# Strong start to the year

## Interim Report Q1 2022

Charles Héaulmé
President and CEO

Thomas Geust
CFO

Huhtamaki

# Strong start to the year

- **Challenging environment** – continued COVID-19 pandemic, high and broad-based inflation, challenges in raw material availability and disruption in global supply chains, the war in Ukraine
- **Strong net sales and adjusted EBIT growth** – driven by positive impact of acquisitions, volume growth, increased operational efficiencies and pricing actions
- **Our evolving strategy**
  - **Russia** – Initiated the process to divest the operations in Russia
  - **Reprioritizing investments** – We continue to prioritize investments that capture significant growth opportunities in the rest of the world, in line with our global ambitions and 2030 Strategy
  - **Investing in fiber capacity and sustainability** – increasing smooth molded fiber packaging capacity in Europe. VPPA in the US signed, solar panels installed in China

# Our innovation recognized by sustainability awards


## McDonald's Sundae cup and lid

Fully plant-based (100% renewable). Recyclable and compostable. Insulating specification for ice cream packaging.

**Diamond Finalist Award, Dow Packaging Innovation Awards 2021**


## Nescafe Protect Proslim

The world's first recyclable alu-foil free instant coffee stick. Fully recyclable without compromising product shelf-life.

**Silver Winner Award, Dow Packaging Innovation Awards 2021**


## Garnier Men Shampoo Color

User-friendly two-sided flexible membrane developed for packaging the colorant and developer formula in the same sachet.

**Silver Winner Award, Dow Packaging Innovation Awards 2021**



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# Business performance

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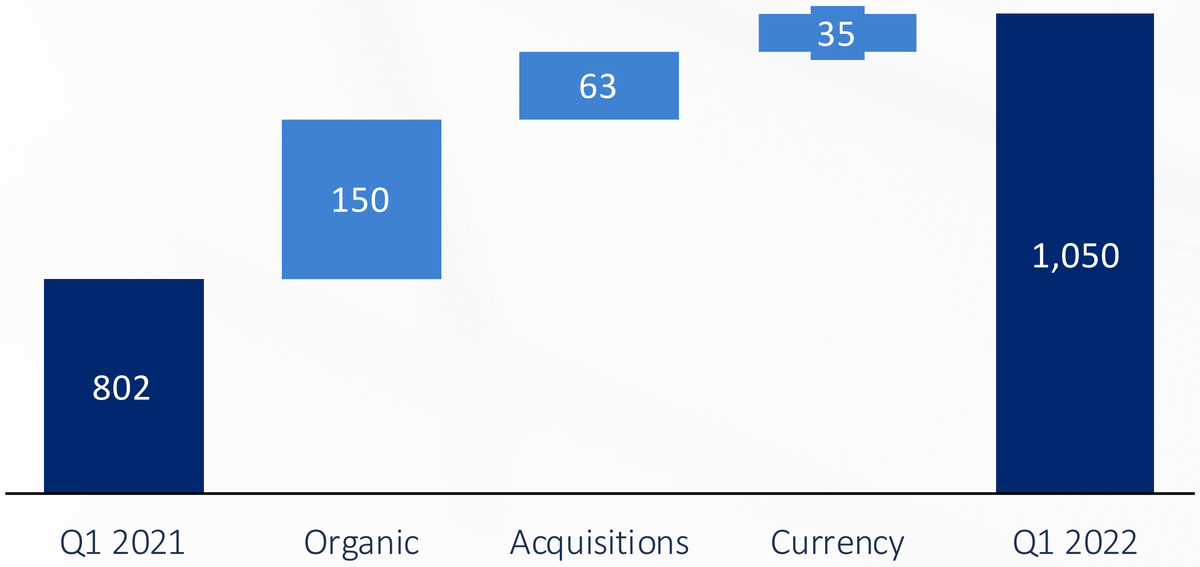
# Q1 2022: Strong comparable net sales growth

## Development of net sales in Q1 2022
(EUR million)




## Net sales increased 31% in Q1 2022

- Comparable net sales growth 19% (19% in emerging markets)
- Volume growth in line with long-term ambition
- 8% from acquisitions, mainly Elif
- 4% positive currency impact

Comparable net sales growth is growth excluding foreign currency changes, acquisitions, divestments and ancillary businesses.
Acquisitions calculated for 12 first months from closing. The acquisition of Elif closed at the end of Q3 2021.



