



# January-September 2017

Helsinki, October 25, 2017

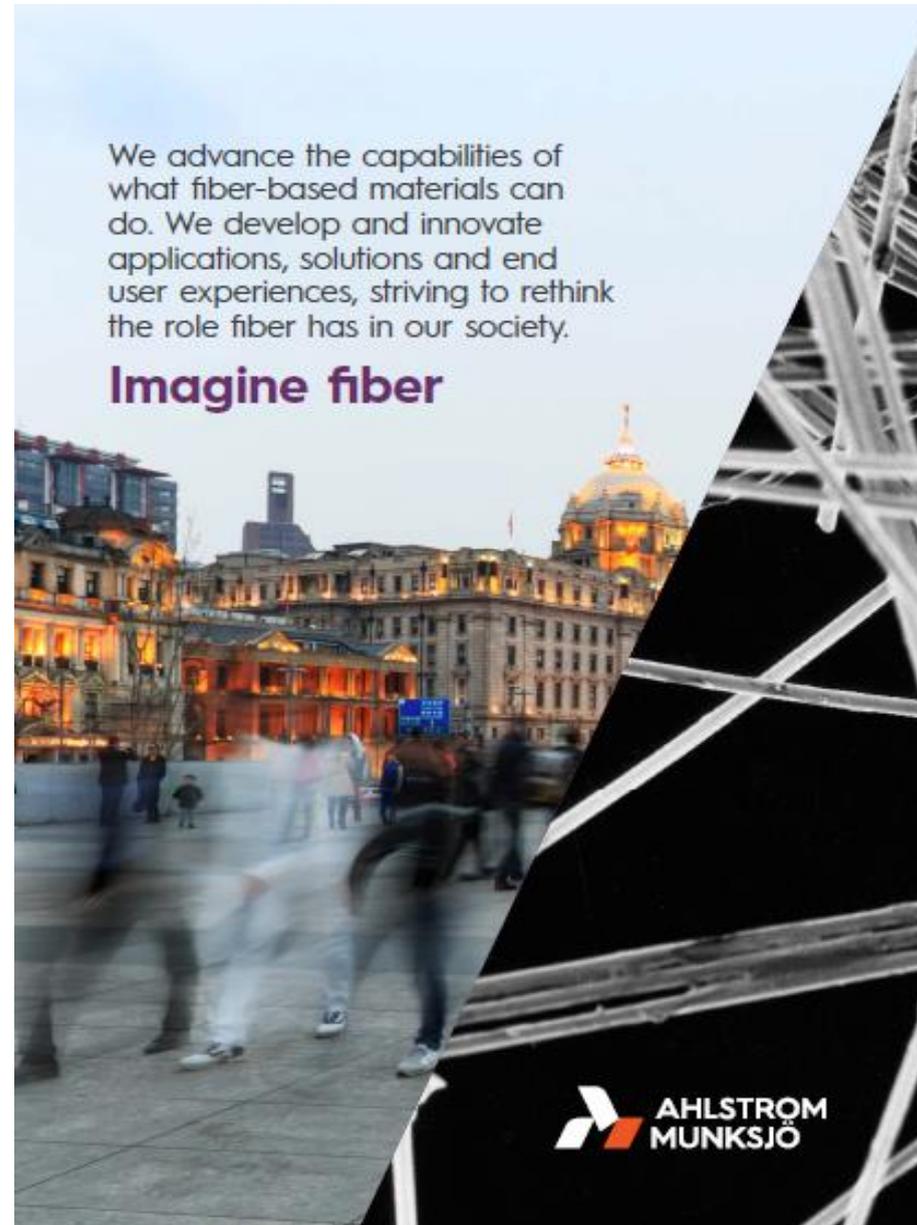
JAN ÅSTRÖM, PRESIDENT AND CEO

PIA AALTONEN-FORSELL, CFO



# Agenda

- Q3/2017 in brief
- Business area reviews
- Financials
- Update on synergies
- Outlook



# Key takeaways from Q3/2017

## Organic net sales growth at 5.7%

### Excellent organic growth and stable profitability

- Demand continued to be strong for most products across many regions
- Performance driven by excellent results in Filtration & Performance, and Industrial Solutions business areas
- Headwind from a sharp increase in raw materials, particularly in Decor where price increases took effect towards the end of the quarter

