FINAL TRANSCRIPT

Cascades Inc.

First Quarter 2020 Financial Results Conference Call

Event Date/Time: May 7, 2020 — 9:00 a.m. E.T.

Length: 43 minutes

CORPORATE PARTICIPANTS

Jennifer Aitken
Cascades Inc. — Director, Investor Relations

Mario Plourde
Cascades Inc. — President and Chief Executive Officer

Allan Hogg
Cascades Inc. — Chief Financial Officer

Luc Langevin
Cascades Inc. — President and COO, Specialty Products Group

Jean-David Tardif
Cascades Inc. — President and COO, Tissue Papers Group

CONFERENCE CALL PARTICIPANTS

Sean Steuart
TD Securities — Analyst

Adam Josephson
KeyBanc Capital Markets — Analyst

Hamir Patel
CIBC Capital Markets — Analyst

Zachary Evershed
National Bank Financial — Analyst

Paul Quinn
RBC Capital Markets — Analyst

PRESENTATION

Operator

Mesdames et messieurs, bienvenue à la téléconférence des résultats financiers du premier trimestre 2020 de Cascades. Je m'appelle Dhaka (phon), et je serai votre opératrice aujourd'hui. Toutes les lignes sont présentement à mode écoute seulement. Suite aux commentaires des dirigeants, il y aura une période de questions.

Good morning. My name is Dhaka, and I will be your conference Operator today. At this time, I would like to welcome everyone to the Cascades First Quarter 2020 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 Inc.

Thank you, Operator. Good morning, everyone, and thank you for joining our first quarter 2020 conference call. I hope this finds you all well.

We will begin with an overview of our operational and financial results, followed by some concluding remarks, after which we will begin the question period.

The speakers on today's call will be Mario Plourde, President and CEO, and Allan Hogg, CFO.

Also joining us on today's call are the presidents of Cascades business segments, namely Charles Malo, President and COO of the Containerboard Packaging group; Luc Langevin, President and COO of the Specialty Products group; and Jean-David Tardif, President and COO of the Tissue Papers Group. They will be available for the question-and-answer period at the end of the call.

Before I turn the call over to my colleagues, I would like to highlight that Reno de Medici's interim report, released on April 29th, can be viewed on the Reno website.

I would also note that certain statements made during this call will discuss historical and forward-looking matters. The accuracy of these statements is subject to risk factors that can have a material impact on actual results. These risks are listed in our public filings.

These statements, the investor presentation, and the press release also include data that are not measures of performance under IFRS. Please refer to our Q1 2020 investor presentation for details. The presentation, along with our first quarter press release, can be found in the Investors section of our website. If you have any questions, please feel free to call us after the session.

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

Mario Plourde — President and Chief Executive Officer, Cascades Inc.

Thank you, Jennifer, and good morning, everyone.

I would like to begin by thanking every one of our employees for their incredible dedication during these very difficult times. Their hard work has allowed Cascades to continue providing our customers with the essential tissue and packaging products they need.

The past few months have been unprecedented on many levels, and I am very proud of how we managed the situation. All of our plants are considered essential businesses. And thanks to the response of our employees, we have not had any interruption in production. We are able to continue providing service to all our customers and support our community, and we'll remain well organized in doing so.

With that, I will begin with Slide 3 on our presentation, which provides an overview of the tangible actions we have taken in response to COVID-19. Our top priority is the health and safety of our employees. In early March, we limited visits to our working facilities to only what was essential. We restricted work-related travel, implemented workplace social distancing measures, and introduced extensive cleaning protocols at our operations.

Our health centres of expertise, HR teams, and senior management are also in regular communication with our employees, providing them with protocols, safety measures, and equipment, and updates and support when and where needed. We can report that just a few employees have been affected by COVID-19, but none of them were determined to have contracted the virus at the workplace, and none of our operations were required to shut down. However, all necessary measures were taken to ensure the safety of everyone at their respective workplace.

At the operation levels, we are maintaining open lines of communication with our customers, to ensure all of our product needs are being fulfilled. To date, we have not had any material logistical interruptions and are adjusting to meet the fluctuation needs of our customers whenever possible.

