

DS SMITH / MONDI

PART I: THE FULL PACKAGE – SET THE SPREAD OPPORTUNISTICALLY

Please refer to our disclosures and disclaimer at the end of the report.

ON THE CUSP

While Mondi's latest update is technically only a 2.4 announcement, in UK takeover terms, **the agreement in principle indicates that both parties are on the cusp of a firm offer**. While the strategic rationale for the merger is self-evident, the bid/ask divide had appeared the key gating item, and **its resolution appears to leave a clear path for a formalised agreement**. This notion will be yet furthered by: **i)** the articulated and quantifiable nature of the expected synergies, **ii)** the parties' net paper position, along with **iii)** Mondi's stable market reaction to the all-stock offer.

THE REGULATORY PATH

We explore the possible regulatory circuit from three perspectives:

- Geographic overlap.** As we outline below, DS Smith and Mondi's exposures are (largely) allocated across Western and Eastern Europe respectively, though we identify some **localised overlaps, principally in Germany, Poland and the Czech Republic**. As a result, we anticipate an EC-centric review process, though the transaction will likely meet the technical threshold for other processes (including the CMA).
- Product overlap.** The global packaging sector remains relatively fragmented, and the DS Smith and Mondi's cross-exposure is **limited to containerboard and corrugated solutions**. Within this there is a further divergence. DS Smith focuses on testliner (recycled CCM), and Mondi on kraftliner (from virgin fibres). On an overall level, most of Mondi's revenues stem from its flexible packaging (52%) and uncoated fine paper (17%) divisions. Following the sale of DS Smith Plastics in 2020, DS Smith is not meaningfully active in either segment, substantially reducing the scope for any overlap.
- Timing.** While the ongoing Smurfit/WestRock regulatory path may act as a partial template (c.10 months), **DS Smith/Mondi may emerge as a simpler transaction**. The proforma will not hold a significant market share in the US, and the Mexican process and the SEC filings are not applicable here. Mondi is a much leaner business following the disposal of its Russian business, and neither company has major exposure to China.

OUTSIDE OPTIONALITY

In December, DS Smith's CEO announced that he would step down by November 2025, following 13 years in the role. **We believe this may have sparked interest across a consolidating industry**, where manufacturers are under pressure to build scale amid pricing and regulatory pressures. In this context, **we identify six (largely US) strategies with the scale to incorporate DS Smith**, though the relative product mix and synergies available to Mondi positions it towards the top of this list. Under the UK Takeover Code, any bona fide offeror can readily gain access to the equivalent due diligence material provided to Mondi. To mitigate this, **we understand that DS Smith and Mondi – who have explored each other previously – may be consciously reducing the scope of data shared**. Any inquisitive sponsor may be further emboldened by the (lack of) reaction at Mondi, which contrasts materially to the sharp reaction at Smurfit last September.

AHEAD OF A 2.7

At current pre-2.7 levels, **we envisage some short-term spread compression** on account of:

- The **high likelihood of formalised terms** emerging in the weeks ahead.
- The **manageable and limited nature** of any underlying corrugated solution overlaps.
- Outside optionality** of emerging strategic interest.

On a 0.27x exchange ratio, DS Smith trades at a gross spread of 6.3% which annualises to 9.4%, on a dividend adjusted basis, on a mid-Q4 closing. **We recommend investors set the spread opportunistically.**

Ticker	SMDS LN / MNDI LN
Share Price	GBP 319 / 1346
Market Cap.	GBP 4,395 / 5,943
EV/EBITDA (24E)	6.3x / 6.5x



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MANAGEABLE PRODUCT OVERLAPS & OUTSIDE OPTIONALITY

MAPPING DS SMITH / MONDI PRODUCT OVERLAPS

Rank	Country	DS Smith Revenue	DS Smith Operations	DS Smith Products	Mondi Revenue	Mondi Operations	Mondi Products	Geographic Overlap	Commentary
1	 Germany	€763m	Production	Paper, Corrugated Solutions	€808m	Production, R&D	Containerboard, Corrugated Packaging, Kraft Paper	High	Both companies involved in corrugated solutions, with significant revenues.
2	 Poland	€970m	Production	Paper, Corrugated Solutions	€1,587m	Production	Containerboard, Corrugated Packaging	High	Significant revenues for both, with an emphasis on corrugated packaging products.
3	 Czech Republic	Not specified	Production	Paper, Corrugated Solutions	€820m	Production	Corrugated Solutions, Kraft Paper	Moderate	High investment from Mondi in the paper segment; DS Smith is present in the market.
4	 Austria	Not specified	Not specified	Not specified	€470m	R&D, Production	Containerboard, Kraft Paper, Uncoated Fine Paper	Moderate	Specific operations for DS Smith aren't quantified, but Mondi has substantial revenue and R&D in the country.
5	 Italy	€972m	Production	Paper, Corrugated Solutions	Not specified	Production, R&D	Containerboard, Corrugated Packaging, Fine Paper	Moderate	DS Smith shows significant revenue; Mondi is expanding R&D and production capacities.
6	 France	€1,203m	Production	Paper, Corrugated Solutions	Not specified	Production	Flexible Packaging, Uncoated Fine Paper	Moderate	DS Smith has a strong revenue stream; Mondi's specific revenue is not provided, but they have production capabilities.
7	 Spain	€970m	Production	Paper, Corrugated Solutions	Not specified	Production	Corrugated Solutions	Moderate	Both companies active in corrugated solutions; DS Smith has a substantial revenue stream.
8	 UK	£1,300m	Production, Recycling	Paper, Corrugated Solutions, Recycling	€3m	Limited Operations	Packaging Solutions	Low	DS Smith's largest market contrasted with Mondi's limited operations in the UK.
9	 Belgium	Not specified	Not specified	Not specified	Not specified	Production	Packaging Solutions	Low	Both companies have operations; specifics on revenue and detailed activities are not provided.
10	 Bulgaria	Not specified	Not specified	Not specified	Not specified	Production	Corrugated Packaging	Low	Presence of both companies is known; lack of detailed revenue and product data for comparison.

Source: UFP, company filings.

On a total level, c.69% of Mondi's revenues are generated from its flexible packaging (52%) and uncoated fine paper (17%) divisions - in which DS Smith has no exposure.

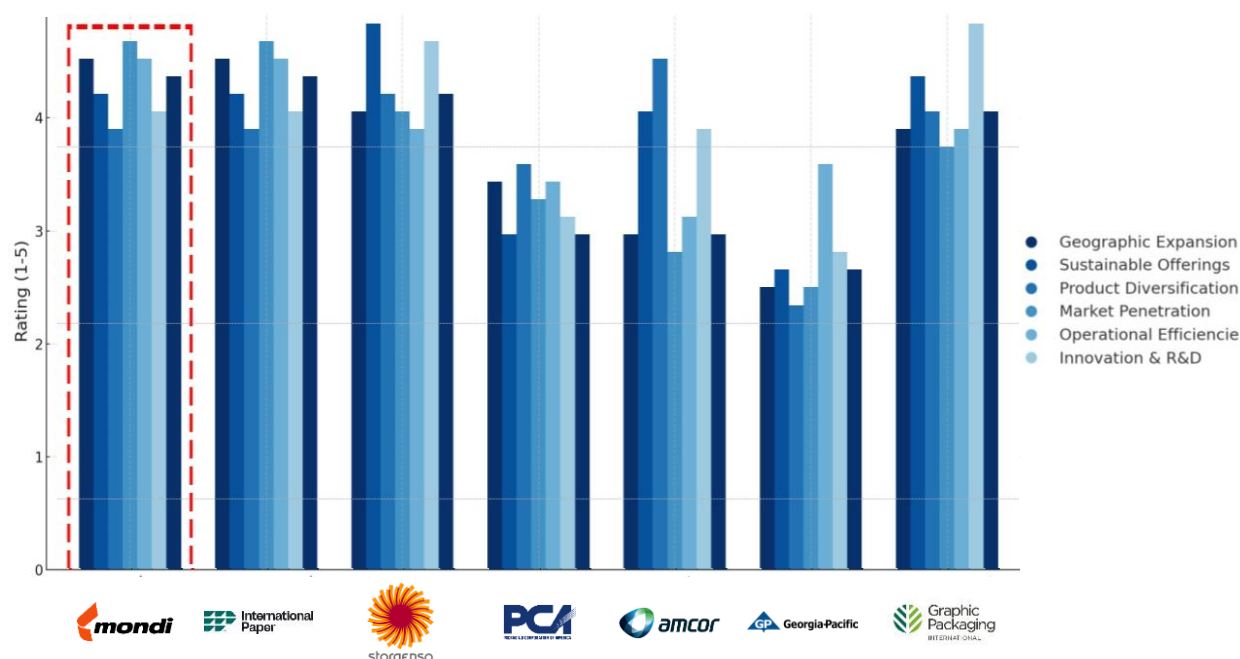
DS Smith and Mondi's cross-exposure is limited to containerboard and corrugated solutions.

Within this segment, DS Smith focuses on testliner (recycled CCM), while Mondi primarily manufactures kraftliner (from virgin fibres).

From a geographic perspective, DS Smith and Mondi's exposures are allocated across Western and Eastern Europe respectively, with some localised overlaps, principally in Germany, Poland and the Czech Republic.

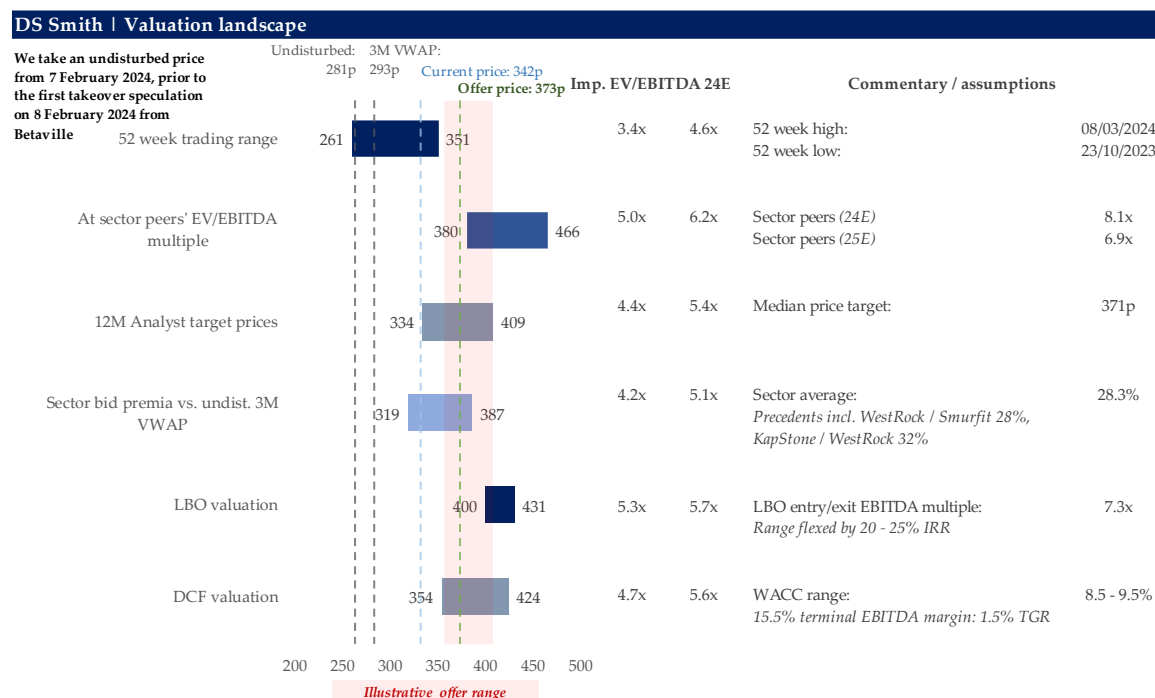
OUTSIDE INTERLOPER OPTIONALITY

How an Acquisition of DS Smith may Benefit Paper & Packaging Strategies



Source: UFP analysis.

