

Transactions Forest, Paper and Packaging (FPP)

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Top 20 North American FPP Producers

Selected Financial Metrics – 5 Year Change

As at December 31	2008	2003	% Change
Market Capitalization	23	79	-70%
Revenue	95	109	-13%
EBITDA	8.3	12.5	-34%
EV / EBITDA (median)	7x	10x	-31%

Source: Capital IQ (expressed in US\$ billions, except EV/EBITDA multiples)

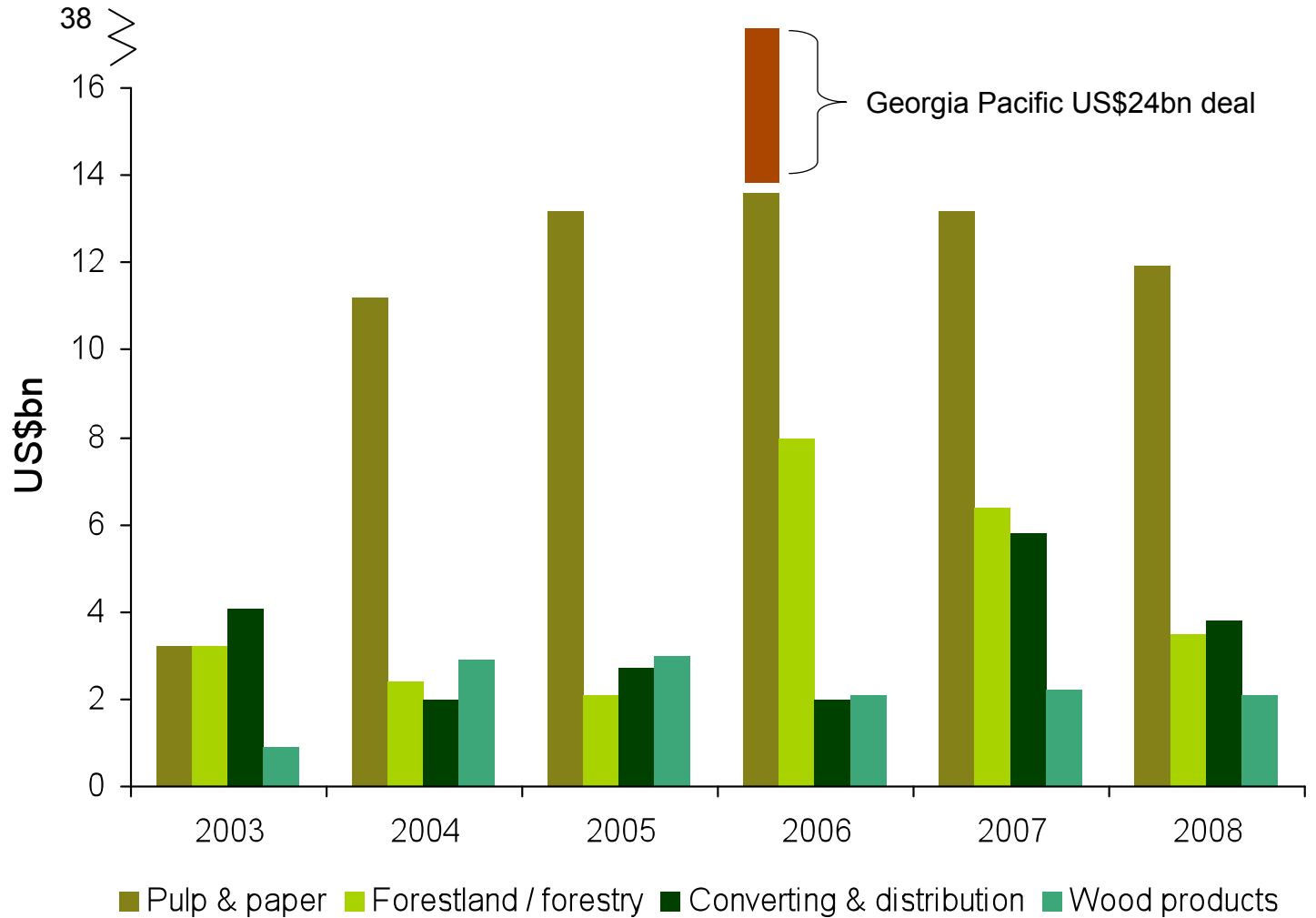
Top 20 FPP producers ranked by total revenue in each year

