

# Year-end report presentation 2018

January 30, 2019





# Ulf Larsson, CEO



# Summary Q4 2018

**Stable demand in Europe and US**

**Higher prices vs Q4 2017**

- Some price declines in Q4 vs Q3

**Sales growth of 16% vs Q4 2017**

- Price/mix +11%, volumes -1%, currency 6%

**EBITDA up 38% vs Q4 2017**

- Higher prices
- Positive currency effects
- Higher prices for wood raw material
- Maintenance stops

**Östrand ramp-up progressing according to plan**



# SCA's performance Q4 2018

EBITDA (SEKm)

**1,494**

Industrial ROCE <sup>1)</sup>

**16%**

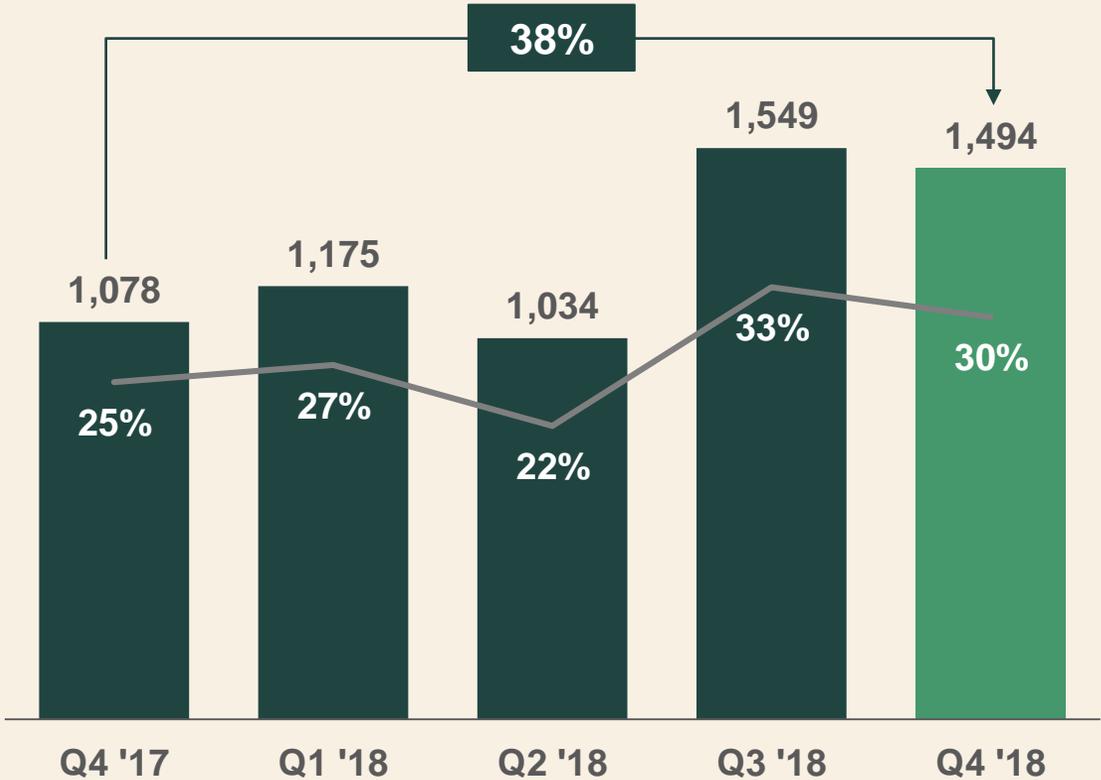
EBITDA development (SEKm)

EBITDA margin

**30%**

Net debt/EBITDA

**1.3x**



Note: 1) ROCE for the industrial segments; Wood, Pulp and Paper. ROCE calculated as LTM.

# SCA's performance 2018

EBITDA (SEKm)

**5 252**  
(3 648)

Industrial ROCE <sup>1)</sup>

**16%**  
(10%)

Proposed dividend (SEK)

