FINAL TRANSCRIPT

Cascades Canada ULC

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PRESENTATION

Operator

[Operator Remarks in French]

Good morning. My name is Julie, and I will be your conference Operator today. At this time, I would like to welcome everyone to the Cascades First Quarter 2023 Financial Results Conference Call. All lines are currently in a listen-only mode.

After the speakers' remarks, there will be a question-and-answer session.

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

Jennifer Aitken — Director, Investor Relations, Cascades Canada ULC

Thank you, Operator. Good morning, everyone, and thank you for joining our first quarter 2023 conference call. We will begin with an overview of our operational and financial results followed by some concluding remarks and highlights of our 2022–2024 strategic plan update that was released this morning, after which we will begin the question period.

Today's speakers will be Mario Plourde, President and CEO, and Allan Hogg, CFO. Also joining us for the question period at the end of the call are Charles Malau, 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 Q1 2023 investor presentation for details. This presentation along with our first quarter press release can be found in the Investor section of our website. The Company's 2022 to 2024 strategic plan update document can also be found on our website and on SEDAR later today.

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

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

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

Thank you, Jennifer, and good morning, everyone.

Before discussing our first quarter results, I would like to mention that we published our updated 2022 to 2024 strategic plan this morning. I will briefly discuss some of the highlights at the end of this call. This document is available on SEDAR and on our website.

Moving now to our first quarter results, we are pleased with our Q1 consolidated performance.

First quarter sales increased 9 percent year over year, while adjusted EBITDA of $134 million more than doubled from last year. In both cases, selling prices and foreign exchange were beneficial while volume and sales mix had a net negative impact. Lower raw material costs was a tailwind at the EBITDA level of setting the impact of higher production costs year over year.

Sequentially, sales were stable, as negative impact from pricing, sales mix, and foreign exchange fully offset the benefit of stronger volume in all business segments. EBITDA increased $18 million or 16 percent sequentially. This was driven by a raw-material pricing tailwind, favourable volume and mix in our packaging segments, and stronger results from our Tissue segment.

On the raw materials side, highlighted on Slides 6 and 7, the Q1 average index price for OCC decreased 76 percent year over year and 6 percent from Q4. The OCC market was relatively balanced in the first quarter, with limited export activity counterbalancing the lower seasonal generation.

Index prices saw a marginal correction recently to a more normalized level but remain at historic lows. We are not expecting any material pricing movement in the short term, giving the slow export levels a higher seasonal generation.

Average index prices for white recycled paper grades decreased 11 percent in Q1 but remained 8 percent above the prior year levels. We saw more favourable market dynamics over the quarter, and, more recently, similar trends were seen with virgin pulp.

The hardwood pulp index decreased 5 percent sequentially, but was 16 percent higher year over year, while softwood pulp index prices decreased 4 percent from Q4 and were up 10 percent year over year. Conditions have improved for virgin pulp following lower demand from Asia, improved logistics, and steadier domestic production and new capacity.

Pricing indexes have been going down rapidly recently, which will provide some cost relief in our Tissue segment. Material is available, and our mills are adequately supplied.

Moving now to the result of each of our business segments as highlighted on Page 8 through 13 of the presentation.

Beginning with the sequential performance, sales in Containerboard decreased 1 percent in Q1. This was driven by a less favourable mix and lower US-dollar selling prices for both parent rolls and converted products.

The 5 percent volume increase reflects a 16 percent increase in shipment of parent rolls and a 4 percent decrease in converted product shipments.

Sequentially, converting shipments decreased by 3 percent in Canada, underperforming the 0.5 percent increase in the Canadian market. US converting shipment decreased 8.4 percent below the 1 percent US market decrease.

I would highlight that Cascades outperformed both the Canadian and the US market in the previous quarter impacting sequential relative performance in the current quarter.

Q1 adjusted EBITDA of $126 million, or 22.5 percent on a margin basis, was 6 percent above the Q4 levels.

Q1 results include the final $7 million insurance settlements from water-affluent treatment issued in mid-2021 at our Niagara Falls complex, while those of Q4 include the first $5 million partial settlement related to this claim.

Sequentially, EBITDA level benefitted from higher volume and lower raw material, energy, and production costs. These were partially offset by lower US selling prices and a less favourable sales mix.

Year-over-year sales increased by 5 percent, driven by pricing, volume, and foreign exchange.

