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MANAGEMENT DISCUSSION SECTION

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

Thank you. Good morning and good afternoon and thank you for joining International Paper's second 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 risks and uncertainties and other factors that could cause or contribute to actual results differing materially from such forward-looking statements can be found in our press releases and reports filed with the US Securities and Exchange Commission.

We will also present certain non-US GAAP financial information. A reconciliation of those figures to US GAAP financial measures is available on our website. Our website also contains copies of the second quarter earnings press release and today's presentation slides.

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. During the past few quarters, we've been clear about our focus on improved execution. [ph] Results (00:02:02) in the second quarter show tangible progress, reflecting the commitment of our team to deliver in a complex operating environment. Across the company, we delivered strong operational performance, successfully executed a particularly heavy outage schedule and advanced key strategic investments. Also, we continue taking cost and complexity out of the business, producing results that exceeded our expectations for the quarter.

In North America, we continued our trend of year-over-year box volume growth and we expect to outpace the industry again this quarter. We also improved our overall mill performance and completed the Riverdale machine conversion on time. In EMEA, we accelerated cost out actions and advanced our transformational investments. We also continued making steady progress toward the planned separation of our EMEA packaging business.

More broadly, the priorities we established for 2026, improving reliability, simplifying the business, strengthening our cost structure, and investing where we can create the most value are progressing as expected and reinforcing the momentum we're seeing. We still have work to do, but we're seeing better execution and improving performance as we build a stronger International Paper. Let's take a closer look at the quarter.

I'm on slide 4. One of the clear signs we're making progress is our ability to grow above the market. In the second quarter, our box volumes in North America increased 1.7% year-over-year on a daily basis. And we expect to outpace the industry by approximately 2% for the full year. That growth is a direct result of the work we've done strengthen customer relationships and win new business. We believe a superior customer experience is an important differentiator for International Paper. We're helping customers improve performance, innovate faster and grow their businesses.

One example of our customer focus in action is the investment we made in our Aurora Illinois Commercial Performance & Innovation Center. At Aurora, we've created a place where our customers can work side by side with our designers, engineers and technical experts to solve their toughest problems, innovate together, and bring new packaging solutions to market faster.

I'm now moving to slide 5. We're bringing the same intensity to our internal operations, which enables another strategic pillar, an advantaged cost position. This slide shows the impact of the actions we've been taking to strengthen our mill system. Mill performance has improved by approximately 500 basis points year-over-year. More importantly, we're seeing consistent improvement in capacity utilization as the benefits of our focused efforts begin to compound. We've simplified the mill system and reduced costs by executing a series of footprint actions while directing capital to the assets and projects where it'll have the greatest impact.

We're also beginning to see returns from targeted investments in reliability and productivity. All of our actions have been driven by a win-the-day mentality that is enabled by discipline of daily management. The result is a leaner, more efficient mill system that is generating more output from a stronger and more capable asset base.

This trend is encouraging and reinforces our confidence that the actions we're taking are delivering the results we expect.

On the next slide, we'll take a closer look at some of the key investments helping to drive our improvement. I'm on slide 6. We're making focused investments across our system to upgrade our portfolio and drive reliability, productivity and growth. This is 80/20 in action. We've made tough choices to exit areas where we weren't delivering adequate returns so we can reinvest that capital where we can see the greatest opportunity to win. The four investments shown here are examples of that approach. Each one strengthens our competitive position, supports our customers, and drives financial returns in the mid-teens to mid-20s.

Let's start with the NORPAC mill. Before turning to the strategic rationale for NORPAC, I want to acknowledge the tragedy that occurred at the neighboring Nippon facility in May. Our thoughts are with those directly impacted and with the entire Longview community, including our own NORPAC employees who call that community home. Safety above all else is our core value, and this is a sobering reminder of why we must be relentless in that commitment.

Against that backdrop, we completed the NORPAC acquisition in June. The mill production was temporarily slowed during the Nippon investigation, but we responded quickly to address the reduced steam supply from their facility. As a result, the current mill operations have been turned to pre-incident level. NORPAC is an excellent fit for International Paper. It expands our ability to serve growing demand for lightweight, high performance packaging grades, reduces distribution costs for the West Coast, lowers our total cost position, and strengthens our overall mill system.

At Riverdale, the machine conversion is complete and the ramp up is progressing as expected. We anticipate the ramp to be largely achieved by the end of the year with the machine reaching full run rate in the first quarter of 2027. The ramp period allows us to work with customers to qualify the machine across all product lines. This project strengthens our product mix, enhances our advantaged cost position, supports a more balanced paper system over time, and is expected to deliver returns consistent with our investment expectations.

Next, Dover converting facility acquisition strengthens our footprint in an attractive region, adds an established customer base and supports our long-term growth strategy. In Waterloo, we're preparing to start up in the fourth quarter and expect to be fully operational by the second quarter of 2027. Waterloo is a state-of-the-art facility designed around safety, productivity and innovation. It expands our presence in an attractive segment of the market and will position us to deliver high quality packaging solutions with greater speed and reliability. Together, these investments reflect our 80/20 approach. Investing in the capabilities and locations that help us win and concentrating resources where they create the most value.

Now let's turn to packaging solutions to EMEA with some of the investments underway there. I'm on to slide 7. Over the past 18 months, we've taken significant steps to transform the EMEA business. We've simplified the organization, integrated legacy acquisitions, reset the cost base, and built a stronger commercial model around key customer relationships. Investments have been a critical enabler of that work. Across EMEA, we're investing to maintain and strengthen the asset base, improved competitiveness and lower cost and support growth where we see the most attractive opportunities.

