



# Mayr-Melnhof Group

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March 2021 (incl. 2020 Annual Results)



# Investment Highlights

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Market leader in resilient sustainable consumer packaging

Drive efficiency and innovation to increase market share of sustainable folding cartons

Combine organic growth and acquisitions

Adhering to a solid financial policy

Long-term orientated core shareholder and management

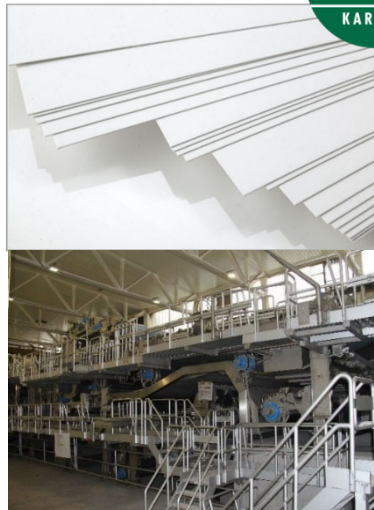


# 1. Mayr-Melnhof Group at a Glance

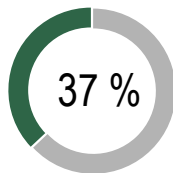
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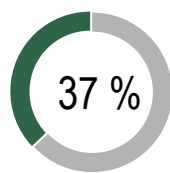
# MM – Leading in Cartonboard and Folding Cartons



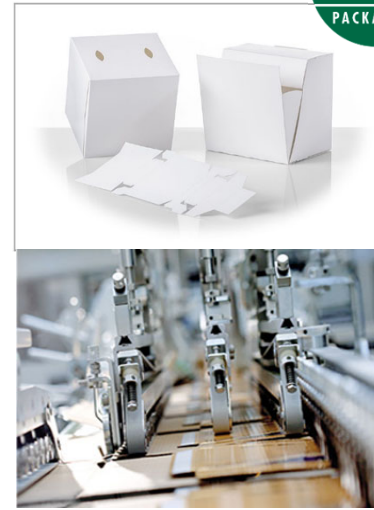
Europe's largest cartonboard producer with a leading position in recycled board growing its position in virgin fiber-based board



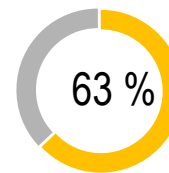
% Sales



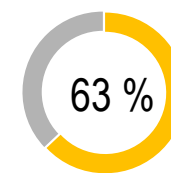
% op. Profit



Europe's largest folding carton producer with a leading position in several countries outside Europe.



% Sales



% op. Profit


(2020)



# MM – at a Glance


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**Sales**  
€ 2.5 bn.

  
**+60 bn.**  
packages / year

  
**1.7 mn. tons**  
cartonboard produced / y

since **1994**  
on the  
**Stock**  
exchange

  
**10,000** employees  
worldwide

  
**2,700+**  
Customers in  
**100+**  
countries

  
**847,000** tons cartonboard  
and paper processed / y

**57 %**  
core shareholder  
(family)

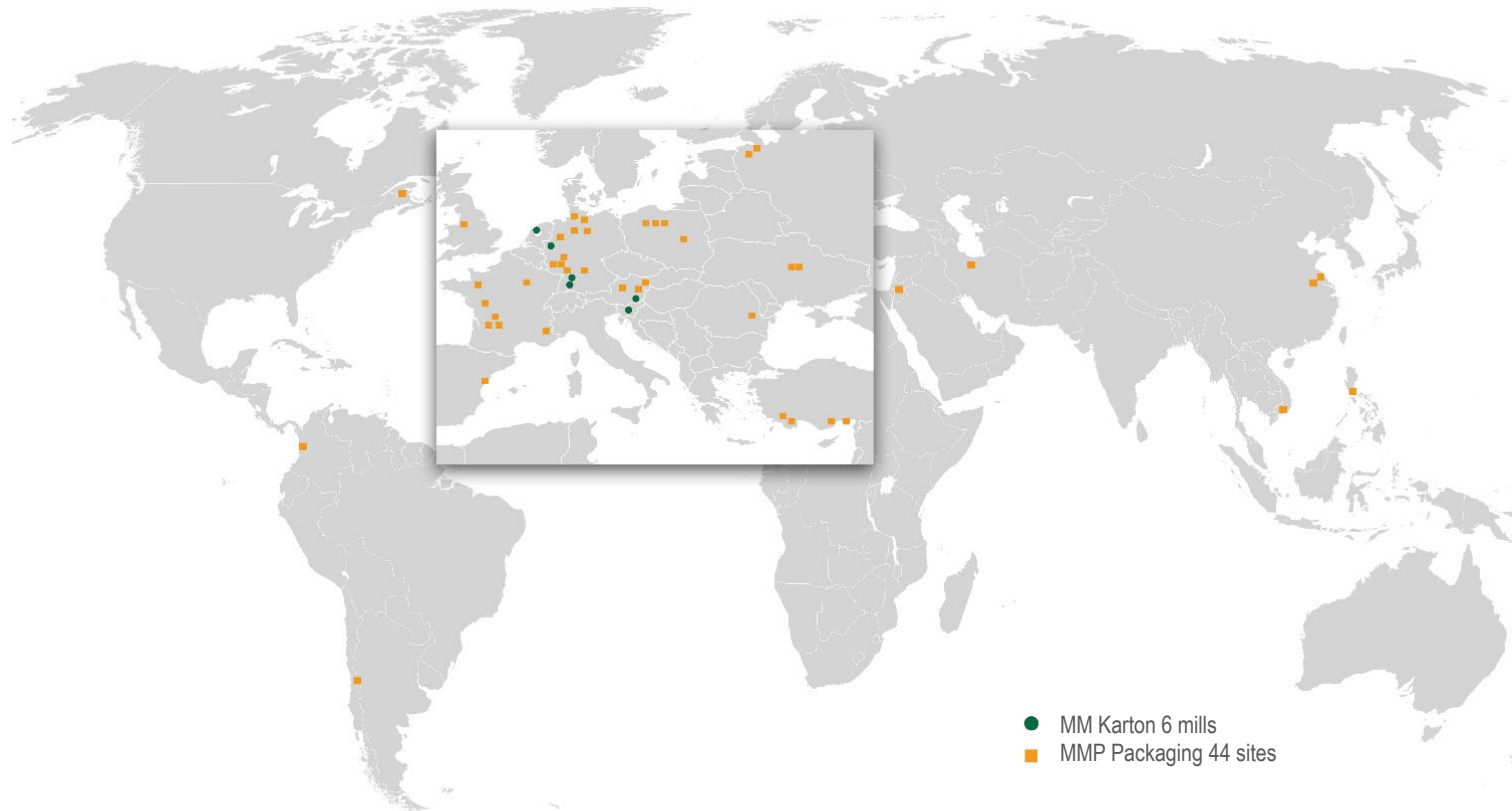
(2020 Values)



# MM Production Sites

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50 Production Sites in 20 Countries – Focus on Europe

