# FINAL TRANSCRIPT

**Cascades Canada ULC**

**Fourth Quarter and Full Year 2016 Financial Results Conference Call**

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## PRESENTATION

**Operator**

Mesdames et messieurs, bienvenue à la téléconférence des résultats financiers du quatrième trimestre et de l'année 2016 de Cascades. Je m'appelle Sylvie, et je serai votre opératrice aujourd'hui. Toutes les lignes sont présentement en mode écoute seulement. Suite aux commentaires des dirigeants, il y a 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 and Full Year 2016 Financial Results Conference Call. All lines are currently in listen-only mode. After the speakers' remarks, there will be a question and answer session.

I will now pass the call to Jennifer Aitken, Director of Investor Relations for Cascades. Ms. 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 and Full Year 2016 Financial Results Conference Call. Throughout today's call, you will hear from Mario Plourde, our President and CEO, Allan Hogg, our CFO, Charles Malo, President and COO of our

Containerboard Packaging Group, Luc Langevin, President and COO of our Specialty Products Group, and Jean Jobin, President and COO of our Tissue Papers Group.

After discussions surrounding our North American operations, Mario will then discuss results from our Boxboard Europe Group, followed by some concluding remarks, after which we will begin the question period.

Before I turn the call over to my colleagues, I would like to highlight that Reno de Medici's fourth quarter results, released on February 15, can be reviewed on the 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 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.

I would like to remind the media and Internet users that they are in listen-only mode and can, therefore, only listen to the call. 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. Earlier this morning, we released fourth quarter results that were below our expectation. We reported adjusted net earnings per share of $0.16. That was below the comparable $0.32 per share in Q3 and the $0.23 per share last year. While normal seasonal trends contributed to the sequentially lower results, higher maintenance and economic downtime in our Containerboard and Tissue business segments were important factors on the consolidated basis. Jean and Charles will expand on these reasons for this later in the call.

Looking at our financial performance, Q4 sales of $979 million decreased 4.1 percent sequentially, due to seasonality and additional downtime, and increased slightly year-over-year. Our Q4 Adjusted EBITDA of $82 million declined $21 million, or 20 percent sequentially, and $22 million, or 21 percent, year-over-year. Allan will discuss the detail of our financial performance later during the call.

On the KPI front, shipments during the quarter increased 2.6 percent year-over-year, driven by an increase of 5.6 percent in Containerboard and 15 percent in Specialty Products, the benefits of which were partially offset by the flat shipment in Europe and the 1.4 percent decrease in Tissue. Sequentially, in Q4, shipments decreased 3.5 percent, reflecting the decrease in all our North American operations, largely attributable to the combination of normal seasonality and greater market and maintenance downtime. This was partially offset by a 2 percent increase in shipments in Europe.

Our capacity utilization rate was stable year-over-year on both quarterly and annual bases. Both the Containerboard and European Division increased their utilization rate in the fourth quarter, when compared to last year, while capacity utilization in Tissue decreased, primarily due to seasonality and increased market downtime during the period.

Moving on to the external factors on the material side, the average Q4 price index for OCC brown paper grade was up 1 percent on a sequential basis and 19 percent year-over-year, while the average quarterly price of a basket of white grade fibre increased 8 percent sequentially and 18 percent year-over-year. OCC prices have since increased by $30 in the past several months and we would expect tight market dynamics and strong demand to continue putting pressure on pricing in the near term. Luc will expand on this in his comments.

Before I pass the call to Allan, let me now briefly discuss leverage. I am pleased to note that we continue to decrease our debt, which I believe speaks to our commitment to improve both on financial position and on our flexibility. Our leverage ratio now stands at 3.8 times, flat with Q3, given our weaker Adjusted EBITDA performance, but down from 4 times at the end of 2015. We would expect improvement on this front going forward as we enter into a more favourable seasonable period, implement operational improvements and continue to focus on reducing working capital requirements, and allocating free cash flow towards debt repayment.

I will now hand the call to my colleagues, beginning with Allan, who will be providing more details regarding our quarterly results. I will then discuss our European operations and follow by our near-term outlook. Allan?

