FINAL TRANSCRIPT

Canfor Corporation and Canfor Pulp Products Inc.

Second Quarter Analyst Call

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PRESENTATION

Operator

Good morning, ladies and gentlemen. Welcome to the Canfor and Canfor Pulp Second 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 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 risk of such statements.

I would 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 — Chief Executive Officer, Canfor Pulp Products Inc.

All right. Thanks, Operator, and good morning, everyone. Thanks for joining the Canfor and Canfor Pulp quarter two 2018 results conference call this morning.

I'll make a few comments before I turn things over to Alan Nicholl, our Chief Financial Officer for both Canfor Corporation and for Canfor Pulp. Alan will provide a more detailed overview of our performance in Q2.

Joining Alan and I today are Peter Hart, our Vice President of Pulp and Paper Sales and Marketing; Kevin Pankratz, Senior Vice President of Lumber Sales and Marketing; and Stephen Mackie, our Senior Vice President of Canadian Operations.

Beginning with Canfor Pulp, the Company generated another record high quarterly operating income of $85 million in the quarter, just slightly higher than the prior record set in Q1 of this year. The Company also set a record for sales with net $396 million recorded in the quarter. Pulp demand and pricing continued to be strong globally, and we had a strong operational quarter and strong shipments as we reduced inventory levels that built up in Q1.

Looking towards the back half of the year, we see markets as balanced, with some seasonal summer weakness in China potentially impacting pricing. We continue to expect good pricing levels through the remainder of the year.

In the operations, we are planning for a 28,000-tonne outage at our Northwood Mill for scheduled maintenance, which will be started in late September.

Moving to our lumber business, we also set historical records for operating income and revenue at $203 million and $1.1 billion respectively. The quarter saw significantly higher production and sales revenues compared to a very challenging Q1, as weather conditions improved, and pricing moved sharply higher. Transportation networks slowly returned to normal service levels, and some of the inventory built up in the prior quarter was released. We anticipate the remaining inventory will be liquidated by the end of the third quarter.

North American demand remained strong, and combined with some constrained shipments we realized significant pricing increases throughout the end of May, before seeing some expected reductions in June. Demand for offshore markets continue to be solid. However, they have not achieved North American price levels due to the typical lag we experience in those markets.

Our outlook for the remainder of 2018 is a continuation of strong markets, although we do expect to see a moderation in pricing over the summer in the typically slower period and as supply networks normalize.

Our 350 million board foot, organic capital program remains on track to be completed by the end of 2019. The spending includes large sawmill rebuilds at Camden and Moultrie, a new planer at Fulton, and continuous dry kilns at Darlington and Urbana.

In regard to our previously announced greenfield mill, we continue to work to resolve the contractor issue, and we believe we are close to resolving this issue and will update again when we are able to.

Finally, in regards to the Softwood Lumber Agreement, there have been no significant developments on the negotiation of a settlement since last quarter, as Canada works through its appeals with the ITC and the WTO.

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

Alan Nicholl — Chief Financial Officer, Canfor Pulp Products Inc.

Thanks, Don, and good morning, everyone. As usual, my comments this morning will focus principally on our financial performance for the second quarter of 2018 by reference to the previous quarter. And full details of our results are contained in the Canfor and Canfor Pulp news releases, both of which were issued yesterday afternoon.

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 second quarter of 2018, Canfor reported shareholder net income of $170 million, or $1.32 a share, up from net income of $112 million or $0.87 a share reported for the first quarter of 2018, and up from net income of $81 million, or $0.61 a share, reported for the second quarter of 2017.

On Slide 3 of the presentation, we highlight various non-operating items, net of tax and non-controlling interests, which affect the comparability of the results between the quarters. In the second quarter, these items totalled $44 million, the largest being the expense relating to countervailing and anti-dumping duty deposits of $38 million compared to 26 million recorded in Q1.

After adjusting for these items, shareholder net income for Q2 2018 was $214 million, or $1.66 a share, compared to $145 million or $1.13 a share for the first quarter.

