

# Ahlstrom-Munksjö

## Q1/2020 Results

Hans Sohlström, President and CEO  
Sakari Ahdekivi, Deputy CEO and CFO

April 23, 2020



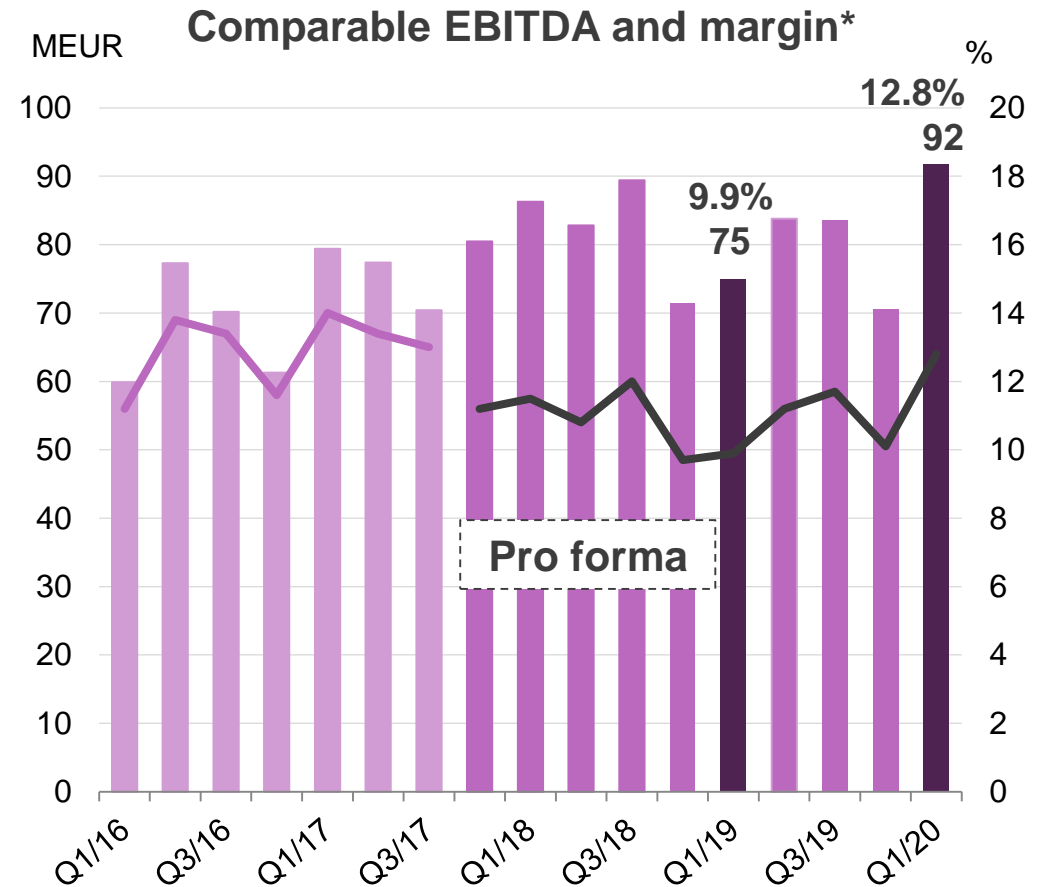
# Agenda

- **Business review**
- **Financials**
- **Covid-19 response**



# 22% improvement in comparable EBITDA in Q1/2020

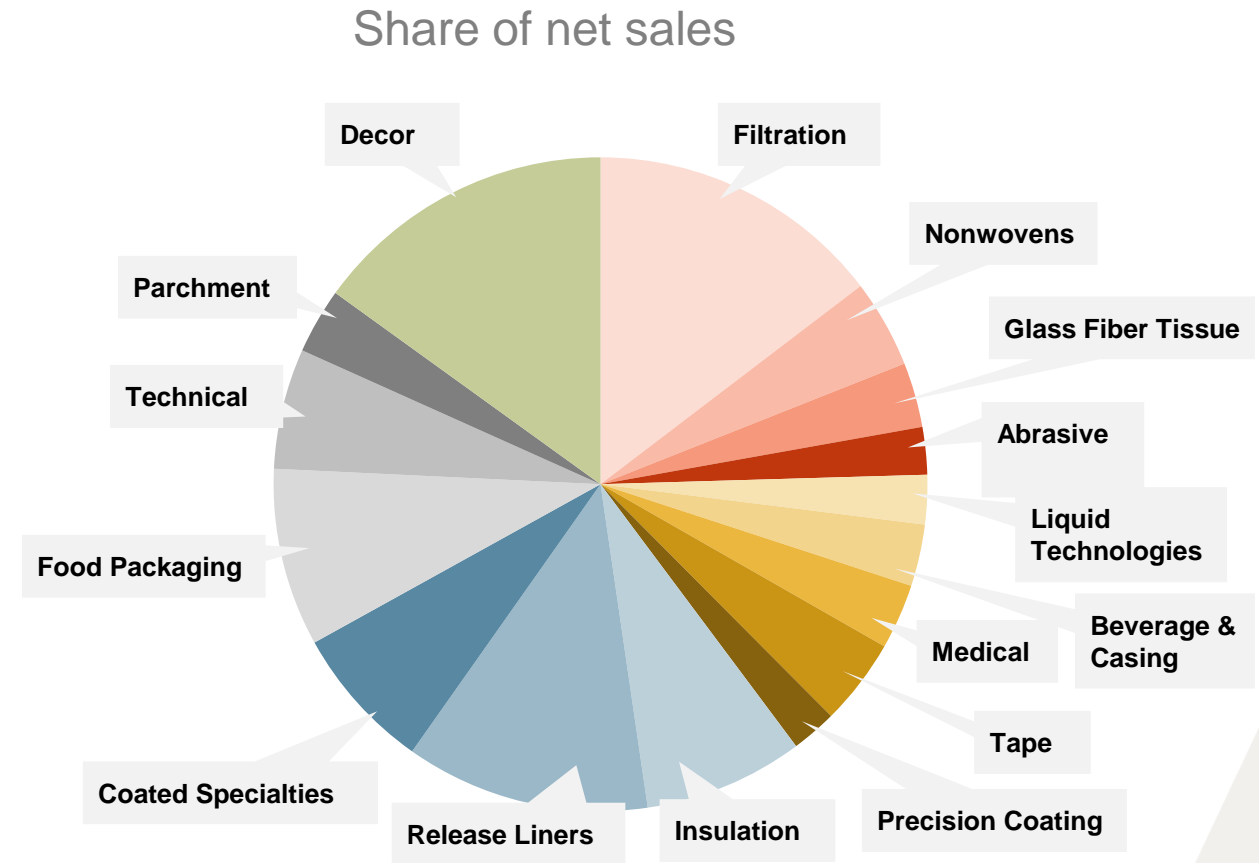
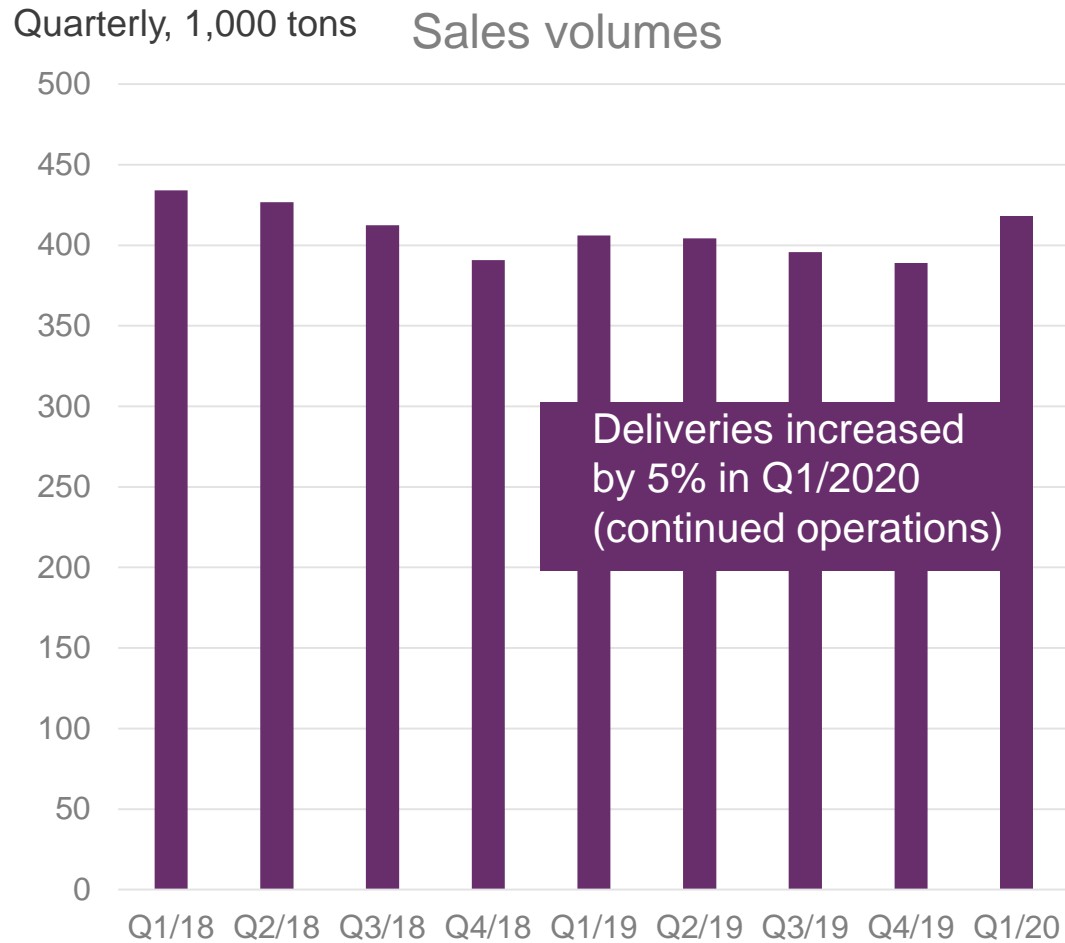
- Record high comparable EBITDA and highest margin in 2 ½ years, all business areas improved
- Delivery volumes increased 5% in continuous operations
- EUR 50m cost savings program completed ahead of schedule, new cost savings initiated
- Rapid and coordinated response to the COVID-19 pandemic
- Very strong demand for medical and life science end-use products, expansion of face mask materials production
- Sale of the fine art paper business in Arches, France, resulted in a capital gain of EUR 31 million



