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# Munksjö's Q1-Q3/2016

Stockholm, 26 October 2016

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Pia Aaltonen-Forsell, CFO



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**1** **Key financials**

**2** **Business Area performance**

**3** **Outlook**

**4** **Q&A**



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## Summary of Q1-Q3/16

### Q3/16 compared to Q3/15

- + Total delivery volumes increased despite annual production stop at facility for specialty pulp
- + - Stable net sales and lower average price
- + EBITDA (adj.\*) increased by 48%
- + Strong improvement in cash flow continued
- + Annual maintenance and vacation shutdowns in Q3/16 carried out to about the same extent as in 2015
- + In September Munksjö made a decision on an investment to secure the leading position within abrasive backings

### Q1-Q3/16 compared to Q1-Q3/15

- + Total delivery volumes increased by 4% and were higher in all four business areas. Volumes particularly strong in specialty pulp business and Brazilian paper business.
- + Net sales increased as higher volumes compensated for the lower average price
- Average price decreased, mainly driven by lower sales price for long fibre specialty pulp
- + EBITDA (adj.\*) increased by 41%. Of total profitability improvement, approximately half related to plan to reach profitability target.
- + Net result increased by 102% and EPS by 107%
- + Landmark in balance sheet reached

\* Adjusted for items affecting comparability (IAC)



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# Key figures

All-time high third quarter profitability and cash flow

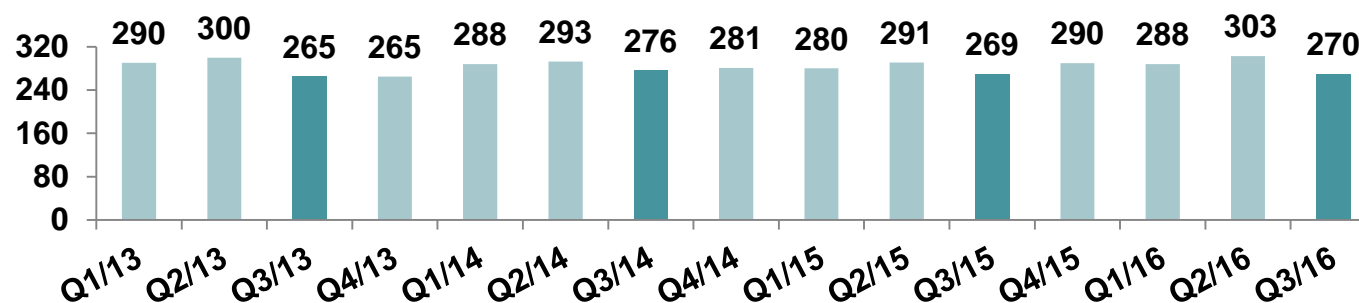
	Q3	Q3		Q1-Q3	Q1-Q3		FY
MEUR	2016	2015		2016	2015		2015
<b>Net sales</b>	<b>269.6</b>	269.3	↔	<b>860.5</b>	840.7	↑	1,130.7
<b>EBITDA (adj.*)</b>	<b>29.5</b>	20.0	↑	<b>100.6</b>	71.5	↑	93.6
<b>EBITDA margin (adj.*)</b>	<b>10.9%</b>	7.4%	↑	<b>11.7%</b>	8.5%	↑	8.3%
<b>Operating result (adj.*)</b>	<b>15.5</b>	6.8	↑	<b>58.5</b>	31.5	↑	40.0
<b>Operating margin (adj.*)</b>	<b>5.7%</b>	2.5%	↑	<b>6.8%</b>	3.7%	↑	3.5%
<b>Net result</b>	<b>8.3</b>	3.2	↑	<b>31.5</b>	15.6	↑	22.8
<b>EPS (EUR)</b>	<b>0.16</b>	0.07	↑	<b>0.62</b>	0.30	↑	0.44
<b>Cash flow from operating activities</b>	<b>32.6</b>	9.8	↑	<b>73.0</b>	11.0	↑	55.5

\* Adjusted for items affecting comparability (IAC)

