



Interfor Corporation

Burnaby, B.C.

May 9, 2024

Interfor Reports Q1'24 Results Adjusted EBITDA loss of \$22 million and Net Loss of \$73 million

INTERFOR CORPORATION ("Interfor" or the "Company") (TSX: IFP) recorded a Net loss in Q1'24 of \$72.9 million, or \$1.42 per share, compared to a Net loss of \$169.0 million, or \$3.29 per share in Q4'23 and a Net loss of \$41.3 million, or \$0.80 per share in Q1'23.

Adjusted EBITDA was a loss of \$22.3 million on sales of \$813.2 million in Q1'24 versus a loss of \$51.4 million on sales of \$785.9 million in Q4'23 and Adjusted EBITDA of \$26.1 million on sales of \$829.9 million in Q1'23.

Notable items:

- Ongoing Weak Lumber Market
 - Lumber prices continued to reflect an imbalance of lumber supply and demand, with demand continuing to be impacted by the elevated interest rate environment and ongoing economic uncertainty. Lumber prices improved slightly during Q1'24 as reflected in Interfor's average selling price of \$610 per mfbm, up \$9 per mfbm versus Q4'23.
 - Lumber production totalled 1.1 billion board feet, representing a 33 million board feet decrease over Q4'23. This decrease reflects the indefinite curtailment of the Philomath, OR sawmill and temporary production curtailments at the Company's B.C. operations during Q1'24, primarily related to the ongoing weak lumber market conditions and low log inventory levels. Lumber shipments were 1.1 billion board feet, or 54 million board feet higher than Q4'23.
 - On April 30, 2024, Interfor announced plans to reduce its lumber production by approximately 175 million board feet between May and September of 2024, representing just under 10% of its normal operating stance.
- Strategic Capital Investments
 - Capital spending was \$26.0 million, including \$15.8 million of discretionary investment focused on the multi-year rebuild of the Thomaston, GA sawmill.
- Ongoing Monetization of Coastal B.C. Operations
 - The Company sold Coastal B.C. forest tenures totalling approximately 205,000 cubic metres of allowable annual cut ("AAC") and related assets and liabilities for proceeds of \$31.5 million and a gain of \$31.2 million. Interfor held approximately 1,187,000 cubic metres of AAC for disposition at March 31, 2024, subject to approvals from the Ministry of Forests.
- Financial Position
 - Net debt at quarter-end was \$897.4 million, or 34.7% of invested capital, with available liquidity of \$299.7 million.

- On March 26, 2024, the Company issued US\$33.3 million of Senior Secured Notes, bearing interest at 6.37% with principal repayment due at final maturity on March 26, 2030. The proceeds were used to settle US\$33.3 million of principal under the Company's existing Senior Secured Notes due on March 26, 2024. Interfor's Senior Secured Notes now have a weighted average interest rate of 5.46% with laddered maturities spanning 2025-2033.
- Liquidity is expected to benefit over the course of 2024 from the collection of income taxes receivable totalling \$64.3 million and the ongoing monetization of Coastal B.C. operations.
- **Softwood Lumber Duties**
 - Interfor expensed \$7.5 million of duties in the quarter, representing the full amount of countervailing ("CV") and anti-dumping ("AD") duties incurred on shipments of softwood lumber from its Canadian operations to the U.S. at a combined rate of 8.05%.
 - On February 1, 2024, the U.S. Department of Commerce issued its preliminary combined all others rate of 13.86% for its fifth administrative review covering shipments for the year ended December 31, 2022. The preliminary rate is subject to change until the final rate determinations, which are expected in mid-2024. At such time, the final combined rate will be applied to new lumber shipments. No adjustments have been recorded in the financial statements as of March 31, 2024 to reflect the preliminary all others duty rate announced.
 - Interfor has cumulative duties of US\$560.0 million, or approximately \$10.77 per share on an after-tax basis, held in trust by U.S. Customs and Border Protection as at March 31, 2024. Except for US\$161.8 million recorded as a receivable in respect of overpayments arising from duty rate adjustments and the fair value of rights to duties acquired, Interfor has recorded the duty deposits as an expense.

