

# Interesting Stuff That's Happening in Paper & Wood

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Global Equity  
Research  
May 2007

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# China: Easy Capital Access

Raised Over US \$25 billion in past 8 years

Investors Are Financing The Wave

	2007E	2008E	2007E	2008E
	EV/EBITDA	EV/EBITDA	CAPACITY	CAPACITY
			<i>(in mm tons)</i>	
Lee & Man	21.8	15.8	2.1	4.0
Nine Dragons	26.4	18.0	4.5	7.8
Smurfit Stone	8.7	7.8	7.6	7.6

# Europe Needs Latin America, and ...

- Europeans Have Something Latam Wants
  - Stora Enso and Aracruz
  - UPM and Botnia and Uruguay
  - Arauco and Stora Enso
- U.S. Companies are On Their Own
  - International Paper
  - MeadWestvaco

# Canada Is Shrinking

- Strategic shift in Capital to US market
  - Domtar
  - AbitibiBowater
- Chinese Investment
  - Lee & Man, APP, China Paper Group
- Was it All Just the Weak C\$ after all?

# India for the Indians

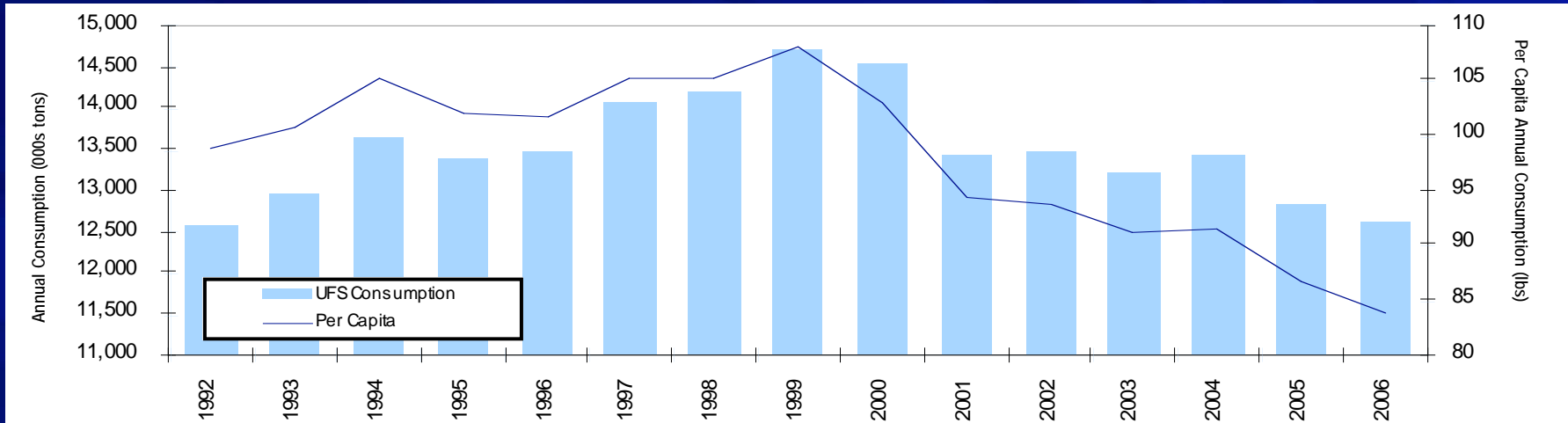
- “The Next Big Market”, & Nobody Is There
  - Paper demand 8%+ pa
  - Top 10 players ~33% of mkt
  - International Paper has 1 employee in India

