



Pulp Industry Consolidation - What next?

A.I.A.C. ASSOCIAZIONE ITALIANA AGENTI CELLULOSA

Teija Konttori

8th of June, 2017



VISION HUNTERS

Agenda

1 Most Industries Progress Through Clear Consolidation Life Cycle

2 There are Great Examples of Consolidation Within Pulp Industry

3 What Next?

Vision Hunters - Global Network of Independent Thinkers

Over
300
Projects

Vision Hunters provides clients with strategic consulting expertise and advice and has carried out over 300 projects globally.

Globally
100
Experts

Collective knowledge of more than 100 international consultants and associates.

Average
25
Years business
experience

Our senior experts have strong practical business and financial and consulting background with an average 25 years of professional experience.



Vision Hunters – Global Advisory Services



Pulp



Energy



Biorefinery



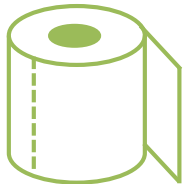
Chemicals



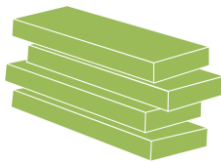
Paper, Paperboard
and Packaging
and



Forest Assets



Hygiene and
Specialty Papers



Wood Products



Competencies and Key Offerings



Strategic analysis

- Corporate strategies
- Business strategies
- Energy strategies
- Second opinions



M&A Services

- Partner search
- Screening of acquisition targets
- Information memorandum
- Business and technical due diligence



New Business Opportunities

- Business opportunity screening
- Conversion of assets
- Development of new business



Operations Improvement

- Technical feasibility
- Operations, maintenance and quality improvement
- Supply Chain Management
- Strategic sourcing & purchasing



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1 Most Industries Progress Through Clear Consolidation Life Cycle

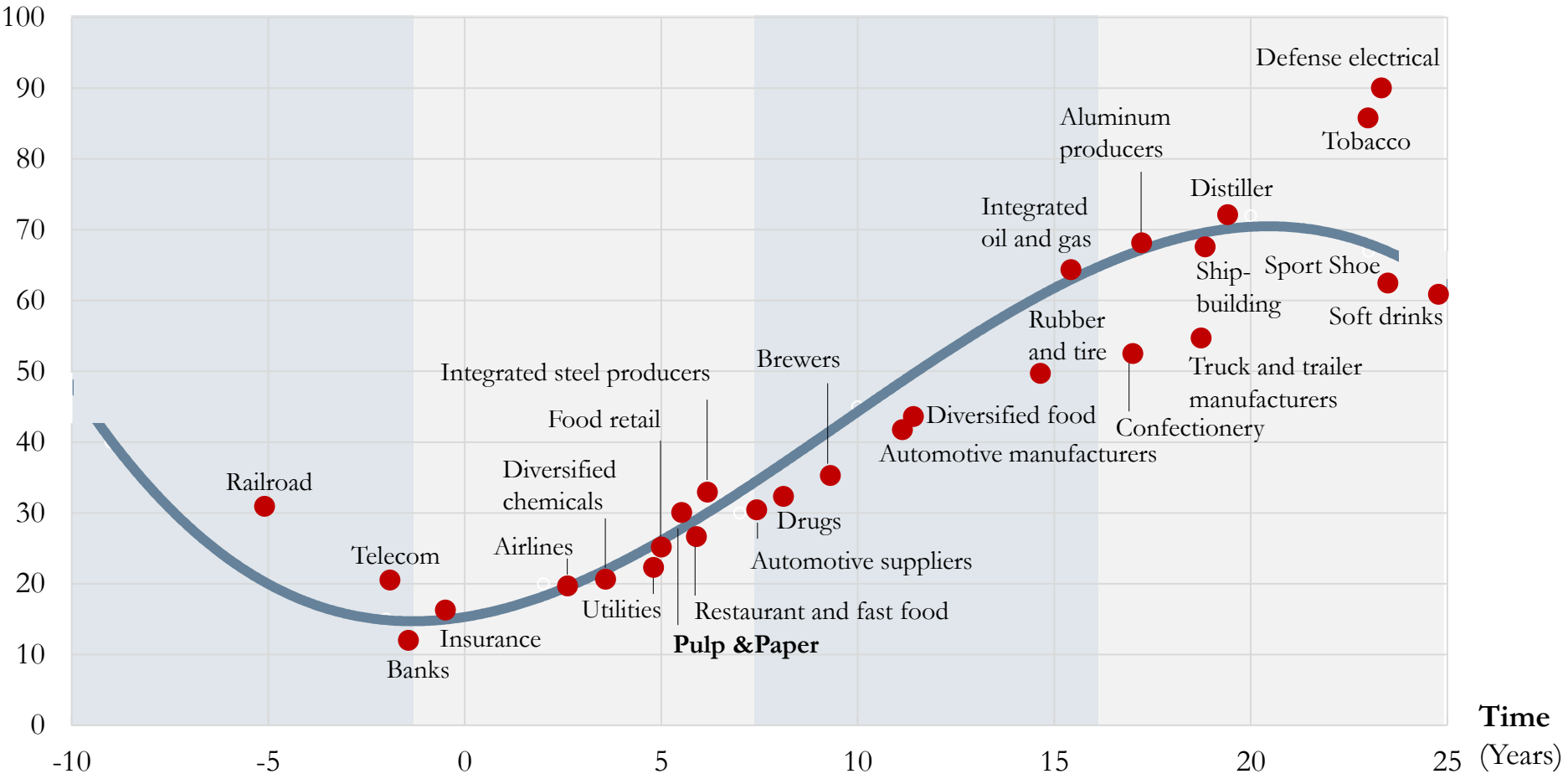
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Most Industries Progress Through Clear Consolidation Life Cycle

