

**Paper Excellence to acquire UFS for \$55.50 per share in cash**

- ✓ This morning, UFS announced it had agreed to be acquired by privately held Canadian paper & packaging company, Paper Excellence, for \$55.50 per share in cash. (Notably, this agreement follows reports last week that the parties were exploring a potential transaction that could value UFS shares in the “mid-\$50s”.)
- ✓ The deal, which is expected to close in 2H 2021, represents a ~17% premium to last night’s closing price and an almost 40% premium to where the shares were trading on May 3<sup>rd</sup> (the day prior to reports that a deal could be in the works surfaced in the business press).
- ✓ By our calculation, the ~\$3 billion purchase price represents multiples of 10.1x and 6.2x on 2020 and 2021E EBITDA, respectively (and is modestly above the high-end of our bull/bear valuation range). In that context, we would note that M&A in the space has averaged roughly 8x trailing and 7.5x forward EBITDA in recent years while peers currently trade at ~7.5x 2022E EBITDA (albeit in a range of 4.5x-10.0x).
- ✓ From our perspective, this deal, which in some form seemed somewhat inevitable following the sale of its Personal Care (PC) division to private-equity firm, American Industrial Partners (AIP), for \$920 million, in March 2021, is very likely to mark a successful close to the UFS story, where shares have more than doubled since our re-initiation in September 2020 (compared with a 28% increase in the S&P 500 and a 50.5% increase in the Russell 2000. [Note: Recall, we had previously recommended UFS from March 2017 until it reached our fair value estimate in January 2018 during which time the shares returned ~39.5% versus roughly 10% gains in both the S&P and Russell.]

**UPDATE**

**Domtar Corporation**

**(NYSE: UFS)**

**Date (5/11/2021)**

**Price \$47.38/share**

**Market capitalization: ~\$2.4B**

**Pulp & Paper: *To be Acquired by Paper Excellence for \$55.50 per share***

**Personal Care: *Sold for \$920M to AIP in March 2021***

*(See the report dated 9/23/20 and updates from 11/26/2020, 1/8/2021 and 5/4/2021 for more info.)*

NOTE: This publication could be considered as advocating for corporate restructurings. Authors select companies for this report based on the potential for a future value-unlocking transaction. In many cases, these companies have or could come under activist investor pressure, media scrutiny, or general market speculation that a spin-off or asset sale is possible.



**Institutional Research Group**

**PCS Research Group**

100 Wall Street, 20th Floor

New York, NY 10005

(212) 233-0100

[www.pcsresearchgroup.com](http://www.pcsresearchgroup.com)

Institutional Research Group, LLC (“IRG”) is the author of this report. PCS Research Group, LLC (“PCS”) is the exclusive marketer and an authorized distributor of this and other research reports created by IRG. IRG and PCS are affiliates. IRG, PCS and each of their respective employees and affiliates may have positions in the securities of companies mentioned herein. This report is based on information available to the public, and no representation is made with regard to its accuracy or completeness. This document is neither an offer nor a solicitation to buy or sell securities. All expressions of opinion reflect judgment at the date set forth above and are subject to change. All views expressed in this research report accurately reflect the research analysts’ opinion about the subject matter contained herein. No part of the research analysts’ compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in the research report. Reproduction of this report is strictly prohibited. Institutional Research Group, LLC © 2021.