

FINAL TRANSCRIPT

Canfor Corporation

Canfor and Canfor Pulp Third Quarter Analyst Call

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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 the Canfor and Canfor Pulp websites. 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 each 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'd now 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 — President and Chief Executive Officer, Canfor Corporation

Thank you, Operator, and good morning, everyone, and thank you for joining the Canfor and Canfor Pulp Q3 2016 results conference call this morning. Thanks for being on a bit earlier than normal. We are here in Mobile this morning, where we hosted our quarterly Board meetings for the first time.

I'll make a few comments about the quarter and our outlook before I turn things over to Alan Nicholl, our Chief Financial Officer for both Canfor Corporation and Canfor Pulp. Alan will provide a more detailed overview of our performance in Q3, after which we will take questions.

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In addition to Alan, on the line with me today are Brett Robinson, President of Canfor Pulp; Peter Hart, Vice President of Pulp Sales; Wayne Guthrie, our Senior VP of Lumber Sales and Marketing; and Stephen Mackie, our Senior VP of Operations for Canada.

Starting with Canfor Pulp. We were pleased to see a return to normal operating levels in the third quarter after significant scheduled shuts in Q2. The outage's behind us and the mill's ramped back up to full rates. We saw more normal productivity levels and shipments in the quarter.

Markets for pulp are relatively stable, but our results were materially improved, reflecting the higher production rates. We expect Q4 to hold relatively steady, owing to the fall maintenance season and the slower ramp-up of new capacity, which has delayed the increase of supply into the market.

Turning to the lumber side of our business. In the third quarter, we continued to see the benefits of our US South business and our specialty product mix. While Southern yellow pine 2x4 pricing was down in the quarter, our revenues were up, reflecting our significant exposure to high-value specialty products. The US South mills continued to perform well, with improvements in productivity and steady log costs.

Our Canadian mills ran well in the quarter, and production was back to expected levels with increased planer production at our Houston Mill after the kiln fire in Q2, and progressing through the start-up period at Polar.

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Canadian revenues were higher, due to improved pricing and a weaker dollar, but that was partially offset by the moderately higher log costs that we highlighted on the last quarterly call.

In our key offshore markets of Japan and China, pricing is gradually moving higher, and inventory levels are in good shape. We anticipate to see the normal, seasonal pickup in demand in both these markets in the fourth quarter. Demand in North America remains solid, though we do expect to see the normal, seasonal slowdown in consumption as we head into winter.

Looking to 2017. We are seeing optimism from customers in all sectors in the US, particularly when it comes to new single family home construction and repair and remodel.

Early in the third quarter, we completed the final phase of our purchase of Scotch Gulf Lumber, where we acquired the remaining 50 percent of that business. We have one final phased acquisition to complete on the Balfour and Beadles mills in Southern Georgia, which will occur in January.

And finally, I will end with comments on the softwood lumber agreement. While we were disappointed that an agreement could not be reached before the expiration of the standstill period, discussions continue between Canada and the US government, with strong support from industry. We are encouraged by the commitment we see and remain hopeful that a new deal will be reached. That being said, we are prepared for all outcomes. I'm sure there will be several questions on this, most of which I likely won't be able to answer in any detail, but I'll leave it at that for now.

So with that, I'll turn the call over to Alan to provide an overview of our financial results.

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Alan Nicholl — Senior Vice President, Finance and Chief Financial Officer, Canfor Corporation

Thanks, Don and good morning to everyone. As usual, my comments this morning will focus principally on our financial performance for the third quarter of 2016, by reference to the previous quarter. Full details of our results are contained in the Canfor Pulp and Canfor news releases, which were issued yesterday.

As always, you'll find an overview slide presentation on both the Canfor and Canfor Pulp websites in the Investor Relations section under Webcasts. The presentation highlights consolidated and segmented results, and I will be referring to this presentation during my comments.

