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International Paper Co. (IP)

Q3 2025 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good morning and thank you for standing by. Welcome to International Paper's Third Quarter 2025 Earnings Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, you will have an opportunity to ask questions. [Operator Instructions]

It is now my pleasure to turn the call over to Mandi Gilliland, Senior Director of Investor Relations. Ma'am, the floor is yours.

Mandi Gilliland
Senior Director-Investor Relations, International Paper Co.

Thank you, Krista. Good morning and good afternoon, and thank you for joining International Paper's third quarter 2025 earnings call. Our speakers this morning are Andy Silvernail, Chairman and Chief Executive Officer; and Lance Loeffler, Senior Vice President and Chief Financial Officer. There is important information at the beginning of our presentation, including certain legal disclaimers. For example, during the call, we will make forward-looking statements that are subject to risks and uncertainties. These and other factors that could cause or contribute to actual results differing materially from such forward-looking statements can be found in our press releases and reports filed with the US Securities and Exchange Commission.

We will also present certain non-US GAAP financial information. A reconciliation of those figures to US GAAP financial measures is available on our website. Beginning this quarter, management has elected to present forward-looking guidance based on adjusted EBITDA rather than adjusted EBIT. This change reflects our view that adjusted EBITDA provides a better comparative metric to use during the company's transformation. Our website also contains copies of the third quarter earnings press release and today's presentation slides.

I will now turn the call over to Andy Silvernail.

Andrew K. Silvernail

Chairman & Chief Executive Officer, International Paper Co.

Thanks, Mandi. Good morning and good afternoon, everyone. Let's begin on slide 3. As we go through today's presentation, there are three key messages I want you to take away. First, we're making significant, measurable progress on our transformation. Our strategy is getting traction. Second, macro conditions in North America and EMEA continue to be challenging. Third, we're focused on what we can control. We're moving aggressively on cost initiatives to enable margin expansion and continued investment in our success.

This quarter represents an important step on our transformational journey as we continue to execute the strategy we launched last year. We committed to an ambitious transformation plan to reinforce our leadership in sustainable packaging solutions through advantaged cost position and high relative supply positions in most – in our most strategically attractive markets and delivering an unmatched customer experience.

Our strategy is rooted in 80/20, which has four elements: simplify, segment, resource, and grow. In that spirit, over the course of this year, we have announced several targeted actions. We are simplifying our organization by exiting select businesses, markets, and functions to sharpen our focus and liberate resources. Post the GCF sale and the exit of some specialty businesses and low margin export, we will be exclusively a sustainable packaging business. This is a major milestone in our transformation.

A key step of segmentation is the rollout of our lighthouse model, which has accelerated across the North American box system and continues to gain traction in our mill system. And we are now kicking this off in EMEA. We are directing our resources, mainly people and capital, toward our most advantaged opportunities to drive higher reliability and productivity. For example, we made the decision to close Savannah. We redeployed approximately 30 people to Riverdale and avoided $300-million capital call, which allowed us to fund our Riverdale conversion to lightweight containerboard. These actions contribute to a stronger business for our customers, employees and shareholders, which is reflected in our EBITDA improvement.

I'm now moving to slide 4. We are well on our way in our transformation journey and are pulling multiple levers with many moving parts across North America and EMEA. Several drive immediate benefits and you'll see those in our numbers now. Others are medium and long-term benefits that come with near term financial offsets. Facility closures, overhead reduction, and refocusing our commercial efforts will have multiple short-term puts and takes.

During this call, we want to ensure that we describe the key components of our transformation. The main takeaway is that our underlying earnings are growing significantly and we are confident in our strategy to deliver profitable growth over the long-term. It's important to recognize that North America and EMEA are at different stages of the transformation journey and operate in very different markets, which creates unique opportunities and challenges for each business.

In North America, we're seeing significant benefits of the actions taken today despite short-term market offsets, giving us conviction that we're on the right path. In EMEA, we are early in the process of optimizing our footprint, reducing overhead costs, and reinvesting in strategic priorities. Despite macro headwinds, we're making progress and have a clear path forward to drive improvements.

I'm on slide 5. As we consider our journey and how much is left to accomplish, I want to anchor us in the progress we've made to date, utilizing North America as a transformation proof point. This slide shows how we can drive results in a tough market while investing to win. In North America, we have delivered a 40% increase in adjusted

EBITDA year-to-date compared to the same period in 2024, while expanding adjusted EBITDA margin to 370 basis points – by 370 basis points.

Our strong performance year-to-date has been the result of several cost and commercial drivers. In terms of cost improvement, we continued our footprint optimization in North America. We closed additional mills and box plants, sold or exited some of our non-strategic export and specialty businesses, further simplified our overhead structure, and rolled out our 80/20 lighthouse model to 74 box plants to drive improved operational efficiency and service levels. We launched a lighthouse implementation in our mill system in the third quarter.

Commercially, we continue to invest in our best-in-class experience for our customers. This has resulted in key strategic wins across national and local customers as we continue to benefit from strong margin improvement. In North America, we have pulled the levers of change aggressively. The tremendous effort and focus by our team is working. We will continue to build on our progress in North America while leveraging our 80/20 playbook in EMEA.

I'm now moving to slide 6, let me cover a few quarterly highlights. To begin, our Packaging Solutions businesses grew EBITDA sequentially 28%. These results underscore the progress we're making with our 80/20 implementation. As we move to demand, we came into the year we anticipated US box industry shipments would be up 1% to 1.5%. However, we now expect industry shipments to be down approximately 1% to 1.5% for the full year due to factors like trade uncertainty, soft consumer sentiment, and weak housing market. Similarly, in EMEA, our expectation coming into the year was for box volume to be in the 2% to 3% range. We're now seeing that closer to 1%. While the markets are challenging, we are controlling our own destiny. We control our customer-centric approach and that focus is working.

In North America, in the month of September, marking an important milestone as we took market share and grew box shipments. That trend will continue in the fourth quarter and 2026. Despite softer than expected market conditions, we have continued to build momentum on our transformation journey and are rapidly executing cost out measures that will yield additional benefits in 2026, which I'll talk about in detail later. In addition to our mill closures and specialty business exits, we still expect to close the sale of GCF by year end pending regulatory approval. During the balance of our time today, we'll walk through our more details – more details about our third quarter performance, our outlook for the fourth quarter, momentum into 2026, and updated targets for 2027.

