

Better profitability through acquisition

Rayonier Advanced Materials



The FTI team's involvement was integral to our pre-close, Day 1 to Day 100 planning process, and end state NewCo operating model. Their deep knowledge of the Chemicals industry and extensive merger integration experience enabled our teams to effectively plan for the integration, while also maintaining the current trajectory of the business. FTI designed an effective Integration Management Office to govern all activities and provided functional subject matter expertise in our most critical areas to enable an efficient transition with minimal disruption to our newly combined company. ”

— FRANK RUPERTO,
CEO and SVP
Finance and Strategy

SITUATION: A HIGH-GROWTH BUSINESS LOOKS TO GET BIGGER

Based in Jacksonville, Florida, Rayonier Advanced Materials is a public company (RYAM) that manufactures a wide range of cellulose-based products for B2B applications. RYAM's acetate and ether products are used in LCD screens, paints, industrial coatings, food, cosmetics and more.

However, in recent years, RYAM's revenue growth rate had slowed and started to decline in the high-margin cigarette filter market. On the other hand, its revenues were growing at an annual rate of three to five percent in its smaller ethers division.

Ethers had narrow margins, but great growth potential, so, RYAM looked for opportunities to grow that portion of its business through acquisitions, turning its attention to Tembec, a Canadian company with a portfolio of forest products (pulp, paper, and chemicals) and specialty cellulose (ethers, acetate, nitrocellulose, and MCC).

With the advent of digital technology and consumers switching from print to digital; the paper and print industry has been in a steep decline pattern with several paper and pulp mills shuttering.

When RYAM approached Tembec in 2016 to buy its ether business, Tembec did not want to sell its ethers operation without having a buyer for its other, less profitable divisions.

In early 2017, RYAM tried again, this time making an offer for all Tembec operations. RYAM engaged FTI Consulting to perform due diligence on the planned Tembec acquisition.

FTI CONSULTING'S ROLE: IDENTIFY MASSIVE SAVINGS OPPORTUNITIES, FIGURE OUT HOW TO ACHIEVE THEM

Looking at the deal from financial, operational, and IT perspectives, a team from FTI Consulting's Transaction Advisory Services (TAS) determined that the combined company (called NewCo for modeling purposes) could achieve synergies and efficiencies that would yield annual EBITDA savings of at least \$56 million per year.

In addition, the team predicted that the acquisition would generate approximately \$55 million in one-time cash savings for NewCo through effective working capital management, inventory reductions, and changes in planned capital expenditures.

Based on these findings, RYAM decided to proceed with the acquisition and engaged FTI Consulting to facilitate the integration of the two companies. This engagement began in June 2017 and ultimately included up to 26 FTI Consulting team members staffing the IMO (Integration Management Office) and providing integration support

MERGER INTEGRATION & CARVE-OUTS PRACTICE

across all critical functions such as sales, marketing, supply chain, procurement, manufacturing, finance and accounting, IT, HR, environmental health and safety, external affairs, legal, legacy operations, and branding and communications. The IMO not only facilitated the integration activities, the team also acted as a sounding board for the executive team with support in developing the end state “Newco” operating model, level two plus organizational design, and enabling change management.

The team also provided “clean room” services to help the functional teams dive deeper into the synergy estimates.

A team of Strategic Communications experts from FTI Consulting assisted the combined company with internal and external messaging prior to the merger and after the merger was completed.

For example, team members from FTI Consulting validated the \$9 million in savings opportunities from reorganizing sales forces teams, eliminating overlapping sales coverage from the combined organization and finding ways to disintermediate external middlemen.

The team found another \$17 million savings opportunity by analyzing operations and recommending asset - product shifts that would maximize run times, shorten global supply chains and reduce costs.

OUTCOME: A SMOOTH MERGER ON TRACK TO MEET ITS FINANCIAL GOALS

RYAM finalized its merger with Tembec November 17, 2017. The combined company, which continues to operate under the RYAM ticker symbol, has \$2 billion in annual revenue, a global sales presence and manufacturing facilities in the United States, Canada and Europe.

The combined company is operating smoothly with no significant operational disruptions or strategic customer complaints. By achieving early buy-in, the FTI Consulting team set the stage for a smooth integration, which has RYAM on track to achieving (or exceeding) its savings goals. Some of the wins had already begun materializing by December 2017 in the form of cost savings in shared services, board fees, internal audit fees and executive compensation.

Although internal RYAM employees have now assumed leadership of the Integration Management Office, client leads from FTI Consulting continue to interact with the IMO on a weekly basis to ensure that merger activities proceed as planned.

Both the Board and the Executive Team has been very pleased with FTI Consulting’s work, RYAM has engaged FTI Consulting once more to define the structure, process and metrics needed to develop a best-in-class supply chain.

Stuart Gleichhaus
Senior Managing Director
+1 214.397.1612
stuart.gleichhaus@fticonsulting.com

Todd Smith
Senior Managing Director
+1 720.220.6919
todd.j.smith@fticonsulting.com

Sid Malhotra
Managing Director
+1 832.704.3065
sid.malhotra@fticonsulting.com

About FTI Consulting

FTI Consulting, Inc. is a global business advisory firm dedicated to helping organisations protect and enhance enterprise value in an increasingly complex legal, regulatory and economic environment. FTI Consulting professionals, who are located in all major business centres throughout the world, work closely with clients to anticipate, illuminate and overcome complex business challenges in areas such as investigations, litigation, mergers and acquisitions, regulatory issues, reputation management and restructuring.

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