



# Presentation of Results 9M 2017

25 October 2017

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CEO

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FERNANDO VIDAL

Director of Investor Relations and Communication

<b>1</b>	<b>RESULTS 9M2017</b>
2	MARKET
3	BUSINESS LINES
4	SHAREHOLDER REMUNERATION
5	CONCLUSIONS

## Highlights

The sharp growth in the Group's **consolidated EBITDA** continued in 9M2017: **+32%** vs 9M 2016, **Recurring EBITDA Margin** in 9M 2017: **+12%** vs 9M 2016

Period marked by **the strong pressure of the final demand** for Paper, volatility in its raw material and the delay in the transfer of the increase in Packaging's raw material

In strategic terms Europac maintains its focus on **operational excellence, customer service and innovation**

**Paper EBITDA increased by 31%**, while **Packaging EBITDA** fell by 88%

**Net Profit grew by 82%** vs 9M 2016, to €58m

**Results of the exercise are aligned with the final objectives of the 2015-2018 Strategic Plan**

## Net Profit grew by 82% on 9M2016

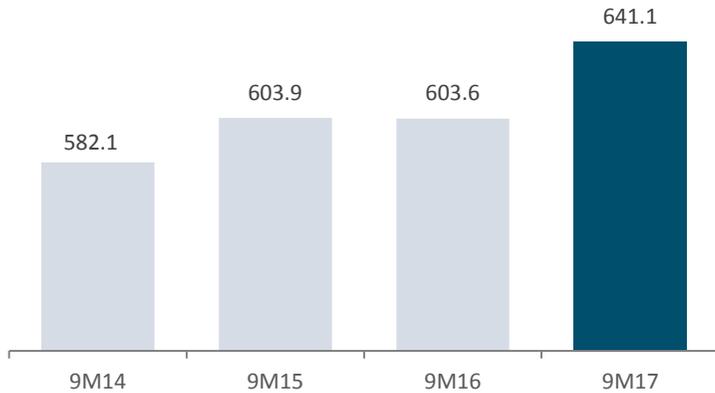
3Q 2016	3Q 2017	Diff. %
263.6	313.0	+18.7%
197.8	224.0	+13.2%
30.6	41.1	+34.2%
29.6	46.2	+56.0%
15.0%	20.6%	+5.6pp
18.1	34.3	+90.2%
14.9	32.4	+116.6%
11.1	26.0	+133.0%
0.12	0.27	+133.0%

€m
Aggregate Revenue
Consolidated Revenue
Recurring EBITDA
Consolidated EBITDA
Consolidated EBITDA Margin
Consolidated EBIT
EBT
Net Profit
EPS

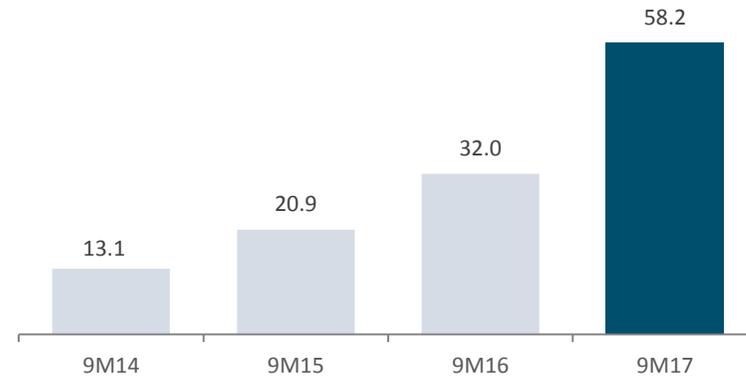
9M 2016	9M 2017	Diff. %
799.2	876.9	+9.7%
603.6	641.1	+6.2%
93.1	104.0	+11.6%
89.9	118.3	+31.6%
14.9%	18.5%	+3.6pp
53.9	78.0	+44.7%
43.5	74.6	+71.7%
32.0	58.2	+81.8%
0.34	0.60	+76.4%

