

Canfor Corporation

Third Quarter 2019 Results

October 24, 2019 — 11:00 a.m. E.T.

Length: 28 minutes

"While Cision has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. Cision will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Cision ait fait des efforts commercialement raisonnables afin de produire cette transcription, la société ne peut affirmer ou garantir qu'elle ne contient aucune erreur. Cision ne peut être tenue responsable pour toute perte de profits ou autres dommages ou responsabilité causé par ou découlant directement, indirectement, accessoirement ou spécialement de toute erreur liée à l'utilisation de ce texte ou à toute erreur qu'il contiendrait. »

CORPORATE PARTICIPANTS

Don Kayne

Canfor Corporation & Canfor Pulp — Chief Executive Officer

Alan Nicholl

Canfor Corporation & Canfor Pulp — Chief Financial Officer & Executive Vice President, Finance

Stephen Mackie

Canfor Corporation — Senior Vice President, Canadian Operations

Kevin Pankratz

Canfor Corporation — Senior Vice President, Sales & Marketing

Brian Yuen

Canfor Pulp — Vice President, Pulp & Paper Sales & Marketing

CONFERENCE CALL PARTICIPANTS

Mark Wilde

BMO Capital Markets — Analyst

Sean Steuart

TD Securities — Analyst

Paul Quinn

RBC Capital Markets — Analyst

PRESENTATION

Operator

Good morning, ladies and gentlemen and 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 very much, operator. Good morning, everyone, and thank you for joining the Canfor and Canfor Pulp quarter three 2019 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 Chief Financial Officer of Canfor Corporation and Canfor Pulp. Alan will provide a more detailed overview of our performance in quarter three. Joining Alan and I today are Kevin Pankratz, Senior Vice President of Sales and Marketing; Stephen Mackie, Senior Vice President of Canadian Operations; and Brian Yuen, Vice President of Pulp Sales and Marketing.

As everybody is aware, in August, Great Pacific made a non-binding proposal to acquire all the outstanding common shares of Canfor. Canfor's board of directors has formed a special committee of independent directors to review the offer in consultation with its legal and financial advisors. The decision to proceed or not proceed with the proposal is in the hands of the special committee and ultimately the shareholders, if recommended by the special committee. While that process is underway, we continue to focus on operating our business as usual and, unfortunately, do not have additional information in regard to timing or outcome at this time. As such, we cannot speculate on either the timing or the decision to proceed or not during this call, as I am sure you all will understand.

Moving to our specific Q3 results, the quarter was challenging for both our pulp and lumber businesses, resulting in us having to make very difficult decisions that involve temporary and permanent curtailments in British Columbia. On the pulp side, we took phased summer curtailments at our Intercon, Northwood, and Prince George NBSK mills, as well as at our BCTMP mill in Taylor. While these curtailments are difficult, we believe they will support a quicker market recovery in addition to solidifying our chip inventory over the winter months.

On the lumber side, we made a very difficult decision in July to indefinitely curtail our Mackenzie sawmill. At the same time, we also announced the permanent elimination of one shift at our Isle Pierre mill and we announced temporary sawmill curtailments mostly in July and September. We have not taken any of these curtailments decisions lightly; however, they reflect the very challenging lumber market conditions in combination with high fibre costs in British Columbia. On behalf of myself and the entire executive team, I want our employees to know that we deeply regret the very real impacts these decisions

have had on them, our contractors, and the local communities. With the exception of Mackenzie, all of our sawmills and pulp mills are currently operating.

Now we'll go into a bit more detail on each of our business lines. Beginning with our pulp business, we were challenged with weak global pulp market conditions, significant market-related downtime, and fibre supply issues in British Columbia. This was a third straight quarter of weak demand combined with excess inventory in the supply chain, most notably in China and Europe, which significantly impacted global pulp prices. On the positive side, energy revenues increased in Q3, largely driven by Northwood's new turbo generator condensing turbine and higher energy prices. Looking forward, it's expected that global pulp pricing will gradually improve in Q4 and into 2020 as global inventories will come back into balance.

Moving to lumber, in June we announced the permanent closure of our Vavenby mill and subsequent agreement with Interfor to sell them the associated tenure for \$60 million. The tenure transfer is subject to approval by the Minister of Forests and we continue to work through that process. We anticipate the sale will close in Q4. SPF pricing continued to be challenging in Q3 with excessive inventory impacting overall price levels. While several industry curtailment announcements were made over the last six to nine months, we believe we are just now seeing the impact of these curtailments in the market. US housing starts increased modestly over the quarter and we anticipate that trend will continue to the balance of the year. Lumber prices in Asia, particularly in Japan, are expected to return to more normalized levels in Q4. Our lumber operations in Alberta, the US South, and Europe remain strong. The price of Southern Yellow Pine remained steady over the quarter although our sales were slightly lower than last quarter. Our European lumber business saw tempered pricing in the quarter as a result of global

market weakness but was somewhat insulated from broader pricing declines due to the relatively higher-value/customized products Vida produces. This pricing pressure is expected to continue through the balance of the year and should stabilize in early 2020 as global inventory levels continue to come back into balance. We remain focused on continuing to reduce our debt levels and to strengthen our balance sheet.

