

Domtar CORP
Form DEFA14A
April 08, 2019

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

DOMTAR CORPORATION

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

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- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

- (4) Proposed maximum aggregate value of transaction:

- (5) Total fee paid:

Fee paid previously with preliminary materials.

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- (1) Amount Previously Paid:

- (2) Form, Schedule or Registration Statement No.:

- (3) Filing Party:

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MESSAGE

TO SHAREHOLDERS

With a legacy of 170 years, Domtar is ready for the future. Our confidence stems from our clear strategy to create value by remaining the supplier of choice to our paper customers, while building new businesses in growing markets.

Domtar generated \$725 million of EBITDA before items¹ and cash flows from operating activities of \$554 million in 2018. We returned \$108 million to shareholders in the form of dividends, re-invested \$195 million in our business, and repaid \$276 million of debt. Our net debt-to-total capitalization ratio¹ at year-end stood at a comfortable 23%.

Our strong financial performance was driven by our papers business, complemented by one of our strongest performances in market pulp. We closed the year with a robust fourth quarter, strong momentum in pulp and paper, and greater visibility on our path forward.

The results and progress achieved in 2018 demonstrate that we are well-positioned to create value in the years ahead.

¹ Non-GAAP financial measure. Please see Reconciliation of non-GAAP Financial Measures at the end of this document.

EXECUTING OUR PAPER STRATEGY

The North American paper market reached a positive inflection point in 2018 driven by improved demand and permanent supply curtailments in the industry. Through a combination of market share gains, price increases and higher productivity across our mill system, we achieved a strong performance in this business.

We were able to capitalize on the favorable market dynamics because of our long-standing commitment to be the leading North American supplier of uncoated freesheet. In this regard, the significant cash flows we derive annually from this business are evidence of its resilience.

THE RECENT DECISION BY A MAJOR SUPPLIER TO EXIT THE UNCOATED FREESHEET MARKET IS STRENGTHENING DOMTAR'S POSITION. IN LINE WITH OUR LONG-TERM STRATEGY, WE WILL CONTINUE TO FOCUS ON EXTENDING THE CASH FLOW RUNWAY IN PAPER BY LEVERAGING OUR LOW-COST POSITION, FLEXIBLE SERVICE MODEL AND CUSTOMER RELATIONSHIPS.

GENERATING HIGH RETURNS IN PULP

In market pulp, we benefited from strong global demand for tissue, absorbent hygiene products and packaging, as well as rising prices to more than double our EBITDA1 in 2018 compared to the prior year. In so doing, we confirmed the potential of market pulp as a major source of cash flow for Domtar.

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As a result of investments in mill conversions, we now have the capacity to produce 1.8 million air-dry metric tons of market pulp mostly in softwood, fluff and specialty grades for a global customer base.

Now that we have achieved scale, our focus is on driving growth and enhancing our customer value proposition. We are also investing in high-return initiatives to optimize production and increase efficiencies across our mills with the objective of driving cost performance. As one of the leaders in the global softwood and fluff markets, we are looking at pulp as a long-term generator of earnings growth for Domtar.

LEVERAGING OUR ASSET BASE

While generating steady cash flows, we have been actively finding new uses for our paper mills and repurposing these assets to manufacture products in growing markets. Over the past several years, we have reduced paper capacity by 1.5 million short tons to balance our supply with our customer demand. Today, these repurposed mills produce market pulp and/or specialty papers, thereby maximizing the value of these assets and maintaining the thousands of jobs they support in our communities.

WE ADDED AN IMPORTANT NEW DIMENSION TO OUR STRATEGY IN 2018 BY DETAILING A LONG-TERM CONVERSION ROADMAP FOR FOUR OF OUR LARGEST PAPER MILLS.

Our studies have confirmed that Domtar can be a significant and competitive supplier to the containerboard market in addition to increasing our pulp production.

The optionality embedded in our paper assets provides a path for their future. Our conversion roadmap significantly de-risks our business for the benefit of Domtar's many stakeholders shareholders, employees and communities among them.

