



Acquisition of Cascades Resources

17 November 2005

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Announcement

PaperlinX, the largest and only global fine paper merchant, announces it has agreed to acquire Canadian fine paper merchant Cascades Resources for approximately C\$85 million (A\$97 million), more than doubling its position in the Canadian market.

The transaction remains subject to:

- Regulatory approvals
- Customary closing conditions
- Completion

Agenda

- **PaperlinX Strategic Direction**
- Transaction Overview
- Cascades Resources
- Acquisition Financing
- Conclusion

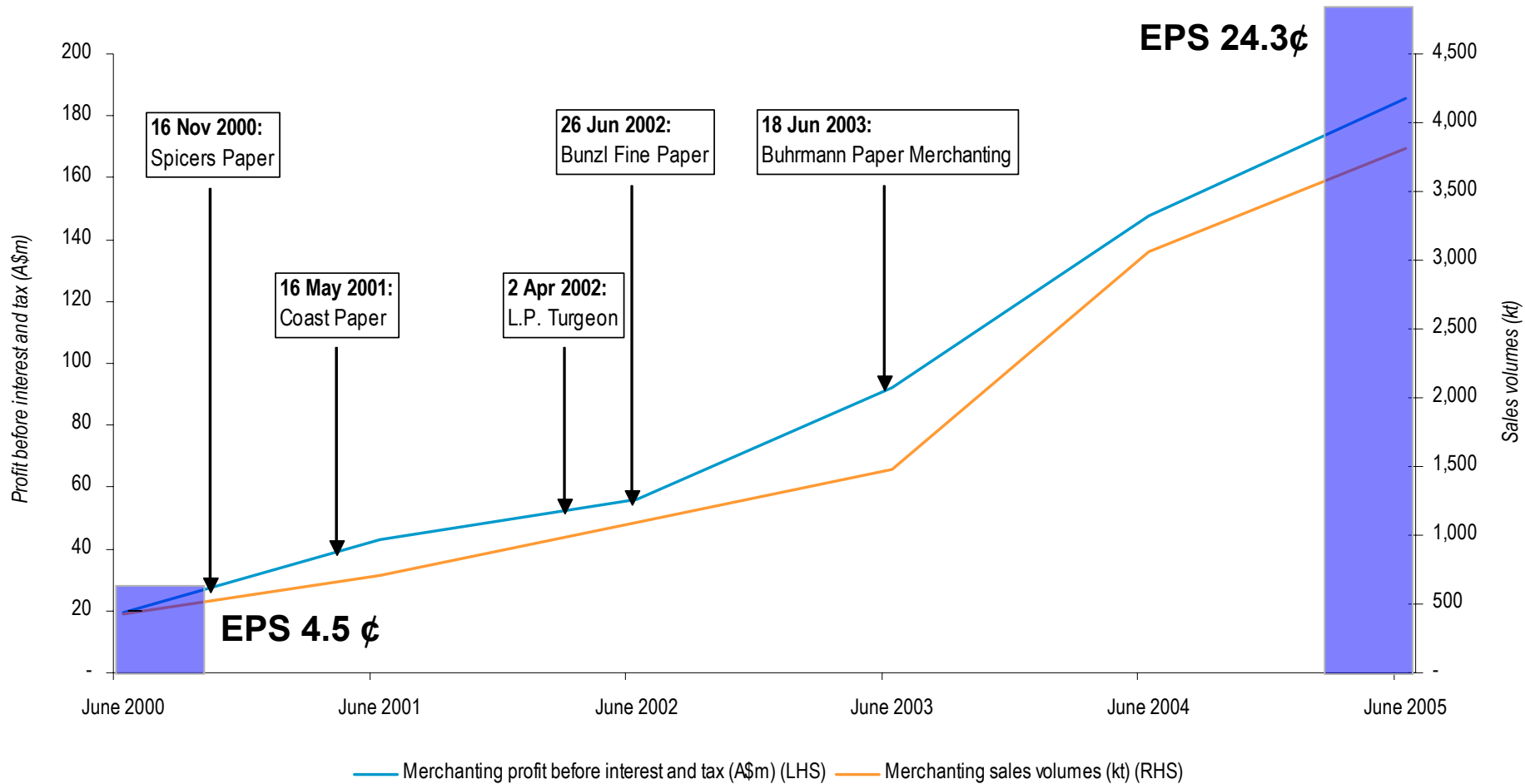
PaperlinX Strategic Direction

- Grow volume, earnings, returns and earnings per share in merchanting
 - Strong management of existing businesses
 - Future expansion potential
 - Realise consolidation benefits
- Realise full value of manufacturing through the cycle
 - Focus resources to secure competitive advantages
 - Increased shareholder value

