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Sylvamo Corporation

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Earnings Call

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Call Participants

EXECUTIVES

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Senior VP & Chief Financial Officer

Hans Bjorkman

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John Sims

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ANALYSTS

Daniel Harriman

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George Staphos

BofA Securities, Research Division

Matthew McKellar

RBC Capital Markets, Research Division

Presentation

Operator

Good morning. Thank you for standing by. Welcome to Sylvamo's Fourth Quarter 2025 Earnings Call. [Operator Instructions] As a reminder, your conference is being recorded.

I'd 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, Kate. Good morning, and thank you for joining our Fourth Quarter and Full Year 2025 Earnings Call. Our speakers this morning are John Sims, Chief Executive Officer; and Don Devlin, Senior Vice President and Senior VP & Chief Financial Officer.

Slides 2 and 3 contain important information, including certain legal disclaimers. For example, during the 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 John.

John Sims

Chief Executive Officer

Thank you, Hans, and good morning, everyone. I'm glad that you are joining our call. For your reference, I'm on Slide 4. Before we begin discussing full year and quarterly results, I want to start by sharing with you my vision for Sylvamo, a vision that is fully embraced by our Board and our leadership team.

My vision is Sylvamo will be legendary. Yes, legendary. To be legendary is to defy expectations, create lasting value and inspire others. And what will be legendary for? We will be legendary for the way we relentlessly pursue and achieve world-class excellence in all that we do. This will create substantial and lasting value for our employees, customers and shareowners and will enable us to be the employer, supplier and investment of choice.

So let's move to Slide 5. We will strive to achieve world-class standards in the areas that define our success, and these are:

Safety and well-being. We will foster resilient safety and well-being culture in which serious injuries are eliminated and every team member returns home safe every day.

Employee engagement. We will be admired for cultivating a workplace where employees feel valued, empowered and inspired. Inspirational leaders at every level at Sylvamo will unite their teams around our vision and amplify each individual employee's talent by listening to them and engaging them to drive continuous improvement. We are passionate about making paper that educates, connects and enriches lives, and we will set high standards to achieve world-class performance together.

Customer centricity. We will set a new standard for customer experience and loyalty, striving to be truly outstanding. Our commitment is to deliver superior value and service to our customers, earning their trust and loyalty. This is critical to our strategy.

Operational excellence. We will achieve best-in-class levels of efficiency, reliability, performance in our mills and supply chains, ensuring that our operations consistently deliver to the highest standards.

Cost leadership. We'll attain industry-leading cost effectiveness through disciplined management and continuous improvement, strengthening our competitive position and ensuring sustainable results.

And finally, sustainability. We will operate responsibly, protecting and enhancing forests, uplifting communities and improving our planet's future through sustainable practices.

Let's go to Slide 6. As Sylvamo's CEO, my commitment to you is to allocate capital wisely and to focus on long-term value creation. I'll communicate transparently, providing context, rationale and honest assessment of our decisions and performance while making disciplined data-driven decisions that position the company for sustainable success and strengthen Sylvamo for decades to come. We seek to attract and retain high-quality, long-term shareowners who share our vision for disciplined capital allocation and sustainable value creation.

In 2024, following extensive dialog with our long-term shareowners, we discontinued providing full year adjusted EBITDA and free cash flow guidance. That decision reflected our belief that long-term value creation is best supported by disciplined capital allocation rather than focusing on short-term earnings targets.

After careful consideration, we've decided to discontinue providing quarterly adjusted EBITDA outlook. We believe this change further aligns our external communications with how we manage the business and our goal to attract and retain high-quality long-term shareowners who share our vision of long-term value creation.

Importantly, this decision does not represent a reduction in transparency. As you will see, we will provide a lot of detail throughout this call. We also will continue to provide selected financial metrics as outlined on Slide 25 in the appendix.