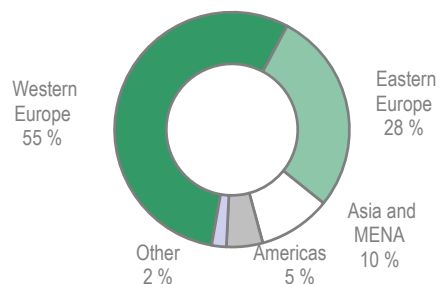




# Sales Region / End Markets

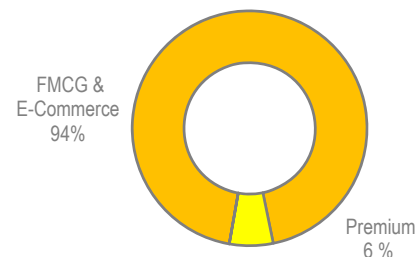
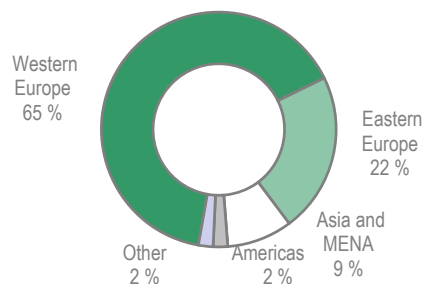


## MM Group

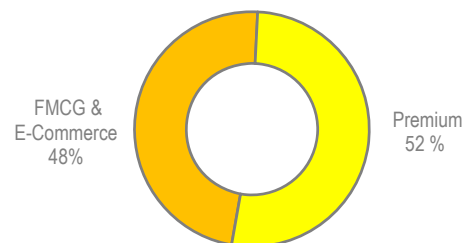
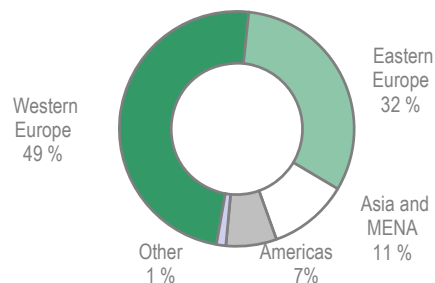


<sup>1)</sup> Health, Beauty & Personal Care, Cigarette

## MM Karton



## MM Packaging



(2020)



## Group Key Indicators

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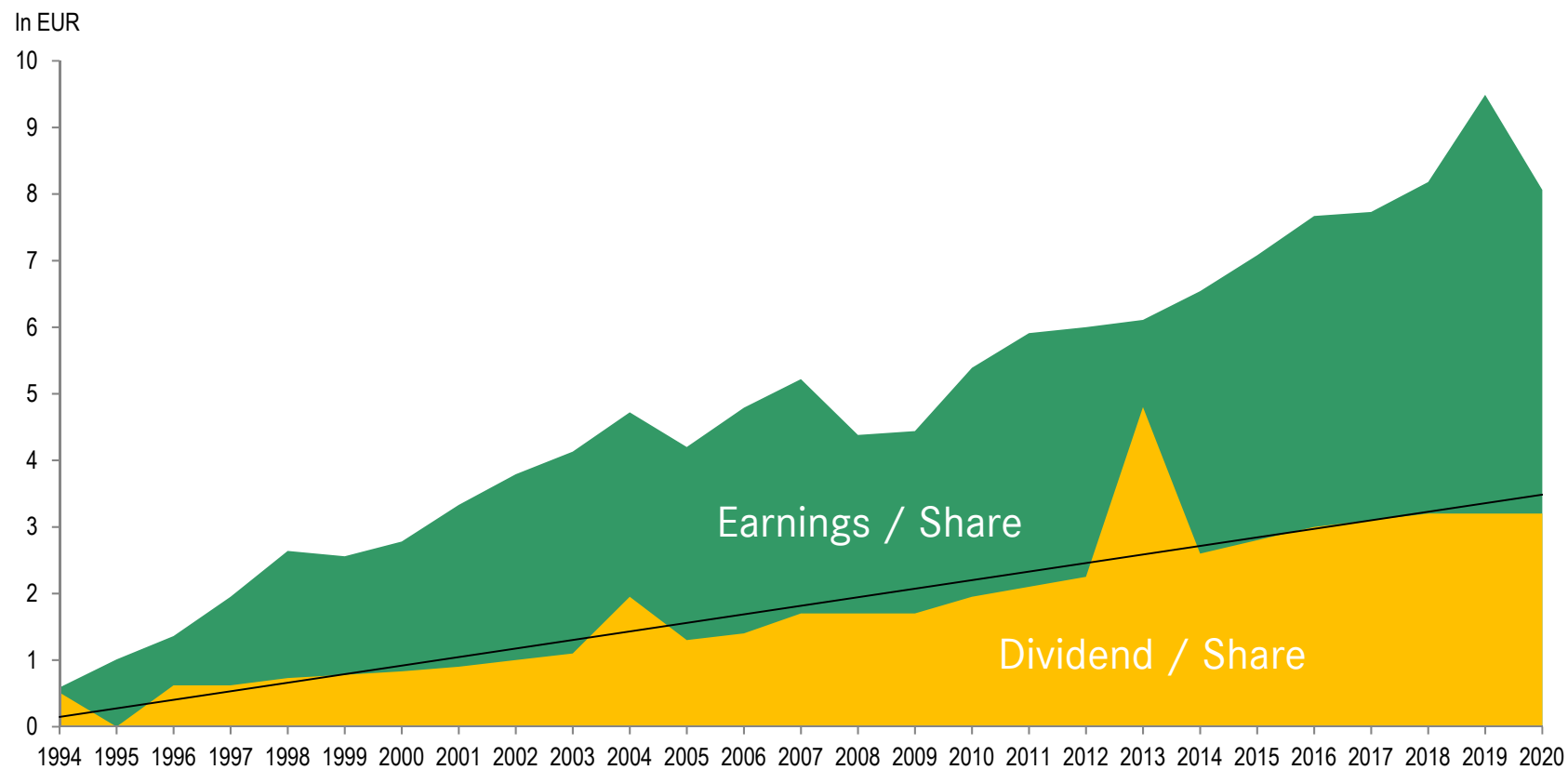
(in mn. EUR)

Group sales (cons.)	2,528
op. Cash flow	318
Total equity	1,547
Equity ratio	64.5 %
ROCE	13.7 %
Net debt	-122
Employees	9,938





