# Canfor Corporation

## Canfor and Canfor Pulp First Quarter Analyst Call

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## CONFERENCE CALL PARTICIPANTS

**Paul Quinn**
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**Sean Steuart**
*TD Securities — Analyst*

**Hamir Patel**
*CIBC — Analyst*

**Mark Wilde**
*Bank of Montreal — Analyst*

## PRESENTATION

**Operator**

Good morning. My name is Chris, and I'll be your conference Operator today. Welcome to the Canfor and Canfor Pulp First Quarter Analyst Call. All lines have been placed on mute to prevent any background noise.

During this call, Canfor and Canfor Pulp's Chief Financial Officer will be referring to a slide presentation that is available in the Investor Relations section of the Company's website.

Also, the Companies would like to point out that this call will include forward-looking statements, so please refer to the press releases for the associated risks of such statements.

I would now like to turn the meeting over to Mr. Don Kayne, Canfor's Chief Executive Officer. Please go ahead, Mr. Kayne.

**Don Kayne** — President and Chief Executive Officer, Canfor Corporation

Thank you, Operator, and good morning, everyone. Thank you for joining the Canfor and Canfor Pulp Q1 2022 Results Conference Call.

I'd like to start by introducing Kevin Edgson, who joined Canfor Pulp as President and Chief Executive Officer in April. I've had the great pleasure of knowing Kevin for several years. Kevin most recently served as the President and Chief Executive Officer of EACOM Timber and has extensive experience across the forest sector, including pulp and paper, lumber, and engineered wood products. We're very pleased to have Kevin on board.

I'm going to make a few comments before I turn things over to Kevin and Pat Elliott, our Chief Financial Officer of Canfor Corporation and Canfor Pulp and our Senior Vice President of Sustainability.

In addition, we are joined by Kevin Pankratz, Senior Vice President of Sales and Marketing.

I would like to begin by acknowledging the hard work, dedication, and resilience of our employees over the last quarter. They continue to persevere in the face of the global supply chain crisis. The crisis started at the beginning of the COVID-19 pandemic and has worsened as the demand for goods has continued to rise.

In addition, the supply chain is still experiencing significant COVID-related interruptions. And in British Columbia, we experienced extreme weather and wildfires last year that also disrupted the supply chain.

The global supply chain crisis has had a significant impact to Canfor and Canfor Pulp in recent quarters. This has resulted in operational downtime, with our sawmills in Western Canada currently running on a reduced schedule to manage excess inventories at our mills.

Canfor Pulp has also experienced prolonged and significant operational impacts, as Kevin will speak to.

We anticipate that the supply chain crisis will continue for several more months.

Last week, we announced that we are implementing a comprehensive plan to achieve net-zero carbon emissions by 2050. We have developed near-term science-based targets to reduce carbon emissions from our pulp and wood products operations by 42 percent by 2030.

In addition, by 2024, we will measure and assess our global supply chain and woodlands emissions, which are defined as Scope 3, and set a science-based reduction target.

We are pleased that forest products are increasingly being recognized for their ability to help mitigate climate change as the world continues to reduce its dependency on fossil-fuel-based products.

As outlined in October as part of our sustainability strategy goals, we are focused on building comprehensive and meaningful relationships with our Indigenous partners, upon whose traditional territories we operate.

We believe we have a responsibility to work in partnership with Indigenous Nations to better understand each nation's priorities and to develop opportunities to support those priorities. We are committed to having agreements with all willing Indigenous Nations in our operating areas by 2030.

Last week, the Government of British Columbia announced the doubling of forest revenue shared with First Nations and committed to developing a new forestry revenue-sharing model. We believe this is an important step forward with more work to be done to support the interests of Indigenous Nations for a greater share of revenues generated from the land base.

Turning to our financial results, our lumber business benefitted from significantly improved sales realizations in the first quarter, as strong global demand outpaced available supply.

