Cascades Canada ULC

Second Quarter 2019 Financial Results

Event Date/Time: August 9, 2019 — 11:00 a.m. E.T.

Length: 47 minutes

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CORPORATE PARTICIPANTS

Jennifer Aitken
Cascades Canada ULC — Director, Investor Relations

Mario Plourde
Cascades Canada ULC — President and Chief Executive Officer

Allan Hogg
Cascades Canada ULC — Vice President and Chief Financial Officer

Charles Malo
Cascades Canada ULC — President and Chief Operating Officer, Cascades Containerboard Packaging Group

Luc Langevin
Cascades Canada ULC — President and Chief Operating Officer, Cascades Specialty Products Group

Jean-David Tardif
Cascades Canada ULC — President and Chief Operating Officer, Cascades Tissue Papers Group

CONFERENCE CALL PARTICIPANTS

Adam Josephson
KeyBanc Capital Markets — Analyst

Sean Steuart
TD Securities — Analyst

Keith Howlett
Desjardins Securities — Analyst

Paul Quinn
RBC Capital Markets — Analyst

Benoit Laprade
Scotiabank — Analyst

Zachary Evershed
National Bank Financial — Analyst

PRESENTATION

Operator

Bonjour Mesdames et Messieurs. Je m'appelle Julie et je serai votre opératrice aujourd'hui. J'aimerais maintenant vous souhaiter la bienvenue à la téléconférence des résultats financiers du deuxième trimestre 2019 de Cascades. Toutes les lignes sont présentement en mode écoute seulement. Suite aux commentaires des dirigeants, il y aura une période de questions.

Good morning, ladies and gentlemen. My name is Julie and I will be your Conference Operator today. At this time, I would like to welcome everyone to the Cascades Second Quarter 2019 Financial Results Conference Call. All lines are currently in a listen-only mode. After the speakers' remarks, there will be a question-and-answer session.

I will now pass the call over to Jennifer Aitken, Director of Investor Relations for Cascades. Ms. Aitken, you may begin your conference.

Jennifer Aitken — Director, Investor Relations, Cascades Canada ULC.

Thank you, Operator. Good morning everyone and thank you for joining our Second Quarter 2019 Financial Results Conference Call. We will begin with an overview of our operational and financial results followed by some concluding remarks, after which we will begin the question period. The speakers this morning will be Mario Plourde, President and CEO and Allan Hogg, CFO. Also joining us on today's call are the presidents of Cascades' business segments, namely, Charles Malo, President and

COO of the Containerboard Packaging Group, Luc Langevin, President and COO of the Specialty Products Group, and Jean-David Tardif, President and COO of the Tissue Papers Group. They will all be available for the question-and-answer period at the end of the call.

Before I turn the call over to my colleagues, I would like to highlight that Reno De Medici's interim report released on July 31 can be viewed on its website.

I would also note that certain statements made during this call will discuss historical and forward-looking matters. The accuracy of these statements is subject to risk factors that could have a material impact on actual results. These risks are listed in our public filings.

These statements, the Investor Presentation, and the press release also include data that are not measures of performance under IFRS. Please refer to our accompanying Q2 2019 Investor Presentation for details. This presentation, along with our second quarter press release, can be found in the Investors section of our website. If you have any questions, please feel free to call us after the session.

I will now turn the call over to our CEO Mario.

Mario Plourde — President and Chief Executive Officer, Cascades Canada ULC

Thank you, Jennifer, and good morning everyone. We are very pleased with our second quarter results. On a constant basis, we generated record sales and Adjusted EBITDA for the period with all four of our business segments executing well. Results in our Tissue Operations continue to improve and the Containerboard segment posted strong results despite market headwinds and softer demand and slight pricing erosion. The result of European Boxboard Specialty Products segment benefitted from recent business acquisition. On an adjusted basis, EBITDA of $156 million increased 16 percent over last year and the first quarter. On a consolidated basis, our EBITDA margin reached 12 percent in Q2.

On the raw materials side, the average Q2 indexed price for OCC brown paper grades was down by a significant 44 percent year-over-year and 34 percent compared to Q1. The average Q2 price for white recycled paper grade, which we mainly use in Tissue, decreased by 22 percent compared to Q1 levels and 24 percent year-over-year.

