Cascades Canada ULC

Third Quarter 2021 Financial Results

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PRESENTATION

Operator

Mesdames et Messieurs, bienvenue à la téléconférence des résultats financiers du troisième trimestre 2021 de Cascades. Je m'appelle Sylvie et je serai votre opératrice aujourd'hui. Toutes les lignes sont présentement en mode écoute seulement. Suite aux commentaires des dirigeants, il y aura une période de questions.

Good morning. My name is Sylvie, and I will be your conference operator today. At this time, I would like to welcome everyone to Cascades Third Quarter 2021 Financial Results Conference Call.

All lines are currently in listen-only mode. After the speakers' remarks there will be a question-and-answer session.

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

Jennifer Aitken:

Thank you, Operator. Good morning, everyone, and thank you for joining our Third Quarter 2021 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 on today's call will be Mario Plourde, President and CEO, and Allan Hogg, CFO. Also joining us for the question-and-answer period at the end of the call are Charles Malo, President and COO of Containerboard Packaging; Luc Langevin, President and COO of Specialty Products; and Jean-David Tardif, President and COO of Tissue Papers.

Before I turn the call over to my colleagues, I would like to highlight 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 can 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 Q3 2021 Investor Presentation for details. This presentation, along with our third quarter press release can be found in the Investor 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:

Thank you, Jennifer, and good morning, everyone.

Before going into details for each of our businesses, let me begin by saying that we are encouraged by our consolidated performance, given the important inflationary pressure on cost, notably raw material, logistics, and energy. We announced the closure of our sale of our investment in Reno de Medici on October 26. The sale of these assets, 60% dividend increase in our asset share buyback underscore our commitment to create value for Cascades and return capital to our shareholders.

Moving now to our financial results. On a consolidated basis, third quarter sales increased 2% from last year and 8% from Q2, while Adjusted EBITDA decreased by 20% year-over-year and increased by 9% compared to the prior quarter. Slide 4 and 5 provide quarterly information for each of our business segments.

On the raw materials side highlighted on Slide 6, the Q2 average index price for OCC increased 179% year-over-year and (inaudible) from Q2. As has been the case throughout the year, this reflects elevated domestic demand, driven by strong containerboard industry production levels. Average index price for white recycled paper grade also rose notably in Q3, increasing 23% year-over-year and 30% from Q2. On the virgin pulp side, hardwood and softwood pulp prices both increased year-over-year but were more stable on a sequential basis. The hardwood pulp index saw increase of 51% year-over-year and 2% sequentially, while softwood pulp index prices rose 35% from last year level but decreased by 4% from Q2.

Moving now to some brief comments on the result of each of our business segment, highlighted on Page 7 through 9 of the presentation. Beginning with the sequential performance, sales in the containerboard segment increased $0.03 in Q3. This reflects the rollout of price increases and a beneficial exchange rate, partially offset by a less favorable sales mix and lower volume. The latter of these reflect the 2% decrease in shipment and corresponding 2% decrease in our capacity utilization rate related to the production impact of the water effluent system issue at our Niagara Falls complex and planned on time at other mills which remove a total of 21,000 short ton in the quarter. Production has returned to a normalized level. As we mentioned in our Q2 calls, the modernization of our Ontario converting platform involved transferring volume to other facilities. The benefit of these initiatives began at the end of Q3 but slightly impact conversion shipment in the current quarter as equipment was ramping up.

Converting shipment decreased by 3% in millions of square feet, underperforming the 1% increase in the Canadian market and the 2% decrease registered in the U.S. market for the period. Q3 Adjusted EBITDA of $94 million or 18.5% from a margin basis was $6 million or 6% below Q2 levels. This reflects higher raw material costs and an approximate $10 million impact stemming from the water effluent system issue just mentioned. These impacts were partially offset by the continual roll out price increases and lower operational costs.

