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METSB.HE - Q4 2014 Metsa Board Oyj Earnings Call

EVENT DATE/TIME: FEBRUARY 05, 2015 / 1:00PM GMT



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PRESENTATION

Mika Joukio - *Metsa Board - CEO*

Ladies and gentlemen, welcome to Metsa Board Fourth Results 2014 webcast. I am the CEO, Mika Joukio, and CFO Markus Holm, and the head of Investor Relations and Communications Juha Laine are also present at this end.

First, the highlights from last year. 2014 was a very interesting and successful year for us. Of course, the most important fact is that our profitability improved. Thanks to the strong cash flow, our net debt reduced clearly. Metsa Board deliver volumes increased significantly and price levels were stable. We were successful in launching our folding box board to North American markets, and also to the food service segment globally.

Production volumes increased and operating efficiencies improved. In December, we introduced the final steps of transformation to a paper board company. I will tell you more about this later on this presentation.

I succeeded as the CEO in October, and our organization was renewed at the beginning of 2015. Sales were stable at EUR2 billion in 2014. Clean operating results improved from EUR104 million to EUR137 million, and results before taxes doubled from EUR49 million to EUR100 million.

Earnings per share improved from EUR0.17 to EUR0.27. Board dividend proposals to the Annual General Meeting which was held on the 28th of March is EUR0.12 per share, which means a payout ratio of about 44% of clear results per share. Last spring the dividend was EUR0.09.

Sales in the fourth quarter was about EUR500 million, and EBIT, excluding non-recurring, EUR37 million, which is roughly the same as in the previous quarter. Clear results before taxes improved nicely to EUR32 million, which is the best quarterly profit in many, many years.

There was no material change in cardboard business areas profitability in the fourth quarter.

Folding box board deliveries decreased seasonally [for Metsa], but prices were stable but stronger US dollar improved the average price.

As I already mentioned, our progress in the North American folding box board business has been good. The same goes for the food service segment, both in Europe and in North America.

The specialty paper business is reported on the carton board business area are unfortunately experiencing low demand. In the wallpaper base business this is largely due to the political and economic uncertainties in Ukraine and Russia.



In 2015, volumes in both folding box board annual contracts are somewhat increasing and no material price changes are expected compared to last year. Cartonboard and paper's result improved clearly in the fourth quarter, mainly as due to the federal liner board average price, as a result of the stronger US dollar. Also liner board deliveries decreased seasonally slightly.

Uncoated plain paper delivery volume increased, and price level was unchanged. The situation on coated paper remained weak, and delivery volume as well as average price declined.

[Operating] volumes were slightly lower in the fourth quarter, but price increased due to the US dollar.

We booked a few million euros [co-relative] items, mainly from sales of CO2 rights in the fourth quarter. In the first quarter of this year, linerboard deliveries are expected to increase. Prices seem to continue stable.

Paper deliveries are also focused right, but price trend is downward. In part, there is no material-related changes besides in the first quarter. We booked approximately minus EUR30 million of net non-recurring items in the fourth quarter. The main ones were EUR26 million in payment of fixed assets, due to the weak performance of Gohrsmuhle Millin Germany, EUR30 million court provision due to the plant discontinuation of paper production at Husum, and EUR7 million sales gains related to [Menranta] property in Tampere.

All in all, net non-recurring items in EBIT were about minus EUR20 million in 2014.

As I already commented, our cash flow was strong in 2014. Net debt was reduced from about EUR600 million at the end of 2013 to EUR427 million. Cash flow from operations improved from EUR127 million in 2013 to EUR210 million in 2014. At year end, gross debt was EUR684 million, net year-end 51%, equity ratios 39%, and average interest rate 4.0%.

Net debt to EBITDA ratio dropped to 1.8. Our liquidity position continues strong. In the fourth quarter, Moody's recognized for good development, and raised the rating to B1 with positive outlook.

Then the profitability outlook. Metsa Board's operating result excluding non-recurring items is in the first quarter of 2015 expected to improve slightly, compared to the last quarter of 2014.

On page 10, the paperboard delivery development is presented. Already for several years we have clearly outpaced the market flow. In 2013 we grew by seven% and last year by 10%. I think this is a great achievement in a situation where the macro-economic situation at our domestic markets here in Europe has been very modest. The target is to continue profitable growth also in the coming years. And the new capacity in Husum will enable this.

Exchange rate changes have been favorable for Metsa Board in the second half of last year, and also early this year. The result impact is becoming more and more visible gradually. Hedging of the main foreign currency flows is between five and seven months. In 2014, the positive EBIT impact to the [head] sheets was about EUR50 million compared to 2013. At current exchange rate levels, we expect a bigger positive impact in 2015, but I don't want to speculate with actual figures.

