



Press Release

Vienna, March 12, 2024

MM reports Annual Results 2023

Earnings as expected below previous year's record level

- Sharp decline in demand and significant market- and capex-related downtime at MM Board & Paper weigh on results
- Strong profit performance at MM Packaging
- Comprehensive modernisation programme to increase competitiveness of MM Board & Paper implemented
- Successful integration of last year's acquisitions in the resilient area of pharmaceutical packaging
- Profit & cash protection plan proves effective
- Dividend of EUR 1.50 proposed in line with long-standing dividend policy
- Positive volume trend for MM Board & Paper at beginning of 2024, however pressure on margins is continuing

GROUP KEY INDICATORS – IFRS

consolidated, in millions of EUR, IFRS	2023	2022	+/-
Sales	4,164.4	4,682.1	-11.1 %
Adjusted EBITDA¹⁾	450.2	769.0	-41.5 %
EBITDA margin ²⁾ (%)	10.8 %	16.4 %	-561 bp
Adjusted operating profit¹⁾	229.2	562.4	-59.2 %
Operating profit	197.6	510.4	-61.3 %
Operating margin ²⁾ (%)	5.5 %	12.0 %	-651 bp
Return on capital employed ³⁾ (%)	6.5 %	17.9 %	-1,145 bp
Profit before tax	136.7	467.0	-70.7 %
Income tax expense	(47.6)	(121.7)	
Profit for the year	89.1	345.3	-74.2 %
Net profit margin (%)	2.1 %	7.4 %	
Earnings per share (in EUR)	4.36	17.19	
Cash flow from operating activities	786.2	299.7	+162.3 %
Employees ⁴⁾	15,087	15,640	
Capital expenditures (CAPEX)	425.3	329.4	
Depreciation and amortization ⁵⁾	221.4	219.5	
Free cash flow	369.8	(19.7)	+1,975.1 %

¹⁾ adjusted for material one-off effects (material defined as impact on operating profit of more than EUR 10 million)

²⁾ calculated with adjusted result figure

³⁾ The calculation is based on the adjusted result figure and refers to the average of the last 12 months.

⁴⁾ excl. temporary workers

⁵⁾ incl. impairment and write-ups on property, plant and equipment and intangible assets as well as non-current assets held for sale

Peter Oswald, MM CEO, comments: "After the record result of the previous year, the MM Group faced a significantly lower demand in the paper and cartonboard industry as well as increasing price pressure in 2023. In addition to destocking in the supply chain, inflation-related changes in consumer behaviour which led to lower consumption of everyday goods and the overall economic slowdown in our European main markets were the main causes.

The difficult general conditions were reflected in particular in the weak result and volume development in the division MM Board & Paper. In addition to significant market-related machine downtimes, there was also considerable capex-related downtime as part of the implementation of the so far most extensive modernisation programme at three large cartonboard mills.

In contrast, the division MM Packaging recorded an overall solid performance despite a heterogeneous packaging market. Furthermore, last year's acquisitions in the resilient area of pharmaceutical packaging were successfully integrated with a result development above plan.

The decline in adjusted operating profit to EUR 229.2 million after EUR 562.4 million in 2022 primarily resulted volume- and price-related from the division MM Board & Paper, while MM Packaging recorded a significant increase in both profit and margin.

With demand expected to recover only slowly, MM has focussed on safeguarding and gaining volumes at reasonable margins. The profit & cash protection plan launched in mid-2023, which provides for a significant reduction in working capital and a reduction in capex cash-outs in addition to cost reductions in all areas, has already made a significant contribution to reducing net debt to EUR 1,261.9 million in the reporting year (December 31, 2022: EUR 1,481.5 million).

In line with the profit development and long-term dividend policy, which provides for the distribution of one third of profit, a dividend of EUR 1.50 per share (2022: EUR 4.20) for the financial year 2023 will be proposed to the 30th Annual Shareholders' Meeting on April 24, 2024."