Industry Concentration

1989-2001 (CR3)

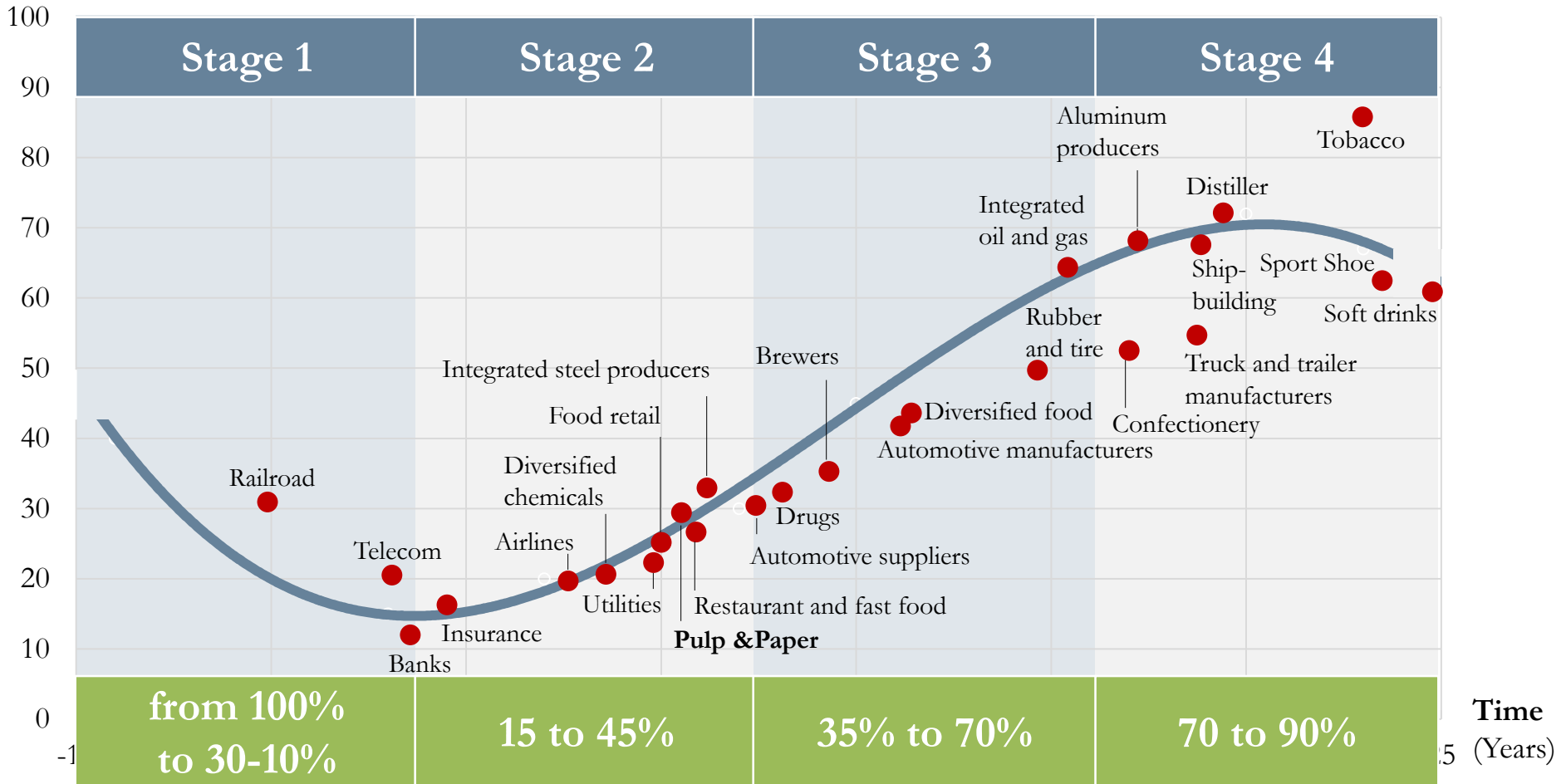


Source: Winning the Merger Endgame by Graeme Deans, Fritz Kroeger, and Stefan Zeisel: A.T. Kearney analysis

Four Stages in Life Cycle That Every Company go Trough...

