



Catalog Segment Update

*An Overview of Current
Segment Dynamics*

Monthly Focus Topic



Verso simple.™

Catalog Industry Snapshot



- Highly fragmented industry
- Dominated by large number of small, privately-held companies
 - There are some 14,000 catalogs, according to Grey House Publishing's 2009 Directory of Mail Order Catalogs (9,000 consumer, 5,000 B-to-B)
 - Oxbridge Communication's 2009 National Directory of Catalogs lists over 12,000 catalogs
- Some 18 billion catalogs mailed annually (2008)
- Electronic and mail order sales totaled an estimated \$204 billion in 2008 / Top 10 catalogers accounted for 50% of total sales
- Increasingly difficult to track due to growth in multi-channel marketing

Source: U.S. Bureau of Economic Analysis, Multichannel Merchant, American Catalog Mailers Association, Verso Marketing

Catalog Segment Summary



Drivers

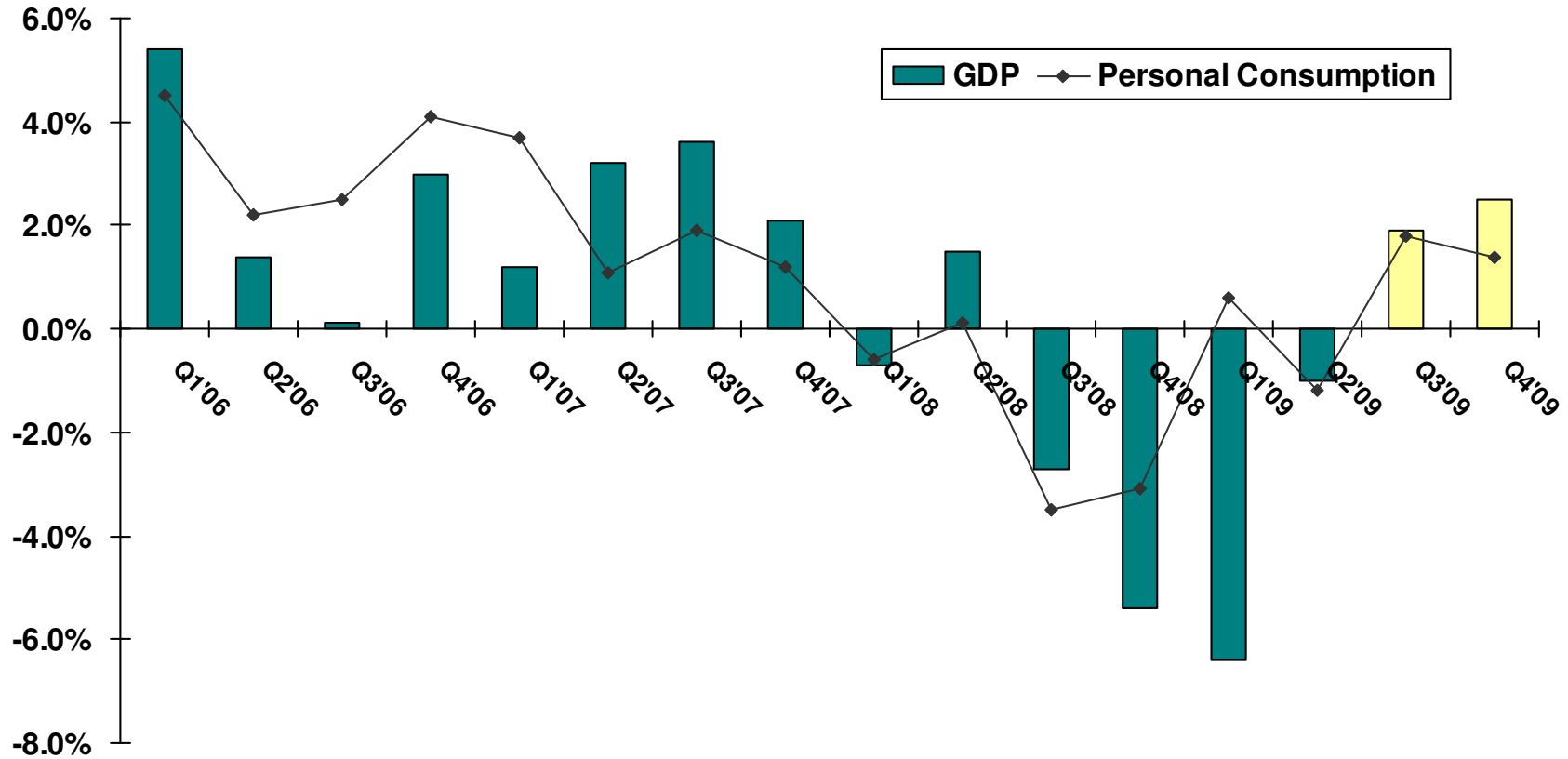
- Proven value of print catalog and multichannel shoppers
- Consumers' growing acceptance of remote shopping
- Unique advantages of cataloging (available 24/7/365, highly portable)
- Online privacy concerns

