Canadian Home Builders' Association

CHBA MEMBER WEBINAR

What's the story with lumber and where to from here?

THANK YOU TO THE 2021 CHBA ALLIANCE NETWORK

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Panelists

Michael Almond
General Manager – SPF Sales North America
CANFOR

Paul Quinn
Analyst
RBC Capital Markets

Liz Kovach
President
Western Retail Lumber Association

Derek Nighbor
President and CEO
Forest Products Association of Canada

Engagement on Lumber

- Since mid-summer
- Continually engaged with lumber industry, government, constituent associations, NAHB
- Information to members
- Key asks of government:
  - Recognize escalating lumber prices major issue for housing affordability & supply, businesses in residential sector, affordable housing
  - Support for the lumber supply chain to maximize supply output and delivery (including through essential service designations, the wage subsidy, addressing transportation issues, back to work incentives and training).
  - Work with domestic lumber producers to ramp up production by working with other levels of government to ensure more responsive and certain access to raw material.
  - Avoidance and timely resolution to trade disputes.
  - Help offset escalating construction costs for housing to sustain activity and affordability through other measures.

Canadian Home Builders' Association

Engagement on Lumber

Justin Trudeau	Prime Minister
Chrystia Freeland	Deputy Prime Minister & Minister of Finance
Ahmed Hussen	Minister of Families, Children & Social Dev.
Deb Schulte	Minister for Seniors
Seamus O'Regan	Minister of Natural Resources
Jonathan Wilkinson	Minister of Environment and Climate Change
Mary Ng	Minister of Small Business, Export Promotion and International Trade Global Affairs
Navdeep Bains,	Minister of Innovation, Science and Industry
Adam Vaughan	Parliamentary Secretary
Erin O'Toole	Leader of the Official Opposition
Brad Vis	MP, Critic for Housing
Greg McLean	MP, Shadow Minister Natural Resources
House of Commons Human Resource Committee	
House of Commons Natural Resources Committee	…and others

Canadian Press, Bloomberg, Globe and Mail, Global, Mortgage Broker News, other local media

Lumber Market Update

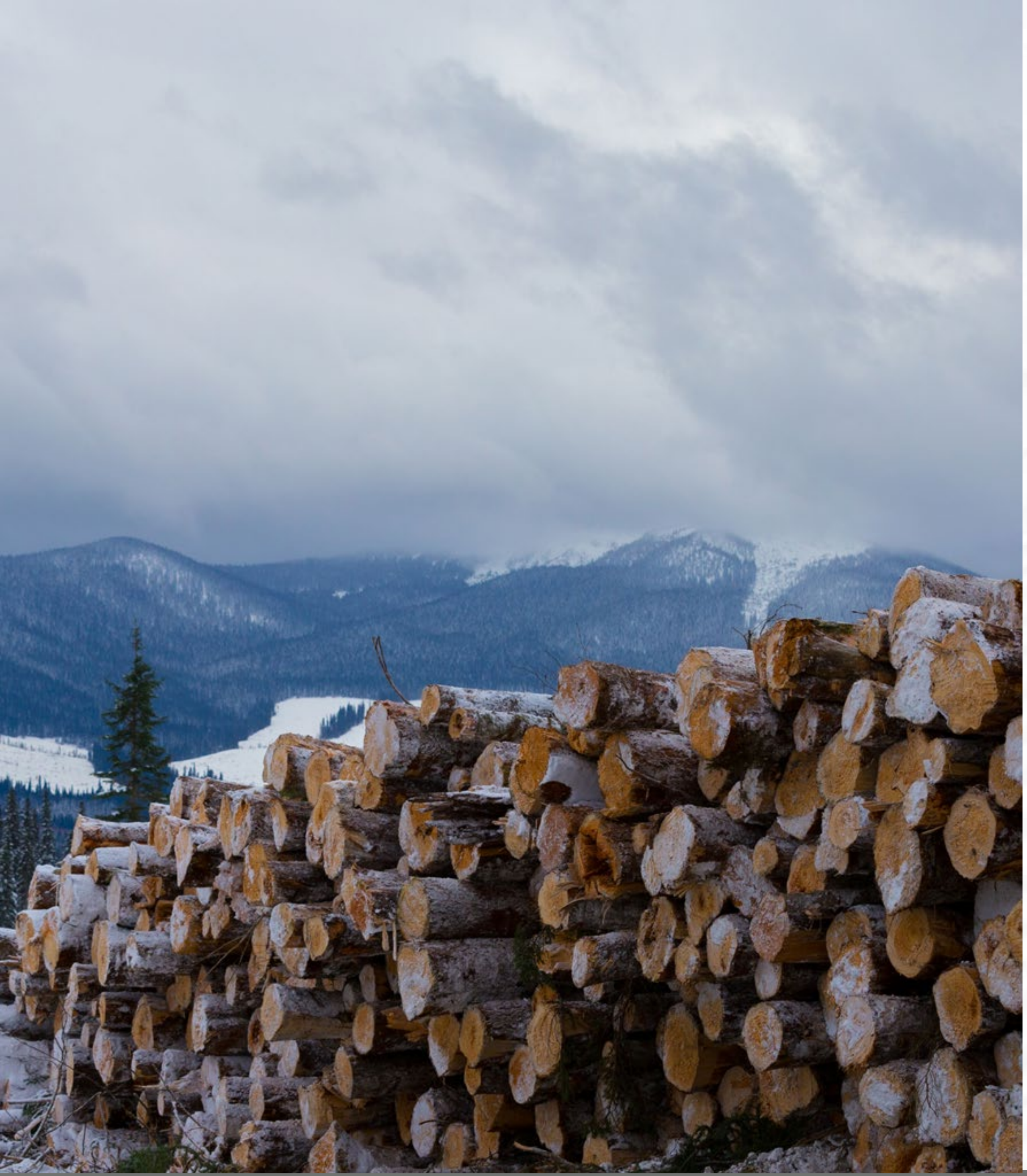
Michael Almond – General Manager, SPF Sales North America

January 28th, 2021

CANFOR

WRLA

Canadian Home Builders' Association



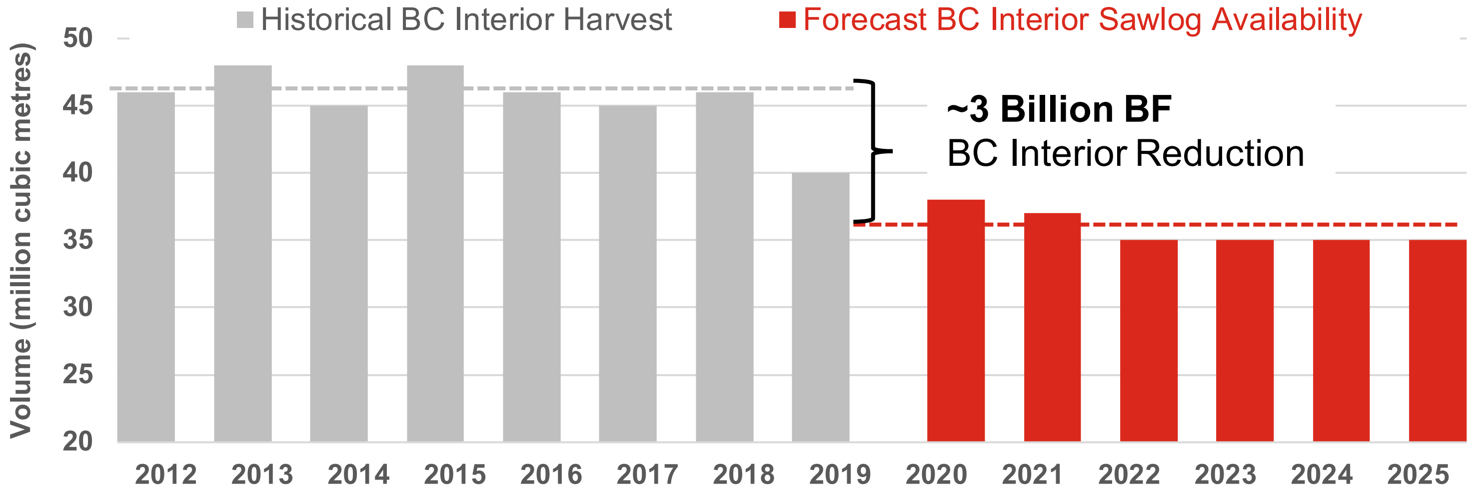
AGENDA

- “How Did We Arrive Here (Lumber at $900/M)?!”
- Western CDN Lumber Supply Update
- Lumber Market Overview & Outlook
- Closing Comments

