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International Paper Co. (IP)

Q2 2025 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good morning and thank you for standing by. Welcome to International Paper's Second 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 second 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's important information at the beginning of our presentation, including certain legal disclaimers. For example, during this 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. Our website also contains copies of the second 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. Before we get into the detail, I want to welcome you to the IR team. It's great to have you lead our investor relations efforts as the next step in your successful career. Now, let's jump in. I'll begin on slide 3. As we

continue our transformational journey to our ambition of \$6 billion in EBITDA by 2027, I want to speak to our strategy and the momentum we are gaining across the organization.

There are three key messages we want you to take away today. One, our transformation is on track. Second quarter revenue was at our expectation, and we have confidence in closing the market share gap in North America this year, even as the US and EMEA markets remain soft. Two, our cost performance in North American mill system and EMEA are not where we want them to be, but we have clear line of sight to improvements. Three, we are holding our 2025 EBITDA guidance with our commercial and cost improvement efforts taking hold.

We will win at IP through our deployment of 80/20. More specifically, we'll win through great teams deploying 80/20 at the point of impact. We launched 80/20 a year ago, and we did the same at the close of the DS Smith acquisition. EMEA has mobilized teams to deploy 80/20 by region, focusing on our initiatives to accelerate significant synergies and profitable growth. Radical focus on the critical few is a key to our transformation. Momentum is picking up, while our two regional packaging businesses are at different stages in this journey. They're both executing a similar framework to achieve our 2027 targets. In the second quarter, we started to see momentum build and they will take flight in the second half of the year. I want to thank the EMEA team for their tremendous work in tackling the challenges involved in combining the two organizations. This includes the finalized required sale of five plants in France, Spain and Portugal to the PALM Group announced earlier this month.

Our Packaging Solutions North America team has been on a transformation journey since last year, and we're seeing accelerated momentum in our 80/20 implementation. We're gaining traction and customers have noticed. In the last few months, I had the opportunity to meet with several large customers and they're excited about the things that we're working on. They're experiencing improvements in service and quality. They appreciate the investments we're making to support their growth, and they recognize the new International Paper with a stronger customer-centric focus. This same sentiment is at the heart of our commercial gains in the second quarter as we continue to close the gap to industry in North American Packaging. I've also visited our lighthouse teams in Chicago and Atlanta during the second quarter, where I observed our strategy in action. They have incorporated 80/20 into daily management and they are building stronger problem-solving muscles, which has resulted in improved reliability and cost reduction. The same focus on 80/20 is permeating the company, both in operations and in our corporate functions. It is the engine to our strategy.

Moving to slide 4, let me start by sharing our current view of the markets in North America and EMEA. Industry demand in North America has been relatively stable, but softer than last year, as economic uncertainty from tariffs continued to impact industrial production and box demand across the manufacturing sector. Based on our order patterns through July, we expect industry box demand to remain stable in the third quarter with upside potential in Q4 if geopolitical tensions ease and economic activity improves. Our gap to industry widened over the course of last year, peaking in the fourth quarter of 2024 when we shifted our portfolio to a more profitable mix. As we indicated in the Q4 call, we anticipated closing the gap to industry this year. That trend started in Q1 and improved as predicted by another 200 basis points in the second quarter. We expect our gap to industry to close by the fourth quarter, largely attributed to known commercial wins that will ramp up in the second half of the year.

Turning to EMEA, due to the inconsistency of industry data in EMEA, the chart on the right-hand side is reflective of our EMEA box shipments on a year-over-year absolute basis. The weak market is a headwind for us with macroeconomic volatility in the region. While we're holding market share, box shipments slowed sequentially in the second quarter by approximately 1%, primarily driven by market softness in April and May. June volumes, however, showed signs of recovery, which has continued into July. Looking ahead to the second half of the year, we anticipate a modest – a moderate increase in demand with fast-moving consumer goods seasonal growth in

the third and fourth quarters. The wild card is the unpredictable and unresolved tariff negotiations, which continue to pose macroeconomic uncertainty.

Moving to slide 5. Last quarter, we shared the commercial actions we are taking to achieve our 2025 run rate target of \$600 million and our 2027 target of \$1.1 billion. You can reference the list of first quarter commercial and cost out actions in the appendix, and we'll continue to update the appendix slide each quarter to reflect our cumulative actions and momentum.

Now, let's take a look at our accomplishments in the second quarter. In Packaging Solutions North America, we continued to make progress servicing our customer. On-time delivery improved from 92% in the fourth quarter of last year to 97% in the second quarter. We made investment announcements focused on growing in attractive markets. We continue executing to overserve our 80s customers, such as rolling out our 1 to Perfect service model. This includes identifying actions required to achieve perfection on key metrics for our 80s customers. We're also increasing positions with large global accounts by collaborating across both packaging businesses.

In EMEA, with our combined team, we are refocusing our efforts on the most attractive customers, differentiating our go-to-market strategy and developing prospect plans to grow our position, And we are winning strategic accounts through our strong customer-centric culture at DS Smith. All in for the first half of the year, our actions account for a run rate of approximately \$650 million. This trajectory reinforces our confidence that we are on our way to achieve our goal of \$1.1 billion of commercial excellence benefits by 2027.

Now, I'm moving to slide 6 to discuss our cost out actions in the second quarter. In Packaging Solutions North America, we announced decisions to close four facilities, sell three facilities and exit a non-core business. As difficult as these decisions are, it is the right thing to do. Strategic decisions like these allow us to reduce complexity and minimize cost, which enables us to reinvest to build an advantaged cost position and enhance the customer experience. Last quarter, we communicated our goal of deploying the lighthouse model to 75 plants by year-end. We have now installed the model in 40 plants and continue to see productivity improvements as we optimize. We are also identifying opportunities in procurement to reduce spend across both packaging businesses. Importantly, we continue to struggle on our North American mill system. Year-to-date, we have left about \$150 million of profit on the table due to reliability issues. We are hyper-focused on this area for improvements.

In EMEA, we have proposed to close five UK plants subject to consultation, which we believe will be worth approximately \$25 million. We have also proposed to streamline our packaging business regional structure and consolidate 13 subregions into 7, essentially eliminating a layer of the organization. The estimated cost of the regional and subregional reorganization in EMEA will be known once those plans are finalized and we begin consultations with the new proposed organization. With the combined first and second quarter cost out actions, we are nearing our goal of \$600 million run rate by year-end and we are on our way to achieve the \$1.9 billion target for 2027.

