

# Stable development in a challenging market

Interim Report Q1 2023

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**Huhtamaki**

# Q1 2023: Stable development in a challenging market

- **Market trends**
  - In line with latter part of 2022, overall demand impacted by continued inflation pressure on consumption
  - More predictable supply chain, evidenced by destocking and return to seasonality
- **Financial performance**
  - Comparable sales +2% despite pressure on volumes
  - Adj. EBIT decreased somewhat compared to a strong Q1 2022
- **Updated strategy**
  - Focused on technology-enabled innovation and operational performance, allowing us to be more ambitious about our value creation trajectory

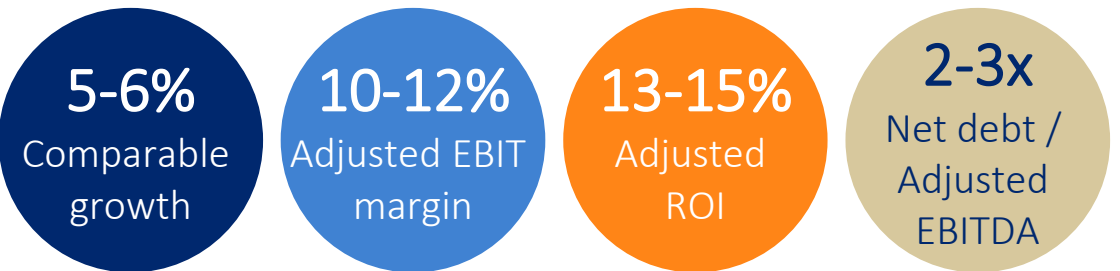


# Updated 2030 strategy launched at Capital Markets Day 2023

- The current substantial transformation in packaging creates profitable growth opportunities for Huhtamaki
- Our 2030 Profitable Growth Strategy is built on 4 imperatives:
  - Scale our profitable core
  - Innovation for sustainable solutions
  - Operational Performance
  - Strategic Capabilities
- Our leadership in three key packaging technologies and ability to operate at scale globally, uniquely positions us to capture innovation opportunities

## Long-term financial ambitions

Absolute **EPS** growth



**40-50%** dividend pay-out ratio

# Flexible Packaging: launching a ground-breaking solution setting new industry standards in Paper, PE and PP Retort

### PROTECTION

- Protection and shelf life – no compromise on protecting food and everyday necessities
- Keeps contents hygienic and safe – high to ultra-high barrier protection

MOINSTURE    O<sub>2</sub>    UV / LIGHT    MINERAL OIL AND GREASE



### RECYCLABILITY

- Recycling of flexible packaging made possible, complex structures made simple – highest level of mono-material in the market today

BEFORE                      NOW

### AFFORDABILITY

- Affordable sustainability – competitive price
- Global availability

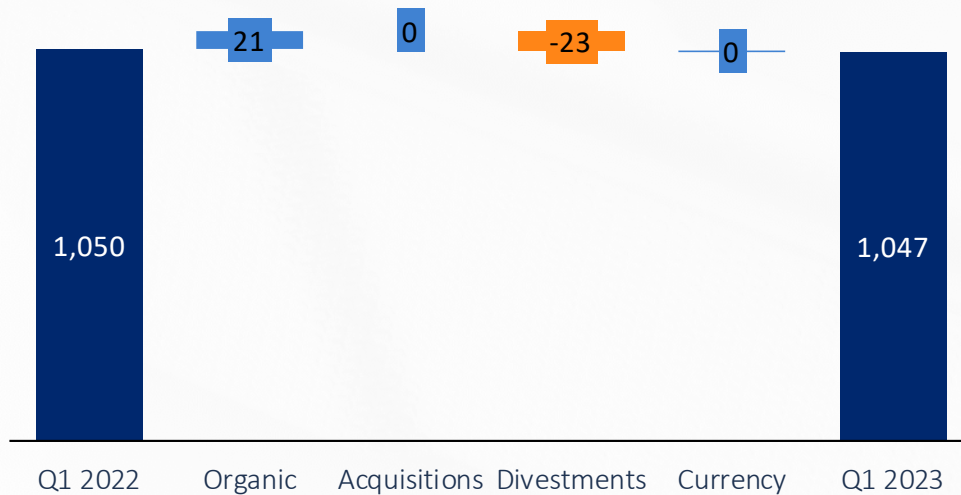
Business performance



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# Q1 2023: Comparable sales growth despite demand headwinds

Development of net sales in Q1 2023  
(EUR million)



## Net sales unchanged in Q1 2023

- Comparable net sales growth 2% (0 % in emerging markets), driven by pricing
- -2% from divestment
- 0% 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.