Now moving to slide 7. Looking at our overall company performance, excluding GCF, our third quarter results reflect solid progress and additional proof points along our transformation journey. Third quarter revenue was slightly higher sequentially driven by continued strong price realization and stable volumes. Importantly, we delivered our expectation of significant sequential EBITDA improvement in the quarter. As a result, our EBITDA improved by 28% and our margin expanded by approximately 300 basis points. Our adjusted EBIT and EPS results included the accelerated depreciation expense of $675 million related to our facility closures, which impacted EPS by $0.81.

Free cash flow in the quarter increased sequentially to $150 million, primarily driven by strong growth in operating cash flow despite approximately $60 million of direct cash costs related to our transformation. The strength of our balance sheet allows us to invest and position ourselves to drive sustainable, profitable growth.

I'm now on slide 8. Sequentially, we saw a significant improvement in EBITDA this quarter of approximately $190 million for IP's continuing operations. With the GCF business included, we achieved more than $1 billion of EBITDA in the quarter, in line with our expectations. I'd like to take a moment now to acknowledge the entire GCF team for their contributions and their hard work demonstrated throughout this transition. We wish them continued success as they team up with American Industrial Partners.

Now, I'll turn it over to Lance for a few additional details.

Lance Loeffler

Senior Vice President & Chief Financial Officer, International Paper Co.

Thanks, Andy. Still on slide 8, let me touch on a few housekeeping items related to GCF. First, we've recast this year and the prior two years of financials to reflect GCF moving to discontinued operations. Second, we've identified approximately $60 million in annual stranded overhead costs, which we have reallocated to the corporate line throughout 2025. A significant portion of these costs will be covered by a transition service agreement following the close. As the TSA winds down, any residual stranded costs will be eliminated.

Third, with the signed transaction, we've written down the GCF business to fair market value and the associated impairment of approximately $1 billion is reflected in the discontinued operations line this quarter. Finally, upon closing, we intend to use the sale of these proceeds of GCF to reinvest in our Packaging Solutions businesses and pay down debt in order to sustain our target credit metrics and maintain a strong investment grade rating.

Turning to slide 9 and our Packaging Solutions North America third quarter results. As a reminder, we are using adjusted EBITDA for our bridges as a better comparative metric during the company's transformation. Looking at the data sequentially, price and mix in the third quarter was higher by $28 million, primarily due to strong price realization from prior price index movement. Volumes were relatively stable in the third quarter. And operations and costs were $49 million favorable, primarily driven by the non-repeat of second quarter items as we discussed on the last call and the impact of strategic cost out initiatives. Planned maintenance outages resulted in $86 million of lower costs in the third quarter. In order to accelerate our mill footprint actions, we adjusted our outage schedule accordingly. Going forward, we will continue to optimize planned outages to align with demand and balance our network.

Input costs were $27 million unfavorable for the quarter due to higher energy costs, including the incremental costs from the natural gas curtailment that continues at our Valliant mill. All of this leads to an adjusted EBITDA for North America of $655 million. Following the bridges, I'd like to note our depreciation expense in the third quarter was $831 million, which includes the accelerated depreciation expense of $619 million associated with the closure of our Savannah, Riceboro and Red River mills.

Turning to slide 10, let me take a moment to put the trajectory of North American business into perspective. As mentioned on our last call, we finished the second quarter with a gap to industry around negative 4% but expected to close our gap by the end of this year. Although industry numbers will not be published until tomorrow, we believe that we will be in line or above industry growth rates in the third quarter. Importantly, we exited the third quarter with volumes up 1% year-over-year in September and we are seeing that trend reinforced in October. This gives us confidence in market share gains in the fourth quarter.

As you can see in 2024, our volume trajectory versus the industry was a direct result of strategic actions we took to renegotiate low margin contracts. While this had a significant impact on our volumes, it allowed us to shed less desirable business and refocus our capacity and commercial efforts on higher value, more profitable businesses. You can see from the benefits of these changes starting to take effect in 2025 we have closed the gap to market and expect to have above market performance in the fourth quarter and 2026. The current trajectory is consistent with our expectations and further affirms our strategy is working.

Turning to slide 11, let me provide some detail on our fourth quarter Packaging Solutions North America outlook. Taking a look at volume, we expect industry demand to remain relatively stable in the fourth quarter. However, our outlook of an $82-million decline includes approximately $60 million of unfavorable commercial impact associated with the exiting of the two strategic – non-strategic, excuse me, export and specialty markets businesses. In addition, there are three less shipping days sequentially, which we anticipate will be partially offset by the benefit of strategic customer wins and stronger seasonal volumes.

We expect operations cost – we expect operations and costs to be favorable by $44 million in the fourth quarter, primarily due to the $60 million of cost out benefit from mill closures tied to the exit of the non-strategic export and specialty markets. This benefit is partially offset by seasonally higher labor costs and reliability spend aligned with our planned outages. So, just to be clear, the $60-million benefit and option costs related to the mill closures in the quarter offsets the $60 million of negative commercial impact in volume. The fourth quarter will also include higher maintenance outages sequentially as planned. All in, our fourth quarter outlook for North America is approximately $600 million of EBITDA.

Now moving to slide 12. As we look to the balance of 2025 for North America, we expect continued EBITDA improvement building on our strong first half momentum. Let me provide you with more details of our commercial and cost out improvement. This bridge reflects the expected benefits that we are realizing in the second half of 2025. From a commercial perspective, the benefit from the February price increase will continue to ramp throughout the year. As we roll out our lighthouse model more broadly, we expect more wins with strategic customers both nationally and locally.

On the cost front, the EBITDA improvement throughout 2025 is primarily driven by corporate overhead structural changes and the closure of the Red River mill. These actions taken earlier in the year continue to flow through in the second half and into 2026. This quarter, we also announced the closure of Savannah and Riceboro mills. As I mentioned on the last slide, the reduction in fixed costs favorable to EBITDA is offset entirely by the commercial margin loss from exiting saturated kraft and low margin export markets. Both of these mills have significant near term capital requirements and did not return their cost of capital through the cycle. By taking these strategic actions, this capital will be redeployed for stronger returns within the business.

Andrew K. Silvernail

Chairman & Chief Executive Officer, International Paper Co.

Let me add some context here. In light of the more challenged demand environment, we are accelerating our cost cutting actions. While these are difficult decisions, they are the right thing for the long-term success of the business. This has been an active quarter and I want to speak to several decisions.

