



**International
Paper**

80 / 20 101

Andy Silvernail, IP CEO

August 14, 2024

Forward-Looking Statements

This presentation may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, as amended. Forward-looking statements can be identified by the use of forward-looking or conditional words such as "expects," "anticipates," "believes," "estimates," "could," "should," "can," "forecast," "intend," "look," "may," "will," "remain," "confident," "commit" and "plan" or similar expressions. These statements are not guarantees of future performance. 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 U.S. Securities and Exchange Commission. In addition, other risks and uncertainties not presently known to the Company or that we currently believe to be immaterial could affect the accuracy of any forward-looking statements. The Company undertakes no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

80/20 Strategic Approach

Accelerating Profitable Growth

Intense Focus on Where You Are Going ... Right Resources to Maximize Performance ... and Acceleration



The Origin of 80/20

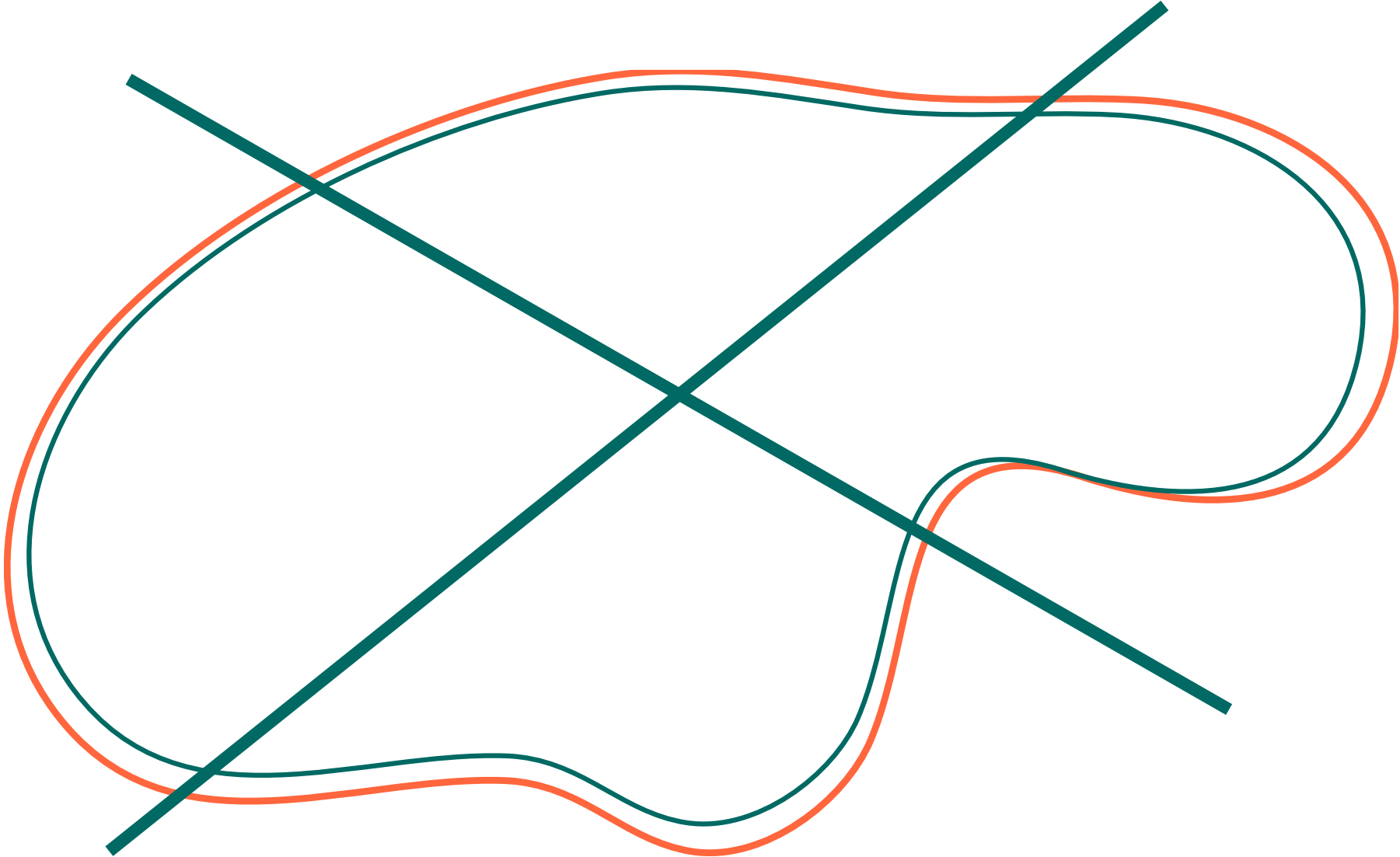
- Discovered in the early 1900s
 - Italian Economist - Vilfredo Pareto
 - Pareto Principle - The Law of Imbalance
- Application to business
 - 1940s Joseph Juran - quality control
 - 1980s ITW
 - 2010s IDEX



What it isn't . . .

- Trendy program or initiative
- Restructuring
- Cost cutting... for the sake of cost cutting
- Getting smaller
- Becoming more generic / one size fits all