We've accomplished a great deal this past year, but we have much left to do. Our work is just beginning. And as you can see on slide 7, we have many more value drivers developing that will contribute to our performance on our transformational journey. As an example, last month, we announced the exploration of a greenfield state-of-the-art sustainable packaging plant in Salt Lake City. We anticipate this investment will drive growth in an attractive market, where we can leverage our strategic strengths. Moving forward, initiatives such as these will continue to be developed. We are committed to a relentless pursuit of commercial excellence and cost out in order to build a great company.

So, let's turn to our performance and outlook. Slide 8 serves as a reminder of how we will reference our businesses for financial reporting purposes, including the abbreviations of PS NA and PS EMEA for our Packaging Solutions businesses in each of those regions. Regarding our Global Cellulose Fibers business, the strategic review has progressed. There are no changes to our expected timeline, and we remain committed to achieving the best value for the business.

Now, I'll share some highlights of our performance and then turn it over to Lance to walk through the details. I'm on slide 9. Second quarter results reflect higher revenue, driven by a full quarter of DS Smith and strong price realization. Volume in the second quarter was seasonally higher in a stable demand environment in North America. However, we experienced lower volume and softer demand in EMEA. Last quarter, we noted the results were relatively low quality and we expected Q2 to be much higher quality. That's exactly what happened. The modest sequential decline in EBITDA is primarily due to four things. One, Q1 had favorable non-recurring items that did not repeat. Two, Q2 had unfavorable non-recurring items and costs from our transformation efforts. Three, Q2 also accounted for our highest quarter of planned maintenance outages. Four, while Packaging Solutions EMEA demand was soft, we also experienced a spike in fiber costs. Lance is going to walk you through the detail in a moment to bring clarity to the bridges and give you insight into the important Q3 sequential profit ramp.

Our free cash flow for the second quarter was \$54 million. As a reminder, cash flow in the first quarter was negatively impacted by \$670 million related to the investments in our transformation, including severance cost and DS Smith transaction costs along with incentive compensation payout. For the full year, we still expect to be in the range of \$100 million to \$300 million of free cash flow. As we look to the third quarter, we expect significantly higher earnings sequentially. This will be driven by higher volume and lower cost across all our business segments. Our commercial strategy is gaining momentum. We are closing the gap to industry in North America, and we will continue to strengthen as we onboard strategic wins. We also have fewer planned maintenance outages in North America, and we are accelerating 80/20 implementation as we move into the third quarter. With that, let me turn it over to Lance to provide more details about our second quarter performance and outlook.

Lance Loeffler

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

Thanks, Andy. Turning to slide 10, second quarter adjusted operating earnings per share was \$0.20 as compared to \$0.23 per share in the first quarter. Price and mix increased by \$0.21 per share, primarily driven by strong price realization in our Packaging Solutions North America business as well as continued realization of prior price index movement in GCF.

Volume was flat overall. In Packaging Solutions, our North America business experienced seasonally higher demand, which was offset by softer demand in EMEA as well as lower volumes in GCF, primarily due to heavier outages in the second quarter. Operations and costs was unfavorable by \$0.32 per share this quarter, primarily driven by non-recurring favorable items from the first quarter and non-recurring unfavorable items in the second quarter, including costs associated with our 80/20 strategic actions. I will cover the ops and costs variances in more detail by segment in a couple of slides. Maintenance outages were unfavorable by \$0.16 per share. As Andy mentioned, we expect the second quarter to be our heaviest maintenance outage quarter for the year. Overall, input costs for the quarter were favorable by \$0.10 per share, primarily due to lower than anticipated energy costs. Corporate and other items were unfavorable by \$0.16 per share, primarily driven by an extra month of interest expense associated with DS Smith debt, the non-repeat of favorable first quarter discrete tax items and an increased average share count due to the additional months in the DS Smith share conversion. Depreciation and amortization was favorable by \$0.18 per share. This is primarily due to a non-repeat of the accelerated

depreciation from the Red River mill closure in the first quarter, partially offset by an additional month of DS Smith depreciation as well as changes in estimates to the step-up depreciation as a result of our acquisition. And finally, earnings for the DS Smith legacy business included an additional month and was partially offset by soft demand and higher fiber costs in Europe and market-related downtime in North America. All of which accounted for a favorable \$0.12 per share.

Moving on to our Packaging Solutions North America second quarter results on slide 11. These results reflect the additional month of the DS Smith North America business as well as the benefit from our cost out initiatives and commercial excellence actions, including the strong realization of prior price increases. Our second quarter volume was seasonally higher sequentially, and as Andy mentioned, we reduced our volume gap to market this quarter by 200 basis points. Planned maintenance outages were higher in the second quarter, offset by lower input costs. Operations and costs were unfavorable sequentially, and I'll cover those details in the next slide.

I'm on to slide 12. This will be our last quarter breaking out our DS Smith legacy business for Packaging Solutions North America results. Beginning next quarter, all our financials will be reflected as one Packaging Solutions North America Business. Price and mix in the second quarter was higher by \$67 million, primarily due to strong realization from prior index movement, especially across local accounts. Price was also favorable due to geographic mix benefits in our export channels. For the third quarter, we expect an incremental \$10 million benefit from the prior price index movements. Volumes were seasonally higher in the second quarter, and we expect to see continual growth in the third quarter as we ramp up our strategic wins. Operations and costs were \$119 million unfavorable sequentially, primarily driven by the non-repeat of favorable items we discussed in the first quarter, totaling approximately \$60 million. In addition, the second quarter included unfavorable non-recurring items of about \$50 million, which included costs associated with footprint and business optimization actions, inventory revaluations and year-to-date employee benefit accounting true-ups. In addition, we experienced incremental costs from the natural gas curtailment at our Valliant mill, resulting in \$18 million over two months. The gas curtailment has continued through July and is expected to be resolved shortly. These unfavorable costs were offset partially by footprint optimization benefits from the Red River closure and other prior cost out initiatives. For the third quarter, we anticipate operations and costs to be favorable by \$68 million due to the non-repeat of unfavorable items in the second quarter, cost out actions and focused performance improvement.

