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International Paper Co. (IP)

Q1 2025 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good morning and thank you for standing by. Welcome to International Paper's First 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]

And it is now my pleasure to turn the call over to Michele Vargas, Director of Investor Relations. Ma'am, the floor is yours.

Michele Vargas
Director-Investor Relations, International Paper Co.

Thank you, Christa. Good morning and good afternoon. And thank you for joining International Paper's first quarter 2025 earnings call. Our speakers this morning are Andy Silvernail, Chairman and Chief Executive Officer, and Lance Loeffler, Senior Vice President and Chief Financial Officer.

There is important information at the beginning of our presentation, including certain legal disclaimers. For example, during 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 first quarter earnings press release and today's presentation slides.

I will now turn the call over to Andy Silvernail.

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Andrew K. Silvernail

Chairman & Chief Executive Officer, International Paper Co.

Thanks, Michele. Good morning/good afternoon, everybody. I'm going to start on slide 3. Tomorrow, I've been in the role for a year. The milestone is a good opportunity to reflect on a year of substantial change. As I look back, I'm excited about our progress. The team that I'm privileged to lead has embraced our transformation, moving with urgency and open mind. I see the desire everywhere to win for this company, along with a willingness to embrace a culture of safety above all else.

During this first year together, we've deployed our 80/20 approach to drive transformational change at IP. That's beginning by focusing on our – and overserving our 80s customers, by aligning our people, assets and investments with what creates value for them and to drive profitable growth. We made investments across our business to drive step-change improvements and service and reliability, and to grow in our most attractive markets. We're building our execution muscle to drive commercial excellence and significant cost out across the company. Most recently, we've welcomed our DS Smith colleagues and we are well on our way to being stronger together. We've come a long way in a short time and I see significant opportunity ahead as we accelerate our 80/20 execution and continue on our transformation journey.

I'm moving to slide 4. At our Investor Day last month, we shared our ambitions for the next few years. We've outlined the three pillars of our strategy designed to drive sustainable value creation. It begins with building an advantaged cost position, which provides the foundation to drive additional investments and build the right capabilities to serve our customers with excellence. By building a superior customer experience, we will win profitable market share. This virtual cycle will drive high relative supply position, enabling us to build advantaged capabilities and strengthen customer offerings while increasing scale and further reducing structural costs.

Before I turn to the next slide, let me outline my specific goals for today's call. First, I'll give an overview of what we have accomplished over the previous year. I'm incredibly proud of the focus, commitment and tireless work across the teams in North America and EMEA. Second, we will address the realities of the economic noise and the impact on our businesses of consumer sentiment. I'll provide a current view of what we're seeing in the market.

Finally, we'll go through in detail how we're working to control our own destiny to stay on our transformational trajectory. In the first half of the year, we'll be at nearly $800 million of run rate quarterly EBITDA accelerating to $1.1 billion by Q4. We are on a transformational journey. The external world is a little wild right now. I'm involved in a lot of challenging moments from 9/11 to the Great Recession to COVID. We're going to stay focused on the strategy, tireless in our execution, and resolute in building a great company.

We're moving now to slide 5. Here's another slide that we shared with you at Investor Day, which provided our earnings targets for 2025, including financial goals for each of our businesses and the underlying market assumptions. At our Investor Day, we noted that we'd seen a tick down in demand when the tariff conversation first started. After the trade discussions escalated a week later, we saw another negative shift in demand. Despite the uncertainty about the macro landscape, we are controlling the controllables with the focus on driving commercial wins and inefficiencies out.

Regardless of the macro environment, our job is to win for our customers, create a great place to work and position IP for long-term profitable market share growth. At current demand levels, we can deliver for the year. It's impossible to predict the next few months as much as being driven outside of normal market forces. Regardless, we will remain vigilant and work to accelerate our strategy if demand falters further. This is a self-help story.

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I'm now turning to slide 6. You can see our current view of the demand environment. Industry demand in North America was down 2% in the first quarter. And based on our order patterns, we expect that level of demand to continue into the second quarter. Demand across the European markets was soft in the first quarter as expected and we expect it to remain stable in the second quarter on a quarter-to-quarter basis. In both regions, demand has been stable in April, but we're very cautious about the outlook given the strong negative consumer and business sentiment.

Given the wide range of uncertainty and volatility, we're prepared for three very different scenarios. If the demand environment remains stable going forward, I'm confident we remain on track to deliver the targeted range of earnings improvements. If we see meaningful deterioration in the economic environment, it's likely we'd fall below our range. We would take appropriate countermeasures to ensure that we remain highly competitive while funding our strategy and our dividend. Alternatively, if the economic environment improves, we still feel good about the upper end of our earnings target. With our transformational initiatives, along with our strong balance sheet, IP is well-positioned to navigate various macro environments.

I'm now moving to slide 7. As I mentioned upfront, we've accomplished a great deal in a year, but we have much to do. We have solid momentum on our actions to drive significant cost out of our system by reducing complexity and reinvesting to build our advantaged cost position. As I shared at Investor Day, we are targeting $1.9 billion of cost out after inflation by the end of 2027. We've already taken actions across the company to drive approximately $400 million of annual cost savings, while also pushing more resources closer to the customer. As we continue to accelerate 80/20 across North America and Europe, we have line of sight to an additional $200 million of savings opportunities by the end of 2025 and the synergies that we've outlined for DS Smith. We are laser focused on achieving significant synergies from the combination of IP and DS Smith.

After a very successful launch of our 80/20 lighthouses in Chicago and Atlanta, we are now rolling out our 80/20 performance system to more than 75 box plants across North America by the end of the year. We have also launched two lighthouses in our mill system to deploy 80/20 across that system. We are focusing to further optimize our mill and box plant footprint while driving down sourcing and supply chain costs. We have tremendous opportunities throughout the company to reduce complexity and drive out costs.

