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OGI.V - Q2 2019 OrganiGram Holdings Inc Earnings Call

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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by. Good morning. My name is Amy, and I will be your conference operator today. At this time, I would like to welcome everyone to Organigram Holdings Inc.'s Second Quarter 2019 Earnings Conference Call. (Operator Instructions) As a reminder, this conference is being recorded and a replay will be available on Organigram's website. At this time, I would like to introduce Amy Schwalm, Vice President Investor Relations. Ms. Schwalm, please go ahead.

Amy Schwalm - *OrganiGram Holdings Inc. - VP of IR*

Thanks, Amy. Joining me today are Organigram's Chief Executive Officer, Greg Engel; and Chief Financial Officer, Paolo De Luca.

Before we begin, I'd like to remind you that today's call will include estimates and other forward-looking information from which our actual results could differ.

Please review the cautionary language in today's earnings report regarding various factors, assumptions and risks that could cause our actual results to differ. Furthermore, during this call, we will refer to certain non-IFRS measures. Please see today's earnings report for more information on these measures.

I will now hand the call over to Greg.

Greg Engel - *OrganiGram Holdings Inc. - CEO & Director*

Thanks, Amy. Good morning, and thank you for joining Organigram's first earnings call. This morning, we reported results for our second quarter ended February 28, 2019. I'll start with the highlights of the quarter as well as our progress on our strategic priorities, including the facility expansion and our preparations for derivatives and edible legalization later in this year, then I will turn the call over to Paolo De Luca, our CFO, to discuss the financial results in some more detail.

We delivered another quarter of excellent results, a testament to the Organigram team, a reflection of our state-of-the-art facility and our commitment to continuous improvement, and I'm also excited about leveraging our strength to see the next tremendous opportunity expected with the expansion of the market to include derivative-based products.



As we indicated with last quarter's results, we expected Q2 revenue to be at least double that of Q1 and we met this target nicely. Q2 2019 revenue was a new record for the company and reflected the first full quarter of adult-use recreational sales. We were able to translate our strong operating results into excellent fundamentals as we remain focused on building sustainable business to generate long-term value for our shareholders. We reported industry-leading adjusted gross margins and positive adjusted EBITDA for the third quarter in a row, which continues to differentiate OrganiGram's performance in the space.

At OrganiGram, we've built a strong culture of continuous improvement and it truly is the foundation of our company. Our decisions and actions are guided by lean manufacturing principles as well as our own in-house proprietary software, OrganiGrow. This is a database which tracks all grow cycles by harvest period, strain, room, environmental conditions and other factors to allow us to understand and refine the optimal methods to grow the plant. Along with the focus on automation, we're striving for the most efficient production with consistent quality and availability to our customers.

The fact that we've been able to consistently keep product on the shelves for private and public retailers has helped to build our brand equity.

In short, we've emerged as one of the leading suppliers of pre-rolled dried flower and oil to the Canadian recreational market. To take pre roll as an example, we're now producing upwards of 40,000 per day with production of approximately 2.6 million pre rolls to date. We continue to be very focused on the medical side of our business and ensuring there is no disruption to our patients. Our organic line of medical products continue to be well received and was the biggest dried flower seller to our medical patients this past quarter. We're absorbing the excise tax for our patients and have expanded our medical compassionate program to make the product more accessible to patients on a fixed income.

Our team also recently launched a cross-platform mobile app designed to offer patients greater convenience in optimizing their medication regime and stay up-to-date on products and news. Initial feedback from our patients has been very positive.

Other highlights of the quarter includes signing a letter of intent with SQDC in Quebec, making us one of only 3 licensed producers in all 10 Canadian provinces and we expect for shipments to Quebec in the very near future. We also engaged balance grow works for additional extraction capacity produce concentrate [for oil] and eventually derivative-based products when they launch this fall. We now have several strategic partnerships just last quarter and are prioritizing executing on international opportunities, particularly for CBD in the EU market. There's a significant unmet demand for CBD products with forecast of exponential growth. We look forward to updating you in the coming quarters on our progress here.

We also have a supply agreement with 1812 Hemp, a company producing high CBD hemp in the Canadian climate. We have access to approximately 6,000 kilos of dried hemp flower, which we've began sending the balance for extraction in our current third quarter and have already received initial shipments of concentrate back from them.

