

Canfor Corporation

May 2023



Canfor Corporation



Pat Elliott

CFO & SVP, Sustainability

Dan Barwin

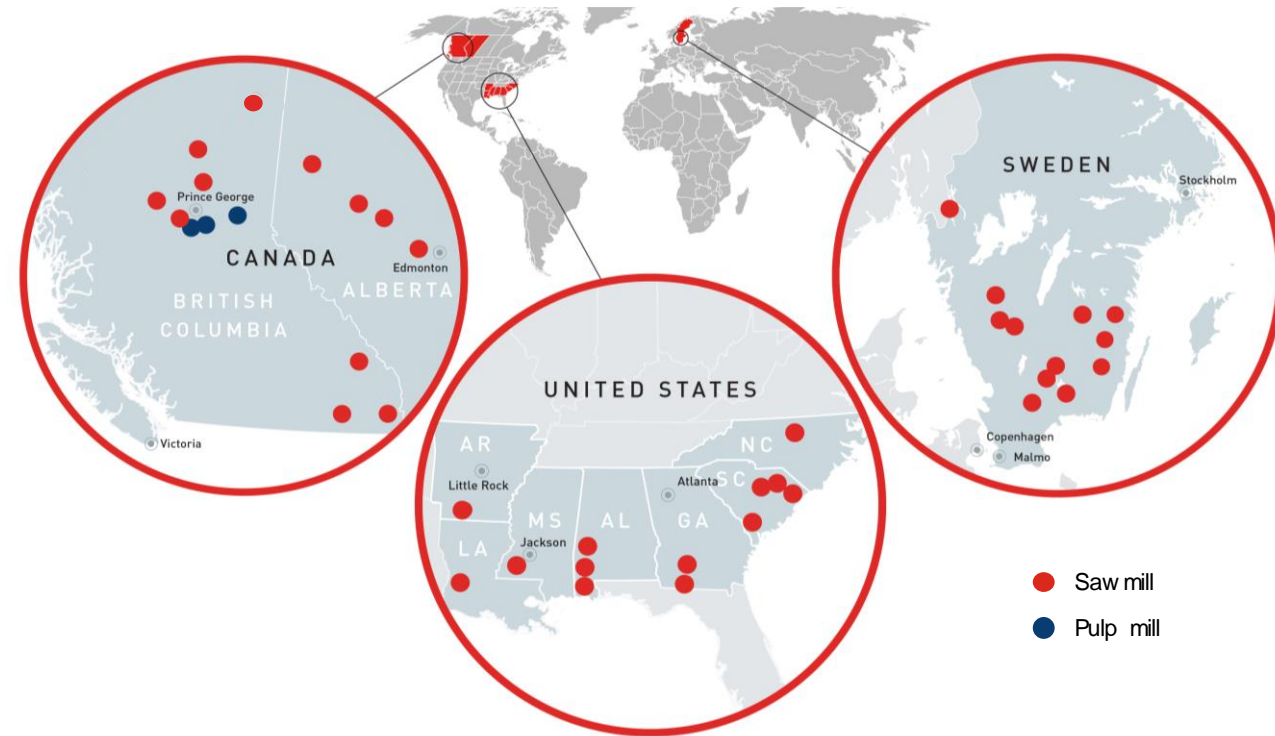
Director, Corporate Finance

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.

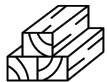
For further details on these factors and our assumptions and applicable risks and uncertainties, please refer to Canfor Corporation's Annual Report for the year ended December 31, 2022 available at www.canfor.com or www.sedar.com.

Company Overview

- Global leader in the manufacturing of sustainable forest products
- Geographic and product diversification supporting earnings through the cycle
- Well positioned for further growth



Lumber



37 Sawmills*

7.1 BBF Annual Capacity*

Global platform

Worlds Largest Softwood Lumber Producer

Pulp & Paper



3 Mills

775K tonnes of Northern Softwood Kraft

Integrated Paper Machine (~140K tonnes annual capacity)

High-value product focus

Other Operations

16 Value-Added Facilities

Pellet Plants

Glulam

Green Energy

Packaging

Modular Housing

*Includes Greenfield Saw mill in Louisiana (250 MMf/bm, 2023), organic growth in Arkansas (115 MMf/bm, 2024), Greenfield saw mill in Alabama (net increase of 130 MMf/bm, 2024); excludes Houston saw mill



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.

<https://sustainability.canfor.com/>



Our Climate Ambition

As we make progress on our climate journey, we will continue to explore opportunities to reduce carbon emissions across our value chain

TARGETS

Reduce absolute scope 1 and scope 2 carbon emissions by 42% by 2030 from a 2020 base year



Measure our scope 3 emissions and establish a science-based reduction target by 2024

EMISSIONS SOURCES

SCOPE 1 & 2 EMISSIONS

SCOPE 1: All **direct emissions** from Canfor's activities or activities under our control. E.g., emissions released from generating electricity on site.

SCOPE 2: **Indirect emissions** from the electricity Canfor purchases and uses. E.g., emissions from electricity purchased from the grid.



LUMBER OPERATIONS



PULP OPERATIONS



SCOPE 3 EMISSIONS

SCOPE 3: All **other indirect emissions**, occurring from sources that Canfor does not own or control. E.g., emissions from the transportation of products via rail.



WOODLANDS

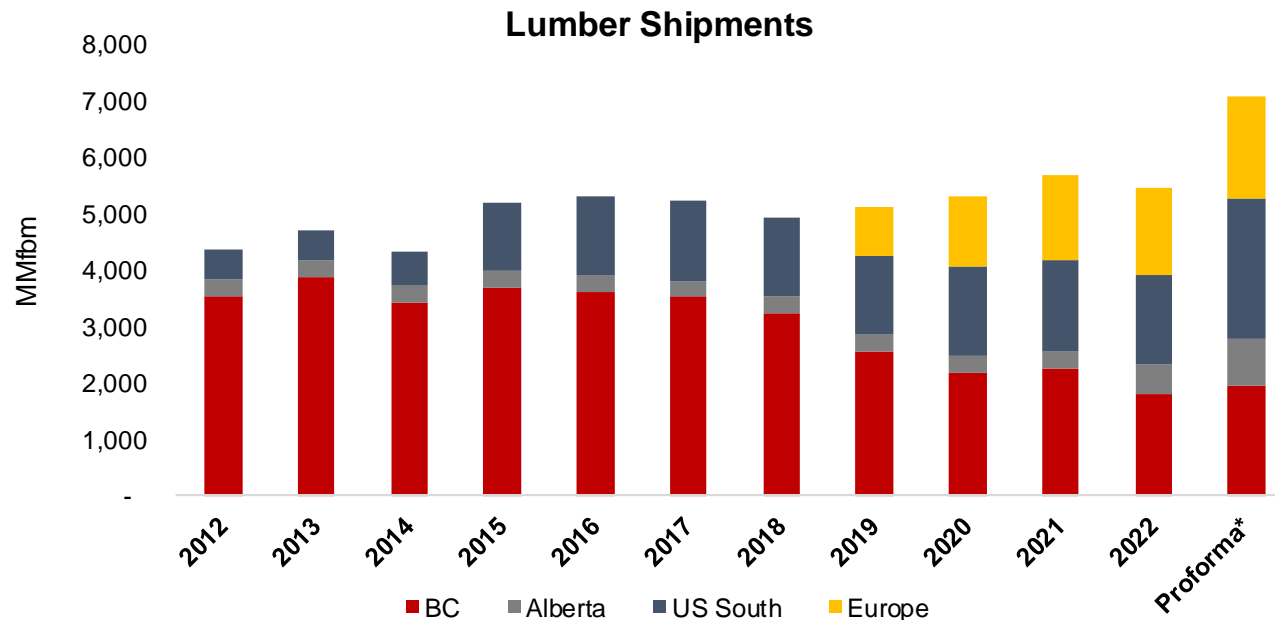


OTHER VALUE CHAIN EMISSIONS

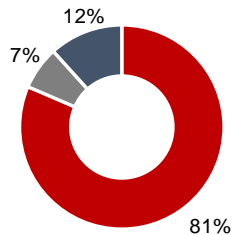
We plan to invest at least \$250 million in carbon reduction projects across our business by 2030

Growing Lumber Business

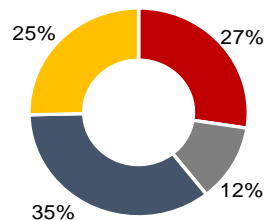
Executing on diversification strategy to support more stable returns over the cycle



