S&P Global
Market Intelligence

Sylvamo Corporation

NYSE:SLVM

Earnings Call

Wednesday, February 12, 2025 3:00 PM GMT

CALL PARTICIPANTS	2
PRESENTATION	3
QUESTION AND ANSWER	8

Call Participants

EXECUTIVES

Hans Bjorkman
Vice President of Investor Relations

Jean-Michel Ribiéras
Chairman & CEO

John Sims
Senior VP & CFO

ANALYSTS

Daniel Harriman
Sidoti & Company, LLC

George Staphos
BofA Securities, Research Division

Matthew McKellar
RBC Capital Markets, Research Division

Copyright © 2025 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Presentation

Operator

Good morning. Thank you for standing by. Welcome to Sylvamo's Fourth Quarter 2024 Earnings Call. [Operator Instructions] As a reminder, your conference is being recorded.

I would now like to turn the call over to Hans Bjorkman, Vice President, Investor Relations. Sir, the floor is yours.

Hans Bjorkman
Vice President of Investor Relations

Thanks, Audra. Good morning, and thank you for joining our fourth quarter and full year 2024 earnings call. 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. We will also present certain non-U.S. GAAP financial information. Reconciliations of those figures to U.S. GAAP financial measures are available in the appendix. Our website also contains copies of the earnings release as well as today's presentation.

With that, I'd like to turn the call over to Jean-Michel.

Jean-Michel Ribiéras
Chairman & CEO

Thanks, Hans. Good morning, and thank you for joining our call. I'll start on Slide 4. In 2024, we generated 23% return on invested capital as we executed our strategy and strengthened our competitive advantages in our core uncoated freesheet market. We improved our financial position by repaying $154 million in debt, achieving a net debt-to-adjusted EBITDA of 0.9x. We earned $632 million in adjusted EBITDA, generated $248 million in free cash flow, and returned $130 million in cash to shareowners.

We reinvested $221 million across our manufacturing network and our Brazil forestland to strengthen our low-cost position. We are committed to being the investment of choice and believe we can generate significant shareholder returns in the future by executing our strategy.

Slide 5 highlights our 2024 full year key financial metrics. Our adjusted EBITDA was $632 million with a 17% margin. Our $248 million of free cash flow was more than $6 per share. Our adjusted operating earnings were $7.42 per share, which is 14% higher than 2023. We now have 3 full years under our belt since becoming an independent company. And our financial results have established a solid track record and are indicative of our ability to navigate tough industry conditions, challenging geopolitical events, and other uncertainties that we may face. As we enter 2025, we are confident in our ability to continue to create value for customers and shareowners.

Let's move to Slide 6. We had very strong cash generation to finish the year. This allowed us to pay down additional debt, reinvest in our business and return cash to shareowners. Our teams collaborated well with customers to manage through a successful transition as a result of the Georgetown mill closure. I want to thank our employees for their hard work and execution as we navigated through the transition.

I also want to thank our customers for the trust they place in us each and every day. We are committed to remain the supplier of choice, and we will work hard to earn and retain their business. Lastly, regarding Project Horizon, our cost reduction program to streamline manufacturing, supply chain and overhead costs, we exceeded our $110 million year-end run rate savings goal by $34 million. John will cover this in more detail in a few slides.

Let's move to the next slide. Slide 7 shows our fourth quarter key financial metrics. We earned adjusted EBITDA of $157 million with a margin of 16%. Free cash flow generation was $100 million as we

Copyright © 2025 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

generated adjusted operating earnings of $1.96 per share. I'm proud of how our teams delivered impressive results while taking care of our customers. More importantly, I'm proud of our team's commitment to putting people before paper to ensure everyone returns home safe at the end of each day.

We are focused on building a resilient safety culture by involving every team member in our efforts to proactively eliminate risk and create a safer environment for everyone every day. Now John will review our performance in more detail.

John Sims
Senior VP & CFO

Thank you, Jean-Michel, and good morning, everyone. Slide 8 contains our fourth quarter earnings bridge versus the third quarter. The $157 million of adjusted EBITDA was in line with our outlook of $150 million to $165 million. Price and mix was unfavorable by $18 million. 40% of this was driven by lower pulp and paper pricing in Europe, and about 30% was due to worse mix in North America. Volume increased by $6 million, driven by the seasonality of Latin America.

