

Global Thermal Paper Update

January 19, 2018

Dear Valued Customers:

I want to start by simply saying THANK YOU!

While we have certainly had some difficult conversations, as a group you have been overwhelmingly supportive in working together to manage through this unprecedented and unpredictable situation impacting the global thermal paper market. We understand that the increases in price have created fatigue and frustration with many of you. We too are experiencing those same emotions as constantly escalating prices and a shortage of paper supply have made it very challenging to manage our day to day operations. So, THANK YOU! Thank you for your continued support and understanding the last few months.

I wanted to take an opportunity to address some of the rumors and speculation that we have been hearing in the marketplace. We have heard all kinds of things ranging from the chemical companies have started back up, prices will be decreasing soon, and most shockingly we heard from some that there is no shortage of Leuco Dye. This has all been fabricated. These rumors and speculation have made it increasingly difficult for providers and customers to understand the reality of the situation. As the leader in the market we have worked tirelessly to understand every aspect of the crisis in both the short and long term. Over the last several months I have personally been in regular contact with the CEOs of all the major thermal paper suppliers and have established an on-going dialogue to ensure that we are on the forefront of the issue. The reality is that paper supply is still very limited, the major chemical providers are not producing, and raw materials providers are still passing price increases and surcharges at unparalleled rates.

Next, I will address what is happening with Leuco Dye. For over 100 days Connect Chemical, the largest supplier of Leuco Dye globally, has remained closed despite the previous announcements to resume production in both late December and Mid-January. There have been recent reports that this facility has started producing this week, but to our knowledge they are not yet supplying Leuco Dye to the market. Chameleon Chemical, originally estimated to be back up in few days after an industrial park explosion in early December, also remains out of production. They are estimated to be the second leading provider of the chemical and the latest expectation is that they will not return to production until after Chinese New Year in February. Fukang has resumed production of the dye however they are not operating at full capacity. We continue to monitor this aspect very closely however the length of each shutdown continues to put severe pressure on the availability of the dye. Based on the information that we have, even if these companies started producing chemicals today, it would be 90-180 days until paper supply would be back to normal globally. As such, we are not expecting a normalization of supply within the thermal paper market until the second half of 2018 at the earliest.

In addition to the current Leuco Dye shortage, pulp is also a significant driver of thermal paper pricing. Over the past year, pulp prices have increased 20-40% depending on the grade. Prior to the current dye issue two thermal paper price increases were announced on July 1st and October 1st to address this additional cost factor. Transportation is also emerging as an additional cost factor that will contribute to escalating price in the marketplace.

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We have heard that some in the market are claiming that prices will start to decrease in March. Not only is this not true, it's uninformed and very misleading. In fact, two out of the three largest paper suppliers to the North American market have announced new price increases in just the last week. Appvion announced a second surcharge of \$.95 / msf across all grades effective January 29th. Koehler announced a 12%-15% global price increase effective April 1st. Many other providers including Hansol had previously announced new double digit increases that will also take effect in March. The increases have now also reached into additional product classifications including labels.

Iconex understands the pressure and frustration that this issue has placed on our customers and we are very empathetic. We are analyzing the effect of these recent announcements and how they will impact our costs across our complete portfolio. Once we have completed our analysis, it is highly probable that we will need to announce additional price increases in February to cover our costs. However, we plan to give all our customers at least thirty days' notice before making them effective.

As mentioned in previous communications, Iconex's highest priority continues to be ensuring adequate supply for all our existing customers. While most of our customers have been very appreciative of our actions, some have been critical since we needed to raise prices to cover the premiums we are paying for paper. I want to make it clear that we are not just depending on the paper companies for updates, we are actually working collaboratively with them to identify and implement both short and long-term solutions to deal with the Leuco Dye shortage. Based on our proactive measures, we have succeeded in keeping our customers supplied while several competitors have failed. As such, we will continue to execute against our strategy to maintain adequate paper supply to meet your needs. Our efforts, with your support, have well positioned Iconex to support you and your growth as we move forward into 2018.

Lastly, I wanted to provide our view of the longer-term outlook. It is important to note that we cannot predict the future, but we are happy to provide an educated guess. Based on the information that we have today, which assumes that Leuco Dye production comes back on-line soon, we do see signs that the market will likely start to stabilize in the second half of 2018. We think this stabilization will have a positive impact on both supply and price. However, we do not anticipate pricing to return to historically low levels that were being realized during the summer of 2017. While the cost of Leuco Dye may come down, many of the other underlying costs of thermal paper have risen dramatically such as pulp, freight, currency, other chemicals, etc. The strengthening economy in North America will put additional stress on these additional cost drivers. We do see a potential end in sight to the rapidly rising costs, but we are not predicting a complete reversal of the most recent price increases.

It is our responsibility to provide you, our customers, with as much detailed and proactive information as possible. We hope that this update helped provide some clarity. I remain personally committed to managing these uncontrollable market circumstances as they evolve. As always, you can also find the latest market information by contacting your Iconex Sales Representative or visiting www.iconex.com, www.ritemade.com, and www.pmcompany.com.

We appreciate your valued business and continued support!

Sincerely,



Craig A. Gunckel
Chief Executive Officer