



# Interim Report Presentation Q3 2020

October 30, 2020





# Ulf Larsson, CEO

# Summary Q3 2020

## Exit publication paper

- Sequential closing of publication paper Q1 2021

## Grow pulp

- Invest in increased CTMP pulp production located at Ortviken

## Sales declined 13% vs Q3 2019

- Price/mix -4%, volume -10%, currency 1%

## EBITDA<sup>1</sup> down 24% vs Q3 2019

- Impact of decision to exit publication paper
- Unplanned production stop at Östrand
- Lower selling prices
- + Lower raw material costs

## Acquisition of forest in Latvia - 20,000 ha land

## New climate target for 2030



# SCA's performance Q3 2020

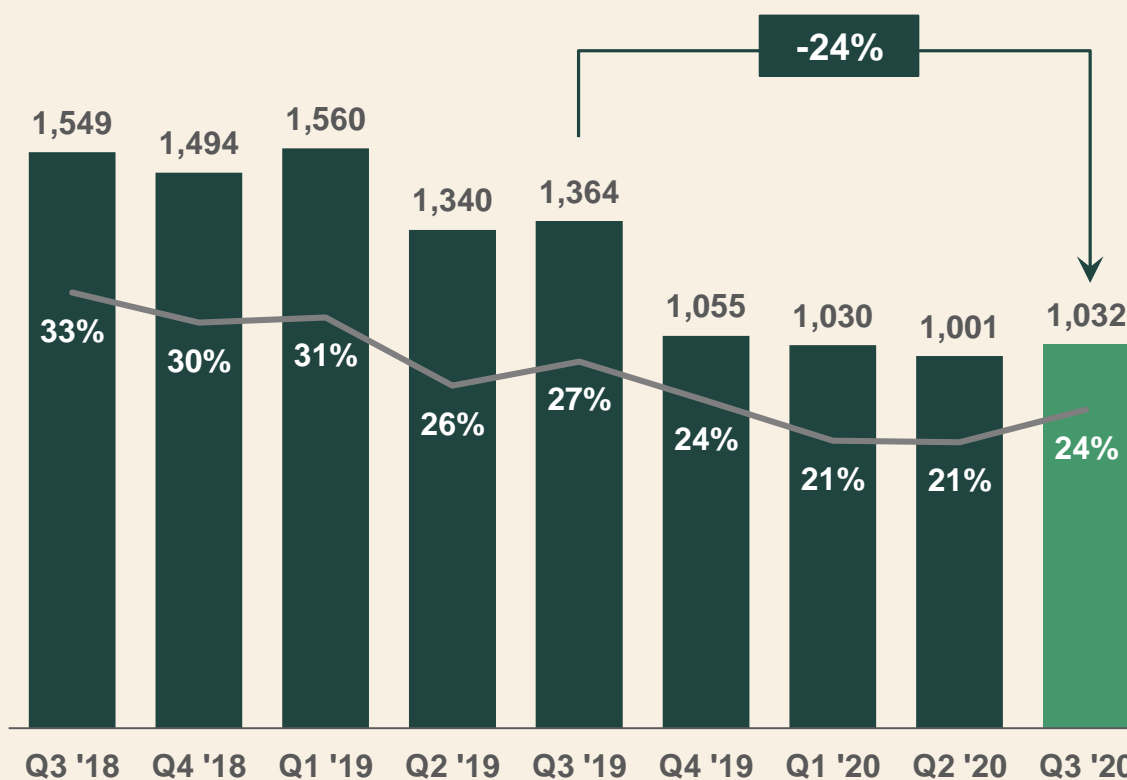
EBITDA (SEKm)

**1,032**

Industrial ROCE <sup>1)</sup>

**4%**

*EBITDA development (SEKm)*



EBITDA margin

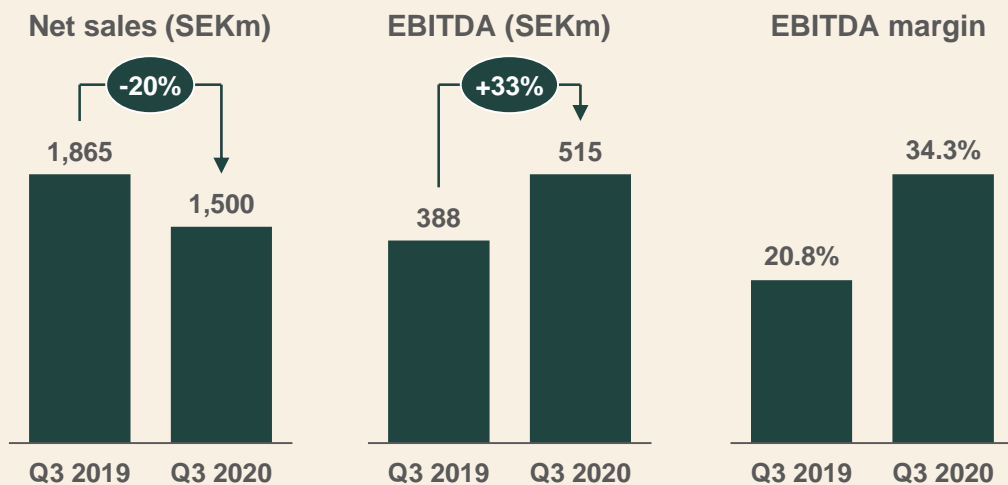
**24%**

Net debt/EBITDA

**2.0x**

Note: Excluding effect of one-off items related to discontinuation of publication paper.  
 1) ROCE for the industrial segments; Wood, Pulp and Paper. ROCE calculated as LTM.