On the virgin pulp side, hardwood and softwood pulp prices were below Q1 levels and also slightly below last year. As highlighted on Slide 6 of our presentation, the prices of all these materials have continued their downward trend in July, which is positive for our operational outlook.

I will now touch on the second quarter highlights for each of our business divisions, which are on Page 8 through 13 of the presentation.

The Containerboard segment generated second quarter Adjusted EBITDA of $113 million, increasing sequentially and year-over-year. This represents a margin of 24.5 percent which compares to a margin of 23.5 percent in Q1 and 22.1 percent last year. We are pleased with the sequential performance which was largely driven by higher volume and lower raw material costs. These benefits offset the impact related to lower average selling prices and higher costs during the period.

Our Q2 operating rate was 91 percent, up 3 percent sequentially, with paper shipment increasing 21,000 short tons to 363,000 short tons, reflecting seasonal trends including sales to associated companies.

Our integration rate increased slightly to 72 percent in the second quarter from 71 percent in Q1.

Shipments of converted product increased 7 percent sequentially and millions of square feet, which was in line with the Canadian market and outperformed the 4 percent increase in overall U.S. market.

In the second quarter we took 9,000 tons of scheduled maintenance downtime and 12,000 tons of market related downtime. On Slide 8, we have updated our downtime plan for 2019. We expect to take approximately 12,000 tons of maintenance downtime in the third quarter.

Our second quarter Canadian dollar average selling price decreased by $13 per short ton from Q1 levels. This reflects an $18 per short ton decrease on the Containerboard side which is attributable to the announced indexed price decrease. On the current converting side, our average selling price decreased by $3 per short ton in the second quarter and it was mainly due to the sales mix.

Moving now to the Tissue group, we are encouraged with the results generated by this segment in the second quarter in addition to lower raw material prices and more stable transportation costs. This all benefitted from better operational performance sequentially, most notably at our St. Helens mill in Oregon. We are pleased with the progress we are making with our operation initiative and continue to be focused on enhancing productivity levels across our platform. Results in this segment also reflect $4 million of our prior U.S. tax credit that were recorded during the second quarter.

On the volume side, total shipments decreased by 5 percent year-over-year. This reflects a 32 percent decrease in external shipment of product roll year-over-year due to higher integration and the closure of our two paper machines in Toronto, removing 44,000 tons annually. Offsetting this was a 7 percent increase in shipment of converted product. That was driven by higher demand in our targeted market segment and long-term contract with key strategic customers.

We continue to use additional sub-contracting to supply our volume requirement which has a negative impact on profitability. As we have mentioned in the past, our capital investment plan is aimed at addressing this situation. Similarly, the addition of the Orchid asset to our platform is expected to substantially reduce these requirements and the related costs.

On the pricing side, increases announced in our market during the second half of 2018 positively impacted second quarter results. Our average selling price increased 16 percent year-over-year and 2 percent sequentially, which reflects a combination of these price increases, a favourable sales mix and the depreciation of the Canadian dollar. As we note on our first quarter calls, we announced another price increase of up to 8 percent in the Away-from-Home segment across North America effective June 1. As a reminder, price increases typically take up to six months to be fully rolled out.

The European Boxboard operation generated solid second quarter results, reflecting good production planning and operational efficiency. Sales increased 16 percent compared to last year, driven by the acquisition of Barcelona Cartonboard at the end of 2018. This was offset by a less favourable sales mix, lower average selling price on the same plant basis and a 2 percent appreciation of the Canadian dollar.

On the year-over-year basis, the average Q2 selling price decreased on both euro and Canadian dollar. This reflects this higher proportion of recycled products sold following the Barcelona acquisition, a less favourable geographical sales mix and the appreciation of the Canadian dollar. The average Q2 selling price of recycled boxboard decreased by €24 euros or 5 percent year-over-year while the average selling price of virgin boxboard increased by €30 or 4 percent. On a sequential basis, the 3 percent decrease in sales reflect the lower average selling price, appreciation of the Canadian dollar and a slight decrease in volume.

Adjusted EBITDA increased by $1 million or 3 percent from Q1 levels, primarily as a result of lower raw material and energy costs, which more than offset the slight decrease in the average selling price during the period.