Now let's discuss the full year results. Turning to Slide 7. You can see that in 2025, we generated 12% return on invested capital as we executed our strategy during challenging industry conditions. We maintained a very strong financial position and balance sheet, achieving a net debt-to-adjusted EBITDA of 1.6x. We earned \$448 million in adjusted EBITDA, generated \$44 million in free cash flow and returned \$155 million in cash to shareowners. We reinvested \$224 million across our manufacturing network and our Brazil forestlands to strengthen our low-cost position. We also accelerated development of high-return capital investments. We are committed to being the investment of choice and believe we can generate significant shareowner returns in the future by executing our strategy.

Slide 8 highlights our 2025 full year key financial metrics. Our adjusted EBITDA was \$448 million with a 13% margin. We generated \$44 million of free cash flow, and our adjusted operating earnings were \$3.54 per share.

Let's move to Slide 9. Our fourth quarter highlights include commercial success with our uncoated freesheet sales volume increasing quarter-over-quarter by 9%. Our operational teams also executed well, and our paper machines' productivity continued to improve. We took advantage of a planned maintenance outage at our Eastover mill to begin the upgrades to our paper machine project and significantly advance the work on our woodyard project.

Let's move to the next slide. Slide 10 shows our fourth quarter key financial metrics. In the fourth quarter, we earned adjusted EBITDA of \$125 million with a margin of 14% and free cash flow was \$38 million. And we generated adjusted operating earnings of \$1.08 per share.

Now I'll turn the call over to Don to review our performance in more detail.

Don Devlin

Senior VP & Chief Financial Officer

Thank you, John, and good morning, everyone. Slide 11 contains our fourth quarter earnings bridge versus the third quarter. In the fourth quarter, we earned \$125 million of adjusted EBITDA compared to \$151 million in the prior quarter. Price and mix was unfavorable by \$21 million, primarily due to mix across the regions as well as lower paper prices in Europe and some of our Brazilian export markets. Volume increased by \$18 million, largely due to Latin America and North America. Operations and other costs were unfavorable by \$4 million, primarily due to seasonally higher costs in Europe. Planned maintenance outage costs were unfavorable by \$17 million as we executed an outage at our Eastover

mill after having no planned outages in the prior quarter. Input and transportation costs were slightly unfavorable by \$2 million.

Let's move to Slide 12. The overall European industry supply and demand environment continues to be challenging. However, market conditions have started to show signs of improvement as pulp prices began to rebound in the fourth quarter and the improvement continues into the first quarter. Our European cutsize paper prices exited 2025 EUR 100 per ton below where we exited the year in 2024. We communicated paper price increases to our customers and expect the realization to begin in the second quarter. Wood costs in Southern Sweden are starting to ease, although there is typically a 3- to 6-month lag before we see relief in our operations.

In Latin America, demand is moving from the seasonally strongest fourth quarter to the seasonally weakest first quarter. This is also negatively impacting our geographic mix in the first quarter. We communicated paper price increases to our Brazil -- customers in Brazil and have started to see realization in January. We also communicated paper price increases to our export customers across other Latin American countries as well as Middle East and Africa region and are starting to see some realization in those regions in February.

Turning to North America. Industry operating rates are improving. After peaking in June of last year, imports into North America have declined significantly throughout the second half of '25. We communicated paper price increases to our customers and expect the realization to begin in the second quarter. 2026 will be a transition year for North America as we work through short-term capacity constraints with the Riverdale supply agreement exits and the execution of the Eastover investments. The next few slides will provide the details and context for how this will impact this year's financial results.

Slide 13 shows our capital spending outlook, which is expected to be \$245 million in 2026 as we execute the majority of the \$145 million investment at our Eastover mill. We expect '27 to return to prior levels as we wind down these strategic Eastover investments. And we are prioritizing strategic projects with the fastest payback so that '27 and beyond reflects lower costs, higher efficiency and stronger cash conversion potential.

Let's go to Slide 14. To provide an update on our Eastover investments, these high-return strategic projects will add 60,000 tons of uncoated freesheet, reduce costs and improve our mix and efficiency. The paper machine optimization project is on schedule with the bulk of the work to be completed in the fourth quarter during a 45-day planned maintenance outage. This outage is about 30 days longer than a typical maintenance outage. Brand-new state-of-the-art sheeter will replace an existing cutsize sheeter, which is also on schedule and will be installed at the same time as the paper machine optimization work.