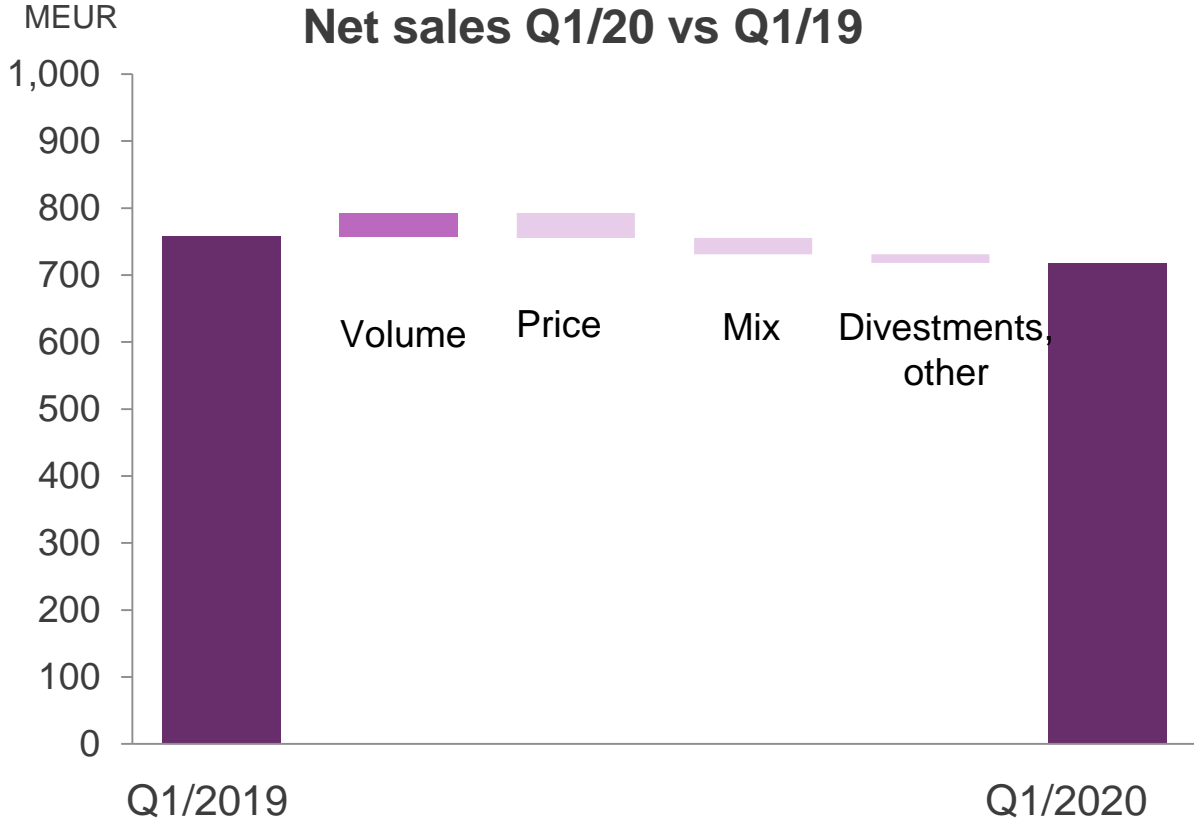
\*Years 2016-Q3/2017 Ahlstrom-Munksjö excluding NASS and Caieiras



# Increase in delivery volumes in Q1/2020 vs Q1/2019



# Growth in volumes more than offset by lower selling prices, product mix and divestments



**Net sales impacted by:**

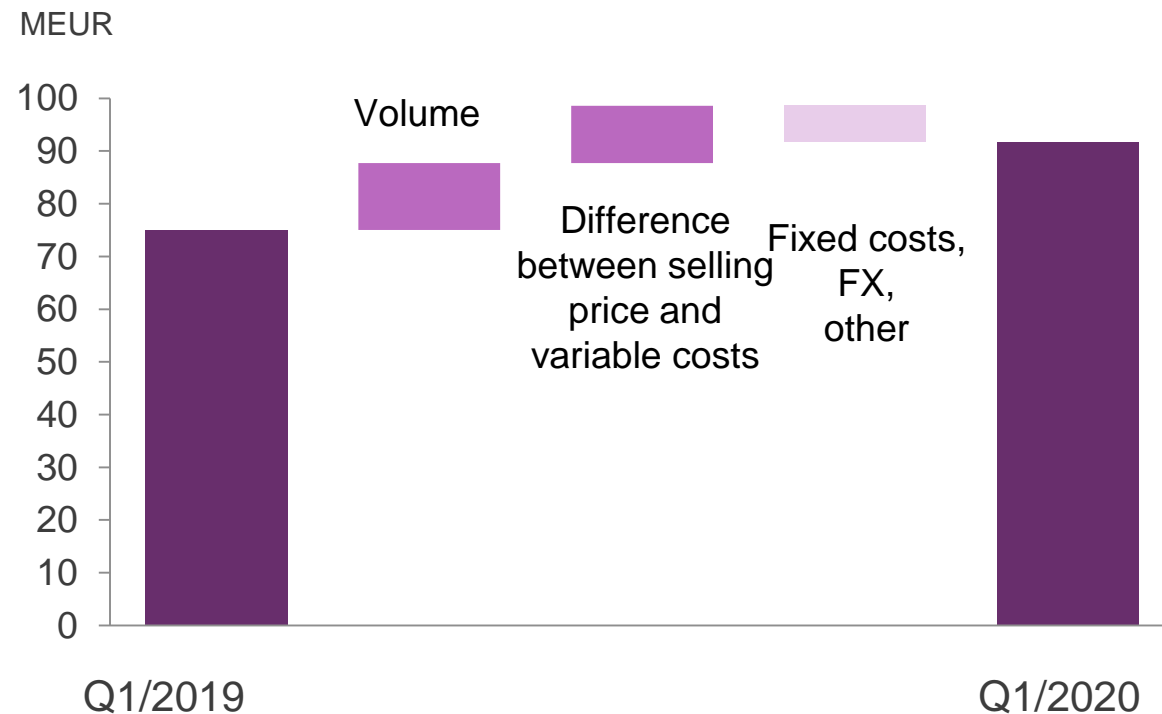
- Net sales - 5%
  - Deliveries + 5%
  - Selling prices - 5%
  - Product mix - 3%
  - Divestments, other -2%

➔ Higher delivery volumes were more than offset by lower average selling prices, partly relating to a less favorable product mix



