



# Q4/2017 & Financial Statements Release 2017

Helsinki, February 13, 2018

JAN ÅSTRÖM, PRESIDENT AND CEO

PIA AALTONEN-FORSELL, CFO

# Agenda

- Q4/2017 in brief
- Business area reviews
- Financials
- Update on synergies
- Outlook

We have only seen the beginning of what fiber-based materials and solutions can be used for.

**Imagine  
fiber**

# Key takeaways from Q4/2017

## Organic net sales growth at 7.3%

### Excellent organic growth continued with stable profitability

- Demand continued to be good for most products across many regions
- Business units managed well keeping margins intact despite continued cost inflation
- Performance driven by Filtration with record annual profitability, growth in Release Liners as well as good improvement in Coated Specialties in Brazil

### Synergy benefits are clearly visible

- Well on-track to achieve annual synergy benefits of above EUR 40 million
- Currently achieved annual run rate of about EUR 19.3 million, impact on Q4/2017 result about EUR 4.1 million

### Looking forward

- Rapid increase in raw materials prices in Q4/17 reflected in outlook
  - Time-lag to compensate for increased raw material costs
  - Further pricing initiatives on-going, particularly in Decor
- Results from the process to address the challenges in coated one-sided business expected to be gradually visible during 2018



# Key figures

## Strong sales growth

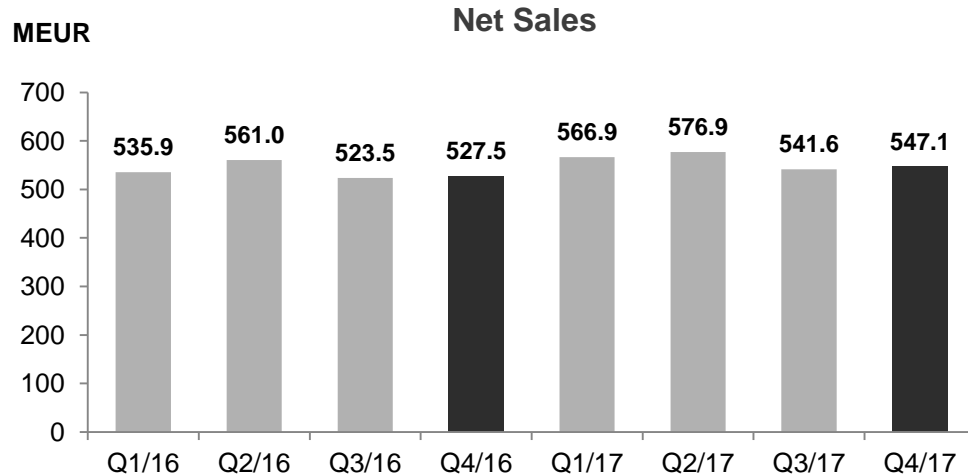
EUR MILLION	Q4/2017	Q4/2016	CHANGE, %	2017	2016	CHANGE, %
<b>Net Sales</b>	<b>547.1</b>	527.5	3.7	<b>2,232.6</b>	2,147.9	3.9
<b>Comparable EBITDA</b>	<b>63.1</b>	61.3	3.0	<b>290.4</b>	268.7	8.1
<i>Comparable EBITDA margin, %</i>	<b>11.5</b>	11.6		<b>13.0</b>	12.5	
<b>EBITDA</b>	<b>52.7</b>	55.4	-4.9	<b>266.6</b>	239.9	11.1
Items affecting comparability included in EBITDA	<b>-10.4</b>	-5.9		<b>-23.8</b>	-28.8	
<b>Net result</b>	<b>19.3</b>	13.5	42.6	<b>88.5</b>	49.8	77.6
<b>Earnings per share, EUR</b>	<b>0.20</b>	0.14	43.1	<b>0.91</b>	0.51	78.7
<b>Comparable EPS excluding merger related items (PPA), EUR</b>	<b>0.37</b>	0.20	85.0	<b>1.29</b>	0.96	34.4
<b>Net debt**</b>	<b>375.3</b>	N/A	N/A	<b>375.3</b>	N/A	N/A
<b>Gearing, %**</b>	<b>36.2</b>	N/A	N/A	<b>36.2</b>	N/A	N/A
<b>Cash generated from operating activities</b>	<b>77.2</b>	75.6	2.2	<b>212.9</b>	232.1	-8.3

\*Fair valuation of EUR 11 million inventory adjustment excluded as already included in pro forma 2016 figures

