



Interfor Corporation

Burnaby, B.C.

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Interfor to Acquire EACOM Timber Corporation, Adding One Billion Board Feet of Lumber Production and Expanding Regional and Product Diversity

INTERFOR CORPORATION ("Interfor" or the "Company") (TSX: IFP) announced today that it has reached an agreement with an affiliate of Kelso & Company ("Kelso") to acquire 100% of the equity interests of EACOM Timber Corporation ("EACOM").

Transaction Highlights

EACOM is a leading lumber producer in eastern Canada, with operations across Ontario and Quebec, including:

- Seven sawmills with a combined annual spruce-pine-fir ("SPF") lumber production capacity of 985 million board feet;
- An I-Joist plant with annual production capacity of 70 million linear feet;
- A value-added remanufacturing plant with annual production capacity of 60 million board feet;
- Rights to access approximately 3.6 million cubic meters per year of responsibly managed and internationally certified fibre supply; and
- An office in Montreal.

The purchase price is C\$490 million, on a cash and debt free basis, which includes C\$120 million of net working capital. In addition, Interfor will assume EACOM's countervailing ("CV") and anti-dumping ("AD") duty deposits at closing, for consideration equal to 55% of the total deposits on an after-tax basis. As of September 30, 2021, EACOM had paid cumulative CV and AD duties of US\$150 million.

"This transaction makes Interfor a truly North American lumber producer, with operations in all the key fibre regions on the continent, further diversifying and de-risking our operating platform and enhancing our growth potential and opportunity set," said Ian Fillingier, President & Chief Executive Officer. "This transformational growth secures a desirable SPF product mix to meet the growing demand of our customers, at a time when SPF fibre supply is under increasing pressure in other jurisdictions in North America and around the world. These are productive and well-managed mills, and we see meaningful opportunities to further enhance their performance by integrating them with our portfolio and applying our proven operating expertise. We are excited for the opportunities that the acquisition brings, and we look forward to welcoming the talented EACOM team into our company and partnering with them to operate and grow the business in the years ahead."

Strategic Rationale

The acquisition is consistent with Interfor's growth-focused strategy as a pure-play lumber producer, increasing Interfor's total lumber production capacity by 25%. In addition, the acquisition further builds upon Interfor's already geographically diverse operations, adding significant scale in a new region. Eastern Canada is one of the major lumber producing regions in North America, with highly competitive log costs, a desirable SPF product mix and a supportive investment environment.

On a pro-forma basis, Interfor's total annual lumber production capacity will increase to 4.9 billion board feet, of which 46% will be in the US South, 16% in the US Northwest, 20% in eastern Canada and 18% in British Columbia.

The addition of the EACOM business will also provide an expanded opportunity set for potential future lumber-focused growth in eastern Canada, given its well-established systems, infrastructure and team. The business will operate under the Interfor banner, but Interfor will maintain all of EACOM's key operating leadership and employees as well as its office in Montreal, Quebec to ensure continued regional support for the operations going forward.

"This transaction will allow our team to write its next chapter as part of one of North America's best lumber companies," said Kevin Edgson, President & Chief Executive Officer of EACOM. "Interfor's operational excellence, financial strength, customer relationships and North American-wide portfolio will provide substantial opportunities to our people and our stakeholders. Our companies have shared values, including a commitment to safety and environmental responsibility and we are thrilled to be a part of Interfor's continuing growth ambitions."

Enhanced Market Opportunities

From a market perspective, the acquisition extends and complements Interfor's geographic reach, enabling efficient supply to key eastern markets, such as the Greater Toronto Area (the fourth largest metropolitan area in North America) and throughout the Great Lakes region. Approximately 40% of EACOM's external shipments remain in Canada and are not subject to CV & AD duties. The acquisition also adds diversity to Interfor's customer mix by expanding exposure to key distribution segments, such as home centres.

From a product perspective, the acquisition adds lumber-adjacent offerings to Interfor's portfolio of operations, with the addition of an I-Joist plant and a value-added remanufacturing plant. Consumption of I-Joists, like other engineered wood products ("EWP"), is closely tied to new housing construction and demand continues to be robust, while supply has been limited due to constraints in the availability of suitable flange stock for its manufacture. EACOM supplies the majority of the flange stock for the I-Joist plant from its own operations, in the form of machine stress rated lumber, enabling significant control over the key inputs and a better ability to manage production levels. As a result, EACOM's I-Joist plant has sustainably increased production by approximately 40% over the past three years and is well positioned to take advantage of the positive market dynamics across the EWP sector.

Immediately Accretive, Meaningful Synergies

The acquisition will be immediately accretive to Interfor's earnings and is expected to provide attractive returns in both the near-term and over the long-term.