ILLUSTRATIVE VALUATION LANDSCAPE



Source: BBG, UFP. Peers: Packaging Corporation of America, International Paper, Graphic Packaging, Stora Enso, Sonoco Products, Nyr-Melnhof Karton, Metsa Board, Billerud, Greif, Cascades.

TRANSACTION SYNERGIES OFFER ACCRETION ON A P/E BASIS

DS Smith - Mondri Merger model				
GBPm	2024	2025	2026	2027
Mondri net income	371	538	621	598
NOSH	441	441	441	441
EPS	0.84	1.22	1.41	1.36
Current PE	16.0x	11.0x	9.6x	9.9x
DPS	0.55	0.63	0.73	0.79
Dividend payout	65%	52%	52%	58%
DS Smith net income	446	469	506	483
NOSH	1,377	1,377	1,377	1,377
EPS	0.32	0.34	0.37	0.35
Current PE	10.6x	10.1x	9.3x	9.8x
DPS	0.18	0.18	0.19	0.19
Dividend payout	55%	54%	52%	55%

Additional debt (pre-tax)	0	0	0	0
Additional debt (post-tax)	0	0	0	0
PF Net income (ex synergies)	817	1,007	1,126	1,081
NOSH	813	813	813	813
PF EPS	1.00	1.24	1.38	1.33
Accretion / (dilution)	19.5%	1.6%	-1.5%	-1.9%
Phase-in	35%	55%	75%	100%
Synergies	70	110	150	200
Synergies (post taxes)	53	84	115	153
PF Net income (with synergies)	871	1,091	1,241	1,234
NOSH	813	813	813	813
PF EPS	1.07	1.34	1.53	1.52
Accretion / (dilution)	27.4%	10.0%	8.5%	11.9%

Source: UFP, BBG.

EPS accretion / (dilution) excluding synergies								
		Mondi offer & premium						
		+29%	+30%	+30%	+31%	+32%	+33%	+33 %
		363	365	367	369	371	373	375
DS Smith 2027 net income (GB£m)	358	(13.3%)	(13.5%)	(13.7%)	(13.9%)	(14.1%)	(14.3%)	(14.6%)
	383	(11.0%)	(11.2%)	(11.4%)	(11.7%)	(11.9%)	(12.1%)	(12.3%)
	408	(8.7%)	(9.0%)	(9.2%)	(9.4%)	(9.6%)	(9.9%)	(10.1%)
	433	(6.5%)	(6.7%)	(6.9%)	(7.2%)	(7.4%)	(7.6%)	(7.9%)
	458	(4.2%)	(4.4%)	(4.7%)	(4.9%)	(5.1%)	(5.4%)	(5.6%)
	483	(2.2%)	(2.4%)	(2.7%)	(2.9%)	(3.1%)	(3.4%)	(3.6%)
	508	0.3%	0.1%	(0.2%)	(0.4%)	(0.7%)	(0.9%)	(1.2%)
	533	2.6%	2.4%	2.1%	1.8%	1.6%	1.3%	1.1%
	558	4.9%	4.6%	4.4%	4.1%	3.8%	3.6%	3.3%
	583	7.1%	6.9%	6.6%	6.3%	6.1%	5.8%	5.5%
608	9.4%	9.1%	8.9%	8.6%	8.3%	8.0%	7.8%	

Source: UFP, BBG.

EPS accretion / (dilution) including synergies								
		Mondi offer & premium						
		+29%	+30%	+30%	+31%	+32%	+33%	+33%
		363	365	367	369	371	373	375
Synergies (GBpm)	50	1.5%	1.3%	1.0%	0.8%	0.5%	0.3%	0.0%
	75	3.3%	3.0%	2.8%	2.5%	2.2%	2.0%	1.7%
	100	5.0%	4.7%	4.5%	4.2%	4.0%	3.7%	3.4%
	125	6.7%	6.5%	6.2%	5.9%	5.7%	5.4%	5.1%
	150	8.5%	8.2%	7.9%	7.7%	7.4%	7.1%	6.9%
	200	11.9%	11.7%	11.4%	11.1%	10.8%	10.5%	10.3%
	250	15.4%	15.1%	14.8%	14.5%	14.2%	14.0%	13.7%
	275	17.1%	16.8%	16.5%	16.2%	16.0%	15.7%	15.4%
	300	18.9%	18.6%	18.3%	18.0%	17.7%	17.4%	17.1%
	325	20.6%	20.3%	20.0%	19.7%	19.4%	19.1%	18.8%
350	22.3%	22.0%	21.7%	21.4%	21.1%	20.8%	20.5%	

Source: UFP, BBG.

THE PAPER & PACKAGING MARKET LANDSCAPE

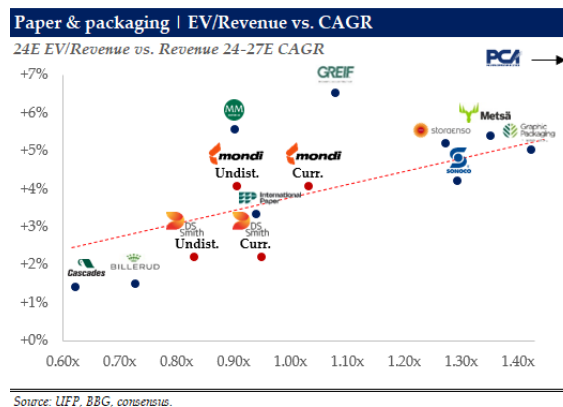
PAPER & PACKAGING LANDSCAPE

Paper & packaging valuation landscape												
Company	Country	24E	EV/Revenue				24-27E CAGR	24E	EV/EBITDA			24-27E CAGR
		25E	26E	27E				25E	26E	27E		
DS Smith (at current)	UK	0.95x	0.93x	0.90x	0.89x	+2%	6.44x	6.43x	6.12x	5.82x	+3%	
DS Smith (at undisturbed)	UK	0.83x	0.81x	0.79x	0.78x	+2%	5.64x	5.63x	5.35x	5.09x	+3%	
Mondi (at current)	UK	1.03x	0.96x	0.93x	0.92x	+4%	6.45x	5.51x	5.06x	5.12x	+8%	
Mondi (at undisturbed)	UK	0.91x	0.85x	0.82x	0.80x	+4%	5.67x	4.84x	4.44x	4.50x	+8%	
Packaging Corporation Of America	US	2.35x	2.28x	2.21x	2.08x	+4%	11.5x	10.6x	10.1x	9.13x	+8%	
International Paper	US	0.94x	0.90x	0.89x	0.85x	+3%	7.77x	6.95x	6.52x	6.06x	+9%	
Graphic Packaging	US	1.42x	1.39x	1.31x	1.23x	+5%	7.35x	7.05x	6.48x	5.97x	+7%	
Stora Enso	Finland	1.27x	1.19x	1.13x	1.09x	+5%	9.91x	7.49x	6.55x	6.22x	+17%	
Sonoco Products	US	1.29x	1.26x	1.24x	1.14x	+4%	8.24x	7.76x	6.15x	7.51x	+3%	
Mayr-Melnhof Karton	Austria	0.90x	0.86x	0.84x	0.77x	+6%	6.66x	5.70x	5.60x	4.94x	+10%	
Metsa Board	Finland	1.35x	1.25x	1.21x	1.15x	+5%	9.17x	6.70x	6.05x	5.79x	+17%	
Billerud	Sweden	0.73x	0.71x	0.71x	0.70x	+2%	6.10x	5.21x	4.92x	4.61x	+10%	
Greif	US	1.08x	1.02x	0.94x	0.89x	+7%	8.65x	7.14x	6.36x	5.93x	+13%	
Cascades	Canada	0.62x	0.61x	0.61x	0.60x	+1%	5.31x	4.84x	5.12x	5.15x	+1%	
Average (excl. DS Smith and Mondi)		1.20x	1.15x	1.11x	1.05x	+4%	8.07x	6.95x	6.39x	6.13x	+10%	
Premium / (discount) vs. peers												
DS Smith (at current)		(20.6%)	(19.0%)	(18.9%)	(15.2%)	-204bps	(20.1%)	(7.43%)	(4.19%)	(5.13%)	-604bps	
Mondi (at current)		(13.6%)	(16.1%)	(15.7%)	(12.7%)	-17bps	(20.0%)	(20.7%)	(20.8%)	(16.5%)	-150bps	

Source: UFP, BBG, consensus.

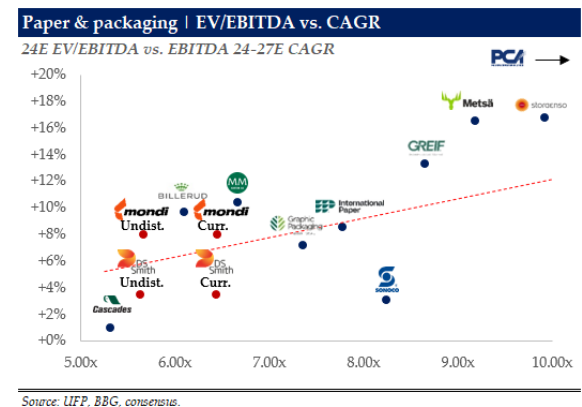
Note: WestRock and Smurfit Kappa excluded due to merger agreement.

24E EV/REVENUE VS. 24-27E CAGR



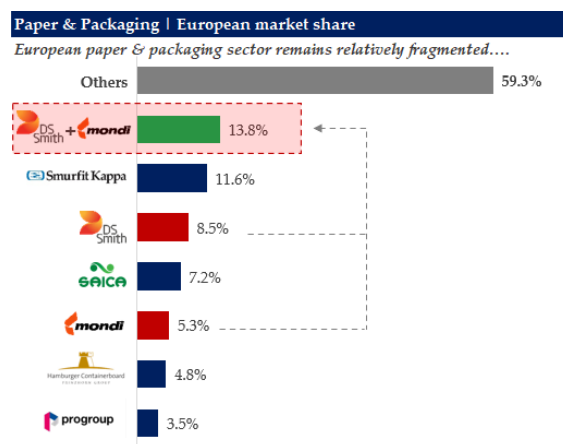
Source: UFP, BBG, consensus.

24E EV/EBITDA VS. 24-27E CAGR



Source: UFP, BBG, consensus

EUROPEAN PAPER & PACKAGING SECTOR REMAINS FRAGMENTED



Source: Statista, company filings, UFP.



Source: Statista, company filings, UFP.

DS SMITH ON A STANDALONE BASIS

DS SMITH | DCF OVERVIEW

DS Smith DCF overview										
(GBPm)	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	Normative
EBITDA	1,046	1,048	1,102	1,159	1,198	1,346	1,408	1,382	1,343	1,363
(-) Statutory taxes	(150)	(153)	(165)	(179)	(185)	(196)	(209)	(214)	(217)	(221)
(-) Change in NWC	100	(13)	(23)	(7)	(19)	(25)	(24)	(18)	(11)	(12)
(-) Capex	(500)	(495)	(492)	(489)	(473)	(472)	(472)	(483)	(491)	(498)
Free cash flows	496	386	421	484	520	653	703	667	624	633
Discount years	-	1.00	2.00	3.00	4.00	5.00	6.00	7.00	8.00	9.00
Discount factor	1.00	0.92	0.84	0.77	0.71	0.65	0.60	0.55	0.50	0.46
Discounted FCF	496	354	354	374	368	424	419	365	313	

Discounted cash flows	3,468	(GBP)		WACC							
Terminal value	8,445	EBITDA margin		8.25%	8.50%	8.75%	9.00%	9.25%	9.50%	9.75%	
Discounted TV	3,888		17.5%	548	522	498	475	454	434	416	
Enterprise value	7,356		17.0%	522	498	475	453	433	414	397	
Net debt	2,026		16.5%	497	473	451	431	412	394	378	
Equity value	5,330		16.0%	471	449	428	409	391	374	358	
Diluted NOSH (adj)	1,377		15.5%	445	424	405	387	370	354	339	
Value per share (GBP)	387		15.0%	420	400	382	365	349	334	320	
Undist. share price	281		14.5%	394	376	359	343	328	314	301	
Current share price	343		14.0%	368	351	336	321	307	294	282	
Premium / (discount) vs. undist.	+37.7%		13.5%	342	327	312	299	286	274	263	

Source: UFP, BBG and CapIQ.