We are taking a long-term view, with the timing and sequence of potential mill conversions to be determined by market and economic conditions affecting our paper business.

IMPROVING MARGINS IN PERSONAL CARE

Over several years, we have established a billion-dollar business in the personal care market. Although this business is currently not providing the returns we expected, its long-term value is underpinned by attractive demographic and market trends, as well as an efficient manufacturing platform.

Stiff headwinds in the form of escalating raw materials prices and intense price competition have led to disappointing results. Faced with margin erosion, we initiated actions across the division in 2018 to improve our financial performance.

These actions include division-wide cost reductions, product rationalization, and manufacturing optimization with the closure of one North American facility and equipment relocation to sister plants. The objective is to realize annual margin improvement of approximately \$25 million to \$30 million, with full run-rate effect by the end of 2020.

Global demand for adult incontinence products is growing at a rate of 3-5% annually due to an aging population and increased product adoption rates. The sizeable infant diaper category continues to see a shift to store-brand products in North America and Europe, creating a significant opportunity for market penetration. By executing its margin improvement plan, our personal care division will be a more agile competitor in a growing market.

MESSAGE

TO SHAREHOLDERS

OPTIMIZING CAPITAL DEPLOYMENT

Our businesses have remained highly cash-generative throughout the years, and we have been very disciplined in our capital deployment decisions to strike an optimal balance between shareholder returns and the execution of our business strategy.

Since 2011, Domtar has returned \$1.6 billion to shareholders in the form of dividends and share repurchases. Our annual dividend payout for 2018 was \$108 million and the yield for our shareholders is among the highest in our industry. In the years ahead, we will remain true to our commitment of returning the majority of our free cash flow to shareholders while continuing to invest in the future of our businesses.

OPERATING RESPONSIBLY

Our long-standing pursuit of sustainable business practices remains an integral part of our DNA and of our long-term strategy. Our track record in environmental and social responsibility differentiates us in the eyes of our customers and contributes to our financial results.

**PULP AND PAPER
TOTAL INJURY
FREQUENCY RATES**

**PERSONAL CARE
TOTAL INJURY
FREQUENCY RATES**

Over the past decade, we have made progress in key areas such as forest certification, environmental performance, and the beneficial reuse of manufacturing byproducts. Our workplaces are inclusive, welcoming people from diverse backgrounds. We treat our employees with respect and prioritize their health and safety.

I am also proud to highlight Domtar's award-winning disclosure in environmental and social reporting. We will publish our next Sustainability Report in 2019, outlining our targets, challenges and achievements.

READY FOR THE FUTURE

We ended 2018 feeling confident about our short-term prospects and our positioning for the long term. We have some of the best paper assets in North America, a world-class pulp business, great asset optionality, and flexibility in the timing of future conversions.

I THANK OUR EMPLOYEES FOR THEIR EFFORTS, OUR SHAREHOLDERS FOR THEIR CONTINUED CONFIDENCE, AND THE MEMBERS OF OUR BOARD OF DIRECTORS FOR THEIR VALUED COUNSEL AND SUPPORT.

Our strategy as a leading fiber-based technology company is delivering value and we are keenly focused on seizing market opportunities. Domtar is ready for the future.

John D. Williams

President and Chief Executive Officer

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**MANAGEMENT COMMITTEE AND
BOARD OF DIRECTORS**

OUR LEADERSHIP TEAM

Domtar upholds the highest standards of business integrity and corporate social responsibility. Our commitment to operating responsibly is supported by our *Code of Business Conduct and Ethics* applicable to Board members and employees alike. Strict Corporate Governance Guidelines are the basis for a robust compliance program.

We have adopted a wide range of policies, regularly reviewed and updated, to promote strong governance, best practices, diversity and sustainability. For more information on governance at Domtar, or to consult our proxy statement, please visit **domtar.com**.