Year-over-year EBITDA remains stable as the impact from the lower average selling price on a same plant basis was offset by benefit from the acquisition of Barcelona and lower overall material cost.

Second quarter sales in the Specialty Product were $193 million, slightly below our $196 million in Q1. This was largely driven by lower prices and volume in the recovery subsegment, the effect of which offset the benefit of higher volume and in our Packaging activities.

Q2 EBITDA of $13 million was $1 million above Q1 levels. This was largely due to better spread and more favourable sales mix and volume in the Packaging activities. These were offset by lower margin and recovery activity and higher operating costs.

Adjusted EBITDA margin in the Packaging subsegment continue to improve and now stands at close to 12 percent.

On a year-over-year basis, sales (inaudible) levels benefited from the 2018 acquisition of U.S. moulded pulp assets. We are very pleased with the results being generated by these assets and the speed of the integration in this business segment.

I will now pass the call over to Allan who will now discuss the main highlights of our second quarter financial performance. Allan.

Allan Hogg — Vice President and Chief Financial Officer, Cascades Canada ULC

Thank you, Mario, and good morning everyone. I will start with a quick overview of our key KPIs on Slide 15. Our first quarter shipments increased by 3.4 percent from Q1. This increase was driven by Containerboard and Tissue where shipments were both up 6 percent sequentially, reflecting usual seasonal demand. Shipment levels marginally decreased in Europe following a slight softening of industry-wide demand. Our second quarter capacity utilization rate of 93 percent increased by 2 percent sequentially but was 4 percent below last year.

On an LTM basis, working capital came in at 10.3 percent of sales while consolidated return on assets to that 11.2 percent.

Moving now to sales we did on slides 16 and 17, on a year-over-year basis second quarter sales increased by $95 million or 8 percent. This reflects the contributions from these recent business acquisitions in Boxboard Europe and Specialty Products in addition to improvements in pricing and sales mix, and favourable exchange rate for our North American operations.

Offsetting these benefits were lower volumes in Containerboard and Tissue and a lower contribution from our recovery activities. Sequentially, Q2 sales increased by a moderate $25 million or 4 percent as the benefit of higher sales volumes in North America were partially offset by a less favourable pricing and mix in all segments with the exception of Tissue. Results generated by recovery activities were also lower sequentially following recycled pricing erosion.

Moving now to operating income and Adjusted EBITDA as highlighted on Slide 18, Q2 Adjusted EBITDA of $156 million increased $22 million from prior year levels. Results benefitted from a stronger performance from all of our North American segments and sequentially Q2 Adjusted EBITDA increased by $21 million as shown on Slide 19. This was largely the result of stronger performances in Tissue paper and Containerboard as explained before.

Take note once again that the impact of IFRS 16 accounting for leases contributed $7 million to EBITDA in the quarter and $15 million in the first half compared to last year. Please refer to Slide 30 for supplemental information.

Slide 20 and 21 illustrate the year-over-year and sequential volumes of our Q2 earnings per share and the reconciliation with a specific item that affected our quarterly results. As reported, earnings per share were $0.33 in the second quarter of 2019 compared to reported earnings per share of $0.28 last year. Both periods include specific items.

On an adjusted basis, earnings per share decreased by $0.02 compared to last year’s result. Higher operating results here offset by higher depreciation and financing expenses. The change in depreciation expense reflects 2018 business acquisition and capital projects (inaudible) operations and the adoption of IFRS 16 standards for leases.

Financing expenses increased due to IFRS 16 and also due to the value accretion of the option of one partner held in Greenpac which is accounted for as a liability as previously disclosed.

Slide 22 and 23 illustrate the specific items recorded during the quarter. The main items include a $4 million charge related to an environmental provision, a $5 million gain related to an insurance settlement from a prior year litigation, $4 million of transaction fees related to the Orchid asset acquisition, and a $6 million unrealized gain on the fair value revaluation of an option in the Bear Island Project.

Second quarter cash flow from operations increased by $14 million year-over-year and $40 million sequentially to $125 million. Adjusted free cash flow was significantly higher in the second quarter due to higher cash flows generated by our operations and lower net CAPEX paid in the current period.

