
BILLERUDKORSNÄS
Capital Markets Day 2021
Sustainable profitable
growth in packaging materials

BillerudKorsnäs’ Executive Management Team

Christoph Michalski
President & CEO

Ivar Vatne
EVP & CFO

Nina Ekstrand
EVP Communication & Brand

Paulina Ekvall
EVP Human Resources

Ulf Eliasson
EVP Technology

Matthew Hirst
EVP Commercial

Tor Lundqvist
EVP Operations

Andreas Mattsson
EVP & General Counsel

Erik Olsson
EVP Strategy

Anna-Maria Tuominen-Reini
EVP Wood Supply

Agenda

13:00	**Journey so far and strategy building blocks** Christoph Michalski, CEO and President
	Market opportunity & commercial strategy Matt Hirst, EVP Commercial
	Impactful innovation Mikael Nilsson, Director Product Innovation
	Break
14:15	**Volume growth through operational stability and efficiencies: the journey ahead** Tor Lundqvist, EVP Operations
	Transition in competitive wood supply Anna-Maria Tuominen-Reini, EVP Wood Supply
	Sustainable and balanced financials Ivar Vatne, CFO
15:15	**Q&A**
	Conclusion
16:00	**Mingle and refreshments**

Journey so far and strategy building blocks

Christoph Michalski
CEO and President

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We operate in a very large market with significant growth opportunities underpinned by impactful macro trends

- Climate crisis and circular economy
- Demographic shifts and increased demand for packaging material
- Renewable resources and raw materials
- Digitalisation as an enabler

First impression as CEO and confirmed since

What is great?

- Sweet spot of trends and product portfolio
- Excellent market positions
- Highly qualified and dedicated people
- Innovation capability

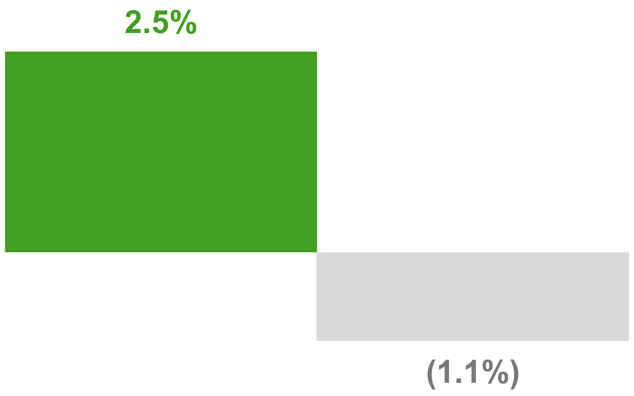
What are the challenges?

- Safety record
- Lack of common vision and focus on the core
- Production stability
- Financial performance

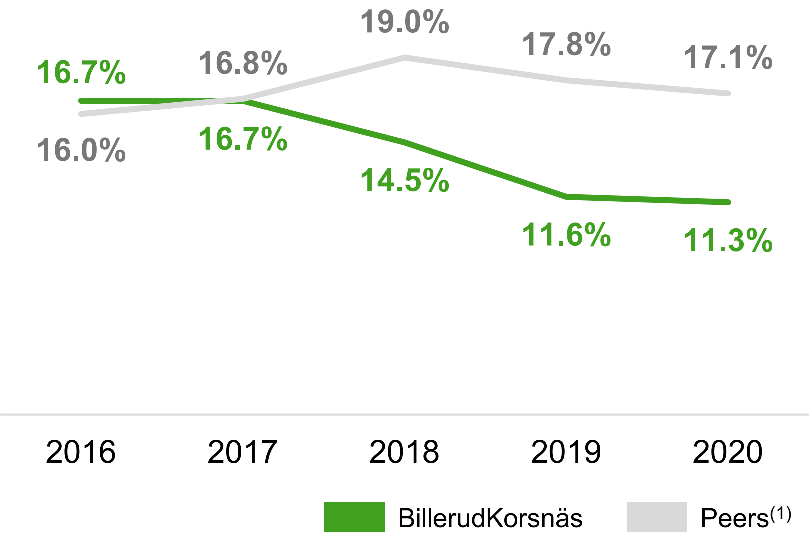
Decent topline performance …

… but falling behind on margin following KM7 investment

Net Sales 4 YR CAGR 2016-2020



EBITDA Margin % 2016-2020



Source: Company filings

(1) Peers include Stora Enso, Mondi, Metsä Board and UPM

Ongoing priorities 2020-2021 – merged with the new strategy

Ramp-up at Gruvön (KM7)

Cost and efficiency programme

Safe and stable production

Competitive wood supply

BillerudKorsnäs’ 2030 strategy

WE CHALLENGE CONVENTIONAL PACKAGING FOR A SUSTAINABLE FUTURE

SAFETY FIRST: ZERO LOST TIME INJURIES

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

COMMERCIAL	OPERATIONS	WOOD SUPPLY

SHAPE A SUSTAINABLE FUTURE

WIN WITH OUR PEOPLE

ONE BILLERUDKORSNÄS

Market opportunity & commercial strategy

Matt Hirst,
EVP Commercial

Our strategic choices

Paperboard
Powerhouse is Europe, ignite growth with focus in North America

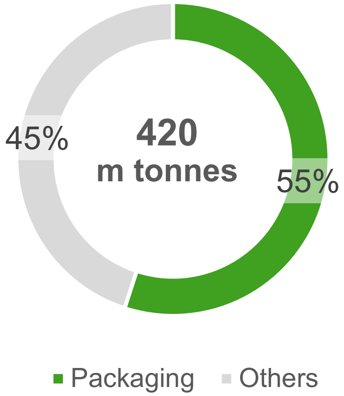
LPB
Accelerate growth with select opportunities

Sack and Kraft
Improve mix through profitable applications

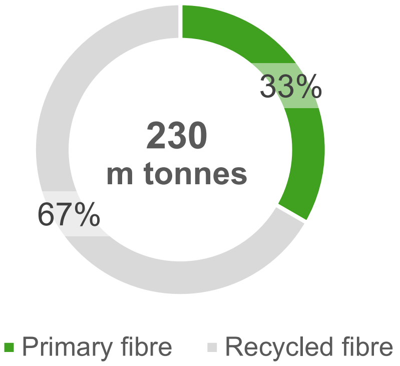
Innovation
Step up impact led innovation

We compete in the large niche of primary fibres, which represent ~18% of the global demand of paper and board

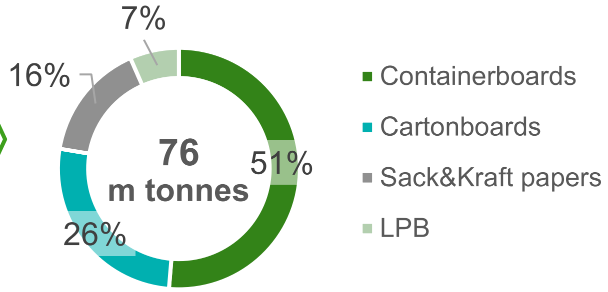
Total paper and board



Total packaging

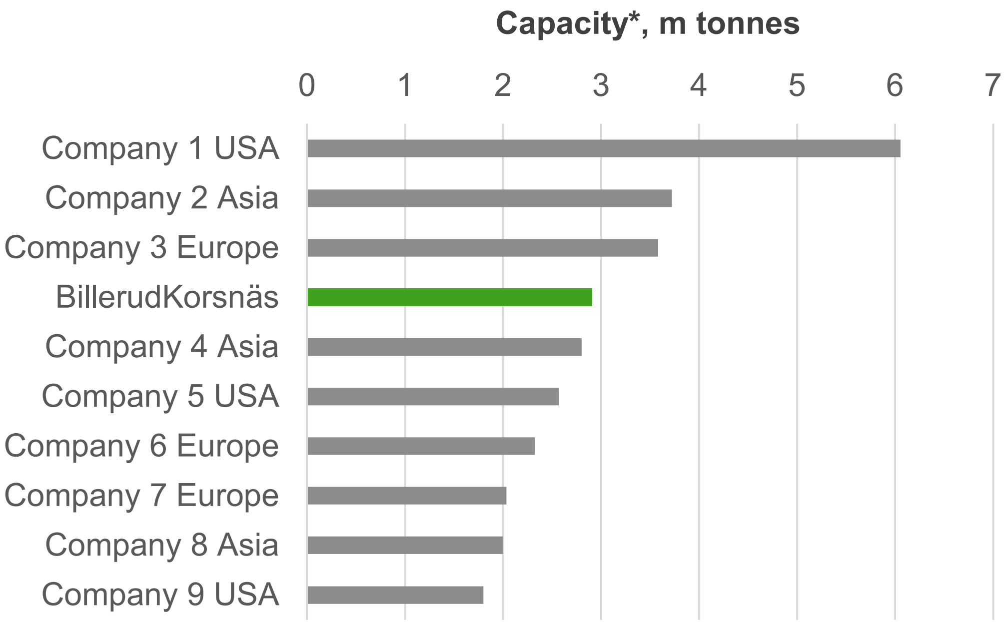


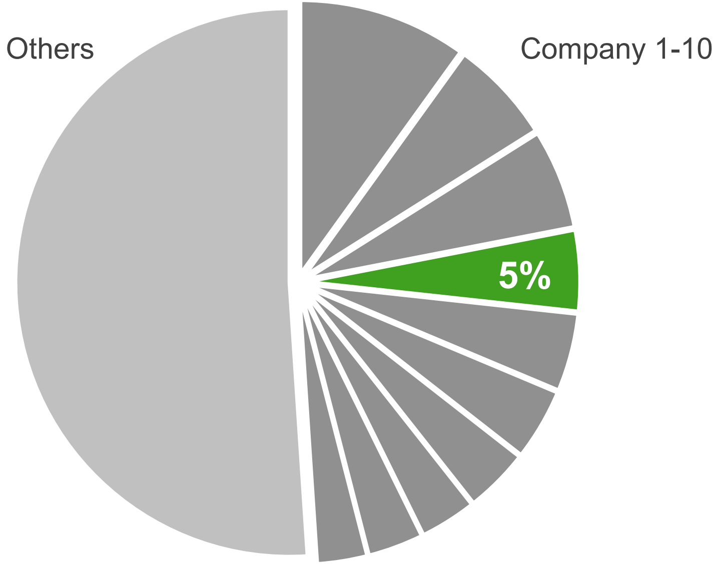
Primary fibre packaging



Source: AFRY & internal estimates

We have a competitive position within our servicable available market and solid platform from where we can grow

