Moderator: Bjorkman, Hans

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OPERATOR: This is Conference # 3782388

Operator: Good morning and thank you for standing by. Welcome to Sylvamo's First Quarter 2022 Earnings Call. All lines have been placed on mute to prevent background noise. After the speaker's remarks you will have an opportunity to ask questions. To ask a question press star one on your telephone keypad. To withdraw your question, press the pound key. I'd now like to turn today's conference over to Hans Bjorkman, Vice President Investor Relations.

Hans Bjorkman: Thanks, Faith. Good morning and thank you for joining our call today. Our speakers this morning are Jean-Michel Ribiéras, Chairman and Chief Executive Officer, and John Sims, Senior Vice President and Chief Financial Officer. Slides 2 and 3 contain important information including certain legal disclaimers. For example, during this call we will make forward-looking statements that are subject to risks and uncertainties. It is important to note that all earnings and figures include our Svetogorsk mill and Russian business, unless otherwise noted. We will also present certain non-US GAAP financial information. Reconciliations of those figures to US GAAP financial measures are also available in the appendix. Our website contains copies of the first quarter 2022 earnings press release as well as today's presentation.

With that I will now turn the call over to Jean-Michel.

Jean-Michel Ribiéras: Thanks, Hans. Good morning and thank you for joining our call. I'll begin my comments on Slide 4. Before we discuss our first quarter results, allow me to share some thoughts on 2022. We are well positioned to continue to create value this year. Given all the moving parts in our business, I want to share guidance on our full year 2022 key metrics. We expect to generate strong results, despite input cost inflation, supply chain challenges and the impact of Russia's invasion of Ukraine. In fact, we're on a path to achieve pre-pandemic EBITDA levels in 2022, even if we exclude our Russian business for the full year. We expect to generate $725 million to $775 million in adjusted EBITDA and $160 million to $180 million in free cash flow this year, if we exclude our Russian business for the full year.

Slide 5 provides an update on Russian business. Our path forward in Russia is driven by our primary value to always do the right things, in the right ways, for the right reasons. We will not operate in an environment that is inconsistent with our values. We have made the decision to exit Russia and will do so in an orderly manner. That said, we are not implementing a full suspension of operations, primarily because we want to maintain full control of our assets as we work to exit Russia.

We are conducting a process to sell our Russian business and have received a significant numbers of nonbinding offers. We are working to reach an agreement and plan to complete this process promptly including obtaining approval from our Board as well as the required government approvals to execute the transaction.

Please keep in mind that the situation in Russia changes frequently and we will provide public updates as appropriate. In the meantime, we continue to comply with all regulation and sanctions.

I'm now on Slide 6. We continue to execute our three-pronged strategy of commercial excellence, operational excellence and financial discipline, which resulted in a 19.1% adjusted EBITDA margin in the first quarter. Global demand for uncoated freesheet continues to strengthen in Latin America and North America, as schools and offices reopened. Our volumes remained strong, and we ran at full capacity in all three regions.

We'll also continue to realize the benefit of prior price increases, resulting in price and mix outpacing input cost inflation. We operated well, in a challenging supply chain environment. I'm proud of how our teams navigated through continued input costs, and transportation challenges, and worked to take care of each other as well as our customers.

Implementing this strategy generated free cash flow of $73 million, enabling us to pay down $33 million in debt and to increase our cash balance by $49 million. All-in-all, another strong performance by our team, in dynamic industry conditions.

Slide 7 highlights our key performance metrics for the quarter. First quarter net sales were $977 million, reflecting seasonally slow volume in Eastern Europe and Latin America. We generated an adjusted EBITDA of $187 million. As usual, our first quarter was a light maintenance outage quarter. If we had normalized maintenance outage expenses, our adjusted EBITDA margin would have been 18% for the quarter.

We generated $73 million in free cash flow and adjusted operating earnings of $1.97 per share.

Okay John, would you discuss our first quarter performance in more detail?

John Sims: Thanks Jean-Michel and good morning, everyone. Let's turn to slide 8. In the first quarter, we generated $187 million in adjusted EBITDA. This amount includes our Russian business, which contributed $34 million of adjusted EBITDA.