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# Continued recovery in foodservice, solid demand for food on-the-shelf and pricing drive strong growth in the quarter

| *Comparable growth* | Q1 21 | Q2 21 | Q3 21 | Q4 21 | Q1 22 | Long-term ambitions |
|---|---|---|---|---|---|---|
| Foodservice E-A-O | -2% | 40% | 2% | 12% | 18% | 5-7% |
| North America | -2% | 9% | 5% | 11% | 24% | 3-5% |
| Flexible Packaging | 0% | 6% | 7% | 12% | 18% | 6-8% |
| Fiber Packaging | 4% | 1% | 2% | 2% | 8% | 3-5% |
| **Group** | **-0%** | **14%** | **4%** | **12%** | **19%** | **5+%** |

- Demand in foodservice packaging continued to improve vs a soft comparison period
- Strong demand in most categories in North America
- Solid demand for Flexible Packaging
- Some softness in demand for egg packaging

Comparable net sales growth is growth excluding foreign currency changes, acquisitions, divestments and ancillary businesses.



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# Strong EBIT growth

| *MEUR* | Q1 22 | Q1 21 | Change |
|---|---|---|---|
| Net sales | 1,049.7 | 802.1 | 31% |
| Adjusted EBIT[1] | 97.5 | 77.0 | 27% |
| *Margin* | *9.3%* | *9.6%* | |
| Adjusted EPS, EUR[2] | 0.63 | 0.49 | 29% |
| Capital expenditure | 76.4 | 33.0 | >100% |

- Strong net sales growth, both reported and comparable
- Adjusted EBIT improved by growth in sales volumes, a favorable sales mix and continued focus on operational efficiency
- Significant investments continued to enable business expansion, portfolio transformation and improved productivity

1) Excluding IAC of EUR -4.0 million in Q1 2022 (EUR -5.3 million)
2) Excluding IAC of EUR 0.3 million in Q1 2022 (EUR -4.1 million)



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# Business segment review

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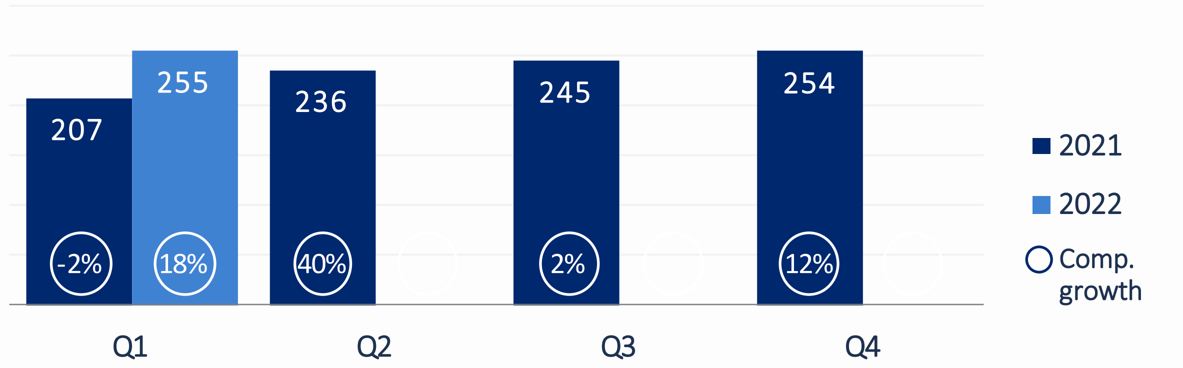
# Foodservice EAO: Continued recovery in demand

| *Key figures, MEUR* | Q1 22 | Q1 21 | Change |
|---|---|---|---|
| Net sales | 254.7 | 207.5 | 23% |
| Comparable growth | 18% | -2% | |
| Adjusted EBIT[1] | 25.6 | 17.6 | 45% |
| Margin | 10.0% | 8.5% | |
| Capital expenditure | 38.1 | 9.8 | >100% |
| Operating cash flow[1] | -11.1 | 21.4 | <-100% |

Net sales and comparable growth (EUR million & %)




- The demand for foodservice packaging continued to improve, albeit with regional differences. Net sales increased in most main markets, with the exception China, due to continued COVID-19 lockdowns
- Compared to Q1 2021, both paperboard and polymer prices have increased significantly. The supply chain continues to be disrupted, leading to cost escalation as well as some challenges with availability
- Adjusted EBIT improved mainly driven by growth in sales volumes and mix and supported by pricing to offset the significant cost inflation. Additionally, there was a continued positive impact from productivity actions in 2021

1) Excluding IAC of EUR 0.0 million in Q1 2022 (EUR -4.2 million).