### Synergy benefits are clearly visible

- Synergy benefits now estimated to be above EUR 40 million (previously EUR 35 million)
- Currently achieved annual run rate of about EUR 17 million, impact on Q3/2017 result about EUR 3.5 million

### Looking forward

- Further pricing initiatives to mitigate cost inflation, 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 Q3/2017

## Strong sales growth

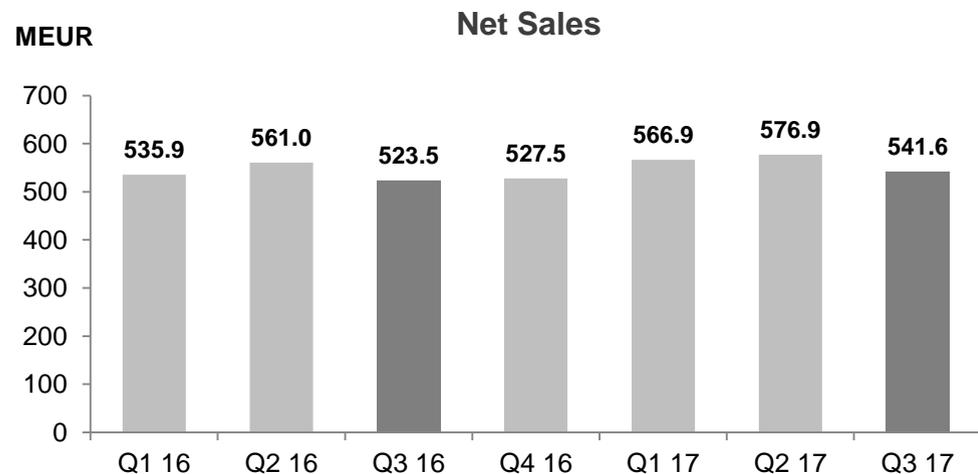
EUR MILLION	Q3/2017	Q3/2016	CHANGE, %	1-9/2017	1-9/2016	CHANGE, %	2016
<b>Net Sales</b>	<b>541.6</b>	523.5	3.5	<b>1,685.5</b>	1,620.4	4.0	2,147.9
<b>Comparable EBITDA</b>	<b>70.4</b>	70.2	0.3	<b>227.2</b>	207.3	9.6	268.7
<i>Comparable EBITDA margin, %</i>	<b>13.0</b>	13.4	-	<b>13.5</b>	12.8	-	12.5
<b>EBITDA</b>	<b>63.3</b>	72.9	-13.1	<b>213.9*</b>	184.4	15.9	239.9
Items affecting comparability included in EBITDA	<b>-7.0</b>	2.7		<b>-13.4*</b>	-22.9		-28.8
<b>Net result</b>	<b>17.5</b>	23.0	-23.8	<b>69.2*</b>	36.3	90.6	49.8
<b>Earnings per share, EUR</b>	<b>0.18</b>	0.24	-23.9	<b>0.71*</b>	0.37	92.8	0.51
<b>Comparable EPS excluding merger related items (PPA), EUR</b>	<b>0.34</b>	0.24	40.0	<b>0.98</b>	0.56	74.3	0.71
<b>Net debt**</b>	<b>404.2</b>	N/A	N/A	<b>404.2</b>	N/A	N/A	N/A
<b>Gearing, %**</b>	<b>39.3</b>	N/A	N/A	<b>39.3</b>	N/A	N/A	N/A
<b>Cash generated from operating activities</b>	<b>51.6</b>	72.0	-28.4	<b>135.7</b>	156.5	-13.3	232.1