MANAGEMENT COMMITTEE

John D. Williams

President and
Chief Executive Officer

Michael D. Garcia

President
Pulp and Paper
Division

Zygmunt Jablonski

Senior Vice President
and Chief Legal
and Administrative
Officer

Daniel Buron

Senior Vice President and Chief
Financial Officer

Michael Fagan

President
Personal Care
Division

Patrick Loulou

Senior Vice President
Corporate
Development

BOARD OF DIRECTORS

Robert E. Apple

Chairman of the Board
Domtar Corporation
Chief Operating Officer
MasTec, Inc.

Miami, Florida

David J. Illingworth

Corporate Director

Orchid, Florida

David G. Maffucci

Corporate Director
Isle of Palms,
South Carolina

Denis Turcotte

Managing Partner
Brookfield Asset
Management Inc.
Toronto, Ontario

Mary A. Winston

President

WinsCo Enterprises, Inc.
Charlotte, North Carolina

Giannella Alvarez

Chief Executive Officer
Beanitos, Inc.

Austin, Texas

Brian M. Levitt

Chairman of the Board
The Toronto
Dominion Bank
Kingston, Ontario

Pamela B. Strobel

Corporate Director
Chicago, Illinois

John D. Williams

President and
Chief Executive Officer
Domtar Corporation
Charlotte, North Carolina

BUSINESS OVERVIEW

PULP AND PAPER

SEGMENT

PULP AND PAPER

Favorable market conditions and higher productivity across the mill system are highlights of a successful year for Domtar's pulp and paper segment in 2018. We increased paper shipments, solidifying our position as the supplier of choice for communication papers in North America, while continuing to grow our market pulp business globally. Sales of our specialty paper grades were also higher than in the prior year.

STRONG

PAPER

PERFORMANCE

Domtar's sales of uncoated freesheet papers increased 7% in 2018, while shipments were up 3% to approximately 3 million short tons. Already North America's largest manufacturer of communication papers, we gained new business as some competitors announced permanent uncoated freesheet capacity reductions.

North American production of uncoated freesheet paper declined 3.4% in 2018 to 7.1 million short tons. Demand was approximately 7.5 million short tons, a 0.5% decrease compared to 2017. Global demand for uncoated freesheet was estimated at 44.4 million short tons in 2018, similar to the previous year.

Several of Domtar's communication paper mills achieved records in slush pulp and paper production in 2018. Paper productivity and daily production of slush pulp – wood fiber that is ready for making paper or market pulp – both exceeded our annual targets. Paper production was 3% higher than in the prior year.

We entered 2019 with high operating rates and improved paper prices. In addition, permanent capacity closures have been announced by competitors effective during the first half of 2019 and into 2020.

DOMTAR PAPER PRODUCTS AND APPLICATIONS



Communication Papers					Specialty and Packaging Papers
CATEGORY	Business Papers		Commercial Printing and Publishing Papers		
	Copy	Premium imaging	Offset Colors	Opagues Premium opaques	Thermal papers
GRADE		Technology papers	Index	Lightweight	Bag stock
			Tag	Tradebook	Security papers
APPLICATION			Bristol		Imaging papers
	Photocopies	Presentations Reports	Commercial printing	Stationery	Label papers
	Office documents		Direct mail	Brochures	Medical disposables
			Annual reports		Food and candy packaging
	Presentations		Pamphlets		Fast food takeout bag stock
			Books		Check and security papers
			Brochures		
			Catalogs		
			Cards		Surgical gowns

Forms and

Posters

Envelopes

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RELIABLE

LONG-TERM

PAPER SUPPLIER

Domtar has been steadfast in its strategy to remain North America's largest uncoated freesheet producer and reliable long-term supplier to its customers. This strategy has served us well and continues to be our path.

We are keeping our promise to customers by investing annually in our paper mills to increase operational reliability and efficiency, as well as in ongoing product development and innovation to meet their needs.

We offer a broad selection of high-quality uncoated papers from office, printing, publishing, digital and inkjet papers, to innovative converting and specialty papers and responsive, world-class service.

