



# Interim report presentation Q2 2019

July 26, 2019





# Ulf Larsson, CEO





# Summary Q2 2019

## Weaker market conditions

### Sales growth of 12% vs Q2 2018

- Price/mix -5%, volume 17%, currency 2%, acq/div -2%

### EBITDA up 30% vs Q2 2018

- + Higher pulp volumes and positive currency effects
- + Expansion stop impacted Q2 2018
- Lower selling prices and higher costs for wood raw material

### Pulp volumes from Östrand increased 22% vs Q1 2019

### Increased production of White-top kraftliner at Munksund

- Investment completed end May on budget and time

### Acquisition of 30,000 ha forest land in the Baltics

### Sale of Rotterdam terminal (closing in Q3)



# SCA's performance Q2 2019

EBITDA (SEKm)

**1,340**

Industrial ROCE <sup>1)</sup>

**18%**

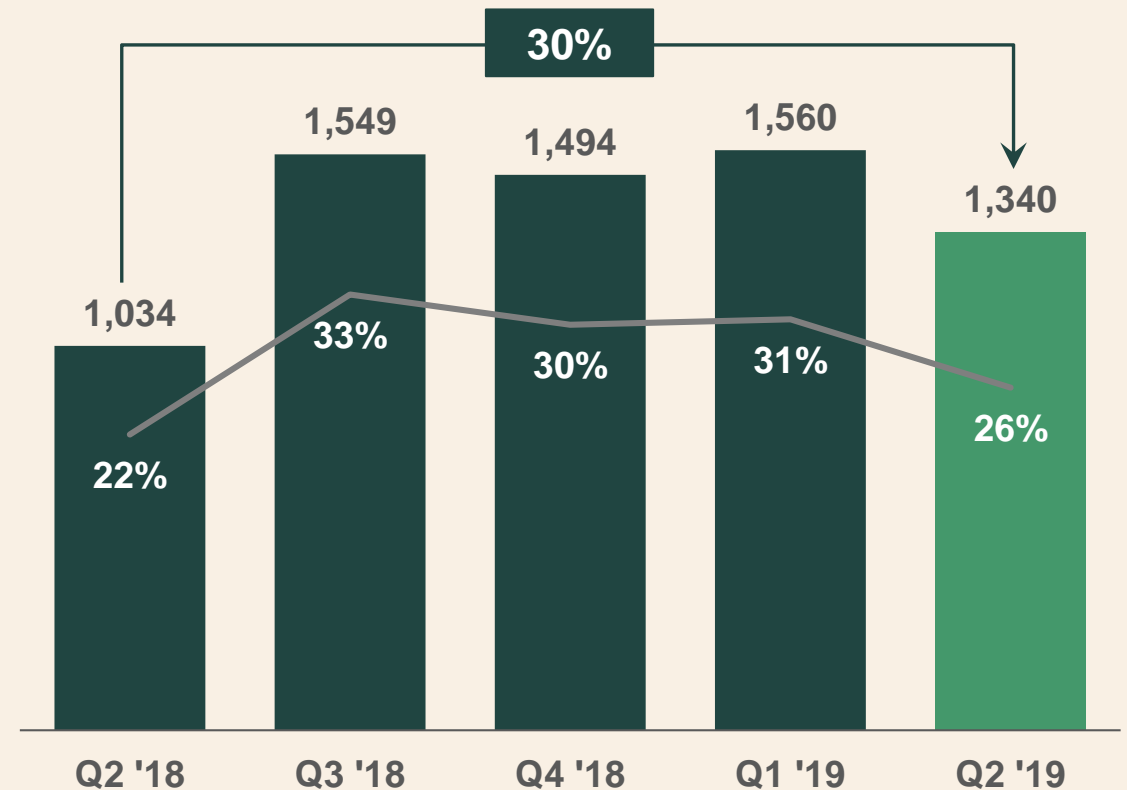
EBITDA margin

**26%**

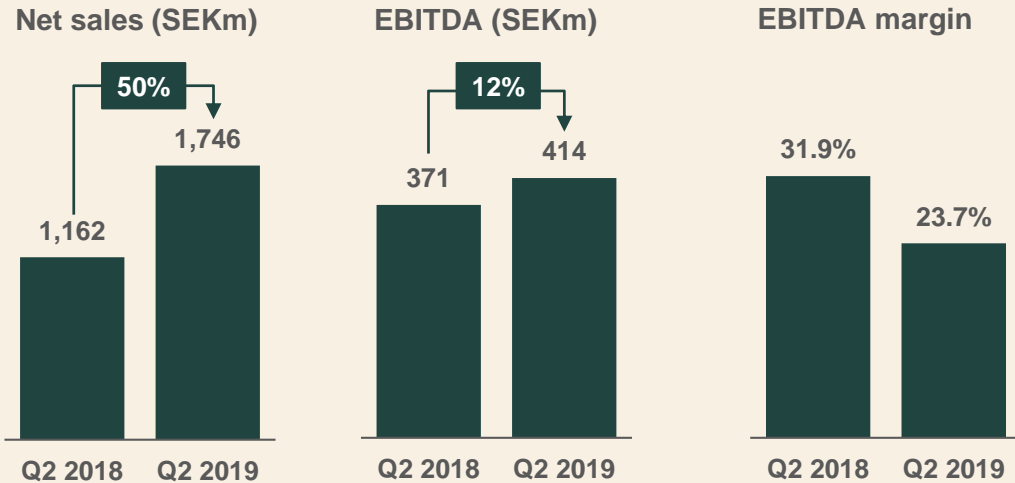
Net debt/EBITDA

**1.6x**

*EBITDA development (SEKm)*