# 22% increase in comparable EBITDA

## Comparable EBITDA Q1/2020 vs Q1/2019



### EBITDA impacted by:

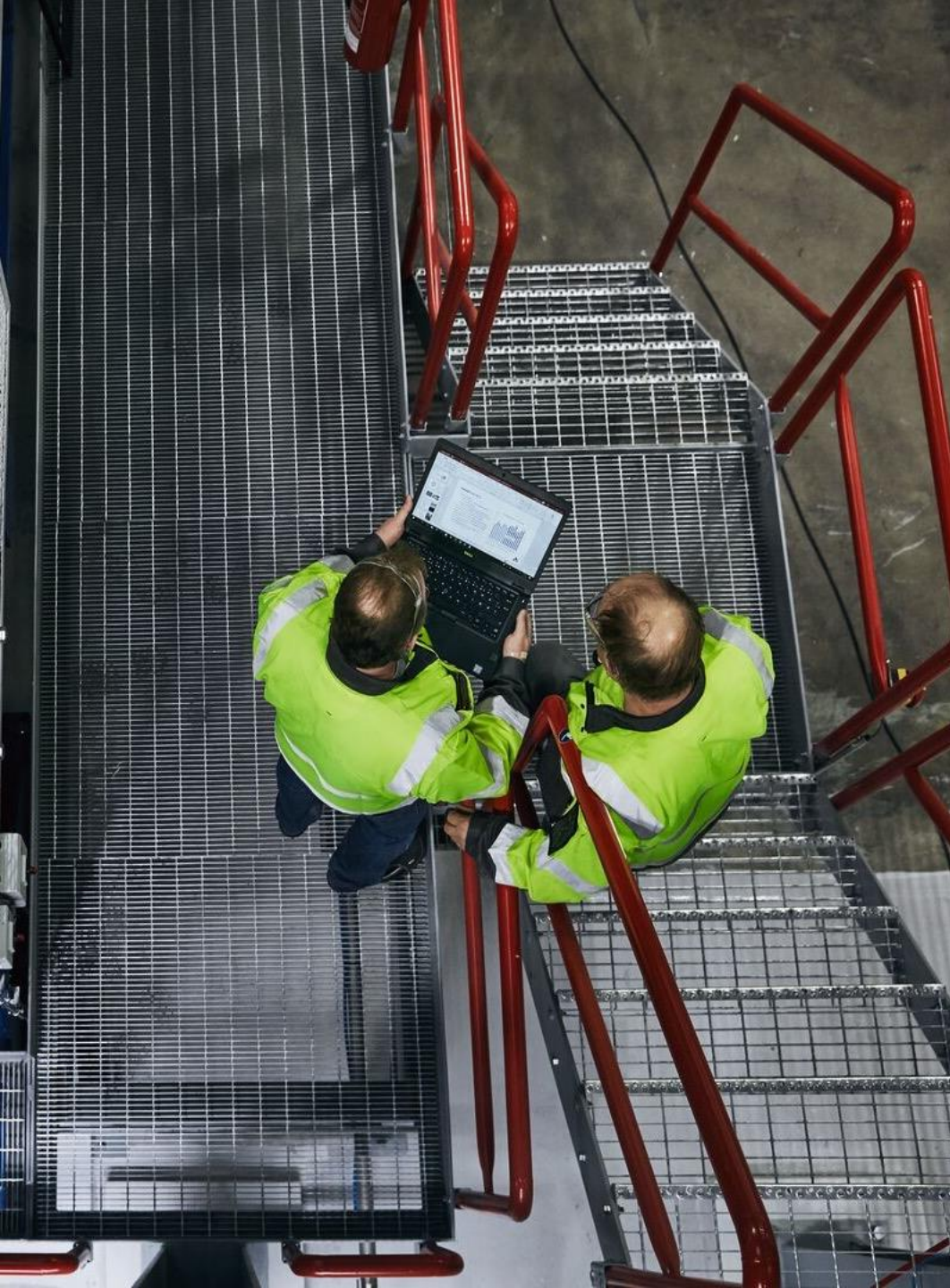
- Increased delivery volumes
  - Limited COVID-19 impact
- Lower variable costs
  - Costs savings measures
- Lower selling prices
  - Less favorable mix
- Manufacturing fixed costs increased



Record high comparable EBITDA and highest margin in 2 ½ years







## Streamlining of manufacturing fixed costs – a new profit improvement program

- Expansion through a merger and acquisitions
  - Exceeded the promised synergy benefits
- EUR 50m cost savings program completed ahead of schedule
- The market environment has been challenging, impacted by volatile raw material prices, lower demand and intensified competition
- Benchmarking of the plants shows improvement potential in fixed cost efficiency of manufacturing
- A new longer-term profit improvement program
  - Annualized target in the range of EUR 20 million with gradual impact from end of 2020 onwards



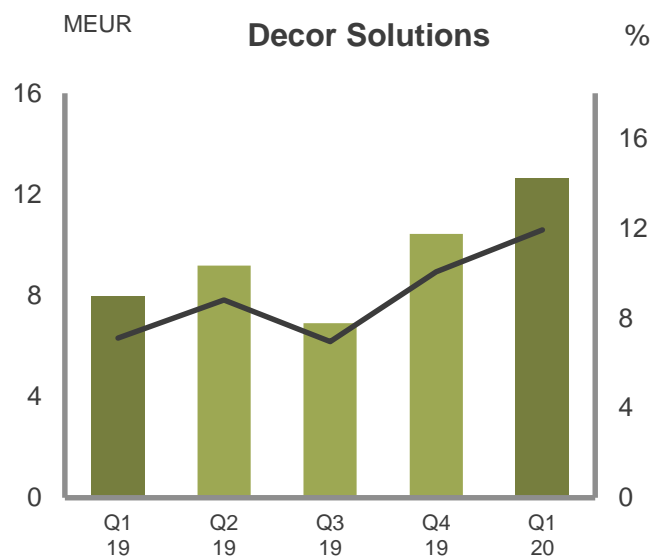
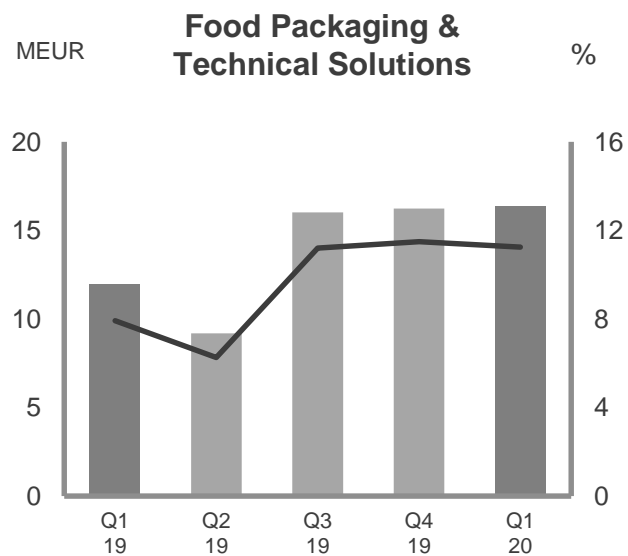
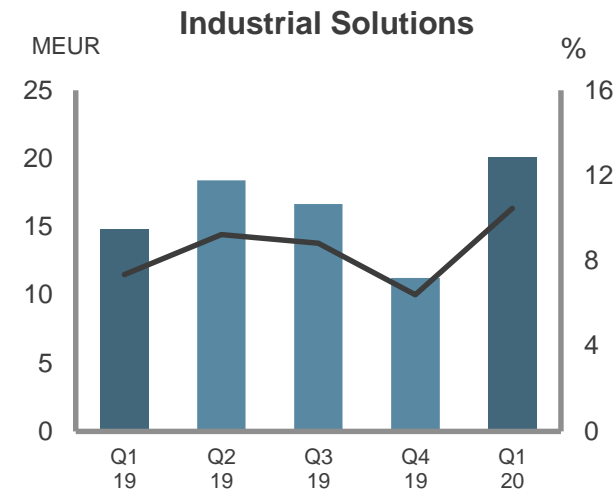
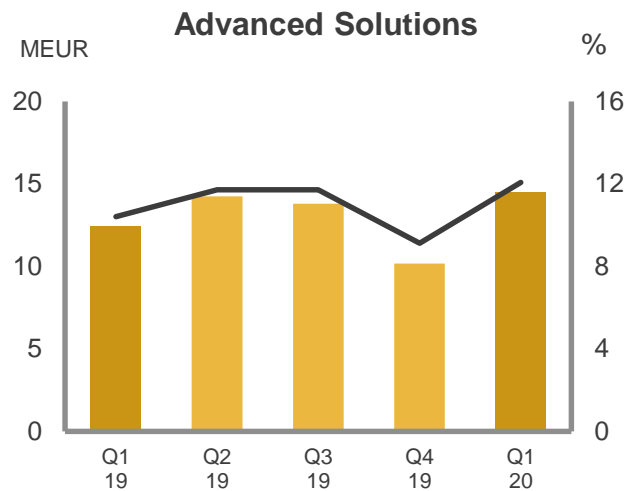
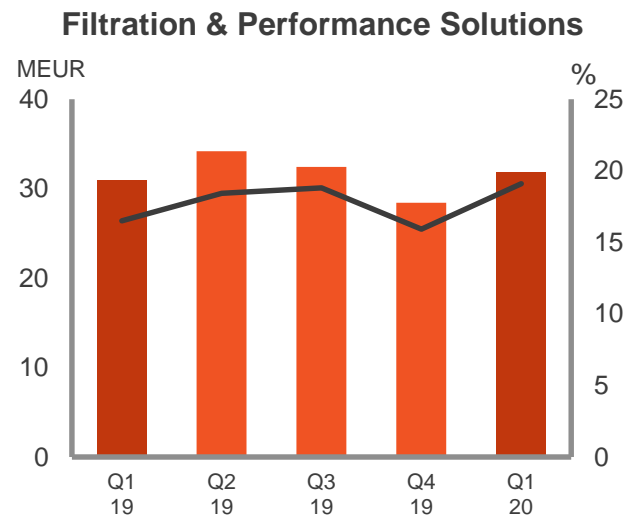
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- **Covid-19 response**