NORTH AMERICAN

UNCOATED FREESHEET

CAPACITY¹

Domtar Market Share vs. Next Four Competitors

Source: RISI

¹ Reflects the decision by a major supplier to curtail its uncoated freesheet capacity in 2019.

A strong culture of sustainability is embedded throughout our operations. Our commitment to sustainable forest management, responsible use of resources, and safe and healthy workplaces help our customers achieve their own social responsibility goals.

At the same time, Domtar is taking a deliberate approach to finding new uses for its paper assets in growing markets. But we are not going to repurpose our mills prematurely, simply because we can.

Making and selling uncoated freesheet in the current market environment is highly attractive, and Domtar is committed to remain the supplier of choice to its customers in 2019 and for the long term.

BUSINESS OVERVIEW

PULP AND PAPER

SEGMENT

HIGH RETURNS

IN PULP

Domtar's market pulp shipments totalled 1.5 million air-dry metric tons in 2018, with strong demand in the markets we serve and higher prices across all

product categories. We are one of the world's largest producers of market pulp, selling our products to customers in over 40 countries.

Global demand for chemical market pulp was approximately 61.5 million tons in 2018, similar to the prior year. North American demand decreased 4.8% to 7.5 million tons, while in China, a key driver of global pulp consumption, demand was 20.9 million tons, stable when compared to 2017.

Supply disruptions were a key factor in the global pulp market in 2018, with significant unplanned capacity outages

in the industry due to weather and other events. Domtar experienced an orderly weather-related shutdown at one location, but total production across the mill system was consistent with the prior year.

We entered 2019 with sound market fundamentals, with strong demand in our end markets, and no major industry capacity increase announcements. Because China has accounted for a significant share of demand growth for softwood pulp over the past several years, its economy will be an important factor in price trends in 2019.

EXPLORING THE POTENTIAL

OF WOOD-BASED BIOMATERIALS

In a world seeking to transition from petroleum-based products, Domtar is exploring the potential for using wood fiber as a viable replacement or supplement. As fiber experts and innovators, we know that trees can be used as feedstock for developing a variety of sustainable and biodegradable alternatives to materials or chemicals currently made with petroleum.

In 2018, Domtar acquired an interest in a company that uses lignin to make engineered plastic

compounds such as acrylonitrile butadiene styrene (ABS), a material widely used in injection molding and 3D manufacturing, as well as other high-value fiber and lignin applications. We also installed a demonstration plant in Canada to show how lignin pellets can potentially be used as a bio-alternative to petroleum-based products, including plastics.

These are but two tangible initiatives led by our BioMaterials Innovation team. They are also looking at extractives, advanced fibers and thermochemical

fuels. While material revenues are not expected from biomaterials in the short term, we see compelling reasons to continue our research and development for the benefit of Domtar and our planet.

PERSONAL CARE

Long-term growth trends for adult incontinence and infant products remain strong but adverse market conditions made for a difficult year in 2018. Domtar's vision to be a leader in this market has not changed and we are taking strong measures across the business to improve our performance.

A YEAR OF TRANSITION

Significant increases in input costs, over and above the commodity inflation experienced in the prior year, and intense pricing pressure have compressed margins in our personal care business in 2018. We were also affected by an unfavorable tender balance, and costs associated with ramping up a significant new customer beginning in the final quarter of the year.

We responded to market conditions by launching a division-wide margin improvement plan in the second half of 2018. This included streamlining administrative and sales expenses, cost reductions, product rationalization, and commercial initiatives.

Our Waco, Texas facility will be permanently shut by the third quarter of 2019, and some of the equipment will be installed in other locations as part of a manufacturing optimization. Our guiding principle is to reduce complexity to improve efficiency and productivity.

We expect these actions to generate \$25 million to \$30 million in annual margin improvement and to strengthen our long-term competitive position. The full run rate effect of the margin improvement initiatives is expected by the end of 2020.