Outlook

North American lumber markets over the near term are expected to remain depressed as the economy continues to adjust to inflationary pressures, elevated interest rates, labour shortages and geo-political uncertainty, and industry-wide lumber production continues to adjust to match demand.

Interfor expects that over the mid-term, lumber markets will continue to benefit from favourable underlying supply and demand fundamentals. Positive demand factors include the advanced age of the U.S. housing stock, a shortage of available housing and various demographic factors, while growth in lumber supply is expected to be limited by extended capital project completion and ramp-up timelines, labour availability and constrained global fibre availability.

Interfor's strategy of maintaining a diversified portfolio of operations in multiple regions allows the Company to both reduce risk and maximize returns on capital over the business cycle. In the event of a sustained lumber market downturn, Interfor maintains flexibility to significantly reduce capital expenditures and working capital levels, and to proactively adjust its lumber production to match demand.

Financial and Operating Highlights¹

	Unit	For the three months ended		
		Mar. 31 2024	Mar. 31 2023	Dec. 31 2023
Financial Highlights²				
Total sales	\$MM	813.2	829.9	785.9
Lumber	\$MM	670.7	642.5	628.5
Logs, residual products and other	\$MM	142.5	187.4	157.4
Operating loss	\$MM	(80.9)	(36.3)	(174.2)
Net loss	\$MM	(72.9)	(41.3)	(169.0)
Net loss per share, basic	\$/share	(1.42)	(0.80)	(3.29)
Adjusted EBITDA ³	\$MM	(22.3)	26.1	(51.4)
Adjusted EBITDA margin ³	%	(2.7%)	3.1%	(6.5%)
Total assets	\$MM	3,426.3	3,695.1	3,400.3
Total debt	\$MM	980.7	946.2	897.7
Net debt ³	\$MM	897.4	880.0	842.7
Net debt to invested capital ³	%	34.7%	30.7%	32.8%
Annualized return on capital employed ³	%	(9.1%)	(5.0%)	(28.0%)
Operating Highlights				
Lumber production	million fbm	1,069	1,031	1,102
U.S. South	million fbm	480	473	485
U.S. Northwest	million fbm	141	142	157
Eastern Canada	million fbm	288	250	275
B.C.	million fbm	160	166	185
Lumber sales	million fbm	1,100	1,004	1,046
Lumber - average selling price ⁴	\$/thousand fbm	610	639	601
Key Statistics				
Benchmark lumber prices ⁵				
SYP Composite	US\$ per mfbm	383	442	373
KD H-F Stud 2x4 9'	US\$ per mfbm	455	428	423
Eastern SPF Composite	US\$ per mfbm	489	474	461
Western SPF Composite	US\$ per mfbm	416	399	374
USD/CAD exchange rate ⁶				
Average	1 USD in CAD	1.3486	1.3525	1.3624
Closing	1 USD in CAD	1.3550	1.3533	1.3226

Notes:

- Figures in this table may not equal or sum to figures presented elsewhere due to rounding.
- Financial information presented for interim periods in this release is prepared in accordance with IFRS and is unaudited.
- Refer to the Non-GAAP Measures section of this release for definitions and reconciliations of these measures to figures reported in the Company's unaudited condensed consolidated interim financial statements.
- Gross sales including duties and freight.
- Based on Random Lengths Benchmark Lumber Pricing.
- Based on Bank of Canada foreign exchange rates.

Liquidity

Balance Sheet

Interfor's Net debt at March 31, 2024 was \$897.4 million, or 34.7% of invested capital, representing an increase of \$54.7 million from the level of Net debt at December 31, 2023.

As at March 31, 2024 the Company had net working capital of \$352.7 million and available liquidity of \$299.7 million, based on the available borrowing capacity under its \$600.0 million Revolving Term Line ("Term Line").

The Term Line and Senior Secured Notes are subject to financial covenants, including a net debt to total capitalization ratio and an EBITDA interest coverage ratio.

Management believes, based on circumstances known today, that Interfor has sufficient working capital and liquidity to fund operating and capital requirements for the foreseeable future.