While rising interest rates and inflationary pressure may temper lumber demand somewhat, market fundamentals remain strong led by solid repair and remodel activity, household balance sheets, and pent-up demand for new home construction in the United States.

Our lumber business continues to be supported by our diversification strategy, with our European operations generating another quarter of very strong earnings. With the current fibre supply in British Columbia anticipated to continue declining in the post-mountain pine beetle era in addition to significant uncertainty brought on by several new and proposed policy changes, land use decisions, and legal decisions, we are pleased to have closed the acquisition of Millar Western solid wood assets in Alberta in the first quarter.

This acquisition provides us with an expanded product offering and increased footprint in Alberta and provides additional supply of high-quality Western SPF lumber.

We recently announced a significant capital investment in our Urbana Sawmill in Arkansas, which will increase our Southern Yellow Pine production capacity by 115 million board feet.

We continue to assess additional organic and value-added external growth opportunities as we look to grow our lumber business on a global basis.

We are continuing to make progress on the construction of our greenfield mill in Louisiana and recently held a ground-breaking event with community leaders.

I will now turn it over to Kevin to provide an overview of Canfor Pulp.

**Kevin Edgson** — President and Chief Executive Officer, Canfor Pulp Products Inc.

Thank you, Don, and good morning, everyone. Canfor Pulp had another difficult quarter with results continuing to reflect the ongoing global supply chain crisis, which impacted our operating rate, shipment volumes, and sales realizations.

In addition, results reflected the impact of capital-related downtime at Northwood to rebuild the lower furnace of RB1, which was completed on budget in mid-April.

While pulp markets have improved significantly to start 2022, we anticipate the current transportation challenges to persist with the benefit of improved pulp pricing not anticipated to be fully realized until at least the end of the second quarter or well into the third quarter, given the extreme lag between shipments versus orders.

We continue to closely manage inventory levels at our mills as we work to optimize available transportation. While we regret the impact the current supply chain crisis has had on our employees, contractors, and communities, we will continue to adjust future operating plans to match available logistics.

With the rebuild of RB1 now behind us, our focus as a management team is to improve operational reliability and closely managing costs to preserve our strong balance sheet.

I will now turn it over to Pat to provide an overview of our financial results.

**Pat Elliott** — Chief Financial Officer, Canfor Corporation & and Canfor Pulp Products Inc. and Senior Vice President, Sustainability, Canfor

Thanks, Kevin, and good morning, everyone. Canfor and Canfor Pulp quarterly results were released Tuesday morning and come together with our overview slide presentation in the Investor Relations section of the respective company's websites.

In my comments this morning I'll speak to quarterly financial highlights, a summary of which is included in our overview slide presentation.

Our lumber business generated operating income of $783 million in the first quarter, benefitting from strong lumber prices in North America, the March 1st acquisition of assets from Miller Western, and very strong earnings in Europe.

Our lumber business continues to benefit from our global platform with our European operations contributing approximately $200 million of EBITDA in the first quarter, reflecting strong lumber demand, improved pricing, and stable manufacturing costs in that region.

In North America, lumber prices increased sharply in the first quarter, as strong demand was met with limited available supply due to ongoing supply chain challenges.

Our results also reflect the significantly improved operating rates in Western Canada and the US South following the challenges experienced in the fourth quarter, as well as reduced log costs in British Columbia due to the timing of market-based stumpage.

Looking ahead, while we anticipate benefitting from a full quarter of production from our recently acquired mills in Alberta, our Western Canadian operations have been running on reduced operating schedules in April to address excess inventory levels at our mills, as Don previously mentioned.

In Europe, we anticipate a strong second quarter, reflecting continued solid demand and improved pricing in the region.

Our pulp business had an operating loss of $26 million in the first quarter with results continuing to reflect the impact of extreme supply chain challenges, as well as capital-related downtime at Northwood.

