

Canfor Corporation

25th Annual CIBC Western Institutional Investor Conference

January 20, 2022





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The presentation and answers to questions today contain forward-looking statements which involve known and unknown risks, uncertainties and other factors that may cause actual results to be materially different from any future results, performance or achievements expressed or implied by such statements. Factors that could have a material impact on any future oriented statements made herein include, but are not limited to: general economic, market and business conditions, product selling prices, raw material and operating costs, foreign exchange rates, interest rates, changes in law and public policy, the outcome of trade disputes, and opportunities available to or pursued by the Company.

For further details on these factors and our assumptions and applicable risks and uncertainties, please refer to Canfor Corporation's Annual Report for the year ended December 31, 2020 available at www.canfor.com or www.sedar.com.



Our Sustainability Approach

Our vision is to create a future as sustainable as the forests.

We begin with a deep respect for the people our business touches, the products we create and the planet we rely on to thrive. When we enable sustainability through these pillars, we position ourselves for long-term growth and impact.



Our people and communities thrive because we are focused on inclusion, equity and wellness everyday.

Safety, Health & Wellness

We're committed to a zero-incident workplace and supporting the health and wellness of our people.

Indigenous Relations

We aspire to be a partner of choice for Indigenous Peoples, a privilege afforded by fostering strong relationships and deeply respecting Indigenous histories, cultures, values, and beliefs.

Inclusion & Diversity

We will foster a more inclusive and equitable culture and increase the diversity in our workforce.

Human Rights

We are committed to respecting human rights across our company, value chain and with stakeholders & partners in our communities.

Community Engagement

We will be an active corporate citizen focused on supporting education, community, sustainability and health initiatives.

Our practices and products play an integral role in helping to protect the planet and mitigate climate change.

Sustainable Forestry

We are committed to practicing world class sustainable forestry that will result in resilient, productive and biodiverse forests.

Climate Change

We are committed to playing a leading role in the transition to a low-carbon economy.

Air Quality

We will continuously improve emissions management and achieve full regulation compliance.

Water Management

We will continuously improve and achieve full compliance for water usage and discharge.

Our products are sustainable because our manufacturing and supply chain is optimized for responsible resource use.

Supply Chain Management

We are committed to embedding sustainability throughout our supply chain.

Energy Management

We will decrease the energy intensity of the manufacturing process and continue to generate surplus clean energy.

Waste & Residuals Management

We will optimize fiber utilization and minimize landfill waste.

Global Operations

Lumber

38 Sawmills with annual operating capacity of 7.3 billion board feet

- 13 Western Canada - 3,630 MMfbm*
- 13 US South - 2,200 MMfbm**
- 12 Sweden - 1,500 MMfbm