The three examples on this slide highlight the difference that we're making by putting capital to work. At Lucca, we're modernizing our recycled containerboard platform by replacing an older paper machine with a new lightweight machine that will deliver higher yield, lower energy consumption, and greater sustainability performance. It's a transformational investment that will create a more efficient mill and strengthen our ability to serve our converting network. We expect this investment to come online in the third quarter.

In Germany, we're executing our cost out strategy by consolidating volume from smaller facilities into more modern and efficient plants, like our lighthouse approach that we used in North America. We're maintaining capacity while improving utilization, lowering fixed costs, and strengthening our cost position.

And in Romania, we're investing to capitalize on growth. Eastern Europe continues to be one of the fastest growing regions in our portfolio at approximately 4% CAGR. We're expanding capacity within an existing operation to support our customers and capture that growth. Taken together, these investments will generate stronger financial returns and illustrate how we're improving the business for the long-term, strengthening our asset base, lowering cost and investing where we see the best opportunities for growth.

I'm moving on to slide 8 and staying focused on our EMEA business. As in North America, we're simplifying the system and aligning resources to the assets and the opportunities that can create the most value. Today, we announced more than $210 million of run rate footprint in cost savings actions. Those actions include 31 manufacturing facilities and a central office that have closed or in the process of closing, now are expected to result in a net reductions of more than 3,000 positions.

The actions shown here go beyond site closures. An important part of this work is asset optimization. We're optimizing the network by redeploying equipment, capital and capacity into the sites where we can have the greatest impact. Approximately, half of the equipment moves we have planned have already been completed, allowing us to consolidate operations, improve utilization, and better align our assets with customer demand.

With that, let me turn it over to Lance to discuss our second quarter results and outlook in more detail.

Lance Loeffler

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

Thanks, Andy. Turning to slide 9 and our enterprise results for the second quarter, starting with sales in our North America business. While our box volumes are up 1.7% year-over-year on a daily basis, overall sales declined due to the planned exit of our non-strategic export business following the closure of our Savannah mill. In addition, our EMEA business experienced softer demand, primarily driven by the geopolitical environment.

Earnings and margins declined year-over-year. In North America, the primary drivers were planned outage activity and the Riverdale conversion. In EMEA, we experienced margin squeeze due to the impact of higher paper prices on our packaging sales, as well as higher distribution costs. Despite those headwinds, operational performance was stronger than we anticipated, and the results reflect continued progress on execution across the company.

Even with a quarter that included significant outage activity and investment spending, free cash flow was stronger than we anticipated. Free cash flow in the quarter was negative $7 million as cash from operations was used to fund transformation initiatives and capital investments of $533 million.

Turning to side 10 and our Packaging Solutions North America second quarter results compared to the first quarter. Overall, our results reflect solid performance across the business. Price and mix was favorable by $37 million, reflecting faster realization of previously announced price increases and a more favorable mix due to lower export sales. Volume was $16 million favorable, driven by normal seasonal improvement, one additional shipping day, and continued growth in our domestic business.

Operations and costs were $1 million favorable, primarily driven by improved mill performance, Ixtac insurance recovery, and the non-repeat of the winter storm impact in the first quarter. These favorable items were primarily offset by increased costs associated with the Riverdale conversion and other reliability work completed during the outages. Maintenance outages were $127 million unfavorable in the quarter. As planned, this was a very heavy outage quarter at roughly twice our normal levels.

Despite the scale and complexity of the work, the team executed exceptionally well across the system. In fact, the second paper machine at Riverdale returned to service ahead of schedule while conversion work on paper machine 16 was underway. The input costs were $21 million favorable, primarily driven by the non-repeat of elevated energy costs associated with the first quarter winter storm. However, those benefits were partially offset by higher OCC and freight costs. In total Packaging Solutions North America delivered $425 million of adjusted EBITDA in the second quarter.

Moving to our third quarter outlook for Packaging Solutions North America on slide 11. Price and mix are expected to be favorable, driven by the continued realization of previously announced price increases through June publications. Volume is expected to be unfavorable as one additional shipping day is more than offset by anticipated lower export volumes.

Operations and costs are expected to be favorable sequentially. Benefits from the Riverdale ramp up and the contribution from NORPAC are expected to more than offset the step down of Ixtac insurance proceeds anticipated in the third quarter. Input costs are expected to be unfavorable, primarily due to higher OCC and seasonally higher energy costs.

Lastly, to ensure the safety of our team members, we proactively suspended operations at our Pine Hill mill to complete structural roof repairs. We currently expect the mill to be operational by the end of August. Our outlook shows a separate line item forecasting an approximately $85 million impact in the third quarter before any expected insurance recovery. These items result in an adjusted EBITDA outlook for Packaging Solutions North America of approximately $555 million to $585 million for the quarter, which includes that Pine Hill impact.

Turning to slide 12, we outline the key drivers and assumptions behind the step-up we expect in North America from the first half to the second half of this year. Our full year adjusted EBITDA outlook is now $2.35 billion to $2.45 billion. We have reduced the top end of the range by approximately $50 million, primarily based on the macro environment and the prolonged impact from the Middle East conflict. We delivered first half adjusted EBITDA of $902 million and continue to expect a significant step-up in the second half of this year.

The right side of the slide walks through the primary drivers supporting that step-up and the progress we're making across the business. Compared to last quarter's view, the favorable adjustments includes $50 per ton of the June published price increase, which is now factored into the price total. Volume is now slightly offset, given that we originally anticipated an uptick in second half industry demand. We now expect industry demand trends to remain generally stable from the second quarter into the third quarter.