# Forest Q2 2019 vs. Q2 2018



## Higher prices

Increased wood sourcing to meet higher pulpwood demand

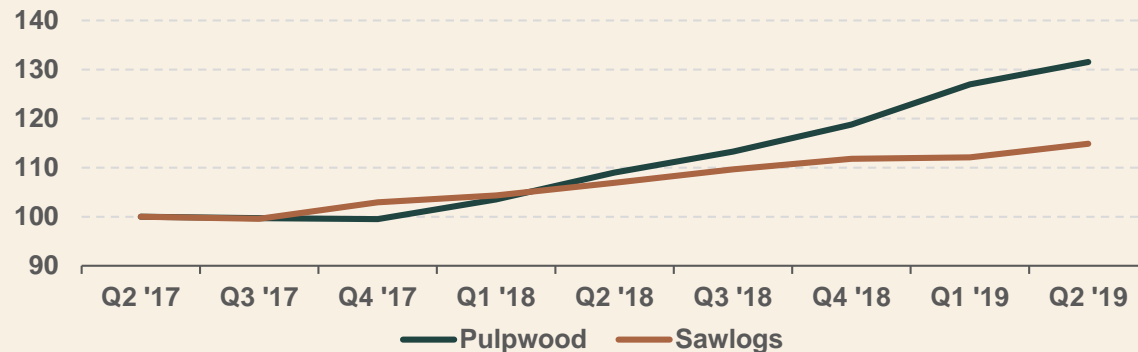
## Sales up 50%

- + Increased volumes to the expanded pulp mill
- + Higher prices

## EBITDA up 12%

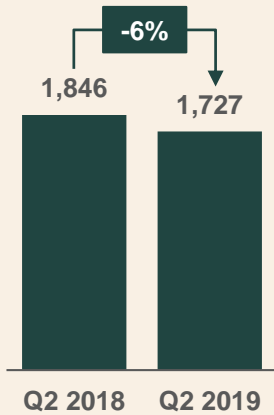
- + Higher prices
- + Slightly higher share of harvesting from own forest
- Larger import volumes

Price development – Pulpwood and Sawlogs

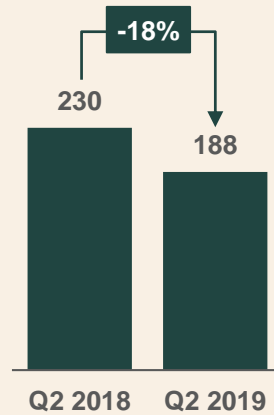


# Wood Q2 2019 vs. Q2 2018

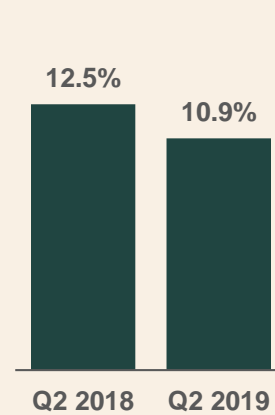
Net sales (SEKm)



EBITDA (SEKm)



EBITDA margin



**Stable consumption, but declining prices**

**Stable SCA inventory level**

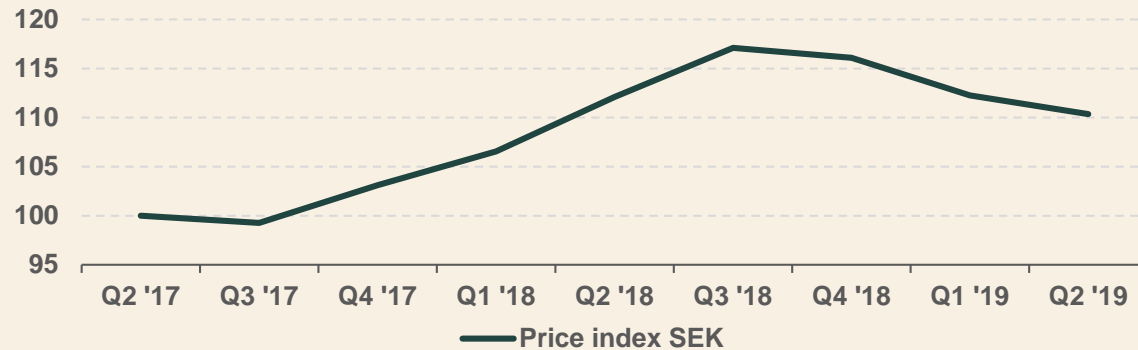
**Sales down 6%**

- Lower volumes
- Deconsolidation in Wood France following merger with Groupe ISB

**EBITDA down 18%**

- Lower volumes and higher costs for wood raw material
- + Positive currency effects and yield improvement

