



Western Forest Products Inc.
DEFINING A HIGHER STANDARD™

FOR IMMEDIATE RELEASE

TSX: WEF

Western Announces Second Quarter 2023 Results

August 3, 2023 – Vancouver, British Columbia – Western Forest Products Inc. (TSX: WEF) (“Western” or the “Company”) reported a net loss of \$20.7 million in the second quarter of 2023 including \$8.5 million in inventory provisions, as compared to a net loss of \$17.7 million in the first quarter of 2023, and net income of \$38.6 million in the second quarter of 2022. Results in the second quarter of 2023 reflect more challenging macroeconomic conditions, resulting in lower lumber prices and reduced demand compared to the same period last year.

Adjusted EBITDA was negative \$12.0 million in the second quarter of 2023, as compared to Adjusted EBITDA of negative \$5.0 million in the first quarter of 2023, and adjusted EBITDA of \$66.2 million in the second quarter of 2022.

Operating loss prior to restructuring and other items was \$25.1 million in second quarter of 2023, as compared to income of \$53.4 million in the second quarter of 2022.

Highlights:

- Engineered wood products business continues to perform to expectations
- Maintained liquidity of \$195.5 million to support our strategic priorities and balanced capital allocation
- Returned \$3.9 million to shareholders through dividends
- Steady progress in advancing integrated resource management and forest landscape planning initiatives

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

	Q2 2023	Q2 2022	Q1 2023	YTD 2023	YTD 2022
Revenue	\$ 276.0	\$ 437.4	\$ 263.8	\$ 539.8	\$ 797.0
Export tax expense	6.2	14.7	4.7	10.9	26.2
Stumpage expense	14.3	34.9	15.5	29.8	53.7
Adjusted EBITDA ⁽¹⁾	(12.0)	66.2	(5.0)	(17.1)	131.6
Adjusted EBITDA margin ⁽¹⁾	(4%)	15%	(2%)	(3%)	17%
Operating income (loss) prior to restructuring and other items	\$ (25.1)	\$ 53.4	\$ (18.1)	\$ (43.2)	\$ 105.6
Net income (loss)	(20.7)	38.6	(17.7)	(38.4)	76.6
Earnings (loss) per share, diluted	(0.07)	0.12	(0.05)	(0.12)	0.23
Net debt (cash) ⁽²⁾ , end of period	34.8	(84.3)	24.6		
Liquidity ⁽¹⁾ , end of period	195.5	319.1	205.4		

Commenting on the quarter, Western’s President and CEO Steven Hofer said, “Our results in the quarter reflect ongoing weak market conditions and a challenging operating environment and cost structure in our British Columbia operations. We remain focused on our key strategic priorities to reposition our business for future success, including optimizing our operating platform, advancing planning and partnerships with Indigenous groups, investing in higher value product manufacturing and growing strategic customer relationships across our product portfolio.”

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

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

Summary of Second Quarter 2023 Results

We reported Adjusted EBITDA of negative \$12.0 million in the second quarter of 2023, as compared to \$66.2 million in the same period last year. Results in the second quarter of 2023 included \$8.5 million in inventory provisions and reflect more challenging macroeconomic conditions, as compared to the same period last year.

Net loss was \$20.7 million in the second quarter of 2023, as compared to net income of \$38.6 million in the same period last year. Operating loss prior to restructuring and other items was \$25.1 million in the second quarter of 2023, as compared to income of \$53.4 million in the same period last year.

Sales

Lumber revenue was \$212.4 million in the second quarter of 2023 as compared to \$351.8 million in the same period last year. The decrease of 40% was due to lower lumber shipment volumes and lower average lumber prices, partially offset by a stronger sales mix and stronger US Dollar (“USD”) to Canadian Dollar (“CAD”) average exchange rate. Our average realized lumber price was \$1,392 per thousand board feet in the second quarter of 2023, as compared to \$1,786 per thousand board feet in the same period last year, a decrease of 22%.

