



# BILLERUDKORSNÄS

Interim report Jan–Mar 2022

---

**Continued strong growth  
and all-time high profitability**

**Q1  
2022**

5 May 2022

| Christoph Michalski, CEO and Ivar Vatne, CFO



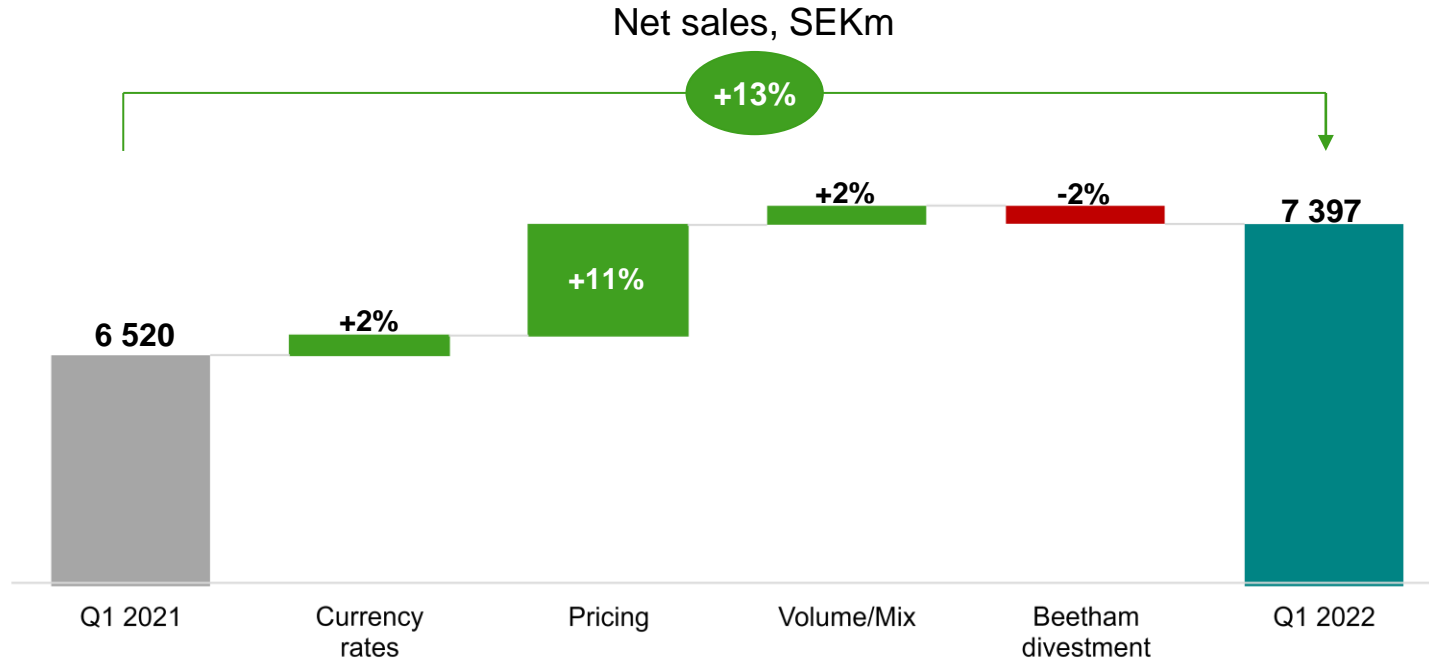
# Performance and key highlights Q1 2022

- ④ Strong sales growth and stable production
- ④ All-time high EBITDA
- ④ Pricing impact and mix improvement offset cost inflation
- ④ Strategy implementation
  - › Acquisition of Verso successfully completed with excellent stand-alone performance
  - › Exploring opportunities with Viken Skog for joint pulp production