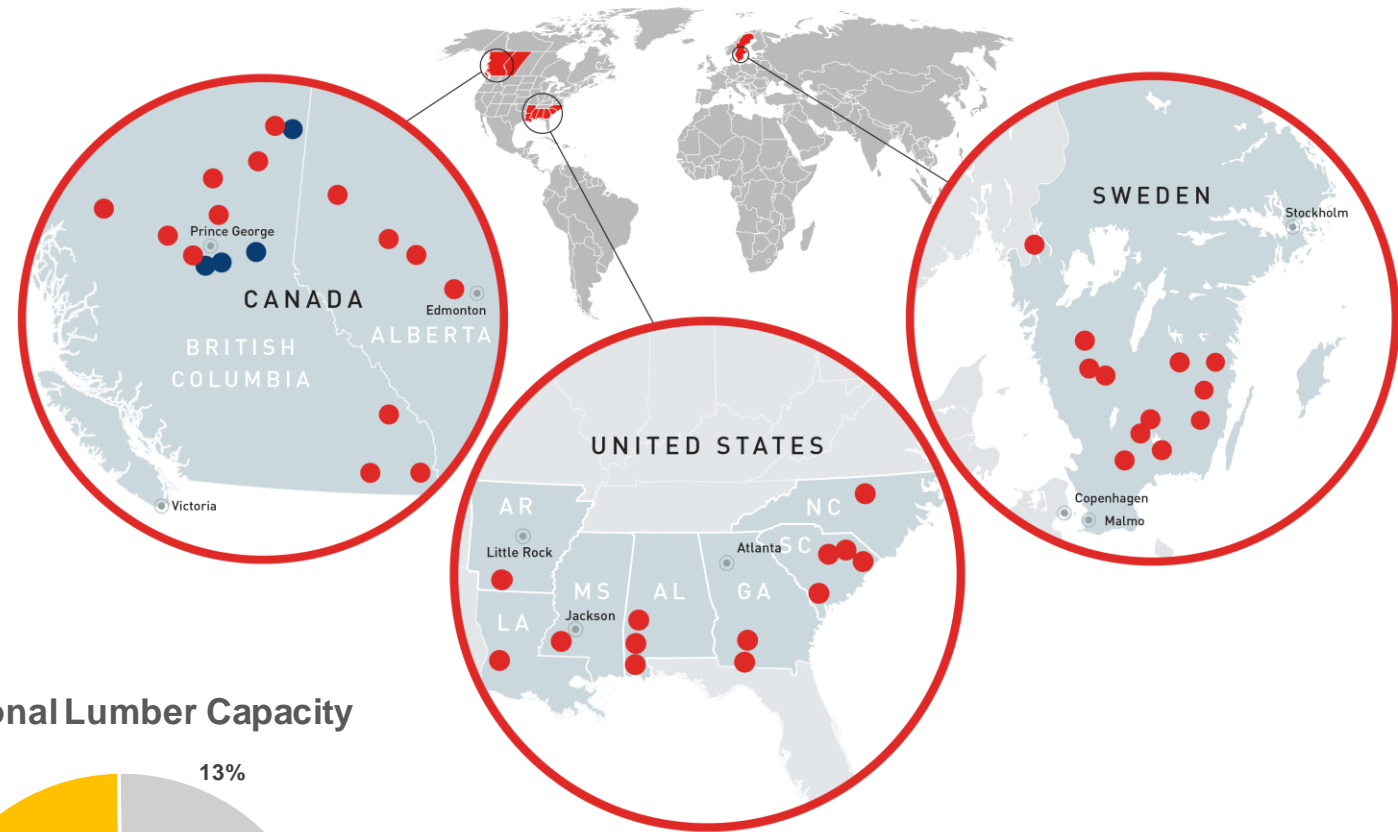
Pulp and Paper

4 Mills in British Columbia

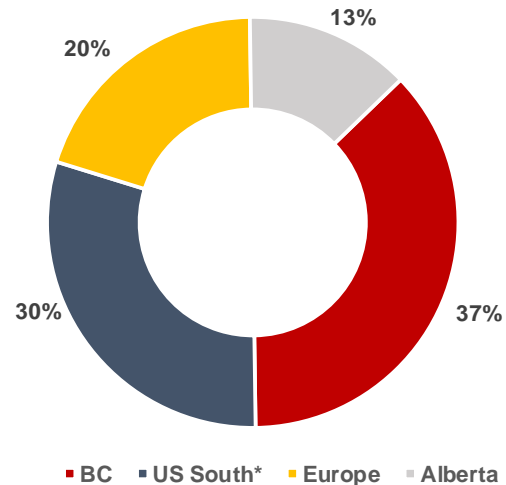
- 1.1 million tonnes of Northern Softwood Kraft
- 230k tonnes BCTMP
- 140k tonnes Kraft Paper

Other Operations

- 9 value-added facilities (packing, housing, energy) – Sweden
- 3 Pellet Plants – BC
- 2 Glulam Plants – US South
- Finger Joint Plant – US South
- Green Energy Plant – BC
- Trucking Fleet – US South