The woodyard modernization project is on track, and we will be ramping up our hardwood operation in the second quarter. We are planning to start up the softwood operation in the first quarter of 2027. Again, we are investing in high-return projects like these to generate future earnings and cash flows.

On Slide 15, let me walk you through how we see the North American sales volume bridging from 2025 to 2026. First, we expect to receive about 100,000 tons from Riverdale this year, which is 160,000 tons less than 2025.

Second, the extended planned maintenance outage at Eastover will result in 30,000 fewer tons this year. To narrow this gap, we will be sourcing about 80,000 tons from our European operations. This will have a negative adjusted EBITDA impact to our European business of about \$20 million due to tariffs and freight costs. We expect to gain another 35,000 tons productivity year-over-year. And we will also bring some additional external volume into our system to ensure we continue to serve our customers during this transition. Net difference is around 55,000 tons of lower sales volume in North America, with the majority occurring in the first quarter as we use our capacity to build inventory.

As a result, we will have an approximate \$20 million negative adjusted EBITDA impact in North America in the first quarter due to lower sales volume.

On top of these items, we will have some additional impacts, which I'll provide more detail on the next slide, 16.

We have a clear plan to meet our most valuable customer needs during this transition. We're building inventory ahead of the extended Eastover outage in the fourth quarter, importing from our European operations, and we'll use external conversions to supplement our internal sheeting capacity. We'll then draw down inventory as we move through the second half of the year as the Riverdale supply agreement winds down and the strategic investments at Eastover are implemented in the fourth quarter.

In 2026, we will expect a negative \$45 million adjusted EBITDA impact in North America from the combined sourcing mix, external conversion, freight impacts and one-time outage costs. Working capital timing over the course of the year nets to a negative \$25 million overall related to inventory build and drawdown throughout the year and the settlement of our payable to International Paper for the Riverdale tons we buy.

Let's go to Slide 17 to pull all of this together. So here is a summary of the year-over-year adjusted EBITDA and cash impacts that we expect to incur over the course of 2026. North America adjusted EBITDA impacts will total approximately \$65 million across these 3 items, \$20 million from lower sales volume of 55,000 tons, \$20 million from external sourcing, conversion costs and freight, \$25 million from Eastover one-time outage costs. Not related to this transition, but we also expect a \$10 million charge in the first quarter from International Paper due to unusually high energy costs resulting from the recent cold weather that impacted the Riverdale mill.

Europe adjusted EBITDA impacts will total approximately \$20 million due to U.S. tariffs and freight on the 80,000 tons we'll be shipping to the U.S. From a free cash flow standpoint, in addition to the flow-through of these adjusted EBITDA impacts, we should expect a negative \$25 million impact related to working capital.

In summary, 2026 is a transition year for North America and the \$85 million of one-time costs will largely not repeat in 2027. We will also not have the one-time \$10 million charge from Riverdale for the cold weather impacts that I mentioned. We are doing all of this in order to serve our valuable customers and be able to ramp up the Eastover volumes in '27 after we gain the additional 60,000 tons of paper machine optimization project and 30,000 tons from the non-repeat of the extended outage. We will benefit from the additional tons from Eastover, the efficiency and flexibility and lower cost of the new sheeter as well as low cost from Eastover.

On Slide 18, this illustrates our planned maintenance outage schedule for the full year by region and by quarter. Unlike last year, we had major planned maintenance outages in both mills in Europe. And this year, we only have a major outage at the Nymolla mill and it's in the fourth quarter.

2026 is also different than in the past few years where we had more than 80,000 tons or 80% of the total annual planned maintenance outage costs in the first half. This year, we have more than 50% of the total cost in the fourth quarter as we complete the Eastover investments.

We strive to create long-term shareholder value by executing our strategy and delivering on our investment thesis. Keeping a strong financial position is the cornerstone of our capital allocation framework. This allows us to reinvest in our business, to strengthen our competitive advantages through the cycle and increase future earnings and cash flow.