\*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



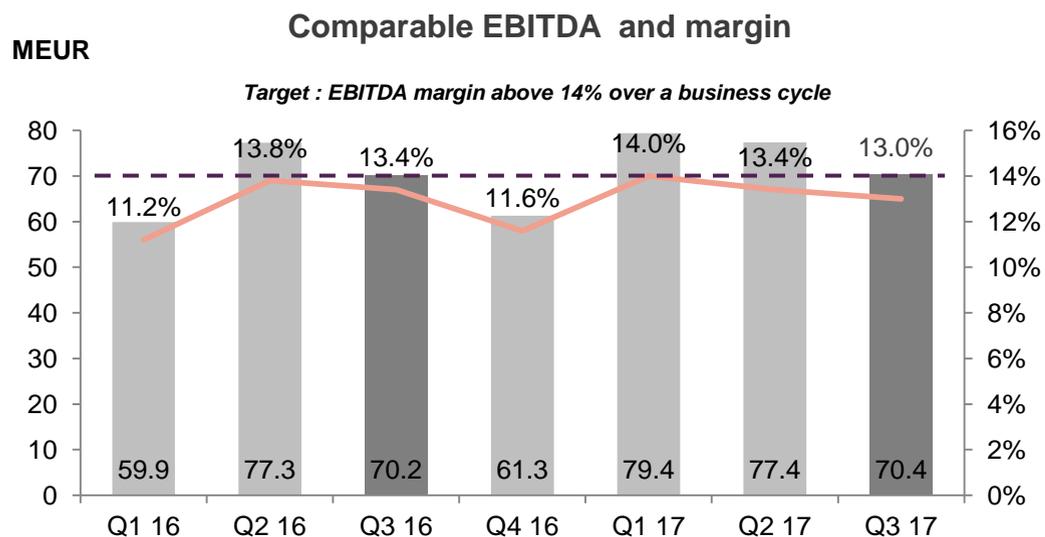
# EBITDA margin maintained at a good level in Q3/2017



**Net sales EUR 541.6 million in Q3/17 (EUR 523.5 million)**

- Net sales +3.5%
- Comparable net sales +5.7% at constant currency
  - Higher volumes, improved product mix and selling prices

**Comparable EBITDA EUR 70.4 million in Q3/17 (EUR 70.2 million)**



- Margin at 13.0% (13.4%)
- Supported by higher volumes, selling prices and lower SG&A costs
- Negative impact of EUR 22 million from higher raw material costs
  - Mainly related to pulp and titanium dioxide
- Comparison figure impacted by EUR 4 million related to annual maintenance stop at Aspa

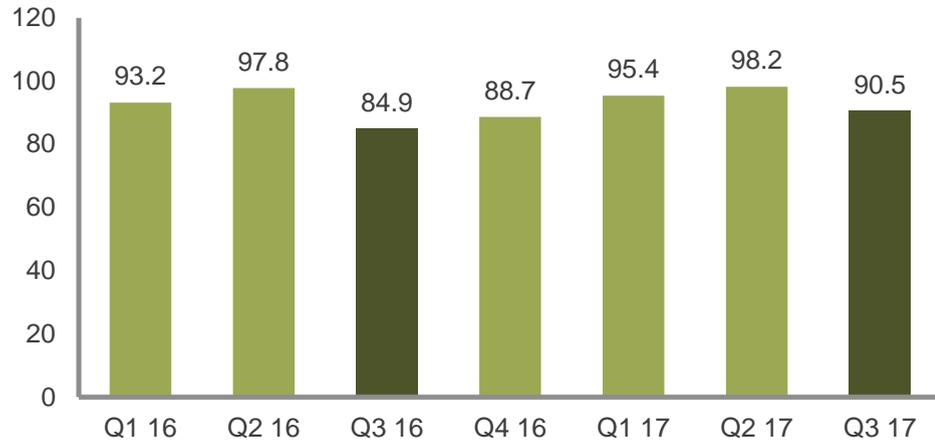


# Business area reviews

# Decor

MEUR

Net sales

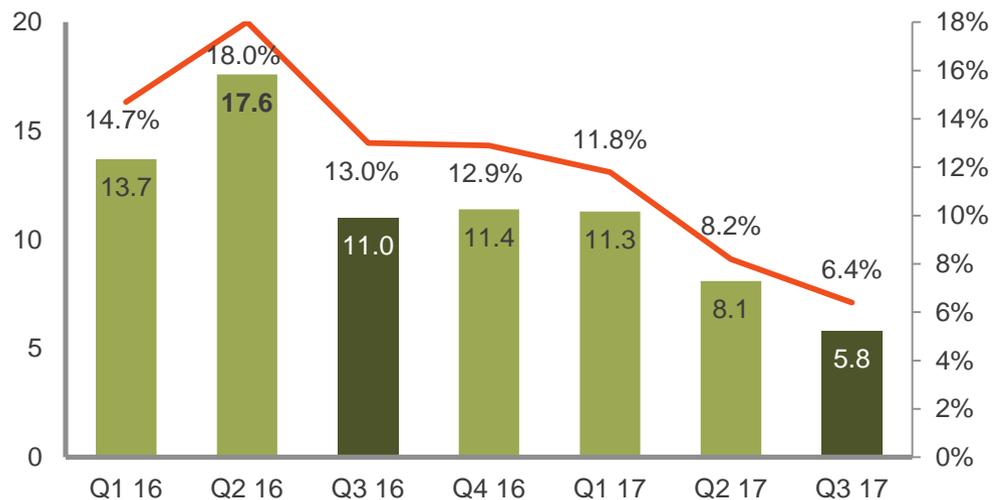


**Net sales EUR 90.5 million in Q3/17 (EUR 84.9 million)**

- Net sales +6.6%
- Strong demand in all segments
- Higher sales volumes and selling prices towards the end of the reporting period