**1.75**  
(1.50)

EBITDA margin

**28%**  
(22%)

Net debt/EBITDA

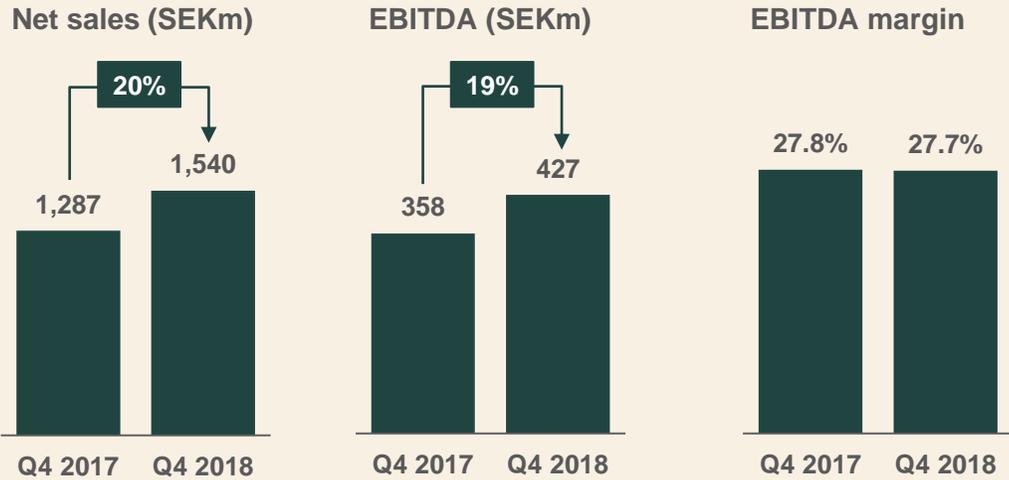
**1.3x**  
(1.6x)

EPS (SEK)

**5.21**  
(2.67)

Note: Figures in “(#)” refer to 2017. 1) ROCE for the industrial segments; Wood, Pulp and Paper.

# Forest Q4 2018 vs. Q4 2017



**Higher prices**

**Increased wood sourcing to meet higher pulpwood demand**

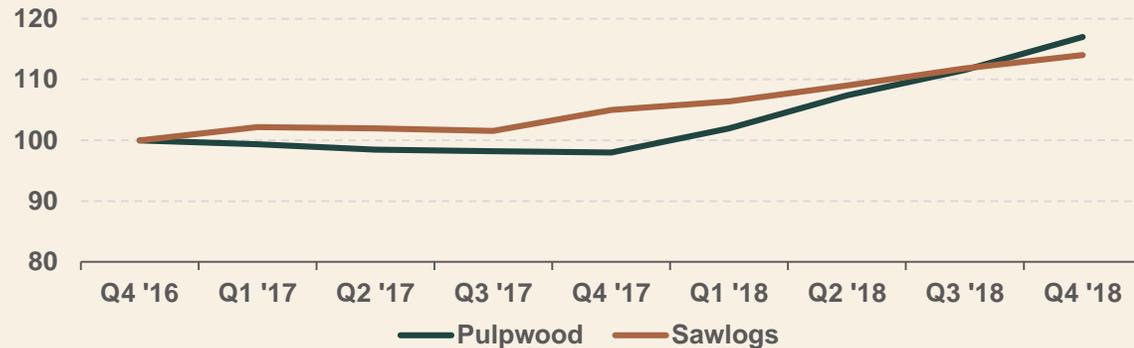
**Sales up 20%**

- Increased volumes to the expanded pulp mill
- Higher prices

**EBITDA up 19%**

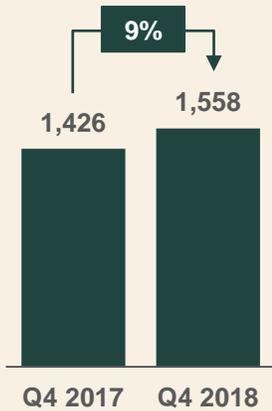
- Higher prices

Price development – Pulpwood and Sawlogs

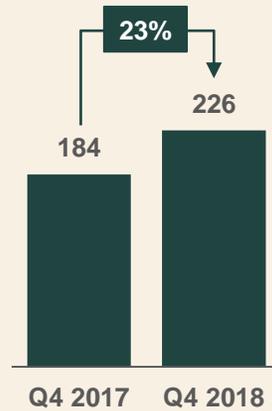


# Wood Q4 2018 vs. Q4 2017

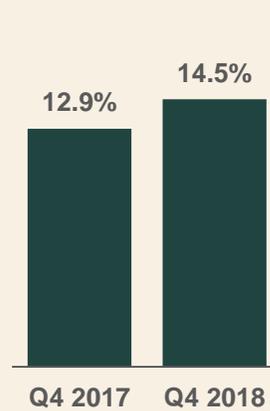
Net sales (SEKm)



EBITDA (SEKm)