Some of our 80/20 initiatives were achieved earlier than planned, shifting a portion of the benefit into the first half of the year and reducing the step-up reflected in the second half. Now that the heavy second quarter planned outages are behind us and the Riverdale ramp up remains on schedule, our expectations for these items remain unchanged. The largest unfavorable category is the macro environment where we had anticipated approximately $50 million in headwinds.

Now we expect an impact closer to $150 million, primarily driven by elevated transportation spot rates and higher OCC, diesel, and employee medical costs. Putting it all together, these factors support an improvement of approximately $600 million from the first half to the second half of this year, excluding the impact from Pine Hill.

Our preliminary estimate for the Pine Hill disruption in the second half is between $70 million and $100 million. We do expect to recover the majority of that impact through insurance in the second half, but we're still working through the details. The key takeaway is that we have successfully completed several important milestones in the first half of 2026, including our heaviest outage quarter and the Riverdale conversion. We're realizing prior price increases and continuing to execute our 80/20 initiatives. While the operating environment remains dynamic, these actions will help mitigate macro headwinds and support our confidence in the outlook for the remainder of 2026.

Turning to Packaging Solutions EMEA on slide 13. The business delivered results that were ahead of our expectations for the second quarter. Price and mix was $12 million unfavorable sequentially, as higher paper prices for external sales were more than offset by the unfavorable impact of higher paper prices on our packaging sales. Volume was slightly lower sequentially, reflecting continued softness in the market, driven by geopolitical uncertainty and consumer sentiment.

Operations and costs were $16 million unfavorable sequentially, but better than our expectations. While distribution costs associated with higher oil prices remained a headwind, the team made progress on cost out actions, which mitigated the impact. Input costs were $10 million favorable as lower energy costs, which include subsidies more than offset higher OCC costs. All in, Packaging Solutions EMEA delivered $182 million of adjusted EBITDA in the second quarter.

Moving to our third quarter outlook for Packaging Solutions EMEA on slide 14. Price and mix are expected to be favorable, driven by the continued realization of prior paper price increases and the related recovery in box pricing. Volume is expected to be favorable, reflecting seasonal strength and the continued onboarding of customer wins. Operations and costs are expected to improve sequentially, driven by progress on our cost out initiatives and lower distribution costs.

Lastly, input costs are expected to be slightly unfavorable as lower OCC costs are largely offset by higher energy costs, including the non-repeat of the energy subsidies received in the second quarter. These items result in an adjusted EBITDA outlook for Packaging Solutions EMEA of approximately $230 million to $250 million for the third quarter.

Turning to slide 15, we outline the key drivers behind the step-up we expect in EMEA from the first half to the second half of this year. First half adjusted EBITDA was $390 million, slightly ahead of our prior expectations. With that higher starting point, the expected second half step-up is now approximately $170 million, supporting our full year adjusted EBITDA outlook of $900 million to a $1 billion for Packaging Solutions EMEA.

The largest contributor remains margin recovery and commercial uplift. We expect packaging margins to improve in the second half of the year as prior paper price increases flow through to box contracts. This benefit is supported by incremental commercial growth from new customer wins, normal seasonality and three additional shipping days. Taken together, margin recovery and commercial volume uplift are expected to contribute approximately $110 million of incremental adjusted EBITDA in the second half.

Beyond margin and volume, there are two additional contributing factors to the step-up. First, we expect to realize about $40 million in cost out benefits in the second half of this year. These benefits will come mainly from footprint optimization actions and improvement in distribution costs, assuming no further material escalation and geopolitical driven volatility.

Lastly, input costs are expected to contribute approximately $20 million, reflecting anticipated lower OCC costs. Altogether, these factors add up to a second half adjusted EBITDA of approximately $510 million to $610 million for 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 16. I'll start by noting a couple of points on the planned EMEA separation. We're making good progress and have dedicated team focused on readiness activities. We are establishing the necessary governance, legal, operational and technological infrastructure and making significant progress on our key transaction documents. The separation remains on track to the announced timeline.

Next, as we've discussed today, our focus remains clear. As always, all of our actions are focused on delivering value for our customers, our teammates and our shareholders. We're improving execution across the company, strengthening reliability and performance across our network, simplifying the business and investing strategically to create the most value. We're seeing positive momentum in advancing the priorities we've laid out for the year.

As we close, I want to thank the IP team. I am extremely proud of the focus and commitment they have demonstrated in the second quarter and I have confidence that together we will deliver strong performance throughout the remainder of the year.

With that, let's open up for questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Your first 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 details. Congratulations on the progress. I guess, my first question, as we look at the ramp up that you have for second half versus first half, and we appreciate the bridge detail. When we do some rough math, it implies a 50% or so increase from the midpoint from third quarter to fourth quarter. So, can you talk about some of the individual items that make you comfortable with that outlook, Andy and Lance? And recognizing prices change from day-to-day and week-to-week, what have you factored in for potentially higher diesel prices even since June 30, July 1, given where we're at right now?

And my second question is more broad. Can you update us in total what you've achieved in terms of 80/20 across both? You had the slide earlier on Europe, but also North America. What do you expect will be at for this year and what will be left for 2027? Thank you very much.

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

A

Yeah, let me – I'll take – let me take the second one and I have Lance put some color on the first question. So, I think, George, across the board, if you look at the ramp first half to second half and then as you think about going forward, right, the 80/20 work has been central to everything we've done. Let me start with Europe. You've seen the focus on facility rationalization, on reducing the people cost intensity in the business, [ph] you have (00:25:56) 31 facilities, over 3,000 people impacted by that, and that will continue to move forward just as we have outlined in the past. So, that ramp that allows us to move into significant profit increases through the second half of the year as we think about next year. That's been the bulk that.

