

Investors, analysts and other interested parties may access Acadian Timber Corp.'s 2023 Second Quarter Results conference call and webcast on Thursday, July 27, 2023 at 1:00PM ET. Please register [here](#) or follow the link on our website at [www.acadiantimber.com/presentations and webcasts](http://www.acadiantimber.com/presentations-and-webcasts), to receive your unique PIN. For those unable to participate, a recorded rebroadcast will be available until 4:00PM ET August 26, 2024.

ACADIAN TIMBER CORP. REPORTS SECOND QUARTER RESULTS

Edmundston, NEW BRUNSWICK – July 26, 2023 – Acadian Timber Corp. (“Acadian” or the “Company”) (TSX:ADN) today reported financial and operating results¹ for the three months ended June 24, 2023 (the “second quarter”).

“While the second quarter of the year is traditionally our slowest due to seasonal operating conditions, favourable weather allowed harvest to continue later into the winter and to begin earlier after the spring thaw. Combined with increased contractor capacity, Acadian delivered strong second quarter results and recovered much of the volume shortfall of the first quarter,” commented Adam Sheparsi, President and Chief Executive Officer. “We are also pleased to announce the successful registration of our first voluntary carbon credits, which are now available for sale.”

Acadian generated \$4.1 million of Free Cash Flow during the second quarter and declared dividends of \$4.9 million to shareholders. Acadian’s balance sheet remains solid with \$17.0 million of net liquidity as at June 24, 2023, which includes funds available under our credit facilities.

On June 8, 2023, 770,071 voluntary carbon credits were registered on the American Carbon Registry and made available for sale under the project name Anew – Katahdin Forestry Project, and have been recorded as inventory in our June 24, 2023 interim condensed consolidated financial statements. These carbon credits are associated with our first carbon credit development project on the portion of our Maine Timberlands that is subject to a working forest conservation easement.

The total volume of credits expected to be generated from the project over the 10-year crediting period has increased from the initial estimate of 1.6 million credits to 1.9 million credits. Actual credit issuances will be adjusted each reporting period based on actual harvesting, natural disturbances, and other factors, as well as periodic updating for inventory and verification activities.

Acadian is committed to health and safety as our number one priority. We believe that emphasizing and achieving a good safety performance is a leading indicator of success in the broader business. Acadian’s operations experienced no recordable safety incidents during the quarter among employees or contractors.

¹ This news release makes reference to Adjusted EBITDA, Adjusted EBITDA margin, Free Cash Flow and Payout Ratios which are key performance measures in evaluating Acadian’s operations and are important in enhancing investors’ understanding of the Company’s operating performance. Adjusted EBITDA and Adjusted EBITDA margin are indicative of the underlying profitability of Acadian’s operating segments and are used to evaluate operational performance. Free Cash Flow is used to evaluate Acadian’s ability to generate sustainable cash flows from our operations while Payout Ratios are used to evaluate Acadian’s ability to fund its distribution using Free Cash Flow. Acadian’s management defines Adjusted EBITDA as net income before interest, income taxes, fair value adjustments, recovery of or impairment of land and roads and depreciation and amortization, and “Adjusted EBITDA margin” as Adjusted EBITDA as a percentage of Acadian’s sales. Free Cash Flow is defined as Adjusted EBITDA less interest paid, current income tax expense, and capital expenditures plus net proceeds from the sale of timberlands and other fixed assets (proceeds less gains or losses). Reference made to “Payout Ratio” is defined as dividends declared divided by Free Cash Flow, and Payout Ratio with DRIP is defined as dividends paid in cash divided by Free Cash Flow. We have provided in this news release reconciliations of net income, as determined in accordance with International Financial Reporting Standards (“IFRS”), to Adjusted EBITDA and Free Cash Flow. Reference is also made to net liquidity which includes cash and funds available under credit facilities less amounts reserved to support the minimum cash balance related to long-term debt. As these measures do not have standardized meanings prescribed by IFRS, they may not be comparable to similar measures presented by other companies. Please refer to Management’s Discussion and Analysis for further details.

