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International Paper Co. (IP)

Q1 2026 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 2026 Earnings Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, you will have an opportunity to ask questions. [Operator Instructions]

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

Mandi Gilliland

Senior Director-Investor Relations, International Paper Co.

Good morning and good afternoon, and thank you for joining International Paper's first quarter 2026 earnings call. Our speakers this morning are Andy Silvernail, Chairman and Chief Executive Officer; and Lance Loeffler, Senior Vice President and Chief Financial Officer. There's important information at the beginning of our presentation, including certain legal disclaimers. For example, during this call we will make forward-looking statements that are subject to risks and uncertainties. These and other factors that could cause or contribute to actual results differing materially from such forward-looking statements can be found in our press releases and reports filed with the US Securities and Exchange Commission. We will also present certain non-US GAAP financial information. A reconciliation of those figures to US GAAP financial measures is available on our website. Our website also contains copies of the first quarter earnings press release in today's presentation slides.

So now, let me turn it over to Andy Silvernail.

Andrew K. Silvernail

Chairman & Chief Executive Officer, International Paper Co.

Thanks, Mandi. Good morning, good afternoon, everyone. Let's begin on slide 3. This quarter reinforced the importance of controlling the controllables in a dynamic operating environment. While inflationary pressures and weather-related disruptions created volatility, our focus remains squarely on enabling our strategy and improving execution. Today, we outlined the steps we're taking to manage external pressures, strengthen execution across the business, and address gaps where performance did not meet expectations, all in support of driving sustainable long-term value at International Paper. I want to start by being clear about what's working and what needs to improve. In North America, we delivered above market growth for the third straight quarter, with box shipments exceeding the industry by 3% as planned customer wins came through.

We're seeing mill and box plant productivity improve as strategic investments and lighthouse practices take hold. And we're strengthening our footprint through investments to support long term profitable growth. We are executing important improvements, but the gains have not been fast enough or consistent enough to offset the macro pressures. North America mill reliability has inflected positively. However, we need to accelerate the momentum. We have more work to do to reach best-in-class reliability, and that's essential to delivering the cost and service performance we expect. We also need to improve execution. Unplanned costs have been higher than expected driven by both transformation activity and external factors. While some level of transition cost is inherent as we receive the footprint and execute our transformation, we need to do a better job of identifying how to mitigate impacts and reliably overcome shortfalls.

Let's turn to EMEA. We've made progress in cost-out actions with footprint and overhead efficiencies flowing through the P&L. The conflict in the Middle East has increased the overall challenge across both regions, with more energy exposure in EMEA. We're doing a very good job of managing the exposures and pulling forward costs as quickly as possible. Importantly, we've stayed focused on the broad improvement work, while our small core team executes the separation. The EMEA market has been softer than expected, with the macro environment impacting demand. We have modestly underperformed the market in terms of volume as we have held pricing. Our focus is maximizing total value by balancing the price volume trade-offs in the soft market.

We have, however, sharpened our commercial focus, and we want to make sure that we have the right price value trade-offs to maximize that profitability. In parallel, we are pushing harder on the transformation costs that are already underway, and we are focusing on execution and accelerating progress in a very challenging operating environment. We've made important progress in both North America and EMEA, aggressively reshaping our portfolio, footprint and operating structure. These changes have allowed us to radically change and improve investments in asset quality, reliability and cost structure. In turn, we've improved our competitive position, growing in North America, and positioned ourselves for further profit improvement in the back half of the year and beyond.

I'm now turning to slide 4. Let's take a look at the areas where our actions are translating into results. In North America, our team outpaced the market on volume growth for the third consecutive quarter. Even with the challenging backdrop, North American box volumes in the first quarter increased 2.5% year-over-year on a per-day basis, compared to a decline of 0.3% for the overall industry, which translates to nearly a 3% outperformance of the market. Looking ahead to the second quarter, we expect our North American volumes to be up about 3%, with the industry again tracking flat. And on a full-year basis, we continue to expect to outperform the industry by about 2%. Lastly, due to macro trends, our full-year 2026 industry demand outlook is now approximately flat year-over-year compared to prior assumptions of flat to up 1%.

I'm now moving to slide 5. This page shows how our performance in North America is being supported by underlying improvements across the mill and box system. In the mill system, we're making steady operational progress. The winter storm impacted operational performance in late January and early February, but we saw strong improvements through March and momentum continuing into April. More broadly, capacity utilization has improved meaningfully over time, supported by elevated capital investment that's reversing a decade of underinvestment and improving reliability across the system. These gains are also reinforced by better operating discipline as lighthouse practices are rolled out across the mill system.

On the box side, performance is improving as those same lighthouse practices take hold, particularly volume optimization and stronger daily management. As a result, box productivity has improved 7% since the third quarter of 2024, as we have continued to rationalize the footprint. Taken together, these actions strengthen our advantaged cost position by simplifying operations, moving volume to our most advantaged assets, and putting capital to work where it earns the highest return. Its key takeaway is that, these are real, measurable improvements from actions already underway. And on the next slide, we'll show how continued targeted investment is expected to build momentum and further strengthen our mill and box system over time.

I'm now turning to slide 6. Building on the productivity improvements in early operating results we just discussed, this slide highlights key strategic investments we're making across North America, aligned with our strategic priorities of superior customer experience and high relative supply position. We've meaningfully accelerated investment across our network. These include targeted acquisitions, greenfield facilities, strategic conversions, and more than 80 major investments across mill and box system, including corrugated, converting equipment and specialty capabilities, with projects underway or planned primarily from late 2025 through 2026, spanning the US and Mexico.

Collectively, these investments will improve liability, modernize our asset base, and strengthen our competitive position to win with customers. We also recognize, we are temporarily short paper in North America ahead of the Riverdale conversion. While that conversion creates a near-term headwind, it is a clear long-term tailwind, improving our system mix, expanding lightweight capacity, and generating attractive returns as the project comes on line. Overall, we are investing approximately 50% more per facility in 2025 through 2027 than the average of the prior three years. This level of investment reflects a deliberate shift toward rebuilding reliability, upgrading capabilities and positioning the system for sustained performance and long-term value creation.

