



Panel on Supply Chain

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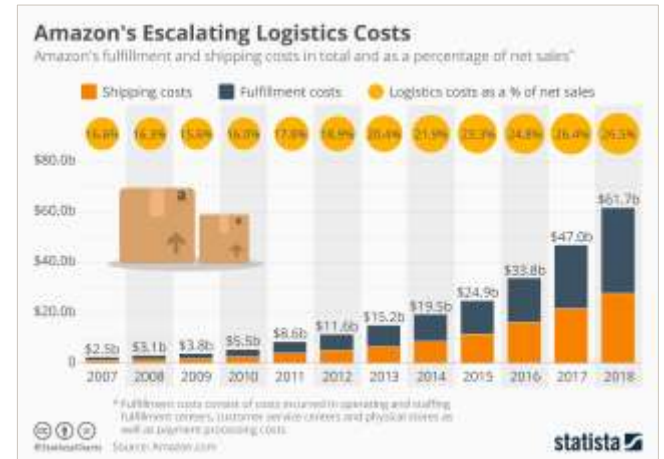
Disruptive Forces & Trends in Supply Chain Facing Our Clients

The supply chain landscape changed drastically for companies over the past 18 months. These 7 forces are at the core:



- **SKU Proliferation & Growing Complexity:** new product introduction can cannibalize demand, create supply side challenges and excess inventory, erode margins, and ultimately hurt customer satisfaction.
- **Erratic Demand & Channel Conflict:** pent up demand cannot be met due to supplier availability issues; demand is also harder to predict due to changes in sales channels, the omnichannel effect, etc.
- **Rising Supply Chain Cost to Serve:** this is the number one issue for most companies and the trend is not favorable; even the best performing supply chains struggle with this metric – see Amazon example.
- **Serious Supply Chain Risk Factors:** the frequency of risk related supply chain disruption is increasing and companies are struggling to respond with sufficient business continuity capabilities.
- **Significant Labor Shortages:** skilled and unskilled labor shortages exist in all industries and companies are experiencing lost sales and finding it harder to avoid turnover without paying a higher hourly wage.
- **Increased M&A Activity:** deal flow is way up and the companies with strong supply chains that came out of the pandemic with strong balance sheets are looking for strategic investments and tuck ins.
- **Demand for Digital Supply Chain Solutions:** efficient supply chain execution requires technology and the level of sophistication and automation through AI, ML, and other Industry 4.0 capabilities is powerful.

Example of the impact of rising supply chain cost to serve:





Coated Paper Markets

Verso Corporation

Tim Nordin, Marketing Brand Group Manager

Verso At-a-Glance

6 LOCATIONS

Verso is headquartered in Miamisburg, Ohio, with two paper mills in Michigan, a roll to sheet converting facility in Wisconsin, and two distribution centers in Sauk Village, Illinois and Bedford, Pennsylvania. Our facilities are strategically located within close proximity to major customers, which affords us the ability to deliver our products more quickly and cost-effectively.



ANNUAL PRODUCTION CAPACITY/GRADES PRODUCED

MILL LOCATION	PRODUCT/PAPER GRADES	PAPER/MARKET PULP MACHINES	ANNUAL PRODUCTION CAPACITY (in tons)
Escanaba, MI	Graphic, specialty and packaging paper	3	730,000
Quinnesec, MI	Graphic and specialty paper, market pulp	2	670,000
CONVERTING FACILITY LOCATION	PRODUCT/PAPER GRADES	SHEETERS	ANNUAL CONVERTING CAPACITY (in tons)
Wisconsin Rapids, WI	Graphic and specialty paper	7	370,000

\$1,359
MILLION IN
NET SALES

1.4
MILLION TONS
OF PAPER AND
MARKET PULP

1,700
EMPLOYEES
NATIONWIDE

2020 Revenue by Product Area



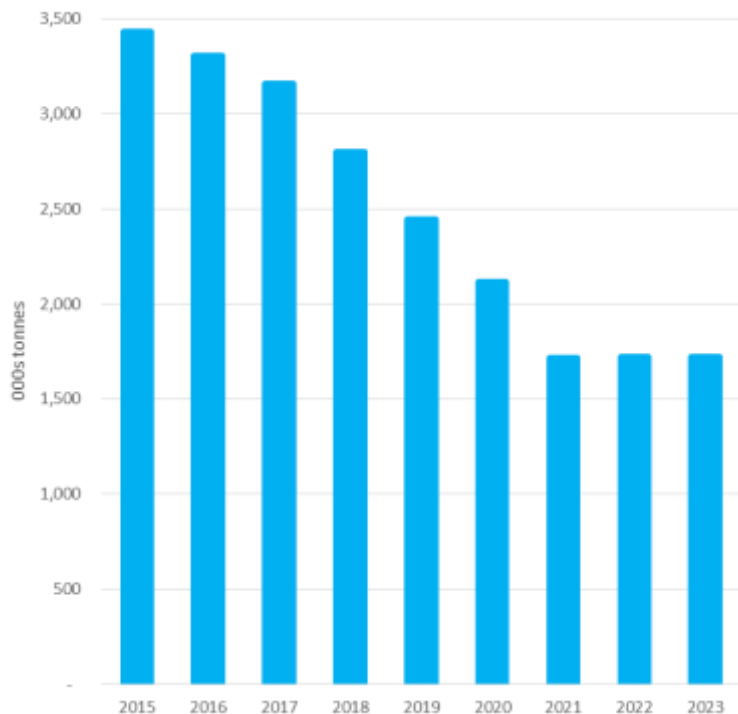
- 66% Graphic Papers
- 20% Specialty Papers
- 5% Packaging Papers
- 9% Market Pulp

2020 Revenue by Sales Channel



- 47% Merchants/Brokers
- 35% End-Users
- 18% Printers

Coated Freesheet Capacity, N.A.



