



Forestry & Paper

Industry Insights

Key message: The strikes in Finland have concluded. Pulp prices are continuing to climb, presenting a mixed picture for graphic paper grades, while containerboard prices are steadily increasing. Sack kraft prices have risen in the beginning of Q2, with expectations of further hikes in the industry.

- **Finnish mills can now resume production, following the end of the strike on 8 April (initially launched on 11 March):** The mills can be restarted when raw material is again available and shipments from the ports to customers begin.
- **Pulp prices continued to increase further by 1-2% this week:** European pulp supply has been made even more tight (first the strikes) following an explosion in the evaporation unit at *Metsä Fibre's* 1.3Mt/yr pulp mill in Kemi, Finland, which has taken the plant offline for an estimated 10-12 weeks while repairs are carried out.
- **The VSF price was flat to lower with less market confidence this week, while the ICE cotton contract slumped 6%:** The trading mood was generally moderate as spinners replenished a few stocks to meet the minimal requirements, so there was less fresh business. The *VSF op. rate* was stable at 82%, while *VSF inventory days* ticked up to 13.5 days (from 13.0 last week). The theoretical VSF margin for Chinese producers weakened to -\$58/t (from -\$46/t).
- **The dissolving pulp market continued to stagnate without smooth sales this week (BEK producers announced another \$80/t increase for April):** In the Chinese market, Sun Paper maintained normal production, and Hunan Juntai was temporarily producing paper pulp. The spot *imported hardwood DP* is now \$942/t, and the *DP/pulp spread* is \$257/t. The domestic DP price too edged up slightly to ¥7,660/t (\$1,057/t, a \$117/t premium to imports).
- **Paper packaging grades see more positive momentum:** Kraftliner edged up 1% (-1% y-t-d), while testliner too increased by 1% (+6% y-t-d). Meanwhile, wastepaper (OCC) jumped 5%, now up 10% y-t-d. In other news, the European Commission has approved the merger between *Smurfit Kappa Group and WestRock* as it would not raise competition concerns, given the companies' limited combined market position resulting from the proposed transaction. *DS Smith* has announced an agreement with Jonsac to source sustainable paper bags for e-commerce customers in Europe. *American Forest & Paper Association February 2024 statistics* revealed that y-t-d US kraft linerboard export shipments totalled 699Kt through and were up by 53% y-o-y.
- **Sack kraft paper prices up moving into Q2:** In Europe, prices for unbleached paper rose by €50/tonne and bleached paper rose by €50-80/t. According to RISI, converters and producers alike believe this is the first of multiple increases this year.
- **Mixed moves for graphic paper prices in Europe:** Coated mechanical paper softened by 1% (-5% y-t-d), while uncoated woodfree paper ticked 0.5% (+2% y-t-d) and coated woodfree paper increased by 1% (-1% y-t-d). Meanwhile, *Lecta* is set to increase coated woodfree prices by €50/t for deliveries from May 6, 2024. This is on the back of sustained inflation in paper manufacturing costs.

Date: 12 April 2024

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Forestry & Paper Key w-o-w price changes

Details	w-o-w	YTD	y-o-y*
Pulp (\$/t)			
NBSK Europe	0%	13%	3%
BHKP Europe	1%	26%	3%
NBSK Europe (€)	0%	14%	5%
BHKP Europe (€)	1%	27%	4%
US NBSK (gross)	0%	7%	-15%
China hardwood DP	0%	4%	2%
DP/pulp spread	-1%	3%	-13%
China BHKP net	0%	5%	9%
China NBSK net	2%	5%	-3%
Paper (€/t)			
LWC	-1%	-5%	-18%
Ctd WF	1%	-1%	-14%
A4 B-copy	0%	2%	-14%
Newsprint	0%	-4%	-28%
Packaging (€/t)			
Kraftliner	1%	-1%	-10%
White-top Kraftliner	1%	-1%	-6%
Testliner 2	1%	6%	-6%
Testliner 3	1%	9%	-3%
RB-Fluting	1%	6%	-7%
OCC	5%	10%	33%
ONP/OMG	2%	20%	4%
Spreads (€/t)			
A4 B-copy/BHKP (30% discount to list price)	-2%	-35%	-42%
CWF/BHKP (30% discount to list price)	-3%	-45%	-47%
Kraftliner/testliner 2	2%	-19%	-21%
White-top Kraftliner/kraftliner	3%	-3%	14%
Testliner 2/OCC	0%	5%	-13%

Source: Chronux Research, FOEX, *vs. the PY monthly average

NOREXECO futures price

	Q2 24E vs. spot	Q3 24E vs. spot	CY 25E vs. spot
NBSK Europe (\$)	7%	7%	0%
BHKP Europe (\$)	9%	6%	0%
SW/HW spread	-9%	10%	2%
China NBSK net	2%	2%	4%
China BHKP net	2%	1%	-10%
SW/HW spread	2%	8%	26%