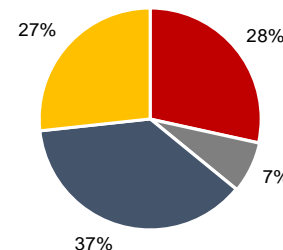
Regional Lumber Capacity 2012



Regional Lumber Capacity Proforma*



Lumber Segment EBITDA** 2019-2023 YTD



Highlights

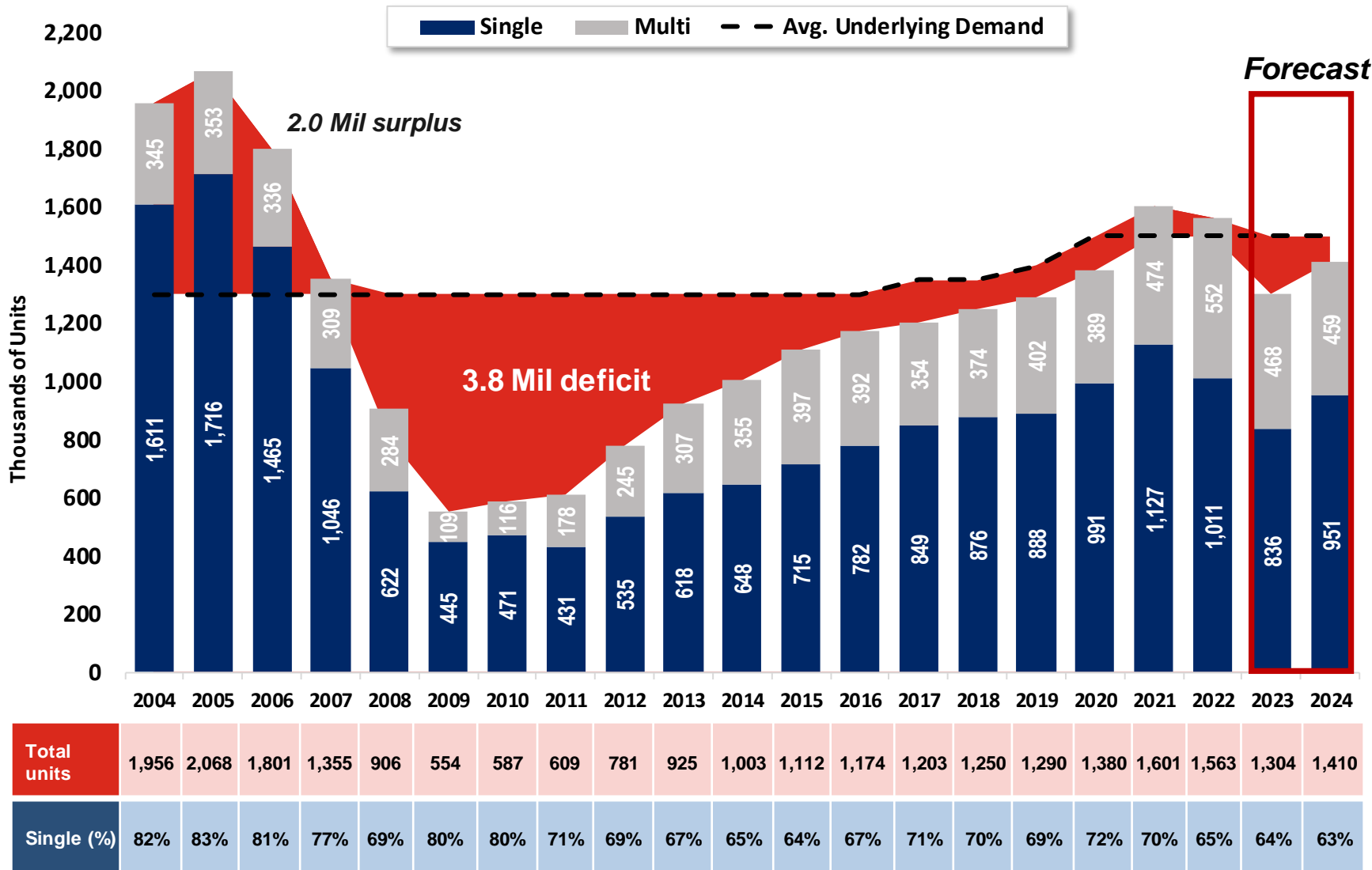
- 
Disciplined Approach to Growth
 Over 3.0 BBF capacity acquired through M&A (C\$560/Mfbm) since 2013¹
- 
300%+ Growth in US South
 Achieved through targeted CAPEX, strategic acquisitions
- 
Successful Expansion in Europe
 Providing transformational growth and diversification; profitable through the cycle
- 
Alberta Expansion
 Providing critical supply of SPF lumber in low-cost jurisdiction
- 
Well Capitalized BC Assets
 Strong cash flow generation over the cycle despite declining fibre basket
- 
Balance Sheet Strength
 Company well positioned to grow further on a global basis

¹ Vida capacity and purchase price reflective of Canfor's 70% ownership

* Includes greenfield sawmills and planned investment in Arkansas; excludes Houston sawmill

** Excludes one-time items

U.S. 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 & Lack of Inventory**
 Low existing home inventory is channeling more 1st time buyers into new homes
- ✔ **Favorable New Home Premium**
 Premiums for new homes remain low at just \$7/sq. ft. higher than existing homes on average
- ✘ **Affordability**
 Conditions likely to remain prohibitive throughout 2023 and early 2024
- ✘ **Economic Landscape**
 Negative wealth effects along with recessionary backdrop to perpetuate downside

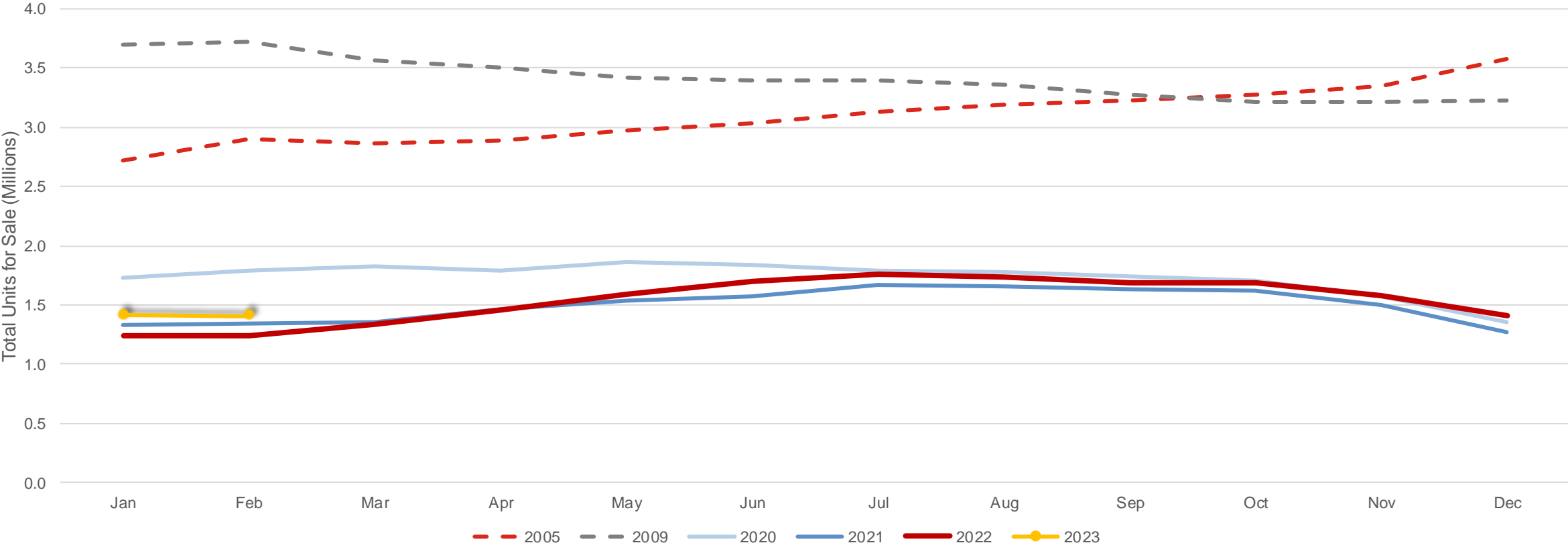
Source: US Census Bureau, Canfor Market Intelligence, Redfin, Zillow



Total Housing Units for Sale

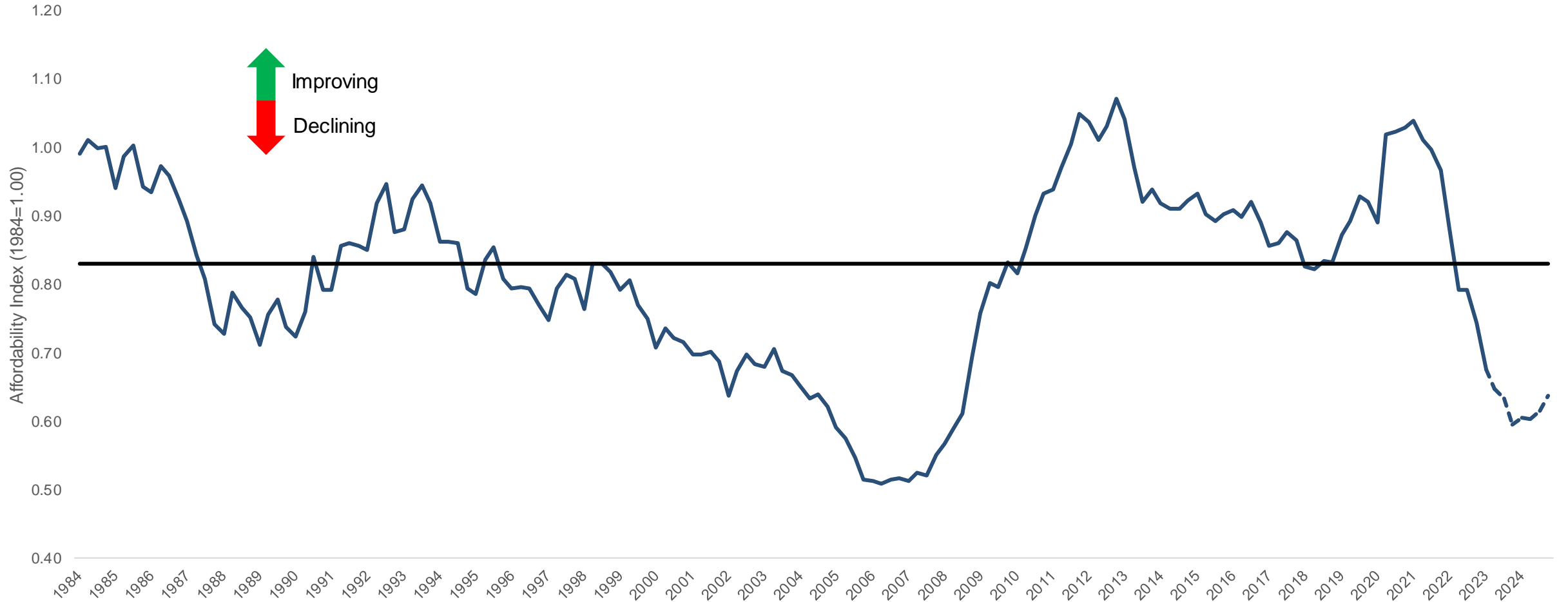
While new homes for sale reaches high levels, total units remain well below historical levels

