04-Dec-2024

International Paper Co. (IP)

Citi Basic Materials Conference

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CORPORATE PARTICIPANTS

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

MANAGEMENT DISCUSSION SECTION

Unverified Participant

Good morning, everyone. My name is [ph] Cory Duncan (00:06:08). I'm a banker here at Citigroup covering the paper and packing sector. We're going to kick off the morning. I'm pleased to introduce Andy Silvernail from IP. Andy, welcome.

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

Thanks, [ph] Cory (00:06:18). Appreciate it. Good to be here.

QUESTION AND ANSWER SECTION

Q

Andy, you joined IP earlier this year and there's been a lot of transformative actions taken in between, including $230 million of cost cutting measures to date, a strategic review of your Global Cellulose Fibers business and the closure of the Georgetown, South Carolina pulp mill. Can you start by giving us a sense of where IP was when you joined in May versus where it is today. And what are your impressions of how the company has evolved over that time?

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

A

Thanks, [ph] Cory (00:06:46). Good to be here, everybody. I appreciate it. Look, when I was evaluating IP to become CEO, the question that I was really wrestling with is can this business or does this business inside of it have good structural economics? That's a question that everyone has wrestled with across the industry for quite some time.

And my conclusion was and is that what you have at IP is a good packaging business that has been surrounded by or by choice, by choices that we made around a bunch of fairly low-value commoditized businesses that really don't have good structural economics. And so – and that's, of course, changed over the last 30 years as more and more of the business has become packaging. So obviously, before I even started, 80%, 85% of the business was that. And the reality is that is it the best position for IP? And what I think is a quite good business over time is an

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integrated packaging business. And so, the moves that we've been taking and the path that we're on is to be a pure play integrated packaging business. And that's where we really want to be and where we're going to go.

And the angle around being a sustainable packaging business has real value in Europe today, a tremendous value in Europe. That is an expectation that's growing in Europe and it's one that's growing in the US, even though that will likely slow a little bit with the new administration.

But if you think of 10 years from now, will that matter more or less? It'll matter more. And so that positioning as the global leader in sustainable packaging is a really exciting place to be. And so everything else that's in the way of that doesn't have a place. And so if you think about all the actions that I thought about and worked on before I joined and everything we've done since May has all been getting to that. And then everything here forward is going to be about accentuating that.

Q

All right. Thanks. So you expect the actions taken to date to drive $230 million of run rate EBITDA improvement from measures taken in containerboard with the box system optimization, with pulp existing commodity and mill closure and the enterprise more broadly with resource alignment, the 80/20. Can you discuss the contribution from those various categories towards the $230 million that you outlined? And how should investors think about the cadence of that $230 million?

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

A

Yeah. So the $230 million is meaningful, right? So, we talked about $1.2 billion or so of cost out, a net cost out [indiscernible] (00:09:33) of the business. And so obviously, it's a great step forward on that. A big chunk of that was around GCF and the Georgetown Mill. Another big chunk was really around that what I call the Memphis matrix, right, a very large matrix structure that got built over time that we have taken apart. And so the improvements at GCF, look, that's obviously going to stay with the business as we go through the strategic review, but those benefits will accrue to that and hopefully will be paid for it also.

The more important thing is really what we did in Memphis. And why is that? And because the numbers aren't that big. It's not going to change the investment thesis itself. What's really important there is I do not have a positive view of matrix structures generally. I think they are very ineffective. I think that they slow organizations down. I think you forget who the customer is, accountability goes away, blah, blah, blah. And so the work there is fundamentally about getting that out of the way and having a corporate structure that makes sense and then everything else in the businesses.

And so as an example, pre the restructuring announcement, we had about 2,600 people that you would call corporate that sit within a matrix structure. Today, we have 225, and that doesn't mean that everybody else went away. But of the 650 people that are leaving the business, so if you kind of say we're down to 2,000, 1,800 or a little less than 1,800 went into the businesses, right. They went directly into the businesses. And so what ends up happening when you do that is you clear the way to focus on how you add value, how you create value, which is really from the customer back.

And so all of these actions, they add up to $230 million is great. It's a good start. Everything is about preparing for a future where you are a pureplay, customer-centric, sustainable packaging company and you can focus and execute. And so I don't know how many of you have ever worked in matrix structures, right? But when you start

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having three or four bosses, when it's – when your goals and objectives are tied to things that are not about the customer, not about creating value, Organizations come to a halt and we've got to a place now where we could focus on the right things [ph] and to (00:12:07) really drive value.

