Stora Enso Oyj – Q4 Earnings Presentation 2023 | GCS | February 1, 2024

Hans Sohlström
Good morning, everyone, and welcome to Stora Enso's Q4 Results Presentation. Thank you for joining us today. I'm Hans Sohlström, I'm the President and CEO of Stora Enso. I'm here with our CFO, Seppo Parvi, to take you through our performance and outlook before we take your questions.

We start the presentation by taking a look at this image of the Earth Observatory on Svalbard in Norway. It's a prime example of a building that must withstand harsh weather conditions, and it was constructed using cross-laminated timber from Stora Enso.

Let's now shift our focus to our full year guidance. Our projected operational EBIT for this year is expected to be higher than the EUR 342 million achieved in 2023. And in regard to our dividend, the Board of Directors has authorised a dividend distribution of EUR 0.10 per share in April and a potential second installment of EUR 0.20 per share to be paid latest in the fourth quarter of this year. This reflects our commitment to delivering value to shareholders despite the current market uncertainties.

Stora Enso financial performance in the fourth quarter of 2023 was unsatisfactory as it was affected by continued market headwinds. This especially impacted our packaging and food products businesses. Group sales decreased year-on-year by 24% to approximately EUR 2.2 billion. Low demand led to reduced deliveries and lower sales prices across all divisions, except for the Forest division. This resulted in an operational EBIT of EUR 51 million, down from EUR 355 million a year ago and with an operational EBIT margin decreasing to 2.3%, down from 12.4%. But on a positive note, the operational EBIT improved sequentially with an increase of EUR 30 million.

Cash flow from operations amounted to EUR 323 million in the fourth quarter and EUR 954 million for the full year of 2023. We have focused on cash flow generation by reducing our operating working capital and reviewing our capital expenditure priorities. Towards the end of the year, we achieved a significant reduction in working capital to an all-time record low level. In the fourth quarter, the change in working capital was EUR 207 million and decreased by EUR 650 million from its peak in the first quarter of 2023.

I'll now give you an overview of the main factors impacting our results. Our last quarter profitability declined significantly compared to a year ago. Despite our efforts to manage our product mix effectively, sales prices have decreased across all divisions with the exception of Forest. Lower demand led to decreased deliveries in all divisions. Apart from wood costs, many variable cost categories improved. However, total variable costs still increased by EUR 43 million. We have decreased fixed costs by EUR 112 million, which has been achieved through careful cost management and a reduction in maintenance expenses year-on-year. While we are disappointed by the overall reduction in profitability to remain competitive and drive growth, Stora Enso will launch profit improvement programme. I will come back to this topic later in the presentation.

Let's now turn to the divisional overview. Starting with our Packaging Materials division, we continue to experience low market demand. In consumer board, the market stabilised at a low level. The containerboard and paper markets remain weak. Retail sales and private consumption are still under pressure. However, the most forward-looking indicator order inflow improved slightly. Sales decreased by 22% or EUR 290 million to approximately EUR 1 billion year-on-year. Sales and profitability were impacted by lower containerboard and paper prices and lower volumes of consumer board. As a result, operational EBIT dropped to minus EUR 43 million. While we were able to decrease variable and fixed costs, excluding fiber, it was not enough to compensate for the revenue costs. We also had annual maintenance shutdowns in large units in consumer board with start-up challenges impacting profitability. The restructuring actions announced in June 2023 are now completed. The De Hoop unit containerboard in the Netherlands and 1 book paper machine in Anjalankoski unit in Finland were permanently closed during the quarter.

Next up is our Packaging Solutions segment, which experienced ongoing weak market conditions and price pressure on all markets. Sales increased by 40% or EUR 70 million to EUR 247 million, driven by the acquisition of De Jong Packaging Group, which we now call Business unit Western Europe. Despite the ongoing market pressures on prices driven by overcapacity, the demand stabilised on low levels across most markets and segments. Operational EBIT increased slightly to EUR 6 million. Year-on-year, we saw improvements in all markets, except for the seasonally driven fresh product segments such as fruit, vegetables and flowers in Western Europe. Proactive cost mitigation actions supported the results development.