# Foodservice E-A-O and Fiber Packaging driving growth

<i>Comparable growth</i>	Q1 22	Q2 22	Q3 22	Q4 22	Q1 23	Long-term ambitions
Foodservice E-A-O	18%	18%	22%	15%	11%	4-5%
North America	24%	14%	10%	10%	2%	5-6%
Flexible Packaging	18%	19%	20%	1%	-5%	6-7%
Fiber Packaging	8%	16%	19%	17%	17%	3-4%
<b>Group</b>	<b>19%</b>	<b>17%</b>	<b>17%</b>	<b>9%</b>	<b>2%</b>	<b>5-6%</b>

## Q1 commentary:

- Foodservice packaging demand continued to soften slightly during the quarter
- Significant variations in demand across categories in North America. In particular, demand in foodservice was solid whereas consumer goods suffered from lower ice-cream consumption
- Demand for flexible packaging declined, particularly in emerging markets
- Demand for fiber-based egg packaging and food on-the-go products softened

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

# Adjusted EBIT decreased

MEUR	Q1 23	Q1 22	Change
Net sales	1,047.1	1,049.7	-0%
Adjusted EBIT <sup>1</sup>	92.1	97.5	-6%
<i>Margin</i>	<i>8.8%</i>	<i>9.3%</i>	
Adjusted EPS, EUR <sup>2</sup>	0.51	0.63	-19%
Capital expenditure	65.2	76.4	-15%

## Q1 commentary:

- Adjusted EBIT decreased mainly due to lower sales volumes and the divestment of operations in Russia
- Adjusted EPS following improvement lower EBIT and higher financing costs
- Lower capex due to timing, as we continue to invest for growth and innovation

1) Excluding IAC of EUR -4.7 million in Q1 2023 (EUR -4.0 million).

2) Excluding IAC of EUR -3.9 million in Q1 2023 (EUR 0.3 million).



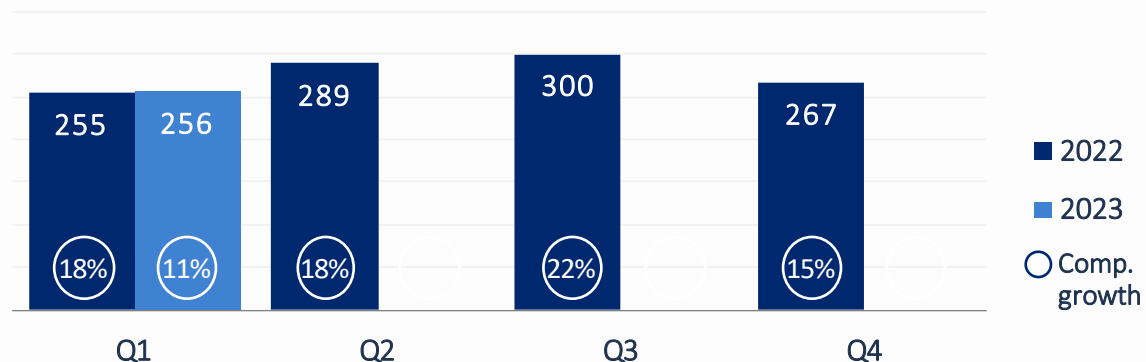
# Business segment review

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# Foodservice EAO: Strong sales growth continued

Key figures, MEUR	Q1 23	Q1 22	Change
Net sales	256.2	254.7	1%
Comparable growth	11%	18%	
Adjusted EBIT <sup>1</sup>	21.2	25.6	-17%
Margin	8.3%	10.0%	
Capital expenditure	24.3	38.1	-36%
Operating cash flow <sup>1</sup>	22.2	-11.1	>100%