For the third quarter of 2016, Canfor reported shareholder net income of \$51 million, or \$0.38 a share, up from net income of \$36 million, or \$0.27 a share, reported for the second quarter, and a net loss of \$17 million, or \$0.13 a share, reported for the third quarter of 2015.

On Slide 3 of our presentation, we highlight the various non-operating items, net of tax and non-controlling interests, which affect the comparability of our results between the quarters.

In the third quarter of 2016, the most significant adjustment was a foreign exchange loss on long-term debt of \$1 million, or \$0.01 a share. After taking account of these adjustments, the third quarter adjusted shareholder net income was \$52 million, or \$0.39 a share, compared to similarly adjusted net income of \$27 million, or \$0.20 a share for the second quarter.

Results for the Lumber segment are highlighted on Slide 5 of our presentation. The Lumber business recorded operating income of \$75 million in Q3, a \$19 million increase from adjusted

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operating income in the previous quarter, which included a onetime gain of \$15.5 million related to a legal settlement. The higher adjusted operating income primarily reflected increased sales realizations in both Western SPF and Southern yellow pine.

Overall, unit manufacturing costs were up slightly compared to the previous quarter, with productivity gains and stable log costs on the US side largely offsetting moderate log increases in Western Canada, the latter reflecting increased market-based stumpage and higher hauling costs.

Shipment and production volumes remained in line with the prior quarter. The higher unit sales realizations, for the most part, reflected improved prices and a 1 percent weaker Canadian dollar. US dollar-benchmarked Western SPF lumber prices trended higher in the current quarter, and while the Southern yellow pine East 2x4 benchmark price was lower quarter over quarter, our Southern pine realizations benefitted from improved spreads in 2x6 and 2x8 and strong pricing for our specialty products.

Canfor's Pulp and Paper segment comprises the results of Canfor Pulp Products Inc. The Company reported net income of \$22 million, or \$0.34 a share, compared to net income of \$2 million or \$0.03 a share, for the previous quarter, and net income of \$31 million, or \$0.45 a share, for the third quarter of 2015.

And as you can see on the summary of Canfor Pulp's operating results on Slide 7, the improved operating income in Q3 was primarily attributable to less scheduled maintenance

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downtime, as well as higher pulp shipment volumes and increased energy revenues, as well as a modest pickup in unit sales realizations.

Global softwood pulp markets remained fairly stable through the quarter, and the higher unit sales realizations largely reflected the benefit of the slightly weaker Canadian dollar, which more than offset a modest decline in NBSK pulp prices to China. BCTMP prices improved during the quarter also.

Unit manufacturing costs were well down in the quarter, reflecting the 33,000 less tonnes of scheduled downtime in the period. The higher energy revenues reflected higher power generation levels and seasonally higher pricing. Shipments were up 11 percent from the previous quarter, again mostly reflecting the reduced scheduled maintenance downtime.

Operating income in the Paper segment was up \$2 million from the previous quarter, mostly as a result of the higher-value sales mix and the weaker Canadian dollar, partly offset by lower paper shipment volumes. Unit manufacturing costs remained flat, despite higher scheduled maintenance outages in the current quarter.

Capital spending in the third quarter totalled \$57 million, of which 40 million was for the Lumber business and \$14 million for Canfor Pulp. The 2016 capital expense projected to be around \$170 million for Canfor and \$70 million for Canfor Pulp, with similar amounts currently anticipated for 2017.

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As Don mentioned, during the quarter, Canfor completed the final phase of the Scotch and Gulf acquisition for \$62 million, increasing its ownership stake from 50 percent to 100 percent.

Consistent with previous quarters, Canfor Pulp's Board of Directors yesterday approved the continuance of its quarterly dividend of \$0.0625 per share.

At the end of Q3 Canfor, excluding Canfor Pulp, had net debt of \$378 million, with available liquidity of 255 million. Canfor Pulp had net debt of \$18 million, with available liquidity of just over \$100 million. Net debt to total capitalization, excluding Canfor Pulp, was around 21 percent, for Canfor Pulp it was 4 percent, and on a consolidated basis, it was 19 percent.

