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Mika Joukio: Good afternoon, everybody, and welcome to Metsa Board's Third Quarter Results Conference Call and Webcast. My name is Mika Joukio and I'm the CEO of Metsa Board. Here with me I have also our newly appointed CFO, Mr Jussi Nojonen, and Head of Investor Relations, Katri Sundstrom.

Let's start with third quarter's performance. Market situation in our main market areas remained stable and we saw healthy demand for folding boxboard and white-top linerboards. Price level in fresh-fibre paperboards remained stable. Market price in long-fibre pulp has been recovering but short-fibre pulp prices have continued to decline. Metsa Board's paperboard delivery volumes grew, and I will return to that a bit later. Production volumes grew by 7% from the second quarter.

In July, we produced our last uncoated fine paper reels in Husum. It's a critical[?] moment. At the end of the review period, the remaining fine paper stock was some 2,000 tonnes, which will be sold out during this year. In September, we discontinued the loss-making wallpaper base paper production and closed down the machine at No 3, located at Kyro Mill in Finland. The demand for wallpaper base is decreasing globally and according to our strategy, it's not our core business. Our Finnish mills performed well during the third quarter. However, the profitability was still negatively impacted by Husum, including the ramp-up of new folding boxboard machine.

Comparable operating result was €34 million and it remained roughly on the same level as in the previous quarter. Items affecting comparability were €7.4 million negative and they were mainly related to closure of the loss-making wallpaper base production. Our cash flow from operations, €67 million, was clearly positive in the third quarter. The majority of this improvement came from positive changes in working capital.

Our paperboard deliveries continued to grow. Compared to previous quarter, they grew by 4%, and compared to third quarter last year, we saw a 15% growth. This supports our long-term target, which is to grow annually by 13% on average from 2015 to 2018, and I have every reason to believe that we will reach that target.

Our sales increased due to the higher paperboard deliveries, but also the market pulp deliveries grew by 13% compared to the previous quarter. Sales decline in the previous quarters is explained by decreased paper deliveries. This time last year, our paper deliveries were more than 100,000 tonnes in a quarter, whereas they were only 7,000 tonnes in this quarter.

Our profitability has been negatively impacted by Husum's new folding boxboard machine ramp-up. Even[?] in the third quarter, the operating result was driven by lower price from start-up volumes of new folding boxboard. In addition, we faced several technical problems at Husum Integrated during the spring and summer, which resulted in production stoppages and delays in customer deliveries.

On the slide number five, you'll see profitability development more thoroughly. In the third quarter, return on capital employed was 8% and EBIT margin 7.7%, both being on slightly lower levels compared to previous quarters. Of course, this will change as we get the production volumes and the deliveries in full speed from Husum. Our financial target for return on capital employed is still the same, so over 12% from next year onwards.

The ramp-up phase of new folding boxboard machine at Husum is progressing. The operating efficiency of the machine is constantly improving and daily production volumes are growing. The bottlenecks in the finishing area and the leak in pulp mill's recovery boiler in the second quarter restricted the paperboard production and caused delays on customer deliveries. The efficiency-improvement programme in Husum is progressing as planned. Recognised savings potential in

the entire site is at least €10 million, which will be realised in our result fully next year. A lot of cost-savings will come from maintenance and from external services. The total capacity of the machine is 400,000 tonnes and we expect to reach that level by the end of this year. Also, we expect to reach the annual profit improvement of €50 million from the whole investment programme, which is fully evident in 2018. We are already seeing a healthy price level in the order intake of Husum's new folding boxboard but long lead-time will postpone the positive profit impact from improved price levels by three months, roughly.

On slide seven you can see the improving daily production volumes of Husum's new folding boxboard. You can also see the unfortunate stoppages in June and July and their impacts on production volumes. The price level of current order inflow of Husum's new folding boxboard indicates that we will reach the EBIT breakeven with 75% capacity utilisation. Taking into account the three-month lead-time from order intake to invoicing, we expect this to happen sometime during the first quarter next year.

Foreign exchange rate changes had a slight positive impact on our operating result in the third quarter compared to the second quarter. No major changes in sensitivities or hedging duration.

