

Mercer International Inc.

Transforming biomass into bioproducts for a more sustainable world

Q1 2025 Earnings Call

May 2, 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 Decreased Quarter-Over-Quarter

<i>EBITDA (US\$ millions)</i>	Q4 2024	Q1 2025	Change (+/-)
Pulp Segment ⁽¹⁾	\$106	\$50	(\$56)
Solid Wood Segment ⁽¹⁾	(\$5)	(\$0)	\$4
Corporate & Other	(\$2)	(\$2)	(\$0)
Operating EBITDA⁽²⁾	\$99	\$47	(\$52)

Highlights

- EBITDA decreased quarter-over-quarter due to:
 - Planned maintenance downtime of 22 days at our Celgar mill; and
 - Weakening U.S. Dollar
- ~\$30 million estimated EBITDA impact from downtime at Celgar in direct costs and lower production







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 21.

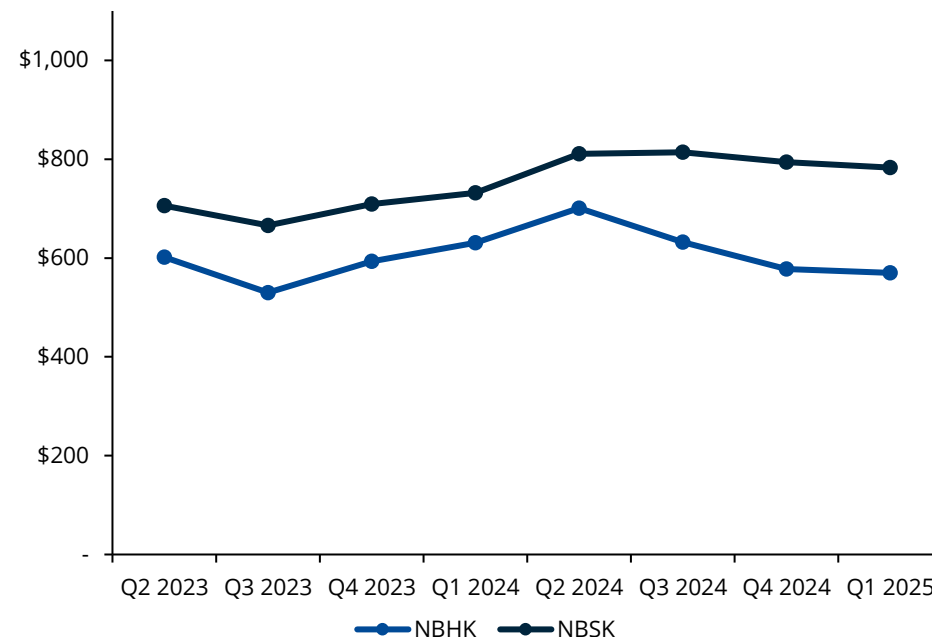
Pulp Prices

Pricing Overview

Region	Q4 2024	Q1 2025
NBSK List Price (US\$ / tonne)		
 Domestic	\$1,687	\$1,753
 China (net)	\$767	\$793
 Europe	\$1,500	\$1,550
NBHK List Price (US\$ / tonne)		
 Domestic	\$1,298	\$1,268
 China (net) ⁽¹⁾	\$548	\$578
NBSK / NBHK Price Gap (US\$ / tonne)		
 China	\$219	\$215

Realized Prices in Q1 Remained Flat

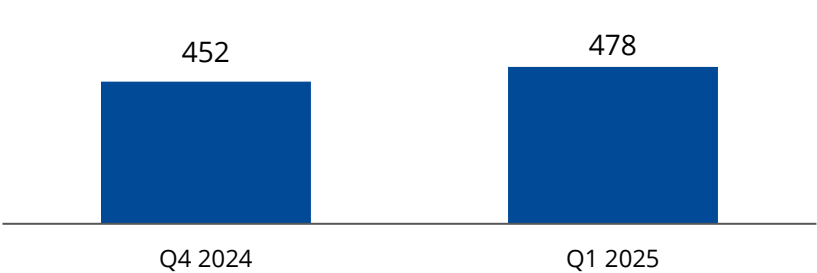
Realized Pulp Price (US\$ / tonne)