EBITDA increased by 58 percent, or $46 million, reflecting lower raw material costs, more favourable exchange rate, and a slight selling price benefit.

Year over year, shipment increased by 3 percent, reflecting a 10 percent increase in external parent rolls, offset by a 4 percent decrease in converting shipments, mainly driven by lower volume in the Canadian market.

Continuing with our packaging business. Q1 sales levels in our Specialty Product segment were stable sequentially. This reflected slightly higher volume in our cardboard and molded pulp segment and higher average selling price in our plastic activities offset by a less favourable mix and lower average selling price, primarily in cardboard.

EBITDA increased by $7 million sequentially reflecting better realized spread in most of our segments, higher volume, and lower transportation costs. These were partially offset by higher operational costs during the quarter.

When compared to the prior year, Q1 sales increased by $4 million, or 3 percent, driven by higher average selling prices and a more favourable exchange rate.

EBITDA level increased 23 percent, or $5 million, as higher realized spread and a more favourable exchange rate more than offset the lower volume in plastic and cardboard and higher transportation and production costs.

Moving now to Tissue business. Sales were stable sequentially in Q1, while adjusted EBITDA levels doubled to $16 million. Top-line performance reflects higher selling prices and slightly stronger volume as well as ongoing profitability and productivity initiatives partially offset by a less favourable mix.

Shipments increased 1 percent from Q4, reflecting a 3 percent decrease in shipment of converted product and a 27 percent increase in parent roll shipments following the restart of our machine at the St. Helens facility in February.

Sequentially, EBITDA improvement was largely driven by benefit from improved selling prices and lower raw material prices.

Year-over-year, sales levels rose 23 percent, with pricing and sales mix initiative and more favourable exchange rate offsetting the impact of lower volume.

Q1 EBITDA of $16 million compared to a loss of $17 million in the prior year period. This year-over-year improvement was driven by higher selling prices and lower transportation costs, the benefit of which more than offset higher raw material, labour, and production costs.

Allan will now discuss the main highlights of our financial performance, after which I will discuss the highlights of our updated 2022 to 2024 strategic plan and conclude our presentation. Allan?

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

Yes. Thank you, Mario, and good morning, everyone. So Slides 14 and 15 illustrate the specific items recorded during the quarter.

The main items that impacted EBITDA were $152 million of impairment charges in our Tissue and Containerboard segments related to US assets.

In addition, net earnings also include a $9 million gain on the sale of an investment in a joint venture in our Tissue segments.

Slides 16 and 17 illustrate the year-over-year and sequential variance of our Q1 adjusted earnings per share and the reconciliation with the specific items that affected our quarterly results.

As reported, Q1 net loss per share was $0.75. This compared to a net loss per share of $0.15 last year and a net loss of $0.27 per share in Q4 2022.

On an adjusted basis, net earnings per share were $0.32 in the current quarter. This compared to a net loss per share of $0.15 in last year's results and net earnings per share of $0.22 in Q4. In both periods, this variance mainly reflects improved adjusted EBITDA.

As highlighted on Slide 18, first quarter adjusted cash flow from operations increased by $64 million year over year to $90 million, and adjusted cash flow levels improved by $22 million year over year. This reflects higher operating results and significantly higher interest and net CapEx paid in the current period, largely associated with our Bear Island project.

Slide 19 provides details about our capital investments. Paid capital expenditures net of disposal total $137 million in Q1. Of this amount, $100 million was paid for the Bear Island project.

For 2023, our planned capital investments of $325 million, which includes approximately $175 million for Bear Island have not changed.

Moving now to our net debt reconciliation. Our net debt increased by $104 million in the first quarter. This is a reflection of the combined effects of our current investment in Bear Island and usual working capital requirements exceeding cash flow from operating activities.

Our leverage ratio of 4.6 times is down from 5.2 at the end of Q4. As we have mentioned in the past, we expect this leverage trend to continue with improved operational performance of our Tissue segment and the start-up of operations at the Bear Island facility. When excluding cash investment made to date in Bear Island and its negative contribution to operating results, our leverage ratio would stand at approximately 3.1 times.

Financial ratios and information about maturities are detailed on Slide 21, and sequential and year-over-year sales and EBITDA performance analysis can be found on Slide 38 through 41 of the deck, cost of sales detail on Slide 42, and historical index pricing on Slide 43 and 44.

Mario will now conclude the call with some brief comments and an update on our strategic plan before we begin the question period. Mario?