While pulp pricing has increased sharply to start 2022, the ongoing transportation challenges have resulted in a significant lag in sales realizations, given the timing of shipments versus orders with the benefit of recent pricing not anticipated to be fully realized until at least the end of the second quarter and well into the third quarter.

As Kevin mentioned, Canfor Pulp is focused on improving operational reliability going forward and continues to manage fibre and manufacturing costs closely considering market and inflationary cost pressures.

Capital expenditures were approximately $81 million in the first quarter, including $16 million of spend on our greenfield sawmill, which continues to be on schedule to start up in early 2023, as well as costs associated with the recently completely rebuild of the lower furnace of RB1 at Northwood.

After taking account of tax payments largely related to 2021, the $440 million acquisition of Miller Western, and modest share repurchase activity, Canfor, excluding Canfor Pulp, ended the quarter with net cash of approximately $880 million.

Canfor Pulp ended the quarter with net debt of approximately $36 million and has retained a solid balance sheet despite the significant challenges experienced in recent quarters.

In addition to an expanded capital program in 2022, we continued to look at several organic and external growth opportunities and plan to continue repurchasing shares under our NCIB, which was renewed towards the end of the first quarter.

And with that, Don, I'll turn the call back over to you.

**Don Kayne**

Thanks, Pat. So, Operator, we can turn over to the question-and-answer period now from analysts. Thank you.

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## Q&A

**Operator**

Thank you. We will now take questions from financial analysts. If you have a question, please press *, 1 on your telephone keypad. If you are using a speakerphone, please lift your receiver and then press *, 1. If at any time you wish to cancel your question, please press *, 2. Please press *, 1 now if you have a question. There will be a brief pause while participants register for questions. Thank you for your patience.

Your first question comes from Paul Quinn, RBC Capital Markets. Paul, please go ahead.

**Paul Quinn** — RBC Capital Markets

Yeah. Thanks very much, and morning, guys. Welcome aboard, Kevin. Maybe I'll start with you. Just on Canfor Pulp, just trying to understand this recovery that we'll expect in Q2. Obviously, pricing has materially moved higher. One question just on the sustainability of that price increase?

And then with the downtime at BCTMP because of the transportation issues and also at Northwood, is the financial recovery between Q1 and Q2 pretty needed?

**Kevin Edgson**

Thank you very much for the question, Paul, and I'm really glad to be back in the West and, quite frankly, back into the pulp business.

I think the question around pricing, you're spot-on. It's really strong now. I think in large part it's supported by constraints and therefore the ability for it to continue strong through the year will really be a function of what or when that logistic issue or global supply issue is resolved.

We don't have good visibility in terms of underlying demand, especially out of China right now. We know we're seeing some cracks, but given the lack of ability to supply industries around the world, it seems to be balancing out fairly well.

In terms of operating through the second quarter, we think that outside of the TA that Northwood has planned, which will be about 35,000 tonnes coming out, the balance is really going to be related to logistics between both the big mills and the BCTMP mill. We give guidance that our output probably will be under 200,000 tonnes for the quarter, but better than the 175,000 or so that we saw in the first quarter.

**Paul Quinn**

Yeah. That's great. Maybe switching over to lumber for Don or the other Kevin. European lumber demand you say is strong in Q1. It looks like it's strengthening in the Q2. Just wondering what that situation is with respect to supply and demand given the Russia-Ukraine conflict?

**Don Kayne**

Kevin, go ahead.

**Kevin Pankratz** — Senior Vice President, Sales and Marketing, Canfor Corporation & Canfor Pulp Products Inc.

Sure. Good morning, Paul. Yes. For Q2, definitely because we sell so far forward, we already have a pretty good view on the demand and have that pretty much locked up for the quarter. And seeing pricing—guiding pricing will be up about 20 percent. We are seeing increased inquiry for regions that we don't historically sell to like into some of the Baltic countries that rely on the products either from Belarus or from Russia and Ukraine, for that matter.

So definitely a lot of dynamics on trade flows that may be sort of what you're getting to. And that impact, I think, is while not yet fully realized, is going to be playing out in the second quarter and for the balance of the year.

