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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by, and welcome to the Stora Enso 2019 Full Year Earnings Conference Call. (Operator Instructions) I must advise you that this conference is being recorded today, Thursday the 30th of January 2020.

I would now like to hand the conference over to your speaker today, Head of Investor Relations, Ulla Paajanen. Please go ahead, madam.

Ulla Paajanen-Sainio *Stora Enso Oyj - Senior VP & Head of IR*

Thank you, Sandra. Very welcome, everyone, to Stora Enso's full year and fourth quarter 2019 earnings call. This is a memorable quarter for us because now we will have our new CEO, Annica Bresky, here for the first time presenting to us. And with me is also our CFO, Seppo Parvi. So Annica, please go ahead.

Annica Bresky *Stora Enso Oyj - President & CEO*

Thank you, Ulla, and welcome, everyone, to my first quarterly call. We -- looking back, we have had a challenging quarter with difficult market conditions. I am not satisfied with our profitability levels. But considering the uncertainties on the market, we have focused on what we can influence. Our cash flow, our costs within the company and also managing value over volume strategy, securing our margins for the business.

So before I dive into the key financials, I would like to highlight a few positive things about last quarter. We delivered a record high cash flow from our operations at a value of EUR 721 million. Also for the year, we had a very high and strong cash flow. And of course, this is a testimony that we are focusing on the right things, such as our working capital management. And also, we had an extra dividend and repayment from Bergvik Skog. We see a significant increase of our forest fair valuation of EUR 777 million, out of which EUR 600 million affecting our IFRS results. We are a major forest owner in the world, and this is a strong testimony of delivering shareholder value on our assets. And I'm also happy to say that we were proactive and started our profit protection program early. We have a very good momentum, and we have committed to delivering EUR 275 million by end of 2021. The program is proceeding ahead of plan. Already last year, we delivered EUR 150 million of which EUR 105 million continuous savings. And for the quarter, for EUR 50 million in cost savings. And I'll come back a little bit further on, on how that is distributed throughout the division.

Now moving into the key financials. Our sales decreased by 9% to EUR 2,411,000,000 from EUR 2,657,000,000. And the main driver is significantly lower prices, primarily in Biomaterials, in Packaging Solutions containerboard business, in Paper and in Wood Products, classic sawn. Consumer board sales prices were more stable.

Operating EBIT decreased to EUR 112 million, down from EUR 271 million due to significantly lower prices, and we could not, despite our efforts, fully compensating for that effect through our profit protection program. Net debt to operational EBITDA landed at 2.1x, close to the target of 2.0x. We will continue working with strengthening our balance sheet. Major effect compared to Q4 2018 is, of course, our acquisition of Bergvik forest. Our operational return on capital employed was 4.2% in Q4 2019 compared with 12.4% in Q4 2018, and this is below our strategic target of 13%.

Now moving to how the result builds up in the bridge. You can see here a EUR 209 million effect on sales prices and mix, a negative effect and a small effect on volume as a result of us managing value over volume to protect our margins in some of our businesses. We had improved their cost position or reduced cost for our fiber. And you can also see our EUR 50 million improvement from profit protection. But all in all, it was not enough to compensate.

If we move over to our profit protection program, as we have promised, EUR 275 million, we will deliver by end of 2021, the distribution between fixed and variable cost is approximately 50-50. And you can see here, over the years, the plan of getting there. Last year, mainly Packaging Solutions, Wood Products, Paper and other had the biggest impact. But going forward, the increase is going to be also in the other divisions. I feel we have a very strong commitment and momentum in the organization. So I feel very confident that we will reach our target here.

Moving over now to our forest fair valuation. This increased by EUR 777 million. And here, we can see that we are a big forest land owner. We have totaling 1.6 million hectares of productive forest holdings in Sweden, Finland and in our plantations. And with our DCF methodology that we use today, the value of that is booked for EUR 4.9 billion. We can also see here an example of if we would use the LRF

statistics on transactions for forest lands, where the price would be around EUR 5,700 per hectare, and that would mean that the value of the Swedish forest, where we have them in Southern Sweden would be around EUR 6.5 billion. So this is a strong foundation for our future and creating shareholder value.

The board is proposing unchanged dividend at EUR 0.50 per share, totaling EUR 394 million. In 2018 -- between 2017 and 2018, we increased dividend by 22%. So we stay now on the same level here. And as you may recognize, we have a policy of distributing 50% of earnings per share over the cycle.

So if I now would summarize some of the key events during Q4, I'm happy that we are continuing our transformation, and the corrugating plant in Riga and Latvia is completing according to plan. Also, our conversions of Enocell, Skutskar and Gruvon CLT production are ramping up according to plan.

We have made a EUR 9 million investment, enabling production of bio-based plastics in Langerbrugge Mill, and this is to be used for transparent packaging, to be completed by Q2 2021. I'm also happy that we continue our close collaboration within our start-up community. And one example of those is the commercialization of a renewable and biodegradable straw together with Sulapac. And this has rendered quite a lot of attention on the market, and we continue to work with other products as well. Part of our strategy is also making sure that we strengthen our asset base by divesting or closing unprofitable mills. So last quarter, we closed down 90,000 tonnes per annum packaging paper machine at Imatra Mills in Finland, and also closed down Kitee sawmill in Finland and had an agreement to divest our sawn construction timber mill at Pfarrkirchen in Germany. This is to be finalized during Q2 in 2020 - Q1 2020, sorry.

And last but not least, we have stepped out the Paper business in China by divesting the last 60% of equity stake that we had in that mill. And that was completed during Q4. And now Seppo, please take us to the financials.

