George: Okay guys, thanks very much. Welcome back. We're finishing up the paper packaging portion of the conference with what we've been doing in the last couple of years, a SMID Cap panel with two of our companies that we follow and track.

We are very happy to have Clearwater Paper and Sylvamo here. Leading off will be Jean-Michel Ribiéras, CEO of Sylvamo, which he's been CEO since the spin-off from International Paper, and he's been -- his career spans 35 years, and most recently was the Senior Vice President of IP, Industrial Packaging, and then more recently, Senior VP of Global Papers.

Meantime, Arsen Kitch is President and Chief Executive Officer of Clearwater. He was in one of our other panels earlier today, so Arsen, thanks very much. And he's been in the role as CEO since April of 2020.

So gentlemen, thank you. Jean-Michel, the podium is yours.

Jean-Michel: George, thank you, and thanks for inviting us. It's always a pleasure for me to be able to discuss about Sylvamo. I hope everybody understands me. Sometimes my Memphis-French accent is a bit disturbing, but most of the time I get my message through.

So let's say, what a road it's been on the last 18 months. If you take Sylvamo 18 months ago, we started with executing our investment thesis; our vision to be the employer, supplier, investment of choice. And we have a three-prong strategy, which is relatively simple, and we like that, which is commercial excellence, operational excellence, and financial discipline. This is how we continue to create long-term value for shareowners.

So we will continue to deliver through our strengths, to drive high returns on invested capital and to generate cash. And we allocate capital to maximize shareowners' value over the long-term.

So a few numbers on last year, which was our first full independent year. We generated $721 million of adjusted EBITDA, adjusted operating earnings of $7.84. We generated $269 million of free cash flow, 30% of return on invested capital, and we allocated our capital to strengthen our balance sheet. That was one of our first priority; financial discipline. So we repaid more than $0.5 billion of long-term debt and have achieved the debt target of $1 billion gross debt, which means roughly 1.4x EBITDA ratio.

Secondly, returned cash to shareowners, which as I mentioned, was our second priority. And since the spin-off, we've return $111 million in cash, either through dividend or share buybacks. And we're also investing in our businesses.

I've said that before; M&A is not crucial at all to our business. We love the regions we're in, the assets we have, but we had a very amazing opportunity, which was to acquire the Nymölla Mill in Sweden at about 2.5x adjusted EBITDA. So we took the opportunity, and we're really glad to say Nymölla Mill is part of our business. I never had a business in Sweden before. That's maybe what attracted us, so that was new. But we're very pleased, and day one is going extremely well.

Let me give you a few words around 2023. We have an outlook, which is probably a little bit more of a bracket than we usually want, but I think there is a lot of uncertainty in 2023. So when we did this outlook, we took into consideration some uncertainties.

We plan to generate an adjusted EBITDA from between $760 million to $840 million, free cash flow $300 million to $330 million. 2023 outlook assumes slightly favorable price and mix against input cost and relatively stable volume on the full-year basis. We expect the channel inventory correction that started end of '22 to continue probably first half of this year, but it's just a correction. We also expect favorable trends in energy, input, and transportation costs. Planned maintenance outage expense will be about $20 million higher than last year because we have the Saillat 18-month cycle and we have the Nymölla cycle, which we didn't have.

So if I have to summarize, we'll continue executing in our investment thesis, simple focused plan. We are going to leverage long-term value with our talented teams, iconic brands, and low-cost mills, and we're a cash flow story. We're going to continue to maintain a strong financial position. We are actually looking at how we can increase more value to our shareowners and return more. As you know, we've just launched a tender, so that will take off of the restricted payments in our terms and credit agreements. And we will reinvest in our business in a few very good opportunities we have, for example, in investing in cost or things like that cost reductions.

With that, I will turn it to my colleague, or you want to do Q&A first?

George: No. Each of you will do a presentation, and we'll do Q&A afterwards. Thanks, Jean-Michel.

Jean-Michel: Thank you.

George: Arsen, thank you.

