

Canfor Corporation

CIBC Marketing

June 2020



CIBC Marketing

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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, 2019 available at www.canfor.com or www.sedar.com.

A stylized, light gray graphic of a tree trunk and branches is positioned on the left side of the slide. The trunk is composed of several vertical lines of varying heights, and the branches are represented by curved lines extending from the top of the trunk.

Lumber Supply & Demand

2020 – US Softwood Lumber Supply & Demand

U.S. Lumber Supply

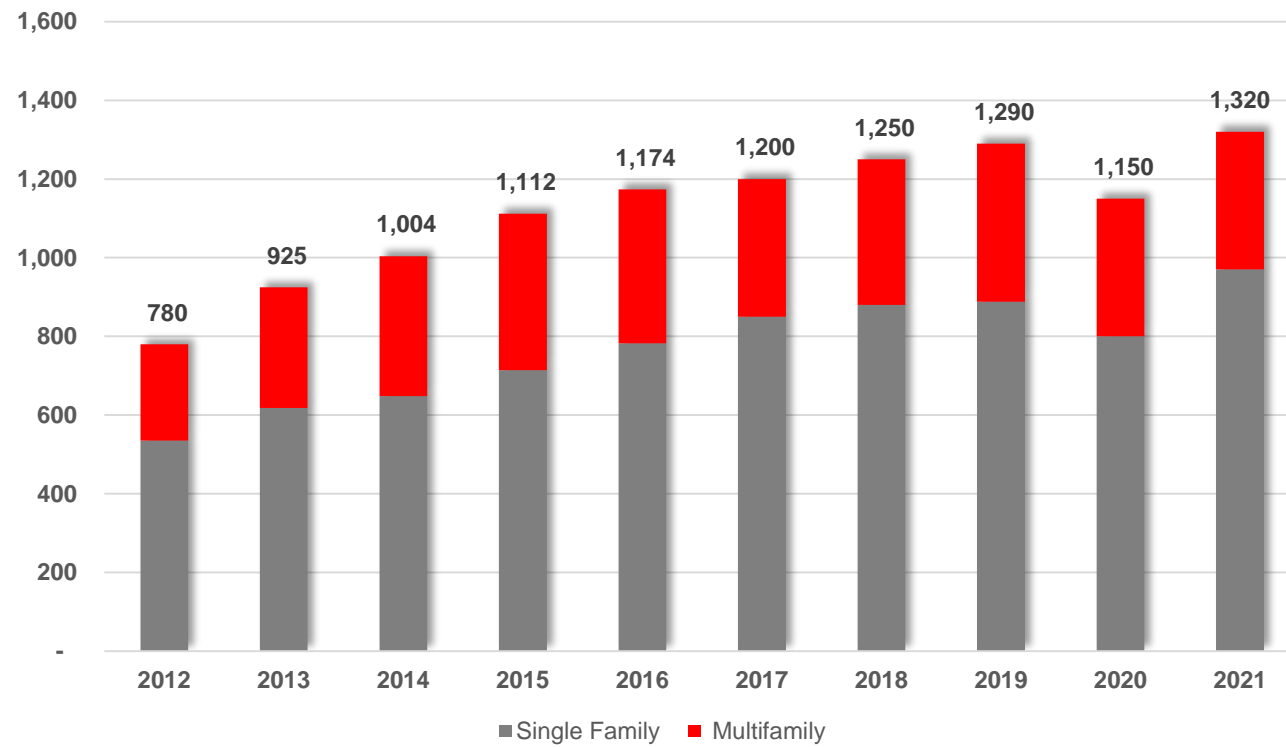
Supply (Bfbm)	2018 Est.	2019 Est.	2020 Fct.
U.S. PRODUCTION	34.9	35.1	34.2
Imports – Canada	13.6	13.2	11.1
Imports – EU & Other	1.4	1.5	1.6
U.S. Exports (<i>minus</i>)	1.7	1.4	1.1
Total Supply	48.2	48.4	45.8

U.S. Lumber Demand

Segments (Bfbm)	2018 Est.	2019 Est.	2020 Fct.
New Home ¹	15.8	16.2	14.8
Repair & Remodeling	17.5	17.5	19
Industrial	12.0	12.1	9.7
Non-Residential	2.5	2.6	2.3
Total Demand	47.8	48.4	45.8

US Housing Starts

- Q2 housing starts continue to track 25-30% below Q4 2019 levels
- Moderate improvement continues in Q3 and returning back to 2019 levels in Q4 2020
- Single family starts to hold a higher percentage of total starts post COVID-19, supported by suburbanization
- Lack of existing homes for sale and declining new home premium will improve starts



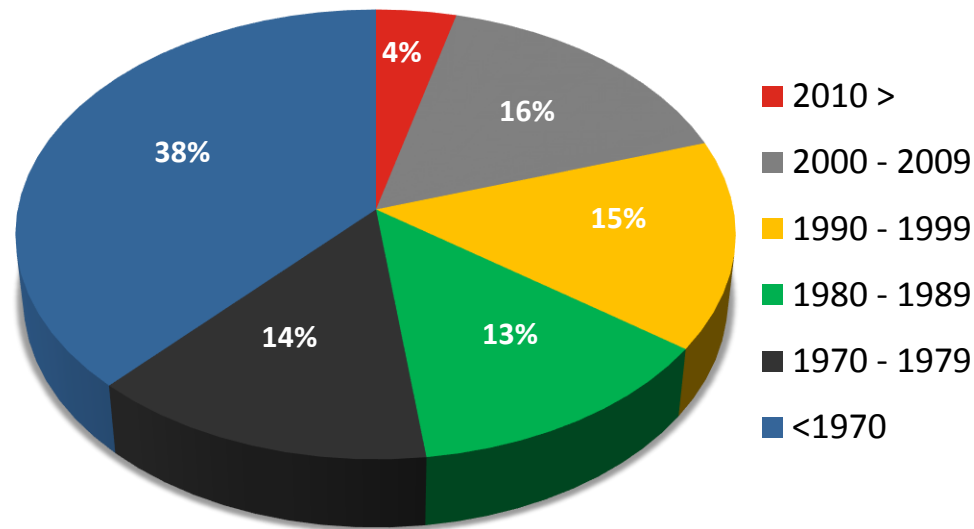
Analysts' Forecast – April 2020

Housing Starts (SAAR)	2020	2021
RBC	1.16	1.25
NAHB	1.08	1.33
CIBC	1.22	1.37
Fannie Mae	1.17	1.26
MBA	1.20	1.38
FEA	1.06	1.32
Industry Average	1.15	1.32

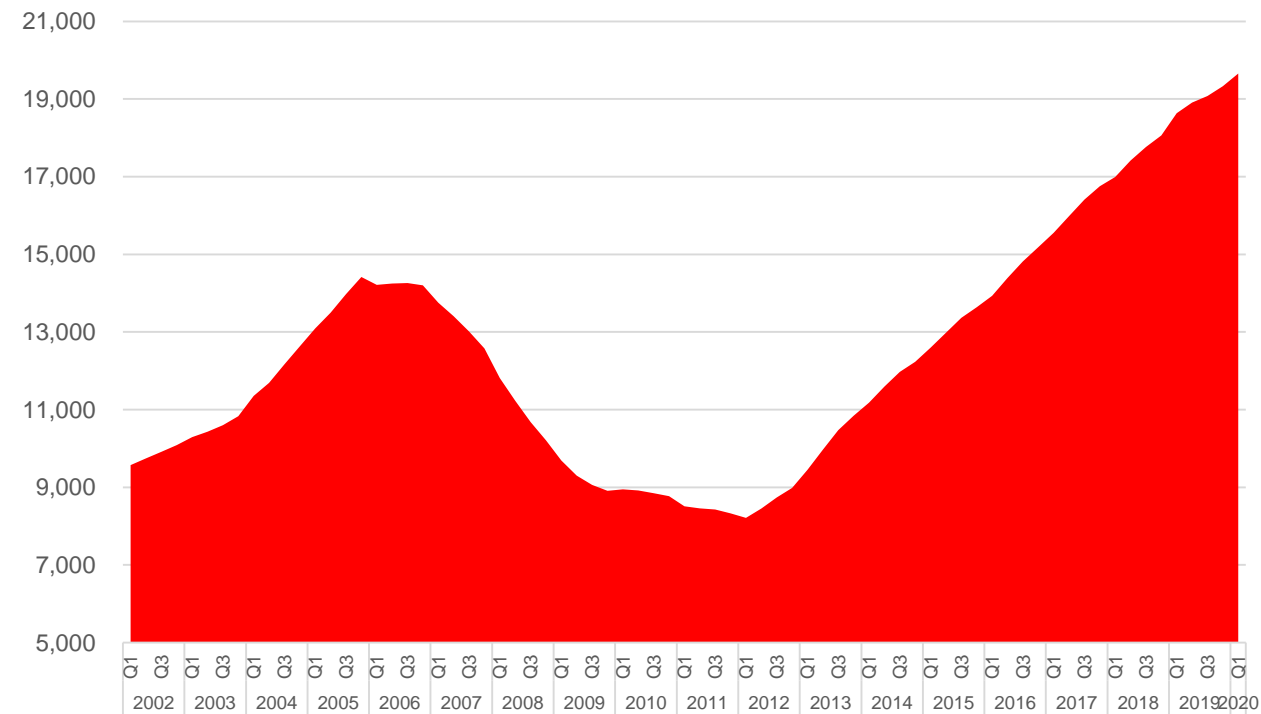
R&R Spending – US Housing Stock Currently Oldest In History