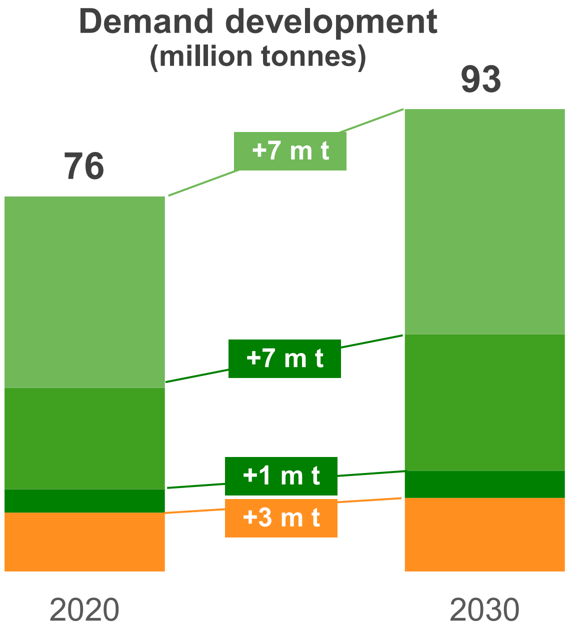




** Selected primary fibre products*

Source: AFRY & internal estimates

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

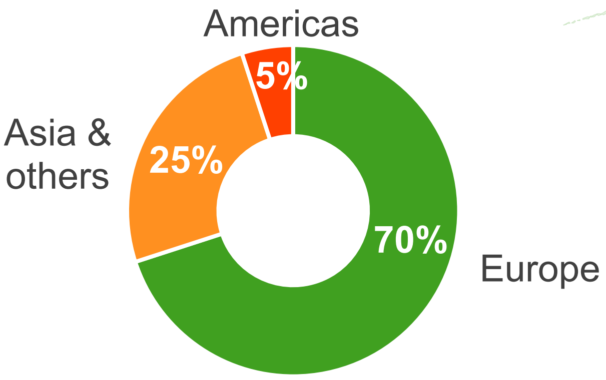


Product category	Market growth rate	BillerudKorsnäs' market position 2020
Containerboard	**2%** (primary fibre)	#2 Semi-chemical fluting, Europe #4 White kraftliner, Europe
Cartonboard	**3%**	#5 Cartonboard, Europe
LPB	**1-2%**	#1 LPB, long-life ambient packaging, globally #2 LPB, all types of packaging,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

Source: AFRY, Pöyry & internal estimates

Across geographies, Europe is our home market and North America represents the largest growth opportunity

Net sales by region, %



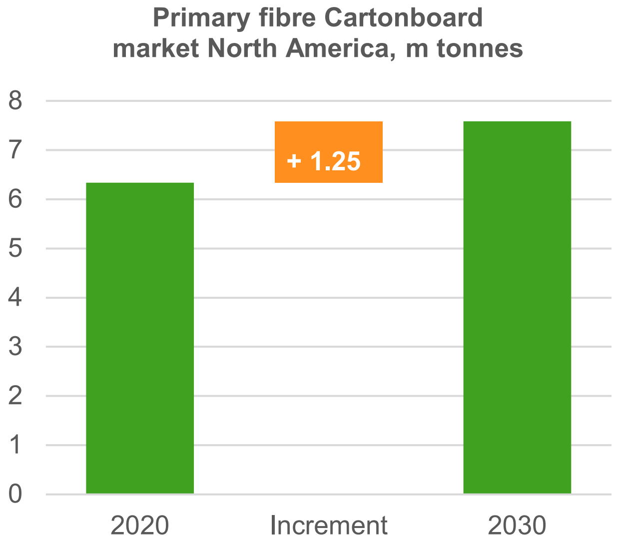
Europe
Well established position to expand further

Americas
Main growth region in the future for paperboard

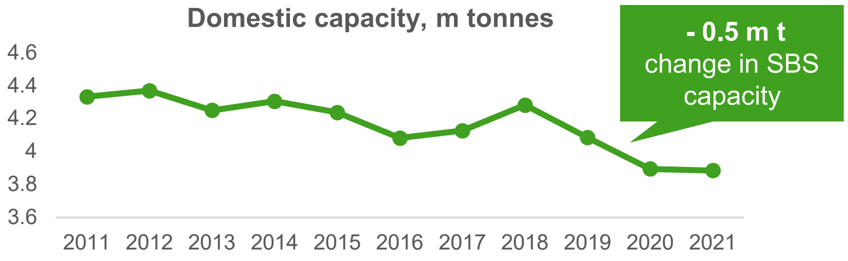
Asia & others
Grow with the market in selected end-use applications

Why we believed we can succeed in North America?

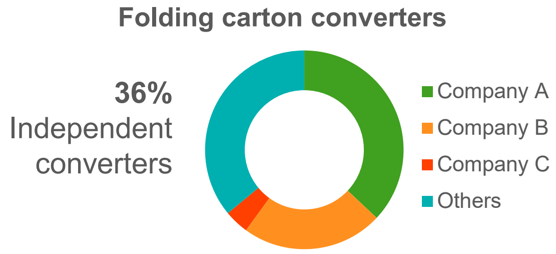
Example: Igniting growth of cartonboard



The supply of local SBS is reducing



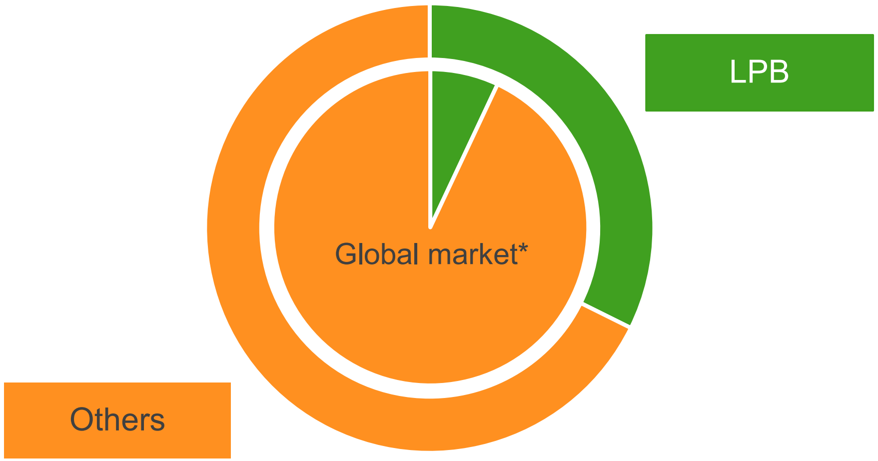
The market for independent converters is large



Source: AFRY & internal estimates

LPB is currently our smallest market, but our largest business segment. We will accelerate growth with select opportunities

BillerudKorsnäs 2020 net sales

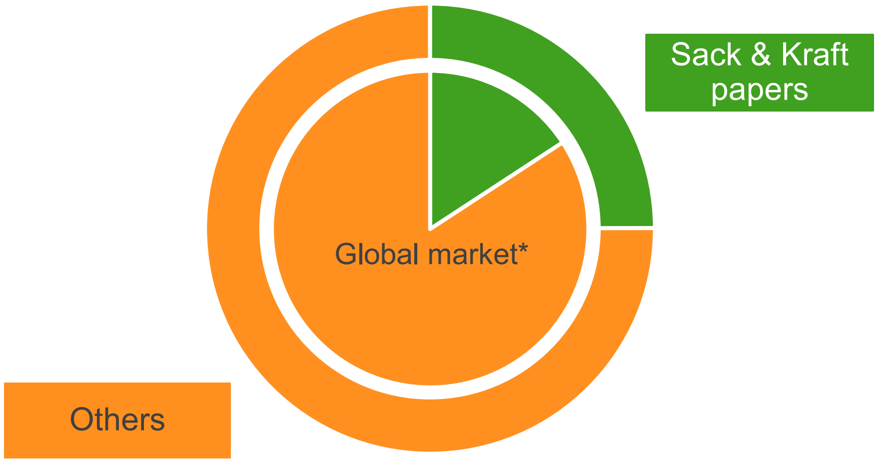


*Primary fibre packaging

- Leading global category position including #1 in long-life ambient
- Market size 4-5 m tonnes, growing at 1-2% p.a.
- Strong position to compete
- Innovation focus: sustainability and recyclability

Competitive intensity is an important consideration within Sack & Kraft. Focusing on the right application areas is key

BillerudKorsnäs 2020 net sales



*Primary fibre packaging

- Competitive intensity varies between application area
- Focus on application areas where ability to add value is highest
- Growing opportunity to switch out plastic packaging
- Innovation focus: barriers

