

DOMTAR CORPORATION

FIRST QUARTER 2017 EARNINGS CALL

April 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

First Quarter 2017

- Good cash flow quarter; building on several important initiatives
- Paper shipments increased as market demand improved seasonally
- Record shipments of softwood and fluff pulp; price increases announced for several grades of pulp
- Successfully completed extensive annual maintenance outages on time and below budget
- Record Personal Care sales in North America; strong quarter for Europe

FINANCIAL HIGHLIGHTS

First Quarter 2017

- Net earnings of \$0.32 per share
- EBITDA* of \$122 million
- Cash flow provided from operating activities of \$91 million
- Capital expenditures of \$34 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

1Q'17 vs. 4Q'16 *(in millions of dollars)*

	4Q'16	1Q'17	
Sales	1,274	1,304	Higher Pulp, Paper and Personal Care sales
Cost of sales	1,003	1,075	Higher volume sold and raw material costs
Depreciation and amortization	85	80	Full amortization of certain assets
SG&A	113	108	Positive mark-to-market on stock-based compensation
Closure and restructuring costs	(1)	-	
Other operating income	-	(1)	
Operating income	74	42	
Interest expense, net	17	17	
Income tax expense	10	5	
Net earnings	47	20	

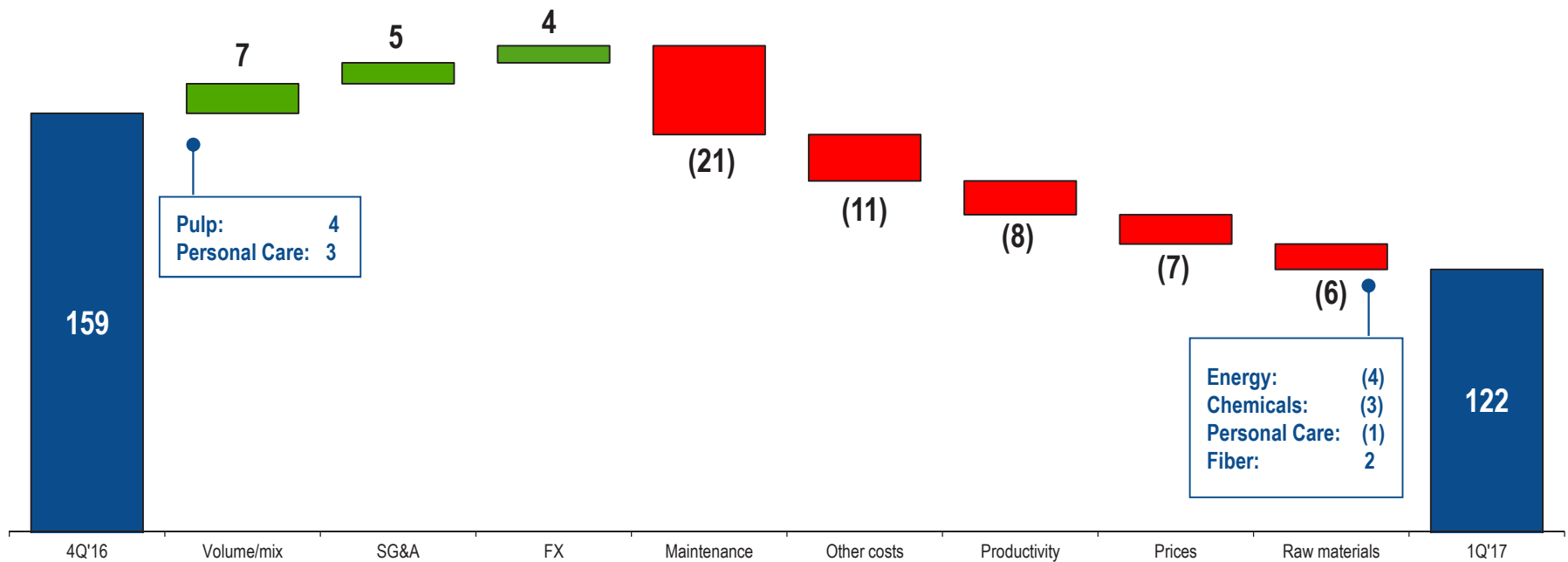
CASH FLOW STATEMENT

1Q'17 vs. 1Q'16 *(in millions of dollars)*

	1Q'16	1Q'17
Net earnings	4	20
Depreciation and amortization	89	80
Deferred income taxes and tax uncertainties	(3)	(4)
Impairment of PP&E	21	-
Changes in assets and liabilities		
Changes in working capital	(15)	(5)
Pension contribution over expense	(1)	-
Other	2	-
Cash flows from operating activities	97	91
Additions to PP&E	(100)	(34)
Cash flows used for investing activities	(100)	(34)
Dividend payments and stock repurchases	(35)	(26)
Changes in borrowings	6	(46)
Cash flows used for financing activities	(29)	(72)

