FINAL TRANSCRIPT

Cascades Canada ULC

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PRESENTATION

Operator

Mesdames et Messieurs, bienvenue à la téléconférence des résultats financiers du quatrième trimestre 2020 de Cascades. Je m'appelle Simon et je serai votre opérateur aujourd'hui. Toutes les lignes sont présentement en mode écoute seulement.

Good morning. My name is Simon, and I will be your conference operator today. At this time, I would like to welcome everyone to the Cascades Fourth Quarter 2020 Financial Results Conference Call. All lines are currently in listen-only mode.

I will now pass the call 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 fourth quarter 2020 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 on today's call are the presidents of Cascade's 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 February 16 can be viewed on Reno's 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 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 2020 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 call me 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. Good morning everyone.

I would like to begin our call this morning by acknowledging our appreciation for the dedication and resilience of our employees throughout the past year by thanking our customers, supplier and communities in which we operate for their continued strong partnership and by thanking our shareholders for their ongoing trust.

We are very pleased with our strong fourth quarter consolidated performance. It exceeded expectations for the period given our cautious outlook due to the ongoing COVID-19 pandemic. Our operation delivered solid results in the last three months of the year (inaudible) our third consecutive of record annual Adjusted EBITDA level in 2020.

Broadly speaking, we demonstrate good execution of our facility and benefited from our margin improvement initiatives begun in the first quarter of the year. Annually, this program generated approximately $75 million of Adjusted EBITDA improvement in 2020. Allan will give you more details in a few minutes.

Subsequently, fourth quarter results were driven by Containerboard which benefited from strong demand in both the manufacturing and the conversion side. The Tissue segment also generated strong quarter over quarter results, providing an improvement Adjusted EBITDA margin of 10.5 percent, which in the context of continued Away from Home product demand pressure due to the pandemic. Adjusted EBITDA of $166 million was 2 percent above Q3 and 9 percent above the same period last year.

On a consolidate basis, our Adjusted EBITDA margin was 12.9 percent in Q4. Slides 4 and 5 provide details for each of our business segments.

On the raw materials side, highlighted on Slide 6, the Q4 average index price for OCC more than doubled year-over-year and increased 12 percent compared to Q3. This is largely a reflection of higher domestic demand levels for this fibre as Containerboard production levels have responded to pandemic buying patterns combined with strong export activity to South Asian countries.

Average prices for white recycled paper grades decreased 15 percent year-over-year in Q4 and were down 26 percent from Q3 levels.

On the virgin bulk side, hardwood and softwood pulp prices were essentially stable both year-over-year and sequentially in Q4.

Moving on to some brief comments on the performance of each of our business segments highlighted on Page 8 through 11 of the presentation.

The Containerboard segment generated a slight 1 percent decrease in sales sequentially, shipments decreased 3 percent from Q3, reflecting usual seasonality of sales mix. (Inaudible) shipment decreased 6 percent reflecting a 1 percent decrease in capacity utilization rate and a 2 percent increase in integration rate.

On the converting side, shipment increased by 1 percent sequentially in millions of square feet, in line with the Canadian market, but below the 4 percent increase registered in the U.S. market for the period. These were offset by a 2 percent increase in the average selling price.

Q4 Adjusted EBITDA of $110 million or 22 percent on a margin basis increased 10 percent from Q3 levels. This was driven by lower raw material and operational costs and a more favourable sales mix and early benefit from the November 1 price increase. These were partially offset by lower volumes and higher labour and freight costs. As a reminder, Q3 results also included and approximate $3 million impact related to operational stop at our (inaudible) complex due to maintenance and a disruption from the (inaudible) suppliers. Manufacturing downtime related to planned maintenance and capital investment of 9,200 short tons were taken in Q4, below the 11.400 short tons taken in the third quarter.

Our Tissue business fourth quarter sales decreased 5 percent sequentially. This was largely driven by higher volumes linked to year-end fulfillment of contractual annual volumes with shipment level up 5 percent from Q3. A higher average selling price and a more favourable mix of product (inaudible) were also positive contributors while the 2 percent appreciation of the Canadian dollar was a net negative to sales levels.

Adjusted Q4 EBITDA increased $4 million sequentially, reflecting lower raw material costs and higher average selling price and volumes. These were partially offset by a more elevated production cost and transportation and energy costs.

We are pleased with the improvement in Tissue which this type of continued demand impact related to COVID-19 generated an impressive 510 basis point margin improvement this year when compared to 2019.

