

DOMTAR CORPORATION

THIRD QUARTER 2017 EARNINGS CALL

October 27, 2017

(All financial information is in U.S. dollars, and all earnings per share results are diluted, unless otherwise noted.)



Domtar

SAFE HARBOR

Forward-Looking Statements

All statements in this presentation that are not based on historical facts are “forward-looking statements.” While management has based any forward-looking statements on its current expectations, the information on which such expectations are based may change. These forward-looking statements rely on a number of assumptions concerning future events and are subject to a number of risks, uncertainties and other factors, many of which are outside of our control, that could cause actual results to materially differ from those projected in the forward-looking statements.

Risk Factors

For a summary of the risk factors, please refer to Domtar’s Annual Report on Form 10-K for the year ended December 31, 2016 filed with the Securities and Exchange Commission and as updated by subsequently filed Form 10-Q’s.

Non-GAAP Financial Measures

This presentation refers to non-GAAP financial information. For a reconciliation to GAAP financial measures, please refer to the investors section of the company’s website at <http://www.domtar.com> (Refer to the Analyst Corner of the IR section of the website).

OVERVIEW

Third Quarter 2017

- Solid performance in Pulp and Paper driven by good operations and strong productivity
- Announced price increases on several pulp and paper grades
- Continued momentum in global pulp markets
- Best operating quarter for Ashdown fluff pulp machine; improved production and cost performance
- Personal Care results negatively impacted by raw material and price headwinds but sales pipeline remains strong
- Strong free cash flow generation

FINANCIAL HIGHLIGHTS

Third Quarter 2017

- Net earnings of \$1.11 per share
- EBITDA before items* of \$163 million
- Cash flow provided from operating activities of \$112 million
- Capital expenditures of \$40 million
- Dividend payout of \$26 million

* Non-GAAP financial measure. Refer to reconciliation available at www.domtar.com (refer to the Analyst Corner of the IR section of the website)

EARNINGS STATEMENT

3Q'17 vs. 2Q'17 (in millions of dollars)

	2Q'17	3Q'17	
Sales	1,224	1,292	Higher sales in all businesses
Cost of sales	968	1,012	
Depreciation and amortization	79	80	
SG&A	111	118	Mark-to-market of stock based compensation and variable compensation
Other operating (income) loss, net	2	(7)	
Operating income	64	89	
Interest expense, net	17	16	
Income tax expense	9	3	Recognition of R&D credits
Net earnings	38	70	