Planned maintenance outages were heavier in the second quarter, resulting in \$39 million of higher costs, and we expect lower outage costs in the third quarter. Input costs were favorable in the second quarter due to lower energy and fiber costs. However, we expect slightly higher energy costs for the third quarter. Depreciation expense was lower by \$177 million in the second quarter, primarily due to the non-repeat of the accelerated depreciation expense associated with the closure of our Red River Mill, offset by a combination of an additional month of depreciation from the DS Smith North America assets and refinements to our DS Smith purchase price accounting estimates. Adjusted EBITDA for DS Smith operations in North America was \$5 million unfavorable, primarily driven by higher unabsorbed fixed costs due to market-related downtime and other non-recurring items, offset by an additional month of earnings.

Moving on to Packaging Solutions EMEA and second quarter results on slide 13. As a reminder, again, last quarter accounted for two months of DS Smith data. So, second quarter results include an additional month and a sequential and year-over-year variances. Volume in the second quarter was softer than anticipated, reflecting ongoing macroeconomic uncertainty. However, we saw encouraging signs of demand recovery in June, and we expect that momentum to continue into the third quarter. In the second quarter, we experienced a spike in fiber costs in April and May with limited supply driving up prices. Energy costs in the second quarter were favorable and provided some offset to the fiber cost run-up. We expect fiber prices to normalize in the third quarter.

Adjusted EBIT was significantly impacted by the revision of purchase price accounting estimates related to our DS Smith acquisition. These estimates will continue to be revised over the balance of the year.

Turning to slide 14. As discussed, this will be our last quarter for breaking out the DS Smith legacy results from our Packaging Solutions EMEA business. Related to IP's legacy packaging system in EMEA sequentially, price and mix in the second quarter was higher by \$7 million due to the prior price index movement and higher external paper sales. Volume was lower in the second quarter given the expected seasonality of the fruits and vegetables segment in Morocco as well as overall soft demand. Operations and costs were \$17 million unfavorable sequentially, primarily from the non-repeat of our energy credit sales in the first quarter. Turning to depreciation for both business segments sequentially. As we just discussed, the major driver of the second quarter results is primarily due to an additional month of depreciation and revisions to the DS Smith purchase price accounting estimates. Finally, the adjusted EBITDA contribution from our legacy DS Smith operations in EMEA was \$64 million, primarily driven by the benefit of a full three months of earnings in the second quarter, sales price increase realization and lower energy costs, partially offset by softer demand and higher fiber costs.

Now, let's move to the third quarter outlook, which reflects our combined entity. We expect price and mix to increase by approximately \$25 million due to price realization from prior index movements. Looking at volume in the third quarter, we expect an increase of approximately \$24 million, primarily driven by a moderate improvement in overall demand and confirmed strategic wins. We expect operations and costs to benefit from approximately \$8 million of favorable cost out improvements related to our 80/20 implementation. And lastly, we anticipate lower fiber costs for a sequential benefit to input costs of approximately \$10 million.

Now, turning to our GCF business on slide 15. Earnings and volume were lower sequentially due to increased outages, but partially offset with higher sales price realization and favorable input costs.

As I turn to slide 16, price and mix in the second quarter was higher sequentially by \$30 million, primarily due to price realization from prior price index movements. In the third quarter, we expect a reduction of \$36 million, primarily due to the non-repeat of energy credit sales that were realized in the first half of the year. Volumes were lower in the second quarter, primarily due to a higher outage schedule, and we expect volume to increase in the third quarter with fewer outages. Operations and costs were \$18 million unfavorable sequentially, primarily due to the timing of spend related to turbine work. We anticipate continued mill reliability improvement in the third quarter. Planned maintenance outages were heaviest in the second quarter, resulting in \$37 million of higher costs. With more than 80% of our outages occurring in the first half of the year, we're expecting higher overall quarterly earnings in the third quarter. With that, let me turn the call back over to Andy. Andy?

Andrew K. Silvernail

Chairman & Chief Executive Officer, International Paper Co.

Thanks, Lance. Now, we're moving on to slide 17. As I mentioned earlier, we've accomplished a great deal in the first half of the year, but we have more to do. Within our Packaging Solutions businesses, with the momentum we've made and the actions we continue to take, our run rate in the second half of the year excluding GCF, is approximately \$3.8 billion of adjusted EBITDA. Entering the second half of the year, we have momentum from our actions to drive substantial cost out and meaningful growth from our commercial wins. This positive momentum keeps us on track to the goals we laid out at our Investor Day in March.

I'm on slide 18. We cover a lot of ground today, and I'm encouraged by the progress we're making on our transformational journey. We're driving a winning mindset within the company, and our teams are relentlessly focused on deploying 80/20 at the point of impact to deliver excellence for our customers, our shareholders and our team.

With that, let's go ahead and take questions, operator.

QUESTION AND ANSWER SECTION

Operator: Thank you. [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 is going to come from the line of Mark Weintraub with Seaport Research Partners. Please go ahead.

Mark Weintraub

Analyst, Seaport Global Securities LLC

Q

Thank you, and thanks for the comprehensive review. And a lot of it all comes together for me. I guess the one question that I have is the mill reliability issues. As you're taking this journey, that's also incredibly important and you've been there now in a year plus, what do you think sort of holding up getting as much progress as perhaps you, or certainly, I would have hoped to have seen and what's going to sort of get us there to not have mill reliability issues pop up again?

Andrew K. Silvermail

Chairman & Chief Executive Officer, International Paper Co.

A

Yeah, Mark, so first of all, good morning. So, the mill reliability issues that we're dealing with are not new, right? I think that's the first thing. These are things that have been building for a lot of years from the underinvestment that we've been talking about really since this time last year, and we have started to ramp up. So, as an example, with our decisions around Red River and a number of the converting assets, we are redeploying capital, that was being spent elsewhere into assets that frankly didn't have a competitive advantage into assets that should and do have a competitive advantage over time. And so, Mark, this is a lot of really tough basics. It's foundational stuff of investing back into the mills at the rates that they really need long term and having assets that really do have long-term strategic advantage and are going to be in the top half of the top quartile in terms of cost and performance.