Source: AFRY & internal estimates

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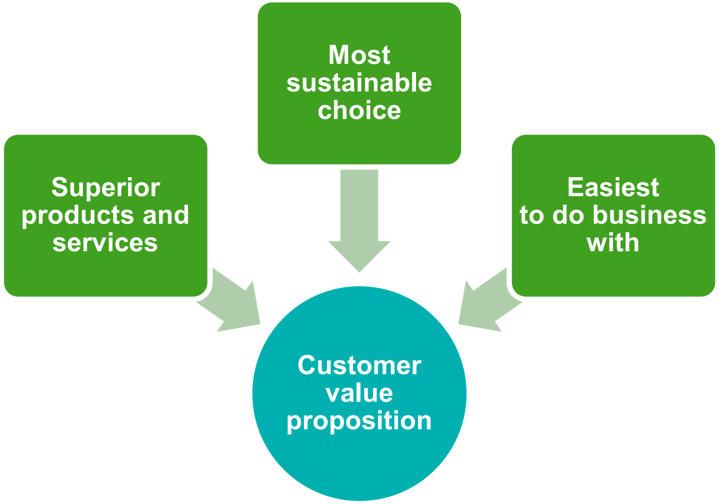
We will win through a customer centric value proposition. Sustainabilty is a key source of advantage



Uniquely positioned to be the most sustainable choice

- Best in class company position
  - 100% of our wood raw material is responsibly sourced
  - Our production uses 97% biofuels and only 3% fossil fuels
- Ability to differentiate enabling customers to utilise climate smart packaging

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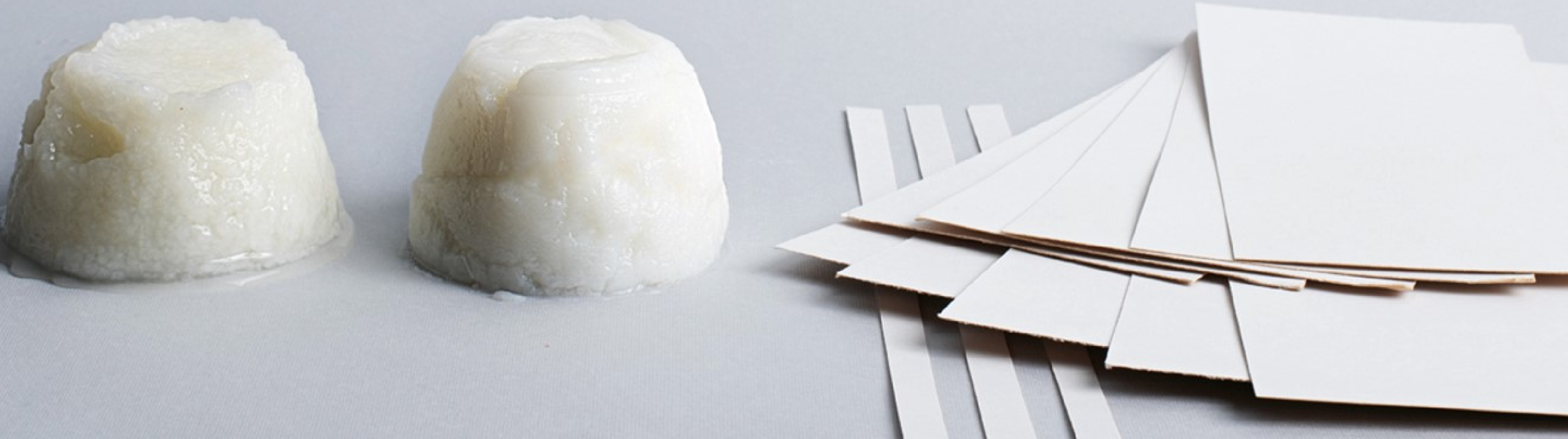
Impactful innovation

Mikael Nilsson,
Director Product Innovation

We are changing our innovation management methodology to drive transparency, commercial focus and prioritisation



Aligning our innovation portfolio with our new strategy

In the past…

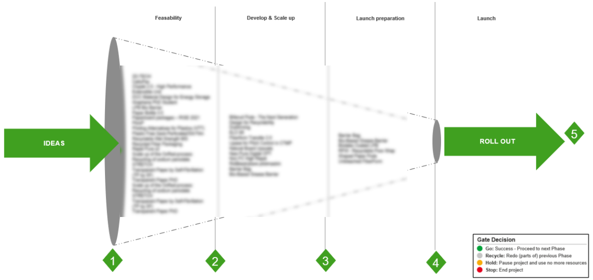
- Parallel processes for short term and long term innovation
- Gap between long term innovation and business areas
- Process not allowing prioritisation of resources between business areas

From now on…

- One process and governance model
- Commercial focus and clear accountability
- Clarified decision making
- Full visibility on project status

Three significant tools to review and manage our innovation portfolio

Portfolio overview – Innovation funnel

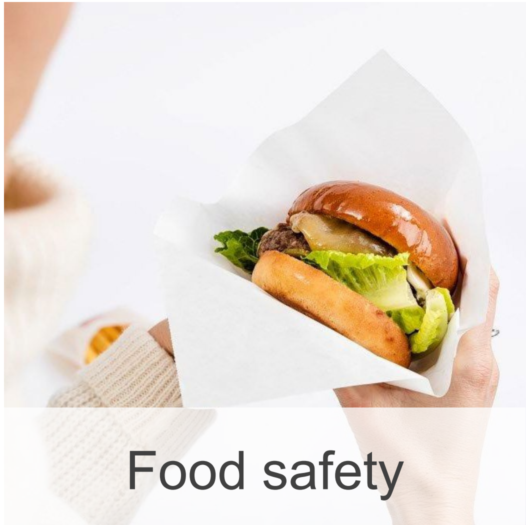


Customer technology matrix

Launch plan

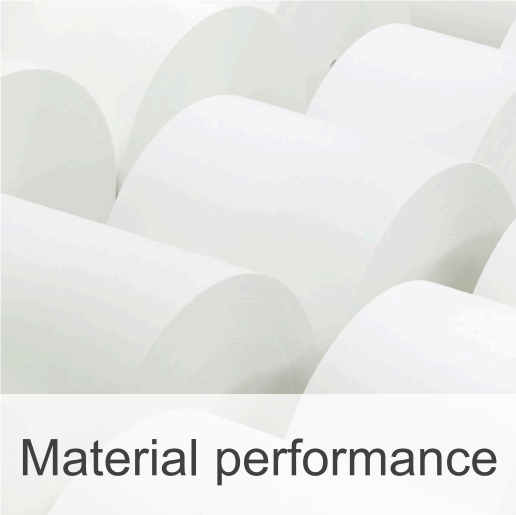

high density
weldable paper
fat barriers
recyclable sack
sealable paper
less use
heat sealability
high extensible kraft
barriers solutions
paper consumption
water vapor barriers
water proof packaging
biodegradable barriers
grease barriers
sustainable forestry
extensible kraft paper
gsm bag
strength
increased paper capacity
use of wood
recyclability
cement waste
non wood fibre
plastic replacement
ply sack
heat sealabile solutions
kraft paper
proof packaging wrap
high humidity barriers
sustainability
industrial compostability
humid conditions
moisture resistance
resistant barriers paper
sealability solutions
recyclable barriers
medical packaging
plastic coating
sustainable non wood
recycled fiber
reduction of material
cost efficient solutions
food packaging
cost savings
medical industry
top deareation
recyclable siliconised gp
economical solutions
fiberform application
decrease price

We have identified a number of critical priorities underpinned by ownable technologies



Food safety

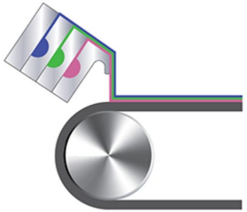
Sustainability



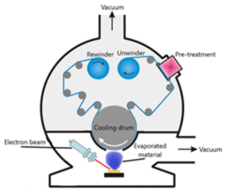
Material performance

Sustainable barrier development impact new technology requirements

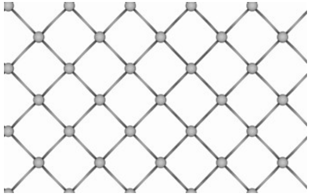
Multi layer curtain coating



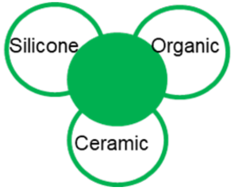
Vacuum coating

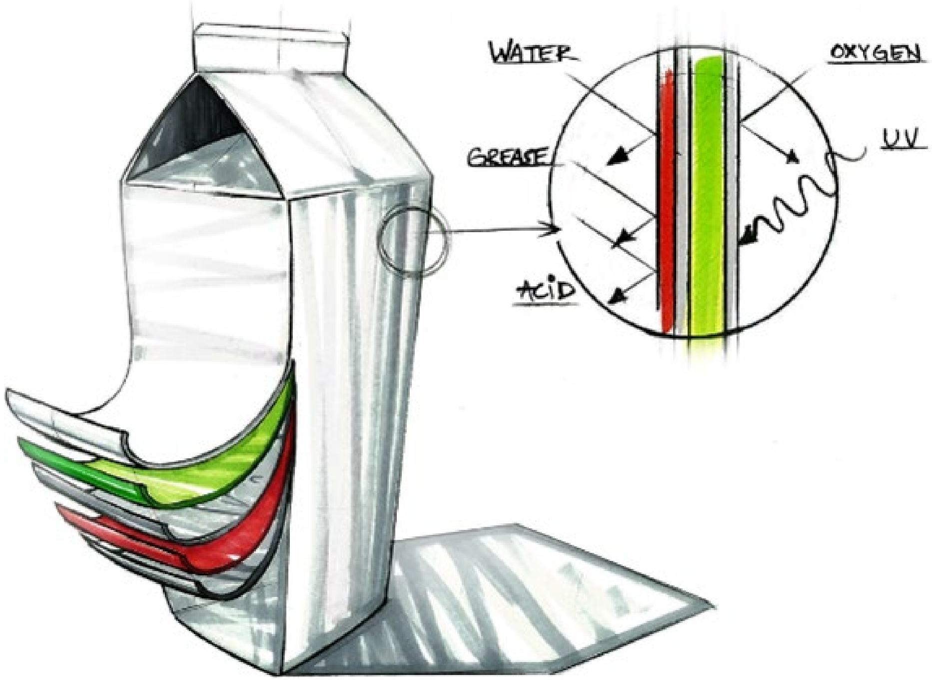


2-D filler materials



Water based dispersions





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We continue to invest in PaBoCo, together with an industry leading partner in bottle manufacturing