Typical Approach to Improvement

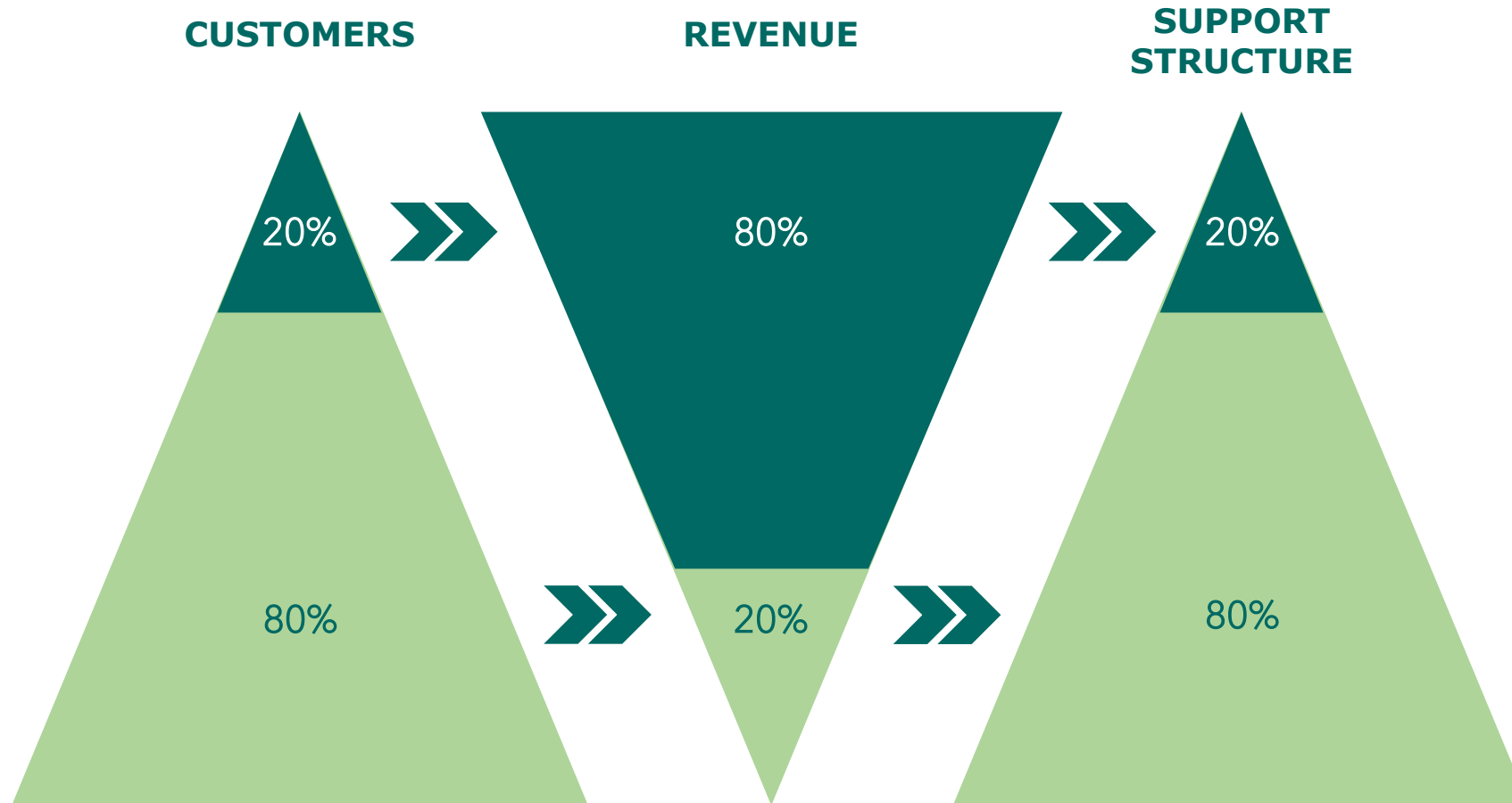


What is 80/20?

- **Data-driven methodology** that identifies the critical few for strategic differentiation
- Mindset that **focuses on key priorities**
- **Alignment of resources** to drive results (cause and effect)

A Differentiated Approach to Winning ...
To Achieve Dramatic Profitable Market Share Growth

Aligning Resources with Opportunity



80/20 Key to Success

TREAT THEM **DIFFERENTLY**



FAIRLY - NOT EQUALLY

80/20

A Proven Approach for Success

IDEX Experience

The Problem

HISTORICAL PERFORMANCE

**1989-2011
+1,200%...
5X MARKET**

2005-2011

**BOTTOM 1/3 OF
PEER GROUP**

**ASSOCIATE
ENGAGEMENT**

50TH PERCENTILE

The Problem

Poor Quality Growth + Disengaged Teams

2005 to 2011
CAGR / Δ

Sales	8.4%
OP%	-290 bps
EPS	6.6%
ROI	-400 bps
Engagement	50th %ile

5 YR CAGR

TSR	8.0%
-----	------

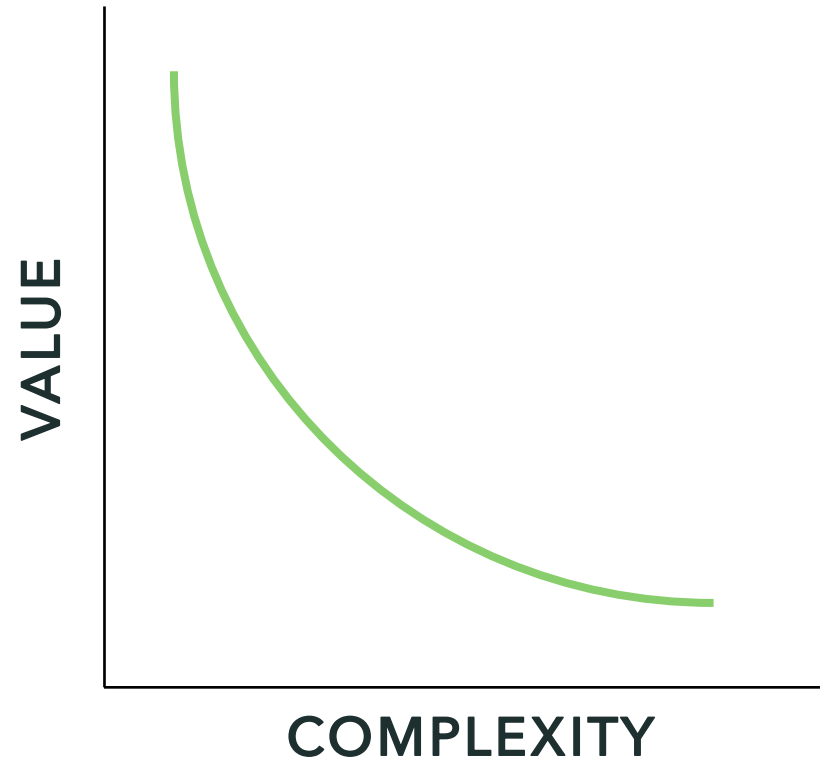
Root Cause Not Delivering On Commitments