Q

Thanks, Andy. Can you discuss the 80/20 framework at a high level and specifically how it's being implemented in IP. And Aside from the actions that you just described, how do you change the culture of IP in terms of igniting that 80/20?

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

A

Yeah. So if you haven't seen it, we did – in August, we did kind of an 80/20 [ph] 1-on-1 (00:12:31) for investors. And so it's – and Mark, I think it's still available. So you can go on. It was about an hour and a half long and we walk through kind of what is 80/20 and some very specific examples. So if you want to go more in depth, you can certainly go there, which I highly recommend it.

But in a nutshell, look, there's nothing magical about 80/20, nothing. And by the way, there's nothing magical about any of the industrial business systems that exist out there, even the ones that have been – that are most famous [indiscernible] (00:13:02) production system with the Danaher Business System. I have – I started my career after business school at Danaher.

And when I say there's nothing magical, meaning the tools, the methods themselves are relatively simple. What's hard is the discipline, right? And so, it's – I kind of [ph] liken it to losing weight (00:13:23). The equation is pretty simple. It's just really hard to do. And so – and when I say it's hard to do, it's hard because what 80/20 does is 80/20 is a fact-based methodology of understanding what matters most. That's really what it is. It's a fact-based methodology of saying what matters most. Can I prove it with math? And then you have to have the courage to move people and investment towards those things and stop doing a lot of other things.

And if you think about that, that sounds so simple. But then ask yourself if you just think about the 20 people in your life that you're closest to and you ask how many of those people are actually good at that, right? At picking what matters most, moving time, energy, money towards them and stopping other things. The answer is very few, right? And that is true across everybody.

And so I think businesses that develop a system of how you run and create discipline and expectation around that to the execution, that's where the magic is. And so what 80/20 is fundamentally all about is getting the facts, understanding where profit pools are, and really aggressively moving people and money towards them, and then making choices about assets and jobs to be done that you say we're just simply not going to do.

And if you go back to my time at IDEX, that's what we did for a decade. And it was all about that shift and it doesn't happen quickly. Like that's one of the things that I think is important. A lot has happened at IP very fast in a very short period of time. That tempo will obviously slow, right? You're not going to have the magnitude of stuff that happened last quarter happening every quarter.

But what starts to happen is you start to build muscle. So as an example of these pilots that we're doing in the box plant side in a few different areas, we're building real muscle. But how do you actually run a great box [ph] plant (00:15:31)? How do you want to run a great region? And that will take some time. Those two regions together are

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5% of the business. They're not going to move the needle. But what they'll do is they'll demonstrate what you – what is possible. And so you can demonstrate and then you can use that as a lighthouse for people to say that's what great looks like. And so what 80/20 is all about is getting to those things and then very, very consistently building momentum. And then two or three or four or five years from now, you built a capability and you built the muscle. That's very hard [indiscernible] (00:16:04).

Q

[ph] Excellent (00:16:05). So last quarter you announced your intention to exit your GCF business. Why is IP potentially not the best owner of that business? And then further, can you talk about the rationale about around the Georgetown closure?

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

A

Sure. So it really it starts with the belief that the most value we can add as a company is to be the leader in sustainable packaging. So that's where this all really comes to is, hey, how do you get to that? The GCF business on its own can be a good business, and we have a path for it to be very profitable and attractive. The problem is it's just a different business, right? It's fundamentally a different business. It's fundamentally going to be more cylical. It's always going to be more cylical because it is truly a global commodity, right? Now, they have phenomenal position. They have great position in the marketplace. And this is the kind of business that any one of us at the right price would love to own. And – but that position is still open to a global commodity market, which means you're going to have more cyclicality in it.

And when you look at the core sustainable packaging business and you look at the integrated piece of that, that which is integrated. It is radically less cyclical than what we have all experienced at IP in the last 20 years just in terms of the earnings growth, the volume growth. It's not a particularly cylical business compared to what people think. And so anything that makes IP more cylical, that doesn't fit that core sustainable packaging really gets in the way of that core mission. So that's the thinking anyway. And it just really comes down to is do what you're really good at and do what investors really care about. I mean, aligning how – what this business should look like with the expectations of the investment community.

As long as those expectations are sensible and they are, it's kind of a no brainer. And so somebody else can own that business and they're going to do really well with it. I mean, this is an interesting one. We are like if we owned it as a family, you might make a different choice, right? But we're not a family. And so when you look at GCF itself, they've done a really good job. Clay Ellis has done an excellent job of cleaning up the business. The 80/20 work that we have done has got huge traction. We'll have a good 2025 and really good 2025 after major improvements, even with price headwinds in 2024.

