

Transforming biomass into bioproducts for  
a more sustainable world

# BofA Leveraged Finance Conference 2024

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December 3, 2024



# 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.



## Our Vision

Transforming  
biomass into  
bioproducts  
for a more  
sustainable  
world

## Our Strategic Pillars

Financial



Strong financial results  
through business cycles

Synergistic Diversification



Synergistic diversification  
of operations

Circular Economy



Meaningful contributions  
to the circular economy

## Our Values

+ Be Safe & Healthy

By improving processes and promoting  
awareness

+ Be Bold

By seizing innovative and unique ideas, solutions,  
and opportunities

+ Be Respectful

By building a culture of diversity and inclusion

+ Be Sustainable

By balancing social, environmental, and  
economic values

# Investment Highlights



History of sustained growth with prudent financial management



Environmental and social responsibility leader with ESG ingrained in our strategy



Strategic, purposeful diversification to reduce earnings cyclicality and contribute positively to the circular economy



## Pulp Segment

➤ Sustained NBSK leader with exposure to NBHK; continuous optimization of our asset base



## Solid Wood Segment

➤ Lumber enhances synergistic operations with pulp segment; emphasis on rapidly-growing mass timber segment



## Bio-energy / materials

➤ Emphasis on fossil-fuel replacement alternatives through innovation and biomaterial technology

# Global Megatrends Driving Long-Term Demand



Population Growth



Increasing Urbanization



Climate Change

- + Growing middle class
- + Higher living standards
- + Increasing consumption
- + Housing demographics
- + Changing regulations
- + Fossil fuel replacement
- + Circular economy
- + Resource scarcity

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**348 million**

Tonnes of global plastic production

**15%**

2050 Global carbon emissions from plastic

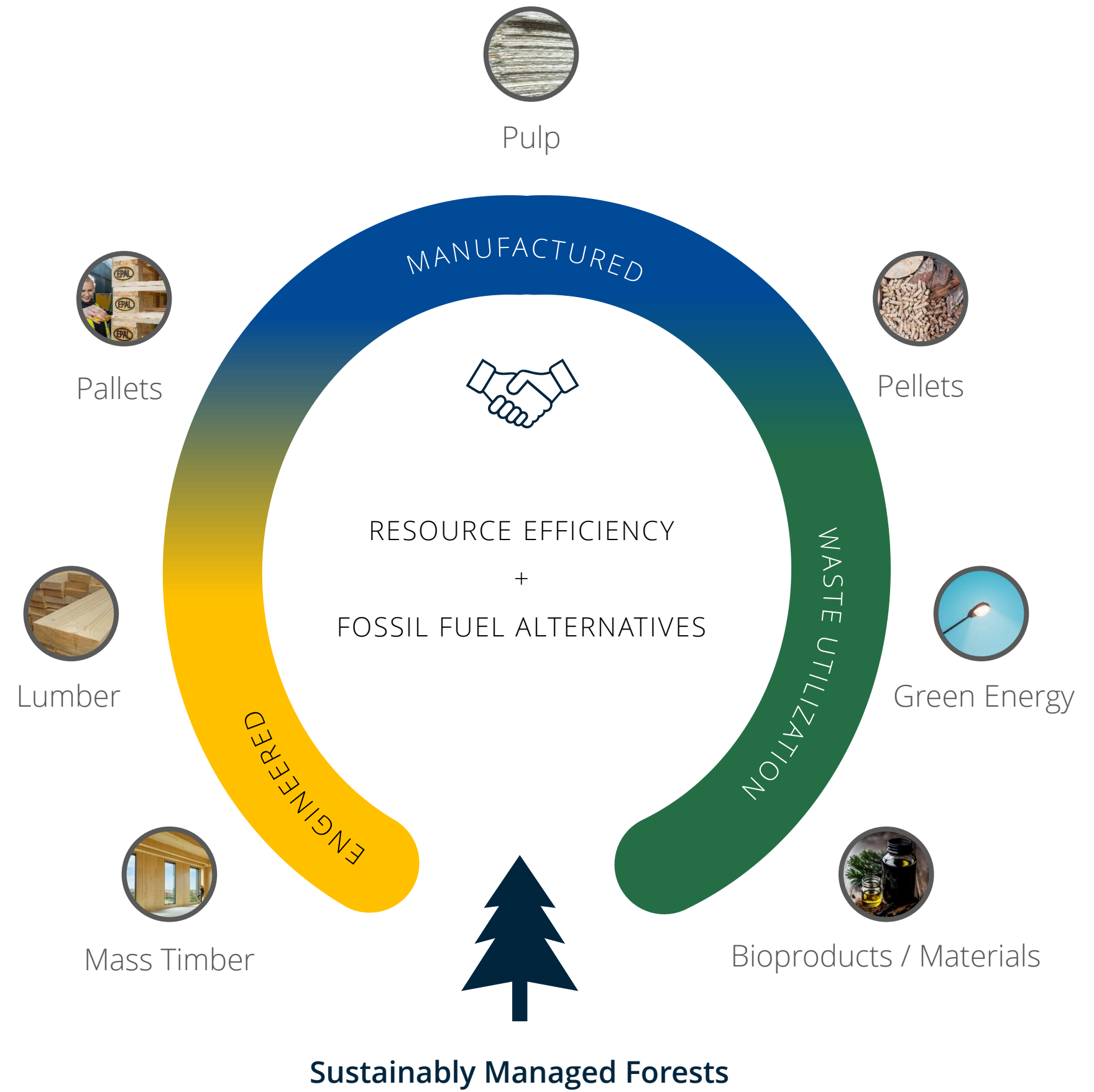
**11%**

Global carbon emissions from steel / concrete construction

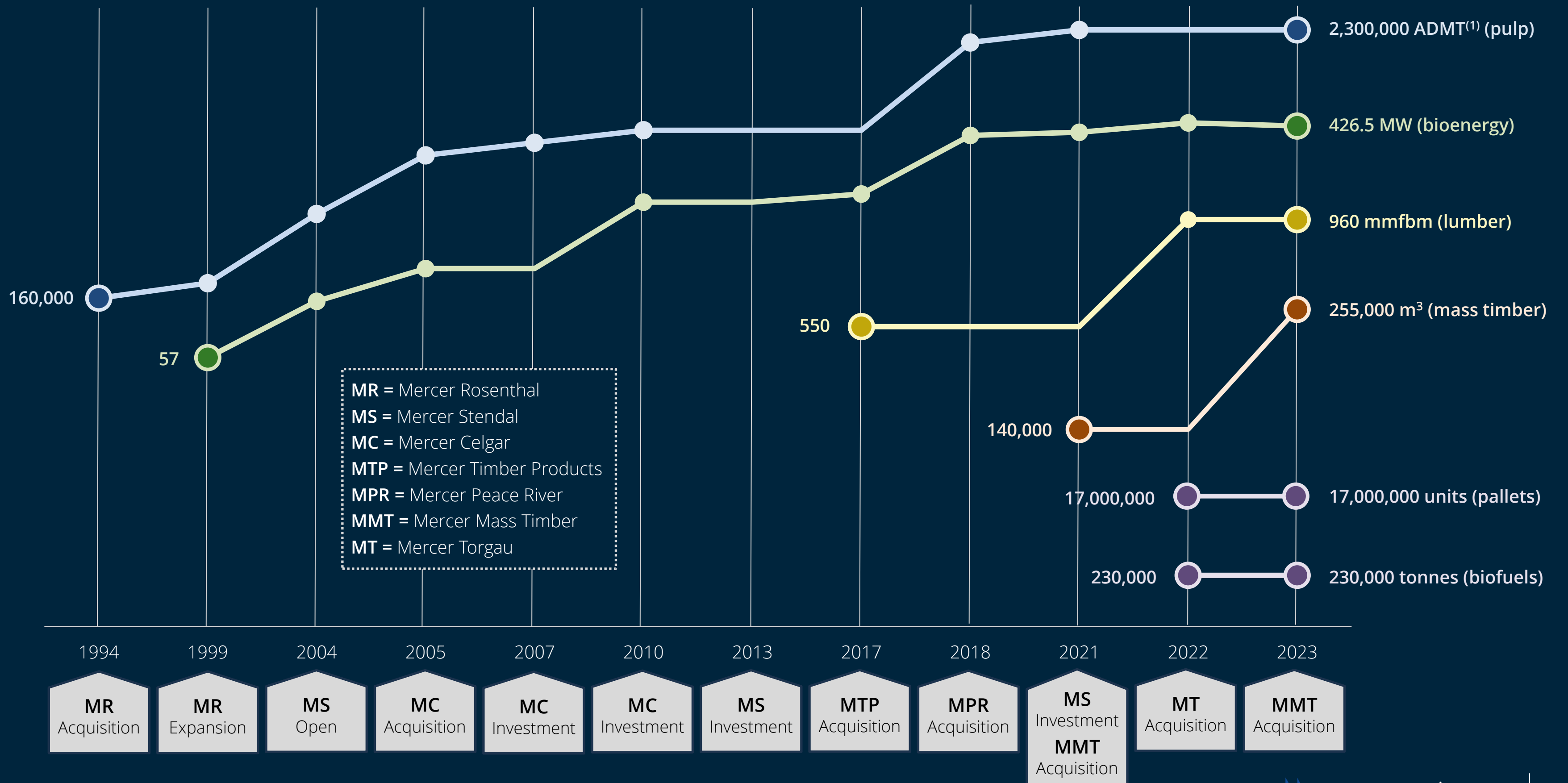


A 5% displacement of plastic and 1% displacement of traditional building materials could create **17 million tonnes of new pulp demand**, and a **\$10 billion market opportunity**.

