Cascades Inc.

Fourth Quarter 2024 Financial Results Conference Call

Event Date/Time: February 20, 2025 — 9:00 a.m. E.T.

Length: 39 minutes

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Jonathan Goldman
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PRESENTATION

Operator

Mesdames et messieurs, bienvenue à la téléconférence des résultats financiers du quatrième trimestre 2024 de Cascades. Je m'appelle Sylvie et je serai votre opératrice aujourd'hui. Toutes les lignes sont présentement en mode d'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 the Cascades Fourth Quarter 2024 Financial Results Conference Call. Note that 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.

Please go ahead, Ms. Aitken.

Jennifer Aitken — Director, Investor Relations, Cascades Inc.

Thank you, Sylvie. Good morning, everyone, and thank you for joining our fourth quarter 2024 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.

Today's speakers will be Hugues Simon, President and CEO, and Allan Hogg, CFO. Also joining us for the question period at the end of the call are Jean-David Tardif, Executive Vice-President of Packaging, and Jérôme Porlier, Executive Vice-President, Tissue.

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 Q4 2024 investor presentation for details. This presentation, along with our fourth quarter press release, can be found in the Investors section of our website.

If you have any questions, please feel free to contact us after the session.

I will now turn the call over to our CEO, Hugues Simon, who will begin with a review of our Q4 performance. Hugues?

Hugues Simon — President and CEO, Cascades Inc.

Thank you, Jennifer, and good morning, everyone.

Our fourth quarter performance was in line with our expectations.

Sales levels were stable versus Q3 and increased 6 percent year over year.

Sequentially, favourable average selling prices and exchange rate offset softer seasonal volume and a slightly negative sales mix.

Year over year, selling prices, volume, and exchange rates were all tailwinds in our Packaging businesses.

Consolidated EBITDA of $146 million increased 4 percent from Q3, mainly reflecting lower raw material costs in our Containerboard segment.

Year over year, consolidated EBITDA increased 20 percent due to stronger contribution from our Packaging activities.

On the raw materials side, highlighted on Slides 5 and 6, the Q4 average index price for OCC decreased 23 percent from Q3 and was stable year over year.

Fibre availability was good with strong seasonal generation and low overall export activity, leading to a 20 percent per short ton—$20 per short ton, excuse me—reduction in October and a further $5 reduction in November and December.

We don't expect any major change in these market conditions in the coming months. The exception to this would be the potential disruption related to tariffs, which I will touch on later.

Average fourth quarter index prices for white recycled paper grade decreased 7 percent from Q3 and 14 percent from last year.

The market remained balanced, with readily available volumes of fibre translating into a small decrease in pricing in the quarter.

We began to see tighter supply in late December on stronger demand from tissue mills, conditions that have continued into January, which led to a $10 increase recently.

Pulp prices were lower sequentially, down 4 percent in the case of softwood and 12 percent for hardwood. Year-over-year prices remained higher, up 29 percent and 20 percent respectively.

Market conditions improved in Q4 with an abundant supply of eucalyptus, leading to decreases in index prices.

We expect stable market conditions for these grades in the coming months.

Softwood grade saw more stability in Q4 but continued concern about wood supply support for a more prudent market environment. Tons are readily available, and our mills are well supplied. Lumber tariffs imposed in the future may impact Canadian pulp mills, and we're making necessary plans in the event this occurs.

Moving now to the results of each of our business segments, as highlighted on Page 7 through 12 of the presentation.

Beginning with Containerboard, Q4 sales were stable sequentially, with higher average selling prices offsetting lower seasonal volumes.

Sequentially, shipments decreased 1 percent from Q3. This reflects a 1 percent decrease on the parent roll side and a 2 percent decrease in shipment levels of converted products.

Converting shipments decreased 2.7 percent in Canada, below the 1.7 percent decrease in the Canadian market. US converting shipments increased 3.7 percent, outperforming the 1.1 percent market decrease.

EBITDA in Q4 was $104 million or 17 percent on a margin basis. This represents a 16 percent increase from Q3 and is the fourth consecutive EBITDA improvement.

Results benefitted from lower raw material costs, recent market price increases, and beneficial exchange rate. These benefits were partially offset by lower volumes.

Year-over-year sales increased by 9 percent, with benefits from higher selling prices and volumes, and more favourable exchange rate, offsetting a sales mix impact.

EBITDA levels increased 55 percent from a year-ago period.