Regional Lumber Capacity

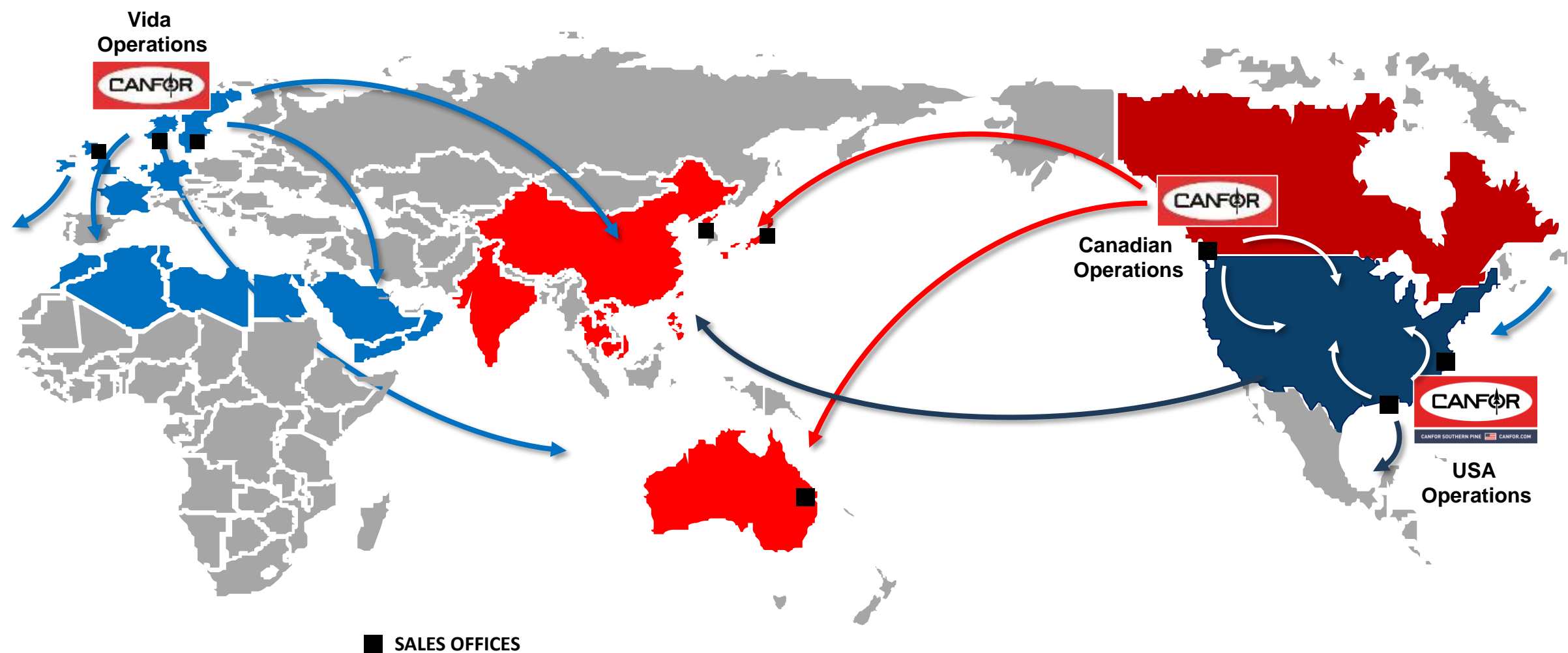


● Sawmill
● Pulp mill

* Includes pending acquisition of Millar Western assets

**Includes Greenfield Sawmill Capacity in Louisiana

Established Multi-National Supply Chain



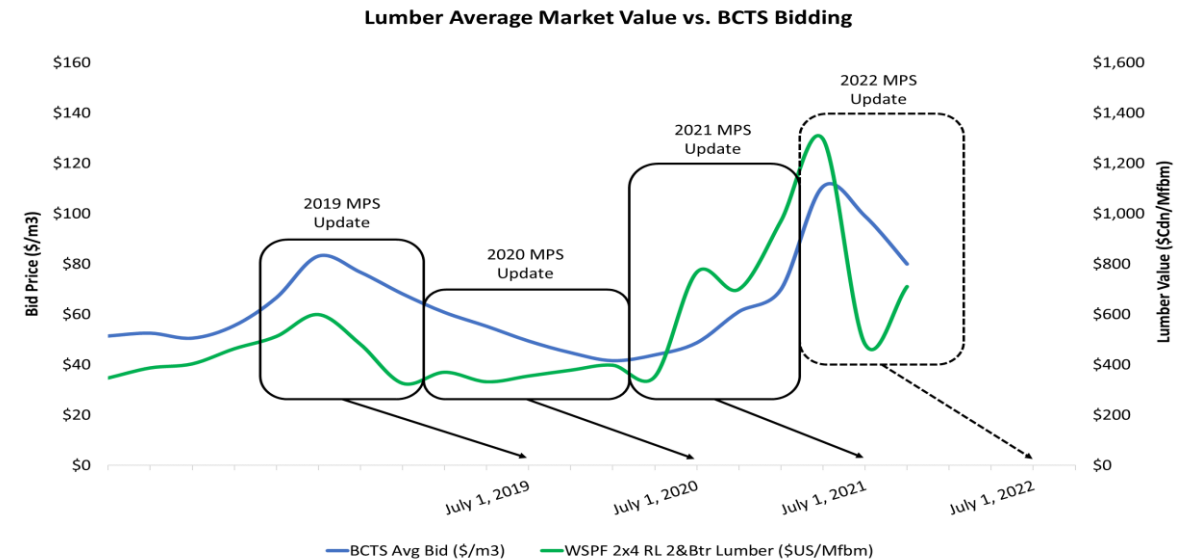
Western Canada

Operations Update:

- Industry supply chain impacted by BC flooding in Q4, contributing to reduced operating rates
- BC log costs increased significantly in H2 2021 reflecting peak 2021 lumber pricing
- Stumpage declined sharply in January (based on Aug – Oct 2021 pricing); benefit partly offset by increased duty rates
- Current Western SPF pricing supported by strong order files and limited available supply, with operations returning to targeted production levels in early 2022

Fibre Supply:

- Over 2 billion board feet of permanent industry rationalization to-date in BC
- Additional ~1+ billion board required to balance with long-term fibre supply
- Company has taken a number of measures to mitigate fibre cost escalation, with improved fibre quality supporting a higher-value product mix
- Disciplined industry bidding behaviour moderating log cost escalation in BC
- Declining fibre basket in BC contributing to historically high lumber pricing



Millar Western Acquisition

Acquisition of high-quality assets located Alberta:

- 3 facilities with total production capacity of 630 million board feet
- Approximately 750,000 m3 of annual harvesting rights
- Additional fibre sources secured via long term contracts
- Cash purchase price of \$420 million, including approx. \$56 million of working capital
- Transaction anticipated to close in Q1 2022

Strong Strategic Alignment

- Rare opportunity to add meaningfully supply of Western SPF capacity
- Improves regional diversification with increased exposure to low-cost region of Alberta
- Well capitalized operations with significant access to high-quality, sustainable fibre supply
- Increased exposure to high-value, specialty products supporting more stable returns
- Alignment with existing operations providing significant annual synergies



Fox Creek 120 MMfbm

Whitecourt 330 MMfbm

Spruceland 180 MMfbm

US South

- Strong fibre supply region, high performing operations
- Over 300% growth since 2013
- 300 MMfbm organic program (US\$125 million) largely completed in 2021
- Greenfield sawmill in Louisiana - US\$160M investment, 250 MMfbm capacity with start up projected in late 2022
- Total lumber capacity of 2.2 billion board feet with full run-rate achieved in 2023
- North America's largest producer of Southern Yellow Pine glue-laminated beams (glulam) with vertically integrated operations supporting more stable returns
- Additional organic growth opportunities currently being reviewed and continue to target additional accretive growth opportunities



