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Paper & Packaging

Dr. Paper's Weekly Wrap-up

Periodical

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* Domtar upgraded to Buy. Mkt pulp continues to rally & we see growing evidence that uncoated free sheet is bottoming. Est'd \$400-425MM in black liquor credits & \$150MM in asset sale proceeds will help trim \$2.1B debt load.

* Containerboard earnings continue to come in strong. IP had strong performance. Q2 EBITDA @ \$400MM - despite 75% mill operating rate. Shedding low-priced WY business helping q/q price comp's. WY deal appears to have helped IP & the sector.

* OI reported modestly better-than-expected Q2. However, trends forward are encouraging. Vol trends in Europe & NA improving, margins improved markedly. Word on NA contracts is encouraging. Leverage to vol recovery should prove impressive. DB target price boosted from \$35 to \$40.

Figure 1: Weekly Metrics

	Rating	Price 8/2/09	52-Week High	Low	Div. Yield	YTD	LTM	MTD	Last Week
S&P Paper		84.41	134.44	32.27	1.3%	39.9%	(32.3%)	19.6%	0.9%
S&P 500		987.48	1313.15	666.79	2.2	9.3	(22.1)	7.4	0.8
DJII		9171.61	11933.55	6440.08	3.2	4.5	(19.4)	8.6	0.9
DBSI Paper & Forest Products Universe									
Domtar	BUY	18.96	78.36	6.12	NA	(5.4)	(72.3)	14.4	12.5
Glatfelter	HOLD	10.35	15.76	4.57	3.5	11.3	(29.2)	16.3	3.5
International Paper	BUY	18.81	31.07	3.93	0.5	59.4	(32.1)	24.3	0.5
Louisiana Pacific	HOLD	4.22	11.75	1.03	NA	170.5	(50.1)	23.4	11.6
MeadWestvaco	BUY	19.49	28.05	7.53	4.7	74.2	(27.3)	18.8	2.0
Packaging Corp	BUY	19.67	26.99	9.66	3.1	46.1	(22.9)	21.4	(0.8)
Temple Inland	BUY	15.66	20.49	2.34	2.6	226.3	(3.6)	19.4	1.8
Wausau Paper	BUY	9.40	11.86	3.75	2.7	(17.8)	6.1	39.9	14.6
Weyerhaeuser	HOLD	35.04	65.50	18.67	0.6	14.5	(34.5)	15.1	0.8
Group Average						64.3	(29.6)	21.4	5.2
DBSI Packaging Universe									
Bemis	HOLD	26.32	29.70	16.85	3.4	11.1	(6.5)	4.4	(0.3)
Bway	HOLD	15.95	19.04	4.11	NA	100.4	59.2	(9.0)	0.1
Crown Holdings	BUY	25.10	28.29	13.37	0.0	30.7	(10.5)	4.0	(2.8)
Greif Brothers	BUY	51.33	73.45	25.65	3.0	53.5	(15.6)	16.1	(1.0)
O-I	BUY	33.94	47.15	9.53	0.0	24.2	(19.6)	21.2	8.4
Pactiv	BUY	25.18	28.49	10.62	0.0	1.2	4.4	16.0	(1.9)
Rock-Tenn	BUY	44.96	49.24	22.84	0.9	31.5	26.5	17.8	0.9
Sealed Air	HOLD	18.39	25.32	10.38	2.6	23.1	(15.3)	(0.3)	(14.8)
Silgan	BUY	50.26	58.19	39.21	1.5	5.1	(4.8)	2.5	(1.4)
Group Average						29.7	2.6	8.0	(1.5)
DBSI Timber Universe									
Plum Creek	BUY	31.28	60.00	22.88	5.4	(10.0)	(35.8)	5.0	(3.3)
Rayonier	BUY	38.99	49.54	22.28	5.1	24.4	(16.5)	7.3	1.1
Sino-Forest	HOLD	14.70	20.03	5.25	0.0	48.9	(9.8)	18.5	9.8
Group Average						21.1	(20.7)	10.3	2.5

Source: Deutsche Bank estimates, Factset Marquee

Deutsche Bank Securities Inc.

