

Mercer International Inc.

Transforming biomass into bioproducts for a more sustainable world

Q2 2024 Earnings Call

August 9, 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

Lower EBITDA Driven by Planned Maintenance Downtime

<i>EBITDA (US\$ millions)</i>	Q1 2024	Q2 2024	Change (+/-)
Pulp Segment	\$68	\$32	(\$37)
Solid Wood Segment	(\$1)	\$3	\$4
Corporate & Other	(\$4)	(\$4)	(\$0)
Operating EBITDA⁽¹⁾	\$64	\$30	(\$33)

Highlights







- Quarter-over-quarter EBITDA decrease driven by 37 days of planned maintenance downtime
- After adjusting for planned maintenance downtime impact (~\$60 million), improved operating results driven by higher pulp sales realizations

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 18

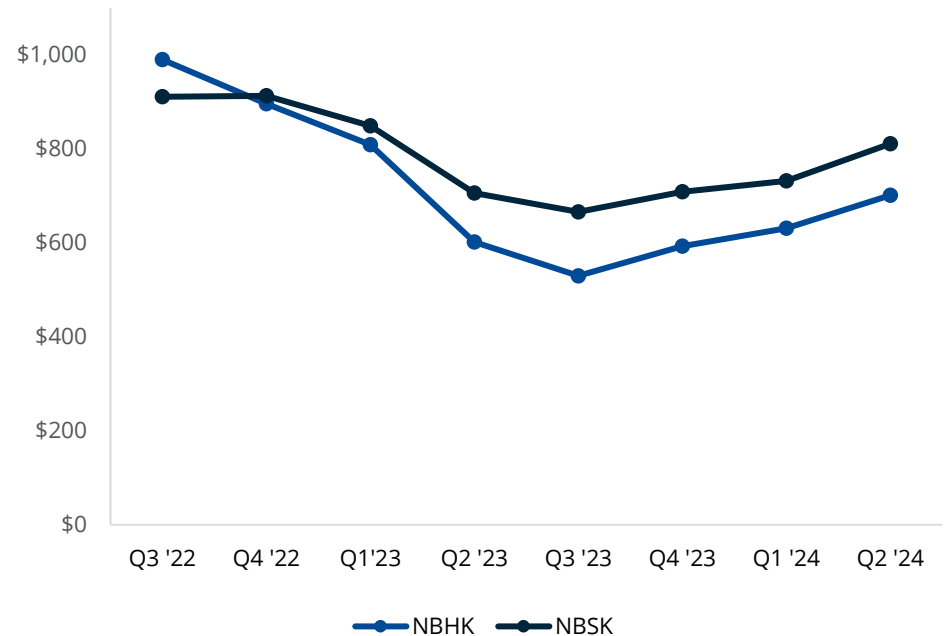
Pulp Prices

Pricing Overview

Region	Q1 2024	Q2 2024
NBSK List Price (US\$ / tonne)		
 Domestic	\$1,440	\$1,697
 China (net)	\$745	\$811
 Europe	\$1,400	\$1,602
NBHK List Price (US\$ / tonne)		
 Domestic	\$1,223	\$1,437
 China (net)	\$662	\$735
NBSK / NBHK Price Gap (US\$ / tonne)		
 China	\$83	\$76

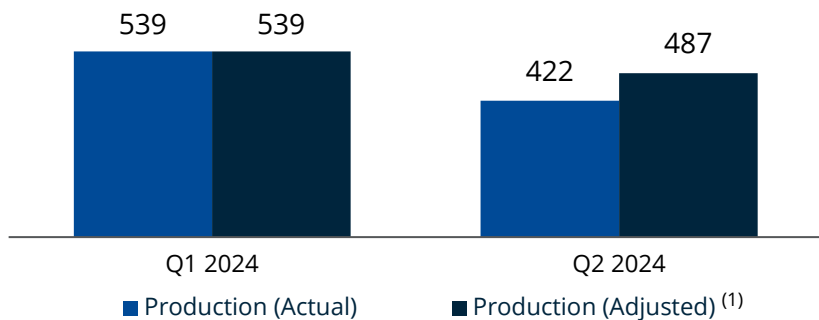
Continued Recovery in Both NBSK and NBHK Prices

Realized Pulp Price (US\$ / tonne)

