



# Year-end Report 2018



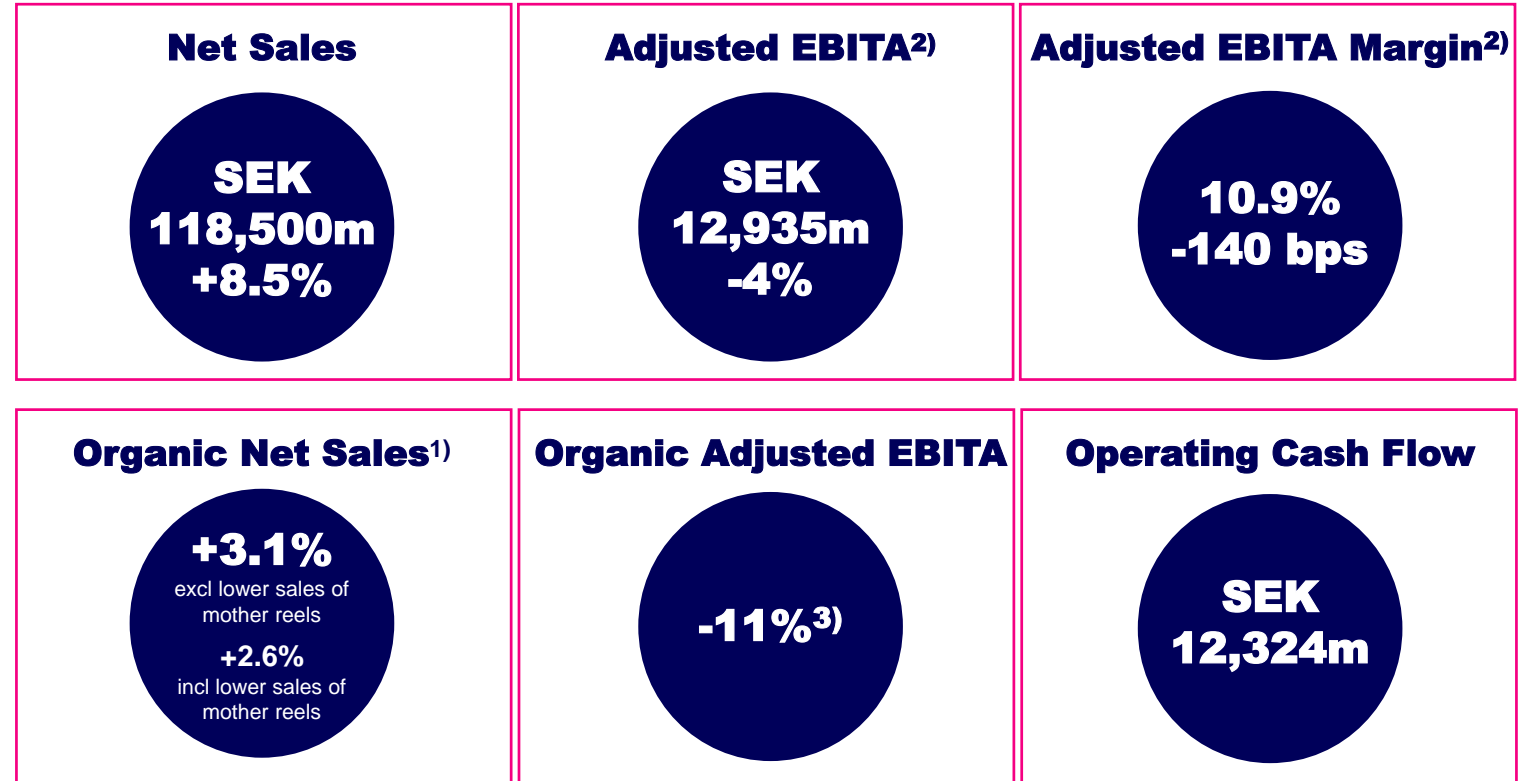


This presentation may contain forward-looking statements. Such statements are based on our current expectations and are subject to certain risks and uncertainties that could negatively affect our business. Please read our most recent annual and sustainability report for a better understanding of these risks and uncertainties.

# Summary

## 2018 vs 2017

- Higher organic net sales<sup>1)</sup> in all business areas
- Strong organic sales growth in emerging markets
- Higher prices and better mix
- Higher volumes
- Strong contribution from cost savings of above SEK 1bn
- Significantly higher raw material- and energy costs with negative impact on adjusted EBITA margin of -420 bps



<sup>1)</sup> Net sales which excludes exchange rate effects, acquisitions and divestments

<sup>2)</sup> Excluding items affecting comparability

<sup>3)</sup> Excluding items affecting comparability, currency translation effects and acquisitions

# Summary

2018

The Board of Directors  
proposes a dividend of  
SEK 5.75 per share

**Adjusted ROCE<sup>1)</sup>**

**12.0%**

**Adjusted ROE<sup>1) 3)</sup>**

**18.0%**

**EPS<sup>3)</sup>**

**11.23  
SEK**

**Adjusted EPS<sup>2) 3)</sup>**

**13.32  
SEK**

<sup>1)</sup> Excluding items affecting comparability

<sup>2)</sup> Excluding items affecting comparability and amortization of acquisition-related intangible assets