Finally, we are committed to helping our communities whenever possible during these challenging times. In addition to the local efforts being undertaken by many of our facilities across North America, Cascades is helping to produce over 1 million medical visors, has installed portable lavatory units in key area in Quebec to support truck drivers. We are also supplying boxes for the delivery of food to those in need and are providing transportation for the Foodlink organization in upstate New York to stock local food pantries. Helping our local communities has always been part of Cascades' culture and values, and this commitment remains resolute.

Given the very difficult circumstances, we are very pleased with our solid Q1 2020 results. All of our segments executed well, and we are particularly encouraged by the performance of our Tissue segment.

Net earnings were $22 million or $0.24 per share. This compared to earnings of $0.26 per share last year and a loss of $0.27 per share in Q4.

On an adjusted basis, we generated $0.42 per share in Q1. This was above the $0.30 per share generated in Q4, and $0.14 per share last year. On an adjusted basis, EBITDA of 161 million increased 19 percent over the same period last year, and 6 percent when compared to Q4. On a consolidated basis, our adjusted EBITDA margin reached 12.3 percent in Q1.

Slides 5 and 6 provide detail for each of our business segments.

On the raw materials side, highlighted on Slide 7, the Q1 average index price for OCC was down 41 percent year over year but increased by 20 percent from Q4. White recycled paper grade used in our Tissue segment decreased by 49 percent year over year in Q1 and were essentially flat compared to Q4. On the virgin pulp side, hardwood and softwood pulp prices decreased year over year in Q1 and were stable sequentially.

Moving now to the brief comments on the performance of each of our business segments, highlighted on Pages 9 through 12 of the presentation.

The Containerboard segment generated Q1 adjusted EBITDA of 99 million, down 7 percent sequentially and 5 percent year over year. In both cases, the benefit from higher shipment levels were offset by lower average selling price and higher production costs.

Moving now to Tissue Papers. This segment posted solid results, generating important improvement both sequentially and compared to last year. Shipment levels in both cases benefitted from the COVID-19 pantry-stocking demand and from the favourable impact of the Orchids acquisition. This, combined with higher average selling price and improved operational efficiency, contributed to significant improvement in EBITDA levels, both year over year and sequentially.

The European Boxboard operation generated good Q1 results. Shipment levels increased both year over year and sequentially, the effect of which helped us set lower average selling price. Q1 results also benefitted from lower energy and raw material costs, both year over year and sequentially.

Q1 results in the Specialty Products segment improved sequentially, driven largely by higher sales in the return to normal operation of the Rockingham Moulded Pulp Plant, following a fire in this facility in Q3 last year. Conversely, year-over-year results decreased. This reflects higher production costs and lower sales, mostly related to our plant closure and business disposal in the third quarter of 2019. They were partially offset by lower raw material costs.

As a reminder, sales and EBITDA numbers of our Recovery activity were reclassified as of Q4 and are now reported within the Corporate Activities segment. To this end, the recovered paper market remained difficult in Q1, with average selling prices continuing their decline year over year. While these conditions are favourable for other segments, they negatively impact the performance of Recovery activity which, nonetheless, improved profitability slightly in the first quarter.

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

Allan Hogg — Chief Financial Officer, Cascades Inc.

Yes. Good morning, everyone, and thank you, Mario.

So I will begin with an overview of our key KPIs on Slide 16. Our first quarter shipments increased by 69,000 short tons or 8.2 percent from Q4. This was driven by increases of 15 percent in European Boxboard, 8 percent in Tissue, and 2 percent in Containerboard. While some of this reflects usual seasonal demand trends, most notably in Europe, demand levels undeniably benefitted from pantry-stocking and product-mix demand shift related to the COVID-19 pandemic.

First quarter capacity utilization rate of 97 percent increased 6 percent compared to the prior year and 7 percent from fourth quarter levels. Working capital came in at 9.9 percent of sales, while return on assets stood at 12.3 percent.

Moving now to sales as detailed on Slides 17 and 18. On a year-over-year basis, first quarter sales increased by 83 million or 7 percent. This reflects the contributions from higher volumes in the Containerboard and Tissue Papers segments, including the recent acquisition of Orchids, as well as a net positive impact from COVID-19 hygiene and packaging solutions demand.