Year-over-year shipments increased by 3 percent in Q4. This reflects an 8.5 percent increase in parent roll shipments, reflecting the growing production at the Bear Island facility, and a 1.5 percent decrease in shipments of converted products.

Converting shipments decreased by 1.5 percent in Canada, below the 4.8 percent increase in the Canadian market. US converting shipments decreased 1.4 percent, below the 0.2 percent US market decrease.

Full year 2024 converting shipments increased 3.7 percent in Canada, slightly below the industry's 5.1 percent. In the US, shipments increased by 3.6 percent, outperforming the industry's 0.1 percent increase.

The Specialty Products business continued to deliver solid results.

Q4 sales increased 4 percent from Q3 on improved selling price, sales mix, and exchange rate.

EBITDA was up 4 percent or $1 million from Q3, driven by higher realized spreads, and a margin of 16 percent remained solid.

Year-over-year sales increased 9 percent in Q4, with higher selling prices in certain products, stronger volume, and a favourable exchange rate driving this growth.

EBITDA improved by 47 percent or $9 million on higher realized spreads.

Moving now to our Tissue business. Fourth quarter sales increased 1 percent sequentially, as higher average selling price offset lower seasonal volume.

Converted product shipments decreased 2 percent in away-from-home and 1 percent in the retail market.

EBITDA of $45 million increased 5 percent from Q3 and is in line with expectation, driven by selling prices and lower raw material costs.

Sales also increased 1 percent year over year. This reflected favourable exchange rate, offset by a slightly negative average selling price.

Shipments were stable year over year. On the converting side, shipments were stable, the result of a 0.8 percent increase in retail and a 1.9 percent decrease in away-from-home.

The average selling price increased by 1 percent year over year, reflecting sales mix and a beneficial exchange rate.

Year-over-year EBITDA decreased by $16 million, reflecting mainly the outcome of higher raw material costs.

Corporate Activities' contribution was $11 million lower this quarter, compared to the third quarter, due to an unfavourable exchange rate variation on working capital and treasury items, and higher costs related to health insurance for US employees.

I'll now pass the call to Allan, who will briefly discuss some of the financial highlights. Allan?

Allan Hogg — CFO, Cascades Inc.

So I thank you, Hugues, and good morning, everyone.

So Slides 12 and 13 illustrate the specific items recorded during the quarter.

The main items that impacted EBITDA were $8 million of restructuring costs and $55 million of impairment charges, resulting from a previously closed plant in the US and from a decision to discontinue some production lines in the US. These were offset by a net gain of $8 million related to the disposition of assets.

Slides 14 and 15 illustrate the year-over-year and sequential variance of our Q4 adjusted earnings per share, and a reconciliation with the specific items that affected our quarterly results.

As reported, Q4 net loss per share was $0.13. This compared to a net loss of $0.57 per share last year and net earnings per share of $0.01 in Q3.

On an adjusted basis, net earnings per share were $0.25 in the current quarter. This compared to net earnings per share of $0.05 in last year's results and $0.27 in the third quarter of this year.

Year over year, this variance mainly reflects stronger EBITDA, while sequential variance reflects higher EBITDA levels, offset by higher depreciation and amortization expense.

As highlighted on Slide 16, fourth quarter adjusted cash flow from operations was $129 million, up from $103 million in the year-ago period and from $86 million in Q3.

Adjusted cash flow generated in the fourth quarter improved year over year, largely reflecting stronger cash flow from operations and the higher level of capital investments in the year-ago period.

Sequentially, adjusted cash flow generated increased with stronger—adjusted cash flow generated increased with stronger cash flow from operations and lower financing expenses paid.

Slide 17 provides detail about our capital investments.

New investments for the full year totalled $148 million, slightly below the previously disclosed forecasted level of approximately $160 million.

For 2025, we are forecasting approximately $175 million of capital expenditures.

Moving now to our net debt reconciliation as detailed on Slide 18.

Sequentially, our net debt increased by $57 million in the fourth quarter. This reflects a negative $140 million impact related to exchange rate. These agreements renewals are additions and paid capital investments. These were partially offset by positive impacts from cash flow from operations, working capital variances, and proceeds from the disposal of assets.

Higher level of net debt and lower EBITDA levels on a full year basis increased leverage to 4.2 times. This compares to 4.3 times at the end of Q3 and 3.4 times at the end of 2023.

Also note that on January 15, 2025, we repaid our Canadian senior notes coming to maturity with funds from our revolving facility.

Also in January, we made some amendments to the delayed-draw unsecured term loan facility put in place earlier this year to convert it to a US$121 million facility maturing in December 2026.

