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International Paper Company Q1 2009 Earnings Call Transcript

Question-and-Answer Session

Operator

Thank you. (Operator instructions) Your first question comes from Gail Glazerman of UBS.

Gail Glazerman – UBS

Hi, good morning.

John Faraci

Gail.

Tom Cleves

Hi, Gail.

Gail Glazerman – UBS

Congratulations on the cash flow. John, I was hoping to get maybe a little bit more color on this demand trends that you're seeing? Maybe taking a back to the progression in the first quarter by some of the key businesses?

John Faraci

Well, as I've said I think the – I've got some of my colleagues here, I may ask if they can comment. In North America, paper and packaging have been weak since November, and we didn't materially see them getting any weaker in that business.

Bleach board was weaker in the first quarter than the fourth quarter. And I think it was just – our customer base there is different. And the inventory liquidation or draw down had been started later. Tom, I don't know what – you'd want to say something about Xpedx? What you see going on in the print and packaging side of Xpedx?

Tom Kadien

Sure, John. The way I would look at it, we started seeing it significantly in December. Coming off the record third quarter, we were off 10% in December in terms of revenues per day. In January, we saw another step down of another 10%, so significant inventory de-stocking in that December-January period. And I would say that we have seen across our paper and packaging, almost a dead flat trend through the first quarter.

And to me, that means there's some slight unique growth because we've experienced some real price deflation, particularly in coated grades. So I wouldn't call it a recovery but there – I would agree with what John said, it seems like the inventory correction occurred early in the quarter and now we're seeing relatively flat bumping along the bottom.

John Faraci

I'm so much pleasantly surprised I guess, to see consumer spending move up in the first quarter. GDP numbers that came out of consumer spending was up 2%. We're going to see that in our orders, if that is the case, because that's who our customers are selling to.

If you go around the world, demand in Brazil is not off as much, it's off 5% to 10%. Demand in China is pretty healthy. Our businesses there – we're going to ship twice as much bleach board in the month of April as we did in the last month of April, which says that the economy is so – it's not growing at 12% but it's growing at 6%, and the domestic economy is pretty solid.

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