

Canfor Corporation & Canfor Pulp Products Inc.

Q2 2022 Results Conference Call

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TD Securities — Analyst

Mark Wilde

BMO Capital Markets — Analyst

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PRESENTATION

Operator

Good morning. My name is Pam and I will be your conference operator today. Welcome to the Canfor and Canfor Pulp Second 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 Company would like to point out that this call will include forward-looking statements, so please refer to the press release for the associated risks of such statements.

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

Don Kayne — President & Chief Executive Officer, Canfor Corporation

Thanks, Pam, and good morning, everyone. Thank you for joining the Canfor and Canfor Pulp Q2 2022 Results conference call. I'm going to make a few comments before I turn things over to Kevin Edgson, Canfor Pulp's President and CEO, and Pat Elliott, Chief Financial Officer of Canfor Corporation and Canfor Pulp, and our Senior Vice President of Sustainability. In addition, we are joined by Kevin Pankratz, our Senior Vice President of Sales and Marketing.

Increasingly, when I meet with members of the investment community, customers and partners, sustainability is at the top of the list of topics to discuss and it should be because it's critically important to all of us.

We are in the second year of our ambitious sustainability journey. Sustainability is core to our strategy and is becoming increasingly embedded in all areas of our business. At the end of June we released our 2021 sustainability report. A few highlights for the year, include setting our climate change goals and targets, planting 54 million seedlings, having 80% of our energy come from renewable resources, and having 24% of our new hires come from under-represented groups. Our employees across the company have demonstrated that they are committed to achieving our sustainability goals and targets and we sincerely appreciate their hard work and dedication in developing a very comprehensive report. We will continue to keep you updated on our sustainability progress.

Turning to our financial results, despite ongoing supply chain challenges which resulted in reduced operating rates in Western Canada, our lumber business benefitted from strong North American lumber prices early in the quarter, increased shipments reflected improved transportation networks in June, and a full quarter of production from our recently acquired assets from Millar Western. Our European lumber business continued to generate strong financial results, with improved sales realizations reflecting solid demand in that region.

While lumber markets saw significant volatility in the second quarter, lean inventories throughout the supply chain and solid underlying demand fundamentals have supported improved pricing in recent weeks, with current North American lumber prices trading well ahead of pre-pandemic levels.

While rising interest rates and inflationary pressures are likely to temper lumber demand in the near term, market fundamentals remain supported by solid underlying demand in the repair and remodel sector and pent-up demand for new home construction in the United States. Notwithstanding the current

macro environment, we remain focused on growing our lumber business on a global basis and believe our diversification strategy will support our financial results through the cycle.

Yesterday we announced plans to construct a second state-of-the-art greenfield sawmill. This \$210 million facility is aligned with our sustainability goals and decarbonization targets, and will have annual production capacity of 250 million board feet when completed in 2024. Following the construction and start-up of this facility we will have an orderly wind down of our existing sawmill in Mobile, allowing us to maximize cash flows during construction. All of the employees at our Mobile plant will be offered jobs to stay with the company.

In addition to this new facility, we have made significant capital investments in the U.S. South in recent years, including an organic growth program completed in 2021, ongoing construction of our DeRidder greenfield sawmill, and planned investment in Urbana. Together, these investments significantly improve our cost structure, and grow our production capacity in the U.S. South by approximately 800 million board feet through increased automation, innovation and manufacturing flexibility, with a focus on high-value products.

Notwithstanding our recent acquisition of assets from Millar Western and a number of significant capital projects planned through 2024, our balance sheet remains strong. While we are prepared to remain patient and disciplined until the right opportunities present themselves, we are well positioned to grow our lumber business on a global basis and continue to review a number of additional internal and external growth opportunities. So with that, I'll now turn it over to Kevin to provide an overview of Canfor Pulp.

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

Thanks, Don, and good morning, everyone.