# Dividend Policy



Continuous conservative Payout Policy

\* 2004 and 2013 incl. bonus dividend

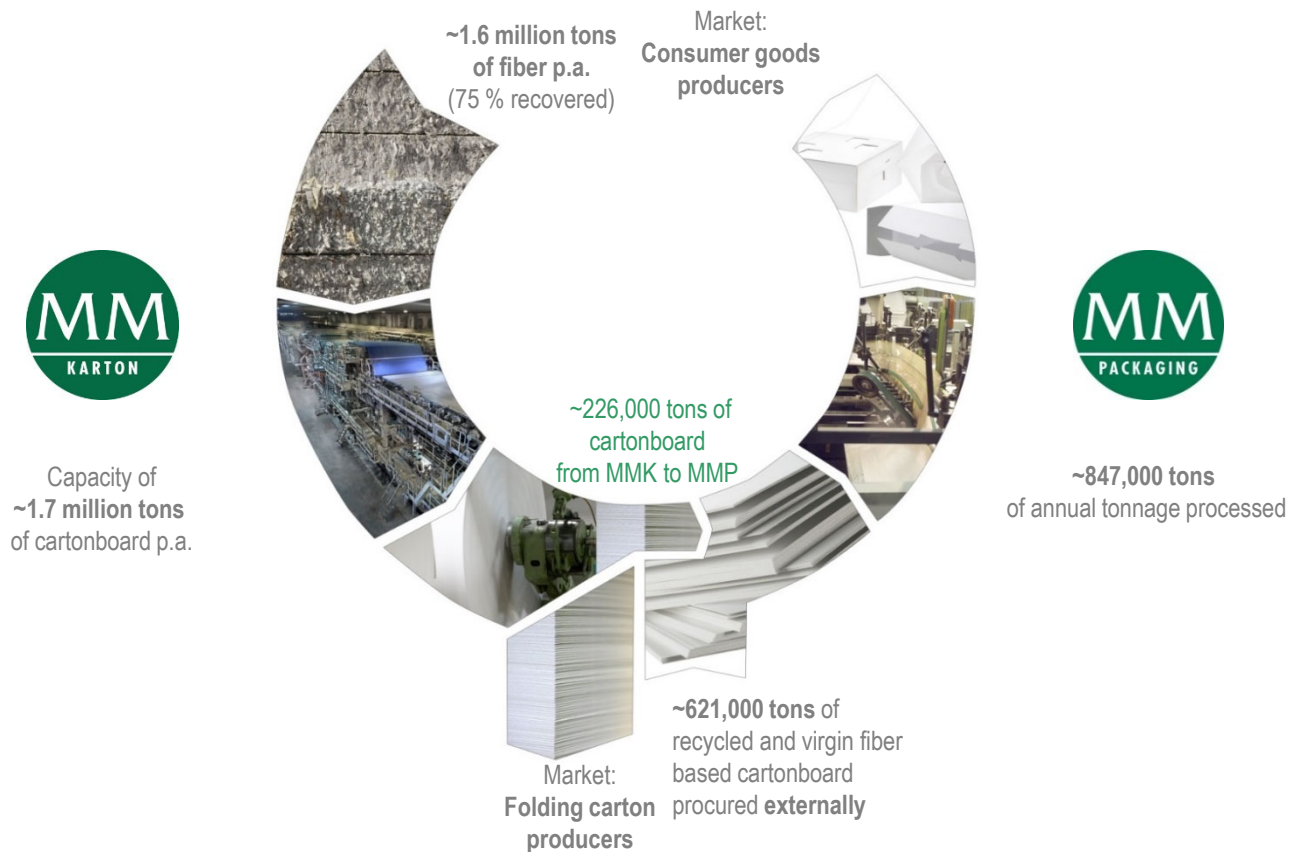


## 2. Business Overview and Market Positioning

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# Business Structure



(2020 Values)

Both Divisions are independent profit centers carrying out business at market conditions



# Sustainability at the core of MM

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Circular Economy - immanent part of our business

Cartonboard packaging  
*Renewable – Recyclable - Biodegradable*

Efficient use of resources and a positive contribution to the long-term  
conservation of natural areas and biodiversity

Dedicated sustainability management

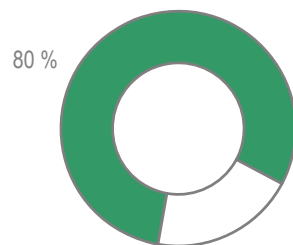
We care for our people  
*Health - Safety - Welfare*



# MM Karton Products & Markets

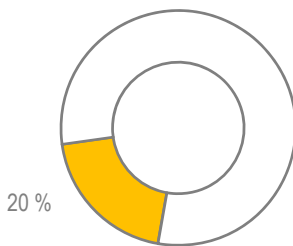
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Recycled Board



Various Food Applications, Confectionery, Fast Food and Food Service, Non Food E-Commerce

Virgin Fiber Board

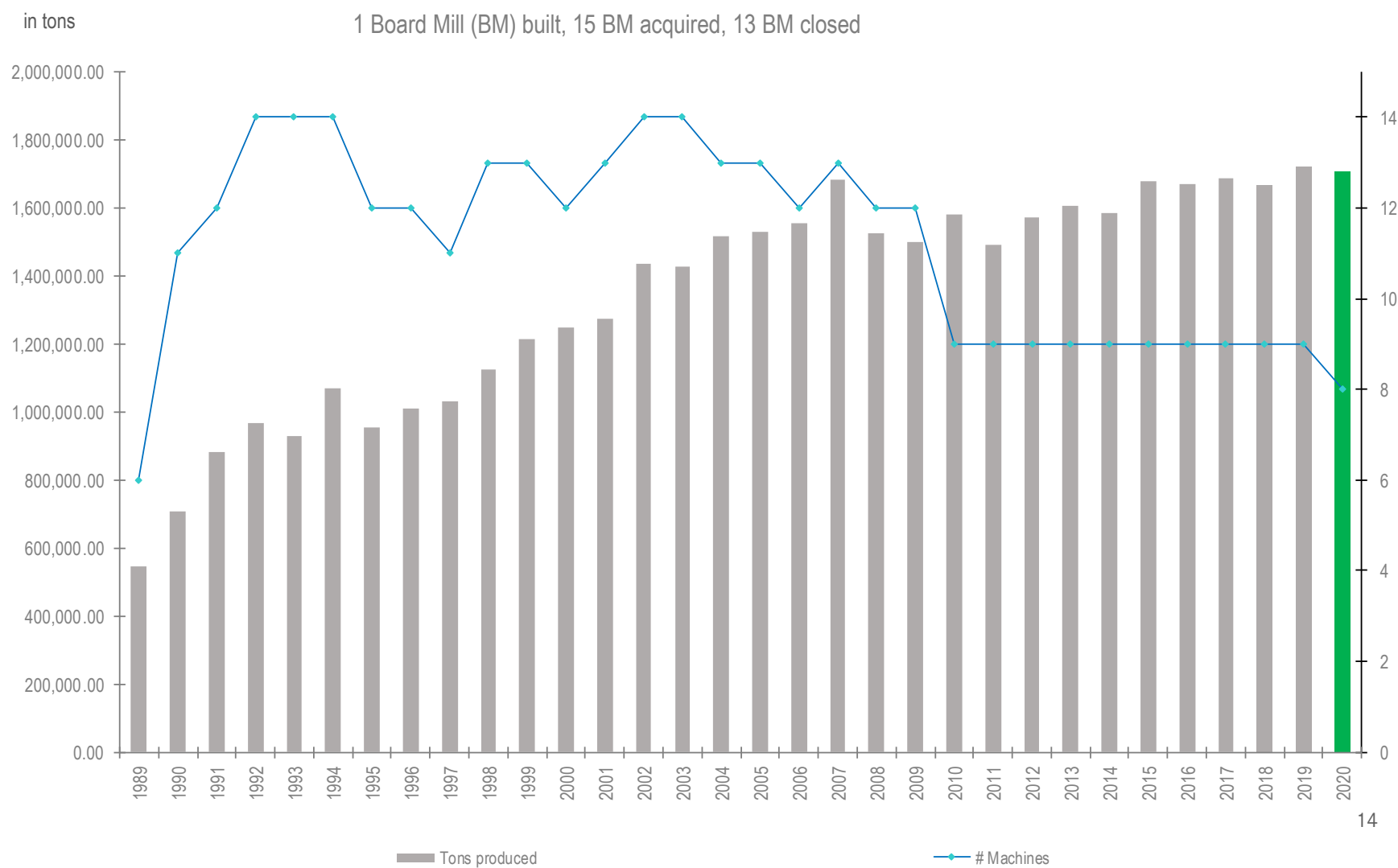


Various Food Applications, Confectionery, Food Service, Health, Beauty & Personal Care, Cigarettes