Turning to our production capacity. I'm pleased to report the Phase 4 expansion of our Moncton Campus is progressing in line with our expectations [and in last] capital cost estimate provided in Q1. Like the rest of our facility, we've used our unique 3-tier growing technology to maximize square footage and all critical facets of the lighting environmental elements are controlled to drive maximum quality and the yield of the plants.

Once all the Phase 4 is complete, later this year, our target production capacity is expected to be 113,000 kilos per year, which is approximately 3x our current capacity. Construction for Phase 4a which will add 31 rooms and bring target capacity to 62,000 kilograms per year is substantially complete. A few weeks ago, we submitted the license amendment to Health Canada for the entire perimeter for Phase 4a and b as well as for the initial 13 grow rooms in 4a. In anticipation of receiving licensing, we've already started cloning for these rooms.

Our licensing process is relatively streamlined and predictive for 2 reasons. We only need to file for amendments to our existing facility, and two, our expansion is modulate with each room, largely a replica of the last license submission, such that Health Canada is familiar with our design, process and plans. We will submit amendments to allow for continuous filling of grow rooms as we've done very successfully with phases 2 and 3. We're making good strides in constructing Phase 4b, which will add another 32 rooms and take us to 89,000 kilos per year of target capacity. Phase 4b is anticipated to be largely complete in September of 2019.



Our fully customized irrigation system that will serve all of Phase 4 is being installed and is expected to be commissioned this month. Most of the electrical and control infrastructure for Phase 4a and b grow rooms have also been installed. All of the chillers for the new mechanical system for Phase 4a and Phase 4b are also installed and being commissioned. The chillers are designed to produce more than 5,000 tons of cooling capacity once the system is fully operational.

To aiding our plants, contractors are pre-fabricating many components off-site so the installation can be optimized on-site.

The first rooms of the 29 for Phase 4c are expected to be available by the end of this year as well. The design for Phase 4c is complete and much of the key equipment has already been ordered.

Our expansion schedule is relatively predictable due to the exact duplication of all grow rooms and because most of our contractors were also part of previous phases. We're well underway in terms of preparation for the legalization of derivative-based products, referred to as rec 2.0.

We're adhering to some key strategic principles, which include focusing on depth versus breadth of SKUs rather than attempting to launch a vast array of products all at once. Our exclusive consulting agreement with the Green Solution, a proven market leader in the adult recreational marketplace in Colorado, provides us with excellent insights on the products in highest demand and that also appeal to the masses. We don't want to reveal too much of our detailed strategy, but can say we're planning for the availability of vaporizable pen technologies by the legal launch date followed by certain key edible products.

We've engaged Canada's Smartest Kitchen to help with product development, specifically focused on chocolate first. In addition, we will leverage the deep industry expertise and experience in the food industry of our executive team and key people in management.

In addition to Phase 4, we have 56,000 square feet in our Moncton Campus that become available to us in March 2019. The space is designed under EU GMP standards and we've started refurbishing it for additional extraction capacity as well as the derivatives and edibles facility and some additional office space. This is now called Phase 5. Plans also include separate rooms of packaging dried flower, pre rolls, oil and vape pen filling and automated packaging. And we will be utilizing both CO2 and hydrocarbon extraction as well and some additional formulation areas. We'll also add a new mezzanine for harvesting and trim rooms plus 21 individual drying rooms as well as the final processing and sanitation rooms.

A chocolate molding line and additional fully automated packing equipment for product line, such as edibles and other derivative-based products, have been ordered. We've also purchased short path distillation equipment for edibles and vape pen product production. Primary construction of Phase 5 is expected to be done in October of 2019. The initial estimate of total capital cost is anticipated to be approximately \$48 million.

The company is strategically building up extraction material to converting the concentrate for conversion to high CBD concentrate to be used for either oil formulation, vape pens, edibles or other permitted products. We expect derivative products to represent at least 50% of the legal products in demand by the end of this calendar year and generate substantially higher margins in today's existing product range. Until Phase 5 additional capacity is available, we are sending material to balance to convert into concentrate.

Lastly, on the derivative products front, we believe we've developed a self-stable, water-soluble and tasteless cannabis beverage formulation that provides onset of action with 10 to 15 minutes. Non-cannabis formulations with a similar molecule size are water-soluble in humans and absorb through the bloodstream rather than requiring first-pass liver metabolism, which should result in a shorter onset of action and shorter duration of effect. R&D licensing is expected in the very near future, at which point, we can assess taste and confirm onset of action and duration time of these products.