Results in the second quarter continued to reflect the impact of significant transportation challenges, as well as operational downtime at Northwood as a result of capital upgrades to RB1 and scheduled maintenance turnaround which was successfully completed in July. While transportation networks improved slightly towards the end of the second quarter, we continue to closely manage inventory levels at our mills as we work to optimize available transportation.

Supported by strong global pulp pricing, we anticipate improved results in the third quarter, however; are prepared to adjust future operating plans to match available logistics. Despite significant challenges in recent quarters, Canfor Pulp has preserved its strong balance sheet. As a management team, we remain focused on improving operational reliability, closely managing inflationary cost pressures, and optimizing available transportation as we look to capitalize on strong pulp markets.

As Don mentioned, our 2021 sustainability report was recently released. Canfor Pulp is actively engaged in our sustainability strategy and it's important to our communities and customers and it's important to us. Canfor and Canfor Pulp have committed to set near- and long-term company wide reductions in line with achieving net zero emissions. Our target to undergo validation with the Science Based Targets initiative within the next two years. Our Canfor Pulp leadership team has been focused on

reducing our carbon footprint for the last couple of years and we are assessing several initiatives that will have a meaningful impact on reducing our carbon emissions.

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

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

Thanks, Kevin and good morning, everyone.

The Canfor and Canfor Pulp quarterly results were released yesterday afternoon and come together with our overview slide presentation in the Investor Relations section of the respective companies 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 \$552 million in the second quarter, reflecting continued strong results in Europe, increased shipments, and the benefit of strong North American lumber prices early in the quarter. Our lumber business also benefitted from a full quarter of results from our recent acquisition of Millar Western in Alberta.

Our European operations contributed approximately \$190 million of EBITDA in the second quarter, with improved pricing offset in part by increased manufacturing costs and a 5% stronger Canadian dollar.

As Don mentioned, North American lumber prices saw significant volatility in the second quarter with results reflecting a sharp decline in lumber prices as the quarter progressed, as well as the impact of

ongoing supply chain challenges and related downtime in Western Canada. Transportation networks improved marginally toward the end of the quarter, supporting a reduction of finished inventory.

Looking ahead, we anticipate a more challenging third quarter, in part reflecting the timing of market-based stumpage adjustments in British Columbia, the impact of ongoing supply chain challenges, as well as seasonal downtime in Europe.

Our pulp business had an operating loss of \$8 million in the second quarter, an improvement of \$18 million quarter over quarter. Second quarter results benefitted from significantly higher sales realizations and increased shipments, however, continued to reflect the impact of reduced production at Northwood, and increased manufacturing costs, as Kevin mentioned. With the maintenance at Northwood completed in mid-July, we anticipate a solid third quarter supported by improved operating rates and strong global pulp pricing.

Capital expenditures were approximately \$113 million in the second quarter, including spending on our greenfield sawmill, which continues to be on schedule to start up in early 2023. We are pleased to announce our intent to build a second greenfield sawmill. This investment, combined with our new sawmill in Louisiana and planned investment at Urbana, will significantly improve our cost structure and manufacturing capabilities when completed in 2024. In addition to these investments, we have announced a number of additional growth initiatives in the last year, including successful acquisitions in Alberta and in Europe. Together, these investments total approximately \$1.1 billion Canadian dollars and improve our product offering, cost structure, and geographic diversification. In addition, we resumed repurchasing shares under our NCIB in June (2021), and have spent approximately \$65 million to date.

Looking ahead to 2023, we currently anticipate capital spend of approximately \$500 million for our lumber business, and subject to market conditions, approximately \$70 to \$80 million for Canfor Pulp, including major maintenance. In addition to an expanded capital program, we continue to look at additional organic and external growth opportunities and plan to continue repurchasing shares under our NCIB.