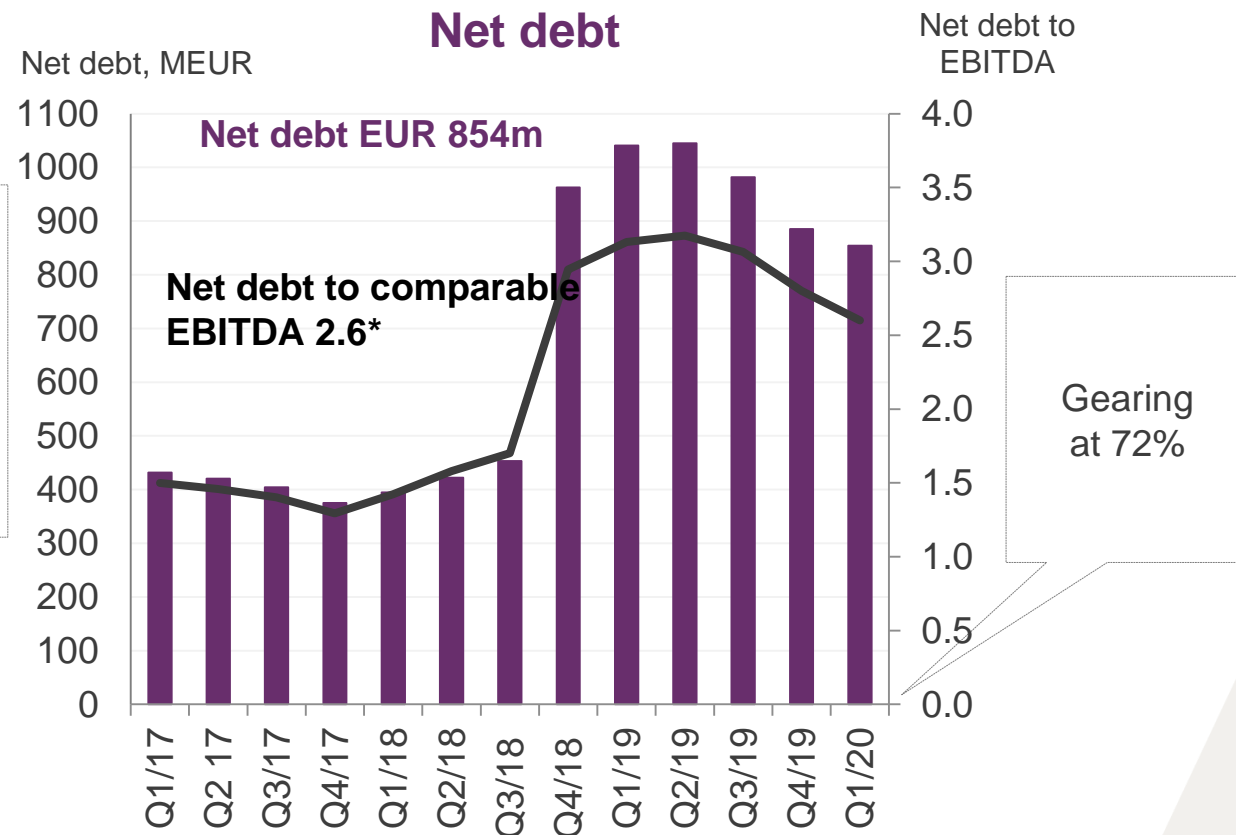
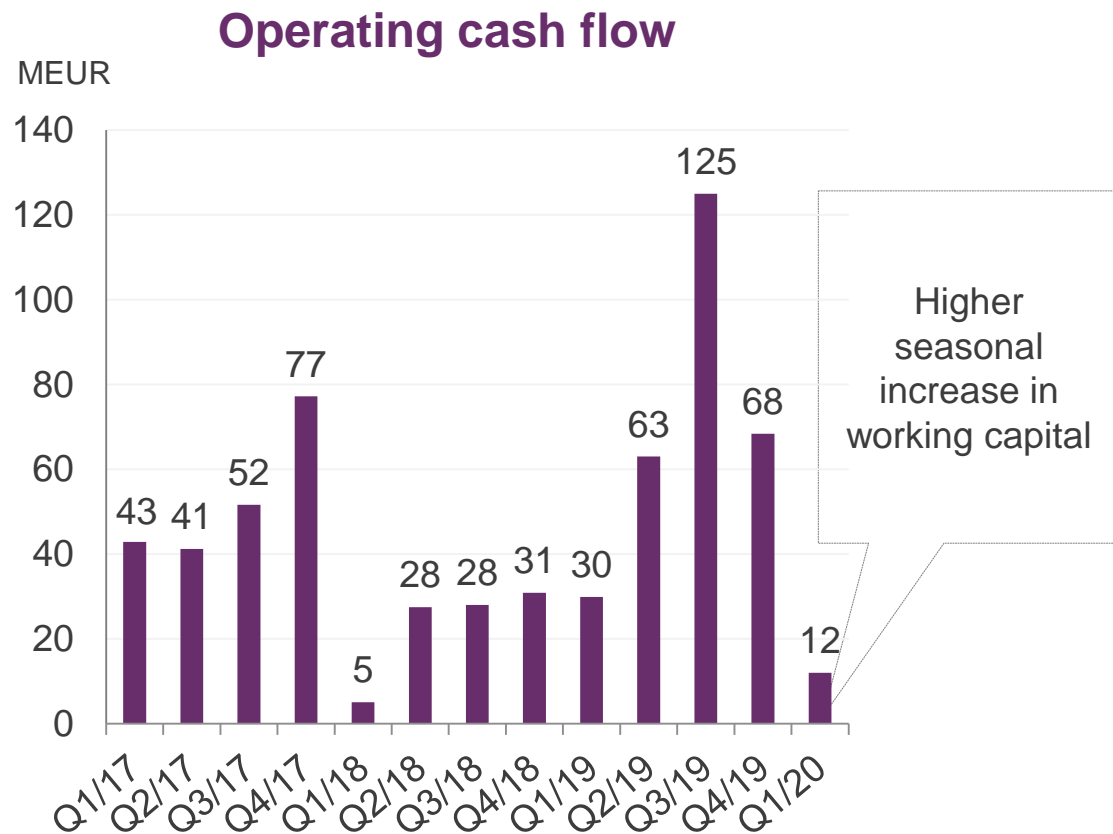




# Comparable EBITDA improved in all business areas



# Seasonal increase in working capital, decrease in net debt supported by divestment



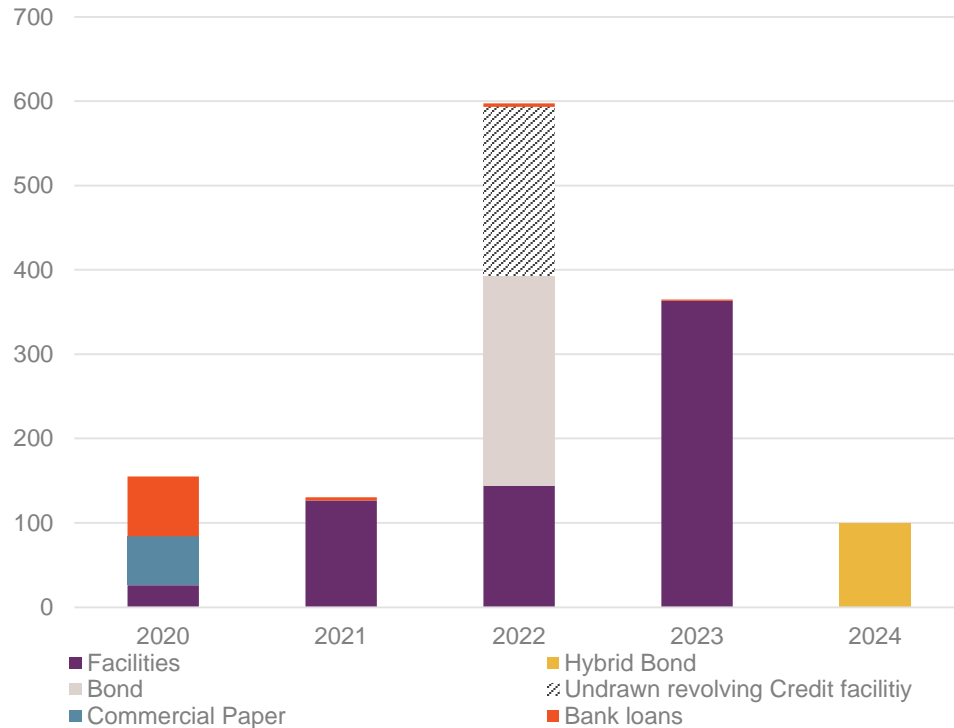
Classification of certain balance sheet items between interest-bearing and non-interest-bearing assets and liabilities were redefined in Q3/2019. Comparison figures from Q3/2018 have been restated accordingly

