

Institutional Distressed Debt Research

Performance Plus Advisors, Inc.

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Distressed Debt Research

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Smurfit Stone Container Corporation

We rate the unsecured debt of Smurfit Stone currently in Chapter 11 Bankruptcy as a Buy. Smurfit Stone bonds are attractively priced at 81 in relation to our estimation of a possible recovery value of 90 % to 100 % of par. The risk reward ratio is presently compelling in our estimation. Bondholders believe the debtor is using valuation assumptions that are not in line with industry analysts and that EBITDA projections likely understate the value of the company. The confirmation hearing to vote on the Plan of Reorganization is scheduled for April 14th 2010. Stone Container will authorize the issuance of 150 million shares, and will issue 100 million shares of common stock for distribution to creditors.

Smurfit Stone Container Corporation makes corrugated containers, kraft paper, market pulp and is a large recycler of paper fiber. The company's headquarters are located in Chicago, IL. On January 26th 2009, Smurfit Stone and its U.S. and Canadian subsidiaries filed for relief under Chapter 11 Bankruptcy protection. The company entered into a Post-Petition Credit Agreement or Dip Agreement. The Dip Credit Agreement provides up to \$750 million. Borrowings under the Dip are guaranteed by the company and is secured by first priority liens on all collateral. The U.S. Trustee denied a request for common and preferred stock holders to form an official committee. Objections from shareholders and their argument are that the company has understated its valuations. Shareholders believe the company is underestimating its value and denying them a recovery. The company disclosed that \$3.3 billion could be distributed to \$4.5 billion claimants. The company has proposed paying \$1.4 billion in cash to secured creditors and swapping its bond debt for equity. The confirmation hearing is set for April 14th 2010.

See Important Disclosures

Liabilities subject to compromise consists of the following:

	September 30, 2009
Unsecured debt	\$2,439
DDIC for unsecured debt	(15)
Accounts payable	364
Interest payable	178
Retiree medical obligations	164
Pension obligations	1,028
Unrecognized tax benefits	44
Executory contracts & leases	67
Other	<u>39</u>
Liabilities subject to compromise	<u>\$4,308</u>

Adjusted EBITDA

(in millions)		
2007	2008	2009
776	442	495

Forecast EBITDA

(in millions)				
2010	2011	2012	2013	2014
469	554	646	667	668

Smurfit Stone Containers Outstanding Debt of \$2.44 billion

		Price:
400M	8.375 due 7/1/12 (SSCC.GD)	81
700M	8.25 due 10/1/12 (SSCC.GG)	81
300M	7.50 due 6/1/13 (SSCC.GI)	79
200M	7.375 due 7/15/14 (SSCC.GN)	82
675M	8 due 3/15/17 (SSCC.GS)	82
350M	7.5 due 11/20/25 (GTD) (JS.GB)	87

LAZARD VALUATION

Lazard estimates that the enterprise value of the reorganized debtor falls within a range from approximately \$2.9 billion to \$3.2 billion. Adding the estimated cash balance at the assumed effective date, net of approximately \$482 million that will be used to make distributions pursuant to the Plan, approximately \$125 million, the value of potential asset dispositions of \$6.3 million and the potential additional value of investments in non consolidated affiliates of approximately \$5.8 million to the enterprise value range of \$2.9 billion to \$3.2 billion yields a range of distributable value of the reorganized debtor of \$3.037 billion to \$3.338 billion with a mid point estimate of \$3.187 billion. Based on an estimated gross debt balance of approximately \$1.2 billion, Lazard's mid point estimate of distributable value for the new common stock is \$1.987 billion.

Summary

We rate the unsecured debt of Smurfit Stone currently in Chapter 11 Bankruptcy as a **Buy**. Smurfit Stone unsecured debt is currently priced at 81.

DEBTORS COMBINED BALANCE SHEET
(Dollars In Thousands)

	January 31, 2010
Assets	
Current assets	
Cash & cash equivalents	\$695,972
Restricted cash	23,556
Receivables	608,506
Inventories	448,561
Refundable income taxes	22,574
Prepaid expenses & current assets	\$42,795
Total current assets	\$1,841,964
Net property, plant & equipment	\$3,029,095
Timberlands, less timber depletion	2,318
Deferred income taxes	20,142
Investments in & advances to non-debtor affiliates	76,444
Other assets	50,552
	\$5,020,515
LIABILITIES AND EQUIT (DEFICIT)	
Liabilities not subject to compromise	
Current liabilities	
Current maturities of long-term debt	\$1,349,300
Accounts payable	403,930
Accrued compensation & payroll taxes	120,719
Interest payable	11,270
Other current liabilities	147,547
Total current liabilities	\$2,032,766
Other long-term liabilities	113,003
Total liabilities not subject to compromise	2,145,769
Liabilities subject to compromise	4,280,557
Total liabilities	6,426,326
Total equity (deficit)	(1,405,811)
	\$5,020,51

Discloser – Certification

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Rating System Explanation

Buy: We generally expect “**Buy**” rated investment returns to be greater than or equal to plus +20% from date of the original recommendation.

Neutral: We generally expect “**Neutral**” rated investment returns to deviate plus or minus + or – 20% from the date of the original recommendation.

Sell: We generally expect “**Sell**” rated investments returns to be equal to or greater than minus -20% from the date of the original recommendation.

Analyst Rating Distribution as of 2/28/2010

	Number of Companies	Percent of Total
Buy	1	50%
Neutral	1	50%
Sell	0	0%
Total	2	100%