At this point, the company is not necessarily planning to launch its own cannabinoid-infused beverages and is actively seeking a strategic partner with proven experience in beverage product development.

And with that, I will now turn the call over to Paolo.



Paolo De Luca - *OrganiGram Holdings Inc. - CFO*

Thanks, Greg. This quarter, we generated gross revenue of \$33.5 million and net revenue of \$26.9 million from approximately 4,248 kilograms of dried flower and 5,735 liters of oil sales. Of the total net revenue, approximately \$24.5 million of it was sold to the rec market and about \$2.4 million to the medical market with a negligible amount coming from other items.

Even with the launch of the adult-use rec program, medical sales have not suffered and remained relatively flat sequentially.

By the end of March 2019, we reached a record number of registered patients at 16,157. We have generated what we believe, based on our review of public comparables, industry-leading gross margins. In Q2, we posted reported gross margin of \$8 million, but adjusted gross margin of \$16 million or 60%. Adjusted gross margin excludes fair value adjustments on biological assets and inventory.

We prefer to reference adjusted gross margin because based on our interactions with industry analysts, investors and media, there seems to be a preference to exclude fair value adjustment.

For the quarter, we harvested 8,315 kilograms of dried flower, up from 880 kilograms in Q2 of the prior year. Our second quarter cash costs and all-in cost of cultivation were \$0.65 and \$0.85 per gram, respectively. We believe these are the lowest cost among the Canadian licensed producers, but caution listeners and readers that there is no consistent or accepted method for calculating cost of cultivation, and that cost of cultivation is only 1 component that drives total cost of sales as post harvest costs such as extraction, packaging and shipping are not yet added.

We are continuing to disprove the theory that high-quality indoor production results in high cost of cultivation. In fact, we are -- we believe we're realizing the best of both worlds, high quality production and while keeping costs low. We generated adjusted EBITDA of about \$14 million, which is a positive for the third quarter in a row. SG&A represented approximately 21% of net revenue in Q2, down from 36% in Q1 and down from 79% from the same quarter in fiscal 2018.

As a company, we continue to realize the benefits of greater scale and remained focused on prudent spending. Control over spending, in particular in comparison to our peers is something that as a management team we take pride in.

Moving to the balance sheet. We have good liquidity with approximately \$63.4 million in cash and short-term investments at the end of Q2 and a low debt-to-EBITDA ratio. Subsequent to the quarter-end, we converted the remaining balance of our convertible debentures, and this eliminated a significant current liability from our balance sheet.

Further, we're pleased to report that we expect to further strengthen our balance sheet with traditional debt financing. We have signed a term sheet with a Tier 1 Canadian chartered bank for a total of \$140 million in debt to include both revolving debt for our general working capital and corporate purposes and a term loan to finance our expansion.

Finalization is subject to due diligence and definitive documentation.

With that, I will turn it over to Greg to wrap up.

Greg Engel - *OrganiGram Holdings Inc. - CEO & Director*

Thanks, Paolo. As a company, we continue to focus on our key priority of providing a consistent high-quality supply to the marketplace. We remain committed to building a sustainable, profitable business, providing a return on investment and increasing value for our shareholders. That concludes our formal remarks.

Operator, if you could go ahead and open up the line for questions.



QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Your first question comes from the line of Graeme Kreindler with Eight Capital.

Graeme Kreindler - Eight Capital, Research Division - Research Analyst

I just wanted to get your thoughts on the derivative products expected to hit the market later this year. When do you think we could expect to see Organigram products hitting the market?

Greg Engel - OrganiGram Holdings Inc. - CEO & Director

Yes, thanks, Graeme. So it's Greg here. And so at this point, as I stated, we are prepared and planning to launch vaporizable pens, a number of different product lines in the fall. We expect, as per the Sunshine Provision in the Cannabis Act, that the regulations will allow for a launch of those products on October 17, 2019. We are working on a number of different edible products. However, we do not feel that we'll have sufficient inventory available to launch those on October 17, so we expect to have at least the initial products from that line available by the end of the year. And our key is, we've talked about in the past as we approached the adult rec launch last year is we focus on depth and we want to make sure that when we launch products we have sufficient inventory of those products to continuously supply the marketplace.