In terms of our sustainability reporting, we continue to increase our transparency. With our 2021 report, our disclosures were aligned with the Task Force on Climate-related Financial Disclosures (TCFD) and the Sustainability Accounting Standards Board (SASB) standards. In addition, as part of that TCFD process, we completed a readiness assessment to understand our progress relative to our peers. We will continue to monitor any future proposed standards to ensure we integrate them into future reporting years.

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

Don Kayne — President & Chief Executive Officer, Canfor Corporation

Thanks, Pat. And operator, we'll turn this back and now, any questions from analysts, we look forward to speaking to them.

Q & A

Operator

Thank you. We will now take questions from financial analysts. If you have a question, please press star one on your telephone keypad. If you are using a speakerphone, please lift your receiver and then

press star one. If at any time you wish to cancel your question, please press star two. Please press star one now if you do have a question. There will be a brief pause while participants register for questions. Thank you for your patience.

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

Hamir Patel — Analyst, CIBC Capital Markets

Good morning. Don, with the deterioration that we're seeing in the housing fundamentals, are you seeing any moderation in price expectations from some of the vendors that you have conversations with for M&A in Europe or the US south?

Don Kayne — President & Chief Executive Officer, Canfor Corporation

Do you want to talk about that Kevin?

Kevin Pankratz — Senior Vice President, Sales & Marketing

For M&A?

Don Kayne — President & Chief Executive Officer, Canfor Corporation

Was it M&A? I missed the last part.

Hamir Patel — Analyst, CIBC Capital Markets

Yeah, in terms of whether vendor expectations have moderated at all.

Don Kayne — President & Chief Executive Officer, Canfor Corporation

Yeah, I don't think we're seeing too much of that moderation at all, Hamir, to be honest with you, at this point anyway.

Hamir Patel — Analyst, CIBC Capital Markets

Okay. Fair enough. And when you look at the opportunity set, do you see more opportunities in Europe or the U.S. South right now?

Don Kayne — President & Chief Executive Officer, Canfor Corporation

I think both. In Europe we're seeing some recently, some that we've been looking at for a while and there are some recent ones as well. So definitely there are opportunities there. And then in the U.S. South, increasingly we're seeing a few more and as we go forward over the next 12 to 24 months, we expect to see even more after a fairly extended period of not a lot of activity.

Hamir Patel — Analyst, CIBC Capital Markets

Great. Thanks, Don. And just turning to the demand side, with your key big box customers, how do you see that demand shaping up into 2023? Because clearly, new res is slowing, but I would imagine that there might be some benefits there if people are stuck in their homes. How do you see R&R faring as you move into 2023?

Don Kayne — President & Chief Executive Officer, Canfor Corporation

I know Kevin's done a fair bit of work on that, so I'll let you speak to that, Kevin.

Kevin Pankratz — Senior Vice President, Sales & Marketing

Good morning, Hamir. I'll start now and move into 2023. It's been reported that we're seeing pretty solid, I would even say unseasonably strong R&R demand throughout the country. And while there are some drivers that are maybe contrary to that with interest rates and affordability, there are still some key drivers in that segment like the age of old homes, the equity that people have in their homes, that are going to support some solid takeaway going into Q3. A big question, of course, is the impact of inflation and interest rates. That's a bit of an unknown at this point and there's not a tonne of guidance going beyond 2023, but suspect that it might be a bit more challenging as we go into that period. But from what we've seen to date, the demand and takeaway has been pretty solid.

Hamir Patel — Analyst, CIBC Capital Markets

Great. Thanks, Kevin. That's helpful. And just a last question for me on the pulp side. We saw Stora Enso recently announce plans to commercialize a lignin-based battery. Are there any initiatives on that front that you might be looking at given all this government support that seems to be available in that market?

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

Thank you for the question, Hamir. I'd like to really respond on the bio-innovation side in its entirety. I think today is a pretty exciting time in the world in terms of the opportunities that come out of fibre-based or biomass opportunity. Canfor and Canfor Pulp are exceptionally active in that space,

determining not just what the options are but what are the options that offer the best probability and profitability going forward. I can't speak specifically to a battery reference, but I can tell you that there are some very exciting opportunities that we're looking at, including our work around some biomass conversion that's going on in PG right now.

