

Canfor Corporation & Canfor Pulp

Third Quarter 2020 Results

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PRESENTATION

Operator

Good morning, ladies and gentlemen. Welcome to the Canfor and Canfor Pulp Third Quarter Analyst Call. A recording and transcript of the call will be available on Canfor's website. 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 now would like to turn the meeting over to Mr. Don Kayne, Canfor and Canfor Pulp's Chief Executive Officer. Please go ahead, Mr. Kayne.

Don Kayne — Chief Executive Officer, Canfor Corporation & Canfor Pulp Products, Inc.

Thanks, operator, and good morning, everyone. Thank you for joining the Canfor and Canfor Pulp Q3 2020 results conference call. I'll make a few comments before I turn things over to Alan Nicholl, our Executive Vice President of Canfor Pulp Operations and our Chief Financial Officer of Canfor Corporation as well as Canfor Pulp. Alan will provide a more detailed overview of our performance in Q3. In addition to Alan and I, we are joined by Kevin Pankratz, our Senior Vice President of Sales and Marketing.

I would like to start by recognizing the exceptional efforts of our employees to ensure a safe work environment in the midst of a global pandemic. Their dedication, their resilience, and their hard work has been very impressive, particularly in view of the challenges people are no doubt facing with the uncertainty and stress of the pandemic on everyone's lives.

The financial results we experienced in Q3 were not what anyone had expected, particularly during the early days of the pandemic. Our industry has become more disciplined, more responsive, and more dynamic, and we are well prepared and able to operate efficiently and effectively in this changing and new environment. We do believe that several of the trends we've seen emerge during the pandemic are going to be sustainable and will continue to positively impact our industry.

Pre-pandemic, for many people, their home was primarily for shelter, for sleeping and eating. Now the home is becoming an office, a school, an entertainment area, and a recreation space in addition to sleeping and eating. People want their homes to be comfortable and are able to accommodate all of these additional activities. We see evidence of this and in the strong R&R and DIY demand and believe it will continue to evolve and increase in importance.

We're also seeing a shift from urban living to suburban and rural living as people buy more spacious single family homes and have greater flexibility to work from home. The strong housing starts are being supported by the low mortgage rates and desire to own a single family or multifamily low or mid-rise home and increasing trends from urban high-rise condo living to less dense housing, and we see this worldwide. In addition, the age of homes has also increased significantly and have now reached levels not seen since World War II. We were encouraged by the recent US housing data, which was led by strong demand for single family homes, which represented over 78% of the total housing starts in September. Additionally, both single family starts and building permits reached highs not seen since 2007.

Turning to our markets, our lumber business generated record high adjusted operating income of \$387 million and record revenues of \$1.3 billion. Record lumber prices, disciplined cost management,

strong productivity, and a return to more normalized operating rates contributed to our lumber segment results. Lumber prices increased rapidly as the quarter progressed, driven by unprecedented demand in the repair and remodel and treated lumber segments in North America and Europe, strong US housing starts, and low field inventories throughout the supply chain worldwide. Demand from offshore markets was relatively stable during the quarter; however, they have not achieved price levels seen in North America due to the typical lag in pricing these markets typically face.

Our outlook for the remainder of 2020 is a continuation of strong markets, although we anticipate lumber prices will correct as they currently are through the fourth quarter due to typical seasonal demand reductions during this period. During the third quarter, Vida completed its acquisition of three sawmills from Bergs Timber. This acquisition further improves our global diversification with approximately 22% of our production capacity now located in Europe. We continue to be very pleased with our acquisition, as well as the Estill operation in South Carolina. As of today, we have approximately 44% of our production in British Columbia, 4% in Alberta, 22% in Europe, and 30% in the United States.