Operations and other costs were stable due to favorable FX and less economic downtime in North America, which more than offset the planned 10-year turbine generator maintenance event at our Eastover mill that we highlighted on our last earnings call. We also had some onetime events, some planned like an insurance settlement and others like a LIFO adjustment. Planned maintenance outages costs increased by $17 million as we executed a major planned outage at the Eastover mill in the quarter. Input and transportation costs increased by $9 million, driven by transportation and seasonally higher energy prices.

Moving to Slide 9. A core pillar of our strategy is to be a low-cost producer. Project Horizon, our cost reduction program to streamline manufacturing, supply chain and overhead costs, is helping us to stay low cost. As Jean-Michel mentioned earlier, before inflation, we exceeded our $110 million year-end run rate savings goal by $34 million. We beat our manufacturing savings targets by delivering results on over 180 initiatives across all 3 regions. These projects targeted chemical, energy, and fixed cost reductions as well as improving fiber efficiency and productivity.

We surpassed our supply chain savings targets by reducing approximately 20% of our distribution centers in North America, optimizing sheeting and rewinding outsourcing processes as well as other initiatives across our networks. We executed all these initiatives while maintaining our focus on the customer experience. As we mentioned several quarters ago, we eliminated about 150 salaried positions or 7% globally. These collective efforts are making us a leaner, stronger company.

Let's move to Slide 10. Another important part of our strategy is to invest in high-return projects to strengthen our competitive advantages and increase future earnings and cash flow. Here are 2 examples at one of our flagship mills in Latin America, our Luiz Antonio mill, where we are already seeing positive results. The first project increases our self-generation of power at the mill by upgrading the turbine and gearbox on one of our turbine generators. This was a $7 million investment that started up in the third quarter of 2024 and is showing approximately a 25% internal rate of return.

The second project reduces our production waste by installing a new reel transition system on one of our paper machines. This was a $1 million investment that also started up in the third quarter of 2024 and is yielding approximately a 40% internal rate of return. These are just a few of the many high-return projects that we are assessing and implementing to make us more competitive in the future.

Let's go to Slide 11 and look at our first quarter outlook. We expect to deliver first quarter adjusted EBITDA of $85 million to $105 million. We project price and mix to be unfavorable by $10 million to $15 million. This is due to paper price decreases in Europe and in our Brazilian export regions plus seasonally unfavorable mix in Latin America. These decreases are projected to be partially offset by realization on paper price increases communicated to customers in North America and Brazil in the fourth quarter. We should see higher realization from these increases in the second quarter.

We expect volume to be unfavorable at $20 million to $25 million due to seasonally weakest demand quarter in Latin America and lower North America volume from the Georgetown mill exit. Operations and other costs are projected to be stable to slightly up as our Project Horizon initiatives offset a non-repeat

Copyright © 2025 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

of favorable fourth quarter events. We expect input and transportation costs to increase by $5 million to $10 million primarily due to seasonally higher energy prices and the longer-than-expected extreme cold weather across the United States so far this quarter.

Planned maintenance outages are projected to increase by $15 million. We expect quarterly earnings to improve throughout the year as we benefit from seasonally stronger volume, less maintenance outage expenses in the second half of the year, and realize the price increases we are currently implementing. You should note on appendix Slides 44 and 45 that about 80% of our planned maintenance outages will be in the first half of this year.

Let's go to Slide 12. I'll shift now to talk about overall industry conditions across our regions. In Europe, we're seeing improved order books and industry supply was reduced by 7% after two uncoated freesheet machines closed last year. Pulp and uncoated freesheet prices have also stabilized as we are entering the new year.

In Latin America, we expect seasonally weaker industry demand in the first quarter and expect demand to be sequentially stronger in each calendar quarter like every year. In Brazil, we are currently seeing strong demand for back-to-school orders and notebook. We previously communicated uncoated freesheet price increases to our customers in Brazil effective in January. We are seeing uncoated freesheet pricing pressure for our Brazilian papers exports to other Latin America and offshore markets.

In North America, we are seeing slightly lower industry demand in line with our expectations. Domestic industry supply was reduced by 10% after a few machines closed in the second half of last year. We previously communicated uncoated freesheet price increases to our North American customers effective in January. Globally, pulp industry conditions appear to be stabilizing or anticipated to improve over the course of the year. I'll turn back over to Jean-Michel, who'll pick up on Slide 13.