And so the Georgetown mill closure is really looking at that going – that Georgetown mill fundamentally made non-fluff products right, so make commodity products, which if you ask yourself would I get into that business if I wasn't in it with these assets? The answer is you won't. And then also you can move anything that were not – all of the fluff business can go to other mills and so we're not losing any fluff. We're actually expanding fluff capacity and we're getting out of the really cyclical, low value add commodity grades.

Q

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Last quarter you talked about regional pilots. So you've achieved 20% to 30% productivity improvement from regional optimization pilot programs at two box plants. Can you give folks some examples of the productivity gains and the specific actions that you've taken to drive that improvement?

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

A

Yeah. So if you think about kind of our box plant network now we have or by the end of this month, we'll have 105. And if you look at, they're mostly in clusters. So if you think of around New York City or around Chicago or Atlanta or L.A., you end up having clusters of box plants. You'll have three to five box plants. And pre this pilot or this lighthouse approach, each one of them would run. I'm just going to call it a normal mix of product, right? So there really wasn't a strategic view about what was needed in the region. And then how might I optimize the box plant cluster to maximize that?

And going back to the 80/20 analytics, when you do the analytics, the analytics are really around complexity and volume. If you think of the intersection of complexity and volume, that's what it is. And if you think of things that are high volume but low complexity, so think of – it can run kind of lights out. And you think of things that are low volume and high complexity. They require lots of changeovers, right? You're changing things all the time. As customer A comes in then customer B then customers C and it's different colors and different weights and et cetera, those two models, even though theoretically you're doing the same thing, they're completely different models. And so if you have a box plant cluster of, say, five box plants and they're all have a mix of high volume, low mix, low volume, high mix, those four different choices, the first thing we did was say, well, why can't we focus and say, plant A you are going to run low mix high volume stuff, that's all you're going to do. Plant B, you're going to run low volume, high mix stuff, that's all you're going to do.

And so what ends up happening without putting really any capital in is you specialize. And so plant A then can run – they're not worried about changeovers, that doesn't have to be a core competency. You can move very much towards a lights-out operation. Plant B, however, has got to be exceptional at changeovers, right? So the skill sets end up being completely different. So the 20-plus-percent improvements that we're getting are really without meaningful capital, right? So this is before really investing in those things.

And I had a deep belief that this was going to be true because I've done it before. We've done it within – I've done it within other types of businesses before. And you've seen those kind of improvements.

And so now will that be can you take 20% and put it across the entire 105-plant network and say, well, that's going to be the answer? No, of course not. But in these clusters, can you get that? And as you think about them adding capital, smart capital to this intersection of volume and mix, can you continue to drive that kind of productivity? I think we can.

Q

You've indicated that the current portfolio has the potential to generate $4 billion-plus of mid-cycle EBITDA...

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

A

Yeah.

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Q

...which is well above what your 2024 consensus is around $2 billion right now.

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

A

Yeah.

Q

What are the most critical components of the bridge from $2 billion to $4 billion from your perspective and across the various parts of the business?

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

A

Yeah. So, I would break it into two buckets. I break it into the cost out and then the commercial. And then within that I can give some more detail, if that's helpful.

Q

Sure.

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

A

So let's talk cost first. So if you think about the $2 billion incrementally, my belief and our plans lay out about 60% of that coming – of the $2 billion coming from cost, so $1.2 billion or so. And then you get another $800 million commercially. Of that $1.2 billion, about $500 million to $600 million is going to have to come from the mill side where we're getting much more efficient on the mill side, much more effective on the mill side, and then $400 million to $500 million on the box plant side. And then the rest is coming out of G&A.

And so we've got $230 million, actually, a little more than that now that [indiscernible] (00:24:14). So a little over $1 billion that we've [indiscernible] (00:24:16) get. And it's – none of it is [indiscernible] (00:24:21). As there are some pretty straightforward things that you're going to do, such as we've done already, right? There's some pretty straightforward things. And then as time goes on over a couple of years, the choices will get more challenging. And we can see them and you kind of see where it starts to branch. But the first year or so I think is pretty straightforward. Not easy, but straightforward.

On the commercial side, we're probably halfway home already just because of the nature of how things are moving through the system, not new pricing has come to the market, I'm not including that. And then you've got – our belief is that you got to get to parity first around the market. This does not require getting massive market share chunks to go get that. It's basically saying we're going to grow marginally above the market, if you get into 2026 and 2027. But that's very, very, very little. So the $2 billion, it is not easy to get to, but I could see how it happens.

