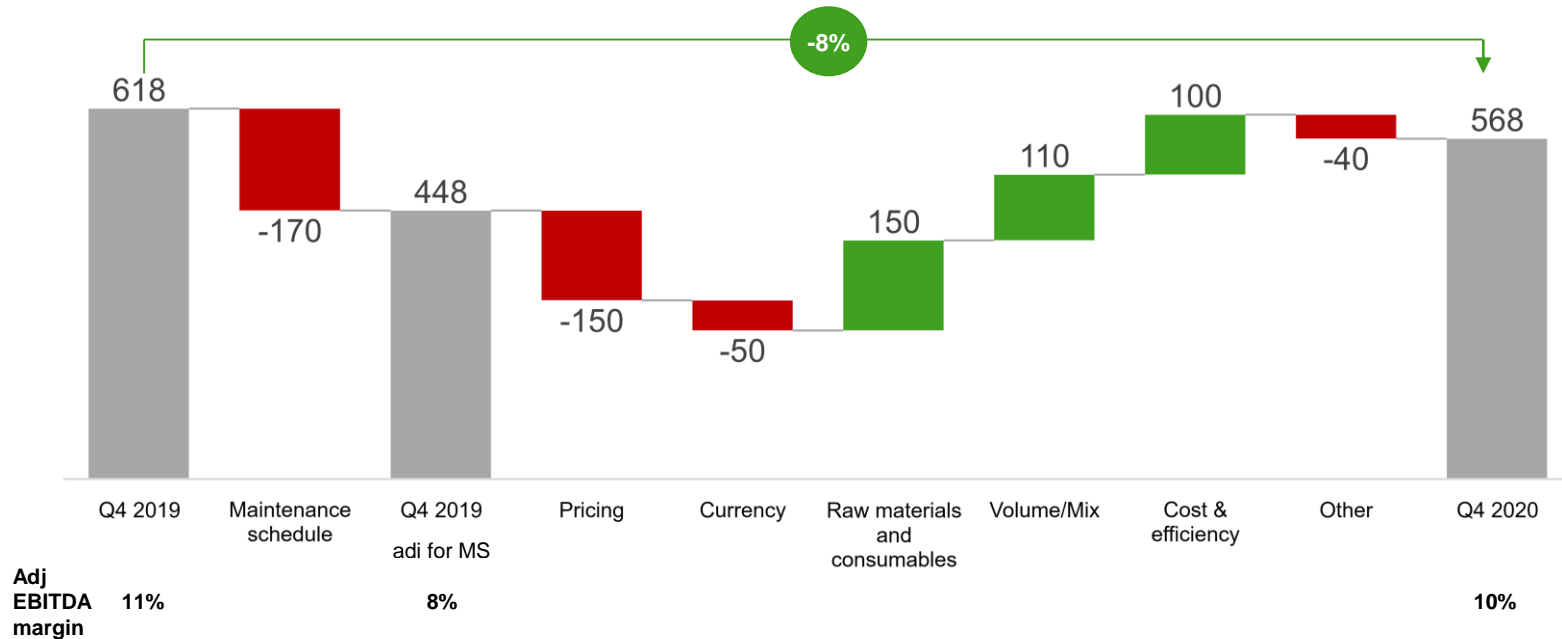
# Net Sales: Strong volume/mix growth offset by lower market prices and currency



# EBITDA impacted by maintenance phasing


## Several positive building blocks partly off-set by pricing and FX

Adj EBITDA, SEKm







## Raw material costs in Q4


**Cost of  
pulpwood  
decreased** 

Expected to remain  
flat in Q1

**Caustic  
soda cost  
decreased** 

Expected to  
decrease in Q1 yet  
risk for volatility  
remains

**Purchased  
pulp cost  
impact  
decreased** 

**Unchanged  
energy  
cost in Q4** 

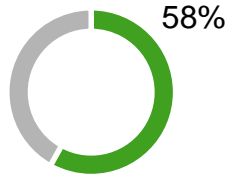
# Cost and efficiency programme

- ④ Delivery of SEK 335 million in 2020 – significantly ahead of target by SEK 35 million
- ④ SEK 100 million delivered in Q4'20
- ④ Program so far split between FTE related savings, operational efficiencies and purchasing activities
- ④ Ambition to achieve run-rate savings of additional SEK 315 million by the end of 2021 = in total SEK 650 million



# Product area Board

Share of net sales  
Q4 2020



## KEY FIGURES

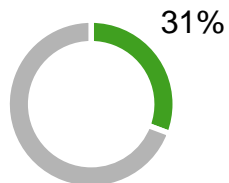
SEKm	Q4-20	Change vs Q4-19
Net sales	3 370	2%
<i>of which liquid packaging board</i>	1 908	-3%
<i>of which cartonboard</i>	436	24%
<i>of which containerboard</i>	948	8%
Net operating expenses, other	-2 889	3%
EBITDA	481	-2%
EBITDA margin	14%	+1%pt

- ④ Strong topline growth for cartonboard and containerboard – fueled by KM7 ramp-up
- ④ Decline in LPB, mainly related to unusual high base Q4'19
- ④ EBITDA decline driven by negative pricing and FX, partly offset by vol/mix, lower input cost and savings



# Product area Paper

Share of net sales  
Q4 2020



## KEY FIGURES

SEKm	Q4-20	Change vs Q4-19
Net sales	1 777	-6%
<i>of which sack paper</i>	575	7%
<i>of which kraft paper</i>	814	-9%
<i>of which pulp</i>	386	-14%
Net operating expenses, other	-1 612	-2%
EBITDA	165	-32%
EBITDA, %	9%	-4%ppts

