

AFRY

ÅF PÖYRY



Opportunity ahead for the Tissue industries in APAC disruption and recovery

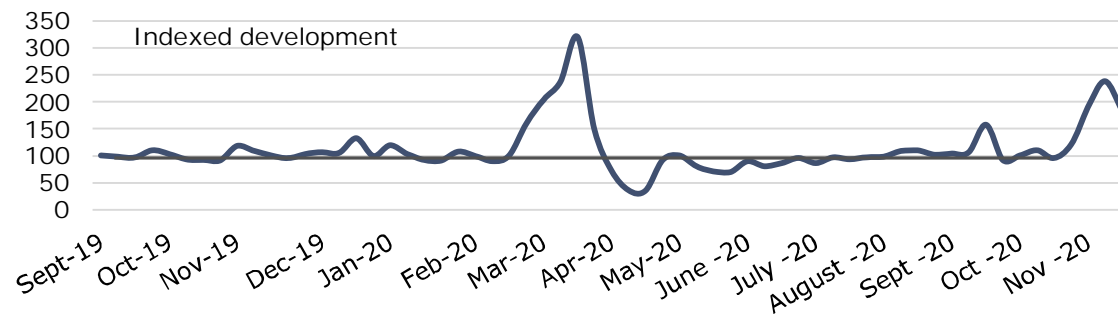
AFRY MANAGEMENT CONSULTING PRESENTATION

TISSUE WORLD DIGITAL DAYS | 10 JUNE

Hoarding driven demand decreased in 2021 in consumer segment, drop in AfH continues

- Post panic buying in first quarter 2020 sales drop impacted SEA producers. 2021 first quarter has not similar pattern:
 - Countries without local suppliers (Singapore, Hongkong) experience temporary shortages due to logistics constraint also in 2021
- Continued partial lockdown measures in first quarter 2021 in several SEA countries continues impact to the tissue consumption:
 - Positively in consumer segment with people staying at home more
 - Negatively in AfH segment due to empty offices, less traveling, empty restaurants and hotels
- Producers increase output capacity, speed up on roll-out of planned upgrade, more focus on diversification and online sales channel:
 - Raw material cost and container shortage impact profit margin
 - Tissue supply through Ecommerce getting more traction

RETAIL SALES DEVELOPMENT OF TOILET TISSUE IN GERMANY



Toilet tissue sales peak in Q1 2020...

... followed by a relatively quick drop and return to normal in August. With the second wave reflecting increase in demand in end 2020, the sales to stabilize in 2021.

Source: Destatis; German statistics of weekly consumer products sales



INDUSTRY ACTIONS DRIVEN BY COVID-19

Low pulp prices boosted most tissue companies to strong economic results in 2020, however the recent rise in pulp prices will likely turn this trend

SALES IMPACT FOLLOWING COVID-19



- NTPM reported declining sales in end of 2020. However, higher selling prices and lower cost of raw materials boosted its margins. Increases focus on VN market



- APP reported sales surge due to panic buying, followed by steadier growth driven especially by demand in the Chinese market



Berli Jucker increases focus on online channel selling

SOME ACTIONS DRIVEN BY COVID-19

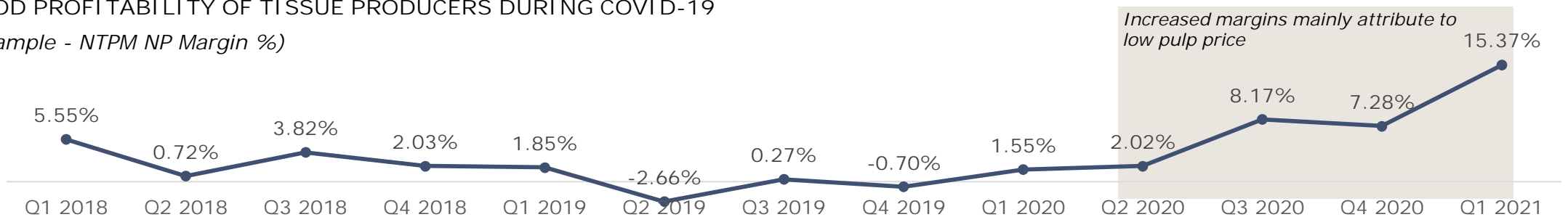
- NTPM actively increases capacity output by 20%