"We are changing this industry for good"

First generation paper bottle is available while the development of Gen 3.0 with an integrated bio-based barrier is accelerated

- Goal: #1 most sustainable bottle (CO_2 footprint & recyclability)
- Fully biobased and recyclable
- Priority to prove scalable process
- Barrier coating development in focus

We create customer value by innovating on core products

Brand owners sustainability commitments are supported by tailormade innovation

Case study Oatly – outcome:

- 35% reduction of secondary packaging material
- 50% CO_2e reduction
- 58% reduction in water consumption

BREAK

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Volume growth through operational stability and efficiencies: the journey ahead

Tor Lundqvist,
EVP Operations

Maximise capacity utilisation at lowest possible unit cost

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Our strategic choices

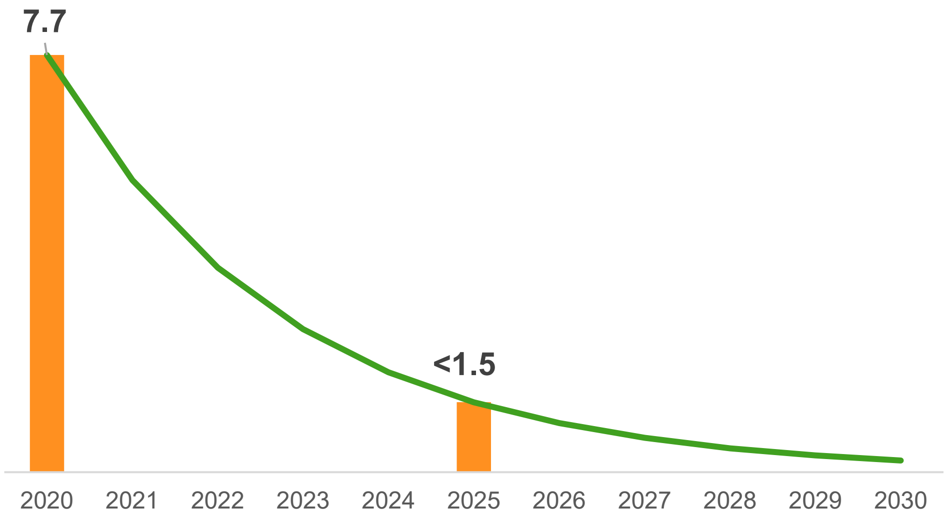
Improve efficiency to best in class with one operating framework

Accelerate KM7 to capacity and release true potential across the three board mills

Evaluate possibilities to boost capacity in current facilities and/or M&A

Safety is our first priority

Vision is zero lost time injuries – for employees and contractors



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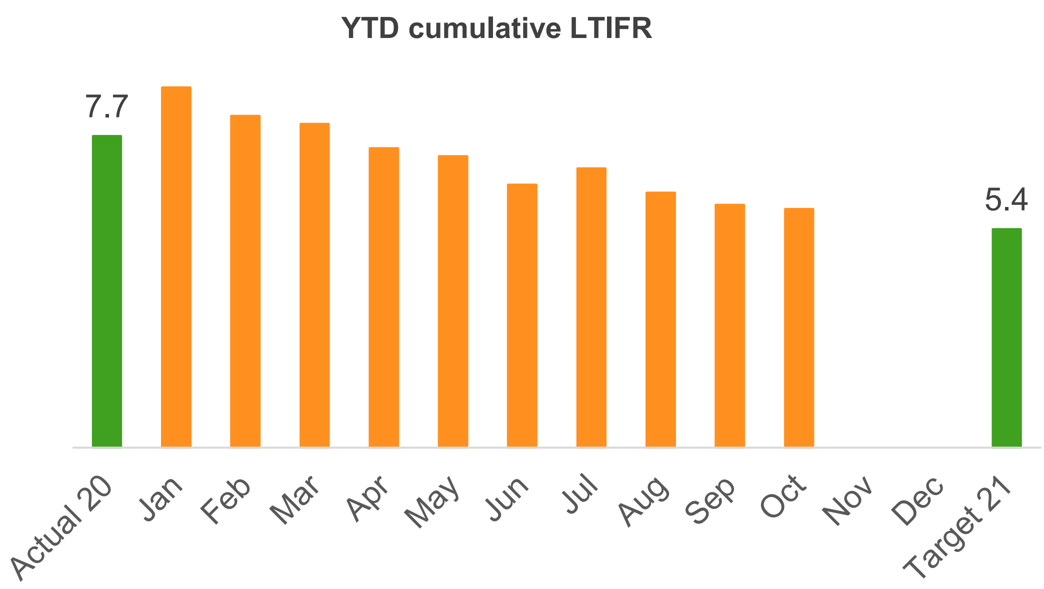
On the right path with focused activities

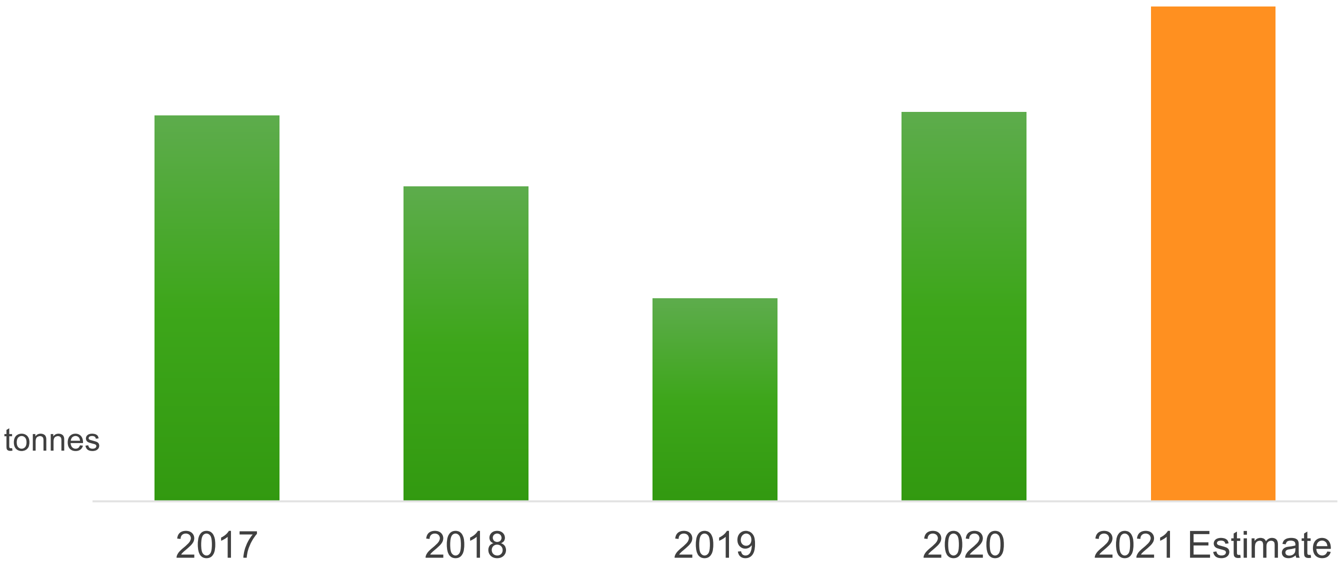
Good leadership and strive towards a solid safety culture is key



- Three major safety initiatives run in 2021
  - Common Lock-out Tag-out (LoTo) system
  - Work permits
  - Roles and responsibilities
- Safety trainings
- Visible leadership

Volume growth is picking up

Gruvön ramp-up and continuous efficiency improvements are key



Strong volume growth and mix optimisation critical to deliver net sales over the coming four years

- Gruvön continued ramp-up to design capacity and beyond
- Product mix improvements across mills
- Potential for further production efficiency improvement

Production stability will improve with stronger focus on maintenance, CAPEX and execution

Focus on maintenance

- Programme to lift maintenance to common best practice has started
- External audits of all mills have been conducted. Detailed action programme under development
- Focus on three core maintenance processes:
  - Management
  - Preventive maintenance
  - Planning and scheduling

Focus on CAPEX

- Historic non-strategic base CAPEX has been too low to both maintain and develop the mills
- Critical process equipment needs more attention to provide right level of availability
- Overall, 2022-2025 will require non-strategic annual CAPEX of SEK 1.5 – 1.7 bn

Higher non-strategic base CAPEX will improve asset quality and production stability

Priority to our board mills

- Acceleration of reinvestment programmes for
  - Electrical infrastructure
  - Control system modernisation
  - Exchange of critical process equipment
- Debottlenecking of pulp lines, paper and board machines for increased stability and capacity
- New tools for predictive maintenance
- Energy efficiency

