FINAL TRANSCRIPT

Cascades Canada ULC

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PRESENTATION

Operator

Bonjour, mesdames et messieurs. Bienvenue à la téléconférence des résultats financiers du troisième trimestre 2016 de Cascades. Je m'appelle Steven et je serai votre opérateur aujourd'hui. Toutes les lignes sont présentement en mode écoute seulement. Suite aux commentaires des dirigeants, il y aura une période de questions.

Good morning, my name is Steve, and I'll be your conference Operator today. At this time, I would like to welcome everyone to the Cascades' Third Quarter 2016 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 to Jennifer Aitken, Director of Investor Relations for Cascades. Miss Aitken, you may begin your conference.

Jennifer Aitken – Director of Investor Relations, Cascades

Thank you, Operator. Good morning, everyone, and thank you for joining our 2016 third quarter conference call. Throughout the call today, 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 (inaudible) third quarter results, released on November 3 can be reviewed on the Company'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 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, and good morning everyone. Earlier this morning, we released the third quarter results that were inline with our forecasts. On an adjusted basis, we reported earnings per share of $0.32, versus $0.52 last year and $0.38 in the previous quarter. As discussed during our Q2 conference call last August, we expected challenging market conditions in Europe, and costs and pricing pressure (inaudible) to impact Q3 results. As anticipated, these dynamics were important driving factors in our third quarter results.

That said, our North American business segment executed well during the quarter, with all three business segments generating higher sales year-over-year and our Tissue and Specialty Product Group also increased their numbers of tonnes shipped. On the TPI front, our capacity utilization rate was stable compared to the prior year.

While both our Containerboard Packaging and Tissue Group benefited from positive seasonal trends in Q3, slightly better utilization in Containerboard year-over-year was offset by a slightly lower utilization at Tissue in the period. Weaker results from European operations were largely due to the longer than usual downtime in Q3 that was a direct reflection of the persistent challenging market conditions. Q3 shipments were marginally lower compared to last year, due to a reduction of 8,000 tonne in Europe, the effect of which were mostly offset by increased volume in North American operations.

Looking at our financial performance, when we exclude specific items, our Q3 Adjusted EBITDA declined $31 million, or 23 percent year-over-year to $103 million. Allan will provide more details later. Sequentially, Q3 Adjusted EBITDA decreased by $9 million, which translated into a margin of 10.1

percent, while third quarter sales increased by $23 million or 2.3 percent quarter-over-quarter to billion dollars.

Moving onto the cost and pricing dynamics during the quarter, on the raw materials side, the average quarterly price index for OCC brand paper-grade was up 17 percent on both an annual and sequential basis, while the average quarterly white fibre prices index decreased by 1 percent year-over-year, and was up 7 percent sequentially. OCC prices have since come down $5 since August. On the supply side, recycled material levels should benefit from higher generation following the end of the summer.

Lastly, let me now say a few words about the leverage. We continued to deliver on our commitment to lower debt during the quarter, reducing it by 2 percent or $39 million. However, in light of our weaker Adjusted EBITDA performance, our leverage ratio increased marginally to 3.8 times from 3.6 times at the end of Q2. We expect this trend to be reversed as we successfully improve our operational performance, reduce working capital, and continue to allocate free cash flow towards debt repayment.

I will now let my colleague provide you more details, and specific information, starting with Allan and I will then discuss the European operations, followed by the near term outlook. Allan?

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

Yes, thank you Mario, and good morning everyone. I will begin with sales on Slide 12 and 13 of the presentation. On a year-over-year basis, third quarter sales decreased by a marginal $5 million. This was driven by weakness in Europe where lower volume and less favourable sales mix and selling prices translated into lower sales of $16 million.

North American sales volume increased in all three segments, with Specialty Products delivering a good performance where sales increased $7 million year-over-year. Sequentially, sales increased 2 percent or $22 million, primarily a reflection of stronger seasonal sales in Tissue and Containerboard. The sales increases in these segments were offset by a weaker performance in Europe.

