

Domtar CORP
Form DEFA14A
April 06, 2018

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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- (2) Aggregate number of securities to which transaction applies:

- (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.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

- (1) Amount Previously Paid:

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

- (3) Filing Party:

- (4) Date Filed:

MESSAGE

TO SHAREHOLDERS

LOOK CLOSER AT DOMTAR

You will see a leading innovative fiber-based products, technologies, and services company; committed to a sustainable and better future. We are a company with a history of proactively adapting to changing market conditions, while generating strong cash flow and rewarding shareholders.

The past year marked further progress in Domtar's journey towards sustainable growth and long-term value creation. Led by the strong performance of our papers business, higher sales of market pulp, and good productivity across our mill system, we achieved solid operating results in 2017. Over half of our consolidated sales were in growing markets—specialty papers, fluff and softwood pulp, and personal care products.

Domtar's current business mix reflects the capital deployment decisions we have made over the last several years to strengthen our core paper business, repurpose assets to manufacture products with growing demand, and establish meaningful positions in new markets. We have executed the necessary steps—organizationally, financially and culturally—to transition Domtar into a diversified, agile business, backed by a portfolio of competitive assets and nearly 10,000 skilled employees.

Domtar today holds top-three positions in three market segments, accounting for nearly three quarters of our business. We are the North American leader in uncoated freesheet; we are the third largest global fluff pulp producer by installed capacity; and we are ranked second in North American sales of store-brand infant diapers. In all of our markets, we are a supplier of choice, delivering innovation, quality and great service to our customers.

¹ Free cash flow is a non-GAAP financial measure.

Please see [Reconciliation of non-GAAP Financial Measures](#)

at the end of this document.

Shareholders who have supported our journey have been rewarded for their confidence in Domtar's management team and employees. We returned \$104 million in dividends in 2017. Since 2011, we have returned \$1.5 billion of capital

through share buybacks and a growing dividend, or 69% of our cumulative free cash flow¹ over this period. We are proud to have made good on our promise to return the majority of cash to shareholders. We're even more proud to have generated \$2.2 billion of free cash flow¹ over the past seven years.

PULP AND PAPER

We are adjusting our capacity to customer demand, implementing continuous improvements to reduce costs and maintain strong customer service, and investing in our mills annually to sustain reliability and product quality. The success of our actions is reflected in the cash generation over the past years, and we have confidence this will continue. We are well positioned to support customer demand, and we are fully committed to remaining a partner of choice as the leading North American uncoated freesheet producer for the long term.

With a relentless focus on operational excellence and production discipline, we continue to transition our paper business and unlock value from our mill assets. We have reduced our uncoated freesheet capacity by 1.5 million tons. We converted a mill to produce higher-value products in growing markets, namely specialty papers, and converted three mills to produce market pulp, which demonstrates the underlying value of our assets.

Domtar now owns 1.8 million tons of high-quality market pulp capacity, mainly serving global softwood and fluff pulp markets. This includes the recently converted Ashdown uncoated freesheet machine, where we continue to make good progress with fluff pulp qualifications at several internal and external customer locations in North America and abroad. What was once one of the largest operating paper machines in North America is now a world-class fluff pulp machine. Domtar is the world's third largest manufacturer of high-quality fluff pulp, helping to meet the growing demand for absorbent hygiene products.

PERSONAL CARE

Beginning with a strategy in 2011, we have built a billion-dollar global personal care business with manufacturing locations in North America and Europe, and distribution to customers in 50 countries. Following multiple acquisitions and investments in infrastructure and people, we are using innovative and differentiated go-to-market strategies to win in both the adult incontinence and infant diaper segments.

We are making progress in both of these highly competitive sectors, but results have been impacted by competitive market conditions, pricing pressure and rising raw material costs. Despite these headwinds, sales increased 10% in 2017 as a result of our HDIS acquisition and new customer wins, and we have been focused on actions to strengthen our operations and enhance our flexibility. We will continue to focus on driving cost savings while converting our strong pipeline of potential new customers into sales growth.

TRANSITIONING TO GROWTH

As we continue our transition to growth, we are focused on repurposing opportunities and remain on the lookout for mergers and acquisitions that will accelerate our trajectory and maximize value for our shareholders.

Near term, we have initiated a containerboard feasibility study by an independent third party after internal analysis confirmed the suitability of several existing assets for this purpose. We expect to make a final decision during 2018.