\*\*No comparative balance sheet figures on pro forma basis available

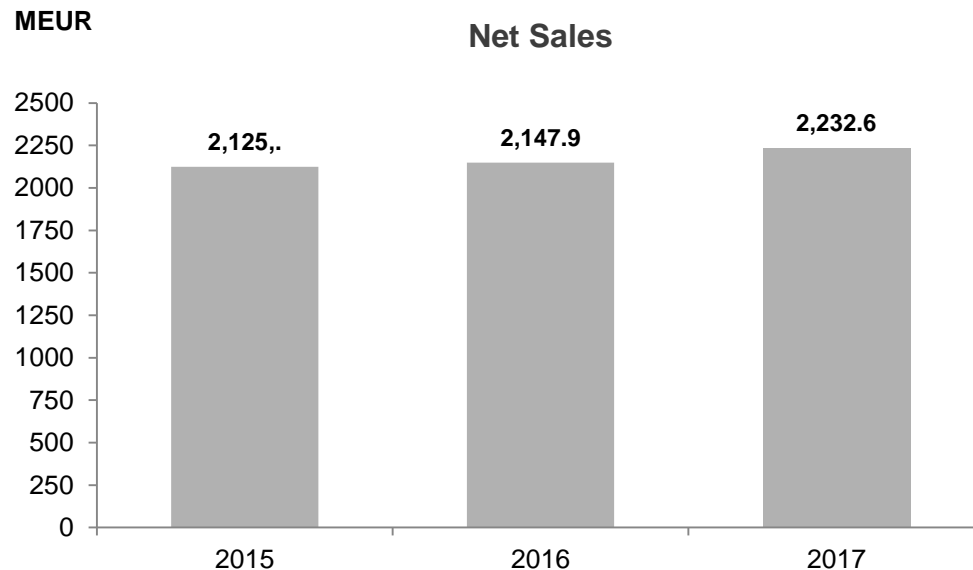


# Strong organic sales growth in Q4/2017

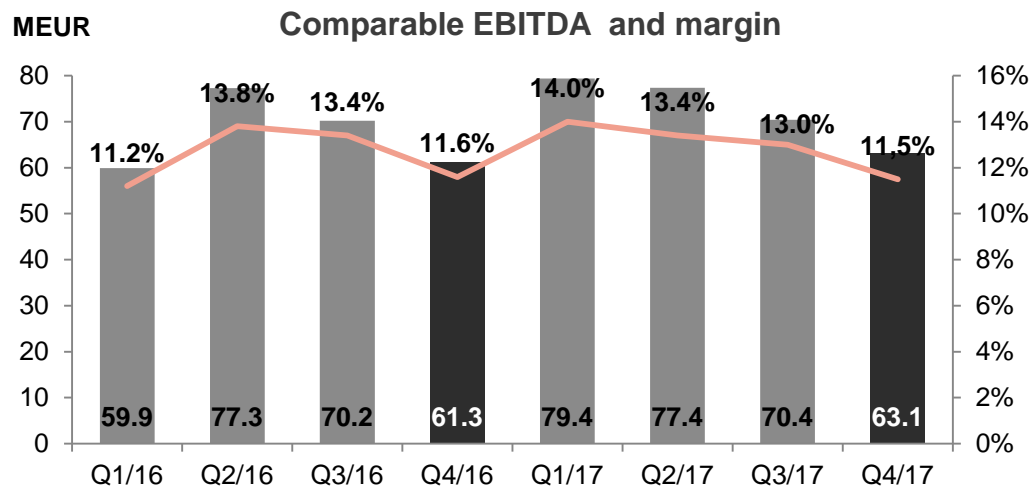


**Net sales EUR 547.1 million in Q4/17 (EUR 527.5 million)**

- Net sales +3.7%
- Comparable net sales +7.3% at constant currency rates
  - Higher selling prices and volumes as well as improved product mix
  - Strong growth in Filtration, Decor, Release Liners, Coated Specialties, and Tape
- Price increases to fight raw material inflation
- Sales predominately in euro, other main currencies are USD, CNY and SEK
  - Translation effect from stronger EUR on net sales

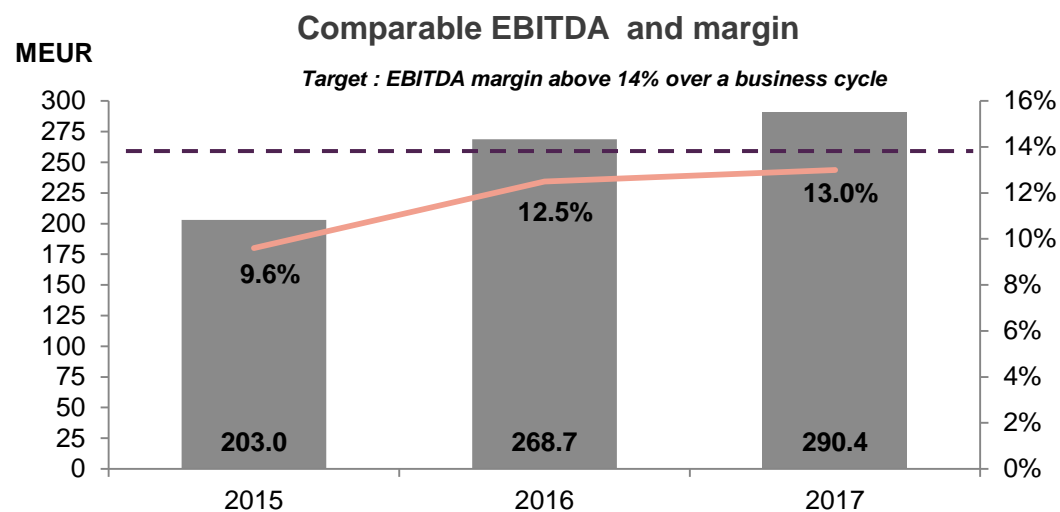


# EBITDA margin maintained at a good level in Q4/2017



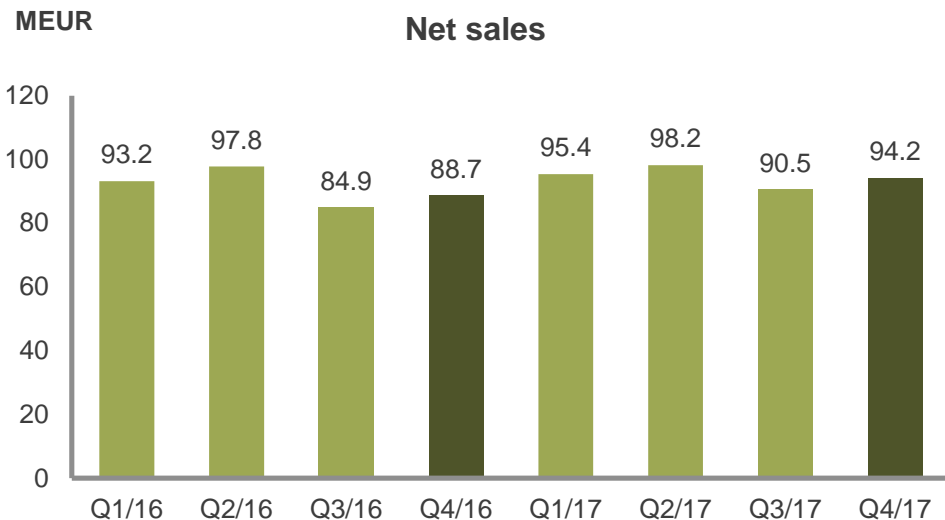
## Comparable EBITDA EUR 63.1 million in Q4/17 (EUR 61.3 million)

