



# Hilco™ Valuation Services

## Paper Products Industry Perspective

SECOND QUARTER 2013

### INDUSTRY

#### INFORMATION

>> Total North American demand for printing and writing paper declined 6.1% year-over-year through June 2013.

>> Total North American demand for newsprint declined 10% year-over-year through May 2013.

### RECENT APPRAISAL EXPERIENCE

- NewPage Corp.
- Resolute Forest Products
- Verso Paper Corp.
- Catalyst Paper
- Unisource Worldwide, Inc.
- Global Tissue Group, Inc.
- Port Hawkesbury Paper
- Twin Rivers Paper Co.

## Uncoated freesheet struggles in Q2

By Jesse Marzouk

North American demand for uncoated freesheet, primarily used for office paper, commercial printing, business forms and envelopes, has dropped more sharply than anticipated in 2013 and has weighed on prices. Total North American shipments of uncoated freesheet through June 2013 are down 4.4% year over year.

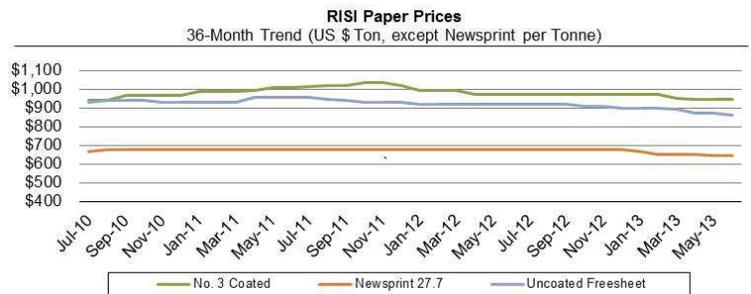
This is slightly larger than decreases experienced over the last few years. As a result, prices for cutsize (office paper) and uncoated freesheet rolls, which are the two most common types of uncoated freesheet, have seen prices fall \$30 to \$40 per ton since the beginning of 2013.

In addition to declining demand, one more recent headwind that producers of uncoated freesheet have faced is the presence of coated producers in the market. As demand has softened for coated freesheet, some mills have produced uncoated freesheet as margins are higher in the space.

Although Boise has announced the closure of two smaller uncoated freesheet lines at its International Falls, Minnesota facility, the market will need larger closures or market related downtime in the second half of 2013 to balance the market.

Switching to other grades,

ed mechanical as magazines and catalogs transition towards this cheaper alternative. Major consumers of SC that agreed to switch some consumption to SC in 2013 will likely have price protection against the increases until 2014. Coated freesheet has the next best chance of achieving



price increases of \$40 to \$50 per ton have been announced for supercalendered (SC) paper as well as coated freesheet and coated mechanical. SC price increases are almost certain to go through as demand has increased approximately 10% thus far in 2013. SC continues to take share from coat-

price increases as demand has remained stronger than most anticipated thus far in 2013. Coated mechanical will likely need the closure of a major machine to achieve any price increases as SC steals market share and operating rates for North American mills hover in mid 80% range.

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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