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

Yes, thank you, Mario, and good morning. So, I will begin with sales. As detailed on Slides 13 and 14, on a year-over-year basis, fourth quarter sales increased by $4 million. This reflects strong contributions from our Recovery and Recycling activities and improved volume in the Containerboard and Specialty Products segments. Lower selling prices and a less favourable mix, primarily in Europe and Containerboard, were offsetting factors. Sequentially, sales decreased 4 percent or $42 million. This is primarily a result of normal weaker seasonal trends in Tissue and Containerboard, in addition to longer markets related and maintenance downtime taken in these segments during the period. Sales from our European Boxboard segment increased marginally from the seasonally weaker Q3.

Moving now to EBITDA, as highlighted on Slide 15, Q4 Adjusted EBITDA of $82 million was 21 percent below last year. This was driven by lower contributions from our Containerboard Packaging and Tissue Groups. Charles and Jean will provide more details regarding their respective performances. Lastly, our European Boxboard operation saw their contribution decrease by a marginal $2 million year-over-year.

While corporate cost levels were flat year-over-year, please note that we expect our investment level associated with the implementation of our ERP system and other internal processes optimization initiatives to remain elevated through the end of 2017, as we mentioned during the last quarter conference call.

Sequentially, as detailed on Slide 16, Q4 EBITDA decreased by $21 million, or 20 percent, reflecting the normal seasonality inherent in our Tissue and Containerboard segments. Lower sequential corporate costs partly offset the impact of weaker contributions from these two divisions.

Slides 17 and 18 of the presentation illustrate a sequential and year-over-year variance of our Q4 earnings per share and the details of the specific items that affected our quarterly results. As Mario mentioned, compared to last year, our fourth quarter adjusted EPS decreased to $0.16 from $0.23. Sequentially, adjusted EPS decreased by $0.16 per share. This reflects seasonally weaker operating results, partially offset by higher contributions from our share of results of our associates and JVs.

Slides 19 and 20 of the presentation illustrate the specific items recorded during the quarter. We recorded a net amount of $11 million of specific items in Q4 that impacted our quarterly net earnings. More precisely, we recorded a $2 million impairment charge reversal following the sale of our de-inked pulp mill in Maine, closed in the previous quarter, and a $13 million foreign exchange loss on long-term debt and financial instruments.

As illustrated on Slide 21, cash flow from operations decreased year-over-year to $84 million during the fourth quarter of 2016. Compared to the third quarter, which included $38 million of financing expense paid, cash flow from operations increased by $16 million. Capital expenditures, including capital lease payments, totaled $59 million, resulting in a free cash flow of $22 million during the quarter.

Moving now to our debt reconciliation, in addition to the cash flow from operations, working capital provided $93 million of liquidity during the quarter, which were partly used for CAPEX payments and to offset the currency impact on our long-term debt during the fourth quarter. Net debt stood at $1,532 million at year-end, a 6 percent decrease from Q3. For the full year, cash flow from operations and working capital, coupled with a favourable foreign exchange rate, resulted in an 11 percent, or $189 million, year-over-year decrease in net debt. Our leverage ratio now stands at 3.8 times, down from 4 times at the end of last year.

Looking now at Slide 24, we detail our quarterly EBITDA margin and leverage ratio when taking into account our non-consolidated investments on a proportionate basis.

Finally, we provide updated financial information on Greenpac on Slide 25, details regarding each segment's performance on Slides 27 through 30, and additional information on Slides 32 through 37.

Thank you for your attention. I will now pass the call to Charles, who will discuss the Q4 results of our Containerboard Packaging Group. Charles?

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

Good morning, everyone, and thank you, Allan. During the fourth quarter of 2016, the Containerboard Group shipments reached 283,000 short tonnes, which represent a 4 percent sequential decrease. The shortfall in volume experienced in Q4 stems from both manufacturing and converting activities.

On the converting side, the shipments sequentially decreased by 5 percent, which is in line with our normal seasonal trend. This performance is also in line with the 5 percent decrease in the Canadian market, but underperformed the 1 percent decrease seen in the U.S. market.

On the manufacturing side, our operating rate decreased to 92 percent, which represents a decrease of 5 percent, compared to the previous quarter. This lower operating rate stems from 12 days of planned maintenance downtime taken in three of our mills. Consequently, our external paper shipments decreased by 4 percent and our integration rate decreased by 3 percent to 51 percent. Including paper sold to our associated companies, our Q4 integration rate stood at 65 percent, a decrease of 3 percent, compared to the previous quarter.

On the pricing front, average selling price decreased by CAD$25 per short tonne, or 2 percent on a sequential basis. Also, our average Containerboard selling price increased by CAD$24 per short tonne. As a result of the $40 price increase implemented during the fourth quarter, an unfavourable product mix during the quarter negatively impacted our average selling price. On the other hand, the Canadian dollar weakness helped to partially mitigate the impact of the unfavourable product mix.