We improved price and mix by $53 million, as price increase realizations in Europe and North America exceeded our forecast. As expected volume decreased by $17 million, due to slower seasonal demand in Eastern Europe and Latin America. Our order backlog remained strong, everywhere outside of Russia.

Operations and costs increased by $22 million. These higher costs reflect the absence of a favorable fourth quarter LIFO adjustment in North America, and an unfavorable foreign exchange charge in Latin America. However, overall our operations ran well.

As Jean-Michel mentioned, we successfully conducted planned maintenance outages at our Eastover and Três Lagoas mills and spent $26 million less on outages, than in the fourth quarter. Input and transportation costs increased by $24 million, with rising costs for chemicals due to energy impacts along with higher fiber and distribution costs.

I want to recognize and thank our regional teams, who worked hard to offset the impact of input cost inflation, especially our Saillat mill team for acting quickly to reduce the impact of record high European natural gas prices.

Let's look at our regional results on slide 9. Each region performed well, demonstrating the strength of our talented team, low-cost mills and iconic brands.

Our commercial teams deserve credit for their contributions to these results. They remain focused on strengthening our customer value propositions, and ensuring that we remain the supplier of choice.

Strong regional performances reflect continued price increase realizations. Our volumes remained strong in all regions and we continued to outperform industry shipments. Operations were good in all regions and we started to see some improvement in the supply chain bottlenecks.

Our Latin America margin was negatively impacted by about 400 basis points due to FX headwinds in the quarter, as well as the seasonally lower volume. The appendix contains additional details on our regional performance.

Let's turn to slide 10 to discuss uncoated freesheet industry conditions in the markets we serve. Supply and demand balances are favorable in all our regions and operating rates remain strong. North America industry demand is now forecasted to grow 1.1% this year versus the prior forecast of a 4.4% decline. Latin American industry demand is projected to improve by 2.6%,

which is in line with prior projections. European industry demand is down in 2022 but the shutdown of high-cost capacity has resulted in favorable supply and demand balances. Selling prices remain favorable and we expect to continue to realize prior increases throughout the second quarter. Our price and mix improvements continue to more than offset input and transportation cost increases.

Let's move to slide 11 and look at the results of some of our commercial excellence efforts. Commercial excellence is a key driver of our earnings and we continue to make progress. In Europe our non-price initiatives are improving earnings. We have increased our mix of branded products and are developing relationships with new customers. For example, we gained premium notebook business and expect more than 10,000 tons of this new volume. In Latin America, our commercial excellence initiatives have led to more than 20 new customers and we're improving our domestic cut size mix. We also have landed a new publishing business and have benefited from strong offset sales. In North America we continued to outperform industry shipments. We also continue to simplify our product offering and have realized improved margins from our value-added services.

And now on slide 12. In light of the current challenges in Europe, I want to emphasize that we remain confident in our ability to succeed in Europe. Our 2022 earnings outlook reflects the increasing profitability of our Saillat mill. We expect our European earnings to improve each quarter this year. High market pulp prices and elevated energy costs have put tremendous pressure on nonintegrated producers, which represents about 25% of the total uncoated freesheet supply in Europe. These cost increases have resulted in a significant steepening of the uncoated freesheet cost curve there, which works in our favor. Our Saillat mill produces it's own pulp, benefits from a favorable energy position and generate excess carbon credits. We also maintained strong channel partnerships across Europe. I also note that we serve European customers from Saillat as well as our low-cost Brazilian mills.

Let's move to slide 13 and review our second quarter outlook. Given our intent to exit Russia, we are providing second quarter guidance including and excluding our Russian business. I will limit my comments though to the guidance that excludes Russia. In the second quarter, we expect to deliver adjusted EBITDA of $170 million to $180 million. We project price and mix to improve by $50 million to $55 million, as we continue to realize price increases already communicated to our customers in all regions. We expect volume to be relatively flat with seasonally stronger Latin America volume offsetting more maintenance outages in North America.