Results in our pulp business reflect the impact of extensive fibre-related production downtime combined with weak global pulp markets stemming from the ongoing impact of COVID-19. Following extensive sawmill curtailments early in the second quarter, Canfor Pulp took a four-week curtailment at the Intercon and PG pulp mills during the third quarter in addition to scheduled maintenance downtime at Northwood and Taylor. As you will have seen in our news releases, we have made the decision to replace the lower furnace, for RB5, at Northwood, which Alan will discuss further in his comments. Global softwood pulp demand is anticipated to improve slightly through the fourth quarter as markets continue

to recover slowly from the economic impact of COVID-19 and elevated inventory levels following the seasonally slower summer months.

I would also like to highlight that our 2019 sustainability report was released in September. We are regularly revisiting our corporate strategy and reassessing our sustainability and ESG reporting processes to ensure we are aligned with the best-in-class standards. Sustainability and ESG are a top priority for the executive team and, to demonstrate its importance, Pat Elliott's role has been expanded to Senior Vice President of Corporate Finance and Sustainability. In addition, this quarter we filled a newly created position of Director of Environment and Sustainability, which is responsible for the development and advancement of our comprehensive sustainability strategy.

As we look forward to 2021, we will continue to focus on improving our balance sheet, deploying capital internally that targets rapid payback and high return projects, and consider external acquisitions that will improve our global diversification.

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

Alan Nicholl — Executive Vice President, Canfor Pulp Operations & Chief Financial Officer, Canfor Corporation & Canfor Pulp Products, Inc.

Thank you, Don, 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 company's

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

Our lumber segment reported operating income of \$337 million for the third quarter compared to \$107 million for the previous quarter. After adjusting for a net duty expense of \$51 million, the lumber segment generated operating income of \$387 million, up \$327 million from the previous quarter. Our record high lumber business results reflected an unprecedented increase in North American lumber pricing as the quarter progressed with the significant surge in demand outpacing available supply following widespread industry curtailments earlier in the year. As a result, unit sales realizations in North America saw substantial increases in the quarter.

In Europe, unit sales realizations benefitted from stronger demand, a favourable geographic sales mix, as well as a 5% weaker Canadian dollar. With most business in Europe based on pricing negotiated quarterly in advance, European prices are projected to show solid increases through the fourth quarter of 2020. Notwithstanding seasonal downtime at the company's European lumber operations, overall lumber unit manufacturing costs benefitted from stable log costs and a 36% increase in production through the quarter, with substantially all mills operating at full capacity following the COVID-19 related production curtailments taken in the earlier part of second quarter. In addition, lumber production reflected Vida's September 1st acquisition of Bergs Timber.

Our pulp business reported an operating loss of \$28 million in the third quarter compared to an operating loss of \$6 million reported for the previous quarter. Results for the current quarter reflected weak global pulp market conditions, significant fibre-related downtime, as well as a previously deferred

scheduled maintenance outage at Northwood, these factors being related to the ongoing impact of COVID-19. Pulp production was down 13% in the quarter, largely reflecting a four-week curtailment of the Intercon and PG pulp mills as well as the scheduled maintenance downtime at Northwood and Taylor's annual maintenance as well. Pulp unit manufacturing costs were moderately higher than the previous quarter, principally reflecting the aforementioned lower production.

During Northwood scheduled outage, the mill's recovery boiler number one was found to be in stable condition and maintenance was completed in one production line in early October. Regarding Northwood's recovery boiler number five, previously announced capital upgrades to the upper furnace are progressing well. Earlier this week, management made the decision to extend the outage on RB5 to enable the replacement of the lower furnace at an estimated cost of \$30 million. This work will be undertaken in the fourth quarter and this is anticipated to result in approximately 60,000 to 70,000 tonnes of reduced pulp. In conjunction with the upper furnace project, this lower furnace upgrade will ensure the RB5's continued operation for another 15 to 20 years. In light of the assessments made by management with regards to RB1 and RB5, the previously considered option of a super recovery boiler at an estimated cost of \$400 million will now not be required.