And then really importantly, George, it's a matter of taking those resources and making really smart reinvestments like we have back in the US in terms of on the commercial side. So, reducing unnecessary waste, taking out unnecessary capacity or ineffective capacity, ineffective assets, driving profitability and reinvesting intelligently back into profitable growth of the business. And we expect to see that same trend as we move into the second half in Europe that we had in the US.

In the US specifically, right, we've done the major structural changes to the mill footprint and the plant footprint, right. So, we've taken out the big chunks of those things. That being said, right, we're continually driving optimization. Every month I'm out in the field visiting mills and/or our plants as recently in Pennsylvania. And the work that we're doing there, we built a new facility a number of years ago. We're driving some rationalization that is driving efficiencies in that plant. And now it's about how do you tune that facility to drive incremental profitability, lower utilization of working capital and capital in general.

And then, it's the big investments that we have made, so cutting and building, right. So, the big investments, the big decisions that we made really throughout the last couple of years about taking assets out that were ineffective and reinvesting really aggressively back into Mansfield, Riverdale and NORPAC, as examples, back into now Waterloo, and we've announced Mississippi too, the Dover, Delaware box plant that we built.

So, those things are ongoing. You should expect to see that kind of change continuing across the company really to take out unnecessary waste, reinvest back into profitable growth. So, those are going to continue. Obviously, that the massive impact that we had in the US, you're starting to see moving towards optimization. And in Europe, we're really still right in the throes of it.

So, Lance, you want to tackle the first one?

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

Yeah, sure. Just to go back to your question, George, on 3Q to fourth quarter ramp. And I think, in particular, you're focused on North America and I think it's really driven by the momentum that you see or what that would imply for the fourth quarter is really driven by a couple of things. One, the continued ramp in Riverdale, right, as we continue to bring that machine up and online to get to sort of the full run rate by early next year. The second, of course, is the pricing flow through that's going to continue to strengthen into the end of the year on pubs – the price publications through June, right. So, we'll be continuing to add momentum as we realize more price across our box system into the end of the year.

And then, just the constant maturation of the cost out initiatives that we've got throughout the business, right, that we're continuing to work on throughout the course of the back half of the year that continue to layer on to the profit momentum that we have. I think those are the things. And if you think about kind of what are the headwinds in the way that we thought about the cost side of this, from a diesel perspective, yeah, look, we've just taken a stance that hard to predict where that goes, given some of the geopolitical uncertainty and the back and forth that we going on around the world today. So, we've just basically taken, in our assumptions, the strip. And so, that's something that we've kept relatively simple from an assumption perspective.

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

Okay, I'll turn it over. Thank you, guys.

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

Thanks, George.

Operator: Your next question comes from the line of Matthew McKellar with RBC. Please go ahead.

Matthew McKellar
Analyst, RBC Capital Markets
Q

Hi. Good morning. Thanks for taking my questions.

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

[ph] Hi, Matt (00:30:12).

Matthew McKellar
Analyst, RBC Capital Markets
Q

First I'd like to ask just how you're managing the downtime at Pine Hill with conditions as seemingly tight as they are? You called out some favorable mix and less exports in the Q3 outlook for North America in the materials. I think that would be separate from the $85 million Pine Hill impact you called out. So, any color on impact of mix and how your supplier converting system would be helpful? And then, I guess, just to clarify, does your guidance for 2026 assume an insurance recovery that would be in the same ballpark as that $70 million to $100 million hit that you expect for Q3 results? Thanks.

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

Yeah. Let me touch on the insurance piece real quick. I mean, our intention is, we think that there's a high likelihood that majority of that will be reimbursed. We're endeavoring to make sure that we try to match that in as close to the periods that are impacted as possible to avoid the noise in some of the sequential comp comparisons. So, we're focused on it. It's still early days. Majority of it's around the business interruption side of the business. And so, we will be working with our insurance providers to work through it. We'll keep you guys updated as we get deeper into the process.

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

Yeah. And on Pine Hill specifically in terms of how you think about the network and the impact to it, well, there's a few things. Number one, we think that that will be up and running by the end of August. So, it won't be an extended period of downtime. However, right, given the tightness in our system and in the system in general, right, it certainly has an impact. We started actually, if you think about all the work that we've done in the past couple of years of optimizing the system, very thankful that we've been ahead of the curve on that in terms of being able to match paper grades to customers, to industries, to locations. And so, we've had a lot of work has gone on ahead of time. Thankfully that's really good news and one of the things that we've been driving across the board is to maximize the mill network efficiency along all paper grades.

Also we have downgraded or reduced the amount of export that's out into the system. So, we're pulling that back into the network to make sure we take care of our core customers. So, it will be a tight couple of months, right, if you think about July and August. There's no doubt it will be tight and it exacerbates the tightness in the market across the board. But we think we've got it covered. We can't deny, though, that it will be tight here over the next month or so. And then, we think we'll ramp out of that pretty quickly.

Matthew McKellar
Analyst, RBC Capital Markets
Q

Okay, very helpful. Thanks very much. And if I could just follow up with one more. Between what's been recognized so far and announced to the market, North American pricing seems like it should be meaningfully higher in 2027. How are you thinking about what kind of supply response you see across the industry as that kind of flows through? To what extent the exports continue to [indiscernible] (00:33:11) capacity announcements. How do you...

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

Matthew, I'm going to – let me hear up to you, you're really muffled. We could not hear the second part of that. If you could – can you start the question over again?

Matthew McKellar
Analyst, RBC Capital Markets
Q

Sure. Sorry about that.

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

That's better.

Matthew McKellar
Analyst, RBC Capital Markets
Q

So, between price that's been announced and recognized so far, it seems like North American pricing should be meaningfully higher in 2027. How do you think about what kind of supply response we see across the industry as that flows through? To what extent the industry exports continue to move lower? Do we see new capacity announcements? How do you expect this to play out? Thank you.

