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Paper & Packaging

Dr. Paper's Weekly Wrap-up

Periodical

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- Payment received! IP announced receipt of \$71.6MM from the IRS for alternative fuel tax credits earned from 11/14/08 to 12/14/08. Run-rate will go higher, and our \$1.27B estimate of annualized benefits may be conservative. However, we think political risks remain significant.
- Annual AF&PA capacity survey shows that overall capacity fell in '08 for the 8th consecutive year. However, amount of y/y decline was just 0.8%. Another 1.8% decline is in pipeline (idled but not yet removed from survey) for '09. If current demand weakness persists, more mill closures will be necessary.
- Shipment volumes for printing & writing papers remained extremely weak in February. Uncoated free sheet volumes fell 19.9% y/y in N.A. and 23.0% y/y in Europe, and coated paper volumes fell 29.9% y/y and 32.0% y/y, respectively.

Figure 1: Weekly Metrics

	Rating	Price 3/27/09	52-Week High	Low	Div. Yield	YTD	LTM	MTD	Last Week
S&P 500		815.94	1440.24	666.79	2.8	(9.7)	(38.5)	11.0	6.2
DJII		7776.18	13191.49	6440.08	4.1	(11.4)	(36.8)	10.1	6.8
DBSI Paper & Forest Products Universe									
Domtar	HOLD	0.96	7.45	0.51	0.0	(42.5)	(85.0)	21.5	(15.0)
Glatfelter	HOLD	6.79	15.76	4.57	5.3	(27.0)	(54.2)	9.2	8.8
International Paper	HOLD	8.07	31.07	3.93	1.2	(31.6)	(70.2)	41.8	14.0
Louisiana Pacific	HOLD	2.24	12.74	1.03	0.0	43.6	(75.9)	38.3	14.3
MeadWestvaco	BUY	12.99	29.40	7.53	7.1	16.1	(51.6)	39.1	15.5
Packaging Corp	BUY	13.36	26.99	9.66	4.5	(0.7)	(39.7)	26.2	9.0
Temple Inland	BUY	5.47	20.49	2.34	7.3	14.0	(57.9)	15.2	19.7
Wausau Paper	BUY	5.30	11.86	3.75	6.4	(53.7)	(36.3)	(4.5)	12.5
Weyerhaeuser	BUY	28.83	68.65	18.67	3.5	(5.8)	(55.3)	19.3	8.7
Group Average						(9.7)	(58.5)	22.9	9.7
DBSI Packaging Universe									
Ball Corp.	BUY	43.37	56.20	27.37	0.9	4.3	(3.9)	7.6	4.8
Bemis	HOLD	21.16	29.70	16.85	4.3	(10.6)	(15.8)	13.9	5.3
Bway	BUY	7.99	13.50	4.11	NA	0.4	(20.1)	27.6	15.6
Crown Holdings	BUY	21.61	29.60	13.37	0.0	12.6	(12.7)	2.5	1.3
Greif Brothers	BUY	34.90	73.45	25.65	4.4	4.4	(48.9)	13.5	10.0
O-I	BUY	14.93	60.60	9.53	0.0	(45.4)	(73.7)	(3.2)	22.4
Pactiv	BUY	15.26	28.49	10.62	0.0	(38.7)	(41.5)	(3.6)	23.4
Rock-Tenn	BUY	27.09	46.37	22.84	1.5	(20.7)	(11.2)	(1.9)	5.0
Sealed Air	HOLD	14.17	28.32	10.38	3.4	(5.2)	(43.7)	27.0	9.8
Silgan	BUY	50.85	58.27	39.21	1.5	6.4	6.1	3.6	3.3
Group Average						(9.3)	(26.5)	8.7	10.1
DBSI Timber Universe									
Plum Creek	BUY	28.07	60.00	22.88	6.0	(19.2)	(31.1)	7.0	5.6
Rayonier	BUY	29.54	49.54	22.28	6.8	(5.8)	(31.4)	11.1	8.9
Sino-Forest	HOLD	8.29	21.23	5.25	0.0	(16.0)	(48.1)	(2.5)	11.0
Group Average						(13.7)	(36.9)	5.2	8.5

Source: Deutsche Bank estimates, Factset Marquee

Deutsche Bank Securities Inc.