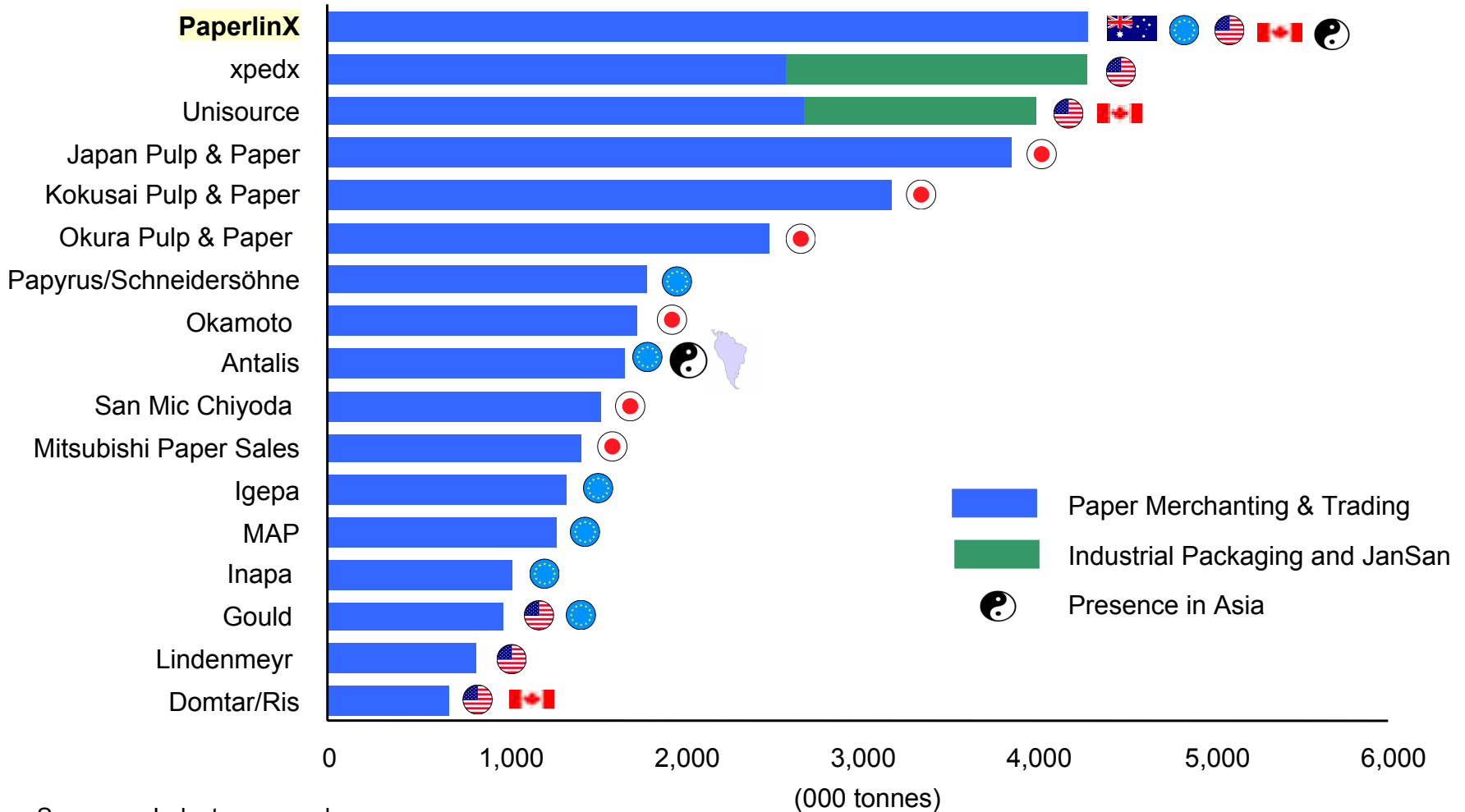
PaperlinX Strategic Direction

- PaperlinX has transformed itself over the past five years
 - Now the world's leading paper merchant
 - Strong earnings contribution from merchanting growth
 - Provides balance to more volatile Australian Paper manufacturing earnings
- Opportunities for further returns growth
 - Building on existing merchanting base
 - Continued success in reducing working capital and cost management