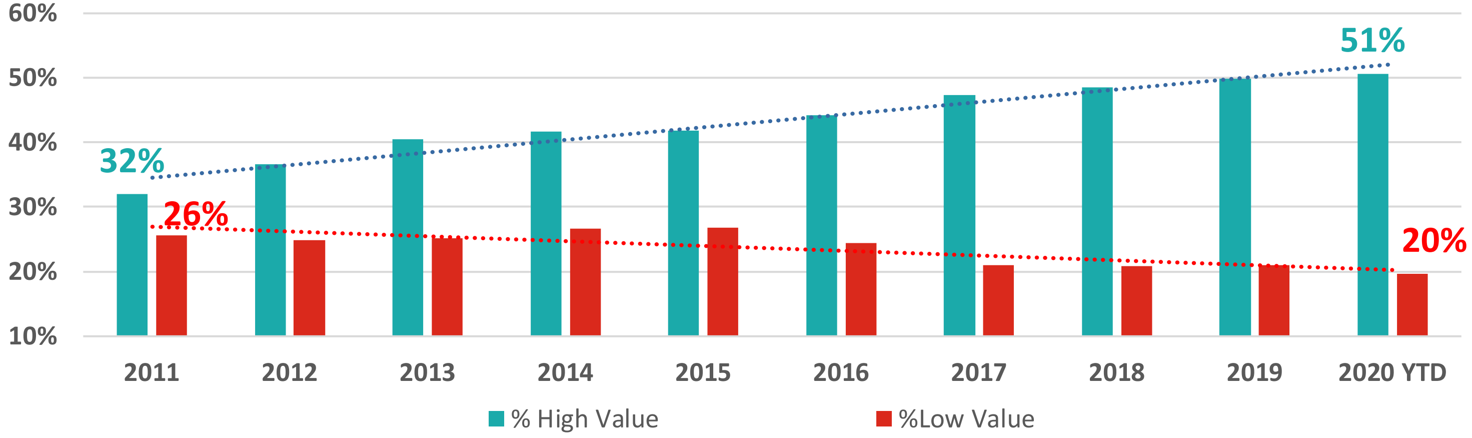
BC Fibre Supply

Canadian WSPF

Western Canadian SPF: Less is More



Improving Grade Yields



32%

42%

26%

HIGH MID LOW

51%

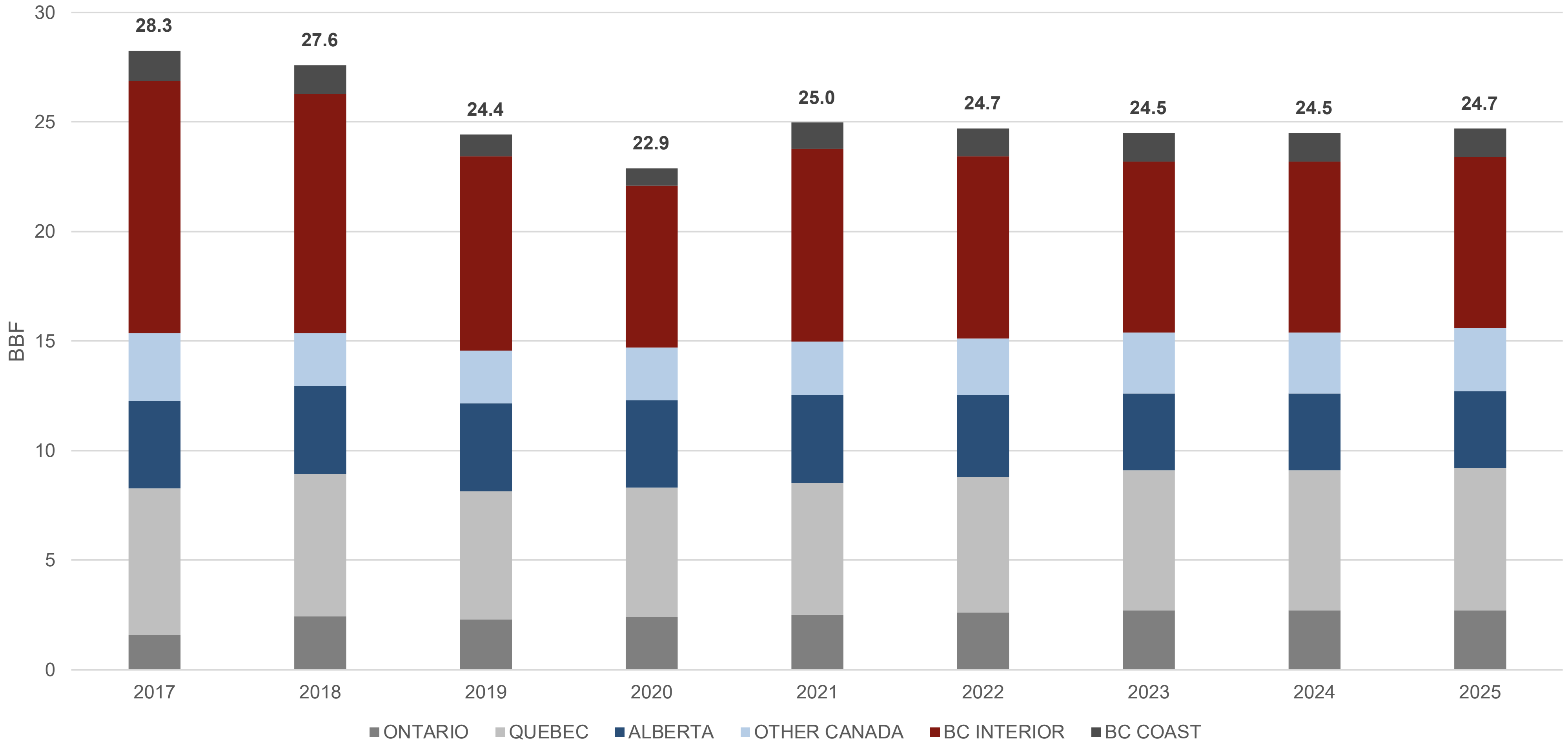
29%

20%

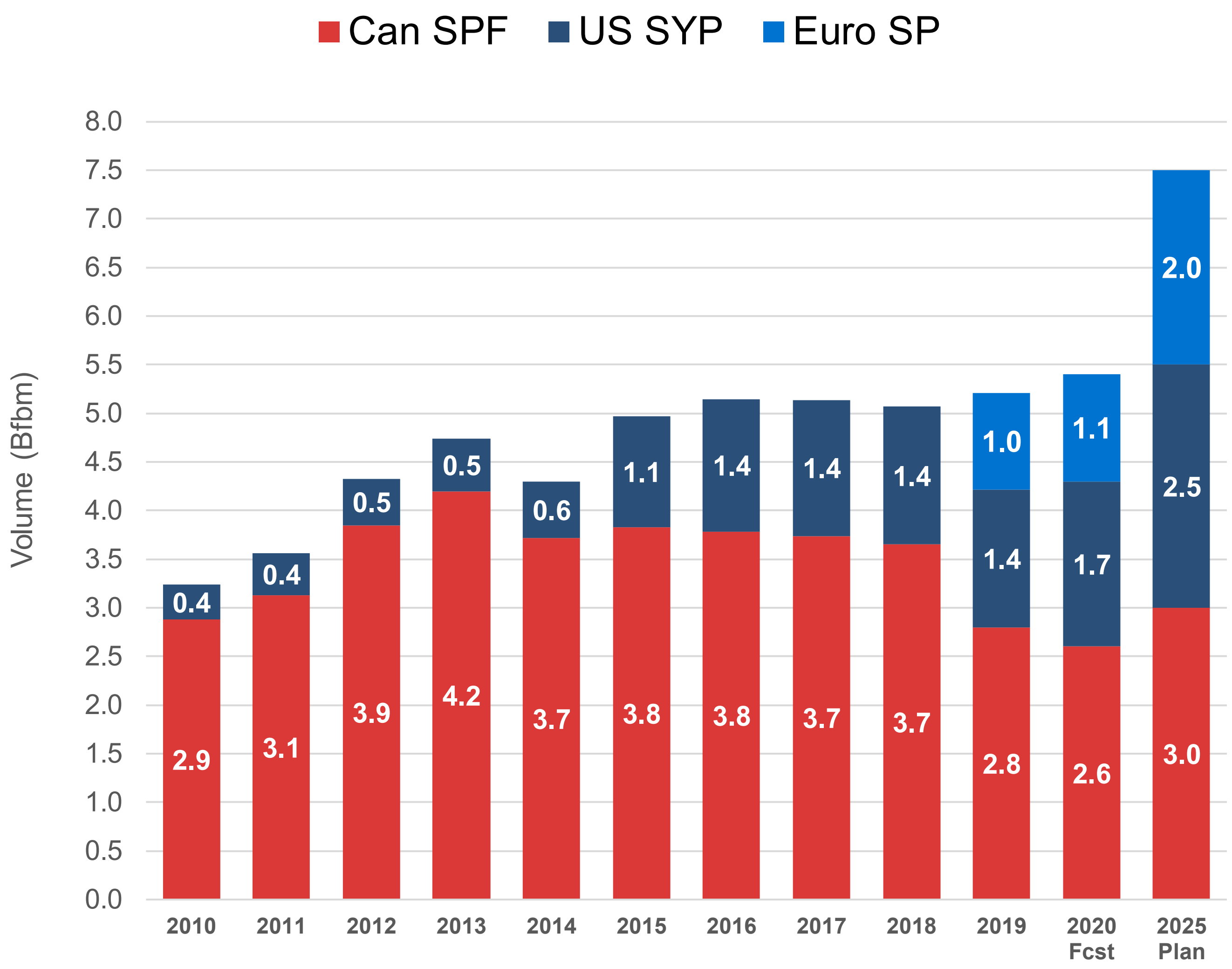
Source: Government of British Columbia, FEA, Canfor