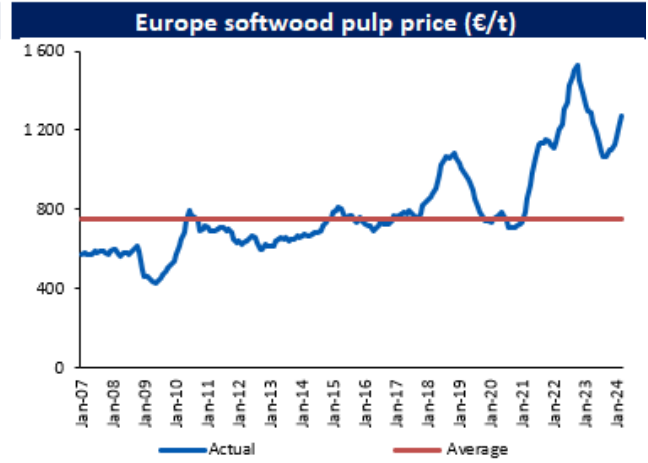
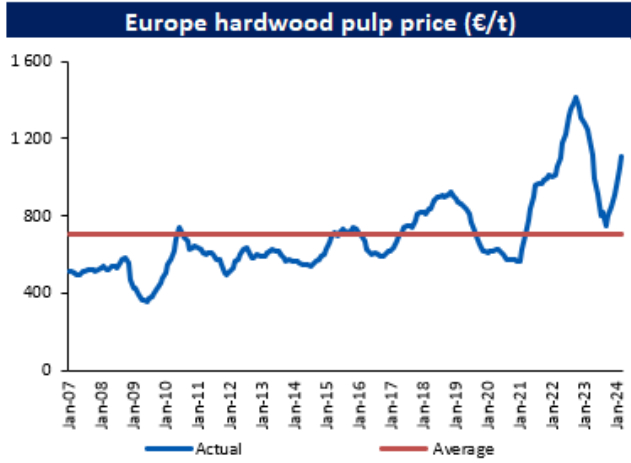
Source: Chronux Research, FOEX

China textiles - Key price and operating changes

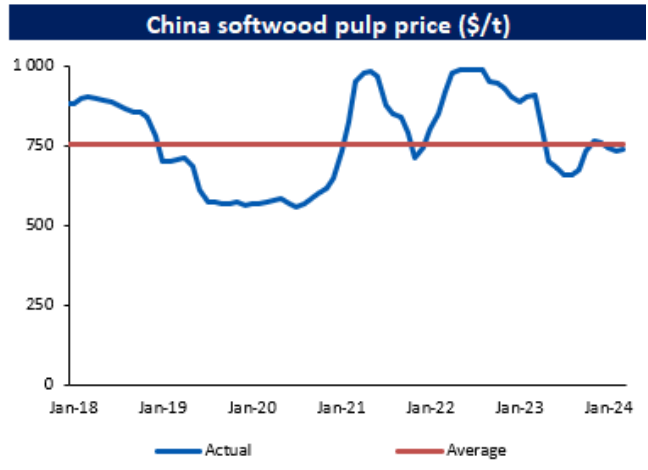
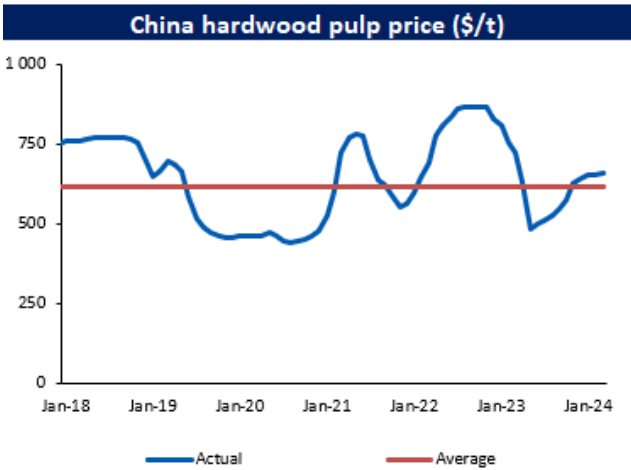
Price details (CNY/t)	w-o-w	y-t-d
ZCE cotton contract	1%	4%
ICE cotton contract	-6%	10%
Polyester: PSF 1.4D *38mm	1%	1%
Cottonseed	-1%	-2%
Cotton linter	1%	5%
High-quality cotton linter	1%	6%
Industry-grade refined cotton	0%	2%
Food-grade refined cotton	0%	2%
Hardwood DWP (\$)	0%	3%
China BHKP net (\$)	0%	1%
DWP/pulp spread (\$)	-1%	11%
Softwood DWP (\$)	0%	5%
China-origin hardwood DWP	1%	2%
China-origin hardwood DWP (\$)	0%	0%
Hardwood DWP spread: origin less import (\$)	4%	-17%
Medium-grade VSF	0%	5%
\$/t	-1%	3%
Medium-grade VSF/HW DWP spread (\$/t)	-1%	4%
High-end VSF	0%	4%
Lyocell fibre	-1%	1%
Competing fibre premiums		
Cotton premium to polyester	(38)	585
Cotton premium/(discount) to VSF	178	(78)
Lyocell premium to VSF	(14)	(348)
VSF premium to polyester	(293)	596
VSF plant operation		
Operating rate (%)	-	(414)
Physical inventory days	4%	0%
VSF theoretical profit (\$/t)	26%	-57%
VSF theoretical profit (yuan/t)	26%	-56%
Lyocell plant operation		
Lyocell op. rate (%)	-	1 250
FX		
\$/RMB	0%	1%

Source: Chronux Research, CCF

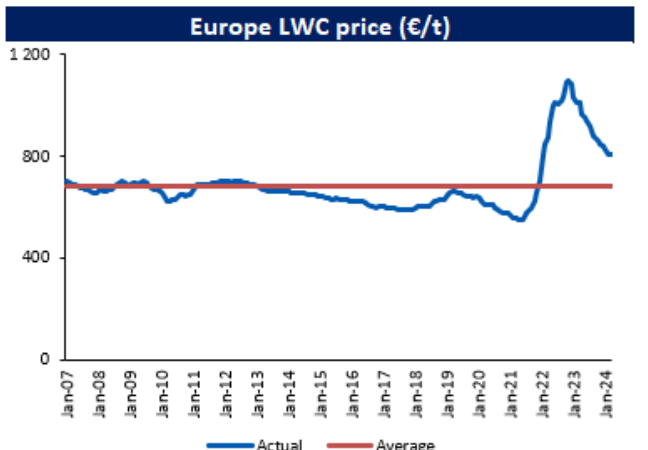
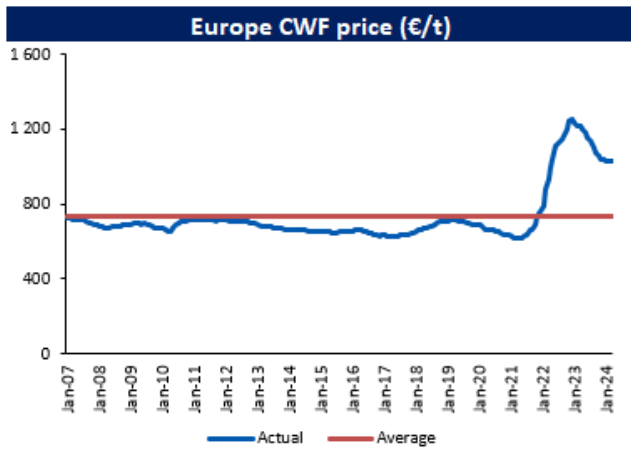
Pulp, Graphic Paper, and Paper Packaging Prices



