# Westrock (WRK) Earnings Report: Q3 2015 Conference Call Transcript

The following Westrock conference call took place on November 5, 2015, 09:00 AM ET. This is a transcript of that earnings call:

**Company Participants**

- Steve Voorhees; WestRock Company; CEO
- Ward Dickson; WestRock Company; CFO
- Jim Porter; WestRock Company; President Paper Solutions
- Bob Beckler; WestRock Company; President Packaging Solutions

**Other Participants**

- George Staphos; BofA Merrill Lynch; Analyst
- Mark Weintraub; Buckingham Research; Analyst
- Alex Chi; Goldman Sachs; Analyst
- Adam Josephson; KeyBanc; Analyst
- Scott Gaffner; Barclays Capital; Analyst
- Anthony Pettinari; Citigroup; Analyst
- Philip Ng; Jefferies; Analyst
- Chip Dillon; Vertical Research Partners; Analyst
- Steve Chercover; D.A. Davidson; Analyst
- Chris Manuel; Wells Fargo Securities; Analyst
- Debbie Jones; Deutsche Bank; Analyst
- Mark Wilde; Bank of Montreal; Analyst

MANAGEMENT DISCUSSION SECTION

**Operator**:

Welcome to WestRock's fourth-quarter earnings call.

The material for today's call will be available on the company's website www.westrock.com.

(Operator Instructions)

Today's call is being recorded. If you have any objections you may disconnect at this point.

I'll now turn the meeting over to Mr. Steve Voorhees, Chief Executive Officer. Sir, you may begin.

**Steve Voorhees** (CEO):

Thank you. Good morning. This is Steve Voorhees, Chief Executive Officer. Thanks for taking the time to listen to our call today.

I'm joined this morning by Ward Dickson, Chief Financial Officer; Jim Porter, President of our Paper Solutions business; and Bob Beckler, President of our Packaging Solutions business. We're looking forward to sharing our results for the September quarter of , which is the first quarter for which we're reporting the results of WestRock.

During the course of the call we will make forward-looking statements involving our plans, expectations, estimates, and beliefs related to future events. These statements may involve a number of risks and uncertainties that could cause actual results to differ materially from those that we discussed during the call.

We described these risks and uncertainties in our filings with the Securities and Exchange Commission. These include our WestRock S filing, the most recent -Ks and -Qs, followed by our predecessor companies, the recent form filed to enable the tax-free spend of our specialty chemicals business.

We'll refer to non-GAAP financial measures during the call. You may have noticed in our press release and on page of our earnings call deck that we provided a comparison of our results for the September quarter of to the September quarter of .

This comparison uses the reported results of predecessor companies as adjusted for our new segment and other merger-related accounting items, including application of a consistent method for allocating corporate cost. We've provided reconciliations of these non-GAAP measures to the most directly comparable GAAP measures in the appendix of the slide presentation that is available on our website.

We performed well in our first quarter of operations as WestRock. The most appropriate place for me to start is by thanking all of my WestRock coworkers who have continued to take care of our customers, operate safely, and deliver strong results in a competitive business environment all while working extremely hard to take advantage of the many opportunities that we have as a newly merged company.

We continue to have enthusiastic alignment across the Company about our aspiration to be the global industry leader in consumer and corrugated packaging markets. We're making significant strides in areas that are driving value from the merger, including the integration of our organizations, the realization of the merger-related synergies and performance improvements, the opportunities we have to provide a broad range of paper and packaging solutions to help our customers succeed in their markets.

We reported $. of adjusted earnings per share and generate $ million of free cash flow after adding back the after-tax cost of transaction fees and restructuring cost. We executed exceptionally well in our packaging businesses.

Our North American box business increased volumes by .% on a per day basis in the quarter. This compares to a less than % increase for the industry over the same time frame.

Our containerboard mill system is operating efficiently. The North American corrugated packaging business earned adjusted EBITDA margins of %. The corrugated packaging business in Brazil is operating exceptionally well, and earned adjusted EBITDA margins of % in the September quarter.

Our consumer mill system is also operating well, and we're implementing published price increases across the recycled branch. There is positive momentum in folding carton, home health and beauty, and merchandising displays, and I'll have more color on each of those shortly.

Specialty chemical sales of activated carbon and asphalt additives were at record levels. But those gains were more than offset by lower sales to oil fuel drilling and industrial markets. EBITDA margins were .%. Ingevity's initial form was filed on October .

We're targeting an approximate March , , spend date. We're progressing toward our $ billion in annualized synergy and performance improvements to be achieved by the end of FY.

We generated annualized run rate savings at the quarter end in excess of $ million, and we expect annualized run rate savings of at least $ million by the end of FY. We're executing on our disciplined and balanced capital allocation strategy.

We ended the quarter at . leverage, slightly under our stated target leverage ratio of . to . times. We completed the SP Fiber acquisition on October .

The Dublin, Georgia mill is an excellent asset and provides a valuable product mix and adds logistical flexibility within our system. The Newberg, Oregon newsprint and containerboard machines were idled in our first month of operation due to market conditions in newsprint and our need to balance supply and demand in our containerboard mill system.

We continue to expect performance improvements in excess of $ million over three years for the transaction to be accretive in the second half of FY. On October we announced the formation of a joint venture with Grupo Gondi for our packaging businesses in Mexico.

Gondi is a high-quality paperboard manufacturer and packaging converter for many local and global brand name customers. Our partnership will help grow our presence in the attractive Mexico market.

We expect to begin operations as a joint venture as soon as we receive Mexican regulatory approval, which we expect will take to months. We repurchased approximately . million shares in the quarter at an average price of $..

We were and continue to be limited in the number of shares we can buy as a result of our need to maintain at least a .% ownership interest by legacy and WB stockholders as of July , . This continuity of ownership is necessary to preserve the tax free separation of the specialty chemicals business from WestRock.

We have been and are able to buy back shares up to the exact overlapping investor ownership of our predecessor companies at the specific fund level as of July . We have sufficient repurchase opportunity available to us to operate within our target leverage ratio range.

I will now provide more details on our overall results and performance in each business segment before turning it over to Ward, and then I'll come back to provide thoughts on the outlook for our December quarter. When we compare WestRock's results in the September quarter to combined recast results in the same quarter of last year, sales declined by $ million, or %.

This decline was largely comprised of $ million of unfavorable foreign currency translations and $ million of revenue from the European tobacco converting business sold earlier in the year. Adjusted segment EBITDA, net of corporate cost, declined by $ million compared to last year due to foreign currency translation impacts of the $ million, the absence of the $ million gain we reported last year due to the write up of spare parts inventory in our mill system, and $ million in the lower pension income.

WestRock's credit agreement EBITDA and EBITDA margins are at last months are in excess of $. billion and .% respectively. Let's turn to each of our segments.