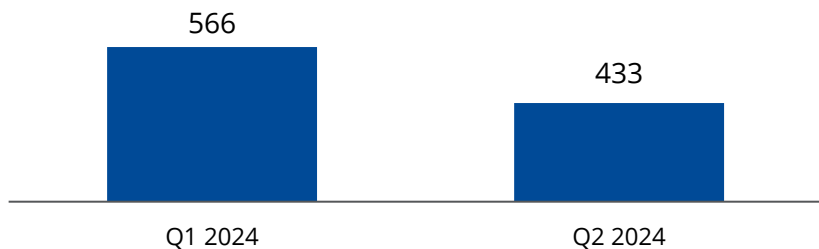


Key Performance Indicators

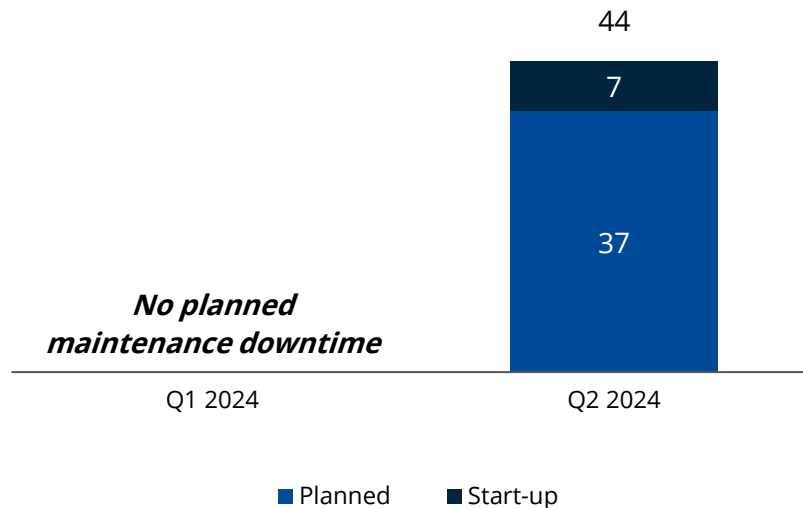
Production Volume (000s tonnes)



Sales Volume (000s tonnes)



Mill Planned Downtime (Days)