<sup>3)</sup> Decision in tax case reduced taxes with approximately SEK 1.1bn

# Successful Innovations

Launched 29 Innovations in 2018



Cutimed®



# Initiatives and Awards

- Industry leader in Dow Jones Sustainability Index
- New targets for reduction of greenhouse gas emission approved by Science Based Targets initiative
- Joined the Ellen MacArthur Foundation's New Plastic Economy global commitment, "A line in the sand"
- Awards at 2018 European Cleaning & Hygiene Awards
  - Technical Innovation of the Year: Tork EasyCube®
  - Best Practice – Sustainability: Tork PaperCircle™
- ~2.5 million people educated by Essity in hygiene and health



# Summary

## Q4 2018 vs Q4 2017

- Higher organic net sales<sup>1)</sup> in all business areas
- Strong organic sales growth in emerging markets
- Higher prices in all business areas
- Higher volumes
- Strong contribution from cost savings
- Significantly higher raw material- and energy costs with negative impact on adjusted EBITA margin of -480 bps
- Higher distribution costs
- Decision in tax case reduced taxes with approximately SEK 1.1bn

### Net Sales

**SEK  
31,112m  
+8.5%**

### Adjusted EBITA<sup>2)</sup>

**SEK  
3,451m  
-5%**

### Adjusted EBITA Margin<sup>2)</sup>

**11.1%  
-150 bps**

### Organic Net Sales<sup>1)</sup>

**+4.0%**

excl lower sales of  
mother reels

**+3.3%**

incl lower sales of  
mother reels

### Organic Adjusted EBITA

**-11%<sup>3)</sup>**

### Operating Cash Flow

**SEK  
3,923m**

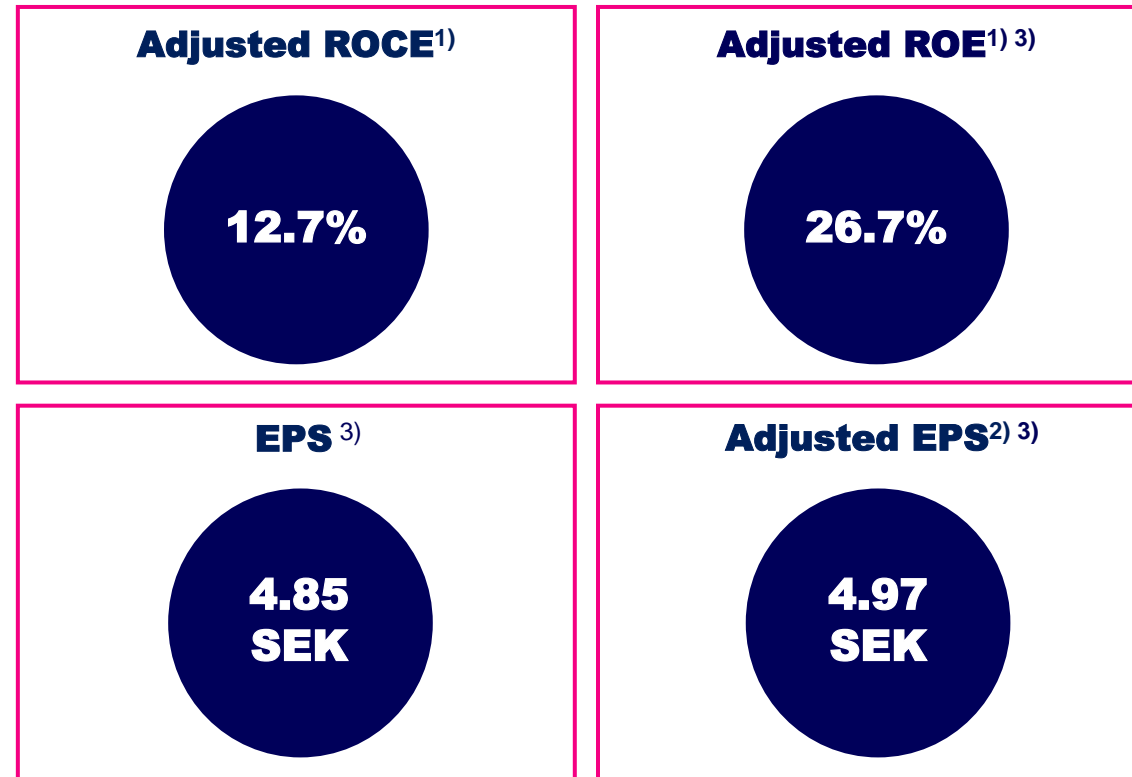
<sup>1)</sup> Net sales which excludes exchange rate effects, acquisitions and divestments

