WEST FRASER TIMBER CO. LTD.
Q2 2023 EARNINGS CONFERENCE CALL
JULY 27, 2023 – 11:30 A.M. ET
CORRECTED TRANSCRIPT

OPERATOR

Good morning, ladies and gentlemen. Welcome to West Fraser's Second Quarter 2023 Results Conference Call. Please note that all lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. [Operator Instructions]

During this conference call, West Fraser's representatives will be making certain statements about West Fraser's future financial and operational performance, business outlook, and capital plans. These statements may constitute forward-looking information or forward-looking statements within the meaning of Canadian and United States securities laws. Such statements involve certain risks, uncertainties, and assumptions which may cause West Fraser's actual or future results and performance to be materially different from those expressed or implied in these statements.

Additional information about these risk factors and assumptions is included both in the accompanying webcast presentation and in our 2022 annual MD&A and Annual Information Form, which can be accessed on West Fraser's website or through SEDAR+ for Canadian investors and EDGAR for United States investors. Thank you.

I will hand the call over to Mr. Chris Virostek. You may begin your conference.

CHRIS VIROSTEK, CHIEF FINANCIAL OFFICER & SENIOR VICE PRESIDENT, FINANCE

Thank you, Hilda. Good morning, everyone, and thank you for joining our second quarter 2023 earnings call. I'm Chris Virostek, Chief Financial Officer of West Fraser and joining me today are Ray Ferris, our President and CEO, and Sean McLaren, our Chief Operating Officer, and other members of the executive team.

I'll begin with a brief overview of West Fraser's Q2 2023 financial results and then pass the call to Ray, who will give an update on the business as well as provide a few concluding remarks before we transition the call to Q&A. As a reminder, we report in US dollars, and all my references today will be in the US dollar amounts unless otherwise indicated.

West Fraser generated $80 million of adjusted EBITDA in the second quarter, improving from the $58 million of adjusted EBITDA reported in the first quarter. Our North American EWP segment generated $126 million of adjusted EBITDA, up from $31 million in the prior quarter, a period that had included a $15 million inventory write-down. OSB prices that began to rise strongly midway through the quarter, drove the majority of the sequential EBITDA improvement.

The Lumber segment posted $10 million of adjusted EBITDA this quarter, up from $0 in the prior quarter, with lumber demand showing signs of improvement as the second quarter came to a close. The Pulp & Paper segment struggled in the second quarter with negative $74 million of adjusted EBITDA versus $7 million in the prior quarter. The second quarter included a $24 million inventory write down as a result of significantly declining pulp prices through the quarter.

It's worth noting that this quarter was marked by considerable disruption within the Pulp segment, with all four of our pulp mills taking downtime. In particular, Cariboo Pulp & Paper was down for a month in response to fiber availability constraints, Slave Lake Pulp took intermittent downtime due to energy prices, and we had month-long maintenance outage at Hinton Pulp, which was significantly longer than originally anticipated. Pulp segment challenges notwithstanding, the mill shuts are now behind us and we have been especially pleased with the performance of our two BCTMP mills since they've come out of their shuts.

In Europe, adjusted EBITDA was $19 million in the second quarter as demand showed signs of weakness later in the period. These results were in line with $20 million in the first quarter.

In summary, lower prices and maintenance downtime at our Pulp business created a headwind this quarter, while improving pricing across our North American EWP business was the largest positive contributor to the company's sequential EBITDA improvement. In addition, continued strong contributions from our non-OSB panels businesses also helped.

Cash from operations was $272 million for the quarter, in part owing to a reversal of a seasonal working capital build in Q1. Cash, net of debt, increased to $449 million from $309 million last quarter, as our cash flow more than covered the $25 million of dividends paid and $106 million invested in capital expenditures.

Subsequent to quarter-end, we renewed and extended the maturities on both our revolving line of credit and our term loan, providing us with even further financial flexibility to execute on our corporate strategy.

