



Western Forest Products Inc.
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TSX: WEF

Western Announces Third Quarter 2022 Results

November 3, 2022 – Vancouver, British Columbia – Western Forest Products Inc. (TSX: WEF) (“Western” or the “Company”) reported net income of \$6.6 million and adjusted EBITDA of \$17.3 million in the third quarter of 2022. Results reflect compressed margins on lower lumber production and shipments and \$23.1 million of inventory provisions, partly offset by an \$18.0 million export tax recovery.

Net income in the third quarter of 2022 was \$6.6 million (\$0.02 per diluted share) as compared to net income of \$38.6 million (\$0.12 per diluted share) for the second quarter of 2022, and net income of \$42.2 million (\$0.12 per diluted share) in the third quarter of 2021.

Highlights:

- Welcomed Steven Hofer as President and CEO, effective September 7, 2022
- Completed acquisition of US\$12.2 million glulam business asset acquisition from Calvert Company, Inc. with operations immediately accretive to EBITDA, and established an engineered wood subsidiary
- Renewed our normal course issuer bid and returned \$14.1 million to shareholders through dividends and share buybacks
- Recognized an export tax recovery of \$18.0 million on finalization of the softwood lumber duty rate
- Maintained liquidity of \$269.1 million to support growth strategy and balanced capital allocation

Western’s third quarter adjusted EBITDA was \$17.3 million, as compared to adjusted EBITDA of \$66.2 million in the second quarter of 2022, and adjusted EBITDA of \$66.3 million in the third quarter of 2021. Operating income prior to restructuring and other items was \$4.7 million, compared to income of \$53.4 million in the second quarter of 2022, and \$53.5 million of income reported in the third quarter of 2021.

(millions of Canadian dollars except per share amounts and where otherwise noted)

	Q3 2022	Q3 2021	Q2 2022	YTD 2022	YTD 2021
Revenue	\$ 356.0	\$ 352.9	\$ 437.4	\$ 1,153.0	\$ 1,089.8
Export tax expense	8.0	6.2	14.7	34.2	25.2
Export tax recovery	(18.0)	-	-	(18.0)	-
Stumpage expense	36.4	13.9	34.9	90.1	38.1
Adjusted EBITDA	17.3	66.3	66.2	148.9	249.7
Adjusted EBITDA margin ⁽¹⁾	5%	19%	15%	13%	23%
Operating income prior to restructuring and other items	\$ 4.7	\$ 53.5	\$ 53.4	\$ 110.3	\$ 208.0
Net income	6.6	42.2	38.6	83.2	174.3
Earnings per share, diluted	0.02	0.12	0.12	0.25	0.47
Net cash (debt) ⁽²⁾ , end of period	35.4	143.1	84.3		
Liquidity ⁽¹⁾ , end of period	269.1	384.4	319.1		

“Our results on the quarter reflect challenging global market conditions, reduced lumber sales volumes and continued pressure on log costs and logistics,” said Steven Hofer, Western’s President and Chief Executive Officer. “While key markets are stabilizing, the current headwinds emphasize the need for improved operational execution on costs, recovery, and product values, including moving forward on our strategy to move up the product value chain. To that end, we made progress in the quarter in advancing strategic, value-focused capital projects and closing on the acquisition of the Calvert business, adding glulam to our portfolio of specialty products.”

(1) Refer to Adjusted EBITDA, Liquidity, Adjusted EBITDA margin in the Non-GAAP Financial Measures section.

(2) Net cash (debt), a supplemental measure, is defined as cash and cash equivalents less long-term debt and bank indebtedness.

Leadership & Governance Update

Steven Hofer was appointed President and Chief Executive Officer effective September 7, 2022.