Hamir Patel — Analyst, CIBC Capital Markets

Okay, great. Thanks, Kevin. That's all I had. I'll get back in the queue.

Operator

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

Sean Steuart — Analyst, TD Securities

Thanks. Good morning, everyone. Question on the Alabama sawmill. The capacity multiple looks to be in line with other recent greenfield announcements, but it's about 30% higher than what you're paying for DeRidder based on the most recent CapEx guidance for that project. How do you think about returns for the Alabama project and how do you benchmark those potential returns against M&A opportunities or share buybacks when you're thinking about the relative attractiveness of those investment opportunities?

Don Kayne — President & Chief Executive Officer, Canfor Corporation

We can certainly talk a bit about that. And you're absolutely right, we figure it's about 25%, 30% more than what we paid at DeRidder. And a good chunk of that, of course, is due to some of the cost

increases we're seeing across all businesses when you talk about energy and talk about labour. Those two probably in particular, there's a lot more than that, but those two probably constitute the bulk of it.

But really, when we looked at that area, Sean, it was an easy decision. It's one we've been looking at for a while. The Mobile sawmill is downtown Mobile and we know, long term, that doesn't work for a lot of these communities these days. But more importantly, the strategic opportunity there due to the fibre in that area is unique. We've spoken about that before, and there is some species differences down there that we really wanted to capitalize on, because not a lot of areas in North America have that ability. So that was key. The customer base in the area is very attractive to us, and has been and will continue to be, so we consider that as well.

So, aside from just the financial opportunity down there, it really comes down to the strategic opportunity so that was all part of that decision and why it's jumped up in the queue over some of the other projects.

Sean Steuart — Analyst, TD Securities

Any context on return benchmarks you're targeting for that project?

Don Kayne — President & Chief Executive Officer, Canfor Corporation

Pat, we don't normally disclose that, but you can...

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

No, Sean, it's in line with what we've disclosed before. And you asked about our NCIB and we continue to try to have a balanced approach. We're a little more active on the NCIB this quarter, but we really feel the strategic imperative of the diversification by region and by product in the long term is going to benefit us. But in general, the returns are in line with what we've seen in other projects.

Sean Steuart — Analyst, TD Securities

I get it. Second question, Europe, very impressive results again there. You referenced seasonal slowdown expectations for the third quarter and is that more volume based or are you starting to see some price erosion in that market? It's a little more opaque in terms of price discovery there. Can you give us some qualifiers around what you're seeing in that market specifically?

Don Kayne — President & Chief Executive Officer, Canfor Corporation

Yeah, for sure. I think a couple of things. Certainly on volume, we've had the typical July reductions in volume that you see really across Scandinavia, so that'll have definitely an impact. In talking with those fellows there quite a lot here recently, clearly the Q3, not so much concern about Q3, it should be relatively stable. We'll see log costs slightly up probably and conversion costs a bit up for the same reasons that we've seen in other areas. But, for the most part, it's Q4 really when we're starting to, you know, there's still a lot of uncertainty, I think, everywhere in terms of what it's going to look like there.

I will say, though, the big offset, and we don't know at this stage yet what the impact is going to be, but it really comes down to the impact on the embargo on Russian imports into Central Europe, which began on July 9th, and our folks don't believe that we'll really see the impact, it's going to take six to eight

weeks for that. So that's towards the tail end of August into September. But clearly that conversation is becoming much more topical now across our customer base in Europe, and elsewhere too for that matter, is what that impact is going to be and, frankly, where is some of that lumber going to come from. So, to what degree that offsets some of what I spoke about for Q4, not sure at this point in time, but it will definitely have some, it will have some impact for sure in a positive way.