CANFOR

Canadian Softwood Lumber Production

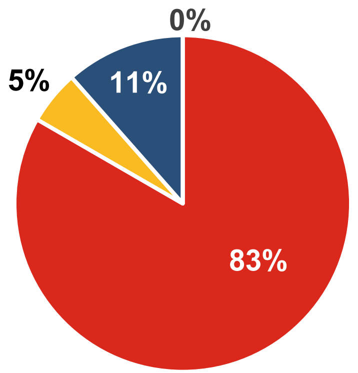


Growth & Diversification Of Our Lumber Production



2010

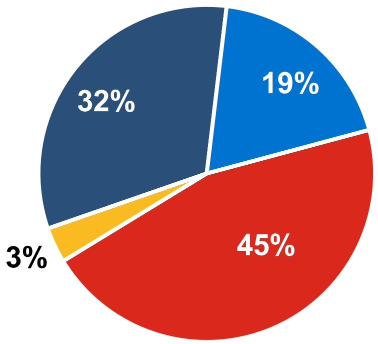
Production 3.3 Bfbm



- BC – **83%**
- Alberta – **5%**
- US SYP – **11%**
- Euro SP – **0%**

2020

Production 5.3 Bfbm



- BC – **45%**
- US SYP – **32%**
- Alberta –**3%**
- Euro SP – **19%**

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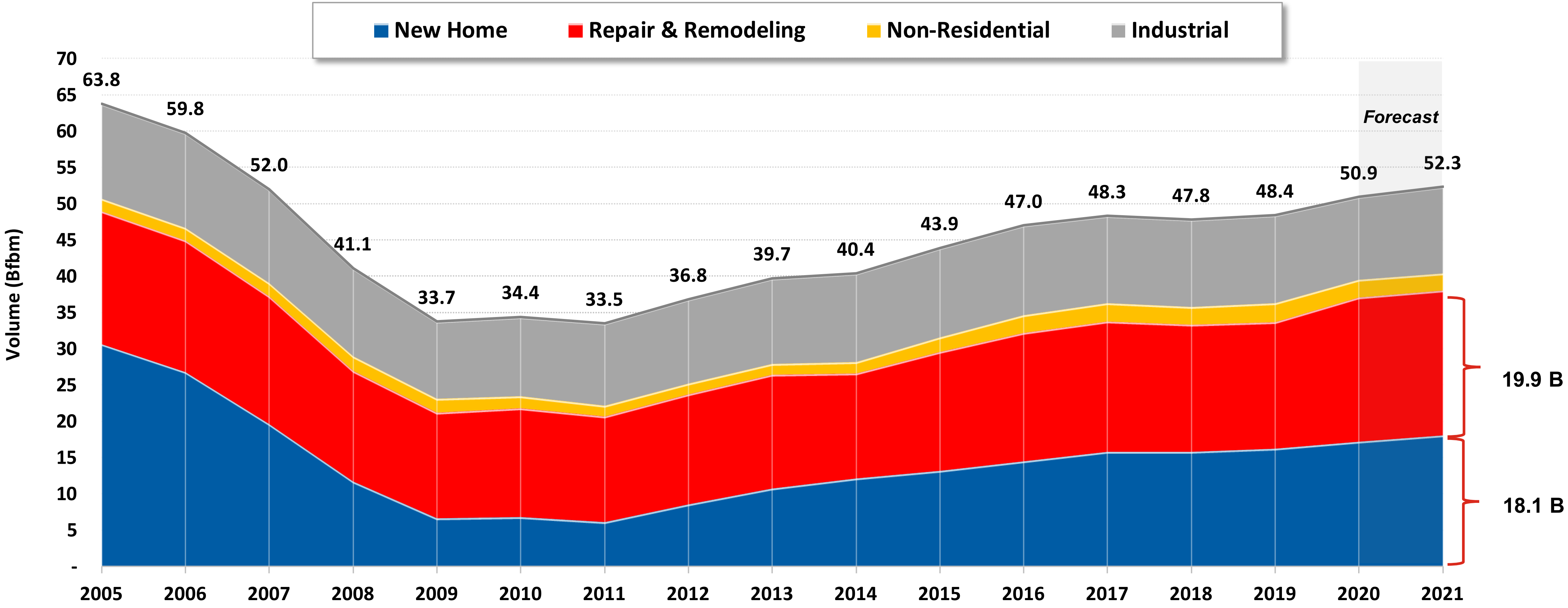
North American Market Update

North America Demand

Housing Starts

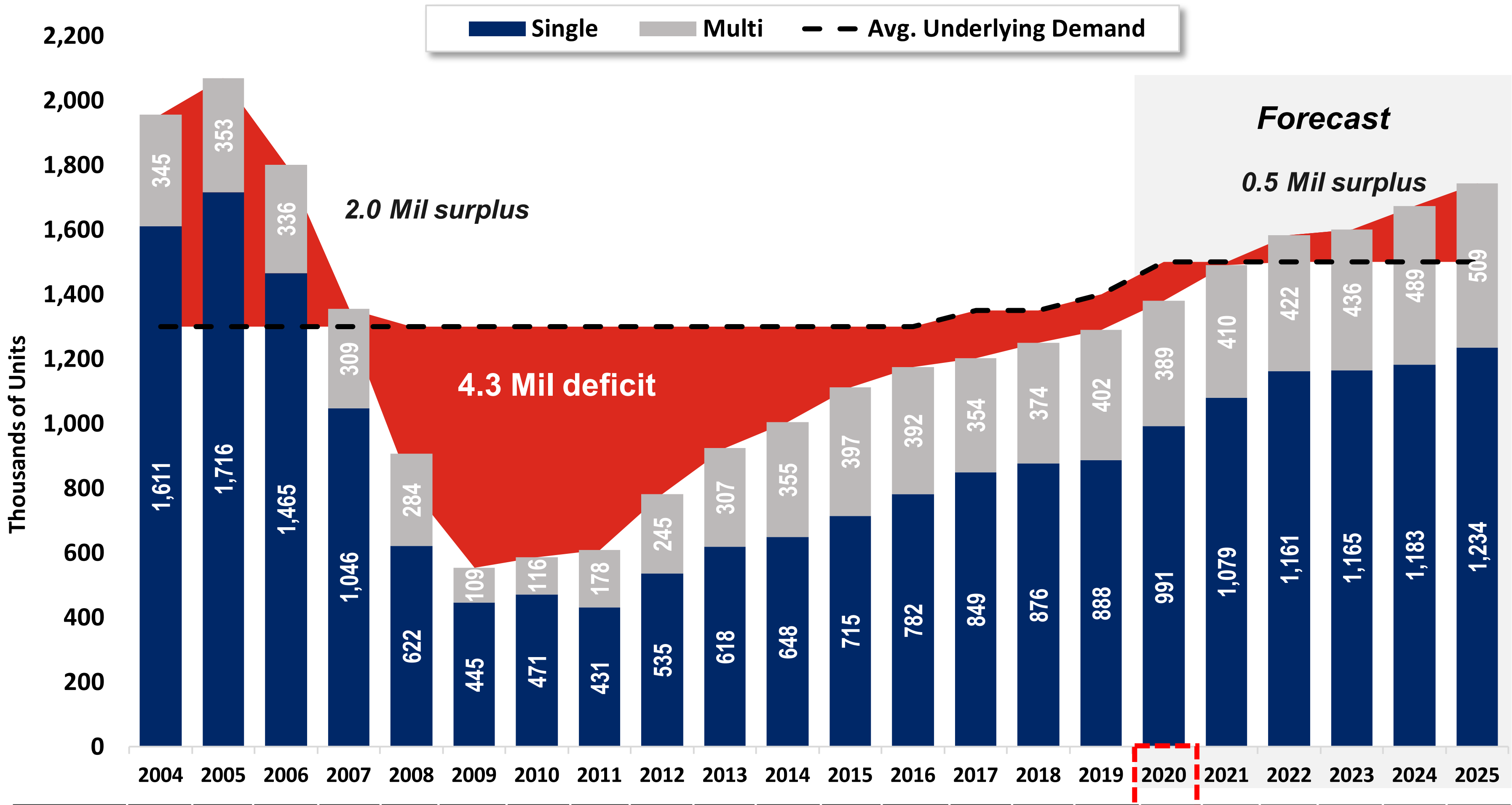
R&R Demand

US Softwood Lumber Demand



Source: WWPA, FEA, Canfor

US Housing Starts Forecast



	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total units	1,956	2,068	1,801	1,355	906	554	587	609	781	925	1,003	1,112	1,174	1,203	1,250	1,290	1,380	1,489	1,583	1,601	1,672	1,743
Single (%)	82%	83%	81%	77%	69%	80%	80%	71%	69%	67%	65%	64%	67%	71%	70%	69%	72%	72%	73%	73%	71%	71%

Key Drivers

✓ **Millennials Coming of Age**

Homeownership rate of ages 25-34 yrs. old are expected to increase 1 1/2 % per year