Merchanting Growth



Leading Global Fine Paper Merchant



Source: Industry research

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Transaction Overview

- Acquisition of assets of Cascades Resources for a cost of approximately C\$85 million (A\$97 million)
- Funded from existing debt facilities and cash
- More than doubles PaperlinX's Canadian position
- Acquisition multiple of 6.8 times average of last three years EBITA
- Contributes positively to earnings from completion
- Creates further opportunities for shareholders, employees, customers and suppliers

Cascades Resources

- National fine paper merchant
 - Solid position in the East
- Approx C\$420m annual sales revenue (220,000 tons)
- 75% Stock / 25% Indent
- 490 people in 15 locations across Canada
- Strong and profitable fine paper merchandising business
- Solid and growing Graphics business
- 5 year supply agreement with Cascades Fine Papers

Strategic Rationale

- Consistent with Core Operating Principle:
“Strengthen then build off existing platform”
- PaperlinX becomes the leading distributor to the fine paper and graphics arts industry in Canada
- Complementary to existing business:
leverages Cascades and Coast’s strengths across Canada
- Significant synergy opportunities
- Further leverages global platform
- Meets all PaperlinX acquisition criteria

PaperlinX's Acquisition Criteria

Cascades Resources meets all the key criteria

- ✓ Low risk and profitable
- ✓ Good management
- ✓ Stockist merchant of high quality fine paper
- ✓ Key supplier relationships
- ✓ Wide spread of customers
- ✓ Satisfactory logistics and information systems
- ✓ Earnings per share positive in year 1
- ✓ Target return criteria of 15% return on average funds employed (ROAFE) by end of year 3

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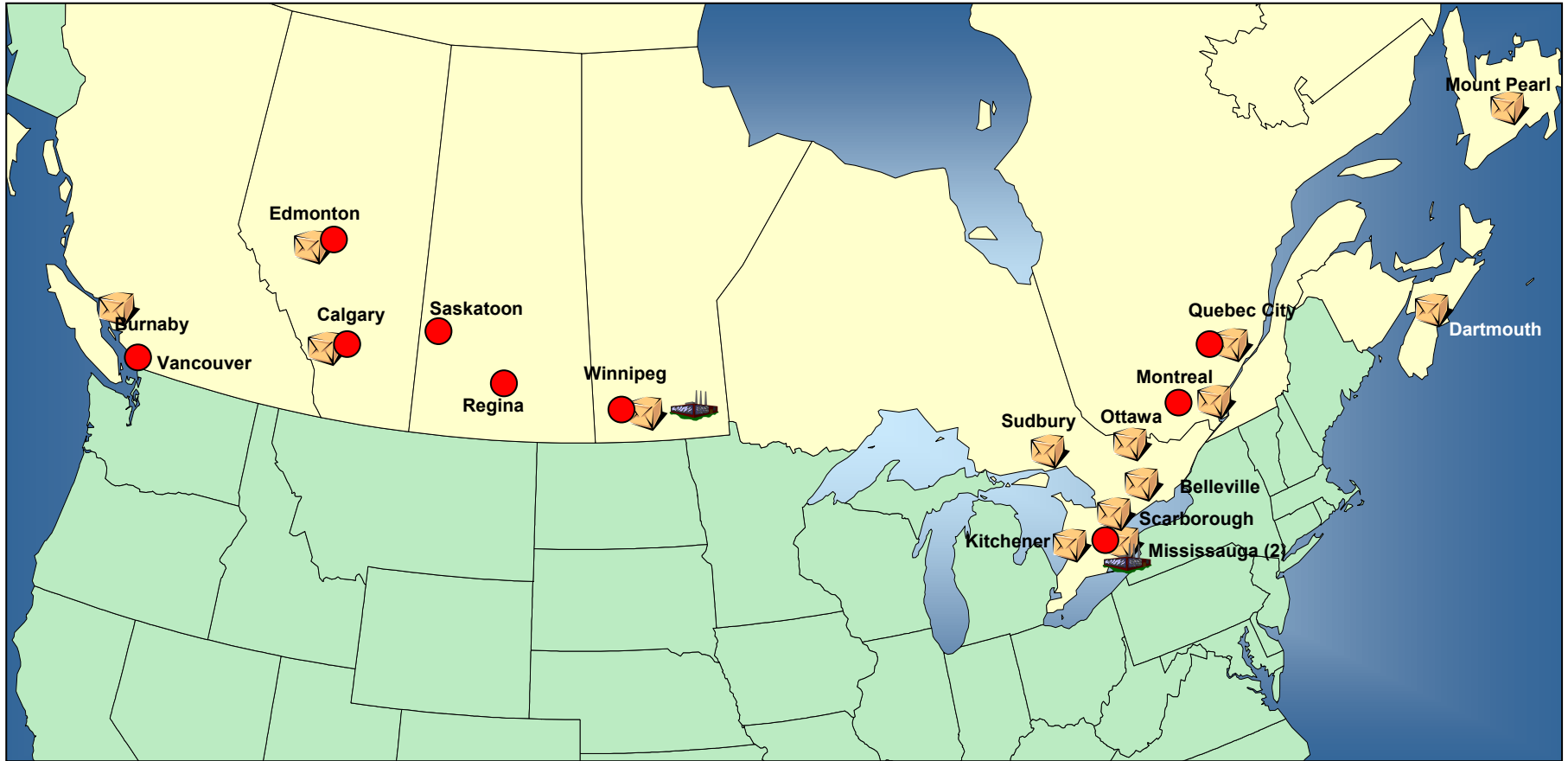
Cascades Resources Business Locations



