

**Cascades Inc.**

**First Quarter 2026 Financial Results Conference Call**

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## PRESENTATION

### Operator

[Remarks in French]

Good morning. My name is Julie (phon), and I will be your conference Operator today.

At this time, I would like to welcome everyone to the Cascades First Quarter 2026 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'll now pass the call over to Jennifer Aitken, Director of Investor Relations for Cascades. Ms. Aitken, please go ahead.

**Jennifer Aitken** — Director, Investor Relations, Cascades Inc.

Thank you, Operator. Good morning, everyone, and thank you for joining our first quarter 2026 conference call.

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

Today's speakers will be Hugues Simon, President and CEO; and Allan Hogg, CFO.

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

These statements, the investor presentation, and the press release also include data that are not measures of performance under IFRS. Please refer to our Q1 2026 investor presentation for details.

This presentation, along with our first quarter press release, is found in the Investors section of our website.

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

I will now turn the call over to our CEO, Hugues Simon, who will begin with the review of our Q1 performance. Hugues?

**Hugues Simon** — President and Chief Executive Officer, Cascades Inc.

Thank you, Jennifer, and good morning, everyone.

Overall, the first quarter was in line with our revised outlook, but was below the initial expectations we communicated with our Q4 results.

We discussed, when we updated our outlook in mid April, several factors outside initial assumptions contributed to this.

A combination of severe weather disruptions across our platform, recent geopolitical events, and a negative consumer confidence trend impacted our volumes and accelerated inflation.

We also made reference to some execution inefficiencies. These included delays in onboarding new volumes and longer-than-planned annual maintenance downtime in packaging.

Complexity within our logistics network was further compounded by a tight transportation market in both of our segments. These inefficiencies are temporary and are being addressed.

Our ambitious strategic initiatives are focused on areas we control. The objective is to have a more resilient platform, given an environment that will continue to be impacted by geopolitical uncertainties and extreme weather events.

The speed with which we adapt to these types of macro changes is a priority. Ensuring that our business is more agile will provide our customers with best-in-class products and the best-in-class service.

To this end, we're making significant progress from an operational standpoint. And I'm very pleased with what we've achieved so far.

We had a solid quarter at Bear Island. Including annual planned maintenance downtime, the mill operated at 92 percent of its total production capacity in the first four months of 2026, including a record month in April in terms of speed, uptime, and overall tonnage.

At our Greenpac facility, we gained 5 percentage points on availability in the quarter versus 2025. And the first quarter production level was equivalent to an annual output of 575,000 tons, 6 percent above its initial design capacity.

At our Pryor tissue facility, we improved production output by 17 percent in Q1 2026 and 23 percent in the month of April when compared to Q3 2025 levels, which was the starting point of our improvement plan in this facility.

While these are just a few examples, my intent is to provide you with an idea of what we're doing in terms of things we can control.

Aside from operation, strengthening our logistics network to be more efficient and agile, and accelerating onboarding of new volume gains we have secured with key customers in packaging are other good examples.

In Tissue, we are centred on improving productivity in our retail business to increase volume with our strategic customers.

We continue to remain focused on our balance sheet. Our objective of proceeds from asset monetization is progressing well, as demonstrated by the \$91 million realized in the quarter.

Raw material index prices increased marginally on a sequential basis, but remain lower than the prior-year period. Exception to this were hardwood pulp and eucalyptus, which increased 6 percent and 7 percent from Q1 of last year.

Delivered costs of raw materials to our mills were further impacted by recent transportation disruptions and fuel cost increases.

We provide an overview of average quarterly costs and trends on Slides 6 and 7.

Moving now to the results of our business segments, which are highlighted on Slides 8 through 13 of the presentation.

In Packaging, sales decreased 6 percent sequentially. This reflects lower volumes in corrugated and specialty products, driven by seasonality, macro volatility, business disposition, and changes in customer mix and sales mix from our converted products.