- High sales of existing homes in 2019 supports high potential for R&R in 2020
- Currently experiencing increased levels of home center demand; home improvement spending was up 6.5% YoY in April
- Homeowner equity trending at high levels, allowing homeowners to access these funds for large scale improvements

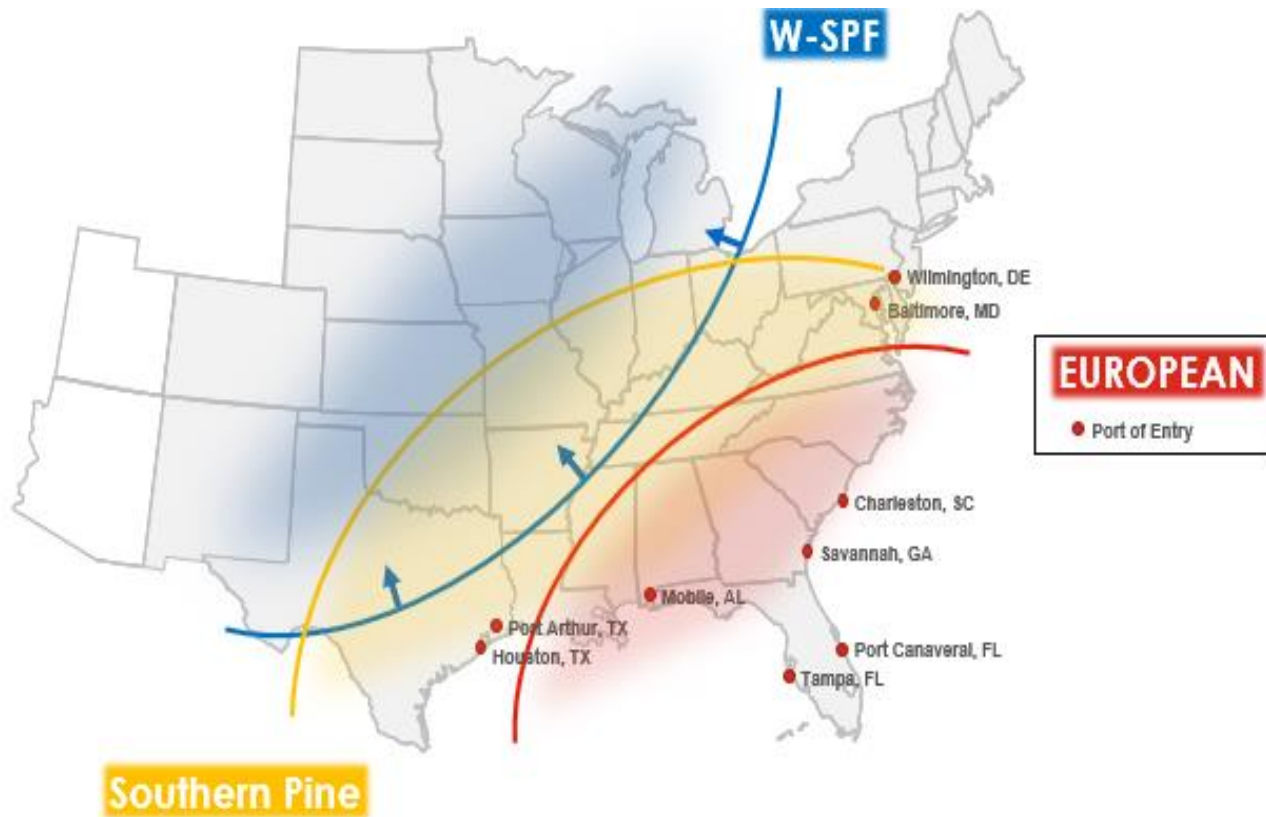
Share of Homes Built by Year



Homeowner Equity

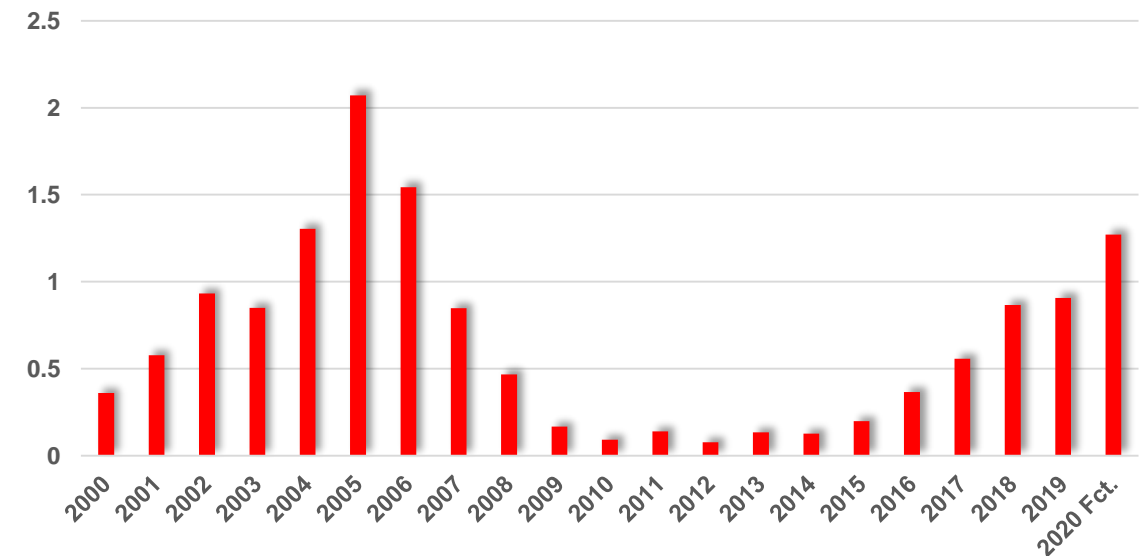


W-SPF Declines While US South and EU Imports Gain Market Share



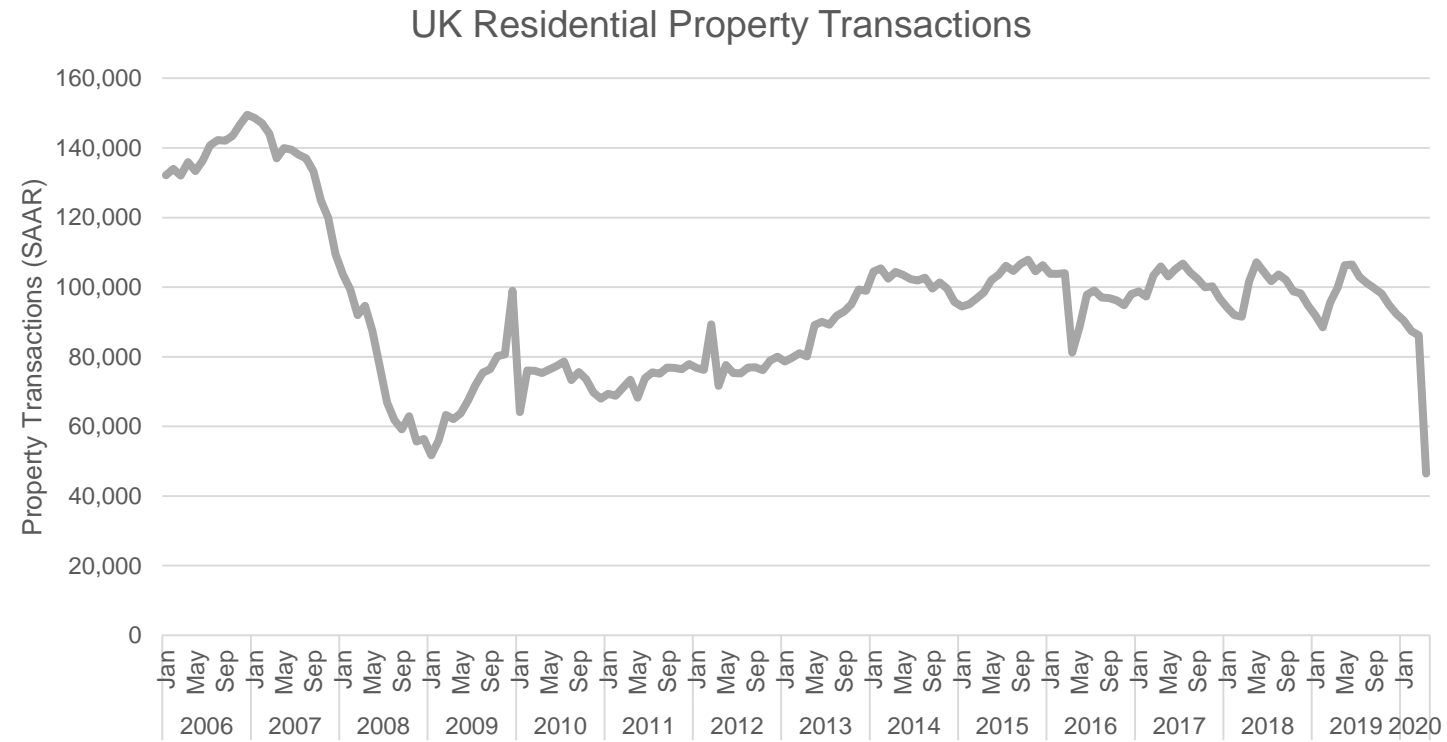
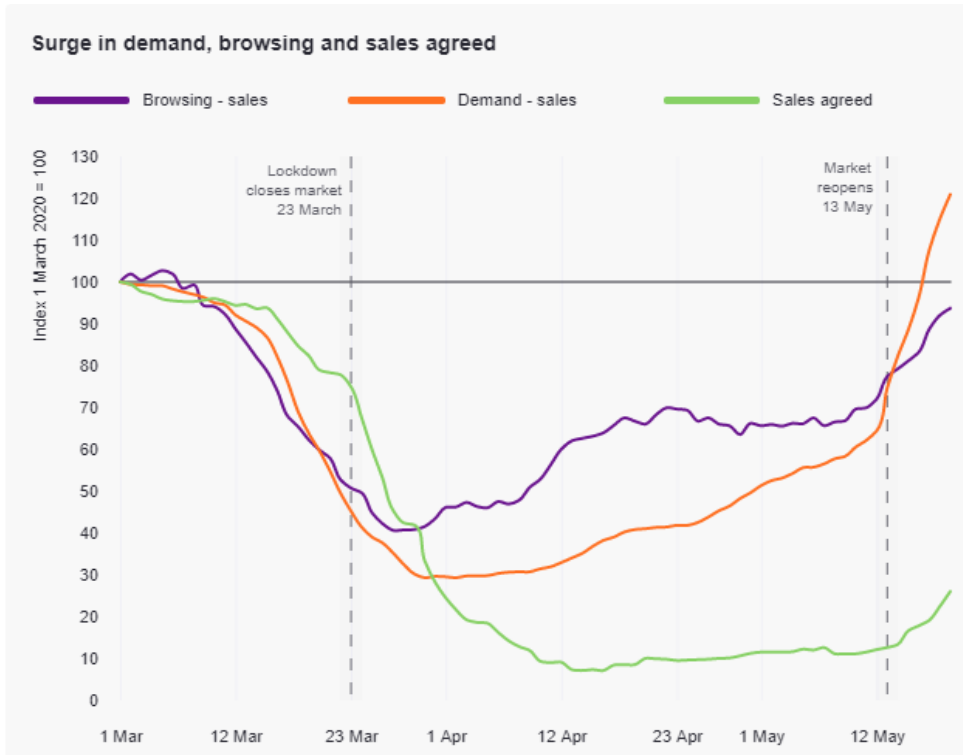
- As W-SPF production declines, diversified species and global operations allow us to support our US customers
- Softwood imports from EU will remain heavily dependent on housing starts