With regards to profitability, the Containerboard Group generated an EBITDA of $43 million during the fourth quarter, which represents a margin of 13 percent of sales. This performance compared to a margin of 16 percent in the previous quarter and 17 percent during the same period last year.

When compared to the previous quarter, our lower results are mostly explained by a lower average selling price and lower shipments, which subtracted $9 million and $5 million, respectively, from our results. Also, 12 days of planned outages in three of our paper mills subtracted $2 million from our EBITDA, while higher energy and labour costs subtracted another $3 million from our quarterly results. Finally, our average raw material costs benefited from $2.00 per short tonne, of OCC average price reduction in the Buffalo region, which, combined with a more favourable mix of paper rolls versus OCC materials that were consumed, added $4 million to our results, compared to the third quarter of 2016.

With regards to our short-term outlook, we expect to benefit from the increased US$40 per short tonne containerboard price and the 8.5 percent corrugated price increase implemented in Q4 of 2016. In addition, we announced a second US$50 per short tonne price increase on the containerboard product, which will be effective at the end of March, and which will positively impact the Q2 results. We also managed a 10 percent increase on corrugated products and will expect benefits to be rolled as the increase is implemented according to contract terms, with full implementation in the second half of

2017. Despite a record month of production in our mill system in January, we remain cautiously optimistic for the first quarter of 2017, due to the recent OCC price increases.

Finally, a word on the performance of the Greenpac mill. During the fourth quarter of 2016, Greenpac produced 125,000 short tonnes of linerboard. Cascade's proportional share of Greenpac's net earnings, excluding specific items, remained sequentially stable during Q4 at $4 million, or $0.04 per share. The Greenpac XP grade now represents 82 percent of the total production of the mill, which is stable, compared to Q3. Also, I'm proud to mention that Greenpac achieved a monthly production record in January.

Thank you for your attention. I will now ask Mario to provide you with an overview of our Boxboard activities in Europe. Mario?

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

Thank you, Charles. Market conditions in Europe continued to be challenging throughout 2016, and while Q4 shipments and capacity utilization increased marginally from Q3 levels, annual results were below those of last year. This reflects the continuing challenging market conditions; notably, the 1.4 percent annual decrease in European demand for the white-lined chipboard and comparable 0.5 percent annual decrease in the European demand of the folding boxboard, which are RDM's two sectors of operations.

In Canadian dollars, Q4 sales increased by $2 million, compared to the third quarter. This reflects normal seasonality. Increased shipments of both recycled and virgin grade, due to improved demand, was partially offset by lower average selling price in Canadian dollars. The price increase announced in the fall of 2016 also helped to slow the downward trend in selling prices that had been seen in the previous quarter. On a year-over-year basis, Q4 sales in Canadian dollars decreased 5 percent, reflecting a lower average selling price in Canadian dollars, lower demand, and the prevailing tough market conditions in Europe.

Fourth quarter Adjusted EBITDA totaled $11 million, down $2 million, compared to last year, but a $2 million improvement over the Q3 level. This reflects higher sequential production following the usual maintenance shutdown taken during the seasonally slower third quarter, as well as increase in shipments. These were partially offset by lower selling prices and higher raw material costs.

While demand in RDM's two sectors of operations, white-lined chipboard and folding boxboard were down on an annual basis in 2016, European markets are beginning to show potential signs of improvement, with a stronger order inflow in the beginning of 2017.

On the pricing front, the fall of 2016 price increase provided some offsetting support for declining sales price in Q4. In spite of this, Q4 prices still came in below those of Q3. I am pleased to note, however, that a second €60 price increase was announced last week for early April, which suggests that more favourable pricing trends may materialize going forward.

I'll thank you and I will now pass the call to Luc, who will provide you with an overview of the performance of our Specialty Products Group. Luc?

**Luc Langevin –** President and Chief Operating Officer, Specialty Products Group

Thank you, Mario. Good morning. I'm pleased to report that the Specialty Products Group delivered another good performance during the last quarter of 2016. Sales for the Group totaled $156 million during the fourth quarter, and I would highlight that levels were not significantly different from the previous quarter despite the inherent seasonality associated with the end of the year. It is also worth mentioning our top line improved by more than 6 percent year-over-year, mostly due to higher volumes and selling prices in our Recovery sub-segment.

