

Mercer International Inc.

Transforming biomass into bioproducts for a more sustainable world

Q4 2024 Earnings Call

February 21, 2025

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 Increased Quarter-Over-Quarter

<i>EBITDA (US\$ millions)</i>	2024 Full Year	Q3 2024	Q4 2024	Change (+/-)
Pulp Segment ⁽¹⁾	\$261	\$55	\$106	\$51
Solid Wood Segment ⁽¹⁾	(\$4)	(\$2)	(\$5)	(\$3)
Corporate & Other	(\$13)	(\$2)	(\$2)	\$0
Operating EBITDA⁽²⁾	\$244	\$50	\$99	\$49

Highlights

- EBITDA increased quarter-over-quarter due to:
 - No days of planned maintenance downtime
 - A strong U.S. dollar; and
 - Higher softwood sales volume
- This gain is partially offset by modestly lower pulp pricing
- Refinanced \$300M 2026 notes and decreased long-term debt by \$100 million with cash on hand – a significant first step in leverage reduction strategy







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) Segment Operating EBITDA is a measure of segment profit or loss presented in our financial statements under GAAP. Refer to the segment information note in our consolidated financial statements for more information.

2) Operating EBITDA is a non-GAAP measure. For a reconciliation of Net Income (Loss) to Operating EBITDA, refer to slide 22.

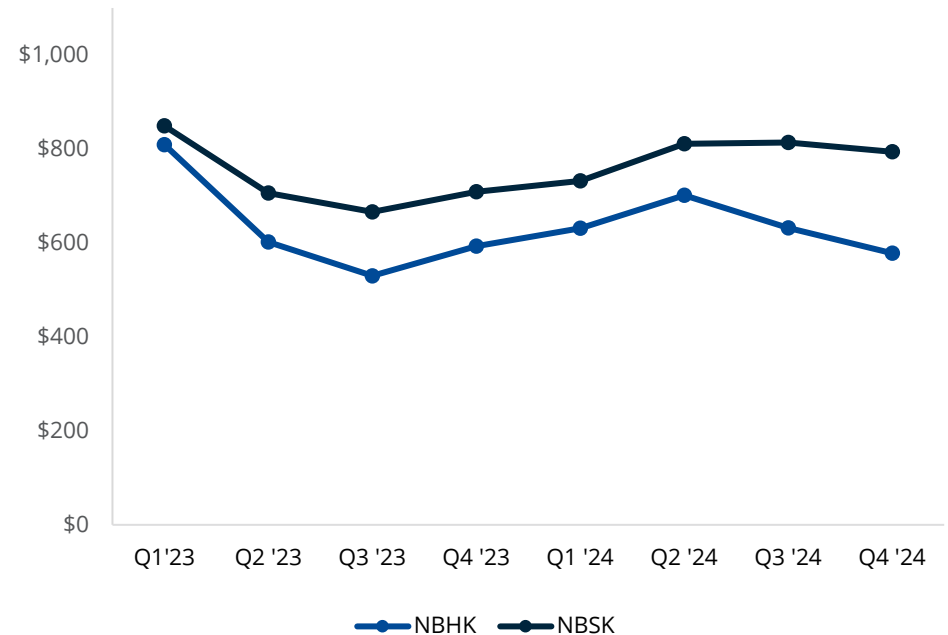
Pulp Prices

Pricing Overview

Region	Q3 2024	Q4 2024
NBSK List Price (US\$ / tonne)		
 Domestic	\$1,762	\$1,687
 China (net)	\$771	\$767
 Europe	\$1,573	\$1,500
NBHK List Price (US\$ / tonne)		
 Domestic	\$1,467	\$1,298
 China (net) ⁽¹⁾	\$635	\$548
NBSK / NBHK Price Gap (US\$ / tonne)		
 China	\$136	\$218

Modest Decrease in Realized Pricing in Q4

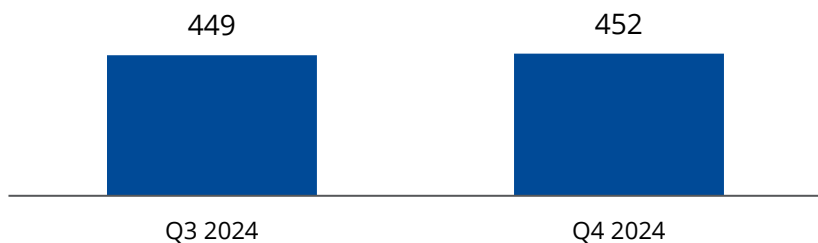
Realized Pulp Price (US\$ / tonne)