Total US Housing Inventory by Month



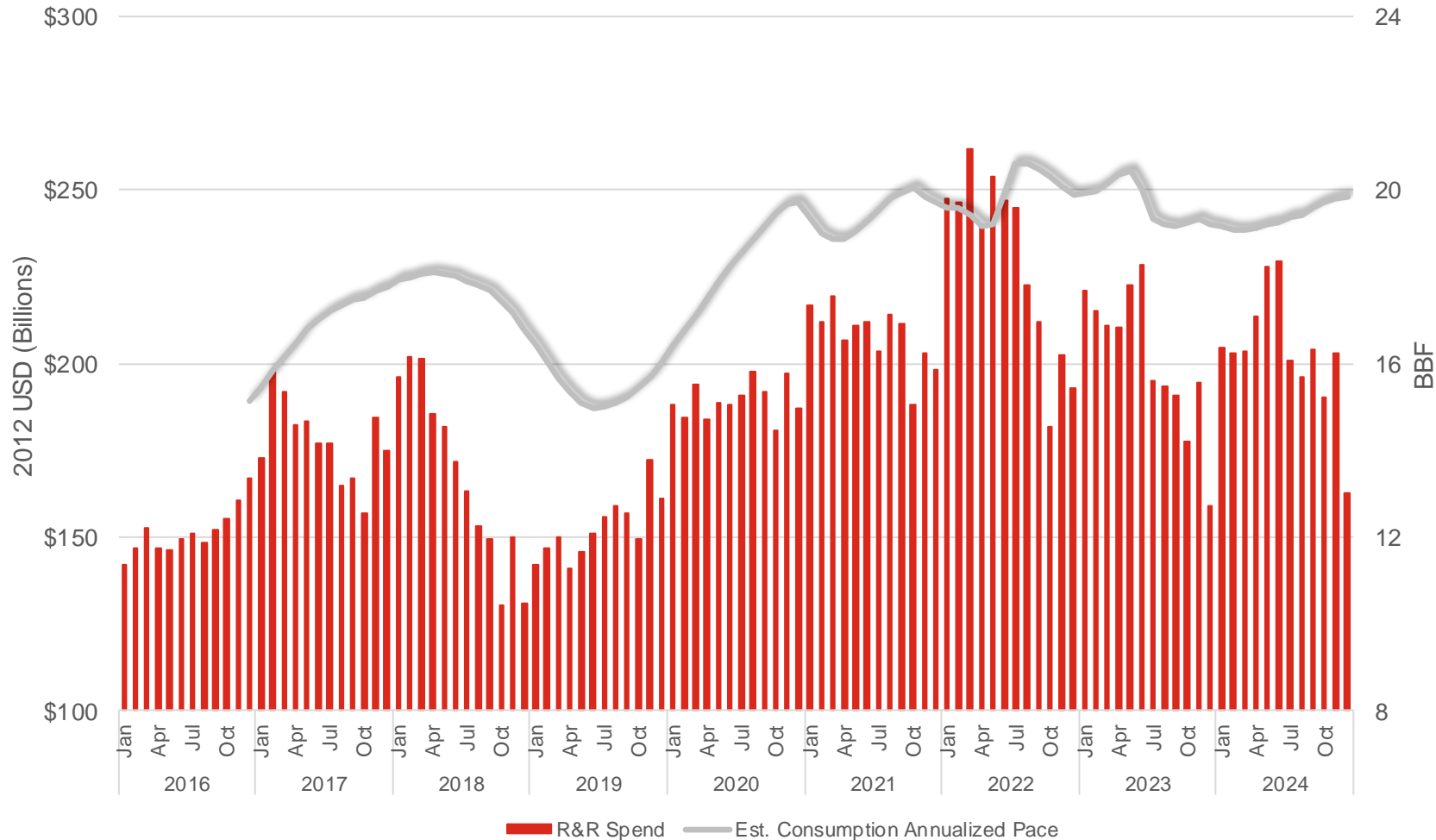
Affordability Index

National Home Affordability Index



Repair & Remodel Outlook

R&R Spend Forecast
Seasonally Adjusted Annual Rate



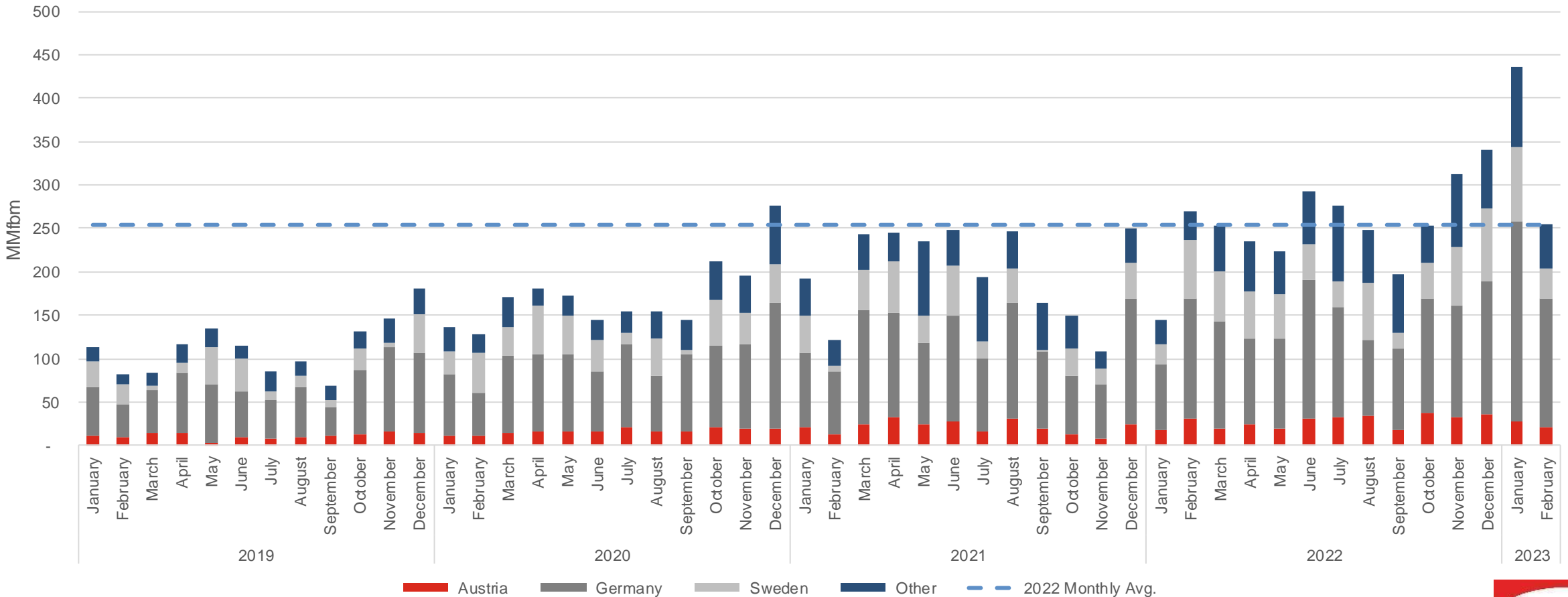
Source: US Census Bureau, Canfor Market Intelligence

Considerations

- ✓ **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
- ✗ **Home Price Outlook & Share of Wallet**
 Inflation alongside negative outlook for home prices will weigh on share of wallet allocation to R&R
- ✗ **Household Balance Sheets**
 Core inflation pushing personal savings rate below pre-pandemic levels, reducing disposable income
- ? **Materials Cost**
 DIY segment remains highly sensitive to materials cost, high prices pose risk to near term activity

US Imports from Europe

- Imports from Europe broke the all-time monthly record in January
- A significant decline followed in February (in line with the 2022 monthly average)
- Projecting continued decline in European imports in coming months