In North America, Lance just walked you through the mill closures announced in August which ceased operation last month. Earlier this month, we also agreed to sell our bags business. And just last week, we executed the decision to outsource a large portion of our North American IT service and support functions, a strategic move toward better scalability, cost efficiency, and positioning IP and our businesses to deliver operational and customer excellence. We're grateful to all employees affected by these actions. Thank you for all of your continued contributions, and we wish you very well in the future.

Now, let me hand it back to Lance to walk you through EMEA's third quarter results.

Lance Loeffler

Senior Vice President & Chief Financial Officer, International Paper Co.

Thanks, Andy. So, now, turning to slide 13 in our Packaging Solutions EMEA third quarter results. While we continue to see soft demand in EMEA, our business grew EBITDA and expanded margins sequentially. While price and mix contributed $13 million of improvement in the third quarter, this was below our expectations, primarily due to recent downward price index movement. Volume was also lower than expected in the third quarter, which we believe resulted from overall market softness and destocking in anticipation of paper price declines.

Operations and costs were unfavorable by $10 million, primarily due to the pricing impact on the value of our inventory. As a result of the paper price decline, we experienced lower fiber costs of $90 million in the third quarter, all of which resulted in third quarter adjusted EBITDA for EMEA of $209 million.

Turning to slide 14, I'd like to discuss our fourth quarter outlook for Packaging Solutions EMEA. Price and mix are expected to improve by $12 million next quarter, primarily driven by continued box price realization due to the flow through and timing of prior price index movement. Turning to volume, we expect an increase of $12 million in the fourth quarter based on improved seasonality heading into the holidays and the start of the citrus fruit season in Morocco.

In addition, we expect operations and cost to be $24 million unfavorable, primarily due to increased costs related to the seasonally higher volume. Finally, we expect favorable fiber costs to provide a $16-million benefit in the fourth quarter. All in, our fourth quarter EBITDA outlook for EMEA is approximately $230 million.

As I turn to slide 15 and we discuss North America, we're showing a bridge for EMEA similarly that reflects the 80/20 progress and the anticipated EBITDA benefits we expect to realize in the second half of this year. For our commercial initiatives building towards our 2025 EBITDA targets, we previously identified uplift from prior price index moves. Since then, the European market has been challenged by demand softness, and there have been several price index decreases offsetting that original gain.

Our current view includes no adjustments to the paper price index. As a result of the challenged macro environment in EMEA, we are taking action to accelerate our cost out initiatives. This quarter, we've proposed several closures across East Europe, the Nordics and Italy, which are all subject to consultation. Last quarter, we announced a proposal to delayer and remove the regional overhead structure in Europe as well as consolidate from 13 to 7 sub-regions. Consultation on this reorganization is progressing with an anticipated financial benefit occurring in 2026.

Finally, we are launching our lighthouse pilots in Spain and the UK, similar to the model we rolled out in the US, with plans to expand across EMEA next year. I would also note that the input costs and other bar includes the additional month of DS Smith and favorable energy costs offset by inflation. Obviously, EMEA is not in a position we expected this year. While we have significantly improved our strategic positioning and competitive strength, market softness and negative price movements have made the start to the DS Smith acquisition challenging. With that said, we have an aggressive roadmap to improve profitability, invest in our strategic pillars, and position the business for long-term success.

Now, let me turn it back over to Andy.

Andrew K. Silvernail

Chairman & Chief Executive Officer, International Paper Co.

Thanks, Lance. I'm on slide 16. As we look ahead to 2026, we'll provide full year guidance on our next call at the end of January. The numbers on this slide show clear line of sight to the additional benefit of actions we have announced in 2025, which equate to $600 million of incremental adjusted EBITDA in 2026.

The majority of the benefits already executed come from cost actions. We will see the impact from our footprint optimization, distribution, overhead, and sourcing initiatives as we realize the full benefit of our 2025 actions with approximately $500 million of cost carryover into 2026. We will also see incremental margin gains from known strategic commercial wins in North America and EMEA, partially offset by exiting the non-strategic businesses related to Savannah and Riceboro closures.

We have not included in this analysis additional upside potential from market growth, price and future cost actions, including productivity as we drive improvement to our North American mill system. Collectively, the actions we have already executed and actions we will take going forward are foundational to our controlling and shaping our future performance in a dynamic environment.

I'm on slide 17. As we finalize 2025, I want to share with you our updated transformation targets. There are a few key points. First, our execution is on track. We have taken decisive action in North America and we are accelerating our execution in EMEA. Second, market headwinds throughout 2025 will likely persist into 2026. The soft market has cost more than $500 million in profit this year alone. Importantly, the profit opportunity remains. It is simply going to take a year longer to achieve. We expect to capture the full opportunity by 2028.

Third, through the impact of the market softness, we are adjusting our targets for 2025 and 2027 compared to what we outlined in our Investor Day in March. Again, we'll offer full guidance for 2026 in January. With the market softness continuing in North America and EMEA, our revised full year 2025 targets are $24 billion of net sales, adjusted EBITDA of $3 billion, and free cash flow of negative $100 million to $300 million.

Our long-term ambitions remain, IP has the ability to deliver on the targets we laid out at Investor Day in the medium-term. However, the softer market this year and into 2026 has delayed our progress. We can deliver $5 billion of EBITDA in 2027 and continue to accelerate our progress thereafter. With our improving performance, cash on hand and strong balance sheet, we will continue to invest aggressively in our transformation. I'm excited for the future as we retool International Paper through 80/20 and our strategic pillars. The team is doing yeoman's work across the company. We are committed to delivering on our transformation plan.

Before I move to Q&A, I want to thank our IP team. Our people are working tirelessly to win. Together, we are in an important journey to realize our potential as the market leader, employer of choice, and value creator for customers and shareholders.

Now, operator, let's open it up to questions.

QUESTION AND ANSWER SECTION

Operator: Thankyou. [Operator Instructions] We will now pause a moment to compile the Q&A roster. We do ask that you limit yourself to one question and one follow-up question. Our first question comes from the line of Mark Weintraub with Seaport Research Partners. Please go ahead.

Mark Adam Weintraub
Analyst, Seaport Research Partners

Q

Thank you and congrats on the progress in a tough environment. First...

Andrew K. Silvernail
Chairman & Chief Executive Officer, International Paper Co.

A

Thanks, Mark.

