

# Q4 Presentation 2018

14 February, 2019





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# 2018 Q4 Highlights: Program to mitigate cost increase initiated

- **Operating income** continues to be heavily influenced by high **pulp prices**, averaging around 35% higher compared to same period last year. In addition to pulp, **energy prices** and freight tariffs have increased significantly.
- **Price compensation activities continues**, second wave will take effect gradually during Q1 2019.
- **Cost efficiency program** launched in Q3 on indirect cost and logistical setup. This will have gradually increasing impact during 2019.
- **New strategy** launched with increased focus on customer experience and sustainability.
- **Organic growth 1.5%** and in line with market development.
- **Table Top and Consumer** impacted by cost increase from raw materials with decreased margin.
- **Meal Service** keeps improving, mainly driven by growth in the ecoecho® assortment.
- **New Markets** significantly impacted by costs related to operational changes in Singapore.
- **Acquisition** of BioPak Pty Ltd on October 15.

- Net sales SEK 1 460 m (1 254)
- Operating income SEK 137 m (169)
- Operating margin 9.4% (13.5%)

# Market Outlook

- **HoReCa market long-term growing** in-line with or slightly above GDP.
- Stable development in the HoReCa sector for most of 2018.
- **FX rates** have developed favorably for Duni during the year with a in **general weaker SEK**.
- **Pulp** reaching all time high price levels almost every week throughout 2018. Slight downturn in the end of December, but moving into Q1 2019 pulp levels will be significantly higher than same period 2018.
- Unplanned supply interruptions together with increased demand on virgin fibers from China are the main drivers for the very strong increase in pulp prices during 2018. EUR/USD development plays an important role in the development the coming quarters.
- Continued very strong demand for **sustainable products**.





# Business Areas





# Table Top

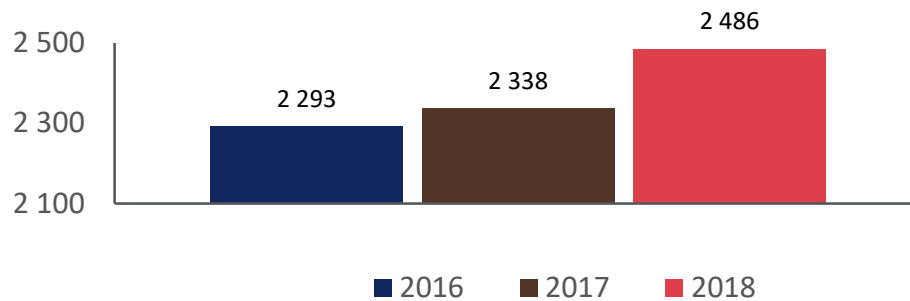
Considerably affected by pulp cost



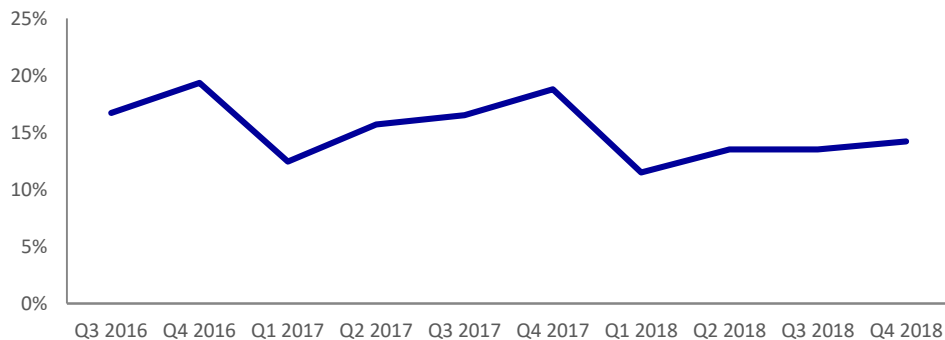
# Table Top

## SALES & OPERATING MARGIN <sup>1)</sup>

NET SALES, SEK m



OPERATING MARGIN, %



<sup>1)</sup> Operating margin adjusted for fair value allocations and amortization of intangible assets identified in connection with business acquisitions and for restructuring costs.