As highlighted on Slide 4 of our presentation, the lumber segment recorded operating income of $203 million for Q2, up 78 million from the previous quarter. After adjusting for the CVD and ADD amounts expensed, lumber operating income for Q2 was $255 million, up 94 million from a similarly adjusted operating income of $161 million in Q1.

As Don noted, North American lumber demand was solid across all segments of the market in the second quarter. Shipments were up 13 percent quarter over quarter, reflecting the strong demand as well as the drawdown of inventory as transportation networks improved following the weather-related challenges that we saw in the previous quarter.

Lumber sales realizations in the second quarter were higher for both Western SPF and Southern Yellow Pine, with average benchmark two-by-four prices up US$85 and US$23 respectively, with the aforementioned solid demand and supply constraints early in the year contributing to sharp price increases in the first part of the quarter. Realizations also benefitted from the weaker Canadian dollar.

Lumber production was 6 percent higher than the previous quarter, largely reflecting productivity gains in Western Canada, following the Q1 weather-related challenges, as well as the benefit of recent capital investments in the US side.

Unit manufacturing costs in the current quarter were slightly higher, with stable log costs and productivity gains at our Southern Pine operations, largely offsetting higher market-based stumpage and purchased wood costs in Western Canada. For the remainder of the year, we'd expect to see continued price pressure on log cost in this region.

Canfor's Pulp and Paper segment comprises the results of Canfor Pulp Products Inc.

As highlighted on Slide 6 of our presentation, the Company reported record high net income of $63 million, or $0.97 a share, for Q2. This compares to net income of $64 million, or $0.99 a share, for the first quarter. As Slide 6 highlights, Canfor Pulp's Q2 financial performance reflected the continued strength of global softwood pulp markets, with pricing holding at near-record highs.

Pulp shipments were up 6 percent from the previous quarter, reflecting the strong market demand and an easing of transportation issues through the second quarter. Our NBSK pulp mills had another solid quarter. Overall, top pulp production in Q2 was down 5 percent, reflecting completed scheduled outages at our PG pulp mill and our Taylor BCTMP mill. The latter included extended downtime associated with the start-up of the previously announced energy project.

Unit manufacturing costs were moderately higher than the previous quarter, with seasonally lower energy prices and usage more than offset by market-driven increases in fibre cost and costs relating to our scheduled outages.

Operating income for the paper segment in Q2 was $2 million, down a million from the previous quarter, as higher slush pulp costs, driven by the stronger NBSK pulp prices more than offset improved unit sales realizations that we saw in the quarter.

Capital spending in the second quarter totalled approximately $88 million, with 62 million in the lumber business and $25 million in Canfor Pulp. The Company continues to execute on its US$125 million organic growth program on the US side, and as Don mentioned, remains on schedule to be completed by the end of next year, 2019. For 2018, our forecast of capital spend for lumber is approximately $260 million—for lumber—and $90 million for pulp.

Consistent with the prior quarters, Canfor Pulp's Board of Directors approved the continuation of a quarterly dividend of $0.0625 per share for second quarter.

And the end of Q2, Canfor, excluding Canfor Pulp, had net debt of $40 million with available liquidity of $354 million. Canfor Pulp had net cash of $188 million with available liquidity of $99 million.

Net debt to total capitalization, excluding Canfor Pulp, was just under 1 percent. And on a consolidated basis, net cash to total capitalization was almost 8 percent, as cash balances exceeded outstanding debt.

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

Don Kayne

All right. Thanks, Alan, and Operator, we're now ready to take questions from the analysts.

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're using a speakerphone, please lift your receiver and then press *, 1. If at any time you wish to cancel your question, please press *, 2.

Please press *, 1 now if you have a question. There will be a brief pause while participants register for questions. Thank you for your patience.

Your first question is from Hamir Patel from CIBC Capital Markets. Hamir, please go ahead.

Hamir Patel — CIBC Capital Markets

Hey. Good morning.

Alan Nicholl

Morning.

Don Kayne

Morning.

Hamir Patel

Don, there's been some talk in the press about a potential strike by sawmill workers in the BC Interior. Could you maybe just comment how you're feeling about the labour situation there? And how much of the BC Interior capacity is potentially affected?

