



Western Forest Products Inc.
DEFINING A HIGHER STANDARD™

FOR IMMEDIATE RELEASE

TSX: WEF

Western Announces First Quarter 2024 Results

May 7, 2024 – Vancouver, British Columbia – Western Forest Products Inc. (TSX: WEF) (“Western” or the “Company”) reported a net loss of \$8.0 million in the first quarter of 2024, as compared to a net loss of \$17.7 million in the first quarter of 2023, and a net loss of \$14.3 million in the fourth quarter of 2023.

Adjusted EBITDA was negative \$4.2 million in the first quarter of 2024, as compared to negative \$5.0 million in the first quarter of 2023, and negative \$1.2 million in the fourth quarter of 2023.

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

	Q1 2024	Q1 2023	Q4 2023
Revenue	\$ 239.5	\$ 263.8	\$ 246.6
Adjusted EBITDA ⁽¹⁾	(4.2)	(5.0)	(1.2)
Adjusted EBITDA margin ⁽¹⁾	(2%)	(2%)	(0%)
Operating loss prior to restructuring and other items	\$ (17.3)	\$ (18.1)	\$ (14.4)
Net loss	(8.0)	(17.7)	(14.3)
Loss per share, diluted	(0.02)	(0.05)	(0.04)
Net debt ⁽²⁾ , end of period	83.6	24.3	82.4
Liquidity ⁽¹⁾ , end of period	142.1	205.4	147.8
Net debt to capitalization	13%	4%	13%

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

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

First Quarter 2024 Financial and Operational Summary

- Lumber shipments of 131 million board feet (versus 170 million board feet in Q1 2023)
- Japan lumber shipments of 29 million board feet (versus 15 million board feet in Q1 2023)
- Specialty lumber mix of 61% (versus 40% in Q1 2023)
- Average lumber selling price of \$1,351 per mfbm (versus \$1,241 per mfbm in Q1 2023), benefiting from a stronger sales mix, but offset by lower lumber prices

Indigenous Relationships

- Completed the sale of a 34% ownership interest in the newly formed La-kwa sa muqw Forestry Limited Partnership (“LFLP”) for gross proceeds of \$35.9 million to the Tlowitsis, We Wai Kai, Wei Wai Kum and K’ómoks First Nations. The LFLP is comprised of certain assets and liabilities of Western’s former Mid-Island Forest Operation, including the newly-established Tree Farm Licence (“TFL”) 64, created through the subdivision of Block 2 from TFL 39. The current allowable annual cut (“AAC”) of TFL 64 represents approximately 16% of Western’s total AAC.
- In collaboration with the N’angis First Nation, we released a draft of the first Forest Landscape Plan (“FLP”) in British Columbia (“BC”) for public comment. The FLP covers approximately 89% of the area of TFL 37 and offers the opportunity for greater certainty for a stable long-term fibre supply within TFL 37. Western’s current AAC in TFL 37 represents approximately 14% of our total AAC.

Accelerating the Transition to Higher Value Products

- Completed and commissioned the first continuous dry kiln on the BC Coast at our Saltair sawmill. The new continuous kiln, which has a capacity of approximately 70 million board feet, will support increased production of higher valued products and also contributes to our environmental objectives by reducing energy consumption.

- Advanced permitting related to two previously announced continuous dry kilns, one at our Duke Point sawmill in Nanaimo, BC and one at our Value-Added Division in Chemainus, BC. Each kiln will have a capacity of approximately 70 million board feet and we expect to complete these two additional kilns by the end of 2025.

Balance Sheet and Cash Flow

- Near-term priority is maintaining a strong balance sheet and financial flexibility
- Ended the quarter with liquidity of \$142.1 million and a net debt to capitalization ratio of 13%
- Expect an income tax refund of approximately \$23 million in the second or third quarter of 2024
- Reducing capital expenditure spending to approximately \$50 million in 2024. This includes approximately \$13 million of spending related to two new continuous dry kilns, which are expected to be completed over 2024 and 2025 at an estimated total cost of approximately \$35 million.
- Cumulative duties of US Dollar ("USD") \$168.8 million (\$228.5 million) held in trust by U.S. Customs and Border Protection as at March 31, 2024, or approximately \$0.53 per share on an after-tax basis

Other Updates

- Announced the indefinite curtailment of our Alberni Pacific Division facility

Market Outlook

We are seeing some positive signs of improving demand and prices in certain lumber products relative to the first quarter of 2024. However, lumber demand and prices in the second half of 2024 will vary based on product lines and be dependent on global macroeconomic conditions.