European Boxboard operations had a good quarter. Q4 sales decreased 3 percent sequentially, reflecting the usual holiday season in shipments. Adjusted EBITDA decreased 2 million from Q3 levels reflecting a lower average selling price and volume, the effect of which was partially offset by lower production costs.

Specialty Products segment generated solid Q4 results sequentially and year-over-year. When compared to the prior quarter, Q4 sales increased by $6 million driven by stronger volume in moulded pulp, fibre based packaging and more favourable pricing and sales mix. These were partially offset by lower sales in the plastic packaging and lesser (inaudible) exchange rate.

Adjusted EBITDA levels decreased by 1 million sequentially.

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

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

Thank you, Mario, and good morning.

So I will begin with an overview of our KPIs on Slide 13. Our fourth quarter shipments decreased by 9,000 short tons or 1 percent from Q3, driven by a decrease of 3 percent in Containerboard and a slight 1 decrease in Europe. These were partially offset by a 5 percent increase in Tissue shipments in the full year. The fourth quarter capacity utilization rate of 92 percent increased 2 percent compared to the prior year, and 1 percent from the third quarter levels. Average working capital came in at 9.6 percent of sales, down from 9.8 in Q3, while consolidated return on assets stood at 13.1 percent, up from 12.8 percent in Q3.

Moving now to sales as detailed on Slide 14 and 15. Year-over-year Q4 sales increased by $57 million or 5 percent, driven largely by volume increases in Containerboard and Specialty Product segments, favourable pricing in mix and Tissue and a beneficial foreign exchange rate for the European Boxboard segment. These were offset by lower volumes in Tissues, less favourable pricing and sales mix in Boxboard Europe, and negative foreign exchange rates for both Containerboard and Tissue.

On a sequential basis, fourth quarter sales increased by $9 million or 1 percent, largely reflecting better pricing and sales mix in all North American operations and higher volumes in Tissue and Specialty Products partially offset by a less favourable foreign exchange for all North American segments.

Moving now to operating income and Adjusted EBITDA as highlighted on Slide 16. Q4 Adjusted EBITDA of $166 million increased $14 million from the prior-year level. All business segments generated stronger year-over-year results with the exception of Corporate Activity.

Sequentially, Q4 Adjusted EBITDA increased by $4 million or 2 percent, as shown on Slide 17. This was driven by stronger performances in Containerboard and Tissue, partially offset by slightly weaker contribution from Corporate Activities. R

Adjusted EBITDA for the year reached $675 million, an increase of $71 million or 12 percent from 2019 levels. This improvement reflects the good performance of European Boxboard, Specialty Products and in particular our Tissue segment, the combination of which offset the decline in Containerboard. Our Adjusted EBITDA margin came in at 13.1 percent in 2020 compared to 12.1 percent in 2019.

Moving now to Slide 19 of the presentation, in the first quarter of 2020 we initiated an important profit margin improvement program for our North American operations, focused on improving competitiveness, efficiency and productivity, thereby limiting the potential negative effects related to economic downturns or adverse market conditions. A similar program was already underway in the European operations.

The program is built on five strategic pillars: net revenue management, production efficiency, optimization of sales and operations planning, supply chain efficiency and organizational effectiveness. The objective of this program is to improve our Adjusted EBITDA margin by 1 percent annually in 2020, 2021 and 2022, with these improvements calculated from the levels of 2019, our baseline year.

Although the pandemic delayed the implementation of some initiatives, we were able to exceed our target for 2020 by achieving approximately $75 million of Adjusted EBITDA net of related costs to implement these initiatives. These benefits offset some negative impacts related to COVID-19, increased raw material costs and reduced selling prices for certain products.

Slides 20 and 21 illustrate specific items recorded during the quarter. The main items worth mentioning are a $40 million gain from the sale of the building and land of a closed containerboard facility in Ontario, $13 million of impairment charges following the revaluation of certain assets in Tissue and Boxboard Europe in light of current market conditions, and an $8 million restructuring charge associated with profitability and restructuring initiatives.

Slides 22 and 23 illustrate the year-over-year sequential volumes of our Q4 adjusted earnings per share and the reconciliation with the specific items that affected our quarterly results. As reported, earnings per share were $0.72 in the fourth quarter. This compared to a net loss per share of $0.27 last year. Both periods included specific items.