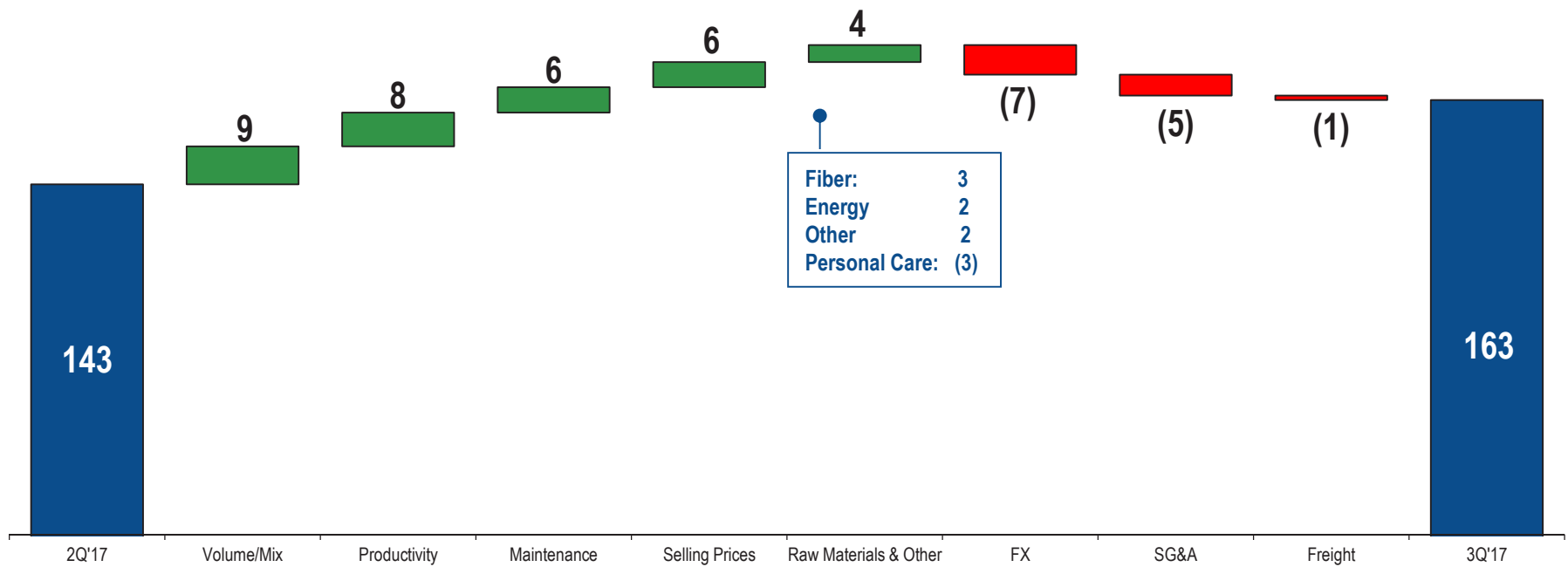
CASH FLOW STATEMENT

3Q'17 vs. 3Q'16 *(in millions of dollars)*

	3Q'16	3Q'17
Net earnings	59	70
Depreciation and amortization	87	80
Deferred income taxes and tax uncertainties	11	(7)
Impairment of PP&E	5	-
Changes in assets and liabilities		
Changes in working capital	(57)	(2)
Pension contribution over expense	(13)	(33)
Other	3	4
Cash flows from operating activities	95	112
Additions to PP&E	(83)	(40)
Proceeds from disposal of PP&E	-	8
Other	1	-
Cash flows used for investing activities	(82)	(32)
Dividend payments	(26)	(26)
Changes in borrowings	71	(40)
Other	(2)	2
Cash flows provided from (used for) financing activities	43	(64)

EBITDA BEFORE ITEMS*

3Q'17 vs. 2Q'17 (in millions of dollars)



* Non-GAAP financial measure. Refer to reconciliation available at www.domtar.com (refer to the Analyst Corner of the IR section of the website)

PULP AND PAPER SEGMENT

(in millions of dollars)

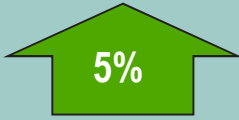



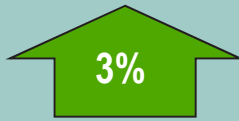



	3Q'17	vs. 2Q'17	vs. 3Q'16
Sales	\$1,054	6%	
EBITDA before items *	\$152	\$24	\$23

- Strong production and cost performance in Pulp and Paper
- Additional benefits from continuous improvement work and reliability programs
- Improved paper shipments due to seasonal strength and better export opportunities
- Softwood shipments 14% higher year-to-date
- Completed the installation of a second turbine generator at Windsor

* Non-GAAP financial measure. Refer to reconciliation available at www.domtar.com (refer to the Analyst Corner of the IR section of the website)

PULP AND PAPER SEGMENT

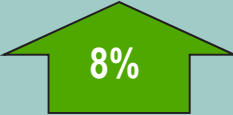
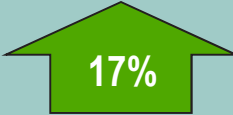


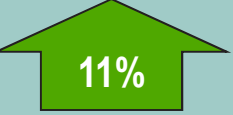



PAPER *(in millions of dollars)*

	3Q'17	vs. 2Q'17	vs. 3Q'16
Sales	\$768	 5%	 5%
EBITDA before items *	\$119	 \$23	 \$21
	3Q'17	vs. 2Q'17	vs. 3Q'16
Shipments <i>(manufactured, in thousands of short tons)</i>	722	 3%	 3%
Transaction prices <i>(US\$ / ton – net, all regions)</i>		 \$2	 \$23

* Non-GAAP financial measure. Refer to reconciliation available at www.domtar.com (refer to the Analyst Corner of the IR section of the website)