At the end of the third quarter Canfor, excluding Canfor Pulp, had net debt of \$506 million with available liquidity of approximately \$1 billion. After taking account of Vida's acquisition of Bergs, liquidity improved by approximately \$345 million during the quarter, reflecting significant cash earnings combined with favourable working capital movements. As of September 30, Canfor had paid cumulative cash duty deposits of approximately \$550 million and is currently anticipating a material reduction of approximately

15% in the company's cash duty deposit rate towards the end of the fourth quarter upon finalization of the rates of the first period of review.

Canfor Pulp ended the third quarter with net debt of \$19 million and available liquidity of approximately \$130 million. Excluding capitalized major maintenance, we currently anticipate 2020 capital spending of approximately \$125 million in the lumber segment and approximately \$75 million for Canfor Pulp, including the RB5 work currently being undertaken.

With regard to 2021, we are currently anticipating capital spending of approximately \$200 million for lumber and approximately \$60 million for Pulp.

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

Don Kayne — Chief Executive Officer, Canfor Corporation & Canfor Pulp Products, Inc.

Thanks, Alan. So, operator, we'll now take questions from analysts.

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. Again, please press star one now if you have a question. There will be a brief pause while participants register for questions. Thank you for your patience and one moment for your first question.

Okay. So, the first question is from Sean Steuart from TD Securities. Sean, please go ahead.

Sean Steuart — Analyst, TD Securities

Thanks. Good morning, everyone.

Don Kayne — Chief Executive Officer, Canfor Corporation & Canfor Pulp Products, Inc.

Good morning, Sean.

Sean Steuart — Analyst, TD Securities

Good morning. A couple of questions, first for Don or Kevin. A little more context on the current lumber price correction we're seeing in North America. And I guess specifically, you mentioned some seasonal elements to it, but can you speak to which end markets you've seen some relative weakness or I guess at least a deceleration of growth over the last five weeks or so?

Don Kayne — Chief Executive Officer, Canfor Corporation & Canfor Pulp Products, Inc.

For sure, Sean. Kevin, why don't you give Sean an update on that? I know you're doing a lot of work around that.

Kevin Pankratz — Senior Vice President, Sales & Marketing, Canfor Corporation

Good morning, Sean. The price decline that we've seen was pretty much anticipated and largely due to seasonality. We are off some of the peak demand items, like in the R&R segment, which were pretty significant that we saw in the summer and in June. We have seen a little bit reduced demand there.

And then, quite frankly, the inventories have gradually started to rebuild into the system but are still quite lean and we're just in that balance that we're seeing right now.

Sean Steuart — Analyst, TD Securities

Okay. Thanks for that detail. And then a question on Europe specifically. It probably flies under the radar a little bit, but we were impressed by the margin expansion this quarter. Price realizations were up a little bit and first part of the question is how much of that is attributable to moving incremental volume into North America? And then we saw an apparent reduction in unit cost this quarter. Any details you can give us with respect to factors that contributed to that trend as well?

Don Kayne — Chief Executive Officer, Canfor Corporation & Canfor Pulp Products, Inc.

First of all, on the market, or on the mill nets like you've talked about there a bit, Sean, I mean yes, they were up for sure. Not to the degree that we've seen in North America for sure, and I know you're aware of this, but in terms of the lag that we see typically in Europe, some of the real benefits of some of the increases that we're seeing, in North America, but also in Europe to a similar extent actually, we'll see a lot more inflation there on market prices here as we go into Q4, because the business is always lagging for sure.

And then on the cost side, even with the reduction in production in July due to the fact that Sweden would take three weeks of downtime there roughly, we took an extra week this year, in some mills at least, four weeks instead of three, which is unusual, but at the time we thought that was prudent just

based on the where things were going. But clearly, as you look forward into August and September, they made some perfect progress on conversion costs and overall costs along the way.

Alan, is there anything you want to add to that?