Our fourth quarter EBITDA also remained relatively stable at $17 million, which is commendable during this period. As a result, our EBITDA margin stood at 11 percent. We are also pleased with the Group's 6 percent EBITDA improvement over last year.

Looking more specifically at our sub-segments, EBITDA in Industrial Packaging decreased due to the negative impact of lower volume, as well as higher recovered paper and operating costs. Our Consumer Product Packaging sub-segment also generated sequentially lower EBITDA. Results during the quarter were negatively impacted by lower seasonal shipments and the ensuing increase in operating costs. Finally, results from our Recovery sub-segment continued to improve during the quarter, as higher volumes, a positive spread variant and a favourable exchange more than offset higher production costs.

Regarding the near-term outlook, market conditions for recycled fibres, more specifically for OCC grades, have evolved rapidly from late 2016. Strong production from domestic mills, consistent and robust export activity, typically lower generation following year-end, and some aggravating regional temporary weather conditions, have fueled price increases in January and February. Thanks to our high level of contracted supply, the support of our own Recovery operation, and the strategic management of global inventory, Cascades has been able to manage these temporary volatile conditions without affecting the supply to our operations. We expect market conditions to improve with the normal increased generation that occurs in the spring season. Until then, market conditions will likely remain tight.

Moving to our third business area, I'm pleased to note that are plants are currently busy and we expect demand for our products to remain solid.

In January, we announced a $60 per tonne price increase on our uncoated recycled board sales and expect the full benefit of the increase in Q2. The increase in recovered paper costs will negatively impact our segment. However, these effects will be more than offset by the corresponding positive impact from our Recovery operation.

Reset published price increases in polystyrene and polyethylene will result in increased costs in our Consumer Packaging segment. As a result, we have announced price increases on our finished products. All price escalators will be applied, as per agreement, with large customers.

In 2017, we remain cautiously optimistic about repeating our solid 2016 performance.

Thank you for your attention. I will now pass the call to Jean, who will present the results for our Tissue Papers Group.

**Jean Jobin –** President and Chief Operating Officer, Tissue Papers Group

Thank you, Luc. Good morning, everyone. I'm pleased to report that the Tissue Group delivered a solid performance for 2016, as a whole, with Adjusted EBITDA of $150 million or a margin of 11.5 percent. This compares to Adjusted EBITDA of $190 million and a margin of 9.6 percent in 2015. In Q4, we generated $30 million of Adjusted EBITDA, which represents a margin of 9.4 percent. As per usual seasonal trends, Q4 is less profitable than Q3, due to volume and winter-related costs. Overall, our Q4 Adjusted EBITDA was 36 percent below our reported Q3 EBITDA of $47 million, and corresponding margin of 14 percent.

Our overall shipments decreased by 12 percent in Q4, and it is the slower seasonality that drove our overall financial performance during the quarter. The Parent Roll segment was also impacted by market seasonality in Q4, with shipments down 27 percent, compared to the previous quarter. In addition to the common year-end market-related downtime, we completed a planned two-week shutdown in one of our U.S. facilities to install equipment more specifically, (inaudible). We are extremely satisfied with this investment.

On the converting side, normal market seasonality impacted the Q4 performance in our Cascades PRO Division, which covers the Away-from-Home market. To this end, a 4 percent decrease in volume impacted overall converting shipments.

In terms of pricing, our average fourth quarter selling price increased 5 percent on a sequential basis. This improvement was mainly driven by a favourable product mix and the weakness of the Canadian dollar. The Cascades PRO price increase announced at the end of the fourth quarter will begin to positively impact our performance in Q1 2017. Therefore, the higher average selling price, as just discussed, served to partially offset our lower shipments, which translated into a 7 percent sequential sales decrease.

On an operational basis, despite good productivity, the low production volume stemming from the plant shutdown negatively impacted our overall Q4 performance. Our fourth quarter profitability was also negatively impacted by higher marketing investment in both our (inaudible) customer product and investments revolved around the launch of our new Cascades brand, while investments in our Cascades PRO segment were related to our product rebranding and SKU rationalization.

The investments we are making on the West Coast and Scappoose, Oregon, also negatively impacted our Q4 EBITDA performance, as we incurred plant costs related to the hiring and training of the staff. That being said, this will be our most modern facility and we are very happy with the progression of this key strategic project and look forward to the upcoming early-April start-up. As of today, line one is running, line two is almost ready for production, and line three is in transit. The project is both on time and on budget.