Restraints

- Weak economy / lower consumer spending
- Growth of the online channel & e-mail marketing
- Higher production & distribution costs
- Market saturation (crowded mailbox)
- Environmental concerns
- Do Not Mail initiatives / legislation

Source: Verso Marketing

GDP & Personal Consumption

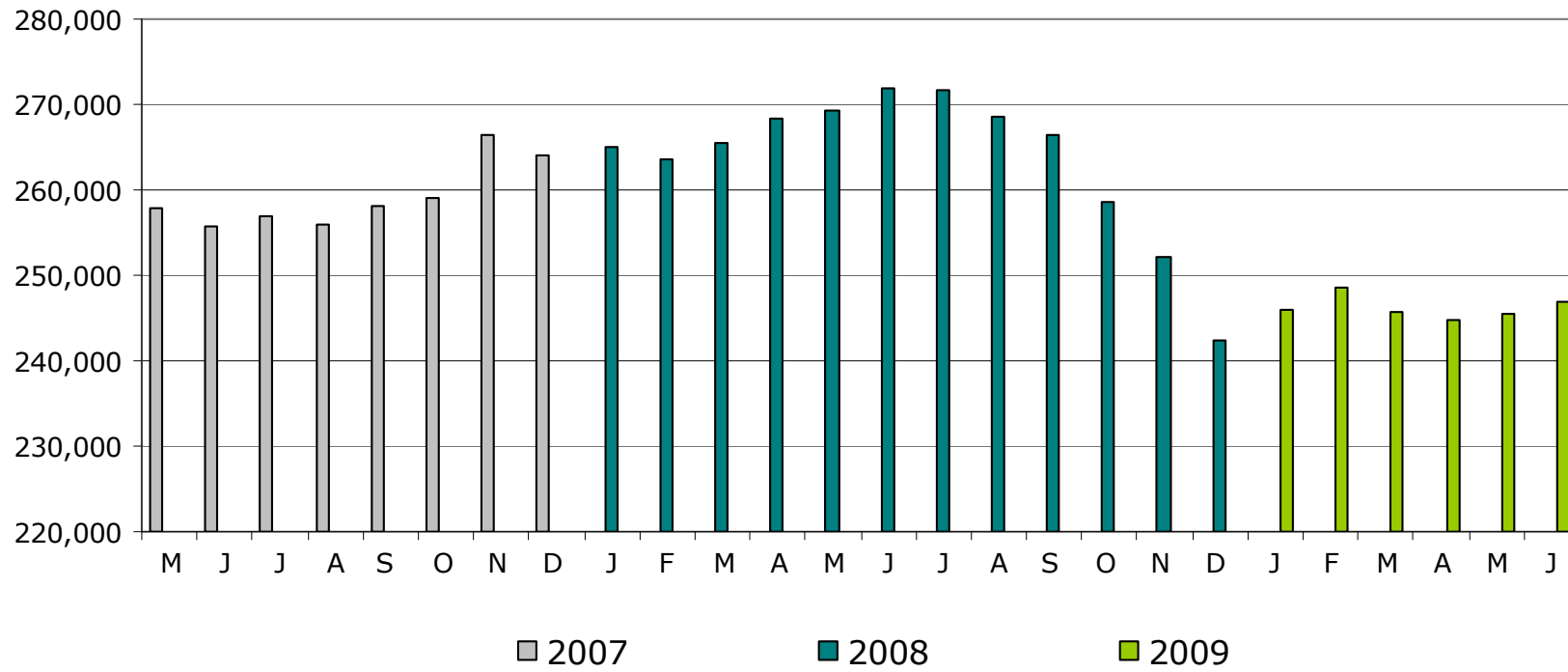


Source: U.S. Department of Commerce, RISI

Retail sales down 7.9% in 1H'09



Non-Auto Retail Sales
(Millions of Dollars)

