



# INVESTOR PRESENTATION

NOVEMBER 2021

# FORWARD-LOOKING INFORMATION & NON-GAAP MEASURES

## Forward-Looking Information:

This release contains forward-looking information about Interfor Corporation's ("Interfor" or the "Company") 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 in this release, include but are not limited to, statements regarding production capacity, facility restart plans and ramp-up timelines, pro-forma capacity, expected earnings and returns, pro-forma debt ratios, liquidity, borrowing capacity, regulatory approvals and the expected closing date, and other relevant factors. 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 annual Management's Discussion & Analysis under the heading "Risks and Uncertainties", which is 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 report 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 crises (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 or statements, except as required by law.

## Non-GAAP Measures:

This presentation makes reference to certain non-GAAP measures, such as EBITDA, Adjusted EBITDA and Net debt to invested capital, 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. Definitions and reconciliations of terms can be found in Interfor's annual and quarterly Management's Discussion & Analysis which are available on [www.interfor.com](http://www.interfor.com) and under Interfor's profile on [www.sedar.com](http://www.sedar.com).

## Currency:

All financial references in this presentation are expressed in Canadian dollars, unless otherwise noted.

# INTERFOR INVESTMENT HIGHLIGHTS



## Pure-play North American lumber producer

- Fourth largest lumber producer in North America, with 21 strategically located sawmills
- High exposure to US South region with attractive log costs

## Compelling lumber market fundamentals

- Robust demand across all end-use segments, including housing and repair & remodel
- Measured supply growth near-term in the US South; declining supply long-term in BC

## Growth-focused strategy

- Long-standing strategy of growth and geographic lumber diversification
- 10 year lumber production volume CAGR of 9%

## Top tier lumber margins and returns on capital

- Industry leading EBITDA margins and return on capital employed
- Well capitalized, low-cost portfolio of sawmills

## Balanced capital allocation with significant financial flexibility

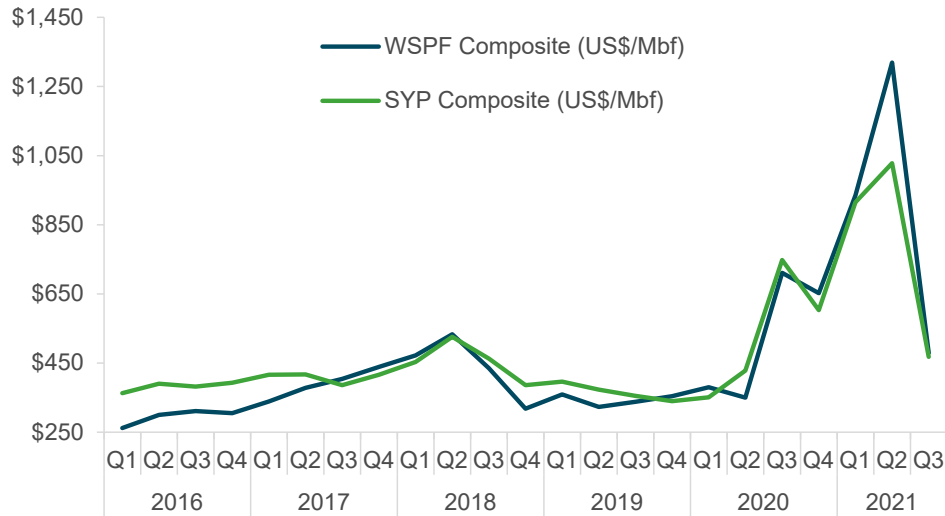
- Disciplined approach across growth capex, M&A, share-buybacks and special dividend
- Significant net cash position and >\$800 MM of liquidity as of September 30, 2021

## Positive ESG and carbon story

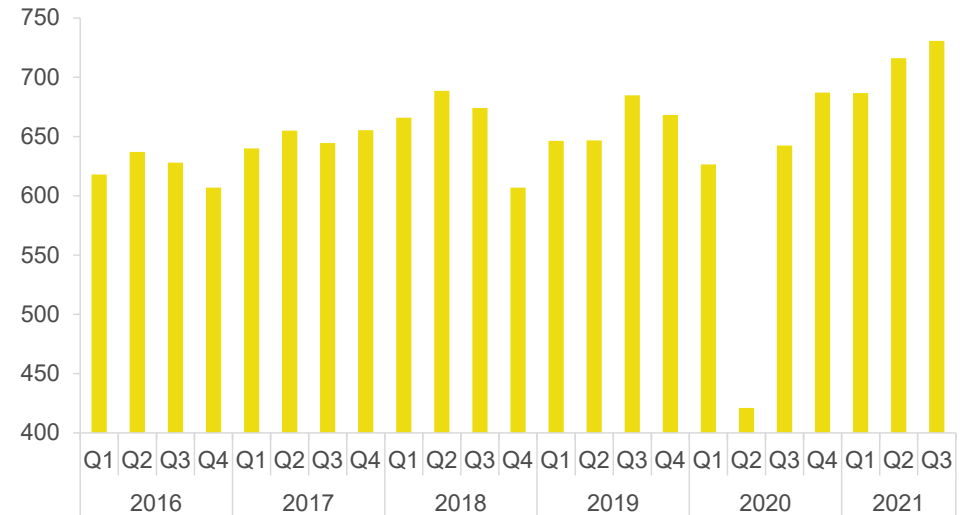
- Sustainable forest management practices
- Producer of climate-friendly building products

# FINANCIAL & OPERATING SNAPSHOT

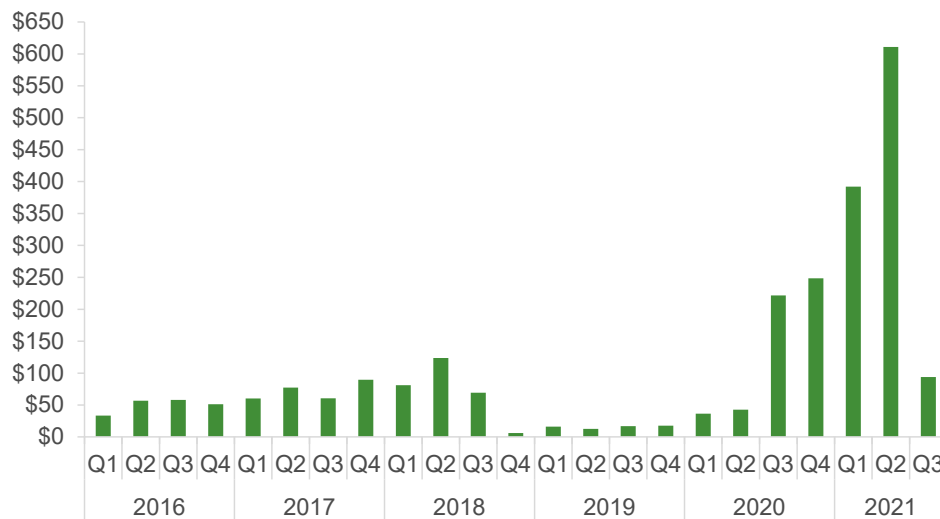
## BENCHMARK LUMBER PRICES (US\$/MBF)



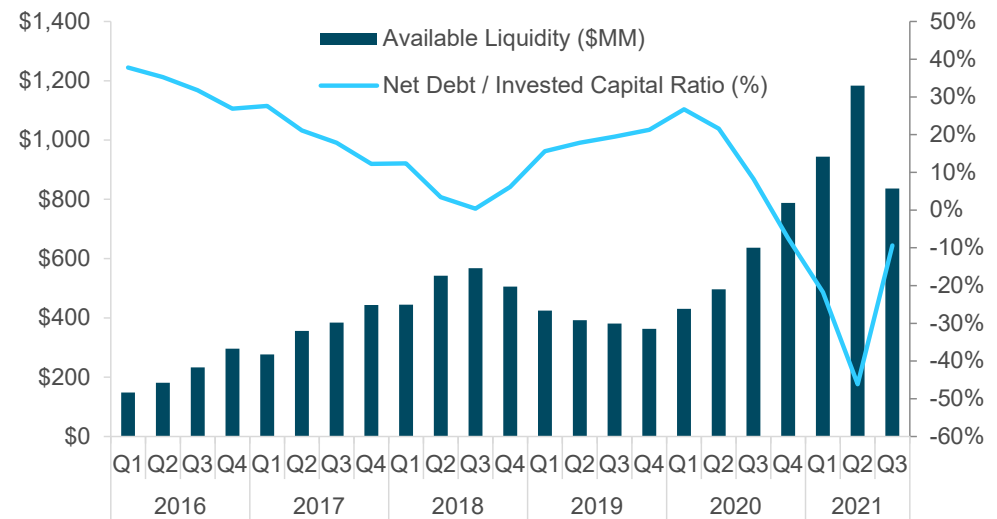
## PRODUCTION VOLUMES (MMBF)