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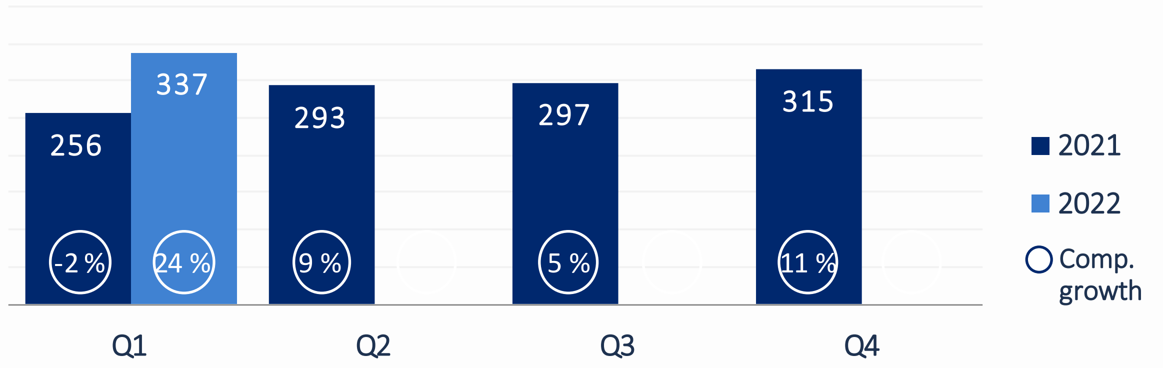
# North America: Strong growth and profitability

| *Key figures, MEUR* | Q1 22 | Q1 21 | Change |
|---|---|---|---|
| Net sales | 337.5 | 256.1 | 32% |
| Comparable growth | 24% | -2% | |
| Adjusted EBIT[1] | 38.8 | 31.2 | 25% |
| Margin | 11.5% | 12.2% | |
| Capital expenditure | 16.2 | 9.6 | 70% |
| Operating cash flow[1] | -21.1 | 13.0 | <-100% |

Net sales and comparable growth (EUR million & %)




- Net sales growth driven by foodservice packaging and retail tableware
- Significant and broad-based cost inflation, affecting raw material, labor, distribution, and energy
- Adjusted EBIT improved, supported by net sales growth and increased operational efficiency. The impact on profitability from increased costs for raw materials, labor, distribution and energy was largely offset by pricing actions

1) Excluding IAC of EUR 0.0 million in Q1 2022 (EUR 0.0 million).



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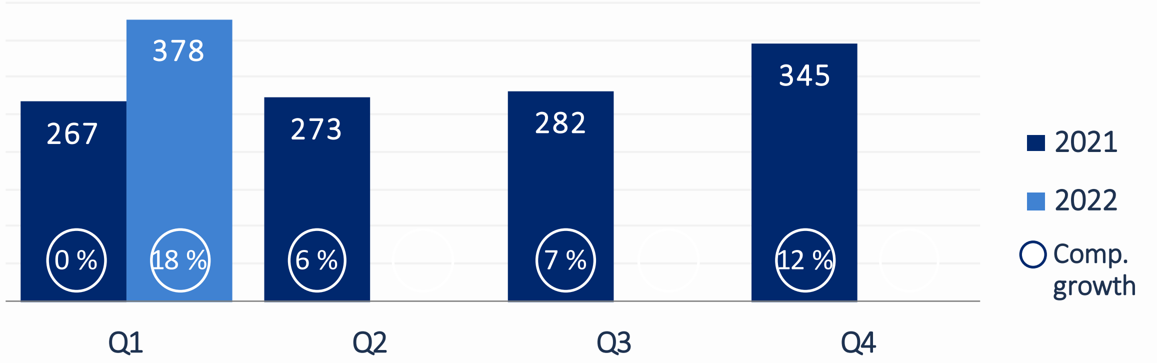
# Flexible Packaging: Strong growth, supported by Elif acquisition and improved cost mitigation

| *Key figures, MEUR* | Q1 22 | Q1 21 | Change |
|---|---|---|---|
| Net sales | 377.7 | 267.1 | 41% |
| Comparable growth | 18% | 0% | |
| Adjusted EBIT[1] | 29.4 | 21.7 | 35% |
| Margin | 7.8% | 8.1% | |
| Capital expenditure | 14.4 | 8.1 | 77% |
| Operating cash flow[1] | -17.3 | 14.8 | <-100% |