# Forest Q3 2020 vs. Q3 2019



## Stable wood supply to industries

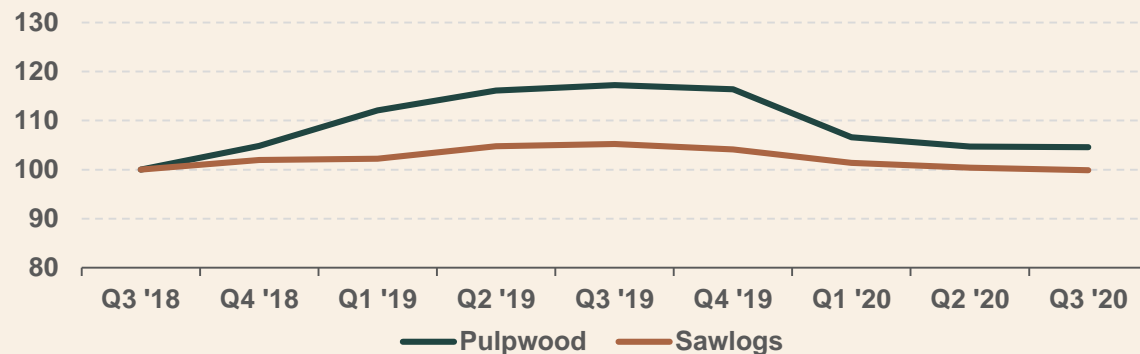
### Sales down 20%

- Lower volumes to Ortviken and Östrand
- Lower pulpwood price

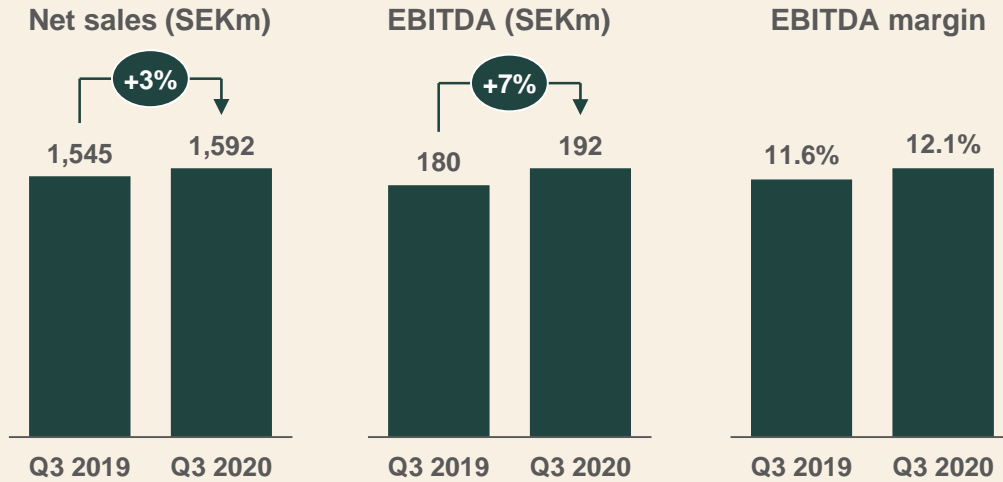
### EBITDA up 33%

- + Higher harvesting from own forest
- + Higher earnings from revaluation of biological assets
- Lower pulpwood price