In Metsa Board's case, 10% change in US dollars versus euro has an annual unhedged EBIT impact of about EUR45 million, some EUR20 million in U.K. pound, and about EUR30 million diverse impact in Swedish krona. And as I explained also earlier, the segment numbers reflect exchange rate changes immediately, but hedge accounting withheld in other operations balances the impact.

Then we will once again go through the final steps of transformation which we introduced in December, last year.

We are taking a major growth step in the folding box board business, thanks to the EUR170 million investment in a new production line and [elected influx] Husum Millin Sweden. The project has been started and everything has gone according to plans.

Valmet is the main machine supplier, and [third] the main consulting partner in this project.

We are also targeting to almost triple the liner board volumes from Husum, compared to 2014, to close to 300,000 tons, fully from 2018 onward. We are preparing to discontinue Husum's paper production mostly by the end of this year, and fully by the end of 2017.

We have studied a process to divest Gohrsmuhle Millin Germany. The process is ongoing and it's not possible at the moment to comment the likelihood of a [taxes for divesting]. All these measures are expected to be financed by current liquidity, operating cash flow, and potentially also by EUR100 million rights issue during the first quarter of 2015. More information about this potential rights issue is not available yet.

New folding box board volumes are targeted to be sold largest extent to North America. Also a large part of Husum's incremental liner board volumes go to North America. We are in a good space. Our volumes there increased by over 40% last year.

In folding box board, we are at the moment close to 100,000 tons per annum run rate. Business in mid-term targeted to be tripled. And in liner board, we sold over 150,000 tons last year. Mid-term target is over 250,000 tons per annum.

Here is the new organization that has been in place since the first of January this year. I am confident that a function space organization fits Metsa Board the best from now on. By harmonizing operations and ways of working, we will further increase our efficiency and bring out more synergies.

The reporting segments are from the first quarter of 2015 onward. Paperboard and non-core operations. Paperboard segmenting includes volume boxboard, liner board, wallpaper base, and market pulp businesses. Metsa Fiber result share is allocated to paperboard.

Non-core operations include Husum and Gohrsmuhle mills paper businesses. These are the businesses we are planning to exit. The restated historical figures will be released during the next couple of weeks. We are expecting significant financial improvement, thanks to the final steps of transformation to a paperboard company.

Based on measures in Husum, our annual sales is expected to remain rather stable. But annual EBIT is expected to improve by approximately EUR50 million, compared to 2014. The resulting impact will materialize mostly in 2017, and fully in 2018.

When it comes to this year, you should remember that the investment shutdown and accelerated paper capacity depreciations in Husum are focused to impact EBIT negatively, roughly by EUR20 million. Some EUR12 million is expected to impact the fourth quarter and the rest is even split throughout the year.

The elimination of Gohrsmuhle Mill's losses would lead to annual sales reduction of approximately EUR90 million, and EBIT improvement of about EUR20 million. Metsa Board's transformation will be completed soon.

This is why we have decided also to update our long term financial [spreads]. The new targets are return on capital employed, minimum 12% from 2017 onward, and net year-end maximum 17%. The old targets were [rugged] minimum 10%, and net year-end maximum 100%.

We almost reached the old 10% rugged target in the fourth quarter organization 2014. However, we filled our potential much better and that way decided it's time to raise the bar.

The dividend policy remains unchanged. The aim is to pay a dividend of at least one-third of the earnings per share, taking into account the net year-end target.

I will conclude my presentation with our key priorities this year. We continue to grow profitably the paperboard businesses globally. Practical implementation of investment process at Husum is, of course, very important. This enables our growth also in the coming years.

We are the market leader. Price levels will pick up good. We will further improve our best in class product quality and supply chain. We continue to develop new products for existing and new end-users. Elimination of the losses from Gohrsmuhle is very high on the agenda. We had to get rid of those losses. And in all our organizations, we make sure that we operate efficiently.

Ladies and gentlemen, this was my presentation. Thank you for your attention. We are ready for your questions now.

QUESTIONS AND ANSWERS

Operator

Thank you. (Operator Instructions).

Your first question today comes from the line of Antti Koskivuori. Please ask your question.

Antti Koskivuori - Danske Equities - Analyst

Yes, thank you, and good afternoon. Three questions, if I may. Firstly, we've seen quite a lot of interest towards new carton board capacity or conversion projects in the European market, in the carton board. Do you see potential changes in competitive landscape in Europe in this market, in the next coming years? That would be my first question.