Net sales and comparable growth (EUR million & %)



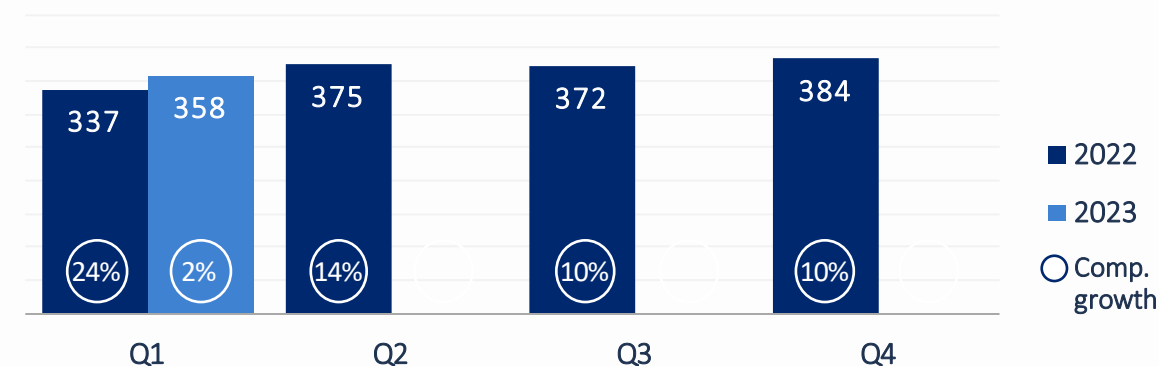
- The demand for foodservice packaging softened slightly, raw material prices continued to increase
- Sales increased mainly in Europe, but was weighed on by developments in Asia, particularly China
- Pricing and mix supported net sales, whereas lower sales volumes had a negative impact
- Adjusted EBIT decreased mainly due to lower sales volumes and consequent impact on production efficiency in certain markets
- The business in Russia was divested in September 2022

1) Excluding IAC of EUR -1.5 million in Q1 2023 (EUR 0.0 million).

# North America: Growth with improving margins

Key figures, MEUR	Q1 23	Q1 22	Change
Net sales	358.1	337.5	6%
Comparable growth	2%	24%	
Adjusted EBIT <sup>1</sup>	42.5	38.8	9%
Margin	11.9%	11.5%	
Capital expenditure	20.2	16.2	24%
Operating cash flow <sup>1</sup>	17.8	-21.1	>100%

Net sales and comparable growth (EUR million & %)



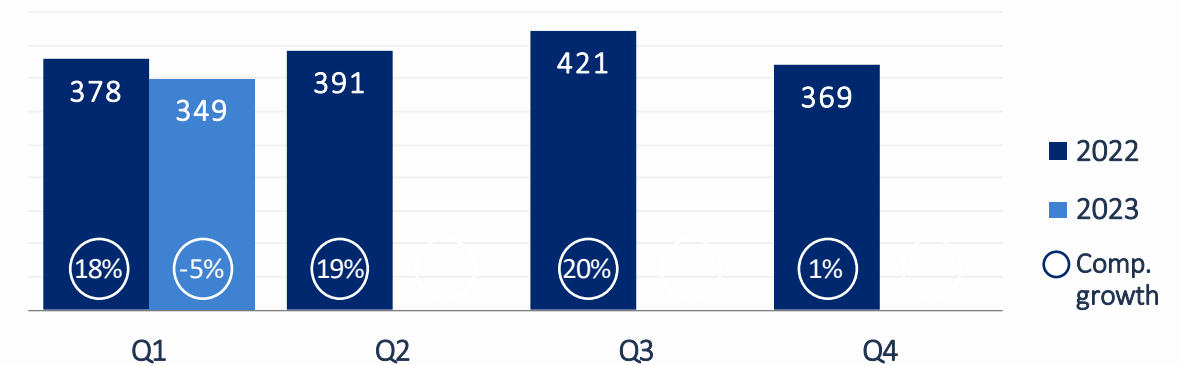
- Continued variations in demand across categories. Significant cost inflation continued
- Net sales growth mainly driven by foodservice packaging, while seasonality impacted sales in other product categories
- Growth driven by pricing, despite softness in volumes
- Adjusted EBIT improved, supported by net sales growth and increased operational efficiency, while lower sales volumes and sales mix had a negative impact

1) Excluding IAC of EUR 0.0 million in Q1 2023 (EUR 0.0 million).

