



FOR IMMEDIATE RELEASE

TSX: WEF

Western Announces Third Quarter 2024 Results

November 6, 2024 – Vancouver, British Columbia – Western Forest Products Inc. (TSX: WEF) (“Western” or the “Company”) reported a net loss of \$19.6 million in the third quarter of 2024, as compared to a net loss of \$17.4 million in the third quarter of 2023, and a net loss of \$5.7 million in the second quarter of 2024.

Adjusted EBITDA was negative \$10.7 million in the third quarter of 2024, which included \$1.0 million in export tax recovery, as compared to negative \$11.6 million in the third quarter of 2023, which included \$4.3 million in export tax recovery, and positive EBITDA of \$9.4 million in the second quarter of 2024.

(millions of Canadian dollars except per share amounts and where otherwise noted) ⁽¹⁾

	Q3 2024	Q3 2023	Q2 2024	YTD 2024	YTD 2023
Revenue	\$ 241.7	\$ 231.1	\$ 309.5	\$ 790.7	\$ 770.9
Adjusted EBITDA ⁽²⁾	(10.7)	(11.6)	9.4	(5.5)	(28.7)
Adjusted EBITDA margin ⁽²⁾	(4%)	(5%)	3%	(1%)	(4%)
Operating loss prior to restructuring and other items	\$ (24.4)	\$ (25.8)	\$ (4.3)	\$ (46.0)	\$ (69.0)
Net loss	(19.6)	(17.4)	(5.7)	(33.3)	(55.8)
Loss per share, diluted	(0.06)	(0.05)	(0.01)	(0.09)	(0.17)
Net debt ⁽²⁾ , end of period	86.4	59.5	84.0		
Liquidity ⁽²⁾ , end of period	137.3	170.2	141.5		
Net debt to capitalization ⁽²⁾	13%	9%	13%		

(1) Certain figures may not add due to rounding

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

Third Quarter 2024 Financial and Operational Summary

- Lumber production of 127 million board feet (versus 126 million board feet in Q3 2023).
- Lumber shipments of 138 million board feet (versus 130 million board feet in Q3 2023).
- Japan lumber shipments of 21 million board feet (versus 19 million board feet in Q3 2023).
- Specialty lumber mix of 53% (versus 55% in Q3 2023).
- Average lumber selling price of \$1,378 per mfbm (versus \$1,388 per mfbm in Q3 2023), primarily due to a slightly weaker sales mix of specialty lumber products.
- Average BC log sales price of \$113 per m³ (versus \$118 per m³ in Q3 2023), on weaker sales mix.
- Effective August 19, 2024, the US Department of Commerce increased combined countervailing and anti-dumping duty rates to 14.40% from 8.59%.

Accelerating the Transition to Higher Value Products

- The new Saltair continuous kiln continues to perform well and surpass its operating uptime and production performance targets. The continuous dry kiln has supported Western’s production of higher value products, given ongoing kiln drying capacity constraints on the BC Coast, and has operated at 98.8% of full capacity utilization since commissioning in April 2024, producing 25 million board feet of higher value kiln-dried lumber.
- We continue to advance pre-engineering and permitting related to two previously announced continuous dry kilns, which has included kiln vendor selection and obtaining a draft modified air discharge permit at our Duke Point facility.

Balance Sheet and Cash Flow

- Near-term priority remains maintaining a strong balance sheet and financial flexibility.
- Ended the quarter with liquidity of \$137.3 million and a net debt to capitalization ratio of 13%.
- Received our income tax refund of \$23 million in Q3 2024.
- 2024 capital expenditure spending is anticipated to be approximately \$35 million.
- Cumulative duties of US Dollar ("USD") \$177.7 million (CAD\$240.3 million) held in trust by US Customs and Border Protection as at September 30, 2024, or approximately \$0.55 per share on an after-tax basis.

Other

- As previously announced, we plan to reduce lumber production in our BC sawmills by approximately 30 million board feet in Q4 2024, following reductions of approximately 30 million board feet in Q3 2024.

