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# International Paper Co. (IP)

Citi Basic Materials Conference

## CORPORATE PARTICIPANTS

**Lance Loeffler**

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

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## OTHER PARTICIPANTS

**Anthony James Pettinari**

*Analyst, Citigroup Global Markets, Inc.*

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## MANAGEMENT DISCUSSION SECTION

[Abrupt Start]

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**Anthony James Pettinari**

*Analyst, Citigroup Global Markets, Inc.*

...can you just level set us in terms of what 2025 has looked like in terms of commercial improvements, cost out and changes within IP? And then any kind of kind of trends you'd call out and the 2025 EBITDA that you've articulated.

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**Lance Loeffler**

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

Sure. Thanks. Thanks, [indiscernible] (00:14:05). And thanks again for having us this morning, it's great to see everyone and thank you for the great weather and the view this morning. And I get to look at towards New Jersey but it's great to be here and yeah so. So, I would start with what has transpired over this year right. And the tremendous amount of work that the organization has done and gone through really across both regions and really at the corporate level, too right. So as we change the radical decentralization that Andy sort of put in place, the arrival of me in the spring, the announcement around Red River and North America, the subsequent mill closures that we announced in August, September timeframe, and then now the tremendous amount of work that's going into the footprint transformation with the closing of the DS Smith transaction in February. But the work that's going on today as we speak to really refocus that organization and get the footprint the way that we want it in Europe.

So, all in the midst of which is very different market than we thought coming into the year, right. And so as you think about 2025, the market headwinds that we faced in terms of demand across both regions and pricing pressure in particular, combined with the demand pressure in Europe, set us on a different course than I think we anticipated going into the year.

So as we round out this year, right coming into the year, we thought we'd be at \$3.5 billion to \$4 billion in EBITDA. Our fourth quarter guidance implies we'd be around \$3 billion exiting this year and what we tried to do on our earnings call was because we have so many things in flight that are not at a run rate. What we were trying to do is build confidence in investors and knowing that because some of these things happen later in the year, the things that we've announced to give them sort of a view of, I would say, what's in the bag. And so what's in the bag of things that we've announced that have been executed that will perform at a run rate going into next year. And so, you're sort of at that \$3.6 billion level as you look towards 2026.

## QUESTION AND ANSWER SECTION

**Anthony James Pettinari**

*Analyst, Citigroup Global Markets, Inc.*

Q

Right. Right. So looking at the delta between the initial expectation for 2025 and about \$3 billion EBITDA, that delta is basically all weaker demand. Or how would you characterize it.

**Lance Loeffler**

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

A

Yeah. Yeah, I think so. Its weaker demand and the impact on price because of weaker demand in Europe. And if you think about it, right, let's just say for North America for a second, we're about \$15 billion in revenue. We thought the market would be up 1% to actually down close to 2%. So 3 points on \$15 billion do the math. It's about \$450 million of revenue. And as we discussed last night about, let's call it, 60% fall through, you're close to \$250 million of EBITDA right there. And so and then the same in Europe, right. So we thought Europe would be up. It's softer than we had expected. And with the impact of pricing pressure, you can easily get to market driven pressures and impact of about a little over \$500 million.

**Anthony James Pettinari**

*Analyst, Citigroup Global Markets, Inc.*

Q

Right. Right. And in terms of the carryover into 2026, can you help us with the kind of the waterfall in terms of commercial improvement versus cost out versus anything else you'd call out?

**Lance Loeffler**

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

A

Yeah. So as you think about, you go back to the waterfall that we laid out in slide 16, I think I remember clearly, I guess we've talked a lot about it since the earnings call. But slide 16, in the presentation, about \$150 million to \$200 million of that sort of what's in the bag is a full run rate of pricing that we were able to get primarily from North America in 2025, that will roll into 2026. You have about \$500 million to \$600 million of cost out initiatives that will – additional benefit of cost out initiatives that will roll into 2026. A large part of that is driven by North America and the late nature with which we announced the closure of Riceboro and Savannah. And now that will be offset, I think we need to be really clear. Savannah will be offset because of the positive contribution margin that was associated with that business.

