EUROPEAN TISSUE INDUSTRY
Growth fueled by M&A among industry’s largest players

Global Specialty Paper Market
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Checking Up on the Paper Checkoff

By John O’Brien, Managing Editor
jobrien@paperage.com

It’s been about two years since the launch of the Paper and Packaging Board’s “Paper & Packaging – How Life Unfolds” advertising campaign — the industry’s national promotional campaign funded by manufacturers and importers of paper and paper-based packaging. The campaign is also known as the Paper Checkoff program.

In July, the Paper and Packaging Board reported preliminary results from econometric data modeled to understand the impact of the checkoff program. Analysis from Harry Kaiser, PhD of Cornell, author and expert on checkoff program evaluation, reported that monthly data, gathered from government and industry sources and representing the five grades participating in the program, revealed the checkoff program’s positive contribution to the market. More specifically, the promotional campaign helped generate in excess of 500,000 tons of additional paper consumption in 2016.

Mary Anne Hansan, President of the Paper and Packaging Board, explained, “With two years of data under our belt, we are doing our best to meet the industry’s expectations for frequent and accurate reporting on their investment in the promotional campaign. While advertising is a factor in the market, it is not the only one. The use of an econometric model, a USDA-accepted best practice for helping evaluate the effectiveness of these campaigns, has allowed us to take a preliminary and conservative assessment of the advertising’s contribution to tons consumed.”

The Paper and Packaging Board also reported the campaign’s effect on “attitude and use of paper and packaging, message awareness, as well as social media growth and participation.” From data reported on Expressives aware of the campaign, findings include:

- Products that come in paper-based product packaging tend to feel more premium — 66% agree (significant improvement, up 14% from 2015).
- Even as technology becomes more advanced, paper continues to play an important role in our lives — 79% agree (significant improvement, up 6% from 2015).
- Consumers can rely on corrugated cardboard boxes to get their merchandise shipped/delivered safely — 83% agree (already high, 83% in 2015).
- When a company decides to package its products in paper-based packaging, consumers think more highly of that company — 64% agree (significant improvement, up 20% from 2015).

In the realm of social media, since the start of the campaign in 2015, the Paper and Packaging Board’s social community has grown to over 236K fans and followers, more than doubling its growth each year. Total video views for the campaign exceed 21.7 million.

And according to the Paper and Packaging Board’s 2nd Annual Paper and Productive Learning Report: 70% of parents are more likely to help with homework when it comes home on paper, while Millennial parents are more likely to help (74%); teachers K–12 report that more than half their class involves paper-based learning (58%) and 83% think their school should continue to invest in paper textbooks; and 48% of college students always use paper to study (up 6% from 2015).

In the “State of the Campaign Report”, Mary Anne Hansan, along with WestRock’s CEO, Steve Voorhees, who also serves as Chair of the Paper and Packaging Board, state, “… our messages will continue to speak to core human values and truths that are stable, enduring and that ground us as people, not just demographics. The campaign will continue to remind consumers and our B2B customers that paper and packaging have an important role to play in accomplishing goals and alleviating worry, while offering creativity, strength and a sustainability story that resonates with consumers and customers alike.”

You can follow the Paper and Packaging Board’s progress on www.paperandpackaging.org.
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Georgia-Pacific announced that its Palatka, Florida, mill has been selected as the location for the company’s previously announced investment of more than $400 million in its GP Consumer (retail) tissue and towel business. The investment supports continued growth for key customers’ premium private label towel products.

Investments to the Palatka mill include building a new paper machine using through-air-dried (TAD) technology, as well as adding associated converting equipment and infrastructure. Engineering and related work has begun, and startup of the upgraded operation is scheduled for 2019.

Approximately 80 jobs will be created to operate the new paper-making complex, in addition to the mill’s 850 current employees.

“This upgrade to our operations in Florida underscores our long history of investment in the state by Georgia-Pacific and Koch companies,” said Christian Fischer, Georgia-Pacific President and CEO. “We appreciate the ongoing support of the local community, Putnam County and state officials in our efforts to continue making our Palatka mill more competitive for the long-term.”

In the last 10 years, capital investment and acquisitions in the Palatka mill have totaled $306 million and statewide investments have totaled $1.5 billion.

The Palatka mill currently operates two kraft paper machines, three corrugated container operations, three corrugated sheet plants, and one corrugated sheet feeder. In addition, Georgia-Pacific’s current and potential customers to grow their premium private label towel brands, as well as expand the company’s Brawny® premium paper towel brand.

In Florida, Georgia-Pacific operates three facilities and employs nearly 1,600 people with total annual compensation and benefits of more than $143 million.

WestRock on June 21 announced that it entered into agreements to acquire substantially all of the assets of Island Container Corp. and Combined Container Industries LLC, which together are independent producers of corrugated boxes, sheets and point-of-purchase displays.

“Island Container and Combined Container have longstanding relationships with customers in cosmetic, pharmaceutical and food markets in the Northeastern United States, and we look forward to continuing these relationships,” said Steve Voorhees, CEO of WestRock. “This acquisition will enable us to integrate more than 80,000 tons of containerboard into our corrugated packaging business.”

The assets to be acquired include a corrugator and the corrugated converting operations located in Wheatley Heights, New York, and certain related fulfillment assets located in Saddle Brook, New Jersey.
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Herbert Schibich
Senior Technical Advisor

Wolfgang Berger
Senior Service Advisor
Graphic Packaging Agrees to Acquire Carton Craft Corp.

