

Annual Results Investors Conference

25 February 2020



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Agenda

1 Introduction

2 Business developments

3 Financial results

4 Outlook

Peter Schaub

Peter Schildknecht

Richard Unterhuber

Peter Schildknecht

The CPH Group 2019 in brief

- Another very good set of annual results
- New profitability highs for Paper and Packaging
- Economic slowdown and trade dispute dampened second-half sales, especially at Chemistry
- Group EBIT margin at new record high thanks to cost efficiencies and product mix
- Further increase in net group result
- Nominal value reduction of CHF 1.80 per share proposed
- CHF 120 million corporate bond redeemed in summer
- “Strategy 2024” approved

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Peter Schildknecht

The CPH Group Key figures



in CHF million	2018	2019	± in CHF	± in %
Net sales	533.5	524.7	-8.9	-1.7
EBITDA in % of net sales	83.1 15.6	88.0 16.8	+4.9	+5.9
EBIT in % of net sales	51.6 9.7	56.6 10.8	+5.0	+9.6
Net result (including minorities) in % of net sales	42.3 7.9	48.5 9.2	+6.2	+14.6
Cash flow	69.0	79.9	+10.9	+15.9
Adjusted free cash flow ¹⁾	19.5	39.9	+20.4	+104.6
Balance sheet total	800.5	702.7	-97.8	-12.2
Equity in % of the balance sheet total	407.1 50.9	441.3 62.8	+34.2	+8.4
Personnel	1081	1086	+5 FTEs	+0.5

¹⁾ excluding CHF 100 million fixed-term deposit of funds generated by corporate bond issue of 12.10.2018, repaid 9.7.2019

The CPH Group Business divisions



Divisions

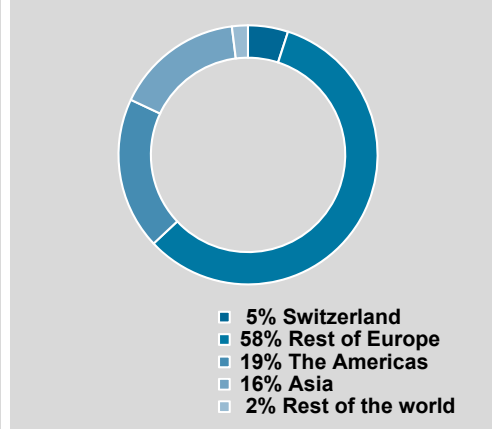
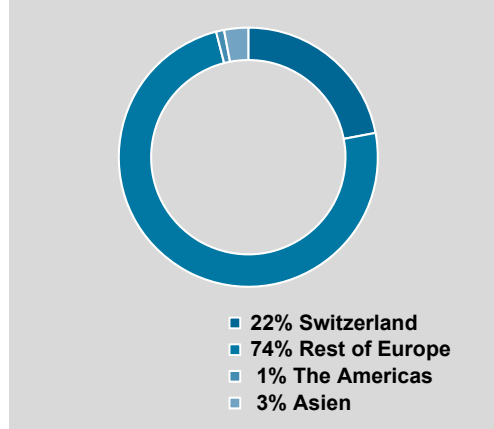
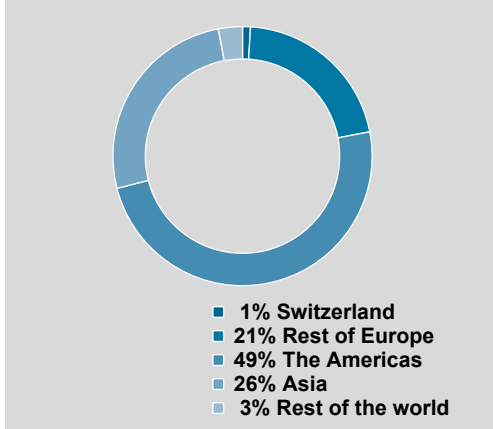


Key figures for 2019

Net sales	CHF 78.2 million
EBITDA	CHF 9.5 million
Production sites	CH / USA / CN / BiH
Employees	287

Net sales	CHF 293.2 million
EBITDA	CHF 54.5 million
Production sites	CH
Employees	376

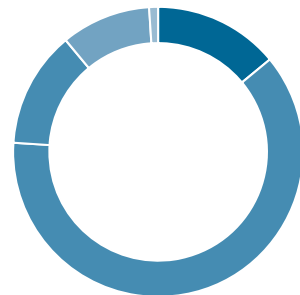
Net sales	CHF 153.2 million
EBITDA	CHF 23.7 million
Production sites	CH / DE / USA / BRA / CN
Employees	416