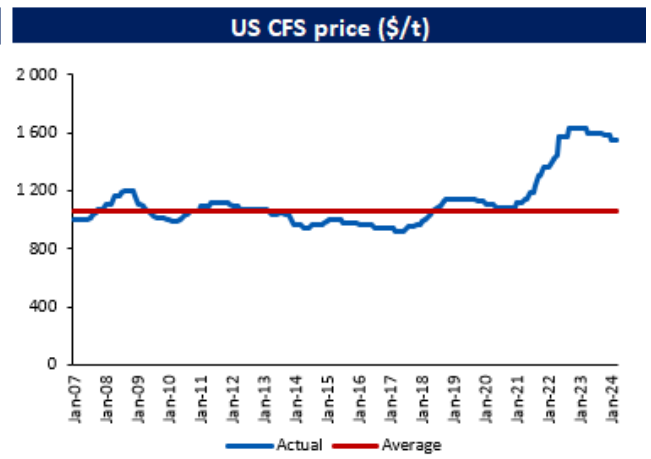
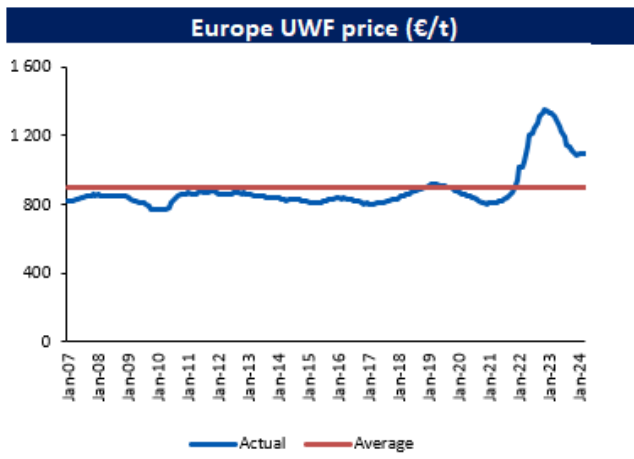
Source: Chronux Research, FOEX, RISI