Arsen: All right. Well, thank you for having us. I'm Arsen Kitch, President and CEO of Clearwater Paper. Let's spend a few minutes talking about Clearwater, in case you're not familiar with our story.

Two businesses, each about $1 billion in revenue. The first one is our paperboard, SBS paperboard business, with two pulp and paperboard mills. The other one is a private branded tissue business that is focused on at-home private branded retail side of the tissue business.

About $227 million of EBITDA last year. Three-quarters of that came from paperboard, about a quarter of that came from tissue. We do think we have a compelling sustainability story. It's inherent to our business. We lead with fiber-based products across both of our businesses.

From a balance sheet perspective, we've made a lot of progress the last three years. We've reduced our net debt by $377 million, strengthen our balance sheet, have ample liquidity, and are financially flexible.

So let's dive into both of our businesses, and let me start with our paperboard business. So we're one of the three, I would call them, consumer-orient – where we participate in one of the three consumer-oriented paperboard substrates. So we're a top five producer. We are focused on the independent space, so we focus on independent converters. We don't have converting. We focus on our customers, and we have for a number of decades. We believe that it provides us with an advantage with our customers as we don't compete with them.

We have a heavier focus on retail applications versus the industry, so folding carton or cup or plate. That's more retail focused. And both of those, we believe, are inherently recession-resilient. A few examples of the products that our paper goes into; folding carton is pharmaceuticals, cosmetics, food packaging, cup/plate -- think foodservice cup and plate -- as well as food containers like ice cream containers, and liquid packaging, which is juice, soup, milk, et cetera.

The business has done well over the last number of years. We've enjoyed strong market conditions, and we've performed well, and the business has had good margins and really good cash flows over the last number of years.

Let's dive into our tissue business. We are focused on the growing private branded tissue market. So we don't participate in away-from-home anymore, and we don't have any brands. So we're entirely focused on private branded tissue.

We actually make the products that you'll see on a store shelf, all the way down to the packaging and ship right to the retailer.

We have a national footprint. We participate in virtually all of the product and quality tiers that are out there that are of any scale. And we are focused on quality and service, and we have a reputation for quality and service across the industry.

The market in tissue has been more challenged over the last five plus years. There have been a number of new entrants and capacity investments into North America focused on the private brand tissue market. But we are seeing improvement here as we finished off 2022, and we're optimistic about 2023.

So let me wrap it up with -- let me see if that works. We'll go back. Our capital allocation philosophy. So as I mentioned a few minutes ago, we paid down about $377 million of net debt over the last several years. That's been our focus. It was a very simple focus and I think we delivered against that commitment. We are now -- we rolled this framework, this capital allocation framework out in the last couple of quarters. And our top priority is to focus on investing in our assets to sustain our assets. And we believe that $60 million to $70 million of EBITDA required to sustain our asset base.

The second priority is to preserve financial flexibility. We've achieved our cross-cycle leverage ratio target of 2.5. We're below that at the end of last year. We may go even below that to make sure we have enough financial flexibility to take advantage of opportunities that may lay ahead of us.

And finally, we'll look at ways to create value for shareholders, and that could be investments in our system, it could be M&A. It could also be share buybacks, opportunistic or to offset dilution. And we'll compare those against each other, and we'll make the right decisions to create value for our shareholders. That's the brief Clearwater Paper story, so.

George: Thanks, Arsen. Thanks, Jean-Michel. So what we're going to do is now with that introduction to both companies, for those of you who aren't familiar, we're going to go through a series of questions, going from the macro to more specific questions for each of the companies. And certainly we'd like this to be interactive. So if you have any questions for Jean-Michel or Arsen, please let us know. Glenn in the back has a microphone. We'd love to hear what questions you have.

I guess first off, from the macro standpoint, and maybe Arsen, you kick off. Recognizing that you are more of a domestic player, clearly, are there any regional trends or global trends that you're paying attention to that are relatively

important for Clearwater that we should pay attention to and/or for the sectors, particularly, I guess, on board?

