



GreenFirst Reports Financial Results for the Third Quarter of 2024

TORONTO, ON, November 12, 2024 / Business Wire / GreenFirst Forest Products Inc. (TSX: GFP) ("GreenFirst" or the "Company") announced results for the third quarter ended September 28, 2024. The Company's interim financial statements ("Financial Statements") and related Management's Discussion and Analysis ("MD&A") for the third quarter ended September 28, 2024 are available on GreenFirst's website at www.greenfirst.ca and on SEDAR+ at www.sedarplus.ca.

Highlights

- Q3 2024 net income from continuing operations was \$14.8 million or \$0.08 per share (diluted), compared to net loss of \$9.9 million or loss of \$0.06 per share (diluted) in Q2 2024. Adjusted EBITDA for Q3 2024 was positive \$15.7 million compared to negative \$6.1 million in Q2 2024. Lumber had a negative contribution to Q3 2024 as a result of weak market conditions.
- US Department of Commerce's ("US DOC") Final Determination of its Fifth Administrative Review resulted in a final duty rate of 14.40%. The Company stands to benefit from an approximate US\$14.2 million (CAD\$19.2 million) recovery on duties paid in 2022, plus accrued interest of US\$2.3 million (CAD\$3.1 million) as recorded in Q3 2024. Additionally, the ongoing lower duty rate has positively impacted the Company's earnings and free cash flow since August 1, 2023. In August 2024 the Company's duties rate increased from 8.05% to 14.40%.
- Average realized lumber prices of \$614/mfbm for Q3 2024 were also lower than the \$637/mfbm pricing realized in Q2 2024. Benchmark prices continued to be under pressure at the start of Q3 2024 due to lower housing affordability and monetary policy, however towards the tail end of the quarter pricing started to move favorably as a result of recent rate cuts by the US Federal Reserve and Bank of Canada signaling a reversal in monetary policy. Subsequent to Q3 2024 pricing continued to trend upward significantly.
- The valuation provision for lumber and log inventory was increased to \$4.2 million from \$3.2 million at the end of Q2 2024, generating a \$1.0 million charge to lumber cost of sales in Q3 2024.
- On July 17, 2024, the Company announced the appointment of Peter Ferrante as its new Chief Financial Officer.
- On August 9, 2024, the Company purchased a buy-out group annuity that transfers approximately \$26.5 million of defined benefit pension obligations to a Canadian insurance company. The Company's prudent management of the pension fund allowed for the recognition of a net settlement gain of approximately \$0.8 million during the third quarter ended September 28, 2024.
- On October 17, 2024, the Company completed a substantive consolidation of its outstanding common shares on the basis of one post-consolidation Common Share for each ten pre-consolidation common shares.
- On October 31, the Company announced a rights offering to raise gross proceeds of up to \$96.9 million (the "Rights Offering") by issuing up to 17,722,410 common shares in the capital of the Company at a price of \$5.47 per share representing a 25% discount to the Company's five day VWAP ending on October 30, 2024. The Company has entered into a Standby Purchase Agreement pursuant to which Ravenswood Investments III, L.P. and The Ravenswood Investment Company L.P., two funds managed by Robotti & Company Advisors, LLC agreed to commit up to \$20.0 million.
- On November 8, 2024 the Company closed the Plan of Arrangement that has resulted in the distribution of the outstanding shares of Kap Corporation to the GreenFirst shareholders on the basis of one common share of Kap Corporation for each ten common shares of GreenFirst held. The spin-out of Kap Corporation is part of the natural progression of the decentralization and deconsolidation of the paper mill that was originally disclosed by GreenFirst in the Fall of 2023.



"Q3 2024 was a challenging quarter for GreenFirst and the broader industry. July was our toughest month, primarily due to low pricing, but both August and September saw improvements in pricing. Average Western Base pricing rose from \$338/mfbm in July to \$428/mfbm early November 2024. In July, due to market conditions and high inventory levels, we implemented targeted curtailments equivalent to six weeks of production. Despite this, our operations ran smoothly for the remainder of the quarter. We also continue to manage cash tightly, including postponing capital expenditures during the third quarter. Aside from the curtailment in July, we achieved good operational performance, breaking production records across multiple sites. In fact, during the third quarter, our efficiency was 4% higher as compared to 2023. Looking ahead, we expect pricing to continue improving for the rest of the year, primarily driven by industry curtailments across North America and reversals in monetary policy by the Bank of Canada and the US Federal Reserve. However, we remain cautious in the short term, and the Company will continue to focus on tightly managing its costs and liquidity. Finally, as previously announced, GreenFirst will continue its strategy of selling non-core assets." said Joel Fournier, Chief Executive Officer of GreenFirst.