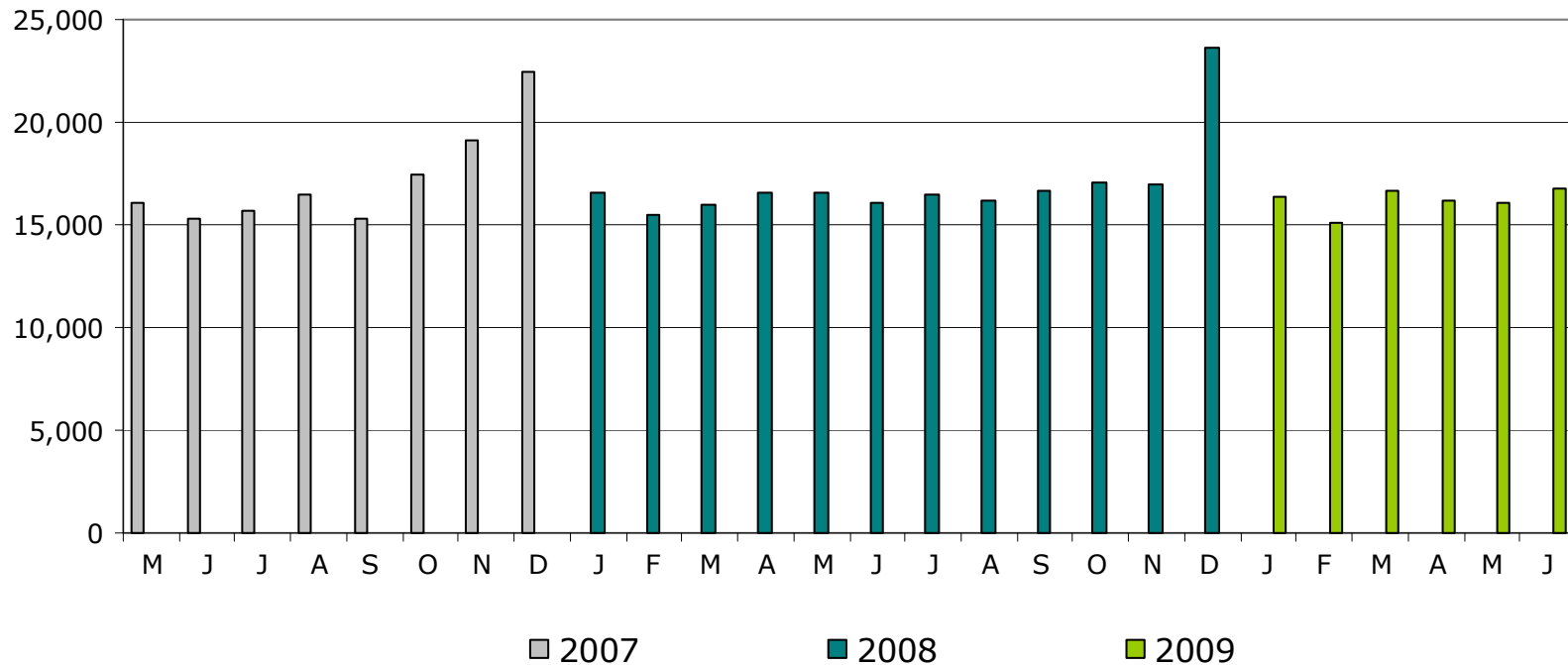


Source: U.S. Bureau of Economic Analysis

Electronic & mail order sales are flat, reflecting changing consumer buying preferences



Electronic & Mail Order Sales
(Millions of Dollars)