Financial ratios and information about maturities are detailed on Slide 21, and other information and analysis can be found on Slides 23 through 30 of the deck.

I will now pass the call back to Hugues, who will conclude with some brief comments before we begin the question period. Hugues?

Hugues Simon

Thank you, Allan.

Cascades has always driven to be transparent, a key part of which has included providing a near-term financial and operational outlook with our quarterly results.

Unfortunately, the high level of continued uncertainty surrounding the macroeconomic and political environment is such that we'll pause this practice for now.

The risk of bilateral tariffs being implemented has the potential to have broader implications on the economy and is difficult to predict.

While we will not be providing business-specific details, we believe it's important to convey that we continue to expect that raw material prices will be a tailwind for our businesses in Q1, and we're currently seeing steady seasonal demand volumes.

Before opening the call to questions, I'd like to elaborate on the potential impact that bilateral tariffs may have on our company specifically and the proactive measures that we're taking to prepare for their eventual possibility.

Annually, we generate approximately 11 percent of our sales from products we make in Canada and sell into the US. Cross-border intercompany transfers, including raw material used in our operations, increase this tariff exposure to roughly 15 percent of our revenues.

We've begun to implement a variety of initiatives to mitigate this risk. These include changes to our raw material sourcing, reallocating production where possible to minimize the need for cross-border transit, and implementing commercial strategies with suppliers and our customers.

In addition to these processes we have in place to monitor and minimize the potential impacts on our operations, we also are actively engaging with governments, along with numerous other Canadian companies, to explore ways that Canadian manufacturers can maintain competitive position.

Notwithstanding the risks associated with the broader economic and political environment, we're sharing our strategic focus areas for the next 24 months on Slide 20.

The first of our three main priorities is to build and solidify a culture of excellence throughout the organization to drive sustainable profitability growth.

The second focus area is on improving operational and commercial alignment, which includes optimizing our commercial approach and reinforcing our positioning as a partner of choice for our customers.

The third and final cornerstone of this 24-month strategy is to prioritize the deployment of the resulting higher free cash flow levels towards debt reduction.

We believe that by achieving these objectives over the next 24 months, we support the future growth of Cascades and create value for all of our shareholders.

With that, we can now open the call to questions. Operator?

Q&A

Operator

[Remarks in French]

Thank you. If you would like to ask a question, please press *, then number 1 on your telephone keypad. And if you would like to withdraw from the question queue, please press *, then number 2.

Again, if you have a question, please press *, then 1 on your telephone keypad.

And your first question is will be from Nikolai Goroupitch at CIBC Capital Markets. Please go ahead, Nikolai.

Nikolai Goroupitch — CIBC Capital Markets

Hi. Hope you're doing well. Recently saw an international paper announce a large containerboard mill closure. Do you expect to see any other high-cost mills closing and additional capacity exiting the market going forward?

Hugues Simon

Thank you for your question. Will not comment what our competition are doing, but it's something that we—we look at supply and demand all the time. And what we're seeing right now in our order file is steady, given the seasonal volumes. That being said, the risk of tariffs, we might see some different behaviours, but we're tracking that situation closely.

Nikolai Goroupitch

Okay. I see. I see. And on tariffs, in the scenario tariffs are implemented, do you see any demand destruction from Canadian customers? And so what do you see as a downside to industry box shipment volumes?

Hugues Simon

Well, when we look at Cascades specifically, basically, like from linerboard medium positioning, about two-thirds of our roll production is in the US.

But as you mentioned, the key risk is really a slowdown of the economy in Canada. So then it's not material from Canada going to the US, but it's the Canadian economy overall.

So that's definitely something that we're tracking because a slowdown of the economy will mean less shipments, every kind of products, whether it's shipped in the US or within Canada.

Nikolai Goroupitch

Okay. I see. Thank you. That's it for me.

Operator

Thank you. Next question will be from Sean Steuart at TD Cowen. Please go ahead.

Sean Steuart — TD Cowen

Thank you. Good morning. I just have a few questions. Hugues, I want to revisit the tariff; a detail you've given. And I'm wondering if you can give a little bit of nuance of the Canadian sales exposure to the US broken down between containerboard, tissue, and specialty packaging.

And I guess, more broadly, thoughts on your ability to pass tariffs on to customers, and I imagine that would differ across product lines. But any nuanced commentary you can provide on that front?

Hugues Simon

Yeah. Thank you for your question.