Sean Stuart — Analyst, TD Securities

Understood. Okay. Thanks very much, Don. That's all I have.

Operator

Your next question comes from Mark Wilde with BMO. Please go ahead.

Mark Wilde — Analyst, BMO Capital Markets

Thanks. Good morning, Don, Pat, Kevin. I wondered, Don, just to come back to Europe, what can you tell us about the impact you've seen to date from the war in the Ukraine and how that's affected the lumber markets? Has it been more of an effect than you expected or less of an effect than you had expected?

Don Kayne — President & Chief Executive Officer, Canfor Corporation

I think probably less than I expected, but I think right now, up to now it's been relatively benign. And I think why is that? Part of the reason was initially there was a bit of, it was misunderstood I think to some degree everywhere in terms of when those embargos took effect. And originally I think there was a

lot of talk about that being in early June when in fact it was early July to start with and then the lag time for that real impact of that reduction in production and imports coming into Central Europe. So that's caused the delay in the impact. And like I was just mentioning, I think that the lag, from what our folks have told us, is going to probably be six to eight weeks. So that will again be towards the tail end of August/September before we really see that. So, up to now, it's been a relatively benign impact. That would be our view right now.

Mark Wilde — Analyst, BMO Capital Markets

So I'm just curious, Don, like I've heard from some European producers that a lot of the Russian wood that came in was not necessarily high-grade kind of construction lumber, so it might not be a kind of a direct one for one. Can you put any colour on that?

Don Kayne — President & Chief Executive Officer, Canfor Corporation

There's definitely some truth to that for sure, but there is also a good mix of some of the higher products, quality products, particularly in red pine. So to what degree, I don't know exactly, but overall though there's definitely going to be an impact in the amount of logs and lumber, but mostly lumber coming into Central Europe for sure.

Kevin, did you want to add any more from some of your contacts?

Kevin Pankratz — Senior Vice President, Sales & Marketing

Yeah, I think that red pine comment is what I hear. And some of those go to different markets like lamina and package and crating. And I think that's maybe one segment where you're seeing a bigger impact. With all the planing facilities like in the Baltics that are starving for wood, like Latvia and stuff like that, that's having some impact.

Mark Wilde — Analyst, BMO Capital Markets

Okay. And then, Pat, just turning to the balance sheet, you're sitting on about \$10 a share in net cash. How are you thinking about the use of that position and what would you suggest as kind of a reasonable timeline for us to think about you using that in?

Don Kayne — President & Chief Executive Officer, Canfor Corporation

Well, I mean, I think, no question, and I'll let Pat add to this, but we spent, as you probably know, about \$1 billion last year alone with Millar Western. When you look at DeRidder and Urbana and the announcements here recently, V-Timber in Sweden, of course, we had a small acquisition there as well. So when you look at all of that, at least for now anyway, that's what we're looking at. Over and above that, there are certainly some other projects that we are looking at and they're active. We're looking at a couple of areas too on the M&A side, both in Sweden and also in US southeast. And over and above that we have the small share buyback program, as you know. And so when you look at all those combined and then you kind of factor in as well with some of the uncertainty in the marketplace overall, we think, in terms of where we're sitting right now, we think it's pretty prudent.

Mark Wilde — Analyst, BMO Capital Markets

Don, I'm just curious—go ahead.

Don Kayne — President & Chief Executive Officer, Canfor Corporation

Pat, do you want to add to anything?

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

I think it's hard to give you a timeline. As Don said, there's a lot of opportunities out there and we're going to continue, I think, with a relatively smaller buyback than others, but I think the opportunity around the diversification into these other regions is going to have an outsized benefit to us. So we'll continue, I think, to be patient here.

Mark Wilde — Analyst, BMO Capital Markets

Would there be anything for you to do incrementally in engineered wood? Because I think you have kind of a modest-sized engineered wood business.