Paper
Converting



Combined Canadian Business Locations



(1) Cascades Resources:



Paper



Converting

(2) Coast Paper:

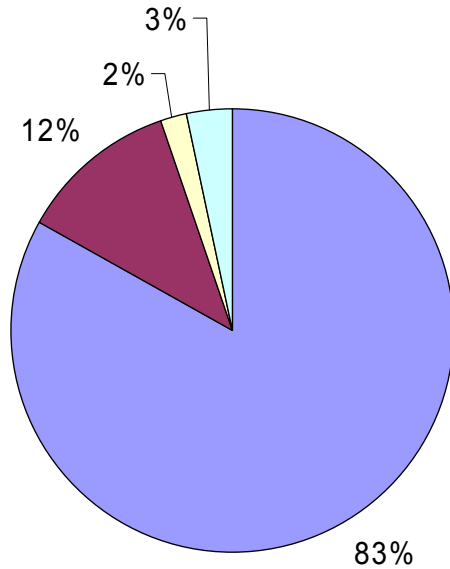


Key Statistics

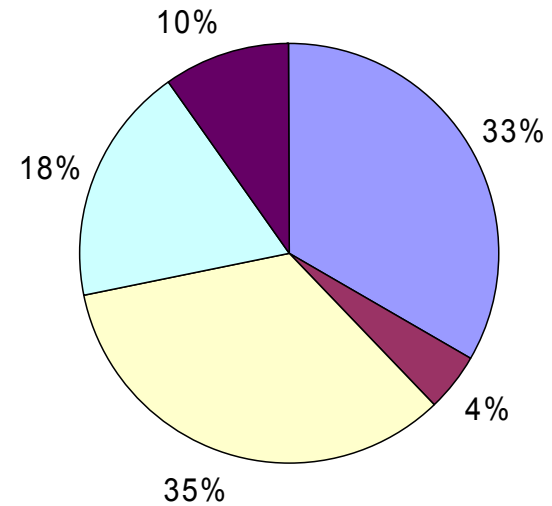
\$CAD		Cascades Resources	Coast Paper
Sales Volume	'000 st	220	135
Sales Value	\$m	420	250
People	#	490	360
Locations	#	15	9
Sales – Stock	%	75	72
Sales - Indirect	%	25	28

Segment and Product Split

Products



Fine Paper By Type



• Fine Paper • Graphics • Industrial • Equipment

• Coated • Specialty • Web • Bond & Copy • Uncoated

Synergy Opportunities

- Synergies expected to come from
 - Warehousing, logistics, distribution
 - Inventory holdings, working capital
 - Back office
- Same IT platform as existing business
- Anticipated synergies for financial justification
 - Year 1: 0 (costs = benefits)
 - Year 3: <0.5% of sales
- Significant additional synergy opportunities over time

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Acquisition Cost

- Acquiring 100% of business
- Total transaction cost is approximately C\$85 million
- Funded from existing facilities
- Takes gearing to
 - Debt/equity 61% against target of 50-70%
 - Debt/debt and equity 38% against target of 40-50%
- 6.8 times adjusted EBITA average of the last 3 years (based on purchase price)
- 6.6 times adjusted EBITA for last year (based on purchase price)
- Total intangibles of C\$3 million, including costs
 - All Goodwill