Millions of Dollars	For the three months ended		
	Mar. 31 2024	Dec. 31 2023	Mar. 31 2023
Net debt			
Net debt, period opening	\$842.7	\$777.7	\$720.4
Term Line net drawings	60.9	39.9	149.5
(Increase) decrease in cash and cash equivalents	(27.6)	43.9	10.8
Foreign currency translation impact on U.S. Dollar denominated cash and cash equivalents and debt	21.4	(18.8)	(0.7)
Net debt, period ending	\$897.4	\$842.7	\$880.0

On March 26, 2024, the Company issued US\$33.3 million of Series I Senior Secured Notes, bearing interest at 6.37% with principal repayment due at final maturity on March 26, 2030. The proceeds were used to settle US\$33.3 million of principal under the Company's existing Series C Senior Secured Notes due on March 26, 2024.

Capital Resources

The following table summarizes Interfor's credit facilities and availability as of March 31, 2024:

Millions of Dollars	Revolving Term Line	Senior Secured Notes	Total
Available line of credit and maximum borrowing available	\$600.0	\$655.5	\$1,255.5
Less:			
Drawings	325.2	655.5	980.7
Outstanding letters of credit included in line utilization	58.4	-	58.4
Unused portion of facility	\$216.4	\$ -	216.4
Add:			
Cash and cash equivalents			83.3
Available liquidity at March 31, 2024			\$299.7

Interfor's Term Line matures in December 2026 and its Senior Secured Notes have maturities in the years 2025-2033.

As of March 31, 2024, the Company had commitments for capital expenditures totaling \$48.8 million for both maintenance and discretionary capital projects.

Non-GAAP Measures

This MD&A makes reference to the following non-GAAP measures: EBITDA, Adjusted EBITDA, Adjusted EBITDA margin, Net debt to invested capital and Annualized return on capital employed which are used by the Company and certain investors to evaluate operating performance and financial position. These non-GAAP measures do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers.

The following table provides a reconciliation of these non-GAAP measures to figures as reported in the Company's audited consolidated financial statements (unaudited for interim periods) prepared in accordance with IFRS:

Millions of Dollars except number of shares and per share amounts ¹	For the three months ended		
	Mar. 31 2024	Mar. 31 2023	Dec. 31 2023
Adjusted EBITDA			
Net loss	\$(72.9)	\$(41.3)	\$(169.0)
Add:			
Depreciation of plant and equipment	46.7	45.1	48.9
Depletion and amortization of timber, roads and other	10.9	12.2	11.4
Finance costs	11.9	10.9	10.6
Income tax recovery	(10.8)	(11.5)	(66.4)
EBITDA	(14.2)	15.4	(164.5)
Add:			
Long-term incentive compensation expense (recovery)	(1.7)	2.6	4.6
Other foreign exchange loss (gain)	16.6	-	(15.0)
Other expense (income) excluding business interruption insurance	(25.7)	6.5	65.6
Asset write-downs and restructuring costs	2.7	1.6	57.9
Adjusted EBITDA	\$(22.3)	\$26.1	\$(51.4)
Sales	\$813.2	\$829.9	\$785.9
Adjusted EBITDA margin	(2.7%)	3.1%	(6.5%)
Net debt to invested capital			
Net debt			
Total debt	\$980.7	\$946.2	\$897.7
Cash and cash equivalents	(83.3)	(66.2)	(55.0)
Total net debt	\$897.4	\$880.0	\$842.7
Invested capital			
Net debt	\$897.4	\$880.0	\$842.7
Shareholders' equity	1,689.7	1,985.2	1,730.4
Total invested capital	\$2,587.1	\$2,865.2	\$2,573.1
Net debt to invested capital ²	34.7%	30.7%	32.8%
Annualized return on capital employed			
Net loss	\$(72.9)	\$(41.3)	\$(169.0)
Add:			
Finance costs	11.9	10.9	10.6
Income tax recovery	(10.8)	(11.5)	(66.4)
Loss before income taxes and finance costs	\$(71.8)	\$(41.9)	\$(224.8)
Capital employed			
Total assets	\$3,426.3	\$3,695.1	\$3,400.3
Current liabilities	(332.3)	(343.0)	(336.2)
Less:			
Current portion of long-term debt	45.2	52.4	44.1
Current portion of lease liabilities	20.5	14.8	17.2
Capital employed, end of period	\$3,159.7	\$3,419.3	\$3,125.4
Capital employed, beginning of period	3,125.4	3,316.0	3,293.5
Average capital employed	\$3,142.6	\$3,367.7	\$3,209.5
Loss before income taxes and finance costs divided by average capital employed	(2.3%)	(1.2%)	(7.0%)
Annualization factor	4.0	4.0	4.0
Annualized return on capital employed	(9.1%)	(5.0%)	(28.0%)

