



Focus Sectors Update
March 21, 2017

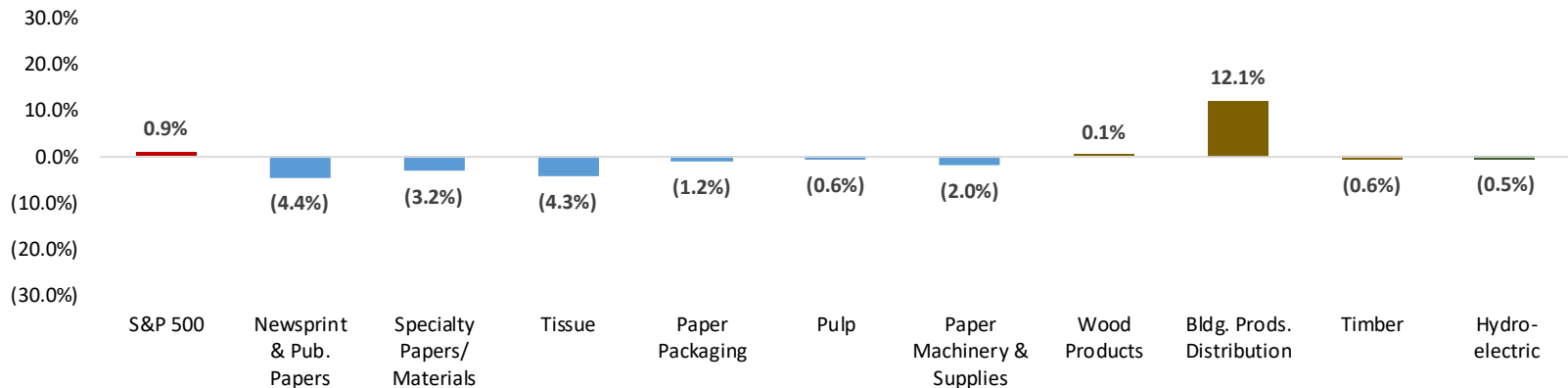
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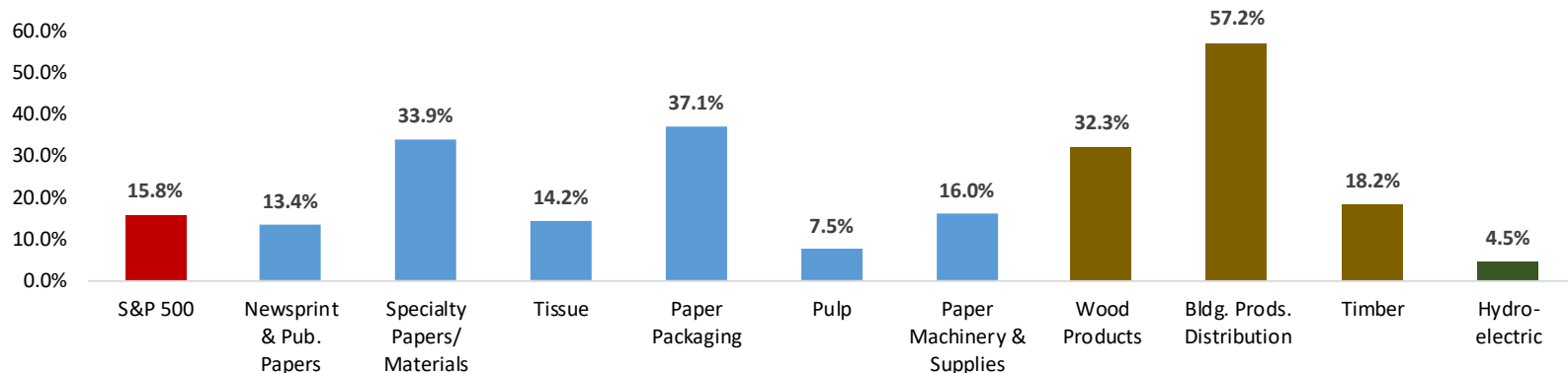
Recent Stock Performance

