



# Hilco Appraisal Services, LLC

## Paper Products Industry Perspective

THIRD QUARTER 2012

### PRIMARY RECOVERY FACTORS

>> Total North American demand for printing and writing paper declined 7.1% year-over-year through August 2012.

>> Total North American demand for newsprint declined 1.2% year-over-year through August 2012. The declines have been less than forecast as newsprint has taken share from uncoated mechanical.

### RECENT APPRAISAL EXPERIENCE

- NewPage Corp.
- Resolute Forest Products
- Verso Paper Corp.
- Unisource Worldwide, Inc.
- Global Tissue Group, Inc.
- Appleton Papers, Inc.
- Twin Rivers Paper Co.
- FutureMark Paper Corp.

## Tissue Capacity Coming

By Jesse Marzouk

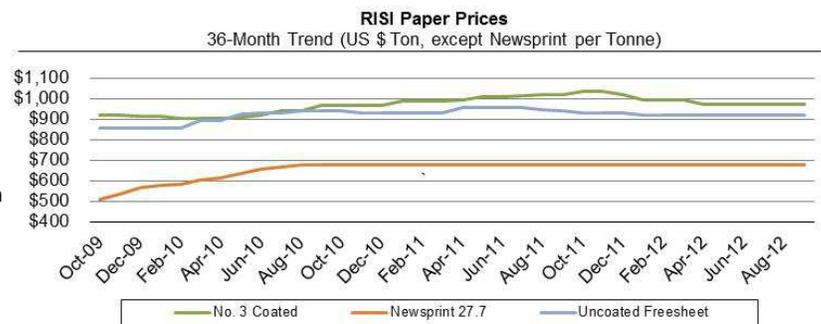
Prices for most types of printing and writing (P&W) paper held steady in the third quarter of 2012, although demand continues to remain weak. Year-over-year through August 2012, all four types of P&W paper (coated mechanical, uncoated mechanical, coated freesheet, and uncoated freesheet) saw demand declines in North America; the smallest decline was in coated mechanical (3.6%), while the largest was in uncoated mechanical (16.3%).

Looking ahead to the fourth quarter, most P&W paper prices should move little, with the exception of coated mechanical grades. Coated mechanical grades should see an increase as capacity shuts by major players, including Resolute Forest Products and Verso Paper, tightened the market. These shuts accounted for approximately

300,000 tons on an annual basis, or 8% of North American demand for this grade.

One area that Hilco does not typically focus on in its quarterly forestry perspectives is the tis-

2013, the U.S. should see an increase in supply of approximately 600,000 tons, or 7% of total North American tissue demand. The majority of the capacity additions are in the private-



sue market. The main reason is the relatively small size of the tissue market compared to the market for P&W paper. Because of the impending capacity additions in the U.S. in the tissue market, however, it is worth discussing the potential impact.

Between capacity additions in 2012 and those expected in

label market, which has benefited from a trade down from names brands to private label brands. While the private-label market will likely continue to take market share, these capacity additions will result in a softening of private-label tissue prices, capacity shuts of older, less efficient machines, or both.

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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