

# Matane Mill Acquisition

August 01 2019



# Deal Rationale

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- Supports strategy and 2020 vision through the achievement of cost advantages and growth in higher margin packaging and speciality paper.
- Increase the pulp integration by supplying high yield pulp to our US and European packaging operations, thereby enabling Sappi to:
  - Secure supply of a raw material critical to product quality
  - Reduce input pricing and volatility in profitability
  - Avoid higher capital cost of internal high yield pulp capacity – Estimated at \$210m for 200kt

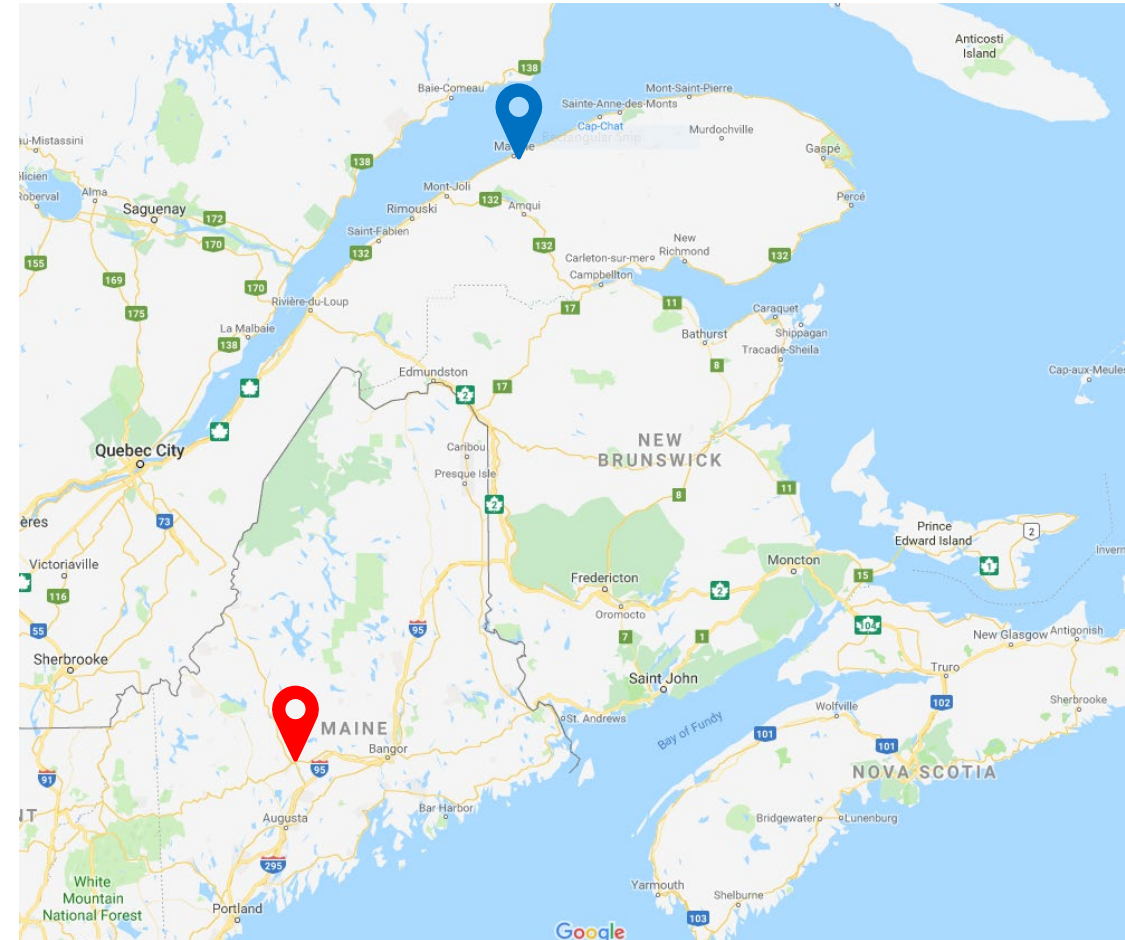
# Deal Valuation

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- Purchase price of US\$175m represents 3.3X 2018 EBITDA of \$53M and 7.0X Sappi's 2019 estimated EBITDA of \$25M
- Current business (LTM) has \$167M of sales
- \$25M of estimated sustainable EBITDA
- Will be financed from internal cash resources and available debt facilities
- Deal closure likely to be in fourth calendar quarter 2019 and is conditional on approval from competition authorities

# Asset Overview

- Capacity of 270,000t per annum of aspen and maple high yield pulp
- Mill located in Matane, Quebec
- 129 employees
- Port access within 5km
- Well maintained assets

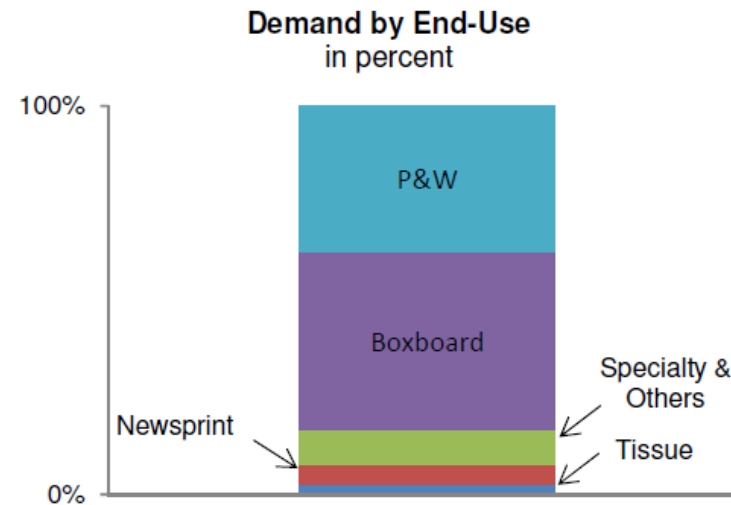
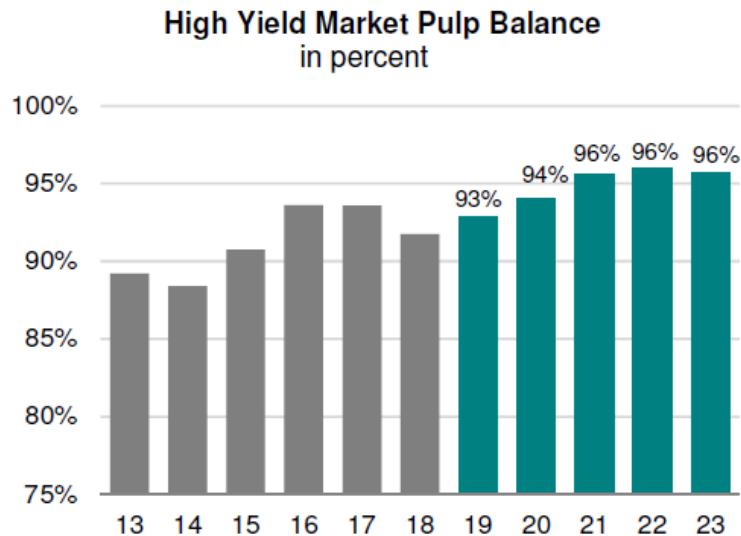


 Matane Mill

 Somerset Mill

# High Yield Pulp Market

- High yield pulp is used in a variety of applications; providing higher bulk, opacity and stiffness in the final product.
- Demand for the pulp is primarily driven by the packaging board and printing paper markets.
- Global high yield pulp market is ~5 million tons
- 40% of which produced in Canada due to lower fibre and energy costs



Source: PPPC

