

Mercer International Inc.

Transforming biomass into bioproducts for a more sustainable world

Q1 2024 Earnings Call

May 10, 2024

Juan Carlos Bueno – President & CEO

Richard Short – CFO, Executive VP & 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.

Financial Results Overview

EBITDA Materially Improved vs. Q4 2023

<i>EBITDA (US\$ millions)</i>	Q4 2023	Q1 2024	Change (+/-)
Pulp Segment	\$32	\$68	\$36
Solid Wood Segment	(\$6)	(\$1)	\$5
Corporate & Other	(\$5)	(\$4)	\$1
Operating EBITDA⁽¹⁾	\$21	\$64	\$42

Highlights







- Quarter-over-quarter EBITDA increase driven by no major maintenance downtime, improving pulp sales realizations, and lower fibre / production costs

Note: Due to rounding, numbers presented in this presentation may not add up precisely to totals and percentages may not precisely reflect the absolute figure

1) Operating EBITDA is a non-GAAP measure. For a Reconciliation of Net Income (Loss) to Operating EBITDA, refer to slide 19

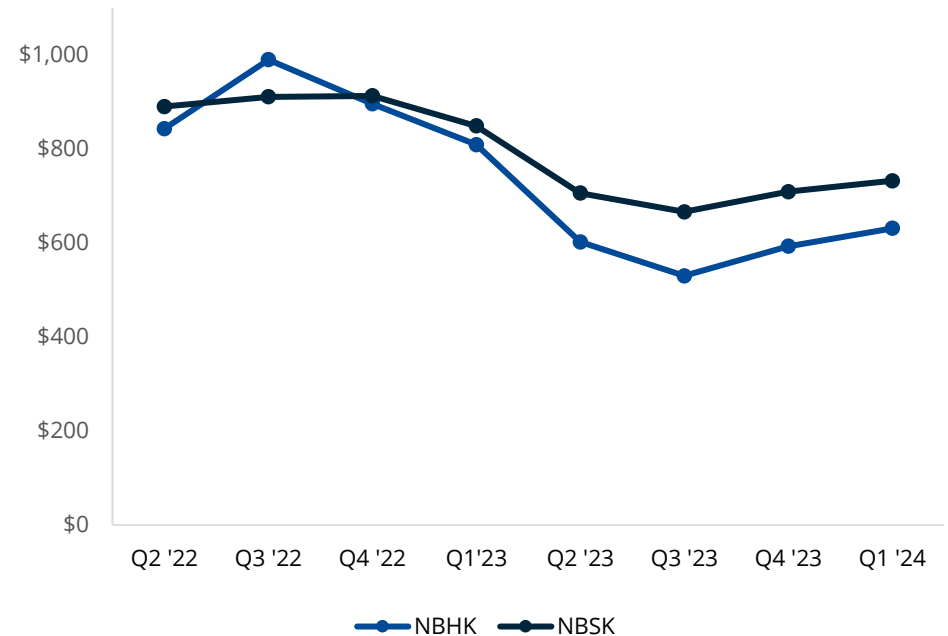
Pulp Prices

Pricing Overview

Region	Q4 2023	Q1 2024
NBSK List Price (US\$ / tonne)		
 Domestic	\$1,312	\$1,440
 China (net)	\$748	\$745
 Europe	\$1,245	\$1,400
NBHK List Price (US\$ / tonne)		
 Domestic	\$1,083	\$1,223
 China (net)	\$643	\$662
NBSK / NBHK Price Gap (US\$ / tonne)		
 China	\$105	\$83

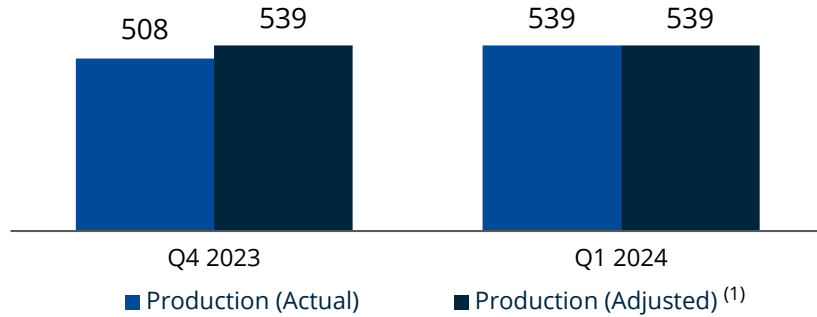
Strong Recovery in Both NBSK and NBHK since Q3 2023