Q4, 2018

- As input material is at all time high levels and so far implemented price increases has not yet been sufficient to mitigate the escalated costs, operating margin decreases.
- Sales were slightly above last year in fixed currencies with growth in most markets but with decreases in Germany and the Nordic markets.
- Evolin®, the premium brand on table covers, and napkins experienced another strong quarter which mitigates the decreasing general demand on table covers.
- Additional price compensation activities under implementation, which will gradually have impact from Q1 2019.



# Meal Service

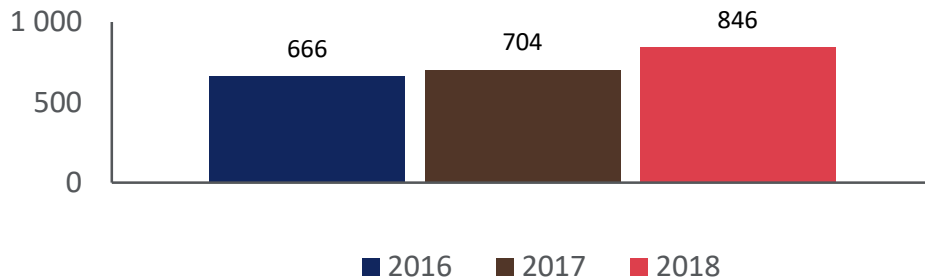
Sustainable products keeps high growth pace



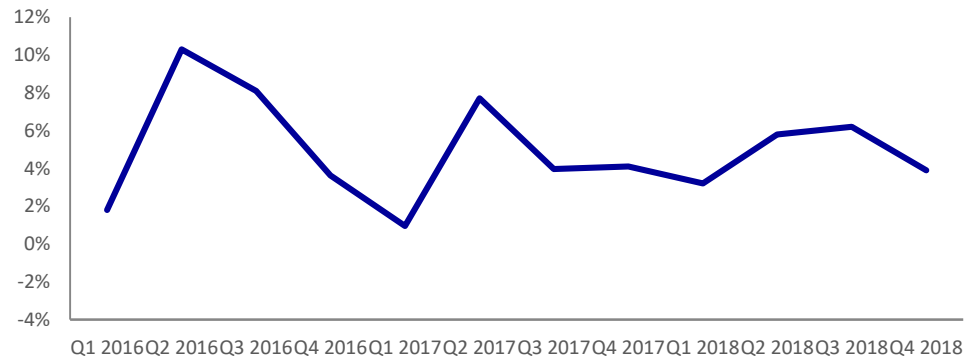
# Meal Service

## SALES & OPERATING MARGIN <sup>1)</sup>

NET SALES, SEK m



OPERATING MARGIN, %



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Q4, 2018

- Acquired Biopac UK and Duni's ecoecho<sup>®</sup> assortment behind the good growth.
- Basic plastic products continue to decrease while the past year's launches of new eco concepts towards the take-away market has been very well received.
- The Nordic and the South Region experience another quarter with good growth.



# Consumer

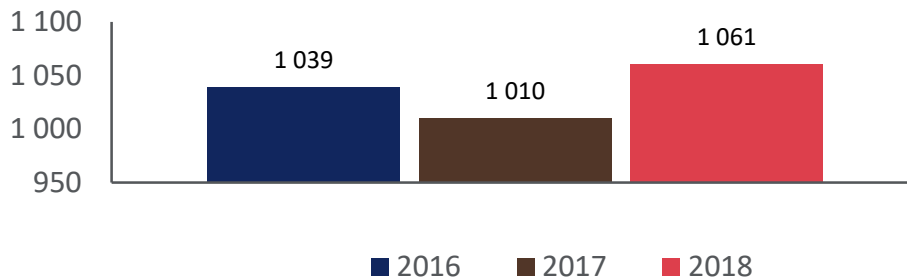
Growth in key markets but lower volumes to a large customer and raw material impacted the result



