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Valuation Services Containerboard Industry Perspective

4TH QUARTER 2013



INDUSTRY

INFORMATION

>> For the 11 months ended November 2013, U.S. containerboard mills operated at 95% of capacity.

>> Containerboard prices have risen by \$100 per ton in the last 18 months.

RECENT VALUATION/ LIQUIDATION EXPERIENCE

Caraustar

The Newark Group, Inc.

Simpson Tacoma Kraft

Durabox-Ram, Inc.

Allpak Container, Inc.

Port Townsend Paper Corporation

Carthage Specialty Paperboard

Forest Resources, LLC

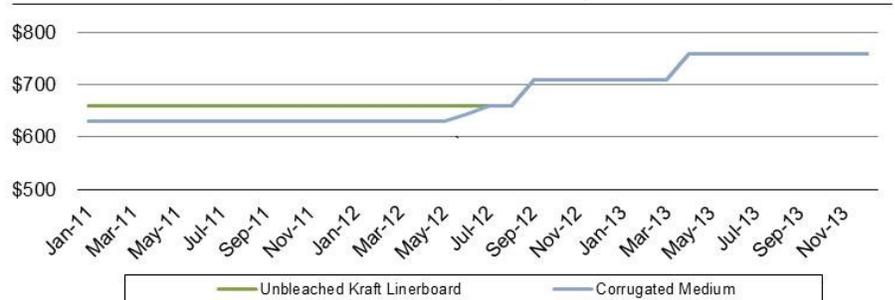
Containerboard pricing holds

By Jesse Marzouk

Containerboard prices largely held in the fourth quarter of 2013, even with additional capacity coming online over the last six month as some of the

major producers, including International Paper and RockTenn, took market related downtime at some of their facilities rather than lower prices and margins across the entire industry. In November, containerboard mills operated at only 91% of capacity, which brought down the year-to-date level to 95%. As recently as August, the 2013 operating rate was 97%. The larger producers in the industry are now better able to match supply and demand as the industry has become more consolidated, with the top five containerboard producers controlling approximately 75% of capacity in North America.

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



It is on the back of this industry consolidation that producers have been able to raise prices by \$100 per ton over the last 18 months. 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. These include newsprint conversions from SP Fiber Technologies and Atlantic Pack-

aging, and an announcement from Kapstone 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 discipline of producers to pull back on production as conversions and new machines start up.

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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