Moving now to EBITDA on Slide 14, Q3 Adjusted EBITDA of $103 million was 23 percent over last year, reflecting two main factors. First, apart from the weaker results out of Europe, reflecting the persistent challenging market conditions, the contribution of our Conatinerboard Packaging Group was lower by $10 million. Charles will give you more colour on this performance.

The second main reason are the higher corporate costs, due in part to a fire which occurred in August in the Recycle Fibre yard at our Mississauga Ontario Conatinerboard mill, resulting in a $4 million cost impact. In addition, we also incurred $2 million of additional costs for the ongoing initiatives we are taking to implement a new ERP system and to transform our internal business processes. These factors, combined with foreign exchange losses on hedging instruments, and positive items of 2015, not repeated this year, explain the volumes.

I will note that going-forward, we expect that costs related to our business process modernization to average approximately $7 million on a quarterly basis, through the end of 2017. Sequentially, as detailed on Slide 15, Q3 EBITDA decreased by $9 million, again, reflecting weaker results from our European Boxboard Division, and higher corporate activity costs as noted above. These impacts were slightly offset by improved results in Tissue that are largely attributable to higher volume and favourable raw materials and product mix.

Slide 16 and 17 of the presentation illustrates the volumes of our Q3 EPS, and the details of the specific items that affected our quarterly results, both on a year-over-year and sequential basis. Compared to last year, our third quarter adjusted EPS decreased to $0.32 from $0.52 last year. Sequentially, adjusted EPS decreased by $0.06. In both periods, it reflects the weaker operating results, partially offset by a higher contribution from our share of results of associates and JVs.

On Slide 18 and 19, it illustrates the specific items recorded during the quarter. We recorded a total of $10 million of specific items in Q3 that impacted our quarterly net earnings. More precisely, following the Q2 closure of its (inaudible) converting plan, our Tissue segment incurred impairment charges of $2 million related to the re-evaluation of some equipment and a $3 million provision related to a lease contract. We also recorded a $7 million foreign exchange loss on our long-term U.S. denominated debt and related financial instruments.

As illustrated on Slide 20, cash flow from operations stood at $68 million during the third quarter of 2016, including payments of financing expenses totalling $38 million. Capital expenditures including capital lease payments totaled $27 million, resulting in a free cash flow of $37 million during the quarter.

Moving now to the debt reconciliation. In addition to the cash flow from operations, working capital provided $22 million if liquidity, which were partly used for CAPEX payments and to offset the currency impact on our long-term debt during the quarter. I would also note that total available funds on our revolving credit facility stood at $550 million at the end of September.

Looking now at Slide 22, we detail our quarterly EBITDA margin and leverage ratio when taking into account the consolidation of partly owned subsidiaries and Joint Ventures on a proportionate basis.

Before finishing, please note that we provide updated financial information on Greenpac on Slide 23, details regarding each segments performance on Slide 25 to 38, and additional information on Slide 32 through 37.

Thank you for your attention. I will now pass the call to Charles to discuss the Containerboard Packaging Group's Q3 results. Charles?

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

Thank you, Allan, and good morning everyone. During the third quarter of 2016, Containerboard Group shipments reached 294,000 short tonne which represented a 4 percent sequential increase. The higher volume in Q3 stemmed from both manufacturing and converting activity. On the corrugated side, shipments increased 4 percent sequentially, outperforming both the 1 percent container market increase, and the 3 percent U.S. market increase.

Our manufacturing activities increase their operating rate to 96 percent, which represents an improvement of 4 percent compared to the previous quarter. Accordingly, our external paper shipments grew by 3 percent, and our integration (phon) rate including paper sold to our associated companies stood at 68 percent, which is a slight 1 percent decrease compared to the previous quarter.

