

Industry Update

Macro Updates

- **Sentiment:** Consumers have maintained a negative perception on the U.S. economy throughout 2025 despite positive headlines of key barometers (i.e., stock market and GDP results).
- **Consumer Spending:** Despite a muddled environment, retail sales have remained stable, even reaching an all-time high in June. However, spending habits are shifting further towards necessities and services while limiting discretionary, big-ticket spending.
- **Industrial Activity:** Businesses are still in a “wait and see” approach, evident by muted industrial activity. New projects and tech-centered segments have buoyed results while several core sectors, including paper and plastics, remain challenged.
- **Tariffs:** The current administration continues to pursue changes to trade policy with new Section 232 tariffs on the horizon. Pulp products are currently exempt but appear to still be in consideration.

Consumer Spending Habits

Trends In Spending Changes

Consumers are spending but cutting back on nonessentials and buying fewer items, a clear sign of continued caution in discretionary categories

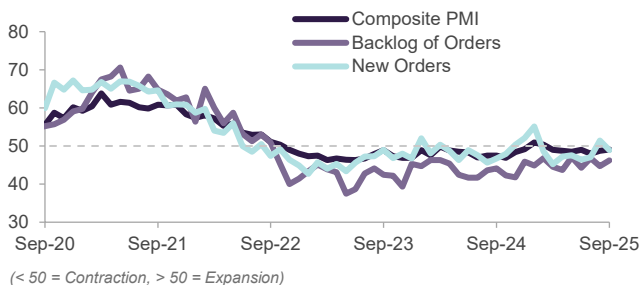


McKinsey August 2025: Consumer Spending-habit changes (Sample Size = 2,333)

Industrial Activity

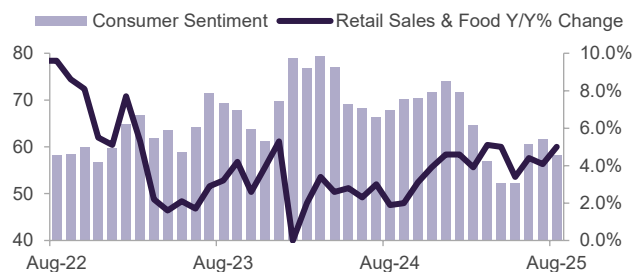
ISM Manufacturing PMI

The ISM Manufacturing index has contracted for seven months in a row. The Backlog of Orders and New Orders have flashed positive momentum in 2025, but remain in negative territory



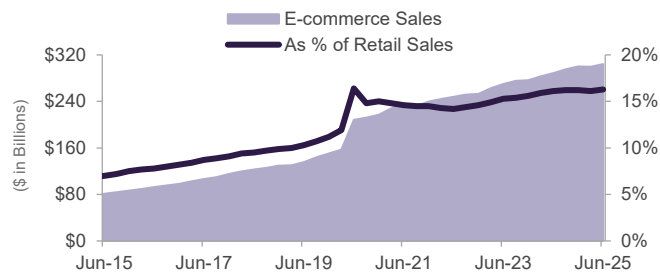
Consumer Sentiment vs. Retail Sales

Rising household debt and weak labor demand dragging consumer confidence. Spending holding up, albeit increasingly focused on essentials



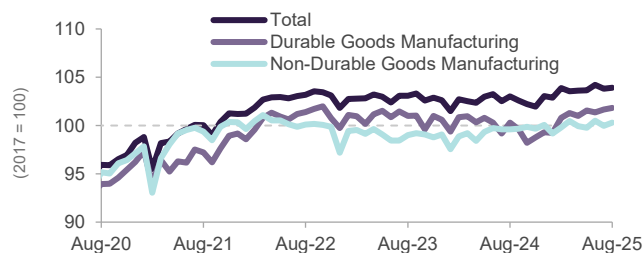
E-commerce Sales

The COVID-19 pandemic accelerated a consumer trend towards online purchasing; e-commerce is now nearly 20% of all retail sales, growing at a 14% CAGR



Industrial Production Index

Industrial activity has been buoyed by sectors with a reshoring focus (i.e., tech-related products and metals) while consumer-centric sectors (i.e., auto, furniture, paper) show weakness



