

Q3 Presentation 2018

18 October, 2018



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2018 Q3 Highlights: Program to mitigate cost increase initiated

- **Operating income** continues to be significantly **influenced** by accelerating **pulp prices**, up another 8% since Q2 and over 40% in the past 12 months
- In addition to pulp, **energy prices** have increased over 30% compared to same period last year
- **Price compensation activities continues**, second wave will take effect from Q1 2019
- **Organic growth 0.8%** and in line with market development
- **Table Top** impacted by cost increase from raw materials with decreased margin
- **Meal Service** improved during the quarter driven by growth in the ecoecho[®] assortment
- **Consumer** as well impacted by the cost increases in raw materials
- **New Markets** influenced by costs from structure activities in Duni Song Seng in Singapore, negative currency effects in Duni Russia and organizational investments
- **Launch** of group wide **cost efficiency program** and **new strategy**
- **Acquisition** of BioPak Pty Ltd on October 15

- Net sales SEK 1 190 m (1 082)
- Operating income SEK 107 m (123)
- Operating margin 9.0% (11.4%)

Market Outlook

- **HoReCa market long-term growing** in-line with or slightly above GDP.
- In general stable development in the HoReCa sector, however slow start in **Germany**.
- **FX rates** continue to develop in a more favorable direction for Duni with in **general weaker SEK**.
- **Pulp** reaching all time high price levels almost every week in the first nine months of the year. Will have a negative effect also in the last quarter of the year until additional price compensation measures are in place.
- **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.
- **Capacity constraints** for key materials **replacing plastic based products** continue to be a challenge.
- Continued very strong demand for **sustainable products**.



Business Areas





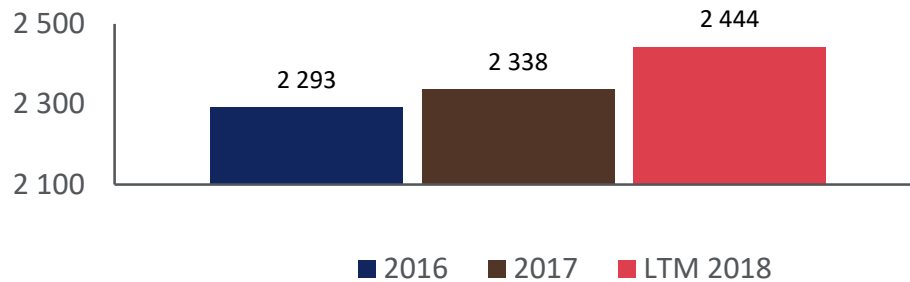
Table Top

Significantly affected by pulp cost

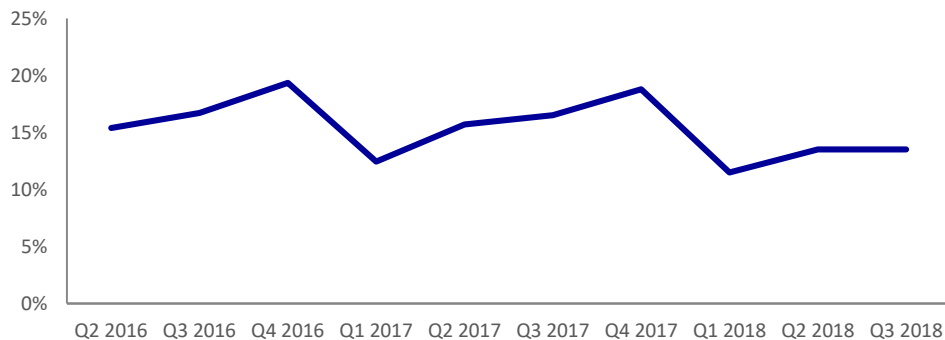
Table Top

SALES & OPERATING MARGIN ¹⁾

NET SALES, SEK m



OPERATING MARGIN, %



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

Q3, 2018

- Pulp cost has continued to increase more than anticipated and so far implemented price activities have not been sufficient to protect gross margin.
- Sales was in line with last year in fixed currencies with growth in most markets but a decrease in Germany.
- Evolin®, the premium brand on table covers, experienced another strong quarter and to some extent mitigates the general weak trend on table covers.
- Additional price compensation activities under implementation, but will have limited effect in 2018.



