



Carnegie Small & Mid Cap Seminar  
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# Borregaard is a global leader in biochemicals

*High value added through full raw materials utilisation  
Borregaard's biochemicals are sustainable and environmentally  
friendly substitutes for petrochemicals*

SPECIALITY  
CELLULOSE  
& CELLULOSE  
FIBRILS

▲ 45% FIBRES



LIGNIN  
& VANILLIN

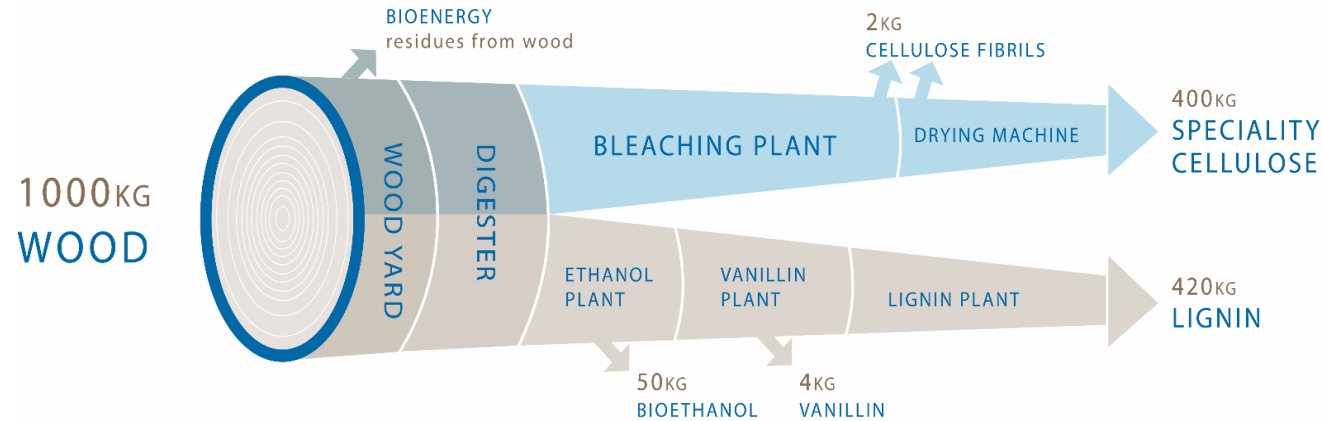
▲ 30% BINDING MATERIAL

BIOETHANOL

▲ 25% SUGAR

# Operates the world's most advanced biorefinery

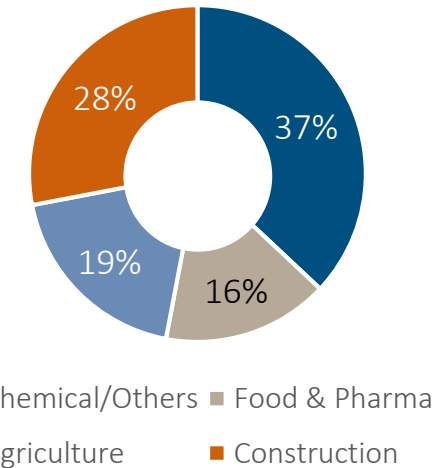
*Integrated production system serving diverse markets*



Integration models:

- Own integrated
- Partner integrated
- Independent

*End markets 2018*



- SPECIALITY CELLULOSE**
- Construction materials
  - Filters
  - Inks and coatings
  - Casings
  - Food/Pharma/Personal care
  - Textiles