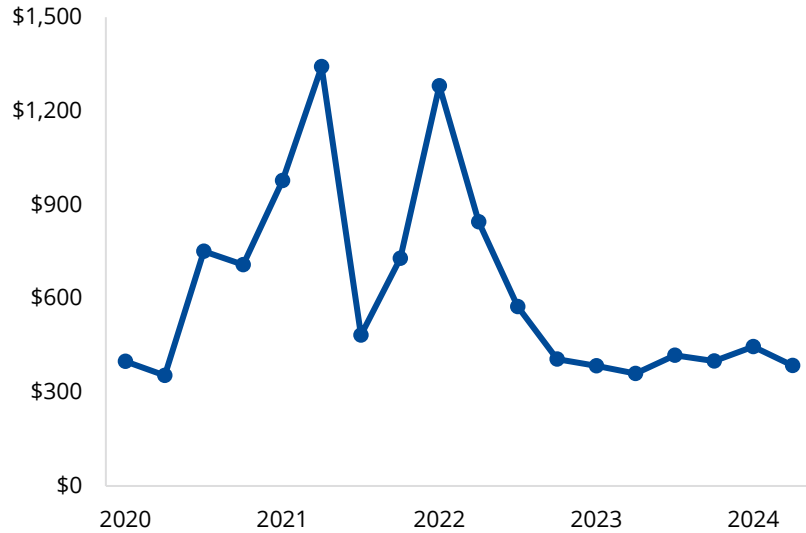


1) Adjusted production adds back lost tonnes from planned downtime

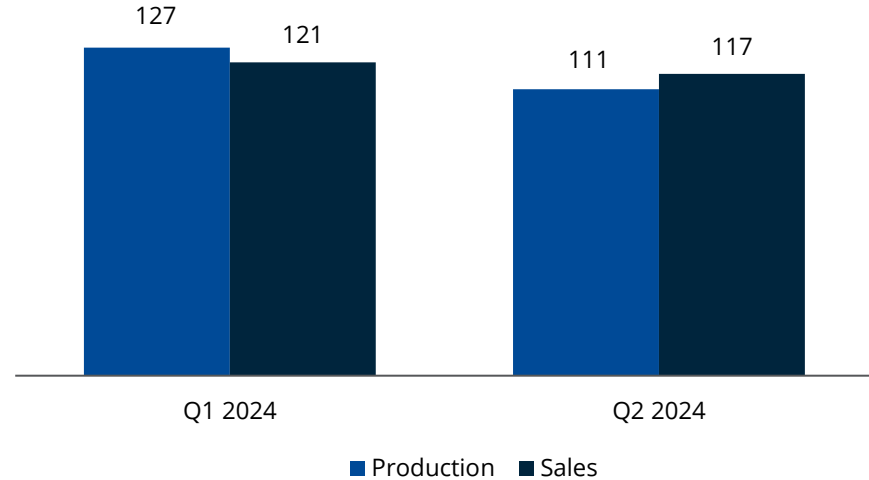
Lumber Overview

Benchmark Lumber Price

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

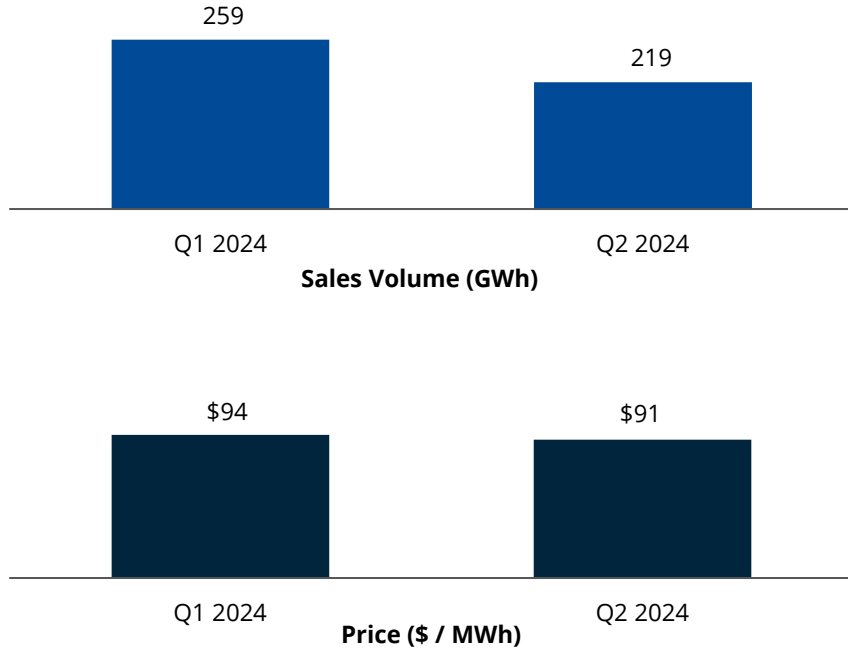


Lumber Operations (mmfbm)

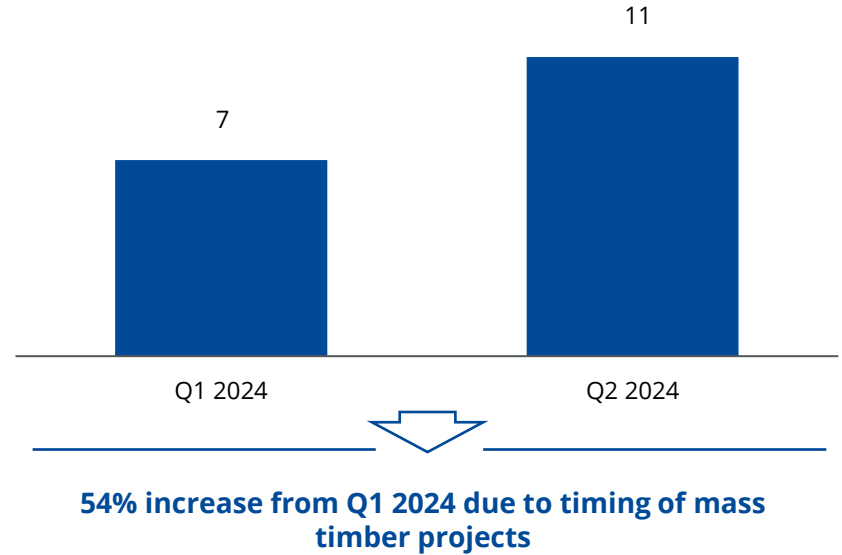


Electricity and Mass Timber

Electricity



Mass Timber Production (000s m³)



Financial Position

Summary

US\$mm unless otherwise stated

Measure	Q1 2024	Q2 2024	Change (+/-)
Net Income (Loss)	(\$17)	(\$68)	(\$51)
Earnings (Loss) per Share	(\$0.25) / share	(\$1.01) / share	(\$0.76) / share
Cash Generated (Used)	(\$40)	(\$11)	\$29
Liquidity Position	\$555	\$581	\$26
Cash	\$274	\$263	(\$11)
Unwithdrawn Revolvers	\$281	\$317	\$37
Dividend	7.5¢ / share	7.5¢ / share	- / share