Longer term, we are assessing opportunities to leverage our expertise in fiber, our existing assets and our supply chain, to develop higher value applications for the individual components of wood fiber. I am proud of the strides we

have made in unlocking and recombining the chemical building blocks of trees in new and interesting ways to make advanced, sustainable biomaterials.

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MESSAGE

TO SHAREHOLDERS

BUILDING A SUSTAINABLE BUSINESS

Acting responsibly and being a steward of the environment is deeply embedded in Domtar's culture. Our pursuit of ethical and sustainable business practices differentiates us in the eyes of our customers, who care about the integrity of their supply chain. This also provides Domtar with a distinct advantage in recruiting the next generation of talent.

We are focused on repurposing opportunities and remain on the lookout for mergers and acquisitions that will accelerate our trajectory and maximize value for our shareholders.

Caring about our environment, our communities and our people also enables us to better meet our business objectives. Our 2017 Sustainability Report shows that we have achieved a 33% reduction in waste sent to landfills since 2013, a 13% reduction in greenhouse gas emissions since 2010, and made significant efficiency improvements in our use of water at our pulp and paper mills. Furthermore, we have reduced recordable safety incidents by more than 50% over the past 10 years, and our employees have more than doubled the number of volunteer hours to improve the communities where we live.

BUILDING A MORE DIVERSE WORKFORCE

That brings me to our most important asset—our employees. We are building a stronger company by hiring talented people with experience in different industries and who come from different backgrounds. Given the fast pace of change in our businesses, we believe our efforts to enhance the diversity of our workforce will be a competitive advantage that helps us advance our culture of innovation.

LOOK CLOSER

Domtar's core values of agility, caring and innovation remain constant and support our management approach to transitioning and growing our businesses. We are proud papermakers, but our product mix will continue to evolve significantly. We have many opportunities in our pipeline, and the financial capacity and expertise to execute our strategy. As in the past, we remain focused on the long term while continuing to deliver results in the short term.

I wish to thank our shareholders for their confidence and the members of the Board of Directors for their counsel and support on this journey.

John D. Williams

President and Chief Executive Officer

BUSINESS OVERVIEW**MAKING USEFUL PRODUCTS****FOR EVERY DAY****CORPORATE
OFFICES**

Fort Mill, South
Carolina
Montreal, Quebec

PULP AND PAPER

**DIVISION
HEADQUARTERS**
Fort Mill, South
Carolina

**UNCOATED
FREESHEET**
(Annual paper
manufacturing
capacity in short
tons)

Ashdown, Arkansas

(265,000 tons)

Espanola, Ontario

(69,000 tons)

MARKET PULP

(Annual pulp manufacturing
capacity in air dry metric
tons)

Ashdown, Arkansas

(516,000 tons)¹

Dryden, Ontario

(327,000 tons)

Kamloops, British Columbia

(354,000 tons)

Plymouth, North Carolina

(390,000 tons)

CHIP MILLS

Hawesville, Kentucky

Johnsonburg, Pennsylvania

**CONVERTING AND FORMS
MANUFACTURING**

Addison, Illinois
Brownsville, Tennessee
Dallas, Texas

DuBois, Pennsylvania
Griffin, Georgia

Owensboro, Kentucky

Ridgefields, Tennessee
Rock Hill, South Carolina
Tatum, South Carolina

Washington Court House, Ohio

ARIVA CANADA

Halifax, Nova Scotia

Montreal, Quebec

Mount Pearl, Newfoundland and
Labrador

Ottawa, Ontario

Quebec City, Quebec

**REGIONAL REPLENISHMENT
CENTERS CANADA**

Richmond, Quebec
Toronto, Ontario
Winnipeg, Manitoba

REPRESENTATIVE**OFFICE INTERNATIONAL**

Hong Kong, China

**LOCAL DISTRIBUTION
CENTERS**

Atlanta, Georgia

Birmingham, Alabama

Buffalo, New York

Cincinnati, Ohio

Cleveland, Ohio

Des Moines, Iowa

Houston, Texas

Jackson, Mississippi

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

Windsor, Quebec

(642,000 tons)

1 The mill has the capability to produce up to 516,000 tons of fluff pulp per year. We expect capacity to be running at approximately 430,000 tons per year until the mill is no longer capacity constrained.

PERSONAL CARE

BUSINESS OVERVIEW

PULP AND PAPER SEGMENT

Domtar is the largest integrated manufacturer and marketer of uncoated freesheet papers in North America, and an important supplier of specialty and packaging papers. We also are a large manufacturer of high quality papergrade, fluff and specialty pulps for customers around the world.