Jean-Michel Ribiéras
Chairman & CEO

Thanks, John. We have generated substantial cash since our inception and have allocated over $1.8 billion as you can see on this slide. Over 70% of this cash was used to repay debt and reinvest in our business. After starting out with over $1.5 billion in gross debt, we have reduced it by almost 50% and have achieved a net debt-to-adjusted EBITDA ratio of 0.9 by the end of 2024.

Keeping a healthy financial position is a cornerstone of our capital allocation framework. This allows us to reinvest in our business to strengthen our competitive advantages through the cycle, and to increase future earnings and cash flow. As most of you already know, many people are investing to get out of uncoated freesheet, while we have reinvested over $600 million in our business in the last 3 years in order to improve our competitive position.

One of the main advantages we have as an independent company is that it allows us to invest in our future in a way that we could not do before. Improving our financial position allowed us to return almost $350 million to shareowners through dividends and share repurchases. We will continue to look for opportunities to repurchase shares at attractive prices. We have generated substantial cash over the past 3 years and plan to continue to do so moving forward.

For 2025, we are planning $220 million to $240 million in capital spending. Our outlook includes approximately $125 million in maintenance and regulatory spending. Our Brazil forestland has a significant competitive advantage. These eucalyptus plantations provides a material cost advantage relative to most other global competitors. We plan to invest roughly $35 million in our forestland to increase our self-sufficiency and reduce wood cost.

Additionally, we will complete the $30 million 3-year wood supply agreement to ensure adequate wood supply from '24 to '26. As we have been saying for several quarters, we will continue to ramp up our high-return projects to strengthen our low-cost assets to increase our earnings and cash flow. This year, we expect to invest $50 million to $70 million for high-return projects.

Copyright © 2025 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Slide 15. Speaking of reinvesting in our low-cost assets, we're excited to announce that we're investing in the future of one of our flagship mills, Eastover, South Carolina. We have 3 high-return projects that will reduce costs while improving efficiency and mix of the most competitive uncoated freesheet mill in North America. First, we are investing to optimize 1 of our 2 paper machines. Second, we are replacing an existing cutsize sheeter with a brand-new sheeter. These first 2 projects will require a total investment of approximately $145 million over the next 3 years. The spending will start this year with the majority occurring in 2026. Once completed, this combined investment should have an internal rate of return of greater than 30%. It should create incremental adjusted EBITDA of more than $50 million per year, resulting in additional cash flow as well. Third, we're partnering with an industry leader in woodyard operations to modernize our woodyard and improve our efficiency while avoiding about $75 million in capital over the next 5 years. This is a very exciting moment for all of us. I'll turn it to John to discuss these high-return projects in more detail.

John Sims
Senior VP & CFO

Yes. Thank you, Jean-Michel. So this is exciting. I'm on Slide 16. The first of these high-return projects at our flagship Eastover mill will be to optimize 1 of our 2 paper machines, modernizing it to the same world-class level as our other paper machine at Eastover. We plan to make investments starting at the headbox continuing all the way down the paper machine through the forming, press and dryer sections, including modifications to the winder at the end of the machine.

These enhancements will allow us to reduce cost while improving our product mix across both paper machines. This debottlenecking should result in up to an incremental 60,000 tons of uncoated freesheet. The project has an investment of approximately $100 million over the next 3 years with an expected start-up in the fourth quarter of 2026.

Let's turn to Slide 17. The second high-return project will be to replace an existing sheeter with a state-the-art cutsize sheeter. This new and more efficient sheeter will lower our sheeting costs up to 15%, reduce waste by maximizing paper machine trim while providing incremental cutsize volume capability. This sheeter will allow us to reduce outsourced sheeting while providing better reliability and additional flexibility to better service our customers. This $45 million project is expected to start up in the fourth quarter of 2026.