# Maximizing Value Through Purposeful Diversification



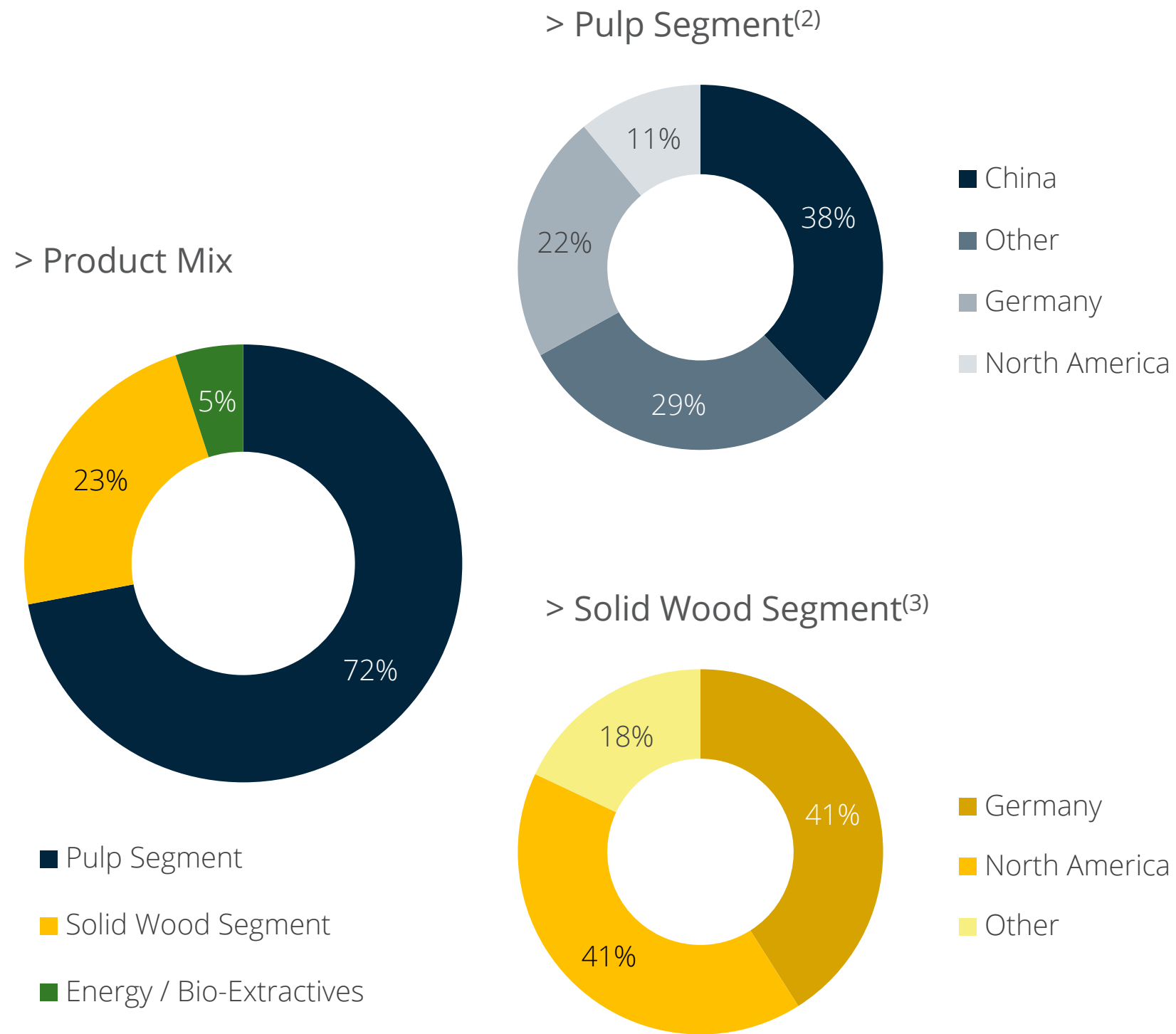
# Sustained Growth and Diversification



(1) Capacity has since decreased by ~170,000 ADMT following the divestiture of Mercer's 50% stake in Cariboo Pulp & Paper in Q1 2024

