



# BILLERUDKORSNÄS

Year-end report Jan–Dec 2021

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## Strong fourth quarter to end a successful 2021

Q4  
2021

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



# Performance and key highlights Q4

- ⌚ Market conditions continue to be strong across all segments
- ⌚ Substantial profitability improvement through price, mix and efficiencies
- ⌚ Strong production in the quarter
- ⌚ Strategy for profitable growth to 2030
- ⌚ Merger agreement with Verso

## KEY FIGURES

SEKm	Q4-21	Change vs Q4-20
Net sales	6 688	15%
Adjusted EBITDA	1 075	89%
Adjusted EBITDA margin	16%	6 pp
Operating profit - EBIT	418	156%
EBIT margin	6%	3 pp
Operating cash flow after capex	682	-28%

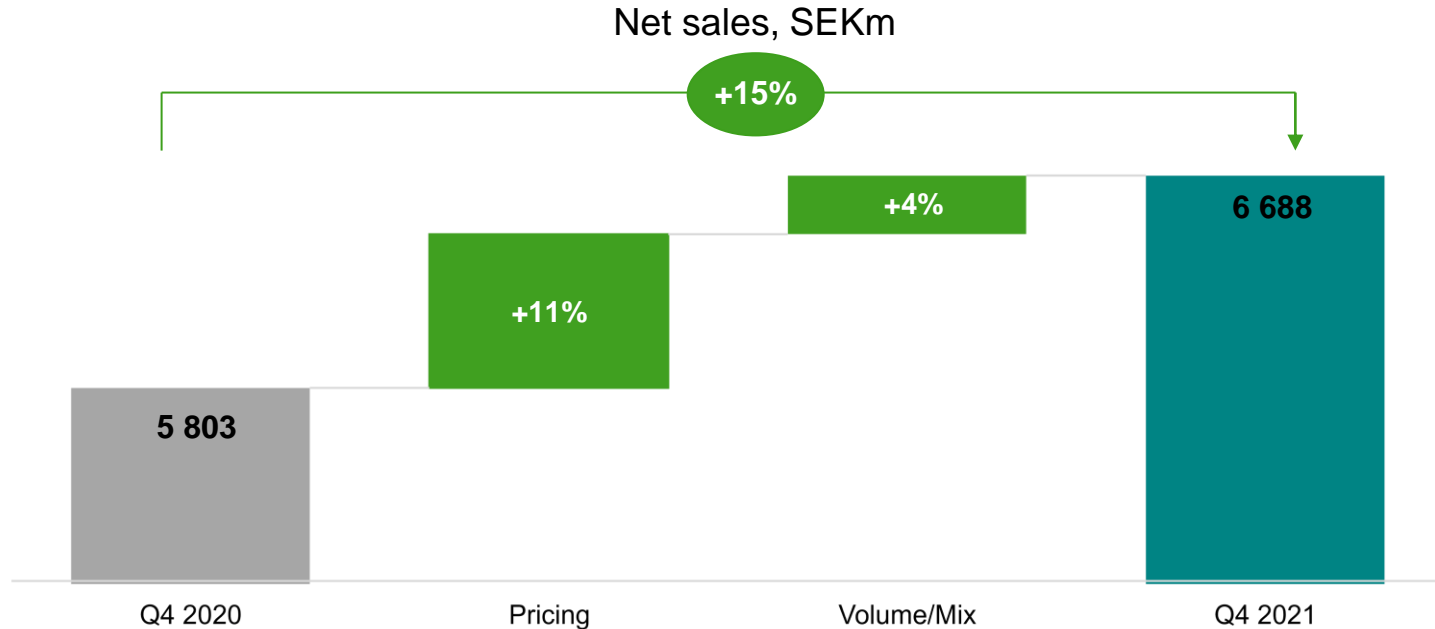
# Performance and key highlights 2021

- ⤵ Excellent topline delivery despite production challenges
  - › Net Sales +12% vs year ago (FX neutral)
- ⤵ Substantial profitability improvement
  - › Operating profit more than doubled
- ⤵ Strong cash flow
- ⤵ Solid balance sheet – 1.0x debt leverage
- ⤵ Proposed dividend SEK 4.30 per share