<sup>2)</sup> Excluding items affecting comparability

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# Summary

Q4 2018



<sup>1)</sup> Excluding items affecting comparability

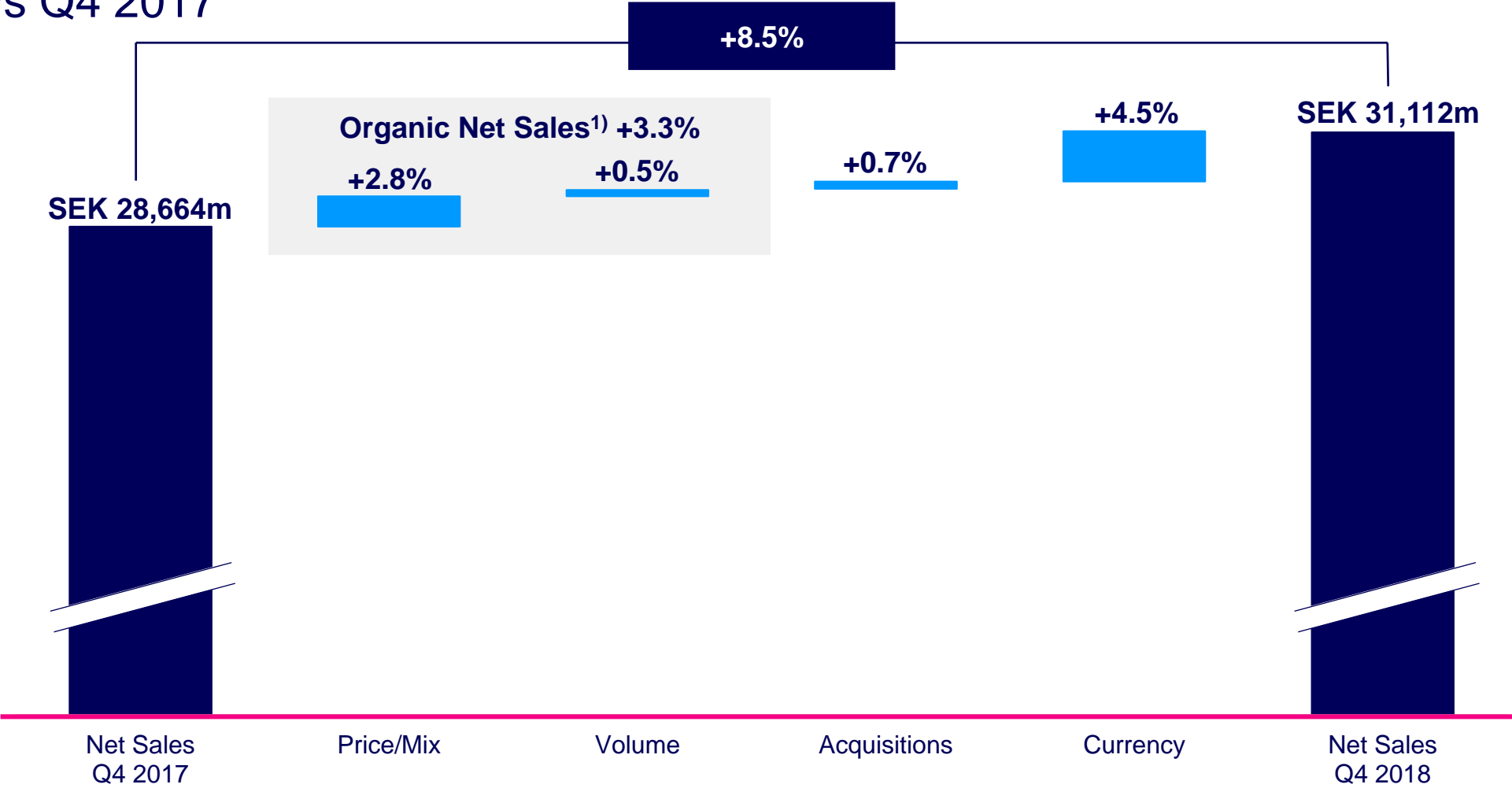
<sup>2)</sup> Excluding items affecting comparability and amortization of acquisition-related intangible assets