- German, Austrian, and Swedish manufacturers hold largest share of EU imports in North America
- We expect an annual increase of 28% pushing US imports of EU lumber to 1.3 BBF

US Import Volume from EU (BBF)



EU Markets: Post COVID-19

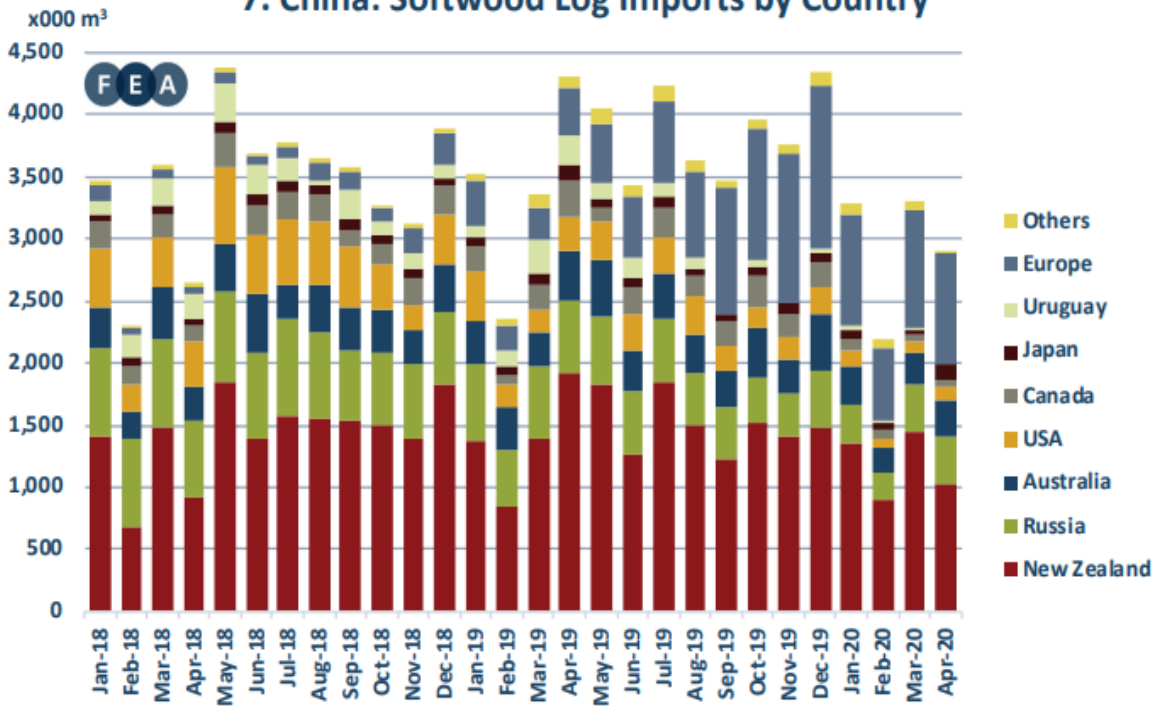
- Initial production cuts throughout Northern Europe began in early April in response to COVID-19 related demand declines
- UK demand remains the largest intra-Europe outlet for European SPF production
- UK residential property transactions fell sharply in April, indications of sharp rebound in May supported by re-opening
- UK demand will dictate level of increased EU shipments to US



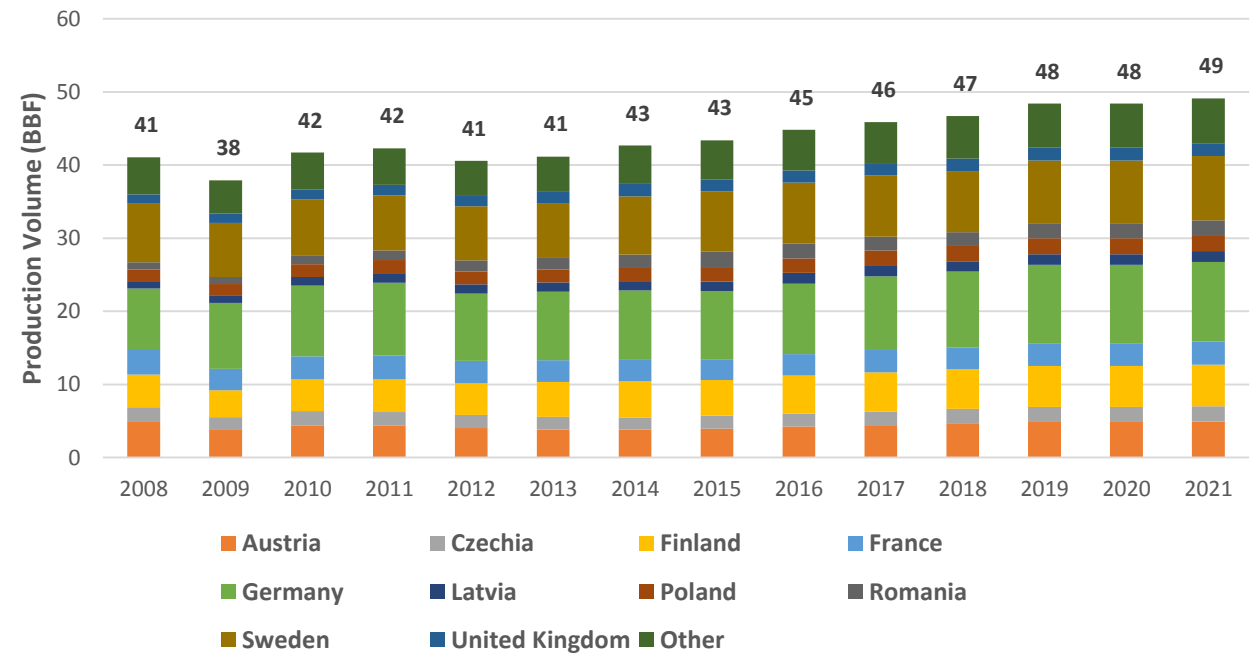
EU Beetle Kill: Production & Trade Outlook