Net sales and comparable growth (EUR million & %)




- Overall demand for flexible packaging remained good
- Net sales increased by double-digit figures in all main markets, strongest figures in Middle East and Africa
- The segment's adjusted EBIT increased. The significant cost inflation was largely offset by pricing actions. Additionally, portfolio management and the first operational improvements in India had a positive impact
- The Elif acquisition contributed favorably to net sales and adjusted EBIT

1) Excluding IAC of EUR -2.8 million in Q1 2022 (EUR -1.1 million).



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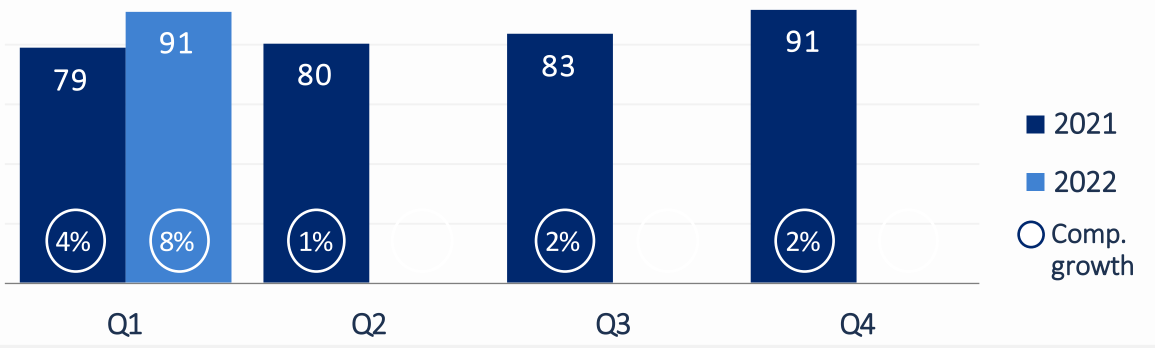
# Fiber Packaging: Growth impacted by expected softening in demand for egg packaging

| *Key figures, MEUR* | Q1 22 | Q1 21 | Change |
|---|---|---|---|
| Net sales | 90.9 | 78.6 | 16% |
| Comparable growth | 8% | 4% | |
| Adjusted EBIT[1] | 7.5 | 9.5 | -21% |
| Margin | 8.2% | 12.1% | |
| Capital expenditure | 7.4 | 5.2 | 41% |
| Operating cash flow[1] | 20.6 | 2.6 | >100% |

Net sales and comparable growth (EUR million & %)




- Demand for fiber-based egg packaging continued to soften, while demand for food on the go products was good
- Net sales increased especially in Europe. Net sales growth was driven by volume and pricing actions
- Adjusted EBIT decreased, as the impact from increased sales volumes was outweighed by inflation and a weaker product mix. In addition, the higher share of internal machine sales burdened the margin

1) Excluding IAC of EUR 0.0 million in Q1 2022 (EUR 0.0 million).

# Financial review

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# Solid adjusted EBIT margin

| *MEUR* | Q1 22 | Q1 21 | Change |
|---|---|---|---|
| Net sales | 1,049.7 | 802.1 | 31% |
| Adjusted EBITDA[1] | 146.6 | 117.7 | 24% |
| *Margin* [1] | *14.0%* | *14.7%* | |
| Adjusted EBIT[2] | 97.5 | 77.0 | 27% |
| *Margin* [2] | *9.3%* | *9.6%* | |
| EBIT | 93.5 | 71.6 | 31% |
| Adjusted Net financial items[3] | -7.3 | -8.4 | 13% |
| Adjusted profit before taxes | 90.2 | 68.6 | 32% |
| Adjusted income tax expense[4] | -22.0 | -16.0 | -37% |
| Adjusted profit for the period[5] | 68.2 | 52.5 | 30% |
| Adjusted EPS, EUR[5] | 0.63 | 0.49 | 29% |

- Sales growth supported by all segments, Elif acquisition contributed positively
- Input costs continued to increase; mitigation actions supported profitability
- Compared to prior year, effective tax rate up to 24% (23%)
- Adjusted EPS up 29% compared to prior year