Let's have a look at what happened in the pulp market in the quarter. Our Biomaterials division showed modest improvement from the previous quarter, supported by some positive price changes and global pulp inventories falling below the 5-year average. However, market conditions remain uncertain, and the underlying demand continued at a relatively weak level. Sales decreased from the all-time high quarterly sales in the fourth quarter of 2022 by 42% to EUR 375 million. Sales prices were significantly lower due to continued weak demand, especially for the Board and Paper segments. End-use demand for tissue, personal care products and specialties remained stable. Deliveries declined due to the closure of the Sunila pulp mill and the annual maintenance shutdowns at the Enocell site. Additionally, variable costs were higher, impacted by somewhat higher wood costs. As a result, our operational EBIT decreased by -- decreased to EUR 35 million from an all-time high in the fourth quarter of 2022. However, sequentially, the operational EBIT improved by EUR 30 million.

Now, let's take a look at the development in our Wood Products division. The Wood Products division continued to face weak market demand and low margins, but in the traditional -- both in the traditional and in the building solutions markets. We saw stabilisation in the traditional wood products business after a rapid decline in demand over the past few quarters. However, the building solutions business is still under pressure. A substantial decline in building permits and projects has reduced the demand for cross-laminated timber and laminated veneer lumber. The Eurozone construction confidence is negative and building permits have declined compared to last year. Construction activity, which represents around 80% of the market driver for this division remains low. As a result, our sales decreased by 28% to EUR 341 million. And our operational EBIT decreased to minus EUR 27 million. We took cost mitigation actions and production curtailments to adjust to the weaker market.

So, Forest division continued to be our most solid profit generator. The Forest division had a solid performance in the fourth quarter. The wood market in the Baltics and Nordics remained tight, especially for pulpwood in Finland and sawlogs in Sweden, due to high industrial and energy wood demand. Wood prices increased, but the effect of higher wood prices was fully offset by lower volumes. Sales decreased by 2% to EUR 650 million. Flexible use of the Group's own forests and efficient wood sourcing continued to secure reliable wood supply. Operational EBIT of EUR 75 million was an increase of 22% and it reflects resilient and strong operational performance in the Group's forest assets. And this operational EBIT in the quarter was a record result for the Forest division.

With this in mind, let's take a look at how the fair value of Stora Enso's forest assets development. We are pleased to report an increase in the value of our forest assets, which reflects the strength of our holdings. Our Forest portfolio grew in value by EUR 393 million year-on-year to EUR 8.7 billion, equivalent to EUR 11 per share. Quarter-on-quarter, the increase was EUR 476 million, driven by market transaction price increases and a positive currency effect from the Swedish krona.

So how can we further monetise on our forest assets? Our ambition is to significantly increase our involvement in wind energy on our forest land to 5 terawatt hours to 10 terawatt hours from the 1 terawatt hours we have today. We plan to start ramping up from 2030 onwards. The total potential for wind power production of Stora Enso's land in Sweden is estimated to be 75 terawatt hours annually, of which at least 30% of the full potential can be realized long term. Our recent agreement to develop about 1,000 megawatts with the Swedish renewable energy company OX2 is a step towards achieving our ambition.

Now on to the next point, what our focus and action points to improve profits and strengthen our competitiveness. We plan to initiate a new profit improvement programme that will target an annualised EUR 80 million operational EBIT improvement. This is essential due to the continued weak and uncertain market environment we are facing. There may be potential reductions of approximately 1,000 employees across all divisions and group functions. But important to note, without any production site closures. We expect that the majority of savings from these initiatives could materialize in 2025. Although difficult, this plan is necessary to ensure our long-term success and competitiveness. Our new programme builds on last year's restructuring initiatives, identifying synergies and focusing on core business activities aligned with our strategy. It is also allowing us to pursue this new programme aimed at achieving greater efficiencies. Last year's restructuring programme resulting in an annual operational EBIT improvement of EUR 110 million, along with a reduction of about 1,150 employees together with site closures and capacity cuts.

And now, I will hand over to Seppo to go more into the financial details. Over to you, Seppo.