Alan Nicholl — Executive Vice President, Canfor Pulp Operations & Chief Financial Officer, Canfor Corporation & Canfor Pulp Products, Inc.

Yeah. Good points, Don. I think the only other thing I would add, Sean, is that the other business units that are part of Vida were operating at lower rates during the period, so that was another factor that would explain the lower unit costs.

Sean Steuart — Analyst, TD Securities

Thanks for that, Alan. I'll get back into queue, Thanks very much, guys.

Operator

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

Hamir Patel — Analyst, CIBC Capital Markets

Hi. Good morning. Don, I saw some slides from, I think, a presentation you may have done earlier in the month talking about markets and I noticed you kind of highlighted a potential to redefine the North American pricing model. So I'm just wondering if you could speak more to what you think the opportunity

there is to maybe move away from the sort of random lengths week-to-week pricing with at least some of your customers.

Don Kayne — Chief Executive Officer, Canfor Corporation & Canfor Pulp Products, Inc.

Kevin has been doing a ton of work on that, but just at a real high level, I mean we see this as a real opportunity. If you look at what's gone on in Europe for a long time, and we've always been watching that and it's one of the reasons of many that we were interested in Europe moving forward, but you also see in Asia too, is more sustainable, more predictable, more pricing levels () that you can count on for the future at profitable levels. One thing we've been interested in for a long time, is how can we stabilize earnings and how can we get away, as much as we can, from formula pricing based on random lengths or random lengths itself. Kevin and his guys, and he'll give you some detail on that for sure, because he's got some examples, but clearly we see that as a big opportunity.

I think what's really maybe accelerated some of our customers' views on moving to that type of model too in North America, which has been encouraging, is they're looking at their procurement policy, procurement strategies themselves and they're now, for the first time in some cases, starting to recognize that, you know, honestly, if you really look at it as we look forward here, we need to improve some of the communication and partnerships that we have with our suppliers and be more focused on stabilized pricing and demand and supply themselves as well.

We're seeing a lot more cooperation, Kevin, than we've ever seen, right? You can maybe give Hamir a little bit of detail of what you're working on.

Kevin Pankratz — Senior Vice President, Sales & Marketing, Canfor Corporation

Hamir, during this huge run up that we saw in Q3, the conversation was less about price and more about availability, just because they did not have the wood to complete jobs and projects. We definitely saw a change in behaviour with certain segments. I can speak to the truss guys, the MSR, where they want to lock into more monthly or longer type pricing arrangements. We've done a bit of that. We've done business with other segments, be it treated. Even our European Swedish volume coming into the US, we've entered into some longer term agreements. It's a bit of a newer concept for some of the folks, but it's definitely more a part of the conversation than it was, say, two years ago. It's just some small examples of what we're seeing.

Don Kayne — Chief Executive Officer, Canfor Corporation & Canfor Pulp Products, Inc.

There's no doubt that some of the key segments that we deal with were hurt pretty bad here with lack of supply during a critical period. And while Kevin and our marketing group spent a ton of effort here to try to do all we could to make sure our key strategic customers were in stock as best we could handle through that period. But that's really, like I said at the start, Hamir, really accelerated how they're rethinking about their procurement policy.

Hamir Patel — Analyst, CIBC Capital Markets

Thanks, Don and Kevin. That's really helpful. And Don, so maybe for next year, do you have a sense then as to maybe what percent of your North American volumes might have shifted or are going to shift to maybe more of a longer-term pricing terms?

Don Kayne — Chief Executive Officer, Canfor Corporation & Canfor Pulp Products, Inc.

Kevin, why don't you give an order of magnitude there?

Kevin Pankratz — Senior Vice President, Sales & Marketing, Canfor Corporation

We're just in the early stages on that. Are you talking about the longer-term pricing, Hamir?

Hamir Patel — Analyst, CIBC Capital Markets

Yes.

