



Western Forest Products Inc.
DEFINING A HIGHER STANDARD™

FOR IMMEDIATE RELEASE

TSX: WEF

Western Announces Second Quarter 2024 Results

July 31, 2024 – Vancouver, British Columbia – Western Forest Products Inc. (TSX: WEF) (“Western” or the “Company”) reported a net loss of \$5.7 million in the second quarter of 2024, as compared to a net loss of \$20.7 million in the second quarter of 2023, and a net loss of \$8.0 million in the first quarter of 2024.

Adjusted EBITDA was \$9.4 million in the second quarter of 2024, as compared to negative \$12.0 million in the second quarter of 2023, and negative \$4.2 million in the first quarter of 2024.

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

	Q2 2024	Q2 2023	Q1 2024	YTD 2024	YTD 2023
Revenue	\$ 309.5	\$ 276.0	\$ 239.5	\$ 549.0	\$ 539.8
Adjusted EBITDA ⁽²⁾	9.4	(12.0)	(4.2)	5.2	(17.1)
Adjusted EBITDA margin ⁽²⁾	3%	(4%)	(2%)	1%	(3%)
Operating loss prior to restructuring and other items	\$ (4.3)	\$ (25.1)	\$ (17.3)	\$ (21.6)	\$ (43.2)
Net loss	(5.7)	(20.7)	(8.0)	(13.7)	(38.4)
Loss per share, diluted	(0.01)	(0.07)	(0.02)	(0.04)	(0.12)
Net debt ⁽²⁾ , end of period	84.0	34.8	83.6		
Liquidity ⁽²⁾ , end of period	141.5	195.5	142.1		
Net debt to capitalization ⁽²⁾	13%	5%	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.

Second Quarter 2024 Financial and Operational Summary

- Lumber shipments of 173 million board feet (versus 153 million board feet in Q2 2023).
- Japan lumber shipments of 27 million board feet (versus 21 million board feet in Q2 2023).
- Specialty lumber mix of 51% (versus 54% in Q2 2023).
- Average lumber selling price of \$1,363 per mfbm (versus \$1,392 per mfbm in Q2 2023), primarily due to a slightly weaker sales mix of specialty lumber products.
- Average BC log sales price of \$155 per m³ (versus \$129 per m³ in Q2 2023), on improved average domestic log prices and strong demand for high value poles.

Indigenous Relationships

- Completed two-month public commentary period for the draft of the first Forest Landscape Plan (“FLP”) in British Columbia (“BC”), developed in collaboration with the ‘Namgis First Nation. The FLP is being met with praise for providing greater certainty and stewardship of the project area.

Accelerating the Transition to Higher Value Products

- Completed the start-up phase of a continuous dry kiln at our Saltair sawmill in Q2 2024 without issue, surpassing operating uptime and production performance targets. In Q2 2024, the new kiln dried 14.5 million board feet of higher value products.
- Continue to advance pre-engineering and permitting related to two previously announced continuous dry kilns which are expected to be completed in 2025 at an estimated cost of \$35 million.

Balance Sheet and Cash Flow

- Near-term priority is maintaining a strong balance sheet and financial flexibility.
- Ended the quarter with liquidity of \$141.5 million and a net debt to capitalization ratio of 13%.
- Amended \$250 million credit facility with maturity extended to July 2026.

- Received our income tax refund of approximately \$23 million after the end of the second quarter.
- Revised 2024 capital expenditure spending to approximately \$40 million, primarily reflecting the expectation that the majority of the \$35 million related to two new continuous dry kilns will be incurred in 2025.
- Cumulative duties of US Dollar ("USD") \$172.6 million (\$236.1 million) held in trust by U.S. Customs and Border Protection as at June 30, 2024, or approximately \$0.54 per share on an after-tax basis.

Other

- Actively engaged in bargaining for a new collective agreement with the United Steelworkers.

Market Outlook

Demand and prices for Cedar timber and premium appearance products are expected to remain stable. Demand and prices for Cedar decking and timber products have firmed up, while Cedar trim products are expected to remain soft for the balance of the year.

In Japan, weakness 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 the near-term.

Demand for our Industrial lumber products is generally expected to remain stable. For Commodity lumber, North American demand and prices are expected to remain volatile, while in China, near-term lumber demand and prices are expected to be seasonally weaker.

We expect sawlog markets to follow conditions in the lumber markets, while residual chip pricing is expected to follow movement in the price of northern bleached softwood kraft to China.