Demand and prices for Cedar timber and premium appearance products are expected to remain stable. Demand and price for Cedar decking products are firming up as we head into the spring, while demand for Cedar trim and fencing products is expected to remain soft until market inventory rebalances.

In Japan, we anticipate quarterly lumber volumes to remain near those achieved in the first quarter of 2024. Lumber prices are expected to remain stable but may be impacted by further weakness in the Japanese yen to USD exchange rate.

Demand for our Industrial lumber products is generally expected to remain stable over the near-term. North American demand and prices for our commodity products should marginally improve in the second quarter of 2024 but are expected to remain volatile through the second half of 2024. In China, lumber demand and prices may slightly weaken as we progress through 2024.

We expect sawlog markets to follow conditions in the lumber markets, while residual chip pricing is expected to slightly improve in the near-term and will continue to follow the northern bleached softwood kraft price to China.

Management Discussion & Analysis ("MD&A")

Readers are encouraged to read our Q1 2024 MD&A and interim consolidated financial statements and accompanying notes which are available on our website at www.westernforest.com and "SEDAR+" at www.sedarplus.ca.

Risks and Uncertainties

Risk and uncertainty disclosures are included in our 2023 Annual MD&A, as updated in the disclosures in our Q1 2024 MD&A, as well as in our public filings with securities regulatory authorities. See also the discussion of "Forward-Looking Statements" below.

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. The following table provides a reconciliation of these non-GAAP measures to figures as reported in our audited annual consolidated financial statements:

(millions of Canadian dollars except where otherwise noted)

	Q1 2024	Q1 2023	Q4 2023
Adjusted EBITDA			
Net loss	\$ (8.0)	\$ (17.7)	\$ (14.3)
Add:			
Amortization	13.2	13.1	13.3
Operating restructuring items	(0.2)	5.2	0.9
Other (income) expense	(1.8)	0.1	2.5
Finance costs	2.1	0.2	1.8
Income tax recovery	(9.4)	(5.9)	(5.3)
Adjusted EBITDA	\$ (4.2)	\$ (5.0)	\$ (1.2)
Adjusted EBITDA margin			
Total revenue	\$ 239.5	\$ 263.8	\$ 246.6
Adjusted EBITDA	(4.2)	(5.0)	(1.2)
Adjusted EBITDA margin	(2%)	(2%)	(0%)
Net debt to capitalization			
Net debt			
Total debt	\$ 85.6	\$ 25.6	\$ 83.8
Bank indebtedness	0.5	1.0	0.9
Cash and cash equivalents	(2.5)	(2.3)	(2.3)
	\$ 83.6	\$ 24.3	\$ 82.4
Capitalization			
Net debt	\$ 83.6	\$ 24.3	\$ 82.4
Total equity attributable to equity shareholders of the Company	578.3	626.5	565.0
	\$ 661.9	\$ 650.8	\$ 647.4
Net debt to capitalization	13%	4%	13%
Total liquidity			
Cash and cash equivalents	\$ 2.5	\$ 2.3	\$ 2.3
Available credit facility	250.0	250.0	250.0
Bank indebtedness	(0.5)	(1.0)	(0.9)
Credit facility drawings	(85.7)	(25.9)	(84.0)
Outstanding letters of credit	(24.2)	(20.0)	(19.6)
	\$ 142.1	\$ 205.4	\$ 147.8

Figures in the table above may not equal or sum to figures presented in the table and 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”, “forecast”, “intend”, “believe”, “seek”, “could”, “should”, “may”, “likely”, “continue”, “maintain”, “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, demand and prices for lumber products; the availability, stability and certainty of the Company’s fibre supply; the capacity of the Company’s facilities and assets including its continuous dry kilns; the completion of the Company’s capital projects and the expected timing thereof; the Company’s balance sheet and financial flexibility; the Company’s receipt of an income tax refund and the expected timing thereof; and the amount and timing of the Company’s capital expenditures. 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, 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 2023 Annual Report dated February 13, 2024. 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.

Conference Call

Wednesday, May 8, 2024 at 12:00 p.m. PDT (3:00 p.m. EDT).

To participate in the teleconference please dial 416-340-2217 or 1-800-952-5114 (passcode: 7950035#). This call will be taped, available one hour after the teleconference, and on replay until June 8, 2024 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: 1087490#).

About Western Forest Products Inc.

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 of 885 million board feet from six 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.

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