The CPH Group Sales markets and production sites

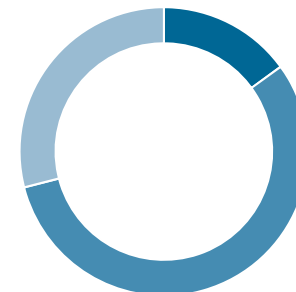


2019 net sales by region



- 14% Switzerland
- 62% Rest of Europe
- 13% The Americas
- 10% Asia
- 1% Rest of the world

2019 net sales by division



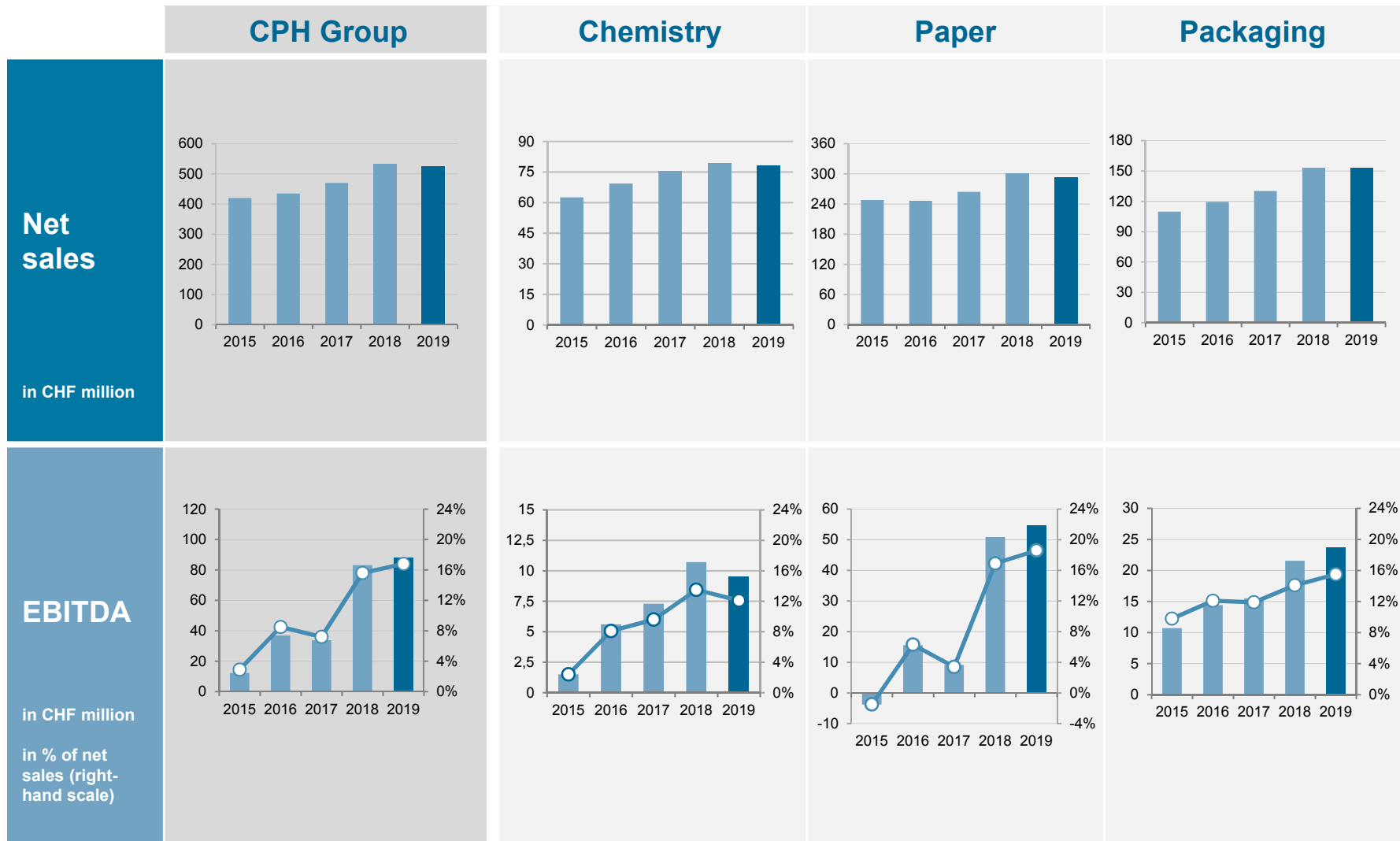
- 15% Chemistry
- 56% Paper
- 29% Packaging