Year-over-year, sales were stable, reflecting higher selling price, offset by lower volume. Converting shipment decreased by 4.7%. This underperformed both the Canadian and the U.S. market, which were stable year-over-year. Adjusted EBITDA decreased 6% year-over-year, largely reflecting the impact from the issue of our Niagara Falls complex and the ramp up of the Ontario converting equipment.

We are encouraged by the improved sequential performance of our tissue business. Sales were up 7% from Q2, reflecting increase of 8% in shipment levels and 7% in the average selling price. Shipments for both away-from-home and retail converted product grew from the prior quarter, up 12% and 16% respectively. Adjusted EBITDA increased $11 million sequentially, as the benefit of higher volume and pricing and lower fixed costs partially offset the impact of raw materials, and production, and energy cost inflation.

Year-over-year, sales decreased 5%, reflective of negative exchange rate effect and less favorable sales mix. These were partially offset by better volume and pricing benefit realized in certain product categories. The Adjusted Q3 EBITDA year-over-year shortfall reflects higher raw material prices and low average selling price, driven by mix and exchange rate, which impacted results by $60 million and $50 million respectively. Other input costs also reflected inflationary pressure. While market condition for tissue business has been exceptionally difficult in recent quarters, due mostly to the pandemic, we are encouraged by the more favorable sequential trend in the third quarter. This is in part a reflection of our market positioning, as well as our cost and sales optimization efforts.

Specialty product segment generated solid Q3 results sequentially. Q3 sales increased 10% from the prior quarter, reflecting a combination of higher volume and more favorable exchange rate and price increases. Adjusted EBITDA decreased $1 million sequentially, with the benefit from higher volume and price increase, offset by higher subcontracting costs and impact of higher raw material prices in the moulded pulp segment. When compared to the prior year, Q3 sales increased by $27 million or 22%, with benefit from better volume and pricing in all segments more than offsetting the less favorable exchange rate. Adjusted EBITDA level increased by $1 million year-over-year with higher sales and realized spread offsetting higher production costs.

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

Allan Hogg:

Yes, thank you, Mario, and good morning, everyone.

Let me begin with a reminder that following the sale of our equity position in Reno de Medici, results of the European boxboard segment have been presented as discontinued as of the second quarter. We provide relevant details regarding the changes to financial consolidated results on Slide 10.

As detailed on Slides 11 and 12, year-over-year, Q3 sales increased by $16 million or 2%. As we have already highlighted during this call, this was driven by volume decrease in containerboard in the period, with an unfavorable exchange rate also impacting sales levels for all of our business segments. Pricing and sales mix were beneficial factors for our packaging segments.

On a sequential basis, third quarter sales increased by $74 million or 8%, largely reflecting improved pricing and mix in all business segments and higher volumes in tissue. The exchange rate was favorable for all of our business segments.

Moving now to operating income and Adjusted EBITDA, I have highlighted on Slide 13 Q3 Adjusted EBITDA of $107 million decreased $26 million from the prior year level. The decrease was due to the lower results form the tissue segment and slightly lower results from containerboard. Sequentially, Q3 Adjusted

EBITDA increased by $9 million as shown on Slide 14. This was driven by the stronger tissue performance reflecting volume, sales mix, and selling price improvements, offset by slightly softer results in containerboard.

Our quarterly results continue to benefit from our margin improvement initiatives as we continue to surpass our objective of improving our EBITDA margin by 1% for the second consecutive year when compared to our baseline year of 2019. On that basis, we have realized approximately $150 million in the first nine months and every initiative that we have implemented are mitigating market headwinds and cost inflation.

Slide 15 and 16 illustrate the specific items recorded during the quarter. The main items worth mentioning impacting operating income before depreciation are a $39 million gain on disposal of buildings and tissue, a total of $5 million in impairment and restructuring charges, and a $5 million unrealized loss on financial instruments. Items impacting net earnings are $2 million foreign exchange loss on long-term debt and financial instruments and $20 million gain on business combination in (inaudible) operation of our boxboard Europe segment.