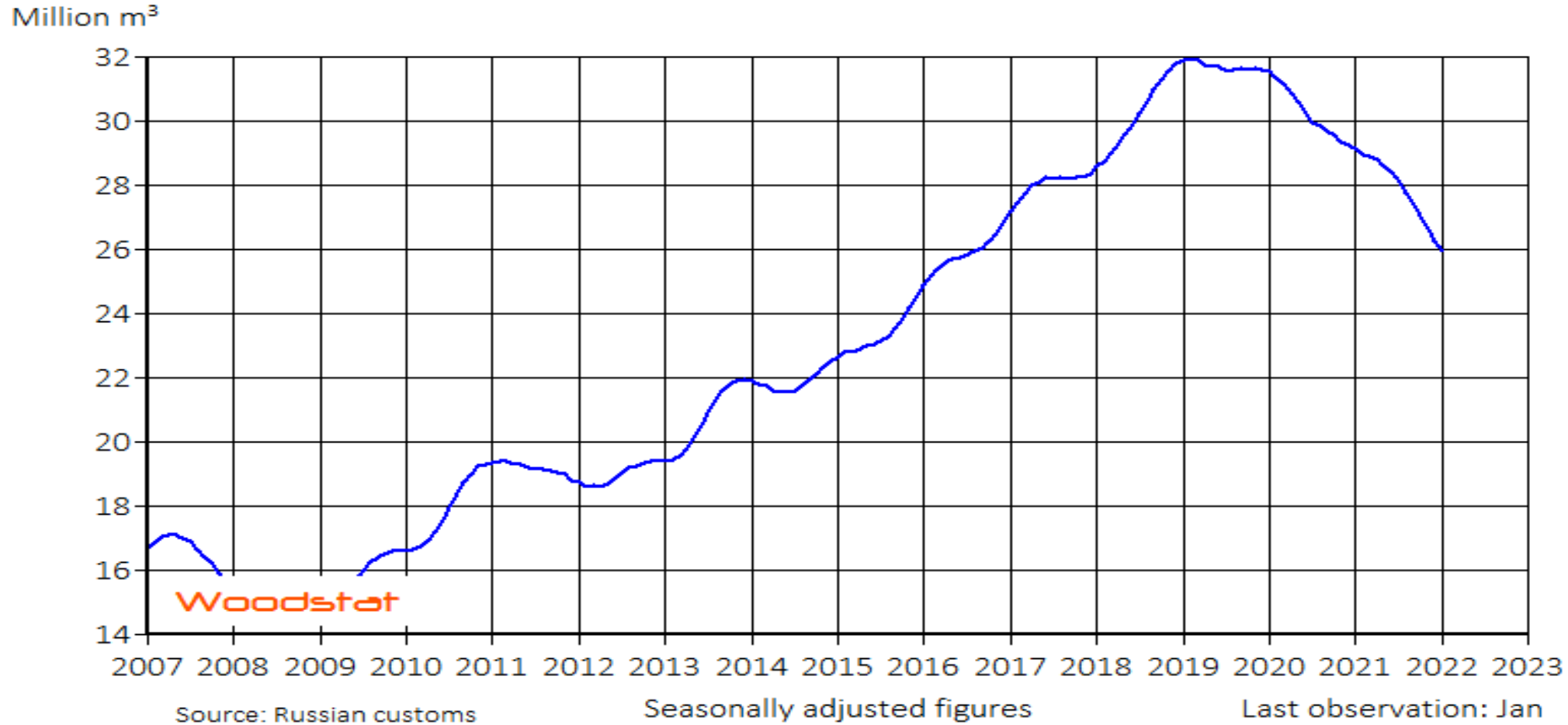


Source: USDA FAS GATS, Canfor Market Intelligence



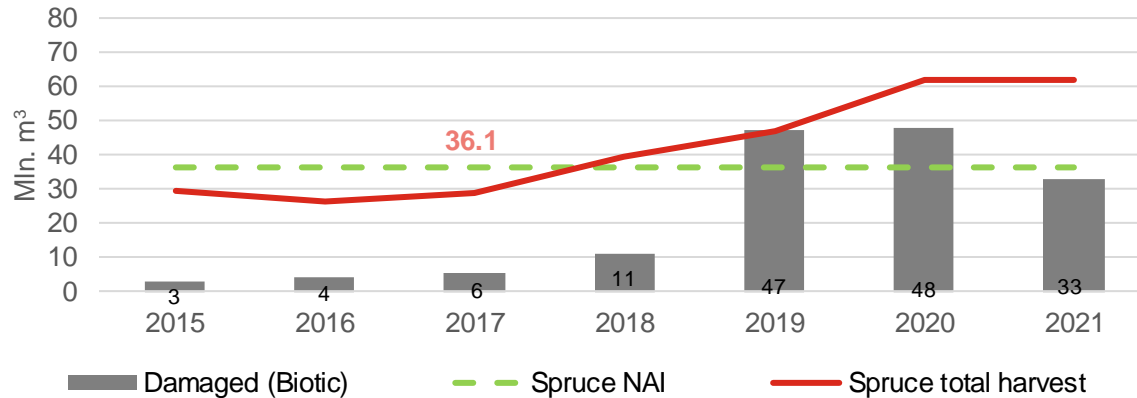
Russian Export Trends

RUSSIA export of softwood lumber
Seasonally adjusted annual rate

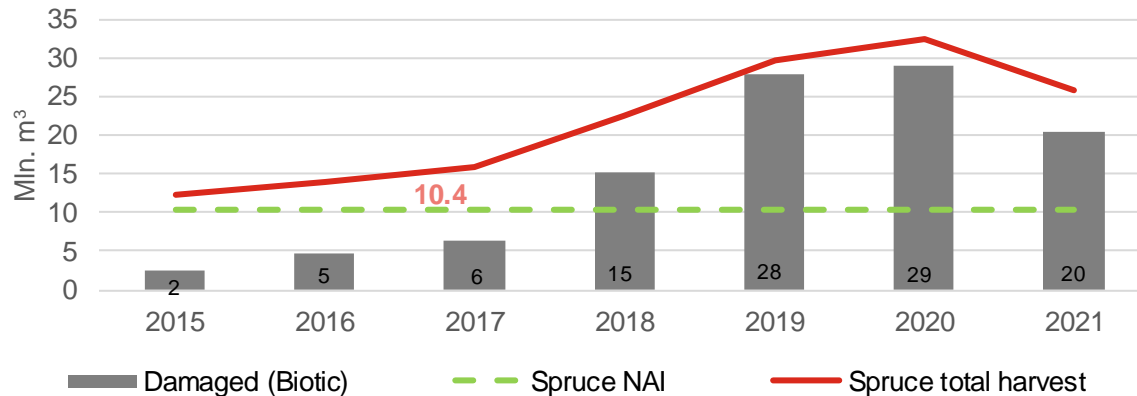


European Spruce Bark Beetle Update

Germany: Damaged, Spruce Harvest & NAI



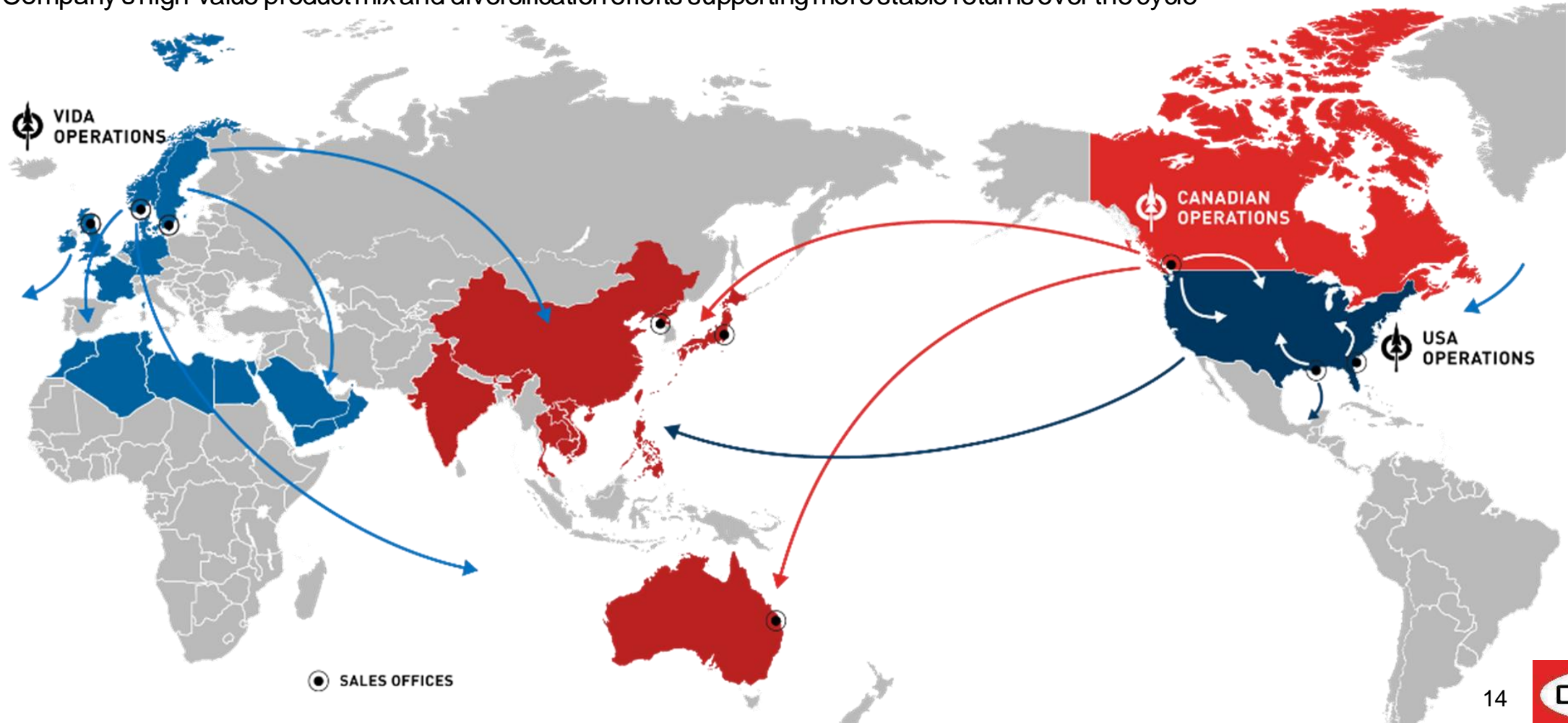
Czechia: Damaged, Spruce harvest & NAI



- Spruce Bark Beetle has impacted the lower elevation lands of Germany and Czechia over the mountainous (cooler) regions of Austria, Switzerland and Slovakia
- Germany and Czechia have been sanitary over-harvesting the bark beetle damaged Spruce which will have a down-fall volume impact in the coming years