So that was a strategic trade-off that we entered into. I think we've been – tried to be pretty clear about why we did what we did. But we are losing some commercial profit because we're making a decision to step out of an export market that has not been able to return its cost of capital through cycle. We were facing a large capital call on that facility. A majority of that capital call was going to a roof. That certainly won't help us improve returns. It'll

keep things dry, but it won't help us improve returns and what we got to do was redirect that capital over time to a new paper machine at Riverdale as we exit the Savannah contract. So the trade-offs there at a return that's very attractive. Close to 20%. So the decision for us was pretty clear. But the benefits of the cost out will come next year, offset by the exit of the commercial impact of that closure.

And then you've got the commercial success. So the continued momentum that we have around, I think everyone has seen the transformation of us on a year-over-year basis as you compare our quarterly numbers to the market, we sort of – we communicated earlier in the year we were crossing the chasm in terms of the year-over-year comps. I think that we have been very accurate in what we have seen and how we have behaved relative to the market. And now, as we came into the third quarter really showing that strength versus change in market based on some of those key strategic wins that we've added. And so between all of those things as sort of make up the bucket. So pricing, cost out offset by the commercial impact of Savannah and then the additional commercial momentum we have going into next year by onboarding some key clients.

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**Anthony James Pettinari**

*Analyst, Citigroup Global Markets, Inc.*

Q

Great, great. Well, there's a lot to unpack there, but I guess maybe we can start with the mill system and in North America specifically after, Red River, Savannah, Riceboro, is the mill system work kind of done or is the footprint – are you at pretty full operating rates? Is there a little bit of slack, like how would you characterize that going into next year?

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**Lance Loeffler**

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

A

Yeah, I think, the way that we view it is we're going to continue. I mean, this is just the nature of this management team and particularly Andy and I thinking and working with someone like Tom Hamic, who runs North America, is we're always going to be assessing our assets, but where we sit today, it feels like a lot of that footprint work has been done. Right now, the focus for us is to continue to go back to what Andy talked about on the second quarter call, which is how do we improve the performance of the mills? How do we stay dedicated to that investment and in some form outsize investment to play a little bit of catch up, not a little bit, but a lot of catch up, on assets that had that I wouldn't say had been neglected but had gone through a period of a lot of volatility and whether they were being invested back in or not which caused a lot of the reliability and efficiency issues that we deal with today that we're trying to turnaround.

And I think, as I described last night, what I've learned since coming to this company is that those assets look a lot like refineries. They come from the oil and gas industry. They look a lot like refineries. Oil isn't going into the refinery and coming out as some other petroleum product that we use. It's pine trees, but they behave the same. And as we are playing catch up on our investment and that commitment to turning them around, they are a bit of like an aircraft carrier, not a Sea-Doo.

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**Anthony James Pettinari**

*Analyst, Citigroup Global Markets, Inc.*

Q

Yeah. Yeah.

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**Lance Loeffler**

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

A

So and that's the plan for us. That's why you hear Andy talk so much about the vigor and the courage that we have to continue to really support the organization and really focus on making sure that we get to a point where

we're not playing Whac-A-Mole in these facilities as we're dealing with maintenance and reliability issues, but we're actually on our front foot.

**Anthony James Pettinari**

*Analyst, Citigroup Global Markets, Inc.*

Q

Right. Right. And in that context, can you talk a little bit more about Riverdale, like the timing of that, what that gives IP?

**Lance Loeffler**

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

A

Yeah. So we'll start work. Riverdale, the paper machine is slated to start work in the third quarter of next year. Right. And so it will continue to ramp into 2027 so that the full benefit of that investment on a run rate will occur really in 2028. But it's all a part of the plan. And what we've sort of guided to that \$5 billion in 2027.

**Anthony James Pettinari**

*Analyst, Citigroup Global Markets, Inc.*

Q

So and then directionally, can you compare the progress that's been made in North American mill system versus the box plant system?

**Lance Loeffler**

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

A

Yeah. So, so really Tom Hamic used to run the packaging side of the business, the converting side of the business. And so he started – the converting side of the business was actually recognized this sort of lack of investment and needing to – both on the commercial side, I would say, commercial and customer side and also in the facilities. And so I would say, as you compare the two pieces of our business, the converting businesses is about, I would call it 12 to 15 months ahead in terms of the focus either around capital or around the way that we go to market with our customers.