EBITDA margin



## Stable demand in Europe and US

- Softer in China and North Africa

## Slightly lower prices in Q4 vs Q3

## Sales up 9%

- Higher prices
- Positive currency effects

## EBITDA up 23%

- Higher prices
- Increased raw material costs
- Yield improvement

Price development – Solid Wood Products



# Pulp – Q4 production update

## Ramp-up progressing according to plan

**Full NBSK capacity of 900kt/year**

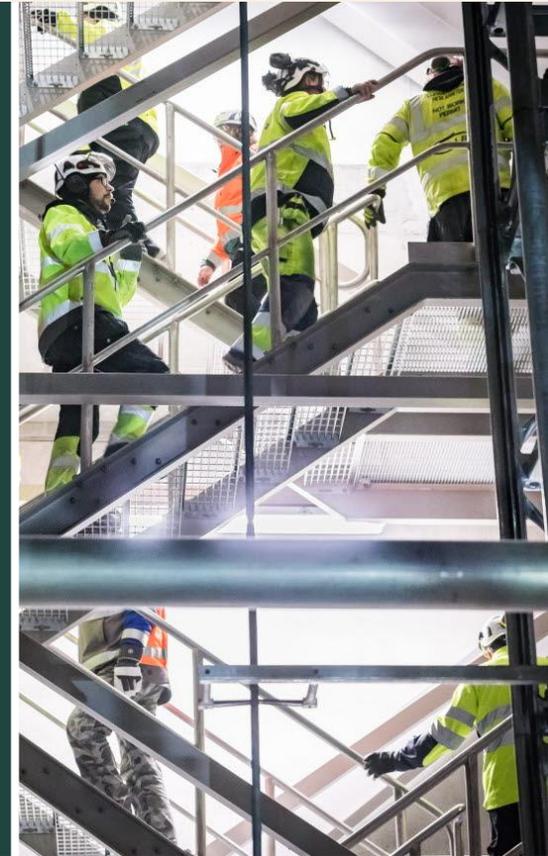
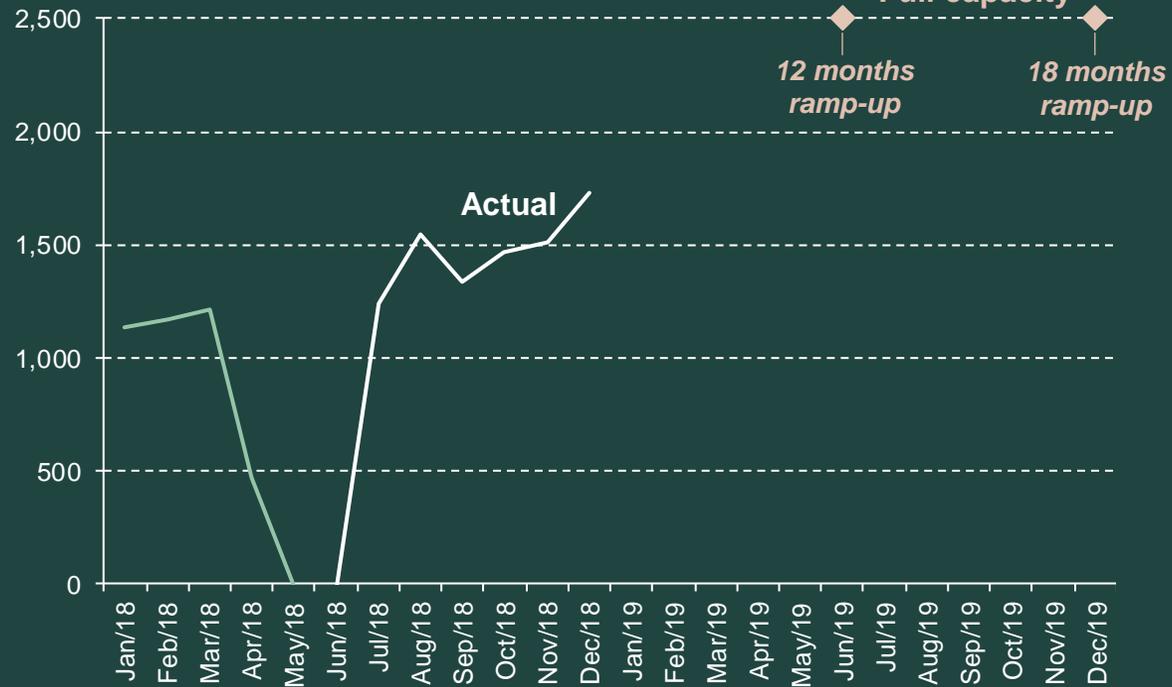
**Ramp-up period of 12-18 months**

- 2020 first full year with full capacity

**On track**

- Production – Q4, 160k tonnes <sup>(1)</sup>

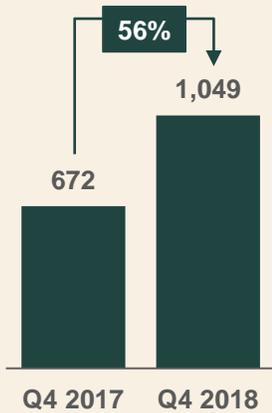
Average daily NBSK production (tonnes)



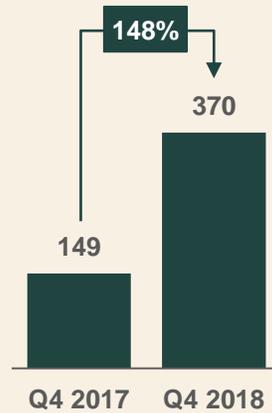
Note: October excludes 5 days for maintenance stop.  
1) Including CTMP.