I'm now moving to slide 8. We also have opportunities to drive significant earnings improvement through commercial excellence. We're targeting $1.1 billion of commercial improvement benefits by the end of 2027. And we believe we're on track to achieve approximately $600 million of run rate benefits by the end of this year. We've made significant changes to improve our capabilities to overserve our 80s customers, which includes investing in our people and our operations. In order to overserve our 80s customers, we put more resources closer to the customer by investing in commercial capabilities and improving the customer experience. As a result of this strategy, we significantly improved our service and on-time delivery, which has resulted in best-in-class Net Promoter Score.

During the first quarter, our Packaging Solutions business in North America continued to improve commercially, closing our volume gap to market by approximately 500 basis points. This was 100 basis points better than we expected. Given our momentum, we expect to close this gap and grow at or above the market by the fourth quarter of this year. We will continue to invest in capabilities to improve the customer experience and drive profitable market share growth. We are committed to building a customer-centric culture across International Paper. And I'm excited about the opportunity to leverage this strong capability that has long existed at DS Smith. Importantly, we launched 80/20 at DS Smith immediately after the close. We have a rigorous implementation schedule which will catalyze our synergy goals of $600 million to $700 million.

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So now let's turn to our performance and outlook on slide 9. Going forward, for financial reporting purposes, we will have three reporting segments. We'll report legacy IP and DS Smith businesses in North America as Packaging Solutions North America. We will refer to legacy IP and DS Smith businesses in EMEA as Packaging Solutions EMEA. Importantly, in North America, we are going to go to market commercially and for our people as International Paper. While in Europe, we are leveraging the outstanding brand equity by going to market as DS Smith and International Paper Company.

Regarding our Global Cellulose Fibers business, the strategic option process is ongoing and we have a number of interested parties in the due diligence phase. No changes are expected to our timeline and we remain focused on achieving the right value for the business.

Now, I'll share some highlights and I'll turn it over to Lance who'll walk you through the details. I'm now on slide 10. Our first quarter results reflected higher sales and earnings driven by the DS Smith acquisition, sales price increases in North America, benefits from transformation initiatives and some favorable nonrecurring items which Lance will cover later. These items also contribute to stronger adjusted EBITDA margins in the quarter. As a result of our commercial strategy, we made good progress reversing the slide in our North American Packaging business while executing price increases.

Executing our transformation strategy results in various one-time items that impact earnings and free cash flow. This quarter, our earnings per share were impacted by accelerated depreciation charges related to our footprint optimization initiatives. Our free cash flow came in as expected, and was impacted by $670 million related to investments in our transformation, including severance costs and DS Smith transaction costs. This amount also includes this year's 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 communicated on Investor Day.

As we look to the second quarter, we expect flat adjusted EBITDA and higher earnings per share sequentially. We will have the non-repeat of accelerated depreciation from the first quarter, a full quarter of Packaging Solutions EMEA result and additional realization from prior sales price index moves. We are actively executing our prior price increases. Our cost out actions will continue to ramp up and we expect seasonally higher box demand in North America. Offsetting these benefits will be higher planned outage spending and nonrecurring items that were favorable in the first quarter.

With that, let me turn it over to Lance to provide more details about our first quarter performance and the outlook. Thanks, Lance.

Lance Loeffler

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

Thanks, Andy. Now turning to slide 11. Let me provide some more details about the first quarter as we walk through the sequential earnings bridge. Just a quick note upfront, this bridge shows the breakdown by category for the three months of legacy IP results. The two months of results related to the DS Smith legacy business are reflected in the last two categories of the bridge. So let's begin. Overall, first quarter adjusted operating earnings per share was $0.23 as compared to a negative $0.02 in the fourth quarter. As a reminder, the fourth quarter included accelerated depreciation related to our facility closures. Price and mix was higher by $0.02 per share in the first quarter, driven by the flow through of prior price index movements in our North American Packaging Business and energy credit sales and our Global Cellulose Fibers business. Volume was flat sequentially across the businesses.

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Operations and costs were favorable by $0.05 per share sequentially due to improved performance and favorable nonrecurring items, which includes insurance proceeds and lower costs associated with employee benefits along with lower incentive compensation expense. Maintenance outages were flat sequentially and input costs were unfavorable by $0.01 per share due to higher energy costs early in the quarter, partially offset by lower fiber costs.

Corporate items were favorable by $0.17 per share due to a lower tax rate as a result of favorable discrete items in the first quarter, primarily related to stock-based compensation. Depreciation expense was $0.02 unfavorable sequentially. As you will recall, accelerated depreciation was a $0.56 negative impact in the fourth quarter due to the closure of our Georgetown mill and several box plants. Depreciation expense in the first quarter includes the closure of our Red River mill and two months of depreciation for DS Smith, including the step up in basis as a result of the acquisition. Lastly, earnings for the two months of the DS Smith legacy business accounted for $0.04 per share in the first quarter.

Turning to the segments on slide 12 and starting with our Packaging Solutions North America business' first quarter results. Higher sales and adjusted EBITDA for this quarter reflect the addition of the DS Smith North American business, along with benefits from sales, sales price increases and cost out actions. In addition, the business had $62 million of favorable nonrecurring items, which I'll cover on the next slide. Overall, market demand was softer than anticipated. However, as Andy mentioned earlier, it's our belief that the business successfully closed the volume gap to market by approximately 500 basis points in the quarter as a result of our focus on commercial excellence. Our earnings also included approximately $190 million of accelerated depreciation associated with the decision to close the Red River Mill in the first quarter.

Turning to slide 13 and continuing on with the Packaging Solutions North America business. Price and mix in the first quarter was higher by $44 million due to price realization from prior index movement and open market sales. For the second quarter, we expect an additional price realization of approximately $25 million for those same index moves. Volumes were seasonally lower in the first quarter and we expect them to be stronger in the second quarter as we enter our heavy produce season. In addition, we expect the continued progress on growing our market position as a result of our commercial strategy focus.