Excluding the box plant on the West Coast that was sold in the first quarter, box shipments decreased 5.7 percent, below the industry's comparable of 3 percent decrease.

First quarter adjusted EBITDA decreased 22 percent sequentially to \$103 million. This was driven by lower volume and by important increases in operating costs, including logistics, chemical, and energy.

Repair and maintenance costs were also higher sequentially, reflecting planned maintenance outages.

Year-over-year sales in this business decreased by 6 percent. This was driven by lower volumes that reflect the sale of a facility and a decrease in corrugated shipments due to softer demand.

Higher selling prices and favourable mix partially offset these impacts.

On the same basis, box shipments decreased 1.9 percent, slightly below the industry's comparable of 1.6 percent decrease.

Adjusted EBITDA also decreased 6 percent year over year for the same reason I just explained.

These impacts more than offset selling price and raw material cost tailwinds.

Moving now to our Tissue segment. Sales decreased by 7 percent sequentially, reflecting usual seasonality.

To this end, sequential shipments in the away-from-home market decreased 10 percent, while retail shipments decreased by 3 percent.

Adjusted EBITDA of \$33 million decreased 21 percent sequentially. This level was slightly below forecast due to higher operating costs following important cost pressure, most notably coming from transportation and fuel.

Lower volumes were expected due to usual seasonality. These impacts were partially offset by benefits from lower raw material costs and higher selling prices.

Year-over-year sales increased 4 percent. This was driven by an 11 percent increase in retail product shipments and a 6 percent increase in shipments of away-from-home, underscoring the growing traction of our commercial initiatives.

Adjusted EBITDA decreased 11 percent from last year, with benefits from raw material costs, volume, and higher selling prices more than offset by operating cost headwinds.

I now pass the call to Allan, who will briefly discuss some of the financial highlights.

Allan?

**Allan Hogg** — Chief Financial Officer, Cascades Inc.

—Hugues, and good morning, everyone.

So let's start with the specific items recorded during the quarter, which impacted operating income by \$34 million, on Slides 14 and 15.

The main items were gains totalling \$49 million from the sale of assets in Canada, reflecting the Company's ongoing optimization initiatives.

We also recorded in the first quarter \$8 million of impairment charges related to a previously closed facility in the US; \$3 million of restructuring costs related to saving initiatives; and lastly, a loss of \$4 million on financial instruments.

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

Reported Q1 net earnings per share were \$0.38, compared to net earnings per share of \$0.07 last year and \$0.37 per share in the previous quarter.

On an adjusted basis, net earnings per share were \$0.07 in the current quarter. This compared to net earnings per share of \$0.13 last year and \$0.40 in the fourth quarter of 2025. The year-over-year decrease was driven primarily by lower adjusted EBITDA in the current quarter.

As highlighted on Slide 18, first quarter adjusted cash flow from operations was \$59 million, slightly down from \$62 million in the year-ago period and includes cash flow proceeds from the sale of assets.

Slide 19 provides detail about our capital investments. The first quarter totalled \$28 million. In '26, we expect CapEx to be in the range of approximately \$150 million to \$175 million.

Moving now to our net debt reconciliation, as detailed on Slide 20. Sequentially, net debt increased marginally by \$5 million in the first quarter, mainly due to usual working capital requirements, a less favourable exchange rate on our US-denominated debt, and lease renewals.

Proceeds from business and asset disposal reduced debt levels by \$91 million.

Our leverage ratio was unchanged at 3.3 times, and our available liquidity under our credit facility stood at \$738 million at the end of the quarter.

During the first quarter of 2026, we announced the sale of our Richmond facility, some equipment following the exit from the honeycomb and partition business segments, and private forest lands. Total cash proceeds received of \$91 million have gone towards debt repayment in the first quarter.

Including this amount, we have generated total proceeds of \$149 million from the sale of assets over the past five quarters.

We continue to expect to achieve our \$230 million targeted level by the end of the third quarter of 2026, slightly ahead of schedule.