The CPH Group “Strategy 2024” approved



	1	2	3																																				
Objectives	Net sales broadly balanced among the three divisions	Higher share of net sales from outside Europe	Less exposure to the Swiss franc in currency terms																																				
Actions	Expand Chemistry and Packaging	Expand in markets in growth regions	Expand production capacities outside Switzerland																																				
Results	<p>in %</p> <table border="1"> <caption>Chemistry and Packaging's share of total net sales</caption> <thead> <tr> <th>Year</th> <th>Share (%)</th> </tr> </thead> <tbody> <tr> <td>2015</td> <td>36</td> </tr> <tr> <td>2016</td> <td>41</td> </tr> <tr> <td>2017</td> <td>43</td> </tr> <tr> <td>2018</td> <td>44</td> </tr> <tr> <td>2019</td> <td>44</td> </tr> </tbody> </table> <p>Chemistry and Packaging's share of total net sales</p>	Year	Share (%)	2015	36	2016	41	2017	43	2018	44	2019	44	<p>in %</p> <table border="1"> <caption>Proportion of net sales from outside Europe</caption> <thead> <tr> <th>Year</th> <th>Proportion (%)</th> </tr> </thead> <tbody> <tr> <td>2015</td> <td>16</td> </tr> <tr> <td>2016</td> <td>19</td> </tr> <tr> <td>2017</td> <td>22</td> </tr> <tr> <td>2018</td> <td>22</td> </tr> <tr> <td>2019</td> <td>24</td> </tr> </tbody> </table> <p>Proportion of net sales from outside Europe</p>	Year	Proportion (%)	2015	16	2016	19	2017	22	2018	22	2019	24	<p>in %</p> <table border="1"> <caption>Proportion of costs incurred in Swiss francs</caption> <thead> <tr> <th>Year</th> <th>Proportion (%)</th> </tr> </thead> <tbody> <tr> <td>2015</td> <td>68</td> </tr> <tr> <td>2016</td> <td>44</td> </tr> <tr> <td>2017</td> <td>38</td> </tr> <tr> <td>2018</td> <td>36</td> </tr> <tr> <td>2019</td> <td>36</td> </tr> </tbody> </table> <p>Proportion of costs incurred in Swiss francs</p>	Year	Proportion (%)	2015	68	2016	44	2017	38	2018	36	2019	36
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The CPH Group Results of strategy in 2019



The CPH Group Focused on sustainability



<p>Products</p>			
<p>Raw materials</p>	<p>Chemistry</p> <p>Aluminium silicate naturally extracted or synthetically manufactured</p>	<p>Paper</p> <p>Waste paper and wood are of organic origin</p>	<p>Packaging</p> <p>Polyvinylchloride is manufactured from oil and salt</p>
<p>Cycle</p>	<p>Regenerable</p>	<p>Recyclable and biodegradable</p>	<p>Recyclable</p>
<p>Results</p>	<ul style="list-style-type: none"> Zvornik and Donghai sites now ISO 14001 eco-certificated Intermediate products sourced directly in Bosnia/Herzegovina and China to cut transports Coal replaced with gas at the Donghai (China) site Dust emissions reduced at the US and Chinese plants thanks to new filter facilities Former waste disposal site in Meilen to be cleaned up in 2020 	<ul style="list-style-type: none"> 144 kg of CO₂ per tonne of paper (616 kg is CEPI industry average) 75% of recovered paper used is sourced from Switzerland 85% of wood used is sourced from Switzerland, 70% from certificated forestry operations ISO 14001 eco-certificated Steam procured from Renergia Own biomass plant Own hydroelectric power stations 	<ul style="list-style-type: none"> Müllheim site ISO 50001 energy-certificated and switched 100% to eco-power 99% utilization rate for PVC PVC waste used to make cores onto which the films are rolled

The CPH Group Divisional results



in CHF million	CPH Group		Chemistry			Paper			Packaging		
	2018	2019	2018	2019	± in %	2018	2019	± in %	2018	2019	± in %
Net sales	533.5	524.7	79.4	78.2	-1.5	301.1	293.2	-2.6	153.0	153.2	+0.1
EBITDA	83.1	88.0	10.7	9.5	-11.4	50.9	54.5	+7.2	21.6	23.7	+10.1
EBITDA margin in %	15.6	16.8	13.5	12.1		16.9	18.6		14.1	15.5	
EBIT	51.6	56.6	6.1	4.4	-28.1	30.1	34.7	+15.2	15.4	17.3	+12.0
EBIT margin in %	9.7	10.8	7.7	5.6		10.0	11.8		10.1	11.3	
Personnel	1 081	1 086	293	287	-2.0	369	376	+1.9	413	416	+0.7