# Pulp Q4 2018 vs. Q4 2017

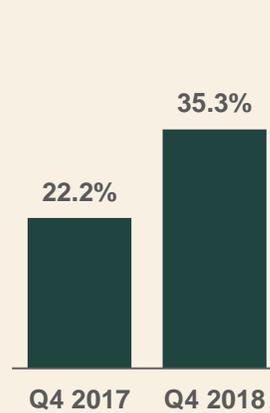
Net sales (SEKm)



EBITDA (SEKm)



EBITDA margin



Price development – NBSK Pulp



## Higher prices

- Some price decline in end of Q4 2018

## Production exceeds deliveries due to inventory build-up

## Sales up 56%

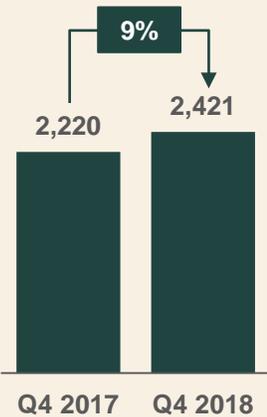
- Higher prices
- Positive currency effects
- Increased volumes due to the expanded pulp mill

## EBITDA up 148%

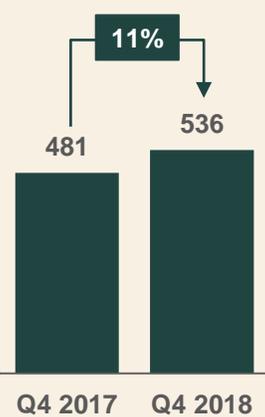
- Higher prices
- Higher raw material costs

# Paper Q4 2018 vs. Q4 2017

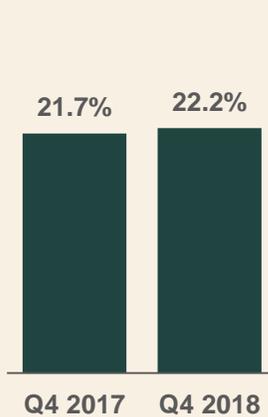
Net sales (SEKm)



EBITDA (SEKm)



EBITDA margin



Price development – Kraftliner



Price development – Publication paper



— Price index SEK

## Increased prices for both Kraftliner and Publication paper

- Some Kraftliner price decline in end of Q4

## Extended maintenance stop in Obbola

- Cost, production and electricity

## Sales up 9%

- Higher prices
- Positive currency effects

## EBITDA up 11%

- Higher prices
- Positive currency effects
- Improved product and market mix
- Higher raw material cost

# Toby Lawton, CFO

# Income statement

SEKm	Quarter			Full year		
	Q4 2018	Q4 2017	Change	2018	2017	Change
Net sales	4,926	4,242	16%	18,755	16,664	13%
<b>EBITDA</b>	<b>1,494</b>	<b>1,078</b>	<b>38%</b>	<b>5,252</b>	<b>3,648</b>	<b>44%</b>
<i>EBITDA margin</i>	30.3%	25.4%	4.9 p.p.	28.0%	21.9%	6.1 p.p.
<b>EBIT</b>	<b>1,143</b>	<b>786</b>	<b>45%</b>	<b>4,002</b>	<b>2,511</b>	<b>59%</b>
<i>EBIT margin</i>	23.2%	18.5%	4.7 p.p.	21.3%	15.1%	6.2 p.p.
Financial items	-18	-7		-29	-93	
<b>Profit before tax</b>	<b>1,125</b>	<b>779</b>	<b>44%</b>	<b>3,973</b>	<b>2,418</b>	<b>64%</b>
Tax	-265	-183		-314	-544	
<b>Profit for the period</b>	<b>860</b>	<b>596</b>	<b>44%</b>	<b>3,659</b>	<b>1,874</b>	<b>95%</b>
Earnings per share, SEK	1.22	0.85		5.21	2.67	

# Proposed dividend

Proposed dividend (SEK)