Offsetting these benefits were a less favourable selling price and sales mix in all business segments, with the exception of Tissue, and lower sales and Recovery activities attributable to lower recycled material pricing, and also the impact of business closure and disposal in the Specialty Products group in the second half of 2019.

Sequentially, sales increased by 86 million or 7 percent, with increases in all business segments, that were in part driven by COVID-19 related demand.

Moving now to operating income and adjusted EBITDA. As highlighted on Slide 19, Q1 adjusted EBITDA of 161 million increased 26 million from the prior-year level. Results benefitted from a stronger performance from the Tissue segment, that was partially mitigated by slightly lower Containerboard and Specialty Products results.

Sequentially, Q1 adjusted EBITDA increased by 9 million, as shown on Slide 20. This was driven by stronger performances in all business segments, with the exception of Containerboard.

I would note that we took a 10 million credit loss provision in accounts receivable, which negatively impacted EBITDA levels. This amount is a global amount, encompassing all of our business segments, with more than half in our Containerboard segment. This provision will be adjusted based upon credit risk evolution. To this end, we continue to work with our customers whose businesses have been impacted by the pandemic, to help them through the crisis while limiting our risk.

Slides 21 and 22 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, earnings per share were $0.24 in the first quarter. This compared to earnings share of $0.26 last year. Both periods included specific items.

On an adjusted basis, EPS increased by $0.28 compared to last year's result. Higher operating results and lower financing expenses were offset by higher depreciation, reflecting business acquisition and operational capital projects. On an adjusted basis, sequential first quarter EPS increased $0.12 per share from Q4 last year.

Slides 23 and 24 illustrate the specific items recorded during the quarter. The only item worth mentioning is a 17 million foreign exchange loss on long-term debt and financial instruments.

First quarter adjusted cash flow from operations increased by 68 million year over year to 153 million. This reflected stronger operating results and lower net financing expenses in the first quarter of this year, following our Q4 2019 refinancing. Adjusted free cash flow levels increased by 58 million year over year despite higher net CapEx and dividends paid in the current period.

Moving now to our net debt reconciliation as detailed on Slide 26. Our net debt increased by 249 million in the quarter. This reflects the 121 million acquisition cost of the Caisse de dépôt's interest in our Greenpac Mill, which closed in early January 2020, in addition to a negative foreign exchange impact of 140 million. These impacts were partially offset by positive cash flow from operations.

Our net debt leverage ratio stood at 3.50 at the end of the first quarter, up from 3.25 at the end of Q4. This, along with other financial ratios and information about maturities, are detailed on Slide 27.

On Slide 28, we provide details about our updated capital investment plans for the full year. Given current market uncertainties, we are focused on taking a prudent approach on cash flow management. We are updating cash flow forecasts regularly across our business segments and remain committed to managing our debt profile. Currently, our available liquidity stands at approximately $650 million.

Mario will give you more details and will wrap up the call with a brief conclusion before we begin the question period. Mario?

Mario Plourde

Thank you, Allan. As in the past, we have provided details regarding our near-term operational outlook on Slide 31 of the presentation. My concluding comments, however, will focus on what are seen today and what our focus on, given the present-day circumstances.

Current demand remains good for our product offerings of hygiene and packaging solutions, including retail tissues, some food packaging and corrugated products used by essential companies operating in the industry, that includes food, personal care, and the like.

There is a potential mixed demand impact, both positive and negative, depending on the timing rate of success of gradual reopening of the North American economy. It would be a mistake not to expect, in the coming months, a decrease in the demand from some of our product categories. As of today, good demand for some of our products offset the slowdown in other nonessential markets. To this end, in addition to our North American positioning in Tissue, I would like to highlight the fact that our packaging business is exposed to end customer industries that should remain active, as shown on Slide 30.