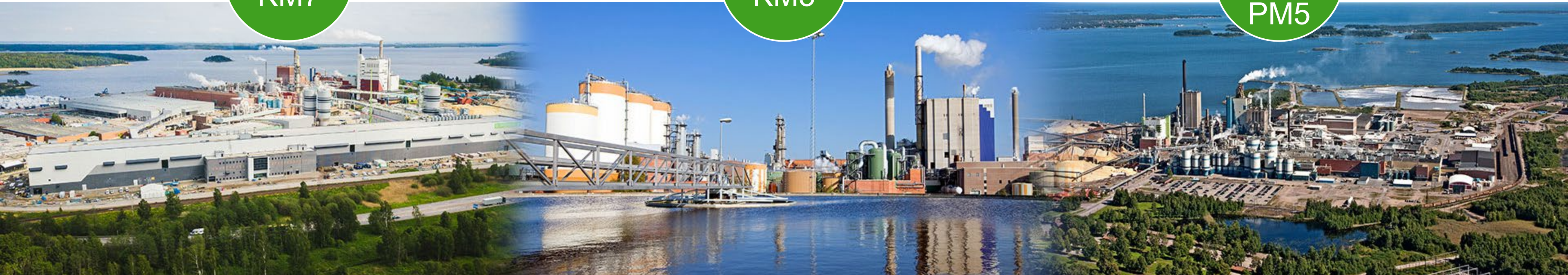
Systemic approach with strong asset base across four big board machines

- Wide basis weight range and coating capabilities on all board machines create flexibility
- Opportunities to boost productivity by optimising the product portfolio over the full board machine system
- Maximise use of CTMP (chemi-thermomechanical pulp) where feasible
- Improve efficiency on internal sheeting operations

Gruvön KM7

Frövi KM5

Gävle PM4 PM5



Possibilities to expand capacity

Capacity expansion in current facilities after 2025

Gävle

- Modernisation of pulp mill
- Possible introduction of CTMP
- Opportunity for new board machine

Frövi

- KM5 capacity increase through debottlenecking
- Higher degree of pulp integration possible with new recovery boiler

Gruvön

- Board production beyond current design level for PM6 and KM7

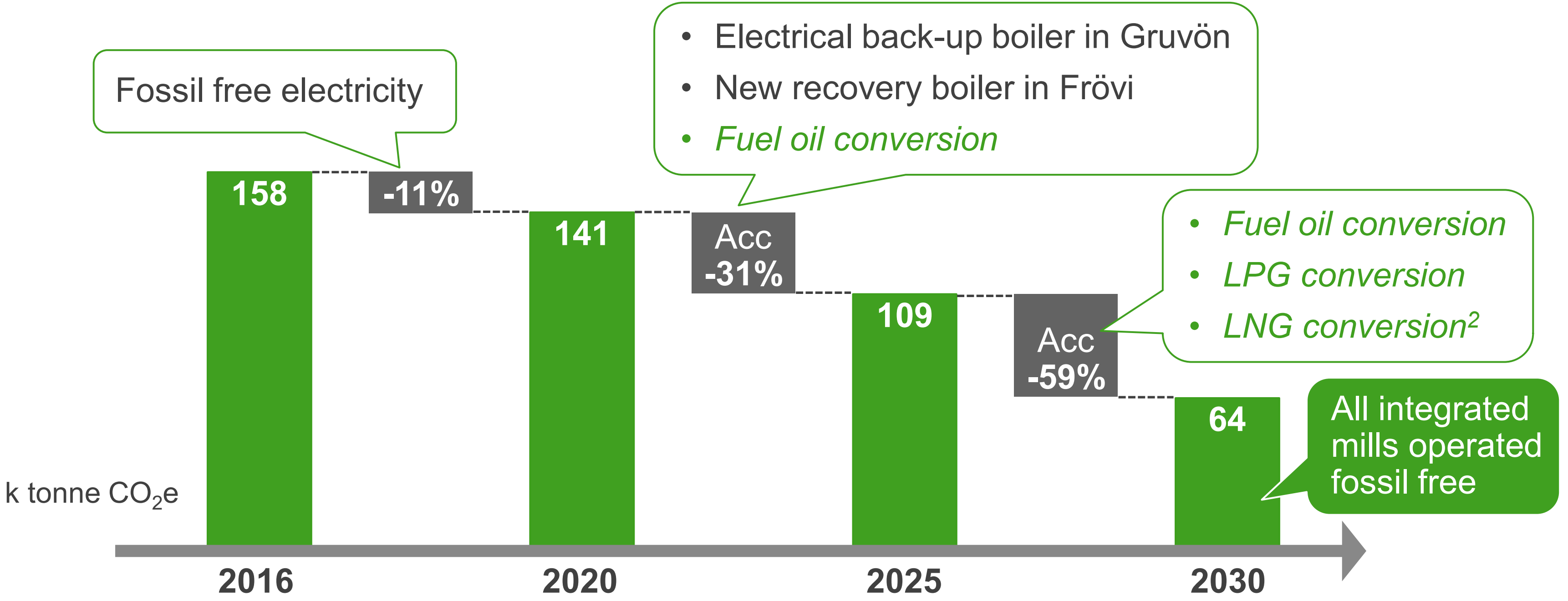
Skärblacka

- Potential pulp line expansion

and/or

M&A activities in targeted product segments

Sustainability in Operations: Our roadmap to reach our Science Based Targets 2030[1]



1) Scope 1-2: Direct emissions from own operations and indirect emissions from purchased energy.
2) Applies only to Beetham.

Vision for the future: Carbon capture and circular revenue streams

From a pulp mill to a resource efficient bio-refinery and CO_2 capture

→ CO_2 negative and circular products

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Transformation in competitive wood supply

Anna-Maria Tuominen-Reini,
EVP Wood Supply

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Our strategic choices

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

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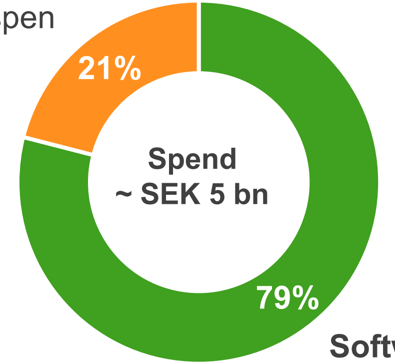
Competitive wood supply

Building sourcing excellence with deep knowledge of forestry

Annual consumption volume:

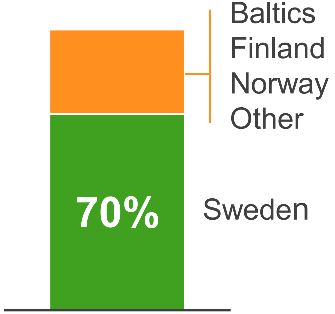
10.5 million m^3 sub of wood



One of the biggest purchasers and consumers of wood fibre in Sweden

Supplier base:

- ~90 wood fibre suppliers
- ~4,500 private forest owners
- Long-term supply agreement with Bergvik Skog Öst



Supply organisation:

- Deep knowledge and roots in forestry
- Transforming into a sourcing organisation that excels in forestry

Sustainable wood supply

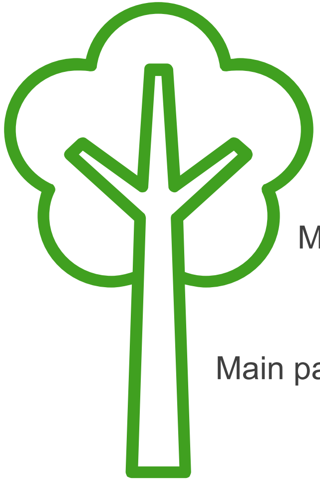
Supplier qualification and sustainability in wood sourcing:

Sourcing from regions with growing wood stock

Wood suppliers with signed Code of Conduct	Control for origin of wood: 100%	Group certification: 260 private forest owners by 2024

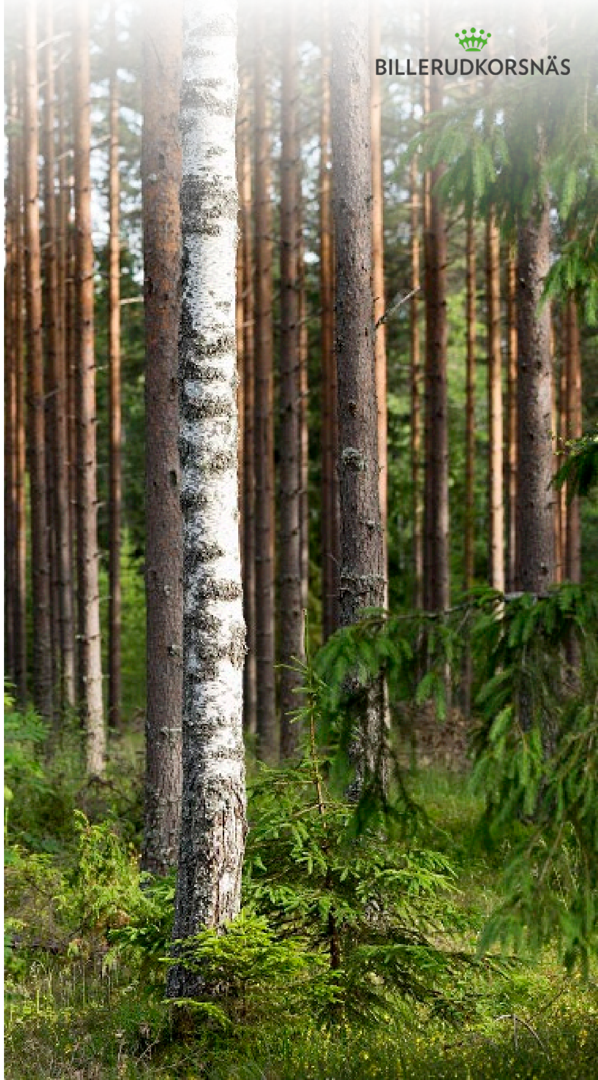
Sustainable forest management practices vital to preserving biodiversity