**1.75**  
(1.50)

Adjusted pay-out ratio <sup>1)</sup>

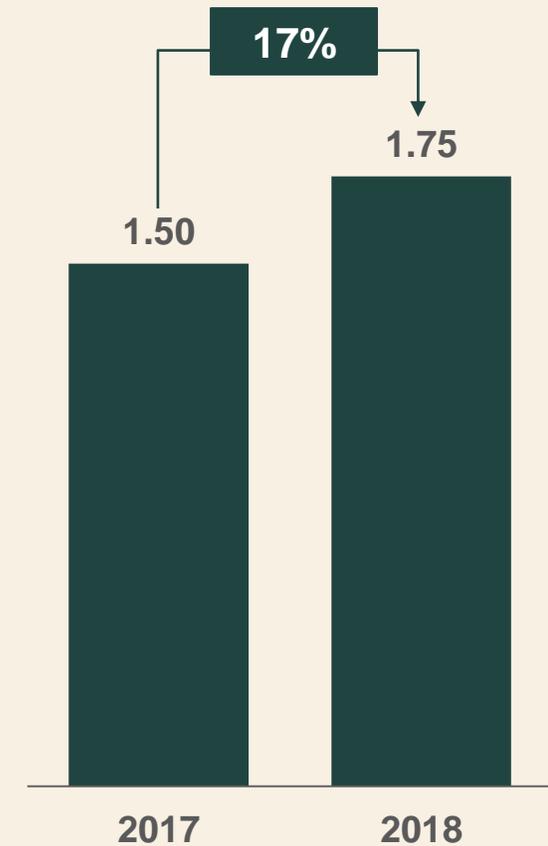
**40%**  
(56%)

EPS (SEK)

**5.21**  
(2.67)

Pay-out ratio

**34%**  
(56%)

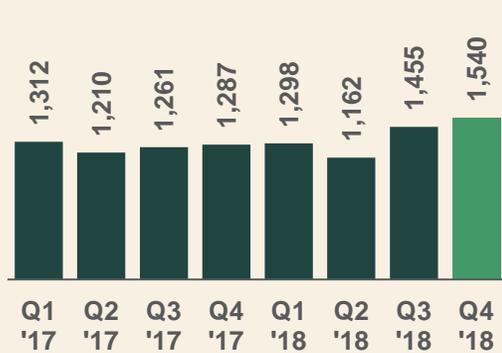


Note: 1) Pay-out ratio using EPS excluding the revaluation of deferred tax due to the reduction of the corporate tax rate. A positive one-off item of SEK 551m, corresponding to approximately 0.8 SEK/share.

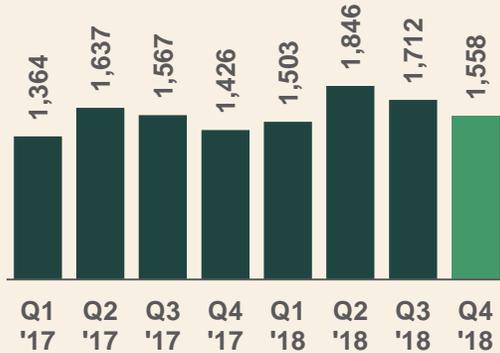
# Contribution by segment and quarter

## Forest

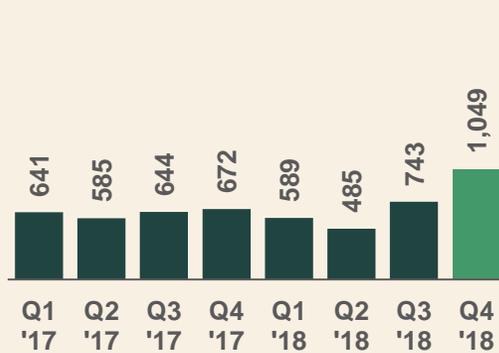
Net sales (SEKm)