Looking ahead to Q1, which is typically the lowest season for tissue demand-wise, we are expecting normal lower volumes, primarily in the Cascades PRO and Parent Roll segment. As usual, we will take advantage of the opportunity for annual maintenance and preparation for the summer high season. The strategic marketing investments we're making in both Consumer Products and Cascades PRO segments will continue to impact our EBITDA in Q1, while the 2016 year-end price increases in our Cascades PRO segment will slowly start to help our performance. I would also note that we will continue to incur costs associated with the start-up of our new Oregon converting facility over the coming quarters.

Thank you. I will now turn the call back to Mario for the conclusion. Mario?

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

Thank you, Jean. Two thousand sixteen was an interesting and eventful year on many fronts, and we expect 2017 to be no different. In North America, our near-term results are expected to reflect the normal seasonal trends inherent to our segments of operation in Q1, as well as the price increases announced in 2016 in Containerboard and Tissue, and the $30 increase in the average OCC market price over the past several months. As for OCC, we expect tight supply and demand dynamics to keep pressure on the raw material pricing for the near term. That said our Recovery and Recycling business remains intensely focused to ensure that all our material input needs are met.

In Europe, markets are showing early signs of improvement, with stronger order inflow in the beginning of the year, coupled with the €60 price increase announced February 23. The positive order book trend should help contracted market softness and translate into improved performance in the meantime.

Finally, let me touch briefly on two initiatives going forward, the first our financial position. We are resolute in our commitment to improve our financial position and flexibility, as our goal is to reduce our leverage ratio to a 3.5 time range in the near term. The second initiative is growth. We continue to be focused on growth initiatives that will deliver ways for us to increase operational efficiency, increase integration, improve execution and expand our competitive positioning, all that while enabling us to maintain a strategy of thorough and prudent capital allocation. We have established our 2017 CAPEX budget at $200 million, on a consolidated basis, and will monitor it according to the market conditions.

I will now open the line for questions. Operator?

## Q & A

**Operator**

At this time, I would like to inform everyone, in order to ask a question, press star, then the number one on your telephone keypad. We'll pause for just a moment to compile the Q&A roster.

Your first question comes from the line of Leon Aghazarian of National Bank Financial. Please go ahead.

**Leon Aghazarian** – Analyst, National Bank Financial

Hi, good morning, everybody. My first question relates on the Tissue side. Can you just comment a little bit on the utilization rates in the quarter? I mean, we saw that it's approximately around 83 percent. Can you talk about that a little bit as it maybe relates to the maintenance, and perhaps as it relates, also, to the new converting facility in Oregon, as well?

**Jean Jobin –** President and Chief Operating Officer, Tissue Papers Group

Yes, and thank you, Leon, for your question. When you look at our Q4, we had—I want to say, probably, about the market—all the downtime we took, we had probably 40 percent that is the usual downtime related to the Christmas period, 30 percent related to market conditions, but also 20 percent of the new (inaudible) that we have with Mechanicville overall. It looks bad, it looks worse than it is, but, honestly, it's all good for us when it's coming, and our integration rate should go back to what we are averaging in the past. Q1 will go up probably two to three points, in terms of percentage, and will come back to the high 80s and low 90s in Q2, and then regular after that. So, we're not that stressed by that. We took a little more to reduce our inventory, and that was planned, so we're very in line with the plan we had.

**Leon Aghazarian** – Analyst, National Bank Financial

Okay, and could you help clarify, and maybe quantify, the ramp-up schedule of the new converting facility in Oregon? I know you mentioned that the first line is up, the second one is ongoing. So, could you maybe kind of quantify that for us, in terms of the output would like once they're all full up and running?

**Jean Jobin –** President and Chief Operating Officer, Tissue Papers Group

Well, our plan was over three years and the plan was to convert something like 50,000 tonnes, a little bit above 50,000 tonnes. Right now, we're going to ramp up. Obviously, this year, in 2017, we only have nine months, so we'll probably be in the 25,000 tonnes this year, going up 35/40 next year, and 50 right after that. This will not necessarily be driven by our production capacity, but more by the rhythm that's going to be able to find sales for that volume.

**Leon Aghazarian** – Analyst, National Bank Financial

Okay. Then, the status of the 2016, the price increases that you mentioned, you mentioned that they were implemented towards the latter half of Q4 and that you would expect to see an impact in Q1. Can you talk to us about the timeline there, in terms of when you expect it to be fully implemented and when you get the full benefits of that?