Industry Concentration

1989-2001 (CR3)

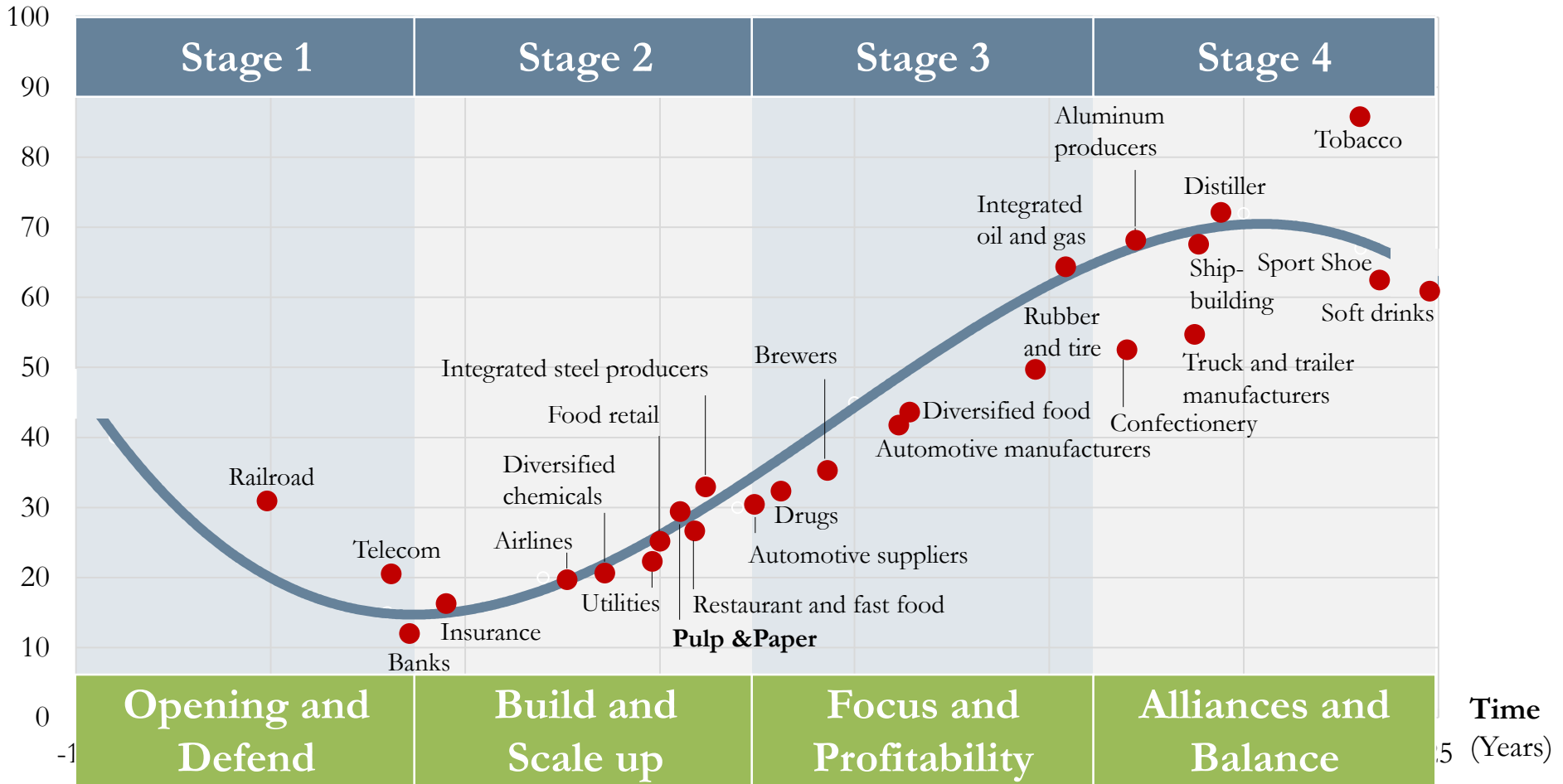


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...And Four Different Strategies

Industry Concentration

1989-2001 (CR3)