Sourcing pulpwood from thinning & harvesting and residuals from saw mills:



Good fibre availability in the short term, long-term pressure on forestry remains with increased demand and political debate

- Role of forest in climate change in the long run
  - Static carbon sink
  - Replacing fossil materials
  - Preserving biodiversity
- Possibly changed legislation, new requirements and expectations on forestry



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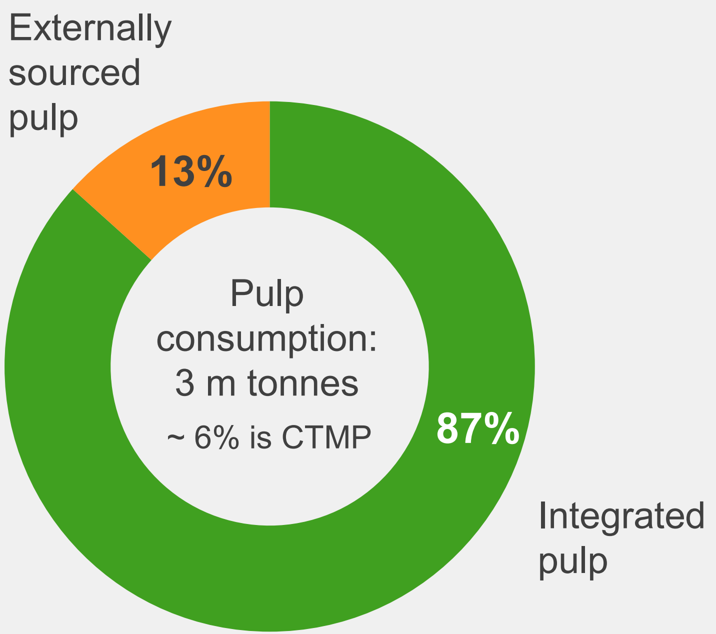
Optimise fibre consumption

Consumption analysis and raw material mix:

- Evaluate hard and softwood mix
- Increase use of CTMP
- Assess pulp production / external sourcing

Spend management actions aimed to:

- Generate savings in fibre consumption
- Deliver quality improvements



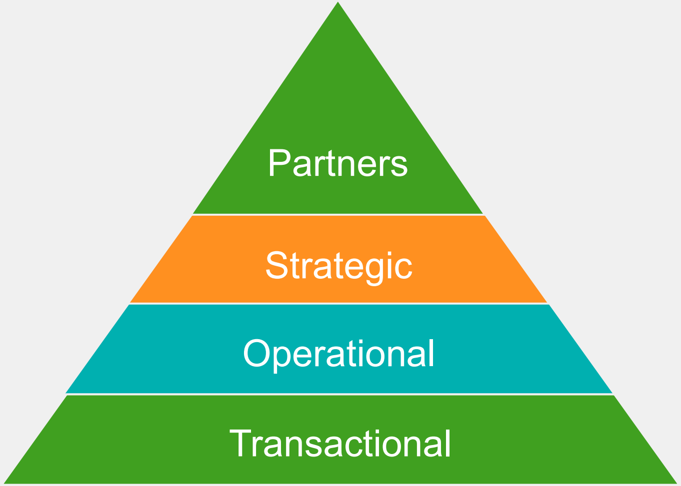
Create sourcing partnerships

Supplier relationship management:

- Build partnerships with like-minded suppliers
- Strengthen relationships with key suppliers

Supplier collaboration strives to:

- Create win-win and growth opportunities for both
- Harvest end-to-end and long-term benefits



Ref: Supplier Relationship Management

Build competitive fibre availability

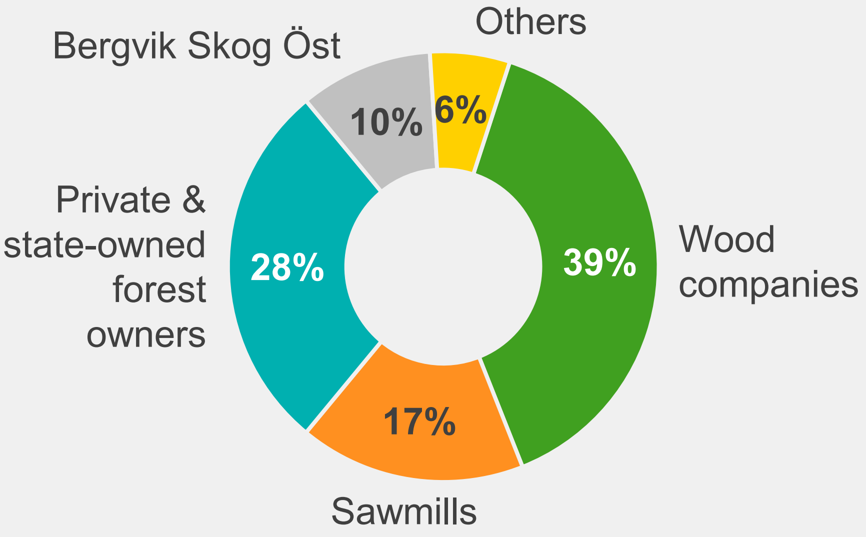
Development and diversification of supplier base:

- Grow business with current suppliers
  - Reliable partner for private forest owners
  - Strong and independent partner for sawmills
  - Steady supply from Baltics
- Develop new supply sources
  - Norway offers opportunities
  - Other potential regions under evaluation

Supplier base management aimed to:

- Deliver volumes for growth
- Manage supply risks and costs

Supplier portfolio



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Develop Wood Supply Chain

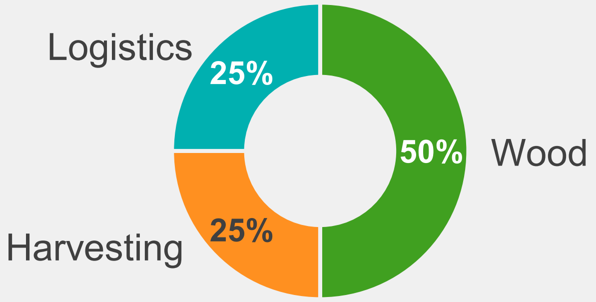
End-to-end supply chain management:

- Develop lean, green and flexible supply chain

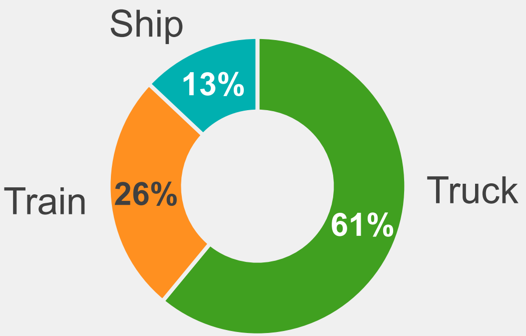
Supply chain development strives to:

- Deliver cost and efficiency improvements
- Work on sustainable logistics solutions
- Steer material flows in optimised, flexible manner

Wood cost components



Transport modes



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Competitive wood supply through sourcing excellence

- Deep knowledge of forestry → Sourcing excellence with forestry expertise
- Fibre consumption → Seek for fibre savings
- Long-term relations → Partners grow together and harvest benefits
- Supplier base development → Grow with current suppliers and develop new sources
- Logistics → End-to-end supply chain planning and efficiency

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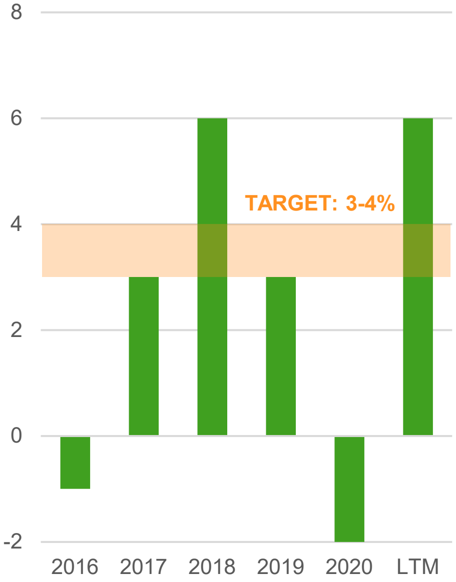
Sustainable and balanced financials

Ivar Vatne,
EVP & CFO

Last years have been challenging with unsatisfactory financial performance. However, our turnaround is well underway