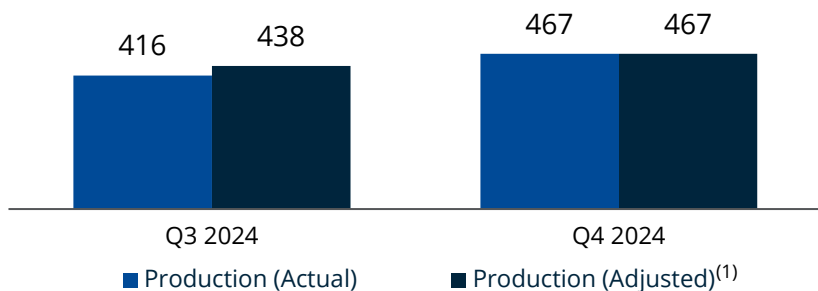
1) Bleached eucalyptus kraft

Key Performance Indicators

Sales Volume (000s tonnes)

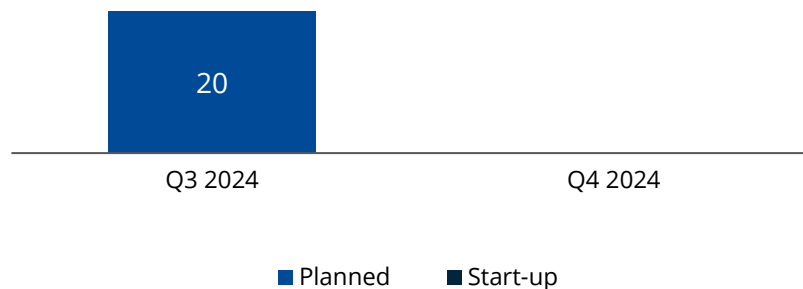


Production Volume (000s tonnes)



Mill Planned Downtime (Days)

- Q1 2025: 21 days (Celgar)