1) Bleached eucalyptus kraft

Key Performance Indicators

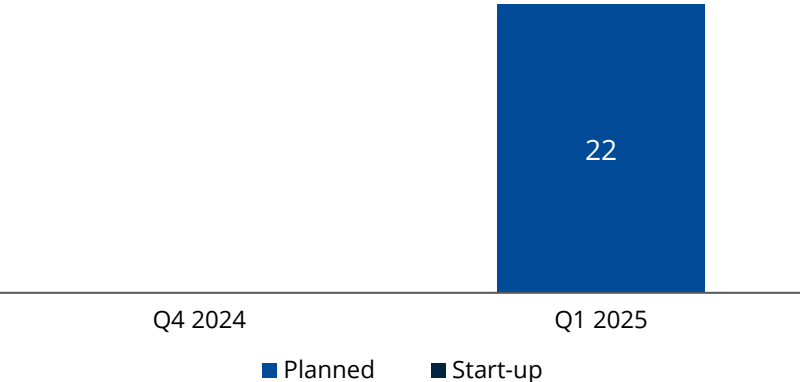
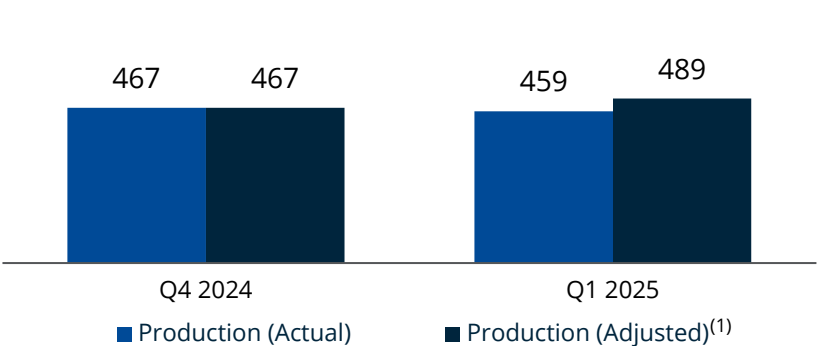
Sales Volume (000s tonnes)



Mill Planned Downtime (Days)

- Q2 2025:
- 18 days (Peace River)
 - 3 days (Stendal)

Production Volume (000s tonnes)