And so that was a lot of what we went through on the market share side. And what we were talking about earlier on the sort of the – our comparison to market over the course of the last year and how you've seen that really find a chasm and then work its way back up to the point now where we're exiting, I believe this quarter we will be outperforming the market. And I look forward to that. And what it's meant though, has been we've left some customers, or some customers have left us. And but over time, we have seen some of those customers come back or we have added significant new ones. It's allowed us to really rebound where we want to be. Underpricing terms and economics that makes sense to us.

**Anthony James Pettinari**

*Analyst, Citigroup Global Markets, Inc.*

Q

So the contract kind of resets are basically done in 4Q this quarter [indiscernible] (00:26:00)?

**Lance Loeffler**

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

A

Yeah. I mean, there's always going to be there's always going to be the natural churn...

**Anthony James Pettinari**

*Analyst, Citigroup Global Markets, Inc.*

Q

Yeah.

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**Lance Loeffler**

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

A

...for us. And so as we think about as we think about, okay, so as the clock turns, right, so we've got a pretty easy mark over the next year on a year-over-year basis given where we were from a comp perspective. But what does 2027 look like and the expectation is from this management team that we still continue to outperform the market.

And someone might ask, well, how do you have the confidence that you do that? I think that, our three strategic pillars at the strategic business unit are really key to that. And the first is an advantaged cost position. We talked a lot already about what we're doing around reliability and efficiency in the mill system. That's a big driver for that. But what it tells you is, is that advantaged cost position doesn't mean low-cost producer. It means that we have an advantaged cost positions that we can win when the market's good and when the market's bad. So it gives us a lot of power.

Two would be, relative share position in the geographies in which we choose to compete. And then the third would be delivering superior customer excellence. And you hear Andy talk a lot about the focus of this organization that wasn't always there around how we continue to delight the customer, right. And that is simply measured today by on time deliveries and parts per defect. So and in both those places, we've made huge strides over the last 18 months. And so it's given customers a lot of confidence amongst a myriad of other things that we're doing at a more detailed level to make sure that we are delighting our customers and serving them appropriately. So those are the things that give me a lot of confidence that we can continue to build and outperform the market going forward.

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**Anthony James Pettinari**

*Analyst, Citigroup Global Markets, Inc.*

Q

Maybe without going into a huge history lesson. But I think it's important for what you're saying. Can you talk about maybe what IP was not doing in the box plant system before Andy arrived, or what you saw as an outsider coming in...

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**Lance Loeffler**

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

A

Yeah...

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**Anthony James Pettinari**

*Analyst, Citigroup Global Markets, Inc.*

Q

...in terms of...

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**Lance Loeffler**

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

A

Yeah. It's a great perspective, I think. So as an outsider coming in, it was clear when I got here in the spring that the organization was clearly going through a lot of transformation, but culturally it was going through a lot of transformation, too, in North America. And the way that the box system and the mill system work together or maybe in the past hadn't worked together so much. So it was really around, kind of who held the power historically. And if you think about the history of International Paper many, many years ago, they had a lot of different avenues of which to send and produce paper from the mill system. So there was a lot of decision-making at the mill system around where they were trying to aim their paper supply to maximize returns. Roll forward to

where we are today, we are effectively a sustainable packaging company that produces corrugated product, so there is no decision-making anymore. And what the lack of focus that had occurred on the converting side around being that customer facing value adding perspective had been lost based on the fact that the mills were driving how and when we did business. And so today it's completely flipped. And I think Andy was a great catalyst. Tom had started a lot of that as well in terms of the Head Start that I was talking about, both on the investment, but also on the commercial side, and recognized that that was a road to ruin. And so what you see today is very much our business being led where the money gets made and that is interfacing with the customer. And then we work backwards into the mill system for what the needs are for the business. And so it's been a cultural shift, but things – but one that I think has gone well and will continue to, we just need to – we're just working with the mills to get them where we need them to be.

