



## Interfor Corporation

Burnaby, B.C.

May 6, 2021

### ***Interfor Reports Record Q1'21 Results EBITDA<sup>1</sup> of \$392 million on Sales of \$849 million Net Cash Position and Available Liquidity of \$944 million***

**INTERFOR CORPORATION** ("Interfor" or the "Company") (TSX: IFP) recorded Net earnings in Q1'21 of \$264.5 million, or \$4.01 per share, compared to \$149.1 million, or \$2.24 per share in Q4'20 and \$6.3 million, or \$0.09 per share in Q1'20. Adjusted net earnings in Q1'21 was \$270.6 million compared to \$164.7 million in Q4'20 and \$0.7 million in Q1'20.

Adjusted EBITDA was a record \$392.1 million on sales of \$849.3 million in Q1'21 versus \$248.6 million on sales of \$662.3 million in Q4'20.

Notable items in the quarter:

- Strong Free Cash Flow Generation
  - Interfor generated \$377.7 million of cash flow from operations before changes in working capital, or \$5.73 per share. Working capital investment increased by \$92.6 million, primarily related to higher trade receivables driven by lumber prices and seasonally higher log inventories in B.C.
  - Net debt ended the quarter at \$(236.0) million, or (21.7)% of invested capital, resulting in available liquidity of \$943.6 million.
- Strategic Capital Investments
  - Capital spending was \$29.2 million, including \$18.7 million on high-return discretionary projects. The majority of this discretionary spending was focused on a new kiln at the Adams Lake, BC sawmill and the ongoing multi-year rebuild of the Eatonton, Georgia sawmill.
  - The new kiln installed at our Adams Lake sawmill was fully operational by mid-February and allows for increased site-wide production and a significantly improved grade mix. This project was complementary to Interfor's Q1'20 acquisition of 349,000 cubic metres of annual cutting rights from Canfor Corporation which solidified Adams Lake's long-term log supply and operational platform.
  - The major rebuild of our Eatonton, Georgia sawmill is on-track for completion in Q4 of 2021, with full ramp-up expected to take approximately nine months thereafter. This project will add approximately 110 million board feet of annual production capacity and result in lower cash conversion costs and improved grade mix. Inclusive of this project, US\$108 million has been spent on the Company's Phase II strategic capital plan through March 31, 2021.
  - The Company has received Board approval to proceed with strategic capital investments at its sawmills in Castlegar, BC, and Perry, Georgia of approximately \$35 million and US\$30 million, respectively. These investments will provide a combination of benefits in the form of higher production, improved lumber recovery and grade mix, and lower conversion costs. Completion of both projects is expected in Q3 of 2022.

<sup>1</sup> Refer to Adjusted EBITDA in the Non-GAAP Measures section

- Interfor's total capital expenditures are expected to be approximately \$150 million in 2021 and in the range of \$150 - \$180 million in 2022, as the Company continues to execute on its strategic capital plans with attractive returns at conservative lumber prices.
- Acquisition of Summerville sawmill
  - On March 12, 2021, Interfor concluded the acquisition of sawmill operations in Summerville, South Carolina from WestRock Company for total consideration of US\$58,618,000 (\$73,630,000).
- Normal Course Issuer Bid ("NCIB")
  - During Q1'21, Interfor purchased 774,420 common shares under the Company's NCIB for total consideration of \$20.3 million.
- Record Lumber Market
  - Interfor's average selling price was \$1,143 per mfbm, up \$301 per mfbm versus Q4'20. The key benchmark prices rose significantly quarter-over-quarter with the SYP Composite, Western SPF Composite and KD H-F Stud 2x4 9' benchmarks increasing by US\$312, US\$283 and US\$355 per mfbm to US\$915, US\$935 and US\$1,162 per mfbm, respectively.
- Continued Strong Production
  - Total lumber production in Q1'21 was 687 million board feet, which was consistent with Q4'20 and only 1 million board feet below Interfor's production record for a quarter. The U.S. South and U.S. Northwest regions accounted for 338 million board feet and 141 million board feet, respectively, compared to 361 million board feet and 136 million board feet in Q4'20. Production in the B.C. region increased to 208 million board feet from 190 million board feet in the preceding quarter.
  - Total lumber shipments were 666 million board feet, including agency and wholesale volumes, or 17 million board feet lower than Q4'20.
- Softwood Lumber Duties
  - Interfor expensed \$12.4 million of duties in the quarter, representing the full amount of countervailing and anti-dumping duties incurred on its Canadian shipments of softwood lumber into the U.S. at a combined rate of 8.99%.
  - Cumulative duties of US\$143.1 million have been paid by Interfor since the inception of the current trade dispute and are held in trust by the U.S. Except for US\$32.9 million in respect of overpayments arising from duty rate adjustments, Interfor has recorded the duty deposits as an expense.