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Q

Thanks. So what are your views? What's your perception of the North American container board market right now in terms of competitive dynamics, industry structure, price mechanisms? Obviously, there's been consolidation.

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

A

Yeah.

Q

What are your thoughts?

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

A

So I think – so first of all, the containerboard market forever was a mess, right? And one of the things that I looked at before coming to IP was do I believe that structurally the market is improving and will improve over time? So one of the conclusions I came to was the market today is significantly better than the market 10 years ago and I believe it will be much better 10 years from now. I very much believe that. And I believe that because as the industry structure specifically in North America, Europe is a little bit behind, but North America, that structure has gotten much more disciplined and players moving out of the broad scale everything fiber companies, right? So if you look back, I grew up in a paper mill town. We made coated paper. We were part – IP owned at one point.

And when you look at that kind of business and you're everything fiber, the players treat everything as a commodity. And that's if you look at kind of a 30 or 40 or even 100-year history, the players themselves decided everything was a commodity and they were mostly right except the packaging business isn't. And so everything got treated like that.

And so you start to make decisions around now let's just use an example around capacity and volume. You make decisions the same decision for something that is white paper right versus a packaging, even though the entire market structures are completely different. So then you build a matrix structure, manage that with centers of excellence to be "low cost." So you kind of think about all of that mentality to what it is today. In the US, we now have four players who really do define the market in a business that's actually come within 150-mile radius of where it's produced, with a customer who, yes, is price sensitive, but cares a lot more about service and quality. And so as the whole industry has woken up to that and frankly, PCA has been the one who basically said, hey, this is not what you think it is, right? And so in that you just – you now have an industry structure where it's 80% integrated and I think it's going to go to 90% integrated over time. It's not a pure play, but there will be two of us with almost 40% of the market that are, right, if you think a year from now.

And then the folks who aren't pure plays, they don't treat it like a commodity. And so I think that's really sensible that we are – that the industry is basically saying we add value and meaningful value and we need to be paid appropriately for that value. I think [ph] that's smart (00:28:48).

Q

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Yeah. You talked earlier about progress on the commercial side. So commercial contract restructuring.

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

A

Yeah.

Q

How is that going? And you lost a little bit of volume associated with that.

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

A

Yeah.

Q

How are those discussions going, the timeline for returning to normalized volumes once that [indiscernible] (00:29:10)?

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

A

Yeah, so this started before I joined. I'll give Tom Hamic who runs North American Packaging for us. Tom had the courage in the face of a lot of pressures. He had the courage when he became the head of our North American Container business to say we have to look at if we are getting paid for our values, back to my last comment, we have to look at that because we're making these commodity-like choices time and time and time again and it's crazy.

And so from that perspective, what had happened for a very, very long time is we were constantly negotiating with our customers, like a commodity at variable cost or variable margin. That's what the history of the whole industry has been. That's what our history has been. And Tom had the courage to say this is not and actually do the really deep analytical work of where are the opportunities in the industry, where is value truly? And in the face of a very soft market, say we have to be paid appropriate. So that's a lot easier in a really good market, not easy, when Tom and team decided to do that.

And our customers who have – and I don't blame them at all, they have been the beneficiaries of the industry and our – not actually asking to be paid what we're worth. And so customers went back and said, we don't believe you. Fundamentally, that's what they did. They said, your history is that you will back down eventually. And we had the courage to say, no, we're going to price to market and we are not going to back away from this approach.

And so some customers said, we're going to go test the market, and they appropriately did that. We're finding the market share that we have lost. It certainly has the pain, it's a pain that comes with it, but we're starting to see that turn, which is good, right? If you look at kind of our expectation and you look forward into our sales funnel and ask when does that likely to happen? It's in the back half of next year when you actually – you basically lap this stuff. And now we're seeing some of the business that where we couldn't come to an agreement with our customers, we're seeing some of that. We're getting another look at it, which is a good thing.

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And we're changing things structurally, which is really important. We're changing sales incentives. We are hiring a lot of new salespeople, some in the industry, some not in the industry, or change an entire commercial frontend. So if you think of – you change that commercial frontend to be hunters versus gatherers with the right incentive systems, you have enough of the right people in place to appropriately call on the current customers and opportunities, restructure the box plants to be much more service-oriented. That's a really good commercial capability.