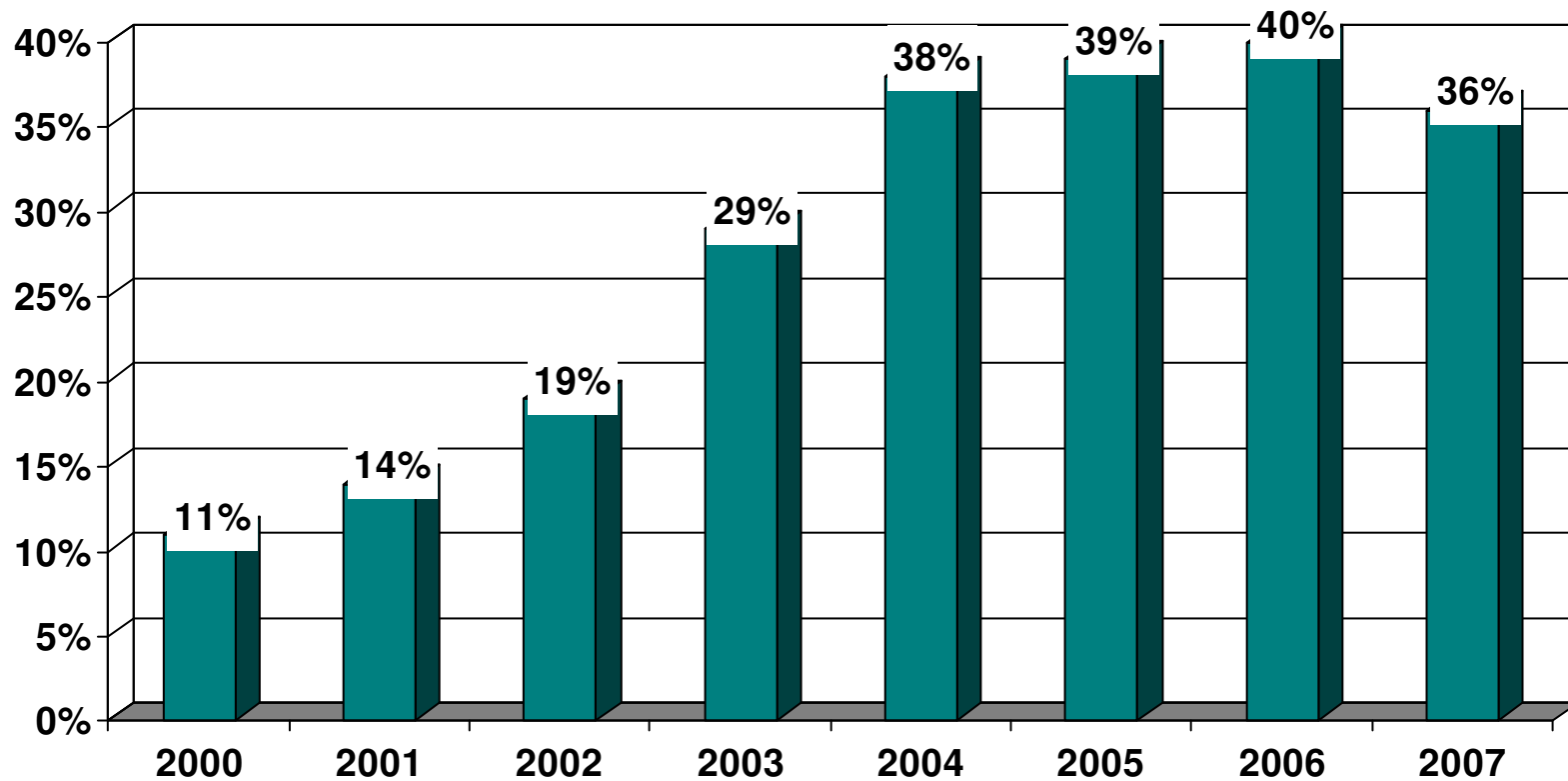


Source: U.S. Bureau of Economic Analysis

Internet channel represents some 36% of direct sales



Internet Sales as a % of Total Direct Sales

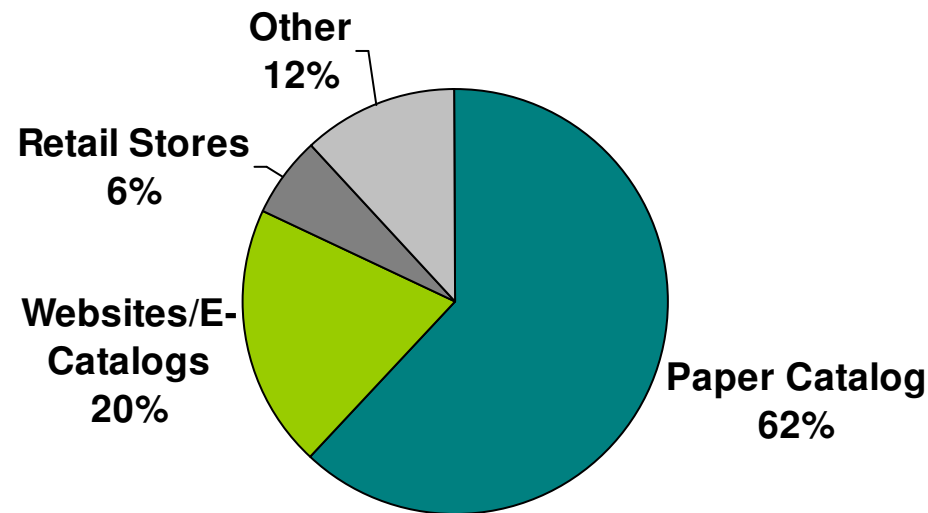