✓ **Suburban Migration**

COVID-19 has resulted in a marked shift in home preference for suburban areas

✓ **Tight Existing Home Inventory**

Existing home listings trending 20% below 2019

✓ **New Home Affordability**

New home premium over existing homes reaches 9 year low at $4/sqft

? **Long Term COVID-19 Impacts**

Lingering effects pose threat to longer term housing starts

Source: US Census Bureau, Canfor, Redfin, Zillow

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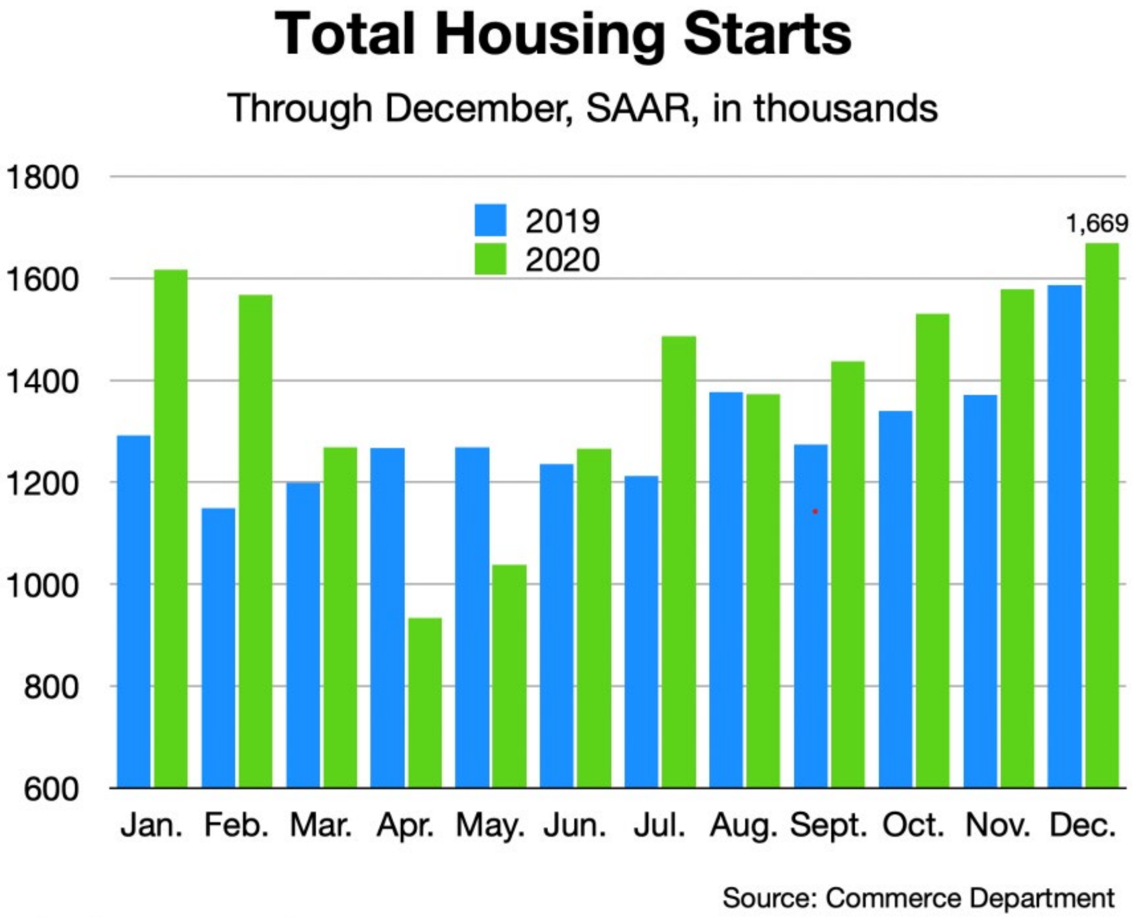
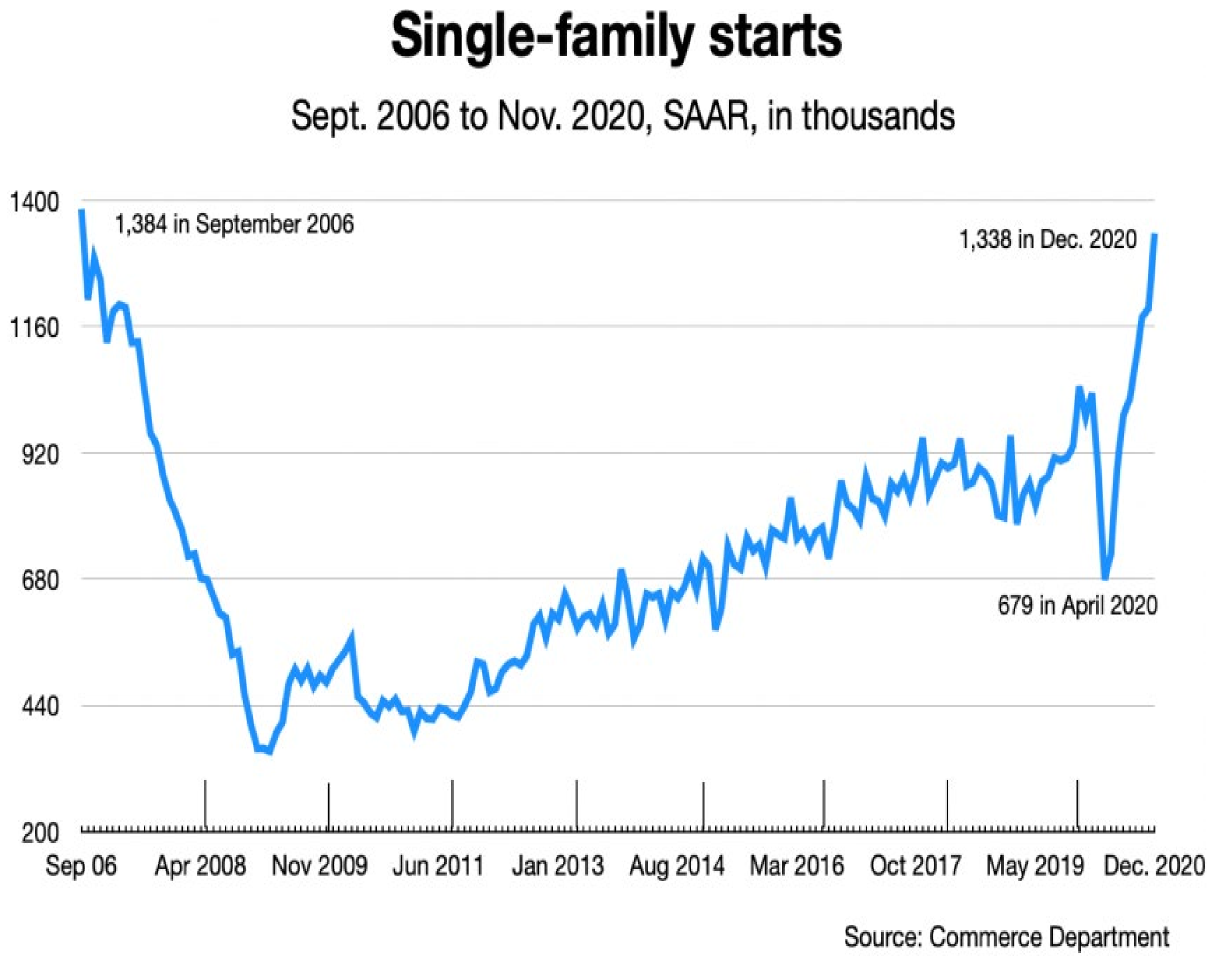
US Total Housing Starts





Repair and Remodeling – Key Drivers Point to Solid Growth

2020: COVID Surge in Disposable Income/Time

DIY is an increasingly greater proportion of projects
Despite a decline in spending in 2021 as compared to 2020, we see lumber usage rate per dollar trending higher (reduced labor costs)

2021: Record Low Existing Home Inventory

Drives spending pre- and post-sale ~ 5.6 million units/yr.
Generally lower existing home sales may drag down overall spend as new home sales increase

Aging in Place

Mobility amongst Baby Boomers & Silent Generation Decline
Single family owners likely to resort to improvements over relocation, proportion of lumber usage likely lower