Cheri Phyfer, who was appointed to the Board of Directors (“Board”) effective March 2019, tendered her resignation effective November 1, 2022, for personal reasons. Fiona Macfarlane has been appointed to the Environmental, Health and Safety Committee to replace Ms. Phyfer. Following Ms. Phyfer’s resignation, the membership composition of the four standing committees of the Board is as follows:

Director	Audit Committee	Environmental, Health and Safety Committee	Management Resources and Compensation Committee	Nominating and Corporate Governance Committee
Laura A. Cillis	Chair	-	-	✓
Steven Hofer	-	-	-	-
Randy Krotowski	✓	Chair	-	-
Fiona Macfarlane	-	✓	✓	✓
Daniel Nocente	✓	-	Chair	-
Michael T. Waites	-	-	-	-
John Williamson	-	✓	✓	Chair

The Nominating and Corporate Governance Committee is engaged in a process to identify director candidates with complementary skills and experiences to support the Company’s Board succession plan, including a replacement for Ms. Phyfer.

Summary of Third Quarter 2022 Results

Adjusted EBITDA was \$17.3 million, as compared to \$66.3 million in the third quarter of 2021. Results in the third quarter of 2022 reflect compressed margins on lower lumber shipment volumes and \$23.1 million of inventory provisions, partly offset by an \$18 million export tax recovery. Net income in the third quarter of 2022 was \$6.6 million as compared to net income of \$42.2 million in the same period last year.

Adjusted EBITDA in the third quarter of 2022 was impacted by incremental costs including \$22.5 million in additional stumpage expenses, higher log purchase prices, and elevated operating costs. In addition, we incurred an incremental \$3.0 million in freight expense and an incremental \$1.8 million in export taxes despite lower lumber shipments. Product price declines resulted in \$23.1 million of additional inventory provisions in the third quarter of 2022, as compared to \$3.7 million recognized in the same period of 2021. Third quarter operating income prior to restructuring and other items was \$4.7 million in 2022, as compared to \$53.5 million in the same period last year.

Sales

Revenue in the third quarter of 2022 was consistent with the same period last year despite weaker markets. We increased sawlog sales to match supply to our sawmill requirements, and offset lower lumber shipments.

Lumber revenue declined by 11% as compared to the third quarter of last year on reduced shipments and a lower average realized lumber price. Lumber sales volumes decreased by 8%, with weaker demand across most segments driving a 27% decline in our specialty product shipments. Among factors influencing reduced lumber demand were rising borrowing costs and inflation, high customer inventories, and the impact of the Yen devaluation on North American market lumber price competitiveness in Japan.

Our average realized lumber price was \$1,495 per thousand board feet, a decrease of 4% from the third quarter of 2021. Price realization was impacted by a reduction in the percentage of specialty shipments to 39% from 49% in the third quarter of last year, partly offset by the benefit of a weaker average Canadian to

US Dollar exchange rate. The average CAD to USD exchange rate fell by 4% as compared to the same period last year.

Log revenue of \$72.5 million in the third quarter of 2022 rose by 77% from the comparative period last year. We increased sawlog shipments as compared to the same period last year, capitalizing on stronger log markets. A higher mix of domestic to pulp log sales contributed to the 43% increase in average realized log price over the same period last year. Declining lumber markets through the third quarter of 2022 resulted in significant declines in log prices at the end of the quarter.

By-products and other revenue was \$16.4 million, an increase of \$4.3 million over the same quarter last year, primarily attributable to improved by-product species mix and other revenue.

Operations

Lumber production declined by 4% in the third quarter of 2022 as compared the same period last year, due to maintenance, capital upgrades and market-related curtailments at certain large-log sawmills. We reduced production to more closely match supply to demand and manage inventory levels. We completed components of the Duke Point planer upgrades and are ramping up processing at this facility in the fourth quarter of 2022.

We harvested 800,000 cubic metres of logs from our coastal operations in BC, as compared to 690,000 cubic metres in the third quarter last year, which was impacted by prolonged fire season operating curtailments. Log harvest was reduced late in the third quarter of 2022 to more closely match mill requirements.

Stumpage expense increased by \$22.5 million as compared to the same period last year. Record coastal stumpage rates as a result of record product pricing in the first half of 2022, coupled with an increase in logs harvested, drove a significant increase in stumpage expense quarter-over-quarter. Stumpage rates in the third quarter of 2022 increased 73% over the same period of 2021.