Financial ratios and information about maturities are detailed on Slide 21.

Additional information and analysis can be found on Slides 25 through 33 of the presentation.

I will now pass the call back to Hugues, who will conclude with some brief comments before we begin the question period.

Hugues?

**Hugues Simon**

Thank you, Allan. We provide our outlook for Q2 on Slide 22.

We're expecting our consolidated results to be slightly lower sequentially. This is driven by a cautious outlook for volumes in our Packaging segment affecting the continued macro uncertainty, cost pressure, and lower consumer confidence.

Volumes in Tissue are forecasted to be higher following usual seasonal softness in Q1 and new retail volume with strategic customers.

On the cost side, we currently expect logistics, chemicals, and raw-material cost levels to be higher across our business segments.

Before opening the call to questions, I'd like to emphasize that while Q2 will be a period of margin pressure, we expect growing traction from ongoing initiatives to drive a stronger performance in the second half of [audio gap].

As the dynamic macroeconomic and geopolitical environment continues to put pressure on input costs and consumer sentiment, operational resiliency is paramount.

Working in tandem with this is keeping the customer at the centre of everything we do, from speed of execution to quality of service.

Commercially, we're winning in the markets where we want to grow. Our sales teams are aligned and are delivering on the strategy. Our product offering is best in class, and our focus is to ensure that our execution is also.

We expect these actions, combined with the rollout of the net \$50 price increase published by RISI, and other pricing initiatives, to realign results in the second half of the year towards our targeted annualized run rate of \$600 million of adjusted EBITDA.

We are also on track to achieve our objective of generating a total of \$230 million of proceeds from asset sales by the end of the third quarter, slightly ahead of schedule.

Our leverage ratio target of 2.5 to 3 times remains unchanged. It may be difficult to achieve by year-end, given expectations for the first half of 2026.

We continue to prioritize debt reduction to reinforce financial flexibility and position the Company for future growth opportunities.

With that, we can now open the call to questions.

Operator?

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## Q&A

### Operator

[Remarks in French]

Thank you. If you'd like to ask a question, please press \*, then the number 1 on your telephone keypad. If you'd like to withdraw your question, please press \*, 2. Again, if you have a question, press \*, then the number 1 on your telephone keypad.

We'll pause for just a moment to compile the Q&A roster.

And your first question comes from Ahmed Abdullah from National Bank of Canada. Please go ahead.

### Ahmed Abdullah — National Bank of Canada

Good morning, and thank you for taking my question.

Based on your commentary around the \$600 million EBITDA run rate in the back half of the year, can you give us a bit more colour on that? Are you expecting that peak (phon) recovery step-up to be evenly distributed between Q3 and Q4?

And are pricing actions fully sufficient to restore margins here? Or do you still need cost deflation to kind of hit that \$600 million run rate?

### Hugues Simon

Yes, thank you for your question.

So basically, what we're looking right now in the second quarter is a period of adjustment where we're implementing all our (phon) net debt we discussed on the call with RISI. We're looking at geopolitical

and cost pressure to continue, but with the implementation, going back to a run rate of \$600 million in the back half of the year includes the \$50 that's already announced and implemented with the RISI publication. It does not include any further pricing announcement.

We've announced to our customers additional pricing in the month of May, effective in June, so that's not part of the \$600 million. And we do expect cost pressure to continue in the remaining of the year as well, not to the peak level they've reached, if you look at fuel at \$110 million earlier this week and below that level today, but we expect those cost pressure to continue, so not to go back to the 2025 level.

We're being very cautious with the costs (phon). We're trying to push our suppliers as much as we can with pricing index that would look like fuel surcharge, so when fuel goes back down, our cost structure goes back down.

But we remain very, very cautious, given the ever-changing tone between the US and the Middle East. And consumer confidence is impacted, so we're also being cautious on volume as well.