**Paul Quinn**

Okay. So, Kevin, last year I think we saw sort of 1.65 billion, if I remember that stat right, of European exports into North America. What are you expecting that level to be in '22 here?

**Kevin Pankratz**

So I think we had a pretty good start to the year. And we do expect, including ourselves, slightly less going into Q2. But I don't see it going higher than that and do see that to moderate, and that's going to create some supply tension in the North American market as they need that product to support the demand domestically within Europe. But hard to say exactly what it is, but I do expect it to be slightly less.

**Paul Quinn**

Okay. And then just lastly just on overall lumber demand in North America. I mean, we obviously saw prices take off early, well, I guess late in ’21 and early in ’22 and then a correction. Now they’ve stabilized here. What’s your expectation going forward here?

**Kevin Pankratz**

We did see prices stabilize both at SYP and in SPF. And we’re seeing a resurgence of demand. New home construction remains extremely solid. Most of our customers have got a great book of business well into Q2 and some into Q3.

So for that reason, we think that Q2 we’re going to be more or less in line sort of where we’re at, maybe plus or minus a little bit, but feel pretty good there. And for the R&R segment that we saw some weakness there, some pullback in late in Q1 and early Q2. But the last couple of weeks, we’ve actually seen a recovery in that demand.

And so for those reason, I think Q2 is going to be in a range that we are here just based on order file and still challenging transportation challenges out of BC that’s going to temper that supply that’ll come into the North American market.

So feel pretty positive for the second quarter. And then of course, for the balance of the year, while the fundamentals are extremely good, there are some risks, obviously, with inflation and the mortgage rates and things like that could impact some of the demand.

But to the supply response, that's going to be enough to keep that in balance, especially with maybe less European volume. And depending what happens with BC and other jurisdictions with transportation, we think that's going to be moderated from Q2, but still pretty healthy.

**Paul Quinn**

Great. Strong results. Thanks, guys.

**Kevin Pankratz**

Great. Thanks, Paul.

**Operator**

Thank you. Your next question comes from Sean Steuart, TD Securities. Sean, please go ahead.

**Sean Steuart** — TD Securities

Thanks. Good morning, guys. Two questions. Don or Pat, start with the balance sheet. Still over capitalized even after the Millar Western acquisition, and it looks like the bias is still M&A and organic CapEx over more aggressive share buy backs, which is, I guess, a consistent story from you guys.

On the M&A front, can you give us a sense of where maybe not the best opportunities are right now, but where there are more opportunities coming to market? And on the back of Millar Western and your existing footprint in Alberta, do you see more room for growth there specifically?

**Don Kayne**

For sure, Sean. I mean, it's Don. I guess couple things. Just going to talk about the three areas that you alluded to there.

Our view right now is there's not really a lot that are obviously available as we sit right now. However, we would say that in terms of opportunities, probably the likelihood that they exist certainly in

Europe to some degree when we’re evaluating not only Sweden, but other areas too as we’ve mentioned before.

And then the US South potentially some opportunities there too. But I think in the US South, for us anyways, it's probably going to be more likely to be more brownfield oriented than greenfield oriented, frankly, for a number of reasons.

But and then in terms of Alberta, certainly if opportunities came up in Alberta, we would definitely be interested if they were to complement our existing operations for sure. But again, as you know, in Alberta it’s pretty tightly controlled already. So the opportunities there typically are smaller and fewer of them.

**Sean Steuart**

Thanks for that detail, Don. Question for Kevin Pankratz. Your comments on affordability headwinds are appreciated. I’m wondering how you think about the growing gap between housing starts, which has stayed quite strong, and housing completions, which has fallen off. And I think it’s the widest gap we’ve seen in 35 years for those two metrics. Do you have view that as a headwind in terms of keeping the starts momentum? And I appreciate it’s related to broader supply chain disruptions and labour disruptions, but how do you think about that gap potentially affecting wood product demand?

