

Thought leadership in the forest and paper industry

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Dealing with disruption

16th Annual Global CEO Survey – Key findings in the forest, paper and packaging industry



Forest, paper & packaging (FPP) CEOs aren't as pessimistic about the global economy as CEOs across our whole sample, but far fewer are confident that they'll be able to generate revenue growth this year. Why the discrepancy? The answer probably lies in structural changes now happening in the industry. CEOs are dealing with significant shifts in demand patterns, increasing scarcity of supply, and overcapacity in some regions and trades. Our sector results for this year's 16th Annual Global CEO Survey reflect these concerns.

Annual Global Forest, Paper & Packaging Industry Survey

2012 edition – Survey of 2011 results



The goal of the Survey, now in its 15th year, is to provide insight into the industry's major companies and an overview of the issues and events shaping the industry. This year's Survey summarises the 2011 publicly available year-over-year financial information of the PwC Top 100 – the 100 largest forest, paper and packaging (FPP) companies in the world, ranked by sales revenue.

Sustainable packaging – Myth or Reality

This report revisits the packaging debate and tracks the progress the industry has made towards closer collaboration between stakeholders that goes beyond the term sustainable packaging.



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26th Annual Global Forest and Paper Industry Conference

This global thought leadership and networking event was held on May 9, 2013 in Vancouver. Visit the conference website at www.pwc.com/ca/forestconf to view the proceedings.



Global forest and paper industry: Net earnings summary

PwC analysts prepare this quarterly Net Earnings Summary from financial statements issued by the companies noted. Comparing financial results with the same quarter in the previous year, each summary identifies trends in performance, looking at regional differences between Canada, the US, Europe and the rest of the world.



SAVE the date

PwC 27th Annual Global Forest & Paper Industry Conference
6 May 2014 | Vancouver, Canada

Contact us

Vancouver

Bruce McIntyre
Canadian Leader
604 806 7595

Kevin Bromley
Audit and Assurance
604 806 7515

Scott McLean
Consulting
604 806 7113

Montreal

Jim McGuigan
Deals
604 806 7594

Garry Eng
Tax
604 806 7037

Ted Bell
Tax/SR&ED/GHG
604 806 7705

Toronto

Frédéric Bouchard
Consulting & Deals
514 205 5079

Jean-Francois Lecours
Audit and Assurance
514 205 5436

Libarid Guluzian
Tax
514 205 5275

Edmonton

Greg Prince
Consulting & Deals
416 814 5752

Maritime / Halifax

Simon Kent
Audit and Assurance
506 653 9400

Sustainable growth

PwC Canada Forest, Paper and Packaging Practice
Capability Statement 2013



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The forest products sector is going through a period of structural change. New trends shaping the industry by way of increased global competition have made it a challenge for companies to generate sustained revenue growth. Innovation will play a key role in helping the sector to transform its current business model. Increasing efforts to communicate the industry's environmental footprint through a strong commitment to corporate sustainability reporting, will play an integral role in engaging a wide range of stakeholders for continued support.

The forest, paper and packaging industry will play a key role in a sustainable future

PwC is an active participant in the forest and paper industry, contributing knowledge and experience gained from our long association with many of the industry's leading companies. Facing new challenges is part of the process. Below are some examples of how companies can benefit from strategies for sustainable success.

Doing deals — growth and restructuring

All areas of packaging have seen a resurgence of deal activity as companies seek to consolidate, extend their product or geographic reach or to rationalize their portfolios. We expect to see more deal flow from companies looking to access new geographic markets. Global paper companies will also continue to look for opportunities to extend their presence. Private equity has returned to the sector and is playing a very large part in the downstream sector, in packaging and converting.

Sustainability and climate change

Sustainable products are fast becoming a strategic priority for major players in the value chain such as retailers and manufacturers. To be successful, you must respond to the challenge of communicating not only what you have accomplished, but also the intrinsic value of your company's practices to the environment. The industry is in a powerful position to promote its contribution to curbing climate change and its potential as a green source of energy. Sustainability will become another necessary attribute alongside pricing, product performance and service.

Improving cost structures

With so many changes happening in the industry, it's easy to lose focus on the fundamentals. All FPP companies must ensure that their core business is profitable. The industry tendency to pass cost savings through to customers rather than building returns for its investors will need to change. Improving cost structures means reducing the cost of inputs and processes through savings and efficiencies. It requires a change in mindset away from volume and capacity utilization, to a focus on margin. A radical overhaul of business models may be necessary to achieve real and sustained margin improvement from existing product platforms.