On an adjusted basis, EPS increased by $0.12 compared to last year’s results. Higher operating results and lower depreciation expense were offset by higher financing expenses.

On an adjusted basis, sequential fourth quarter earnings per share decreased by $0.08 per share from Q3 levels due to a positive impact of tax asset reassessment of prior year's losses recorded in Q3.

As highlighted on Slide 24, fourth quarter adjusted cash from operations increased $45 million year-over-year to $152 million. This reflected higher operating results, lower income tax and net financing expenses paid. Adjusted free cash flow levels increased by a strong $69 million year-over-year .

Moving now to our net debt reconciliation as detailed on Slide 25 and 26. Our net debt decreased by $303 million in the quarter. This reflects strong cash flow from operations, $120 million of net proceeds from the equity offering concluded on October 22, a positive foreign exchange impact of $71 million and a (inaudible) $60 million positive variance in working capital partially offset by dividends and CAPEX payments.

For the full year, net debt went down by $284 million or 14 percent. Capital investments, the purchase of CDPQ equity in Greenpac and our dividends payments were more than offset by strong cash flows from operations and the issuance of common shares.

We reached our stated leverage ratio target, which stood at 2.5 times at the end of 2020, down from 3 times at the end of Q3 and 3.25 times at the end of last year. This, along with other financial ratios and information about maturities are detailed on Slide 27.

On Slide 28, we provide details about our capital investment plans for the full year. We expect to invest approximately between $450 million to $475 million in 2021, which includes $250 million of investments associated with our Bear Island conversion project.

We will continue to prudently manage our cash flow and our debt profile, with the objective of keeping our leverage ration within a range of 2.5 times to 3 times while we execute our Bear Island project.

At year-end 2020 we had cash and revolver (inaudible) of approximately $1 billion.

Mario will wrap up the call with a brief conclusion before we begin the question period. Mario?

Mario Plourde – President and Chief Executive Officer**,** Cascades Canada ULC

Thank you, Allan.

We provide details regarding our near-term outlook on Slide 30 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 and the ongoing unusual circumstances. Difficult weather conditions in the U.S. may also impact the supply chain efficiency in some of our U.S. plants.

Our near term outlook for Containerboard segment is positive. This is based on a very strong continued demand in both the main factory and converting side, and (inaudible) of the announced price increases. The first price increase is expected to be fully implemented in the second quarter of 2021, and the second price increase will start to be implemented in Q2 and is expected to be fully in place by the end of the fourth quarter. These factors are expected to offset the impact of OCC price increase since the third quarter of 2020.

We are expecting steady sequential results from Specialty Products segment. This reflects stable volume and a higher average selling price in moulded pulp and fibre-based packaging.

Near term performance in European Boxboard is also expected to be stable sequentially with stronger volume and stable pricing offsetting higher raw material costs.

Our near-term outlook for the Tissue segment is less favourable on a sequential basis. This is largely a function of seasonality, sequential comparison of a solid finish to 2020 as customers fill contracted annual order level, and expect costs (inaudible) in raw materials. We foresee demand for our (inaudible) product remaining under pressure given continued business shutdown in North America while demand for the retail tissue product is expected to remain stable. Pricing improvement will support results going forward and will benefit being realized from the ongoing restructuring and modernization investment. Added to this, we remain focused on optimizing the production and cost structure of this business platform, the benefit of which we are beginning to see flow through results.

To this end, we close our two-paper machine totalling 65,000 tons of capacity in Pennsylvania in early December. The (inaudible) converting plant was subsequently closed at the end of January 2021. We also announced the closure of our Laval converting plant scheduled for the end of June 2021. These closures are part of our network optimization plan and the volume is being transferred to other facilities.

Moving now to raw materials, the recovered paper market saw increased activity in the fourth quarter. OCC generation was robust as was the demand for the fibre which solid domestic demand levels and strong export activity to South Asian countries. We finished the year 2020 with good inventory levels and we have not had difficulty securing needed fibre. We expect similar OCC dynamics to persist for the coming months with domestic demand remaining robust, slightly lower seasonal general and persistent exports activity and lower shipping container availability resulting in a tighter market.

Conditions for the white grade were stable, helped by lower demand in the Away from Home tissue product. Material has remained readily available and we have continued to maintain good inventory levels.

Looking at the recent uptick in virgin pulp price will likely put an indirect upward pressure on costs.