## **Outlook**

North American lumber markets over the near term are expected to remain robust and above historical trends, albeit volatile, as relatively low levels of lumber inventories industry-wide combined with growing demand from new housing starts and repair and remodel activity put pressure on available lumber supply from manufacturers.

Interfor expects lumber demand to continue to grow over the mid-term, as repair and renovation activities and U.S. housing starts benefit from favourable underlying economic fundamentals and trends.

Interfor's strategy of maintaining a diversified portfolio of operations allows the Company to both reduce risk and maximize returns on invested capital over the business cycle.

While uncertainty remains as to the duration and extent of the economic impact from the COVID-19 pandemic, Interfor is well positioned with its strong balance sheet and significant available liquidity.

## **Financial and Operating Highlights<sup>1</sup>**

	Unit	For the three months ended		
		Mar. 31, 2021	Mar. 31, 2020	Dec. 31, 2020
<b>Financial Highlights<sup>2</sup></b>				
Total sales	\$MM	849.3	479.6	662.3
Lumber	\$MM	762.4	379.3	575.0
Logs, residual products and other	\$MM	86.9	100.3	87.3
Operating earnings	\$MM	355.6	14.6	203.2
Net earnings	\$MM	264.5	6.3	149.1
Net earnings per share, basic	\$/share	4.01	0.09	2.24
Adjusted net earnings <sup>3</sup>	\$MM	270.6	0.7	164.7
Adjusted net earnings per share, basic <sup>3</sup>	\$/share	4.11	0.01	2.47
Operating cash flow per share (before working capital changes) <sup>3</sup>	\$/share	5.73	0.57	3.05
Adjusted EBITDA <sup>3</sup>	\$MM	392.1	36.6	248.6
Adjusted EBITDA margin <sup>3</sup>	%	46.2%	7.6%	37.5%
Total assets	\$MM	2,159.7	1,569.5	1,843.2
Total debt	\$MM	377.3	425.6	382.0
Net debt <sup>3</sup>	\$MM	(236.0)	322.0	(75.4)
Net debt to invested capital <sup>3</sup>	%	(21.7)%	26.7%	(7.5)%
Annualized return on capital employed <sup>3</sup>	%	79.2%	4.0%	48.4%
<b>Operating Highlights</b>				
Lumber production	million fbm	687	627	687
Total lumber sales	million fbm	666	641	683
Lumber sales - Interfor produced	million fbm	662	632	675
Lumber sales - wholesale and commission	million fbm	4	9	8
Lumber - average selling price <sup>4</sup>	\$/thousand fbm	1,143	592	842
Average USD/CAD exchange rate <sup>5</sup>	1 USD in CAD	1.2660	1.3449	1.3030
Closing USD/CAD exchange rate <sup>5</sup>	1 USD in CAD	1.2575	1.4187	1.2732

### Notes:

- 1 Figures in this table may not equal or sum to figures presented elsewhere due to rounding.
- 2 Financial information presented for interim periods in this release is prepared in accordance with IFRS and is unaudited.
- 3 Refer to the Non-GAAP Measures section of this release for definitions and reconciliations of these measures to figures reported in the Company's consolidated financial statements.
- 4 Gross sales before duties.
- 5 Based on Bank of Canada foreign exchange rates.

## **Liquidity**

### **Balance Sheet**

Interfor's Net debt at March 31, 2021 was \$(236.0) million, or (21.7)% of invested capital, representing a decrease of \$160.5 million from the level of Net debt at December 31, 2020.