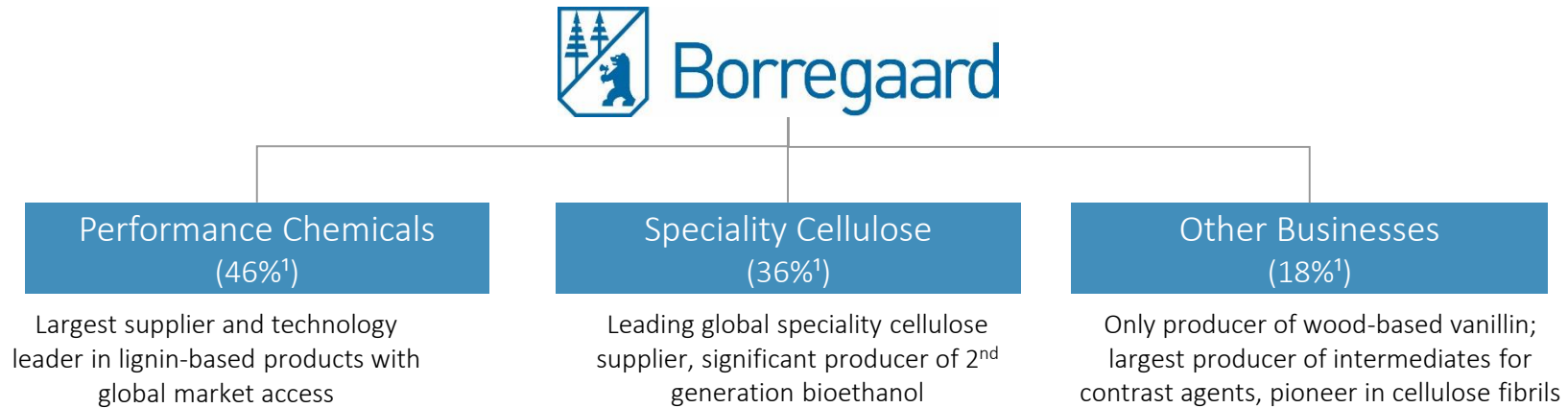
- LIGNIN**
- Concrete additives
  - Animal feed
  - Agrochemicals
  - Batteries
  - Briquetting
  - Soil conditioner

- VANILLIN**
- Food
  - Perfumes
  - Pharmaceuticals

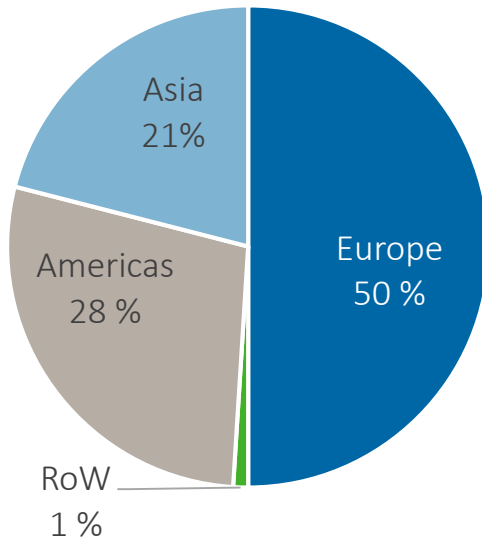
- BIOETHANOL**
- Biofuel
  - Car care products
  - Household chemicals
  - Solvents
  - Food
  - Personal care
  - Pharma

- CELLULOSE FIBRILS**
- Adhesives
  - Coatings
  - Agricultural chemicals
  - Personal care
  - Home care
  - Construction

# Global niche player with a market driven organisation



## Sales distribution (2018)



## Market driven organisation

- ~110 FTEs strong sales/technical service organisation
- Dedicated sales force for each business unit
- ~90% of sales handled through own organisation

1) Segment revenue as a % of total revenue 2018

2) USA/Canada: 23%, rest of Americas 5%

# The specialisation strategy

- **Specialisation in global niches**
  - Markets with high barriers to entry
  - Leading market positions through application knowledge and proximity to markets
  - Diversified market strategy and global market positions secure maximum flexibility
- **Strong innovation efforts and continuous improvement**
  - Business driven innovation model that involves the entire organisation
  - Continuous productivity improvement through more efficient organisation, competence development and smart use of technology
- **Competence is the main competitive advantage**
  - Competence differentiates Borregaard from the competitors
  - Combination of competences in sales & marketing, R&D and production

# Integral part of market offering

## RAW MATERIALS



Natural, renewable,  
sustainable raw materials

### Sustainable and certified wood

- Documentation
- PEFC<sup>1)</sup> and FSC<sup>1)</sup> standards
- Lignin raw materials from certified forests

## PROCESSES



Efficient and sustainable  
production and value chain

### Reduced emissions improve LCA<sup>2)</sup>

- Target based CO<sub>2</sub>-reductions
  - Energy conservations
  - New/Green energy sources
- Reduced emissions to water and air
- “Greener” logistical solutions