Highlights: Sector Deal Value Trends 2003 - 2008

Key statistics

US\$21.3bn in 2008:
(down 23% YoY)

- 56% Pulp/Paper
- 16% Forestland
- 10% Wood products
- 12% Converting
- 6% Distribution of paper products



Source: PwC Forest Paper & Packaging Deals 2008 annual review

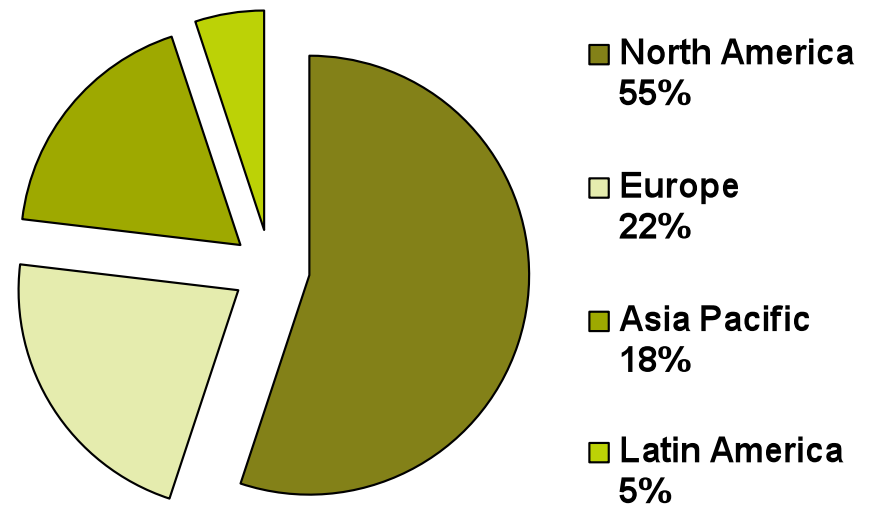
Highlights: Regional Focus

Asia Pacific Rise

North American deal value in 2008 would have been down to its 2003 low were it not for International Paper's US\$6bn acquisition of Weyerhaeuser's packaging business

Share of worldwide deals:

- North America lost ground, down 7% to 55%
- Asia Pacific rose 6% to 18%
- Europe largely unchanged at 22%