Review of Operations

Financial and Operating Highlights

	Three Months Ended		Six Months Ended	
(CAD thousands, except per share information)	June 24, 2023	June 25, 2022	June 24, 2023	June 25, 2022
Sales volume (000s m ³)	184.2	156.7	389.4	457.9
Sales	\$ 20,707	\$ 16,493	\$ 43,069	\$ 43,124
Operating income	5,217	2,684	10,521	9,522
Net income	5,813	4,516	11,433	8,674
Adjusted EBITDA	\$ 5,651	\$ 2,747	\$ 11,252	\$ 9,656
Adjusted EBITDA margin	27%	17%	26%	22%
Free Cash Flow	\$ 4,108	\$ 1,877	\$ 7,831	\$ 6,891
Dividends declared	4,940	4,856	9,859	9,695
Dividends paid in cash	3,724	3,713	7,445	8,552
Payout Ratio	n/a	n/a	126%	141%
Payout Ratio with DRIP	n/a	n/a	95%	124%
Per share – basic and diluted				
Net income	\$ 0.34	\$ 0.27	\$ 0.67	\$ 0.52
Free Cash Flow	0.24	0.11	0.46	0.41
Dividends declared	0.29	0.29	0.58	0.58

During the second quarter, Acadian generated sales of \$20.7 million, compared to \$16.5 million in the prior year period. The weighted average selling price, excluding biomass, increased 9% year-over-year, benefiting from strong softwood sawlog and hardwood pulpwood prices driven by strong demand.

Sales volume, excluding biomass, was 18% higher compared to the prior year period as a result of favourable weather, which allowed harvest to continue later into the winter and to begin earlier after the spring thaw, and increased contractor availability. Biomass sales volume was 8% higher due to favourable market conditions.

Operating costs and expenses were \$15.5 million during the second quarter, compared to \$13.8 million during the prior year period, reflecting higher sales volumes. Weighted average variable costs, excluding biomass, were 10% lower as compared to the prior year period, primarily as a result of lower fuel costs and shorter hauling distances, partially offset by increased contractor rates.

Net income for the second quarter totaled \$5.8 million, or \$0.34 per share, compared to \$4.5 million, or \$0.27 per share, in the same period of 2022. The increase in net income compared to the prior year period was primarily the result of higher operating income and gain on the sale of 16 acres of timberlands, partially offset by lower non-cash fair value adjustments.

Adjusted EBITDA was \$5.7 million during the second quarter compared to \$2.7 million in the prior year period, reflecting higher operating income and gain on sale of timberlands. Adjusted EBITDA margin for the quarter was 27% compared to 17% in the prior year period. Free Cash Flow was \$4.1 million, being \$2.2 million higher than the prior year period.

During the first half of 2023, Acadian generated sales of \$43.1 million, consistent with the prior year period. Sales volume, excluding biomass, was 18% lower than the first half of 2022 but was offset by a 13% increase in the weighted average selling price, excluding biomass. Operating costs and expenses of \$32.5 million were \$1.1 million lower year-over-year. Adjusted EBITDA of \$11.3 million was \$1.6 million higher compared to the prior year period.

For the six months ended June 24, 2023, net income was \$11.4 million, or \$0.67 per share, which represents an increase of \$2.7 million compared to the prior year period, primarily the result of higher operating income, gain on sale of timberlands and non-cash fair value adjustments.

Segment Performance

New Brunswick Timberlands

The table below summarizes operating and financial results for New Brunswick Timberlands.