## PRODUCTS



Sustainable  
biochemicals

### Products add sustainable value to customers




- **Climate:** LCA<sup>2)</sup> shows favourable GHG footprint
- **Biobased:** Natural raw materials preferred
- **EHS<sup>3)</sup>:** Non-toxic, harmless products

1) PEFC: Programme for the Endorsement of Forest Certification, FSC: Forest Stewardship Council

2) Life Cycle Analysis

3) Environment, Health and Safety

# Positive trend for Borregaard's wood based vanillin

	Vanilla beans	Plant based vanillin				Oil based vanillin & ethyl vanillin	
							
Raw material	Beans	Ferulic acid from bran/straw	Eugenol from clove	Lignin from wood	Guaiacol from creosote/tar	Guaiacol	Guethol
Key selling points	Natural/flavor profile	Plant based/natural raw material/sustainability /flavor profile				Price	
Sales volume (MT) <sup>1)</sup>	≈2400 <sup>2)</sup>	≈2000				≈15 000	≈5 000
Indicative price level USD/kg <sup>1)</sup>	≈500	≈400	25 - 100			10 - 15	
# of manufacturers <sup>1)</sup>	1000+	5	4	1	3	3 - 5	5
Growth <sup>1)</sup>		≈10%				≈1%	

1) Company estimates

2) Cured vanilla pods contain around 1-2% vanillin, corresponding to around 25 – 50 MT on pure vanillin basis

# Borregaard portfolio - strategic priorities

- **Specialisation, diversification and growth** within Performance Chemicals
  - Increase sales of high-value lignin products
  - Drive product portfolio diversification
  - Leverage expanded lignin capacity
- **Develop** the unique biorefinery assets in Sarpsborg
  - Leverage high-value raw material base in Performance Chemicals
  - Expand capacity for wood based vanillin
  - Continue specialisation of Speciality Cellulose, Bioethanol and Ingredients
  - Strong focus on innovation and productivity efforts
- **Establish** Cellulose Fibrils as a new business area
  - Based on core competence within wood chemistry and fine chemistry
  - Increased specialisation through high value added