Specialty lumber shipments represented 54% of total lumber shipment volumes in the second quarter of 2023, as compared to 44% in the same period last year, yielding a stronger sales mix. Industrial lumber shipment volumes increased 28% compared to the same period last year due to the acquisition of our Calvert engineered wood products division and growth in Douglas fir timbers. Cedar lumber shipment volumes decreased 10% compared to the same period last year as buyers managed inventory levels to market conditions. Japan lumber shipment volumes decreased 26% compared to the same period last year due to increased levels of supply from domestic manufacturing, Europe and Russia. However, Japan lumber shipment volumes increased 40% compared to the first quarter of 2023 as lumber inventories rebalanced. Commodity lumber shipment volumes decreased 36% compared to the same period last year due to weaker market demand.

Log revenue was \$52.8 million in the second quarter of 2023, as compared to \$70.8 million in the same period last year. The decrease of 25% was due to lower log sales volumes and lower domestic log prices.

By-products and other revenue were \$10.8 million, as compared to \$14.8 million in the same period last year. The decrease of 27% was due to lower chip volumes and prices, partially offset by higher revenue from harvesting services provided to third parties.

Operations

Lumber production was 148 million board feet in the second quarter of 2023, as compared to 173 million board feet in the same period last year. During the second quarter of 2023 we curtailed certain sawmill operations to match production to market demand and manage inventory levels.

We harvested 935,000 cubic metres of logs from our BC coastal operations in the second quarter of 2023, as compared to 904,000 cubic metres in the same period last year.

Timberlands operating costs per cubic metre decreased 23% compared to the same period last year due to lower per cubic metre stumpage expense, managing our road building activity and higher harvest volumes. Average stumpage per cubic metre in the second quarter of 2023 was 59% lower compared to the same period last year and 41% lower compared to the first quarter of 2023.

BC Coastal sawlog purchases were 167,000 cubic metres in the second quarter of 2023, as compared to 328,000 cubic metres in the same period last year. We managed sawlog purchases to match fibre requirements at our BC manufacturing facilities.

Freight expense was \$21.0 million in the second quarter of 2023 as compared to \$31.1 million in the same period last year. The decrease of 32% was due to lower lumber and export shipments, partially offset by higher rail rates. Lack of container availability in the second quarter of 2022 necessitated the use of higher cost breakbulk vessels.

Adjusted EBITDA and operating income included \$6.2 million of countervailing duty (“CV”) and anti-dumping duty (“AD”) expense in the second quarter of 2023, as compared to \$14.7 million in the same period of 2022. Export tax expense declined due to lower duty rates, lumber prices and US-destined lumber shipment volumes.

Corporate and Other

Selling and administration expense was \$10.4 million in the second quarter of 2023 as compared to \$9.7 million in the same period last year.

Restructuring costs were \$1.6 million in the second quarter of 2023 as compared to \$0.2 million in the same period last year. The increase was primarily due to retirement and other benefits related to rightsizing of various operational functions within our business and our decision not to restart our Alberni Pacific Division (“APD”) facility.

Other expense was \$0.8 million in the second quarter of 2023 as compared to other income of \$0.2 million in the same period last year, resulting primarily from unrealized foreign exchange losses partially offset by gains on the sale of equipment and other assets.

Finance costs were \$0.5 million in the second quarter of 2023 relatively unchanged from \$0.3 million in the same period last year. Interest expense on higher average borrowings were partially offset by interest revenue from the export duty receivable.

Income Taxes

Income tax recovery was \$7.3 million on a net loss before tax of \$28.0 million in the second quarter of 2023, as compared to an expense of \$14.5 million on income before tax of \$53.1 million in the same period last year. The effective tax rate was 26% as compared to 27% in the same period last year.