FOCUS ON PRODUCTS AND CUSTOMERS

A globally integrated provider of absorbent hygiene solutions, Domtar is gaining traction as a supplier of partner-branded adult incontinence and infant products in North America and Europe. This strategy continues to be a major focus going forward.

We are making inroads in the institutional market for adult incontinence products in Europe, and we completed the installation of a new protective underwear line with the objective of capturing additional market share.

Continued investments will also be made in our direct-to-consumer channel in North America to drive sales of our full line of branded adult incontinence products, including protective underwear, briefs, underpads, pads and washcloths.

With our ability to create high-quality and cost-effective products, our well-invested manufacturing footprint, and dedicated employees, we are determined to rise to the challenge of a competitive market and to champion health, dignity and comfort through effective and affordable care.

BUSINESS OVERVIEW**SEGMENTED INFORMATION****PULP AND PAPER**

Years ended December 31	2016	2017	2018
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(In millions of dollars)

Sales (including sales to Personal Care)	4,239	4,216	4,523
Operating income	201	237	438
Depreciation and amortization	284	254	238
Capital expenditures	287	128	164
Total assets	3,637	3,649	3,475
Paper shipments manufactured (000 ST)	3,021	2,891	2,971
Market pulp shipments (000 ADMT)	1,513	1,722	1,536

PERSONAL CARE

Years ended December 31	2016 ¹	2017	2018
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(In millions of dollars)

Sales	909	996	1,000
Operating income (loss)	57	(527)	(5)
Depreciation and amortization	64	67	70
Capital expenditures	55	48	37
Total assets	1,884	1,406	1,331

1 Including HDIS since October 1, 2016

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SHAREHOLDER INFORMATION

DIVIDENDS DECLARED IN 2018

Declared	Record Date	Payable Date	Amount
February 8, 2018	April 2, 2018	April 16, 2018	\$0.435
May 8, 2018	July 3, 2018	July 16, 2018	\$0.435
August 8, 2018	October 2, 2018	October 15, 2018	\$0.435
November 7, 2018	January 2, 2019	January 15, 2019	\$0.435

EXCHANGE LISTINGS

NYSE: UFS

TSX: UFS

DIVIDEND POLICY

Subject to approval by its Board of Directors, Domtar pays a quarterly dividend on its common stock.

TRANSFER AGENT

AND REGISTRAR

By regular mail

Computershare

PO Box 505000

Louisville, KY 40233-5000

By overnight delivery

Computershare

462 South 4th Street, Suite 1600

Louisville, KY 40202

North American Toll Free Number:

1-877-282-1168

Tel.: 1-781-575-2879

computershare.com/investor

TENTATIVE EARNINGS

RELEASE SCHEDULE

First Quarter 2019: Wednesday, May 1, 2019

Second Quarter 2019: Thursday, August 1, 2019

Third Quarter 2019: Thursday, October 31, 2019 Fourth Quarter 2019: Thursday, February 6, 2020

INVESTOR RELATIONS

Investor Relations Department

Domtar Corporation

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Montreal, QC H3A 1L6

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Email: ir@domtar.com

Electronic versions of this report, SEC

filings and other publications are

available at **domtar.com**

ANNUAL MEETING

May 8, 2019, 7:45 a.m. ET

Domtar Corporate Office

234 Kingsley Park Drive

Fort Mill, SC 29715

RECONCILIATION OF NON-GAAP**FINANCIAL MEASURES**

(In millions of dollars, unless otherwise noted)

The following table sets forth certain non-U.S. generally accepted accounting principles (GAAP) financial metrics identified in bold as Earnings before items , Earnings before items per diluted share , EBITDA , EBITDA margin , EBITDA before items , EBITDA margin before items , Free cash flow , Net debt and Net debt-to-total capitalization. Management believes that the financial metrics are useful to understand our operating performance and benchmark with peers within the industry. The Company calculates Earnings before items and EBITDA before items by excluding the after-tax (pre-tax) effect of specified items. These metrics are presented as a complement to enhance the understanding of operating results but not in substitution for GAAP results.