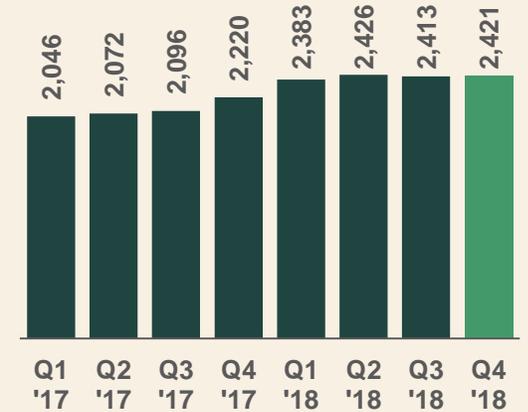
## Wood



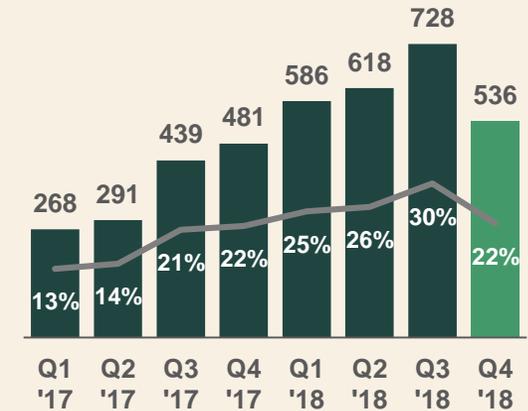
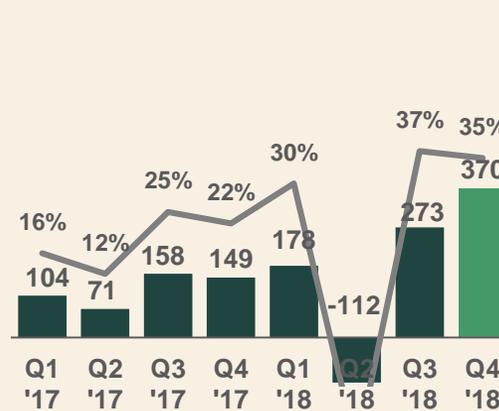
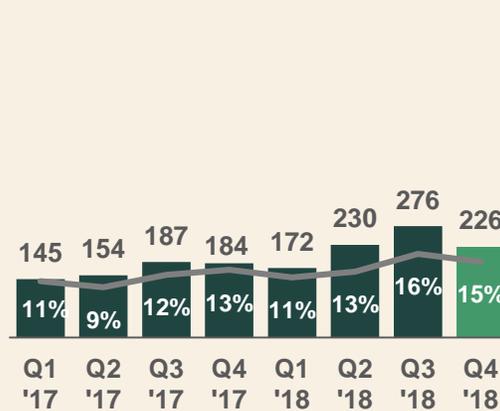
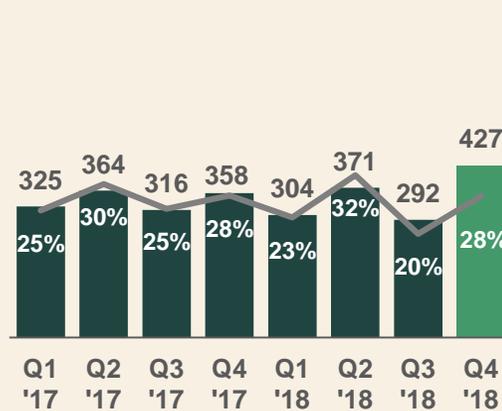
## Pulp