Realized Pulp Price (US\$ / tonne)

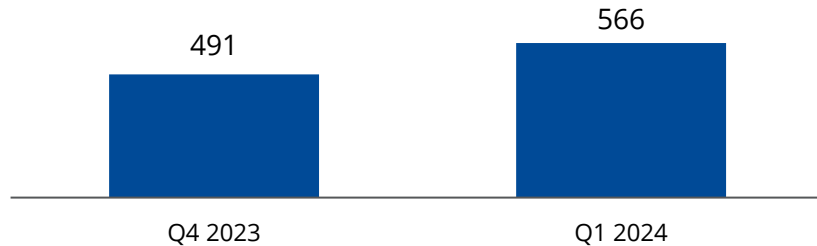


Key Performance Indicators

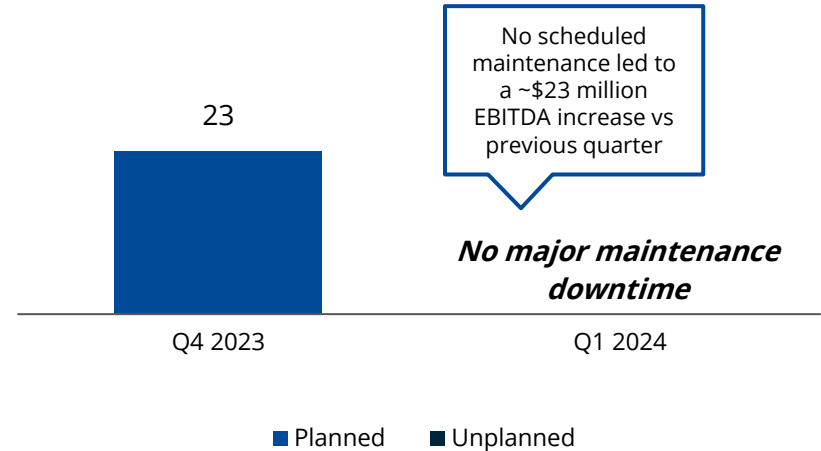
Production Volume (000s tonnes)



Sales Volume (000s tonnes)



Mill Downtime (Days)

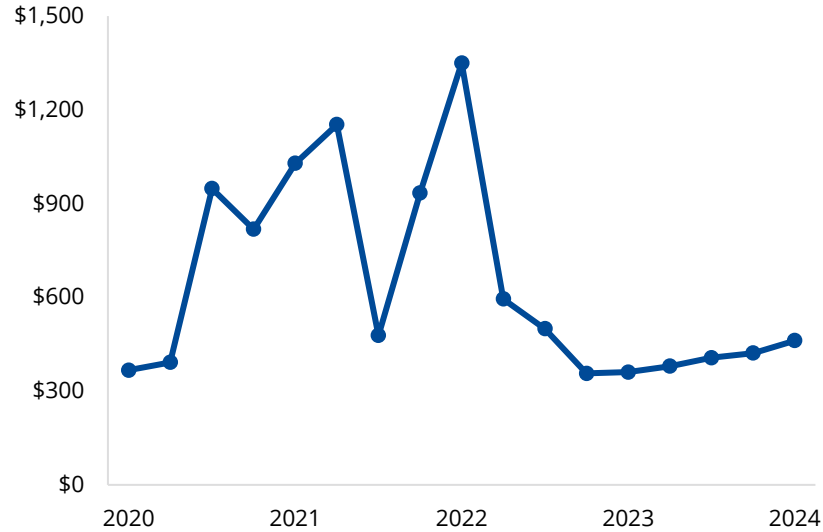


1) Adjusted production adds back lost tonnes from planned shutdowns, curtailments, etc.