Graphic Packaging International in mid-June agreed to acquire substantially all the assets of Carton Craft Corporation and its affiliate Lithocraft, Inc.

Terms of the deal were not disclosed.

Carton Craft is an independent converter focused on the production of paperboard based air filter frames and folding cartons, and operates two converting plants in New Albany, Indiana.

Graphic Packaging said synergies from the acquisition will be driven by the integration of additional CUK paperboard tons and cost efficiencies.

“The announced transaction is consistent with our strategy to pursue acquisitions that allow us to increase our mill to converting plant integration levels into growing markets, provide a runway for further margin improvement, and that we can close at compelling post-synergy EV/EBITDA multiples,” said Graphic Packaging’s President and CEO Michael Doss.

The acquisition is subject to standard closing requirements and regulatory review and is expected to close in the second quarter 2017.

Grupo Gondi to Build New Containerboard Mill in Mexico

Grupo Gondi announced that it will build a new paper mill in Mexico that will have the capacity to produce over 350,000 metric tons per year of containerboard and will provide high-quality medium and linerboard for Gondi’s converting operations and third parties.

“We are pleased to invest in this new manufacturing facility which will help us enhance our service and position in the growing packaging market in Mexico," said Eduardo Posada, CEO of Grupo Gondi. “After completion, Grupo Gondi will produce over one million metric tons of paperboard per year.”

Grupo Gondi will invest about $300 million in this project, which is estimated to be completed by the end of 2019.

Orchids Paper Starts-Up New Tissue Machine at Barnwell, SC

Orchids Paper Products in June announced the startup of its new QRT Paper Machine in Barnwell, South Carolina. The new machine, developed by Valmet, has a production capacity of 35,000 tons per year.

Orchids noted that the new QRT machine is capable of manufacturing both ultra-premium and premium tissue, towel, facial, and napkin paper at a lower manufacturing cost compared to traditional ultra-premium machines.

“This paper is an integral part of Orchids strategy to penetrate the ultra-premium tissue and towel market, which is growing at a rate of 3-5% compared to a 1% overall tissue market growth rate,” Orchids said.

“The machine will also provide flexibility to produce premium products which will give our retail customers more choices in product selection within the premium and ultra-premium product segments,” the company added.

The paper machine has started-up in optimization mode and is expected to be producing at 70% of production capacity in the third quarter of 2017, 85% in Q4 and 100% by January 1, 2018.
ABB’s new L&W Fiber Online is an image-based system for measuring, monitoring, controlling and analyzing fiber properties to help control pulp mixture quality. It gives the complete story of the fibers in real time to help the pulp and paper industry pinpoint and follow trends on furnish quality, reduce variations in stock preparation or pulp production, and reduce energy consumption. To find out more contact your local ABB account manager or visit: abb.com/pulpandpaper
Metsä Group said that its bioproduct mill at Äänekoski is on schedule and on budget as the project nears completion and start-up of the mill. Currently, the mill is in a trial run and commissioning phase.

The mill start-up will begin in mid-August and pulp deliveries from the new mill to customers will begin in early September. The current pulp mill at Äänekoski will be shut down once the bioproduct mill starts-up.

Metsä noted that the facility’s new wastewater treatment plant has already started-up with wastewater from the Äänekoski integrated mill site and that the trial production run of the bioproduct mill’s new drying machine has begun with the pulp of the current pulp mill.

“The measures completed before the start-up aim to ensure a good start-up curve for the bioproduct mill. Once the mill reaches full production, Metsä Group will be the world’s biggest producer of softwood pulp,” said Ilkka Hämälä, CEO of Metsä Fibre.

The bioproduct mill will achieve its nominal capacity approximately a year from the start-up. The mill’s pulp production capacity is 1.3 million tonnes of pulp a year. In addition, the mill will produce other bioproducts, such as tall oil, turpentine, product gas and sulphuric acid.

Metsä pointed out that the new bioproduct mill will not use any fossil fuels, and will generate all of the energy that it needs from side streams. In terms of its energy efficiency, the mill is among the world’s best within its industry. Its degree of self-sufficiency in electricity is 240 percent.
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EUROPE

Stora Enso Shuts Down SC Paper Machine at Kvarnsveden Mill

On June 21, Stora Enso permanently shut down paper machine 8 (PM8) at Kvarnsveden Mill in Sweden. PM8 had an annual capacity of 100,000 tonnes of supercalendered (SC) uncoated magazine paper.

Stora Enso in February originally announced plans to shut down the machine due to “structural weakening of magazine paper demand in Europe.”

The number of people affected by the reorganization of the mill and shutdown will be determined during the third quarter of 2017. Stora Enso emphasized that the closure of PM8 will not impact the company’s SC paper offering. In Europe, Stora Enso continues to produce SC paper at Kvarnsveden Mill on PM12 as well at Maxau Mill in Germany and Langerbrugge Mill in Belgium. The group also serves its SC customers from Dawang Mill in China.

Production at Kvarnsveden Mill will continue on two lines — PM10 for improved newsprint paper and PM12 for SC papers.

NEW ZEALAND

Visy Board New Zealand to Build $100 Million Corrugated Packaging

Visy Board New Zealand has begun building a second corrugated packaging plant in the Waipa District, south of Hamilton in the Waikato Province, New Zealand. Construction of the $100 million facility started in April on an 8.5 hectare site at Hamilton Airport.

