



Supply, Demand and Big Picture Influences

International Softwood Conference

October 2021

Lumber

35 Sawmills with annual operating capacity over 15 million m³

- 10 Western Canada – 7 million m³
- 13 US South – 5.2 million m³
- 12 Sweden – 3.5 million m³

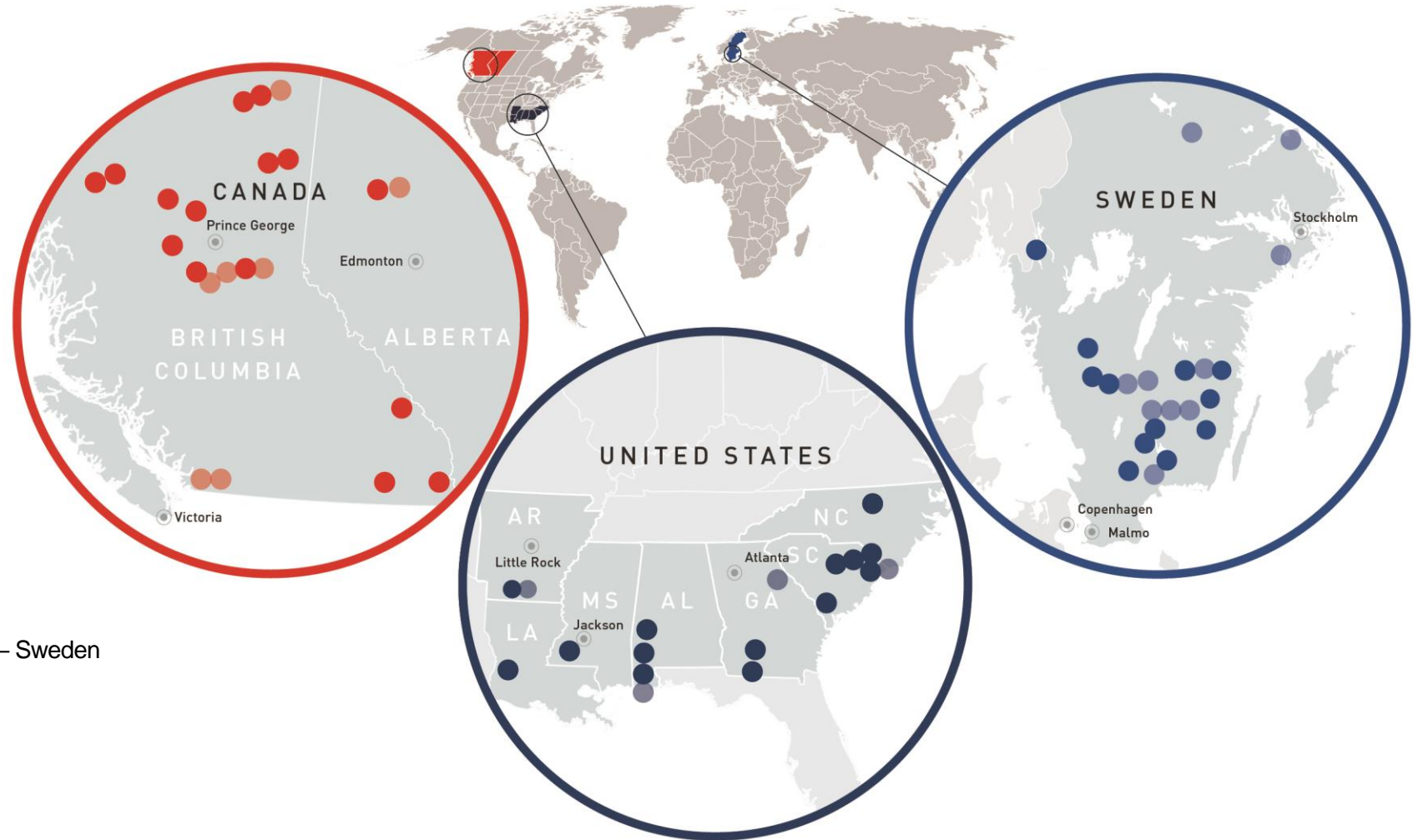
Pulp and Paper

4 Mills in British Columbia

- 1.1 million tonnes of Northern Softwood Kraft
- 230k tonnes BCTMP
- 140k tonnes Kraft Paper