**Jean Jobin –** President and Chief Operating Officer, Tissue Papers Group

In the Away-from-Home, the one that we're talking about, that was announced in December, it varies, the percentage, obviously. As we are rebranding all of our products, it was also a way for us to put our product at the right level to the facilitate the transition after. So, it's normally six months in the Away-from-Home before you can renew, let's say, 90 percent of your contracts that it takes normally. So, something like by the end of Q2, all the increase that was planned will be in our results.

**Leon Aghazarian** – Analyst, National Bank Financial

Okay, that's helpful, and then one final one for me on the Tissue would be are you still targeting a 13 percent margin and is that a 2017 target for Cascades?

**Jean Jobin –** President and Chief Operating Officer, Tissue Papers Group

We're still targeting the same, but I will not give any date to reach there, but this is what my boss is expecting from me.

**Leon Aghazrian –** Analyst, National Bank Financial

Understandable, and one final one for me. I guess, switching gears here, what would be—I mean, we obviously see the strength in the Boralex share price. Has there been any change in terms of Cascades' view on that holding?

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

Not at this time, we don't have anything to announce to you. We realize that, you know, we made the right decision to hold onto our share, but we have no announcement to make this morning.

**Leon Aghazarian** – Analyst, National Bank Financial

Okay. Thank you.

**Operator**

Again, if you would like to ask a question, press star, then the number one on your telephone keypad.

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

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

Hi, good morning. Mario, there's a lot of moving pieces right now, with the lag in the price hikes, the ramp-up at Oregon, the projects you're doing with Cascades 1, and the ERP. If I weigh those up, it's not hard for me to see EBITDA, call it, in the $525 million range. I'm just curious whether you think that's a reasonable number for a run rate EBITDA when all these various initiatives are done and the price hike is fully in.

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

It's a nice number to look at, but as you say, there's many moving parts, as we speak, and this will be lagging throughout the year this year. Obviously, it's going to be tough to predict on this number for 2017, but, obviously, it is something that we're looking for in 2018, as we're going to be winding down the investments in the ERP and the SAP, and capturing the benefit of all these investments at the same time. So, tough to predict for 2017, but, obviously, an objective for 2018.

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

Great, thanks, that's helpful. Your press release referenced that you guys were looking at strategic options for creating shareholder value, you know, balance sheets continuing to improve. Has that perhaps accelerated how you might think about potentially buying out the minority partners at Greenpac?

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

Yes, it is something that we said in the past that eventually we'll be looking at. When the opportunity arises, we will obviously discuss this with our minority partner, and when the time comes, we will probably be acting on it.

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

Great, thanks, that's helpful, and I have a question on the Containerboard segment. You referenced weaker mix in the quarter. I'm just wondering was that seasonal or was that perhaps something permanent, if there was some customer shifts that happened.

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

Yes, Hamir this is normal for us. In Q4, we're heavy in Specialty Products on our converting. So, every year, Q4, and the beginning of Q1, also, we see a mix change, like we've seen this year. In addition, we did sell, in percentage, a bit less converted product and rolls. That also affected our pricing.

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

Yes, no, I'm sorry, I guess my question was more on the—oh, sorry, was that on the Containerboard side you're referring?

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

Yes, that was Containerboard, yes.

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

Oh, okay. Then, the other thing I was wondering about, given the rise in OCC prices—I know at least one of your competitors out there, Pratt, uses a lot of mixed paper. Are there technology constraints that would maybe limit your ability to use alternative fibres when OCC is really high, or is it, you know, maybe a product quality concern that limits your ability to swing?

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

Yes, there is technology limitations, but we are working—since the OCC increase, like the way it does, we have increased in some of our mills. Where we do (inaudible), we have increased our percentage of fibre, the virgin fibre. In addition to that, we also are increasing, where we can, the percentage of mix. But, there's a limitation due to the technology that we are using, yes, and the quality that will result if we increase too much.

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

Fair enough. Thanks. That's all I had, I'll turn it over.

**Operator**

Your next question comes from the line of Keith Howlett of Desjardins Securities. Please go ahead.

**Keith Howlett** – Analyst, Desjardins Securities

Yes, I was wondering whether you'll be considering an additional Greenpac-type facility, or whether it's too early to consider that?