Seppo Parvi Stora Enso Oyj - CFO, Deputy CEO & Country Manager of Finland

Thank you, Annica. And I'll start by looking at the key figures from the report that we published earlier today. Top line sales for the quarter went down 9.3%, as Annica already mentioned earlier. Full year sales 2019 at EUR 10,055,000,000, that is a reduction of 4% year-on-year.

Operational EBITDA margin, 10.8%, and operational EBIT margin, 4.6% for the quarter. And earnings per share of EUR 0.66. Operational return on capital at 4.2% for the quarter and 9.8% for the full year 2019. We are very proud of, and I'm happy with the cash flow that we are reporting for the quarter. Cash flow from operations at EUR 721 million, which is significantly up compared to EUR 323 million in Q4 2018, and full year cash flow at almost EUR 2 billion. Net debt to last 12 months operational EBITDA is at 2.1%. It is slightly over the limit of 2.0% that we have defined as a strategic target. But it has been moving down already during the second half of last year, and we continue to work on cash flow also going forward. Then I move to the divisions, and I start with Consumer Board, where successful value-over-volume management has continued and also shown positive result development. Sales decreased by 4% and was EUR 614 million due to lower deliveries in Europe, mainly. Operational EBIT increased by 111%

and was EUR 51 million. Value-over-volume's approach decreased the volumes, but local sales prices were higher, improving the profitability. Also, clearly lower variable costs due to pulp helped.

We also completed successfully key account negotiations with increased prices as also communicated during the year that we have been working on the price increases and being confident already earlier that we can reach the targeted price increases.

Operational return on capital doubled during the year or in the quarter is 9.5% compared to Q4 a year ago.

Then moving to Packaging Solutions. Their challenges in containerboard market continued, but corrugated market performs quite well. Sales decreased by 17% from all-time high level a year ago and was EUR 293 million. That is due to significantly lower containerboard prices. But as mentioned earlier, corrugated market was strong. However, there was somewhat softer demand in China. Operational EBIT decreased by EUR 43 million and was EUR 16 million. Here, it's good to notice that last year, Q4 was record high, when it comes to operational EBIT. And the lower raw material prices for corrugated units offset -- were offset by lower containerboard prices. Operational return on capital decreased to 6.8%, and are driven by significantly lower containerboard prices. And Oulu Mill conversion into kraftliner production is proceeding as planned and on schedule, and production is expected to start by end of the - this year. And as communicated also earlier, we continued production of paper on the board machines at the end of September this year.

In Biomaterials Division, challenging market conditions continue, as we all know. And there, our focus has been very much on inventory management. Sales decreased by 18% from last year all-time high level and was EUR 341 million. That is a reflection of significantly lower pulp prices, also that we had all-time high deliveries during the quarter. Operational EBIT decreased by EUR 103 million to a negative EUR 12 million from last year's record high figures. A higher total volume impact, but that was affected by significantly lower pulp prices during the quarter. We also had higher maintenance costs at the Skutskär Mill compared to a year ago, and also important to notice that Montes del Plata pulp mill was also down for maintenance works during the Q4. And all-time high deliveries took place to manage inventory levels and improving cash flow. Operational return on capital decreased to negative 1.9% compared to 15% a year ago.

Then moving to Wood Products where we continue to focus on margin protection and had record Q4 cash flow. Sales decreased by 6% and was EUR 374 million. That is driven by lower classic sawn prices and lower deliveries during the quarter. Operational EBIT decreased by EUR 28 million from last year's record high Q4 level and was EUR 14 million. That is driven by lower sales prices, and we also had lower total volumes, mainly due to curtailments at the Nordic mills to manage inventory levels, and also Kitee sawmill closure had an impact.

We had lower wood cost in Central Europe, and in general, lower fixed costs, improving the profitability at the same time. Operational return on capital decreased to 8.2%, due to lower profitability. During the

quarter, we also launched a new wooden office building design concept. And we also received 'Puupalkinto' Award 2019 in Finland, for the tallest wooden high-rise building, Lighthouse Joensuu. So that has been made out of our materials.

Then looking at the Paper division. The strong cash flow was supported by good cost and working capital management during the quarter. Sales decreased by 9% to EUR 694 million level. This decrease in pricings are due to the lower paper deliveries and lower prices in most of the paper grades. Also, Dawang paper mill divestment had a slightly small -- a slight negative impact, about EUR 30 million. Operational EBIT was stable at EUR 44 million, and there are somewhat lower prices in most grades, and seems like the lower total volumes impacted by curtailments to manage inventories had an effect on the profitability. And lower variable, mainly pulp and paper for recycling costs had a positive effect on the recent development as well as fixed costs due to good cost management in the division. Cash flow after investing activities to sales ratio increased to 10.3%, clear improvement compared to year ago 2.5%. But this is thanks to very good working capital management. And also good to keep in mind, as announced earlier, we are reducing paper capacity by over 1 million tonnes, that is 20% of our paper capacity with our paper mill conversion during this year.

Then to summarize the development of strategic targets. Most of these have been commented already, either by myself or by Annica, but maybe to highlight a couple of those. Net debt to operational EBITDA, like mentioned, 2.1. It is coming down after the acquisition of Bergvik Skog, land and forest in Sweden, and we continue our work, improving cash flow to bring down net debt further, and of course, on profitability improvement to have -- to get below 2.0., as set as a target. And operational return on capital employed for full year at 9.8%, below the 13% targeted level when it comes to return on capital.

On the divisions, I just want to once again highlight the good cash flow from Paper. Paper division, 9.3% to net sales for full year, and 10.3% for the quarter. With that, I hand over back to you, Annica.