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

Yeah. Great question. So, first of all, in terms of like anything, right, supply/demand dynamics are going to drive the competitors reactions, alternative reactions, things from overseas. You could expect to see potentially a bunch of stuff. I think structurally, as I look at the cost of building, we've done a lot of analysis on replacement costs, right. And as you can imagine, and I think pretty much anyone would attest to, replacement cost of mill assets has skyrocketed in the last half decade. If you think kind of post-COVID, just the ability to build a mill to bring on incremental capacity, it's a much higher bar than it was 5 or 10 years ago. I think that's a very fair thing to say.

So, that's not to say that it will not happen, but the bar is higher. It's more expensive and I think you've really got to think through that. You've heard me say in the past that I thought the threshold for people to really take a hard look at that, is kind of mid-teens to high teens return on invested capital. And I think there's – for somebody to enter the market with a major mill investment, I don't know that we're quite there yet. But in our own analysis and we think about that.

Reactions from overseas, obviously, you have the shipping costs that are very substantial, especially when you look at the incremental energy costs, incremental OCC costs that are out there in the system. So, there are some challenges to that, but we'd be naïve to think that you won't see some movement across that. And then finally on alternatives, replacements, obviously, what we've seen in the Middle East with the cost of energy and therefore, how that's impacting the world of plastics. Generally, I feel good about where we are. I like our position. I like how we have managed our business and how we're reacting to the market. And so, I feel good about where we stand and good about the future.

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

Thank you. Apologize if it's a bit detail oriented here, but it sort of ties together George and Matthew's question a little bit. And just clarifying, is Pine Hill included in the updated $3.2 billion to $3.4 billion guide and/or recoupment of insurance proceeds, that might help explain that very large pickup from 3Q to 4Q and just to clarify a few other things. If you could just...

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

Yeah.

Mark Adam Weintraub
Analyst, Seaport Research Partners Q

... [indiscernible] (00:36:33) to take on that?

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

So, in the overall total guide, it's not included, it's excluded, right. But what we're anticipating is that we recuperate the majority of the loss in the second half of the year.

Mark Adam Weintraub
Analyst, Seaport Research Partners Q

Got it. Okay. And then if I could, sort of two, but for next year, given what you're seeing here, how are you feeling about kind of the $4 billion, $5 billion that you've talked about for a while, which frankly seemed like a big stretch at one point, but maybe is looking somewhat more feasible? I don't know if you're willing to provide updated thoughts there. And then, yeah, kind of at the same time, you talked about demand being more flat rather than up year-over-year in corrugated, any kind of additional color? Is that just a macro call or what's the change there?

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

Yes. So, I mean, let me tackle the second question first and then I'll come back to the broader implication. So, on the demand side, what we've seen in the US and in Europe is the expected pickup in the second half. We're now not seeing that, given what's going on with inflation and affordability. We think that mutes the overall market going into the second half of the year. But we expected a pickup of about 1 point. And so, we're downgrading that to effectively flat in the second half of the year in North America and up modestly in Europe in the second half of the year.

That being said, that really is, if you look at the things that are kind of holding back the market, I'll put the affordability just kind of across the board that issue is the biggest issue and the uncertainty for the lower end of the economy, right. So, if you're sitting in the bottom half of the economic spectrum, you're struggling today and you can see it with the major consumer packaged goods companies that are out there, the protein companies, the vegetable companies, et cetera. They're certainly seeing that, especially in that more cash constrained part of the economic spectrum.

And in that – and you put housing with that, we still have really have not seen any relief there. So, we see some pretty exciting pent-up demand into the future. But I think the conflicts and the affordability questions are going to mute that here certainly into the second half and we'll see what that means for 2027. Very specifically, we're seeing some slowness on the fruit and vegetable side, specifically on the West Coast from what's going on. You've seen everything in the news around some of the issues on the vegetable side with some contamination. We're seeing that firsthand and it's showing up in the western part of the US, where the eastern part is pretty much in line with exactly what we thought.

So, we believe we can really focus in and narrow that that's a short-term impact. But that will be a headwind for us. We're seeing it in the month of July. We'll see if that lets up here as you see a rebound when people go back to normal behavior. But I expect we'll have some headwind in the third quarter from that.

As it regards to – as we think about what does this mean for the future? I'm going to be very careful not to give any real detail about the future for a couple of reasons. One, there's a lot of uncertainty out there with what's going on with everything in the Middle East and what's happening to input costs and everything else. And so, we'll hold off commenting further of what we think that the likelihood of demand looks like into the second half of next year.

You've seen the pricing, you can do the math on the pricing, right. We've always given kind of a guide of about $9 is a good proxy, as we're doing that math, right. So, kind of – as we think about that math and how it flows through, you can do your math on there of what that means going forward. We've talked in detail about the cost out efforts that we've done.

The other thing we just have to be cautious of is, we're getting closer and closer to the spin. And so, by regulation, we have to be very cautious about forward-looking statements that aren't appropriate in that process. So, we'll be a little bit – we'll be holding off from there. You'll hear more in the third quarter and obviously, in the fourth quarter, we'll lay out all of the details of our expectations for 2027.

Mark Adam Weintraub Q
Analyst, Seaport Research Partners

Fair enough. And just kind of, so that $9 reference, that's a $1 per ton of containerboard leased to $9...

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

Correct. Yeah.

Mark Adam Weintraub Q
Analyst, Seaport Research Partners

Okay.

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

Thank you, Mark. Yeah, thank you for clarifying that.

Operator: Your next question comes from the line of Phil Ng with Jefferies. Please go ahead.