I'm moving to slide 7. We recently announced a bolt-on acquisition that fits squarely with our strategy, the NORPAC paper mill in Longview, Washington. This is a high quality, top quartile asset that strengthens our West Coast footprint, which builds on our Springfield mill and box plant network across the region, and lowers our overall systems cost. Its location creates meaningful freight advantages in West Coast markets, and its capabilities improve the efficiency and competitiveness of our integrated network. The mill includes three paper machines, two of which are producing recycled, lightweight containerboard, enhancing our ability to meet growing customer demand for lightweight solutions and higher recycled content.

Just as important, this acquisition gives us strategic flexibility, supporting growth in attractive end markets, while creating opportunities for further cost optimization across the system. Post-integration, we expect this investment to deliver high teens or better returns over time, consistent with our disciplined capital allocation approach. Overall, this is exactly the kind of targeted, value accretive investment we're looking for as we continue to optimize our footprint and build long-term value.

Turning to slide 8 in our EMEA business. As we saw in North America, the first step in our transformation is to simplify. Here's what it looks like in EMEA, starting with footprint optimization across the region. The data here

reflects the actions that we have completed, as well as many still in process. We also believe there are additional opportunities to optimize our footprint, with additional actions being proposed or evaluated. When we shared this slide last quarter, we had approximately \$160 million of run rate cost savings. Since then, we've continued to make progress, increasing run rate savings by roughly \$40 million to more than \$200 million in total. To date, 31 closures have been completed or are in process, which will result in net reductions of more than 2,800 positions. We'll continue to provide updates as we advance our actions in a disciplined and respectful way.

I'm now turning to slide 9. Before we get into the results and outlook, I want to step back and frame the macro environment that is influencing near-term results across both regions, particularly in the second quarter. Starting with demand. In both North America and EMEA, overall market demand is softer than we expected coming into the year by about a point. This reflects a more cautious consumer, particularly as inflation pressures and uncertainty persist. We have not seen abrupt changes in order patterns in either region, but I'm cautious about demand. Visibility beyond the near-term is limited, so we're staying focused on what we can control, strengthening the competitiveness of our network, onboarding commercial wins, investing in our assets, and executing on cost-out.

As we look at energy, in North America, energy cost exposure remains relatively contained as our mills generate more than 70% of their own energy, and our principal energy input is natural gas, which is stable now and in the futures market. In Europe, our business has an effective hedging strategy in place to help mitigate the impact of higher energy prices. The exposure is significant, but our strategy should allow inflation pressure to be offset commercially, assuming recent market price increases stick. Now, I'm turning to freight. Freight is having a significant near-term impact across both regions.

In North America, sharply higher and volatile diesel prices are putting pressure on costs across the supply chain. Combined with an exceptionally tight freight market, this remains a strong headwind. As a reminder, rising freight costs are not passed-through directly. They're recovered through pricing over time. In other impacts, in North America, higher diesel prices are also flowing through to OCC and chemicals, reflecting increased transportation costs and oil-linked inputs. In EMEA, OCC prices remain relatively stable given supply availability, though we do expect higher collection and distribution costs to begin showing up as we move into the second quarter.

I'm on slide 10. Now, turning to our enterprise results for the first quarter. Overall performance reflects a challenging operating environment, normal seasonal volume declines, and several deliberate actions we've taken to strengthen the business long term. On sales, year-over-year growth primarily reflects the additional month of DS Smith in Packaging Solutions EMEA. Sequentially, revenue step-down is expected due to normal seasonality across the end markets. In Packaging Solutions North America, sales are also impacted by our decision to exit non-strategic export business following the Savannah shutdown. Adjusted EBIT for the quarter was \$188 million, benefiting from the absence of accelerated depreciation that we saw in prior periods.

Adjusted EBITDA was \$677 million and margins were 11.3%. We'll address the underlying margin drivers, including mix, cost timing and execution-related impacts in more details as we move through the discussion. Free cash flow was \$94 million in the quarter, which included a one-time \$280 million tax refund. As a reminder, we also received \$1.1 billion from the sale of the GCF business in the quarter, allowing us to pay down \$660 million of debt, further strengthening the balance sheet. While earnings came in below our expectations, we must control what we can control. We are laser-focused on accelerating cost reductions in both regions, maximizing high quality organic and inorganic investments, and winning share intelligently.

Now, Lance will provide additional details on each business.

Lance Loeffler

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

Thanks, Andy. Turning to slide 11 and starting with our Packaging Solutions North America first quarter results compared to our fourth quarter results. Pricing mix was favorable by \$24 million, driven primarily by product mix as well as higher export pricing. Volume was \$52 million unfavorable, reflecting the normal seasonal step-down across all channels from a strong fourth quarter, as well as lower export sales from repositioning containerboard into the domestic market. Operations and costs were \$29 million unfavorable, primarily due to the winter storm impact of approximately \$18 million, as well as elevated costs due to reliability challenges.

While we still experience some isolated reliability incidents each quarter, we are seeing progress. Improved operational performance across the mill system contributed \$15 million of benefit in the quarter, converting run rates continue to improve, and the footprint rationalization is delivering costs out each quarter. These improvements helped offset inflation and weather-related disruptions. Maintenance and outages were \$17 million favorable, driven primarily by the timing of a planned outage. With reduced production in our mill system during the winter storm, our timing for certain planned outages shifted in order to support inventory build in advance of a heavy second quarter outage schedule.

That deferral created approximately \$20 million of timing benefit in the first quarter, with the outage now expected to take place in the second quarter. Input costs were \$43 million unfavorable, primarily due to a regional spike in natural gas prices and local utility costs related to the winter storm across our mill and box system, representing approximately \$35 million. Overall, the January winter storm resulted in approximately \$53 million of unfavorable EBITDA impact across operations, costs and inputs. In total, Packaging Solutions North America delivered \$477 million of adjusted EBITDA in the first quarter.

Moving to our second quarter outlook for Packaging Solutions North America on slide 12. Price and mix are expected to improve, driven primarily by favorable product mix. That improvement is partially offset by the impact of the \$20 per ton price decrease published in February. As a reminder, given normal price realization lags, the published price increases of \$40 per ton in March and \$30 per ton in April will benefit results beginning in the third quarter. Volume is expected to be favorable, reflecting a seasonal pickup and one additional shipping day sequentially.