On the North American cost side, we expect to see near-term margin impact from higher OCC and SOP prices, and our increased use of pulp in the Tissue side due to the lower levels of available white recycled grades. We expect this to remain the case while businesses remain closed. That said, our Recovery group is well positioned on the sourcing side due to the size of our operation, our footprint, and the long-term relations with suppliers. These facts alone, with strategic actions taken, enabled our Recovery group to maintain raw material inventory levels at our mills within the normal parameters in Q1.

Currently, raw material levels are sufficient to meet production requirements. As is the case in our North American operation, the duration and impact of COVID-19 pandemic translates into uncertainty regarding the near-term outlook for European Boxboard. That said, order intake and pricing trends are currently fairly positive, while rising raw material prices are expected to have a negative impact on results.

As Allan mentioned, our liquidity and cash flow levels are good to meet our requirements. As such, our dividend policy remains unchanged at this time. We are focused on cost management and are completing and updating cash flow forecasts regularly across our businesses.

On the CapEx side, we have reduced our previously announced planned spend level of 2020, from 250 million to 175 million to 200 million. Modernization initiatives on the way on our Tissue segment are continuing, while a portion will be delayed until 2021.

We have continued to advance our plans for the Bear Island project, albeit at a slower pace, given the current circumstances. We do not have any updates specific or timeline to provide at this time. The Bear Island project remains strategic for the long-term future of our Containerboard business. We will continue to monitor evolving business conditions and macro factors, and we'll remain extremely vigilant in our approach to both capital expenditures and liquidity management.

Before we open the call to questions, let me finish by saying we are pleased with our solid first quarter 2020 results, given the wide-ranging impact levels on COVID-19. I would like once again to express my appreciation to all of our employees and partners for their dedication over the past few weeks.

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

Q&A

Operator

[Operator Instructions in French]

If you would like to ask a question, simply press the *, then the number 1 on your telephone keypad. If you would like to withdraw your question, please press the # key. Again, if you have a question, please press *, then 1 on your telephone keypad. We'll pause for just a moment to compile the Q&A roster.

Your first question comes from Sean Steuart. Please go ahead. Your line is open.

Sean Steuart — TD Securities

Thanks. Good morning. Congratulations on a very strong quarter.

Question on the recycled fibre costs. You referenced the accelerating gains we've seen for OCC and SOP prices through March and even more so in April. Wondering if you can provide some context on how much more pressure we might see over the midterm?

And I gather, with respect to your comments regarding your inventory levels headed into Q2, you're going to be able to get around some of that near-term pressure is, I guess, the way I would think about it. How much should we expect to see that inflation show up in Q2 results?

Allan Hogg

This—

Mario Plourde

At this time, Sean, our inventory levels are at normal levels; I would say three to four weeks. And we keep having good supply, and the majority of this is in OCC. So for the next month, in our opinion, we will be able to probably slow down our purchases in the market and avoid a portion of this increase in cost. Difficult to predict how much will be the impact on our results for the coming quarter but, obviously, the price increase we saw this week was way over what we were expecting.

And I don't know, Luc, if you would want to add a comment to mine?

Luc Langevin — President and COO, Specialty Products Group, Cascades Inc.

Yes. As you mentioned, Mario, earlier, we had no difficulty at all to maintain and even increase inventories over the last few weeks, despite the fact that our mills operate very well so far this year. So as Mario said, we think that based on the reading that we have on the market, that the main increase was overstated versus the market conditions.

We need to understand now that we're getting into a higher generation season. We have the—and also with the deconfinement, this should help. We have to see, also, if the demand in the Containerboard will remain as strong as it has been since the beginning of the year. This should have, also, an impact on the market dynamics.

And I think something we need to understand, also, is when we started the year, the global inventory levels of the OCC were, I would say, lower than average, lower than we typically see. We got the strong demand, low generation, and the situation has been aggravated with the COVID-19. So there's been a number of conditions that made the market, maybe, tighter than we typically see normally at this time of the year. So we do believe, in the short term, that the market conditions will improve like they typically do at this time of year.

Sean Steuart

Thanks for that detail. And, Mario, just a follow-up on the CapEx guidance. Am I to understand that the reduction versus the previous guidance is Tissue projects? And if so, there will be catch-up in 2021? Is that the right way to think about it?

