



# Hilco Appraisal Services, LLC

## Paper Products Industry Perspective

FIRST QUARTER 2012

### PRIMARY RECOVERY FACTORS

>> Total demand for printing and writing paper declined 5.1% year over year through February 2012.

>> Price increases for diesel fuel have cut into recoveries as transportation costs have risen.

### 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.

## Prices Flat to Down; Hikes Proposed

By Jesse Marzouk

Prices for most types of printing and writing (P&W) paper declined slightly in the first quarter of 2012 as overall demand for P&W paper continues to decline. Year over year through February 2012, coated mechanical, uncoated mechanical, and coated freesheet all experienced demand declines

continue throughout the remainder of 2012.

In the first quarter, coated paper prices decreased \$10 to \$25 per ton as demand remained soft. Uncoated freesheet roll prices decreased approximately \$10 per ton, even with the year-over-year demand increase.

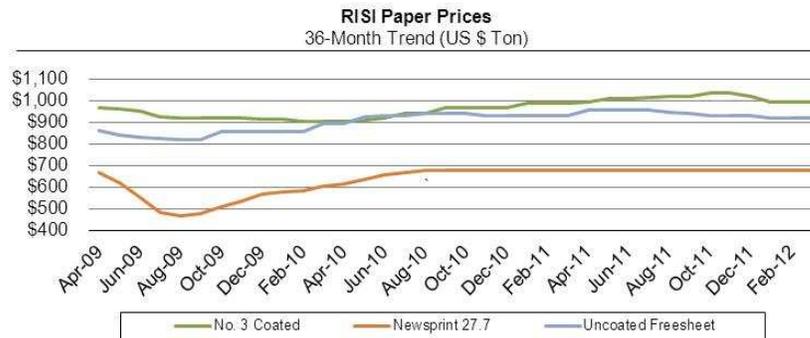
Newsprint manufacturers are taking market downtime on certain machines and shutting other machines permanently to offset the decline in demand.

To potentially stem price declines, major North American P&W producers have announced price hikes for the second quarter.

Major coated paper manufacturers have announced price increases of \$30 to \$60, depending on the grade. Major uncoated freesheet manufacturer, Domtar, announce a price increase of \$60 on roll products.

It is difficult at this

point to gauge the success of the proposed price hikes, but amid a weak demand environment, it will be very difficult for producers to gain the full amount of the announced price increase without additional capacity cuts.



in North America; the smallest was in coated mechanical (3.7%), and the largest was in uncoated mechanical (17.6%). Somewhat surprisingly, uncoated freesheet experienced an increase of 1.5%; however, this gain is not expected

Newsprint prices remained steady throughout the quarter as capacity closures supported a weak demand environment. Overall demand for newsprint in North America has declined 3.0% year over year through February.

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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