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# Net Sales

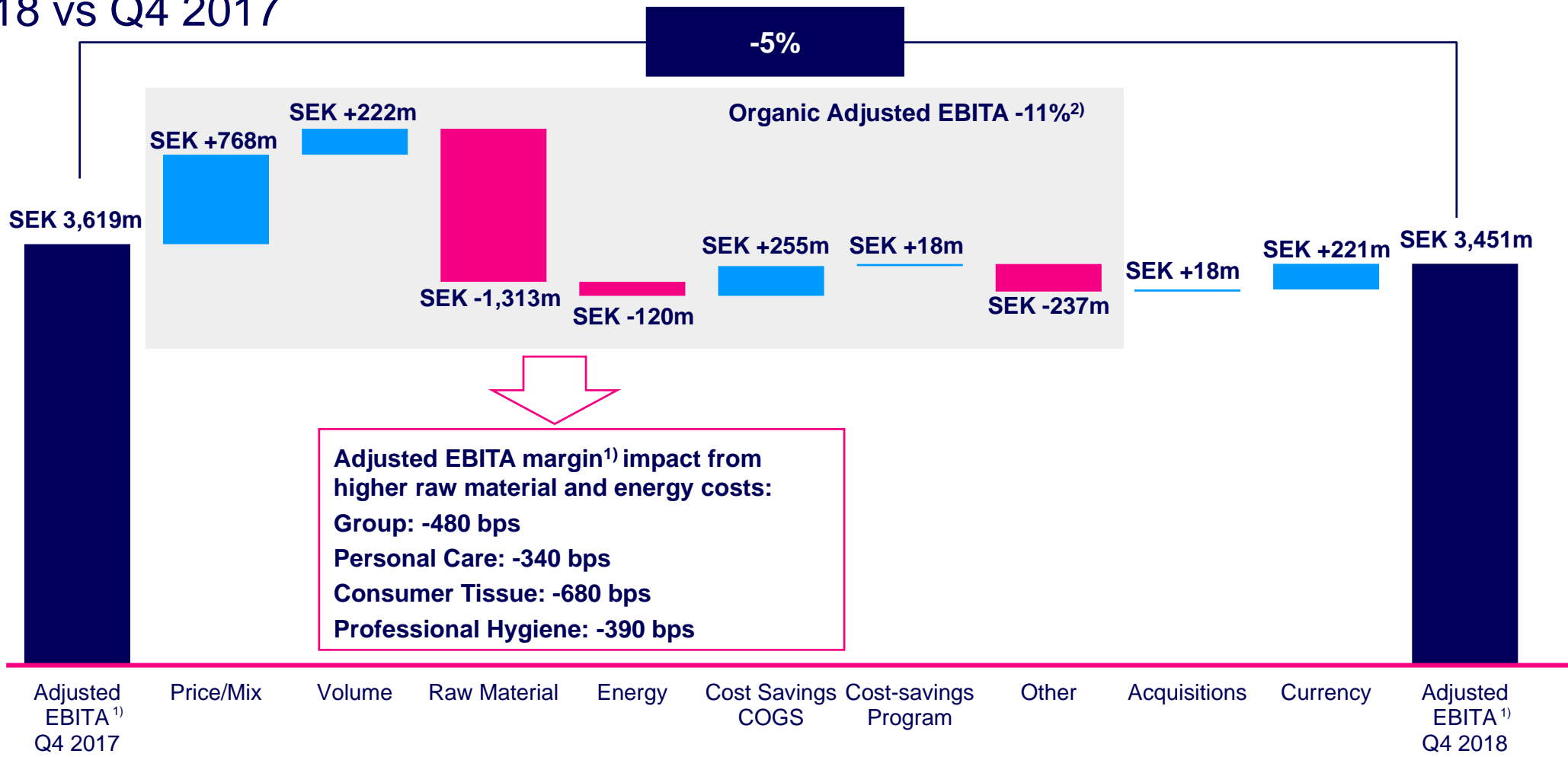
Q4 2018 vs Q4 2017



<sup>1)</sup> Net sales which excludes exchange rate effects, acquisitions and divestments

# Adjusted EBITA<sup>1)</sup>

Q4 2018 vs Q4 2017



<sup>1)</sup> Excluding items affecting comparability  
<sup>2)</sup> Excluding items affecting comparability, currency translation effects and acquisitions  
January 31, 2019

# Cost Savings

Q4 2018 vs Q4 2017

## COGS Savings

- Tissue Roadmap
  - Closure of production capacity
  - Headcount reduction
- Operational efficiency improvements
- Material rationalization
- Sourcing savings



**SEK 255m**

## SG&A Savings

- Reduction of travel and hiring costs
- Reduced office costs
- Headcount reduction
- Improved A&P efficiency