And so, that's what it really is. If you look at the work as an example we did in Mansfield, we've done in Mansfield this year, we talked about this in the past, we had a major outage that was driven by a lack of investment from really a decision five years ago, and we can't have that. And so, we're going to battle that, Mark.

And when I mean that, it's a consistent investment and focus on those strategic assets that matter. It is exiting assets that don't have a long-term strategic perspective and redeploying those resources, people and money back into the system. So, this is going to be a very specific, kind of we're just chopping wood. You've got to go at it quarter after quarter, month after month, week after week, day after day to make those improvements. It is not rocket science. So, what's happening here is, it has nothing – there's nothing kind of unique. It is about the basics of fundamental execution and investment back into the right assets.

Mark Weintraub

Analyst, Seaport Global Securities LLC

Q

Okay. Very much appreciate that. Just one quick one. Just can you remind us the GCF timeline, as I think you mentioned you're still kind of on track. What was the timeline again?

Andrew K. Silvernail

Chairman & Chief Executive Officer, International Paper Co.

A

Yeah. Our goal was to close it by the end of the year. And so, that's our goal. So, we are well into the process, and there's no reason to believe that, that won't be the case.

Mark Weintraub

Analyst, Seaport Global Securities LLC

Q

Super. Thanks very much.

Andrew K. Silvernail

Chairman & Chief Executive Officer, International Paper Co.

A

You bet. Thank you, Mark.

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

Thanks very much, everyone. Good morning. Thanks for all the details, guys, and for taking my question. The first question, there's obviously a big jump in earnings, 2Q to 3Q, as we look at it. North American GCF, it's really an ops and outages. In Europe, it's really on commercial conditions. And as you were talking right now, you're working through your chopping wood on the operations issues.

Andrew K. Silvernail

Chairman & Chief Executive Officer, International Paper Co.

A

Yeah.

George L. Staphos

Analyst, BofA Securities, Inc.

Q

Do you feel more comfortable about the outlook 3Q to 2Q for North America because at least it's controllable relative to Europe, which is commercially driven and sort of subject to what's going on in the market or not? And how would you have us think about that? Relatedly, where is EMEA now sliding in terms of your EBITDA guidance? At one point, it was \$900 million to \$1.1 billion. Is that still the goal? How has that shifted and do you have a view on GCF as well, recognizing that, you're going to hopefully close the process at the end of the year? Thank you.

Andrew K. Silvernail

Chairman & Chief Executive Officer, International Paper Co.

A

Yes. Hey, you bet. George, there's a lot in there. I think I heard three things. And so, if I missed it, please come back to me. So, Lance will help me out here.

Lance Loeffler

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

A

Yeah. I will.

Andrew K. Silvernail

Chairman & Chief Executive Officer, International Paper Co.

A

So, first, yes, I feel better about North America for a couple different reasons. One, we've had our arms around it longer, and I think we've really dialed it in there. I think the work that Tom Hamic and team are doing in North America commercially is going very well. And so, when you look at the back half of the year, I think, probably the most important thing that we're really seeing right now is this transition from consistently losing share over a long period of time to getting to parity, to winning share. I think that is, is really critical. And we're absolutely seeing that.

And so, everything that we're – forget about the market for a second, just on what we can control, that is going the right way. And the hard work that's gone into that is going really well.

Second, we really launched 80/20 very early on in the converting side. And to be fair, again, Tom and team, when Tom was running just the converting business, they really started a year before I joined in, in tackling what they were calling melt at the time, which was really the reliability and performance issues that were happening within converting. And again, just like I just talked about with Mark's question, had been going on for years, right, underinvestment for years. And literally in a two-year period of time, we've gone from a dramatically underperforming set of assets to one that is performing quite well and winning back share. So – and I got to give Tom and team a lot of credit. They – that started – work started way before I ever joined. And so, I feel really good about the commercial side and the converting ops and cost side.

The mill side, to Mark's question and connected to your question, we do have control of it, but we're still early in that journey, right, and – but I believe and we've demonstrated in the converting side and at Mansfield, which by the way, to be clear, we don't have that completely wrestled to the ground, but we've made a huge amount of progress, that we know how to do this. And so, but it – that stuff is in our control. You mentioned the outages and things like that.

And also, as you know, the momentum as you're driving cost out of a process-related business, this is unlike my world at IDEX, right? So, my world at IDEX, things happened in relatively short cycles. We decided to close the business, exit the business, things showed up and flowed through your P&L relatively quickly. From the scale and the timelines that are simply required in this business, you don't have a choice of kind of how you go about those changes. It takes longer to come in and show up in the results. And so, we've got to get that engine moving within the mill system in North America. So, but with that, yes, I feel I have a lot of confidence in what's going on in North America.

In Europe, we have launched 80/20. We started, as I mentioned in the last quarter. We started out of the gates, right out of gates, and Tim Nicholls, who's running that over there, he, Stefano Rossi, Paul Brown, the leaders over there. They have grabbed on to this. And it's a big deal. If you look at what we've already announced in the UK and the delayering in Europe, that's a really big deal. We have to move fast. We know we have to move fast. I know people are scared about transformational change in Europe, but we know how to do it. I've done it many times in my past, I know Lance has done it many times in his past. We know how to get this done, but it will be bumpy. Don't get me wrong, right. This is tough work to be done.

And so, you're right, the sequential improvement in quarter-to-quarter in Europe is really going to be driven on that commercial side, right, because we don't have the underlying drivers that are moving the needle. Those are going to show up 6 and 12 months from now. And that's just a lag time that's really required. So, that's question one.

All right. Question two?

Lance Loeffler

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

A

Outlook for EMEA and GCF.

Andrew K. Silvernail

Chairman & Chief Executive Officer, International Paper Co.

A

Yeah, so outlook for EMEA, look, I think we expected – we believed that the trough was in the early part of the second quarter. June suggested that, that was so, and July is suggesting that is so also. And so, we feel good about that. But you're absolutely right to question it, because we are subject to what's going on in that marketplace. And so, there's going to be more variability that's out of our control there. There's no doubt about it. There's what, about \$50 million, Lance, in total between those two things...

Lance Loeffler

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

A

Yes.

Andrew K. Silvernail

Chairman & Chief Executive Officer, International Paper Co.

A

...those two pieces, the volume and price coming through.

Lance Loeffler

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

A

Right.