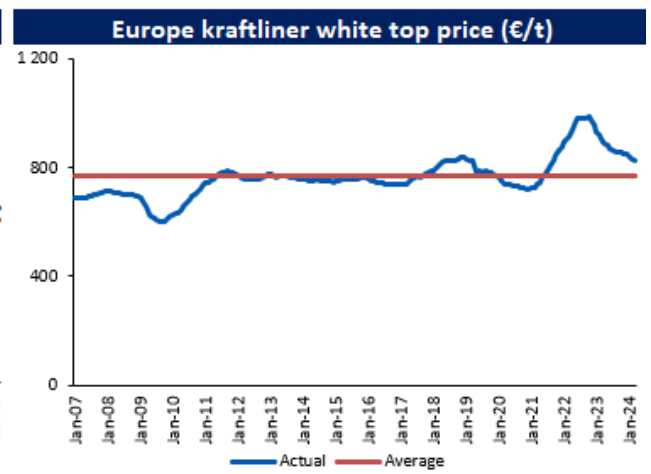
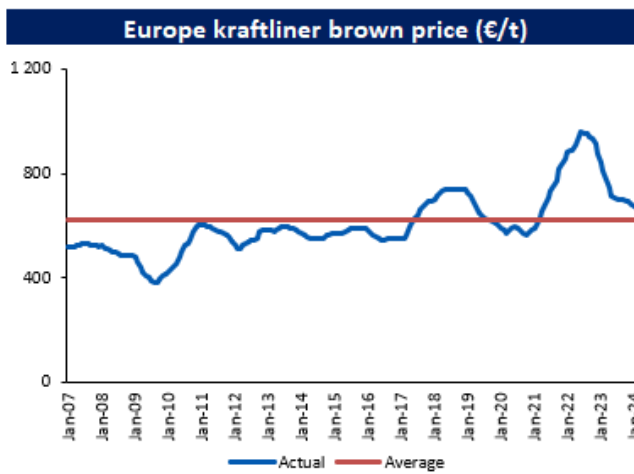
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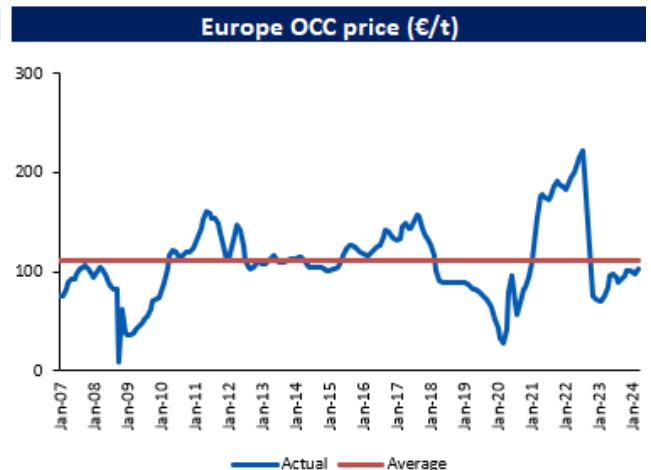
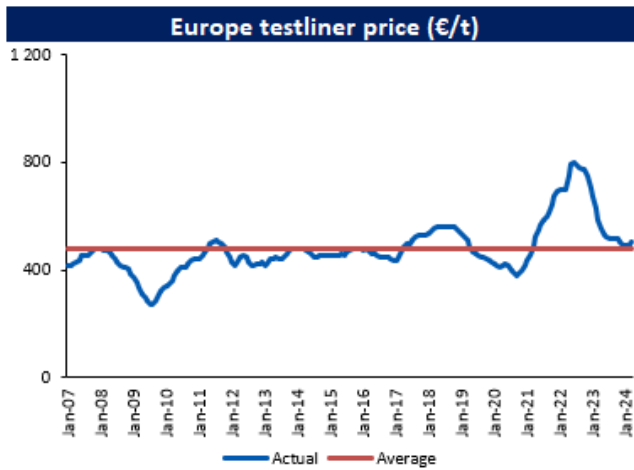
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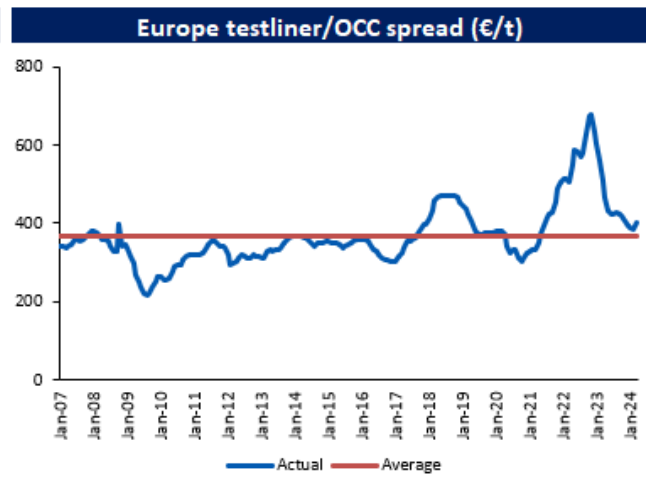
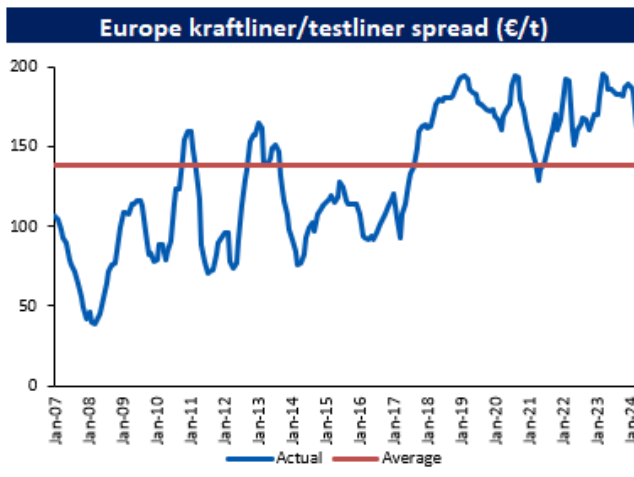
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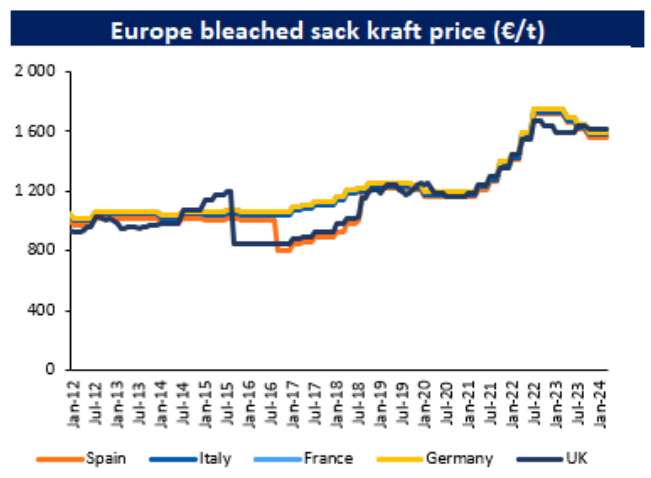
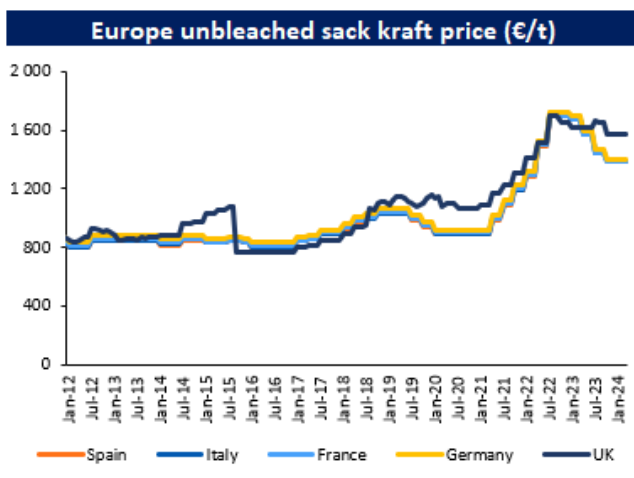
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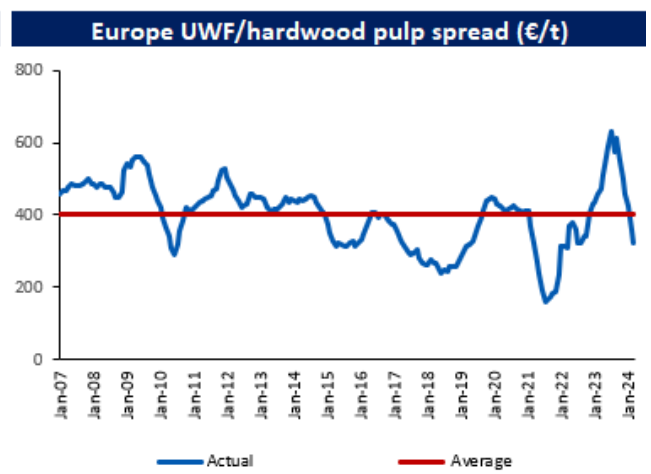
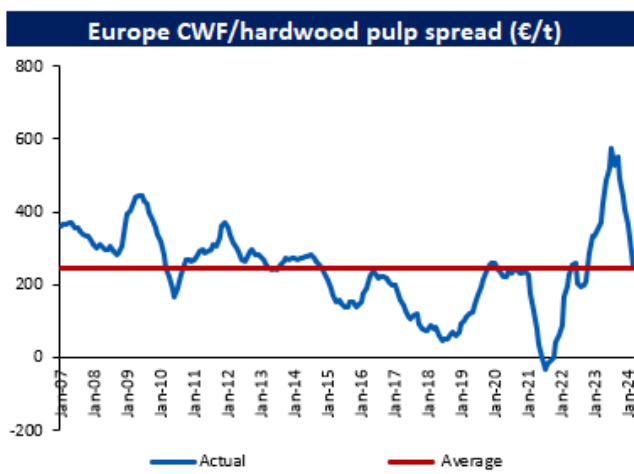
Source: Chronux Research, FOEX, RISI