**-50 bps to 16.4% of sales**

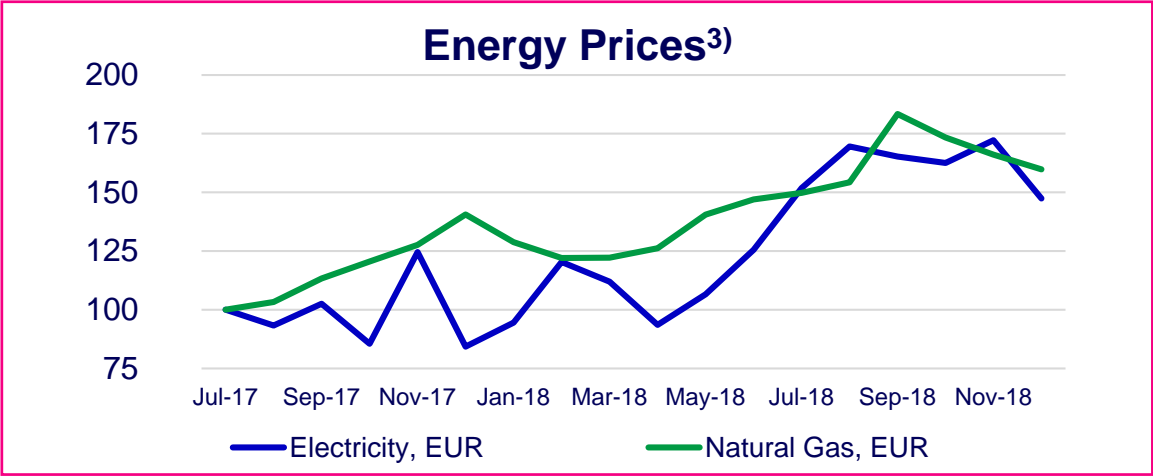
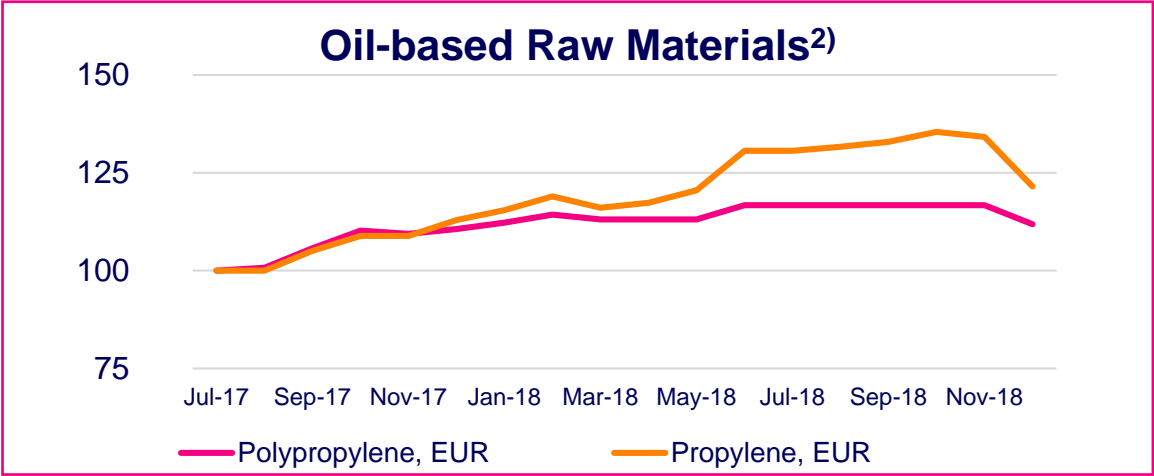
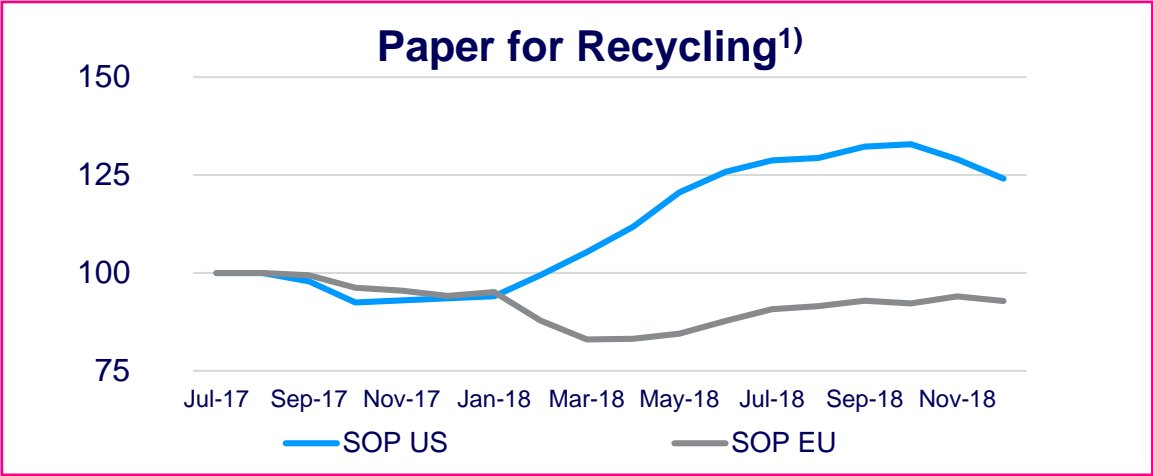
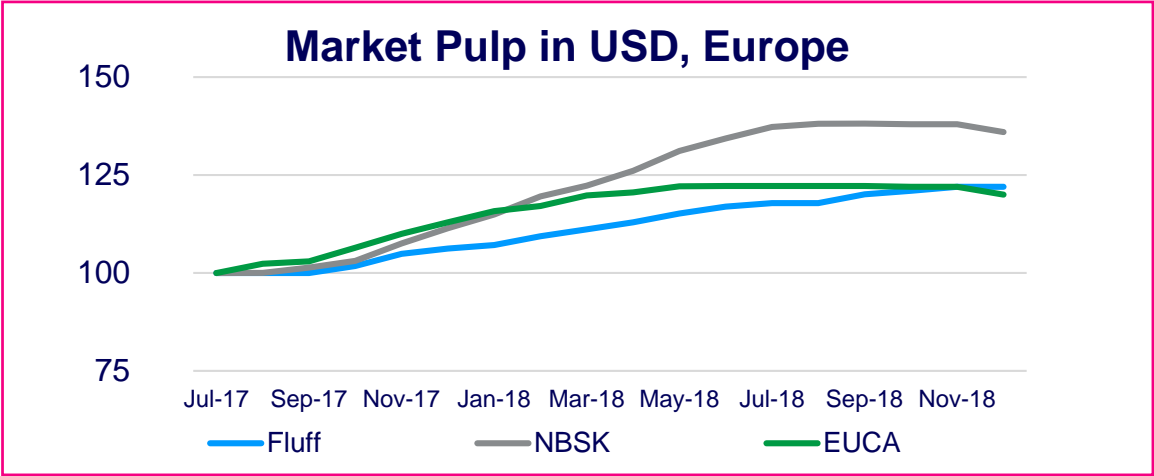
# Cost-Savings Program

- Expected annual cost-savings of **approx SEK 900m** with full effect at the end of 2019
  - Q4 2018: **SEK 18m**
  - Year-end 2018 annualized run-rate cost-savings approx **SEK 150m**
- Reduce the cost base related to COGS and SG&A primarily through headcount reduction of **approx 1,000 positions**
  - Q4 2018: **210 cancelled positions**
- Expected restructuring costs of **approx SEK 700m**
  - Q4 2018: **SEK 130m**
- Enhanced organizational structure





# Raw Material Development



Index 100 = July 2017  
1) Sorted Office Paper. Index in local currencies. EU refers to Germany  
2) Polypropylene major feedstock of non-woven material, Propylene major feedstock of SAP material  
3) Electricity Germany. Natural Gas, TTF Index