The foundation of our business is driven by 13 pulp and paper mills with access to nearly 17 million green tons of fiber. Since 2007, we have converted 1.5 million tons of commodity paper capacity into growing and profitable businesses. These included fluff and papergrade pulp and specialty paper grades, and we believe there are further opportunities for repurposing.

PAPER

Domtar sold nearly 3 million short tons of paper in 2017, mainly to customers in the United States and Canada, maintaining its North American leadership position in uncoated freesheet.

Business papers are one of our largest product categories under communication papers. They are sold mainly to major North American retailers, independent office supply dealers, and paper merchants. We offer a selection of our own recognized brands, including Xerox® Paper and Specialty Media, First Choice® and EarthChoice® Office Paper, and assist our customers in developing store brands.

Our communication papers are also used for commercial printing and publishing. Our customers in this category are printers and converters who further process the paper into its final end-use state. Cougar®, Lynx® Opaque Ultra and Husky® Opaque Offset are among our most recognized brands.

BUSINESS OVERVIEW

PULP AND PAPER SEGMENT

We continue to leverage our innovation and new product development pipeline to grow our position in specialty paper grades. Our three main product categories include:

Food packaging everything from hamburger wrappers and foil pouches to sugar packets, popcorn bags, butter wrap, baking cups and pan liners.

Medical applications including bandage wraps, sterilizable pouches, surgical gowns and medical wipes.

Specialty papers for printing labels, security paper and specialty imaging.
We also supply base stock for thermal papers for cash register receipts, ATM print outs, and lottery and entertainment tickets, as well as an extensive range of industrial papers for applications such as wallboard tape, sandpaper and tile backing, paint filters and other uses.

MARKET DYNAMICS¹

In 2017, 7.4 million short tons of uncoated freesheet paper were manufactured in North America, a 2.9% decline compared to the previous year. North American demand was approximately 7.5 million short tons, a 4.8% decrease compared to 2016. Global demand for uncoated freesheet was estimated at 45.1 million short tons, flat compared to the previous year. For its part, the specialty and packaging papers market is growing in line with GDP.

PULP

Domtar sold over 1.7 million air dry metric tons (ADMT) of market pulp papergrade, fluff and specialty to customers in over 40 countries in 2017, a 14% increase compared to the previous year.

This growth was driven by stronger global demand and an increase in our manufacturing capacity with the addition of our fluff pulp line at the Ashdown mill in Arkansas. Commissioned at the end of 2016, Ashdown's fluff pulp line is one of the largest and most advanced in the world.

Most of the pulp we sell is used in products that serve growing end-use markets. Our papergrade pulp is used for manufacturing everyday consumer products such as bathroom and facial tissue, and paper towels. Domtar Lighthouse[®] fluff pulp is mainly used in the absorbent core of infant diapers, adult incontinence products, feminine hygiene products and airlaid nonwovens. Our specialty pulp customers produce a wide variety of products ranging

from specialty and packaging papers to electrical insulating papers and building products.

Although market pulp is subject to short-term fluctuations in selling prices, the trend in average prices over a period of consecutive years has been positive.

1 Sources: Pulp and Paper Products Council, RISI

PULP AND PAPER TOTAL	BUSINESS OVERVIEW			
	PULP AND PAPER SEGMENT			
INJURY FREQUENCY RATES				
MARKET DYNAMICS ¹	SEGMENTED INFORMATION			
	Years ended December 31	2015	2016	2017
	(In millions of dollars)			
Global demand of chemical market pulp was approximately 61.7 million ADMT in 2017, a 3.7% increase over 2016. North American demand was 7.9 million ADMT in 2017, a 2.7% increase while demand in China was 21 million ADMT, a 7.6% increase when compared to 2016.	Sales (including sales to Personal Care)	4,458	4,239	4,216
	Operating income	270	217	250
	Depreciation and amortization	297	284	254
	Capital expenditures	221	287	128
	Total assets	3,667	3,637	3,649
	Paper shipments manufactured (000 ST)			
		3,163	3,021	2,891
	Pulp shipments (000 ADMT)			
		1,414	1,513	1,722
Papergrade wood pulp consumption is expected to grow by an average of 1.5% per year. Demand for wood pulp in China is projected to generate the largest amount of growth when compared to the rest of the world over the next five years, growing by 1.5 million tons per year. Growth is expected to average 4.4% per year in 2017-2021, while global wood pulp consumption in tissue papers is projected to reach 29 million tons in	DOMTAR 2017 ANNUAL REPORT 14 - 15			

2021, or 5 million tons higher than in 2016.