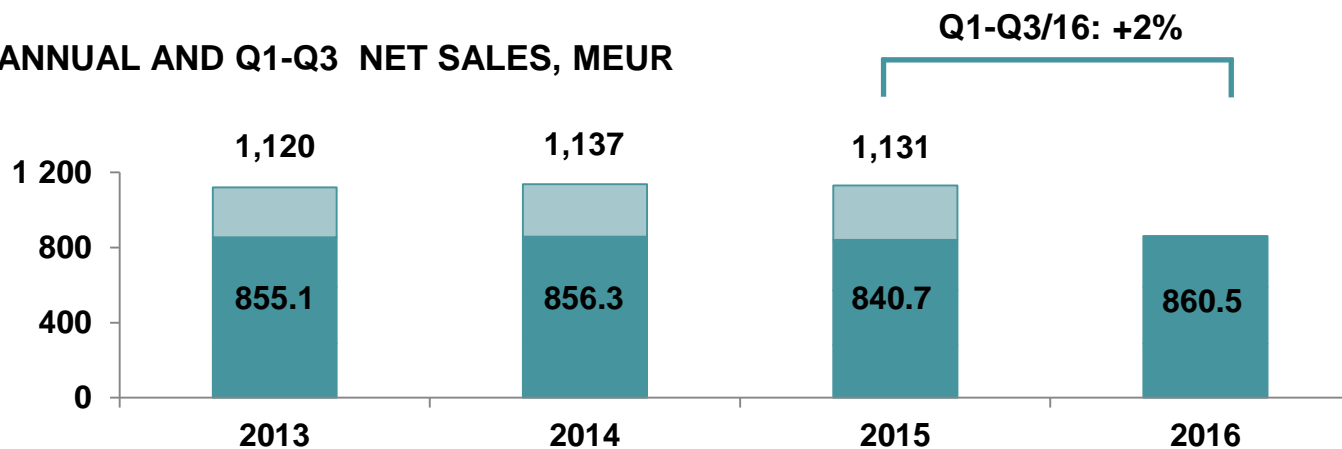


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## Net sales in Q3/16 stable despite maintenance stop at specialty pulp production facility



### ANNUAL AND Q1-Q3 NET SALES, MEUR



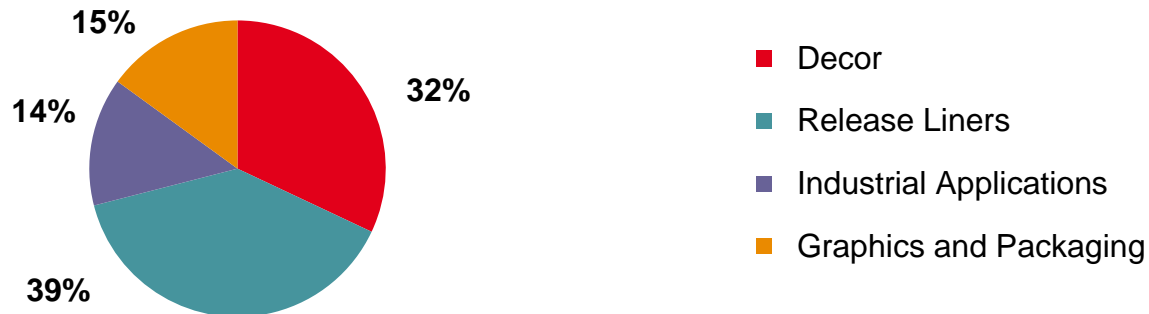
Pro forma figures for 2013. From Q1/2014 the reported figure is used.



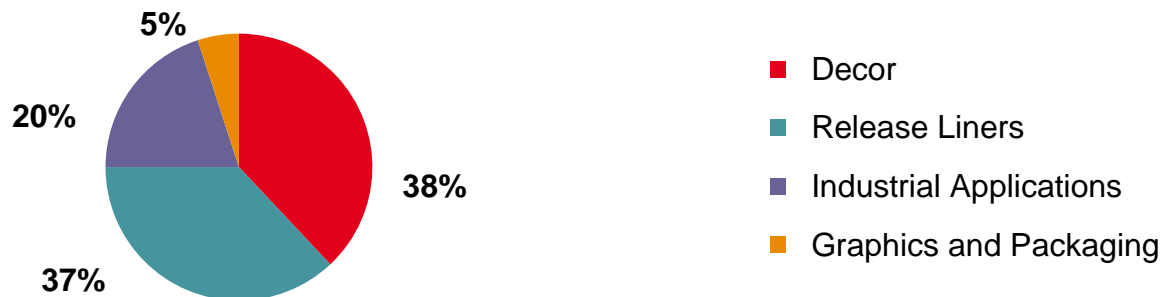
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## Business Area overview for Q1-Q3/2016

### Share of net sales\*



### Share of EBITDA (adj.\*\*)



\* Excluding segment *Others* and internal eliminations \*\* Adjusted for items affecting comparability (IAC)

