

# INVESTOR PRESENTATION

March 2020



Western Forest Products Inc.  
DEFINING A HIGHER STANDARD™

TSX:WEF



# Forward Looking Statements and Non-GAAP Financial Measures



All financial references are expressed in C\$ unless otherwise noted.

This presentation contains statements and estimates that may constitute forward-looking statements under the applicable securities laws. Readers are cautioned against placing undue reliance on forward-looking statements. All statements herein, other than statements of historical fact, may be forward-looking statements and can be identified by the use of words such as “will”, “form”, “strategy”, “expect”, “should”, “pursue” and similar references to future periods.

Forward-looking statements in this presentation include, but are not limited to, statements relating to our current intent, belief or expectation with respect to: domestic and international market conditions, demands and growth; economic conditions; our growth, marketing, product, wholesale, operational and capital allocation plans and strategies; our expected operating results, such as revenue and earnings; our competitive position and expectations regarding future competition; fibre availability and regulatory developments, including, but not limited to, allowable annual cut levels; and product pricing and logistics.

Although such statements reflect management’s current reasonable beliefs, expectations and assumptions regarding the future of our business, future plans and strategies, projections, anticipated events and trends, the economy and other future conditions, there can be no assurance that forward-looking statements are accurate, and actual results and performance may materially vary. Many factors could cause our actual results or performance to be materially different including: economic and financial conditions, international demand for forest products, competition and selling prices, international trade disputes, changes in foreign currency exchange rates, labour disputes and disruptions, natural disasters, relations with First Nations groups, the availability of fibre and allowable annual cut, developments and changes in laws and regulations affecting the Company or the forestry industry, changes in the price of key materials for our products, changes in opportunities, and other factors discussed in the Company’s annual MD&A, which is available on our website at [www.westernforest.com](http://www.westernforest.com). The foregoing list is not exhaustive, as other factors could adversely affect our actual results and performance. Forward-looking statements are based only on information currently available to us and refer only as of the date hereof. Except as required by law, we undertake no obligation to update forward-looking statements.

During the course of this presentation, certain non-GAAP financial information will be presented. Definitions and reconciliation of terms can be found in the Company’s annual and quarterly MD&A for Western Forest Products Inc. (the “Company”).

# Section 1:

## Company Snapshot



## Investment Highlights

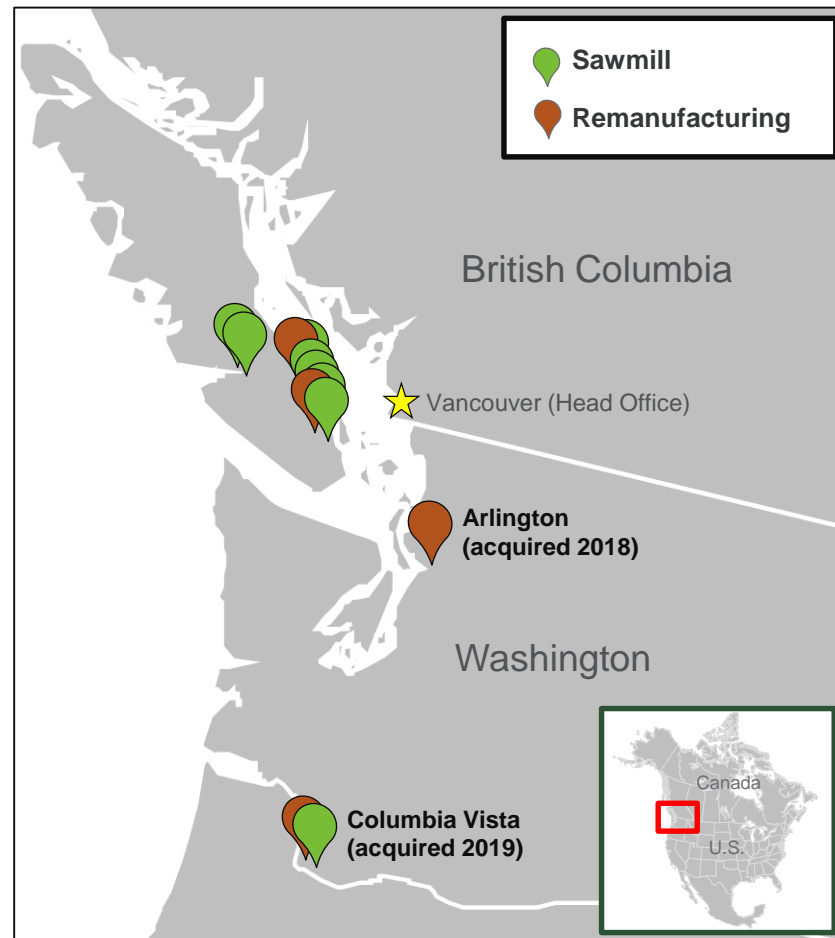
- ✓ Margin-focused strategy with exposure to growing lumber demand
- ✓ High-value, diverse products serving global markets
- ✓ Business of scale and leader in our key markets
- ✓ Strong financial position and attractive dividend
- ✓ Specialty product focus provides greater earnings stability compared to commodity lumber peers
- ✓ Superior timber asset base and secure fibre supply
- ✓ Committed to enhancing and growing shareholder value

Western is well-positioned to capitalize on improving market fundamentals



# Operations Snapshot

- Margin-focused, specialty lumber company
  - Leading cedar lumber, timbers and Japan square manufacturer in North America
- Serve global markets from Coastal B.C. and Washington
- Expanded operations into the U.S. Pacific Northwest in 2018 and 2019
- Lumber capacity in excess of one billion board feet at eight sawmills
- Four remanufacturing facilities



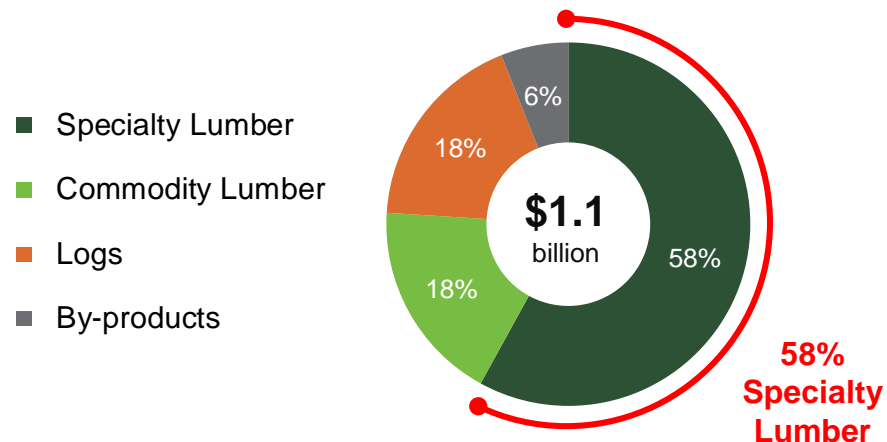
See Appendix for detailed listing of sawmills and remanufacturing facilities

Strategically located manufacturing locations with secure fibre supply

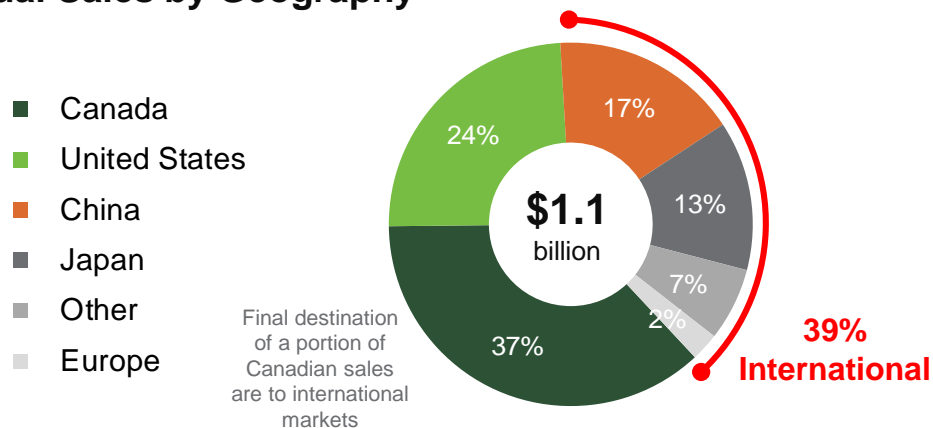
# Financial Snapshot

- 5-Year average annual revenue<sup>1</sup> of \$1.1 billion
- 5-Year average annual EBITDA<sup>1</sup> of \$112 million
- Market cap. of ~\$430 million<sup>2</sup>
- Current quarterly dividend of \$0.0225 per share (\$0.09 per share annually)
  - Current yield of 7.9%<sup>2</sup>
- Well capitalized balance sheet
  - Net debt to capitalization of 18.8% (at end of Q4-19)

## Annual Sales by Product<sup>1</sup>



## Annual Sales by Geography<sup>1</sup>



(1) 5-year average from 2015 to 2019, including strike impacted 2019

(2) Based on closing share price of \$1.14 on March 4, 2020

# Executing on Strategic Priorities

## Explore Opportunities

- Pursue margin-focused business opportunities and acquisitions
- Grow wholesale lumber business
- Growth opportunities in the U.S. Pacific Northwest and specialty wood products

## Grow the Base

- Optimize operations to improve margins
- Targeted, high-margin products of scale to selected customers
- Non-capital margin improvement programs

## Strengthen Foundation

- Strategic capital investments
- Invest in people and systems
- Mutually beneficial relationships with First Nations

Focus on growing long-term shareholder value

# Section 2:

## Company Updates





# Strengthen the Foundation: 2019 Board Leadership Transition and New Directors



## Board Leadership Transition



**Michael Waites**

- Michael Waites appointed as Chair of the Board
- On Western's Board since 2014 and has significant executive management and Board experience
- Previously CEO, and earlier EVP and CFO, of Finning International