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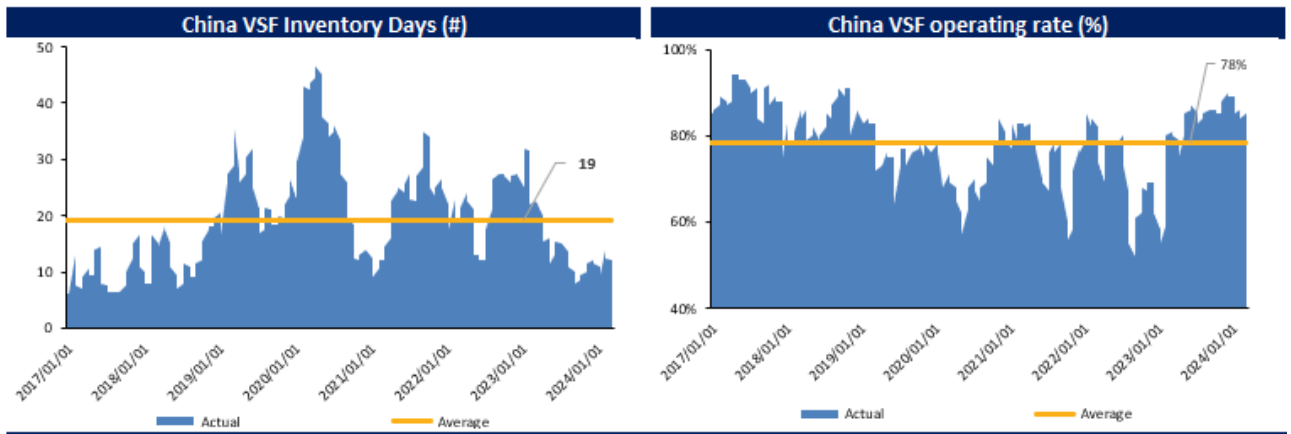
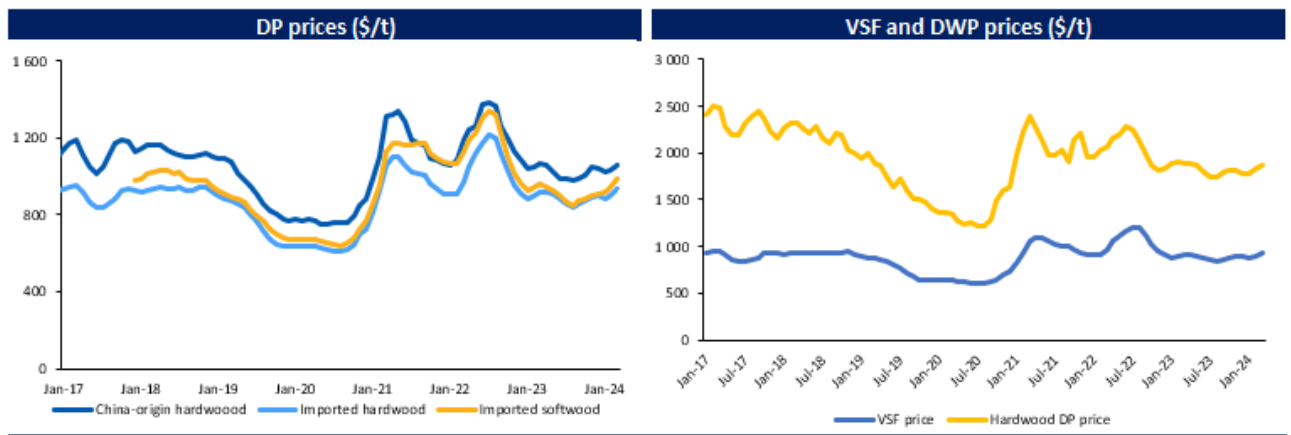
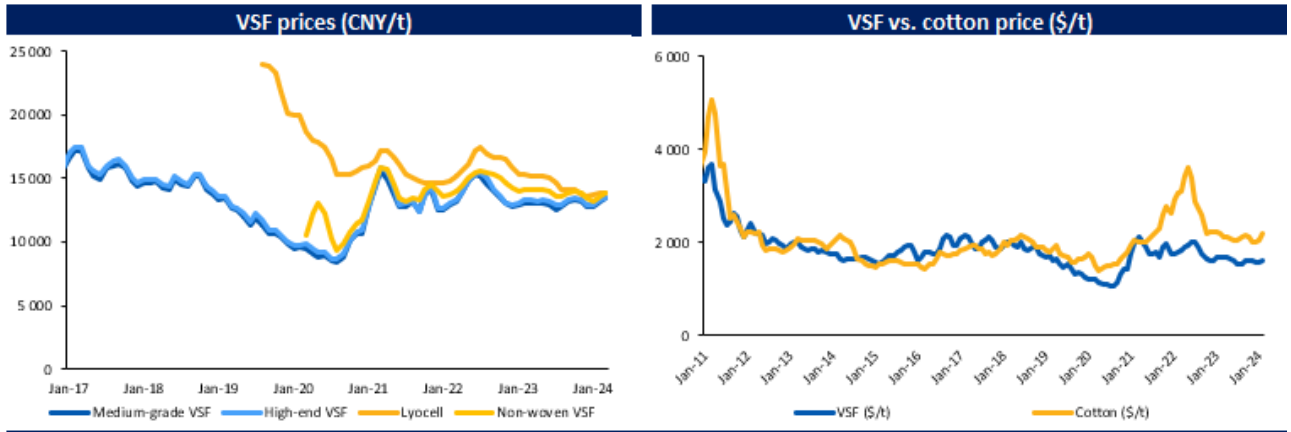