WestRock's corrugated packaging team performed well in the September quarter, especially considering the headwinds we faced in the quarter from a weaker global economy and a stronger US dollar. Net sales declined by $ million, or .%.

On a constant currency basis sales were up by $ million, or %. Of the $ million in currency headwinds about one-half was in Brazil, one-third was due to the Canadian dollar, and most of the rest was the Mexican peso.

Segment income was lower by $ million, with $ million of that related to the write up of spare parts last year and $ million related to currency impacts in Canada, Brazil, and India. Overall segment EBITDA margin was .% with our North American corrugated margin at % and our Brazil margin at %.

As I referenced earlier, our North American box volumes increased by .% compared to last year, and box pricing in North America was stable. Our box system has been very successful in the market by focusing on quality and on-time delivery in combination with innovation that's relevant to our customers' needs.

This approach has enabled us to retain existing customers and grow our customer base over time, including gains in the quarter with customers for protein and processed foods, snacks, dairy, and e-commerce. Our success has been and will be defined by how well we operate on a day-to-day basis in each of our plants and with each of our customers.

The scale of the WestRock organization has supported our local success to our capital investment, our investment in people, and connecting our coworkers so as to make it easier to share knowledge on how to succeed across the Company and with our customers. We've continued our volume growth in October by increasing sales on a per day basis by more than % over last year.

Our North American corrugated shipments in the quarter declined by , tons compared to the June quarter, and , tons, or .% compared to last year. Export volumes declined by , tons compared to last year.

Our overall export pricing declined $ per ton compared to the June quarter and $ per ton compared to last year. Prices of containerboard to third-party domestic customers have been within a $ per ton range since the summer of .

We took approximately , tons of downtime during the quarter, all except , tons being economic downtime. In October we took about , tons of downtime in our corrugated mill system, with approximately , tons being economic downtime, the remainder being maintenance downtime at our Florence mill.

We've consistently operated our system in a way that balances production with our customer demand. We plan and schedule this downtime on an ongoing basis and take actions as needed, including slowbacks, economic downtime, maintenance downtime, and permanent closures.

Our goal is to pursue the actions that we believe will optimize our mill system thus producing the best economic and operating results for WestRock and our customers. We don't publicly announced our actions.

We communicate our plans to the employees, customers, and suppliers who will be most directly impacted. This past month as an example of this planning and execution as we took action on several facilities.

With the October completion of the SP Fiber transaction, we were able to reassess our overall mill system to determine the optimal way to meet our customers' demand. Following this assessment, we announced indefinite downtime in both Fernandina Beach and Uncasville to immediately match our production to customers' orders.

The following week we announced the permanent closure of the , ton Coshocton, Ohio mill which will occur in late November to provide an orderly mill closure and consumption of raw materials such as chemicals, wood, and recovered fiber. The closure of Coshocton will reduce our annual operating cost by $ million and avoid an additional $ million annually in maintenance capital expenditures.

The same week we announced an indefinite idling of our Newberg mill due to the unprofitable nature of the newsprint business and an inadequate order book on containerboard and bag [rigs]. The mill will be idled in mid-November.

We retain the optionality on the two excellent paper machines at Newberg in the event west coast demand warrants a restart. All of these actions have been well planned and executed and went according to our expectations.

When we take economic downtime we communicate that it is indefinite because the period of downtime may change with market conditions or lead to a permanent closure. We will continue to operate our system focused on our customers.

Our plan is to take , tons of maintenance downtime in our corrugated mills during the December quarter. The Fernandina Beach paper machine has been restarted.

The Huntsville mill is being restarted mid-month as planned to meet our customer demand. We're currently operating with , tons more inventory than we operated with one year ago.

This additional inventory has helped improve on-time delivery and customer satisfaction with both our internal and external box plan customers, and has also reduced logistics cost. These benefits far outweigh the carrying cost of increased investment and inventory.

Based on our forecasted sales and major maintenance and capital downtime plan, our containerboard inventories will gradually build an additional , tons from the end of September until they peak in January/February time frame. Then we would expect them to return to our current level over the following few months.

In Brazil the economic situation continues to be challenging, and our great team in the regions managed to continue to deliver very strong results including adjusted EBITDA margins of .% and sales growth of % on a local currency basis. While industry box demand declined by more than %, we grew box volume by % year over year with strength in proteins, produce, and export markets.

In September our mill in Brazil set new production and shipment records. The interaction between our North America and Brazilian corrugated team has benefited both businesses as we've been able to drive improved productivity at our mills and box plants.

In GDP in Brazil is expected to decline by approximately %. Industrial production is expected to decline by approximately %.

While corrugated business in Brazil is not immune to these challenges, we expect to continue to perform well due to our high-quality assets, customer service, and the differentiation of our virgin-based paper and packaging offerings. In the consumer packaging segment, overall results reflected good commercial and operational execution in the face of some difficult macro headwinds related to the stronger US dollar.

Net sales in the segment declined $ million, or %, when compared to last year. This includes $ million of negative impact from currency.

Adjusted segment EBITDA was $ million lower due to $ million of foreign exchange impact and $ million from the sale of the European tobacco business. Segment EBITDA margins were .%.

In the paperboard markets, our SBS food service volumes grew and our general folding carton and food markets are doing well. Industry SBS backlogs are , tons, somewhat lower than the , tons at the same time last year.

Our backlogs are . weeks. We're making very good progress integrating the Carolina brand that we acquired earlier this year.

Sales during the quarter were at a rate equivalent to , tons per year, and we expect to fully transition manufacturing to our facilities by the end of December. One of the first opportunities from the merger was to integrate SBS tons into our folding carton system, and we're already more than halfway to achieving a full annual run rate of , tons by the end of December.

During the quarter these domestic SBS shipments more than offset softer exports for tobacco and liquid packaging grades. Industry backlogs for coated recycled board remained strong at approximately , tons, which is more than % higher than this time last year.

WestRock's CRB backlogs are greater than % -- four weeks. We are moving production of our millennium board product from our Dallas and Strasburg mills to the Mahrt mill.

We're backfilling both Dallas and Strasburg with additional CRB business. Demand for CNK remains solid, and our backlogs are nearly weeks.

Mill shipments grew by more than %, supported by growth from our beverage system. In North America we largely offset declines in carbonated volumes with gains with our larger brewer customers, continued growth with craft brewers, and gains in water.

In Europe we saw stronger sales with our larger brewer customers. On the Asia-Pacific region we saw improvement in carbonated soft drinks and dairy packaging. Our broader folding carton business also performed extremely well, with share gains in new business in categories such as on-the-go foods, offsetting declines in areas such as cereal.

Our general folding carton volumes were up % during the quarter, a fifth straight quarter of year-over-year growth. Our operational performance in our carton facilities was also strong, with better plant loading and efficiency gains.