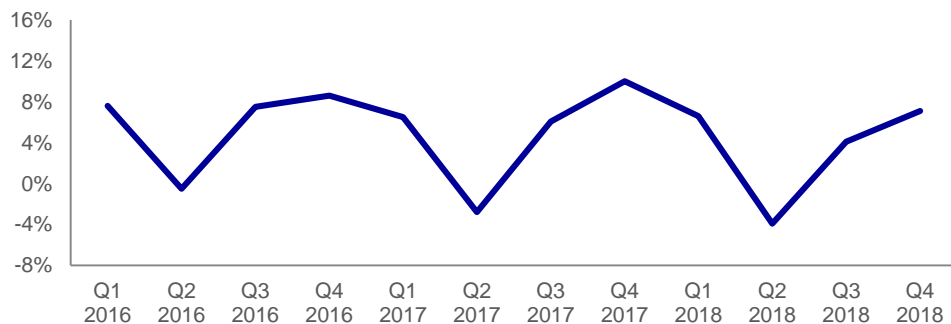
# Consumer

## SALES & OPERATING MARGIN <sup>1)</sup>

NET SALES, SEK m



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Q4, 2018

- Stable growth in many key markets is offset by decreases in UK and lower volumes to a significant customer.
- As for Table Top, the continued increase in pulp prices impacts the result negatively.
- Compensatory price increases are being implemented.
- Over capacity in the market increases competition in both private label sales and napkin sales to retailers.



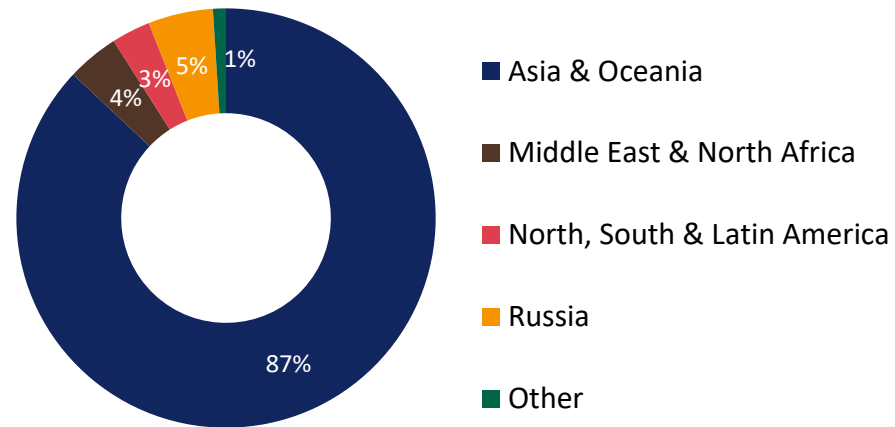
# New Markets

Impact from restructuring and raw material increases



# New Markets

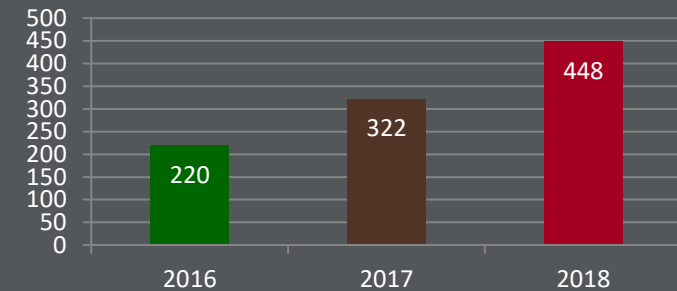
- Acquisition of BioPak Australia doubles the turnover.
- Continued costs related to implementation of new ERP system and warehousing in Singapore impacts result negatively.
- Last years investment to strengthen the organization still affecting result.
- Currency effects in Duni Russia has high negative impact.