# Flexible Packaging: Challenging market conditions impacting sales and profitability

Key figures, MEUR	Q1 23	Q1 22	Change
Net sales	349.1	377.7	-8%
Comparable growth	-5%	18%	
Adjusted EBIT <sup>1</sup>	21.4	29.4	-27%
Margin	6.1%	7.8%	
Capital expenditure	16.2	14.4	13%
Operating cash flow <sup>1</sup>	20.2	-17.3	>100%

Net sales and comparable growth (EUR million & %)



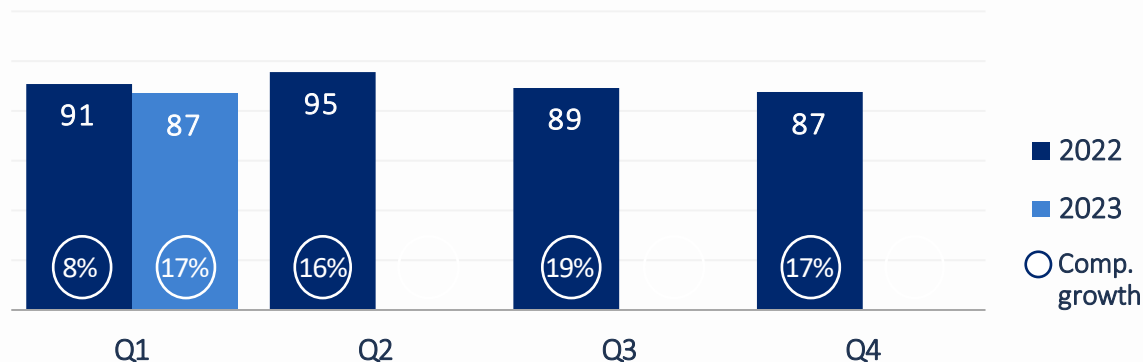
- Overall demand for flexible packaging declined mainly due to inflationary pressure on consumption
- Net sales was impacted by a decrease in sales volumes, also due to destocking in the value chain. Net sales decreased mainly in emerging markets but increased in South-East Asia and Oceania
- Adjusted EBIT decreased, impacted by lower sales volumes and a negative sales mix

1) Excluding IAC of EUR -2.8 million in Q1 2023 (EUR -2.8 million).

# Fiber Packaging: Strong growth and profitability

Key figures, MEUR	Q1 23	Q1 22	Change
Net sales	86.9	90.9	-4%
Comparable growth	17%	8%	
Adjusted EBIT <sup>1</sup>	10.5	7.5	40%
Margin	12.1%	8.2%	
Capital expenditure	4.5	7.4	-40%
Operating cash flow <sup>1</sup>	-4.5	20.6	<-100%

Net sales and comparable growth (EUR million & %)



- Overall demand for fiber-based egg packaging and food-on-the-go products softened. For egg packaging, there was a negative impact on supply of egg due to avian flu and the impact of inflation on feedstock
- The prices of recycled fiber were lower than in Q1 2022
- Comparable net sales growth driven by pricing and mix, whereas sales volumes decreased
- Adjusted EBIT increased, supported by pricing actions

1) Excluding IAC of EUR -0.3 million in Q1 2023 (EUR 0.0 million).