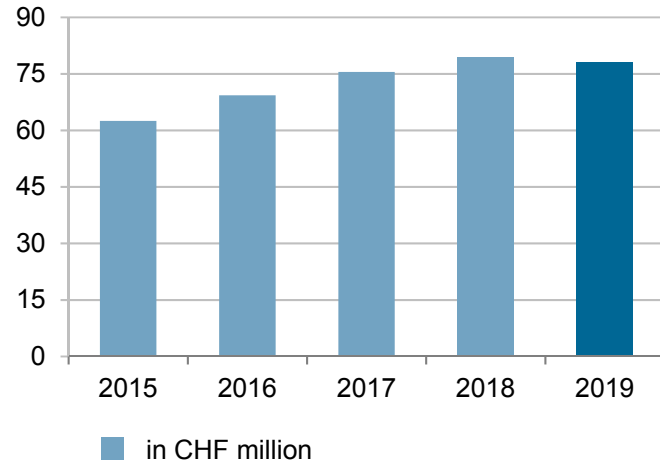
The Chemistry Division



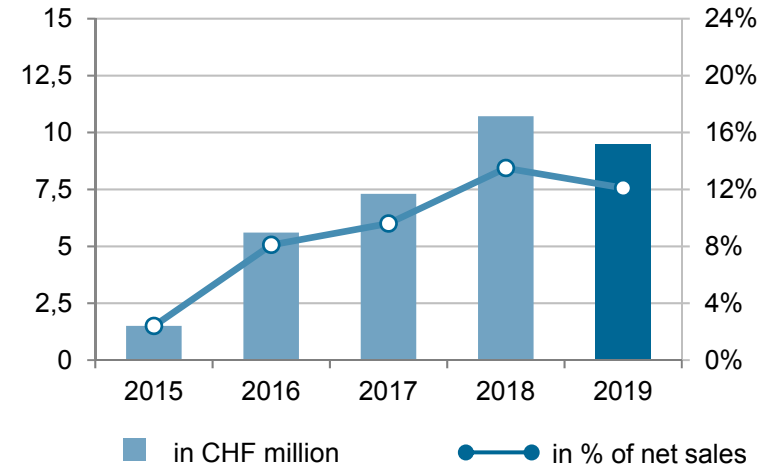
Chemistry Business developments



Net sales



EBITDA



Market environment

- Strong first half followed by global economic slowdown
- Trade dispute between USA and China dampened business drive
- Investment goods sector reluctant to build new and replenish existing molecular sieve facilities
- Stable demand from the pharmaceutical sector

Business trends

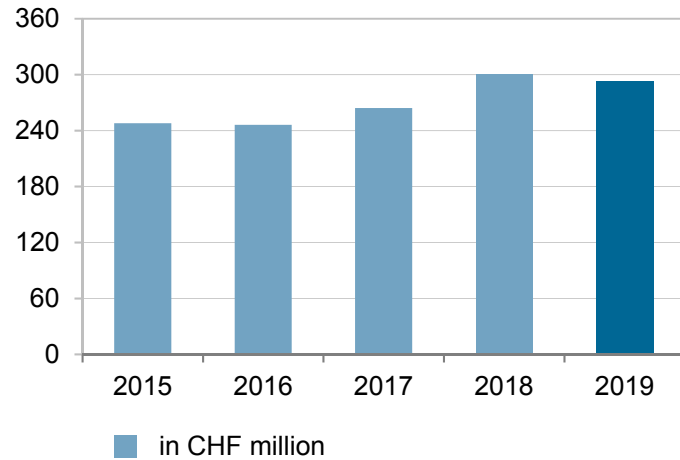
- Facilities well utilized in first half-year, but substantial decline in second-half demand
- Net sales maintained virtually at prior-year level
- Margins under pressure and year-on-year EBIT decline
- Further growth in sales of deuterated products and gels
- Distribution network further expanded in Brazil and the Middle East