Mark Adam Weintraub
Analyst, Seaport Research Partners

Q

The first question for me, and I heard Lance's explanation in terms of kind of the opportunities in EMEA. But one thing I'm just trying to really understand is the difference between what you're going to be doing in EMEA versus North America and sort of two pointed – or two points on that. One, so there was a lot of opportunity in North America to take out excess capacity that had developed in the system. And you basically didn't have to walk away from any business. So, there wasn't the negative commercial impact that, say, is related with Savannah for a lot of the stuff done earlier. Are there those types of opportunities in EMEA? Or is it more the second type where it's going to be improvement over time, tough decisions being made?

And then second, in North America, there also had been commercial decisions made a few years prior that had hurt and essentially you're able to make changes, and we've seen lots of benefit from that. Are there things like that in EMEA, too? Or is that – how is the commercial opportunity in EMEA different from North America?

Andrew K. Silvernail
Chairman & Chief Executive Officer, International Paper Co.

A

Those are both great questions, Mark. Thank you. So, on the cost front, it is a little bit different, right? We don't have same kind of magnitude of excess mill capacity or paper capacity that we had in North America. That said, there's more capacity out in the field as you think about the box system and underutilization in the box system. We did not have a ton of underutilized capacity in the box system per se. We certainly found it as we have implemented the lighthouses. And so, those two things were true in North America.

In Europe, we definitely have excess box capacity as we look at the European footprint. And then on the mill side, what we have is we have a pretty considerable amount of our capacity that isn't going into the box business. And so, we have to really look at the economics around that and make really good choices.

One of the things that's different in Europe than in North America is that complexity. So, where we found a lot of complexity in North America was at the corporate center, as you would kind of define it, so, call it the Memphis corporate center. And that really then bled into the field that added complexity from a product, from a customer standpoint, policies, procedures, investment, flow investment, those sorts of things. That all still exist very similarly in Europe, Mark. The difference is it sits kind of in the above country structure. There's a very complex above country structure that we talked about last quarter. Lance talked about again this quarter that we've already announced and we're in consultation to address.

And so, what I would say is on a proportional basis, the cost opportunity is as large or larger frankly when you just look at the cost structure. The difference are a little bit in the buckets that we find. Lance, is there something you want to add?

Lance Loeffler
Senior Vice President & Chief Financial Officer, International Paper Co.
A

[indiscernible] (00:29:07)

Andrew K. Silvernail
Chairman & Chief Executive Officer, International Paper Co.
A

Okay, excellent. Mark, did I answer that question for you?

Mark Adam Weintraub
Analyst, Seaport Research Partners
Q

Yeah. No, that's super helpful.

Andrew K. Silvernail
Chairman & Chief Executive Officer, International Paper Co.
A

Okay.

Mark Adam Weintraub
Analyst, Seaport Research Partners
Q

And then, just one other follow-up. [indiscernible] (00:29:17) I'm getting this asked from investors wanted me to ask it, so I'm going to kind of ask it on their behalf is, in the bridging to 2027, so I guess we're kind of starting if we need like another $1.4 billion if we have like the $3.6 billion run rate already identified. How much of that would be cost takeout, commercial? And does commercial have to include some price now that prices have gone down in Europe or how to think about that part of the equation?

Andrew K. Silvernail
Chairman & Chief Executive Officer, International Paper Co.
A

Yeah. Absolutely. Well, Mark, first, I realize I didn't answer your second question, so let me get to that. So, on the commercial decisions, they are not those same magnitude of commercial decisions that have to be made in Europe, right? So, the issue that we had in North America is that we had priced a number of contracts dramatically underneath the market. And as you saw the different pieces, we reversed that both in terms of capturing the margin and now winning market share, which I think is very important.

In Europe, we have some commercial challenges in Europe, but it's more of actually focusing the resource. We have an awesome set of resource in Europe around the commercial side in terms of customer focus, helping our customers through their value chain and driving innovation. So, that's a real skill that we have in Europe, but it's probably too diffused and we've got to focus it more on those large key customers that we call our [ph] ADs (00:30:45) customers.

So that – so, Mark, I'm sorry. Remind me of the question you asked as well.

Mark Adam Weintraub
Analyst, Seaport Research Partners
Q

Of the $1.4 billion...

Andrew K. Silvernail
Chairman & Chief Executive Officer, International Paper Co.
A

How much is cost and how much is commercial? Yes. So, of that, Mark, on a net basis it's about 50-50. On a gross basis, as you would imagine, it's more cost because you've got inflation, right? And to your point, yes, there is some price baked into that. As we have said all along, we have an expectation that we would get to mid-cycle pricing in North America by 2027. We still believe that to be true. That's probably, I'm guessing, one price ramp away. And I would guess if you see an improvement in the US market, that's probably likely.

We don't have that built into – as you saw in our bridge of 2026, we specifically didn't talk about benefits from market growth, from price or from future actions that we haven't executed yet. So, we don't have any of that baked into that $3.6 billion that I just outlined. To get to the $5 billion, yes, we would expect that, and we would expect a modest rebound in Europe. And you see that being tested constantly, right? You've seen that be tested two or three times this year. It's gone up and retracted a little bit.

Look, about the bottom 25% of paper producers in Europe are in a very, very tough position right now, right? On a cash basis, they're in a very tough position. I'm not foolish enough to believe that there's going to be some kind of mass decision making to take out capacity. You see a lot of resilience in terms of holding on by privately held long-term family companies. And so, I'm not looking for a miracle there, and we should not. We should be executing as we can. We would expect, however, modest price improvement over that timeframe.

Mark Adam Weintraub
Analyst, Seaport Research Partners
Q

Super. Really appreciate that thorough and clear response. Thank you.

Andrew K. Silvernail
Chairman & Chief Executive Officer, International Paper Co.
A

Thanks, Mark.

Operator: Our next question is going to come from the line of Matthew McKellar with RBC Capital Markets. Please go ahead.

Matthew McKellar
Analyst, RBC Capital Markets
Q

Hi. Thanks very much for taking my questions.

Andrew K. Silvernail
Chairman & Chief Executive Officer, International Paper Co.
A

You bet, Matt.

Matthew McKellar
Analyst, RBC Capital Markets
Q

Just a follow-up on really the other side of that, excuse me. North American box shipments comping positive in September. Seemingly again in October, it's quite positive. You made the comment that you expect above market performance in Q4 and 2026. Could you maybe refresh us what kind of volume growth and volume performance versus market you've assumed in getting to 2027 targets?

Andrew K. Silvernail
Chairman & Chief Executive Officer, International Paper Co.