Andrew K. Silvernail

Chairman & Chief Executive Officer, International Paper Co.

A

So, yeah, you hit that on the head. But when I net it together, and I look at that ability to get into that billion-dollar run rate range, right, we feel good about that. Yeah. It's not – look, there's no slam dunks in what we're doing now. I mean, this is tough money work, and we all knew it, getting into it. And you guys have all been on the journey with us. We know how to do transformation, but it is tough and it's not linear. But I will say the traction both in North America and in Europe, we're making progress.

GCF, look, the process, we – if you kind of go back in time, we made the decision last fall, a lot of carve-out work to get it as a stand-alone business and to be able to make sure we're presenting that appropriately, the markets have been tough, right? This is a tough market around us in terms of the financing markets and the bumpiness in the macroeconomic environment. And we're committed to getting the value for that business, but we want to be a packaging business. Look, that's what this is. I said this, kind of this time last year or maybe into the fall, the idea of being a pure play packaging business, I think is very exciting, right? The stability of that business over time, the predictability of that over time, even with all the noise that we have right now, that's an awfully good business to be in. And that's where we're going.

George L. Staphos

Analyst, BofA Securities, Inc.

Q

Okay. So, Andy, Europe may be pushed to the right, but you still feel good about the billion summary on that, would that be fair?

Andrew K. Silvernail

Chairman & Chief Executive Officer, International Paper Co.

What do you mean pushed to the right?

A

George L. Staphos

Analyst, BofA Securities, Inc.

So, the \$900 million and \$1.1 billion, is that operable this year or [indiscernible] (00:35:27)...

Q

Andrew K. Silvernail

Chairman & Chief Executive Officer, International Paper Co.

Oh, you're talking Europe, are you talking Europe, George? Oh, I'm sorry. My billion – my billion was – what I was referring to is not pushed to the right. My \$1.4 billion was a billion run rate and EBITDA for the company, right...

A

George L. Staphos

Analyst, BofA Securities, Inc.

Yeah.

Q

Andrew K. Silvernail

Chairman & Chief Executive Officer, International Paper Co.

...in the third quarter. In Europe, yeah, Europe, we're basically holding, that range that we talked about at the Investor Day, we're holding that. Sorry, I confused that, George. My fault.

A

George L. Staphos

Analyst, BofA Securities, Inc.

Okay. My bad. Thank you so much. Good luck on the third quarter.

Q

Andrew K. Silvernail

Chairman & Chief Executive Officer, International Paper Co.

Thank you very much, George. Yes, thanks.

A

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

Anthony James Pettinari

Analyst, Citigroup Global Markets, Inc.

Good morning. Is it possible to say what July box volumes have looked like in North America and Europe as you start off the quarter? And then, you obviously have a lot of customers in a lot of industries. But I'm curious when you kind of think about customer inventories, is there a sense that there could be some restocking in the second half of the year among your customers or just any kind of general observations there?

Q

Andrew K. Silvernail

Chairman & Chief Executive Officer, International Paper Co.

Yeah. Thank you. So, Anthony, when you look at the market right now, it's relatively flat sequentially. Some of you may have seen that the Wall Street Journal article, it talked about the kind of the weirdness of the GDP numbers that are out there and the puts and takes. And what's that 3% real number? I think you got to dig down for our business and kind of look at what I call the goods economy, right. So, industrial production is a decent proxy. It's

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not the – it's not the overall proxy, but it's a decent proxy. And that's still pretty muddy, right? Housing has been just a mess, and a lot – that drives a big chunk of our overall business in the space, and that's been a mess for a while. And so, that to me, is a real good guy going forward. If you kind of think through over time, that's an opportunity.

But we don't expect anything in the near term to happen.

So, the goods economy is still pretty constrained. There is no doubt about it. Specific to your question about different parts of the marketplace, I mentioned housing that's remained soft. It does feel like everybody is pretty cautious, right. So, people are pretty cautious with the caveat that there's a lot of noise about kind of people rushing to the gates before the tariffs, the kind of the crazy tariff stuff early on. And then since then everyone's kind of feeling this out, there's no doubt about it. So, people have been pretty constrained in terms of net investment spending. People have been pretty constrained in terms of inventory.

In terms of there being a big restocking, I don't know, right. There's no evidence that there's going to be some massive restocking. I think one of the great lessons for everybody out of the COVID era was around supply chain. I think people got a lot better around supply chain, a lot tighter around supply chain. We certainly have, other people have. And so, I think you're going to see less of that unless you get a really big step-up in economic activity. And then that will constrain the system. I think that if I kind of think about going into the third and the fourth quarter and maybe the first half of next year, there are a couple of really big things, as I think about the external market that are on my mind, right? One is around the macroeconomic noise, whether it's geopolitics or trade tariffs, et cetera, is I believe, is kind of – there's some pretty digital events here that we don't simply control. One is, we clarify some of the stuff. There's a lot of pent-up investment around the industrial world. There is a ton of pent-up investment. And so, I think there's a relatively big upside. If that takes off, then that will constrain short-term supply chains. And you could see that bump in inventory restocking as people really try to catch, maybe it's not even inventory restocking, it's just catching the marketplace. I think that's legitimate.

The downside scenario really is this continued muddiness and people holding back. But as I talked to my peers, as I talked to my old world and the kind of the pure industrial world, people are very cautious. They're holding back right now. So, I think there's probably, over the next couple of years, it feels to me like there's more upside than downside in terms of the economy picking back up and getting out of this morass that we've actually been in. If you look at it, once you get past that COVID bump, you're kind of four years into a pretty tough industrial environment. And so, I see some upside there in the future.

Anthony James Pettinari

Analyst, Citigroup Global Markets, Inc.

Q

Okay. That's very helpful. And then, maybe just related question. I mean, you talk about closing the gap with the industry on the box side and expecting to have that closed by 4Q. When you look at your confirmed business wins, is it possible to kind of share any observations in terms of, are these customers IP has won back or existing customers that are giving you more business or maybe new to IP? And are these longer run, shorter runs, larger customer or smaller customer? Just curious if there's any generalization in terms of how you're winning in the marketplace?

Andrew K. Silvernail

Chairman & Chief Executive Officer, International Paper Co.