**Kevin Pankratz**

We’ve noticed that trend ourselves. And so far we haven’t really seen it impact the starts performance necessarily. But I do think maybe on a longer view, I think actually you’re going to see some innovation in the marketplace with respect to more industrialization, more like wall panels. I think some of our builders and our customers are trying to figure that out themselves to try to strengthen that supply chain.

I notice that some of them are improving in some of the categories that were delaying that, like windows and doors and maybe in some other things that are causing some of that concern.

But I think we've been at it for two years where supply chains have been really hampered and some improvements in some of the product categories and maybe the worst is over. But I do think folks are looking at things differently and knowing that they just can't sustain doing that. And hopefully that'll start to turn itself.

But I don't have anything insightful more than that. But hopefully it tapers down a little bit.

**Sean Steuart**

No, that helped. One quick last one for Kevin Edgson. Welcome aboard. The downtime this quarter, the number that sort of got buried in the mix was the 30,000 tonnes of unexpected disruptions, which in a normal quarter would be a lot. And you had so much other downtime for market and maintenance reasons and repair reasons, so it maybe gets lost in the mix.

Can you give us some context on what happened there? And if those temporary disruptions are resolved?

**Kevin Edgson**

Thank you, Sean. It's good to chat with you again. I think, quite frankly, the rebuild of RB1 masked the logistics challenges that existed in the first quarter. And I would suggest to you that we may well have seen the same level of curtailment had it not been for the maintenance efforts that we put forward, largely because the logistics supply chain from the mills to the port and from the port to customer is in such disarray at this point.

And therefore, even with RB1 being completed and the mill capable of ramping back up, we're seeing ongoing constraints well below our capacity.

**Sean Steuart**

Okay. That’s useful context. That’s all I have for now. Thanks, everyone.

**Don Kayne**

Thanks, Sean.

**Operator**

Thank you. Your next question comes from Hamir Patel, CIBC. Hamir, please go ahead.

**Hamir Patel** — CIBC

Thanks. Good morning, and welcome, Kevin. Don, I wanted to ask you first on the R&R side. I know Kevin Pankratz mentioned there’s been some improvement there of late, but when you think of maybe on a full year basis, how do you see volumes in that channel on a year-over-year basis in ’22?

**Don Kayne**

There’s some variation globally, but the way we look at R&R now is really it’s a big part of our business in Europe, as it is in North America. Probably similar, actually. It’s 35 percent, 40 percent of our business, clearly everywhere.

So I think overall, I mean, yeah, like Kevin Pankratz mentioned earlier that we’ve seen a little bit of volatility there over the last six months. Clearly, the volumes that we’re seeing are, we believe, are pretty sustainable, even with the current environment. And I would even say that from some of the European companies, I know B&Q, Castorama, OBI, some of the ones you’d be familiar with, it’s actually been very strong and looking good for second and third quarters.

Once you get out beyond that, like everybody, they’re concerned about some of the issues globally that are going on inflation wise and geopolitically and everything else. So it’s hard to comment what might the impact of that would be. But however, in terms of where we are today, we’re actually quite confident and optimistic, actually, that these are going to be relatively good here for the next while here on the homesteader side. It continues to be pretty sustainable.

**Hamir Patel**

Okay. Thanks, Don.

**Don Kayne**

Kevin, I don't know if you want to add to that.

**Kevin Pankratz**

Yeah, Don. Just like there are some challenges maybe on the inflation side, but on the flip side, I think it's well documented the aged housing in the US is 42 years. You have equity that is really strong in people's portfolios. So there's a lot of big drivers that are positive that support continued growth in the R&R segment.

**Hamir Patel**

Okay. Great. Thanks, Kevin. That's helpful. And just a question for Kevin Edgson.

Kevin, with you, just from your time so far at Canfor Pulp, when you think about maybe a sustainable level of outputs across the mill base over the medium to long term, what kind of levels do you think are realistic, just given how you see the fibre environment progressing in BC?

