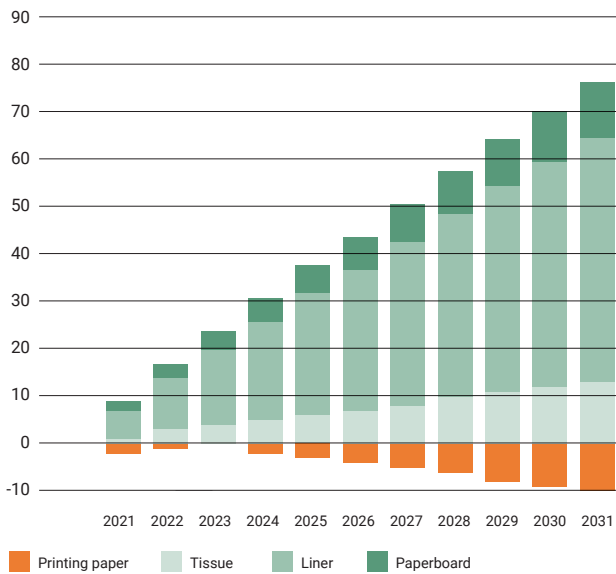


Our market

What is eucalyptus actually used for? The obvious uses are in paper, paperboard and hygiene products such as nappies (there is even a product name, "eucafluff"). Then you have bioenergy, where the tree is chipped and delivered to bioenergy plants. Eucalyptus can also be supplied to coal power plants, where coal can be partly (10–15 percent) replaced by wood raw material. This is the traditional part of the market that has been built up over many years. What is new is that Europe now needs more wood raw material than exists within Europe. Much more. And even more now that Russia is out as a supplier. And in the region, eucalyptus is now beginning to compete with the slow-growing European trees.

We anticipate the consumption of wood-based packaging increasing significantly in the global arena. Today, various types of packaging, mainly liner and paperboard, represent about 55 percent of fibre consumption in the paper industry. According to a study by AFRY/Suzano, cumulative demand for tissue, liner and paperboard will increase 4–5 times in absolute terms (millions of tonnes).

EXPECTED CUMULATIVE CHANGE IN DEMAND FOR WOOD FIBRE (FROM BOTH RECYCLED AND FRESH FIBRE/PULP), MILLIONS OF TONNES



Source: AFRY (Dec. 2020), Suzano (2022)



A Lyocell T-shirt from Mango. Photo: Mango

Then there is the innovative side of the market that includes wood raw material used in the textile industry, where new materials have emerged to replace both cotton and synthetic fibres. Lyocell is one such example, made from eucalyptus and marketed under several different brand names, including Tencel. Viscose is another textile that is also made mainly from eucalyptus.

Another sub-market that is gradually opening up is the one where wood raw material directly replaces plastic. Not functionally – as when a paper rather than plastic is used for bags – but when, for example, a recyclable wood material instead of plastic is used to make a car dashboard. This market is evolving gradually and is very much about technology, logistics and costs. Area by area, product by product, plastics will be replaced by another material, and in many cases a wood raw material will be involved.

Finally, you have biofuels – where fossil fuels are directly replaced by wood-based products. This, too, is developing rapidly, and it is now technically possible to make aviation fuel from wood raw materials.

THE COMPANY'S SUB-MARKETS

Paper
Wood fibre for the paper and pulp industry.

Bioenergy
Wood fibre for power plants (as substitute for coal).

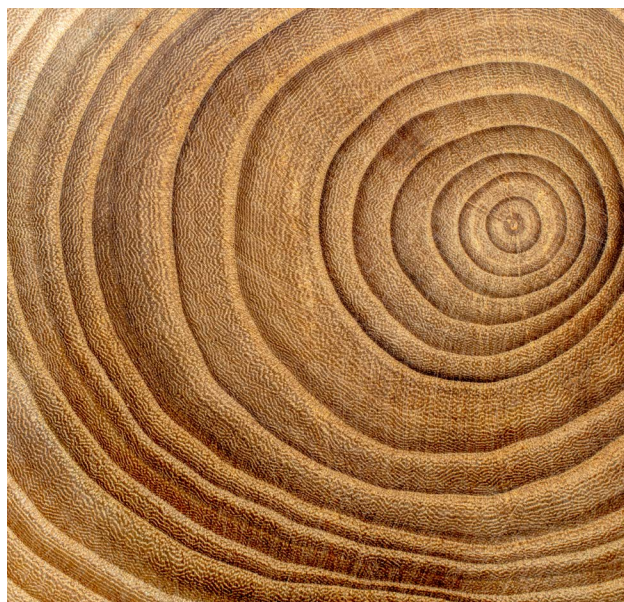
Clothing
Wood fibre for fabrics (Viscose, Tencel, Lyocell etc.).

Plastics
Wood fibre substitutes for plastics.

Biofuel
Wood fibre for fuels.

So, how big is the total market for our product? We have adopted the axiom that the market potential for our wood products is basically impossible to measure today. Think back 100 years, when the car was new and Standard Oil was the world's first and largest oil company. Did they think about how big the market was? Did they forecast how many cars the world would have ten years ahead? We don't think so. We think they focused on finding the raw material and delivering. The hard part is not selling, but actually finding the raw material. The question "Can you sell the oil?" has not been asked of an oil company for at least the past 80 years.

While this approach may be unorthodox, if we look at the traditional part of our market, and delve into a single sub-market – that of kraft pulp (paper bags, packaging etc.) made from eucalyptus – the forecasts for eucalyptus raw material clearly indicate a quadrupling of the market in six years. This is the same growth rate in global users that Netflix recorded in its first six years (2013-2019).



GROWTH FORECAST FOR THE BLEACHED EUCALYPTUS KRAFT PAPER SEGMENT

- Market size USD 17 billion by 2028