Impact on Current Earnings

- Earnings per share positive in year 1, based on 2005 financial year earnings per share
 - Up approx 5% in year 1
 - Up approx 10% in year 3
- Increased earnings per share will help support dividend

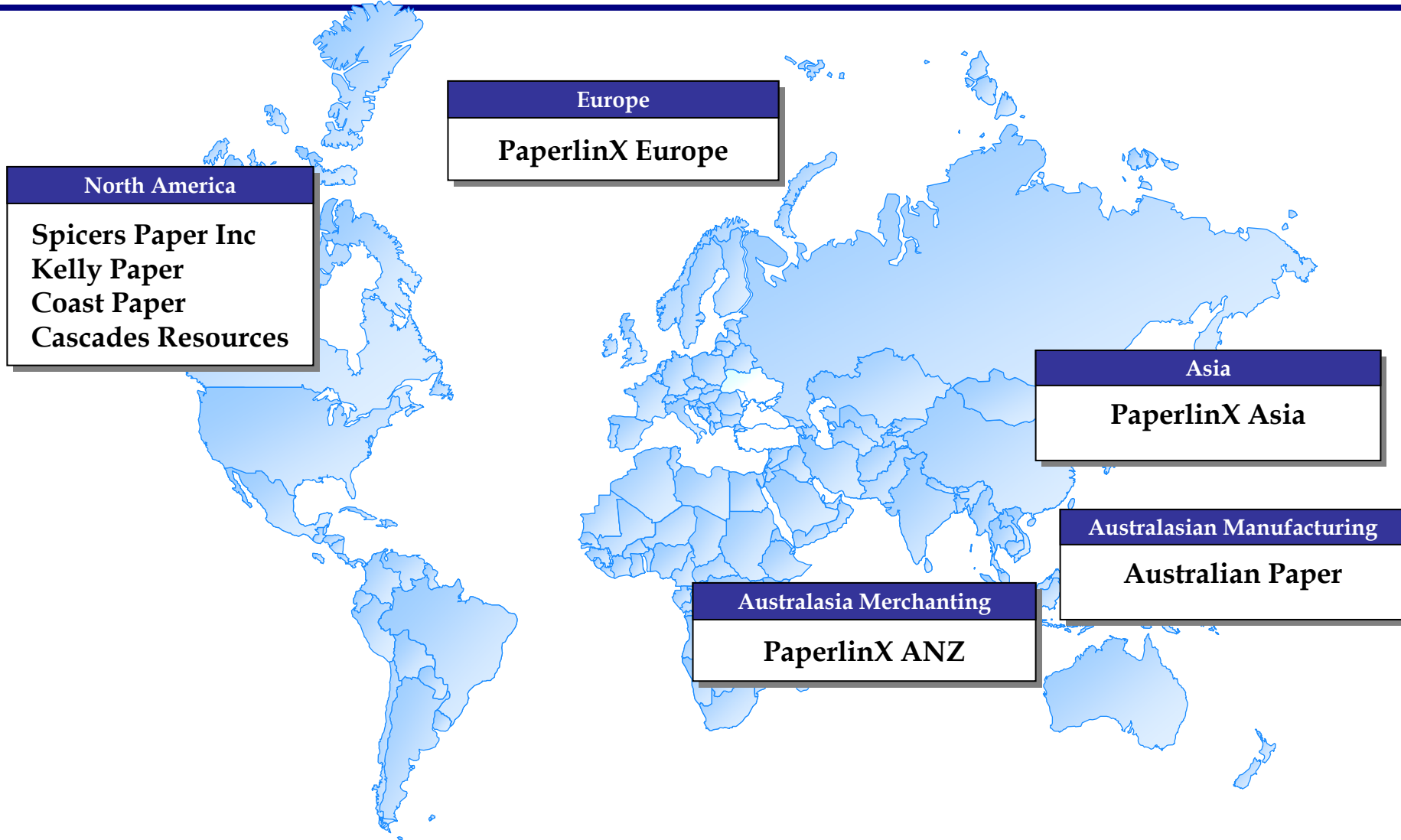
Assumptions for Earnings/EPS Growth

- No growth in underlying economy in first year
- Consolidation benefits in first year offset by implementation costs
- Consolidation benefits in third year estimated at <0.5% of sales
- Average tax rate on new business of 38%
- Earnings per share growth assumptions based off PaperlinX 2005 earnings
- Capital Expenditure = Depreciation