Seppo Parvi
Thank you, Hans. We have already covered the proposed dividend of EUR 0.10 a share payable shortly after the AGM, an additional up to EUR 0.20 a share at the Board's discretion by the end of 2024. Dividend is down from the year before due to the weak results in 2023. So let's go into our long-term financial targets. Due to challenging business environment and unsatisfactory financial performance, we are not reaching our long-term targets. And as you just heard from Hans, we are taking further actions to strengthen the balance sheet and to strengthen the business, short, medium and long term in order to turn around the negative trend as well as to improve long-term competitiveness. Very critical going forward is a healthy balance sheet.

Our target for net debt to operational EBITDA remains to be below 2x, even though the ratio increased from the previous quarter now and ended up at 3.2x. One of our focus areas is to release capital through working capital management and divestments like Beihai. These actions are helping us also to reduce leverage and to increase liquidity. All divisions with the exception of the strong performance in the Forest division are falling behind the return on capital targets.

Next, let's take a closer look at our capital allocation. During 2023, capital expenditures amounted to EUR 1.125 billion, an increase of 45% from prior year. This is mainly due to the consumer board investment at the Oulu site in Finland. This year 2024, we estimate to continue on a Capex level of EUR 1 billion to EUR 1.1 billion as the Oulu investment is moving ahead according to the schedule as well as its function. Production is expected to start during 2025. One of our long-term targets is to keep Capex at or below depreciation over the cycle. After larger strategic investments such as Oulu investment now, we aim to quickly revert to the average range of EUR 600 million to EUR 800 million after 2024. Due to the current business environment and to protect our balance sheet and cash flow, we are continuing to be restrictive on new strategic Capex initiatives for the foreseeable use.

Let's now take a closer look at the cash flow. In the current challenging market conditions, weak financial performance and strategic investments have created short-term pressure on our cash flow and balance sheet. We are focused -- last year, we continue to focus on the cash flow generation by reducing operating working capital and reviewing our capital expenditure priorities. The significant working capital reduction was achieved towards the end of the year, reducing working capital by EUR 650 million from the peak in the first quarter in 2023. We have put lots of focus on cash flow and working capital, as said, and I have to say here that the organisation has done an excellent job in addressing working capital and the work continues.

Cash flow from operations amounted to EUR 323 million in the fourth quarter and EUR 954 million for the full year 2023. We continue to review our investment priorities for this year 2024 as well as next year 2025. Our liquidity position remains strong. So let's take a look at that next. We are maintaining our strong liquidity position to ensure that we have sources to meet our obligations and support our growth investment plans. We have currently about EUR 2.5 billion in cash and cash equivalents. We also have other unused credit facilities of up to EUR 1.9 billion. Important to note is also that there are no financial covenants, and we have investment grade, both from Fitch and Moody's.

I will now hand back to you, Hans, to give an overview of our sustainability targets and the market demand outlook, please.

Hans Sohlström
Thank you, Seppo. Sustainability is what drives our demand and growth. Sustainability is our strategic business enabler and a competitive advantage. We have clear and ambitious sustainability targets on climate, circularity and biodiversity. And these will remain intact until we achieve them.

Let's now look at how we are progressing. For climate, in the left-hand column, we are enhancing our energy efficiency and using more clean energy for Scope 1 and 2 emissions. And at the end of the fourth quarter, our production emissions were down by 41% compared to 2019. In the fourth quarter of 2023, we committed to another important target when we committed to reaching net 0 carbon emissions by 2040 through signing up to the -- for the climate pledge. And for circularity, we have achieved 94% recyclability of our products last year and aim to reach 100% by 2030. To follow our development in biodiversity, we use impact indicators to monitor and report on the quality of our forestry operations on an annual basis. Our goal is to have a net positive effect of biodiversity in our own forest and plantations by 2050.

Now on the next topic, which is the market demand outlook. We do not expect the first quarter this year to show a significant market improvement following a historical low fourth quarter in 2023 and a slow recovery. For Packaging Materials, demand for consumer and containerboard is expected to remain stable. Nevertheless, the end of destocking in the value chain during the first half of 2024, may support a slight recovery, especially in the Consumer Board segment. Demand for corrugated packaging in Europe is expected to be stronger, mainly due to the seasonally high greenhouse season.