Mario Plourde

Thank you, Allan. We provide details regarding our near-term outlook on Slide 22 of the presentation. As a reminder, this outlook is based on what we are seeing currently and may change in the coming weeks.

Our near-term outlook for Containerboard is for results to be lower sequentially. This is driven by slightly higher raw material costs, lower average selling prices, slightly softer volume, and reflects the recent start-up of the Bear Island and non-recurrence of the Q1 insurance income.

We are expecting slightly softer results sequentially from the Specialty Products segment. This reflects stable volume and selling prices trend offset by slightly higher raw material costs.

Our outlook for Tissue is for a second quarter result to improve sequentially and to be significantly above prior year levels. This stronger outlook reflects more favourable raw material prices, ongoing initiatives, and stable volume.

Moving now to our updated 2022 to 2024 strategic plan. We provide highlights on Slide 24 to 36 in the presentation and invite you to refer to our detailed strategic plan update document that is available on our website and SEDAR.

Before going into some of the details, I would like to underscore that our focus remains squarely on driven revenue, profitability level, and efficiency across our business platform. To this end, our 2024 objective remains largely unchanged. What has changed most notably for our Tissue business is the path we are taking to get there.

At the operation level, our updated plan takes into account the changes to our Tissue platform, the revised ramp-up schedule of our Bear Island mills, and the closure of one of our containerboard machines at our Niagara Falls facility.

We have also refreshed growth targets for some of our strategic market to reflect demand trends and fine tuning of our commercial approach and have updated pricing and input cost parameters to reflect current market conditions.

With that, I will start with our Containerboard business. We are very pleased to have announced that the first paper rolls were produced at the Bear Island facility on May 2nd. We have updated annual production and EBITDA forecast for 2023 to account for this start-up. Our 2024 and 2025 and full potential forecast have also been updated to reflect current market conditions.

Notwithstanding the higher project costs and the delay in start-up following the significant inflationary cost pressure and supply chain disruption in 2021 and 2022, this facility remained a key strategic move for our Containerboard business.

Lightweight, 100 percent recycled, and geographically well positioned, the mill position in our containerboard operation platform very competitively from our cost curves perspective and in term of our ability to provide customers with top-quality, low-basis weight, recycle solution.

We provide the highlights of our updated action plan for Containerboard on Slide 27 and 28.

At the revenue level, our 2024 target has decreased to $2.6 billion from $2.9 billion. And our EBITDA margin target decreased slightly to a range of $18 million to $20 million from $19 million to $21 million.

These reflect updated margin prices and input cost assumption, including raw materials, and our decision to delay any potential decision on adding converting capacity. We will continue to explore opportunities in this regard, but our capital allocation focus right now is on debt repayment.

Moving now to our Specialty Packaging segment. This business performed well in 2022, generating sales growth of between 10 percent and 23 percent in each of its strategic markets.

Our objective for each of these markets has been adjusted to account for changes in external demand patterns, realigned our commercial strategy and priorities, capital allocation plan, and updated made to selling prices, raw material, and other production costs to reflect the current condition.

As I highlighted on Slide 30, this business is on track to deliver on its 2024 objectives.

Two new sustainable products were successfully launched in 2022—100 percent recycled PET tray for the food processor and food retailer market, and the addition of innovative northbox XTEND technology to its line of isothermal packaging solutions. Both are made of recycled material and are recyclable.

In addition, six new product launches our planned for 2023.

In terms of financial performance, the 2024 revenue objective has been increased to approximately $735 million from $700 million, and we continue to expect margins within the range of 17 percent to 19 percent.

We are very pleased with the growth and the potential we see in this business. And it plays a central role of our goal to be the go-to provider for sustainable packaging solutions for our customers.

Turning now to our Tissue business. Before discussing our updated objective, I would like to take this opportunity to discuss the fact that led to our decision to reposition the operational platform of this business.

As many of you know, we launched a comprehensive profitability plan for Tissue business in February '22. The pandemic and the repercussions of recent geopolitical events led to significant turbulence and had a wide-ranging impact on business. Demand levels fluctuated widely. Raw material costs rose dramatically. Production and other input costs significantly increased. And the labour market became very constrained.

The results generated by this business in 2022 are a testament to these factors as well as our own internal production challenge. Given this situation, changes were necessary if we were to reach our goal. To do so, we conducted an extensive internal analysis and reviewed the plan and initiative that had initially been set in February 2022.

