



Exceptional people creating bioproducts for a more sustainable world

Quarter 2, 2022 Earnings & HIT acquisition

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Forward-looking Statements



The Private Securities Litigation Reform Act of 1995 provides a “safe harbor” for forward-looking statements.

Certain information included in this presentation contains statements that are forward-looking, such as statements relating to results of operations and financial conditions, market expectations and business development activities, as well as capital spending and financing sources.

Such forward-looking information involves important risks and uncertainties that could significantly affect anticipated results in the future and, accordingly, such results may differ materially from those expressed in any forward-looking statements made by or on behalf of Mercer.

For more information regarding these risks and uncertainties, review Mercer's filings with the United States Securities and Exchange Commission.

Unless required by law, we do not assume any obligation to update forward-looking statements based on unanticipated events or changed expectations.

Q2, 2022 Financial and operating highlights

**Constructive end product pricing,
rising USD are offsetting
inflationary pressure**

**Cashflows supporting ambitious
capex program and HIT acquisition**



Steady, solid EBITDA

- \$145M in Q2
- A new wood products record at \$49M



Planned maintenance

- Most ambitious maintenance quarter of the year now complete – 43 days of downtime in Q2



Stable market conditions

- Sequential price increases for pulp and lumber across all markets in Q2
- NBSK up \$100/tonne in Europe, \$147 in China
- WSPF down in NA, but European pricing higher
- European electricity prices remain over \$200/MWh
- Strong USD



Cash & liquidity, capital allocation

- Cashflow in the quarter of \$85M pushes balance to \$495M
- Up to \$275M of cash will be deployed in Q2 to complete HIT acquisition

Market conditions; Executing the strategy

Execution of the capex plan
Stendal pulpmill returns to operation
HIT acquisition – strategy execution



Market conditions

- Pulp: Tepid underlying demand in China offset by solid demand in Western economies and disruptions in supply of NBSK; unplanned outages and shipping restrictions
- despite falling housing starts, inventories remain low and pent up demand persists
- Electricity: elevated with limited options for near-term moderation



Executing capital expenditure plan

- Woodrooms at Celgar, Peace River
- Friesau sorting capacity increases
- Stendal capacity increase to 740,000 tonnes
- Spokane mass timber plant expansion



2021 Sustainability Report



Quick recovery from the Stendal fire

- Mill returned to production this week
- Longer term reconstruction of conveyor system will take several months
- Time to return to full-capacity production tbd

HIT acquisition

- integrated sawmill and value-add pallet production facility in Torgau, Germany
- Key products include lumber and wood pallets, biofuels, and energy
- €270 million (\$~275.4 million) purchase price, inclusive of forecasted net working capital of ~€43 million (~\$43.9 million)
- Transaction is anticipated to close in Q3 or early Q4, 2022



Product Portfolio



Sawn Timber Products:
410 MMfbm capacity



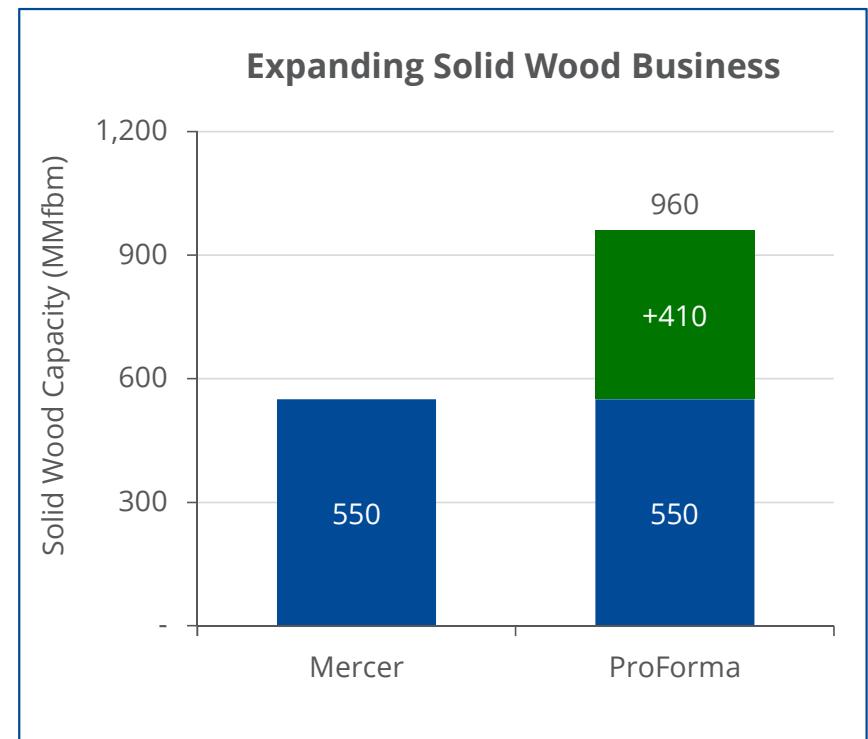
Pallets: The largest producer of EPAL pallets in the world; 17 million pallets annually



Bio-Electricity: 15 MW of green electricity



**Pellets & Briquettes
("Biofuels")**



Strategic Highlights



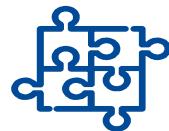
Grows solid wood capacity by ~75% to 960 MMfbm and electricity generation capacity by ~15 MW