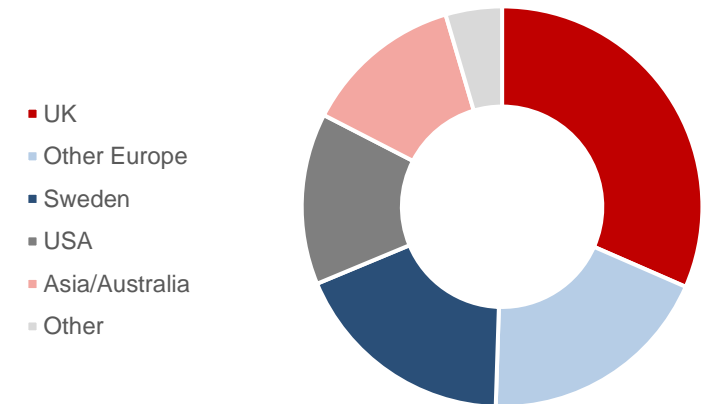
Europe

12 sawmills currently producing over 1.5 billion board feet annually

- Production primarily focused on structural timber, mostly exported to markets other than North America
- Geographic and product diversification contributing to more steady pricing
- Access to significant supply of high-quality spruce and pine fibre in close proximity to sawmills
- Fibre costs tightly correlated to market pricing supporting more stable earnings
- Strong European demand contributing to record high earnings in 2021
- Continue to target additional accretive growth opportunities



VIDA Sales by Country



US Housing Starts Forecast

Considerations

Millennials Coming of Age



Homeownership rate of ages 25-34 yrs. old are expected to increase 1-1/2 % per year