Annica Bresky Stora Enso Oyj - President & CEO

Thank you, Seppo, and moving now over to the outlook for 2020. We see that subdued and mixed trading conditions caused by geopolitical uncertainties will continue to impact Stora Enso for this year. The decline in demand for European paper will persist, and demand for other group products is expected to remain mixed. We have exceptionally mild winter conditions in the Nordics and the soils are not frozen. And this could, of course, impact harvesting and transport of wood and may, therefore, affect the stability of raw material supply and potentially increase wood costs to our Nordic mills. Stora Enso will continue active cost management in the coming 2020 to 2021 through the profit protection program implementation. And the fixed and variable cost savings target is EUR 275 million to the end of next year. Various labor organizations in Finland are currently on strike, which you might know. This is also affected to impact our result negatively. And the comment from my side on that is that, of course, strikes are never good. And as a country, Finland and Sweden and the Nordics, we are really -- have a really big export for our products. And it's important that we find an agreement with the unions on these topics.

The mentioned uncertainties affect our guidance. For Q1, we have a wider range. Between EUR 90

million to EUR 200 million of operational EBIT is expected for first quarter this year. So during Q1, we will have one annual maintenance shutdown at Ostroleka Mill paper machine 5 compared to 2 mills that we had last year, where we also shut down Veracell mill. The total maintenance impact is estimated to be approximately EUR 60 million, and EUR 10 million lower than it was in Q4 2019 and in Q1 2019, respectively. And as said, the various labor unions in Finland are currently on a 3-week strike. If this continues, the total impact will be around EUR 11 million for each week. Of course, we hope that this will be resolved in the agreement, but we have taken that into account in our guidance range. I would also like to remind you that we communicated previously that we have a new divisional structure as of January 1. This target's to get even closer to our customer base and providing solutions for their journey towards more sustainable packaging materials. So we formed a new division called Packaging Materials, where both Consumer Board and containerboard business is reporting to. And we have also Packaging Solutions, the new packaging solutions, where we have our corrugated packaging, together with the recently created formed fiber unit. And this strengthens our ability to bring new solutions and applications to the market. I also want to say that we have our newly Forest division formed to make sure that we increase transparency towards our shareholders on our assets development, and here, we include the Nordic forest assets and wood supply operations in Nordics, Russia and Baltics. And with that, we have 5 growth divisions where we will continue to focus into leading positions for our materials.

So summarizing, we have had a challenging quarter 4, but we have focused on what we can influence, our cash flow, our cost and making sure that we protect our margins through a value-over-volume approach. We expect the subdued and mixed trading conditions for this year. And our very strong cash flow from operations, EUR 721 million is a result of our good working capital management in all the divisions that we have. We see a significant increase of our forest assets fair valuation to EUR 777 million, and our profit protection program is progressing ahead of plan. We will deliver on our promise of EUR 275 million, and we had an impact of EUR 150 million for last year. The new divisional structure will support our business ongoing, building on innovation solutions and a stronger partnership with customers. And the board proposal of unchanged dividend of EUR 0.50 per share. So with that, thank you very much, and I hand over to Ulla.

Ulla Paaanen-Sainio *Stora Enso Oyj - Senior VP & Head of IR*

Yes. Thank you, Annica, and we will now go for the Q&A session. Please, Sandra.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And the first question comes from the line of Alexander Berglund.

Alexander Berglund *BofA Merrill Lynch, Research Division - Analyst*

I have a bit of a longer-term question. When we're thinking about that 13% return on capital employed target, which we obviously are quite far from right now, is there something we should still look at sort of the through the cycle target? Because if I look, historically, it seems like you already passed that when

prices were at record levels. And if we look currently at the different products versus history, I mean, pulp definitely screens at a historical low, but consumable prices still look very high versus history. Containerboard, even though it is down is not at a collapse versus historical levels. And on top of that, you do have, as you said, a deflationary or cost benefit for recycled labor prices being lower. So basically, on your topic of focusing on what you can control, do you think that the profit protection program allows is enough to get to that 13% level on a through the cycle basis? Or do you think it looks maybe a bit too ambitious?

Seppo Parvi Stora Enso Oyj - CFO, Deputy CEO & Country Manager of Finland

Maybe I can start, and Annica can then take from there. 13% target rate was set. Of course, it's a long-term target and an over the cycle, and it's clear being in a cycle of our business that there are years when it's still -- it's challenging to reach. But I think also if you look past 5 years, we have been proven that it is a reachable challenging target and that -- in that sense, I think it's valid. Of course, you need to keep in mind that our balance sheet has changed over the years and -- for us the acquisition of Bergvik Skog forests has changed the balance sheet quite a big way. But so far, we have not thought to change the target as such.

Annica Bresky Stora Enso Oyj - President & CEO

Yes. I agree with Seppo. And for the moment, we keep the target, and we continue to work to get that.

Operator

Next question comes from the line of Justin Jordan.

Justin Joseph Jordan Exane BNP Paribas, Research Division - Analyst

Can I just focus on the consumable business for a second, firstly. We've seen -- I know you've got to describe value-over-volume strategy here. But we've seen throughout calendar '19, now consistent organic volume declines in this business. Peers are reporting structural tailwinds of plastic to paper of perhaps 2% to 3% organic volume growth. What is your longer-term aspirations for organic volume growth in the Consumer Board business? And when perhaps might we see this business return to that sort of longer-term growth record?

Annica Bresky Stora Enso Oyj - President & CEO

What we see is that we have had to do this value-over-volume approach for the last year. But of course, our target is to get back to grow with the market. It has been an uncertain market last year in the demand, especially China has been more challenging than before. But introducing more premium products, for instance, in Beihai and working with the position there is something that will bring us back to a stronger position for the future. And that's what we are working on.