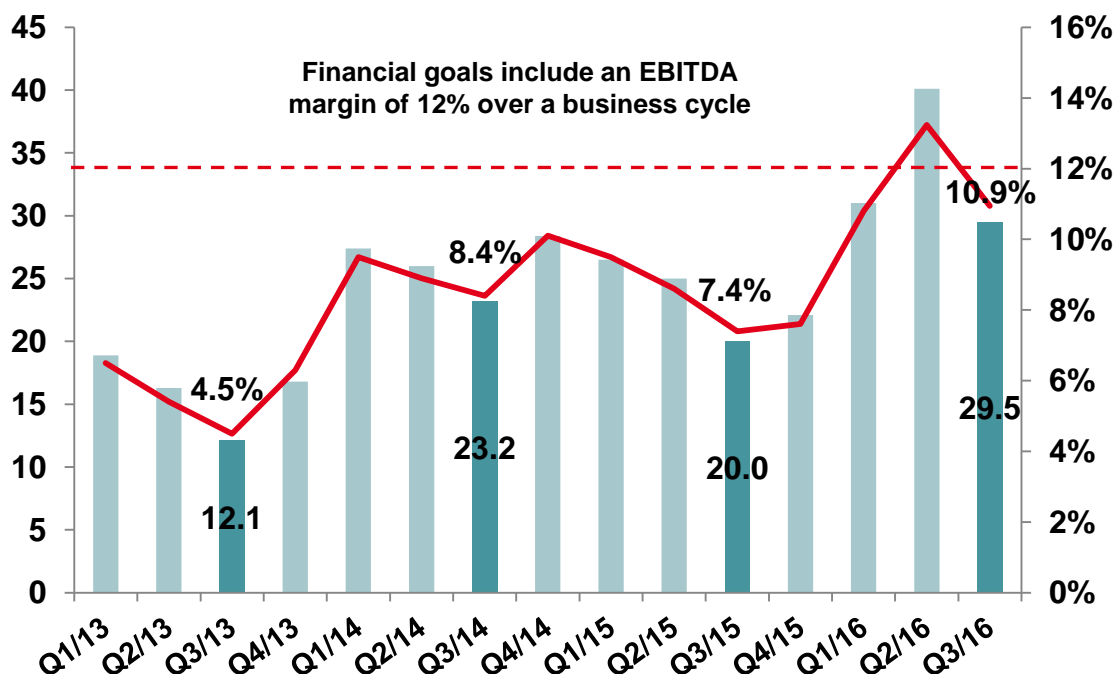


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# Continued clear margin improvement

## EBITDA (adj.\*) and margin development 2013-2016

MEUR



### Q3/16

- **Delivery volumes** increased, positive development in most product segments. Brazilian paper business more than compensated for specialty pulp, affected by maintenance stop.
- ➔ **Net sales** stable as higher volumes compensated for lower average price.
- **EBITDA** increased, as higher volumes and lower variable costs more than compensated for lower average price and higher fixed costs.

### Q1-Q3/16

- **Delivery volumes** increased in all business areas. **Net sales** increased as higher volumes more than compensated for lower average price.
- **EBITDA (adj.\*)** +29 MEUR

\* Adjusted for items affecting comparability

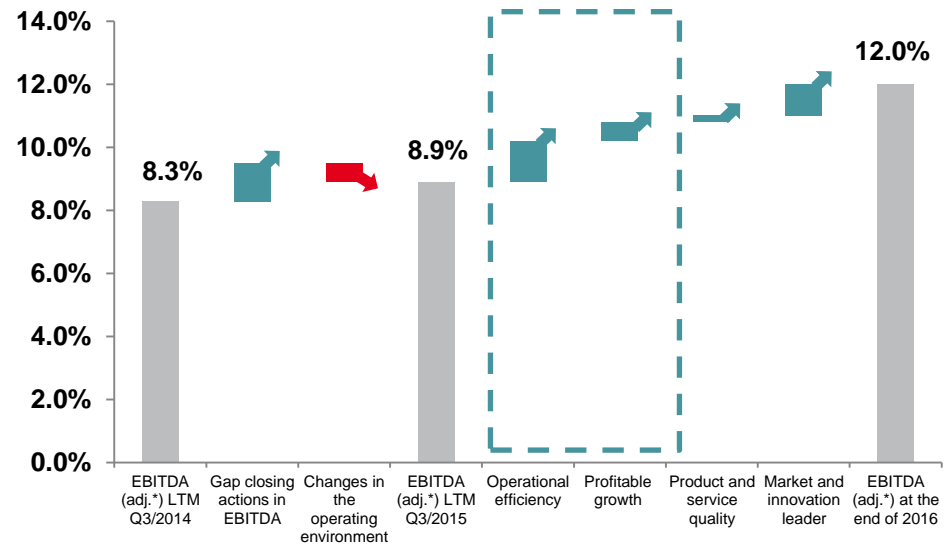
Pro forma figures for the period Q1-Q4/2013. From Q1/2014 the reported figure is used.

# Update on profitability improvement plan

Plan to reach profitability target at the end of 2016

**EBITDA Q1-Q3/16:  
11.7%**

- ➔ Approximately half of the profitability improvement year-on-year was related to plan to reach the profitability target.
- ➔ The target of the plan remains unchanged.
- ➔ Majority of actions within plan related to operational efficiency and profitable growth.
- ➔ Market and innovation leadership is expected to be lower than originally planned.