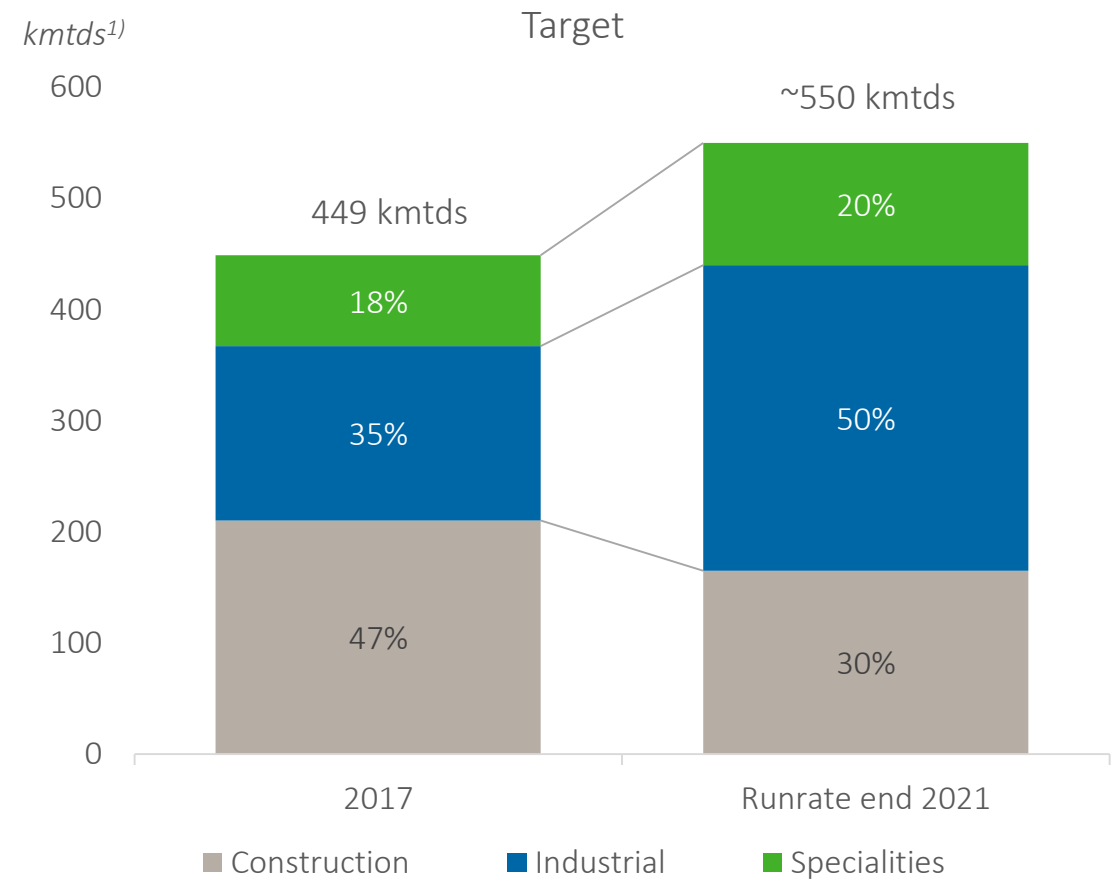
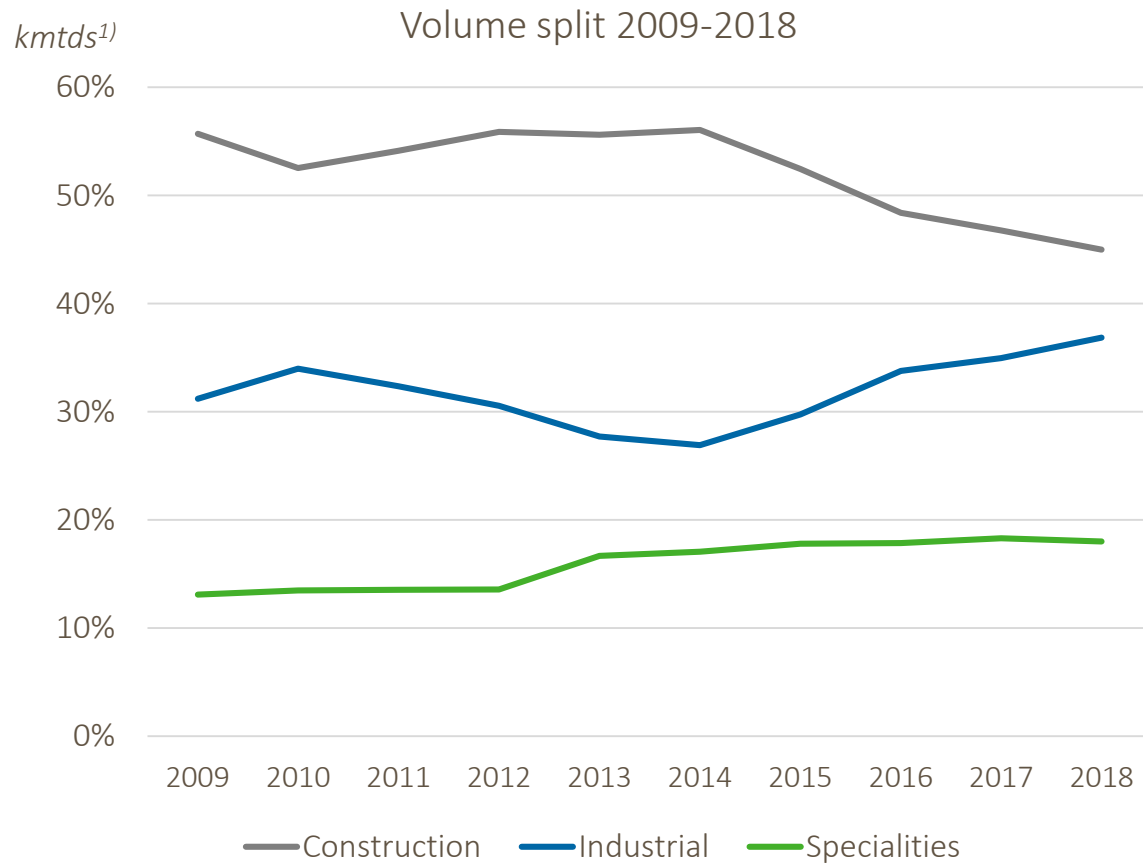
# Completed and ongoing strategic projects