Price development – Solid Wood Products



# Pulp – Q2 production update

## 22% increase in production vs Q1 '19

Full NBSK capacity of 900kt/year

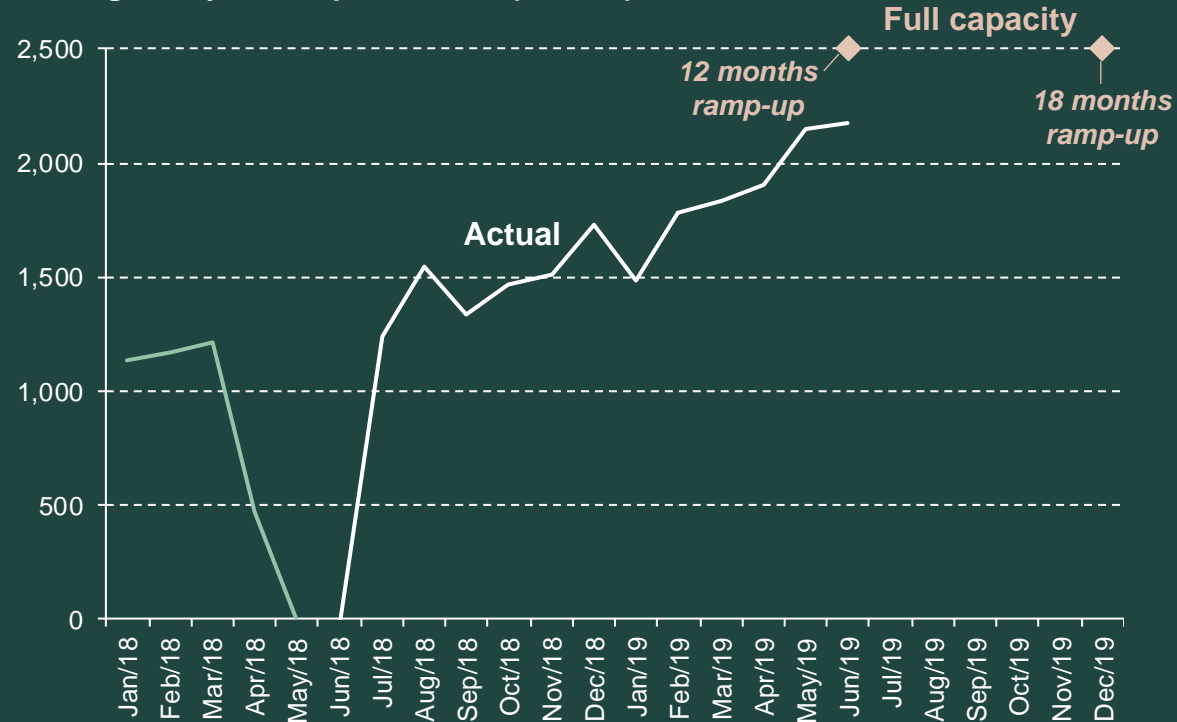
Ramp-up period of 12-18 months

- 2020 first full year with full capacity

Production/deliveries on track <sup>1)</sup>

- Q3 '18 - 147kt / 105kt
- Q4 '18 - 160kt / 145kt
- Q1 '19 - 172kt / 168kt
- Q2 '19 - 210kt / 201kt

Average daily NBSK production (tonnes)





# Increased volumes to overseas markets

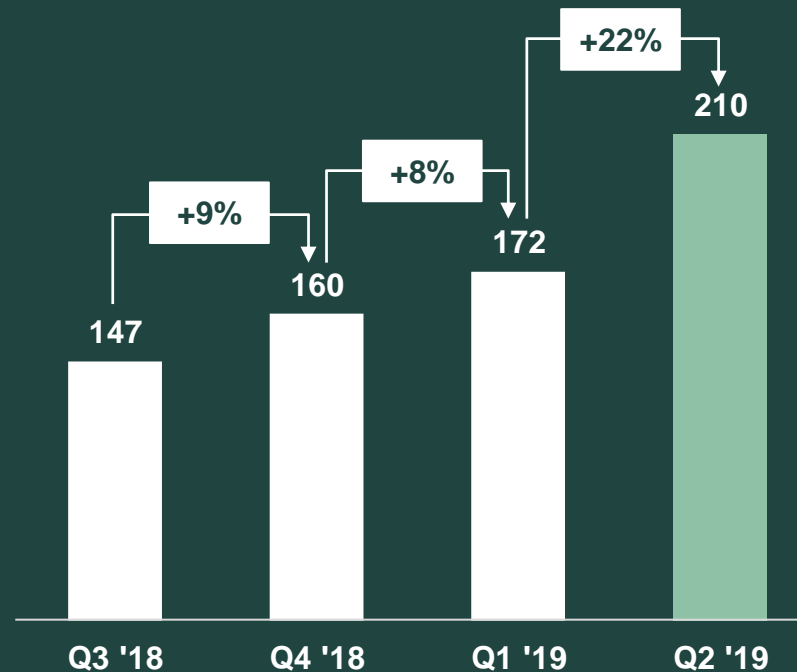
**22% increase in production vs Q1 '19**

**Larger share of overseas volumes**

- Production increase primarily sold to Asia and other overseas markets during Q2 '19

**Long-term strategy to focus on Europe and North America**

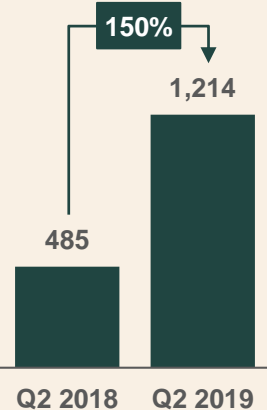
Quarterly pulp production (kt)



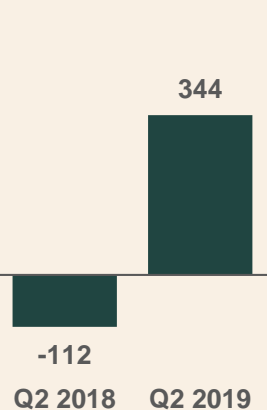


# Pulp Q2 2019 vs. Q2 2018

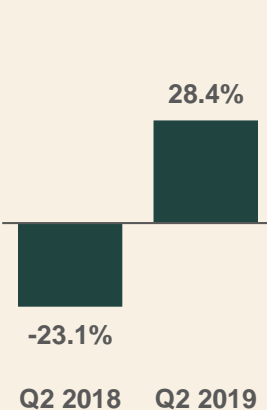
Net sales (SEKm)



EBITDA (SEKm)



EBITDA margin



**Cautious market with lower prices**

**Increasing volumes due to the ramp-up of the expanded pulp-mill**

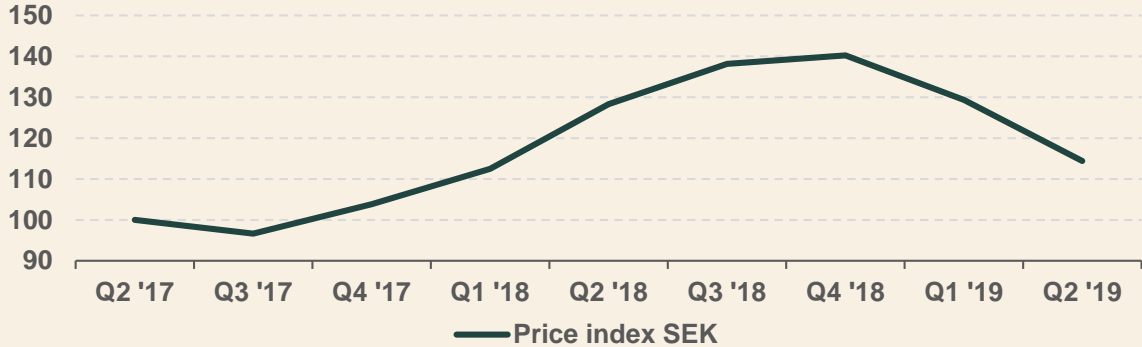
**Sales up 150%**

- + Increased volumes
- + Expansion stop in Q2 2018

**EBITDA increased to SEK 344m**

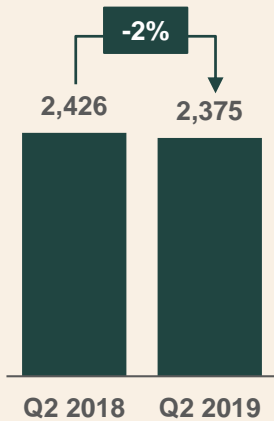
- + Increased volumes and positive currency effects
- + Expansion stop in Q2 2018
- Lower prices