## Paper



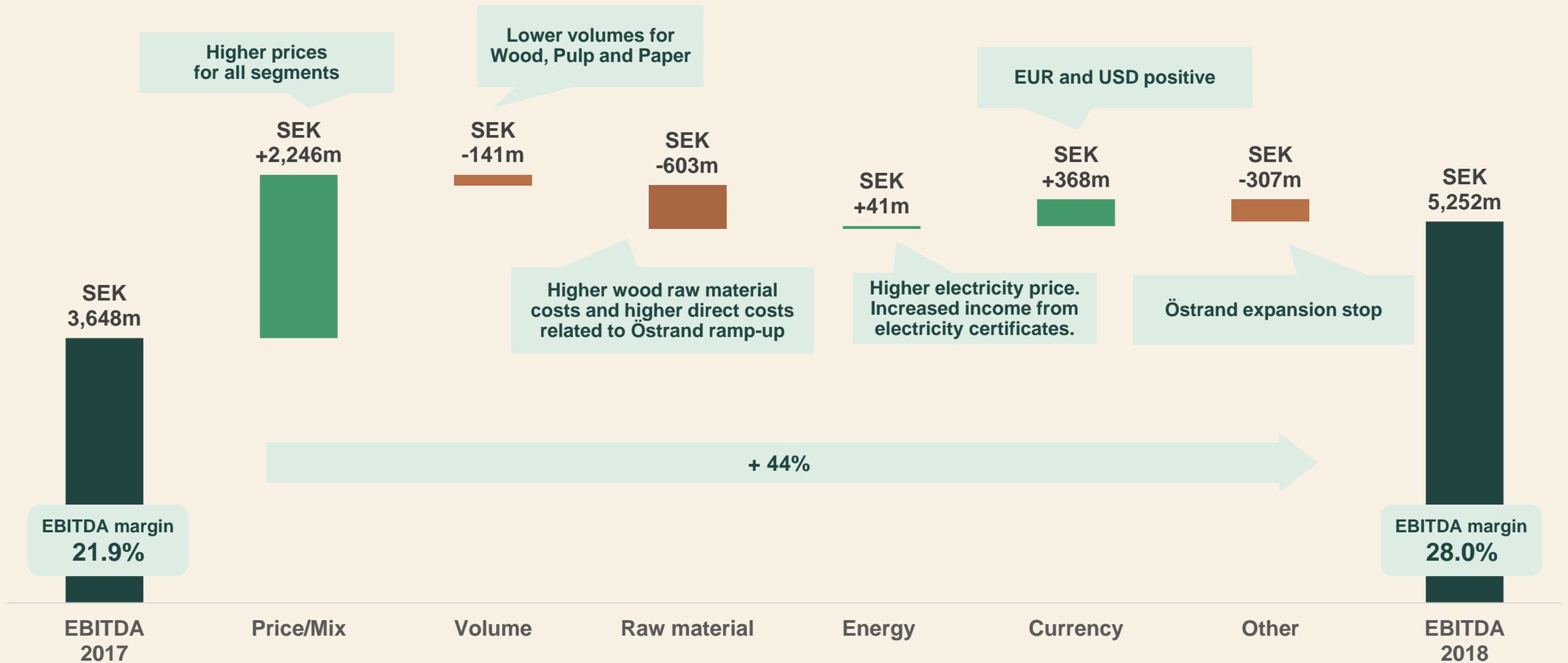
EBITDA (SEKm) and EBITDA margin



# Net sales 2018 vs. 2017



# EBITDA 2018 vs. 2017



# Cash flow

SEKm	Quarter		Full year	
	Q4 2018	Q4 2017	2018	2017
EBITDA	1,494	1,078	5,252	3,648
Revaluation of biological assets and other non cash flow items <sup>1)</sup>	-183	-100	-749	-503
<b>Operating cash surplus</b>	<b>1,311</b>	<b>978</b>	<b>4,503</b>	<b>3,145</b>
Change in working capital	-217	96	-843	-143
Current capital expenditures	-472	-220	-1,002	-638
Other operating cash flow	122	-12	93	-91
<b>Operating cash flow</b>	<b>744</b>	<b>842</b>	<b>2,751</b>	<b>2,273</b>
Strategic capital expenditures	-262	-779	-1,967	-2,863

Note: 1) 2017 figures include reversal of items affecting comparability.

# Östrand project

**Production began in June according to plan**

**Ramp-up period of 12-18 months**

- 2020 – first full year at full capacity

**World-class competitiveness**

- **Doubled NBSK capacity**
- **Fixed cost reduction of SEK 350 per tonnes** compared to pre project level
- **Improved energy balance** – from a net consumer of 0.1 TWh to a net producer of 0.5 TWh
- Potentially higher wood costs as wood has to be sourced further away



# Östrand project – 2018 one-off costs

## Project related costs (indirect)

- Project related costs of SEK 77m (150), of which SEK 18m (50) depreciation

## Expansion and maintenance stops

- Production began in June 2018, following an expansion stop
- Expected EBITDA impact of expansion and maintenance stops <sup>(1)</sup>
  - Q1: SEK 0m (8)
  - Q2: SEK 236m (65)
  - Q3: SEK 0m (0)
  - Q4: SEK 15m (58)

## Ramp-up effects (direct)

- Increased direct costs for energy, chemicals and wood during ramp-up
- Higher share of B-grade pulp during ramp-up

## Working capital

- Increase due to higher production volumes

EBITDA impact	Q1 18	Q2 18	Q3 18	Q4 18	2018
Project related costs	16	15	13	15	59
Expansion/ maintenance stops	0	236	0	15	251
Ramp-up effects	25	50	50	25	150
<b>Total (SEKm)</b>	<b>41</b>	<b>301</b>	<b>63</b>	<b>55</b>	<b>460</b>

Note: Figures in “(#)” refer to 2017.

(1) The estimated effect of maintenance stops on earnings in 2018, calculated as the total of the direct cost of the maintenance and the effect from lower fixed cost coverage from the reduced production during the stop.

# Balance sheet

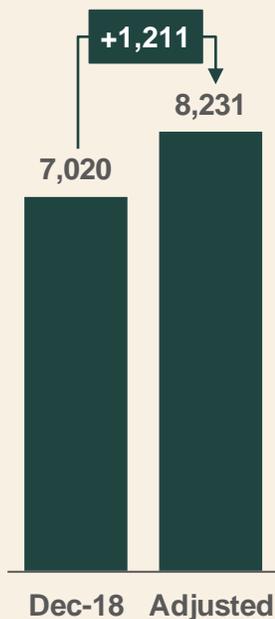
SEKm	Dec 31, 2018	Dec 31, 2017
<i>Forest assets according to IAS 41 <sup>1)</sup></i>	32,065	31,386
<i>Deferred tax relating to Forest assets</i>	-6,605	-6,905
Forest assets, net of deferred tax	25,460	24,481
Working capital	3,735	2,861
<i>Working capital/Net sales <sup>2)</sup></i>	18%	18%
Other capital employed	16,887	15,377
<b>Total capital employed</b>	<b>46,082</b>	<b>42,719</b>
<b>Net debt</b>	<b>7,020</b>	<b>5,966</b>
<i>Net debt/EBITDA <sup>3)</sup></i>	1.3x	1.6x
<b>Equity</b>	<b>39,062</b>	<b>36,753</b>
<i>Net debt/Equity</i>	18%	16%

Note: 1) Gross value before deferred taxes. 2) Average working capital for 13 months as a percentage of 12-month rolling net sales. 3) 12-months EBITDA, up to end of each period.

