



Q2 Presentation 2018

13 July, 2018

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2018 Q2 Highlights

- **Operating income** significantly **influenced** by accelerating **pulp prices**.
- **Pulp prices** increased over 35% in 10 months and almost 20% since end of 2017.
- In addition to pulp, **energy prices** are substantially up vs previous year.
- **Price compensation activities** following plan and gradually implemented during second quarter. However, not sufficient to protect gross margin and consequently additional activities planned.
- **Organic growth 2%** and following market development.
- **Table Top** impacted by cost increase from raw materials with decreased margin.
- **Meal Service** slightly down in the quarter reflecting higher logistic cost and activities to secure supply of key products.
- **Consumer** almost on par with previous year with an underlying growth in many markets.
- **New Markets** influenced by costs from structure activities in Singapore in order to meet future volume increases.

- Net sales SEK 1 197 m (1 101)
- Operating income SEK 96 m (110)
- Operating margin 8.0% (10.0%)

Market Outlook

- **HoReCa market long-term growing** in-line with or slightly above GDP.
- In general good development in the HoReCa sector, however slow start in **Germany** with minor decrease from volume perspective.
- **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 half year. Will have a negative effect also in the second half 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.





Business Areas





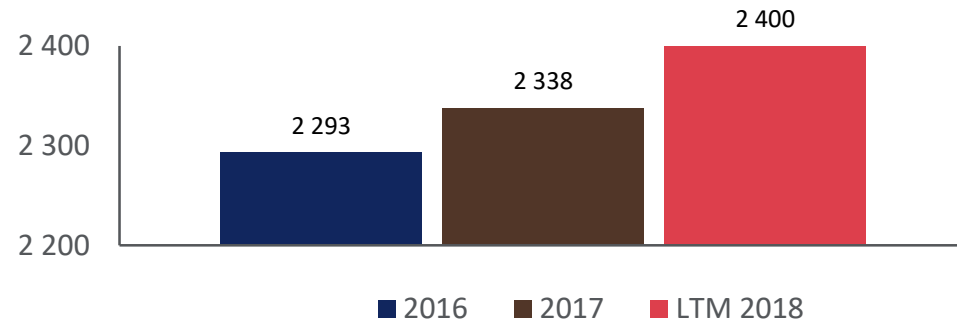
Table Top

Severely burdened by pulp cost.

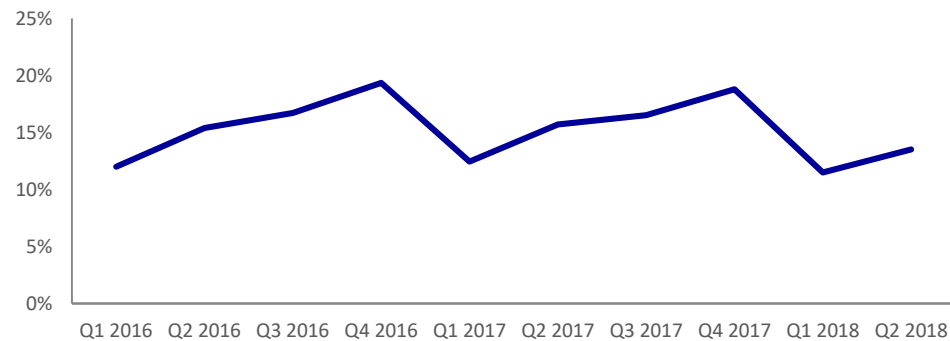
Table Top

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.

Q2, 2018

- Pulp cost has increased substantially more than anticipated and current price measures taken not sufficient in order to protect gross margin.
- Growth close to 2% and broad in terms of markets increasing sales. Still, Germany with slight decrease in the quarter.
- Evolin®, the premium brand on table covers, experienced a strong quarter and to some extent mitigates the general weak trend on table covers.
- Additional price compensation activities under implementation, but will most probably have limited effect in 2018.