Net Income (Loss)

Net loss was \$20.7 million in the second quarter of 2023, as compared to net income of \$38.6 million for the same period last year. More challenging macroeconomic conditions resulted in lower lumber demand and prices and impacted results year over year.

Summary of Year to Date 2023 Results

We reported Adjusted EBITDA of negative \$17.1 million for the first six months of 2023, as compared to \$131.6 million for the same period last year. Results in the first six months of 2023 reflect more challenging macroeconomic conditions, as compared to the same period last year.

Net loss was \$38.4 million for the first six months of 2023, as compared to net income of \$76.6 million for the same period last year. Operating loss prior to restructuring and other items was \$43.2 million in the first six months of 2023, as compared to income of \$105.6 million in the same period last year.

Sales

Lumber revenue was \$423.4 million in the first half of 2023 as compared to \$665.7 million in the same period last year. The decrease of 36% was due to lower lumber shipment volumes, lower average lumber prices and a slightly weaker sales mix, partially offset by a stronger USD to CAD average exchange rate. Our average realized lumber price was \$1,312 per thousand board feet in the first half of 2023, as compared to \$1,738 per thousand board feet in the same period last year, a decrease of 25%.

Specialty lumber shipments represented 46% of total lumber shipment volumes in the first half of 2023, as compared to 48% in the same period last year, yielding a slightly weaker sales mix. Industrial lumber shipment volumes increased 34% compared to the same period last year due to the acquisition of our Calvert engineered wood products division and growth in Douglas fir timbers. Cedar lumber shipments decreased 24% compared to the same period last year as buyers managed inventory levels to market conditions. Japan lumber shipment volumes decreased 40% compared to the same period last year due to increased levels of supply from domestic manufacturing, Europe and Russia. Commodity lumber shipments decreased 14% compared to the same period last year due to weaker market demand.

Log revenue was \$91.4 million in the first half of 2023, as compared to \$103.5 million in the same period last year. The decrease of 12% was due to lower average domestic log prices, partially offset by higher log sales volume, as we balanced log inventories to lumber market conditions and fibre requirements of our manufacturing facilities.

By-product and other revenue were \$25.0 million in the first half of 2023 as compared to \$27.8 million in the same period last year. The decrease of 10% was due to lower chip volumes and prices, partially offset by higher revenue from harvesting services provided to third parties.

Operations

Lumber production was 310 million board feet in the first half of 2023, as compared to 348 million board feet in the same period last year. During the first half of 2023 we took operating curtailments at certain sawmills to match production to market demand and manage inventory levels.

We harvested 1,556,000 cubic metres of logs from our BC coastal operations in the first half of 2023, as compared to 1,651,000 cubic metres in the same period last year, as we matched harvest volumes to market conditions.

Timberlands operating costs per cubic metre decreased 13% compared to the same period last year due to lower per cubic metre stumpage expense and managing our road building activity. Average stumpage per cubic metre in the first half of 2023 was 38% lower compared to the first half of 2022.

BC Coastal sawlog purchases were 359,000 cubic metres in the first half of 2023, as compared to 618,000 cubic metres in the same period last year. We managed sawlog purchases to match fibre requirements at our BC manufacturing facilities.

Freight expense was \$43.6 million in the first half of 2023 as compared to \$57.1 million in the same period last year. The decrease of 24% was due to lower lumber and export shipments, partially offset by higher rail rates. Lack of container availability necessitated the use of higher cost breakbulk vessels in the first half of 2022.

Adjusted EBITDA and operating income included \$10.9 million of CV and AD expense in the first half of 2023, as compared to \$26.2 million in the same period of 2022. Export tax expense declined due to lower duty rates, lumber prices and US-destined lumber shipment volumes.

Corporate and Other

Selling and administration expense was \$22.4 million for the first half of 2023 as compared to \$22.9 million in the same period last year.

Restructuring costs were \$6.8 million in the first half of 2023 as compared to \$0.8 million in the same period last year. The increase was primarily due to retirement and other benefits related to our APD facility and rightsizing of various operational functions within our business.