	Three Months Ended		Six Months Ended	
	June 24, 2023	June 25, 2022	June 24, 2023	June 25, 2022
Harvest (000s m ³)				
Softwood	58.6	48.3	145.5	176.4
Hardwood	47.2	42.5	109.4	110.7
Biomass	—	3.5	25.8	29.5
Total	105.8	94.3	280.7	316.6
Sales (000s m ³)				
Softwood	60.2	55.7	145.3	181.3
Hardwood	80.2	64.0	124.4	115.8
Biomass	7.1	3.5	32.9	29.5
Total	147.5	123.2	302.6	326.6
Sales Mix				
Softwood	41%	45%	48%	56%
Hardwood	54%	52%	41%	35%
Biomass	5%	3%	11%	9%
Total	100%	100%	100%	100%
Results (\$000s)				
Softwood	\$ 4,238	\$ 4,023	\$ 10,486	\$ 12,197
Hardwood	7,899	5,641	12,760	10,146
Biomass	320	152	1,630	1,308
Total	\$ 12,457	\$ 9,816	\$ 24,876	\$ 23,651
Timber services and other	4,112	3,728	9,600	7,902
Sales	\$ 16,569	\$ 13,544	\$ 34,476	\$ 31,553
Adjusted EBITDA	\$ 4,996	\$ 2,710	\$ 9,879	\$ 7,378
Adjusted EBITDA margin	30%	20%	29%	23%

Sales for New Brunswick Timberlands in the second quarter were \$16.6 million compared to \$13.5 million during the prior year period. Sales volume, excluding biomass, increased by 17% primarily due to favourable weather conditions compared to the second quarter of the prior year and increased contractor availability. Biomass sales volume increased by 98% as compared to the prior year period due to favourable market conditions.

The weighted average selling price, excluding biomass, for the second quarter was \$86.36 per m³, or 7% higher than the prior year period, as a result of stable softwood sawlog and pulpwood prices, driven by strong demand, partially offset by lower hardwood sawlog pricing due to unfavourable end use markets. Biomass prices were 7% higher year-over-year due to favourable market conditions.

Operating costs and expenses were \$11.9 million during the second quarter, compared to \$10.9 million in the prior year period, reflecting higher sales volumes. Weighted average variable costs, excluding biomass, were 15% lower primarily as a result of lower fuel costs and shorter hauling distances, partially offset by increased contractor rates.

Adjusted EBITDA for the quarter was \$5.0 million compared to \$2.7 million in the prior year period and Adjusted EBITDA margin was 30% compared to 20% in the prior year period as a result of higher operating income.

During the first half of 2023, New Brunswick Timberlands' sales of \$34.5 million were 9% higher than the prior year period. The weighted average selling price, excluding biomass, increased 15%, however, sales volume, excluding biomass, decreased 9% year-over-year due to contractor availability noted previously. Operating costs and expenses of \$25.2 million during the first half of 2023 were \$0.9 million higher than the prior year period, due primarily to increased contractor rates. Adjusted EBITDA was \$9.9 million compared to \$7.4 million in the first half of 2022, and Adjusted EBITDA margin increased to 29% from 23%.

Maine Timberlands

The table below summarizes operating and financial results for Maine Timberlands.

	Three Months Ended		Six Months Ended	
	June 24, 2023	June 25, 2022	June 24, 2023	June 25, 2022
Harvest (000s m ³)				
Softwood	27.7	19.5	57.0	96.6
Hardwood	10.7	5.4	26.2	27.7
Biomass	—	3.0	6.5	3.2
Total	38.4	27.9	89.7	127.5
Sales (000s m ³)				
Softwood	24.0	19.7	52.2	96.6
Hardwood	12.7	10.8	28.1	31.5
Biomass	—	3.0	6.5	3.2
Total	36.7	33.5	86.8	131.3
Sales Mix				
Softwood	65%	59%	60%	74%
Hardwood	35%	32%	32%	24%
Biomass	—	9%	8%	2%
Total	100%	100%	100%	100%
Results (\$000s)				
Softwood	\$ 2,737	\$ 1,662	\$ 5,373	\$ 8,449
Hardwood	1,182	1,127	2,734	2,853
Biomass	—	6	60	10
Total	\$ 3,919	\$ 2,795	\$ 8,167	\$ 11,312
Timber services and other	219	154	426	259
Sales	\$ 4,138	\$ 2,949	\$ 8,593	\$ 11,571
Adjusted EBITDA	\$ 1,133	\$ 364	\$ 2,232	\$ 3,116
Adjusted EBITDA margin	27%	12%	26%	27%

Sales for Maine Timberlands during the second quarter totaled \$4.1 million compared to \$2.9 million in the prior year period. Sales volume, excluding biomass, increased 20% reflecting an earlier start to operations and increased contractor availability, as compared to the same period in the prior year.