DS SMITH | DOWNSIDE ANALYSIS

DS Smith - Capital Markets Valuation Prices in GBP				Offer Terms: 0.27 MNDI per SMDS	
Offer consideration		364.4		UFP adjustment	-
Current share price		341.9		Implied probability of completion	74.9%
Unaffected share price		273.0		Capital Markets Valuation	274.8
Expected close		15 Nov 2024		Break fee/shr	-
Gross Spread	6.57%	Absolute Spread	22.47	Capital Markets Valuation incl Break Fee	274.8
				Downside %	19.6%

Methodologies		Historical multiples	
Index performance since und. date	272.5	EV/EBITDA NTM - 1Y average	5.50x
Peers performance since und. date	277.2	EV/EBITDA NTM - 2Y average	5.53x
Company's historical NTM EV/EBITDA	272.4	EV/EBITDA NTM - 5Y average	6.61x
Company's historical NTM PE	285.9	Current NTM EV/EBITDA	4.50x
Current Average peers multiple (EBITDA)	279.1	PE NTM - 1Y average	8.53x
Current Average peers multiple (PE)	n.m.	PE NTM - 2Y average	8.60x
RV multiple based on peers (EBITDA)	286.0	PE NTM - 5Y average	10.3x
RV multiple based on peers (PE)	353.8	Current NTM PE	10.2x

Source: UFP, Bloomberg.

MONDI | DOWNSIDE ANALYSIS

Mondi - Capital Markets Valuation Prices in GBP					
Current share price		1,350		UFP adjustment	-
Unaffected share price		1,373		Capital Markets Valuation	1,382
				Break fee/shr	-
				Capital Markets Valuation incl Break Fee	1,382
				Downside %	2.44%

Methodologies		Historical multiples	
Index performance since und. date	1,371	EV/EBITDA NTM - 1Y average	6.79x
Peers performance since und. date	1,394	EV/EBITDA NTM - 2Y average	6.46x
Company's historical NTM EV/EBITDA	n.m.	EV/EBITDA NTM - 5Y average	7.31x
Company's historical NTM PE	1,600	Current NTM EV/EBITDA	4.74x
Current Average peers multiple (EBITDA)	n.m.	PE NTM - 1Y average	13.1x
Current Average peers multiple (PE)	1,943	PE NTM - 2Y average	11.5x
RV multiple based on peers (EBITDA)	n.m.	PE NTM - 5Y average	12.4x
RV multiple based on peers (PE)	1,979	Current NTM PE	11.3x

Source: UFP, Bloomberg.

DS SMITH | BUSINESS OVERVIEW

DS SMITH | BUSINESS OVERVIEW

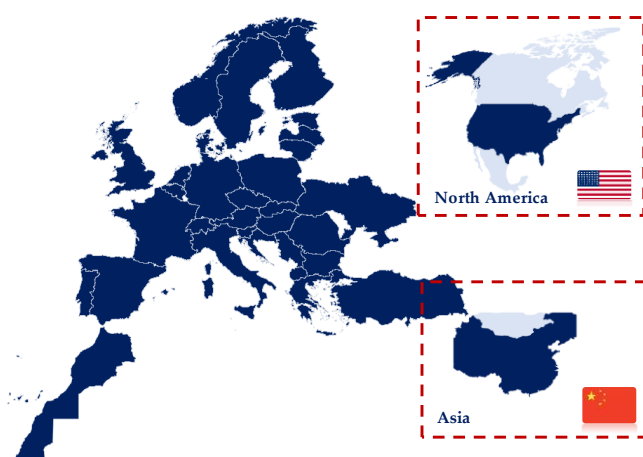
Founded in 1940, DS Smith is a leading provider of **sustainable packaging solutions, paper products, and recycling services** across 34 European countries as well as Morocco, China, and the United States. In the fiscal year 2023, DS Smith achieved a total revenue of £8.2bn, with the **UK being its largest market, contributing 15.8%** (£1.3bn) to overall revenue. **France** and **Italy** followed as the second and third largest revenue generators, contributing **14.6%** (£1.2bn) and **11.8%** (£97m), respectively. Iberia accounted for 11.8% (£97m) of total revenue, while the US constituted 8.2% (£671 million). DS Smith's business activities are categorised into three distinct segments:

- i) **Paper products:** offers 16 different paper products including liners, coated papers, and various paper grades with 12 paper mills in Europe and 2 in North America and a total production capacity of 4 million tonnes of corrugated case materials annually.
- ii) **E-commerce packaging:** division segmented into retail, industrial, and e-commerce packaging, offering a range of solutions from transport and shelf-ready packaging to specialised industrial and e-commerce packaging.
- iii) **Recycling services:** provides recycling solutions for paper, plastic, and cardboard, alongside waste management services, in 13 European countries and the US. DS Smith produces 15 billion boxes and 510,000 tonnes of cardboard from recycled fibres each year, serving large customers like Tesco, IKEA, and WH Smiths.

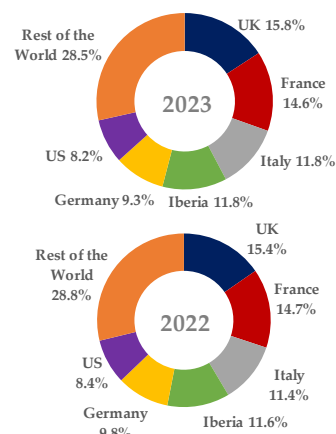
DS Smith **operates with a short paper strategy where it is a net buyer of paper for their production.** This strategy is influenced by the global trade and transportability of paper, allowing DS Smith to optimise costs by selling its own paper and purchasing from other regions where prices are more favorable. For example, in Germany – where numerous small independent paper mills exist – it is more cost-effective for DS Smith to purchase paper rather than expand its own production capacity, which would require significant capex. Additionally, DS Smith positions its box plants strategically near its customers to ensure fast delivery times and reduce transportation costs. **This strategy provides advantages to DS Smith during periods of paper oversupply and lower prices for containerboard,** however it also makes the company more susceptible to increases in input costs during high demand for paper-based packaging, which in the long-term leads to lower margins

DS SMITH | GEOGRAPHIC LANDSCAPE

DS Smith | Geographic landscape



DS Smith geographic revenue split



Source: UFP, Company filings

DS SMITH | GROWTH STRATEGY

DS SMITH | INVESTING IN GROWTH

DS Smith has allocated **£500m for capital expenditure during the fiscal year 2023/2024**. This funding will be directed towards three primary areas: **i) new product/service innovations, capacity; ii) capabilities expansion, and; iii) investments aimed at enhancing environmental and operational efficiencies.**

As a component of this initiative, DS Smith has established a **£100m investment program over five years**, specifically targeting research and development to advance the circular economy and replace plastic. As a result, in 2023, DS Smith's new product range replaced 297 million plastic units.

Moreover, DS Smith has recently inaugurated Kemsley Mill, the second-largest paper mill in Europe, as part of its commitment to exploring alternative sources for paper and packaging products. Through sustained investments in energy efficiency, DS Smith anticipates reducing CO2 emissions by 46% by 2030 compared to 2019 levels.

DS SMITH ACQUISITION OF BOSIS DOO (2023)

In August 2023, DS Smith announced it reached an agreement to acquire **Serbian packaging company, Bosis doo**. The acquisition aims at enhancing growth and margin prospects for DS Smith's activities in **Eastern Europe**. At announcement, DS Smith said it is seeing significant growth in #demand for sustainable packaging and plastic replacement in Eastern Europe, especially in Serbia, and that the acquisition of Bosis doo would support its medium and long-term strategy for growth across the East region.

The acquisition is subject to customary regulatory conditions, will be structured as a share transaction and is expected to complete in H1 2024. Post-completion, DS Smith's Eastern European packaging operations will encompass 29 box plants and additional facilities, employing over 7,000 people in the region.

DS SMITH ACQUISITION OF EUROPAC (2018)

In June 2018, DS Smith announced an agreement to acquire **Spanish integrated packaging business Papeles y Cartones – known as 'Europac'** – at €16.8 per share, **valuing Europac at c.£1.7bn**, or 8.4x EV / EBITDA to Europac's LTM EBITDA on 31 March 2018.

Europac was a leading Spanish-listed packaging business owned by the Isidro family, which held a c.42% stake. The company operated across the entire paper and packaging value chain including raw materials, paper manufacturing, design, packaging manufacturing and customer logistics, and reported revenues of €868m and EBITDA of €158m in 2017. Europac operated in **23 locations**, with most of its assets **concentrated in Spain, Portugal and France**. Its customers in Spain and Portugal accounted for c.53% of its revenues, with c.34% generated in France.

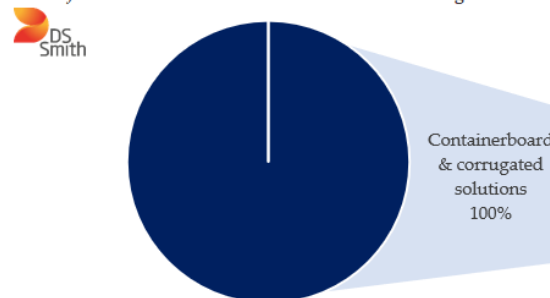
At announcement, DS Smith said the acquisition was aimed at building its position in the Iberian peninsula and France and expected the transaction to generate **c.€50m in annual run-rate pre-tax cost synergies**, with further integration benefits identified and EPS accretion expected. The offer was subject to a 50% acceptance threshold, CNMV and EC approval and carried 52.83% in irrevocables from Europac shareholders including from the Isidro family. As part of commitments to obtain EC approval, DS Smith sold two packaging businesses in North Western France and Portugal to International Paper for €63m. The transaction completed successfully in January 2019 following receipt of all approvals including from the Spanish works council.

DS SMITH'S OPERATING EXPOSURES

DS SMITH | REVENUE SPLIT

DS Smith | Revenue by product mix

100% of DS Smith revenues are containerboard & corrugated....

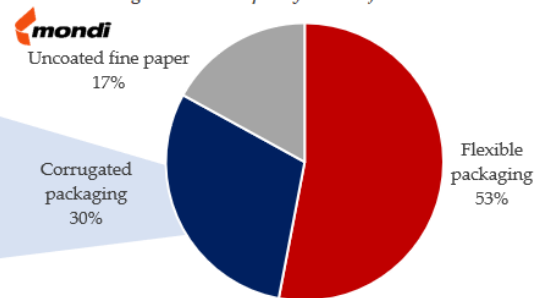


Source: company filings.

MONDI | REVENUE SPLIT

Mondi | Revenue by product mix

...while this segment makes up only c.30% of Mondi revenues

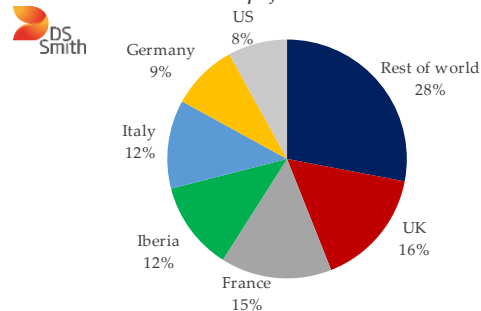


Source: company filings.

DS SMITH | GEOGRAPHY SPLIT

DS Smith | Revenue by geography

DS Smith has a Western Europe focus...

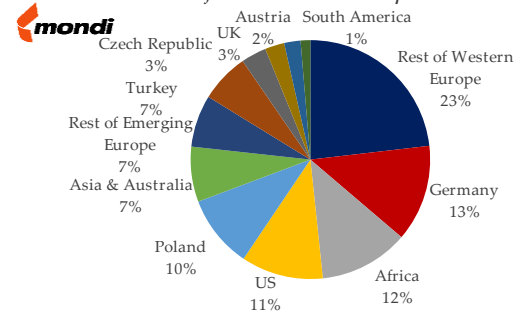


Source: company filings.