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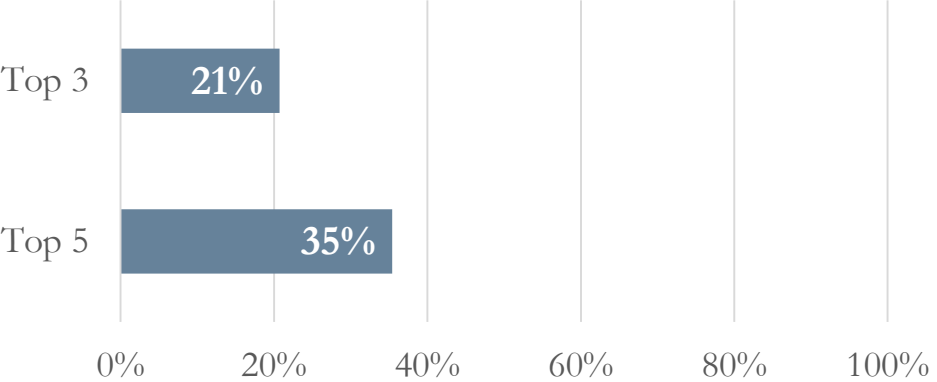
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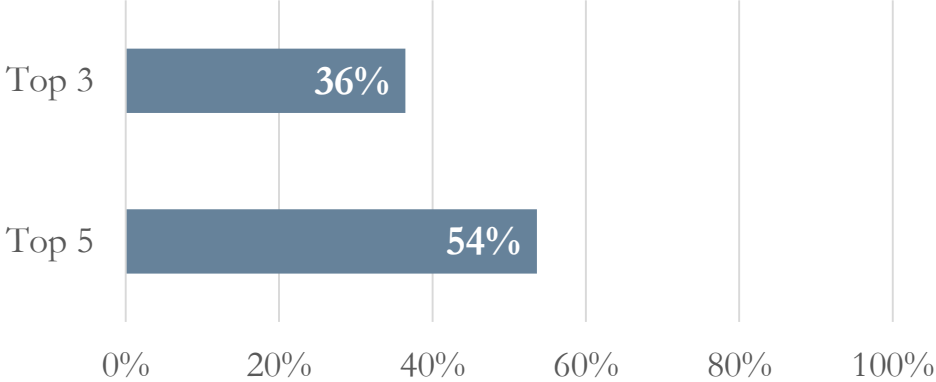
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Consolidation in Pulp Industry

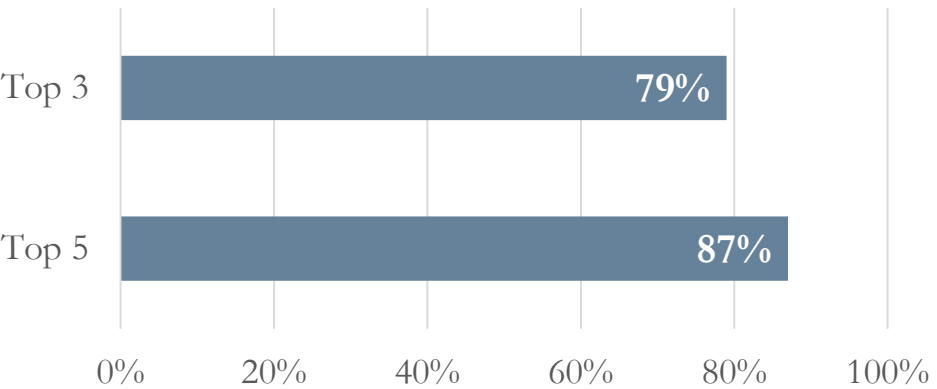
BSKP



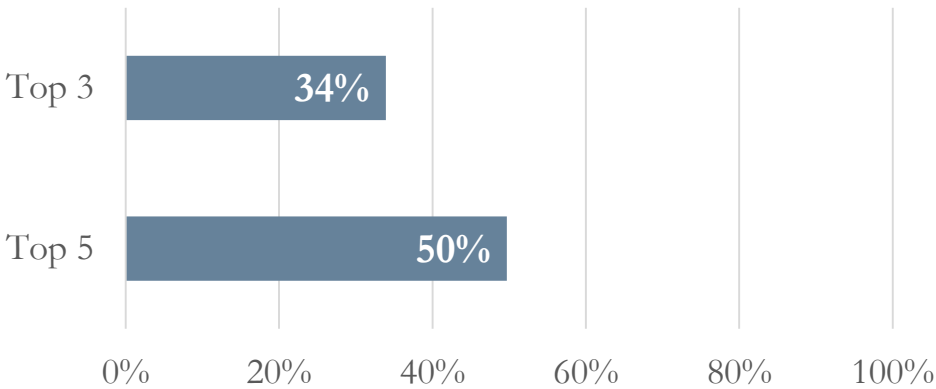
BHKP



Fluff



Dissolving Pulp



Driver for Consolidation in Pulp Industry is a Shareholder Value...