In U.S dollar terms, the weighted average selling price, excluding biomass, was \$79.55 per m³, compared to \$71.39 per m³ during the same period of 2022, driven primarily by higher softwood sawlog prices benefiting from favourable market dynamics. The weighted average selling price, excluding biomass, in Canadian dollar terms was \$106.92 per m³, compared to \$91.13 per m³ during the same period of 2022, being further impacted by foreign exchange rates.

Operating costs and expenses for the second quarter were \$3.1 million, compared to \$2.6 million during the same period in 2022, reflecting higher harvesting activity. Weighted average variable costs, excluding biomass, increased 5% primarily as a result of higher contractor rates.

Adjusted EBITDA for the quarter was \$1.1 million compared to \$0.4 million in the prior year period and Adjusted EBITDA margin was 27%, up from 12% in the prior year period.

During the first half of 2023, Maine Timberlands' sales were \$8.6 million compared to \$11.6 million in the first half of 2022. Maine Timberlands' weighted average selling price, excluding biomass, increased 14% in Canadian dollar terms, and 8% in U.S. dollar terms, however sales volume, excluding biomass, was 37% lower. Operating costs and expenses of \$6.5 million during the first half of 2023 were \$2.0 million lower than the prior year period, as a result of lower harvesting activity partially offset by higher contractor rates.

Outlook

North American inflation concerns persist, and interest rates continue to increase, which has put near-term pressure on end use markets. However, we remain confident that the stability of the northeastern forestry sector, combined with the long-term demand for new homes and repair and remodel activity, will support the demand for our products. Consensus forecast for U.S. housing starts has risen to approximately 1.37 million starts in 2023.

We experienced increased contractor availability during the second quarter and expect to maintain this capacity throughout the remainder of the year. Inflation continues to impact our financial results through elevated contractor rates and fuel surcharges.

Demand for Acadian's sawlogs is mainly driven by regional supply and demand, meaning that the stable demand experienced in the first half of 2023 is expected to continue. Pricing for softwood sawtimber is expected to remain stable, however, pricing for hardwood sawtimber may weaken, reflecting the recent weakness in hardwood lumber pricing. While regional inventories of hardwood pulpwood have been replenished and demand has begun to slow, this market is expected to remain stable. Softwood pulpwood markets are expected to remain at the improved levels experienced in 2022.

Quarterly Dividend

Based on a strong balance sheet and outlook for the remainder of the year, Acadian is pleased to announce a dividend of \$0.29 per share, payable on October 15, 2023 to shareholders of record on September 30, 2023.

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Acadian Timber Corp. is one of the largest timberland owners in Eastern Canada and the Northeastern U.S. and has a total of approximately 2.4 million acres of land under management. Acadian owns and manages approximately 761,000 acres of freehold timberlands in New Brunswick, approximately 300,000 acres of freehold timberlands in Maine and provides timber services relating to approximately 1.3 million acres of Crown licensed timberlands in New Brunswick. Acadian's products include softwood and hardwood sawlogs, pulpwood and biomass by-products, sold to approximately 90 regional customers.

Acadian's business strategy is to maximize cash flows from its existing timberland assets through sustainable forest management and other land use activities while growing its business by acquiring assets and actively managing these assets to drive improved performance.

Acadian's shares are listed for trading on the Toronto Stock Exchange under the symbol ADN.

