

## Q1 2018 Results Conference Call (Script)

### Mark Davis

Good morning, ladies and gentlemen. Thank you for joining us for our conference call and webcast today.

As usual, joining me is Rohit Bhardwaj, our Chief Financial Officer.

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Before I commence the review, I would remind you that our presentation contains certain forward-looking statements that are based on current expectations, and are subject to a number of uncertainties and risks, and actual results may differ materially. Further information identifying risks, uncertainties and assumptions, and additional information on certain non-IFRS measures referred to in this call can be found in the disclosure documents filed by Chemtrade with the securities regulatory authorities, available at [sedar.com](http://sedar.com).

One of the non-IFRS measures that we will refer to in this call is Adjusted EBITDA, which is EBITDA modified to exclude only non-cash items such as unrealized foreign exchange gains and losses. For simplicity, we will just refer to it as EBITDA as opposed to Adjusted EBITDA. Both these terms are fully defined in our MD&A.

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Our first quarter 2018 results are significantly higher than last year due to the inclusion of the Canexus businesses for the full quarter versus only three weeks last year. Rohit will discuss our first quarter results shortly.

I want to begin with several general topics. I will provide an update of the progress we have made on the operational issues that affected last year's results. I will also have some comments on the disappointing rail service levels you may have read about, which we expressed concern about on our last call. And finally, after Rohit's review, I will conclude with some comments on the market outlook for the balance of the year.

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The issues we mentioned in our last call really fall into four categories, namely,

- plant operating issues or production shortfalls at a small but important number of water plants;
- material change in by-product sulphuric acid supply;
- an unplanned outage at our Vancouver chlor-alkali plant; and
- excess logistics and replacement product costs due to all of these issues.

As a general statement, we have made substantial progress on each of these issues that are within our control. But, as mentioned, certain of these issues are not yet fully resolved.

First, our 2017 results were adversely affected by operational issues at one of our alum water plants and our ability to produce ACH. These issues caused us to incur additional

freight costs to supply from sources that were much further from our customers, and to purchase product instead of producing it ourselves.

We indicated in our last call that we had targeted initiatives to address these issues and that the benefit of the fixes should be seen in the latter half of this year. The initiatives covered a number of issues including staffing, training, and capital improvements. The staffing issues are largely resolved and we are on track to have the Hopewell facility ready to capitalize on the third quarter seasonal peak alum demand. Our ACH production rates have improved and will continue to improve for the balance of the year. In short, the fixes for last year's issues are being implemented.

Secondly, regarding our SPPC segment, last year we experienced by-product supply shortages, hurricanes and logistical costs resulting in significant extra costs to keep our customers supplied. As mentioned, the significant reduction in by-product supply from our main supplier is permanent and thus requires us to right-size our customer base and cost structure. This initiative is underway but it takes time due to contractual commitments and is exacerbated by the shortage of supply from our own plants due to our heavy Q2 turnaround schedule. These initiatives, too, should bear more obvious benefit as the year progresses.

Thirdly, and also discussed on our last call, our North Vancouver chlor-alkali plant incurred an unplanned two-week shutdown in November. During that time, we implemented a temporary fix of an operating issue that was intended to take us through to our planned turnaround in April this year. The fix did indeed last as intended. The plant took its planned shutdown in April and successfully implemented the permanent fix as well as normal turnaround activities. The plant restarted in early May and continues to increase production rates. We are operating at about 90% of capacity today and anticipate full rates before the end of May. We are pleased that this significant turnaround was accomplished safely and as planned. We are now able to run at full capacity, subject to logistics issues, which is my final point.

Finally, across all of our businesses, you may recall that logistics, production and supply chain issues last year caused excess costs and lost sales in all of our segments while we found alternative solutions so we could continue to supply our customers. This was caused by a combination of factors including less supply from certain key producers, plant downtime due to hurricanes, and significant rail service issues and rail car availability, particularly in Western Canada.

We made substantial progress on the issues within our control but again, the benefit of these solutions will take some time to be seen. There continues to be issues with rail service, availability of certain rail cars and access to reliable trucking in certain geographies. In addition to the fixes to our assets I mentioned, we have also improved communications and working relationships with our customers, and are actively adjusting our customer base to more appropriately reflect the reduced sulphuric acid supply now anticipated from Vale.

I have one more general comment relating to the rail service concerns we mentioned. Our first quarter was significantly affected by poor rail service. Poor service affects our rail car availability, which ultimately affects our production rates. This year, poor rail service significantly affected our North Vancouver chlor-alkali operation and also our Brandon, Manitoba sodium chlorate facility. Obviously, both of these key plants are in western Canada where rail service was the most challenged.