Pulp demand is expected to be slightly stronger with improving European operating rates. The demand in China is expected to be slightly weaker due to oversupply and low season. Demand for sawn woods is expected to be stable with some potential improvement due to increasing customer inventories. The Building Solutions segment is expecting weaker demand. Also, the demand for pulpwood is expected to be weaker, but still remains strong for pulpwood for energy use. While the sawlog market demand in Europe is expected to be weaker, but the tight Swedish sawlog market continues.

I will now conclude before we move to the Q&A. To summarise what we have presented today, our determined focus on profit improvement, competitiveness and cash flow through the recent restructuring programme, resulting in an annual operating EBIT improvement of EUR

110 million, putting us on a strong path forward. We are now initiating a new profit improvement programme targeting to further improve our results by EUR 80 million annual through cost reductions. We believe that the proposed dividend distribution of EUR 0.10 per share in April and a potential for a second instalment of up to EUR 0.20 per share in the fourth quarter of this year reflect our commitment to shareholder value despite the market uncertainty. Looking ahead, our cost reduction and growth initiatives have positioned us for higher operational EBIT in 2024 than in 2023 despite ongoing market volatility. We are committed to building a stronger future for our shareholders and the company, and we thank you for your attention today.

We are now looking forward to hearing your questions and continue the conversation.

Question and Answer

Operator
[Operator Instructions] Our first question is from Charlie Muir-Sands at BNP Paribas.

Charlie Muir-Sands
Yes. Great. I've got a lot of questions, but I promise I will stick to the 2 as requested. Firstly, on the profit improvement programme that targets the EUR 80 million benefit coming through starting in 2025, could you talk, please, about the potential costs of implementing that in total and in cash cost terms and how we should think about the phasing there? And then secondly, you flagged that you may consider paying up to EUR 0.20 per share for the dividend later in the year. Can you just share some of the criteria, perhaps qualitatively, if not quantitatively around how you might make that decision given the balance sheet leverage and other considerations?

Hans Sohlström
Yes. Thank you, Charlie. Well, first of all, we don't disclose the estimated costs when it relates to the EUR 80 million new profit improvement programme. But it will be -- the source for the cost savings will be employee reduction, FTE (Full Time Employee) reductions. So that's perhaps the indication I can give.

Seppo Parvi
If I may add, you have to notice that we just announced the plan, and we now enter into more detailed planning and then we will go through the union negotiations. And then depending on outcome of those as well as on the geographical split that is still open also at what kind of cost there will be in connection to the programme. So that's something we come back as we proceed with the programme in the coming quarterly reports.

Hans Sohlström
And when it comes to your question about the dividend proposal from the Board of Directors to the AGM. So,the EUR 0.20 per share discretionary is the proposal for the end of the year. Well, I think it really reflects -- the dividend proposal reflects our commitment to create shareholder value. We know that the dividend is important for our shareholders. But at the same time, the visibility into the year, into the market conditions, geopolitics, macroeconomics, there is a lot of

uncertainty there. So that's the reason why the dividend proposal has been constructed as it has been.

Operator
Our next question comes is from Linus Larsson.

Linus Larsson
Yes. A couple of questions on the reshaping of your Packaging Materials division, if I may. First of all, if you could maybe share with us how the process regarding to the Beihai divestment is going? What's the book value of that asset? What's the interest that you're receiving in the market? And what's the timing that you expect on that divestment process, please?

Hans Sohlström
Yes. Thank you, Linus. Well, first of all, as you can see from the report, Beihai is now defined as asset held for divestment. And clearly, we are progressing here with -- for us, it's much more important that we get the maximum value out of the deal than that it's a quick deal. So, we are emphasising that. Having said that, we are progressing according to plan. And I guess that's about what we can say anything to add or?.

Seppo Parvi
Like Hans mentioned, it's now classified asset held for sale. And in the balance sheet, actually, you see on the asset side EUR 839 million value for the assets held for sale.

