

## **FINAL TRANSCRIPT**

### **Canfor Corporation**

### **VIDA Acquisition Conference Call - Media**

Event Date/Time: November 15, 2018 — 2:30 p.m. E.T.

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Canfor Corporation VIDA Acquisition Conference Call - Media

## CORPORATE PARTICIPANTS

**Michelle Ward**

*Canfor Corporation — Director, Corporate Communications*

**Don Kayne**

*Canfor Corporation — President and Chief Executive Officer*

## CONFERENCE CALL PARTICIPANTS

**Cheryl Jean**

*CKPG News*

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## PRESENTATION

### Operator

Good afternoon, ladies and gentlemen, and welcome to Canfor's media call, held to discuss the VIDA acquisition. A recording and transcript of the call will be available on Canfor's website.

Also, the Company would like to point out that this call will include forward-looking statements, so please refer to the press release for the associated risks of such statements.

I now would like to turn the meeting over to Michelle Ward, Director of Corporate Communications. Please go ahead, Ms. Ward.

### **Michelle Ward** — Director, Corporate Communications, Canfor Corporation

Thank you. Good morning, everyone—at least, morning for those of us that are in BC. Thanks for taking the time to join this call on short notice. I have Don Kayne with me, President and CEO of Canfor. He's going to provide some opening remarks. We'll then open it up for questions. We'll take one question at a time, so if you have a follow-up question, we'll just ask you to re-queue in the line.

As I'm sure you can appreciate, it's a little bit of a busy morning, so we only have about 15 minutes or so. But we thought it was important to at least have Don available to make some comments. And with that, I will turn it over to him.

### **Don Kayne** — President and Chief Executive Officer, Canfor Corporation

All right. All right. Thanks, Michelle, and good morning, everyone. And as Michelle mentioned, we're certainly very excited this morning to announce the acquisition of 70 percent of

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the VIDA Group, which as you may have read's the largest private sawmill company in Sweden. So it's some real good news and as I say, we're certainly excited about that.

And it's extremely significant for Canfor. It represents, really, some of the most transformational growth that we've seen for some time, and certainly, some of the significant diversification that we've also haven't seen for some time. But we really felt strongly that we needed to compete in all world markets everywhere, and this would certainly help that. Real similar, actually, to when we began our expansion into the US South, where we have—actually today, we have 16 operations.

So this is truly another big step for the Company. And I think what's kind of important also—certainly we feel it is—is we're now truly an international manufacturer and provider of wood-product solutions for our global customers. And it's a vision that we've had for a long time. This wasn't something that just kind of came up at the last minute. I know, myself, I've known the company, VIDA, for many, many years. And several of our senior executives and people throughout the Company have had exposure and have met several of the key people at VIDA.

But this acquisition was really driven for a number of reasons, but one of the main ones was driven by our global customers and their demand for a diverse and substantial supply of high-value products to service them on a long-term basis and give them more certainty that we will have the products available for them on a long-term basis—and the high-value products, I think's important to also articulate.

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At the same time, the majority of our production volume continues to be from Canada, primarily Western Canada and primarily British Columbia, frankly. And we're—I'll say that we're very, very proud to be a global company based in British Columbia, with our headquarters in Vancouver, and a significant investment in all our sawmills in the North, obviously, and in the southern part of the province as well, and.

Just to remind everybody, those of you that don't know, we've invested about \$1.7 billion in British Columbia over the last 10 years in our Pulp business and our wood products business in Canada. And again, most of that has been in British Columbia.

You'll also recall, probably, that we recently purchased, a few years back, a Tembec acquisition down in the East Kootenays. And then we purchased the WynnWood company in Creston, or in the West Kootenays, also a few years back. And we built two pellet plants recently, and we've spent a fair bit of investment in green energy with our pulp mill company, CPPI.

We certainly are committed to BC. We've been here since 1938, as you all know. We still believe, long term, BC is well positioned geographically to grow in the Asian markets for sure, let alone the US market. However, some of the AAC reductions that you're all familiar with, due to the mountain pine beetle and some other recent forest fires that we've all had to deal with the last couple years—the expansion opportunities were certainly limited in BC. But our customers are growing, and we need to keep pace with them. And that's really, frankly—that's the simple facts.

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And we're dealing with a—and we're very proud of it—a very, very strong customer base worldwide. Companies like Home Depot and companies like Lowe's and there's several examples, really around the world, like that. And they're looking for suppliers that are going to be there for the long term, not for 6 months or 12 months or 3 years. They're looking 5, 10, even farther out than that. And so clearly, we needed to secure additional SPF and an operational platform outside of Western Canada, to allow for that type of growth that's going to be required today, but also more importantly, in the future as we move forward.

We also believe that the diversification is vital to our future also, which this will also provide us with the manufacturing platform now in British Columbia and in Alberta, in the US South, in several states, and then also now in Europe.