\* Adjusted for items affecting comparability



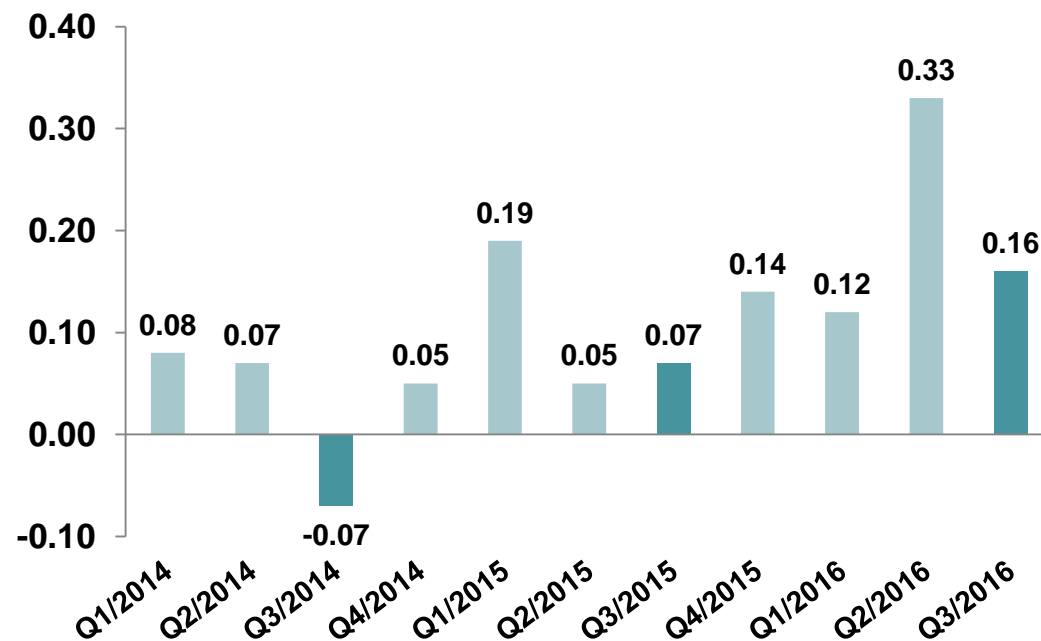


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# Earnings per share development

Further strong development in Q3/16

## BASIC EPS (EUR)



### Q3/16

- EPS higher than in Q3/15, mainly as a result of the improved operating profit (+0.26 EUR).

### Q1-Q3/16

- EPS higher than in Q1-Q3/15, mainly as a result of the improved operating profit (+0.68 EUR), partly offset by a negative effect (-0.22 EUR) due to foreign exchange losses on financial items.

