



Hilco™ Valuation Services

Containerboard Industry Perspective

THIRD QUARTER 2013



INDUSTRY

INFORMATION

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

>> For the 8 months ended August 2013, U.S. containerboard mills were operating at 97% 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

PCA announces Boise acquisition

By Jesse Marzouk

Consolidation continues in the containerboard market as Packaging Corp of America announced the acquisition of Boise, Inc. in September.

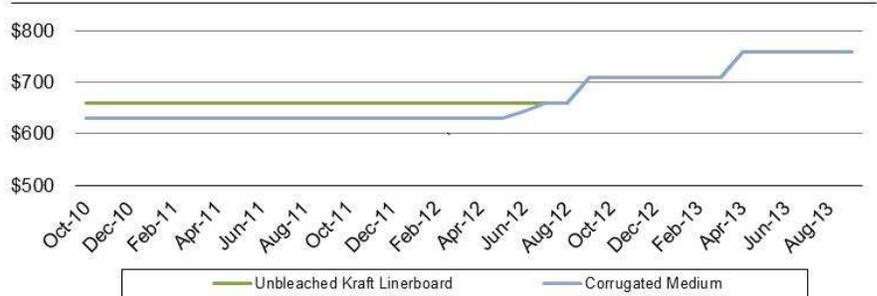
The acquisition, which received preliminary antitrust approval from the Department of Justice, will create the fourth largest containerboard producer in North America with a market share of approximately 9.5%. It also continues the industry trend of consolidation that has seen three other major purchases in the last few years (International Paper purchased Temple Inland, Rock-Tenn acquired Smurft Stone and Kap-Stone bought Longview Fibre). After the PCA/Boise acquisition, the top five containerboard producers will control approximate-

ly 75% of capacity in North America. It is on the back of this industry consolidation that producers have been able to raise prices by \$100 per ton over the last year. Even with demand in North America for containerboard growing only about 1% per year, producers have been able to raise prices through consolidation, which removed undisciplined producers from the market.

The recent price increases have attracted mill conversions from graphic paper, which continues to struggling with annual

demand declines in North America. In fact, before the announcement of the acquisition, Boise revealed plans to convert a newsprint line at its DeRidder, Louisiana mill to containerboard. While not inexpensive, the conversion of graphic paper machines to containerboard likely will continue and put pressure on higher cost containerboard machines. Going forward, containerboard pricing should remain strong with levels largely determined by the number of new machines and machine conversions.

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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