MONDI | GEOGRAPHY SPLIT

Mondi | Revenue by geography

... while Mondi is more focused in Eastern Europe



Source: company filings.

DS SMITH | OWNERSHIP STRUCTURE

DS Smith Ownership	Q4 22	Q1 23	Q2 23	Q3 23	Q4 23	Current
BlackRock	4.3%	4.2%	5.0%	4.4%	4.4%	6.1%
Aviva	4.9%	4.6%	6.8%	4.6%	4.6%	5.5%
Vanguard Group	3.8%	4.3%	3.7%	4.6%	4.4%	4.5%
Threadneedle	2.3%	2.2%	2.3%	2.4%	2.0%	2.9%
Janus Henderson	2.1%	2.1%	2.1%	2.1%	1.4%	2.9%
Incentive	2.5%	2.0%	1.9%	2.0%	2.0%	2.8%
Perpetual	1.9%	1.9%	1.8%	1.7%	1.6%	2.8%
Sarasin & Partners	2.5%	2.4%	2.6%	2.7%	2.6%	2.5%
Norges Bank	2.3%	2.9%	3.0%	3.1%	3.2%	2.3%
M&G	1.8%	2.0%	1.7%	1.8%	1.8%	2.2%
Dimensional Fund Advisors	1.9%	2.0%	2.0%	2.1%	2.3%	2.2%
Quilter	2.4%	2.3%	2.3%	2.3%	2.3%	2.0%
Legal & General	1.7%	2.1%	2.1%	2.1%	1.9%	2.0%
State Street Global	0.9%	0.9%	1.0%	1.1%	1.2%	1.8%
Royal London Asset Management	0.8%	0.9%	0.8%	0.8%	0.8%	1.6%
Total	36%	37%	39%	38%	36%	44%

Source: BBG, UFP. Colouring represents increase / decrease / no change in ownership.

Highlights cross-ownership

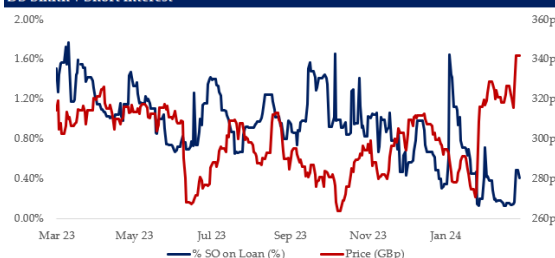
MONDI | OWNERSHIP STRUCTURE

Mondi Ownership	Q4 22	Q1 23	Q2 23	Q3 23	Q4 23	Current
Public Investment Corporation	1.4%	9.0%	1.6%	1.1%	1.5%	11.2%
BlackRock	6.9%	6.9%	6.9%	6.8%	4.7%	9.7%
Allan Gray	4.5%	5.3%	5.3%	2.7%	2.6%	6.3%
Coronation Asset Management	1.7%	1.5%	3.0%	4.6%	5.3%	6.0%
Vanguard Group	4.0%	4.6%	4.0%	4.9%	4.8%	4.8%
Ninety One	1.7%	1.9%	1.7%	1.9%	2.0%	3.9%
State Street Global	3.4%	3.2%	3.4%	2.2%	1.9%	2.9%
Old Mutual	1.3%	1.4%	1.4%	1.7%	2.9%	2.3%
Norges Bank	3.0%	2.5%	2.0%	1.5%	1.6%	2.2%
Legal & General	1.5%	1.9%	1.6%	1.7%	1.6%	1.9%
Northern Cross	0.6%	0.6%	0.6%	0.6%	0.5%	1.8%
Polaris Capital Management	0.2%	0.2%	0.2%	0.2%	0.2%	1.8%
Schroders	0.0%	0.0%	0.7%	1.0%	0.9%	1.7%
RBC Global Asset Management	1.0%	0.5%	0.6%	0.6%	0.6%	1.6%
Jupiter Asset Management	0.0%	0.0%	0.0%	0.0%	0.2%	1.4%
Total	31%	40%	33%	32%	31%	60%

Source: BBG, UFP. Colouring represents increase / decrease / no change in ownership

DS SMITH | SHORT INTEREST

DS Smith | Short interest



Source: Market, UFP.

MONDI | SHORT INTEREST

Mondi | Short interest



Source: Market, UFP.

MONDI | BUSINESS OVERVIEW

MONDI | BUSINESS OVERVIEW

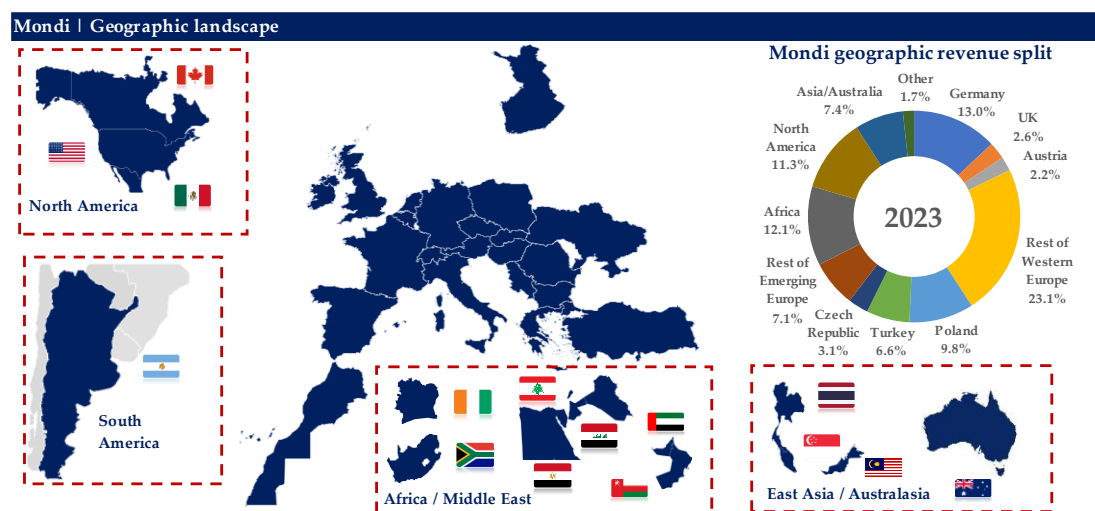
Mondi is a **global paper and packaging company** founded in 1967. The company offers a number of packaging products, including **containerboard** and **corrugated boxes**, **kraft paper** for industrial and consumer bags, **uncoated fine paper** for office and printing and **newsprint**. Mondi grows wood and manufactures (or recycles) the pulp and paper used in its products. Mondi is also a leader in pet food packaging in Europe with its in-house capabilities to produce packaging able to keep pet food fresh.

Mondi operates in more than **30 countries worldwide**, generating **c.40%** of its revenues in the Western Europe region, **c.30%** in Eastern Europe, **c.10%** in North America and the remaining **c.20%** across Africa, Asia and Australia. The company employs **c.22,000** people across 100 production sites, with key operations located in Europe, North America and Africa. Mondi splits its operations across **three key business units**:

- i) **Flexible packaging** – production of paper, plastic and hybrid packaging for paper bags made of kraft paper and other functional paper, pouches and films used for a range of applications. Flexible packaging accounts for **c.50% of Mondi revenues**. Mondi is the **#1 kraft paper producer globally**, **#1 paper bag producer in Europe** and **#3 consumer flexible packaging producer in Europe**.
- ii) **Corrugated packaging** – production of containerboard and corrugated packaging, accounting for **c.30% of Mondi revenues**. The strength, printability, recyclability and customisation potential of corrugated packaging makes it appropriate for fast-moving consumer goods, eCommerce, heavy industrial and other specialised applications. Mondi is the **#1 virgin containerboard producer in Europe and Emerging Europe**.
- iii) **Uncoated fine paper** – production of home, office, converting and professional printing paper, as well as sale of pulp produced in-house. Uncoated fine paper accounts for **c.20% of Mondi revenues**. Mondi is **#2 in uncoated fine paper production in Europe** and **#1 in South Africa**.

Mondi follows a **net-long paper strategy** where it is a **net seller of paper**. Mondi's strategy varies by geographical exposure to different product categories – Mondi is net-long in virgin containerboard and kraft paper however net-short in recycled containerboard.

MONDI | GEOGRAPHIC LANDSCAPE



MONDI | INVESTMENT STRATEGY

MONDI | INVESTMENT STRATEGY

Mondi seeks investments opportunities across the cycle of paper and packaging production and has a **current pipeline of approved expansionary projects totalling €1.2bn – €0.6bn** for investments in **corrugated packaging** and **€0.6bn** for investments in **flexible packaging**. Mondi has stated that projects for its €1.2bn pipeline are expected to **start over the next two years** and deliver through cycle **mid-teen returns** when fully operational.

Mondi expects total capital expenditure to be between **€800-850m for FY 2023** and has stated that capex will remain elevated for the next two years as it progresses and commissions approved expansionary projects for its €1.2bn pipeline.

MONDI ACQUISITION OF HINTON PULP MILL (2023)

On 10 July 2023, Mondi announced an agreement to acquire **250,000 tonne per annum Hinton Pulp mill in Alberta Canada** from West Fraser for \$5m. As part of the agreement, **Mondi will invest €400m in the expansion of Hinton**, primarily for a new 200,000 tonne per annum kraft paper machine, anticipated to be **operational from H2 2027**. Mondi will also enter into a long-term partnership with West Fraser to access fibre from a local well-established wood basket.

The acquisition, together with the anticipated investment, will integrate Mondi's operations in America and enable Mondi to secure long-term supply of kraft paper into its network of 10 paper bags plants in the region. The acquisition will provide Mondi customers with a shorter supply chain and thereby reduce Mondi's overall production carbon footprint in the area. The transaction was subject to customary regulatory approvals and **successfully completed on 5 February 2024**.

MONDI ACQUISITION OF POWERFLUTE (2017)

In December 2017, Mondi announced an agreement to acquire **Finnish pulp and paper mill Powerflute for €365m**. At the time of announcement, Powerflute had an annual production capacity of 285,000 tonnes of semi-chemical fluting. Powerflute's semi-chemical fluting was used primarily for packaging of fresh fruit and vegetables and other end-uses such as electronics, chemicals and pharmaceuticals. Half of Powerflute revenues were generated in Europe and half from exports globally. The acquisition was subject to customary regulatory conditions and successfully completed in June 2018.

SIMPLIFICATION OF GROUP STRUCTURE (2019)

In November 2018, Mondi announced a proposal to **simplify its dual-listed company structure into a single holding company under Mondi plc**. Mondi was previously listed under two group structures, **Mondi Limited** – listed in the Johannesburg Stock Exchange stock exchange – and **Mondi plc** – listed in the London Stock Exchange. The proposal was aimed at simplifying cash and dividend flows within the group, increase transparency and remove complexity associated with the dual-listing.

The simplification was implemented as a **South African scheme of arrangement** at an exchange ratio of **one Mondi plc share per Mondi Limited share**, where each shareholder of the new entity would have the same voting and capital interests as in Mondi plc and Mondi Limited respectively pre-simplification. Mondi shareholders voted in favour of the simplification at the respective Mondi Limited and Mondi plc AGMs held in May 2019, and, following receipt of all regulatory approvals required, **the simplification became effective on 29 July 2019**, where Mondi Limited became a subsidiary of Mondi plc and the listing in the Johannesburg Stock Exchange terminated.

CASE STUDY | WESTROCK MERGER WITH SMURFIT (1 / 2)

WESTROCK & SMURFIT KAPPA MERGER AGREEMENT (2023)

On 13 September 2023, **Smurfit Kappa and WestRock announced an agreement to merge on a 1:1 basis with WestRock shareholders also set to receive \$5 in cash** (and any dividends paid until completion). The merger will combine both companies on an equivalent EV basis (to adjusted EBITDA multiples) and represents a **premium of c.27.7%** to WestRock's last undisturbed close (or \$43.51 per WestRock share). The transaction will be carried out as an **Irish Scheme of Arrangement**, through the merger of a Smurfit Kappa subsidiary with WestRock, and will be classified as a Reverse Takeover by the UK FCA.