1) Excluding IAC of EUR -2.0 million in Q1 2022 (EUR -3.0 million)
2) Excluding IAC of EUR -4.0 million in Q1 2022 (EUR -5.3 million)
3) Excluding IAC of EUR 4.4 million in Q1 2022 (EUR 0.0 million)
4) Excluding IAC of EUR -0.1 million in Q1 2022 (EUR 1.2 million)
5) Excluding IAC of EUR 0.3 million in Q1 2022 (EUR -4.1 million)



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# Positive currency impact in Q1 2022 driven by strong USD

| | Average rate Q1 21 | Average rate Q1 22 | Change in average rate | Closing rates Q1 21 | Closing rates Q2 21 | Closing rates Q3 21 | Closing rates Q4 21 | Closing rates Q1 22 | Change in closing rate (YoY) |
|---|---|---|---|---|---|---|---|---|---|
| USD | 1.21 | 1.12 | 7% | 1.17 | 1.19 | 1.17 | 1.13 | 1.11 | 5% |
| INR | 87.95 | 84.42 | 4% | 86.25 | 88.31 | 86.47 | 84.26 | 84.38 | 2% |
| GBP | 0.88 | 0.84 | 4% | 0.85 | 0.86 | 0.86 | 0.84 | 0.85 | 1% |
| CNY | 7.82 | 7.13 | 9% | 7.72 | 7.68 | 7.53 | 7.22 | 7.07 | 8% |
| AUD | 1.56 | 1.55 | 1% | 1.54 | 1.58 | 1.61 | 1.56 | 1.48 | 4% |
| THB | 36.49 | 37.10 | -2% | 36.71 | 38.17 | 39.49 | 37.87 | 37.14 | -1% |
| RUB | 89.75 | 95.81 | -7% | 89.16 | 86.47 | 84.68 | 84.89 | 96.01 | -8% |
| BRL | 6.59 | 5.90 | 10% | 6.77 | 5.88 | 6.32 | 6.37 | 5.28 | 22% |
| NZD | 1.68 | 1.66 | 1% | 1.68 | 1.70 | 1.68 | 1.65 | 1.59 | 5% |
| ZAR | 18.05 | 17.13 | 5% | 17.54 | 17.05 | 17.52 | 18.02 | 16.13 | 8% |
| TRY | 8.90 | 15.64 | -76% | 9.78 | 10.36 | 10.32 | 14.72 | 16.33 | -67% |

## Foreign currency translation impact

**Q1 2022**
(EUR million)

| Net sales | EBIT |
|---|---|
| +35 | +3 |

Please note: Income statement is valued on average rate, balance sheet on closing rate.



