

**Mercer International Inc.**

Transforming biomass into bioproducts for a more sustainable world

**BofA Securities 2023 Leveraged Finance Conference**  
**November, 2023**

Richard Short, CFO and Secretary



# 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.





# Bioproducts: Part of the Solution

The tolerance for carbon-intensive products is rapidly waning. Sustainably sourced wood and wood derivatives are part of the solution.

However, wood supply is precious; only the most efficient and innovative producers and products will be capable of meeting demand.

**Mercer is well positioned to be a leader in this space.**



# Transforming biomass into bioproducts for a more sustainable world



Be Safe &  
Healthy.



Be  
Sustainable.



Be  
Respectful.



Be  
Bold.



# Global Megatrends Driving Long-Term Demand

By 2030, worldwide population is projected to reach 8.3 billion, with 4.9 billion classified as middle-class, of which 66% will reside in Asia



Global Megatrends

Population Growth

Increasing Urbanization

Climate Change

Growing Middle Class

Higher Living Standards

Housing Demographics

Fossil Fuel Replacement

Circular Economy

Increasing Consumption

Changing Regulations

Resource Scarcity

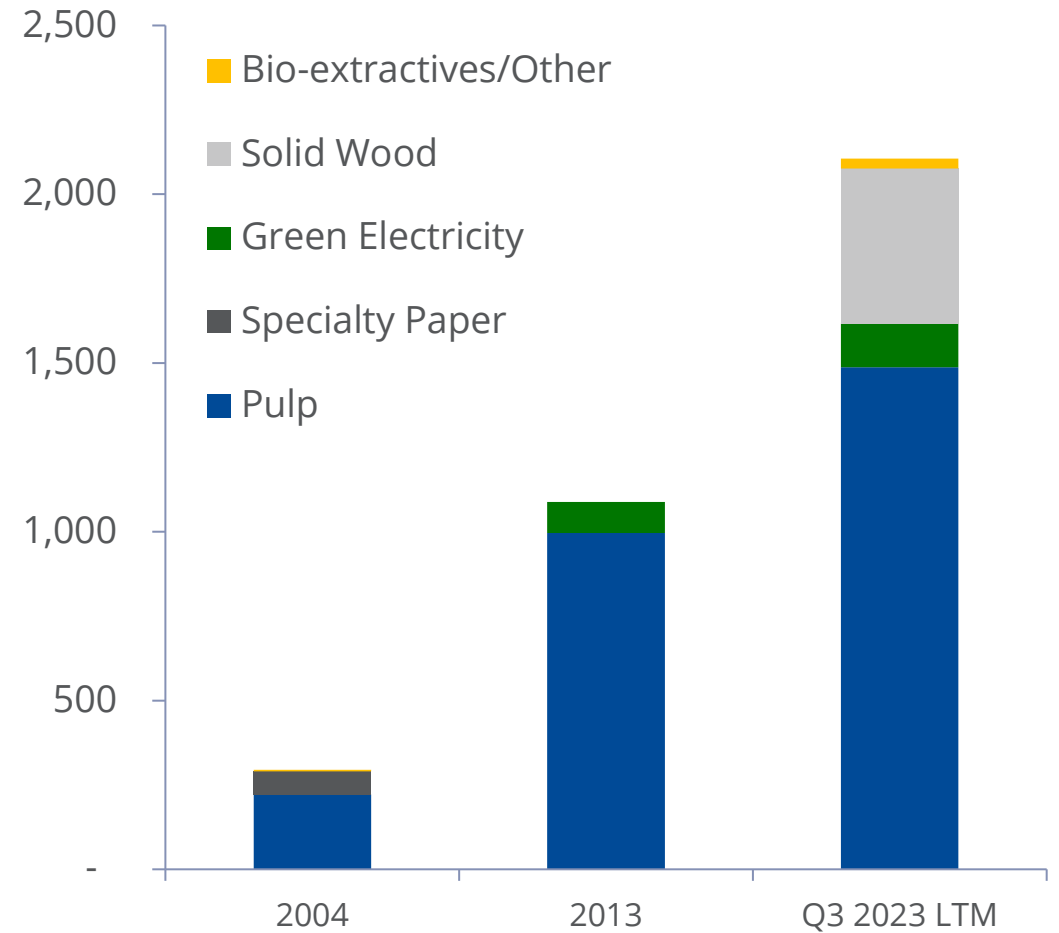




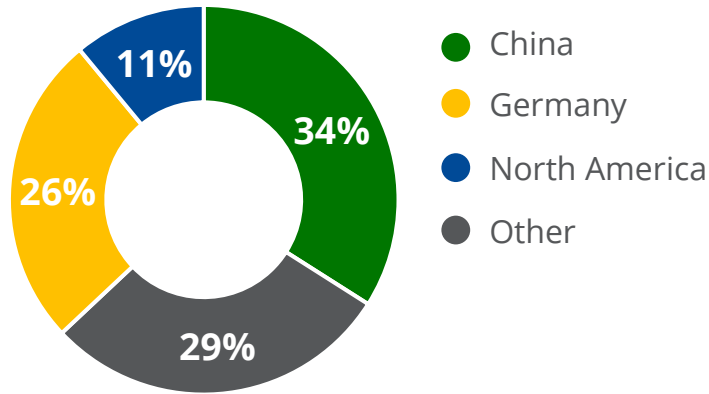
# Maximizing Value through Purposeful Diversification