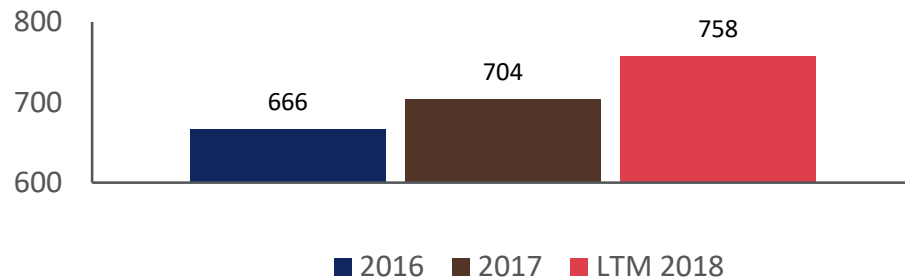
Meal Service

Securing sustainable materials remains a key priority.

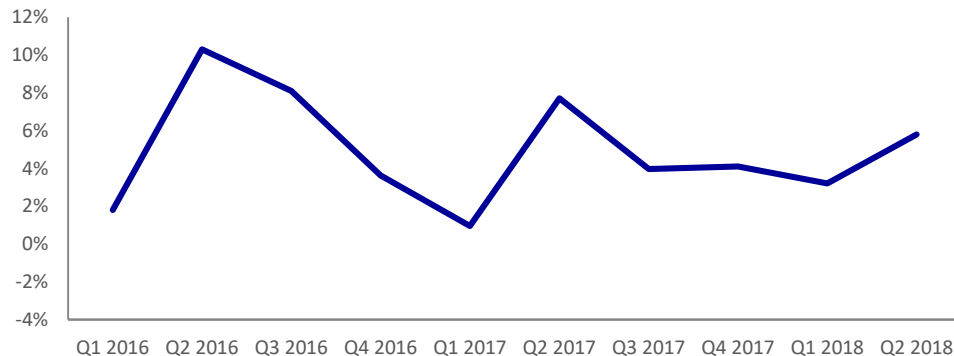
Meal Service

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.

Q2, 2018

- Less dependency on plastic based solutions noticeable in the quarter.
- Improvement in Nordic Region and strong development in South.
- High focus from Duni as well as customers to find sustainable solutions replacing plastics. Ecoecho[®] products, Duni's environmentally profiled assortment, continue to drive growth and consistently increase in share of sales.
- New launch of a Duniform[®] machine that automatically seals disposable glasses. Opens up new opportunities in salad bars and cafés.





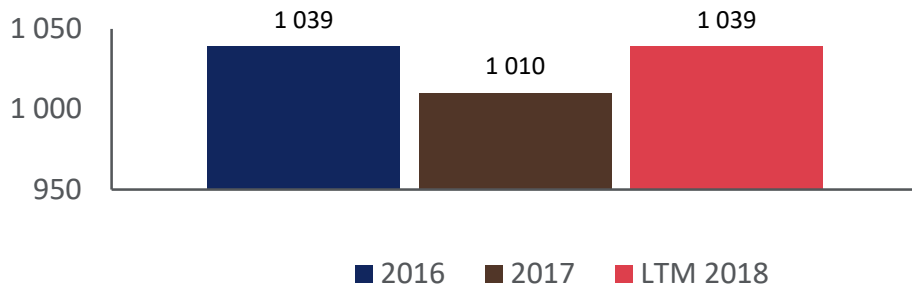
Consumer

Underlying growth in majority of markets.