The Paper Division

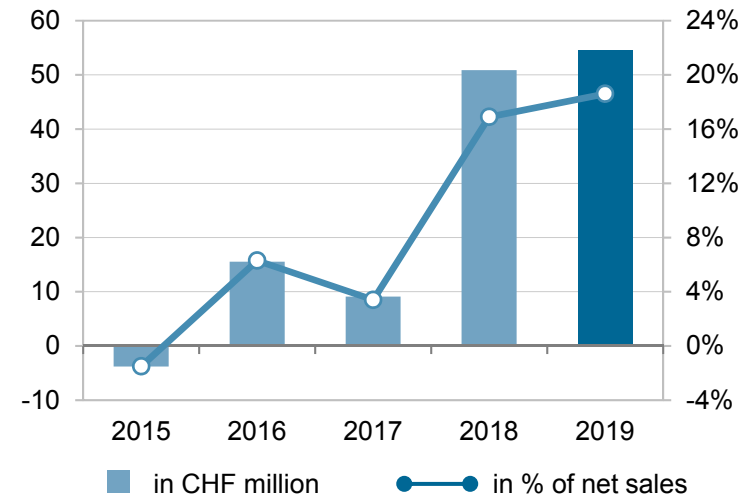


Paper Business developments

Net sales



EBITDA



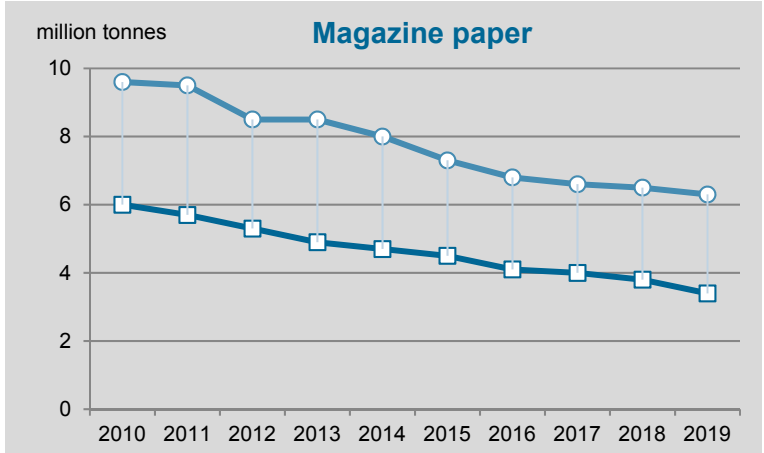
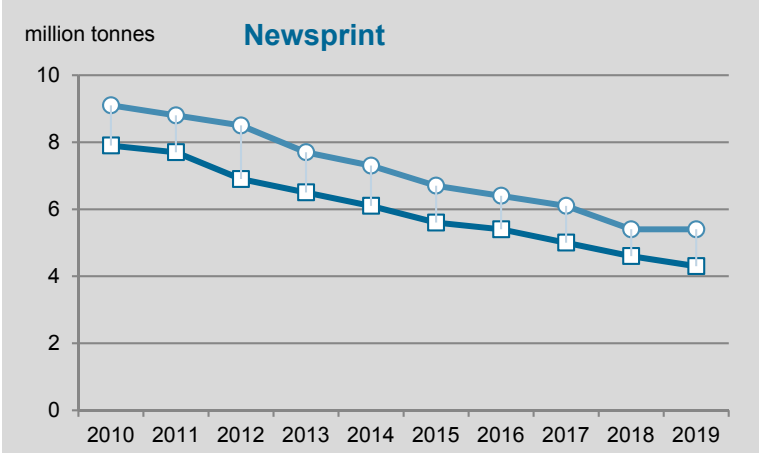
Market environment

- Further 8-12% decline in Europe in demand for press and printing paper
- Higher paper sales prices in first half of the year, followed by pricing pressures owing to overcapacities
- Double-digit decline in recovered paper prices, as supplies no longer absorbed by production needs
- Energy prices saw a slight decline

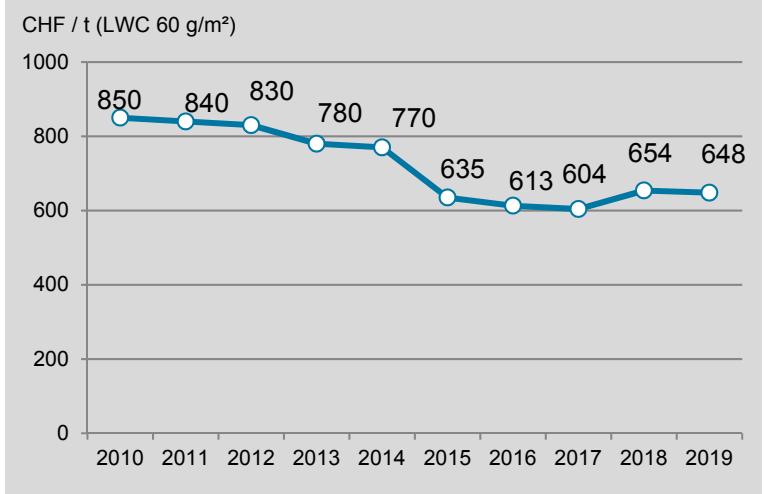
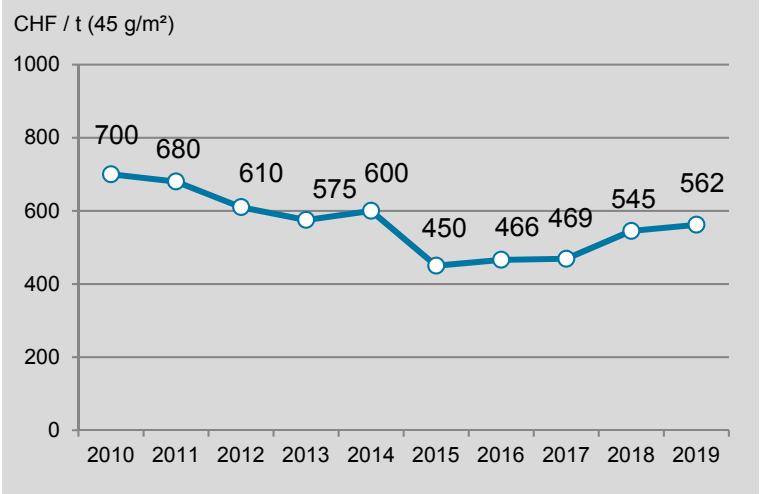
Business trends