Mario Plourde

Well, we'll be postponing the majority—well, the reduction is spread over the three groups. The biggest share of the envelope this year was dedicated to Tissue, so those projects are keeping online. But we are postponing some of it to 2021, so. But the reduction of the CapEx is spread over the three groups, so.

Sean Steuart

Okay. That's all I had.

Mario Plourde

(unintelligible)

Sean Steuart

Thank you very much.

Mario Plourde

Thank you.

Operator

Your next question comes from Adam Josephson. Your line is open.

Adam Josephson — KeyBanc Capital Markets

Good morning, everyone. Thanks for taking my questions. I hope you and your families are safe and healthy.

One question on your Containerboard outlook. Can you discuss your April shipments relative to what you saw in the first quarter in March? And I knew you had that helpful slide on your packaging end markets, but could you go into any more detail as far as what level of sequential demand slowdown you're expecting? Obviously, your shipments were up 9 percent in the first quarter, and you're saying you're only going to be up slightly in the second. So obviously, you're expecting a reasonable sequential slowdown. So can you give me any more detail as to April? And then what you're expecting sequentially, 1Q to 2Q?

Mario Plourde

So, Al, can you take that one, please?

Allan Hogg

Yes. I just want to start with saying that we live in a very, very difficult world right now. Even our own group, trying to predict what's going to happen in the next few months, is very difficult to say. One thing that I would like to mention is we have about 80 percent of our overall sales that are—I'd say, just round numbers, that are considered as essential goods. And some of them—and some of those goods have increased in the first quarter, late first quarter, and also even in the month of April.

And the same thing that we have, about 20 percent of our goods that are considered as durable goods or nonessential. So some of that 20 percent is a bit more affected but what we're seeing right now with the COVID. And I'm giving examples like automotive and parts and things like that, resin, that have been more affected.

So this 20 percent is probably where we're going to see a bit more impact in the coming months. So what we see—just not for April, but probably for in Q2—this is the percentage that would be more impacted. To what extent, I mean, it's very difficult to give a number right now. So I'm not sure if I'm answering your question correctly, but percentage right now would be very difficult for us to say.

But as we see April—

Mario Plourde

Adam, it's—

Adam Josephson

Yeah.

Mario Plourde

—and then, what we can say—

Allan Hogg

—our April is still doing well on those line of products. And probably the month of May would be also good.

Mario Plourde

And then, maybe, what we can—

Adam Josephson

Thanks—

Mario Plourde

—add to that comment is, what we're seeing today is the markets that are negatively impacted, they are overcompensated by the good retail business that we're having.

Adam Josephson

Sure. No. I appreciate that. And just one on your Tissue business. Can you talk about the differing trends you're seeing in retail versus away-from-home? And to what extent you can shift some of your away-from-home production to make retail products?

Mario Plourde

Jean-David?

Jean-David Tardif — President and COO, Tissue Papers Group, Cascades Inc.

Yes, I can answer. Good morning, Adam. There's a small percentage of our business that we can switch from away-from-home to retail. But there is some in that, in the kitchen retail, for sure. Right now, even if a lot of businesses or things are closed, we still see really strong demand on our away-from-home side because we're overdeveloped on the hand towels. So the majority of our business is on the hand towel, and we see huge demand, so people are cleaning and washing their hands much more often. So for the ones that are still open, the consumption is way higher than it was.

We also see bath tissue—that was—that we're selling to away-from-home channel but that are ending on the retail market illegally because the demand is really high on kitchen roll towel, bath tissue right now on the away-from-home sites. So right now, even if people have some concern about the away-from-home market, that's not what we see. We see, for sure, on the napkins, on the foodservice, but this has been among businesses for us. So right now we believe we're in good shape. So April was good, and—

Adam Josephson

Okay.

Jean-David Tardif

—May looks good as well, so.

Adam Josephson

Thanks. And just one clarification on the sequential decline in volume you're expecting in Tissue. Is that both retail and away-from-home? Or just away-from-home?