Other expense was \$0.9 million in the first half of 2023 as compared to income of \$0.1 million in the same period last year, resulting primarily from unrealized foreign exchange losses partially offset by gains on the sale of equipment and other assets.

Finance costs were \$0.7 million in the first half of 2023 as compared to \$0.7 million in the same period last year. Interest expense on higher average borrowings were partly offset by revenue from the export duty receivable.

Income Taxes

Income tax recovery was \$13.2 million on a net loss before tax of \$51.6 million in the first half of 2023, as compared to an expense of \$27.6 million on income before tax of \$104.2 million in the same period last year. The effective tax rate was 25% as compared to 26% in the same period last year.

Net Income (Loss)

Net loss was \$38.4 million in the first half of 2023 as compared to net income of \$76.6 million for the same period of last year. More challenging macroeconomic conditions during the first half of 2023 resulted in lower lumber demand and prices and impacted results year over year.

Alberni Pacific Division

The Company previously announced we would not restart our APD facility in its current configuration and had established a multi-party working group to explore viable industrial manufacturing solutions for the site over a 90-day period. On April 27, 2023, we announced we had commenced negotiations and due diligence processes related to the proposals we received. Operations at the APD facility have been curtailed since fall 2022 and will remain curtailed through the negotiations.

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 are actively investing time and resources in capacity building and fostering positive working relationships with Indigenous groups with traditional territories within which Western operates. For additional details of our progress in 2022, please see *“Indigenous Relationships”* in our Management’s Discussion and Analysis for the year ended December 31, 2022. Work continues on several Nation-led integrated resource management planning initiatives across five of the Tree Farm Licence (“TFL”) areas where Western operates.

TFL 37 Forest Landscape Plan Update

Western and 'Namgis First Nation (“'Namgis”) have been collaboratively developing a forest landscape plan since March 2021, pursuant to a pilot project endorsed by Western, 'Namgis and the Office of the Chief Forester of BC. The pilot area covers the portion of TFL 37 that overlaps with 'Namgis territory, approximately 88% of the total TFL area. A team comprised of Western and 'Namgis representatives has incorporated the best available information, utilizing LiDAR, and has evaluated a range of forest management scenarios that incorporate 'Namgis’ values with Western’s best management practices and harvesting objectives. The team anticipates delivering the draft Forest Landscape Plan resulting from the pilot project to government in the third quarter of 2023.

Regulatory Environment

Since 2020, the Province of BC (“the Province”) has introduced various policy initiatives and regulatory changes that impact the BC forest sector, including: fibre recovery, lumber remanufacturing, old growth forest management and the exportation of logs. For additional details on these policy initiatives, regulatory changes and risks, please see *“Regulatory Environment”* and *“Risks and Uncertainties”* in our Management’s Discussion and Analysis for the year ended December 31, 2022.

For additional details on policy requirements and regulatory aspects in relation to First Nations see *“Land Claims by Indigenous Groups”* and *“Regulatory Risks”* under the heading *“Risks and Uncertainties”* in our Management’s Discussion and Analysis for the year ended December 31, 2022.

For additional details on old growth logging deferrals and First Nations governments approach to such deferrals, please see the *“Old Growth Logging Deferrals”* heading in our Management’s Discussion and Analysis for the year ended December 31, 2022.

In February 2023, the Province announced eight new regional Forest Landscape Planning (“FLP”) tables throughout BC with the participation of approximately 50 First Nations. The Province’s stated objective of these FLP tables is to provide greater clarity around the long-term, sustainable harvesting activities in the areas identified.

