



Press Release

Vienna, November 7, 2023

MM reports results for the first three quarters of 2023

- 3Q operating profit above previous quarter but well below previous year
- Solid performance at MM Packaging
- Market- and capex-related volume decline continued to weigh on results of MM Board & Paper
- General conditions remain tight as a result of inflation-related consumption restraint and the macroeconomic slowdown
- No immediate recovery in sight
- Initiated profit and cash protection program begins to take effect

GROUP KEY INDICATORS – IFRS

consolidated, in millions of EUR, IFRS	1-3Q/2023	1-3Q/2022	+/-
Sales	3,196.5	3,450.4	-7.4 %
EBITDA	328.0	591.2	-44.5 %
EBITDA margin (%)	10.3 %	17.1 %	-687 bp
Operating profit	159.8	452.2	-64.7 %
Operating margin (%)	5.0 %	13.1 %	-810 bp
Return on capital employed ¹⁾ (%)	6.1 %	18.6 %	-1,248 bp
Profit before tax	118.9	416.8	-71.5 %
Income tax expense	(27.7)	(101.6)	
Profit for the period	91.2	315.2	-71.1 %
Net profit margin (%)	2.9 %	9.1 %	
Earnings per share (in EUR)	4.50	15.67	
Cash flow from operating activities	327.3	255.7	+28.0 %
Employees ²⁾	15,374	15,640	
Capital expenditures (CAPEX)	323.7	252.1	
Depreciation and amortization ³⁾	168.2	139.0	
Free cash flow	8.8	17.3	-49.2 %

¹⁾ The calculation is based on the average of the last 12 months.

²⁾ excl. temporary workers; previous year's value as of December 31, 2022

³⁾ including impairment of property, plant and equipment and intangible assets

Peter Oswald, MM CEO, comments: "After the record year 2022, the MM Group has been operating for several quarters in a market environment with significantly reduced demand in the paper and board industry and increasing price pressure. Although destocking in the supply chain seems to be coming to an end in many places, restraint in consumer spending continues due to inflation and as a result of the overall economic slowdown in our main European markets."

As expected, the difficult general conditions are also reflected in the 3rd quarter, in particular in the weak volume and result development of the division MM Board & Paper, which was again characterized by planned capex-related downtime in addition to significant market-related downtime. In contrast, the division MM Packaging recorded an overall solid performance despite a heterogeneous packaging market as well as the successful integration of last year's acquisitions in the resilient area of pharmaceutical packaging.

In view of the current market and result situation and the prospect of no improvement in the short term, our focus is on safeguarding and gaining volumes with reasonable margins. Our profit and cash protection program, which in addition to cost reductions in all areas targets on a significant reduction in working capital and capex cash outs, starts to take effect and will be supplemented by selected structural adjustment measures.

“Due to our continuous efforts to expand our competitiveness and quality leadership as well as the recent strategic investments in our plants and sustainable, innovative packaging products, MM is very well positioned to manage the current difficult market situation and to create long-term added value for our customers and shareholders.”, underlines Oswald.

INCOME STATEMENT

At EUR 3,196.5 million, the Group's consolidated sales were below the previous year's figure (1-3Q 2022: EUR 3,450.4 million). A primarily volume-related decline in the division MM Board & Paper contrasted with an acquisition- and price-related increase in the division MM Packaging.

Operating profit decreased by EUR 292.4 million from EUR 452.2 million to EUR 159.8 million. This decline mainly results from extensive market- and capex-related downtime at MM Board & Paper. The Group's operating margin was therefore at 5.0 % (1-3Q 2022: 13.1 %).

Financial income amounted to EUR 5.4 million (1-3Q 2022: EUR 3.1 million). The increase in financial expenses from EUR -23.3 million to EUR -40.0 million is primarily due to higher interest expenses for Schuldscheindarlehen and financing of the accomplished acquisitions and organic growth projects. “Other financial result - net” changed from EUR -15.2 million to EUR -6.3 million, in particular owing to currency translation.

Profit before tax was EUR 118.9 million after EUR 416.8 million in the previous year. Income tax expense amounted to EUR 27.7 million (1-3Q 2022: EUR 101.6 million), resulting in an effective Group tax rate of 23.3 % (1-3Q 2022: 24.4 %).

Thus, profit for the period decreased from EUR 315.2 million to EUR 91.2 million.

DEVELOPMENT IN THE 3RD QUARTER

As expected, business development in the 3rd quarter continued at a similar level as in the previous quarter. Due to further market and capex-related downtime in the division MM Board & Paper as well as heterogeneous demand in the sales markets of MM Packaging and increasing price pressure, consolidated sales amounted to EUR 1,015.1 million after EUR 1,059.3 million in the 2nd quarter of 2023 and EUR 1,231.9 million in the 3rd quarter of the previous year.

The Group's operating profit of EUR 55.8 million was above the previous quarter (2Q 2023: EUR 42.4 million) due to a strong profit contribution from MM Packaging, but well below the previous year's level (3Q 2022: EUR 167.2 million). The operating margin came in at 5.5 % (2Q 2023: 4.0 %; 3Q 2022: 13.6 %). Profit for the period amounted to EUR 27.9 million (2Q 2023: EUR 28.4 million; 3Q 2022: EUR 109.4 million).