- High utilization in first half-year; temporary production stops in second-half period
- Slight declines in production volumes and sales
- Lower recovered paper prices eased expenditure pressures
- New record EBIT result

Paper Market and pricing trends in Western Europe



○ Capacity
□ Nachfrage



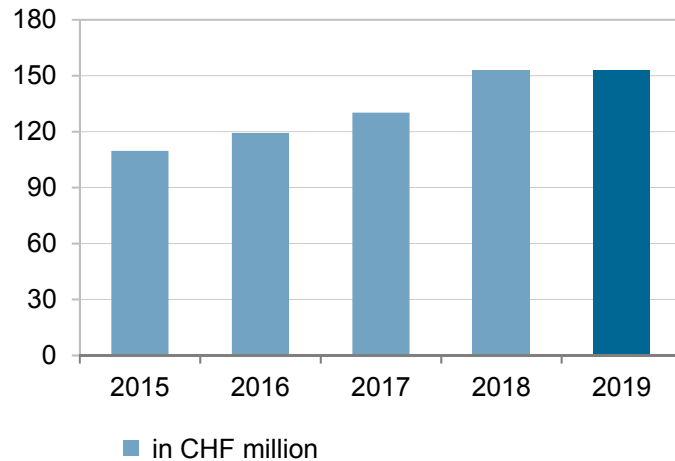
○ Price

The Packaging Division

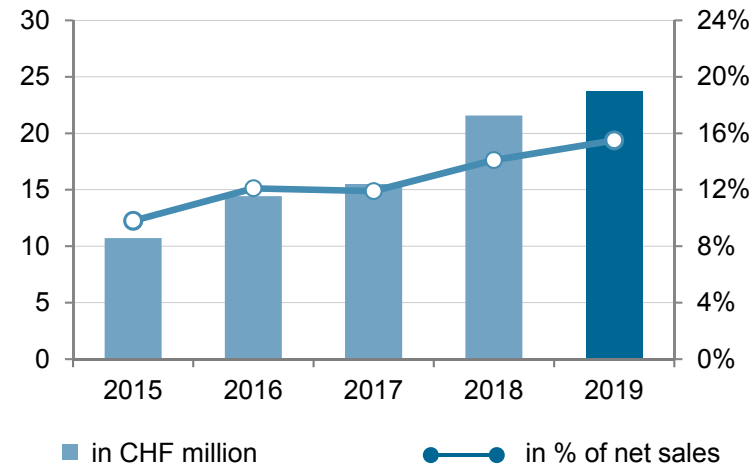


Packaging Business developments

Net sales



EBITDA



Market environment

- Global health costs rose 5.7% in 2019
- Stagnant demand in the prime European market
- Demand for medicines (and thus for blister packs) rising in emerging nations
- Competition intensifying as rivals expand their coating capacities

Business trends

- Slight net sales growth, thanks largely to increased sales of higher-barrier films
- Double-digit net sales growth in Latin America
- New record EBIT result
- Further investments in automating slitting machines

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The CPH Group Consolidated income statement (I)



in CHF million	2018	in %	2019	in %	± in CHF	± in %
1 Net sales	533.5	100	524.7	100	-8.9	-1.7
Changes to semi-finished & finished inventories and other income	13.9	3	15.0	3		
Total income	547.4	103	539.7	103	-7.7	-1.4
2 Cost of materials	269.8	51	260.3	50		
Energy costs	55.3	10	52.5	10		
Personnel cost	92.3	17	92.9	18		
3 Outsourced maintenance/repairs	18.8	4	19.9	4		
Other operating expense	28.0	5	26.1	5		
Earnings before interest, taxes, depreciation and amortization (EBITDA)	83.1	16	88.0	17	+4.9	+5.9
Depreciation and amortization	31.5	6	31.4	6		
Earnings before interest and taxes (EBIT)	51.6	10	56.6	11	+5.0	+9.6

- ① Net sales down 1.7%, or down 0.5% excluding currency factors (Chemistry -1.6%, Paper -1.1%, Packaging +1.7%)
- ② Gross margin up 1.5% (Paper: lower recovered paper/energy costs and cost efficiencies; Packaging: product mix)
- ③ Structural costs of around CHF 139 million broadly in line with prior year (26% of net sales)