## ADJUSTED EBITDA (\$MM)



## LEVERAGE & LIQUIDITY (% & \$MM) <sup>(1)</sup>





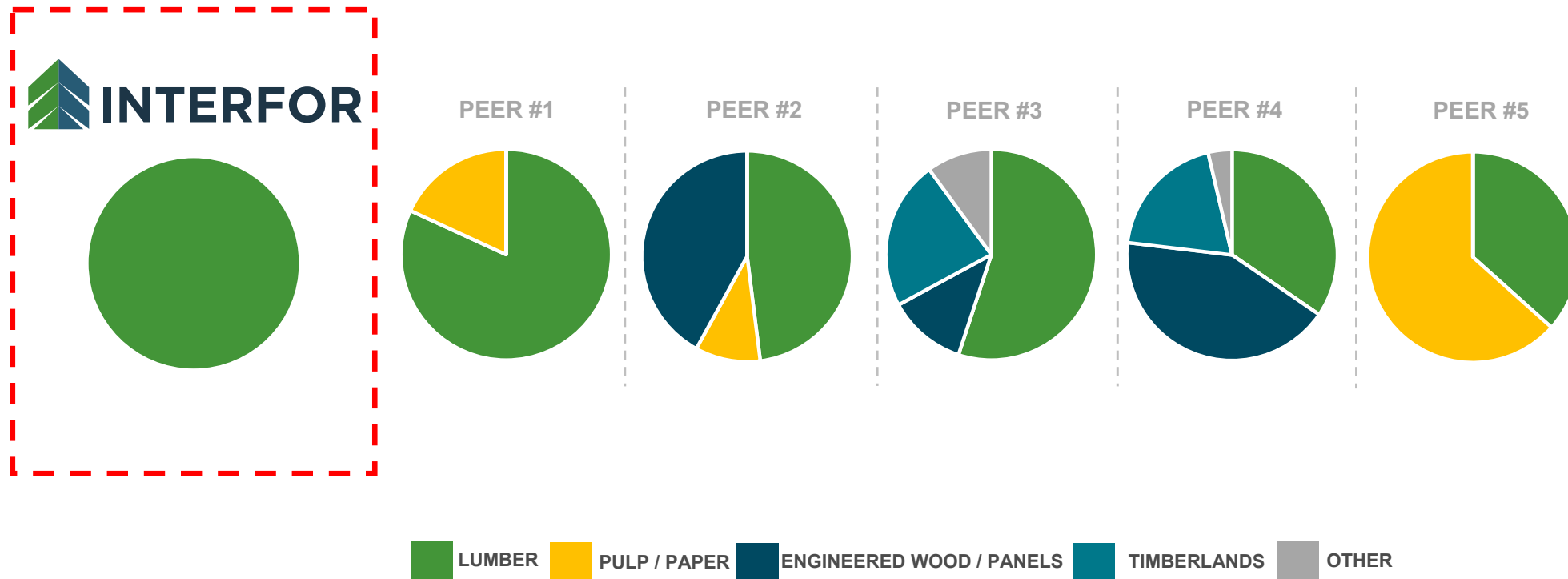
# PURE-PLAY NORTH AMERICAN LUMBER PRODUCER

---

# PURE-PLAY LUMBER PRODUCER

*Interfor is the only publicly traded pure-play lumber producer of scale*

## REVENUES BY BUSINESS SEGMENT (1)

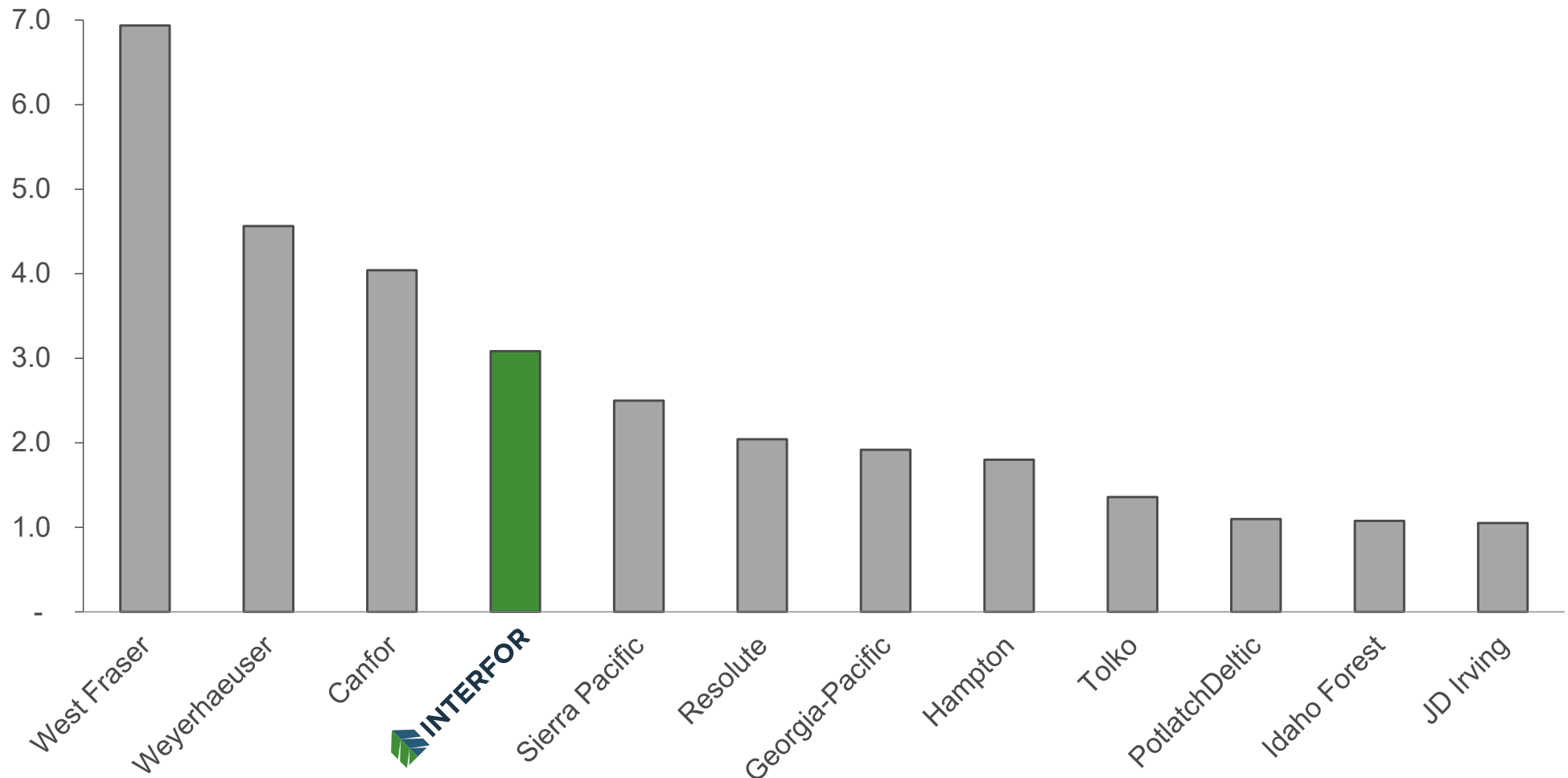


(1) Based on public filings for 2020; peers include West Fraser, Canfor, Resolute, PotlatchDeltic and Weyerhaeuser.

# INDUSTRY LANDSCAPE

*Interfor is the fourth largest lumber producer in North America*

**NORTH AMERICAN LUMBER PRODUCTION BY COMPANY – 2020 (BBF)**



# INTERFOR OPERATING REGIONS

*57% of Interfor's production capacity is in the US South*

## BC INTERIOR

750 MMBF (19%)

- 3 dimension mills
- Douglas-Fir, Hem-Fir, SPF, Cedar
- Efficient, modern, low-cost, well-capitalized

## BC COAST

140 MMBF (4%)

- 1 specialty/high-value mill
- Hem-Fir, Douglas-Fir
- Woodlands logging business

## US NORTHWEST

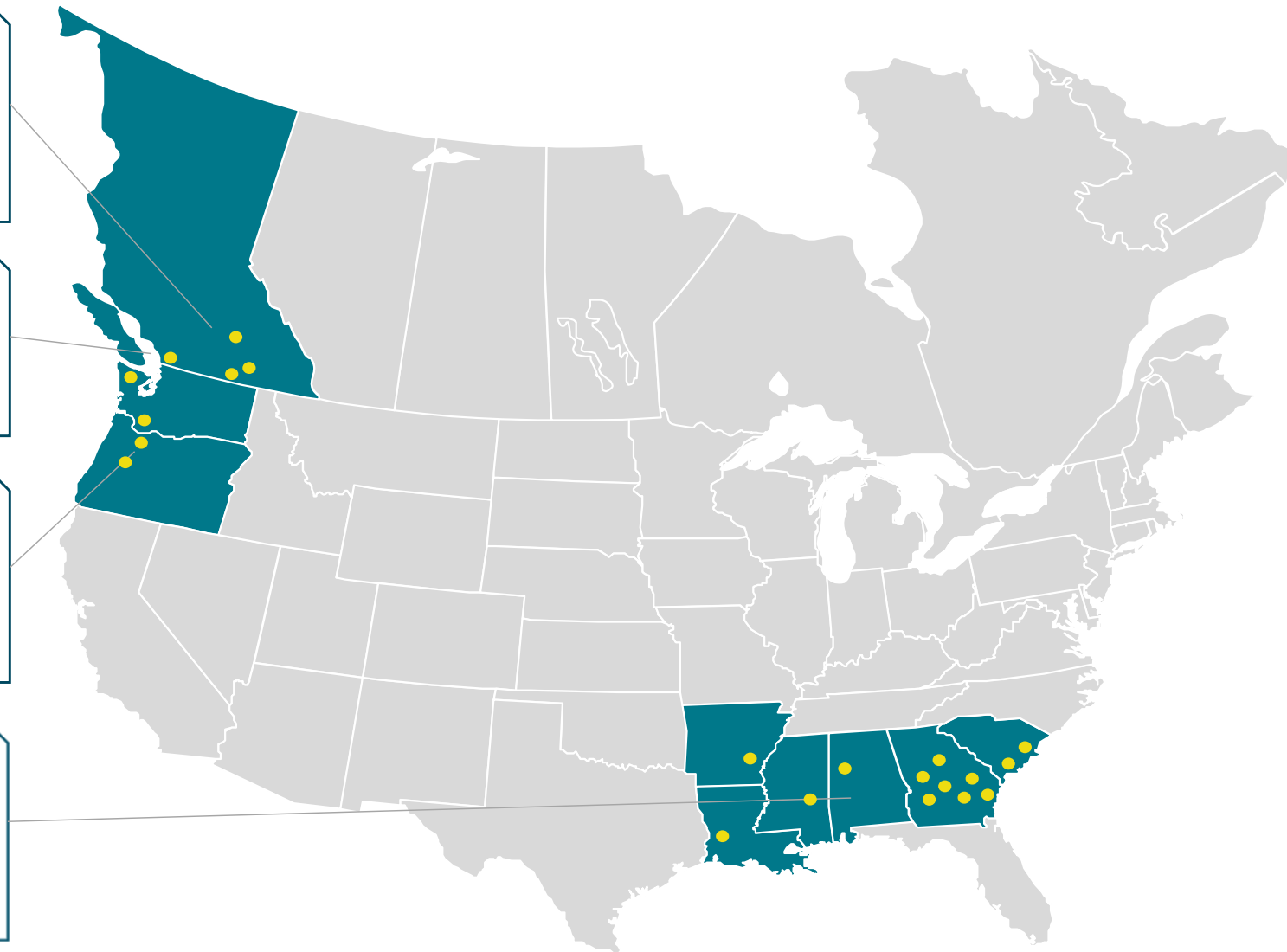
770 MMBF (20%)

- 3 stud mills; 1 dimension mill
- Hem-Fir, Douglas-Fir
- Efficient, modern, low-cost, well-capitalized

## US SOUTH

2,215 MMBF (57%)

- 13 dimension mills
- Southern Yellow Pine
- Strong geographic fit with ongoing capex investment upside

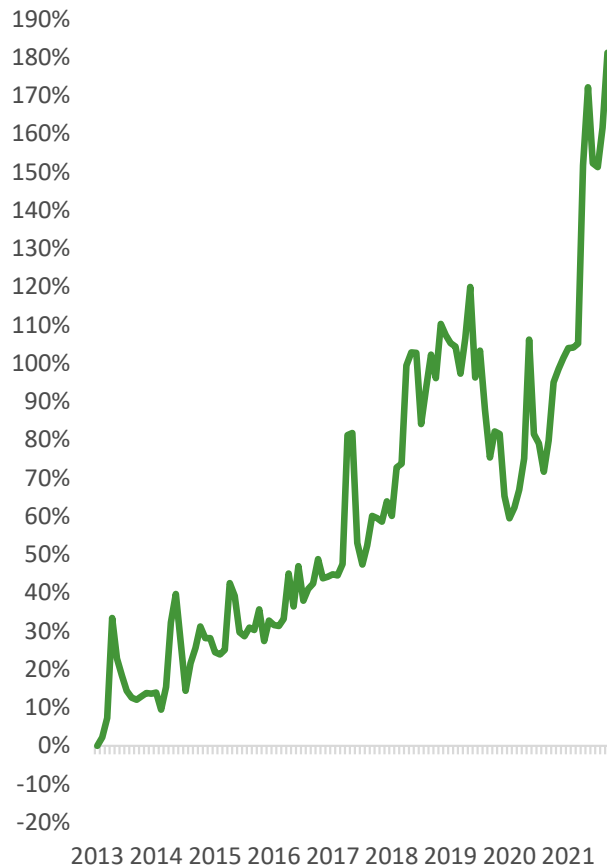




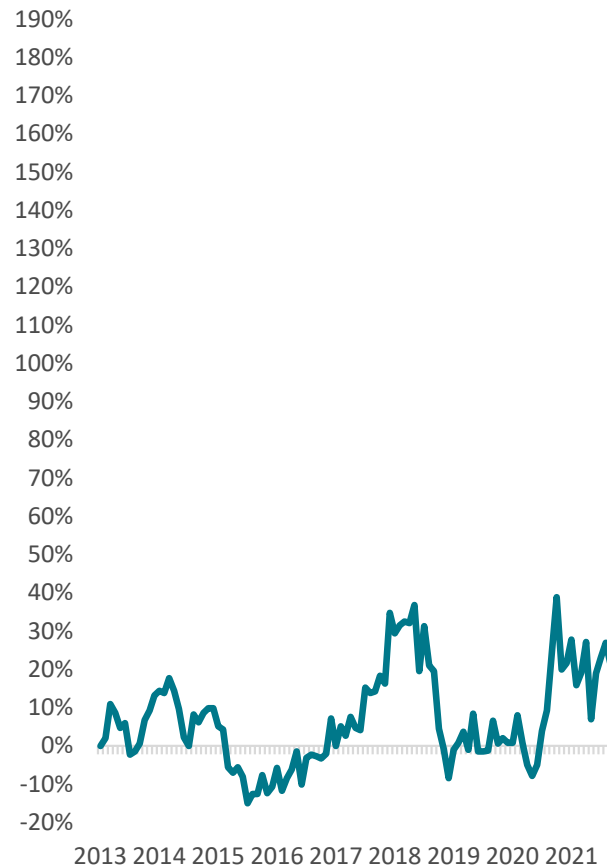
# REGIONAL LOG COST TRENDS

*The US South has the most attractive and stable log costs in North America*

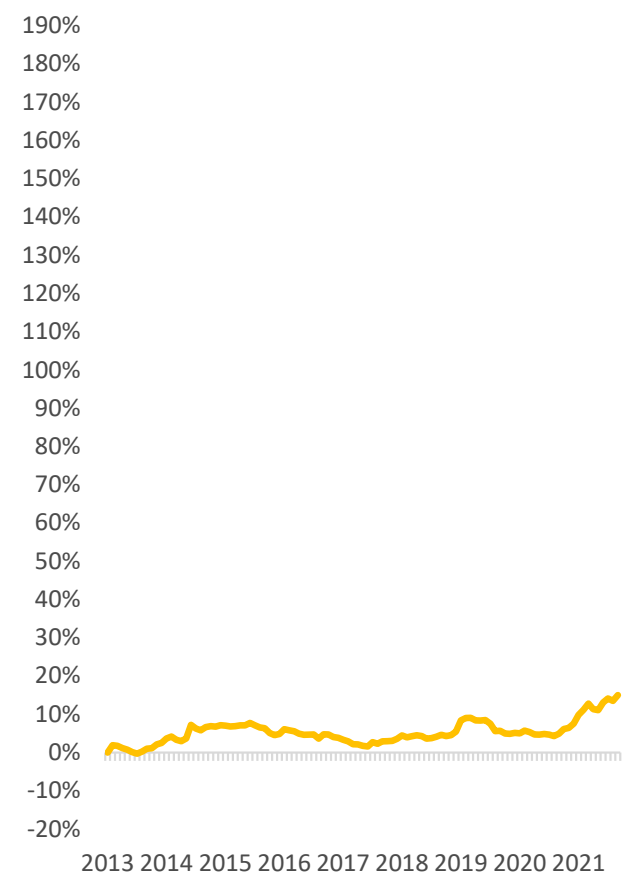
**BC INTERIOR**  
(INDEXED VS. 2013)