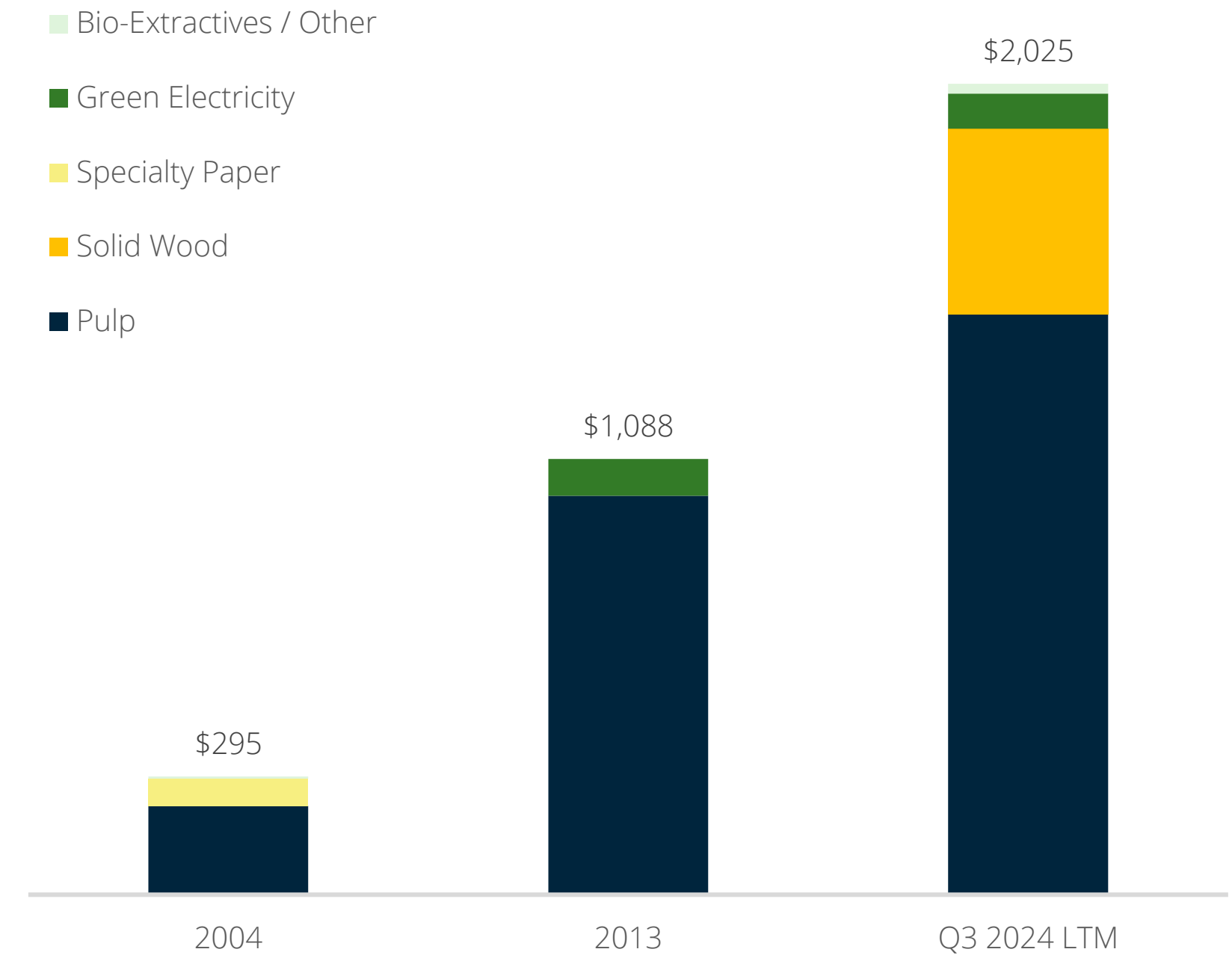
# Evolving Sales Mix

## Diversified Geographies and Products<sup>(1)</sup>...



## ...Continued Commitment to Sustained Growth

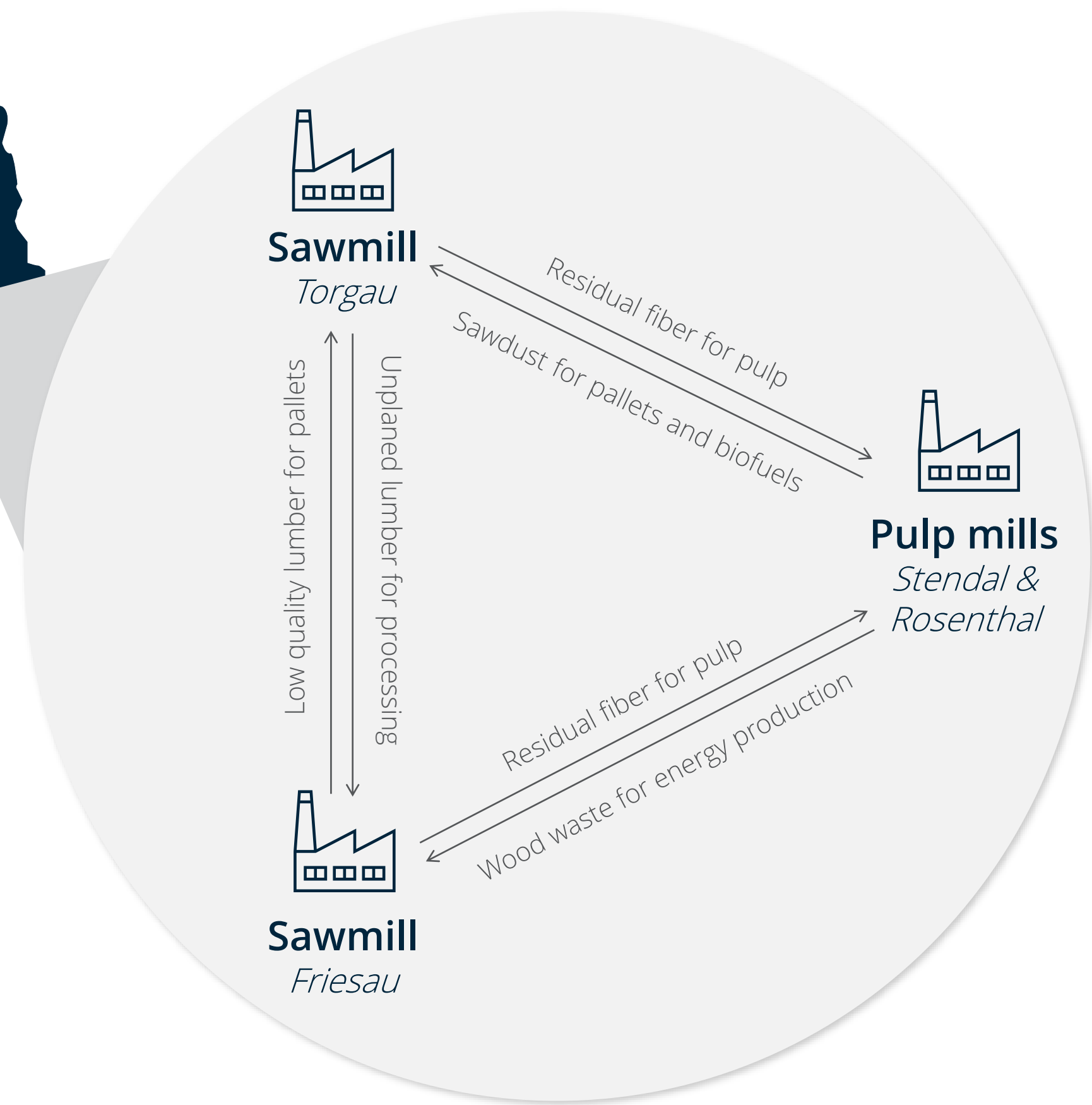
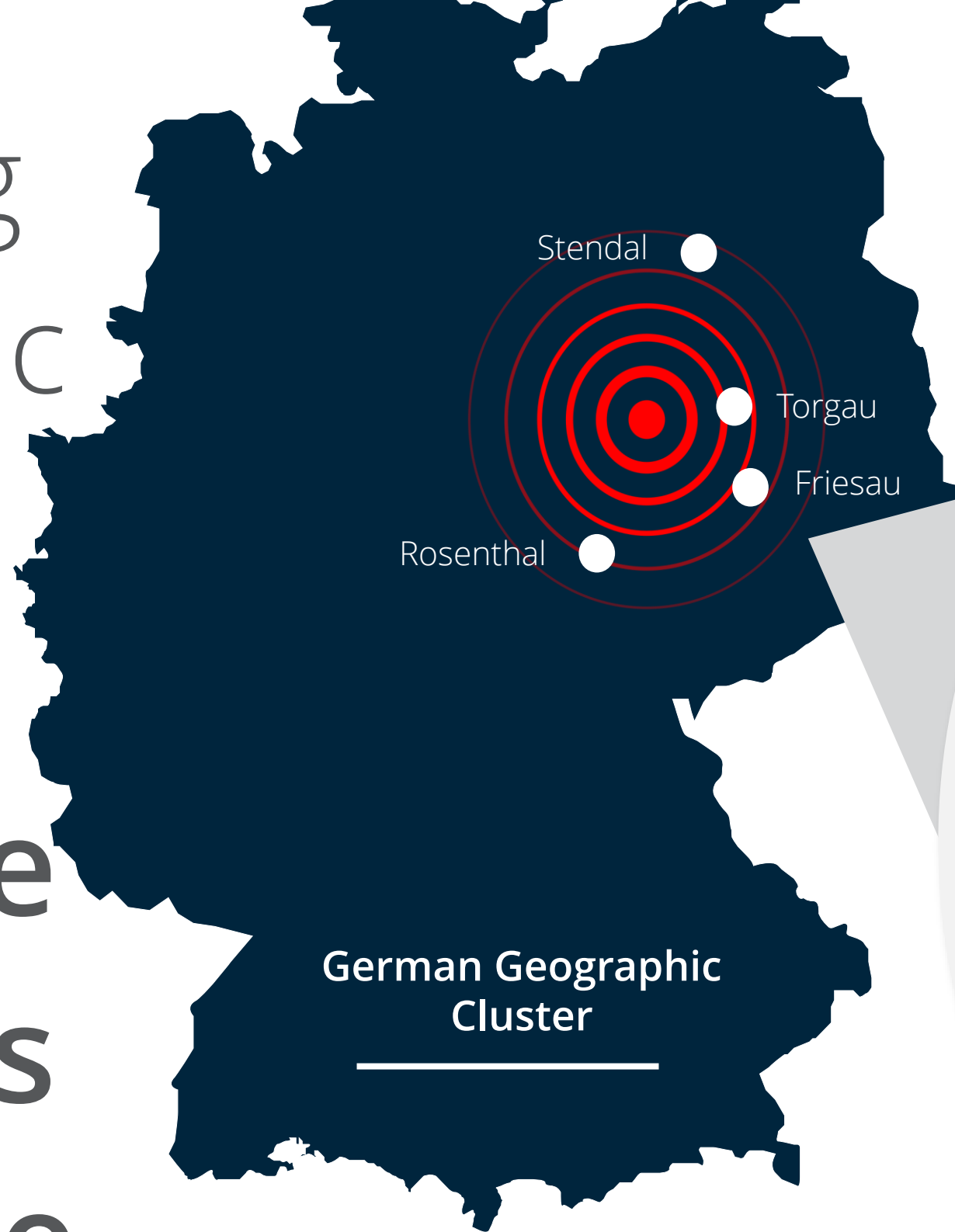
### Consolidated Revenue (US\$mm)



(1) Q3 2024 LTM by revenue; (2) Includes energy / bio-extractives; (3) Includes lumber, mass timber, wood residuals, and pallets & biofuels