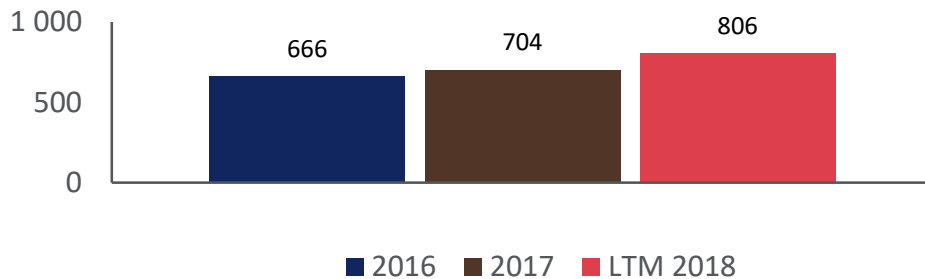
Meal Service

Investments in sustainable products
pay off

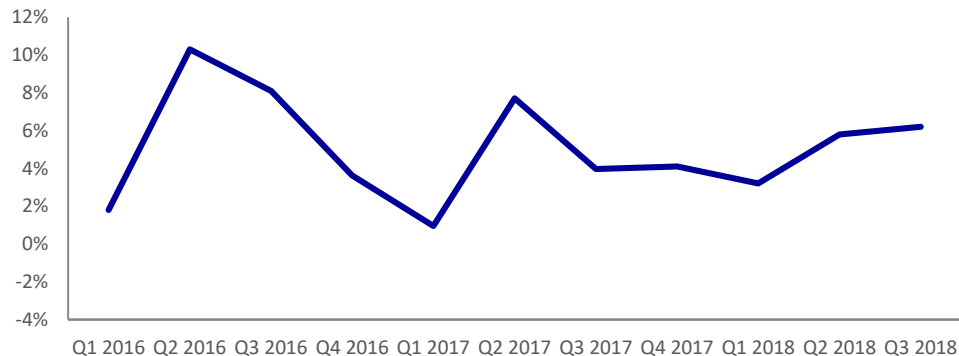
Meal Service

SALES & OPERATING MARGIN ¹⁾

NET SALES, SEK m



OPERATING MARGIN, %



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Q3, 2018

- Acquired Biopac UK and Duni's ecoecho[®] assortment behind the good growth.
- Launches made during last fall and spring shows good market acceptance and supports the growth.
- Quarter shows big improvements in the Nordic Region and very strong development in the South of Europe.
- Basic plastic articles continue to decrease as share of the portfolio and challenges to secure fiber materials is still part of the picture.