- Margin at 11.5% (11.6%)
- Supported by higher volumes and lower fixed costs
- Negative impact of EUR 15 million from higher raw material costs
  - Mainly related to pulp and titanium dioxide
  - Price increases implemented to fight raw material inflation in 2017
- Figure impacted by EUR 4 million related to annual maintenance stop at Aspa (in 2016, occurred in Q3)



# Business area reviews

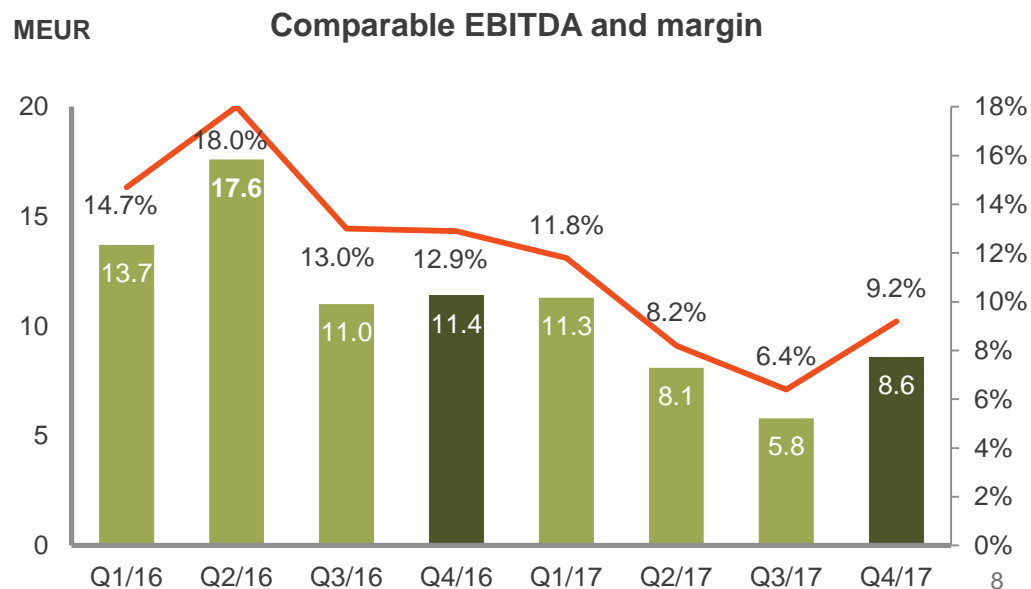
# Decor



## Net sales EUR 94.2 million in Q4/17 (EUR 88.7 million)

- Net sales +6.2%
- Continued good demand in all segments
- Higher selling prices, volumes in line with the comparison period

## Comparable EBITDA EUR 8.6 million in Q4/17 (EUR 11.4 million)

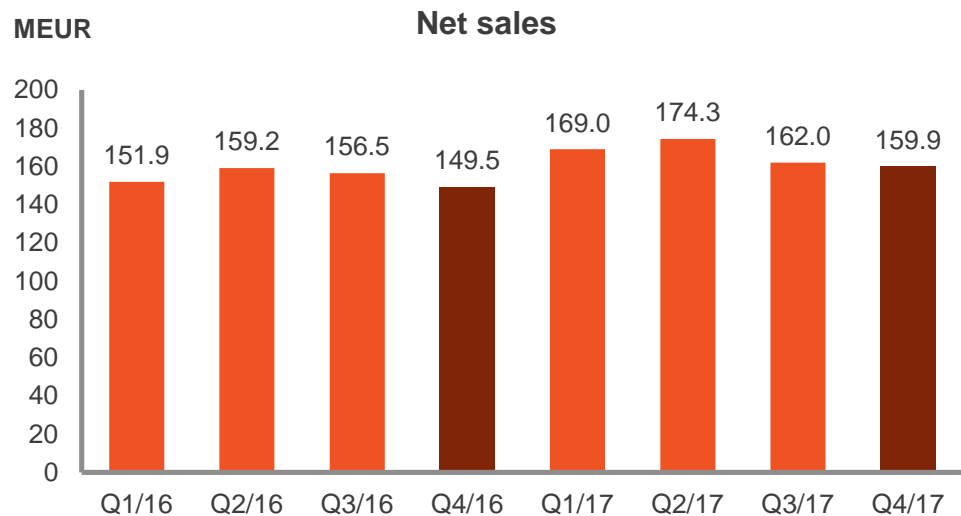


- Higher selling prices
  - However, did not yet fully compensate for the rapid increase in titanium dioxide and pulp costs
  - Further price increases on-going
- Figure was positively impacted by about EUR 2 million related inventory adjustment and energy subsidy