World fluff pulp demand is forecast to expand at a 4.7% annual rate over the next five years. This is expected to be driven by the growth in the use of disposable diapers in less developed economies and increasing usage of incontinence products in more developed economies as the population ages.

BUSINESS OVERVIEW

PERSONAL CARE SEGMENT

Domtar is a leading manufacturer of high-quality and innovative branded and partner-branded absorbent hygiene products, serving the adult incontinence and infant markets, primarily in North America and Europe.

We design and manufacture adult incontinence products such as protective underwear, briefs, underpads, pads and washcloths, as well as infant diapers and training pants. We also offer a complete range of related absorbency and hygiene products, including body liners for accidental bowel leaks.

Despite this being a highly competitive sector, with many players, we have strong relationships with established retailers in North America and Europe.

Our products are highly engineered and built on research. We begin with consumer needs and work together to come up with the best possible solutions. Innovation drives our ability to create high-quality and cost-effective products, whether it is through consumer testing, developing new materials or designing new processes.

Adult incontinence products are mainly sold to health institutions. We also supply major retailers and sell through the direct-to-consumer channel. Our recognized brands include Attends®, IncoPack®, Indasec®, Reassure® and Butterfly®.

Domtar is a leading provider of infant diaper store brands in North America. Helping retailers develop strong store brands we call them partner brands is our key differentiator in the infant market. We also develop and market our own brands, including Comfees®.

Our EAM business develops and manufactures airlaid and ultrathin laminated absorbent cores for our own products and also sells them to third parties. EAM's customers include some of the world's largest branded and private label feminine hygiene, adult incontinence, infant diaper, healthcare and packaging companies.

We operate six manufacturing facilities in the United States and Europe that can produce multiple product categories.

[illegible]

markets is expected to remain flat or grow at low single-digit rates, based on birth rate and demographic trends.

Demand in both of our addressable markets is significant and growing, and large players dominate each space.

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SHAREHOLDER

INFORMATION

DIVIDENDS DECLARED IN 2017

Declared	Record Date	Payable Date	Amount
February 21, 2017	April 3, 2017	April 17, 2017	\$0.415
May 3, 2017	July 3, 2017	July 17, 2017	\$0.415
August 1, 2017	October 2, 2017	October 16, 2017	\$0.415
October 31, 2017	January 2, 2018	January 15, 2018	\$0.415

EXCHANGE LISTINGS

NYSE: UFS

TSX: UFS

INVESTOR RELATIONS

Investor Relations Department

Domtar Corporation

395 de Maisonneuve Blvd. West

Montreal, QC Canada H3A 1L6

Tel.: 514-848-5049

Email: ir@domtar.com

DIVIDEND POLICY

Subject to approval by its Board of

Directors, Domtar pays a quarterly

dividend on its common stock.

Electronic versions of this report,
SEC

filings and other publications are

available at **domtar.com**

TRANSFER AGENT

AND REGISTRAR

Computershare

ANNUAL MEETING

P.O. BOX 30170

College Station, TX 77845-3170 May 8, 2018, 7:45 a.m. ET

North American Toll Free Number: Domtar Corporate Office

1-877-282-1168 234 Kingsley Park Drive

Tel.: 1-781-575-2879 Fort Mill, SC 29715

computershare.com/investor

TENTATIVE EARNINGS

RELEASE SCHEDULE

First Quarter 2018: Tuesday, May 1, 2018

Second Quarter 2018: Wednesday, August 1, 2018

Third Quarter 2018: Thursday, November 1, 2018

Fourth Quarter 2018: Thursday, February 7, 2019

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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.

		2015	2016	2017
Reconciliation of Earnings before items to Net earnings (loss)				
Net earnings (loss)	(\$)	142	128	(258)
(+) Impairment of goodwill and property, plant and equipment	(\$)	47	22	573
(+) Closure and restructuring costs	(\$)	4	25	1
(+) Litigation settlement	(\$)		2	
(-) Net gains on disposals of property, plant and equipment	(\$)	(12)		(11)
	(\$)			(2)

(-) Reversal of contingent consideration

(+) Impact of purchase accounting (\$)

1

(-) U.S. Tax Reform (\$)

(140)

(+) Debt refinancing costs (\$)

30

(=) Earnings before items (\$)

211

178

163

(/) Weighted avg. number of common shares
outstanding (diluted)

(millions)