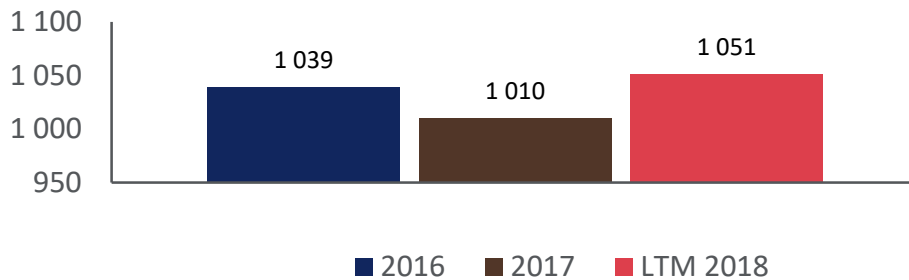
Consumer

Loss of customer contracts and raw material increases bring down the result

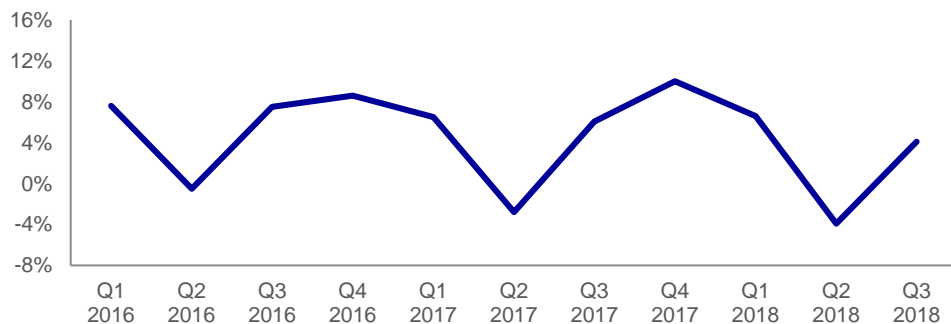
Consumer

SALES & OPERATING MARGIN ¹⁾

NET SALES, SEK m



OPERATING MARGIN, %



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Q3, 2018

- Underlying good growth in many markets is offset by decreases in UK and a loss of a significant customer.
- Growth is positive within Duni's own brand while sales connected to retailers' own brand decrease.
- As for Table Top, the continued increase in pulp prices impacts the result negatively.
- Compensatory price increases are being implemented, but long contract lead times limits short term effects.



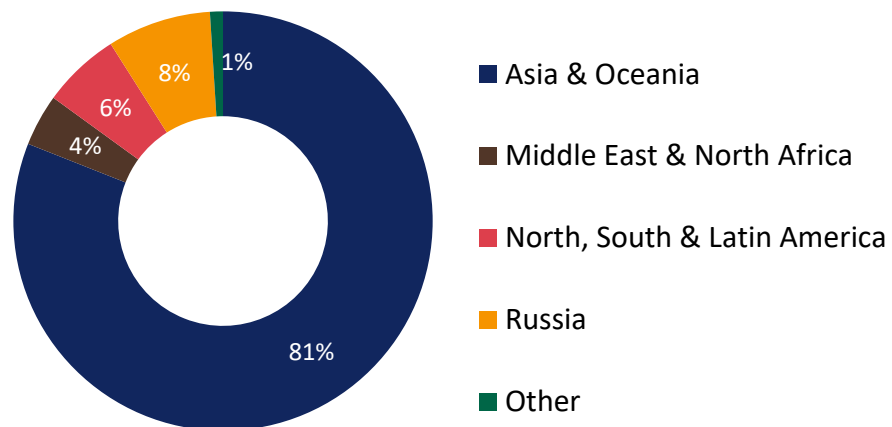


New Markets

Restructuring gives poor Q3 result

New Markets

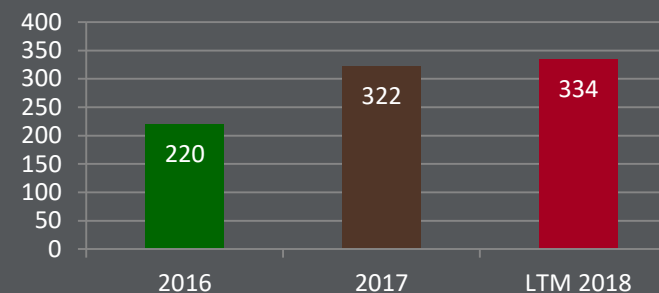
- Costs related to implementation of new ERP system and warehousing at Duni Song Seng in Singapore impacts result negatively short term.
- Market investment to strengthen the organization still burdening.
- Currency effects in Duni Russia has high negative impact.



