

Cellu Tissue Holdings, Inc.
Form DFAN14A
September 16, 2010

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

CELLU TISSUE HOLDINGS, INC.

(Name of Registrant as Specified In Its Charter)

CLEARWATER PAPER CORPORATION

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

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- .. Fee paid previously with preliminary materials.

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 - 3) Filing Party:

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Clearwater Paper Corporation
Cellu
Tissue Acquisition Conference Call
September 16, 2010

1

Forward-Looking Statements

Our disclosure and analysis in this presentation contains, in addition to historical information, certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding expected accretion earnings, the estimated amount of annual synergies resulting from the merger, expected combined company annual revenues, the benefits of the proposed transaction to Clearwater Paper stockholders, opportunities for growth with existing customers and new customers in new channels, tissue production facilities and the expected timing of closing. Words such as anticipate, expect, intend, plan, target, project, believe, schedule, estimate, may, and similar expressions are intended to identify forward-looking statements. These forward looking statements are based on management's current expectations, estimates, assumptions and projections that are subject to change. Our actual results of operations may differ materially from those expressed or implied by the forward-looking statements contained in this presentation. Important factors that could cause or contribute to

differences include the risk factors described in Item 1A of Part I of our Annual Report on Form 10-K for the year ended December 31, 2009, as well as the following:

the closing of the transaction may be delayed or may not occur

difficulties with the integration process or the realization of the benefits expected from the proposed transaction

Clearwater Paper's ability to obtain debt financing to fund the acquisition price

general economic conditions in the regions and industries in which Clearwater Paper and Cellu Tissue operate

changes in the cost and availability of wood fiber used in the production of the companies' products

litigation or regulatory matters involving antitrust or other matters that could affect the closing of the transaction

Forward-looking statements contained in this presentation represent management's views only as of the date of this presentation.

We undertake no obligation to publicly update forward-looking statements, whether as a result of new information, future events, or otherwise.

2
Transaction Overview

Clearwater
Paper
has
agreed
to
acquire
Cellu
Tissue

Holdings,
Inc.

Total cash consideration of approximately \$502 million

Price per Cellu
Tissue share is \$12.00

Approximately
\$255
million
of
Cellu
Tissue
existing
net
debt
to
be
retired
or
assumed

Transaction to be financed with new debt issuance and existing Clearwater Paper cash

Financing
commitment
for
the
transaction
from
BofA
Merrill
Lynch

Transaction expected to close in the fourth quarter of 2010

Closing
conditions
include
Cellu
Tissue
shareholder
approval
and
customary
regulatory
approvals,
to
include Hart-Scott-Rodino

review

Significant
shareholder
and
CEO
of
Cellu
Tissue
have
executed
voting
agreements
in
support
of transaction

3

Strategic & Financial Rationale

Acquisition supports strategy to grow the size and scope of Consumer Products segment

Premier national tissue manufacturer and converter of private label tissue products

Combined annual company revenues of approximately \$1.9 billion

Complementary geographical asset locations

National manufacturing footprint with 14 sites in North America

Customer growth and penetration opportunities

Ability to service all tissue quality tiers (ultra, premium, value and economy) as well as away-from-home tissue market

Strong Through-Air-Dried (TAD) growth opportunities driven by Cellu Tissue acquisition as well as recently announced investment in TAD paper machine and converting lines in Shelby, NC

Significant synergy opportunities

Expected net run-rate cost savings of approximately \$15-\$20 million per annum by end of 2012

Immediately accretive to earnings per share before synergies

4
Historical Pro Forma Financial Overview
Cellu
Tissue
Net Sales
Adjusted EBITDA
Adjusted EBITDA Margin
\$524.5
3
\$73.2
4

14.0%

4

\$1,320.9

1

\$165.3

2

12.5%

Last Twelve Months (LTM) US \$ in millions

1,3

Clearwater

Paper

Pro Forma LTM

Combined

(Excluding

Synergies)

\$1,845.4

1

,

3

\$238.5

2

12.9%

Note: Adjusted EBITDA is a non-GAAP measure that management uses to evaluate the cash generating capacity of the company's earnings. EBITDA, as we define it, is net earnings adjusted for net interest expense, income taxes, depreciation and amortization in accordance with GAAP.

Includes the results of Clearwater Paper for the last twelve months ended June 30, 2010.

Excludes \$94.3 million of alternative fuel mixture tax credit earned during 2009.

Includes the results of Cellu Tissue for the last twelve months ended May 27, 2010.

Amount shown for Cellu Tissue represents EBITDA.

1

2

3

4

5

Pro Forma Revenue Mix Change

Last Twelve Months (LTM)

1,2

Includes the results of Clearwater Paper for the last twelve months ended June 30, 2010.

Includes the results of Cellu Tissue for the last twelve months ended May 27, 2010.

1

2

Percentage of sales from Consumer Products segment increases significantly with Cellu Tissue acquisition.

NY005DC9_1.WOR

1

Clearwater Paper capacities exclude tissue facility under construction in Shelby, NC expected to have 70,000 tons of annual capacity. Converting facility expected to be operational in FY 2012.

2

Excludes foam capacity and converting capacity greenfield investment at Oklahoma City, OK.

3

MG stands for machine-glazed paper.