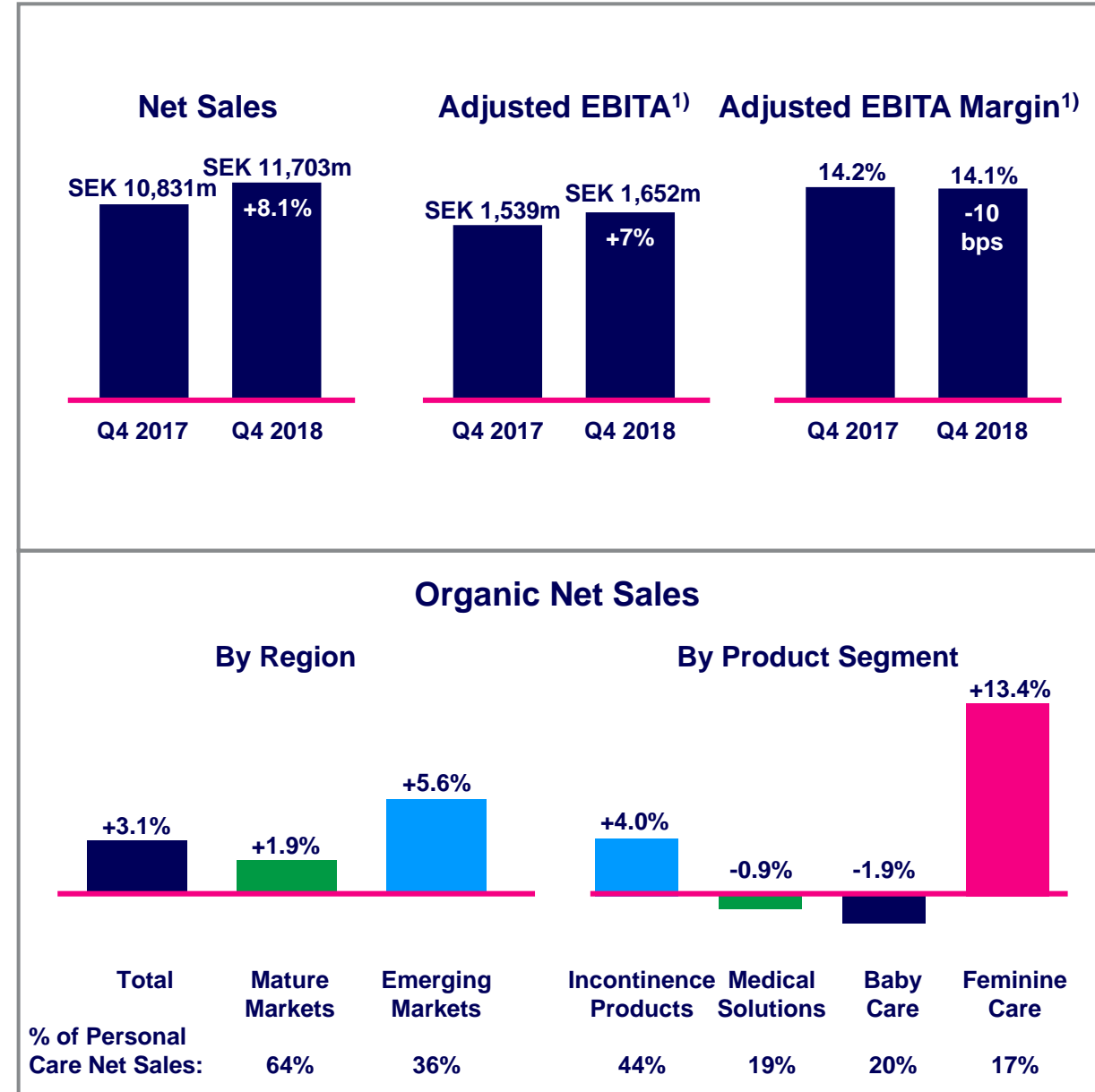
Source: FOEX, Fast Markets RISI, VDP, Macrobond, Epexspot, ICIS-LOR

# Personal Care

## Q4 2018 vs Q4 2017

- Organic net sales increased 3.1%
  - Volume +2.1% and price/mix +1.0%
- Strong organic sales growth in emerging markets
- Adjusted EBITA margin<sup>1)</sup> 14.1%
- Higher prices and volumes
- Significant raw material and energy headwinds with negative impact of -340 bps on adjusted EBITA margin
- Higher distribution costs
- Incontinence Products:** Growth in all regions
- Medical Solutions:** Higher profitability but lower sales
- Feminine Care:** Strong growth in all regions
- Baby Care:** Lower sales in emerging markets