Excluding stumpage, timberlands operating costs increased over the comparative period due to higher fuel costs, incremental road building and increased heli-logging. Comparative third quarter results in 2021 include the impact of partial deferral of road building due to weather related operating curtailments.

We increased our BC coastal saw log purchases by 33% as compared to the third quarter of last year. Market log availability was constrained in the prior period due to an extended fire season.

Third quarter freight expense increased by \$3.0 million over the same period last year, despite an 8% decline in lumber shipments and the absence of log exports. Higher container rates, increased use of breakbulk container shipments and fuel increases contributed to the rise in freight expense. Freight rates declined slightly through the third quarter of 2022 as global logistics constraints and fuel surcharges eased but remain significantly above rates in the comparative period.

Adjusted EBITDA and operating income included \$8.0 million of countervailing duty ("CV") and anti-dumping duty ("AD") expense in the third quarter of 2022, as compared to duty expense of \$6.2 million in the same period of 2021. During the third quarter of 2022, we recognized a recovery of \$18.0 million on the finalization of duty rates for shipments made in 2020.

Excluding the export tax recovery, higher average cash deposit rates in the third quarter of 2022 as compared to the same period of 2021, and a weaker average CAD to USD exchange rate, offset the impact of reduced US-destined lumber sales volumes. Cash deposit rates in the third quarter of 2022 declined from 17.91% to 8.59% on August 4, 2022, compared to cash deposit rates of 8.99% throughout the same period of 2021.

Lumber market weakness and related declines in inventory values held at period-end led to inventory provisions of \$23.1 million in the third quarter of 2022, as compared to \$3.7 million in the same period last year.

Selling and Administration Expense

Third quarter selling and administration expense was \$11.1 million in 2022 as compared to \$13.6 million in the third quarter last year, attributable to lower incentive compensation expense resulting from declines in the share price and earnings quarter-over-quarter.

Other Income

Other income in the third quarter of 2022 was comparable to the same period of 2021. In the three months ended September 30, 2022, the USD to CAD exchange rate appreciated by 7% and that contributed to net \$3.9 million in foreign exchange gains, as compared to \$0.8 million of foreign exchange gains and \$3.3 million of gains on asset disposals in the same quarter last year.

Finance Income and Costs

Finance income was \$0.7 million as compared to finance costs of \$0.4 million in the third quarter last year. Included in finance income was \$1.1 million in incremental interest on the export tax recovery recorded in the third quarter of 2022.

Income Taxes

Western recognized current income tax recovery of \$3.4 million and deferred income tax expense of \$6.4 million in net income in the third quarter of 2022, an income tax reduction of \$11.0 million over the third quarter of 2021. Lower tax expense was the result of reduced operating income.

Net Income

Net income for the third quarter of 2022 was \$6.6 million, as compared to net income of \$42.2 million for the same period last year. Weaker lumber markets, higher costs and higher inventory provisions were partially offset by the recognition of \$18.0 million in export tax recovery.

Business Acquisition

On August 31, 2022, Western completed the acquisition of certain assets of Calvert Company, Inc. ("Calvert") located in Washington State for US\$12.2 million, including inventory of US\$2.7 million. The acquisition was funded from cash on hand, and operations were immediately accretive to EBITDA.

Calvert is one of the most experienced glulam manufacturers in the US, with a history of more than 60 years in producing high quality glulam beams for industrial, commercial, and residential projects around the world. Calvert has manufacturing facilities in Washougal, Washington and Vancouver, Washington with a combined annual glulam capacity of approximately 35 million board feet on a two-shift basis.

The Calvert acquisition will help position Western to capitalize on the growing North American Mass Timber building market and is consistent with our strategy of moving up the product value chain and growing our portfolio of value-added products.