Graeme Kreindler - Eight Capital, Research Division - Research Analyst

Okay. And as a follow up here, with respect to all the moving pieces, Phase 5 being part of that for the derivative products as well as the relationship with Valens, I was just wondering, is there -- have you made any shipments already to Valens with respect to delivering product for oils? How does that get phased as you're looking to time everything accordingly?

Greg Engel - OrganiGram Holdings Inc. - CEO & Director

Thanks, Graeme, that's a great question. So Valens has already been processing material for us and we've actually received our first initial shipments of concentrate back from Valens. So we actually expect to begin using that product at least for some product launches before the end of this quarter.

Operator

Your next question comes from the line of Peter Sklar with BMO Capital Markets.

Peter Sklar - BMO Capital Markets Equity Research - Analyst

It's Peter Sklar on behalf of Tamy Chen. The first question is, like your expenses, your SG&A and your sales and marketing expense, like as you pointed out, is pretty disciplined and relatively low. We're just wondering, like how should we think about that? Is that going to a ramp up as you start with the value-added products and as you bring Phase 5 on? And are you worried that you're under spending from -- on marketing from a strategic perspective?

Greg Engel - OrganiGram Holdings Inc. - CEO & Director

Yes, thanks for the question, Peter. So our perspective is that we're investing heavily in our sales team as well as the in-store experience that consumers are experiencing. So where you're seeing a lot of investment from us is what our sales team does in the retail environment as well as



point-of-sale material and materials for the consumer once they're in the retail environment. I'll let Paolo answer the question kind of on a forward-looking perspective.

Paolo De Luca - *OrganiGram Holdings Inc. - CFO*

Peter, it's Paolo here, thanks for the question. So as a percentage of our revenue, I would expect our SG&A to actually continue to drop over time just because we're looking to triple our expansion -- our production and our sales based on our expansions that we've already publicly outlined. I would say up until now the most important thing from a marketing and sales perspective is just to get your product to the stores. So you could spend all the money you want on sales and marketing, but if you can't execute on getting product to the stores, you're failing to deliver to your customers. So the best kind of marketing we can possibly do is to execute on that, and we think we're doing a reasonable job on that.

Peter Sklar - *BMO Capital Markets Equity Research - Analyst*

Okay. And then the other thing I wanted to ask about, like your grow is all indoor grow and how is -- like how is your pricing falling out in terms of good, better, best and relative to other licensed producers who are supplying from greenhouse? Are you getting a premium for your indoor product or like how is it fitting into the -- to the whole pricing universe?

Greg Engel - *OrganiGram Holdings Inc. - CEO & Director*

Yes, Peter, it's Greg here. So we don't necessarily know exactly what other companies are getting from a price perspective. We do know that certain jurisdictions like Ontario do set standards for their good, better, best. So for example, in Ontario, they will only accept indoor grown product into their best category, so we fit into that category with our product. And we do have a range of products certainly, right. We're not only selling a premium and a mainstream line, we did launch our trailblazer line, which was more of a value play, but it's targeting kind of new consumers and consumers with an experience base, so has a lower THC, which has been very well accepted. So again pricing is dependent on product SKU or type. But yes, in general, we see the provinces and the private retailers slotting our products as indoor grown into the mainstream and premium lines.

Operator

Your next question comes from the line of Neal Gilmer with Haywood Securities.

Neal Gilmer - *Haywood Securities Inc., Research Division - Research Analyst of Special Situations*

Apologies, if you covered this because I did miss early part of the call. Just you have a couple of comments in your MD&A with respect to going to 24-hour shifts for the excise tax -- or stamps and so forth. So I'm just wondering sort of how your view is in looking forward. You obviously have a solid biological assets in the inventory. Do you see an impediment to the sort of revenue growth that you were able to achieve over in Q2 to Q3 or sort of how do you see that outlook? Last quarter, I know you provide a little bit of guidance on what you thought on the revenue growth side, so just wondering whether you have any comments on that in light of the -- some of the challenges in the excise tax?