Raw Material Availability



Competitiveness



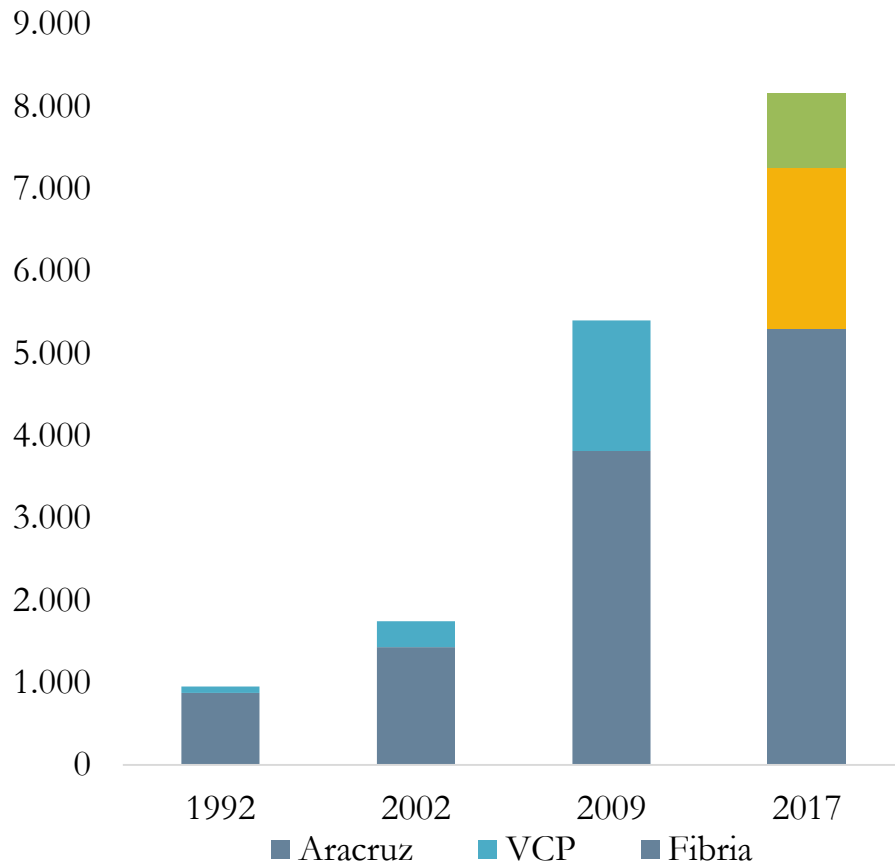
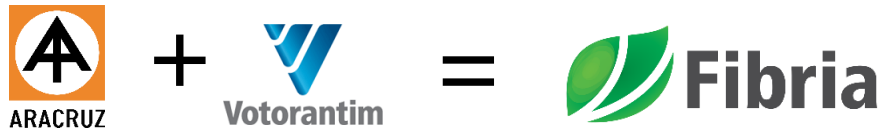
Balance Sheet vs. Capital Intensity of Growth