EBITDA BEFORE ITEMS*

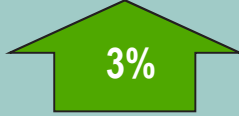



1Q'17 vs. 4Q'16 (in millions of dollars)



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PULP AND PAPER SEGMENT

(in millions of dollars)

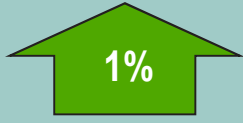
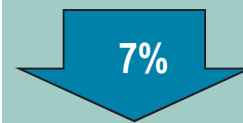


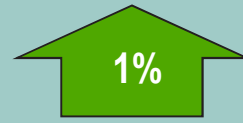



	1Q'17	vs. 4Q'16	vs. 1Q'16
Sales	\$1,073	 3%	 1%
EBITDA before items *	\$98	 \$42	 \$17

- Seasonally strong paper volumes; inventory reduction of 36,000 tons in paper and 61,000 tons in pulp
- Pulp price realizations improving in Q2
- Record shipments of softwood pulp due to strong demand and new volume from Ashdown pulp line
- Continued focus on increasing the production of high quality fluff pulp on the Ashdown A1 machine

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PULP AND PAPER SEGMENT

PAPER *(in millions of dollars)*

	1Q'17	vs. 4Q'16	vs. 1Q'16
Sales	\$786	 1%	 7%
EBITDA before items *	\$100	 \$17	 \$9
	1Q'17	vs. 4Q'16	vs. 1Q'16
Shipments <i>(manufactured, in thousands of short tons)</i>	745	 1%	 5%
Transaction prices <i>(US\$ / ton – net, all regions)</i>		 \$8	 \$18

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PULP AND PAPER SEGMENT

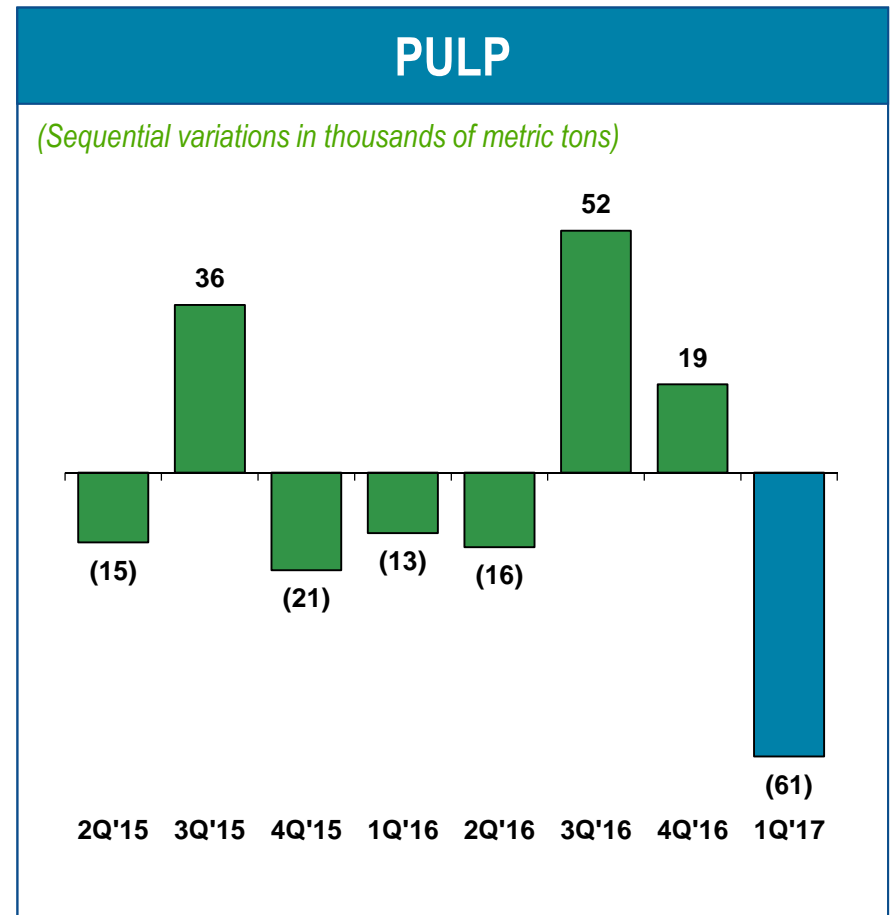
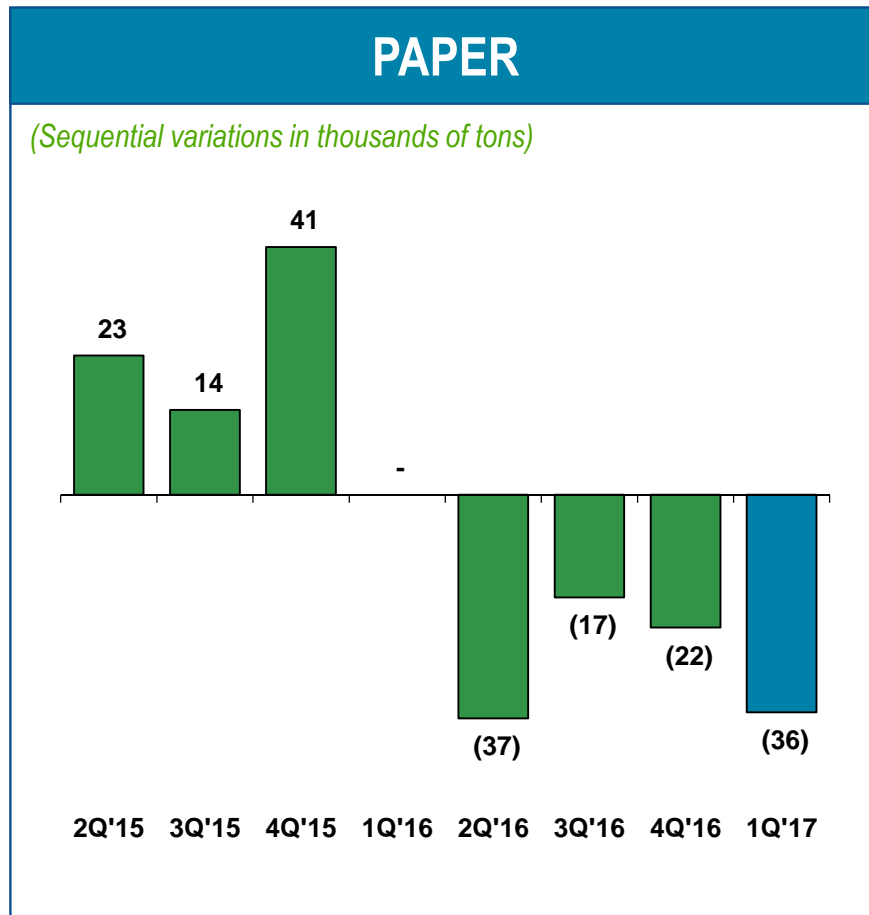
PULP *(in millions of dollars)*