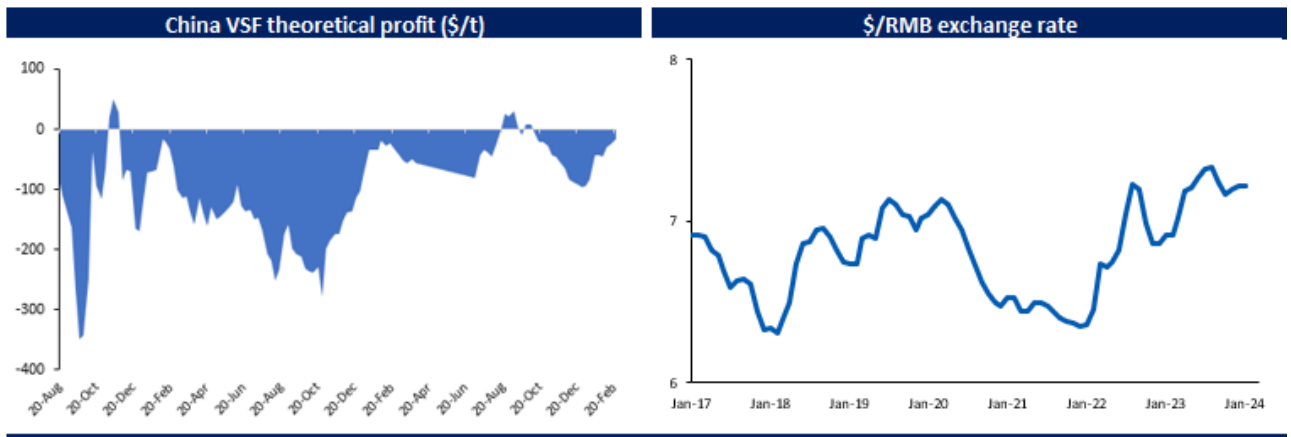
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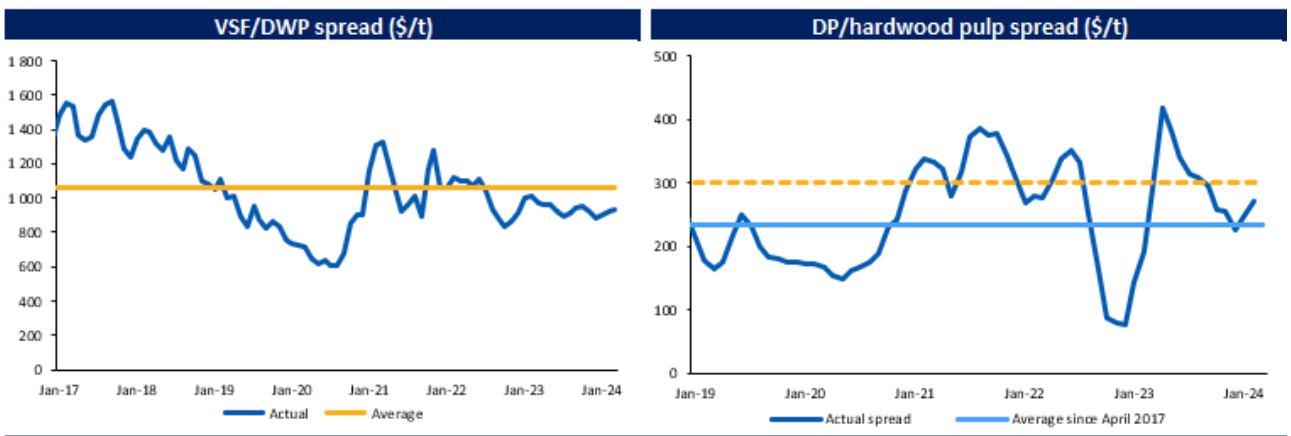
Source: Chronux Research, FOEX