**Ahmed Abdullah**

Thanks. And just on that kind of pricing initiative, can you give us some colour on some of the customer pushback or volume elasticity that you're seeing on these recent price increases you've announced, particularly in Packaging where volume seemed soft?

Additionally, you had mentioned that fuel surcharges were being considered. How successful has that been in the industry? And (unintelligible)—

**Hugues Simon**

Yeah. So—

**Ahmed Abdullah**

—as well?

## **Hugues Simon**

Yeah. So it's not equal depending of the type of customers and if we split Tissue with Packaging. If we focus here based on your question on Packaging, we're pushing more on the price increase versus fuel in the big scheme of things with the implementation of the \$50 that we just announced.

We're very tight in rolls, so the implementation of the \$50 is not an issue for us and it's tight enough with additional inflation that we've announced an additional price increase effective in June. I'm not going to comment on this one. It was announced earlier this week, so it's very preliminary. But when you look at the other order files (phon) that we have in rolls, it's something that we feel is well necessary and that the market—we're positive about the market reaction on that.

From a box standpoint, you're right that, I mean, we've seen softness in box. We've had a difficult winter as far as extreme weather events here and there. We have a pretty late spring in many of the regions where we operate. If you remember, most of the box making that we have is in Eastern Canada. So we are seeing some softness, but we are winning on the market and we're gaining market share where we want to grow.

Our focus is on the execution on onboarding those new volumes. When we talk about some execution improvements that we needed, a big focus for us is to accelerate onboarding of new customers, given the fact that we've secured those volumes, we are in a soft market, but our product offering is good and customers want to grow with us. So that we have to do better and, I mean, we're improving rather quickly.

If I had to give you comments today versus a month and a half ago, I'm very pleased with the improvements that we're doing.

## **Ahmed Abdullah**

Thank you for the colour. I'll pass the line.

**Operator**

Your next question comes from Sean Steuart from TD Cowen. Please go ahead.

**Sean Steuart — TD Cowen**

Thanks. Good morning, everyone. Hugues, question on OCC costs. We've seen prices pick up so far this year. Can you give some context on the strength, appreciating it's off a low base? And any visibility on further pressure as we head into the summer?

**Hugues Simon**

Yeah. Great question. Recently, we saw \$5 roughly across the board where we have operation of increase in OCC. It was slightly more in the Western US, which does not have an impact for Cascade.

Obviously, when box demand is lower, the generation of OCC is lower as well. So it's putting some cost pressure on people that are recycling boxes, which we are a big player in, so we have a good idea of the flavour of the cost impact on that part.

But at the same time, the export of OCC in Asia is a lot lower as well, so more OCC remains into the US. We don't see a big push on additional pricing in OCC, although when we forecast the remaining of the year, we're being cautious. But what we're seeing now is that we had the low generation. That's not unusual early in the year. Like the whole post Christmas from the end of January to April and May is soft.

But we are counting on some seasonal pickup for the month of May to December on volume. Nothing more than usual; probably a bit less. To see maybe some small changes in some pockets of different geography is possible, but no significant pressure on volume availability.

**Sean Steuart**

Thanks for that detail. And want to follow up on your comments with respect to relative tightness in the board market and, I guess, a more cautious outlook on the corrugated box piece of it.

A number of your US peers have indicated line of sight on year-over-year box volumes starting to rebound in the second half of the year, some seemingly more optimistic than others. Any sense on how your box order book is shaping up, if there's any reason for optimism? Some of your US peers seem to think that there is.

**Hugues Simon**

I mean, when I look at what we're doing with our sales strategy, as I mentioned before, we're winning in markets we want to grow. We're winning. We're trying to push on more resilient volume that have less of an impact. So yes, I'm optimistic.

From a financial standpoint, we remain cautious just given all the geopolitical that's going on around the world. We also have the USMCA that is coming for more discussions later in June and will probably last for most of the summer. We're not worried about it, but we look at consumer sentiment with all of the inflation that the consumer is seeing, we remain cautious, but we are ready and will be able to take any additional volume that the market will provide, if our assumptions are too pessimistic.