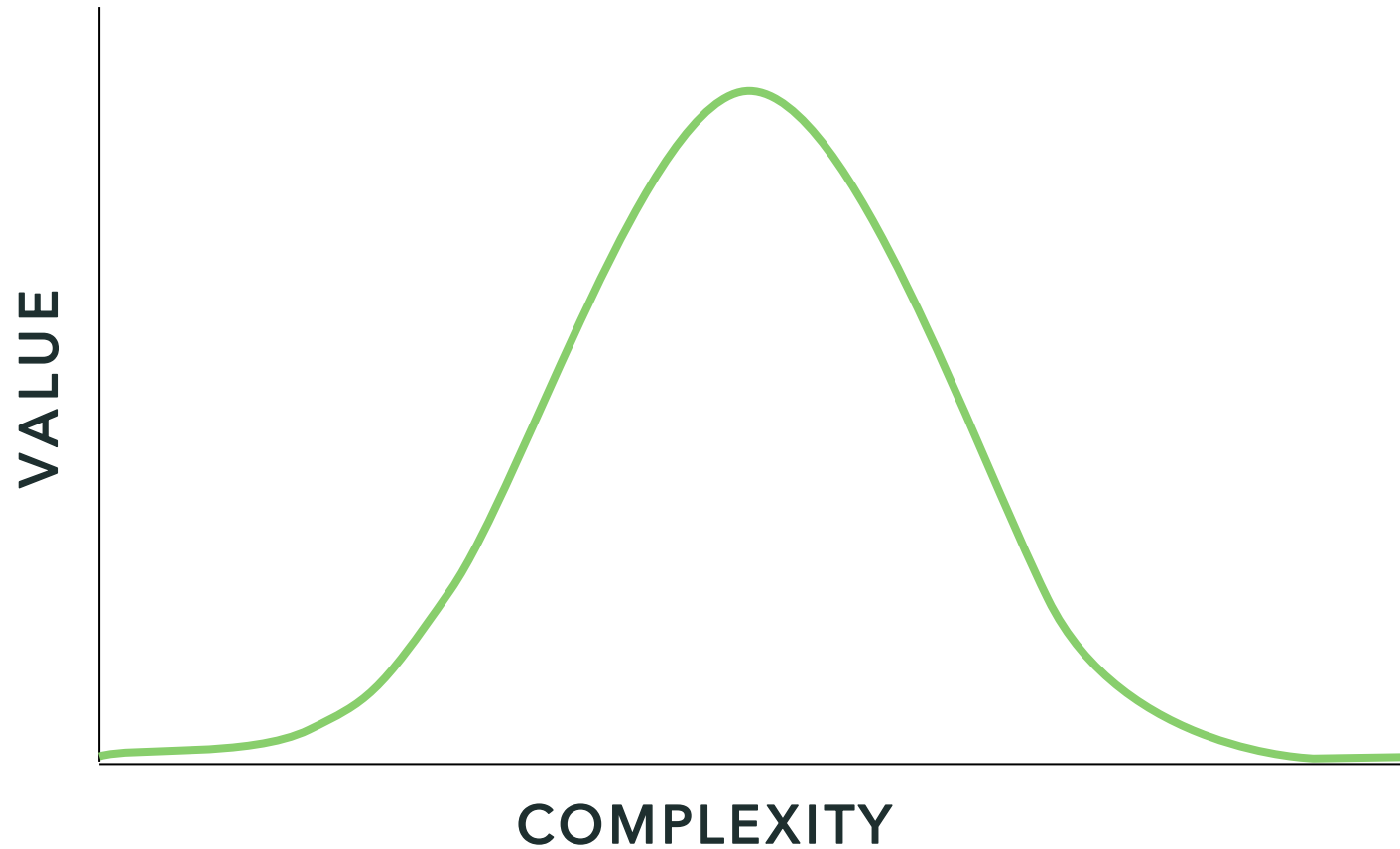
**IF ACHIEVED GOALS:
EPS INCREASE OF > 50%
WOULD HAVE BEEN #1 IN PEER GROUP**

Complexity → Theory

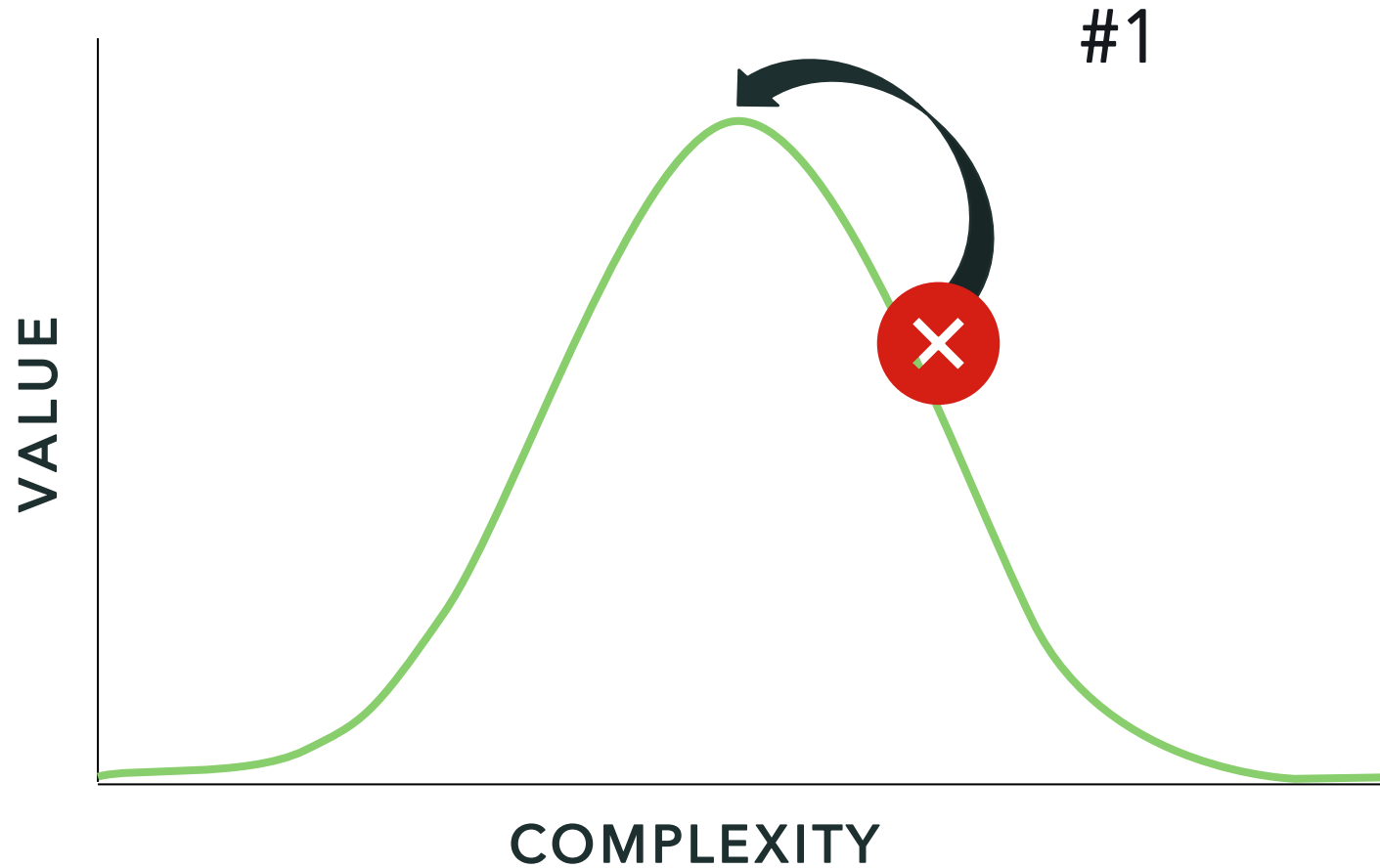
CLASSIC VIEW OF
VALUE AND COMPLEXITY



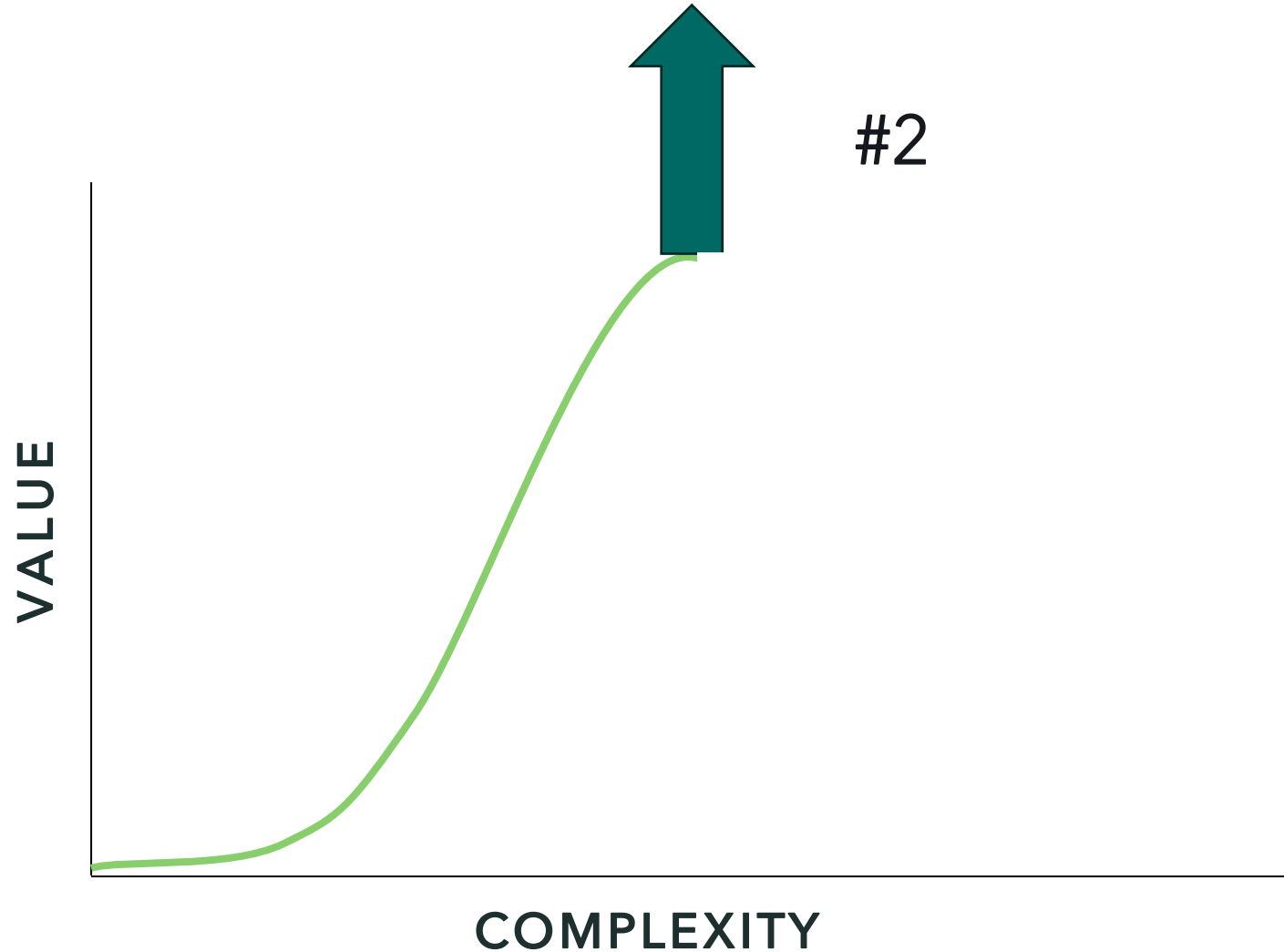
Complexity → Reality



80/20 Impact → Complexity Reduction



80/20 Impact → Investing in Critical Few



80/20 Implementation



Year 1

Test at 3 businesses-
2 home runs, 1 mess...
eyes opened!



Year 2

2/3rds of company in
implementation



Year 3

100% of the company
in implementation



Years 4-10

Building of expertise
and culturally ingrained

The Results: 80/20 Delivers

IDEX Experience

	2011 to 2019 CAGR / Δ
Sales	5.9%
OP%	820 bps
EPS	12.7%
ROI	690 bps
Engagement	80th %ile
	9 YR CAGR
TSR	21.7%