- EU softwood lumber production is poised to remain level over 2020 and 2021 as investments currently under way will not provide additional production in the near term
- We expect EU exports of logs to continue increasing despite COVID-19 as EU producers work to harvest beetle kill timber; reaching ~10 million m3 in 2021
- With fewer foreign workers in Russia and disrupted trade lanes due to COVID-19, we expect Russian log exports to China to remain below average for Q3

7. China: Softwood Log Imports by Country



EU Softwood Lumber Production



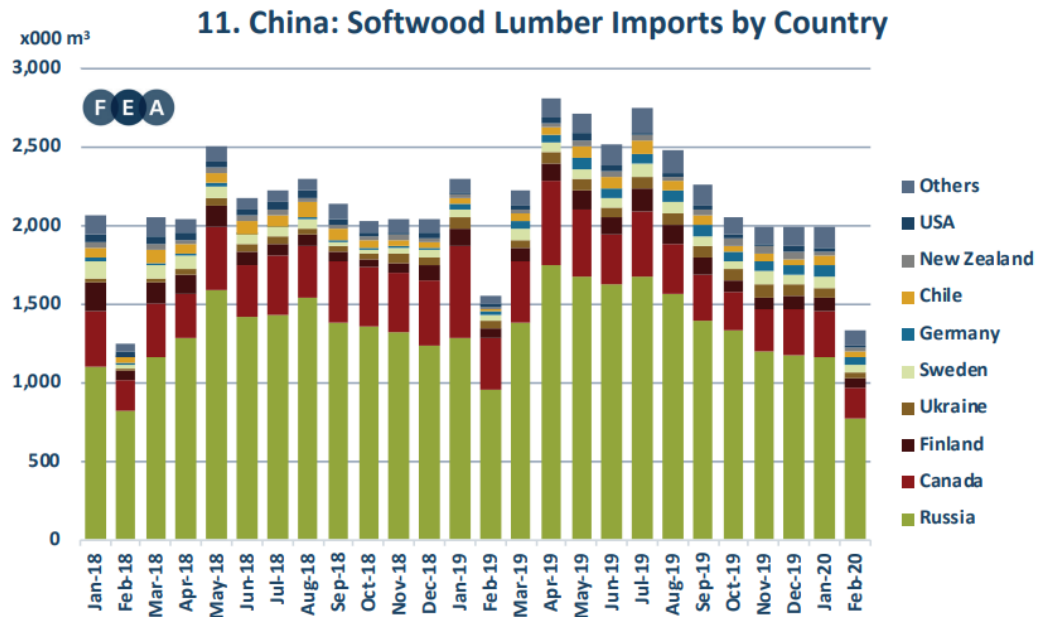
China: Markets & Supply

Markets:

- Chinese index for new export orders continues below growth levels, we expect consumption to remain low
- Recent announcements around increased infrastructure spending may improve demand in Q3
- Chinese exporters are pivoting capacity to meet domestic demand but they have run into difficulties, this is slowing consumption

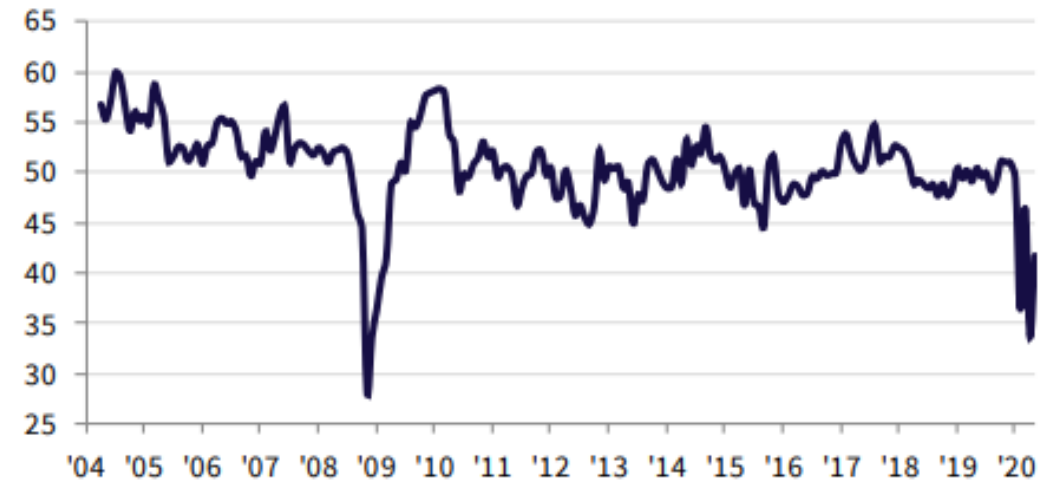
Supply:

- Russian government has banned Chinese workers to control COVID-19, this has resulted in Chinese run lumber mills shutting
- Opportunities for additional supply from Canada and EU will improve with decline in shipments ex Russia
- Recent special issue exemptions from the Chinese government on US SYP log imports will push up SYP log imports

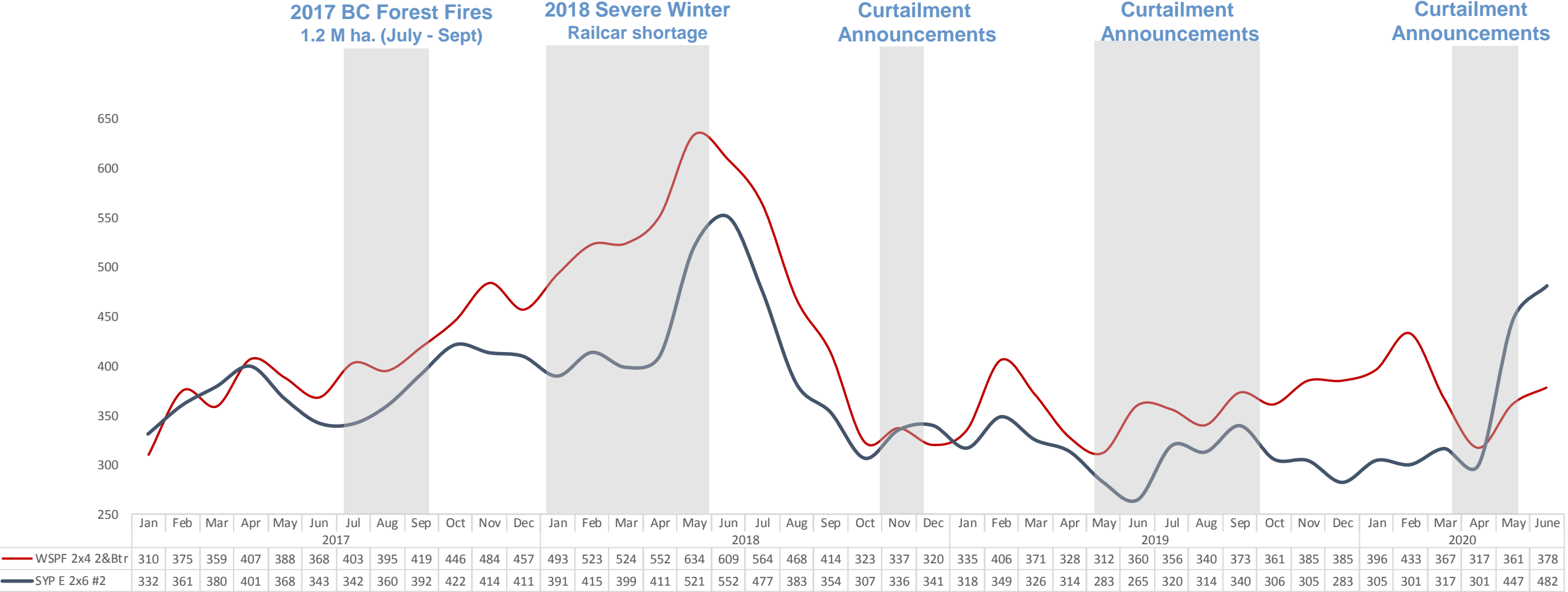


New Export Orders Index

sa, >50 = growth since previous month



Commodity Lumber Prices (US\$/Mfbm)