## New Independent Directors



**Laura Cillis**

- Board member of Crescent Point Energy and Shawcor
- Previously served as a director of Enbridge Income Fund and Solium Capital
- Previously SVP, Finance and CFO of Calfrac Well Services and CFO of Canadian Energy Services



**Cheri Phyfer**

- President of the Global Plumbing Group for Fortune Brands Home Security
- Previously held senior management positions at the Sherwin-Williams Company, including President, Consumer Brands Division

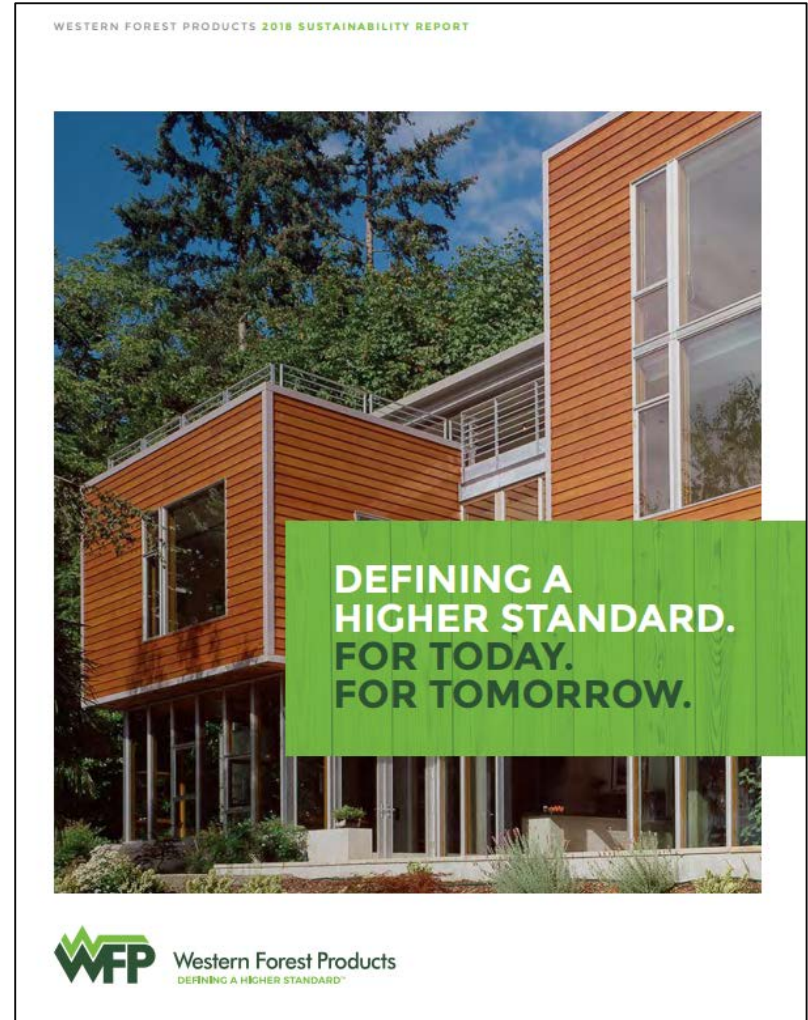
Reinforces Western's commitment to corporate governance best practices

# Inaugural Sustainability Report

## Environmental, Social and Governance Commitment



- Inaugural sustainability report released in March 2019
- Western is committed to:
  - The protection of the environment, the prevention of pollution and the sustainability of the resources in our care
  - Providing a safe and healthy workplace for our people
  - Working with our people, First Nations, communities and stakeholders
  - Strong and ethical governance

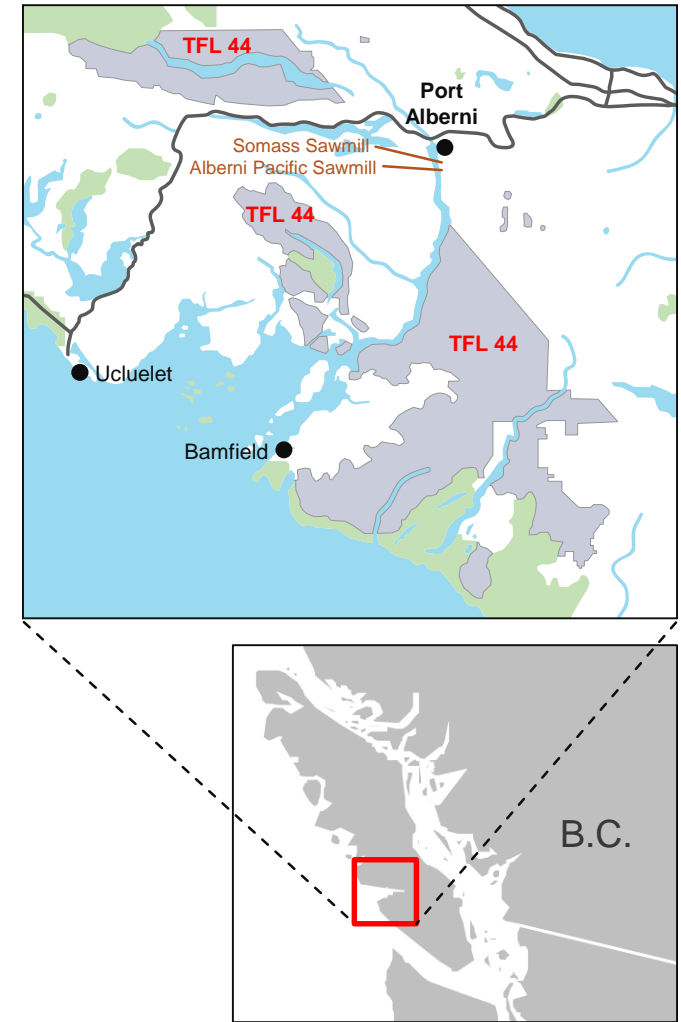


Western is committed to defining a higher standard on ESG

# Strengthen the Foundation: Newly Formed Limited Partnership with Huu-ay-aht First Nations (“HFN”)



- Transaction completed in March 2019
- HFN purchased a 7% interest from WFP in a newly formed Limited Partnership (“LP”)
  - LP consists of certain assets and liabilities of WFP’s Port Alberni Forest Operation, including TFL 44 (AAC of 782,482 m<sup>3</sup>)
  - Purchase price of \$7.3 million (\$133 per m<sup>3</sup>)
- WFP will continue to source fibre from the LP to support our B.C. manufacturing operations



Continue to explore mutually beneficial relationships with First Nations

# Growing the Business: New Wholesale Lumber Business Unit



- Form strategic agreements with global suppliers, enabling WFP to broaden the scope of our specialty products offerings
- Combination of WFP's existing product portfolio and complementary supply from new strategic relationships, will enable WFP to offer an expanded product line that delivers greater value to our customers
  - Will make our existing business and product offerings stronger
- New products will originate in the U.S., Asia, Europe and Canada
  - Comprised of finished products, as well as lumber products that could be further processed at Arlington or with other strategic remanufacturing partners
- In 2019, more than doubled wholesale lumber shipments to 34 million board feet compared to 2018

Growing global supply of targeted specialty products for our selected customers

# Growing the Business: Acquisition of Columbia Vista



- Acquired February 2019 for \$37.7 million, including working capital
- Located in Vancouver, Washington
- Focuses production on Douglas fir specialty products for Japanese and U.S. markets
  - Complements our B.C. hemlock business into Japan
- Annual lumber production: ~60 million board feet
- Columbia Vista's owner working with Western in a consulting capacity



Growing our operations in the U.S. Pacific Northwest



# Growing the Business: Arlington, Washington Lumber Distribution and Processing Facility



## Overview

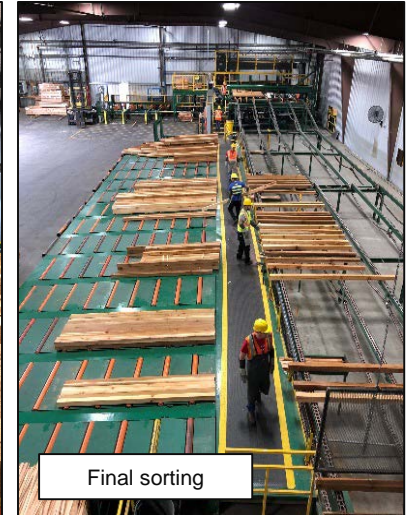
- Acquired January 2018 for \$11.6 million
- 18 acre distribution and processing facility
- 170,000 square feet covered storage
- Rail spur on site serviced by BNSF

## Fits With Our Lumber Sales Strategy

- Increase production of targeted specialty products and expanded finishing capacity
- Increase margins by growing the sale of finished products, closer to the end customer
- Centralized warehousing and distribution near the high value U.S. west coast corridor

## Capital Improvements Update

- Site and infrastructure improvements completed in Q2-2018, enabling distribution activity to commence from the site
- Equipment upgrades completed in Q1-2019; secondary processing commenced