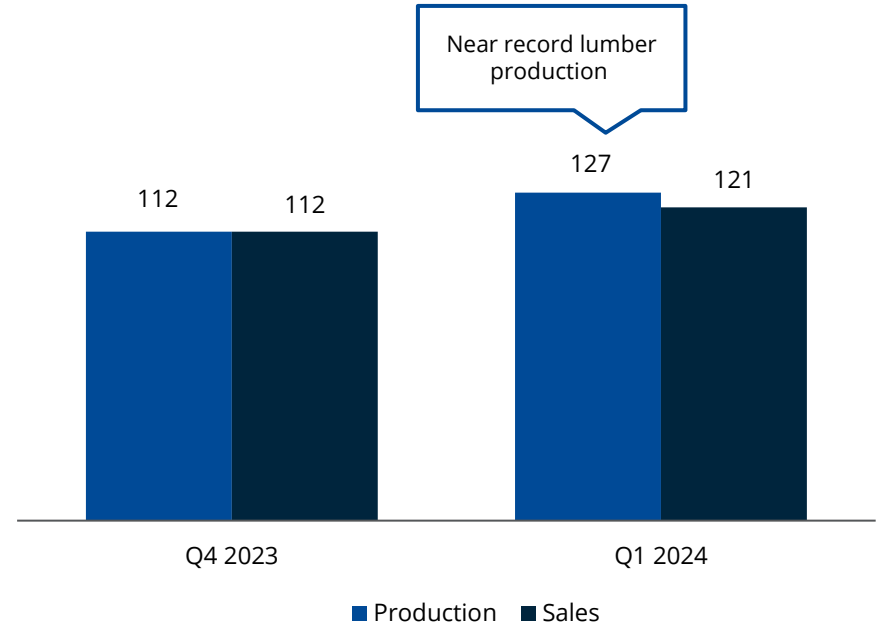
Lumber Overview

Benchmark Lumber Price

Random Lengths WSPF 2&btr 2x4 (US\$ / mfbm)

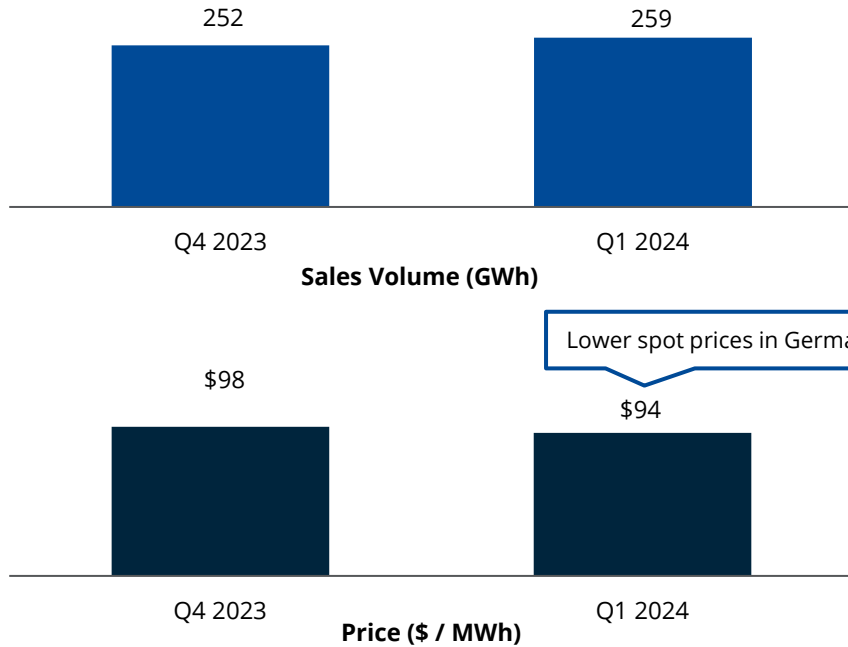


Lumber Operations (mmfbm)