Financial Highlights

The following selected financial information is from the Company's financial statements and MD&A:

<i>(In thousands of CAD, except per share amounts)</i>	September 28	June 29,	September 30,
For the quarter ended	2024	2024⁽⁴⁾	2023⁽⁴⁾
Net sales from continuing operations⁽³⁾	\$ 70,806	\$ 69,650	\$ 67,993
Operating income (loss) from continuing operations	12,062	(9,650)	6,265
Net income (loss)	8,835	(14,529)	2,657
Net income (loss) from continuing operations	14,822	(9,946)	5,058
Basic income (loss) per share	0.05	(0.08)	0.02
Basic income (loss) per share from continuing operations	0.08	(0.06)	0.03
Diluted income (loss) per share	0.05	(0.08)	0.02
Diluted income (loss) per share from continuing operations	0.08	(0.06)	0.03
Adjusted EBITDA from continuing operations⁽¹⁾⁽²⁾	\$ 15,673	\$ (6,075)	\$ 9,918

<i>(In thousands of CAD)</i>	September 28,	December 31,
As at	2024	2023
Total assets	\$ 307,300	\$ 277,944
Total liabilities	141,442	92,706
Total shareholders' equity	\$ 165,858	\$ 185,238

¹Adjusted EBITDA is a Non-GAAP measure and does not have standardized meaning under GAAP or IFRS. As a result, it may not be comparable to information presented by other companies. For an explanation and reconciliation of Adjusted EBITDA to related comparable financial information presented in the Financial Statements prepared in accordance with IFRS, refer to the *Non-GAAP Measures* section in this MD&A.

²Non-GAAP Adjusted EBITDA before one-time duties recoveries for the third quarter ended September 28, 2024 was negative \$3.5 million, compared to positive \$0.7 million, for the third quarter ended September 30, 2023.

³Includes net sales to external parties.

⁴Certain prior period amounts have been restated as a result of a change in presentation of the Company's Financial Statements for continuing and discontinued operations under IFRS. Please refer to Note 4 - Assets and Liabilities Held for Distribution and Discontinued Operations, in the Company's Financial Statements for further information.



During Q3 2024, the Company saw contribution (net sales *less* cost of sales) of positive \$1.0 million.

Net sales were \$70.8 million in Q3 2024, an increase of approximately 2% compared to Q2 2024. The increase in net sales was due to higher volumes shipped, offset by lower pricing realized for the quarter. The industry continues to face lower demand as housing affordability continues to be significantly impacted by increased mortgage rates. In addition, an oversupply of lumber inventory, despite curtailments in North America, continues to impact pricing. There continues to be low level of field inventory and there were lower takeaways following the first half of the year.

Cost of sales were \$69.8 million, a decrease of approximately 4% compared to Q2 2024. The decrease in cost of sales in the third quarter was primarily due to lower charges related to inventory net realizable value recorded compared to the second quarter of 2024. In addition, inventory sold during the third quarter comprised of inventory which was primarily produced in the previous quarter at a lower cost.

Other Expenses

The initial duty deposit rate, totaling 20.23%, had remained in effect since the Company's acquisition of its sawmill assets and has resulted in a higher payment in relation to our Canadian peers as at September 28, 2024, totaling US\$22 million. The Company became eligible for the rate applied to all other lumber exporters from August 1, 2023 onwards, calculated by the US DOC to be 8.05%, following the results of the US DOC's Fourth Administrative Review. On August 12, 2024, the Company's duties rates changed to 14.40%, following the results of the US DOC's Fifth Administrative Review with respect to imports of softwood lumber products from Canada for 2022. The final duty rate remained lower than what the Company was assessed in 2022. The Company stands to benefit from an approximate US\$14.2 million (CAD\$19.2 million) recovery on duties paid in 2022, plus accrued interest of US\$2.3 million (CAD\$3.1 million) as recorded in Q3 2023.

SG&A expenses of \$3.5 million in the third quarter of 2024 were lower compared to \$4.0 million in the second quarter ended June 29, 2024. In the second quarter the Company recorded higher third-party fees related to corporate reorganization efforts, including the planned spin-off of Kap Corporation. SG&A expenses remained lower than the previous quarter and is aligned with the Company's initiative to reduce its SG&A.

Liquidity and Borrowings

At September 28, 2024, the Company had \$0.4 million in cash on hand and \$19.6 million, less \$5.4 million for standby letters of credit, of excess availability under its asset based lending ("ABL"), or revolving, portion of the credit facility. In addition, the Company also had access to \$9.4 million remaining under its equipment financing portion of the credit facility (or, "equipment financing agreement"). The Company had drawn down \$25.7 million under its ABL and \$15.6 under its equipment financing agreement as at September 28, 2024.

