Forestry & Paper

Clearwater Paper

Second Quarter 2025 Results Insights: North American Consumer board (Sappi North America)

Key message: *Mixed demand signals with SBS shipments declining in the second quarter, while backlogs grew. Current downcycle is primarily driven by oversupply. Looking ahead, RISI expects industry capacity to be reduced by approximately 350Kt in 2026, which should help lift operating rates to around 91%.*

Clearwater Paper

North American Board Insights (1.4Mt of SBS capacity: read-through for Sappi)

📦 **Financial Performance:** Adjusted EBITDA surged by 34% QoQ to $40mn (in line with guidance). This was driven by a +5% QoQ in board shipments (+12% YoY: due to Augusta acquisition), which more than offset the -1% QoQ price decline. Net debt/EBITDA ticked up to 1.9x.

📦 **Paperboard industry is current in a downcycle, and Clearwater plans to position themselves well for the demand recovery:** Clearwater continues to benefit from lowering fixed costs and are on track for a $30-40mn reduction in FY 25e.

📦 **Third quarter outlook points to lower profitability:** Clearwater Paper expects EBITDA to fall to $10-20mn, mainly due to planned maintenance. Paperboard volumes and input costs are expected to be flat QoQ. Minimal tariff impacts were included in the outlook, which will likely be positive for demand.

📦 **Clearwater is exploring expansion into new grades, including coated unbleached kraft (CUK):** In the short term, it is evaluating the option of converting an existing SBS machine to a swing machine capable of producing CUK, at an estimated cost of $50mn over 18 months. Additionally, the company plans to introduce lightweight grades to its portfolio by 2026.

📦 **2025 Outlook:** Capacity utilization is expected to average ~85%, translating into revenue of approximately $1.5–1.6bn. Based on FY 25e & FY 26e consensus, Clearwater Paper is trading on a forward EV/EBITDA of around 5,6x.

Summary ($mn)	Q2 24A	Q1 25A	Q2 25A	YoY	QoQ
Net sales	344	378	392	14%	4%
Adjusted EBITDA	- 9	30	40	-564%	34%
Adjusted EBITDA margin (%)	*-2,5%*	*7,9%*	*10,2%*	1 038	230
Paperboard volumes (metric tons)	247 284	262 617	276 430	12%	5%
Net sales price per metric ton	1 103	1 078	1 072	-3%	-1%
Net debt/EBITDA(x)	3,58	1,5	1,9	-47%	27%
Sales mix					
Food service	135	151	166	23%	10%
Folding carton	148	148	148	0%	-1%
Sheeting & distribution	41	39	40	-3%	3%
Pulp & other	21	40	38	83%	-4%
Total	**344**	**378**	**392**	***14%***	***4%***

Source: Chronux Research, Company data

Clearwater Paper

North American Board Industry Insights

📦**Mixed demand signals with SBS shipments declining in the second quarter, while backlogs grew:** Industry shipments softened by -3% QoQ , while unmade SBS orders jumped by +14% QoQ. Based on RISI Fastmarkets forecasts, modest demand growth (downgraded from +3-5%) is expected in 2025, while demand is expected to pick-up by around +3% in 2026.

📦 **Bleached paperboard net exports are now expected to improve in 2025:** Bleached imports of around 700-800Kt/yr are expected to decline by approximately -4% YoY (previously -5%), while exports are expected to soften by around -2% (previously a +1% increase). Tariffs are likely to impact the viability of imports, positive for US based board producers, such as Sappi North America.

📦 **Industry SBS utilisation rates have softened**: Industry operating rates reached 83% (vs. 84% in Q2 24A). This remains well below balanced market utilization rates estimated at 90-95%. SBS operating rates are expected to decrease in the second half as Sappi's Somerset PM2 conversion ramps-up.

📦**The current downcycle is primarily driven by oversupply:** Looking ahead, RISI expects industry capacity to be reduced by approximately 350Kt in 2026, which should help lift operating rates to around 91%. Clearwater projects a through-the-cycle adjusted EBITDA margin of 13–14%. Based on annual revenue of $1.8–1.9bn (assuming 1.2Mt of capacity), this implies EBITDA of roughly $250mn.

Disclaimer:

This report is not investment, financial, accounting or tax advice and is provided for information purposes only. In preparing this report we did not take your specific needs and investment objectives into account. Any prices or quotations provided are indicative only and may not be used or relied on for any purposes, including valuation purposes. Opinions expressed in this communication may change without any notice. This communication is not a solicitation to buy or sell any product. To the extent permitted by the law, Chronux Research Pty. Ltd. and/or the author(s) accept no responsibility or liability (in negligence or otherwise) for loss or damage resulting from the use of or relating to any error in the information provided. This information has been prepared in good faith and is based on information obtained from third party sources. Any modelling, scenario analysis past or simulated past performance (including back-testing) contained in this information is no indication of future performance. Analysts at Chronux Research might own direct exposure to companies they cover. This product may not be eligible for distribution in all jurisdictions and is directed at institutional investors who have professional experience as defined by the applicable law and/or regulation in the relevant jurisdiction. It is not for retail investors and may not be distributed into any jurisdiction where the information is not permitted. This communication is for the intended recipient only and if you have received this communication in error or in an unlawful manner the report must be destroyed, and the author notified immediately. These disclaimers and exclusions shall be governed and construed in accordance with South African law. If any provisions of these disclaimers and exclusions shall be unlawful, void or for any reason unenforceable then that provision shall be deemed severable and shall not affect the validity and enforceability of the remaining provisions. © Chronux Research Pty. Ltd. All rights of Chronux Research Pty. Ltd are reserved.