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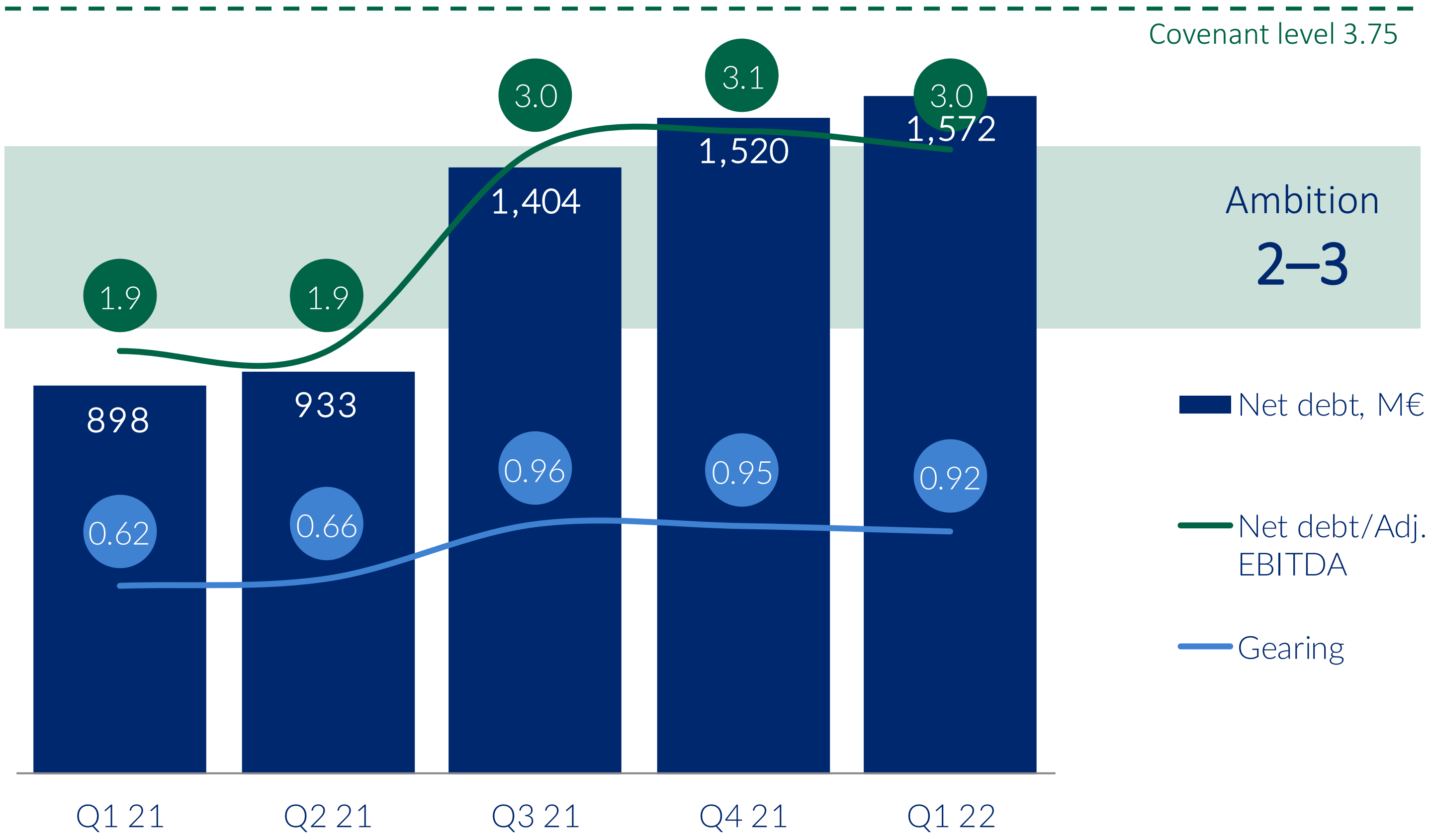
# Net debt to adjusted EBITDA at a higher level after the Elif acquisition

## Net debt, net debt/adj. EBITDA and gearing




- Acquisition of Elif increased our leverage
- At the end of Q1 2022:
  - Net debt/Adj. EBITDA at 3.0
  - Gearing 0.92
  - Cash and cash equivalents EUR 215 million
  - Net debt EUR 1,572 million and lease liabilities EUR 175 million