MEUR

Comparable EBITDA and margin

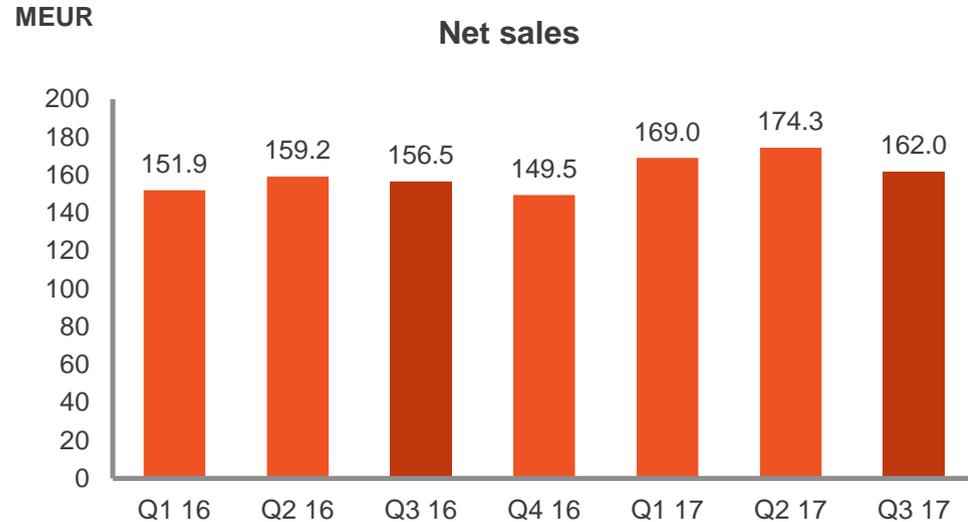


**Comparable EBITDA EUR 5.8 million in Q3/17 (EUR 11.0 million)**

- Higher volumes
- Time lag in raising selling prices further to compensate for higher titanium dioxide and pulp costs
  - Implemented price increases supported the result towards the end of the quarter