Let's turn to Slide 18. And the third high-return project at Eastover will be to improve our woodyard efficiency through innovative modernization. We are entering into a 20-year partnership with an external provider, The Price Companies, who is an industry leader in woodyard operations. They design, finance, and operate the most efficient woodyards in the world. They will invest the capital to upgrade our woodyard and they will also operate and maintain the woodyard at the Eastover mill. This will result in more efficient, reliable and cost-effective wood processing operations. This project will greatly improve the overall reliability of our operations by replacing our aging woodyard equipment. As Jean-Michel mentioned earlier, this project will enable us to avoid spending about $75 million in capital over the next 5 years. The anticipated start-up is in the first quarter of 2026. These high-return projects reinforce our commitment to reinvest to strengthen our low-cost assets to increase earnings and cash flow. I'll now turn it back over to Jean-Michel.

Jean-Michel Ribiéras
Chairman & CEO

Thanks, John. I'm on Slide 19. We strive to create long-term shareholder value by executing our strategy and delivering on our investment thesis. Since becoming an independent company just over 3 years ago, we have achieved a total shareowners return of almost 150% and over $2 billion in adjusted EBITDA, generated over $900 million in free cash flow, reduced debt by almost $725 million, reinvested over $600 million to strengthen our business, and returned almost $350 million in cash to shareowners.

Copyright © 2025 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

I'll conclude my comments on Slide 20. I continue to be impressed with our teams as we work to take care of customer needs and remain the supplier of choice. We are reducing our cost structure and are reinvesting in our business through a great pipeline of high-return capital projects, which will enable us to grow our earnings and cash flow in the coming years. Sylvamo is creating shareowner value through strong cash generation and disciplined capital allocation.

We believe in the promise of paper for education, communication and entertainment. And we intend to increase our competitive advantages in the regions we serve. We're confident in our future and motivated by the opportunities that lie ahead. With that, I'll turn the call back to Hans.

Hans Bjorkman
Vice President of Investor Relations
Thanks, Jean-Michel, and thank you, John. Okay, Audra, we're ready to take questions.

Copyright © 2025 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Question and Answer

Operator

[Operator Instructions] And we'll take our first question from George Staphos at Bank of America.

George Staphos
BofA Securities, Research Division

My 2 questions, and congratulations on the progress over the last few years. My 2 questions. First of all, can you talk a little bit about what impact of pricing that might be in the process of being implemented is in your guidance for the first quarter, if anything at all? Or is all of that pricing more or less locked and loaded from prior efforts?

And then if I go to Slide 8, I believe, and we look at volume, you touched a little bit on it, but volume was a little bit weaker than what you've been looking for in the fourth quarter. Can you give us a bit more detail on what was going on there?

John Sims
Senior VP & CFO

Yes, George, and thank you. To your first question, actually, the -- so we have 2 price increases that we've announced to our customers as we mentioned, one in Brazil. Remember, Brazil so that's about 50% of our volume down in LatAm and one in North America. And we're in the process of implementing that in the first quarter. Because we are implementing, I can't give you a lot of details but I can say that the realization because of the timing of those, it's going to be more in the second quarter and very little in the first quarter in our outlook. The second question in terms of volume, volume was lower than what we expected really across all the regions, mostly in North America. And so that's really the difference between our outlook and the actual results.

George Staphos
BofA Securities, Research Division

I guess, John, why was it a little bit weaker in North America than the other regions, if you had a view? I'm sorry, keep going.

John Sims
Senior VP & CFO

I'm sorry. George, we were a little bit lower in the commercial printing and envelope market. I think the cutsize, the copy paper business was absolutely stronger than what we expected, but it was more so in the commercial printing area.

George Staphos
BofA Securities, Research Division

Okay, that makes sense.

Jean-Michel Ribiéras
Chairman & CEO

We had -- in North America, to be -- George, it's Jean-Michel. Thanks for joining. In North America, we had a weak November. I think we didn't anticipate it well enough all the holidays and the impact it had, so we had as planned October and December months but November was below.

Operator

We'll take our next question from Matthew McKellar at RBC Capital Markets.

Copyright © 2025 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Matthew McKellar
RBC Capital Markets, Research Division

I'd like to start by asking about tariffs. If the U.S. were to apply sustained 25% tariffs on goods from Canada and Mexico and they, in turn, applied retaliatory tariffs on the U.S., how do you think your business would be affected? And what would be your response in that scenario?