	1Q'17	vs. 4Q'16	vs. 1Q'16
Sales <i>(incl. intersegment sales)</i>	\$287	8%	19%
EBITDA before items *	(\$2)	\$25	\$8
	1Q'17	vs. 4Q'16	vs. 1Q'16
Shipments <i>(in thousands of ADMT)</i>	453	9%	23%
Transaction prices <i>(US\$ / ADMT – net, all regions)</i>		\$5	\$13

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PULP AND PAPER SEGMENT

INVENTORIES



PERSONAL CARE SEGMENT

(in millions of dollars)

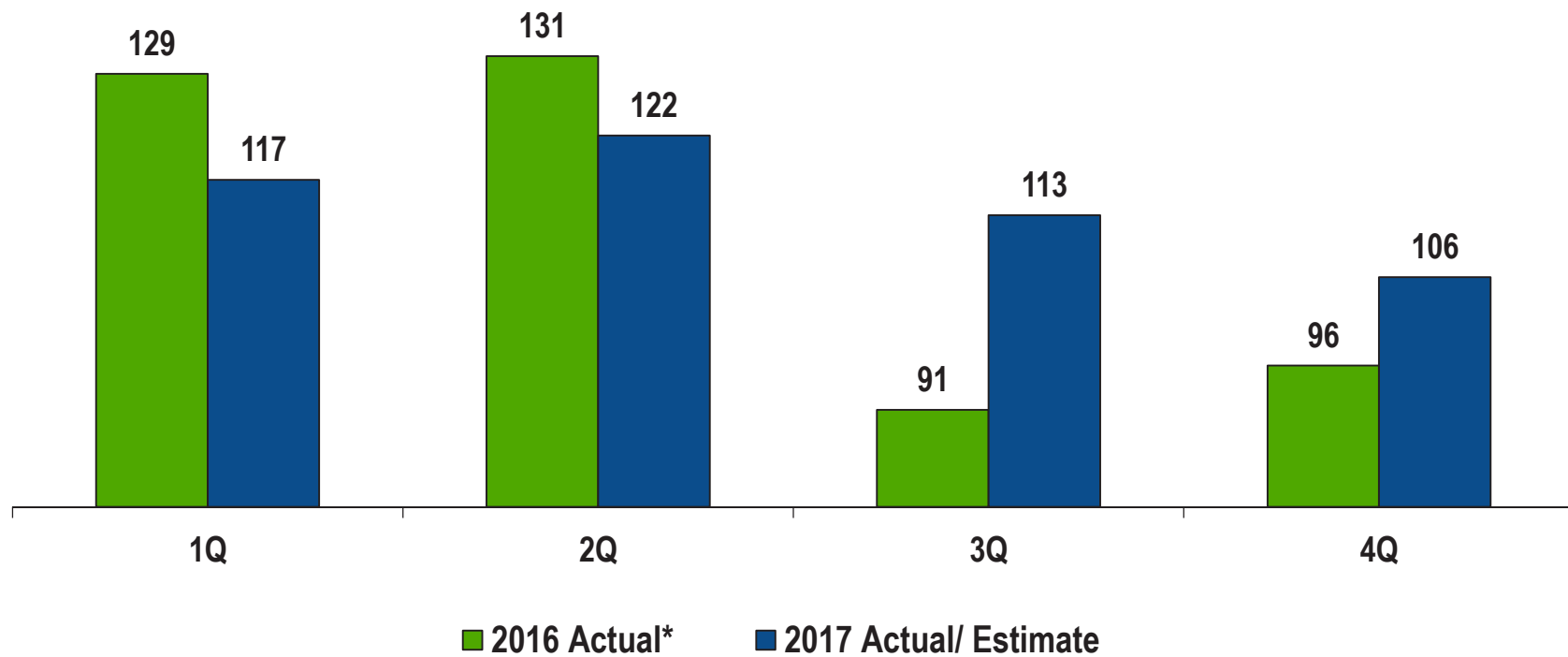
	1Q'17	vs. 4Q'16	vs. 1Q'16
Sales	\$249	3%	15%
EBITDA before items*	\$32		\$2
Same Currency Sales (@4Q'16 FX rate)	\$250	3%	-
Same Currency Sales (@1Q'16 FX rate)	\$252	-	17%

- Strong sales momentum with year over year sales growth of 15%, including results of HDIS
- Sales volume of both adult incontinence and baby diapers grew 8% and 25% year over year
- Strong productivity, resulting in better volume and operational efficiencies
- Sales pipeline remains active, with numerous opportunities to grow in both North America and Europe

*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.

2017 OUTLOOK

- Paper shipments are expected to be in-line with market demand
- Expected benefits from recently announced price increases in pulp
- Pulp mix expected to improve as Ashdown mill produces more fluff pulp
- Costs, including freight, labor and chemicals are expected to marginally increase
- Market growth, investments in advertising and promotion in addition to new customer wins should drive higher sales in Personal Care; raw material costs are expected to marginally increase



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Appendix

SUPPLEMENTAL SEGMENTED INFORMATION

PULP & PAPER SEGMENT									
<i>(In millions of dollars)</i>	1Q'15	2Q'15	3Q'15	4Q'15	1Q'16	2Q'16	3Q'16	4Q'16	1Q'17
Paper	889	860	855	850	844	816	810	781	786
Pulp (incl. intrasegment sales)	301	298	277	301	284	275	277	295	316
Intrasegment sales – Pulp	(44)	(48)	(40)	(41)	(43)	(37)	(33)	(30)	(29)
Pulp	257	250	237	260	241	238	244	265	287
SALES	1,146	1,110	1,092	1,110	1,085	1,054	1,054	1,046	1,073
Paper	132	123	103	135	109	114	140	117	100
Pulp	36	12	47	45	6	17	35	23	(2)
EBITDA before items*	168	135	150	180	115	131	175	140	98
Paper Shipments – Manufactured	804	783	779	797	786	752	744	739	745
Paper Shipments – Sourced from 3rd parties	35	29	35	28	32	29	35	27	29
Paper Shipments	839	812	814	825	818	781	779	766	774
Pulp Shipments	350	345	333	386	369	360	369	415	453
PERSONAL CARE SEGMENT									
<i>(In millions of dollars)</i>	1Q'15	2Q'15	3Q'15	4Q'15	1Q'16	2Q'16	3Q'16	4Q'16	1Q'17
SALES	218	216	214	221	216	228	231	242	249
EBITDA before items*	27	33	32	32	30	30	31	32	32
CORPORATE									
<i>(In millions of dollars)</i>	1Q'15	2Q'15	3Q'15	4Q'15	1Q'16	2Q'16	3Q'16	4Q'16	1Q'17
EBITDA before items*	(15)	(10)	(11)	(8)	(15)	(9)	(12)	(13)	(8)

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