EACOM generated EBITDA¹ of C\$75 million, C\$8 million, C\$151 million and C\$475 million in each of 2018, 2019, 2020 and the twelve months ended September 30, 2021, respectively. Interfor estimates EACOM's mid-cycle EBITDA to be approximately C\$90 million per year pre-synergies, taking into account mid-cycle lumber prices, normalization of operating schedules post-COVID and recent ramp-ups in production and operating performance improvements at both the sawmills and the I-Joist plant.

Interfor expects to achieve meaningful synergies of C\$25 million per year from reliability, productivity and quality control improvements, shared purchasing programs, transportation optimization, enhanced marketing opportunities and general and administrative expense reductions. These synergies are expected to be fully achieved within two years of closing, with no capital requirements.

As a result, the purchase price of C\$490 million represents a pre-synergy mid-cycle EBITDA multiple of 5.4x, or 4.3x post-synergies, and a lumber capacity multiple of C\$497 (or US\$398) per thousand board feet, all of which compare very favourably to recent precedent transactions in the industry.

¹ Reflects EBITDA as prepared in accordance with EACOM's financial practices, i.e. after deduction of cash CV & AD duties expenses, but before one-time retroactive non-cash adjustment in December 2020 for overpayments arising from duty rate adjustments.

Financing & Capital Structure

Interfor intends to finance the acquisition with a combination of cash on hand and its existing credit facilities. Following the completion of this acquisition Interfor will continue to have significant financial flexibility to execute its strategic capital investment plans and consider additional value-creating capital deployment options. As of September 30, 2021 Interfor was in a net cash position of approximately C\$134 million. Proforma the acquisition, Interfor's Net Debt to Invested Capital ratio as of September 30, 2021 would increase to 22%². Similarly, proforma liquidity as of September 30, 2021 would be approximately C\$270 million, before consideration of significant additional borrowing capacity available under existing credit limits and continued strong near-term operating cash flows.

Closing Conditions & Timing

The completion of the acquisition is subject to customary conditions and regulatory approvals for a transaction of this kind and is expected to close in the first half of 2022.

Additional Information

Additional information has been posted on www.interfor.com under the Investors section under News and under Presentations, including French language versions of this release and an investor presentation.

FORWARD-LOOKING STATEMENTS

This release contains forward-looking information about the Company's business outlook, objectives, plans, strategic priorities and other information that is not historical fact. A statement contains forward-looking information when the Company uses what it knows and expects today, to make a statement about the future. Statements containing forward-looking information in this release, include but are not limited to, statements regarding production capacity, future growth, growing demand, synergies, pro-forma capacity, expected earnings and returns, pro-forma debt ratios, pro forma liquidity, borrowing capacity, regulatory approvals and the expected closing date, and other relevant factors. Readers are cautioned that actual results may vary from the forward-looking information in this release, and undue reliance should not be placed on such forward-looking information. Risk factors that could cause actual results to differ materially from the forward-looking information in this release are described in Interfor's annual Management's Discussion & Analysis under the heading "Risks and Uncertainties", which is available on www.interfor.com and under Interfor's profile on www.sedar.com. Material factors and assumptions used to develop the forward-looking information in this report include volatility in the selling prices for lumber, logs and wood chips; the Company's ability to compete on a global basis; the availability and cost of log supply; natural or man-made disasters; currency exchange rates; changes in government regulations; the availability of the Company's allowable annual cut ("AAC"); claims by and treaty settlements with Indigenous peoples; the Company's ability to export its products; the softwood lumber trade dispute between Canada and the U.S.; stumpage fees payable to the Province of British Columbia ("B.C."); environmental impacts of the Company's operations; labour disruptions; information systems security; and the existence of a public health crises (such as the current COVID-19 pandemic). Unless otherwise indicated, the forward-looking statements in this release are based on the Company's expectations at the date of this release. Interfor undertakes no obligation to update such forward-looking information or statements, except as required by law. The Company's independent auditor, KPMG LLP, has not audited, reviewed or performed any procedures with respect to the interim financial results and other data included in this release, and accordingly does not express an opinion or any other form of assurance with respect thereto.

ABOUT INTERFOR

Interfor is a growth-oriented forest products company with operations in Canada and the United

² Proforma is based on C\$490 million purchase price and 55% of the tax-effected amount of EACOM's September 30, 2021 countervailing ("CV") and anti-dumping ("AD") duties on deposit of US\$150 million, assuming an effective tax rate of approximately 26%.

States. The Company has annual production capacity of approximately 3.9 billion board feet and offers a diverse line of lumber products to customers around the world. For more information about Interfor, visit our website at www.interfor.com.

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