Textile Fibre Prices, Spreads, FX, and Industry Stats





Source: Chronux Research, CCF

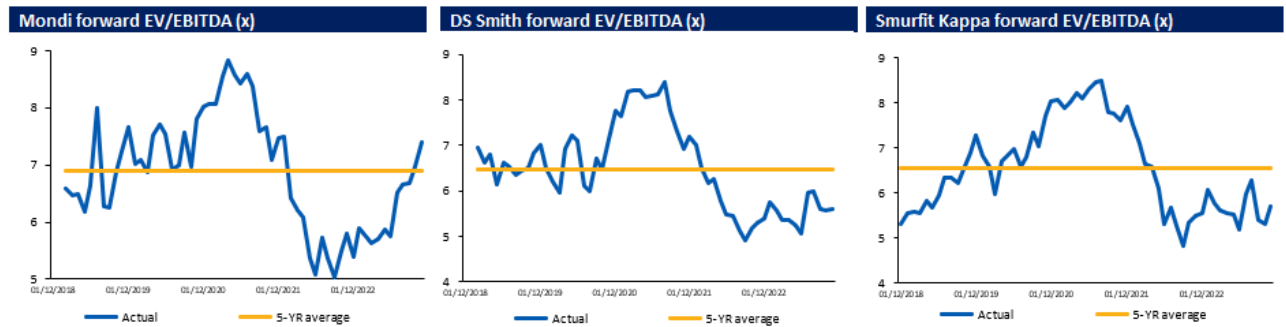


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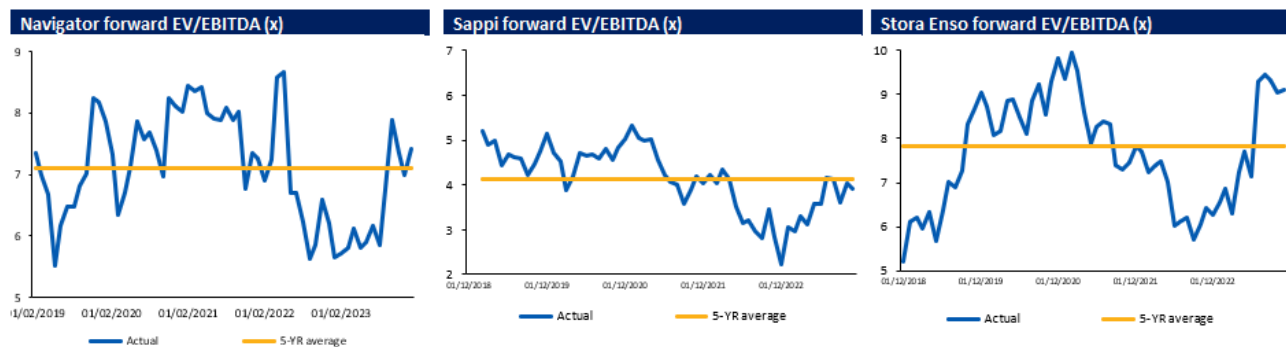
Peer rolled EV/EBITDA (x)

Historical forward EV/EBITDA (x)									
Company	Current	1-YR	3-YR	5-YR	10/MAX-YR	Premium/(discount to 5-yr av.)	Premium/(discount to 10-yr av.)		
Billerud	5,6	5,8	6,9	7,6	8,0	-26%	-30%		
Clearwater Paper	3,6	3,4	4,6	5,2	6,1	-31%	-41%		
CMPC	5,5	5,4	5,2	5,9	7,1	-7%	-22%		
DS Smith	5,6	5,5	6,3	6,5	7,3	-14%	-24%		
Graphic Packaging	6,6	6,3	7,0	7,1	7,3	-7%	-9%		
Grasim	7,7	8,5	10,6	9,4	8,5	-18%	-10%		
Holmen	12,8	12,0	13,7	14,2	11,9	-10%	8%		
IP	7,4	7,2	6,9	7,0	7,0	5%	6%		
Klabin	7,1	6,8	6,8	7,7	8,6	-8%	-18%		
Lenzing	8,9	9,7	9,5	9,6	8,3	-7%	7%		
Mayr-Melnhof	6,5	6,6	7,7	7,2	6,8	-10%	-4%		
Mercer	10,5	8,6	5,6	5,7	5,5	84%	91%		
Mondi	7,0	6,5	6,7	6,9	7,2	2%	-3%		
Navigator	7,4	6,5	7,0	7,1	7,6	5%	-2%		
Nordic Paper	5,6	5,1	4,9	-	-				
Norske Skog	5,1	3,7	4,7						
PCA	10,1	9,6	8,9	8,8	8,3	14%	21%		
Sappi	4,0	3,7	3,8	4,1	5,0	-3%	-19%		
SCA	15,3	14,8	15,4	15,2	13,1	1%	17%		
Smurfit Kappa Group	5,6	5,6	6,5	6,6	6,4	-15%	-13%		
Stora Enso	9,1	8,3	7,7	7,8	7,5	16%	22%		
Sylvamo	5,0	4,0	0,0						
Suzano	6,3	6,2	5,8	6,5		-3%			
UPM	9,1	8,8	9,3	9,1	8,3	0%	9%		
WestRock	5,9	5,5	5,4	5,6	6,1	5%			

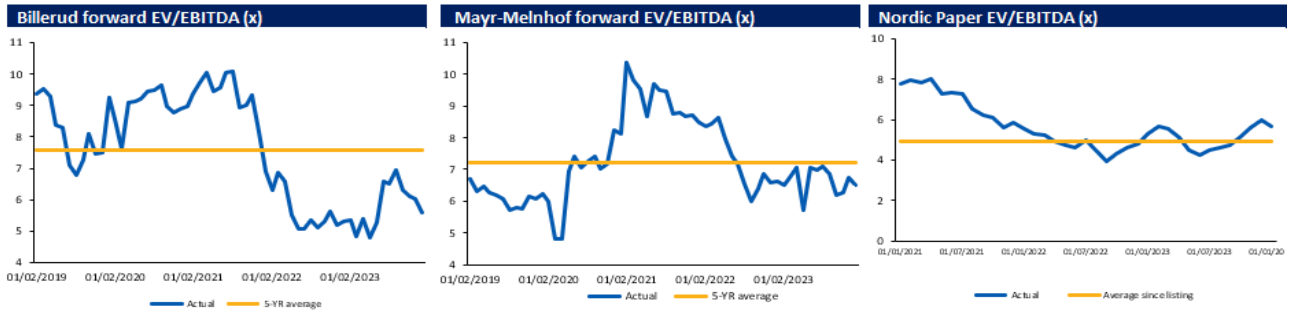
Source: Chronux Research, Bloomberg consensus