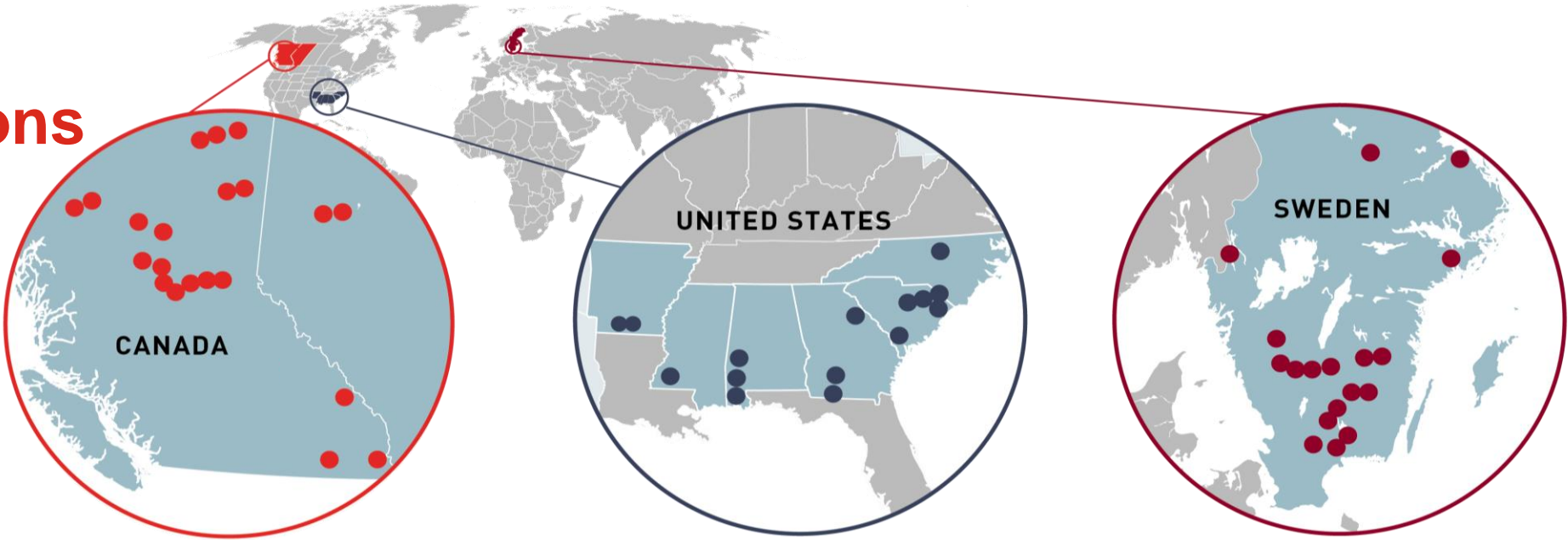




Operations



Canfor Operations



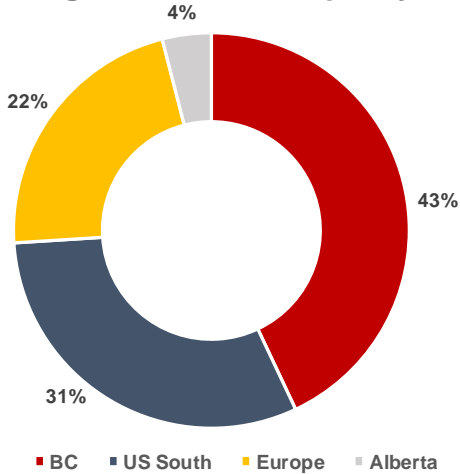
Lumber

- **34 Sawmills** with annual operating capacity of 6,700 MMfbm
 - 10 Western Canada - 3,200 MMfbm
 - 12 US South - 2,000 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

Regional Lumber Capacity



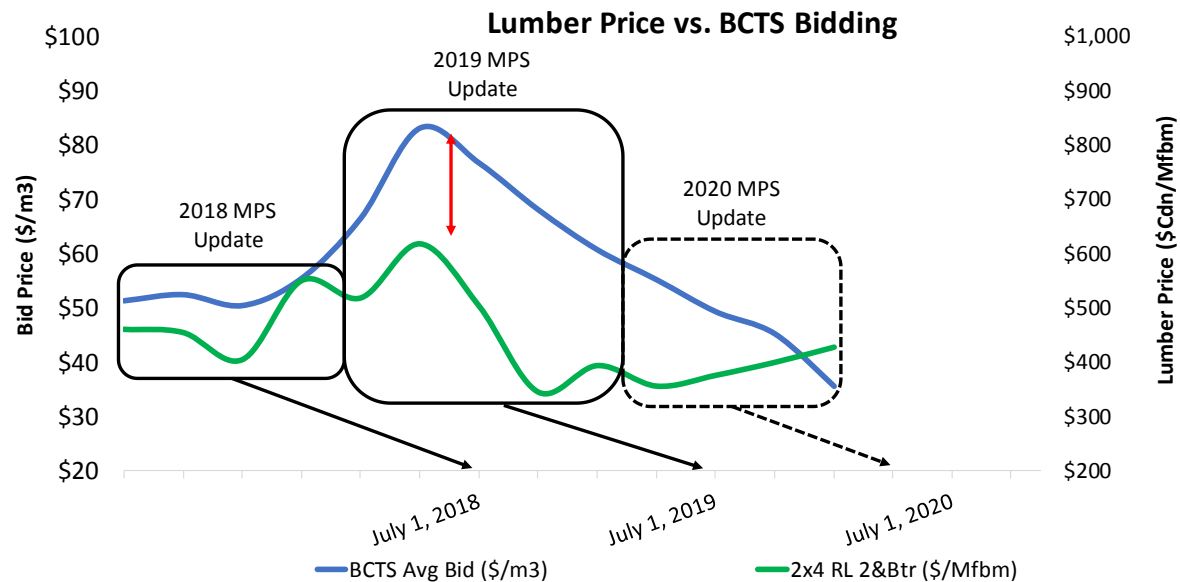
Other Operations

- 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

*Lumber capacity includes planned acquisition of Bergs Timber

Western Canada

- Significant action taken over the past 18 months in response to challenging market conditions and elevated log costs in British Columbia
- Approx. 2.2 billion board feet of permanent industry rationalization to-date
- Estimated ~1.0 billion board feet of additional rationalization required to balance demand with long-term fibre supply
- Industry wide production curtailments in response to COVID-19 have reduced production by approx. 600 million board feet to-date in Western Canada
- Company has taken a number of short and long term measures to mitigate fibre cost escalation and support improved market pricing
- Anticipating modest reduction in log costs in 2020 reflecting impact of rationalization and lower market pricing in 2019
- Sales realizations anticipated to benefit from a ~15% reduction of duty rates effective October 2020

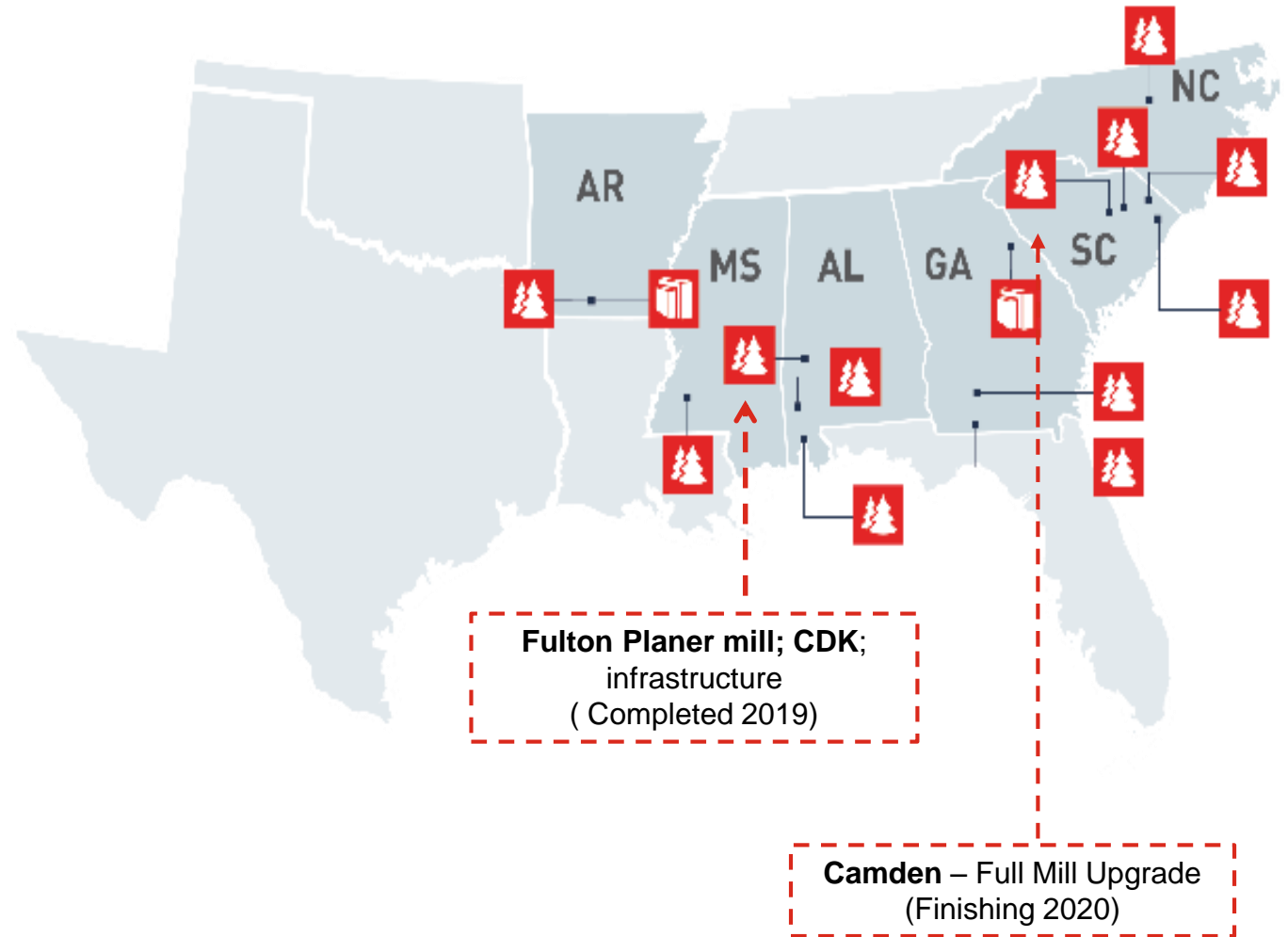


CVD / ADD Cash Deposit Rates				
Company	Current Rate	New Rate*	Change	% Change
Canfor	20.5%	4.6%	-15.9%	-77.4%
West Fraser	23.6%	9.1%	-14.5%	-61.5%
Resolute	17.9%	15.8%	-2.1%	-11.5%
Tolko	22.1%	8.2%	-13.9%	-62.8%
J.D. Irving	9.4%	4.3%	-5.1%	-53.9%
All Others	20.2%	8.2%	-12.0%	-59.4%