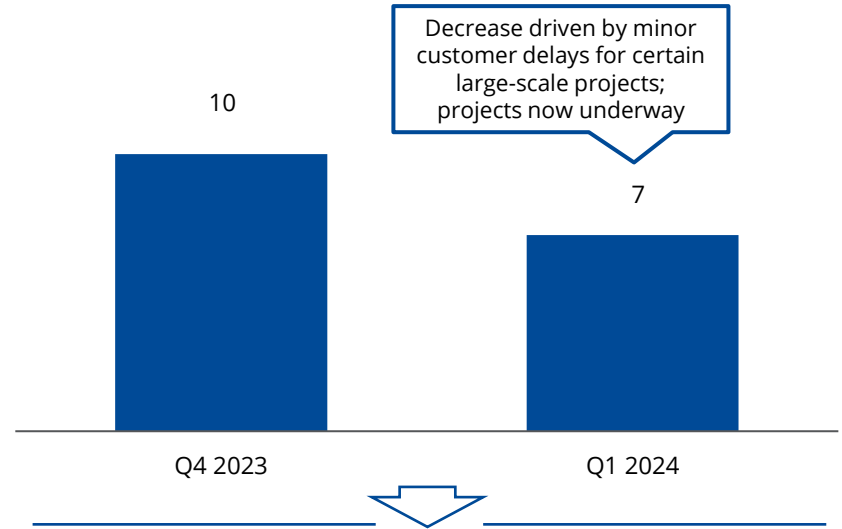


Electricity and Mass Timber

Electricity



Mass Timber Production (000s m³)



Mercer Mass Timber has a healthy order book with large-scale projects commencing in Q2

Financial Position

Summary

US\$mm unless otherwise stated

Measure	Q4 2023	Q1 2024	Change (+/-)
Net Income (Loss)	(\$87)	(\$17)	\$70
Earnings per Share	(\$1.31) / share	(\$0.25) / share	\$1.06 / share
Cash Generated (Used)	(\$30)	(\$40)	(\$10)
Liquidity Position	\$610	\$555	(\$55)
Cash	\$314	\$274	(\$40)
Unwithdrawn Revolvers	\$296	\$281	(\$15)
Capital Expenditure	\$26	\$19	(\$7)
Dividend	7.5¢ / share	7.5¢ / share	- / share

Highlights

- Dissolution of the Cariboo mill joint venture in Q1 2024; nominal impact expected on 2024 EBITDA
 - Non-cash loss of ~\$24 million (~\$0.35 / share) from dissolution
- Cash usage was primarily driven by a higher receivables balance from higher sales realizations and volumes
- Majority of working capital build expected to reverse in Q2 2024

Performance Recap and Capital Expenditures

Performance Drivers

+ Positive

- Significant improvement over Q4, driven by improved pulp prices and no major maintenance outages
- Lower input costs (fibre, energy)
- All mills ran at near record production levels
- Energy production and sales volumes at record levels
- Dissolution of CPP joint venture frees up resources to invest in areas more aligned with long-term strategic goals

- Negative

- Subdued lumber demand due to dampened economic environment in Europe

Capital Expenditure Summary

- Total Q1 capex of ~\$18.5 million
- Capex budget for 2024 increased to between \$95 to \$120 million, reflecting optimistic 2024 outlook
- Restarting value-add strategic capex projects in Torgau and Spokane
- Gradual recovery calls for continued monitoring of cost and working capital

Pulp Markets



Prices and Supply

- Pulp pricing has significantly improved throughout Q1 2024
- Tight supply driven by:
 - Permanent NBSK mill closures in the last two years
 - Finnish transport strike and significant unplanned downtime at one of Finland's largest mills



Demand

- Strong demand from Europe primarily driven by merchant de-stocking and logistical challenges of Chinese imports
- Demand increases also felt in North America
- Demand from China lagging with minimal improvement

Looking forward, pulp prices are expected to continue on an upward trajectory through Q2 2024