“A growing focus on export supply chains associated with food processing, fruit and produce, meat and dairy products has provided the impetus to Visy Board New Zealand’s expansion in the New Zealand market,” said Andrew Gleason, General Manager of Visy Board New Zealand. “This advanced new plant is designed with our customer base in mind and enables us to be local and focused, providing the best quality and cost effective corrugated packaging for our customers.”

Visy Board New Zealand noted that it operates a corrugating facility in Wiri, Auckland, which is running at full capacity, and the new packaging plant in the Waipa District is needed to fulfill the demand created by New Zealand’s growing economy.
Valmet to Supply Complete Tissue Production Line to ICT in Spain

Valmet will supply a complete tissue production line with an extensive automation package to ICT Iberica in Spain. The new Advantage DCT 200HS tissue line will be installed at the company’s mill in Burgo.

“The flexibility of Valmet’s Advantage ViscoNip press makes it possible to adjust the production to fit current and future market needs, from production of tissue with high bulk and softness to energy- and cost-efficient products with high quality, only within minutes,” said Jan Erikson, VP Sales, Tissue Mills business unit, Valmet.

Complete engineering, training, start-up and commissioning are also included in the delivery. The delivery will also include an extensive Valmet automation package. The new line will add 70,000 tons per year of high-quality toilet, towel, facial, and napkin grades to ITC’s overall production capacity.

Start-up of the new machine is expected in the third quarter of 2018.

Kemira Starts Up New Strength Resin Plant in Estella, Spain

Kemira has successfully started up production in its new strength resin plant located in Estella, Spain. The high-efficiency and premium quality strength resins produced at the plant are used in tissue, laminate, specialty and packaging as well as food and liquid packaging boards.

Production of these tissue, paper and board grades is growing in Western Europe, Eastern Europe and the Middle East region, and the new plant is well suited to serve Kemira’s highly valued customers in these markets.

“Estella plant utilizes the most advanced production technologies, ensuring the highest purity and efficiency wet strength resins on the market,” says Eric Padovani, Senior Manager, Marketing, Pulp & Paper, EMEA.

“This is vital for meeting the present and upcoming standards required by the tissue, paper and board industry in even the most stringent countries such as Germany.

“Kemira continues to invest in growing markets and value-adding product lines, and is committed to serve the pulp and paper industry.”

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Appvion’s Chief Financial Officer for the past 10 years, Tom Ferree, retired on June 30. As part of a planned transition, Luke Kelly succeeded Ferree and serves as Vice President of Finance and Chief Financial Officer. Kelly previously held the position of Corporate Controller at Appvion since March of 2016.

Glatfelter announced that Tina M. Moylan joined its Specialty Papers business unit as Director, Specialty Inkjet Products.

JP Gould Ocean Paper announced that Rosanne Burns has joined the company’s sales team. Burns has over 30 years of experience in the pulp and paper industry and is based in Tampa, Florida.

Kruger Publication Papers recently appointed Paul DeRose as Vice President of Sales. DeRose has more than 35 years of experience in the industry, including 15 years at Kruger. DeRose has managed sales accounts in various categories such as newsprint, coated, construction and high-bright (Krubrite 65) paper.

Rottneros has appointed Michael Berggren as Mill Manager of Vallvik Mill in Sweden. He will take office no later than Sept. 21 and will be part of Rottneros Group Management. Berggren joins Rottneros from Ahlstrom-Munksjö, where he was chief of production at Aspa Bruk.

Södra has appointed Catrin Gustavsson as Head of Innovation and New Business, effective August 1. She will succeed Laila Rogestedt, who will be leaving the company. Gustavsson will be a member of Group Senior Management and report to the President and CEO, Lars Idermark.

Zanders announced that Hank Somer has joined the company as a sales manager for the United States and Canada. Somer has more than thirty years of experience in the paper and packaging industry, particularly in the sale of fine papers, board grades and flexible packaging.

Voith GmbH has appointed Andreas Endters as Chairman of the Board of the Group Division Voith Paper, effective October 1, 2017. He succeeds Bertram Staudenmaier who will be leaving the company at the end of this year upon his own request. Endters joined Voith Paper in Heidenheim, Germany in 1995 as Head of Sales and Marketing for “QualiFlex Press Sleeves” and since that time has held various positions within the Group.

The International Council of Forest and Paper Associations (ICFPA) has named Jane Molony as its new president. Molony, Executive Director of the Paper Manufacturers Association of South Africa (PAMSA), will serve in this capacity for the next two years. She succeeds Elizabeth de Carvalhaes, president and CEO of the Brazilian Tree Industry, who served as ICFPA president for the past three years.

The European Tissue Association (ETS) has named Fanis Papakostas as Chairman of the Association. Previously he served as a Vice-Chairman. Papakostas succeeds Roberto Berardi, who stepped down as Chairman at the end of June after more than 10 years of service. He will continue with ETS from an advisory role as an Honorary Chairman. Papakostas has spent 30 years in professional management and consulting, holding senior roles with Unilever, Beiersdorf and Kimberly-Clark.
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OCTOBER 11-13, 2017
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OCTOBER 12, 2017
Hall of Fame Induction Dinner
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Radisson Paper Valley Hotel
Appleton, Wisconsin, USA
www.paperdiscoverycenter.org/hall-of-fame

OCTOBER 16-18, 2017
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OCTOBER 16-18, 2017
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Steady Growth Forecast for Global Specialty Paper Market During 2017 to 2027

The global specialty paper market is estimated to be valued at nearly US$31 billion in 2017 and is projected to reach approximately US$54 billion by the end of forecast period 2027.