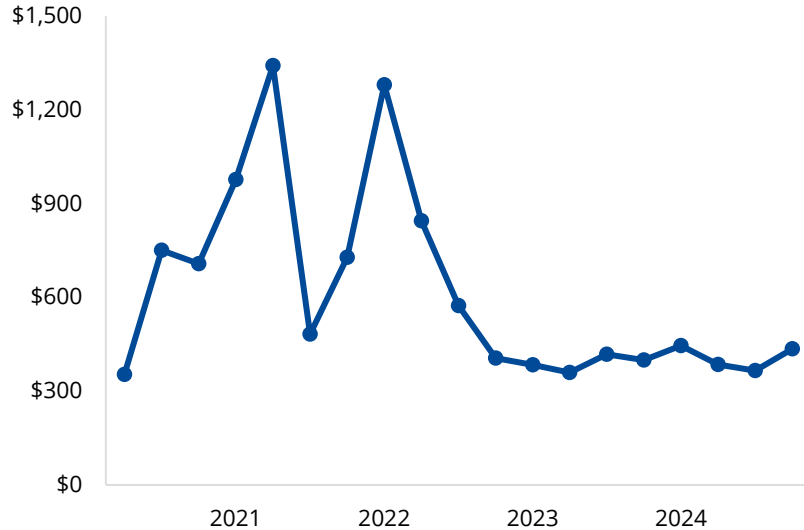


1) Adjusted production adds back lost tonnes from planned downtime

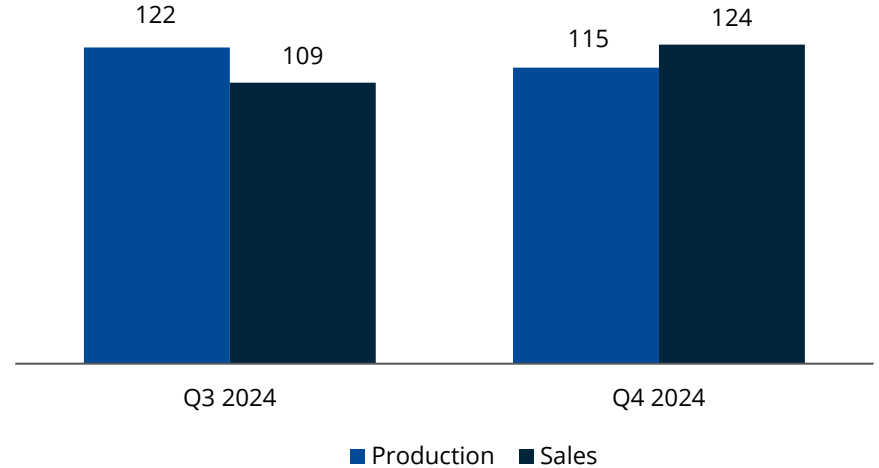
Lumber Overview

Benchmark Lumber Price

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

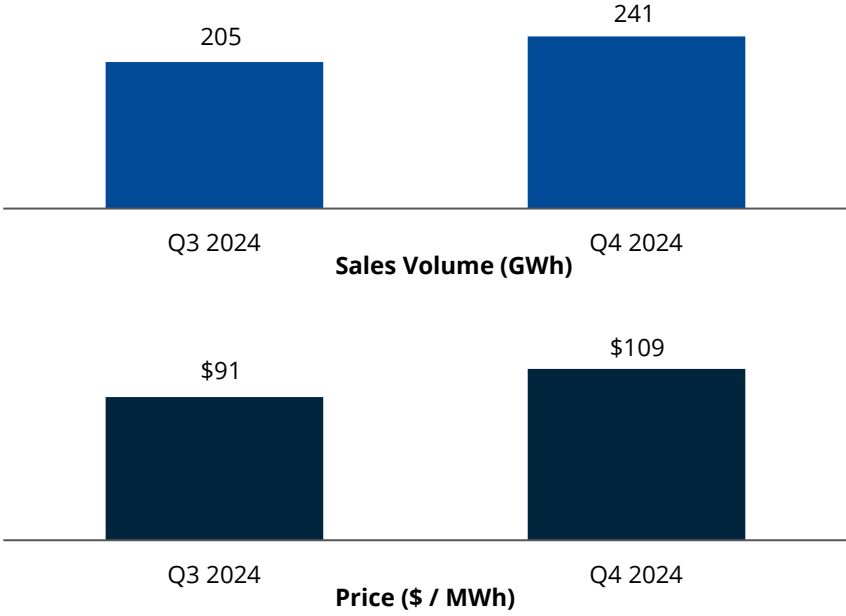


Lumber Operations (mmfbm)

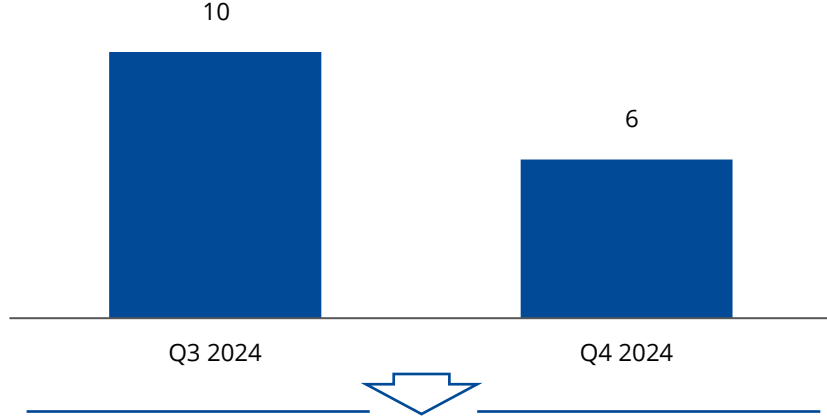


Electricity and Mass Timber

Electricity



Mass Timber Production (000s m³)



Mass timber production decreased in Q4 due to lower sales volume as we completed two large mass timber projects in Q3

Financial Position

Summary

US\$mm unless otherwise stated

Measure	2024 Full Year	Q3 2024	Q4 2024	Change (+/-)
Net Income / (Loss)	(\$85)	(\$18)	\$17	\$35
Income / (Loss) per Share	(\$1.27) / share	(\$0.26) / share	\$0.25 / share	\$0.51 / share
Cash flows				
Cash flow from (used in) operating activities	\$90	(\$14)	\$71	\$85
Capital expenditures	(\$84)	(\$27)	(\$21)	\$6
Liquidity Position	\$489	\$554	\$489	(\$66)
Cash	\$185	\$239	\$185	(\$54)
Unwithdrawn Revolvers	\$304	\$315	\$304	(\$11)
Dividend	7.5¢ / share	7.5¢ / share	7.5¢ / share	- / share