Source: DMA, "State of the Catalog Industry 2008"

Print catalog still primary sales driver for catalogers



*Percent of Survey Respondents Reporting

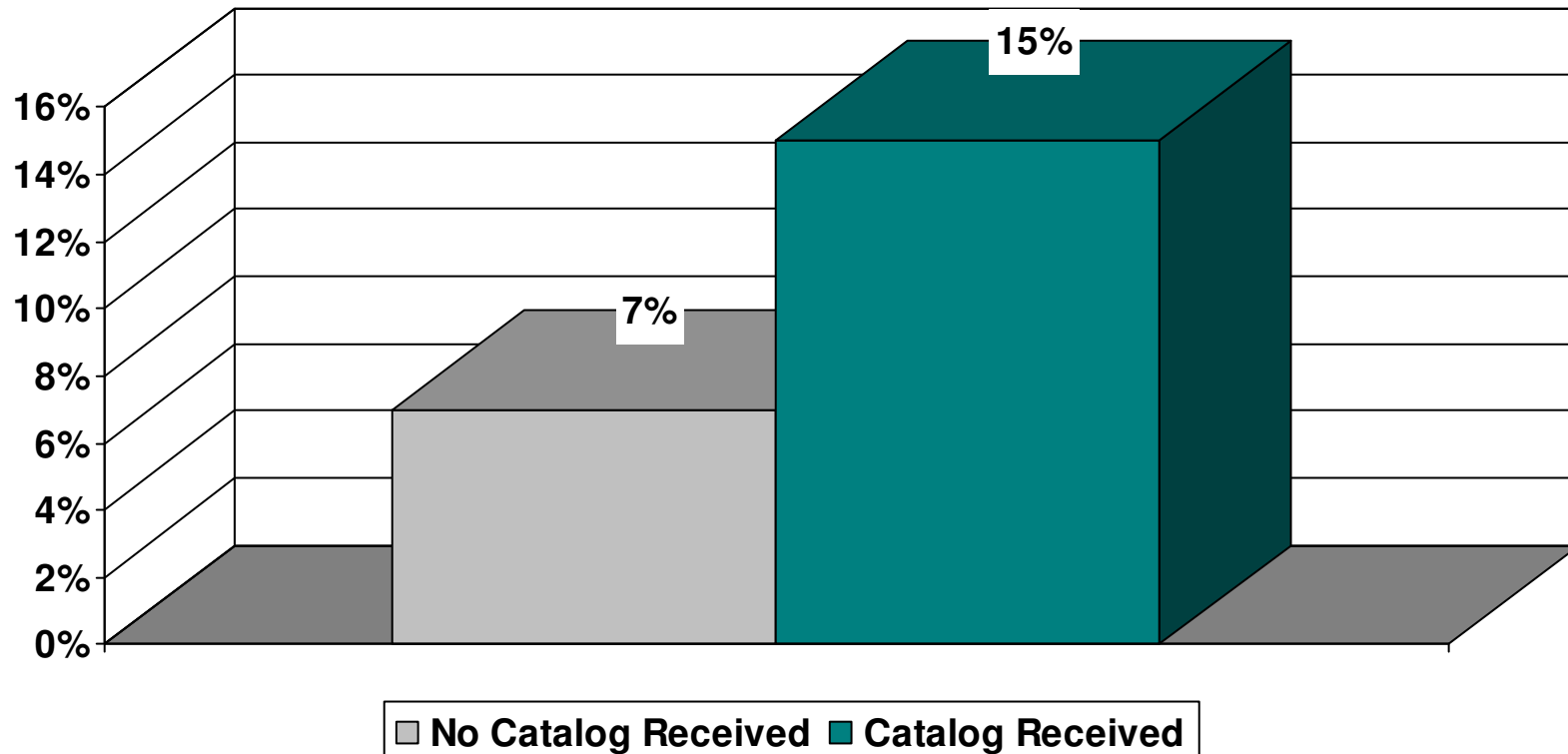


Source: DMA, "State of the Catalog Industry 2008"