## KEY FIGURES

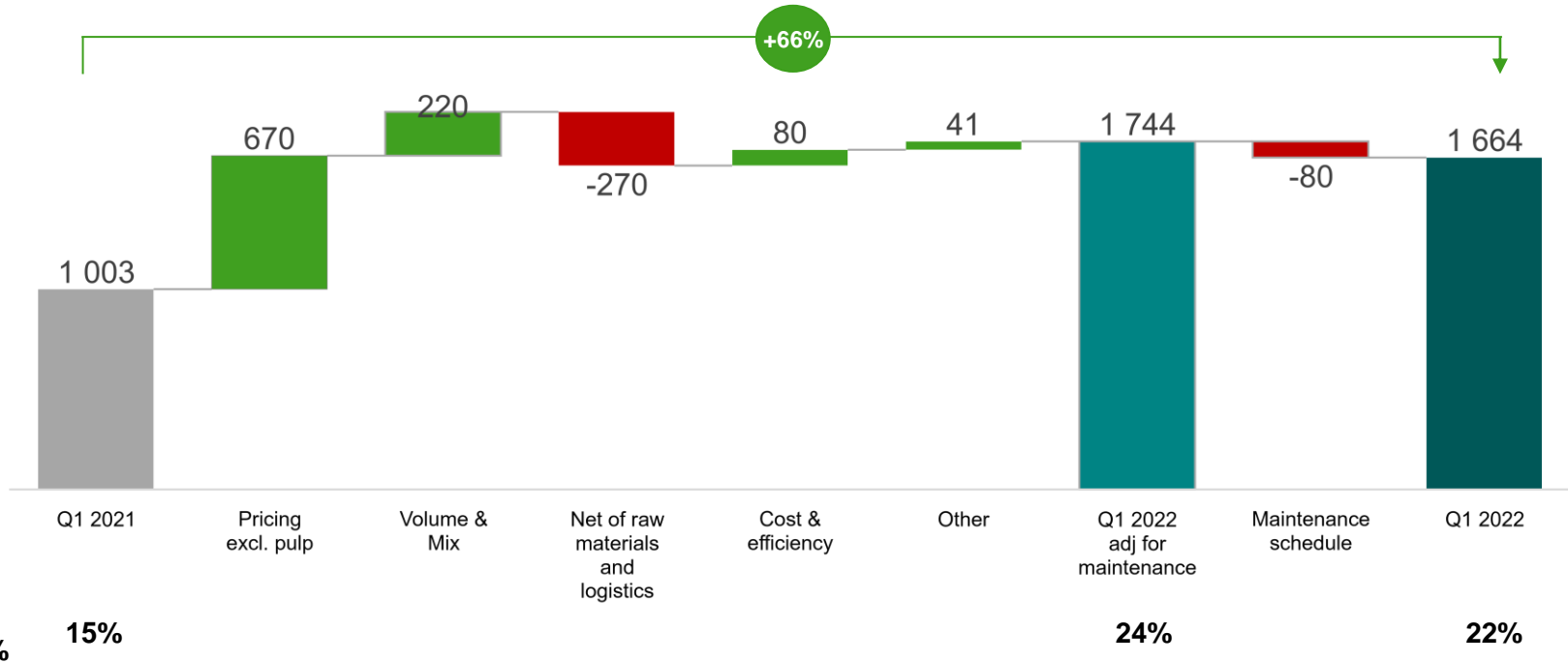
SEKm	Q1-22	Change vs Q1-21
Net sales	7 397	+13%
Adjusted EBITDA	1 664	+66%
<i>% of net sales</i>	<i>22%</i>	<i>+7 pp</i>
Operating profit – EBIT	1 189	+125%
<i>% of net sales</i>	<i>16%</i>	<i>+8 pp</i>
Operating cash flow after capex	198	+20%

# Solid double digit net sales growth through continued focus on price management and driving profitable mix



# All-time high profitability delivery fueled by pricing and mix improvements

Adj EBITDA, SEKm



# Our cost inflation in Q1 was quite limited, but will intensify from Q2 and onwards

## Higher cost for fibre



Wood market strongly effected by import stop from Russia

## Higher cost for chemicals



Sharp price inflation during Q1 and likely to continue near term

## Higher energy cost in Q2



Most of electricity consumption hedged (80%)