We expect operations and costs to increase by $5 million to $10 million. We expect input and transportation costs to increase by $10 million to $15 million, largely due to the higher cost of natural gas in North America and increasing diesel costs affecting the delivery of fiber in Latin America. We project maintenance outage expenses to increase by $15 million, as we conduct more planned maintenance outages. To be clear, we continue to

own and operate our Russian business while we pursue a sale. We are showing our EBITDA including and excluding Russia, so you can understand how we expect to perform in either scenario. Once a sale has been approved by our Board, we would report our Russian business as discontinued operations for the entire year.

Let's turn to Slide 14. As Jean-Michel and I discussed, industry fundamentals remain favorable. Our competitive advantages position us to benefit from the industry conditions shown on this slide. Our key advantages include low-cost mills in attractive regions, the world's strongest paper brands, committed channel partnerships and our talented teams. These unique strengths combined with our focused three-pronged strategy and our strong regional positions are driving the growth in our earnings and cash.

Let's turn to Slide 15 to discuss free cash flow and how we allocate cash with discipline. We remain focused on generating cash. As Jean-Michel mentioned, we generated strong free cash flow in the fourth quarter - $73 million - even after, we paid $36 million to International Paper for the day one Riverdale inventory. You may recall that our fourth quarter cash flow reflected the benefit of extended payment terms to IP for the day one inventory at both the Georgetown and Riverdale mill. We'll use our cash to fund $175 million of capital spending in 2022. Since we will not spend capital on Svetogorsk recovery boiler, we will increase spending on other high-return projects outside of Russia to further improve our business.

We will pay IP the final incremental $41 million of the day one Georgetown inventory in the second quarter. Additionally, we'll pay $57 million of one-time and transition service costs. This amount though is $15 million less than our last estimate of $72 million, as we've been successful in reducing one-time spinoff expenses. So we expect to see a step change in free cash flow starting in the fourth quarter after all day-one inventory, one-time spinoff and transition service costs have been completed. We also intend to continue debt reduction, which I'll now further discuss on the next slide.

So let's go to Slide 16 to review how we will judicially allocate cash in 2022. As I mentioned, we are generating sufficient cash this year to fund more than $300 million in capital spending, inventory payments and one-time spinoff costs. With all this going on, and increasing uncertainty of the macro environment, we will continue to prioritize debt reduction. We have set a targeted gross debt level of $1 billion. This will reduce risk, increase our flexibility, improve free cash flow generation and should increase our equity value.

In addition, to the $33 million we repaid in the first quarter, we repaid $15 million in April resulting in long-term debt of just under $1.35 billion. Our 2022 capital spending plan, includes $20 million for high-return cost reduction and strategic projects, with internal weighted returns of greater than 25%. And in fact some of these projects, have IRRs over 50%. Since

we will not proceed with the $220 million Svetogorsk recovery boiler project, we're advancing high-return projects outside of Russia to be included in our strategic plans going forward. Importantly, we are conducting Board-level discussions about returning cash to shareholders and we'll continue to dialogue with them.

Let's turn to Slide 17, for a brief update of the Brazilian goodwill tax dispute. During our last call, we told you that we did not expect a tax amnesty legislation to be enacted during the presidential election year in Brazil this year. However, on May 3, the Brazilian Internal Revenue Service issued as a specific rule, that will allow companies to settle goodwill tax disputes. Keep in mind though, that the ball is in International Paper's Court. They have the sole right to decide whether or not to apply for a settlement. Also as a reminder, our maximum liability is $120 million.

I'll now turn the call back over to Jean-Michel.

Jean-Michel Ribiéras: Thanks, John. I'll conclude our remarks on Slide 18. We are well positioned to continue to create value in 2022. We remain committed to generating strong earnings and cash flow, and confident in our ability to achieve pre-pandemic earnings levels in 2022, even if we exclude our Russian business for the full year. We made a principle-based decision to exit Russia, but we remain committed to increasing our earnings and free cash flow. Our strategy has not changed, although we are now targeting a gross debt level of $1 billion and we are accelerating other high-return projects.

Even excluding Russia for the full year, we are on a path to generate $725 million to $775 million in adjusted EBITDA for the full year and we project $160 million to $180 million in free cash flow. Our success is made possible by our employees, who worked through the global pandemic, helped to plan and execute the spin-off and continue to navigate through input cost inflation, supply chain challenges and impact from the war in Ukraine. We appreciate their working safely and serving our customers. We remain confident in our ability to achieve our vision of being the employer, supplier and investment of choice.