(2020 FC)



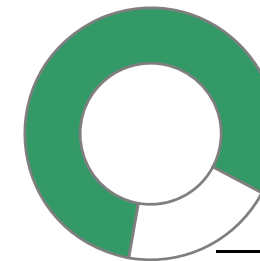
# MM Karton Production





# MM Packaging Customers

80%  
Multinational Customers



20%  
Local Customers

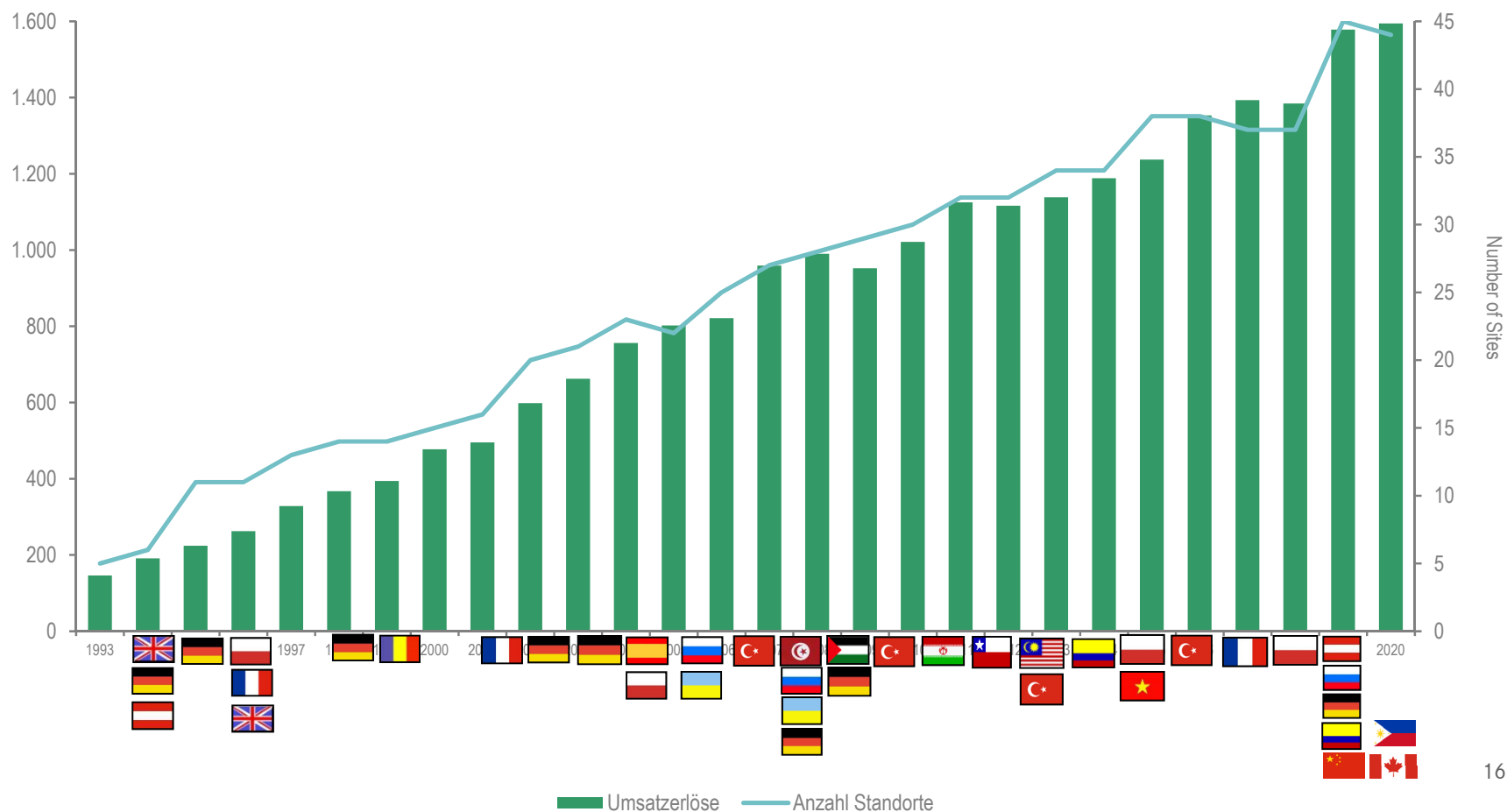


Top 5 customers approx. 40% of sales (2020)



# MM Packaging Growth Path

Sales  
in millions of EUR







## 3. Strategy

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## Leveraging persisting trends

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Grow virgin fiber based cartonboard (FBB) with innovative bio-barrier coating replacing plastics.

Focus on growth markets

Build on sustainability, which is core of our business

Secure industrial leadership on cost, technology and innovation



# Strategic Positioning

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- Cost Leadership
  - Improve the cost base by scaling up the core business and focus on specific product groups to realize synergies
- Value-added focus
  - Enhance further market penetration with more added-value business, where MM will increase its share based on sustainability and innovation
- Continuous Growth
  - Organic, through focus on growth markets (e.g. e-commerce);
  - Target to grow with market +1%
  - Acquisitions in cartonboard and folding cartons, opportunistically in adjacent businesses



# Growth for more Competitiveness

Business Target

Strategy

## MM Karton

Recycled fiber



Improve cost position and develop innovative products

Targeted capex in existing mills

Virgin fiber



Launch new sustainable products replacing plastics

Acquisition of efficient and innovative mills; increase innovation and new products.

## MM Packaging

Folding Cartons



Grow market share and increase efficiencies

Acquisitions, automation and targeted capex in low cost sites



# Acquisition Criteria

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- Size
  - Preferably medium to large (EV > 150 €M) to drive efficiencies and support innovation
  - Smaller bolt on acquisitions
- Region
  - Focus Europe, if attractive also beyond
- Product
  - cartonboard (virgin fiber) and folding cartons + opportunistically in adjacent businesses
- Price
  - EV/EBITDA not dilutive
- Earnings
  - Immediately accretive to earnings