Paper company stock performance has been mixed recently while generally in line with the S&P for the past year. Wood/forest products stocks outperformed in the past year, led by building products distributors

One Month Stock Performance by Subsector



One Year Stock Performance by Subsector

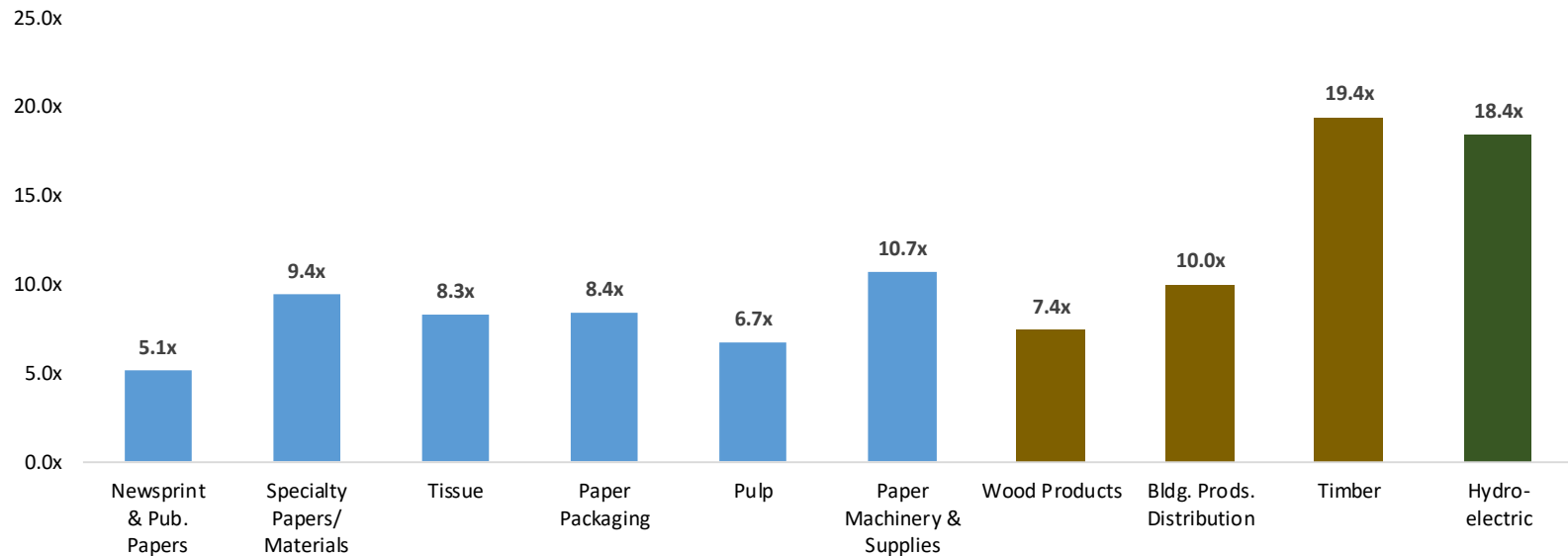


Source: Yahoo Finance, CapIQ, Rivermill analysis

Public Company Valuation Levels

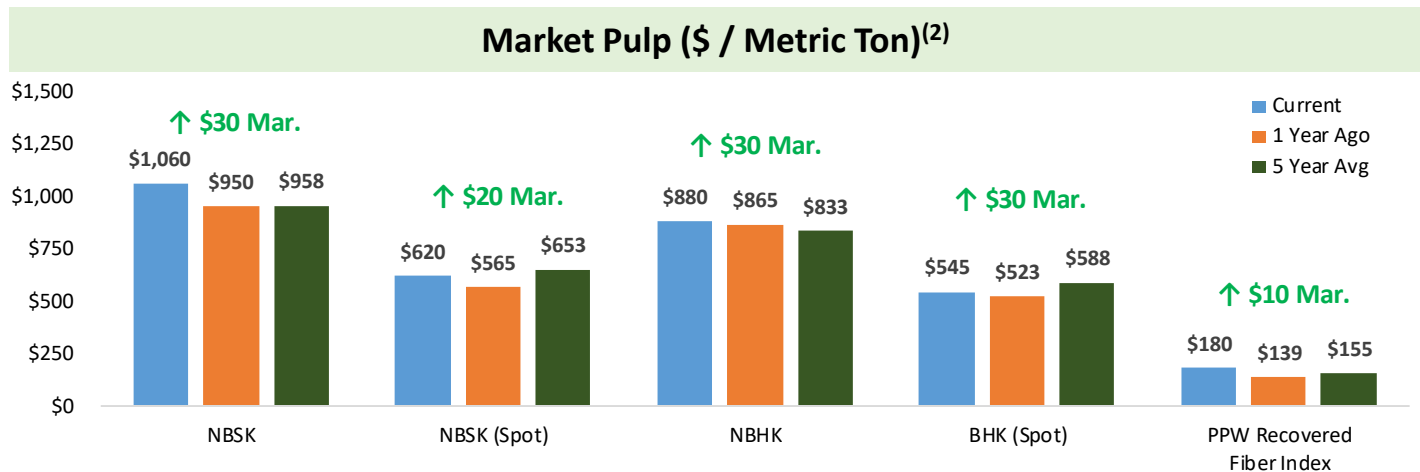
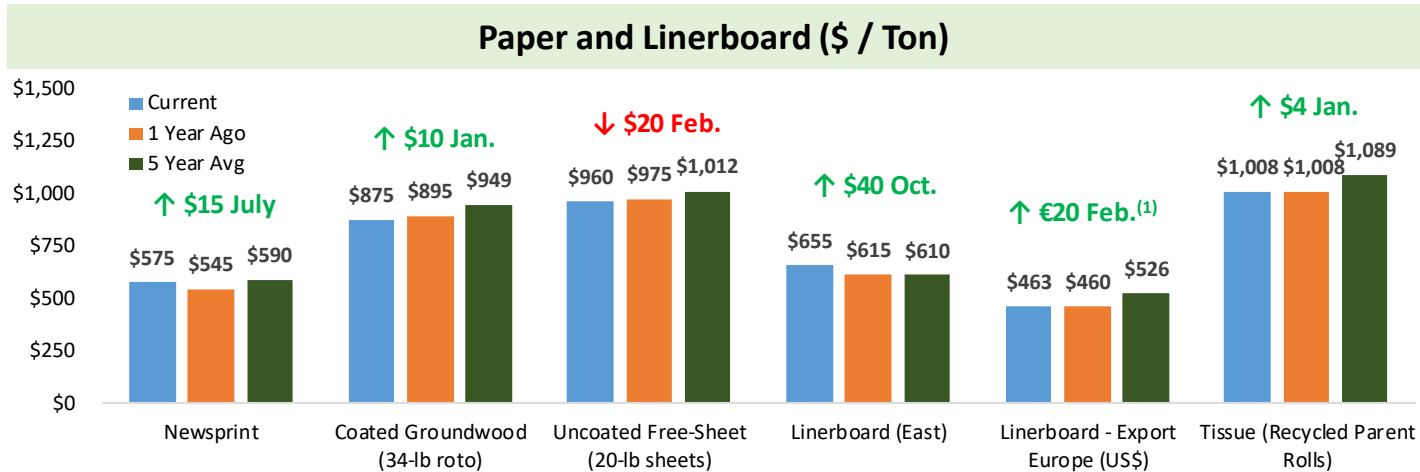
Most paper and wood products sectors trade in the 8 – 10x EBITDA range. Newsprint/publication papers and pulp companies trade lower while investors value timber and hydro shares at premium levels

Enterprise Value / 2016 EBITDA by Subsector



Product Pricing – Paper, Linerboard and Market Pulp

Paper prices are mixed, but largely trending positively. Pulp prices are rising sharply after softening in the second half of 2016



Note: Arrows represent most recent monthly price change

(1) Reflects most recent pricing change in Euros. Pricing is shown in US\$ and fluctuates monthly based on exchange rates.