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

Don Kayne

All right. Thanks, Alan. Operator, we can now take questions.

Q&A

Operator

Thank you. We will now take questions from financial analysts. If you have a question, please press *, 1 on your telephone keypad. If you are using a speakerphone, please lift your receiver, then press *, 1. If at any time you wish to cancel your question, please press *, 2. Please press *, 1 now if you have a question.

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There will be a brief pause while participants register for questions. Thank you for your patience.

Your first question comes from Mark Wilde, BMO Capital Markets. Mark, please go ahead.

Mark Wilde — BMO Capital Markets

Morning, Don.

Don Kayne

Morning, Mark.

Mark Wilde

First question, I'll get an SLA question out of the way right quickly here. Just in the trade discussions, is a quota still kind of a no-go in a general sense for the Canadian producers? Or are there kind of quota structures that you think might work for you and might work for the Canadian industry?

Don Kayne

Yeah. Thanks, Mark. We get that question a fair bit. I mean, I think that we've had some real good solid support, or some real good conversations with Canada and BC both, who have been real, real supportive here of engaging with the US and from our standpoint, that's been occurring.

There's been several different variations of what might work going forward, and so we're continuing to through that and I mean really, at the end of the day, as you know, it's really the Government of Canada is the most involved in that. And so we know for one thing, we're trying to—

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while we of course would like to see free trade, we do recognize that managed trade's probably what we're going to end up with.

So there's possibilities of some different hybrid-type systems potentially, but at the end of the day, we're still trying to work through to get some sort of a deal that will work from both the US standpoint and also from Canada's standpoint, and we've made many efforts to—I think Canada has made many efforts to reach out to try to get something in place here, and we're still waiting to get something solid back.

Mark Wilde

As it stands today, Don, are you optimistic about kind of a solution over the next, say six months? Or do you think we're headed back into litigation here kind of a la last time around?

Don Kayne

Yeah. That's a difficult one to answer. I mean, I think that we try to maintain—and I think that really goes for everybody—it's a difficult negotiation, and we know that it always has been, typically and traditionally. So there's always some optimism that we can get something that's going to work, but I can tell you one thing. It has to be something that we can really accept in Canada. We're not going to—it's not going to be any deal. It's got to be a deal that we actually absolutely believe will be solid for Canada and for British Columbia and for Canfor going forward. So try to remain somewhat optimistic, but we also recognize the challenges that we've got in front of us here.

Mark Wilde

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Okay. All right. Let's turn to the business. I was just kind of curious, your lumber volumes were flat on a year-over-year basis, and the lumber market has continued to improve. So I would have thought that you might have had a little better just year-over-year comparison on the volume side. Can you talk about that?

Don Kayne

Yeah. Maybe, Stephen, do you want to talk about the volume at all? Just overall?

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

Sure. So ...

Don Kayne

Start out with the startups and so forth.

Stephen Mackie

Yep, for sure. Thanks, Don and Mark.

So our volumes are relatively flat but we did have—in the quarter we did have a couple of major capital projects we completed at Fulton and Polar Sawmills, and we're pleased with the progress on those. They're both ramping up well, and I think we'll see the benefits of those volume gains, and we'd previously guided to about 200 million increased total volume by the end of 2017, which would include our WynnWood operation and growth there as well. So I think aligned with our focus on value and specialty, we're making progress on the volume side and expect to see it by the end of 2017.

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**Don Kayne**

Yeah. That's great, Stephen.

Mark Wilde

Okay.

Don Kayne

I think one thing, Mark, we should also mention is we did shut the Canal Flats mill down too, and that's about 150 million feet, something like that.

Stephen Mackie

Yeah. Yeah, or a little more than.

Don Kayne

Little more than that. Maybe 175 million feet, if you recall back in last February in 2015. So that'd probably be another comment you might want to have in your back pocket there.

Mark Wilde

Okay. And then can you talk at all about what you're seeing in the Chinese market or in the Asian markets generally? I think your initial comments were, I would say, kind of fairly encouraging, cautiously encouraging.