## 4. Development in 2020

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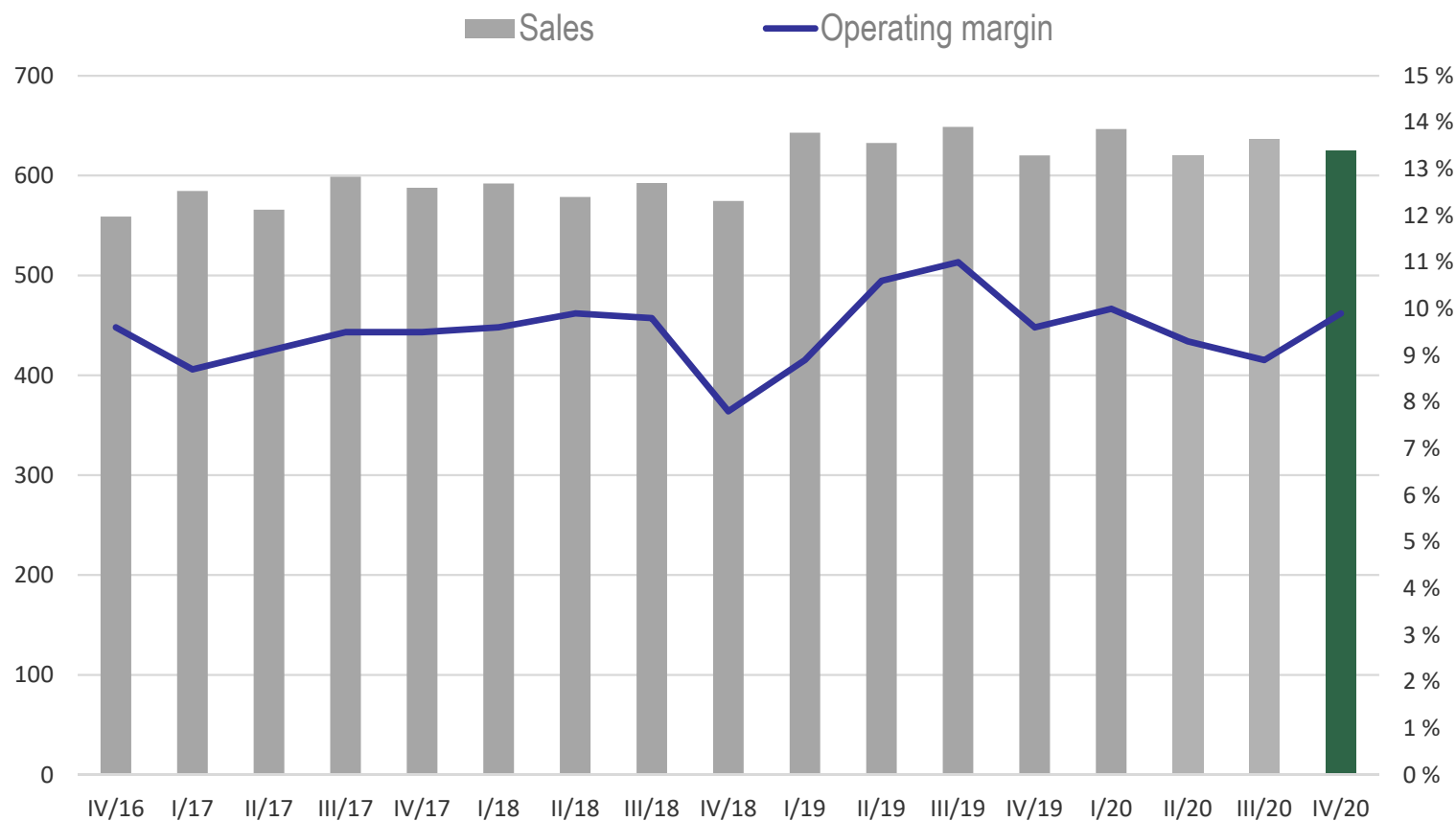
## 2020 Group Headlines

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- Solid business performance
- Sales at previous year's level
- Earnings below last year due to structural and market-related one-off effects
- Stable dividend – EUR 3.20/share
- Course set for growth through sustainability, innovation and efficiency
  - *Recently concluded agreements on the acquisition of Kotkamills, Finland, and Kwidzyn, Poland, in the virgin fiber-based cartonboard sector and the intensified investment program 2021 – 2022 for sites with cost benefits are transformative milestones on this path*



# MM Group Quarterly Overview







# MM Group 2020 Results

consolidated in millions of EUR, IFRS	2020	2019	+/-
<b>Sales</b>	<b>2,528.4</b>	2,544.4	-0.6 %
<b>EBITDA</b>	<b>398.9</b>	389.6	+2.4 %
EBITDA margin (in %)	15.8 %	15.3 %	
<b>Operating profit</b>	<b>231.4</b>	255.3	-9.4 %
Operating margin (in %)	9.2 %	10.0 %	-88 bp
<b>Profit before tax</b>	<b>222.1</b>	251.1	-11.6 %
Income tax expense	(59.8)	(60.9)	
<b>Profit for the year</b>	<b>162.2</b>	190.2	-14.7 %
Net profit margin (in %)	6.4 %	7.5 %	
Earnings per share (in EUR)	8.06	9.49	-15.1 %
Cash flow from operating activities	318.2	331.4	-4.0 %
Capital expenditures (CAPEX)	157.6	151.0	
Depreciation and amortization <sup>1)</sup>	167.5	134.3	

<sup>1)</sup> including impairment of property, plant and equipment and intangible assets

\*) incl. EUR 64,0 mn one-off expences



# MM Consolidated Balance Sheet

consolidated in millions of EUR, IFRS	Dec. 31, 2020	Dec. 31, 2019
Non-current assets	1,397.9	1,442.2
Current assets	1,001.7	980.5
<b>Total assets</b>	<b>2,399.6</b>	<b>2,422.7</b>
Equity	1,547.1	1,508.3
Liabilities	852.5	914.4
<b>Total equity and liabilities</b>	<b>2,399.6</b>	<b>2,422.7</b>
<b>Total funds available to the Group</b>	<b>146.2</b>	<b>126.8</b>
<b>Equity ratio</b> (in %)	<b>64.5 %</b>	<b>62.3 %</b>
<b>Return on equity</b> (in %)	<b>10.6 %</b>	<b>13.1 %</b>
<b>Net debt</b>	<b>-122.2</b>	<b>-218.6</b>



## 2020 MM Karton Headlines

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- Strong demand at end of 1Q followed by a gradual normalization
- 97 % capacity utilization
- Recovered paper price – volatile after spike caused by corona lockdown in spring, strong rise since Q4
- Shutdown of small Hirschwang board machine (Nov. 2020)
- Market-related and structural one-off adjustments EUR 40.2 mn



# Development Recovered Paper Price (mixed grades)





# MM Karton 2020 Results

in millions of EUR, IFRS	2020	2019	+/-
<b>Sales<sup>1)</sup></b>	<b>1,050.8</b>	1,078.3	-2.6 %
<b>Operating profit</b>	<b>86.7</b>	110.5	-21.5 %
Operating margin (in %)	8.3 %	10.2 %	-199 bp
Cash flow from operating activities	126.3	155.3	-18.7 %
Tonnage sold (in thousands of tons)	1,704	1,705	0.0 %
Tonnage produced (in thousands of tons)	1,710	1,723	-0.8 %
Employees	2,417	2,516	
Capital expenditures (CAPEX)	95.0	84.8	
Depreciation and amortization <sup>2)</sup>	78.0	51.7	

<sup>1)</sup> incl. interdivisional sales

<sup>2)</sup> including impairment of property, plant and equipment and intangible assets

in millions of EUR, IFRS	4Q/2019	1Q/2020	2Q/2020	3Q/2020	4Q/2020
<b>Sales<sup>1)</sup></b>	<b>265.3</b>	273.5	259.5	264.4	253.4
<b>Operating profit</b>	<b>23.1</b>	34.1	25.1	9.2	18.3
Operating margin (in %)	8.7 %	12.5 %	9.6 %	3.5 %	7.2 %
Cash flow from operating activities	61.3	30.4	22.3	45.5	28.1
Tonnage sold (in thousands of tons)	426	444	427	423	410
Tonnage produced (in thousands of tons)	420	435	442	421	412