# Financial review



# Q1 2023 performance outweighed by Russia divestment and outperformance in Q1 2022

MEUR	Q1 23	Q1 22	Change
Net sales	1,047.1	1,049.7	-0%
Adjusted EBITDA <sup>1</sup>	140.5	146.6	-4%
<i>Margin<sup>1</sup></i>	<i>13.4%</i>	<i>14.0%</i>	
Adjusted EBIT <sup>2</sup>	92.1	97.5	-6%
<i>Margin<sup>2</sup></i>	<i>8.8%</i>	<i>9.3%</i>	
EBIT	87.4	93.5	-7%
Adjusted Net financial items <sup>3</sup>	-18.6	-7.3	<-100%
Adjusted profit before taxes	73.4	90.2	-19%
Adjusted income tax expense <sup>4</sup>	-17.3	-22.0	22%
Adjusted profit for the period <sup>5</sup>	56.2	68.2	-18%
Adjusted EPS, EUR <sup>5</sup>	0.51	0.63	-19%

- Sales impacted by soft demand, divestment of Russian operations and support from pricing
- Adjusted EBIT decreased mainly due to lower sales volumes and the divestment of operations in Russia
- Net financial items increased due to higher financing costs, including some FX costs
- Tax rate at 24% (24%)

1) Excluding IAC of EUR -2.4 million in Q1 2023 (EUR -2.0 million).

2) Excluding IAC of EUR -4.7 million in Q1 2023 (EUR -4.0 million).

3) Excluding IAC of EUR -0.4 million in Q1 2023 (EUR 4.4 million).

4) Excluding IAC of EUR 1.2 million in Q1 2023 (EUR -0.1 million).

5) Excluding IAC of EUR -3.9 million in Q1 2023 (EUR 0.3 million).

# No net currency impact in the quarter

	Average rate Q1 22	Average rate Q1 23	Change in average rate	Closing rates					Change in closing rate (YoY)
				Q1 22	Q2 22	Q3 22	Q4 22	Q1 23	
USD	1.12	1.07	4 %	1.11	1.05	0.97	1.06	1.09	2%
INR	84.42	88.25	-5 %	84.38	83.04	79.31	88.23	89.36	-6%
GBP	0.84	0.88	-6 %	0.85	0.86	0.89	0.89	0.88	-4%
CNY	7.13	7.34	-3 %	7.07	7.04	6.92	7.42	7.49	-6%
AUD	1.55	1.57	-1 %	1.48	1.53	1.50	1.59	1.63	-10%
THB	37.10	36.40	2 %	37.14	36.93	36.95	36.88	37.25	-0%
BRL	5.90	5.57	5 %	5.28	5.52	5.25	5.54	5.55	-5%
NZD	1.66	1.70	-2 %	1.59	1.69	1.70	1.69	1.75	-10%
ZAR	17.13	19.04	-11 %	16.13	16.93	17.45	18.20	19.65	-22%
TRY	15.64	20.25	-29 %	16.33	17.50	18.00	19.93	20.87	-28%

## Foreign currency translation impact

**Q1 2023**

(EUR million)