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**Anthony James Pettinari**

*Analyst, Citigroup Global Markets, Inc.*

Q

Right. And you talked about sort of the capital needs and the profile for the mill system in terms of maybe the future for the box plant system. And then can you talk a little bit more about that and then the progress on the White House initiative, sort of like where you are.

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**Lance Loeffler**

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

A

Yeah. So I've talked a little bit already about kind of thoughts around the mill footprint. I think that there are some things that we'll continue to do that we're assessing into 2026 around our box plants and our footprint. Some of it will be net takeaways, but some of them maybe just trading up in terms of quality. So there'll be some work that we're going to continue to do in our box plant system. I'm sorry, what was your other question?

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**Anthony James Pettinari**

*Analyst, Citigroup Global Markets, Inc.*

Q

Lighthouse.

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**Lance Loeffler**

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

A

Lighthouse. So we're continuing to rollout Lighthouse. I think we will be through 75 by the end of the year, which is great. And they continue to do what we thought that they would do in terms of productivity and efficiency. Not every cluster delivers the same productivity right. If you're able to initiate the Lighthouse projects and segregate into the sort of the super plants and the hybrid plants, and you're able to close a facility. It clearly does. It's a very different – it's a very different turn on the efficiencies and productivity that you're able to provide versus just keeping the plants and optimizing a system that where it doesn't really shake out, but in the early days for us, we were seeing in some of the low hanging fruit where we were able to close plants. We saw productivity up 20%, 25%, right in efficiency.

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**Anthony James Pettinari**

*Analyst, Citigroup Global Markets, Inc.*

Q

Sure.

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**Lance Loeffler**

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

A

But, and then in a world where you're not really closing a plant, you're just really focused on taking that 80/20 approach and segregating and making sure that you have the plants focused on what they do best, either running volume full out or being really good at the turnovers for the more complicated hybrid work, you're seeing improvements of 10% to 12%.

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**Anthony James Pettinari**

*Analyst, Citigroup Global Markets, Inc.*

Q

Right. I think we focused mostly on North America. I'm wondering if we could kind of switch over to Europe.

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**Lance Loeffler**

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

A

Yep.

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**Anthony James Pettinari**

*Analyst, Citigroup Global Markets, Inc.*

Q

And high-level thoughts on 2025 how it's played out...

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**Lance Loeffler**

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

A

Yeah.

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**Anthony James Pettinari**

*Analyst, Citigroup Global Markets, Inc.*

Q

...the DS Smith asset and sort of where we are.

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**Lance Loeffler**

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

A

Yeah. So I'll go back to – we are in the thick of it today. Tim Nicholls and his team around making sure that we're getting the footprint right. We – what we recognize is, is that the DS Smith Company had been on a 10-year acquisition spree across Europe and had not really integrated the businesses. And so for us, it's going through and figuring out the parts and pieces that we like and those that we don't and understanding and making those decisions and being very careful how we talk about it in the midst of the negotiations that we have with the work councils and regulatory bodies across Europe. So all these things can be done. We know that it takes longer and it is expensive, it's hard work, but we are confident that we will get where we need to be to make that a better business.

So we're in the thick of that today from a market perspective, I sort of already covered it. Lower – very much different than our expectations coming into the year. I think a lot of it is driven probably more of an impact in Europe around the actions from Liberation Day and the tariffs. But then you also have the overhang from the Ukrainian crisis. And really that business in Europe is much more focused on fast moving consumer goods and the fact that people are just at all-time high saving rates in Europe, you can look at it through the economy or the economists will tell you, it's no surprise that we just don't see as many goods moving through the system, which is a direct indicator of our business. So that's sort of where we are today. But we're excited about what that will mean over the next two years.

**Anthony James Pettinari**

*Analyst, Citigroup Global Markets, Inc.*

Q

And can you talk a little bit more about like levers that you can pull in Europe, maybe specifically with the box plant system versus North America or how you kind of compare the two like?

**Lance Loeffler**

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

A

I would say, I think the biggest difference that I would note is and this is part of sort of the thing that we are looking at is when I talk about one, we're less integrated, right, that is a fact. And I don't see that we – that there's this burning need to become more integrated today. And then it's really going through and optimizing, not optimizing, reviewing and being very intentional around how we think about the assets because of where they sit and how they sit across borders even sometimes, for example, we have a box plant system around Barcelona. It looks and feels a lot like our Atlanta complex.