On the pricing front, our average selling price increased by CN$9 per short tonne, or 1 percent on a sequential basis. On a segmented basis, our average containerboard Canadian selling price remained stable, while our corrugated products' selling price increased by CDN$5 per short tonne. This reflects the full impact of corrugated product price increases that were implemented in February to offset the negative impact of the weaker Canadian dollar.

With regards to profitability, the Containerboard Group generated Adjusted Q3 EBITDA of $58 million, which represents a margin of 16 percent. This represented a 3 percent or $2 million sequential decrease and an 18 percent decrease compared to the prior year level.

Looking at our year-over-year performance, increased sales levels were counterbalanced by higher raw material costs, and by an increase in production costs per tonne, due to sales mix and higher freight maintenance costs. Our sequentially lower results mostly reflect higher raw material costs, mainly due to the $12 short tonne OCC price increase, which reduced our results by $4 million. Similarly, higher energy and chemical costs subtracted an additional $1 million each from Adjusted EBITDA levels. However, on the positive, higher volume and selling prices contributed $3 million and $1 million respectively to our results during the same period.

With regards to our short-term outlook, we expect the fourth quarter demand to follow the usual lower seasonal trend, which would result in lower demand than Q3, but stable demand on a year-over-year basis. On the positive side, we expect some benefit from the $50 short tonne price increase in the containerboard sector, and an 8.5 percent increase in the corrugated sector that was recently announced.

Finally, a word on the performance of the Greenpac mill. During the third quarter of 2016, Greenpac produced 126,000 short tonne of liner board. Notably, Cascade's proportionate shares of Greenpac net earnings, excluding specific items, increased to $4 million or $0.04 per share during Q3, from $3 million or $0.03 per share in the previous quarter.

The Greenpac exit rate now represents 82 percent of the total production of the mill, upfront 82 percent in Q2.

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 during the first nine months of the year have been challenging and this has negatively impacted order inflow levels, both on the recycled and virgin board markets. In Canadian dollars, Q3 sales decreased by $8 million sequentially to $189 million. This reflects the expected lower seasonality inherent in Q3, in addition to several other factors.

Firstly, the average selling price in Europe decreased by 1 percent. This is the result of weak demand and a depreciation of the British Pound. Secondly, lower volume in both recycled and virgin grades, which reflect the persistent challenging market conditions in Europe and the resulting longer than usual downtime taken in August.

On a year-over-year basis, Q3 sales in Canadian dollar decreased by 8 percent or $16 million. This similarly reflects a lower average selling price, lower demand, and an unfavourable geographical sales mix.

Third quarter Adjusted EBITDA totaled $9 million, down $5 million, compared to the last year, and $8 million from Q3 levels—Q2 levels, sorry. This reflects lower volume and selling price as just explained and higher raw material costs.

Looking at the European market trends, I will note that weakness is wide-spread. In the country where (inaudible) is active, white-lined chip board price in Q3 were 4 percent below last year's level, a direct reflection of the broader weak market conditions and longer than usual scheduled downtime taken in August. Folding boxboard order inflow during the quarter were also 2 percent below those of Q3 2015.

On a positive note, I am pleased to report that (inaudible) new CEO, Mr. Mikahl Bianci (phon) begin in its new role on November 1. Mr. Bianci is a paper and chemical engineer with more than 17 years of experience at a leading player's in the packaging sectors.

In the near-term, this market's weakness will likely continue in Europe, order inflow levels remains lower than last year's level, while recycle fibre prices continue to be slightly higher due to export activity. Price increases were recently announced for the beginning of November. At this time, it is too soon to tell how it will unfold.

I'll thank you and I'll ask Luc, to provide you with an overview of the performance of the 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 had a good third quarter. We did not incur significant variances during the quarter. Q3 sales totaled $157 million, and were similar to Q2 in spite of the closing of our deinked pulp mill last July.

The stable sales levels were largely the result of increased average selling prices in our recovery sub-segments during the quarter. Q3 EBITDA totaled $18 million, a sequential increase of 13 percent. This stronger performance was primarily due to the improved spread in our recovery sub-segment.