Don Kayne

Yeah. No. For sure, Hamir. We've been working on that for some time here, of course, and I'll—maybe, Stephen, you can give an update because I know you're real close to that, to Hamir.

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

Sure. Thanks, Don. Good morning, Hamir. Yeah. As you've seen in the press, we've got four of our operations that are participating, through the association of CONIFER, in the negotiation process with the USW. And as reported, the USW has chosen to go to their membership and seek a strike mandate and take a strike vote.

It's a normal part of the bargaining process from our perspective. And we remain confident that we'll be able to reach an agreement, ultimately, that will be fair and reasonable in terms of—for our employees that are represented by the USW and through CONIFER.

Hamir Patel

Great. Thanks. That's helpful. And maybe just a question for Peter on the Pulp side. Given the strong market conditions there, I was curious. Are you seeing any of your customers seeking to accelerate their 2019 contract negotiations? And how do you feel about discounts for next year? It seems like they've been going up every year. Just wondering if you think next year may be different?

Peter Hart — Vice President, Pulp and Paper Sales & Marketing, Canfor Corporation

To answer your first question, we are seeing some negotiations start earlier than in the past. So already in May and June, we started to have initial discussions for 2019 with some customers.

As it pertains to discounts, I don't think it's really appropriate for me to signal whether or not I think they'll be going down or not.

Hamir Patel

That's fair enough. And maybe just a final question on the lumber side. We're hearing some reports of Chinese environmental restrictions coming, which may encourage more of their manufacturing capacity to move further inland, closer to the Russian border. Are you seeing customers shift away from Canadian SPF?

Don Kayne

Kevin, why don't you comment on that? We've talked a little bit already.

Kevin Pankratz — Senior Vice President, Lumber Sales and Marketing, Canfor Corporation

Yeah. Yeah. No, we have—Hamir, no, we haven't seen that. And those environmental reports for sure have been noted. But for SPF production, our demand from China remains intact and pretty solid, and we have a pretty positive outlook for the balance of the year.

Don Kayne

We put quite a significant increase, Hamir, in Q2 even over Q1—

Kevin Pankratz

Yeah.

Don Kayne

—in shipments to China. And I think the other encouraging thing, which we've talked about several quarters now, is not only are we—we're much more focused now in terms of the quality of the products that we're shipping there, as opposed to the volume of the products.

Kevin Pankratz

Yeah.

Don Kayne

And we've been successful, quite successful actually, in terms of making some solid inroads in terms of more, especially products from certain number of our mills that are able to produce kind of high quality and some of the industrial applications that are required there. So quite the opposite.

Kevin Pankratz

Yeah.

Hamir Patel

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

Don Kayne

Okay. Thanks.

Operator

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

Sean Steuart — TD Securities

Thanks. Good morning, everyone. A few questions. I'll start with capital allocation. I feel like we go through this every call, but your approach is different from your largest competitor. You guys haven't bought back any stock at either the parent or pulp company level this year. Can you give us an update on how you're thinking about discretionary capital allocation? And the lack of activity on buybacks versus an aggressive CapEx plan? How you're thinking about prioritizing your balance sheet and your capital structure over the midterm?

Don Kayne

Okay. For sure. Thanks, Sean. And maybe I'll speak about Canfor for sure, and then maybe, Alan, you can speak a little more specifically about Canfor Pulp, because we spent quite a bit of time on that as well.

Just on the—as you said and mentioned, Sean, accurately, we think we've been pretty consistent and have a pretty balanced strategy in terms of capital allocation on the Canfor side for starters. And recognizing your comments there on one of our competitors, the activity there on buybacks.

But in terms of ourselves, from Canfor's point of view here, we're still focused, as a priority, on the sustaining capital. And we're continuing to do that and making sure that both in Canada, as well as in the US, that the mills that we've spent capital on, that we're continuing to keep them at top quartile. As you know, we were quite far behind, 7, 8, 10 years ago, in that respect, and we spent a lot of time, a lot of effort, a lot of money, to get us to where we are today. So we'll continue to do that across the fleet of mills, no question.