In terms of our operational outlook for 2023, we are reiterating our guidance for lumber and European OSB shipments, but given the stronger-than-expected North American demand for OSB, we are increasing the guidance range for North American OSB shipments. We now expect this year's OSB shipments to be in the range of 6.1 billion to 6.4 billion board feet on a three-eights-inch basis, up from our original guidance of 5.9 billion to 6.2 billion square feet. We're also modifying our expectations for capital expenditures. While we still expect capital investments to be in the range of $500 million to $600 million in 2023, given delays in equipment deliveries and the rate of expenditures year-to-date, we now expect this year's CapEx will be closer to the lower end of the guidance range.

With that overview, I will now pass the call to Ray.

RAYMOND FERRIS, CEO, PRESIDENT & CORPORATE DIRECTOR
Thank you, Chris. And, look, just to note, usually Chris and I are side by side on the calls and keep an eye on each other. I'm calling in from our Armour sawmill, located just outside of Wilmington, North Carolina, today. So, we'll see how this goes.

And before I reflect on our financial performance in the second quarter, I'd just reinforce some of Chris's comments around the disruption we experienced in Q2 and primarily in Western Canada. I can't or won't – I'm not really able to add anything on the Pulp performance or characterization of that. But just glad that the major shuts are behind us.

I would reinforce the impact of Alberta wildfires. So, for much of this first quarter – or, sorry, second quarter, you know, multiple evacuations in a number of communities, power outages, employee disruptions, and our Woods team fighting fires and protecting our log inventories isn't a great recipe to lead to great and efficient performance out of that really important sector for us. So, saying that, we're really very pleased with how our Alberta team performed, considering the environment that they worked so hard to operate in. And, of course, conditions late in the second quarter and early in Q3 have returned to our normal cadence. So, we're happy about that.

With that comment, I'd shed some light on our – on both our outlook and a little bit about our sustainability and the recent release of our 2022 Sustainability Report. Very proud to report today that, last month, West Fraser released its 2022 Sustainability Report, and we did this a month earlier than last year. And, you know, I'm very proud of the achievement of the team and very proud to recognize the many people who worked so diligently for West Fraser to make this happen. As everyone knows, a company that was founded nearly 70 years ago, we truly understand the importance and necessity of doing the right thing for the environment, our communities, and our employees, while sustainably and profitably growing our business.

In 2022, we took important steps towards achieving our goal of building a sustainability leader, including planting an additional 66 million seedlings in our Western Canadian managed forest areas, you know, on top of the two billion trees that we've planted in the history of the company. We continue to invest in the local communities in which our people work and live, enhancing our diversity, equity, and inclusion policy and strategy. You know, building on these foundations, we very much continue to work to advance credible environmental sustainability and social goals and targets to guide the company's next chapter.

Earlier this month, we announced the planned sale of our Hinton, Alberta pulp mill to a key strategic partner, Mondi Group, a global leader in sustainable packaging and paper manufacturing. With this transaction, Mondi has announced intentions to invest some €400 million or CAD $575 million in the expansion of the mill over the next few years, primarily for the installation of a new kraft paper machine. The transaction with Mondi is anticipated to close by year-end, subject to the normal completion of customary regulatory approvals. West Fraser will continue to supply fiber to the Hinton mill under a long-term contract from West Fraser's Alberta sawmills. We are very pleased with the outcome of this transaction. It creates a sustainable, long-term future for the pulp mill, which we think is the best outcome for our employees, the community of Hinton, and frankly, the province of Alberta.

This puts the Hinton mill in the hands of a global and proven leader with the expertise, the vision, and market strategy to maximize the potential of the mill while maintaining an integrated fiber supply chain that is so important to West Fraser's operations in that region. As many are aware, the Hinton pulp mill has, at times, been a challenge for us and the next steps would have required significant capital and a market strategy for West Fraser to continue to operate effectively. Once the transaction completes later this year, the mill will get the investment it requires and allow West Fraser to focus on key growth areas while benefitting from a long-term fiber supply agreement and, expectedly, more stable future cash flows out of that area.

