

EUROPAC INCREASES NET PROFIT BY 82% TO 58 MILLION EUROS

- In a context of 9.7% growth in turnover to 876.9 million euros, consolidated EBITDA grew by 31.6% to 118.3 million euros
- The results are a consequence of the rises in sales prices of kraftliner and recycled papers in a year of steady improvements
- China has limited the imports of recovered paper, leading to an increase in the availability of the raw material and a fall in prices of 50 euros per tonne as from August
- The fall in the price of the raw material and the aforementioned rises in paper sales prices led to an EBITDA margin of 18.5%, 3.6 percentage points up on last year
- Strong final demand and low level of stocks of finished products mean that the current situation is likely to continue throughout 2018

Madrid, 25 October 2017.- The Board of Directors of the Europac Group this morning approved the results for the first nine months of the year, in which the company recorded a net profit of 58.2 million euros, 81.8% up on last year. In a context of 9.7% growth in turnover to 876.9 million euros, consolidated EBITDA grew by 31.6% to 118.3 million euros, while EBIT grew by 44.7% to 78.0 million euros.

Consolidated EBITDA includes positive and negative extraordinary effects resulting mainly from the sale of the packaging factory in Tangier and the logistics operator at the port of Viana do Castelo, as well as the settlement of the guarantees linked to the acquisition of the paper and packaging factories in Rouen (France) in 2008 for a total net amount of 14 million euros.

The improvement in Europac's performance between 1 January and 30 September is a result of the rises in sales prices of recycled and kraftliner paper in a context of strong demand and low stocks, which the company believes will continue over 2018. Specifically, according to official industry data, the average sales price in the first nine months of the year compared with the same period of the previous year rose by 29 euros per tonne for recycled paper and 52 euros per tonne for kraftliner paper.

Internal operational and commercial management projects aimed at increasing revenue and profitability, as well as investments made to increase capacity, have also contributed towards improving results.

Availability of the raw material

With the aim of promoting the domestic recovery of paper for recycling, the Chinese government has banned the import of certain recovered paper qualities and has limited import licences to paper manufacturers that produce at least 250,000 tonnes of paper per year. As from August, this measure has led to an increase in the availability of recovered paper in Europe and an average fall in the price of the raw material of 50 euros per tonne.

These two situations, a rise in the paper sales price on the one hand and a fall in the price of the raw material on the other, have allowed the EBITDA margin to reach 18.5%, 3.6 percentage points up on last year. In recurring terms, the EBITDA margin stands at 16.2%.

Positive expectations

José Miguel Isidro, company chairman, highlighted that *"the stability of the current market conditions, with strong final demand and stocks at minimum levels, allows us to forecast that tension in paper sales prices will remain. In addition, it should be remembered that the latest price rises in kraftliner and recycled papers that took place in August will have full effect in the last quarter of 2017, thus generating extremely positive expectations for the last quarter of the year, which we estimate will continue over 2018"*.

With regard to the objectives of the Strategic Plan 2015-2018, he indicated that *"the company has met the EBITDA margin and debt-to-EBITDA ratio targets fifteen months in advance, and we expect to meet the ROCE target in the last quarter of 2017. Europac's Board of Directors will therefore study the possibility of reviewing the current targets and publishing a new strategic plan for the period 2018-2020"*.

Business performance

EBITDA in the **Paper Division** rose by 30.8% to 102.2 million euros as a result of the production of higher added value papers, such as kraftliner paper, coated papers and high-feature white and brown papers, and the rises in sales prices. All of this was achieved despite the scheduled halts for maintenance and to increase production capacity.

In this regard, the scheduled halt at the Rouen factory did not prevent the production of recycled paper being 6000 tonnes higher than in the same period of 2016. In addition, an investment was made at the kraftliner paper factory in Viana do Castelo (Portugal) in order to increase the production capacity of the paper machine by 12,000 tonnes per year, with a 7-day halt.

Sales in the **Packaging Division** rose by 5.4%, but the rise in the raw material price resulted in an 88.0% fall in EBITDA compared to the previous year. This situation will be corrected over the coming quarters as the rates of the commercial agreements are reviewed and said rises are passed on to the market.

In this context, Europac continues to work to optimise costs and improve operations, increase its commercial activity as a tool for growth and develop greater added value projects based on high-quality printing, structural design for special applications and the competitive advantages of packaging in logistics processes.

Further information



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