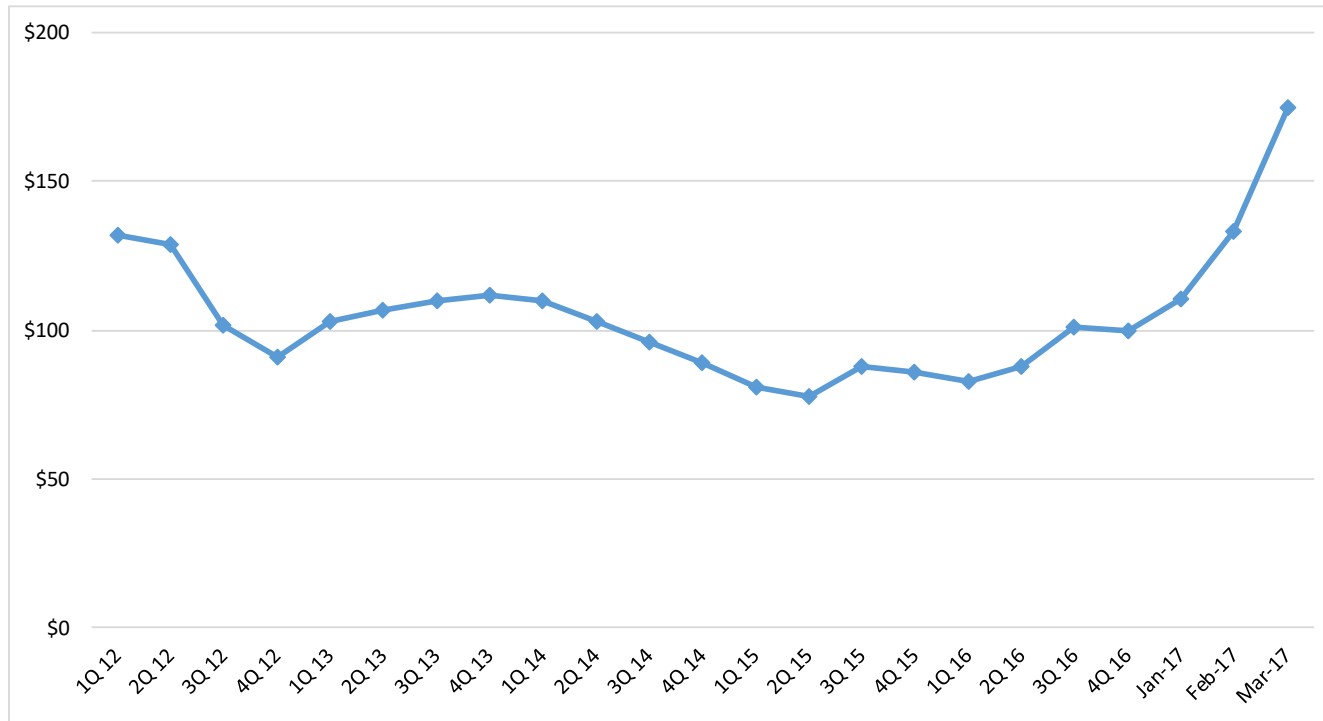
(2) Recovered Fiber Index is per short ton

Source: RISI

Product Pricing – OCC

Old corrugated container (OCC) pricing has increased sharply in the first three months of 2017. The surge is a key driver for recently announced price increases for containerboard and bag papers