INCOME STATEMENT

At EUR 4,164.4 million, the Group's consolidated sales were 11.1 % or EUR 517.7 million below the previous year's figure (2022: EUR 4,682.1 million). A volume- and price-related decline in the division MM Board & Paper, was offset by an acquisition-related increase in the division MM Packaging.

The decrease in adjusted operating profit to EUR 229.2 million after EUR 562.4 million in 2022 was primarily volume- and price-related from the division MM Board & Paper, while MM Packaging recorded a significant increase. The Group's operating margin was therefore 5.5 % (2022: 12.0 %) and the return on capital employed was 6.5 % (2022: 17.9 %). Adjusted EBITDA amounted to EUR 450.2 million (2022: EUR 769.0 million), resulting in an EBITDA margin of 10.8 % (2022: 16.4 %).

Financial income went up to EUR 8.7 million (2022: EUR 4.3 million). The increase in financial expenses from EUR -32.1 million to EUR -58.3 million resulted in particular from the rise in interest rates for variable-interest loans and further financing of the accomplished acquisitions and organic growth projects. "Other financial result - net" changed to EUR -11.4 million (2022: EUR -15.5 million), in particular owing to currency translation.

Profit before tax was EUR 136.7 million compared to EUR 467.0 million in the previous year. Income tax expense amounted to EUR 47.6 million (2022: EUR 121.7 million), resulting in an effective Group tax rate of 34.8 % (2022: 26.1 %).

Profit for the year totalled EUR 89.1 million (2022: EUR 345.3 million).

Overview of significant one-off effects on operating profit and EBITDA

in millions of EUR	Operating profit		EBITDA	
	2023	2022	2023	2022
		197.6	510.4	419.0
Structural adjustment measures	31.6	24.6	31.2	11.7
<i>Restructuring MM Kolicovo¹⁾</i>	-	24.6	-	11.7
<i>Closure MM Packaging Schilling²⁾</i>	14.3	-	14.0	-
<i>Restructuring ex-Essentra Packaging²⁾</i>	17.3	-	17.2	-
Acquisitions/divestments	-	(5.1)	-	(5.1)
<i>Proceeds of sale of Russian sites²⁾</i>	-	(20.1)	-	(20.1)
<i>Incidental transaction costs acquisitions Eson Pac and Essentra Packaging and sale of Russian sites²⁾</i>	-	15.0	-	15.0
Disposal goodwill and customer relationship (exit from Russian market) ²⁾	-	32.5	-	32.5
Total of material one-off effects	31.6	52.0	31.2	39.1
Adjusted by material one-off effects	229.2	562.4	450.2	769.0

¹⁾ MM Board & Paper

²⁾ MM Packaging

CONSOLIDATED BALANCE SHEET

The Group's total assets of EUR 5,076.9 million as of December 31, 2023 were EUR 268.1 million above the figure at year-end 2022 (EUR 4,808.8 million). This increase is primarily due to the higher capex volume in competitive strength and growth. The Group's total equity rose from EUR 1,959.1 million (December 31, 2022) to EUR 2,012.4 million, the growth through profit being offset by the dividend payment. Return on equity was 4.5 % after 19.1 % in the previous year.

Financial liabilities are largely of a long-term nature and increased from EUR 1,761.6 million at year-end 2022 to EUR 2,019.5 million as of December 31, 2023 due to borrowings to finance organic growth projects. The equity ratio was 39.6 % (December 31, 2022: 40.7 %).

With cash available to the Group totalling EUR 757.5 million (December 31, 2022: EUR 280.1 million), net debt decreased from EUR 1,481.5 million to EUR 1,261.9 million at the end of 2023. This is primarily due to the implementation of the profit & cash protection plan. Furthermore, credit lines and credit facilities amounting to EUR 393.0 million (December 31, 2022: EUR 481.4 million), which can be used at any time, were available to the Group at the end of 2023. The net debt to equity ratio was 0.6 and the net debt to EBITDA ratio was 2.8 (December 31, 2022: 0.8; 1.9).