As at March 31, 2021 the Company had net working capital of \$744.5 million and available liquidity of \$943.6 million, based on the full borrowing capacity under its \$350 million Revolving Term Line.

The Revolving Term Line and Senior Secured Notes are subject to financial covenants, including net debt to total capitalization ratios, and an EBITDA interest coverage ratio.

Management believes, based on circumstances known today, that Interfor has sufficient working capital and liquidity to fund operating and capital requirements for the foreseeable future.

Thousands of Dollars	For the three months ended		
	Mar. 31, 2021	Dec. 31, 2020	Mar. 31, 2020
<b>Net debt</b>			
Net debt, period opening	\$(75,432)	\$88,705	\$224,860
Issuance of Senior Secured Notes	-	-	140,770
Revolving Term Line net repayments	-	-	(59)
Impact on U.S. Dollar denominated debt from (strengthening) weakening CAD	(4,710)	(18,210)	25,139
Increase in cash and cash equivalents	(162,167)	(165,294)	(68,984)
Impact on U.S. Dollar denominated cash and cash equivalents from strengthening CAD	6,343	19,367	310
Net debt, period ending	\$(235,966)	\$(75,432)	\$322,036

On March 26, 2020, the Company issued US\$50,000,000 of Series F Senior Secured Notes, bearing interest at 3.34%, and US\$50,000,000 of Series G Senior Secured Notes, bearing interest at 3.25%. Each series of these Senior Secured Notes have equal payments of US\$16,667,000 due on each of March 26, 2028, 2029 and on maturity in 2030.

## **Capital Resources**

The following table summarizes Interfor's credit facilities and availability as of March 31, 2021:

Thousands of Canadian Dollars	Revolving Term Line	Senior Secured Notes	Total
Available line of credit and maximum borrowing available	\$350,000	\$377,250	\$727,250
Less:			
Drawings	-	377,250	377,250
Outstanding letters of credit included in line utilization	19,613	-	19,613
Unused portion of facility	\$330,387	\$-	330,387
Add:			
Cash and cash equivalents			613,216
Available liquidity at March 31, 2021			\$943,603

Interfor's Revolving Term Line matures in March 2024 and its Senior Secured Notes have maturities principally in the years 2024-2030.

As of March 31, 2021, the Company had commitments for capital expenditures totaling \$75.7 million for both maintenance and discretionary capital projects.

## **Non-GAAP Measures**

This release makes reference to the following non-GAAP measures: Adjusted net earnings, Adjusted net earnings per share, EBITDA, Adjusted EBITDA, Adjusted EBITDA margin, Net debt to invested capital, Operating cash flow per share (before working capital changes), and Annualized return on capital employed which are used by the Company and certain investors to evaluate operating performance and financial position. These non-GAAP measures do not have any standardized meaning prescribed by IFRS and are therefore unlikely to 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 the Company's audited consolidated financial statements (unaudited for interim periods) prepared in accordance with IFRS:

**For the three months ended**

Thousands of Canadian Dollars except number of shares and per share amounts	<b>Mar. 31, 2021</b>	<b>Mar. 31, 2020</b>	<b>Dec. 31, 2020</b>
<b>Adjusted Net Earnings</b>			
Net earnings	\$264,487	\$6,309	\$149,148
Add:			
Asset write-downs and restructuring costs	142	371	1,793
Other foreign exchange loss	2,346	849	8,162
Long term incentive compensation expense (recovery)	7,670	(8,946)	10,254
Other (income) expense	(1,996)	115	92
Post closure wind-down costs	224	-	949
Income tax effect of above adjustments	(2,229)	2,043	(5,652)
Adjusted net earnings	\$270,644	\$741	\$164,746
Weighted average number of shares - basic ('000)	65,927	67,260	66,687
Adjusted net earnings per share	\$4.11	\$0.01	\$2.47
<b>Adjusted EBITDA</b>			
Net earnings	\$264,487	\$6,309	\$149,148
Add:			
Depreciation of plant and equipment	21,474	20,061	21,947
Depletion and amortization of timber, roads and other	6,968	10,530	10,511
Finance costs	4,524	4,096	1,891
Income tax expense	86,256	3,205	43,889
EBITDA	383,709	44,201	227,386
Add:			
Long term incentive compensation expense (recovery)	7,670	(8,946)	10,254
Other foreign exchange loss	2,346	849	8,162
Other (income) expense	(1,996)	115	92
Asset write-downs and restructuring costs	142	371	1,793
Post closure wind-down costs	224	-	947
Adjusted EBITDA	\$392,095	\$36,590	\$248,634
Sales	\$849,307	\$479,646	\$662,301
Adjusted EBITDA margin	46.2%	7.6%	37.5%
<b>Net debt to invested capital</b>			
Net debt			
Total debt	\$377,250	\$425,610	\$381,960
Cash and cash equivalents	(613,216)	(103,574)	(457,392)
Total net debt	\$(235,966)	\$322,036	\$(75,432)
Invested capital			
Net debt	\$(235,966)	\$322,036	\$(75,432)
Shareholders' equity	1,322,222	882,917	1,080,312
Total invested capital	\$1,086,256	\$1,204,953	\$1,004,880
Net debt to invested capital <sup>1</sup>	(21.7)%	26.7%	(7.5)%
<b>Operating cash flow per share (before working capital changes)</b>			
Cash provided by operating activities	\$285,080	\$19,319	\$229,947
Cash used in (generated from) operating working capital	92,604	19,109	(26,514)
Operating cash flow (before working capital changes)	\$377,684	\$38,428	\$203,433
Weighted average number of shares - basic ('000)	65,927	67,260	66,687
Operating cash flow per share (before working capital changes)	\$5.73	\$0.57	\$3.05
<b>Annualized return on capital employed</b>			
Net earnings	\$264,487	\$6,309	\$149,148
Add:			
Finance costs	4,524	4,096	1,891
Income tax expense	86,256	3,205	43,889
Earnings before income taxes and finance costs	\$355,267	\$13,610	\$194,928
Capital employed			
Total assets	\$2,159,692	\$1,569,508	\$1,843,187
Current liabilities	(263,526)	(149,748)	(189,726)
Less:			
Current portion of long term debt	6,811	-	6,897
Current portion of lease liabilities	12,169	11,819	11,745
Capital employed, end of period	\$1,915,146	\$1,431,579	\$1,672,103
Capital employed, beginning of period	1,672,103	1,214,375	1,555,212
Average capital employed	\$1,793,624	\$1,322,977	\$1,613,657
Earnings before income taxes and finance costs divided by average capital employed	19.8%	1.0%	12.1%
Annualization factor	4.0	4.0	4.0
Annualized return on capital employed	79.2%	4.0%	48.4%

Note: 1 Net debt to invested capital as of the period end.



**CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS**  
**For the three months ended March 31, 2021 and 2020 (unaudited)**

(thousands of Canadian Dollars except earnings per share)

	Three Months Mar. 31, 2021	Three Months Mar. 31, 2020
<b>Sales</b>	<b>\$849,307</b>	<b>\$479,646</b>
<b>Costs and expenses:</b>		
Production	432,167	423,228
Selling and administration	12,879	9,228
Long term incentive compensation expense (recovery)	7,670	(8,946)
U.S. countervailing and anti-dumping duty deposits	12,390	10,600
Depreciation of plant and equipment	21,474	20,061
Depletion and amortization of timber, roads and other	6,968	10,530
	<b>493,548</b>	<b>464,701</b>
<b>Operating earnings before restructuring costs</b>	<b>355,759</b>	<b>14,945</b>
Restructuring costs	(142)	(371)
<b>Operating earnings</b>	<b>355,617</b>	<b>14,574</b>
Finance costs	(4,524)	(4,096)
Other foreign exchange loss	(2,346)	(849)
Other (income) expense	1,996	(115)
	<b>(4,874)</b>	<b>(5,060)</b>
<b>Earnings before income taxes</b>	<b>350,743</b>	<b>9,514</b>
Income tax expense		
Current	83,173	329
Deferred	3,083	2,876
	<b>86,256</b>	<b>3,205</b>
<b>Net earnings</b>	<b>\$264,487</b>	<b>\$6,309</b>
<b>Net earnings per share</b>		
Basic	\$4.01	\$0.09
Diluted	\$4.00	\$0.09