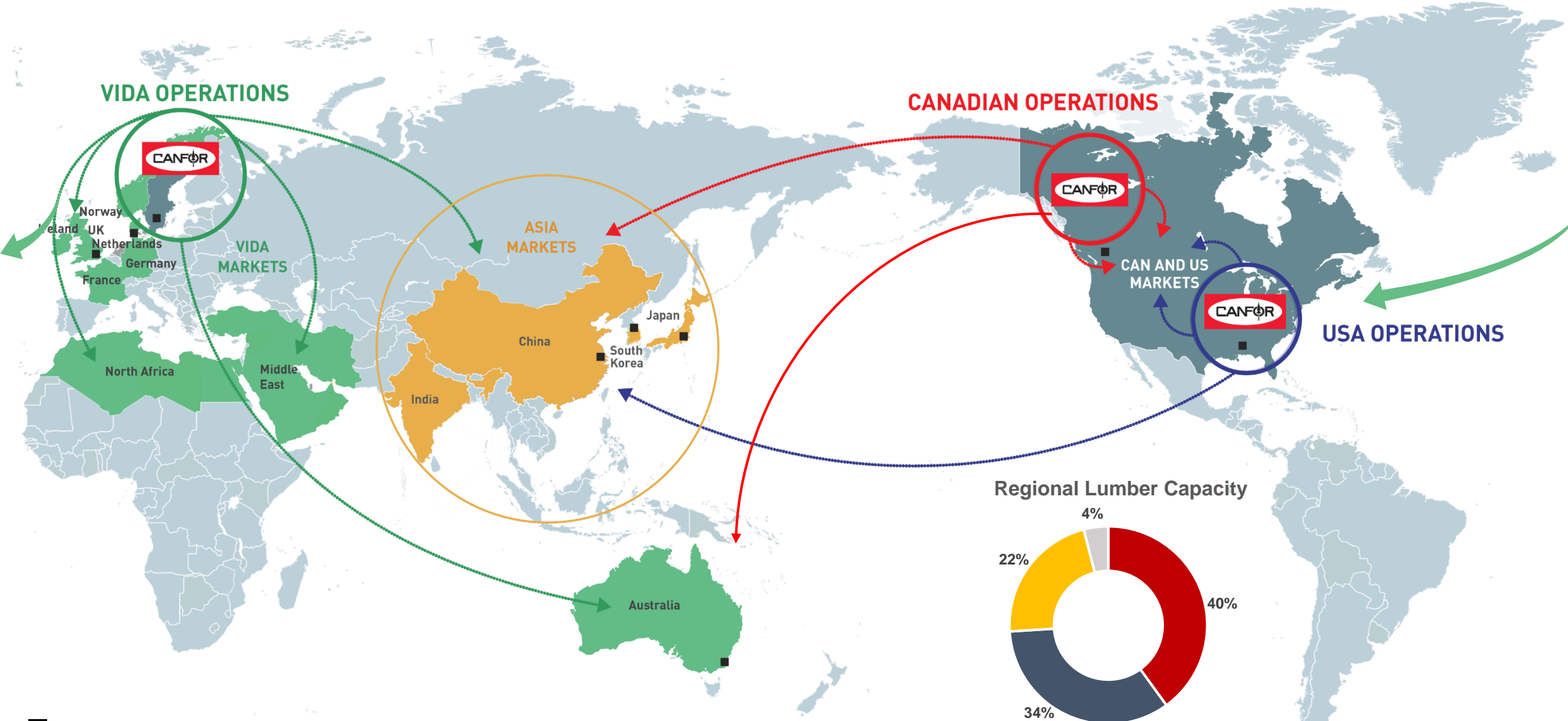
Other Operations

- 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



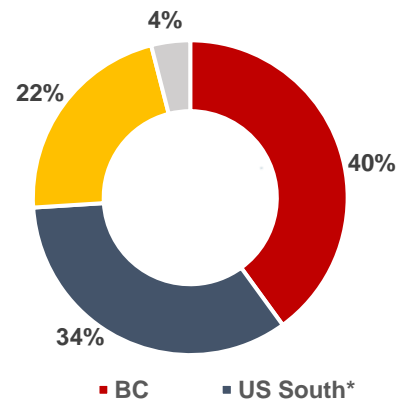
*Includes Greenfield Sawmill Capacity in Louisiana