Looking more specifically at our top segments, our Industrial Packaging EBITDA was inline with our performance during the second quarter, volumes remained strong in Q3, and a slightly favourable exchange rate and lower fixed cost more than offset the impact of higher recycled material costs during the quarter.

The Consumer Products Packaging sub-segment generates Q3 EBITDA that was also inline with Q2 results, while spread was marginally impacted by a less favourable product mix. Results benefitted from the weaker Canadian dollar and reduced fixed costs. Shipment levels in this sub-segment continued to be solid.

Lastly, the Recovery and Recycling sub-segment improved its EBITDA by $2 million compared to the previous quarter. This higher contribution reflects a consistent flow of material and improved average selling prices during the quarter. Operational temperaments was good and our fixed costs was slightly lower on a sequential basis.

Looking forward, we expect overall business conditions to remain favourable in the fourth quarter, within the context of lower seasonal demand that is usually observed during the period. Our plants are currently busy and unless we experience a significant drop of activity around Thanksgiving, we remain cautiously optimistic for the remainder of the year.

Thank you for your attention and we'll now pass the call to Jean who will present results for the 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 for the sixth consecutive quarter, the Tissue Group improved its quarterly performance on a year-over-year basis in Q3. In addition to this, I'm very proud to announce that we also set a new historical quarterly report in Q3 by generating $47 million of EBITDA which represents close to 14 percent margin basis, representing a 7 percent improvement over our Q2 EBITDA of $39 million, and corresponding margin of 12.3 percent.

The second half of our summer season remained strong and contributed to our solid third quarter results. Both (inaudible) and converted product shipments increased 3 percent compared to the previous quarter. We also generated a new historical quarterly report in terms of converted product shipments.

In terms of pricing, our average third quarter selling price increased 2 percent on a sequential basis. This improvement was mainly driven by the following reasons: the weakness of the Canadian dollar, the full realization of the second quarter Canadian (inaudible) market price increase, and finally, a favourable customer and product mix.

Year-over-year, our average selling price declined slightly, reflecting a slight decrease in (inaudible) pricing and a less favourable Canadian dollar exchange rate. I would remind you that roughly 75 percent of our sales are in the U.S., and therefore, a slightly stronger Canadian currency year-over-year negatively impacts results.

Combined, our higher shipment and higher average selling price, as I just discussed, translated into a 5 percent sales increase on a sequential basis. On an operational basis, we continue to improve our productivity, recycled fibre costs continued to increase, but this was more than offset by a reduction in the amount of externally sourced (inaudible) in the quarter. Q3 profitability levels were negatively impacted by a higher marketing investment in both the consumer products and in Cascade pro segments, which is the new Away-From-Home branding.

Finally, we continued to make good progress with our West Coast project and are happy with this progression. Looking ahead to Q4, which is typically lower demand season for tissue, we are expecting lower volume, primarily in Cascade pro which cater to the Away-From-Home market, and in the (inaudible) segment.

As usual, in order to manage inventory levels, some hand paper machines shut down may be necessary. Remember, that we also announced a 5 percent price increase in June in the Cascade pro Canadian markets, which is slowly starting to impact our results due to the current market conditions. We announced another Cascade pro increase up to 6 percent for both Canadian and U.S. markets.

These increases are effective December 1, and will be gradually implemented upon customer contract renewal and are expected to impact our results in 2017. Thank you, I will now turn back the call to Mario for the conclusion. Mario?

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

Thank you, Jean. Looking ahead, we expect North American results to reflect a typically slower seasonality in both the Tissue and the Containerboard segments, in the last three months of the year. In Europe, challenging market realities are expected to continue to negatively impact operational results, through the end of 2016.

On the pricing side, the announced containerboard price increase was implemented November 1, however, it will have only a marginal financial benefit in Q4 due to the timing of its role out and the contract parameters. More measurable benefit will become in the first quarter of 2017. In Tissue, the benefit from the full realization of the second quarter Canadian retail market price increase should continue to benefit results on a year-over-year basis.

