



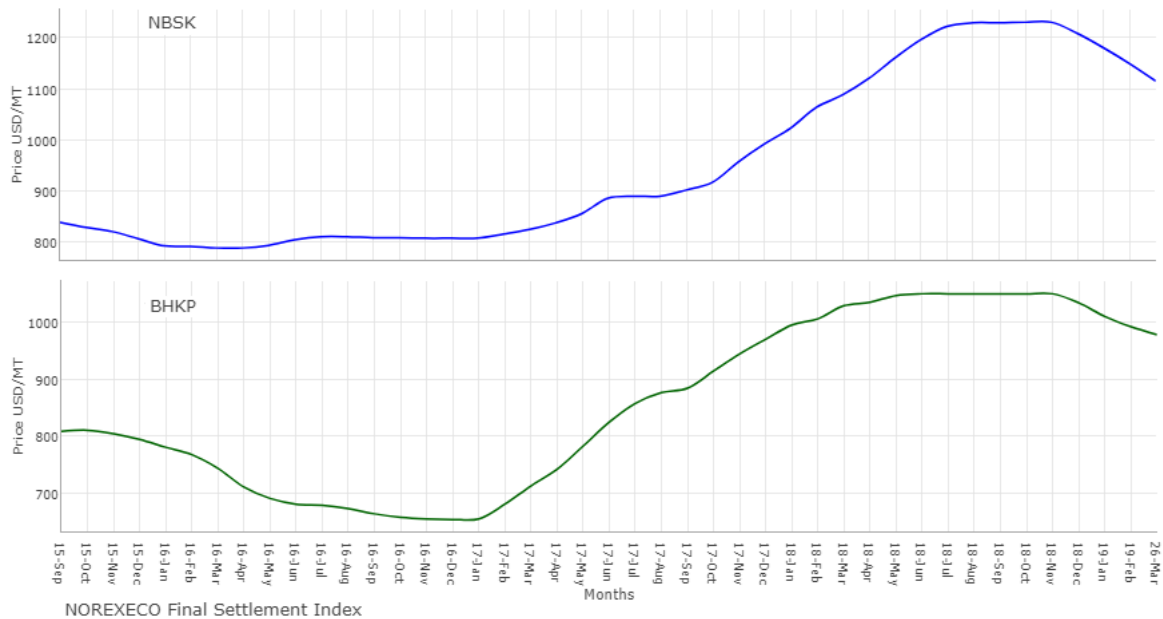
Pulp&Paper • News&Trends • Your March Newsletter

Moody's Outlook for the Global Paper & Forest Products Industry Changed to Negative

Global operating income will fall 2%-4% over the next 12 to 18 months. Input costs are rising, while demand for paper and prices for wood product and market pulp are falling "Increasing paper packaging prices and demand for paper packaging and pulp will only partially offset rising input costs, declining demand for paper and lower wood product and market pulp prices." said Ed Sustar, a Moody's Senior Vice President. The **outlook for the paper packaging and tissue subsector remains stable**, Sustar adds. Most Moody's-rated paper and forest product companies will generate modestly stronger operating earnings this year as growing demand and higher prices across several substrates offset escalating labour and freight costs.

Moody's **outlook for the paper subsector and the timber and wood product subsector both remain negative**. Although capacity reductions through paper mill/machine closures or conversions likely will exceed demand declines in 2019, higher prices for several paper grades will be more than offset by falling demand. Meanwhile, prices for wood products will drop back to more normal levels this year, while US housing starts will be flat, limiting demand growth for wood products and harvesting of timberlands.

The **outlook for the market pulp subsector has also been changed to negative from stable**, Moody's says. Average prices across most pulp grades this year will decline from the peaks reached in 2018. Higher than usual pulp supply at the start of 2019 has led to price declines across most grades, though **limited new pulp capacity growth this year will partially reverse price declines during the second half of the year**.



Price Erosion for CCM Remains Unstoppable in Germany in March

The price erosion on the market for unbleached recycled corrugated case material in Germany continued in March. EUWID predicts that prices have not yet bottomed out yet given that there is too much paper on the market that is not finding its way quickly enough to sales channels outside of Germany. Furthermore, various industry players say that Italian converters have very quickly switched back over to brown kraftliner from kraftliner substitute grades now that the availability of overseas kraftliner is decent again.

Solenis to Increase Prices on Specialty Chemicals in Asia

With immediate effect, Solenis will increase prices by 5-20% on specialty chemicals for the pulp and paper industry in the Asia Pacific region. Solenis will also increase prices by 5-10% for polyacrylamide (PAM) products in the region. These price changes are necessary due to the increase in certain raw material costs combined with a tightening overall global supply chain.

Pulp Market included Consumer Goods sector Expected to Grow at CAGR of 2.61% between 2017-2023

Tariffs and Slowing Economy Add to China's Pulp Market Uncertainty

Where China leads, global markets follow – and the path ahead for its pulp and paper industry is uncertain. China's GDP expansion slowed markedly in 2018, pulp

prices have moderated following the third-longest price runup in recent history, and new trade restrictions threaten to stifle demand for wood fiber and finished goods. Still, China's fundamentals will sustain growth in key segments over the next decade. "Tissue and the grades used in hygiene products will be bright spots for demand over the next decade," said Fortin. "Meanwhile, production of graphic paper and other paper and paperboard could slow or even reverse, in some cases. This shifting end-use demand profile for pulp will reverberate throughout global pulp markets.