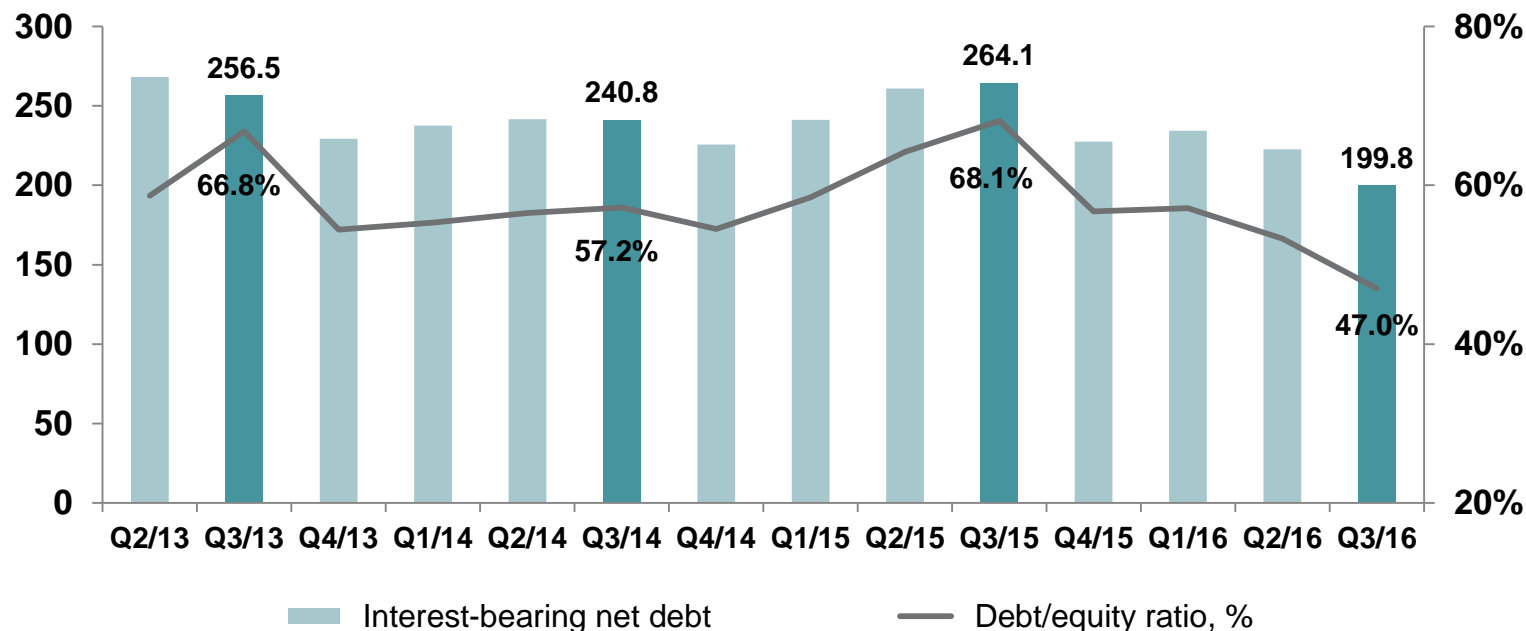


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# Net debt development

Landmark in balance sheet strength reached

## NET DEBT AND GEARING, MEUR



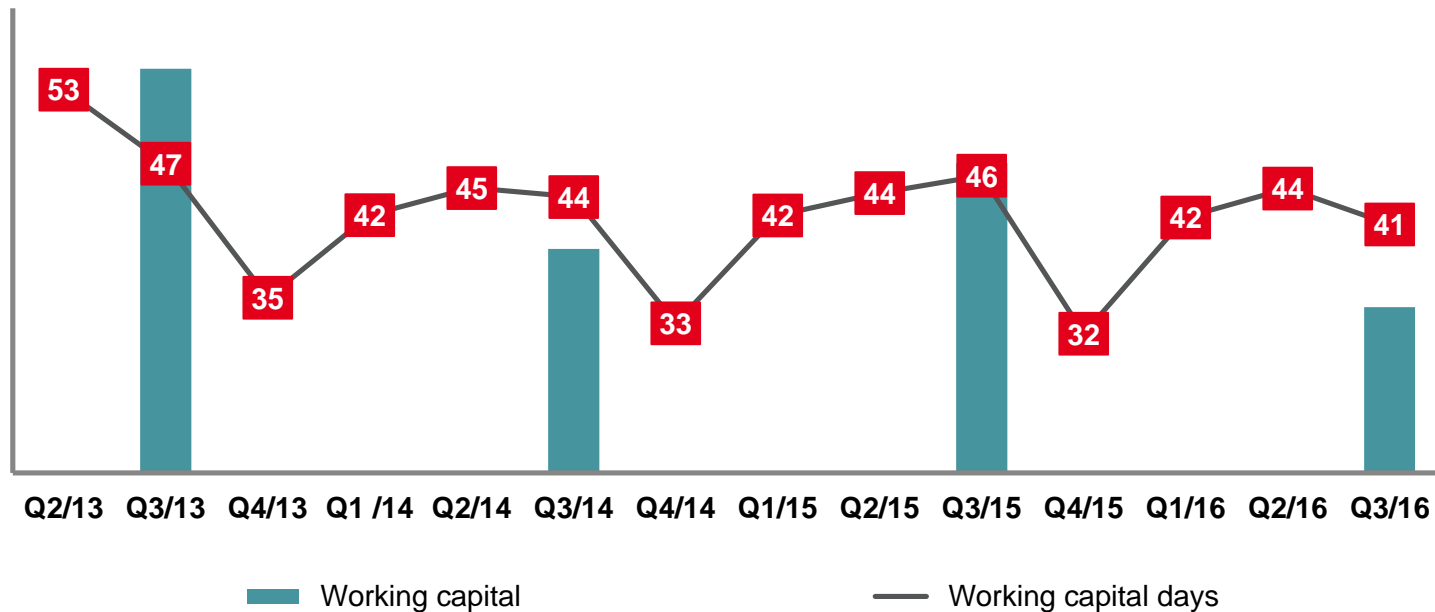
Pro forma figures for the period Q2-Q4/2013. From Q1/2014 the reported figure is used.



# Focus on working capital management continues

Q1-Q3/16 reflected the normal seasonal pattern with clear results of actions

MEUR



Working capital days:  $DIO + DSO - DPO$

Working capital:  $Inventory + Accounts\ receivable - Accounts\ payable$

Figures preceding Q1/2014 include LP Europe and Coated Specialties. From Q1/2014, the reported figure is used.