Arlington creates centralized distribution and growth in finished products

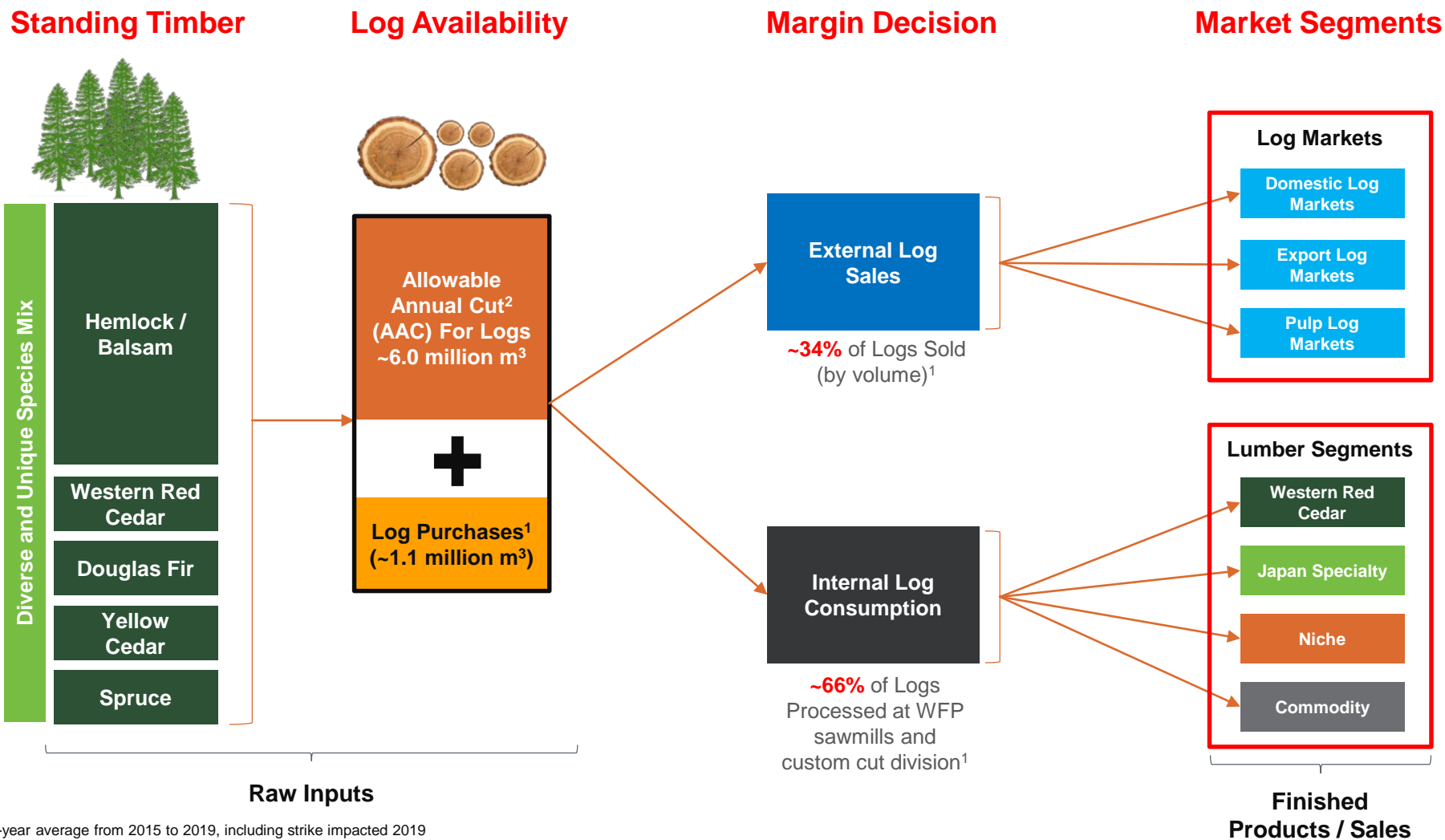


# Section 3:

## Company Overview



# Margin Strategy / Fibre and Processing Flow Chart



(1) 5-year average from 2015 to 2019, including strike impacted 2019

(2) As of December 31, 2019

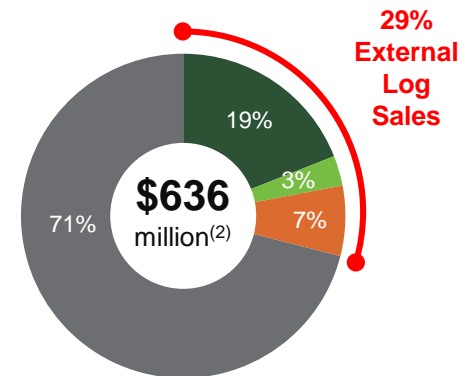
Timber resource is directed to highest margin opportunity

# Log Markets Determine Margin Decision

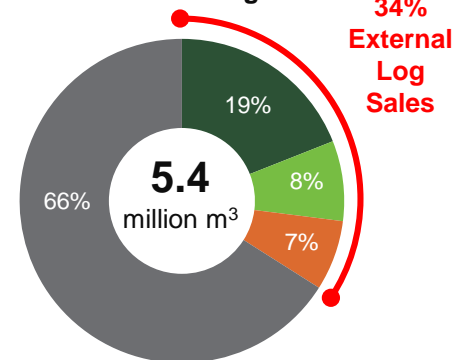
External Log Sales

Log End Market	Description	Primary Target Geographies
<b>WFP Sawmills</b>	<ul style="list-style-type: none"> <li>Western's sawlogs consumed by internal manufacturing operations</li> <li>Internal log supply supplemented by open market purchases to maximize margin</li> </ul>	
<b>Domestic</b>	<ul style="list-style-type: none"> <li>Includes sawlogs, peelers (for engineered wood applications) and shingle logs sold through contractual commitments and open market transactions</li> </ul>	
<b>Pulp Logs</b>	<ul style="list-style-type: none"> <li>Volumes committed under long-term fibre supply agreements</li> <li>Commitments met through internal log supply, supply contracts and open market pulp log purchases</li> </ul>	
<b>Export</b>	<ul style="list-style-type: none"> <li>Represents log sorts produced in excess of internal mill requirements</li> <li>Historically command premium prices due to strong demand</li> <li>Transportation optimization</li> </ul>	

**Logs by Value**  
5-Year Average<sup>1</sup>



**Logs by Volume**  
5-Year Average<sup>1</sup>



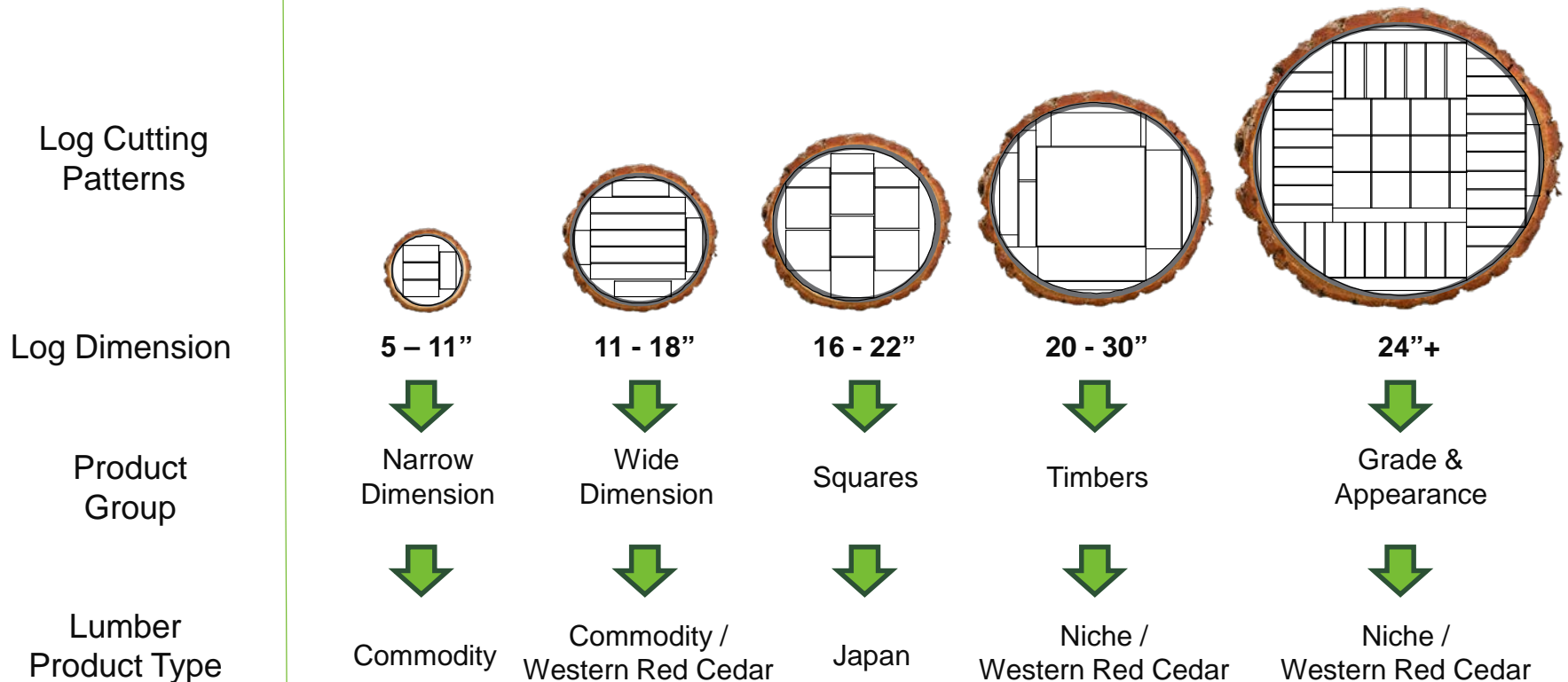
(1) 5-year average (2015 to 2019), including strike impacted 2019, based on total external log sales and internal log consumption, including purchased logs. Internal transfer values based on Vancouver Log Market prices  
 (2) Net of freight and fee in lieu

Directing log volume to highest margin opportunity

# Manufacturing and Sales



**Log diameter and margin determines lumber products manufactured**



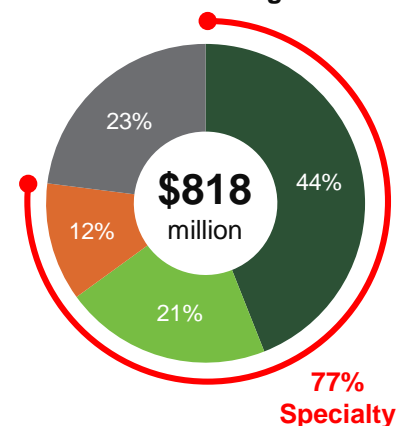
Flexible manufacturing platform presents unique opportunity to create margin