EXPANDED GLOBAL MARKETS: GROWTH & DIVERSIFICATION

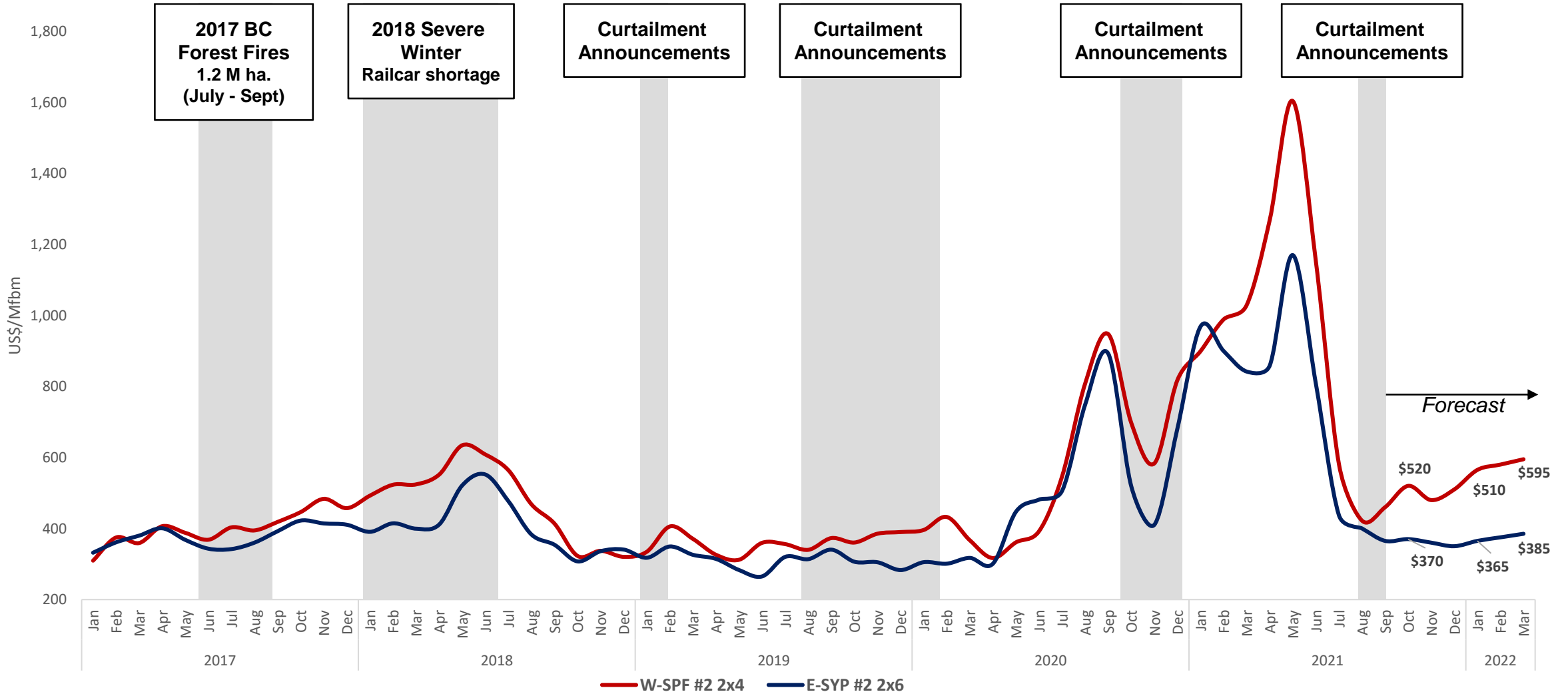


■ SALES OFFICES

Regional Lumber Capacity



PRICE TRENDS & OUTLOOK



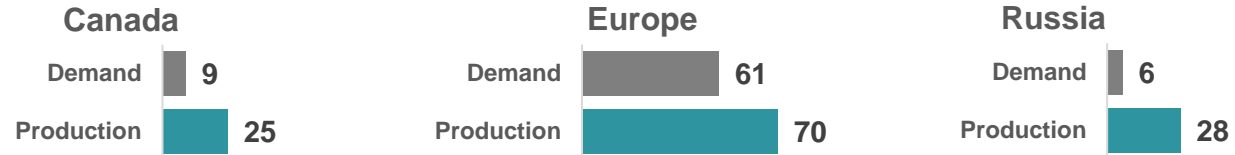
Source: RISI/Random Lengths

2025 GLOBAL SOFTWOOD LUMBER SUPPLY AND DEMAND



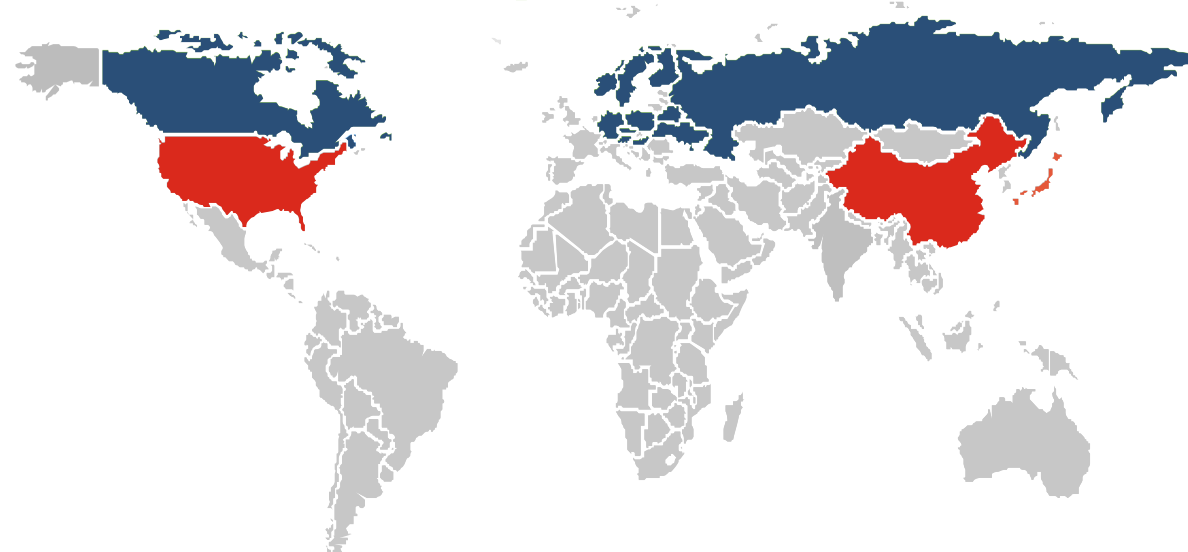
Volume (Billion fbm)

Supplying Regions



Global Supply and Demand*

| Bfbm | 2018 | 2020 | 2025 |
|----------------|------|------|------|
| Demand | 204 | 211 | 223 |
| Supply | 208 | 205 | 223 |
| Supply Deficit | 4 | -6 | 0 |



Demanding Regions



* Includes Southern Hemisphere and others totaling 48 Bfbm in demand and 38 Bfbm of supply
 Sources: WWPA, COFI, China Customs, Japan Customs, US Census Bureau, WoodMarkets, Canfor



Mountain Pine Beetle have devastated 730 million m³ of BC forests; eliminating 15 years of timber supply.



Wildfires have burned about 34,000 km² in 2017, 2018 and 2021.



Conservation and Protection Areas already make up more than 52% of BC's land base.

BC must right-size its capacity to a sustainable level with timber supply trending to be less than 50 million m³ annually, from a peak of 90 million m³ in 1987.