I'm sure many of you have seen the numerous articles detailing the poor service supplied by the rail carriers. While we believe the railways are working to address these issues, they are telling us it is a lengthy process. As expected, we've seen better service as we leave the Canadian winter, but poor or delayed service significantly affected our Q1 results. In particular, our Vancouver facility lost significant production in Q1 due to inadequate access to rail cars. We continue to closely monitor and work this issue but it remains a concern.

Rohit will now provide you with some additional details on the first quarter results.

## **Rohit Bhardwaj**

Thank you, Mark and good morning everyone.

As Mark indicated, our financial results for the first quarter of 2018 improved from the first quarter of 2017 primarily due to the inclusion of Canexus' results for the full quarter this year versus only three weeks last year. This was partially offset by lower results in the Sulphur Products and Performance Chemicals, or SPPC segment and the Water Solutions and Specialty Chemicals, or WSSC, segment due to some issues that persisted from 2017.

Revenue from continuing operations for the first quarter of 2018 was \$381.5 million, an increase of \$106.9 million from 2017. This increase was primarily due to revenues generated by the newly acquired businesses, partially offset by lower revenues in the SPPC segment.

For the three months ended March 31, 2018, Distributable cash after maintenance capital expenditures from continuing operations was \$44.2 million, or 48-cents per unit compared with \$8.7 million or 12-cents per unit in 2017. Distributable cash after maintenance capital expenditures from continuing operations for the first quarter of 2017 included Canexus Acquisition costs of \$2.9 million and a foreign exchange loss of \$18.3 million resulting from the repayment of US dollar bank debt associated with the financing for the Canexus acquisition.

Aggregate EBITDA from continuing operations for the first quarter of 2018 was \$72.0 million compared with \$44.8 million in the first quarter of 2017. The increase in EBITDA is mainly attributable to the contribution from the new businesses in the Electrochemicals, or EC segment, partially offset by lower EBITDA in the SPPC and WSSC segments.

Turning to segmented results for the quarter, SPPC generated revenue of \$122.6 million compared to \$125.5 million in 2017. EBITDA for the quarter was \$21.3 million, which was \$8.2 million lower than 2017. From a revenue perspective, the main reason for the year-over-year decrease was lower sales volume for sulphuric acid as higher prices were not sufficient to fully offset the effect of lower volume, particularly from our largest by-product producer. EBITDA was lower due to reduced sales volume for merchant sulphuric acid and higher maintenance spending due to additional plant turnarounds. The reduced sales volume of merchant acid was due to reduced availability of supply as demand remained firm. Finally, we continue to generate lower earnings self-marketing sodium bi-sulphite, or SBS.

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Our WSSC segment reported first quarter revenue of \$98.9 million compared with \$100.2 million in 2017. EBITDA was \$18.8 million compared with \$21.5 million generated in 2017. The decrease is primarily due to the effects of the operating issues Mark referred to that are being resolved but still had some impact in the first quarter. The stronger Canadian dollar relative to the US dollar also had a negative impact on EBITDA in 2018.

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Our EC segment reported revenue of \$159.9 million and EBITDA of \$49.2 million. As Mark noted, the temporary fix at the North Vancouver plant worked well during the quarter. While demand for all our chlor-alkali products remained firm, our production rate was constrained due to the issues associated with western Canadian rail shipping and because of insufficient rail cars for Hydrochloric acid, or HCl.

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Maintenance capital expenditures in the first quarter were \$9.9 million. We expect maintenance capex in 2018 to be between \$80 million and \$100 million.

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Excluding unrealized foreign exchange gains, corporate costs during the first quarter of 2018 were \$17.4 million, compared with \$19.0 million in the first quarter of 2017. The primary reason for the difference was the \$2.9 million of transaction costs last year related to the acquisition.

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Our balance sheet remains sound, with our bank covenants well below required levels and we maintain ample liquidity. We have roughly US\$365.1 million room on our US\$525 million revolving facility.

During the first quarter we amended the credit agreement to add one more year of term. The credit facility now matures in March 2023.

I'll now hand the call back to Mark.

**Mark Davis**

Thank you, Rohit.

As we mentioned at the start of this call, the operational issues we identified at the end of last year are being addressed. These aren't instantaneous fixes but, aside from rail service levels, we have initiatives under way to address each of these issues. Rail service does seem to be improving since the end of winter, but even our rail service providers tell us that their ability to fix their issues takes time. It appears that we should receive adequate rail service at least until the next winter, but will need our rail providers to update us on their progress so we can update you.