In June 2023, the Province announced amendments to the Forest Planning and Practices Regulation. The new regulations require forest licence holders to publish forest operations maps for public feedback, and amended regulations enhancing protection for ecological and recreational values. In addition, the Province passed regulations associated with the previously announced Bill 28, *Forest Amendment Act 2021*, which is considered enabling legislation for the redistribution of harvest rights. These recently passed regulations pertain to compensation for lost harvesting rights as a result of such redistribution. Western is not able to assess the impact of these regulatory changes on its business at this time.

TFL 44

In June, 2023, the Province set a new allowable annual cut (“AAC”) for TFL 44, reducing the allowable annual log harvest from 793,600 cubic metres to 642,800 cubic metres. The new AAC was effective immediately and reflects harvest reductions associated with forest resources and socio-economic objectives of the Province, including the reallocation of previously unharvested volume to new forest licences.

The TFL 44 licence is held by the Tsawak-qin Forestry Limited Partnership (“TFLP”), a partnership between Western and Huumiis Ventures Limited Partnership, a limited partnership beneficially owned by the Huu-ay-aht First Nations (“HFN”). The Company, TFLP and the HFN strongly oppose the AAC determination and the allocation of unharvested volume to new forest licences in light of their serious concerns that the allocation significantly affected the AAC determination and are pursuing this matter with the Province. Given the foregoing, the Company is unable to assess the potential impact of this AAC determination on the Company’s business at this time.

Dividend and Capital Allocation

We remain committed to a balanced approach to capital allocation. We will continue to evaluate opportunities to invest strategic and discretionary capital in jurisdictions that create the opportunity to grow long-term shareholder value.

Quarterly 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.

Dividends of \$3.9 million and \$7.9 million were paid in the three and six months ending June 30, 2023, respectively, as compared to \$4.0 million and \$7.3 million in the same period last year.

Normal Course Issuer Bid (“NCIB”)

On August 3, 2023, the Company renewed its NCIB permitting the purchase and cancellation of up to 15,837,277 common shares, representing 5% of the common shares outstanding as of August 2, 2023. The renewed NCIB will commence on August 11, 2023 and end no later than August 10, 2024. 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.

During the first six months ended June 30, 2023, no common shares were repurchased under our current NCIB.

Strategy and Outlook

Western’s long-term business objective is to create and grow shareholder value by building a sustainable, margin-focused specialty products business of scale to compete successfully in global markets. For more detail on our strategic initiatives and actions, refer to “*Strategy and Outlook*” in our Management’s Discussion and Analysis for the year ended December 31, 2022.

Market Outlook

Near-term we expect lumber markets to remain volatile, as consumers adjust to higher interest rates and macroeconomic conditions and lumber supply and demand rebalances. Demand and prices for Cedar timber and premium appearance products are expected to remain strong, while Cedar decking, trim and fencing products are expected to remain weaker. In Japan, channel inventories have rebalanced, however prices are expected to have downward pressure as competition remains strong from Europe and domestic manufacturers. Demand for our Industrial lumber products will be product line specific but are expected to remain stable over the near-term. While North American demand and prices for our commodity products have improved recently, we expect conditions to remain volatile and may take incremental operational downtime to match production to market demand.

We expect sawlog markets to follow conditions in the lumber markets, while residual chip pricing is expected to decline due to weaker northern bleached softwood kraft (“NSBK”) prices to China.

Long-term we believe that housing market fundamentals and growth in mass timber construction will drive demand for lumber and specialty building products. We remain excited about the long-term growth opportunity for mass timber building in North America and the positive impact wood products have to play in a low carbon world.