Don Kayne

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Yeah. I got our resident expert here at the table, Mr. Wayne Guthrie, and he'll talk—maybe give you some detail on that. But just overall, and I was over there recently myself, and I think, in terms of our view and the importance both are—both our view and our importance that we put on Asia—hasn't changed at all. And matter of fact, I mean despite the fact what you hear about China, it's still very, very resilient, and we still see some robust business going forward there. But you know, it is maybe a little bit off this year compared to last year, but nothing material. But I'll let Wayne talk about it, because he spends quite a bit of time over there.

Wayne Guthrie — Senior Vice President, Sales and Marketing, Canfor Corporation

Sure. Sure. Thanks, Don. I'm not sure about resident expert here, but we'll give it a shot here. But the most encouraging thing about the SPF business in China, or the Canadian lumber business in China right now is the inventory level. So they are the lowest I've seen in years, and the opportunity to increase volume there is quite good.

You will see, I think, a pick-up in Q4 volume going to China, which is seasonally normal. Pricing has come together here now between America and China, so I think you'll see a little pickup there. Certainly the demand is there. I think when people look at the export numbers and see Canada off 12 percent this year, they interpret that as a slowdown in China, when in fact, it's just that Canadians have chosen this year to sell their wood someplace else. Lumber consumption in China is actually up, and so we're selling into an improving market still.

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The other thing to keep in mind, as we move out of the pine beetle and get a better log, we're just making less low grade. So that's business that we will not be participating in going forward, because we simply won't be making that low grade that we did. So the overall number might be down, but the value of what we're selling into China and the importance to the Company, as Don has alluded, is as great as ever.

Mark Wilde

Yeah. Okay. Good point. Last question I've got for right now is just that Alan, I was a little surprised no share repurchase activity in the quarter, just given the weakness that we've seen in most of the lumber stocks over the last several months.

Alan Nicholl

Yes. Good morning, Mark. Listen. Totally fair question there. I think as we've guided in previous quarters, our primary two areas of focus today are really the capital and sustaining our mills at top quartile, including the projects that Stephen just alluded to as well, as well as debt reduction. I think we've talked at the last call around wanting our debt-to-cap levels—typically they're around the 10 to 20 percent is our target. We're probably guiding a little bit more to the lower end of that range, given some of the uncertainties that Don's highlighted, Mark. So totally fair question, but our priorities are just those I've just outlined. So not ruling out the possibility of doing some of that in the future, but certainly our focus areas are, as I say, as I mentioned.

Mark Wilde

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All right. Fair enough. Thanks. I'll get back in the queue.

Don Kayne

All right. Thanks, Mark.

Operator

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

Sean Steuart — TD Securities

Thanks. Good morning, everyone. Couple questions. Alan, I want to follow up on share repurchases and appreciate what you're saying with respect to Canfor Corp. But on the Canfor Pulp side, you guys had been very busy in recent quarters. You didn't do anything in Q3. Canfor Pulp has a strong balance sheet. Just your thoughts around the lack of activity on the NCIB at Canfor Pulp this quarter.

Alan Nicholl

Yeah. Well, good morning, Sean. Yes. No. As you noted, we took a pause—I think you used that word this morning—from share buyback. We have, to your point, been very active this year and very pleased with the activity that's been generated there. Right now, Don, as I think we mentioned just earlier in the call in Don's formal notes, clearly there's a lot of capacity that's scheduled to come online. Some of that is being delayed a little bit. But there's potentially fairly significant headwinds as we move into 2017. So we're adopting a fairly conservative wait-and-see sense there, and clearly very keen to buy back shares where we can, but for now, we're taking a more conservative stance.

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**Sean Steuart**

Okay. Thanks. And question on your Southern pine lumber business. Can you give us an idea of what percentage of your shipments roughly would the premium grades be? To better pricing there and we thought we reflected it in our forecast but you still did better than we thought you would. Any guidance you can give on mix there and how much of the shipments would be premium grades.