Upon completion, Smurfit WestRock will list in New York, Smurfit Kappa's UK listing will be downgraded, and Smurfit Kappa will be delisted from the Irish Stock Exchange, while Smurfit WestRock will be incorporated and domiciled in Ireland, with its headquarters in Dublin and Atlanta. Smurfit Kappa and WestRock stockholders will own **50.4%** and **49.6%** of the proforma respectively and the board will have a **8:6 split**, with Smurfit's Chairman, CEO and CFO retaining their positions in the new 'Smurfit WestRock'.

Smurfit and WestRock stressed that the combination would create 'a **global leader in sustainable packaging**' by unifying **Smurfit's European position in corrugated and containerboard**, with **WestRock's strong presence in the US** (both maintain significant operations in Central and South America). The merger is expected to be "**high single digit**" accretive to Smurfit's EPS on a pre-synergy basis, and **20%+ accretive when factoring in c.\$400m+ pre-tax run-rate synergies** by the end of Year 1 (with implementation costs of c.\$235m).

The transaction is conditional on: **i) a shareholder vote** on both sides (75% by value of shares voting, expected in H1 2024); **ii) SEC and NYSE approvals** relating to the US listing; **iii) FCA and LSE listing clearances**, and; **iv) regulatory approvals**, including **Irish High Court approval**, HSR and other **antitrust and FDI approvals in the US and the EU**. Smurfit will also delist from the Euronext Dublin, though it will retain its Irish incorporation. The parties have suggested that **they do not anticipate antitrust issues 'anywhere' with the exception of 'some issues in Mexico'** that they would 'work hard to overcome'.

The transaction is expected to complete in **early-July 2024** as per the latest guidance provided by Smurfit in its FY 23 earnings on 7 February. **The merger agreement may be terminated where completion has not occurred by 12 September 2024**, however this will be subject to a **six-month extension to 12 March 2025** if regulatory approvals remain outstanding. In the event that either side withdraws its recommendation, the other party becomes entitled to terminate the agreement. In various scenarios, including a third party offer, a termination fee of \$100m and \$147m would apply to Smurfit Kappa and WestRock respectively. The parties have not provided an update on the filings or antitrust approvals received to date since announcement of the agreement in September.

OPPOSITION FROM PRIMESTONE

On 21 December 2023, **PrimeStone issued a public letter to the board of Smurfit opposing its merger agreement with WestRock**. In its letter, PrimeStone says it has been a shareholder of Smurfit since 2020 (currently hold a c.0.8% stake) and believes there are **better strategic alternatives for Smurfit over a merger with WestRock**, arguing the merger is **questionable on the basis of synergies, paper exposure, quality of the asset and WestRock management**.

PrimeStone proposed a merger plan for Smurfit with International Paper instead as an alternative to WestRock, where it sees a transaction could be at **€50 per Smurfit share** and lead to **c.37% upside** to Smurfit's share price. As explored above, the board of **Smurfit rejected an unsolicited approach from International Paper in 2018 on valuation grounds**, however, PrimeStone argues in its letter that **several parameters have changed since**, and that an attractive deal would now be possible.

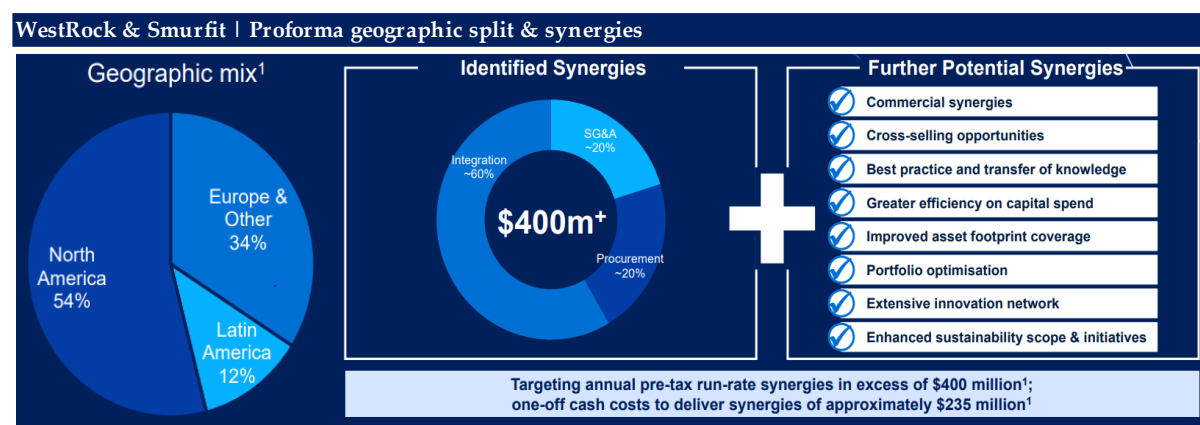
CASE STUDY | WESTROCK MERGER WITH SMURFIT (2/2)

STRATEGIC AND OPERATIONAL RATIONALE

From a **product perspective**, at Smurfit, **c.84% of revenues** are generated from **packaging** and **c.16%** from **paper**, while at WestRock, **c.42% of revenues** are derived from **corrugated packaging**, **c.23%** from **consumer packaging**, and **c.28%** from **paper**. Beyond both companies' principal exposure to **corrugated packaging**, Smurfit and WestRock also offer **packaging for consumer goods**, including food, beverages, personal care, and other sectors. Each also produces **specialty papers**. Both companies operate in the **corrugated packaging market in the US**, although WestRock's presence is more pronounced, and **Smurfit's US operations are on a far smaller scale** (with revenues at sub-\$2bn vs. \$17.7bn). Smurfit and WestRock both have significant **corrugated packaging operations in Brazil and Mexico**.

From a **geographic perspective**, **Smurfit's primary exposure is pan-European**, with additional operations in **Latin America** and the **US**. In Europe, Smurfit has operations in Germany, France, Italy, Spain, Netherlands, Sweden, Austria, the UK and Ireland. In Latin America, Smurfit is active in Brazil, Mexico, Argentina, and Colombia. In the US, it has recycling plants, bag-in-box packaging, and corrugated sheetboard facilities, as well as paper mills in TX, AR, CA, IL, OK, and AZ. WestRock predominantly operates across the **US**, with some **small Canadian and European exposure**. WestRock is also active in Brazil and Mexico.

The proforma entity will have a **c.85% product mix** in **corrugated, paper & other packaging** and **c.15%** in **consumer packaging**, with a **geographic mix** of **c.54%** in **North America**, **c.12%** in **Latin America** and **c.34%** in **Europe & others**. The merger is expected to generate **more than c.\$400m in synergies** by the end of Year 1 from efficiency gains in **integration, SG&A** and **procurement**, equating to **20%+ EPS accretion** factoring in implementation costs estimated at c.\$235m.



Source: company filings

REGULATORY CONSIDERATIONS

Smurfit and WestRock have suggested that they have identified **certain problematic overlaps** and are budgeting for some procedural caution. In particular, the have parties called out **Mexico** as likely to have **problematic competitive overlaps** which the parties are prepared to address. In Mexico, Smurfit has **14 corrugated packaging facilities** and **WestRock has 9 corrugated containers facilities** and as such the proforma would own **23 corrugated facilities in Mexico**, many of which are located in close proximity to each other. In this context, it appears that the **\$750m divestiture cap** may have been included in anticipation of divestitures to be required by the Mexico's antitrust regulator, COFECE.

With regards to other jurisdictions, the parties have suggested there are **no significant overlaps** as the deal is 'highly complementary' outside of Mexico. This assessment appears to be accurate on broader **North American and pan-EU** levels. In the US, Smurfit has **6 corrugated packaging facilities**, 5 of which are located in Texas, and **WestRock has over 150 corrugated containers and container board facilities**, with 5 of those located in Texas. The proforma would hold close to **160 corrugated packaging facilities in the US**, however the **delta in market concentration is minimal** given Smurfit has only a limited number of relevant facilities in the US (and none in Canada).

CASE STUDY | BERRY ACQUISITION OF RPC GROUP (1/2)

OFFER FROM APOLLO

On 10 September 2018, RPC Group confirmed it was in preliminary discussions with Apollo and Bain Capital separately on a possible offer for the company. The UK Takeover Panel set a PUSU deadline for either Apollo and/or Bain to submit a binding offer by 8 October 2018. RPC Group was a leading products design and engineering company for packaging markets and one of the **largest plastic polymer converters in Europe**, using a range of polymer conversion technologies for rigid and flexible plastics manufacture. RPC had initially announced that it was exploring options for the company, which included a possible sale, before confirming it was in separate talks with Apollo and Bain.

On 8 October 2018, RPC requested an extension of the PUSU deadline to 5 November 2018 as discussion with Apollo and Bain remained ongoing. RPC requested a further PUSU deadline extension on 5 November to 3 December 2018 as talks between the parties continued and had not yet concluded. Subsequently, on 3 December 2018, RPC confirmed that **discussions with Bain had terminated** however discussions with **Apollo remained ongoing** and as such requested for another PUSU deadline extension for Apollo until 21 December 2018. On 21 December 2018, RPC requested another PUSU deadline extension for Apollo until 18 January 2019, confirming discussions with Apollo were now well advanced and due diligence was now substantially complete. On 18 January 2018, Apollo's PUSU deadline was extended one final time until 23 January 2019 as RPC confirmed negotiations were nearing conclusion.

Subsequently, on 23 January 2019, **Apollo announced a recommended cash offer for RPC at 782p per share**, valuing RPC at £3.3bn. The offer represented a **c.16% premium** to RPC's last undisturbed close and RPC shareholders would be entitled to an 8.1p dividend previously announced by RPC. **Apollo declared its offer final at announcement, confirming that the offer consideration would not be increased.** The offer would be implemented as a Scheme of Arrangement and was conditional on a 75% shareholder vote, HSR approval, EC approval and other antitrust approvals. Following announcement, **Apollo's offer received backlash from RPC shareholders**, including from Aviva (held a c.1.9% stake) which published an email statement stating it believed Apollo's offer undervalued RPC and its future growth prospects.

COMPETING OFFER FROM BERRY GLOBAL (1/2)

Shortly after on 31 January 2019, **Berry Global announced that it had requested due diligence information from RPC and that it was considering a possible cash offer for the company.** Berry Global is a **manufacturer of plastic products and containers** for a range of products including plastic films, medical specialities, bottles, trash bags and others.

The announcement of Berry's possible offer for RPC **received positive feedback from RPC shareholders**, including from Royal London Asset Management which commented that a potential combination with Berry would **yield significant synergies**. RPC responded to Berry's statement confirming it received Berry's request for due diligence information and that it **would engage with Berry** to discuss a possible offer. Subsequently on 19 February 2019, the UK Takeover Panel set a PUSU deadline for Berry to announce a firm offer for RPC by 13 March 2019. On the same day, Apollo's offer received HSR approval on 19 February 2019.

On 8 March 2019, **Berry Global announced a recommended cash offer for RPC for 793p per share.** The offer represented a **c.16% premium** to RPC's last undisturbed close, an 11p increase over Apollo's 782p offer and valued RPC at £3.3bn. The offer was inclusive of any dividend paid by RPC until closing and would be conditional on **75% shareholder approval at the Scheme Meeting**, EC approval and **other antitrust approvals**. Berry expected the transaction to be **EPS accretive** and generate **c.£115m in annual run-rate cost synergies from savings in functional support areas, procurement and best practices** (however also added that it would need to incur c.£115m in cumulative one-time pre-tax costs first to achieve these synergies).