The virgin pulp markets saw an unexpected and rapid surge in pricing at year-end. This was driven by strong and likely estimated domestic demand extended by an unplanned downtime at pulp mill and rapidly growing Chinese demand. The coming months will provide greater clarity as to how much of these market dynamics are being driven by fundamental versus short-term conditions and stipulations. Currently, our mills have supply and will continue to be supported by our long-term supplier relationships and good inventory management.

Let me conclude by saying that we are pleased with our performance in Q4 and very proud to have achieved a record annual EBITDA level for the third year in a row. In addition, we reduced our leverage ratio within an unpredictable and challenging business environment.

We are also very proud to have been rated 17 in the Top 100 Most Sustainable Companies in the world, placing first in our sector in the Corporate Knights 2020 Annual Survey of more than 8,000 companies worldwide. This outlines our commitment to sustainability and our belief that it will create long-term value for Cascades and our stakeholders. These results highlight the importance of growing operational and financial traction being generated by our modernization and margin improvement initiative, and strategic investments over the recent year.

None of this would have been possible without our employees. Their commitment to these initiatives and their dedication and resilience during these challenging times is truly inspiring. As always, their health and safety remain our top priority and we applaud their diligence to the safety measures in place in all our facilities.

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

Q & A

Operator

Thank you.

Your first question comes from the line of Hamir Patel. Your line is open.

Hamir Patel – Analyst**,** CIBC Capital Markets

Hi, good morning.

Hamir Patel – Analyst**,** CIBC Capital Markets

Mario, we've seen a fair bit of M&A in the European boxboard market in recent months and multiples a fair bit higher than where Reno trades. Has that changed how you think about potentially monetizing that business?

Mario Plourde – President and Chief Executive Officer**,** Cascades Canada ULC

Actually, not really. We maintain the same approach with Europe and you probably are aware that we are participating in the M&A game in Europe as well. We just announced the acquisition of (inaudible) and we think this will generate good synergies and value for the Group, so no, we have not changed our composition.

Hamir Patel – Analyst**,** CIBC Capital Markets

Okay. Fair enough. Just turning to the Containerboard side, I'm not sure if we have Charles on the line, but how much of the $60 per ton hike, assuming it's fully reflected in the trade publication, how much of that is going to be offset by some of the higher freight costs and commodity inflation that you've been seeing?

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

Yes, I'm here. This is Charles. Just maybe one point to mention. We have announced at Cascades $60 on the (inaudible) but we are pushing a price increase further on the medium, so we are going to implement $70 on the medium. As you know, we medium is important in our portfolio and the increased cost and the margin that we're generating on the medium and the demand, we are working on implementing $70. I just wanted to mention that part.

On the cost of the impact of the OCC and the other costs, as Mario mentioned, it's too early to say about the full impact on the course of the year. Right now, there's probably about $30 negative impact, but the next few months will tell us if this is going to be for the rest of the year or just in Q1.

Hamir Patel – Analyst**,** CIBC Capital Markets

Great. Thanks, Charles. That's helpful. Could you give us an update on the offtake status at Bear Island? Have you signed any new long-term agreements there yet?

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

At this point we don't have any firm offtake. As we mentioned, there's a few initiatives that we are working on to secure or build up the volume. First of all, our converting operation are continuing to generate good growth, which is a part of the volume that we will need when we start the new paper mill. We're also continuing to negotiate with some of our current customers, so we're in discussion with them, but nothing has been signed as we speak.

Our starting date is December—Q4 2022, so we are working diligently on securing some more volume for the start-up and we'll keep you informed on that.

Hamir Patel – Analyst**,** CIBC Capital Markets

Great. Thanks, Charles. That's all I have for now. I'll get back in the queue.

Mario Plourde – President and Chief Executive Officer**,** Cascades Canada ULC

Thank you.

Operator

Your next question comes from the line of Sean Steuart. Yr line is open.

Sean Steuart — Analyst**,** TD Securities

Thank you. Good morning. A couple of questions. First on Tissue, it looks like the mix this quarter was a larger support to overall results than we expected would be the case. Can you comment to the extent that favourable mix trends you saw in Q4 are continuing into early 2021?

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

Good morning, Sean. Jean-David. Yes, we saw better sales on the (inaudible) side for sure at the end of the year, so that helped a lot. But we also have to mention, like Allan said, we've put a lot of incentives in the net revenue management exercise from the margin improvement program that we have, so we worked a lot to get the right customer mix and the right portfolio with our customers. That was mainly the factor explaining Q4 results. But we also saw that December was stronger than expected, which is having a negative impact on January, so we don't see a favourable trend on that side for Q1. It's going to be pretty much stable, as Mario also said, in terms of sales.