Then secondly, on North America, could you talk a bit about the market outlook for folding boxboard and liner board in North America and, especially, are you seeing any changes in this landscape due to the strengthening US dollar and how that will potentially support your operations there?

And then lastly, still one question on Gohrsmuhle. Could you give us a number, what was the EBIT contribution from that business in Q4? Thank you.

Mika Joukio - Metsa Board - CEO

Okay, Mika Joukio here.

So, first the European situation. We do not see any remarkable changes during the coming years. I mean, folding boxboard is relatively difficult product. It's not easy to enter, for the newcomer. And then our dear competitors, they have not announced any new capacity increases. So all in all I do not see any major changes here.

The second question was the North American market, and in North America our growth has been steady and we will continue to grow. The situation there, all in all, is that market is growing more than here in Europe, and the local players are pretty well booked, so there also is clear room for new players like us.

And of course, the strengthening US dollar will probably mean that the local players will repatriate volumes from other markets to the US market. But at least so far we haven't noticed any negative influence for us.

And then the third question, Gohrsmuhle EBIT, or EBIT during the last quarter was minus EUR6 million.

Antti Koskivuori - Danske Equities - Analyst

All right. Very helpful. Thank you very much.



Operator

Thank you. Your next question comes from Henri Parkkinen. Please ask your question.

Henri Parkkinen - Pohjola - Analyst

Yes. Good afternoon for everyone out there. Two questions. My first question is related to other operations, where you booked EUR12 million operating loss during the fourth quarter. Could you please split this so that what's behind that kind of number, because during the first and second quarter of last year it was something like minus EUR6 million. I understand that part of this is related to currencies, but a little bit more info would be appreciated.

And the second question is about your cost view. Now, oil price is down, fossil fuel prices are down. Wood prices are down in Sweden. How do you see your cost development progressing when going towards the second quarter of this year and especially when - going into the latter part of this year? Thank you very much.

Mika Joukio - Metsa Board - CEO

Okay CFO Markus Holm will give answers to these two questions.

Markus Holm - Metsa Board - CFO

Yes. Hello, Henri. To your first question on the other operations, so, it's clear that we see a bigger impact of the foreign change hedging there, and the - in fact, in quarter four of the hedging was some EUR7 million. So the rest in other operations is pretty stable there, but the foreign change has increased by some EUR3 million or so, compared to the third quarter.

And then to your cost question, so the cost view is pretty much like in 2013 or 2014 as well, that we see it flat or slightly declining costs over all, thinking about both variable and fixed costs.

Mika Joukio - Metsa Board - CEO

That's true.

Henri Parkkinen - Pohjola - Analyst

Ok, thank you very much. Thank you.

Operator

Thank you. Your next question today comes from the line of Mikael Doepel. Please ask your question.

Mikael Doepel - Handelsbanken - Analyst

Yes. Hi. Good afternoon, gentlemen. A couple of questions. First of all, what kind of capital expenditure should we expect for 2015?

Mika Joukio - Metsa Board - CEO

Okay Did you say what kind, or what is the level?

Mikael Doepel - Handelsbanken - Analyst

No, what is the level?

Mika Joukio - Metsa Board - CEO

The level is, by accident, the same as Husum's pre-investment figure, so EUR170 million, all in all.

Mikael Doepel - Handelsbanken - Analyst

Okay All in all.

Mika Joukio - Metsa Board - CEO

Yes. For this year.

Mikael Doepel - Handelsbanken - Analyst

Okay Great. Then, in terms of Gohrsmuhle, I understand that you are trying to improve the profitability there and actions have been taken. How long will it take before these actions come visible in the figures?

Mika Joukio - Metsa Board - CEO

So, as you mentioned, we have tried to improve the profitability of the mill, but so far the success has not been very good. And now our target clearly is to get rid of those losses. And the first thing we would try to do is clearly to divest the mill.

And if that cannot be - or if we are not successful in this, then, of course, we would launch other measures to eliminate losses. And it can't be also then partial or full closure. But time is running out for this pathway.

Mikael Doepel - Handelsbanken - Analyst

Okay But you don't see any possibilities to do something there that would reduce the losses, for example, in the first half, if you still have the mill in your ownership.

Mika Joukio - Metsa Board - CEO

Yes. It's very difficult, and we cannot wait any more. So there has been an attempt, also, of earlier and we know where we are. So, difficult to believe.