The repositioning announced at the end of April is the result of this analysis, which indicates that additional actions were required to meet profitability and efficiency objectives. In other words, our goal for this business remains largely the same. It’s the path that we are taking to reach them that has changed.

We provide an update overview of our operational base on Slide 31. With the changes to our Tissue platform, annual production capacity decreased by 92,000 short-term or 15 percent on the manufacturing side and by 10 million cases in converting.

Slide 32 provides an updated 2024 objective for this business following the announced change to our operational platform and amended market condition assumption. We will be focused on maximizing the operational efficiency and production capacity of our core production facilities, while limiting investment to approximately $35 million annually through 2024.

A large part of our focus is on our US operation, most notably the Oklahoma facility where we have made good progress to the addition of management and technical resources focused on increasing production efficiency levels and improving overall execution.

The announced change to our platform and update made to our market condition assumption reduced our 2024 revenue objective to approximately $1.5 billion, down from $1.7 billion previously.

Our 2024 EBITDA objective is now a range of $120 million to $140 million, or 8 percent to 9 percent on a margin basis.

We walk you through the key factors driving these objectives on Slide 33. I would highlight that the two main components supporting these objectives are internally driven and are already in place. We will continue to explore additional initiatives to further improve profitability in our Tissue group.

As I highlighted on Slide 34, the adjustments to our 2024 Tissue objective and those of our packaging businesses results in only slight modification to consolidated objectives. Our 2024 revenue targets remain unchanged to approximately $5 billion. And our EBITDA margin target has slightly decreased to a range of 12 to 14 from 13 to 15 previously.

Target free cash flow from levels are largely unchanged as well and are expected to reach 9 percent to 10 percent on the revenue in 2024. We have slightly modified our 2024 year-end leverage target to a range of 2.5 to 3 times, following lower levels of cash flow generation in 2022 due to the significant cost inflation in the higher Bear Island project costs.

Our capital allocation priority, our focus on reaching these leverage objectives, and ultimately, our goal of 2 percent to 2.5 percent in the future. Given this, we are maintaining our dividend, but we have not renewed our normal course issuer bid in 2023.

Our capital investment targets remain unchanged and will be limited to 4 percent of revenue for both 2023 and 2024, including the $175 million for Bear Island in the current year.

As I mentioned, we are focused on debt reduction and reaching our leverage objectives. We provide an overview of how we currently see our net debt evolving over the 2022 to 2024 time frame on Slide 35.

Slide 36 summarizes our top priority. We are focused on achieving our profitability objective in our Tissue Paper business and on ramping up production of our Bear Island mills.

Over the long term, we will continue to explore opportunities to grow our sustainable packaging business in the US including expansion of our converting capacity. Let me be clear, however, that this is a long-term objective. Our focus through the end of 2024 is on reaching our leverage target by limiting CapEx, reducing debt, and achieving our profitability targets in each of our business segments.

Overarching all these priorities is our commitment to deliver on our comprehensive sustainability action plan and our continuing goal to recruit the best talent and train and develop our most important asset, our employees.

With that, we can now open the call for question. Operator.

Q&A

Operator

[Operator Remarks in French]

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

Again, if you have a question, please press *, then 1 on your telephone keypad. We will pause for just a moment to compile the Q&A roster.

Your first question comes from Matthew McKellar from RBC Capital Markets.

Mario Plourde

Matthew?

Matthew McKellar — RBC Capital Markets

Hi. Sorry about that. Thanks and good morning. I think there's a comment that your containerboard outlook for Q2 reflects slightly softer volume sequentially. I was wondering if you could provide just a bit of colour on what trends you've seen in that business through April and the start of May and how you're thinking about business and its progression through the balance of the quarter.

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

Okay. So Matthew, this is Charles. So what we see now is the usual seasonal pickup is not as strong as expected though we see that the volumes now are more in line with the pre-COVID, I would say. So we're being cautious considering the question about the economy. And that's why we, when we see at our volume right now, we do our benefitting goals (phon) from the growth from our investments that we made in Piscataway in New Jersey and also in Ontario.

So we're being cautious about our numbers, but we're also seeing, at the same time, that we do have some potential gain on development.

Matthew McKellar

Okay. Thanks. Moving over to the Tissue business, I think there was a comment that labour constraints there have improved. You've highlighted your efforts to attract, retain, develop talent as part of the strategic plan updates.