Research shows sending catalogs more than doubles online sales

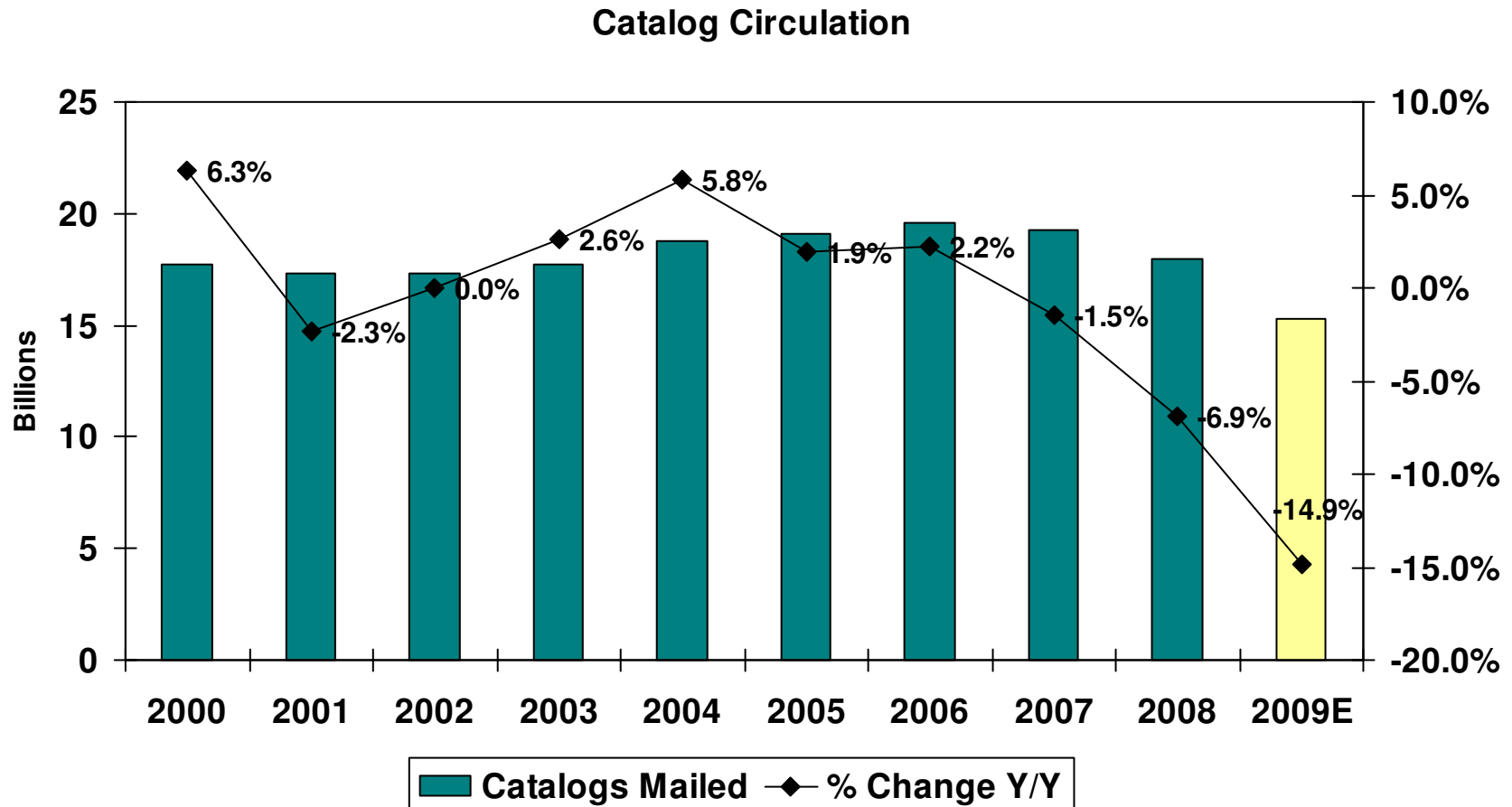


Percentage of Consumers that Visited the Cataloger's Website and Made a Purchase



Source: USPS/comScore Networks, "2007 Multi-Channel Direct Mail Study"