Philip Ng Q
Analyst, Jefferies LLC

Hey, guys. Solid quarter and good execution. I guess, my first question, Andy, you and your peers are certainly out with a September containerboard price increase in North America. And as you alluded, the market is quite tight. So, when I think about this increase, do you need this to kind of offset the inflation outlook that you're seeing that's in front of you? Or this is more of getting a proper return because you guys are, obviously, recapitalizing your assets? And more importantly, bigger picture, when you think about the supply/demand backdrop and where you're deploying capital, what's your pricing philosophy? How should we think about it going forward longer term?

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

A

Yeah, look, I mean, at the end of the day, it is a combination of pricing to market and supply/demand scenarios, right. And so, we make our own decisions on what we believe is the right thing to do, given what's happening certainly, on the demand side. Right now, a lot more is happening on the supply side with inflation and the tightness in the market. And so, as we think about pricing, we think about what is appropriate given all of the different market forces and that's why we've landed where we've landed thus far this year. And we'll continue to do that, right.

Pricing, as you know, is incredibly dynamic in this environment and we're really kind of looking at all those different pieces and all those different factors, and that's been driving our investment philosophy and how we thought about the assets that we want to have and what drives profitability, maximum profitability for our business. The pricing up to now has really been eaten by inflation. I mean, if you look at what's happened with OCC, energy, diesel, freight, you name it, right. It's unfortunately really eaten every bit of the pricing up until today.

What happens to inflation going forward and therefore, what happens relative to the most recent announced price increases? We don't know, right. It's impossible to know. Obviously, we would expect some of it to fall through attractively to the bottom line. But we'll have to see kind of what happens specifically to what's going on in the energy world from the conflict in the Middle East. And what we're seeing with just general inflation across the economy, that's still flowing through from trade and tariffs and all the noise on that. So, we feel really good about where we are right now. We feel good about the mechanisms we use in that decision making and ultimately, turning into profits, in line with the things that we've talked about in the past.

Philip Ng
Analyst, Jefferies LLC

Q

Okay. Very helpful context, Andy. And then, as you kind of articulated earlier in your prepared remarks, you're deploying your 80/20 playbook. You're taking out some high-cost capacity. First, that was on the mill side. You've done some on the box side. So, one, where are you with that journey on your box network rightsizing? And then, certainly, you've announced some investments this year, whether it's Riverdale, Dover, Waterloo, NORPAC, where are you in terms of recapitalizing your asset base in terms of investments? Are you still pretty early in that journey? Just give us a little color in terms of where you are in that process at this point?

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

A

Yeah. Really good questions, both of them. On the first side, what I would say, in the box world, we're really in – I'm not sure I'm going to call it optimization mode, where we've taken out the obvious kind of high-cost capacity, things that had to be kind of completely recapitalized were not – they were uninvestable, so to speak. We've done kind of the big swath of that. Now, what you're seeing, right, are the moves that look like, I'm going to call it, on the most aggressive end of Waterloo or Mississippi, right, where you're really going in and you're making a major bet on a market, on a geography or on productivity. That's kind of the most aggressive side.

And then you have things like Dover, which is really around strengthening around a market and being able to integrate box and paper, right? Being able to do that in the right kind of market is really very consistent with our strategy. Then the next – I would call, the next level would be brownfields, which we have a number that are underway, which we're boosting the right kind of capacity, driving cost points down, driving responsiveness up in the business. And then the last part – the last level of those is really around what I'll call just 80/20 optimization, price, volume, mix, how you think about all those things coming together in and around a geography that has multiple plants.

So, the example I mentioned earlier that I was in Pennsylvania here a week ago. And in there, right, we have multiple facilities servicing that geographic marketplace and getting that right mix of a super plant, which is really kind of blow and go versus hybrid plants that are dealing with a lot more complexity in the marketplace. Finding that right combination, we're starting to dial that in, which means responsiveness goes up, cost comes down, and that's exactly what we're trying to do. So, we're absolutely working that spectrum of things and we'll continue to make those bets.

But in terms of kind of the bolus of stuff, the really big things that have come one after another, you're going to see it be much more measured as we go forward. On the big investment side and these are related, obviously. We've made a lot of big bets in the last two years. And what I'm really happy about is, they're starting to really show up. That's big. So, if you think about the combination of things that we've done, right, closures of three different mills that effectively were uninvestable, right. You had to put a lot of money into them for really nothing back. It was really around extending the life and frankly a building product or paper that wasn't fit for the right kind of market at the right kind of profitability levels.

We made those tough decisions and then we reinvested super aggressively back into places like Mansfield, Riverdale, NORPAC, where we see a future of more appropriate paper for the marketplace, both in terms of grade and location and market at significantly lower cost points. I think – frankly, I think we're going to find that NORPAC was a great acquisition in terms of great asset, a great team and the right location at a very attractive cost point, as an example. The investments in Mansfield have paid off dramatically. We're starting to see Riverdale ramp up and knock on wood, right, because we're still early in that journey.

And then to your last part of your question about investment, we've said to expect the same kind of level of investment in North America for the next two to three years and you should expect that, right. What I'm trying to drive is two key elements, two key pillars of our strategy. One is around an advantaged cost position. We have a footprint and we have – I'll call it the bones of assets to be absolutely the low cost player in the marketplace. And I fully intend to drive that relentlessly to be the low cost player. Not the low price player. That's not what we're trying to do. We're trying to be in a position where we have strategic choices that others do not. And we very much are trying to drive that across the business.

Second, our responsiveness, right. We're integrating more fully our mill and our box network, where we're building – where we're making the right kind of paper in the right places for distribution to drive cost down and service levels up, which then drives a lower cost position within the box network and the ability to react even faster to customers. And so, that cycle, right, that virtuous cycle is what we're now investing in. And that's going to require us to continue to make investments pretty aggressively over the next few years.