<sup>1)</sup> Excluding items affecting comparability

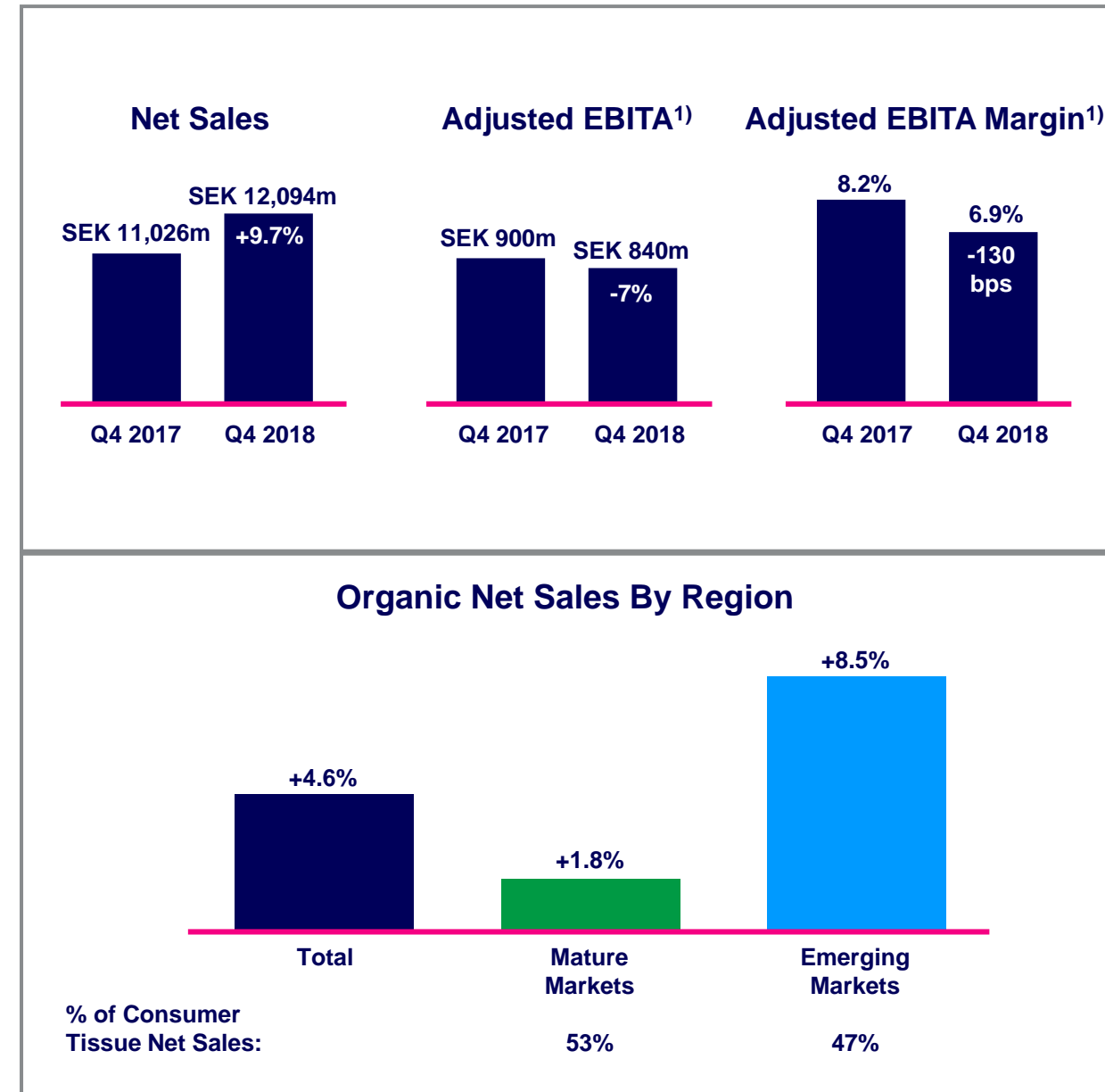


# Consumer Tissue

## Q4 2018 vs Q4 2017

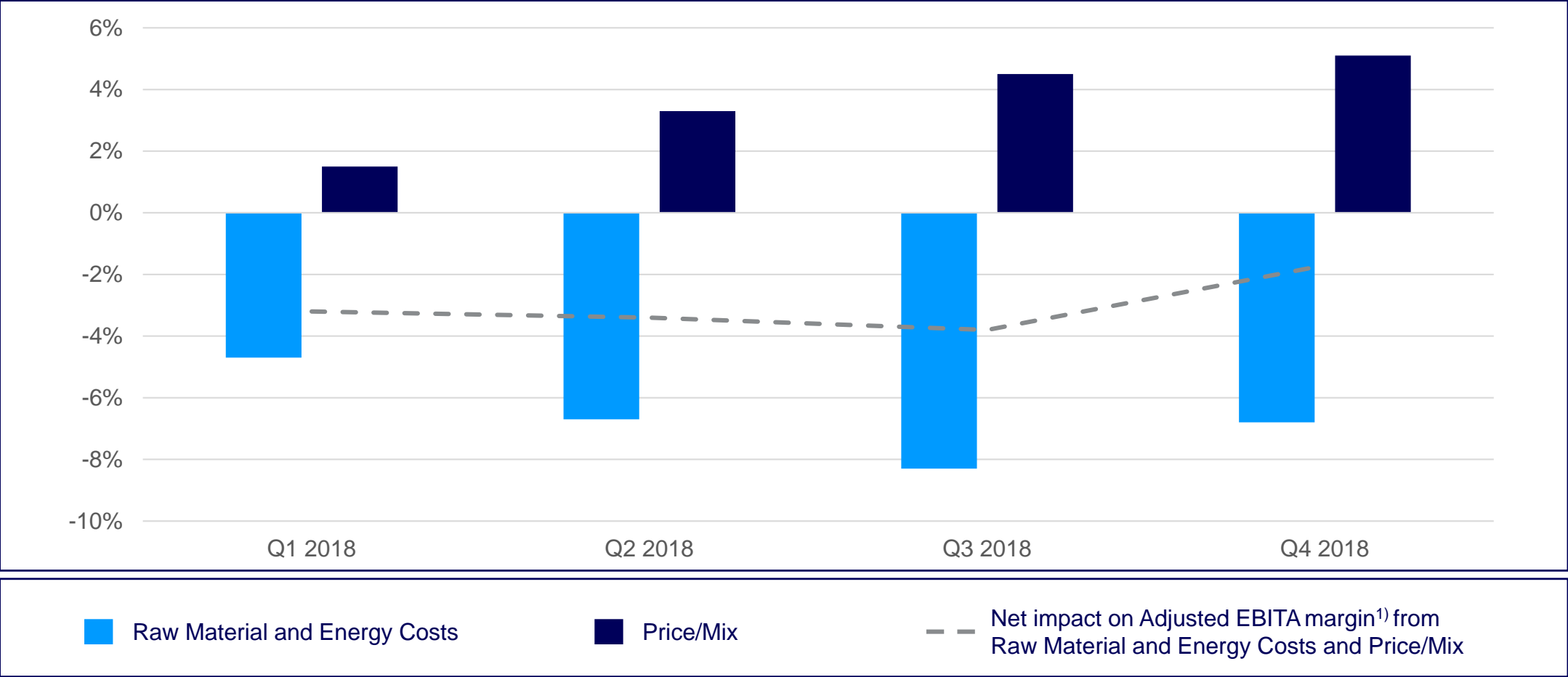
- Organic net sales increased 4.6%
  - Volume -0.5% and price/mix +5.1%
- Strong organic sales growth in emerging markets
- Lower volumes due to mother reels
- Adjusted EBITA margin<sup>1)</sup> 6.9%
- Higher prices in Asia, Europe and Latin America
- Better mix
- Significant raw material and energy headwinds with negative impact of -680 bps on adjusted EBITA margin
- Higher distribution costs