Moving now to our net debt reconciliation as detailed on Slide 25. Our net debt decreased by $17 million or 1 percent sequentially. Change in working capital was negative, as usual in Q2, but was largely offset by the currency impact on our U.S. denominated debt.

On a pro forma basis, to include our recent business acquisitions and the annualized impact of IFRS 16, our net debt leverage ratio stood at 3.3 times at the end of the second quarter compared to 3.4

times at the end of Q1 and 3.5 times at the end of last year. This, along with other financial ratios and information about maturities, are detailed on Slide 26.

On Slide 27 we have detailed our capital investments during the second quarter and on a segment-by-segment basis. Our annual plans for 2019 remain unchanged between $330 million and $400 million. As a reminder, the actual amount may vary depending on market conditions, the final plans for the Bear Island conversion project and the Company's overall financial performance.

I will now pass the call back to Mario who will wrap up the call with a brief conclusion before we begin Q&A. Mario?

Mario Plourde — President and Chief Executive Officer, Cascades Canada ULC

Thank you, Allan. Before putting the call to questions, let me summarize by saying that we are pleased with our second quarter performance. All of our business segments generated solid results that were in line with or above expectations. We can find our near-term operational trends and outlook for our business segment on Slide 29 of our presentation.

Overall, we expect third quarter performance from our North American operations to benefit from stable to positive seasonal demand and favourable raw material pricing. More specifically, Containerboard is expected to continue being an important contributor to our improved performance despite some industry pricing headwinds. On this front, the impact from announced liner and (inaudible) price decrease should be fully reflected in our results by the end of Q3. This price decrease will gradually roll out to our converted product over the next three to six months.

Near term, the market environment is still challenging in Tissue. That said, the combination of price increase in various subsegments, easing of raw material costs and third quarter seasonality should provide support for this segment. We remain focused on initiatives aimed at improving productivity and operational effectiveness of our platform and to this end remain cautiously optimistic for the coming quarter.

I would highlight that the US$4 million of tax credit recorded in the current quarter will not recur in Q3. All of these factors are expected to contribute to stable results sequentially.

Specialty Product results should remain stable in the third quarter as favourable seasonality and raw material pricing on the packaging side should offset the impact of the lower recycled fibre pricing and results from the recovery activity.

Finally, sequentially, results in European Boxboard are expected to be muted due to lower seasonal demand following the usual closure in the third quarter and lower pricing. Year-over-year performance is expected to benefit from the mill acquisition in Spain.

On the strategic side, we are focused on continuing to improve our operational efficiency and productivity, wrapping up the acquisition of Orchid Paper, executing our capital investment plan and finalizing plans for our Bear Island project. In this regard, we are taking some additional time to finalize our analysis and expect to provide details about this project before the end of the year.

Finally, we are pleased to announce that we are doubling our quarterly dividend to $0.08 per share. This step not only reflects our strong asset base and financial fundamentals, but also our financial flexibility to focus on priority that creates value while at the same time providing our shareholders with our higher cash return that is better aligned with the industry.

In summary, the three main conclusions from today's call that we would like to communicate to investors are the following. The performance of our Tissue business has continued to improve and will continue to improve as a result of our personal initiatives; our ongoing capital investment program and the integration of Orchid. Our Containerboard business is continuing to perform well in spite of softer overall market conditions and we expect it to continue in the second half of the year. We have sufficient confidence in our ongoing cash flow to increase our dividends without impacting our commitment to continue to upgrade our asset base and reduce our debt leverage.

On that note, we will now be happy to answer your questions. Operator?

Q & A

Operator

Merci. Si vous voulez poser une question, veuillez s'il vous plaît, appuyer sur l'étoile suivie du un, sur votre clavier téléphonique. Si vous voulez retirer votre question, composez le carré.

Thank you. If you'd like to ask a question, simply press star, then the number one on your telephone keypad. If you'd like to withdraw your question, press the pound key. Again, if you have a question, press star, then the number one on your telephone keypad. We'll pause for a moment to compile the Q&A roster.

Your first question comes from the line of Adam Josephson from KeyBanc. Your line is open.

Adam Josephson — Analyst, KeyBanc Capital Markets

Hi. Good morning everyone. Thank you very much for taking my questions. I appreciate it. Mario, with respect to the Bear Island project, you talked about advancing on the project and you indicated you're planning to spend about CA$60 million on that project this year. What would you have us assume from the language and from the capital that you're spending this year on that project with regard to what, if any, final decision you've arrived at?