<sup>1)</sup> incl. interdivisional sales



## 2020 MM Packaging Headlines

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- Ordering increase after COV19 pandemic breakout followed by normalization
- Growth in consumer staples packaging (FMCG, e-commerce)—contrasted by a decline in high-value markets e.g. duty-free, luxury, beauty
- Only a few short time plant shutdowns due to COV19
- Consistent cost reductions and portfolio adjustment measures
- Market and structural one-off adjustments EUR 19 mn
- Overall continuous on-going business



# MM Packaging 2020 Results

in millions of EUR, IFRS	2020	2019	+/-
<b>Sales<sup>1)</sup></b>	<b>1,594.2</b>	1,578.0	+1.0 %
<b>Operating profit</b>	<b>144.7</b>	144.8	-0.1 %
Operating margin (in %)	9.1 %	9.2 %	-10 bp
Cash flow from operating activities	191.9	176.1	9.0 %
Tonnage processed (in thousands of tons)	847	785	+7.9 %
Employees	7,521	7,498	
Capital expenditures (CAPEX)	62.6	66.2	
Depreciation and amortization <sup>2)</sup>	89.5	82.6	

<sup>1)</sup> incl. interdivisional sales

<sup>2)</sup> including impairment of property, plant and equipment and intangible assets

in millions of EUR, IFRS	4Q/2019	1Q/2020	2Q/2020	3Q/2020	4Q/2020
<b>Sales<sup>1)</sup></b>	<b>383.4</b>	401.7	391.9	401.9	398.7
<b>Operating profit</b>	<b>36.6</b>	30.5	32.8	37.6	43.8
Operating margin (in %)	9.5 %	7.6 %	8.4 %	9.3 %	11.0 %
Cash flow from operating activities	47.5	54.1	15.8	55.6	66.4
Tonnage processed (in thousands of tons)	194	209	211	215	212

<sup>1)</sup> incl. interdivisional sales



## 5. Outlook

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## Outlook

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- COV19 macroeconomic impact difficult to assess .
- Certain resilience due to focus on system-relevant packaging products.
- Good current development of order levels of both divisions signals continuity.
- Prices for the strategic raw material of paper for recycling are rising sharply. In parallel, prices for pulp, energy, chemicals, and logistics are also rising.
- MM Karton has increased the prices for recycled fiber-based cartonboard, which will have an effect as of the second quarter.
- Due to the currently strong pressure on cartonboard margins, maintaining the previous year's result levels will prove a challenge for 2021.
- Capex activities aimed at optimizing cost structures and increasing market penetration will be intensified in 2021 – 2022 to range from EUR 250 to 300 million p.a. Focus on sustainable and innovative packaging products.



## 6. Acquisition of Kotkamills & IP Kwidzyn

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## Acquisition of Kotkamills



**Kotkamills houses Europe's most modern Virgin Board Machine  
a Saturated Base Kraft Machine, a sawmill and three fibre preparation plants**



## Kotka - Transaction Highlights

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- Acquisition of 100% of the outstanding shares of Kotkamills Group Oyj (“Kotkamills”), representing a total Enterprise Value of approximately €425 millions
- Funded from committed credit lines
- Immediately accretive to MM Group earnings
- Combine innovation power of Kotka and MMK for more sustainability and to challenge established suppliers to innovate faster to replace plastics.
- Transaction is subject to completion of required regulatory approvals and other customary conditions (closing expected mid 2021)



## Kotka -Compelling Strategic Rationale

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Strengthen Mayr-Melnhof Group's competitive position in a growing European FBB market versus the two market leaders for more innovation, sustainability and efficiencies.

Create a strong second pillar in addition to Coated Recycled Board (RCB) and Coated Liner

Offer bio-barrier coated solutions which can replace plastic and PE-coated board

Develop FBB market by increasing production  
(from current sales volumes of 260kt to planned capacity of 400kt)

Diversify the business by adding a new product  
(with Kotkamills' strong competitive position in high-quality Saturating Base Kraft)

Harvest synergy potential and drive efficiencies to compete more efficiently in favour of sustainable packaging against plastic solutions.



# Kotkamills Oyj: Company Description

## Business Overview

- With over 100+ years of history, Kotkamills is a global player in the production of environmentally friendly coated paperboard and saturating base kraft paper
- Two product groups:
  - **Consumer Board:** includes production of Folding Boxboard (FBB) and Foodservice Board (FSB)
    - Total coated paperboard capacity (“BM2”) of 400kt, with 2020 sales volumes of ~260kt
  - **Industrial Products:** includes production of Saturating Base Kraft papers (PM1 capacity of 170kt) sold under the Absorbex<sup>®</sup> brand and structural wood products from the integrated sawmill
- Operates through one dedicated manufacturing facility located in Kotka (Finland)
- Headquartered in Finland and employing c.500 people

## Product Offering

### Consumer Boards

**AEGLE<sup>®</sup>**



*Fully coated board with coated / uncoated reverse*

**ISLA<sup>®</sup>**



*Cupstock with dispersion barrier*

### Industrial Products

**ABSORBEX<sup>®</sup>**



*Kitchen Table Tops*



*Wall Panels*

**wood**



*Profile boards / Basic Construction*



## Key Takeaways

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Revenue ~ EUR 380 million

- ~55% Consumer Boards, ~45% Industrial Products

Enterprise Value ~ EUR 425 million, c. 7.8x EBITDA (pre-synergies)