Kevin Pankratz — Senior Vice President, Sales & Marketing, Canfor Corporation

It probably could be into that 15% to 20% range, as a start.

Hamir Patel — Analyst, CIBC Capital Markets

Okay, great. No, thanks. That's very helpful. And just a final question for me. Don, I was curious to get your thoughts on, you know, if we see a new administration in the US next year that maybe wants to make the WTO work, what do you think that could mean for the softwood lumber dispute?

Don Kayne — Chief Executive Officer, Canfor Corporation & Canfor Pulp Products, Inc.

It's good question. I think, Hamir, our view now, and I've talked to a lot of stakeholders in the US side about that too and where we kind of are and where we think we might be going here, but I think personally, that we're a ways away here from any kind of resolution, no matter what is running in the

background here. I think there's so much at this stage, in particular with COVID and the concerns around that with some of the geopolitical issues that we're all aware of worldwide and so forth, that our view and certainly the US coalition's view is that this is a couple of years away from any kind of resolution probably at this stage. Now, you know, that could change, but certainly it's not on the radar screen of the key coalition guys that I've heard. Of course, we ourselves, as an industry in Canada, have had a few false starts over the last two or three years. And we typically get into a situation, Hamir, where we seem to be negotiating with ourselves and we're not prepared to do that anymore. I mean we think we're in a good position, we know that we're even more—we've always been 100% confident that we're solid here. Even more so now. Like I said, it'll take, we think it's going to be a couple of years away. There's no incentive. There's no real, nothing being done right now, I guess, bottom line.

Hamir Patel — Analyst, CIBC Capital Markets

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

Operator

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

Paul Quinn — Analyst, RBC Capital Markets

Thanks very much. Good morning, guys. Recently, with the lag in lumber prices on the way up in North America and I suspect Q4 should be pretty good for you even with prices coming down, but just want to try to understand what you expect in Asia. The commentary says, you know, expecting higher pricing, but it's not going to be anywhere near sort of the rise that we saw from Q2 to Q3, right?

Don Kayne — Chief Executive Officer, Canfor Corporation & Canfor Pulp Products, Inc.

For sure. Kevin, why don't you talk to that?

Kevin Pankratz — Senior Vice President, Sales & Marketing, Canfor Corporation

Sure. Paul, so maybe I'll just break out Asia just a little bit there first. China, I would expect we have already seen some modest price increases there throughout the months, because we sell on a monthly to bi-monthly basis over there, and our indications are that we'll see some modest price increases. Nowhere near what we saw in the US and still a ways to go. But I think the more material increases we saw was in Japan. It was quite significant. And we expect that trend to potentially continue into Q1.

Paul Quinn — Analyst, RBC Capital Markets

Okay, great. And then just looking at your net debt, I mean you've got a little bit over \$300 million here. My model is sort of predicting debt free by mid-2021 here given our forecast. What is the priority for capital allocation at this point?

Don Kayne — Chief Executive Officer, Canfor Corporation & Canfor Pulp Products, Inc.

I think for sure, Paul, I mean for starters, we've been a good few months here and got us in pretty solid position, as you mentioned there, compared to what we certainly expected going into this year and even towards the end of the first quarter. Those turned out a lot more positive but, you know, we always have in the back of our minds where we were six months ago, too. But regardless, our number-one priority will continue to be, as it's always been, is to make sure that the existing mills that we have are capitalized

to the extent they need to be to keep up the level of efficiency that we think we need to have in all the areas that we operate so that we know we're going to be, at least from that point of view, competitive. For starters, number one.

Number two will be organic capital. And we've had a fairly aggressive organic capital plan the last several years here in the south and that's still underway and still moving along well. We'll continue to look next at additional organic opportunities. And there are some. There's one or two that we're looking at in Sweden, of course, and there's one or two high return projects that we're looking at as well potentially here in the US. And no doubt they'll probably be one or two also in British Columbia. So that's second really.