Price development – Pulpwood and Sawlogs



# Wood Q3 2020 vs. Q3 2019



High demand, leading to increasing prices

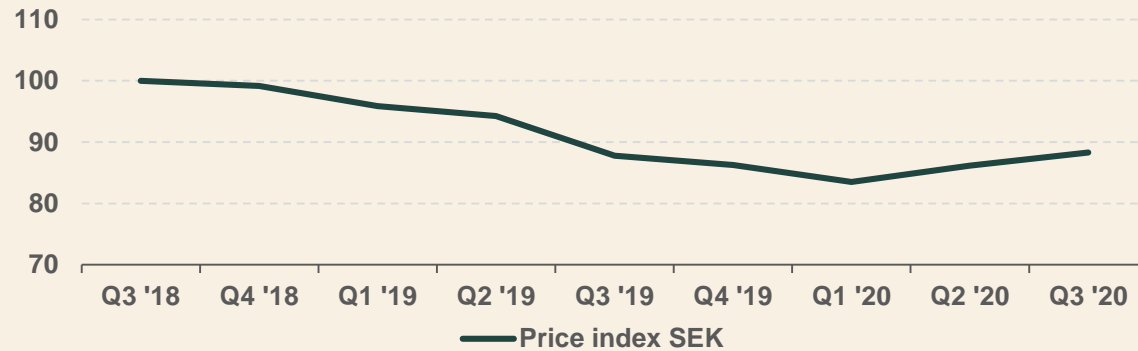
**Sales up 3%**

- + Better sales from building and supply solutions

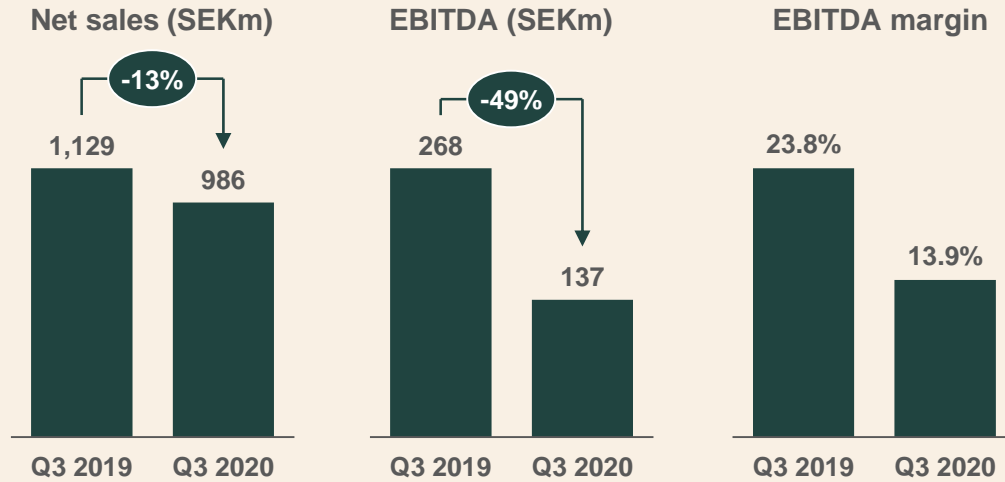
**EBITDA up 7%**

- + Better margins on building and supply solutions

Price development – Solid Wood Products



# Pulp Q3 2020 vs. Q3 2019



**Unplanned production stop in July impacted volumes and costs, good production after restart**

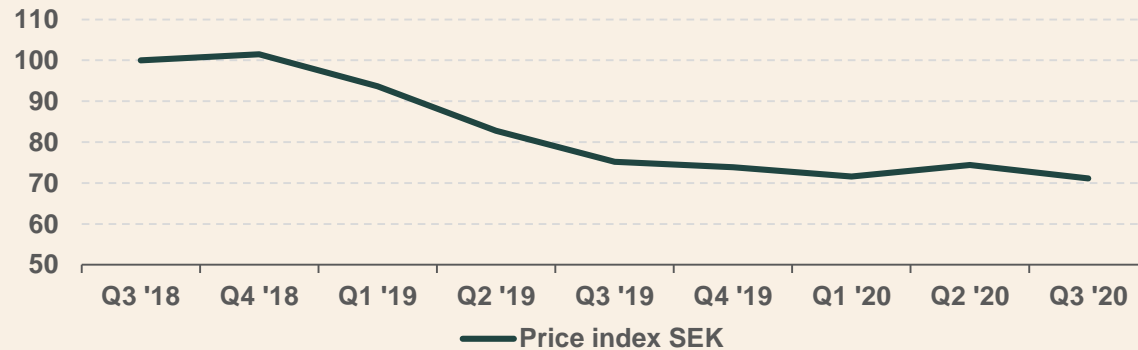
## Sales down 13%

- Lower prices
- Volume loss due to unplanned production stop

## EBITDA down 49%

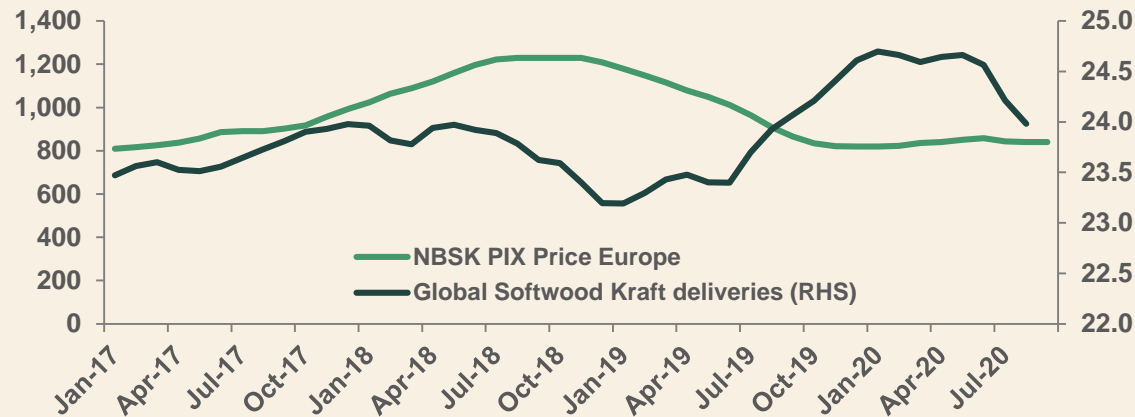
- Unplanned production stop in July
- Lower prices
- Lower energy prices
- Planned maintenance stop
- + Lower raw material costs and positive currency effects

Price development – NBSK Pulp

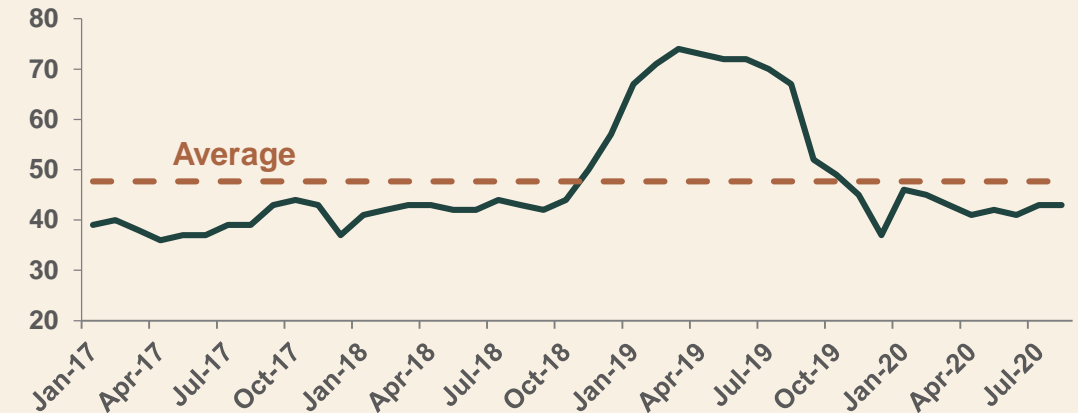


# Pulp market development

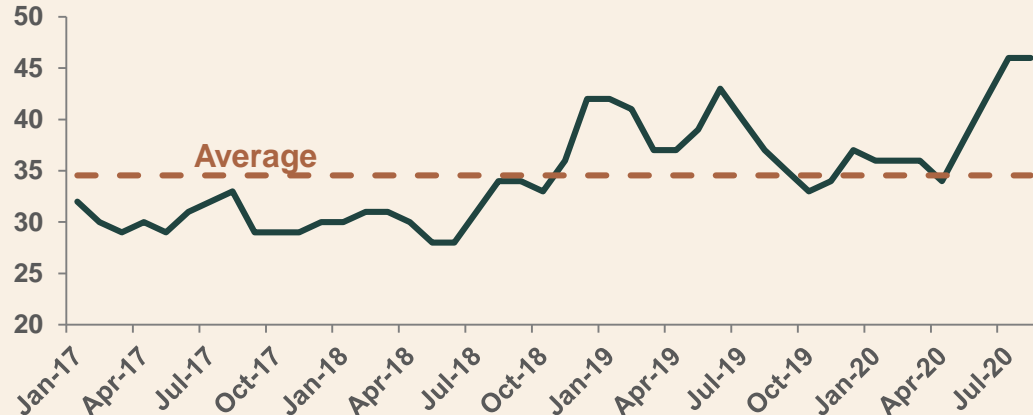
Softwood pulp price (USD/t) vs deliveries (Mt)



Hardwood pulp inventories (days of supply)



Softwood pulp inventories (days of supply)



## Limited supply due to maintenance downtime

- Maintenance stops moved to autumn
- Majority of producers having 5-30 days stops

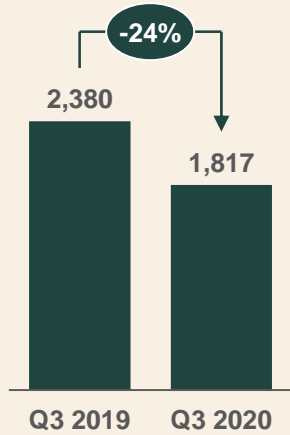
## Positive price signals

- Positive signals from China
- 40 USD price increase announced from Oct 1, negotiations ongoing

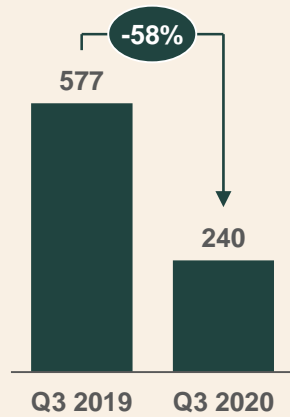


# Paper Q3 2020 vs. Q3 2019

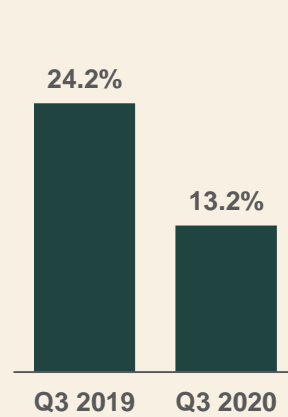
Net sales (SEKm)