Increased Tenure



Older homeowners are staying in their homes an average of 5 years longer

New Home Affordability



New home premium over existing homes reaches 9 year low at \$4/sqft

Affordability – 1st Time Homebuyer

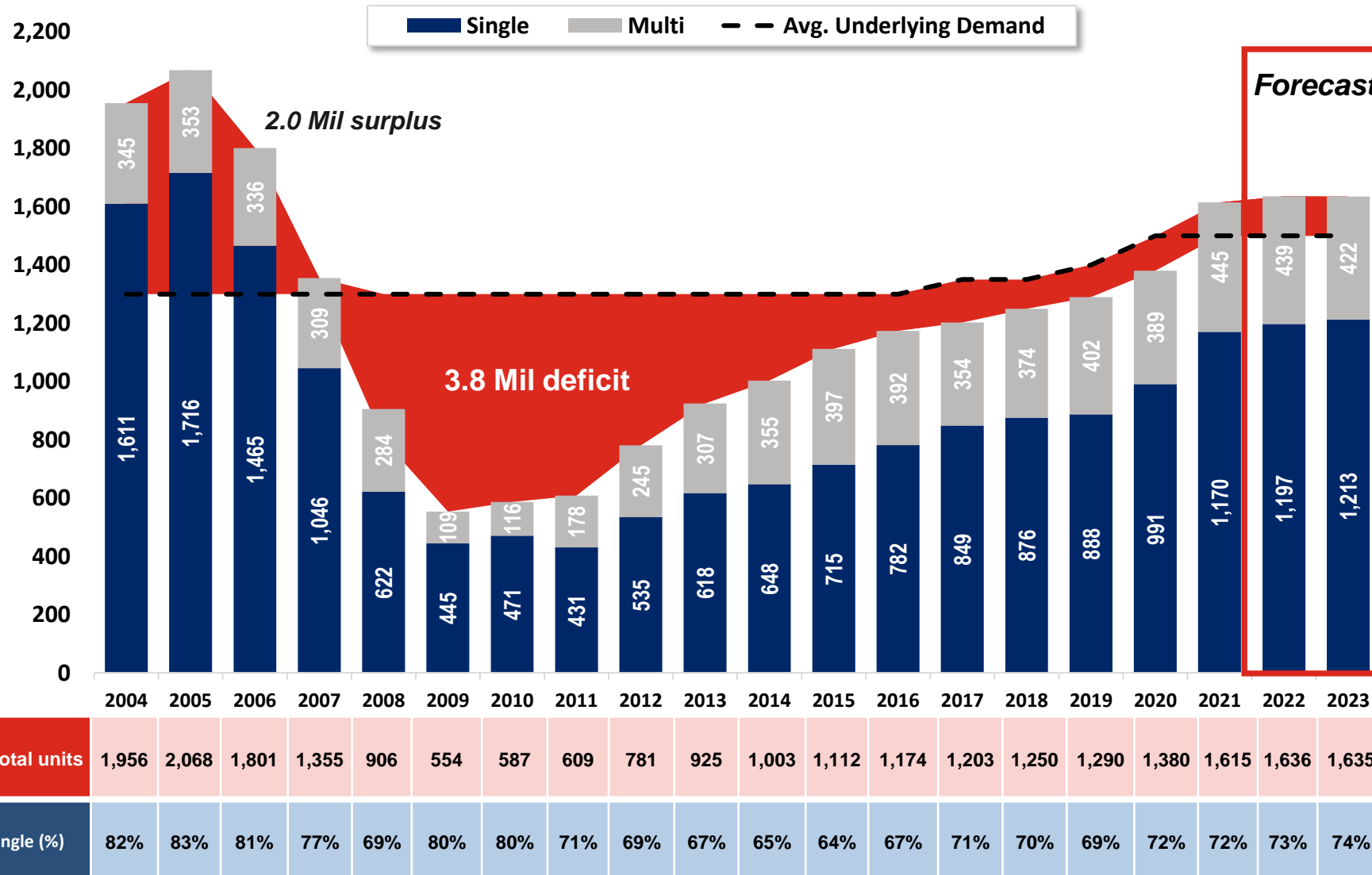


Rapid increases in home prices pose risk to 1st time buyer market

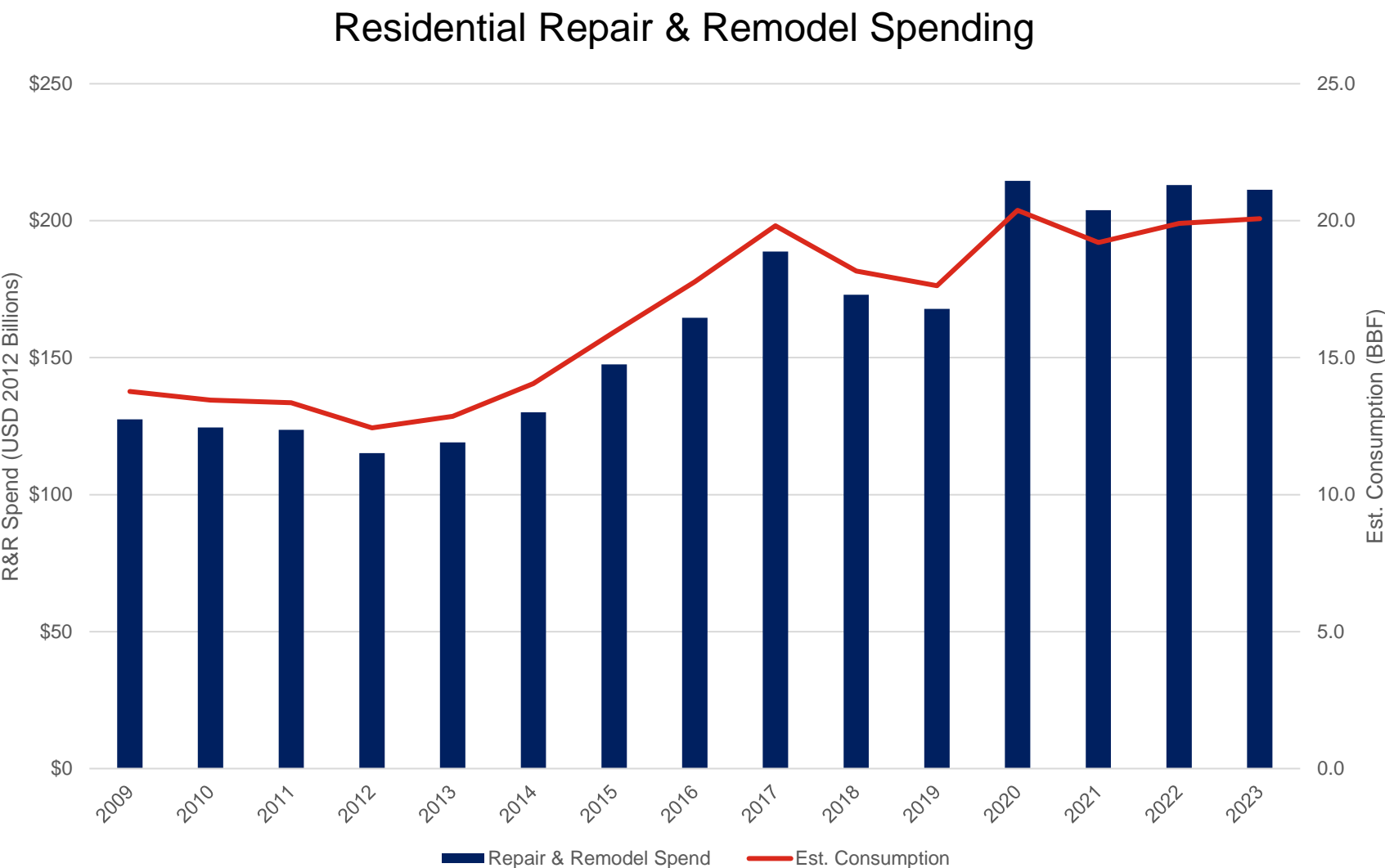


Supply Chain Disruptions

Current supply chain disruptions may limit housing starts to between 1.5 and 1.6 million units



Repair & Remodel Outlook



Considerations

Record Low Existing Home Inventory



High existing home sales and elevated median age of homes to support increased spending

Aging in Place



Increased levels of retrofitting, accessibility, and updates opposed to trading up

Average Home Size



Existing homes are on average 500 sq. ft. smaller than new construction, leading to increased frequency of home additions

Household Balance Sheets



Healthy household balance sheets and high levels of homeowner equity to support upgrades