Expertise



Fibria – Votorantim Acquire the Aracruz

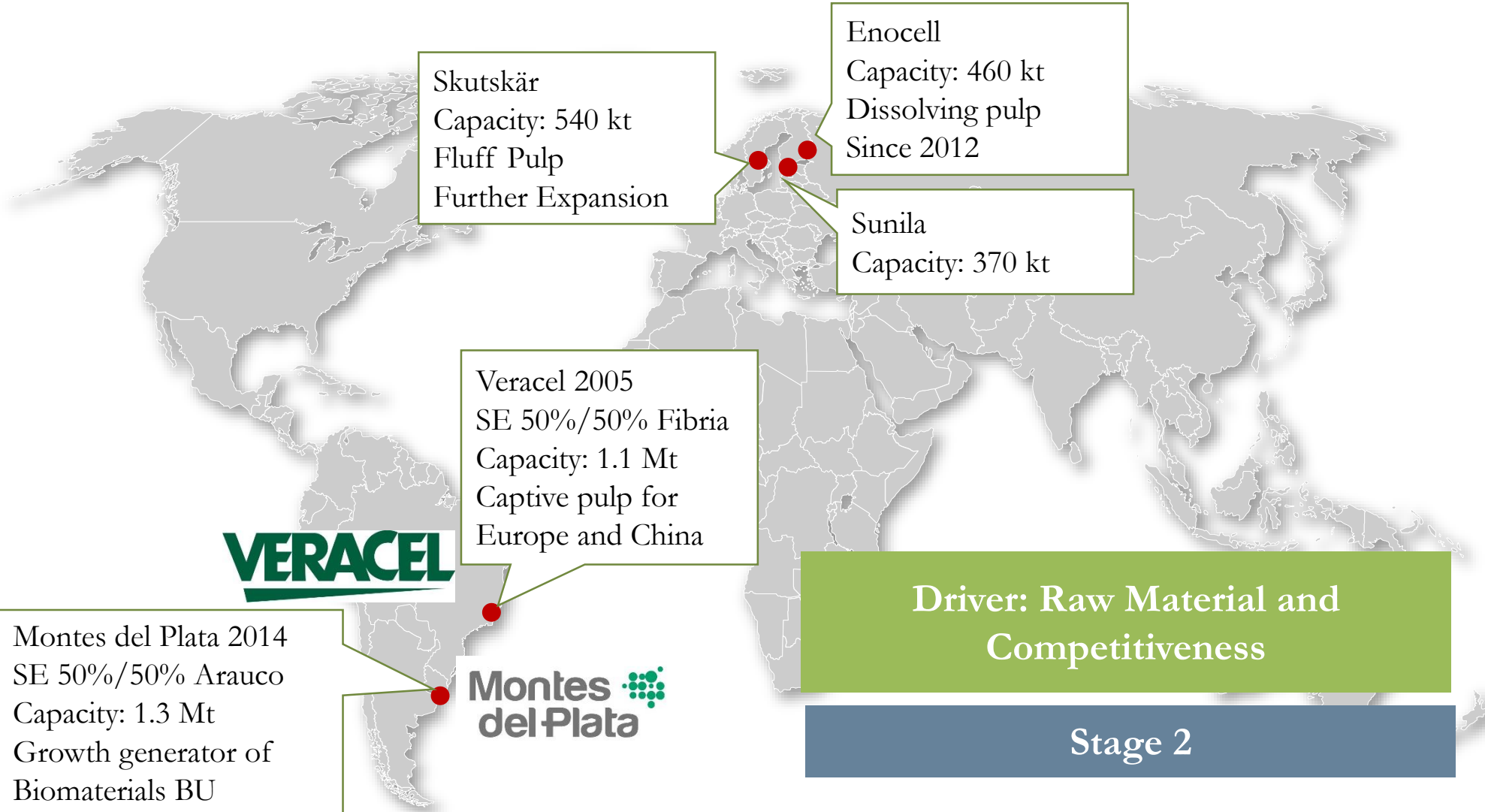


- 1996 New Pulp line at Jacaré
- 2002 Start-up Line C Aracruz
- 2003 Acquisition of Riocell
- 2000/2003 Acquisition of stakes in Veracel Project
- 2005 Start-up of Veracel
- 2007 Luiz Antonio swap for TL
- 2008 Conpacel
- 2009 Guaiba Unit divestment
- 2009 TL start-up
- 2009 Votorantim acquire the Aracruz
- 2010 Conpacel and KSR divestment
- 2012 divestment of Losango forestry assets
- 2011 Divestment of Piracicaba paper unit
- 2016 Sales Alliance with Klabin
- 2017 TL II start-up