The global specialty paper market is anticipated to expand at a CAGR of 5.7% during the forecast period in terms of value, according to a recent report by Future Market Insights (FMI). Western Europe and North America are the global leaders, both in terms of consumption as well as production of specialty paper, and the regions together are estimated to account for more than half of the global specialty paper market. In terms of volume, the global specialty paper market is estimated to register a CAGR of 5.2% over the forecast period.

Adoption of light weight glassine paper resistant to grease and water is boosting the specialty paper market in Western Europe

The key role of packaging is marketing besides its primary function of protection and transportation. Non-rigid packaging solutions promote visual impressions conveyed by the package. Specialty paper helps provide better performance, lower weight and less scope of contamination, increasing the shelf life of a product and also enabling seamless transportation handling. A wide range of applications such as pouches, bags, wrapping and paper based flexible packaging is a major factor boosting the growth of the specialty paper market in Western Europe. Moreover, the presence of major players and new technology also drives the specialty paper market in this region.

Packaging tea bag demand growing in Western Europe, despite low market share

Europe is one of those regions that has a high consumption of tea. This high demand for tea is fueled by packet tea. Although tea bags have a low market share in the region, the demand for tea bags is growing at a rapid rate due to tea bags made of specialty paper and the fact that specialty paper is biodegradable acts as an advantage to the growth of the specialty paper market in the region.

Dampening growth of specialty paper in traditional outlets hampering market growth in Western Europe

Dairy products, confectionary items, and snack foods use plastic as a material for packaging. The packaging through chemical coating provided by manufacturers in plastic packaging for dairy products and other packed items is gaining more demand in Western Europe, which may hamper the market of specialty paper in the region. However, the use of glassine paper is shifting the trend with the use of new items such as foil and other plastic wraps.

Labels with informative function, security systems and NFC technology to boost specialty paper market in Western Europe

The application of electronic labels such as QR code and NFC technology is attracting demand in Europe as it enables security and anti-counterfeit functions by authentication.

The application of electronic labels such as QR code and NFC technology is attracting demand in Europe as it enables security and anti-counterfeit functions by authentication.
of applications of labels are getting the attention of brand owners and merchants that help them to get protection from counterfeit goods, and with the use of mobile applications it helps consumers perform quick scans to avoid purchase of imitation goods. Such labels are made of specialty paper and this is helping fuel the market growth of this product in the region.

**Technological evolution of the specialty paper market is spearheading its growth**

Sustainable improvement in specialty paper such as water-based barrier coating and lightweight and special performance coating is on the rise due to constant research and development in the enhancement of specialty paper. Likewise, high performance composites, biodegradability and nanomaterials are poised to give rise to new markets in the foreseeable future and will continue to boost global market growth. The availability of customizable specialty paper products with specific properties according to end-user preference is an advantage driving the global specialty paper market.

**Global Specialty Paper Market - Attractiveness Analysis by Region**

Among all regions, North America is estimated to account for 28.7% value share in the global specialty paper market by 2017 end, followed by Western Europe with 27.2% value share. North America is projected to exhibit a higher growth compared to Western Europe due to a downfall in the paper industry and the economic turmoil of BREXIT that has affected Western Europe.

North America is also anticipated to show a higher incremental value during the forecast period compared to other regions. Asia Pacific (excluding Japan) is projected to register a value CAGR of 7.3% over the forecast period and account for 13.9% value share by 2017 end. Japan is projected to account for 14.3% value share in the global specialty paper market by 2017 end. The market in Japan will register a CAGR of 6.6% in terms of value over the forecast period.

For further information about this report, visit: www.futuremarketinsights.com.
Public policy that ensures regulations do more good than harm is a top advocacy priority for AF&PA this year. We’re behind that goal 100 percent as we advocate for permit streamlining, paper-based communications options for government services, comprehensive tax reform and revisions to transportation and trade policies.

One piece of good news from Washington is recent action on biomass carbon neutrality. In early May, the U.S. House of Representatives and U.S. Senate voted to include legislative language in the fiscal year 2017 Omnibus Appropriations bill that clarifies federal regulatory policy reflecting the carbon-neutrality of forest-based biomass. For seven years, we partnered with stakeholders to make the case to policymakers that our manufacturers deserved clarity that the Environmental Protection Agency failed to provide since 2010. We are grateful for the effective teamwork and thank the congressional leaders who listened to our concerns and made our issue their issue.

The president has since signed the appropriations legislation into law. Now, the Environmental Protection Agency and Departments of Agriculture and Energy will move ahead to produce clear, science-based policies that reflect the carbon-neutrality of forest bioenergy and recognize biomass as a renewable energy source. This action represents progress for our industry — the leading producer and user of biomass energy, with about two-thirds of our power generated from forest-based, renewable biomass.

Looking ahead, we are eager to advance additional regulatory reforms, including the Regulatory Accountability Act — key legislation that passed the House and the Senate Homeland Security and Government Affairs Committees. The measure provides for a more transparent and accountable regulatory process and includes a judicially-enforceable cost-benefit test and an opportunity for the public to weigh in on costly, complex proposals.