So what does—what does VIDA provide us with? And why would we be—why would we want to do a deal with VIDA? And clearly, it's—in our view, one of the most important things is a long-term, sustainable fibre resource, which is exactly what they deliver for us and have for us. It's a high-quality fibre in Sweden. Some of the best fibre in the world originates there. It's very—and the other part of it is it's competitive, and there's a significant amount of it for the future, in our view. It provides us with access to new markets. There's lots of areas that VIDA operates in, that we perhaps will be able to in the future, certainly as we learn more about them from VIDA.

But like, examples like Australia in particular. They do a lot of business in the UK and some other countries in Europe that are looking for some high-value products which ultimately, we will be

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able to serve some of those from BC and Alberta and perhaps even the US South. It gives us access to new customers. And while we have a lot of duplicate customers, we also have—we'll also be able to have access to some of the VIDA customer base, which is also significant.

I guess lastly, in British Columbia and really, across Canfor. One of our focuses has been, for quite long time but recently even more so—is to really focus on the value versus volume. And VIDA provides us with—90 percent of their products are high-value products, and so it really fulfills that criteria for us. And we feel that's extremely important, because then we're not competing to the same degree in the commodity markets, which as we all know, provide us with—or cause a lot of volatility and uncertainty.

So those would be some of the key reasons why VIDA was so attractive to Canfor and to ourselves. And we've had a long history with VIDA, maybe worth spending a second on. We've known them—several of our folks have known them for over 25 years. So like I mentioned at the beginning, it's certainly—is something that we've been thinking about here for an awful long time.

We're very, very pleased that the majority shareholders of VIDA, today, their group Chief Executive Officer, Santhe Dahl and their Deputy CEO, Måns Johansson, along with their key management team, will continue to run the operations for us in Sweden, which is similar to how we operate in the US South.

But clearly, we really felt strongly that it's our responsibility to our employees and to our shareholders and to our customers that ultimately here, if we're going to be successful long term, we

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need to have a globally diversified and competitive forest products company. And we believe this is going to go a long way to enable us to achieve that, so that we can deliver industry-leading, sustainable returns for the long term.

And that's really what it's about. And while we often—people want to talk about the short-term performance and short-term opportunities. We really have a long-term view here, and we're looking at where we want to position the Company. Where do we want to be, 5, 10 years down the road?

We do believe VIDA will really improve our financial results, again, with this value focus versus volume and the stability in the earnings. So we think this is a big step in strengthening the Company, which is clearly the most important thing. It's going to be very good for all of our employees at Canfor and frankly, for all our stakeholders, including our shareholders, and really transforms Canfor into a truly global forest products leader, frankly.

So that's really, Michelle, all I really wanted to mention this morning. I think I can say across the board here we're extremely excited with this opportunity. We've got just lots of work ahead of us here. But it's truly going to redefine Canfor, I think for the long term, and transform this company into a truly international global company.

### **Michelle Ward**

And with that, Operator, we're happy to take some questions.

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## Q&A

### Operator

Thank you. We will now take a few questions from the media. If you have a question, please press \* on your telephone keypad. If you are using a speakerphone, please lift your receiver and then press \*, 1. If at any time, you wish to cancel your question, please press \*, 2. Please note that we will only take one question at a time, and you will need to re-queue if you have a follow-up question.

Please press \*, 1 now if you have a question. There will be a brief pause while participants register for their questions. Thank you for your patience.

And your first question will be from Cheryl Jean at CKPG News. Please go ahead.

### Cheryl Jean — CKPG News,

Thank you. Hi, Don. As you said, it's Cheryl Jean calling. I'm curious about, is this decision partly driven by concerns on the part of Canfor about the— well, the uncertainty I guess you could say, about the fibre basket in BC?

### Don Kayne

Yeah. Well, I mean, I think it's—I don't think it's no surprise. and we've—you know, we've—I think, as an industry, we've all—we're all aware of some of the challenges related to the mountain pine beetle, which has been evolving over the last 20 years at least. But more importantly, I think this has been driven more by our customers and their absolute desire to see Canfor grow with them.

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I mean, clearly, if you're talking about Home Depot, some of these customers—and Cheryl, I know you and I have spoken about this in the past—I mean, we're dealing with pretty much some of the largest customers in the world and their segments that they operate within. And they're looking for the future. I mean, they're growing at 5, 6, 7 percent compounded growth every year. And we've got to demonstrate to them every year that we can team up with their growth, or they go elsewhere. It's really as simple as that.

So while we've got challenges in BC, we've got challenges everywhere. We always do in our industry. It's much more driven by, frankly, from our customers and the importance that they place on us to be a supplier for them on a long-term basis.

**Operator**

Thank you, sir. Ladies and gentlemen, once again as a reminder, if you do have a question, please press \*, followed by 1.

And at this time, it appears we have no other questions. I would like to turn the call back over to Ms. Ward.

**Michelle Ward**

Thank you very much, everyone, for taking the time to join. If you have any follow-up questions, my contact information's on the news release, and don't hesitate to get in touch. Have a good day. Thank you.

**Operator**

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Thank you. Ladies and gentlemen, this does conclude your conference call for today. Once again, thank you for attending. At this time, we do ask that you please disconnect your lines.

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