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.

Well, thanks, Don, and good morning, everyone.

As Don mentioned, the Canfor and Canfor Pulp quarterly results were released yesterday afternoon. These results come together with our quarterly overview slide presentation in the investor relations section of the respective companies' websites. In my comments this morning, I'll expand on a number of Don's points and also speak specifically to several quarterly financial highlights.

Our lumber segment reported an operating loss of \$70 million for Q3 compared to a loss of \$61 million reported for the previous quarter. Results included a net duty expense of \$54 million, restructuring costs of \$6 million, and a \$5 million reversal of a previously recorded inventory write-down provision. After adjusting for these items, the lumber operating loss was \$16 million. Lumber segment results continued to reflect the ongoing weakness in Western SPF lumber prices, high duties, and elevated log costs in British Columbia. As Don mentioned, Canfor took significant market-related curtailments and

capacity reductions in Q3 and, as a result, shipments were down by 16% compared to Q2, while overall sales revenue declined 12%. Average Western SPF sales realization saw a modest increase from the prior quarter, largely reflecting a small increase in benchmark prices and our sales mix. For our US South business, average sales realizations were slightly lower than the previous quarter as the modest improvement in a 2x4 #2 price was more than offset by lower prices for wider-width dimensions. European sales realization saw a small decrease with the region's higher-value sales mix partially offsetting a decline in European benchmark prices.

Our pulp and paper business reported an operating loss of \$44 million for the third quarter, down \$62 million from the \$18 million profit reported for the second quarter. The loss reflected the very weak global pulp market conditions that Don mentioned as well as the significant fibre supply disruptions from industry-wide sawmill curtailments in the BC Interior over the summer months. Average sales realizations were well down compared to the second quarter reflecting this backdrop. Pulp production was down 42% from the previous quarter, principally reflecting the impact of 135,000 tonnes of market-related downtime. Pulp unit manufacturing costs were significantly higher in this current quarter largely due to curtailments and, to a lesser extent, the advancing of some planned maintenance work during the downtime. Fibre costs showed a small decrease quarter over quarter with the impact of lower market prices for sawmill residual chips tied to market pulp prices, helping to neutralize the effect of an increased percentage of higher cost whole log chips.

Capital spending for the third quarter totalled approximately \$76 million and included approximately \$50 million in the lumber business and \$26 million in Canfor Pulp. For 2019 we are forecasting a total capital spend of \$180 million and \$80 million for Canfor and Canfor Pulp, respectively.

We currently anticipate much lower capital spending in 2020 following the completion of our US\$125 million organic growth program and several other major upgrades by early 2020 and our strong focus on debt reduction. During the third quarter Canfor increased its operating line of credit from \$450 million to \$550 million, maturing in January 2024. In addition, Canfor Pulp extended its operating line of credit through April 2023 and added a new three-year \$50 million term loan expiring September 2022. At the end of the third quarter, Canfor, excluding Canfor Pulp, had net debt of approximately \$1 billion and available liquidity of just over \$300 million. Canfor Pulp ended the third quarter with net debt of approximately \$30 million with available liquidity of just under \$100 million. And lastly, Canfor Pulp's directors approved the continuance of a quarterly dividend of \$0.0625 per share for the third quarter.

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

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

Thanks, Alan. Operator, we're now ready to take calls from analysts. Thank you.

Q & A

Operator

Thank you, sir. Ladies and gentlemen, we will now take questions from financial analysts. If you do have a question, please press star one on your telephone keypad. If you are using a speakerphone we do ask that you please lift your receiver and then press star one. If at any time you wish to cancel your question, please press star two. Please go ahead and press star one now if you have a question.

Your first question will be from Mark Wilde at BMO. Please go ahead.

Mark Wilde — Analyst, BMO Capital Markets

Good morning, Don. Good morning, Alan.

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

Good morning, Mark.

Mark Wilde — Analyst, BMO Capital Markets

Don, I know you can't really say much about this Pattison bid. I'm just curious if it is possible to put any colour around the selection of Greenhill as the advisor. I've been covering the sector for about 30 years. They have not ever been a real active player or a real knowledgeable player around this sector, so I'm just curious about how that decision might have been made.