We've been working on potential tariffs since the fourth quarter of 2024, having some work stream to make sure that not only we 100 percent understand our exposure, but we start looking at alternatives. So between tissue, packaging, we're not going to disclose any specific information, but it's something that we track and, also, a variety of activities to make sure that we mitigate those potential impacts.

So it's a work stream we've been working for quite a while now. So we have a plan, when the government of Canada also announced its first list of products that would be part of a potential reaction from Canada to the US. So it's something that is changing daily. The devil is in the details, but we have some pretty good action plans to mitigate as much as possible.

Some of the products that we manufacture, like tissue basic care products, have a different behaviour in a context of tariffs. So the devil's really going to be in the details.

But definitely, a slowdown in the Canadian economy is something that would have an impact on any companies in Canada.

Sean Steuart

Okay. Thanks for that detail. Next question. There's mention in the strategic priorities of noncore asset sales, essentially targeting $80 million in proceeds this year. Can you give us a sense of what specific assets you're looking at as a part of that program?

Hugues Simon

Yeah. So without going to specifics because, like for the sensitivity of some of the assets we're looking at, we're really looking at noncore, some of the real estate that we have that is not really operating.

So we're not looking at anything that has a significant impact on our operational cash flow generation. But really, when you look at the portfolio of assets that we have, there are areas where we can monetize some of the assets. Whether we continue to operate them in a different pattern is one option, but definitely trying to monetize to reduce our debt level.

Allan Hogg

And remember, Sean, that we closed assets in Tissue last couple of quarters, so these are part of this target.

Sean Steuart

Got it. Okay. Last one for me. Any updates on Bear Island ramp-up? Your uptime targets being met?

And any context you can give us on where we are with respect to operating rates there?

Hugues Simon

Yes. Basically, when we had the last discussion in the third quarter results, we stated that we had a gap of 20 percent versus where we wanted to be. When we look at the month of October, November, and December, all three months had improvements from previous months, with the month of December being roughly—like basically covering half of that gap, so roughly between 10 percent and 11 percent.

That being said, it's a start-up. So I expect we'll continue to have some hiccups, but we're fixing stuff, and we're fixing them permanently.

So very pleased with the improvement in Q4. Plan is for the end of this year to meet our production target in 2025. Yeah. So I guess that's the update I can give you.

Sean Steuart

And half the gap, closing half of the 20 percent gap, that doesn't mean getting to 90 percent operating rates. It means closing half the gap of where you plan to be at this point. Is that the right—

Hugues Simon

Yes. Exactly—

Sean Steuart

—context I should think about? Okay.

Hugues Simon

Yes. Exactly—

Sean Steuart

Got it.

Hugues Simon

—with a ramp-up curve happening throughout 2025.

Sean Steuart

Got it. Okay. That's all I have for now. Thanks very much.

Hugues Simon

You're welcome.

Operator

Next question will be from Jonathan Goldman at Scotiabank. Please go ahead.

Jonathan Goldman — Scotiabank

Hi. Good morning and thanks for taking my questions. Hugues, in the release, I just wanted to clarify something—in the prepared remarks as well. You noted you're currently seeing steady seasonal demand levels. Are you referring to year-over-year or quarter-over-quarter levels? And is that across all of your segments?

Hugues Simon

Well, that's basically year over year from a seasonal standpoint. Right? Because some of the demand levels vary depending of what quarter we're in. I mean, there's some few exceptions.

But overall, I mean, in Packaging as a business, we're seeing pretty steady demand levels versus seasonality, so from last year.

And Tissue, on the away-from-home, we see some movement between away-from-home and retail, which is very normal at this time of the year. But overall, it is pretty steady.

Jonathan Goldman

Interesting. And you did provide a lot of colour around tariffs and potential actions. But have you seen any change in customer behaviour so far, whether that's pulling forward demand, stocking up, maybe dialling back demand? Anything in that relations?

Hugues Simon

Yeah. It's a great question, and it's something that the sales teams are looking at on a daily basis. The biggest thing that we see so far is a lot of good discussion between our sales team and customers on together finding ways to mitigate any potential impact.

I mean, it's a potential impact for Cascades. But also, I mean, I think customers realize that a 25 percent tariff will mean that pricing will be somehow different. So they're looking at actions to mitigate on their part, to see whether they can move from one place to another and make sure that our trucks come back full this way.

So there's a lot of discussions about trying to mitigate, and there's also a lot of discussions about alternatives outside of the US. I think, with the political positioning in the US that we see, it's not just Canada. Right? So it's other countries as well. So we really see customers, overall, trying to work with us to find some solutions to mitigate.