Price development – NBSK Pulp

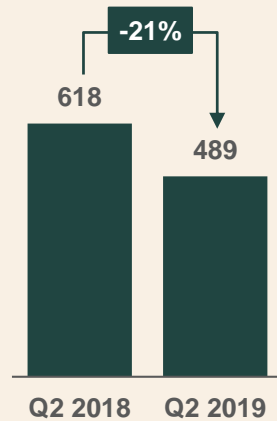


# Paper Q2 2019 vs. Q2 2018

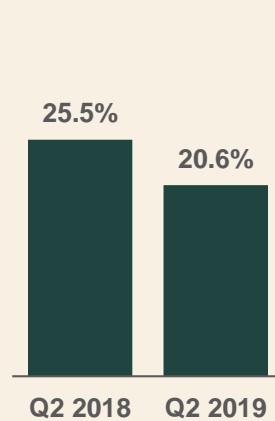
Net sales (SEKm)



EBITDA (SEKm)



EBITDA margin



Lower prices for kraftliner, however index prices have stabilized with signs of an improving market

## Sales down 2%

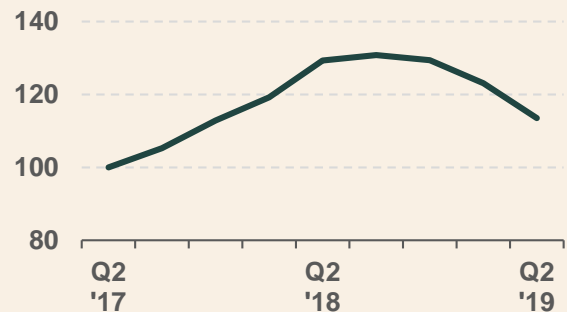
- Lower kraftliner prices
- + Higher prices for publication paper and positive currency effects

## EBITDA down 21%

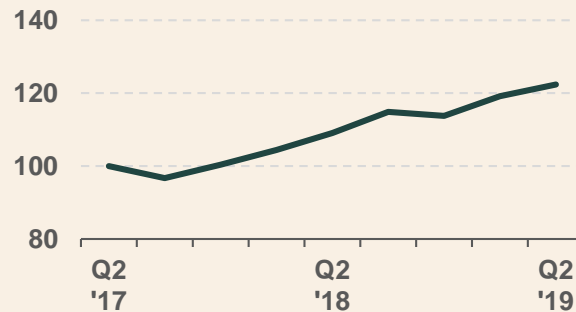
- Lower kraftliner prices and higher cost for wood raw material
- More extensive planned maintenance and investment stop
- + Higher prices for publication paper and positive currency effects

Investment in increased share of white-top kraftliner completed on time and on budget

Price development – Kraftliner



Price development – Publication paper



— Price index SEK



# Toby Lawton, CFO



# Income statement

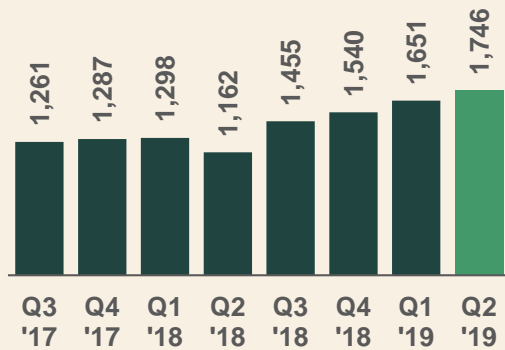
SEKm	Quarter		
	Q2 2019	Q2 2018	Change
Net sales	5,228	4,670	12%
<b>EBITDA</b>	<b>1,340</b>	<b>1,034</b>	<b>30%</b>
<i>EBITDA margin</i>	25.6%	22.1%	3.5 p.p.
<b>EBIT</b>	<b>943</b>	<b>744</b>	<b>27%</b>
<i>EBIT margin</i>	18.0%	15.9%	2.1 p.p.
Financial items	-45	-4	
<b>Profit before tax</b>	<b>898</b>	<b>740</b>	<b>21%</b>
Tax	-194	369	
<b>Profit for the period</b>	<b>704</b>	<b>1,109</b>	<b>-37%</b>
Earnings per share, SEK	1.00	1.58	



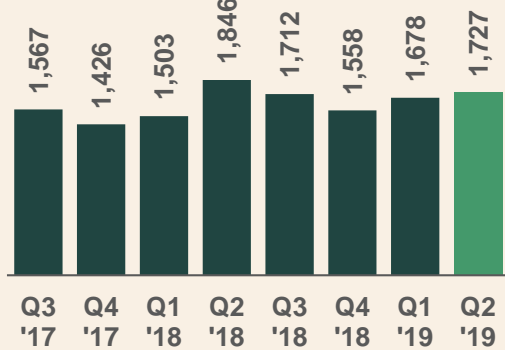
# Contribution by segment and quarter

## Forest

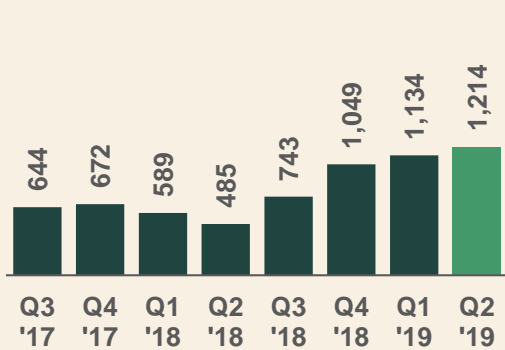
Net sales (SEKm)