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

Yes, I guess, first of all, I can't say much at all, Mark, as you probably understand, as I mentioned earlier, I just know that they went through a process, the committee, and I wasn't involved in it and so they chose Greenhill and that's all I can really say.

Mark Wilde — Analyst, BMO Capital Markets

Okay. All right. Fair enough. I wasn't sure you really could—

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

Which isn't much.

Mark Wilde — Analyst, BMO Capital Markets

Okay. All right, well, let's turn to the business then. First of all, I wondered if you could talk about lumber demand at the moment and how you guys see lumber inventories in the channel.

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

Yes, okay. I mean I'll talk a bit about that at a high level and maybe turn it over to Kevin, who's a bit closer to it, a lot closer to it, actually, than I am. But I think, like everybody else, we've been, over the last few quarters here, concerned as to where that was headed, because there's been several false starts over the last three quarters. But we are seeing improved pricing, and partly because inventory levels, we think, are starting to decline a bit more rapidly. Now it's taken some time due to these announcements

that were made, six or nine months ago, it's taken a lot longer to see that in the supply chain than we would have anticipated, but we do think now we're starting to see the result of that. And so that combined with pretty decent housing starts and permits in North America, a bit of an improvement in China around inventory levels and in Japan, I was just over there recently, seems to be pretty good. So, between all those things, demand wise, it's not a big increase but at least it's sort of, I think, it's started to at least look a little bit more positive. And supply, you know, supply, we're starting to have an impact on that. So, overall right now going forward, I think we would see things probably looking slightly better over the next couple of quarters.

Kevin, you've been over there recently yourself in China particularly.

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

Yeah. So, we're seeing some good inventory depletion at the major ports and, to your point there, Don, we're starting to see a little bit more tension in the market compared to what we have seen earlier in the year, which I think is just boosting for a little bit more of a positive uptick for the balance of the year and into 2020.

Mark Wilde — Analyst, BMO Capital Markets

Okay. Then, Don, I wondered if we could just talk for a minute about this European spruce beetle and the impact of that on the Vida business over in Europe and then also sort of any ripples into the southeast US lumber operations and also potentially into your Chinese export markets.

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

Yeah, for sure. Well, I can say at the start that the beetle issues that's being faced in Europe right now are probably more severe than most people probably have expected them to be and so in Germany, Austria, and certainly all of Czech is pretty serious, right? So, as a result of that, there's a lot of log, you know, a lot of the fibre there has been and will be degraded quite significantly, which is resulting in more commodity products being produced. Some of that's going into North America, obviously, some of that's going into China and so forth and is having some impact.

If you look at North America, particularly compared to where it was 10 to 15 years ago when we were importing in the past, we still don't see anywhere near the same amount of volume coming into North America that we saw back then. And neither do we expect that to happen either. There's been a bit more in China too, even there it's not really having a significant impact on our business for sure.

In terms of, and good question, how does that look, how is that going to impact us in Sweden, actually, I mean the one thing, and we went through exactly the same thing when we got into the pine beetle in British Columbia, what we saw is pretty quickly an immediate reduction in the amount of prime percentage and premium products. That's exactly what's going to happen in Europe as well, who in the past has been pretty significant high-value product producers. So, in Sweden, because we don't have the beetle, or it's 1% or less there, mostly probably less, we actually think with that reduction in high-value products coming out of Austria, Germany, and Czech it is actually going to benefit us up there in Sweden, because they don't have to deal with that and they do mostly make high-value product. So it actually, for us at least, will have, we think, a positive impact on our Swedish returns on a long-term basis.

Mark Wilde — Analyst, BMO Capital Markets

Okay. And just one more for me. I wondered, Alan, when we look at sort of the first three quarters of the shoot out here with Vida, the numbers have been coming down steadily. I wondered if you guys can just address sort of whether this has changed your view of earning stability at Vida and also, in the third quarter, if you could just help us understand how much of a decline was price versus the summer outages.

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

Yeah, I hope I can help you a little bit there, Mark. In terms of your first point, I think clearly, as Don guided, there's somewhat downward pressure there, but I think we're comforted, I think, with how well those businesses are running. We are seeing log cost respond accordingly and so that's clearly going to be a mitigating impact. I think there is some conservatism in your numbers, but I think we're comforted by some of the mitigating factors there as well.

In terms of the third quarter, as I think we disclosed in our press release, Vida did take a month's downtime, and clearly that weighed on their shipments and the costs and so on. So, one just has to take that into account. But, as I mentioned earlier, our sales mix and some of what Don outlined is clearly helping us mitigate some of the impact from more of the commodity pricing movements in Europe today.