Since becoming an independent company just over 4 years ago, we've earned \$2.5 billion in adjusted EBITDA, reinvested over \$800 million to strengthen our business, generated over \$960 million in free cash flow, reduced debt by more than \$675 million and returned over \$0.5 billion to cash to shareowners.

I'll now turn the call back to John on Slide 20.

John Sims

Chief Executive Officer

Yes. Thank you, Don. Our flagship growth strategy remains unchanged. We will invest in low-risk, high-return projects to strengthen our uncoated freesheet capabilities and grow earnings and cash flow. This strategy is underpinned by 3 fundamental beliefs. The world will continue to rely on uncoated freesheet to educate, communicate and entertain for years to come. Our North America and Latin American businesses

offer returns on smart investments in our assets and business processes that are well above cost of capital. Our competitive advantages, low-cost assets, iconic brands, strong customer relationships, global footprint and talented teams position us to successfully deliver on our strategy.

Our capital allocation philosophy also remains unchanged. We will deploy every dollar with the goal of improving our competitive position and delivering the best possible shareowner returns over time.

We will continue to maintain a strong balance sheet, reinvest in our business with discipline to strengthen operations and customer experience and return cash to shareowners.

Let's go to Slide 21. As I stated in my CEO letter to shareowners a few weeks ago, 2025 and 2026 will be low points in our free cash flow generation as we weather the cyclical industry downturns, particularly in Europe and complete investments at our Eastover mill.

We are focused on our long-term value creation will generate strong and sustainable results by diligently executing our flagship growth strategy, adhering to our disciplined capital allocation principles, becoming more customer-centric, institutionalizing lean management principles and digitally transforming our business operations.

As industry conditions turn, our capital spending normalizes and benefits from our investments begin to materialize, we have the potential to generate annually greater than \$300 million of free cash flow and greater than 15% returns on invested capital.

I'll conclude on Slide 22. We seek to attract and retain high-quality, long-term shareowners who share our vision for disciplined capital allocation and sustainable value creation. We look forward to deepening our dialog at Investors Day later this year, where we will share more details on our strategy, capital allocation priorities and progress towards achieving our vision.

I'll now turn it over to Hans.

Hans Bjorkman

Vice President of Investor Relations

Thank you, John, and thanks, Don. All right, Kate, we're ready to take questions.

Question and Answer

Operator

[Operator Instructions] Our first question is from Daniel Harriman with Sidoti.

Daniel Harriman

Sidoti & Company, LLC

I'll start with 2 regarding operations in Europe, and then I'll get back into the queue. But first, you called out wood costs in Sweden, but then I was hoping you could update us on your efforts to improve mix and win new customers in the region. I believe you called out a few of those items on the third quarter call.

And then similarly, with cutsizes pricing down in the region versus the prior year, as we think about potential margin improvement in Europe in fiscal '26 and into '27, how dependent is that improvement on price realization versus some of the internal levers you can pull?

John Sims

Chief Executive Officer

Hey Daniel, thanks for your question. This is John Sims. In terms of the efforts around improving mix, one key driver of that was an investment we made at the Saillat mill, which was successfully started up and implemented in the last part of the fourth quarter. And I can tell you that, what that does is, it drives us --allows us to produce and sell more roll business into the converting markets versus commodity cutsizes out of the Saillat mill. And I can tell you that our order books are full in terms of that segment and so we're executing well against our plan to improve the mix at our Saillat mill.

In terms of pricing, it's been a very tough market in Europe. It's been a long -- it's probably one of the longest downturns that we've seen. Margins are very compressed. We've been significantly working to reduce costs at all our facilities, focusing on fixed cost at our Saillat mill and improving operational performance at our Nymolla mill. We exceeded our targets last year. So we're going well with that.

We've got additional plans. However, we do need the market to improve, and we're seeing that. So we talked about pulp prices are going up in Europe. We've announced price increases to our customers in Europe as well as the export markets that we serve out of Europe. Those prices will be -- we'll start to realize that though in the second quarter. We won't see that in the first quarter, and that is going to be important to the margin improvement in Europe. We need to have prices go up. Current margins just aren't sustainable at the current level.