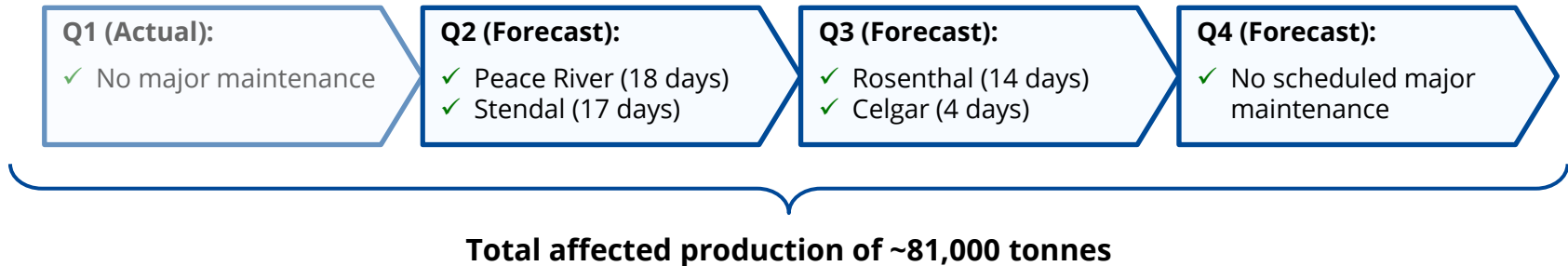
Pulp Operations

Past Quarter: Q1 2024

- Mills ran at near record levels; no major downtime (compared to 23 days Q4 2023)

Looking Ahead: 2024

- A normal major maintenance year with Celgar having moved to an 18-month major maintenance schedule
- The expected maintenance schedule is as follows:



Lumber Markets

- Q1 2024 solid wood segment results saw slight improvement over Q4 2023
- US and European lumber markets up slightly, but high interest rates continue to weigh on housing starts and construction
- Potential short-term pricing upside from lumber production curtailments or realization of a prolonged Canadian railway strike

Mid-Term Drivers of Positive Supply-Demand Dynamics



**Low Lumber
Channel
Inventories**



**Sawmill
Curtailments**



**Low Housing
Stock**



**Potential Early
Canadian Forest
Fire Season**



**Constructive
Homeowner
Demographics**

We will continue optimizing our mix of lumber products and customers to current market conditions

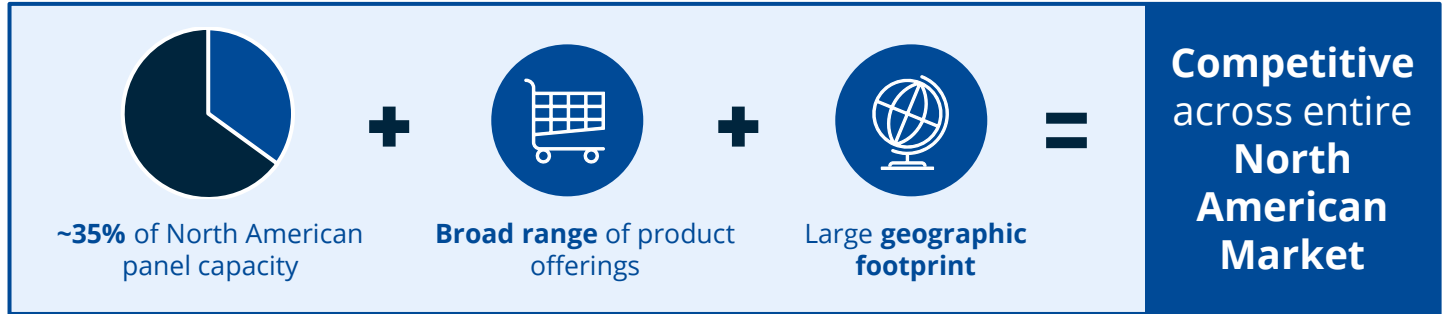
Growing Spectrum of Products

Pallets & Pellets

- Shipping pallet markets remain weak due to overall weak European economy
- Pallet prices expected to normalize once European economy shows signs of recovery
- Lower heating pellet prices in Q1 due to expected seasonality

Mass Timber

- Strong customer interest; \$80 million order file as at end of Q1 2024
- Contributed small negative EBITDA in Q1 2024 due to customer related shipment delays; expected to grow in coming quarters as the operations rapidly ramp up



High-Return Capex Projects



With improving market conditions, we are restarting strategic and high-return capex projects at our Torgau and Spokane mills



- Project focuses on woodyard and log infeed systems to increase production of high-quality dimensional lumber
- Part of original investment strategy
- 2026 targeted completion date

