



**2016-2020 Outlook and Strategic Vision**  
**"Delivering value, delivering commitments"**

**Ignacio de Colmenares**  
**CEO**

**Ence Investor Day 2015**  
19th November 2015



# Introduction and Welcome

## Agenda

CEO Ignacio Colmenares: Outlook and Strategic Vision 2016-2020

CPO Alvaro Eza: Forestry Supply

CMO Josep Cortina: Pulp Market

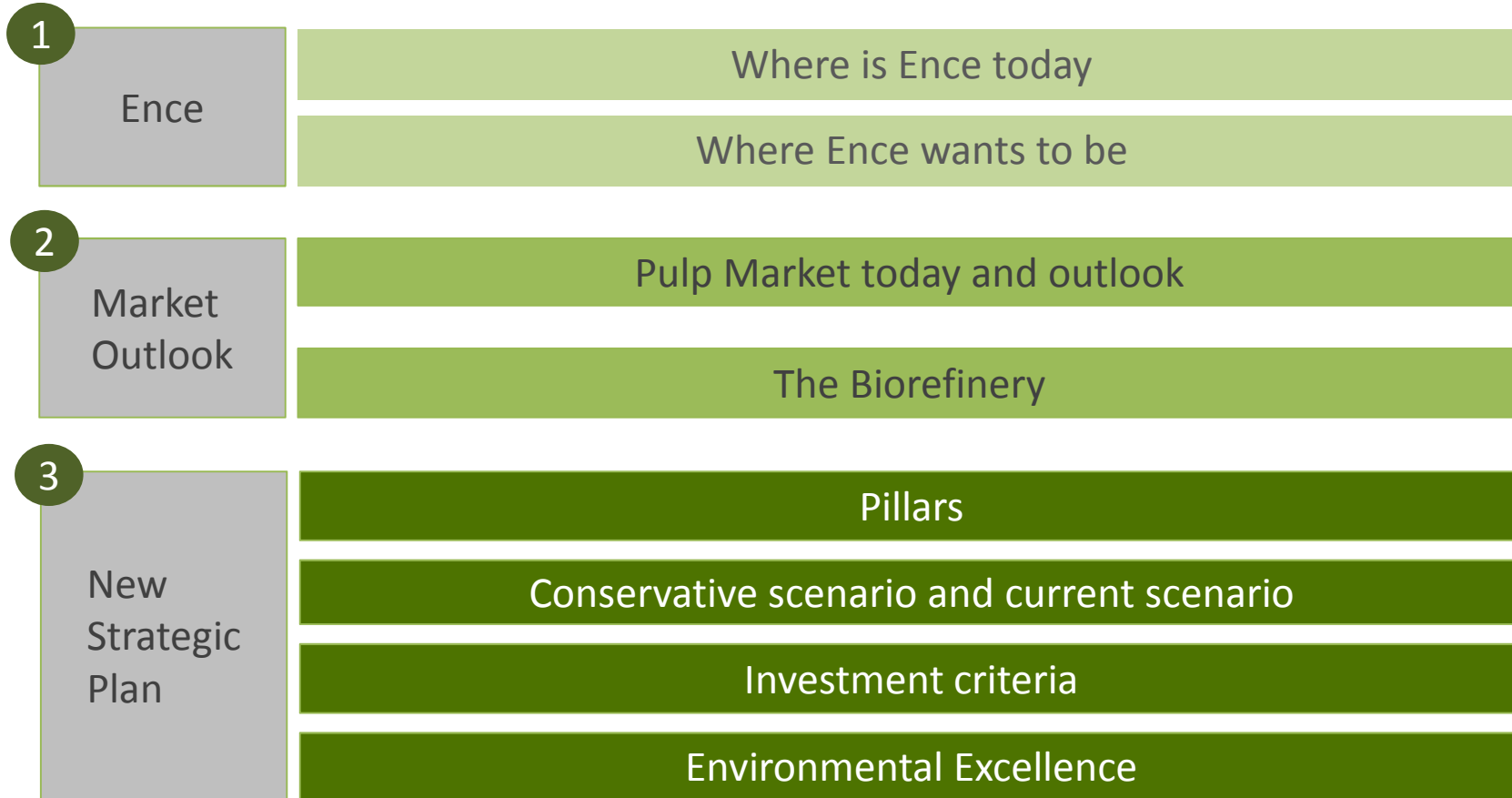
COO Jaime Argüelles: Pulp Business

CCDO Fernando Schwartz: New Energy Business Development

CFO Alfredo Avello: Financial Profile

CEO Ignacio Colmenares: Conclusions

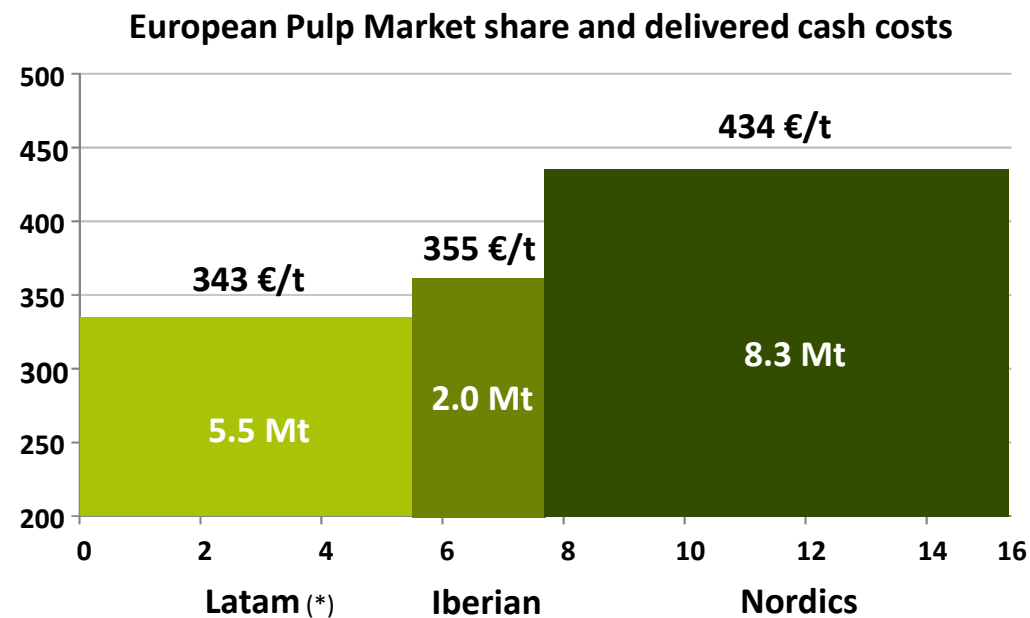
# CEO Presentation



## Where is Ence today

- 🌿 **RNC 50%: high Cost Cash (362 €/t)**
- 🌿 **Pontevedra: almost renewed the Licence**
- 🌿 **Competitiveness to improve:**
  - ✓ **Brazilians benefit from devaluated real and cheap wood**
  - ✓ **Portuguese: benefit from low labor cost and black liquor cogen subsidized**
  - ✓ **Scandinavians: very high wood costs, high labor costs**
- 🌿 **Financial Strength: 1x Net Debt / LTM EBITDA**
- 🌿 **Stable shareholders base: Mr. Arregui, Mr. Comenge, Mr. Urrutia, Mr. Cortina, Mr. Alcocer**
- 🌿 **Market capitalization ≈ €900 M**
- 🌿 **Dividends: €20/30 M year**

# Iberian Pulp: Competitive Position in Europe



(\*) Exchange rate R/\$: 3.10, \$/€ 1.08

# Where Ence wants to be in 5 years

1

Consolidated Results

EBITDA increase between 97 and 120 M€ (\*)

Exch. \ Price	800 \$/t	720 \$/t
1.25 \$/€	€263 M	€209 M
1.05 \$/€	€367 M	€302 M

2

Pulp

- Δ 20% Volume: + 184,000 t
- ∇ 9% Cash Cost: -€33/t
- Δ EBITDA: €51/74 M
- Pulp debt < 2.5 EBITDA

