



Hilco™ Valuation Services

Containerboard Industry Perspective

SECOND QUARTER 2013



INDUSTRY

INFORMATION

>> Recycled fiber prices have rebounded over the last 9 months and are not far from cyclical highs.

>> For the 5 months ended May 2013, U.S. containerboard mills were operating at 96% of capacity.

RECENT APPRAISAL EXPERIENCE

Caraustar

The Newark Group, Inc.

Simpson Tacoma Kraft

Durabox-Ram, Inc.

Allpak Container, Inc.

Port Townsend Paper Corporation

Climax Paperboard

Forest Resources, LLC

KapStone buying Longview

By Jesse Marzouk

In the second quarter, containerboard producers were able to push through their second \$50 per ton price hike in the last year.

Producers have benefited from the industry consolidation that has occurred over the last few years, eliminating certain undisciplined producers. Producers were also bolstered by increasing recycled fiber prices as well as spring maintenance that kept inventory levels down.

Industry consolidation is slated to continue as Kapstone has agreed to purchase Longview Fibre for more than \$1 billion. The purchase will result in the five largest North American firms controlling approximately 73% of North American containerboard capacity. Only a few years ago, the

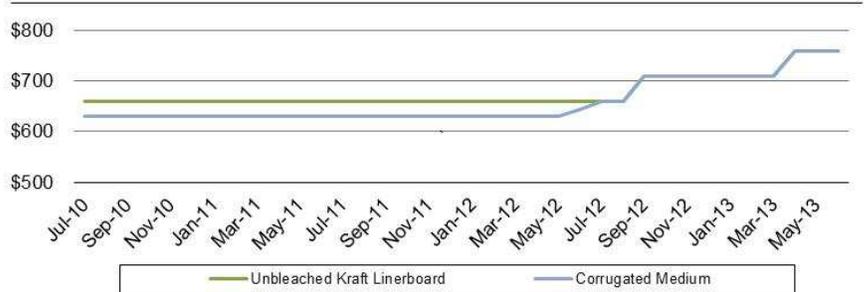
Longview mill could have been bought for approximately 10 percent of its recent selling price. The industry has truly made a strong comeback in recent years.

Looking ahead to the second half of 2013 and 2014, the big question is whether the latest price hike can be maintained with additional supply coming on the market, in the form of greenfield sites and machine conversions. Newsprint machine conversions have already occurred at SP Fiber Technologies and Atlantic Packaging.

More recently, Boise announced the conversion of a newsprint machine to containerboard for 2014. Lastly, a greenfield site in New York state operated by Norampac is expected to begin production over the next few months. These capacity additions will add approximately 4% to North American containerboard capacity.

It will be difficult to gauge the impact of the additional capacity until late 2013 or early 2014 when the majority of the new supply is running at consistent levels.

RISI Containerboard Prices (West Coast)
36-Month Trend (US \$ Ton)



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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