Innovation and growth

It's our view that over the next two decades, every stage in the value chain will become considerably more complicated. New non-traditional uses are emerging, and the forest products value chain is shifting, becoming more complex and leading to a lot more fragmentation. Flexibility will be paramount, as demand patterns for new product categories may be volatile. Technological improvements will have an impact on what type of wood is suitable for various uses. Competition for control or access to fibre sources will become more aggressive. In addition to traditional products, the possibilities for conversion of wood fibre will expand dramatically, with heat and power, biofuels, and chemicals becoming a growing component of the product mix.

Case Study: Cost analysis and improvement strategy for a paper packaging company

After they were acquired by Brookfield Asset Management company, Longview Fibre Paper and Packaging Inc. asked PwC to help them to develop and implement a framework to accelerate the achievement of an aggressive new trend EBITDA target. After Longview sold their non-core eastern assets and split out the company's Timberland assets, we helped them to put in place a series of improvement initiatives spanning primary mill production, sales and marketing, logistics, mill shipping, procurement, HR, finance, IT, fibre supply and the company's box plants. We provided coaching and support to their employees leading and participating on the improvement initiatives. We also helped establish a steering committee to oversee the initiatives as well as reporting and benefits tracking.

In spite of a challenging environment, Longview has already significantly improved its trend EBITDA performance and planned efforts are expected to provide a steady stream of further improvements.

How we can help

Long-term growth remains a challenge. Forest, paper and packaging companies seeking to sustain economic growth will need to find new sources of innovation and technologies, to remain competitive in the global market. Defining new strategies for continued growth will help the industry achieve sustained success moving forward.

Margin improvement

Our Consulting practice brings knowledge of business processes, extensive industry expertise and a creative approach to problem solving to enhance and engage staff, build value, manage risk and improve performance.

Deals

Our Corporate Finance and Deals team provides insight and information to support deal decisions. Whether it's an investment, divestiture or strategic partnership, PwC's financial and transaction specialists will help optimize the value of your business, before and after a transaction.

Research and development tax credits, greenhouse gases, and bioenergy

For R&D tax credits, the assessment, quantification, and assurance of greenhouse gases (GHG's) for reporting and offset project purposes, and for incentives-based opportunities related to bioenergy, which are often complemented by R&D and GHG related opportunities, finding qualified support is critical. We understand both your industry at the technical and scientific level and we know the regulatory context of these programs. Our teaming approach combines professional

engineers and scientists who have worked in the forest, pulp, and paper industries with assurance professionals who understand your business, to set the standard for professional services of this type. We work with many of the world's largest forest, pulp, and paper companies in all of these areas.

Audit and assurance

An independent, objective and transparent audit is top of mind for organizations and their shareholders. Our audit and assurance methodology sets the quality standard for the profession. We audit many of the world's largest forest, paper and fibre-based packaging companies.

Tax services

With the growing number of international transactions, effective tax planning is essential for forest and paper companies. As well as providing compliance services, PwC tax professionals also understand the intricacies of income and commodity taxes in every major forest products region in the world. We formulate effective, innovative strategies to plan and manage your taxes, provide improved financial results and increase shareholder value.

Case Study: Cross-border bioenergy feasibility study

PwC provided advice to a large European utility on the potential development of a major new biomass plant and associated biomass supply from North America. Our role involved advising on M&A, valuation, due diligence on JV partners and on the project (commercial, financial and operational).

It also included advice on wood sourcing strategy and operations and the contract structures to support the development of the biomass project and plant. We also provided strategic and operational recommendations and action plans to the financial, commercial, operational, tax and sustainability aspects of the project.

Business resilience

PwC specialists bring a deep understanding of the complete forest products value chain. We assist with scenario planning, competitive cost assessment, operational reviews, performance benchmarking, portfolio reviews, and financial restructuring and reorganization. To unlock the value in your supply chain, we also undertake treasury, debt and working capital reviews.

PwC's network of forest and paper specialists spans the world's major forest products regions, bringing knowledge of local markets and business issues to your doorstep. From strategic planning, due diligence and sourcing for projects in China, Asia, Russia, Latin America and other emerging markets, we can develop a strategy that will help you stay competitive.