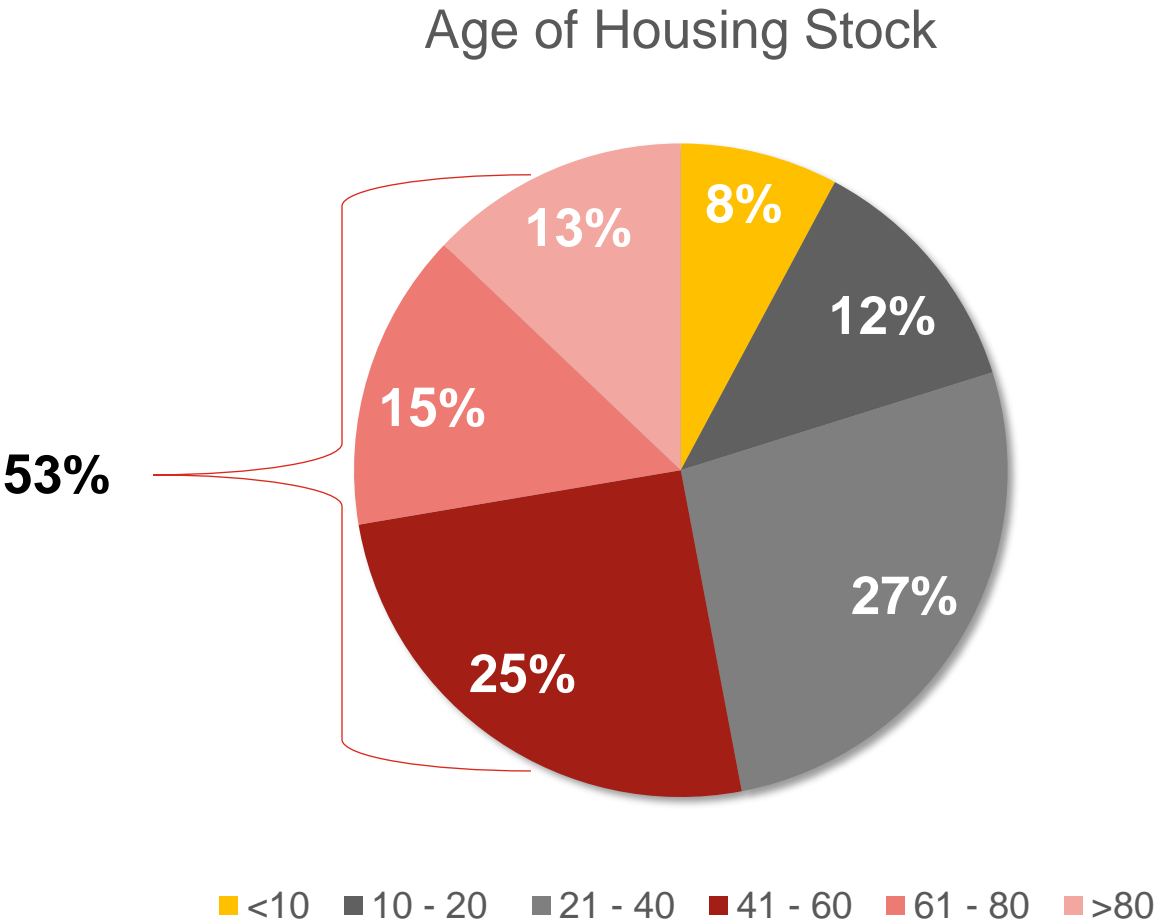
Materials Cost



DIY segment remains highly sensitive to materials cost, high prices pose risk to near term activity

Housing Stock Review

Age of housing stock is prime for high levels of R&R against a backdrop of high existing home sales



53%

of housing stock is 41 years or older

25%

Prime age for heavy R&R projects

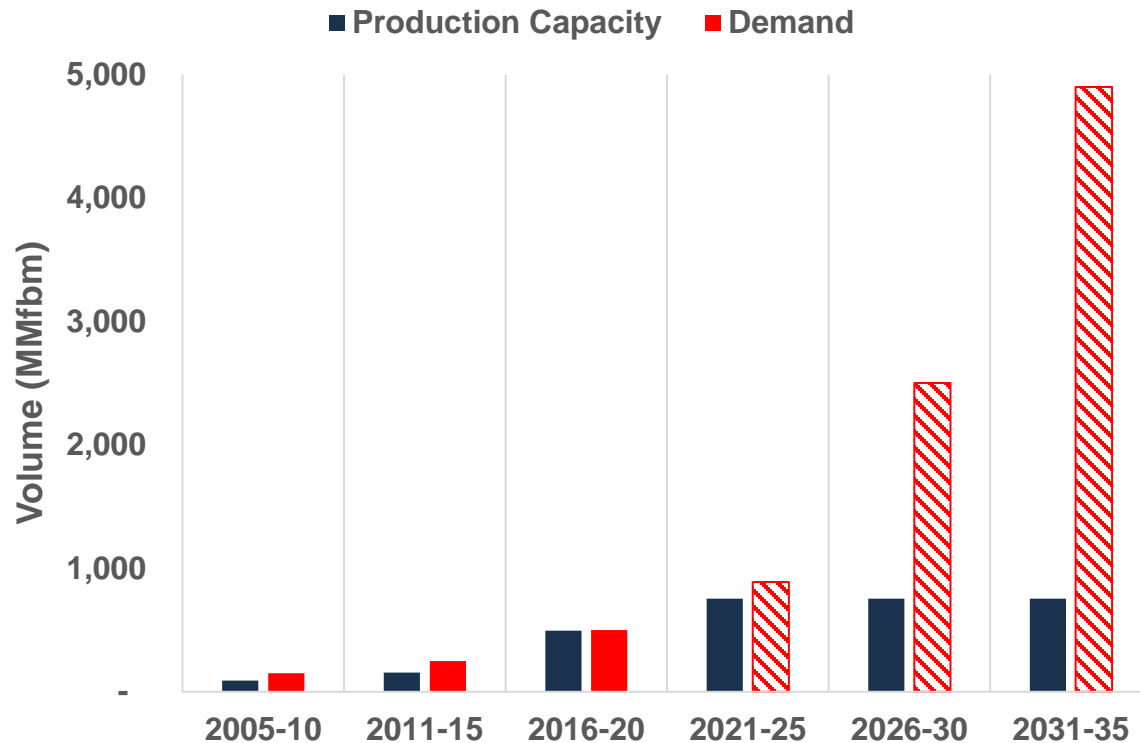
58%

Of homeowners have lived in their unit less than 10 years

Mass Timber: Capacity & Partnerships

Segment poised to add net new demand for softwood lumber over the next 5-10 years