## KEY FIGURES

SEKm	2021	Change vs 2020
Net sales	26 206	10%
Adjusted EBITDA	4 078	51%
Adjusted EBITDA margin	16%	5 pp
Operating profit - EBIT	1 989	157%
EBIT margin	8%	5 pp
Operating cash flow after capex	2 366	119%

Strongly improved Board mix coupled with positive market cycle delivering high double digit Net Sales growth



# Business status and market outlook continue to look very positive

	 Food & Drink	 Medical & Hygiene	 Consumer & Luxury	 Industrial
Sales split, %				
LPB (7.9bn*)	100%			
Cartonboard (2.2bn)	20%		80%	
Containerboard (4.4bn)	80%		10%	10%
Kraft Paper (3.5bn)	35%	10%	15%	40%
Sack Paper (2.7bn)	20%		15%	65%
Managed Packaging (0.7bn)			100%	
Market status Q4'21	Stable	More positive	More positive	Stable
Market trend outlook	➔	↗	↗	➔

\* 2021 Net Sales in bn SEK

# Solid Earnings growth continued in Q4, helped by both internal efficiency improvements and positive market momentum

Adj EBITDA, SEKm



## Cost inflation accelerated during Q4

**Relatively stable cost for fibre** →

Continued good availability of fibre and marginally higher cost in Q1

**Higher cost for chemicals** →

Expecting further price inflation near term

**Higher energy cost in Q4** →

80% of annual consumption hedged but high volatility with the rest

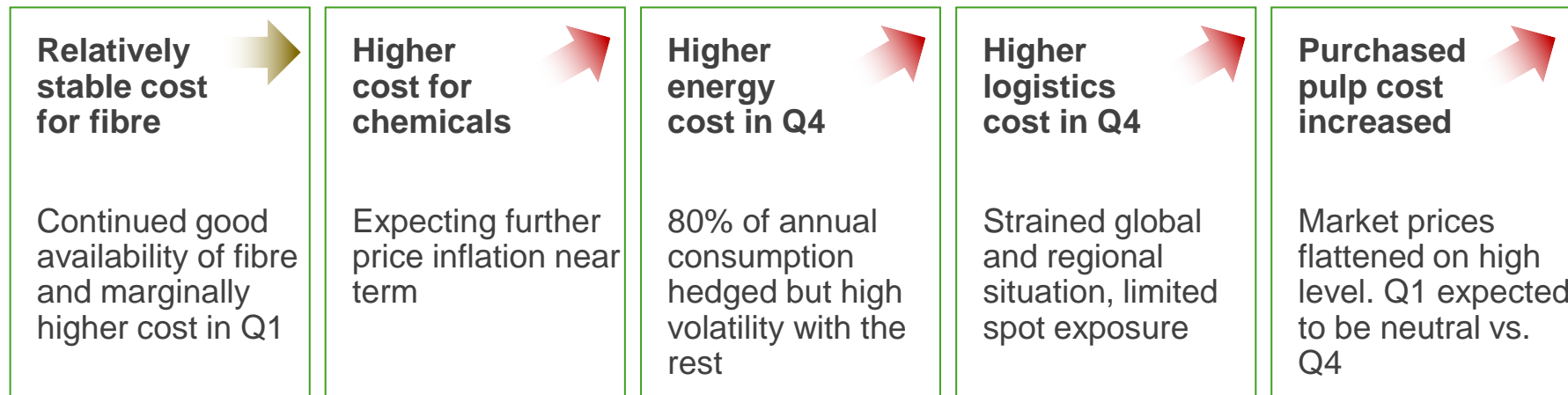
**Higher logistics cost in Q4** →

Strained global and regional situation, limited spot exposure

**Purchased pulp cost increased** →

Market prices flattened on high level. Q1 expected to be neutral vs. Q4

# Current plans for efficiencies, delivering our cost program and price management more than off-set inflation risk for 2022