Our quarterly cash flow from operations was clearly positive. The main contributor was the change in working capital or[?] decreased inventories and increased trade payables. Also, clearly smaller investments in the third quarter turned free cash flow positive.

Our balance sheet is strong. Interest-bearing net debt decreased by €53 million from previous quarter, which was due to improved liquidity. Net gearing declined to 49% and interest-bearing net debt to EBITDA ratio was 2.1. I'd like to remind, however, that in the second quarter we had an exceptional high number of items that weakened our liquidity and increased net debt, such as paid dividends, increase in working capital and several investment payments.

Then moving on to investments. On slide 12 you can see that we have updated the estimated total CAPEX for this year from €135 million to €165 million. There are mainly two reasons behind this. First, we had a cost overrun in Husum investment programme and, secondly, the CAPEX allocation of the extrusion coating line in Husum between years has changed. Total CAPEX in January-September was €119 million. In addition to the investments in Husum, our full-year growth investments include also an equity investment in Metsa Fibre's bioproduct mill, €25 million. This investment was made in the second quarter.

Then to the outlook. We expect healthy demand in fresh-fibre paperboards to continue. We also expect to see the steady or slightly positive market price development in folded boxboard and in fresh-fibre linerboards. We expect our fourth quarter paperboard delivery volumes to remain on the same level as in the third quarter. This is mainly due to the fact that Christmas – due to the Christmas holidays, which normally have slightly slowed down the delivery volumes in December. From the first quarter next year onwards, I expect them to be on the rise again.

As I stated earlier, we are already seeing a healthy price level in Husum's new folding boxboard order intake. However, due to the long lead-time, the profit impact from improved price will be visible with approximately a three-month delay. Due to the problems in the recovery boiler of Husum's pulp mill, we extended the [inaudible] annual maintenance shutdown in October by one week. This generated extra costs, approximately €300 million, on top of the normal maintenance costs. And the new estimate for 2016 investments is now €165 million due to the cost overrun in Husum and changes in investment cost allocations of the extrusion coating line. And then based on these assumptions, our guidance is that our comparable operating result in the fourth quarter of 2016 is expected to remain roughly on the same level as in the third quarter of 2016.

And then to summarise, as expected, the third quarter result remained on the same level as in the second quarter. Production and deliver volumes in paperboards grew but the ramp-up of the new folding boxboard machine still impacted the profitability. Yet our cash flow from operations was

clearly positive, €67 million. Our fine-paper production in Husum ended in July and in September we discontinued the loss-making wallpaper base production at Kyro mill. From now on, our focus will be purely on premium pressed-fibre paperboards, which are used in consumer goods and retail-ready packaging. We saw solid performance at our Finnish mills and I expect this development to continue. Husum's new folding boxboard machine's capacity is approaching the targeted normal capacity and higher average price in deliveries will improve profitability.

And before moving on to Q&A session, I want to remind that all our long-term targets are intact. Our target is to increase our annual paperboard deliveries by 13%, on average, from 2015 to 2018. Our return-of-capital employed target is a minimum of 12% from next year onwards and our net gearing target is at maximum of 70%. In addition, we aim to distribute a dividend which is at least one-third of our annual earnings per share.

Dear participants, thank you for your attention, we are now ready for your questions.

Operator: Thank you. If you wish to ask a question at this time, please press *1 on your telephone keypad. Please ensure the mute function is switched off to allow your signal to reach our equipment. We will now take our first question, from Antti Koskivuori from Danske Bank, please go ahead.

Antti Koskivuori: Yes, hi, this is Antti Koskivuori from Danske. A few questions from my side. Firstly, you talk about the increased capacity in European folding boxboard market and that not having an impact yet, so far, on the demand or prices for your products. My question would be that, do you see the full impact of those capacity already in the market or is that still to come going forward? And what is your, kind of, level of confidence that there will not be an impact on volumes or prices also going forward? That will be my first question.

Then secondly on the CAPEX guidance and the €30 million increase there, if you could give us a number, what would be the share of Husum cost overrun and what's their share of extrusion-line investment, which I guess is more of a timing issue? And if you could specify what is the actual cause of the cost overruns in Husum? Thanks.