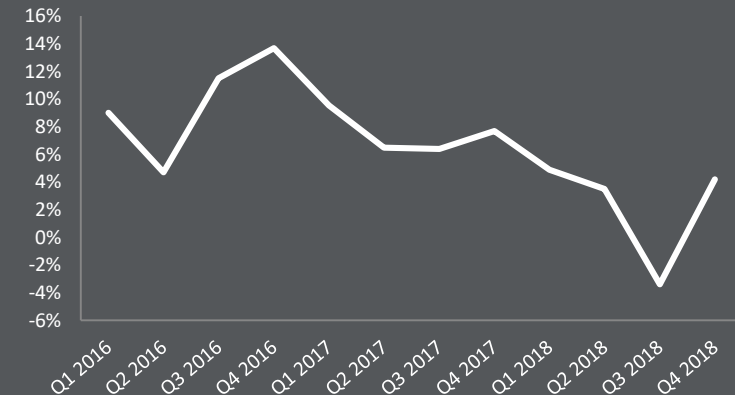
Net sales, geographical split

## SALES & OPERATING MARGIN <sup>1)</sup>

NET SALES, SEK m



OPERATING MARGIN, %

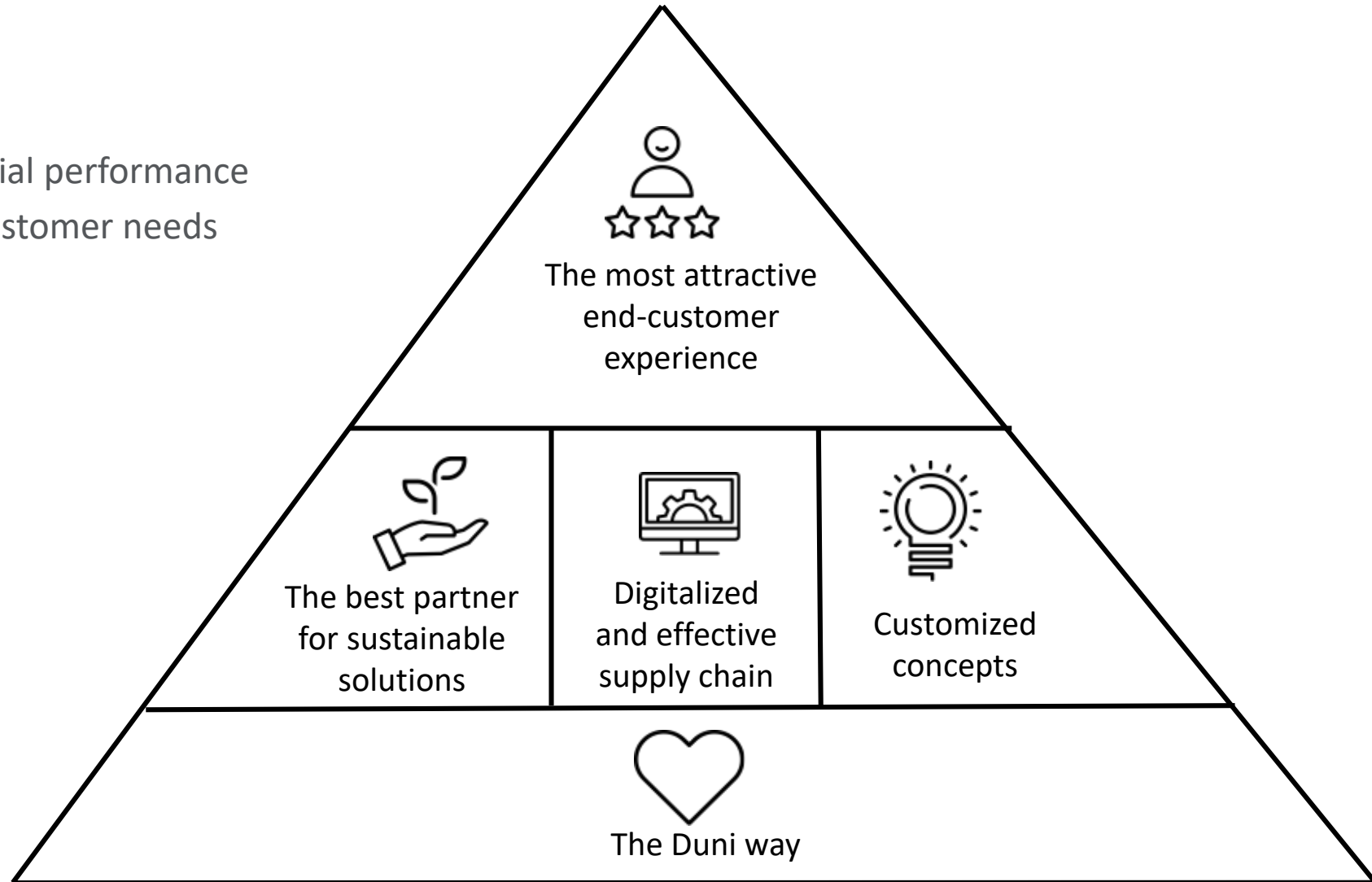


<sup>1)</sup> Operating margin adjusted for fair value allocations and amortization of intangible assets identified in connection with business acquisitions and for restructuring costs.

# New strategy to transform Duni into an even more **sustainable** and **customer oriented** business

## Objectives:

- Improve Duni financial performance
- Capture changing customer needs





# Acquisition of BioPak Pty Ltd

*Growth oriented acquisition strengthening our position in sustainable packaging and in APAC region*

- Annual turnover of approx. SEK 450 m and exhibit strong growth historically above 20%.
- Market leader in sustainable food packaging in Australia and New Zealand.
- Acquired 75% of BioPak at an enterprise value of SEK 410 m, option for 100% after 5 years.
- Consolidated into Business Area New Markets.
- Gives Duni Group a total turnover of the fast growing sustainable packaging segment of more than SEK 700 m.



# Program for profit improvement

- Purpose to increase profit and release funds to be invested behind new strategy
- Three major activities:
  1. Second wave of price increases announced this summer. Start to take effect in Q1 2019
  2. Optimization of logistics. The implementation of the changes has already started and will continue during 2019
  3. A Duni Group wide cost efficiency program of indirect costs including a reduction of personnel
    - Net effect of more than SEK 35 m on a yearly basis with start 2019
    - Total restructuring costs of SEK 33 m, mainly charged in quarter 4 2018







Financials





# Challenging 2018 – good sales development

SEK m	Q4 2018	Q4 2017	FY 2018	FY 2017
Net sales	1 460	1 254	4 927	4 441
Gross profit	363	373	1 278	1 264
Gross margin	24.8%	29.8%	25.9%	28.5%
Selling expenses	-157	-129	-565	-505
Administrative expenses	-80	-72	-282	-261
R & D expenses	-2	-2	-9	-8
Other operating net	-37	-10	-72	-35
<b>EBIT</b>	<b>87</b>	<b>159</b>	<b>351</b>	<b>456</b>
Adjustments	-50	-10	-80	-35
<b>Operating income <sup>1)</sup></b>	<b>137</b>	<b>169</b>	<b>430</b>	<b>491</b>
Operating margin	9.4%	13.5%	8.7%	11.1%
Financial net	-13	-5	-22	-17
Taxes	-16	-33	-79	-106
Net income	58	121	249	334
Earnings per share	1.21	2.55	5.22	6.99

<sup>1)</sup> Operating income adjusted for fair value allocations and amortization of intangible assets identified in connection with business acquisitions and for restructuring costs.