- Funded from committed credit lines

## Strategic Rationale

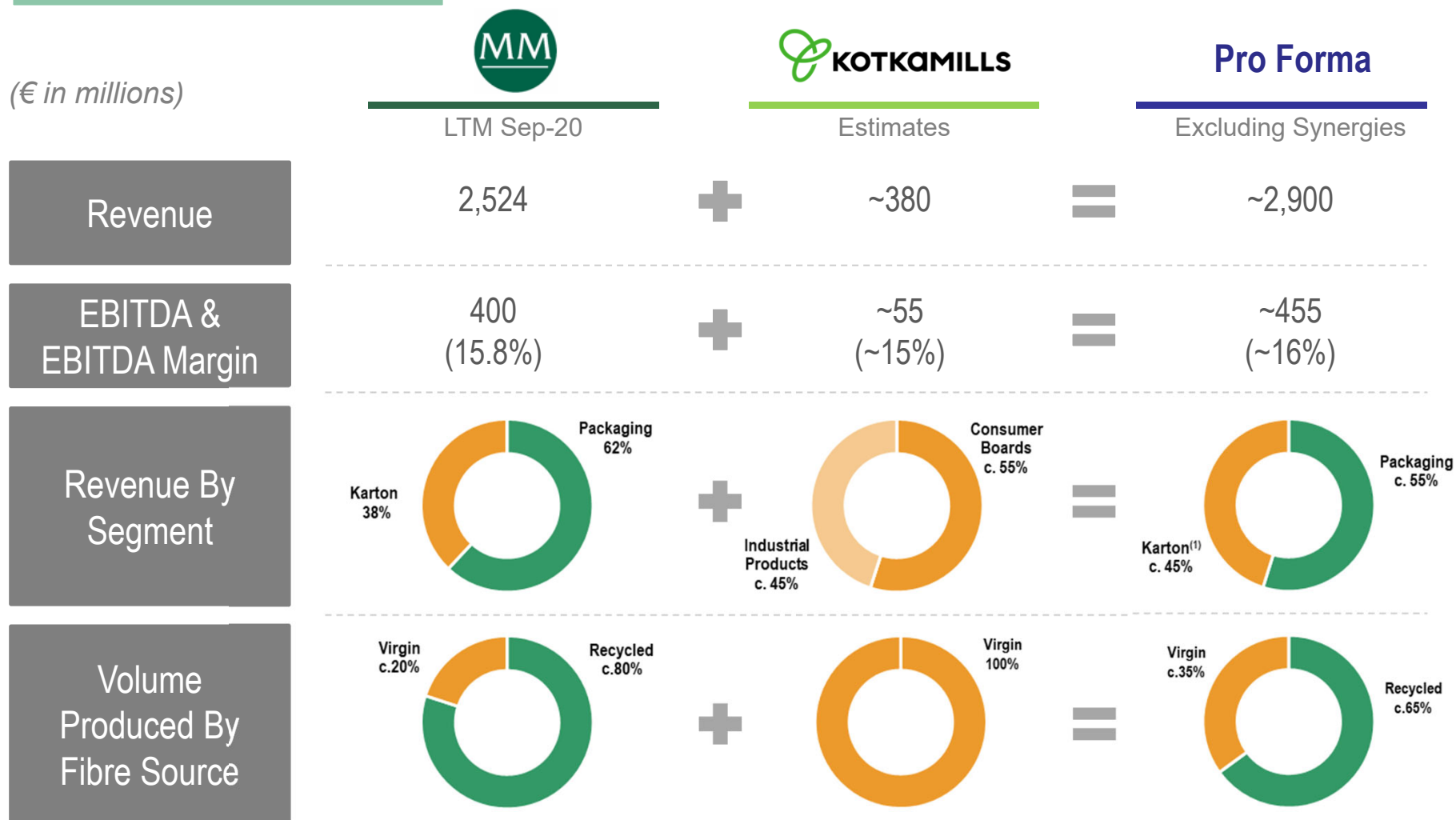
- Unique expertise in environmentally friendly paperboard and leading player in saturating base kraft papers
- In line with Mayr Melnhof's strategy to grow through integration of high-quality virgin-fiber assets
- Major step in MM's sustainability strategy offering innovative solutions for plastic replacement
- Strong complementary manufacturing and commercial capabilities

## Impact on MM Group

- Immediately accretive to MM Group earnings
- Multiple sources of synergies under management control
- Balance sheet to remain solid



# Key Combined Financials Overview

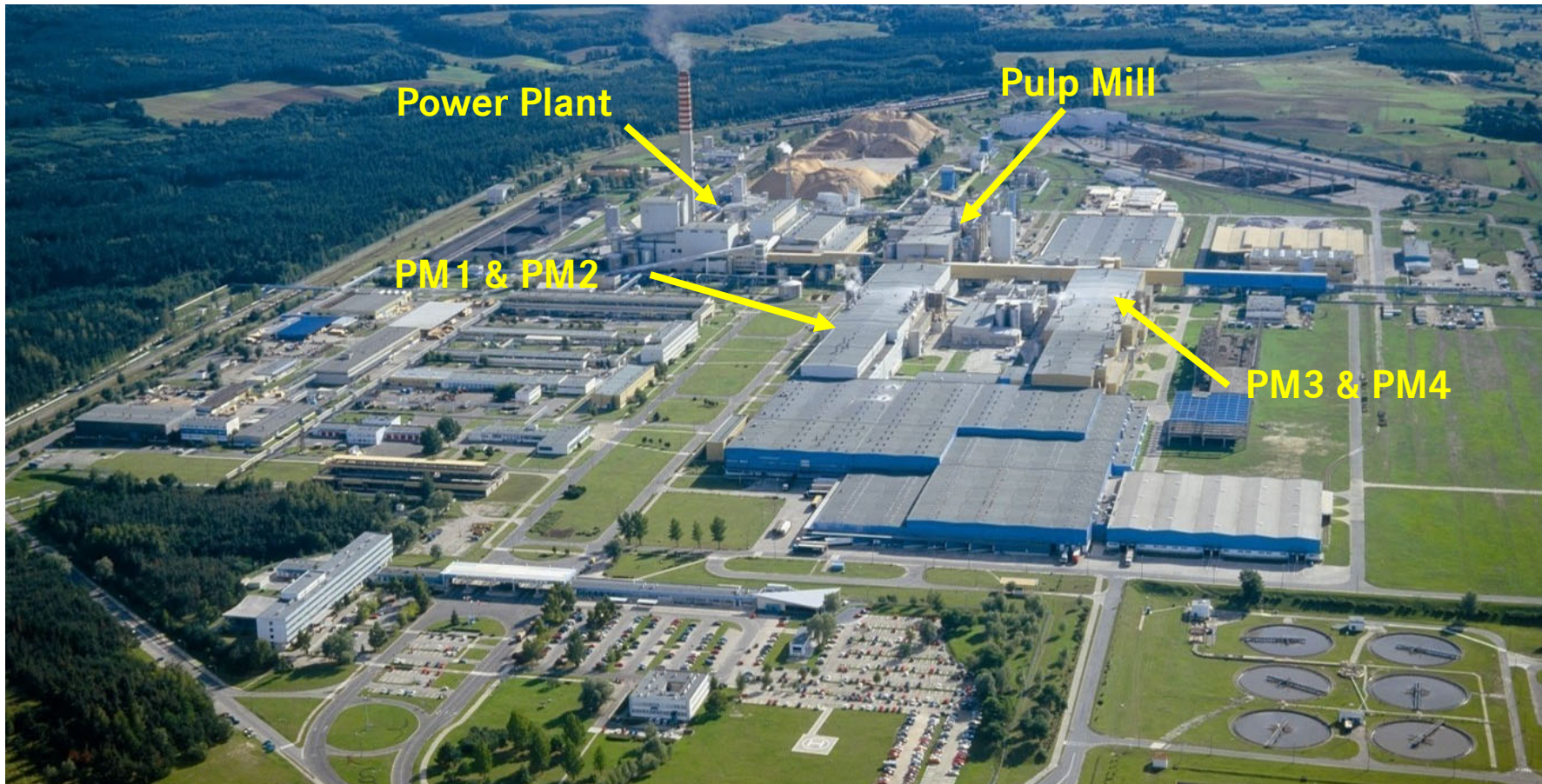


(1) All of Kotkamills Consumer Boards and Industrial Products segments are integrated into MM's Karton segment  
 Note: All figures excluding synergies





# Akquisition of IP Kwidzyn



**IP Kwidzyn operates an integrated mill with a favourable cost position in its addressed markets**



## Transaction Highlights

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- Acquisition of 100% of the outstanding shares in International Paper (Poland) Holding sp. z.o.o. (“Kwidzyn”) from International Paper for an Enterprise Value of approximately EUR 670 million. In addition MM is assuming c. EUR 33 million of usufruct and operating lease liabilities
- Funded from credit lines and the issue of a Schuldschein
- Immediately accretive to MM Group earnings
- Attractive development potential and synergies under management control
- The transaction is subject to customary closing conditions. Closing of the transaction is expected in Q3 2021