Arsen: So you're right, we're primarily a domestic producer. We sell into the domestic market. That being said, in SBS, about a quarter of the production in SBS is exported. And I would say maybe a tenth of the demand, 10% of the demand in North America is imported, primarily FBB substrates. So even though we don't participate in global markets in a material way, they do have an impact on us.

The last couple of years have been pretty turbulent, so it's difficult to figure out exactly what the balance looks like, imports versus exports, what those trends look like. But it's certainly something that has an impact on us domestically, just given the fact that we are a net exporter of paperboard as an industry so that certainly has an impact on us. At this stage, we'll see how this year plays out, but that's something we're certainly watching.

George: Jean-Michel, what are you watching that's most relevant for your business? Obviously, you're more global, you have positions in each of the three key regions. What are you paying most attention and, therefore, what should we be looking at?

Jean-Michel: So for all the three regions, I will say, how the economy is doing is impacting the demand. Some of it is almost a very high ratio alignment, some is less. It depends on the region. I would say in Latin America, if the GDP goes up, you can be sure the demand is going to go up. In North America and Europe, it does impact, but it's more segment-related because we have many segments.

So we pay attention to this. We pay attention also to what I would call operating rates, which is kind of clearly what's going on between demand and what's going on between offers. And import, as you mentioned, is also something we follow. We actually export from Brazil quite a lot. We export 50% outside of Brazil; majority to Latin America, but also some to Europe and very little to the US. In the US we mostly sell domestic. We very rarely export. And in Europe we sell all across Europe. I consider Europe as one country, even if God knows every country is so different. So we look at the economy of every region.

And then I will say some key materials can have an impact, some key input costs because we have integrated position. So we do own our pulp and we take care of 75% of our energy, self-generated. But some of our competitors are not integrated, which means they need to buy market pulp. They need to buy energy, which has a huge impact in their cost structure, not in ours. But we follow that also to follow up what's our competitive position relative to others.

George: From fourth quarter reporting, was there any macro trend in particular that you thought was particularly notable for your business, i.e., we're seeing more takeaway out of Brazil or we're seeing some weakening in your -- I'm throwing it out there. What would you have us -- what was important relative to the quarter that we…?

Jean-Michel: Brazil is strong and remains strong. Latin America has some geopolitical issues, especially in Chile and in Peru, as you know. It's very much in the media. And they're countries where we've had a strong presence always. I will say in the US, from the end demand, there is one segment, which is a little bit weak, which is commercial printing. On the other hand, back to the office is above 50% now so we're seeing cut size to be good. So outside of the inventory correction, I don't see much signs.

In Europe, economy is starting to be slightly better than anticipated, especially with the energy, which is now less tight and has slowed down a little bit in terms of input cost, so we expect the economy to rebound. Once inventory correction also would be finished, we expect good demand.

So we're probably going to have two half of the year. I will say, first half in North America and Europe, where we have to be careful with inventory correction. And we will produce as our orders come, like we always do. And probably a second half, which I expect the inventory correction to be behind us.

The other thing, we just published today actually, like we were expected. Last year, especially in the first half of the year because of the very strong demand, stronger than the supply, there was a lot of import orders. Those import orders arrived mostly in fourth quarter. We saw it in the number of September, October, November, but that was a onetime. And as we imagined, December was just published, the real number, not the expected number, the real number of December, which is 30% down versus November in imports. So I think that's an interesting trend, which we expect to continue.

George: When did that come out? I missed it.

Jean-Michel: Just today.

George: Okay.

Jean-Michel: I just got it.

George: We're holding a conference. I'm just -- so down sequentially?

Jean-Michel: Yes, significantly, November to December.

George: Thanks for that, Jean-Michel. And on that point, why do you think imports will stay at a more manageable level, not that you manage them, but hopefully manageable level into '23?

Jean-Michel: I think there is two factors. One, there was Hispanic buying in the first half, which created a surge of demand, which was delivered end of last year, which I don't think will happen again or there is no need for that.