On the Away From Home side, we saw slight difference from month to month. Again, December was stronger but January and February are in line with the last few months, I will say, so it’s too early to see a pick-up on the Away From Home side. It should be pretty much stable.

Sean Steuart — Analyst**,** TD Securities

Thanks, Jean-David, for that.

Allan, the Corporate costs climbed in the fourth quarter and there was reference to, I guess, a nonrecurring incident charge. How should we expect that to trend? Is it fair to forecast that falling back towards more standard quarterly levels into the early part of this year?

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

Yes, sure. It’s when there is incident and it is below our—the amount we can claim, it’s always recorded in Corporate. Also, there were more employees insurance claims than, let’s say, in the last few months of the year compared to the previous months, so, but overall, yes, it should revert back to normalize, yes.

Sean Steuart — Analyst**,** TD Securities

Okay. One last one for me, Allan. Can you go through the Company’s NOL position in Canada and the U.S.? Just trying to get a sense of your ability to shield cash taxes going forward.

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

Yes, exactly. With the stronger performance of the last few years certainly that we've utilized some of these NOLs. At current level, we expect to be good for the next two or three years, but certainly that if we continue to improve it will offset more rapidly, these NOLs, but we still have a few years in front of us.

Sean Steuart — Analyst**,** TD Securities

Okay. That's all I had. Thank you very much.

Operator

Your next question comes from the line of Mark Wilde. Your line is open.

Mark Wilde – Analyst**,** BMO Capital Markets

Good morning, Mario. Good morning, Allan. Congratulations on both a good quarter and doing what you said you'd do on the balance sheet.

A couple of questions from me. First of all, any initial read on the impact of these storms and power issues in the southern U.S. kind of across your portfolio?

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

Not so far. Charles, you're probably the one, or Jean-David, you're probably the one that have been the most affected, but high level right now I would say no impact right now. But Charles, maybe you want to add something, or Jean-David, because at my level I haven't seen any huge impact.

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

Well maybe just I can start. Jean-David, I'll let you speak after. For us, the most—we don't have operations on the Containerboard on that side. On the supplies, it's so tight right now that our customers continue requests to receive materials, so there was some delays but no major impact.

Where we were a bit more concerned at one point was because we make some trades on the kraft linerboard side and as we speak the impact would be minimal. We don't see any major impact as we speak, Mark.

Mark Wilde – Analyst**,** BMO Capital Markets

(Multiple speakers).

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

On our side, the (inaudible) was affected so the machines are still down. We will lose probably 2,000 tons, I will say about 10 days' production. The converting site, because of employees not being able to travel it's probably 400,000 cases that we're going to lose, but overall it's not lost because we're moving product around, so we're bringing in the rolls from other sites or we're moving cases from other sites. It's not huge but—it's not material but it's still an impact there on freight costs and other (inaudible).

Mark Wilde – Analyst**,** BMO Capital Markets

Okay. Mario, kind of looking through kind of ’21 and maybe even into ’22, do you have any points on just sort of further portfolio moves?

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

Right now we’re really focused on finalizing what we have started. As you know, we have launched the Bear Island project which is a substantial project for us and it’s started now. We have all the approvals, commitments. We’re negotiating with different suppliers and contractors, so a lot of our focus will be dedicated to that.

At the same time, as you noticed, we have made many changes in restructuring Tissue and investing in many different plants, moving tons around. Now we need to ramp up the sales and capture the synergy of the benefit of those investments.

This year, most of our focus will be to finalize these investments in Tissue and ramping up and focusing on Bear Island.

Mark Wilde – Analyst**,** BMO Capital Markets

Okay. Then just on broadly, also looking ahead a little bit, I’m just curious. Historically you have been very focused on the use of recycled fibres and particularly in Tissue, but maybe in Containerboard as well. Any thoughts, just given what’s going on in the market, about perhaps toggling over toward the virgin fibre in either of those businesses?

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

We are more focused doing so in our Tissue segment because, you know, the portfolio of product we have in Tissue allows us to use more virgin fibre. As for Containerboard, we still remain really focused being on recycled. It is our forte and this is, you know, our focus. Right now, no, we're not looking at any virgin move on the Containerboard side, but market is moving in terms of tissue quality demands, so we are using more virgin fibre in Tissue as we speak.