Jonathan Goldman

Interesting. And maybe if I can squeeze one more in, maybe for you, Allan, on the working capital. I think we typically see a bigger release in Q4 than we saw this quarter. Are there any unusual dynamics there, maybe specifically around inventories or receivables?

Allan Hogg

No. No. There was no specific items that come to mind. No, there was nothing. Inventory, for sure inventories are up. At the end of the year, we produced well, let's say in containerboard, in the last couple of weeks of December. So obviously, inventories are higher at the end of the year.

Jonathan Goldman

Okay. Perfect. Thanks for taking my questions.

Operator

Thank you. Next question will be from Matthew McKellar at RBC Capital Markets. Please go ahead.

Matthew McKellar — RBC Capital Markets

Good morning. Thanks for taking my questions. I'd like to ask first about your efforts to mitigate the impacts of potential tariffs. You mentioned changes to raw material sourcing, reallocation of production to minimize intercountry shipping, and adapting commercial strategies with your customers and suppliers.

How much of what you mentioned here has already been implemented today versus really just planning and actions you essentially plan to take, should tariffs occur? And with that, how would you estimate the financial impact of those changes you made so far to be on the next couple of quarters, assuming that we ultimately do not see tariffs implemented?

Hugues Simon

Yeah. Great question. We're not going to put some numbers into all of the actions that we're taking. As far as implementation, we're not pre-implementing anything that would have a negative cost for Cascades, but we're getting ready so that the implementation phase would be as quick as possible, understanding that is a threat of tariff right now, and the devil is going to be in the details.

Depending what you read and when you read it, the number of products differ. So we're taking the worst-case scenario to prepare, which means all of the products from Canada to the US.

They're very specific actions. And when we talk about—to give you an example, I mean, our company is very integrated from the south part of Canada to the north part of the US, with operations in Ontario and in the northern US. So part of our day-to-day logistics is to do some cross-border of some items.

We have ways to mitigate that. We were doing that because it was the most efficient way with the actual rules, but if the rules change, I mean, there are many things that we can do to mitigate that.

So we're getting ready for that. We're getting ready to make sure that if, it means to have some approval of specification, we're ready for that. But as far as incurring significant additional cost, we're not doing that right now.

Matthew McKellar

Okay. Thanks for that colour. Next for me, just focusing on a couple of items from your strategic priorities, maybe first around profitability. What kind of improvements can you ultimately achieve here? And I mean, through the productivity initiatives, optimizing your logistics and cost structure, and if we assume the threat of tariffs fade away, can we quantify what you aim to achieve here?

And then second question would just be around the recalibration of your product offering. Was that a comment of both the Packaging and Tissue businesses? And again, how meaningful could this be for you financially?

Hugues Simon

Yeah. So I mean, we've took the position not to quantify whether we guide for the next quarter or some of the initiatives. And I'm sure you understand because of all this unknown in the tariff.

And, I mean, the tariff's one thing. The impact on global economies in both US and Canada is probably what drives Cascades not to put some into specific numbers. Prior to those tariff discussions, I mean, we have internal numbers. We have specific targets to all of the work streams of what we're doing.

But there's so much unknown in the economy right now that we felt wouldn't add much value to just throw a number out there. We're going to wait and see the bilateral discussions and negotiations between both Canada and the US. And when we'll feel that the stability is back and good enough so that our level of comfort with looking ahead is acceptable, then, I mean, we'll go back to guiding.

I think guiding it's a good thing. But right now, I mean, there's so—I mean, there's so much clouds on the sky that we're just going to pause on sharing some of the targets. But it doesn't mean that we don't have internal targets.

As far as product lines that you talked about, if you recall, last quarter, we stopped producing some of the SKUs in the Tissue. I mean, we're optimizing product offering based on what customers are looking for, making sure that we stay very close to what they need because it does change at some point. So it's both for Tissue and Packaging.

And to the last part of your question, it is significant enough that it's a big component of our strategy, is to optimize the assets that we have. To us, this is a low CapEx cost and a very fast return.

So just to make sure that we organize in a very, very efficient way, the way we go to market, the way we produce, and the way we prioritize our production runs, there's enough cash out there to make it a priority for Cascades for the next 24 months.

Matthew McKellar

Great. Thanks very much for the help. I'll turn it back.

Operator

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

Zachary Evershed — National Bank Financial

Good morning, everyone. Thanks for taking my questions.