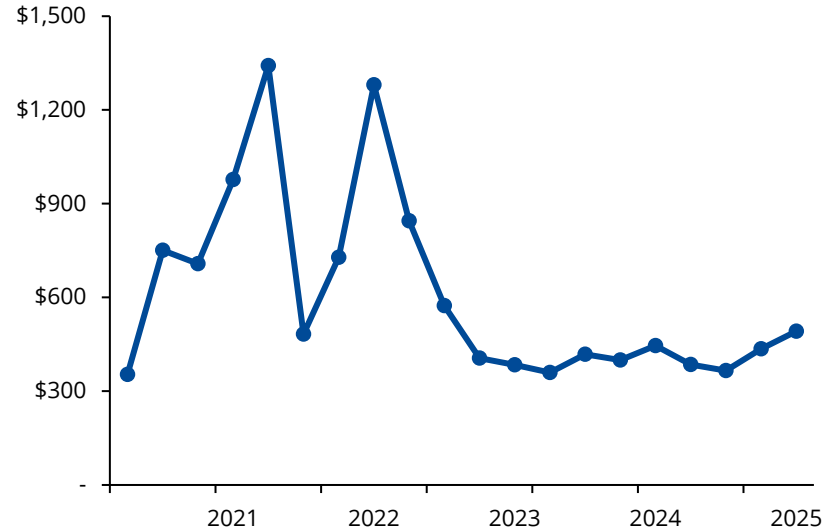


1) Adjusted production adds back lost tonnes from planned downtime

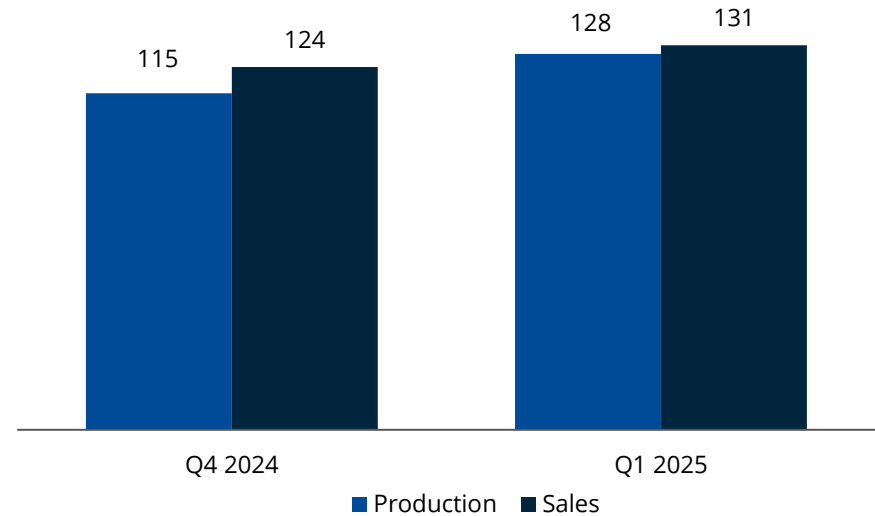
Lumber Overview

Benchmark Lumber Price

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

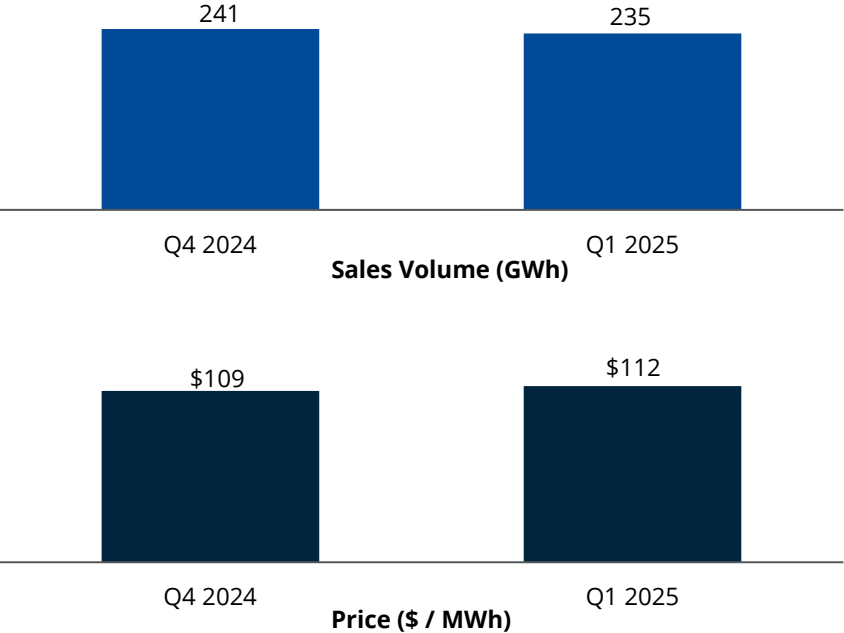


Lumber Operations (mmfbm)

