



Repackaging MeadWestvaco

Power and energy are critical production cost components at MeadWestvaco's Covington, Virginia, bleached board mill, which has one of the industry's most modern and efficient power and recovery operations.

In the midst of restructuring its four business segments, MeadWestvaco is also building a new packaging R&D center in Raleigh, N.C. and relocating its headquarters to Richmond, Virginia.

By Ken Patrick, Editorial Director

Mead and Westvaco announced their planned \$10 billion "merger of equals" in August 2001, barely two weeks before 9/11. It was just one in a lengthening string of mergers, acquisitions, and asset rationalizations that has been redefining the global pulp and paper industry since the late 1990s, particularly in North America. That redefinition, of course, is ongoing.

Just prior to and setting the stage for the big merger, Westvaco shutdown its Tyrone, Pa., coated papers mill in October 2001. The next month Mead completed the sale of its Menasha, Wis.-based Gilbert Paper Co. and selected assets to Fox River Paper Co.

Following the actual merger on January 29, 2002, MeadWestvaco launched a major integration and restructuring plan in February, combining and relocating corporate groups that, with associated employee reductions, led the way in a \$325 million annual synergies savings program carried out

over the next two years. The following March, related to that program, the company shutdown four coated paper machines—three at Chillicothe, Ohio, and one at Luke, Md. In September 2002, it completed the sale of its Stevenson, Ala., corrugating medium mill and related assets, including seven container plants and 82,000 acres of timberland, to Smurfit-Stone Container for \$375 million.

The biggest move, however, was to come just over a year ago (May 2005) when the company sold its printing and writing paper business and related assets for \$2.3 billion to NewPage Corp., a new company owned by New York-based Cerberus Capital Management. That transaction included paper mills at Chillicothe, Ohio, Escanaba, Mich., Luke, Md., Rumford, Me., and Wickliffe, Ky., with a combined capacity of some 2 million tons of coated paper, 290,000 tpy of carbonless paper, and 110,000 tpy of uncoated papers.

Indicative of the size and magnitude of that divestiture, the acquired assets were sufficient to place NewPage at No. 19 on the *PaperAge* listing of top 25 paper companies in North America with some \$1.56 billion worth of net sales and 6,300 employees. MeadWestvaco is currently No. 5 on that list (*PaperAge*, May/June 2006).

In recent months since the sale of its paper business, the company has been restructuring its operations into four basic segments—Packaging, Consumer & Office Products, Specialty Chemicals, and Specialty Papers. The Packaging segment is by far the largest, representing some three-fourths of the company's total sales revenues.

While maintaining market-leading positions in all four business segments, MeadWestvaco today is viewed primarily

as a global packaging company, providing packaging products and solutions for the food and beverage, media and entertainment, personal care, cosmetic, and health care industries. Altogether, it has operations in more than 29 countries, a customer base spanning nearly 100 countries, and approximately 22,200 employees worldwide

Healthy signs of a company on the move, MeadWestvaco this past February announced it will establish a new Center for Packaging Innovation in Raleigh, N.C., and announced that it will be consolidating its U.S. corporate locations into a new headquarters in Richmond, Va.

PACKAGING SEGMENT

The Richmond facility, the company explains to *PaperAge*, will be headquarters for its entire business enterprise, including the new Packaging Resources Group, Consumer Solutions Group, Global Business Services, and corporate and select administrative functions. "Consolidating key business areas of our corporate and shared services operations is a critical element in executing our strategy. It enables us to better support and lead our businesses, increase cost efficiencies, and facilitate collaboration," a company spokesperson notes.

The company's six packaging segment divisions were recently transitioned into the two new focused packaging groups, which enables it to fully leverage the market opportunities, expertise, and resources of these businesses. The Packaging Resources Group is comprised of the company's six paperboard mills listed in Table 1.