A

Yes. So, all along we've assumed a pretty soft market, right? So, our assumptions going into this year were plus 1% to 1.5%. In the US – we had a more robust assumptions coming in Europe, which were disappointing so far. As we look forward, our expectation would be 1% to 1.5% in North America and 1% to 2% in Europe over time. As you know, Europe has a stronger secular trend around moving from other materials, plastics as an example, to fiber and a stronger consumer component related to that. So, that's why you've seen kind of stronger growth over time in the European market. We would expect those trends to continue. Very importantly, when we sat and talked about adjusting our 2027 target and we all recognize that we've got some questions already on, hey, why do you do that now? It just was obvious.

It was obvious that the $500 million that we've lost this year from the combination of volume and price, unless you expect a major pickup in volume to the tune of the US, you have to claw back a couple of points additionally. And the same in Europe, unless you expect that over a two-year period, those benefits are going to get pushed out. And so, we thought it was appropriate to capture that and not kid ourselves or anybody else around that and focus on what we can control. And so, our expectation, Matt, is that we're talking the 1% to 1.5% in North America and the 1% to 2% in Europe.

Matthew McKellar
Analyst, RBC Capital Markets

Q

Very clear. Thanks very much. And just as a second question, last for me, could you maybe just provide a bit of a perspective on the strategic rationale and high level economics for the Riverdale conversion? And what kind of returns you might be targeting with that investment? Thanks very much.

Andrew K. Silvernail
Chairman & Chief Executive Officer, International Paper Co.

A

Yeah. You bet, Matt. So, on – relative to Riverdale, importantly, we mentioned it in the script, but the decision on Savannah, as you looked at that, right, we had all the economics that screamed about Savannah and why we didn't want to put an incremental $300 million into that. But also the opportunity of Riverdale is really around moving to light weighting, as you know. And so, that's about a $250-million investment, plus or minus, and we would expect near 20% returns on that. And so, it's a really attractive spend from a business that for the long – for a very, very long time and indefinitely was going to be under cost of capital to a business that has an attractive future and attractive return on capital.

Matthew McKellar
Analyst, RBC Capital Markets

Q

Thanks very much. I'll turn it back.

Andrew K. Silvernail
Chairman & Chief Executive Officer, International Paper Co.

A

Thank you.

Operator: Our next question is going to come from the line of George Staphos with Bank of America. Please go ahead.

George L. Staphos
Analyst, BofA Securities, Inc.

Q

Hi. Thanks for taking my call. Thanks for the details and congratulations on the progress. Andy, I guess, first question that I had for you. If we look at the change in the guidance for this year, we appreciate the update, the free cash flow number for us from our vantage point moved a decent amount. I think it was a $100-million to $300-million positive for the year and it's now a comparable deficit. What were the primary areas in terms of the movement there? Was it just purely the cost – the actions that you took at Savannah, et cetera, that move that or were there other factors there?

And then related, I just want a clarification on the answer you were giving to Mark earlier. As we think about the commercial and the cost out targets that you initially had in your March guidance and now in the current guidance, have those figures actually changed or are they still the same? And I had one follow-on.

Andrew K. Silvernail
Chairman & Chief Executive Officer, International Paper Co.

A

Yeah. Let me do the second first. No, those have not changed. So, that's consistent on the second question. On the first question on cash flow, it really is – it's the vastly the slowdown in the market, right? So, that $500 million. If you look at the $500 million of profit, actually it's a little more than $500 million of profit that we would have expected to have captured if the market had been at the expectations we talked about at our Investor Day. We would be right on, if not a little bit better, on the cash flow from a cash flow perspective. So, it really is attached to the market. There are some incremental costs that are higher than we expected because we've been more aggressive in terms of timing of some of the actions. But it's not a giant number. It's not a huge number on a relative basis. It's probably $50 million to $100 million more than we had expected to spend.

And importantly, right, we have a decision to make. And I've made that decision, which is not to back away from the transformation plan, right? Right. We have the balance sheet. We have the proceeds from GCF. We've sold a number of smaller businesses. We have the operating improvements that we have. And I think it would be a fundamental mistake to slow down our transformation by pulling back on CapEx. I really do believe that. And so, as long as we're in the area that we're in, we can move at full speed. You're seeing exactly what happens when we get this right in North America. It's not linear, it's not perfect. It's not going to be perfect and it's not going to be linear. But the level of improvement that we can drive in this business when we get the asset balance correct and we are investing in the commercial front end of this business, you can see what happens.

If you just kind of put North America in perspective, you go back a year ago, we were losing market share, we were getting crushed on volume and we were seeing declining incremental margins, right? And so, therefore, we were cutting capital. We were in a spiral that you cannot be in in a business. We have reversed that spiral in 18 months. I mean, it's – I am incredibly proud of that team. EBITDA is up 40% year-over-year through the third quarter. 40% year-over-year and we've gone from losing market share to winning market share. And we will finish this year above our cost of capital in North America. That's a pretty awesome turnaround.

Europe will be harder. I'm not a Pollyanna, right? There's more hard work to be doing. It takes longer and it costs more, but the playbook is the same and we're going to go after it. And so, we're going to stick to this. So, that's critically important.

George L. Staphos
Analyst, BofA Securities, Inc.
Q

Appreciate that, Andy. I guess, my second question, it's kind of a two-parter but they are tied together. You did see – and congratulations to you at least in the results in terms of a pickup in box shipments in September.

Andrew K. Silvernail
Chairman & Chief Executive Officer, International Paper Co.
A

Yeah.

George L. Staphos
Analyst, BofA Securities, Inc.
Q

And you're looking for the positive in the fourth quarter, as you mentioned. What's been driving that? Are there any particular end markets where you – the new IP approach is particularly gaining traction as we're seeing it? And then, the related question, bigger picture, if I look at the results you've put up that some of your peers have put up and the narrative is everyone is – I shouldn't say everyone, but individually each of the companies is really trying to produce to market. You're, seeing your margins do fairly well, 17% or better. But there's a lot of volume being sort of reintroduced back into the market, which means there's another portion of the market that's really not earning a very high margin.

Is that a comparatively good place for IP shareholders to be in or, relative to where you were back in March, a more dangerous place for IP shareholders to be, where there's a lot of players out there with a lot of volume and not necessarily a lot of margin? Thanks and good luck in the quarter.

Andrew K. Silvernail
Chairman & Chief Executive Officer, International Paper Co.
A

Thank you. There is a lot in that question. So, if I don't – if I miss it, you help me out here a little bit.