Greg Engel - *OrganiGram Holdings Inc. - CEO & Director*

Yes, Neal, it's a great question. So certainly, as we look to a, optimize our equipment and get it fully functioning at 100% capacity and we were certainly working through a backlog of material, so getting that equipment up to full functionality, we made a decision to go to 24/7 both packaging and pre roll. Part of that was also driven by the demand for pre-rolled. And as stated in the MD&A, we did have some temporary workers for a period of time as well as paying over time for some of our support functions like QA and maintenance, but now, we're on a full setup for 24/7. And that's also in anticipation of additional product coming online from Phase 4, if that happens. So it was really about preparing for that next phase of licensing as well. So certainly at this point, we're not facing any hurdles necessarily from a packaging perspective and -- or excise stamping and



we're certainly looking to be able to work through. We did have backlog of inventory that we had to work through. So I don't see packaging or excise stamping to be a bottleneck for us going forward.

Neal Gilmer - *Haywood Securities Inc., Research Division - Research Analyst of Special Situations*

Okay, that's helpful. I guess, I'll jump back in the queue and adhere to the 1 question per analyst.

Operator

Your next question comes from the line of Matt Bottomley with Canaccord Genuity.

Matt Bottomley - *Canaccord Genuity Limited, Research Division - Analyst*

Maybe a quick followup just to Neal's comment there on the -- on any potential bottlenecks. Is there anything with respect to the provincial governments in terms of how they're handling rolling out retail stores in various provinces as well as their ordering that would cause a headwind on what you're able to sell? Or is it still that I'm just taking everything that I can get as soon as I can get it?

Greg Engel - *OrganiGram Holdings Inc. - CEO & Director*

Yes, Matt, it's a good question. So certainly, for us, we've seen, as Ontario now is adding stores, we serve certainly some large inventory build as those stores came online. We now have indication that additional stores will be coming online in the near term. So they will be beginning to expand. Alberta is also going through a significant expansion as well of the retail stores. And then finally for us, as Quebec is a new market that we plan to enter shortly, based on the agreement with them, so we're going to continue to see increasing demand from the provinces. And I think the key -- the 2 key aspects though, I guess, for the entire industry are the Ontario and Alberta rollout and to a lesser extent BC and then for us, in particular, with Quebec coming online.

Matt Bottomley - *Canaccord Genuity Limited, Research Division - Analyst*

Great. And just one other question on the derivatives again. We hear a lot of licensed producers, including yourselves that are working hard towards getting derivative products ready, whether that's the edibles or beverages and you made some good commentary on that. Just given how strict or fussy the federal government has been in the past with how they regulate things, how much clarity do you have with respect to how they're going to regulate in edible or a beverage and whether or not that might conflict with how you guys are designing them or any sort of background work that you're doing? Just wondering if they're giving you color on exactly how it's -- how things should be formulated and regulated?

Greg Engel - *OrganiGram Holdings Inc. - CEO & Director*

So the consultation, as you know, process on amendments to the regulations closed in February. We have been in ongoing dialogue with the regulator on a number of key aspects. One key thing to keep in mind for every product on the edible side is that product samples have to be submitted to the government 60 days before they're sold into the marketplace. So those are the things that have to be worked into the time lines for companies in terms of bringing products to market. So again, that's why we're doing work today on test products and doing a lot of work to have those test products completed at least at a base scale before we go into full scale production. So -- and again, our R&D license, which we expect to receive shortly will assist us in being able to do more not only taste testing of those products with cannabinoids in them, but also effect testing so that we can see what is the onset or duration of action and the effect for consumers.



Operator

Your next question comes from the line of Douglas Miehm with RBC Capital Markets.

Douglas Miehm - RBC Capital Markets, LLC, Research Division - Analyst

A couple of questions. Number one, just has to do with re-ordering patterns you're seeing with the provinces and perhaps any price changes. Is there anything specific that the provinces are requesting or are some products selling better than others? We note that you have more SKUs than almost anyone except Canopy in Ontario. Is this factoring into how well things are going for you?