Linus Larsson
And then on another part of that same division, Oulu conversion. Could you maybe share a bit more on where you are in that investment project? How much has been spent? How much is still to be spent? And also, what are the current challenges? And if you could just give us a bit of a picture how that project is ongoing.

Hans Sohlström
So, yes. Thank you, Linus. So, the Oulu investment project is progressing according to schedule, according to budget, in budget. And I don't think we disclose any further details.

Seppo Parvi
We are giving sort of a rough guidance on the phasing. And I think if you look at where we are now in the project, we still have about a year to go before the ramp-up starts. So roughly half of the budget of the billion has been spent so far.

Operator

Our next question is from Samu Wilhelmsson from Nordea Markets.

Samu Wilhelmsson
Yes. Only one question from my side. Obviously, the balance sheet strengthening will be one of the key agendas going into '24. And in terms of credit ratings, you have stated that you have the good ambition to be investment grade and sustain investment grade metrics throughout the business cycles. But could you give us some more wording around that? Is this -- are you

committed to investment grade rating? Or how would you put some wording around that given that you are exceeding a leverage target at least at the moment?

Seppo Parvi
Yes. And of course, we are implementing actions. As you have seen in this report and previous reports, first of all, to improve the profitability through the profit improvement programmes. And then we are working to release capital. Like I mentioned, we have put a lot of focus on reducing working capital that is improving our cash flow, reducing net debt as well as we are working on the divestments like Beihai. And I think that shows our commitment to work to keep and improve our leverage when it comes to credit ratings. So, we are taking action, serious actions to ensure that we remain in good shape.

Samu Wilhelmsson
So basically, does that mean that if you have an ambition, basically that if you would fall to a high-yield territory that you wouldn't jeopardise your finances going forward?

Seppo Parvi
Well, I think if you look at our loan agreements. First of all, we have no covenants like I mentioned in my part. Looking at the credit rating, of course, it would have some effect on the price of the money you have to pay. But I think that it comes to access to the market that is not so critical. But of course, our vision level is to remain and keep investment grade. And that's what we are working towards.

Operator
Our next question is from Cole Hathorn at Jefferies.

Cole Hathorn
I just like a little bit of color on your 2024 outlook guidance. I mean it's a little bit lower than probably myself and some of the Street were expecting. Do you have specific views on kind of pricing that's embedded into that guidance? What I'm trying to understand is, are you confident in delivering kind of towards the upper end of that kind of higher guidance and potentially seeing how the year develops and then revisiting the market beyond that is the first question. So, conservativeness of guidance.

And the second one is on the Capex. The Capex number came in a little bit higher than what I expected. I'm just wanting to understand what's included in that 2024 Capex guidance of [EUR 1 billion].

Hans Sohlström
Yes. Thank you, Cole. Well, regarding the outlook and the guidance. As we have also stated, I mean, there is not a lot of visibility into this year. Of course, we know how the beginning of the year looks like. But a year is a long period. We feel that this is a solid good guidance that we can give at this stage. And regarding the capital expenditure, so we have the EUR 1.1 billion investment project ongoing in the new consumer board production line in Oulu. And as Seppo just stated, I mean, we are about halfway there when it comes to capital expenditure and cash out. So, there is still a significant part to be done during this year for the start-up then as from the beginning of 2025. Anything Seppo?

Seppo Parvi
Yes. I think the capital expenditure range we are giving out for 2024 is pretty well in line what we have communicated earlier without giving the range, reminding that we have this significant investment going on in Oulu and the ramp-up is in '25. And then other projects that I also mentioned is, for instance, our Skoghall project to increase capacity there at board machine #8, then we have Skutskär bleach plant and Enocell unbleached kraft pulp projects that are going on as an example. But I think the main driver for the difference to sort of normalised level that I mentioned in one of the slides is coming from Oulu.

Cole Hathorn
And then maybe just as a follow-up, I mean it's always difficult to do restructurings and reduce headcount. But I'm just wondering, in your Packaging Materials division, how can you improve kind of the operating rates or improve the mix of that business? I mean did you consider potentially reducing some of your consumer board capacity considering that you're going to be ramping up Oulu in 2025 onwards?