- ⌚ Net sales decline driven by negative pricing and FX. Situation is more positive for Sack. Kraft paper remains challenging
- ⌚ EBITDA negatively impacted by maintenance timing, negative pricing and FX, partly offset by lower input costs and savings

# Cash flow and financial position

- Strong cash flow from operating activities due to normalized investment level and strong working capital delivery in Q4
- Healthy financial position – leverage well below target

## Outlook for 2021

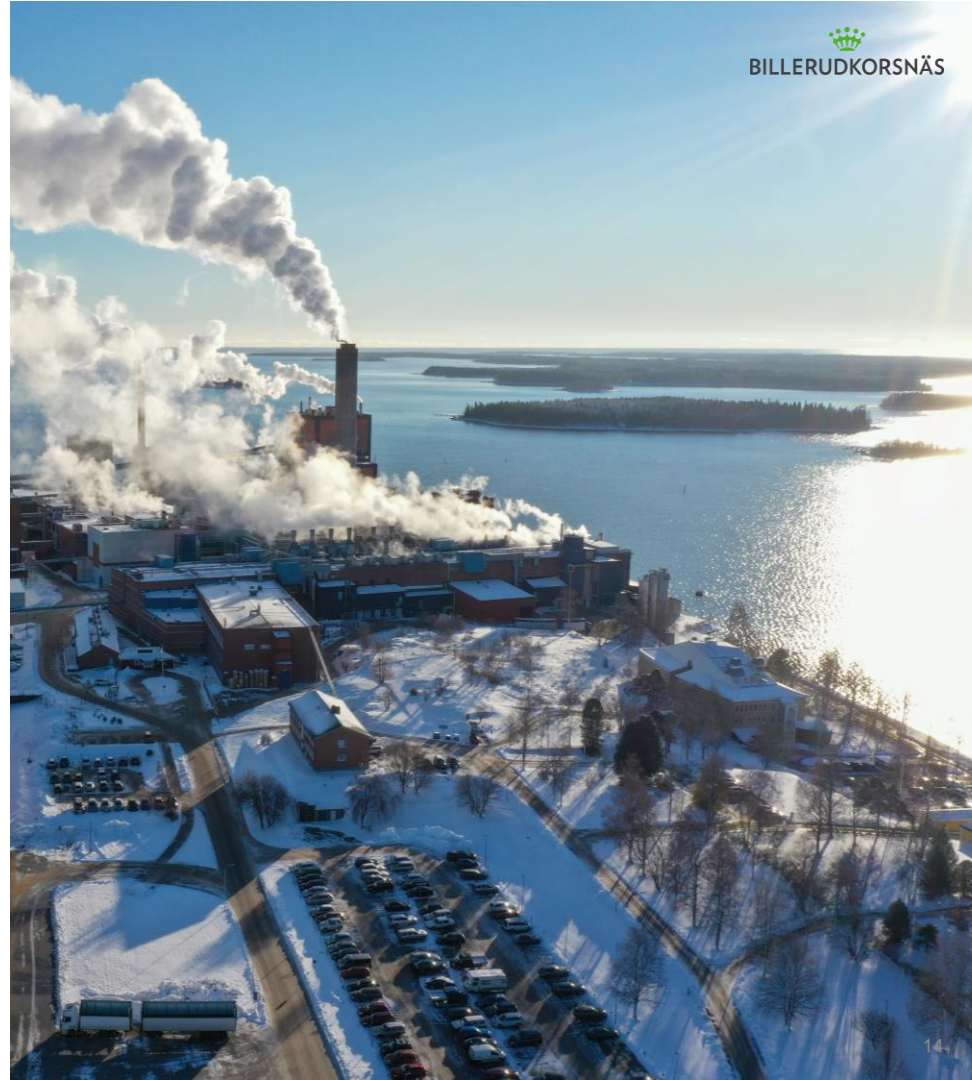
- The Board of Directors proposes dividend of approx. SEK 889 million (4.3 SEK/share)
- Investment in new soda recovery boiler at Frövi estimated to SEK 2.6 billion, planned financed by future operating cash flow
- Total CAPEX for 2021 estimated to SEK 2.0 billion (1.3 base CAPEX // 0.7 Frövi)

SEK m	Q4-20	Q4-19	2020	2019
Operating surplus, etc.	646	669	2 406	2 674
Change in working capital, etc.	517	237	-53	-463
Net financial items, taxes, etc.	89	154	-22	108
<b>Cash flow from operating activities</b>	<b>1 252</b>	<b>1 060</b>	<b>2 331</b>	<b>2 319</b>
Operative investments	-309	-577	-1 250	-2 868
<b>Operating cash flow after operative investments</b>	<b>943</b>	<b>483</b>	<b>1 081</b>	<b>-549</b>

SEK m	31 Dec 20	31 Dec 19
<b>Net debt</b>	<b>5 373</b>	<b>5 476</b>
<b>Net debt / adjusted EBITDA</b>	<b>2.0</b>	<b>1.9</b>

# Outlook

- Stable and improved market conditions for our products
- However, demand in some segments continue to be affected by the coronavirus pandemic
- Positive price movements in selective segments
- Unchanged fibre costs
- Operational efficiencies and continued ramp-up at Gruvön





**BILLERUDKORSNÄS**

# Appendix



## Q4 2020

NET SALES  
SEK **5 803 m** (5 815)

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NET SALES  
GROWTH Y/Y  
**0%**

EBITDA\*  
SEK **568 m** (618)

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EBITDA MARGIN\*  
**10%**

ROCE\*  
**3%**

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NET DEBT/  
EBITDA\*  
**2.0**

\* Adjusted, rolling 12 months

## CY 2020

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