The consolidated results show solid progression

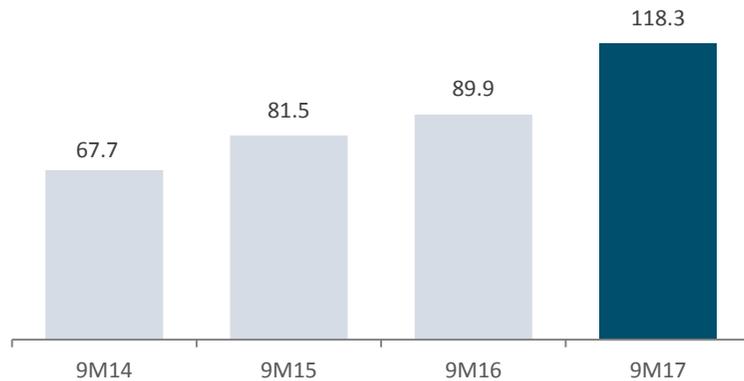
SALES (€m)



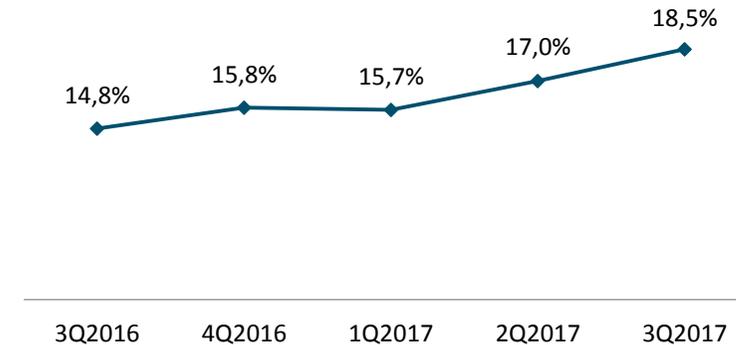
NET PROFIT (€m)



EBITDA (€m)



EBITDA MARGIN (LTM)



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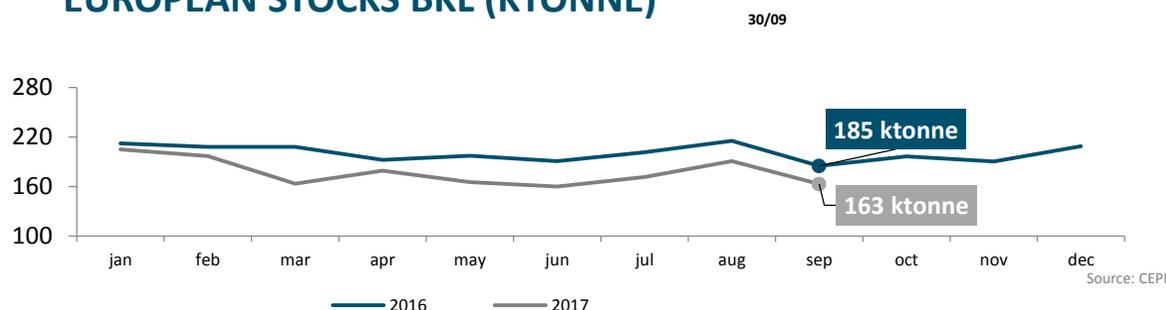
## Kraft paper: continuing price rises as a result of the increase in demand and the reduction in exports from the US

➤ **Reduction** of stocks in 2017 as a result of the strong demand in Europe and the reduction of US exports (-12% cumulative to July)

➤ **Shipments** of kraft paper from European manufacturers grew by 4.8% to September compared with the same period of 2016, limited by the lack of supply in the paper market

➤ **Increase in average price** of €52/tonne 9M17 vs 9M16. Price rises in March, May and August which involve an increase of **between 27% and 33%** compared with the start of the year, depending on the market

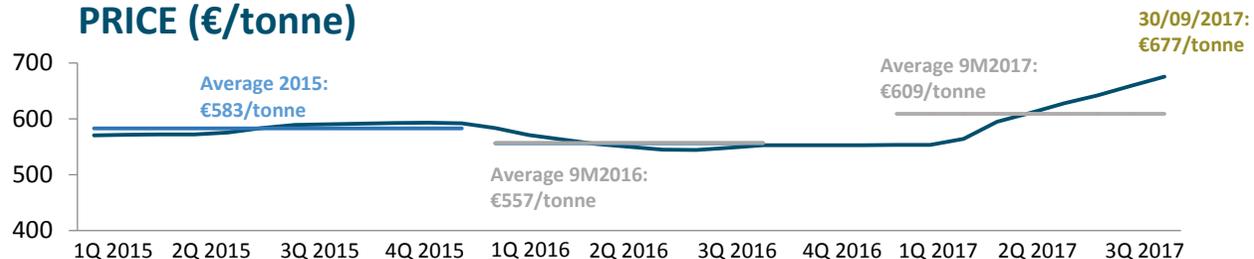
### EUROPEAN STOCKS BKL (KTONNE)