Operations and costs were $86 million favorable sequentially. This includes $62 million from lower costs associated with an employee medical benefits true-up and insurance proceeds related to last year's Ixtac box plant fire. The balance is related to improvement initiatives and lower costs associated with employee incentive compensation. For the second quarter, the discrete items I mentioned are not expected to repeat. And we also expect to have some additional ancillary maintenance costs due to timing. Planned maintenance outages are anticipated to be heavier in the second quarter, resulting in $33 million of higher costs. Depreciation expense was higher by $208 million in the first quarter, primarily due to accelerated depreciation associated with the closure of our Red River mill. It also includes two months of depreciation for the DS Smith North American assets. Finally, the adjusted EBITDA contribution from our DS Smith operations in North America was $7 million for two months of the first quarter. Our second quarter outlook reflects three months of results for an additional $25 million.

Now turning to slide 14. Let me take a moment and share our view on the cost and commercial initiatives that we believe will enable us to achieve our stated 2025 adjusted EBITDA target in North America. As a result of our Red River mill closure at the end of the first quarter, we expect these mill costs to wind down over the remainder of the year. In addition, we'll continue to see benefits associated with system optimization and productivity improvement across our mill and box network. Lastly, we expect to realize synergies associated with the DS Smith acquisition. Regarding our commercial initiatives, we anticipate full realization from the February price index move along with seasonally higher volume in the second half of this year. We made good progress in the first quarter growing with our customers and expect to close the volume gap to market by the fourth quarter.

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Moving on to our Packaging Solutions EMEA business on slide 15. We are excited to join forces with the DS Smith team and expect to benefit from their strong customer oriented and innovation driven culture. We are laser focused on managing a seamless integration while accelerating significant synergy opportunities. As you can see, first quarter results benefited from two months of the former DS Smith European legacy business. In addition, we realized benefits from energy incentives received in the quarter as a result of energy efficiency projects implemented by our team at our Madrid mill. As Andy mentioned earlier, we had expected an improving market environment coming into the year. However, market demand was softer than expected in the first quarter. We will continue to monitor this environment and focus on the things that we can control.

Staying with our Packaging Solutions EMEA business and looking at the details on slide 16. We're following a similar format of the EPS slide with the legacy DS Smith results largely reflected in the DNA and legacy EBITDA buckets. For IP legacy packaging business in EMEA, price and mix was lower by $8 million sequentially from the realization of prior price decreases. Operations and costs were $26 million favorable sequentially, primarily due to lower incentive compensation and medical benefits expenses and a one-time benefit from energy incentives on efficiency projects in the business, which will not repeat in the second quarter.

Depreciation in the first quarter includes $91 million from two months of DS Smith. In the second quarter, we will have one additional month of depreciation of approximately $45 million. Lastly, the adjusted EBITDA contribution from the legacy DS Smith business in EMEA was $104 million for two months of the first quarter. Our second quarter outlook reflects three months of results for an additional $85 million.

Now turning to slide 17. Let me also share our view on the cost and commercial initiatives we expect to use to deliver our 2025 adjusted EBITDA target. We have launched our 80/20 performance system in Europe and multiple regions and are pursuing our implementation plan across the mill and box networks there. By leveraging 80/20 and the strengths of the combined business, we believe there are significant profit improvement opportunities ahead. We also expect benefits from recent price increases to flow through this business.

Turning to our Global Cellulose Fibers business on slide 18. As you can see from the charts, the business generated strong adjusted EBITDA improvement as a result of strategic actions focused on the attractive fluff pulp market while optimizing our mill footprint and significantly reducing their cost structure.

As I turn to slide 19, continuing on with the Cellulose Fibers business, price and mix was higher sequentially by $28 million in the first quarter due to energy credit sales and higher fluff mix. In the second quarter, we expect favorable price realization from prior index movements. Operations and costs were favorable sequentially by $23 million due to improved mill performance and lower costs associated with employee incentive compensation. We expect sustained mill performance to continue into the second quarter.

Planned maintenance outages in the first quarter were lower than planned due to moving one of our outages into the second quarter. With that change, we expect outage cost to be approximately $36 million higher in the second quarter and will be through approximately 80% of the outage schedule in the first half of this year. And finally, we had a lower depreciation expense in the first quarter relative to the fourth quarter, which included $222 million of accelerated depreciation associated with the Georgetown mill closure.

Turning to slide 20. As you can see, we expect strong earnings improvement in the second half as we continue to ramp down costs associated with the Georgetown mill closure. In addition, costs associated with planned maintenance outages are expected to be $96 million lower in the second half of this year. Lastly, we are continuing to implement previously published price increases across this business.

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With that, let me turn it back over to Andy. Andy?

Andrew K. Silvernail

Chairman & Chief Executive Officer, International Paper Co.

Thanks, Lance. I'm on slide 21. What we've outlined here is the momentum we're building in our North American and EMEA Packaging businesses. In this analysis, we've excluded GCF so you can get a sense of the progress in the core. We have clear line of sight to sustainable earnings improvement and feel very good about our progress. We're building execution muscle across the company and are transforming IP into a performance driven culture.

Based on the actions we've taken, our run rate by the second half of the year will be approximately $4 billion annually adjusted EBITDA in the core packaging business. This positions us well, put us on a path to achieve our $5.5 billion to $6 billion target.

I'm now turning to slide 22. I'm confident we're on the right path with the right people and the right approach. 80/20 is how we work. Our performance system drives breakthrough results by focusing our strategy and execution on the critical few, not the trivial many. We put our focus and investment against our best opportunities to win for our customers, our people, and our owners. We will remain disciplined in driving advantaged cost position, service and innovation excellence, and winning profitable market share.