Secondly is, in terms of organic growth we're looking at continuing to do that. Alan mentioned in his comments of the US$125, 350 million organic program in the South. And we're also looking at some opportunities elsewhere as well. Particularly in BC, we've got some areas that we need to do some things on over the next while here, and we'll be—stay tuned on that because we'll be speaking more about that over the months and quarters to come here.

In addition to that is the buybacks, and we continually look at that. We were pretty active last year, as you know. But we’re not going to chase it either, and so—but it’s definitely something that we look at on a regular basis and compare in terms of when it’s worthwhile doing that.

And then the last thing is M&A. And again, we’ve been consistent there, and we talk about that, and it’s been a valuation issue for a while now. However, that being said, it’s still something that is on the drawing board, and it’s something that we’ve said before, that in our strategy, we want to—we would like to have a larger footprint, and a bigger foot—or a bigger footprint in the US particularly, and that’s still the case today.

So that—in terms of Canfor, that’s pretty consistent and we don’t—clearly, our balance sheet’s in good shape, and we’ve got some flexibility, but that’s frankly what we’ve been trying to achieve, so.

In terms of Canfor Pulp, because that’s got a few more wheels that are turning. So maybe, Alan, you can talk a bit about that?

Alan Nicholl

Yeah. No. For sure. Good morning. Good morning, Sean. Listen, clearly, a lot of what happens at Canfor Pulp reflects similar thinking to Canfor. We have the luxury of a very strong balance sheet, as everybody sees, and as I think I mentioned last quarter, we’re very focused on how we might capitalize on that balance sheet strength.

So lots of effort in undertaking and looking at internal organic opportunities, a lot around the fibre optimization side of things, as well as looking at external growth diversification opportunities, traditional and energy-related as well. Probably won't have clarity on that until close to the end of the year, Sean, as far as that goes.

In terms of our other capital projects. As you may recall, we announced a close to $40 million raw water treatment project that will really kick in next year as well.

And then, in terms of share buyback, dividends, I think the dividend, as you've seen, it continues to be at that $0.0625 level. Clearly, we'll have to factor in all options available to us by the end of the year, as we look at that capital allocation effort. And then in terms of share buyback, just very quickly. Clearly, we've been quite consistent until last quarter to—we're taking a bit of a pause there—but always keep an open door to looking to extract value for shareholders when the opportunity provides.

Sean Steuart

Thanks for that. That's good detail. I guess the broader question is, Alan, you referred to it as a strong balance sheet. Some would call it an inefficient balance sheet. I guess the question is, how long are you comfortable sustaining over-capitalized balance sheets for both companies?

Alan Nicholl

So, yeah. In terms of Canfor Pulp, I mean, I think we—again, it's a little bit more of the same message coming from us here, Sean. I mean, I think we don't apologize for maintaining a very strong balance sheet, given that we still are very much—we're participating in a commodity market, commodity play, clearly. But at the same time, we do recognize that it's important we try and make that cash work. We just want to be patient and diligent around how we look to optimize that cash.

Sean Steuart

Okay.

Don Kayne

Maybe just to add a little bit, Alan, to that too, Sean, is we worked several years and hard to get to this stage, in terms of having a fairly strong balance sheet. And with valuations where they're at, we also want to make sure that we have cash available when things do start—the evaluations start to make more sense from an M&A standpoint as well and have that cash available. So we're not maybe as concerned as some around that, frankly.

And the other—the one thing I didn't touch on, too, and I should've, was around Washington. That's another area that we committed, that we are committed to as well. And we—just on that—and because that's another several million dollars. We hope we'll have, as we move through this quarter—by the end of this quarter, Q2, we should—we're expecting to have a decision in terms of timing on that and so forth. But we do expect to start construction sometime towards the end of the second quarter in 2019, early summer of 2019. That's the plan today, and we expect that that's what we'll be able to deliver on.