Mika Joukio: Well, first question concerning the capacity. So at the moment all our mills are running full, order intake is good, price levels are quite okay, and we do not see any decline in prices here in Europe as well as in the other markets. So, so far we have not seen any major disturbances from competitors or due to this additional capacity in Europe in folding boxboard. What will be the situation next year remains to be seen but, at the moment, our situation is good. So demand and – so demand is good and our mills are running practically full.

Then concerning the costs, we don't specify how much of that change is coming from Husum or PE coating line. That is not that important, I think. I think the overall number €165 million[?] is the number that really matters.

Antti Koskivuori: But do you give – I guess the added question would be on 2017 CAPEX, how big the change of that estimate is that since, if the number, the €30 million, comes – if a big share of that comes from the extrusion line, I mean, that obviously would have an impact for your 2017 estimate, I guess. That's kind of what I'm trying to –

Mika Joukio: Yeah, so that's the number we estimate but this is just – I mean, before budgeting[?] period, but anyway at the moment, estimation is that they are – they will be roughly €100 million lower than this year.

Antti Koskivuori: Alright. Thank you, very helpful.

Operator: We will now take our next question, from Harri Taittonen from Nordea. Please go ahead.

Harri Taittonen: Yes, good afternoon, it's Harri Taittonen, Nordea. Maybe you can talk about the volumes of the start-up qualities and how much of those, roughly, did you sell in Q3 and how big a share did that account of the paperboard deliveries in Q3? And roughly, just a sort of indication, how much of these start-up qualities remain to be sold?

Mika Joukio: Yes, so in the second quarter it was roughly 50/50, so these start-up volumes and then the normal A-grades. Then it was in the third quarter, just as we estimated and also told you in August, it was about 30%. So 70% A-grade and then 30% the start-up volumes. And now the estimation for the last quarter is, as we last time estimated, somewhere around 10-15% B-grades and then roughly 85% then A-grades. So no major changes in that.

Harri Taittonen: Okay. And this referred to, sort of, deliveries not production?

Mika Joukio: No, deliveries. We don't produce B-grades anymore.

Harri Taittonen: Exactly, exactly. Good, good, to clarify. Is it too early to ask about the sort of maintenance, the scheduling for the early part of next year, ahead, in Q1? I mean, is there anything you have lined up already that you know of in terms of maintenance?

Mika Joukio: Yes, so, normally and also next year the first quarter, it's winter period and so we don't have any major maintenance shutdowns, normally, during the first quarter. The final decisions have not been made yet because budget is still open but my estimation at the moment is that we don't have any major ones during the first quarter.

Harri Taittonen: Okay. And then the third and final question, on the working capital side, big swings there quarter by quarter and now you had, sort of, a lot of working capital released, even if from the

production versus delivery side – I mean, it looks like you produced quite a bit more than delivered. I mean, how do you – what was kind of driving the working capital moves this quarter this much?

Mika Joukio: Okay, Mr Jussi Noponen will answer to this.

Harri Taittonen: Okay, thanks.

Jussi Noponen: Yes, [inaudible]. You were right in saying that in our paperboard products production was higher than deliveries but in pulp and BCTMP our inventories decreased in the third quarter. And as an overall level we can say that working capital at the end of third quarter was slightly low so we expect a small increase now in the fourth quarter.

Harri Taittonen: Okay, okay. Many thanks.

Operator: We will now take our next question from Henry Parkinen[?] from OP Financial Group. Please go ahead.

Henry Parkinen: Yes, first of all, good afternoon for everyone, it's Henry Parkinen here from OP Financial Group. One question regarding your outlook comment where you say that in September/October the price level of new folding boxboard orders from Husum, they are on a good level. Could you please specify a little bit more what means 'good level'? So how near, let's say, maximum price or the best A-grade price you are at the moment? And then when do you expect that the pricing is as good as it can be?

Mika Joukio: Yeah, of course pricing is – we have several grades and price differences between the grades are easily – can be €200 per tonne. But if – generally speaking, now the price level in Husum is approaching the average price level of Finnish mills quite nicely. So it's very difficult to say when the prices are in a peak or the highest but they are very healthy. I mean, the prices of the orders we are getting at the moment, they are healthy and they are at good level. And I think

it's very good information that only by 75% operating rate we are able to reach a breakeven at Husum with the current prices that we have in the order intake. That [inaudible] –

Henry Parkinnen: Okay, thank you very much. Thank you.