PULP AND PAPER SEGMENT

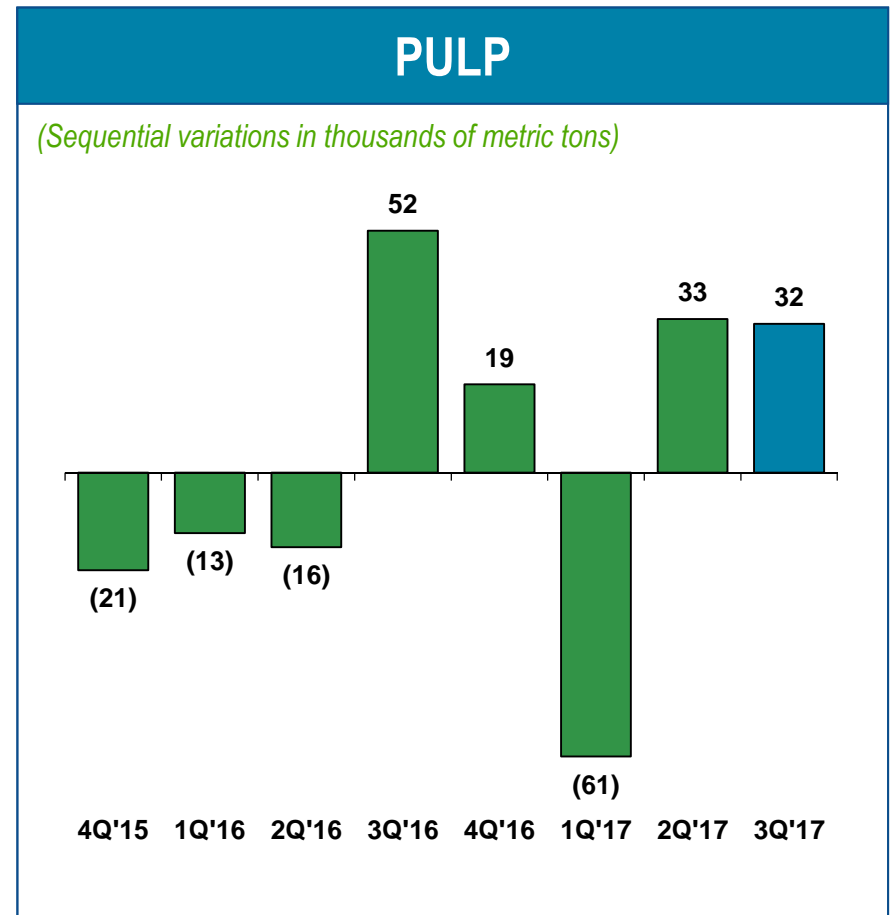
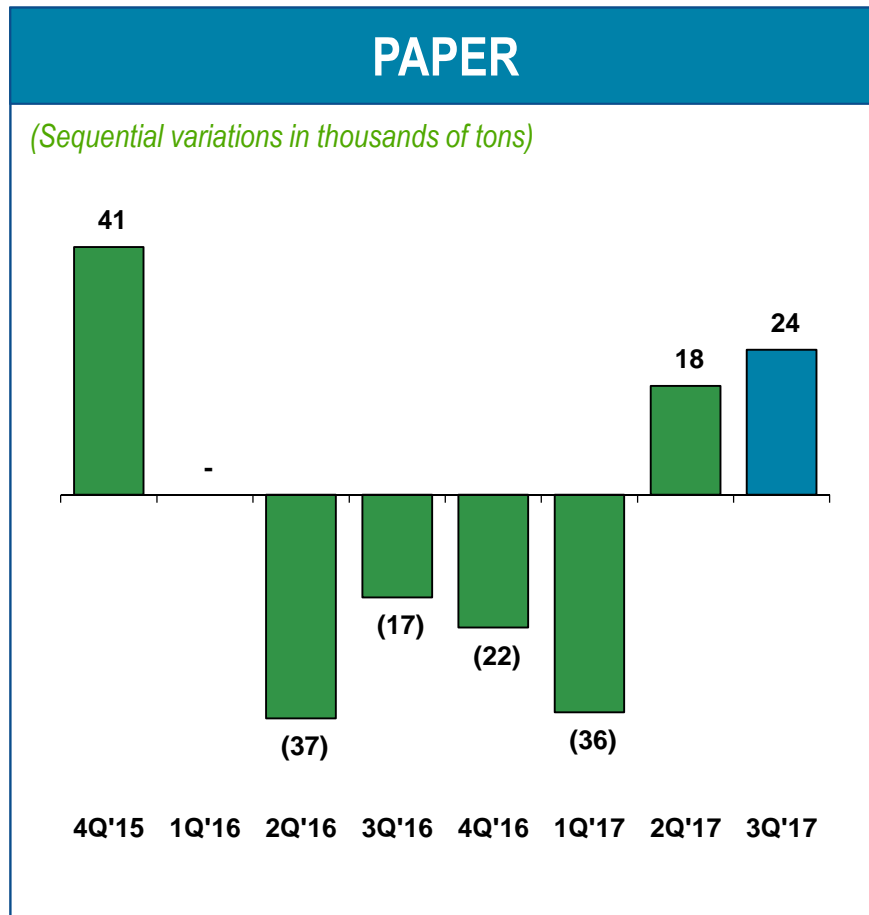
PULP *(in millions of dollars)*