Slide 17 and 18 illustrate the year-over-year and sequential volumes of our Q3 adjusted earnings per share and the reconciliation with the specific items that affected our quarterly results. As reported, earnings per share were $0.32 in the third quarter. This compared to earnings per share of $0.61 last year. Both periods included specific items. On an adjusted basis, earnings per share decreased by $0.51 compared to last year's results. Lower (inaudible) results and a $0.32 tax variance impact resulting from an adjustment of tax assets in 2021 and a positive tax adjustment in 2020 were the main drivers of this variance. On an adjusted basis, sequential third quarter earnings per share decreased $0.08 per share from the previous quarter levels, which include an adjustment of tax assets of $0.19.

As highlighted on Slide 19, third quarter adjusted cash flow from operations decreased by $17 million year-over-year to $70 million and adjusted free cash flow levels increased by $12 million year-over-year. This reflected lower operating results and lower net Capex entered in the third period due to the $50 million of sales proceeds of two buildings in our tissue segment.

Moving now to our net debt reconciliation as detailed on Slide 20, our net debt increased by $53 million in Q3, reflecting lower cash flow levels, a negative exchange rate impact, and regular Capex dividend and working capital requirements. We also repurchased 1.6 million shares under our (inaudible) for total amount of $26 million. Our leverage ratio of 3.8 times is up from 2.5 at the end of the second quarter, reflecting lower Adjusted EBITDA levels. Net debt as shown is adjusted to reflect the discontinued operation figures but has not been adjusted to reflect the $450 million of net proceeds from the monetization of our equity position in Reno de Medici that closed on October 26. Taking this into account, leverage would be 2.8 times on a pro forma basis. Financial ratios and information about maturities are detailed on Slide 21.

Slide 22 provides details about our capital investment plans for 2021. We are now expecting a range of $275 million to $300 million, which includes approximately $155 million of investments associated with our Bear Island conversion project. Capital expenditures total $54 million and disposal of assets amounted to $50 million in Q3. Year-to-date, net capital expenditures total $140 million, including $75 million for Bear Island.

Our total Capex for the year is significantly lower than expected due to Bear Island. Initially, this project had a budget of US$190 million, or CA$250 million. This number has been revised down to US$125 million or approximately CA$155 million. This reduction is mainly due to groundwork and major equipment deliveries that were expected in late Q4 that are now planned in early 2022. Payment term agreements with suppliers also created cash outflow to move to next year. This does not impact the expected startup date of December 2022. Due to a less favorable exchange rate, increased cost of labor and major inflation seen in certain commodities like steel and concrete, the total budget of the project has been revised up by US$20 million to US$400 million, representing a 5% increase. The Capex plan for this project in 2022 now stands at approximately US$190 million and the remaining cash outflow will be in early 2023.

As you saw in our press release yesterday, we repurchased a total of almost 300 million of our 2026 and 2028 unsecured U.S. dollar senior notes. This will improve our financial profile and reduce interest payments going forward by US$16 million per year. We believe that our forecasted free cash flow generation will allows Cascades to both invest for the future, manage our debt profile, and also return capital to shareholders. We will continue to invest in current and future initiatives to increase efficiency, productivity, and competitive positioning of our businesses across North America.

The Bear Island project is our top priority, along with our commercial efforts in tissue to increase volume. We will also continue to support strong demand growth in sustainable specialized packaging, while exploring opportunities to further increase our containerboard converting footprint. Capital expenditures for 2022 are not yet definitive, but we expect them to be higher than the amount of 2021 that has been lowered due to the timing of certain Bear Island investments.

Mario will now conclude the call with some brief comments before we begin the question period. Mario?

Mario Plourde:

Thank you, Allan. We provided details regarding our near-term outlook on Slide 23 of the presentation. As a reminder, this outlook is based on what we are seeing today and may change in the coming months given the dynamic nature of the business circumstances. Our near-term outlook for containerboard segment is for stable sequential results. Demand remains solid on both the manufacturing and converting side, and results will benefit from the return to normalized production at our Niagara Falls complex, and the rollout of the announced price increase. These factors are expected to offset higher raw material price and continue upward pressure on production costs.