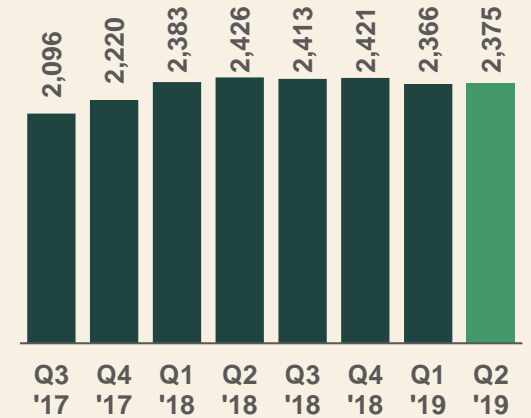
## Wood



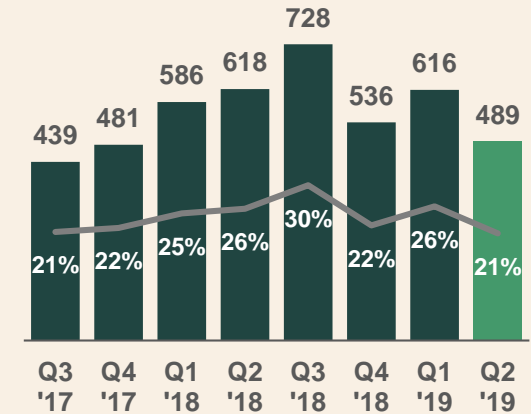
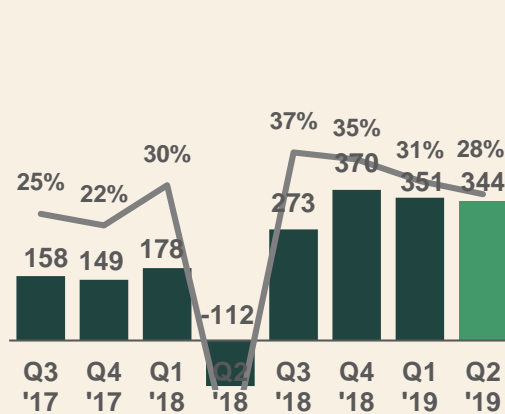
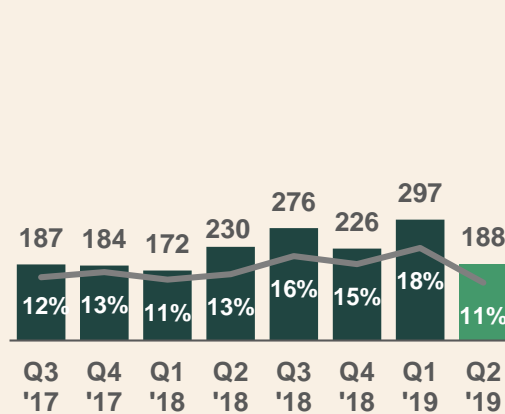
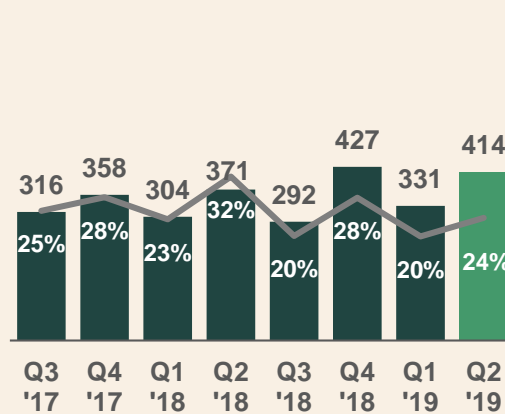
## Pulp