So for us, really, we're making a plan so that the level of activity that we see in the economy today remains difficult, but we're ready for the uptick, if and when that happens.

**Sean Steuart**

Understood. One last quick question for Allan. The debt maturity schedule, I guess, term loans expiring over the next year and then some senior notes in 2028. Can you give some perspective on how you're thinking about refinancing those maturities? And what the current environment looks like for terms on that front?

**Allan Hogg**

Yes. The next maturity is in 2027, the term loan, which is part of our agreement. We are in discussion right now to defer that, to refinance that, refinance the maturity. For now, there's no (unintelligible) condition, so we don't expect any negative condition and 2028 will look at our cash flow profile.

We can call these bonds at par right now. We are not using our line of credit. And there's also a sale of assets that we want to target in our objective. So all of this we can call a portion of the bonds and then we'll look at do we refinance, or do we do other alternatives.

So I think we have a couple of scenarios. We have flexibility. That's what we want to have. And we'll address that—until the end of this year, we'll look at that closely.

**Sean Steuart**

Okay. That's all I have for now. Thanks very much.

**Operator**

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

**Hamir Patel — CIBC Capital Markets**

Hi. Good morning. Hugues, I just wanted to ask more about the sort of \$600 million run rate that you're pointing to being back at in the back half. Just trying to reconcile that. I mean, in 2025, you did, call it, \$575 million. You have this \$100 million profitability program where you're targeting \$200 million. The formal target's \$100 million, and I think there \$30 million was achieved in '25. So you've got, call it, \$70 million to go from there added to the \$575 million.

We've had the \$50 net price hike on your sensitivity table that's approximately \$105 million. So that would seem to get you to around \$750 million of EBITDA. And I know to an earlier question you kind of pointed you're not assuming a material pickup in OCC prices.

So just trying to bridge that \$600 million to sort of \$750 million delta, how much of that is weakness in Tissue versus 2025; and how much of it is some of these other cost buckets that you alluded to.

### **Hugues Simon**

Yeah. Thank you, Hamir. I mean, when you look at headwinds versus tailwinds, we have a similar tracking of finance of the potential of the Company when we execute everything well with some tailwinds. So definitely the potential for us.

If we go back a year on productivity, we've made great improvement on productivity at Bear Island and at Greenpac, and I talked about that in the call.

The \$100 million initiative is progressing well. If you look at what we're doing today, various mills we have 55 plants with over 280 initiatives on cost reduction. So what you're talking about on the \$100 million, we're continuing to see some good traction of that.

Obviously, in the first and second quarter, there's a lot of new reality with the geopolitical, the quick inflation on logistics, fuel, and everything. So for us, the back of the year, we don't expect that to have perfect situation on all of the tailwinds.

We're not also talking about the \$50 increase—the \$60 increase that we announced this week going into effect in June. Our intent is really to provide for more visibility. You go back two quarters ago, as a company, we're guiding just one quarter ahead. We made the decision to guide for the remaining of

the year and to provide more visibility to our shareholders because we do have a clear road to what our potential is, plus or minus the tailwinds and the headwinds.

So it's more to give a perspective on the actions that we have, tactical actions short term that are happening right now and will continue to happen in the year will get us back to basically where we were in the third and the fourth quarter of 2025.

Looking back at Q3 and Q4 of '25, we were more on a pace of 615, 620 with enough visibility to provide guidance for 12 months ahead, or at least for the remaining of the following year. We feel we're going to be back to that in a normal geopolitical context. We don't see all of the headwinds being gone in the second half of the year. Inflation on fuel, I think we're in uncharted water as far as, not only Cascades, to be quite honest, but the whole world.

Our objective is to focus on what we control, being more proactive, and building different platforms that are more resilient to those events. Because our conclusion is, extreme weather, geopolitical will continue to impact any business in North America, so we need to be more resilient on it.

