



# Hilco Appraisal Services, LLC

## Paper Products Industry Perspective

SECOND QUARTER 2012

### PRIMARY RECOVERY FACTORS

>> Total North American demand for printing and writing paper declined 6.2% year-over-year through May 2012.

>> Total North American demand for newsprint declined 7.3% year-over-year through May 2012.

### 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

By Jesse Marzouk

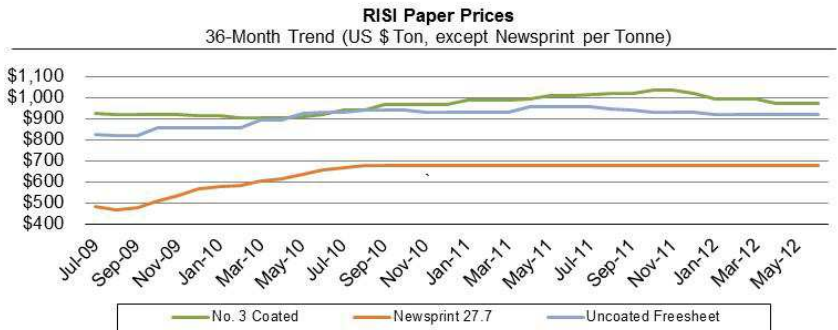
Prices for most types of printing and writing (P&W) paper held steady in the second quarter of 2012, with the exception of coated freesheet grades, which declined approximately \$20 per ton.

For the most part, prices held as producers removed capacity as demand eroded. Year-over-year through May 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 was seen in uncoated freesheet (2.5%), while the largest was in uncoated mechanical (16.6%). Uncoated mechanical grades are under pressure as demand for paper books continues to decline and newsprint takes share from uncoated mechanical grades for other applications.

Newsprint prices in the east remained steady throughout the quarter as capacity closures and market share gains from other users besides newspapers sup-

ported a weak demand environment from newspapers. Newsprint prices in the west, however, began to weaken and slipped \$10 per tonne in the second quarter. This may presage a drop in prices in the east as overall demand for newsprint in North America has declined 7.3% year-over-year through February. Furthermore, White Birch Paper is targeting a

restart of its Stadacona, Quebec, newsprint mill at the beginning of August and Kruger's Corner Brook, Newfoundland, mill will continue to operate after the union came to an agreement with management. Lastly, export market demand, which was a source of strength for North American newsprint producers in 2010 and 2011, has declined 25.8% year to date through May in 2012. The strength of the U.S. dollar against the Indian rupee and Euro have made it difficult for producers to ship product into these markets.



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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