# Table Top & Consumer impacted by high input prices

SEK m		Q4 2018	Q4 2017	FY 2018	FY 2017
Table Top	Net Sales	683	641	2 486	2 338
	Operating income <sup>1)</sup>	97	121	330	375
	Operating margin	14.2%	18.8%	13.3%	16.0%
Meal Service	Net Sales	218	179	846	704
	Operating income <sup>1)</sup>	9	7	41	31
	Operating margin	3.9%	4.1%	4.9%	4.4%
Consumer	Net Sales	328	317	1 061	1 010
	Operating income <sup>1)</sup>	23	32	42	57
	Operating margin	7.1%	10.0%	4.0%	5.6%
New Markets	Net Sales	210	96	448	322
	Operating income <sup>1)</sup>	9	7	13	24
	Operating margin	4.2%	7.7%	2.9%	7.4%
Other	Net Sales	22	21	86	67
	Operating income <sup>1)</sup>	0	2	4	5
<b>Duni total</b>	<b>Net Sales</b>	<b>1 460</b>	<b>1 254</b>	<b>4 927</b>	<b>4 441</b>
	<b>Operating income <sup>1)</sup></b>	<b>137</b>	<b>169</b>	<b>430</b>	<b>491</b>
	<b>Operating margin</b>	<b>9.4%</b>	<b>13.5%</b>	<b>8.7%</b>	<b>11.1%</b>

<sup>1)</sup> Operating income adjusted for fair value allocations and amortization of intangible assets identified in connection with business acquisitions and for restructuring costs.

# Cash Flow

SEK m	Q4 2018	Q4 2017	FY 2018	FY 2017
<b>Operating EBITDA<sup>1)</sup></b>	<b>175</b>	<b>205</b>	<b>583</b>	<b>630</b>
<b>Capital expenditure</b>	<b>-60</b>	<b>-66</b>	<b>-202</b>	<b>-234</b>
Change in;				
Inventory	46	37	-66	-57
Accounts receivable	-10	-8	-2	-49
Accounts payable	26	81	-34	56
Other operating working capital	9	-21	29	2
<b>Change in working capital</b>	<b>71</b>	<b>89</b>	<b>-73</b>	<b>-48</b>
<b>Operating cash flow</b>	<b>186</b>	<b>228</b>	<b>307</b>	<b>348</b>

<sup>1)</sup> Operating income adjusted for fair value allocations and amortization of intangible assets identified in connection with business acquisitions and for restructuring costs.

# Financial position

SEK m	December 2018	December 2017
Goodwill	2 114	1 617
Tangible and intangible fixed assets	1 685	1 374
Net financial assets <sup>1)</sup>	-135	-107
Inventories	771	627
Accounts receivable	921	798
Accounts payable	-424	-428
Other operating assets and liabilities <sup>3)</sup>	-825	-433
<b>Net assets</b>	<b>4 107</b>	<b>3 449</b>
Net debt	1 490	855
Equity	2 616	2 594
<b>Equity and net debt</b>	<b>4 107</b>	<b>3 449</b>
ROCE <sup>2)</sup>	11%	14%
ROCE <sup>2)</sup> w/o Goodwill	23%	28%
Net debt / Equity	57%	33%
Net debt / EBITDA <sup>2)</sup>	2.56	1.36

<sup>1)</sup> Deferred tax assets and liabilities + Income tax receivables and payables.

<sup>2)</sup> Operating income adjusted for fair value allocations and amortization of intangible assets identified in connection with business acquisitions and for restructuring costs. Calculated based on the last twelve months.

<sup>3)</sup> Including restructuring provision and derivatives.



# Sales growth

> 5%

Organic growth of 5% over a business cycle  
Consider acquisitions to reach new markets or  
to strengthen current market positions

2018

1.5%

at fixed exchange rates

# Operating margin

> 10%

Top line growth – premium focus  
Improvements in manufacturing, sourcing and  
logistics

2018

8.7%

# Dividend payout ratio

40+%

Target at least 40% of net profit.  
-Proposal to AGM 2019 SEK 5.00 per share in  
two installments.

2018

5.00 SEK  
per share

Proposal AGM 2019

Thank you!