# Does Global Growth Matter?

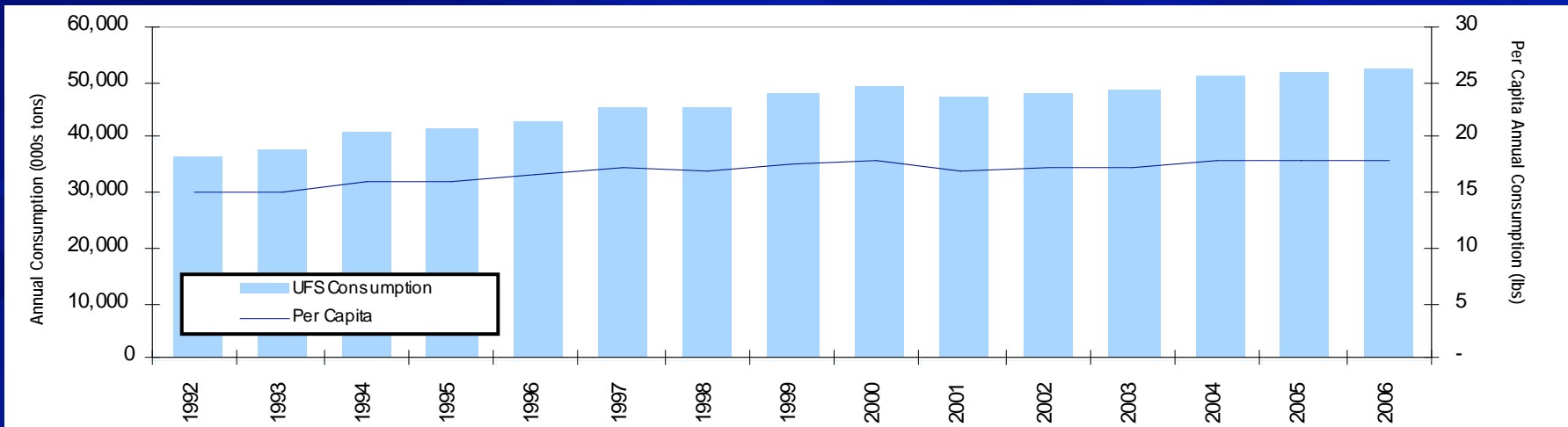
- Why You?
- How Much Opportunity?