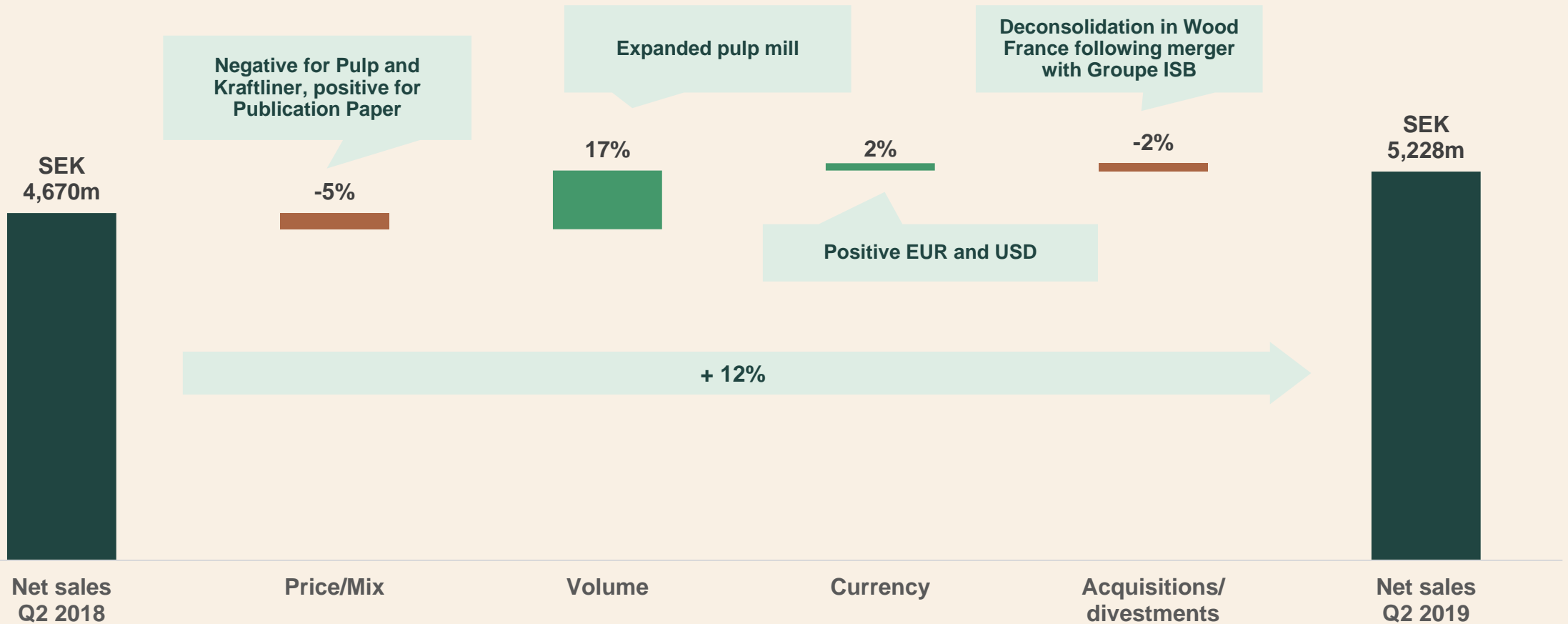
## Paper



EBITDA (SEKm) and EBITDA margin

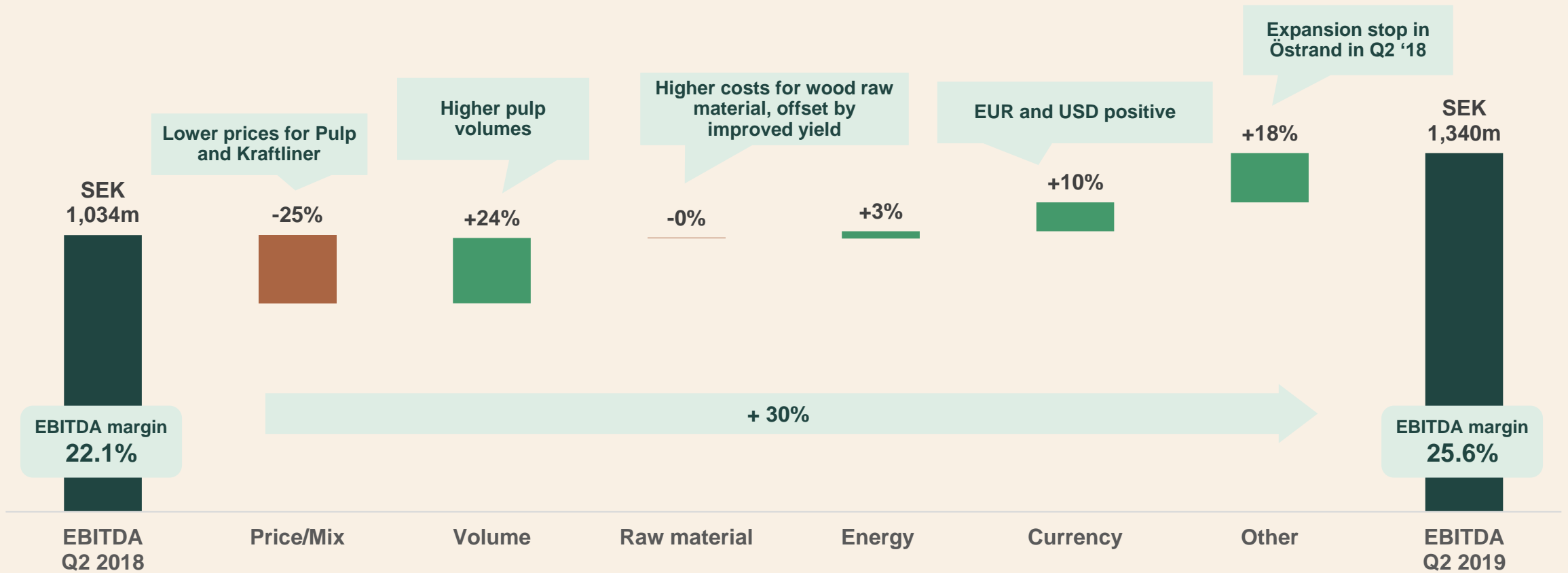


# Net sales Q2 2019 vs. Q2 2018





# EBITDA Q2 2019 vs. Q2 2018

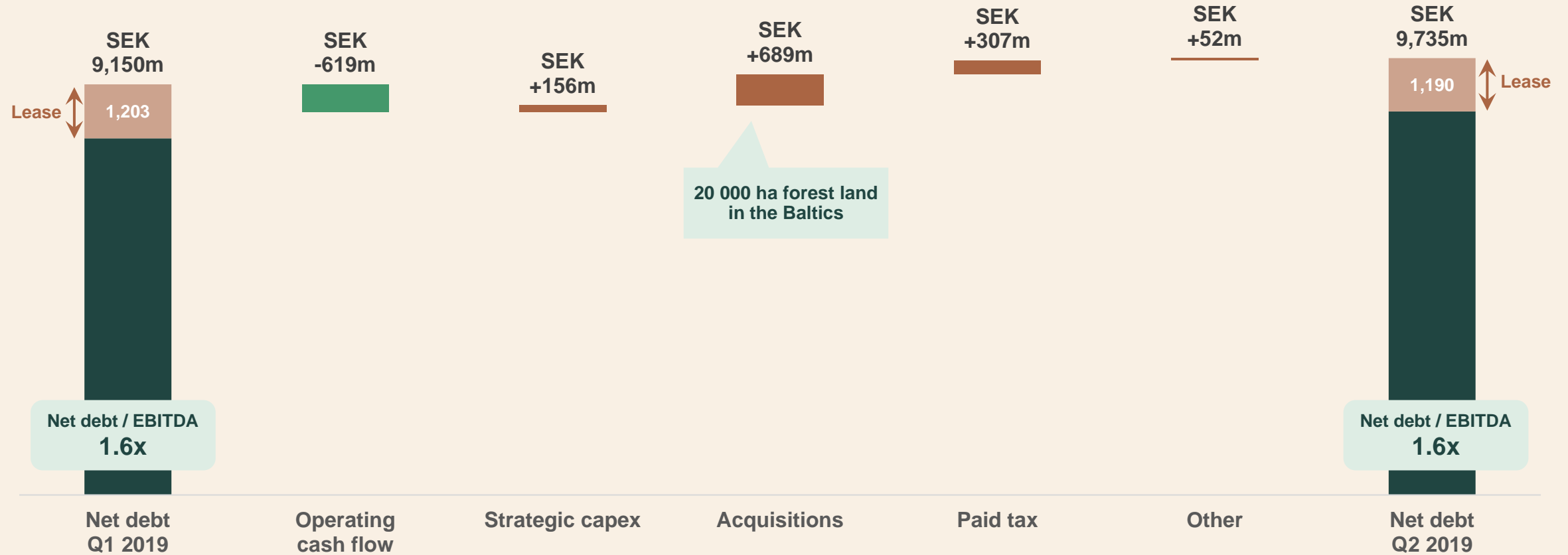


# Cash flow

SEKm	Quarter		Jan-jun	
	Q2 2019	Q2 2018	2019	2018
EBITDA	1,340	1,034	2,900	2,209
Revaluation of biological assets and other non cash flow items <sup>1)</sup>	-56	-93	-302	-346
<b>Operating cash surplus</b>	<b>1,284</b>	<b>941</b>	<b>2,598</b>	<b>1,863</b>
Change in working capital	-298	-186	-651	-345
Current capital expenditures	-348	-200	-516	-276
Other operating cash flow	-19	119	-186	23
<b>Operating cash flow</b>	<b>619</b>	<b>674</b>	<b>1,245</b>	<b>1,265</b>
Strategic capital expenditures	-156	-488	-299	-1,122



# Net debt Q2 2019 vs. Q1 2019



# Balance sheet

SEKm	Jun 30, 2019	Dec 31, 2018