- APP was able to increase and arrange supply to meet the demand. Temporarily re-tasking of some production lines

- BJC successfully started up the tissue production line at Thailand

GOOD PROFITABILITY OF TISSUE PRODUCERS DURING COVID-19

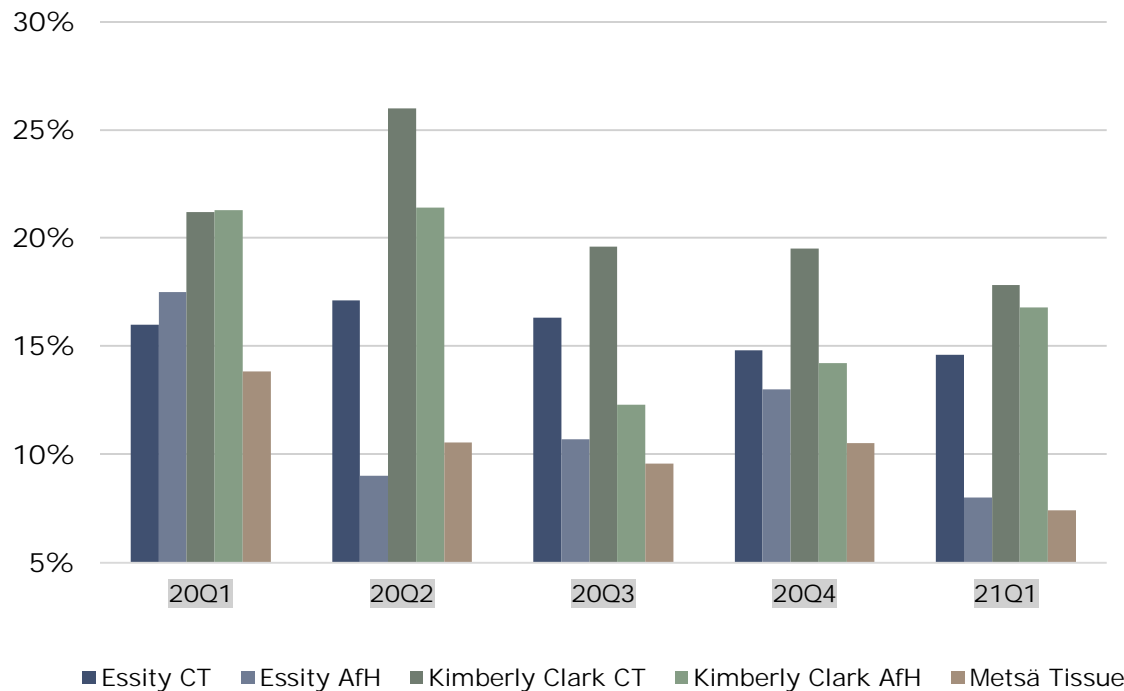
(Example - NTPM NP Margin %)



PROFITABILITY EVOLUTION WESTERN TISSUE COMPANIES

Rising pulp prices seem to have started to take a toll on profitability, SEA suppliers might follow the trend visible among western