Navigator is Launching New UHD paper

The world's best-selling premium brand of office paper will be presented in the Paperworld Middle East, in Dubai, from 18 to 20 March 2019, with its improved quality, Navigator UHD, which translates in a special surface treatment allowing an even better printing quality, with an improved machine performance.

Andritz to Present New Digitalization Platform

Andritz will be presenting its new all-in-one, internet-based Human-Machine Interface and its comprehensive portfolio of innovative digital products and solutions –under the Metris brand – at the Hanover International Trade Fair. Andritz digital experts will introduce trade visitors to cutting-edge solutions scalable from a single machine to complete end-to-end solutions for entire production processes. This includes digital plant and process optimization, Digital Twins, machine learning, sensor technology, condition monitoring, augmented reality, cybersecurity, and digital smart services.

Stora Enso Invests in Next-generation Renewable, Recyclable and Biodegradable Formed Fiber Solutions

Potential products include single-use food packaging items such as plastic-free cups, bowls, clamshells, plates and coffee cup lids as well as non-food applications, responding to the needs of eco-conscious consumers looking for more environmentally friendly alternatives to plastic. First products are expected to be on the market by the end of 2019. The initial annual capacity during the pilot stage will be approximately 50M units of product with the intention to expand.

Metsä Tissue to Replace All Black Plastic Parts in its Dispensers with Recycled Material

Katrin's product range includes dispensers for toilet papers, hand towels, soaps and hand disinfectants. The dispensers are made of plastic, but designed and engineered to be robust and long-lasting and in the end, recyclable, as the company says in the press release received by Lesprom Network. To make the dispensers even more sustainable, Metsä Tissue has trialled recycled material in them. The trials have been successful, and all black plastic parts in the dispensers will be replaced with recycled material during spring 2019. In addition, a fair share of dispensers will be produced with their transparent part out of recycled material. Also pin plugs that secure the smooth operation of the Katrin dispensers are now made of recycled plastic.

AMG Packaging Makes Higher Gains

AMG Packaging & Paper (AMG), the cardboard paper maker, released its first set of improved financials from core operations following its disposal of its toilet tissue business. AMG still battles with rising costs, but less so in its first quarter when compared with a year ago. "The cost of inventories continues to have a negative impact on our bottom line, as we have not been able to recoup from the dramatic increases on paper prices we encountered throughout last year," stated George Hugh, managing director at AMG, in the financials. The company made \$214M in revenues for the quarter (+11% yoy); manufacturing costs increased 11%. Net income was \$18M vs \$11M a year earlier; cashflow totalled \$51M vs \$45M a year earlier.

Clearwater Paper Ends Year in Loss

The charge also involves Clearwater Paper selling more unprocessed tissue in bulk, as opposed to finished cases of products like toilet paper. For the full year 2018, the company reported net sales of \$1.7B, which was flat with 2017 net sales. Price increases in tissue and paperboard helped offset reduced tissue shipment volumes resulting primarily from the sale of the Ladysmith, Wisconsin mill and changes in customer orders. Net loss determined in accordance with GAAP for 2018 was \$143.8M, or \$8.72 loss per diluted share, compared to net earnings of \$97.3M, or \$5.88 per diluted share in 2017. The net loss in 2018 included the goodwill impairment charge described above, and net earnings in 2017 included the significant tax benefit described above. Excluding certain non-core items identified in the attached Reconciliation of Non-GAAP Financial Measures, 2018 adjusted net earnings were \$42.0M, or \$2.55 per diluted share, compared to 2017 adjusted net earnings of \$38.4M, or \$2.32 per diluted share. The net loss included a \$195.1M non-cash goodwill impairment charge related to the consumer products business taken in the fourth quarter of 2018.



M&A Activity / (Dis) Investments

- DS Smith to sell its Plastics division for \$585M
- Mondi plans to invest on c. €700-800M p.a. during the next two years on packaging projects
- Nine Dragons signs MOU for mill in India
- Kruger invests \$40M to build new bleached TMP plant at Trois-Rivières, Canada
- UK's COOK gets support from Stora Enso and Southern Cross to switch from plastic packaging to paperboard
- Lenzing and Duratex discuss whether to build a 450ktpy dissolving wood pulp plant in Brazil
- Sveza Group plans to construct a modern pulp mill in Russia
- International Paper considers taking over a packaging plant in Spain from the Rossmann Group
- Accrol Papers is being investigated by the FCA

New Developments

- Andritz plans job cuts at Germany's Schuler
- Stora Enso invests €5M in its Hylte mill, in Sweden, but...
- Up to 400 jobs at risk at Stora Enso's mill in Oulu, Finland
- Cascades will close two tissue paper machines located in Toronto, Canada
- K-C to invest \$120M in Oklahoma mill – expand the facility by 270,000 square feet and install new resources
- K-C investing \$115M in Beech Island plant over the next five years
- A.Celli to supply to Foshan Huahan Sanitary Material two printing machines, in China
- Valmet to supply a containerboard line for GS Paperboard & Packaging, in Malaysia
- Valmet to deliver fifth tissue production line to Papel San Francisco, in Mexico
- Andritz to supply wood processing plant for Ilim Group, in Russia
- Andritz launches new PrimeLineTEX tissue machine for textured tissue
- Toscotec to rebuild the dryer section of PM1 for Skjern Papirfabrik, Denmark
- APP started four Toscotec tissue machines at its OKI mill, in Indonesia

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