Don Kayne — President & Chief Executive Officer, Canfor Corporation

Good question, and that's certainly on our radar. It has been for some time. And I think our sales guys, and Kevin, you can talk about specifics there, without getting too specific, maybe I'll qualify that. But we've looked at ourselves right now as a custom supplier to that industry and really done a lot there and really advanced some of the customer base and so forth. And taking that next step in terms of vertical integration, what you referred to, is certainly something that I think is not only prudent for us but I think

prudent for the industry, because I do think, in North America, there's the opportunity for some of the mass timber and the components of that are equally as good as they are in Europe. We're just behind the eight ball a bit herein North America than we are over there, but the opportunity is just as strong. You (Kevin) can maybe touch on a little bit of specifics if you'd like.

Kevin Pankratz — Senior Vice President, Sales & Marketing

Mark, for sure it's a really interesting space. I think, you know, my recent understanding even on mass timber is that the pace of adoption is actually a little ahead of schedule from what we would have earlier forecasted. I think capacity with existing mass timber facilities are tapping out and there's a need for more capacity. So obviously it's an interesting space for us and we do see it as a future space for our place and a new market segment that lumber can go into. As you know, we have two lam facilities in the U.S., one in Washington, Georgia, the other one in Arkansas, that we're looking at opportunities to diversify our product mix and to expand and pursue other opportunities should it arise. So, definitely an evolving segment for us that we'd like to get more involved with.

Mark Wilde — Analyst, BMO Capital Markets

All right. And the last one for me, I just wonder whether, Kevin, just provide us with kind of any early thoughts as we start digging into Canfor Pulp about sort of the focal points or the prospective opportunities you see, and also how you're thinking about just sort of the fibre issues in Western Canada as it affects those pulp mills.

Don Kayne — President & Chief Executive Officer, Canfor Corporation

Go ahead, Kevin.

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

Okay. Thanks, Mark. I think I'd start off with the initial assessment in terms of the organization is that it is a good organization with some solid people behind it. We've got a challenge with reliability driven largely by the logistics challenges that are there. But we've also had the investment in RB1 earlier on, the turnaround at Northwood in the spring and one coming at Intercon, and all of these create an upset condition, which makes it difficult in terms of the operating conditions but also on people as they try to drive towards optimizing the assets. I think we'll see some more stability once we get through the Intercon shutdown if we can see a return to more normal logistics flow.

On a go-forward on the fibre side, I think it's not surprising to anybody there's been curtailments on the solid wood side. There haven't been curtailments outside of our Taylor asset on the pulp side. But there's also a healthy opportunity in terms of whole log chips and the ability to supply the mills there. So we're continuing to look at what the mills are capable of doing, what the fibre supply is, what the economic fibre supply is, but I don't think, at this stage, we're anticipating any significant change outside of the Taylor asset.

Mark Wilde — Analyst, BMO Capital Markets

Okay. All right. That sounds good. I'll turn it over. Thank you.

Operator

Your next question comes from Paul Quinn with RBC Capital Markets. Please go ahead.

Paul Quinn — Analyst, RBC Capital Markets

Thanks very much, guys. Maybe just start, just clarification. You guys have talked about this reduced operating rate in Western Canada. Is that just BC specific? I suspect you're running your Alberta mills full.

Don Kayne — President & Chief Executive Officer, Canfor Corporation

Basically that's correct. It's mostly BC. We probably had a little bit of a hiccup or two here in Alberta, but for the most part it's focused on British Columbia.

Paul Quinn — Analyst, RBC Capital Markets

Okay. And then maybe, Kevin, if you could take us through, you know, you're new to Canfor Pulp and I appreciate the overview comments on the organization. What do you think about the mills themselves? If you can take a sort of a deeper dive through each of the facilities, the plus/minuses on them, or where do you see positioning these facilities over the next five years?