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**For the three months ended March 31, 2021 and 2020 (unaudited)**

(thousands of Canadian Dollars)

	Three Months Mar. 31, 2021	Three Months Mar. 31, 2020
<b>Net earnings</b>	<b>\$264,487</b>	<b>\$6,309</b>
<b>Other comprehensive income:</b>		
<b>Items that will not be recycled to Net earnings:</b>		
Defined benefit plan actuarial gain (loss), net of tax	4,472	(713)
<b>Items that are or may be recycled to Net earnings:</b>		
Foreign currency translation differences for foreign operations, net of tax	(8,887)	46,083
<b>Total other comprehensive income (loss), net of tax</b>	<b>(4,415)</b>	<b>45,370</b>
<b>Comprehensive income</b>	<b>\$260,072</b>	<b>\$51,679</b>



**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**For the three months ended March 31, 2021 and 2020 (unaudited)**

(thousands of Canadian Dollars)

	Three Months Mar. 31, 2021	Three Months Mar. 31, 2020
<b>Cash provided by (used in):</b>		
<b>Operating activities:</b>		
<b>Net earnings</b>	\$264,487	\$6,309
<b>Items not involving cash:</b>		
Depreciation of plant and equipment	21,474	20,061
Depletion and amortization of timber, roads and other	6,968	10,530
Deferred income tax expense	3,083	2,876
Current income tax expense	83,173	329
Finance costs	4,524	4,096
Other assets	(431)	936
Reforestation liability	496	2,766
Provisions and other liabilities	495	(10,293)
Stock options	196	256
Unrealized foreign exchange loss	3,011	441
Other (income) expense	(1,996)	115
<b>Income taxes (paid) refunded</b>	(7,796)	6
	<b>377,684</b>	<b>38,428</b>
<b>Cash generated from (used in) operating working capital:</b>		
Trade accounts receivable and other	(67,859)	(23,413)
Inventories	(24,352)	1,355
Prepayments	(3,348)	(2,113)
Trade accounts payable and provisions	2,955	5,062
	<b>285,080</b>	<b>19,319</b>
<b>Investing activities:</b>		
Additions to property, plant and equipment	(26,331)	(24,872)
Additions to roads and bridges	(2,885)	(2,704)
Acquisitions	(73,630)	(56,606)
Proceeds on disposal of plant and equipment	5,693	162
Net proceeds from (additions to) deposits and other assets	157	(198)
	<b>(96,996)</b>	<b>(84,218)</b>
<b>Financing activities:</b>		
Issuance of share capital, net of expenses	1,945	-
Share repurchases	(20,303)	-
Interest payments	(4,258)	(3,758)
Lease liability payments	(3,301)	(2,934)
Debt refinancing costs	-	(136)
Operating line net repayments	-	(59)
Additions to long term debt	-	140,770
	<b>(25,917)</b>	<b>133,883</b>
<b>Foreign exchange loss on cash and cash equivalents held in a foreign currency</b>	<b>(6,343)</b>	<b>(310)</b>
<b>Increase in cash</b>	<b>155,824</b>	<b>68,674</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>457,392</b>	<b>34,900</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$613,216</b>	<b>\$103,574</b>



**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**March 31, 2021 and December 31, 2020 (unaudited)**

(thousands of Canadian Dollars)