Canfor Supply Chain

- Ability to leverage global platform to support key programs and optimize supply chain
- Strong alignment with key customers and channels (e.g. Home Center)
- Company's high-value product mix and diversification efforts supporting more stable returns over the cycle



Canfor High Value Product Diversification

Products that unlock incremental value with stabilized pricing

Appearance

J grade & Square Edge Dimension Boards, Pattern, Fascia, Clear

Visual appearance is primary purchase variable



Application

**SYP Long Length 22'/24'/26'
SPF & Spruce Metric Sizes**

Matching sizes to end-user requirements



Strength

MSR Dimension, Lamina Blanks & SYP Glulam Beams

Leverage fibre strength to match demand
North America's largest producer of SYP Glulam



Greenfield Sawmill: DeRidder, LA



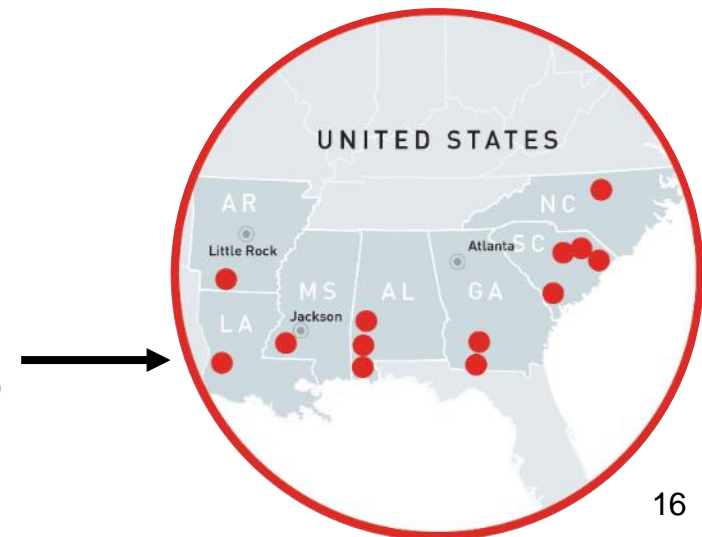
Summary

- US\$160M investment (~\$640/Mfbm)
- 250 MMfbm capacity, on track for start-up in early 2023
- High-speed, top-quartile cost operation producing high value products
- Complete vision and bio-scanning to maximize grade and lumber recovery
- Modern yet proven processing technology and lumber handling
- Smart, fully connected mill supporting predictive analytics and enhanced efficiency

Strategic Alignment

- Access to an abundant supply of high-quality fibre
- Proximity to strategic customers
- Further diversification of our US South footprint

DeRidder, LA
250 MMfbm (2023)



Greenfield Sawmill: DeRidder, LA

Fully Operational in Early Q2



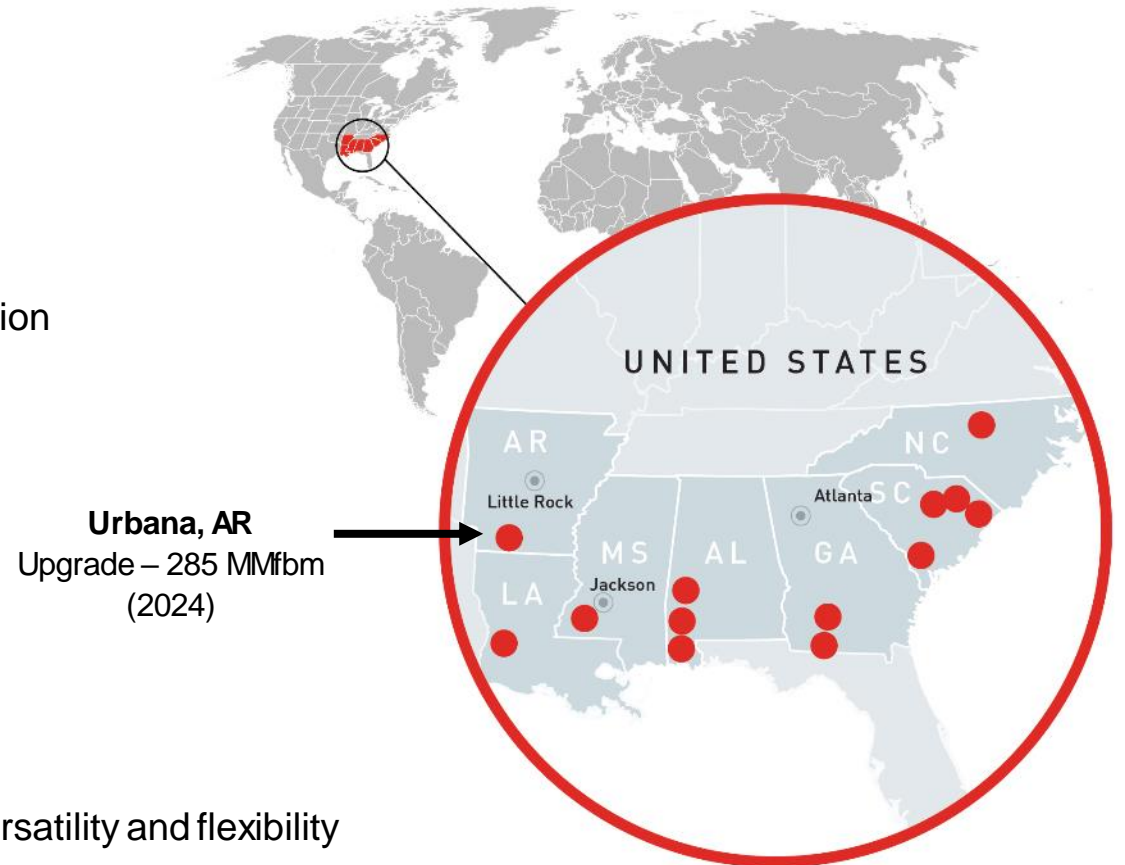
Modernizing Urbana Sawmill

Summary

- US\$130M investment
- 115 MMfbm capacity increase, 2 shift operation
- Significantly improves cost structure
- Projected start-up in Q1 2024

Strategic Alignment

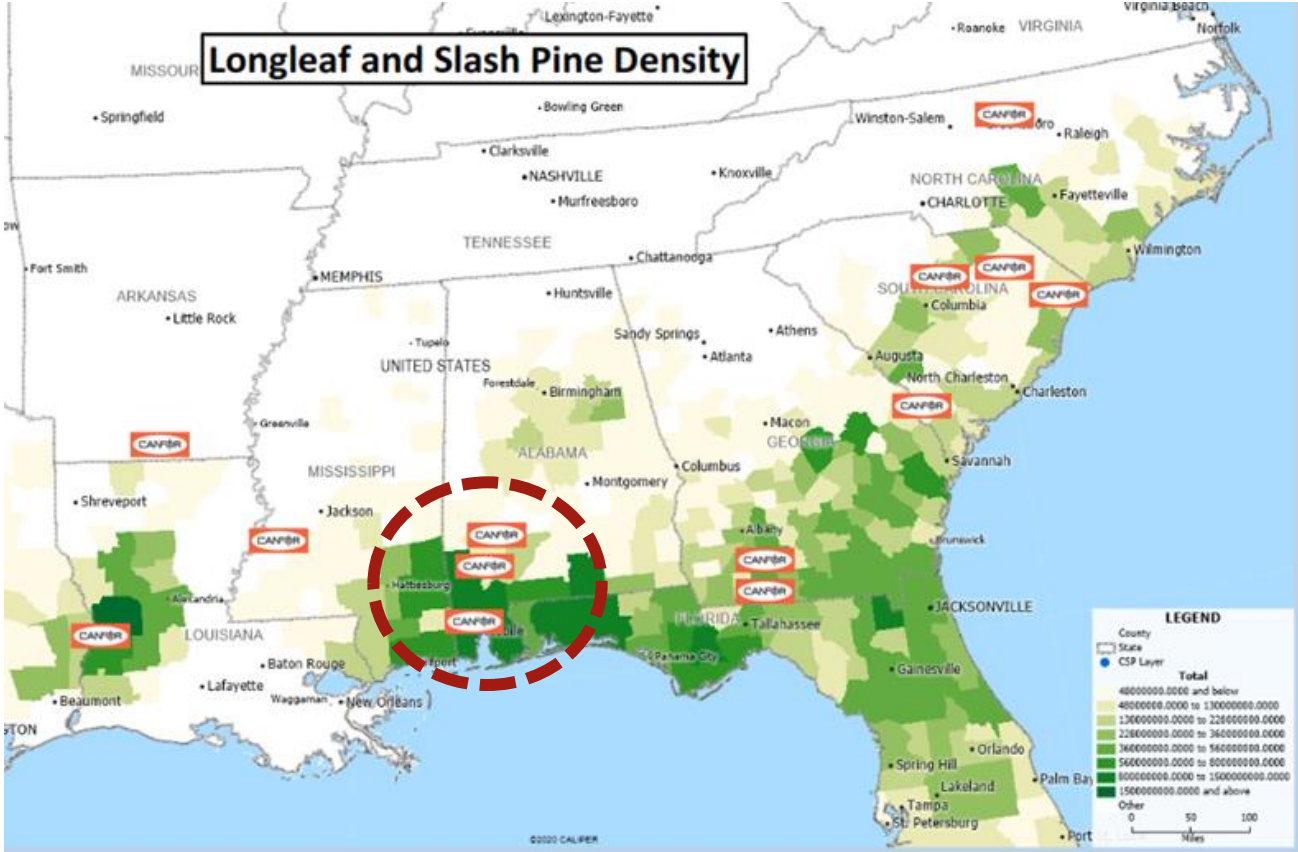
- Improves manufacturing efficiency, versatility and flexibility
- Abundant supply of high-quality fibre (2.0 growth to drain ratio)
- Increases high value product mix (LAM stock, MSR, CLT Stock)
- Top quartile mill close to major end markets



