

# INFORMATION

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## **SCA complements its US tissue operations**

SCA has acquired the US tissue company Encore Paper Company Inc. at a price of USD 92 M (approximately SEK 930 M) on a debt-free basis. The company, which is integrated, has an annual converting capacity of about 6 million cases of Away-From-Home (AFH) tissue products. The paper capacity amounts to 85,000 short tons per year, exceeding the converting capacity with approximately 15,000 short tons. More than half of the company's sales is attributable to the towel product segment. Encore's products are sold primarily in the Midwest, northeastern and southeastern US. The acquisition complements SCA's current tissue operations in the US through a more balanced product mix, improved paper balance and logistics.

The addition of towel products complements SCA's current product mix, which today predominantly comprises napkins. Logistics are improved through converting being coordinated between SCA's and Encore's units. Concurrently, Encore's paper production can be used directly by SCA's nearby converting plants in northeastern US, while Encore's product offering in other regions of the US will be incorporated into SCA's current operations.

The acquisition price corresponds to 5.1 times operating surplus (EBITDA), based on earnings in the most recent 12 months. Encore has shown an average operating surplus margin of slightly more than 19% over the past five years, with an average annual sales growth of 10%. The acquisition is expected to result in a CVA index of about 1.6, exceeding SCA's weighted average cost of capital (WACC) by 60%. The acquired business is expected to contribute SEK 0.20 to SCA's earnings per share in the first 12 months.

Earlier this year SCA acquired Georgia-Pacific Corporation's AFH operations in the US. Through the acquisition, SCA achieved national market coverage and a 17% market share, which gave SCA a position as the third-largest supplier. With the acquisition of Encore, SCA is increasing its total market share to 19%. Encore has annual sales of approximately USD 85 M (SEK 860 M), with about 350 employees. The operations was taken over by SCA as of 20 November 2001.

In conjunction with the acquisition, Encore's president, Joe Raccuia, will assume a new position as Chief Operating Officer in SCA's total North America tissue business.

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