

## Sylvamo Spin-Off: Searching For Value In Small-Cap Event-Driven Equities

July 6, 2020 | By Alex Gavrish, Etalon Capital Ltd; author of "Story Investing"

On October 1<sup>st</sup>, 2021, [International Paper Company completed](#) the [spin-off](#) of [Sylvamo Corporation](#), International Paper's global printing papers business.

Shareholders received 1 share of [Sylvamo Corporation](#) for every 11 shares of International Paper. International Paper initially retained a 19.9% stake in the company but according to the latest 10-Q filing International Paper sold part of this stake and as of April 2022 owns 10.5% of Sylvamo Corporation.

[Sylvamo](#) is a global uncoated papers company with a broad portfolio of brands and low-cost, large-scale paper mills located and serving Europe, Latin America, and North America. The company produces mainly uncoated freesheet ("UFS") for paper products.

Based on the company's [guidance](#) for FY 2022, Sylvamo aims to achieve an annual Adjusted EBITDA of approximately \$750 million and \$170 million in free cash flow (excluding Russia, where the company [announced](#) it will suspend operations).

Recently (on April 22<sup>nd</sup>, 2022) Company announced that its board of directors adopted a limited-duration shareholder rights plan to protect the interests of all shareholders. This happened after Atlas Holdings confirmed that it acquired nearly 14% percent of Sylvamo's outstanding shares.

Last year Atlas Holdings was involved in Verso Corporation which subsequently was [acquired](#) by [BillerudKorsnäs AB](#).

On May 19<sup>th</sup>, 2022, Sylvamo initiated and declared a quarterly dividend of \$0.1125. This would provide an annual dividend yield of 1.5% percent.

The company also announced a new share repurchase authorization to acquire up to \$150 million of the company's shares.

Based on the current market share price of \$30, the company has a market cap of \$1,323 mil and is valued at an EV/EBITDA valuation multiple of x3.28 (Adjusted FY 2022 EBITDA guidance).

Sylvamo is a small capitalization company so risks are larger compared to mid or large-cap companies, but we believe that given recent developments, the company's shares could provide a large potential upside, especially in case of an acquisition by the strategic buyer.