	3Q'17	vs. 2Q'17	vs. 3Q'16
Sales <i>(incl. intersegment sales)</i>	\$286	 8%	 17%
EBITDA before items *	\$33	 \$1	 \$2
	3Q'17	vs. 2Q'17	vs. 3Q'16
Shipments <i>(in thousands of ADMT)</i>	424	 11%	 15%
Transaction prices <i>(US\$ / ADMT – net, all regions)</i>		 \$10	 \$30

* Non-GAAP financial measure. Refer to reconciliation available at www.domtar.com (refer to the Analyst Corner of the IR section of the website)

PULP AND PAPER SEGMENT

INVENTORIES



PERSONAL CARE SEGMENT

(in millions of dollars)

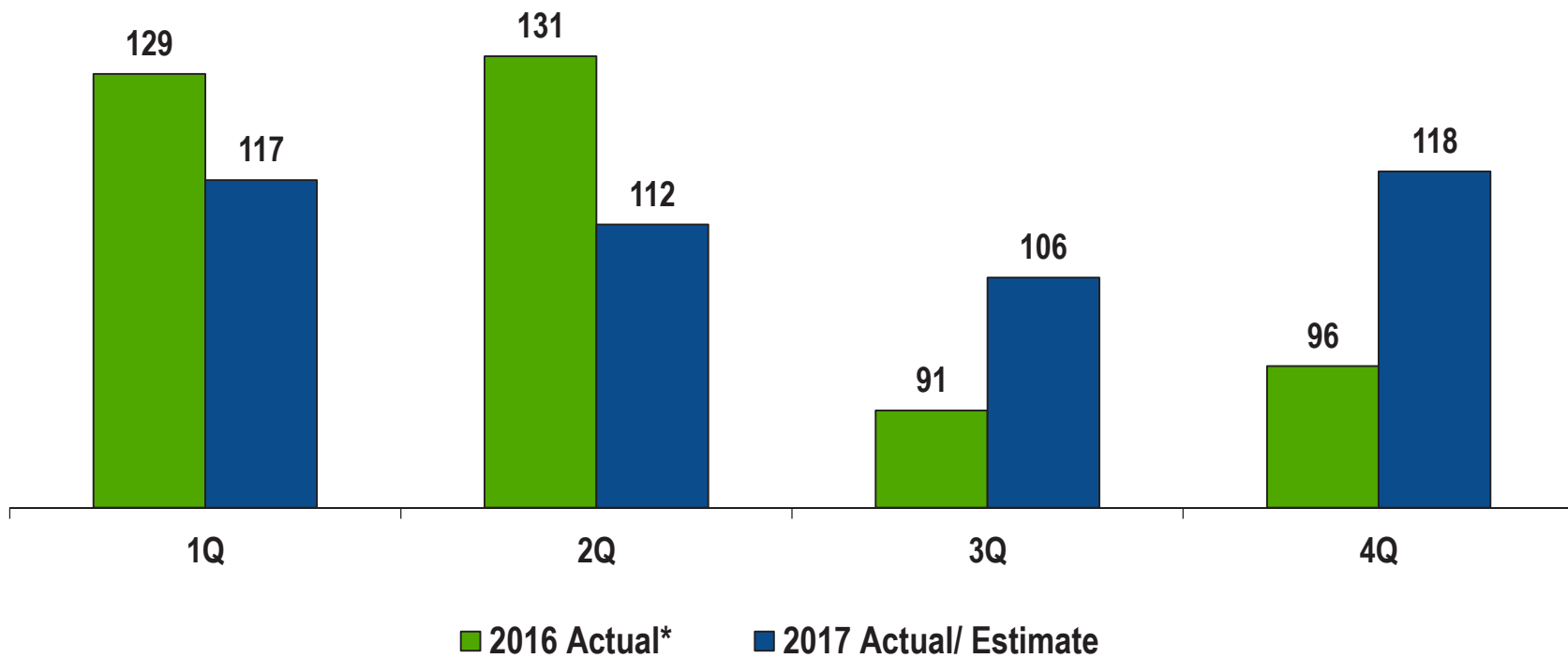
	3Q'17	vs. 2Q'17	vs. 3Q'16
Sales	\$253	5%	10%
EBITDA before items*	\$25	\$4	\$6
Same Currency Sales (@2Q'17 FX rate)	\$246	2%	
Same Currency Sales (@3Q'16 FX rate)	\$247		7%