Greenfield Sawmill: Axis, Alabama

Summary

- US\$210M investment (\$840/Mfbm)
- 250 MMfbm capacity, projected start-up in Q3 2024
- State-of-the-art, top quartile sawmill
- Optimizes strong fibre basket in region
- Improved manufacturing flexibility provides opportunity to capture market premiums on specific products
- Located in Axis, Alabama, approx. 25 miles north of Mobile

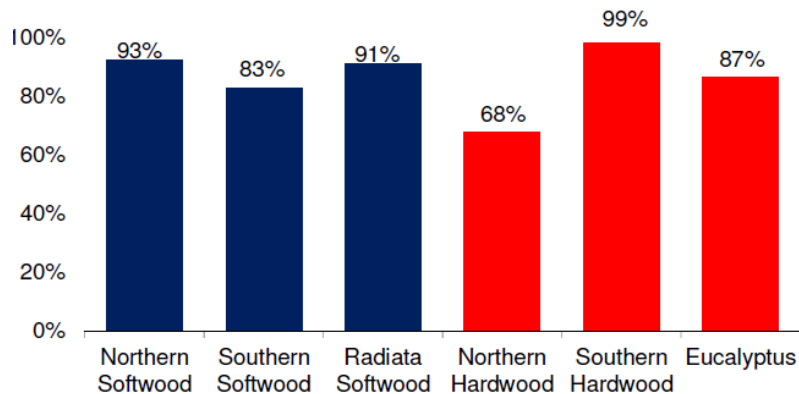


Pulp Market Update

- Supply uncertainty early in 2023 kept prices at elevated levels
- Pulp prices declining in short term as supply chain pressures ease and incremental hardwood capacity ramps up
- Softwood Market Pulp Capacity up estimated 0.8 million tonnes by 2026 (from 2023) - mainly the Metsä Fibre Kemi mill
- Global softwood pulp demand/capacity balance projected at 89% in 2023 steadily increasing to 91% in 2026*
- Softwood demand growth to be concentrated in China and Other Asia market segments
- Canfor Pulp well positioned to service increasing demand for specialty products

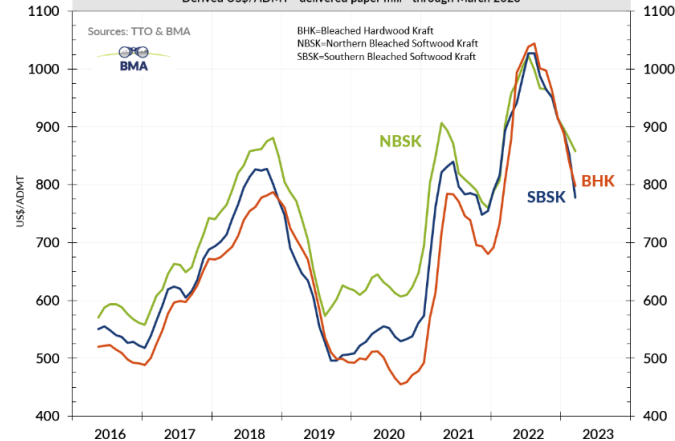
Global Operating Rates Remaining Steady

World Chemical Market Pulp Operating Rates (ship.-to-cap.) - February 2023



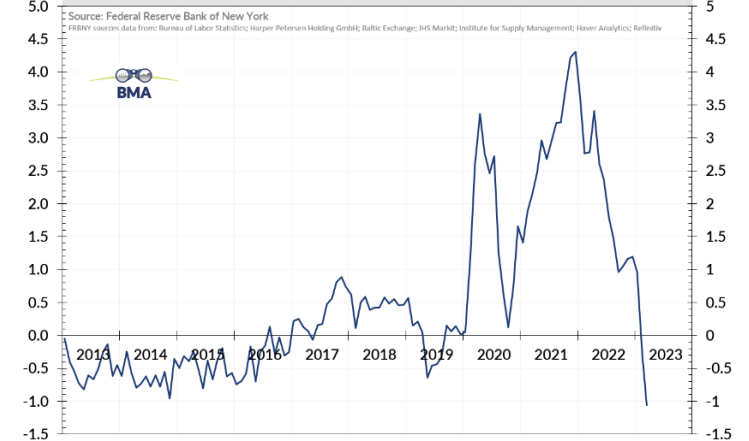
Global NBSK Pulp Prices Correcting From Highs

Monthly TTO pulp net-price indices - North America
Derived US\$/ADMT - delivered paper mill - through March 2023



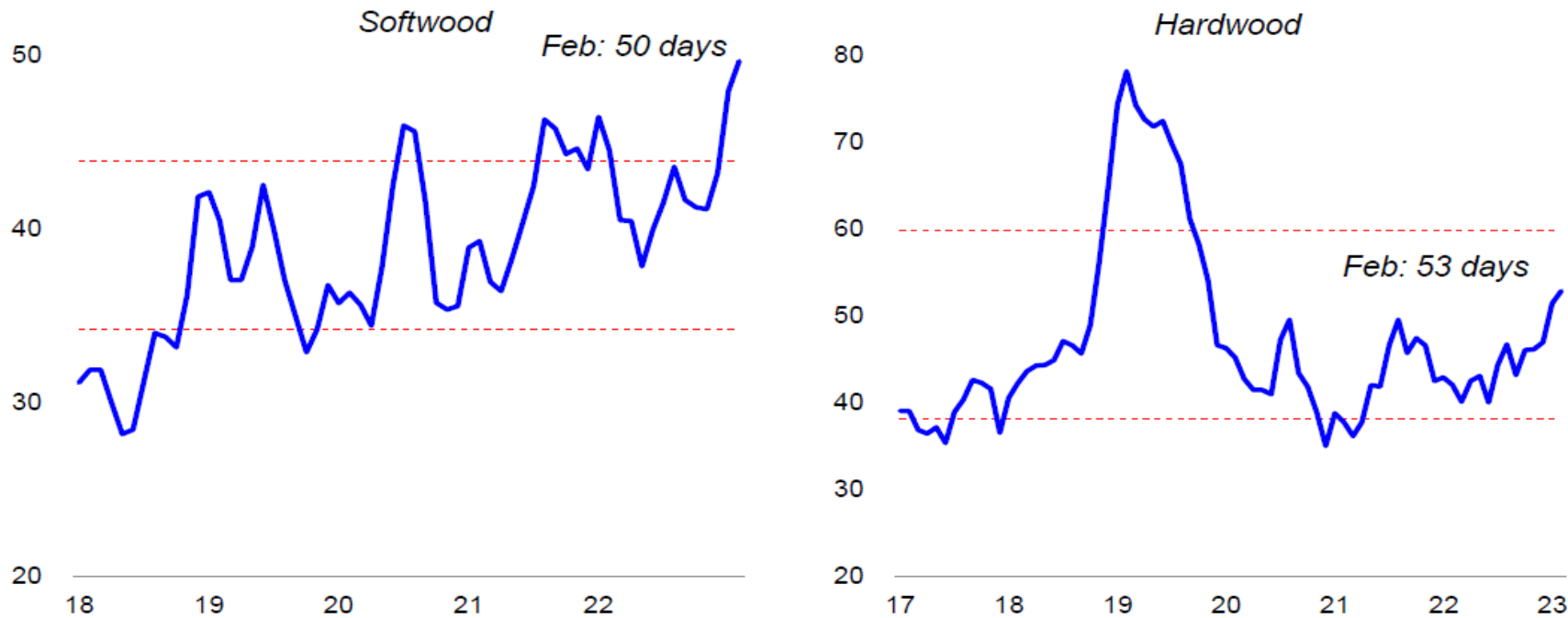
Pulp Supply Chain Pressures Easing

Global Supply Chain Pressure Index
Standard deviations from average value through March 2023



Producer Inventories Are High

World-20 BI. Chemical Market Pulp Producer Stocks
days of supply (standard calc.) vs normal range*