The 80 / 20 Approach

Four Steps to 80/20



1. Simplify

Choose our crops



2. Segment

Separate tomatoes and pumpkins



3. Resource

Only water as needed



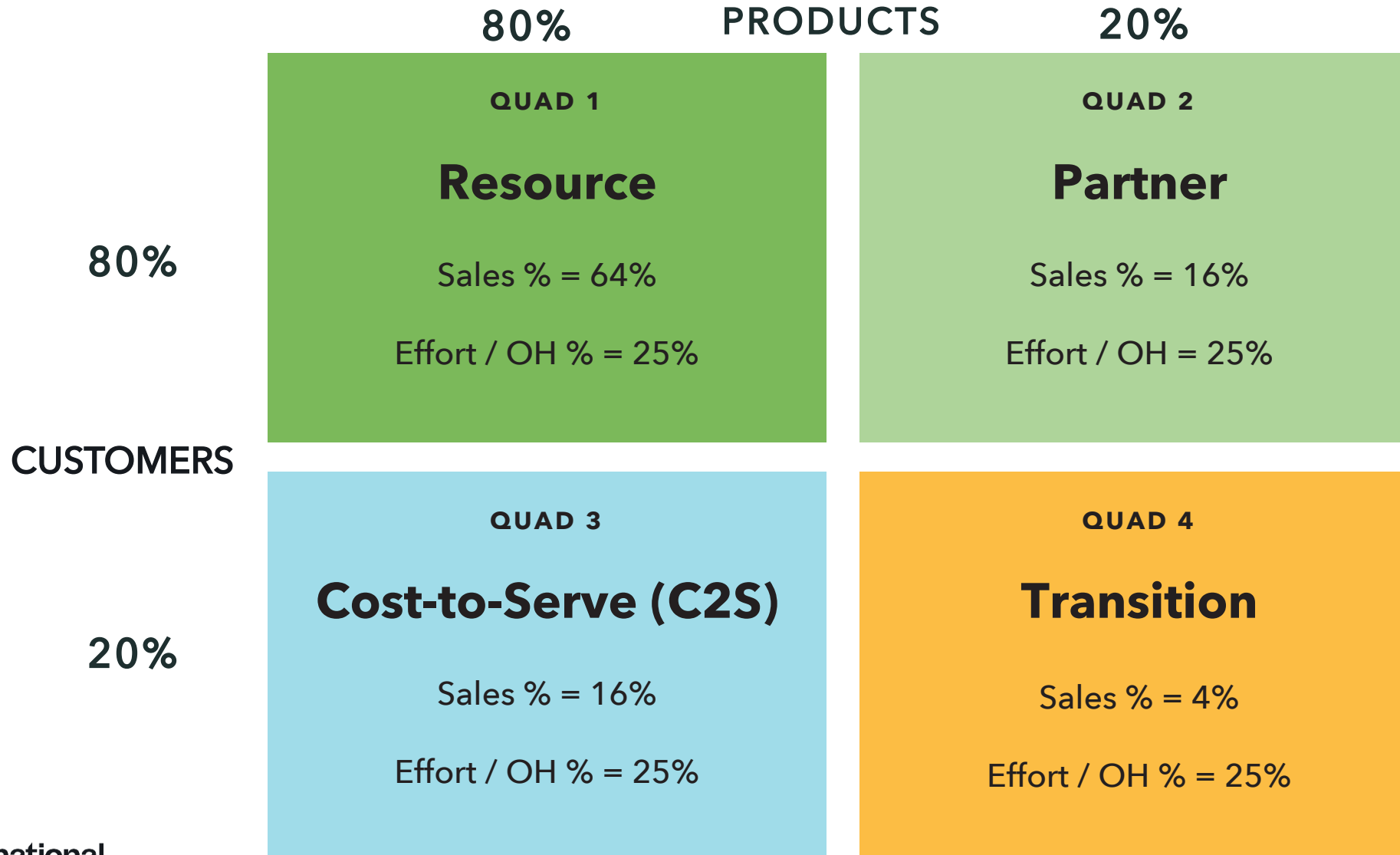
4. Grow

Fertilize, Grow, Harvest

Simplify → Quartile Analysis Reveals Hidden P&L

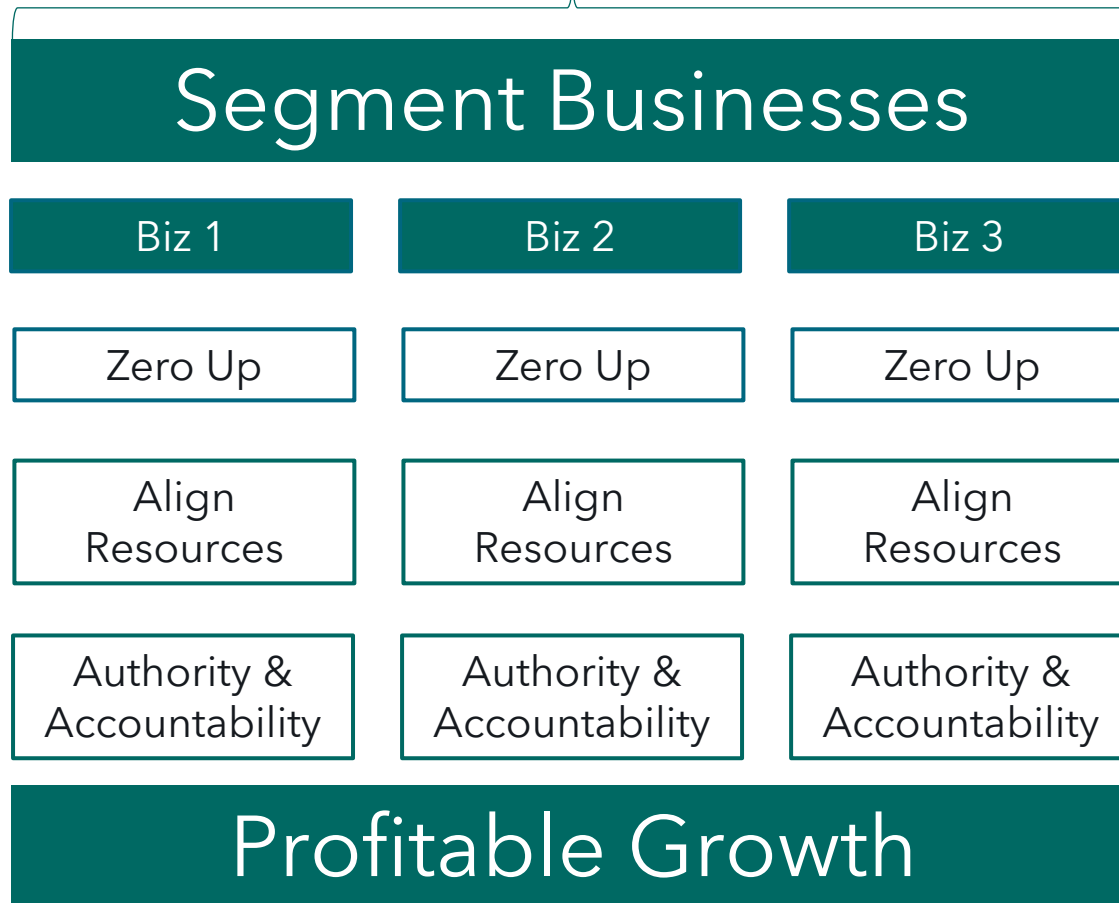
	CUSTOMERS or PRODUCTS	% REVENUE	% PROFIT
QUARTILE	1st	89%	> 100%
	2nd	7%	Breakeven
	3rd	3%	(\$\$)
	4th	1%	(\$\$\$\$\$)

Simplify → Quad Analysis Exposes Complexity and Opportunities for Radical Differentiation