Q

The [indiscernible] (00:32:21) price and volume. So on price side, you recently announced a $70 per tonne minor and a $9 per tonne medium hike. Can you discuss the impetus for that? And then on the volume side, on the 3Q call, you talked about improving volume heading into year-end. How are you seeing volume shape up as we to get to close?

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

A

Well, first on the price side, you go back five years or four years. Everything in the price dynamic and I'm talking customer pricing, inbound pricing, everything got blown up in COVID. And we all know that. What isn't as obvious is how long that's all taken to move through the entire industry, our industry. And from input costs to pricing. And the reason for that is that the change in volumes and the change in input costs were so dramatic in that short period of time, it's taken a long time to work through. So if you look at the massive margin squeeze from 2020 to 2022 to now, really, it's really been that both ends – both sides of it.

So when you came off of the COVID boom, things got soft, pricing went down the system, but input costs and inflation were really just starting to ramp up. And so you get that massive squeeze. So a big piece of what you're seeing right now is actually the rat moving to the snake, so to speak. And so we're seeing some normalization of that into the market, meaning prices have finally made their way through into the market. Input costs are modulating, inflation is modulating. So it's a good overall dynamic.

And so the question, which I think is a really good question, is, hey, how much of this is the market, is getting tighter, right? And therefore, this is sustainable? And how much of this is a one-time thing? And what I would say is the market is not yet tight, right? The market itself is not yet tight. The market growth on the customer end is still been pretty modest, right? Capacity has changed a little bit in the industry. My bet over the next two or three or four or five years, what you're going to see is you're going to see more growth on the frontend as a consumer non-durables pick up or the non-durables pick up and the capacity situation I think is – we all know what that looks like. And so I think it's a good dynamic generally over the next two to four, five years.

Q

Capital allocation. Can you refresh folks of your strategy and how you think your strategy may differ from your predecessors or others in the industry? What level of CapEx do you think is going to take to support your long-term growth ambitions, dividend versus buybacks? From this – as you integrate with DS Smith, refresh folks on the whole dynamic.

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

A

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Sure. So first of all, I'd start again with your sustainable packaging company. And so from a capital allocation standpoint, you're going to dedicated to that. And so things that are not that are not going to get capital, that's just the simple way to think about that.

And then – so that's kind of one. Two is the first thing you want to do is invest in the organic side of the business. So one of the great lessons that I took away from my time, leading IDEX, was it's really easy to get distracted with big capital allocation things that are not your core. It's a very easy thing. And when you decided you're going to be in a business and you like the long-term structural economics of that business, you need to maximize organic investment, you have to do that. We haven't. And I think that's one of the reasons that we got ourselves into trouble, is if you look at the last decade, we spent $30 billion of capital on stuff and you look at a lot of that and you go, wow!, a lot of that was not well placed. And yet we under-invested in that core of the business. So you're going to see us move very aggressively to investing in the core. So updating the box plant network, betting big on the core mills that we want to have, and reinvigorating the commercial side of the business in the US and in Europe. And so you're going to see that just – it's going to get boring. That's going to be awesome. It's just going to be time and time again of you're going to hear the same story around that because that's what creates a real competitive moat is – so let's do that.

And the core returns should be pretty darn good if you look at that. And so let's invest in those businesses fully. You walk that down through and you say, okay, so you do that. I'd say on the dividend side, everyone should expect 40% to 50% of free cash flow over time through a cycle. So sometimes – [indiscernible] (00:37:34) technical highs that will be lower, technical lows that will be higher. But generally, I would expect that to be the case. And so, my personal belief is that as you kind of look at that dividend, it probably is 3% to 4% over time. We're not going to manage a dividend yield obviously. But my guess is that it's probably where it ends up landing. And that's probably a good place to be.

And then as we improve the core fundamentals of the business, there should be a reasonable amount of cash left over. And so that's where I think from a perspective of what I have done personally different in the past than I have seen done is that discipline of when are you buying – when are you happy to put – keep cash on your balance sheet? When are you happy to buy something else? When are you happy to buy yourself? And those three things together are three parts of a singular choice, which is how do I maximize value over the long term?

So let's talk about specifically buybacks relative to that. So we all know the facts that 80% of buybacks [ph] you would be better of (00:38:45) to buy the S&P 500, right? Just it would have been better to do that. So – and the reason for that is we, people in my seat CEOs, boards, they tend to buy back stock when things are going well and they're producing lots of cash, which also means when their stock is most highly valued.