3

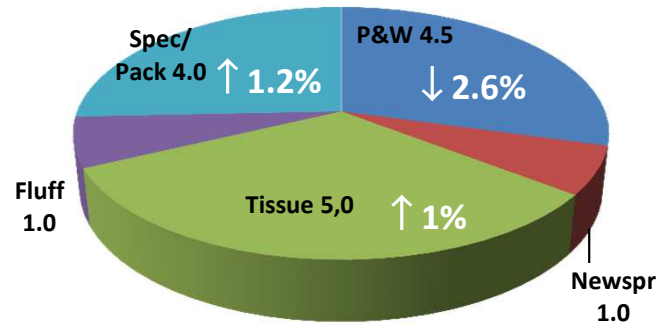
Energy

- Δ 233% Capacity: +260 MW
- Δ 130% EBITDA: +€46 M
- Energy Debt < 5 EBITDA

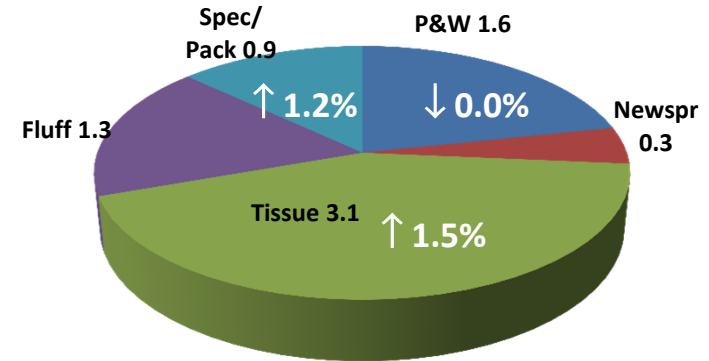
(\*) according to pulp prices and dollar

# The pulp market today

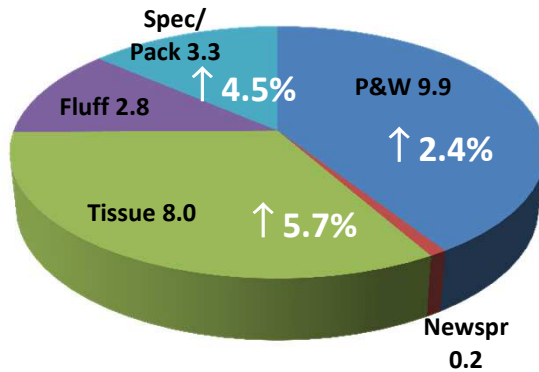
EUROPE: 15.6 M Tons



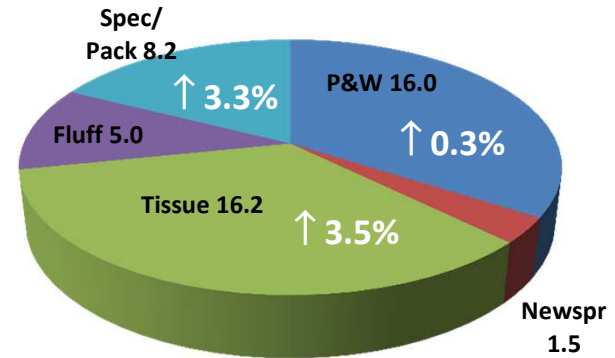
USA + Canada: 7.7 M Tons



ROW: 32.4 M Tons



WORLD: 55.7 M Tons



Source: Hawkins Wright

# The pulp market in 5 years time

Europe	15.5 M Tons	} 62.7 M Tons
USA + Canada	7.8 M Tons	
ROW	39.4 M Tons	

An increase of 7 M Tons ( $\Delta$  13% in 5 years)

- New Pulp Mills
  - 2016: Klabin = 1.3 M Tons
  - 2017: APP = 1.8 M Tons
  - 2018: Brasil = 1.2 M Tons
  - 2019: Brasil = 1.2 M Tons
  - 2020: Not confirmed
- Compensated with closures

Conclusion: Solid Pulp Prices



# Biorefinery: The future of the pulp industry

- 🌿 **Power generation with lignine and forestry waste**
  - ✓ Ence is actively present in this profitable and synergistic business - technically mature
- 🌿 **Transformation of lignin in marketable biofuel**
  - ✓ Ence is monitoring the progress of new experimental plants.
- 🌿 **Nanocellulose**
  - ✓ Ence is closely following the development of these products which are not yet commercially viable.

Ence will profit in the future thanks to developments in these last two fields, as it did in power generation

## Strategic Plan: Pillars

- 🌿 **Lowest European Cash Cost**
- 🌿 **Growth leveraged in:**
  - ✓ **Depth knowledge of wood and biomass market**
  - ✓ **Debottlenecking pulp facilities**
- 🌿 **Replicate Navia in Pontevedra.**
- 🌿 **Maintain product leadership of Navia and Pontevedra**
- 🌿 **JIT service for pulp in Europe**
- 🌿 **Build Power Plants in EPC, financed with project finance**
- 🌿 **Local partners in power plants outside Spain**
- 🌿 **Financial discipline**
- 🌿 **Improving environmental performance**

# Strategic Plan: Summary

## Pulp Business

- Investments: €337 M
- Process improvement and cost reduction: €45 M
- Debottlenecking and capacity increase: €157 M
- Replicate Navia industrial model (pulp + biomass generation) in Pontevedra: €74 M
- Environmental reliability: €61 M