Now, shifting back to my thoughts on the second quarter. This quarter, we experienced somewhat soft demand early in the quarter as last year's relatively rapid increase in mortgage rates seemingly continued to impact overall consumption. However, as the second quarter progressed, we saw demand improve for some of our key products, particularly in OSB and, to some extent, Canadian lumber. This demand improvement allowed us to continue to run more normalized lumber and EWP operations when compared to production downtime that we took late last year.

With respect to outlook, the wood building products industry may continue to face challenges from everything from rate hikes to labor constraints and the potential for slower demand due to the constraints of housing affordability. That said, inflationary cost pressures have continued to moderate across our supply chain for raw materials such as energy, resin, and chemicals. And we believe this trend will continue through the remainder of 2023.

On the new home construction front, we continue to see positive demand signals carried over from this spring's key building season, and the strong upward trend in mortgage rates that we experienced through much of last year appears to have eased. Both of these factors are helpful for driving consumption of our wood building products in both new housing starts and repair and remodel activity. We continue to believe the North American market is structurally underbuilt and significant longer-term demand remains.

In closing, while near-term uncertainties exist across the industry, including our business, we remain confident in our geographic and product diversity we have built and in our operating and growth strategy. We have navigated many industry cycles in the past and we have the people, assets, and financial flexibility to allow us to capitalize on additional opportunities as the demand environment becomes more favorable in the years ahead. We have been disciplined in our capital allocation strategy and have preserved capital in the event that we have a down market like the one we are currently experiencing. And we plan to remain steadfast in this approach. This discipline has positioned West Fraser to be able to execute on our operating strategy by investing in and improving our assets through various market conditions while poised to take advantage of growth opportunities if and when they unfold.

As we look ahead, we'll continue to focus on our core strengths of being low cost, remain committed to our capital allocation strategy, and we look forward to a future with a growth in demand for the types of sustainable and renewable building products for which West Fraser is known.

With that, Operator, I'll turn it back to you for Q&A.

OPERATOR
Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. [Operator Instructions] And we have our first question from Hamir Patel from CIBC Capital Markets. Please go ahead.

<Q – Hamir Patel>: Hi. Good morning. Ray, given the strength we're seeing in the OSB market, how much potential does West Fraser have to debottleneck some of your existing OSB mills? And can you give us a sense as to where Allendale is operating at today?

<A – Raymond Ferris>: Well, good morning, Hamir. And, you know, I'll do my best there. So, first, let me talk about Allendale. I think – and we've got a group heading up there to visit that mill here very shortly – well, today, actually. So, it – we've been very pleased with our execution that the team has done there on the capital side, including debottlenecking in the front end of that mill where we spent, you know, about $75 million to do that.

And so the ramp up is going. It's early stages, but it's gone very well. I think we may have noted in the MD&A that they've already certified for, you know, seven-sixteenths. And so we're in some ways ahead of – slightly ahead of where we'd like to be, but I think it's just gone very well. And kudos to the team there.

So, I still think that, you know, production out of Allendale won't be that significant through the year. It is in a ramp-up stage and will really be over the next couple of years where we see volume come on there. And I would just say, look, I don't think it's new. I think we continue to execute on, you know, what I would call low risk, high return profit improvement projects throughout the company, but particularly and also in our OSB.

So, I really can't give you too much guidance there because, I mean – but I think we're pleased with kind of what our position is. And I think we're in a great spot to meet the market as it grows.

<Q – Hamir Patel>: Fair enough. And, Ray, just turning to the Pulp & Paper side, with the Hinton sale, are you considering some other potential opportunities to shrink your exposure there while still maintaining an outlet for your chips?