And then we all know that that is absolutely the wrong thing to do. And so what we did at IDEX and what we will do here is to create a discipline. So we're looking at the value of the company the same way that all of you would look at the value of the company. So what is the intrinsic value of the company? What is a margin safety that you will apply to that? And then from there, as you discount and you have capital available, you should be buying back stock more aggressively. But that means that you have a plan for it, right? You build a plan strategically. In your strategic plan, you build that plan, you build that grid, you have that in place in open and close periods and then you do it. You actually execute it.

To do that, means a couple of things. It means that when things are going really well, all of us have to be comfortable with cash building, right? You have to be comfortable that that will happen and say, okay, I get it. And when things are not going well, you have to be comfortable that you are going to buy [ph] whether with (00:40:07)

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the cash on the balance sheet or taking on a little bit of leverage to do that. And you have to have the discipline through the cycle to actually follow through.

And what I can tell you is we will have the discipline in the cycle to follow through. We did it for 10 years at IDEX and we've talked – in October, we had our annual strategic plan review with our board. We talked about this specifically. Between now and when we close DS Smith deal, we'll actually work through exactly what that grid looks like and we'll put that in place.

Q

Great. With our remaining minutes, maybe we can turn over to the room if there are any questions for Andy.

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

A

It's making it easy on. Sure.

Q

[indiscernible] (00:40:54)

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

A

Nothing yet. I think – this is my personal opinion. I think everyone is waiting to see what's real. I think the general opinion is the bluster is what reality will be is not what the bluster is. And so people are kind of waiting. I don't see – we're not and I don't see anybody else getting super aggressive, kind of betting on the come, so to speak. Yes. Yeah. Yeah.

Q

[indiscernible] (00:41:55)

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

A

Yeah. Yes. So I've got to be careful on a couple of regards because we have to be careful about anything that can be construed as a forecast. And the reason for that is that if anything that is believed to be a forecast means we have to go to the takeover panel and it starts this whole process. So I apologize for just being kind of a little bit delicate around that.

So you won't hear – between now and the close of DS Smith, you're not going to hear very much. And even in the fourth quarter call, that will be pretty quiet. That would be my guess just because of the DS Smith deal. Assuming that those things are going to be happening about the same time, plus or minus here within a couple of weeks of each other.

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And so – but the general pacing should be if you think about $2 billion and you say, a third, a third, a third, as an example, if you kind of think of it as three pieces of time [ph] and I don't mean (00:43:04) time, but three pieces of energy will get a lot done in 2025. We have to. That we have to [indiscernible] (00:43:13) that.

I'm not a hockey stick believer, right? The idea that something is going to [ph] magically happen (00:43:18) three years from now, that's a bad idea. And so, I had a wonderful mentor for years. His name is George Sherman, who is the first outside CEO of Danaher. And George had a great comment, he said get ahead, right, get ahead. So my goal is 2025 is to get ahead.

What I've said in the past is to get the $800 million of benefit commercially, I thought we were $20 to $40 away from mid-cycle pricing. That was the general. So we'll see what happens with this price increase, but feels like we'll be about at mid-cycle with this recent price increase. So it feels decent about how that's playing through.

Q

Well, we have time for one more.

Q

[indiscernible] (00:44:08-00:44:26)

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

A

I would break that into two pieces. The first one is the share loss that we're experiencing today is stuff that had been executed months ago, right? So it's just – it's a matter of when a contract is up and when business moves. So that's been the experience now. Those actions are pretty much done. So catalyst one is the decisions that we made 6, 12 or 18 months ago are flowing through and as we get into the latter parts of next year, we'll start to anniversary – we'll have anniversaried all of it. We're starting to anniversary some of it now, but we'll have anniversaried that. So you'll just get a natural comparable, it'll be easier comparable, right? So maybe that's not a catalyst, but that's just the facts of how it will flow.

The second one is that one of the under investments that we made over the years is we had not built an appropriate commercial structure, right? So if you just look at our sales and marketing and that's a small end marketing, but our sales structure and everything that supports our sales structure that really had atrophy and we are investing aggressively and that's the biggest catalyst is you've got an appropriate structure, an appropriate incentives, appropriate support to make that happen. And when you look at places that we have lost share outside of these contractual decisions that us and our customers made together, you can zero in really quickly to places that did not have appropriate sales and support. You see it readily.

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

Well, thank you all very much. I appreciate your time. I appreciate your interest in IP. And please feel free to reach out to myself or Mark Nellessen for any follow-ups. Thanks.

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