Market Outlook

Demand and prices for Cedar timber and premium appearance products are expected to remain stable as buyers begin to build inventories for the spring season. Demand for decking products has started to seasonally slow. Most US distribution and dealer customers are generally more cautious as we head towards year-end. Repair and renovation spending is expected to improve gradually in 2025 but remain below peak levels experienced over the last few years.

In Japan, continued softness in wooden home starts, well stocked inventories and a weaker Japanese yen to USD exchange rate are anticipated to impact lumber demand and prices in Japan into the first half of 2025.

Current improved demand and pricing for our Industrial lumber products is expected to continue through the first quarter 2025. For Commodity lumber, North American demand and prices are expected to remain flat with some fluctuations depending upon product line. In China, despite the weaker housing market, lumber prices have slightly improved on lower channel inventory levels, and we expect some modest pricing increases through the end of the year.

Management Discussion & Analysis ("MD&A")

Readers are encouraged to read our Q3 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 Q3 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)

	Q3 2024	Q3 2023	Q2 2024	YTD 2024	YTD 2023
Adjusted EBITDA					
Net loss	\$ (19.6)	\$ (17.4)	\$ (5.7)	\$ (33.3)	\$ (55.8)
Add:					
Amortization	13.6	14.1	13.6	40.4	40.4
Changes in fair value of biological assets	0.1	-	(0.1)	-	(0.2)
Operating restructuring items	1.9	(0.2)	1.7	3.4	6.6
Other (income) expense	0.7	(2.2)	(0.6)	(1.7)	(1.3)
Finance costs	1.2	0.5	1.6	4.9	1.2
Income tax recovery	(8.6)	(6.5)	(1.3)	(19.3)	(19.7)
Adjusted EBITDA	\$ (10.7)	\$ (11.6)	\$ 9.4	\$ (5.5)	\$ (28.7)
Adjusted EBITDA margin					
Total revenue	\$ 241.7	\$ 231.1	\$ 309.5	\$ 790.7	\$ 539.8
Adjusted EBITDA	(10.7)	(11.6)	9.4	(5.5)	(17.1)
Adjusted EBITDA margin	(4%)	(5%)	3%	(1%)	(3%)
Net debt to capitalization	Sept. 30 2024	Sept. 30 2023	Jun. 30 2024		
Net debt					
Total debt	\$ 90.0	\$ 62.0	\$ 87.8		
Bank indebtedness	1.4	0.5	0.5		
Cash and cash equivalents	(5.0)	(3.0)	(4.3)		
	\$ 86.4	\$ 59.5	\$ 84.0		
Capitalization					
Net debt	\$ 86.4	\$ 59.5	\$ 84.0		
Total equity attributable to equity shareholders of the Company	555.4	599.5	580.3		
	\$ 641.8	\$ 639.8	\$ 658.5		
Net debt to capitalization	13%	9%	13%		
Total liquidity					
Cash and cash equivalents	\$ 5.0	\$ 3.0	\$ 4.3		
Available credit facility ⁽¹⁾	250.0	250.0	250.0		
Bank indebtedness	(1.4)	(0.5)	(0.5)		
Credit facility drawings	(90.5)	(62.2)	(87.9)		
Outstanding letters of credit	(25.8)	(20.1)	(24.4)		
	\$ 137.3	\$ 170.2	\$ 141.5		

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

⁽¹⁾ Maximum borrowing amount, with advances in excess of \$215 million subject to a leverage metric.

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”. “potential” 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; 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; and the Company’s balance sheet and financial flexibility. 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 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

Thursday, November 7, 2024 at 9:00 a.m. PST (12:00 p.m. EST).

To participate in the teleconference please dial 416-340-2217 or 1-800-952-5114 (passcode: 5279256#). This call will be taped, available one hour after the teleconference, and on replay until December 8, 2024 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: 3621073#).

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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