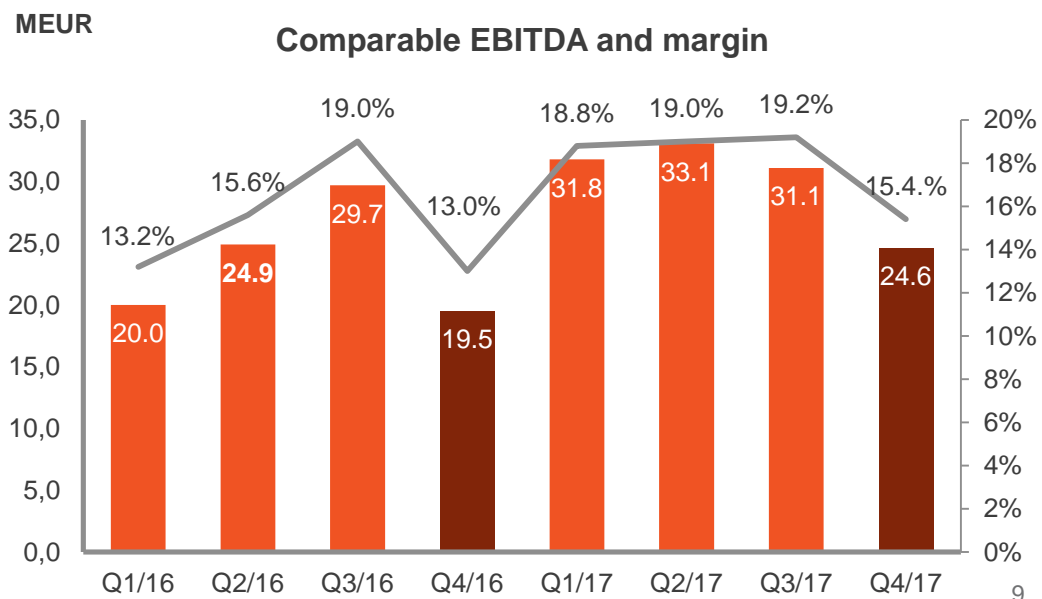


# Filtration and Performance



**Net sales EUR 159.9 million in Q4/17 (EUR 149.5 million)**

- Net sales +6.9%
- Growth was driven by the higher sales of filtration, nonwoven and wallcover products
- Higher selling prices, partially off-set by an adverse currency effect

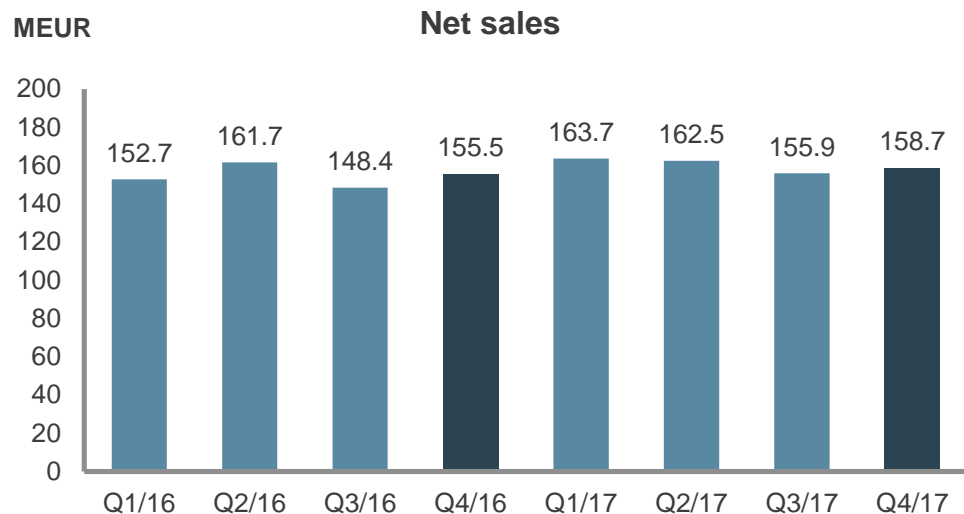


**Comparable EBITDA EUR 24.6 million in Q4/17 (EUR 19.5 million)**

- Higher volumes
- Improved operational efficiency
- Full-year comparable EBITDA margin at a record high of 18.1%