Mario Plourde — President and Chief Executive Officer, Cascades Canada ULC

Well, for now, I think we ought to take our time to make a better analysis of the project, so the $60 million is still committed to this project in 2019. Depending of the response or the analysis and the conclusion, we might postpone it next year or it could be spent this year because it's still in line with the capital investment we have planned for 2019.

Adam Josephson — Analyst, KeyBanc Capital Markets

Just from the time you announced the project until now, is there anything that has fundamentally changed your thinking for the better or worse? Just so we can—just can you walk us through your thought process as the process has evolved?

Mario Plourde — President and Chief Executive Officer, Cascades Canada ULC

I'll let Charles talk about where we stand in terms of the analysis. Charles?

Charles Malo — President and Chief Operating Officer, Cascades Containerboard Packaging Group

Adam, the Bear Island project is really in line with, as we mentioned before, strategically for our group and our commitment to the Containerboard is a long-term vision that we want to improve our presence in United States, so the Bear Island location, the site, will give us the means to keep our expansion. That's why we want to make sure that we will do the right project in time. We have the site today, so the fact that we're taking time, we're still working on the facility, doing some cleanups and we have the luxury right now of being able to have access to the site, and we have some employees there that are doing some pre-work and we want to spend the time to do this, but the fundamentals of the project are still the same for us.

Adam Josephson — Analyst, KeyBanc Capital Markets

Last on that subject, Charles, how do you balance short-term versus long-term considerations of having really good low-cost assets long-term, but perhaps in the short term there's an industry oversupply situation? How do you balance those considerations?

Charles Malo — President and Chief Operating Officer, Cascades Containerboard Packaging Group

As we did when we built our last paper mill, the Greenpac facility, we're always conscientious about the dynamic of the market and all of this. In our analysis, this is a very big investment for Cascades. As I said, the project is still there and we will continue to look at that dynamic of the market and the timing of our project.

Adam Josephson — Analyst, KeyBanc Capital Markets

I appreciate that, Charles. Just one last one on your outlook with respect to Containerboard. I know in 2Q your shipments were down, I think, 6 percent from a year ago, and you took that market downtime at 12,000 tons. Have you seen any changes thus far in the third quarter compared to the trends you experienced in the second quarter?

Charles Malo — President and Chief Operating Officer, Cascades Containerboard Packaging Group

Our business—and your point about last June to this year, there's a combination of a few things. First, yes, we've seen from last year to this year a softer market, but also we do have to take into consideration that last year was one of our strongest volume shipments, which has a kind of a double impact of this year. Right now, we are like—historically, our Q3 is seasonal. The seasonal demand picks up, so, historically, it's been and increased volume quarter four for us. We expect that the historical should repeat.

Adam Josephson — Analyst, KeyBanc Capital Markets

Thank you, Charles.

Operator

Thank you. Your next question comes from the line of Sean Steuart from TD Securities. Your line is open.

Sean Steuart — Analyst, TD Securities

Thanks. Good morning and congratulations on a solid quarter. A few questions. Recycled fibre costs still declining as you mentioned in early third quarter, but it looks like decelerating a little bit. Just wondering, Mario, if you can give us some updated thoughts on further downside from here and where do the collection economics potentially start to break down for recycled fibre?

Mario Plourde — President and Chief Executive Officer, Cascades Canada ULC

I will ask Luc to answer that because he's more involved on a day-to-day basis with recycling activity. Luc?

Luc Langevin — President and Chief Operating Officer, Cascades Specialty Products Group

Good morning, Sean. Let's see first on the OCC side, on the brown fibre side, we've seen some kind of stabilization at obviously a very low price of $35 out East (phon). At that price level we don't expect, obviously, any other significant price decrease, but on the other hand, we don't expect either to any significant price increase in the next few months. There's, again, still plenty of volume in the market. We're going to get on this during the fall into a higher generation period, so we don't expect any change on the OCC side for the rest of the year.

White fibre side, demand remains fairly low. Obviously, it's closely related also to the virgin pulp, which is still declining and we still market again on the paper—on the pulp side, there's plenty of inventories in the market and we wouldn't be surprised to see other small reduction in prices before the fourth quarter.