Net sales, geographical split

SALES & OPERATING MARGIN ¹⁾

NET SALES, SEK m



OPERATING MARGIN, %

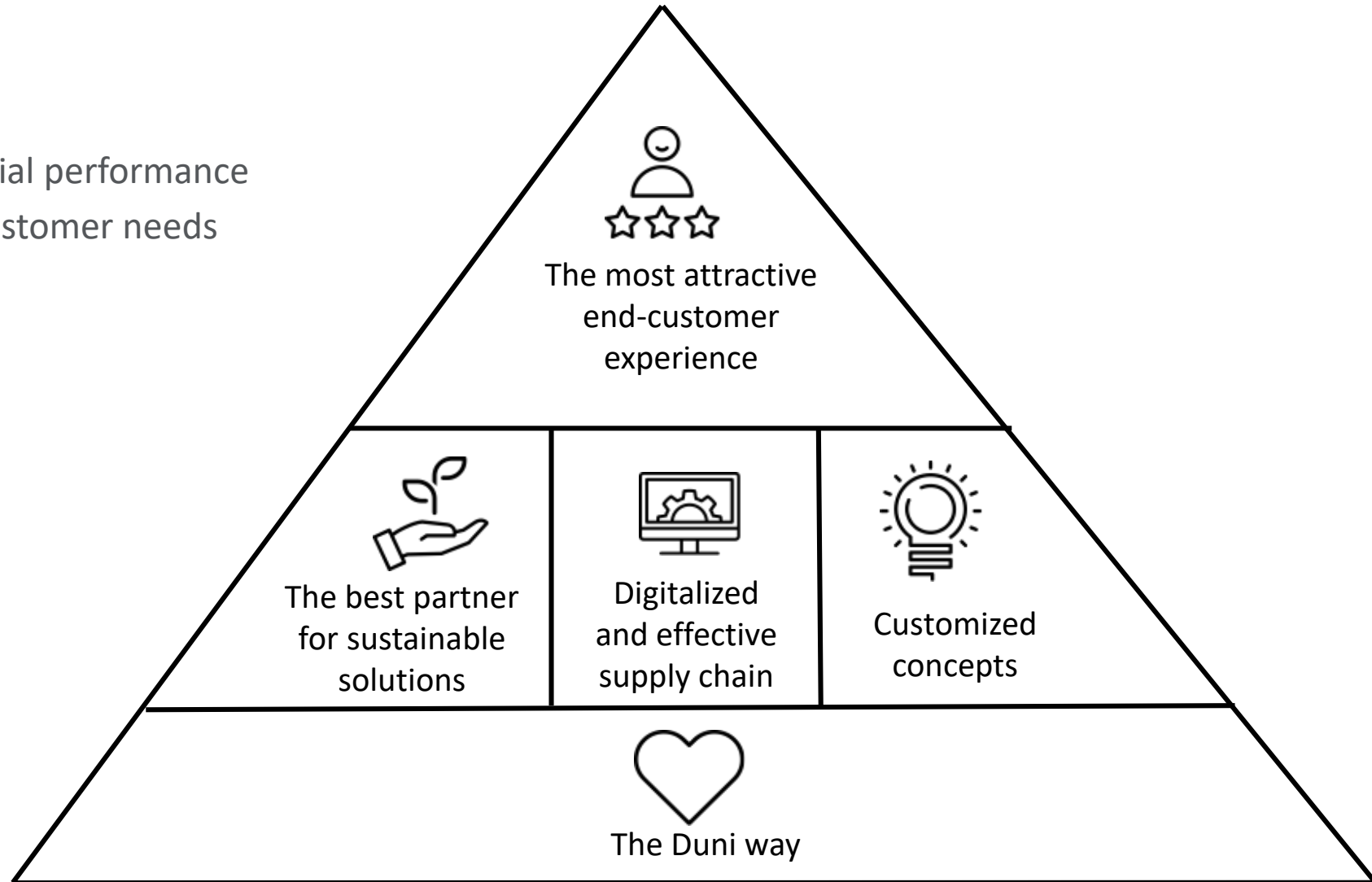


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New strategy to transform Duni into an even more **sustainable** and **customer oriented** business

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 385 m and exhibit strong growth historically above 20%
- Market leader in sustainable food packaging in Australia and New Zealand
- Acquired 75% of BioPak to the price of SEK 410 m, option for 100% after 5 years
- Consolidated into Business Area New Markets
- Acquisition costs of approx. SEK 9 m will be charged in Q4, implicating neutral operating income effect from BioPak in Q4

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 through first half of 2019
 3. A Duni Group wide cost efficiency program of indirect costs including a reduction of personnel
 - Net effect of SEK 30 m on a yearly basis with start 2019
 - Restructuring costs of SEK 30 m, mainly charged in quarter 4 2018