Our Bear Island project is progressing as planned and sales commitment continues to be put in place. We can now confirm that 100% of year one production offtake has been contracted and we have approximately 50% of the total planned capacity committed for multiyear contracts. Allan provided you update details about the forecasted cost of the projects. Results for the tissue segment are expected to also remain stable sequentially, with the usual seasonal softness offset by encouraging underlying trends as demand levels continue to normalize.

Input cost inflation will negatively impact performance but is expected to be partially mitigated by benefit from announced price increase. We also announced an additional price increase of up to 8% for away-from-home product effective January 1 across North America. More broadly, we anticipate that the ongoing economic reopening will benefit demand in away-from-home market and that our targeted sales effort on the retail side will continue to bear fruit.

With our slowly restarting production lines that has been temporarily stopped in Q2 in response to the sharp drop in demand and expect this ramp up to benefit efficiency levels and cost obstruction going forward. We will continue to manage labor availability challenge as we ramp up our production. We are expecting slightly improved sequential results from the specialty products segment. This reflects stable volume and a higher average selling price offsetting higher raw material and inflationary pressure on production and input costs.

Moving now to raw material, until mid-September OCC prices were being driven by robust domestic demand level and high export prices. We have seen easing more recently as generation level of this material rose and export became increasingly constrained due to the supply chain interruption seen at port. We will describe the market for OCC to date as being more favorable for buyers and material is readily available. Our inventory are solid, and we are being proactive ahead of the upcoming holiday season.

We have seen higher demand for white recycle SOP and high-grade fiber related to gradually increase away-from-home tissue production. When combined with muted fiber generation due to the ongoing limited office building activity, this has led to tighter market condition and higher prices in recent months. We have managed well, despite these conditions and our mills remain adequately supplied.

On the virgin pulp side, market conditions for NBSK have continued to ease in the third quarter with better condition in hardwood and eucalyptus grade. Prices for these grades have declined and volume are available. More broadly, we would note that logistical challenge continue to complicate material movement and impact market dynamics overall. That said, our mill continued to be well supported, thanks to our long-term supplier relation and prudent inventory strategy.

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

Operator:

Thank you, Mr. Plourde. Si vous désirez poser une question, s'il vous plaît composer l'étoile, suivie du un sur votre clavier téléphonique et si vous désirez retirer votre question, composez l'étoile suivie du deux. . Thank you. One moment please, while we compile the Q&A roster.

Your first question will be from Hamir Patel at CIBC. Please go ahead.

Hamir Patel:

Hi, good morning. Mario, there were some reports in the Quebec press of the Company monetizing an old warehouse in Laval for about $30 million in October. Do you see any other opportunities to rationalize your footprint and maybe capture higher real estate values?

Mario Plourde:

Well, honestly, Hamir, it's something that we always do. We look at our footprint, look at our different buildings. When we have to consolidate our platform, or optimize our footprint, we always look at that. It's really something that we are following very closely. Short-term, none because we feel that our buildings are integral to our businesses and often they're remote and isolated business buildings. But we are not against selling any businesses that we have no use in the future when we rationalize our footprint. But in the short-term, we don't have anything new.

Hamir Patel:

Great, thanks, Mario. That's helpful. Allan, I just wanted to turn to the Capex envelope for Bear Island. It looks like it was characterized on one of the slides as $400 million now. I believe the last disclosure there was $380 million. Is the increase reflect—is it just general cost inflation or have you added additional equipment to the project?

Allan Hogg:

No, it's mainly cost inflation driven but I might just ask Charles to give you more color on this.

Charles Malo:

Hello, Hamir. What we've done is we reviewed what the current cost inflation, like steel, concrete, increased also the cost of labor. These are the main components of the increases. We went line by line to evaluate, to the best of our knowledge, where we would end up.

Hamir Patel:

Great, thanks, Charles. Charles, I wonder if you could comment on what you're seeing in containerboard markets in Q4 so far?