PROFITABILITY SELECTED WESTERN TISSUE COMPANIES*



TISSUE MARKET DEVELOPMENTS

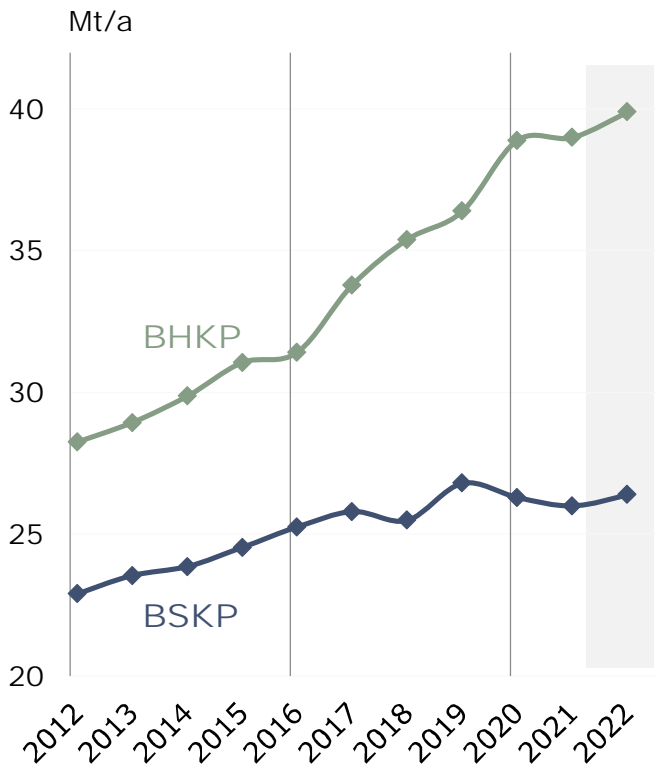
- Consumer tissue sector was boosted during most part of the pandemic during 2020, AfH suffered from lockdowns
- As top-line growth for CT benefitted from stockpiling so was the bottom-line growth by low and stable pulp prices
- Through the first quarter of 2021, raw material headwinds continued to be visible in the performance of the CT sector
- Pulp and tissue prices are not perfectly coordinated, further downward pressure on margins is not an unlikely outcome for the second quarter given current pulp price inflation
- Tissue price increases communicated from some tissue suppliers during Q1 as a result of higher raw material costs, successful or not remains to be seen

*Operating Margin: Essity (CT & AfH), Kimberly-Clark (CT & AfH) & Metsä Tissue (CT+AfH)

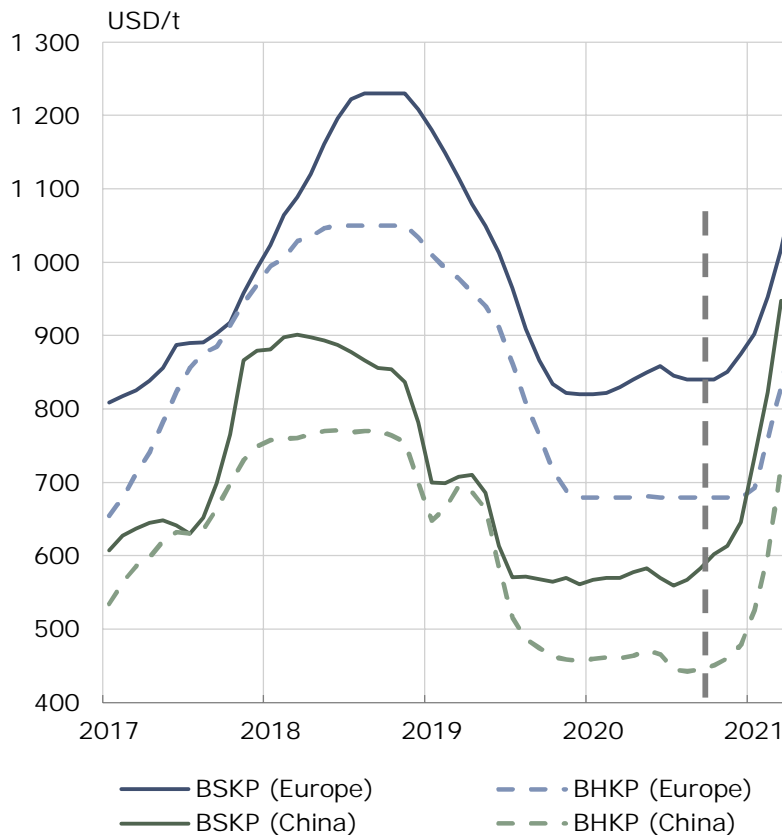
MARKET PULP PRICE DEVELOPMENT

Pulp prices have significantly increased since Q420, driven by tight supply throughout the supply chain and solid demand among end users

MARKET BKP CYCLICAL DEMAND



MARKET PULP PRICE DEVELOPMENT



PULP MARKET DRIVERS

- Solid demand from the tissue sector as PMs need of virgin fibre continue to be ramped up globally. China is the main driving market
- Reopened economies and improved environment for global commodities
- Improving supply increase from previous low levels