<i>Forest assets according to IAS 41 <sup>1)</sup></i>	33,016	32,065
<i>Deferred tax relating to Forest assets</i>	-6,664	-6,605
Forest assets, net of deferred tax	26,352	25,460
Working capital	4,246	3,735
<i>Working capital/Net sales <sup>2)</sup></i>	19%	18%
Other capital employed	18,457	16,887
<b>Total capital employed</b>	<b>49,055</b>	<b>46,082</b>
<b>Net debt</b>	<b>9,735</b>	<b>7,020</b>
<i>Net debt/EBITDA <sup>3)</sup></i>	1.6x	1.3x
<b>Equity</b>	<b>39,320</b>	<b>39,062</b>
<i>Net debt/Equity</i>	25%	18%

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.



# SCA to review forest valuation

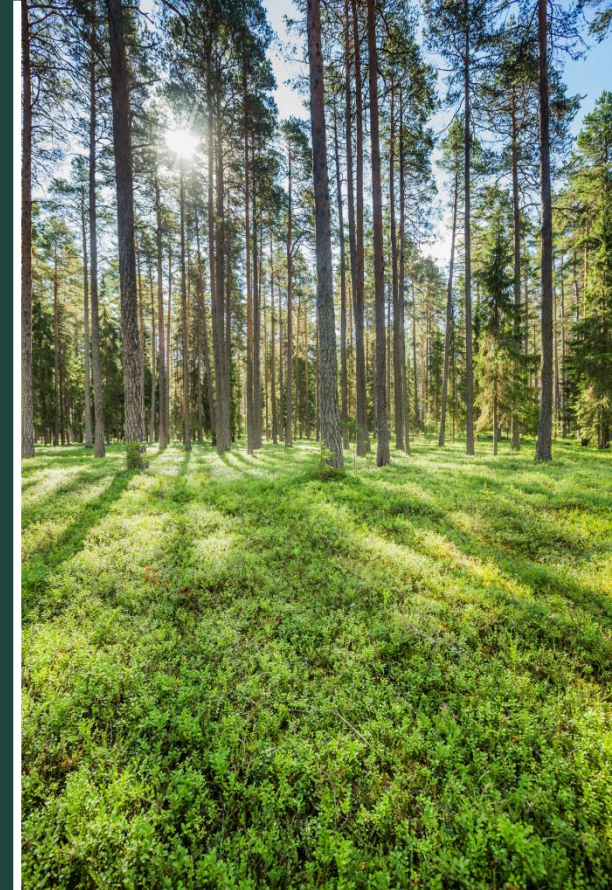
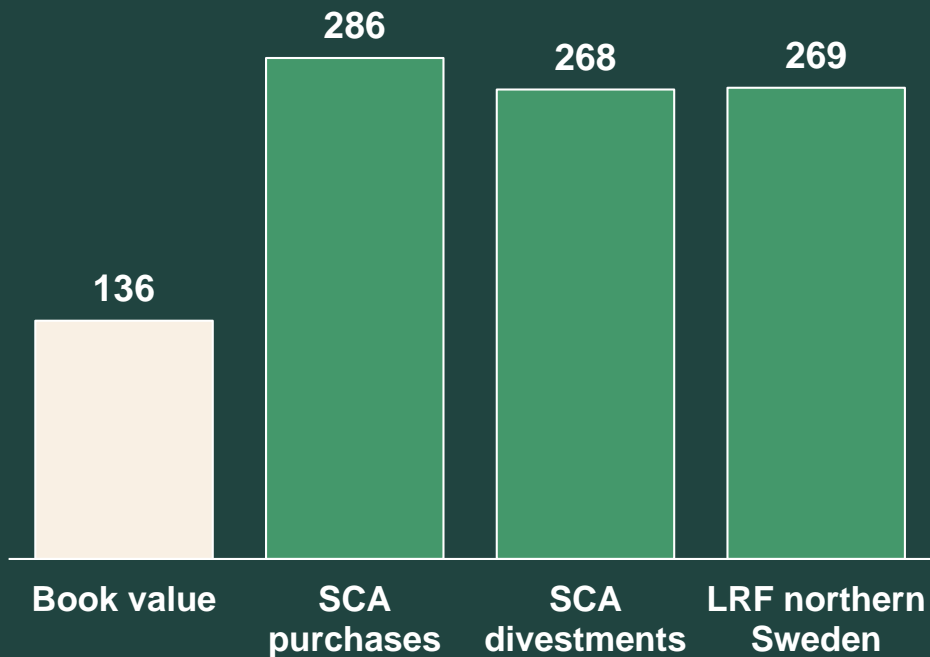
SCA has initiated a review of its forest valuation method used in the balance sheet

