

Forest, Paper and Packaging Deals Insights Quarterly

Q2 2017

A publication from
PwC's Deals practice

91 days, 36 deals, US\$4.0 billion¹.

Q2 2017 M&A activity saw a focus on Americas-based targets, led by DS Smith's acquisition of Interstate Resources

PwC is pleased to share with you our quarterly analysis of mergers and acquisitions (M&A) activity in the global forest, paper and packaging ("FPP") industry for the second quarter (Q2) of 2017.

Overview

Global M&A activity in the FPP sector in Q2 2017 saw an increase in deal volume relative to the first quarter (Q1) of 2017. A total of 36 M&A deals were announced during Q2 2017 with a total value of US\$4.0 billion and an average (median) deal size of approximately US\$20.2 million. This compares to 23 deals in Q1 2017 with a total value of US\$4.2 billion and an average (median) deal size of approximately US\$14.7 million.

In comparison to the second quarter in 2016, there was a decrease in Q2 2017 in terms of both deal value and deal volume. The graphs to the right provide a summary of deal activity by quarter for 2014 to 2017.

Notable deals

The top five largest announced deals in Q2 2017 (based on deal value) accounted for approximately US\$2.9 billion, representing approximately 74% of total deal value. The deals all involved targets based in the Americas region. The top five deals in Q2 2017 primarily involved strategic buyers, which is consistent with the mix of buyers observed in Q1 2017.

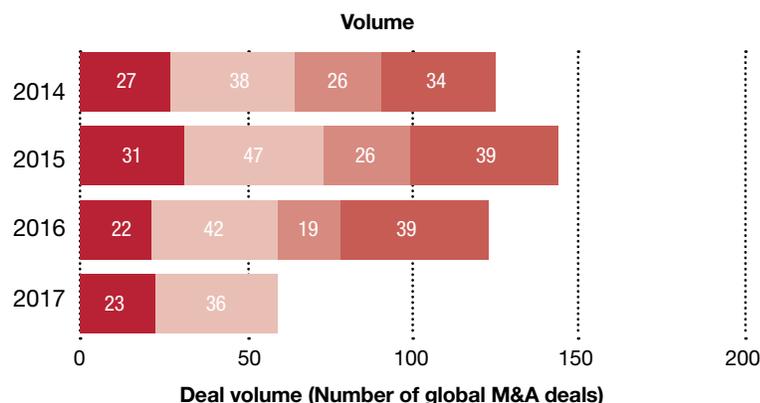
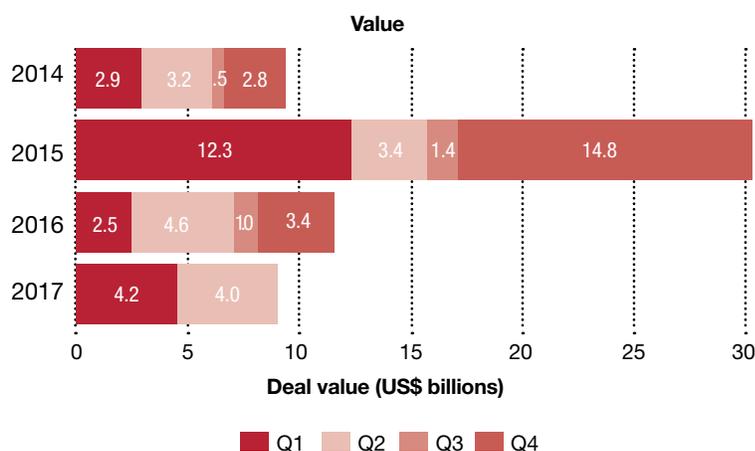
The table below presents the information with respect to the top five deals announced in Q2 2017.

Significant strategic acquisitions in Q2 2017 M&A transactions

Top five deals announced in Q2 2017

Deal Value (US\$ millions)	Announced Date	Target	Buyer	Region
1,146.0	29/6/2017	Interstate Resources Inc	DS Smith Plc	Americas
807.0	25/5/2017	Tembec Inc.	Rayonier Advanced Materials Inc.	Americas
402.5	5/6/2017	Weyerhaeuser Uruguay S.R.L.	BTGP Timberland Investment Group LLC	Americas
330.0	3/4/2017	Norbord Inc.	Brookfield Investments Corporation	Americas
227.5	18/4/2017	Zucamor S.A.	Arcor S.A.I.C.	Americas

Multi-year deals analysis
Global FPP M&A Activity



Source: PwC analysis of selected Forest and Paper Products, Paper Packaging transactions

¹ Based on deals where value was disclosed

Selected paper & packaging merger and acquisitions in Q2 2017 included the following:

- DS Smith announced an agreement to acquire 80% of Interstate Resources, a U.S. corrugated packaging business for US\$1.1 billion, including the assumption of an estimated US\$226 million in net debt. Founded in 1940 in East London as a box-making business, the acquisition will facilitate DS Smith's entry into the U.S. market.
- U.S.-based Rayonier Advanced Materials announced its acquisition of Canada-based paper company Tembec Inc. for a total consideration of US\$807.0 million.
- Brookfield Investments Corporation announced their acquisition of additional common shares of Norbord Inc., an international producer of wood-based panels, for approximately US\$330.0 million.