Jean-David Tardif

Just away-from-home. And the volume—the fact is that we depleted the inventory significantly in March and in April. We had our inventory because we've closed Kingman and the Waterford, New York plants as scheduled in March. So we had higher-than-normal inventory to make those moves because we're transferring assets from one plant to another. So we're consolidation right now. But we've depleted those inventories significantly. So we're working with our customers right now on less SKUs and those type of things. So we have increased efficiencies, but we won't be able to maintain the serve (phon) that we have in recent weeks.

Adam Josephson

Thanks very much.

Operator

Your next question comes from Hamir Patel. Please go ahead. Your line is open.

Hamir Patel — CIBC Capital Markets

Hi. Good morning. Jean-David, could you tell us what was your mix of consumer versus away-from-home in the quarter? And as the sort of market share gains that you achieved in the quarter changed, how you think about the mix that you want to position the business for over the long term?

Jean-David Tardif

Right now, the business is slightly larger in Consumer, so 55 percent, 58 percent probably, on the Consumer side versus the Retail—the away-from-home, I can say, which is around 45 percent. We don't see a big switch from one market to the other at this moment, just because what I said. I think we're—the portfolio that we have on the away-from-home side is okay, based on the demand.

So there's less and less air dryers, for example. We see big lift on hand towels again and other products. So there's not that many (equipment that we can move from one market to the other. Some, especially on bath and kitchen with towels—but at this moment, we don't see the need of swinging capacity from one market to the other.

We don't have the numbers for market share. I think we gained a bit more than maybe or appears, because we had a higher inventory, I believe, than others before the pandemic. So I think we got a good performance in terms of sales increases.

Hamir Patel

Okay. Great. And then, just given the fibre supply challenges right now, are you expecting to use significantly more virgin pulp in Q2 and Q3 in Tissue?

Jean-David Tardif

Not significantly, but higher for sure. The thing is, we're working with our customers, again, to focus on the virgin items. So for example, on the retail, most of our customers have a portfolio of products, including recycled product and also premium product based on virgin fibre. So we stopped producing some of the recycled items and focusing on the virgin items.

So we see minimal negative impact, if I can say, on the bottom line because those items are designed with virgin fibre, if I can say. So we don't see a negative impact on that side, and that allows us to keep the recycled fibre for our pro business. So right now, the impact on virgin fibre, on products that used to be made with recycled, is minimum.

Hamir Patel

Okay. Great. And then just a question for Mario. The outlook for Q2 for Europe was stronger than I expected. Are you expecting to get some price gains to offset the input cost inflation there? And just how significant has been the movement in the recycled fibre prices that you're seeing? I know you guys commented that the trade prices for North America were printing more than what you're actually seeing in the market. What're you actually seeing in Europe?

Mario Plourde

Well, right now, demand in Europe are very solid in the markets we play. A majority of the markets we're servicing in Europe are all essential business-related consumption. So the backlog, actually, is higher than Q1 and Q4 last year, so we're in very good position. Plants are running very good. We only have one facility, which produces packaging for the luxury market, which has slowed down. So we feel that Q2 will be a good quarter as well.

As you probably are aware, the majority of the players in Europe have announced a price increase. I don't know to what extent we will be able to capture all of it, but I think before the end of Q2, we should see a portion of this increase in our results. So we feel Q2 for Europe, we should be in good position.

Allan Hogg

And, Hamir, don't forget also, the exchange rate. So far, it's favourable compared to Q1 when we translate the results. So don't forget that.

Hamir Patel

Thanks. Thanks for that, Allan. That's all I had. I'll turn it over.

Allan Hogg

Thank you, Hamir.

Operator

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

Zachary Evershed — National Bank Financial

Thank you very much, guys. Congrats on the quarter. With the uptick in SOP prices and availability issues that you're seeing, do you have an updated margin guidance range for the Tissue segment? Previously, we were talking about a 10 to 12 percent margin.

Mario Plourde

Jean-David, can you answer that?

Jean-David Tardif

Well, it's difficult to predict it because we don't know what will happen exactly, and it's tough to predict what will be the market in a month or two. But we're continuing our consolidation plan, and we're increasing efficiency. So we're really positioned on the next few months.