### EUROPEAN SHIPMENTS BKL (KTONNE)

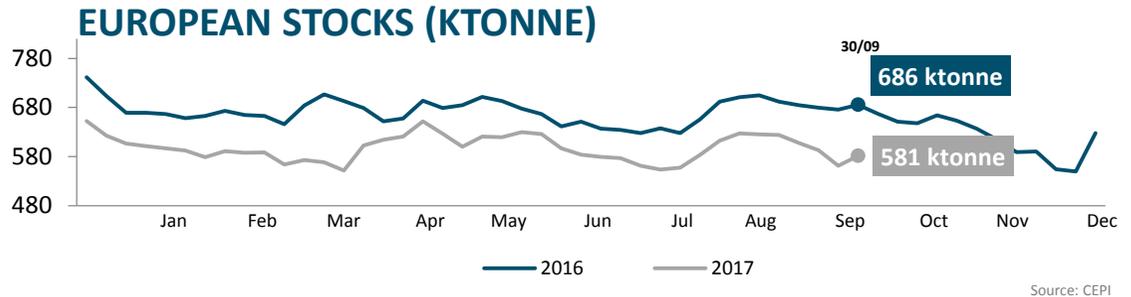


### PRICE (€/tonne)

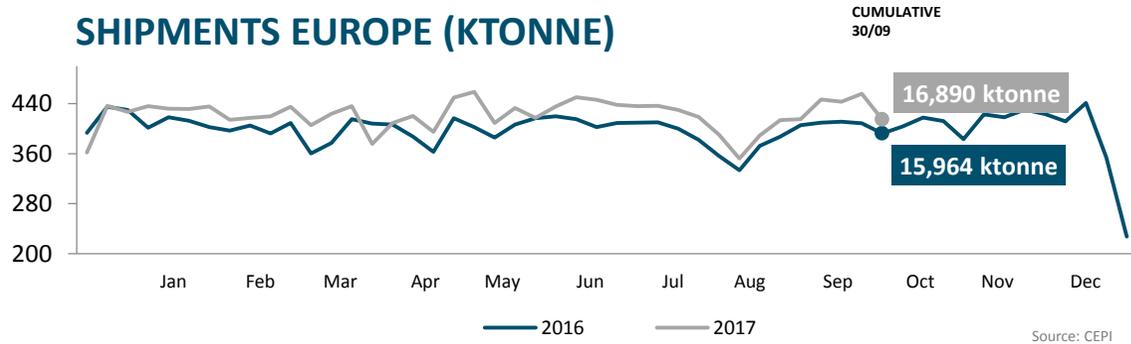


## Recycled paper: Increase in sales prices a result of the increase in final demand in Europe based on a structural rise in consumption

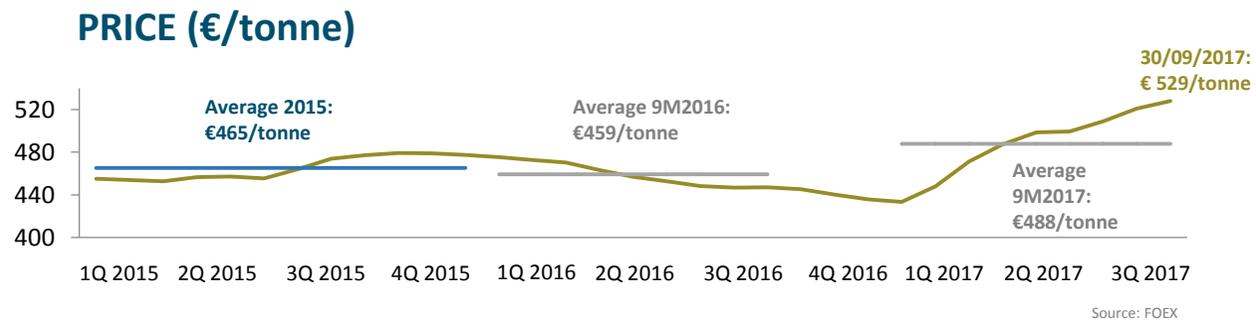
➤ **Significant reduction in stocks** as a result of the increase in final demand. During October stocks have been reduced by 5%.