# Filtration and Performance

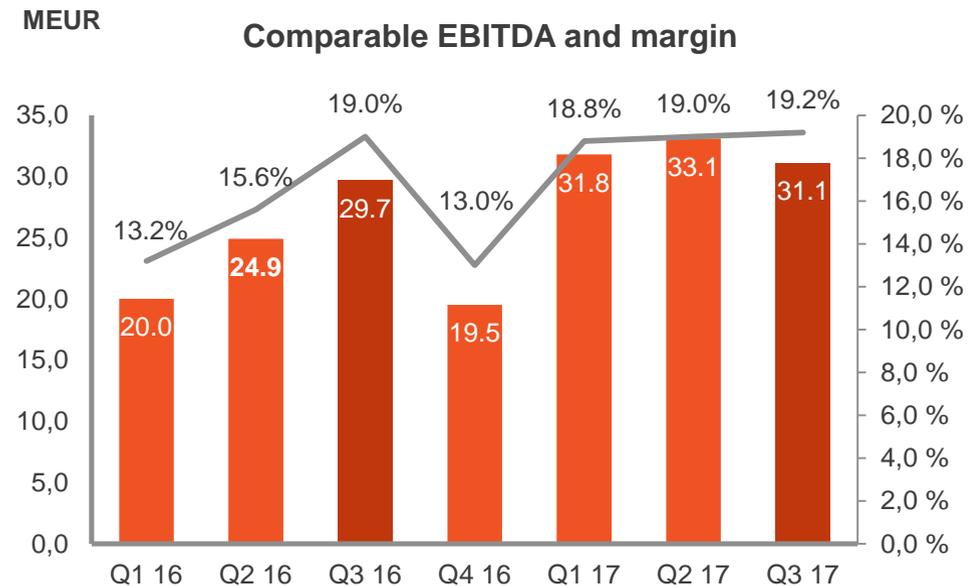


**Net sales EUR 162 million in Q3/17 (EUR 156.5 million)**

- Net sales +3.5%
- Growth was driven by the higher sales of filtration products

**Comparable EBITDA EUR 31.1 million in Q3/17 (EUR 29.7 million)**

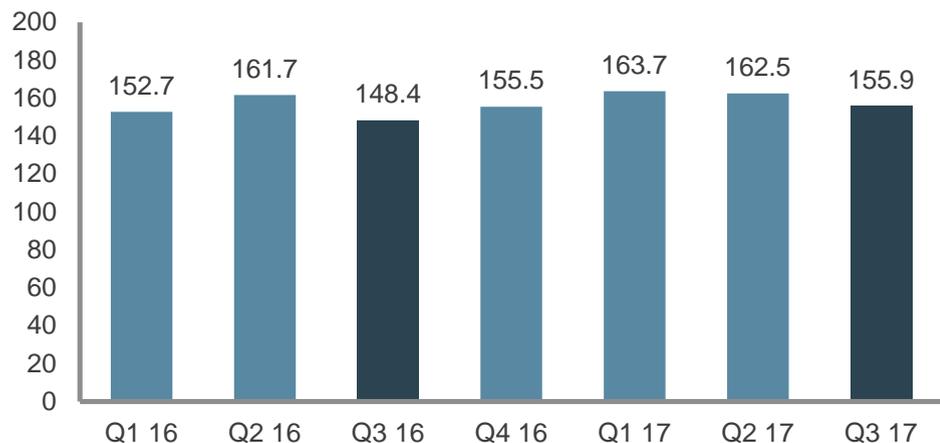
- Higher volumes
- Improved operational efficiency



# Industrial Solutions

MEUR

Net sales



**Net sales EUR 155.9 million in Q3/17 (EUR 148.4 million)**

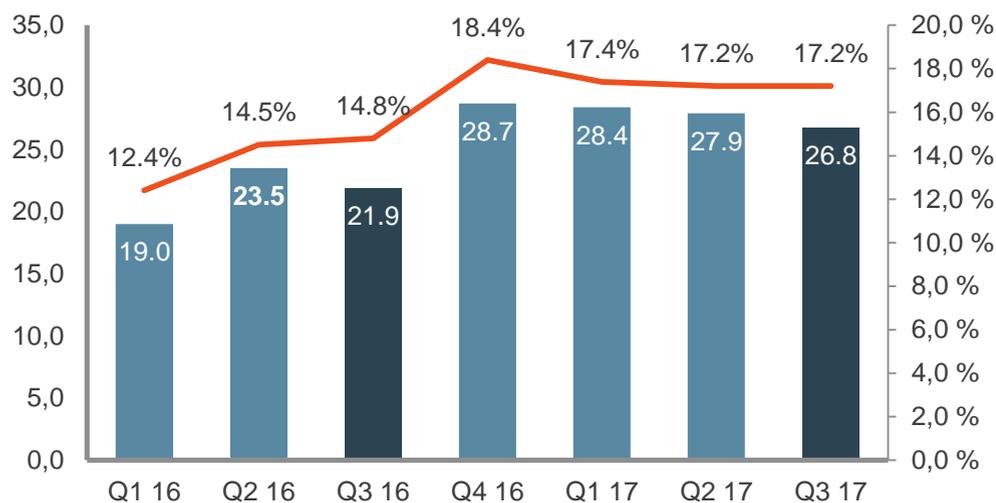
- Net sales +5.1%
- Higher sales volumes and selling prices in most of segments

