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International Paper Company Q3 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from the line of Claudia Hueston of J.P. Morgan.

Claudia Hueston - J.P. Morgan

Thanks very much. Good morning.

Tom Cleves

Good morning.

Claudia Hueston - J.P. Morgan

I was hoping you could talk just a little bit about trade flows across your business just given the changes that we have seen in currency and obviously just a globally slower economy. Have things changed at all on uncoated or bleached board or containerboard at this point?

John Faraci

Not, as of yet. Just to remind you, how volatile the currency is. The euro was 124 three days ago and now it's 20, it was over \$1.30. So, we are going to see a lot of volatility in currency and as of yet, Brazil, Russia, North America. China, we haven't seen change in trade flows. I would say in China, there is no question that exports from China, but the rest of the world has slowed down that's not currency related. That's reflective of what's happening in Western Europe and North America as far as demands goes.

Claudia Hueston - J.P. Morgan

Thanks. And then just looking at the Consumer Packaging business, you cross sell a little bit more significant than I had expected. I was just wondering, if you can provide a little bit more color on what's the cost input pressures are specifically in that business?

John Faraci

We have got more polyethylene, polystyrene costs in that business. Wood costs are sharply up in that business relative to others based on geography. And we are using more coal, which is lower cost, but costs for coal are going up, well prices for oil and gas has been coming down.

Claudia Hueston - J.P. Morgan

Okay. And you talked a little about restructuring some of your contracts in that business. Is there an opportunity there to maybe better match some of the cost measures you are seeing?

John Faraci

Yes, yes, and yes.

Claudia Hueston - J.P. Morgan

John Faraci

And most of that will show up in the first quarter of 2009.

Claudia Hueston - J.P. Morgan

Okay. And then just lastly on free cash flow, it's just very strong in the quarter. Your working capital has improved a lot over the last several quarters. How much more room do you feel like you have to go on that side of things?

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