Driver: Competitiveness and Balance Sheet vs. Capacity Intensity

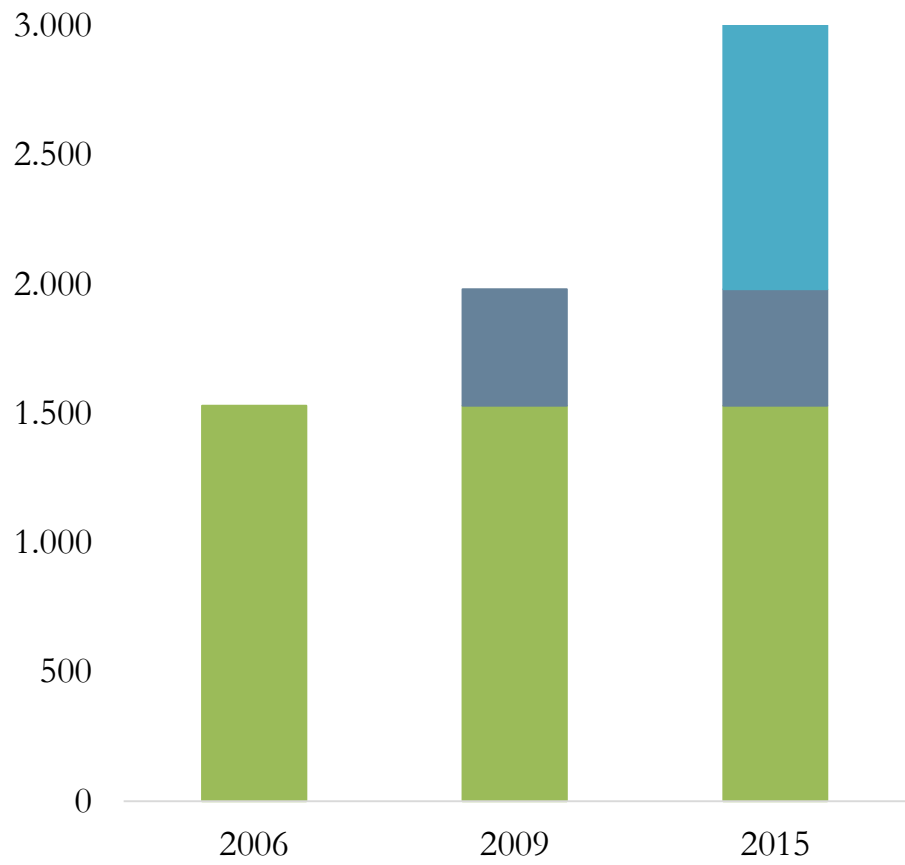
Stage 2

Stora Enso – Veracel and Montes del Plata

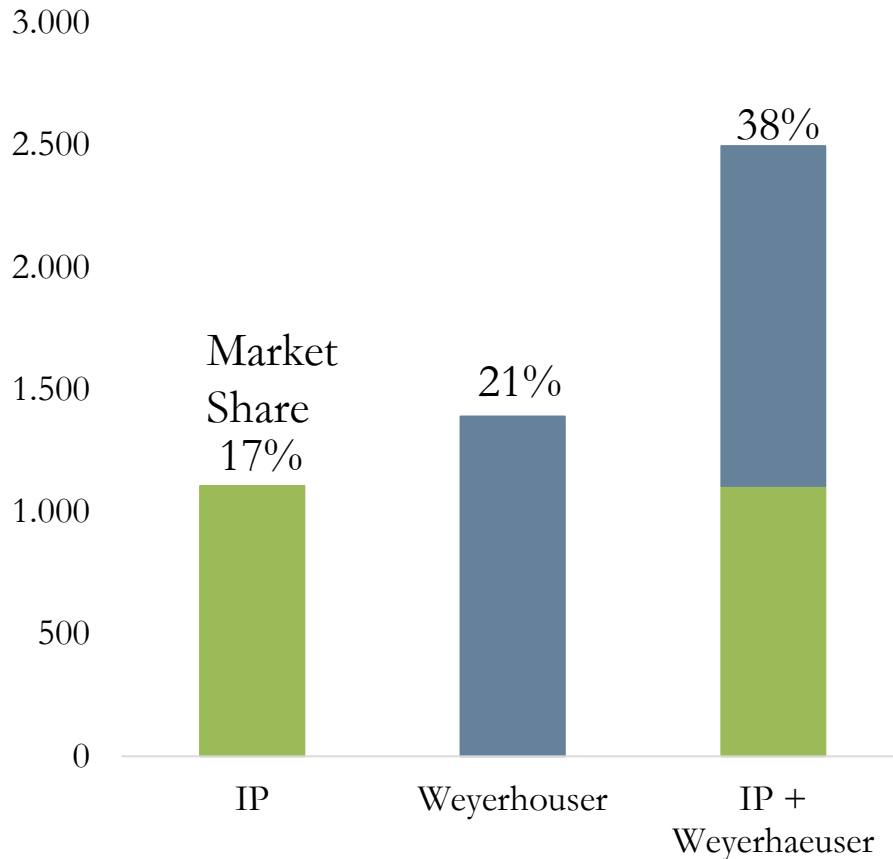


CMPC – Acquisition of Guaiba Mill

- 1959 Laja Mill
- 1991 Pacifico mill
- 1997 Acquisition of 100% share of Pacifico and Santa Fe
- 2009 Acquisition Of Guaiba
- 2015 Expansion of Guaíba



International Paper Acquire Weyerhaeuser



International Paper (IP) Completes \$2.2B Acquisition of Weyerhaeuser's Pulp Business

December 1, 2016 9:25 AM EST

INTERNATIONAL PAPER

Get inside Wall Street with **StreetInsider Premium**. Claim your 2-week free trial here.