Operator

Our next question is from George Staphos with Bank of America.

George Staphos

BofA Securities, Research Division

My 2 questions, and I'll go back in queue, are a little bit longer term. To start, John, we appreciate the review of your vision and your shareholder letter. There's a lot of focus on capital allocation and returns and in some ways, defending what the company has been doing, and that's all well and good. Just if you could tell us, have you been getting more investor questions on that topic in the last couple of quarters that prompted the discussion from you on your capital allocation? What's your discussion with investors to the extent that you can comment regarding that topic?

Second point, as you think about Europe, how do you see Nymolla fitting? It's easy to get down on a business at the trough, right? And your charge as leaders is to see and look longer term, and we get that. How does Nymolla fit? Saillat looks like it's doing great. Nymolla has probably been a bit disappointing. How do you see that fitting in the long-term picture for Sylvamo?

John Sims*Chief Executive Officer*

Thanks for those questions. I think when it comes to the capital allocation question that you're asking, it's really the questions that we've gotten from investors, we haven't gotten many questions. We've gotten a lot of support in terms of alignment and agreement with our capital allocation priorities.

I think one of the things that I've been focusing on as the new CEO is to reassure with investors what is going to change and what's not going to change going forward. And one of the things that we're stressing is we're not changing our strategy. We're going to be focused on uncoated freesheet nor will we be changing our capital allocation strategy.

And the priorities will be maintaining a strong balance sheet, reinvesting back in the business where it makes sense that we can generate high returns and then returning cash to shareowners.

And so just reaffirming that. I mean and I'll take an opportunity. What is going to change, I think, is really, we're going to transform the business. We're going to go through a lean transformation. Why? Because we want to focus on becoming much more customer-centric, and we want to be able to drive continuous improvement, accelerate it and reduce our cost. So meeting customer needs while eliminating all waste. And so we're going to be going through that transformation, if you will. We're leading that off in Latin America, and then we'll be driving that across all the businesses.

Your next question, George, was around Nymolla and how that fit. Europe has always been a bet on the future in terms of the business. The market has been very difficult as we talked about, the down cycle has been longer and deeper than what we expected. The other thing with Nymolla is the wood cost, which has made it much more challenging. The wood costs increased significantly more than what we expected going in there. That is turning now. So finally, we're starting to see some reductions in the wood cost, which Don mentioned. Now it takes about 3 to 6 months for us to start to see that. And so we'll start to get the impact of that more towards the second quarter of the year.

But as we look at the Nymolla fit for us is -- has always been that a good fit for us because, number one, it's solely focused on uncoated freesheet. The cost position is good if the wood cost can get back down to where it needs to be, not where it's at right now.

So the other thing is the mix for Nymolla is very attractive because it serves both the cutsize as well as the printing and communications. So it has the capability to serve both of those markets, which was a good fit and also very synergistic for us.

But as we said -- as I said, we are evaluating everything we can do in terms of around Europe to improve our performance -- there. We talked about that, I think, on the last call. We believe we have the right strategies for both facilities. We believe that we've made a management change there. We've got the right leadership. We've got very talented teams. We've got a really good focus on trying to improve those businesses. So we're looking at all options, if you will, as we try to focus on improving our businesses in Europe.

George Staphos*BofA Securities, Research Division*

John, just quickly and I'll turn it over. Related to wood costs, I wouldn't expect it would be the case, but is there any sense to maybe looking at purchased pulp and taking the pulp line offline for a period or not?

John Sims*Chief Executive Officer*

Yes, George, I mean, we are -- we're looking at all options, whether that makes sense or not.

George Staphos*BofA Securities, Research Division*

And does it currently?

John Sims

Chief Executive Officer

We're still evaluating that.

Operator

[Operator Instructions] Our next question is from Matthew McKellar with RBC Capital Markets.