Our home health and beauty business improved income and margins due to favorable mix from sales of trigger sprayers and healthcare dispensing systems as well as productivity gains. And in our merchandising displays business, we saw a strong rebound with quarterly earnings up % over the prior year.

After a challenging year that included some sales decline, we're seeing signs of growth and a strengthening market for promotional displays. Our decisions over the last couple of years to strategically invest capital to lower our cost has had a significant positive impact.

We've invested in our innovation platform and that's supporting our growth in new markets, including recently earning awards of new business that helped end the year on a very positive note. Many of our customers are learning more about our capabilities.

We've taken advantage of these opportunities to discuss our full product line and to learn about our customers' objectives so we can develop paper and packaging solutions to help our customers meet their objectives. Specialty chemicals business continues to perform well in the face of the slowdown in drilling and other industrial activity.

Adjusted EBITDA margins remain very attractive at .%, even if sales declined by $ million compared to last year. Ingevity is starting up a new activated carbon plant in China this quarter and expanding our pine chemicals plant in Brazil at the first of the year.

The activated carbon plant in China will provide needed capacity for a global system that supports the growing automotive sector. We're making good progress in qualifying the new production with our automotive customers in Asia and beyond, and expect sales to ramp up in the first half of next year.

The December quarter is seasonally the softest quarter for specialty chemicals. This is principally due to the winter slowdown in the road paving activity. We expect continued challenges in the oil field sector, which impacts the segment sales levels and margins.

I'm very pleased that both Michael Wilson and John Fortson have joined Ingevity as CEO and CFO respectively. They both bring tremendous and highly relevant experience to the business.

We have confidence in their ability to lead Ingevity through these challenges and into a period of growth as an independent company. The spinoff of Ingevity is moving forward.

The initial form was filed and we're targeting an approximate March , , spin date. The land and development business continues to make good progress on their major projects in the Charleston region.

The business had a fantastic quarter from a revenue standpoint, with $ million in revenue including a $ million gain related to the -- sale for $ million related to the ,-acre site that Volvo acquired to build their new US manufacturing facility. But due to the impact of purchase price accounting revaluing their existing projects to fair value, they lost $ million on a GAAP basis.

The step up in book value had a $ million negative impact on the segment income in the quarter. This marking to fair market value of our land portfolio in this business will reduce future profitability on existing projects, but does not impact future cash flows.

As part of the valuation work, we have developed a project-by-project valuation of the partnership which for our share is over $ million. The experienced team in this business is executing on a plan to maximize this potential value.

We're considering ways to monetize that value at a faster pace. With that, I'll turn the call over to Ward Dickson. Ward?

**Ward Dickson** (CFO):

Thank you, Steve. Looking at our segment EBITDA, the productivity initiatives we have in place are working to offset inflation and FX. Productivity and synergies drove $ million in earnings improvement.

FX was a negative $ million headwind, with much of that in Europe and Brazil. And the total impact of inflation of labor and commodities for the segments and corporate was $ million.

The change in labor and benefits was approximately $ million, and there was $ million of combined deflation in commodity and other cost categories. The total impact of price and mix changes was minimal in the quarter.

Corrugated packaging had positive price mix variance in part due to stable domestic box pricing, higher prices in Brazil, lower volumes of exports and domestic tons shipped, and an increase in the higher margin box shipments. There was a some decline in price and mix in the consumer packaging grades and specialty chemicals.

Non-cash pension income was $ million lower than last year due to, among other things, lower return on asset assumptions as we derisk our pension plans. The nonrecurring amount of $ million includes $ million from last year's spare parts gains that didn't recur this year.

We made significant progress during our first quarter as WestRock toward our $ billion synergy and productivity improvement target. We entered the quarter at a run rate of $ million in savings and exited at an annualized run rate in excess of $ million, which exceeded our expectations at the beginning of the quarter.

This is a significant objective that will take a lot of work over the next three years to capture. Our entire organization is focused on meeting these objectives, and we have consistent monitoring and processes in place to make sure we stay on track so we are confident in our ability to reach $ billion by the end of FY.

We estimate that we will be at an annualized run rate of at least $ million by the end of the FY. Our total SG&A costs for the quarter were $ million, or % of sales.

However, this total includes $ million in ongoing merger and acquisition-related intangible amortization costs that flow through the $ million depreciation and amortization line on our cash flow. Excluding intangible amortization, our SG&A costs are running at .% of sales and will trend lower as we execute on our synergy and performance improvement program.

We have completed our work to allocate corporate costs to the appropriate business units all the way down to the costs in our level. The full cost allocation brings further visibility into spending and business unit profitability.

When comparing legacy RockTenn and MWV, approximately % of RockTenn's corporate costs were allocated to the business units, and MWV was approximately % allocated. There was also some geography changes in the allocation market at some legacy MWV manufacturing site costs for non-production activities in the amount of $ million were moved from cost of goods sold to SG&A.

And as Steve said, we have included slide that provides a reconciliation of reported to recast segment income and EBITDA for Q FY for comparability purposes. We ended the quarter with $. billion in reported debt, and included in that figure is approximately $ million in fair value step up to the market value of the legacy MWV data.

The notional amount of what we owe under our debt obligations are approximately $. billion. Our balance sheet is in great shape as we have $. billion in available liquidity to support our strategy, and very few maturities over the next several years.

Our leverage ratio ended the quarter at . times. Our pension plans are in great shape, and we ended the fiscal year with almost $ million in combined GAAP funded status surplus in our qualified US and Canadian pension plans.

The US plans were over-funded by more than $ million, and the Canadian plans were under-funded by more than $ million. The over-funding in the US plans gives us options as we think about derisking our balance sheet.

Slide number has a number of key financial items to help in modeling our performance. Depreciation and amortization will continue to be approximately $ million on a quarterly basis, and of that total intangibles amortization is approximately $ million.

Our CapEx is still estimated at $ million for the full year. The pension income of $ million represents both the qualified and non-qualified plan amounts. Our book tax rate should be in the range of % to % for the December quarter.

The September quarter effective tax rate of % was lower than our forecast due to the discreet items primarily at the state tax level. We're planning scheduled maintenance downtime within our corrugated mill system of , tons during the quarter.

Other items incorporated in our tax position also included $. million of non-tax deductible restructuring fees. Cash pension contributions into our qualified pension plans are approximately $ million in FY, with almost all of that going into our Canadian plans.

Our non-qualified, or surplans, will require additional cash funding of approximately $ million this fiscal year. We have $ million in state, federal, and foreign NOLs and $ million in AMT and other federal credits. Now I'll turn it back over to Steve.

**Steve Voorhees** (CEO):

Thanks, Ward. Looking to the immediate future there is a number of items that will impact our performance in the December quarter as compared to the September quarter. We'll see benefits from our performance improvement initiatives in our domestic box and folding carton businesses continue to do well compared to the market.