Mark Wilde – Analyst**,** BMO Capital Markets

Okay. I guess the last one, we've had in the last several weeks companies in this sector hit by cyberattacks on both sides of the border. I wondered, perhaps Allan, can you just talk about the things that you've done at Cascades to defend yourselves from these type of attacks?

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

Yes. We have been I guess for a few years now, we have a dedicated team that is in charge of monitoring this. Obviously the recent events had us maybe accelerate or maybe push on new things to do or to be more rigorous and so on. I think we are pretty well served, organized. We can obviously continue to improve to reduce the risk, but we have—the key is to—if it ever happens is that we can run our (inaudible) on a manual mode and this is maybe something that we must be really read if it happens. That's the key for us that we see right now within the group.

Mark Wilde – Analyst**,** BMO Capital Markets

Okay, I'll turn it over. Thanks, guys.

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

Thank you.

Operator

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

Zachary Evershed — Analyst**,** National Bank Financial

Good morning, everyone. Congrats on the quarter.

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

Thank you.

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

Thank you.

Zachary Evershed — Analyst**,** National Bank Financial

I was hoping you could give us some more colour on the continued margin improvement initiative and what represents the biggest opportunity in 2021.

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

Well, you saw the five pillars. You must understand that after all these years of implementing CP and redesigning our businesses processes it was time now to really get the most of all of these new platforms. I would say that for the first year of the program net revenue management was something that was really a strong contributor to this exercise. But all of these, the five pillars, have different objectives or things that we are looking at. But to answer your question more precisely, first it was net revenue management.

Zachary Evershed — Analyst**,** National Bank Financial

Thank you. That's helpful. In terms of the Away from Home trends that you're seeing in Tissue, you mentioned quality improvements across the market. What are you hearing from customers as they look to maybe restock at the restaurant/hotel level?

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

Right now I think it's still too early. Their inventory is on the high side, from our perspective, and their focus is much more on other product than on paper. We haven't seen much of an increase or a pick-up at this moment.

The e-commerce is doing really good, so more and more we're partnering with distributors on that channel, so I think this is something we underestimate over the last few years, but this is growing (inaudible). Too early to say.

Zachary Evershed — Analyst**,** National Bank Financial

Got you, thanks. Last one from me and a little bit more foraging and speculative. With the shake-up in supply and demand that we saw due to COVID-19 and China's import ban, where do you foresee recycled fibre prices stabilizing over the medium term?

Luc Langevin – President and Chief Operating Officer, Cascades Canada ULC

Zachary, this is Luc Langevin. I will answer your question.

For the moment, we are a typical low generation season. On top of that, in Canada recently there has been confinement in both Quebec and Ontario which are important locations for us for fibre generation, and despite these conditions we have a regular supply at this moment. We observe, as the rest of the market, some stronger pricing from export, but beside this stronger pricing, there is a limited problem considering the difficulty of booking of containers. It has not such a huge impact on the domestic market.

In the future months, we're going to get back to higher generations and I would say now the market is still tight at this part of the year, like it is normally in February, and we expect that situation is going to become a little bit more favourable for buyers likely in April/May like it normally do but when inventories are good and we have regular supply at this moment.

Zachary Evershed — Analyst**,** National Bank Financial

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

Operator

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

Paul Quinn – Analyst**,** RBC Capital Markets

Yes. Thank you very much. Solid Q4 results.

I guess we'll start in Containerboard. Just trying to understand what you've announced in terms of the price hike for November as well as for March.

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

Paul, this is Charles. What we have announced in November, which we said will be implemented, fully implemented by Q2. We did announce a $50 price increase on the containerboard, and for the second price increase, which is effective March 1, we have announced $60 on the linerboard and $70 on the medium. The full impact, we can consider that it's going to be implemented by Q4.

Paul Quinn – Analyst**,** RBC Capital Markets

Okay. That's great to clarify.

Then just maybe just trying to understand the margin improvement and the baseline for 2019. That's supposed to be a 1 percent improvement. Basically, you got that percent. Is it off your EBITDA in 2019 is the base?

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

The program, every metrics that we have in the program is based on the costs or KPIs based on 2019. When we'll continue this year and next year, we will always measure this compared to our 2019 basis to make sure that we capture the objectives that were set at the beginning, so it will flow through results net of related—recurring costs that will incur, it will be netted against that. The objective, yes, it remains to approximately 1 percent per year. That's how we set the objective at the beginning.