Sean Steuart

Okay. That's great detail. One other quick question, guys. I was surprised by the magnitude of the drop in pulp inventories this quarter. And in the preceding quarters, it didn't look like you'd built up that much inventory. Can you speak to how tight things are for you, or were for you, at the end of the second quarter? And I presume there'll be an inventory build ahead of the shut in September this year. But maybe just speak to how tight your supplies are in the pulp side right now?

Don Kayne

For sure. I'll—yeah. For sure, Sean. Maybe, Peter or Alan, one of you can talk a bit about that?

Peter Hart

So certainly our second quarter we had excellent sales volumes. We had virtually no slippage out of the month. In most months, you get some slippage from quarter to quarter. We had virtually no slippage, and at the same time we were able to invoice and ship all of the pulp that was slowed down from Q1 due to transportation issues.

Alan Nicholl

And, Sean, just to add to that. Clearly, shipments were higher in Q2. And in terms of looking forward, I'd say, to your point, Q3 will reflect the downtime that we talked about. So if you—as some guidance, if you average Q2 and Q3, you're going to get to a kind of more normal shipment level for 2018.

Sean Steuart

And, Alan, just finally. That maintenance shut that starts in September, does it carry into October as well?

Alan Nicholl

No. It should be done by the end of September.

Sean Steuart

Okay. Thank you very much, guys. I appreciate it.

Don Kayne

Yeah. Thanks, Sean. See you.

Operator

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

Paul Quinn — RBC Capital Markets

Yeah. Thanks very much. Morning, guys.

Don Kayne

Morning, Paul.

Alan Nicholl

Good morning.

Paul Quinn

Hey. A question that—I know you haven't tied down everything on this greenfield expansion, but it's been five months since you announced it. And in the interim, we've had duties come in on steel and aluminum, which probably is going to affect the CapEx. So just wondering if you can confirm that it's still going to be $120 million? And whether it's going to take place in Georgia?

Don Kayne

Yeah. No, for sure. And, I mean, clearly, as you outlined there, there's definitely some inflation there for sure. We haven't—I think safe to say it's going to be higher, first of all. No question about that. The degree that it's going to be higher, though, we haven't got that nailed down yet. And that's part of the work that we're actually undertaking right now with a firm that we've engaged to help us with that. And that's part of why it's taken a little bit longer than we expected is from some of the delivery times and some of that inflation that you speak about. But I think it's absolutely safe to say it's going to be higher than $120 million.

Paul Quinn

Okay. Then just, you know, it's taken you guys five months to renegotiate that, and you're still not done. There's lots of people that believe that capacity adds in the industry are pretty easy right now. Maybe you could talk to you—you know, you've been dealing with just about all the equipment manufacturers; their lead times? And how easy it is to bring on capacity?

Don Kayne

Sure. I'm not sure. Can you maybe—I missed that last part, Paul—apologize.

Paul Quinn

Just wondering that, from your perspective, you've obviously talked to all the equipment vendors. What's your sense of their order files? How easy it is for somebody to do a greenfield project in North America right now?

Don Kayne

For sure. Maybe I'll get Stephen to comment on that because I know you're working on that with a bunch of the suppliers already, so.

Stephen Mackie

Sure. Yeah. Thanks, Don. Morning, Paul. So I think—I mean, it sounded like you're maybe suggesting that capacity adds are relatively easy. I'm not sure I would—and maybe I misheard you there—but not sure I would really agree with that. I think that the industry's very busy from—obviously we've talked about—Don outlined our organic growth plans and all the sustaining CapEx work that we're doing, both in Canada and in the US.

We're seeing vendor lead times getting quite extended out there. I think our suppliers in the industry are all very busy. And there's limited options on good equipment suppliers and installation contractors. So I think that the capacity additions, we've seen a lot of announcements out there, and we're seeing some challenges in having that capacity added come on in the industry. So I think the lead times are north of 12 months, and if you're talking about a greenfield project, it'd be 12 to 18 months.

Paul Quinn

Yeah. Yeah. Thanks. To clarify, I actually think it's going to be very difficult to add capacity. Maybe just moving on to pricing realizations and the lag, Don, you were talking about with Asia. Now that we've got North America prices falling, is Asia going to catch up and surpass North American pricing?