**Kevin Edgson**

Hamir, I think it's a critical question, but it's far too early to be able to throw a number out with any confidence. What I would let you know is that at our current operating rate, we've been able to build a rather significant chip pile in front of the mill. As we go forward, we're going to have to be able to figure out what sustainable fibre supply looks like and then make sure that we're right-sized on an asset base. But it's just too early at this point for me to give any sort of indication with confidence.

**Hamir Patel**

Yeah. Fair enough. And just a last question for me for Pat Elliott. Pat, with the Urbana investment and just given the timing of the spend, what should we expect for total CapEx at Canfor this year?

**Pat Elliott**

Hamir, we're going to be $440 million. It'd be actually very little Urbana spend. That'll be mostly weighted into 2023. So 440, and of that, about 100, 105 to greenfield and about 30 to 35 in Sweden.

**Hamir Patel**

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

**Kevin Edgson**

Thanks, Hamir.

**Don Kayne**

Thanks, Hamir.

**Operator**

Thank you. Your next question comes from Mark Wilde, Bank of Montreal. Mark, please go ahead.

**Mark Wilde** — Bank of Montreal

Thanks. Good morning, guys.

**Pat Elliott**

Hey, Mark.

**Mark Wilde**

I wonder just to start out, Don, can we get an update on Western Canadian transport and logistics? And any of your thoughts on how long it may take for all of this to clear itself?

**Don Kayne**

That's one of our biggest concerns that I mentioned in my comments, I think, a little bit. We've had a number of conversations with the carriers for sure, I'm sure everybody else has. And I think there's no easy fix. There's no quick solutions, I don't think. Some of the issues that we have today are issues that have been building up for quite a long time actually.

And so we don't think there's any—there's no miracle that's going to happen here any time quickly. In our view, it's probably going to carry on for at least the next three to six months to some degree for sure. Hopefully it's better than that, but we're not planning for that. How's that?

And so there are areas, though, that we are having dialogue with the carriers, both on the trucking side, as well as the rail side, to try to make as much progress as we can. But it's going to be a tough go here, we think, for the next three to six months, Mark.

**Mark Wilde**

So it's not like, Don, I don't want to put words in your mouth, but it's not as if you expect this to sort of clear itself over the course of the second quarter, which we've sometimes seen in past years?

**Don Kayne**

Yeah. Frankly, we don't see that. And just because of the pent-up issues that are in the supply chain right now, we just think that that's going to take a while. And when I say that I'm talking inventory in the supply chain overall.

**Mark Wilde**

Okay. And then toggling over to that issue, is it possible to get some sense of the downtime you've taken in the second quarter so far in Western Canada? And any estimate you might have on what the first quarter downtime in lumber cost you?

**Don Kayne**

Well, I mean, the first question just around the downtime, we're right now, as you probably know, principally in in the west here—principally in BC, excuse me—we're running 80 percent of capacity right now four days a week and we've been doing that for a while. It amounts to about 100 million a month. So for the quarter, based on the five-week month, probably on a quarterly basis 250 million of board feet roughly that'll come out.

And then looking into Q3—and whether or not we come back to a longer operating schedule will totally depend on what, obviously, the supply chain does and the recovery of that. That will play a big part in that.

And then looking into Q3, potentially industry-wide probably there'll be potential for some summer shuts or summer curtailments at least. And that could be the only unknown at this point that could have an impact for Q3.

So in terms of the cost of that, Pat, I don't know how you want to answer that.

**Pat Elliott**

Mark, in Q1 we shipped just under 600 million feet out of Western Canada. I'd say in the sort of pre-Millar (Western) configuration, we would probably be at 750 in capacity. So kind of similar, a 20 percent sort of shave off of our potential shipping rate. And then I think on pulp side Kevin mentioned 200,000 tonnes is our target for Q2. I think we're more (around) 175 in Q1. So that's the magnitude against normal numbers.