# Diversified Lumber Product Offering

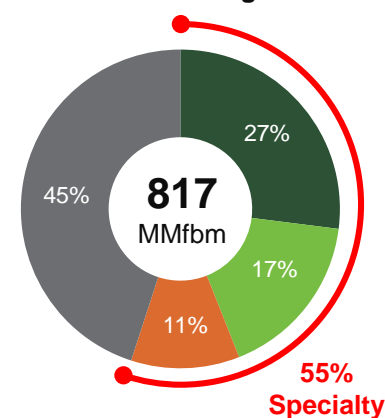
Specialty Products

Lumber Products	Description	Primary Target Geographies
<b>Western Red Cedar</b>	<ul style="list-style-type: none"> <li>Consumer-orientated products</li> <li>Premier softwood for external applications</li> <li>Naturally durable</li> </ul>	 Global
<b>Japan Specialty</b>	<ul style="list-style-type: none"> <li>Specialized products for specific end uses</li> <li>Requires unique and rigorous quality standards</li> </ul>	
<b>Niche</b>	<ul style="list-style-type: none"> <li>Specialty products and markets</li> <li>Focused on appearance grades, value-add products</li> </ul>	 Asia Europe
<b>Commodity</b>	<ul style="list-style-type: none"> <li>Traditional dimension lumber and developing grades</li> <li>Currently focused on China</li> </ul>	

**Lumber by Value**  
5-Year Average<sup>1</sup>



**Lumber by Volume**  
5-Year Average<sup>1</sup>

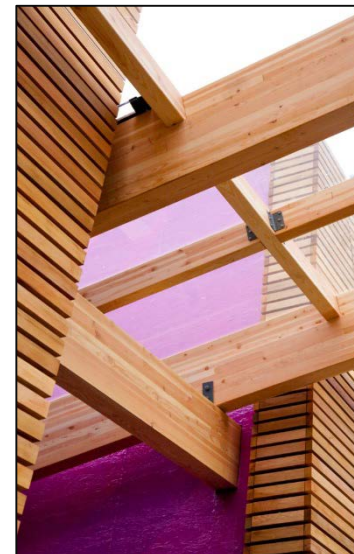
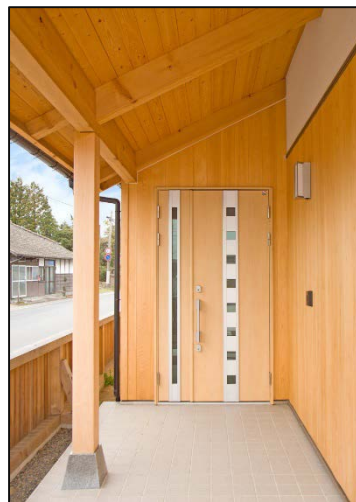


(1) 5-year average from 2015 to 2019, including strike impacted 2019

Allows Western to profitably service multiple markets throughout the cycle



# Sample Lumber Products



Diverse product offering manufactured from sustainably harvested forest profile

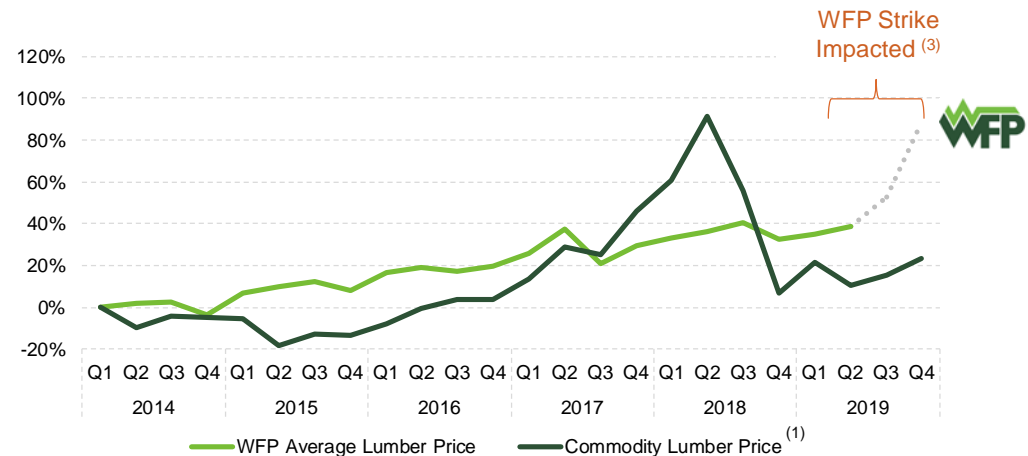


# Specialty Product Focus

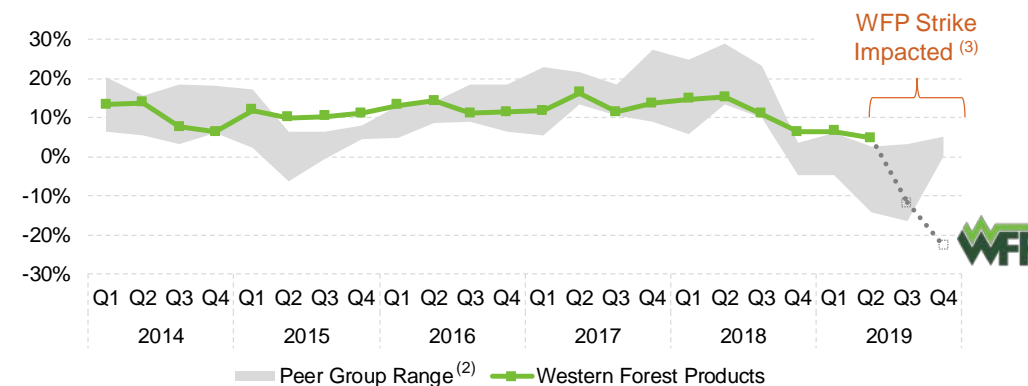


- Approximately 77% of lumber revenue is generated from non-commodity products
- Significant premium to commodity lumber
- More stable margins through the cycle vs. commodity peers
- Product / market diversity and global exposure provide opportunities to maximize margin
- Cedar, niche and commodity grades will benefit from U.S. housing recovery and global demand

## Relative Lumber Price Change Since Q1-2014



## Quarterly Lumber EBITDA Margins Comparison



(1) KD Western SPF 2x4, #2&Btr; converted from US\$ to C\$

(2) High and low EBITDA margin range of West Fraser, Canfor and Conifex lumber segments and consolidated results of Interfor

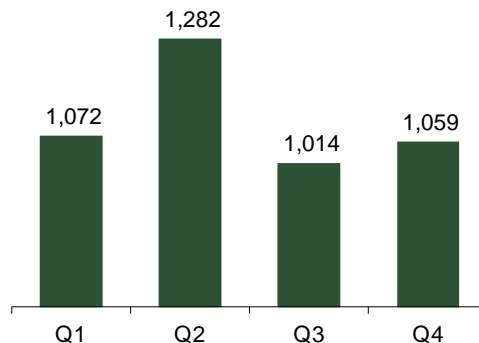
(3) Q3-19 and Q4-19 are not comparable for Western given the strike in 2019

Focus on specialty products delivered 39 quarters of positive EBITDA over 10 years

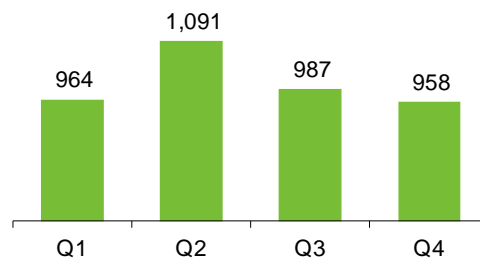
# Seasonality of the Business

- Weather (snow pack, heat) and daylight can impact harvest volumes and costs
- Inventory levels can fluctuate through the year, impacting working capital
- Seasonal market demand can impact lumber production
- Typically higher lumber sales volumes in Q2 and Q3 when North American construction activity is at its peak

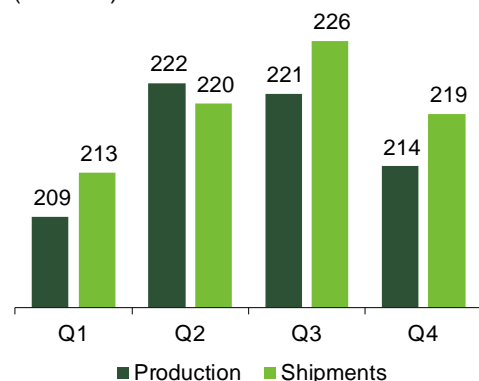
**Harvest Volume<sup>1</sup>**  
(000 m<sup>3</sup>)



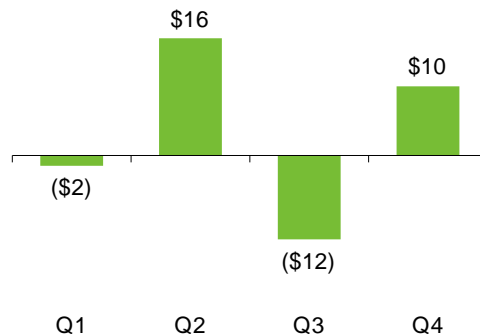
**Closing Log Inventory<sup>1</sup>**  
(000 m<sup>3</sup>)



**Lumber Production & Shipments<sup>1</sup>**  
(MMfbm)



**Increase (Decrease) in Working Capital<sup>1</sup>**  
(\$ millions)



(1) Average of last 5-years (2015 to 2019) excluding strike impacted Q3-19 and Q4-19