EBITDA (SEKm)



EBITDA margin



**Low publication paper demand**

**Low capacity utilization, impacted by exit decision**

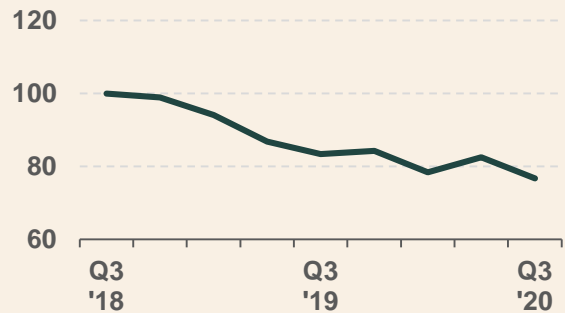
**Sales down 24%**

- Lower kraftliner and publication paper prices
- Lower publication paper volumes

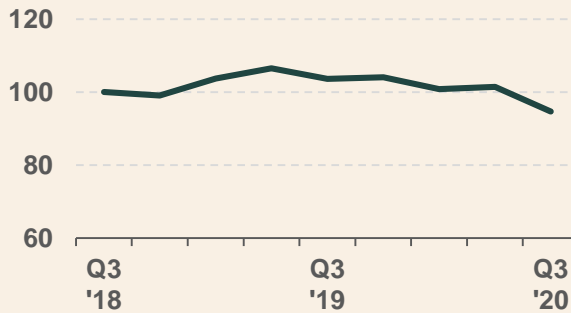
**EBITDA down 58%**

- Lower kraftliner and publication paper prices
- Lower publication paper capacity utilization
- Planned maintenance stop in Munksund

Price development – Kraftliner



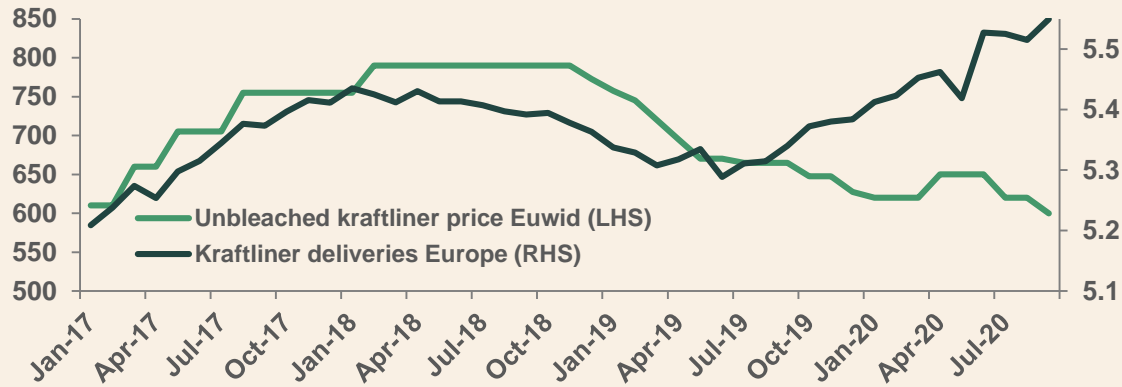
Price development – Publication paper (LWC)



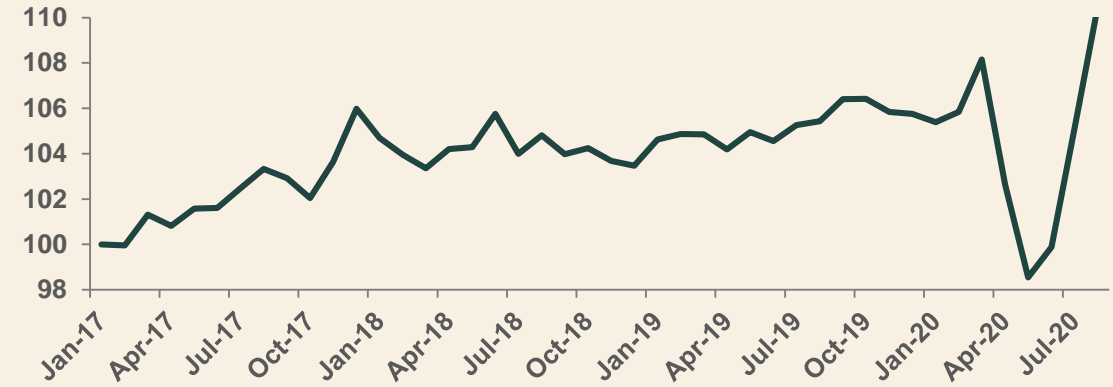
— Price index SEK

# Containerboard market development

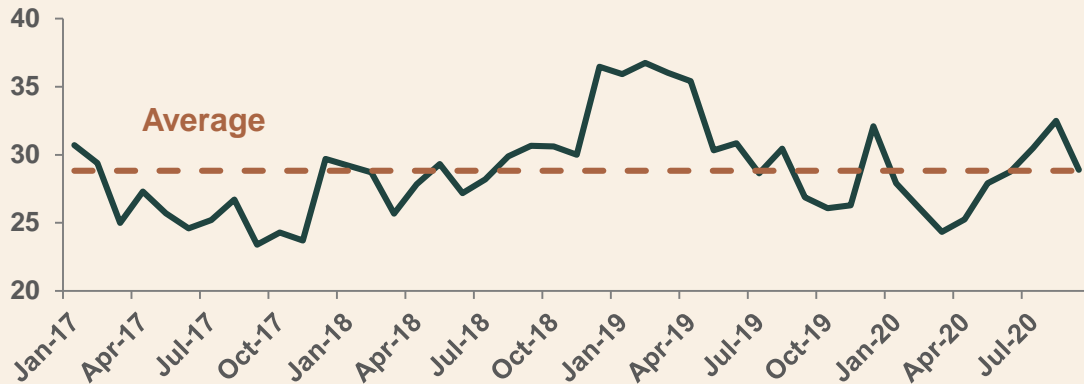
Price (EUR/t) vs Kraftliner deliveries (Mt)



European Box demand (index)



Kraftliner inventories (days of supply)



## Recovery after large demand drop in Q2

- Long term growth of European deliveries
- Inventories days rose in Q2 driven by postponed maintenance now back to average in late Q3