On the cost side, OCC index price have decreased by $5 since August, when coupled with a greater generation and recycled material flowing the end of the summer, we would expect a market supply dynamic to be more favourable in Q4, which would benefit both our Containerboard and Tissue segments. As always, our focus remains on securing favourable terms with our supplier and successfully fulfill all of our material input needs.

At the corporate level, we will continue to invest in the implementation of our new ERP platform and other ongoing initiatives to modernize our internal business process platform. Looking ahead at 2017, we are committed to continue deleveraging our balance sheet, while also improving our competitive position through strategic and focused investments. At the heart of this is a successful implementation of our strategic action plan, which includes continuing to increase our integration rate in Tissue and Conatinerboard, maximizing our capacity utilization, and being disciplined on our capital allocation and execution.

To finish, I want to highlight that we firmly believe that our current efforts will deliver strategic and financial benefits in the mid- and long-term. However, in the short-term results, namely those of Q4 will reflect our higher investment levels and ongoing transformation efforts.

I will now open the line for the question period. Operator?

Q & A

Operator

Merci. Si vous voulez poser une question, veuillez s'il vous plaît composer l'étoile suivie du un sur votre clavier téléphonique. Si vous voulez retirer votre question, composez le carré.

Thank you. If you would like to ask a question, simply press star, then the number one on your telephone keypad. If you would like to withdraw your question, please press the pound key. Again, if you have a question, please 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 Hamir Patel with CIBC Capital Markets. Your line is now open.

Hamir Patel – CIBC Capital Markets

Hi, good morning. I had a couple of questions, Mario, in Boxboard Europe you referenced some price hikes that have been announced. Could you speak to maybe what level of increases have been announced by Cascades?

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

We announced $60 Euro on all material recycled in virgin for November 1. As you know in Europe, the implementation of a price increase takes some time because of the contract and the conditions in Europe, so it's $60 Euro we announced in Europe.

Hamir Patel – CIBC Capital Markets

Okay, thanks, and just turning to the Containerboard segment, question for Charles. When Pulp & Paper Week raised prices in October, there was some commentary in the article that some medium producers out there were looking for additional price hikes on top of the $50 to sort of restore the medium liners to more normalized levels. Have you seen that play out in the recycle market?

Charles Malo – President and Chief Operating Officer, Conatinerboard Packaging Group

I'm not going to comment on market, but our announcement has been $50 both on the liner and the medium.

Hamir Patel – CIBC Capital Markets

Right, okay so even though the Pulp & Paper Week printed the $40, your sense that the market is still pushing for $50?

Charles Malo – President and Chief Operating Officer, Conatinerboard Packaging Group

We are—on our side, we have announced to our customers the $50, the Pulp & Paper move $40, and we're still aiming at the $50 before the end of the year.

Hamir Patel – CIBC Capital Markets

Great, thanks. That's helpful, just final question I had for Jean on the Tissue business. You referenced Away-From-Home price hike, I think you said that was just in Canada. Could you maybe just describe that again? What that is and if your competitors have followed suit on that announcement?

Jean Jobin – President and Chief Executive Officer, Tissue Papers Group

Well, what we did, if you remember in June, we have announced a 5 percent price increase for all of our Canadian, Away-From-Home market. Of course, as you know in the Away-From-Home there's a lot of business under contract, so it's not the day one that you see the 5 percent. But when contracts get renewed, we all post a 5 percent so that was Away-From-Home. What we announced now was up to 6 percent in bulk market Canada and U.S., and we're strategically placing those increases to what we need to have by segments.

As for the competitors, I cannot comment on what they do or they won't do, but there's some public announcements on their side that they do sometimes, that you should refer to.

Hamir Patel – CIBC Capital Markets

Okay, great. Thanks, that's all I had.

Operator

Your next question comes from Sean Stewart with TD Securities. Your line is now open.