<A – Raymond Ferris>: Well, Hamir, the integration strategy we have in Western Canada has been absolutely critical to our success to-date, including Hinton. And that remains so, which is I think so key to how we were able to structure the Mondi transaction. So, how I would answer that, Hamir, there isn't a day where we aren't sitting back and looking at our business and trying to determine how to make it better. And so that's every corner of our business, whether it's lumber, plywood, OSB, or pulp. And so that's our job and we're going to continue to look for areas to make the company stronger.

<Q – Hamir Patel>: Great. Thanks, Ray. That's all I had. I'll turn it over.

<A – Ray Ferris>: Thanks, Hamir.

OPERATOR
Thank you. Our next question comes from Sean Steuart from TD Securities. Please go ahead.

<Q – Sean Steuart>: Thanks. Good morning, everyone. Couple of questions. I want to follow up on Hamir's question with respect to Pulp. Can you give us a sense, if we exclude the inventory write downs, how concentrated were Q2 segment losses towards Hinton specifically, if we exclude that asset?

<A – Raymond Ferris>: Mr. Virostek, do you want to take a shot at that?

<A – Chris Virostek>: Yeah, sure. Thanks, Sean. You know, I would say, you know, as we said a number of times, when we look at our segment, our Pulp & Paper segment, right, and I think, you know, Ray's direct quote previously has been, you know, we’ve got three assets that we really like and one that we struggle with. And so we think we found a way here to kind of clear that up.

In the quarter there, you know, we had a shut that was much bigger there. I would say the price that we anticipated, the price declines really affected all the different grades of pulp, NBSK, UKP, BCTMP. But consistent with kind of what we said all along is that, the BCTMP mills, even in tough markets, outperformed reasonably well.

You know, I think it's probably fair to say a big piece of that inventory write down was not Hinton, but it did contribute, you know, a significant portion of the overall results in Pulp in the quarter because of the extended shut and because UKP, on a relative basis, you know, I think struggled more than the other grades in terms of pricing realization. So, it was a more-than-proportionate contributor to the results in Pulp in the quarter ex the inventory reserves.

<Q – Sean Steuart>: Okay. That helps. Thanks for that detail, Chris. Second question is on the CapEx guidance here. You're indicating it'll be towards the bottom end of the range. And I guess that relates to the slower-than-expected pace in the first half of the year. And I'm wondering if you can qualify that as, you know, company-specific delays versus broader industry backlogs? How has that affected it?

And then I guess more broadly speaking, you know, if I think about Henderson specifically, you're still talking about a second quarter next year start-up. Is there any potential risk to that project timeline?

<A – Raymond Ferris>: Well, Sean, good morning, and look, I'll take a try at that and Chris can jump in. And, look, it's hard to comment on what others are seeing in the industry. And I think it's against a backdrop that we actually do see improving. So, we continue to see improvements on the supply chain and more access and availability to different pieces, whether it's mobile or hard equipment for an OSB or sawmill. But – so that is improving.

But I think that's kind of more future going. I would say we typically have had an aggressive capital strategy. I would say there's two things. One, certainly, is access to skilled labor and contractors and the timing of that still remains probably the key part of that equipment side improving, but still a very difficult skilled contractor labor market that I think is probably the biggest outlier. I would think that kind of delays these things. The other aspect I would say our team has taken a bit of a strategic – I wouldn't call it strategic, but being very prudent on making sure that we're not taking more on more than we can start up.

And so there's been a few operating decisions which have contributed to that to say we're going to hold off on this while we execute on this part of it. But I would say three-quarters of it, Sean, is related to mostly on labor constraints and just being prudent, making sure we get the contractors that we want helping us with our projects.

<Q – Sean Steuart>: Okay. And no specific concerns with respect to the Henderson project's timeline being compromised at all?

<A – Raymond Ferris>: Well, I'm going to be there later this week, Sean. But, at this point, we're a ways away here. But, at this point, I've got the same concerns anyone has, but I'm more concerned about a high quality good startup than the exact timing. But, right now, we're still planning for second quarter of next year.