And then last one, of course, is M&A opportunities. And I think on that I would just say that we're getting lots of interest. There's lots of folks that typically in these good markets you get a lot of the ones who are operators that would like to sell and capitalize on it and that's good and we're not interested of course, or else there are very high multiples on them as well at this time. So, right now we're looking, of course. We will continue to keep our eyes out, particularly in Europe and in the US south, but at this stage there is nothing pending. And certainly, if opportunities arise, we'll look at them, but right now we're going to continue to improve our balance sheet and really be focused hard on discipline around that and see how the early part of next year, how that looks, and what the trends are starting to look like going forward.

Paul Quinn — Analyst, RBC Capital Markets

Okay. And then maybe just to follow up on that, you own a little bit over 50% of Canfor Pulp. Does that go against the Canfor sort of diversification strategy if you were to acquire any more of that?

Don Kayne — Chief Executive Officer, Canfor Corporation & Canfor Pulp Products, Inc.

No, not really. From our standpoint, and I know you guys are probably tired of hearing me say the same thing but I'll say it again anyway, is the ownership that we have in Canfor Pulp, we like that. We like that diversification that we have with the Pulp business. It's linked in pretty good to our business for sure. And we also like the ownership position that we're in currently. And we have no plans to change that and we're, at this stage anyway, we're currently happy with the way that's structured right now.

Paul Quinn — Analyst, RBC Capital Markets

Okay. And then just last question. The recovery boiler number five there at Northwood, that \$30 million fix, that 15 to 20 year extension, have you got a guarantee on that and where does that come from?

Don Kayne — Chief Executive Officer, Canfor Corporation & Canfor Pulp Products, Inc.

Go ahead, Alan.

Alan Nicholl — Executive Vice President, Canfor Pulp Operations & Chief Financial Officer, Canfor Corporation & Canfor Pulp Products, Inc.

I think that might be overstating it, Paul. I mean that is reflective of management's best estimates working, obviously, with a number of experts in the field. But the sense is that by doing these extensive replacements, if you will, and upgrades in the upper part of the furnace, we're really repurposing that RB5 and there's a real sense of quiet confidence here that we're going to be able to put behind some of the issues that we faced over the last couple of years.

Paul Quinn — Analyst, RBC Capital Markets

All right. Thanks very much. Great quarter. Good luck.

Operator

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

Mark Wilde — Analyst, Bank of Montreal

Thanks. Congratulations on a very good quarter. I think all of this has really caught all of us off guard. Don, to start out, I wonder, just going back to Paul's capital allocation question, one of the other options would be to buy back some stock. And I'm not suggesting you go whole hog on this, but the stock is more than 40% below where you were buying two years ago and the implied value of the company right now is a lot lower on a per unit of capacity base than a lot of the acquisitions that you've done. So why not have an element of share repurchase in the capital allocation strategy?

Don Kayne — Chief Executive Officer, Canfor Corporation & Canfor Pulp Products, Inc.

Thanks, Mark. And it's a good question and I probably should have mentioned that too when I did talk to Paul's question.

But I mean it's certainly something that we have on the list, it's just not a priority for us at this stage. We've always and we're going to continue down this road. And I'll let Alan comment further maybe on some specifics, but number one, especially in our industry and with technology changing at the level and the rates that they are, we need to continue to make sure, first and foremost, that our mills are competitive and efficient to the degree they need to be on a worldwide basis. Because it's even more pressure now than it used to be on that, because everyone around the world we're competing with and they're all focused hard on that. So that's the first thing.

And then in terms of organic capital and de-risking capital that we do spend, you know, in terms of increasing production, at least in the right areas and the right products and so forth, that's clearly an area that we feel has got the least amount of risk for sure going forward. We've been pretty successful at it. We certainly think that's a high priority and we're going to continue to do that. And then of course M&A, as I mentioned too.