Before we turn to questions, I want to thank our 65,000 colleagues for their dedication to our transformation and commitment to win for our customers, our owners and our fellow teammates. It's through you that we have the opportunity to build something very special.

With that, operator, let's now pause and take questions.

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QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] And your first question comes from Phil Ng with Jefferies. Please go ahead.

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

Good morning, Phil. Hello, Phil.

Philip Ng
Analyst, Jefferies LLC
Q

Hey, guys. Sorry, I had an issue with my phone. Well, appreciate all the great color you guys shared in the deck. And Lance, looking forward to working with you.

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

Thank you.

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

Same here.

Philip Ng
Analyst, Jefferies LLC
Q

Encouraging you guys reiterated your full year guide. I guess, kind of kick things off, Andy, I think you said demand trends were spotty, as you would imagine, February and March, and things kind of stabilized in April. So my question is to kind of hit the full year EBITDA guide you've laid out, whether it's the midpoint or the low end of the full year guide, what kind of demand assumptions are you assuming, whether it's North America and Europe? And how our order patterns kind of shaping up at this point? And you also gave us a downside recession scenario. Any color around how we should think about where EBITDA going to shake out in that environment?

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

Yeah, you bet, Phil, and a great question. And obviously, the question we're really focused in on outside of the – our own self-help. In terms of demand environment right now, if demand stays where it is, we feel confident that we'll land in between that $3.5 billion and $4 billion, if it were to stay that way. And right now, in April, it has stabilized. That being said, I think we've all been paying attention to the consumer sentiment and the business sentiment out there. And obviously, the new numbers that came out this morning, our first quarter GDP, if we see meaningful weakness from here, it's going to stretch us. There's no doubt about it, right. That gets really challenging if we see a tick down of a couple of hundred basis points.

If you recall at the Investor Day, we were talking about a market growth rate, particularly in North America, of kind of 1% to 1.5% somewhere in there. And given what happened in the marketplace, I think – everyone saw the revision upward yesterday of the overall box demand in North America, which was down 2%. So that swing, call it,

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a 3, 3.5 point swing between expectations, literally a few months ago. So if you went back to January, I think everyone felt pretty confident in that 1% to 1.5%. And so we've seen a pretty consistent tick down here really in two steps. One was actually before our Investor Day. We saw that a little bit. I mentioned that at the Investor Day. And then obviously, the following week is when things – kind of the intensity ramped up around trade discussions. And we saw another step down after that.

But importantly, Phil, and not directly to your question, but I think everyone ought to keep this in context that gap we said that we would close throughout the year, kind of a U-shaped curve in terms of gap to market, we definitely started on the other side and we're about 100 basis points better than what we had expected. If you recall, I had said I thought we'd be down about 7% in the first quarter, we were down 8%, but that's with a 3.5 point swing to market. Right? And so the market swung that 3.5 points or 3 points relative to where our expectation was. And so I feel really good about our gap closure to market.

Finally, to put a point on your question, look, this is all going to be about – the variance that we're talking about right now is all going to be driven by the top end of the market. I think our initiatives are in excellent stead relative to the commercial side and on the cost side in North America. And effectively, right, if we see a weakening market, there are a handful of levers that we're prepared to pull. And frankly, some of them we're pulling now. So one is to accelerate our strategy of cost out. Right? We're going as fast as we can. What would allow us to go faster, right, if you end up with a demand gap, you have more options around excess capacity and so you can move quicker around those things. That's not – obviously not the situation we want, but we have a full schedule laid out. If you look at – if we had kind of a big program chart in front of you, you'd see the next 2.5, 3 years laid out of execution points of how we're laying that out across our system in North America and in Europe. And so we would just pull some stuff forward.

On the commercial side, I'm really encouraged by a couple of things. One, that gap closure I talked about. But what enabled that gap closure is winning in local markets. We actually saw in the first quarter, we were on the positive side of the ledger in terms of winning market share in the first quarter locally, so in that kind of nichey local business. That's a really good sign that the focus we put in on the right customers with the right people and the right assets, the right incentive systems is starting to pay off. With the gas market, it was all on kind of large contract business that has multiyear cycles. And so these are decisions that were made last year and even two years ago that we're now lapping into the back half of the year. So, accelerate the cost out if things weaken and keep the focus commercially on winning market share. That's where we really need to be, Phil.

Philip Ng
Analyst, Jefferies LLC

Q

Super. If I heard you correctly, $3.5 billion to $4 billion EBITDA target as long as demand is kind of in this zip code of, call it, down 2% if I heard you correctly, you'll feel pretty good about.

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

A

If you look at where we are right now, Phil, if you kind of look at these demand levels with normal seasonal patterns, we would land in that $3.5 billion to $4 billion. It'd be towards the mid to lower end, to be clear. But it'd be in that $3.5 billion to $4 billion range. The upside scenario, right, is if we get some solution to some of these issues – we've seen it already a couple different times as things have gyrated. That sentiment can turn pretty quickly.

And look there is enormous amount of pent-up demand to outlay capital in a lot of places around the year. I think the excitement that we saw in January was excitement around the pent-up demand around a business investment

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and even consumer sentiment to a lesser degree. But that business demand – and so what's really curtailed that has been that sentiment. And everyone I talk to, my peers, customers, investment community, everyone's experiencing that, and obviously, we're a really good barometer of what's happening in the economy. So, yeah, Phil, you've nailed that exactly right in terms of your expectation of where we would land, depending upon the demand scenario.

Philip Ng
Analyst, Jefferies LLC

Q

And then given the tariffs and trade flow dynamic, your pulp business, I would imagine, is probably most sensitive to tariffs because about half that business goes to Asia, a big part of that's China. It doesn't sound like demand's been impacted. I mean, what you're guiding is demand's pretty stable. But curious, what are you seeing on the order side of things? How does that impact your conversations as you kind of look from a strategic review? And then just lastly, on the containerboard business, appreciating you export a lot less, but help us think through the potential impact for reciprocal tariffs on your containerboard business.