Energy prices are lower, which is a positive for us. There are three less shipping days this quarter, and the December quarter historically has lower seasonal sales volumes than the September quarter.

Maintenance and economic downtime will have a negative earnings impact. The euro and Brazilian real have both softened from September averages, and we expect to return to normal tax rates.

Considering all of these items in the quarter, we expect sales and earnings to be lower in the December quarter as compared to last quarter. Looking further out, WestRock aspires to be the global leader in corrugated and consumer packaging.

The first step for WestRock to achieve this aspiration is to combine and integrated organization and in the process capture $ million in merger-related efficiencies and productivity improvements. We're on the road to capture this opportunity over the next three years.

We've made a lot of good progress in our business in just four months. We've made progress building our culture at WestRock, progress making our operations more efficient, and more importantly progress teaming with our packaging customers to grow their share in the marketplace.

While paper and packaging are very effective businesses, the global economy, a strong U.S dollar, and intense competition challenge us across our businesses. We are responding to these challenges with urgency, both to deliver short-term results but also to keep our eye on the long-term opportunity we have within our sights.

I remain enthusiastic about the opportunities that are ahead of us, and believe we're making excellent progress in the long term value accretion opportunities we have as WestRock. That concludes our prepared remarks.

Jim, Bob, Ward and I are now ready to take your questions.

QUESTIONS & ANSWERS

**Operator**:

(Operator Instructions)

George Staphos, Bank of America Merrill Lynch.

**George Staphos** (Analyst - BofA Merrill Lynch):

Good morning, thanks for all the details. My two questions are going to center around consumer. I guess the first question I had broadly is there a way to quantify what kind of benefit you expect to get from the insourcing of Carolina, and for that matter the integration benefit you mentioned in cartons I think is something to the tune of , tons, and how that will begin to play out in the quarters?

**Steve Voorhees** (CEO):

The integration of Carolina, we're going to begin producing those as rapidly as we can. We think we'll be up by the end of the December quarter. So right now we're at a run rate of , tons. So you take the incremental benefit of that times incremental margin and this can really speak to pricing and margin with respect to that.

And it's pretty much the same song second verse on the folding carton business. I think we have integrated that.

I think in October we integrated , to , tons into our system already. So we're well on our way to the , tons which we said in the comments we'll be at , tons by the end of December.

**George Staphos** (Analyst - BofA Merrill Lynch):

Steve, just point of clarification, I missed this. Are you currently at the , tons run rate right now, or are you going to there by the end of the quarter?

**Steve Voorhees** (CEO):

We said we'd be there by the end of the quarter. I saw some information in October, I think we are just about there now. But now is close to the end of the quarter.

**George Staphos** (Analyst - BofA Merrill Lynch):

Second question again around consumer, a couple of parts to it. With carton volumes up and merchandising strong certainly versus our model, do you think that we're finally seeing the pick up in the consumer we've been waiting for it seems like for a long time? And related if you can, do you have any shipment statistics for all of the boxboard grades within consumer? Thank you.

**Steve Voorhees** (CEO):

We don't have the shipment statistics for the boxboard grades currently at hand, and I think we're looking at it through a higher [disclosural work]. I think it's just open as to what it would provide those in the future.

As far as trends in the market, it's hard to talk about a turnaround, but our volumes have been very strong in folding as we said. And on display I think we have seen a noticeable pick up in promotional activity from many of our customers. I think that has been noticeable and that has helped us drive the results that we've talked about in this quarter.

**Operator**:

Mark Weintraub, Buckingham Research.

**Mark Weintraub** (Analyst - Buckingham Research):

Thank you. A couple of questions on the containerboard side. The first thing, I appreciate the details on the decisions you made on the footprint.

There was a little bit of confusion there. I realize that the reports were coming from the media, and so again the clarification from you is very helpful.

But people were a little bit uncertain as to why the two mills they were -- at least through the media it was conveyed as indefinite closures and then fairly quickly that the mills were back on. And the outside view is that it's fairly unusual and maybe that's just not understanding how you guys typically convey information, et cetera. But if there's anything you can do to clarify what was going on, that would be helpful.

**Steve Voorhees** (CEO):

Okay. So I'm going to let Jim Porter respond to that.

**Jim Porter** (President Paper Solutions):

Good morning, Mark. First of all, we have a large system with mills now and we operate that system very focused on providing our customers with good service, on-time delivery, and superior products while balancing our supply with demand. So we're constantly in a situation of designing the optimal portfolio and production capacity to meet that demand.

And with the addition of the SP Fiber acquisition, which we were delighted to close October , gave us the opportunity to really reassess our containerboard system and to make some important moves utilizing those excellent assets at Dublin to better optimize our supply capability to our customers and improve our cost structure. So we were able to immediately take some capacity -- production capacity out with the indefinite idling of the Fernandina Beach paper machine and the Uncasville facilities followed quickly by the announcement of the permanent closure of the Coshocton mill, which takes some time to properly close in order to provide an orderly shutdown and to optimally consume chemicals, raw materials, fiber, wood, et cetera.

And we also then followed that same week with the indefinite idling of the Newberg facility because of the weakness of the newsprint markets and to again balance our supply/demand scenario. All of those decisions were executed to improve our capability to serve our customers and to improve our cost structure.

We now are able to bring back the Fernandina Beach facility, which is an excellent paper machine producing high-quality virgin containerboard for our domestic and international markets. And the Uncasville recycled mill will also return. So that's -- we operated that balancing in a way that supported our customers well and improved our cost structure, and that's the types of activities you'll see us focusing on in the future.

**Mark Weintraub** (Analyst - Buckingham Research):

Great. And so am I right to interpret that the initial moves were on the indefinite closures on the two facilities which then were restarted, it was a fluid situation and it depended on what was happening with some of the other facilities had an influence on what the status of those initial moves were ultimately going to be?

**Jim Porter** (President Paper Solutions):

Exactly. As I shared we're always in a position of balancing supply/demand through a combination of maintenance and capital down times. You'll see we reported in this last quarter we only had , tons of maintenance downtime in the September quarter, whereas in the prior quarter was a little over , tons of maintenance downtime.

And we've just shared than in the December quarter we'll have , tons of maintenance downtime. You can see within our system the balancing of capacity with demand is one in which we use the levers of maintenance downtime, flowbacks on certain paper machines, and the indefinite idling of others and in some cases permanent idling. We have mills that are operated in a way that we manage those paper machines production to demand.

**Steve Voorhees** (CEO):

Mark, the English language is just the English language and people interpret the same words differently. I think when we say indefinite we just mean not definite.

Because we really don't want to create expectations that are -- we don't want to create unnecessary expectations. So when we said indefinite I think we've had a meaning that just was not -- was picked up differently than at least the communication that we had.

But I think Jim has covered the logic. And I think that's about all we can say on that.

**Operator**:

Alex Chi, Goldman Sachs .