CURRENT PULP PRICE DEVELOPMENTS vs. Q420

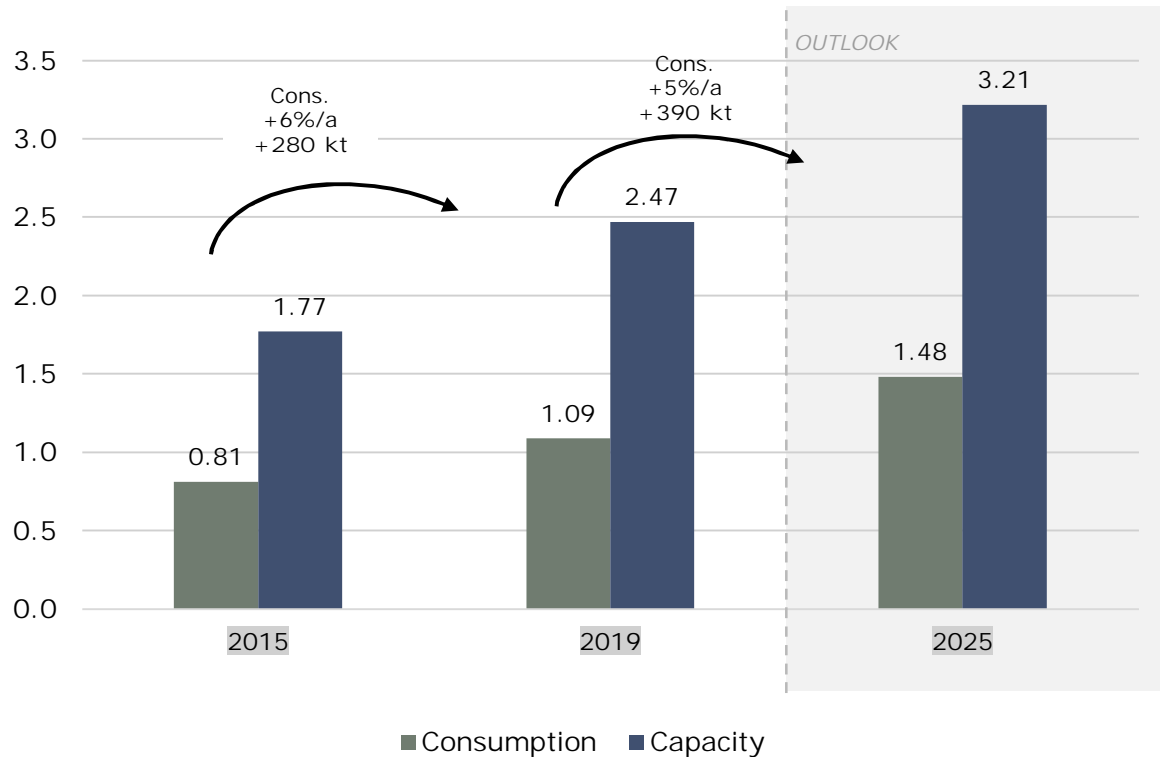
- Logistical bottlenecks combined with planned and unplanned downtime
- Weakening USD (vs. EUR and Renminbi)
- Speculative buying both physical and non-physical (Shanghai Futures)
- Restocking among buyers
- Producer inventories balanced to tight

Prices nominal USD/t, CIF. Source: Foex Indices (PIX).

TISSUE SEGMENT MARKET OUTLOOK IN SOUTHEAST ASIA

The Southeast Asian tissue market is expected to grow by about 5%/a through 2025, ambitious project plans add pressure on the market balance