Significant cutbacks in catalog circ; Recovery to begin in 2H'09

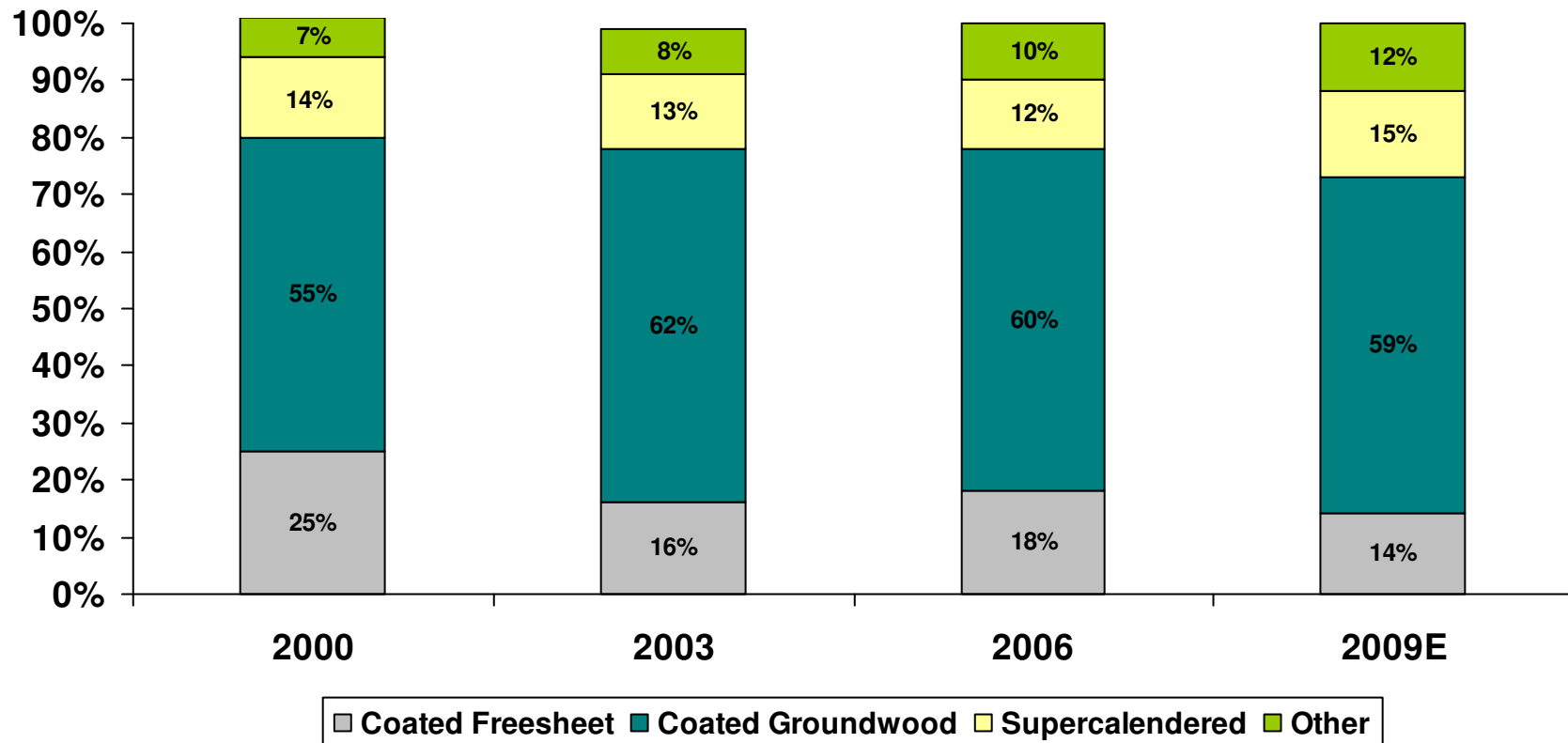


Source: RISI

CGW No. 5 remains dominant grade; growth in SCA/A+



Paper Consumption -- Catalogs



Source: RISI

*Other includes UCFS & Other UCGW Grades