# Leveraging Geographic Clusters to Maximize Synergies and Value



# Pulp Segment

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## GERMANY



### Mercer Rosenthal

- 📍 Rosenthal am Rennsteig
- 360,000 tonnes NBSK
- 57 MW green energy



### Mercer Stendal

- 📍 Arneburg
- 740,000 tonnes NBSK
- 148 MW green energy



## CANADA



### Mercer Celgar

- 📍 Castlegar
- 520,000 tonnes NBSK
- 100 MW green energy



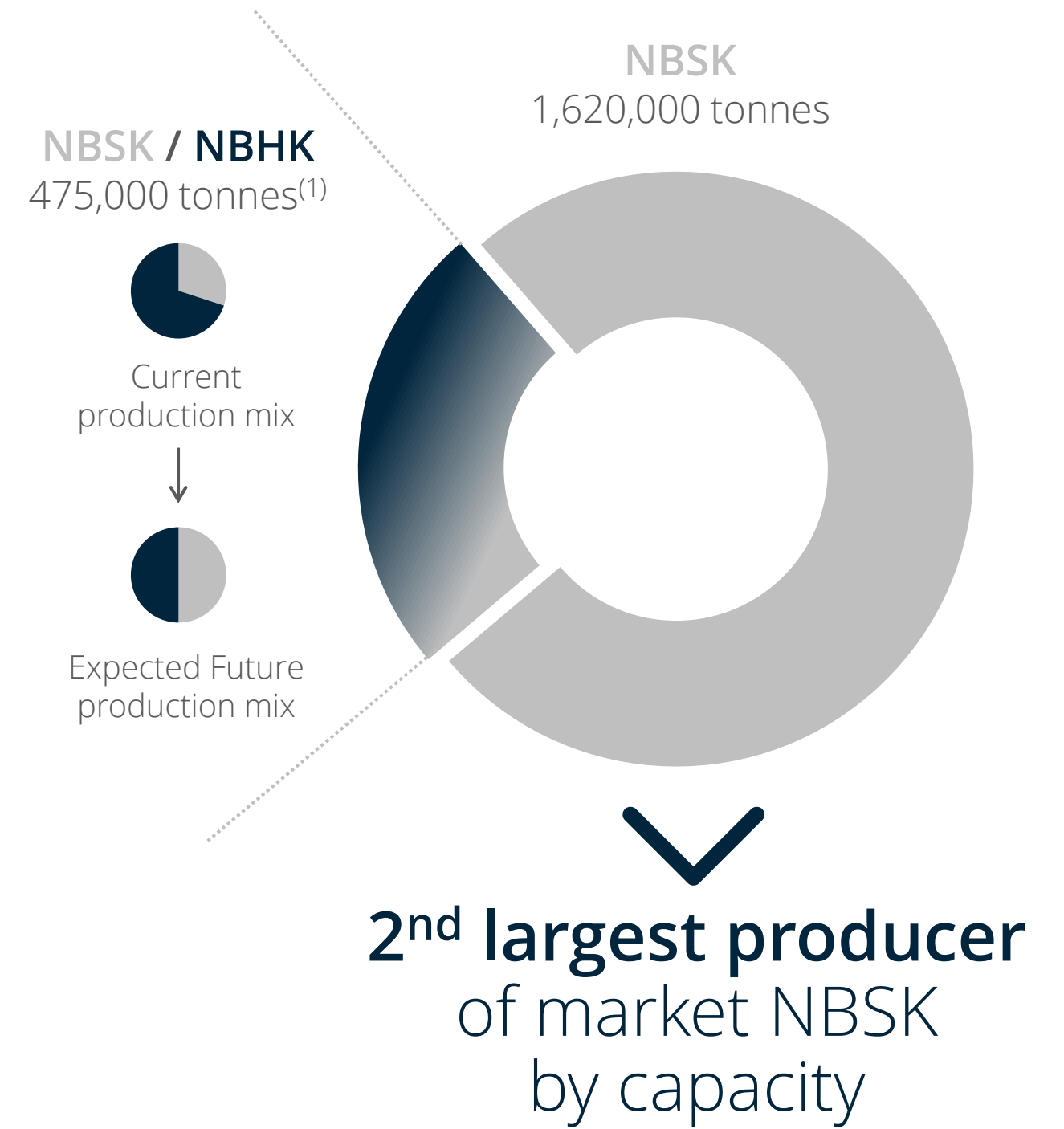
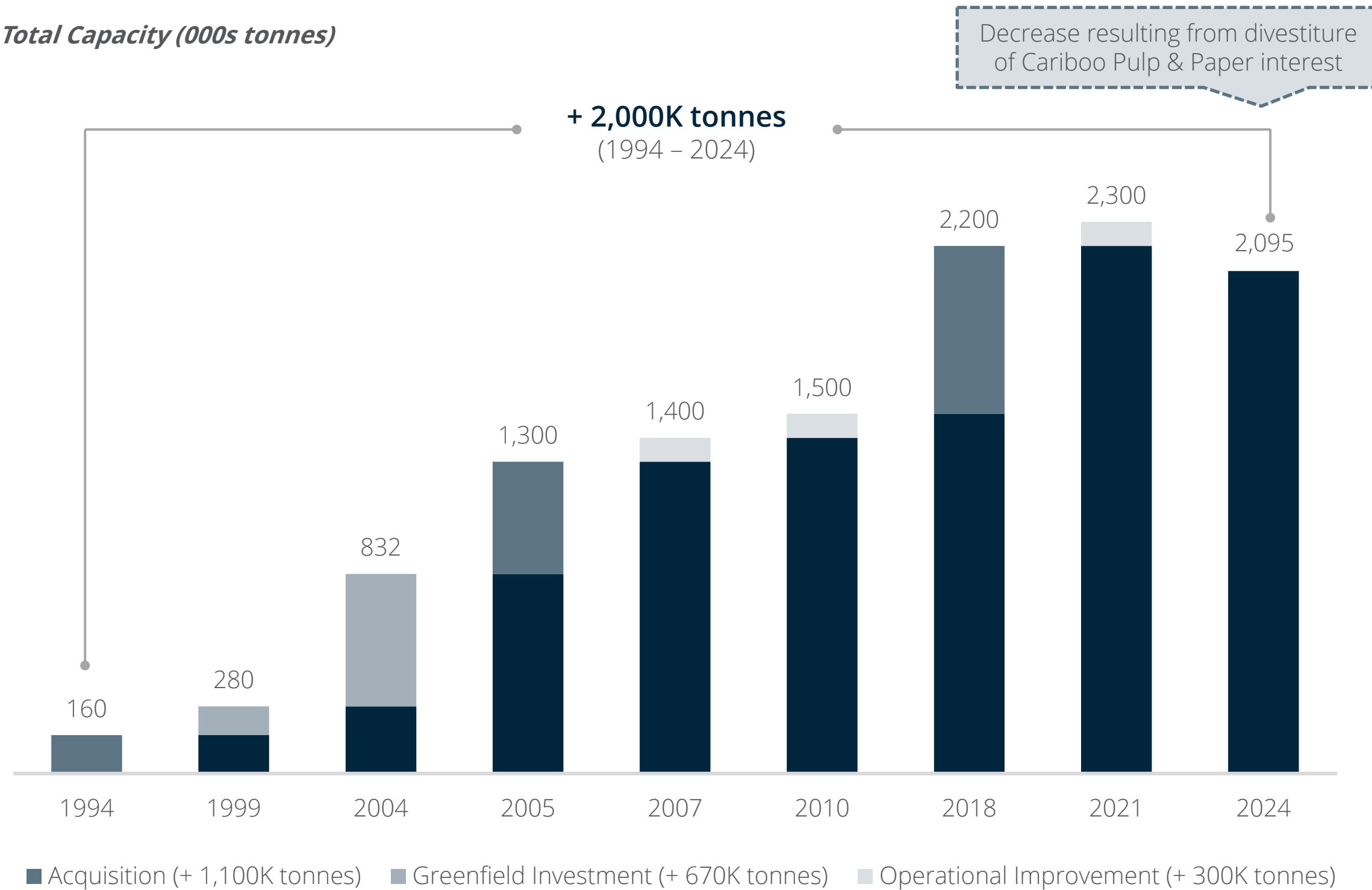
### Mercer Peace River

- 📍 Peace River
- 475,000 tonnes NBSK / NBHK
- 65 MW green energy

# Continued Optimization

**Mercer's Pulp Capacity has Increased Over 10-Fold Since 1994**

*Total Capacity (000s tonnes)*



(1) Represents capacity of Mercer Peace River

# Solid Wood Segment



GERMANY



## Mercer Timber Products (Friesau)



Saalburg-Ebersdorf

- 550,000 mfbm sawn lumber
- 13 MW green energy



## Mercer Torgau



Dahlen

- 410,000 mfbm sawn lumber, 17 million pallets, 80,000 tonnes briquettes, 150,000 tonnes pellets
- 15 MW green energy



USA



## Mercer Spokane



Spokane Valley

- 140,000 m<sup>3</sup> CLT / glulam



## Mercer Conway



Conway

- 74,000 m<sup>3</sup> CLT / glulam



CANADA



## Mercer Okanagan

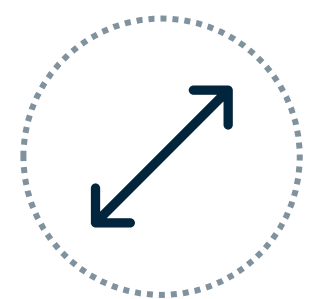
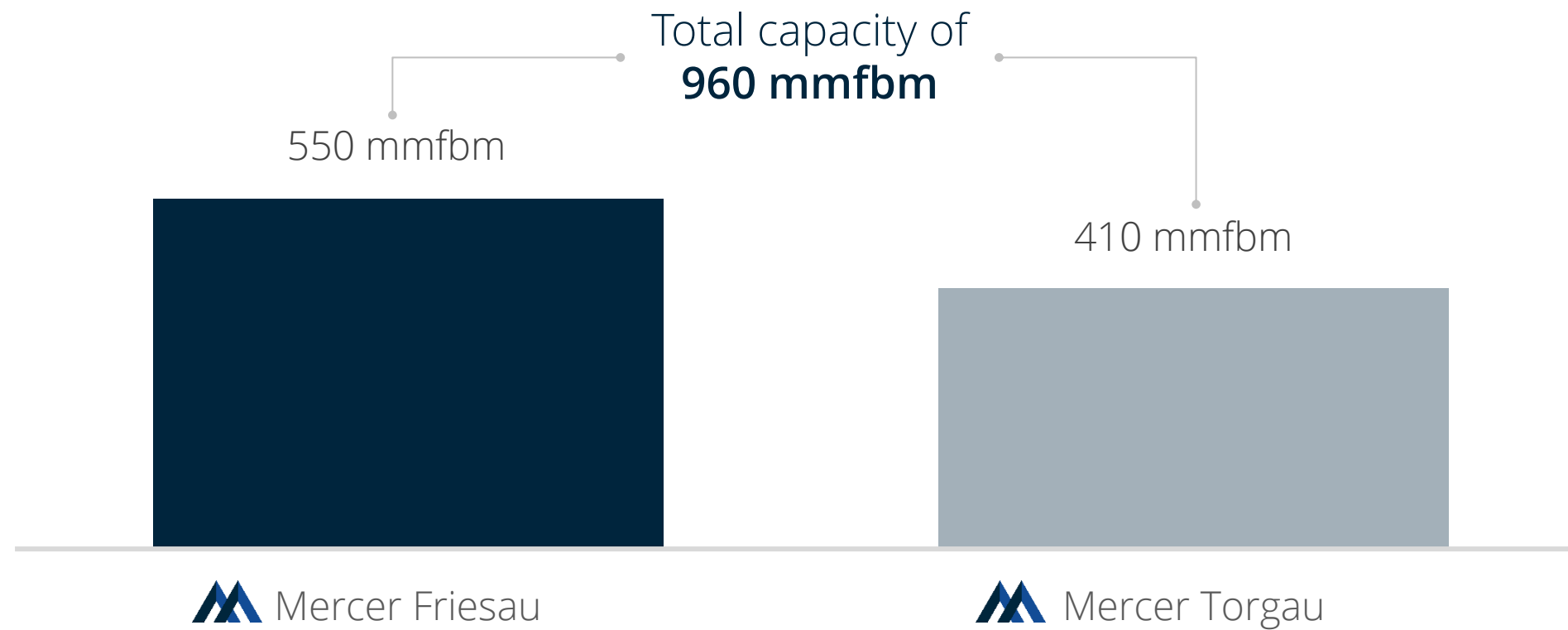


Okanagan Falls

- 41,000 m<sup>3</sup> CLT / glulam

# Continued Expansion to Capture Synergies

Mercer's two sawmills are amongst the largest globally....