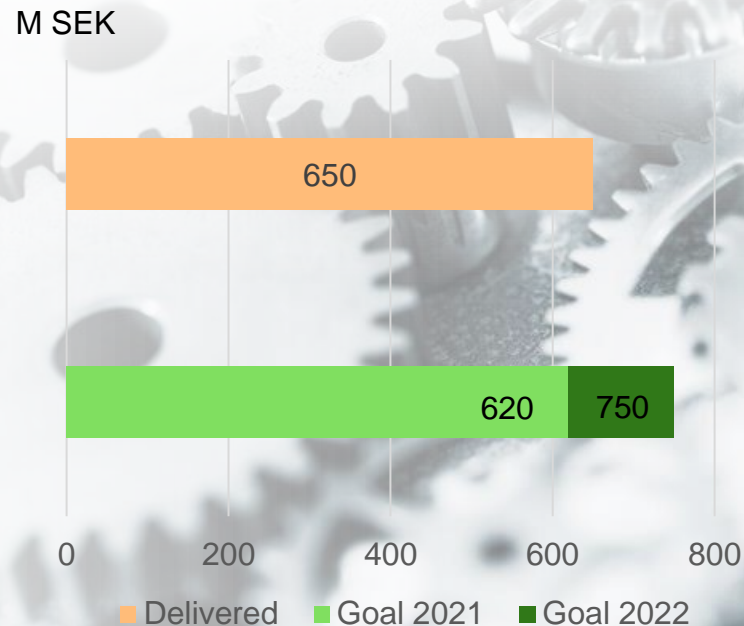


Inflation has accelerated during 2H and increased our '22 exposure



# 2021 was another excellent delivery year for our cost and efficiency programme

- ⌚ Additional contribution from cost and efficiency programme in Q4'21 SEK 105 million
- ⌚ Programme to date has delivered SEK 650 million of structural savings and efficiencies – ahead of target
- ⌚ Expect to reach SEK 750 million by end of 2022



# Very strong cash flow delivery during 2021

- ⦿ Excellent cash flow from operating activities throughout 2021
- ⦿ Our healthy financial position continues – leverage of 1.0 well below target of <2.5x
- ⦿ 2021 full year CAPEX SEK 1.5 billion (Frövi recovery boiler 0.4 billion)

## CAPEX outlook 2022 = SEK 2.5 billion

- ⦿ Base CAPEX 1.5 billion
- ⦿ Frövi recovery boiler 1.0 billion

SEK m	Q4-21	Q4-20	2021	2020
Operating surplus, etc.	1 185	646	3 932	2 406
Change in working capital, etc.	49	517	197	-53
Net financial items, taxes, etc.	-80	89	-237	-22
<b>Operating Cash Flow (OCF)</b>	<b>1 154</b>	<b>1 252</b>	<b>3 892</b>	<b>2 331</b>
Operative investments	-472	-309	-1 526	-1 250
<b>Operating cash flow after operative investments</b>	<b>682</b>	<b>943</b>	<b>2 366</b>	<b>1 081</b>

SEK m	31 Dec 21	31 Dec 20
<b>Net debt</b>	<b>3 968</b>	<b>5 373</b>
<b>Net debt / adjusted EBITDA</b>	<b>1.0</b>	<b>2.0</b>

# BillerudKorsnäs / Verso: Securing future growth and profitability

- ④ Verso is cost- and quality leader in Graphical- and Speciality Paper and will provide sustainable and profitable growth in PaperBoard over the next 10 years
- ④ Market proximity to one of the largest and growing markets in primary fibre containerboard and cartonboard
- ④ World-class cost base: lowest cost producer in US and in top quintile cost base for export to Europe or Asia
- ④ Two state-of-the-art Paperboard machines with fully integrated pulp supply situated in prime quality abundant and cost competitive wood basket

## Shareholder value through:

**EPS accretive immediately**

**400K tons of incremental Paperboard value**

**Significant EBITDA % expansion due to more profitable mix post conversions**

# No changes to time table shared at announcement

Early March 2022	Approval of Verso's shareholders at a special shareholder meeting
Q1-Q2 2022	Receipt of regulatory approvals
Q2 2022	General meeting in BillerudKorsnäs to resolve on rights issue
Q2 2022	Acquisition expected to be completed
Q2-Q3 2022	Rights issue expected to be completed



# Outlook

- ④ Strong market conditions expected to prevail
- ④ Higher costs for logistics, energy and chemicals
- ④ Marginally increased pulpwood prices and good fibre availability
- ④ Continued focus on mix, efficiency and price management to counteract cost inflation
- ④ 2022 Priorities:
  - Continue to deliver the strategy in commercial, operations and wood supply
  - Closing the Verso deal
  - First stage of the Verso integration





**BILLERUDKORSNÄS**