Net sales

**0**

EBIT

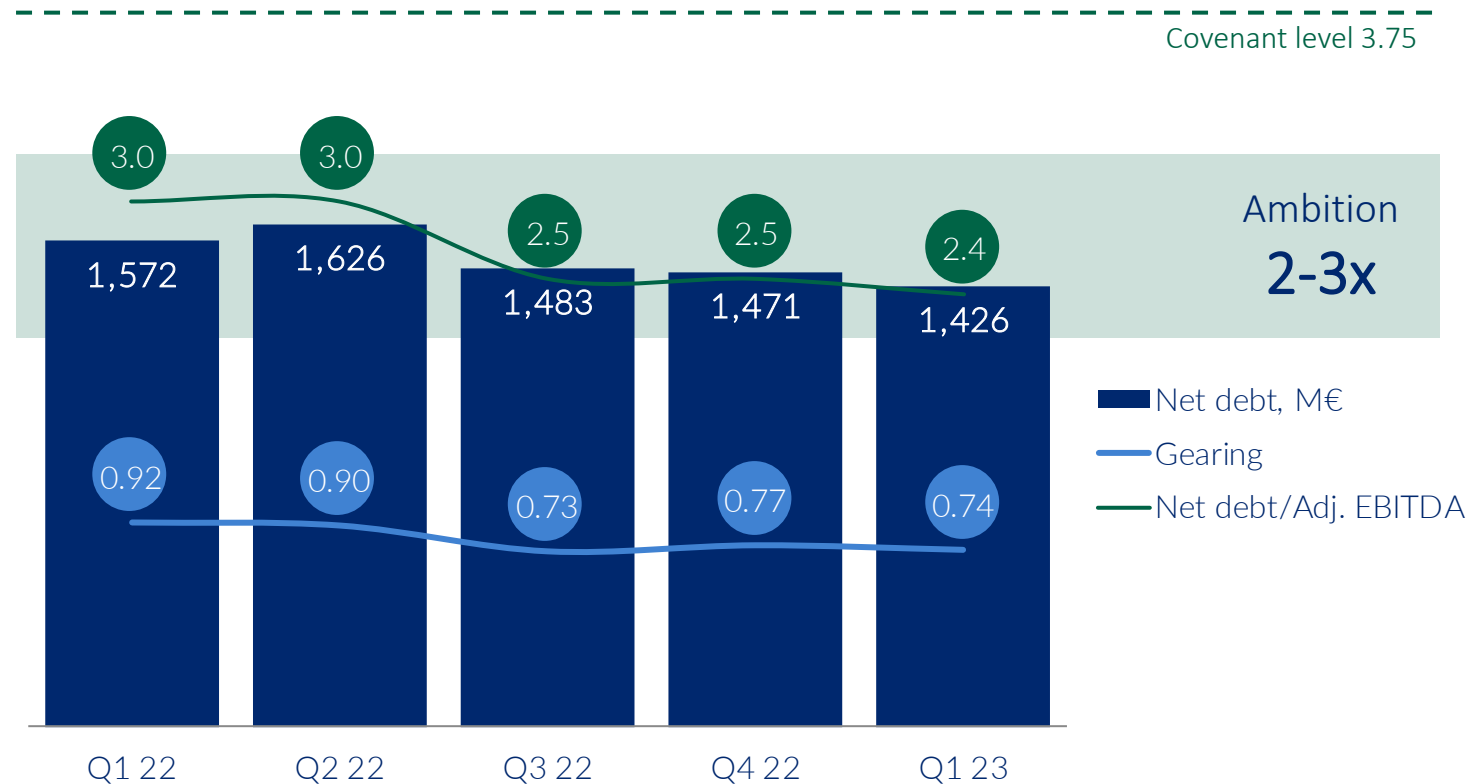
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Please note: Income statement is valued on average rate, balance sheet on closing rate.