The CPH Group Consolidated income statement (II)

in CHF million	2018	2019	± in CHF	± in %
EBIT	51.6	56.6	+5.0	+9.6
in % of net sales	9.7	10.8		
① Financial result	-6.0	-5.6		
Earnings before taxes and non-operating/ extraordinary items	45.7	51.0	+5.3	+11.6
② Non-operating result	0.1	0.8		
Extraordinary result	0	0		
Earnings before taxes	45.7	51.8	+6.1	+13.3
③ Income taxes	-3.4	-3.3		
Net result (including minorities)	42.3	48.5	+6.2	+14.6
in % of net sales	7.9	9.2		
Net result per share (in CHF)	7.05	8.06		

- ① Prior-year result includes costs of issuing new corporate bond
- ② Real estate sales in Buchrain (CHF 0.8 million) and Full-Reuenthal (CHF 0.6 million); non-operating expense of CHF 0.6 million
- ③ Carry-forward of prior-year losses, better profit mix; tax rate 6.4% (prior year 7.5%)

The CPH Group Consolidated balance sheet



in CHF million (as of 31 December)	2018	in %	2019	in %	± in CHF	± in %
① Liquid funds	89.0	11	93.1	13		
② Other current assets	264.3	33	173.5	25		
③ Fixed assets	447.2	56	436.0	62		
Total assets	800.5	100	702.7	100	-97.8	-12.2
Current liabilities	220.8	28	95.9	14		
④ Non-current liabilities	172.5	21	165.5	23		
⑤ Equity	407.2	51	441.3	63		
Total equity and liabilities	800.5	100	702.7	100	-97.8	-12.2
Investments in tangible fixed assets	22.3		21.9		-0.4	-1.8

- ① CHF 4.1 million increase despite CHF 10.8 million dividend distribution and net debt repayments
- ② Repayment of CHF 100 million fixed-term deposit of corporate bond funds; increased inventories (for Paper and Chemistry)
- ③ Investments of CHF 21.9 million and depreciation of CHF 31.4 million
- ④ Repayment of maturing CHF 120 million corporate bond and further financial liabilities of CHF 3.6 million
- ⑤ Sound equity ratio of 62.8% (prior year: 50.9%)

The CPH Group Consolidated cash flow statement

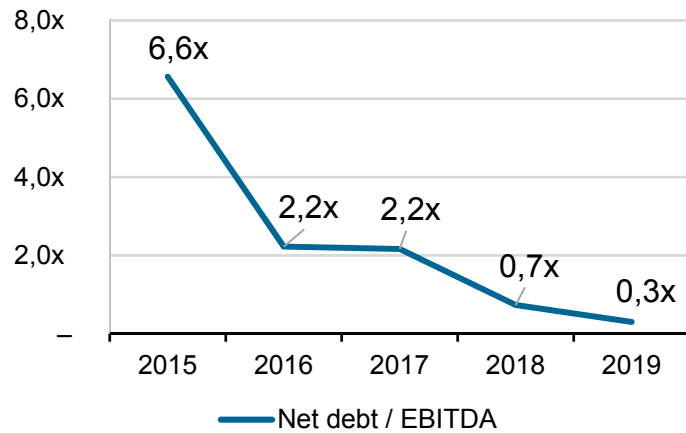


in CHF million	2018	2019	± in CHF	± in %
Net result (including minorities)	42.3	48.5	+6.2	+14.6
Depreciation, changes in provisions, other	26.7	31.4		
① Cash flow	69.0	79.9	+10.9	+15.9
② Change in net current assets	-4.7	-18.9		
Cash flow from operating activities	64.3	61.0	-3.3	-5.4
③ Cash flow from investment activities	-144.8	78.9	223.7	n.a.
④ Free cash flow	-80.5	139.9	+220.4	n.a.
⑤ Financial liabilities	93.5	-124.7		
Dividends to shareholders	-3.9	-10.9		
Cash flow from financing activities	89.6	-135.6	-225.2	n.a.
Currency translation effects	-0.3	-0.2		
Net change in cash and cash equivalents	8.9	4.1	-4.8	-54.0

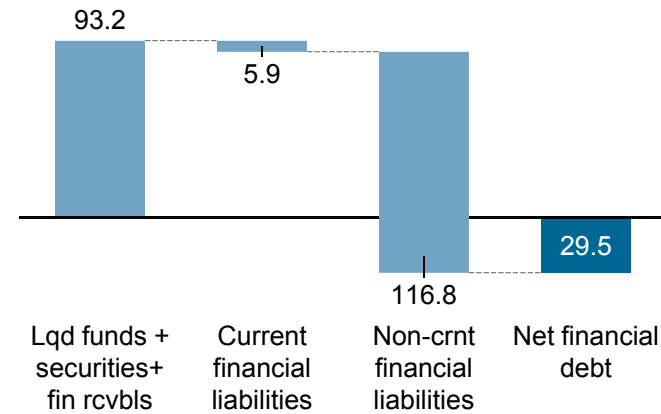
- ① Higher cash flow from operational business (net result, prior-year provisions for closure of Uetikon site)
- ② Higher inventories of CHF 10.2 million and other/accrued liabilities of CHF 6.8 million
- ③ Divestment of CHF 100 million fixed-term deposit, investments in tangible fixed assets of CHF 21.9 million
- ④ Adjusted free cash flow excluding CHF 100 million fixed term deposit: 2018 CHF 19.5 million, 2019 CHF 39.9 million
- ⑤ Repayment of maturing CHF 120 million corporate bond and of further financial liabilities