➤ **Shipments** by European manufacturers remain solid with a **rise** of 5.8% in 9M17 compared with the same period of the previous year limited by a lack of supply. The new production capacities have been absorbed by demand

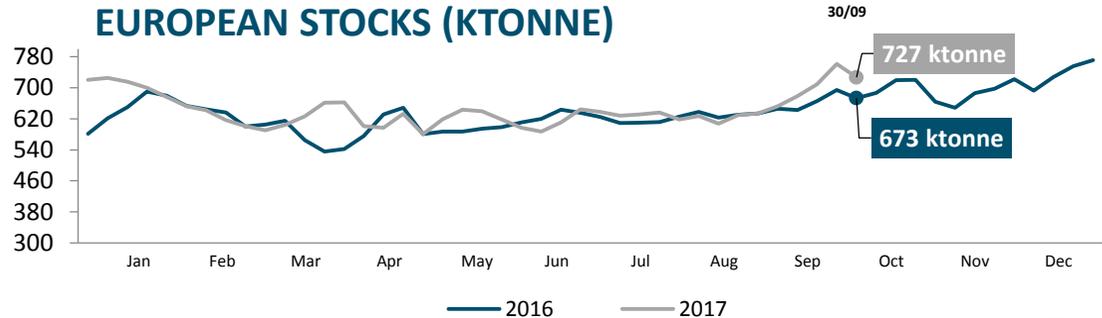


➤ **Increase in average price** of €29/tonne 9M17 vs 9M16. Price rises over the year have led to an increase of 23%-25% compared with the start of the year, depending on the market.

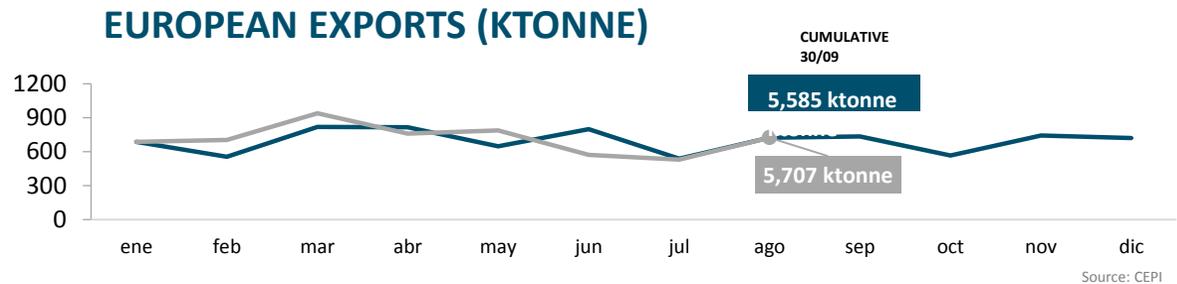


## Recovered paper: high volatility with prices higher than the previous year

➤ **Stocks of recovered paper have been increasing** since August compared with the previous year as a result of the reduction in exports to China (governmental ban on the import and suspension of import licences)

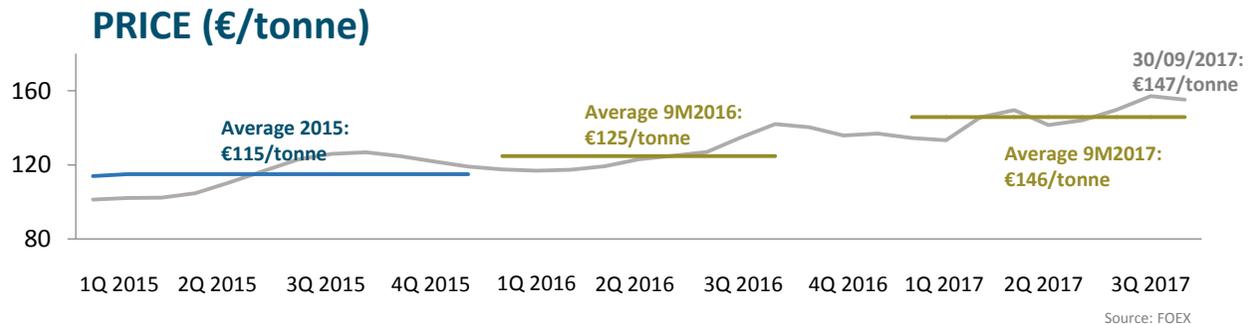


➤ Up to August, **exports** to China from CEPI countries increased by 2% compared with 2016. However, exports have started to fall since August.