DEVELOPMENT IN THE 4TH QUARTER

With a slight volume growth in the division MM Board & Paper, which was offset by a decline in the MM Packaging division, the 4th quarter was characterised by a heterogeneous picture. As in the previous quarters, however, the pressure on prices and margins continued. Consolidated sales of EUR 967.9 million were volume- and price-related below last year's period (4th quarter 2022: EUR 1,231.7 million).

The Group's adjusted operating profit decreased mainly price-related to EUR 38.8 million (4th quarter 2022: EUR 109.1 million). The operating margin was 4.0 % (4th quarter 2022: 8.9 %). Profit before tax amounted to EUR 17.8 million (4th quarter 2022: EUR 50.2 million), profit for the period to EUR -2.1 million (4th quarter 2022: EUR 30.0 million).

MM Board & Paper recorded an adjusted operating profit of EUR -24.2 million after EUR 87.4 million in the 4th quarter of the previous year, mainly as a result of lower average prices. The operating margin was -5.4 % (4th quarter 2022: 14.1 %).

The adjusted operating profit of MM Packaging at EUR 63.0 million was above the previous year's quarter (4th quarter 2022: EUR 21.7 million), particularly acquisition-related. The operating margin amounted to 11.2 % (4th quarter 2022: 3.3 %).

OUTLOOK

In the highly competitive European cartonboard and paper sector, MM Board & Paper is currently experiencing a positive volume trend, however, at the same time pressure on margins is continuing. Although destocking in the supply chain has largely been completed, we expect only a slow market recovery due to the weak economic situation in Europe and continued restrained consumer spending. At the same time, due to difficult general conditions on non-European export markets continued oversupply and dampened capacity utilisation in Europe are expected to remain.

The pressure to increase competitiveness is therefore constantly increasing. This also applies to MM Packaging, although this sector is overall more resilient due to its broad positioning. Against this backdrop, our profit & cash protection programme will be consistently continued in 2024 and supplemented by targeted structural adjustment measures. Recent increases in production costs will be passed on through corresponding price adjustments.

The capex volume of around EUR 300 million expected for 2024, which includes carry-overs from the previous year, will be focussed on selected projects to improve competitiveness.

With more sustainable and innovative packaging solutions as well as the significantly optimised asset base in recent years and solid financing, MM is very well positioned to successfully manage the persistently challenging market situation.

DEVELOPMENT IN THE DIVISIONS

MM BOARD & PAPER

in millions of EUR, IFRS	2023	2022	+/-
Sales¹⁾	1,919.1	2,750.0	-30.2 %
Adjusted EBITDA²⁾	92.7	511.1	-81.9 %
Adjusted operating profit²⁾	(19.8)	405.6	-104.9 %
Operating profit	(19.8)	381.0	-105.2 %
Operating margin ³⁾ (%)	-1.0 %	14.7 %	-1,578 bp
Cash flow from operating activities	291.6	244.4	+19.3 %
Tonnage sold (in thousands of tonnes)	1,948	2,389	-18.5 %
<i>Cartonboard</i>	1,476	1,803	-18.1 %
<i>Paper</i>	472	586	-19.5 %
Tonnage produced (in thousands of tonnes)	1,945	2,433	-20.1 %

¹⁾ including interdivisional sales

²⁾ adjusted for material one-off effects (material defined as impact on operating profit of more than EUR 10 million)

³⁾ calculated with adjusted result figure

After the record year 2022, the European cartonboard and paper industry was characterised by an unprecedented downturn in the market environment with decreases in demand of around 20 % in individual product groups. After the sharp drop, which began in the 4th quarter of 2022, a bottom was reached in the 2nd half of the year. The inflation-related subdued and changed purchasing behaviour of consumers as well as the reduction of high inventories in the supply chain were the main reasons for the significant decline in market demand compared to the previous year. In addition, this historically unprecedented situation was aggravated by the loss of the Russian market and weak or highly competitive overseas markets. The division's average order backlog was 156,000 tonnes, compared to 233,000 tonnes in the previous year.