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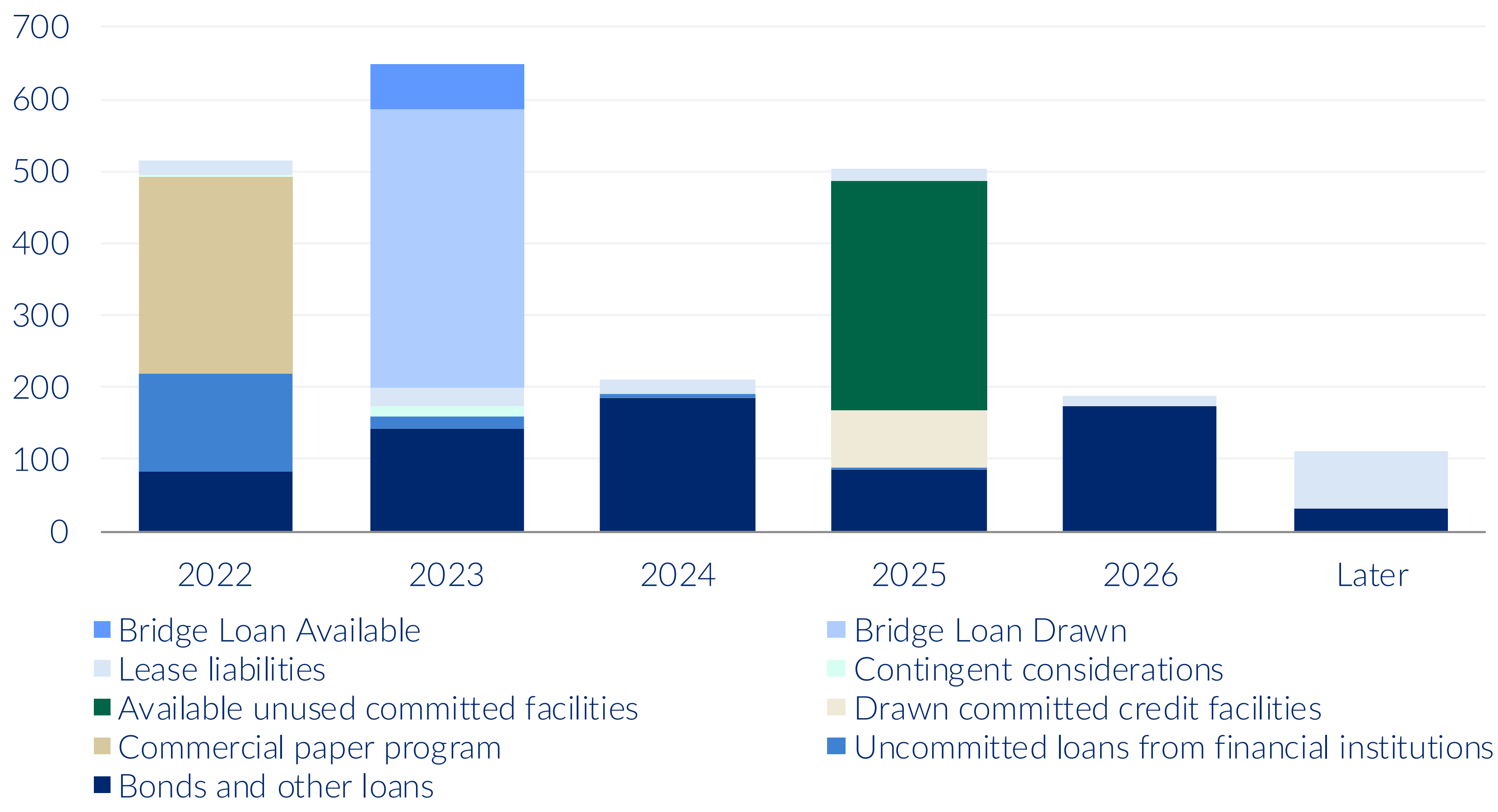
# Loan maturities

Debt maturity structure March 31, 2022
(EUR million)




- MEUR 250 term loan facility agreed in early April. 2-year agreement with a one-year extension option at the discretion of the lenders
- Committed credit facilities at the end of Q1 2022
  - Average maturity 2.6 years (3.4 at the end of Q1 2021)
  - Unused MEUR 382 (MEUR 323 at end of Q1 2021)



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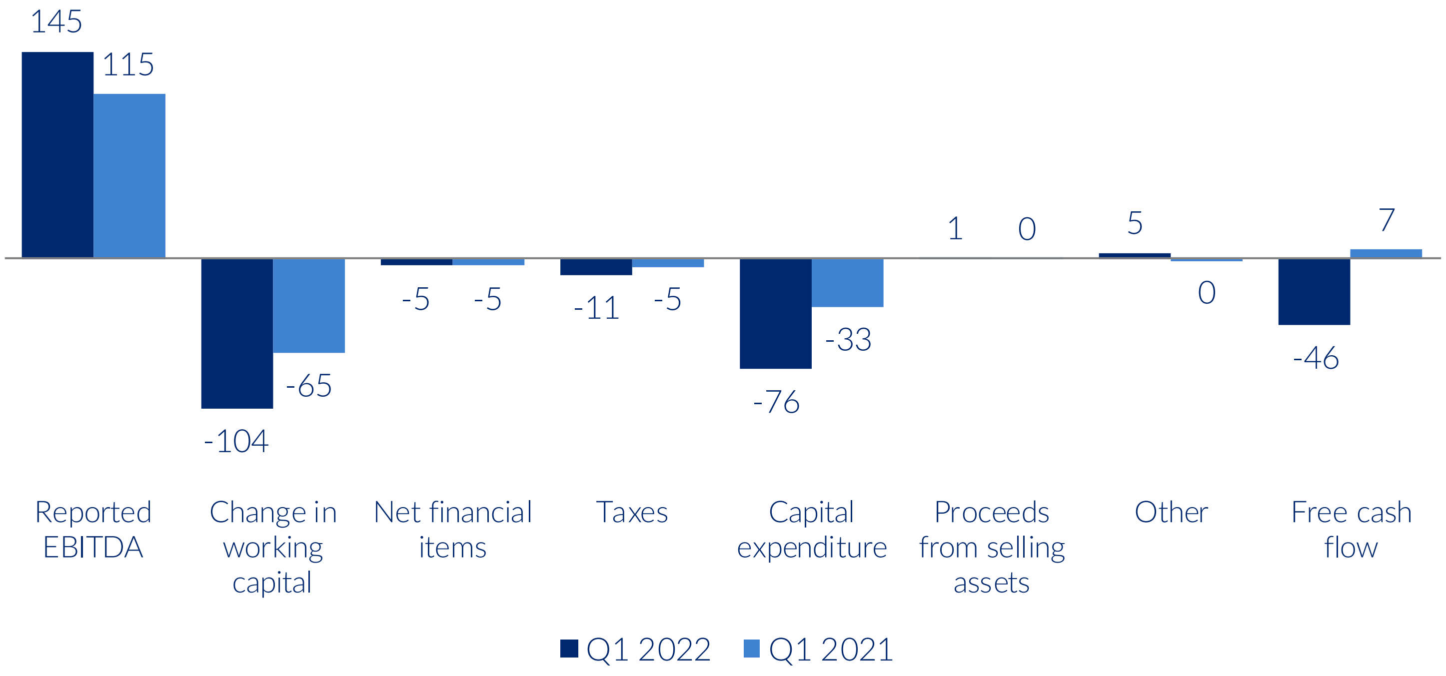
# Free cash flow impacted by working capital and capital expenditure