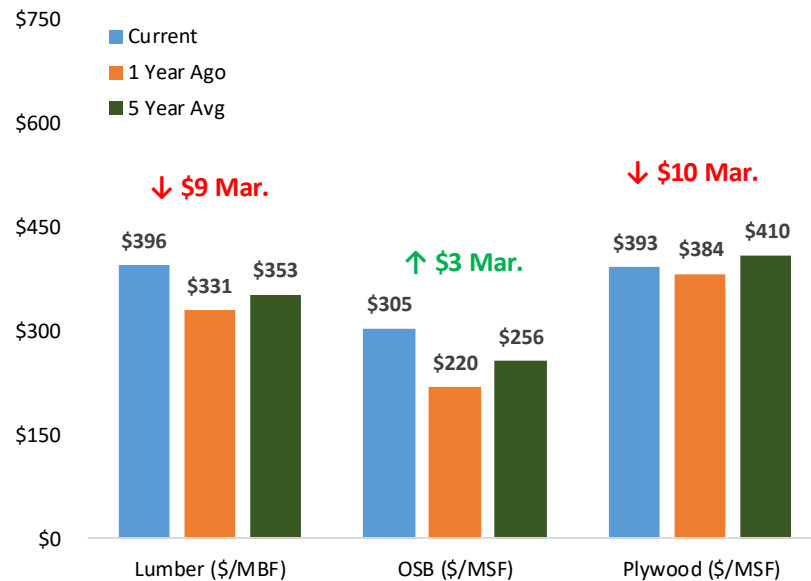
OCC – Northeast Average (\$ / Ton)



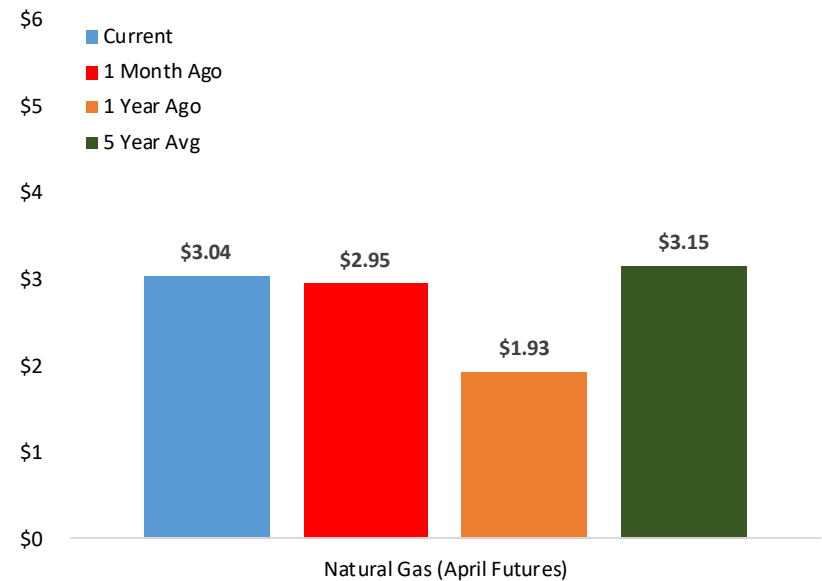
Product Pricing – Wood Products and Natural Gas

Wood products prices slowed their momentum after strong gains in February. Natural gas pricing has been around its five year average recently and substantially above its very low level of one year ago

Wood Products (Units as Noted)



Natural Gas – Henry Hub Futures⁽¹⁾ (\$/MMBTU)