Philip Ng
Analyst, Jefferies LLC

Q

That's super insightful, Andy, and looking forward to these investments hopefully coming to fruition, contributing nicely next year.

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

A

Thank you.

Operator: Your next question comes from the line of Gabe Hajde with Wells Fargo Securities. Please go ahead.

Gabe S. Hajde
Analyst, Wells Fargo Securities LLC

Q

Andy, Lance, good morning. Thanks for taking the question.

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

A

Good morning.

Gabe S. Hajde
Analyst, Wells Fargo Securities LLC

Q

I wanted to ask about the spin. And as you kind of put all the infrastructure in place for that to be a standalone entity, would you say that there are still other options that could be pursued or evaluated as part of that process?

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

A

Yeah. Look, we're working diligently to focus on the spin. That's our priority is to drive the spin. We have a clear path to doing that. We're on track to that. All of our efforts are focused on that. And I don't see a reason why we won't hit the timelines that we've outlined. In terms of alternatives, we've said all along that at the end of the day, right, we have to do the right thing for our shareholders. And if someone shows up and has an appropriate interest and they are the right kind of partner, we have to listen to that. And we certainly would with the right kind of proposition. And so, look, at the end of the day, it's about our fiduciary duty and our responsibility to our shareholders and to drive the most value and that's what we're going to focus on.

Gabe S. Hajde
Analyst, Wells Fargo Securities LLC

Q

Thank you. I want to take one more stab, I guess, at the George's and I think Mark's question. If we dial back to kind of pre-DS Smith, and I'm simple so I'm going to stick with I think $1.2 billion of cost saves and $800 million of commercial opportunity in what was kind of PS North America. You guys, I think, acquired maybe $100 million or so of EBITDA in there. But take out the report card, have you actioned everything on the cost side to get you to that $1.2 billion and on exit rate or what you've accomplished so far in 2025/2026, where would you say you were at on the $1.2 billion? And then on the commercial side, any help there? I mean, I think we can do some of our own math, but I appreciate that...

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

A

Yeah.

Gabe S. Hajde
Analyst, Wells Fargo Securities LLC

Q

...demand is probably 3% to 4% less than what you would have anticipated...

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

Yeah.

Gabe S. Hajde
Analyst, Wells Fargo Securities LLC
Q

... [indiscernible] (00:52:11). Yeah.

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

Yeah. So, first of all, I think I applaud the fact that you have triangulated appropriately on it, that the fact that your attention to detail and really understanding that, that's a really good thing here. I think in terms of – there are few things that have shifted since that original goal. And what I mean by that is, just how the world has shifted, and naturally around demand is lower, right, and inflation is significantly higher, right. If you just kind of look at those two pieces of it. So, we've been squeezed. You're right. It's actually probably more like 4% or 5%. If you look at the difference between expectation and actual...

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

We were assuming. Yeah.

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

...right. If you look at that, it's probably 4% or 5%. And I'd have to go back and add up the difference in inflation compared to our expectation. But if you're going to think of it on a year in, year out basis, we're looking at about $200 million of internal inflation, not include the input inflation, right. Obviously, the internal we've dealt with incredibly well. The external, that kind of muddies between that input inflation and then what happens on the commercial side and you understand that really well.

That's said as context, let's go the cost side first and let's come back to the commercial. So, on the commercial, if you look at kind of what you'd expect that's going to flow through, the actions will fall through into next year. In North America, it's in the range of $350 million to $400 million. That is carryover cost out of all the things that we've done that's being finalized, that rollover, right. So, if you just kind of do the math on that, that's about what that is.

In Europe, it's more like a couple hundred million dollars, like, $250 million, that's incremental. So, you've got about half of that $1.2 billion that we talked about before that will be finalized, it's flow through. To be clear, almost all of that is actioned, right. Europe still has a few things. I mean, they're going to do more as the year goes on, but you're not talking about three quarters of it having to be actioned, you're talking about a quarter of it having to be actioned. The rest of it has been actioned and is working its way through the system.

What I would say the negative to that is, where we have gotten it wrong is, at the cost to execute has been higher than we expected by – to some degree, but not outside the realm of a pretty darn good execution. So, it's taken a little bit longer than we had expected, a little bit more expensive. But if you actually look at the dollars we've gotten them. There's no doubt about it.

On the commercial side, right. What I would say is, the commercial has been far more than we expected, right. So, it's a much larger number than if you went back two years ago than we expected, but it's been eaten up by the inflation, right. And so, when it's all said and done – when you put all this together and you kind of look at the 2027, again, we got to be really careful about how we talk about it. But we're going to be right in the range of what we said two years ago, right. That we're going to be right there, if you kind of back out GCF being sold and you look at the split between North America and Europe, we're going to deliver pretty darn near exactly what we said we were going to do two years ago.

And so, it's been a lot of bumps along the way and the path has not been straight. But I can't tell you how happy and how proud I am of people grabbing on to it, dealing with this incredible uncertainty and putting this company in a position to win.

Gabe S. Hajde Q
Analyst, Wells Fargo Securities LLC

Thank you for that. I mean, I don't think anyone, as you point out, had tariffs or Middle East conflict and putting...

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

So, this was not on a big go cart.

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

No, it was not.

Gabe S. Hajde Q
Analyst, Wells Fargo Securities LLC

I'll hop back in. Thank you.

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

Thanks.

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

Michael Roxland Q
Analyst, Truist Securities, Inc.

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

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

Good morning, Mike.

Michael Roxland Q
Analyst, Truist Securities, Inc.