In line with the market situation, MM, like the whole industry, adjusted production to the reduced demand by means of downtime to a so far unprecedented extent. At the same time, MM Board & Paper implemented a comprehensive modernisation programme to increase the competitiveness of recycled fibre-based cartonboard through more efficient, sustainable and innovative product solutions and processes. As a result, MM Board & Paper also recorded longer capex-related downtimes at the cartonboard mills Frohnleiten, Kolicovo and Neuss, the latter lasting approximately three months.

Due to high existing market capacities, price pressure increased significantly over the course of the year. This was offset by lower energy and fibre costs as well as the positive effects of the implemented profit & cash protection plan, which only partially compensated for the pressure on profit from the decline in volumes and prices.

At 1,945,000 tonnes, production was 20.1 % below the previous year's figure (2022: 2,433,000 tonnes). Sales volumes decreased in line with production by 18.5 % to 1,948,000 tonnes (2022: 2,389,000 tonnes).

At EUR 1,919.1 million, sales were volume- and price-related 30.2 % or EUR 830.9 million below the comparable figure (2022: EUR 2,750.0 million).

The adjusted operating profit totalled EUR -19.8 million (2022: EUR 405.6 million). The operating margin was at -1.0 % (2022: 14.7 %), the return on capital employed at -1.1 % (2022: 24.0 %). Adjusted EBITDA reached EUR 92.7 million (2022: EUR 511.1 million). Cash flow from operating activities increased to EUR 291.6 million after EUR 244.4 million in the previous year as a result of working capital optimisation.

MM PACKAGING

in millions of EUR, IFRS	2023	2022	+/-
Sales¹⁾	2,431.1	2,168.7	+12.1 %
Adjusted EBITDA²⁾	357.5	257.9	+38.6 %
Adjusted operating profit²⁾	249.0	156.8	+58.9 %
Operating profit	217.4	129.4	+68.0 %
Operating margin ³⁾ (%)	10.2 %	7.2 %	+302 bp
Cash flow from operating activities	494.6	55.3	+793.5 %
Produced volume (in millions of m ²)	3,984	4,056	-1.8 %

¹⁾ including interdivisional sales

²⁾ adjusted for material one-off effects (material defined as impact on operating profit of more than EUR 10 million)

³⁾ calculated with adjusted result figure

The development of demand on the European folding carton market was generally heterogeneous in 2023. In view of the reduction of high inventories along the supply chain, declining consumer purchasing power and a trend towards lower-priced private labels, which are more frequently packaged in plastic, the folding carton business particularly in the food sector has been experiencing a decrease since the beginning of the year. As a result, it was necessary to adjust shifts at individual sites. In contrast, our business in the premium segment showed a more stable overall development, although order intake has also declined in individual markets.

The pleasing growth of MM Packaging compared to the previous year resulted largely from the inclusion of the previous year's acquisitions in the pharmaceutical packaging sector, which contrasted with the sale of the Russian sites.

The integration of the ex-Essentra Packaging sites was successfully implemented. Optimisations in quality, service and productivity as well as necessary investments, restructurings and the leveraging of synergies are on the right track, resulting in a result above plan.

In the reporting year, structural adjustments in the existing business affected in particular one packaging site in Germany, resulting in one-off expenses of approximately EUR 14 million.

In the current market environment, MM Packaging is concentrating on gaining additional volumes to ensure capacity utilisation of the plants, as well as on realising further cost savings and working capital reductions as part of the Group-wide profit & cash protection plan.

Sales increased by 12.1 % to EUR 2,431.1 million (2022: EUR 2,168.7 million), primarily acquisition-related.