Highlights

- Stronger US dollar boosted Q4 operating income by ~\$26 million compared to Q3
- Refinanced former 2026 senior notes while extending the maturity of our earliest senior notes to 2028, and reduced long-term debt by \$100 million using cash on hand
- Repayment of \$10 million of revolving credit facilities further strengthened balance sheet

Evolving Market Dynamics

Strong Quarterly Performance

- Strong softwood pulp markets
- Favorable FX movement with rapid appreciation of the U.S. dollar
- No planned major maintenance downtime in Q4

Managing Tariff-Related Uncertainties

- Demand and pricing of products and raw materials may be impacted by ongoing developments of tariffs involving Canada, the EU, and China
 - Average annual sales of ~200,000 tonnes of pulp and ~200 million fbm of lumber into the U.S.
 - Large purchase of wood chips for Celgar from the U.S.
- We expect inevitable wood cost inflation at the Celgar mill; however, our relatively strong level of geographic and market diversification may mitigate this impact
- Other related tariff measures may vary and could include positive impacts and opportunities

Pulp Markets



NBSK

- Softwood pricing remains strong
- Permanent closures of NBSK mills and temporary curtailments due to fiber shortages and unplanned downtime are all creating tightness in NBSK markets



NBHK

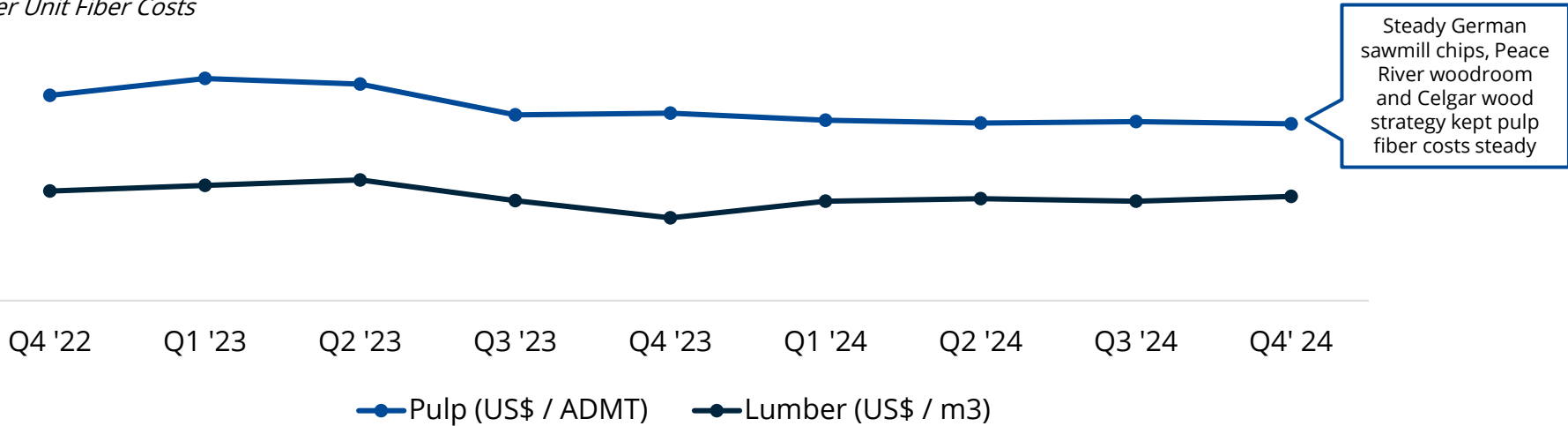
- Weaker prices as additional capacity that came online in 2024 was absorbed in the market
- Seeing some upward pricing pressure due to heavy South American maintenance downtime

Significant differences in supply-demand fundamentals between softwood and hardwood pulp will push the price gap to levels beyond historical norms, with minimal potential substitution expected