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

Hans Bjorkman: Thank you, Jean-Michel and thank you, John. Okay Faith, we're now ready to take the questions.

Operator: As a reminder to ask a question press star one. To withdraw your question, press the pound key. Again, that's star one to ask a question. Thank you. We will pause for a moment to compile the Q&A roster. Our first question comes from the line of George Staphos from Bank of America. Your line is open.

George Staphos: Thanks very much. Hi, everybody. Good morning. Thanks for all the details. Congratulations on the progress so far obviously in a very challenging environment. I wanted to ask to start more of a nitty-gritty question.

So -- and kind of bridge from adjusted EBITDA to cash from operations and using kind of the midpoint of guidance. So if I remember correctly, you have a midpoint of about $750 million, you're targeting ex-Russia. Tax I think you said is roughly about $128 million, interest about $67 million, recognizing I think those are the book numbers that we'll use them as tax.

You mentioned that Georgetown, Riverdale and the one-time transition costs are another $135 million. And so that would get you to basically like $420 million and we have to get to cash from operations of $345 million. Should we assume the rest is just working capital, or is there something else that I'm missing either in the GAAP or in my calculation to begin? And I had a couple of follow-ons. Thanks, guys.

John Sims: George, you got to take into account the capital spending.

George Staphos: Well, I'm going to cash from operations, so I don't need cap, yes.

John Sims: Yes. So it's working capital.

George Staphos: Okay. Very good. And then the next thing I wanted to check in on, you said Saillat did a great job of -- this is me paraphrasing, this isn't your wording, but avoiding as best as possible the energy cost increases. Can you talk to without sharing anything proprietary, what you did, what they did to accomplish that and what cover it gives you the rest of this year.

John Sims: So a couple of things I want to draw your attention to around Saillat is, it's for the most, it's an integrated mill.

George Staphos: Yes, sorry.

John Sims: And for the most part -- we produce our own energy from biofuels. So we don't use a lot of gas, but just about 15% of that we do consume of gas. And there was significant increases in Europe due to the of course the Russian situation, Ukrainian situation. And what the Saillat team did, they developed a sophisticated model so that they could adjust different energy supplies as well as consumption to mitigate how much gas they actually burned in their operations. And that just caused a significant saving.

The other thing that I want to point out about Saillat, we kind of alluded to it in our comments, is one of the significant increases that we're seeing in Europe is carbon gas tax that the EU has. It's been ranging from €60 to €80, but our Saillat mill is actually a net seller of credit. So we actually have credit, and so we were able to use that to offset some of the energy costs.

George Staphos: But on that -- and that's great John but that's not a new development, or were you able to generate more credits this quarter which then also helped to offset the pressure?

John Sims: Yes, George, that's not new development. It's more of the model that they used and implemented in the first quarter in terms of flexing their gas consumption and also knowing where to conserve their energy consumption.

George Staphos: Okay. Last one for me and I'll turn it over. One you mentioned that the bottlenecks are starting to improve on transportation. Can you comment to that? And in relation to -- I think you said you expect higher earnings in Europe over the rest of the year in each quarter. Was that a -- do you expect sequentially improving earnings each quarter or year-on-year earnings to improve in Europe in each of the quarters? Thanks, guys.

Jean-Michel Ribiéras: Hi, George, it's Jean-Michel. Thanks for joining the call. In the US especially some improvement in the truck business not in the input cost but we're seeing quite some improvement in terms of availability of truck. We haven't seen it yet on rail but it is significant in trucks where really it's more fluid. Considering our earnings of Saillat I would say we expect both year-over-year improvement and we expect every quarter this year to get better.

George Staphos: That's great, Jean-Michel. Thank you. I'll it turn over.

Jean-Michel Ribiéras: Thank you.

Operator: Our next question comes from Paul Quinn of RBC Capital. Your line is open.

Paul Quinn: Yeah. Thanks so much. Good morning, guys. Just given the positive demand environment right now and the significant cost pressure are you or anybody else in the industry anticipating further price increase in 2022?