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

A

So Phil, let me answer that question directly and then let me do a little bit of a side turn and just talk about impact of tariffs just generally. I think that's important to know. So for GCF, yes – we've got a bunch of business that goes to Asia, but you're talking about mid-single-digits risk from a demand scenario based on people having to go in different directions around where supply is. The reality is there aren't easy replacements. You're talking about really, really poor secondary replacements. Those choices would be made on the lower end of the socioeconomic spectrum in places like Asia. But generally, it's not like there are big alternatives that you can just go jump to. And so we think there's kind of mid-single digits of risk to the top line and then obviously, how that flows through based on that, the flow of goods across the globe.

And then a lot – and the reason I say mid-single digits is because you probably have increased amount that's going to find its way into other parts of the marketplace that frankly aren't constrained right now. So in that business, there are some pretty meaningful capacity constraints in that business globally. So, you'll have some relief from Asia, I don't like the relief, but you'll have some relief from Asia. The market's still healthy in other places, so I feel like we're generally going to be okay.

Specific to your question of how it may affect the process, look, we're not Pollyannas and so obviously people are going to look at that. We've had very good interest so far. People are deep into diligence, so that process is ongoing. But I've said in the past many times and I'll reiterate again, this is about value. This is a high quality business, it has more volatility than we like. And it's not our core packaging business. But as I've said many times, we're not going to give it away. And so it's a matter of getting the value that we deserve for the business.

On tariffs more broadly, and I think most people know this, we don't have a lot of direct tariff effect. Right? So we don't ship a lot of stuff across borders that's going to be impacted by the tariffs. Pretty much – I mean, almost all of the impact that we're going to see or the vast majority of the impact that we're going to see is going to be second order effects. And really what happens to demand, therefore, what happens to price and what could happen to inflation.

Obviously, the scenario that everybody is concerned about is weakening demand plus some inflation. We don't see that scenario playing out so far. There's no evidence of that as you guys all know. We tend to have a natural hedge on – if you have a weakening demand, you tend to get weakening commodity prices so that offsets itself in many ways. But that's the biggest thing that we're concerned about, is weakening demand and then a third order

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effect of price. And then potentially, if you get a spike in inflation, that's the kind of really dark scenario that at this stage we don't see. But you got to at least consider it. You have to think about it.

I think one of the big lessons that we've learned, all of us have learned who have been around for a while with some of these larger shocks to the system is take advantage of it. Right? You hate to do it, but when bad things happen like this, accelerate your strategy, double down. It's those folks who frankly abandon their strategies to get in trouble. And we will leverage our capabilities, we'll take the cost out, we'll use our balance sheet like we did in the first quarter. Obviously, we expect cash flows to get a heck of a lot better through the back half of the year. There's no reason to believe it won't. We want to protect our dividend and we want to execute that strategy. And so, look, if I think of three or four years from now, do I think that this moment in time is going to affect the economic outlook? Of course it will. Do I think we'll be basically where we thought we'd be two months ago from a global economy? Yeah, I do. And so we got to stick to the strategy and we got to execute.

Philip Ng
Analyst, Jefferies LLC

Q

Really great color. Thank you, guys.

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

A

Thanks, Phil.

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

Michael Roxland
Analyst, Truist Securities, Inc.

Q

Yeah. Thank you, Andy, Lance, Mark and Michele for taking my questions. And congrats on all the progress.

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

A

Thanks, Mike.

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

A

Thanks.

Michael Roxland
Analyst, Truist Securities, Inc.

Q

Just wanted to, Andy, follow up with you on that market position gaining share in North American market position with the local 80s. Could you provide us some more color about the share gains that you had there? Where was your share prior, where does it stand now, and what are you doing to achieve those share gains, upgrading sales force, improving reliability?

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

A

Yeah. So, Mike, the way to kind of separate our business as I've put, it's between 60% and 70% or so of our business in there is what you would call national or super regional accounts. Right? Those are large accounts that

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you're doing business over multiple geographies. That's 60% to 70% of our business. And the only reason I say 60% to 70% is you get the gray area once you start parsing it at those more local levels. So you've got kind of 30%, 40% of the business that's really local. And what I mean by that is you've got business with the multinational consumer products company and then you got business with [ph] Bob's mushroom factory (00:37:54) and you do, right? And those are really important customers to ours.

And frankly, coming out of the pandemic, as business boomed in our industry and capacity got constrained, we made a series of choices about choosing where we were going to allocate our capacity. And frankly, when service levels faltered and we didn't invest back into our business the way we should have, we disappointed a lot of those small to medium-size customers. And so we didn't have capacity to offer them. So the whole negative cycle of – the negative sales cycle took effect plus kind of weak service offerings. The improvement started before I started. Yeah, I'd love to take all the credit for it, but I can't. Tom Hamic and team did an amazing job. And it's painful, right? They made some really brave choices over the last couple of years, but they made the right choices which were to reinvest back in the business to drive service and reliability.

Our on-time delivery has gone over two years from literally the high 80s to the high 90s in that two-year timeframe, and we've talked about the impact to Net Promoter Score. And so as our salespeople, our local salespeople, we have – think of it, we have two sales forces, right? We have a national sales force in North America. We have a regional or a key account sales force in Europe. And then in both geographies that you have people calling on those local sales, those local accounts. And so we've gotten a lot more focus. We've hired more people. We've radically improved our service and reliability through investment and frankly, segmentation, right, with dedicated people to the right customer segment, so you don't have confusion as you're servicing people.

And so we started to see that turnaround in that marketplace. It's modest, to be clear. We're not spiking the football yet or holding the trophy. But it's – we've seen consistent progress. And I think back to last summer, last summer when I first was looking at this, we were losing market share in that area, right? In that small to medium-size local customer, we were losing market share, and we're now holding our own and that's a good sign.