\* The implementation of the IFRS 16 standard is excluded from debt covenant calculations



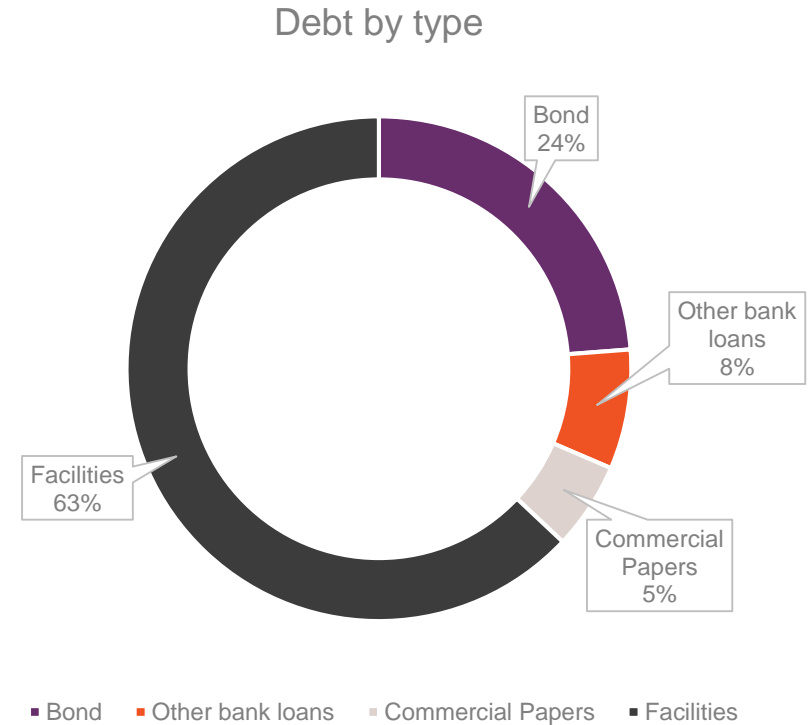
# Strong liquidity - Maturity profile and debt structure

Maturity profile as of March 31, 2020



- Cash position EUR 247 million
- Available undrawn committed facilities EUR 211 million
- Available undrawn uncommitted facilities EUR 317 million
- New EUR 50 million committed revolving credit facility for 12 months signed in April 2020

Interest-bearing liabilities as of March 31, 2020

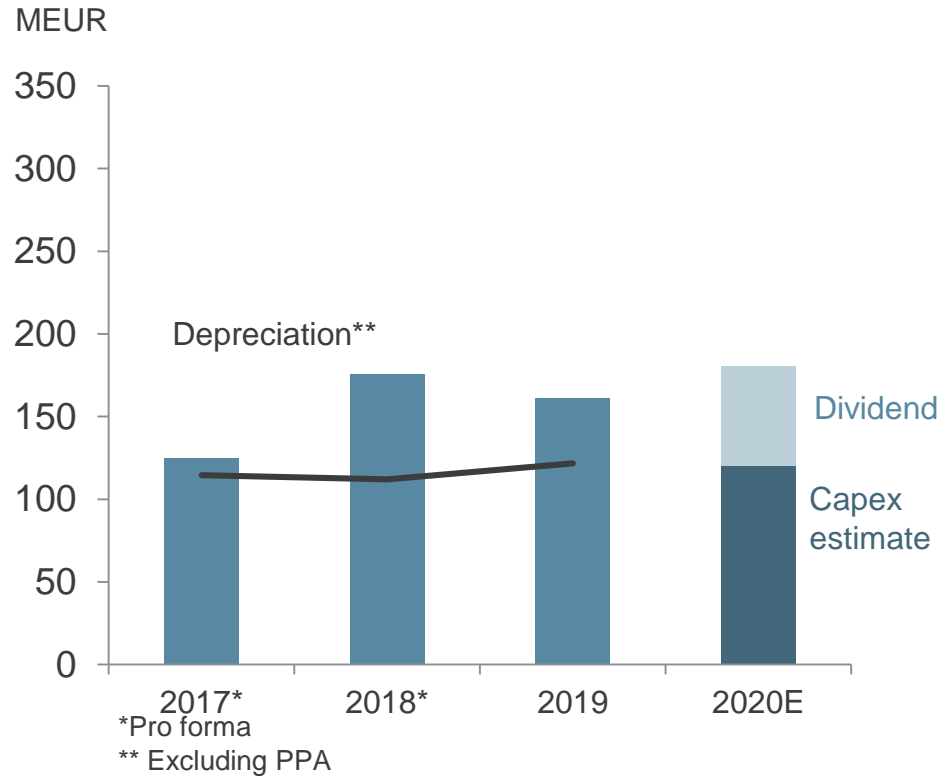


- Weighted average interest rate 3.0% (excl. hybrid bond and lease liabilities)
- Net interest expense EUR 48 million in 2019