**Alex Chi** (Analyst - Goldman Sachs):

Good morning, everyone.

**Steve Voorhees** (CEO):

Good morning.

**Alex Chi** (Analyst - Goldman Sachs):

We're looking at the North American containerboard segment. You actually provided specific earnings numbers for that segment as part of corrugated. And as I look at the September quarter it didn't show the improvement that we saw in the first three quarters of the fiscal year.

And I'm curious if there's anything else in the number that resulted in that? I know it had a really good year, so was there some incremental incentive compensation that was paid out at the mill and converting level or and anything else that maybe was in this quarter that didn't show up in the previous ones?

**Ward Dickson** (CFO):

We did have some sequential increases from Q to Q, and our fiberglass had been moderating. So on a year-over-year basis we certainly were having dramatic benefits and reduced OCC, and they actually increased sequentially from Q to Q. And we sold fewer tons.

**Alex Chi** (Analyst - Goldman Sachs):

Right. And just on that question around the tons and also demand, so your box shipments are up %, which is the majority of the tons. You said your exports were down, the number in the ,s, but that would imply a very material drop off in tons to domestic customers.

Can you talk to that a little bit and what is happening there? And then just as a follow on demand, you said October shipments were up % this year.

Can you say what October was up last year, the genesis being are you putting up % on top of really good growth from last year? And I will stop here and turn it over. Thank you.

**Steve Voorhees** (CEO):

I will let Jim talk about the domestic paperboard transition. But the box business has been performing very well on a volumetric basis for the past year.

What October was up, I just don't have that number in my head. I think John can get it for you after the call. We've had very consistent I think strong volume growth in the box business for strong execution by that team in the marketplace.

**Jim Porter** (President Paper Solutions):

The question was what was the mix of our business in the quarter? I'm not quite sure exactly the question.

You mentioned export shipments being down. Yes, in that quarter they were down , tons, and yet internally due to our stronger corrugated box shipments, we had greater containerboard flowing through our internal channel. And yes a somewhat lower shipment to our domestic customer market and a slight increase in inventory.

But the balance within our system is one in which we constantly look at our three channels, internal corrugated, external domestic, external international, and that's how we manage the system. So I'm not sure if that answered specifically your question.

**Steve Voorhees** (CEO):

Just a question this quarter I think Alex looked like he was looking for the reduction of our domestic shipments quarter over quarter. That's approximately , tons.

**Jim Porter** (President Paper Solutions):

, down export, , domestic, up in our internal channel in the mid-,s.

**Operator**:

Adam Josephson, KeyBanc.

**Adam Josephson** (Analyst - KeyBanc):

Thanks. Good morning, everyone. Jim, just a couple for you. Just back to exports for a second.

On the last call you talked about seeing strong kraft linerboard markets around the world and you talked about export prices firming, and your exports I believe are up % year over year. Obviously this call you've talked about exports being down from a year ago and prices being down both sequentially and from a year ago. So can you help us understand what changed in the quarter with respect to export volumes and prices?

**Jim Porter** (President Paper Solutions):

Global demand continues to be solid. We really see across all of the global markets demand is there.

The impact of currency, however, has been pretty radical. And I certainly would not have forecasted the significant movements in the global currencies and the impact on price which gives us the challenge of choosing where we -- which markets of the world that we operate in.

And fortunately we have a broad portfolio of customers in North America and across the globe to be able to serve. And you've seen us making those decisions in this past quarter accordingly.

**Adam Josephson** (Analyst - KeyBanc):

Got it, Jim, thanks for that. And just not to beat a dead horse here, but in terms of what happened in October, have you previously taken either recycled mills or kraft linerboard machines down for just a couple of weeks in this case?

It just seemed from the outside to be a very short time to take those mills/machines down. But obviously we don't know what's going on internally. Was it at all demand related or was it just -- is that typical for you to do, to take machines down for just a couple of weeks in this case?

**Jim Porter** (President Paper Solutions):

Absolutely. We've been operating for the past several years matching supply with demand and we've got a great containerboard system and a wonderful portfolio of customers, but we have more installed capacities than our customer base. And so we're always optimizing our production capacity to meet demand.

And you have seen us indefinitely idle a number of our paper machines, both version and recycled, and we are always operating in a mode. In some cases we're slowing assets back so that this frankly was a very usual type of behavior, particularly in a quarter where we have very low maintenance and capital-related downtime.

**Adam Josephson** (Analyst - KeyBanc):

Jim, just one last one, can you talk about what the cost of market downtime is for the Company and how you calculate that cost? And separately what the cost of the Coshocton closure will be? And thank you very much.

**Steve Voorhees** (CEO):

With respect to the cost of downtime, there is all sorts of different ways to look at it. I think if you're looking at the impact on our financial statements and you want to model something, I think using something in the range of $ to $ per ton should do it.

I don't have the cash cost of the Coshocton closure. I just don't have it in my head.

**Jim Porter** (President Paper Solutions):

I don't either. The benefit is approximately $ million in reduced cost, and the capital avoidance impact, which on average is approximately $ million a year.

**Operator**:

Scott Gaffner, Barclays.

**Scott Gaffner** (Analyst - Barclays Capital):

Good morning. Just following up on the export shipments for the corrugated business.

If I heard you correctly it sounded as if you pulled back on exports not because of demand, but more because of price realization in the export markets. And if so which markets did you end up pulling back on specifically?

**Jim Porter** (President Paper Solutions):

The global markets are ones, as in all markets in which there's a range of pricing in each of those markets in the world, and we make decisions to serve our customers and maximize our profitability. And there's really no specific market that we avoided.

We just optimized our mix. We really don't share specificity relative to those issues.

**Scott Gaffner** (Analyst - Barclays Capital):

Okay. But the demand was there, you just chose to serve certain markets versus others. Correct?

**Jim Porter** (President Paper Solutions):

Each of the economies of the world certainly have their own demand variation. But in total the global demand for North American virgin containerboard, virgin containerboard period, remains quite solid. And we constantly try to optimize our mix through the three channels that we sell to.

**Scott Gaffner** (Analyst - Barclays Capital):

Okay. If I look at the $ million of run rate synergy realization that you had in the quarter, it's exactly what you said you were going to do. You went out. You did it.

But anything in there within the $ million that surprised you to the upside? And anything to the downside as you work through the integration synergy realization process?

**Ward Dickson** (CFO):

Adam, this is Ward. I think we're pleased with our progress so far. If you look at the profile, as we talked about on the call last quarter we entered the quarter with a $ million run rate.

We're clearly getting the benefits related to consolidation of some of the corporate overhead pools. I would say that we've achieved about $ million of the $ million that we originally anticipated in the merger-related synergies.

And then I think we're off to a very good start both in the procurement organization and then some of the internalization discussions that we had across both the mills and our packaging organization. So we were -- if I gave you a number we were right around $ million is what we achieved in the quarter.