Justin Joseph Jordan Exane BNP Paribas, Research Division - Analyst

Okay. And just following up, clearly, congratulations on becoming CEO. But on the morning that you were announced, I remember dialing in to the webcast of your news conference with -- and you cited the profit protection program. And clearly, the Oulu conversion is some of your key 2020 priorities. When we

think perhaps more longer-term over the next, perhaps, let's say, 5 years or so. When you look about the Stora Enso Group, no, clearly, you've announced recently a reorganization of the Consumer Board and Packaging Solutions division. The, shall we say, smaller slim down Packaging Solutions division. Is that something we should now view as perhaps in the same light as the Paper division, a source of free cash flow for funding other growth areas? Or are there other sort of longer-term strategic visions that you could perhaps share with us from your initial few months as CEO now?

Annica Bresky Stora Enso Oyj - President & CEO

Yes. Thank you. That's a good question. If we look at Packaging Materials first, if -- and the customer base, there are more and more requirements for recycled packaging for food applications. And we have a very strong barrier development within current Consumer Board, and we can benefit out of having that competence in one division and one leadership. And this is for the benefit of retailers, it's for the benefit of our brand owners and the development of new packaging solutions following single plastics regulation. If we look at Packaging Solutions, I would rather see that we now can have a focused approach on a division where it's more light asset compared to previous containerboard parts, which are more similar in structure to the assets that we have in consumable and, therefore, requires a different type of management and leadership. So Packaging Solutions is asset-light. We are further down the value chain. And as you have seen, we have put in new fiber -- from fiber applications there, which we target to grow. So I would not say that it is part of a spin-off strategy, rather, a more focused approach on that part of packaging -- last Packaging Solutions or the previous Packaging Solutions division.

Operator

Next question comes from the line of Harri Taittonen.

Harri Taittonen Nordea Markets, Research Division - Senior Director & Sector Coordinator

A question on the pulp and the very high deliveries, and sort of wondering, well, we know that there was heavy restocking particularly in China -- or behind the dollar. Is it sort of a pulp moving to customer in the division. What is your feeling of of the inventory situation at the moment in the global system on -- in the pulp market?

Annica Bresky Stora Enso Oyj - President & CEO

You're right that we have been destocking our inventories, and this is the right time to do it. If we look at the external market analysts, they say that the prices are probably going to stay on this low level for some time more, coming months or even first half year. From an inventory and stock perspective, we can see that the stocks and inventories are not increasing anymore, which is positive, and we see that also a small decline in inventory levels. So depending how the demand kind of picks up in China coming this year, if we are lucky, we can see a major destocking.

Seppo Parvi Stora Enso Oyj - CFO, Deputy CEO & Country Manager of Finland

And also look at the price indices that I think we all can see every week, it's clear that the prices has stabilized and there's been even some increase, not big one, but some increase in China.

Anders Bergkvist Stora Enso Oyj - CFO of China and Guangxi

Yes. And bottoming out of pricing. Yes.

Harri Taittonen Nordea Markets, Research Division - Senior Director & Sector Coordinator

Right. Okay. And then another question maybe on the forest value discussion, which has been, of course, very lively last year. And you decided to do -- it's a big number, EUR 777 million, but it's still not benchmarking the value to the peers. And I was wondering or thinking there that is -- was this some sort of an interim decision? Or something that you are still considering longer term? What sort of value to attach to the forest asset, particularly in Sweden?

Seppo Parvi Stora Enso Oyj - CFO, Deputy CEO & Country Manager of Finland

Well, like we mentioned in a separate press release released earlier, we have continued to use discounted cash flow model, which we, at the time, believe and see as the most fit for all type of industrial company and industrial operations to use. And the increases, like we mentioned, it's mainly coming from lower discount rates, lower market interest rates, and that is lowering the discount rate that we use. Obviously, follow the situation how to market, practice develops. But it is still the most common way to value the forest asset discounted cash flow method.

Harri Taittonen Nordea Markets, Research Division - Senior Director & Sector Coordinator

Understood. Well, the final question on the Consumer Board, overall.

Seppo Parvi Stora Enso Oyj - CFO, Deputy CEO & Country Manager of Finland

I'm sorry, if I may add. For your information, we have added also some statistics and information on the market prices. So you can see against what we have as fair value in the balance sheet.

Harri Taittonen Nordea Markets, Research Division - Senior Director & Sector Coordinator

Exactly. Yes. Fair enough. Yes, the final question, on the Consumer Board, given that you have achieved some, well, of your targets in certain price negotiations. But then there are also trade press reporting that some falling box board. I mean, what would be the best kind of a broad guidance for the average price for the Consumer Board now going towards this year compared to Q4 of last year's prices?

Annica Bresky Stora Enso Oyj - President & CEO

Well, I cannot comment on that dividing the business as such. But you are right that there are pressures in the folding box board in Europe. While in China, it seems more stable levels. So -- but more than that, I cannot give you details.

Seppo Parvi Stora Enso Oyj - CFO, Deputy CEO & Country Manager of Finland

Yes. And if I may add, I think most important thing is that we have now finalized the price increase around of all the key accounts and customers in all the businesses. And I know many people have a doubt in if we can increase the prices or not. And I think we have proven and shown that we are able to increase prices and cover the gap between the cost increases that we have faced and the prices that we have had in the past.

Operator

Next question comes from the line of Mikael Doepel.

Mikael Doepel UBS Investment Bank, Research Division - Executive Director & Analyst

I could continue a bit on the Consumer board division. You mentioned the achieved price increases with major customers, and we talked about the volumes there previously. But how would you expect this price hike to impact the volumes for this year in the Consumer Board division? As previously mentioned, you have had 5 quarters of declining volumes. Should we expect to see volumes down again in 2020? Or would you expect to see a rebound? That would be my first question.

Annica Bresky Stora Enso Oyj - President & CEO

I cannot unfortunately comment on coming price negotiations and the folding box board, that business is negotiated on a yearly basis, and we go into a negotiation period coming quarter for that part of the business. But what I would say is that when the market becomes stronger, we have a good position to continue growing. The business as such is a strong business. We have leading positions with many of our products, and we are very well kind of perceived by our customers and partners. So I have no doubt that we can grow Consumer Board business in the future.