<Q – Sean Steuart>: That's great detail. Okay. Thanks, Ray. Appreciate it, guys

<A – Raymond Ferris>: Thanks, Sean.

OPERATOR
Thank you. Your next question comes from Ketan Mamtora from BMO Capital Markets. Please go ahead.

<Q – Ketan Mamtora>: Good morning, Ray and Chris, and thanks for taking my question. Perhaps first one, either for Chris or Ray, can you give us a quick update on your log decks in Alberta? And, you know, if you can give us a quick update, if you can, if you are able to go into the forest and get logs, what is the situation right now?

<A – Chris Virostek>: Ray, you want to take that?

<A – Ray Ferris>: I'll take it. So, look, I don't think I'd comment too specific on that. So, to be very general, Ketan, I mean, every region and every operation is different. So, it's very hard to just generalize. But in Alberta, typically, we bring all of our log inventories in – most of our inventories in through the winter. And then we're generally not delivering many logs in most of our divisions through the summer.

But, look, I wouldn't say it's had a big impact on our inventories at all. But, look, what we're more concerned about is having our Woods groups, you know, being able to do good forestry, to be planting trees, and to be making good plans for next year. So they're pivoting to try and figure out and work with government and others on essentially moving to salvage operations around burnt timber in the areas that we can.

So, look, I'm sure there's been some impacts, but I don't think it's anything that we're laying awake about on the inventories that we have in our yard or in the bush at this point.

<Q – Ketan Mamtora>: Got it. No, that's helpful. And then, Chris, you know, on the capital allocation side, can you just remind us, as we sit here today, you've got a strong balance sheet. You know, and demand so far, it's – at least on the new residential side has held up, you know, better than what a lot of people were expecting. We are seeing a pretty nice rally in OSB prices. Can you talk about, you know, kind of appetite for – you know, or approach towards share repurchases at this juncture given kind of where the balance sheet is?

<A – Chris Virostek>: Yeah, sure. Happy to. You know, I would say, as we entered the year, given the macro uncertainty, we felt it was prudent to be just a touch more conservative with our repurchase activity, especially given the drawdown in the cash balance that typically happens in the first quarter with the working capital build. You know, I think if the macro environment begins to clarify, we'll continue to look for those opportunities to return the surplus cash to investors through share repurchases.

I think it's been, you know, as you noted, despite what's happened with interest rates, the new construction side of things has been a lot more resilient than folks had anticipated. And demand has been more resilient in the face of those higher interest rates. I don't think anybody would have imagined six or eight months ago we'd be sitting here with interest rates where they are and seeing the kind of OSB prices that we're seeing now and the demand for it now.

So I think it was really tough to see what's coming here and to see this upside. But we've got lots of financial flexibility, we think, most importantly to just continue to execute the strategy, right? And I think that's one of the things that we've been most pleased that we've been able to do here over the last three quarters, which have been a bit tough, is not stray from that capital plan and stay the course on the strategy. And when those opportunities are there to deploy the capital and to share buybacks and we think that we're trading at the right level relative to intrinsic, I think there's no reason why we wouldn't be there.

<Q – Ketan Mamtora>: Got it. No, that's helpful perspective. I'll turn it over. Good luck.

<A – Chris Virostek>: Thanks.

OPERATOR
Thank you. Our next question comes from Paul Quinn from RBC Capital Markets. Please go ahead.

<Q – Paul Quinn>: Yeah, thanks very much. Good morning, guys. So, maybe start with Ray, because I think, Ray, you were the one that mentioned Europe especially being weaker towards the end of Q2. Just wondering if you could give us more colour on that. And then remind us what your European OSB capacity is relative to the, you know, the shipment guide of 1 billion to 1.2 billion, what's the operating rate, and what are you doing for shifting?