Mario Plourde

All right. I think the margins should remain fairly the same as in Q1, considering that we managed to sell more virgin product, which included—the impact of cost is included in the price. So we should be in the same range. And over time, Zachary, the—our target for Tissue remains the same as we continue to gain on efficiency and so on. So we'll make it happen.

Zachary Evershed

Understood. Thank you. And in terms of the SOP and OCC, kind of, run rate prices. As retail opens back up, we'll see better generation, obviously, but it's possible we could see a kind of stickier work-from-home scenario. So what are you guys forecasting for your long-term SOP and OCC price ranges?

Mario Plourde

Well, as generation increases in the OCC, I would think that we have hit, probably—it's a high price for the year, considering there's enough generation right now to supply the market.

On SOP, it’s pretty tough to predict. As we know, we don’t know how much businesses will open, how much people will come back to work. So as generation will not be there, I think SOP will remain a commodity that will be fairly difficult to capture. And we certainly would probably have to compensate with the use of virgin fibre, so pretty tough to predict. You know, if offices open rapidly and people go back to work, then maybe we’ll see it ease off. But from, let’s say the next quarter, we don’t see that. We don’t see ease-off on the price of the SOP.

Zachary Evershed

Okay. That’s helpful. Thanks. Then just one more one for me. The provisions that you’re taking, what levels did that debt write-off hit during the Great Recession? And how does that compare to what you’re expecting in the coming quarters?

Allan Hogg

About the credit loss provision, you’re referring to?

Zachary Evershed

Yes.

Allan Hogg

Well, it’s a global provision. We have not had a lot of loss during the Q1. The effect of the COVID, or the pandemic, will show up in the coming weeks or months. So we just took a provision, given the market credit spreads that have increased. And based upon the analysis of our customer portfolio, we felt that it was the right thing to do. So we’re not saying that we are expecting—obviously, we’ll do everything we can to minimize that, but it’s a provision we took, based on the evaluation of our risk.

Zachary Evershed

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

Operator

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

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

Paul Quinn — RBC Capital Markets

Yeah. Thanks very much. Good morning. Just a couple of minor questions here. But on the recovered paper price side, you guys mentioned on the call here that the April increase was a lot more than you expected. What did you expect for April?

Mario Plourde

Luc, can you take that one?

Luc Langevin

Yeah. We were expecting—we're talking about the May 1st—or the May increase—or the decrease that is impacting the May numbers.

Paul Quinn

Yep.

Luc Langevin

We were expecting half of this.

Paul Quinn

Wow. That's a fair—a fair difference.

And in terms of your ability to switch on the—especially on the, I guess, on the … On the Tissue side, your ability to switch from away-from-home to consumer. If I look at 2019, kind of on sales, you were kind of even in both at 40 percent. Right? So when you say that you can move from one, is it material? Is it like more than 5 percent? Or is it like 1 or 2 percent?

Luc Langevin

No. It's between 10 and 15 percent, I would say.

Paul Quinn

Okay. That's significant.

And then just looking at overall leverage at 3.5 times on trailing. How do you think about that balance sheet? Especially in light of your decision on Bear Island?

Mario Plourde

Well, we will manage carefully the cash flow, Paul, as well as the CapEx. If a situation would deteriorate in Q2 or in Q3 we, again, have other tools to reduce—we would again revisit the CapEx envelope and adjust to make sure that we're managing the debt level.

Paul Quinn

All right. And then, I guess, maybe, just one last one on Tissue. You've got pretty strong Boxboard demand in Europe, and guys are looking for a price increase there. Have you heard any signs of a price increase in North America on Tissue?

Luc Langevin

Not at this moment.

Mario Plourde

We're not going to—we are not commenting, Paul, on any future price increases.

Paul Quinn

Alrighty then. Strong quarter. Thanks very much, guys.

Mario Plourde

Thank you.

Allan Hogg

Thank you, Paul.

Operator

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

Mario Plourde

Thank you very much, everyone, for being with us this morning and please be safe. And we're looking forward to see you on the next quarter. Thank you.

Operator

Merci mesdames et messieurs. Cela la fin à la conférence aujourd'hui. Vous pouvez maintenant raccrocher.

Thank you. Ladies and gentlemen, this concludes today's conference call. You may now disconnect.