Mark Wilde — Analyst, BMO Capital Markets

Okay. I'll turn it over. Thanks.

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

Thanks, Mark.

Operator

Thank you. Next question will be from Sean Steuart at TD Securities. Please go ahead.

Sean Steuart — Analyst, TD Securities

Thanks. Good morning, everyone. A few questions. First, on the timber sale to Interfor, you guys indicated you still expect or you do expect a Q4 close. This has dragged on a little bit longer than initially thought. Could you give us a little bit more detail on the process with the government approval and what have been the hang-ups and what gives you confidence that this will close in the fourth quarter?

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

Yeah, I think, first of all, we're confident that it will close in the fourth quarter. I'll say that right away. I think, you know, we expected this to maybe close a month or two quicker than it has, but clearly, us being the first ones to really go through these processes, as you go through it there are some things that you learn and things that maybe take a bit longer than you thought. But at the end of the day, so far it's kind of gone as we expected. I don't think we've had any major surprises at all. Some areas we probably had to put a little more work into and so forth. But, for the most part, other than taking a bit longer, we haven't had any real big material surprises whatsoever. And then, as we I said at the start, we do expect it to close in Q4.

Sean Steuart — Analyst, TD Securities

Okay. Thanks for that. And then a question on the pulp operations. Post the heavy downtime you had in Q3, can you give us an idea of what percent of the fibre will be tied to whole log chipping on a normalized run rate going forward and an update on the cost differential between whole log chipping and residual chips right now?

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

Yeah, it's a good question there, Sean. So I think clearly what I would say is that the actions, as tough as they were in the third quarter, have positioned us well here to run through the winter months and we're in a much better position and clearly had to take the response that we did.

In terms of your question around whole log chipping, I would say that historically it's been a lot lower than it is today, but looking forward I think you could use something like 30% or a third. That's what we're kind of anticipating, something like that.

Sean Steuart — Analyst, TD Securities

And the cost differential between that and residual chips right now?

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

Well, yeah, so it really depends on many factors. And clearly we're motivated to apply a lot of cost discipline there as well. But it's a fair statement to say it comes at a healthy premium to sawmill residuals today.

Sean Steuart — Analyst, TD Securities

No, no details on that, Alan? That's as much as you're prepared to say?

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

Not many more that I can share with you, no. Not on the call.

Sean Steuart — Analyst, TD Securities

Okay. That's all I have for now. Thanks, guys.

Operator

Thank you. Next question will be from Paul Quinn at RBC. Please go ahead.

Paul Quinn — Analyst, RBC Capital Markets

Yeah, thanks very much. Good morning, guys. First question maybe just on the log cost side, you know, what you're seeing, whether you're seeing any inflation in the US south, I suspect Vida's costs are coming down slightly, and then Alberta versus BC.

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

Stephen, why don't you give an update across all the regions?

Stephen Mackie —Senior Vice President, Canadian Operations, Canfor Corporation

Sure. Good morning, Paul. So, I think if I start in BC, Paul, and maybe I contrast against Alberta, I mean clearly there's a stumpage differential between BC and Alberta, so we enjoy that benefit in our Alberta operations. You're aware obviously that the July 1st stumpage increase was pretty significant in British Columbia, but we're pleased with some of the actions we've taken internally to mitigate those impacts. So, relatively speaking, quarter over quarter, pretty flat log cost and starting to see some relief in British Columbia on pressure on purchased wood prices and bid behaviour out there in terms of BCTS sales, which we're seeing a little bit of benefit from, so we're expecting a relatively flat log cost in BC. And similar situation in Alberta. Alberta will be pushed up a little bit as market improves, as Kevin and Don indicated earlier.

The guys have touched on Vida. We're seeing corresponding reduction in log cost to reflect market conditions and the downward pricing pressure that Don indicated, so in Europe we're pretty pleased with the responsiveness of the market. And US South is really quite flat. There's an abundant of timber, high-quality fibre available there, so flat.

Paul Quinn — Analyst, RBC Capital Markets

Okay. And just maybe just follow up on BC, you're expecting log cost to be flat going forward, but my understanding was you did quite a bit of logging in front of the July 1st stumpage increase, so isn't that going to be, you know, that increase will be effective on all the stuff that you're logging through the balance of the year and in the first half of next year. Won't that increase your overall cost?

Stephen Mackie — Senior Vice President, Canadian Operations, Canfor Corporation

Yeah, there's some upward pressure there for sure, Paul, and we're in pretty good shape with healthy inventories. Obviously, we've taken some pretty significant downtime in capacity reductions across our operations and taken lots of steps to reduce some of the high-cost fibre that we've got in front of our mills, so we're confident we can offset that to a large degree. So, I think I would guide to relatively flat quarter-over-quarter log cost.