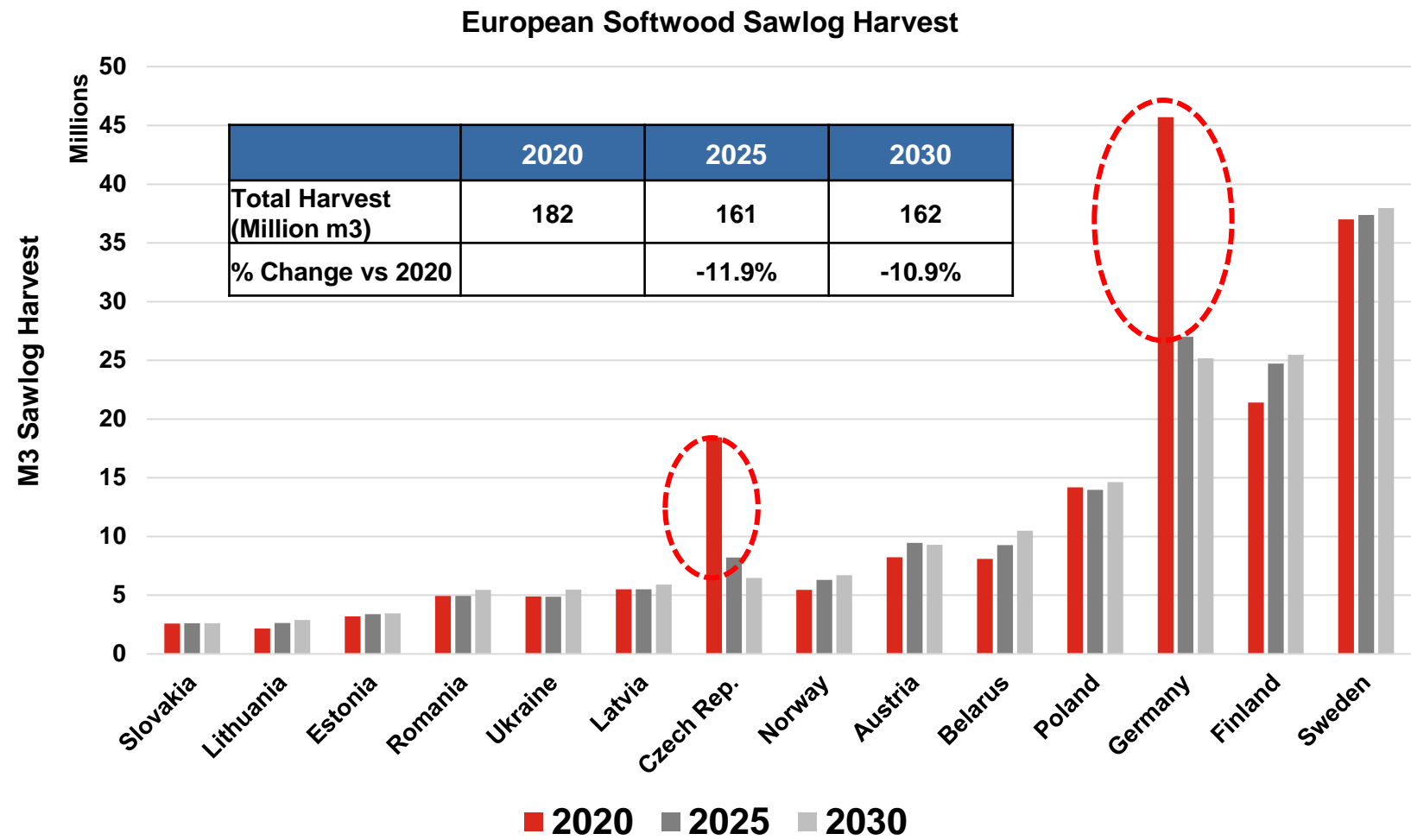
NA Mass Timber Production Capacity-Demand Gap



Demand based on Incremental Softwood lumber projections of 4.9 BBF

- Over **1,200** mass timber projects had been constructed or were in design in all 50 states, in the multi-family, commercial, or institutional categories
- The number of mass timber buildings is expected to **double** every two years through 2034
- Long term projected demand in mass timber is the equivalent of **250,000+** housing starts per year.
- Canfor's high grade and specialty product lines are well positioned to benefit from this growing segment

Euro Area Harvest Outlook



Beetle Induced Decline

- Recent outlooks for the Euro region show an overall decline in total harvest levels from 2020
- Primary regions hit hard by beetle infestations (Czech Republic & Germany) to undergo significant reductions
- These reductions likely to impact sawlog trade with China
- Volume from Russia tempered by export ban beginning in 2022
- Outlooks for EU sawnwood production remain mixed, data points to likely negative trend in certain regions