Mass Timber construction, which utilizes products such as glulam and cross laminated timber, represents a significant growth opportunity in North America. There are currently over 1,300 Mass Timber projects constructed, in progress or in the design phase in North America and third-party research estimates that there will be 4.4 billion board feet of lumber demand from Mass Timber construction by 2035. In addition, Mass Timber is a natural, renewable, and sustainable building material, with a lighter carbon footprint than other conventional construction materials.

As part of the transaction, we have created an engineered wood subsidiary focused on further growth opportunities through the Mass Timber value chain.

Indigenous Relationships

We respect the treaty and Aboriginal rights of Indigenous groups, and we are committed to open dialogue and meaningful actions in support of reconciliation.

We actively invest time and resources in fostering mutually beneficial and positive working relationships with Indigenous groups that have traditional territories within which Western operates, including through information sharing, joint sustainable forest management planning, timber harvesting, reforestation practices and restoration initiatives. These arrangements may include business-to-business service and supply contracts, cooperating across tenures for joint forest management, creating job and training opportunities, and establishing limited partnerships with shared governance and financial interests.

In collaboration with Indigenous groups, we have achieved a series of milestone agreements that advance our mutually beneficial relationships and exemplify Western's ongoing actions to support reconciliation.

Tree Farm Licence 44 and Alberni Pacific Division sawmill

Huumiis Ventures Limited Partnership ("HVLP"), a limited partnership beneficially owned by HFN, holds a 35% equity interest in Tsawak-qin Forestry Limited Partnership ("TFLP"; formerly TFL 44 Limited Partnership) and in March 2020 had agreed to acquire a further 16% equity interest in TFLP with an anticipated closing in the second quarter of 2023, subject to certain closing conditions including approval by the BC Provincial Government and a further vote by the HFN People's Assembly. Due to changing circumstances since the time this agreement was made in 2020, we do not expect HVLP to make a further equity acquisition at this time.

The March 2020 agreement also included an option for TFLP to sell an incremental equity interest of 26% to other area First Nations. This option has now expired; however, Western, alongside the HFN, are continuing to have discussions with interested area First Nations around acquiring an interest in TFLP.

In March 2020, HVLP further agreed to acquire a 7% equity interest in a newly formed limited partnership ("APD LP"), which would hold the Alberni Pacific Division ("APD") sawmill, with an anticipated closing in the second quarter of 2023. Due to changing circumstances since the time this agreement was made in 2020, we do not expect HVLP to make an equity acquisition in the APD LP at this time.

Dividend and Capital Allocation

We remain committed to a balanced approach to capital allocation. To return capital to shareholders, we pay a regular quarterly dividend and complement our dividend program with strategic repurchases of common shares.

We will continue to evaluate opportunities to invest strategic and discretionary capital in jurisdictions and product lines that create the opportunity to grow long-term shareholder value. We expect to focus near-term internal strategic capital investments on projects that reduce manufacturing costs or address kiln drying and planer capacity constraints on the BC Coast. These potential investments will help support growth of our product line initiatives, as well as add value to our products. We currently have approximately \$26 million in strategic capital and other projects underway in BC, and we continue to evaluate opportunities to invest in the competitive positioning of our value-added operations. The Company will evaluate all capital allocation decisions after considering our operating results, financial condition, cash requirements, financing agreement restrictions and other factors or financial metrics that we may deem relevant.

Dividend

The quarterly dividend program is intended to return a portion of the Company's cash to shareholders, after taking into consideration liquidity and ongoing capital needs. The Company's Board will continue to review our dividend on a quarterly basis.

On May 4, 2022, we increased our quarterly dividend from \$0.01 per common share to \$0.0125 per common share. Dividends of \$4.1 million and \$11.4 million were paid in the three- and nine-months ended September 30, 2022, respectively.

Normal Course Issuer Bid

On August 3, 2022, the Company renewed its normal course issuer bid (“NCIB”) permitting the purchase and cancellation of up to 27,420,905 common shares, representing 10% of the public float outstanding as of August 3, 2022. The renewed NCIB commenced on August 11, 2022, and will end no later than August 10, 2023. The Company also entered into an automatic share purchase plan with a designated broker to facilitate purchases of its common shares under the renewed NCIB at times when the Company would ordinarily not be permitted to purchase its common shares due to regulatory restrictions or self-imposed blackout periods.