Sean Stewart – TD Securities

Thanks, good morning everyone. Questions on the corporate expenses and I just was hoping you guys could maybe unbundle this for me. The Mississauga fire, $4 million impact, that was fully embedded in corporate costs, is that correct?

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

Yes it is.

Sean Stewart – TD Securities

Okay and just based—I want to make sure I'm understanding your guidance correctly; the $7 million per quarter through the end of 2017, that's just for finishing off the ERP implementation? Is that the right way to think about it?

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

The ERP and the business transformation of our process. In the past, we said about $4 million to $5 million a quarter, now we're more to the average of $7 million because we're pushing hard and accelerating the pace to finish that programme by the end of next year.

Sean Stewart – TD Securities

So, how should we think about overall corporate costs and I guess this assumes the foreign exchange hedging part of it constant. But for 2017, on a quarterly basis, how would you think about your overall corporate costs trending?

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

Well, we have not finished the budget, but around maybe the $15 million to $20 million, depending on what the FX is doing and all the share based compensation, so that's pretty hard to predict. But yes.

Sean Stewart – TD Securities

The ERP roll-out would be finished by the end of next year, is that the right way to think about it?

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

That's the target, yes.

Sean Stewart – TD Securities

Okay and then, next question; Greenpac, in light of the debt refinancing you finished earlier this year, and presuming this price hike is fully implemented. Can you speak to dividends you expect to potentially pull out of that investment in 2017?

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

We have a Board in Greenpac, so we have not had any discussion at this point on dividend distribution, so we will—I will refer to that discussion at that point when we have that discussion in Q1 of 2017.

Sean Stewart – TD Securities

Okay, that's all I have for now. Thanks guys.

Operator

Your next question comes from Bill Garnett with Scotiabank.

Bill Garnett – Scotiabank

Hi, guys. I appreciate you saying that it might be a bit tough to speak to the Containerboard price move and you're saying it should be layered in kind of lighter in Q4 and more fully in Q1. But, can you maybe help us think about how the benchmark price move should affect how it's going to move through your Conatinerboard sales versus corrugated boxes, and then Canada versus the U.S.?

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

Okay, so we have—with RGV we have a 68 percent integration rate in our Containerboard sector, but our own converting facility are 54 percent of the overall. So, on the 54 percent converted product, the price increase starts 30 days after the movement of the Pulp & Paper and goes about three to four months for the full implementation. So, starting on—I would say on the 54 percent of the volume, we start a bit in Q4, but mainly in Q1 '17. On the rolled, I would say that the rolled or the non-integrated business strictly on the containerboard, the implementation starts November 1.

Bill Garnett – Scotiabank

Okay, perfect. That's great. Then on tissue, now that you've acquired an interest in the Longhorn converting facility, can you talk about what that does for your integration rate in the Tissue business?

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

Yes, thank you Bill. Yes, Longhorn is not a big plant at this point. Longhorn is part of the longer strategy for us. So, on the integration, it's not even changing our integration rate, not even by 1 percent at this point. So it's still—it's still minimum at this point because we have to align trim to be really compatible down the road.

Bill Garnett – Scotiabank

Okay, and in terms of your marketing investment in that business, do you expect current levels to kind of be your average spend on that? Or do you expect to invest more in marketing initiatives going forward?

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

No, we won't invest more. We are on the hike in terms of investment at this point because we have rebrand the Away-From-Home into Cascades Pro and made a huge work on the brand realization as well. Very well received by the market, by the way, and same thing in the consumer product with the Cascade brand working very hard right now. So, Q4 would still be higher than normally, but after that it's going to settle down to regular levels.

Bill Garnett – Scotiabank

Okay.

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

If I can just add on the Conatinerboard and Packaging side, we have also announced an 8.5 percent price increase that started to see implementation in November in the converted products.

Bill Garnett – Scotiabank

Okay, thanks guys. That's all I had.