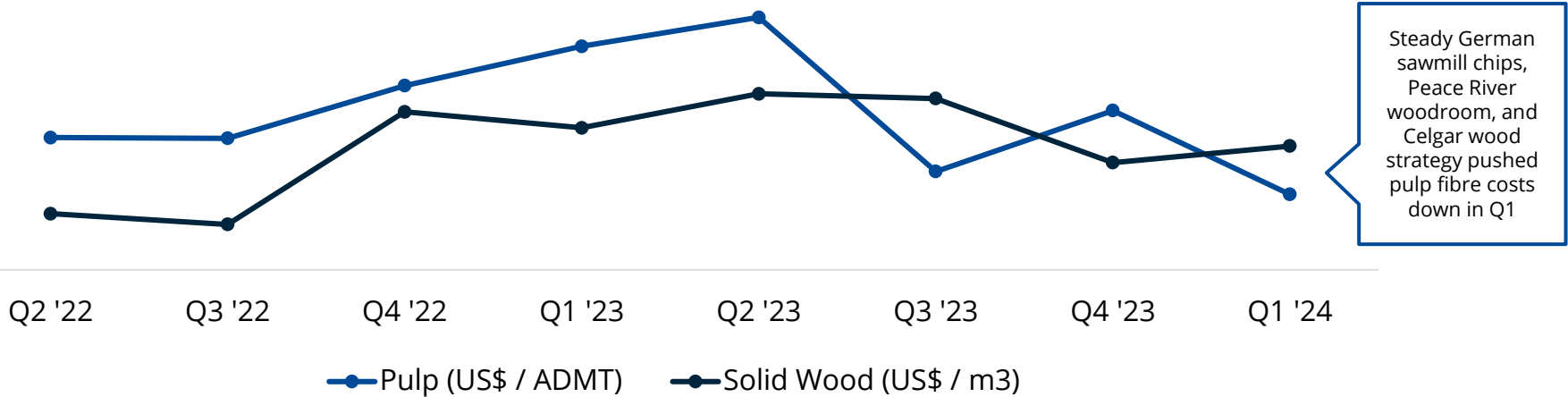


- Project focuses on wood infeed and sorting process at Spokane to allow utilization of lower-cost feedstock for high-quality lamstock
- Will optimize lumber procurement, significantly reducing the mill's fibre cost
- 2025 targeted completion date

Fibre Costs

Fibre Costs Slightly Down for Pulp; Up for Lumber

Per Unit Fibre Costs



Looking ahead, we expect modest declines in pulpwood costs and a slight increase to sawlog costs in Q2

Bioproducts for a More Sustainable World



Lignin Extraction Plant

- New lignin extraction plant at Rosenthal continues to ramp-up as planned
- Aligned with strategy to expand into green chemicals and other circular economy-compatible products
- Reinforces commitment to 2030 carbon reduction targets

We believe products like lignin, mass timber, green energy, lumber, and pulp will play increasingly important roles in displacing carbon-intensive products

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Reconciling Net Income (Loss) to EBITDA

Consolidated (US\$ millions)		Q4 2023		Q1 2024	
Net Income (Loss) Attributable to Common Shareholders		(\$87.2)		(\$16.7)	
Income tax provision (recovery)		1.1		(6.4)	
Interest expense		27.2		27.6	
Other income		2.5		(4.9)	
Operating income (loss)		(56.4)		(0.4)	
Add: Depreciation and amortization		43.8		40.4	
Add: Impairment on asset held for sale		33.7		-	
Add: Loss on disposal of investment in joint venture		-		23.6	
Operating EBITDA		\$21.1		\$63.6	
Segmented (US\$ millions)		Q4 2023		Q1 2024	
		Pulp ⁽¹⁾	Solid Wood	Pulp ⁽¹⁾	Solid Wood
Operating income (loss)		\$1.2	(\$18.4)	\$17.4	(\$13.7)
Add: Depreciation and amortization		30.8	12.8	27.4	12.8
Add: Loss of disposal of investment in joint venture		-	-	23.6	-
Operating EBITDA		\$32.0	(\$5.6)	\$68.4	(\$0.9)

Note: See next slide for additional disclosures

1) Excludes Corporate segment

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)

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.