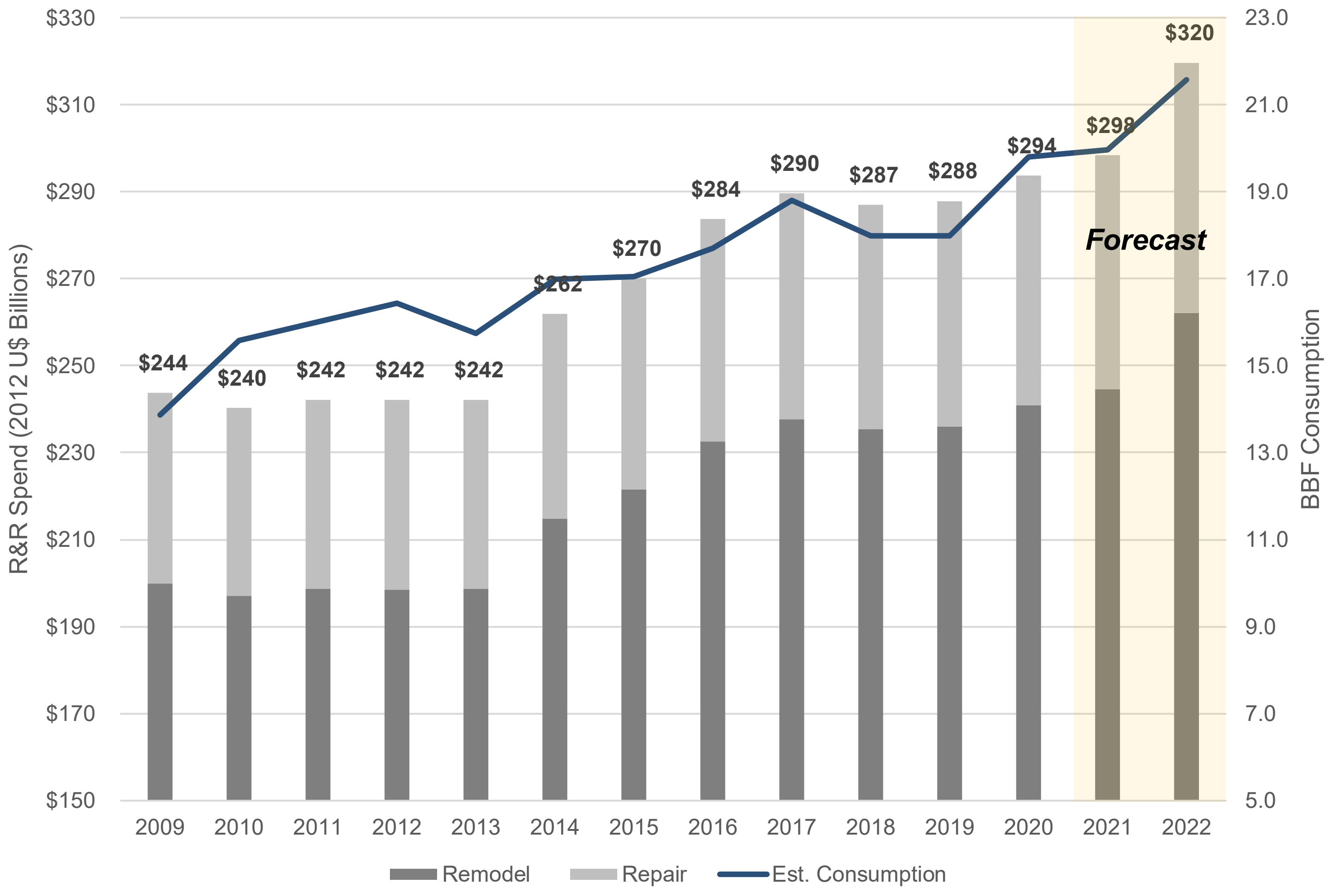
Age of Housing Stock

Demands ongoing repairs (avg. 42 yrs. Old)
16-35 yrs. indoor projects, >46 yrs. outdoor projects

Household Formation

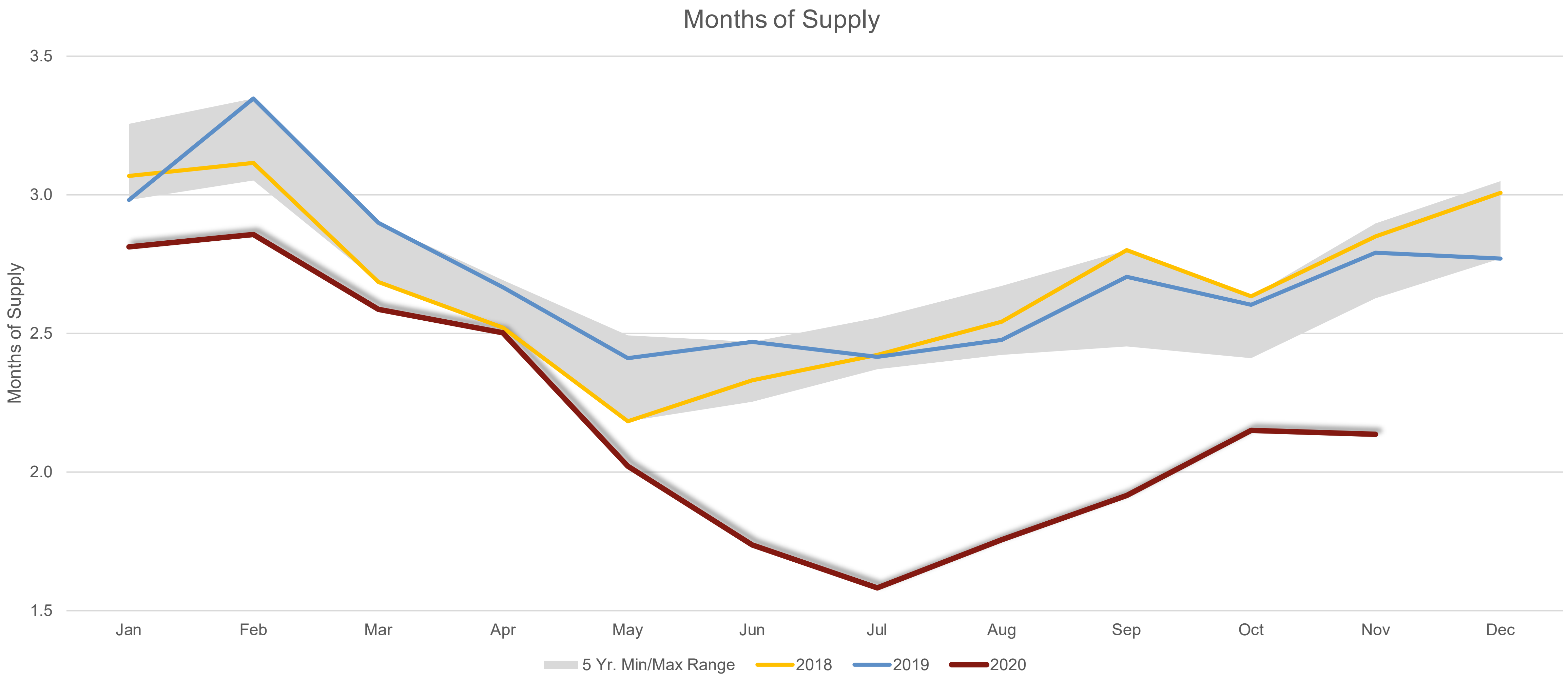
Increase demand
Additional 12.5 million households will form 2015-2025

Strong Spending in the near-term before maintaining at a high level



Source: US Census Bureau, Canfor

US Softwood Months of Supply – Historical



2020 Supply Disruption

Canada is Our Home Market

Thank you for the Support


Thank you
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Forest Products

Lumber Outlook

January 28, 2021

RBC Dominion Securities Inc.

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RBC Capital Markets provided a fairness opinion to the Board of Directors of Norbord in connection with the transaction where West Fraser Timber Co. Ltd will acquire all of the outstanding common shares of Norbord Inc. in an all-stock transaction, as announced on November 19, 2020.

All values in U.S. dollars unless otherwise noted.

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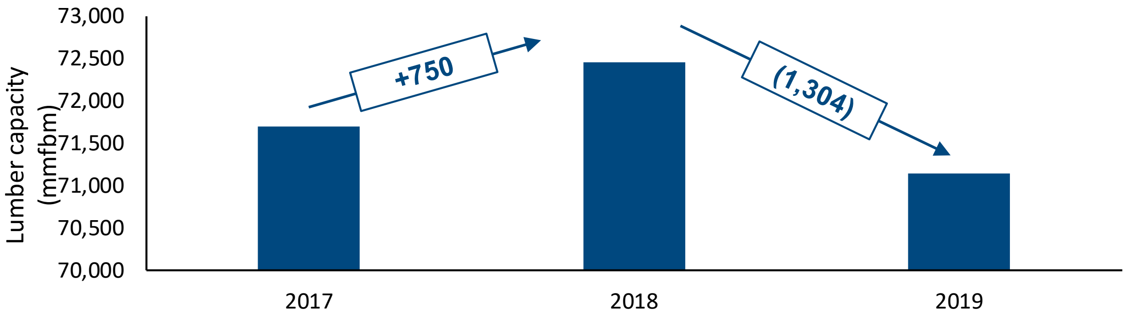
Capital Markets