➤ **Rise in average price of €21/tonne 9M17 vs 9M16.** Price in September was €10 higher than in December 2016.

➤ Currently, downward pressure on prices with a 50€ reduction between August and October



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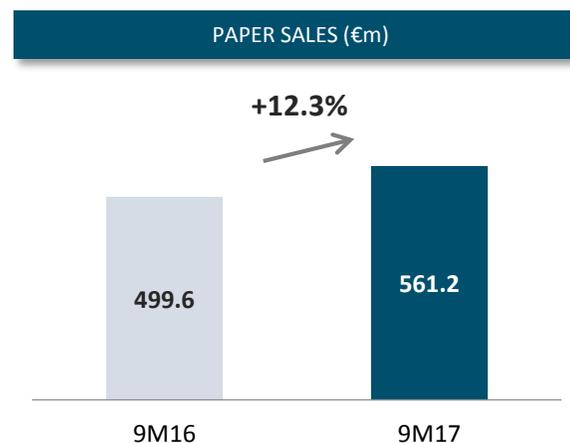
5 CONCLUSIONS

## Paper Revenue

- Reduction in **kraftliner production volume** as a result of the scheduled maintenance halt in May, to increase the production capacity
- **Recycled paper production volumes** higher than in 9M16 despite the scheduled halt in Rouen in May

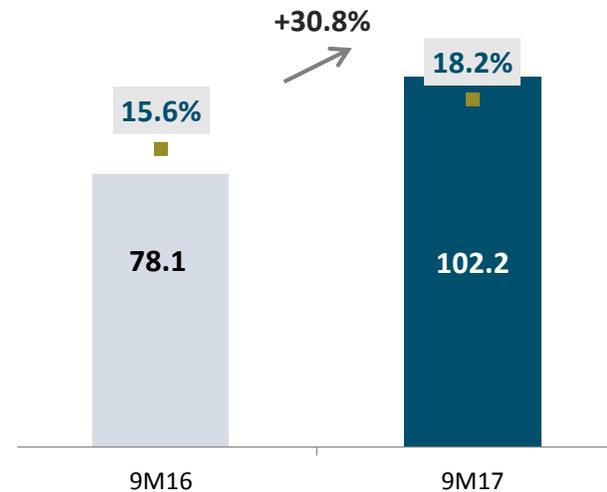


- **Paper sales** rose by 12.3% as a result of the increase in sales prices and positioning in high added value segments, with a lower production volume



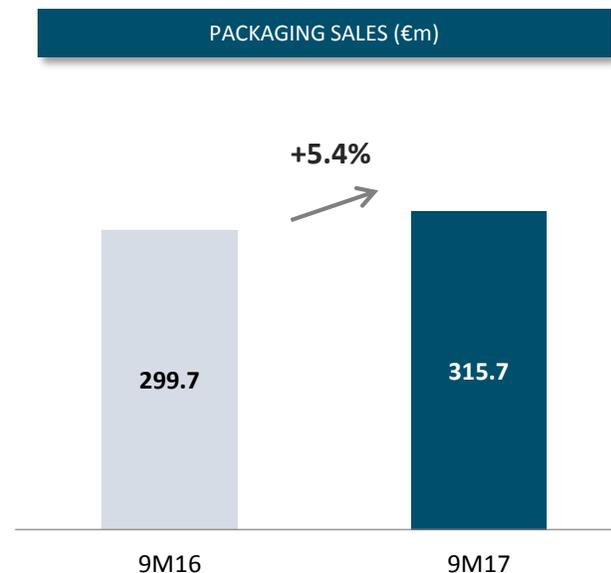
- Growth of 30.8% in **EBITDA** and increase in **margin** to 18.2%, growing every quarter of the year.
- **Optimisation of industrial cost** under **EOS** (Europac Operations System) and **commercial positioning projects** under **ESS** (Europac Sales System) continue to have a positive impact on operational efficiency and margins.