# Evolving Sales Mix

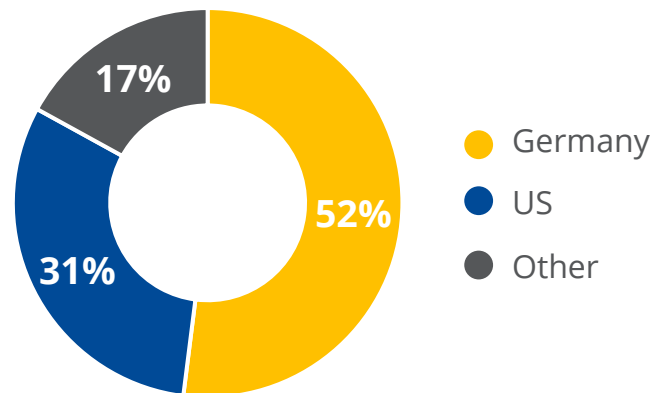
Consolidated Revenue (\$ millions)<sup>(1)(2)</sup>



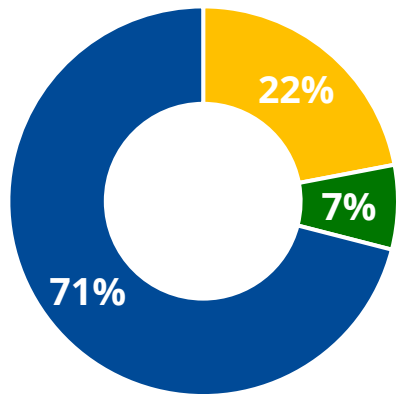
Pulp Segment<sup>(1)</sup>



Solid Wood Segment<sup>(3)</sup>



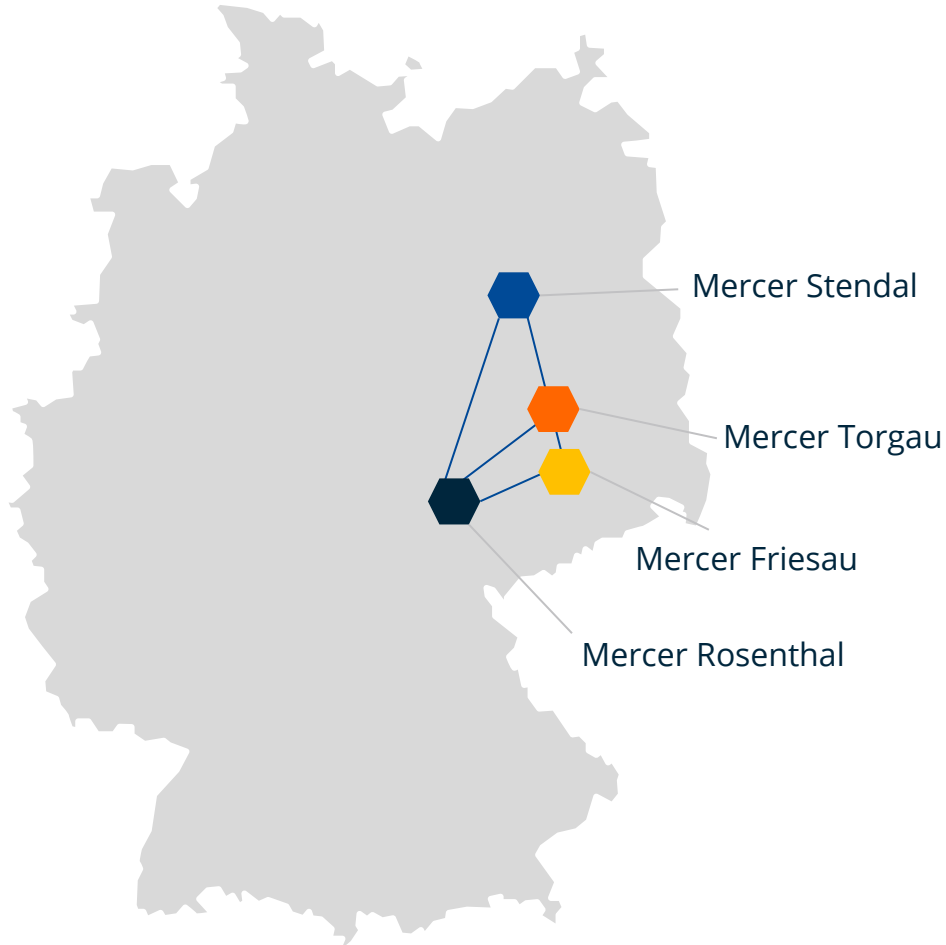
Product Mix<sup>(1)(2)</sup>



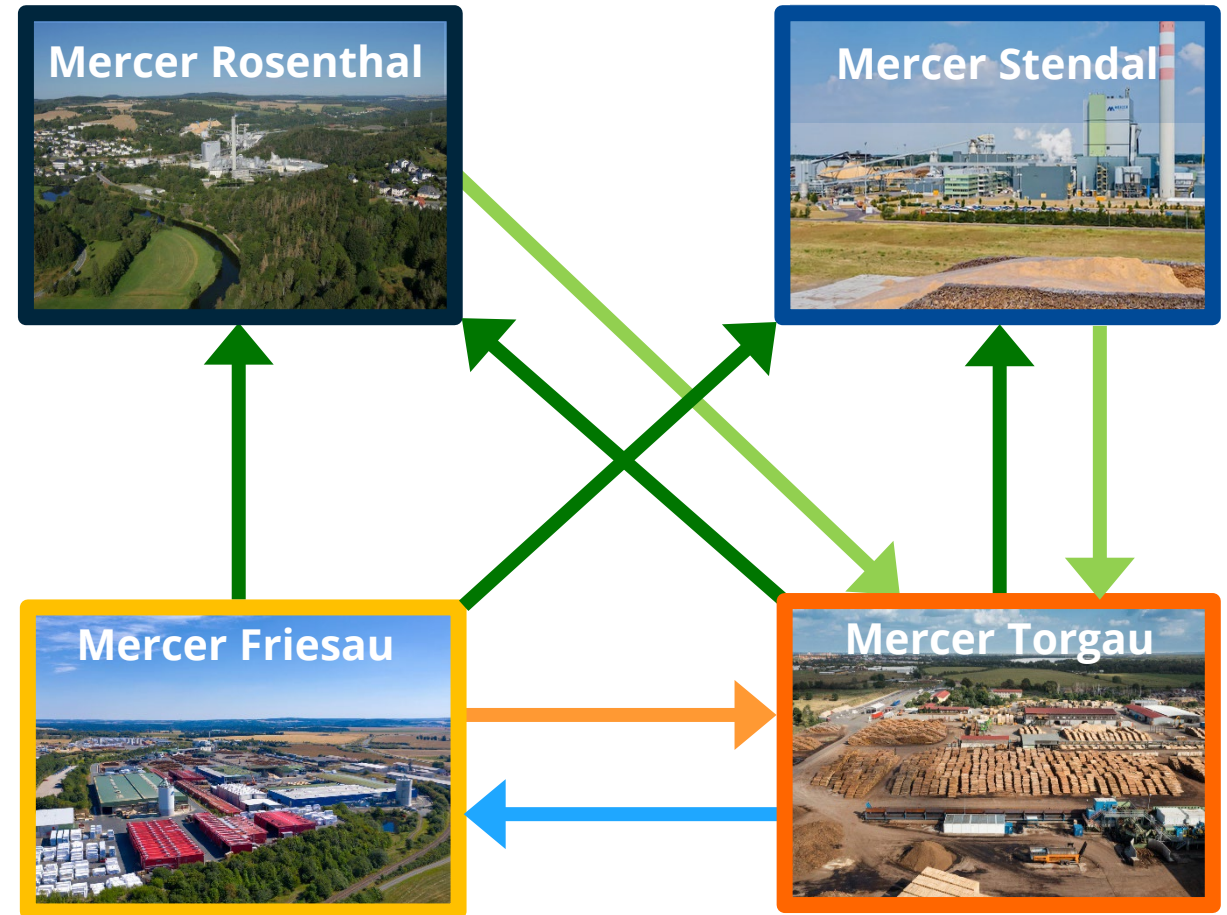
- Pulp
- Solid Wood Products<sup>(3)</sup>
- Energy / Bio-extractives

1) Q3 2023 LTM by revenue  
