

INFORMATION

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SCA expands packaging operations, acquires the Danish company Danapak Papemballage

SCA has acquired Danapak Papemballage, the third-largest Danish corrugated board company, for DKK 530 M on a debt-free basis (SEK 636 M). The majority owner of the Danapak Group is MD Foods, the Danish dairy cooperative. The agreement includes a clause entitling the seller to a supplementary consideration in a maximum amount of DKK 15 M in the event that the company's earnings for 1999 significantly exceed its earnings for 1998. The purchase price corresponds to 6.5 times operating surplus (EBITD) and 8.3 times operating profit (EBIT) based on 1998 year-end earnings.

The acquisition is calculated to exceed SCA's weighted capital costs by slightly more than 30% (CVA index 1.30). During 1999, the acquired operations are expected to contribute about SEK 0.20 in earnings per share. The synergies in this acquisition are largely attributable to improved raw material integration. The operations will be reported in SCA's consolidated accounts as of 1 January 1999.

Danapak holds a market share of 17% of one of the most consolidated markets in Europe. The company produces about 100 million m² of corrugated board annually, with sales of about SEK 650 M and 500 employees. Previously, SCA had only exported products to Denmark and is now gaining a strong local presence as a result of the acquisition.

Corrugated board production is centered in Grenå. Converting to finished packaging is carried in Grenå and at two sheet plants, in Haslev and Horning.

As with the earlier acquisition of Rexam Corrugated Packaging, the purchase is in-line with SCA's intentions to expand its packaging operations. This will be accomplished through selective acquisitions aimed at highly profitable segments and by increasing market share in Europe to at least 20% (currently 14%) and thereby contributing to a consolidation of the corrugated board market.

Danapak has developed a number of innovative packaging solutions, among other reasons as a result of the successful cooperation with such customers as MD Foods, and has largely focused its production on high-quality products. These include compact E/F-fluting packaging and packaging coated to become water- and oil-resistant. The company has also developed advanced graphic solutions. SCA and MD Foods are in agreement regarding continued development of cooperation to benefit both parties.

SCA Packaging is a leading transport packaging company in Europe with sales of about SEK 15 billion, corrugated board production of about 3.5 billion m² and liner production (kraftliner, testliner and fluting) of approximately 2.4 million tons.

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