# Uncoated Freesheet Looks Flattish

## U.S.

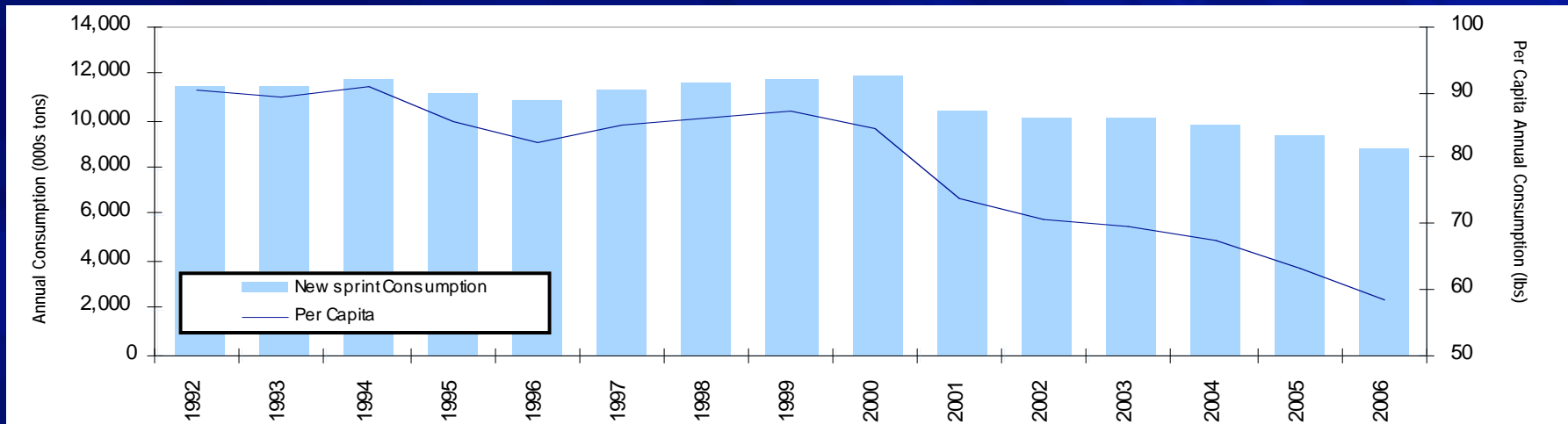


## Global

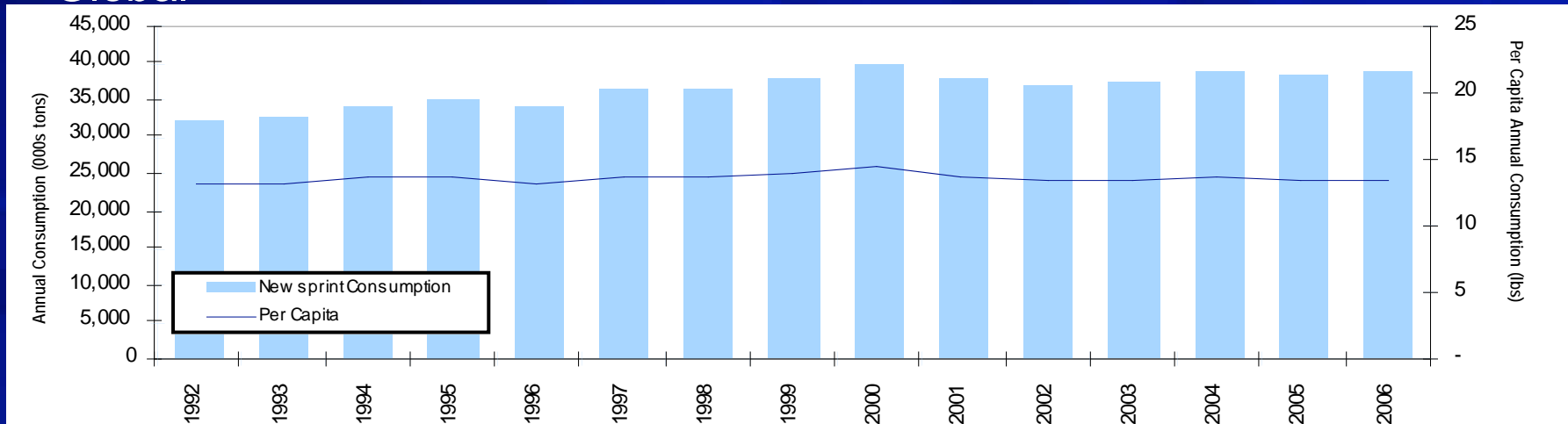