But your math is not wrong. If we have tailwinds and everything else would go back to normal, our potential remains and we're actually excited about that. But right now we're focusing on the things we can control.

And again, I know I'm repeating myself, but I want to bring people back to the great achievement that our Bear Island facility achieved. We're running at 92 percent for four months in average and we're at 94 percent in the month of April alone.

So we're making good progress. Greenpac is running at 106 percent plate capacity. So these things for us when the market comes back to more, I don't like to call it normal, but let's call it plus or minus normal, our potential remains great.

## **Hamir Patel**

Okay. Great, Hugues. Just sort of two follow-ups there; one on, so \$600 million-plus appreciate there could be additional tailwinds there. What is the sort of Tissue EBITDA assumption that you see the Tissue business run rate being back to by year-end?

And then just with respect to Bear Island, 94 percent; looks like you're seeing some strong improvement there. But in terms of sort of the EBITDA potential off the mill, I'm guessing you don't think you're at 94 percent of the mill's potential. So maybe you could frame us where that is on its sort of expected full EBITDA contribution.

## **Hugues Simon**

Yeah. So two components, Hamir, to your question.

If you look at—go back two years with some of the great results that we've had in Tissue, this is there and better where we're going back. We've gained some significant market share in many of the customers that we deal with. We're really at a right place in Tissue as far as customer mix, the type of products we have, the mix of retail versus away-from-home. We'll probably grow even more in retail because we can do some small investments that are within the \$175 million of annual CapEx to even grow better.

Our product is well accepted, so excited. So when you look back at the numbers that are the period I referenced, you're in the high 190s and you could be in the 200s. That's like a longer-term perspective, but not something that is at the current level of the last two quarters.

As far as Bear Island, if you go back to our fourth quarter discussion and third quarter discussions, we're now turning to put some improvement initiatives on cost: chemical consumption, fibre loss. The type of fibre that we use, we went back to 100 percent OCC, not using mixed paper. We're still basically

there. It's something we're looking at. Looking at the cost benefit; don't want to give back on any of the productivity.

So from a profitability standpoint, we have quite a lot to go, but we're above the 50 percent mark. It will take time. Look at Greenpac. It took 13 years to go over the 106 percent of capacity, but there's no sign—I had the question in previous quarters, like, is there any additional CapEx that we need at Bear Island to get to where we want to be? The answer is there's no CapEx over and above the \$175 million that we have every year. There's stuff here and there that we'll do.

But I would say that we're caught up at Bear Island. And what we're seeing today, we're in the improvements of—we were making monthly shutdowns every five weeks. We're now up to every six weeks, and we're looking at ways to go at every seven weeks. This will give us more production.

We're at 100 percent of speed for all of the grades that we produce. The quality is accepted at all of our customers. We can actually displace between Greenpac and Bear Island. There's probably another 30, 40 bucks a ton of cost improvement that we can do. So that gives you a perspective on additional profitability.

And from a mix of linerboard and medium, it will depend on how we want to position ourselves with some of our key customers.

**Hamir Patel**

And, Hugues, sorry, just on that \$30 to \$40 of cost improvement, I'm assuming that's without mix, without feedstock change, without running more mixed paper just on the current configuration?

**Hugues Simon**

Yeah. Yeah.

**Hamir Patel**

Okay. Like, how long do you think it would take to get that \$30 to \$40? Is that 12 months? Or?

**Hugues Simon**

I mean, I look at this as really continuous. We're turning the wheel. It should never stop. We pivoted one of our values to basically working hard, to be better every day. So for us, the focus, it's part of the 280 initiatives that we have. It's tracked by the mill on a continuous basis. For us, it's a never ending—it's a never-ending process where the 30 to 40 will never get to zero.

We still have initiatives at Greenpac. And that's really the mindset that the people are doing is how do we improve every day? Understanding that we're at the tail of the start-up in Bear Island. So it won't take five years to get to the 30 and 40, but don't expect the full benefit of it this year.

