

Paper/Forest Products

Pkgg/Paper Wrap-up, Daily – 3/13/24: Wood prices higher; GP idles fluff mill

Industry Overview

Futures Tracker

Exhibit 2: Lumber Futures generally up

Summary of lumber futures w/w

	Date	Price	w/w (%)
Lumber (\$/bft)			
Lumber (CME \$/bft) Mar 24	13-Mar-24	\$575.00	0.1%
Lumber (CME \$/bft) May 24	13-Mar-24	\$613.50	1.2%
Lumber (CME \$/bft) Jul 24	13-Mar-24	\$623.00	1.5%
Lumber (CME \$/bft) Sep 24	13-Mar-24	\$634.50	1.4%
Lumber (CME \$/bft) Nov 24	13-Mar-24	\$640.50	1.3%

Source: FactSet as of 3/13/24 intraday, BofA Global Research

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RL Midweek shows higher wood pricing

Random Lengths' (RL) Midweek report showed that the Framing Lumber Composite increased \$10/MBF to \$421/MBF compared to midweek prices reported on March 5th. Random Lengths noted most mills were able to maintain or move quotes slightly higher despite a more stable 'quiet' sales pace. The CME lumber futures were generally higher by 1% to 1.5% compared to last week. Meantime, the Structural Panel index was up \$26/MSF at \$630/MSF. In oriented strand board (OSB), North Central prices were up \$25/MSF at \$450/MSF and South East prices were up \$70/MSF at \$465/MSF. RL cited that prices were higher across all producing regions given limited open-market volume which allowed mills to secure strong premiums. As for plywood, prices were up \$7/MSF at \$619/MSF (West/East average). According to RL, plywood prices were higher across the regions and some order files were said to be extended into early April.

Georgia-Pacific idles fluff mill, c/b small positive for IP

Fastmarkets RISI reported that Georgia-Pacific (GP) plans to temporarily idle its Brunswick, GA mill resulting in a ~92k tonnes/yr. reduction of fluff capacity for 2024. Georgia-Pacific plans to temporarily idle the Brunswick mill to rebuild its recovery boiler in two phases. The first phase will take place in March (3 weeks), while the second phase (2 weeks) will take place in the Fall. According to RISI, the company expects the project to conclude by October 2024. For now, we believe the stoppage will have a modest positive impact on the overall supply/demand backdrop for North America in fluff, and for Buy-rated International Paper (IP). Recall, too, that GP upgraded lines in the Alabama River Cellulose mill in order to swing production from southern bleached softwood kraft (SBSK) to 100% fluff.

13 March 2024

Equity
United States
Paper/Forest Products

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Exhibit 1: Paper/Packaging Research

Summary of recent BofA notes

	Date	Link
Notes		
Weekly	11-Mar	Pulp markets review: Key news
Weekly	5-Mar	BofA Global Ag & Materials Conf.
Weekly	23-Feb	Earnings Review ahead of Conf.
Weekly	16-Feb	Pricing Friday Preview - Feb.
Weekly	8-Feb	The sound and the fury
Weekly	2-Feb	Red Sea Implications
Weekly	26-Jan	Euro Commentary
Weekly	19-Jan	Pricing Friday Preview - Jan.
Weekly	12-Jan	WestRock price hikes
Weekly	7-Jan	Red Sea: Price hikes
Year-Ahead	2-Jan	Year-Ahead Note
Daily		
Daily	7-Mar	Investor Comments
Daily	6-Mar	Wood/Lumber
Daily	12-Mar	Commodity Tracker

Source: BofA Global Research

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Refer to important disclosures on page 3 to 6. Analyst Certification on page 2. Price Objective Basis/Risk on page 2.

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Timestamp: 13 March 2024 01:49PM EDT

Stocks mentioned

Prices and ratings for stocks mentioned in this report

BofA Ticker	Bloomberg ticker	Company name	Price	Rating
IP	IP US	Intl Paper Co	US\$ 36.13	B-1-7

Source: BofA Global Research

Price objective basis & risk**International Paper Co. (IP)**

Our \$42 price objective is based on an average of (a) an EPS forecast of \$2.70 in 2025E and a P/E of 14x, which is consistent with historical ranges, (b) a normalized free cash flow (FCF) estimate of \$1bn, a calculated cost of equity of 10% and forecast rate of growth of 2%, (c) our IP sum-of-the-parts (SOTP) value, based on normal EBITDA, which is an average of historical periods 2016-22 and our forecasts through '25E.