Operations and costs are expected to be slightly unfavorable sequentially, primarily driven by the downtime associated with the Riverdale paper machine conversion and costs related to the additional machine work that coincides with planned outages, offset by the non-repeat of the first quarter weather impacts and the benefit from cost reduction initiatives related to distribution. Maintenance and outages are expected to be unfavorable sequentially, as the second quarter represents roughly twice a normal outage schedule, which includes spending tied to the Riverdale conversion. Finally, input costs are expected to be favorable, primarily due to favorable seasonal weather, partially offset by higher OCC and freight costs driven by diesel prices. These items result in an adjusted EBITDA outlook for Packaging Solutions North America of approximately \$380 million to \$410 million for the second quarter.

Let's turn to slide 13 and walk through what's changed in our 2026 Packaging Solutions North America outlook. At a high level, the full-year outlook reflects unfavorable impact of the macro environment, winter weather, and weaker than expected operating performance, with published pricing actions providing a meaningful offset. We see North America industry demand roughly flat for the year, with our business growing approximately 2% above the market based on known customer wins. On the left hand side of the slide you can see our original 2026 adjusted EBITDA outlook of \$2.5 billion to \$2.6 billion has been updated to \$2.35 billion to \$2.5 billion. On the right hand side is a bridge that explains what's driving this change. Pricing is the largest positive impact,

representing approximately \$175 million, which reflects the cumulative price impact of February, March and April price index publications.

That benefit is offset by several headwinds. The macro environment represents about a \$200 million unfavorable impact, primarily driven by higher diesel and chemical costs, inflation and OCC and other raw materials, as well as the impact of lower demand. Performance represents approximately \$75 million of headwinds, primarily driven by operation reliability costs, as well as operational and commercial challenges in our specialty business. And finally, winter weather in the first quarter created an impact of approximately \$50 million, as I previously discussed. Taken together, these items explain the step-down from our original outlook to where we are today. The next slide highlights why we continue to expect meaningful improvement in the second half as these pressures ease and execution benefits come through.

Moving to slide 14. With a full-year adjusted EBITDA outlook of \$2.35 billion to \$2.5 billion, we now expected to deliver \$900 million in the first half with a step-up of \$650 million, significantly increasing our second half results. The right side of the slide walks through the primary drivers, which are well understood and are being executed in detail by our Packaging Solutions North America team. The largest contributor is an uplift in pricing, volume, mix and seasonality, totaling about \$300 million, reflecting published price flowing through, seasonal demand patterns, and mix benefits as we move into the back half of the year. 80/20 initiatives are expected to drive roughly \$150 million of costs out, driven by footprint actions, productivity improvements and supply chain initiatives that are already underway.

Planned maintenance outages contribute another \$150 million, as heavier outage activity in the first half rolls off in the second half. Conversion of the Riverdale paper machine and the mill's annual outage will be finished by the end of the second quarter. Those first half impacts of \$100 million will not repeat in the second half. These benefits are partially offset by continued macro pressures, which we estimate as roughly a \$50 million headwind in the second half, reflecting higher prices for diesel and chemicals. Putting it all together, these growth and timing impacts support an improvement of roughly \$650 million. The key takeaway is that, the second half improvement is driven by execution, pricing flow-through and normalization of known factors, and it underpins our confidence in Packaging Solutions North America earnings trajectory for the remainder of 2026.

Turning to Packaging Solutions EMEA on slide 15. The business delivered solid first quarter results amid a challenging and dynamic macro environment. Price and mix was \$12 million favorable sequentially. Packaging margins expanded due to the €40 paper price decline in January, which was mostly offset by lower paper margins tied to that same price decline. Volume was \$3 million favorable sequentially. Although the post-holiday ramp-up in January was lower than expected, we were encouraged by improving trends as the quarter progressed.

March volumes were up year-over-year on a same-day basis, indicating momentum heading into the second quarter. Operations and costs were \$39 million unfavorable sequentially, primarily reflecting elevated costs as a result of one-time changes in segment allocations and incentive compensation. Higher European energy price volatility had a minimal impact on results in the quarter, supported by our existing hedging program. All-in, Packaging Solutions EMEA delivered \$208 million of adjusted EBITDA in the first quarter.

Moving to our second quarter outlook for Packaging Solutions EMEA on slide 16. The key theme for the second quarter is peak margin compression, as higher paper costs are realized ahead of pricing recovery. Energy-driven increases and paper prices are flowing through immediately, while pricing actions in packaging lag by roughly three to six months. This timing dynamic is pressuring margins in the near term before expanding as box pricing catches up. We expect pressure to moderate in the second half as prior paper price increases flow through our

box contracts, with margins progressively improving. Against that backdrop, price and mix are expected to be unfavorable for the second quarter.

Volume is expected to be favorable sequentially, primarily driven by recovery from the softness experienced in January and continuation of improving trends seen in March and April. We also expect incremental contributions from known customer wins secured in 2025 to build through the second quarter and into the second half. Operations and costs are expected to be unfavorable, primarily reflecting higher distribution costs flowing through the supply base, as well as lower levels of energy subsidies. Finally, input costs are expected to be unfavorable, driven by higher OCC and energy costs. These items result in an adjusted EBITDA outlook for Packaging Solutions EMEA of approximately \$150 million to \$170 million in the second quarter.

Turning to slide 17. I'd like to walk through what's changed since we originally set our 2026 outlook for Packaging Solutions EMEA and how that translates to the updated full-year EBITDA target. Since we set our original 2026 outlook, the net impact of the change is approximately \$100 million, lowering our adjusted EBITDA range from \$1 billion to \$1.1 billion to \$900 million to \$1 billion. The largest driver is on the commercial side, totaling approximately \$100 million. This reflects a combination of lower expected sales volume and margin compression versus our original assumptions.