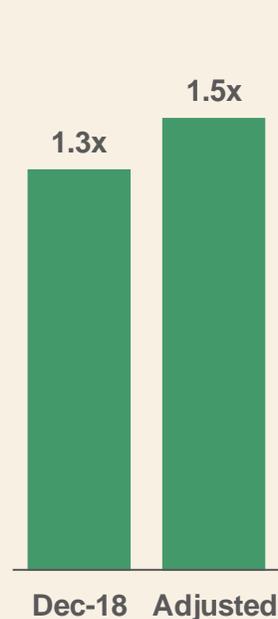
# Estimated IFRS16 implications (leasing)

Estimated IFRS16 implications applied on 2018 financials

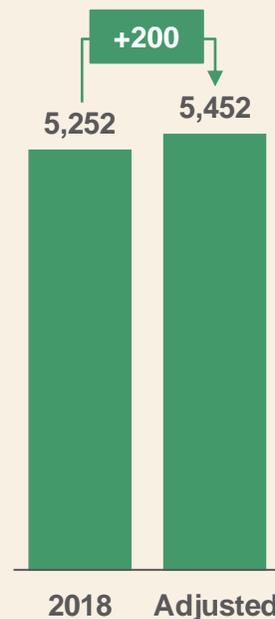
Net debt



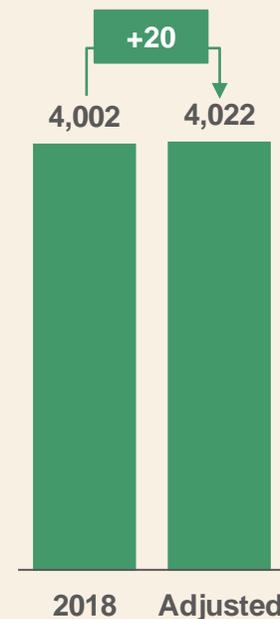
ND/EBITDA



EBITDA



EBIT



P&L effect

IFRS16 impact (SEKm)	
<b>EBITDA</b>	<b>200</b>
Forest	70
Wood	55
Pulp	20
Paper	50
Other	5
<b>Depreciation</b>	<b>-180</b>
Forest	-70
Wood	-50
Pulp	-15
Paper	-40
Other	-5
<b>EBIT</b>	<b>20</b>
<b>Financial cost</b>	<b>-50</b>
<b>EBT</b>	<b>-30</b>

Note: SEKm.

# Summary Q4 2018

**Stable demand in Europe and US**

**Higher prices vs Q4 2017**

**Sales growth of 16% vs Q4 2017**

**EBITDA up 38% vs Q4 2017**

**Östrand ramp-up progressing according to plan**



# Q&A

A sunset scene with a large sun partially obscured by a line of trees. The sky is a mix of orange, yellow, and blue. The foreground shows dark silhouettes of trees.

# Appendix

# Contribution by segment

## Forest

Net sales (SEKm)



## Wood



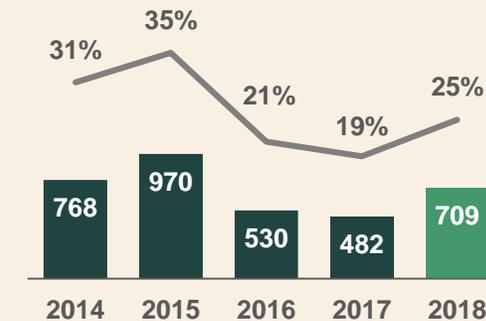
## Pulp



## Paper



EBITDA (SEKm) and EBITDA margin <sup>1)</sup>



Note: 2014 and 2015 EBITDA refer to adjusted figures. 2016 and forward refer to unadjusted figures. For details please see the quarterly report.

# SCA Frontier



# Europe's largest private forest owner

This presentation may contain forward-looking statements. Such statements are based on our current expectations and are subject to certain risks and uncertainties that could negatively affect our business. Please read SCA's most recent annual report for a better understanding of these risks and uncertainties.