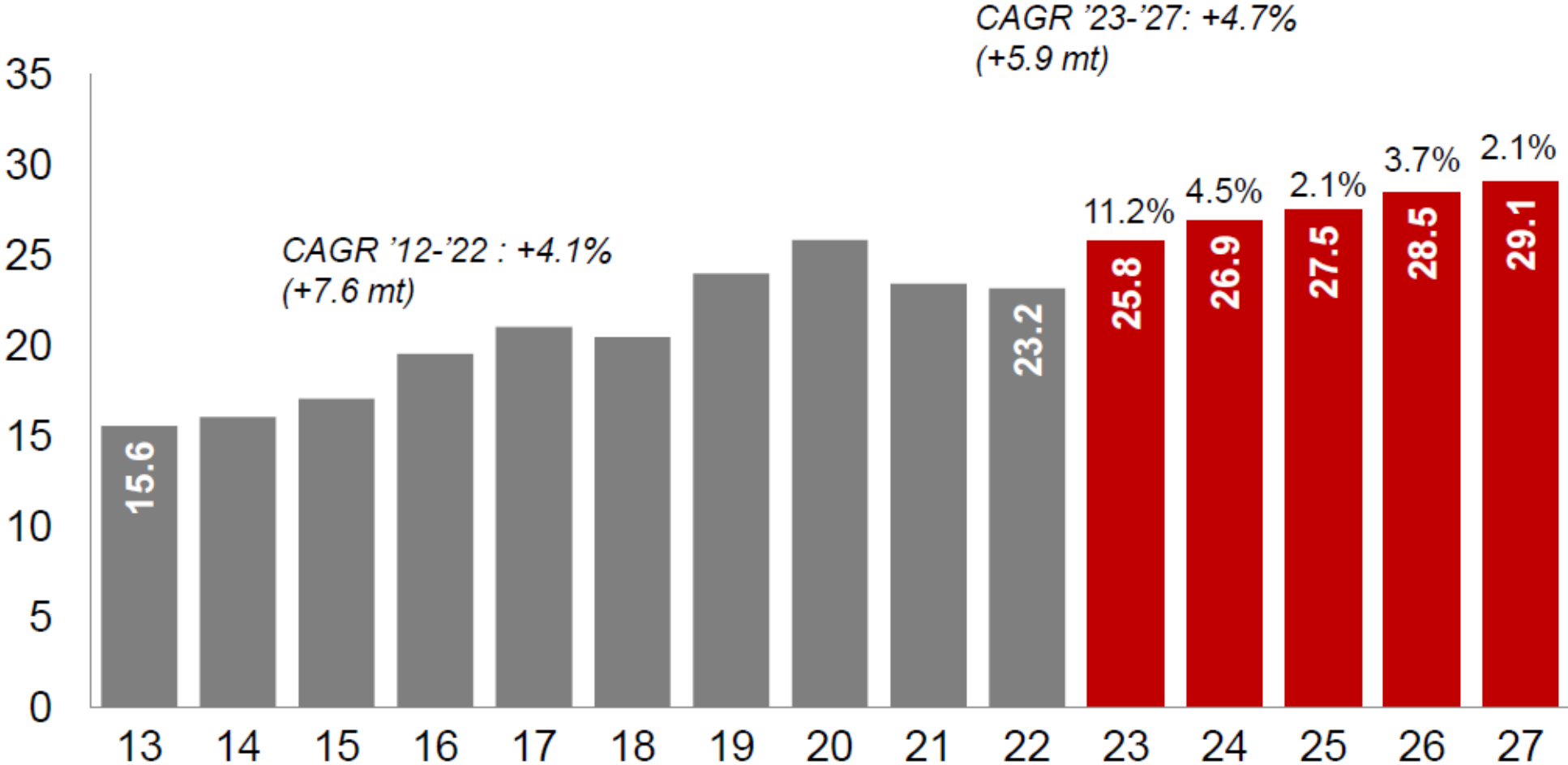
* Days of supply, corrected for seasonality; upper and lower limits are the average level plus or minus one standard deviation based on the last 60 data points

- Producer inventories are elevated for both softwood and hardwood grades
- Significant pulp hardwood additions have recently come online with tepid demand
- Expect short term price volatility until inventories move into the balanced range

Source: PPPC



Canfor Pulp Well Positioned For China Market

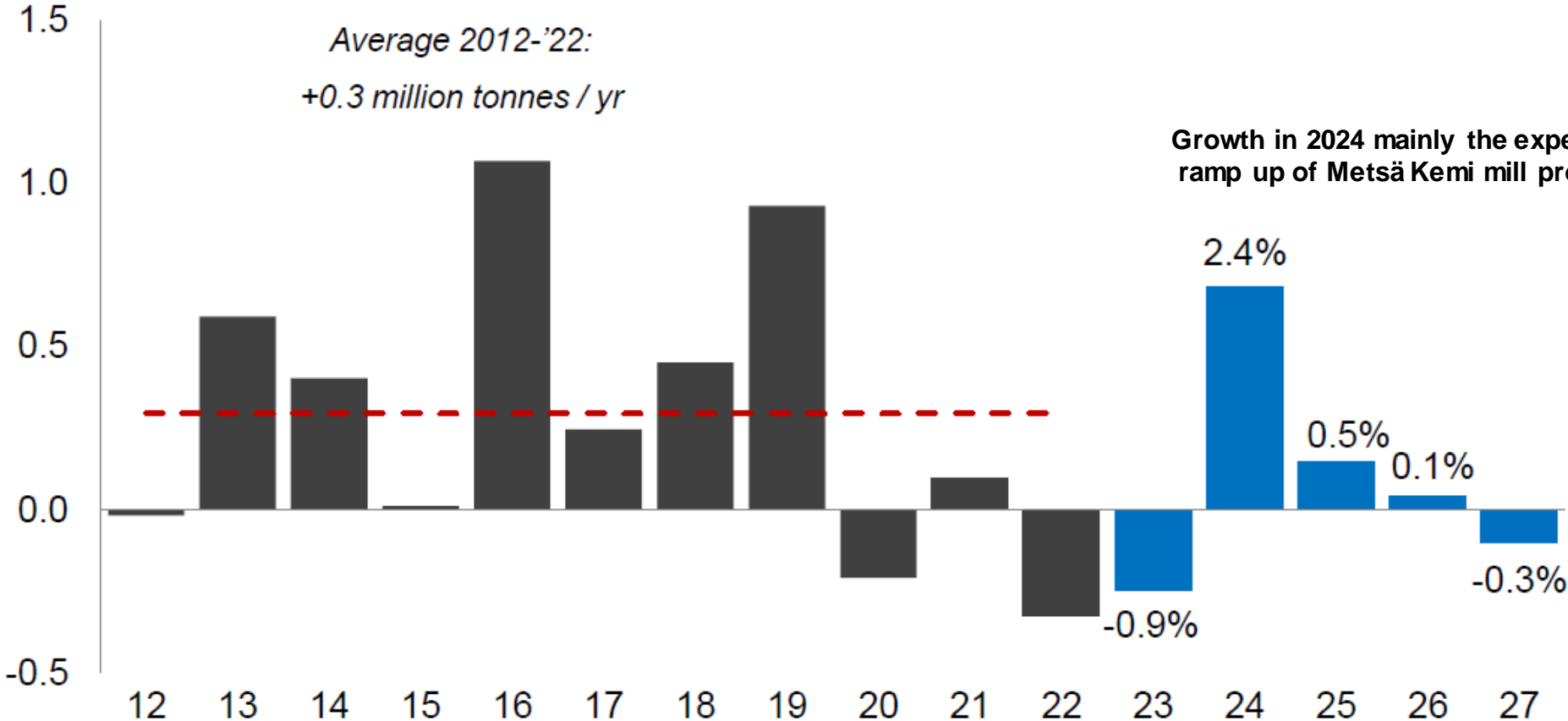


Source: PPPC – Market Pulp Outlook November 2022



Softwood Market Capacity Pipeline Relatively Quiet

World Bl. Softwood Market Pulp Capacity
y-o-y increase in million tonnes and %



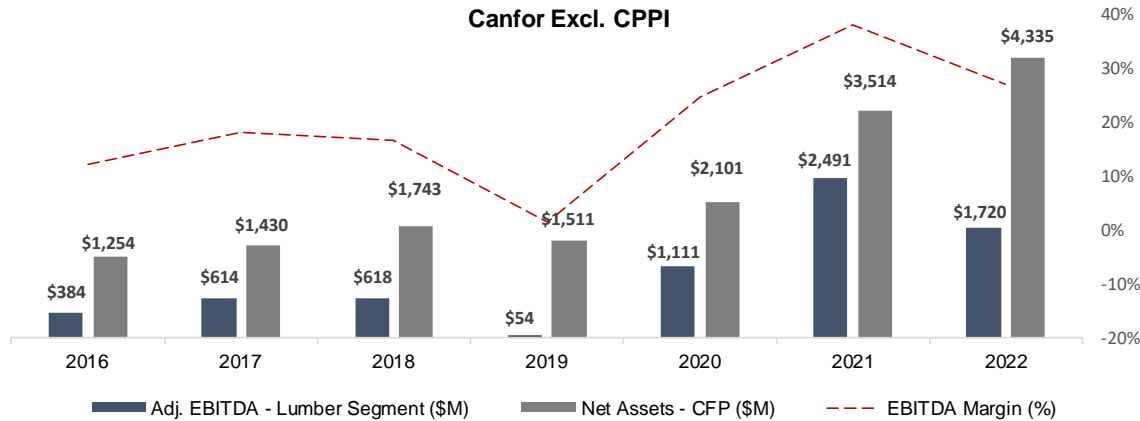
Source: PPPC – Market Pulp Review and Outlook April 2023