# Net debt to adjusted EBITDA decreased from Q4

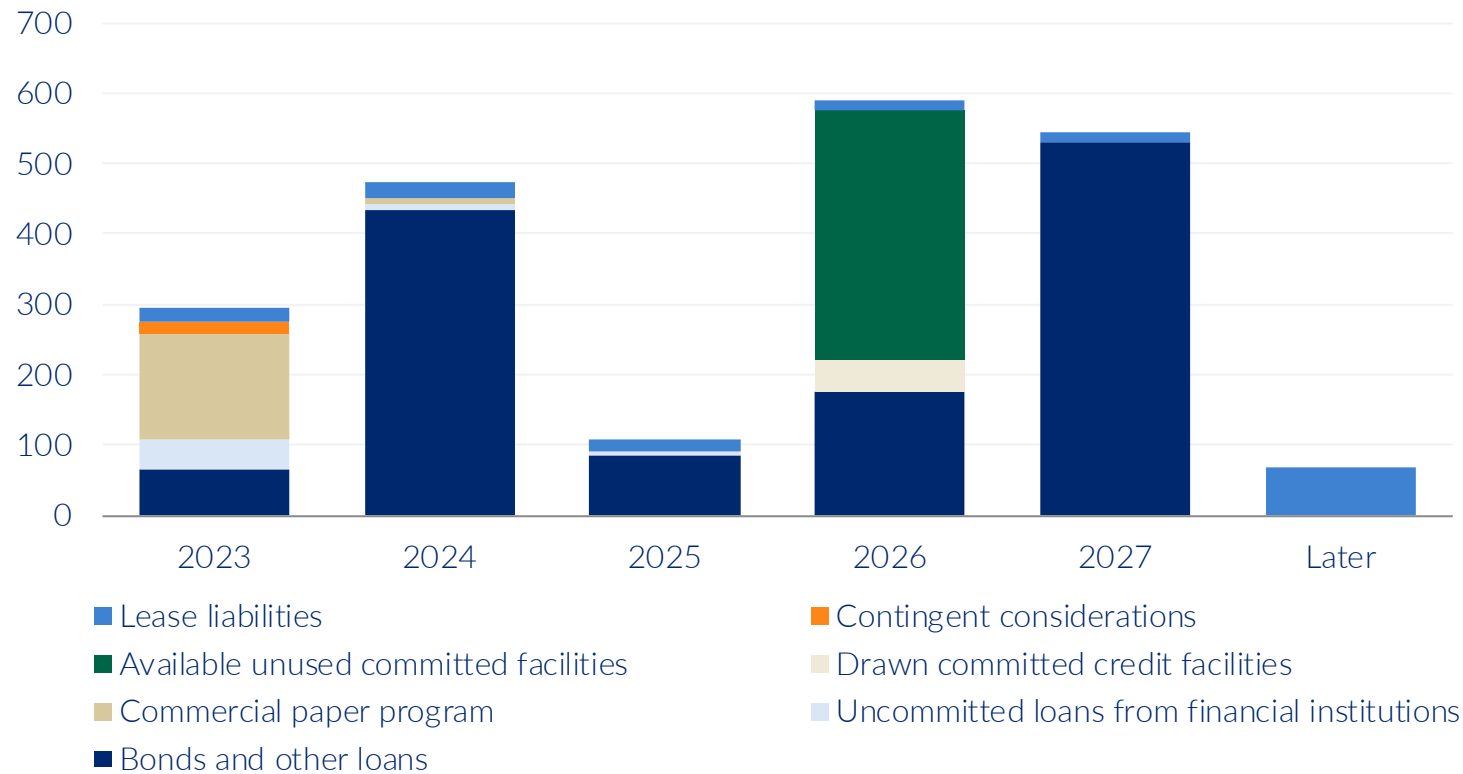
## Net debt, net debt/adj. EBITDA and gearing



- Net debt/Adj. EBITDA at **2.4**
- At the end of Q1 2023:
  - Cash and cash equivalents EUR 264 million
  - Unused committed credit facilities available EUR 354 million
- Net debt EUR 1,426 million

# Loan maturities

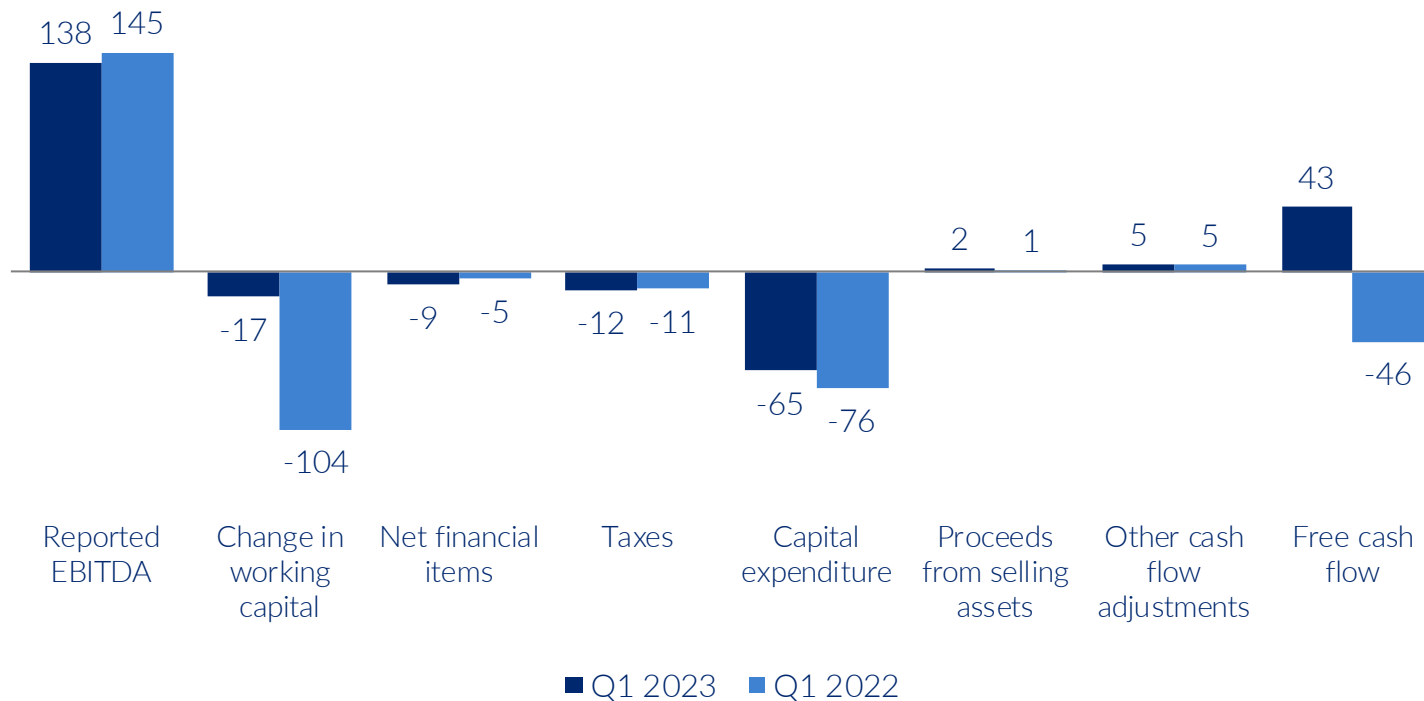
Debt maturity structure March 31, 2023  
(EUR million)