Western purchased and cancelled the maximum 29,726,940 common shares permitted under its former NCIB, that was effective August 11, 2021, for \$60.7 million at an average price of \$2.04 per common share. The Company fully completed the former NCIB, resulting in a 10% reduction to the public float of common shares outstanding at August 5, 2021.

During the first nine months ended September 30, 2022, we repurchased and cancelled 9,925,015 common shares for \$17.3 million at an average price of \$1.75 per common share.

Strategy and Outlook

Western’s long-term business objective is to create superior value for shareholders by building a sustainable, margin-focused log and lumber business of scale to compete successfully in global softwood markets. We believe this will be achieved by maximizing the sustainable utilization of our forest tenures; partnering with First Nations in sustainable forest management; operating safe, efficient, low-cost manufacturing facilities; and augmenting our sales of targeted high-value specialty products for selected global customers with a lumber wholesale program. We seek to manage our business with a focus on operating cash flow and maximizing value through the production and sales cycle. We routinely evaluate our performance using the measure of Return on Capital Employed.

Market Outlook

Lumber markets remain volatile following demand regression in the third quarter caused by ongoing economic uncertainty and recessionary pressures. In response to weak demand, lumber manufacturers have implemented temporary and permanent production curtailments that may improve pricing in future quarters.

We believe that strong North American housing market fundamentals will support lumber demand and pricing, above trend levels in the mid to long-term. An aging housing stock, a housing deficit stemming from years of underbuilding, the influence of work-from-home arrangements on the repair and renovation segment, and the growth of mass timber construction are expected to continue to drive demand for lumber in the mid to long-term.

In the near-term we expect North American commodity pricing to be range-bound as market inventories are gradually reduced. A weaker Canadian dollar may partly offset any price pressures on US-destined shipments. We anticipate seasonally improved commodity demand from China.

Cedar timbers and premium appearance products remain strong, while demand for our Cedar decking, trim and fencing products has declined. We are reducing production volumes to manage market inventories. Demand for industrial products remains stable while recent pricing weakness has stabilized.

Increased lumber inventory in Japan from domestic, European and Russian manufacturers has created a supply imbalance and may impact near-term Japan product shipments. A weaker yen may impact price realizations.

We expect sawlog markets to remain stable at current levels as the impact of seasonally reduced harvest is offset by lower demand. We will seek to transact in the coastal log market opportunistically to support our sawmill requirements while managing inventory. We expect pulp log and residual chip pricing to remain relatively strong due to reduced supply.

Market conditions and log supply led to temporarily curtailing the Alberni Pacific sawmill until related conditions improve, and we anticipate curtailing the planer operation at that facility before the end of November 2022. We resumed operation at Cowichan Bay in mid-October after two weeks of market-related curtailments and we continue to monitor conditions going forward. We curtailed the Ladysmith sawmill for a week in October due to insufficient small log supply. We continue to monitor the impacts of log supply and market demand on our business.

Softwood Lumber Dispute

On August 3, 2022, the US Department of Commerce released its final determination for countervailing (“CV”) and antidumping (“AD”) rates resulting from its third Administrative Review of CV and AD rates for shipments in 2020, indicating a combined rate of 8.59%. As a result, Western recognized an export tax recovery of \$18.0 million in the third quarter, 2022 to reflect the difference between cash deposits made at 17.91% and the final published rate.

Western expensed \$34.2 million of export duties at a combined duty rate of 17.91% on its lumber shipments into the US until August 3, 2022, and at 8.59% thereafter as compared to \$25.2 million at a duty rate of 8.99% in the same period last year.

At September 30, 2022, Western had \$202.9 million (US\$141.4 million) of cash on deposit with the US Department of Treasury in respect of these softwood lumber duties, of which \$59.6 million (US\$43.1 million) excluding interest is recognized in the Company’s balance sheet arising from final rate determinations for shipments in 2017 through 2020.