**US NORTHWEST**  
(INDEXED VS. 2013)



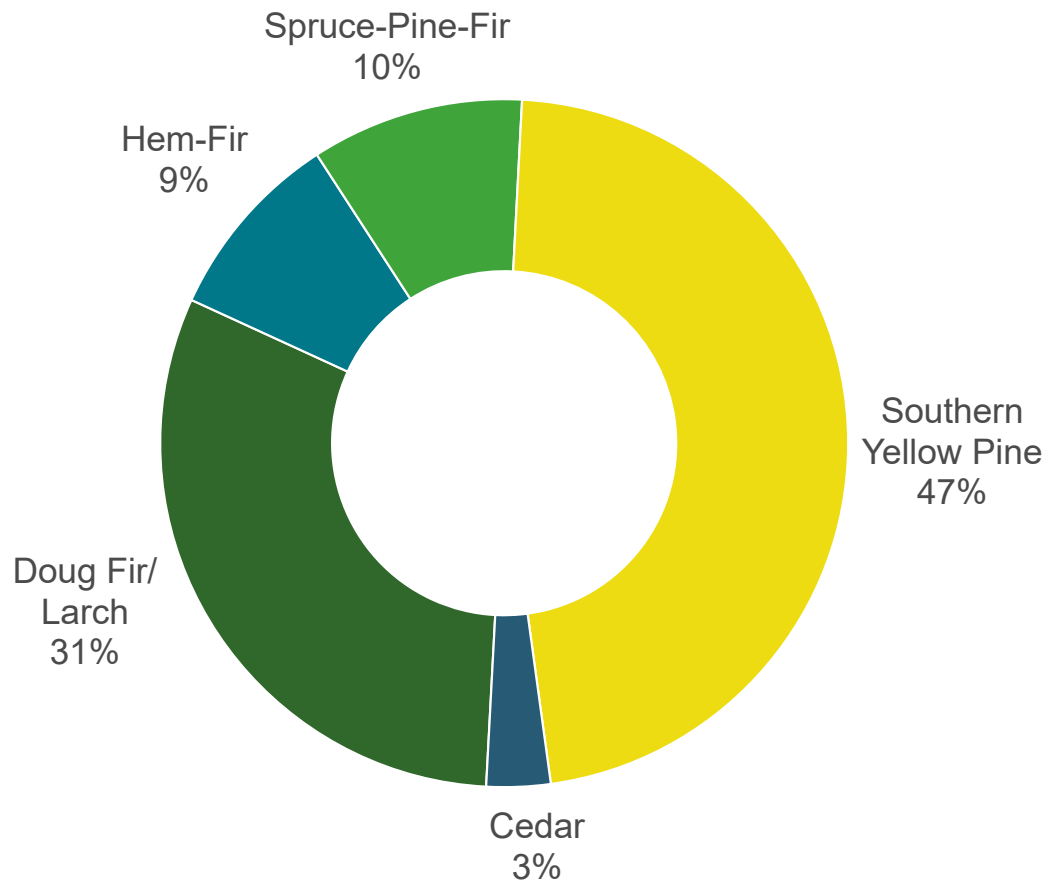
**US SOUTH**  
(INDEXED VS. 2013)



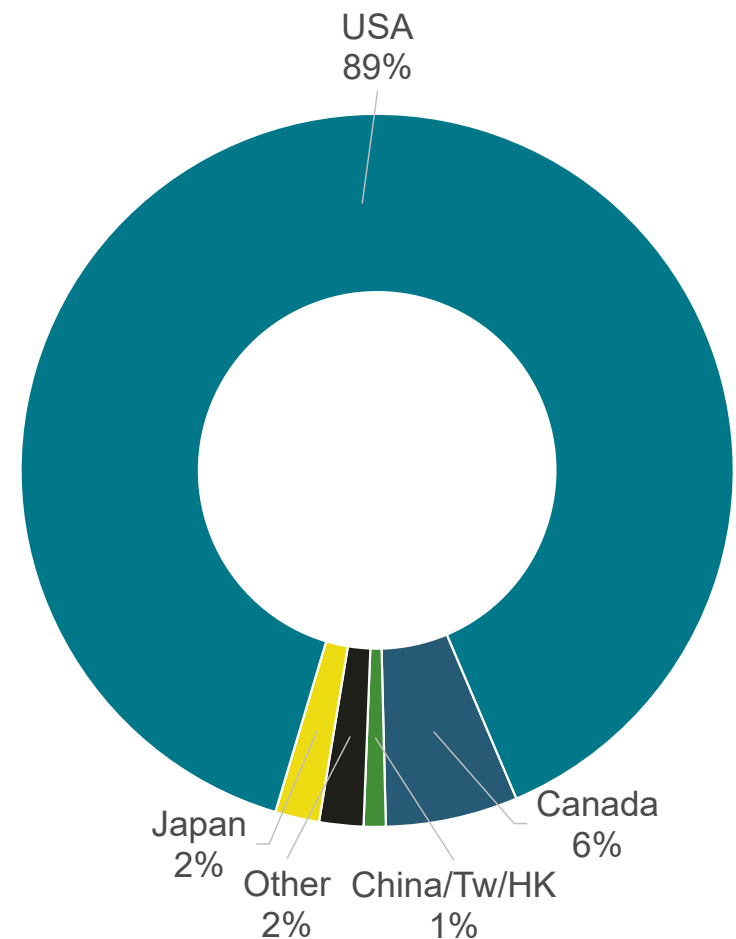
# KEY PRODUCTS & MARKETS

*Diverse lumber species and end-use mix; high leverage to key US market*

## LUMBER SALES BY SPECIES (1)



## LUMBER SALES BY MARKET (1)





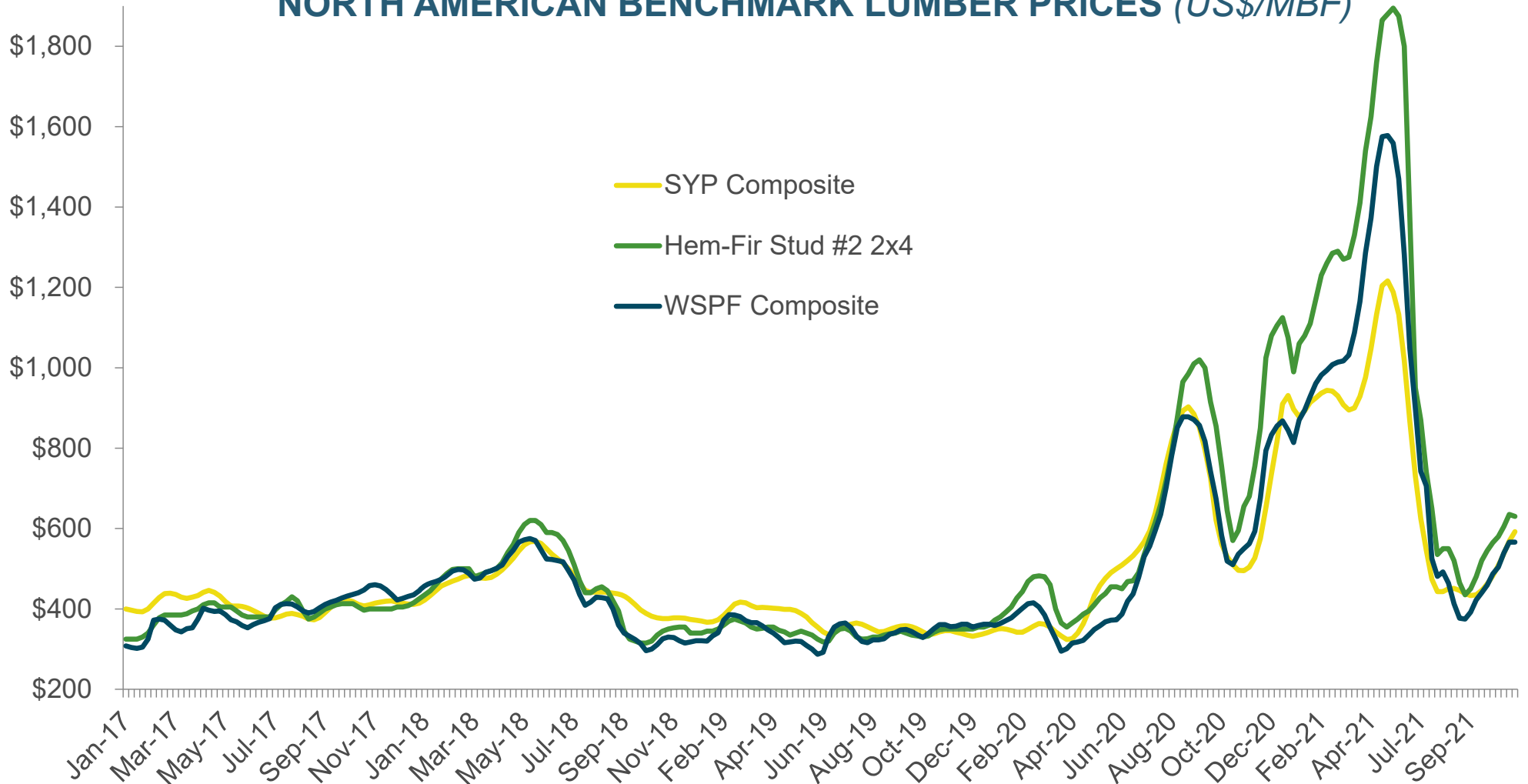
# COMPELLING LUMBER MARKET FUNDAMENTALS

---

# LUMBER PRICES

*Prices reset following recent robust demand pull-through, as expected; now finding support at historically attractive levels*

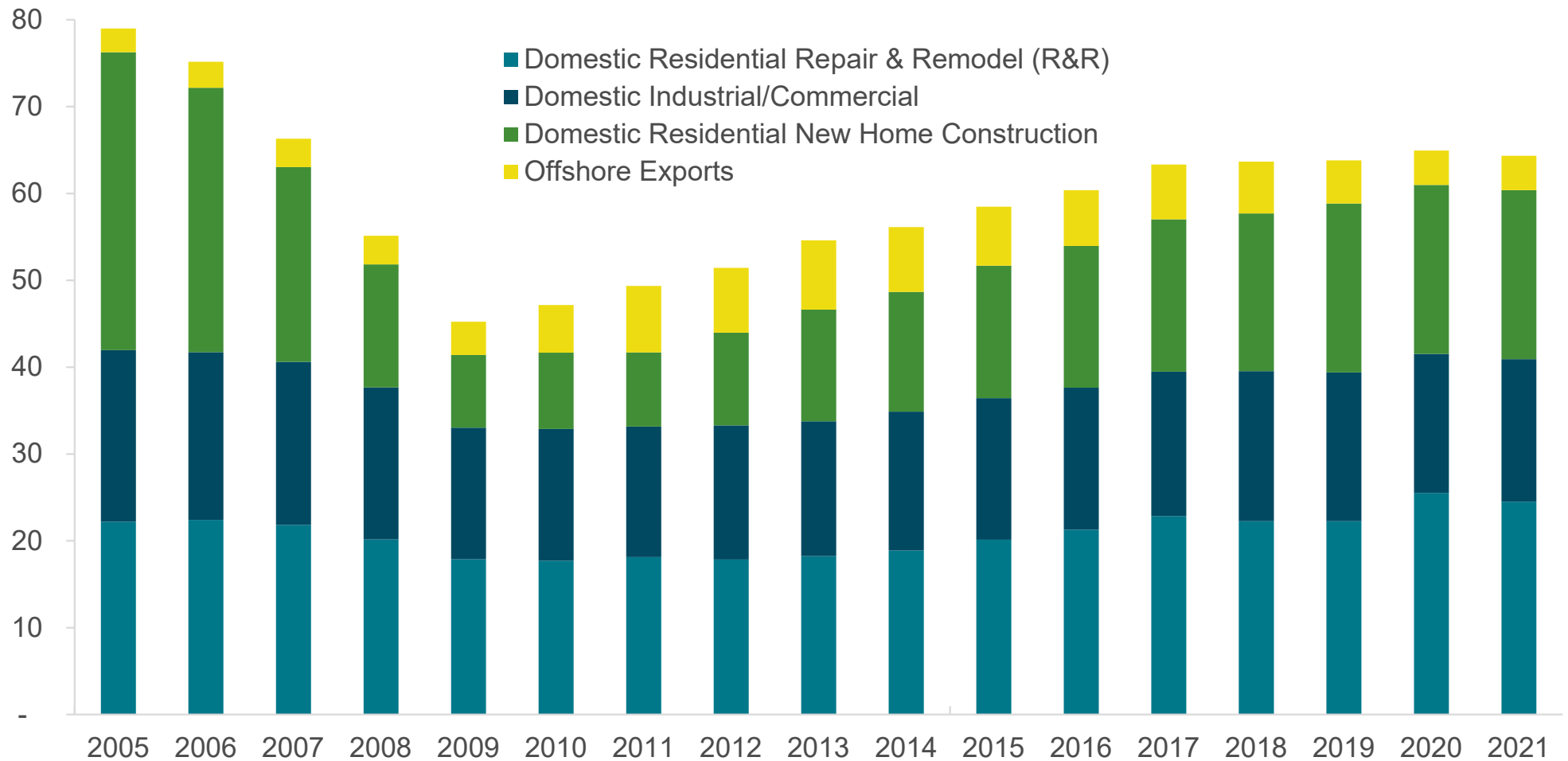
## NORTH AMERICAN BENCHMARK LUMBER PRICES (US\$/MBF)