Financials



Operating income affected by raw material costs

SEK m	Q3 2018	Q3 2017	YTD 2018	YTD 2017	LTM 2017/2018	FY 2017
Net sales	1 190	1 082	3 467	3 188	4 721	4 441
Gross profit	308	304	916	891	1 289	1 264
Gross margin	25.9%	28.1%	26.4%	28.0%	27.3%	28.5%
Selling expenses	-131	-118	-408	-375	-538	-505
Administrative expenses	-67	-61	-202	-188	-274	-261
R & D expenses	-2	-2	-7	-6	-9	-8
Other operating net	-12	-10	-35	-25	-44	-35
EBIT	96	114	264	297	424	456
Adjustments	-10	-9	-29	-25	-39	-35
Operating income ¹⁾	107	123	293	322	463	491
Operating margin	9.0%	11.4%	8.5%	10.1%	9.8%	11.1%
Financial net	-7	-6	-10	-13	-14	-17
Taxes	-23	-27	-63	-72	-97	-106
Net income	66	80	191	212	313	334
Earnings per share	1.39	1.68	4.00	4.44	6.55	6.99

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

Strong development in Meal Service

SEK m		Q3 2018	Q3 2017	YTD 2018	YTD 2017	LTM 2017/2018	FY 2017
Table Top	Net Sales	625	581	1 804	1 697	2 444	2 338
	Operating income ¹⁾	84	96	233	254	354	375
	Operating margin	13.5%	16.5%	12.9%	14.9%	14.5%	16.0%
Meal Service	Net Sales	218	170	627	525	806	704
	Operating income ¹⁾	14	7	33	23	40	31
	Operating margin	6.2%	4.0%	5.2%	4.4%	5.0%	4.4%
Consumer	Net Sales	247	235	733	693	1 051	1 010
	Operating income ¹⁾	10	14	19	25	51	57
	Operating margin	4.1%	6.1%	2.6%	3.6%	4.8%	5.6%
New Markets	Net Sales	78	78	238	226	334	322
	Operating income ¹⁾	-3	5	4	17	11	24
	Operating margin	-3.4%	6.4%	1.7%	7.4%	3.4%	7.4%
Other	Net Sales	21	18	64	46	85	67
	Operating income ¹⁾	2	1	5	3	7	5
Duni total	Net Sales	1 190	1 082	3 467	3 188	4 721	4 441
	Operating income ¹⁾	107	123	293	322	463	491
	Operating margin	9.0%	11.4%	8.5%	10.1%	9.8%	11.1%

¹⁾ 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	Q3 2018	Q3 2017	YTD 2018	YTD 2017	LTM 2017/2018	FY 2017
Operating EBITDA ¹⁾	146	158	408	426	612	630
Capital expenditure	-56	-41	-142	-165	-208	-234
Change in; Inventory	-74	-39	-111	-94	-74	-57
Accounts receivable	-4	-15	8	-41	1	-49
Accounts payable	34	3	-61	-25	21	56
Other operating working capital	23	27	20	22	-1	2
Change in working capital	-21	-24	-144	-138	-54	-48
Operating cash flow	69	93	121	122	350	348

¹⁾ 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	September 2018	December 2017	September 2017
Goodwill	1 656	1 617	1 605
Tangible and intangible fixed assets	1 426	1 374	1 316
Net financial assets ¹⁾	-91	-107	-82
Inventories	768	627	652
Accounts receivable	829	798	772
Accounts payable	-382	-428	-346
Other operating assets and liabilities ³⁾	-458	-433	-437
Net assets	3 749	3 449	3 480
Net debt	1 184	855	1 032
Equity	2 565	2 594	2 447
Equity and net debt	3 749	3 449	3 480
ROCE ²⁾	13%	14%	14%
ROCE ²⁾ w/o Goodwill	23%	28%	27%
Net debt / Equity	46%	33%	42%
Net debt / EBITDA ²⁾	1.93	1.36	1.63

¹⁾ Deferred tax assets and liabilities + Income tax receivables and payables.

²⁾ 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.

³⁾ 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

LTM

1.2%

at fixed exchange rates

Operating margin

> 10%

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

LTM

9.8%

Dividend payout ratio

40+%

Target at least 40% of net profit

2017

5.00 SEK
per share



Thank you!