A

Yeah, look, I think, as I said before, this is a good news story. And when you – when we kind of look back, I think when you're in the future and you say, what were some of the really critical pivot points, I believe that this is going to be one of them. And the reason I say that is the wins that we're starting to see that we believe are going to

show up, we know a bunch of them are going to show up here in the third and the fourth quarter. It's a combination of – and I'm talking that North America specifically right now, it's a combination of large national accounts who are really, really selective about moving business, right. They do not move business easily. It is not an easy thing for them to do, to pick up. And some of these very large accounts, when they move, they test you hard. And we've been in that testing phase to demonstrate that we can do this. And the reason for those choices are typically around service and quality, right. Price is, as you've heard me say in the past, price is certainly an entry point when you're winning new business. But as you have business, when they choose to go, it typically starts with service and quality issues. And then price becomes a factor when they actually really start looking.

If you recall last year, we talked a lot about the premium that can be earned with great service and quality. And what I'll tell you is what we've seen in North America, is that's very much true, right? When you are delivering to those customers, your actual cost to their overall solution is relatively small and your criticality is very high. And so, as long as you are fair on price and can really drive the service and quality, that's good news. And so, we're seeing it at the large customer side. And very importantly, we've also had local wins, right? So, we're seeing it in both places. And so, that's exciting for us.

It's early days, right? It is definitely early days. And I – if I'm in your guys' shoes here, the proof is in the pudding in the third and the fourth quarter, and our ability in the third quarter continue to close that gap. We closed it by another 200 basis points. We landed exactly where we said we were going to land in the second quarter. We believe we're going to close it substantially again in the third quarter. And then, by the fourth quarter, I think we're on the other side of the ledger positively.

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.

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

Good morning. Thanks for taking my questions. Just a follow-up on Mark's question about mill reliability, is there an opportunity here to accelerate reinvestment in the mills, [indiscernible] (00:43:32) backdrop is still a bit soft? I recognize you probably can't pivot complex multiyear investment plans on a dime, but could you speak to what degree of flexibility you have here?

Andrew K. Silvernail

Chairman & Chief Executive Officer, International Paper Co.

A

Look, it's a great question, and it's a question that we are digging into a level of detail that's excruciating, right. And because to me, the mill reliability is not only about \$150 million, it is. I mean, that's a big deal, don't get me wrong, \$300 million is annualized, right. So, it's a really big deal. The bigger deal for me is I believe that, that is the gateway to a lot of financial performance, right? Because as you drive mill reliability, it allows you to move more business to highly strategic, highly efficient, effective, highly profitable assets. And so, as we are able to do

that, yes, that \$300 million is there, but it's also what allows you to win that incremental business and bring it in and not bring it in to inefficient assets. And when you look at where profit and cash get lost in this business, it's a lot in that kind of morass. And so, this is a big deal, obviously, for that \$150 million set first half, \$300 million annualized. It's a really big deal for our overall success story. And so, we are right, you guys are right to focus in on it, and believe me, we are very focused in on it.

And so, the question of can we accelerate it, boy, we are pushing hard. We're not going fast enough. It's not fast enough. The speed at which we have turned and converting, which really, is to be honest, right, that's – that was a two-year journey. If we're honest about where that was, that's a two-year journey. We're really about six months into the mill reliability journey, and a lot of that was just in the diagnosis of the issue. And so, a really hard work and the results that we've gotten have happened at a handful of mills, not the entire system. And so, this is going to be, we're going to work it.

And there are really two things around accelerating that. One is, you got to not put money into non-strategic assets, right. There isn't enough money in the pot. And we're not going to come asking you guys for more of it to do that. We've got to fund this ourselves. It's we've got to be self-help. And so, we've got to do that. And to do that, two things have got to happen. Once, you've got to not put money into non-strategic assets and non-long-term assets and you have to drive incremental benefits back into the system over the next couple of years. And if you look at our plan, if you go back to the March Investor Day, that's exactly what we laid out and that's exactly how we're doing.

And it's – look, we're \$30 million to \$50 million off where I would really hope to be, if you just kind of look at that. Where are we second quarter, we're \$30 million to \$50 million of where, off where we wanted to be for really driven by mill reliability. I didn't expect that we'd close that \$150 million this year. But by golly, we need to make progress, right? So, we got to make progress in the third quarter, fourth quarter, first quarter, and we just got to make progress quarter after quarter after quarter. And it's going to come with diverting that capital, driving it back in and getting our best people working on the best assets.

Matthew McKellar

Analyst, RBC Capital Markets

Q

That's great. Thanks for the color there. And then, second for me, at the Investor Day, I think you talked about exiting some non-strategic export markets. Can you please just update us on how far along you are in that process today versus your expected end state? Thank you.

Andrew K. Silvernail

Chairman & Chief Executive Officer, International Paper Co.

A

Yeah, we're making progress. If you remember, I said this at the Investor Day, I've said this, and I said it in the first quarter call, not all export is bad, right? You really have to look at it. There's a segment of that, that is highly strategic. And what I mean by that is the customer really values it. And they're – it's not being used as an outlet for your domestic mill system, right. Because if you think about it, a lot of what happens is export gets used as a dumping ground because you don't have enough volume in your domestic system. And so, you dump it into the export system, which wreaks havoc on the overall markets because all that stuff, it all comes back around the world one way or the other.

And so, there's a segment of that, which is I'm going to call the dumping ground, which we're well on the way of getting out of. We're not done yet. But I don't know, Lance, what are we, probably halfway through?

Lance Loeffler

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

A

Yeah.

Andrew K. Silvernail

Chairman & Chief Executive Officer, International Paper Co.

A

You probably feel – I'm going to say...

Lance Loeffler

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

A

[indiscernible] (00:48:02).

Andrew K. Silvernail

Chairman & Chief Executive Officer, International Paper Co.

A

...half maybe a little bit better, but there's more to do. And because you're not just, you're not just pulling the rug out, right, you got to do it thoughtfully. And again, volume and the assets that you have, those things go hand in hand. So, you can't just kind of run from it and sit on a stranded asset. You can't do that. And so, we got to be smart about that.

And then, there's a piece of it, like I said, that people really do value it and we want that business, right? That is strategic business where people will pay for our capabilities and we're going to – we'll keep that over time, but we have to bifurcate it, the stuff we don't want. I think it's a little bit of a thumb in the air, right, a wet thumb in the air, but it's somewhere north of 50%.