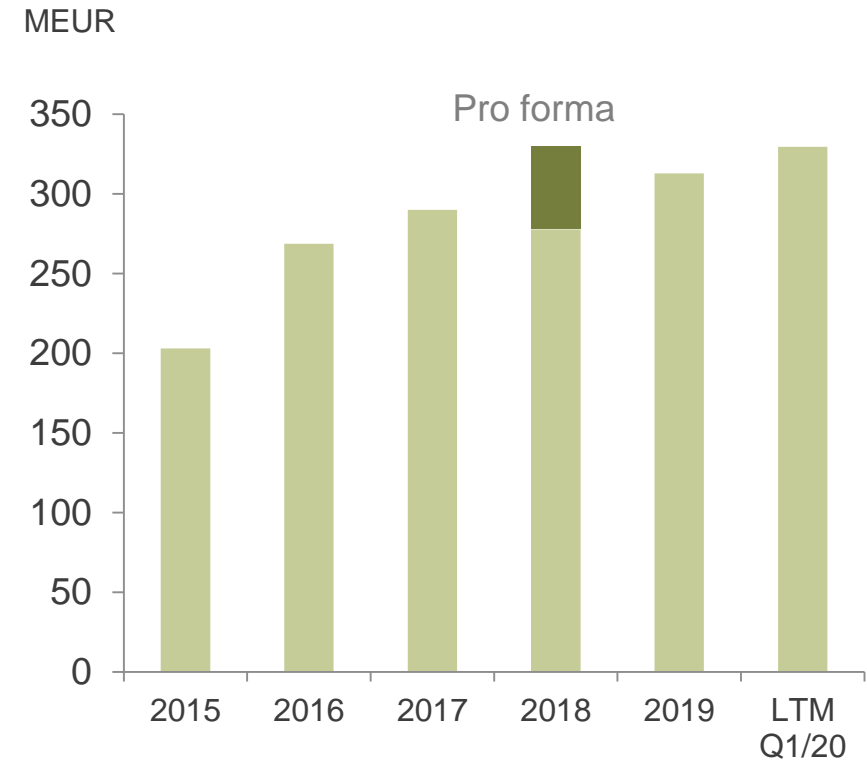


# Capital generation and allocation

## Capital allocation



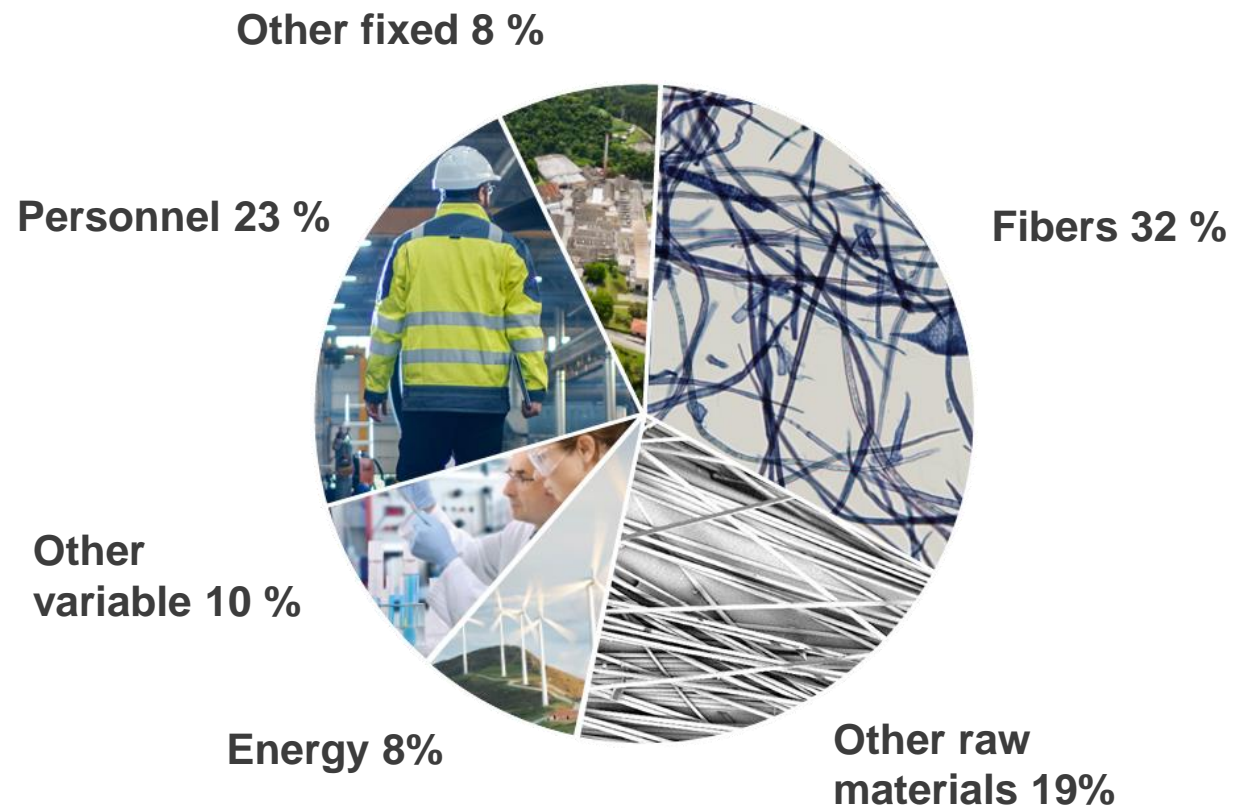
## Comparable EBITDA\*\*



\*\*Years 2015-2017 Ahlstrom-Munksjö excluding NASS and Caieiras



# Breakdown of operating costs in 2019



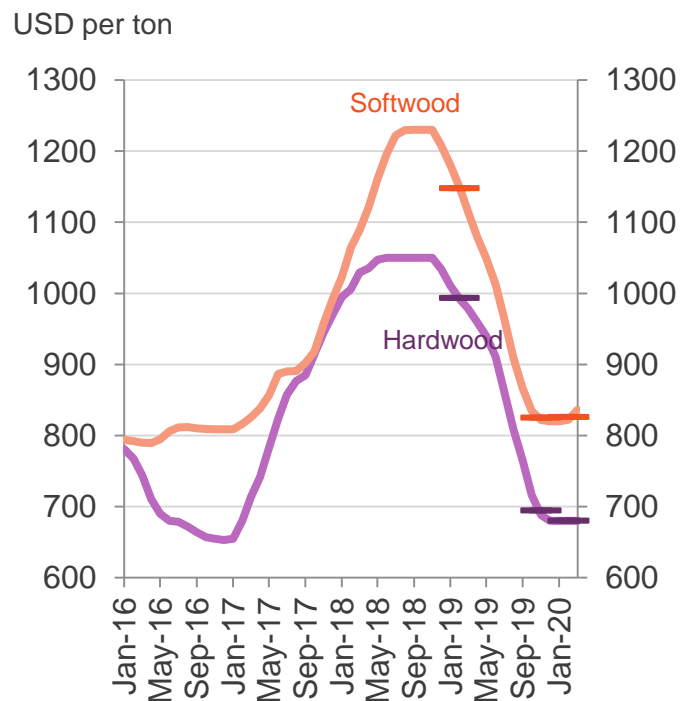
**Approximate impact on EBITDA in million euros of a 10% increase in costs, indicative:**

Hardwood pulp	-25
Softwood pulp	-6
Tio2	-11
Chemicals	-7
Energy	-20



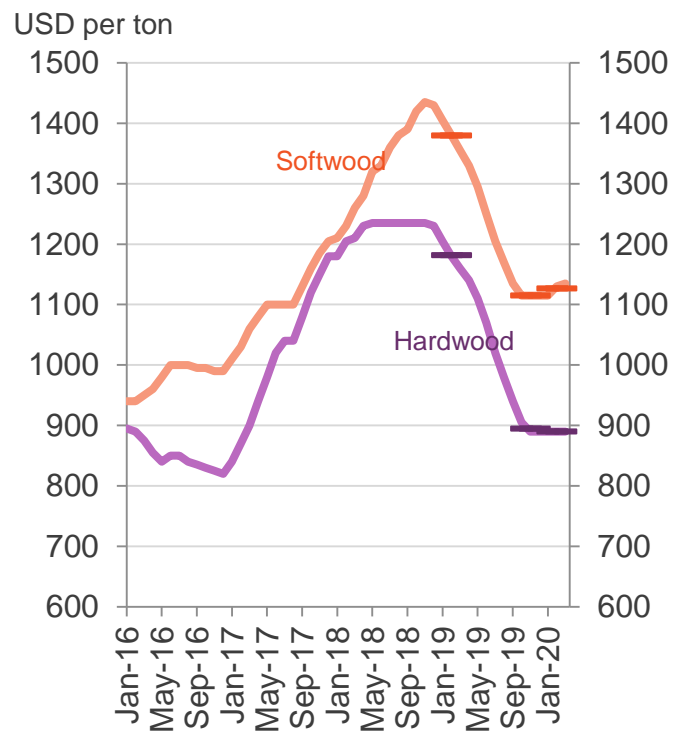
# Pulp price development

## Europe



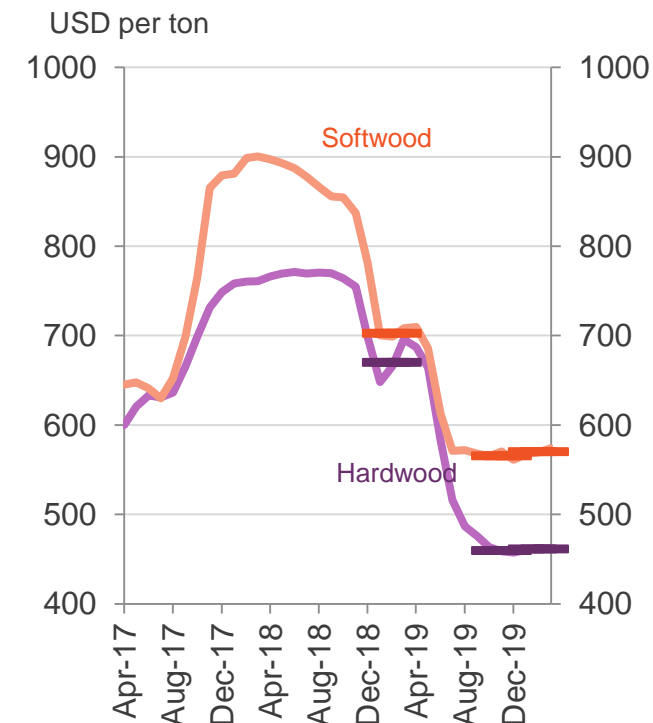
Europe		
Price change, %	Q1/Q1	Q1/Q4
Hardwood	-32	-2
Softwood	-28	+1

## North America



North America		
Price change, %	Q1/Q1	Q1/Q4
Hardwood	-28	-1
Softwood	-18	+1

## China



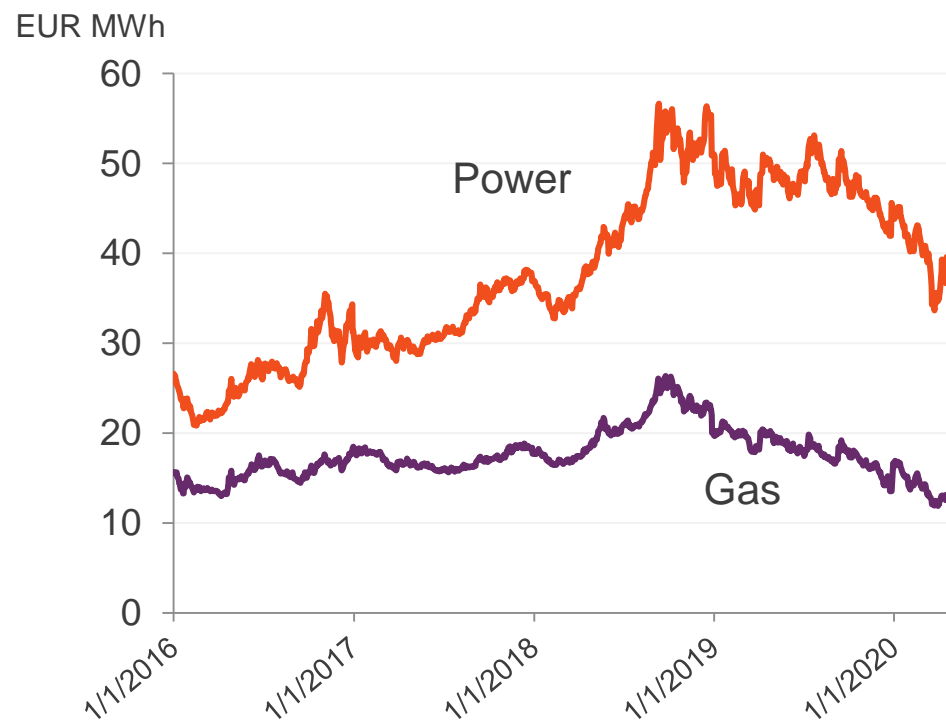
China		
Price change, %	Q1/Q1	Q1/Q4
Hardwood	-31	+0
Softwood	-19	+1