 2) Excludes energy sales from 50% owned Cariboo mill  
 3) Includes lumber, CLT, finger joints, milling / gardening products, wood residuals and pallets & biofuels

# Leveraging Geographic Clusters to Maximize Value



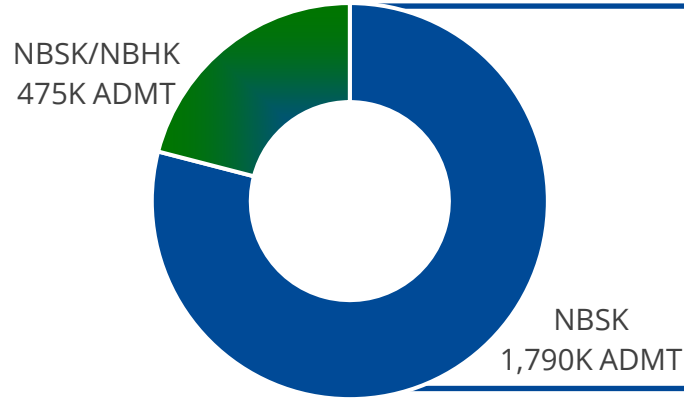
- Residual fiber for pulp
- Sawdust for pallet components and biofuels
- Unplaned lumber for further processing
- Low quality lumber for pallets





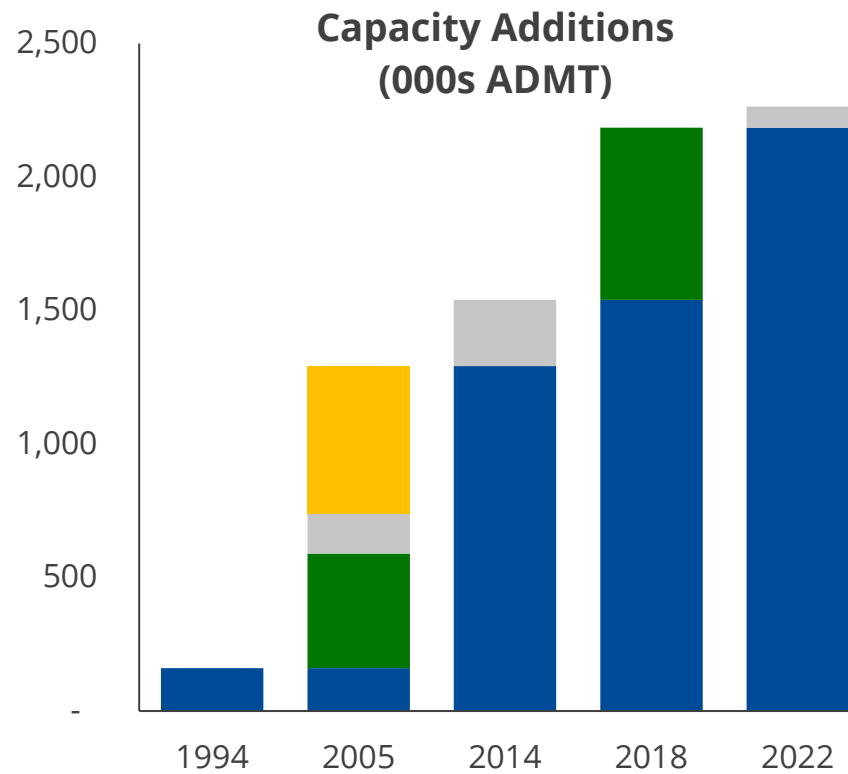
# Pulp:

## Continued Optimization



**2.3**  
million  
ADMT

**3<sup>rd</sup>**  
Largest  
Producer  
of Market  
NBSK



**+1,935K**  
tonnes  
1994 - 2022

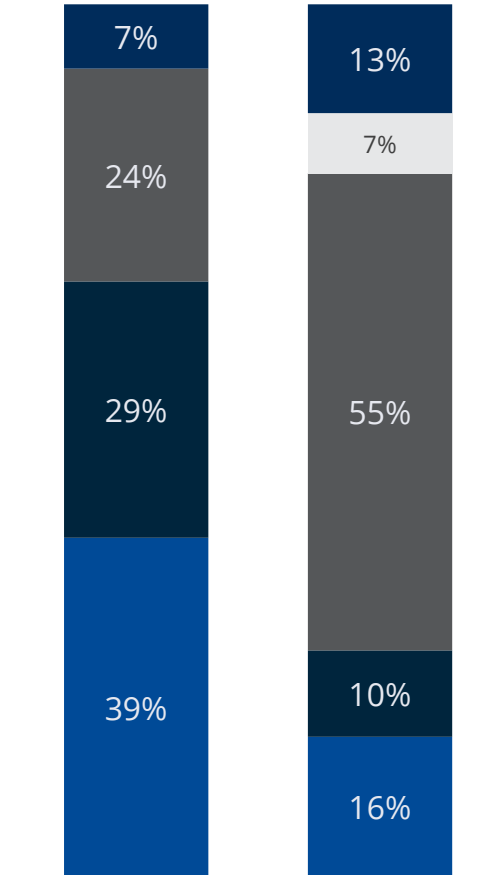
- Greenfield Investments +552K tonnes
- Efficiency and Capacity Investments +398K tonnes
- Aquisitions +1,075K tonnes

# Solid Wood:

Continued Expansion to Capture Synergies



Lumber Sales Revenue by Region (% of Revenue)



- Germany
- North America
- Other
- Other EU
- Asia

960

MMfbm Lumber

Expansive range of metric and US dimension grades for all major world markets

Mercer Friesau



550 MMfbm

Mercer Torgau



410 MMfbm

230k

metric tonnes pellets + briquettes

17

million pallets

# Mass Timber: Continued Geographic Expansion

45,000 m<sup>3</sup> Glulam

210,000 m<sup>3</sup> CLT

5 NA Facilities with Wide Geographic Reach

**2** State of the Art Facilities in Northwest and Southeast US

Eco-Living  
Prefabrication  
Customizable  
Concrete of the Future

North America's **35%** Leading Mass Timber Producer of North American Mass Timber Panel Capacity<sup>(1)</sup>

Global CLT Market Value<sup>(2)</sup>  
(\$US Billions)

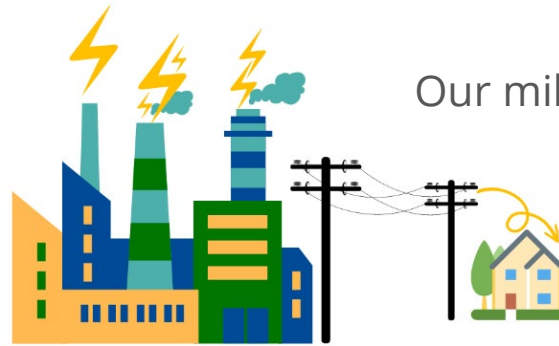


1) Source: FEA – 2022 Mass Timber Annual Update. Reflects Mercer + Structurlam North American Mass Timber Panel Capacity by %.  
 2) Source: Polaris Market Research  
 3) Source: Grand View Research



# Bioenergy & Biomaterials:

## Development of Green Fossil-Fuel Replacement Alternatives

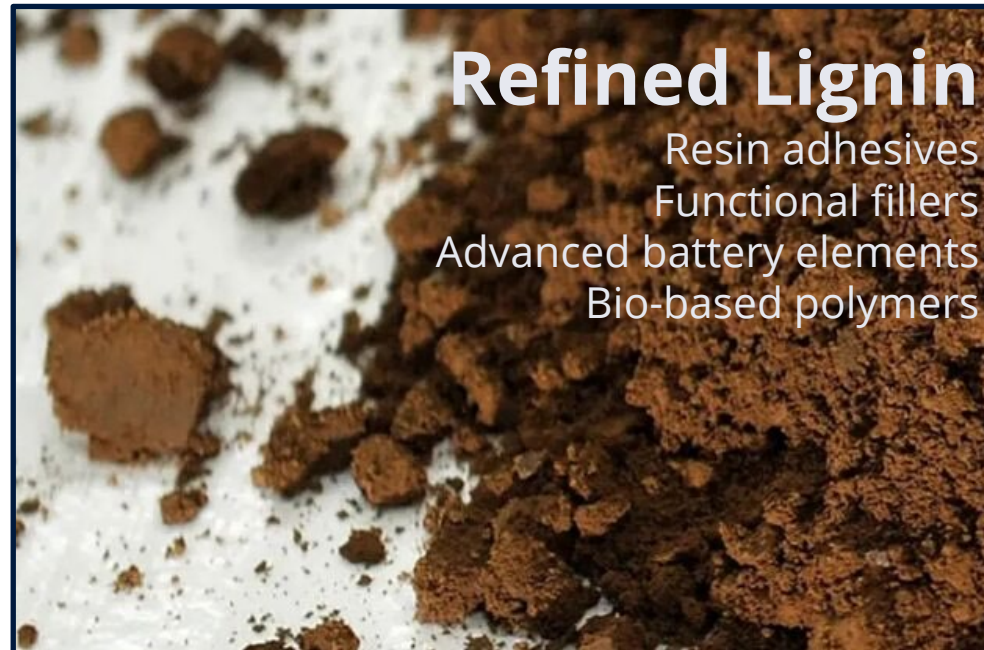


### Green Electricity

Our mills generate 890 GWh of surplus power from biomass each year, enough to power

**83,700**

homes without fossil fuels



### Refined Lignin

Resin adhesives  
Functional fillers  
Advanced battery elements  
Bio-based polymers