Jean-Michel Ribiéras
Chairman & CEO

So thanks for joining the call, first of all. This is still very difficult to assess, to be very honest. I think the 25% on aluminum and steel will have some impact that we've anticipated potentially on some of the equipment we buy because the steel, aluminum might get more expensive in the U.S. in general, but that's not material for us. I would not be too worried about that.

The rest with Canada and Mexico, if it was to happen, it's more a question of what is the retaliation we're going to get. I don't think it's going to impact us really at all if there is no retaliation. But as of now, if those tariffs were to put in place, we don't know what Canada or Mexico will do. And that's a question mark I don't have the answer.

Matthew McKellar
RBC Capital Markets, Research Division

Okay. Maybe shifting to Latin America. I think you mentioned seeing some positive trends in demand in Brazil. I'd also like to ask about your expectations for demand to the textbook orders this year. And maybe putting it all together, what that implies for how your volumes and mix kind of evolve through 2025? And maybe put differently, do you expect the seasonality you typically see in LatAm to be exaggerated this year with a bigger ramp through the year than usual, driven by a more significant shift in mix, maybe especially given the prices in Brazil are going up that you called out prices in the export channel as being under some pressure?

John Sims
Senior VP & CFO

Yes, Matthew, I think one of the questions you asked is just around the textbooks and the school business. So if I heard that correctly, yes, we're seeing improved order book demand for that down in Brazil. You got to remember, in Brazil, last year, demand was down, so that does impact us from a negative mix perspective as we ship less into Brazil.

This year, we're seeing it up to -- flat to slightly up, and we expect as we said that at Brazil and also LatAm, markets will sequentially increase throughout the year. So that's going to be positive from a volume perspective but also very positive from a mix perspective. And that will start to really materialize itself more as the year goes on, second and third quarter.

Operator

[Operator Instructions] We'll go next to Daniel Harriman at Sidoti.

Daniel Harriman
Sidoti & Company, LLC

Just a quick one here today for me. Can you help us a little bit with the cadence of your capital spending in 2025 within that range of $220 million to $240 million? Should we expect more or less that CapEx to kind of follow the cadence that it did in 2024?

John Sims
Senior VP & CFO

Yes. Daniel, are you talking about -- thanks for joining, Daniel. Are you talking about in terms of the timing of the spend? Is that what you mean by...

Copyright © 2025 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Daniel Harriman
Sidoti & Company, LLC

Yes. Just how should we think about it being spread out throughout the year on a quarterly basis?

John Sims
Senior VP & CFO

Yes. And I think the way to think about that is more heavily weighted to the first half because you can see 80% of our outages are in there. Now with the spending for -- the spending that we'll do on the Eastover project that we talked about, that will occur throughout the year, not really tied to the outages as we prepare for that implementation in 2026.

Jean-Michel Ribiéras
Chairman & CEO

Yes. The outage this year particularly it's probably one of the most extreme we've had in terms of timing of outages first half versus second half of the year, which is part of our earnings growth where we have a hockey stick. We have 80% of our outage spending in the first half of the year versus 20% only in the second half. So that's a big component to take into consideration.

John Sims
Senior VP & CFO

Daniel, when you do look at like the monthly spend, the projections that we have and as we forecast, it's really not much different than what we had last year in terms of the monthly spend on capital.

Operator

We'll move next to George Staphos with Bank of America.

George Staphos
BofA Securities, Research Division

My next 2, can you talk a little bit about how the cost curve is shifting in Europe? Certainly, pulp prices stabilized or it looks like that in a few markets, but it was a declining situation in second half. What did that mean for the cost curve and ultimately, pricing and your market shares in the region? The related question, what do you think the industry operating rate is in Europe right now?

John Sims
Senior VP & CFO

Yes, George, I think when we take a look at the cost curve, it has certainly moved up really since the Russian invasion into Ukraine. And that's really driven -- what that has driven is increased energy costs, gas costs as well as wood. The wood cost we've seen go up across the region. If you look at your day pricing, that's what we looked at Europe, uncoated freesheet pricing is stabilizing because about 20% or so, maybe even more, 1/4 of the cost curve is nonintegrated, the pricing is below the cash cost.

So right now, we got about 20%, 25% of the capacity that even with the pulp prices where they are today, which is bottoming, we have cost that's above the current pricing in Europe. In terms of the operating rate, it has improved because of the outages or because of the closures that occurred.