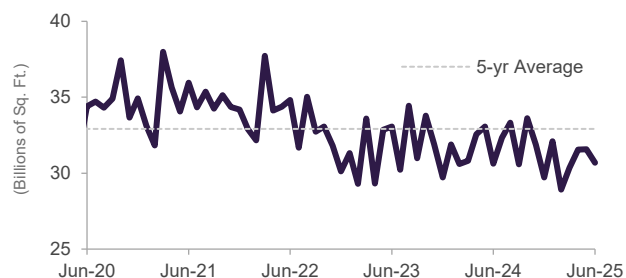
Containerboard Market Updates

- **Capacity:** U.S. net containerboard capacity has declined by 3.7MM tons YTD through August, already the largest annual decline ever. With U.S. mill capacity rather consolidated amongst the large strategics, recent announcements have fueled an industry theme to improve asset utilization and build pricing power. Utilization percentages should rise despite softer near-term demand with opportunities for growth once the economic outlook turns favorable.
- **Volume:** Demand is slightly below 2024 levels, with ample room to reach 2020-2022 highs. Producers maintain a favorable view on underlying long-term demand, emboldening the accelerated growth in increased domestic capacity.
- **Pricing:** Containerboard prices have remained relatively flat over the past year, with price increases expected in 2026 as mill closures tighten supply.
- **Consumer Preferences:** Paper and cardboard recycling rates continue to rise. Market share gains are present compared to other packaging products as consumers further seek reusable materials.

Demand Indicators

Containerboard Shipments

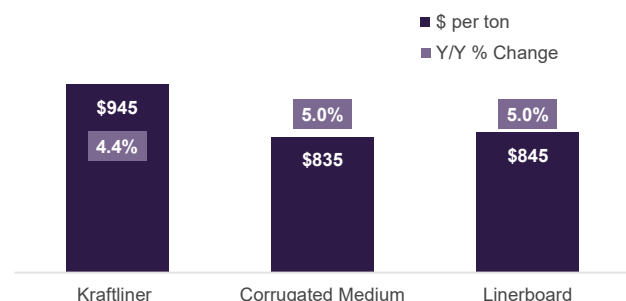
YTD corrugated shipments are down ~2% compared to 2024 as macro uncertainty hinders consumer spending on discretionary goods



Pricing

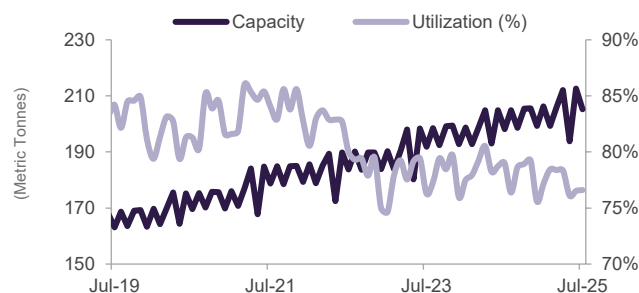
September Containerboard Pricing

US containerboard prices have stayed relatively flat throughout the last year. Upward price movement is expected for 2026 driven by an industry shift in strategic focus



Capacity vs Utilization

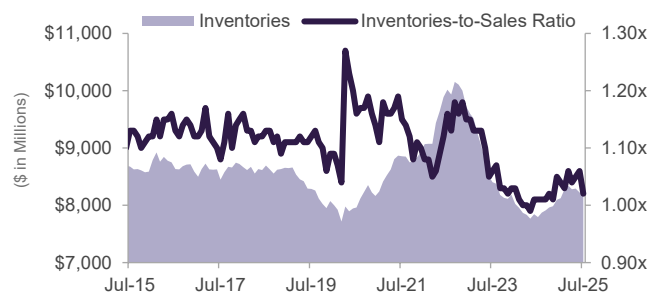
Global capacity and mill utilization have trended in inverted directions as demand remains weak relative to post-COVID capacity growth



Capacity: Global level supply of paper, pulp, and related materials
Utilization (%): Global production capacity being utilized for manufacturing

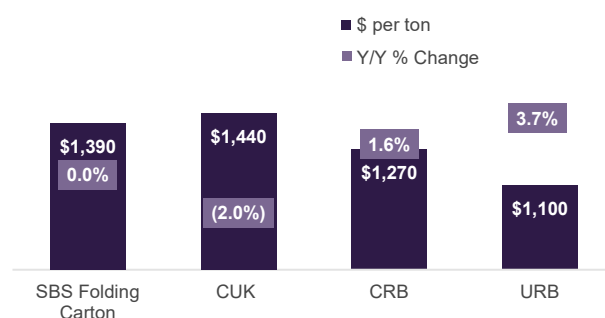
Wholesale Inventories: Paper Products

Paper product inventories are up ~5% Y/Y, yet notably below historical levels; distributors have leaned towards a reactive approach rather than overstocking