## Free cash flow bridge
(EUR million)




## Cash flow impacted by:

- Adjusted EBITDA increased significantly
- Large change in working capital mainly following increase in trade receivables and inventory
- Higher cash taxes
- Higher capex



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# Stable financial position

| *MEUR* | Mar 2022 | Mar 2021 |
|---|---|---|
| Total assets | 4,810 | 3,745 |
| Operating working capital | 812 | 571 |
| Net debt | 1,572 | 898 |
| Equity & non-controlling interest | 1,716 | 1,456 |
| Gearing | 0.92 | 0.62 |
| Adjusted ROI[1] | 11.2% | 11.7% |
| Adjusted ROE[1] | 15.4% | 14.9% |

- Total balance sheet impacted by Elif acquisition in Q3 2021
- Operating working capital increased by higher inventories
- Stable financial position remains

1) Excluding IAC.



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# Progress towards long-term financial ambitions

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | Q1 22 | Long-term ambition |
|---|---|---|---|---|---|---|---|---|---|
| Organic growth | 4% | 4% | 3% | 5% | 6% | -2% | 7% | 19% | 5+% |
| Adjusted EBIT margin | 8.7% | 9.4% | 9.0% | 8.1% | 8.6% | 9.1% | 8.8% | 9.3% | 10+% |
| Net debt/Adj. EBITDA | 1.6 | 1.8 | 1.8 | 2.3 | 2.0 | 1.8 | 3.1 | 3.0 | 2-3 |
| Dividend payout ratio | 40% | 40% | 42% | 50% | 47% | 47% | 45% | | 40-50% |

Long-term ambitions were updated at the Strategy Update on March 23, 2020

FY 2018 figures restated for IFRS 16 impact.



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# Looking forward

# Outlook 2022 (unchanged)

The Group's trading conditions are expected to improve compared to 2021, however with continued volatility in the operating environment. Huhtamaki's diversified product portfolio provides resilience and the Group's good financial position enables addressing profitable growth opportunities.

# Short-term risks and uncertainties

Significant and broad-based inflation in input costs (including raw materials, labor, distribution and energy), availability of raw materials as well as movements in currency rates are considered to be relevant short-term business risks and uncertainties in the Group's operations. Geopolitical, general political, economic and financial market conditions, as well as a potential further escalation of the geopolitical crisis in Europe, can also have an adverse effect on the implementation of the Group's strategy and on its business performance and earnings. The COVID-19 pandemic may continue to create further disturbances in the Group’s trading conditions and its operating environment, as well as in demand for the Group’s products. Further, natural disasters may have negative effects on the Group’s operating environment.

# Financial calendar 2022

**July 21, 2022**

Half-yearly Report 2022

**October 21, 2022**

Q3 2022 Interim Report



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