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Key Commodity Prices

MARKET PULP - NBSK	← 650	
(\$/m. ton)	\$600	\$1100
NEWSPRINT	← 705	
(\$/m. ton)	\$415	\$800
LWC (No. 5 - 40 lb.)	← 880	
(\$/ton)	\$680	\$1240
COATED FREE SHEET	← 995	
(No. 3 Rolls - 60 lb.) (\$/ton)	\$720	1120
UNCOATED FREE SHEET	← 1065	
(20lb.-Repro Bond) (\$/ton)	\$650	1200
LINERBOARD	← 565	
(\$/ton)	\$310	\$610
SBS	1050 →	
(\$/ton)	\$570	\$1100
LUMBER COMPOSITE	← 193	
(\$/mbf)	\$196	\$499
PANEL COMPOSITE	← 240	
(\$/msf)	\$196	\$610

Source: Pulp & Paper Week and Random Lengths

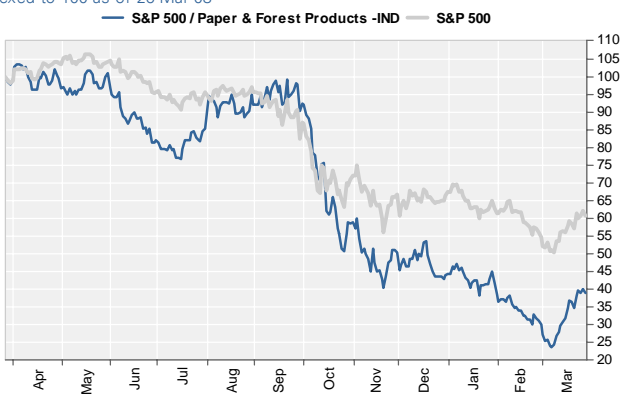
Company Valuation Ratios, 2008E & 2009E

	EV/EBITDA		P/E		Price/ Book
	2008	2009	2008	2009	
UFS	3.3x	7.0x	3.9x	NM	0.2x
GEF	8.6x	7.3x	9.7x	0.0x	1.4x
GLT	3.9x	4.6x	8.1x	7.5x	0.5x
IP	5.1x	6.1x	2.7x	3.6x	0.5x
LPX	NM	NM	NM	NM	0.1x
MWW	4.8x	5.9x	9.5x	15.7x	0.5x
PKG	4.5x	6.0x	7.5x	8.9x	1.7x
RKT	6.8x	5.5x	9.1x	7.2x	1.5x
TIN	5.4x	4.5x	5.8x	NM	0.6x
WPP	4.8x	4.0x	28.7x	NM	0.8x
WY	NM	NM	16.0x	NM	1.2x
PCL	12.9x	12.0x	18.9x	18.8x	2.1x
RYN	7.2x	8.2x	11.4x	13.3x	0.0x
BLL	6.7x	6.6x	7.5x	8.9x	3.6x
BMS	6.0x	6.0x	11.9x	13.1x	1.3x
BWY	5.4x	4.6x	9.2x	7.8x	0.9x
CCK	6.0x	5.9x	12.5x	11.0x	NM
OI	3.2x	3.6x	3.1x	4.0x	NM
PTV	4.5x	4.4x	7.3x	6.9x	2.6x
SEE	6.6x	5.8x	9.1x	9.8x	1.2x
SLGN	0.0x	0.0x	15.1x	13.2x	3.1x
TRE	3.2x	2.7x	7.8x	6.1x	2.8x

Source: Company Data and DB Estimates

S&P Paper

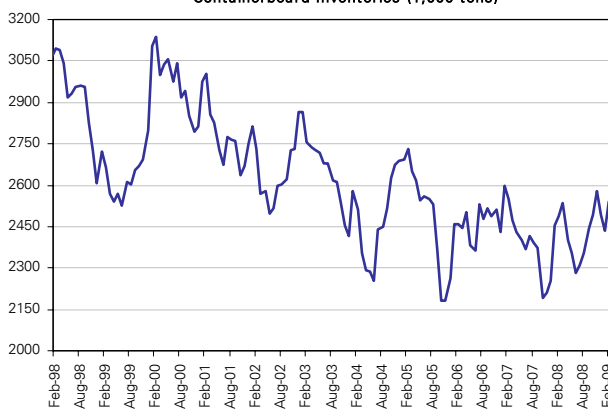
Indexed to 100 as of 26 Mar 08



Source: Factset

Containerboard Inventory

Containerboard Inventories (1,000 tons)



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

Appendix 1

Important Disclosures

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Equity rating key Equity rating dispersion and banking relationships

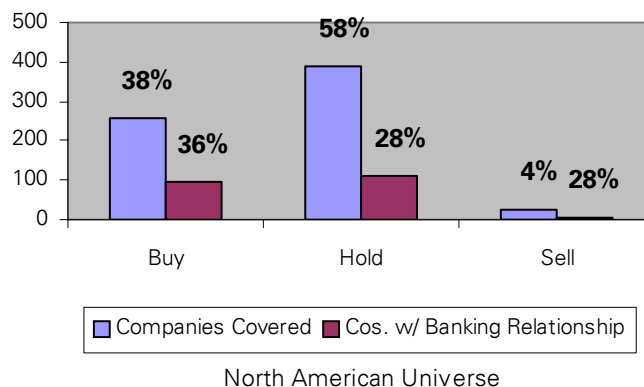
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Hold: We take a neutral view on the stock 12-months out and, based on this time horizon, do not recommend either a Buy or Sell.

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