# LUMBER DEMAND

*Relatively stable R&R & industrial demand, with upside leverage to housing*

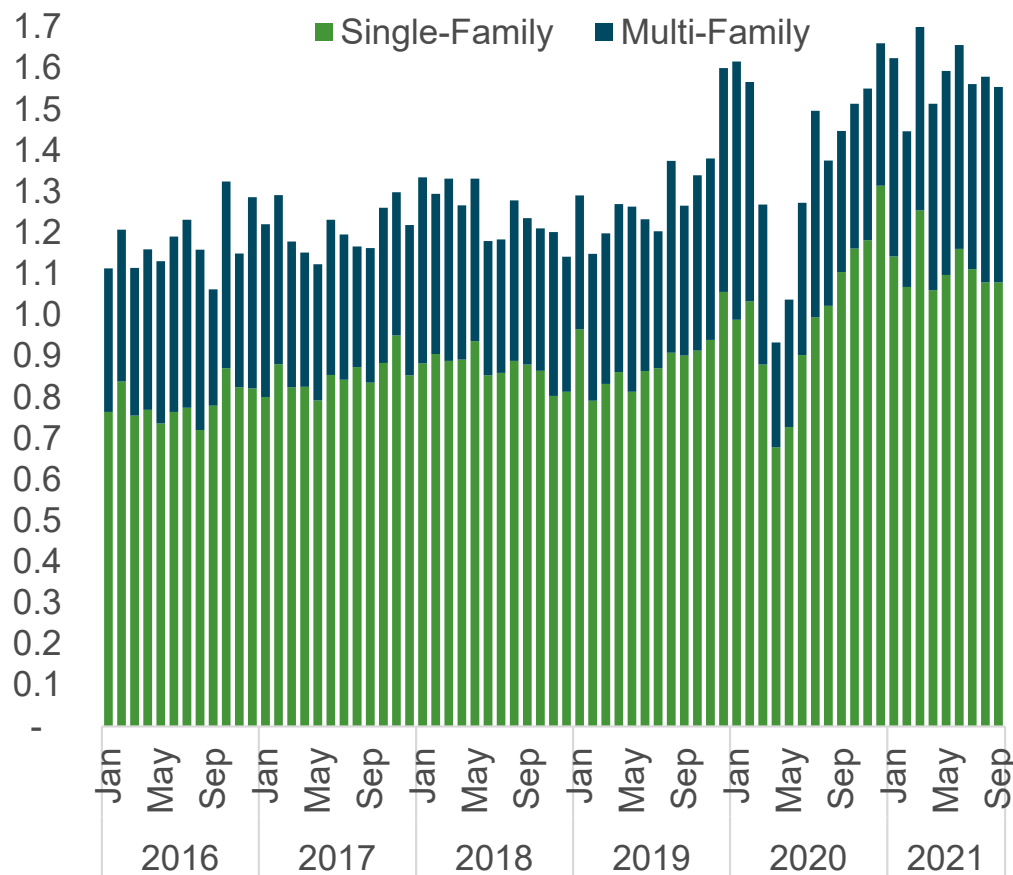
## NORTH AMERICAN LUMBER DEMAND BY END-USE (BBF)



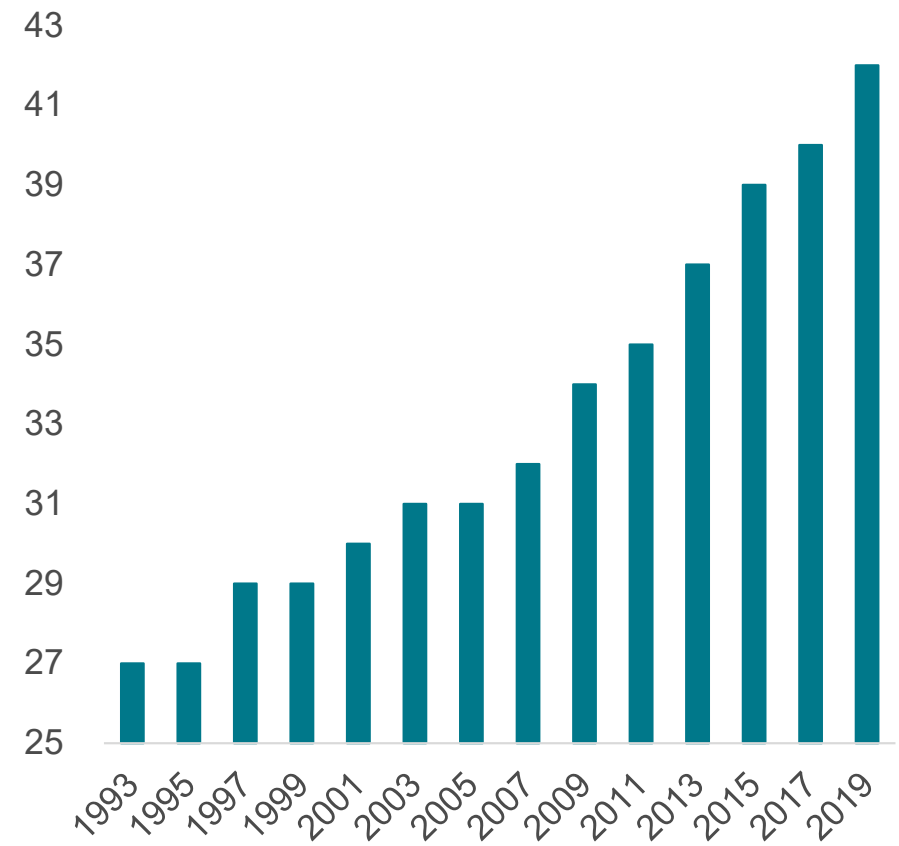
# LUMBER DEMAND: KEY DRIVERS

*Single-family US housing starts in 2021 are the highest since 2006*

**US HOUSING STARTS**  
(MILLIONS SEASONALLY ADJUSTED)



**AGE OF US HOUSING STOCK**  
(MEDIAN AGE IN YEARS)



# LUMBER SUPPLY

*Measured supply growth in the US South, offset by ongoing declines in BC*

## NORTH AMERICAN LUMBER PRODUCTION (BBF)

<u>Region</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u> <sup>(1)</sup>
South	18.8	19.4	20.8	20.9
West	14.4	14.3	14.3	14.7
Other	1.6	1.5	1.6	1.6
<b>USA</b>	<b>34.9</b>	<b>35.2</b>	<b>36.7</b>	<b>37.3</b>
Rest of Canada	14.9	14.3	14.1	14.6
BC	12.4	9.7	8.9	9.7
<b>Canada</b>	<b>27.3</b>	<b>24.0</b>	<b>23.1</b>	<b>24.4</b>
<b>North America</b>	<b>62.2</b>	<b>59.2</b>	<b>59.7</b>	<b>61.7</b>
<b>Offshore Imports</b>	<b>1.5</b>	<b>1.5</b>	<b>2.1</b>	<b>2.4</b>

### US SOUTH

Measured growth (three year CAGR of 4%), limited by labour availability and long equipment lead times

### US WEST & CANADA (NON-BC)

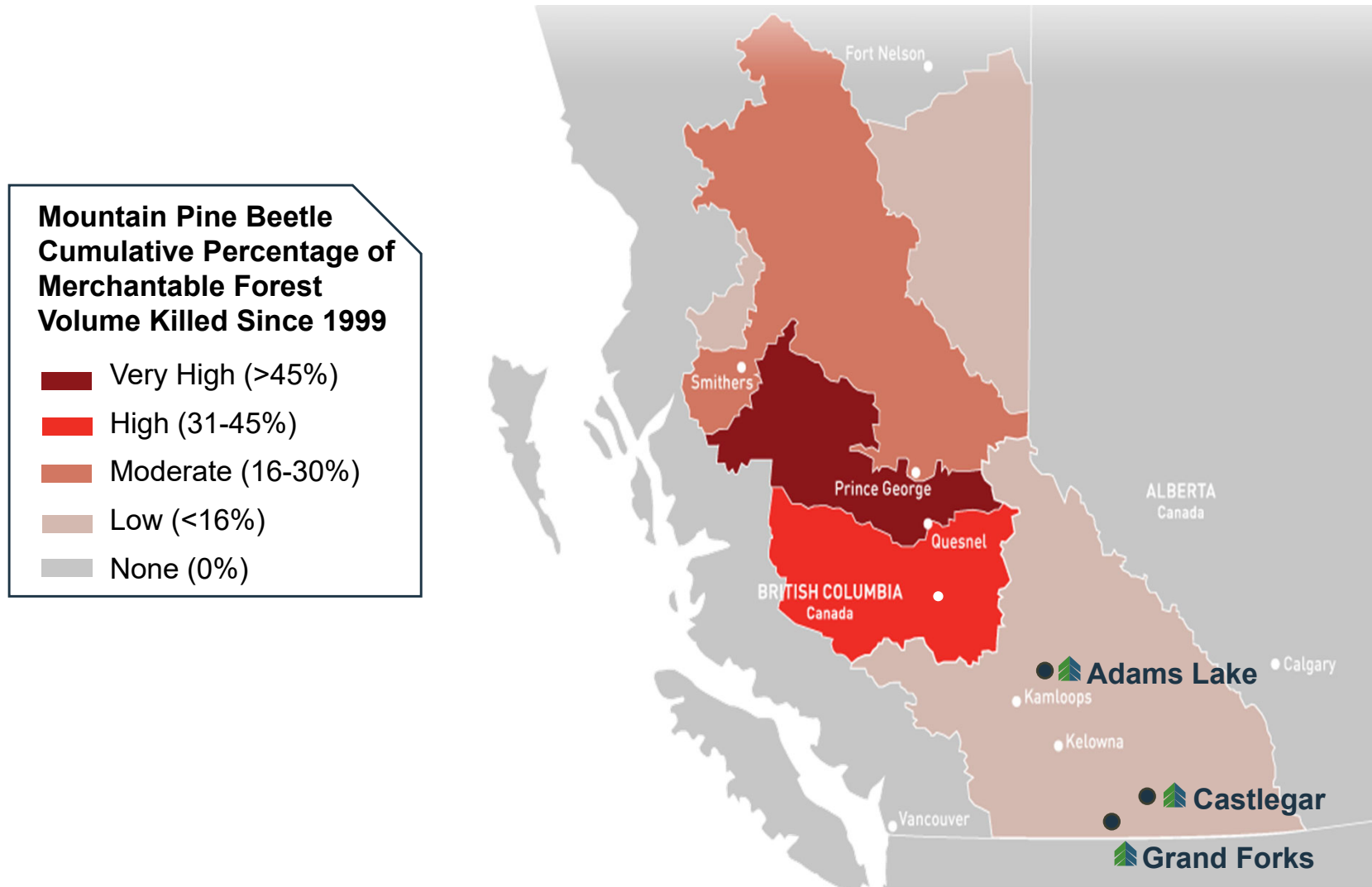
Relatively stable; good balance between available timber supply and manufacturing capacity

### BRITISH COLUMBIA (BC)

Structural declines and permanent capacity reductions due to impacts of Mountain Pine Beetle forest infestation (~21% decline in production since 2018)

# LUMBER SUPPLY: BC INTERIOR

*Declining log supply across BC, but Interfor well-positioned in southern BC*





# SOFTWOOD LUMBER DISPUTE

*Minimal exposure to duties with 77% of lumber capacity based in the US*

## U.S. COUNTERVAILING & ANTI-DUMPING CASH DEPOSIT RATES

<u>COMPANY</u>	<u>2017-20</u> <sup>(1)</sup>	<u>2020-21</u> <sup>(2)</sup>	<u>2021-22</u> <sup>(3)</sup>
West Fraser	23.56%	8.97%	11.38%
Canfor	20.52%	4.62%	21.04%
Tolko	22.07%	8.99%	18.32%
Resolute	17.90%	20.25%	30.22%
JD Irving	9.38%	4.23%	15.82%
<b>All Others (Includes Interfor)</b>	<b>20.23%</b>	<b>8.99%</b>	<b>18.32%</b>