Turning to the markets for our key products, last quarter we indicated that these markets were quite good from both a volume and pricing perspective, and these conditions are

continuing. We expect the steady to robust markets we saw at the end of 2017 and the first quarter this year to continue throughout 2018. We believe that the markets for our key products for the balance of at least 2018 will look like this:

- The chlor-alkali markets continue to be strong and show no sign of weakening. Note that we are particularly interested in the caustic and hydrochloric acid markets in the north-western part of the continent. The markets for our hydrochloric acid, which is sold into the fracking industry, are quite strong. Although rig count has increased since the time we acquired this business, it is still significantly below the peak seen several years ago. Regarding caustic soda, demand remains firm and pricing continues to have upward momentum, albeit not to the same magnitude as seen in 2017. A recent industry publication forecasts strong caustic pricing at least through 2022, which is as far in the future as they forecast.
- The entire sodium chlorate industry, including our plants are operating at high utilization rates as pulp production remains strong. The sodium chlorate market dynamics improved even further as one of our competitors recently shut down one of its plants in Quebec. We continue to believe that the whole sodium chlorate industry is operating, and will continue to operate, at high utilization rates.
- Demand for all of our sulphuric acid products, regen, ultra-pure and merchant remains strong. Regarding merchant acid, we simply have less to sell than we traditionally sold as Vale changed its process. For perspective, the reduced production from Vale represents about 3% of the North American merchant acid market. Demand is good, so this reduced supply has led to price increases.
- Lastly, although all our key products are enjoying good market conditions, some of our smaller products are facing tougher markets. One example we provided last call was our sodium bisulphite, or SBS product. The profitability of this product continues to suffer. Significantly more product entered the market as supply increased last year at the same time as our decision to self-market the product. The market does appear to have stabilized but we are placing our product at less favourable profitability than we have historically enjoyed. This is also true for some of our other minor products, none of which are individually material but which, in aggregate, are mitigating some of the positives seen on our major products.

Overall, we made good progress on the operating issues that dogged us last year, and demand for most of our key products remains strong.

We had previously advised that 2018 will be a heavier year than 2017 for plant maintenance turnarounds. This will be particularly evident in SPPC's and EC's second quarter results. EC's second quarter results will also be affected by the cost of product that we purchased in order to ensure that our chlor-alkali customers were adequately supplied during the North Vancouver facility's shutdown. The amount purchased was higher than we had anticipated as we had to reduce production due to the rail and other issues we experienced during the first quarter. These shutdown activities will adversely affect Q2 and this is one of the reasons we've indicated that the second half of 2018 should be significantly stronger than the first half. As we noted earlier, the second half of the year should also benefit from the initiatives we've executed in response to the issues that arose in 2017.

Thank you for your attention. Rohit and I would now be pleased to answer questions.

**Operator (Chris):** Thank you. Ladies and gentlemen, we will now begin the question and answer session. Should you have a question, please press star followed by one on your touch-tone phone. You will hear a three-tone prompt acknowledging your request and your questions are polled in the order received. Should you wish to withdraw your questions, please press star followed by two. If you are using a speaker phone, please lift the handset before pressing any keys. One moment please for your first question. Your first question comes from Joel Jackson, BMO. Joel, please go ahead

**Joel:** Hi, thanks. Good morning. A bit of an order of magnitude, how much of '18 earnings will be back ended into the second half of the year or the breakdown between the second half and first half?

**Mark:** Traditionally, we're about 55-45 second half weighted. This year is probably close to 40-60.

**Rohit:** In that magnitude, yes

**Joel:** And I may have gotten the words wrong. I thought you used the words that supply from Vale was permanently impaired; I may have gotten that wrong earlier in your prepared remarks. So, a couple of questions on that. Are you planning for 350,000 tons supply from Copper Cliff now indefinitely, or do you have better information that it could go up? And then, you talked about with the reduction of that volume, maybe seeing some higher pricing; can you give us an order of magnitude of the reduced earnings on a full year basis from a lower acid rejigged customer commitment but then some higher pricing?

**Mark:** So, in big terms as we've said for years, we thought that if Vale cut by 25%, we'd be financially indifferent; instead, they cut by about 50%. Now, they might come back with some, so maybe they only cut by 40 or 45% but that's the magnitude of the volume reduction. Pricing has been moving up and I think I indicated last call that we anticipate by next year is the increase pricing should actually offset that additional volume loss. It takes some time number one, for the market to adjust and number two, not all of our contracts are freely negotiated this year.