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

Well, at this time, it's a little too early to discuss that. Obviously, for the long time, we might be considering that, but right now we have a lot on our plate, so it's not on a short-term list.

**Keith Howlett** – Analyst, Desjardins Securities

Then, I had a question on the Tissue business. Was there any gain or loss of customers in that division, or was it merely related to the sort of seasonality downtime and these refurbishments?

**Jean Jobin –** President and Chief Operating Officer, Tissue Papers Group

No, no loss of customers that we can report, honestly, on the converting side. It's all in line with what we always have, so nothing there to report. We just started with an inventory a bit too high, and we had that big project for one of our large facilities that is doing a lot of turns in just two weeks. It was a lot of turns for them. So, no, there is nothing to be worried about on this front.

**Keith Howlett** – Analyst, Desjardins Securities

I just had a question on the Containerboard business. With the new plant of a competitor opening up in Trois-Rivières, does that begin to affect you in advance of the plant opening? Like, do you see competition for contracts, or does it sort of take place post opening?

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

Keith, we've known for—the announcement has been made for a quite a while now. So, we have a mill that was producing lightweight with the Greenpac. So, what we've done to prepare it to compete is we have secured a contract with customers. We have promoted our XP product, which is very well accepted on the market. So, this is a position that we've been taking at this point. The new capacity in Trois-Rivières is not up and running, so we haven't seen any competition or any signs, as we speak, but I can tell you that we have been working very hard to put our strategy together, to be prepared and ready to compete, and we are.

**Keith Howlett** – Analyst, Desjardins Securities

Thank you, and then just a question on the announcement with Cascades Sonoco on the FlexShield. Can you speak a little bit about what you see as the market opportunity for that product?

**Luc Langevin** – President and Chief Operating Officer, Specialty Products Group

Yes, this is Luc talking. This investment is looking at replacing wax products and polycoated products with a water-based, repulpable, compostable barrier coating, and what we're looking at is take-out boxes business, and some part of the—what would be typically the wax curtain coating business.

**Keith Howlett** – Analyst, Desjardins Securities

Is there a strong interest amongst restaurants, or is there a strong economic incentive to move to this sort of packaging from wax base?

**Luc Langevin** – President and Chief Operating Officer, Specialty Products Group

We have already relationships that we have developed. We're currently exporting from Canada and developing this business from Canada. What we really need is an access into the Southeast, where the volume of containerboard production and boxboard production is located, and we need the capacity there. So, we see a significant potential in that business.

**Keith Howlett** – Analyst, Desjardins Securities

Thank you.

**Operator**

Once again, that's star, followed by one to ask a question. Your next question comes from the line of Leon Aghazarian of National Bank Financial. Please go ahead.

**Leon Aghazarian** – Analyst, National Bank Financial

Hi, I just had one quick follow-up on the Greenpac. What was the output for January that you said was a record output for Greenpac?

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

We achieved a record, which is higher than our objective, but we're not disclosing the number. It's going to be too precise, if you understand what I mean. We don't want to disclose all of our secrets to our competition.

**Leon Aghazarian** – Analyst, National Bank Financial

Sure, understandable. What is the outlook for 2017 for Greenpac? I mean, obviously, that was impacted by some of the input prices, as well, that affected somewhat the EBITDA margin, so I'm just kind of trying to get a sense of what the outlook will be for Greenpac, specifically, for '17, and if there are any other kind of, you know, major benchmarks or any hurdles that you're looking for to achieving.

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

So, I can say that the ramp-up is behind us. The mill is performing very well, stability is there. The product is very, very stable right now, and as I said, very well accepted on the market. So, when I look at the output that we have at the mill, and now we can sell it, and it's in great demand, the mill also is equipped with the technology that we can increase a portion of the mixed waste, like we said earlier. So, this is one mill where we can do this. So, we can try to minimize a bit the impact of the OCC increase. But, again, the goal was to ramp it up, it's done and now it's very stable, and now we're working on increasing the efficiency and also working on our costs, because, as you know, when you're ramping up you make a lot of changes in the mill, so now we're at the fine-tuning steps and it's going very well.

**Keith Howlett** – Analyst, Desjardins Securities

Thanks. That's it for me.

**Operator**

There are no further questions at this time. I will turn the call back over to the presenters.

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

Well, thank you, everyone, for being on the call today and looking forward to talking to you for the Q1 results. Thank you very much. Have a good day.

**Operator**

This concludes today's conference call. You may now disconnect.