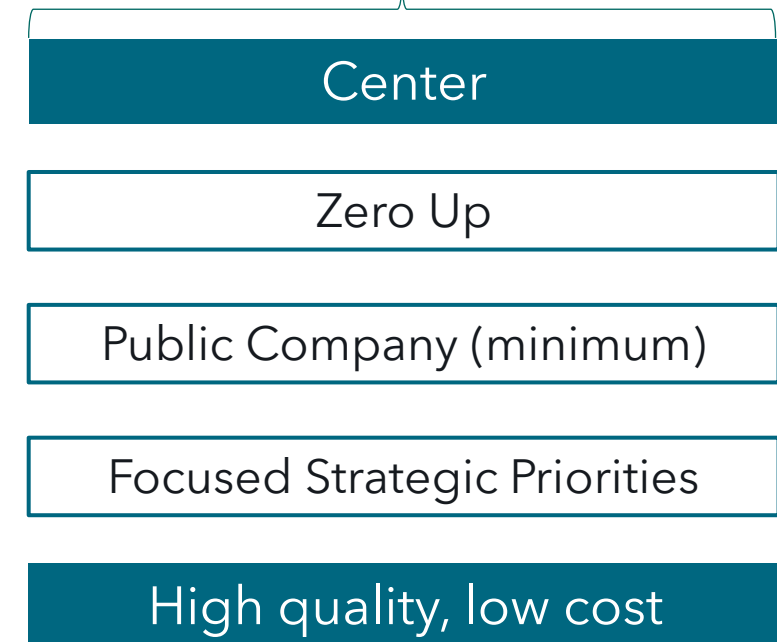


Segment → Align and Focus Resources

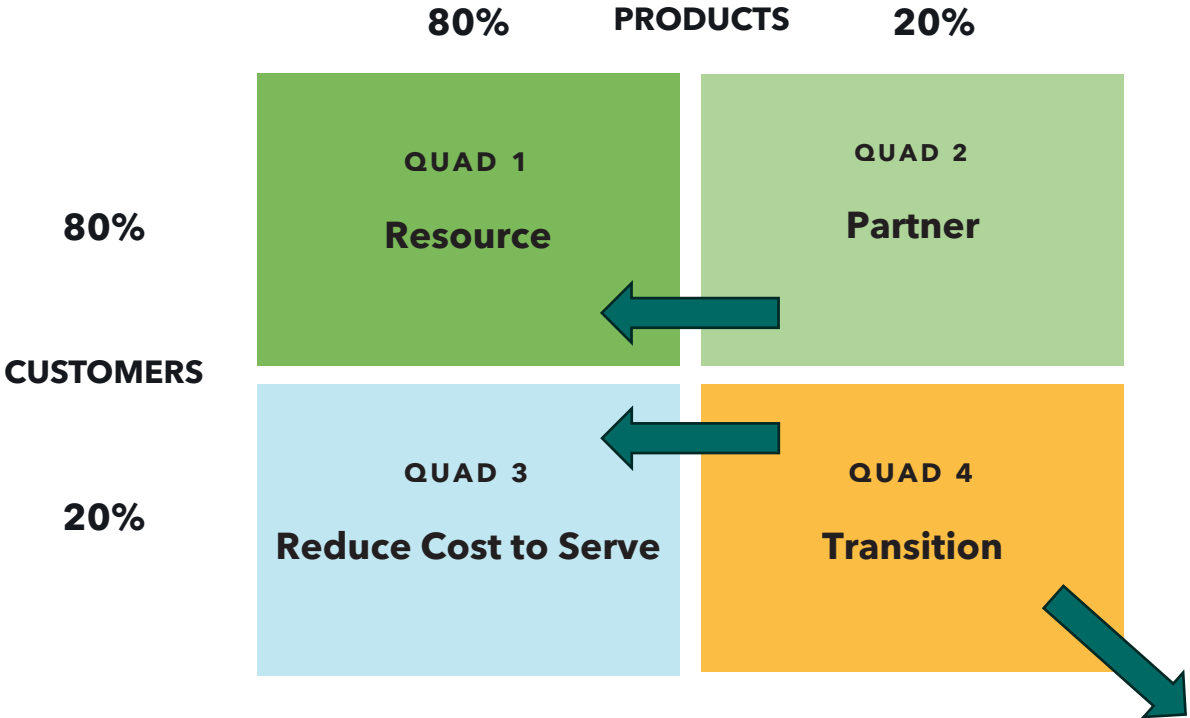
80



20



Simplify and Segment → Quad 2 & 4 Strategies



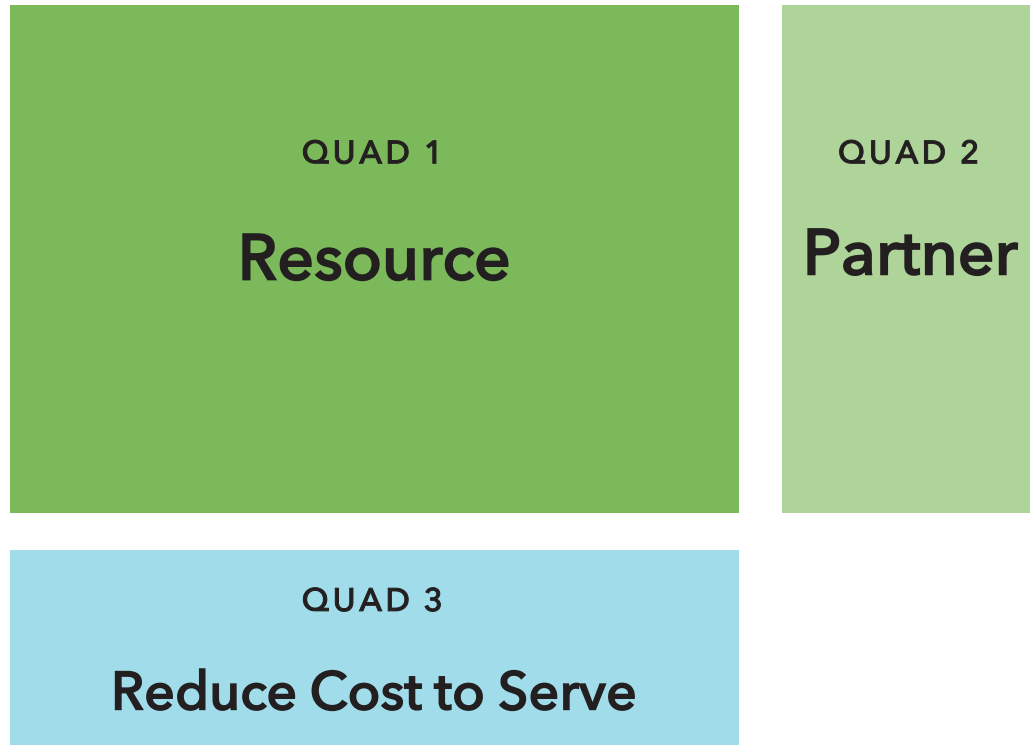
Quad 2 Strategies: Partner

- First do no harm
- Collaborative innovation for shared benefit
- Price to value

Quad 4 Strategies: Transition

- Product & service simplification
- Price to value
- Exit if necessary

Resource → Invest for Differentiation and Profitable Growth in Quads 1 & 3



Quad 1 Strategies:

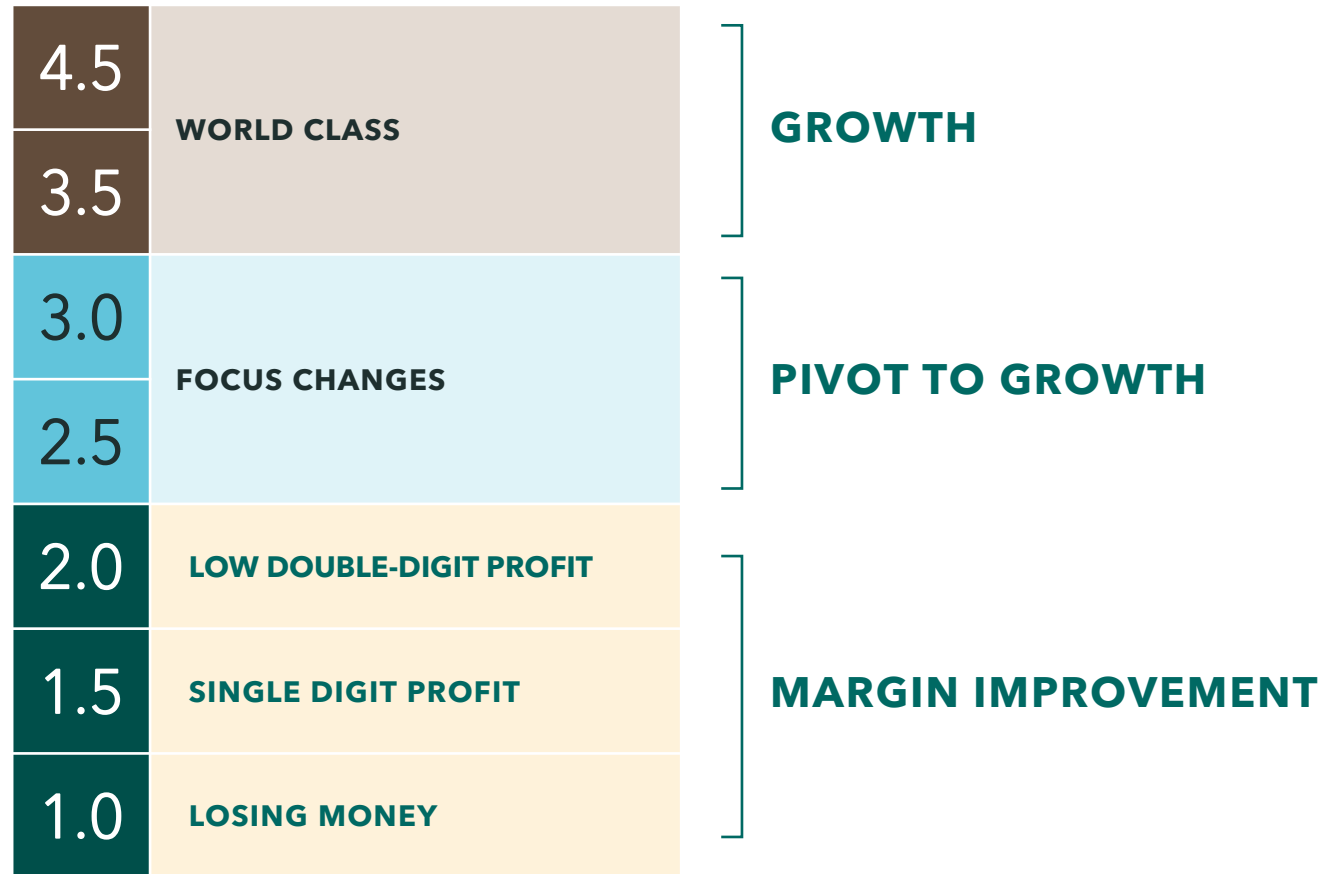
- Dedicate resources aggressively for:
 - Quality
 - Delivery
 - Service
 - Innovation
- Become “embedded”
- Continuously “walk” the customer Value Stream

Quad 3 Strategies:

- Radically reduce cost-to-serve
- Leverage Quad 1 products and production
- Focused, small dedicated team and resources who own these customers