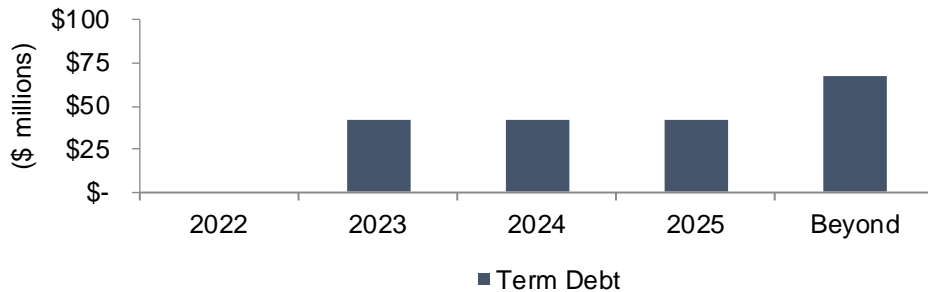
Financial Highlights

- Record profitability in recent years supporting various organic and external growth initiatives
- Well positioned to further grow lumber business on a global basis
- Canfor Pulp has significant available liquidity to support expanded capital re-investment plan (no debt maturities until 2027)

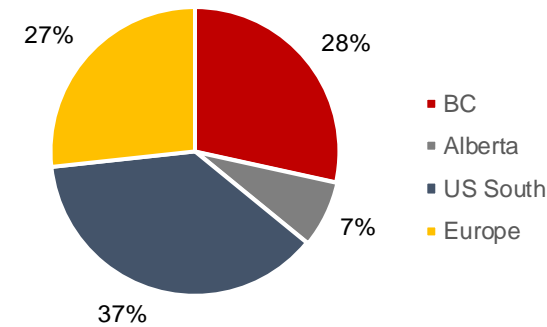
Historical Financial Results
Canfor Excl. CPPI



Scheduled Maturities*
Canfor (Excl. Vida and Canfor Pulp)



Lumber Segment EBITDA **
2019-2023 YTD



Q1 2023 Summary Canfor (Excl. CPPI)

Net Cash
\$729M

Liquidity
\$2.0B

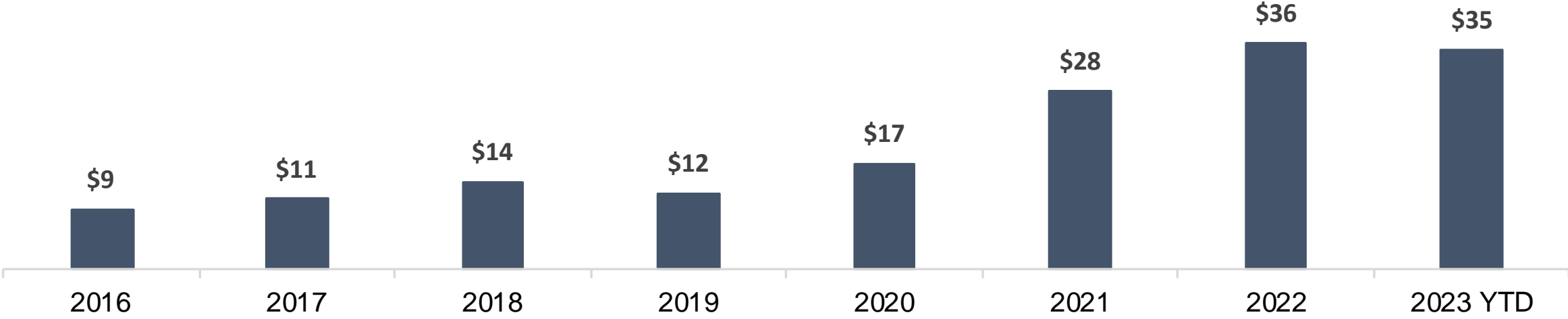
Duty Deposits
\$898M

Total Assets
\$5.9B

Book Value / Share
\$33.81

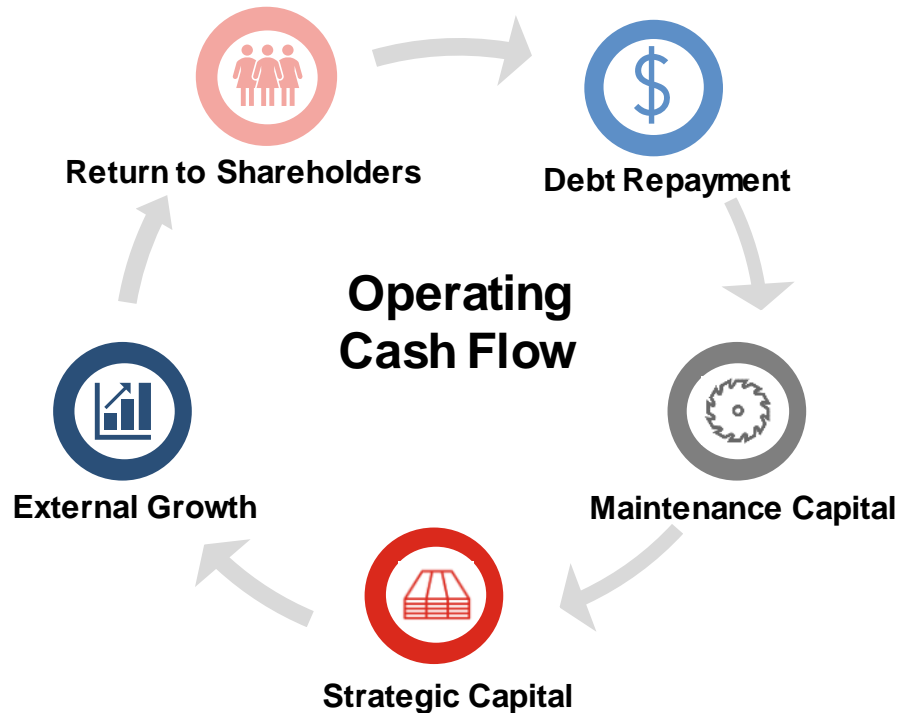
Significant Growth in Net Assets / Share

**Net Assets (\$/Share)
Canfor Excl. CPPI**



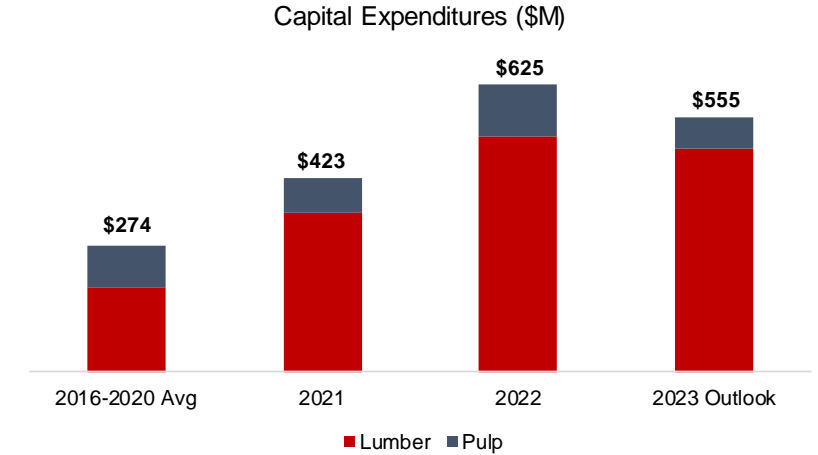
Capital Allocation

- Disciplined approach to capital allocation
- Continuous reinvestment in operations and targeted external growth
- Focus on eliminating debt and maintaining strong balance sheet
- Opportunistically repurchasing shares under NCIB and returning capital to shareholders

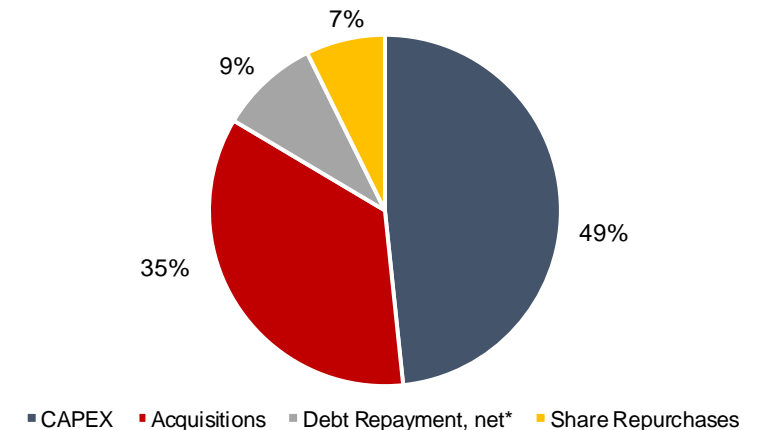


* Including the Company's operating loan facility

Expanded Capital Program



Capital Allocation Canfor Excl. CPPI (\$M) 2016 - 2023 YTD \$3.9B Total



Value Proposition

CANFOR / CANFOR PULP



**Sustainability
Focus**



**Differentiated
High-Value Products**



**Diversified
Global Platform**



**Well Capitalized
Mills**



**Positioned for
Growth**

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