Hans Sohlström
Yes. Thank you, Cole. The new restructuring programme doesn't include any plans for further or new capacity closures. It's a programme which is focusing on the various synergies and efficiency improvement opportunities that we have identified since we moved into a decentralised P&L structure in November of last year. So clearly, during the last couple of months, we have learned how we can focus more on really driving profitability, serving our customers, operating our mills as effectively as possible. And that is the reason for this streamlining plan that we have announced. So, it doesn't include any plans for further capacity closures or optimisations.

Operator
Our next question is from Charlie Muir-Sands at BNP Paribas.

Charlie Muir-Sands
Two more questions for me, please. The first with respect to your forest revaluation. I understand you use a sort of a 3-year trailing average methodology. Just wondered if you could update on where the forest valuation sits though versus the 2023 year-end position, given that some of the forest values in Sweden went up but somewhere down in different counties last year.

And secondly, just going back to Beihai, can you just clarify, it's now held for sale? Was it still consolidated during Q4? And could you give us any guidance on what the deconsolidation impact will be on profits in 2024? Or what it contributed to EBIT or EBIT loss in 2023?

Seppo Parvi
First of all, when it comes to Beihai, so it's still fully consolidated. It's just balance sheet issue that we are marking it asset for sale. That's something we'll come back to after and when we are ready with the divestments, so we don't go further into details at this stage. When it comes to forest valuations, and you are right, there are differences between the regions in Sweden and inside the regions on different counties. And if you look at the areas where our forests are, so roughly you could say that the prices have been fluctuating around 0 sort of from a couple of

percentage positive to a couple of percentage negative. And as you know, we use 3-year average, and that is a moving 3-year average. And then, of course, the oldest ones are dropped out and new ones are added and that is how the average is then coming back. So last quarter, the prices dropped somewhat, but nothing radical. And there's still a good amount of deals done. So sample, we think is still quite reliable and good, and it has come slightly down if you look at the number of deals, but nothing dramatic at least in the regions where we have our forests.

Operator
We'll move on, and we'll take our next question from Brian Morgan at Morgan Stanley.

Brian Morgan
Can I just ask a point of clarification around your guidance for operational EBIT for 2024, when you say higher year-on-year? Is that within the previously communicated band, so that would be 15% to 50% higher year-on-year? Just to clarify that.

Hans Sohlström
Yes, that's correct.

Seppo Parvi
Guidance ranges are on our IR pages and on our web pages.

Operator
Our next question comes from Robin Santavirta at Carnegie.

Robin Santavirta
First question I have is related to the outlook for pulpwood and log prices in Finland and Sweden for you guys at the moment. And what is the outlook going forward now in 2024? And what do you model in the guidance? Is it roughly in line with the current pricing? Or is it up or do you expect prices to start to decline?

And can you also sort of related to this comment on what is the reason that prices of pulpwood in Scandinavia is so high? I do understand that we are not receiving the imports from Russia. But I can also see operating rates very low in both Sweden and certainly in Finland. Why are prices not declining in wood raw material?

Hans Sohlström
Yes. Thank you, Robin. Well, as we have stated, we -- the wood costs in the Nordic countries are on a high level, and we foresee at least now in the beginning of the year that they will remain stable on a high level. And the reasons for the very high wood costs in Finland, it is exactly as you say, I mean there is -- Finland used to -- out of the supply in Finland about 1/10, about 10% used to come from Russia and that stopped in 2022. So, there is less supply into the market. We have also some new capacity, pulp mill capacity that has been starting up in Finland. And I would say that it's a result of supply and demand.

Seppo Parvi
And also, we should remember that quite a lot of chips was also imported from Russia earlier to Finland and used by energy industry at the bio-boilers. And also, that has disappeared, not only

pulpwood imports from Russia. And also saw milling volumes are down, so less chips and dust available from sawmills. And that then means that as they are short of raw material that they are competing on pulpwood markets with us and our competitors.

Hans Sohlström
Yes, correct, Seppo. And also, if we look at the last years, there has been an increasing use of pulpwood for energy production purposes. And so that has also impacted the market.