*Preliminary rate effective October 2020

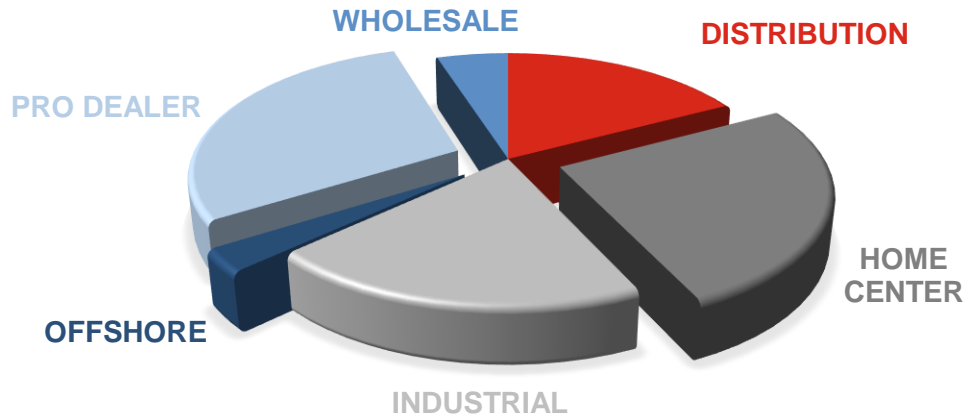
US South

- Currently benefitting from unprecedented demand from home centers and lumber treaters
- Total lumber capacity of 2.0 billion board feet with full run-rate achieved in 2021
- Over 300% growth since 2013, including 2019 acquisition of Elliott Lumber Company (210 MMfbm)
- 300 MMfbm organic program (US\$125 million) to be completed in 2020
- Strong fibre supply region, high performing operations
- Focus on high-value products and market diversification supporting sales realizations and strong operating margins



Customer Channels – Aligned for the Future

SPF CUSTOMER CHANNELS



- SPF customer channels heavily aligned with key pro-dealer accounts able to respond to housing demand
- Strong alignment with Home Centers continues as we support programs with Euro supply
- Key industrial accounts allow for diversification (e.g. Universal Forest Products)
- Continued exposure to offshore markets allowing for global diversification

SYP CUSTOMER CHANNELS



- Continued growth with Home Center accounts has allowed SYP to capture a key DIY demand segment
- High value products aligned with key treater accounts continue to provide return and increased exposure to R&R sector
- Focus on the pro-dealer segment provides diversified demand channel aligned well with housing starts
- Strategic accounts in offshore markets aid in diversification and exposure to more high value accounts

Diversified Customers and Markets

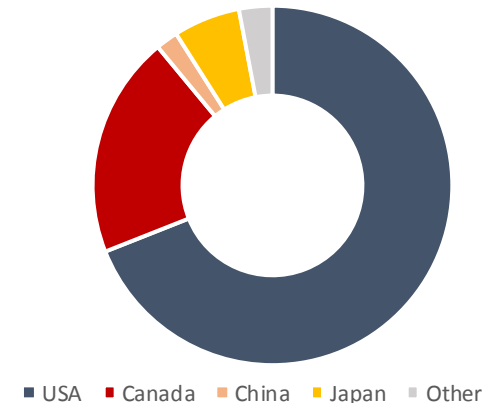


Universal Forest Products

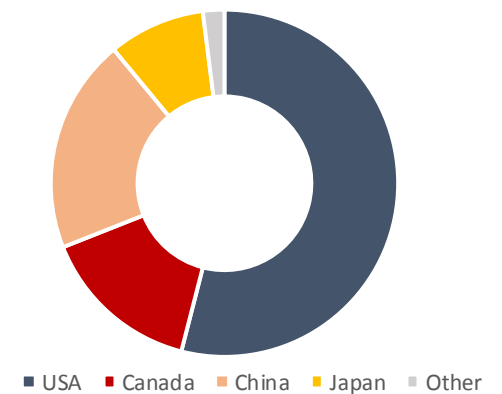


- Currently experiencing strong R&R and Home Center demand in North America (segment represents approx. 20% of WSPF production)
- Notwithstanding solid R&R activity, overall lumber demand anticipated to decline moderately in 2020 as a result of reduced US housing construction activity
- Company's high-value product mix and diversification efforts supporting sales realizations despite market uncertainty
- Steady takeaway in key offshore markets supporting pricing in North America
 - Shipments to China approx. 20% of WSPF production with ability to increase based on current demand

Canfor WSPF Sales by Country - 2007












Canfor WSPF Sales by Country - 2019



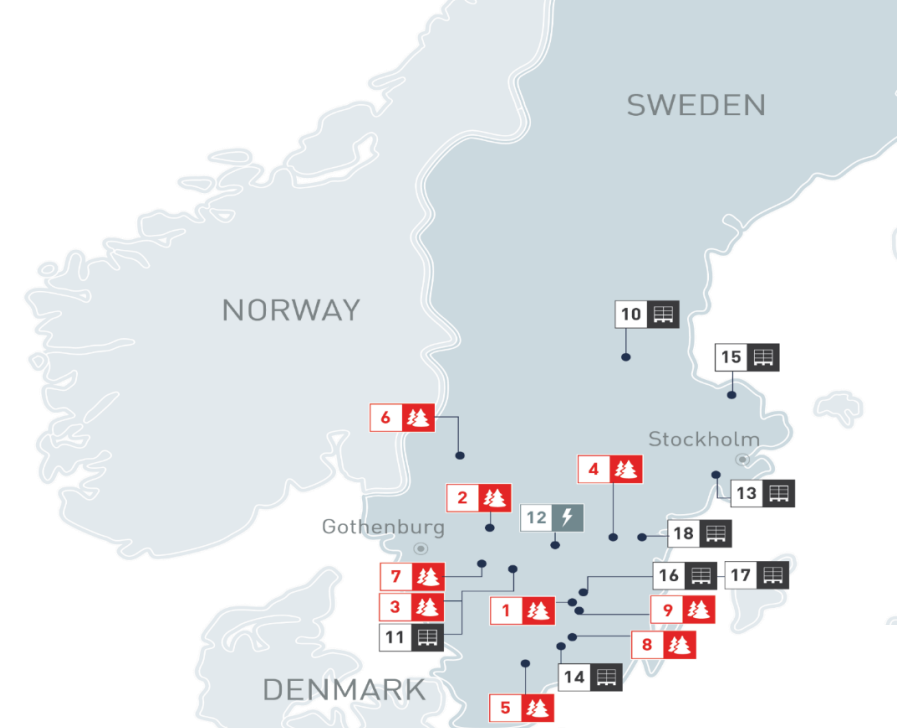
Canfor High Value Product Diversification

Products that unlock incremental value with stabilized pricing

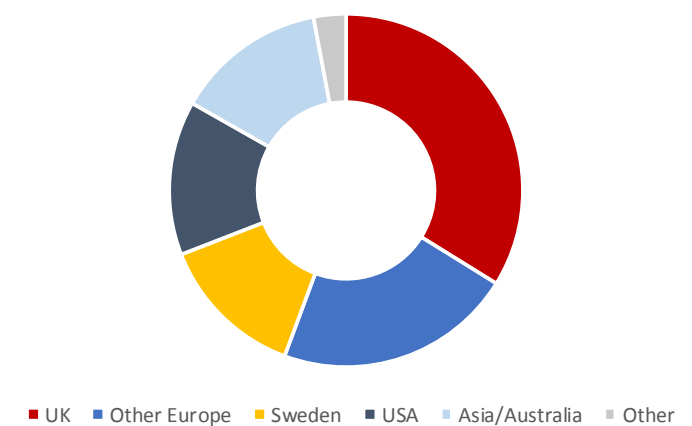
 Appearance	J grade & Square Edge Dimension Boards, Pattern, Fascia, Clear Visual appearance is primary purchase variable		
 Application	SYP Long Length 22'/24'/26' SPF & Spruce Metric Sizes Matching sizes to end-user requirements		
 Strength	MSR Dimension Lamina Blanks SYP Glulam Beams Leverage fibre strength to match demand		