## INTERFOR SOFTWOOD LUMBER DUTIES HIGHLIGHTS

**US\$163 MM**

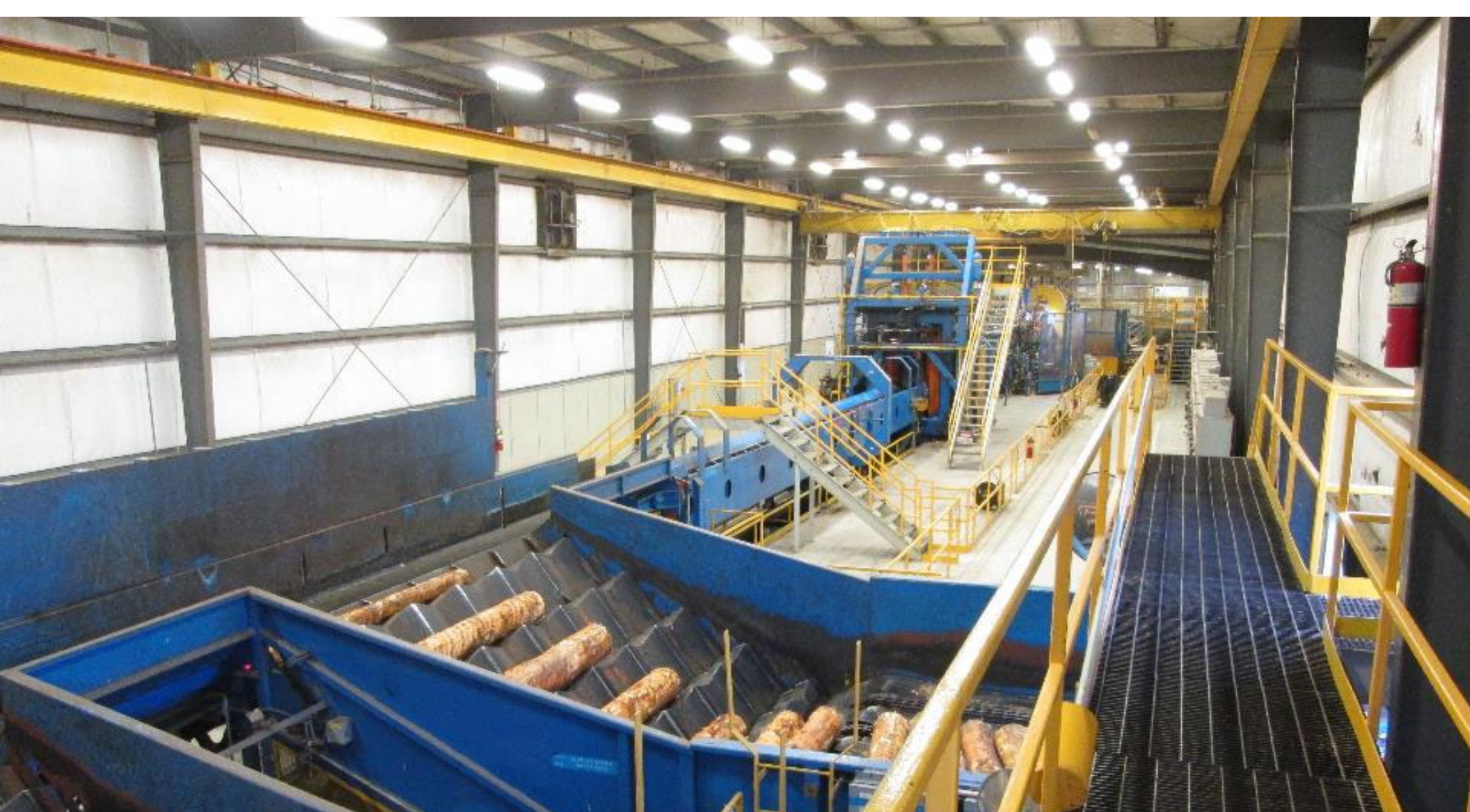
**Duties on Deposit**

*Cumulative duties of US\$163 MM have been paid by Interfor since the inception of the current trade dispute and are held in trust by the US Government; most of which are off-balance sheet*

**<15%**

**Shipments Exposed to Duties**

*Interfor's shipments into the US from Canada represent <15% of Interfor's total company-wide sales volumes*



# GROWTH-FOCUSED STRATEGY

---

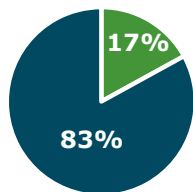
# INTERFOR GROWTH STRATEGY

*Long-standing strategy of growth and geographic lumber diversification*

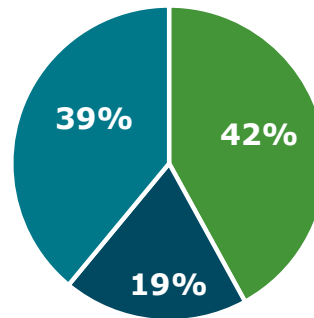
2001

2012

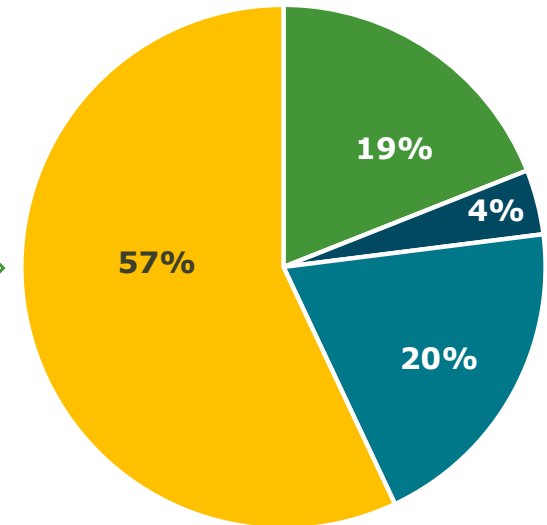
2021



0.8 BBF



1.7 BBF



3.9 BBF

- BC Interior
- US Northwest
- BC Coast
- US Southeast

# INTERFOR GROWTH STRATEGY

*Interfor's strategy has been consistent over time and across regions*

*Acquisitions have focused on assets with future potential*

*Efforts post-acquisition are then focused on operational integration and the establishment of best practices, followed by capital investments*

## US NORTHWEST



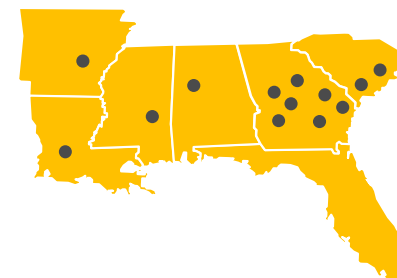
2004 - 2020

## BC INTERIOR



2007 - 2022

## US SOUTH



2013 - 2024

### Timely Acquisitions:

- Crown Pacific (2004), Floragon (2005), Portac (2008), Simpson (2015), Georgia-Pacific (2021)

- Pope & Talbot (2007)
- Tenure (2010, 2013, 2020)

- Rayonier (2013), Keadle (2014), Tolleson (2014), Simpson & Price (2015), WestRock (2021), Georgia-Pacific (2021)

### Restructuring & Operating Best-Practices:

- Marysville, Beaver, Tacoma Gilchrist closed
- Gilchrist transformed to specialty before being sold in 2020

- Castlegar and Grand Forks workforce restructured

- Established infrastructure
- Established Interfor standards
- Small capital projects

### Strategic Capital Investments:

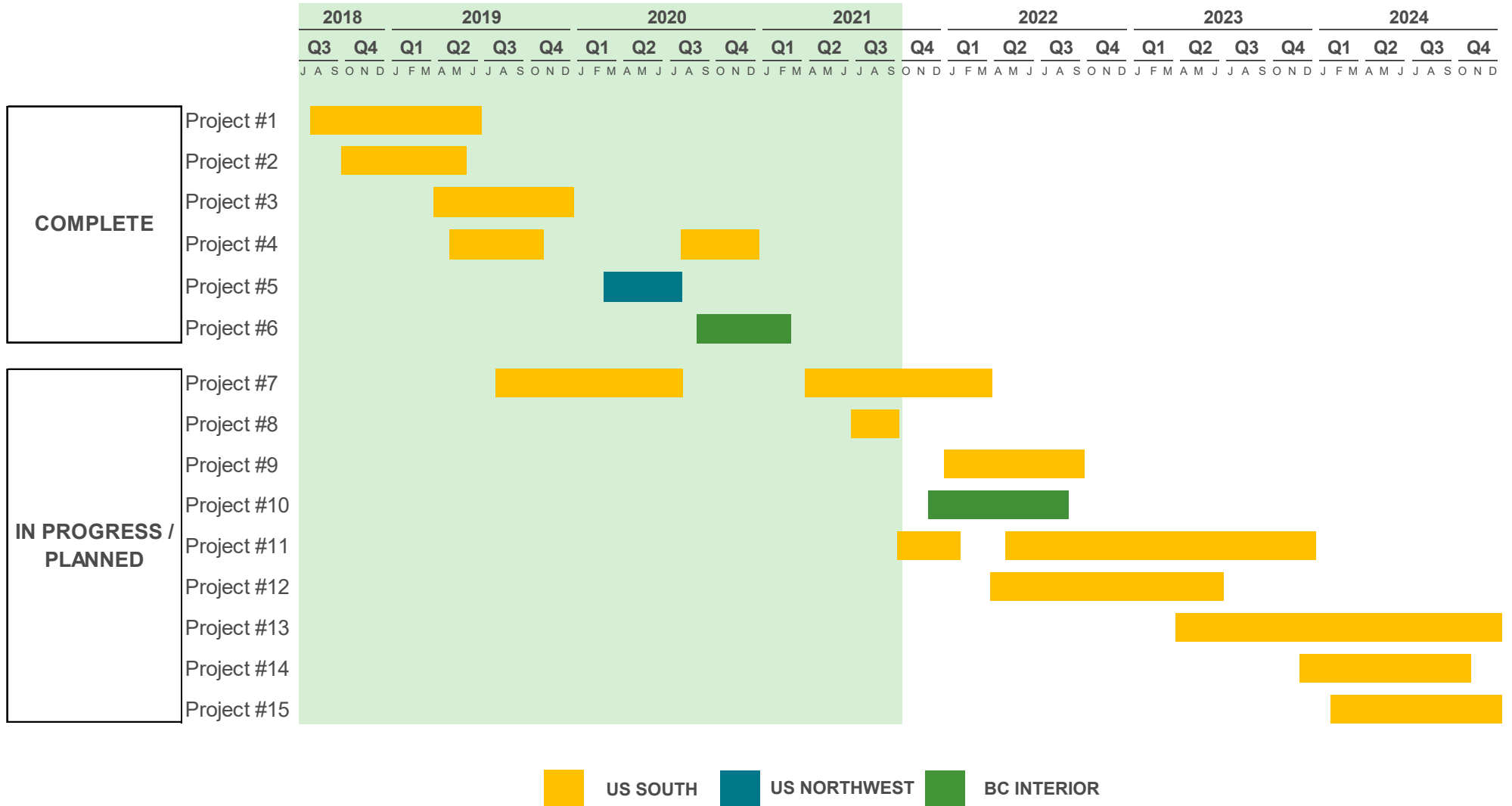
- Molalla (2006 & 2020); Port Angeles (2007)

- Adams Lake (2009 & 2021), Grand Forks (2012), Castlegar (2015 & 2022)

- Various phases of strategic capex completed, in-progress or being planned (2018-2024)

# MULTI-YEAR STRATEGIC CAPEX PLAN

*Multi-year strategic capex plan underway, primarily focused in the US South*



# MULTI-YEAR STRATEGIC CAPEX PLAN

*Mill rebuilds, machine center upgrades, debottlenecking & optimization projects*



