

NEWSPRINT MARKET UPDATE: International Newspaper Group

September 26, 2024



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TOPICS

- Market Conditions
- Global Impacts
- Market Forecast

MARKET CONDITIONS

Operating Rates

- North American operating rates at 83% YTD
- Global operating rates averaged 78% over last 3 months 2024
- Total N.A. newsprint shipments down 5.5% in 2023 (119,000 MT)

Demand

- Newspaper demand decreased by 0.2% YTD against favorable year/year comparisons
- Commercial printers demand decreased 23.2% YTD
- Global demand down 3% over last 3 months 2024
- Total N.A. newsprint demand fell 20.1% in 2023 and is down 9.7% YTD in 2024
- Domestic consumption equals 54% of shipments vs. exports 46% of shipments YTD
- N.A. offshore exports rose 22.1% in 2023
- Overseas exports have risen 14.2% through the first 7 months 2024

Financials

- N.A. newsprint producers all announced a \$50/MT (45g) price increase effective September 1
- Producers stated higher costs and rising prices in global markets to justify increase – not supply/demand basics
- Market fundamentals reflect improving demand (relative) but still oversupplied market



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GLOBAL IMPACTS

Supply

- N.A. newsprint production predominantly located in Canada
 - Newsprint prices remain historically high in Canadian dollars
 - Canadian producers less desperate to make capacity reductions
- N.A. suppliers becoming more reliant on offshore exports
 - Exports have increased every month of 2024
 - Major markets include Western Europe, India, China and Latin America
 - Logistics issues, freight costs and volatile demand present challenges
- Western Europe continues capacity reductions
 - UPM's Hürth mill (330,000 MT/year) in Knapsack, Germany closed earlier than expected
 - The closure removes almost 10% of Western Europe newsprint capacity and will raise mill operating rates there to around 90%
 - Stora Enso's Langerbrugge newsprint machine (400,000 MT/year) in Ghent, Belgium remains indefinitely postponed
 - The company had planned to convert from recycled newsprint to recycled containerboard but has delayed due to oversupply of containerboard
- Input costs
 - Producers are subject to inflationary pressures on energy, raw materials, logistics and, most of all, global market pulp prices
 - Virgin fiber-based mills, including all N.A. newsprint mills, are impacted by high pulp costs
- Global operating rates average <80% in most markets with the July-ending 3-month average 78%
 - Only in Western Europe (81%) and North America (87%) are operating rates above 80%



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GLOBAL IMPACTS

Demand

- Demand declines easing
 - Western Europe newsprint demand -2% in H1 2024 vs. -21% in 2023
 - Global demand weakness continues with the world -3.4% YTD and -7.5% over last 12 months

Logistics

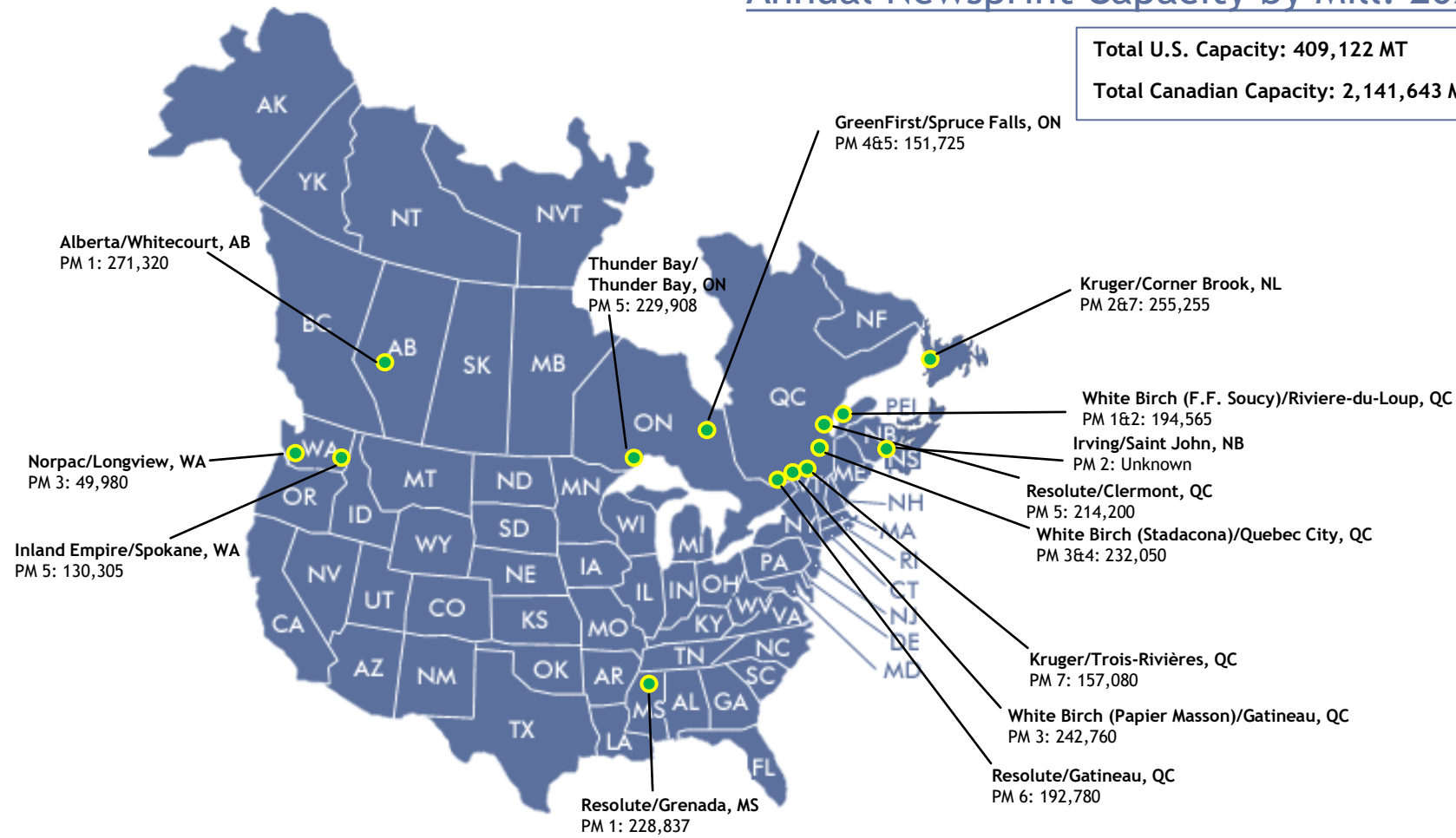
- Global conflicts
 - Russia-Ukraine war
 - Sanctions by Western countries have left Russia with only India and China as export markets
 - Russian mills offering lower prices due in part to Russia removing export taxes
 - Israel-Hamas war
 - Houthi rebels began attacking vessels in the Red Sea, restricting access to the Red Sea. The passage normally cuts transit times between Asia and Europe in half, and instead vessels must navigate around the Cape of Good Hope in Africa
 - Significant increases to global shipping rates and transit time, especially for India's major suppliers Canada and Russia. Adds +15 days for imported newsprint to India
- Climate change
 - Panama Canal drought
 - Panama Canal reduced traffic in late 2023 due to a historic drought at Gatún Lake, which supplies the water used to operate canal locks
 - Fewer booking slots affected global trade routes as some vessels had to reroute east through the Red Sea (see above) or around the Cape of Good Hope in South America
 - Panama Canal Authority eased restrictions in August as water levels normalized but it could take 6 months for shippers to return in full
 - EU Deforestation Regulation (EUDR)
 - The law will prohibit the sale of certain products in the EU if they come from land that was deforested or degraded since 2021
 - Consequences of new regulations on paper producers is still unknown
 - Deadline for reporting is December 31st but the industry is seeking a delay of its implementation