**Mercer Lignin Center Completed 2023**

**250** tonnes  
annual capacity



Commercialization of nano-fibrillated cellulose

### Tall Oil

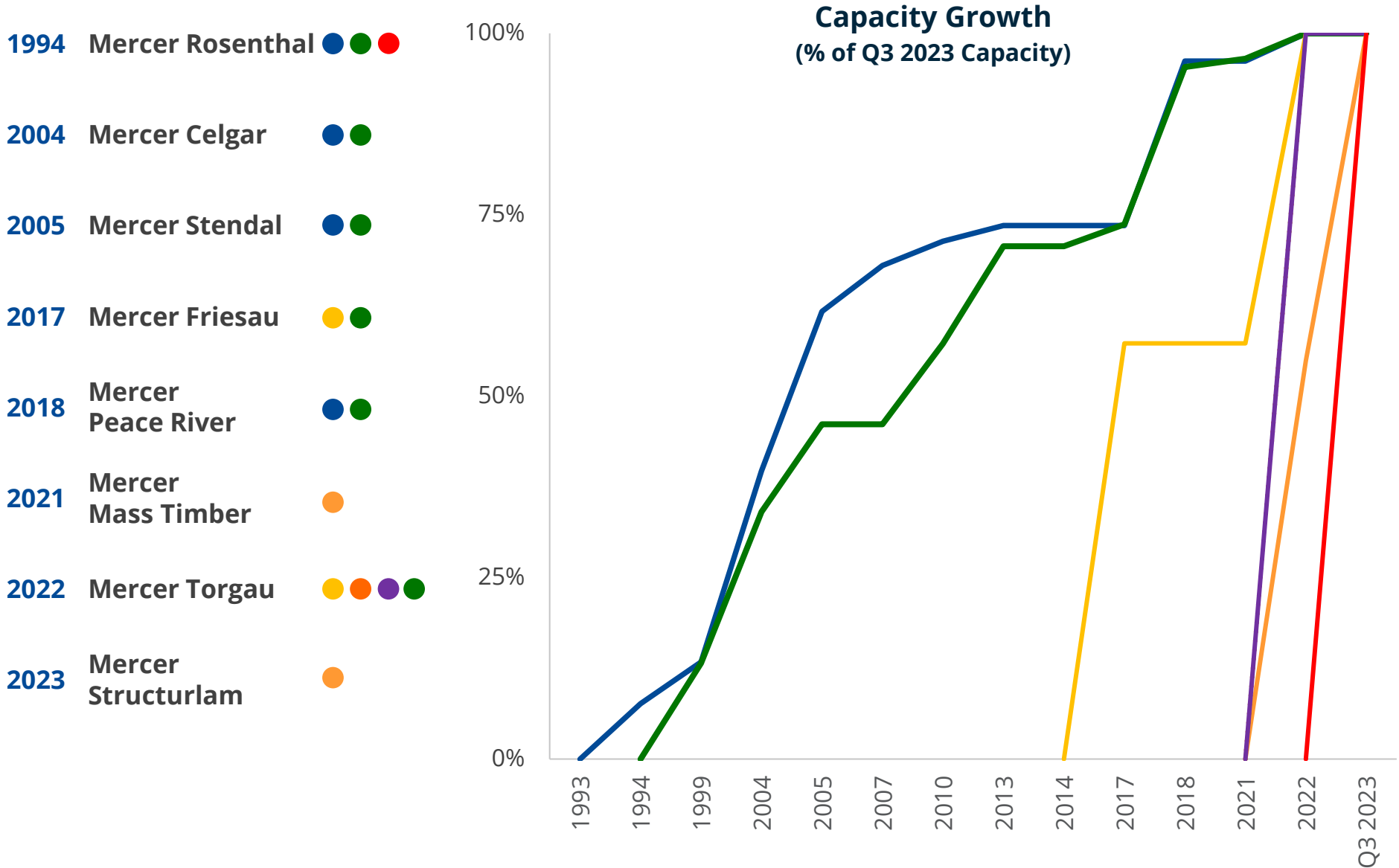
Raw material in chemical industry

### Briquettes & Pellets

Alternative to petroleum-based heating fuels



# Sustained Growth and Diversification



**KRAFT PULP**  
2.3 million ADMT

**BIOENERGY**  
431.5 MW

**LUMBER**  
960 MMfbm

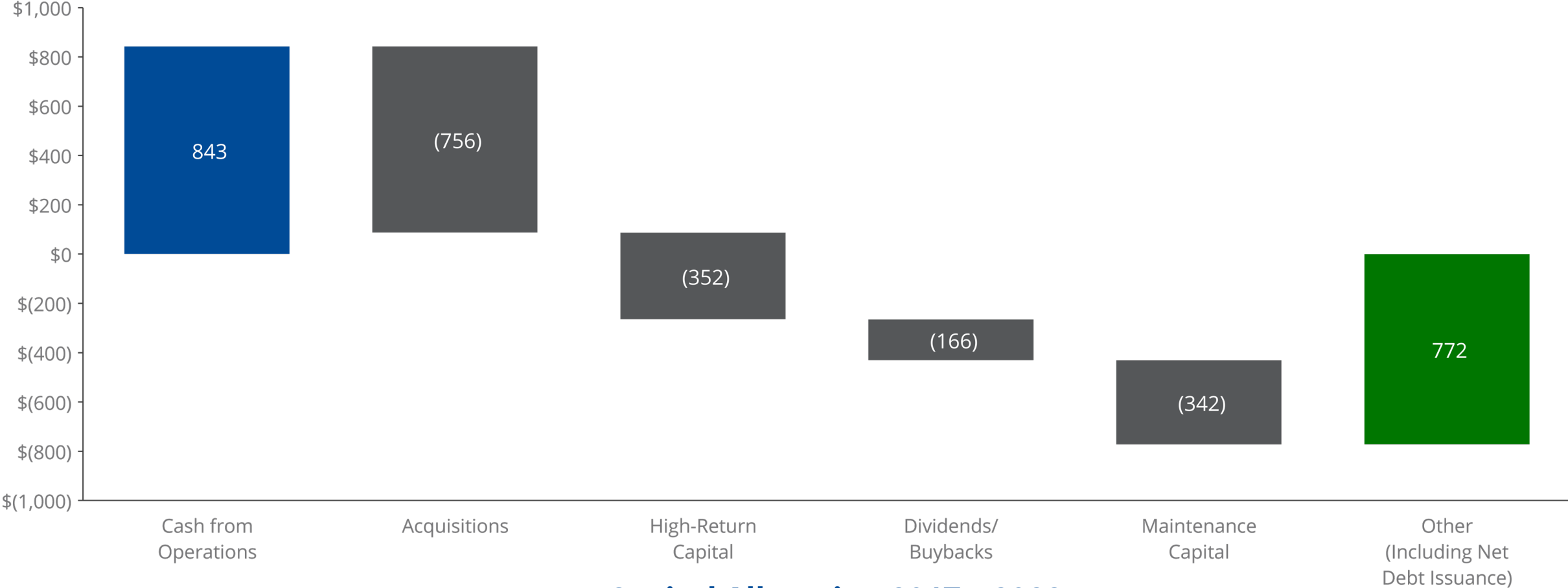
**CLT + GLULAM**  
255,000 m<sup>3</sup>