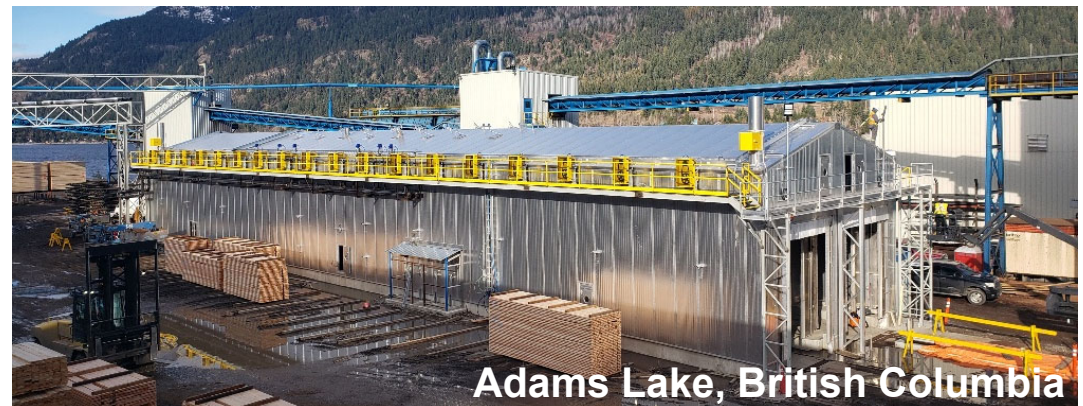
Monticello, Arkansas



Eatonton, Georgia



Molalla, Oregon

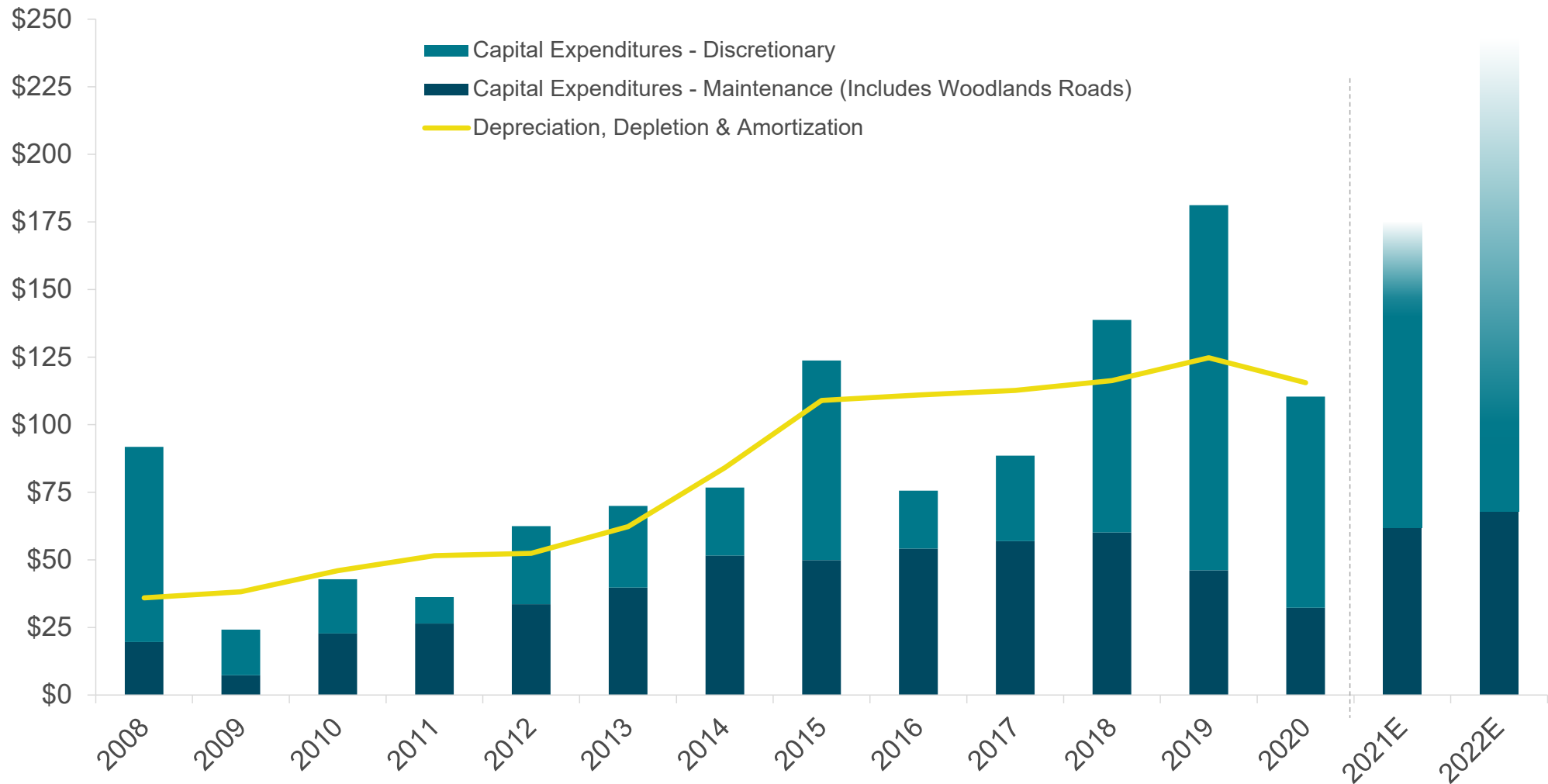


Adams Lake, British Columbia

# CAPITAL SPENDING PROFILE

*Strategic investments resulting in a well-capitalized, low-cost sawmill portfolio*

## HISTORICAL CAPITAL EXPENDITURES & OUTLOOK (\$MM)





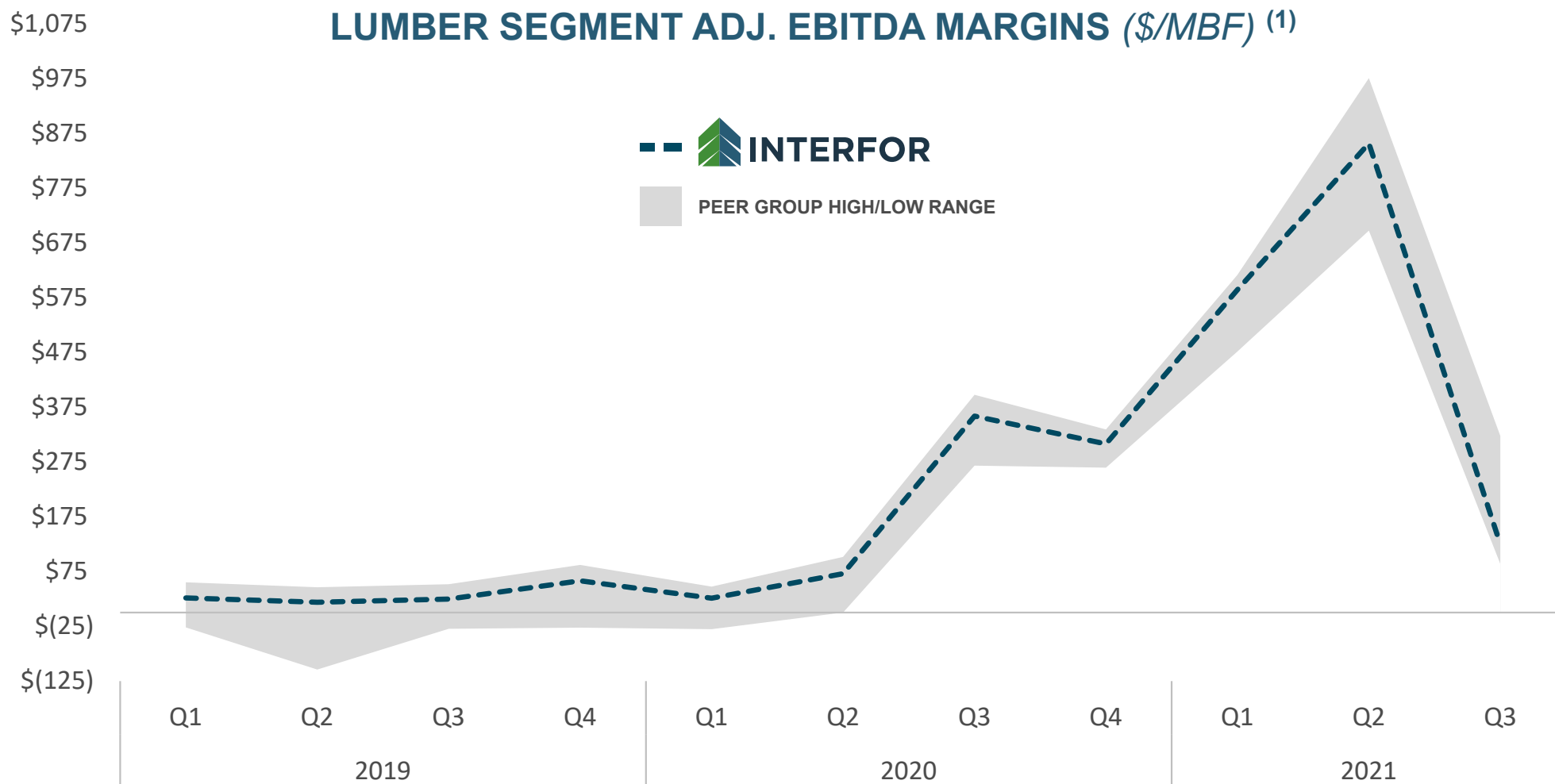
# TOP TIER LUMBER MARGINS & RETURNS

---



# TOP TIER LUMBER MARGINS

*Top tier margin performance across all market conditions*

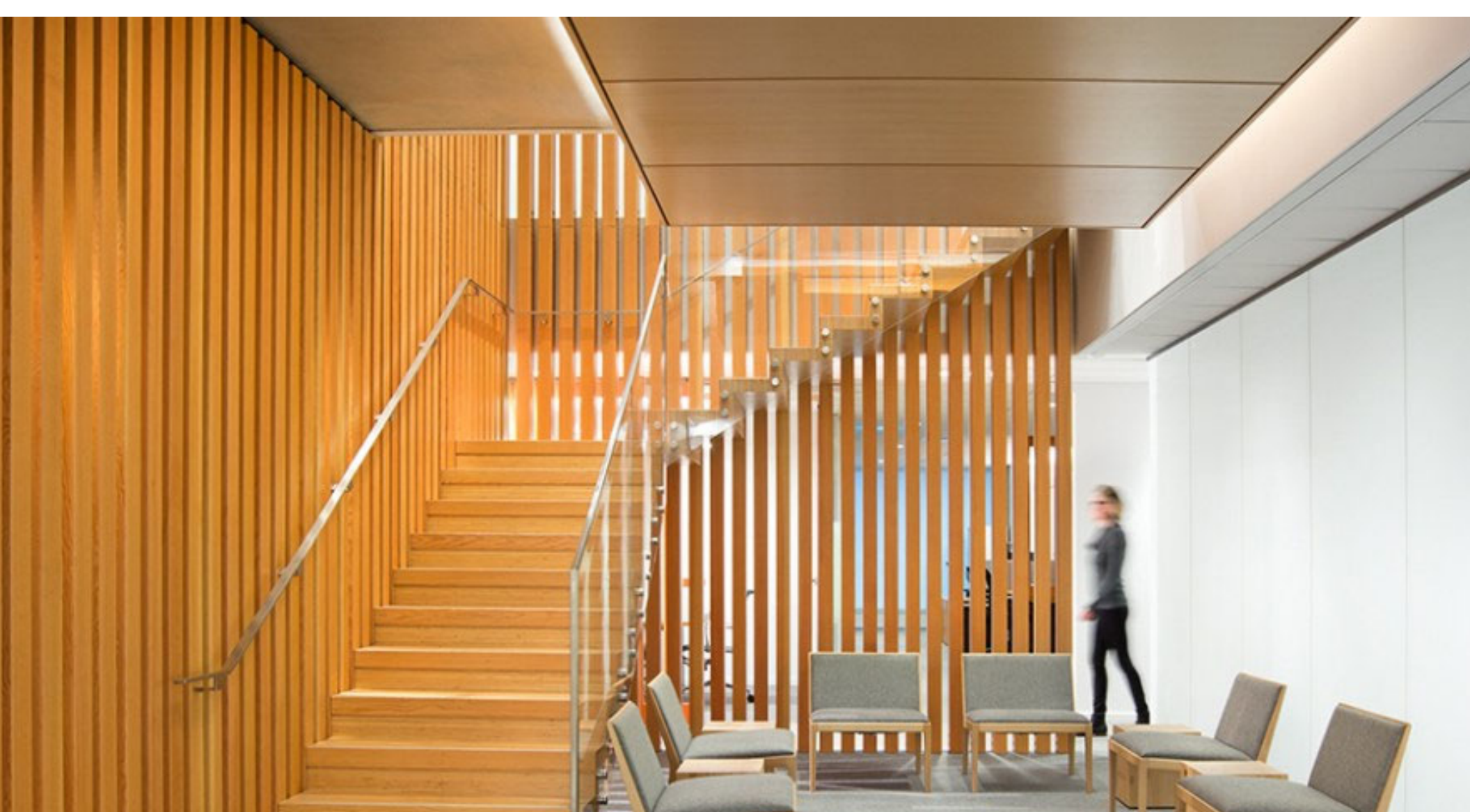


# TOP TIER RETURN ON CAPITAL

*Strategic capex plan and other capital deployment are having an impact*

## EBIT RETURN ON CAPITAL EMPLOYED (%)



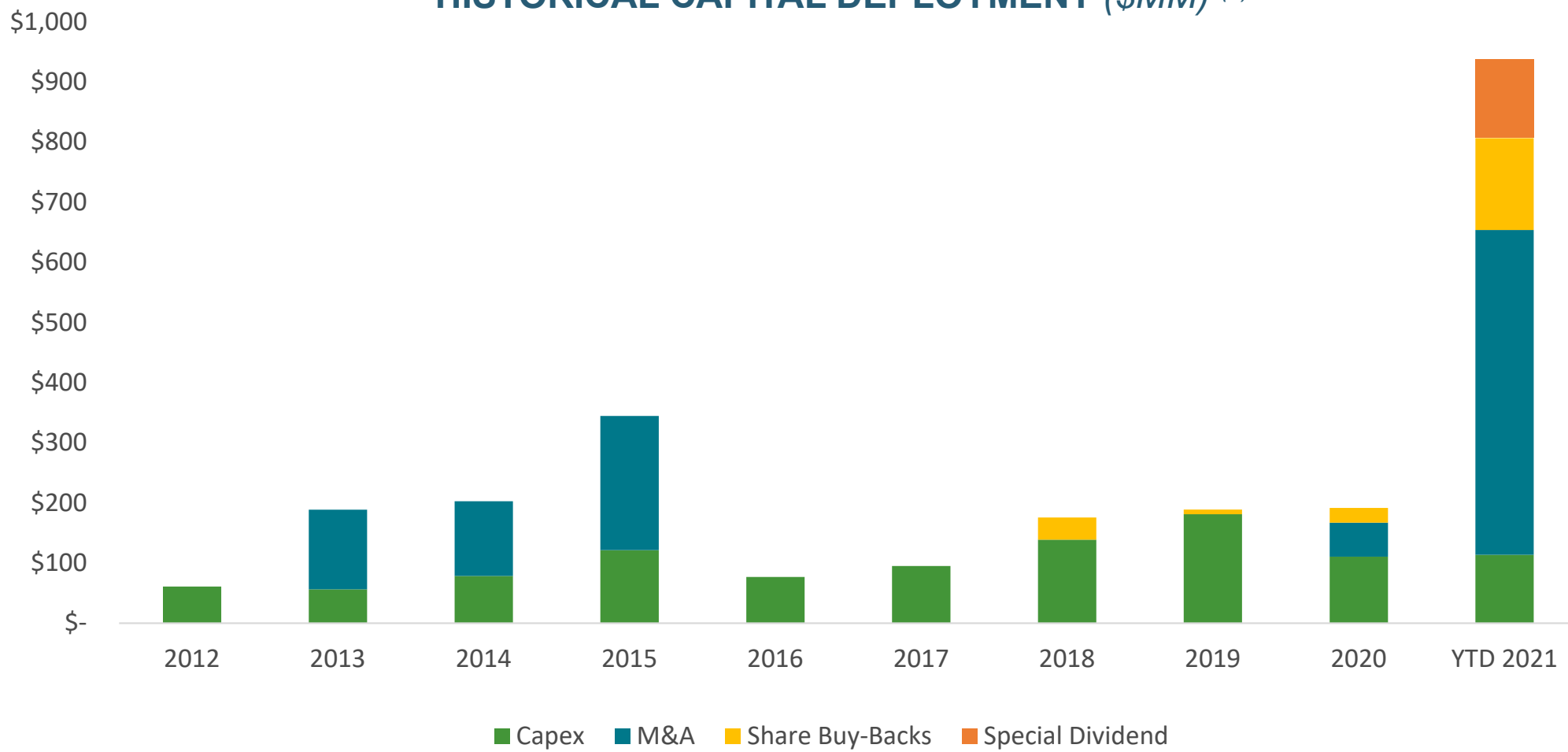


**BALANCED CAPITAL ALLOCATION WITH  
SIGNIFICANT FINANCIAL FLEXIBILITY**

# BALANCED CAPITAL ALLOCATION

*Disciplined, multi-faceted approach to capital allocation depending on the circumstances*