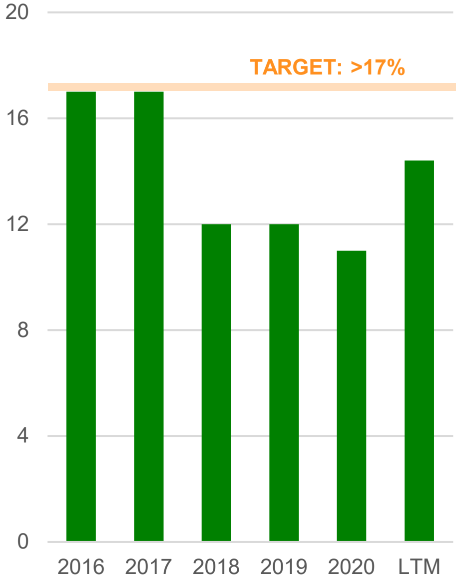
NET SALES

Net sales growth, %



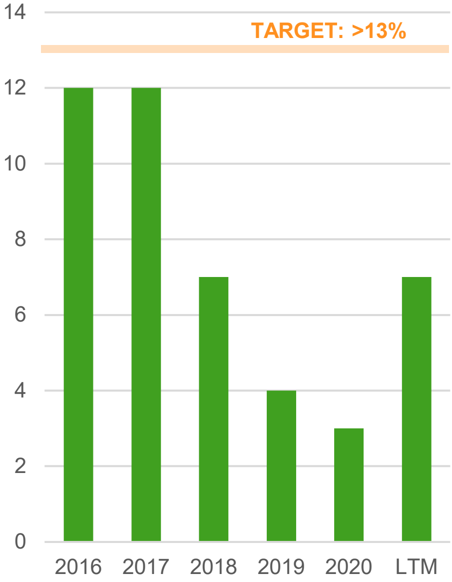
EBITDA %

EBITDA margin, %



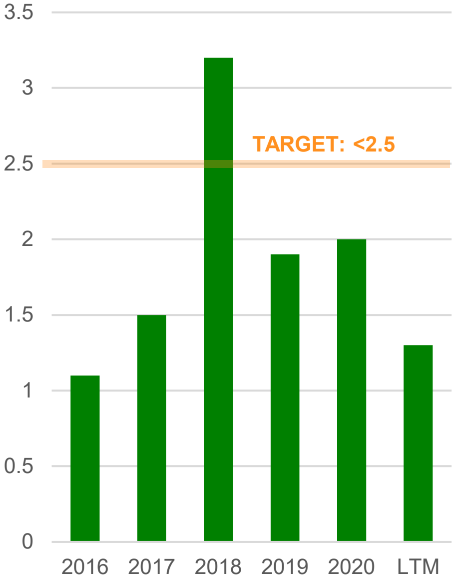
ROCE %

ROCE, %



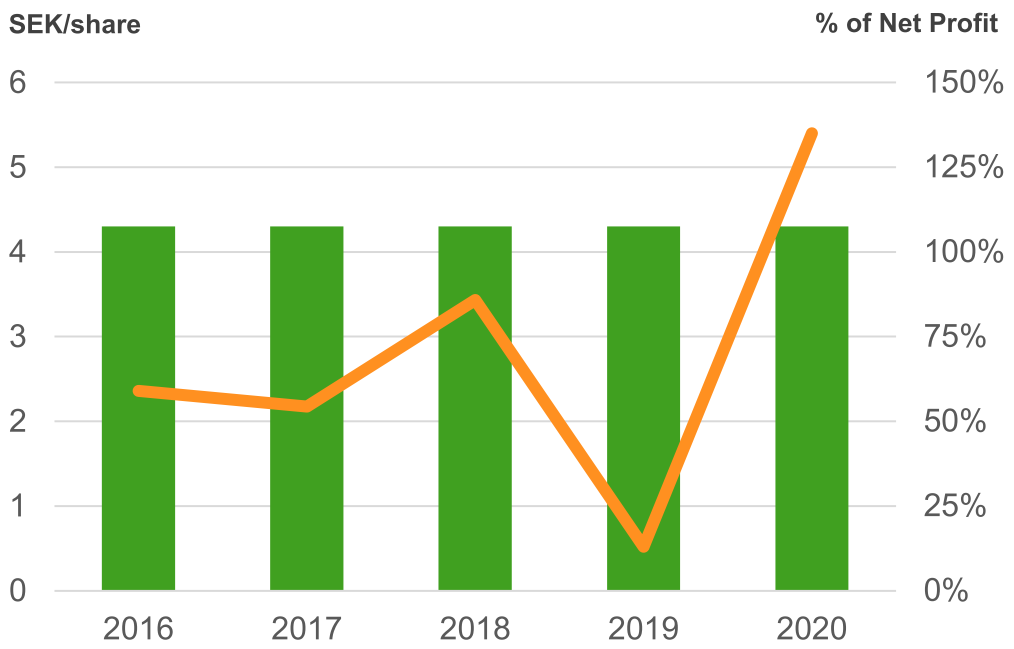
NET DEBT LEVERAGE

Interest-bearing net debt/ EBITDA



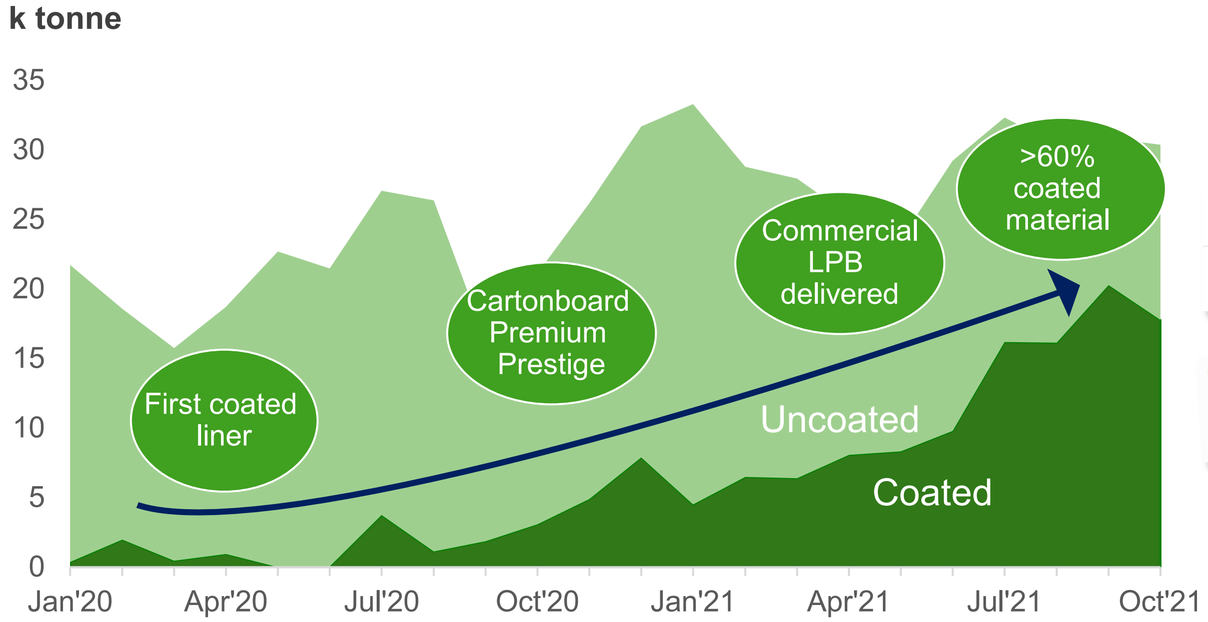
BILLERUDKORSNÄS

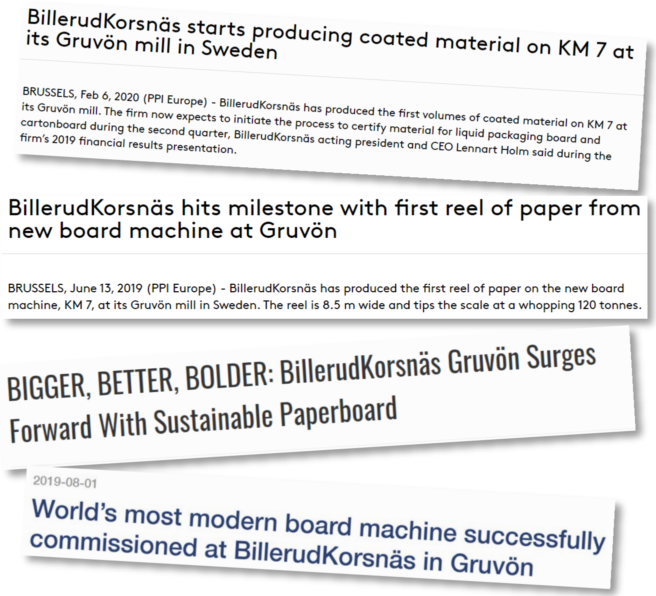
Despite volatile profitability levels and high CAPEX outflow, we have paid an attractive dividend every year



Dividend Policy
>50%
of net profit

We are making excellent progress in our KM7 ramp-up





BillerudKorsnäs starts producing coated material on KM 7 at its Gruvön mill in Sweden

BRUSSELS, Feb 6, 2020 (PPI Europe) - BillerudKorsnäs has produced the first volumes of coated material on KM 7 at its Gruvön mill. The firm now expects to initiate the process to certify material for liquid packaging board and cartonboard during the second quarter, BillerudKorsnäs acting president and CEO Lennart Holm said during the firm's 2019 financial results presentation.

BillerudKorsnäs hits milestone with first reel of paper from new board machine at Gruvön

BRUSSELS, June 13, 2019 (PPI Europe) - BillerudKorsnäs has produced the first reel of paper on the new board machine, KM 7, at its Gruvön mill in Sweden. The reel is 8.5 m wide and tips the scale at a whopping 120 tonnes.

