

CASE STUDY: ST. LAURENT PAPERBOARD

Sanabe personnel developed the initial concept that led to the creation of St. Laurent Paperboard and advised it through its IPO and ultimate sale to Smurfit-Stone.

St. Laurent Paperboard was a Montreal-based producer of value-added white top linerboard used for corrugated cartons. Sanabe personnel led the team that sold the Company in 2000 to Smurfit-Stone Container Corporation for \$1.4 billion.

We had developed the initial concept that led to the creation of the Company in 1993 by recognizing the value of a large but under-managed linerboard mill in Northern Quebec that had developed a unique product niche. The mill was owned by what was then called Canadian Pacific Forest Products, which was under severe financial stress at the time. The Company had been unsuccessful in trying to sell the mill to a strategic buyer.

Working with new management that had been appointed to run the Packaging Division, we developed a plan to reduce operating costs, helped negotiate a new labor contract with the union, and formulated a capital expenditure program to expand the production of faster growth white top linerboard.

We developed and executed a plan to divest the Division outright as a separate company while simultaneously funding the capital expenditure program to upgrade the mill via a well-received initial public offering in the Canadian public markets in 1994.

Three years later, we engineered a financial plan that enabled the Company to acquire its largest East Coast competitor, Chesapeake's West Point, Virginia mill for \$500 million. The acquisition created North America's largest "pure play" white-top linerboard producer. Finally, in 2000 we advised St. Laurent on its sale to Smurfit-Stone.

Two things give us greatest pride as we reflect on our involvement with St. Laurent and its management.

- An investor who bought St. Laurent at its issue price on the IPO and held it to its sale would have generated an annual return of over 16%, one of the best returns in the forest products industry over that same time span
- We have retained a close relationship with St. Laurent management since the sale in an effort to find new investment opportunities in the industry