Operator: We will now take our next question from Mikko Ervasti from DNB Bank. Please go ahead.

Mikko Ervasti: Thank you very much and good afternoon. Actually most of my questions have already been answered but one more left. There's been quite a lot of volatility around the pulp deliveries now in recent quarters and I thought that in Q2 they were down a lot or they moved elsewhere in the P&L because of the end of the contract, but now again up year on year. Can you please comment on the dynamics around that, please? Thank you.

Mika Joukio: Yes, in pulp side, so practically what we are mainly selling is, of course, softwood pulp and there the demand situation is quite stable and good. I mean, the changes are pretty much also coming from Husum itself, that we had production problems during the summertime and, of course, that has also then an impact on deliveries. But the market as such is – especially for softwood – is quite stable.

Mikko Ervasti: Okay, thanks, that's all from me. Thank you.

Operator: We will now take our next question from the line of Larsen[?] from SEB. Please go ahead.

Larsen: Yes, thank you very much and a good day to everyone. Just to follow up on the working capital, I think you commented upon the remainder of the year but it wasn't quite clear to me. What do you expect in terms of working capital development in the fourth quarter? It's been a big negative, obviously, year to date.

Mika Joukio: Okay, so Jussi Noponen will take this again.

Jussi Noponen: Yes, so we expect a small increase in working capital in the fourth quarter.

Larsen: Okay. Would you – would you care to quantify roughly? Is it like €10 million or something like that?

Jussi Noponen: No, it's too early to estimate. Depending on the production and deliveries around the Christmas time.

Larsen: Okay. And just maybe one final question as regards the marketing of the folding boxboard from the new Husum capacity, could you talk just a bit about how it's being received in the US market and an update on that? And what the share today is being US volumes of the total Husum folding boxboard production, please?

Mika Joukio: Yes, so first of all the comments from customers are mainly positive. The printability is excellent and then also then the convertibility of this product is good. And practically we are – we don't sell that much to Europe or other markets. That has been our strategy from the very beginning so practically I would say 80% of the volume is going to the US, roughly. And our only problem is that the – I mean, boats are so bloody slow, so it takes a while to go from Sweden to the US. And for that reason, that has been a kind of – how would I say? – we could have sold more but due to these production problems and then long, long time – long, long, kind of, way from Sweden to the US so that has been a challenge but now it's improving.

Larsen: Right. Thank you very much.

Operator: As a reminder, to ask a question please press *1. We shall now take our next question from Mikael Doepel from Handelsbanken. Please go ahead.

Mikael Doepel: Thank you. A couple of questions. You are reiterating your view that you will gain the €50 million benefits from the Husum restructuring fully in 2018. Would you care to quantify how much of that should we assume that will be visible already in 2017?

Mika Joukio: YeH, as I said we are in the middle of the budgeting period so it's very difficult to give you exact estimation, so... To be honest, I do not know at the moment. We –

Mikael Doepel: Would it be fair to assume 70% or something like that?

Mika Joukio: We really need to calculate the budgets – the budgets and targets but, of course, there will be improvement from this year, obviously, no question. But how much, we can come back to this issue then, let's say, in February webcast.

Mikael Doepel: Yeah. You have previously said that the impact will be mostly felt in 2017 and fully in 2018. Would you still say that that is a valid comment?

Mika Joukio: Now[?] referring my earlier answer, I can't. I remember very well my wordings as mostly and fully but at the moment I need to say that I do not precisely know, so we need to calculate a bit more. But for now I can't.

Mikael Doepel: And then – okay. Then, in terms of CAPEX, you raised your CAPEX guidance for this year due to – mainly due to the cost overruns. Would you care to give some sort of indications of CAPEX levels in 2017? Maybe a range or so?

Mika Joukio: Yes, as I already mentioned, the investments next year will be roughly €100 million lower than this year.

Mikael Doepel: Okay, so €65 million[?] up?

Mika Joukio: Yes.

Mikael Doepel: Okay. Good, thank you very much.

Operator: There are no further questions in the queue.

Mika Joukio: Okay. Then I would like to use the opportunity to thank you all for participation and wish you excellent afternoon. Thank you.