## HISTORICAL CAPITAL DEPLOYMENT (\$MM) <sup>(1)</sup>



# RECENT CAPITAL ALLOCATION

*Balanced approach to recent capital deployment initiatives*

## Internal Growth

**Multi-year strategic capital program**; total capex spend of approx. \$170 MM in 2021 and \$200-250 MM in 2022

## External Growth

**Disciplined lumber-focused M&A**; Acquisition from WestRock in Q1-2021 & acquisition from Georgia-Pacific in Q3-2021



## Opportunistic Buybacks

**NCIB authorized in Nov 2020 for up to 10% of float**; repurchased entire authorization @ ~\$27/share or 1.03x book value through the end of Sep'21; NCIB renewed for 10% in Nov 2021

## Special Dividend

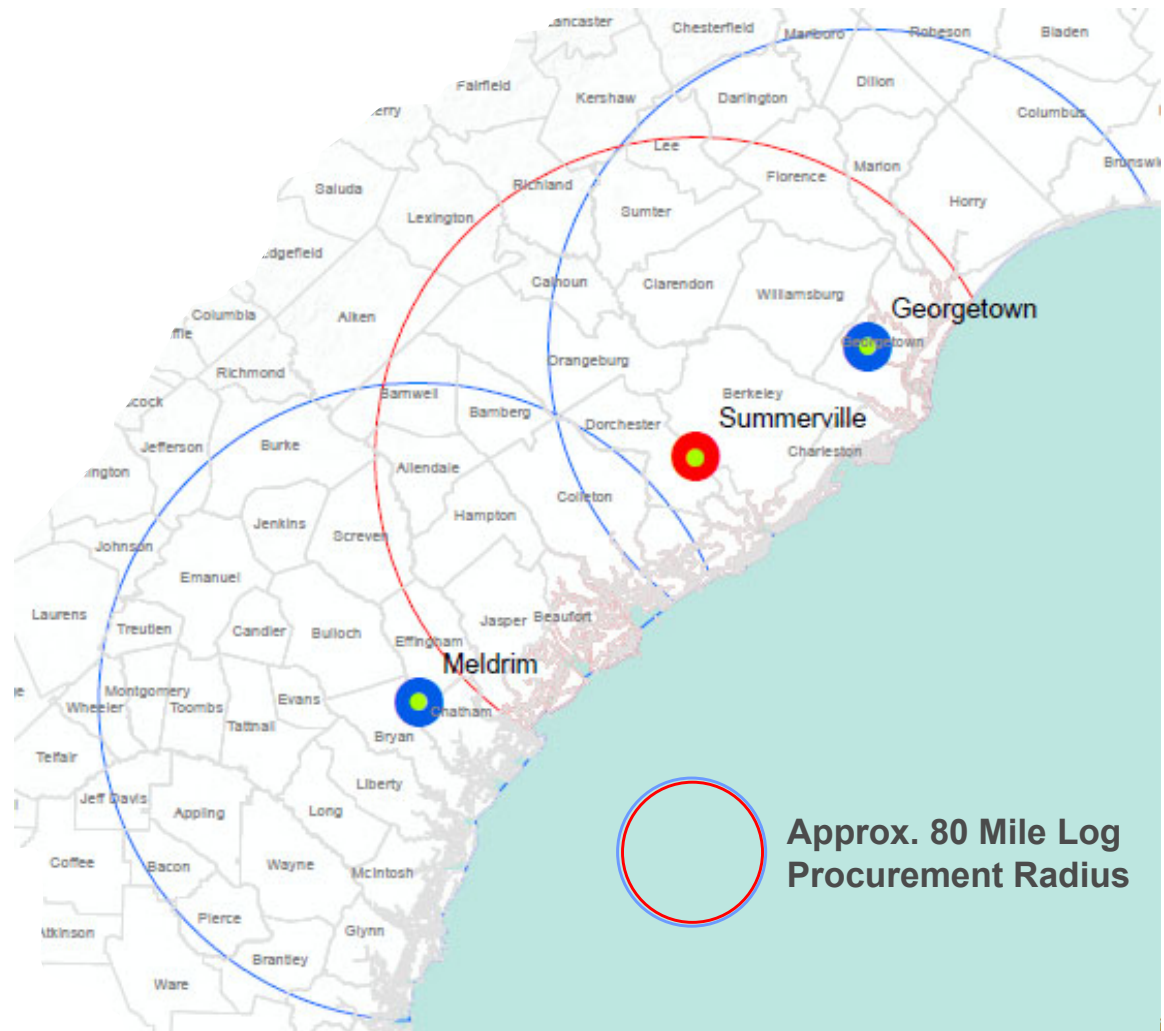
**\$2/share special dividend paid on June 28'21**; Announced on May 12'21, paid to shareholders of record on May 28'21

# WESTROCK ACQUISITION

## *Logical tuck-in acquisition with operational and capital investment upside*

- Acquisition of WestRock's sawmill in Summerville, South Carolina closed on March 12, 2021.
- Cash consideration of US\$59 MM, included log and lumber inventories.
- Mill produced 125 MMbf in 2020.
- New permit received in 2020 allowing for an increase in production of up to 200 MMbf/year.
- Strategic capital investment announced in August 2021 to significantly increase production.
- Significant log sort optimization and procurement synergies with existing mills (Meldrim/Georgetown).
- Long-term residuals off-take agreement with WestRock's Charleston, SC paper mill.

## APPROX. LOG PROCUREMENT AREAS

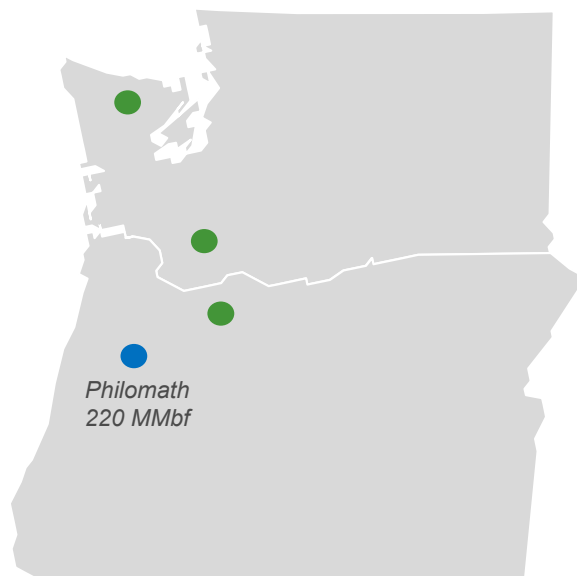


# GEORGIA-PACIFIC ACQUISITION

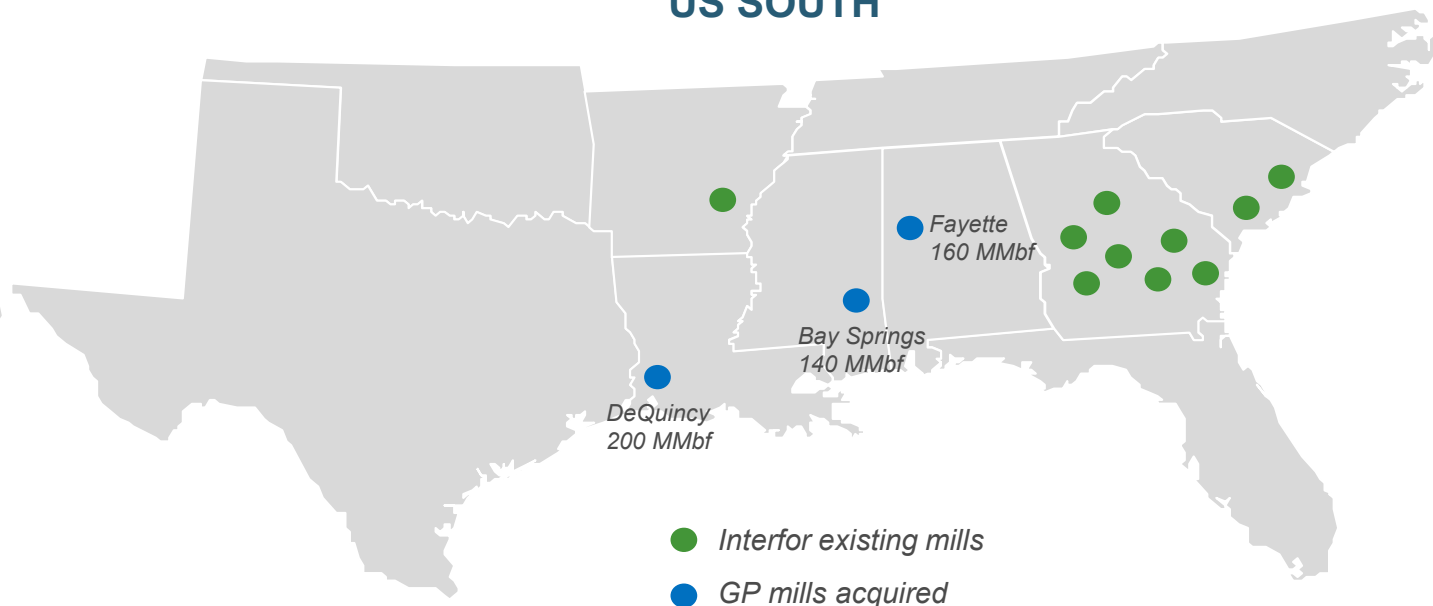
## **23% increase to Interfor's capacity at an attractive valuation**

- Acquisition of four high-quality US sawmills from Georgia-Pacific, closed on July 9, 2021
- Cash purchase price of US\$372 MM, including working capital
- Highly complementary to existing operations:
  - Regional operating synergies and economies of scale
- 720 MMbf of production capacity; 23% increase to Interfor's current platform
  - Immediately accretive; three operating mills generating significant cash flows
  - DeQuincy, LA mill (curtailed by Georgia-Pacific in May 2020 during COVID) being restarted in the first half 2022