# Energy and titanium dioxide

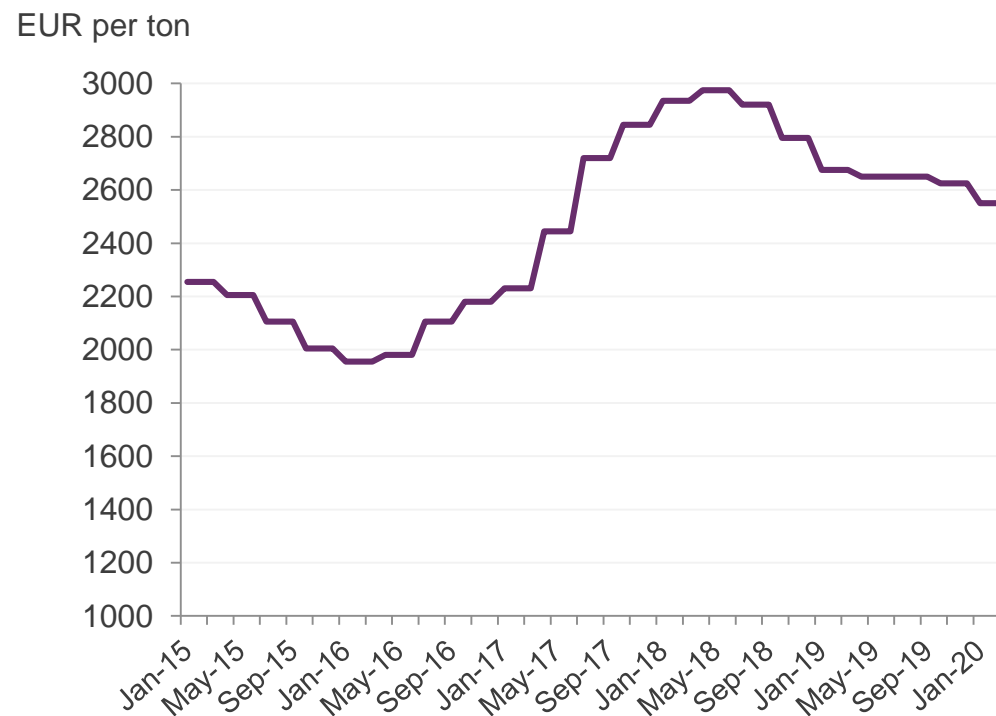
## European forward power and gas prices



Change %	Q1/Q1	Q1/Q4
Power	-15	-10
Gas	-27	-11

Source: E&C consultants

## Titanium dioxide
















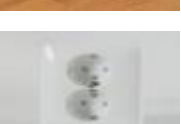
Change %	Q1/Q1	Q1/Q4
Tio2	-5	-3

Source: ICIS Europe FD



# Completed investments driving strategic progress




## Production ramp-up ongoing

		Efficiency and agility	Customer value	Profitable growth		
<b>Abrasive backings, Arches</b> Paper machine rebuild, Q1/18-	<b>EUR 14m</b>	✓	✓	✓		 Back of sandpaper
<b>Filtration, Turin</b> Capacity debottlenecking, H1/18-	<b>EUR 3m</b>			✓		 Filtration material
<b>Filtration, Madisonville</b> Product offering, H2/18-	<b>EUR 23m</b>	✓	✓	✓		 Filtration material
<b>Foodpack, Saint Severin</b> New line installation, Q3/18-	<b>EUR 7m</b>		✓	✓		 Baking paper
<b>NASS</b> Coater expansion, Q3/17-	<b>EUR 13m</b>		✓	✓		 Fiber composite release liners
<b>Decor, Dettingen</b> Production line upgrade, Q1/19	<b>EUR 5m</b>		✓	✓		 Pre-impregnated decor paper
<b>Insulation, Aspa</b> Bailing line modernization, Q2/19-	<b>EUR 4m</b>	✓	✓			 Specialty pulp






# Completed and announced investments driving strategic progress

## Production ramp-up ongoing

		Efficiency and agility	Customer value	Profitable growth		
<b>Coated Specialties, Jacarei</b> Coating line upgrade, Q3/19-	EUR 21m	✓	✓	✓	▶	 Coated specialty paper
<b>Insulation, Billingsfors</b> Boiler and pulp line rebuild, Q3/19-	EUR 23m	✓		✓	▶	 Electrotechnical paper
<b>Medical, Pont Audemer</b> Converting line rebuild, Q4/19-	EUR 4m	✓	✓		▶	 Sterilization wrap

## Announced investment decisions

<b>Filtration, Release Liner</b> New co-generation in Turin plant, H2/20-	EUR 15m	✓			▶	 Turin plant
<b>Filtration, Turin, Malmedy, Stålldalen</b> Capacity expansion, H2/21-	EUR 28m	✓		✓	▶	 Industrial filter material
<b>Beverage &amp; Casing, Chirside</b> New production line, Q1/21	EUR 28m	✓	✓	✓	▶	 Coffee, tea, and casing material



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# Outlook Q2/2020

The overall demand outlook has become uncertain due to the outbreak of the COVID-19 pandemic. Very strong demand is expected to continue in the health care and life science end-use segments.

Demand for consumer goods related products is expected to remain satisfactory, while decline in transportation, homebuilding and furniture, as well as in industrial related products.

Ahlstrom-Munksjö's comparable EBITDA in the second quarter of 2020 is expected to be lower than in the second quarter of 2019 due to lower delivery volumes.



# Rapid and coordinated responses to coronavirus

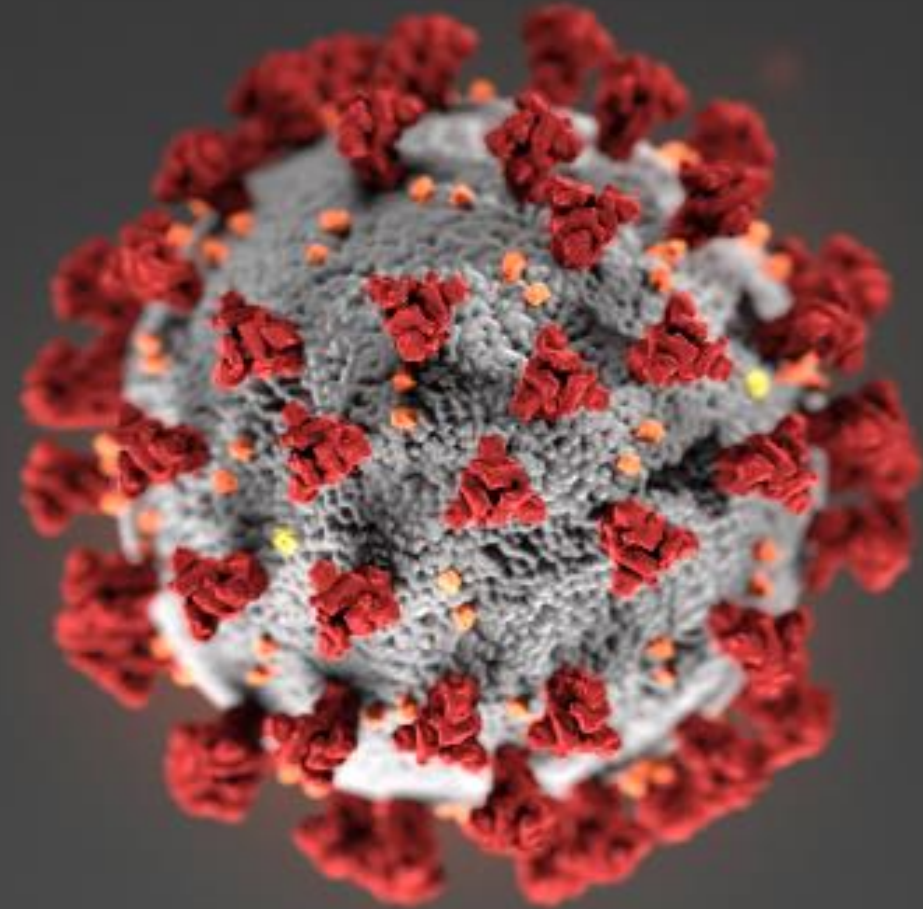
- Health and safety of all our employees is of utmost importance
- Extraordinary engagement, commitment, skills and responsibility from the organization
- Measures in place to protect the wellbeing of our employees, operate our plants and serve our customers simultaneously
- All Ahlstrom-Munksjö's 45 manufacturing facilities worldwide are operational
- Minor issues with logistics, shipping and raw material supply
- No material delays in customer deliveries
- Very strong demand for protective medical products and healthcare equipment
- Capacity reallocation to increase protective medical fabrics and life science product portfolio to support the healthcare industry