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1 Key financials

2 Business Area performance

3 Outlook

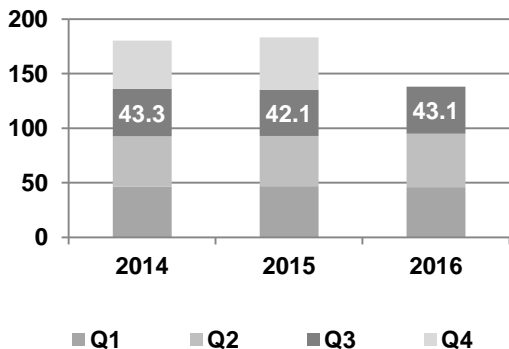
4 Q&A



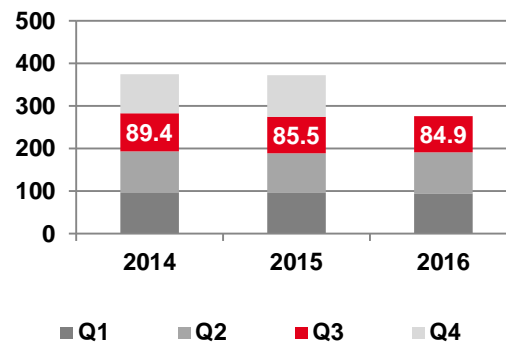
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# Business Area Decor

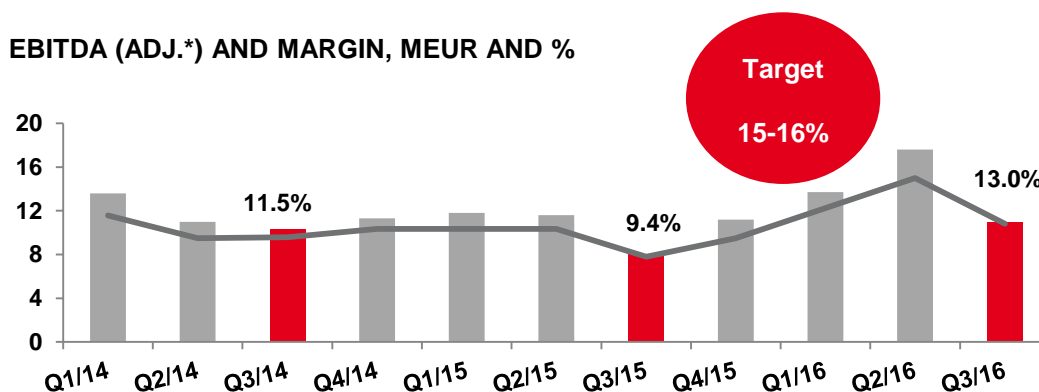
### DELIVERY VOLUMES, KTON



### NET SALES, MEUR



### EBITDA (ADJ.\*) AND MARGIN, MEUR AND %



\* Adjusted for items affecting comparability

### Q3/2016

- **Delivery volumes** higher mainly driven by Europe, incl. Turkey.
- **Net sales** decreased due to lower average price, driven by mix.
- **EBITDA (adj.)** increased as higher delivery volumes, profitability improvement actions and lower variable costs more than compensated for the lower average price.

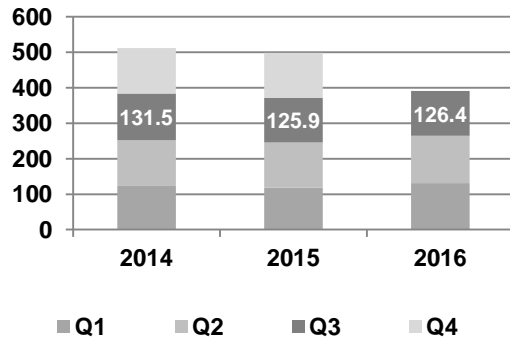
### Q1-Q3/2016

- **Delivery volumes** higher mainly driven by positive development in Europe and geographical expansion plan.
- **Net sales** increased due to higher volumes. Average price decreased mainly due to mix.
- **EBITDA (adj.)** increased as higher delivery volumes, profitability improvement actions and lower variable costs more than compensated for the lower average price.