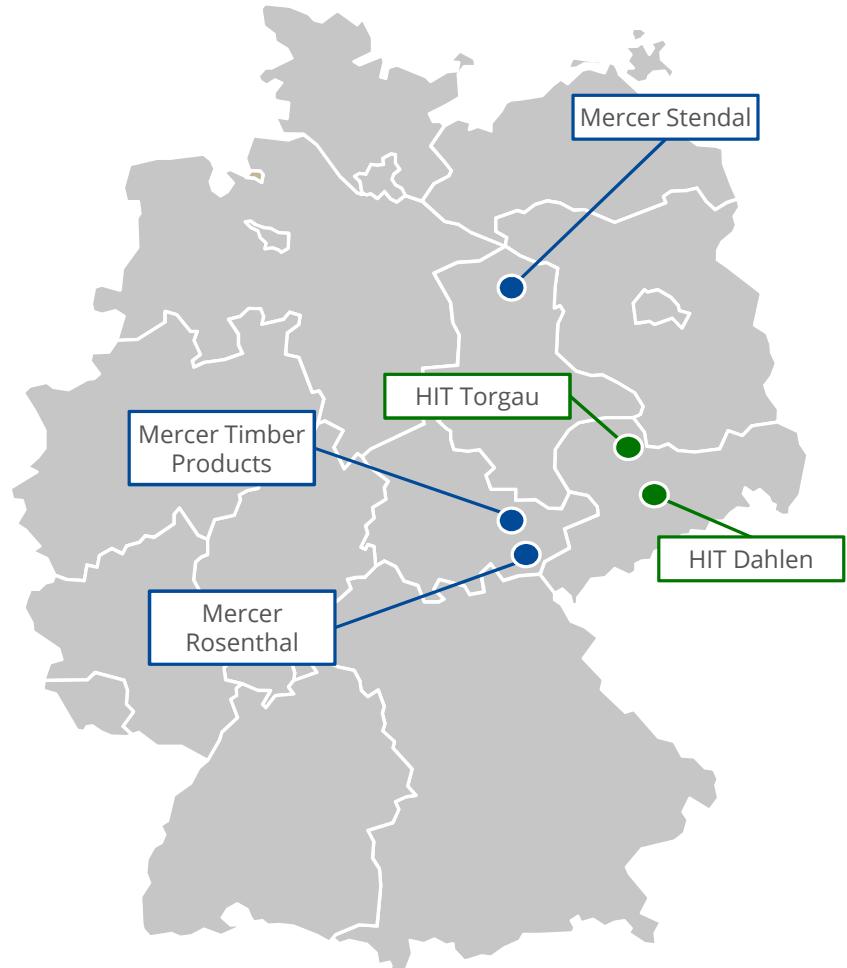
Diversify Mercer's product mix with the introduction of pallets and biofuels



Attractive entry point into pallet production via the world's largest producer of EPAL pallets



Integrated operations is expected to provide \$16 million of synergies annually to our existing German operations



Financial Highlights

- Consideration of €270 million (~\$275.4 million), inclusive of forecasted net working capital of ~€43 million (~\$43.9 million)
- To be funded using our existing cash on hand and/or our revolving credit facilities
- HIT generated Net Income of €31 million and Adjusted EBITDA of €68 million in 2021 and Net Income of €12 million and Adjusted EBITDA of €22 million in Q1, 2022⁽¹⁾

2021 Revenue Breakdown	€mm	%
Pallets	€169	69%
Biofuels	€27	12%
Electricity	€12	5%
Other Lumber / Wood / Milled Products	€17	7%
Total Revenue	€227⁽³⁾	100%
EV / 2021 Adjusted EBITDA (x)		
Base	3.9x	
Base + Synergies	3.2x	

1) Reported pursuant to German GAAP based on materials as prepared by HIT.

2) Includes revenue from non-operating activities.

Reconciliation of Adjusted EBITDA

Adjusted EBITDA is defined as net income, plus taxes, interest, depreciation, amortization and non-recurring items. We believe certain investors and financial analysts use these measures to evaluate financial performance. Adjusted EBITDA is also included to help facilitate comparisons of the historic operating performance of the assets to be acquired with other companies in our industry. They are not measures of financial performance under GAAP and should not be considered as an alternative to operating income or any other measure of financial performance presented in accordance with GAAP. Adjusted EBITDA excludes some, but not all, items that affect operating income.

The following table sets forth a reconciliation of HIT's net income to Adjusted EBITDA for 2021 and the first quarter of 2022 (in millions).

	2021 ⁽¹⁾⁽²⁾	Three Months ended March 31 2022 ⁽¹⁾⁽³⁾
Net Income	\$ 37	\$ 14
Add: Taxes	12	6
Add: Interest	4	1
Add: Depreciation and amortization	23	4
Add: Non-Recurring Items ⁽⁴⁾	5	-
Adjusted EBITDA	\$ 81	\$ 25

1) Reported pursuant to German GAAP based on materials as prepared by HIT.

2) Euros converted to U.S. dollars at a rate of 1.1830, being the annual average rate on December 31, 2021.

3) Euros converted to U.S. dollars at a rate of 1.1216, being the year-to-date average rate on March 31, 2022.

4) Primarily relates to a litigation settlement and certain other non-recurring amounts related to prior refinancing activities.



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