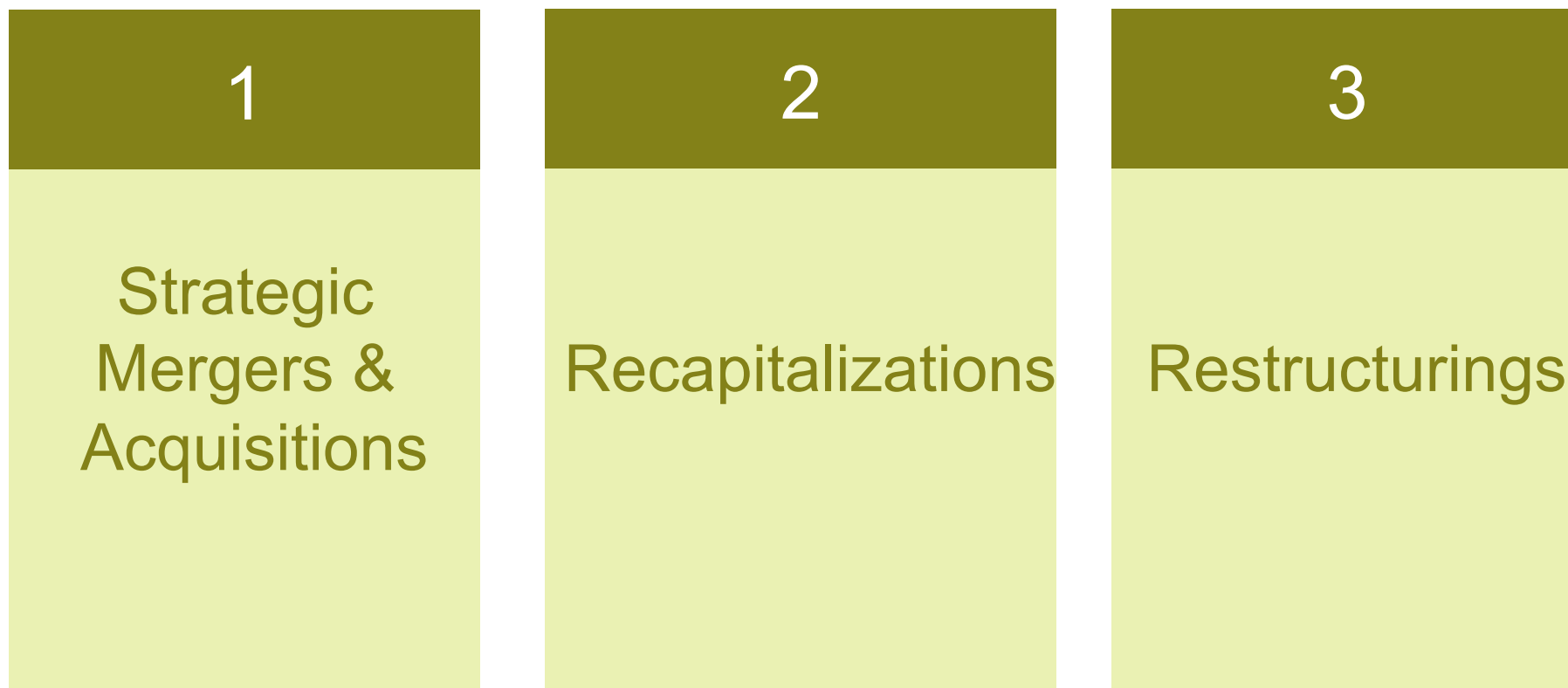
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Highlights: Key Trends

Shift from strategic M&A to distress / opportunistic M&A

- Housing crisis, print media turmoil, and global economic downturn continue to force consolidation and rationalization as companies seek to deal with cash flow challenges
- Integrations even more challenging, as acquisition timescales are narrowed
- 2009: many companies on a knife-edge, as the industry looks set to undergo intense round of distress-led transformation, for example:
 - Smurfit-Stone and AbitibiBowater Chapter 11/CCAA
 - Several other major industry players contemplating bankruptcy filings
 - Industry wide efforts to de-leverage
 - Consolidation deals may be forced

Transactions in the FPP Sector



Selected Transaction Profiles

Date Completed	Deal Value (\$M)	Target	Acquirer
Sep 2008	12.8	Fort St. James Sawmill	Conifex

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Strategic
Mergers &
Acquisitions

- New, well-financed independent capitalizing on a distressed opportunity (Pope & Talbot receivership)
- Re-opened in Mar 2009 after signing a unique labour agreement that ties a portion of workers' wages to market conditions

Selected Transaction Profiles cont'd...

Date Completed	Deal Value (US\$M)	Target	Acquirer
Apr 2008	161	Snowflake Mill	Catalyst Paper

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Strategic
Mergers &
Acquisitions

- Snowflake is regarded as one of the lowest cost newsprint mills in North America (375,000 metric tonne capacity)
- Provides natural hedge against Canadian dollar fluctuations
- Acquisition expected to provide annual synergies of US\$10M through cost-savings, purchasing and distribution

Selected Transaction Profiles cont'd...