		2016	2017	2018
Reconciliation of Earnings before items to Net earnings (loss)				
Net earnings (loss)	(\$)	128	(258)	283
(+) Impairment of property, plant and equipment and goodwill	(\$)	22	573	5
(+) Closure and restructuring costs	(\$)	25	1	6
(+) Litigation settlement	(\$)	2		2
(-) Net gains on disposals of property, plant and equipment	(\$)		(11)	(3)
(-) Reversal of contingent consideration	(\$)		(2)	
(+) Impact of purchase accounting	(\$)	1		
(-) U.S. Tax Reform	(\$)		(140)	(2)
(=) Earnings before items	(\$)	178	163	291
(/) Weighted avg. number of common shares outstanding (diluted)	(millions)	62.7	62.7	63.1
(=) Earnings before items per diluted share	(\$)	2.84	2.60	4.61
Reconciliation of EBITDA and EBITDA before items to Net earnings (loss)				
Net earnings (loss)	(\$)	128	(258)	283
(+) Equity loss, net of taxes	(\$)			2
(+) Income tax expense (benefit)	(\$)	29	(125)	57
(+) Interest expense, net	(\$)	66	66	62
(+) Depreciation and amortization	(\$)	348	321	308
(+) Impairment of property, plant and equipment and goodwill	(\$)	29	578	7
(-) Net gains on disposals of property, plant and equipment	(\$)		(13)	(4)
(=) EBITDA	(\$)	600	569	715
(/) Sales	(\$)	5,090	5,148	5,455
(=) EBITDA margin	(%)	12%	11%	13%
EBITDA	(\$)	600	569	715
(+) Closure and restructuring costs	(\$)	32	2	8
(+) Litigation settlement	(\$)	2		2
(-) Reversal of contingent consideration	(\$)		(2)	
(+) Impact of purchase accounting	(\$)	1		
(=) EBITDA before items	(\$)	635	569	725
(/) Sales	(\$)	5,090	5,148	5,455

(=) EBITDA margin before items	(%)	12%	11%	13%
Reconciliation of Free cash flow to Cash flow from operating activities				
Cash flows from operating activities	(\$)	465	449	554
(-) Additions to property, plant and equipment	(\$)	(347)	(182)	(195)
(=) Free cash flow	(\$)	118	267	359

(Continued)

		2016	2017	2018
Net debt-to-total capitalization computation				
Bank indebtedness	(\$)	12		
(+) Long-term debt due within one year	(\$)	63	1	1
(+) Long-term debt	(\$)	1,218	1,129	853
(=) Debt	(\$)	1,293	1,130	854
(-) Cash and cash equivalents	(\$)	(125)	(139)	(111)
(=) Net debt	(\$)	1,168	991	743
(+) Shareholders' equity	(\$)	2,676	2,483	2,538
(=) Total capitalization	(\$)	3,844	3,474	3,281
Net debt	(\$)	1,168	991	743
(/) Total capitalization	(\$)	3,844	3,474	3,281
(=) Net debt-to-total capitalization	(%)	30%	29%	23%

Earnings before items, Earnings before items per diluted share, EBITDA, EBITDA margin, EBITDA before items, EBITDA margin before items, Free cash flow, Net debt and Net debt-to-total capitalization have no standard meaning prescribed by GAAP and are not necessarily comparable to similar measures presented by other companies and therefore should not be considered in isolation or as a substitute for Net earnings (loss), Operating income (loss) or any other earnings statement, cash flow statement or balance sheet financial information prepared in accordance with GAAP. It is important for readers to understand that certain items may be presented in different lines by different companies on their financial statements, thereby leading to different measures for different companies.