Fiber Costs

Fiber Costs Remained Flat for both Pulp and Lumber

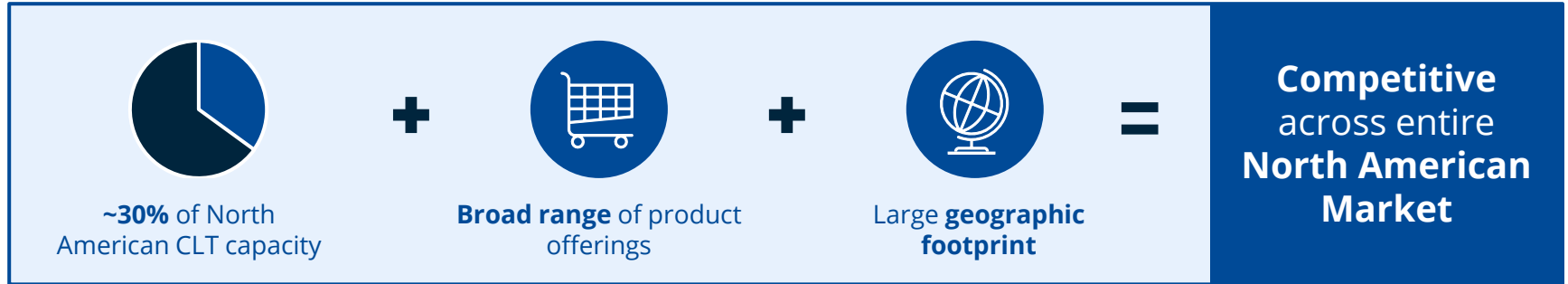
Per Unit Fiber Costs



Looking ahead, fiber costs are expected to remain generally stable for the pulp businesses with an increase for the solid wood businesses in Q1 2025

Mass Timber

- Strong customer interest; current order file is ~\$36 million
- High interest rate will be a headwind on short-term growth; recovery expected in the latter of 2025
- North American mass timber demand expected to grow in popularity at a similar pace to Europe due to environmental, economic, speed of construction advantages, and aesthetic benefits



Lumber Markets

- US prices expected to moderately improve in Q1 due to limited supply
- European lumber prices also trending upwards, driven by improving economic conditions in certain European countries
- Long-term price improvement in both markets reliant on economic recovery, spurred by interest rate reductions in late 2025

Mid-Term Drivers of Positive Supply-Demand Dynamics



Low Lumber Inventories



Sawmill Curtailments & AAC Reduction



Low Housing Stock



Shortages from Canadian wildfires



Constructive Homeowner Demographics

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

Pallets & Pellets



Pallet

- Shipping pallet market remains weak due to overhang of European economy (especially Germany)
- Once recovery shows signs, pallet prices expected to return to normal level



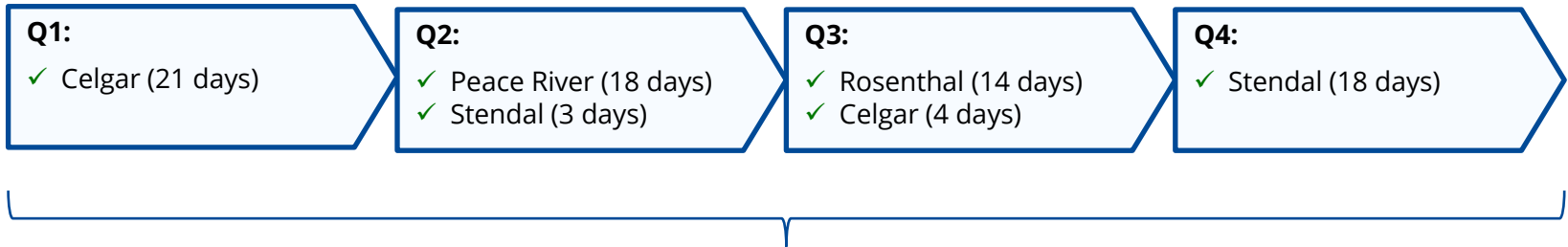
Pellet

- Heating pellet prices up slightly in Q4 due to expected seasonality in this market
- Demand and prices to be steady in Q1 as cooler European temperatures take hold

Pulp Operations

2025 Planned Major Maintenance Shut

- Celgar has moved to an 18-month major planned maintenance schedule
- The expected maintenance schedule for 2025 as follows:



Total planned downtime of 78 days vs. 57 days in 2024 as Celgar did not take a major shut in 2024