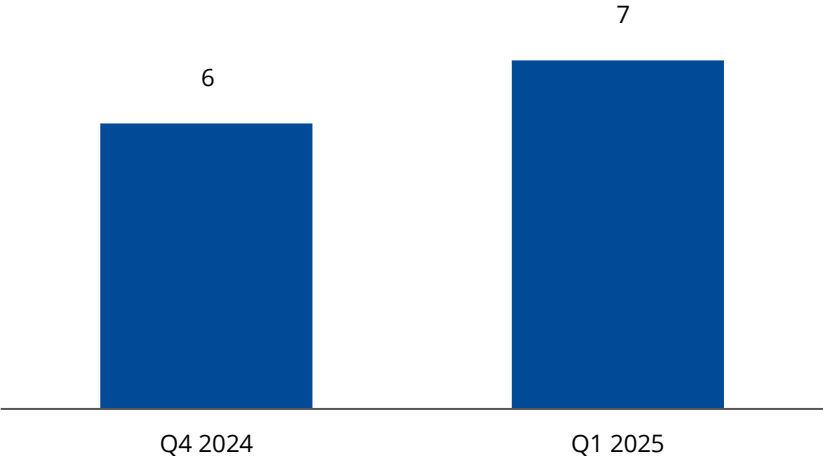


Electricity and Mass Timber

Electricity



Mass Timber Production (000s m³)



Mass timber production remained relatively flat in Q1 amidst high-interest rate environment

Financial Position

Summary

<i>US\$mm unless otherwise stated</i>			
Measure	Q4 2024	Q1 2025	Change (+/-)
Net Income / (Loss)	\$17	(\$22)	(\$39)
Income / (Loss) per Share	\$0.25 / share	(\$0.33 / share)	(\$0.58 / share)
Cash flows			
Cash flow from (used in) operating activities	\$71	(\$3)	(\$74)
Capital expenditures	(\$21)	(\$20)	\$1
Liquidity Position	\$489	\$471	(\$18)
Cash	\$185	\$182	(\$3)
Undrawn Revolvers	\$304	\$289	(\$15)
Dividend	7.5¢ / share	7.5¢ / share	- / share

Highlights

- Q1 net working capital excluding non-cash items increased by ~\$23 million; financed by borrowing ~\$22 million from revolving credit facilities
- Working capital build expected to reverse in Q2

Evolving Market Dynamics and Strategic Focus

Managing Tariff-Related Uncertainties

- Pulp and mass timber imports from Canada and lumber imports from Germany are currently not subject to tariffs, but under a Section 232 review
 - Average annual sales of ~200,000 tonnes of pulp and ~200 million fbm of lumber into the U.S.
- Wood chips imported from the U.S. poses potential counter-tariff risk if trade tensions escalate
- Beginning to see exposure in the form of secondary effects
- Development being closely monitored; taking proactive steps to mitigate potential tariff impacts.

Top Priorities



1

Maximizing the operating rates of our mills

2

Reducing debt amidst global economic uncertainty

Action Plan

- Targeting \$100 million in cost savings by the end of 2026 compared to 2024
- Targeting ~\$20 million reduction in inventories and ~\$20 million reduction in capital expenditures by the end of 2025
- Efforts to identify and capture additional savings are ongoing

Performance and Outlook

Performance Drivers

+ Positive

- Mills ran well in Q1
- Pulp pricing was strong, positive momentum expected to persist into the second quarter
- Potential benefit for Celgar as the weaker dollar may enhance the mill's purchasing power for U.S. sourced fiber, which accounts for roughly 40% of its supply

- Negative

- Decrease in EBITDA from last quarter due to:
 - Significant planned maintenance of 22 days at Celgar mill;
 - Weakening U.S. Dollar;
 - Increased fibre costs in Germany, which notably impacted our sawmills

Headwinds into Q2

- Impact of global economic uncertainty is negatively impacting buying patterns and pricing in some of our markets
- Expected modest fibre cost inflation and lower energy sales prices in Q2
- Appears that the U.S. dollar will continue to weaken under pressure of the U.S. government's proposed tariff regime