I was wondering if you could provide a bit more clarity around whether labour is still a constraint on production at this point. What you might be hoping to achieve with your efforts there, whether it's from production perspective or metrics around turnover and retention.

And then it also looks like you may be expecting more of your capacity to be unused in 2024 versus your prior expectations. I was wondering if that's maybe tied to the labour kind of issues there. Or if there are other drivers to be aware of. Thanks.

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

Yeah. Good morning, Matthew. Jean-David. So the constraint level is less than it was before, less than last year, for example. So our positions are filled. So it's not a matter of recruiting anymore. We've been through this. And now it's a matter of training, getting the right level of skills and the right experience level to extract the most of the equipment.

So yes. There's a portion of this that is reflected in the 2024 volume, but, also, I would say, technical start-up of new equipment that we have in Pryor and in Wagram, for example. So I think in the past, we overestimated a little bit the capacity of this equipment. So we are more realistic now in the targets, but there's still good potential there.

Matthew McKellar

Okay. Thanks. I'll get back in the queue.

Operator

Your next question comes from Hamir Patel from CIBC Capital Markets. Please go ahead.

Hamir Patel — CIBC Capital Markets

Hi. Good morning. Mario, I appreciate all the detail in the strategic plan. I noticed that it referenced CapEx in 2024 for approximately $175 million, but it mentioned that that was before strategic CapEx. I think in your prepared remarks, you mentioned there's really not much on the table for '24, so are you able to scale what limited strategic CapEx you would expect to initiate next year?

And when you do need to move forward with an additional box plan, how should we think about the timing of the spend there? Is that going to be kind of a 2025 event? And what's the sort of scale of investment that might be needed?

Mario Plourde

Hello, Hamir. As we speak right now, strategic CapEx on the table, we have not. So that's why we are focusing our CapEx to $175 million. So nothing is planned, but we always keep our eyes open for opportunities that could be generating good value for the Company. But for the moment, we have nothing on the table.

As for a potential expansion on converting in the Containerboard in the US, if ever we would be moving forward, a facility like this with the new cost of construction and constraints, I would say would be around $85 million to $100 million, depending on how many equipment you would be installing, so. But it will not happen before 2025.

Charles Malo

So it might take over 18 months to do a project. So we might have a decision for 2025, 2026. But I mean, everything, all of that will be all linked to our balance sheet and our leverage. So we will manage, as Mario mentioned, our priorities in that regard.

Mario Plourde

So we might have a decision to move forward in '24, but it really depends on how we achieve or execute our plan. So the target right now and the focus is really to reduce our debt and ramp up Bear Island and keep improving the tissue situation.

Hamir Patel

Okay. Great. Fair enough. And just the last question I have for Charles, what sort of uplift would you expect in OCC and mixed paper prices as Bear Island ramps up, and also some of your competitors' new recycled machines start ramping up as well?

Charles Malo

I will let Luc just answer the first part of your question for the OCC.

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

Good morning, Hamir. For the OCC currently, we are living in a global market. As you're probably aware, China is pretty quiet at this moment. It's impacting, also, the recycled pulp, brown pulp. There's been downtime that has been taken in two significant mills in North America. And all that obviously impacts the availability of OCC. The domestic, obviously, is in line with the containerboard production.

So we're also now in the higher generation season. So for the moment, we don't expect significant movement on the OCC pricing for the coming months.

Maybe the other thing also is location-wide, when we look at the Bear Island, where it's located, and the work that has been done with our sourcing group, we started a year and a half ago to develop some good contacts with source of supply. So we're well positioned.

Hamir Patel

Okay. Great. Thanks. That's all I had. I'll turn it over.

Operator

Your next question comes from Zachary Evershed from National Bank Financial. Please go ahead.

Zachary Evershed — National Bank Financial

Thank you. Good morning, everyone.

Mario Plourde

Good morning.

Zachary Evershed

So with Bear Island ramping up now, can you tell us a little bit more about your plans for possible inclusion of mixed paper in the furnish and what that could do to your cost of production over time?

Charles Malo

Okay. So I'm not going to be too detailed, but I can just give you the investment that we made. This mill is very well equipped to have a lot of flexibility. So we can go up to a certain grade to 80 percent of the content for, let's say, if we produce medium then we can go to up to 80 percent in mixed weight.