Matthew McKellar

RBC Capital Markets, Research Division

I'd like to just follow up on George's last question about fiber costs, kind of a related question. I think Lenzing wants to scale up production at the TreeToTextile facility at Nymolla. Will that have any direct or indirect kind of impact to your operations and costs there? Any kind of read-through to fiber costs kind of over the longer term? Would appreciate some perspective there.

Don Devlin

Senior VP & Chief Financial Officer

Yes, Matthew, thank you. This is Don. So that will not have an impact on our fiber costs there for Nymolla, that project.

Matthew McKellar

RBC Capital Markets, Research Division

Great. That's straightforward. And just shifting over to kind of the shareowner letter and some of the messages today. John, you're talking about lean management, digital transformation. Could you help us just get a sense of the size of the opportunity you're thinking about here either in terms of profits or kind of capital efficiency and how that interacts with the digital transformation? What kind of investments are kind of required to advance to the state you envision?

And then I think there was a comment that you're kicking off some of these initiatives in Latin America. Are you able to help us understand why that region is where you're focused first?

John Sims

Chief Executive Officer

Yes. Now first, when it comes to the lean transformation, it's really driving an employee-driven continuous improvement. And we want to double in terms of the improvement that we've been getting across our facilities in terms of cost reductions, but also in terms of satisfying our customers' needs.

And really part of our strategy and key to our strategy is increasing customer loyalty in all our regions. And we need to become more flexible to meet our customers' needs. We need to reduce lead times. We need to deliver -- we need to increase our perfect order in terms of delivering to them. And so, yes, it's hard to quantify right now in terms of absolute dollars, what we believe and expect, but the expectation is high. We're raising the bar in terms of our improvement initiatives, and we believe that the lean principles, the lean will be a key driver of that.

And I just had discussions with the Latin America team about them leading this effort for us and why we are starting with Latin America as the leading and it's because we think they have the greatest success -- will have the greatest success in launching this with Sylvamo.

Why do we do that? Because we believe that if you look at the past performance of our Latin America team, a lot of it has been driven by using the lean tools, if you will, and where we want to get in terms of world-class performance in our operations, servicing our customers, they've been there. We want them to get there again, and they can pave the way for Sylvamo.

Matthew McKellar*RBC Capital Markets, Research Division*

Great. And then last one for me, I'll turn it over. I was a bit surprised to see you pause share repurchase in the quarter. Apologies if I missed something in your opening remarks. Was there anything keeping you from going to the market? I think you mentioned some interaction with a significant shareholder. Please correct me if I captured that incorrectly? Or is that maybe in recognition of just a heavier CapEx year in '26?

Don Devlin*Senior VP & Chief Financial Officer*

Yes, Matthew, good question. So when we think about capital allocation, we also -- you have to consider the cash flows that we expect. And so as we look into 2026, the plans we have, the capital intensity plus the inventory build that I discussed earlier and the cash required for that, we thought it was prudent not to make share repurchases in the quarter.

And yes, Matthew, when you think about what we did in the year between dividends and share repurchases, it was \$155 million in 2025. So it was 350% of our free cash flow for the year. So we felt like we were sufficient in the year. And thinking forward, we're prudently managing cash.

Operator

[Operator Instructions] Our next question is from George Staphos with Bank of America.

George Staphos*BofA Securities, Research Division*

I'll ask 3 questions and turn it over. So John, Don, the \$10 million additional, I assume that's in addition to the \$85 million net negative from the footprint realignment, if you will, for 2026. So in reality, it's -- I realize it goes away, but it's a \$95 million negative. Would that be correct, number one?

Number two, companies do Analyst Days, Investor Days when they have something to share that is above and beyond what you've talked about over the course of quarters. And actually, credit to you, you've done a lot over the last couple of quarters to talk about your vision, talk about your capital allocation, talk about the projects that are coming. So what are you hoping to convey that's not already been conveyed in your last couple of quarters in an Analyst Day that will come up in 2026.

Lastly, we appreciate the detail on the effect of outages on Riverdale, on Eastover, et cetera, and the impact that's having on costs and also on working capital. Yet I'm curious why you think providing guidance, even quarterly guidance encourages more of a short-term nature.