Mikael Doepel - Handelsbanken - Analyst

Okay Then, finally, in terms of the emissions rights that you sold in Q4, what was the impact on earnings from that?

Mika Joukio - *Metsa Board - CEO*

A few million.

Mikael Doepel - *Handelsbanken - Analyst*

That's clear. Thank you very much.

Operator

Thank you. Once again, ladies and gentlemen, it is star, one, if you would like to ask a question. Your next question comes from the line of Mikael Jafs. Please ask your question.

Mikael Jafs - *Kepler Cheuvreux - Analyst*

Yes, hello. Good afternoon, everybody. I have more of a general question.

I mean, you are now announcing or proposing that you will raise the dividend to 12 euro cents, and if I do the math correctly, that is roughly EUR40 million. At the same time, you say that you potentially will do a rights issue for EUR100 million.

Wouldn't it have been from a theoretical standpoint better to simply abolish the dividend this year and not, sort of, first hand out money and then collect money potentially from shareholders? What are your views on this?

Mika Joukio - *Metsa Board - CEO*

Okay Markus Holm will give you a clear answer.

Markus Holm - *Metsa Board - CFO*

Yes. Hi, Michael. So, thank you for the question. The dividend, of course, we want to think now of the long term commitment to dividends and our policies to pay minimum one-third in dividends. And so, that we want to have a continuation. That's, I would say, the main explanation.

Mika Joukio - *Metsa Board - CEO*

Precisely.

Mikael Jafs - *Kepler Cheuvreux - Analyst*

Okay Thank you.

Operator

Thank you. Your next question comes from the line of Linus Larsson. Please ask your question.



Linus Larsson - *SEB - Analyst*

Yes. Thank you very much, and good afternoon to everyone.

A couple of questions on the folding box board market. In Europe, there have been reports of some price concessions. What's your comment to that? Is that relevant for your business? Are you seeing it among your competitors?

And second to that, could you also comment upon to what extent your cartonboard prices have been - or how big a part of your business is on long-term contracts? Thank you.

Mika Joukio - *Metsa Board - CEO*

First of all, the price level - so, we see that this year's price level is quite stable comparing to last year based on, also, our annual contracts. We are the market leader. Our intention is not to decrease prices, for example. And as far as these annual contracts are concerned, all in all they are close to 50% of our overall volume in folding boxboard.

Linus Larsson - *SEB - Analyst*

Okay Great. And these reports, what's your explanation? Where are they coming from? I'm not suggesting that we're talking about big price concessions. They are rather small, but are you seeing this in the market as well? Can you describe what's behind this?

Mika Joukio - *Metsa Board - CEO*

I can only comment our prices. And as I said, we are not seeing it, so maybe some small players might try something in order to win some volumes, but not us.

Linus Larsson - *SEB - Analyst*

Great. And then, just, on pulp you are significant net sellers of pulp and increasingly so. If you participate in the Metsa fiber investment, can you please talk a bit about why you would want to be even longer in pulp? Do you have plans for forward integration, or what's the reasoning for increasing your pulp exposure even more?

Mika Joukio - *Metsa Board - CEO*

Yes. The reason is very simple. So, our target is to grow also in the future, not - I mean, also after this Husum investment has been implemented. We see it strategically very, very important that we are self-sufficient in pulp. So it has excellent potential for us to - concerning the future. And the pulp [parasis] is mainly long fiber pulp. So that's also - it's good.

Linus Larsson - *SEB - Analyst*

Right. And that new net balance would be however much after the investment?

Mika Joukio - *Metsa Board - CEO*

You mean in Husum or ...

Linus Larsson - *SEB - Analyst*

No, no, no. I mean, on the group level, the pulp - the excess pulp position.

Mika Joukio - *Metsa Board - CEO*

Yes. It's close to half a million tons.

Linus Larsson - *SEB - Analyst*

And how would you integrate that forward? Is that through M&A or through organic investments, then.

Mika Joukio - *Metsa Board - CEO*

No plans at the moment.

Linus Larsson - *SEB - Analyst*

Okay

Mika Joukio - *Metsa Board - CEO*

First we implement at Husum.

Linus Larsson - *SEB - Analyst*

Great. Thanks for your answers.

Operator

Thank you. Once again, ladies and gentlemen, it is star, one, if you would like to ask a question.

There are no further questions coming through at this time. Please continue.

Mika Joukio - *Metsa Board - CEO*

Okay Then, thank you, everybody, for your participation. And I wish you excellent winter. Thank you. See you.

Operator

Thank you. Ladies and gentlemen, that does conclude your conference for today. Thank you for participating. You may now disconnect.



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