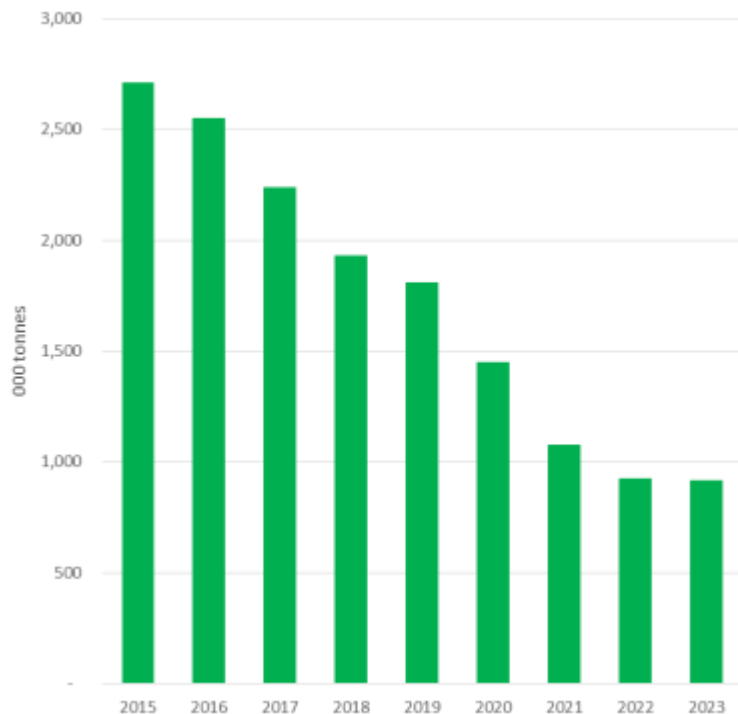
2020 Capacity shrunk -13%

- Sappi – ongoing conversion
- Verso, Luke – idling
- Willamette Falls Paper, West Linn (+) – gradual restart
- Verso, Wisconsin Rapids – idling
- Nine Dragons, Rumford – conversion of PM15
- Swings from Coated Mechanical (+)

2021 Capacity to shrink -19%

- Sappi – ongoing conversion
- Verso, Wisconsin Rapids – idling
- Nine Dragons, Rumford – conversion of PM15
- Midwest Paper, Combined Locks – full conversion of PM6
- Swings from Coated Mechanical (+)
- Swings to Specialty

Coated Mechanical Capacity, N.A.



2020 Capacity shrunk -20%

- Kruger, Wayagamack – gradual conversion
- Nine Dragons, Biron – conversion of PM25
- New Indy, Catawba – full conversion
- Nine Dragons, Rumford – conversion of PM12 and PM15
- Catalyst – malware attack in Q1 2020
- Swings to Coated Woodfree

2021 Capacity to shrink -26%

- Kruger, Wayagamack – gradual conversion
- New Indy, Catawba – full conversion
- Nine Dragons, Rumford – conversion of PM15
- Swings to Packaging, Coated Woodfree and Specialty

Pactiv Evergreen Pine Bluff announced exit from CM manufacturing by the end of Q3 2021

Reduced 2022-2023 capacity -150K tonnes

N.A. Paper Industry Results (% Δ)

September 2021 vs September 2020									
	DEMAND		SHIPMENTS		PRODUCTION		IMPORTS		Operating Rates (Shipments/Capacity) Sep'21 vs Sep'20
	% Δ	Tons Δ	% Δ	Tons Δ	% Δ	Tons Δ	% Δ	Tons Δ	
CFS	2.9%	6	-11.3%	-20	15.5%	19	60.9%	23	106% vs 113%
Sheets			-0.5%	-1			82.6%	22	
Rolls			-14.9%	-19			10.7%	2	
CM	-7.4%	-10	-9.2%	-10	-2.8%	-2	-2.9%	-1	100% vs 95%
#4 & #3			-5.9%	-3					
#5			-11.4%	-7					

YTD September 2021 vs YTD September 2020									
	DEMAND		SHIPMENTS		PRODUCTION		IMPORTS		Operating Rates (Shipments/Capacity) YTD'21 vs YTD'20
	% Δ	Tons Δ	% Δ	Tons Δ	% Δ	Tons Δ	% Δ	Tons Δ	
CFS	4.4%	77	3.9%	51	-9.3%	-124	2.3%	12	104% vs 78%
Sheets			13.9%	45			0.0%	0	
Rolls			0.7%	7			12.1%	13	
CM	-5.9%	-62	-5.2%	-44	-11.7%	-103	-4.0%	-8	94% vs 76%
#4 & #3			2.2%	8					
#5			-10.2%	-51					

Sheet-fed Imports/Domestic shipment Trends

Imports are returning, but not enough in-market to offset the return of market demand

Trade flows continue to be constrained by container shortages and the high cost of international shipping



Source: PPPC



2022 Considerations

Coated Paper Supply/Demand

- Domestic Capacity and Conversion Changes
- Covid-induced supply chain interruptions
- Reduced sheet imports and de-inventory tactics

2021 Coated Paper Market

- Capacity reductions in 2020 due to uncertain duration of COVID and demand recovery
- Significant product line adjustments to maintain products and breadth of line
- Market supply through production capability and inventory sales, manage customer base through allocation

Verso in 2022

- Leverage our Domestic Advantage
- Grow strategic grades and segment mix
- Reinvest in historically profitable and successful mills to grow coated graphic papers