## Higher logistics cost in Q2



Global supply chain congestion and tight situation in Europe (road)

## Q2: Continued focus on price management and driving profitable mix expected to off-set cost inflation

### Higher cost for fibre

Wood market strongly effected by import stop from Russia

### Higher cost for chemicals

Sharp price inflation during Q1 and likely to continue near term

### Higher energy cost in Q2

Most of electricity consumption hedged (80%)

### Higher logistics cost in Q2

Global supply chain congestion and tight situation in Europe (road)

Cost inflation is accelerating  
Q2 vs Q1: +250M of increased cost

# Another positive cash flow quarter despite normalization of safety stock and strong topline growth

- ⌚ Negative change in WC due to increased AR, higher valued inventory and phasing (timing) leading to lower AP
- ⌚ Net debt / adj EBITDA ratio moves to 2.3 post transaction (excl Verso EBITDA contribution)
- ⌚ Proposed dividend SEK 890 m to AGM
- ⌚ Board of Director proposes mandate to resolve on a rights issue of up to SEK 3.5 bn

## CAPEX outlook 2022

- ⌚ Base CAPEX (excl Verso) SEK 1.5 bn
- ⌚ Frövi recovery boiler SEK 1.1 bn

SEK m	Q1-22	Q1-21
Operating surplus	1 561	929
Change in working capital	-734	-481
Net financial items, taxes, etc.	-73	-83
<b>Operating Cash Flow (OCF)</b>	<b>754</b>	<b>365</b>
Operative investments	-556	-200
<b>Operating cash flow after operative investments</b>	<b>198</b>	<b>165</b>

SEK m	Q1-22	Q1-21
Net debt	10 770	5 234
<b>Net debt / adjusted EBITDA</b>	<b>2.3</b>	<b>1.8</b>

# 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**



# Verso acquisition completed

- ⊕ Transaction closed 31<sup>st</sup> of March  
No P/L impact for BK in Q1'22
- ⊕ Purchase price \$798M @ 9.26 = SEK 7.4bn
- ⊕ Debt free company at take-over
  - › Cash balance SEK 1.4bn
  - › Pension liability SEK 0.9bn
- ⊕ Preliminary purchase price allocation completed
- ⊕ Transformation project starting up in Q2



# Impressive start of 2022 for Verso

- ⌚ Excellent financial performance in Q1
- ⌚ Double digit topline growth across all categories
- ⌚ Favorable pricing was partly off-set by cost inflation (chemicals and natural gas)

KEY FIGURES*	Q1-22	Change vs Q1-21
SEKm		
Net sales	2 981	+13%
<i>Graphical Paper</i>	2 127	+11%
<i>Speciality Paper</i>	546	+19%
<i>Pulp</i>	278	+22%
Adjusted EBITDA**	738	
<i>% of net sales**</i>	25%	

\* Based on internal consolidated financial information in accordance with US GAAP, derived from Verso's internal reporting systems, not audited by the company's auditors.

\*\* Excluding transaction costs and severance payments.