- Specialisation, diversification and growth within Performance Chemicals
  - Florida plant (1<sup>st</sup> phase) started up mid 2018
  - Upgrade and increased specialisation in Sarpsborg (2019)
  - Extension of joint venture agreement in South Africa to 2032
- Develop the unique biorefinery asset in Sarpsborg
  - High-end bioethanol expansion started up in Q1-18
  - Ice Bear capacity expansion completed end 2018
  - Lignin upgrade/specialisation in operation from July 2019
  - Wood based vanillin capacity expansion, completion 1H-21
- Establish Cellulose Fibrils as a new business area
  - Commercial-scale production facility completed in Q4-16
  - Exilva market introduction ongoing

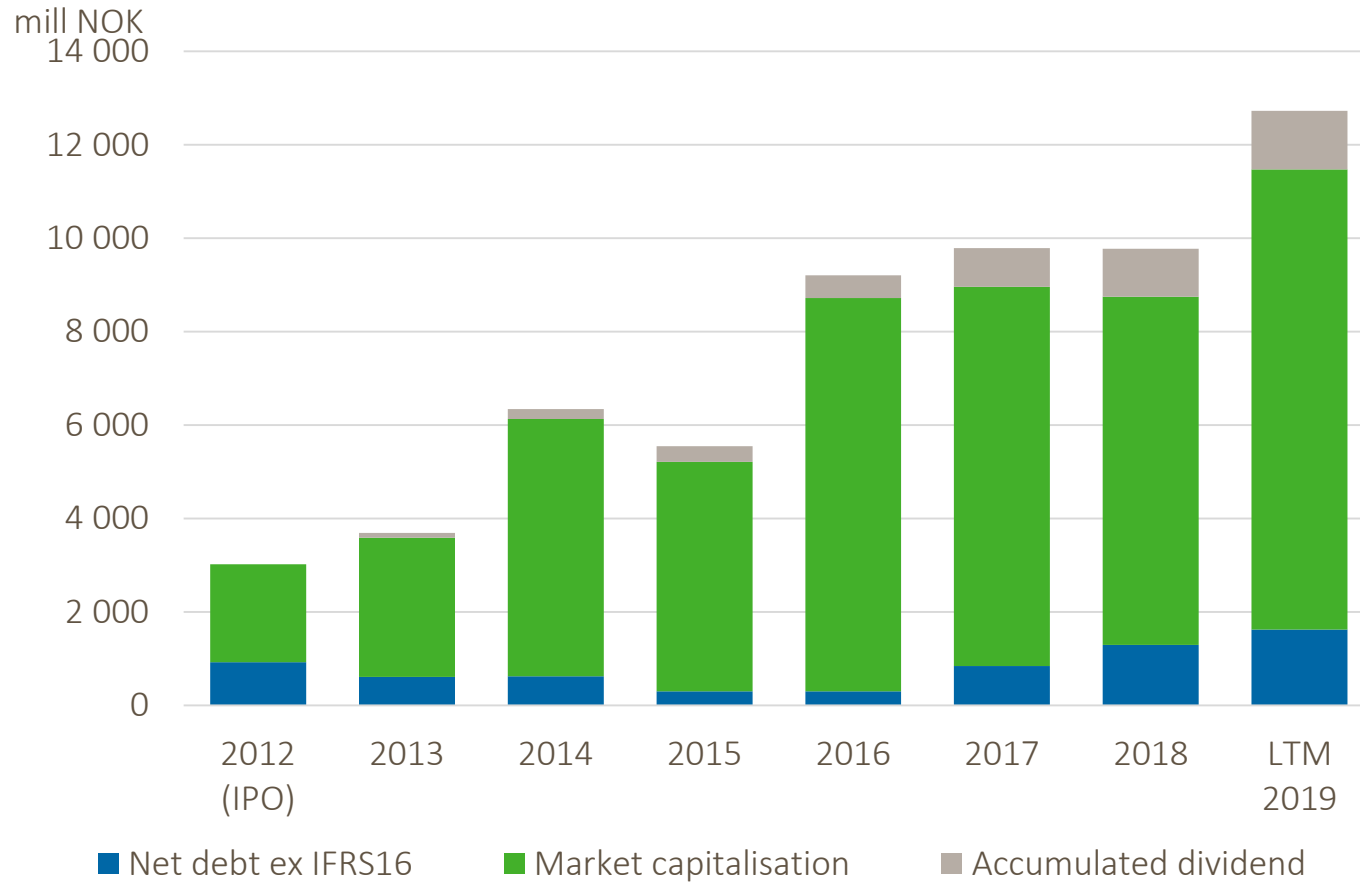
# Driving specialisation and diversification