The CPH Group Net debt and leverage

Leverage



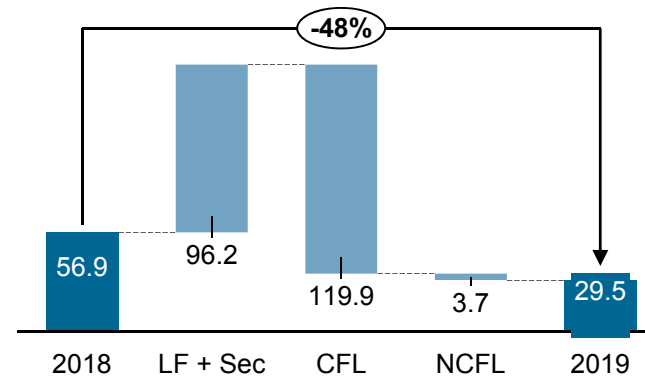
Net financial debt for 2019 (in CHF million)



Remarks

- Leverage substantially reduced over the past few years
- Gross debt now CHF 122.7 million
- Additional CHF 40 million credit line facility at Swiss banks from mid-2019

Change in net financial debt (CHF million)



CPH Proposed reduction in share nominal value

Distributions

	2015	2016	2017	2018	2019
Dividend per share (in CHF)	0.60	0.65	0.65	1.80 ¹	1.80 ²
Dividend yield (in %, as of 31.12)	1.9	1.6	1.2	2.2	2.3

¹ including special dividend of CHF 0.50

² reduction in nominal value

- Dividend policy: distribution of 25% to 50% of the net result, with due regard to liquidity and free cash flow
- Long-term distribution policy
- Distributions in recent years from tax-exempt capital contribution reserve
- Tax-exempt capital contribution reserve after 2019 AGM: CHF 4.2 million (CHF 0.70 per share)
- For 2019: instead of a dividend, reduction in nominal value of CHF 1.80 per share

2019 share price trends



CPH Appropriation of available earnings



in CHF thousand	2018	2019
Earnings available to the General Meeting	20 173	52 553
Release from capital contribution reserve	10 800	0
Dividend to shareholders	-10 800	0
Transfer to voluntary retained earnings	-20 173	-52 553
Balance of earnings to be carried forward	0	0

The CPH Group increases its earnings strength

12.1%	EBITDA margin for Chemistry: margin under pressure
18.6%	EBITDA margin for Paper: best in Europe
15.5%	EBITDA margin for Packaging: another record high
10.8%	EBIT margin for the Group: highest since stock exchange listing
CHF 48.4m	net result for the year -> net result per share of CHF 8.06
62.8%	equity ratio: back to past years' levels following corporate bond repayment
CHF 21.9m	investments to further raise efficiency and capacities
CHF 39.9m	Adjusted free cash flow (excluding fixed-term deposit): doubled from prior year
0.3x	net debt ratio, with net debt of CHF 29.5 million
2.3%	dividend yield: stable rate

Target financial KPIs

- Organic net sales growth of over 3% a year
- EBITDA margin of over 10%
- Equity ratio of over 50%
- Liquidity of at least CHF 30-50 million
- Annual operating investments of CHF 20-25 million

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Outlook 2020 may well prove challenging



Chemistry

- Tense economic climate and market reluctance to invest
- Deuterated products still in demand
- Slight increase expected in net sales and EBIT result



Paper

- Demand for newsprint and magazine paper set to fall a further 6-8%
- Growing overcapacities putting strong pressure on paper prices
- Net sales likely to be below prior year
- EBIT result should remain positive



Packaging

- Weak growth in demand for pharmaceutical packaging in industrialized countries
- Focus on emerging markets and high-value products
- Net sales increase should outpace market growth
- Further improvement sought in EBIT result

The CPH Group

Net sales for 2020 unlikely to match prior-year level and EBIT margin likely to see tangible decline. Net result (excluding expected extraordinary income) in the lower-double-digit million-franc range.

Questions



Thank you for your attention.

Further key dates in 2020

17 March	CPH Chemie + Papier Holding AG Ordinary General Meeting in the KKL, Lucerne
21 July	2020 Half-Year Report (to 30 June)
8 September	CPH Group Investors' Day