George L. Staphos
Analyst, BofA Securities, Inc.
Q

We know where to find you.

Andrew K. Silvernail
Chairman & Chief Executive Officer, International Paper Co.
A

Thanks very much. So, relative to what's going on in the marketplace. So, first of all, we don't comment on competitors ever. And that's just not a good thing to do, and so we won't do that. Everyone's got to make their own choices.

George L. Staphos
Analyst, BofA Securities, Inc.
Q

Of course.

Andrew K. Silvernail
Chairman & Chief Executive Officer, International Paper Co.
A

Relative to our perspective, in terms of rightsizing ourselves and focusing on the right kind of markets, we think we're getting the balance correct there. And in terms of the things – we're trying to utilize our strengths in the marketplace. And so, where we have – where we are winning over market is really on select initiatives around very specific customers in those markets that we find attractive. Now, as you imagine, we touch pretty much every market by just our sheer size and scale. We tend to be, I'm going to call it, medium size to larger customers that tends to be, but we have lots of great smaller customers all over the world.

Our strength in fruits and vegetables and protein is absolutely showing up. And we've gotten very – we've got highly engaged on strategic customers. We're doing – we're just putting a lot more time, energy and resource into those customers that we believe are critical to our future. And so, I'm not going to go into the specifics around those, but it really is customer centricity. It's about putting resource on the most attractive customers that fit our business model.

To your second question around what's happening in the overall marketplace and margin, again, I'm going to speak for us and not speak for anybody else. I think what's happened in the industry just collectively is at times people have chased the incremental cash benefits of getting incremental volume, right? So, in our world, if you've got excess capacity and you're sitting on fixed cost and you bring in something – we sit – in North America, as an example, we sit at a 65% to 70%, what I call, material margin. So, think of contribution margin not including direct labor. That means that the next dollar in on our average piece of business comes in at $0.70 or the next dollar out leaves at $0.70 of profit, either way.

And so, even if a competitor picks it up at $0.20 off, right, a 20% off and they pick up $0.50, in the very short-term that sugar high feels good, right? And you see that and you've seen that play out a lot over the years. I've looked at this a lot of kind of how people have played this. And what that does is it stops us and others from actually doing the right thing. And that means that eventually that business that you bring in has to be invested in. It's going to require capacity, it's going to require investment at some point, and all of a sudden that sugar high goes away. And so – and then that kind of gets passed around. What we are doing is we are having the discipline to not do business in that way. What other people do is up to them, but we are going to have – we're going to have our own discipline to go after markets that can earn an attractive return on capital.

Importantly in that, the three pillars of our strategy they really matter in concert. Number one, to have an advantaged cost position. A huge piece of what we're doing is driving cost out of the system. So, we have an advantaged cost. That does not mean that we intend to sell at the lowest price. What that means is we have optionality for margin expansion and reinvestment that competitors can't if we have a lower cost position.

Second, around the customer experience. We just talked about that. We're invested heavily. We've added 22% more salespeople this year than we had last year. We changed our pay for performance. We've changed our innovation process. All of those things are around really driving that customer experience. That's backed up by major improvements in quality and on time delivery that our customers are noticing.

And then finally, we want to have a relative strength in the markets that matter to us, and we're going to invest in that. So if we do that, that will have discipline. If other competitors decide that they need to get their house in order, that's for them to decide.

George L. Staphos
Analyst, BofA Securities, Inc.

Q

Okay, Andy. I appreciate it. We'll turn it over and good luck in the current quarter.

Andrew K. Silvernail
Chairman & Chief Executive Officer, International Paper Co.

A

Thanks.

Operator: Our next question is going to come from the line of Mike Roxland with Truist Securities. Please go ahead.

Michael Roxland
Analyst, Truist Securities, Inc.

Q

Yeah. Thank you, Andy, Lance, Mandi, and Michele for taking my questions. And congrats on all the progress in a difficult environment.

Andrew K. Silvernail
Chairman & Chief Executive Officer, International Paper Co.

A

You bet. Thanks.

Lance Loeffler
Senior Vice President & Chief Financial Officer, International Paper Co.

A

Thanks, Mike.

Michael Roxland
Analyst, Truist Securities, Inc.

Q

I want to follow up with you on the closures of Riceboro and Savannah. And can you help us understand the EBITDA benefit associated with those closures? Because when I look at previous closures like Orange and Red River, you guys called out specifically the adjusted EBIT or adjusted EBITDA benefit associated with those mills. But I don't believe anything was highlighted in your recent SEC filing for those mills. So, that's question one.

And question two, just are you now at a point in your US mill system where you can't reallocate tons and need to actually make mill investments such as what you're doing at Riverdale? And really what I'm trying to get at is you can't reallocate the tons from Savannah elsewhere in your system. There might be a negative EBITDA impact in 4Q and maybe in early 2026. So, any color you can provide would be helpful.

Andrew K. Silvernail
Chairman & Chief Executive Officer, International Paper Co.

A

Yeah. You bet. Let me do this. And then, Lance, if you want to add some color to it, please do.

Lance Loeffler
Senior Vice President & Chief Financial Officer, International Paper Co.

A

Okay.

Andrew K. Silvernail
Chairman & Chief Executive Officer, International Paper Co.

A

Let me talk – I want to split Savannah and Riceboro because they're different. So, with Savannah, we're principally shipping into the export market and what I would call the low value piece of it, which was effectively an outlet on volume. And when I look at that and you look at it over a cycle, we did a ton of work on this. What you see is that at some point in the cycle, you are making positive cash, right? You're actually – you're creating cash. But through the cycle you are not, right? You are actually – it is not generating above its cost of capital, so you were destroying – we were destroying value. And it required an ever-increasing capital investment into the system.

In shutting Savannah down and then exiting what I'll call that low value export market, it's effectively a push, right, on an EBITDA basis. It's effectively a push. But very importantly, right, you're talking about something that on a replacement asset value is north of $1 billion, right? Maybe quite a bit north of $1 billion if you had to build to build that mill from scratch. You would never build that mill from scratch to service that market, right? You'd never do that. And so, on an ROIC basis, it's a huge win.

However, you do have that sugar high comment that I just mentioned a moment ago, that's part of the thing that you get trapped in, right? You get trapped in that when the export market is hot, like a little bit – like I remember last year we had a few months where it was really good, it feels great. And then when it comes off, you really hate it. And you get caught in that trap and then you just say, no, we have to look at this from a long-term return on investment, what's the right thing to do for capital employed.