Price decreased in Q3, price increases announced in Q4

# Transformation of Ortviken

## Exit publication paper

- Sequential closing of the three paper machines during Q1 2021

## Investment in increased pulp production

- 300,000 tonnes CTMP at Ortviken
- Low CAPEX and cash cost per tonne
- CAPEX starts early 2021
- Start-up beginning of 2023

## Renewcell to establish textile recycling at Ortviken

- SCA to rent out space and supply utilities

## Profitable growth strategy

Increased value from each tree

Growing forest asset



### Invest in integrated value chain:

- Grow Pulp
- Grow Kraftliner
- Renewable energy new segment
- Reduce exposure to Publication Paper



### Increase forest holdings:

- Increase growth and harvesting level
- Acquire forest land
- Optimize nature conservation

# SCA's climate benefit – new group target

## Increase from 10 to 15 million tonnes CO<sub>2</sub> per year by 2030

Binds net  
**5.4**  
Mt CO<sub>2</sub>

CO<sub>2</sub>

**1**

Growing forests bind CO<sub>2</sub> – active forest management increases growth

Fertilization

Contorta pine

Active silviculture

Improved seedlings

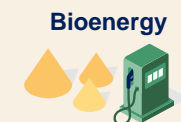


Replaces  
**6.0**  
Mt CO<sub>2</sub>

**2**

Higher growth enables more substitution – renewable alternatives replace fossil based products

SCA's renewable products      Non-renewable products



Operations

**3**

Investments and innovation reduce carbon emissions

Low Emissions  
**0.9**  
Mt CO<sub>2</sub>

SCA's climate benefits amount to 10.5 million tonnes of CO<sub>2</sub> per annum, which corresponds to emissions from all passenger cars in Sweden





# Toby Lawton, CFO

# Income statement

## – impact from exit publication paper

### Effects of one-off items related to exit publication paper in Q3:

Reported in segment Other

Impact on EBITDA of SEK -1,120m

- Provision for restructuring costs of SEK -870m
- Working capital write-downs of SEK -250m

Impact on EBIT of SEK -1,792m

- Fixed assets write-downs of SEK -671m

Deferred tax impact of SEK 359m

**Publication paper EBIT loss SEK 40-50m per quarter (Q2 and Q3)**

SEKm	Quarter		Jan-Sept	
	Q3 2020	Q3 2020 <sup>1)</sup>	2020	2020 <sup>1)</sup>
Net sales	4,338	4,338	13,818	13,818
<b>EBITDA</b>	<b>-88</b>	<b>1,032</b>	<b>1,943</b>	<b>3,063</b>
<i>EBITDA margin</i>	<i>-2.0%</i>	<i>23.8%</i>	<i>14.1%</i>	<i>22.2%</i>
Depreciation	-1,079	-408	-1,881	-1,210
<b>EBIT</b>	<b>-1,167</b>	<b>624</b>	<b>61</b>	<b>1,853</b>
<i>EBIT margin</i>	<i>-26.9%</i>	<i>14.4%</i>	<i>0.4%</i>	<i>13.4%</i>
Financial items	-28	-28	-83	-83
<b>Profit before tax</b>	<b>-1,195</b>	<b>596</b>	<b>-22</b>	<b>1,770</b>
Tax	237	-121	6	-353
<b>Profit for the period</b>	<b>-958</b>	<b>475</b>	<b>-16</b>	<b>1,417</b>
Earnings per share, SEK	-1.36	0.68	-0.02	2.02

1) Excluding effect of one-off items related to discontinuation of publication paper.

# Income statement

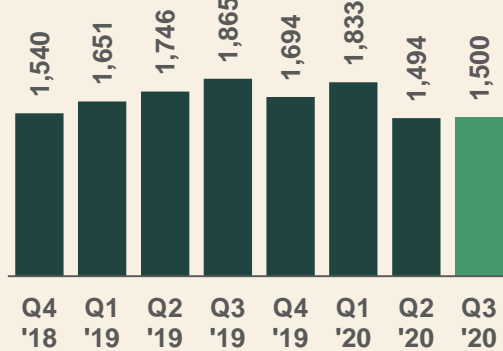
SEKm	Quarter		
	Q3 2020	Q3 2019	Change
Net sales	4,338	4,975	-13%
<b>EBITDA</b>	<b>1,032</b>	<b>1,364</b>	<b>-24%</b>
<i>EBITDA margin</i>	23.8%	27.4%	-3.6 p.p.
<b>EBIT</b>	<b>624</b>	<b>955</b>	<b>-35%</b>
<i>EBIT margin</i>	14.4%	19.2%	-4.8 p.p.
Financial items	-28	-26	
<b>Profit before tax</b>	<b>596</b>	<b>929</b>	<b>-36%</b>
Tax	-121	-172	
<b>Profit for the period</b>	<b>475</b>	<b>757</b>	<b>-37%</b>
Earnings per share, SEK	0.68	1.08	

Note: Excluding effect of one-off items related to discontinuation of publication paper.

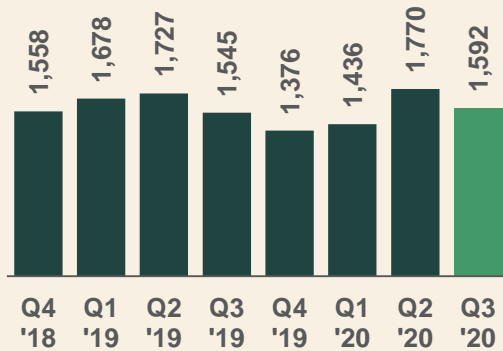
# Contribution by segment and quarter

## Forest

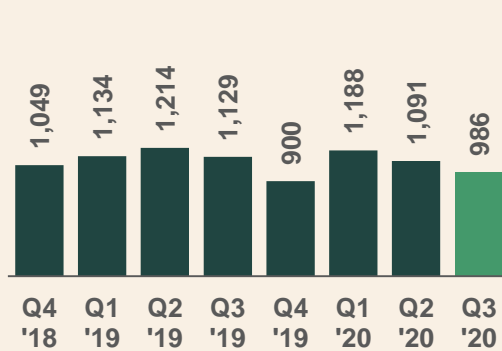
Net sales (SEKm)