Don Kayne

You want to—maybe, Kevin, you want to talk about that?

Kevin Pankratz

Yeah. Sure. Sure, Paul. I mean—and we've had some quite inflationary pricing in North America, which we alluded to, that the Asian markets have been lagging on that capacity there. But it's when you start getting down to the product mix, as we talked about, more higher-value products there, it sort of de-links a little bit from that core 2 and better product. But we do see a lot of the low grade that's been going there, that's going to be aligned with our price projections, and I think we're—I think that'll come into play there, so.

But then the other big part there too—there's other parts in Asia, like Japan, where we see material quarter-over-quarter price improvements that are in—that are consistent with the North American price growth. So there's lots of different moving parts there, but overall, we're going to see, I think, a positive trend moving forward.

Don Kayne

One thing, Paul, I might add—and, Kevin, you've talked about this before too—and we've seen it more than we've usually seen it, is a really positive and consistent reaction in Japan, which continues to surprise us in terms of how strong it's been on the volume side, Paul. But I think more importantly, what we're more concerned about is on the price lag that you speak to, and we've seen some significant support from our Japanese customer base, which is mostly a direct customer base, in terms of wanting to get more J grade and are prepared to step up and pay the price.

And so we've really seen—we're really encouraged, actually, by the reaction by some of our Japanese customers and the progress that we've made there, and we worked hard at over many years, but starting to see that there. And to some degree even in China too, but not to the same degree as what we've seen in Japan. And some other emerging markets too.

Kevin Pankratz

Yeah. Yeah, some of the Southeast Asian markets too.

Don Kayne

So if that's—for what's that worth, that might be helpful.

Paul Quinn

Yeah. It's helpful. And just lastly. I mean, if North American continue to get sloppy here, do we have the ability—or do you guys have the ability specifically—to move more volume into Asia? Is the demand quite strong there?

Don Kayne

On an SPF standpoint?

Paul Quinn

Yes.

Don Kayne

I think so. I mean, without question, and that's our focus. I mean, maybe we've shared this number before, but it's a critical number and a key number, and it's one we've worked on a long time, is this year we'll probably be less than 50 percent of our production going into the United States. So that's the type of diversification that we've been working on for several years, and this will really be the first year that we'll be under 50 percent. And that's with a less low grade as well, so it's not like this increase in overseas is coming—

Paul Quinn

Right.

Don Kayne

—in the low grade. It's coming with products that are more higher value and ones that we really been focused hard on to get recovery out of an improving log mix that we're getting.

Paul Quinn

Well, congratulations. Best of luck, guys.

Don Kayne

Yep.

Operator

Thank you. Your next question is from Mark Wilde from BMO. Mark, please go ahead.

Mark Wilde — BMO Capital Markets

Don, good morning.

Don Kayne

Morning, Mark.

Mark Wilde

Let me just start off on this capital allocation issue by saying, given the volatility in your end markets, and given the volatility in stock prices, I don't mind you guys having an inefficient balance sheet for a while. Very tricky to always have a perfectly efficient balance sheet in this kind of a business.

Don Kayne

For sure. Thank you.

Mark Wilde

But moving from there …

Don Kayne

Okay. So you could stop right there if you want.

Mark Wilde

I'd first of all like to kind of continue on Paul's questions around Asia. Is it possible to get a little update on what you're doing on these Asian imports out of the Southern US? Because this is really a pretty important fundamental development, if you can keep this going.

Don Kayne

Yeah. For sure, and I'll let Kevin talk specifically because we've put a lot of effort into that. And just—but just to frame it—is we look—we're looking at Yellow Pine and the opportunity in export. We've talked about this for many quarters, and our view actually has been pretty consistent. And we think we can get up to close to 20 percent or more in offshore markets than where we've typically been sitting at 1 or 2 percent—as everyone was down in the US. But opportunities are increasing for sure, and not just in China but in several areas.

And I'll let Kevin speak to it, because it's a pretty exciting area of growth opportunity because the quality of fibre down there continues to improve, with the money that everybody's invested, in particular on the drying side and the finishing side.