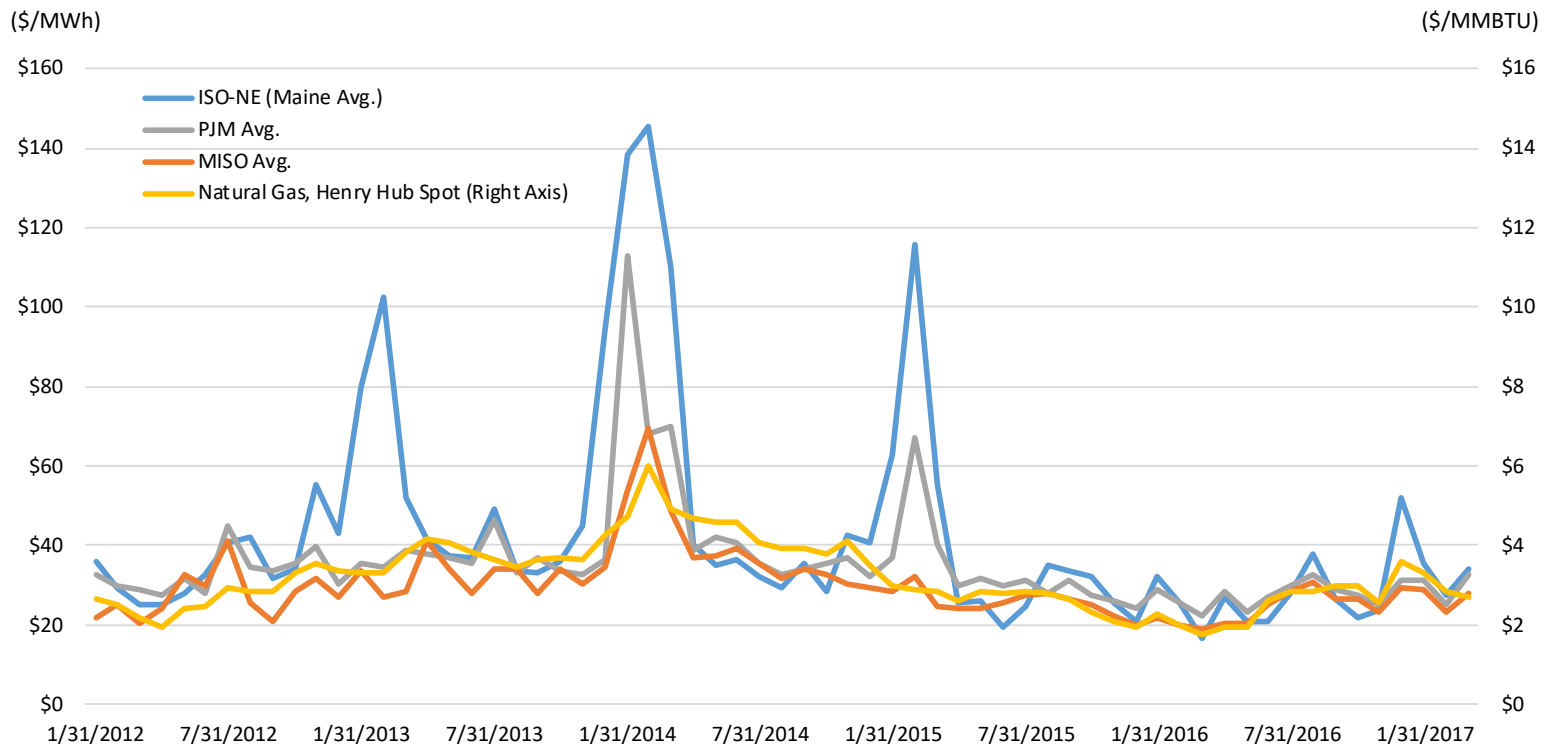


Note: Arrows on wood products chart represent recent price change measured from middle of prior month to the middle of current month
 (1) Current and 1 month ago reflect April 2017 futures price. 1 year ago and 5 year average based on the April one month future as of March
 Source: Random Lengths, EIA, CME Group

Product Pricing – Electricity and Natural Gas

Regional electricity prices have trended upward in March, despite downward spot natural gas pricing