**PELLETS + BRIQUETTES**  
230,000 metric tonnes

**PALLETS**  
17 million units

**LIGNIN**  
250 tonnes

# Balanced Capital Allocation



**Capital Allocation 2017 – 2022**  
**(\$ millions)**

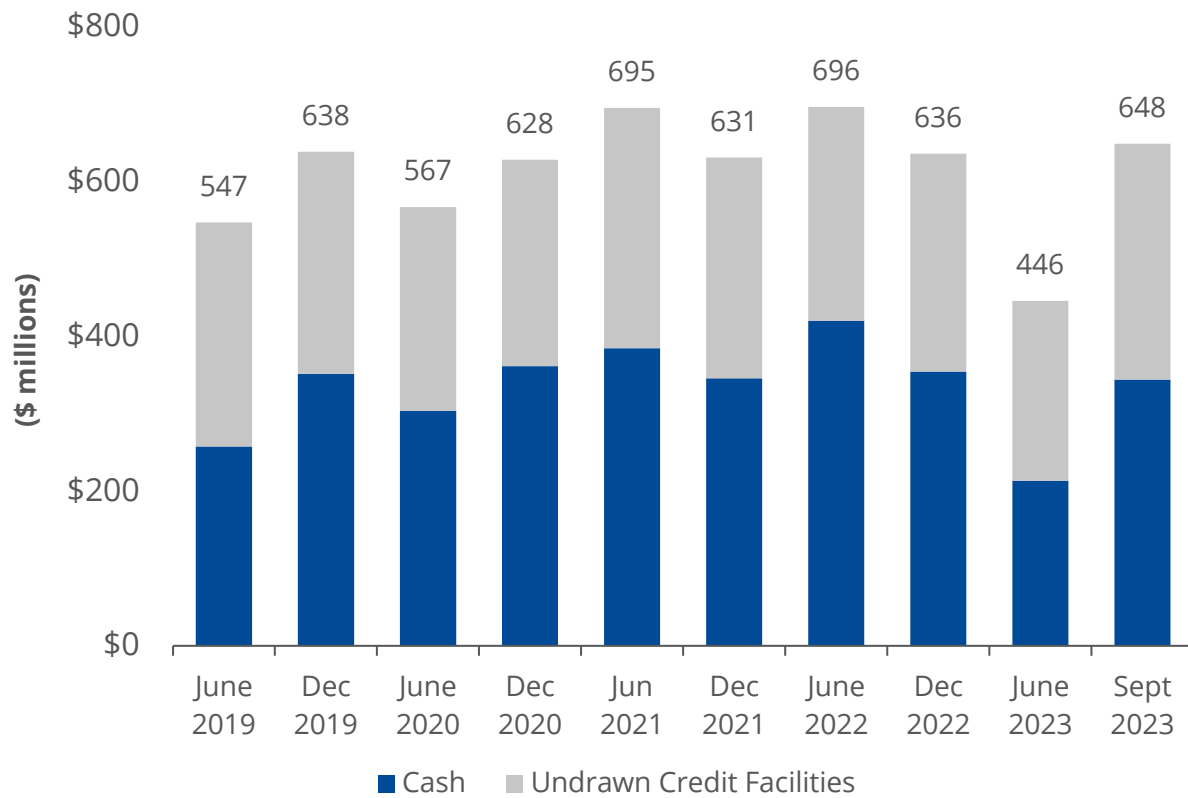
1) Maintenance of Business is a term broadly referencing the base capital required to continuously use facilities and equipment, in their designed capacity and efficiency, for their intended purpose