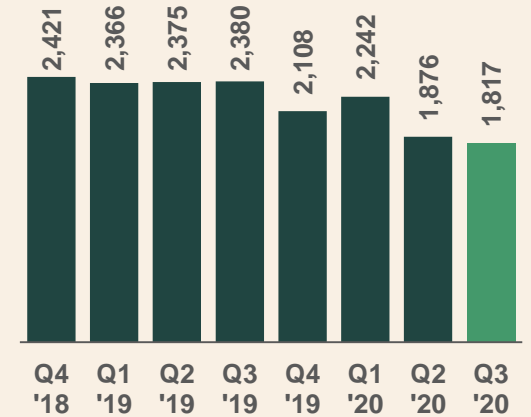
## Wood



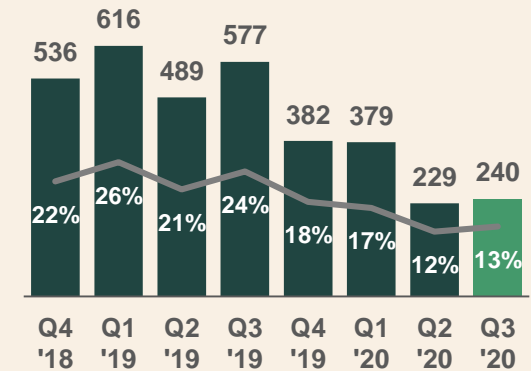
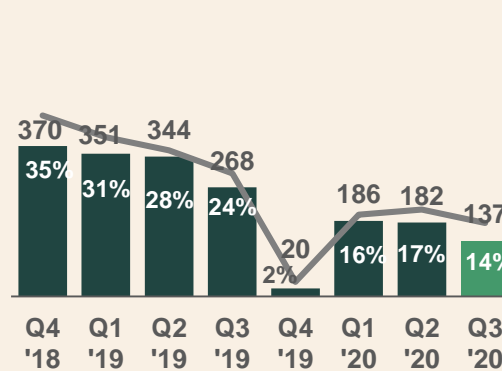
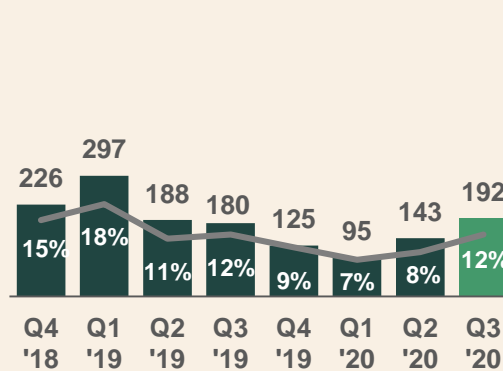
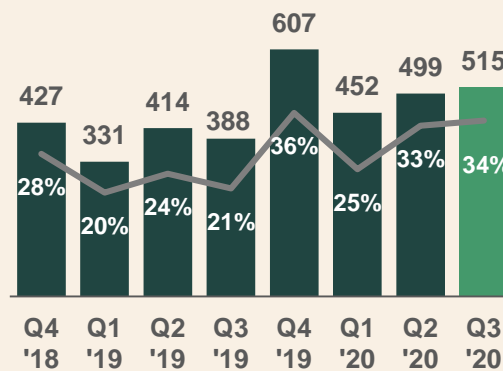
## Pulp