Industrial and Specialities targeted to represent 70% of total sales volume by end 2021



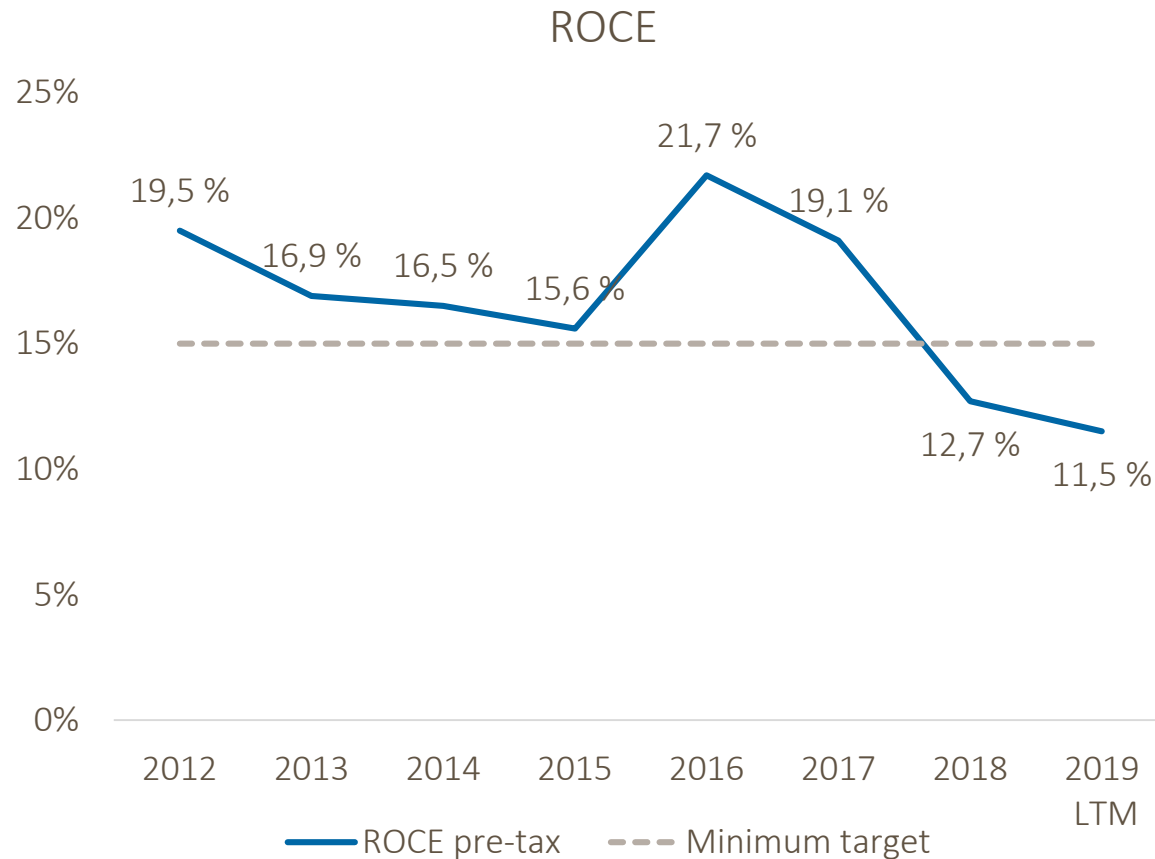
<sup>1)</sup> Metric tonne dry solid (thousand)