MARKET OUTLOOK: SOUTHEAST ASIA*
1000 tonnes

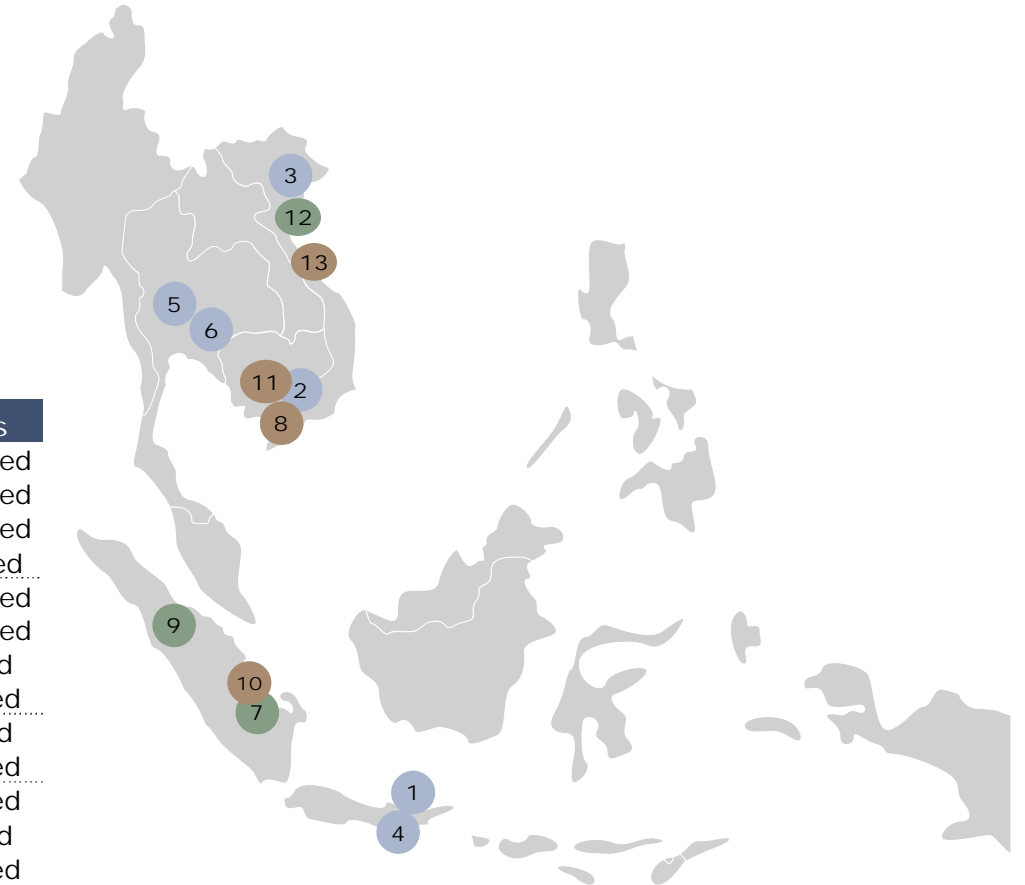


- Economic and population growth continue to be the main growth drivers
- Consumption in Southeast Asia totaled 1.09 Mt in 2019, corresponding to a per capita consumption of around 1.7 kg/a
- The consumption per capita in SEA is low compared to e.g. Western Europe at over 15 kg/a or NA at around 25 kg/a, indicating good potential for higher penetration and growth
- A healthy overall market growth of over 5 %/a is expected in SEA through 2025
 - This is close to the growth rates seen in the recent years
- Increased consumer segment demand and hygiene awareness are expected to mitigate the experienced drop and continuing headwinds in AfH
- Indonesia is the main country driving the demand growth in the region followed by South Korea, Vietnam and the Philippines
- With current project plans, exports are key for the regional market balance. However, competition overseas is intensifying while closure of old and less efficient capacity will be important as well

*Cap Outlook includes Decided & Planned Projects

No major obstacles on projects were seen in 2020 due to COVID-19, announced plans mainly attributed to Indonesia and Vietnam

- As demand continues healthy, the investments are expected to continue as planned, despite the regional over-capacity
- Investment activity continues strongly driven by APP's massive expansion plans in OKI and Perawang mill
- An increased interest in Vietnam due to promising demand outlook is visible
- Indonesia capacity footprint will be increasingly export driven



MAJOR TISSUE PM PROJECTS SEA

#	Year	Country	Firm	Location	kt	Status
1	2020	Indonesia	PT Suparma	Surabaya	54	Completed
2	2020	Vietnam	Xuan Mai	Ho Chi Minh	20	Completed
3	2020	Vietnam	Xuong Giang Paper	Bac Giang	20	Completed
4	2020	Indonesia	PT Sun Paper	Sukoanyar	36	Completed
5	2021	Thailand	C.A.S.	Singburi	30	Completed
6	2021	Thailand	Berli Jucker Cellox	Bang Chalong	28	Completed
7	2021	Indonesia	PT OKI	Palembang	168	Planned
8	2021	Vietnam	Saigon Paper	My Xuan	25	Intended
9	2022	Indonesia	PT Pindo	Perawang	370	Planned
10	2022	Indonesia	PT OKI	Palembang	84	Intended
11	2023	Vietnam	Cheng Loong	Binh Duong	50	Intended
12	2023	Vietnam	Phong Paper	Hai Phong	20	Planned
13	2023	Vietnam	Lee & Man	Han Tinh	1000	Intended

Decided: On-going implementation or key equipment order announced
 Planned: A plan with sufficient details of investment project publicly available
 Intended: A plan published without sufficient details

● Completed / Near completion
 ● Planned
 ● Intended

THANK YOU!