**Expansive range** of metric and US dimension grades for **flexibility** in targeting **all major world markets**

...And is the Largest EPAL Pallet Producer



**Grounded in Wood Science. Driven by Innovation.**

# Mercer Mass Timber

## Speed of Assembly

Mass timber construction is ~30% faster than traditional steel and concrete construction

## Sustainability Impact

Sustainably sourced renewable wood sequesters carbon and has a lower intensity than steel and concrete

## Jobsite Efficiency

Rapid assembly improved efficiency and occupation, and reduces demand for skilled workers

## Biophilic Properties

Wooden environments can improve productivity, learning, and overall wellbeing

## Design Precision

High-precision manufacturing for specific end-use applications with little or no job site waste

## Cost Competitive

Lightness (compared to concrete) and rapid assembly results in lower capital costs

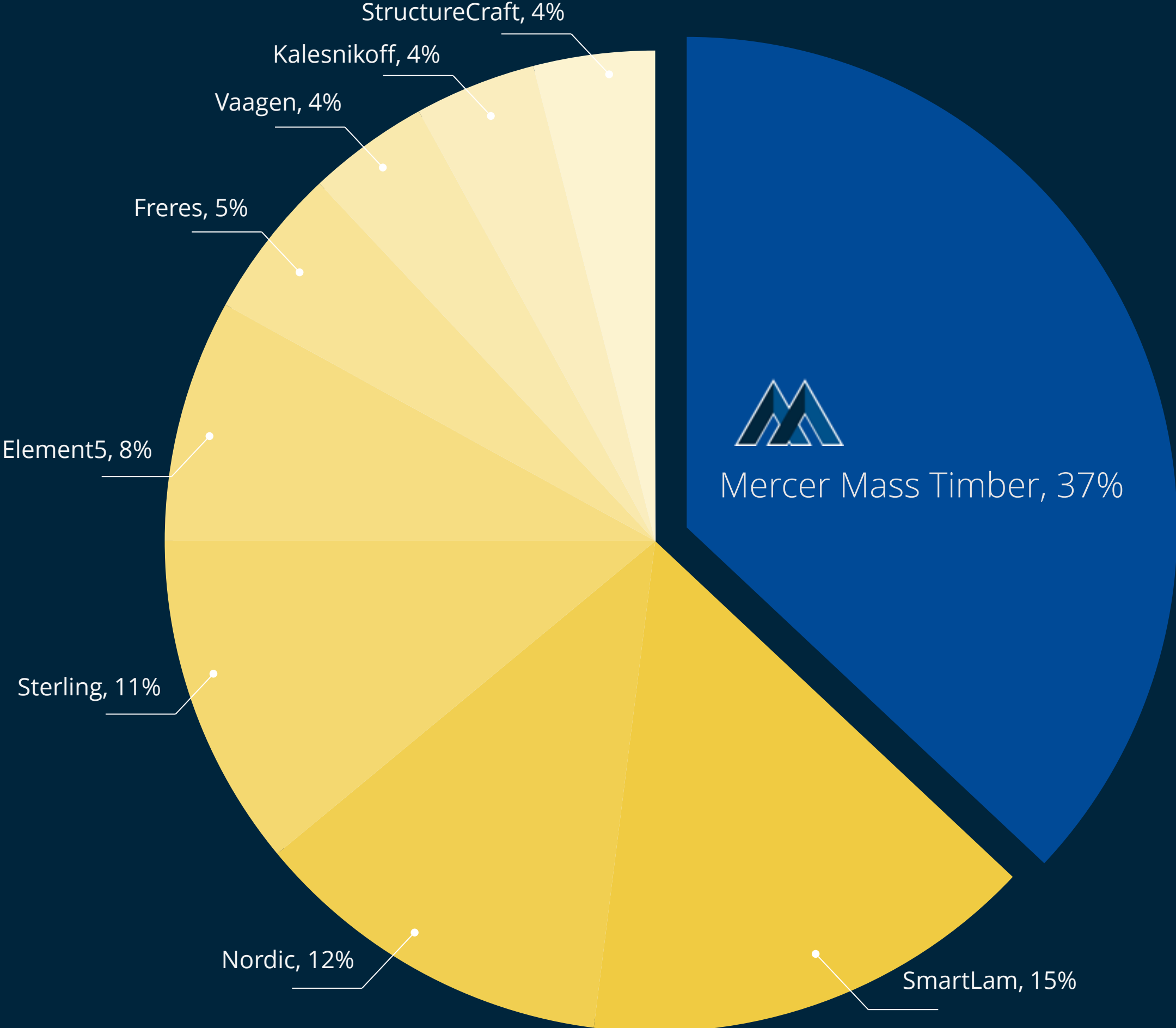
# Largest Mass Timber Panel Manufacturer by Installed Capacity in North America

**3** North American facilities with wide geographic reach

**2** State-of-the-art facilities in Northwest and Southwest United States

**45,000 m<sup>3</sup>**  
Total glulam capacity

**210,000 m<sup>3</sup>**  
Total CLT capacity

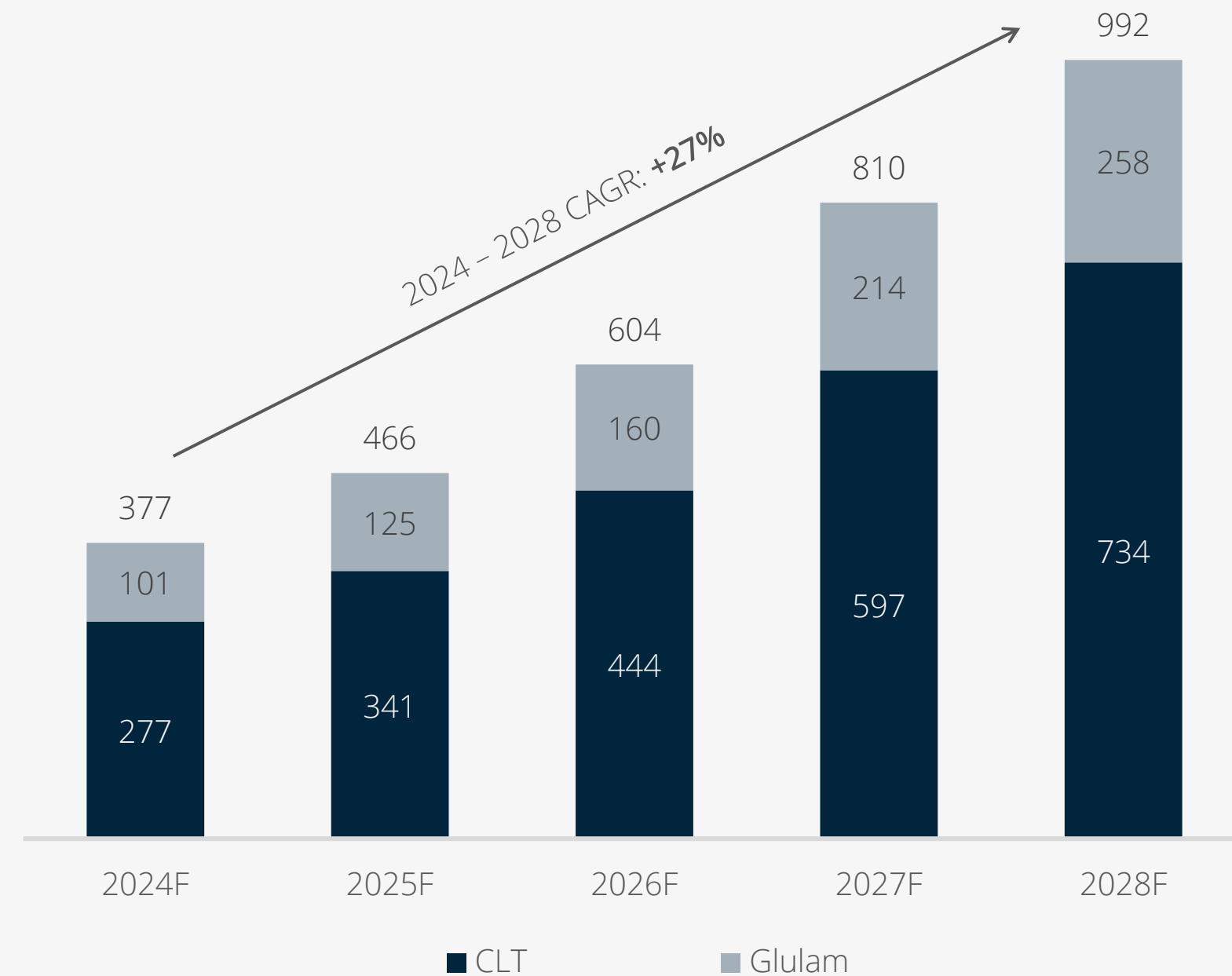


Source: FEA 2023 Mass Timber Annual Report (published February 2024)

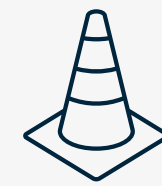
## Mass Timber Market Overview

# Unprecedented Growth

North American Forecasted Consumption (000s m<sup>3</sup>)



Source: FEA 2023 Mass Timber Annual Report (published February 2024)



### Recovering Construction Activity

New nonresidential construction is expected to increase 12% in 2027 compared to 2023 levels, respectively, following a slump in 2022.