Mikael Doepel UBS Investment Bank, Research Division - Executive Director & Analyst

Okay. Then switching to containerboards and corrugated. What do you see there in terms of demand and pricing and inventories right now?

Annica Bresky Stora Enso Oyj - President & CEO

Well, the containerboard demand is stable. But as you know, prices under pressure, the prices for containerboard have been driven by lower OCC prices and recycled fiber prices. However, we see stabilization. We don't expect a major continued decline in that area. So -- and then if we take corrugated packaging, that has been unexpectedly strong, supporting the business, which shows also the importance of having both the parts in your portfolio, both corrugated and containerboard business.

Mikael Doepel UBS Investment Bank, Research Division - Executive Director & Analyst

Okay. Then just a final question on the Paper business. Particularly in Europe, we've seen below trend declines in demand in 2009 -- '19, sorry. And that's been driven by different things. But going forward, what's your take on the demand trends for paper? What's your kind of base case of what the structure or the demanded clause will be going forward? Is this minus 10% or so, the new normal? Or should we revert this on sort of 5% or so going forward? What's your take on that?

Annica Bresky Stora Enso Oyj - President & CEO

Well, medium term, we estimate between 4% to 5% decline. We are prepared within the division to constantly kind of handle a declining market, and we do not expect that to change. We have proven that we can deliver a strong cash flow, and we are managing our cost levels in Paper division. When we have an opportunity, we convert units to a more profitable business. And if there are opportunities to divest,

we will do that as well. So this is the strategy that we have had, and we will continue having that.

Operator

Next question comes from the line of Johannes Grunselius.

Johannes Grunselius Kepler Cheuvreux, Research Division - Head of Forestry, Paper & Packaging

Yes. It's Johannes Grunselius from Cheuvreux. So I have a question on your guidance for Q1. I mean, it's a pretty wide range, obviously, that you've mentioned here, Annica, in your presentation. Could you give us some color what's behind the low end of the range? And what's the -- behind the high end of the range? So if you give us sort of a couple of building blocks, that would be perfect.

Annica Bresky Stora Enso Oyj - President & CEO

Well, I think we all see how geopolitical issues are uncertain, and many of those are quite difficult to factor in. In our guidance, we factored in the 3-week labor union impact of EUR 33 million. And that, of course, affects the low part of the range. And then, of course, depending on how the market picks up, if, for instance, Biomaterials as many external analysts think that there will be a recovery in the second half of next year, that, of course, has a significant impact on our results. So for quarter 1, EUR 200 million is achievable if China market picks up. And if the labor union strike does not become too long.

Johannes Grunselius Kepler Cheuvreux, Research Division - Head of Forestry, Paper & Packaging

Okay. Have you pencil in any impact from the unusually warm and wet weather here in the winter in Scandinavia? I mean, you mentioned that will impact the wood -- sourcing of wood. Have you pencil in anything of that into the guidance?

Annica Bresky Stora Enso Oyj - President & CEO

No. So far, we have been able to manage our supply by redistributing kind of the assets that we have in transporting where it's possible and harvesting where it's possible. This is one of the big strengths we have as a big forest owner and with the ecosystem of forest owners that we have in both Finland and Sweden, to utilize the wood where it makes most sense. So, so far, no. And we have not factored that in, in the guidance.

Johannes Grunselius Kepler Cheuvreux, Research Division - Head of Forestry, Paper & Packaging

Okay. Then on pricing, I understand if pulp prices starts to move higher. I guess there is a couple of weeks lag before you see that in your P&L. Could you confirm that? Yes?

Annica Bresky Stora Enso Oyj - President & CEO

Yes. We usually say...

Johannes Grunselius Kepler Cheuvreux, Research Division - Head of Forestry, Paper & Packaging

And that -- and then I also have a question on part one...

Seppo Parvi Stora Enso Oyj - CFO, Deputy CEO & Country Manager of Finland

Sorry, just to be clear, Johannes, it's not 2 weeks, it's more like a couple of months and you'll recall that the price change has come too.

Annica Bresky Stora Enso Oyj - President & CEO

Yes. We usually say it's between 4 to 5 months before we see the P&L respect. And this is because of the long transport that we have. And then the -- of course, the inventory levels and so on.

Johannes Grunselius Kepler Cheuvreux, Research Division - Head of Forestry, Paper & Packaging

But then it must mean the high end or the low end of your guidance range is more dependent on shipments rather than pricing.

Annica Bresky Stora Enso Oyj - President & CEO

Yes, you can say that.

Operator

Next question comes from the line of Robin Santavirta.

Robin Santavirta Carnegie Investment Bank AB, Research Division - Financial Analyst

It's Robin from Carnegie. I was just wondering about what do you see in China, sort of, in general, at the moment? First, sort of recent trends in terms of Consumer Board, I see some statistics pointing to a bit higher folding box board prices. Is that something that you have seen over the past couple of months? And then what are you seeing in terms of the coronavirus we have now? Is your mill operating? Will it continue to operate? And have you so far seen any impact on demand?

Annica Bresky Stora Enso Oyj - President & CEO

Yes. Good questions. Let me start with the coronavirus. We have not had any impact on our mills so far. We are, of course, monitoring what happens and taking care of our employees there and following all the restrictions that the Chinese government is imposing. Our mill is not situated in the same area where the first outbreak was done. But of course, it's very difficult to estimate how this will develop during the coming half year. I believe the Chinese government is taking all the measures that are necessary to contain the virus and has acted very, very quickly compared to what they did many years ago with the SARS virus. If we now go back to demand, of course, if the Chinese economy is affected heavily by this, it will have an effect on our business as well. So far, we have not seen that. We have a stable and even a little bit stronger demand in Consumer Board grades. We have a solid kind of growth of food packaging in general. So we see a stronger demand compared to before, and yes, then we'll have to see how the uncertainty with the virus develops.