# Capital Allocation

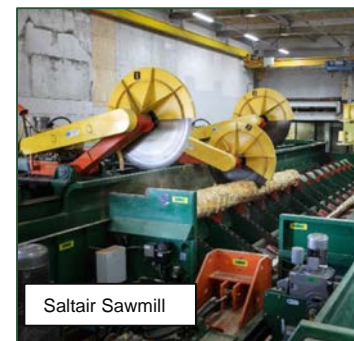
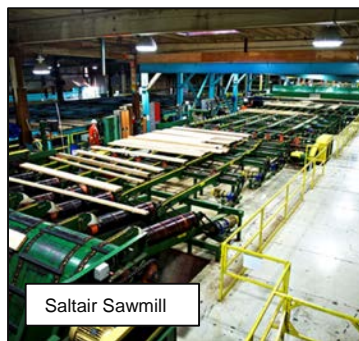
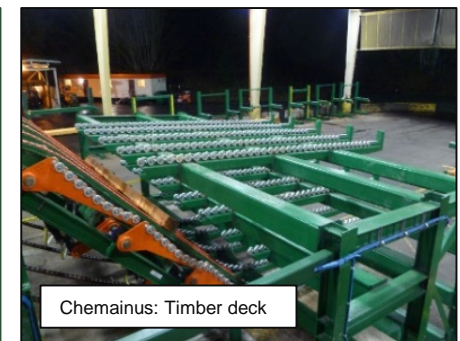
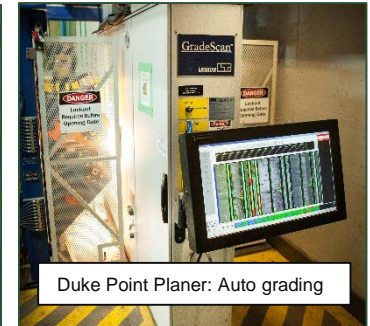
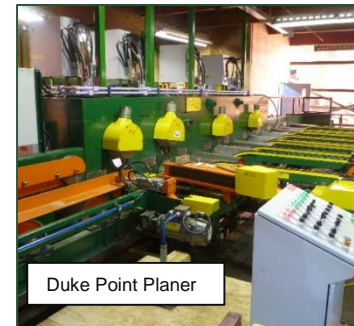
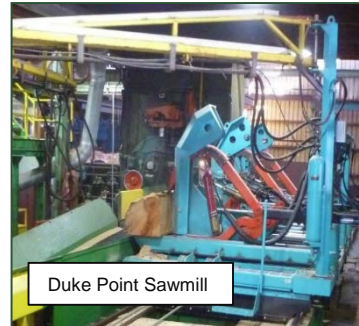
- 1 Quarterly dividend
  - Returned \$210 million to shareholders since implementing dividend in 2013
- 2 Invested in high return capital projects in our existing business
  - Reducing costs, increasing efficiency and growing production capacity
- 3 Acquisitions and growth opportunities
  - Pursue margin-focused business opportunities that complement our position in selected markets
  - Must make strategic and financial sense through the lumber cycle
- 4 Repurchased shares under our normal course issuer bid (“NCIB”)
  - Complementary to our dividend program
  - Repurchased \$41 million since 2018

Balanced approach to capital allocation; create long-term shareholder value

# Strategic Capital Investments



- Initiatives focused on:
  - Reducing costs
  - Increasing efficiency
  - Increasing production of targeted products
  - Growing production
- Applying proven technology in coastal operations



Capital projects expected to generate a return in excess of 20%

## Competitive Strengths

- 1 Flexible manufacturing platform that can target a variety of global markets
- 2 Sustainable, diverse timber base providing a unique range of products
- 3 High margin specialty products for the U.S. market – cedar, timbers, moulding & millwork, industrial applications
- 4 Customer of choice for other coastal log producers due to competitive advantages of scale, financial strength and proximity
- 5 Low cost access to ocean shipping (break bulk, container & barge) to global markets
- 6 Warehousing and distribution facility to service U.S. customers in high value U.S. west coast corridor

Western is a compelling pure-play, solid wood products investment

# How is WFP Different From its Public Lumber Peers



- 1 Pure play lumber and log, specialty company
- 2 Cedar and specialty products focused with commodity lumber component
  - Peers focused on commodity lumber with some specialty products
  - Significantly higher average product pricing versus commodity lumber peers
- 3 No mountain pine beetle impacted fibre
- 4 No historical rail or truck transportation issues; ocean going advantage
  - WFP uses the BNSF railway line to ship products
- 5 Offers a dividend to investors
  - Quarterly dividend of \$0.0225 per share (\$0.09 per share annually)



# Appendix

## Supplemental Materials

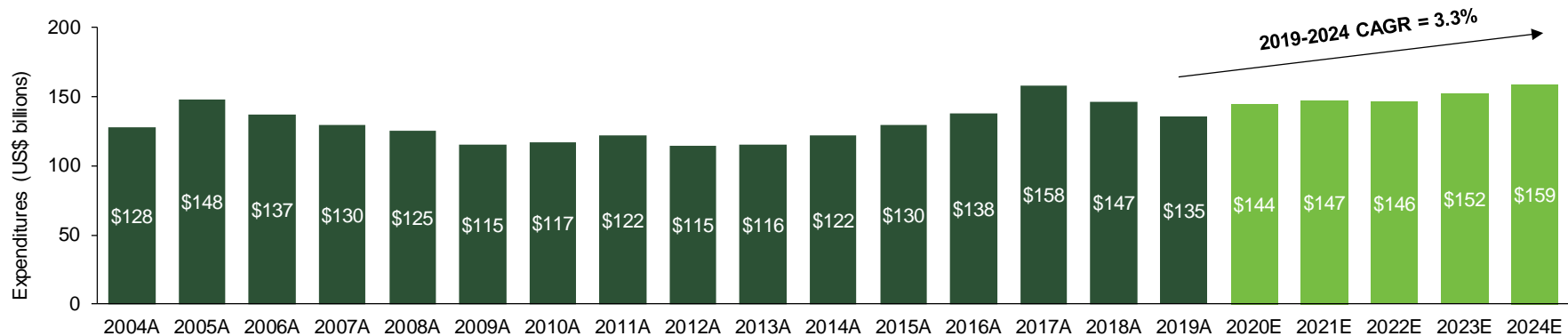


# Western's Business to Benefit from Global Supply and Demand Factors

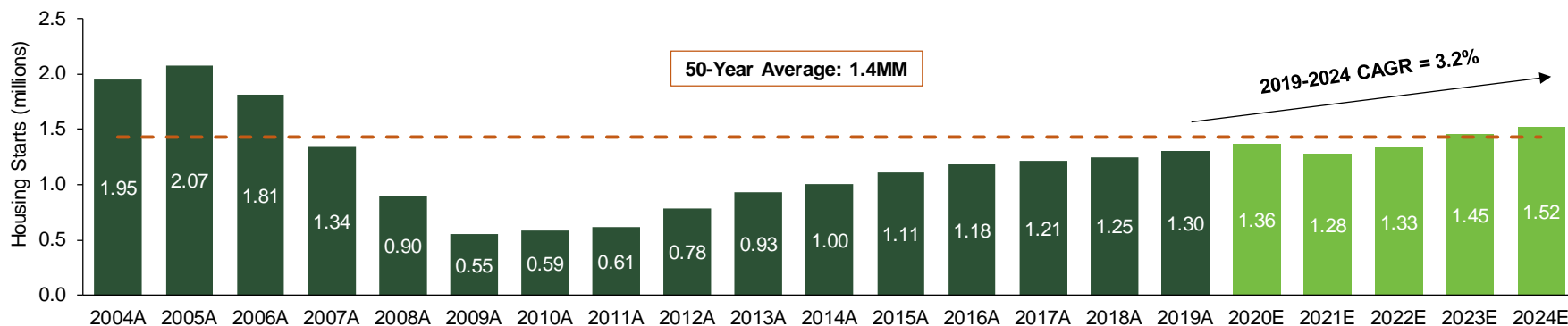


	Factors	Highly Attractive Underlying Supply / Demand Dynamics
Strong Underlying Demand Drivers for Wood Products	<b>1 U.S. Economic and Housing Market Growth</b>	<ul style="list-style-type: none"><li>Increasing new home construction and robust repair and remodel activity</li><li>Transition from supply driven to demand driven market expected to result in improved pricing for wood products</li></ul>
	<b>2 Continued Growth in China</b>	<ul style="list-style-type: none"><li>Economic growth and urbanization</li><li>Consumption of wood will increase</li><li>Limited domestic fibre supply; increasing need for imports</li></ul>
	<b>3 U.S. Supply Exit from Japan Market</b>	<ul style="list-style-type: none"><li>Repatriation of U.S. lumber exports back to U.S. market creates opportunity for Western</li><li>Increase consumption of lumber</li></ul>
Reduced Supply of Fibre	<b>4 Canadian Fibre Supply Reduction</b>	<ul style="list-style-type: none"><li>Mountain pine beetle to negatively impact B.C. interior fibre supply and lead to a reduction in B.C. interior lumber production</li></ul>