Outlook

The economic outlook for the lumber industry reflects a mix of challenges and opportunities. Overall macroeconomic concerns are starting to stabilize which will positively impact lumber demand and pricing. The North American housing market has started to show signs of stabilization after previous fluctuations. Mortgage rates are lower compared to a year ago and are expected to continue to ease providing relief for some homeowners supporting some demand for new construction, remodeling and renovation projects projected continued support for lumber demand. Lack of available housing inventory, record levels of immigration in North America, aging of homes in the US and demographic driven demand are expected to positively impact lumber markets in the near and long term.



Reduced lumber demand and low inventory maintenance continue to drive supply side pressures in the short-term. However, continued curtailment of lumber production in the Province of British Columbia, Quebec and some other regions of North America could have some positive support in lumber pricing.

Labour markets remain tight, which continues to impact cost and certain disruptions to flow of production in the industry. Inflationary pressures in North America have also raised the cost of many inputs required for our operations. Ongoing challenges with staffing and wood supply could negatively impact Companies in the industry.

Continuous improvement in production and processing techniques are helping to improve efficiency and reduce costs, which could enhance competitiveness in the long term. Access to capital to purchase and install equipment that will drive operations strengthen competitiveness in the long term.

Increasing focus on sustainable practices is shaping the industry. Companies that invest in environmentally friendly practices may gain a competitive edge, particularly as consumers and regulators emphasize sustainability. To this effect, GreenFirst produces quality lumber and paper products in a safe and responsible manner to protect our employees and the environment, create long-term value for our stakeholders, and contribute positively to our collective future. We believe the Company's renewable building materials, which sequester carbon, are a natural solution in the fight against climate change.

Reconciliation of Adjusted EBITDA

References to EBITDA in this document are measures of earnings (loss) before interest and finance costs, income taxes, depreciation and amortization, while references to Adjusted EBITDA reflect EBITDA plus other non-operating costs such as impact of valuation changes on the Company's investments, the impact of foreign exchange on the Company's long-term debt, loss on extinguishment of debt, loss on sale of assets and other non-operating losses. Management believes that certain lenders, investors, and analysts use EBITDA and Adjusted EBITDA as a common valuation measurement and to measure the Company's ability to service debt and meet other payment obligations. EBITDA and Adjusted EBITDA are not intended to replace net earnings (loss), or other measures of financial performance and liquidity reported in accordance with GAAP. *For more information on non-GAAP measures, please see the Company's MD&A.*

(In thousands of CAD)

For the quarter ended	September 28, 2024	June 29, 2024⁽³⁾	September 30, 2023⁽³⁾
Net income (loss) from continuing operations	\$ 14,822	\$ (9,946)	\$ 5,058
<i>Adjustments:</i>			
Finance (income) costs, net	(1,924)	1,101	125
Income taxes	(836)	(321)	1,082
Depreciation and amortization	3,611	3,575	3,653
EBITDA	15,673	(5,591)	9,918
Gain on sale of assets	—	(484)	—
Adjusted EBITDA from continuing operations⁽¹⁾⁽²⁾	\$ 15,673	\$ (6,075)	\$ 9,918



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Earnings Conference Call

GreenFirst will host a conference call to review the Q3 2024 financial results on Wednesday, November 13, 2024 at 9:00am (Eastern). The live webcast of the earnings conference call can be accessed via web: <http://momentum.adobeconnect.com/greenfirstq3/> and via phone: (+1) 416 764 8658 or (+1) 888 886 7786. A replay of the webcast and presentation slides will be available on GreenFirst's website following the conference call.

About GreenFirst

GreenFirst Forest Products is a forest-first business, focused on sustainable forest management and lumber production. The Company owns four sawmills located in rich wood baskets proudly operating over six million hectares of FSC® certified public Ontario forest lands (FSC®-C167905). The Company believes that responsible forest practices, coupled with the long-term green advantage of lumber, provide GreenFirst with significant cyclical and secular advantages in building products.

Forward Looking Information

Certain information in this news release constitutes forward-looking statements under applicable securities laws. Any statements that are contained in this news release that are not statements of historical fact are forward-looking statements. Forward looking statements are often identified by terms such as “may”, “should”, “anticipate”, “expect”, “potential”, “believe”, “intend”, “estimate” or the negative of these terms and similar expressions. Forward-looking statements are based on certain assumptions and, while GreenFirst considers these assumptions to be reasonable, based on information currently available, they may prove to be incorrect. In addition, forward-looking statements necessarily involve known and unknown risks, including those set out in GreenFirst's public disclosure record filed under its profile on www.sedarplus.ca. Readers are further cautioned not to place undue reliance on forward-looking statements as there can be no assurance that the plans, intentions or expectations upon which they are placed will occur. Such information, although considered reasonable by management at the time of preparation, may prove to be incorrect and actual results may differ materially from those anticipated. Forward-looking statements contained in this news release are expressly qualified by this cautionary statement and reflect our expectations as of the date hereof, and thus are subject to change thereafter. GreenFirst disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

For more information, please visit: www.greenfirst.ca or contact Investor Relations (416) 775 2821