Jean-Michel Ribiéras: We don't comment on future prices. But we can't make comments on future prices. But we are realizing in second quarter price increase that, we've announced all around the globe with the exception of Russia. So, we still have more realization in the second quarter as you can see in our outlook to come.

Paul Quinn: Okay. But nobody else has announced the price increase in say Latin America or for Europe that we don't have great exposure too right?

Jean-Michel Ribiéras: I cannot comment on our competitors. I apologize.

Paul Quinn: Okay. And then the process to sell the mill in Russia, do you expect that to be done in Q2?

Jean-Michel Ribiéras: So there's two parts of the process. One is to find an agreement with a potential buyer and that we think could happen in Q2. Then you have the process to get it authorized through the Russian government, and that's a more complex process which the timing could be longer than that.

Paul C. Quinn: Okay. And then – just lastly on the transition services agreement with IP, what is the ongoing cost of that after the I guess the $57 million one-time and transition services? What do we expect to – after that is paid, what's the ongoing amount?

John Sims: Well the TSA agreement should end in October. That's what the target date is for us to exit that and it's about $8 million a quarter.

Paul C. Quinn: That's all I had. Best of luck, guys. Thanks.

John Sims: Thank you.

Operator: Again, to ask a question please press star one on your telephone keypad. We do have a follow-up question from George Staphos from Bank of America. Your line is open.

George Staphos: Thanks very much. Two for me. Can you talk a bit more about what you're doing on commercial excellence? How much is left in the tank so to speak

use whatever cliche or metaphor you want to use third inning eighth inning half full half empty, particularly as regards to Europe. And are you finding your bottom slicing at all in terms of your customers and SKUs given how tight the market is, or is it truly around some of the products that you said you're rolling out new premium? Well, you're not rolling them out you won new premium notebook pads and things like that. If you could give us some color there that would be great.

Jean-Michel Ribiéras: So it's all in the above, if I may say George. We are seeing a lot of improvement, but we still have a lot of opportunities. And we're seeing it in different categories. You mentioned SKUs rationalization that's one of them. We're seeing it in product mix. We're seeing in new products innovation. We're also seeing in terms of business rules with the customers. So we've got a large range of initiatives, which we've started to implement and we're continuing. So, I would say we probably have done 40% of the potential still quite some to come.

George Staphos: Okay. Thanks for that percentage there. Just a quick one back to what Saillat was doing. What was the benefit from model in the first quarter if you can talk to how it helped you sort of avoid some of these costs, if you can share it and you might choose not to? I understand. And then can you talk a little bit about -- you expect if I read your release and heard you correctly to grow 10% better than the industry in North America. Did I hear you correctly or see that correctly? And how are you developing your benchmark which I think you said is for up 1.6% for the industry and again correct anything that I misphrased there? Thanks guys.

Jean-Michel Ribiéras: So, on the Saillat mill, I can give you an idea. Our normal gas consumption was about 15% and we've gone down to 10% -- about 9% exactly. So as you can see, this metric is significant. In North America, our improvement was 10% versus the market in Q1. So we are winning with the I will call the winning customers and well aligned.

George Staphos: Okay. What did you think the industry -- go ahead. I'm sorry about that.

Jean-Michel Ribiéras: I want to recall the industry number, if you give me a few seconds. In North America, it was 2% for first quarter. If you take all the regions, it was 1.5% I'm talking about our regions.

George Staphos: Understood. Thanks, Jean-Michel. I'll turn it over.

Operator: Our next question comes from Jonathan Luft from Eagle Capital Partners. Your line is open.

Jonathan Luft: Hey guys. Thanks for taking my question and great results. The first question I'd love to ask you guys is with some of the new products, particularly in Latin America and some notebook and stuff, can you talk about why you're winning that business? Are people shutting down capacity, or do you have a better product like what's happening there?

Jean-Michel Ribiéras: Good morning, Jonathan, and thanks for joining the call. I would say, it's a mix of what you said. I mean some people are exiting and we're taking the opportunity to develop new products and replace this exit. The other one is segments where we were not present up to now and we've developed the products to fit those segments. And also, I will say, we've been managing -- not perfectly because nobody can manage perfectly what's going on with supply chain and everything, but we've maintained a level of services, you were talking specifically in Latin America. Importantly to our customers, we try to be reliable. And I think our customers see we are long term going to be the world paper company. And I think, our customers like to be aligned with a long-term player in this area. So, I think all those things make the difference why we're winning some new contracts on new businesses.