Robin Santavirta Carnegie Investment Bank AB, Research Division - Financial Analyst

Okay. And then 2 additional questions, if I may. First, just a maybe broader picture question for you, Annica. As I understand, when we met in December in Helsinki, the strategy going forward might be sort of to focus on the company's strength, whereas maybe in history, Stora Enso has been known on a quite a broad sort of focus on containerboard, wood products, paper and what have you. Is this sort of

something that you want to formalize in some kind of way? Is there a CMD, where you sort of will roll out the newest strategy? Or is it sort of still just going in the same direction as before?

Annica Bresky Stora Enso Oyj - President & CEO

That's a good question. And I understand, as new CEO, you get this question many times. I have a new management team in place, and we are, of course, working and detailing kind of a path forward. Many of the elements will stay in our strategy. But we have a CMD in September, where we will go through a little bit more in detail how we are thinking. In all our business, there are growth opportunities, and there are strong assets, and we will build, as I said before also, on the places where we have leading positions and strengthen that business. More than that, I cannot go into right now. You'll have to wait till CMD.

Operator

Next question comes from the line of Martin Melbye.

Martin Melbye ABG Sundal Collier Holding ASA, Research Division - Research Analyst

So wood prices have dropped like 10%, 20% by different regions, countries. What do you see for yourself in Q1?

Annica Bresky Stora Enso Oyj - President & CEO

Sorry...

Ulla Paajanen-Sainio Stora Enso Oyj - Senior VP & Head of IR

Wood prices Q1, what we see.

Annica Bresky Stora Enso Oyj - President & CEO

Wood prices?

Ulla Paajanen-Sainio Stora Enso Oyj - Senior VP & Head of IR

Yes.

Seppo Parvi Stora Enso Oyj - CFO, Deputy CEO & Country Manager of Finland

Wait, wood prices or wood products division?

Annica Bresky Stora Enso Oyj - President & CEO

Yes, because I didn't hear here.

Martin Melbye ABG Sundal Collier Holding ASA, Research Division - Research Analyst

Wood costs.

Seppo Parvi Stora Enso Oyj - CFO, Deputy CEO & Country Manager of Finland

Wood costs.

Annica Bresky Stora Enso Oyj - President & CEO

Wood costs. We expect them to be on the same level. So a little bit lower, perhaps gradually lower, depending on how the market continues. However, as I said, if we have harvesting issues, that might affect the wood prices if we are not able to deliver to our mill, and -- but that we have not seen yet.

Martin Melbye ABG Sundal Collier Holding ASA, Research Division - Research Analyst

So there's no quarter-over-quarter positive effect from lower wood prices in Q1?

Seppo Parvi Stora Enso Oyj - CFO, Deputy CEO & Country Manager of Finland

Depends very much on harvesting conditions going forward. Like certainly, we expect some slight decrease assuming sort of everything else being equal.

Annica Bresky Stora Enso Oyj - President & CEO

It also depends, of course, with the strike and how long that becomes.

Seppo Parvi Stora Enso Oyj - CFO, Deputy CEO & Country Manager of Finland

In there, you could say that wood supply situation improves, if the strike continues. If we put a positive note on that. Of course, we would like to answer as soon as possible so that we get back to business here in payment.

Martin Melbye ABG Sundal Collier Holding ASA, Research Division - Research Analyst

Okay. And then on the Beihai, what is the status there now? How much is producing liquid packaging, for instance?

Annica Bresky Stora Enso Oyj - President & CEO

Yes. We are fully ramped up in terms of production. Efficiency have been good since 2017, 2018. I do not normally comment on the split of liquid business and the rest of the business. Our target is still to have half the machine filled with liquid business and grow premium positions in the rest, for instance, CKB or other food service boards in China. We still continue some of the qualification. It is very normal that you have up to 3 years of qualification for products. So most of the products with liquid we have qualified. And many of our customers target growth in China. So we are happy to be localized there. This is a long-term investment. So...

Operator

Next question comes from the line of Linus Larsson.

Linus Larsson SEB, Research Division - Analyst

Yes. Just a couple of follow-ups. Well, actually, one first on Enocell. If you could update us on how that is progressing? Are you producing dissolving at all? And if so, to what extent? And what do you expect for 2020 in terms of product split at Enocell, please?

Seppo Parvi Stora Enso Oyj - CFO, Deputy CEO & Country Manager of Finland

Yes. Seppo here. We are moving with the ramp-up as planned. We committed during Q3 call that it's done in patches, so we are running dissolving pulp patches for the customer qualifications, and then continue with standard pulps while waiting and going with the qualifications. So moving ahead as planned, too early to comment the volumes for this year yet. But of course, the plan is to move as soon as possible, more and more volume to dissolving pulp that we see as the specialty area for Enocell going forward.

Linus Larsson SEB, Research Division - Analyst

And, I mean, given where prices are right now, is that like a strategic choice? Or is it so that you might actually choose to predominantly continue to run, pathe grade, given current profitability?

Seppo Parvi Stora Enso Oyj - CFO, Deputy CEO & Country Manager of Finland

There -- it is a strategic decision that we had that we are converting Skutskär to fluff and Enocell to dissolving pulp. And when it comes to sort of standard pulps, we have very good assets in Latin America producing eucalyptus pulp in the Uruguay and Brazil and those focus on sort of more normal pulps and Nordic mills on specialty pulps.

Annica Bresky Stora Enso Oyj - President & CEO

But I guess what you're asking is that the dissolving pulp prices are quite low at the moment. And of course, it's always a choice that we have with what product mix we run in the mill. Even if we are ramping up the dissolving pulp as -- for a long term.