# Newsprint Looks Flattish

## U.S.

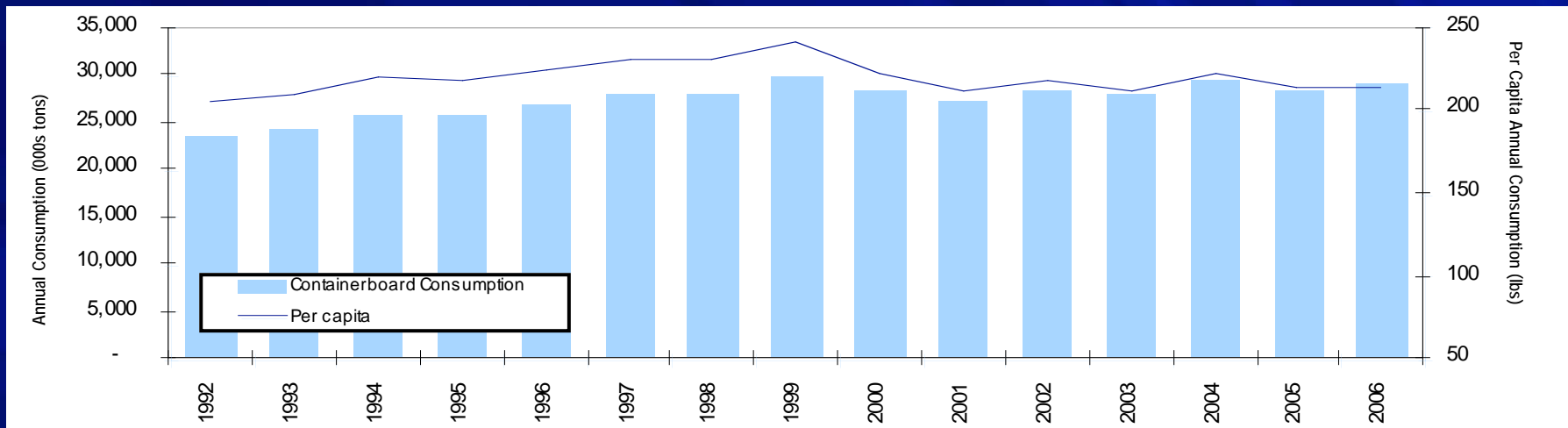


## Global

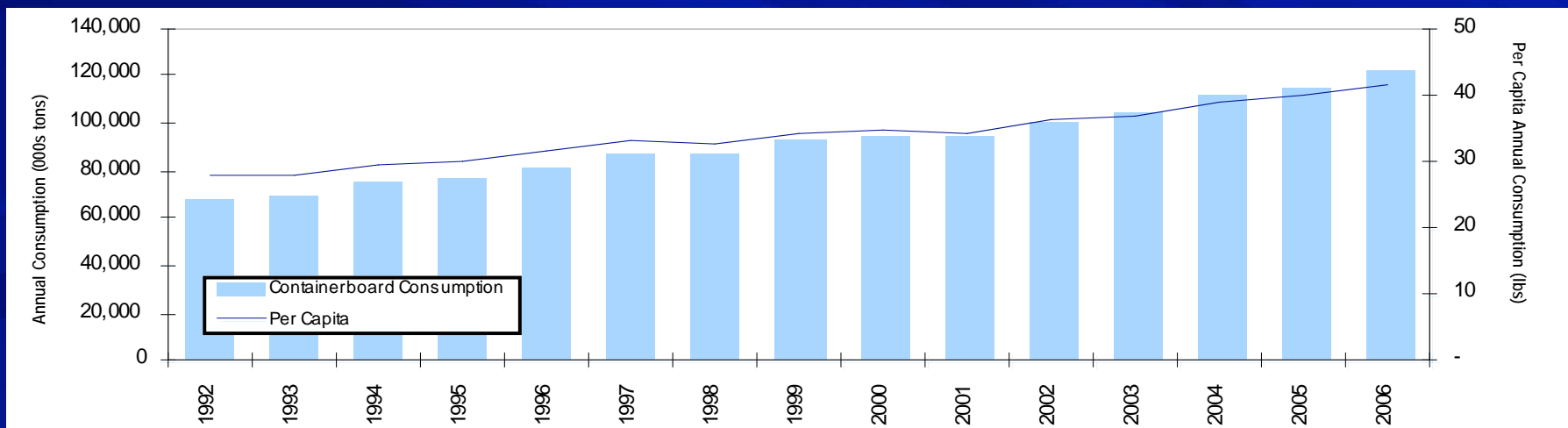


# Containerboard: More Promising

U.S.