In particular, as we moved into the year, volume was affected by deliberate trade-offs we made last year in our commercial approach, and we also saw pressure on contribution margins in parts of the portfolio. On costs, the net impact is flat. The continued pressure from higher oil prices impacting distribution costs is offset by favorable OCC costs and cost-out actions already underway across the business. Overall, outlook represents a cost-volume squeeze in 2Q that eases in 3Q and 4Q, with strong price momentum going into 2027, assuming price increases into the market stick.

Turning to slide 18, we outline the key drivers behind the step change we expect in EMEA as we move from the first half into the second half of the year. The core of the second half improvement is margin recovery and commercial uplift. As discussed earlier, we saw energy and paper price increases in the first quarter. And given it takes three to six months for these increases to flow through to our box contracts, we expect packaging margins to expand in the second half of the year. On the volume side, the second half also benefits from three additional shipping days, normal seasonal improvement, and the onboarding of new customer wins. Taken together, margin recovery and commercial volume uplift are expected to contribute approximately \$110 million of incremental EBITDA in the second half.

Beyond margin and volume, there are two additional contributors to the step-up. First, we expect to realize \$40 million of cost out benefits in the second half, primarily from footprint optimization actions that improve network efficiency, reduce fixed costs, and support structural margin recovery. Second, we are assuming approximately \$50 million of energy price improvement, reflecting anticipated cost normalization in the second half, assuming no further material escalation in the Middle East. Altogether, these factors result in second half adjusted EBITDA of \$540 million to \$620 million for EMEA. Combined with our first half outlook, this view supports our full-year 2026 adjusted EBITDA target of \$900 million to \$1 billion for Packaging Solutions EMEA.

With that, I'll turn the call back over to Andy.

Andrew K. Silvernail

Chairman & Chief Executive Officer, International Paper Co.

Thanks, Lance. I'm on slide 19. Before we wrap up the EMEA discussion, I want to provide a brief update on our separation process. As we outlined on our January earnings call, we announced plans to create two separate

publicly-traded companies in North America and EMEA. Since then, a small core team has been working through the separation planning, and we've made meaningful progress over the past three months. Following the separation, International Paper expects to retain approximately a 20% ownership stake for roughly 12 to 18 months, and the EMEA Packaging Business is expected to be dual listed on both the LSE and NYSE. We also expect both companies to have investment grade credit ratings.

From a timing standpoint, we remain on track to complete the separation within the 12 to 15-month timeframe we outlined in January, subject to customary approvals and conditions. This move is the right step to accelerate value creation for both businesses, and will enable us to achieve best-in-class performance in each regional business. Let me close on slide 20 by stepping back and reinforcing what matters most. At International Paper, our focus remains clear and consistent, driving long-term value creation. Our 80/20 approach continues to sharpen our attention on the most important value drivers, reducing complexity and improving execution across the company. Against the backdrop of a heightened macroeconomic uncertainty, including elevated input costs and ongoing pressures affecting consumer demand, we have updated our full-year 2026 outlook for both businesses.

In North America, we expect to deliver \$2.35 billion to \$2.5 billion of adjusted EBITDA. In EMEA, we are targeting \$900 million to \$1 billion of adjusted EBITDA. At the enterprise level, including corporate, that translates to \$3.2 billion to \$3.5 billion of adjusted EBITDA. Free cash flow of approximately \$300 million to \$500 million reinforces our commitment to disciplined capital allocation, a strong balance sheet and returning cash to shareholders. We are making real and meaningful progress in every part of our organization as we focus on controlling our own destiny. While navigating the macro environment. We remain confident in our ability to drive long-term value creation at International Paper.

With that, let's open it up for questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Thank you. Our first question is going to come from the line of Mike Roxland with Truist Securities. Please go ahead.

Michael Roxland

Analyst, Truist Securities, Inc.

Q

Thank you, Andy, Lance, Mandi and team for taking my questions.

Andrew K. Silvernail

Chairman & Chief Executive Officer, International Paper Co.

A

Good morning, Mike.

Lance Loeffler

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

A

Good morning, Mike.

Michael Roxland

Analyst, Truist Securities, Inc.

Q

Good morning. Andy, I wanted to get a sense, with the revised guide of \$3.2 million to \$3.5 billion this year, at the midpoint of \$250 million cut, can you help us bridge how to get the 2027 EBITDA of \$5 billion, particularly, as these, is this cut, whatever incremental costs, are a setback to some degree?

Andrew K. Silvernail

Chairman & Chief Executive Officer, International Paper Co.

A

Yeah. No problem. Thanks, Mike. So I think, what I do is I'd focus on, Lance took you through the bridge from the first half to the second half, which I think has been put through in a lot of detail there and kind of how that builds itself up, and the reliability of those elements and how they flow through the P&L. So if you look at the balance of that and then you add incremental price that will flow through in the year, so right now, in North America, you're talking about a net of \$50 that's been published. So you'll get about half of that this year.

You'll get half of that incrementally next year. And then in Europe, you have €100 price increase that's gone through. You'll get a piece of that this year and the bulk of that in the following year. And so you take those incremental items, plus what was in our funnel relative to operating cost improvements, and I considered a very modest market growth, kind of returning to overall normal market growth about a point in the US, and a point to 2 points in Europe, plus share wins that we believe that we will have in the year. That all adds up right into the range that we're talking about.

Michael Roxland

Analyst, Truist Securities, Inc.

Q

Got it. Just as a quick follow up, I mean, I don't believe the original guidance embedded much in the way of price. So really, the incremental here is you're going to be able to hit your guide because of the \$50 per ton net in North America, plus €100 per metric ton as well. That's really what's going to help you get to those, to hit your 2027 target.

Andrew K. Silvernail

Chairman & Chief Executive Officer, International Paper Co.

A

Yeah. To be clear, Mike, this does not include any other pricing that may come through. So nothing that's been talked about in the markets. The only thing that's included in there is what's been published so far.

Michael Roxland

Analyst, Truist Securities, Inc.

Q

Got it. And then just quickly just strategic customer wins, obviously, it's helping you drive your volume growth pretty sure on performance there, to an extent you can comment, what end markets do you see these gains? And can you also remind us how IP was able to secure these wins, assuming that nothing was done on price, given the company's refocused commercial mindset?