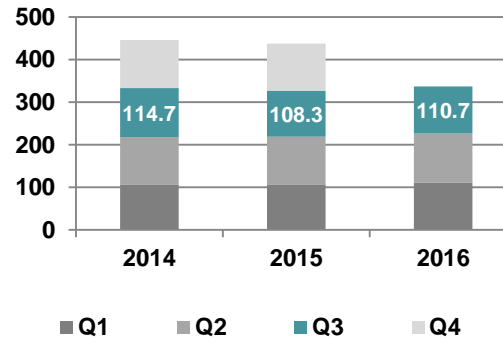


# Business Area Release Liners

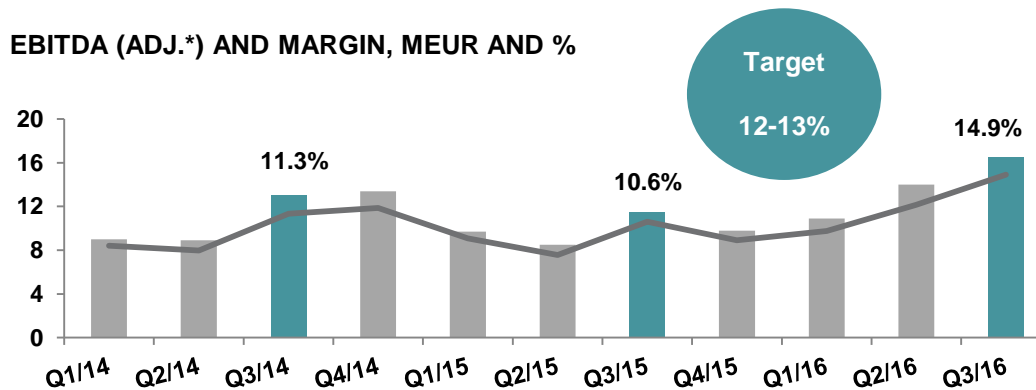
DELIVERY VOLUMES, KTON



NET SALES, MEUR



EBITDA (ADJ.\*) AND MARGIN, MEUR AND %



\* Adjusted for items affecting comparability

## Q3/2016

- ➔ **Delivery volumes** stable, as paper businesses more than compensated for effect of specialty pulp maintenance stop.
- ➔ **Net sales** and average price were higher.
- ➔ **EBITDA (adj.)\*** increased supported by higher volumes, profitability improvement actions, lower variable costs and especially the improved result in Brazil. Effect of specialty pulp maintenance stop -4 MEUR.

## Q1-Q3/2016

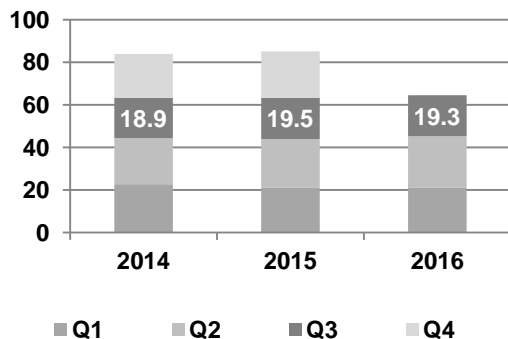
- ➔ **Delivery volumes** higher in all three businesses and especially strong in specialty pulp and the Brazilian paper business.
- ➔ **Net sales** higher and average price lower. Average price positively affected by European paper business, negatively affected by specialty pulp. Stable price for Brazilian paper business in euros.
- ➔ **EBITDA (adj.)\*** increased as higher volumes, profitability improvement actions and lower variable costs more than compensated for the lower average price and higher fixed costs.



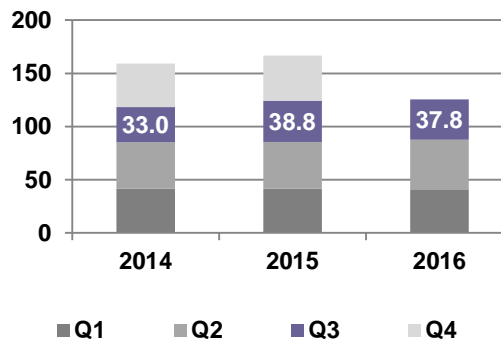
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# Business Area Industrial Applications

DELIVERY VOLUMES, KTON



NET SALES, MEUR



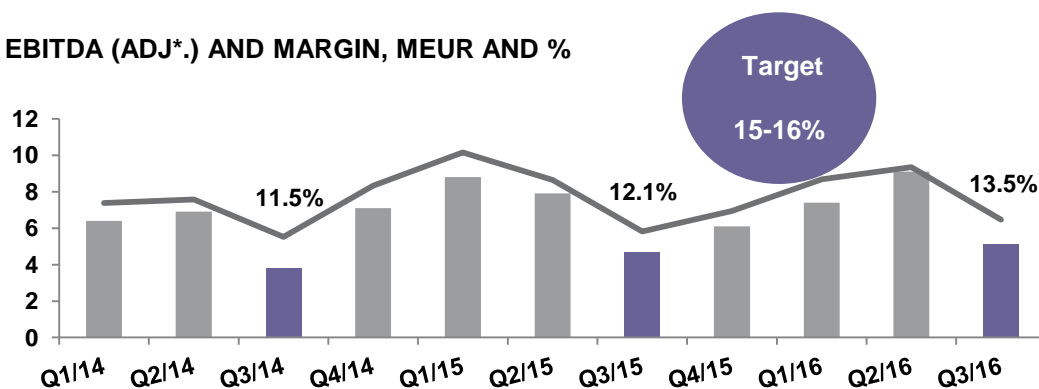
## Q3/2016

- ➔ **Delivery volumes** stable.
- ➔ **Net sales** decreased and average price lower, driven by mix.
- ➔ **EBITDA (adj.\*)** increased mainly through profitability improvement actions.