Jonathan Luft: That's terrific. And given your comments about the cost advantage you mentioned in Europe, can you maybe talk about what you're seeing in capacity in both North America and in Europe? Are people adding capacity given the profitability or are people taking some capacity out? What are you seeing there?

Jean-Michel Ribiéras: Recently we've seen in both in the last two years in North America and in Europe quite a lot of capacity sometimes shut down, but a lot also move to packaging. So from uncoated freesheet to packaging, we have seen no new capacity of uncoated freesheet just dumped or restarting of one paper machine this year. But net-net still a decrease both in North America and Europe quite a lot.

John Sims: And Jonathan, this is John. We've said this before, but we're also seeing very tight markets and other paper markets particularly like in the coated freesheet, which has caused customers to move to uncoated freesheet, because of lack of supply of coated freesheets, which has increased demand

for our products. So it's not only is uncoated freesheet been shut down or converted, but also coated freesheet and other paper markets that's having an impact. And we're seeing that across all our regions.

Jonathan Luft: Okay. That's good to know.

John Sims: And I guess another impact too, Jonathan, to point out is that the Russian situation. The Russia did export -- we did. We exported out of Russia into Europe, but then of course that's all stopped. So that supply went away because of the Russia situation.

Jonathan Luft: Okay. Got you. And just one last question from me which is can you maybe talk about inventories and your situation? I mean given your growth relative to the industry are you building inventories or where are inventories relative to historical norms?

Jean-Michel Ribiéras: Our inventories are between normal to low depending on the region.

Jonathan Luft: Okay.

Jean-Michel Ribiéras: But certainly not building.

Jonathan Luft: Yes. All right. Well, great results and I'll turn it over. Thank you so much.

Jean-Michel Ribiéras: Thank you.

Operator: Again, to ask a question press star one on your telephone keypad. We have a follow-up question from George Staphos from Bank of America. Your line is open.

George Staphos: Hi. Thanks guys. Last couple from me. And recognizing again you might not be able to share too much here nonetheless we wanted to ask. First Jean-Michel can you talk to the type of interested party in Svetogorsk mill. Are you finding interest more from local market purchasers or local investors in the business or is it really dispersed between Russian and non-Russian potential buyers?

And then just last question I had for you is, can you talk at all about how the value return discussions the priorities may have changed, can you

remind us again how you would think about value return as you obviously delever and what your preference is for increasing buyback versus dividend overtime? Thanks guys and good luck in the quarter.

Jean-Michel Ribiéras: So -- just to make sure I answer it correctly. We are in the middle of the process. The process in Russia is a bit complex. So being in the middle of the process you will understand. I don't want to comment on that too. We'll update...

George Staphos: Understood.

Jean-Michel Ribiéras: Everybody when we can. Our priorities have not changed. We have the same strategy long term which is to deleverage. I mean we think we can -- with the uncertainty everybody getting a little bit nervous with what might happen with the economy. We want to accelerate a little bit and continue our debt reduction. That's our priority number one.

Once we've done that, we want to invest and continue to invest in our high-return projects. We have some high-return projects we've mentioned before. We're seeing this really high return short term. So, everything especially around cost savings. We actually probably would like to be able to do more than we can because it takes time to do all of these projects.

And then we are talking and have started the discussion to talk with our Board about returning cash to shareholders through buybacks or dividends. So that has not been decided yet, but that's the next step. So, priority to debt repayment, high-return projects and looking at options and talking with our board form the next steps in buyback or dividend.

George Staphos: Thank you very much.

Operator: Thank you. I'll now turn the call back over to Hans Bjorkman for closing comments.

Hans Bjorkman: Thanks again everyone for joining us today. We truly appreciate your interest in Sylvamo. And we look forward to continued conversations in the coming days, weeks and months ahead. Have a great day and a great week?

Operator: Thank you for participating in Sylvamo's First Quarter 2022 Earnings Call. You may now disconnect.