CASE STUDY | BERRY ACQUISITION OF RPC GROUP (2/2)

COMPETING OFFER FROM BERRY GLOBAL (2/2)

As a result of Berry's superior offer, **RPC withdrew its recommendation for Apollo's offer** at 782p per share and **unanimously recommended the offer from Berry**. RPC also proposed for the **shareholder meetings for Apollo's offer** (initially scheduled for 20 March 2019) **to be adjourned**. The offer from Apollo received EC approval on 18 March 2019 shortly after Berry's offer announcement, however, Apollo did not immediately comment on or acknowledge Berry's offer.

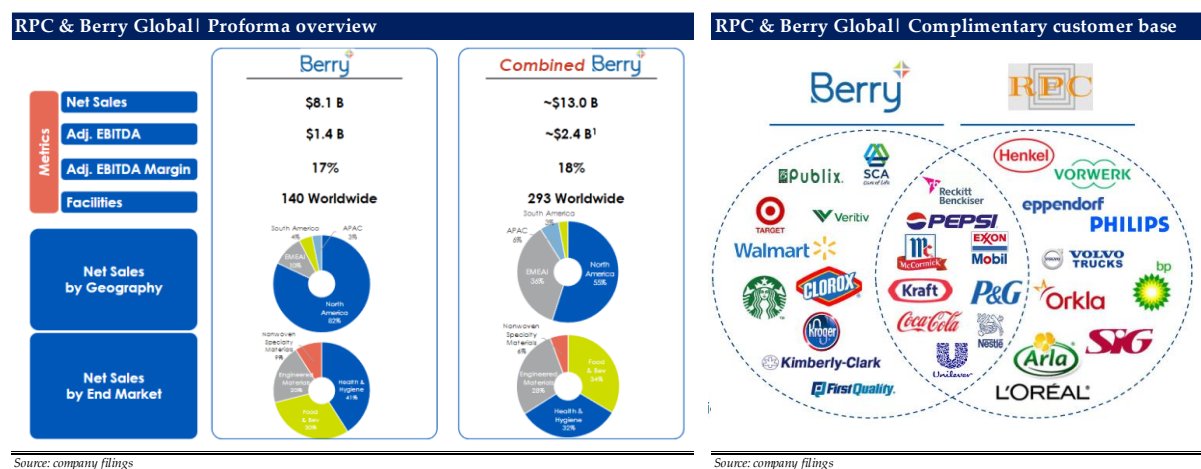
On 20 March 2019, a filing disclosed that **Elliott held a c.7.9% stake in RPC**, however Elliott did not comment on its position or on the transaction to the market. **Shortly after, on 22 March 2019, Berry declared its 793p per share offer as final, confirming it would not increase its offer for RPC**. Berry also confirmed that all regulatory filings for the offer had been submitted and that the Scheme meetings to vote on the transaction would take place on **18 April 2019**. Berry expected the transaction to complete in **Q3 2019**.

On 12 April 2019, in light of the competing offer from Berry, Apollo withdrew its offer for RPC. In the UK, a bidder is entitled to lapse its offer if the Court and General Meetings are not held on or before the 22nd day after the initial date scheduled for such meetings. For Apollo, these meetings were initially scheduled for 20 March 2019. **Apollo's meetings were subsequently adjourned following the announcement of Berry's competing offer**, as such, given that the meetings were not held on or before 11 April 2019 and that Apollo was not requested by RPC to provide an extension, **Apollo was allowed to let its offer lapse**.

The offer from Berry received **HSR approval** on 29 March and **South Africa antitrust approval** on 18 April 2019. **RPC shareholders successfully voted in favour of the transaction at the Scheme meetings held on 18 April 2019** and the EC approved the transaction without any remedies on 24 April 2019.

The transaction subsequently received **China SAMR approval** on 7 May 2019, **Mexico antitrust approval** on 20 May 2019 and **Russia antitrust approval** on 6 June 2019. Antitrust approval from Russia was the final regulatory approval outstanding for the transaction. **The Scheme was sanctioned on 28 June 2019 and the transaction completed successfully on 1 July 2019**.

RPC & BERRY PROFORMA OVERVIEW



CASE STUDY | IP APPROACH FOR SMURFIT KAPPA

INTERNATIONAL PAPER | REPORTED INTEREST IN SMURFIT (2015)

In April 2015, Sky News reported that **IP was being advised by Deutsche Bank on a possible offer for Smurfit Kappa at €36.0 per share**, valuing Smurfit at **c.€8bn**. IP CEO Mark Sutton **declined to comment on the reports** at the time and instead suggested that there were ‘other ways for IP to grow’ given that the company had ‘recently been built off acquisitions’ and there was ‘still some optimisation to do’. Sutton however added that IP could still look at acquisitions to ‘boost its return on capital invested’. Speculation on a potential acquisition by IP eventually faded and no rumours re-surfaced thereafter.

INTERNATIONAL PAPER | TWO REJECTED PROPOSALS FOR SMURFIT (2018)

On 6 March 2018, Smurfit announced it had **rejected an unsolicited proposal from IP for a cash-and-stock offer** at undisclosed terms. In its announcement, Smurfit claimed that IP’s offer ‘**failed entirely**’ to reflect the **growth prospects of Smurfit** in light of the company being Europe’s largest producer of paper-based packaging as well as the strong, sustained demand growth in the region. Smurfit also criticised how the proposal involved a ‘**high proportion of the consideration in the form of IP shares**’, describing it as ‘**fundamentally opportunistic**’ and ‘**highly conditional**’.

IP subsequently confirmed its approach for Smurfit and announced that a proposal had been submitted at **€22.00 and 0.3028 IP shares per Smurfit share**, valuing each Smurfit share at **€36.46**. The offer represented a premium of **27.4%** to Smurfit’s last undisturbed close and valued Smurfit at **c.€8.6bn**. IP confirmed that Smurfit shareholders would hold **c.15%** of the combined entity post-merger.

IP acknowledged Smurfit’s comments describing the offer as highly opportunistic and argued that **it did not agree with Smurfit’s claims** given the proposal had been submitted **after Smurfit’s FY 2017 results reporting record EBITDA** as well as **after Smurfit’s all-time high at the time of €29.76 per share achieved in February 2018**. IP added that the merger would create a ‘premier’ global packaging company that would **create significant synergies** through enhanced efficiencies. IP noted that it was ‘**disappointed**’ that Smurfit had **made the proposal public prior to further engagement between the parties** to discuss and agree on a potential transaction and added that it was nonetheless ‘**ready to engage**’ with Smurfit going forward.

Media reports that followed suggested that Smurfit would **consider holding talks with IP** if the proposal would be raised to an ‘**acceptable**’ level of **above €40.0 per share**. Subsequently, on 26 March 2018, **Smurfit announced that it rejected a revised proposal from IP at €25.25 and 0.3028 IP shares per Smurfit share**. The offer valued each Smurfit share at **€37.54**, which Smurfit criticised was ‘**only an improvement of c.3%**’ to IP’s initial proposal. Smurfit stated that its board had unanimously rejected the revised proposal on the basis that the offer consideration continued to include a ‘**significant proportion in the form of US-listed IP shares**’, which Smurfit argued would represent ‘**uncertain value**’ as Smurfit shareholders would be **exposed to the risk of ‘greater leverage’** and ‘**challenges of integrating two businesses**’ with ‘**fundamentally different cultures**’.

IP did not respond to Smurfit’s announcement rejecting its revised proposal. However, on 16 May 2018, IP announced that the Irish Takeover Panel had set a **PUSU deadline for IP to make a formal offer for Smurfit by 6 June 2018** and confirmed that **it would not proceed with a binding offer without the recommendation of Smurfit’s board**. IP also added that it would seek a **secondary listing of the combined entity on the LSE** to address concerns raised by Smurfit in holding US-listed stock, and also provide Smurfit shareholders with a ‘**mix and match**’ facility that would allow shareholders to receive a greater (or lesser) proportion of cash versus shares. In response, Smurfit issued its own release **reiterating its rejection for IP’s revised proposal** on grounds that the offer was still ‘**significantly**’ **below the valuations set ‘by recent industry transactions’** and the ‘**intrinsic value**’ of Smurfit.

In the weeks that followed, a group of Smurfit shareholders – including Janus Henderson with a 4.3% stake – **called on Smurfit to end its refusal to engage with IP** and enter into negotiations on a possible combination if the proposal would be at **€40 per share or above**. Smurfit did not respond to these concerns raised publicly by its shareholder. **Subsequently, on 6 June 2018, IP confirmed it would not make a formal offer for Smurfit due to the ‘lack of engagement’ by Smurfit’s board**. IP eventually dropped its pursuit for Smurfit and has not returned with a proposal since.

CASE STUDY | IP'S OPERATING STRATEGY

INTERNATIONAL PAPER | BUSINESS OVERVIEW

International Paper ("IP") is a producer of **renewable fiber-based packaging and pulp products** with manufacturing operations in **North America, Latin America, Europe** and **North Africa**. IP serves customers globally, employs c.39,000 people and is headquartered in Memphis in Tennessee, US. IP operates under two segments:

- i) **Industrial packaging** – products include linerboard, medium, whitetop and saturating kraft. Under this segment, **IP is the largest producer of containerboard in the US** with a production capacity of more than 13 million tons annually. **Industrial packaging** represents **c.85%** of IP revenues.
- ii) **Global cellulose fibers** – products include fluff (filler in diapers and incontinence products), market pulp, (used for tissue and paper products), and specially pulps for textiles, filtration and paints and coatings. **Global cellulose** fibres represents **c.15%** of IP revenues.

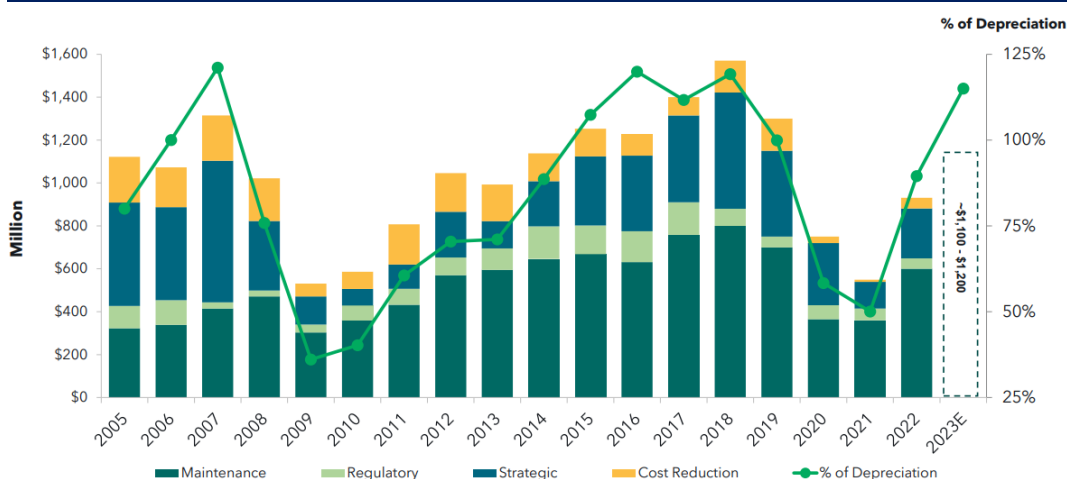
In North America, IP operates 25 pulp and packaging mills, 165 converting and packaging plants, 15 recycling plants and 3 bag facilities. Outside North America, IP operated 4 pulp and packaging mills, 35 converting and packaging plants and 2 recycling plants. The **US is IP's largest market representing c.85% of revenues**, followed by **EMEA representing c.10%** and **Asia Pacific representing c.5%**.

INTERNATIONAL PAPER | STRATEGIC FRAMEWORK

IP's strategy is focused in **sustaining its position as the largest containerboard producer in the US** while **enhancing sustainability** across its production chain. IP has set **three goals** to be met by 2030 under its 'Vision 2030' strategy focused on the following targets: **i)** source 100% of fibre from sustainably managed forests; **ii)** create new paper products that are 100% reusable, recyclable or compostable; and **iii)** reduce Scope 1, 2 & 3 greenhouse gas emissions by 35% and water use by 25%.