# Value creation since IPO



	CAGR
Share price, including reinvestment of dividend	30.0%
Enterprise value = market cap + net debt	22.0%

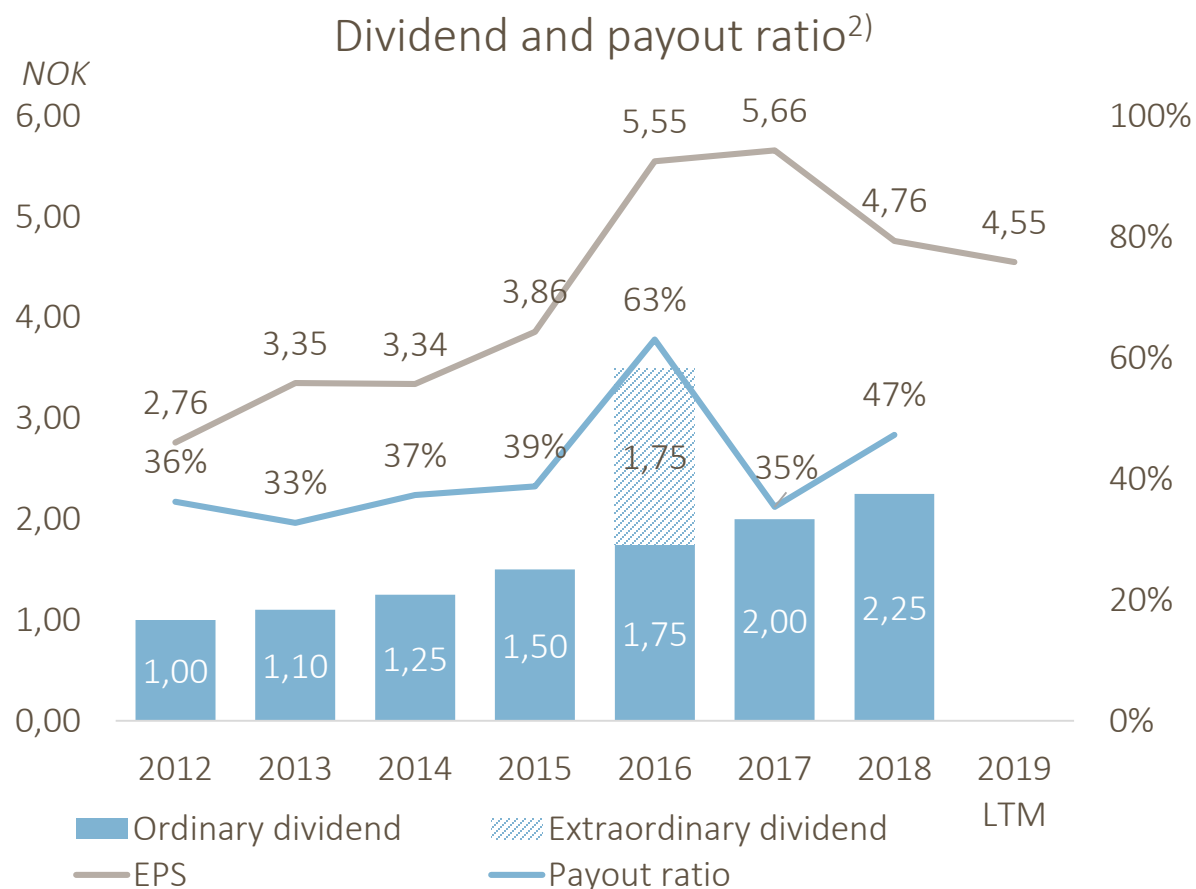
# ROCE<sup>1)</sup> and profitability objectives



## Profitability objectives

- ROCE >15% pre-tax over a business cycle
- IRR >15% pre-tax for expansion investments

# EPS<sup>1)</sup> and dividend



## Dividend policy

- To pay regular and progressive dividends reflecting expected long-term earnings, free cash flow and expansion investments
- Annual dividend is targeted between 30% and 50% of net profit for the preceding fiscal year

1) Earnings per share

2) Total dividend per share divided by earnings per share

# Q&A

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