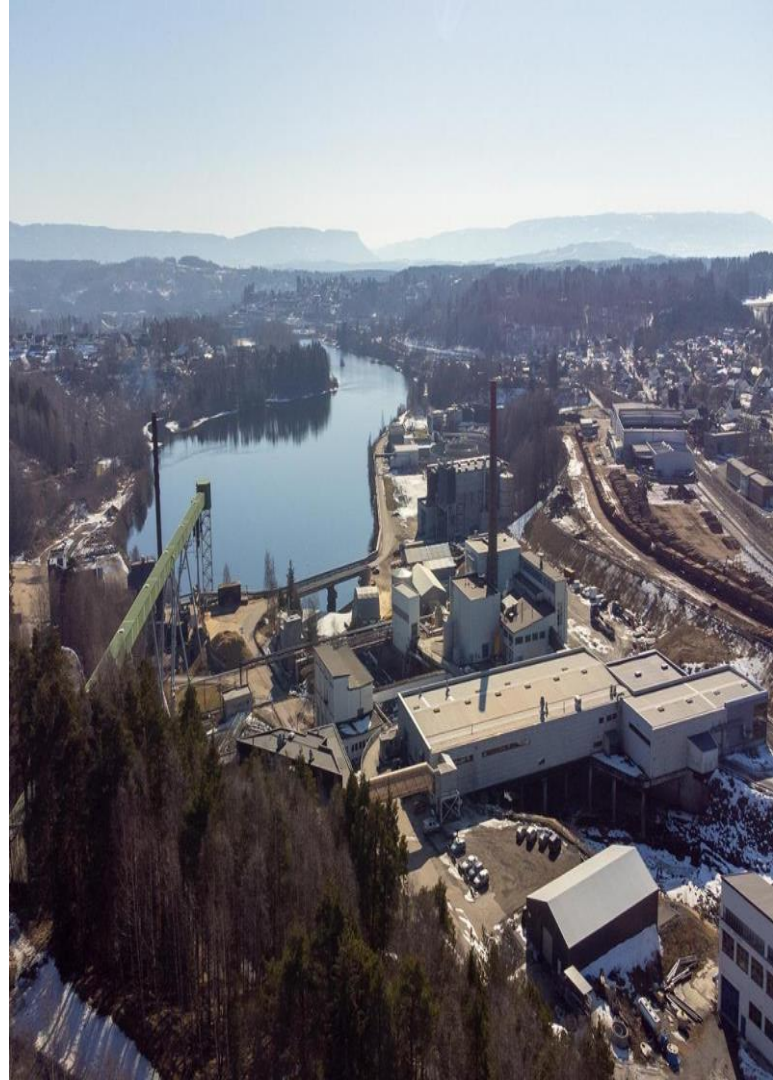
# Positive Q2 outlook for Billerud North America

- ⌚ Continued strong market conditions expected
- ⌚ Pricing and driving profitable mix expected to offset accelerated inflation
- ⌚ Maintenance and upgrade stops planned for Q3:
  - ⌚ *Quinneseec:*
    - *P/L impact SEK 400m (bi-annual stop combined with mill upgrades)*
  - ⌚ *Escanaba:*
    - *P/L impact SEK 180m*
- ⌚ One-off effect in Q2:
  - ⌚ *P/L: SEK -150m (inventory step-up)*
- ⌚ Depreciation: SEK ~200m quarterly going forward
- ⌚ CAPEX Q2-Q4: SEK 700m



# Investigating opportunity for joint pulp production in Norway

- ④ JV with Viken Skog AS to explore possibilities for joint BTCMP production at the Follum mill
- ④ Intention to establish a state-of-the art production line with a capacity of up to 200 kt / year
- ④ Feasibility study to be completed during the first half of 2023
- ④ Investment for BillerudKorsnäs is estimated to NOK 600-800 m



# Our recovery boiler project in Frövi is proceeding as per plan

- ⌚ Work is proceeding according to budget and schedule despite the challenges from the outside world
- ⌚ An important milestone in April as the base plate has been handed over to Andritz and the first steel is in place. The new recovery boiler will now start to grow upwards
- ⌚ The new recovery boiler is planned to be put into operation at the end of 2023



# Outlook Q2

- ⊗ Strong market conditions expected to prevail for all our product segments
- ⊗ Pricing focus and driving profitable mix expected to offset intensified cost inflation for fibre, chemicals, logistics and energy
- ⊗ Strategic priorities:
  - › Continue to deliver the strategy in commercial, operations and wood supply
  - › Integration of Verso
  - › Pre-studies for investments to secure sustainable and profitable growth to 2030 and beyond





**BILLERUDKORSNÄS**