Notes:

- 1 Figures in this table may not equal or sum to figures presented elsewhere due to rounding.
- 2 Net debt to invested capital as of the period end.



CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
For the three months ended March 31, 2024 and 2023 (unaudited)

(millions of Canadian Dollars except per share amounts)

	Three Months Mar. 31, 2024	Three Months Mar. 31, 2023
Sales	\$813.2	\$829.9
Costs and expenses:		
Production	808.2	776.8
Selling and administration	19.8	17.2
Long-term incentive compensation expense (recovery)	(1.7)	2.6
U.S. countervailing and anti-dumping duty deposits	7.5	10.7
Depreciation of plant and equipment	46.7	45.1
Depletion and amortization of timber, roads and other	10.9	12.2
	891.4	864.6
Operating loss before asset write-downs and restructuring costs	(78.2)	(34.7)
Asset write-downs and restructuring costs	2.7	1.6
Operating loss	(80.9)	(36.3)
Finance costs	(11.9)	(10.9)
Other foreign exchange loss	(16.6)	-
Other income (expense)	25.7	(5.6)
	(2.8)	(16.5)
Loss before income taxes	(83.7)	(52.8)
Income tax expense (recovery):		
Current	2.6	(5.5)
Deferred	(13.4)	(6.0)
	(10.8)	(11.5)
Net loss	\$(72.9)	\$(41.3)
Net loss per share		
Basic	\$(1.42)	\$(0.80)
Diluted	\$(1.42)	\$(0.80)

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the three months ended March 31, 2024 and 2023 (unaudited)

(millions of Canadian Dollars)

	Three Months Mar. 31, 2024	Three Months Mar. 31, 2023
Net loss	\$(72.9)	\$(41.3)
Other comprehensive income (loss):		
Items that will not be recycled to Net loss:		
Defined benefit plan actuarial gain, net of tax	2.6	0.6
Items that may be recycled to Net loss:		
Foreign currency translation differences for foreign operations, net of tax	29.5	(1.5)
Total other comprehensive income (loss), net of tax	32.1	(0.9)
Comprehensive loss	\$(40.8)	\$(42.2)



CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the three months ended March 31, 2024 and 2023 (unaudited)

(millions of Canadian Dollars)

	Three Months Mar. 31, 2024	Three Months Mar. 31, 2023
Cash provided by (used in):		
Operating activities:		
Net loss	\$(72.9)	\$(41.3)
Items not involving cash:		
Depreciation of plant and equipment	46.7	45.1
Depletion and amortization of timber, roads and other	10.9	12.2
Deferred income tax recovery	(13.4)	(6.0)
Current income tax expense (recovery)	2.6	(5.5)
Finance costs	11.9	10.9
Other assets	(0.4)	0.1
Reforestation liability	3.1	4.8
Provisions and other liabilities	(1.2)	2.5
Stock option vesting	0.1	0.2
Write-down of plant and equipment	1.1	1.5
Unrealized foreign exchange loss	10.7	0.2
Other expense (income)	(25.7)	5.6
Income taxes refunded (paid)	1.6	(0.4)
	(24.9)	29.9
Cash generated from (used in) operating working capital:		
Trade accounts receivable and other	1.8	(53.9)
Inventories	11.8	(32.5)
Prepayments	3.5	3.6
Trade accounts payable and provisions	(8.8)	(31.7)
	(16.6)	(84.6)
Investing activities:		
Additions to property, plant and equipment	(26.5)	(63.1)
Recoveries from (additions to) roads and bridges	0.5	(0.5)
Acquisitions, net of cash acquired	-	0.5
Proceeds on disposal of property, plant, equipment and other	1.1	4.1
Net proceeds related to B.C. Coast monetization	29.0	-
Net proceeds from (additions to) deposits and other assets	(1.0)	0.9
	3.1	(58.1)
Financing activities:		
Issuance of share capital, net of expenses	-	0.1
Interest payments	(13.9)	(13.1)
Lease liability payments	(5.9)	(4.5)
Debt refinancing costs	-	(0.1)
Revolving Term Line net drawings	60.9	149.5
Additions to Senior Secured Notes	45.3	-
Repayments of Senior Secured Notes	(45.3)	-
	41.1	131.9
Foreign exchange gain (loss) on cash and cash equivalents held in a foreign currency	0.7	(0.6)
Increase (decrease) in cash	28.3	(11.4)
Cash and cash equivalents, beginning of period	55.0	77.6
Cash and cash equivalents, end of period	\$83.3	\$66.2



CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
March 31, 2024 and December 31, 2023 (unaudited)

(millions of Canadian Dollars)	Mar. 31, 2024	Dec. 31, 2023
Assets		
Current assets:		
Cash and cash equivalents	\$83.3	\$55.0
Trade accounts receivable and other	184.5	184.4
Income tax receivable	64.3	68.4
Inventories	329.2	339.2
Prepayments	23.7	26.9
	685.0	673.9
Employee future benefits	17.8	15.5
Deposits and other assets	281.6	274.6
Right of use assets	40.4	37.1
Property, plant and equipment	1,610.0	1,612.9
Roads and bridges	31.9	35.9
Timber licences	168.6	170.4
Goodwill and other intangible assets	584.4	574.7
Deferred income taxes	6.6	5.3
	\$3,426.3	\$3,400.3
Liabilities and Shareholders' Equity		
Current liabilities:		
Trade accounts payable and provisions	\$250.3	\$258.9
Current portion of long-term debt	45.2	44.1
Reforestation liability	16.1	15.8
Lease liabilities	20.5	17.2
Income taxes payable	0.2	0.2
	332.3	336.2
Reforestation liability	31.5	28.4
Lease liabilities	22.5	23.1
Long-term debt	935.5	853.6
Employee future benefits	11.2	11.3
Provisions and other liabilities	48.8	54.6
Deferred income taxes	354.8	362.7
Equity:		
Share capital	408.9	408.9
Contributed surplus	6.3	6.2
Translation reserve	175.0	145.5
Retained earnings	1,099.5	1,169.8
	1,689.7	1,730.4
	\$3,426.3	\$3,400.3

Approved on behalf of the Board of Directors:

"L. Sauder"
 Director

"T.V. Milroy"
 Director

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 may include words such as: will, could, should, believe, expect, anticipate, intend, forecast, projection, target, outlook, opportunity, risk or strategy. 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 first quarter and annual Management's Discussion and Analysis under the heading "Risks and Uncertainties", which are available on www.interfor.com and under Interfor's profile on www.sedarplus.ca. Material factors and assumptions used to develop the forward-looking information in this release include the timing and value of proceeds received from the disposition of Coast B.C. forest tenures; availability and cost of logs; competition; currency exchange sensitivity; environment; government regulation; health and safety; Indigenous reconciliation; information technology and cyber security; labour availability; logistics availability and cost; natural and man-made disasters and climate change; price volatility; residual fibre revenue; softwood lumber trade; and tax exposures. 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.

ABOUT INTERFOR

Interfor is a growth-oriented forest products company with operations in Canada and the United States. The Company has annual lumber production capacity of approximately 5.0 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.

The Company's unaudited condensed consolidated interim financial statements and Management's Discussion and Analysis for Q1'24 are available at www.sedarplus.ca and www.interfor.com.

There will be a conference call on Friday, May 10, 2024 at 8:00 a.m. (Pacific Time) hosted by **INTERFOR CORPORATION** for the purpose of reviewing the Company's release of its first quarter 2024 financial results.

The dial-in number is **1-888-390-0546** or webcast URL: <https://app.webinar.net/6KxkZo3ZORB>. The conference call will also be recorded for those unable to join in for the live discussion and will be available until June 10, 2024. The number to call is **1-888-390-0541, Passcode 166100#**.

For further information:

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