Forest Products

North American lumber net capacity changes in 2018 and 2019

Net Capacity Changes



There was -554 mmfbm of net capacity cuts in 2018 and 2019

Capacity Cuts

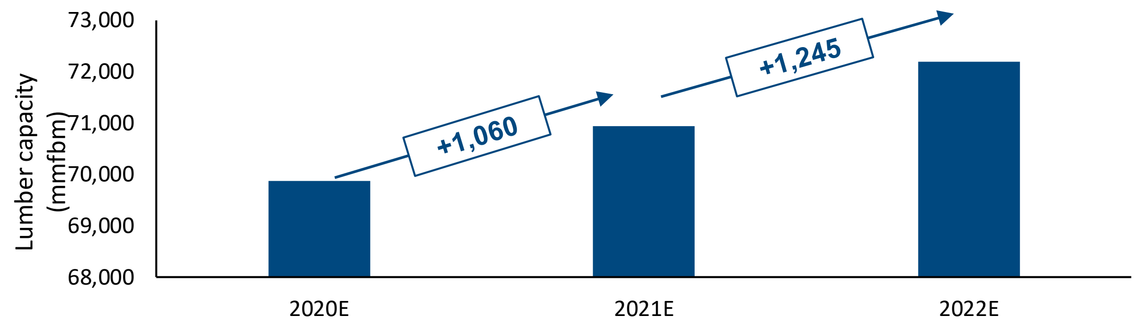
Company name	Region	Location	Date	Capacity (mmfbm)
2018				
West Fraser Timber	US South	Opelika, Alabama	Jul 2018	(100)
Total reported capacity changes				**(100)**
2019				
West Fraser Timber	BC Interior	Fraser Lake, BC	Jan 2019	(120)
West Fraser Timber	BC Interior	Quesnel, BC	Jan 2019	(180)
Georgia-Pacific	US South	Brunswick, Georgia	Feb 2019	(106)
Swanson Group	US West	Glendale, Oregon	May 2019	(210)
Georgia-Pacific	US West	Coos Bay, Oregon	Apr 2019	(200)
Hampton Lumber	BC Interior	Fort St. James, BC	Jun 2019	(300)
Canfor Corp.	BC Interior	Mackenzie, BC	Jul 2018	(300)
Tolko Industries Ltd.	BC Interior	Quesnel, BC	Aug 2019	(210)
Conifex Timber	BC Interior	El Dorado, Arkansas	Aug 2019	(180)
Canfor Corp.	BC Interior	Vavenby, BC	Sep 2019	(250)
West Fraser Timber	BC Interior	Chasm, BC	Sep 2019	(240)
West Fraser Timber	BC Interior	100 Mile House, BC	Sep 2019	(74)
Interfor Corp.	BC Coast	Maple Ridge, BC	Sep 2019	(90)
Kenora Forest Products	Ontario	Kenora, Ontario	Sep 2019	(80)
Tolko Industries Ltd.	BC Interior	Kelowna, BC	Sep 2019	(200)
Canfor Corp.	BC Interior	Isle Pierre, BC	Sep 2019	(100)
Georgia-Pacific	US South	Warrenton, Georgia	Nov 2019	(100)
Georgia-Pacific	US South	McCormick, South Carolina	Oct 2019	(50)
Baker Brook	Maritimes	Baker Brook, New Brunswick	Nov 2019	(17)
Resolute Forest Products	Quebec	Saint-Thomas, Quebec	Nov 2019	(75)
Total reported capacity changes				**(3,082)**

Capacity Additions

Company name	Region	Location	Date	Capacity (mmfbm)
2018				
Cross City Lumber	US South	Cross City, Florida	Apr 2018	+180
Vicksburg Forest Products	US South	Vicksburg, Mississippi	Jun 2018	+100
Weyerhaeuser	US West	Santiam, Oregon	Jun 2018	+30
West Fraser Timber	US South	Opelika, Alabama	Aug 2018	+210
Weyerhaeuser	US South	Dierks, Arkansas	Oct 2018	+330
Interfor Corp.	US South			
Total reported capacity changes				**+850**
2019				
Georgia-Pacific	US South	Talladega, Alabama	Jan 2019	+230
Biewer Lumber	US Other	McBain, Michigan	Apr 2019	+48
Charles Ingram Lumber Co.	US South	Effingham, South Carolina	Jul 2019	+70
Canfor Corp.	US South	Moultrie, Georgia	Jun 2020	+70
LaSalle Lumber Company	US South	Olla, Louisiana	May 2019	+200
Rex Lumber	US South	Troy, Alabama	Aug 2019	+240
Georgia-Pacific	US South	Warrenton, Georgia	Nov 2019	+350
Abbeville Fiber (Phase I)	US South	Abbeville, Alabama	Aug 2019	+50
Angelina Forest Products	US South	Lufkin, Texas	Dec 2019	+220
Biewer Lumber	US South	Newton, Mississippi	Dec 2019	+100
Interfor Corp.	US South	Meldrim, Georgia	Sep 2019	+75
Interfor Corp.	US South	Monticello, Arkansas	Sep 2019	+75
Pleasant River Lumber	US Other	Various (Maine)	Dec 2019	+50
Total reported capacity changes				**+1,778**

North American lumber capacity additions in 2021E and 2022E

Net Capacity Changes



We expect +2,305 mmfbm of net capacity additions expected in 2021 and 2022

Capacity Cuts

Company name	Region	Location	Date	Capacity (mmfbm)
2021E				
n.a.				
Total expected capacity changes				**0**
2022E				
n.a.				
Total expected capacity changes				**0**

Capacity Additions

Company name	Region	Location	Date	Capacity (mmfbm)
2021E				
Ashton Lewis Lumber Co.	US South	Ruther Glen, Virginia	n.a.	n.a.
binderholtz	US South	Suwanee County, Florida	Jan 2021	+350
Resolute Forest Products	Eastern Canada	Ignace, Ontario	Feb 2021	+90
J.D. Irving	Eastern Canada	Doaktown, New Brunswick	Apr 2021	n.a.
Resolute Forest Products	US South	El Dorado, Arkansas	Apr 2021	+180
binderholtz	US South	Enfield, North Carolina	Dec 2021	+350
Interfor Corp.	US South	Various	Dec 2021	+90
Total expected capacity changes				**+1,060**
2022E				
Florida Parishes Forest Product:	US South	St. Helena, Louisiana	n.a.	n.a.
Biewer Lumber	US South	Winona, Mississippi	Jan 2022	+350
Jasper Forest Products LLC.	US South	Jasper, Alabama	Mar 2022	+130
Idaho Forest Group	US South	Lumberton, Mississippi	Jun 2022	+200
Mission Forest Products (TIR)	US South	Corinth, Mississippi	Jun 2022	+250
Interfor Corp.	US South	Various	Dec 2022	+90
Hampton Lumber	BC Interior	Fort St. John, BC	Dec 2022	+225
Total expected capacity changes				**+1,245**

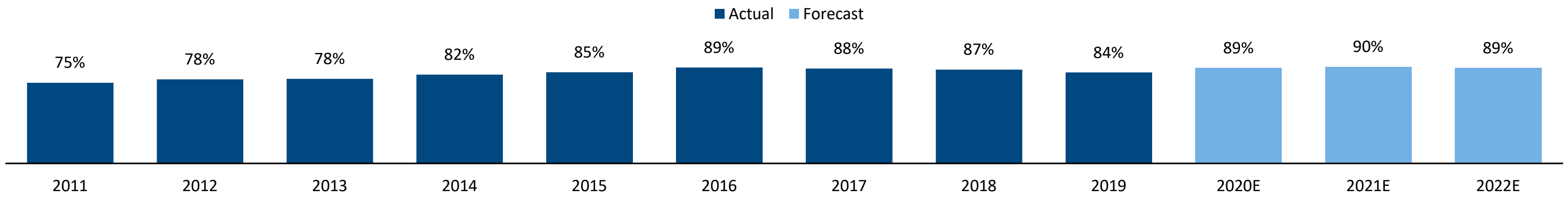
Forest Products

North American lumber supply and demand snapshot

North American Lumber Supply and Demand

	2005	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
US Starts 000's	2,073	609	781	925	1,003	1,112	1,174	1,203	1,250	1,290	1,375	1,444	1,497
Single Family	1,719	431	535	618	648	715	782	849	876	888	981	1,069	1,133
Multi-unit	354	178	245	307	356	397	392	354	374	402	394	375	364
% SF	*82.9%*	*70.7%*	*68.6%*	*66.8%*	*64.6%*	*64.3%*	*66.6%*	*70.6%*	*70.1%*	*68.8%*	*71.3%*	*74.0%*	*75.7%*
Demand (Bfbm)													
SF	27.5	5.9	7.7	8.9	9.5	10.3	11.6	12.3	12.7	12.9	14.2	15.5	16.4
Multi	1.9	0.7	1.0	1.3	1.6	1.8	1.7	1.6	1.6	1.8	1.7	1.7	1.6
Mobile	0.9	0.3	0.4	0.4	0.4	0.5	0.5	0.5	0.5	0.5	0.6	0.6	0.6
Non-Residential	2.0	1.5	1.5	1.6	1.6	1.6	1.7	1.7	1.8	1.8	1.7	1.8	1.8
Industrial	13.1	11.2	11.6	11.9	12.6	12.9	13.5	13.6	13.8	13.9	13.2	13.9	14.6
Repair & Renovation	18.2	13.9	15.2	15.8	16.7	17.0	18.2	18.8	19.3	19.9	22.9	21.8	20.7
US Consumption (mmfbm)	64,520	34,125	36,813	39,503	42,402	44,081	47,367	48,565	49,268	50,425	53,218	55,150	55,691
Y/Y Growth			*8%*	*7%*	*7%*	*4%*	*7%*	*3%*	*1.4%*	*2.3%*	*5.5%*	*3.6%*	*1.0%*
Canada Consumption (mmfbm)	11,324	7,832	8,009	7,257	7,375	8,787	9,556	9,868	9,461	7,912	7,620	7,620	7,620
Y/Y Growth			*2%*	*-9%*	*2%*	*19%*	*9%*	*3%*	*-4%*	*-16%*	*-4%*	***0%***	***0%***
Net Exports (mmfbm)	2,727	6,068	6,131	6,459	5,657	5,161	4,596	4,257	3,657	2,795	1,169	1,169	1,169
Y/Y Growth			*1%*	*5%*	*-12%*	*-9%*	*-11%*	*-7%*	*-14%*	*-24%*	*-58%*	***0%***	***0%***
Total Production (mmfbm)	78,571	48,025	50,953	53,219	55,434	58,029	61,519	62,690	62,386	61,132	62,006	63,939	64,480
Y/Y Growth			*6%*	*4%*	*4%*	*5%*	*6%*	*2%*	*0%*	*-2%*	*1%*	*3%*	*1%*
Total Capacity (mmfbm)	81,100	64,142	65,352	67,930	67,246	68,672	69,079	71,213	71,693	72,548	69,880	71,277	72,703
Capacity Growth			*1.9%*	*3.9%*	*-1.0%*	*2.1%*	*0.6%*	*3.1%*	*0.7%*	*1.2%*	*-3.7%*	***2.0%***	***2.0%***
Op Rate	97%	75%	78%	78%	82%	85%	89%	88%	87%	84%	89%	90%	89%