**Anthony James Pettinari**

*Analyst, Citigroup Global Markets, Inc.*

Q

Yeah.

**Lance Loeffler**

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

A

Right. And how we can apply the same Lighthouse approach in that area, in that urban area. But then we have a lot of assets that we're also combing through that are effectively stranded. So you have a lot more flexibility strategically when you have a cluster of box plants to be able to optimize within that system versus sort of something that might be standalone. I'm making it up. But so, in Czechoslovakia, right, one box plant, it's got to stand on its own. And if it doesn't, then we are probably making decisions around what we do with that. So, but in terms of our ability to roll out 80/20 just the concept culturally has gone very well and the ability for us to push the Lighthouse concept into Europe is also something that we expect to reap the benefits of.

**Anthony James Pettinari**

*Analyst, Citigroup Global Markets, Inc.*

Q

Right. Right. I don't know if there's any questions in the room. Can you – as we look to 2026 and we think about demand, you obviously have thousands of customers, all different end markets. Can you talk about, what your customers are telling you and maybe forecasts, outlooks for 2026? Can you remind us what your kind of long term, at least for the 2027 targets, like what kind of like volume growth you're expecting? And then just sort of where it feels like we're at now.

**Lance Loeffler**

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

A

Right. Right. Well, a lot of the work that we do is looking probably at a lot of the same work that others in this room are around what the economists are telling us. Right. Oxford, others around sort of the outlooks. But I would say, what we are is – what we are expecting is, over the course of the next two years to revert to the mean in terms of our ability to grow at, call it 1% to 2%, a little bit faster probably in in Europe, maybe a little bit slower in North America on a sustainable basis. But sort of a reversion to the mean, just feels like that's where we are today. We talked a little bit last night around, when I – I don't have as long a commute anymore now. I don't live in Houston, I live in Memphis. But the commute that I have, I get to listen to CNBC in the morning and there seems to be a lot of talk, not a lot of talk about how weak the sort of the industrial goods economy is, which is a lot of

exuberance around AI or a lot of discussion around AI and technology and chips. But what's not talked about as much, I don't believe, is just the health of the goods economy. We talked a little bit about it last night, which is, things are slow, the consumers dealing with how do I deal with the inflation? Our customers directly are dealing with a consumer and they're dealing with the tariff issue and Liberation Day. And then on top of that, we have a slow housing market, one that really hasn't recovered since COVID. And so, there's a big piece of our business, it's estimated anywhere from 10% to 20%. So let's call it 15% of the corrugated market that's tied to the housing.

So all of those seem slow. But in the midst of all that in North America, we still feel very tight from a supply demand perspective. Right. Some of that is work that we have done this year and taking tons out of the system and others. So, all we need is a little bit of spark on the demand side. And I think it would be really good for business.

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**Anthony James Pettinari**

*Analyst, Citigroup Global Markets, Inc.*

Q

And in North America or Europe, do you think corrugated is gaining share, losing share like versus polybags, mailers, resin?

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**Lance Loeffler**

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

A

Yeah, we look at that quite a bit. And as an outsider, I feel like I get a little bit more leniency to test that and asking the organization and do I see secular change? I really don't. And while someone might say, well, there's more plastic Amazon bags that are showing up, I think that in North America, for example, as long as there's more of those plastic bags showing up, there's more goods moving through the system that at some point was in a cardboard box.

So, how does that net out? I'm not so sure but I'm okay with just more churn in the goods economy. In Europe, it's moving away, it's actually moving towards the sustainable packaging piece. And while some of it may be more paper based envelopes, et cetera, again, I go back to as long as goods are moving through the economic system, that's good for us.

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**Anthony James Pettinari**

*Analyst, Citigroup Global Markets, Inc.*

Q

And in terms of pricing, I'm not future pricing. But can you talk about sort of philosophically how you think about pricing in terms of what drives it, how you've tried to price differently, maybe on the box level like?