The second one is, you've got quite a lot Indonesians and Chinese, which didn't know what to do with their paper first half of last year because China was closed. China is open now. It's behind COVID and it's rebounding quite well. And the natural market for these producers is much more China than U.S.. So I think those are two important factors.

George: Arsen, back to you. In terms of industry trends and market-specific trends for you, we've seen the unmade orders in boxboard, which were incredibly high early in the year, start to tick lower. Again, not trying to get into anything that you shouldn't be getting into, why should we not be concerned about that? Or is that a healthy thing because it allows you to hit your service levels, not you, but -- well, maybe you, too, and therefore continue to maintain your position in the market and keep out imports? How should we read that?

Arsen: It's a good question. So the last couple of years have been very robust for us in the industry. So at least for us, we've had more demand than we could satisfy. So more demand than our ability to supply.

So you've had – I would assume you'd have inventory builds at some of our customers because there was some uncertainty in the industry's ability to supply. I think some of that started settling down in Q3. And so the industry saw backlogs come down in Q3 into Q4. We don't publish our backlogs, but we had similar patterns.

What we think is happening is part of it is destocking and part of it is a return-to-normal seasonality in our space. So before COVID, you would have robust Q2s and Q3s as inventories are built for holidays and so on. And then you'd have a slowdown in Q4 into Q1, and then a ramp up again. So that's what we experienced, which we haven't experienced in several years.

Our backlogs at the end of last year were still healthy, and they were still above – at or above pre-COVID levels. So this feels more like moderation and a return to

a more normal time versus anything else. As we talk to our customers, they're optimistic about this year.

As I mentioned earlier, we think two-thirds of our demand is recession-resilient. And so unless there's a massive change in consumer behavior, we think that these markets are pretty resilient through economic uncertainty. So we're optimistic about this year.

George: Jean-Michel mentioned that China picking up or indicated that China and Asia picking up has been helpful overall in terms of the outlook for imports on paper. Is there much of an impact to you? Like do you fight much with ivory board coming across the sea or not so much?

Arsen: It's about 400,000 tons is imported. That's primarily FBB from Europe, so less of an impact from Asia.

George: Got it. And then it's interesting because Clearwater and Sylvamo are on opposite sides of the conversion sort of, I wouldn't say trend, but you possibly could look at it different ways. So Jean-Michel, how do you see the potential for conversions to affect the graphic paper markets over time, if you can comment at all? And if you can't, totally get it. And then similarly, Arsen, what's your view on conversions and what it means for your boxboard business?

Jean-Michel: So first of all, we have no interest, at least for now, but strongly no interest in converting to anything else than paper.

George: I know you guys aren't.

Jean-Michel: I don't -- so I think what's going on in the Containerboard-- I cannot speak for the Containerboard people, but before, up to a year ago, some companies were public that they wanted to convert some paper assets to Containerboard. I guess, with the cycle of Containerboard, that has been probably postponed, but I would not be surprised it will come back at some point.

Arsen: So we'll avoid talking about specific competitors. That being said, there's approximately, depending on how you count it, about 1 million tons of announcements, conversion announcements between '25 and '26. In the long run, we think this is a good market. There's good demand growth. It'll be a good balanced market in the long run.

In the near to medium term, certainly 1 million tons of capacity on a 5 million ton market will have an impact. We don't know exactly what that's going to look like. But we are preparing for various scenarios from a manufacturing standpoint;

commercial and a supply chain standpoint. We've been in this business for a long time. We have strong long-running customer relationships. We have a good reputation. We're preparing for whatever scenario happens, but we're optimistic about this market in the long run.

George: Thanks, Arsen. Any questions from the audience as we're kind of the last third of our time together. If you think about it -- we'll keep forging ahead then -- how has the pandemic particularly affected your businesses, both in terms of demand and also cost structure and cost curve?

Arsen, maybe you start where _____, and then we'll go to Jean-Michel.