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Key Commodity Prices

MARKET PULP - NBSK (\$/m. ton)	700 →	\$600	\$1100
NEWSPRINT (\$/m. ton)	← 455	\$415	\$800
LWC (No. 5 - 40 lb.) (\$/ton)	← 790	\$680	\$1240
COATED FREE SHEET (No. 3 Rolls - 60 lb.) (\$/ton)	← 925	\$720	1120
UNCOATED FREE SHEET (20lb.-Repro Bond) (\$/ton)	1040	\$650	1200
LINERBOARD (\$/ton)	← 540	\$310	\$610
SBS (\$/ton)	← 1025	\$570	\$1100
LUMBER COMPOSITE (\$/mbf)	235	\$196	\$499
PANEL COMPOSITE (\$/msf)	← 263	\$196	\$610

Source: Pulp & Paper Week and Random Lengths

Company Valuation Ratios, 2008 & 2009E

	EV/EBITDA		P/E		Price/ Book
	2008	2009	2008	2009	
UFS	3.7x	10.3x	7.4x	NM	0.4x
GEF	12.5x	10.5x	16.1x	0.0x	2.4x
GLT	5.4x	5.9x	15.4x	12.4x	1.4x
IP	6.9x	8.0x	6.8x	9.2x	1.8x
LPX	NM	NM	NM	NM	0.4x
MWV	6.9x	7.5x	17.7x	29.2x	1.2x
PKG	6.4x	8.9x	12.2x	14.5x	2.9x
RKT	8.6x	6.9x	16.4x	12.6x	2.6x
TIN	9.4x	7.7x	21.2x	NM	2.1x
WPP	8.5x	6.7x	60.5x	NM	2.1x
WY	NM	NM	21.1x	NM	1.7x
PCL	14.5x	15.6x	22.4x	22.4x	3.2x
RYN	9.6x	10.2x	16.4x	19.2x	3.2x
BMS	7.3x	7.1x	16.0x	15.6x	3.4x
BWY	7.5x	6.1x	22.1x	14.9x	2.1x
CCK	6.9x	7.0x	14.8x	12.6x	NM
OI	5.2x	6.7x	8.2x	11.6x	NM
PTV	6.8x	5.7x	14.4x	10.5x	3.9x
SEE	10.7x	9.0x	15.3x	15.9x	2.1x
SLGN	6.2x	6.2x	15.8x	13.8x	3.4x
TRE	5.0x	3.8x	13.4x	10.4x	3.2x

Source: Company Data and DB Estimates; forward data are estimated

S&P Paper

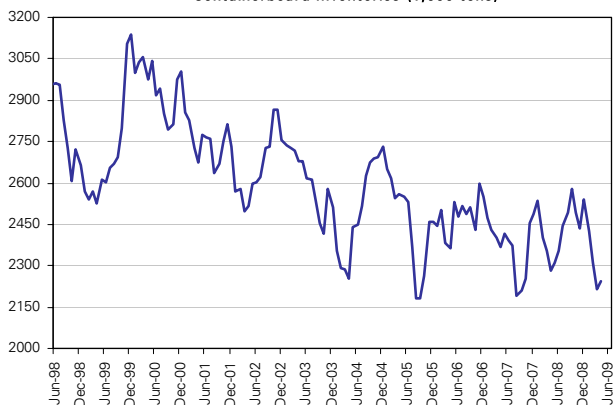
Indexed to 100 as of 31 Jul 08
— S&P 500 / Paper & Forest Products -IND — S&P 500



Source: Factset

Containerboard Inventory

Containerboard Inventories (1,000 tons)



Source: AF&PA, Fibre Box Association, Deutsche Bank

Appendix 1

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Equity rating key

Equity rating dispersion and banking relationships

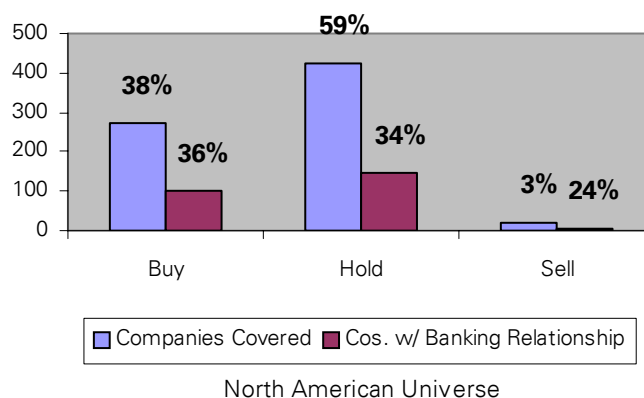
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