Yeah. In terms of volumes, a quick question there. You mentioned that your North American volumes were up about 1.7% on a per day basis. I think last quarter, you were guiding them to be up around 3%. What changed with respect to occurred – or let's say, what occurred during the quarter and what changed relative to your initial expectations? And can you also provide some more color on how shipments are trending thus far in July, given you also mentioned some headwinds from the West Coast fruit and vegetable market?

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

Yeah, I'll cover the first question. I think the confusion there was we're up 1.7%. I think the 3% was what we thought we'd be in terms of versus the market.

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

Yeah.

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

So, it's the difference there. I think that's where you're getting the 3%, because nothing's changed from our expectations in terms of where we're following.

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

Yeah.

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

And we're right kind of where we thought we would be.

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

That's exactly right.

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

But I don't know, Andy, if you want to add more color.

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

Yeah. I'm sorry, can you clarify that, Mike, with the – that second part of that question.

Michael Roxland
Analyst, Truist Securities, Inc.
Q

Oh, sure, yeah, just [indiscernible] (00:57:18). Just, yeah, any color you can have in terms of how your shipments are trending in July?

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

Yeah. So, I would say, outside of fruit and vegetable, it's pretty much in line with where it's been, which is softer than we had expected, right, but not outside of the bands. I do expect to have some headwind in fruit and vegetable on the West Coast in the month of July. We'll have to see – our people may have seen the Taco Bell announcement this morning. They expect – they're starting to see a return to growth and whatnot. And so, that will work itself through. I do expect there to be some volume headwinds in the third quarter from it. The exact number is really hard to put your arms around, just it was really noisy for a couple of weeks. You can see the noise is starting to die down. But let's find out kind of where it is and if consumers are moving back kind of what I call just a normal consumption, which historically with these things has happened after a short period of time. But we'll see where that goes.

Michael Roxland
Analyst, Truist Securities, Inc.
Q

Got it. And just one quick follow up just on price. Lance, you mentioned more favorable price in Q2 due to faster realization of previously announced price increases. What does that relate to? I mean, have you reworked contracts that is allowing you to be able to capture price at a faster pace than you have historically? Just any color as to why you're able to capture price faster than history, I would appreciate the color. Thank you.

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

Yeah. Look, I think it's just a factor of how we work through this. It's a contract by contract basis. We try to make some assumptions on a three-year forward – I mean, yeah, excuse me, three months forward look, 90-day forward look. And we've effectively just sort of outperformed to the way that we're executing those contracts.

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

And I think part of this is just tied to the fact that we put a lot of work into building our commercial team, right. So, if you look at the work we've done in terms of people and process, it's not something we've talked a lot about on these calls, but it's where we have retooled a very large percentage of our field force. We've changed incentives and we have invested in their tools. And so, I think it allows them just to move a little bit faster into the marketplace.

Michael Roxland
Analyst, Truist Securities, Inc.
Q

Got it. Thank you.

Operator: We have time for one more question. And that 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

Good morning.

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

Hey. Just following up on the last question. Assuming the price increases realized in the publication in September, would the hike be fully realized with exiting 1Q 2027? I'm just trying to figure out how much you would see in calendar 2026 versus calendar 2027 understanding...

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

I don't think we see...

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

...this, yeah.

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

Yeah. Regardless of what happens to the pub, you pick your number, right? It's just the way it flows. You're not likely to see much in 2026. It's really a 2077...

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

2027, yeah.

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

It's really 2027.

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

Got it. And it would be fully realized exiting 1Q, 2Q. I don't know how you think about the lag, but...?

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

It probably...

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

[indiscernible] (01:00:34) somewhere there.

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

A

...yeah, right in there. Yeah. It's going to be between there. But I mean, it's not going to look a lot different than what you've seen historically. We can imagine it would be like that. It's pretty systematic.

Anthony James Pettinari
Analyst, Citigroup Global Markets, Inc.

Q

Got it. Got it. And then one last quick one. And I'm sorry if I missed this, but if I think about the assumptions underlying the full year guide on the cost side, so I guess OCC, diesel, at the midpoint, are the assumptions that those remain at current levels or 2Q quarter end levels, are you baking in some inflation? Just wondering the kind of cost assumptions...

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

A

Yeah.

Anthony James Pettinari
Analyst, Citigroup Global Markets, Inc.

Q

...underlying?

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

A

Yeah. So, we're assuming some cost increase as you get into the latter half of the year around OCC. But really our diesel costs, like I said earlier, is really the assumption that we're driving there is just today's strip.

Anthony James Pettinari
Analyst, Citigroup Global Markets, Inc.

Q

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

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

Yeah. Thank you guys very much. Just a few closing comments. So, first, just some notes of thanks. I want to thank the European team. They have just carried an incredible load working to project time and the corporate team that's focused in on doing that, right. So, we assess our need for it internally on working on the spin. And for anyone who's been involved in those kinds of things, you're doing your day job and then you've got to do that job. And it's an incredible amount of work and they're doing a terrific job around that.

Secondarily, Lance mentioned this in his comments, but if you look at what the second quarter was in terms of workload for the containerboard team, yeah, for the mill system, in terms of Riverdale and the amount of outages, what they executed, that's no small feat, right. In moments like this, you kind of move past it pretty quickly. But I really want to note the incredible work and the execution that's happened around that while keeping it at a really tight focus on safety. Safety above everything else. And so, just congratulations to that team.

And then just more broadly, right, we have gone through a lot of change at IP and we still have more change to go through. And people have stepped up. And so, I just want to thank everyone for that incredible work. And then, finally, to our investors, I appreciate your interest and your continued support and what we're building here at IP and I thank you for that support. So, everybody, take care and we'll talk to you in 90 days.

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