We stand behind the need for systemic regulatory reform. Approximately 3,500 new regulations per year slow an already bogged down permitting process; discourage investment; and hamper industry expansion and modernization. Manufacturers have spent billions
of dollars on regulatory compliance and are estimated to spend an additional $10 billion in new capital expenditures over the next decade.

We need a regulatory reset so that regulations are designed to provide net benefits to the public based on the best available scientific and technical information through a transparent and accountable rule making process, with due consideration of the cumulative regulatory burden. In our book, that action can’t come soon enough so that common-sense regulations are in place to allow the paper and wood products industry to innovate, expand and create jobs.

Advocacy is a team effort, and our end goal is to put the most effective and efficient policies in place for our member companies. As luck would have it, AF&PA and top industry experts were on Capitol Hill as appropriations bill votes occurred and were able to take in May’s good news in real time as we moved between our Spring Fly-in meetings.

With more than 900,000 employees in rural and urban communities across 45 states, we are the face of U.S. manufacturing; a story we shared in more than three dozen meetings with CEOs and members of Congress and the Administration this spring and summer. Our member companies are on the frontlines and know our industry needs best. We’ll continue to bring their solutions forward to Congress and the Administration and look to engage industry stakeholders and allies to join our advocacy team for more positive results.

ABOUT AF&PA
The American Forest & Paper Association (AF&PA) serves to advance a sustainable U.S. pulp, paper, packaging, and wood products manufacturing industry through fact-based public policy and marketplace advocacy. AF&PA member companies make products essential for everyday life from renewable and recyclable resources and are committed to continuous improvement through the industry’s sustainability initiative — Better Practices, Better Planet 2020.

The forest products industry accounts for approximately 4 percent of the total U.S. manufacturing GDP, manufactures approximately $200 billion in products annually, and employs nearly 900,000 men and women. The industry meets a payroll of approximately $50 billion annually and is among the top 10 manufacturing sector employers in 45 states. Visit AF&PA online at www.afandpa.org or follow us on Twitter @ForestandPaper.

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**Dust control innovations.**
How is M&A activity shaping European tissue industry?

Since 2000, the European tissue volume has grown from 5.7 million tons to almost 8.5 million tons. A clear trend connected to this growth has been consolidation of the largest players.

By Pirkko Petäjä and Mikko Helin, Pöyry Management Consulting

The large producers have been growing through sizeable acquisitions, as well as by organic growth. The most active acquirers have been SCA, Sofidel and WEPA, while all of the mentioned, and in addition ICT-Tronchetti, have also been active builders of new capacity. The capacity share of the three largest players has grown from approximately 40% to 50%.

The business environment is better in a consolidated market. The impact of consolidation is also reflected in the performance of individual companies — after the consolidation steps in Europe, SCA’s tissue business experienced evidently higher and more stable margins. While large companies have been becoming even larger, there has been a continuous stream of new entrants to the tissue business as barriers to entry are relatively low. The Eastern European industry especially is still fairly fragmented, and consolidation could significantly improve this business environment.

EUROPEAN TISSUE M&A OVER THE LAST 15 YEARS

The leading European tissue companies have targeted major strategic acquisitions, such as SCA’s acquisition of P&G and Georgia-Pacific (G-P), Sofidel’s acquisition of LPC, and WEPA’s buy of Kartogroup. These deals have resulted in significant synergy benefits and positively impacted the business environment. There is, however, a limited number of opportunities for large acquisitions. Finding one buyer for all assets, or the majority of, has become difficult. This has led Kimberly-Clark (K-C) to actively divest its less profitable
units and locations where it does not have “number 1 brand position.” Since 2000, K-C has divested some 300,000 tons per annum (t/a) tissue capacity as individual mills to different buyers.

In the same time period, most of the largest companies in the industry have made a clear transformation through acquisitions. SCA, the clear leader in the M&A activity, has more than doubled its size in the last 15 years. Sofidel first expanded throughout Europe with new mills, and then through acquisitions. Sofidel has grown into a million-ton company and has recently started to expand outside of Europe. WEPA made one of the biggest leaps by first acquiring Kartogroup, and more recently through active organic growth and complementary smaller acquisitions. K-C has been a clear exception — its capacity in Europe has reduced over 30%. Metsä Tissue has been stagnant. The last acquisition they made was ten years ago and the company’s organic growth has been cautious, mainly replacing outdated capacity. Companies on the smaller end of this spectrum have grown steadily and have doubled their capacity since 2000. Lucart has made acquisitions and built mills in France and Italy, and Carrara in Italy.

**RECENT M&A ACTIVITIES FOCUSED ON SMALL COMPANIES AND INDIVIDUALS MILLS**

In the last five years, since SCA’s G-P acquisition in 2012, European tissue acquisitions have been relatively small. Deals have included rearrangements related to the aftermath of the G-P exit: Sofidel’s completion of its portfolio through purchase of selected targets, and WEPA’s strategic acquisitions in

**Figure 1:** European tissue has consolidated through both acquisitions and organic growth.

**Figure 2:** Selected tissue paper mill acquisitions in Europe.

**Figure 3:** Selected tissue converting acquisitions in Europe.
the UK and France, and divestment of two Italian mills. In addition, recent deals have involved acquisitions of single mills or small companies, where the buyer is often a private equity fund, and in many cases, the seller is K-C.