Linus Larsson SEB, Research Division - Analyst

Right, right. Okay. So there might be some compromise to be made as you move along?

Annica Bresky Stora Enso Oyj - President & CEO

Yes.

Linus Larsson SEB, Research Division - Analyst

Yes. And then just coming back to your guidance for the first quarter, what have you baked in, in terms of price changes? And maybe particularly on the Paper side?

Annica Bresky Stora Enso Oyj - President & CEO

Well, we have taken into account that paper is going to continue to be weaker and that the prices are under pressure for paper and continue to be that. For Wood products in Europe, also there, we have under pressure for classic sawn. While Building Solutions is more stable from a pricing perspective and also a growing part, as Seppo was saying. Folding box board, under pressure in Europe and also containerboard, it's a little bit uncertain if it will pick up. So this is what we have put from a kind of pricing perspective. For folding box for China and for Biomaterials, Europe, we see more stabilization of prices.

Linus Larsson SEB, Research Division - Analyst

One of your competitors earlier today said mid-single digit price declines on graphic paper in the first quarter versus the fourth quarter? Is that something that's -- that you're seeing as well?

Annica Bresky Stora Enso Oyj - President & CEO

Well, we don't comment so specifically on our prices on paper. It is a case-by-case contracts that we do. So...

Operator

Next question comes from the line of Markku Järvinen.

Markku Järvinen Handelsbanken Capital Markets AB, Research Division - Analyst

Markku here from Handelsbanken. I had a further question on pricing. You mentioned that you managed to increase prices on liquid. Did I understand correctly that you had the increase from Q4 to Q1 now? Or how does that work?

Annica Bresky Stora Enso Oyj - President & CEO

Well, actually, the negotiations for liquid are annual, biannual or even triannual contracts and they start from, kind of from 2020 and onwards. So the effect comes this year.

Markku Järvinen Handelsbanken Capital Markets AB, Research Division - Analyst

So -- but we see the effect from Q4 to Q1 and then continuing. Is that -- that's my question?

Annica Bresky Stora Enso Oyj - President & CEO

Yes. For liquids business, yes. You have to understand that we have -- it's a mix of products, of course. We have board as well.

Markku Järvinen Handelsbanken Capital Markets AB, Research Division - Analyst

Sure, sure, sure. But for a liquid, you see higher prices?

Annica Bresky Stora Enso Oyj - President & CEO

Yes.

Markku Järvinen Handelsbanken Capital Markets AB, Research Division - Analyst

Okay. Good, good. Then a bit of a clarification on the profit protection. I guess, you saw EUR 105 million or EUR 150 million of savings in 2019 and you're going for EUR 275 million. So -- is the EUR 275 million, should we consider that EUR 105 million or the EUR 150 million? So are you getting further EUR 125 million or EUR 150 million with this?

Seppo Parvi Stora Enso Oyj - CFO, Deputy CEO & Country Manager of Finland

This will -- I hope not to confuse you too much that the original target is based on all savings, it is comparable to maybe another EUR 150 million, but like you know this, in the report, we also mentioned

continuous savings, EUR 105 million. And looking at how well the program is running, I would not be surprised even with the continuous savings reaching EUR 275 million. But the target originally includes also onetime type of savings. So it's this EUR 150 million. But it's moving better ahead. So I'm still impressed by the organization, how well they have

Annica Bresky Stora Enso Oyj - President & CEO

Committed.

Seppo Parvi Stora Enso Oyj - CFO, Deputy CEO & Country Manager of Finland

Committed to the program and worked hard on filing the savings.

Markku Järvinen Handelsbanken Capital Markets AB, Research Division - Analyst

Okay. Very good. Then on the forest value, I suppose you're now showing a value of EUR 6.5 billion for the Swedish forest. I think at the Investor Day, you talked about EUR 7.5 billion. I was kind of wondering what's happened there?

Seppo Parvi Stora Enso Oyj - CFO, Deputy CEO & Country Manager of Finland

You mean based on the statistics?

Markku Järvinen Handelsbanken Capital Markets AB, Research Division - Analyst

Yes.

Seppo Parvi Stora Enso Oyj - CFO, Deputy CEO & Country Manager of Finland

Okay. Now I'm not on the comparison. Maybe there's been some change in the market prices. Yes, but you can check with all our IR, if needed later to look at the details. But statistics are, of course, leaving all the time.

Markku Järvinen Handelsbanken Capital Markets AB, Research Division - Analyst

Okay. Have you thought about sort of doing a more formalized valuation exercise, what the market value would be sort of for that asset? Or is that something that you consider in the future?

Seppo Parvi Stora Enso Oyj - CFO, Deputy CEO & Country Manager of Finland

Well, like I said earlier, we think that at the moment, the best method is discounted cash flow, being an industrial company. But also, as we have said also earlier, we follow how the market practice develops and then act accordingly. When it comes to -- so the wider exercises and discussion of market values, et cetera, we try to provide you with this kind of statistics on the done deals in the regions where we have our foresters so that you can do your own math adjustment on the valuation. But we don't want to start to speculate more with the market value as such.

Operator

Next question comes from the line of Cole Hathorn.

Cole Hathorn Jefferies LLC, Research Division - VP

Two questions, please. The first on containerboard. What have you seen out in the market? And have you gone up similar to your peers with potential price increases? And linked to that, I mean, you've got your Varkaus Mill and you've got your Fluting Mill. Are those impacted by the strikes? And how are the inventory levels in those grades? Will that downtime, potentially, support the industry supply-demand balance at the moment? And maybe if you can...

Seppo Parvi Stora Enso Oyj - CFO, Deputy CEO & Country Manager of Finland

Maybe I can comment on the market. When it comes to fluting and kraft mills in Finland, they are down currently because of the strike.