### Evolving Building Codes

Government appetite for tall wood buildings continues to increase, with both Canada and the US now permitting up to 18 stories.



### Intensifying ESG Efforts

Mass timber buildings emit anywhere from 14% to 52% less carbon than buildings made from steel and concrete.



# Bioenergy and Biomaterials

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## Green Energy

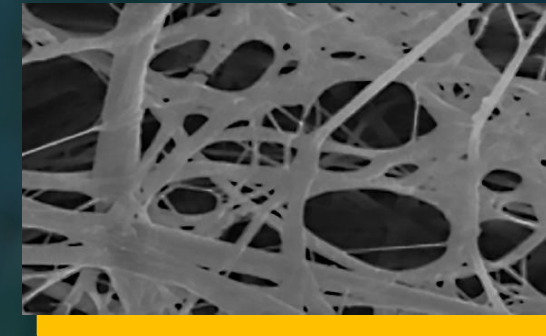
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- Over 900 GWh of surplus electricity from biomass every year, enough to power ~80,500 homes without fossil fuels.

## Performance BioFilaments

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- Mercer's joint venture with Resolute Forest Products to develop commercial applications for cellulose filaments, in unconventional industries.

## Tall Oil

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- A clean, renewable alternative to petrochemicals such as crude oil, produced at our Stendal and Rosenthal mills.

## Turpentine

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- A sustainable extractive of pulp mill processes, indispensable to producers of fragrances for scenting products like perfumes and deodorants.

# Mercer Lignin Centre



## Overview



### Mercer Lignin Centre

- 📍 Mercer Rosenthal
- 250 tonnes high quality lignin / year

- Lignin is a traditionally underutilized natural polymer in plant cell walls and can be refined into valuable aromatic compounds and chemical building blocks.
- These offer a huge variety of applications - from resins, paints, green asphalt binders, and biogenic battery materials to cosmetics and functional fillers.

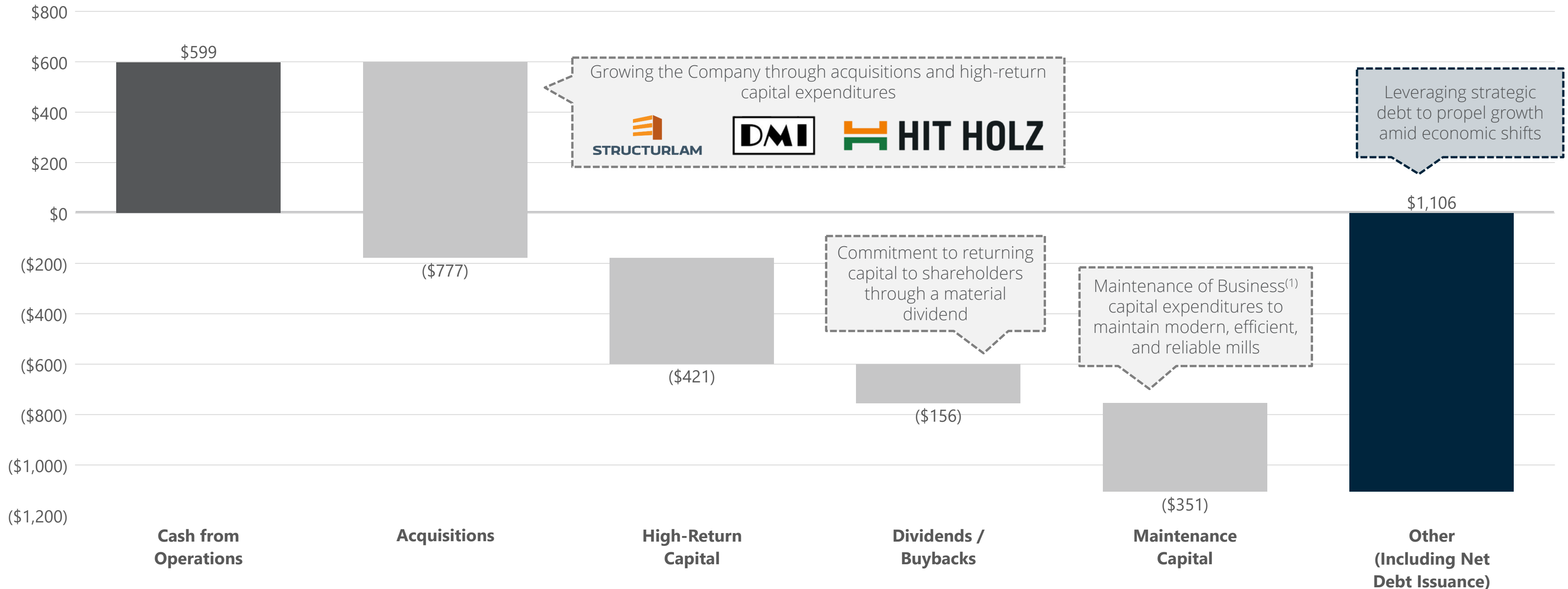


Mercer Lignin Centre is a **state-of-the-art facility** located at the Rosenthal pulp mill for **full utilization** of wood resources

# Balanced Capital Allocation

## Capital Allocation is Balanced and Consistent with Mercer's Strategy

Cumulative Capital Allocation, 2018-2023 (US\$mm)



(1) Maintenance of Business is a term broadly referencing the base capital required to continuously use facilities and equipment, in their designed capacity and efficiency, for their intended purpose

# Shifting Priorities In Line with Economic Conditions

Past



**Strategy:** Inorganic growth through acquisitions, expansion of product offerings

**Economy:** *Economic tailwinds, lower interest rates and increasing commodity prices*



Present



Seeking to reduce debt / deleverage to lower weighted average coupon rate on debt

*Economic headwinds, high interest rates and lower commodity prices*

Maturity	Previous Debt	October '24 Refinancing	Current Debt	Coupon Rate
	(US\$mm)			(%)
2025	-	-	-	-
2026	\$300	(\$300)	-	5.50%
2027	-	-	-	-
2028	\$200	+ \$200	\$400	12.88%
2029	\$875	-	\$875	5.13%
<b>Total</b>	<b>\$1,375</b>	<b>(\$100)</b>	<b>\$1,275</b>	<b>-</b>

- Weighted average maturity of senior debt: 2029
- Weighted average coupon: 7.56%
- Current debt rating: B (S&P); B1 (Moody's)
- Liquidity (as of September 2024):



■ Cash ■ Unwithdrawn Revolvers

# Sustainability Framework

## 2030 Aspirations

Continuously improve environmental performance

Mitigate climate change

Continuously improve resource efficiencies and the circular bioeconomy

Sustainable forestry

Enhance stakeholder and rights holder engagement

Embrace social responsibility

 100%

Elimination of process waste

 35%

2022 commitment for reduction in CO<sub>2</sub>e emissions, aligned with the Science-Based Target initiative



 10%

Reduction in water consumption

 5%

Improvement in resource efficiency

 80%

Fibre sourced from certified forests

 75th

Percentile employee engagement and survey response rate



Deliver superior customer value proposition

 80%

Employees who understand and believe in diversity, equity, and inclusion commitment

 <1

Total recordable injury rate, <15 injury severity, and inter-dependent health & safety culture

 30%

New hires that are women

Full details can be found in Mercer's annual sustainability report

SUSTAINABLE DEVELOPMENT GOALS



In 2022, Mercer became a signatory to the UN Global Compact, committing our business to incorporating the Compact's Ten Principles in strategies, policies, and procedures.

# Sustainability Framework ESG-Linked Loan

## Mercer's Sustainalytics ESG Risk Rating has Improved by 4.0 Points since 2023

- Mercer has a €370 million revolving credit facility with a five-year term, with borrowing costs linked to ESG performance.