The operations in Brazil also include five corrugated container plants, one in the south, one in the southeast, two

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—MeadWestvaco

Location	Grade	Paperboard Machines	Capacity (000 tpy)	Customers/Apps
Covington, Va.	Bleached Paperboard (SBS)	3	960	Cosmetics, pharmaceutical, media and entertainment, beverage, tobacco companies
Evadale, Texas		3	625	
Cottonton, Ala.	Coated Natural Kraft	2	1,000	Brewers, beverage companies, folding carton converters
North Charleston, S.C.	Unbleached Kraft	1	385	Saturating kraft (decorative laminates) for furniture, flooring
		1	175	Folding carton converters, food service, brewers, retail packaging
	Linerboard	1	320	Domestic and international corrugated box manufacturers, including company's Brazilian converting operations
Tres Barras, Brazil	Linerboard	1	220	
Valinhos, Brazil	Corrugating Medium	2	90	

Table 1. MeadWestvaco's paperboard mills



Celebrating the completion of the merger of Mead and Westvaco, members of the MeadWestvaco Leadership Team joined John Luke, Jr. and Jerry Tatar (center) ring the opening bell at the New York Stock Exchange on Jan. 30, 2002.

in the northeast, and one in the north of the country. These, together with the two mills, operate as a company subsidiary, Rigesa Ltda, serving the domestic Brazilian market.

MeadWestvaco points out that South America is an emerging market and it is confident in the region's growth opportunities. This past February, the company launched a feasibility study for expanding its paperboard business in Brazil. Currently being explored is an option for increasing production at the Tres Barras mill to include coated paperboard.

The Consumer Solutions Group combines the Packaging Systems and Consumer Packaging operations, bringing the company's packaging capabilities together under one business roof. In addition to the six paperboard mills, MeadWestvaco's worldwide packaging operations include two extrusion plants, 34 consumer packaging plants, 14 packaging systems facilities, 4 corrugated container plants, and 4 design offices.

Housing research and development, emerging packaging technologies, material sciences, and other packaging innovation resources, the Center for Packaging Innovation will be located at North Carolina State University's Centennial Campus in Raleigh. It is bringing an estimated 200 jobs to the Raleigh area and gives the company access to state-of-the-art technology and quality research partnerships.

Since the merger in 2002, MeadWestvaco has completed several key acquisitions and expansions in the packaging arena. In April 2002, it acquired Kartoncraft Ltd., an Irish producer of high-quality pharmaceutical packaging. That June, a company subsidiary EastPrint Ltd. created a new

joint-venture consumer packaging company in Russia—WestvacoEastPrint that began operations in the fall.

In mid-2004, the company acquired Aries Packaging SA, a privately-held machinery manufacturer located in Troyes, France, bringing a wide range of machinery and packaging services to its customers in the dairy, food, beverage, and specialty packaging industries worldwide. Just a few weeks ago, it acquired Saint Gobain Calmar, a global manufacturer of high quality dispensing and spraying systems, for \$710 million.

CONSUMER & OFFICE PRODUCTS

MeadWestvaco consolidated its North American Consumer & Office Products operations in August 2004. Today, the combined group is a leading producer and distributor of school supplies, time management products, and home office products.

Among the group's portfolio are the At-A-Glance and other office products such as writing, easel, and specialty pads, notebooks, tablets, and fine business papers, as well as stock, custom, and specialty envelopes, letterhead stationery, etc. The group's school products include spiral bound notebooks, 3-ring binders, and writing pads.

The Consumer & Office Products Group operates seven converting plants, eight distribution centers, seven envelope plants, and seven print centers. It is the second largest segment within the company, contributing some \$1.1 billion in net annual sales, about one-third each being school products, time management products, and envelopes.

In February 2003, the group acquired Amcal Inc. of Concord, Calif., a supplier of licensed calendars, journals, notepads, porcelain mugs, telephone/address books, and boxed note and holiday cards. Later that year, it acquired the business of Day Runner Inc., a Fullerton, Calif., manufacturer of loose-leaf, personal organizers and related products.

In August 2004, the group acquired Tilibra S.A, a leading Brazilian-based producer of consumer and office products for the retail and commercial stationery channels. Tilibra now operates as a MeadWestvaco subsidiary.