Andrew K. Silvernail

Chairman & Chief Executive Officer, International Paper Co.

A

Yeah. A few things there. So we've seen pretty consistent wins here since the late part of 2024 and through 2025. And so it's been really a broad mix across end markets. So it's really across every part of category that we've been in. We've won nationally and we've won locally in the US, and we've done a very nice job of what we call our central accounts in Europe. So think of pan-European accounts through there. We haven't done as well locally in Europe as we have in the US. We need to get better from that regard. So it's broad based, and it's national and it's local accounts that we've seen. To your point, we have not been aggressive on pricing. We have tried to really price to the market. I mean, as you know, with any large tender, price is a factor in there, but that comes after

service and it comes after quality. That reliability of supply is the single most important factor certainly for every customer.

But as you're onboarding a large customer, and we've done several here over the last year or so, that takes considerable time, because they are exceptionally concerned about that cut over and not losing the ability to get their packaging supplies. So we've seen that very consistently. And we have on purpose, very purposefully, kept our discipline relative to market pricing. And I think that's very important. And we're starting to see those things play out in the marketplace as we're seeing inflation make its way through. So I feel really good about where we are commercially. As you know, we've radically restructured our sales force and our incentive system in the US. Europe is a little bit different model. There is a pan-European model and a local model that we're getting more synthesis from and more synergy from, frankly, if those businesses come together, meaning the legacy IP and the legacy DS Smith EMEA. But it really is winning customer by customer.

Michael Roxland

Analyst, Truist Securities, Inc.

Q

Got it. Very clear. Good luck.

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 Adam Weintraub

Analyst, Seaport Research Partners

Q

Thanks, Andy.

Andrew K. Silvernail

Chairman & Chief Executive Officer, International Paper Co.

A

Hey, Mark.

Mark Adam Weintraub

Analyst, Seaport Research Partners

Q

My question is, so for a while there, you were way behind the eight ball on market growth. You're losing a lot of share. And you turn that around and you saw it coming, and now, we're seeing it. What we're not seeing is the reliability part of the equation playing out. Are you seeing things now that can give us confidence that that's going to start showing up, and what are those things?

Andrew K. Silvernail

Chairman & Chief Executive Officer, International Paper Co.

A

Yeah. I can, Mark. And if you go back to the slide, I'm sorry, I don't have a slide number right in front of me, that shows the capacity utilization and the productivity improvements in the mill and the box plant. If you go back starting in the fall of 2024, when we really started to execute the overall changes, and that was a combination of starting to accelerate capital investment and the lighthouse approach. And the lighthouse approach is really a focused approach around how do you run a good system daily, how do you do that daily. If you've seen that, you

see a 7% to 8% overall improvement in those systems, both the systems in North America, which I think is very, very important. Where we're missing, Mark, is in the transactional or transformation costs.

Think of things like network costs in terms of distribution and shipping, the cost of having assets on our books longer than expected and having to maintain them. We're eating some of that. We're also, unfortunately, we're eating some contract cost of, if you look back at the Sylvamo contract, which ends in this month. So in April, that ends, we'll eat about \$20 million more than expected in that contract because of performance. So that's going to come out, and those assets no longer need to perform. And so they're assets that frankly we're underinvested in, and we're going to eat that. That's going to come out of the system. Our specialty business, think of it as bulk products and the like. That has missed our expectations, Mark, as the market has been weaker, and we've had some reliability issues. We've accelerated the investment in there.

So the key to it, and look, I'm in the same boat you are. You've got to see it to believe it. The key is that the core assets, the core large CL assets that we are investing in, we are seeing the measurable changes in productivity that are driven by reliability. As you know, reliability is the underlying first step in productivity. Now we've got a drive down these ancillary costs that have been out there. And we have very good line of sight to that. So as an example, if you think of kind of cube utilization in transportation, we have driven that, we've gone very aggressively after that. We're still early in there and we've driven huge improvements in the first stages of that. So that's an example of that across the system. So major improvements in the major assets. And now, we've got to take care of these ancillary issues that are very solvable. But they frankly are a pain in the butt, and they're worse than our expectations.

Mark Adam Weintraub*Analyst, Seaport Research Partners*

Q

Got you. I do want to ask real quick, I'm going to ask on NORPAC. So just one real quick follow up on this is, so it sounds like there's sort of a lot of quasi one-time stuff here that's like the transformation, the contract cost. Is there a ballpark number as to how much that might be impacting this year, where, again, you can have pretty high degree of confidence that it should show up next year because it's quasi one-time?

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

A

Yeah. It's at least \$100 million.

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

A

That's right.

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

A

Yeah.

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

A

Correct.

Mark Adam Weintraub*Analyst, Seaport Research Partners*

Q

Okay. Super. And then if I could quickly on NORPAC, \$360 million, I mean, technically three big paper machines, so a lot of production capacity. So hard from the outside to square away all the numbers. Anything additional you can tell us about EBITDA and what it can bring to you?

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

A

Yeah. So first of all, Mark, I am very excited about this. When I step back and if you think about our overall strategy around our mill network, which is to drive down the overall cost point, so we want to drive to an advantaged cost position, that's one of our key pillars of our strategy. And second, as we're driving reliability throughout the system and then finally driving the overall returns, this is a great example of the kind of investments and changes we need to make. So if you kind of take a big step back for a second, we closed three North American mills last year, Savannah and Red River being the two big ones. In there, both of those assets, we came to a conclusion after a lot of work that you are never going to earn an exciting return on investment or incremental investment in those assets.

And so as we close those, we have fundamentally did two really big things. Number one, we moved a bunch of people and a bunch of investment to Mansfield. And if you recall, Mansfield was a huge bugaboo a year ago. And we have effectively eliminated that issue. I was at Mansfield very recently with the team. They have just done a masterful job. And while certainly it's not where we want it to be yet, if you compare that business at asset rather to where we were a year ago, it's pretty remarkable what they've done with getting better capabilities overall, some new team members and a bunch of new investment. So that's kind of one big step going from an underperforming asset that's never going to return an attractive return, to now to a really high performing asset with a great team that can drive excellent returns.

