



Value Investors: 1 Commodity Stock Focused on Growing Intrinsic Value

Description

Resolute Forest Products ([TSX:RFP](#))([NYSE:RFP](#)) is a [global leader in the forest products industry](#) with a diverse range of products, including market pulp, tissue, wood products, and paper, which are marketed in over 50 countries. The company operates about 40 facilities, as well as power generation assets, in the U.S. and Canada. The company produces lumber and is the largest producer of uncoated mechanical papers in North America.

The company is also a leading global producer of newsprint and an [emerging tissue producer](#). Resolute has third-party certified 100% of the company's managed woodlands to internationally recognized sustainable forest management standards.

Robust long-term growth strategy

Resolute's corporate strategy is focused on transforming the company away from mature product markets and products in structurally declining markets toward a more profitable and sustainable organization over the long run.

The company's strategy is to drive value creation by growing in pulp and wood products by integrating pulp into value-added quality tissue and investing in product innovation. This would maximize cash generation from Resolute's paper assets, and help it maintain a disciplined approach to capital allocation.

Potential in pulp and wood products

Market pulp and wood products are core segments for the company with sustained growth potential in the long-term. Resolute's strategy is to take an opportunistic approach to strategic initiatives, such as spending to improve productivity, investing selectively in organic expansions and pursuing opportunistic strategic acquisitions.

Integrating pulp into value-added quality tissue

Resolute entered the tissue market in 2015 with the acquisition of two tissue mills and a recovered paper facility in Florida. The purpose of the company's diversification into tissue was to add value with the integration of market pulp, particularly as printing and writing demand for pulp continues to decline.

The move was intelligent as the tissue business provides Resolute with a more stable source of revenue and profitability. The company's tissue operations are almost entirely supplied from Resolute's pulp mills, creating synergies and minimizing risks associated with cyclical market pulp pricing.

Investing in product innovation

Fiber from trees is renewable, reusable and fossil-free. It can serve as a core pillar for Resolute in the ongoing shift away from fossil-based materials toward renewable alternatives. Resolute has large-scale access to high-quality fiber and the expertise to manage strategically-located manufacturing facilities.

Resolute's high-quality paper assets also positions it to compete effectively in the industry. This segment remains an important part of the company's business, helping it to generate cash to finance the company's transformation strategy.

Focused on controlling costs

In order to remain competitive in mature and declining markets that the company's paper operations face, Resolute maintains a stringent focus on controlling costs and optimizing performance. The company focuses on maximizing production at Resolute's most profitable and lower-cost facilities.

The company allocates capital in a disciplined, strategic and focused manner, with a view to maximize free cash flow and to generate attractive returns for Resolute's shareholders. The company explores value-creating opportunities for incremental organic growth projects in order to maximize intrinsic value. This focus should serve long-term shareholders well.

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