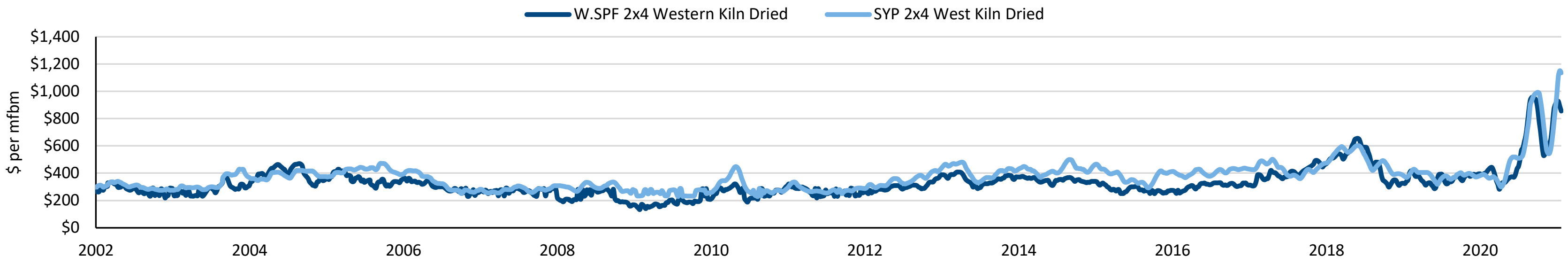
Industry Operating Rate



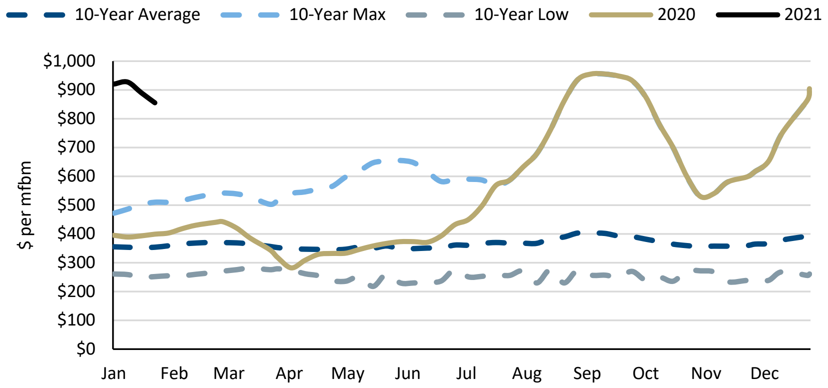
Lumber pricing forecast

Lumber Price Trend

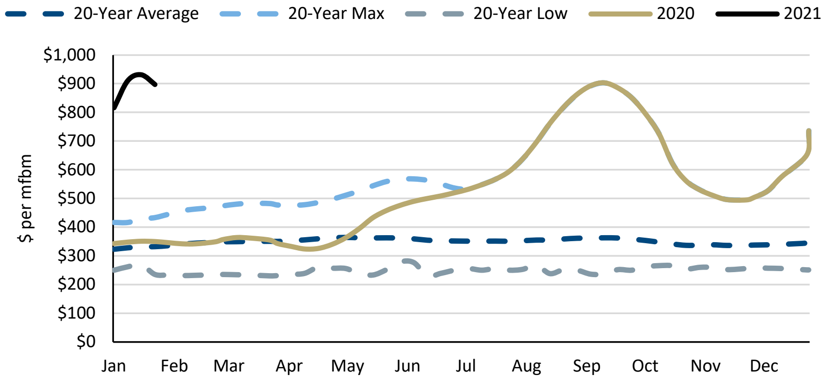
	2014	2015	2016	2017	2018	2019	2020	YTD	2021E	2022E	RBCCM Trend Price
Random Lengths Composite	382	331	346	413	460	356	558	907	575	530	380
W. SPF 2x4s #2&btr ($/mfbm)	349	282	306	401	481	359	548	898	588	545	400
E.SPF 2x4 G.L. ($/mfbm)	443	270	270	373	409	286	536	835	678	635	485
SPF 2x4s 8' KD Studs ($/mfbm)	321	212	250	323	401	371	520	875	555	500	315
SYP 2x4 West ($/mfbm)	427	377	408	432	501	383	569	1,092	575	530	400



Western Spruce-Pine-Fir Seasonality



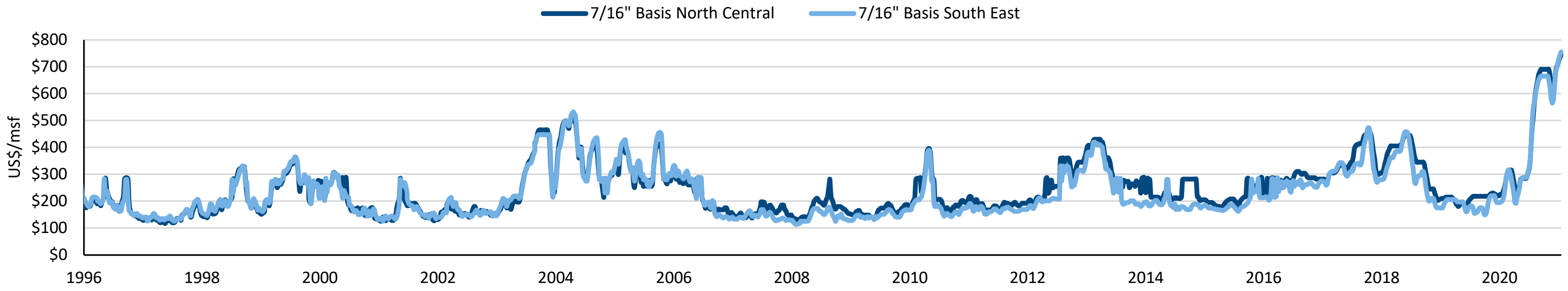
Southern Yellow Pine Seasonality



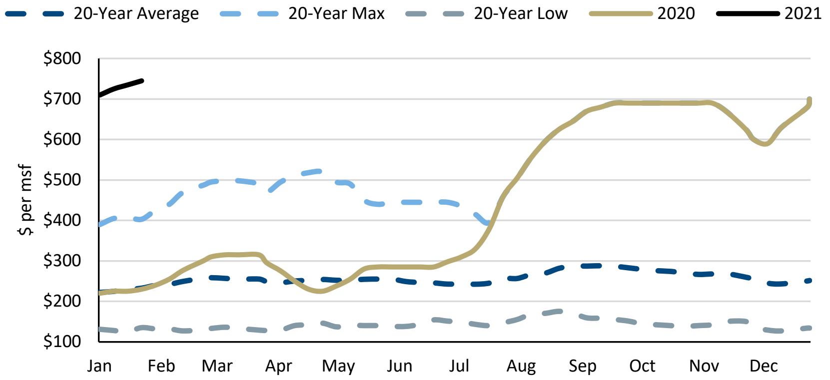
Lumber pricing forecast

OSB Price Trend

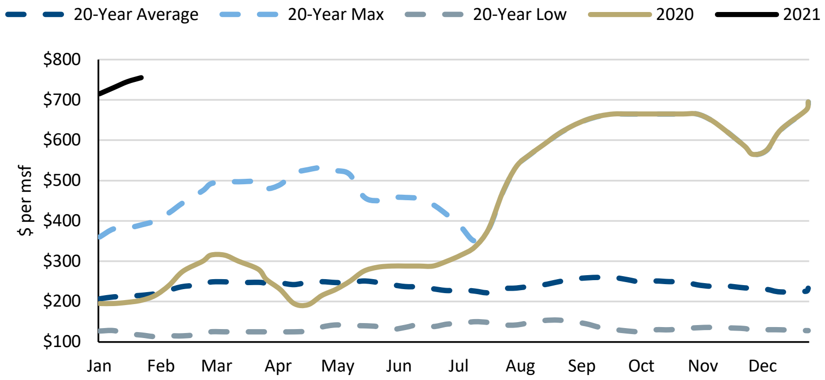
	2014	2015	2016	2017	2018	2019	2020	YTD	2021E	2022E	RBCCM Trend Price
OSB (7/16", NC, $/msf)	234	214	280	353	351	210	438	729	450	315	260
OSB (7/16", SE, $/msf)	189	190	254	330	315	187	423	736	430	275	250
OSB (7/16", WC, $/msf)	208	173	243	327	307	166	415	784	430	275	250



OSB North Central Seasonality



OSB South East Seasonality



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Distribution of ratings
RBC Capital Markets, Equity Research
As of 30-Sep-2020