Sean Steuart — Analyst, TD Securities

Thanks, Luc, for that context. Allan, one accounting question for you. The interest on the CDPQ Greenpac put option, can you explain how that's reassessed quarter-to-quarter? How should we think about that run rate going forward?

Allan Hogg — Vice President and Chief Financial Officer, Cascades Canada ULC

Well, this is very difficult to predict in a model, but if you look—I think it's in Note 5 in our financial statements of last year where it was disclosed. It's a fair value calculation based on the contractual agreement. It's based on the performance of Greenpac and we need—since the performance of Greenpac is always improving, we have to reassess that value; it's a fair value calculation based on the agreement. Now, if we, let's say we assume as an example, let's say that conditions or performance in Greenpac is stable this year, however, normally the liability will not move. But since we're moving forward in time, it's on a three-year average, so now we're getting more and more profitability in that calculation. The passage of time will increase that liability. It's a fair value calculation.

Sean Steuart — Analyst, TD Securities

Okay. Understood. That's all I have for right now. I'll get back in the queue. Thank you.

Allan Hogg — Vice President and Chief Financial Officer, Cascades Canada ULC

Thank you.

Operator

Your next question comes from the line of Keith Howlett from Desjardins. Your line is open.

Keith Howlett — Analyst, Desjardins Securities

Yes. I had a question on the Tissue business. Can you describe the market conditions in Away-from-Home versus retail, if there's any significant difference one to the other?

Jean-David Tardif — President and Chief Operating Officer, Cascades Tissue Papers Group

Good morning, Keith. Jean-David speaking. Right now, we see more activity, if I can say, on the retail side of the business. We're busy, if I can say. We have a lot of subcontracting, as Mario said, into this part of the business. It's a little bit more difficult on the Away-from-Home market. It's a little bit tighter, if I can say. We're growing ourselves on the West Coast with our Scappoose operation, but not at the rate that we're expecting, so a bit tighter on the Away-from-Home side for sure.

Keith Howlett — Analyst, Desjardins Securities

I had a question on the recovery business. Is the model for recovery likely to change to more of a fee–or maybe it already is—a fee-for-service rather than related to the OCC price?

Jean-David Tardif — President and Chief Operating Officer, Cascades Tissue Papers Group

Absolutely. That's exactly what we're trying to do and what the others in the industry is doing, going back to the generators and revisiting the agreement that we used to have. Obviously, at the price where OCC is now, we need to deploy service fees to the generators.

Keith Howlett — Analyst, Desjardins Securities

I just had a question on the Bear Island facility. Would the sort of broad objective be to find off-take partners similar to the financing or start-up of Greenpac?

Mario Plourde — President and Chief Executive Officer, Cascades Canada ULC

Keith, all options are still on the table. As you know, we are analyzing still, so structure of financing, partners, off-take and everything is analyzed at this stage.

Keith Howlett — Analyst, Desjardins Securities

Thank you.

Operator

Your next question comes from the line of Paul Quinn from RBC. Your line is open.

Paul Quinn — Analyst, RBC Capital Markets

Yes. Thanks very much. Good morning, guys.

Mario Plourde — President and Chief Executive Officer, Cascades Canada ULC

Good morning.

Paul Quinn — Analyst, RBC Capital Markets

Just question on your capital allocation. The doubling of the dividend, given this really, I guess, high CAPEX spend this year and potentially even higher next year if you go through with Bear Island, what is—should we read into that that you're very bullish about your business at this point and feel secure in the raise?

Mario Plourde — President and Chief Executive Officer, Cascades Canada ULC

Well, the visibility we have of the business today has changed substantially from some months ago, some quarter back. We look at Tissue, the way it's turning around right now, we are quite confident. When we look at the raw material, the wastepaper market today and the expected price variation in the future and all the investments we made in the past are contributing today the latest acquisition. For us, the cash flow generation today, the look that we have forward is much more, say, positive than it was in the past. It was time for us, I think, to give back a little bit to our shareholders. It was the right timing to do it.

Paul Quinn — Analyst, RBC Capital Markets

Okay. Then just looking at demand regionally between U.S. and Canada, can you give us some colour on what you're seeing in both the Containerboard and on Tissue markets between those two jurisdictions?