Capacity 2020: 1.090.000 tAD

EBITDA: €131 / 289 M

Debt net < 2.5x

## Energy Business

- Investments: €325 M
- Growth overseas and seize Spain opportunities
- Forest & agricultural wastes, bagasse and energy crop
- Investment grade countries
- Structural expensive energy
- Local industrial partners
- Minimum by country: 100 MW



Capacity 2020: 383 MW

EBITDA: €78 M

Debt net < 5x

# Strategic Vision 2016-2020

## Main projections – Conservative Scenario <sup>(1)</sup>

	2015	2016	2017	2018	2019	2020
<b>Cash Cost €/t<sup>(2)</sup></b>	<b>362</b>	<b>344</b>	<b>339</b>	<b>337</b>	<b>329</b>	<b>329</b>
<b>EBITDA (M€)</b>	<b>111</b>	<b>132</b>	<b>145</b>	<b>153</b>	<b>180</b>	<b>209</b>
Pulp	79	100	113	121	131	131
Energy	32	32	32	32	49	78
<b>Net Debt (M€)</b>	<b>241</b>	<b>203</b>	<b>338</b>	<b>468</b>	<b>503</b>	<b>444</b>
Pulp	168	169	284	307	286	222
Energy	73	33	54	161	217	222
<b>Debt/EBITDA</b>	<b>2.2x</b>	<b>1.5x</b>	<b>2.3x</b>	<b>3.1x</b>	<b>2.8 x</b>	<b>2.1x</b>
Pulp	2.1x	1.7x	2.5x	2.5x	2.2x	1.7x
Energy	2.3x	1.0x	1.7x	5.0x	4.4x	2.9x

(1) Pulp price 720 \$/t; 1.25 \$/€

(2) Cash Cost evolution based on stress case

# Strategic Vision 2016-2020

## Main projections – Current Scenario <sup>(1)</sup>

	2015 <sup>(2)</sup>	2016	2017	2018	2019	2020
<b>Cash Cost €/t<sup>(3)</sup></b>	<b>362</b>	<b>344</b>	<b>339</b>	<b>337</b>	<b>329</b>	<b>329</b>
<b>EBITDA (M€)</b>	<b>201</b>	<b>269</b>	<b>294</b>	<b>308</b>	<b>338</b>	<b>367</b>
Pulp	169	237	262	276	289	289
Energy	32	32	32	32	49	78
<b>Net Debt (M€)</b>	<b>241</b>	<b>108</b>	<b>173</b>	<b>232</b>	<b>192</b>	<b>60</b>
Pulp	168	75	119	71	(25)	(162)
Energy	73	33	54	161	217	222
<b>Debt/EBITDA</b>	<b>1.2x</b>	<b>0.4x</b>	<b>0.6x</b>	<b>0.8x</b>	<b>0.6x</b>	<b>0.2x</b>
Pulp	1.0x	0.3x	0.5x	0.3x	-0.1x	-0.6x
Energy	2.3x	1.0x	1.7x	5.0x	4.4x	2.92x

(1) Pulp price 800 \$/t; 1.05 \$/€

(2) Estimated

(3) Cash Cost evolution based on stress case

# Strategic Plan: Investment Criteria

**Pulp**  
**Investments: €337 M**

- Net Debt / EBITDA  $\leq 2.5$
- Pulp Capacity Increase: IRR  $> 16\%$
- Pulp Cost Reduction: IRR  $> 12.4\%$
- Not stress the price of wood

**Energy**  
**Investments: €325 M**

- Net debt / EBITDA  $\leq 5$
- EPC + Project Finance
- Countries "investment grade" and high energy prices
- New Projects Spain IRR  $> 10\%$
- New Projects Chiles IRR  $> 15\%$
- New Projects Colombia IRR  $> 19.3\%$
- New Projects India IRR  $> 21.06\%$
- Partners in the new projects to reduce equity contribution and gain local knowledge

**Total investments: €662 M**

# Strategic Pillar: Environmental

## Environmental performance improvement

- Investments in advanced facilities to **minimize environmental impact** (water treatment, odor and water steam)
- Investments in biomass power plants**, a renewable power which highly contributes to climate change mitigation
- Promotion of **forest sustainability certification and best practices** in the forestry sector
- Cellulose accredited** to access to European environmental demanding customers

Ence wants to be best in class in environmental performance

**Thank you**

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