**Hamir Patel**

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

**Operator**

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

Your next question comes from Matthew McKellar from RBC Capital Market. Please go ahead.

**Matthew McKellar — RBC Capital Market**

Good morning. Thanks for taking my questions. You talked a bit about winning the business that you want to win in packaging. Can you talk a bit about what that looks like? What kind of business you're targeting? What kind of business you're onboarding? I think there was a mention of targeting more resilient business.

Could you just speak a bit more to what you're alluding to there, please?

**Hugues Simon**

Yeah. We're going back to the right product with the right machine to the right customers; growing with a bit fewer customers, but go deeper with them with more market share. We've always stated that we need the right mix depending of the box plant that we have. We have box plants that are good for small volumes, so we're not going to put big volume in those type of facilities.

But where we have equipment and a customer base where we can go deeper with the relationship; we've pushed on food and beverage, which, given the state of the economy, it is more resilient than the things where the consumer has a decision to make and is really slowing down when there's extensive inflation in the market.

So these are the type of example of what we're doing. Pushing on service, being able to have the right box. We're producing more lightweight at our Bear Island facility. So we're able to provide some box solutions that take less fibre. It's a good sustainable alternative, but it's also a good economical alternative as well.

**Matthew McKellar**

Okay. Thanks for the help. And then last for me. Apologies if I missed it. I think you've opened the door to some downside versus your original CapEx estimate for '26. Can you speak to what the swing factor is here? Thanks.

**Hugues Simon**

Yeah. No, I mean, we don't need \$175 million a year to maintain our assets. We have some quick payback projects we will continue to do. We have some some would say strategic, I call them tactical projects, to bring or position ourselves differently. There's a margin there. And to be quite honest, with all of the inflation based on fuel, based on the tightness in logistics, some projects that we could do this

year, we'll push them into the future without affecting that \$175 million mark in the future. There's pressure on aluminum. There's pressure on steel with tariffs.

So there's some of these things that pushing it one quarter, two quarters is not going to change what we do, and it's not going to change the picture of how much cash we need in the future. So we're going to play with that.

If you look at our results in in Q1 and what we're looking at for Q2, managing our balance sheet is paramount for us. It's a priority. You look at a quarter like the first quarter, our debt level basically stayed the same. If you take out the variation of exchange rate, it actually went down. So we still have some room on the sales of assets. I think Allan positioned it well. We're going to reach the \$230 million roughly a quarter ahead of schedule.

Understanding that with all those headwinds, our objective and priority to bring our debt level down to a level where we can now be in a position to grow is a priority. If we can't do it for one quarter or two on cash flow generation, we'll look at other alternatives. Like working capital is things that we're looking at. The selling of assets without impacting our EBITDA generation is another one. We're trying to accelerate that. We've always said that when you want to sell for \$230 million of these assets that are not providing additional EBITDA to the Company, you need to work on more than that number. So that—we remain committed to look at every potential option.

The forest land that we announced in the first quarter is a good example. So if I went around and asked, a lot of people didn't even know we had forest land. It was a good investment back at the time, but do we need this to continue to generate EBITDA at our Cabano facility? The answer is no. Actually, we took the opportunity to partner with somebody that owns probably like many, many more land, much more land than what we had and to strengthen our access to fibre in that region.

We'll continue to do that, trying to partner with others to make us stronger.

**Matthew McKellar**

Okay. Thanks very much. I'll turn it back.

**Operator**

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

**Hugues Simon**

Yeah. Well, thank you all for the great question and the listening. I mean, we are fully realized that Q1 is a tough quarter.

I like our plan going into the quarter. You always have a choice between trying to push price increases too fast to customers and lose market share. We're committed to our customers long term and that's the way we're looking at this. And when we look at our plan, fully confident to go back on the \$600 million more level for the second half of the year.

Thank you very much.

**Operator**

[Remarks in French]

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