Non-GAAP Financial Measures

Reference is made in this news 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. 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)

	Q2 2023	Q2 2022	Q1 2023	YTD 2023	YTD 2022
Adjusted EBITDA					
Net income (loss)	\$ (20.7)	\$ 38.6	\$ (17.7)	\$ (38.4)	\$ 76.6
Add:					
Amortization	13.2	12.8	13.1	26.3	25.5
Changes in fair value of biological assets	(0.1)	-	-	(0.1)	0.5
Operating restructuring items	1.6	0.2	5.2	6.8	0.8
Other expense (income)	0.8	(0.2)	0.1	0.9	(0.1)
Finance costs	0.5	0.3	0.2	0.7	0.7
Income tax expense (recovery)	(7.3)	14.5	(5.9)	(13.2)	27.6
Adjusted EBITDA	\$ (12.0)	\$ 66.2	\$ (5.0)	\$ (17.1)	\$ 131.6
Adjusted EBITDA margin					
Total revenue	\$ 276.0	\$ 437.4	\$ 263.8	\$ 539.8	\$ 797.0
Adjusted EBITDA	(12.0)	66.2	(5.0)	(17.1)	131.6
Adjusted EBITDA margin	(4%)	15%	(2%)	(3%)	17%
Net debt to capitalization					
	Jun. 30 2023	Jun. 30 2022	Mar. 31 2023		
Net debt (cash)					
Total debt	\$ 37.0	\$ -	\$ 25.9		
Bank indebtedness	1.0	-	1.0		
Cash and cash equivalents	(3.2)	(84.3)	(2.3)		
	\$ 34.8	\$ (84.3)	\$ 24.6		
Capitalization					
Net debt (cash)	\$ 34.8	\$ (84.3)	\$ 24.6		
Total equity attributable to equity shareholders of the Company	599.5	677.4	626.5		
	\$ 634.3	\$ 593.1	\$ 651.1		
Net debt to capitalization	5%	-%	4%		
Total liquidity					
	Jun. 30 2023	Jun. 30 2022	Mar. 31 2023		
Cash and cash equivalents	\$ 3.2	\$ 84.3	\$ 2.3		
Available credit facility	250.0	250.0	250.0		
Bank indebtedness	(1.0)	-	(1.0)		
Total debt	(37.0)	-	(25.9)		
Outstanding letters of credit	(19.7)	(15.2)	(20.0)		
	\$ 195.5	\$ 319.1	\$ 205.4		

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

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”, “target”, “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, production, wholesale, operational and capital allocation plans, investments and strategies, including but not limited to payment of a dividend or repurchase of shares; fibre availability and regulatory developments; changes to stumpage rates and the expected timing thereof; the impact of COVID-19; the execution of our sales and marketing strategy; the development and completion of integrated resource management plans or forest landscape plan pilots by First Nations; the Company’s pursuit of the TFL 44 AAC determination with government; the potential for viable industrial manufacturing solutions for the APD facility; the timing and outcome of the negotiation processes for the APD facility and the expected timing and cost of completion of the Company’s announced strategic investments. 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, ability to recruit workers, 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 relating to COVID-19 and other factors referenced under the “Risks and Uncertainties” section of our MD&A in our 2022 Annual Report dated February 16, 2023. 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 Earnings Before Interest, Tax, Depreciation and Amortization (“Adjusted EBITDA”). Adjusted EBITDA is defined as operating income prior to operating restructuring items and other income (expense) plus amortization of plant, equipment, right of use and timber licence 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 in the same manner, Adjusted EBITDA and Adjusted EBITDA margin 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, and net debt to capitalization. Net debt is defined as long-term debt and bank indebtedness 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. 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, but are meaningful in that they indicate the Company’s ability to meet its obligations on an ongoing basis, and indicate whether the Company is more or less leveraged than in the past.

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, August 4, 2023 at 11:00 a.m. PDT (2:00 p.m. EDT)

To participate in the teleconference please dial 416-340-2217 or 1-800-952-5114 (passcode: 9725391#). This call will be taped, available one hour after the teleconference, and on replay until September 4, 2023 at 8:59 p.m. PDT (11:59 p.m. EDT). To hear a complete replay, please call 905-694-9451 / 1-800-408-3053 (passcode: 5520759#).

For further information, please contact:
Stephen Williams
Executive Vice President & Chief Financial Officer
(604) 648-4500