- To be conducted during H2 2019

Recent larger forest transaction show a large discrepancy between the market value of forest land and the book value

- Bergvik Öst / AMF – **333** SEK/m<sup>3</sup>fo  
– vs SCA estimated benchmark price ~**370** SEK/m<sup>3</sup>fo <sup>1)</sup>
- Långvind / Holmen – **407** SEK/m<sup>3</sup>fo  
– vs SCA estimated benchmark price ~**400** SEK/m<sup>3</sup>fo <sup>1)</sup>
- Bergvik Latvia / Södra – **31** EUR/m<sup>3</sup>fo

Value of forest land (2018, SEK/m<sup>3</sup>fo)



Note: 1) SCA estimated benchmark price (unrestricted conditions) based on LRF/SVEFA market statistics weighted according to geography and estimated share of productive forest land.

# Summary Q2 2019

**Weaker market conditions**

**Sales growth of 12% vs Q2 2018**

**EBITDA up 30% vs Q2 2018**

**Pulp volumes from Östrand increased 22% vs Q1 2019**

**Increased production of White-top kraftliner at Munksund**

**Acquisition of 30,000 ha forest land in the Baltics**

**Sale of Rotterdam terminal (closing in Q3)**





# Q&A



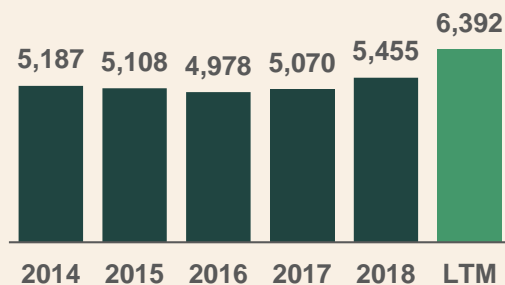
A photograph of a sunset over a forest. The sun is a bright, glowing circle in the center of the frame, partially obscured by the word 'Appendix'. The sky is a mix of orange, yellow, and light blue. The foreground shows the dark silhouettes of trees against the bright background.

# Appendix

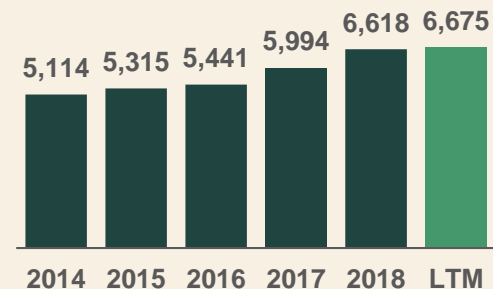
# Contribution by segment

## Forest

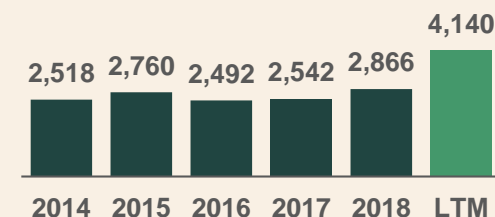
Net sales (SEKm)



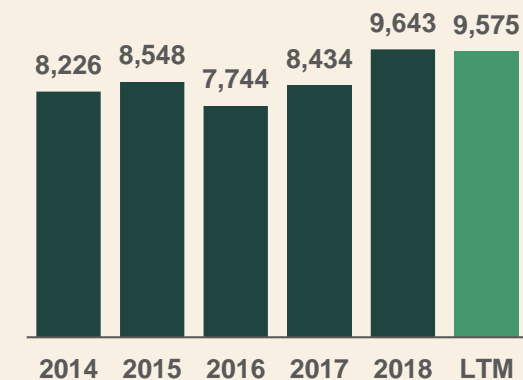
## Wood



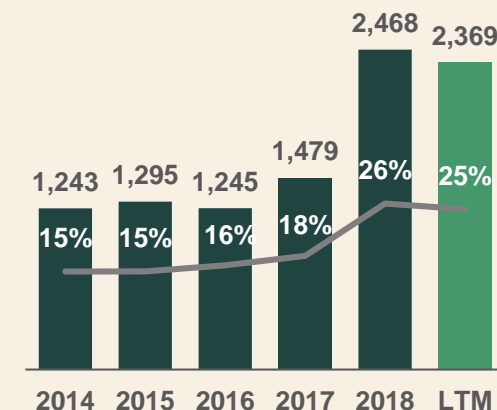
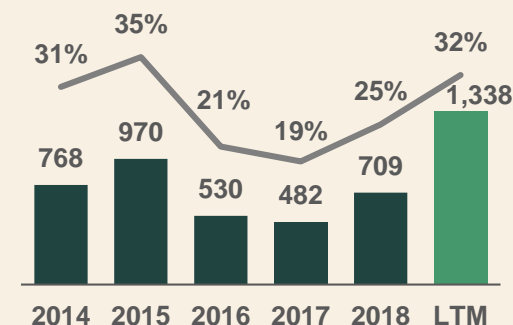
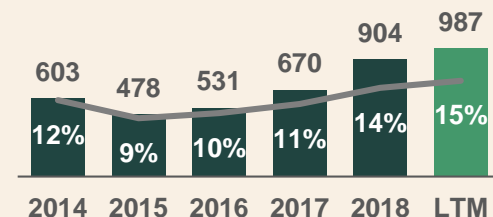
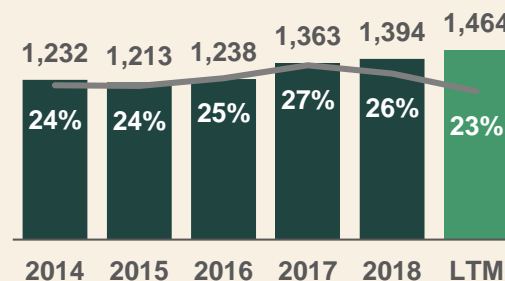
## Pulp



## 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.