6

Strong Geographic Fit

Clearwater
Cellu
Tissue
Complementary Geographic Asset Bases
Bleached Paperboard
765,000 tons
Tissue Hardroll
225,000 tons
Tissue Converting
213,000 tons
Pulp
845,000 tons
Sawmill
205,000 mbf
Clearwater Capacities ¹
Clearwater Pulp
Clearwater Sawmill
Clearwater SBS
Cellu
Tissue
Tissue/MG
Hardroll
³
Clearwater Tissue Converting
Clearwater Tissue Hardroll
Cellu
Tissue Headquarters
Cellu
Tissue
Tissue/MG
Converting
³
Clearwater Headquarters
Spokane, WA
Corporate Headquarters
Lewiston, ID
Converting Capacity:
102,000 tons
Lewiston, ID (Sawmill)
Capacity: 205,000 mbf
Lewiston, ID (Pulp)
Capacity: 540,000 tons
Lewiston, ID (SBS)
Capacity:
435,000 tons
Lewiston, ID (Tissue)
Capacity: 189,000 tons
Las Vegas, NV (TAD)
Capacity: 36,000 tons
Las Vegas, NV

Converting Capacity:

50,000 tons

Cypress Bend, AR (Pulp)

Capacity: 305,000 tons

Cypress Bend, AR (SBS)

Capacity: 330,000 tons

Elwood, IL

Converting Capacity:

61,000 tons

Wiggins, MS

Capacity: 54,000 tons

Neenah, WI

Capacity: 85,000 tons

Ladysmith, WI

Capacity: 55,000 tons

Oklahoma City, OK

Converting Capacity

East Hartford, CT

Capacity: 29,000 tons

Gouverneur, NY

Capacity: 32,000 tons

Alpharetta, GA

Corporate Headquarters

Thomaston, GA

Converting Capacity

Long Island, NY

Converting Capacity

Shelby, NC (TAD)

Announced Capacity: 70,000 tons

Neenah, WI

Converting Capacity

Menominee, MI

Capacity: 32,000 tons

St. Catharines, ON (TAD)

Capacity: 45,000 tons

Cellu

Tissue Capacities ²

Tissue Hardroll

247,000 tons

Tissue Converting

182,000 tons

MG Hardroll

85,000 tons

MG Converting

13,000 tons

7
Customer Relationship Expansion
Consumer Products Segment
National
Grocery
Channel
Cellu Tissue
Customer
Opportunity
Add National
Grocery

Customers
Add Regional
Grocery
Customers
Add Value
Retailers
(mass, disc, dollar)
Broad
Broad
Customer
Customer
Base
Base

8

Conservative Pro Forma Capitalization

(\$ in millions)

Note: EBITDA is a non-GAAP measure that management uses to evaluate the cash generating capacity of the company. The n

we

define

it,

is

net

earnings

adjusted

for
net
interest
expense,
income
taxes,
depreciation
and
amortization.

See
Appendix
A
for
a
reconciliation
to
net
earnings
in
accordance
with
GAAP.

1
As
of
June
30,
2010,
Clearwater
Paper
is
eligible
to
borrow
under
the
credit
facility
at
LIBOR
plus
2.75%.
Availability
under
the
facility
was
reduced
by
\$1.7

million
of
outstanding
letters
of
credit
as of June 30, 2010.

2
\$150.0 million face amount.

3
\$234.5 million face amount.

4
Excludes
\$94.3
million
of
alternative
fuel
mixture
tax
credits
earned
during
2009
by
Clearwater
Paper.
Amount
shown
for
Cellu
Tissue
represents
EBITDA.

5
As
of
June
30,
2010
for
Clearwater
Paper
and
May
27,
2010
for
Cellu
Tissue.

Clearwater
 6/30/2010
 Cellu
 Tissue
 5/27/2010
 Pro Forma
 5
 Cash and Short-Term Investments
 \$333.0
 \$3.2
 \$ 126.5
 Clearwater Revolving Credit Facility
 -
 -
 -
 Clearwater Senior Unsecured Notes due 2016
 148.4
 -
 148.4
 Cellu
 Tissue Revolving Credit Facility
 -
 8.0
 -
 Cellu
 Tissue Senior Secured Notes due 2014
 -
 227.3
 -
 Cellu
 Tissue City Forest Industrial Revenue Bonds
 -
 16.0
 16.0
 Clearwater Acquisition Financing
 -
 -
 350.0
 Total Debt
 \$148.4
 \$251.3
 \$514.4
 LTM Adjusted EBITDA
 \$165.3
 \$73.2
 \$238.5
 Liquidity and Credit Statistics
 Cash and Short-Term Investments
 \$333.0
 \$126.5

Available Revolver Amount

113.3

113.3

Total Liquidity

\$446.3

\$239.8

Total Debt/LTM Adjusted EBITDA

4

0.9x

2.2x

1

2

3

1

4

9
Thank you.

10
Appendix A:
US GAAP Reconciliation

11
Reconciliation of Non-GAAP to GAAP:
EBITDA
U.S. \$ in millions
Clearwater
Paper
Cellu
Tissue
Pro Forma
LTM
Net Earnings

\$114.3
 \$0.1
 \$114.4
 Income Tax Provision
 80.7
 2.8
 83.5
 Interest Expense, Net
 16.9
 40.6
 57.5
 Earnings Before Interest and
 Income Taxes
 \$211.9
 \$43.5
 \$255.4
 Depreciation & Amortization
 47.7
 29.7
 77.4
 EBITDA
 \$259.6
 \$73.2
 \$332.8
 Adjusted EBITDA
 \$165.3
 \$73.2
 \$238.5
 2
 1
 1,3
 3

Note: EBITDA is a non-GAAP measure that management uses to evaluate the cash generating capacity of the company. The non-GAAP measure of EBITDA, as we define it, is net earnings adjusted for net interest expense, income taxes, depreciation and amortization.

Includes the results of Clearwater Paper for the last twelve months ended June 30, 2010.

Excludes \$94.3 million of alternative fuel mixture tax credits earned during 2009 by Clearwater Paper. Amount shown for Clearwater Paper.

Includes the results of Cellu Tissue for the last twelve months ended May 27, 2010.

1
2
3