That was the annualized exit rate that we achieved. And as we talked about we're tracking it project by project. And now that we have P&Ls at the plant basis across the whole Company, we are now building the linkages between the synergy projects and the plant P&Ls to make sure that we're actually realizing the benefits through our earnings.

**Operator**:

Anthony Pettinari, Citi.

**Anthony Pettinari** (Analyst - Citigroup):

Good morning. I had a follow up on the corrugated business and specifically Brazil. I was wondering how much Rigesa exported in the quarter and maybe what percentage of production you can export from Brazil? And then does Rigesa compete in the same export markets as your North American system, or do you just talk about how those two systems meet each other in the global market?

**Jim Porter** (President Paper Solutions):

We can assume within the Brazilian corrugated system approximately , tons a quarter. And we sell domestically and export approximately , tons a quarter.

The balance of Brazilian domestic sales and export is split pretty evenly. At the present time because of the currency related impact of the Brazilian real, we are biasing towards international shipments to gain that favorable advantage.

Much of that is in continent, within South America, but there is some that goes into the European markets. And we do look at that in relation to our broader international sales from our North American containerboard business.

**Anthony Pettinari** (Analyst - Citigroup):

Okay. That's helpful. And then in past quarters you've given us updates on the inflation of EVOL in the

US. I was just wondering if you could give us an update there and just generally on the box plan optimization activities that is going on and the legacy RockTenn containerboard system.

**Steve Voorhees** (CEO):

Sure. We're in the process of installing EVOL number and out of . So we're just implementing the program that we talked about. We just chose not to mention it because we already had a lot of content in the call.

The box plant system, the team is working I think exceptionally well and they are delivering great results. Bob, do you have anything to add?

**Bob Beckler** (President Packaging Solutions):

Not much to add to that, Steve. I think it's the combination of both really terrific commercial execution in the box business in North America. As you mentioned in your prepared comments the retention of customers has improved dramatically over the last year with just a focus on operating fundamentals around quality, service, and reliability while we're building a more robust pipeline.

So it's very gratifying that the business continues to outpace the industry as it has over the last year. And just really rigorous a focus on productivity and synergy at the operating level; and the EVOLs are a part of the story, but just a lot of blocking and tackling going on in that business that is leading to really great and improved results at the converting level.

**Operator**:

Philip Ng, Jefferies.

**Philip Ng** (Analyst - Jefferies):

The , tons of maintenance downtime you're taking in corrugated in the first quarter, how much of that is a pull forward? And can you give us a sense of what the cadence is going to be for the rest of the year? And also assuming demand and pricing essentially holds, are you pretty much back to balance and can you frame what kind of economic downtime you plan to take going forward? Thanks.

**Jim Porter** (President Paper Solutions):

First, we don't comment on economic downtime going forward. We've shared that in the October month we took approximately , tons of economic downtime, however I can't comment going forward.

Relative to the , and the December quarter, I think you used the word pull up. I would not characterize there as being any pull up.

That maintenance capital outage downtime schedule is one which we build frankly years in advance to try to hit the cycles of recovery, boiler rebuilds, and the necessary inspections and maintenance regime we needed to execute our business. And that volume is I think with the usual.

Relative to the go forward, we would have somewhat less volume than the , in the next quarter, approximately the same in the third, and very little in our fourth quarter would be the normal cadence for our business. To your question on supply with demand, yes we are matched with supply with demand and it's something we plan for constantly. And it the decisions we make are all focused on supplying our customers in the most efficient manner.

**Philip Ng** (Analyst - Jefferies):

Okay. I guess a question for Ward. The buyback you guys did there in quarter, I think it was a little north of $ million.

Is that a good run rate going forward? I know you're below your leverage target -- or was it more being more opportunistic with the pull back in the market? Thanks.

**Ward Dickson** (CFO):

Sure. As you look at the leverage target had the SP Fiber acquisition closed in the last week of the quarter rather than in the first week. We would have been at a pro forma leverage ratio of . times just shy of the low end of our targeted range.

I think Steve mentioned in his comments that we've got to make sure that we retain the continuity of interest to preserve the tax-free spend. So we've had to actually track the common shareholders at a fund level.

That did constrain us to a bit as we were in the quarter, but we did buy back over million shares in the quarter. I think we've been consistent about executing against our leverage ratio.

I don't think we're tied to the absolute target at any quarter. But I think our actions have been pretty consistent with the capital allocation strategy that we described at the announcement of the merger.

**Operator**:

Chip Dillon, Vertical Research.

**Chip Dillon** (Analyst - Vertical Research Partners):

Yes. Thanks and good morning, Steve and Ward. First question -- and Jim. First question -- and Bob, actually -- is on the depreciation and amortization. Does that include -- the $ million run rate, does that include chemicals, or is that taken out?

**Steve Voorhees** (CEO):

That it does include chemicals.

**Chip Dillon** (Analyst - Vertical Research Partners):

Okay. So that will stay there until the spin actually occurs?

**Steve Voorhees** (CEO):

That is correct.

**Chip Dillon** (Analyst - Vertical Research Partners):

Okay. And then you mentioned the cost that Coshocton was running, that sort of implies that either you were losing money there or -- is that a fair statement? Or at least you weren't really getting much contribution in recent months from that mill?

**Steve Voorhees** (CEO):

I don't think that we can go over that with you, but it was doing fine.

**Chip Dillon** (Analyst - Vertical Research Partners):

Okay. Got you. And then looking at Newberg, I know that the one machine there that was converted to packaging papers I guess loosely defined was not that long ago, I think in March.

I understood the machine had about , tons of capacity. And could you give us an idea of how much of that machine was running medium versus bag paper and other things?

**Jim Porter** (President Paper Solutions):

The mix of business on that machine was pretty evenly split between bag and containerboard, but it certainly was not full. Great paper machine.

Both of those machines really have excellent potential and capability and make a wonderful product. But we just don't need those machines at the present time within our supply/demand balance scenario.

**Chip Dillon** (Analyst - Vertical Research Partners):

Got you. That's clear. Lastly, when you look at the capacity -- actually I think that covers it for me. Thank you.

**Operator**:

Steve Chercover, DA Davidson.

**Steve Chercover** (Analyst - D.A. Davidson):

So it's good to see that your North American containerboard margins are now north of %. However, they are still below that of some of your major competitors. And I'm wondering can that gap be closed with investment, or is it something structural or pertaining to the furnish that you use?

**Jim Porter** (President Paper Solutions):

We work hard on it every single day. And it's a combination of the types of things that we've been discussing relative to getting our portfolio and assets structured in the lowest cost manner.

It's channel optimization of our customer portfolio across the world, it's the business improvement, and operating efficiency enhancement. Literally thousands of things that our team is constantly working on.