Risks to our price objective are (1) the broader employment & macro picture, (2) paper/board sector volatility & demand trends, (3) wastepaper/input cost volatility, (4) trends in the US\$ and its effect on trade flows, (5) emerging market risk, (6) operational risks related to investment projects, (7) IP's pension, (8) the potential for new capacity to come into the market, (9) potential volatility coming from any future Administration policy changes. Fundamental trends could wind up worse than expected, causing further downside to the shares relative to our PO. Better performance or macro news could cause the shares to perform better than our price objective.

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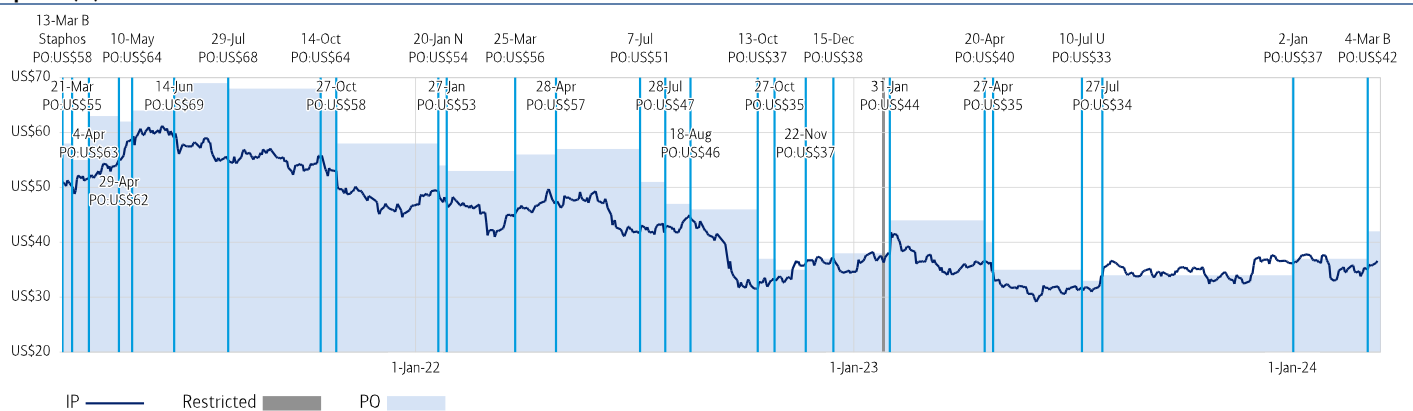
US - Paper and Packaging Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	AptarGroup Inc.	ATR	ATR US	George L. Staphos
	Ball Corp.	BALL	BALL US	George L. Staphos
	Berry Global	BERY	BERY US	George L. Staphos
	Brady Corp. - CI A	BRC	BRC US	Cashen Keeler
	Crown Holdings Inc.	CCK	CCK US	George L. Staphos
	Graphic Packaging	GPK	GPK US	George L. Staphos
	International Paper Co.	IP	IP US	George L. Staphos
	O-I Glass Inc	OI	OI US	George L. Staphos
	Packaging Corp. of America	PKG	PKG US	George L. Staphos
	Pactiv Evergreen	PTVE	PTVE US	George L. Staphos
	Sealed Air Corp.	SEE	SEE US	George L. Staphos
	Silgan Holdings Inc.	SLGN	SLGN US	George L. Staphos
	Sonoco Products Co.	SON	SON US	George L. Staphos
	Sylvamo Corp.	SLVM	SLVM US	George L. Staphos
	WestRock	WRK	WRK US	George L. Staphos
	Weyerhaeuser Co.	WY	WY US	George L. Staphos
NEUTRAL				
	Ardagh Metal Packaging S.A.	AMBP	AMBP US	George L. Staphos
	Greif Inc.	GEF	GEF US	George L. Staphos
	PotlatchDeltic Corp.	PCH	PCH US	George L. Staphos
UNDERPERFORM				
	Amcor Plc	AMCCF	AMC AU	George L. Staphos
	Amcor PLC	AMCR	AMCR US	George L. Staphos
	Avery Dennison Corp.	AVY	AVY US	George L. Staphos
	Boise Cascade Company	BCC	BCC US	George L. Staphos
	Louisiana-Pacific Corp.	LPX	LPX US	George L. Staphos

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Intl Paper Co (IP) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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Equity Investment Rating Distribution: Paper/Forest Products Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	9	45.00%	Buy	8	88.89%
Hold	2	10.00%	Hold	1	50.00%
Sell	9	45.00%	Sell	5	55.56%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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