



Transforming biomass into bioproducts for a more sustainable world

Q1 2023 Earnings

Juan Carlos Bueno; President & CEO
David Ure; SVP, CFO & Secretary

May 5, 2023

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.

Q1 2023 Financial and Operating Highlights

Inflation, rising interest rates and economic uncertainty negatively impacted input costs and sales prices

Market digesting new hardwood capacity from South America



Weaker prices + lingering effects of inflation on costs

- Q1 EBITDA \$28M
- Adjusted EBITDA \$43M after \$15M non-cash hardwood inventory write down



Pulp prices down, softer demand vs. Q4

- NBSK, NBHK prices down in all markets
- NBHK price decline more pronounced in China vs. US
- Widening price gap due to new eucalyptus hardwood capacity from South America
- Lower pulp prices + high production and logistics costs resulted in \$15M NBHK inventory writedown.



Steady operations during quarter

- Strong Q1 pulp production +31,000 tonnes vs. Q4

Q1 2023 Financial and Operating Highlights (cont.)

European lumber markets saw some positive movement in Q1 2023

Economic uncertainty, persistence of high interest rates dampened US lumber market

Friesau continues to realize benefits of capital upgrades



European lumber market steady; US declined

- European pricing increased, demand steady vs. Q4
- Economic uncertainty, high interest rates continued to put pressure on US lumber prices



Record production and sales volumes

- Record production at Friesau: +17 MMfbm vs. Q4
- Record lumber sales volumes: +41 MMfbm vs. Q4



Torgau integration ongoing

- Economic headwinds + seasonality negatively impacted EBITDA contributions in the quarter
- \$16M in synergies expected annually

Q1 2023 Financial and Operating Highlights (cont.)

**2023 target CAPEX
reduced**

**Dividend of \$0.075 per
share**



Electricity generation and sales are a hedge

- Electricity sales increased by +15 GWh vs. Q4
- German pricing ~\$130/MWh as price cap came into effect end of Q4
- Cap scheduled to be removed in June; today, extension seems unlikely due to reduced energy supply concerns



Cash and liquidity, capital allocation

- Q1 cash of \$301M; total liquidity = \$556M
- Capital spending of ~\$33M, including completion of Peace River woodroom; benefits expected beginning Q2
- 2023 target capital spending of ~\$150M – \$180M



Q1 2023 Overview

Lower pricing, higher average costs a challenge during the quarter

Mills operated smoothly, including record production and sales volume at Friesau

Noticeable increases in CLT revenue expected in Q2



Lower prices, higher costs negatively impacted earnings

- Prices for lumber, pulp down
- Average pulp fibre prices higher



Growth through capital investments and acquisitions

- Friesau seeing benefits of capital investment with record production and sales volumes
- Stalking horse bidder for Structurlam assets



Torgau integration and mass timber progressing well

- Despite current market dynamics limiting synergies, expect Torgau to add significant shareholder value
- Mass timber business rapidly ramping up

Q1 2023 Overview (cont.)

Softwood prices expected to firm late in Q2

Growing gap between softwood and hardwood as market absorbs new hardwood supply

Curtailments to rebalance supply/demand fundamentals

Product diversity provides agility to adapt to current market conditions



Pulp: upward pressure expected later in year

- Softwood - supply/demand fundamentals expected to firm prices in late Q2
- Hardwood - extended headwinds despite expected increased demand as market absorbs new supply
- Due to market pressures Peace River scheduled downtime will be extended from 13 to 29 days in Q2



Lumber: mixed markets

- European market up; US market down
- Uncertain economic indicators and rising mortgage rates creating negative market sentiment
- Supply/demand fundamentals to put positive pressure on this market in mid-term



Fibre costs expected to decline

- Decreased pulpwood demand from energy sectors
- Peace River woodroom and increased harvesting to reduce costs

Looking Forward

2023 projects focus on expanding alternatives which displace carbon-intensive products

Growth will be focused on low carbon products to balance pulp portfolio



Investment in high-return projects

- Reduced capex by delaying discretionary projects
- Retaining high-value projects including completion of Celgar woodroom and Rosenthal lignin plant



Expanding Mass Timber offerings

- \$27M expansion at Spokane mass timber facility
- Will allow for more varied raw material mix, add Glulam to product portfolio and increase finger joint production



Upgrading Torgau

- Projects to increase lumber production, debottleneck certain elements of our shipping pallet and heating pellet plants

Contact Information

www.mercerint.com



Mercer International Inc.

P: +1 (604) 684 1099
info@mercrint.com

Suite 1120, 700 West Pender St
Vancouver, B.C. Canada
V6C 1G8