Regional Wholesale Electricity Prices and Natural Gas Spot Prices



Note: Monthly averages; March is month to date
Source: ISO-NE, PJM, MISO, EIA

Recent Industry Transactions – Headlines



ATLAS | HOLDINGS

Millar Western Recapitalization

- On March 8, Millar Western announced a proposed balance sheet reorganization under the Canada Business Corporations Act
- Millar Western is an Alberta-based producer of bleached chemi-thermo-mechanical pulp (BCTMP) with 320,000 metric tons of annual capacity at one mill and softwood lumber, with 450 mmbf of annual capacity at two mills (the larger co-located with the pulp mill)
- The proposed transaction calls for an exchange of Millar Western's existing US\$210 million of 8.5% Senior (Unsecured) Notes (the "Notes") for between US\$109 and US\$116 million of new 9.0% Senior Secured Notes (the "New Notes")
- Atlas Holdings, which owns approximately 36% of the Notes, would exchange its US\$41.7 of New Notes for 80% of the Company's equity (subject to certain further payments to existing shareholders in the case of a favorable future sale of the Company)
- Pro forma net debt / 2016 EBITDA will be 2.4x
- Assuming par value for the New Notes, the transaction values Millar Western at 4.4x 2016 EBITDA and 3.5x 5-year avg EBITDA. The current trading value of the Notes implies slightly higher transaction values of 4.9x 2016 EBITDA and 3.9x 5-year avg EBITDA



Cube Hydro Acquisition of Alcoa Yadkin River, NC Hydroelectric Facilities

- In February, Cube Hydro completed its previously announced acquisition of Alcoa's four hydroelectric facilities on the Yadkin River in NC with total capacity of 216 MW
- The purchase price was approximately \$246 million, valuing the assets at \$311 per normalized MWh of generation and approximately 13.1 - 16.5x EBITDA (using normalized generation, 2016 revenue / MWh and a range of estimated operating costs)

Recent Industry Transactions – Paper Packaging

Paper packaging, primarily converting, has generated significant transaction volume in 2017, following a very active 2016

Mill Transactions

- On March 10, Resolute Forest Products announced the indefinite idling of its 197,000 metric ton recycled newsprint mill in Thorold, ON. Resolute announced it is collaborating with Stone House Investments Holdings, a third party interested in converting Thorold to an alternative product, anticipated to be in the packaging sector
- On March 2, Nippon Paper announced an agreement for the sale of its Port Angeles, WA mill (“NPI”) to McKinley Paper, the US subsidiary of Mexican paper and paper packaging producer Bio Pappel
 - McKinley is expected to undertake a full conversion of the former groundwood papers mill to production of recycled containerboard and kraft papers, with estimated production in excess of 200,000 tons on two machines
 - NPI had already begun converting one machine to production of unbleached kraft papers and toweling, although the mill has been idled since this past January

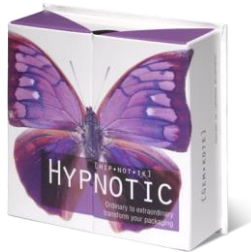
Converting and Other

- On March 16, the paper-packaging oriented holding company Liberty Diversified International announced its acquisition of Miller Container, an Illinois based corrugated converter with a full service box plant and an additional sheet plant
- According to RISI, on March 13 WestRock acquired Star Pizza Box, the largest US manufacturer and distributor of pizza boxes with five production facilities. RISI quoted a source estimating Star Pizza’s revenue as “a couple of hundred million”
- Also on March 13, Buckeye Corrugated (BCI) announced the acquisition of Syracuse NY based sheet plant Bell-Pak. Bell-Pak adds to BCI’s nine sheet plants and fourteen total facilities and represents BCI’s second acquisition since the beginning of 2016

Recent Industry Transactions – Paper Packaging (Cont'd.)