And so, that trade that I talked about with Riverdale is a really, really important trade. And those are the kinds of decisions that we're making throughout the company, right? That's really important here. And I know how many moving parts are in this. And transformations, again, they're not clean, but that's the kind of stuff that we're doing to drive this business.

Riceboro is different. Riceboro was a mill that simply was never going to have the cost position to compete. And so, it made sense to move that volume to other mills. And so, that's modestly positive. But to be clear, that's a very small mill.

Michael Roxland
Analyst, Truist Securities, Inc.

Q

Got you. And now – Andy, you are now – it's very helpful. Just are you at a point in your US mill system, though, where you can't reallocate tons? You actually need to make mill investments such as what you're doing in Riverdale?

Andrew K. Silvernail
Chairman & Chief Executive Officer, International Paper Co.

A

Yeah. I mean, in terms of are we going to take more capacity out? Not in the near future, that's for sure. If you look at the drive now, we've got a few things that are – we're very focused on in the mill system. Number one is, as I talked about last quarter and I referenced modestly this quarter, we have a lot of cost that are in the system from the lack of investment over 10 years. And we started this last year and we're going to keep going. That's why I made the comment on sticking to the strategy.

If we invest aggressively in that mill system, we can capture a huge chunk of that kind of $400-ish million that I think is in that that's kind of – it's waste in the system that when the mills are running well you can get a huge chunk of that $400 million. You're not going to get all of it. There's always going to be things like [indiscernible] (00:50:54) situation, it stinks and you hate to have it. It's taken way longer to address than we thought it would. Those things are going to happen in these big, complex systems.

But what you shouldn't have are things that are breakdowns and issues from maintenance has been deferred. And I think our investments, we can go and capture a whole bunch of those. As you know, right, those take time. You have to invest and they take time. But over the next couple of years, we should be able to get the vast majority of that to our bottom line.

The second part that I think is very important is the reinvestment in ongoing productivity. If you look at the last 10 years in our business and you were looking for any kind of what I'd call net productivity, it hasn't been there. As a matter of fact, it's gone the other way. And we all know the math around that. If you can get – if the market is growing in that 1% to 1.5% range and you can get modest market share gains over time, that's good. If you can get that plus productivity over time, you knock the socks off. And so, what we need to do is get that productivity engine moving. And we know how to do that. It's just a matter of it is going to take some time. So, it's those two pieces together.

Michael Roxland
Analyst, Truist Securities, Inc.

Q

Got it. Thank you. Just one quick one. Just you mentioned accelerating cost actions in North America, you sold the bags business. You mentioned just now outsourcing a large portion of your IT support. Can you comment on the EBITDA savings you expect to achieve from those moves? And are there similar types of actions you can potentially take in North America if the market remains challenging as you sort of indicated in 2026? Thanks, again.

Andrew K. Silvernail
Chairman & Chief Executive Officer, International Paper Co.

A

Yeah. We've captured those in the numbers that we've laid out. So, if you look at the bridge, most of that stuff that we've talked about will be realized. Most of it will be realized in 2026. There will be a tail of some, right? There'll be some tail that will roll through 2027. So, all of the different things, the mill closures, the IT, et cetera, those are in that bridge that I put out for the most part. It's probably three quarters or more that are in that bridge. So, you'll get a little – you'll get 20%, 25% that will roll over into 2027, somewhere in that neighborhood.

In terms of future actions, we still have a long way to go, right? We know that. But in terms of kind of the big structural stuff in North America, we've gotten after an awful lot of it, and now we have to drive those things to resolution. We've got to go after the cost structure in the mill system. There's still more overhead to address. And then, obviously, we're just starting the journey in Europe.

Michael Roxland
Analyst, Truist Securities, Inc.

Q

Thanks very much.

Andrew K. Silvernail
Chairman & Chief Executive Officer, International Paper Co.

A

Thank you.

Operator: Our next question is going to come from the line of Anthony Pettinari with Citigroup. Please go ahead.

Anthony James Pettinari
Analyst, Citigroup Global Markets, Inc.

Q

Hi. Good morning.

Andrew K. Silvernail
Chairman & Chief Executive Officer, International Paper Co.

A

Good morning.

Lance Loeffler
Senior Vice President & Chief Financial Officer, International Paper Co.
A

Good morning.

Anthony James Pettinari
Analyst, Citigroup Global Markets, Inc.
Q

Hey. Just following up on Mike's question. With Savannah and Riceboro closed and let's assume Riverdale comes up, what percentage of IP containerboard production in North America will go to an IP box plant? What's your integration rate going to be? And then, what percentage would be exported offshore, understanding that can sort of bounce around a little bit. But just on a normalized basis, like can you give us any sense there?

Andrew K. Silvernail
Chairman & Chief Executive Officer, International Paper Co.
A

Yeah. It's about 90% that will be consumed in our box system, plus or minus. We have partners in the box world in North America, and we'll still be – we still have some export that goes out. And the export that we have, we like that business. It's highly strategic. It's profitable. It earns its cost of capital and above. And it's an attractive piece of business and obviously, our partners, they've been long-term partners. They're great partners and they're going to continue to be. And in the export piece, it's like 6%, 7%, somewhere in there.

Anthony James Pettinari
Analyst, Citigroup Global Markets, Inc.
Q

Okay. Okay. No, that's very helpful. And then, I guess, just looking at the mill system exiting the year, are operating rates where you want them to be? Or are they still maybe a little bit loose because the demand is weak? Or are you going to be running tight until Riverdale comes online? And then, just given the kind of volatility in demand and weakness in demand, how should we think about the sort of timing of Riverdale? Is that something that could get flexed sooner, later or just any thoughts there?

Andrew K. Silvernail
Chairman & Chief Executive Officer, International Paper Co.
A

Yeah. We're okay in terms of our capacity utilization. So, if you look at operating rates, we're okay there. We are going to make sure that from a paper strategy perspective, we get a bump up in activity. We're being very mindful this has been a soft market. If the market bounces back and you get a quick pop back, our paper strategy, we want to be smart about that, absolutely, as we drive productivity into the system.

And look, if we're driving productivity in the system, what that does then that allows us to capture that 1%, 1.5% growth without adding fixed cost. And that's where that magic is. That's really, really important. And so, I'm not often worried about that. The plan here on Riverdale is late next year is where that's really going to start being up and going. And we think that that's good timing and certainly positioned well relative to a growing segment of the marketplace.