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**Lance Loeffler**

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

A

Yeah, I'll be really careful about, I'll be really careful around the pricing topic given where we are and some of the legal stuff that's going on in the industry. But look, I would say it's very encouraging in North America to see where we are from a supply demand perspective vis-à-vis, where it feels like we are in the cycle. So I go back to sort of this the sort of the doldrums of the of the industrial goods economy today. And we know that it won't last like this forever. And I feel like there's more potential upside in terms of demand from where we are today going forward. So I feel good about that. And I think that that has implications when you have a tight system that we all understand from our economics 101 class.

I think in Europe, it's going to be about us rightsizing our cost structure. Right. Just the behavior around supply demand is such that it is more loose. And so for us, it's about getting our cost structure right and our footprint and

understanding where we want to play and where we want to compete that delivers the most profit and return to the business.

**Anthony James Pettinari**

*Analyst, Citigroup Global Markets, Inc.*

Q

Any questions? I guess as part of the Analyst Day, you gave the 2027 targets and you also kind of revised those when you revised the 2025 targets.

**Lance Loeffler**

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

A

Yeah.

**Anthony James Pettinari**

*Analyst, Citigroup Global Markets, Inc.*

Q

Can you just maybe remind us where the 2027 targets are? And I guess, is that delta just a function of everything that happened this year?

**Lance Loeffler**

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

A

Yeah, it really is. I mean, so our targets then were \$5.5 billion to \$6 billion. Our – what we shared on our last earnings call was a 2027 target of \$5 billion, which is still a hell of a transformation, in my opinion, as a sort of the new guy. And watching how much work is going into transforming really this company. But yeah, it's effectively a function of the fact that we've lost a year. And when you only have a three-year target, you don't have a lot of room to make up. And we're not going to have sort of a demand environment that overcomes that in a short period of time. And so, our view was best to be intellectually honest with our investor base about the market. We know we don't control it, but making sure that we do stay focused as an organization on the things that we do control. And I sort of use the analogy last night about the earnings power of the engine in this business, making sure that this company remains focused on doing the things that matter, controlling the things that we can control to improve the earnings engine of the business, such that when the market does come back, that we'll be ready to take advantage of it based on our reset cost structure, based on the way that we approach our commercial initiatives and how we serve our customer, I think are going to be very, very powerful.

**Anthony James Pettinari**

*Analyst, Citigroup Global Markets, Inc.*

Q

And we're coming up on time. So maybe I'll save the best question for last. But when you get to 2027 and you're generating that earnings, can you talk about sort of the cash generation power of the business and what you're able to do with that cash?

**Lance Loeffler**

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

A

Yeah. So number one, I look forward to the debates. Andy and I have a, what we do with the excess free cash flow. Andy and I have a very similar philosophy. I think you have to be really careful around share buybacks. I'll just go there. We want to make sure that, if there is a need. And I think what he has shown historically, I think is a great case study in how to really optimize that excess free cash flow, which is maybe we carry a little bit more cash than we need during the good times and really use that as firepower when the bad times occur to make sure that we are buying low and not buying high in terms of the share buyback. So I have the same philosophy. I don't

– nothing has changed in terms of the overall cash return to shareholders in the framework that we provided in the spring at the Analyst Day. I think that that still is strong and still exists, and that is definitely on the forefront of our minds. But yeah, I mean, look, I think as we get into 2027 and we get the cash investment portion of the transformation behind us, so we had a significant cash investment in 2025. We were clear about that at the Analyst Day. There's still a lot of that that will exist, maybe a little less than half if you include the transaction fees and everything associated with DS Smith. But we'll be reducing that. But there will still be a significant investment in Europe, cash investment in Europe around the transformation 2026. But by the time that we get through 2026, then there may be a little bit of a tail, but most of the cash investment costs around the transformation will be done and we'll be at our full free cash flow earnings power. Right, that conversion. And I think we'll be earning significantly more than what we need to even post dividend.

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## Anthony James Pettinari

*Analyst, Citigroup Global Markets, Inc.*

Great, great. Well, we're coming up on time. So, Lance, Mandi, thank you.

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## Lance Loeffler

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

Thank you.

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## Anthony James Pettinari

*Analyst, Citigroup Global Markets, Inc.*

Thank you, everyone.

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