Pulp Markets



NBSK

- Softwood pricing remains strong
- Steady demand for softwood in mid-term, combined with reduced supply, will create upward pressure on pricing in H1 2025



NBHK

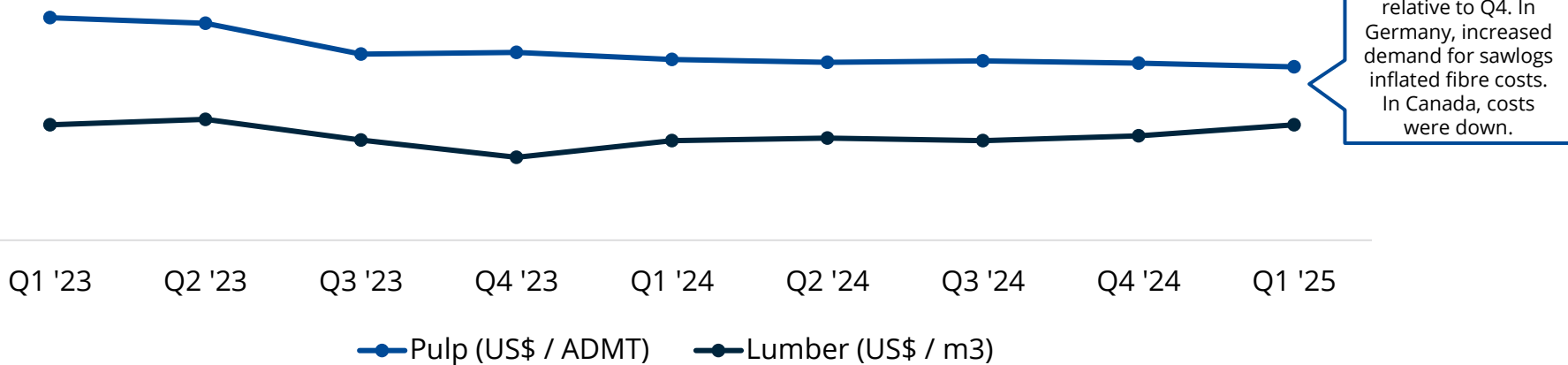
- Hardwood pricing strengthened in China due to seasonal demand and reduced supply from South America
- Pricing in North America weakened due to weaker demand

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 Pulp and Increased for Lumber

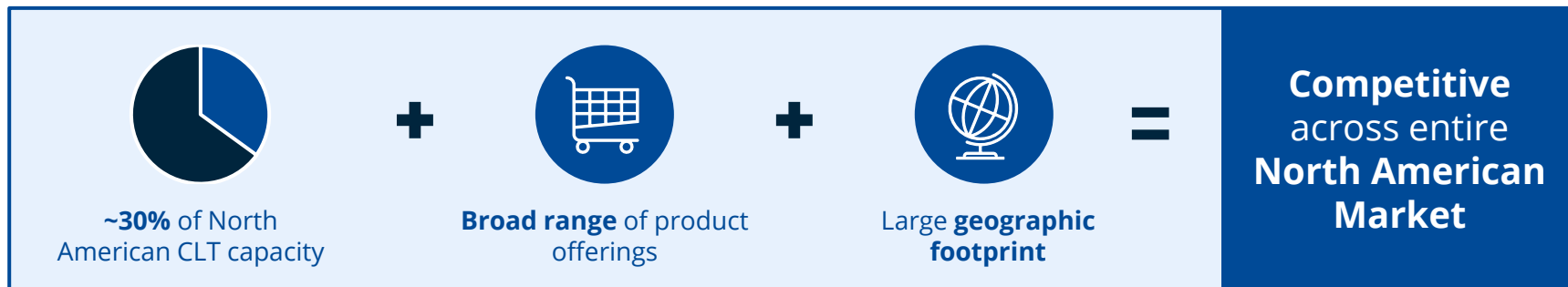
Per Unit Fiber Costs



Looking ahead, fiber costs are expected to remain generally stable for the pulp segment with a ~10% increase for the solid wood segment in Q2 2025