Charles Malo — President and Chief Operating Officer, Cascades Containerboard Packaging Group

Maybe I can give you a bit of perspective—this is Charles Malo. On the Containerboard side, we see about the same trend, I would say, both in the U.S. and also in Canada, that the market is a bit slower or softer than it was a year ago, I would say. Mind you, that we had for the past two years very good growth on the market, so we're seeing that this year the growth is a lot more limited overall, but the trends are about the same thing. When we look at this year, it seems like the seasonability also has been affecting the overall demand both in Canada and in the U.S. Our business, we do have kind of a big percent or a bigger percentage of our overall on the Specialty and the produced market.

The good thing that we have on our side is, Mario mentioned about the investment that we did over the last few years, both in Canada but also in the U.S., where we invested about $80 million in the new facility in New Jersey with our Piscataway facility. This facility is performing very well. Since the beginning of the year, we are ramping up. It has been better than what we had forecasted in our original plan, so this is for us contributing to our integration level and contributing also additional volume for our mills, better service our customers and also contributing positively to our bottom line. But on the market side, as I said, both the Canadian and the U.S. markets are trending about the same, the same way.

Jean-David Tardif — President and Chief Operating Officer, Cascades Tissue Papers Group

On the tissue side, the Canadian market is pretty much stable with the three players in Canada. There's not much of activity there, but the profitability is good based on price increases we got last year. But in U.S. it's different, but we have a lot of opportunity for us to grow in U.S. versus the market. The market, for sure, is more dynamic, if I can say, because of the new capacity that came on board, as you know. It's more difficult in the U.S., but the potential for us is definitely higher in this one.

Paul Quinn — Analyst, RBC Capital Markets

Okay. Great. Just maybe one last Containerboard question. We've seen a big growth in ecommerce, and that's really changed the seasonality, especially from some of the U.S. coverage I've got. Is there a material difference between the Canadian market and the U.S. market with respect to the ecommerce, I guess, percentage of Containerboard demand? Does that change the seasonality at all for you guys?

Charles Malo — President and Chief Operating Officer, Cascades Containerboard Packaging Group

Statistics are very hard to pinpoint when it comes to the ecommerce for many reasons. There's a lot of our packaging that we sell to our customers that goes to ecommerce without us even knowing about it, but we know that when we look at the stats and we do our internal analysis that it is contributing positively on the overall demand and that the Canadian market is about one-tenth of the U.S. So, I'd say again, when you look at the trend it's about the same, except that the U.S. is a bit more in advanced on moving to the ecommerce compared to what's happening in Canada.

More and more, fulfillment centers and distribution centers by the big players in the ecommerce are starting to open new sites in Canada. Just in the last year, the big guy, Amazon, just opened three new facilities in Canada and this is showing that we're starting to catch up with what happened in the U.S. over the last few years.

Paul Quinn — Analyst, RBC Capital Markets

Interesting. Thanks very much, guys. Best of luck.

Charles Malo — President and Chief Operating Officer, Cascades Containerboard Packaging Group

Thank you.

Mario Plourde — President and Chief Executive Officer, Cascades Canada ULC

Thank you.

Operator

Your next question comes from the line of Benoit Laprade from Scotiabank. Your line is open.

Benoit Laprade — Analyst, Scotiabank

Thank you. Good morning, guys. Two quick ones. One, can you reiterate your CAPEX numbers for this year, maybe with or without Bear Island? Would you have an early indication for next year, again, in the event you would go ahead or not go ahead with Bear Island?

Allan Hogg — Vice President and Chief Financial Officer, Cascades Canada ULC

Well, we had a range of $330 million to $400 million, including $60 million for Bear Island. So, if Bear Island—there's no Bear Island, this year as an assumption we will take the lower amount of the range. For next year, for sure, depending on Bear Island, we said that the range of $300 million and $350 million, because there's still Tissue investments to be completed next year. Once again, it's up to be disclosed what would be the number on Bear Island next year, but in the range of, let's say, $350 million, it should be an assumption for next year.

Benoit Laprade — Analyst, Scotiabank

Great. Lastly, do you have a more precise closing date for Orchids by now?