Don Kayne

Yeah. I prefer not to comment on exactly the percentages at all, but what I will say is that we're continuing to focus hard on that. And we think we're in a pretty good position from the standpoint of fibre that allows us to do more of that than maybe what we expected to do when we got into this deal. But it's certainly, in our view, it's something that we're focused on, not only now, but even going forward, we see even more opportunities. But to give you an order of magnitude, it's certainly more than half.

Sean Steuart

Okay. And then last question, a follow-up on Chinese lumber markets for Wayne. Is there a sense that Canada is clawing back any of the market share that we've lost to Russia over the last couple of years? Do you have that sense in what you're seeing for volumes right now?

Wayne Guthrie

That's a good question. I guess you could look at any one spot in time, but I guess what we expect is another good year of consumption in China next year, and it'll be up. Most of that's going to

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be filled by Russia. So as an absolute market share number, I'm not sure, Sean, that we'll gain any going into next year. I think, though, we'll bottom out with it where we're at. I think you'll see it kind of stabilize where we're at now.

I'm not sure we're going to be able to gain, just because I think we've got a limited amount of volume or relatively limited amount of volume that we want to send over there, and I think the market's going to grow faster than what we can with it. And the other thing too is we're really focusing on value versus volume there, so the market share can be a little misleading.

Sean Steuart

Okay. Understood. That's all I had. Thanks, guys.

Don Kayne

Thanks, Sean.

Operator

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

Paul Quinn — RBC Capital Markets

Yeah. Thanks very much. Just a couple of easy questions here. Maybe to start just on SLA. You know one of your competitors recently said no deal was better than a bad deal. Would you characterize a quota with volume less than the current market share as a bad deal?

Don Kayne

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I think that we've—for sure. We need to be real, real close to where we've been historically, and we think we've certainly—yeah. I think so. Absolutely. And we wouldn't want to be much less than where we're at today, in terms of market share. And of course, it comes down to how that's all allocated. At the end of the day, we, again, Paul, we don't get involved in that too much, other than we think the deal—and we've said this from the start, and I think our competitors have said the same thing. The deal that we had in place, from a market share point of view and even the structure of it, worked before. And it saw the kind of behaviour changes. It saw the kind of—it worked quite well across the industry.

So we're certainly pretty solid around the fact that where the market share was is still representative of where we need to be. Now there's potentially a little bit of flexibility there maybe, and due to the—down the road here in British Columbia from a log point of view. But overall, we think we need to be pretty firm around that.

Paul Quinn

Well, thanks for that. And then maybe just trying to keep it—trying to look at all the parts here with all the things that you're purchasing. Just trying to understand the lumber geographic mix that you've got between Canada and the US now. I know you've still got a piece of Beadles and Balfour to go on. But post that, what's your split between Canada and the US?

Don Kayne

Yeah. We're about 26, 27 percent into the US, and pro forma would be closer to 30.

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Paul Quinn

Okay. And then just switching over to Pulp. If you could—is there any maintenance in Q4?

And what's the schedule like in 2017?

Don Kayne

Brett, why don't you just take that?

Brett Robinson — President, Canfor Pulp Products Incorporated, Canfor Corporation

Yeah. There's no maintenance in Q4; we've got that all behind us. And then into next year, we would have about 37,000 tonnes, mostly at the Northwood mill in Q2 2017.

Paul Quinn

Okay. And then while I've got you, Brett, what are you thinking about for NBSK and BCTMP pricing coming forward? I mean you've referenced the capacity additions coming and mostly on the softwood side, but are you seeing a lot of capacity additions on the BCTMP side and expecting prices to weaken in '17?

Brett Robinson

I'm going to pass it over to Peter, but we aren't seeing any BCTMP capacity coming in. Peter, are you there?

Peter Hart — Vice President of Pulp Sales, Canfor Corporation

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I'm here. On the NBSK side, we are taking a conservative approach. Not all mills have started up that are going to start up. When they do start up, we expect to see some downward pressure on the BCTMP side. The downward pressure at some point could come from the hardwood side.