But, Kevin, why don't you update Paul—or sorry, Mark—some of the—some of the things that you've been working on here?

Kevin Pankratz

Yeah. Yep. For sure. So actually, this year, we've been quite active in the Asian markets on Yellow Pine and really focusing on some of the higher-value products there that our profile really helps support, so. And it's not just China; it's a cross section from all the different countries in Southeast Asia, Japan, and into China.

So there's been—we've got five or six different new trials that are just been materialized this quarter, that we feel quite optimistic on. And I think the customers over there also realize that Southern Yellow Pine is one of the areas in the world where there's going to be a supply response to meet growing demand for the lumber. So we think there's a lot of good traction there.

And as we alluded to, with new drying technology, and with the volume coming on, and the quality of the fibre, we think it's a really good fit to expand into the Asian markets, and even into India as well.

Mark Wilde

Okay. All right. That's helpful. I wondered then, just toggling over for a minute to the pulp market. It seems like NBSK and CTMP are kind of moving in opposite directions right now. So I wondered if you could just—somebody there could give us a little colour on the differences between those two markets? And what you're seeing right now?

Don Kayne

For sure, Mark. Maybe I'll let Peter give you—add some colour there.

Peter Hart

Well, BCTMP, the price reduction on the BCTMP side was actually back in January time frame. It's been relatively stable since then. On the NBSK side, we're seeing some current summer weakness in Asia, which could potentially impact prices. On the other hand, though, we're seeing strong demand from other markets, which is balancing out, to some degree, as we look forward into September, when you're already looking at the fall maintenance starting then.

Mark Wilde

Okay. All right. That's helpful. And, Don, can you talk with us a little bit about just sort of what you're seeing in terms of properties available in the Southern lumber business right now? You mentioned valuations have been very rich; I think everybody agrees on that. But are there many sellers out there right now?

Don Kayne

Yeah. I mean, it's hard to know for sure because we haven't been really active out there or looking either. In terms of—but definitely on a—certainly on a monthly basis, we are getting interest put to us. And so we're seeing probably a little bit of an increase there, but not a lot, but a little bit compared to what it was, say, 12 months ago. But again, valuations are still high, and so we've looked at a few. But so far, we haven't been able to connect there and get anything done here of any magnitude. So, so far, maybe a little bit—it's improved a little bit, in terms of more interest, but not material.

Mark Wilde

And finally, can you talk about whether you would look at investing capital in other regions in the lumber business? Or in other product areas?

Don Kayne

Yeah. Two questions. On the geography part of it, first of all, I mean, I think that—yeah. I mean, I think so. I mean, we would look at it, and depending on where—the key will be, in terms of any decisions that we make to expand outside of North America, say for example, if I'd had to guess where you—maybe what you're alluding to—would just be—would have to be a very, very significant, significant strategic fit. In other words, something that could really add complementary product mix and also talent too, from a human resource standpoint. Then perhaps we would look at that, but it would have to be something that's obviously very, very significant—a very significant fit with our overall strategy, which is diversification and really focusing on higher-value products and getting out of this commodity business, which is so—as you know—so volatile.

In terms of the products that we mentioned, that I—

Mark Wilde

Yep. Yeah. But in terms of other products—yeah.

Don Kayne

Yeah. I think that's a really good question. It's something that we're always, clearly, thinking about, and I wouldn't want to comment too much on this call about it. But I mean, right now, we prefer to be really the customized suppliers to some of those vertical integrated opportunities that I think you're talking about, such as CLT, would be one, maybe, that you're maybe thinking about. So up to now, we've really preferred to be a customized supplier to those ventures. Down the road, is that something we would look into? I'm not sure.

Mark Wilde

Okay. All right. That's helpful. Good luck in the second half, Don.

Don Kayne

All right. Thanks for your time, Mark. Take care.

Operator

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

Don Kayne

All right. Thank you very much, Operator, and thanks for everyone that was on the call, and we look forward to talking to you at the end of quarter three. Have a good summer.

Operator

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

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