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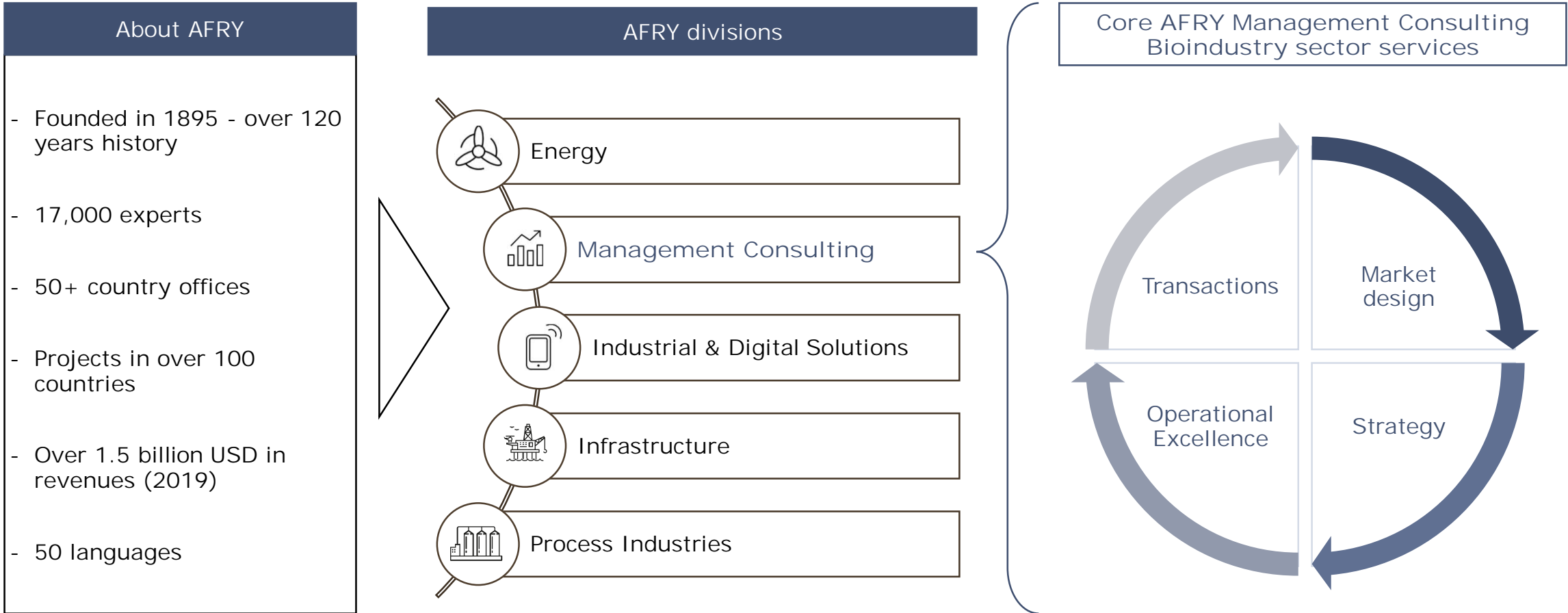
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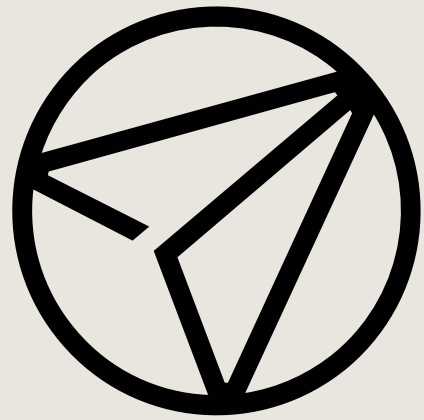
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