And we've got a nice portfolio on the table currently that we're looking forward to delivering on. And over time I would see that gap closing.

**Steve Chercover** (Analyst - D.A. Davidson):

But it's fair to say that improvement in North American containerboard is not really something that we would put into the synergy bucket, correct?

**Steve Voorhees** (CEO):

Generally not. I think there would be some areas to where you would have synergies. We have better scale for providing corporate services.

We have better scale for procurement. But just on the direct, we're not adding North American containerboard assets as a result of the merger. That we don't expect to improve.

I would just add on to Jim's comments of it's a competitive business. We can only improve our system.

I think we have very good opportunities to improve our system, and that was incorporated when we came up with our productivity target. And I feel very good about the team we have working on that and our ability to improve the results in the North American corrugated business. How that translates into our GAAP, I can't really respond to that.

**Steve Chercover** (Analyst - D.A. Davidson):

Okay. And sorry if I'm somehow missing this, but can you clarify how open market purchases of your equity have any implications for the ratio of RockTenn and MeadWestvaco ownership?

**Steve Voorhees** (CEO):

One of the things that we are trying to make sure that we preserve is the tax-free nature of the spin. There is the continuity of ownership that we maintain the .% through the period of the spin.

So we actually had to go down to a fund level and identify those owners that were common share owners on July . And that is the opportunity set for the amount of shares that we've been able to repurchase.

**Steve Chercover** (Analyst - D.A. Davidson):

I understand the importance of maintaining the tax structure. So you actually have to go to the fund level to see whose shares you're buying?

**Steve Voorhees** (CEO):

No, whose shares owned both MWV on July . And one of the elements that we are doing -- we did file a PLR, a private letter ruling request with the IRS about the spin of specialty chemicals. And this is one of the items that we are trying to get a ruling from the IRS that will give us more freedom as we move forward.

**Steve Chercover** (Analyst - D.A. Davidson):

But presumably after March you can just go guns a blazing, right?

**Steve Voorhees** (CEO):

We believe that we have -- right now we have a capacity of about million shares that we can feel even before we get a ruling from the IRS that we have the ability to buy back.

**Steve Chercover** (Analyst - D.A. Davidson):

Very good. Thanks for taking my questions.

**Operator**:

Chris Manuel, Wells Fargo .

**Chris Manuel** (Analyst - Wells Fargo Securities):

Good morning, gentlemen.

**Steve Voorhees** (CEO):

Hello, Chris.

**Chris Manuel** (Analyst - Wells Fargo Securities):

I wanted to maybe come back to the SP Fiber stuff for a second. I have a question around it and I do have a follow up.

But with the SP stuff, could you maybe give us a sense -- I think you paid a little under $ million for it, but what exactly you bought? You have -- there were two locations. What did you have in mills, what was capacity and such there?

And then along those lines as well, what may have changed with dynamics between the time you announced things in August until we got to October? That -- perhaps it sounds like I think my understanding is the majority of it or the bulk of the mills are closed.

**Jim Porter** (President Paper Solutions):

Chris, we're really delighted with the purchase of SP Fiber. And what we bought were four big, wide, fast low-cost paper machines. And it gives us lots of optionality in the production of containerboard grades as well as lightweight kraft bag, et cetera.

So we're really quite pleased with having those assets, particularly Dublin. The Dublin mill, extremely well laid out, very efficient, lot of upside potential for further improvement in their cost structure by operating it as a part of our larger containerboard system.

So we just see exceptional opportunity. The Newberg mill all along with the newsprint production at that mill was one in which we were -- we knew would be challenging. In the newsprint market I think you all understand as well as we do it is on a continuing decline.

So what we have in newsprint in Newberg is the optionality on these two excellent big, wide, fast paper machines that give us the opportunity to consider what future needs may be for those assets. But currently we are indefinitely idling them and that improves the cash flow of the acquisition and the earnings from that case.

**Chris Manuel** (Analyst - Wells Fargo Securities):

Maybe some clarification there. What was the capacity on each of those, the newsprint machines and then the stuff in Dublin?

**Jim Porter** (President Paper Solutions):

It depends on what grade you run them on. But round numbers, you could make up to , tons a piece on each of those machines depending upon what products they are producing.

**Chris Manuel** (Analyst - Wells Fargo Securities):

Okay. That is helpful. And then my second question was during the quarter we had a transaction in the chemical space with Arizona that probably gives us a reasonable look at as packaging analysts and not primarily chemicals analysts, or a reasonable read as to what a multiple might look like for Ingevity. Why or why not might that be a reasonable thing to think about or not?

**Bob Beckler** (President Packaging Solutions):

Chris, this is Bob Beckler. I think you are right in that it's a data point. But you really have to look at Ingevity in the broader specialty chemical space.

And there's just been widespread valuations in that space that are generally still very, very attractive. While we do compete in the space that Arizona Chemical participates in on pine chemicals, I would say we fly at a higher level in terms of targeting premium applications for pine chemicals and derivatives.

For example, the pavement technologies or asphalt emulsifiers that we have in that business, which Arizona largely does not have, are very attractive and performed extremely well. Record sales in the last quarter.

So it is a data point, but I would say there's also a lot of apples and oranges. So I wouldn't take it too literally.

**Chris Manuel** (Analyst - Wells Fargo Securities):

That's helpful. Thank you, guys. Good luck.

**Operator**:

Debbie Jones, Deutsche Bank.

**Steve Voorhees** (CEO):

Debbie?

**Debbie Jones** (Analyst - Deutsche Bank):

Hello there. Good morning. I wanted to talk about the home health and beauty business. It doesn't get a lot of attention on these calls, but you talked I think last quarter about some investment to meet customer needs.

Can you just elaborate on whether that is to grow volumes, what you are expecting in that business? And then also how core is this business to you?

**Bob Beckler** (President Packaging Solutions):

Hello, Debbie, it is Bob Beckler again. Thank you for giving a little attention to what is really a great business in the packaging portfolio.

Steve mentioned in his prepared comments it had a terrific quarter, and they continue to build on this track record of improvement that you have seen in the business over the last two years now which has come from a combination of things. It's been a better commercial strategy targeting more attractive niches in the global market, better plant loadings and better productivity.

And we have made incremental investments in that business that are required to support our customers, our partners with their particular rollouts. So it's all working together and continues to show a very positive trend.

In terms of the fit, question we like it for three reasons. One is the overlap that the home health and beauty dispensing system business has with our other paper and packaging businesses.

Roughly $ million -- $ billion of WestRock sales are to customers that buy dispenser products and other paperboard and packaging products from WestRock. We also have really strong relationships with these customers through the dispensing system business because it is a highly technical and innovative business.

So these are more like partnerships which then we can leverage with our other packaging businesses. And then finally it is a global business, which gives us the opportunity to reach beyond the North American orders. So we still feel very good about the fit and the performance of that business.