And I guess, finally, as you know, we actually share some of that upside with our suppliers so it takes a while to tick through, but we think by 2019 actually, we've got to be pretty indifferent to the increased cut that Vale did.

**Rohit:** Plus, as we roll on we will be shedding some costs; we have to right-size our rail car fleet and a few other things we've got to do. Now that we can plan for this lower volume, it takes a bit of time to unwind some of those costs, but we should be through that by the end of '18.

**Joel:** When you say you've seen price increases because of this cut, are the price increases because of other reasons? You're expecting Copper Cliff reduction to cause price increases or are you seeing price increases now as we speak because...

**Mark:** We're seeing price increases now as we speak. Again, it doesn't sound like a big number. Vale represented probably about 3%; the cut represented about 3% of what's sold to the merchant market. Demand has been firm for the last number of years, so a 3% difference in supply actually has a positive effect on pricing. So, we're seeing price increases already and we anticipate it should continue.

**Rohit:** If you look at our revenue for Q1 you will see it's relatively flat in SPPC compared to Q1 last year even though the volume is down quite a bit so the offset is pricing. And if you look at Noranda Income Fund's disclosure; they just released their results and they show a pretty significant increase in their net backs they've experienced for sulphuric acid in Q1.

**Mark:** Sorry, just one more there. Remember that our customer portfolio is not a mirror of theirs so, their indication of net backs is directionally correct.

**Rohit:** They tend to be quite well {inaudible}, if you look their last year net backs was very low so an additional uptick from that, but directionally, there is some correlation there.

**Joel:** Ok. And finally, you're going to cut your rail car portfolio. I asked a bit earlier but do you feel like you have good information from Vale on the plan in the next 6 months, 12 months, 18 months? Or rail car flexibility or slack in the system if they want to do more?

**Mark:** We have the best available information that Vale has. It's a new process for them, they're lining it out, it's in no one's interest for them not to give us good information. We will have plenty of rail car flexibility if they produce more than what they've told us. We expect some more than current run rates but we don't expect it to be significantly more. Remember, we moved 1.3 million tons of sulphuric acid, so 50,000 tons swing one way or the other probably doesn't affect our rail car requirements like a 300,000 swing does.

**Joel:** Thanks

**Operator (Chris):** Thank you. Your next question comes from Damir Gunja, TD Securities. Damir, please go ahead

**Damir:** Thanks, good morning. This may be difficult to do but can you guys maybe help us to understand sort of the magnitude of, or quantify the rail congestion and issues from an EBITDA or dollar perspective?

**Rohit:** If you look at Q1 this year, we were able to run during the whole quarter but we had to run a reduced rate. So, actually, it looks like the effect is equivalent to losing to 2 - 2.5 weeks of production so, it's actual effect is quite similar to what we experienced in Q4 last year.

**Mark:** By far the biggest magnitude Damir, is with respect to our Vancouver chlor alkali business. So, as Rohit was saying if you assume actually that the reduced rate cost us...

**Rohit:** \$7-8 million last year ....

**Mark:** That's about it.

**Damir:** Ok. And this may be a dumb question, but can you do any trucking or are there any options sort of available to you there?

**Mark:** There are no dumb questions. With the volume of product that we produce and move and where customers are located, trucking is not a viable option out of Vancouver.

**Damir:** Ok. Just switching to Electrochem would it be fair to say Q2 could perhaps be flat over Q1?

**Rohit:** So, a couple of things to think about. Q2 tends to be little bit lower seasonality wise; a bunch of pulp mills take turnarounds etc. And then the fact, as Mark mentioned though the plant is now running at 90%, it's getting better but it did take a few weeks to get there. You should expect it will be weaker than Q1.

**Damir:** Ok. And just a final one on sodium chlorate. I imagine you're contracted for the bulk of this year. I'm just trying to understand how maybe some of the improvement and pricing may come through. I'm guessing that's a 2019 event?

**Mark:** The percentage of open volume we had this year was relatively small. I'm going to forget, I'm going to say it's 20% or something like that, right? So, on the contracts that we have that are freely negotiable, actually we've seen and implemented price increases. We think there's more room to go in 2019. One, because we have more open volume; and two, because the chlorate industry is operating at an even higher utilization rate due to the closure of that competitor's plant in Quebec.