# Immediate actions by Ahlstrom-Munksjö

- Immediate response by Ahlstrom-Munksjö to mitigate the financial impact of the expected decline in volumes in Q2/2020
- Actions being implemented
  - Temporary layoffs
  - Reduction in working hours
  - Minimizing the use of external personnel and services
  - Reduction in spending
  - Postponement of projects
  - Members of the Executive Management Team and the CEO have agreed to take a 50% and 100% reduction, respectively, on one month's salary during the second quarter
- Savings expected to be approximately EUR 9 million in Q2/2020
- Further actions will be taken when needed



## Leveraging our unique filtration capability at Turin plant, Italy

- Production expansion of surgical face mask materials at a machine usually used for industrial filtration materials
- Supplements Ahlstrom-Munksjö's current product offering in the Medical business and brings strongly needed additional production capacity to the market
- Unique fiber technology used in the production, which generates mechanical protection and is better than what is currently available on the market
- Ramp-up of fabrics production for more than 20 million face masks per month
  - First orders received in the middle of March
- One-of-a-kind collaboration started with the universities of Turin, Milan and Bologna to offer Ahlstrom-Munksjö's materials and testing capability in Italy to support all the requests the local authorities are asking to assure good quality of masks



## Leveraging our unique filtration capability at Tampere plant, Finland

- Expanding the production of face mask materials to a line normally used for industrial filtration materials at the Tampere plant in Finland
- Supplements Ahlstrom-Munksjö's current product offering in the Medical business and brings strongly needed additional production capacity to the market
- The material is well suited for lighter fabric face masks in civil activities
- Droplets test shows efficiency above 90% at 3 microns and above 85% at 1 micron, i.e. close to a surgical face mask requirement
  - First orders received
- Development continues to meet the requirements of material for surgical masks for medical use
- The Tampere plant can deliver fabrics for around 10 million face masks per month





## Medical

### Demand drivers

- High-risk surgeries increasing
- Liabilities around infections and contamination
- Rigorous regulatory requirements
- Increasing use of single-use protection

### Strengths

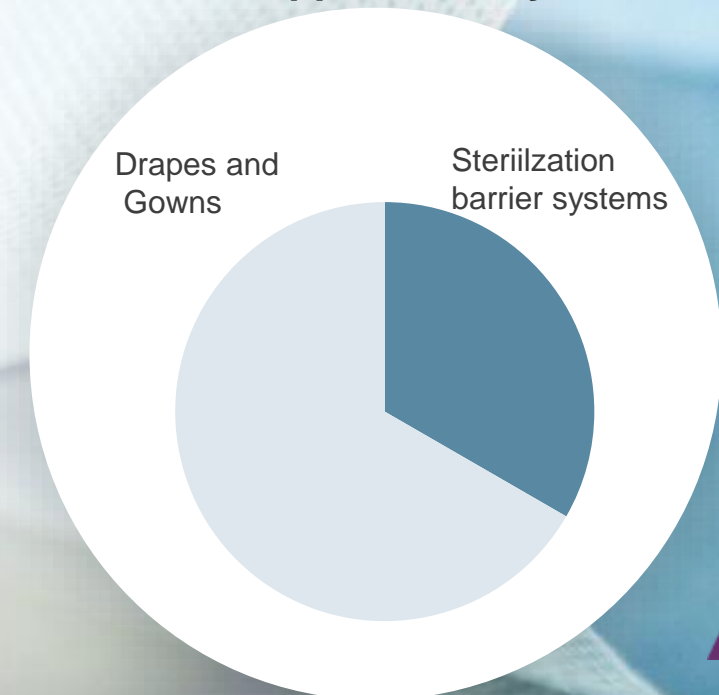
- Leading in high protective fabrics for high risk surgeries
- Leading position in sterilization wrap market in Europe
- Experienced team and strong product development capabilities
- Multi-technology platform approach

### Going forward

- Continue to expand with personal protective apparel fabrics as well as increasing market share in surgical drapes and gowns.
- Strengthen leading position in Europe in sterile wraps and grow as a solutions provider through an enhanced service offering
- Grow in Asia through improved customer service and local converting footprint

The **Medical** business makes medical fabrics used in sterile barrier systems, drapes, gowns, facemasks and sterilization wraps, all used primarily in surgery but also in cleanrooms and laboratories. Ahlstrom-Munksjö targets global markets.

- **Market position #1-3**
- **Average market growth 3% p.a.**
- **Sales approximately EUR 90 million**



# Expert in barrier protection

## Surgical drapes, gowns and apparel

- Innovative single-use medical fabrics used in drapes, gowns, face masks and apparel protecting workers in the operating room
- Tripled fabric production contributing to more than 150 million finished face masks per month during March
- Providing clinical and cleanroom environments a wide range of products for all levels of protection, keeping health care workers and patients safe and comfortable

## Sterile Barrier Systems – wrap with confidence

- Range of rolled and sheeted fabrics that can be used for sterilization wraps, packaging systems and absorbent tray liners
- Meets the requirements of the French Government for face masks used by professionals in contact with the public



## Liquid Technologies

### Demand drivers

- Increase in testing for environmental and health monitoring.
- Patient-friendly procedures, performed at home
- Quick, cost-effective solutions for healthcare
- Safer drinking water, rising quality standards for food and liquids

### Strengths

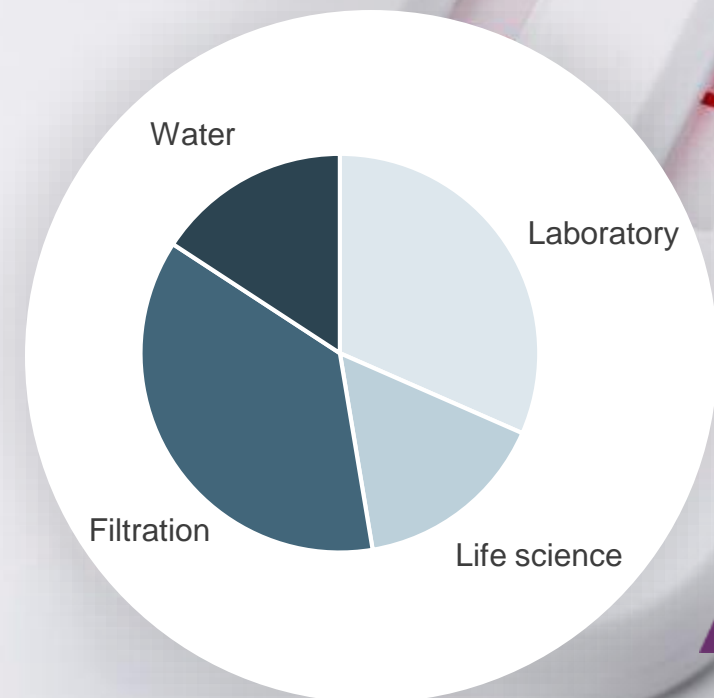
- Disruptor proprietary technology in water purification
- Alternative solution to liquid sampling by avoiding cold chain and special transport of specimen to be used for i.e. diagnosis of genetic diseases and DNA screening. New components for rapid test kits that extend this technology into pregnancy tests, infectious diseases and drug monitoring.
- Full range service for laboratory filters; cost-effective solution to increase hot cooking oil quality

### Going forward

- Market position in life science and laboratory segment will be strengthened through further product development and partnerships with e.g. kit assemblers. In liquid purification, the business will continue to penetrate the water purification market through more end-use applications.

The **Liquid Technologies** business produces high-quality filters for laboratory sample preparation and life science diagnostics materials, used by laboratories and manufacturers of rapid test kits, in addition to high-performance media for water purification devices.

- **Market position #2**
- **Average market growth 1-10% p.a.**
- **Net sales approximately EUR 70m**





# Fighting the pandemic with high-quality filters and life science diagnostics materials, as well as high-performance media for water purification devices



Components used in rapid test kits for fast detection of medical conditions



Efficient and convenient screening of infectious diseases, human identification and genetic mapping



Filter media for artificial respiratory devices



Virus and contaminants removal for safe drinking water



## Summary

- Strong improvement in comparable EBITDA, improvement in all business areas
- Balance sheet strengthened in Q1/2020, strong liquidity position with no major refinancing needs
- Identified improvement potential in fixed cost efficiency of manufacturing
- Rapid and coordinated response to the COVID-19 pandemic
  - Health and safety, continuous operations and customer service
  - Adapting cost base to lower demand
  - New business

**Thank you!**