The operating margin of the division MM Board & Paper was -3.0 % (2Q 2023: -2.0 %; 3Q 2022: 15.6 %) mainly due to market-related reduced capacity utilization as well as capex downtime at the Slovenian Kolicvevo board mill.

MM Packaging's operating margin reached 11.4 % particularly as a result of declining cartonboard prices (2Q 2023: 8.6 %; 3Q 2022: 9.2 %).

OUTLOOK

Weak demand in the cartonboard and paper sector continues in almost all areas, as higher costs of living reduce general demand for consumer goods and the overall economic market environment remains uncertain. There is currently no sign of a market recovery, but the bottom seems to have been reached and destocking in the supply chain largely completed. Against this background and in view of sufficient capacities in the industry, significant machine downtime will continue to be necessary – at least also in the 4th quarter – in order to adjust production to market demand. This will primarily impact the division MM Board & Paper.

Under these tightened general conditions, MM is focusing on safeguarding and gaining volume with reasonable margins. Our profit and cash protection program, which in addition to cost reductions in all areas aims at a significant reduction of working capital and capex cash-outs, will be consistently pursued and implemented as well as supplemented by targeted structural adjustment measures. Overall, the pressure to enhance competitiveness is steadily increasing.

Our primary focus remains on recovering margins as quickly as possible and reducing net debt. With sustainable and innovative packaging solutions, MM is very well positioned to successfully manage the current difficult market situation.

DEVELOPMENT IN THE DIVISIONS

MM BOARD & PAPER

in millions of EUR, IFRS	1-3Q/2023	1-3Q/2022	+/-
Sales¹⁾	1,467.7	2,129.5	-31.1 %
EBITDA	86.7	396.4	-78.1 %
Operating profit	4.4	318.2	-98.6 %
Operating margin (%)	0.3 %	14.9 %	-1,464 bp
Cash flow from operating activities	77.1	227.0	-66.0 %
Tonnage sold (in thousands of tonnes)	1,446	1,895	-23.7 %
<i>Cartonboard</i>	1,105	1,430	-22.7 %
<i>Paper</i>	341	465	-26.7 %
Tonnage produced (in thousands of tonnes)	1,439	1,941	-25.9 %

¹⁾ including interdivisional sales

After the record year 2022, the European cartonboard and paper industry experienced a sharp downturn in the market environment with decreases in demand of up to 30 % in individual product groups. On the European cartonboard market, the market situation remained tight after the summer months, but relatively stable overall. The inflation-related subdued and changed purchasing behavior of consumers as well as the reduction of high inventories in the supply chain led to a significant volume decline in the cartonboard business compared to the previous year. This historically unprecedented situation was further aggravated by the loss of the Russian market as well as weak or highly competitive overseas markets. The division's average order backlog amounted to 156,000 tonnes compared to 279,000 tonnes in the first three quarters of the previous year.

In view of the circumstances, MM, as well as the industry as a whole, adjusted production to the reduced demand to a so far unprecedented extent by means of market-related downtime. Furthermore, MM Board & Paper implemented a comprehensive investment program to increase the competitiveness of recycled fiber-based cartonboard through more efficient, sustainable and innovative product solutions and processes. In the course of this, additional to market-related downtime, there were planned major capex-related shutdowns at the cartonboard mills in Frohnleiten, Kolicveo and Neuss, the latter lasting approximately three months. Furthermore, also longer market-related downtime had to be carried out, in order to reduce working capital.

On several procurement markets, purchasing prices fell compared to the previous year as a result of lower demand (e.g. recovered paper), however, this gradually increased the pressure on selling prices. The sharp drop in volumes and lower price levels led to a significant reduction in results compared to the previous year's record figures. Accordingly, a profit and cash protection program with detailed action plans for each location was implemented.

At EUR 1,467.7 million, sales were mainly volume-related EUR 661.8 million (-31.1 %) below the comparable figure (1-3Q 2022: EUR 2,129.5 million). The operating profit amounted to EUR 4.4 million (1-3Q 2022: EUR 318.2 million), the operating margin to 0.3 % (1-3Q 2022: 14.9 %).

At 1,439,000 tonnes and 1,446,000 tonnes, both tonnage produced and sold were noticeable below the previous year's level (1-3Q 2022: 1,941,000 tonnes and 1,895,000 tonnes, respectively).

MM PACKAGING

in millions of EUR, IFRS	1-3Q/2023	1-3Q/2022	+/-
Sales¹⁾	1,869.1	1,510.2	+23.8 %
EBITDA	241.3	194.8	+23.9 %
Operating profit	155.4	134.0	+16.0 %
Operating margin (%)	8.3 %	8.9 %	-55 bp
Cash flow from operating activities	250.2	28.7	+772.0 %
Produced volume (in millions of m ²)	3,036	2,928	+3.7 %

¹⁾ including interdivisional sales

The development of demand on the European folding carton market has been generally heterogeneous in the course of the year. Against the background of the reduction of high inventories along the supply chains, declining consumer purchasing power and the associated trend towards lower-priced private label products, which are more frequently packaged in plastic, the folding carton business particularly in the food sector has been declining since the beginning of the year. As a result, it was necessary to adjust shifts at individual sites. In contrast, our business in the premium sector showed a more solid development overall, although order intake has also been declining in individual markets for several months.

