

15 The paper industry takes advantage of the economic bright spell

17 Interview with Berry Wiersum, head of Sappi

PAP' ARGUS

THE PAPER AND BOARD MARKETS - 344 March 2018



BERRY WIERSUM
- A WEALTH OF EXPERIENCE

KEY NUMBER

+ 0.5%

It's the growth in France's production of paper and board for 2017/2016 (source Copacel)

Berry Wiersum, head of Sappi

"Paper has a future"

Berry Wiersum in person! The CEO of the South African paper-maker group Sappi, #1 world producer of coated paper, met with Christelle Magaud and Jean Poncet at his company's European headquarters in Brussels. The meeting was focused on the reorganization of the business groups in terms of speciality papers and packaging, their environmental commitments, its manufacture conversions and their latest acquisitions.

Pap'Argus: *CEO of the year! This honor was given to you at CEPI European Paper Week held at the end of last year in Brussels. What do you need to do to be so respected by your peers?*

Berry Wiersum: It is a bit like the Oscars, you need to be a certain age! But seriously I think that since I arrived at Sappi around 11 years ago, I have worked in almost a full paper industry cycle. I'm sure it played a part in this decision. During this time, the company changed in every way possible after a dreadful start up phase, with the 2008 crisis, the financial markets collapse, the damage caused by the electronic media ... As a result, there were closures and restructuring amplified by the decline of graphic paper. In short, we went through a business crisis and a structural one until we were strong enough to turn this situation around.

Pap'Argus: *How did you proceed?*

Berry Wiersum: By orchestrating a complete change. We visited companies which had managed to reinvent themselves, such as the manufacturer Toyota and we decided to do the same. We learned methods to become more effective, more successful. We went for it! Our development in the European market in particular is one of intense strategy of external growth. Note that our M-real acquisition in 2009 allowed us to double our production capacity right away. We also started converting machines and re-orientated our business around speciality papers.

Pap'Argus: *How did this strategy change go over?*

Berry Wiersum: It was risky, but necessary. By the way, this policy worked for us. In 2015, having solidified our network, we announced our new strategic vision, centred on greater diversification.

We developed our packaging activities. For example, in Maastricht, besides the coated woodfree paper our mill began producing some regular and corrugated cardboard. In the middle of this craziness we were able to increase our packaging and speciality paper production at Alfeld in Germany ...

Pap'Argus: *Recently, you launched an impor-*



Berry Wiersum - a wealth of experience

After studying history, Berry Wiersum began his career in chemistry at ICI Fibers, where he was president of Amoco Fabrics (Europe) followed by his position as president of Amoco Chemicals (Europe). Before the company was bought out by BP, he participated in the integration of both groups in Europe. He then joined Pechiney SA in France and managed the packaging division of Cebal until he was recruited as Managing Director of Kappa Packaging BV (Netherlands) and a member of the Management Board in charge of the manufacturing and in charge of Kappa's packaging group. Berry Wiersum joined Sappi Europe in January, 2007 as Managing Director de Sappi Europe. In a parallel to his professional activities, Berry Wiersum also was president of the CEPI (The Confederation of European Paper Industries), from 2009 till 2011. In 2017, he was named European CEO of the year by RISI and International CEO of the year to CEPI's PPI Award.

Sappi, a profitable giant

Established : 1936 - **Headquarters :** Johannesburg - **Employees:** 12,000
Plants: 7 in Europe, 3 in America, 5 in South-Africa
Production (in million t/y: paper: 5.4 - pulp: 2.3 - cellulose: 1.3
Net profit 2017 : 338 million USD

tant innovation for the packaging world?

Berry Wiersum: Absolutely. We started the year with Fusion Uncoated, an uncoated virgin fibre liner, used for cardboard and corrugated board packaging. It is made in our Stockstadt mill.

Pap'Argus: *How do you handle environmental questions, which are essential to your business?*

Berry Wiersum: We worked from 2010 with Connie Hedegaard, European Commissioner for climate action. In 2011, the pulp and paper industry, through the CEPI, was one of the first ones in the European Union to develop a roadmap to reduce the CO2 emissions by 80% before 2050. We are very active in this area.

Pap'Argus: *Can you talk about your most recent acquisitions?*

Berry Wiersum: Last year we took over a company specializing in film coatings for packaging industry and which recently developed a barrier without solvent for paper. The company is called Rockwell Solutions. It is a small company in terms of size, but very important from a technological viewpoint. Due to this we can progress enormously and it allows us to strengthen our packaging and speciality papers offer.

We have also just bought the speciality paper division of Cham Paper. This was a deal of almost 150 million USD, which was approved in February by competent authorities. Again, this acquisition works within the framework of our diversification strategy and of Sappi's Vision2020 plan which aims at growing in the market segments which offer bigger margins. With Cham, we get 160 000 tons of speciality paper.