## Q1-Q3/2016

- ➔ **Delivery volumes** higher with growth in most segments.
- ➔ **Net sales** increased driven by higher volumes. Average price lower as mix less favourable.
- ➔ **EBITDA (adj.\*)** stable as higher delivery volumes, lower variable costs and profitability improvement actions compensated for higher fixed costs.

EBITDA (ADJ.\*) AND MARGIN, MEUR AND %



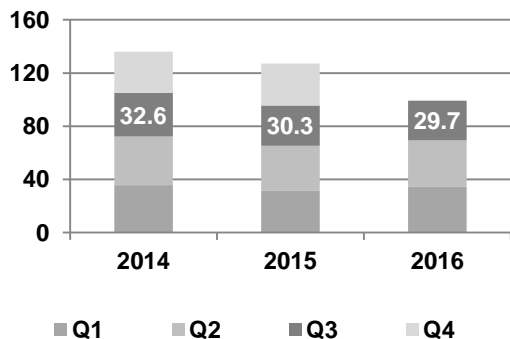
\* Adjusted for items affecting comparability



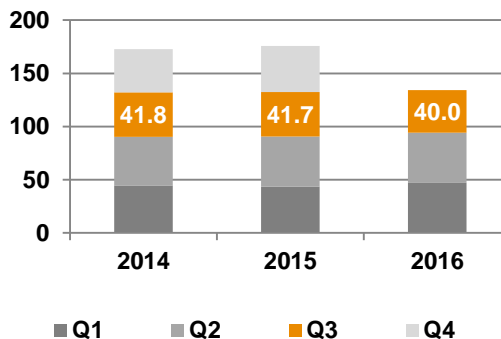
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# Business Area Graphics and Packaging

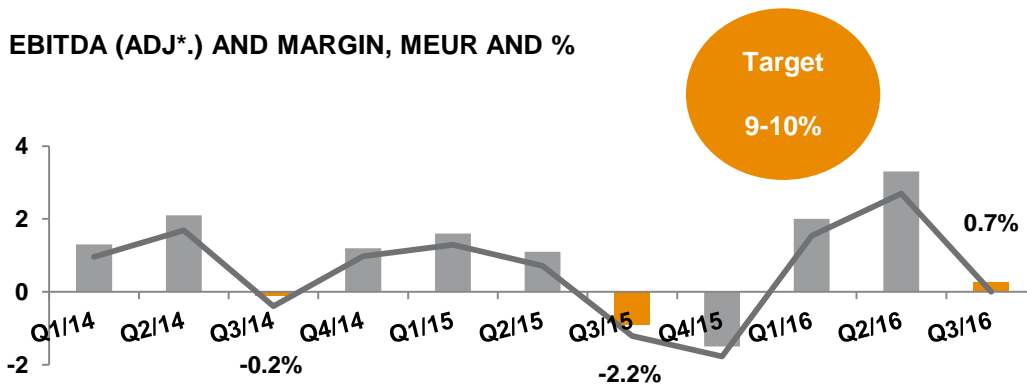
DELIVERY VOLUMES, KTON



NET SALES, MEUR



EBITDA (ADJ.\*) AND MARGIN, MEUR AND %



\* Adjusted for items affecting comparability

## Q3/2016

- **Delivery volumes** decreased, challenging competitive situation in certain product segments continues.
- **Net sales** lower and average price decreased, mainly as a result of a less favourable mix.
- **EBITDA (adj.\*)** increased as lower variable costs, profitability improvement actions more than compensated for lower average price.

## Q1-Q3/2016

- **Delivery volumes** increased, challenging competitive situation in certain product segments continues.
- **Net sales** increased as an effect of higher volumes. Lower average price and higher volumes did not compensate for less favourable mix.
- **EBITDA (adj.\*)** increased as lower variable costs, profitability improvement actions and higher delivery volumes more than compensated for lower average price.





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## Outlook and events after the reporting period

### OUTLOOK

- The **demand outlook** for the **last three months of 2016** for Munksjö's specialty paper products is expected to **remain stable** compared with the **current good level** and to reflect the seasonal pattern.
- The **seasonal shutdowns at the end of 2016** are expected to be carried out to about the same extent as in 2015.
- The **EBITDA margin in 2016** is expected to further improve compared with 2015 driven by the on-going profitability improvement plan.
- The **cash flow effect of capital expenditure** for fixed assets for 2016 is expected to be **approximately EUR 40 million**.

### EVENTS AFTER REPORTING PERIOD

- There are no significant events after the end of the reporting period.



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# Q&A

## Future events:

**Financial Statements Bulletin 2016**

**Thursday, 16 February 2017**

**Annual General Meeting 2017**

**Tuesday, 21 March 2017**

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