Profitable Growth → Using the Key Ratio

$$\frac{\text{Material Margin \$}}{\text{Total Employee Costs \$}}$$



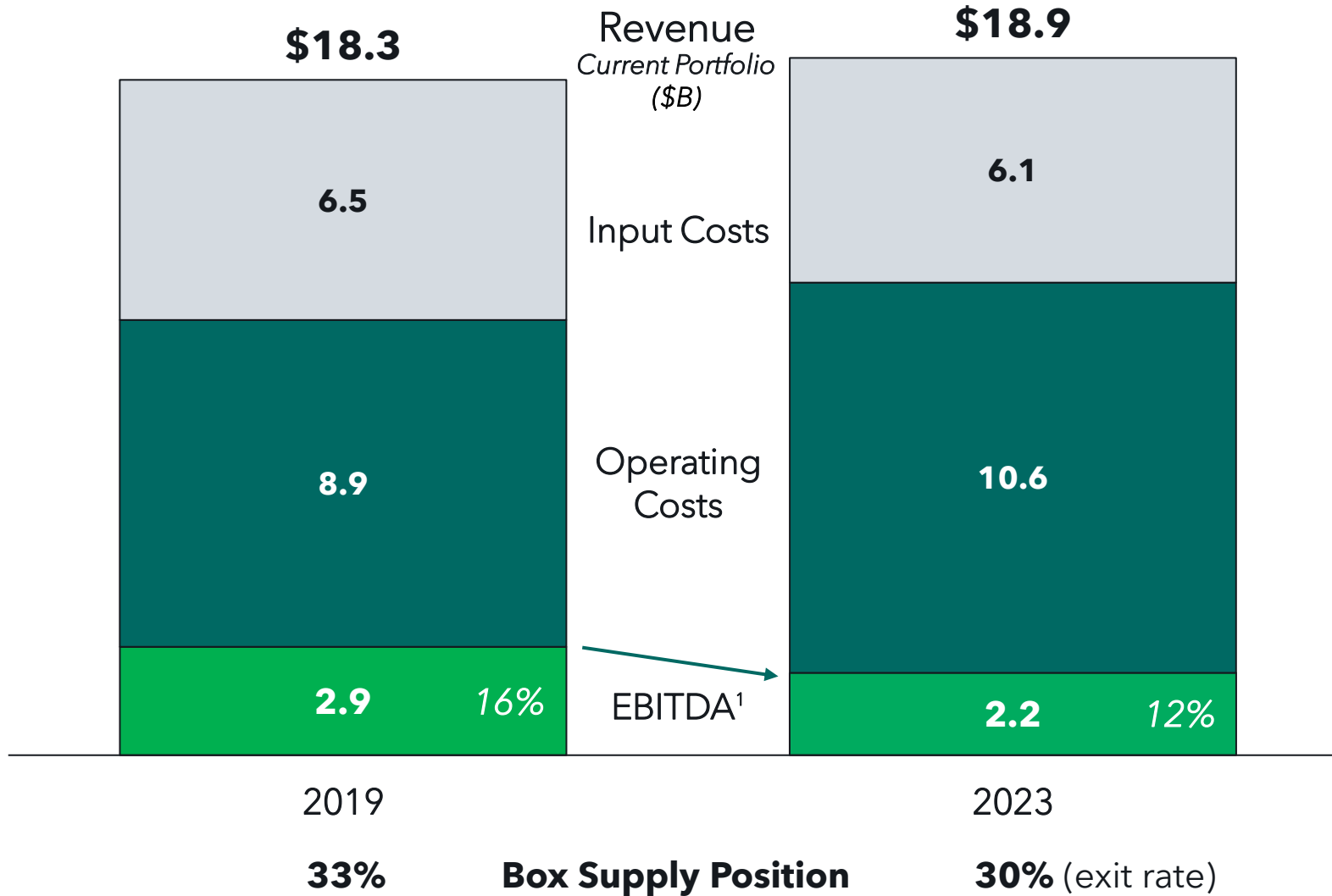
80 / 20 Strategy at IP

Initial Observations - IP Primed for 80/20

- Inside-out focused
- Too much complexity & cost
- Peanut butter resource allocation
- Underinvested for profitable growth
- Opportunity to get paid for value

We've Earned Our Results

Substantial Opportunity to Drive Profit Improvement and Liberate Resources ...

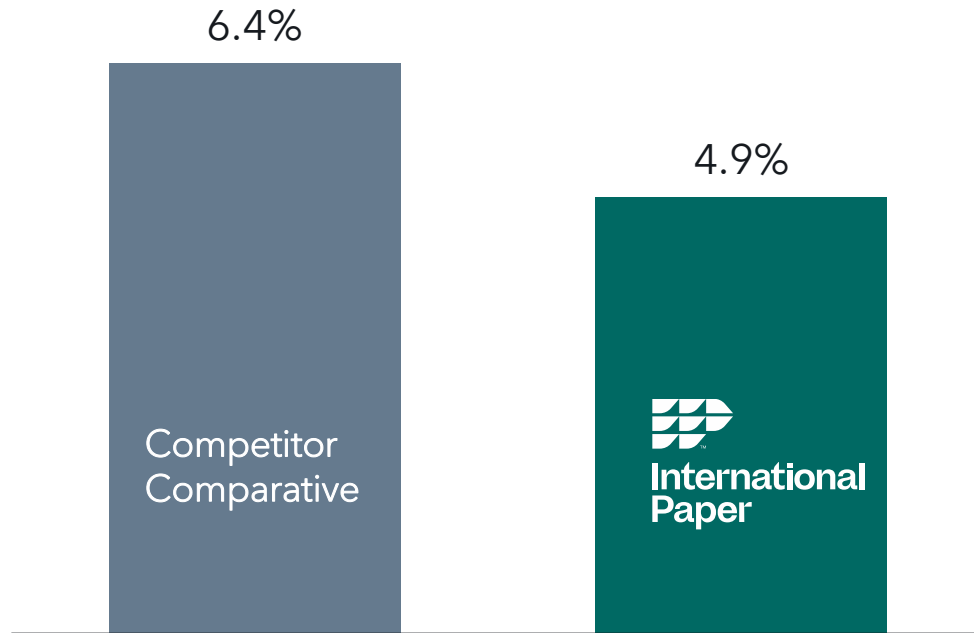


- \$12.8 B Material Margin
- Complexity has grown cost
- Opportunity to optimize and reallocate costs and capital

... and to Invest for Profitable Market Share Growth

Underinvested in capital relative to competitors

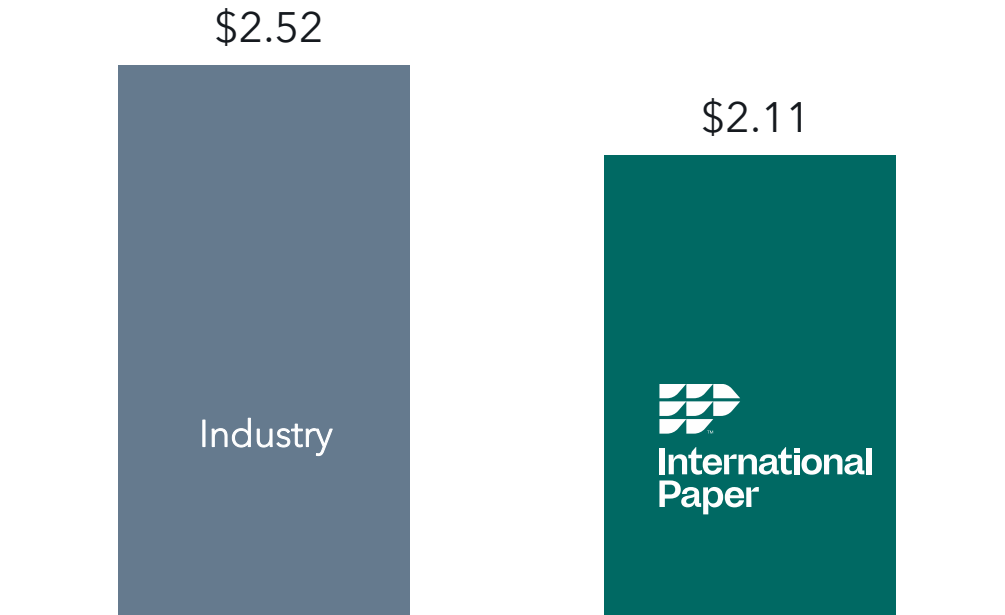
Capex as a % of revenue (2018-2023 avg.)



Source: Public filings¹

Box business underspent in maintenance expense relative to industry

Maintenance \$ per MSF (2018-2023 avg.)