So, on the list would be that, Alan, but maybe you can give Mark a little more detail, because I know you and your group in past spent a fair bit of time trying to prioritize in the right order and so forth.

Alan Nicholl — Executive Vice President, Canfor Pulp Operations & Chief Financial Officer, Canfor Corporation & Canfor Pulp Products, Inc.

Yeah, no, I think Don said it well, Mark. Today we're clearly seeing the benefits of diversification and that's where what Don's outlined clearly kind of backs that up. And it's not to say that share buyback is off the radar screen, but clearly it is on the list, but it is something that we will revisit from time to time.

I would also add that, clearly if you go back six months, things have changed radically from that time, and so with so much volatility, so much uncertainty, we do have a more conservative stance generally. But give it another few quarters and we'll clearly be looking at our options more closely, including share buyback, but it's further down the list.

Mark Wilde — Analyst, Bank of Montreal

Yeah, just to be clear, Alan and Don, I mean I'm not suggesting that you go whole hog on this. I think it's smart to continue to invest in productivity. Just when you look at the history of the industry on things like share repurchases, they've often been timed really poorly, and we've got kind of a situation in the market right now where your prospects actually look pretty good to a lot of us and your shares don't reflect that. So it just seems to me there is an opportunity to put some element of your cash flow to work on the repurchase. My two cents worth.

Another thing I want to follow-up on, just the boiler rebuild at Northwood. Can you just give us a little more of a sense of what went into this? Because it seems like, based on the avoided capital here of that super boiler, this almost looks like a no-brainer. What else might have been involved in the equation here that we're not thinking about?

Don Kayne — Chief Executive Officer, Canfor Corporation & Canfor Pulp Products, Inc.

Go ahead, Alan.

Alan Nicholl — Executive Vice President, Canfor Pulp Operations & Chief Financial Officer, Canfor Corporation & Canfor Pulp Products, Inc.

Yeah, I don't think there's too much that you're not thinking about, Mark. I mean I think, you know, if you go back 18 months ago, certainly the options that we were looking at included a brand new recovery boiler replacing the two that we have there currently or repurposing the other two over time. Clearly at the time, pulp market conditions were significantly more favourable as well. So that was one of the reasons that we were looking at both those options.

I think it's fair to say when we've actually looked at this, and we've got a new VP of Pulp as well that's really bringing some fresh perspective to this, we've recognized that we are better served by repurposing RB5 as I outlined and also continuing just to monitor for regular repair, if you will, for RB5. But we're encouraged by how RB5, RB1, sorry, I should say, RB1 is looking. And I think, as I said earlier, by doing what we're planning to do in RB5, we think we find a less expensive solution but one that also provides us with the assurance around operation that we've been looking for. Clearly, we don't get all of the productivity and efficiency benefits that one might get with a brand new boiler, but those are more than offset by the factors I mentioned.

Mark Wilde — Analyst, Bank of Montreal

Okay. And just also related to pulp, Alan, can you talk about the adequacy of fibre for the four pulp mills going forward?

Alan Nicholl — Executive Vice President, Canfor Pulp Operations & Chief Financial Officer, Canfor Corporation & Canfor Pulp Products, Inc.

For sure. I think we've had to do some, had to take some fairly significant courses of actions, as I outlined, but we are in a very good position from a fibre perspective right now, Mark. We feel that we're well served for a good while here and certainly no issues getting through the winter and through the first part of next year. We will continue to work hard to make sure that our fibre situation is positive. Clearly, we're motivated to drive our costs of whole log chips down and to find as much sawmill residual chips as we can and clearly we're benefitting on the latter from the full operating rates of the sawmills as well.

Mark Wilde — Analyst, Bank of Montreal

Okay. And then, Don, I don't think you answered the question about Vida shipments into North America and what those were in the third quarter and what we should expect going forward. I think when you bought Vida you talked about maybe 200 million to 300 million board feet, 200 million board feet coming into the North American market from Vida going forward.