# Industrial Solutions

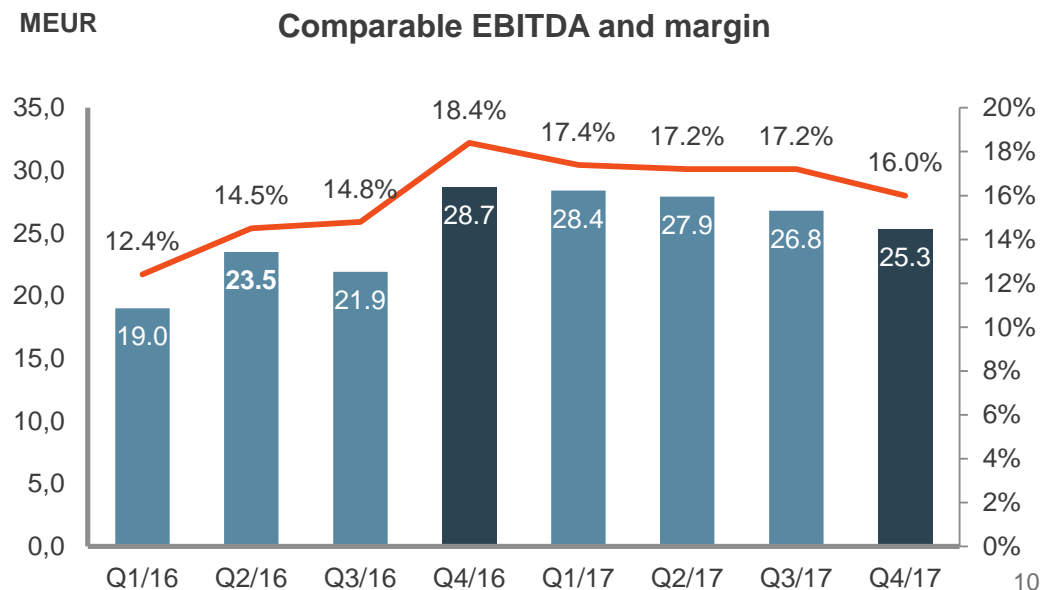


**Net sales EUR 158.7 million in Q4/17 (EUR 155.5 million)**

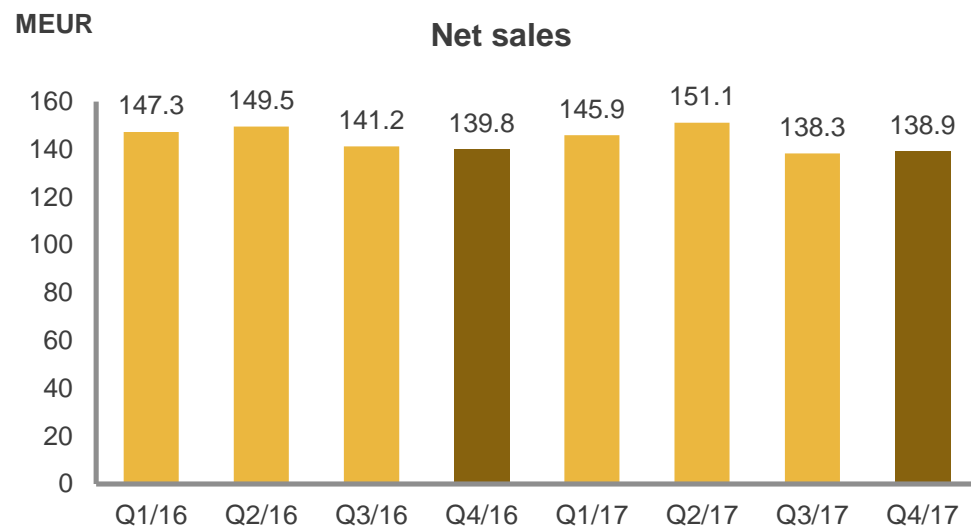
- Net sales +2.0%
- Higher sales of Release Liners and Coated Specialties products
- Higher selling prices in most segments

**Comparable EBITDA EUR 25.3 million in Q4/17 (EUR 28.7 million)**

- Higher selling prices and sales volumes as well as improved product mix
- Negative effect from the higher material costs: price spread between soft- and hardwood pulp narrowed
- The figure impacted by EUR 4 million related to annual maintenance stop at Aspa pulp mill (in 2016, carried out in Q3)



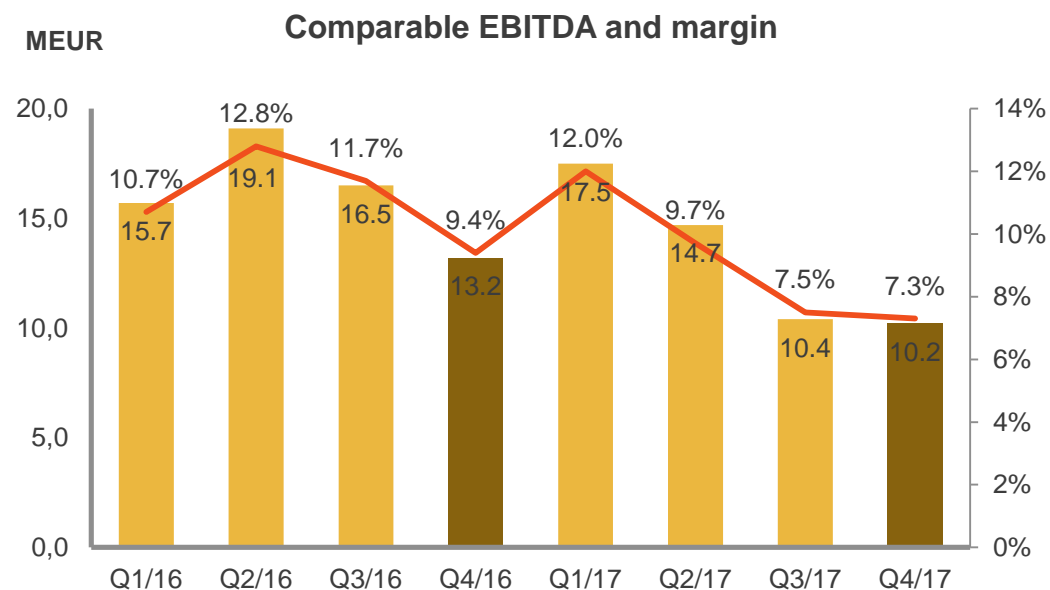
# Specialties



**Net sales EUR 138.9 million in Q4/17 (EUR 139.8 million)**

- Net sales in-line with the comparison period
- Higher sales of tape, medical as well vegetable parchment products
- Lower sales of coated one-sided products, tea bag materials

**Comparable EBITDA EUR 10.2 million in Q4/17 (EUR 13.2 million)**



- Higher raw material costs
- Operational challenges in the coated one-sided business
  - Results from a process to address the challenges expected to be gradually visible during 2018
- Positive impact from increased volumes and lower fixed costs



# Synergies are clearly visible

## Benefits estimated to be above EUR 40 million

- Annual synergies are estimated to be above EUR 40 million
- Annual synergy achievement run rate was about EUR 19.3 million at the end of 2017, majority from SG&A costs
  - Non-recurring costs estimated at EUR 30 million, of which EUR 19.1 million have been taken by the end of 2017
  - Cash flow effect was EUR -3.6 million in Q4/17 and EUR -10.9 million in 2017
- Integration of the former Graphics and Packaging business area into Specialties to develop a combined product and service offering



# Financials

# Strong financials and good liquidity

EUR million	Dec. 31, 2017	April, 1, 2017*
Total non-current assets	1,604.2	1,750.2
Operative net working capital	267.8	N/A
Cash and cash equivalents	245.9	200.6
Equity	1,038.0	1,062.6
Net debt	375.3	432.4
Net debt / EBITDA**	1.3x	1.5x
Gearing, %	36.2	40.7

## Liquidity

- Total cash position EUR 245.9 million. In addition, undrawn committed credit facilities and committed cash pool overdrafts of EUR 212.5 million available

## Refinancing implemented in 2017

- EUR 100 million hybrid bond redeemed in May 2017
- Five-year EUR 250 million bond issued with 1.875% coupon in June 2017
- To repay EUR 100 million bond with 4.125% coupon and refinance part of term loan borrowings