**Damir:** Ok. Alright, thanks guys

**Mark:** Thanks

**Operator (Chris):** Thank you. Your next question comes from Jacob Bout, CIBC. Jacob, please go ahead

**Jacob:** Good morning

**Mark:** Hi Jacob

**Jacob:** Just a question on the North Vancouver facility. So, with repairs done, do you get any bump here in output at all or are you still kind of in that 200-210,000 tons on a run rate basis?

**Mark:** Until we had the hiccup in November of last year, that plant was actually setting production records, right? So, that 210-220 number is probably a good number at full rates.

**Jacob:** Maybe just back to the rail issue, exposure to CP versus CNR is there much of a difference there? And do you have more exposure to CP versus CNR at North Van and Brandon?

**Mark:** So, we have more exposure to CN than to CP. Having said that, I don't think it would have actually mattered in western Canada. The yards in Vancouver are mutually congested. I mean, the rail guys did a pretty good job on laying out their issues, but even ignoring transit times, once you got stuff moving, the congestion in western Canada and in particular in the Vancouver yards was extreme.

**Jacob:** Ok. What I'm really getting at here is with the increased risk in the CP strike.

**Mark:** We're more heavily on CN than CP. But again, a CP strike will affect us due to additional congestion, and CN is not taking on any additional volume to offset a potential CP



strike because they have their own problems already trying to actually shuffle Sulphur material.

**Rohit:** We use CP for other parts of the business, not necessarily North Vancouver but the rest of our business does use CP quite heavily too.

**Jacob:** Last question here. The staffing issues that you had at WSSC, are those largely behind you or how is this progressing?

**Mark:** Yes they are. I will say, just because I saw it on the news this morning, if you look at the U.S, there is only one job seeker for every job opening, so unemployment rate is pretty low. We've staffed up our facilities. We've addressed that issue, but finding qualified people is going to be an issue for all businesses I think.

**Operator (Chris):** Thank you. Your next question comes from Nelson Ng, RBC Capital Markets. Nelson, please go ahead

**Nelson:** Great, thanks. I just wanted a quick clarification on the \$7-8 million impact from rail. Was that specifically just for the North Vancouver facility? And if you include Brandon, would you add another \$1-2 million of EBITDA impact?

**Rohit:** That's fair. For this, it was just North Vancouver and for magnitude purposes, you're actually close to what it would be in Brandon.

**Nelson:** Ok. And then just on North Vancouver, how many days was the facility shut down for in April? I presume it's fully shut down meaning no production during those days?

**Mark:** You can probably assume we lost about 3.5 weeks of production

**Nelson:** Ok, so 3.5 weeks of lost production and plus gradual ramp up.

**Mark:** Right

**Nelson:** Ok. And then I guess just one last question. In terms of the maintenance or turnaround, you mentioned that Q2 is going to be heavy but I guess historically, a lot of your maintenance CAPEX has been kind of back ended towards the year, so do you expect the profile to be similar to previous years or is the maintenance CAPEX in Q2 going to be the largest?

**Rohit:** So, in Q2 our maintenance expenses are going to be the highest and that's when we will have some lost production. But our maintenance CAPEX doesn't always follow turnaround schedule so, we still think there will be higher CAPEX in the back half of the year.

**Nelson:** Ok, thanks. Those are all my questions

**Mark:** Thank you

**Operator (Chris):** Your next question comes from David Newman, Desjardins Capital Markets. David, please go ahead

**David:** Good morning Mark and Rohit

**Mark:** Hi, how are you doing?

**David:** Just in the release, you mentioned lower alum prices which I think was a new insertion into the release. Can you sort of shed some colour on; I know you were trying to get alum pricing increases through the municipalities to offset some of the raw material costs. How do you sort of expect that to play out? Is there any dynamic that's changing there, or will you still be able to sort of cascade that through late '18 and '19 just on the pricing side to offset from material pressure?

**Mark:** Dave, we're actually looking at our release because we don't remember talking about decreased alum pricing because there's actually been increased alum pricing.

**David:** Ok. It's in the MD&A. Maybe it's a year over year thing but...so, how is that fairing anyways?

**Mark:** So, alum pricing is increasing, right? It's not like a rocket ship but as we have said the last couple of calls, pricing is slowly going back up. The other caution we had, I think it was in our last call, remember that the big raw material is sulphuric acid and as we've said, sulphuric acid pricing is going up and to the extent that we have annual municipal contracts, we can't pass that on until they roll over. But, long-winded answer to say that alum pricing continues to increase as the year goes on.