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 Philip Ng with Jefferies. Please go ahead.

Philip Ng

Analyst, Jefferies LLC

Q

Hey, guys. Well, Andy, you've had a few months under the hood now with DS Smith. When you look at the asset quality, cost curve and all that great stuff, both on the box plant, and I'm particularly curious on the mill side of things, how does the asset stack up from a cost curve standpoint? Is there work you can do on the optimization just because that market, Europe more broadly, is actually oversupplied at this point? Granted, you're integrated, you're in a much better spot, but I would imagine some of the non-integrated guys are kind of in a world of hurt, right? So, just kind of help us think through that opportunity set on the mill side.

And then, on a side note, I noticed in the bridge for 1Q to 2Q, DS Smith North America legacy operate at a \$5 million loss in EBITDA. Is there something you could do to shore that up, hopefully, sometime this year?

Andrew K. Silvernail

Chairman & Chief Executive Officer, International Paper Co.

A

So, yeah, two things. So, on – in quality of assets, what I'm going to say is it's a mixed bag, and we knew that going into it. And what do I mean by that? So, let's talk about the mill system and the papers – call it paper supply or mill system. And we talked about this in multiple settings in the past. What you really have are three pieces to our mill or paper supply business, and I'm going to take a second and walk you through this because this is important. The first thing is you have is you have mill assets that are manufacturing paper that's going into our box system. And that's about plus or minus, well actually not minus. It's right around 50-plus percent of the paper that we utilize in our box system. We are manufacturing that ourselves.

The other half is going into other products into the marketplace that we are not principally manufacturing for end market use, right. So, that's being sold as things that are other paper-based products that are not going into our box products. So, so that, if you think about mill system, one, two, one is stuff we manufacture and we consume, stuff that we manufacture that we don't consume and we're selling into the market. The third piece is then paper that we're buying on the open market to go into our mill system.

So, the way to think of it is we want to, much like we are in the United States, we want to continue to drive integration, right, into from the box to paper and back. We want to continue to drive integration. And so, we're going to make investments around driving that integration. And you're right, the folks who are integrated and are driving that are winning in the market, the folks who are manufacturing more commoditized-based paper products are not winning in that market. And so, that is absolutely the path that we are going down. And so, we're going to focus in on being an integrated, sustainable, paper-based packaging company.

Philip Ng

Analyst, Jefferies LLC

Q

Okay. Any color on the North American DS Smith piece that's operating at a loss, does that get shored up soon?

Andrew K. Silvernail

Chairman & Chief Executive Officer, International Paper Co.

A

Yes, yes. Sorry about that. Yeah. Look, I feel really good about that. It's the integration of the DS Smith US assets into our footprint is going well. Look, as we look at the total asset mix, in many ways, right, not in many ways, in all ways, that's really not integrated into our system yet. And so, when you get a pocket lag in demand, today, unlike our other mill assets, where you'll move things around through the system, right, to balance it, we're not there yet at DS Smith. And so, you'll see us optimize the asset set and optimize how we move volume to appropriate mills over time, and so, there's nothing there that concerns me longer term. And we have absolutely, the levers for driving the synergies and the benefits that we talked about at Investor Day, we are absolutely on track.

Philip Ng

Analyst, Jefferies LLC

Q

Okay. And then, maybe piggybacking off of George's questions earlier, in the deck, you reiterated your EBITDA guidance for Packaging Solutions, ex-Cellulose, but you didn't give as much color on Europe or pulp. It's one number rather than a range. My question last quarter was, as long as demand is steady in North America, do you generally felt like the EBITDA guidance where it was little more elaborate last quarter. Wouldn't be quite in the midpoint, but above the low end, certainly North America is lining up. As expected, Europe seemed a little choppier. The pulp business is a little choppier, so kind of give us some, I guess, broader parameters how we should think about the year unfolding?

Andrew K. Silvernail

Chairman & Chief Executive Officer, International Paper Co.

A

Yeah, look, I think, Philip, I think, you've narrowed in really well, right, which is if you look at that \$3.8 billion second half run rate that we're talking about, and that's, that's – we needed to be in that range, right. That's where we really needed to be. We're on there. And where that moves within the range has so far has really principally been driven by what's happened in the marketplace in terms of just overall market volume.

If you take market volumes, which year-to-date are down, what they're down, what two in the second quarter and in first quarter, what was it?

Lance Loeffler

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

A

Trying to remember off the top of my head. It was....

Andrew K. Silvernail

Chairman & Chief Executive Officer, International Paper Co.

A

So, pretty, pretty...

Lance Loeffler

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

A

[indiscernible] (00:54:13).

Andrew K. Silvernail

Chairman & Chief Executive Officer, International Paper Co.

A

No, market was also two, it was also two.

Lance Loeffler

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

A

Two.

Andrew K. Silvernail

Chairman & Chief Executive Officer, International Paper Co.

A

Yeah. So, if you look at that, first is a plus one, right. So, we went into the year thinking that the year would be a plus one. And so, we're kind of two or three point market versus expectation is somewhere two or three points worse. And so, if you look at kind of that, that really explains kind of all, everything we're talking about here.

And now, the mill operations, that could have been upside for us, right. So – and that's not really a major downside, but it could have been upside that we didn't get. And so, those two things that put them together, that's really the biggest up. And so, if I look at going forward, do I believe that the marketplace has been constrained by what's going on in the macro environment? I really do. And do I think we can capture that upside over time? I think so. So, we're well within the range that we outlined in March. Really, it's that top line. And then, obviously, the mill performance in North America that we talked about.

Europe is on the lower end of our expectations right now because, again, of the market softness. So, I combine – if I step back and I think we're here this time next year, what do I hope to be meaningfully different? Some things I can't control, some things I can. Number one, again, we are winning market share in North America, right, that will

be important. Two, we improve, we make real traction on this mill reliability over the next year. And three, we get after the complexity reduction in Europe, right. Those are all things that we can control.

And so, if I look at it, if you take the market and set the market aside, we're here a year from now and you guys are grading our progress. I think that's what you're going to be grading us on.

Philip Ng

Analyst, Jefferies LLC

Okay. Appreciate all the great color, Andy.