Highlights

- Recorded a non-cash goodwill impairment at Torgau of \$34 million or \$0.51 / share related to ongoing weakness in the European lumber, pallet and biofuels markets
- Lower working capital provided cash to repay \$45 million of borrowings on revolving credit facilities
- Continue targeting opportunistic debt reduction as operating cash flow improves

Performance Recap and Capital Expenditures

Performance Drivers

+ Positive

- Operating results positively impacted by improved pulp pricing and lower energy costs
- Strong performance from mass timber segment
- Ahead of schedule on Torgau expansion of dimensional lumber capacity

- Negative

- Planned maintenance downtime and slow start-ups
- Lower sales volume vs. Q1 (driven by planned downtime and divestment of equity investment in Cariboo mill)
- Continued weakness in European pallet, lumber and biofuel markets resulted in goodwill impairment at Torgau

Capital Expenditure Summary

- Total Q2 capex of ~\$18 million
- Recall, capex budget for 2024 increased to between \$95 to \$120 million, reflecting optimistic 2024 outlook
- Restarted Torgau lumber expansion and Spokane sorting line projects, along with other small value-adding projects

Pulp Markets



Prices and Supply

- Tight supply exacerbated by permanent closures of NBSK mills, Finnish transport strike and unplanned downtime at Kemi
- Canadian railway union labor issues could lead to a prolonged work stoppage creating further supply limitations and positive price movement
 - Mitigation strategies have been implemented at Canadian mills to reduce negative economic impacts



Demand

- European and North American markets showed the most improvement
- Strong demand from European paper and tissue producers driven by merchant de-stocking and logistical challenges around Chinese imports

Looking forward, some modest downward pulp price pressure is expected in Q3 due to slower seasonal paper demand, before improving in late Q3 and Q4

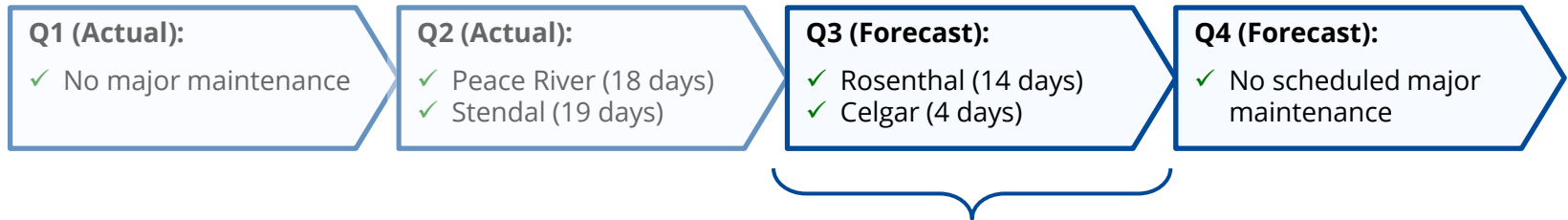
Pulp Operations

Past Quarter: Q2 2024

- Lower production compared to Q1 due to planned maintenance downtime (no planned downtime days in Q1) and divestment of Cariboo mill at end of Q1

Looking Ahead

- Celgar has moved to an 18-month major planned maintenance schedule
- The expected maintenance schedule for the remainder of the year is as follows:



Total affected production of ~20,000 tonnes

Lumber Markets

- European lumber market was up slightly in Q2 while US market weakened
- High interest rates continue to weigh on housing starts and construction around the world
- Prices in Q3 are expected to remain flat; potential for short-term upside due to recently announced lumber curtailments, forest fires in Western Canada and a prolonged Canadian railway strike

Mid-Term Drivers of Positive Supply-Demand Dynamics



Low Lumber Inventories



Sawmill Curtailments



Low Housing Stock



Shortages from Canadian wildfires



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, but slight price increase felt in Q2
- Pallet prices expected to normalize once European economy shows signs of recovery
- Lower heating pellet prices in Q2 due to expected seasonality; expected demand and price increases in Q3 as customers build winter stocks

Mass Timber

- Strong customer interest; ~\$55 million order file as at end of Q2 2024
- Economic uncertainty preventing developers from committing to projects; lower interest rates and economic stability will meaningfully improve short-term mass timber demand



High-Return Capex Projects



With improving market conditions, strategic and high-return capex projects at our Torgau and Spokane mills have been restarted