Arsen: Yeah, it's been an interesting few years. I stepped into the role in 2020 during COVID, and we have a large tissue business, so 2020 was a very robust, very strong demand for tissue products, as we all know. 2021 was the other side of that, which was a destocking event that hit our tissue business in 2021. And since then, it's normalized. So it was a roller coaster ride in the tissue business.

What we've seen in paperboard is an increase in demand that has stayed pretty consistent. And now we're seeing that moderation from a demand standpoint.

In terms of cost inflation, in paperboard, our announced price increases have outpaced inflation. That hasn't happened in tissue. So cost increases, especially in items like pulp and transportation, we haven't been able to offset that margin compression. And that's something that the teams are working on, both with implementing last year's price increases as well as supply chain work, manufacturing work for us to recover some of the margin that we lost.

George: Why are you having -- I know it's not you specifically, but generally why are the tissue companies not being able to pass through the pulp, aside from the obvious?

Arsen: Well, the way we see it, at the end of the day supply and demand is what sets price in this market. And what I mentioned earlier, there's been a good deal of supply added to the space as well as new entrants into the space.

We do think we are seeing improvement. Demand has grown. Private branded share has grown. So we're seeing an improvement and a tightening, and we're able to start recovering some of those margins. But I think what we saw here is a result of that simple microeconomic concept of supply and demand.

George: Maybe we'll get a chance to grow inorganically at some point then as a result. Jean-Michel?

Jean-Michel: So three different things. First of all, like everybody else, we were strongly affected on the demand side by the COVID. Especially in ’19 to ’20 the markets all around the world decreased significantly. We were actually expecting little to no rebound so we thought it was going to be a continuous distraction. It happened that the market rebounded, especially last year, much better than we expected.

George: Much better than we expected.

Jean-Michel: And I’ll give you an example. Cutsize Brazil, we’re back to pre-COVID volume levels, which we knew Brazil could rebound a little bit better, but come back to. In the US, cut size is back to the office at 50%. In Europe and in Latin America, 75% back to the office so that has helped us, a better rebound we explained.

At the same time, there was more supply cut than expected, either machines were shut down or machines who were converted. In some cases, it’s 20% of the demand, which was shut down so it was very considerable. So that strengthened the operating rate strongly. And by that strength of the operating rate, we had the opportunity to almost double our inflation cost by price increase, so we actually improved our margin during that period.

So if I start from the COVID like to everybody else, but I would say the rebound has been even much better than we expected, and we’re in a much better spot actually today than we were before.

George: So maybe to wrap up, what makes you each most optimistic about your business and why investors should be buying Clearwater or Sylvamo right now?

Arsen: We have two good businesses in two good markets where we have good assets, well-positioned, good demand growth in both sides of the business, at least for the paper industry. We’ve done significant work on our balance sheet. We have ample liquidity, strong financial flexibility. I think we’re really well-positioned to take advantage of opportunities that are ahead of us. At the end of the day, we’re a strong cash flow generator with a good balance sheet in two solid markets.

Jean-Michel: I will say our strategy is simple, is free cash flow, and we expect free cash flow to come up. We’re very well-positioned to it. We’ve got the low cost manufacturing position. We’ve got the best people in the industry. We have great relations with our customers, and we have low-cost assets, so I’m quite positive about it.

George: One thing I just want to check on there, given your position, and you’re the only person perhaps who is saying they want to stay in the paper business, and I don’t mean that negatively at all, are you finding it easier to find talent these days?

Jean-Michel: So yeah, we actually...

George: Because if I was in the paper business, there aren't that many places I'm going other than perhaps Sylvamo.

Jean-Michel: Yeah, exactly. And we are attracting talent. Like customers want to be aligned with us with the success. Sylvamo story is, I'm surprised how much it's known, especially in the regions where we need talents like Brazil.

Our Chamex brand is so strong in Brazil that when you just say we produce that, people want to work for you. We are in a good position. We attract good talent.

George: Well, it sounds like it. Jean-Michel, Arsen, thank you very much. Everybody please join me in thanking Sylvamo and Clearwater.

Arsen: Thank you.

George: Thank you.

END