Paul Quinn

All right. That's all I had. Good results. Thanks, guys.

Don Kayne

Yeah. Thanks very much.

Operator

Thank you. Ladies and gentlemen, as a reminder, should have a question, please press *, followed by 1 on your touch-tone phone.

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

Hamir Patel — CIBC Capital Markets

Hi. Good morning. I just had a couple of follow-up questions on the Chinese lumber market. Wayne, you mentioned, I guess, the BC data is tracking—I think you said 12 percent down year-to-date. Can you maybe speak to where Canfor's volumes are? I know in 2015, you sort of bucked the trend and were actually up when everybody else was down.

Wayne Guthrie

We're down nearing that, a little bit less than that.

Hamir Patel

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In line. And just sort of an SLA-related question, I guess either for Don or Wayne. I'm curious to get your thoughts as to if duties did come in, what you think the spread would be between SPF and Southern yellow pine, and then also maybe how that might play out for the premium products that you sell?

Don Kayne

Yeah. Why don't you give your little estimate on that one, Wayne?

Wayne Guthrie

So we looked at the last 30 years of all the trade deals, and we looked at the spread between the two species, and really, despite the short-term shocks that'll happen when things come into play, longer term if one species goes up, all species move up. So we expect spreads to be kind of near where they've been. I don't think that this SLA—other than, again, that when it first comes out we might see a shock in SPF pricing—spreads will likely end up near normal.

Hamir Patel

Okay. Fair enough. And just a final question for Alan. Can you speak to maybe any changes on the pension funding side going into 2017?

Alan Nicholl

No. There's not too much. We are starting to make some solvency payments, and we started actually in September, and we intend to do so for the next few years, but nothing untoward. They're

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clearly aware of the low interest rate environment and clearly keen to manage the risk and related liabilities, but that's probably the only notable change that we're seeing or doing right now, Hamir.

Hamir Patel

Okay. And, Alan, any sense yet on CapEx for 2017?

Alan Nicholl

Yeah, I guided a little bit earlier to numbers that are probably pretty similar to what you're going to see for 2016, both for Lumber and for Pulp, and those numbers will be fairly close to the depreciation numbers you'll see as well.

Hamir Patel

Fair enough. That's all I had. Thanks, Alan.

Alan Nicholl

Thanks, Hamir.

Operator

Thank you. Your next question comes from Daryl Swetlishoff, Raymond James. Daryl, please go ahead.

Daryl Swetlishoff — Raymond James

Thanks, and good morning, guys. Just a follow-up on the spread question. Wayne, was there anything out of the ordinary with respect to US South pricing East-West in the spreads?

Wayne Guthrie

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Like currently you mean, Daryl?

Daryl Swetlishoff

Yeah, in the quarter especially.

Wayne Guthrie

Yeah. I don't think so. You know there's—Texas remains the best market in America, so that's going to benefit the West side a little bit. We did have some weather events in the East side, the hurricane and flooding that kind of slowed down consumption there for a few weeks. So other than things we deal with every quarter, I didn't see anything else out of the ordinary.

On the why it's coming off a little bit, particular in the West side, again I think we have talked about that in previous calls. That's normal. Going into the fourth quarter, we tend to see that. We'll gain that back in the first part of next year.

Daryl Swetlishoff

Okay. Thank you. The rest of my questions have been answered. Thanks.

Don Kayne

All right. Thanks, Daryl.

Operator

Thank you. Your next question comes from Mark Wilde, BMO Capital Markets. Mark, please go ahead.

Mark Wilde

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Thanks. I've got a few follow-ups. Don, first back on that hurricane. You've got operations in the Carolinas there. Is this likely to have a fourth quarter impact?

Don Kayne

No, not material. We had a little bit—I think compared to floods a couple years ago, this time around, all we really had was we lost a little bit here. Real small, not even material, due to some flooding deal, but other than that, no wind damage or anything like that, and we never had anybody get hurt or any safety issues either.