RECONCILIATION OF NON-GAAP

FINANCIAL MEASURES BY SEGMENT

(In millions of dollars, unless otherwise noted)

The following table sets forth certain non-U.S. generally accepted accounting principles (GAAP) financial metrics identified in bold as Operating income (loss) before items, EBITDA before items and EBITDA margin before items by reportable segment. Management believes that the financial metrics are useful to understand our operating performance and benchmark with peers within the industry. The Company calculates the segmented Operating income (loss) before items by excluding the pre-tax effect of specified items. These metrics are presented as a complement to enhance the understanding of operating results but not in substitution for GAAP results.

		Pulp and Paper			Personal Care ¹			Corporate		
		2016	2017	2018	2016	2017	2018	2016	2017	2018
Reconciliation of Operating income (loss) to Operating income (loss) before items										
	Operating income (loss)									
Operating income (loss)	(\$)	201	237	438	57	(527)	(5)	(50)	(38)	(47)

(+) Impairment of property, plant and equipment and goodwill	(\$)	29				578	7			
(-) Net gains on disposals of property, plant and equipment	(\$)		(4)	(4)					(9)	
(+) Closure and restructuring costs	(\$)	31				1	2	8		
(+) Litigation settlement	(\$)								2	2
(+) Impact of purchase accounting	(\$)					1				
(-) Reversal of contingent consideration	(\$)								(2)	
(=) Operating income (loss) before items	(\$)	261	233	434	59	53	10	(48)	(49)	(45)
Reconciliation of Operating income (loss) before items to EBITDA before items										
Operating income (loss) before items	(\$)	261	233	434	59	53	10	(48)	(49)	(45)
(+) Non-service components of net periodic benefit cost	(\$)	16	13	19				(1)	(2)	(1)
(+) Depreciation and amortization	(\$)	284	254	238	64	67	70			
(=) EBITDA before items	(\$)	561	500	691	123	120	80	(49)	(51)	(46)
(/) Sales	(\$)	4,239	4,216	4,523	909	996	1,000			
(=) EBITDA margin before items	(%)	13%	12%	15%	14%	12%	8%			

Operating income (loss) before items , EBITDA before items and EBITDA margin before items have no standardized meaning prescribed by GAAP and are not necessarily comparable to similar measures presented by other companies and therefore should not be considered in isolation or as a substitute for Operating income (loss) or any other earnings

statement, cash flow statement or balance sheet financial information prepared in accordance with GAAP. It is important for readers to understand that certain items may be presented in different lines by different companies on their financial statements, thereby leading to different measures for different companies.

1 On October 1, 2016, the Company acquired 100% of the shares of Home Delivery Incontinent Supplies Co. in the United States.

WHERE WE WORK

	MARKET PULP	CONVERTING AND FORMS	REGIONAL REPLENISHMENT
CORPORATE OFFICES	(Annual pulp manufacturing capacity in air-dry metric tons)	MANUFACTURING	CENTERS CANADA
Fort Mill, South Carolina		Addison, Illinois	Richmond, Quebec
Montreal, Quebec	Ashdown, Arkansas	Brownsville, Tennessee	Toronto, Ontario
		Dallas, Texas	Winnipeg, Manitoba
		DuBois, Pennsylvania	
PULP AND PAPER	(516,000 tons)	Griffin, Georgia	REPRESENTATIVE
		Owensboro, Kentucky	OFFICE INTERNATIONAL
DIVISION HEADQUARTERS	Dryden, Ontario	Ridgefields, Tennessee	Hong Kong, China
	(327,000 tons)	Rock Hill, South Carolina	
Fort Mill, South Carolina	Kamloops, British Columbia	Tatum, South Carolina	LOCAL DISTRIBUTION CENTERS
		Washington Court House, Ohio	Buffalo, New York
	(354,000 tons)		Cincinnati, Ohio
UNCOATED FREESHEET		ARIVA CANADA	Cleveland, Ohio
(Annual paper manufacturing capacity in short tons)	Plymouth, North Carolina	Halifax, Nova Scotia	Des Moines, Iowa
	(390,000 tons)	Montreal, Quebec	Houston, Texas
		Mount Pearl, Newfoundland and Labrador	Kansas City, Kansas
Ashdown, Arkansas	CHIP MILLS	Ottawa, Ontario	Minneapolis, Minnesota
(265,000 tons)	Hawesville, Kentucky	Quebec City, Quebec	Nashville, Tennessee
	Johnsonburg, Pennsylvania	Toronto, Ontario	Phoenix, Arizona
Espanola, Ontario	Kingsport,		Plain City, Ohio