**Debbie Jones** (Analyst - Deutsche Bank):

Thanks, that's helpful. If I could one final question, you mentioned earlier you don't make the public announcements on your idle mills. And I appreciate these are difficult decisions, but can you help us understand going forward does it make sense for you when you're managing supply with demand to idle mills for a short duration? Or is this primarily related to the inclusion of Dublin in your system?

**Jim Porter** (President Paper Solutions):

I think as we've shared, Debbie, the levers that we have to balance supply with demand and demand varies. It depends upon our North American corrugated packaging business, global demand, et cetera.

So we have to be flexible in the large system we operate between maintenance and capital downtime, idling, and slowback. So you'll see us operating that flexibility in a way that we think is the optimal way to supply our customers at the lowest cost.

**Debbie Jones** (Analyst - Deutsche Bank):

Okay.

**Jim Porter** (President Paper Solutions):

So short answer you will see us continuing to use those levers going forward.

**Debbie Jones** (Analyst - Deutsche Bank):

Okay. Thanks. I will turn it over.

**Operator**:

Mark Wilde, Bank of Montreal.

**Mark Wilde** (Analyst - Bank of Montreal):

Good morning.

**Steve Voorhees** (CEO):

Hello, Mark.

**Mark Wilde** (Analyst - Bank of Montreal):

Steve, I wondered if we could just kind of take a step back for a minute. For those of us who have been covering the Company for a long time we recall that Smurfit-Stone was a pretty choppy ride for the first months of that deal. Anything you're trying to do differently this time?

**Steve Voorhees** (CEO):

That's a great question. I think yes. But they are very different situations.

Smurfit was literally an acquisition. This is a merger and it's great that it's a merger because one of the big issues we had in Smurfit I'm going to put into the category of culture that we were integrating into our organization.

At the time I was CFO. My job tripled overnight and then the Smurfit organization had not been successful over a long period of time. And that continues to be a lesson for me of how that can really impact a culture.

This merger is very much different because I think most of the people on the call would have known both companies, and WestRock's bringing the best of both companies to the table. We're highly complementary.

I think you could pro forma either company, and I guess we are trying to pro forma both companies going forward. And we've got a tremendous future together, which is better than either company would have on its own.

So depending on which side you're on we can go through and then write the opportunities. But we effectively, from a culture standpoint, we've put a much greater emphasis on that.

And so we're moving beyond this is a merger of two companies that it's a creation of a new company which is WestRock and we're working together. I'm very optimistic about the future of the Company and I think on -- in the call I think we focused a lot on a very discrete set of actions we took, which I think were misinterpreted by the business.

But underlying that I think we are performing at an exceptional level, that we're delivering the merger and performance improvements. Somebody asked about is there -- was there a surprise, and I would like to think that there's an expectation that we're going to go out and get that, but we are meeting that's expectation I'd say with enthusiasm across the organization.

And that's going to end up what we need to do that to be successful. While all that is going on, we have I think each one of our businesses on a day-to-day basis is operating exceptionally well.

I'm very excited about the reaction we're getting from the customers. They are coming to us and asking us what is this about, and we're having conversation, which it's a little bit early to tell what the ultimate tale to tape is, but I think it's going to position us to be a remarkably successful company going forward. So thank you for the opportunity, Mark.

**Mark Wilde** (Analyst - Bank of Montreal):

All right, that's helpful. Listen, I have just as a follow on, a couple of questions around pricing and volume. You had flagged $ million of pricing weakness in consumer packaging.

And then over in pine chemicals you had talked about both pricing and volume pressure from petrochemical-based alternatives. And I wondered if you could just provide a little color on both of those?

**Bob Beckler** (President Packaging Solutions):

Hello, Mark, it's Bob. Let me start with specialty chemicals and then we can come back to consumer packaging. I think as you know having called the business the specialty chemical business that will become Ingevity is a highly flexible business around its refinery system.

And oil field technologies have definitely seen the impact of what's happening in the broader sector. But let me give you a couple of statistics to put it in perspective.

Oil well counts are down about % across the industry year on year, yet our revenue in that specific sector is only down about %. So we're actually taking share in a down market in oil field, which is a market that we really like for its profitability and that's because we just have really great highly differentiated products.

And at the same time we were able to shift business over into industrial specialties. Yes, there's been some pricing movement with the dislocations that are occurring and a very modest offset in volume, but as I said earlier in one of my answers we were able to move into some other areas that help offset that volume decline.

And asphalt pavement technologies has been an example of that, up % versus prior year. So a lot a big movements in the business, but really great effort by the team in managing through what has been a fairly volatile period of time.

And I think it will position them well for the future. Mark, can you repeat your question on consumer?

**Mark Wilde** (Analyst - Bank of Montreal):

Yes. You had flagged $ million of pricing weakness in consumer packaging. So just trying to understand where that is.

We have all heard some reports about weakness in international SBS markets. I'm just trying to understand whether that's the whole story there or whether you are seeing it in some other markets?

**Bob Beckler** (President Packaging Solutions):

Yes, Mark. I think it's both the paper board and converting in answer to your question. We have definitely seen the FX impact to the downside on both revenue and translation back at the profitability.

With paperboard exports less so on the converting siding with the exception of our beverage business, which our beverage multi-pack business is about % outside of North America. And so there has been some FX exposure there as well.

On the converting side, overall if you step back, we are really pleased with how we are performing in our markets. Our volumes are up.

We're managing well in terms of mix and pipeline development with customers, and so overall I think the converting side of consumer solutions is performing well. Anything, Jim, you would add on the paperboard side?

**Jim Porter** (President Paper Solutions):

No, I don't think so. I think we like the positions we're in with respect to our specialty products that supply the high-end initiatives of the paperboard markets in North America and globally. We do feel some pressure from FX, which we're all aware of, but fundamentally the business is operating extremely well and we have a product portfolio that is in demand and we like our position.

**Mark Wilde** (Analyst - Bank of Montreal):

You've got an excellent system. So I just, if I can read through this, it sounds like that $ million is mostly on the mill side and it probably skews to the international trade component of the business. Is that correct?

**Jim Porter** (President Paper Solutions):

It's a good assumption. I think it's somewhat balanced between our -- it's largely international sales across the portfolio of board products.

**Steve Voorhees** (CEO):

We need to provide a better answer. We will do that in the Q that we file.

**Mark Wilde** (Analyst - Bank of Montreal):

That's helpful.

**Steve Voorhees** (CEO):

I think rather than try to -- I think that business has so many elements to it, to try to isolate that specific price risk is a little bit difficult for us right now. So we will include it in our Q, an explanation so everybody will see that. Okay?

**Mark Wilde** (Analyst - Bank of Montreal):

Fair enough. Thank you.

**Steve Voorhees** (CEO):

Thanks, Mark. Operator

**Operator**:

Thank you, speakers. That concludes today's conference.