Mark Wilde

Okay. All right. Second thing. Can you talk about any impact this Tolko closure up in Manitoba would have on your Kraft paper business?

Don Kayne

Yeah. Maybe, Brett, you've been doing some work on that one. Why don't you comment?

Brett Robinson

Sure. So the Tolko—they're a partner, obviously, in Premium 1 Papers and we would—while we're watching closely to see what might happen, as I'm sure you've seen in the press, there's questions about whether it would actually be closed or perhaps ...

Mark Wilde

Right. Yep.

Brett Robinson

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For us, we will continue to support our customers, and there is some good brown business that Tolko has, and we would try to make sure we take care of our customers. We do have the flexibility to go back and forth between bleach and browned, and we don't see there'd be any negative impacts to us.

Mark Wilde

Okay. Right. And then, Don, I wondered if you could just give us a little update on sort of your early progress with Anthony. And I'm also just kind of curious—I think Anthony is taking you into some new engineered wood markets and just sort of your initial read on those.

Don Kayne

Yeah, no. For sure. I mean first of all, Anthony—we're really pleased with the acquisition just at the outset here. And again, it gets us into another region—high-quality fibre region—which as you know, we've spoke about before, Mark. When we've been together, it's a key focus, continues to be. And in addition at Anthony, as you mentioned, it really provides us with some vertical integration that we haven't had before, into engineered wood products, which has of course been a high-value opportunity and has been surprisingly positive for us.

And so you know, I think the mill's been good; the integration's been solid there. So overall, I mean that operation has really been a solid one right from the get-go for us, and going forward, we're looking at where we can expand there, from a product mix standpoint and so forth. But it

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definitely supports our high-value strategy that we've really been pushing hard on, to try to capitalize on across the whole South region.

Mark Wilde

Yeah. Okay. And then the final question I had is just that maybe you could talk a little bit about your appetite for kind of additional acquisitions in the US? And if you've got that appetite, sort of what the kind of location and sort of business focus might be?

Don Kayne

Yeah. Okay. We've got the appetite, and we've always had that, in the context of what Alan mentioned at the beginning there, just around our capital allocation and so forth. But assuming that's all in place there, yeah certainly the South is in a region that we've been extremely pleased with for some time now.

In terms of the focus, I think we've been pretty clear in the fact that whatever we do do down there, in the future here—and there'll be opportunities, I'm sure coming up here next year, hopefully; hasn't been any attractive ones here recently. But it will be based on fibre for sure, in terms of trying to make sure that we've got some real solid fibre—not only competitive, but also some of the higher-value type fibre, and also so that it will help us fulfill what we're trying to do here around continuing to add in the high-value specialty side of the business.

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So where that's going to be? Hard to say. There's lots of choices down in the South, as you know, and so—but clearly, as you roll the clock forward here, we'd certainly see the South as a key part of our investments going forward, whatever that—whenever the time's right.

Mark Wilde

Yeah. And I just—kind of on that. I notice when I look at the Timber Mart prices every quarter, you know log pricing is a lot lower when you get kind of a little further west in the South, and I wonder whether that's a big consideration for you guys?

Don Kayne

Yeah. I mean certainly the competitiveness of the fibre is, but again, it just depends on the individual opportunity, and you never really know. There'll be and has been opportunities right across the South, particularly down in the deeper South. And so but what you articulated there has been true; whether that continues, I'm not sure. There's been some new announcements of a mill or two that we're also paying attention to, but overall, we'll look at that on an individual basis, as those opportunities arise.

Mark Wilde

Okay. Fair enough. Good luck in the fourth quarter and as we move into next year.

Don Kayne

Yeah. For sure, Mark. Thanks very much.

Operator

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

Don Kayne

All right. Thank you, Operator, and thanks, everyone, for joining our call, and look forward to talking to you at the end of the year.

Operator

Thank you. Ladies and gentlemen, this concludes your conference call for today. Thank you for participating. You may now disconnect.

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