Chief Financial Officer Appointment

The Company announced today that Glen Nontell has been appointed Chief Financial Officer effective August 1, 2024. Mr. Nontell joined the Company in 2018 and was most recently the Company's Vice President, Corporate Development, leading the corporate development, treasury and investor relations functions, as well as having a pivotal role in the execution of the Company's strategic priorities. Mr. Nontell is a seasoned corporate finance and capital markets professional with over 20 years of experience, including prior roles in investment banking with Scotiabank and in accounting with KPMG. He is a Chartered Professional Accountant (CPA, CA) and CFA charterholder.

"Glen brings a proven track record of financial and strategic leadership, including in his prior positions with the Company, and strong financial acumen", said Steven Hofer, President and CEO of the Company, on behalf of himself and the Board of Directors of the Company. "His focus on execution and forward-thinking mindset will be invaluable as we navigate through near-term macroeconomic conditions and advance our strategic priorities in support of creating long-term shareholder value."

Mr. Nontell succeeds Stephen Williams who previously announced his intention to step down from his role as Executive Vice President and Chief Financial Officer by the end of 2024. Mr. Williams will support a seamless transition process and will remain in the role of Executive Vice President until December 31, 2024 and be available thereafter until the end of 2026 in a limited advisory capacity.

Management Discussion & Analysis ("MD&A")

Readers are encouraged to read our Q2 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 Q2 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)

	Q2 2024	Q2 2023	Q1 2024	YTD 2024	YTD 2023
Adjusted EBITDA					
Net loss	\$ (5.7)	\$ (20.7)	\$ (8.0)	\$ (13.7)	\$ (38.4)
Add:					
Amortization	13.6	13.2	13.2	26.8	26.3
Changes in fair value of biological assets	(0.1)	(0.1)	-	(0.1)	(0.1)
Operating restructuring items	1.7	1.6	(0.2)	1.5	6.8
Other (income) expense	(0.6)	0.8	(1.8)	(2.4)	0.9
Finance costs	1.6	0.5	2.1	3.7	0.7
Income tax recovery	(1.3)	(7.3)	(9.4)	(10.7)	(13.2)
Adjusted EBITDA	\$ 9.4	\$ (12.0)	\$ (4.2)	\$ 5.2	\$ (17.1)
Adjusted EBITDA margin					
Total revenue	\$ 309.5	\$ 276.0	\$ 239.5	\$ 549.0	\$ 539.8
Adjusted EBITDA	9.4	(12.0)	(4.2)	5.2	(17.1)
Adjusted EBITDA margin	3%	(4%)	(2%)	1%	(3%)
Net debt to capitalization					
	Jun. 30 2024	Jun. 30 2023	Mar. 31 2024		
Net debt					
Total debt	\$ 87.8	\$ 37.0	\$ 85.6		
Bank indebtedness	0.5	1.0	0.5		
Cash and cash equivalents	(4.3)	(3.2)	(2.5)		
	\$ 84.0	\$ 34.8	\$ 83.6		
Capitalization					
Net debt	\$ 84.0	\$ 34.8	\$ 83.6		
Total equity attributable to equity shareholders of the Company	574.5	599.5	578.3		
	\$ 658.5	\$ 634.3	\$ 661.9		
Net debt to capitalization	13%	5%	13%		
Total liquidity					
Cash and cash equivalents	\$ 4.3	\$ 3.2	\$ 2.5		
Available credit facility ⁽¹⁾	250.0	250.0	250.0		
Bank indebtedness	(0.5)	(1.0)	(0.5)		
Credit facility drawings	(87.9)	(37.0)	(85.7)		
Outstanding letters of credit	(24.4)	(19.7)	(24.2)		
	\$ 141.5	\$ 195.5	\$ 142.1		

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; our growth, marketing, product, wholesale, operational and capital allocation plans and strategies, demand and prices for lumber products; the availability, stability and certainty of the Company’s fibre supply; 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; the Company’s balance sheet and financial flexibility; and the amount and timing of the Company’s capital expenditures and the availability of funding from the government programs. 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, future developments in COVID-19 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, August 1, 2024 at 9:00 a.m. PDT (12:00 p.m. EDT).

To participate in the teleconference please dial 416-340-2217 or 1-800-952-5114 (passcode: 4300807#). This call will be taped, available one hour after the teleconference, and on replay until September 1, 2024 at 8:59 p.m. PDT (11:59 p.m. EDT). To hear a complete replay, please call 905-694-9451 / 1-800-408-3053 (passcode: 3919903#).

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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