Michael Roxland
Analyst, Truist Securities, Inc.

Q

That's great color. Andy, thank you for that. My follow-up. I just wanted to get a sense given the slowdown that you saw in February, March, can you give us a sense of your operating rate in North America in 1Q. Where does it stand now that things have stabilized? And has the weakness really afforded you an opportunity to further assess the portfolio, to see which mills, which box plants are performing and where there's potential for, let's say, further rightsizing, consolidation?

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

A

Yeah. Mike, so if you think about that, just where we are on the demand side, what I would say we're seeing so far in April is stability from – if you look at kind of last part of February, right, that's [indiscernible] (00:40:59) February, we focused on the step down. March, after the tariff discussions kind of kicked in, we saw that little bit of step. All through April, we've now seen stability from that second step down. We've seen that stability. If we just assume that that's what holds, that's where I'm offering that guidance of where I think we'll land for the year.

In terms of your question of does it allow us to rethink it, so the way I would think about it is there are very obvious choices in our business around where you want to be and where you want to grow your capability to win. There are also some very obvious choices about what you need to get out of. And you've seen us move aggressively, really starting – since the fall of last year. You've seen us move for our footprint optimization to address that.

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And so with a weakening demand curve, you'd have to believe that something is structurally different to say, I'm going to do more than what I'd intended to do over the three-year window. I don't see that being the case. What I see, however, is the ability to pull forward some of the things that you're working on. So you can pull forward some of the footprint optimization efforts that you're working on. But ultimately, as I think – that in 2027, do I think what's going on is going to radically change the overall demand picture and therefore the assets required at that end point to win in the marketplace? I don't think it materially had. That could change.

Well, I mean, look, if we go into a really aggressive, dramatic change in the global environment that becomes systemic, all bets are off. That's a different deal. Do I expect that? I do not. Am I may considering it? Yes, I am because you have to or you have to at least think about that as a possibility. But I think the probability is relatively low. And so where we're playing right now is on the April demand is where we are. Let's see what happens. We know that business sentiment, consumer sentiment are negative. And so what I'm going to say is we have a negative bias relative to what the demand picture is likely to play out. And so therefore, we're playing stronger offense on dealing with those things.

But look, this is an environment and we've all lived in it where one day if the world is coming to an end and the next day it's hallelujah. And so given that, you can't gyrate a 65,000-person company with literally 400 locations across the world. You can't gyrate based on that stuff. You got to think about what business do I want to be in, what is my strategy, can I afford what I want to do, I've got to balance affordability and aggressiveness. But you got to stick to your strategy.

Michael Roxland
Analyst, Truist Securities, Inc.
Q

That's very helpful. Thank you and good luck in 2Q.

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

Thanks, Mike.

Operator: Your next question comes from the line of Mark Weintraub with Seaport Research Partners. Please go ahead.

Mark Weintraub
Analyst, Seaport Research Partners
Q

Great. Thanks very much. And thanks for all the color so far. Just sort of coming back to understanding the bridge from first half to second half. In the first half, I think it's like $1.55 billion or so of EBITDA based on what you did in the first quarter in the guide. So it kind of suggests like a $500 million, $600 million pickup in the...

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

Yes.

Mark Weintraub
Analyst, Seaport Research Partners
Q

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...second half. And now you've spoken – I mean, as you point out, there's less maintenance outage. I think that's like $130 million, and you got DS Smith for an extra month, which is maybe another $90 million, $100 million or whatever there. And so to balance that $250 million, $350 million presumably is primarily from the cost outs, et cetera. But what I did notice is that you also have a pretty small increase for price mix in 2Qv1Q for your North American Packaging Solutions business.

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

A

Yes.

Mark Weintraub
Analyst, Seaport Research Partners

Q

Can you kind of explain that? And is there more to come in the second half of the year as what's already been published in the trade rags, gets implemented?

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

A

Yeah. Yes, so, Mark, so first of all, you've absolutely nailed it in terms of thinking about how this flows, right? The way that we've been working on and thinking about is you have what I'm going to call kind of a relatively low quality number in the first quarter. Let's just call it like it is, right? The second quarter number is almost identical, but it's exceptionally high quality. That's kind of the way to think about that.

Those two together – I think that run rate that we're at right now that we just reported, those two together is about where you are as you look at that first half, so you've nailed that. That second half, what – there are a few things that are happening in the second half. And what I like about it is it's not like we have to go do something. Most of that has already been done. It's how it flows through in the second half. So you've got the cost out that started in the fall of last year, right, the timing of how that flows and when that hits, that starts to accelerate, as you go past the wind down of closure of assets and those – basically, all the costs there goes away, right? That's kind of – finally, that tails off. You've got the impact of the stuff we did in the first quarter which is principally the Red River mill. That still has some tail on it in the second half, but it accelerates as you move through the year. The benefits of that start to accelerate through the year.

Obviously, the elimination of the matrix organization that we tackled late last year, you had people that were all the way through the year. You saw people that are finally exiting the business now. That starts to fully realize itself as you get to the second half. And then, yes, but on the price side, you start to realize a lot more of that. As you know, those are contractually connected, right? So the timing of those things, when price hits the market, when it gets published, if it gets published and then how it rolls through contracts, it's mechanical. And so what you're seeing here is basically the mechanical realization of that price.

Mark Weintraub
Analyst, Seaport Research Partners

Q

And so just to clarify on that last point, first, in the US, is there more that would be expected to show up in the second half related to say, the February increase? And then...

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

A

Correct.

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Mark Weintraub
Analyst, Seaport Research Partners

Q

...also – thank you. And then also...

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

A

Correct. Mark, if you look on slide 14, you'll see where that shows up.

Mark Weintraub
Analyst, Seaport Research Partners

Q

Great. And then also, particularly since we're kind of newer to understanding how the European business works, there have been a number of significant increases that were...