VIDA

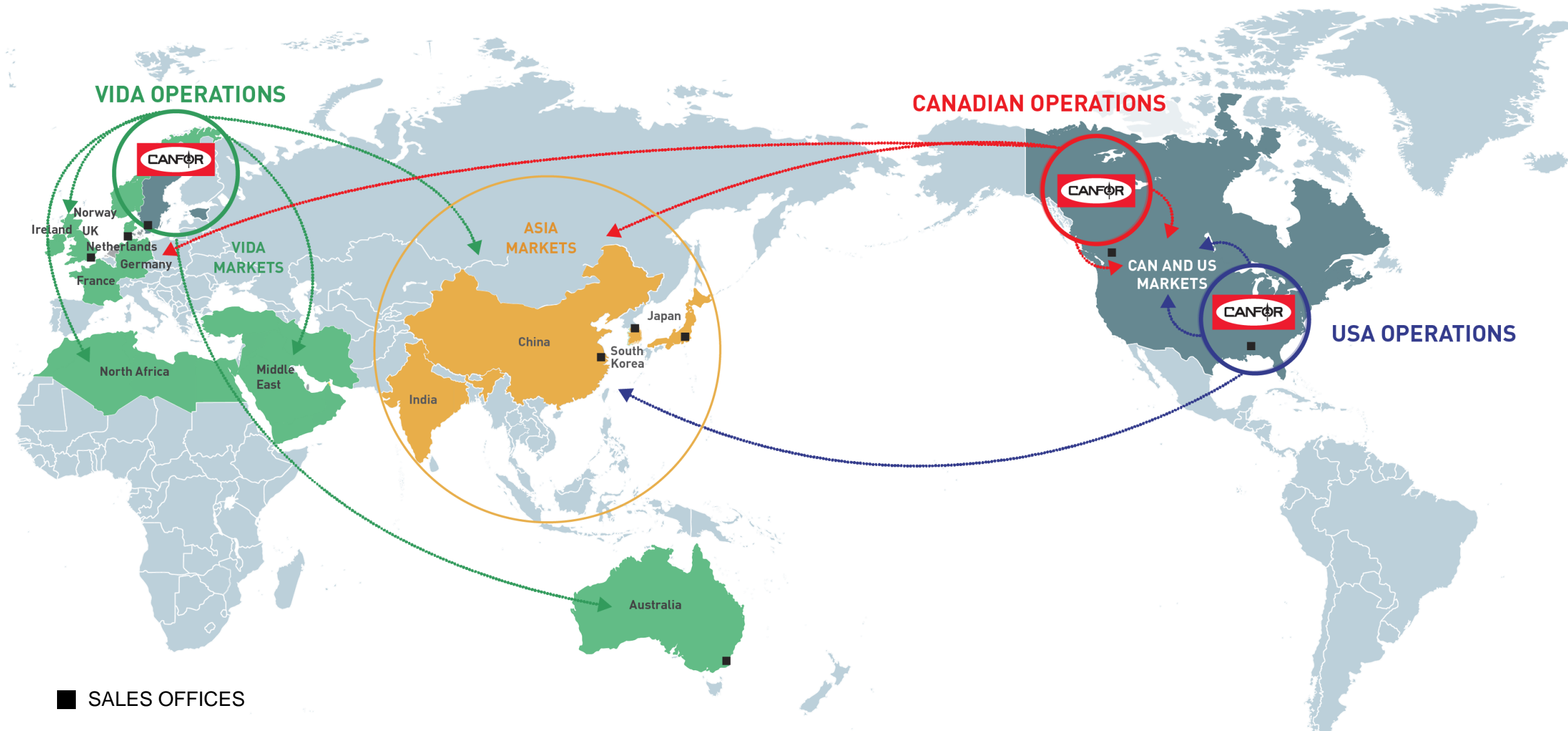
- Vida's 9 sawmills currently operating at full capacity (annualized rate of 1.2 billion board feet)
- Production primarily focused on structural timber, majority of which is exported to markets other than North America
 - Vida's largest market is the UK, comprising approx. 30-35% of volume
 - Other key markets include Asia, Australia, North Africa and the Middle East
- Geographic and product diversification contributing to more steady pricing despite current global economic challenges
- 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
- Canfor and VIDA are well positioned to capitalize on joint global market opportunities with significantly enhanced market and geographic diversification; currently on track to achieve targeted synergies
- Recently announced acquisition of 3 sawmills from **Bergs Timber** (expected to close in Q3 2020)
 - Purchase price of ~C\$43 million, plus working capital
 - Current production of 215 million board feet; targeting 300 million board feet capacity with modest capital investment
 - Strong strategic alignment with Vida's existing sawmills
 - Proforma European lumber capacity of 1.5 billion board feet



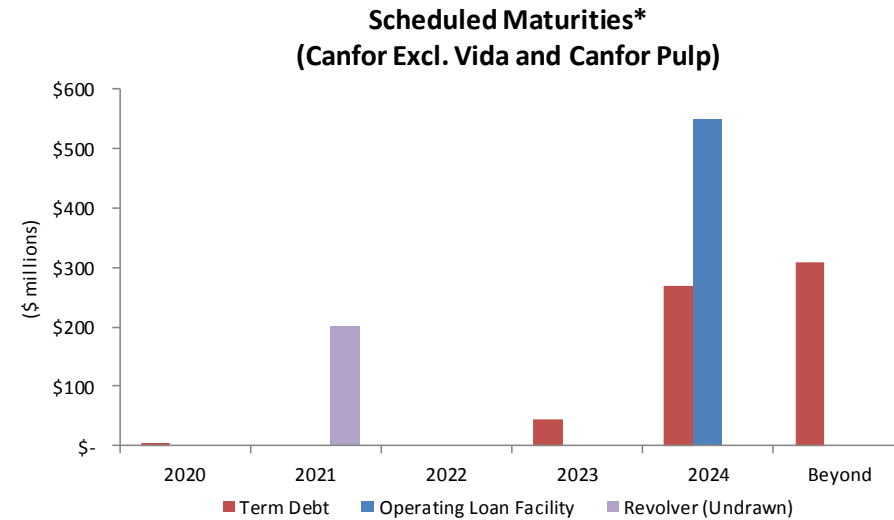
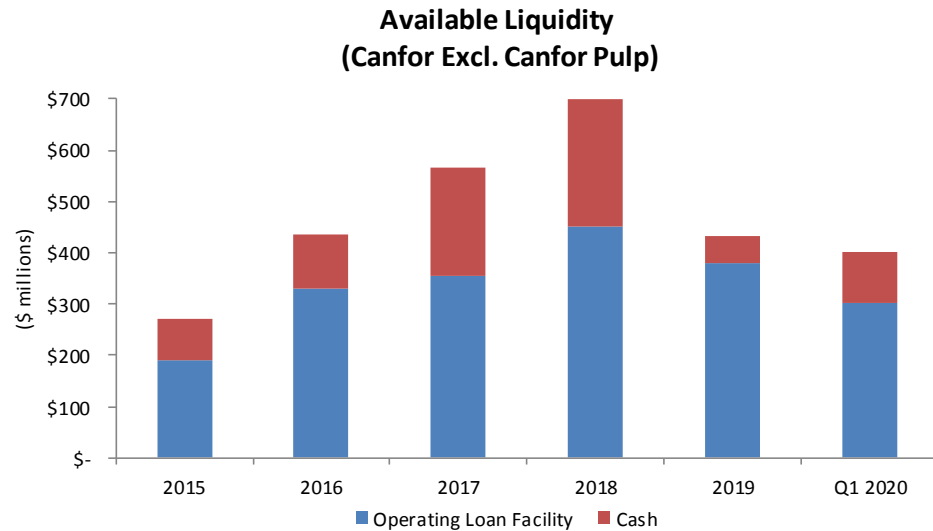
VIDA Sales by Country - 2019



VIDA Acquisition Enhancing Market & Product Diversification



Liquidity Update - Canfor



Canfor (excluding Canfor Pulp) had available liquidity of approximately \$400 million at end of Q1 2020

A number of initiatives underway to preserve balance sheet strength in light of COVID-19 uncertainty:

- \$20 million reduction of planned capital expenditures (excluding Canfor Pulp). Currently anticipating lumber segment capital spend of \$90 million in 2020, of which approximately \$25 million relates to European operations (total lumber segment capital spend reduced by approximately \$110 million from 2019)
- Accelerated filing of tax returns supporting early receipt of tax refunds (~\$115 million anticipated by end of 2020)
- Significant focus on reducing working capital, with liquidity in the second quarter benefiting from a seasonal unwind of inventory
- Suspension of all non-essential overhead, disciplined cash management and government programs supporting liquidity
- \$200M revolving credit facility undrawn and set to expire mid 2021; no scheduled debt maturities until late 2023
- Solid earnings supporting Vida's planned acquisition; Vida anticipated to retain strong liquidity position through balance of 2020; operating lines renewed annually
- The Company remains in full compliance with all covenants relating to operating loan facilities and long-term debt and expects to remain so for the foreseeable future

*US dollar denominated term debt translated at an assumed CAD to USD foreign exchange rate of \$1.30