Second, you got NORPAC. So NORPAC, as you mentioned, it's on the West Coast. We're significantly short paper on the West Coast. We're shipping paper to the West Coast uneconomically. It allows us to go more towards the lightweight market that you know is critically important in that market. And to your point, it's a big asset with three paper machines, two in our core market, one that's not, it can be in the future if we choose to be. And so as I look at that trade of assets, it's exactly the kind of stuff we need to do. If you think of it kind of from a bell curve, you go from the left hand side of the bell curve that's underperforming all the way to the right hand side to high performing with Mansfield and with NORPAC. In terms of returns, our belief on a full-year basis, as we get into 2027, it's going to be high teens or better in terms of return on invested capital. So you can do your math out of that there. It's got solid EBITDA in its current system. But we've got some work to do, not on the asset itself. It's really a great asset, but really bring it into our network.

Mark Adam Weintraub*Analyst, Seaport Research Partners*

Q

Okay. Appreciate it.

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

A

Thanks, Mark.

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

Bryan Burgmeier

Analyst, Citigroup Global Markets, Inc.

Hi. Good morning. This is actually Bryan Burgmeier on for Anthony. Thanks for taking the question.

Q

Andrew K. Silvernail

Chairman & Chief Executive Officer, International Paper Co.

[indiscernible] (00:42:33), Bryan.

A

Lance Loeffler

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

Hey, Bryan.

A

Bryan Burgmeier

Analyst, Citigroup Global Markets, Inc.

Hey. Just wondering if you could maybe share some high level thoughts on sort of the supply-demand outlook in Europe. I think, we've seen some closure announcements, maybe higher energy prices, kind of, pressure due to higher cost players. I'm not sure how you're thinking about just the broader supply-demand outlook for the region.

Q

Andrew K. Silvernail

Chairman & Chief Executive Officer, International Paper Co.

Yeah. So I would say, demand is modestly down compared to expectations. It's still growing in Europe modestly. We expect it to be about a point less than we came into the year when it's all said and done, I think, that's a fair assessment, really driven from the consumer side as the consumer is being overall more hesitant. And we all know the reasons behind that, relative to the most recent impacts of the conflict in Iran. And so we expect that to continue for a little bit of time as the uncertainty is out there economically, kind of broad based uncertainty that was first driven by trade and tariffs, and now the conflict in the Middle East. So I think, it will be a little bit weaker than expected, but still positive. On the energy side, as we mentioned, as Lance mentioned in his comments, we have a very effective hedging strategy that's in place, that assuming that price sticks will buy us time to pass through into the marketplace, the €100 that's gone through.

A

That €100 is worth about \$300 million on an annualized basis in Europe, and it will obviously overcome the issues that we're facing short term. So if you look at our P&L, we're getting that kind of profit accordion squeeze in the short term, specifically in the second quarter until pricing starts to make its way through the system. Very specifically relative to kind of the marketplace in high cost producers, I think, one of the things that's very interesting and important as we look at what's happening in EMEA relative to the energy shock that the world is experiencing right now is, when you look at the bottom quartile assets in the marketplace, there are two things that this makes their life very, very difficult. The first one is they tend to be older assets generally that have just more reliability problems and tend to struggle in terms of their overall cost position. They also are fossil fuel dependent, much more so than the newer assets.

And so when you combine those two things together, this situation right now is very, very painful. As best as we can tell, and it's our own analytics and the analytics that we use from the outside, from outside experts, that fourth quartile is very likely under cash cost right now. So you're actually, you're seeing that, you're seeing small pieces of action relative to that, whether it's temporary shutdowns, furloughs, you're seeing a few closures that have happened modestly. And I also think we got to be realistic. Historically people have looked at some kind of panacea, like all of a sudden the fourth quartile will wake up and close itself. It's not going to happen. They're going to hold on as long as they possibly can, hoping that the price comes through the market. So we shouldn't

expect this to be like a mass pivot point in the marketplace. That's really never happened. That being said, capacity is slowly coming out of the system as you see folks being under cash cost. So this is a very, very difficult time if you are a fourth quartile producer.

Bryan Burgmeier*Analyst, Citigroup Global Markets, Inc.*

Q

Got it. Really appreciate all that detail. Just one quick follow up from me, and then I can turn it over. Just curious if there was any change in demand, kind of throughout the quarter into April just following the kind of cost spike that took place in March. Yeah, I can go ahead and turn it over. Thanks a lot.

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

A

Yeah. So not really. It's actually, we've not seen a major change. I think that from a pattern standpoint, as we all talked about, January in the US was really strong. It popped up. As I expressed very openly in our quarterly calls and in the one-on-ones that I've had since then, we really believe that a big piece of that was the drawdown of inventory that happened in the fourth quarter, and that was a snap back and that proved to be accurate. And so folks who may have gotten over their skis about that, I think, we're seeing kind of the normalization of that. And now we're kind of seeing the market in the US is basically flat. The marketplace, it was down 0.3% overall in the first quarter that you saw. And I think, what's important here is, you got to look at it on a daily basis. So if you look at the market data, the industry data that comes out, the really important thing is looking at it on a daily basis.

And that net down 0.3%, we think the second quarter is basically flat. The balance of the year is effectively flat for the industry in North America, and we'll outpace that. As we get into the second half, we'll start to comp. We'll have more difficult comps, so that will come down. Overall, we believe we'll beat the market by about 2 points. In Europe, I think, you're going to see basically 0.5 point to a point of market growth. That's what it's feeling like right now. We're a little bit behind the market in the first quarter. And as we have been holding on price to value, we'll be targeted where we need to be to make sure we don't lose important business on price where we should get there. That being said, we are going to be very discerning on pricing to value, that it's important that we keep that discipline for ourselves as we look at the marketplace. So Lance, anything you'd add there? You're good? Okay.

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

A

[indiscernible] (00:48:33) very well.

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

A

All right. Good. Thank you.

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

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

A

Hi, George.

George L. Staphos

Analyst, BofA Securities, Inc.

Hi everyone. Good morning. How are you?

Q

Andrew K. Silvernail

Chairman & Chief Executive Officer, International Paper Co.

Good morning.

A

George L. Staphos

Analyst, BofA Securities, Inc.