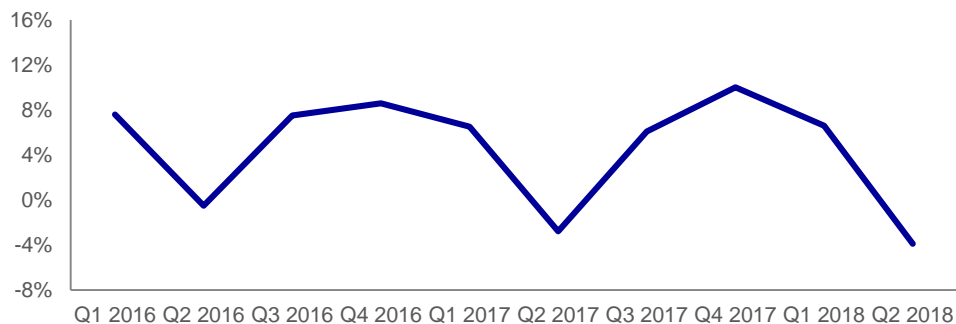
Consumer

SALES & OPERATING MARGIN ¹⁾

NET SALES, SEK m



OPERATING MARGIN, %



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Q2, 2018

- Underlying growth in many markets of 2-5%, but loss from a significant customer offsets positive development.
- High attention from customers in Nordic and other key regions of replacing plastic materials with more sustainable solutions.
- Close cooperation with Business Area Meal Service in joint effort of securing materials and launch of sustainable solutions.
- Production performance improved in the quarter with higher cost efficiency as result.

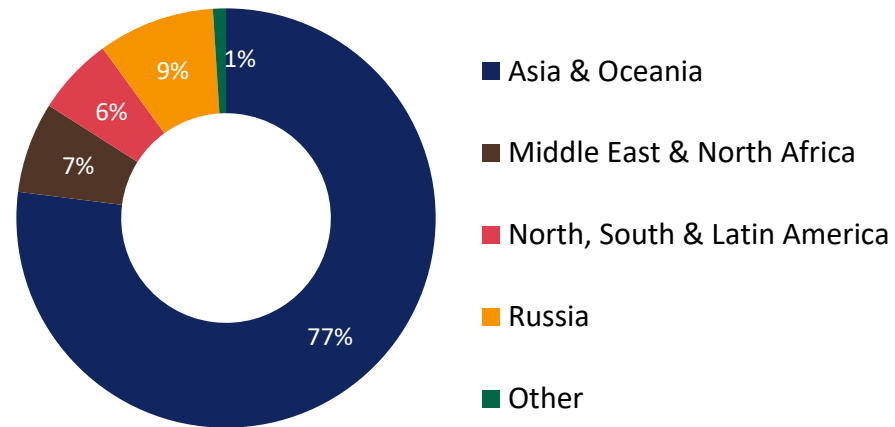


New Markets

Reallocation of Singapore business.

New Markets

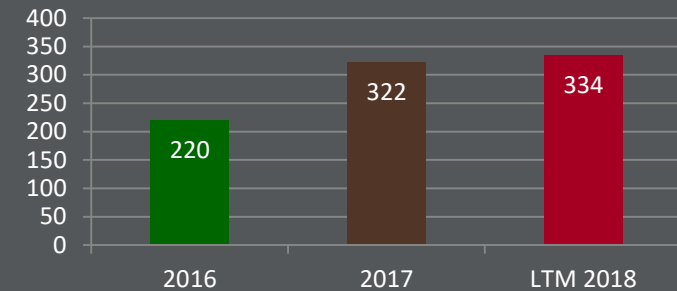
- Reallocation and new systems to meet additional volumes with higher cost efficiency in logistics and order to cash process.
- Market investment and focus on strengthening organization in order to accelerate growth of Duni premium products and consolidate customer offering.



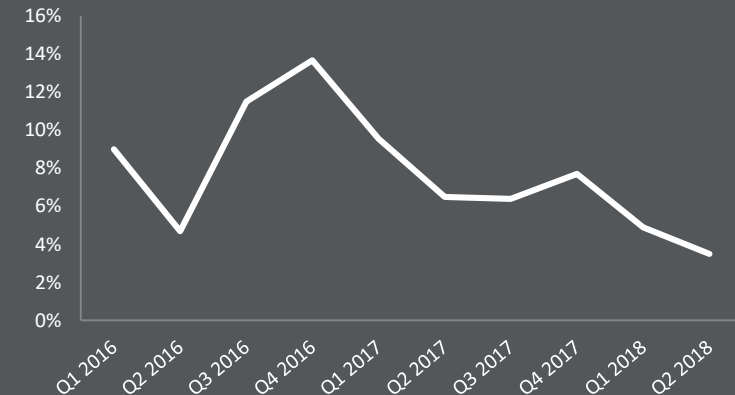
Net sales, geographical split

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.

