

# Cham Paper Acquisition

05 December 2017



# Deal Rationale

- Supports strategy and 2020 vision to grow our speciality paper business
- Strategic opportunity to grow Sappi Europe's Specialities and Packaging Paper business by acquiring Cham Paper Group
  - Assets consist of a two Italian Speciality Paper Mills and a Digital Imaging Business in Cham, Switzerland
  - 160K tons of quality flexible packaging for food, label printing, release liner and digital imaging paper
  - Profitable, growing segments complementing Sappi's product line
- Sappi will gain greater share-of-wallet with valued brand owners, and drive innovative growth

# Deal Valuation

- Current business (LTM) has €183M of sales and €20M of estimated sustainable EBITDA
- Purchase price CHF146.5M – 5.9 x LTM EBITDA (4.2 x EBITDA with synergies)
- Funded from internal cash resources
- €10M synergies estimated within 2 years
- Deal closure likely to be in FY Q2 2018
- Adds €30M of EBITDA at 15% margin post-synergies

# Asset Overview

- Mills located in the northern part of Italy
- 2 mills with 3 paper machines and inline coaters
- Combined capacity 160k t.p.a
- Opportunity for capacity growth of 10k t.p.a.
- Complementary products to the existing Sappi portfolio
- Well maintained assets
- Digital Imaging business located in Cham, Switzerland



# Asset Overview Italian mills



## Carmignano mill



Production: 100 000 tons p.a.

Head count: 210

Products: C1S flexpack, C1S label paper, base paper for digital imaging sublimation



## Condino mill



Production: 60 000 tons p.a.

Head count: 120

Products: Glassine and super calendared flexible packaging paper

# Segment – Consumer goods

## Trends:

- Lightweight packaging
- Sustainability
- Recyclable and sustainable
- Increase paper, reduce plastics
- Innovative materials (Barrier)

### Beverages / Oils

- Wet glue labelling
- To be metallized, coated, embossed
- Labels for beer, water, oils, etc.



### Food / Non Food Packaging

- Packaging material
- To be printed, laminated, coated, etc.
- Flexible packaging such as soups, coffee, pet food, hygiene products
- Innerliner for tobacco products



# Segment – Industrial release

## Trends:

- Adhesive bond instead of screw fitting
- Individualized products
- Replacement of nails as suspension system

### Release liner labels

- Release liner for labels
- Siliconized and highly calendered
- Food, non-food and beverage sector



### Release liner tapes

- For adhesive tape systems
- Both sides siliconized and highly calendered
- Automotive and building and construction industry



### Facestock papers

- For printed, self-adhesive labels
- Coated papers
- Food, non-food and beverage sector



### Process liners

- For industrial casting and lamination processes
- Siliconized and highly calendered/ non calendered
- Carbon fibre industry, road signs, insulating films



# Segment – Digital imaging

## Trends:

- Fast production and production on demand
- Small quantities and fast deliveries
- Sustainability
- Quality improvement

### Large Format Inkjet Graphics

- Large format inkjet printing
- Coated paper
- Poster and technical printing



### Sublimation Print / Textile Graphics

- For dye sublimation printing
- Coated paper
- Sport textiles, advertising, home textiles



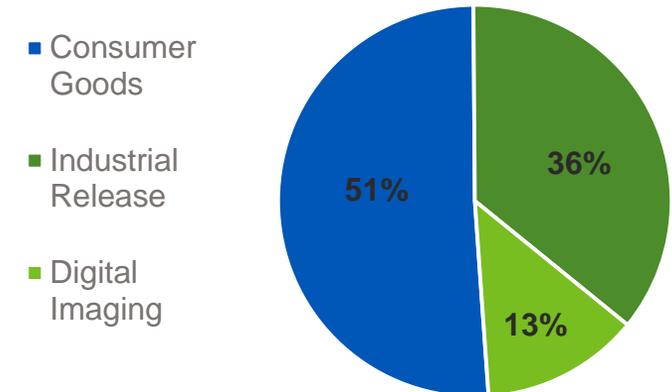
# Market Share by Segment

Based on combined Sappi and Cham Paper 2016 Sales

Market Segments	European market	Combined European market share	Global Market	Market Growth Rate/yr	Main Competitors
<b>Consumer Goods</b> Flexible packaging paper, food and non-food, label papers	1.8M tons	10-15%	3.5M tons	3.4%	Ahlstrom-Munksjö, Burgo, UPM, Stora, Brigl & Bergmeister, Verso, Expera
<b>Industrial Release*</b> Glassine (for Label and Tapes), Coated Release Liner, Facestock (printed and metallising base)	1.3M tons	5-10%	2.8M tons	6.0%	Ahlstrom-Munksjö, Burgo, UPM, Expera, Delfort, Ermolli
<b>Digital Imaging</b> Thermal Sublimation Paper and Large Format Inkjet (coated)	N/A	N/A	N/A	17.5%	Coldenhove, Hansol, Beaver, Kanzaki, Mitsubishi

\* Cham Paper: Only Glassine, Sappi only Coated Release Liner: Market size includes PE-Coated and Release Liner Films

## Cham Paper Sales by Segment



Market data source: AWA, 2016

# The customer view

- Sappi will become one of the leading speciality paper companies with a wide range of product offerings and global availability
- Sappi is known for high quality, service offering and dedication to innovation
- Of sufficient size to be considered by multi-national brand owners
- Offering multi site production with back-up opportunities to minimise risk
- Natural go-to supplier for brand owners seeking product development
- Leading barrier paper development partner
- Strong financial position to further support brand owner's growth ambitions

# Sappi view - Multiple growth opportunities

- Broadened customer base. Improved service and design capabilities. Opening up a large number of growth avenues.
- Leverage potential for innovation with new customer-focused solutions
- Build the foundation for future growth by transfer of existing and new products into other Sappi mills
- More diversified revenue and earnings base through wider geographic footprint and broader product offering.

Thank you