<sup>1)</sup> Excluding items affecting comparability



# Consumer Tissue

## Changes to Adjusted EBITA Margin<sup>1)</sup>



<sup>1)</sup> Excluding items affecting comparability

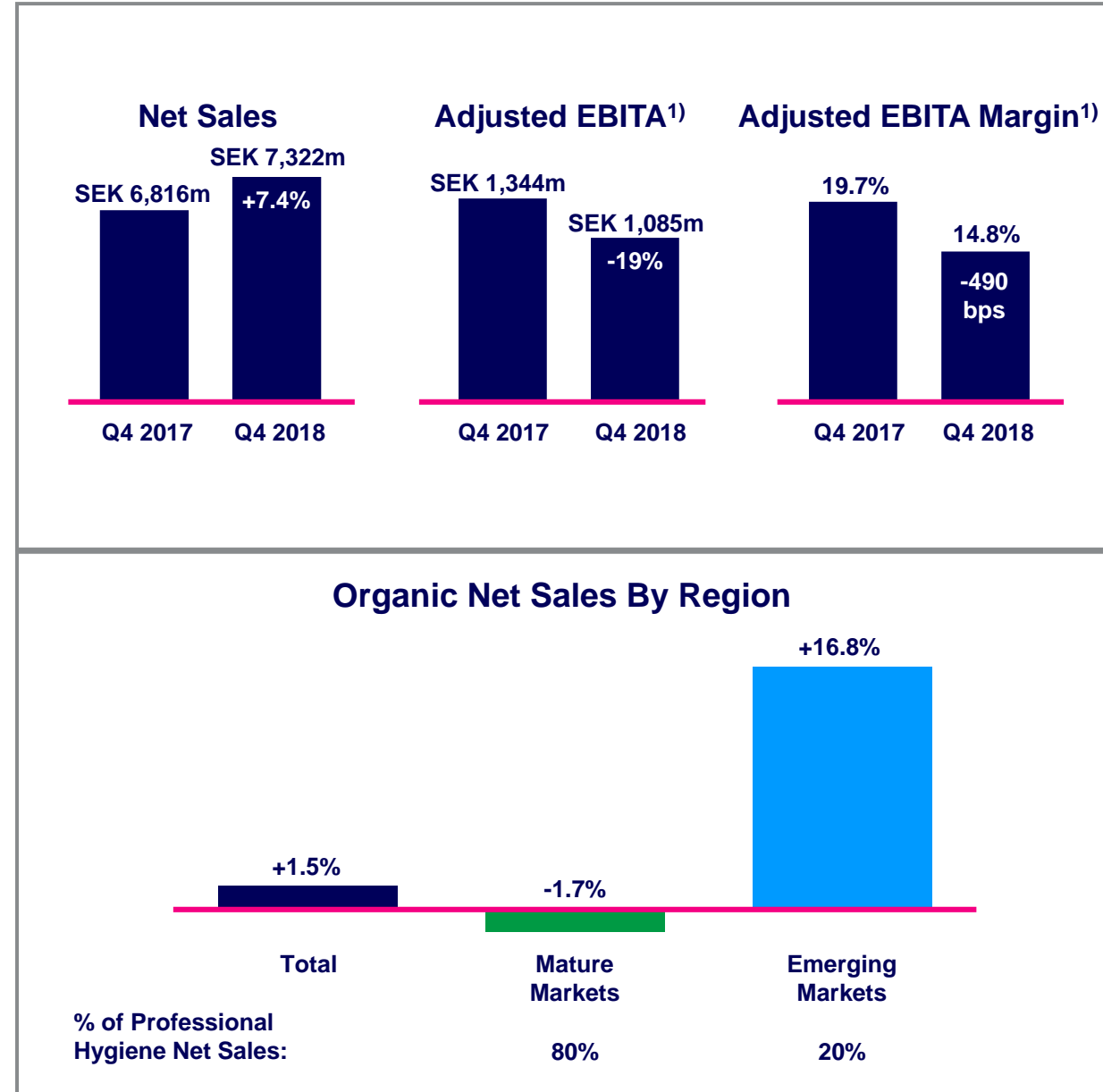


# Professional Hygiene

## Q4 2018 vs Q4 2017

- Organic net sales increased 1.5%
  - Volume -0.2% and price/mix +1.7%
- Higher sales in Europe but lower in North America
- Strong organic sales growth in emerging markets with all regions contributing
- Adjusted EBITA margin<sup>1)</sup> of 14.8%
- Higher prices in Asia, Europe and North America
- Significant raw material and energy headwinds with negative impact of -390 bps on adjusted EBITA margin
- Higher distribution costs
- Q4 2017 had positive impact of approximately SEK 200m (+280 bps on adjusted EBITA margin) related to one-off and adjustments of accruals

<sup>1)</sup> Excluding items affecting comparability



# Priorities 2019

- Invest in our strong brands
- Innovations for people and nature
- Price increases
- Efficiency improvements
- Deliver on Group-wide cost-savings program
- Grow all high margin categories
- Accelerate the digital transformation





# Q&A