Allan Hogg

Good morning.

Hugues Simon

Good morning.

Zachary Evershed

Could you give us more colour on what's driving the higher Corporate costs, please?

Hugues Simon

I'll let Allan—

Allan Hogg

Yeah. Well—

Hugues Simon

—take that.

Allan Hogg

—as Hugues mentioned in his comment, there was two items during the quarter, the exchange rate; a loss on the working capital and treasury items at the end of the year. So everything is centralized now, so we take all the variance in Corporate.

And there was additional costs for US health insurance for our US employees.

So a couple of events that happened and unfortunate events, so we had to incur some additional cost in Q4, so.

Zachary Evershed

And no contribution from severance or layoffs or anything like that?

Allan Hogg

Contribution from severance? No, there was no—couple of severance. It's all in specific items under restructuring.

Zachary Evershed

That's helpful. Thanks. And then you also mentioned you'll come back to providing short-term guidance once there's a little more certainty in the geopolitical outlook. Are you also going to release more specific details on the two-year strategic plan?

Hugues Simon

Yes, we will for sure. That was the initial intent, was to share more information than what we're sharing today. But again, when we get more clarity, we'll come back to that.

Zachary Evershed

Thank you. And then just one last one on the Packaging segment unification. Can you give us an update on the progress there? And when we should expect benefits from cross-selling, for example?

Hugues Simon

Well, very satisfied with what we're seeing so far. The benefits from all the reasoning behind putting the two businesses together, we're already seeing some of the results. It's something that I think, quarter over quarter for the next 24 months, we're going to see more and more.

We've made some changes to some of the teams, whether it's in sales, in operations as well, making sure that we're more agile, that speed to decision is faster, and we really simplify our business model. So very happy with what I see so far, and I'd say that I already see some of the benefits.

Zachary Evershed

That's great. Thank you. I'll turn it over.

Operator

Thank you. Again, if you would like to ask a question, please press *, then number 1 on your telephone keypad.

Next question will be from Frederic Tremblay at Desjardins. Please go ahead.

Frederic Tremblay — Desjardins

Thank you. Good morning. Just a question on capacity in Tissue. We saw that it's approaching 100 percent and, in Q4, was 98 percent. Just wanted to get maybe your thoughts on potential for increasing that capacity over time, whether it's from internal efficiency gains or new equipment. How are you thinking about your demand and capacity to meet that demand in Tissue?

Hugues Simon

Yeah. Demand, as you said, demand's very strong. We've repositioned some assets in converting last year, so we're optimizing those. We have specific work stream on the paper machines as well to make sure that the output continues to improve.

And it's exactly one of the—I'll circle back to our strategy—is optimizing the assets that we have has a quick payback, low CapEx. And what you're asking on the Tissue business is a good example of that. We're speeding up improvement of efficiencies, getting more out of every equipment. We're in a situation where, for many of our product offerings, the demand's very strong. So every time we can capitalize on producing more, we can sell it and we can sell it right away.

So it's very positive, good outlook. It's a basic care product. Right? So we're going to see some switch between away-from-home and retail, depending on the economies. But I mean, we're producing both. So we're making sure that we build some flexibility to switch from one to the other when we can and having more than usual discussions, probably, with customers fearing the potential threat of tariffs, so making sure that we stay very close to our partners on that front as well.

Frederic Tremblay

That's great, very helpful. And apologies if I missed it earlier, but did you comment on your thoughts on containerboard prices moving forward, given the current context that we're in and the price increase that's been announced, but not yet reflected in the industry index prices?

Hugues Simon

No, you didn't miss anything, but I will briefly comment.

First, I mean, as you know, the index coming out tomorrow. So I mean, we'll see what the results are. We're heavily based on indexed but, I mean, we've started to invoice on the non-indexed prices, some of our customers. So we'll wait and see, and we'll comment once we see what the publication is tomorrow.

Frederic Tremblay

Great. That's all I have. Thanks for taking the questions.

Hugues Simon

Thank you.

Operator

Thank you. There are no further questions at this time. Monsieur Simon, please proceed.

Hugues Simon

Well, thank you, everyone, for taking the time. As you know, these are pretty interesting times, given all the actions between Canada and the US and, quite honestly, the rest of the world. So we're going to continue as a company to strive for excellence, making sure that we make the best out of what we have and focus on our debt reduction.

Thank you for the call. Thanks.

Operator

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

Thank you, ladies and gentlemen. This does conclude your conference call for today. You may now disconnect your lines.