Thanks for the detail. Good morning. A lot of my questions have already been answered, but I want to ask a couple things. First, a top down. So if we sit back and look at 80/20, what have you achieved cumulatively across the enterprise in terms of cost out and commercial, and what's left to go through 2027? So through first quarter of 2026, what have you gotten and what is left to go that will help you build towards the ultimate 2027 goal, I guess, [indiscernible] (00:49:21). And then I had a question, a two-parter on slides 13 and 14.

Q

Andrew K. Silvernail

Chairman & Chief Executive Officer, International Paper Co.

Yeah. George, I'm going to answer you, and this is not going to be exact. I can put the pieces together for you, and we could certainly get back to you on it, but I'll take you through it in rough math, and Lance, keep me honest.

A

Lance Loeffler

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

I will.

A

Andrew K. Silvernail

Chairman & Chief Executive Officer, International Paper Co.

So in terms of total cost out, if you recall, in last quarter, we talked about \$700 million total that has come out of the system, thus far. When it's all said and done, what we will take out more than \$1 billion of cost in the system. So if you see, if you look at in the US, I still think we've got \$200 million or \$300 million of cost that is latent within the system at normal operating rates. And so if I just kind of look at that, and where is that. That's sitting principally in those ancillary costs that we talked about, that \$100 million that we're eating this year, and another couple hundred million dollars of efficiency as you drive productivity through the mill system. That's how I look at the US principally. You've also got some costs that haven't come out yet. As you know, we've outsourced IT. That process unfolds throughout this year, mostly in the first half. So you'll see some incremental costs come from there.

A

Frankly, while you save a little bit of money on there, that's really a capability play more than anything else. In Europe, if you flip over to Europe, and I think, this is really important. If you look at that, go to that one slide in the deck that talks about what we have done so far, we have announced 31 facilities closures, an impact to 2,800 people, that's unfortunate for them but really critical to be done to right-size the competitiveness of the company. That has about \$200 million of annualized impact. And I would argue that there's probably another \$100 million after that to go after. So as I break it down from just from a cost out perspective, that's how I get to over \$1 billion. Now, you have some offsets to that. You've got, the shutdown of Savannah was basically a one for one, call it, about \$300 million of cost savings and EBITDA loss on the marginal piece. But on a return on capital basis, it's a home run for us. So that's how I break that out, George. Hopefully, that's effective.

George L. Staphos

Analyst, BofA Securities, Inc.

Yeah. That's helpful. We appreciate it, Andy.

Q

Andrew K. Silvernail

Chairman & Chief Executive Officer, International Paper Co.

You bet.

A

George L. Staphos

Analyst, BofA Securities, Inc.

The other question I had is a two-parter on slides 13 and 14. So in particular, I want to spend time on 14. The year is the year, you're making good progress. You're pretty candid about what's been not going the way you'd like. This step-up to the second half of 2026 in North America, you lay it out, but it's quite large. Of the items that you have in that \$650 million, let's hold the macro to the side because you're not going to control that. Which of those line items do you feel least comfortable about? Said differently, why do you feel comfortable that you can see a 75% step-up in first half to second half EBITDA? The related question, when I do the math on your pricing on slide 13, the \$175 million, even if I just for half a year, I get something less than \$50 per ton across the system. Is that mix, is that timing? What else is going on there if you could help us bridge that. Thank you, guys, and good luck in the quarter.

Q

Andrew K. Silvernail

Chairman & Chief Executive Officer, International Paper Co.

Yeah. No problem. Thanks, George. So to answer your first question, on the step-up here, I think, from a price, volume, mix, seasonality, feel very comfortable there unless something wacky happens in the world. So if you look at the world as it is today, I feel very reliable that that part takes place on a half-over-half basis. The other thing, the other part, obviously, that you feel really good about is the \$150 million of timing and planned maintenance. We control that very, very well. So you got \$450 million of the \$650 million that you feel really good about. The \$100 million of the Riverdale conversion, that feels really good because that's cost that you're spending in the first half that you're not spending in the second half.

A

The risk of that is the ramp-up. Any risk to that is a ramp-up. And we've tried to be conservative in the planning that's built into that \$100 million. So I really think that the two big pieces that you say, hey, there's risk there is the \$150 million of basically the stuff we're taking out of the system, and the \$50 million of the macro, incremental macro, principally tied to diesel, really, I mean, when it's all said and done. So I think, those are the two big things. So let's talk, the \$50 million, I can't control. I don't have really any control over that. So we'll see where that plays out. So it's the \$150 million that really is. If I were in your shoes, that's where I'm drilling into. And frankly, from an operating basis, that's where I'm drilling into.

Lance Loeffler

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

That's where we're spending our time on too.

A

Andrew K. Silvernail

Chairman & Chief Executive Officer, International Paper Co.

Yeah. And so that's a bunch of things in there. But really the few big things are, executing the open items on footprint rationalization. So you've got it nail those. You've got the continuing to drive that capacity utilization in the

A

mill system, where if you look at post the ice storm, so if you look at post the ice storm, our mill system in North America is running the best it's run in at least a half a decade and maybe more than that. And so we're seeing the gains there. And then supply chain and procurement. Procurement is really supplier by supplier. And these are the things where we have negotiated contracts, and you're seeing how those contracts flow through. And then on supply chain, in particular, it's really around cube utilization. So if you think of, as we are moving, as we are shutting down capacity both on the box system and in the mill system, you're having to reroute a lot of that. That has been more inefficient than I would like. And so there's an awful lot of focus there on driving cube utilization and planning of freight. And just to add a little bit of color, I mean, we're seeing when we talk about those cost out initiatives, that's about, I guess, in the first quarter represented about \$20 million of benefit.

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

A

Correct.

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

A

So we're watching it, we're counting it and we're seeing it, George. To your other question on price on slide 13, I mean, I think, it's simply that, I think it's simply just the timing and the flow-through of how all the volatility and the pricing publications have come through over the last three months.

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

A

Yeah.