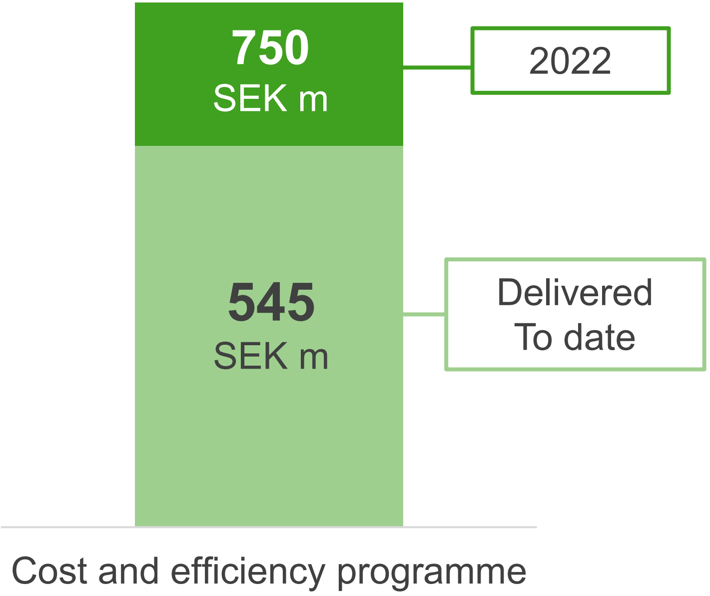
BIGGER, BETTER, BOLDER: BillerudKorsnäs Gruvön Surges Forward With Sustainable Paperboard

2019-08-01

World's most modern board machine successfully commissioned at BillerudKorsnäs in Gruvön

Our cost and efficiency programme has progressed well, increased target by SEK 100 million by end of 2022

- Programme to date (Q3 2021) has delivered SEK 545 million of structural savings and efficiencies
- Expect to reach SEK ~620 million by end of 2021
- We raise programme ambition again to SEK 750 million by end of 2022



BILLERUDKORSNÄS

Our balance sheet is solid and keeps getting stronger

Net debt/
Equity
24%

Net debt/
EBITDA
1.3x

CAPEX going forward:

- Base capex SEK 1.5-1.7 bn annually to 2025
- Frövi soda recovery boiler to be completed early 2024
- Ample room for strategic investments and M&A in the future

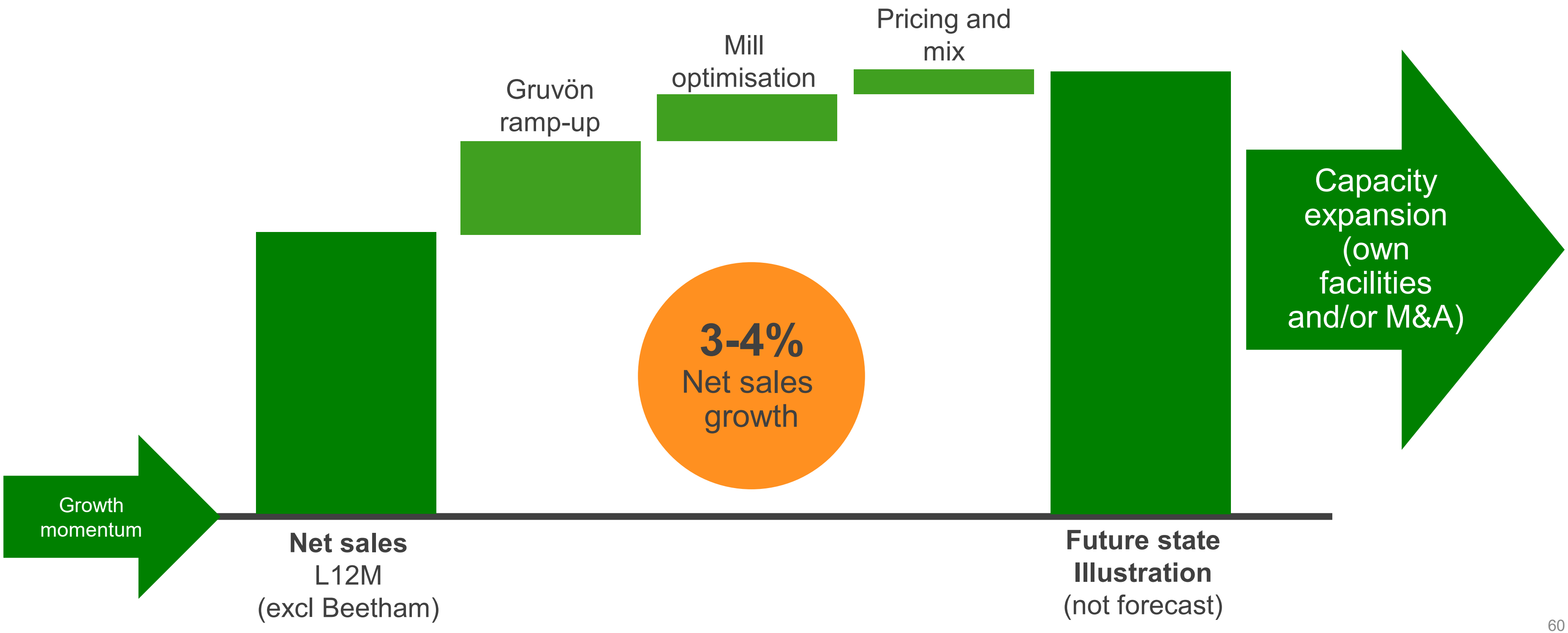
BILLERUDKORSNÄS

Our financial targets remain largely unchanged

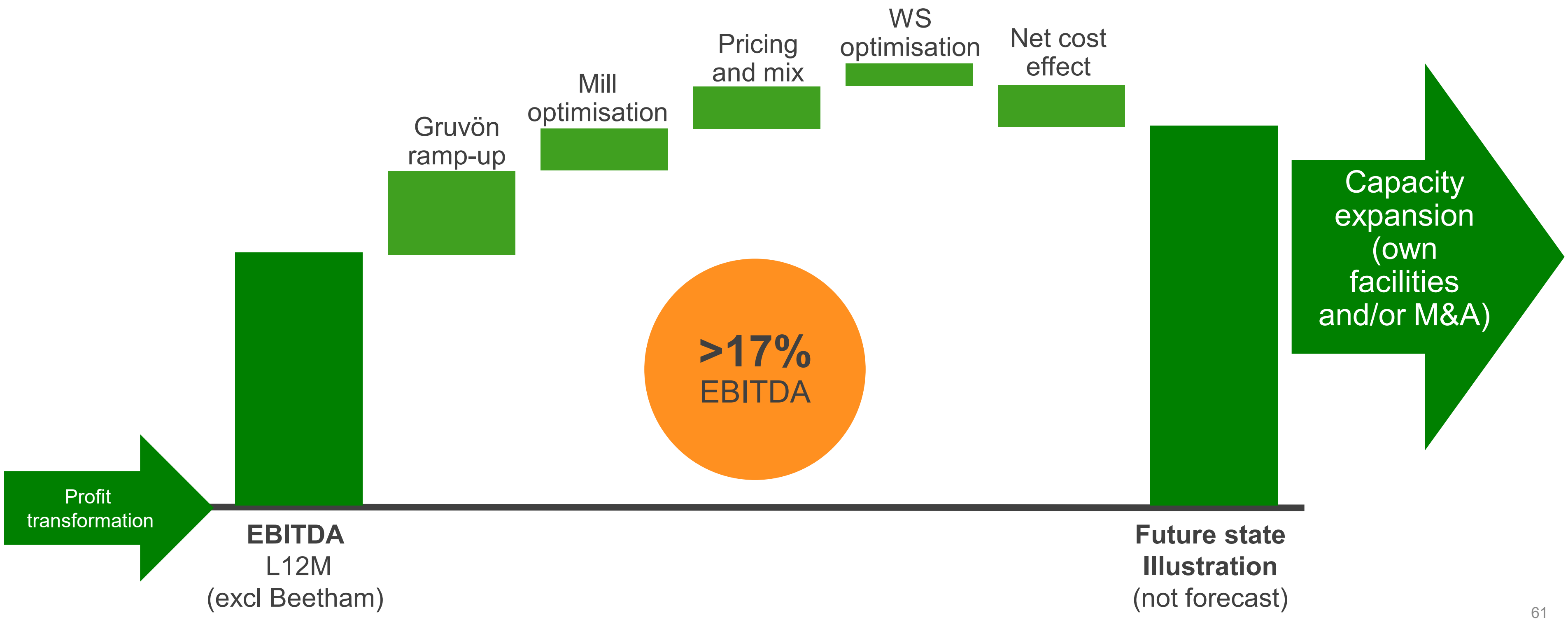
FINANCIAL GOALS		POLICY	
Net sales growth	EBITDA margin	Net debt/ EBITDA	Dividend ratio
3-4% annually	**>17%**	**<2.5**	**>50%**

BILLERUDKORSNÄS

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



Few but sizable building blocks will continue our profitability transformation for the coming four years



Q&A

BILLERUDKORSNÄS

Conclusion

Christoph Michalski
CEO and President

BillerudKorsnäs' 2030 strategy

WE CHALLENGE CONVENTIONAL PACKAGING FOR A SUSTAINABLE FUTURE

SAFETY FIRST: ZERO LOST TIME INJURIES

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

COMMERCIAL	OPERATIONS	WOOD SUPPLY

SHAPE A SUSTAINABLE FUTURE

WIN WITH OUR PEOPLE

ONE BILLERUDKORSNÄS

BILLERUDKORSNÄS

Win with our people:
It is our people that makes it happen

Develop the right skills to meet the challenges ahead

- Critical skills for our mills identified
- New technical trainee program
- Corporate competence programs
- Retention & development

Grow our talents and build a pipeline for the future

- Systematic approach to succession planning
- Continued strong focus on talent mangement

Our new values support the implementation of our strategy

- Place the customer in the centre
- Dare to innovate
- Lead the change
- Care for each other

BILLERUDKORSNÄS

One BillerudKorsnäs – Enabling strategy execution

BillerudKorsnäs today

- Integration debt originating from 2012
- Several attempts to fix over the years
- Struggling to realise full potential and synergies

'One BillerudKorsnäs'- integrating our business processes

- Core systems to be modernised and aligned with business process transformation
- Timeline: 2021-2024

Key takeaways

- Sweet spot of market trends, product mix and our innovation programme
- Maximise capacity utilisation at lowest possible unit cost
- Build fibre sourcing excellence with deep knowledge of forestry
- Sustainability as an opportunity across the business: customers, operations and wood supply
- Future capacity expansion in own facilities and/or M&A

Our people, their talent and drive are critical for our success

BILLERUDKORSNÄS