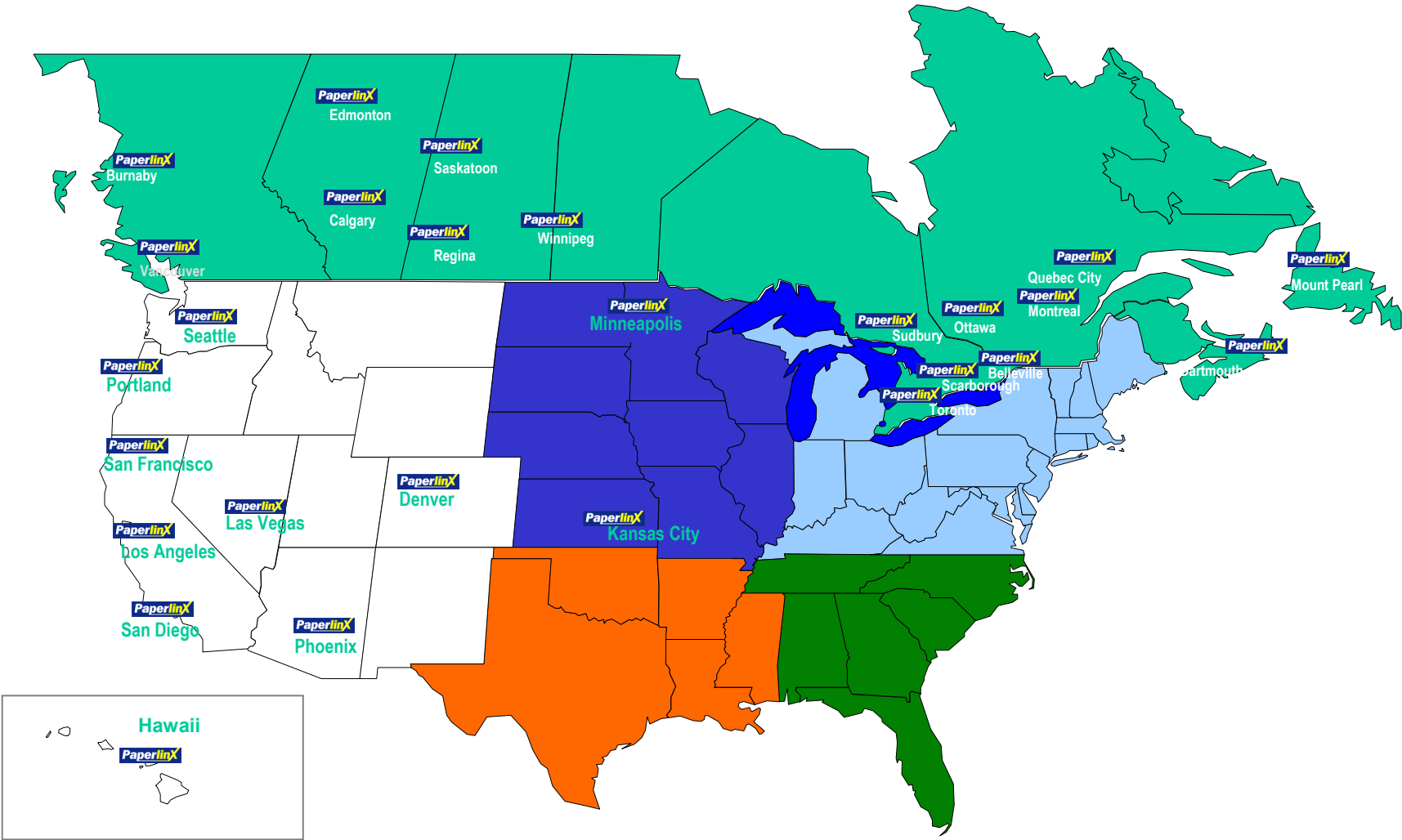
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The PaperlinX Global Platform



North American Locations



Conclusion

- Unique opportunity to build on solid Canadian market position
- Acquiring for a fair price, at a low point in the cycle
- Clear fit with successful fine paper merchanting growth strategy
- Targeted for solid earnings per share contribution from day one
- Expected to exceed targeted returns on investment
- Funded through existing debt facilities
- **Positive for PaperlinX shareholders**



Questions and Answers



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PaperlinX Limited
307 Ferntree Gully Rd, Mt Waverley, Victoria 3149, Australia
ABN 70 005 146 350