**Comparable EBITDA EUR 26.8 million in Q3/17 (EUR 21.9 million)**

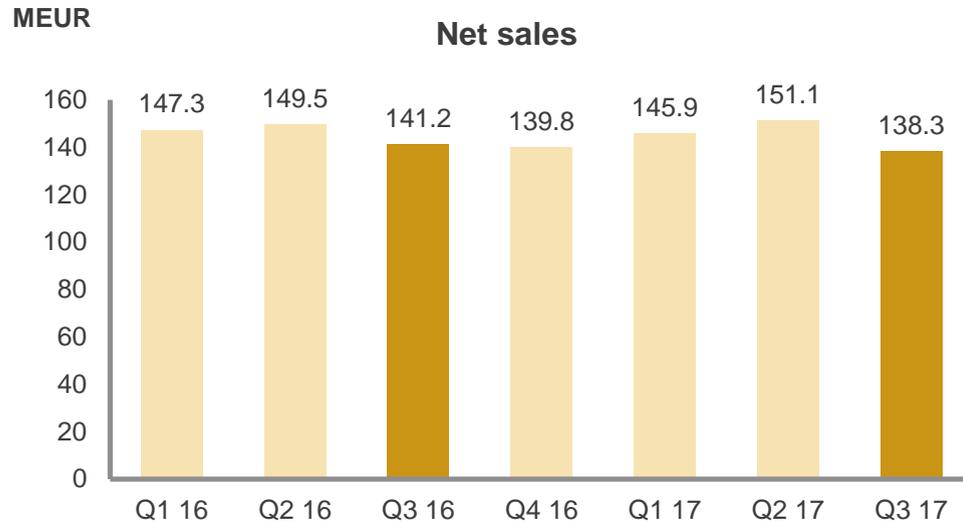
- Higher average sales volumes, selling prices and improved operational efficiency
- Negative effect from the higher material costs: price spread between soft- and hardwood pulp narrowed
- Comparison figure impacted by EUR 4 million related to annual maintenance stop at Aspa pulp mill (to be carried out in Q4 2017)

MEUR

Comparable EBITDA and margin



# Specialties

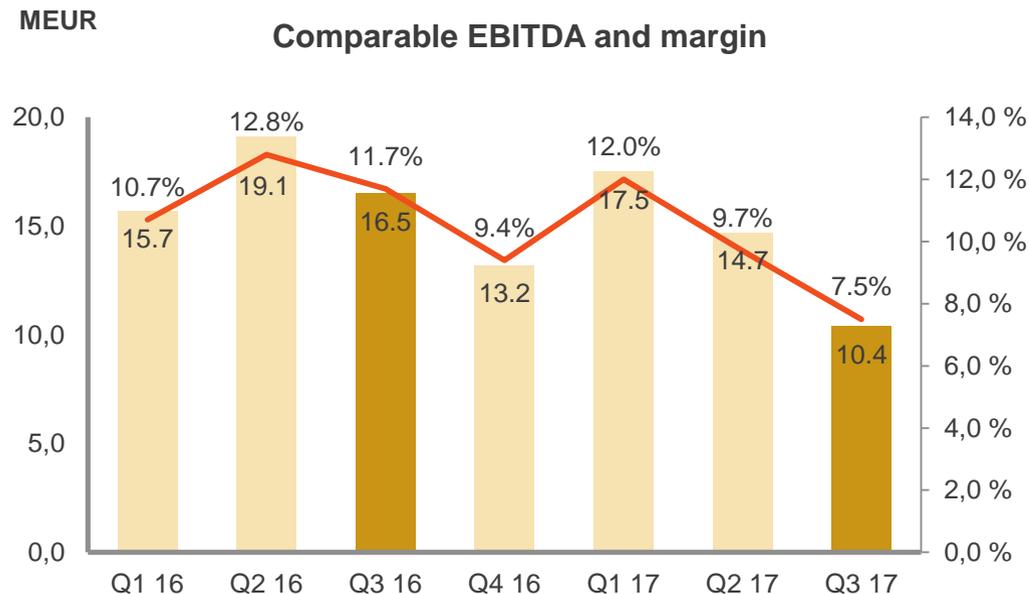


**Net sales EUR 138.3 million in Q3/17 (EUR 141.2 million)**

- Net sales -2.0%, driven by lower sales of coated one-sided products
- Higher sales of cooking, life science, tape and water purification products