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

Paul, I think there's a couple of different business elements that need to be recognized. Our specialty paper business is really solid and we're very comfortable with that. Likewise, with our unbleached kraft business, we've positioned that in some specialty markets, tried to avoid the commodity side of the business as much as possible, and that speaks largely to the PG and Intercon combination. We

are looking at some of the investments that we're going to have to make to continue to meet the performance there. But we like that side of the business, which then brings us back to the NBSK side of the business.

What we see there is that Canfor Pulp has positioned itself and will continue to do so as a specialty product or a supplier within a specialty product. We are able to make a very high-strength NBSK, higher than the general case, and so we'll continue to leverage that. To continue to do that in a reliable fashion, we're likely going to have to step up to a steady capital, sustainable capital investment in those facilities, but that's going to be moderated by the market conditions. We like where our balance sheet is today. I'm not excited about adding any form of debt and so what we'll do is we'll balance the market conditions with investment opportunities that are really driven around improving sustainability and our place in the cost curve.

Paul Quinn — Analyst, RBC Capital Markets

Okay. Yeah, no, I really like that specialty paper business and I sort of value that at \$100 million. I just don't understand what do you think investors are not seeing in the pulp business to value it where it is and how do you expect to increase that awareness going forward?

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

Well, I think, you know, the way we'll get the attention of the investment community is to get to a more regular operation where we've got reliable results that represent the market conditions that are in

place. And so we really need to focus on the performance of the assets we have in the condition that they are and continue to look for good opportunities to invest both in terms of people and assets.

Paul Quinn — Analyst, RBC Capital Markets

Okay. And then maybe, Don, turning it back to you, you've been out there for a while now and know just about all the players in North America on the softwood lumber file, not that you need the cash, but I'm just curious as to what sort of things need to occur to broker a deal between each side and is that something that Canfor is pursuing?

Don Kayne — President & Chief Executive Officer, Canfor Corporation

Yeah, I mean it's a good question, Paul. I mean I think, you know, I will say we've had a number of meetings probably over the last four to five months, and you've heard of course probably that our Minister of Foreign Affairs or our trade minister, excuse me, has had some meetings with USTR with Katherine Tai and with commerce and all of that, and it came across pretty optimistic, but at the end of the day our view is we haven't really made any progress. I think it's a lot of talk, which maybe is always good and we've heard some of the comments from NAHB and other consumer groups and so forth. But I guess our view, despite all of that, I still think it's very hard to get this topic on the radar screen of either administration with all the global events going on. It's been tough before, never mind now. And so my view, our view would be, collectively, maybe even from an industry point of view, that it's still a ways away in our view before we make any material progress there. But I will say though, I mean it's not to say that we are not all talking about it and understand company by company, I think would be acceptable if we ever did get to that, but just to be ready if we do get asked to get involved again by either of the governments. But

right now I still see that as not something that's really on the radar screen in a big way from either side, US or from Canada.

Paul Quinn — Analyst, RBC Capital Markets

Okay. And can you share any updates on where we are in the WTO or NAFTA process is to be able to maybe force this resolution?

Don Kayne — President & Chief Executive Officer, Canfor Corporation

In both cases, not really any progress there either and I wouldn't even be able to comment on that. We talked about that. We had our lawyers in Washington come in and give us an update, all the BC Lumber Trade Council group, about maybe six weeks ago and really, from their standpoint, and including the sunset clause and all the different things you hear about, really nothing is really expected to change materially on any of those fronts right now from what I understand.

Paul Quinn — Analyst, RBC Capital Markets

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

Don Kayne — President & Chief Executive Officer, Canfor Corporation

Thanks, Paul. Good to talk to you.

Operator

Thank you. There are no further questions. I'll now turn it over to Don Kayne for closing remarks.

Please go ahead, Mr. Kayne.

Don Kayne — President & Chief Executive Officer, Canfor Corporation

Thanks, operator, and thanks, everyone, for joining the call this morning and we look forward to talking to you at the end of Q3 and have a good rest of the summer. Thank you.

Operator

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