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

A

So that's nothing beyond that. But that's really George, that's counted contract by contract, kind of when that price comes through. And so you have two – as you know, there are two things that happen, you have non-contract business which you can move. You're moving on price immediately, negative and positive, unfortunately. You're trying to hold on when it's negative, like that \$20 pop down you're trying to hold on. Thank goodness we got, that was rectified. And then, as the contracts come through, that really is a timing thing built in the mechanics of the contract. And so that \$175 million that's in there, that is netting out the down \$20 and the now plus \$70, so you get the net 50. How that timing flows through, contract by contract.

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

Q

Thank you very much. Good luck.

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

Thanks.

Operator: We have time for one more question. And that question is going to come from the line of Phil Ng with Jefferies. Please go ahead.

Philip Ng

Analyst, Jefferies LLC

Q

Hey, guys. Thanks for squeezing me in.

Andrew K. Silvernail

Chairman & Chief Executive Officer, International Paper Co.

A

Hey, Phil.

Philip Ng

Analyst, Jefferies LLC

Q

Despite the uncertain macro backdrop encouraging here. I mean, your box shipments in North America pretty strong, and you're expecting a pretty stable environment at large for the broader industry. If I heard you correctly earlier, you mentioned you were short on paper. So just curious, what are you seeing in the marketplace from a supply-demand standpoint? One of your bigger competitors talked about really tight market conditions. It led a price increase in June. So kind of help us tease that out. Just because we've been all anticipating this capacity closure hasn't felt tight yet. But what are you seeing now as we head into a busier time?

Andrew K. Silvernail

Chairman & Chief Executive Officer, International Paper Co.

A

Yeah. I think, what we should do is just focus on the facts, what the mechanics are in the market actually what's really happening. So we're modestly short on paper ourselves. So we're in the market buying some paper. What you just said, we've heard the same things. But I can't really comment on that. The other thing that I think is noticeable is what's happening in the export markets, because if you think about it, the export markets tend to be more volatile and they tend to be a leading indicator of what's happening in the marketplace. And the export market, you can see the facts, it's been really tight, is the way to say it. So we never comment on future pricing, things that haven't happened. But our view is that, the paper market in the US is very tight.

Philip Ng

Analyst, Jefferies LLC

Q

Okay. And you can confirm you haven't announced the increase yet for June in North America.

Andrew K. Silvernail

Chairman & Chief Executive Officer, International Paper Co.

A

We have not announced an increase yet, but we don't really talk about future stuff, we don't, we avoid that.

Philip Ng

Analyst, Jefferies LLC

Q

Okay. Fair enough. And the preface here, Andy and Lance, you guys have made a lot of tough decisions, and I respect what you guys are doing. But it's anything but easy from a macro standpoint. You've had a lot of choppiness last year with tariffs and the Middle East war. And with that backdrop you've had to revise your outlook a few times. So I guess, in terms of your approach going forward, just from a philosophy standpoint, how are you taking things? Are you giving yourself a little more cushion for some of this choppiness that most of us didn't expect? And then you've called out reliability issues, understand long term, you guys are making the

investments to be more reliable and put up good results. But how do you hold your people accountable at least in the very short term to execute better?

Andrew K. Silvernail

Chairman & Chief Executive Officer, International Paper Co.

A

Well, let's talk about holding ourselves accountable first. So holding me accountable first, and I can't ask anybody else to do that unless I'm doing that to myself. And I think, the really important thing here is yeah, Phil, if you'd have asked me two years ago, I'm coming up on my two-year anniversary, if on my bingo card was global trade war and bombing Iran, I would not have had those on my bingo card. But that's life. I get paid to deal with these realities. And frankly, I think, in terms of the magnitude of what our teams have done in Europe and the US, it's pretty awesome. And I give them a lot of credit in a really tough environment, because with all that hard work that's happening with 20% of the paper capacity coming out, our paper capacity coming out in North America, 10% to 15% of our box footprint coming out in North America, redesigning the entire corporate structure, changing the IT infrastructure, changing the commercial aspects, the massive restructuring in Europe, if you just kind of look at that, it's a huge amount of work that has happened, that has been eaten up by the macro pressures.

And the key thing here is to not lose focus on the strategy. We have three strategic pillars in this business. The first one is to drive an advantaged cost position, a superior customer experience is number two, and our relative market position is number three. And the great work that we're doing of the tough decisions on assets, and unfortunately how it impacts people's lives, we've had to do that for a singular reason, and that is to reinvest back in the business. And if you look at the investments that we're doing back into the strategic asset of the business, I'll take the punches in the face that we've taken. What I'm not going to do is, I am not going to back down on the strategy. And the reason I'm not going to back down the strategy is that, the core of this business is a good structural business that can earn attractive returns on capital. It's damn messy as we've gone through this. But we're doing the absolute right things. And so I'm going to stick with this, and we're going to drive through it. And I believe that the economics are there, and that's what we're working to.

So that's the accountability that fundamentally sits with me, and it sits throughout the entire organization. And the bottom line is this is, if you don't want to do it, if you don't want to be part of it, this isn't a place for you. This is a place that we are here to win. We are here to win, to drive returns on these assets, to have a great place to work, which starts with being a safe place to work, and invest in this business throughout. But the bottom line is, we haven't given ourselves enough breathing room on this with the macro. I mean, look, I couldn't have called the macro, and I'll be the first one to say that our performance on a quarterly basis, I'm disappointed in the fact that we have missed numbers. That is not something I am used to doing and it's not something I like doing. And so yes, we're trying to give ourselves more cushion, Phil. We're trying to give ourselves more cushion in there with what we have. But I'll admit, it is a tough macro environment that we're out against. But the plan that we have that we put in place, I believe in 100%, and I am 100% committed to it.

Philip Ng

Analyst, Jefferies LLC

Q

Okay. Appreciate the great color, Andy. Thank you so much.

Andrew K. Silvernail

Chairman & Chief Executive Officer, International Paper Co.

Thank you. We'll look to close. I don't think I can say much more than I just said. So I want to thank everybody for your time and attention to IP. I want to thank our employees who are working their tails off to build a great business, and that's exactly what we're going to do. Thank you.

Operator: Once again, we'd like to thank you for participating in International Paper's first quarter 2026 earnings call. You may now disconnect.

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