Greg Engel - OrganiGram Holdings Inc. - CEO & Director

Yes, so certainly, Doug, I would comment in terms of the provinces that have had kind of ongoing infrastructure in place since day 1 like New Brunswick, Nova Scotia, PEI. We are seeing a more kind of consistent ordering pattern from them. As you say, with Ontario and Alberta and even BC as stores come online, we are seeing some fluctuations and swings in terms of ordering. I would say from an order perspective, the one big gap in the industry has been -- or 2 big gaps, one has been CBD. So we're working hard to bring pure CBD and additional CBD products to market in the not too distant future and that's part of the work we've been doing with Valens because there is an overwhelming demand for any CBD based products that's of a pure nature, so that's across the country. And I think secondly, as I commented earlier, the additional work that we've done on pre rolls, and for pre rolls, for us, it's also a great way to get individuals a chance to sample your products and experience your brand with a low out-of-pocket expense. So it really helps us from a marketing and distribution side. And as per the question that was asked earlier by Peter, I mean, certainly that helps us as a group and a company to get exposure to our brand not only within the retail environment, but for consumers.

Douglas Miehm - RBC Capital Markets, LLC, Research Division - Analyst

Okay, great. And then just a follow up. When you talk about potentially doing a deal with a beverage company, is this going to be something along the lines that we have already seen in the marketplace? Or is this going to take a unique turn or anything interesting in terms of an angle to it? And I'll leave it there.

Greg Engel - OrganiGram Holdings Inc. - CEO & Director

Yes. So as we commented, we formulated what we believe is a very unique low molecular weight water-soluble, tasteless, odorless, kinetically stable formulation. And so the structure of any deal with a strategic partner would really be dependent upon that strategic partner, what they would bring to the table in terms of brand recognition, formulation development and global distribution. So again, to answer your question, it would be very dependent upon the potential strategic partner, what a deal structure would look like.

Operator

Your next question comes from the line of Graeme Kreindler with Eight Capital.

Graeme Kreindler - Eight Capital, Research Division - Research Analyst

I just wanted to get your thoughts on the company potentially exploring a cross listing in the U.S. as well as the uplifting to the big 4 in Canada here.



Greg Engel - *OrganiGram Holdings Inc. - CEO & Director*

Thanks for the question, Graeme. I mean, we're always evaluating options as a company. I guess, all I can say, as you know, we're not at liberty to discuss specific plans as this would have to be disclosed at appropriate time and in the appropriate manner in accordance with continuous disclosure obligations.

Paolo De Luca - *OrganiGram Holdings Inc. - CFO*

Graeme, we're always looking to maximize shareholder value. So...

Operator

Your next question comes from the line of Peter Sklar with BMO Capital Markets.

Peter Sklar - *BMO Capital Markets Equity Research - Analyst*

Can you give us an update on where you're at in terms of your plan for GM certification and potential exports into the EU? And do you anticipate that those exports would take the form of dried flower or oil?

Greg Engel - *OrganiGram Holdings Inc. - CEO & Director*

Yes, so thanks for the question, Peter. So at this point, we had originally looked to convert part of our existing facility, but as we now have possession of additional 56,000 square feet from a call center that was leasing within our building, we designed that entire section of the facility to EU GMP standards. So we expect that to be fully online and completed by October of this year. So that will give us access with GMP certification before the end of the year to the European market. We are also looking at working with third parties who have a GMP certification for derivative-based products to assist us in accessing those markets through those partnerships.

Peter Sklar - *BMO Capital Markets Equity Research - Analyst*

Okay. So -- sorry, did you say that you expect GMP certification by the end of this fiscal year or calendar year?

Greg Engel - *OrganiGram Holdings Inc. - CEO & Director*

The end of the calendar year potentially is what we're targeting.

Peter Sklar - *BMO Capital Markets Equity Research - Analyst*

Okay. And then -- just a last thing I wanted to ask you, I noticed that in Q1, you did provided some guidance on how revenues are going to look in Q2. Can you provide any -- are you providing any revenue guidance on how Q3 revenues will look?

Paolo De Luca - *OrganiGram Holdings Inc. - CFO*

It's Paolo here. We're not at this point just because it's earlier in the quarter than we normally talk in the passage of the quarter is shorter and we just don't have the same visibility that we did in the past and we're just not comfortable at this point in time.

Greg Engel - *OrganiGram Holdings Inc. - CEO & Director*

And we are seeing variabilities, as we said -- I said earlier on demand curves especially from Ontario and Alberta and Quebec being new to us. We don't have the same level of certainty as we'd had at the end of the last or partway through the previous quarter.

Operator

(Operator Instructions) As there are no further audio questions at this time, this concludes today's conference call. Thank you for your participation. You may now disconnect.

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