In some cases, there is distinct strategic benefit to the smaller deals. These are often concentrated to the CEE, currently a “hot” area in European tissue. The Paloma deal, whereby the Slovenian company finally ended up with the Slovakian SHP, is one step towards Eastern European consolidation. Also, the Abris Capital acquisition of the Romanian Pehart Tec forms a future platform for further consolidation.

In the Iberian Peninsula, strategic investments include Cominter acquiring Celuloses de Hernani, and Portucel acquiring AMS. The acquisition by Portucel (now the Navigator Company) of AMS-Paper in Portugal anticipates a future significant move into the tissue sector. Other strategic acquisitions include purchases of independent converters or independent converters acquiring base paper mills.

Industrial buyers complement their portfolios with acquisitions and target stronger position, consolidation and synergy benefits. Financial investors have become more interested in tissue acquisitions than before. In many cases, there is a clear strategic intent behind these deals as well.

CHARACTERISTICS OF ORGANIC GROWTH AND NEW BUILDS

A large share of the new tissue capacity in Europe has been built by larger companies that have renewed their assets or grown organically.

- Tronchetti has built 350,000 t/a new capacity in the last some fifteen years
- SCA has closed down 180,000 t/a obsolete capacity and built 275,000 t/a new
- Sofidel has grown outside Italian markets with 250,000 t/a new capacity
- WEPA has soon built 190,000 t/a new capacity, speeding up in the last few years

New capacity has also been built by small and medium size established players and by newcomers. The Iberian Peninsula specifically has seen many investments (AMS, Suavecel, Paper Prime, Renova) and more capacity increases are planned. Eastern Europe has also seen an increase of new investments. Part of these have been made by established large groups such as SCA and ICT. Russian companies such as Syassky and Syktyvkar Tissue Group have also grown to sizable players in a relatively short time. Pehart Tec investments have been supported by the new owner, Abris Capital.

There are various players adding single width machines to replace old capacity, or just to grow or start producing tissue. Only the largest industrial companies have added double width machines.

NEW GENERATION OF TISSUE ENTRY

Tissue capacity increase is not only by expansion of existing producers but there is versatile motivation for new entrants. This can be push or decline of their current businesses. For example, smaller pulp mills losing competitiveness and integrating to tissue or graphic paper sites looking for new opportunity due to their declining market. There are also cost benefits for this type of entry in terms of both manufacturing and investment costs. For a newcomer, the entry is often much easier to an existing site.

Entry into the tissue market often starts from converting. When capacity is high enough for a paper machine, many independent converters start to consider their own paper production. Margins are normally higher for an integrated player as the concept has many cost benefits, while the producer is also stronger and less vulnerable with its own base paper. Consequently, adding base paper production is attractive to sizable independent tissue converters.
Investors are currently active in the tissue sector making base paper additions possible and enabling consolidation moves. Therefore, even investors can be considered a new entrant group.

**LARGE FAMILY COMPANIES AND FINANCIAL OWNERS INCREASING THEIR SHARE OF THE INDUSTRY**

In the 1990s large multinational paper or hygiene companies accounted for a large share of tissue companies in Europe. Family companies were small and more locally based. A significant share of tissue companies were private, local single mill companies. The number of large listed and multinational companies has reduced from those days. Current major players include SCA, K-C and Metsä Group (Metsä Tissue). The exit of North American companies from Europe has reduced the presence of multinationals and non-European companies considerably.

Family-owned companies have grown significantly, spreading across and even outside of European regions. New family-run companies have also become more visible. In addition, the industry has seen the reincarnation of family companies, such as Carrara Group carrying the family name of former Cartoinvest owners and the independent converter Leicester Tissue Company owned by the Tejani family (former owner of LPC).

Financial owners are also becoming more common in tissue, especially in growth areas such as Iberia and Eastern Europe. Local funds have been common participants in smaller deals, while large international funds have always shown interest when anything significant has been for sale, as now related to the recent split of SCA into two companies.

There are investors behind several tissue companies, either full or partial. In addition, there are various small privately- or even state-owned companies. For many small companies, the ownership structure is not known.

The European top 100 tissue base paper producers’ capacity is broken down into different ownership categories. Family and private companies account for approximately 40% of capacity. Listed, large, and often multinational companies are the second biggest group.

Investor ownership of tissue base paper producers accounts for approximately 7% of ownerships. This analysis does not include independent converters, which are mostly private companies, but can also be owned by investor funds (e.g. Accrol Paper). Minority ownerships, such as the case of Syktyvkar Tissue Group (30% Venture Investments & Yield Management), are also excluded from this estimate.

Considering all of this, it is fair to say that some 10% of the European tissue business is in the hands of financial owners. There are no large groups involved in this type of ownership at the moment, although in Eastern Europe these kinds of players are developing.

**FUTURE TARGETS AND DEVELOPMENTS IN TISSUE M&A**

When analyzing the recent past in European tissue M&A, it is clear that the consolidation trend is continuing. Players are strategically buying assets that best allow them to serve their customers. Important questions regarding future M&A development include:

- Which targets will be available and who could purchase them?
- Are there any major acquisition opportunities that would attract very large companies in Europe?
- Is merger or acquisition by middle players possible?
- Are there any further consolidation opportunities in Western Europe? Who will be consolidating in Eastern Europe?
- Could Asian or Middle Eastern players enter the European market with local production —would they be likely to make acquisitions in order to gain market access?