# Prudent, Agile Balance Sheet

## Liquidity is Managed to Global Economic Conditions

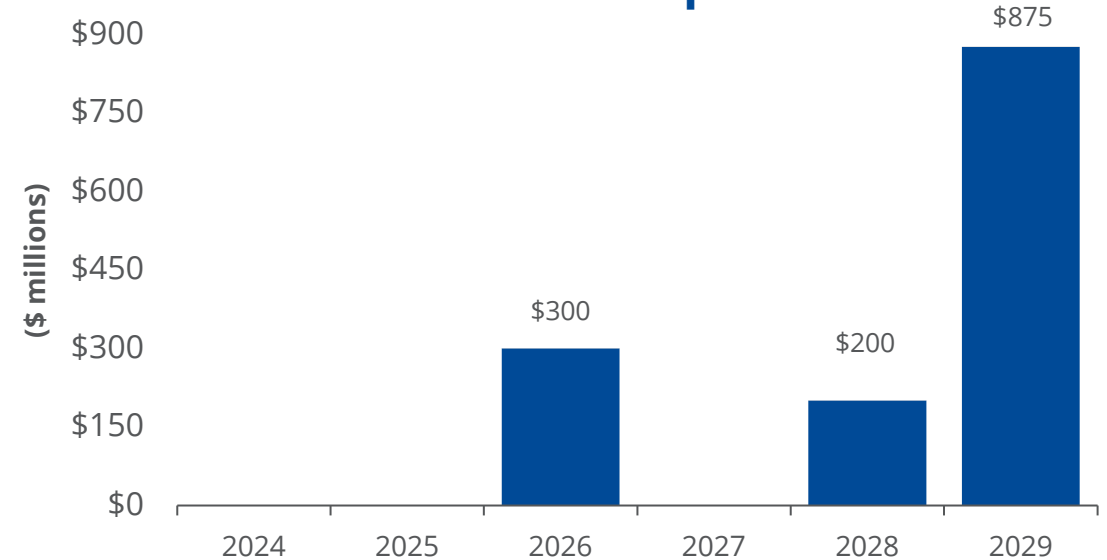
### Liquidity<sup>(1)</sup>



## Debt Composition Optimized when Opportunistic<sup>(2)</sup>

- Weighted average maturity: 2028
- Weighted average coupon: 6.33%
- Debt rating: B+ (S&P); Ba3 (Moody's)
- Liquidity (September 2023): \$648.4 million

### Senior Debt Composition



1) Liquidity calculated as total cash and cash equivalents combined availability under revolving credit facilities  
 2) As at September 30, 2023

# Fit for Future

## Environmental and Social Responsibility

### SBTi Validated Targets



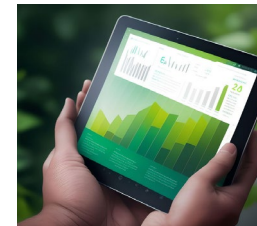
Validated 35% reduction targets in Scope 1, 2 and 3 GHG emissions by 2030

### UN Global Compact



Alignment with a recognized global framework

### ESG-Linked Loan



Five-year €370 million revolving credit facility linking ESG performance with borrowing cost

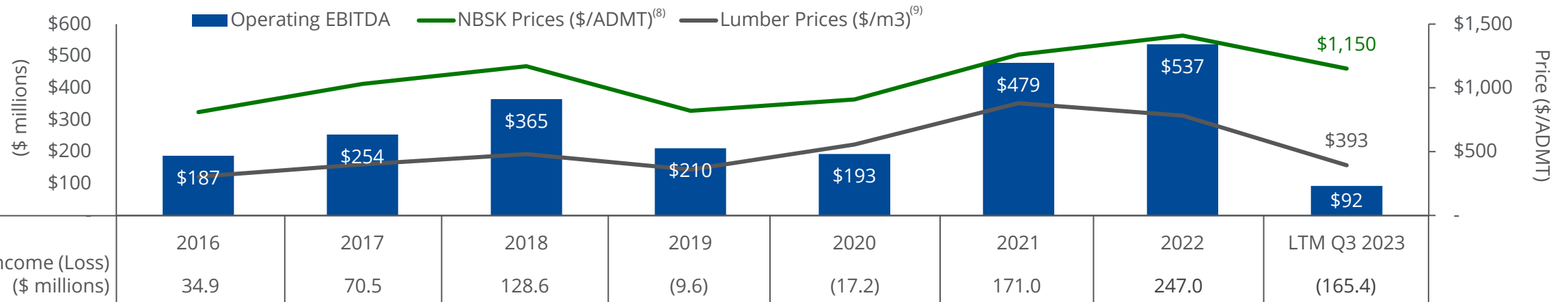
### Fit for Future 2022



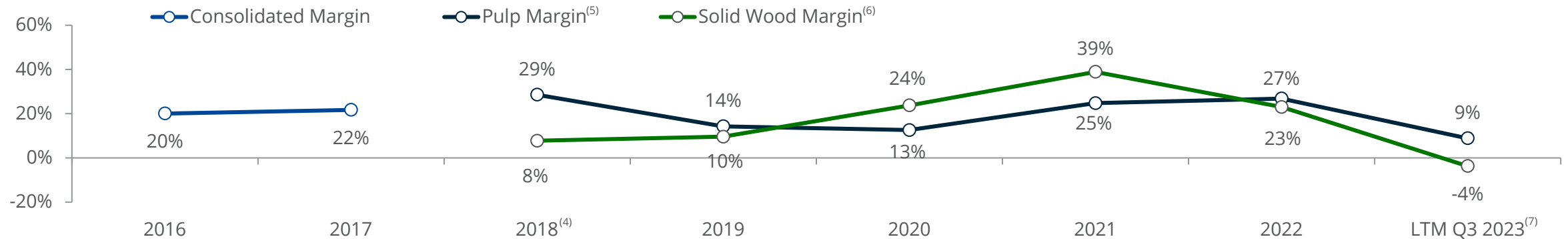
2022 Annual Sustainability Report highlights our commitment to becoming an ESG performance and disclosure leader

# Financial Performance

## Annual Operating EBITDA<sup>(1)(2)</sup>



## Annual Operating EBITDA Margin<sup>(1)(2)(3)(4)</sup>



- 1) Operating EBITDA is a non-GAAP measure. For a Reconciliation of Net Income (Loss) to Operating EBITDA, please refer to slide 20
- 2) Operating EBITDA Margin is defined as Operating EBITDA divided by revenue
- 3) Excludes unrealized MPR synergies and energy sales from 50% owned Cariboo mill, recorded as an equity investment
- 4) Includes MPR results since acquisition on December 10, 2018
- 5) Excludes corporate segment
- 6) Includes Mercer Mass Timber
- 7) Includes Mercer Torgau results since acquisition on September 30, 2022
- 8) Hawkins Wright: Pulpwatch NBSK prices for Western Europe at period end.
- 9) Random Lengths: kiln-dried Western SPF 2&btr 2x4



# Current Market Conditions<sup>(1)</sup>

## Softwood Pulp

We believe pulp prices have hit their floor and there may be a long, sustained recovery over multiple quarters. Chinese stimulus, falling inventories and recovery in Europe will eventually create positive conditions for price increases. Additionally, the lack of material greenfield NBSK capacity additions and the closure of high-cost NBSK mills (Canfor Prince George, Domtar Espanola, Stora Enso Sunila) is expected to help balance supply-demand fundamentals in the near-term.