**Comparable EBITDA EUR 10.4 million in Q3/17 (EUR 16.5 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



# Synergies are clearly visible

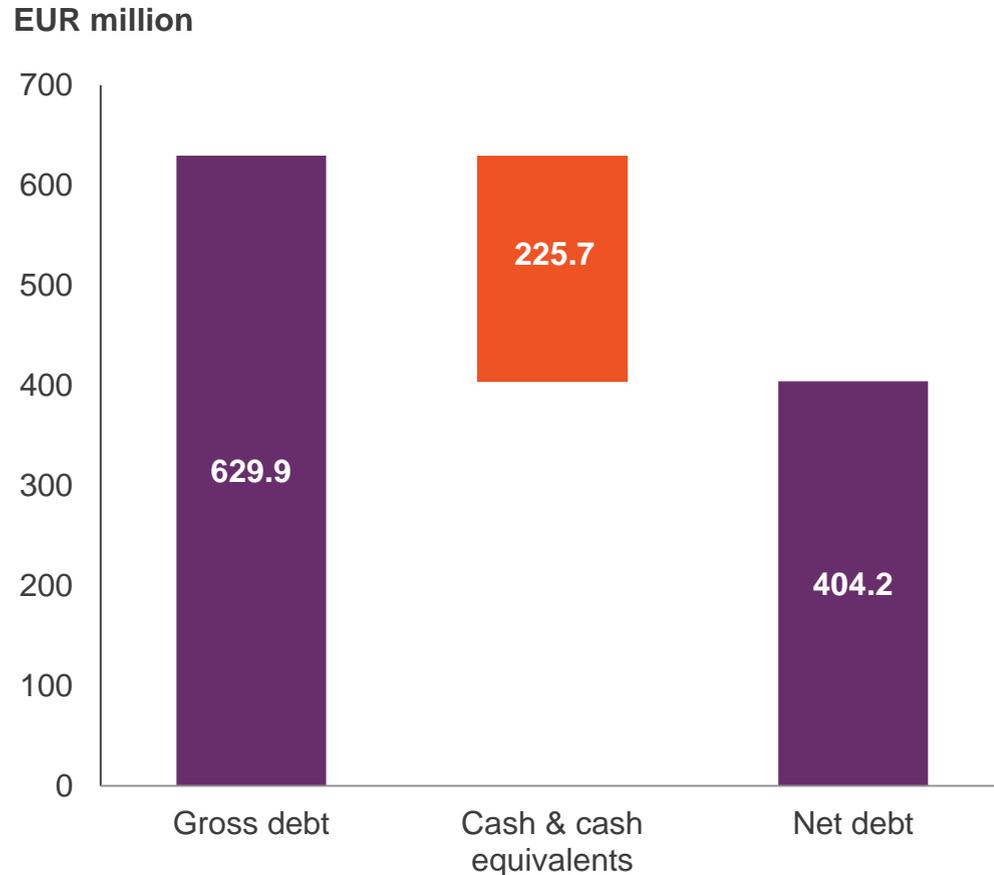
## Benefits now estimated to be above EUR 40 million

- Annual synergies are estimated to be above EUR 40 million, an increase from the initial target of EUR 35 million
- Annual synergy achievement run rate was about EUR 17 million at the end of Q3/17, majority from SG&A costs
  - Non-recurring costs estimated at EUR 30 million, of which EUR 10.9 million have been taken by the end of Q3/2017
  - Cash flow effect was EUR -5.7 million in Q3/17
- Integration of the former Graphics and Packaging business area into Specialties to develop a combined product and service offering



# Financials

# Net debt, gearing and liquidity



## Gearing

- Gearing was 39.3% on September 30, 2017
- Net debt / EBITDA (LTM): about 1.4x

## Liquidity

- Total cash position EUR 225.7 million. In addition, undrawn committed credit facilities and committed cash pool overdrafts of EUR 248.9 million available

## Refinancing

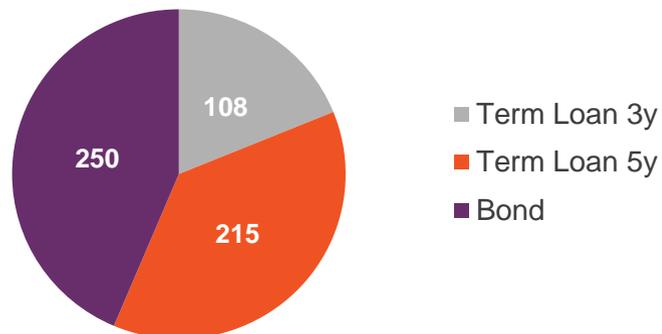
- EUR 100 million hybrid bond redeemed in May 2017
- Five-year EUR 250 million bond issued with 1.875% coupon in June 2017
  - To repay EUR 100 million bond with 4.125% coupon and refinance part of term loan borrowings