Pulp Market Outlook

Supply

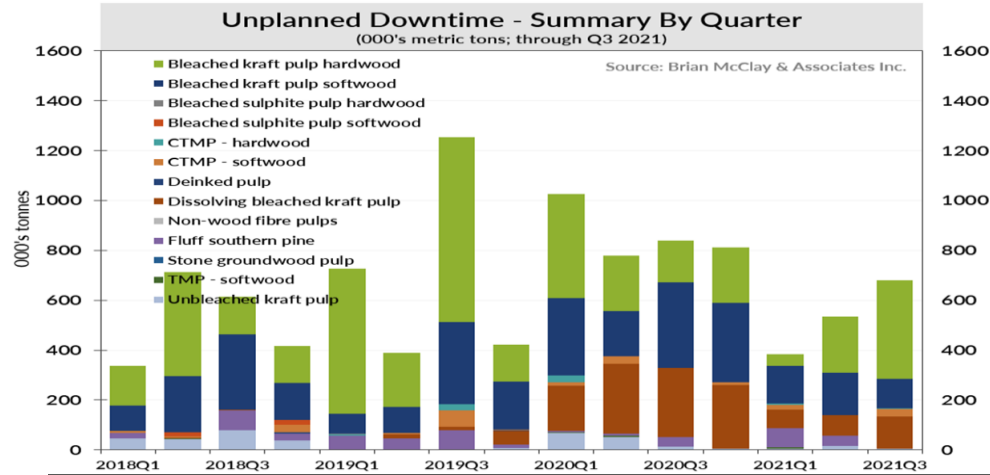
- Softwood capacity in 2022 projected to slightly increase by 0.5% due to a number of debottlenecking projects – namely Södra Värö
- Supply chain issues continue to impede the smooth delivery of goods and putting pressure on freight rates
- PPC projects Softwood Market Pulp Capacity will be 30 million tonnes in 2025 which is 1.3 million tonnes (4.5%) tonnes higher than 2021. Mainly driven by Metsa Fibre Kemi project in Finland and Paper Excellence Prince Albert restart both scheduled for 2023.
- PPC forecasts global pulp demand/capacity balance for softwood market pulp at 91.7% in 2021, and ranging from 90% to 92% between 2023 - 2025
- Significant capacity increase of Hardwood market pulp through 2025 with over 6 million tonnes coming on line leading to hardwood pulp demand/capacity balance in the 88% to 89% range

Demand

- PPC is reporting a decrease of 4.0% YTD October 2021 in global demand for Market Pulp with a 4.1% decrease in bleached softwood demand mainly attributed to weak demand in China
- Global tissue demand down 0.5% YTD August 2021 due to destocking from pandemic fueled demand in 2020. Going forward, continued steady growth expected in the 2% to 3% range.
- Global Printing & Writing Paper demand has increased by 4.1% YTD August 2021 due to reduced pandemic restrictions but is expected to decline in future years
- Following a 2.8% decrease in demand in 2021, PPC projects a 4.6% increase in global demand for Market Pulp in 2022 including a 4.7% increase in Softwood demand
- PPC estimates Chemical Market Pulp Demand to increase by an average of 2.1% annually between 2023-2025

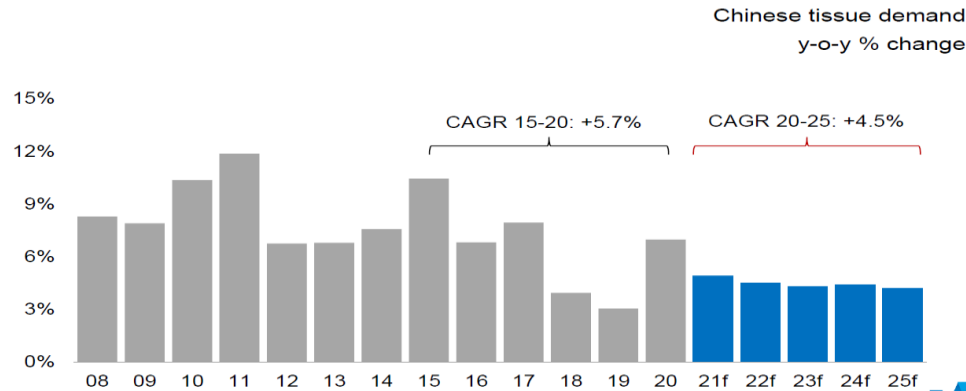
Pulp Market: Key Drivers

Unplanned Pulp Downtime Increased Through 2021



Chinese Tissue Demand Remains Strong

Demand should grow ~4.5% per year out to 2025



Source: Numera Analytics

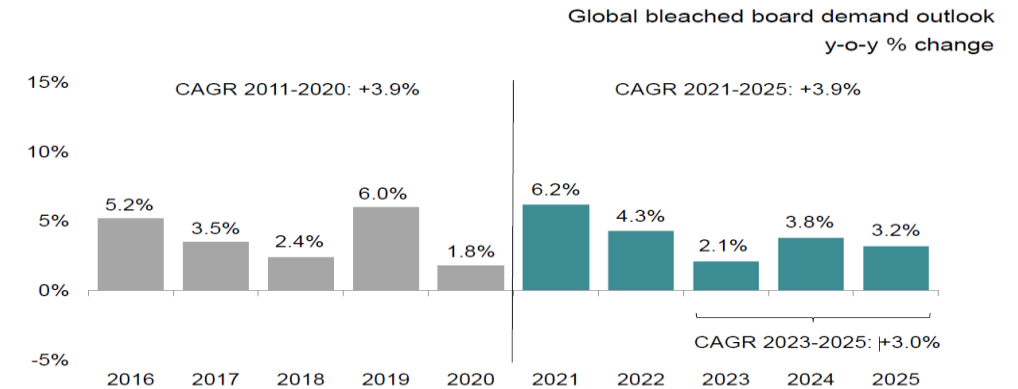


Global Supply Chain Congestion Limiting Shipments to China



Global Board Recovery Underway

Growth to average 3.0%/yr following recovery



Source: Numera Analytics



Canfor / Canfor Pulp – Value Proposition



**High Quality Products
& Customers**



**Sustainable, High-Quality
Fibre Supply**



**Well Capitalized
Mills**



**Top Performing Global
Business**



**Strong Balance
Sheet**



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