At EUR 249.0 million, the adjusted operating profit was EUR 92.2 million higher than the previous year's figure (2022: EUR 156.8 million). Both the current year and the previous year included one-off expenses for structural measures. The operating margin increased to 10.2 % (2022: 7.2 %) and adjusted EBITDA to EUR 357.5 million (2022: EUR 257.9 million). The return on capital employed amounted to 14.9 % (2022: 10.8 %), cash flow from operating activities reached EUR 494.6 million after EUR 55.3 million in 2022.

At 3,984 million m², volume produced was slightly below the previous year's level (2022: 4,056 million m²).

QUARTERLY OVERVIEW

MM GROUP

consolidated, in millions of EUR, IFRS	4Q/2022	1Q/2023	2Q/2023	3Q/2023	4Q/2023
Sales	1,231.7	1,122.1	1,059.3	1,015.1	967.9
Adjusted EBITDA¹⁾	176.7	133.6	103.7	121.4	91.5
EBITDA margin ²⁾ (%)	14.3 %	11.9 %	9.8 %	12.0 %	9.5 %
Adjusted operating profit¹⁾	109.1	78.7	48.3	63.4	38.8
Operating profit	58.2	61.6	42.4	55.8	37.8
Operating margin ²⁾ (%)	8.9 %	7.0 %	4.6 %	6.2 %	4.0 %
Profit before tax	50.2	49.0	28.2	41.7	17.8
Income tax expense	(20.2)	(14.1)	0.2	(13.8)	(19.9)
Profit for the period	30.0	34.9	28.4	27.9	(2.1)
Net profit margin (%)	2.4 %	3.1 %	2.7 %	2.7 %	-0.2 %
Earnings per share (in EUR)	1.52	1.71	1.41	1.38	(0.14)
Cash flow from operating activities	44.0	67.2	82.9	177.2	458.9
Free cash flow	(37.0)	(28.6)	(36.3)	73.7	361.0

DIVISIONS

MM BOARD & PAPER

in millions of EUR, IFRS	4Q/2022	1Q/2023	2Q/2023	3Q/2023	4Q/2023
Sales³⁾	620.5	521.2	498.1	448.4	451.4
Adjusted EBITDA¹⁾	114.7	54.3	17.7	14.7	6.0
Adjusted operating profit¹⁾	87.4	27.7	(9.8)	(13.5)	(24.2)
Operating profit	62.8	27.7	(9.8)	(13.5)	(24.2)
Operating margin ²⁾ (%)	14.1 %	5.3 %	-2.0 %	-3.0 %	-5.4 %
Cash flow from operating activities	17.4	10.0	3.0	64.1	214.5
Tonnage sold (in thousands of tonnes)	494	473	486	487	502
<i>Cartonboard</i>	373	375	365	365	371
<i>Paper</i>	121	98	121	122	131
Tonnage produced (in thousands of tonnes)	492	488	469	482	506

MM PACKAGING

in millions of EUR, IFRS	4Q/2022	1Q/2023	2Q/2023	3Q/2023	4Q/2023
Sales³⁾	658.5	656.7	606.5	605.9	562.0
Adjusted EBITDA¹⁾	62.0	79.3	86.0	106.7	85.5
Adjusted operating profit¹⁾	21.7	51.0	58.1	76.9	63.0
Operating profit	(4.6)	33.9	52.2	69.3	62.0
Operating margin ²⁾ (%)	3.3 %	7.8 %	9.6 %	12.7 %	11.2 %
Cash flow from operating activities	26.6	57.2	79.9	113.1	244.4
Produced volume (in millions of m ²)	1,128	1,094	979	963	948

¹⁾ adjusted for material one-off effects (material defined as impact on operating profit of more than EUR 10 million)

²⁾ calculated with adjusted result figure

³⁾ including interdivisional sales

A video statement from the Management Board on the Annual Results 2023 is available on our website: <https://www.mm.group>.

The Annual Report 2023 will be available as of April 3, 2024.

Forthcoming results:

April 23, 2024

Results for the 1st quarter of 2024

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