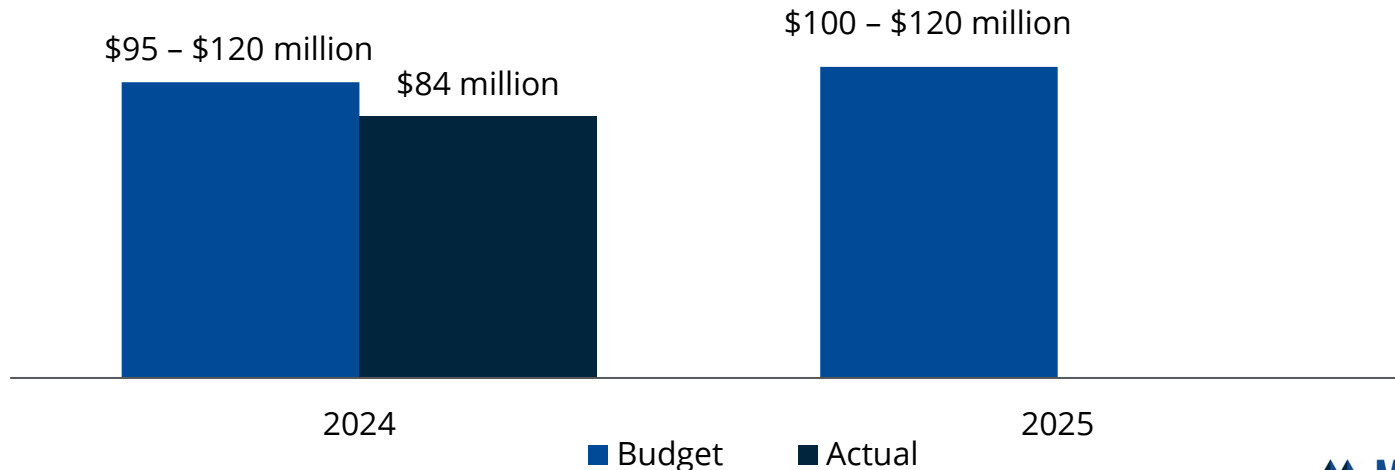
Capital Allocation

2024

- Total capex spending in Q4 of \$21 million
- Full year underspend primarily due to project delays

2025

- Prioritization of maintenance, environmental and safety capex
- Completion of Torgau lumber expansion project and Celgar woodroom will provide significant added value



High-Return Capex Projects



Strategic and high-return capex projects at our Torgau and Spokane mills are underway



- Project will increase lumber production capacity and volume of dimensional lumber available for the US market by ~240,000 m³ annually
- Part of original investment strategy to increase the mill's value-added product mix and maximize potential synergies
- Q2 2025 targeted completion date



- Project focuses on wood infeed and finger-jointing processes at Spokane to allow utilization of feedstock waste
- Mid-2025 targeted completion date

Bioproducts for a More Sustainable World



Lignin Extraction Plant

- New lignin extraction pilot plant at Rosenthal; ramp-up and expected commercialization are going as planned, with an estimated cost for a commercially sized lignin production facility to be ~\$90 million
- 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

2025 Outlook



- Larger than usual shut in Q1 at Celgar of 21 days to allow for both planned maintenance and completion of the woodroom project



Sector-wide

- Strong softwood pulp market
- Pallet and lumber demand under pressure due to weak economy
- Muted mass timber market growth in the short term, recovery expected late 2025

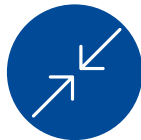


Macroeconomy

- Potential trade war remains uncertain
- Inflation could accelerate and become a global issue
- We are confident in implementing effective tariff mitigation strategies



Mercer will remain focused on optimizing our business operations and financial stability through



Cost-reduction
Initiatives



Mill Efficiency
Maximization



Prudent Cash & Liquidity
Management

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Reconciling Net Income (Loss) to Operating EBITDA

Consolidated (US\$ millions)	Q3 2024	Q4 2024	2024 Full Year
Net income (loss)	(\$17.6)	\$16.7	(\$85.1)
Income tax provision (recovery)	(0.1)	3.4	(1.8)
Interest expense	26.4	28.3	109.2
Other expense (income)	0.1	1.9	(7.3)
Operating income	8.8	50.4	15.0
Add: Depreciation and amortization	41.6	48.8	170.8
Add: Goodwill impairment	-	-	34.3
Add: Loss of disposal of investment in joint venture	-	-	23.6
Operating EBITDA	50.5	99.2	243.7

Note: See next slide for additional disclosures

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 income plus depreciation and amortization and long-lived 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 income as a performance measure primarily because depreciation expense and long-lived 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 income (loss), including financing costs, income taxes, 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 income (loss) or operating income 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 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.

Operating EBITDA is a non-GAAP financial measure at the consolidated level and is considered different from Operating EBITDA at the segment level, referred to as "Segment Operating EBITDA", which is our single measure of segment profit or loss presented in our financial statements under GAAP. For more information on Segment Operating EBITDA, refer to the segment information note within our consolidated financial statements.