IP Hot Sheet [Get Alerts](#)
 Price: \$52.42 -0% ↘

Overall Analyst Rating: **NEUTRAL** (= Flat)

Dividend Yield: 3.5% ↘
 Revenue Growth %: -100.0% ↘

Trade IP Now: [Join SI Premium - FREE](#)

International Paper (NYSE: IP) announced that it has completed its acquisition of Weyerhaeuser's pulp business for approximately \$2.2 billion in cash, subject to post-closing adjustments. Because the transaction is a purchase of assets, International Paper expects to realize a tax benefit with an estimated net present value of approximately \$300 million. International Paper expects annual synergies of approximately \$175 million by the end of 2018, which will require the need for one-time costs of approximately \$85 million.

"This transaction positions International Paper as the premier global supplier of fluff pulp and enhances our ability to generate additional cash flow," said International Paper Chairman and CEO Mark Sutton. "I want to personally welcome the talented employees of Weyerhaeuser to the International Paper family as we look forward to serving our customers around the world."

In this transaction, International Paper acquired five pulp mills and two converting facilities that produce fluff pulp, softwood pulp, and specialty pulp products for a number of consumer applications including diapers, other hygiene products, tissue, and textiles. The acquired business has approximately 1,900 employees around the world, with manufacturing operations based in Canada, Poland and the U.S. (located in Mississippi, Georgia and North Carolina).

The combined businesses will be called Global Cellulose Fibers, led by senior vice president Jean-Michel Ribieras, and reported as a separate business segment beginning with the Company's release of earnings for the fourth quarter of 2016.

Hotel Gisela, Bad Gastein

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1. AMGP	6. DAL
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Drivers: Raw Material Availability, Competitiveness and Expertise

Stage 3

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Company Ways to Grow are...

Organic Growth

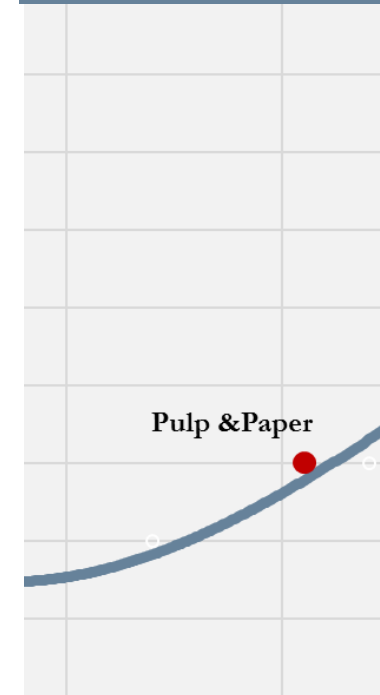
Acquisition

Joint Forces

Innovation

Economies of scale
Competitive edge
Company value creation
Winning competition
Strategic competition

Stage 2



...But Who will Be Among Players in Stage 3?

Acquisition

Scale and competitive edge

Expertise

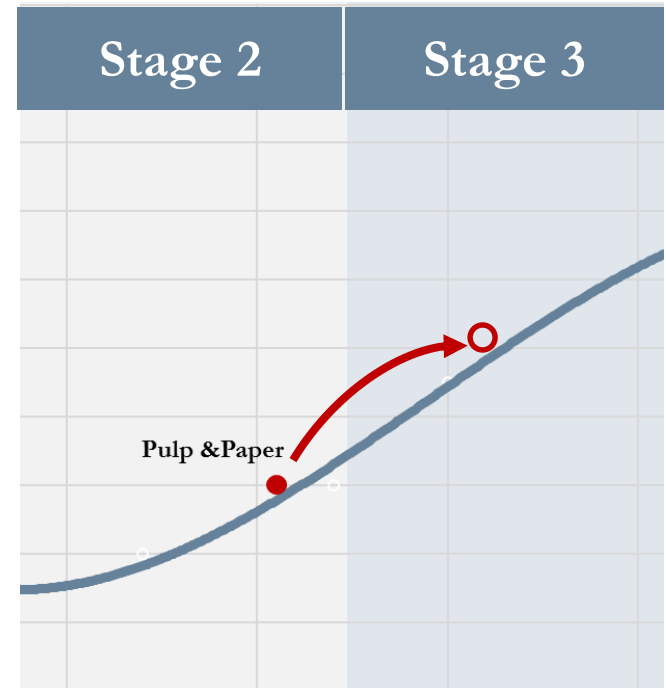
Expertise

Knowledge transfer

Entry barrier

Joint Forces

Winning concept



Key Take Aways

1

Decades of Natural Fibres

Pulp industry development is in hot sopot of this front!

2

Consolidation drives the growth and success!

3

Understanding where in life cycle is an industry is a cornerstone of company's long-term strategy

4

Consolidation is driven by raw material availability, competitiveness, company balance sheet vs. capital intensity and expertise

5

To be among winners actions needed from the current players



Thank You!

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