IP has historically allocated **c.20% of capex to strategic investments** with a focus on companies with a **high growth profile**. Recent significant acquisitions include US packaging production company **Temple-Inland** in 2012 for **\$4.3bn** and **Cellulose Fibers pulp mills** from Weyerhaeuser for **\$2.2bn** in 2016.

International Paper | Capital spending allocation



Source: UFP, Company filings

VALUATION CONSIDERATIONS | TRADING MULTIPLES

DS SMITH – MONDI | TRADING MULTIPLES

DS Smith - Mondi Trading peers										
GBPM	Country	Price (LCY)	Market cap	EV/EBITDA		P/E		Leverage	EBITDA	
				2024E	2025E	2024E	2025E	Ratio (24E)	Margin (23A)	NTM DY
DS Smith (at 0.27 MNDI per SMDs)	UK	363	5,002	6.71x	6.70x	11.2x	11.1x	1.93x	14.3%	5.11%
DS Smith (at current)	UK	343	4,730	6.44x	6.43x	10.6x	10.5x	1.93x	14.3%	5.40%
DS Smith (at undisturbed)	UK	281	3,876	5.64x	5.63x	8.71x	8.60x	1.93x	14.3%	6.59%
Mondi (at current)	UK	1,344	5,937	6.45x	5.51x	13.9x	10.9x	1.17x	16.1%	7.79%
Mondi (at undisturbed)	UK	1,344	5,937	5.67x	4.84x	13.9x	10.9x	1.17x	16.1%	7.79%
Paper & packaging peers										
Packaging Corporation Of America	US	186	13,075	11.5x	10.6x	21.5x	19.1x	0.94x	21.5%	2.71%
International Paper	US	36.5	9,895	7.77x	6.95x	17.1x	13.0x	2.03x	12.0%	5.08%
Graphic Packaging	US	27.3	6,545	7.35x	7.05x	10.20x	9.65x	2.73x	19.9%	1.52%
Stora Enso	Finland	11.8	6,176	9.91x	7.49x	21.7x	11.6x	2.68x	n.m.	2.65%
Sonoco Products	US	57.4	4,413	8.24x	7.76x	11.2x	10.5x	n.m.	16.4%	3.64%
Metsa Board	Finland	7.01	1,936	9.17x	6.70x	14.9x	8.88x	0.75x	9.80%	4.46%
Billerud	Sweden	97.6	1,865	6.10x	5.21x	18.0x	11.8x	0.90x	8.51%	3.62%
Mayr-Melnhof Karton	Austria	108	1,855	6.66x	5.70x	10.9x	8.09x	2.45x	15.1%	3.20%
Greif	US	64.5	1,303	8.65x	7.14x	6.95x	5.64x	3.02x	17.3%	3.22%
Cascades	Canada	9.78	572	5.31x	4.84x	10.8x	7.14x	3.19x	6.73%	4.91%
Peer average				8.07x	6.95x	14.3x	10.5x	2.08x	14.1%	3.50%

Source: BBG, UFP.

Premium / (discount) versus trading peers								
	EV/EBITDA		P/E		Leverage	EBITDA		
	2024E	2025E	2024E	2025E	Ratio (24E)	Margin (23A)	NTM DY	
Peer average	8.07x	6.95x	14.3x	10.5x	2.08x	14.1%	3.50%	
DS Smith vs. peers (at 0.27 MNDI per SMDs)	(16.8%)	(3.54%)	(21.6%)	5.27%	(6.85%)	0.85%	45.9%	
DS Smith vs. peers (at current)	(20.1%)	(7.43%)	(25.8%)	(0.46%)	(6.85%)	0.85%	54.3%	
DS Smith vs. peers (at undisturbed)	(30.1%)	(19.0%)	(39.2%)	(18.4%)	(6.85%)	0.85%	88.3%	
Mondi vs. peers (at current)	(20.0%)	(20.7%)	(3.00%)	3.60%	(43.6%)	14.1%	123%	
Mondi vs. peers (at undisturbed)	(29.8%)	(30.4%)	(3.00%)	3.60%	(43.6%)	14.1%	123%	

Source: BBG and UFP.

DS SMITH – MONDI | SELECTED PRECEDENT TRANSACTIONS

DS Smith - Mondi Selected precedent transactions										
Date	Target Name	Acquirer Name	Status	Consideration	TV (£m)	TV/Revenue	TV/EBITDA	TV/EBIT	Premium	
12 Sep 2023	WestRock	Smurfit Kappa	Pending	Cash & Stock	11,181	0.5x	3.8x	40.2x	27.7%	
03 Jun 2018	Smurfit Kappa	International Paper	Withdrawn	Cash & Stock	10,873	1.4x	10.2x	15.3x	27.4%	
26 Jan 2015	MeadWestvaco	Rock-Tenn	Completed	Stock	6,436	1.7x	10.5x	17.4x	8.7%	
08 Mar 2019	RPC Group	Berry Global Group	Completed	Cash	4,430	1.2x	7.7x	12.4x	16.1%	
29 Jan 2018	KapStone Paper & Packaging	WestRock	Completed	Cash or Stock	3,507	1.5x	12.9x	24.8x	31.8%	
08 Mar 2022	Intertape Polymer Group	Clearlake Capital Group	Completed	Cash	1,866	1.6x	11.3x	16.2x	81.7%	
24 Jan 2017	Multi Packaging Solutions	WestRock	Completed	Cash	1,810	1.5x	10.9x	25.5x	28.0%	
04 Jun 2018	Papeles y Cartones de Europa	DS Smith	Completed	Cash	1,744	2.3x	12.6x	18.7x	13.1%	
16 Sep 2013	Boise	Packaging Corp.	Completed	Cash	1,244	0.8x	7.5x	20.9x	26.0%	
08 Dec 2020	Guala Closures	Specialized Packaging Solutions	Completed	Cash	647	1.7x	9.1x	26.3x	22.6%	
Average						1.4x	9.6x	21.8x	28.3%	

Source: BBG, press releases. Premium shown to the target's last undisturbed closing price.

PRECEDENT PAPER & PACKAGING TRANSACTION SYNERGIES

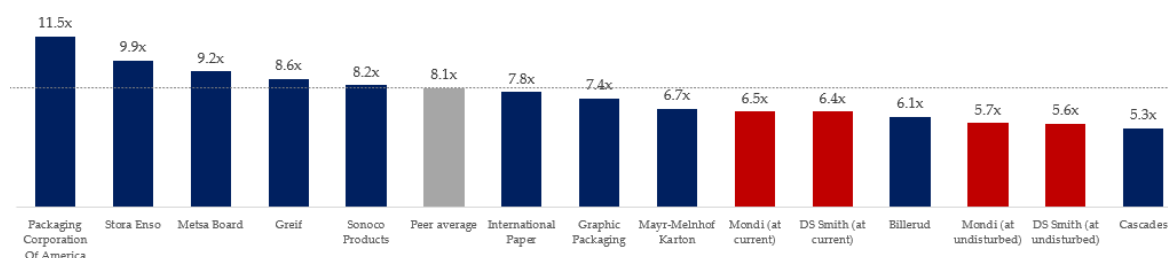
Precedent paper & packaging transactions Synergies overview								
Announcement date	Target name	Acquirer name	Status	Consideration	Transaction value (\$m)	Synergies (\$m)	Proforma revenue (\$m)	Synergies as % of proforma revenue
12 Sep 2023	WestRock	Smurfit Kappa	Pending	Cash & stock	20,860	400	34,000	1.2%
26 Jan 2015	MeadWestvaco	RockTenn	Completed	Stock	9,173	300	15,600	1.9%
29 Jan 2018	KapStone	WestRock	Completed	Cash or stock	4,934	200	19,500	1.0%
23 Jan 2011	Smurfit-Stone Container Corp.	RockTenn	Completed	Cash & stock	3,905	150	9,000	1.7%
04 Jun 2018	Papeles y Cartones de Europa	DS Smith	Completed	Cash	2,322	50	6,500	0.8%
29 Jun 2017	Indevco Management Resources	DS Smith	Completed	Cash & stock	1,146	40	5,399	0.7%
01 Feb 2022	Scholle IPN	SIG Group	Completed	Cash & stock	1,103	17	2,671	0.6%
Average								1.1%

Source: company filings. Level of synergies as stated in the respective offer announcements.

VALUATION CONSIDERATIONS | KEY METRICS VS. PEERS

DS SMITH – MONDI | EV/EBITDA (24E) VS. PEERS

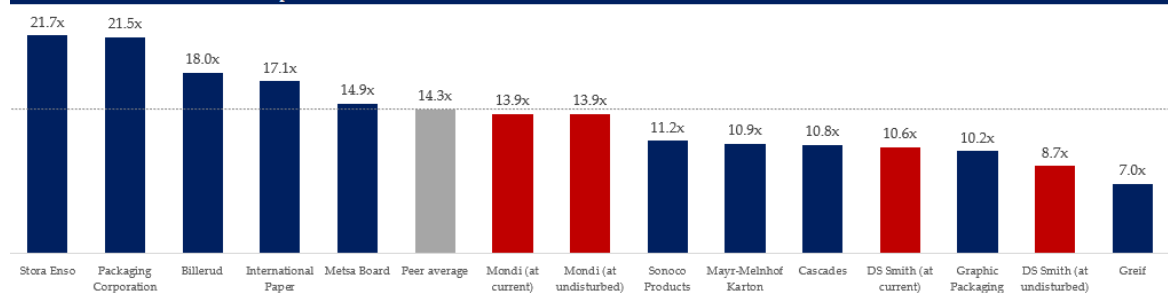
DS Smith - Mondi | EV/EBITDA (24E) vs. peers



Source: UFP, BBG.

DS SMITH – MONDI | P/E (24E) VS. PEERS

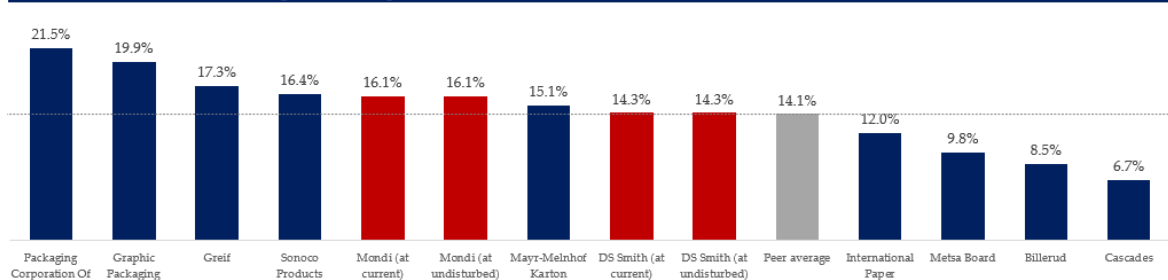
DS Smith - Mondi | P/E (24E) vs. peers



Source: UFP, BBG.

DS SMITH – MONDI | EBITDA MARGIN (23A) VS. PEERS

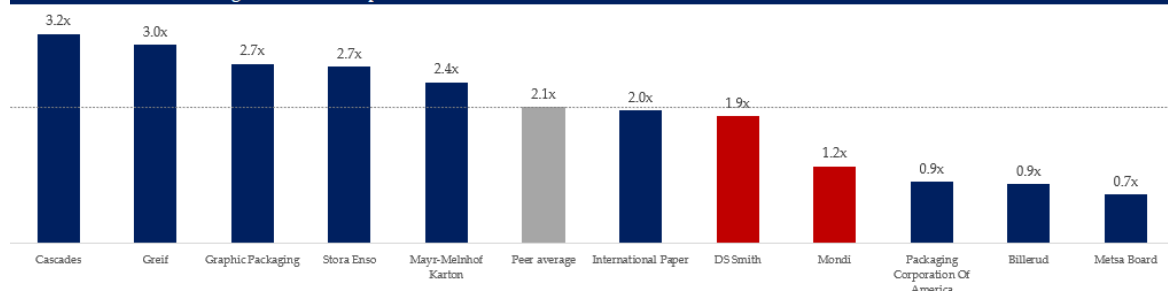
DS Smith - Mondi | EBITDA margin (23A) vs. peers



Source: UFP, BBG.