## Paper

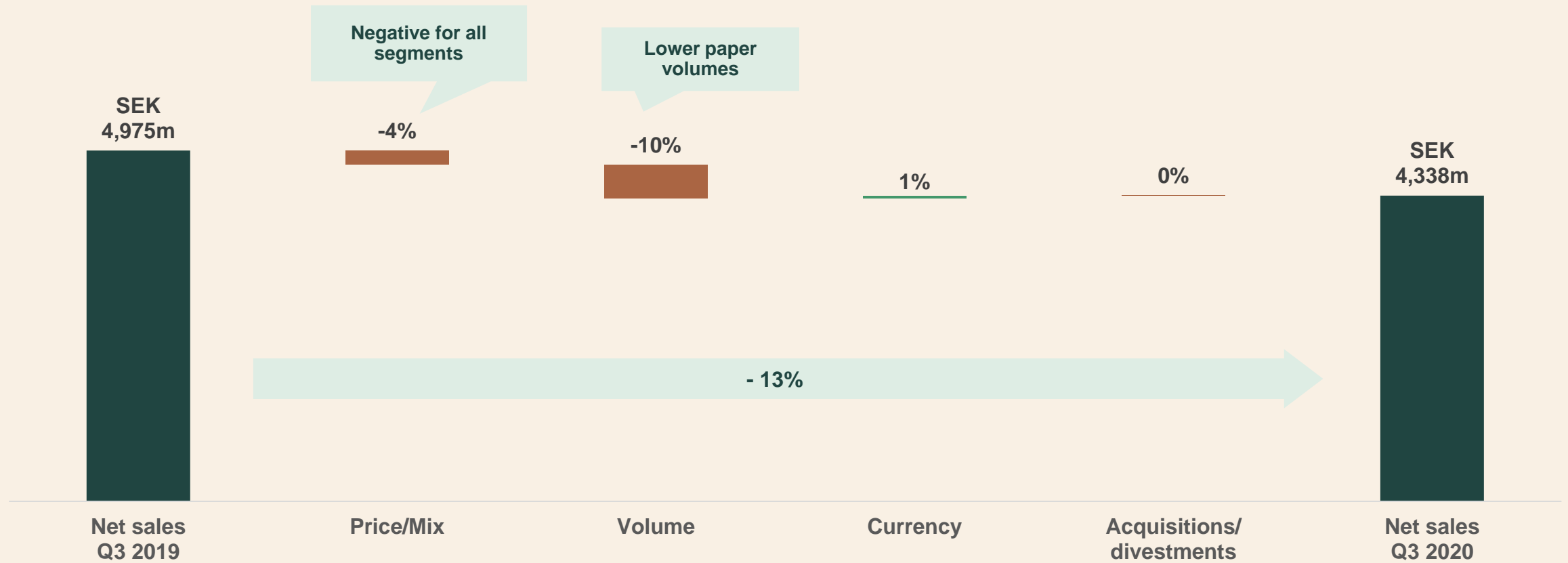


EBITDA (SEKm) and EBITDA margin

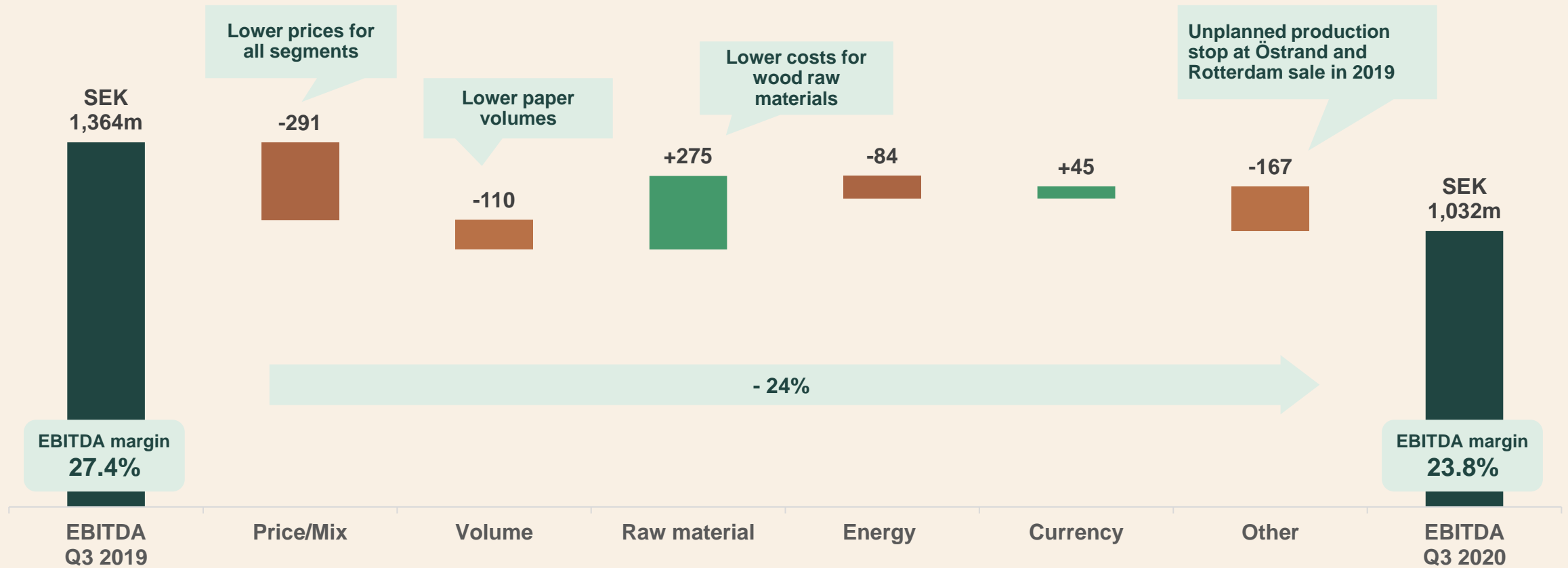




# Net sales Q3 2020 vs. Q3 2019



# EBITDA Q3 2020 vs. Q3 2019



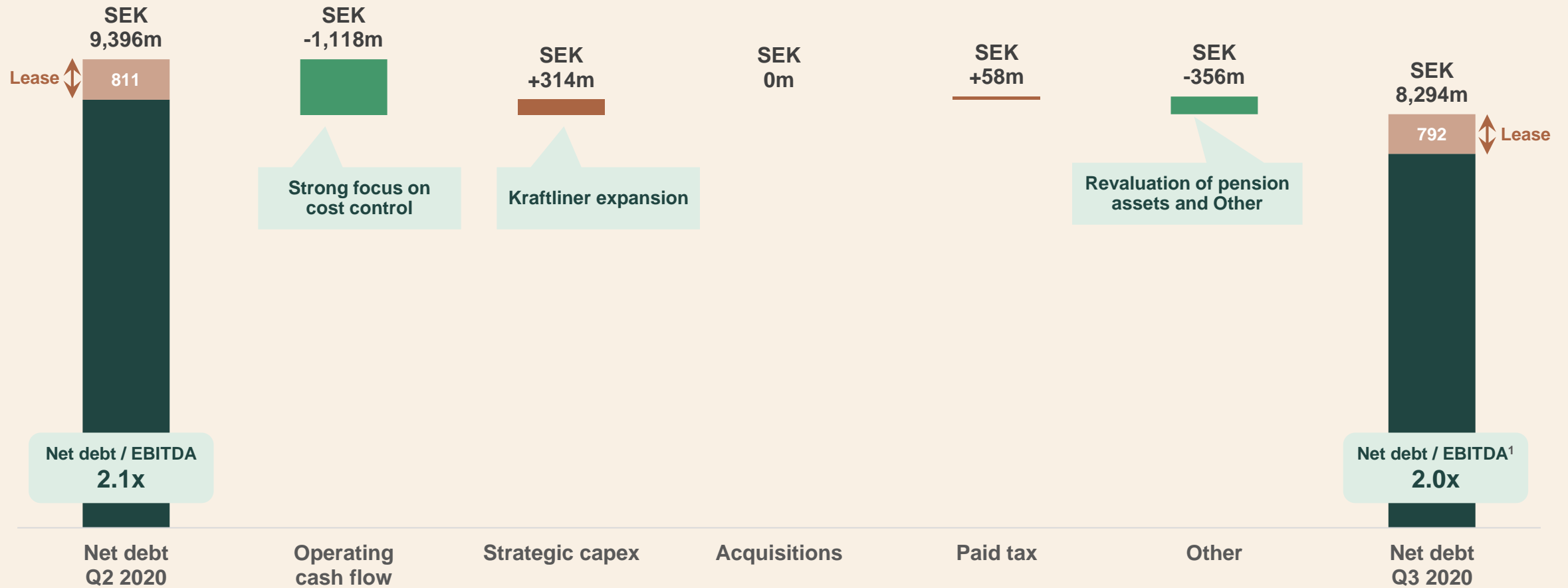
Note: Excluding effect of one-off items related to discontinuation of publication paper.

# Cash flow

SEKm	Quarter		Jan-sept	
	Q3 2020	Q3 2019	2020	2019
EBITDA	1,032	1,364	3,063	4,264
Revaluation of biological assets and other non cash flow items	-322	-312	-895	-614
<b>Operating cash surplus</b>	<b>710</b>	<b>1,052</b>	<b>2,168</b>	<b>3,650</b>
Change in working capital	821	325	523	-326
Current capital expenditures	-413	-246	-926	-762
Other operating cash flow	0	-37	-34	-223
<b>Operating cash flow</b>	<b>1,118</b>	<b>1,094</b>	<b>1,731</b>	<b>2,339</b>
Strategic capital expenditures	-314	-63	-1,157	-362

Note: Excluding effect of one-off items related to discontinuation of publication paper.

# Net debt Q3 2020 vs. Q2 2020



Note: 1) Excluding effect of one-off items related to discontinuation of publication paper.