Don Kayne — Chief Executive Officer, Canfor Corporation & Canfor Pulp Products, Inc.

Kevin, would you give Mark the numbers there?

Kevin Pankratz — Senior Vice President, Sales & Marketing, Canfor Corporation

Yeah. I mean we were up probably about 5% there, Mark. And then, quite frankly, I think looking at Q4 there is still significant demand and inventory shortages in Europe, such as UK and the European markets that are being focused on, so I think it will be somewhat stable, consistent going forward, but there definitely was an increase participating in those high demand and high priced markets that we saw in Q3. But I do see, for us anyway, a little bit of maybe repatriation back, but not to a significant degree, but we were up in Q3.

Mark Wilde — Analyst, Bank of Montreal

Okay. And the last one for me, Don, I wondered if you might just talk a little bit about the acquisition by Binderholz down in Florida. If you look at that company, it seems like a very innovative company over in Austria, does a lot of stuff, I think, also with kind of mass timber construction. So just implications of them moving into the North American market at the same time that you're moving over into the European market.

Don Kayne — Chief Executive Officer, Canfor Corporation & Canfor Pulp Products, Inc.

Yeah. I mean to me, I know those guys well and the fellow that's leading that there now, he was a big part of Klausner for many, many, many years and he was one of the guys that initially, this is going back to several years, 15 years or more even, responsible for bringing Klausner, Fritz Klausner, when he went into the North American market into the market here. And so he's—he's lived here. He moved from Austria, moved into North American, and has lived here for 10 or 15 years now. He's well aware of the North American market. He's got good contacts in North America and so forth. So it didn't, you know, to me, if you're that particular company and there's an opportunity there, the guy that they have on the

ground that's really their president in North America with lots of experience in North America, rare for a European to have that, and I think he's probably the guy that convinced them to do it.

And really, for us, it really doesn't impact us too much. I mean I think what you're going to see from them is much more focus on more commodity type grades there. And I know that, I think we all do, the log quality in that particular area isn't a significant advantage. It's more directed to the commodity type products. And so that's fine, because we're not interested in that market ourselves, right, as you know, and we've talked about lots. It will be probably a bit more on the commodity 2x4 and wider on the market, but we don't see it as a big issue for ourselves, either in sourcing logs and causing inflation, that we don't expect or increased competition for products that we're manufacturing already ourselves. So it's kind of a non-event, frankly.

Mark Wilde — Analyst, Bank of Montreal

Okay. All right, thanks. I'll turn it over. Thanks, guys.

Don Kayne — Chief Executive Officer, Canfor Corporation & Canfor Pulp Products, Inc.

All right, thanks. Thanks, Mark. Good to talk to you.

Operator

And we have one more question from Hamir Patel from CIBC Capital Markets. Hamir, please go ahead.

Hamir Patel — Analyst, CIBC Capital Markets

Thanks. I just had one follow up. You disclosed the sale of the Polar Board OSB plant. Was that sold still as a functioning OSB press and is it expected to produce OSB in the future?

Don Kayne — Chief Executive Officer, Canfor Corporation & Canfor Pulp Products, Inc.

Yeah, I guess just on that OSB plant, we won't see additional production of OSB from that plant in British Columbia. It will be repurposed elsewhere here. When and to what extent, I have no idea at this stage what that might be, Hamir.

Hamir Patel — Analyst, CIBC Capital Markets

Okay. Thanks, Don. That's all I had.

Don Kayne — Chief Executive Officer, Canfor Corporation & Canfor Pulp Products, Inc.

All right. Thanks, Hamir.

Operator

There are no further questions at this time. Please proceed.

Don Kayne — Chief Executive Officer, Canfor Corporation & Canfor Pulp Products, Inc.

All right. Thanks, operator, and thanks, everyone, for joining the call this morning. We appreciate all your support and we look forward to talking to you early in the new year. Thank you very much.

Operator

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