## Hardwood Pulp

Expected downward pressure on hardwood pulp vs. softwood pulp in the near-term as the market digests new South American eucalyptus supply. Additional capacities, while representing almost 10% of 2023 capacity will create extended headwinds. Large South American producers are reducing production to better balance the market.

## Lumber

Economic uncertainty and high interest rates creating headwinds for pricing in the near-term. Mid-term supply-demand fundamentals remains strong given low, old housing inventory, population demographics, and demand for low-carbon building solutions combined with falling Canadian lumber supply.

## Mass Timber

North American CLT consumption for construction has grown four-fold between 2016 and 2020. The annual global market value of CLT is expected to grow at a CAGR of ~14% between 2022 and 2030<sup>(2)</sup>.

## Green Energy

Increasing demand for solar and bio-fuel derived energy, combined with electrification of economies will continue to drive electricity demand growth.

1) Pulp demand, capacity data per PPPC  
2) Polaris Market Research

# Investment Highlights

History of Sustained Growth

Prudent financial management

Strategic purposeful diversification focused on synergistic biomass operations that maximize resource efficiency and value and contribute favorably to the circular economy

## Future Growth Engines



**Pulp:** Continuous optimization of our current asset base



**Lumber:** Continued expansion to capture synergies



**Mass Timber:** Continued geographic expansion



**Lignin:** Develop fossil-fuel replacement alternatives through innovation and biomaterial technology

# Reconciling Net Income (Loss) to EBITDA

Consolidated (US\$ millions)	2018 <sup>(1)(2)</sup>	2019 <sup>(2)</sup>	2020 <sup>(2)</sup>	2021 <sup>(2)</sup>	2022 <sup>(2)(3)</sup>	LTM Q3 2023 <sup>(2)(3)(4)</sup>
<b>Net Income (Loss) Attributable to Common Shareholders</b>	128.6	(9.6)	(17.2)	171.0	247.0	(165.4)
Add: Income Tax Provision	48.7	19.2	6.1	89.6	98.3	(25.6)
Add: Interest Expense	51.5	75.8	80.7	70.0	71.5	98.8
Add: Loss on Extinguishment of Debt	21.5	4.8	-	30.4	-	-
Add: Other Expense (Income)	17.6	(6.1)	(5.9)	(14.4)	(24.4)	(7.1)
<b>Operating Income</b>	<b>267.9</b>	<b>84.0</b>	<b>63.7</b>	<b>346.6</b>	<b>392.4</b>	<b>(85.1)</b>
Add: Depreciation and Amortization	96.7	126.4	128.9	132.2	144.2	177.6
<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>92.5</b>
Segmented (US\$ millions)	Pulp		Solid Wood			
	Q3 2022	Q3 2023	Q3 2022	Q3 2023		
<b>Operating Income (Loss)</b>	110.0	21.2	7.5	(19.7)		
Add: Depreciation and Amortization	28.2	28.2	3.2	12.5		
<b>Operating EBITDA</b>	<b>138.2</b>	<b>49.4</b>	<b>10.7</b>	<b>(7.2)</b>		

Note: See next slide for additional disclosures

Note: The above reconciles net income (loss) to EBITDA. Some numbers may not add due to rounding

- 1) Includes MPR results since acquisition on December 10, 2018
- 2) Excludes unrealized MPR synergies and energy sales from 50% owned Cariboo mill, recorded as an equity investment
- 3) Includes Mercer Torgau results since acquisition on September 30, 2022
- 4) Includes non-cash inventory impairment charge of \$15.2 million

# Reconciling Net Income (Loss) to 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 income (loss) plus depreciation and amortization and non-recurring capital asset impairment charges. Operating EBITDA Margin is defined as Operating EBITDA divided by revenue. Management uses Operating EBITDA and Operating EBITDA Margin as benchmark measurements of its own operating results, and as benchmarks relative to its competitors. Management considers these measures to be a meaningful supplement to operating income (loss) as a performance measure primarily because depreciation expense and non-recurring capital asset impairment charges are not an actual cash cost, and depreciation expense varies widely from company to company in a manner that management considers largely independent of the underlying cost efficiency of their operating facilities. In addition, we believe Operating EBITDA and Operating EBITDA Margin 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 income (loss) attributable to common shareholders, including financing costs and the effect of derivative instruments. Operating EBITDA is not a measure of financial performance under the accounting principles generally accepted in the United States of America ("GAAP"), and should not be considered as an alternative to net income (loss) or income (loss) from operations as a measure of performance, nor as an alternative to net cash from operating activities as a measure of liquidity.

Operating EBITDA and Operating EBITDA Margin have significant limitations as analytical tools, and should not be considered in isolation, or as a substitute for analysis of our results as reported under GAAP. 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 and Operating EBITDA Margin as calculated by us may differ from Operating EBITDA or EBITDA and Operating EBITDA Margin, or EBITDA Margin as calculated by other companies. We compensate for these limitations by using Operating EBITDA and Operating EBITDA Margin as supplemental measures of our performance and by relying primarily on our GAAP financial statements.



# Contact Information

[www.mercerint.com](http://www.mercerint.com)



**Mercer International Inc.**

P: +1 (604) 684 1099  
[info@mercerint.com](mailto:info@mercerint.com)

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