



Pratt Recycling

*Providing Our Customers With Solutions To
Their Complex Sustainability Issues*

Pratt Industries Overview



- **\$2.5 Billion fully integrated, privately-held packaging company**
- **Recycle 2.4 million tons of recycled materials annually**
 - **~40 million trees saved annually**
- **5th Largest U.S. paper and packaging company – 7,000 employees**
- **Largest 100% Recycled corrugated packaging company in North America**
- **4 – 100% Recycled Paper Mills**
 - **We consume Mixed Paper and OCC**
 - **Mills CONSUME ~10 million pounds/day of recycled paper**
- **68 factories in North America**
- **17 Material Recovery facilities (MRFs)**



State of the Art Technology



Pratt Industries Recent Growth



Valparaiso, IN Paper Mill



Beloit, WI Box Plant



Stockton Ca. Box Plant



Minnesota Corrugated Box Acquisition



New Pratt Mill in Ohio



- Operational-- Oct 2019
- Additional consumption of 450,000 tons/year recycled paper.
- More domestic capacity for MXP and OCC
- Good fit for Michigan tons .

Pratt Wapakoneta Mill



11/7/2018

Pratt Recycling - FY '15

Global Market Changes from 2017



- 2017: Over 25% of world's recyclables were imported to China, including >50% of paper & plastics.
- China imported 28.5 M tons of paper in 2016
- China's new import policies banning materials & limiting contamination have global impacts on recycling programs in communities across US
- **Operation Blue Sky** = screening effort at China's ports to inspect loads, enforce material bans & 0.5% contamination limit
- The situation not likely to improve - China appears to be on path to eliminate imports of all post-consumer recyclables by 2021
- The reduction of China's markets resulted in oversupply of commodities & depressed commodity pricing. Supply is high & commodity pricing low



What Recycling Looks like in 2018



- Non- China countries are consuming 13.8 million per year of recyclables diverted from China.
- Mixed Paper and Mixed Plastics banned. 0.5% contamination limit on any other recyclables enforced at the port.
- MRFs must meet new quality specifications – this requires managing to the designed system throughput
- MRFs are requiring additional labor for quality
- Being critical of inbound single-stream material

Price has only one way to go –UP!

Factors that impact MXP



Supply Decreasing

- MRF's financial distress & closing
- MRF's eliminating certain paper items from collection.
- Consumers "loosing faith" in recycling and trashing paper.
- Estimating 480,000 tons of paper going to landfill.

While Demand Increasing

- US Domestic mills "tinker" with more MXP
- China buys mills in USA to pulp then send overseas.
- New containerboard mills being built in NA.
- Vietnam, India, Malaysia enter MXP consumption.
- Old US mills being bought & converted to containerboard.

Wishcycling

Consumers also want to “HELP”

WISHFUL RECYCLING



Quality Rules

- All buyers demand the highest quality feedstock
- Inbound quality affects outbound quality
- “Unacceptable” materials get through the system. The dirtier the inbound stream the harder is it to produce an acceptable outbound product.
- Contamination increases downtime.

Non-Acceptable Items



Styrofoam Coffee Cups Food Packaging & Wrappers Tissue Products



Paper Markets

- So what's happened so far in 2018 ?
 - Repeat of 2008 --- \$40 decrease in OCC Dec-April!
 - 6 mos. in a row of flat pricing
 - \$35 decrease in MXP since Jan 1st . Now at \$0.
 - Export market was non-existent in the 1st quarter
 - Will see increase in OCC pricing over the rest of the year.