Mass Timber

- The solid profitability we saw in 2024 underscored the earnings potential of the mass timber business when running at full capacity on a single-shift
- Current ~\$24 million order file suggests a weaker Q2 and Q3 for 2025; improvement anticipated to start in Q4
- Plans underway to ramp up one of our facilities to two shifts in early 2026 to meet anticipated demand growth
- Long-term outlook remains strong as mass timber adoption continues to accelerate, following a trajectory comparable to the European mass timber market



Lumber Markets

- U.S. prices expected to weaken slightly in Q2 due to weaker demand
- In contrast, European lumber prices trending upwards, driven by increasing saw log prices
- 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 signs of economic recovery show, pallet prices expected to return to normal level



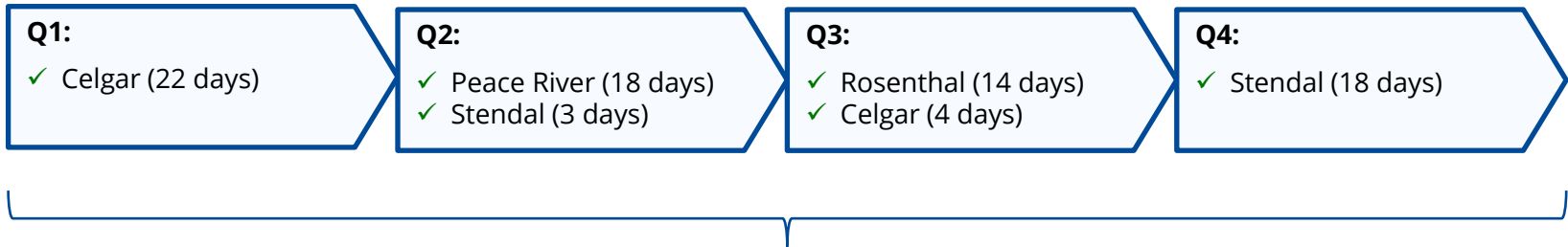
Pellet

- Heating pellet prices up slightly in Q1 due to seasonality in this market
- Demand and prices to be slightly lower in Q2 as warmer European temperature takes 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 79 days vs. 57 days in 2024 as
Celgar did not take a major shut in 2024**

Capital Allocation

Strategic and high-return capital projects at Torgau and Celgar mills are underway / recently completed



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



- Recently completed wood room upgrade expected to provide incremental fiber flexibility, reduced costs, and increased yield

Capital Expenditure Summary

- Total Q1 capex of ~\$20 million
- Expected 2025 capex of \$100 million
- Continued prioritization of maintenance of business, environmental, and safety capex

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
- 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



- Target to unlock \$100 million from improved operational efficiency and cost savings by 2026 against 2024 baseline
- Commencing FEL-2 engineering for a carbon capture plant at Peace River



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

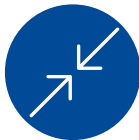


Macroeconomy

- Economic uncertainty stemming from potential trade wars
- Inflation could accelerate and become a global issue
- Reducing carbon emissions remains critical, driving demand for low-carbon products



Mercer remains committed to increasing shareholder value by reducing leverage through



Aggressive Cost-
Reduction Programs



Strong Mill Reliability +
Operational
Rationalization



Prudent Capital
Management



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Reconciling Net Income (Loss) to Operating EBITDA

Consolidated (US\$ millions)	Q4 2024	Q1 2025
Net income (loss)	\$16.7	(\$22.3)
Income tax provision	3.4	0.7
Interest expense	28.3	28.2
Other expense	1.9	0.2
Operating income	50.4	6.7
Add: Depreciation and amortization	48.8	40.4
Operating EBITDA	99.2	47.1

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.