Cole Hathorn Jefferies LLC, Research Division - VP

Okay. And any commentary around the pricing on the containerboard.

Annica Bresky Stora Enso Oyj - President & CEO

On the market, it is under pressure, as I said, containerboard prices are under pressure, and demand is stable. We follow very closely. And when we think appropriate, we come out with price increases.

Cole Hathorn Jefferies LLC, Research Division - VP

Okay. And then, Seppo, a question for you on the CapEx guidance, which you've lowered EUR 100 million to protect cash flow. How did you -- how do you think about those projects that you've effectively postponed for Capex?

Seppo Parvi Stora Enso Oyj - CFO, Deputy CEO & Country Manager of Finland

Well, we have been looking at the priorities that we have for different CapEx projects. Also, we have had -- and we still have some unallocated CapEx that has been in the reserve. So they have been also cutting from that, which means that there's less projects that we will then approve later during the year. So if we have taken it from different places within projects, at least in the priority order and cutting from the sale, the projects so that they we accounted this EUR 100 million.

Ulla Paaanen Stora Enso Oyj Senior VP & Head of IR

Yes. If I may here, Markku, to your question about difference of the valuation. So in CMD, we had a total hectares of 1.4 billion -- 1.4 million hectares. And in this calculation, we have the productive land, which is 1,140,000 hectares. So that's the difference.

Operator

And the last question comes from the line of Lars Kjellberg.

Lars F. Kjellberg Crédit Suisse AG, Research Division - Research Analyst

Your guidance have been wide for some time. And clearly, in the fourth quarter, you came down in the lower end of that guidance. There seems to be a lot of things happening to you and less things that you control. Can you think about -- or can you share with us the controllables that you have to improve

earnings in 2020 from where we are today? Again, considering, of course, quite a chunk of your prices have continued to go down into Q1. If there are anything that you can do because again, profit protection program, except, where you mentioned there's various components to this, but you weren't annualized EUR 200 million already in the quarter in Q4. And yet, you have quite a weak good number, typically or relative to earlier guidance, if you like, and even the midpoint in Q4. So what can you control?

And the other question, I was thinking a bit about -- I appreciate you're going to come back to this Capital Markets Day. But you have an awful lot of small things. You mentioned 3, 4 various projects. That is a business, of course, but they're not really scalable and sizable that really makes a difference. And so if you look at your growth component, where are we really going to get that from? Do we think that these RFID solutions, solar park, et cetera, will actually generate anything that is meaningful, that is going to make a difference for you?

Annica Bresky Stora Enso Oyj - President & CEO

If I can start with what is controllable, of course, negotiating prices is one key capability of ours. So it's not only things happening to us, but it is also our ability to generate value for our customers. And that is, of course, something that we continue to develop in our organization. The other part is, of course, operational excellence. And you have to remember that we have, during several years now converted a lot of assets into new product areas. Each such conversion takes a lot of effort, and it takes time before you can fully ramp up, fully get the product portfolio there, fully get operational efficiency in place. And I think we are moving into a period now after Oulu conversion, where most of the areas where we can convert, have been converted. So this gives us also opportunity to get stability in our operations, and this is something that we definitely will put even more focus on. If we look then at our innovation portfolio, and I understand your question that our growth has, if you look at kind of the full Stora Enso portfolio, it has not been growing much. Introducing new products and materials to the market takes time to ramp up. PET bottle when that was introduced first time, it took 25 years before the product actually kind of hit the market. The difference now is that there are a lot of regulations coming on stream, which clearly support many of these areas for the future, where CO2 footprint is going to become more important. Recyclability is becoming more important. But for the whole value chain to change, it takes time. It's a lot of infrastructure and so on. But we want to be the leaders in the areas we choose to work with. Then coming back to what type of innovation products we should have in our portfolio, we are making the assessment of where to focus, where we can become really big and what positions we will take. So this is an area, which I will come back to when I have had a little bit more time to work on it. But it is a good question.

Lars F. Kjellberg Crédit Suisse AG, Research Division - Research Analyst

I appreciate that. And in terms of the -- well done it would have taken out of this profit protection program, again, a run rate of EUR 200 million. Do you see more controllable cost takeout that you can do? And if so, where would you kind of focus on?

Annica Bresky Stora Enso Oyj - President & CEO

The beauty of this profit protection program is that it consists of many, many smaller actions, and that it is very distributed throughout the company. And I think this is a testimony that our people have really kind of committed to delivering and also reducing the risk. If one project is not proceeding ahead of plan, we can find other projects to complement. And this is a way of working. We have a very structured way of working now in place. And I expect us to continue to constantly look at our cost position and improving year by year. So I think we have found a good model to work on. And I'm confident that we can deliver here.

Seppo Parvi Stora Enso Oyj - CFO, Deputy CEO & Country Manager of Finland

Yes, I fully agree with Annica. And there's good momentum, and it's obvious that even when this program ends, continuous improvement -- and must continue, and will continue.

Annica Bresky Stora Enso Oyj - President & CEO

Yes.

Seppo Parvi Stora Enso Oyj - CFO, Deputy CEO & Country Manager of Finland

There's always something you can do.

Ulla Paaanen-Sainio Stora Enso Oyj - Senior VP & Head of IR

Okay. Operator, I believe we are in the end of the call. So thank you, everyone, for listening in to our full year results conference call, and hope to meet you again in April when we are out with our Q1 result.

Annica Bresky Stora Enso Oyj - President & CEO

Thank you, everyone.

Seppo Parvi Stora Enso Oyj - CFO, Deputy CEO & Country Manager of Finland

Thank you.

Operator

Thank you. That does conclude our conference for today. Thank you for participating. You may all disconnect.

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