- Sales pipeline remains strong, on track to grow above market
- Expanded adult incontinence assortment at a key North American retailer
- Partner brand infant category continues to see strong consumption, well outpacing the market
- Cost savings partially offsetting raw material inflation

*Non-GAAP financial measure. Refer to reconciliation available at www.domtar.com (refer to the Analyst Corner of the IR section of the website)

MAINTENANCE COSTS

(in millions of dollars)



*2016 maintenance costs have been restated to include approximately \$4 million per quarter of labor costs previously presented outside of maintenance costs to conform with 2017 presentation

Total maintenance costs includes planned maintenance, maintenance over \$100k outside of planned shutdown period, and day-to-day maintenance expenses in Pulp and Paper

ASSET REPURPOSING UPDATE

- Committed to preserving the value of our fiber lines
- Retained an engineering firm to initiate a containerboard feasibility study across several Domtar facilities
- Early work has confirmed that there are good candidates within network that can be converted
- Timing of any asset repurposing will be determined by supply demand balance in white paper

2017 OUTLOOK

- Higher planned maintenance costs in Pulp and Paper
- Negative impact from seasonally unfavorable mix in Paper
- Higher pulp price realizations following recently announced price increases
- Higher volume, favorable raw material costs and seasonally lower marketing expense will positively impact Personal Care



Domtar

Appendix

SUPPLEMENTAL SEGMENTED INFORMATION

PULP & PAPER SEGMENT									
<i>(In millions of dollars)</i>	3Q'15	4Q'15	1Q'16	2Q'16	3Q'16	4Q'16	1Q'17	2Q'17	3Q'17
Paper	855	850	844	816	810	781	786	734	768
Pulp (incl. intrasegment sales)	277	301	284	275	277	295	316	296	321
Intrasegment sales – Pulp	(40)	(41)	(43)	(37)	(33)	(30)	(29)	(31)	(35)
Pulp	237	260	241	238	244	265	287	265	286
SALES	1,092	1,110	1,085	1,054	1,054	1,046	1,073	999	1,054
Paper	103	135	109	114	140	117	100	96	119
Pulp	47	45	6	17	35	23	(2)	32	33
EBITDA before items*	150	180	115	131	175	140	98	128	152
Paper Shipments – Manufactured	779	797	786	752	744	739	745	698	722
Paper Shipments – Sourced from 3rd parties	35	28	32	29	35	27	29	26	29
Paper Shipments	814	825	818	781	779	766	774	724	751
Pulp Shipments	333	386	369	360	369	415	453	383	424
PERSONAL CARE SEGMENT									
<i>(In millions of dollars)</i>	3Q'15	4Q'15	1Q'16	2Q'16	3Q'16	4Q'16	1Q'17	2Q'17	3Q'17
SALES	214	221	216	228	231	242	249	241	253
EBITDA before items*	32	32	30	30	31	32	32	29	25
CORPORATE									
<i>(In millions of dollars)</i>	3Q'15	4Q'15	1Q'16	2Q'16	3Q'16	4Q'16	1Q'17	2Q'17	3Q'17
EBITDA before items*	(11)	(8)	(15)	(9)	(12)	(13)	(8)	(14)	(14)

*Non-GAAP financial measure. Refer to reconciliation available at www.domtar.com (refer to the Analyst Corner of the IR section of the website).

THE FIBER of Domtar

AGILE | CARING | INNOVATIVE



 Domtar