For further information, please visit our website at www.acadiantimber.com or contact:

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Cautionary Statement Regarding Forward-Looking Information and Statements

This News Release contains forward-looking information and statements within the meaning of applicable Canadian securities laws that involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of Acadian Timber Corp. and its subsidiaries (collectively, “Acadian”), or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Forward-looking information is included in this News Release and includes statements made in the sections entitled “Carbon Credit Project” and “Outlook” and without limitation other statements regarding management’s beliefs, intentions, results, performance, goals, achievements, future events, plans and objectives, business strategy, growth strategy and prospects, access to capital, liquidity and trading volumes, dividends, taxes, capital expenditures, projected costs, market trends and similar statements concerning anticipated future events, results, achievements, circumstances, performance or expectations that are not historical facts. All forward-looking statements in this News Release are qualified by these cautionary statements. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, should not be unduly relied upon, and will not necessarily be accurate indications of whether or not such results will be achieved. Actual results may vary. These forward-looking statements include, but are not limited to:

- Expectations regarding the number and timing of carbon credits that will be successfully registered and available for sale. Actual credit issuances will be adjusted each reporting period based on actual harvesting, natural disturbances and other factors, as well as periodic updating for inventory and verification activities.*
- Expectations regarding product demand, pricing and end use markets, including expectations for U.S. housing starts, which may be impacted by changes in interest rates, U.S. population demographics and the inventory of homes for sale. Expectations regarding product demand and pricing are based on anticipated market conditions, anticipated regional inventory levels of key customers, and the economic situation of key customers. Estimates for U.S. housing starts are based on forecasts published by major financial institutions.*
- Expectations regarding future contractor availability, which may be impacted by regional supply of trained contractors and changes in the demographics of the available workforce.*

Other risks and factors are discussed under the heading “Risk Factors” in Management’s Discussion and Analysis dated July 26, 2023 and in each of the Annual Information Form dated March 24, 2023 and the Management Information Circular dated March 24, 2023 and other filings of Acadian made with securities regulatory authorities, which are available on SEDAR at www.sedar.com. Forward-looking information is based on various material factors or assumptions, which are based on information currently available to Acadian. Readers are cautioned that the preceding list of material factors or assumptions is not exhaustive. Although the forward-looking statements contained in this News Release are based upon what management believes are reasonable assumptions, Acadian cannot assure readers that actual results will be consistent with these forward-looking statements. The forward-looking statements in this News Release are made as of the date of this News Release based on information currently available to management and should not be relied upon as representing Acadian’s views as of any date subsequent to the date of this News Release. Acadian assumes no obligation to update or revise these forward-looking statements to reflect new information, events, circumstances or otherwise, except as may be required by applicable law.

Acadian Timber Corp.
Interim Condensed Consolidated Balance Sheets

(unaudited)

<i>As at</i> <i>(CAD thousands)</i>	June 24, 2023	December 31, 2022
Assets		
Current assets		
Cash	\$ 3,978	\$ 6,230
Accounts receivable and other assets	6,470	8,265
Current income taxes receivable	597	—
Inventories	14,859	1,850
	25,904	16,345
Timber	426,418	437,365
Land, roads, and other fixed assets	86,989	87,986
Intangible asset	6,140	6,140
Total assets	\$ 545,451	\$ 547,836
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities	\$ 7,065	\$ 11,206
Current income taxes payable	—	20
Dividends payable to shareholders	4,940	4,897
	12,005	16,123
Long-term debt	105,238	107,937
Deferred income tax liabilities, net	121,876	120,053
Total liabilities	239,119	244,113
Shareholders' equity	306,332	303,723
Total liabilities and shareholders' equity	\$ 545,451	\$ 547,836

Acadian Timber Corp.
Interim Condensed Consolidated Statements of Net Income

(unaudited)

	Three Months Ended		Six Months Ended	
<i>(CAD thousands, except per share data)</i>	June 24, 2023	June 25, 2022	June 24, 2023	June 25, 2022
Sales	\$ 20,707	\$ 16,493	\$ 43,069	\$ 43,124
Operating costs and expenses				
Cost of sales	12,938	11,433	28,064	29,102
Selling, administration and other	2,103	1,828	3,961	3,894
Silviculture	366	485	367	486
Depreciation and amortization	83	63	156	120
	15,490	13,809	32,548	33,602
Operating income	5,217	2,684	10,521	9,522
Interest expense, net	(771)	(763)	(1,580)	(1,500)
Other items				
Fair value adjustments and other	3,350	4,430	6,533	4,158
Gain on sale of timberlands and other fixed assets	351	—	575	14
Income before income taxes	8,147	6,351	16,049	12,194
Income tax expense	(2,334)	(1,835)	(4,616)	(3,520)
Net income	\$ 5,813	\$ 4,516	\$ 11,433	\$ 8,674
Net income per share – basic and diluted	\$ 0.34	\$ 0.27	\$ 0.67	\$ 0.52