PAPER EBITDA (€m) AND MARGINS (%)



## Packaging Revenue

- 5.4% increase in sales, particularly noteworthy the volume increase in Portugal and Spain
- Progressive transfer of the raw material price, which will have its greatest impact at the start of 2018
- Contribution of the **ESS (Europac Sales System)** commercial management model aimed at increasing revenue and profitability:
  - Increase in commercial activity
  - Increase in market sounding to acquire new customers



## Packaging EBITDA

- **Reduction in EBITDA** as a result of the sharp impact of the rise in raw material prices, which is being passed on to the market
- **Priority in executing added value projects** to improve the margin, such as high-quality printing, logistics solutions and specialised structural design
- **Execution of the Ambition Project**, which began in 2017: improvements in the competitiveness of each factory continue by focusing on operational excellence by improving cost management



## Presence in the digital field

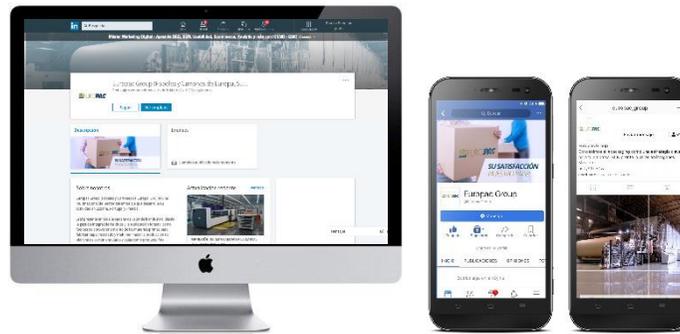
### WEBSITE



### BLOG



### SOCIAL NETWORKS



Presence in the offline field

PRESENCE IN TRADESHOWS



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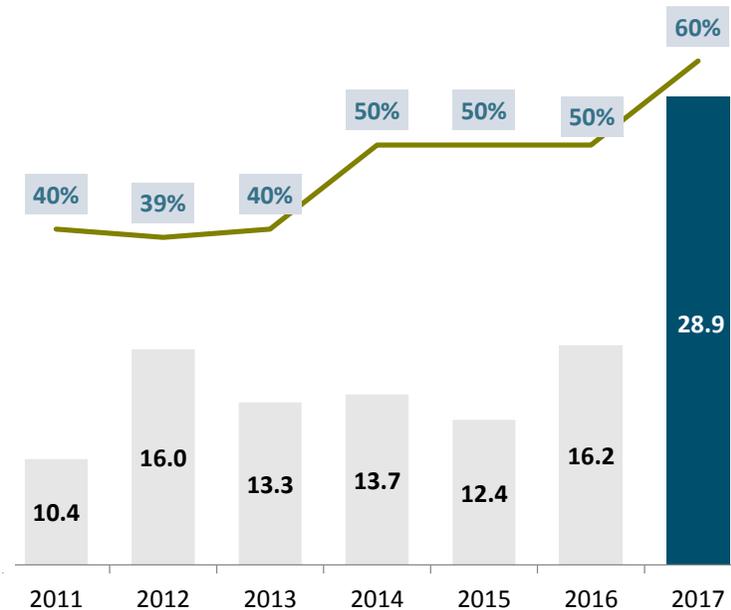
**4** SHAREHOLDER REMUNERATION

5 CONCLUSIONS

Shareholder remuneration

- Growth in dividend of +78.4%
- Increase in 2016 **PAY-OUT** to 60%: €0.318 / share, leading to €28.9m paid in February and July
- Cancellation of 1,947,368 treasury shares in October, accounting for 2% of the share capital
- **Bonus issue** 1x25 that will be executed in November 2017

DIVIDEND (€m) Y PAY-OUT<sup>(1)</sup> (%)



(1) Pay-out in the graph: over net profit of previous year

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Outlook 2017

EBITDA MARGIN



- Kraftliner paper market: solid demand, order book at maximum levels with paper machines operating at full capacity. Price rises in January, March, May and August, which involve an increase of between 27% and 33% compared with the start of the year, depending on the market. Reduction in US exports (-12% cumulative to April). Announcement in October of a new increase in prices of American manufacturers in their domestic market
- Recycled paper market: strength in demand, increase in exports and significant reduction in stocks. Sales price rises in February, March, April and August in all qualities that involve an increase of between 23% and 25% compared with the start of the year, depending on the market. Increase in average prices of the raw material to August, although they have fallen as from that month as a result of lower exports to China.
- Packaging market: progressive transfer of the increase in raw material prices in 2017. Work continues on improving commercial positioning and optimising operations

CASH GENERATION



- Sustainable increase in cash generation from operations
- Optimisation of financing sources and continuous reduction in net debt and finance costs

CONCLUSIONS

Q&A



THANK YOU VERY MUCH FOR YOUR ATTENTION



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