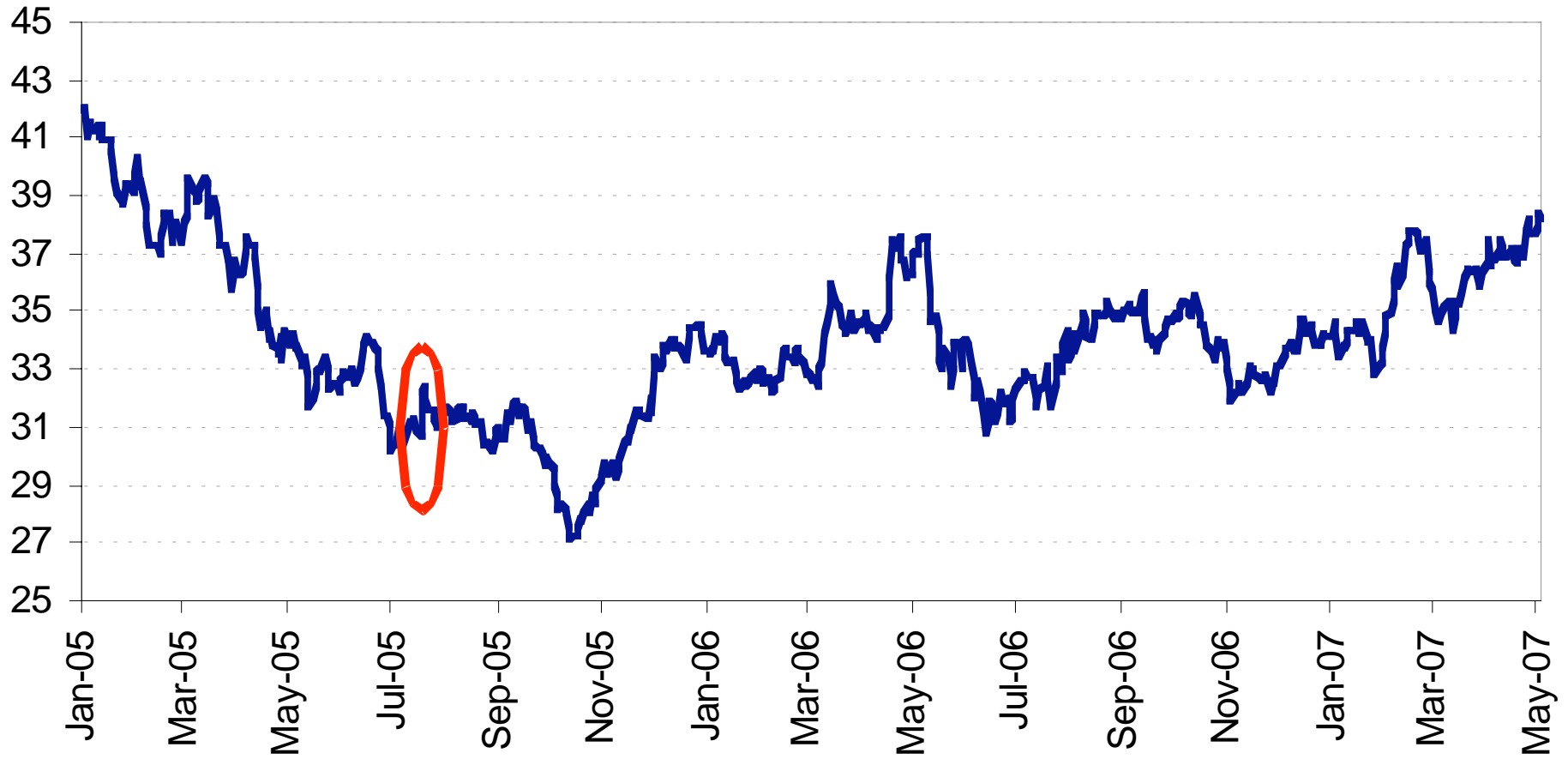
Global



# What's New in North America

- Activists Ride to the Rescue
- Timberland Sales, Sadly, Accomplish Little
- Diversification Becomes a Bad Thing
- Private Equity Doesn't Like Paper

# International Paper Stock Performance



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# To Summarize

- Established producers bring little to emerging markets
- “Global growth” opportunities are overstated
- Restructuring only works “if what comes next” is better
- Capital allocation is not sufficiently rigorous

# Disclosures

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## Companies Mentioned (Price as of 02 May 07)

Abitibi Consolidated (ABY, \$2.59, RESTRICTED, UNDERWEIGHT)  
Albany International Corp. (AIN, \$38.94, OUTPERFORM, TP \$43.00, UNDERWEIGHT )  
Aracruz (ARA, \$55.40, NEUTRAL, TP \$69.15, MARKET WEIGHT )  
Bowater (BOW, \$21.93, RESTRICTED, UNDERWEIGHT )  
Domtar Corp. (UFS, \$9.74, OUTPERFORM, TP \$13.00, UNDERWEIGHT )  
Dow Chemical Company (DOW, \$44.28, OUTPERFORM, TP \$49.00, OVERWEIGHT )  
Glatfelter (GLT, \$14.27, OUTPERFORM, TP \$19.00, UNDERWEIGHT )  
International Paper (IP, \$38.41, OUTPERFORM, TP \$39.00, UNDERWEIGHT )  
Lee & Man Paper (2314.HK, HK\$22.20, NEUTRAL, TP HK\$16.90)  
Louisiana-Pacific Corporation (LPX, \$20.00, NEUTRAL, TP \$19.00, UNDERWEIGHT )  
MeadWestvaco Corp (MWV, \$32.54, NEUTRAL, TP \$30.00, UNDERWEIGHT )  
M-real (MRLBV.HE, Eu4.97, OUTPERFORM, TP Eu7.20, MARKET WEIGHT )  
Packaging Corp. of America (PKG, \$25.49, OUTPERFORM, TP \$26.00, UNDERWEIGHT )  
Sappi Limited (SPP, \$17.97, OUTPERFORM, TP \$19.00, UNDERWEIGHT )  
Smurfit-Stone Container (SSCC, \$12.20, NEUTRAL, TP \$12.00, UNDERWEIGHT )  
Stora Enso (STERV.HE, Eu13.77, NEUTRAL, TP Eu14.20, MARKET WEIGHT )  
Temple-Inland Inc. (TIN, \$60.37, OUTPERFORM, TP \$70.00, UNDERWEIGHT )  
Weyerhaeuser Company (WY, \$79.33, NEUTRAL, TP \$68.00, UNDERWEIGHT )

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# Wastepaper Reaches Equilibrium