Speaking for analysts and investors on this call, we ultimately come up with our own forecast. We appreciate the guidance. We'd like to know what's in the assumptions. And I'm just curious why you view providing no guidance as a benefit to longer-term investors and analysts as opposed to -- or providing the guidance.

Don Devlin*Senior VP & Chief Financial Officer*

John, I'll take the -- George, thank you for the questions. I'll take the first one there on the \$10 million. So yes, that was related to Riverdale, and it is in addition to the \$85 million. So you're correct, it's \$95 million. And it is one-time, cold weather, the gas prices spiked and so you're basically paying peak prices with very short-term notice. So that was our portion of the costs associated with Riverdale and it would be a nonrepeat.

And maybe relative to Investor Day, I'll start and then John, of course, add in. As you think about Investor Day and what we want to share, if you think about John's vision and our road back to \$300 million in cash flow and 15% return on invested capital, we're going to share the things -- our path to get there, right? We'll share the things that we're going to do across our business for lean, the things we're going to do digital transformation and the things we're going to do for customers to drive value in operations. And I think that is above and beyond, especially considering where we are today.

John, will you add to that?

John Sims

Chief Executive Officer

Yes. Just to add to that, it's also -- we really haven't had an Investor Day since we spun from International Paper, which is a long time ago now. But -- so we felt with the transition to me as the new CEO, it's very appropriate to be able to come out and have meetings at Investor Day with investors where we can talk about, as Don said, what is our strategy? I think it's pretty clear. We said we haven't changed it. But now how do we -- by region and what are these initiatives that we're just talking about in terms of lean digital transformation and other efforts that we believe support and execute our strategy to grow earnings and cash flow. So that's the reason we're going to do that, George.

And then finally, back to your question around dropping the quarterly guidance, I think it really still goes back to why we even dropped the full year guidance is that we're going to continue to provide a lot of detail like we did even in this call, but we believe that we don't want to -- we manage the business on a long-term basis. That's how we focus on, not on a quarterly basis. Of course, we're measuring and following our results daily in terms of our -- how we're tracking against our longer-term plans, but our belief is that this aligns more with what we're seeking, which is quality long-term shareowners who share our vision for long-term value creation.

George Staphos

BofA Securities, Research Division

John, I take the answers and ultimately, it's up to you to run the company as you and the Board see fit. But running a company on a long-term basis and providing guidance, frankly, are 2 separate topics. And again, respectfully, you should trust that the investors and analysts take your assumptions and your guidance and then we come up with our own forecast. So I don't think one means you run the company any differently than you would have otherwise for what it's worth. But we appreciate the time. I appreciate the detail. I just want to make that comment, and we'll let you go. Good luck in the quarter.

John Sims

Chief Executive Officer

We appreciate your comment. Thank you, George.

Operator

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

Hans Bjorkman

Vice President of Investor Relations

All right. John, a lot we covered. I'll leave you one more shot to just kind of close up to wrap up the day.

John Sims

Chief Executive Officer

Thank you again, everybody, for joining this call. I think 2026 is going to be an exciting year for us. We will be executing our most significant investment in our Eastover mill and that will drive a lot of value in the years to come. We are also beginning our lean transformation, focusing on exceeding our customers' expectations and driving improvement across our operations as well as making significant progress on our digital transformation.

As I said, we are focused on long-term value creation and we will generate strong and sustainable results by diligently executing our flagship growth strategy and adhering to disciplined capital allocation principles.

As industry conditions turn, and they are, our capital spending normalizes and the benefits from our investments begin to materialize, we have the potential to generate annually greater than \$300 million of free cash flow at greater than 15% return on invested capital. Thank you again for joining the call.

Hans Bjorkman

Vice President of Investor Relations

Thanks, everybody. We appreciate your interest, and we look forward to the continued dialogs over the coming weeks and months. Have a great day.

Operator

Once again, we would like to thank you for participating in Sylvamo's Fourth Quarter 2025 Earnings Call. You may now disconnect.

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