<A – Raymond Ferris>: Well, good morning, Paul. And those are very good and very specific questions. And so, when we're – if we need to change our guidance, I think we'll change our guidance. And one thing I would say is that what we see in Europe is certainly it's been softer than we've seen in North America, without a doubt.

And so, quite frankly, our operating strategy is really just to meet the existing order files and we are operating at reduced schedules at times. And, we're optimistic as we look forward. But when it comes to visibility in Europe, it's higher inflation, other issues going on in that region with political conflict, and others. So, I would say, we very much like our position but we're taking a very cautious approach to how we operate and not getting ahead of the market, and being realistic that Europe could lag North America. And that's our approach.

But, look, I don't have the guidance open in front me. Chris might want to comment on that or correct something. But I think we think it's going to probably stay in the zone that we're in for a while. And if we're wrong, hopefully it's wrong to the upside.

<A – Chris Virostek>: Yeah. I've not got much to add.

<Q – Paul Quinn>: That's okay.

<A – Chris Virostek>: Don't really have anything to add to that, so go ahead, Paul.

<Q – Paul Quinn>: All right. Maybe I'll just switch it over to North American lumber. You know, how would you characterize that market? Do you see that balanced? And then, you know, what do we need to see to be able to return West Fraser's profitability to sort of, you know, trend or normalized rates?

<A – Raymond Ferris>: Well, I'll take it. So British Columbia continues to be a very difficult place to operate and particularly with respect to costs and access to timber. And so our operating strategy, you know, we'll continue to do what we need to operate responsibly in that region. And so I think if you look back in the quarter, you can see we continue to take steps to operate our business as prudently as possible. You know, costs are somewhat improving, but we've got still quite a ways to go.

So Alberta, I'd expect us to return to our normal cadence as we go forward. I mean, I can't predict forest fires any better than anyone else. And so it's been an unusual year, although these things seem to happen more regularly, particularly in Canada. But, I mean, we're somewhat optimistic that the worst is behind us, but you don't know. So, Alberta is a very important region for us, and expect us to kind of return.

And in the US South, I mean, you've seen SPF come up, as we all saw it, the gap between SYP and SPF seemed too big and unsustainable. And those things that you don't want to have happened where SYP goes down and SPF goes up is not the way you want to close that gap, but that's what's happened. I think much focus has been on European imports. We don't have great visibility into that. But, I mean, we track everything that everyone does as well. And we do see that alleviating somewhat. So, we think that's an important piece. And I do think, as we start to think about the North America and really the US economy, when we see the third leg of that, you think about housing starts are good; repair and remodel, not that bad. You know, the third leg of the industrial piece is a key. And I do think we've seen, after a slow first half, some green shoots that the industrial sector is having a little bit more legs to it.

So, long answer to a simple question. So, I guess we'll see what Q3 and Q4 have for us. Chris, anything to add?

<A – Chris Virostek>: No.

<Q – Paul Quinn>: Okay. Last question, then, just congratulations on the startup of Allendale. Sounds like it's doing well. You've raised your shipment guidance by 200 million square feet, you know, kind of 3.5% overall. Where is that extra volume coming from? It doesn't sound like it's coming from Allendale. Are you going to increase shifts at certain mills or, you know, how are you getting the extra 200 million square feet?

<A – Raymond Ferris>: Yes. So, thanks, Paul. Look, there was a question or comment about debottlenecking. We've had – and not unusual, I mean, but we've had some very good capital get behind us. And certainly some of that comes from improved operating efficiency and getting the paybacks on those projects. Quite happy with that. You're right, Allendale won't be a meaningful – we don't expect it to be a meaningful contributor to that number, but it's a little bit of debottlenecking, if you will. And look, across our portfolio, we’re always looking at our operating strategy, including where our maintenance shuts are and how we're going to operate. So, you know, there can be sometimes a portion of that around shifting. So, I'm not going to split it, but it's a little bit of both, probably. It's a little bit of both.