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(69,000 tons)	Tennessee Marlboro (Bennettsville), South Carolina	REGIONAL REPLENISHMENT CENTERS UNITED STATES	Richmond, Virginia
		Charlotte, North Carolina	Salt Lake City, Utah
Hawesville, Kentucky		Chicago, Illinois	San Antonio, Texas
(596,000 tons)	CONVERTING AND DISTRIBUTION ONSITE	Dallas, Texas	San Lorenzo, California
		Delran, New Jersey	St. Louis, Missouri
Johnsonburg, Pennsylvania		Indianapolis, Indiana	Vancouver, Washington
	Ashdown, Arkansas	Jacksonville, Florida	Walton, Kentucky
(344,000 tons)	Rothschild, Wisconsin	Mira Loma, California	Wayne, Michigan
	Windsor, Quebec	Seattle, Washington	Wisconsin Rapids, Wisconsin
Kingsport, Tennessee			
(426,000 tons)			
Marlboro (Bennettsville), South Carolina			
(274,000 tons)			
Nekoosa, Wisconsin			
(168,000 tons)			
Port Huron, Michigan			
(113,000 tons)			
Rothschild, Wisconsin			
(131,000 tons)			

Windsor, Quebec

(642,000 tons)

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PERSONAL CARE	FORWARD-LOOKING	PRODUCTION
	STATEMENTS	NOTES
DIVISION HEADQUARTERS	<p>This Annual Report contains forward-looking statements, including statements regarding strategy, repurposing of mills, product and brand development, production, sales growth, margins, earnings objectives, continuous improvement and the impact of our Personal Care initiatives. Actual results may differ materially from those suggested by these statements for a number of reasons, including customer acceptance of new products and brands, changes in customer demand and pricing, changes in manufacturing costs, future acquisitions and divestitures, including facility closings, and the other reasons identified under Risk Factors in our Form 10-K for 2018 as filed with the Securities Exchange Commission and as updated by subsequently filed Form 10-Q's. Except to the extent required by law, we expressly disclaim any obligation to update or revise these forward-looking statements to reflect new events or circumstances or otherwise.</p>	
<p>Raleigh, North Carolina</p>		<p>Paper</p> <p>Cover printed on 80 lb. Cougar® Cover, Smooth Finish. Insert printed on 70 lb. Cougar® Text, Smooth Finish.</p>
MANUFACTURING AND DISTRIBUTION		<p>Printing</p> <p>Cover and insert printed with UV inks on a Heidelberg Speedmaster CD 102 press 6-color units with in-line coater and full inter-deck and end-of-press extended delivery UV drying systems.</p>
<p>Aneby, Sweden</p>		
<p>Delaware, Ohio</p>		
<p>Greenville, North Carolina</p>		
<p>Jesup, Georgia</p>		
<p>Toledo, Spain</p>		
<p>Waco, Texas¹</p>		
SALES OFFICES		
<p>Daytona Beach, Florida</p>		
<p>Tuitjenhorn, The Netherlands</p>		
<p>Olivette, Missouri</p>		
<p>Oslo, Norway</p>		
<p>Linz, Austria</p>		
<p>Madrid, Spain</p>		

Pusignan, France

Rheinfelden, Switzerland

Schwalbach am Taunus,
Germany

Stockholm, Sweden

Texarkana, Arkansas

Wakefield, United Kingdom

1 On November 1, 2018, we announced a margin improvement plan within our Personal Care Division, including the permanent closure of our Waco, Texas, manufacturing and distribution facility. The facility is expected to cease operations in the third quarter of 2019.