September Boxboard Pricing

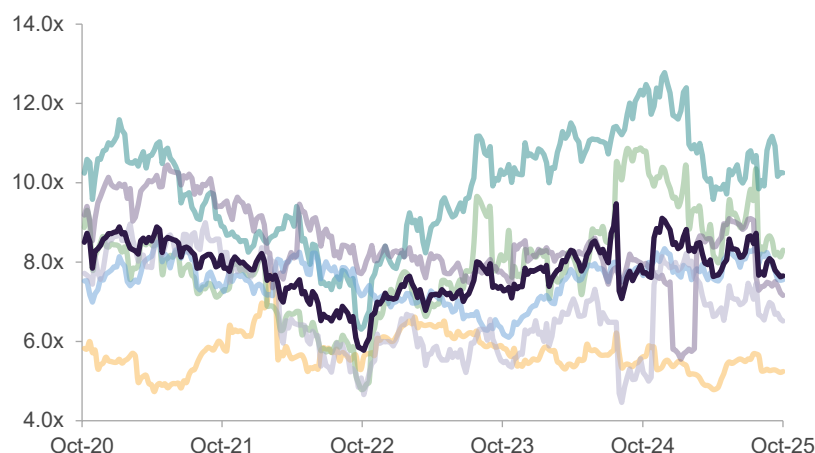
Recycled boxboard (CRB and URB) have increased Y/Y unlike solid sulfate board and CUK, indicating continued demand for recycled material



Public Company Valuations

The average EV/EBITDA ratios of the top Paper & Paper Products companies were at 7.65x as of early October 2025. Valuations are notably lower than one-year averages but remain in line with historical results.

Paper & Paper Products Industry – Historical EV / Forward EBITDA



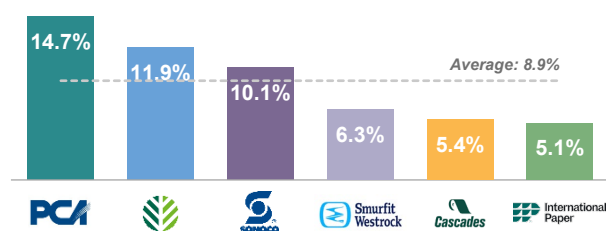
	1-Yr	3-Yr	5-Yr
Packaging Corporation of America	10.9x	9.8x	9.9x
International Paper Company	9.2x	8.0x	8.0x
Graphic Packaging	7.9x	7.5x	7.5x
Sonoco Products	7.7x	8.1x	8.5x
Smurfit Westrock	7.1x	6.4x	6.8x
Cascades	5.3x	5.8x	5.7x
Average	8.2x	7.6x	7.8x

Key Metrics Benchmarking

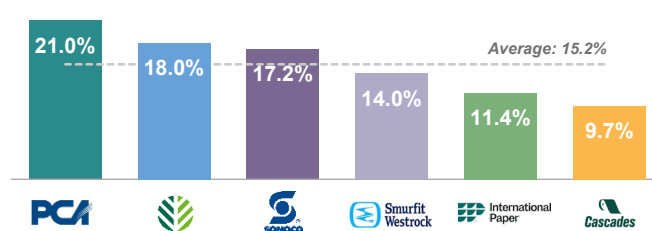
Public Paper Companies – Last Twelve Months Performance

Margins have slightly declined from 2022-2023 highs, driving an industry-wide focus towards improving profitability and operational efficiencies, especially as macroeconomic headwinds persist.

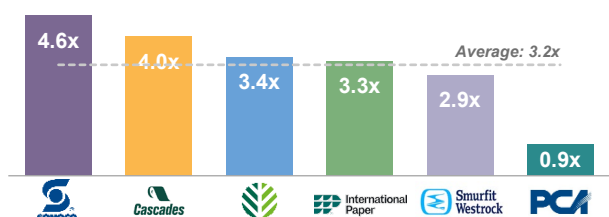
Operating Margin (%)



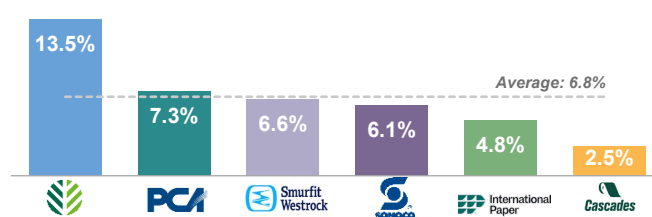
EBITDA Margin (%)



Net Debt / EBITDA



Net CapEx % of Sales⁽¹⁾



⁽¹⁾ Total Capital Expenditures minus Asset Sales

Data updated as of 10/10/2025; Public Companies' results updated as of 6/30/2025 results except for EV (Enterprise Value)

Sources: U.S. Census Bureau, U.S. Bureau of Labor Statistics, Bureau of Economic Analysis, Federal Reserve Bank of St. Louis, Federal Reserve Board, Bloomberg, Capital IQ, Fibre Box Association, American Forest and Paper Association, Pulp and Paper Products Council, Fast Markets, McKinsey, Institute of Supply Chain Management