Date Completed	Deal Value (US\$M)	Target	Investors
Jul 2008	825	Ainsworth Lumber	Creditors
2	<ul style="list-style-type: none"> ▪ Tricap led recapitalization ▪ Conversion of bonds to equity ▪ New bond issue of \$200M ▪ Amended \$175M of other loans ▪ Other similar transactions: <ul style="list-style-type: none"> ➤ Tembec (Feb 2008) – converted \$1.2B debt to equity ➤ Norbord (Dec 2008) – \$240M rights offering to Brookfield 		
Re-capitalizations			

Selected Transaction Profiles cont'd...

Date Completed	Deal Value (US\$M)	Target	Underwriters
Apr 2009	750	Georgia-Pacific	Banking Syndicate
2	<ul style="list-style-type: none"> ▪ Private placement of US\$750M in senior guaranteed notes (mature 2016) ▪ Priced at a discount to reflect an offering yield of 9.0% ▪ Proceeds used to repay other debt and for general corp. purposes ▪ Other similar transactions: <ul style="list-style-type: none"> ➤ TimberWest (Feb 2009) – \$150M new convertible debenture to bcIMC ➤ Louisiana-Pacific (Mar 2009) – \$300M bonds (2017) 		
Re-capitalizations			

Selected Transaction Profiles cont'd...

Date	DIP Loan (US\$M)	Company	DIP Lender				
Apr 2009	100	AbitibiBowater	Bank of Montreal				
<table border="0"> <tr> <td data-bbox="153 634 541 781" style="background-color: #4F81BD; color: white; text-align: center; vertical-align: middle; width: 25%;">3</td> <td data-bbox="541 634 1938 781" rowspan="2"> <ul style="list-style-type: none"> ▪ Chapter 11 / CCAA court restructuring ▪ DIP financing of US\$100M provided by Bank of Montreal </td> </tr> <tr> <td data-bbox="153 781 541 1252" style="background-color: #D9EAD3; text-align: center; vertical-align: middle;">Restructuring</td> <td data-bbox="541 781 1938 1252"> <ul style="list-style-type: none"> ▪ Restructuring efforts ongoing; selling interest in hydroelectric facility for \$615M ▪ Other similar transaction: <ul style="list-style-type: none"> ➤ Smurfit-Stone (Jan 2009) – Chapter 11/CCAA with \$750M DIP financing </td> </tr> </table>				3	<ul style="list-style-type: none"> ▪ Chapter 11 / CCAA court restructuring ▪ DIP financing of US\$100M provided by Bank of Montreal 	Restructuring	<ul style="list-style-type: none"> ▪ Restructuring efforts ongoing; selling interest in hydroelectric facility for \$615M ▪ Other similar transaction: <ul style="list-style-type: none"> ➤ Smurfit-Stone (Jan 2009) – Chapter 11/CCAA with \$750M DIP financing
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These are not stand-alone solutions, but rather enablers with potential to create survivors better positioned for the industry turnaround

Key Observations

De-leveraging has been a common theme

- The most common methods to de-leverage and enhance liquidity have included:
 - Debt-to-equity conversions
 - Rights offerings
 - Refinancing with existing stakeholders and extending debt maturities

Key Observations (continued)

Operations vs Balance Sheet

- The reported transactions have been balance sheet focused
 - On its own, will not be sufficient
- To survive the downturn and position for post-2011 success, operational improvements will also be required
 - production curtailments
 - sales of non-core assets
 - freezing of discretionary expenditures

Key Observations (continued)

Cost of Capital and Liquidation

- Re-financings are expensive – cost of capital > 12%
- Liquidation may be unpalatable given values, but consideration warranted in light of carrying costs with realistic cost of capital

Key Observations (continued)

Timing

- Those who restructure and re-organize **EARLY** and **DECISIVELY** will be favourably positioned for a turnaround
 - mere survival may be handsomely rewarded in 2012 and beyond

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