<Q – Paul Quinn>: Great. That's all I have. Best of luck.

<A – Raymond Ferris>: Thank you.

OPERATOR
Thank you. [Operator Instructions] And our next question comes from Andrew Kuske from Credit Suisse. Please go ahead.

<Q – Andrew Kuske>: Thanks and good morning. I guess the question is for Ray, and it's really along the lines of making the business better every day and thinking about that. You know, in lumber and OSB, very large businesses, market-leading big scale. And then when you think about some of the balance of your business, you know, the pulp and paper mills, one LVL plant, you know, how do you think about these businesses? You know, in some cases, they're nice and supplemental and symbiotic. But are there business areas where you need greater scale or are there other opportunities to do things like you did with Hinton, where maybe it's just better off in the hands of someone else and you can be creative without being too complicated?

<A – Raymond Ferris>: Well, good morning, Andrew. And, look, I'll reiterate, particularly in Western Canada – for sure, I think there’s always opportunities in every corner of our business. There isn’t anything that we wouldn’t touch or review our strategy to say, is there a different strategy here where we can improve the value of West Fraser, allow us to focus? And so, like I think as the company grows, those opportunities don't go away, they grow.

And so I think what I would say is I think it's a healthy part of our DNA to challenge ourselves on everything we do in every region we operate and every product that we make. And we're probably pretty tough, tougher than you think on ourselves. So, without a doubt, we think about those things all the time.

One of the advantages that we have is, in some of these areas that we operate, even where we might not have the scale that we ultimately may pursue, is often an integrated logging strategy to extract the highest value from that forest. And the LVL plant is a great one. So between plywood, LVL, and the sawmilling, we're able to look at that forest and take advantage of that, extracting the highest value. So, sometimes, we think the best way to do that is by owning and operating those assets. When that isn't the best strategy, owning and operating those assets to extract the greatest value for the company, then we will make a different decision. But I think it's an important question. And I would say we expect to be diligent and hold ourselves accountable for making sure we got the right portfolio to operate West Fraser.

<Q – Andrew Kuske>: I appreciate the color. And then maybe just switching gears a little bit. If we focused on your OSB business in Europe, are you seeing any sort of fundamentally different drivers and just market behaviors, UK versus what you've got in Belgium? And really the interplay between the two major plants?

<A – Raymond Ferris>: Oh, well, I don't mind telling you that, as I think people know on the call, I mean, Europe is completely different than North America. We talk about regional differences in North America. But it's an order of magnitude different in Europe. So I would say, Inverness tends to serve a primarily UK market and the Belgium operations serves a number of very specific and unique markets.

And, as far as interplay, I'm not sure how to answer that. But I would say both mills are operating very well, really happy with our product, and operating strategy there and – Germany is so different than France. France is so different than Belgium. You know, Scotland is different than England. And so it – I'm not sure I'd be able to knowledgeably tell you the differences between them except that there is some overlap, but they're – for the most part, they operate to a lot of independent markets.

<Q – Andrew Kuske>: Okay. I appreciate that. Thank you.

<A – Raymond Ferris>: No, thanks, Andrew.

OPERATOR
Thank you. There are no further questions at this time. I will like to hand the call back to our presenters for any final remarks.

RAYMOND FERRIS, CEO, PRESIDENT & CORPORATE DIRECTOR
Well, thank you, Hilda. And, look, everyone, thank you for joining our call today. As everyone knows, Chris, Robert, and myself are available, mostly Chris and Robert, to answer questions. And Robert Winslow is our Director of Investor Relations and Corporate Development. Look, thank you for calling in today, and we look forward to talking to you next quarter. Thank you.

CHRIS VIROSTEK, CHIEF FINANCIAL OFFICER & SENIOR VICE PRESIDENT, FINANCE
Thanks.

OPERATOR
Thank you. Ladies and gentlemen, this concludes your conference. Please disconnect your lines.