# Funding structure

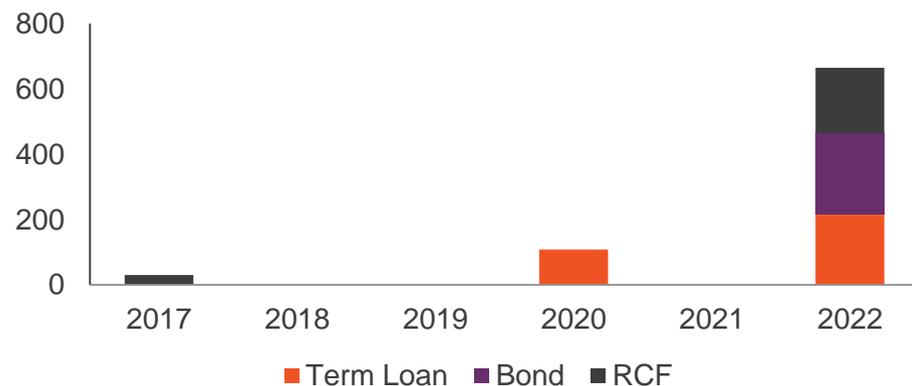
## DEBT FACILITY STRUCTURE, DRAWN<sup>1</sup>

MEUR



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

MEUR



1) Local facilities not represented

## FUNDING STRUCTURE, AVAILABLE FACILITIES

- **Term Loans**
  - 3 year: EUR 108 million
  - 5 year: EUR 80 million, EUR 40 million, SEK 600 million, USD 35 million
- **Bond**
  - EUR 250 million bond with maturity 2022
- **RCF**
  - 5 year: EUR 200 million (undrawn)
  - Dec 2017: EUR 30 million (undrawn)
- **Other**
  - Local facilities of approx. EUR 55 million
  - Local uncommitted WC facilities of approx. EUR 60 million (undrawn)
  - No active issuances in the CP market at the moment
  - Cash pool limits of EUR 19 million (committed) and EUR 13 million (uncommitted)



# Balance sheet

## September 30, 2017

### ASSETS

<b>Non-current assets</b>	
Tangible assets	834.8
Goodwill	434.4
Other intangible assets	309.5
Equity accounted investments	2.2
Other non-current assets	14.1
Deferred tax assets	16.7
<b>Total non-current assets</b>	<b>1,611.6</b>
<b>Current assets</b>	
Inventory	273.2
Accounts receivable	236.1
Other current assets	56.1
Current tax assets	7.4
Cash and cash equivalents	225.7
<b>Total current assets</b>	<b>798.5</b>
<b>TOTAL ASSETS</b>	<b>2,410.1</b>

### EQUITY AND LIABILITIES

<b>Equity</b>	<b>1,028.2</b>
<b>Non-current liabilities</b>	
Non-current borrowings	552.8
Other non-current liabilities	0.8
Employee benefit obligations	98.0
Deferred tax liabilities	123.9
Provisions	20.3
<b>Total non-current liabilities</b>	<b>795.8</b>
<b>Current liabilities</b>	
Current borrowings	77.1
Accounts payable	252.2
Liabilities to equity accounted investments	7.8
Accrued expenses and deferred income	213.0
Current tax liabilities	14.4
Other current liabilities and provisions	21.6
<b>Total current liabilities</b>	<b>586.1</b>
<b>Total liabilities</b>	<b>1,381.9</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>2,410.1</b>



# Outlook

## Outlook published on July 25, 2017 reiterated

### Market Outlook

The demand outlook for 2017 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. Price increases will continue to be implemented to mitigate raw material cost inflation and they will take effect during the rest of the year.

### EBITDA

Comparable EBITDA in 2017 is expected to be higher than in the previous year (pro forma EUR 268.7 million).

### Shutdowns

The annual maintenance and vacation shutdowns in the fourth quarter are expected to be carried out to about the same extent as in 2016. However, the maintenance shutdown usually carried out in the third quarter at the Swedish Billingsfors plant is replaced by shorter stops in the second and fourth quarters due to changes in the shift form. The 2017 maintenance shut-down at the pulp production facility in Aspa in Sweden was carried out in October 2017.

### Capital Expenditure

Capital expenditure: The cash flow effect of current capital expenditure for fixed assets in 2017 is expected to be approximately EUR 80 million. In addition, the cash flow impact of the strategic investments in Arches and Madisonville is expected to be approximately EUR 18 million in 2017.



## UPCOMING EVENTS

- Financial Statements Release 2017 to be published on February 13, 2018



Further information, please contact

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