Robin Santavirta
I understand. The second question I have is related to your forest assets. You have historically not gained sort of a lot of positive from that into your valuation perhaps due to quite volatile margin performance in the industry. Now could you consider to monetise a part of, I guess you want to, of course, hold the sales efficiency, but monetised part of that forest asset to strengthen your balance sheet. Is that something that you are at all thinking about?

Seppo Parvi
Like we always said, we see forest as a strategic asset for us and part of our supply chain. But like always, I like earlier, we are, of course, doing this kind of forest land optimisation where we are selling some pieces of land which are logistically are not at optimal places for our footprint and then purchasing more available closer to our mills to optimise the good supply network that we have. So that kind of work we continue to do, depending a bit on an opportunistic basis as well.

Operator
Our next question comes is from Cole Hathorn at Jefferies.

Cole Hathorn
I'd just like a little bit more color on the outlook that you're seeing in the Packaging Materials division by end markets. Any color would be helpful. I mean, we've seen some of your competitors announced that they've been able to achieve liquid packaging board price increases. I just like a view on what you're seeing on pricing and volumes in LPB (Liquid Packaging Board), what you're seeing on kind of the boxboard segment. And then containerboard or kraftliner, where do you see inventory levels and demand into the new year considering you're saying that there should be a bit of an improvement in the box business in Packaging Solutions?

Hans Sohlström
Yes. Thank you, Cole. Well, first of all, when it comes to our consumer board business, so including folded boxboard, liquid packaging board and many other, let's say, higher added value board grades, the price development has been more stable. And we have mainly been suffering from lower demand and lower volumes. And we see that there is, let's say, signs of destocking having come or coming to an end, which then could lead to some normalization or, let's say, some stabilisation of the markets. On the other hand, if you are looking to the really underlying demand driver, which is very much related to consumer spending and consumer confidence in the economic development, there is not very strong signals either that the underlying demand would strengthen significantly.

Then in containerboard, that's where there has been a more significant price drop during last year. And there also, we saw earlier, let's say, a stabilisation of market and destocking coming to an end already earlier of last year. And here, basically, we can also see that the stabilisation is seen in some improved order inflow. But still, I mean, the underlying demand is very much driven by both consumer spending as well as industrial activity. And looking into these demand drivers, there is no fundamental change. I mean, of course, the easing of inflation, the easing of interest rates at some point should have an impact also on consumer confidence and spending, but I think it's too early to draw any conclusions from that at this stage. So hopefully, this gave some additional flavor to your question.

Cole Hathorn
And then just a clarification. The Oulu investment for the boxboard machine, considering the investment in kind of the pulp mill and averaging fixed cost at that mill, it is right to assume that your kind of cost per ton of your kraftliner production at that site would also substantially reduce. So, you'd shift down your position on the cost curve on the kraftliner side as well at Oulu?

Hans Sohlström
Yes, that's correct, Cole.

Operator
We have one last question from Linus Larsson.

Linus Larsson
Just on the Forest division, you talk about no major changes in the outlook. I'm just curious to hear this EUR 75 million of EBIT in the fourth quarter, is that representative for the quarters ahead? I understand there was a bit of an uptick in the fair valuation compared to the third quarter. But what's the expectation on quarterly EBIT from the Forest division in 2024, please?

Seppo Parvi
We don't go into that detail, as you know, Linus. But as you know from history, Forest division is quite a steady performer. Last quarter of '23 was record high. And of course, it depends on the volumes and prices have been higher as you know, when it comes to forest wood prices. And we have a lot of wood that we sell in Sweden, for instance, and Tornator our company in Finland is [indiscernible], that is reflected in the result. So, as I said, quite steady performance, but noticed it was record high, but it's quite steady business. And that's also why we like the own forest.

Operator
Thank you. We have no further questions on the line now. So, I will hand back to Hans Sohlström for closing remarks. Thank you.

Hans Sohlström
Well, thank you very much, everybody. Thank you for participating. And just as a final statement, trust us, we will be remained very focused on profit improvement, competitiveness and cash flow and delivering shareholder value. Thank you very much for your participation and have a good day. Thank you.

Source: S&P Global Market Intelligence