- Average maturity **2.8** years at the end of Q1 2023 (2.6 at the end of Q1 2022)
- **62%** of gross debt with fixed rates, **38%** in floating
- Increased interest rate

# Strong free cash flow supported by working capital

Free cash flow bridge  
(EUR million)



Strong free cash flow in Q1 2023

Cash flow impacted by:

- Improvement in working capital compared to year-end key driver
- Somewhat lower capex due to timing

# Stable financial position

<i>MEUR</i>	Mar 2023	Mar 2022
Total assets	4,787	4,810
Operating working capital	842	812
Net debt	1,426	1,572
Equity & non-controlling interest	1,927	1,716
Gearing	0.74	0.92
Adjusted ROI <sup>1</sup>	10.7%	11.2%
Adjusted ROE <sup>1</sup>	13.7%	15.4%

1) Excluding IAC.

- Assets mainly impacted by divestment of business in Russia
- Operating working capital increased year on year due to lower trade payables
- Net debt below the previous year's level, benefitting from the Russia divestment
- Stable financial position remains

# Updated long-term financial ambitions

	2016	2017	2018	2019	2020	2021	2022	Q1 23	Long-term ambition
Organic growth	4%	3%	5%	6%	-2%	7%	15%	2%	5-6%
Adjusted EBIT margin	9.4%	9.0%	8.1%	8.6%	9.1%	8.8%	8.8%	8.8%	10-12%
Adj. ROI	14.7%	13.6%	11.6%	12.3%	11.7%	11.3%	11.0%	10.7%	13-15%
Net debt/Adj. EBITDA	1.8	1.8	2.3	2.0	1.8	3.1	2.5	2.4	2-3
Dividend payout ratio	40 %	42 %	50 %	47 %	47 %	45 %	40 %		40-50%

FY 2018 figures restated for IFRS 16 impact.

Looking forward



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# Outlook 2023 (unchanged)

The Group's trading conditions are expected to remain relatively stable, despite the continued volatility in the operating environment. Huhtamaki's diversified product portfolio provides resilience and the Group's good financial position enables addressing profitable long-term growth opportunities.

# Short-term risks and uncertainties

Significant and broad-based inflation (including raw materials, labor, distribution and energy), decline in consumer demand, 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. Economic and financial market conditions, as well as a potential geopolitical escalation and natural disasters can also have an adverse effect on the implementation of the Group's strategy and on its business performance and earnings.



# Upcoming events in 2023

**Apr 27, 2023**

Annual General Meeting

**July 20, 2023**

Half-yearly Report 2023

**October 20, 2023**

Q3 2023 Interim Report

# Disclaimer

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