**Mark Wilde**

Okay. And is it possible at this point to get some sense of just where you're thinking about production volumes in Sweden and Western Canada and the Southern US for the full year?

I'm just curious not only in terms of the impact of the downtime, but also any recovery you might expect this year from less COVID effect on the workforce and maybe ability to run the mills a little more fully?

**Pat Elliott**

Yeah. Mark, it's Pat again. I think in the US South we're going to run just under 2 billion feet probably, 1.8 billion, 1.9 billion. And then in Western Canada, we'll probably be 2.4 billion or something like that. So we'll probably run like 4.4 billion in North America. And then we've got another 1.6 billion over in Europe. So I think that would be 6 billion feet if my math is right.

That's probably where we'll run this year.

**Mark Wilde**

Okay. And then—

**Pat Elliott**

Sorry, Mark, that just assumes like a continuation, as Don said earlier in his comments on supply chain challenges certainly through most of the next two quarters. That would be baked into that.

**Mark Wilde**

Okay. And then back over to Europe again. I'm just curious, Kevin, if you could maybe give us a little bit more colour on both kind of what you're seeing in kind of European demand right now whether there's been any sign yet from your customers over there that the ramp-up in inflation and the war have had any impact on demand? And then also if you look beyond the second quarter, kind of how you might be thinking about pricing over in Europe in the second half of the year?

**Kevin Pankratz**

Thanks, Mark. I think, on an earlier question there, we already have the book of business for Q2 and definitely demand has been strong. I think there was some lighter inventory positions taken by our customers in Q1. So definitely stepping back in, which is reflecting some stronger pricing. So we are guiding to increased pricing in Europe. So feel pretty good about Q2.

Q3 is, for sure, some question with respect to inflation, especially around energy and hearing that from our customers. So we are guiding to maybe some lower pricing in Q3, Q4, but off of some pretty high pricing in Q2. A lot of a few unknowns there on the European front, for sure. But I think that’s our best view right now.

But definitely it’s a topic amongst all of our customers in Europe.

**Mark Wilde**

Okay. And I’ll just slip a last one in for Kevin. I’m just curious, Kevin, how you read this big-box situation? Because it just seems like demand from that segment has really been unusually volatile over the last, I don’t know, three to six months.

**Kevin Pankratz**

Yeah.

**Mark Wilde**

And we’ve heard from others about the boxes stepping up again over the last few weeks after being pretty plunked there for a stretch in March and April. What is going on there do you think? Is it just prices coming down and that’s kind of reigniting demand? Or is there something else going on?

**Kevin Pankratz**

No, it's a great question. And I do think at times when we see prices—we hit record high prices for this time of year. And that does maybe cause some pause. We saw that last year when prices hit over $1,600 in a time where that starts to temper some of the demand. So there's a bit of that.

I think also, you've got folks that have got more time now and money and doing some other things and perhaps, I mean, I'm speculating a little bit here because I don't know exactly, but you just sort of looking at the consumer behaviour that could be having some impact. But now that prices have moderated and at a level there, we're definitely seeing folks stepping back in and expect that to continue.

So might be a combination of those things. And weather played—we had some weird weather in certain parts of the country that impacted. But no exact answer, definitely seeing the pick up in demand for sure and expecting that to continue into Q2.

**Mark Wilde**

Okay. All right. Sounds good. I'll turn it over, guys. Thank you.

**Kevin Pankratz**

Okay. Thanks.

**Operator**

Thank you. There are no further questions at this time. I'll now turn it over to Don Kayne for closing comments. Go ahead, Mr. Kayne.

**Don Kayne**

All right. Thanks, everyone, for joining our Q1 call, and we look forward to talking to you again at the end of the second quarter.

Thanks very much for participating.

**Operator**

Thank you. Ladies and gentlemen, this concludes your conference call for today. We thank you for participating, and ask that you please disconnect your lines.