### US NORTHWEST



### US SOUTH



- Interfor existing mills
- GP mills acquired

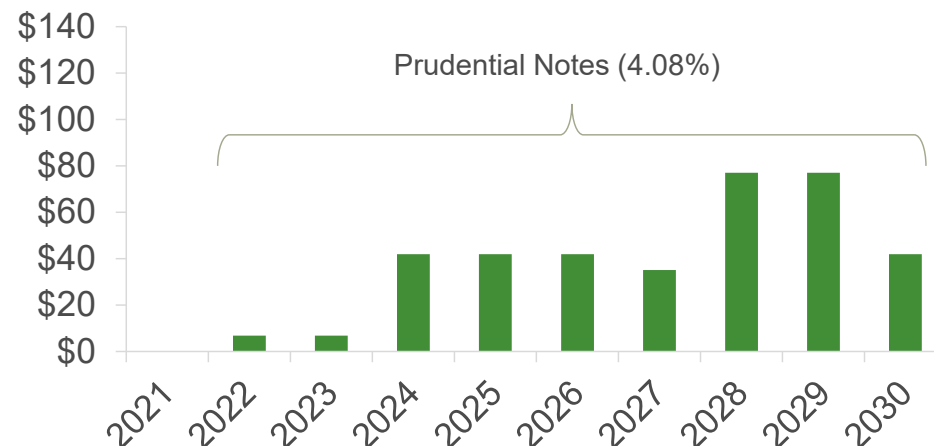
# CAPITAL STRUCTURE

**Significant financial flexibility to consider a variety of capital deployment options**

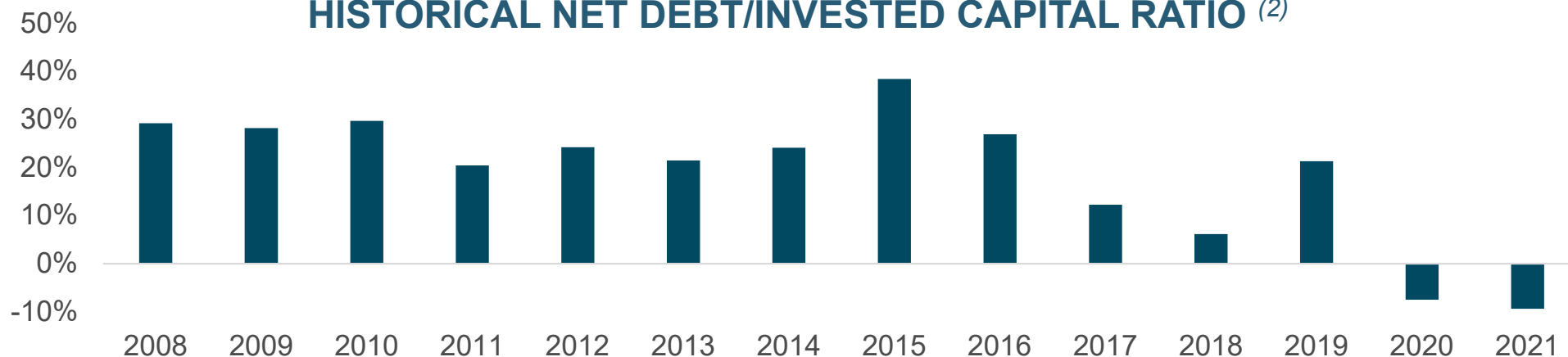
## CAPITAL STRUCTURE AS OF SEPT 30, 2021 (\$MM)

Cash	\$509
Debt	\$375
Net Debt (Cash)	<u>\$(134)</u>
Book Equity	\$1,567
Invested Capital	<u>\$1,433</u>
<b>NET DEBT/INVESTED CAPITAL (%)</b>	<b><u>(9)%</u></b>
Available Liquidity <sup>(1)</sup>	\$836

## DEBT MATURITY SCHEDULE AS OF SEPT 30, 2021 (\$MM)



## HISTORICAL NET DEBT/INVESTED CAPITAL RATIO <sup>(2)</sup>





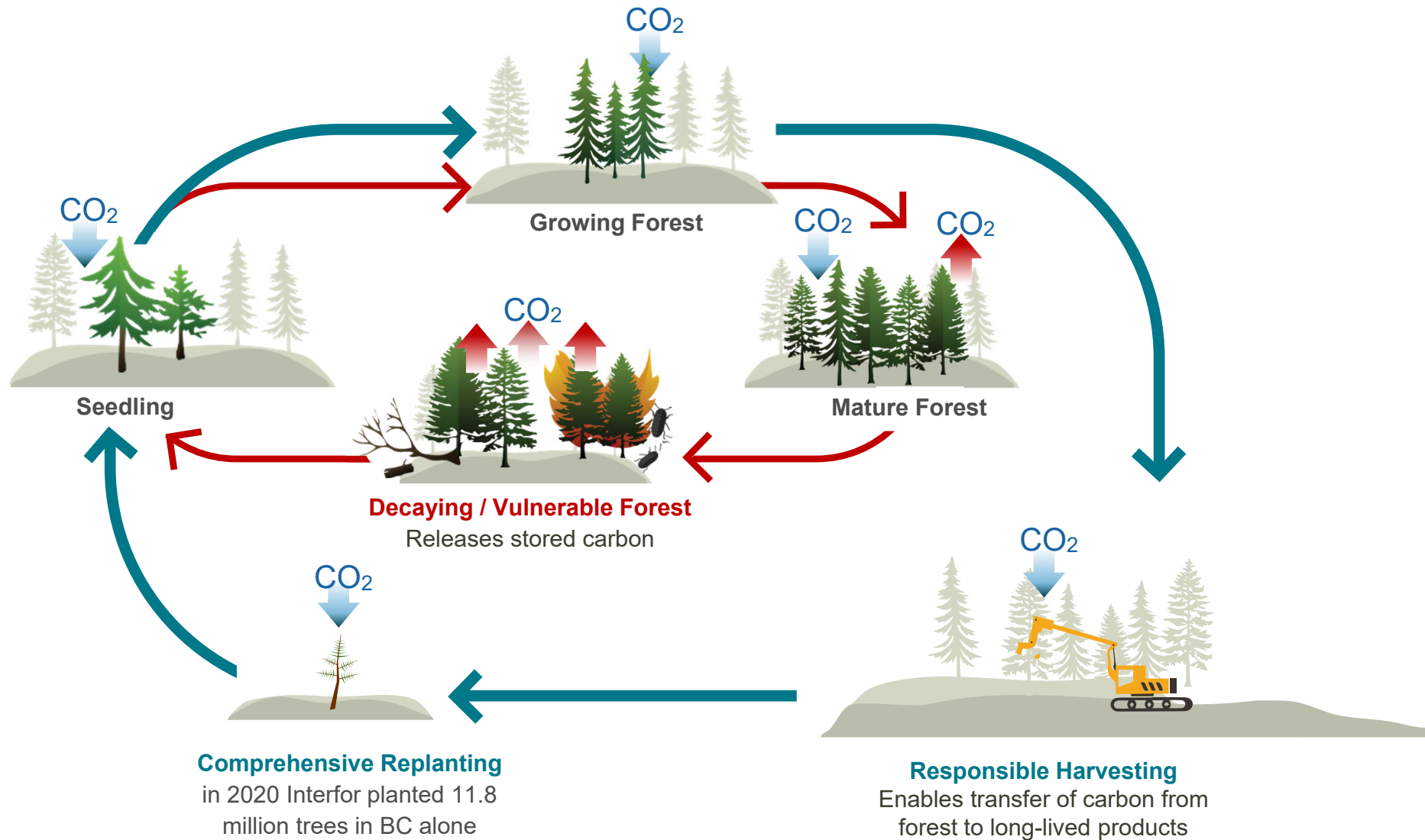


# POSITIVE ESG & CARBON STORY

---

# ENHANCING THE NATURAL CARBON CYCLE

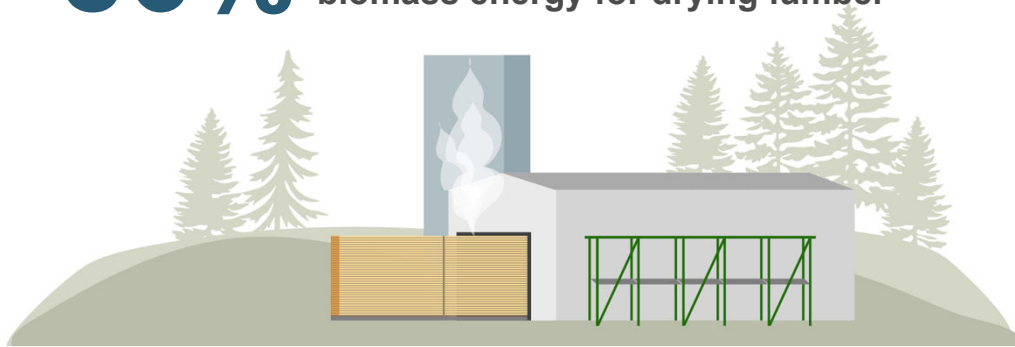
*Responsible forest management increases long-term carbon storage*



# SUSTAINABLE MANUFACTURING

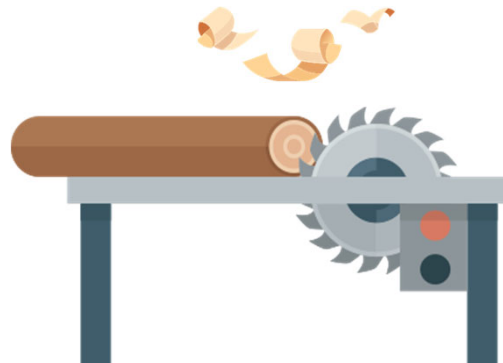
*Lumber produced by Interfor stores 4x the carbon emitted in all phases of its production*

**86%** of Interfor sites with kilns use renewable biomass energy for drying lumber



**~400,000** tonnes of CO<sub>2</sub>e avoided annually by using biomass instead of burning fossil fuels

**100%** usage of every log delivered



**3.7 MM**

tonnes of CO<sub>2</sub> stored in lumber sold by Interfor in 2020

VS.

**0.9 MM**

tonnes of CO<sub>2</sub>e emitted by Interfor and the upstream supply chain combined in 2020, comprising direct fossil fuel, biogenic and electricity emissions

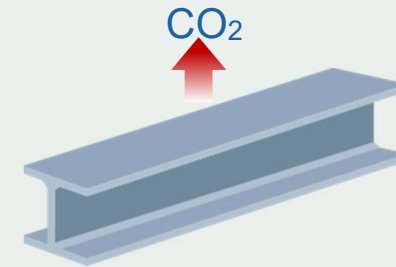
# LUMBER: LOW-CARBON BUILDING MATERIAL

*Lumber is a climate-friendly building product vs. other alternatives*

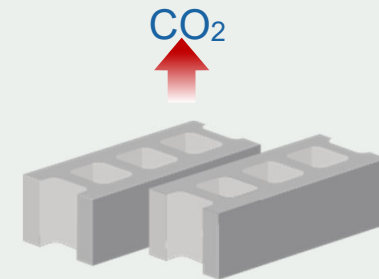


1m<sup>2</sup> of a building constructed using wood wall studs  
Stores net 16.7kg CO<sub>2</sub>\*

Compared to the use of:



**Steel**  
Emits 18.0kg CO<sub>2</sub>\*



**Concrete**  
Emits 27.5kg CO<sub>2</sub>\*

# RESPONSIBILITY AT THE HEART OF THE COMPANY

## Integrating ESG standards throughout our business

### ENVIRONMENT



#### Climate:

- We contribute meaningfully to the global effort to combat climate change, through sustainable forest management and manufacturing sustainable building materials
- Our climate strategy assesses climate-related risks and opportunities; we are positioned for resilience
- We manage our own environmental impacts and minimize waste, through using renewable energy, optimizing logistics, and investing in our sawmills to improve their efficiency

#### Biodiversity and Conservation:

- We are leaders in protecting biodiversity, wildlife, and forests of high conservation value
- We have independent, third party sustainable forestry and chain-of-custody certifications

#### Environmental Management:

- We maintain an environmental management system (EMS) for all our manufacturing facilities and harvesting operations
- We have environmental monitoring programs for water use, air emissions, waste management, fuel handling and spill prevention

### SOCIAL



#### Safety:

- We embrace world-leading safety standards and target zero Medical Incident Rate (MIR) and Lost Time Frequency Rate (LTFR) metrics, because our goal is to never hurt anyone
- We are leaders in safety: Our MIR and LTFR are at levels well below the industry average and trending downward

#### People:

- Our focus on employee training, development, internal promotion, competitive compensation, and diversity demonstrates our commitment to our people
- We have goals and action plans to increase the representation of women and people of color in our workforce

#### Community Partnerships:

- We have signed agreements with 35 of the First Nations with whom we work, supporting shared business opportunities, training and capacity building
- We engage meaningfully with, support, and give back to the communities in which we operate

### GOVERNANCE



#### ESG Oversight:

- 91% of directors are independent; 27% of directors are women; Chair of the Board is independent
- Board-level oversight of all ESG factors, including Board committees with oversight over:
  - environmental and safety
  - Employees and compensation
  - Governance, corporate responsibility and human rights
  - financial reporting and information system security
- Our annual Sustainability Report provides in-depth and meaningful information to investors
- Our Code of Conduct & Ethics, including our core values, applies to all directors, officers and employees
- We have a confidential whistleblower hotline to encourage employees, contractors, vendors and the general public to report any concerns



# CONTACT INFORMATION

---

# INVESTOR CONTACTS

## **RICK POZZEBON**

**SVP & Chief Financial Officer**

604-689-6804

[richard.pozzebon@interfor.com](mailto:richard.pozzebon@interfor.com)

## **MIKE MACKAY**

**VP, Corporate Development & Strategy**

604-689-6846

[mike.mackay@interfor.com](mailto:mike.mackay@interfor.com)

# ANALYST COVERAGE

<b>BMO CAPITAL MARKETS</b>	Mark Wilde	(212) 883-5102	mark.wilde@bmo.com
<b>CIBC CAPITAL MARKETS</b>	Hamir Patel	(604) 331-3047	hamir.patel@cibc.com
<b>EQUITY RESEARCH ASSOCIATES</b>	Kevin Mason	(604) 886-5741	kmason@equityresearchassociates.com
<b>RAYMOND JAMES</b>	Daryl Swetlishoff	(604) 659-8246	daryl.swetlishoff@raymondjames.ca
<b>RBC CAPITAL MARKETS</b>	Paul Quinn	(604) 257-7048	paul.c.quinn@rbccm.com
<b>SCOTIA CAPITAL</b>	Benoit Laprade	(514) 287-3627	benoit.laprade@scotiabank.com
<b>TD SECURITIES</b>	Sean Steuart	(416) 308-3399	sean.steuart@tdsecurities.com