Canfor Pulp



Pulp Market Outlook

Supply

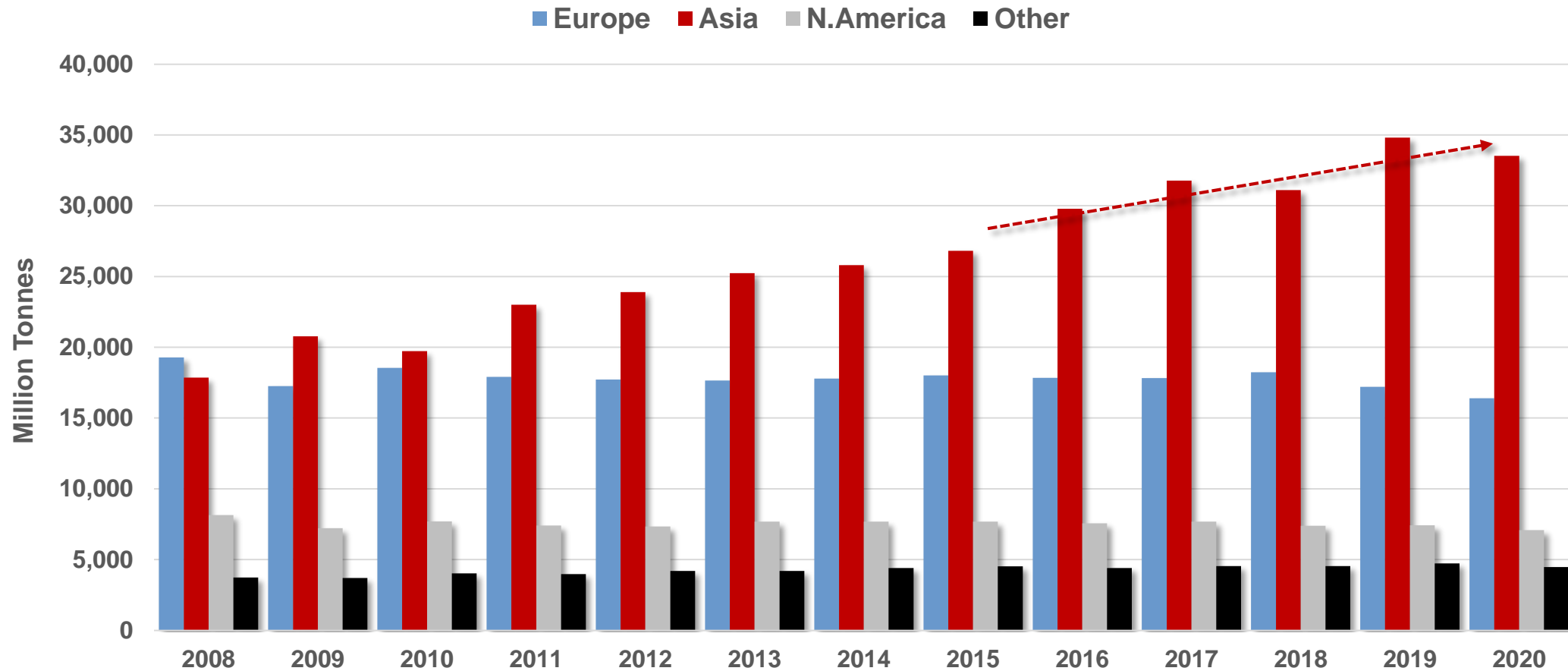
- Softwood capacity projected to drop in 2020 after conversions to dissolving pulp at Stora Enso Enocell in Sweden and Arauco Valdivia in Chile
- COVID-19 providing some challenges with respect to sawmill residual fibre availability, major maintenance and project schedules
- PPC projects Softwood Market Pulp Capacity in 2024 to be 400,000 tonnes lower than 2019
- PPC forecasts global pulp demand/capacity balance for softwood market pulp at 89% in 2020, rebounding to 92% in 2021 and gradually increasing to 94% to 2024
- Capacity increase through 2024 will concentrate on Hardwood market pulp in South America leading to hardwood pulp demand/capacity balance in the 87% to 90% range

Demand

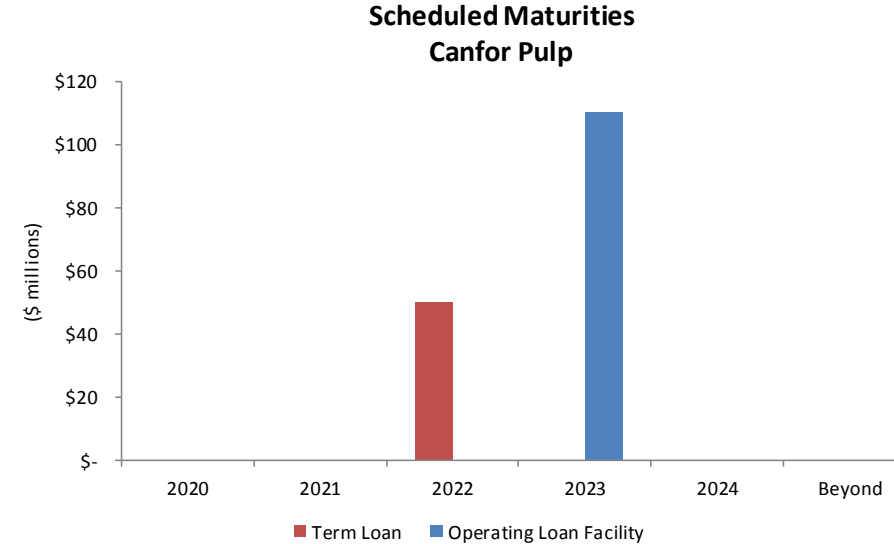
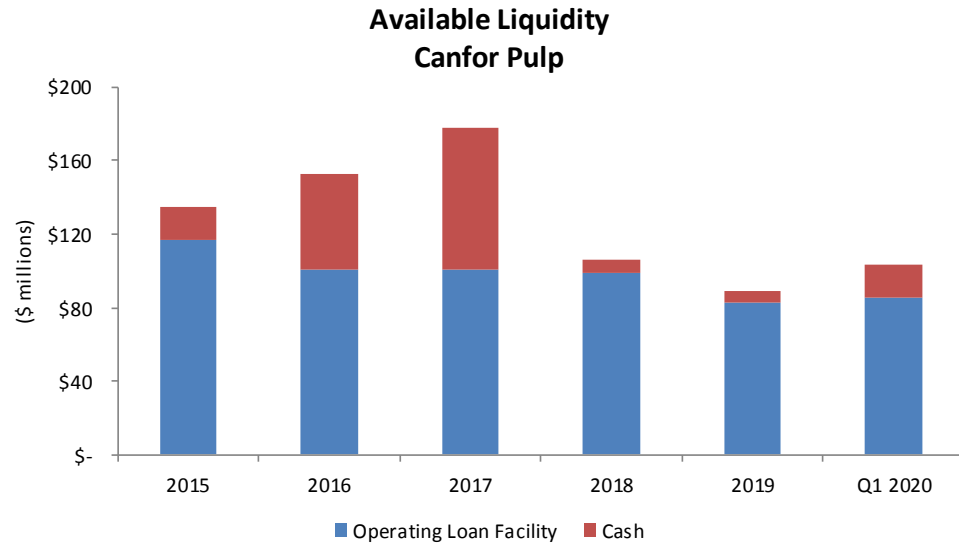
- Global tissue demand up 3.3% in Q1 2020 reflecting increased “At Home” demand, offset in part by lower “Away From Home” usage
- Global tissue demand estimated to growth at ~3% 2020 - 2024
- Global Printing & Writing Paper decline accelerating due to COVID (down 12% for Q1 2020) with Western Europe seeing significant weakness (down 15% for Q1 2020)
- PPC projects a 4.3% decrease in global demand for Market Pulp in 2020 and 5.6% decrease in Softwood demand
- PPC estimates Chemical Market Pulp Demand to rebound by 4.4% in 2021 and increase by an average of 1.5% annually between 2022-2024

2008-2020 Global Market Pulp Demand

China is the largest consumer of pulp



Liquidity Update – Canfor Pulp



Canfor Pulp had available liquidity of approximately \$100 million at end of Q1 2020

- Significantly reduced capital spend in 2020 supporting balance sheet strength with planned capital expenditures reduced by \$15 million in response to COVID-19
- Suspension of all non-essential overhead, disciplined cash management and payment deferral programs supporting liquidity
- Suspension of quarterly dividend for the foreseeable future recognizing the unprecedented challenges facing the global economy and the Company's cash preservation efforts
- Previously announced \$40 million cost reduction initiative underway, with full benefits achieved by end of 2021
- \$50 million term debt matures in late 2022, with available operating line providing adequate liquidity for the foreseeable future
- The Company remains in full compliance with all covenants relating to operating loan facilities and long-term debt and expects to remain so for the foreseeable future

Canfor / Canfor Pulp – Value Proposition



**High Quality Products
& Customers**



**Sustainable, High-Quality
Fibre Supply**



**Well Capitalized
Mills**



**Top Performing
Pulp, Lumber Business**



**Balance Sheet
Liquidity**



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