

Nippon Paper Industries Will Purchase Paperboard Fiber Based Packaging Business in Australia & New Zealand—No Impact on Rating

The following is Japan Credit Rating Agency, Ltd. (JCR)'s opinion on Nippon Paper Industries Co., Ltd. (securities code no: 3863)'s agreement with Orora Limited, a listed company of the Australian Securities Exchange, to purchase its paperboard fiber based packaging business in Australia and New Zealand.

- (1) Nippon Paper Industries Co., Ltd. (the "Company") announced today that it has agreed with Orora Limited to purchase its paperboard fiber based packaging business in Australia and New Zealand and that the signing of the contract has been resolved at the Board of Director's meeting held on October 10, 2019. The purchase price will be AUD 1.72 billion and the Company will initially procure a bridge fund for the purchase and refinance it by long-term loan, bonds, hybrid finance, etc. The purchase of the business is subject to final approval from the relevant authorities and the closing is scheduled for January 31, 2020.
- (2) Orora Limited, which engages in the paperboard fiber based packaging business to be acquired in an integrated manner from wastepaper collection to corrugated base paper manufacturing and processing, has established a large share in the market for packaging materials including paper cartons and heavy bags as well as corrugated board in Australia and New Zealand that is expected to expand for the time being. Given that the Company places the packing business as one of the growth areas, JCR values that the purchase will lead to the diversification of the earnings sources through contributing to the growth of this business field. It will also create synergies with its consolidated subsidiary Australian paper, which manufactures base paper of corrugated board and kraft paper in Australia.
- (3) The funds for the purchase will become large and the Company will bear a financial burden, because it will finance it through interest-bearing debt. The Company expressed, however, that it would maintain the financial soundness in the financing. JCR assumes that the hybrid finance for a part of the funds for the purchase will reduce the negative impact on the financial structure. In light of the expectation that Nippon Paper Group's cash flow generating ability will be strengthened by the purchase as well, its financial structure will recover over the medium term, although it will temporarily worsen at the time of the purchase. Taking the above into consideration, JCR determines that the impact of the purchase on the Company's creditworthiness will be limited.

Akihisa Motonishi, Yasuhisa Aono

<Reference>

Issuer: Nippon Paper Industries Co., Ltd.

Long-term Issuer Rating: A Outlook: Negative

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