Anthony James Pettinari
Analyst, Citigroup Global Markets, Inc.
Q

Okay. That's very helpful. I'll turn it over.

Andrew K. Silvernail
Chairman & Chief Executive Officer, International Paper Co.
A

Thank you, Anthony.

Operator: And our final question today comes from the line of Phil Ng with Jefferies. Please go ahead.

Philip Ng
Analyst, Jefferies LLC
Q

Hey, guys.

[indiscernible] (00:56:55)

Philip Ng
Analyst, Jefferies LLC
Q

Hey. How are you guys doing? Europe's clearly more challenging than expected coming in the year. And I think you and your peer have both talked about perhaps 50% to 75% of the non-integrated tons in Europe are operating at uneconomic levels, maybe even not even cash flow positive. I believe your Europe business is about 40% to 50% of the paper you make, you're selling into the open market or you trade tons.

So, can you kind of let us know if that business, one, is cash flow positive or EBITDA positive at current levels? Is that a business you want to be in in the medium-term? And is there a good way to think about your unintegrated and integrated business in Europe? Is there like a massive spread in terms of margins?

Andrew K. Silvernail
Chairman & Chief Executive Officer, International Paper Co.
A

Yeah. Great question. So, specific to the non-internally consumed product, we're evaluating that whole thing. We're going through that right now and frankly it's not even necessarily tied to the economics of it – just tied to the economics of it because it's really around the strategy, how it fits with our business. In terms – I mean, if you look at it right now, Europe in total is from a cash flow basis, right, is using cash because of the restructuring that we're going to entail on. So, we do have to restructure that. So, we're going to do that.

I do believe, however – I know, however, that we have pockets of our business, both in the mill system and in our box system, that are losing money on a cash basis. There's no doubt about that. And so, as we go through that, that has to be rectified and through commercial and/or cost actions to get to an attractive return on capital. And so, in terms of the split, we haven't talked about that. We haven't gone into that level of detail and I don't think it's good to do that. And I don't think competitively it's good to share that kind of information.

And so – but we know where the pockets of profit and loss are. We know we have a roadmap that we're working on. Obviously, anything and everything we do in Europe has to have the discipline around the consultation process and we need to follow that appropriately. And so, we'll do that in all of our public comments and all of our private engagements.

Philip Ng
Analyst, Jefferies LLC
Q

That's helpful. And then, [indiscernible] (00:59:13) is a little newer for all of us. Lance, did you mention in the prepared remarks that you're going through a work counselling process in Eastern Europe, Nordic and Italy? Can you give a little more perspective what's out there in terms of potential closures? Are those box plant, is that mills? Just kind of help size how quickly could you see that. And perhaps, Andy, as you kind of accelerate this restructuring in Europe, how quickly you're going to move, and could we see some uplifts perhaps in 2026? Or this is more of a 2027 event where you see the baked in inflection in terms of cost-out savings?

Andrew K. Silvernail
Chairman & Chief Executive Officer, International Paper Co.

A

Yes. So, Phil, we have to dance carefully on this topic, right? And the reason I say that is there is a highly defined process in Europe around consultation. And so, what that means is we're working hand-in-hand with the works councils and with the regulators to go through that process in a very detailed way. And I appreciate the fact that we all want to put a number out there and put a date out there and talk about what's going to happen, that is different than the US.

And so, what I'll say and then, Lance, you can add any color that you want, is we are going to move aggressively toward rightsizing Europe. We have to, right? As does everybody else given the market conditions, everyone's going to make their own choices around that. But the marketplace is going to have to decide what they're going to do. We are going to be aggressive about getting ourselves in the right economic position. That being said, it has to be in conjunction with the regulations and the laws and the practices in Europe.

Lance Loeffler
Senior Vice President & Chief Financial Officer, International Paper Co.

A

Yeah. I don't have anything to add. I think you covered it in terms of being aggressive about the actions that we take under the appropriate circumstances without getting wrapped around the axle. That's probably as much as we can say.

Andrew K. Silvernail
Chairman & Chief Executive Officer, International Paper Co.

A

Yeah. Yeah.

Philip Ng
Analyst, Jefferies LLC

Q

Got it.

Andrew K. Silvernail
Chairman & Chief Executive Officer, International Paper Co.

A

But just expect that, Phil, we're going to move, right? The stuff that we have talked about already, this in consultation, we're going to go through that process the right way. But we know the magnitude of what we have to address.

Philip Ng
Analyst, Jefferies LLC

Q

Okay. And sorry to sneak one more in, something perhaps you could talk about little more freely. Good to see progress on box shipments and you're calling up 1%. That certainly appears to be outpacing the market. Given the line of sight and perhaps of the wins you already have in North America on the box side, is there a good way to think about relative outperformance that we could hope to expect in North America for you guys next year and some of the wins you've had in terms of what type of customer mix of business?

Andrew K. Silvernail
Chairman & Chief Executive Officer, International Paper Co.

A

Yeah. So, based on what we're looking at right now with known wins and losses, we think that number is kind of 2%. So, you pick your market number, but we think we can outpace the market by a couple of points in 2026 in North America.

Philip Ng
Analyst, Jefferies LLC

Q

Okay. Super. Appreciate the color. Thank you so much.

Andrew K. Silvernail
Chairman & Chief Executive Officer, International Paper Co.

A

Thanks, Phil.

Operator: Thank you. I'll now turn the call over to Andy Silvernail for closing comments.

Andrew K. Silvernail
Chairman & Chief Executive Officer, International Paper Co.

Well, thank you very much. Thank you, everybody, for being with us on this transformation journey. The work and the focus on 80/20 and on the three pillars of our strategy are critically important, and we're working and we're working hard. I'm delighted to see the progress in North America and what that team is doing. Obviously, North American team is facing headwinds that we didn't expect, but we're being aggressive with the realities of that. And so, we're getting after it.

In Europe, it's been a tough market, no doubt about it, right? If we look at both in terms of volume and price, it's been meaningfully more difficult than we had expected. But the same thing holds true. We are moving forward with the same playbook, with the same level of aggressiveness that we have in North America. And we understand the challenge and we understand the need to get that business in the right place.

So, I want to thank you for your support, and I want to thank you for your attention. And very importantly, I want to thank the IP team for the incredible work that they're doing in North America and in EMEA. So, thank you very much everybody.

Operator: Once again, we'd like to thank you for participating in International Paper's third quarter 2025 earnings call. You may now disconnect.