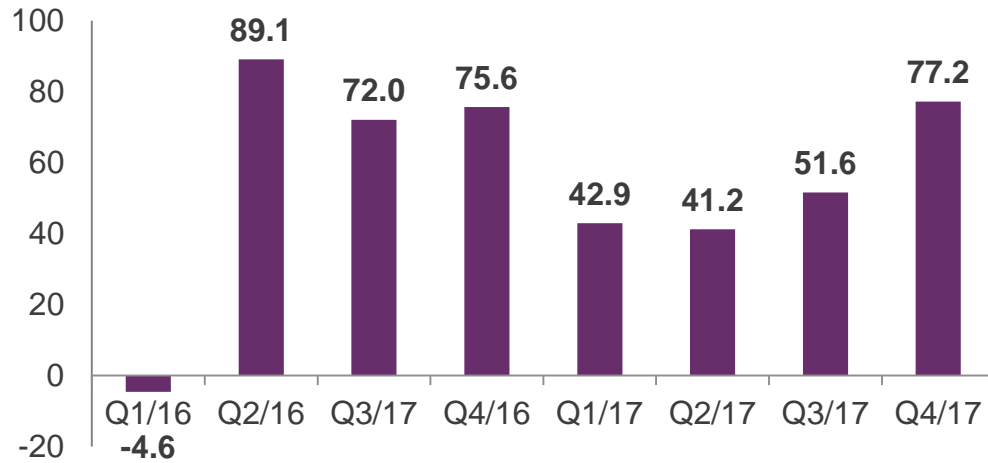
\* Pro forma

\*\* Comparable

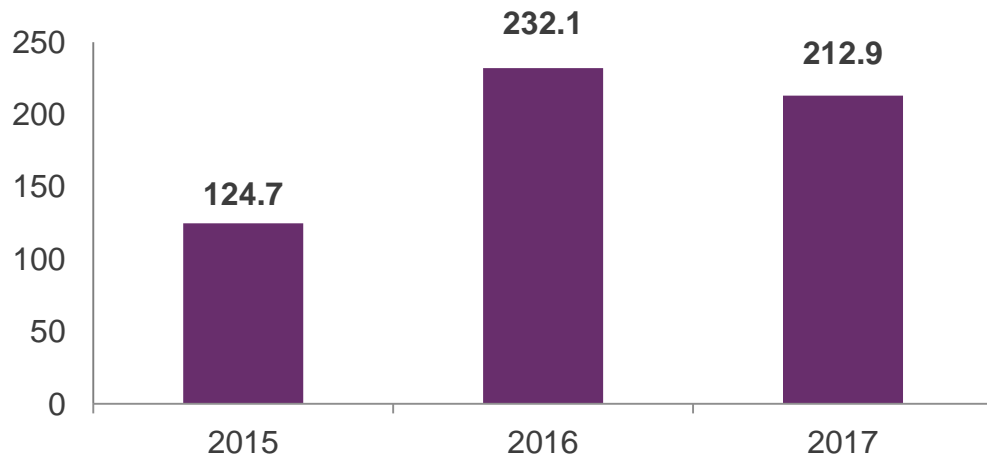


# Operating cash flow

MEUR



MEUR



## Q4/2017 vs Q4/2016

- Up 2.2%, driven by improved operational result. Negatively impacted by higher cash taxes.

## 2017 vs 2016

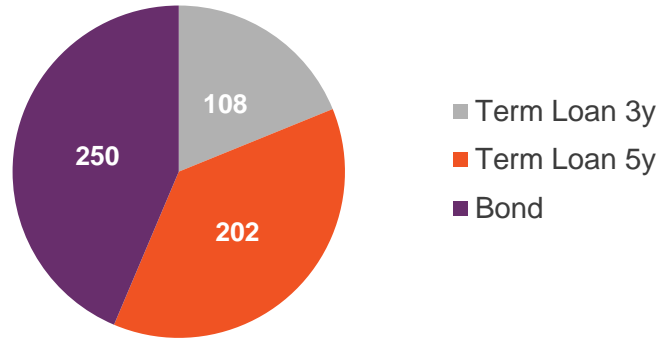
- Impacted by higher cash taxes related to accumulated payments from previous years as well the process to achieve the targeted synergy benefits