## U.S. Repair & Remodel Expenditures



## U.S. Housing Starts

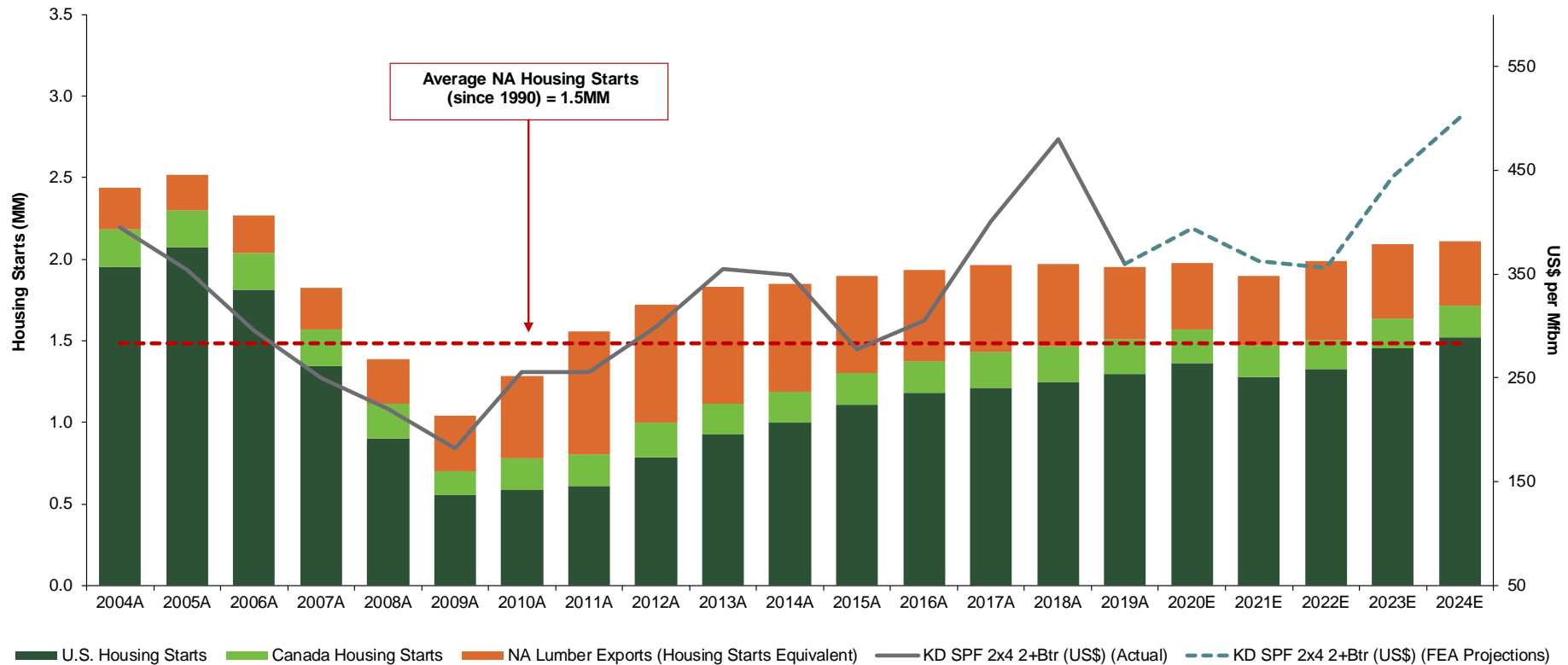


# Demand Drivers: Supply / Demand Dynamics Will Positively Benefit the Industry



- Growing demand from U.S. and Asian markets and reduced supply from traditional sources is expected to benefit the industry long-term

## Housing Starts (North American and Lumber Export Equivalent) vs. Western SPF Lumber Pricing

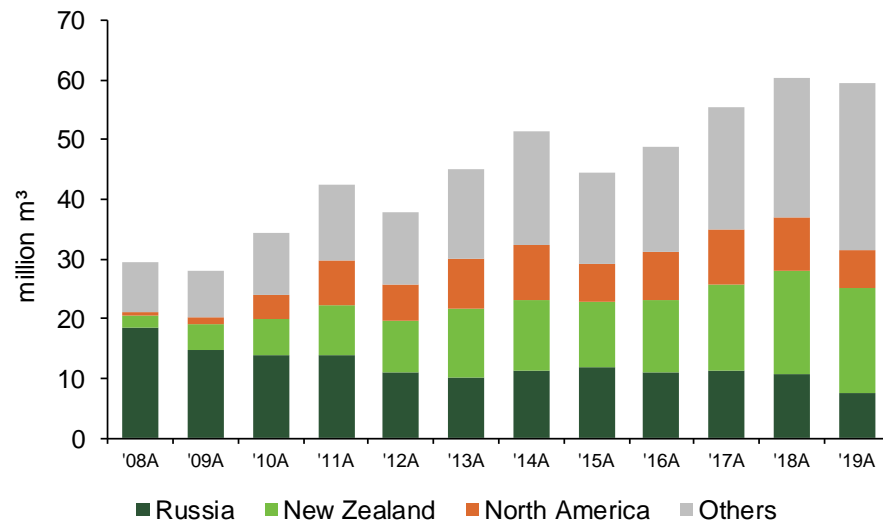


## Demand Drivers: China Growth Has Changed Global Wood Products Demand Dynamics

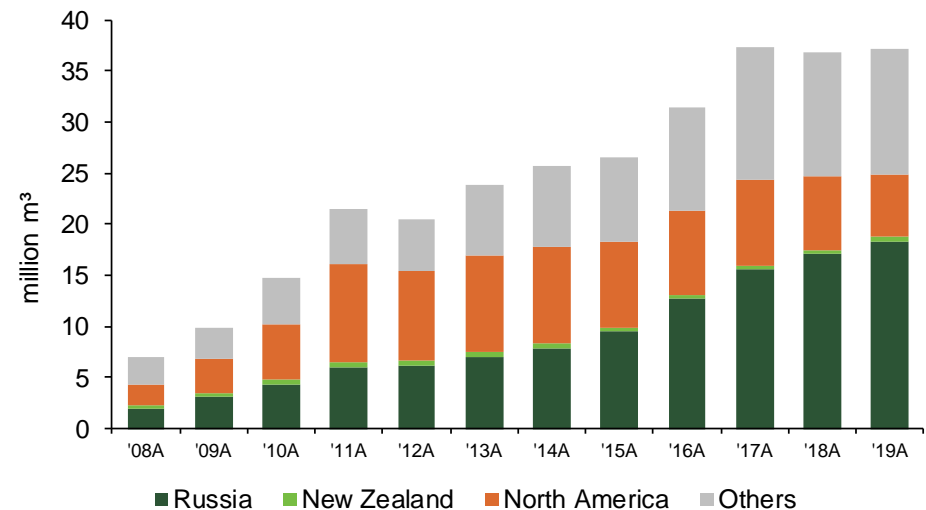


- A government commitment to housing and continued positive economic growth should support long-term demand for logs and lumber in China
- A deficit of domestic fibre will require China to rely on imports
- Rising wealth / urbanization trends expected to increase demand for lumber

### China Log Imports



### Chinese Lumber Imports



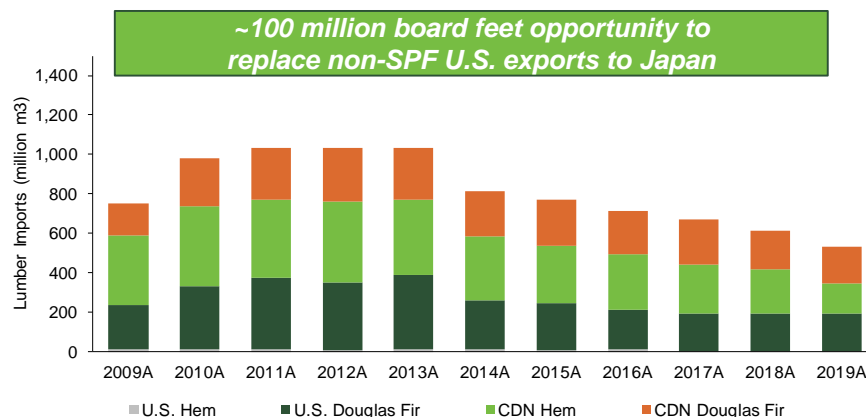


## Demand Drivers: U.S. Supply Exit From Japan Will Create Market Opportunity

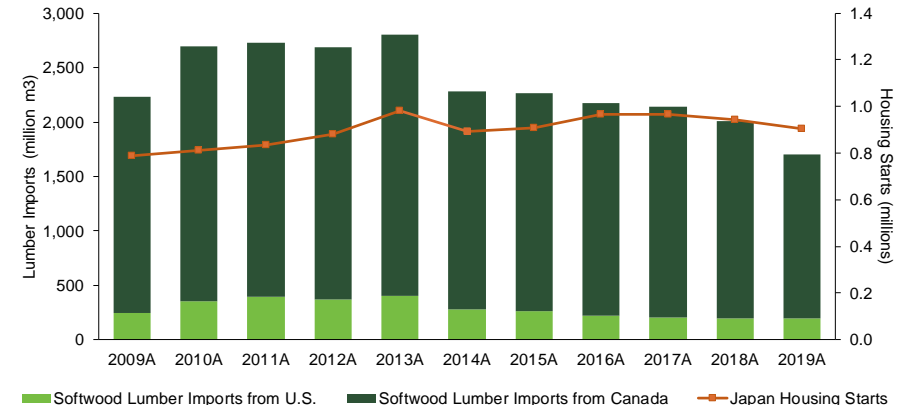


- Japan continues to be a major source of demand for wood products and lumber from North America
- After the global recession in 2008, certain suppliers in the U.S. West increased export activities to Japan due to a lack of U.S. domestic demand
  - As North American housing markets recovered, much of this U.S. supply has been diverted back to local U.S. markets, creating a supply gap in Japan and opportunity for Western's Japan products

### Japanese Lumber Imports of Canadian and U.S. Douglas Fir and Hemlock



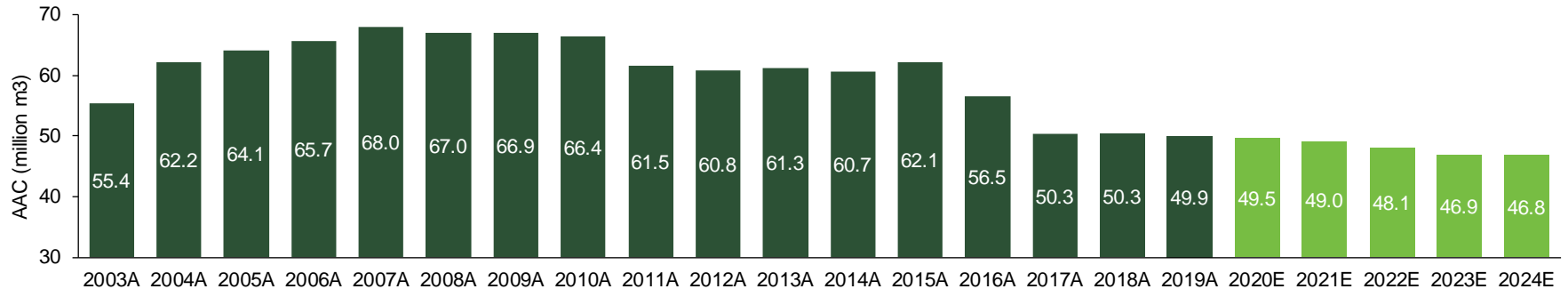
### Japanese Imports of Canadian and U.S. Lumber and Japanese Housing Starts