Financials



Impact of high raw material cost

SEK m	Q2 2018	Q2 2017	YTD 2018	YTD 2017	LTM 2017/2018	FY 2017
Net sales	1 197	1 101	2 277	2 106	4 613	4 441
Gross profit	313	302	608	587	1 285	1 264
Gross margin	26.1%	27.4%	26.7%	27.9%	27.9%	28.5%
Selling expenses	-135	-128	-277	-258	-524	-505
Administrative expenses	-70	-66	-135	-127	-268	-261
R & D expenses	-3	-2	-6	-4	-9	-8
Other operating net	-18	-4	-23	-15	-43	-35
EBIT	87	102	168	183	441	456
Adjustments	-9	-8	-19	-16	-38	-35
Operating income ¹⁾	96	110	186	199	479	491
Operating margin	8.0%	10.0%	8.2%	9.4%	10.4%	11.1%
Financial net	0	-4	-3	-7	-13	-17
Taxes	-21	-25	-40	-45	-101	-106
Net income	66	73	125	132	327	334
Earnings per share	1.39	1.54	2.61	2.75	6.85	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.

Pulp prices impacting Table Top

SEK m		Q2 2018	Q2 2017	YTD 2018	YTD 2017	LTM 2017/2018	FY 2017
Table Top	Net Sales	645	605	1 178	1 116	2 400	2 338
	Operating income ¹⁾	87	95	149	158	366	375
	Operating margin	13.5%	15.7%	12.6%	14.1%	15.2%	16.0%
Meal Service	Net Sales	231	194	409	356	758	704
	Operating income ¹⁾	14	15	19	16	33	31
	Operating margin	5.8%	7.7%	4.7%	4.6%	4.4%	4.4%
Consumer	Net Sales	221	211	487	458	1 039	1 010
	Operating income ¹⁾	-9	-6	9	11	55	57
	Operating margin	-3.9%	-2.8%	1.9%	2.4%	5.3%	5.6%
New Markets	Net Sales	79	78	160	148	334	322
	Operating income ¹⁾	3	5	7	12	19	24
	Operating margin	3.5%	6.5%	4.2%	7.9%	5.7%	7.4%
Other	Net Sales	21	14	43	28	82	67
	Operating income ¹⁾	1	1	3	2	6	5
Duni total	Net Sales	1 197	1 101	2 277	2 106	4 613	4 441
	Operating income ¹⁾	96	110	186	199	479	491
	Operating margin	8.0%	10.0%	8.2%	9.4%	10.4%	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	Q2 2018	Q2 2017	YTD 2018	YTD 2017	LTM 2017/2018	FY 2017
Operating EBITDA ¹⁾	134	145	261	268	624	630
Capital expenditure	-57	-34	-86	-122	-197	-234
Change in; Inventory	17	18	-38	-56	-39	-57
Accounts receivable	-46	-54	13	-27	-10	-49
Accounts payable	-38	21	-95	-27	-11	56
Other operating working capital	57	24	-3	-4	3	2
Change in working capital	-11	8	-123	-114	-57	-48
Operating cash flow	66	119	52	32	369	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	June 2018	December 2017	June 2017
Goodwill	1 660	1 617	1 613
Tangible and intangible fixed assets	1 428	1 374	1 333
Net financial assets ¹⁾	-106	-107	-72
Inventories	700	627	619
Accounts receivable	832	798	767
Accounts payable	-350	-428	-348
Other operating assets and liabilities ³⁾	-451	-433	-423
Net assets	3 714	3 449	3 490
Net debt	1 220	855	1 109
Equity	2 494	2 594	2 381
Equity and net debt	3 714	3 449	3 490
ROCE ²⁾	13%	14%	15%
ROCE ²⁾ w/o Goodwill	24%	28%	28%
Net debt / Equity	49%	33%	47%
Net debt / EBITDA ²⁾	1.96	1.36	1.73

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

0.9%

at fixed exchange rates

Operating margin

> 10%

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

LTM

10.4%

Dividend payout ratio

40+%

Target at least 40% of net profit

2017

5.00 SEK
per share

Thank you!