**David:** Ok. When do you think it might be able to catch up with the underlying raw material pressure you guys are facing? What would be sort of the puts and takes on timing? Is it second half again sort of thing in 2019?

**Mark:** We think it's second half. And again, as a general statement; pricing is moving up. The municipal bids come up all different times of the year, right? So, probably by the second half of the year, enough of those contracts would have come up to re-bid that any margin contraction should be lessened by then.

**David:** Ok. And it does look like you're catching up on some of the deferred specialty chemicals. Is that safe to say, or are some of the deferrals that you saw late last year, is that cascading in now?

**Rohit:** We did experience some of that in Q1 with those couple of chemicals we had mentioned where there was some slowdown in the customer orders for the end of '17; we did see the uptake in 2018.

**David:** Ok. And that's on the nitrite and pentasulfide etc, right?

**Rohit:** Yeah, KCl and Penta sulfide.

**David:** Ok, very good. And then on the plants...I know Nelson asked this one but I think at 13 turnarounds you're going to do this year, so Q1, how many would you have completed, Q2 how many completed, and then are you done as you head into Q3 on turnarounds, or you just got a couple more to go?

**Rohit:** So, Q2 will be the heaviest and by the end of Q2 we have a couple of smaller ones in the back half of the year, but predominately they're done by the first half.

**David:** Ok. Last question for me guys. Just on Brazil, we often ignore Brazil but it's still a pretty solid contributor overall. Have you had an early discussions with Suzano as to what they might be doing with the takeover of Fibria. It looks to me like there could be potential upside down there as opposed to down side they can layer on Suzano's growing areas, what not. Do you see any potential upside in Brazil at all?

**Mark:** I think it's fair to say we don't see any potential downside. And to be honest, Suzano and Fibria have been so busy trying to put their deal together, they're not anxious to talk to us yet because as we say, we're not even the tail of the dog, we're the tip of the tail of the dog. So, once they settle in, we'll go have a chat with them, but we don't see any potential downside; and upside is too early for us to quantify yet.

**David:** Ok. And last one, I'll just squeeze one more in guys, sorry. You talked about a set of chemicals that were smaller, didn't contribute — SBS and what not, are you still moving ahead sort of late this year into next year where you might package up a half a dozen chemicals and potentially sell them to sort of focus on core operations, which you seem to be doing?

**Mark:** We continue to focus on our core products. If there are buyers for some of these smaller products that actually have a higher value for them then we do, we're always open to that discussion. Some of these products are integral to core products. For example, you can't make acid without making SBS. I think as we've said, we're always looking at our portfolio and figuring out how to actually increase our attention, and focus on what our money makers are. But, it's not a high priority for us to simplify the portfolio; but if there's value to it, we would

**David:** Got it! Thanks guys

**Operator (Chris):** Thank you. Ladies and gentlemen as a reminder, should you have a question please press \*1 on your touchtone phone. Your next question comes from Ammar Shah, National Bank. Ammar, please go ahead

**Ammar:** Good morning guys. Thanks for taking my questions. Just to follow up on the operating issues at the two water chemical plants. I know you said that staffing issues have been resolved but I think you mentioned that there might be a little bit of leakage. Would it be fair to assume that by Q3, we'd reach normalized operations?

**Rohit:** I think when Mark said staffing issues "resolved", we got the people we need but they still have to train to get up to full speed, right? So, that takes a bit of time. And that's why we think the back half should start to see normal operations.

**Ammar:** Ok, fair enough. Just a couple of housekeeping questions. First, I saw that corporate costs were down year over year, just wondering first of all, if the '17ish million would be a good run rate for future quarters? And then number two, if you could just maybe provide a run rate for cash taxes for 2018.

**Rohit:** Sure. So, corporately there's some ups and downs in the quarter but the big reason they're down is actually last year had some acquisition costs in there, like under \$3 million

so, that's obviously gone. So, that's probably a good run rate for the rest of the year. Even though there's some ups and downs in there, as an aggregate it's not bad. Cash taxes, we think between \$8-10 million CDN would be a decent run rate for 2018.

**Ammar:** Ok, great. Thanks for taking my questions.

**Operator (Chris):** Thank you. There are no further questions as this time, please proceed

**Mark:** Thank you all for your time and attention. For those of you that are here, as you probably know we have our annual meeting at 10:00 this morning so I'll see some of you then. Thank you

**Operator (Chris):** Thank you. Ladies and gentlemen, this concludes your conference call for today. We thank you for participating and we ask that you please disconnect your lines.