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Annual Newsprint Capacity by Mill: 2024

Total U.S. Capacity: 409,122 MT
Total Canadian Capacity: 2,141,643 MT



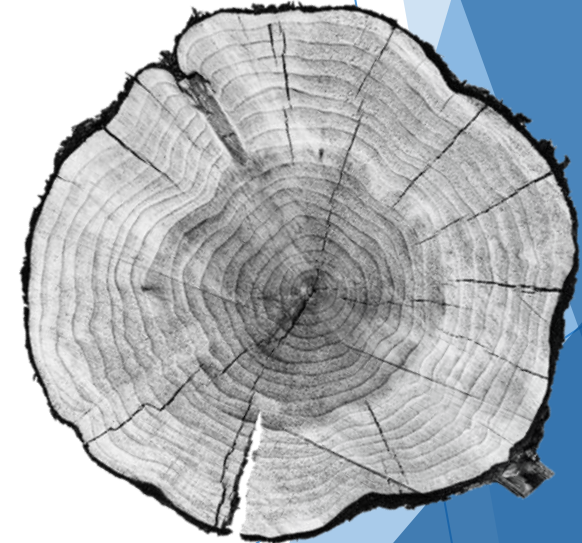
ANNUAL NEWSPRINT PRODUCTION BY SUPPLIER: 2024

Supplier	MT	%
Alberta	271,320	11%
Inland Empire	130,305	5%
Kap Paper	151,725	6%
Kruger	412,335	16%
NORPAC	49,980	2%
Resolute	635,817	25%
Thunder Bay	229,908	9%
White Birch	669,375	26%
Total	2,550,765	

July 2023 to June 2024	
N.A. Consumption	1,074,000
Exports	970,000
Capacity	2,480,000
Shipments	2,045,000
Shipments/Capacity	82%

MARKET FORECAST

- N.A. newsprint demand to fall 8.8% in 2024 and 9.2% in 2025
- N.A. offshore exports will decline in 2025 following 2 strong years of gains
- Offshore market will continue to be important to N.A. producers but weakening exports won't offset domestic demand declines
- Capacity reductions needed to rationalize supply
- Newsprint capacity reductions expected (450,000-500,000 MT in 2025)
- These capacity closures would push operating rates up to 92%
- Global capacity reductions continue with early closure of UPM's Hürth mill
- Mill operating rate at 84% in 2023, 89% in 2024
- RISI expects U.S. newsprint prices to make minor increases in 2025-2026



THANK YOU!

Nari Walsh

Senior Director Sourcing, Gannett

nwalsh@gannett.com

Peter Bottomley

Senior Sourcing Analyst, Gannett

pbottomley@gannett.com

Ozie Malikyar

Manager Sourcing, Gannett

omalikyar@gannett.com

Melissa Friend

Strategic Sourcing Analyst, Gannett

mfriend@gannett.com



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