In addition, there were a number of timberland transactions in Q2 2017, highlighted by the Weyerhaeuser/BTGP transaction below:

- Weyerhaeuser Company announced the company has agreed to sell its timberlands and manufacturing business in Uruguay to a consortium led by BTG Pactual's Timberland Investment Group. The 300,000 acres of timberlands are located in northeastern and north central Uruguay. The transaction also includes a plywood and veneer manufacturing facility, a cogeneration facility, and a seedling nursery. The aggregate purchase price is approximately US\$402.5 million.

Geographical Distribution of Deals

The distribution of announced deals in Q2 2017 (based on total deal value) was geographically focused on the Americas region. The figure below presents the respective information for Q2 2017.

In the Americas, deal volume and value increased from Q1 2017. There were 11 announced deals in Q2 2017 with a total deal value of approximately US\$3.4 billion.

In the EUMEA region, there were 8 deals with a total deal value of approximately US\$0.1 million. Compared to Q1 2017, the deal volume remained the same while total deal value decreased.

There were 17 deals with a total deal value of approximately US\$0.5 billion in the Asia/Pacific region. The Asia/Pacific region has seen an increase in deal volume but a decrease in total deal value in relation to Q1 2017.

Trends and insights

In the upcoming quarters, we expect the major trends impacting the sector to continue to influence deal making. These trends include:

- Global trade agreements and the ability to access growing markets
- Continued consolidation amongst strategic players
- The strength of the U.S. economy
- Security of wood fibre supply
- Potential impacts on supply from sustainable forest management practices

Altogether, economic conditions and industry trends are driving opportunities for FPP companies to create shareholder value. We expect deal making to continue to be strong in the sector as companies look to gain strength in core markets.

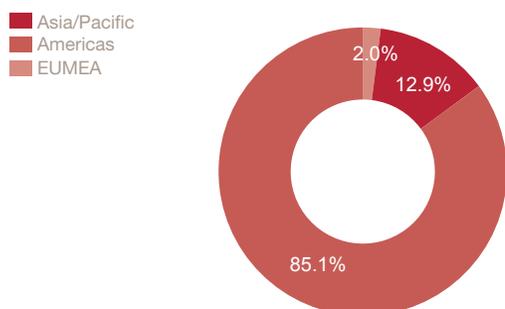
About the data

Deal information was sourced from company filings, press releases and information obtained from third parties. Certain adjustments have been made to the information to exclude transactions that are not specific to the FPP sector.

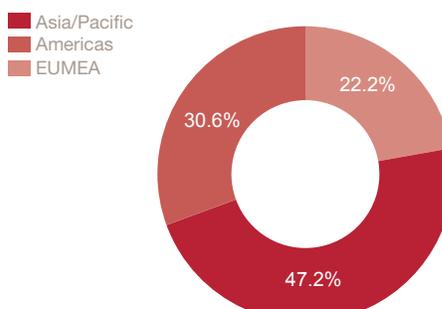
Third party content providers do not guarantee the accuracy, completeness, timeliness or availability of any information, and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such content.

Distribution of Q2 2017 deals based on deal value and deal volume

Geographic distribution – Deal value



Geographic distribution – Deal volume



Anatomy of the deal



In light of rapidly changing technology, globalization of markets, uncertain economic conditions and ever-increasing competitive pressures, organic growth often isn't fast enough.

As a result, many public and private organizations are looking to mergers and acquisitions (M&A) transactions as a key enabler of their corporate strategies. While deals in the forest and paper sector are a growing necessity, they're not easy. As three executives we spoke to at PwC's 28th Annual Global Forestry & Paper Industry conference attest, there's nothing simple about achieving real and lasting value through M&A.

[Click here to view the full report.](#)

Annual Global Forest, Paper & Packaging Industry Conference



Stay tuned for additional details
Vancouver, BC, Canada

www.pwc.com/ca/forestconf

Contact us

Your Global PwC FPP Team

Max Blocker

Global & US FPP Leader

max.blocker@us.pwc.com

+1 678 417 4180

Kevin Bromley

Canadian FPP Leader

kevin.bromley@ca.pwc.com

+1 604 806 7515

Ian Murdoch

European FPP Leader

ian.murdoch@at.pwc.com

+43 1 501 88 1420

Local Contacts

Warrick Jackson

Australasia

warrick.d.jackson@nz.pwc.com

+64 4 462 7082

Eduardo Vendramini

Brazil

eduardo.vendramini@br.pwc.com

+55 (19) 3794 5419

Ken Su

China Business Desk

ken.su@ca.pwc.com

+1 604 806 7660

Author

Jason Boyer

Canadian FPP Deals

jason.boyer@ca.pwc.com

+1 604 806 7096