Pap'Argus: *To date, how are your numbers?*

Berry Wiersum: Europe represents about 50% (6 paper mills, 1 specialty paper mill), North America, 27% and South Africa 23%. In Europe, our activities generated a good profitability last year, with greater sales volumes and excellent cost control that balanced the impact of the average paper price drops and the significant increases in pulp pricing. The activity specialities and packaging paper

continued to progress, with sales volumes increasing by 15 % with compared to 2016.

Pap'Argus: *What are your objectives?*

Berry Wiersum: We want to optimize our assets to lead the growth of speciality papers and strengthen our activities in the packaging world. On the contrary, before 2020 we want to reduce our graphic papers capacity by about 200 000 tons. To complete this, it involves the modernization, during the next few years, of our installations at Alfeld and Ehingen in Germany, as well as Lanaken in Belgium and Maastricht in the Netherlands. It represents an investment about 140 million USD.

Also, beyond the pulp and paper, we want to tackle new markets, in particular bio products. Finally, we continue to modernize our machines so that the paper manufacturing process is less energy-consuming. This is an increasing demand from many governments: they are warning to the fact that they should consume the least possible energy and I am convinced that in the future the regulations are going to continue to be tough in this area. That is why we invest as much as possible to anticipate this movement and make it a competitive advantage.

Pap'Argus: *Last but not least, what is your feeling on paper's future? Is its use going to be preserved or will it be completely replaced by Kindle and other electronic equipment?*

Berry Wiersum: Today the decline of the graphic papers continues, though it is masked by the economic recovery. In general I am hopeful that the tradition of using paper will go on. We led a survey which indicated that the future generations, those whose were born with a smartphone in their hands, will have not at all the same behavior as the millennials of today. The internet, digital media, and the electronic equipments for them will be associated with work. Their only way to disconnect will be the paper. That makes me say that it will continue for a long time to come... Paper has a future.



Certification

A green label for UPM reams

UPM is one of first companies to offer copy papers with enhanced Singapore Green Label. This concerns precisely UPM Office Multifunction Copy Paper and UPM Yes Silver Multifunction Copy Paper

The Finnish company is one of the first to offer copy paper with the Singapore Green Label logo.

The enhanced SGLS logo confirms that these products have been sustainably produced under the enhanced Singapore Green Labelling Scheme (SGLS), which is managed by the Singapore Environment Council (SEC).

In total, 16 pulp and paper products have been certified under the enhanced SGLS scheme. "The Green Label helps us communicate UPM's commitment to systematically maintaining and increasing forest biodiversity as well as to promoting sustainable forestry and wood sourcing," highlighted Ian Hamilton, Area Sales Director S.E. Asia, UPM Specialty Papers.

To achieve certification, applicants undergo a detailed audit and evaluation of their entire product supply chain - from the sourcing and manufacturing right through to the distribution and sale of their pulp and paper products. Certified products are subject to an annual audit as well as periodic ground surveillance to ensure compliance.

Acquisition

Suzano will become world # 1 in pulp

The shareholders controlling Votorantim Participações SA and BNDESPar, the investment branch of the Brazilian development bank BNDES, accepted Fibria's takeover bid by Suzano.

The Brazilian group Suzano Papel e Celulose will create the world's largest market pulp producer.

This mega-group shows a production capacity about 10.8 million tons of eucalyptus pulp bleached and of 1.3 million tons of paper and board. The transaction amount: 35 billion reais (8.7 billion euros).

Remember Fibria was created thanks to the merger between Aracruz Celulose and Votorantim Celulose e Papel, paper pulp's world leader, with a production capacity of more than six million tons of pulp and paper in seven mills.

Too bad for the Dutch pulp producer, Paper Excellence, (controlled by the Wijaya fami-

ly, which also possesses Asia Pulp and Paper Company) who had nevertheless formulated a superior offer, of the order 40 billion reais in cash (12.3 billion dollars).

The transaction is subject to approval by anti-trust authorities to obtain the approval of regulators from Brazil, the United States, the European Union and China.

Investment

Smurfit Kappa

rejects the IP Proposal...for the time being

Considered a highly opportunistic proposal by Smurfit Kappa, the offer was not convincing and ended in a flat refusal.

Why? It wasn't considered generous enough.

The proposal, formulated by the company's board (of Irish origin) on February 23rd of this year, valued the share capital of Smurfit Kappa at approximately 8.6 billion euros and gave to its shareholders a participation of about 15 % of the new International Paper.

But the business should not

have stopped there. Indeed, the American group International Paper, the first manufacturer of corrugated packaging of North America, which has 21.7 billion dollars worth of sales, holds only 4 % of market shares in Europe. It is in their best interest that they are considered number 1 for the European Packaging which employs 46 000 people

on 370 production sites in 35 countries worldwide and generated a 8.6 billion euro turnover in 2017. The stakes are high and the potential important for the American group. This suggests a new offer to come to acquire the manufacturer of Irish origin of paper-based packaging? Will they remain independent? Follow closely...