Acadian Timber Corp.
Interim Condensed Consolidated Statements of Comprehensive Income
(unaudited)

	Three Months Ended		Six Months Ended	
<i>(CAD thousands)</i>	June 24, 2023	June 25, 2022	June 24, 2023	June 25, 2022
Net income	\$ 5,813	\$ 4,516	\$ 11,433	\$ 8,674
Other comprehensive income / (loss)				
Items that may be reclassified subsequently to net income:				
Unrealized foreign currency translation gain / (loss)	(2,225)	1,232	(1,365)	679
Comprehensive income	\$ 3,588	\$ 5,748	\$ 10,068	\$ 9,353

Acadian Timber Corp.
Interim Condensed Consolidated Statements of Cash Flows
(unaudited)

	Three Months Ended		Six Months Ended	
<i>(CAD thousands)</i>	June 24, 2023	June 25, 2022	June 24, 2023	June 25, 2022
Cash provided by (used for):				
Operating activities				
Net income	\$ 5,813	\$ 4,516	\$ 11,433	\$ 8,674
Adjustments to net income:				
Income tax expense	2,334	1,835	4,616	3,520
Depreciation and amortization	83	63	156	120
Fair value adjustments and other	(3,350)	(4,430)	(6,533)	(4,158)
Gain on sale of timberlands and other fixed assets	(351)	—	(575)	(14)
Income taxes paid	(1,973)	(347)	(2,368)	(683)
Net change in non-cash working capital balances and other	1,181	1,856	(1,949)	657
	3,737	3,493	4,780	8,116
Financing activities				
Dividends paid to shareholders	(3,724)	(3,713)	(7,445)	(8,552)
Investing activities				
Additions to timber, land, roads, and other fixed assets	(146)	(39)	(177)	(103)
Proceeds from sale of timberlands and other fixed assets	360	—	590	14
	214	(39)	413	(89)
Increase / (decrease) in cash during the period	227	(259)	(2,252)	(525)
Cash, beginning of period	3,751	7,050	6,230	7,316
Cash, end of period	\$ 3,978	\$ 6,791	\$ 3,978	\$ 6,791

Acadian Timber Corp.
Reconciliations to Adjusted EBITDA and Free Cash Flow

(unaudited)

	Three Months Ended		Six Months Ended	
<i>(CAD thousands)</i>	June 24, 2023	June 25, 2022	June 24, 2023	June 25, 2022
Net income	\$ 5,813	\$ 4,516	\$ 11,433	\$ 8,674
Add / (deduct):				
Interest expense, net	771	763	1,580	1,500
Income tax expense	2,334	1,835	4,616	3,520
Depreciation and amortization	83	63	156	120
Fair value adjustments and other	(3,350)	(4,430)	(6,533)	(4,158)
Adjusted EBITDA	\$ 5,651	\$ 2,747	\$ 11,252	\$ 9,656
Add / (deduct):				
Interest paid on debt, net	(740)	(731)	(1,519)	(1,439)
Additions to timber, land, roads, and other fixed assets	(146)	(39)	(177)	(103)
Gain on sale of timberlands and other fixed assets	(351)	—	(575)	(14)
Proceeds from sale of timberlands and other assets	360	—	590	14
Current income tax expense	(666)	(100)	(1,740)	(1,223)
Free Cash Flow	\$ 4,108	\$ 1,877	\$ 7,831	\$ 6,891
Dividends declared	4,940	4,856	9,859	9,695
Dividends paid in cash	3,724	3,713	7,445	8,552
Payout Ratio	n/a	n/a	126%	141%
Payout Ratio with DRIP	n/a	n/a	95%	124%