Mario Plourde — President and Chief Executive Officer, Cascades Canada ULC

The closing is expected to be done by the end of August. So far, we don't see any change in date and any reason for that not to close.

Benoit Laprade — Analyst, Scotiabank

Great. Thank you. That's all I had.

Mario Plourde — President and Chief Executive Officer, Cascades Canada ULC

Thank you.

Operator

Your next question comes from the line of Zachary Evershed from National Bank. Your line is open.

Zachary Evershed — Analyst, National Bank Financial

Good morning. Congrats on the quarter.

Mario Plourde — President and Chief Executive Officer, Cascades Canada ULC

Thank you.

Zachary Evershed — Analyst, National Bank Financial

One quick one for me. You mentioned that the $60 million for Bear Island may be spent this year, might be spent next year. I just wanted to make sure, is not proceeding with the project still on the table, one of the options that's being evaluated?

Mario Plourde — President and Chief Executive Officer, Cascades Canada ULC

We're not considering not moving with the project. We're more considering making the right analysis since the capital structure and off-take partners, it's a question of making sure we have the right recipe for this project to be successful. Either we could announce it by the year-end this year, or either it could be postponed next year. We just want to make sure that our analysis are proving that project is really contributing. That's it.

Zachary Evershed — Analyst, National Bank Financial

That's very helpful. Thanks. I'll turn it over.

Operator

Again, if you'd like to ask a question, please press star, then the number one on your telephone keypad. Your next question comes from the line of Keith Howlett from Desjardins. Your line is open.

Keith Howlett — Analyst, Desjardins Securities

Yes, I had a question on the Containerboard business, whether you're able to discern whether some of the online players have a preference for recycled versus virgin or lightweight versus normal weight.

Charles Malo — President and Chief Operating Officer, Cascades Containerboard Packaging Group

Keith, it's a very good question. I'll start with the overall online, but also all the market today, as you know, the businesses are looking at reducing their costs, so the customers are working on different aspects, reducing the weight, increasing performance. When you look at the light-weighting today or the right-weighting is very, very—and our Design Group are working to provide customers with better packaging solution. Yes, the right- or the light-weighting is key to what we're doing.

The recycle content is also a very demanded right now, with all the environmental discussion that we see on the market. We're very well positioned for that. With our Greenpac product that we offer, we are, as you know, highly recycled content in most of our mills. So, yes, the recycle and right-, light-weighting is well in demand today.

Keith Howlett — Analyst, Desjardins Securities

I just had a question on the Specialty Packaging acquisition environment. You have quite a robust or full capital spending slate, but I'm wondering what the opportunities are like for further acquisitions across Specialty Packaging.

Luc Langevin — President and Chief Operating Officer, Cascades Specialty Products Group

Yes. If you look at the investment in acquisitions we made over the last couple of years, it's very much—most of them had to do with sustainable packaging. We invested in 100 percent recycled PET. Earlier this year, we did the integration, a $20 million investment for a coating line to do compostable packaging. Obviously, this is our strategic arena, and we're going to continue to invest in these businesses. We think that the current trend now for sustainable packaging is very favourable for us. We see a lot of activities and interest around our product portfolio. The fact that we are multi-material, that we can do coated board and we can do moulded pulp and we can do also recycled plastics, we think it's well perceived by the market because we can offer multiple options to the customers without the concerns they have now for sustainability. Definitely continue to invest.

Mario Plourde — President and Chief Executive Officer, Cascades Canada ULC

As well, we can recycle it.

Luc Langevin — President and Chief Operating Officer, Cascades Specialty Products Group

Obviously, and take advantage of our recovery operation. Definitely continue what we've done over the last two, three years.

Keith Howlett — Analyst, Desjardins Securities

Thank you.

Operator

Thank you. There are no further questions at this time. Mr. Plourde, please continue.

Mario Plourde — President and Chief Executive Officer, Cascades Canada ULC

Thank you everyone to be on the call this morning. Looking forward to talk to you in Q3. Have a great summer. Thank you.

Operator

Merci Mesdames et Messieurs, cela met fin à la conférence d'aujourd'hui. Vous pouvez maintenant raccrocher.

Thank you, ladies and gentlemen. This concludes today's conference call. You may now disconnect.