# Balance sheet

SEKm	Sept 31, 2020	Dec 31, 2019
Forest assets	71,537	69,682
Working capital	2,852	3,748
<i>Working capital/Net sales <sup>1</sup></i>	20%	20%
Deferred tax relating to forest assets	-14,366	-13,977
Other capital employed	17,241	17,654
<b>Total capital employed</b>	<b>77,264</b>	<b>77,107</b>
<b>Net debt</b>	<b>8,294</b>	<b>8,597</b>
<i>Net debt/EBITDA <sup>2,3</sup></i>	2.0x	1.6x
<b>Equity</b>	<b>68,970</b>	<b>68,510</b>
<i>Net debt/Equity</i>	12%	13%
<i>Market price forest assets (SEK/m<sup>3</sup>fo)</i>	281 <sup>4</sup>	276

Note: 1) Average working capital for 13 months as a percentage of 12-month rolling net sales.

2) Excluding effect of one-off items related to discontinuation of publication paper.

3) 12-months EBITDA, up to end of each period.

4) Applied to expected volume at 31 Dec 2020.

# Summary

## Ulf Larsson, CEO

# Summary Q3 2020

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- Sequential closing of publication paper Q1 2021

## Grow pulp

- Invest in increased CTMP pulp production located at Ortviken

## Sales declined 13% vs Q3 2019

- Price/mix -4%, volume -10%, currency 1%

## EBITDA<sup>1</sup> down 24% vs Q3 2019

- Impact of decision to exit publication paper
- Unplanned production stop at Östrand
- Lower selling prices
- + Lower raw material costs

## Acquisition of forest in Latvia - 20,000 ha land

## New climate target for 2030



# Q&A

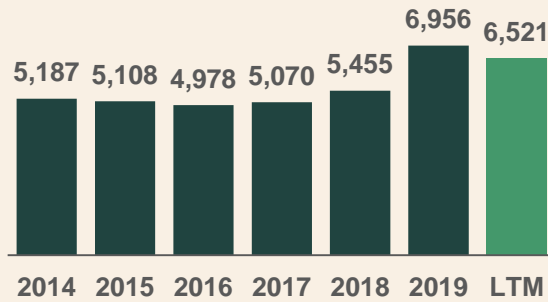


# Appendix

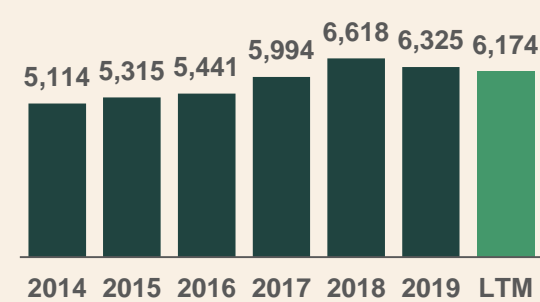
# Contribution by segment

## Forest

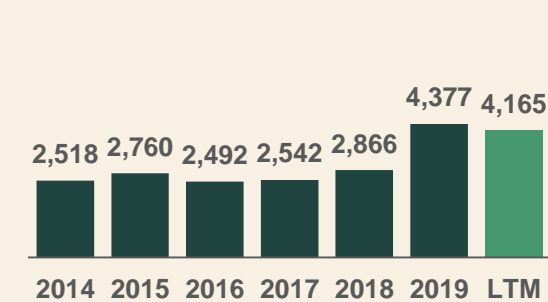
Net sales (SEKm)



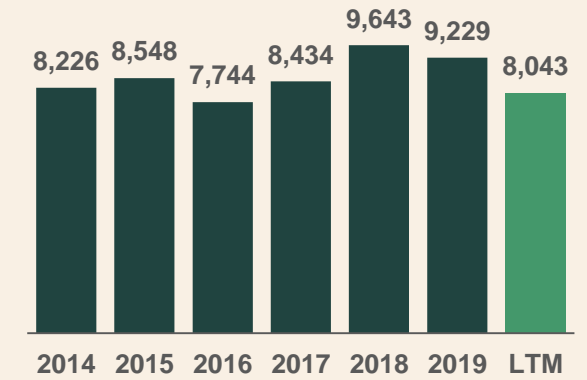
## Wood



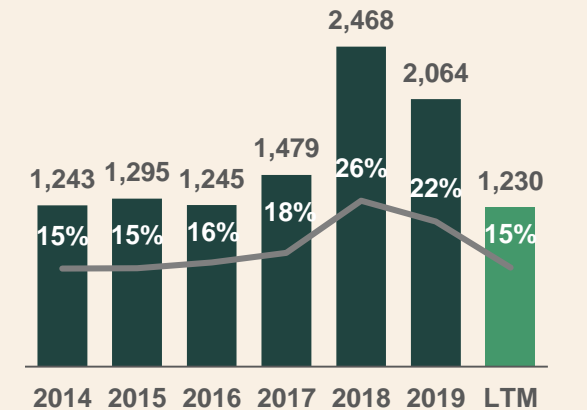
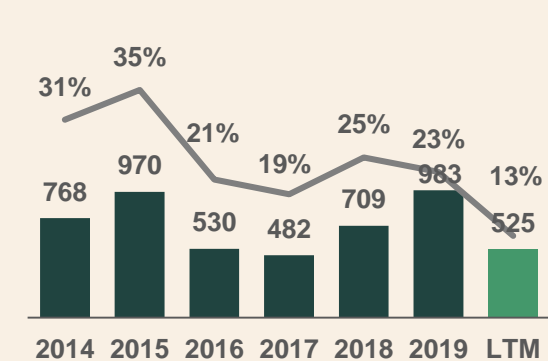
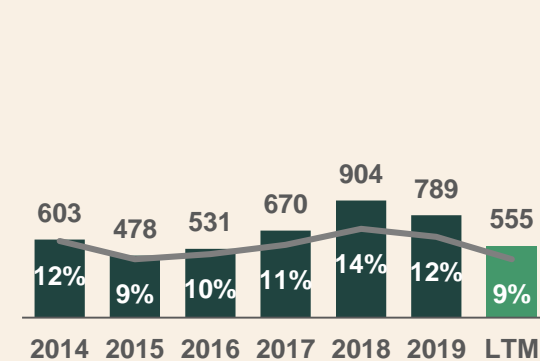
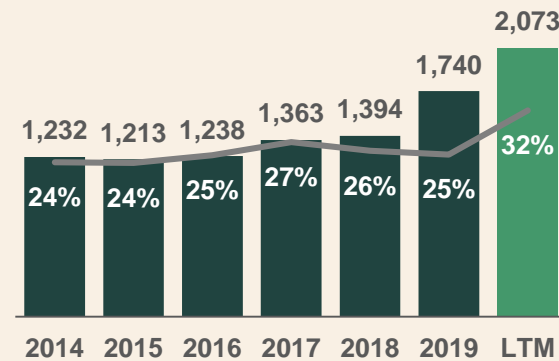
## Pulp



## 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.



# Europe's largest private forest owner

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