2023 ESG Risk Rating

21.4

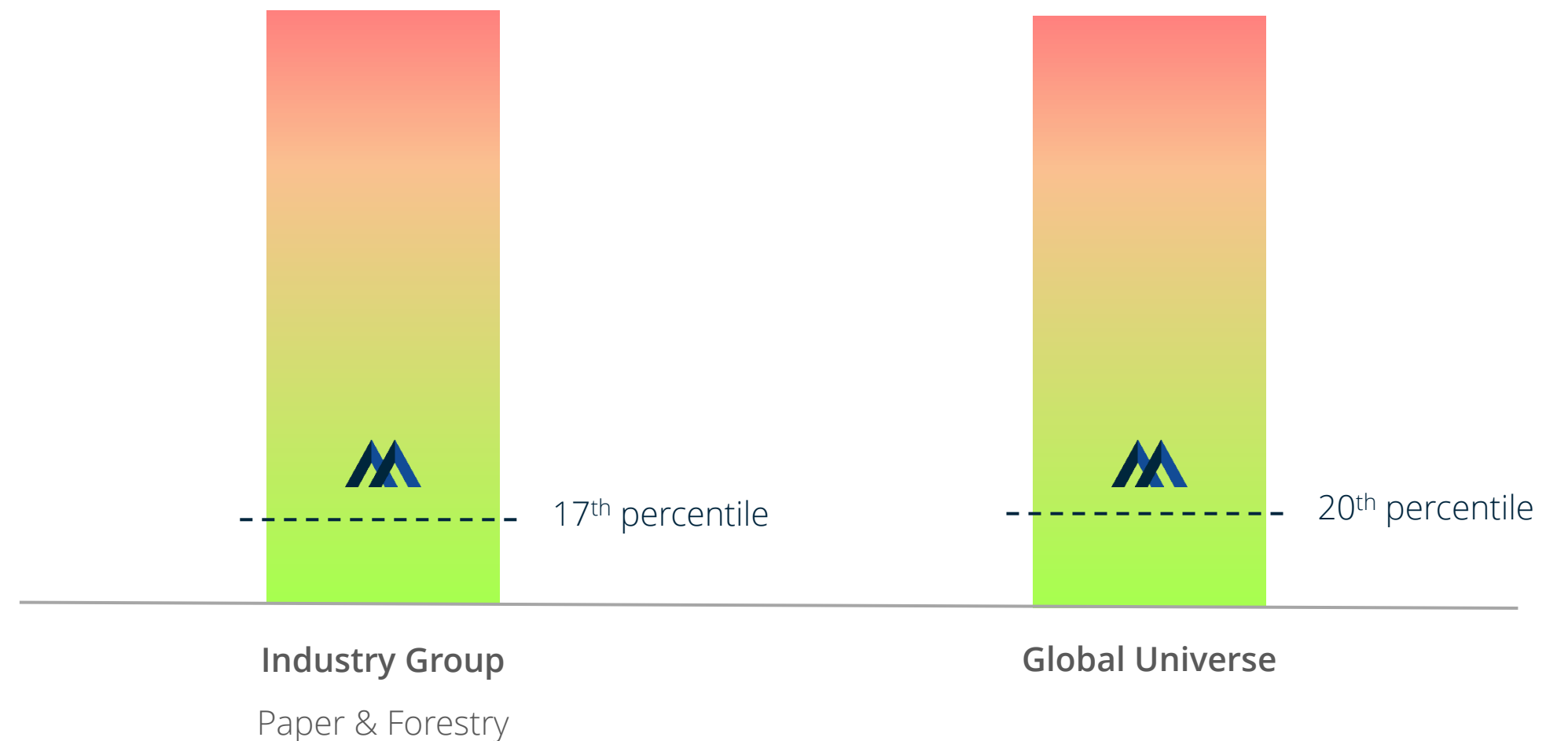


2024 ESG Risk Rating<sup>(1)</sup>

17.6



## Mercer is Among the Lowest Risk Within its Industry Group and Globally



(1) As of October 19, 2024; For the full report, consult the link [here](#)

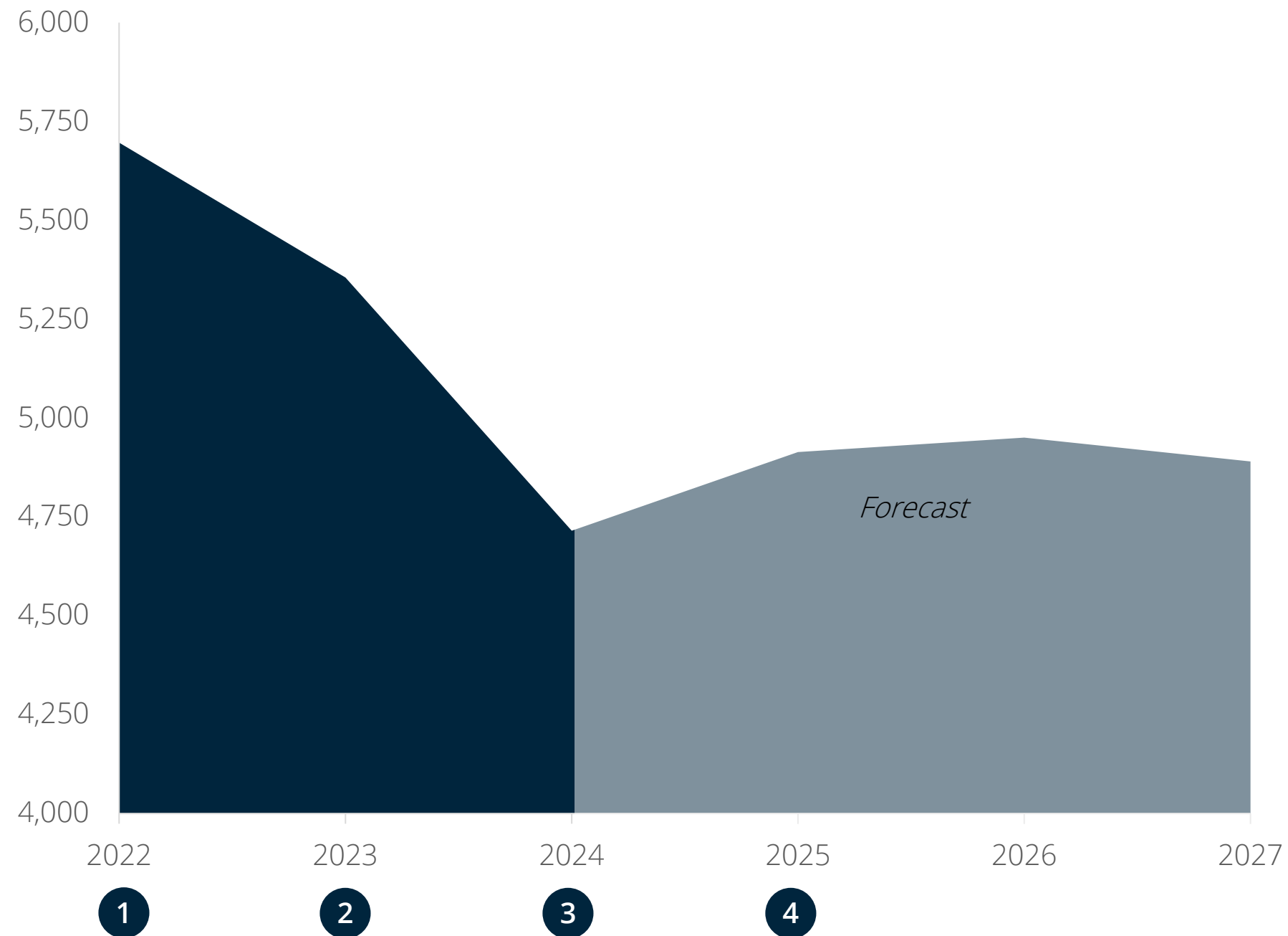
# Current and Forward-Looking Market Conditions

● Softwood Pulp	<ul style="list-style-type: none"><li>+ Lack of material greenfield NBSK capacity additions coupled with closures / curtailments (e.g. Canfor Prince George, Paper Excellence Ashdown) creating positive supply-demand fundamentals.</li><li>+ Stronger demand and global supply constraints will continue to create favorable conditions for softwood pulp prices, with upward pricing pressure expected in late Q4 2024 or early Q1 2025.</li></ul>
● Hardwood Pulp	<ul style="list-style-type: none"><li>- Most growth in hardwood shipments will be from new eucalyptus capacity coming online from Liansheng, Arauco, UPM, and Suzano; expected downward pressure on hardwood pulp prices as the market digests this new source of supply.</li></ul>
● Lumber	<ul style="list-style-type: none"><li>- Recent moderate pricing increases seen across all dimensions for both SYP and SPF, but overall prices remain weak.</li><li>+ Gradual supply-demand rebalancing due to production curtailments at Canfor, West Fraser, Weyerhaeuser and Interfor. Further supply-side concerns due to softwood lumber duties increase, potential transportation concerns to tighten market.</li></ul>
● Mass Timber	<ul style="list-style-type: none"><li>- High interest rate environment. Interest rate reductions are expected to increase demand.</li><li>+ North American construction CLT consumption grew approximately four-fold between 2018 and 2022; annual North American mass timber consumption forecasted to grow at a 27% CAGR between 2024 and 2028.</li></ul>
● Green Energy	<ul style="list-style-type: none"><li>+ Rising demand for renewable energy, along with increased electrification of economies and AI-driven energy needs are expected to sustain growth in electricity demand.</li></ul>

# Canadian NBSK Supply Overview

## Substantial Decrease in Total Canadian NBSK Capacity Over the Last Few Years

Total Canadian NBSK Capacity (000s tonnes)



Source: PPPC, as of January 2024

Notable Capacity Changes (> 100,000 tonnes)