So I'm not saying that this is what we're going to do, but depending on the market, the dynamic, we can do this. And that's why we made the investment on the stock prep and the cleaning capability of the mill. And that being said, we can do this and producing very high quality also paper because this is very important. We want to be able to use the mixed weight when the market gets a bit tighter but providing to our customers the same level of quality and furnish also on the sheet.

Mario Plourde

It's important, Zachary, you understand that in the ramp-up mode that we're using better quality material right now to stabilize the machine, and as we go, we'll use more mix and stabilize to you know the recipe that Charles just mentioned.

Zachary Evershed

That's great colour thanks. You haven't mentioned the potential for swing production to craft paper in a while. Is that still an option that you have available for Bear Island?

Mario Plourde

I will let Charles answer that question.

Charles Malo

Yeah. The machine design again can produce multi-grades. So again, this gives us flexibility and time. But at this point, our mix that we're planning to produce is really priority on linerboard and medium to a certain percentage. So really these are what we're going to be focusing on.

Zachary Evershed

That's great thanks then just one last one. With the project start-up being pushed to the right over time, was there any difficulty in extending the commercial agreements, the offtake agreements?

Charles Malo

No. We've been keeping our customers informed of our ramp-up curve and also the delay, which they understand. So on that that side, we're well covered. So that's why when we provided numbers saying that we're covered on the volume 100 percent for the first year, you can extend that to the first year of operation by the way. So the first 12 months and the 75 percent for the years following, we want to keep that number though we have some potential to do better where we're maintaining the same comments based on what we have today.

Zachary Evershed

Makes sense. Thank you. I'll turn it over.

Operator

Again, if you'd like to ask a question, please press *, 1 on your telephone keypad. Your next question comes from Mike Roxland from Truist Securities. Please go ahead.

Mike Roxland — Truist Securities

Thank you. You mentioned that you're not seeing the usual seasonal pickup in containerboard volumes. Any way for you to quantify what the usual seasonal pickup is on a percentage basis historically and what you're seeing currently? And the reason I'm asking the question is that a number of your peers have noted that they're seeing a double-digit increase in bookings in April versus March. So I just want to get a sense of what you're seeing relative to what they've already announced.

Charles Malo

Okay. So, again, as I mentioned, we're being cautious because we did very well in what we consider in our Q4 was very, very strong for us. Our Q1 was also good for what we see. We are on the– when I say seasonal Specialty Product or the produce, we usually see higher intake than what we see right now. So I would say that our volume right now is about the same as Q1 with some potential being May a bit stronger than April. So at this point, again, I want to be cautious in what we're saying.

Mike Roxland

Got it. Thank you for the colour. Would you be able to comment just in terms of, if you think about your integration rate currently as it stands. Can you just remind us how integrated you are roughly? Is it 70 percent integrated; 75 percent integrated? If you're more comfortable using a range, just to give a sense of how integrated your overall portfolio is on the containerboard side.

Charles Malo

Okay. So we have the number that we have because we have some JV and some numbers that we consider on integration. So we're at 76 percent including our JV that we are a partnership that we own in different businesses.

Mike Roxland

Got it. And that's particularly that's on the containerboard side specifically?

Charles Malo

Yes.

Mike Roxland

OK. Thank you for that. Just one final question real quick. I really appreciate all the colour. Can you just remind us how much of the tonnage from Bear Island will be integrated into your own operations? Is it 50 percent, 70 percent. And maybe is it the way to think about it is maybe it's less today because you've delayed your plans to increase your US containerboard converting capacity. So maybe it's at a lower percentage today, and you will accelerate that level of integration as you pay down debt and expand your converting capacity.

Just help us frame how much you’re using internally, currently, and where that should go. Thank you.

Charles Malo

So as we speak right now, we’re using zero because we’re in the ramp-up. So we’re still improving on the quality of the sheet. So we’re producing paper, but we need to bring it up to spec before using internally.

But in our model, what we’re planning with the current potential that we have in our converting facility, we want to go up to about 30 percent because we still have some capacity. And though we’re not looking at, on a short term like Mario explained, to add up some converting, we do have some capacity in our own converting facility, so some potential growth in there. So but our goal is to bring it up to about 30 percent of the volume to be used in terms.

Mike Roxland

Thank you very much.

Operator

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

Mario Plourde

Thank you, everyone, for being on the call this morning. We appreciate and we’re looking forward to present our Q2 result in August. So have a good summer. Thank you.

Operator

[Operator Remarks in French]

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