DS SMITH – MONDI | LEVERAGE RATIO (24E) VS. PEERS

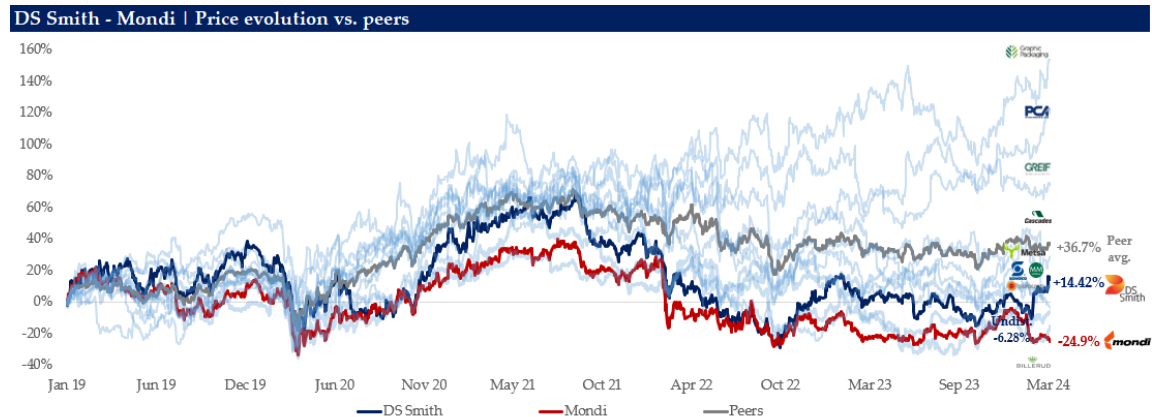
DS Smith - Mondi | Leverage ratio (24E) vs. peers



Source: UFP, BBG.

VALUATION CONSIDERATIONS | MULTIPLES EVOLUTION

DS SMITH - MONDI | PRICE EVOLUTION VS. PEERS



DS SMITH - MONDI | EV/NTM EBITDA EVOLUTION VS. PEERS



DS SMITH - MONDI | NTM P/E EBITDA EVOLUTION VS. PEERS



SHAREHOLDER STRUCTURE | DS SMITH

LATEST SHAREHOLDER STRUCTURE

DS Smith Latest Shareholder Structure			
	Name/Entity	12-Mar-24	% Ownership
1	BlackRock	83,975,544	6.10%
2	Aviva	76,224,881	5.53%
3	Vanguard Group	62,099,011	4.51%
4	Threadneedle	39,824,531	2.89%
5	Janus Henderson	39,472,754	2.87%
6	Incentive	38,277,131	2.78%
7	Perpetual	37,912,521	2.75%
8	Sarasin & Partners	34,260,477	2.49%
9	Norges Bank	31,779,353	2.31%
10	M&G	30,304,963	2.20%
11	Dimensional Fund Advisors	29,961,079	2.18%
12	Quilter	27,471,478	1.99%
13	Legal & General	27,022,924	1.96%
14	State Street Global	25,003,824	1.82%
15	Royal London Asset Management	22,600,536	1.64%
16	Marathon Asset Management	21,197,899	1.54%
17	LGT Group Foundation	20,386,555	1.48%
18	Charles Stanley	19,791,805	1.44%
19	Black Creek Investment Management	18,807,834	1.37%
20	abdm	18,705,409	1.36%
21	Goldman Sachs Asset Management	17,115,968	1.24%
22	Invesco	16,386,445	1.19%
23	Millennium Partners	15,788,896	1.15%
24	Franklin Resources	15,622,486	1.13%
25	Artemis Investment Management	15,091,567	1.10%
26	FMR	14,384,609	1.04%
27	Balyasny Asset Management	14,191,938	1.03%
28	Harris Associates	13,533,800	0.98%
29	Schroders	9,379,739	0.68%
30	Pictet Asset Management	8,912,050	0.65%
31	UBS Asset Management	5,642,830	0.41%
32	Jupiter Asset Management	2,313,482	0.17%
33	Old Mutual	22,620	0.00%
34	Mondrian Investment a	18,251	0.00%
35	Barclays	-72,360	-0.01%

Source: UFP, BBG, RNS, company filings.

Cross ownership

SHAREHOLDER STRUCTURE | MONDI

LATEST SHAREHOLDER STRUCTURE

Mondi Latest Shareholder Structure			
	Name/Entity	12-Mar-24	% Ownership
1	Public Investment Corporation	49,249,849	11.16%
2	<i>BlackRock</i>	42,801,843	9.70%
3	Allan Gray	27,714,160	6.28%
4	Coronation Asset Management	26,688,051	6.05%
5	<i>Vanguard Group</i>	21,359,629	4.84%
6	Ninety One	17,338,137	3.93%
7	<i>State Street Global</i>	12,814,362	2.90%
8	<i>Old Mutual</i>	10,104,690	2.29%
9	<i>Norges Bank</i>	9,921,428	2.25%
10	<i>Legal & General</i>	8,479,093	1.92%
11	Northern Cross	8,056,841	1.83%
12	Polaris Capital Management	8,056,841	1.83%
13	<i>Schroders</i>	7,517,273	1.70%
14	RBC Global Asset Management	7,022,492	1.59%
15	<i>Jupiter Asset Management</i>	6,376,358	1.44%
16	Sanlam Investment Management	6,375,398	1.44%
17	<i>Wellington Management</i>	5,756,987	1.30%
18	Macquarie Group	5,517,369	1.25%
19	<i>Dimensional Fund Advisors</i>	5,130,598	1.16%
20	<i>Mondrian Investment Partners</i>	5,110,593	1.16%
21	<i>abrdn</i>	4,804,341	1.09%
22	<i>Pictet Asset Management</i>	4,678,877	1.06%
23	Impax Asset Management	4,532,395	1.03%
24	<i>Invesco</i>	3,435,014	0.78%
25	<i>Janus Henderson</i>	2,613,571	0.59%
26	<i>Threadneedle</i>	2,048,240	0.46%
27	FIL	1,826,481	0.41%
28	<i>Aviva</i>	1,597,628	0.36%
29	<i>Balyasny Asset Management</i>	991,743	0.22%
30	<i>Perpetual</i>	814,298	0.18%
31	<i>Royal London Asset Management</i>	603,979	0.14%
32	<i>Franklin Resources</i>	422,367	0.10%
33	<i>Goldman Sachs Asset Management</i>	250,915	0.06%
34	<i>Barclays</i>	86,927	0.02%
35	<i>Milennium Partners</i>	-2,601,326	-0.59%

Source: UFP, BBG, RNS, company filings.

Cross ownership

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Buy Ratings

Buy: We expect this stock to deliver a positive total return over the life of the rating on an absolute basis.

Set Up the Spread: We expect this spread to contract over the life of the rating; i.e. the subject security is expected to deliver a positive total return over the life of the rating on an absolute basis, net of any offsetting positions in the shares of the acquirer. UFP assigns price targets to subject securities with the rating Set Up the Spread on a discretionary basis.

Buy the Stub: We expect this stock to deliver a positive total return over the life of the rating on an absolute basis, net of offsetting positions in any applicable publicly traded subsidiaries. UFP assigns price targets to subject securities with the rating Buy the Stub on a discretionary basis.

Build Initial Positions: We expect this stock to deliver a positive return over the life of the rating on an absolute basis but recommend investors scale into positions in the stock over time.

Build Initial Positions in the Stub: We expect this stock to deliver a positive total return over the life of the rating on an absolute basis, net of offsetting positions in any applicable publicly traded subsidiaries but believe investors should scale into positions in this stock and any offsetting positions over time. UFP assigns price targets to subject securities with the rating Build Initial Positions in the Stub on a discretionary basis.

Build Initial Positions in the Spread: We expect this spread to contract over the life of the rating; i.e. the subject security is expected to deliver a positive total return over the life of the rating on an absolute basis, net of any offsetting positions in the shares of the acquirer but recommend investors scale into positions over time. UFP assigns price targets to subject securities with the rating Build Initial Positions in the Spread on a discretionary basis.

Hold Ratings

Buy on Weakness: We see this stock’s current price as reflecting appropriate value but expect a superior level at which to buy will occur during the life of the rating relative to the time of issuance of the rating.

Set the Spread at Wider Levels: We see this spread’s present level as reflecting appropriate value but expect a superior level at which to set the spread will occur during the life of the rating; i.e. a more attractive entry point in the subject security is expected to emerge over the life of the rating relative to the time of issuance of the rating, net of any offsetting positions in the shares of the acquirer. UFP assigns price targets to subject securities with the rating Set the Spread at Wider Levels on a discretionary basis.

Buy the Stub at Wider Levels: We expect this stock to deliver a positive return over the life of the rating on an absolute basis, net of offsetting positions in any applicable publicly traded subsidiaries but expect a superior level at which to set the position will occur during the life of the rating relative to the time of issuance of the rating. UFP assigns price targets to subject securities with the rating Buy the Stub at Wider Levels on a discretionary basis.

Sell on Strength: We recommend investors use upward moves in the stock relative to the time of issuance of the rating to exit positions in the subject security over the life of the rating.

Unwind the Spread on Strength: We recommend investors use further contractions in the spread to unwind positions over the life of the rating; i.e. we recommend investors exit the positions in shares of the subject security at higher prices relative to the time of issuance of the rating, net of any offsetting positions in shares of the acquirer. UFP assigns price targets to subject securities with the rating Unwind the Spread on Strength on a discretionary basis.

Sell the Stub at Higher Levels: We recommend investors use upward moves in this stock on an absolute basis over the life of the rating relative to the time of issuance of the rating to exit positions, net of offsetting positions in any applicable publicly traded subsidiaries. UFP assigns price targets to subject securities with the rating Sell the Stub at Higher Levels on a discretionary basis.

Sell Ratings

Sell: We expect this stock to deliver a negative total return over the life of the rating on an absolute basis.

Sell the Spread: We expect this spread to widen over the life of the rating; i.e. the subject security is expected to deliver a negative return over the life of the rating on an absolute basis, net of any offsetting positions in the shares of the acquirer. UFP assigns price targets to subject securities with the rating Sell the Spread on a discretionary basis.

Sell the Stub: We expect this stock to deliver a negative total return over the life of the rating on an absolute basis, net of offsetting positions in any applicable publicly traded subsidiaries. UFP assigns price targets to subject securities with the rating Sell the Stub on a discretionary basis.

Exit Positions: We recommend investors exit positions in order to have no exposure to the subject security. UFP does not expect the subject security to deviate materially from its present price over the life of the rating.

Unwind the Spread: We recommend investors exit positions in order to have no exposure to the subject security, net of any offsetting positions in shares of the acquirer. UFP does not expect the subject security, net of any positions in the acquirer, to deviate materially from its present price over the life of the rating. UFP assigns price targets to subject securities with the rating Unwind the Spread on a discretionary basis.

Exit Positions in the Stub: We recommend investors exit positions in this stock, net of offsetting positions in any applicable publicly traded subsidiaries, in order to have no exposure to the subject security. UFP does not expect the subject security, net of offsetting positions in any applicable publicly traded subsidiaries, to deviate materially from its present price over the life of the rating. UFP assigns price targets to subject securities with the rating Exit Positions in the Stub on a discretionary basis.

Reduce Positions: We recommend investors reduce positions in the subject security in order to lower exposure.

Reduce Positions in the Spread: We recommend investors reduce positions in order to lower exposure to the subject security, net of any offsetting positions in shares of the acquirer. UFP assigns price targets to subject securities with the rating Reduce Positions in the Spread on a discretionary basis.

Reduce Positions in the Stub: We recommend investors reduce positions in this stock, net of offsetting positions in any applicable publicly traded subsidiaries, in order to lower exposure to the subject security. UFP assigns price targets to subject securities with the rating Reduce Positions in the Stub on a discretionary basis.

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