Non-GAAP Financial Measures

Reference is made in this press release to the following non-GAAP measures: Adjusted EBITDA, Adjusted EBITDA margin, Net debt to capitalization, and total Liquidity are used as benchmark measurements of our operating results and as benchmarks relative to our competitors. These non-GAAP measures are commonly used by securities analysts, investors and other interested parties to evaluate our financial performance. These non-GAAP measures do not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other issuers. Refer also to Forward Looking Statements and Information for further descriptions of use of these non-GAAP measures. The following table provides a reconciliation of these non-GAAP measures to figures as reported in our unaudited condensed consolidated financial statements:

(millions of Canadian dollars except where otherwise noted)

	Q3 2022	Q3 2021	Q2 2022	YTD 2022	YTD 2021
Adjusted EBITDA					
Net income	\$ 6.6	\$ 42.2	\$ 38.6	\$ 83.2	\$ 174.3
Add:					
Amortization	12.7	12.0	12.8	38.2	38.2
Changes in fair value of biological assets	(0.2)	0.8	-	0.3	3.5
Operating restructuring items	(0.2)	0.9	0.2	0.6	1.9
Other income ⁽¹⁾	(4.0)	(4.0)	(0.2)	(4.1)	(22.1)
Finance costs (income)	(0.7)	0.4	0.3	-	1.7
Income tax expense (recovery)					
Current	(3.4)	13.6	14.9	26.9	53.6
Deferred	6.4	0.4	(0.4)	3.7	(1.4)
Adjusted EBITDA	\$ 17.3	\$ 66.3	\$ 66.2	\$ 148.9	\$ 249.7
Adjusted EBITDA margin					
Total revenue	\$ 356.0	\$ 352.9	\$ 437.4	\$ 1,153.0	\$ 1,089.8
Adjusted EBITDA	17.3	66.3	66.2	148.9	249.7
Adjusted EBITDA margin	5%	19%	15%	13%	23%
Net debt to capitalization					
Net debt					
Total debt	\$ -	\$ -	\$ -		
Cash and cash equivalents	(35.4)	(143.1)	(84.3)		
Net debt (cash)	\$ (35.4)	\$ (143.1)	\$ (84.3)		
Capitalization					
Net debt (cash)	\$ (35.4)	\$ (143.1)	\$ (84.3)		
Add: equity attributable to equity shareholders of the Company	676.0	620.6	677.4		
Capitalization	\$ 640.6	\$ 477.5	\$ 593.1		
Net debt to capitalization	-	-	-		
Total liquidity					
Cash and cash equivalents	\$ 35.4	\$ 143.1	\$ 84.3		
Available credit facility	250.0	250.0	250.0		
Less outstanding letters of credit	(16.3)	(8.7)	(15.2)		
Total liquidity	\$ 269.1	\$ 384.4	\$ 319.1		

Figures in the table above may not equal or sum to figures presented elsewhere due to rounding.

(1) Other income, net of changes in fair market value less cost to sell of biological assets.

Forward Looking Statements and Information

This press release contains statements 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”, “commit”, “project”, “estimate”, “expect”, “anticipate”, “plan”, “forecast”, “intend”, “believe”, “seek”, “could”, “should”, “may”, “likely”, “continue”, “pursue” and similar references to future periods. Forward-looking statements in this press release include, but are not limited to, statements relating to our current intent, belief or expectations 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, including but not limited to payment of a dividend; fibre availability and regulatory developments; the impact of COVID-19; and the selling of additional incremental ownership interests in Tsawak-qin Forestry Limited Partnership and in other potential business structures in the future. Although such statements reflect management’s current reasonable beliefs, expectations and assumptions as to, amongst other things, the future supply and demand of forest products, global and regional economic activity and the consistency of the regulatory framework within which the Company currently operates, 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 including inflation, international demand for forest products, the Company’s ability to export its products, cost and availability of shipping carrier capacity, competition and selling prices, international trade disputes and sanctions, changes in foreign currency exchange rates, labour disputes and disruptions, natural disasters, the impact of climate change, relations with First Nations groups, First Nations’ claims and settlements, the availability of fibre and allowable annual cut, the ability to obtain operational permits, development and changes in laws and regulations affecting the forest industry including as related to old growth timber management and the Manufactured Forest Products Regulation, changes in the price of key materials for our products, changes in opportunities, information systems security, future developments in COVID-19 and other factors referenced under the “Risks and Uncertainties” section of our MD&A in our 2021 Annual Report dated February 16, 2022. 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.