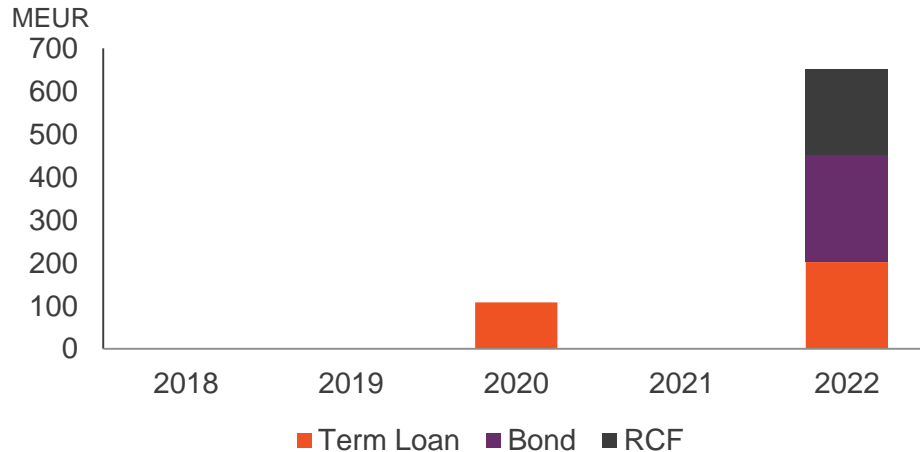
# Funding structure

## DEBT FACILITY STRUCTURE, DRAWN<sup>1</sup>

MEUR



## DEBT FACILITY MATURITY PROFILE, INCL. UNDRAWN<sup>1</sup>



1) Local facilities not represented

## FUNDING STRUCTURE, AVAILABLE FACILITIES

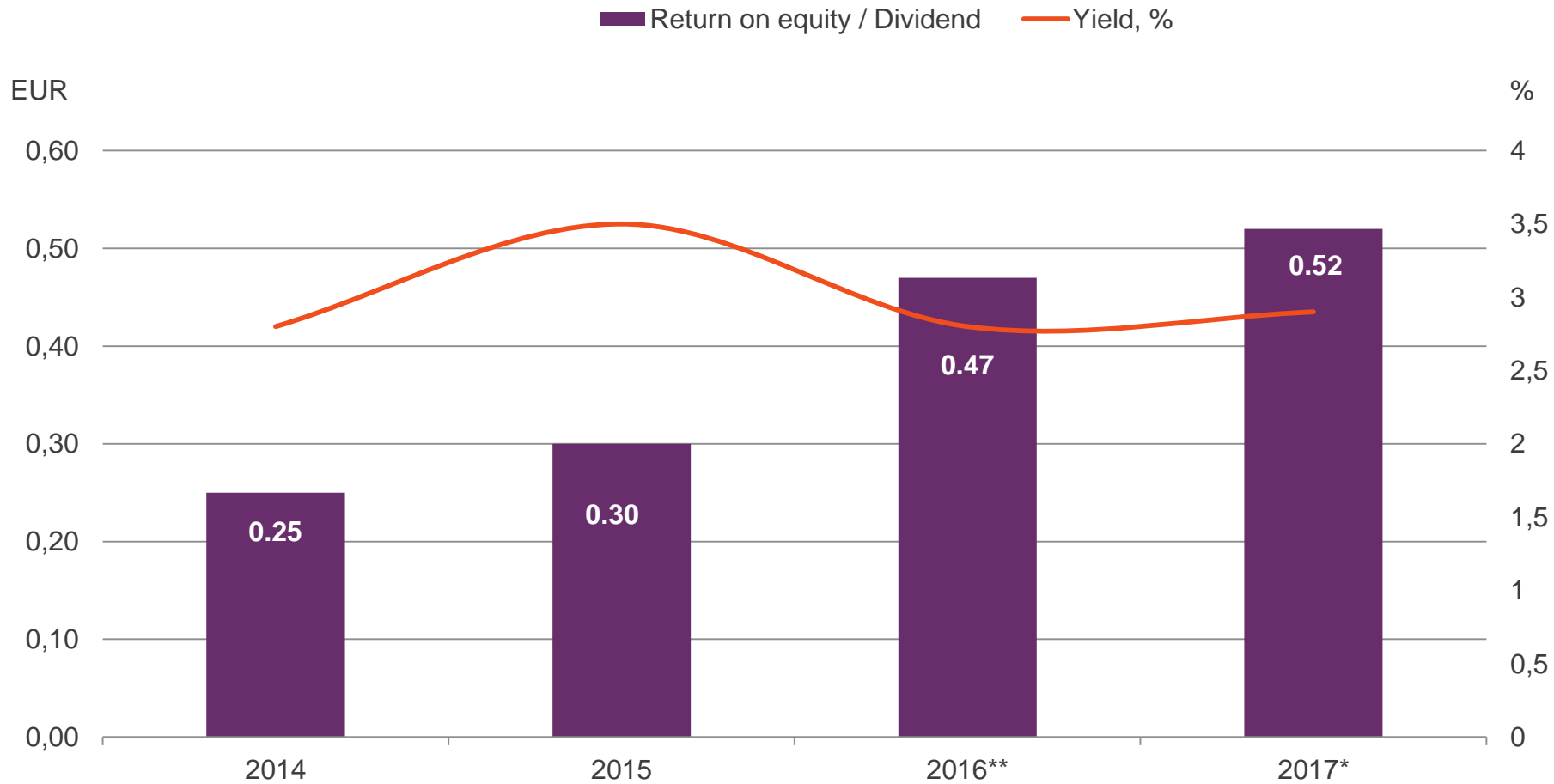
- **Term Loans**
  - 3 year: EUR 108 million (maturity 2020)
  - 5 year: EUR 72 million, EUR 40 million, SEK 600 million, USD 35 million (maturity 2022)
- **Bond**
  - EUR 250 million bond (maturity 2022)
- **RCF**
  - 5 year: EUR 200 million, undrawn (maturity 2022)
- **Other**
  - Local WC facilities of approx. EUR 57 million
  - Local undrawn WC facilities of approx. EUR 62 million
  - No active issuances in the CP market at the moment
  - Cash pool limits of EUR 13 million (committed) and EUR 11 million (uncommitted)
  -





# Dividend proposal: EUR 0.52 per share

## To be paid in two installments



\* Proposal to the AGM

\*\* Converted by using the same number of shares as in 2017



# Outlook

## Market Outlook

Demand for Ahlstrom-Munksjö's fiber-based products is expected to remain stable at the current good level for most of the product segments and to reflect the seasonal pattern. Selling price increases will continue to be implemented to mitigate cost inflation in raw materials.

## EBITDA

Comparable EBITDA in 2018 is expected to be approximately at the previous year's level (pro forma EUR 290.4 million), or slightly below. In the first-half of 2018, comparable EBITDA is expected to be lower than in the comparison period and to gain momentum in the second half of the year.

## Capital Expenditure

The cash flow effect of current capital expenditure of fixed assets as well as strategic investments is expected to be higher than in 2017 (EUR 89.7 million). The strategic growth and profitability enhancement investments include the previously announced projects at Arches, Madisonville and Saint Severin sites.