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

A

Yes.

Mark Weintraub
Analyst, Seaport Research Partners

Q

...reflected on containerboard, but at the same time, OCC has been going higher. So where things stand today, what type of tailwind should we expect in Europe from price changes, recognizing things could change?

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

A

So I'm a little bipolar on this one, Mark, just because to exactly your point, we have seen the price increases. So to be clear, at the Investor Day, we talked about a first price increase that was starting to go through the market. Since that time, there's been a second that has moved through the market. Neither one of those has been realized yet in the market. And so what I would say is at a static level, that's definitely a positive tailwind in the second half of the year. However, I am not calling it out and we're not building it in, and we're not because of the weakness in the marketplace. And so if the market shores up, I'll get more confidence that the second one will come through. The first one, we think, will make its way through, and that's in the numbers.

The second one – there's a longer – just for folks who aren't quite used to the European market, there is a longer lag time from the change in paper price to the change in box price in Europe and just how it flows through the market. And because of the amount of contracts, because of the small versus large customers and how the mechanics work relative to price indexes, there's just more flux in that. And people have heard me say in the past, right, you over-earn for a longer period of time and you under-earn for a longer period of time in the European market based on that price compression or expansion. We have been in a compression territory. We believe we're entering that expansion territory as we get into the second half of the year. So there's some good news out there, Mark, but we got to be really mindful that that's connected to demand. And so again, first price increase, I think holds. The second one, we'll see where it goes.

Mark Weintraub
Analyst, Seaport Research Partners

Q

Thanks so much.

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

You bet, Mark.

Operator: Your next question comes from the line of Anthony Pettinari with Citi. Please go ahead.

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

Good morning.

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

Anthony, good morning.

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

Andy, just – hey. Just following up on Mark's question, you have a relatively steep earnings ramp from the first half to the second half. It's a little...

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

Yes.

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

...steeper in Europe.

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

Yes.

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

So it sounds like price improvements from the first hike is not baked into the second half improvement. I just want to make sure that I have that, yeah.

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

The first price increase is. So if you go back and you look at slide 17, that first price increase is in there.

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

Okay.

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

A

But the second is not.

Anthony James Pettinari
Analyst, Citigroup Global Markets, Inc.

Q

Got it. And then can you talk a little bit more about the assumptions for what happens in the second half in Europe, either internally or externally, that gives you confidence in that big sequential move from the first half to the second half? And Andy, I guess maybe it's a hard question to answer, but when you think about sort of degree of difficulty or maybe how much of your time is being spent driving these improvements in EMEA versus North America, is there any kind of sense you can give us in terms of level of confidence and where your time is being spent?

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

A

Yeah, sure. No problem at all. So I think if you go back to the Investor Day, we talked about a modest improvement in the back half of the year in the European economy. That's what we called out. Right now, that looks suspect. But again, based on the current environment that we have, we think we can hit these numbers, right? And that means we now expect Europe to be a little bit softer than we expected when we talked to you at the Investor Day.

So again, current environment, we think we can deliver at these levels. And the reason being is that as we do believe that that first price increase – that first price increase was really out of necessity versus, what I would call, strength in market if we're just candid about it. And the second one was basically from a little bit of a modest improvement better than expected. I think the people saw that second price increase might be able to hold going through. But I'm cautious about that, because of that second half, what I think is a little bit of a weaker second half than we had expected, given what's going on in the trade environment.

And so what's on slide 17 in terms of that buildup, if you look at it, it's the cost out that we're going after in the early days of that, plus the commercial benefits that we believe will roll through in the second half of the year. Relative to my time, what I'm really focused on here – if you put it really simply, what I'm focused on right now is building the team, which having Joy and Lance join us, my team, my senior team is full. We've got a great team at the senior team level and in the different businesses in North America and Europe. The North American team now has been together since the fall of last year, I mean the newly constituted focused packaging business unit. And the EMEA team, DS Smith – that run DS Smith commercially is a mix of folks who came from DS Smith and folks who came from IP, it's outstanding. It's an outstanding team. You had a chance to meet Paul and Stefano at the Investor Day who really had their hands on the till in Europe.

And so I've been focusing on the team, building the team and then 80/20 deployment, that is where I'm spending all of my time. So if you think about kind of how my time flows, it flows around directing people, great teams, deploying 80/20 at the point of impact. And so it's – I'm probably, if I think about just energy, I put a lot of energy into DS Smith in the first quarter. As a lot of you know, I spent almost 10 weeks in Europe at the start of the year to get that off on the right foot. I think Tim and the team are in a great place over there. I'm regularly in Europe, focusing on the rollout of 80/20. We kicked it off actually like a week before we had the Investor Day. We now have a full ramp-up initial 80/20 launches through every region in Europe by the middle of the summer. So we'll be running full out by the middle of the summer there. So I'm paying attention to that.

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And then in North America, we're kind of a generation ahead, so to speak, in North America. And so here, it is making sure that we keep on track to the schedules and the outlines of cost out and on the commercial side. And so I'm balancing my time between the two regions, but we got our fully staffed teams. I feel like we're in a great position. In North America, we have a really clear schedule of what to do when and the expected impact. And in Europe, that's – we have that from the synergy work that we did. But now, that's being woven in with how we think about 80/20.

And really importantly, one of the conversations that we've been having internally is that you can get into this mixed messaging of what's the synergy and what's an 80/20 improvement. I don't care, right? We're talking about improvement and better. And the last thing we're going to do is get caught into accounting and who owns a synergy and who owns an 80/20 impact. You guys have all seen that movie. It's a terrible movie. It's about impact. And so winning for our customers and getting the cost out of the business.

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

Okay, that's very, very helpful. I'll turn it over.

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

Thank you, Anthony.