# Compelling Strategic Rationale

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Expand Mayr-Melnhof Group's competitive position versus the two market leaders in the growing European FBB segment with more innovation in sustainable products and a broader service offering

Enter the attractive flexible fiber-based packaging segment with iPack (MF kraft paper) for plastic substitution

Enter the Uncoated Fine Paper (UWF) segment via an established low cost producer

Leverage the favourable cost position for further growth in FBB or other packaging grades

Harvest synergy potential



# IP Kwidzyn: Company Description

## Business Overview

- The integrated Board and Paper mill in Kwidzyn (Poland), operates four integrated cartonboard/paper machines and a fully integrated pulp mill with around 400,000 tons of annual capacity
- It is an attractive supplier in the European market due to the high quality of its products and a favourable cost position
- Three product groups:
  - **Consumer Board:** Kwidzyn's flagship production
    - FBB board machine with current sales and production of around 260,000 tons
  - **Kraft Paper:** Attractive flexible fiber-based packaging with iPack
    - Flexible packaging applications in trade and industry (iPack) aiming at a gradual production increase towards full capacity of 75,000 tons
  - **Uncoated Fine Paper:** Copy and printing paper
    - Low cost producer with two copy paper machines (UWF) at 410,000 tons total capacity

## Selected Product Offering

### Consumer Boards



GC1



GC2

### Kraft Paper



### Uncoated Fine Paper





## Key Takeaways

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Revenue c. EUR 510 million, Adj. EBITDA of c. EUR 92 million<sup>(1)</sup>

- Revenue split: c. 46% FBB, c. 47% Uncoated Fine Paper, Other (incl. Kraft Paper) c. 7%
- Adjusted EBITDA: Approximately 2/3 generated by FBB

Enterprise Value c. EUR 703 million<sup>(2)</sup>, c. 7.6x<sup>(1,2)</sup> EBITDA (pre-synergies)

- Assuming usufruct and operating lease liabilities of c. EUR 33 million
- Funded from committed credit lines and the issue of a Schuldschein

## Strategic Rationale

- In line with Mayr-Melnhof's strategy to grow through integration of high-quality virgin-fiber assets
- Add European high-class asset with recognized high quality products and a favourable cost position
- Leverage the favourable cost position for further growth in FBB or other packaging grades

## Impact on MM Group

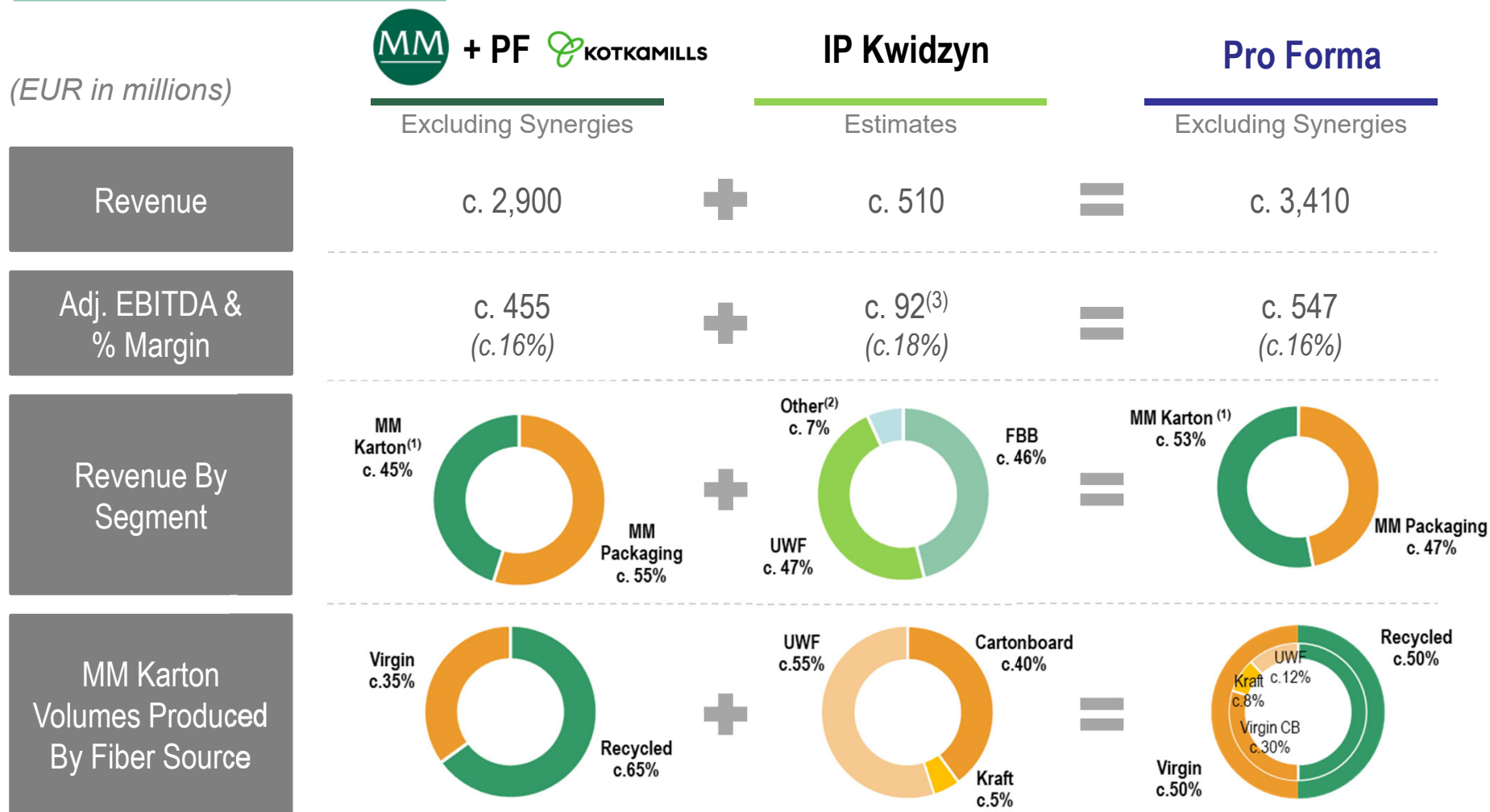
- Immediately accretive to MM Group earnings
- Multiple sources of synergies under management control
- Balance sheet to remain solid

<sup>(1)</sup> Adjusted EBITDA includes adjustments in relation to CO2 costs, usufruct and operating lease costs in accordance with IFRS treatments as well as adding back US HQ costs

<sup>(2)</sup> Including EUR 33 million of usufruct and operating lease liabilities.



# Key Combined Pro Forma Financials Overview



(1) All of Kwidzyn and Kotkamills revenues are integrated into MM's Karton segment

(2) Other includes revenues from Kraft Paper, Market Pulp and discontinued Newsprint

(3) Adjusted EBITDA includes adjustments in relation to CO2 costs, usufruct and operating lease costs in accordance with IFRS treatments as well as adding back US HQ costs

Note: All financials refer to 2020 and exclude synergies



# Disclaimer

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