63.4

62.7

62.7

(=) Earnings before items per diluted share (\$)

3.33

2.84

2.60

**Reconciliation of EBITDA and EBITDA before
items to Net earnings (loss)**

Net earnings (loss) (\$)

142

128

(258)

(+) Income tax expense (benefit) (\$)

14

29

(125)

(\$)

132

66

66

(+) Interest expense, net				
(=) Operating income (loss)	(\$)	288	223	(317)
(+) Depreciation and amortization	(\$)	359	348	321
(+) Impairment of goodwill and property, plant and equipment	(\$)	77	29	578
(-) Net gains on disposals of property, plant and equipment	(\$)	(15)		(13)
(=) EBITDA	(\$)	709	600	569
(/) Sales	(\$)	5,264	5,098	5,157
(=) EBITDA margin	(%)	13%	12%	11%
EBITDA	(\$)	709	600	569
(+) Closure and restructuring costs	(\$)	4	32	2
	(\$)		2	

(+) Litigation settlement				
(-) Reversal of contingent consideration	(\$)			(2)
(+) Impact of purchase accounting	(\$)		1	
(=) EBITDA before items	(\$)	713	635	569
(/) Sales	(\$)	5,264	5,098	5,157
(=) EBITDA margin before items	(%)	14%	12%	11%
Reconciliation of Free cash flow to Cash flow from operating activities				
Cash flow from operating activities	(\$)	453	465	449
(-) Additions to property, plant and equipment	(\$)	(289)	(347)	(182)
(=) Free cash flow	(\$)	164	118	267

(Continued)

	2015	2016	2017
Net debt-to-total capitalization computation			
Bank indebtedness	(\$)	12	
(+) Long-term debt due within one year	(\$)	41	63
(+) Long-term debt	(\$)	1,210	1,218
(=) Debt	(\$)	1,251	1,293
(-) Cash and cash equivalents	(\$)	(126)	(125)
(=) Net debt	(\$)	1,125	1,168
(+) Shareholders' equity	(\$)	2,652	2,676
(=) Total capitalization	(\$)	3,777	3,844
Net debt	(\$)	1,125	1,168
(/) Total capitalization	(\$)	3,777	3,844
(=) Net debt-to-total capitalization	(%)	30%	30%

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		
	2015	2016	2017	2015	2016	2017	2015	2016	2017
Reconciliation of Operating income (loss) to									
Operating income (loss) before items									
Operating income (loss)	(\$)	270	217	250	61	57	(527)	(43)	(51)
(+) Impairment of goodwill and property, plant and equipment	(\$)	77	29	578					
(-) Net gains on disposals of property, plant and equipment	(\$)	(14)	(4)				(1)		(9)

(-) Reversal of contingent consideration	(\$)									(2)
(+) Closure and restructuring costs	(\$)	3	31		1	1	2			
(+) Litigation settlement	(\$)							2		
(+) Impact of purchase accounting	(\$)					1				
(=) Operating income (loss) before items	(\$)	336	277	246	62	59	53	(44)	(49)	(51)
Reconciliation of Operating income (loss)										
before items to EBITDA before items										
Operating income (loss) before items	(\$)	336	277	246	62	59	53	(44)	(49)	(51)
(+) Depreciation and amortization	(\$)	297	284	254	62	64	67			
(=) EBITDA before items	(\$)	633	561	500	124	123	120	(44)	(49)	(51)
(/) Sales	(\$)	4,458	4,239	4,216	869	917	1,005			
(=) EBITDA margin before items	(%)	14%	13%	12%	14%	13%	12%			

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.

FORWARD-LOOKING

STATEMENTS

This Annual Report contains forward-looking statements, including statements regarding strategy, product and brand development, production, sales growth, margins, earnings objectives and continuous improvement. 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 2017 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.

PRODUCTION

NOTES

Paper

Cover printed on 80 lb. Cougar® Cover, Smooth Finish. Insert printed on 70 lb. Cougar® Text, Smooth Finish.

Printing

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.

Domtar is pleased to make an annual
contribution of \$425,000 to WWF from the
sale of FSC® Certified EarthChoice® products.

®WWF Registered Trademark. Panda Symbol © 1986 WWF.

© 1986 Panda symbol WWF-World Wide Fund for Nature

(also known as World Wildlife Fund).

® WWF is a WWF Registered Trademark.

Cougar® paper contains

10% post-consumer fiber

Learn the environmental, social and economic impacts

of Domtar products at domtarpapertrail.com.