## UPCOMING EVENTS IN 2018

- Interim report January-March 2018 to be published on April 24
- Annual General Meeting 2018 on March 21
- Half-year report January-June 2018 to be published on July 26
- Interim report January-September 2018 to be published on October 30



Further information, please contact

### **Juho Erkheikki**

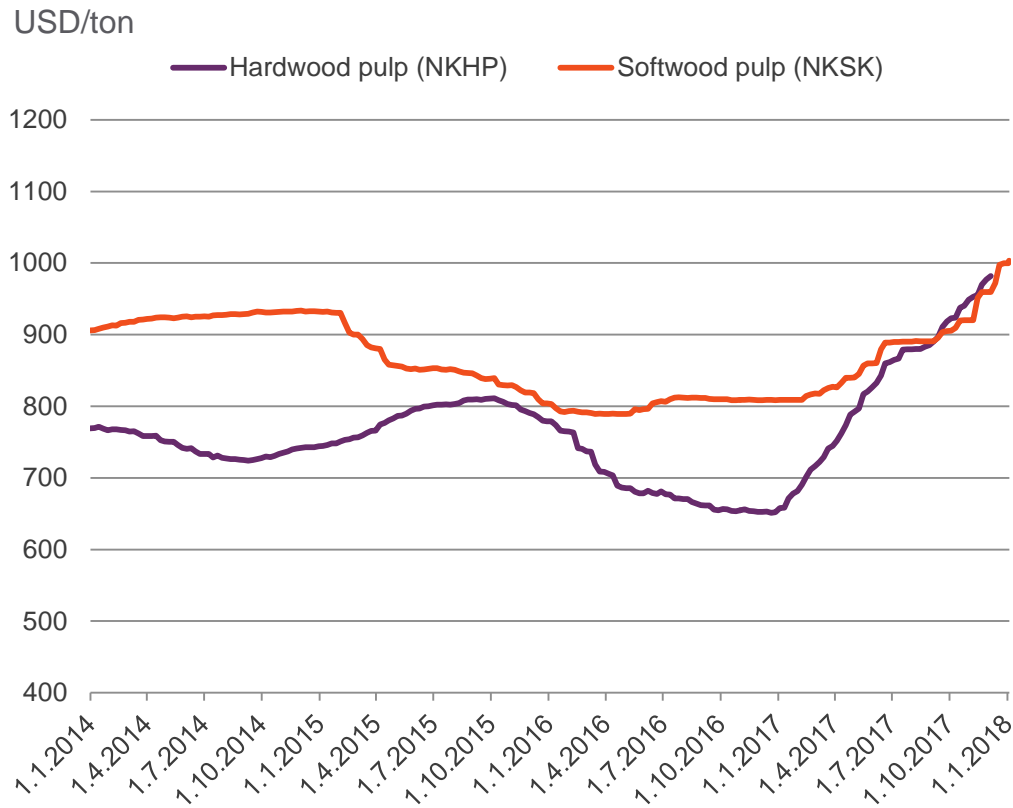
Investor Relations Manager

Tel: +358 50 413 4583

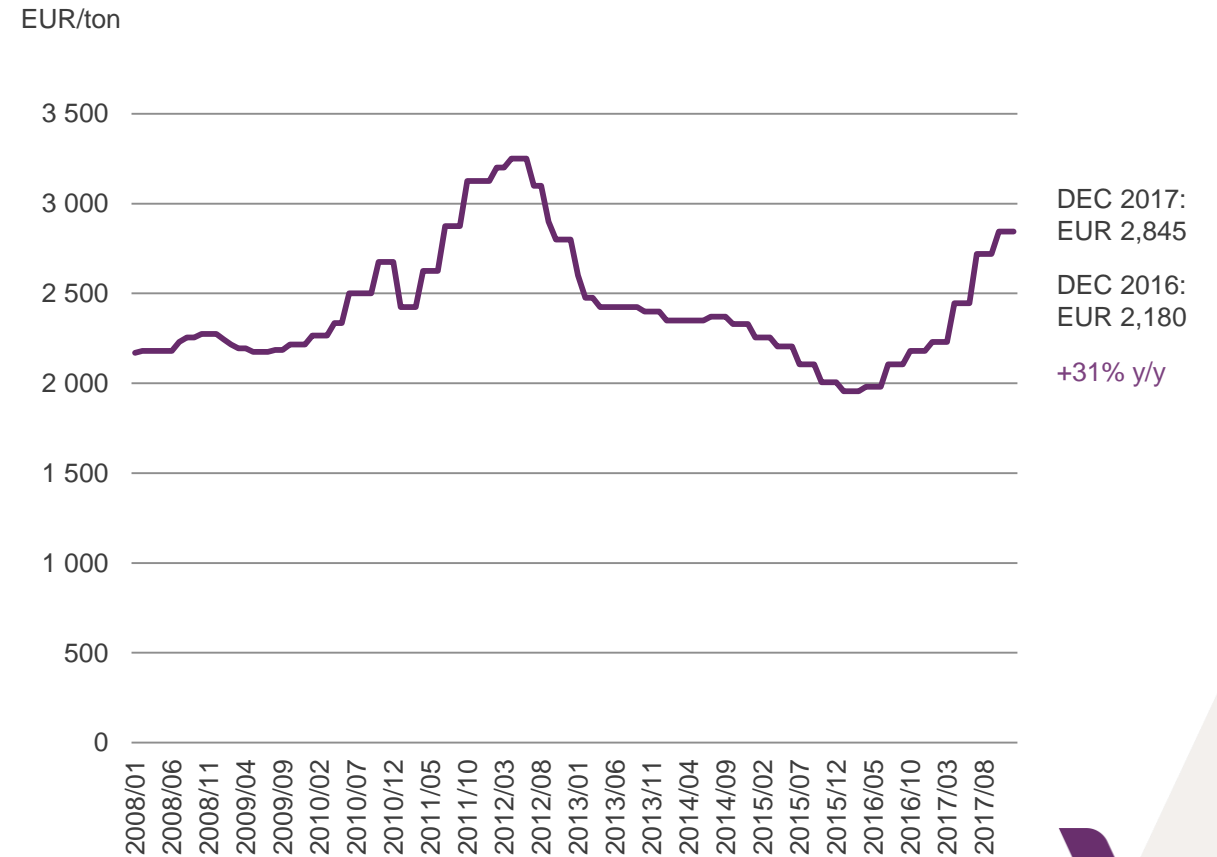
[juho.erkheikki@ahlstrom-munksjo.com](mailto:juho.erkheikki@ahlstrom-munksjo.com)

# Key raw material price trends

## Pulps



## Titanium dioxide



Source: Foex, Bloomberg, Ahlstrom-Munksjö