Paul Quinn — Analyst, RBC Capital Markets

Okay. And then maybe just flipping over to the pulp side, pulp costs were up significantly quarter over quarter. A lot of it attributed to downtime. Just wondering how much, like how much can we put on that market-related maintenance downtime in terms of the cost increase quarter over quarter?

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

Totally fair question, Paul. I mean I think, honestly, the lion's share of that delta was, I think, the maintenance. The advancing of the planned maintenance work was a smaller percentage. Just to put in context, about \$7 million or \$8 million. But I think the principal reason clearly was tied to the curtailments.

Paul Quinn — Analyst, RBC Capital Markets

Okay. And then just while I've got you on, it sounds like you guys were more bullish than most of the other people I've seen out there on pulp turnaround here, you're expecting a gradual increase in pricing in Q4. What gives you that level of confidence?

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

Yeah, so I'll maybe pass it over to Brian to speak to that, but I think, in our minds, we didn't think we were being extremely positive by talking about a modest recovery, Paul. But I'll maybe just ask Brian to speak a little bit more to what we're seeing in the market and where we're expecting prices to trend here.

Brian Yuen — Vice President, Pulp Sales & Marketing, Canfor Corporation

Sure. I can speak to that, Alan. Good morning, Paul. We're actually seeing a stabilization in the market for sure. With the price corrections over the summer, we've seen an uptick in Chinese demand. Paper, board, tissue producers, these guys are all making solid profits given the lower fibre costs and the relatively stable paper, board, tissue prices. We are, in fact, actually seeing some modest improvements going into fourth quarter in Chinese pricing. What we are keeping a close eye on, however, are the

hardwood inventories. For sure, this needs to get in balance before we see any significant improvement in pulp price.

Paul Quinn — Analyst, RBC Capital Markets

Okay, great. Thanks for the colour. Good luck going forward. Thanks, guys.

Operator

Thank you. Next is a follow up from Mark Wilde at BMO. Please go ahead.

Mark Wilde — Analyst, BMO Capital Markets

I just want to go back to these log costs, because on page three of the release you talk about the increase in stumpage in BC and there's a line in here that says this will materially impact BC log costs in the upcoming quarters. So I just wondered if you can kind of square that with what we've just heard about stable log costs.

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

For sure, Mark. I'll get Stephen to comment on that.

Stephen Mackie — Senior Vice President, Canadian Operations, Canfor Corporation

Yeah, sure, Mark. I think that while we certainly do expect pressure on stumpage, and again, back to the July 1st stumpage update and increase, and we'll also see some further upward pressure as a result of improving market conditions and AMV (average market value) updates that will push stumpage up. I

guess it's a bit of a function of some of the actions that we're taking internally to mitigate those costs and really the great effort by our teams across the BC business to be responsive to the economic times that we're facing and a lot of good work. So, I'm probably a little bit more optimistic on what we're able to achieve there to try to mitigate those cost increases.

Mark Wilde — Analyst, BMO Capital Markets

Okay. Any examples of things you can do?

Stephen Mackie — Senior Vice President, Canadian Operations, Canfor Corporation

Probably not a lot of stuff that I'm going to disclose here, Mark, but I think it's fair to say, obviously, the capacity reductions across BC, our own and others, temporary and permanent, are having an impact on the purchased wood market and we're seeing a change in bidding behaviour that is helping offset some of those high-cost fibres.

Mark Wilde — Analyst, BMO Capital Markets

Okay, that's helpful. Don, any thoughts on the potential for some rightsizing in Western Canadian pulp capacity just given the fibre constraints?

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

Yeah, hard to say at this stage yet but, I mean, just like we've seen happen on the lumber side, I mean ultimately there's probably going to be some impact down the road and we're certainly looking at that, aware of that, and watching that carefully ourselves. But, as Alan mentioned, I believe, in his

comments, I mean we think with the work that we've been doing on our chip supply and our raw material supply for the pulp mills, at least for now we think we can certainly move forward with the production levels that we have today.

Mark Wilde — Analyst, BMO Capital Markets

Yeah, okay. That's helpful. I think that's it for me.

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

Okay. Well, thanks, Mark. Good to talk to you.

Operator

Thank you. Ladies and gentlemen, at this time we have no further questions, so it does conclude your conference call for today. We would like to thank you for attending and ask that you please disconnect your lines. Enjoy the rest of your day.

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

Thanks, operator, and I look forward to talking to you all soon.