George Staphos
BofA Securities, Research Division

Closures.

John Sims
Senior VP & CFO

Yes. And so it's in the mid-80s right now.

Copyright © 2025 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

George Staphos
BofA Securities, Research Division

Including the 10%, I think you said, reduction from closures?

John Sims
Senior VP & CFO

That's right, including that, yes.

George Staphos
BofA Securities, Research Division

Okay. And John, just a point of clarification, I'll turn it over. So your view is the cost curve actually is up over the last quarter, 2 quarters in Europe? Or it's more or less stable and certainly up over the last several years because of Ukraine and the like?

John Sims
Senior VP & CFO

It's the latter. I mean with the decreasing pulp prices, you can say that maybe quarter -- sequentially, quarter is slightly down. But overall, the cost curve is increased, if you will, gotten higher cost.

Operator

And we'll take a follow-up from Matthew McKellar at RBC.

Matthew McKellar
RBC Capital Markets, Research Division

Just following up on an earlier response. I think you mentioned you saw lower commercial printing and envelope volumes in North America in the quarter than maybe you were anticipating. Just wanted to, I guess, get a little bit more color on that. Are you seeing any kind of rebound in volumes maybe start Q1? Or whether maybe you're expecting to see some more permanent kind of demand destruction maybe on the back of higher postal rates or were there any other factors?

John Sims
Senior VP & CFO

No, I think we don't see that as a systemic issue. We see that coming back. And our projections are for North America, the demand will be down about 3%, the historical trend that we have been seeing or -- well, we haven't been seeing really because of the inventory corrections and all, but that we've generally been seeing over the -- for the industry. So nothing different than normal.

Matthew McKellar
RBC Capital Markets, Research Division

Okay, okay. And if I could just sneak one more in on the Eastover woodyard operations. Of course, your partner will be laying out some capital and you're going to be avoiding spending your own capital. You also mentioned more efficient, reliable and cost-effective operations. I guess with this agreement, how should we think about the impact to operating costs at Eastover both in '26 versus maybe '25? And then how things progress over the longer term, just specific to what you've announced with the woodyard here.

Jean-Michel Ribiéras
Chairman & CEO

I think just the woodyard is not a huge impact on cost. It's avoidance of capital spending, the first thing. And then the yield and all of that will continue to put our wood, which is very competitive, even more competitive once transformed at the mill. So it's a small impact but not -- we'll take every penny. We count everything in this industry. It's a small impact in the cost side, better reliability, flexibility and avoidance of capital. That's the way I would look at it.

Copyright © 2025 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Operator

[Operator Instructions] And we'll go back to George Staphos at Bank of America.

George Staphos
BofA Securities, Research Division

I wanted to piggyback off of Matt's question. So what does your partner get from you in exchange for operating the woodyard, if you can talk about the terms there? Second question, penciling it out, free cash flow for the first quarter looks to be, on our math, kind of neutral to maybe up $20 million. I don't know if you called it out actually in the deck or the release. If you did, I apologize for missing it. But if you could sort of give us some thoughts there, and then I'll turn it over and come back into queue.

John Sims
Senior VP & CFO

Yes. I think the -- to your first question, George, we're not going to really disclose the terms of the agreement other than what we said, it's a 20-year agreement, we are paying them to service the woodyard. And the way Jean-Michel talked about it, we're going to get some efficiencies on yield, but that's going to pay the service fees that we're charging them. So the big benefit there is really the capital avoidance because they will be investing -- installing the equipment and maintaining the equipment in the woodyard, which will significantly modernize it. So that's how that's going to work.

George Staphos
BofA Securities, Research Division

And on free cash flow?

John Sims
Senior VP & CFO

All right. I'm sorry, you're going to have to repeat your question again.

George Staphos
BofA Securities, Research Division

John, I was penciling it out and I don't know if you've actually mentioned in the deck or the release. If you did, I missed it. I'm kind of coming out with sort of flat to up $20 million on free cash flow for the first quarter. Could you give us some thoughts on that?

John Sims
Senior VP & CFO

Yes. I'm sorry, I didn't remember that question. But yes, we don't -- George, we don't give any guidance on free cash flow.