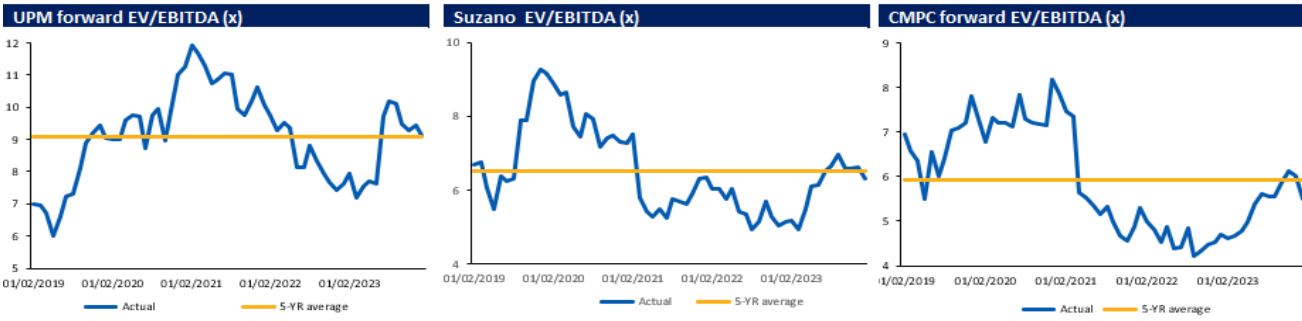
Source: Chronux Research, Bloomberg



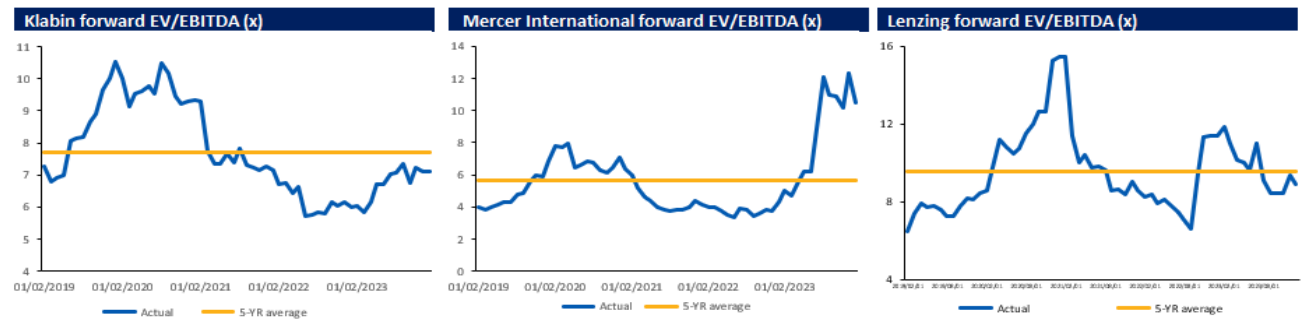
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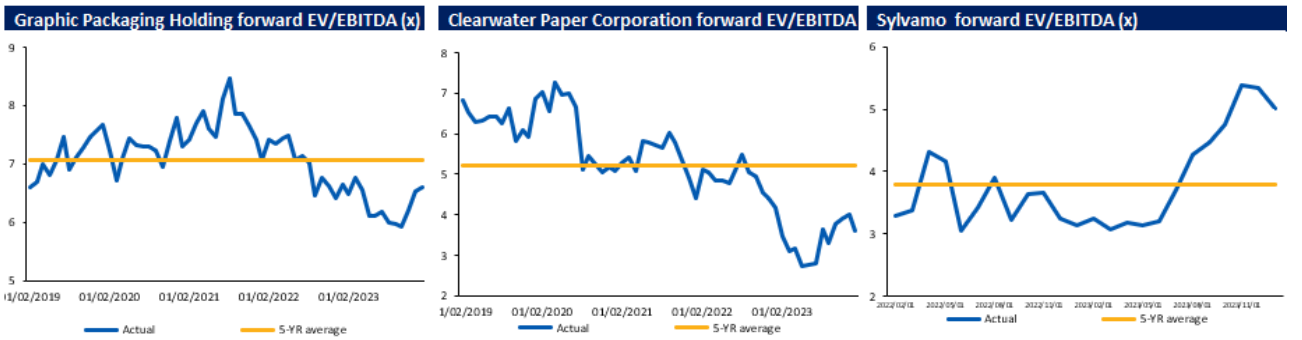
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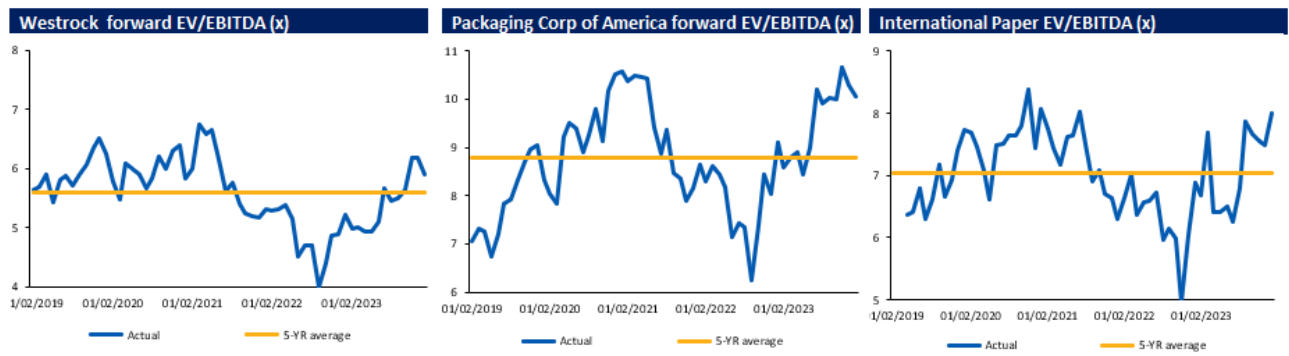
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