Paper packaging, primarily converting, has generated significant transaction volume in 2017, following a very active 2016

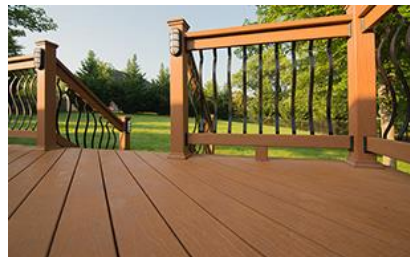
- On February 3, SupplyOne, a corrugated box converter and industrial packaging distributor, announced the acquisition of industrial packaging distributor Industrial Packaging Corp. of Atlanta
- Also on February 3, Schwarz Partners recycling arm, Integrity Fiber, acquired the assets of River Valley Paper, which specializes in the collection and marketing higher end recovered paper/paper packaging grades with waste paper plants in OH, NY, MI and FL
- On February 1, KapStone announced its completed purchase of Associated Packaging, Inc. and Fast Pak, LLC (together, API). API is a South Carolina based provider of corrugated packaging and digital production needs with an emphasis on fulfillment and kitting for the automotive and consumer products industries
- On January 24, WestRock announced the \$2.28 billion cash acquisition of Multi Packaging Solutions (MPS)
 - MPS is a leading producer of premium folding cartons, pharmaceutical inserts and labels
 - The purchase price represents a 10.1x multiple of subsequently announced calendar 2016 Adjusted EBITDA. WestRock announced anticipated \$85 million of synergies and performance improvements, which would reduce the multiple to 7.3x
- Also on January 24, Merrill Industries, a CT converter of corrugated cartons and foam and wood based packaging products, announced a recapitalization by an existing shareholder and Ironwood Capital



Recent Industry Transactions – Building Products

Several businesses in wood and related products have seen transaction activity in March

- On March 20, US Lumber, a two step distributor of specialty wood products, announced a growth equity investment from private equity investor Madison Dearborn Partners, which brings extensive experience in the forest products industries. US Lumber operates nine distribution centers, primarily in the Southeastern US, and has revenues in excess of \$500 million
- On March 17, Oldcastle Architectural announced the acquisition of Advanced Environmental Recycling Technologies (AERT) for total consideration of \$117 million. AERT converts reclaimed plastic and wood fiber waste into decking and fence systems as well as components for doors and windows
 - The purchase price represents an 8.2x multiple of 2016 EBITDA
 - Oldcastle is a leading North American supplier of masonry and hardscape products and a subsidiary of CRH plc., a global diversified building materials group
 - HIG Capital is the primary investor in AERT, which also trades publicly
- On March 6, building products manufacturer and distributor Universal Forest Products announced the acquisition of Quality Hardwood Sales, an Indiana manufacturer and supplier of hardwood products, including home and recreational vehicle cabinetry components. The acquired company had estimated sales of \$30 million
 - UFPI also announced the completion of the mid-2016 announced acquisition of five US south wood treating plants with \$86 million of 2016 sales from Robbins Manufacturing Co.



Recently Announced Paper Mill Capital Projects

Tissue and packaging projects continue to attract capital investment

- On February 8, Clearwater Paper announced its plans to invest \$340 million to construct a second tissue machine, new converting lines and enhanced warehousing at its Shelby, NC mill
 - The 70,000 ton Valmet NTT machine will produce premium and ultra-premium private label consumer tissue
 - Project costs include \$283 million for the tissue machine, converting lines and buildings. An additional \$57 million will fund the purchase and expansion of an existing warehouse to consolidate all Southeastern warehousing
 - Clearwater expects to start up the tissue machine in the first quarter of 2019, after commencing the new converting operations in the second half of 2018
 - When sold out, the project will generate an estimated \$55 – \$65 million of EBITDA, yielding an 11% IRR
 - The Shelby mill commenced operations in late 2012
- On February 7, Sappi announced a \$165 million machine rebuild at its Somerset Mill in Maine
 - The project will increase the capacity of the mill by approximately 200,000 short tons and enable the coated publication papers machine to manufacture a range of packaging grades, expected to include bleached paperboard, coated one-side labels and other specialty coated papers/packaging
 - Sappi anticipates completing the project by the third quarter of 2018





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