- Project focuses on woodyard and log infeed systems to increase production of high-quality dimensional lumber
- Part of original investment strategy
- Benefits will start to be seen by mid-2025

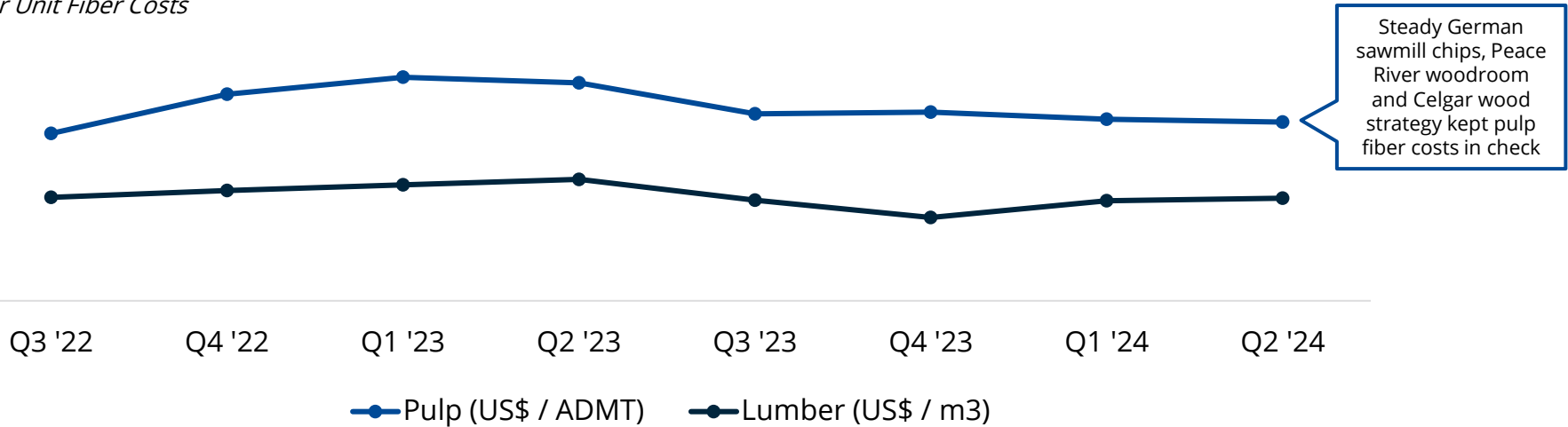


- Project focuses on wood infeed and sorting process at Spokane to allow utilization of lower-cost feedstock for high-quality lamstock
- Will optimize lumber procurement, significantly reducing the mill's fiber cost
- Mid-2025 targeted completion date

Fiber Costs

Fiber Costs Relatively Flat for Both Pulp and Lumber

Per Unit Fiber Costs



Looking ahead, we expect fiber costs to remain stable for both pulp and solid wood segments in Q3

Bioproducts for a More Sustainable World



Lignin Extraction Plant

- New lignin extraction plant at Rosenthal continues to ramp-up as planned; entering into partnerships to support future commercialization of lignin
- 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 Operating EBITDA

Consolidated (US\$ millions)		Q1 2024		Q2 2024	
Net Income (Loss)		(\$16.7)		(\$67.6)	
Income tax provision (recovery)		(6.4)		1.3	
Interest expense		27.6		26.8	
Other income		(4.9)		(4.3)	
Operating income (loss)		(0.4)		(43.8)	
Add: Depreciation and amortization		40.4		39.9	
Add: Goodwill impairment		-		34.3	
Add: Loss on disposal of investment in joint venture		23.6		-	
Operating EBITDA		\$63.6		30.4	
Segmented ⁽¹⁾ (US\$ millions)		Q1 2024		Q2 2024	
		Pulp	Solid Wood	Pulp	Solid Wood
Operating income (loss)		\$17.4	(\$13.7)	\$4.5	(\$43.7)
Add: Depreciation and amortization		27.4	12.8	27.2	12.5
Add: Goodwill impairment		-	-	-	34.3
Add: Loss of disposal of investment in joint venture		23.6	-	-	-
Operating EBITDA		\$68.4	(\$0.9)	\$31.7	\$3.1

Note: See next slide for additional disclosures

1) Excludes Q1 and Q2 Corporate Segment Operating Loss of \$4.2 and \$4.6 and negative Operating EBITDA of \$4.0 and \$4.4, respectively

Reconciling Net Income (Loss) to Operating EBITDA

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

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

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

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