SPECIALTY CHEMICALS

The company's Specialty Chemicals segment produces a variety of agents, primarily from by-product streams of its own chemical pulping operations, e.g. sawdust, tall oil, and black liquor. It operates four chemical plants in the refining and manufacture of these products, and contributes about \$425 million in annual net sales.

The group's specialty chemicals include pulp mill and papermaking agents such as rosin sizes, coating additives

(rheology-viscosity modifiers and leveling aids), and digester additives. Its modified rosin and resin products are also used in the preparation of publication inks.

Specialty lignin and lignosulfonate made from chemical pulping by-products are used in agriculture, textiles, and animal feed businesses, as well as additives in the manufacture of construction boards, ceramics, concrete/cements, and dyestuffs. Tall oil derivatives are used as additives in the manufacture of rubber, soaps, detergents, inks, metalworking fluids, corrosion inhibitors, and plasticizers.

Since the 2002 merger, the company has completed several key business developments to grow and expand its Specialty Chemicals segment. In July 2002, it merged the business assets of its corrosion technology group with those of Bioclimatic Inc., a Delran, N.J.-based manufacturer of air purification systems, creating MeadWestvaco Air Systems.

In November 2003, it acquired the asphalt emulsifier product line from Goldschmidt Chemical Corp., a Hopewell, Va.-based subsidiary of Degussa Corp. In April 2005, the group's dye dispersant line was expanded with the acquisition of Sweden-based Borregaard LignoTech's kraft lignin-based products used in dyestuffs, agricultural, water treatment, and asphalt emulsifier markets.

Last August, the company announced it was forming a joint venture company with China-based Fujian Shaxian Songchuan Chemical Industry. The venture expands SSCI's output of tall oil derivatives primarily for sale in the Chinese and Asia Pacific markets and is known as MWV (Shaxian) Pine Chemicals Co. The plant, already the largest primary processor of crude tall oil in China, is currently undergoing an expansion to be completed by this December.

Most recently, in November 2005 the company approved a \$28 million expansion project for its Specialty Chemicals facility in DeRidder, La. The plant refines crude tall oil into a variety of specialized products, including printing ink resins and asphalt additives. The project will be completed by mid-2007.

SPECIALTY PAPERS

MeadWestvaco has been producing various types of specialty paper grades since 1806. Today, these products are used in the manufacture of countertops, laminate floors, masking tape, food packaging, medical pouches, concrete liners, road signs, computer work stations, and automatic transmissions.

The group operates two specialty mills (Willow and Laurel mills) in South Lee, Mass., and the Cedar Mill in Potsdam, N.Y., with a combined total of four fourdrinier



MeadWestvaco's Packaging Resources Group includes six paperboard mills with a combined 14 machines and a total capacity of some 3.6 million tpy of bleached and unbleached kraft board and containerboard grades.

paper machines. It has five sales offices located in the U.S., Germany, China (2), and Italy, and six major warehouses around the world, with agents in 12 countries.

In March 2004, the company purchased the All Purpose Litho (APL) coated-one-side (C1S) product line from SMART Papers in Hamilton, Ohio. This acquisition bolsters and expands its existing C1S paper lines used in such products as glue-applied labels, litho lamination, book dust jackets, envelopes, and specialty converting processes.

ASIAN OUTLOOK

More than 90% of the world's consumers, and future consumers, are located outside of the U.S., the company notes, pointing out that MeadWestvaco is largely present in Europe, Eastern Europe, Russia, and South America, principally Brazil.

"We have some presence in Asia, but a small presence relative to the size of the markets, the growth that is occurring or will occur, and the investments that our customers have made and are making in these markets," the company explains. "We will, on a continuing basis, need to evaluate how we participate more actively in China, India, and other such markets. They will be very important to us over time, because they will be very important to our customers."

In Asia, MeadWestvaco is involved in the beverage business, exporting paperboard (made in the U.S.) for the beverage marketplaces there. It also participates in some specialty chemicals business, and sources some consumer and office products and other plastic material business from China. ■