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Using Polyvinyl Acetate Coating Binders to Help Reduce Paperboard Packaging Weight

As market demand for lighter weight packaging continues to grow, consumer applications will always be an important segment for coated paperboard producers and polyvinyl acetate (PVAc) coating binders provide a feature, specifically stiffness, that should allow paperboard manufacturers an opportunity to reduce basis weight/grammage without hurting a carton’s primary function namely product protection.

By Phil Confalone, Celanese Emulsion Polymers

The benefits of light-weighting paperboard are as numerous as the drawbacks but the drive for sustainability persists and so coated board producers remain compelled to examine all options. Reducing folding carton (i.e., packaging) weight without sacrificing paperboard manufacturing and end-use performance is not only important to coated board mills but to their customers as well (e.g., food, personal care and healthcare companies). The positive impacts of lighter packaging include reduced raw material, shipping, and waste disposal costs.

The shift to lighter weight cartons raises the importance of substrate stiffness to the same degree as other top tier quality parameters (e.g., appearance, printability) because lighter packages must still be strong and durable enough to protect their contents. While there are many papermaking factors that can impact basis weight/grammage, light-weighting can also be influenced by synthetic coating binders. It is well known that the glass transition temperature (Tg) of a synthetic coating binder can affect the flexural property of a dried coating film. The higher the Tg, the stiffer the coating and vice versa.

Polyvinyl acetate coating binders (PVAc) have a higher Tg than many styrene-based binders e.g., styrene acrylate (SA) and therefore, impart higher stiffness to pigmented coatings. PVAc binders are also made with ingredients that satisfy evolving global/regional food contact regulations for coated paperboard that is used in food packaging applications namely China’s National Standards for Food Packaging (GB 9685) and Europe’s Recommendations on Food Contact Materials (BfR XIV and XXXVI) in addition to meeting current US FDA regulations (21 CFR 176.170 and 180).

Since rigid binders like PVAc can help dried coating films resist bending in the planer direction (x and y), said attribute should allow coated board producers an opportunity to reduce
basis weight / grammage by letting them substitute more expensive (stiff) virgin fibers with less expensive (flimsy) secondary fibers and/or by reducing the total amount of fibers altogether (i.e., reduce caliper/thickness). Here, the relatively high Tg of PVAc should offset or recover some of the stiffness of the sheet that is lost by the abovementioned fiber substitution or by down-gauging. Most commonly used stiff SA coating binders have a lower Tg than PVAc; therefore, greater losses in stiffness can be expected. Tg results are presented in Figure 1.

Coating stiffness also depends on coating structure and/or its bulk characteristic. Generally, bulky coating structures tend to be more rigid (stiffer) than compact structures providing the pigment particles and fibers are well bonded together. It has been shown that rigid binders like PVAc will not deform as easily as styrene acrylate at the dry stack or upon calendering. This attribute can help a dried coating layer resist densification/compaction in the transplaner (z) direction thus allowing the dried coating layer to maintain its bulky “I-beam-like” structure which is necessary for maximum carton rigidity.

EXPERIMENTAL DETAILS

Although a wide variety of coating ingredients and combinations thereof are used in coated paperboard applications, simple coating colors comprising No.1 Clay, PVAc or stiff SA binder and a cellulosic rheology modifier were prepared at lab scale to validate the correlation between synthetic binder type, substrate stiffness and their inferred impact on light-weighting objectives. These coatings were formulated at broadly different binder levels (15 and 20 dry parts binder per 100 dry parts clay), but all were made down at the same solids (65%).

To lessen the stiffness contribution of the fibrous substrate while accentuating the role of the coating and the binders, this study was purposely conducted on paper instead of board. Coating weights of 6 lbs. and 12 lbs. per 3000 sq. ft. were applied via benchtop lab coater to one side of 75 lb. woodfree paper because it was readily available at the time of this study. Said coating weights were chosen to simulate precoated (6 lbs.) and double coated (12 lbs.) bleached board. These freshly coated substrates were immediately oven dried in a forced hot air oven at 260°F for 60 seconds.

To further intensify any differences in stiffness contribution or counteractions by the binders, the sheets were calendered 1 nip and separately 2 nips with a chrome roll surface temperature of 170°F and a nip load of 550 psi. All samples were conditioned overnight TAPPI standard temperature and humidity before being tested for Stiffness via TAPPI test method T-489. In this study, stiffness was calculated as geometric mean stiffness normalized to constant substrate density to account for subtle but critical differences in coating weight and/or caliper among the test samples (n=3). The measurements presented here for stiffness (mg/ream) were precise to two significant figures.

RESULTS AND DISCUSSION

Figures 2A and 2B illustrate the stiffness of the coated papers differentiated by synthetic binder type, binder dosage and coating weight. As expected, the stiffness of all the coated papers was higher than the starting uncoated raw stock but the results showed that the two binders responded differently to coating weight. More specifically, the data showed that the stiffness of the sheets comprising PVAc was comparable to the stiffness of the SA sheets at lower coating weight (6 lbs., simulating base coat only) but the PVAc sheets were significantly more rigid than the SA sheets at the higher coating weights (12 lbs., simulating double coated one side). An unexpected
result was that the stiffness of the SA papers did not change with increasing coating weight.