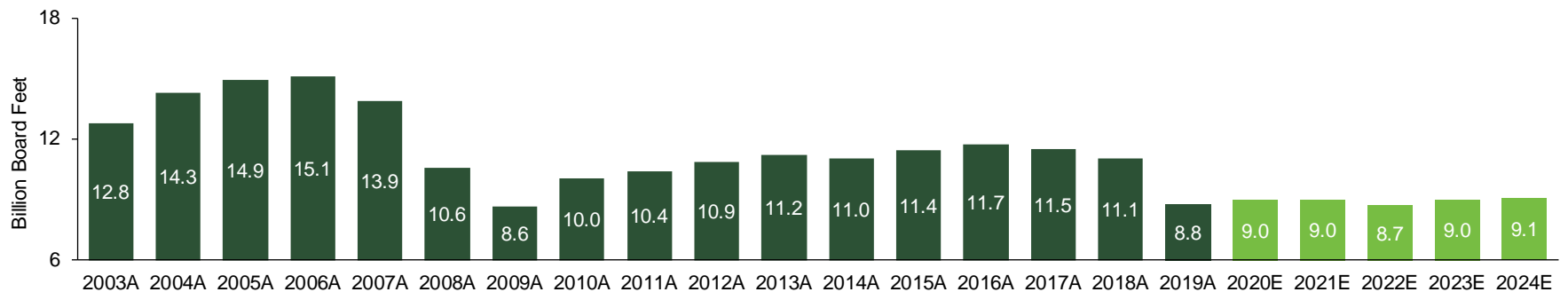
# Supply Drivers: B.C. Interior Fibre Supply Reduction Will Lead to Reduced Lumber Production



## B.C. Interior Allowable Annual Cut (“AAC”)



## B.C. Interior Lumber Production

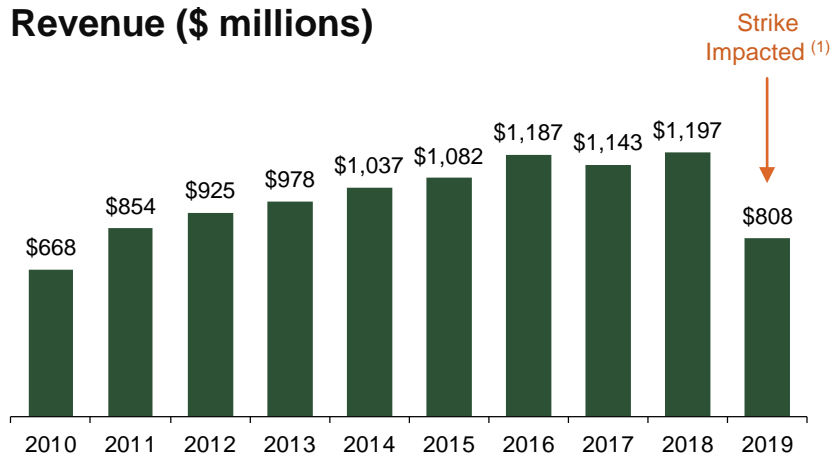


Source: Forest Economic Advisors (February 2020)

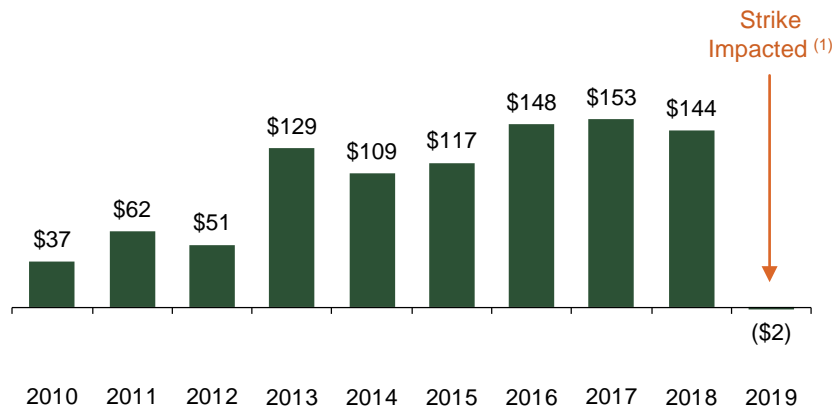
Mountain Pine Beetle epidemic and lower AAC in the B.C. Interior are expected to significantly reduce lumber production

# Historical Financial Snapshot – Annual

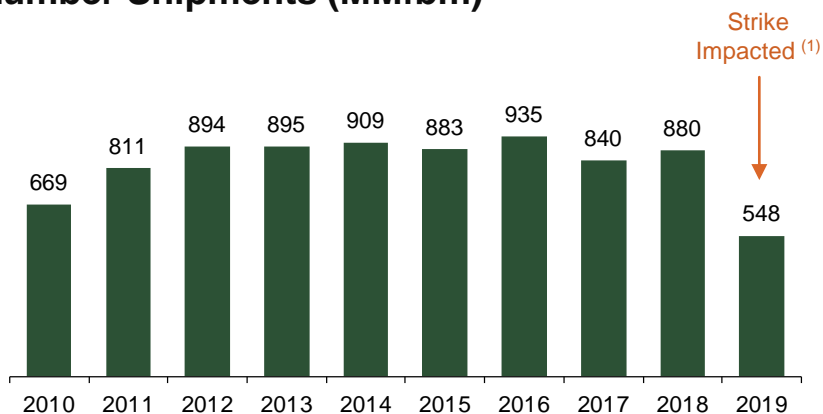
Revenue (\$ millions)



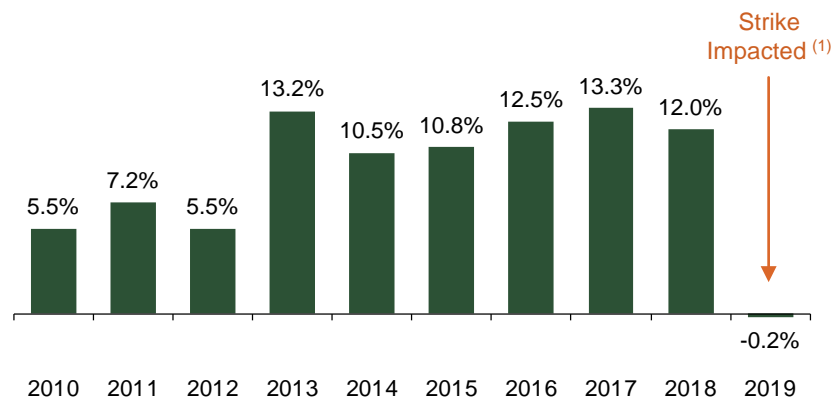
Adjusted EBITDA (\$ millions)



Lumber Shipments (MMfbm)



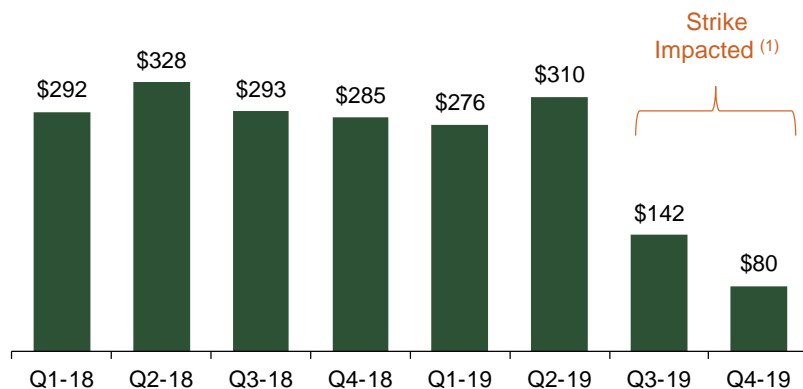
Adjusted EBITDA Margin %



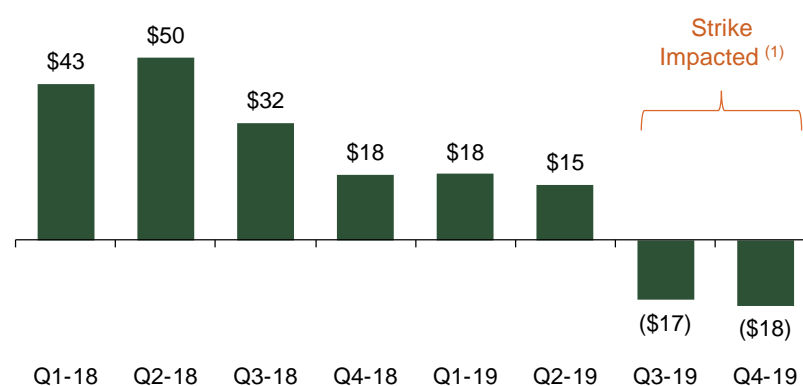
(1) All of Western's timberlands and most of our B.C. based manufacturing divisions were impacted by a strike by the United Steelworkers Local 1-1937 ("USW"), which commenced on July 1<sup>st</sup>, 2019. On February 15<sup>th</sup>, 2020, the USW members ratified a new 5-year collective agreement which is effective as of June 15<sup>th</sup>, 2019 and expires on June 14<sup>th</sup>, 2024, ending the strike