Charles Malo:

The demand is still good, both on the converting side. We are cautiously optimistic, if I can say that like that. The volume, the demand is still solid compared to last year where we had our strongest shipping quarter ever. It's probably going to be a bit more normalized but still very good for this time of the year.

Hamir Patel:

Great, thanks. That's all I had. I'll turn it over.

Operator:

Thank you. Your next question will be from Sean Steuart at TD Securities. Please go ahead.

Sean Steuart:

Thanks. Good morning, everyone. Just following up on Hamir's question on the Capex budget for this year. The revision for this year, I know there's some deferral for Bear Island. Is the $50 million in proceeds from the converting asset sales this past quarter, is the new Capex guidance net of that $50 million or is it before those proceeds?

Allan Hogg:

No, yes, it is net.

Sean Steuart:

Okay. For Charles, potentially, the just trying to understand is there's cost inflation for Bear Island. Some spending has been pushed back because of delays, and we're seeing that across the sector. Explain the confidence you have on the start up timeframe being intact for that asset and can you remind us of how we should think about the ramp up once that asset does start up?

Charles Malo:

Okay, so just I'm going to start with the delays. On the Capex, the main components of the change in the output for the Capex are mainly due to deliveries of major components, the paper machine and also the major components in the project that will come in early in Q1 2022. We do have the luxury in Bear Island that we're not building new building because it's already existing. Our team right now have been able to adapt the schedule with the reception of the equipment installation and all of this. We also had with the original schedule built in some contingencies. We feel comfortable that our December 14 date is still achievable with the changes that we made to the schedule. Yes, we are comfortable with that date.

Knowing or about the volume, the ramping up, if that's what your question on when it started, so 2023. The output of the mill would be about 280,000 tons.

Sean Steuart:

Okay, thanks for that detail. Second question, on tissue you touched on the away-from-home price hike for Q4. Can you review the other increases that were initiated through the second half of the year? How much of those increased efforts were reflected in Q3 price realizations and how should we think about the progression for price realizations in the fourth quarter and into early next year?

Mario Plourde:

Good morning, Sean. There is limited difference between Q3 and Q4 in regards of the retail price increase that we got last summer. It's pretty much all materialized in Q3 but it's more about the mix. We're selling less jumbo rolls we used to, so Q2. Q3, we see the integration rates going up as volume is ramping up a bit. There's also other effort of customer to improve sales mix, portfolio we'll say. It's pretty much the same Q3 versus Q4.

Sean Steuart:

Okay, thanks very much, everyone. That's all I had for now.

Operator:

Thank you. Your next question will be from Mark Wilde at BMO. Please go ahead.

Mark Wilde:

Thanks. Good morning, Mario. Good morning, Allan.

Mario Plourde:

Good morning.

Allan Hogg:

Good morning.

Mark Wilde:

Allan, I wanted just to start up at flat guidance for packaging for containerboard in the fourth quarter. Does that incorporate not having the issue at Niagara Falls?

Allan Hogg:

Well, it's expected. Yes, it's expected, and Niagara Falls will be back up and running as we mentioned but the major impact is the full effect of raw material increases that happened in August and

September, so that will be fully reflected in Q4. That and also maybe now with that recent $10 we might see a slight positive contribution, but the major impact offsetting the Greenpac effect in Q3 is the raw materials.

Mark Wilde:

Okay. All right, and can you just talk about how energy is effecting both containerboard and tissue purchase energy?

Allan Hogg:

Yes, well, yes. Energy is obviously increasing and now that we are entering winter, winter season, it will—it started in our Q4 forecast.

Mark Wilde:

Okay, all right. Then corporate costs in the third quarter were a little lower than we were modeling. Can you give us a little color on that and also the expectations for the fourth quarter and beyond?

Allan Hogg:

Yes, in corporate there's also the—our recovery business that gets included in there. The recovery business is contributing favorably compared to previous quarters. That's an impact of when you see the corporate segment. General costs and that is impacted in there is also country variation, but the main impact is recovery operations.