Paul Quinn – Analyst**,** RBC Capital Markets

Okay, so maybe I worded that poorly, but that $75 million that you achieved, did that get the 1 percent off the baseline?

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

Yes, and more. It's part of the $71 million improvement in EBITDA, but in the pillars there are some that are going through costs and some are going through the top line, so it's all through the P&L. But at the end of the day, yes, it's contributing to EBITDA and helping us to face headwinds that we have from market conditions.

Paul Quinn – Analyst**,** RBC Capital Markets

Okay. Then just on the CAPEX spend, the net $200 million to $225 million that you're going to spend outside of Bear Island, what portion of that is maintenance and what portion is strategic? Any important strategic programs in there?

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

The maintenance is still around $75 million per year on all the other (inaudible) and the rest of the environment is split quite equally between the three groups, except the Bear Island project which has a bigger envelope.

Paul Quinn – Analyst**,** RBC Capital Markets

Great. That's all I have. Best of luck. Thanks.

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

Thank you, Paul.

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

Thank you.

Operator

Your next question comes from the line of Mark Wilde. Your line is open.

Mark Wilde – Analyst**,** BMO Capital Markets

Thanks. I wondered, Charles, since we're kind of flying blind here with this change in FBA reporting, can you give us some sense of what you're seeing in box volumes through the end of February? There's been some talk in the trade press about maybe volume being a little slower growth and I just wondered what you're seeing in the market through the first two months of the year.

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

Yes. The comments right now, what we're seeing, I'm going to speak for Cascades because…

Mark Wilde – Analyst**,** BMO Capital Markets

Yeah, yeah, yeah. (Inaudible).

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

Yes, and as you know, we're very present in Canada but also in the northeast, mid and southeast of United States, so many of my comments are going to be more related to that.

We're seeing that the beginning of the year at Q1 was still very strong. The February or mid-month, as you know, it's a smaller or shorter month, but still the per day when we look at our demand and our output, we consider it's very strong. I think we have to be careful also of the Q4—the Q3/Q4 was so strong that just a bit lower demand for a few weeks and people are starting to say that it may be a slowdown. We don't see this at all, so we consider that we are going to see a very strong Q1 in the markets where we are still. That's what we see at this point.

Mark Wilde – Analyst**,** BMO Capital Markets

Okay. All right, that's helpful. Is it also possible, over on the Tissue side, to just recount for us what kind of price moves might be out in the market right now?

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

Again, I think it's early to say. For sure, we're seeing major hike on the virgin pulp price this week and the forecast is for higher pricing short term, so we'll see how the market evolves. Right now there is nothing announced officially, but as I said we're working hard on the portfolio and the customer mix, and get advantage of it, but no, we haven't heard anything or we haven't seen anything on sheet count adjustment or pricing announcement.

Mark Wilde – Analyst**,** BMO Capital Markets

Given the fact that most of the big players on the consumer side are non-integrated, how long would you typically expect they can afford to wait before they try to pass on these higher costs? Do you have any sense of that? I mean, do they have kind of three months, six months protection on their fibre cost such that they can wait a little while and see if this thing is sustained? Or do they need to move fairly quickly in order to protect their margins?

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

That's a good question. It's usually too long, but we haven't seen—we haven't seen many price increase in the retail U.S. for quite some time so we got one that's a few years ago, maybe a little bit more, and we have been many, many years before that. I think we may see a sheet count adjustment on the product to compensate.

Mario Plourde – President and Chief Executive Officer**,** Cascades Canada ULC

If I may add, Mark—it's Mario speaking. It really depends on the speed of the increase in cost. Right now, what we see is a rapid increase. It's tough to tolerate such increase in costs in our business, so if it keeps on going at that speed, obviously, you know, I think people might react to that. No doubt.

Mark Wilde – Analyst**,** BMO Capital Markets

It would seem like it, Mario. I mean I think we've all been kind of caught off-guard by kind of the speed of this tightening and the fact that it seems to be kind of continuing late in the first quarter here. I'll turn it over.

Mario Plourde – President and Chief Executive Officer**,** Cascades Canada ULC

(Cross-talking). 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 for being on the call this morning and we are looking forward to talk you for our Q1 results. Have a good day, everyone. Be safe.

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

Thank you.

Mario Plourde – President and Chief Executive Officer**,** Cascades Canada ULC

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.