# Historical Financial Snapshot – Last 8 Quarters

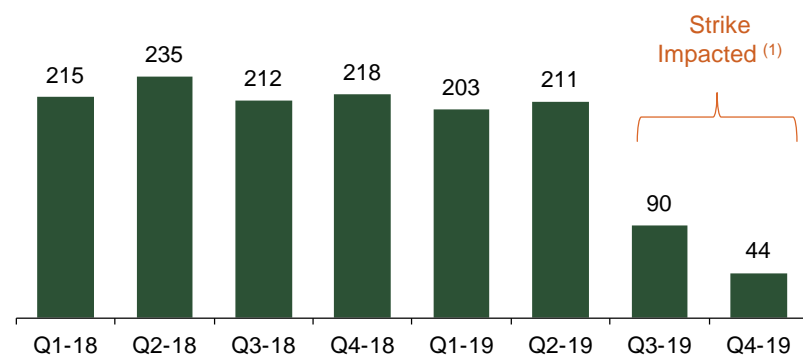
Revenue (\$ millions)



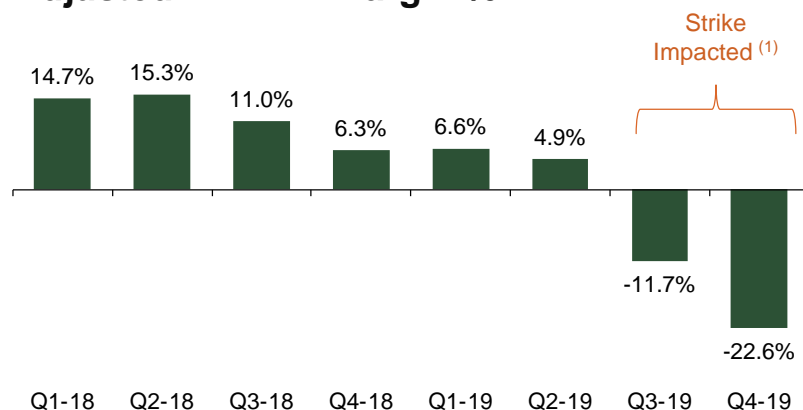
Adjusted EBITDA (\$ millions)



Lumber Shipments (MMfbm)



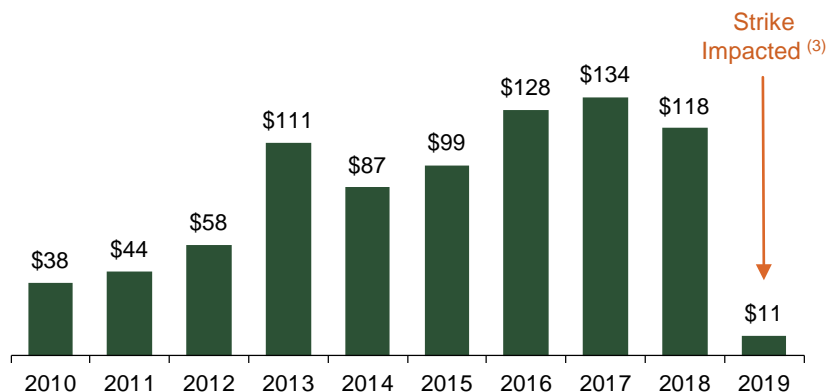
Adjusted EBITDA Margin %



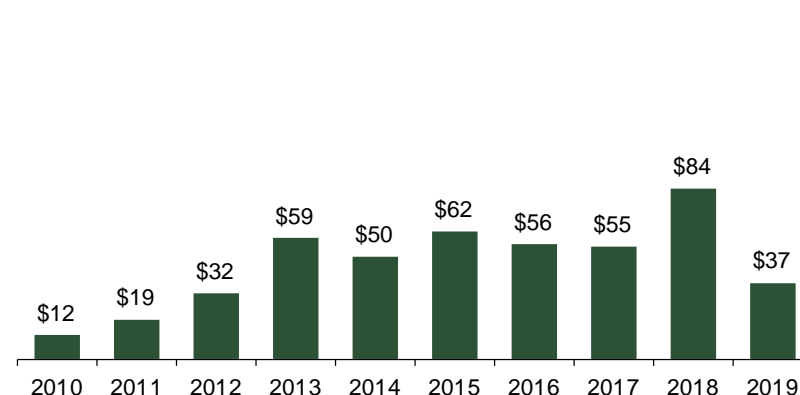
(1) All of Western's timberlands and most of our B.C. based manufacturing divisions were impacted by a strike by the United Steelworkers Local 1-1937 ("USW"), which commenced on July 1<sup>st</sup>, 2019. On February 15<sup>th</sup>, 2020, the USW members ratified a new 5-year collective agreement which is effective as of June 15<sup>th</sup>, 2019 and expires on June 14<sup>th</sup>, 2024, ending the strike

# Historical Cash Flow, Capital Allocation and Debt

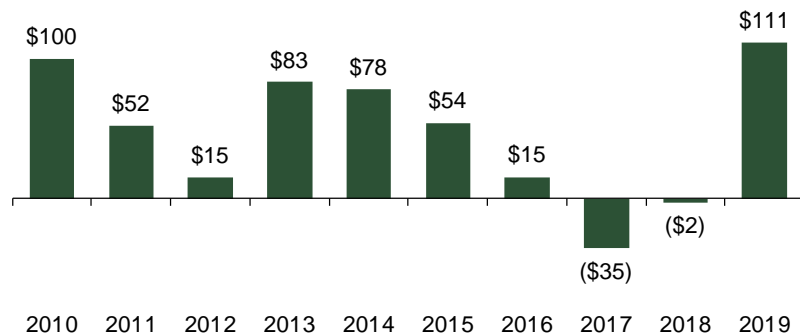
**Cash Flow from Operations<sup>1</sup> (\$ millions)**



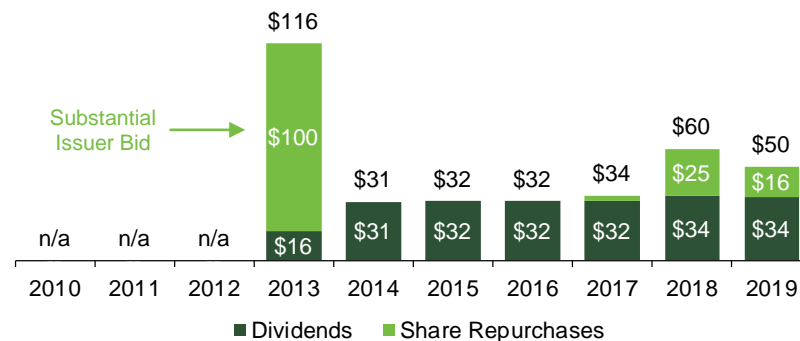
**Capex<sup>2</sup> (\$ millions)**



**Net Debt / (Cash) (\$ millions)**



**Dividends & Share Repurchases (\$ millions)**



(1) After changes in non-cash working capital

(2) Additions to property, plant and equipment; excludes acquisition capex

(3) All of Western's timberlands and most of our B.C. based manufacturing divisions were impacted by a strike by the United Steelworkers Local 1-1937 ("USW"), which commenced on July 1<sup>st</sup>, 2019. On February 15<sup>th</sup>, 2020, the USW members ratified a new 5-year collective agreement which is effective as of June 15<sup>th</sup>, 2019 and expires on June 14<sup>th</sup>, 2024, ending the strike



# Sawmills and Remanufacturing Facilities

## Sawmills

Sawmill	Location	Log Diameter Focus	Capacity <sup>1</sup>	Production		2018 Production Mix <sup>4</sup>			
				2019 <sup>2</sup>	2018	WRC <sup>3</sup>	Hemlock	Douglas Fir	Yellow Cedar
Ladysmith	Ladysmith, BC	Small	90	52	67	--	100%	--	--
Cowichan Bay	Duncan, BC	Medium	215	64	177	13%	87%	--	--
Saltair	Ladysmith, BC	Medium	240	96	214	22%	61%	17%	--
Alberni Pacific	Port Alberni, BC	Medium to Large	175	44	106	--	100%	--	--
Duke Point	Nanaimo, BC	Medium to Large	130	64	127	3%	91%	6%	--
Chemainus	Chemainus, BC	Medium to Large	130	47	99	100%	--	--	--
Somass <sup>5</sup>	Port Alberni, BC	Medium to Large	90	--	--	--	--	--	--
Columbia Vista	Vancouver, WA	Medium to Large	80	57 <sup>6</sup>	n/a <sup>6</sup>	--	--	100%	--
Custom Cut	Multiple	Varies	n/a	67	74	27%	--	30%	43%
<b>Sawmill Total</b>			<b>1,150</b>	<b>491</b>	<b>864</b>	<b>22%</b>	<b>66%</b>	<b>8%</b>	<b>4%</b>

## Remanufacturing

### Canada

Value Added Division – Chemainus, BC

Duke Point Planer – Nanaimo, BC

### United States

Arlington Distribution and Processing Centre – Arlington, WA

Columbia Vista Sawmill, Planer and Kilns – Vancouver, WA

(1) Based on two shifts and 250 operating days, except Chemainus and Duke Point at three shifts

(2) All of Western's timberlands and most of our B.C. based manufacturing divisions were impacted by a strike by the United Steelworkers Local 1-1937 ("USW"), which commenced on July 1st, 2019. On February 15th, 2020, the USW members ratified a new 5-year collective agreement which is effective as of June 15th, 2019 and expires on June 14th, 2024, ending the strike

(3) Western red cedar

(4) 2018 data shown due to the strike impacting 2019; data for 2019 is available in our 2019 Annual Information Form

(5) Somass was indefinitely curtailed in July 2017 due to a lack of log supply to operate the mill efficiently

(6) Acquired February 1, 2019

# Analyst Coverage



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## Investor Relations Contacts

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