Jean-Michel Ribiéras
Chairman & CEO

Just one thing I would say is like '24, I would expect '25 with a seasonal stronger cash flow in the second half than first half. And remember, in the first half, especially in the first quarter, we've got these outages in Europe, which impacts the cash. We've got the annual incentive compensation and customer rebates. So we've got quite a onetime seasonal cost in Q1 versus the rest of the quarters. So it's -- I won't give exact number but it might be more pressure than you have in your numbers.

John Sims
Senior VP & CFO

Yes. The first quarter is always are more challenging in terms of cash flow.

Jean-Michel Ribiéras
Chairman & CEO

Copyright © 2025 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

No worries for the year. It's just this timing.

George Staphos
BofA Securities, Research Division

Understood. Maybe I'll throw my last 2 in here, if it's okay. Tax rate ticks up a little bit, 28% to 29%. What's in that? And could you give us -- my last question, what was the effect of the one-timers in the quarter that I know you'll be offsetting with Horizon in the first quarter? But what was kind of that benefit that you got in the fourth quarter? Good luck in the first quarter.

John Sims
Senior VP & CFO

Yes. And thanks, George. And the question on the taxes, we had a benefit last year. We bought some credits that we were able to use, and so that lowered our tax. So we're not going to have that repeat right now. We're going to be continuing to look at that, but that's not in our outlook. And the other thing is lower earnings in Europe as -- and so that increases our tax -- the overall tax rate because we have less earnings in Europe.

George Staphos
BofA Securities, Research Division

Okay. And one-timers from 4Q?

John Sims
Senior VP & CFO

One-timers, yes. So specifically, we had a $5 million insurance payment that we got in the fourth quarter. LIFO was about $7 million.

Operator

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

Hans Bjorkman
Vice President of Investor Relations

All right. Thank you. Before we close up, I'm going to let Jean-Michel kind of wrap up the call today.

Jean-Michel Ribiéras
Chairman & CEO

Yes. So thank you, everybody, for joining. Exciting times, and we're right in our strategy about reinvesting in our high-return projects. One thing for '25 is I don't intend to give you numbers on the annual earnings guidance, but with all the uncertainty of the macro and the geopolitical, I'll be prudent. But on a high-level color, if you look at '25 versus '24, both in North America and Latin America, we plan a slightly better '25 than '24 on adjusted EBITDA.

For Europe, with a $35 million incremental maintenance outage, we plan to be worse than '24. So I'm putting that with some thoughts, of course, because as you mentioned, all tariffs and macro is very difficult to forecast. And it's not an exact number but it gives you a trend, which I hope helps you.

As we mentioned, we expect our quarterly earnings to improve throughout the year due to 3 main factors: seasonally strong volume, realization of the price increase in North America and Brazil and less maintenance outages in the second half of this year. So with that, I thank you for joining the call, and have a good day.

Operator
Once again, we would like to thank you for participating in Sylvamo's Fourth Quarter 2024 Earnings Call. Thank you. You may now disconnect.

Copyright © 2025 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Copyright © 2025 by S&P Global Market Intelligence, a division of S&P Global Inc. All rights reserved.

These materials have been prepared solely for information purposes based upon information generally available to the public and from sources believed to be reliable. No content (including index data, ratings, credit-related analyses and data, research, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of S&P Global Market Intelligence or its affiliates (collectively, S&P Global). The Content shall not be used for any unlawful or unauthorized purposes. S&P Global and any third-party providers, (collectively S&P Global Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Global Parties are not responsible for any errors or omissions, regardless of the cause, for the results obtained from the use of the Content. THE CONTENT IS PROVIDED ON "AS IS" BASIS. S&P GLOBAL PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Global Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages. S&P Global Market Intelligence's opinions, quotes and credit-related and other analyses are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P Global Market Intelligence may provide index data. Direct investment in an index is not possible. Exposure to an asset class represented by an index is available through investable instruments based on that index. S&P Global Market Intelligence assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P Global Market Intelligence does not act as a fiduciary or an investment advisor except where registered as such. S&P Global keeps certain activities of its divisions separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain divisions of S&P Global may have information that is not available to other S&P Global divisions. S&P Global has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P Global may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P Global reserves the right to disseminate its opinions and analyses. S&P Global's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription), and may be distributed through other means, including via S&P Global publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.
© 2025 S&P Global Market Intelligence.