Source: FBA

80/20 Example

Focus on Customer Excellence and Investing for Growth

New Customer Win

Regional Account (~20k TPY)

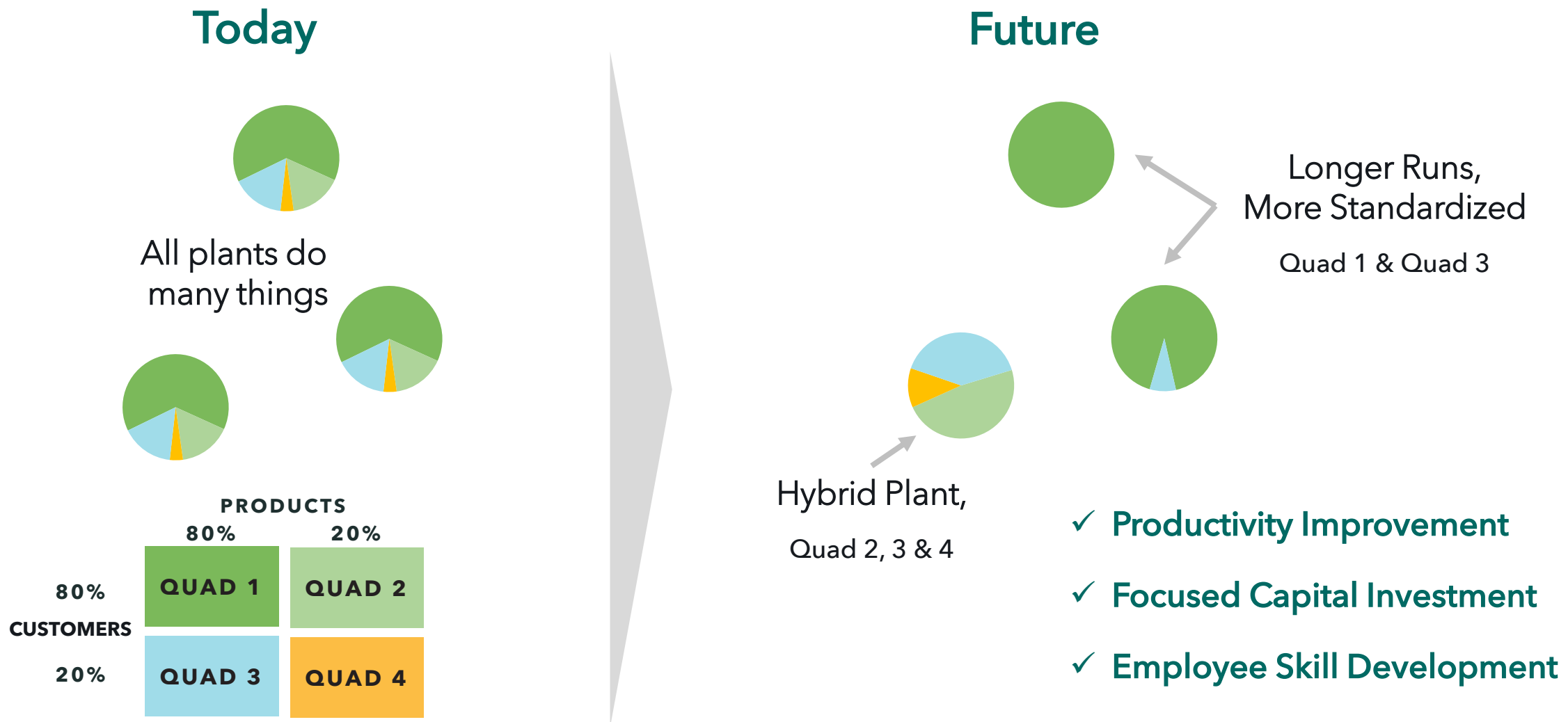
Targeted Segment



- ✓ Capital Investments to Improve Segment Capability
- ✓ Quadrupled Customer Intensity
 - Account Manager Oversight
 - 1 Dedicated Project Manager
 - 2 Dedicated Designers

80/20 Example - Box Plant Pilot

Focus on Segmentation, Resource Alignment and Simplification

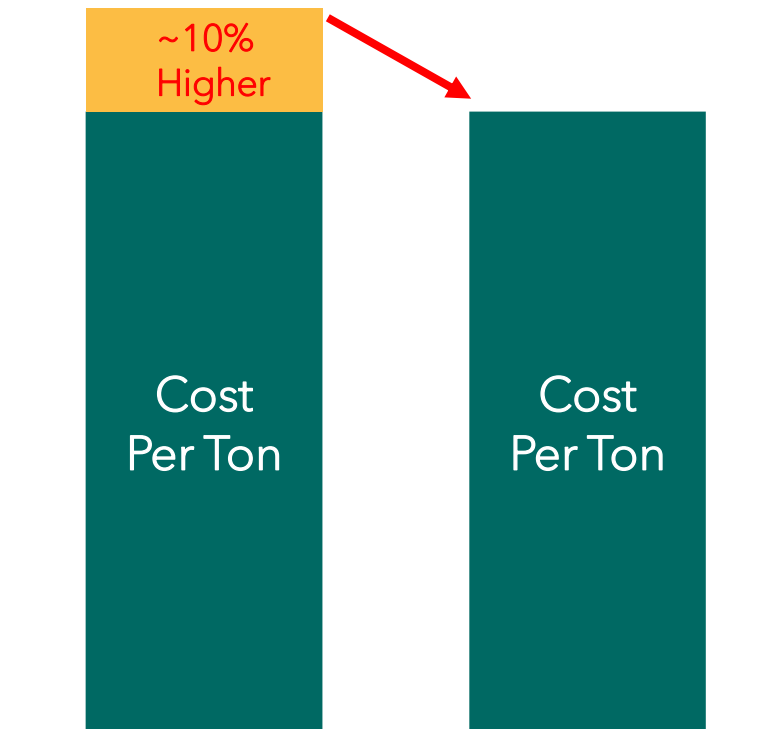


80/20 Example

Resource Misalignment is Very Costly

Mill Example

Operating Rate @ 80% Operating Rate @ 95%



Operating Rate Improvement from 80% to 95% = ~10% Cost Reduction

Where Are We On The Journey?

1. Simplify

2. Segment

3. Resource

4. Grow



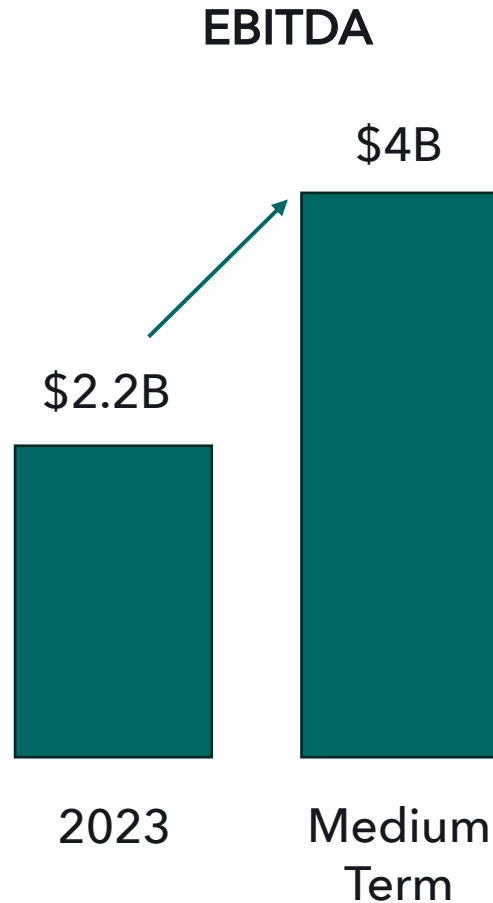
April 2024

Today

4Q 24

2025 and beyond

80/20 Approach to Drive Transformational Performance at IP



Focus on People, Customers & Products where we win

Simplify, align and reduce cost structure

Invest for reliability, productivity, innovation

Price to value

Profitable Growth