Operator: And our final question comes from the line of George Staphos with Bank of America. Please go ahead.

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

Hi, everyone. Good morning. Thanks for the...

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

Hey, George.

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

...details. How are you doing?

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

You bet. Good. We're doing well.

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

It sounds like it despite GDP today. But two questions. One is kind of a shorter term question on DS Smith and then one is maybe more of an intermediate term question on North America and what you can and can't control, Andy. So first on Europe and DS Smith. If I go back to slide 16, we're looking at, I think, lower EBITDA sequentially from 1Q to 2Q, so $104 million to $85 million despite there being an extra month, I think you've sort

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of hit on the lot of the overriding factors. But is there any one or two things you'd call out there in terms of that sequential downtick, recognizing as you were answering Anthony and Mark's questions earlier, you're expecting a bigger step up in pricing in the second half? But what's happening there in terms of that step down?

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

So you got – I think you might be looking at the bridge a little bit differently. So you have two months of – and that first column, you have two months in the first column, and you only have one month in the second because you're looking at sequential.

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

Oh, I got you. So the contribution to the legacy. Okay.

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

Correct.

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

Fair enough.

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

This will be the incremental.

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

Yes, sorry about that. Sorry for the confusion. [ph] Walking through that, I'm (00:57:22) did I miss something? But no. So that's just sequential implications.

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

Okay. Understood. We appreciate that color and sorry for the misinformation there.

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

No problem.

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

The intermediate question is on controlling what you can and what you can't. And so as you look at trying to close a gap in North America, you're focused on the smaller accounts, [ph] Bob's mushroom factory (00:57:50). But these accounts typically – and we hear they like you too, by the way. The types of accounts that initially when things started to slow down will actually pull in the horns more quickly based on our industry research over time.

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

A

Yeah.

George L. Staphos
Analyst, BofA Securities, Inc.

Q

You're trying to implement your commercial improvement, which includes without getting too forward-looking value over volume. Where would you say ultimately the risks are on volume as the year progresses, given what's a weaker environment? My guess is you want to really focus more on the commercial and focus on the margin, which might mean you ratchet some of your footprint alignment more quickly but that maybe put some of the volume expectation and closing the gap at risk. How would you think about that and how you're managing? What the priorities are? Thanks and good luck in the quarter.

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

A

Thank you. There's a lot in that question. So let me kind of parse through it. The first one, I want to clarify something upfront, which is we are not disproportionately deployed to the smaller customer to be 100% clear.

George L. Staphos
Analyst, BofA Securities, Inc.

Q

Right.

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

A

Right. We're focused on, what we call, 80s customers. So large customers either nationally, regionally or locally, that's kind of big middle that I've talked about in the past, which really equates to about 70% of the marketplace, is in that segment of what we're interested in. The wins that we're getting are around, what I'll call, those local bigger customers where we frankly had really fallen down, right? We had really fallen down on service levels and on coverage. And we've been making the investments back there. And so that's that positive trend.

The focus on the national accounts and large regional accounts, I think we've been relatively good there. The big change there is our service levels are just so much better because of the investments that we made in assets and in people. And so I feel good, commercially, we're on the right track. And if you look at that gap to market that we've had consistently and now you've seen that close, we know by customer where that is likely to land and we don't see any major customer defections between now and – we just don't see it in the pipeline today.

And so our confidence level about closing that gap to market in the back half is important, right? So the question is, I don't – we just don't know where the market's going to be given the chaos that's been out there. And so – but our real focus commercially is let's close that gap to market because we believe in the long-term trends of the packaging business like we laid out at the Analyst Day, we believe that that's going to track the overall economy over long periods of time, and we feel good about the two markets specifically that we're in.

Making sure that I address the final part of the question. If we end up with weakness in pockets, we can accelerate, we can pull forward some of those actions based on capacity utilization. But again, we really got to stick to that strategy. So I feel good about that we are controlling what we can control, we are controlling our own destiny. We will accelerate and pivot based on what the market gives us with an eye towards our long-term

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strategy, because I really believe that we are on to the right strategy that focus on we have to be the advantaged cost player. We know that, and we have the right and the scale to be there.

Customer excellence. Thank goodness we have made those investments and we're starting to see the turn on that. We obviously have got to continue to get better, but we feel really good about where we are thus far in our actions. Specific to the questions of value over volume, I think where we are now, we were out of bed with value over volume two years ago, right? We were completely out of bed. And the painful transition that we've made over the last few years has been getting to be competitive in the market at the appropriate levels, not at some crazy premium, just to be clear, right? We know where the market is, we know where we have to be, and we're going to win. We may get some premium because of our service, our quality and our innovation. But we know where we have to compete and that's going to be our focus.

So I don't see us being crazy about choices around value over volume. I think we're in the right place today. I think we're playing the game the right way in North America. I know we're doing that in Europe. They are very, very good. The team in Europe is very good with the customer in terms of the intimacy with the customer, understanding the marketplace. They're working awfully hard now to realize the price increase that has gone through and to be very sensitive to that overall marketplace. But overall, I think we've we found the right spot.

George L. Staphos
Analyst, BofA Securities, Inc.

Q

Thank you, Andy.

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

A

You bet.

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

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

So I want to thank everybody for joining us here for the quarterly call. We appreciate the opportunity to update you on our strategy. Hopefully what you're seeing now is predictability and repeatability of the message and that – because of the actions that we're taking to control our own destiny, that's what it's all about. And most importantly, that happens because of the 65,000 people across International Paper. And we're just absolutely thrilled to have the team from DS Smith, our new colleagues on board. I had the opportunity to spend an awful lot of time with them in the first quarter of this year, and it's just a great group. They're outstanding. We have an incredibly bright future, but we got to stick to the strategy and we've got to execute.

So with that, thank you very much to my team. Thank you very much to the investment community for the attention and the time you give us. And it's our job now to go out and execute.

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

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