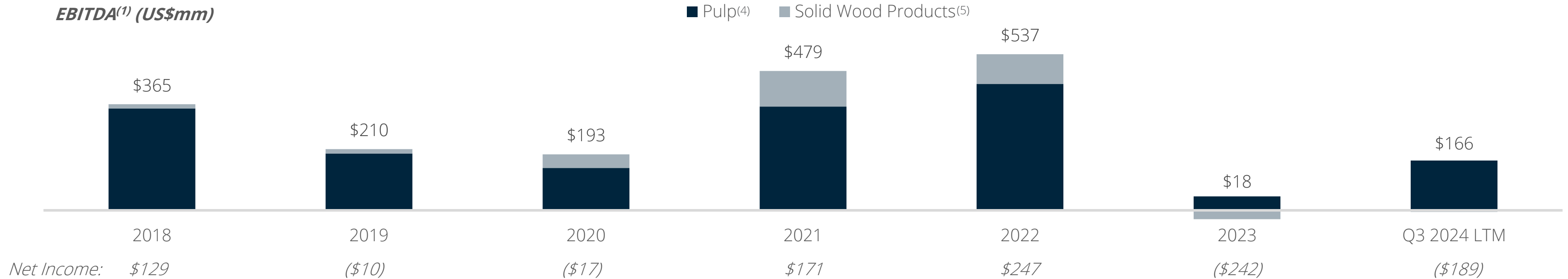
Company	Mill	Location	Change (000s tonnes)	Effective Date
1 West Fraser	Hinton	Hinton, AB	(100)	2022, Q4
2 Canfor	Prince George	Prince George, BC	(250)	2023, Q2
Domtar	Espanola	Espanola, ON	(110)	2023, Q4
3 Aditya Birla Group	AV Terrace Bay	Terrace Bay, ON	(320)	2024, Q1
Canfor	Northwood	Prince George, ON	(300)	2024, Q3
4 Paper Excellence	Prince Albert <sup>(1)</sup>	Prince Albert, SK	+350	2025, H1

(1) Announced; potential to be delayed

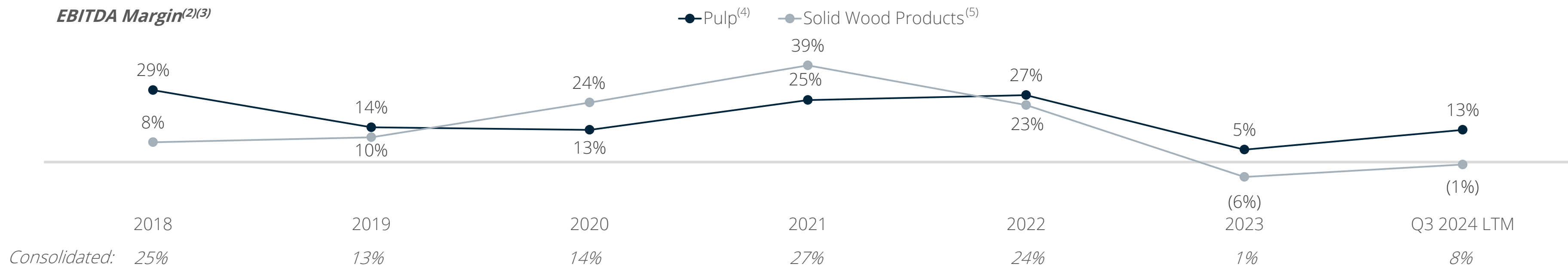


# Financial Performance

## Cyclical Earnings through the Cycle, Strongly Influenced by Commodity Pricing (Pulp, Lumber)



## History of Positive Margin Performance, Gradual Recovery from 2023 Low



(1) EBITDA is a non-GAAP measure. Please refer to the final slide for a reconciliation of Net Income (Loss) to Operating EBITDA; (2) Calculated as Operating EBITDA / Revenue; (3) Excludes unrealized MPR synergies and energy sales from 50% owned Cariboo mill (divested in Q1 2024), recorded as an equity investment; (4) Excludes corporate segment; (5) Includes Mercer Mass Timber



With a history of growth, and sustainability and synergistic diversification ingrained in its strategy, Mercer is well-positioned to drive its future growth engines.



**Strong history** of positive margin performance and continued recovery from 2023 low

**Global megatrends** such as fossil fuel replacement driving long-term demand

**Synergies** from continuous leveraging of geographic clusters

**Economies of scale** across pulp and solid wood segments

**Innovation** through further development of biomaterials, such as lignin

**Strong ESG performance** demonstrated through low-risk rating among industry group and globally




# CONTACT US


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# Reconciling Net Income (Loss) to Operating EBITDA

<i>Consolidated (US\$mm)<sup>(1)(2)(3)</sup></i>	2018	2019	2020	2021	2022	2023	Q3 2024 LTM
<b>Net Income (Loss)</b>	<b>\$128.6</b>	<b>(\$9.6)</b>	<b>(\$17.2)</b>	<b>\$171.0</b>	<b>\$247.0</b>	<b>(\$242.1)</b>	<b>(\$189.1)</b>
Add: Income Tax Provision (Recovery)	\$48.7	\$19.2	\$6.1	\$89.6	\$98.3	(\$27.8)	(\$4.1)
Add: Interest Expense	\$51.5	\$75.8	\$80.7	\$70.0	\$71.5	\$89.1	\$108.1
Add: Loss on Extinguishment of Debt	\$21.5	\$4.8	–	\$30.4	–	–	–
Add: Other Income (Expense)	\$17.6	(\$6.1)	(\$5.9)	(\$14.4)	(\$24.4)	(\$8.0)	(\$6.7)
<b>Operating Income (Loss)</b>	<b>\$267.9</b>	<b>\$84.0</b>	<b>\$63.7</b>	<b>\$346.6</b>	<b>\$392.4</b>	<b>(\$188.8)</b>	<b>(\$91.8)</b>
Add: Depreciation and Amortization	\$96.7	\$126.4	\$128.9	\$132.2	\$144.2	\$172.5	\$165.8
Add: Impairment on Assets Held for Sale	–	–	–	–	–	\$33.7	\$33.7
Add: Impairment on Disposal of Joint Venture	–	–	–	–	–	–	\$23.6
Add: Impairment on Goodwill	–	–	–	–	–	–	\$34.3
<b>Operating EBITDA</b>	<b>\$364.6</b>	<b>\$210.4</b>	<b>\$192.7</b>	<b>\$478.8</b>	<b>\$536.5</b>	<b>\$17.5</b>	<b>\$165.6</b>

<i>Segmented (US\$mm)</i>	Pulp + Corporate		Solid Wood	
	Q2 2024	Q3 2024	Q2 2024	Q3 2024
<b>Operating Income (Loss)</b>	<b>\$4.5</b>	<b>\$23.5</b>	<b>(\$43.7)</b>	<b>(\$14.7)</b>
Add: Depreciation and Amortization	\$27.2	\$28.9	\$12.5	\$12.7
Add: Impairment on Goodwill	–	–	\$34.3	–
<b>Operating EBITDA</b>	<b>\$31.7</b>	<b>\$52.4</b>	<b>\$3.1</b>	<b>(\$1.9)</b>

Note: The above reconciles net income (loss to EBITDA); some numbers may not add due to rounding; See next slide for additional disclosures

(1) Includes MPR results since acquisition on December 10, 2018; (2) Excludes unrealized MPR synergies and energy sales from 50% owned Cariboo mill (divested in Q1 2024), recorded as an equity investment; (3) Includes Mercer Torgau results since acquisition on September 30, 2022

# Reconciling Net Income (Loss) to Operating EBITDA

**Note: For other reconciliations of Net Income (Loss) to Operating EBITDA in periods not shown, please refer to that period's respective Form 10-Q or 10-K, which can be found on our website ([www.mercerint.com](http://www.mercerint.com))**

Operating EBITDA is defined as operating loss plus depreciation and amortization and non-recurring capital asset impairment charges. We use Operating EBITDA as a benchmark measurement of our own operating results and as a benchmark relative to our competitors. We consider it to be a meaningful supplement to operating loss as a performance measure primarily because depreciation expense and non-recurring capital asset impairment charges are not actual cash costs, and depreciation expense varies widely from company to company in a manner that we consider largely independent of the underlying cost efficiency of our operating facilities. In addition, we believe Operating EBITDA is commonly used by securities analysts, investors and other interested parties to evaluate our financial performance.

Operating EBITDA does not reflect the impact of a number of items that affect our net loss, including financing costs and the effect of derivative instruments. Operating EBITDA is not a measure of financial performance under GAAP, and should not be considered as an alternative to net loss or operating loss as a measure of performance, or as an alternative to net cash from (used in) operating activities as a measure of liquidity. Operating EBITDA is an internal measure and therefore may not be comparable to other companies.

Operating EBITDA has significant limitations as an analytical tool, and should not be considered in isolation, or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are that Operating EBITDA does not reflect: (i) our cash expenditures, or future requirements, for capital expenditures or contractual commitments; (ii) changes in, or cash requirements for, working capital needs; (iii) the significant interest expense, or the cash requirements necessary to service interest or principal payments, on our outstanding debt; (iv) the impact of realized or marked to market changes in our derivative positions, which can be substantial; and (v) the impact of non-recurring impairment charges against our investments or assets. Because of these limitations, Operating EBITDA should only be considered as a supplemental performance measure and should not be considered as a measure of liquidity or cash available to us to invest in the growth of our business. Because all companies do not calculate Operating EBITDA in the same manner, Operating EBITDA as calculated by us may differ from Operating EBITDA or EBITDA as calculated by other companies. We compensate for these limitations by using Operating EBITDA as a supplemental measure of our performance and by relying primarily on our GAAP financial statements.