



Hilco Appraisal Services, LLC

Containerboard Industry Perspective

SECOND QUARTER 2012

PRIMARY RECOVERY FACTORS

>> Recycled fiber prices have resumed their downward trend after stabilizing in the first quarter of 2012.

>> For the 6 months ended June 2012, U.S. containerboard mills were operating at 95% of capacity.

RECENT APPRAISAL EXPERIENCE

Caraustar, Inc.

Longview Fibre Paper and Packaging, Inc.

The Newark Group, Inc.

Climax Paperboard

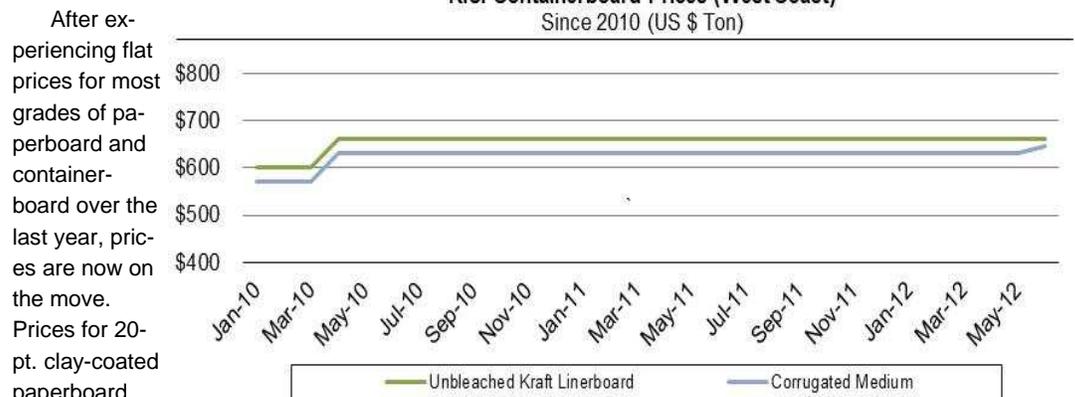
Forest Resources, LLC

Tembec Inc.

Price hike in Q3?

By Jesse Marzouk

RISI Containerboard Prices (West Coast)
Since 2010 (US \$ Ton)



After experiencing flat prices for most grades of paperboard and containerboard over the last year, prices are now on the move.

Prices for 20-pt. clay-coated paperboard declined from \$920 to \$900 per ton in June 2012. Prices declined amid weak demand and dropping recycled fiber prices; however, prices for corrugated medium on the west coast rose from \$630 to \$645 per ton, with anticipation of another \$15 price hike over the next few months.

Looking toward the third quarter, the big question revolves around whether the \$50-per-ton containerboard (both linerboard and medium) price hike announced by producers

for August 2012 shipments will be successful. While inventory levels of containerboard are relatively low at 3.7 weeks of supply in June 2012, and the industry has become more consolidated with International Paper's purchase of Temple Inland, the following factors will make implementation of any price hike difficult.

- Year-over-year demand in the U.S. for boxes, which are made from containerboard, have been flat.

- Demand for containerboard in emerging markets in Asia and South America has been weaker than otherwise anticipated.
- The strength of the U.S. dollar has dampened export demand for containerboard abroad.
- Declining recycled fiber prices have been a huge benefit to producers, reducing the need to for producers to raise prices on recycled containerboard.

Jesse Marzouk is a vice president and forestry products specialist. He has appraised numerous U.S. and Canadian pulp, paper, and lumber-related companies involved in manufacturing and distribution. Jesse received his MBA in finance from Kellogg School of Management at Northwestern University and has a degree in finance and accounting from Indiana University.



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