Mark Wilde:

Okay, all right. Then you've bought back a lot of stock in the quarter. I would just like to get your thoughts on incremental capital returns in the wake of the Reno sale.

Allan Hogg:

Well, as we said when we announced the sale of Reno, we said that we would look at managing our debt profile. That's what we did this week. In Canadian dollars, it slows to $400 million on the $450 million that we use on that repurchase of notes. We increased previously in Q2 our dividend and now with the share buyback, that was exactly what we said when we announced the sale of Reno. That's what we did.

Mark Wilde:

Okay, all right. Can we get some sense of what the volume trends are looking like right now on a year-over-year basis in the away-from-home market?

Charles Malo:

It's progressing slowly. It's a few percent every month. It's stabilizing October versus September. It gets softer at the end of the year, so that's why we're guiding pretty much flat. But we hope that with the border reopening and there's more and more people traveling, we're still seeing that market positively in the coming months.

Mark Wilde:

Where would you put the current volume right now relative to what you think about as base line demand in away-from-home?

Mario Plourde:

When we look at the AFMP (phon) number, the market is still below the 2019 results, so it's really tough to see what will be the new reality, honestly. Your crystal ball is as good as mine, but we hope that it's going to become closer to 2019, probably end of next year. My guess. It's still going to take at least another year before it goes back to 2019 results, I think. But that's my own opinion.

Mark Wilde:

Yes, and finally for me, any thoughts on further consolidation and restructuring in the tissue market? A week or two ago one of your competitors in the consumer market made some fairly bearish comments on an earnings call. I'd just like to get your thoughts.

Mario Plourde:

Well, obviously I think it would be beneficial if there were more consolidations. At this point, we're not focused on that at all. We are more focused on ramping up all the new lines that we installed and the integration of (inaudible). For us right now, the plate is quite full with all this focus on filling up this capacity that we acquired, mostly at the beginning of the pandemic. The pandemic is still hitting us hard. It's difficult to see where the market is going right now. Like I said, we're really more focused on capacity, filling up the capacity we have right now, but.

Mark Wilde:

Okay, all right. That's fine. I'll slip one more in here. Just in the specialty packaging business, in that moulded pulp business, we're hearing about the egg producers moving away from thermo form plastics and perhaps moving back to moulded pulp. Can you talk about what you're seeing?

Luc Langevin:

Yes, Mark. This is Luc Langevin. We see the exact same thing and this conversion from polystyrene carton has already started years ago. The first move was going to PET and obviously we see more and more pressure on the moulded pulp. The thing is, we need to get the capacity in place. You don't put capacity on moulded pulp as quickly as you would put it in plastic. It's longer projects to put the capacity in place. But we definitely see positive future in terms of moulded pulp in the egg industry.

Mark Wilde:

Okay, very good. I'll turn it over. Thank you.

Operator:

Thank you. Your next question will be from Paul Quinn at RBC. Please go ahead.

Paul Quinn:

Yes, thanks very much. Good morning, guys. Solid results. Maybe just starting on recovered paper prices. One of your U.S. containerboard peers this morning was giving guidance going out, financial guidance. Their assumption on OCC was over $160 for the following four quarters. Is that consistent with what you're seeing in the marketplace, and could you also give a guide on where you think SOP prices will be?

Luc Langevin:

Okay, Paul, this is Luc Langevin again. For the OCC at this moment, we see obviously we are in high (inaudible) season and the material is readily available. Based on the observation we have of the market now, the trend we've seen in October in the price reduction could potentially continue in November. This people, inventories are high. People are well, in good position for the Thanksgiving and the holiday season in terms of inventory levels. We should not forget also that same port is the current (inaudible) shortage of containers and the port congestion. We do expect something also is that the energy shortage in China has slowed down the paper mills, as you're aware, in China and will have a collateral on the pulp, (inaudible), also the recycled pulp coming from other Asian countries. With this short term I would say it should be a more favorable (inaudible) OCC.