Q

Andrew K. Silvernail

Chairman & Chief Executive Officer, International Paper Co.

Thanks, Philip.

A

Operator: And our next question comes from the line of Mike Roxland with Truist Securities. Please go ahead.

Michael Roxland

Analyst, Truist Securities, Inc.

Yeah, thank you, Andy, Lance, Mandi, and Michele, for taking my questions and congrats on all the progress.

Q

Andrew K. Silvernail

Chairman & Chief Executive Officer, International Paper Co.

Thanks, Mike.

A

Michael Roxland

Analyst, Truist Securities, Inc.

Yeah. Just wanted to follow up with you regarding the 80/20 deployment in Europe. Obviously, you're moving at a very fast pace with some of the box plant closures. You mentioned streamlining in the subregions into 7 from 13. But you also just mentioned in response to Phil's question about getting after complexity in Europe.

Q

Andrew K. Silvernail

Chairman & Chief Executive Officer, International Paper Co.

Yeah.

A

Michael Roxland

Analyst, Truist Securities, Inc.

So, can you comment on maybe what's next in terms of Europe? Is it mill closures? Is it mill consolidation? Is it for the head count reduction? Just to give us a sense of, what next in the list? And really, how has employee receptiveness been to the changes you're looking to deploy?

Q

Andrew K. Silvernail

Chairman & Chief Executive Officer, International Paper Co.

Yes, thank you, Mike. So, Mike, as you know, in Europe, the process of any kind of structural change is very different, right. And what I mean by that is not the actions themselves, but there is a very important consultation process that you need to go through, right. And you have to work through that. And so, what that means is that

A

tends to mean things are a little bit slower. That's just the reality. And you got to work through it and you got to work through legally, culturally. And we are going to do the right thing across the board. If you look at what we've done so far in the UK and on the layering, we have followed through on those processes. They're not done yet because you have to go through the consultation process. And so, putting a fine pin on exact numbers, you don't exactly know yet because you got to go through the consultation process appropriately, and we're going to do that.

At the same time, we have to do the things to make the business strong. Having done this in Europe now for, gosh, 25 years, I think a lot of people are fearful of taking the kind of actions that you need to build the business, because it is arduous, right? So, you tend to do and because of that, a lot of companies live with substandard businesses that frankly never really earn their cost of capital, and without having a US parent, they're going to struggle. And I just don't believe in that. When we decided to buy DS Smith, it was on the belief that we could structurally change that business and thereby reinvest back into what DS Smith does. So, dang well, which is the commercial side of the business and drive that engine. And so, we're doing that, right? And so, we are going to keep at this. This will be a journey and we're on it, where we're going to restructure this as appropriately, just as we have done already in North America, we're going to do in Europe. We're going to invest in the strategic assets. We're going to invest in the customers where we believe there is opportunity to win. And we're doing that.

And frankly, there's real excitement. And I'm going to – I want to bifurcate this comment. There's real excitement on making the tough choices. People want to win. I don't care where you are in the world. People do not like losing, especially great people. And so, the team over there, and we have a really, really, really good team at DS Smith. That team over there, I mentioned Stefano and I mentioned Paul, you guys met them at the Investor Day. They're winners and they want to go after this thing and they really want to win. At the same time, right, we're all human. And these decisions are freaking hard, right? These are hard. These decisions impact people's lives. And the time that, that doesn't bother you, you ought to get out, right? Because we ought to look at these things and we got to do the right thing, not just for our investors, right, but you got to do the right thing for sustainable, strong businesses and sustainable, strong businesses need to be reinvested in. And when you have business that cannot stand on its own, you can't reinvest in it, which just basically means a slow death.

We're not in that game and we're not going to play that game. We are going to reinvest in assets that have the opportunity to win, so our people can win, so they can really have the kind of lives and careers that they want to have. So, I'd be blowing smoke if I said it wasn't hard. It is hard. And the people who are impacted by it, it hurts. And we take it super seriously, but we're still going to do it. And we're going to do it because it's the right thing for the long term, for the business. It's the right thing for our people, it's the right thing for our customers. And ultimately, it will be the right thing for our shareholders too. So, yeah, thank you very much. I appreciate that question, Mike.

Michael Roxland

Analyst, Truist Securities, Inc.



Appreciate all the color. I know I'm pushing up, I guess, the hour here, but just one quick one in Europe as well, you did have – you see some better pricing in the second half. But it looks like some pricing has weakened as well. So, that [ph] could spread (01:01:15) in 2026. So, what type of European price assumptions are embedded in your \$1.8 billion to \$2 billion of EBITDA in 2027? I'm just trying to gauge the risk to your EMEA EBITDA forecast, given the price weakness that has emerged recently?

Andrew K. Silvernail

Chairman & Chief Executive Officer, International Paper Co.



Yes. If you go back to last quarter, what we had told you about is that there was one price increase earlier in the year, and then a second one had come out, right. And we – we our belief was that that first one would stick and all the evidence is that, that is sticking. And all of our assumptions are based on that, right? It's really on that first one. The second one, given what you said, we're more cautious on, obviously, as the market will bear it, we want to price appropriately, but the market's going to determine that, and we don't – we haven't got anything built in for this year or for next year on that second price increase.

Michael Roxland

Analyst, Truist Securities, Inc.



Thank you very much.

Andrew K. Silvernail

Chairman & Chief Executive Officer, International Paper Co.

Thanks, Mike. I think that's it for questions. So, I just want to thank everybody for your continued interest and support of IP. There's a lot going on. I mean, at the end of the day, we have a lot of stuff going on. But I just – I want to come back to the three points I made when we started this conversation here today, is number one, this transformation is on track, right? The second quarter revenue was at our expectation. The market is weaker than we would have hoped in North America and EMEA. But I think, overall, if I think about the intermediate term and the longer term, it feels like there's upside to that. We know we've got this transformation in terms of cost, lots of progress in a lot of places, got to get better in the mill system. We're just launching 80/20 in Europe and we've got to get after that and the teams know that full well.

And finally, look, we're holding our EBITDA guidance, the jump up from second quarter to third quarter, we understand how important that is. It is not lost on anybody that this is a big inflection point for us, and so we are in this thing to get it done. So, I want to thank you again for your support. Appreciate it and look forward to follow-up conversations. Take care, everybody.

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

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