The data also showed the impact of binder dosage on stiffness and there was no significant difference between those coatings that were formulated at 15 pph and those at 20 pph. This outcome was counterintuitive in considering the relationship between binder dosage and the interlocking that occurs among the bonded pigment particles and the surface of the substrate. Generally, one would have expected coating stiffness to increase with increasing amounts of the high Tg (hard) binders used in this study.

Figures 3A and 3B show the effect of additional calendering on the coated papers. As expected, the stiffness of all the sheets decreased upon further densification. The response of the binders, however, remained the same as it did in the previous study with stiffness favoring the PVAc formulations at the higher coating weight that simulated double coated one side board. Plainly, the thermoplastic nature of this SA binder produced coating structures that were more easily compacted via calendering, thus lessening its contribution to coating and substrate stiffness. Although understood, most precoated (base coat only) board is not calendered.

For confidence, the study was repeated on the same substrate having 13% lower basis weight (65 lb. versus 75 lb.). Figures 4A and 4B depict the same application conditions as 2A and 2B except on the lighter weight raw stock. Here too, there was no significant difference in stiffness among the synthetic binder systems at the lower coating weight that simulated precoated board but PVAc generated significantly higher stiffness than SA at the higher coating weight that mimicked double coated one side board.

Surprisingly, the coated sheets containing PVAc generated more stiffness at 15 pph than those at 20 pph. Here, coating bulk provided by the rigid polymeric backbone might have influenced these results. Once again, binder dosage did not appear to affect the stiffness of the SA sheets. The observed difference can be attributed to the lower Tg (higher plasticity) of the SA backbone rendering the substrates more pliable.
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Figures 5A and 5B show the effects of additional calendering on the lighter weight substrates. Here again, all the coated substrates lost some stiffness upon calendering but those with PVAc still maintained an advantage over those with SA thus confirming its positive impact on the coating. Binder dosage and coating weight had minimal impact on the performance of the stiff SA binder, thus limiting its ability to help paperboard producers reduce packaging weight without making other changes.

CONCLUSION

While there are many mechanical and chemical papermaking options that can impact carton stiffness, the use of PVAc coating binder is one possible solution to reducing packaging weight because of its contribution to stiffness; an important property that is weakened upon light-weighting and a critical parameter that affects converting efficiency and ultimately a carton’s primary job, product protection. In this study, substrate stiffness was strongly influenced by PVAc Tg and its positive impact on the structure/morphology of the dried coating layer. Coating formulations are certainly a compromise to achieve optimum appearance and printability as well as stiffness, but PVAc’s inherent contribution to substrate stiffness should help coated paperboard producers successfully achieve their light-weighting goals given its time-tested competency in folding carton applications.

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ACKNOWLEDGMENTS

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EU Launches Trade Investigation Against Turkey Following Complaint by the European Paper Industry

On July 7, the EU decided to launch investigations against Turkey for breach of EU-Turkey Customs Union and WTO rules confirming the validity of a complaint lodged by the European paper industry.

The Confederation of European Paper Industries (CEPI) presented a trade complaint (Trade Barrier Regulation (“TBR“)) to the European Commission on April 24, 2017. The complaint concerned the unfair non-automatic import licensing system established by Turkey concerning, inter alia, EU exports of certain varieties of paper including office paper, books, envelopes and paper used for direct mail marketing (otherwise known as uncoated wood free (“UWF”) paper). This is both the first time a TBR complaint has been launched in almost ten years and first time CEPI as an industry association has lodged a trade complaint.

“[The July 7th] launch of this investigation is an indictment of the Turkish authorities’ reluctance to maintain a level-playing field when it comes to free trade. Turkey should withdraw, in the spirit of the EU-Turkey Customs Union and its WTO commitments, any unfair trade barriers” say Sylvain Lhôte, Director General at CEPI.

According to CEPI, the unfair non-automatic import licensing system puts at risk over EUR150 million worth of EU exports of these varieties of paper. At a time when global free trade is under increasing pressure, the European paper industry urges the Turkish authorities to stand on the side of free trade. The paper industry already exports 22% of its entire produce outside the EU and will continue to remain an advocate for free trade and take a firm stance where this is put at risk.

WHAT CAN BE EXPECTED NEXT?

Within a five to seven month period the Commission will now engage in a detailed investigation of the concerns raised by CEPI resulting in a report which may warrant the launch of WTO proceedings.

BACKGROUND TO THE TRADE COMPLAINT

Following an inconclusive safeguard investigation on uncoated woodfree (UWF) paper imports in 2014-2015, Turkey extended in 2016 an existing import licensing system which targeted EUR150 million of EU exports of UWF paper products.

The Turkish non-automatic import licensing system with regard to UWF paper is based on an arbitrary price threshold and creates a significant and unfair obstacle to EU-Turkey trade. As such, the contested system poses a clear violation of WTO and EU-Turkey Customs Union Agreement, CEPI explained.

The Confederation of European Paper Industries (CEPI) is the pan-European association representing the forest fibre and paper industry. Through its 18 national associations, CEPI gathers 495 companies operating more than 900 pulp and paper mills across Europe producing paper, cardboard, pulp and other bio-based products. CEPI represents 22% of world production, EUR 81 billion of annual turnover to the European economy and directly employs over 175,000 people. To learn more, please visit: www.cepi.org.
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