On the SOP, this is, I'd say, a different story. The market is a bit tighter now, very much connected to the away-from-home market, which the tissue business, which is a significant consumer of SOP. It really depends how quickly the away-from-home market will recover. For us, it's not the challenge of supply. We do have but we don't expect that it's going to become a favorable market for buyers over the next two weeks, two months.

Paul Quinn:

Great, that's helpful. Then just over on Bear Island, I appreciate the guidance of 2023 production at 280,000 tons. If you could hold conditions flat to what you're seeing right now out into 2023, given the start up costs, do you think that's going to be a contributor to finances in that year?

Allan Hogg:

Charles, do you want to take it or…?

Charles Malo:

You mean just fall out, yes, Allan, I will take it. Is your question that the first year the mill will be a positive contributor? Is that what you're asking?

Paul Quinn:

Exactly. Yes. I know it's an easy one.

Charles Malo:

Based on our model and like you mentioned with current conditions, then yes. We have in our model that it's going to be positively contributing.

Allan Hogg:

Paul, maybe we can just rely on what happened in Greenpac. Greenpac was also positively contributing quite rapidly, and we learned from that, obviously, so. It will be good.

Paul Quinn:

Right, just figured that OCC prices are a lot higher than when Greenpac started up. That's all. Thanks. That's all I had. Best of luck.

Mario Plourde:

Thank you.

Operator:

Thank you. Your next question will be from Zachary Evershed at National Bank Financial. Please go ahead.

Zachary Evershed:

Good morning, everyone. On the topic of containerboard converting capacity, could you give us a little more color on the nature and scale of the opportunities that interest you?

Charles Malo:

I'm going to take that one, Allan.

Allan Hogg:

Yes, sure. Go ahead.

Charles Malo:

We do have our eyes open on opportunities, but we are very selective. You know that the last investment that we made in Piscataway which is very beneficial for our converting facility. Yes, we're looking at opportunities and but we're also looking at investing in our current portfolio. We spoke about the project that we have in Ontario where we made a major investment. That has increased our capacity and also reduced our number of assets but better performing. When we're looking at the future, there's going to be three things. First, investing in our current facility. The second is looking at good assets but we’re also looking at where we could do another greenfield. These are the three places where we are focusing on. I just want to mention again, that on the acquisition we want to be selective on the quality of the asset because we want to invest in long-term.

Zachary Evershed:

That’s helpful. Thanks. Another one for you. How is hiring going for Bear Island? How are you approaching that in the current tight market?

Charles Malo:

Yes, it’s a very good question. Knowing that the market is very challenging right now, the hiring is going very well. We have about 25 employees right now on 160 that are helping us during the construction. We figure that we’re going to be able to attract a lot of the employees that were working on that site before that we kept contact with. They haven’t moved form the area, so for them it’s a big advantage for coming back to a more modern facility. We’re really confident that with what we’re doing right now. The scale also, we are starting to rehire as we speak progressively until Q3 next year. We’re very positive on being able to find good people to run the facility.

Zachary Evershed:

That's great color. Thanks. Just one more for me on tissue. As workers return to the office and travel picks up, demand for away-from-home tissue obviously will increase and that's likely ahead of the recovery in SOP generation. Do you see risk of maybe a pinch in SOP demand for supply at that point in time?

Luc Langevin:

Yes, this is Luc again. Yes, as I said, there's going to be likely a higher demand for SOP and obviously, there will be the alternative of virgin pulp to substitute in sawmills. That's going to be likely the answer for the pinch of between the demand and the generation of SOP over the next few months.

Zachary Evershed:

Thank you very much. I'll turn it over.

Operator:

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

Mario Plourde:

Thank you, everyone, for being on the call and looking forward to meet you on the next quarter. Have a good day everyone. Thank you.

Operator:

Thank you. Merci Monsieur Plourde. Ladies and gentlemen, this does indeed conclude your conference call for today. Once again, thank you for attending and at this time, we do ask that you please disconnect your lines.