			Investment Banking Serv./Past 12 Mos.	
Rating	**Count**	**Percent**	**Count**	**Percent**
BUY [Outperform]	788	52.96	248	31.47
HOLD [Sector Perform]	619	41.60	135	21.81
SELL [Underperform]	81	5.44	11	13.58

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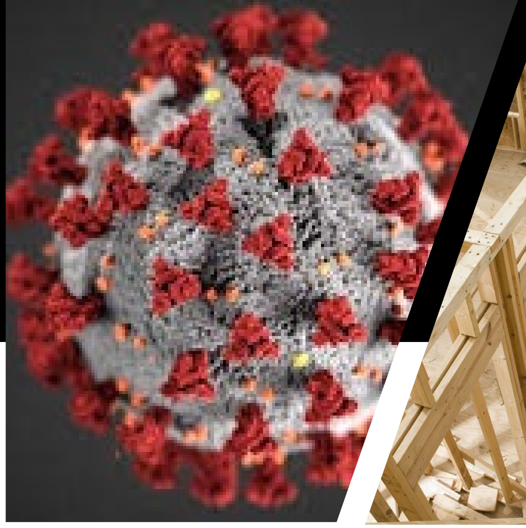


THE PERFECT STORM....CONTINUED

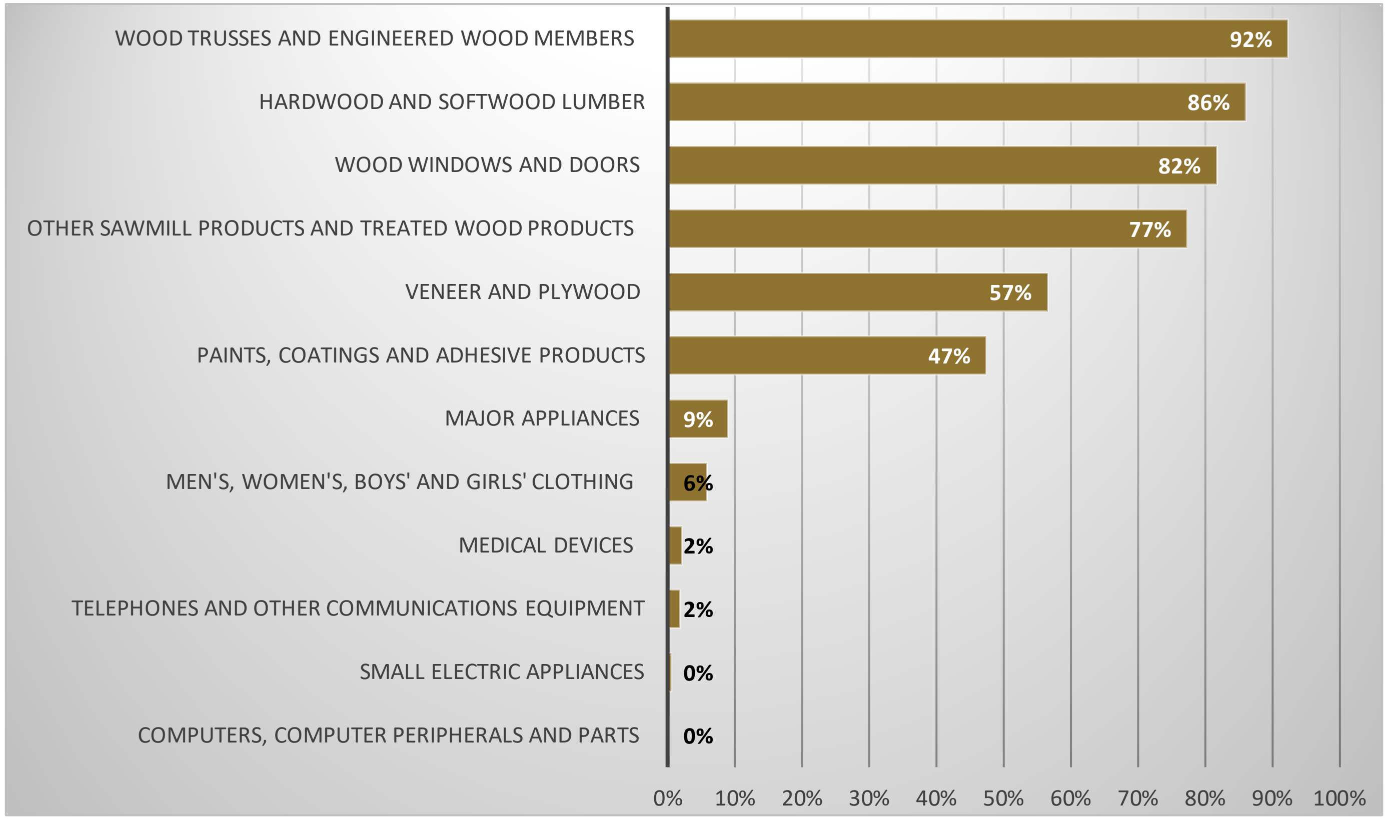
LIZ KOVACH, WRLA PRESIDENT

Meet the WRLA – 130 Years Strong

- Member based association that serves almost 1200 members in the building supply industry across the West. Advocate. Connect. Educate.
- Our members play a vital role in the supply of building materials to the construction sector, either through manufacturing, distribution and retail
- Committed to supporting the industry that contributes to local and greater Canadian Economy

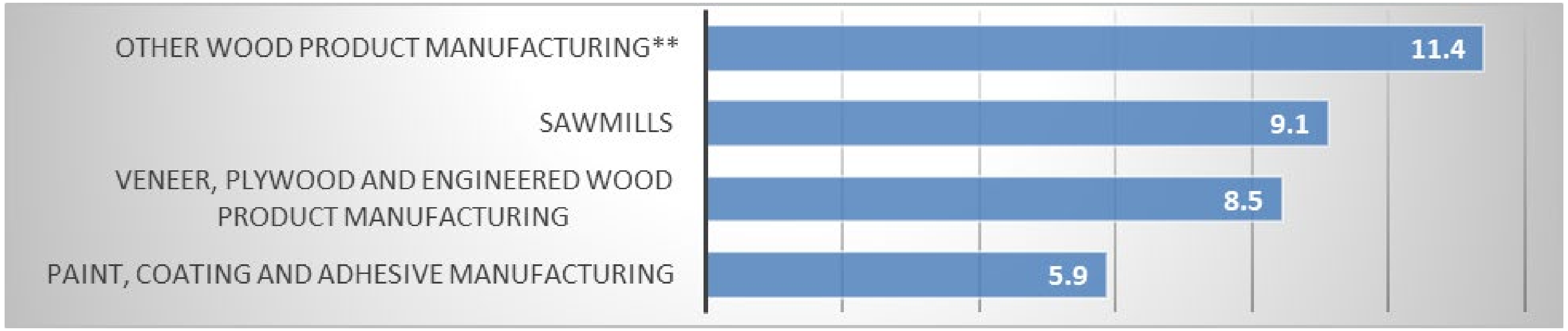
Economic Impact of Wood Products

Share of total provincial demand supplied by Canadian-made products (2016)



Economic Impact of Wood Products

Total jobs created in Canada for every $1 million worth of Canadian-made products sold, selected sectors*



*For 2016. Excludes wholesale and retail margins. Source: Statistics Canada Table: 36-10-0595-01.
**includes wood windows and doors.

LBM Dealers Relevance to Economy

- Building supplies dealers economic impact across Canada (2019), summary

Retail sales (2019)	$38.4B
GDP contribution	$13.7B
Employment	218,000
Employment income*	$8.3B
Household spending**	$6.2B
Shelter	$1.8B
Transportation	$1.3B
Food expenditures	$822M
Recreation	$384M
Health and personal care	$374M

Impacts & Challenges

- Effects of Price Increases
  - —Inability to hold pricing
  - —High emotions impacting customer relations
  - —Customer price shopping led to delays
- Effects of Supply Shortages
  - —Projects delayed
  - —Unknowns created inabilities to commit to future business

Managing Expectations for 2021

Current and expected realities for the dealer segment of supply chain:

- Bookings have been submitted
- Allocations have been applied
- Continued volatility expected 1st half of the year

The Perfect Storm…Continued

- Lumber products & beyond
  - Insulation, steel, mouldings, EWP etc. will also see price increases or shortage in availability
    - Production facilities
    - Trade disputes
    - Shortages of ocean freight & increased container costs
    - Catastrophic events

Recommendations for Securing Supply 2021 & Beyond

- Communication is key
  - Known projects should be communicated ASAP
  - Letter’s of intent to help solidify commitments
  - Consider installment type options

Questions

Thank you!

Collaboration - Forest Policy

Securing certainty of sustainable, domestic supply:

- Advancing forest management solutions to fight climate change
- Supporting climate resilient policies for forests – fires/floods

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Collaboration - Transportation

Strengthening reliability of our supply chains:

- Addressing rail bottlenecks and service issues
- Strategies to deal with truck driver shortage and increasing insurance costs

Collaboration - Green Infrastructure

Building bigger and better with Canadian wood:

- 'Greening Government' and low carbon procurement
- Responsive retrofit and energy efficiency incentive programs

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QUESTIONS?

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