Operator

Your next question comes from Paul Quinn with RBC Capital Markets

Paul Quinn – RBC Capital Markets

Yes, thanks very much, and good morning guys.

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

Good morning.

Paul Quinn – RBC Capital Markets

You seem a little reluctant to discuss containerboard pricing which is pretty surprising; no, I'm just kidding. Maybe you can talk about your discussions with your customers and your order file on October specifically, and how that changed year-over-year? Specifically, with respect to the I guess Q3 average?

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

Paul, I'm not sure I understand, can you repeat the question, please?

Paul Quinn – RBC Capital Markets

Well, you just delivered Q3 results, so I'm just wondering post-Q3, i.e. October, what you see in terms of shipping levels on a year-over-year basis, and how that relates to the Q3 average, and what your order file's like?

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

Yes, okay. I can say that we are order booking right now, are pretty good on both sides of the border, both on the rolls and also on the converted product.

Paul Quinn – RBC Capital Markets

Okay and then, just—going back to Bill's question on the roll-out on the containerboard price increase. So, I think I understood this and thanks for the extra colour, but maybe just to clarify; on the rolls which I guess make up the non-integrated side, 32 percent you expect to realize at November 1? Then, really on your own stuff, the 54 percent, that's 30 days after receipt so that's really December 1? Should I read it that way?

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

Well, where it starts exactly so when the Pulp & Paper—I'm going to use on the boxes, the converted which is 54 percent of our overall business. After most of our business moves with the Pulp & Paper movement, so 30 days after, and we have different contracts, ups and downs so that's why we're saying that the increase will take three to four months to go in. Some of our contracts are 30 days after the P&P, some of the contracts are 60 days, and some are 90 days, but ups and downs. So, that's why we're saying that it's going to take about three to four months to fully implement it. Some will go in the Q4, but most of it, about 80 percent will be in Q1 2017.

Paul Quinn – RBC Capital Markets

Excellent, thanks very much. Then just lastly, on the debt and capital allocation side, you've announced a number of price increases for (inaudible), both on tissue and containerboard and if those flow through you should generate quite a bit of cash. After you spent your strategic CAPEX on your business to improve competitiveness, where is the priorities for cash between share buybacks and an increase in the dividend?

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

Good morning, Paul. It's Mario speaking. Basically, you know, we will keep on focusing towards the debt still, as we mentioned many times. You know we'd like to be closer to 3 times debt to EBITDA, so we're not there yet. So, most of what we will generate in addition to what we are now, after the price increases will be going towards that. In terms of CAPEX and dividends, I guess these questions will come later on because we are in budget session as we speak, so we don't have a full view of the CAPEX and I guess the dividends will—the dividend discussion will be coming later on, so. But mostly towards debt at the moment.

Paul Quinn – RBC Capital Markets

All right, that's all I had. Best of luck.

Operator

Again, if you would like to ask a question, please press star, then the number one on your telephone keypad. Your next question comes from Keith Howlett with Desjardins Securities. Your line is now open.

Keith Howlett – Desjardins Securities

Yes, I wonder if you can tell us what your year-to-date spending is on the ERP and efficiency initiatives.

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

That's not something we are open to discuss at this time, but we said in the past we're running at $4 million to $5 million a quarter, now it's maybe more towards $7 million of average. We can do a range with these numbers, so.

Keith Howlett – Desjardins Securities

All right, thanks, and then just on European Boxboard, I gather the largest player has announced a price increase, but is everybody in the industry or what percentage of the industry is suggesting they're going to raise prices?

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

I don't know at this point. I know a few large players have announced, and we did announce. But I didn't make the evaluation of—complete evaluation of the market, so it's pretty tough to answer precisely your question.

Keith Howlett – Desjardins Securities

How long does it take in Europe to implement a price increase?

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

Sometimes as long as six months.

Keith Howlett – Desjardins Securities

Great, thanks very much.

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

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

All right, thank you everyone. Have a good day and we'll be talking in the next quarter.

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.