The pleasing growth of MM Packaging compared to the previous year resulted largely from the inclusion of the previous year's acquisitions in the pharmaceutical packaging sector, which contrasted with the sale of the sites in Russia.

The integration of the ex-Essentra Packaging sites was successfully implemented. Optimizations in quality, service and productivity as well as necessary investments and the leveraging of synergies are on the right track.

Adjustments in the existing business during the year so far affected one packaging site in Germany, resulting in one-off expenses of approximately EUR 16 million in the 1st quarter.

MM Packaging is currently concentrating on gaining additional volumes to ensure capacity utilization of the plants, as well as on realizing further cost savings and working capital reduction as part of the Group-wide profit and cash protection program.

At EUR 1,869.1 million, sales were acquisition- and price-related 23.8 % higher than the previous year's figure of EUR 1,510.2 million. Operating profit of EUR 155.4 million (1-3Q 2022: EUR 134.0 million) was in particular impacted by the aforementioned one-off expenses, but also by the divestment of the profitable business in Russia and the integration of ex-Essentra Packaging. The operating margin reached 8.3 % (1-3Q 2022: 8.9 %).

Volume produced increased acquisition-related by 3.7 % to 3,036 million m² (1-3Q 2022: 2,928 million m²).

QUARTERLY OVERVIEW

MM GROUP

consolidated, in millions of EUR, IFRS	1Q/2022	2Q/2022	3Q/2022	4Q/2022	1Q/2023	2Q/2023	3Q/2023
Sales	1,060.4	1,158.1	1,231.9	1,231.7	1,122.1	1,059.3	1,015.1
EBITDA	155.0	220.8	215.4	138.7	116.6	97.7	113.7
EBITDA margin (%)	14.6 %	19.1 %	17.5 %	11.3 %	10.4 %	9.2 %	11.2 %
Operating profit	111.1	173.9	167.2	58.1	61.6	42.4	55.8
Operating margin (%)	10.5 %	15.0 %	13.6 %	4.7 %	5.5 %	4.0 %	5.5 %
Profit before tax	103.6	166.6	146.6	50.1	49.0	28.2	41.7
Income tax expense	(24.1)	(40.3)	(37.2)	(20.1)	(14.1)	0.2	(13.8)
Profit for the period	79.5	126.3	109.4	30.0	34.9	28.4	27.9
Net profit margin (%)	7.5 %	10.9 %	8.9 %	2.4 %	3.1 %	2.7 %	2.7 %
Earnings per share (in EUR)	3.95	6.29	5.43	1.52	1.71	1.41	1.38
Cash flow from operating activities	49.3	89.0	117.4	44.0	67.2	82.9	177.2
Free cash flow	(23.9)	(6.0)	47.2	(37.0)	(28.6)	(36.3)	73.7

DIVISIONS

MM BOARD & PAPER

in millions of EUR, IFRS	1Q/2022	2Q/2022	3Q/2022	4Q/2022	1Q/2023	2Q/2023	3Q/2023
Sales¹⁾	656.3	725.9	747.3	620.5	521.2	498.1	448.4
EBITDA	95.7	157.8	142.9	102.9	54.3	17.7	14.7
Operating profit	70.1	131.6	116.5	62.8	27.7	(9.8)	(13.5)
Operating margin (%)	10.7 %	18.1 %	15.6 %	10.1 %	5.3 %	-2.0 %	-3.0 %
Cash flow from operating activities	18.5	83.6	124.9	17.4	10.0	3.0	64.1
Tonnage sold (in thousands of tonnes)	657	623	615	494	473	486	487
<i>Cartonboard</i>	494	467	469	373	375	365	365
<i>Paper</i>	163	156	146	121	98	121	122
Tonnage produced (in thousands of tonnes)	659	671	611	492	488	469	482

¹⁾ including interdivisional sales

MM PACKAGING

in millions of EUR, IFRS	1Q/2022	2Q/2022	3Q/2022	4Q/2022	1Q/2023	2Q/2023	3Q/2023
Sales¹⁾	454.9	502.4	552.9	658.5	656.7	606.5	605.9
EBITDA	59.3	63.0	72.5	35.8	62.3	80.0	99.0
Operating profit	41.0	42.3	50.7	(4.7)	33.9	52.2	69.3
Operating margin (%)	9.0 %	8.4 %	9.2 %	-0.7 %	5.2 %	8.6 %	11.4 %
Cash flow from operating activities	30.8	5.4	(7.5)	26.6	57.2	79.9	113.1
Produced volume (in millions of m ²)	959	954	1,015	1,128	1,094	979	963

¹⁾ including interdivisional sales

The Report for the first three quarters of 2023 as well as the CEO Audio-Q&A-Webcast are available on our website: <https://www.mm.group>.

Forthcoming results:

March 12, 2024

Financial Results for 2023

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