Reference is made in this press release to adjusted EBITDA which is defined as operating income prior to operating restructuring items and other income (expense) plus amortization of plant, equipment and intangible assets, impairment adjustments, and changes in fair value of biological assets. Adjusted EBITDA margin is adjusted EBITDA as a proportion of revenue. Western uses adjusted EBITDA and adjusted EBITDA margin as benchmark measurements of our own operating results and as benchmarks relative to our competitors. We consider adjusted EBITDA to be a meaningful supplement to operating income as a performance measure primarily because amortization expense, impairment adjustments and changes in the fair value of biological assets are non-cash costs, and vary widely from company to company in a manner that we consider largely independent of the underlying cost efficiency of their operating facilities. Further, the inclusion of operating restructuring items which are unpredictable in nature and timing may make comparisons of our operating results between periods more difficult. We also believe adjusted EBITDA and adjusted EBITDA margin are commonly used by securities analysts, investors and other interested parties to evaluate our financial performance.

Adjusted EBITDA does not represent cash generated from operations as defined by IFRS and it is not necessarily indicative of cash available to fund cash needs. Furthermore, adjusted EBITDA does not reflect the impact of certain items that affect our net income. Adjusted EBITDA and adjusted EBITDA margin are not measures of financial performance under IFRS, and should not be considered as alternatives to measures of performance under IFRS. Moreover, because all companies do not calculate adjusted EBITDA and adjusted EBITDA margin in the same manner, these measures as calculated by Western may differ from similar measures calculated by other companies. A reconciliation between the Company’s net income as reported in accordance with IFRS and adjusted EBITDA is included in this press release.

Also in this press release management may use key performance indicators such as net debt, net debt to capitalization, and current assets to current liabilities. Net debt is defined as long-term debt less cash and cash equivalents. Net debt to capitalization is a ratio defined as net debt divided by capitalization, with capitalization being the sum of net debt and equity. Current assets to current liabilities is defined as total current assets divided by total current liabilities. These key performance indicators are non-GAAP financial measures that do not have a standardized meaning and may not be comparable to similar measures used by other issuers. They are not recognized by IFRS, however, they are meaningful in that they indicate the Company’s ability to meet their obligations on an ongoing basis, and indicate whether the Company is more or less leveraged than the prior year.

Western is an integrated forest products company building a margin-focused log and lumber business to compete successfully in global softwood markets. With operations and employees located primarily on the coast of British Columbia and Washington State, Western is a premier supplier of high-value, specialty forest products to worldwide markets. Western has a lumber capacity in excess of 1.0 billion board feet from seven sawmills, as well as operates four remanufacturing facilities and two glulam manufacturing facilities. The Company sources timber from its private lands, long-term licenses, First Nations arrangements, and market purchases. Western supplements its production through a wholesale program providing customers with a comprehensive range of specialty products.

TELECONFERENCE CALL NOTIFICATION:

Friday, November 4, 2022 at 9:00 a.m. PDT (12:00 p.m. EDT)

To participate in the teleconference please dial 416-340-2217 or 1-800-952-5114 (passcode: 1411714#). This call will be taped, available one hour after the teleconference, and on replay until December 5, 2022 at 8:59 p.m. PST (11:59 p.m. EST). To hear a complete replay, please call 905-694-9451 / 1-800-408-3053 (passcode: 2870283#).

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