	Mar. 31, 2021	Dec. 31, 2020
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$613,216	\$457,392
Trade accounts receivable and other	182,436	117,371
Income taxes receivable	179	169
Inventories	191,169	160,188
Prepayments	21,027	17,970
	<b>1,008,027</b>	<b>753,090</b>
<b>Employee future benefits</b>	<b>4,880</b>	<b>106</b>
<b>Deposits and other assets</b>	<b>48,770</b>	<b>48,957</b>
<b>Right of use assets</b>	<b>36,673</b>	<b>35,471</b>
<b>Property, plant and equipment</b>	<b>778,831</b>	<b>729,163</b>
<b>Roads and bridges</b>	<b>22,640</b>	<b>22,379</b>
<b>Timber licences</b>	<b>114,059</b>	<b>114,953</b>
<b>Goodwill and other intangible assets</b>	<b>145,128</b>	<b>138,838</b>
<b>Deferred income taxes</b>	<b>684</b>	<b>230</b>
	<b>\$2,159,692</b>	<b>\$1,843,187</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current liabilities:</b>		
Trade accounts payable and provisions	\$148,880	\$150,509
Current portion of long term debt	6,811	6,897
Reforestation liability	16,551	16,181
Lease liabilities	12,169	11,745
Income taxes payable	79,115	4,394
	<b>263,526</b>	<b>189,726</b>
<b>Reforestation liability</b>	<b>30,281</b>	<b>29,735</b>
<b>Lease liabilities</b>	<b>29,129</b>	<b>28,541</b>
<b>Long term debt</b>	<b>370,439</b>	<b>375,063</b>
<b>Employee future benefits</b>	<b>9,734</b>	<b>11,137</b>
<b>Provisions and other liabilities</b>	<b>27,320</b>	<b>26,637</b>
<b>Deferred income taxes</b>	<b>107,041</b>	<b>102,036</b>
<b>Equity:</b>		
Share capital	520,151	523,605
Contributed surplus	4,500	5,157
Translation reserve	40,959	49,846
Retained earnings	756,612	501,704
	<b>1,322,222</b>	<b>1,080,312</b>
	<b>\$2,159,692</b>	<b>\$1,843,187</b>

Approved on behalf of the Board:

"L. Sauder"  
Director

"T.V. Milroy"  
Director

## **FORWARD-LOOKING STATEMENTS**

This release contains forward-looking information about the Company's business outlook, objectives, plans, strategic priorities and other information that is not historical fact. A statement contains forward-looking information when the Company uses what it knows and expects today, to make a statement about the future. Statements containing forward-looking information may include words such as: will, could, should, believe, expect, anticipate, intend, forecast, projection, target, outlook, opportunity, risk or strategy. Readers are cautioned that actual results may vary from the forward-looking information in this release, and undue reliance should not be placed on such forward-looking information. Risk factors that could cause actual results to differ materially from the forward-looking information in this release are described in Interfor's first quarter and annual Management's Discussion and Analysis under the heading "Risks and Uncertainties", which are available on [www.interfor.com](http://www.interfor.com) and under Interfor's profile on [www.sedar.com](http://www.sedar.com). Material factors and assumptions used to develop the forward-looking information in this release include volatility in the selling prices for lumber, logs and wood chips; the Company's ability to compete on a global basis; the availability and cost of log supply; natural or man-made disasters; currency exchange rates; changes in government regulations; the availability of the Company's allowable annual cut ("AAC"); claims by and treaty settlements with Indigenous peoples; the Company's ability to export its products; the softwood lumber trade dispute between Canada and the U.S.; stumpage fees payable to the Province of British Columbia ("B.C."); environmental impacts of the Company's operations; labour disruptions; information systems security; and the existence of a public health crisis (such as the current COVID-19 pandemic). Unless otherwise indicated, the forward-looking statements in this release are based on the Company's expectations at the date of this release. Interfor undertakes no obligation to update such forward-looking information, except as required by law.

## **ABOUT INTERFOR**

Interfor is a growth-oriented forest products company with operations in Canada and the United States. The Company has annual production capacity of approximately 3.2 billion board feet and offers a diverse line of lumber products to customers around the world. For more information about Interfor, visit our website at [www.interfor.com](http://www.interfor.com).

The Company's unaudited condensed consolidated interim financial statements and Management's Discussion and Analysis for Q1'21 are available at [www.sedar.com](http://www.sedar.com) and [www.interfor.com](http://www.interfor.com).

There will be a conference call on Friday, May 7, 2021 at 8:00 a.m. (Pacific Time) hosted by **INTERFOR CORPORATION** for the purpose of reviewing the Company's release of its first quarter 2021 financial results.

The dial-in number is **1-833-297-9919**. The conference call will also be recorded for those unable to join in for the live discussion and will be available until June 7, 2021. The number to call is **1-855-859-2056, Passcode 4759584**.

For further information:

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(604) 422-3400