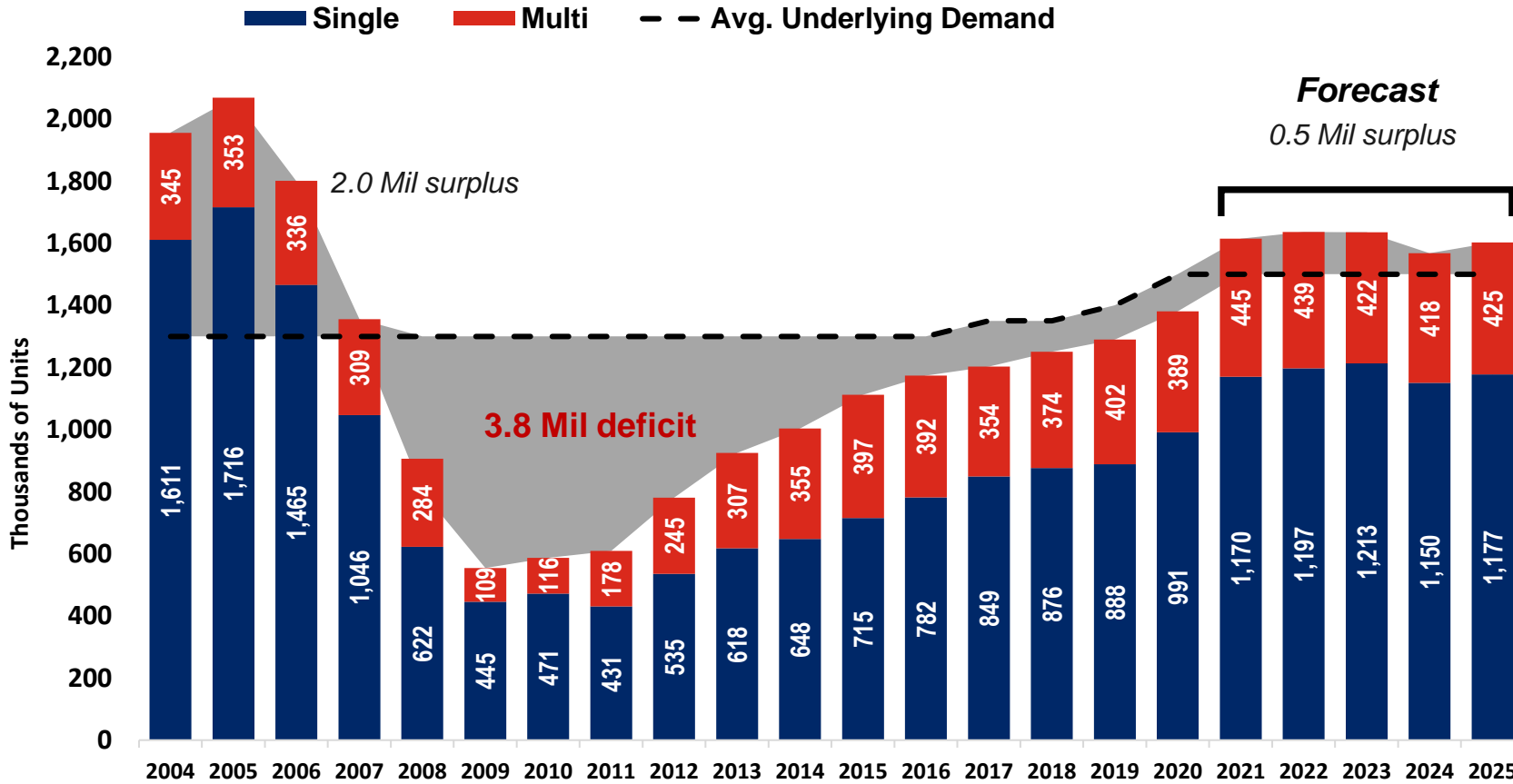
INCREASING COSTS ADD TO COMPETITIVE CHALLENGES

In Q3, government **stumpage fees jumped 74%** from Q2, triple from a year ago.

BC log prices are about **3X costs in U.S. South.**

Canadian softwood lumber imports duties are expected to **increase to 18% from 9%** for most producers when new rates become final later this year.

US HOUSING STARTS FORECAST



| | | | | | | | | | | | | | | | | | | | | | | |
|--------------------|-------|-------|-------|-------|-----|-----|-----|-----|-----|-----|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| 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 | 1,615 | 1,636 | 1,635 | 1,568 | 1,602 |
| Single (%) | 82% | 83% | 81% | 77% | 69% | 80% | 80% | 71% | 69% | 67% | 65% | 64% | 67% | 71% | 70% | 69% | 72% | 72% | 73% | 74% | 73% | 73% |

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

In light of COVID-19, we have seen a marked shift in home preference for suburban areas



Increased Tenure

Older homeowners are staying in their homes an average of 5 years longer



New Home Affordability

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



Affordability – 1st Time Homebuyer

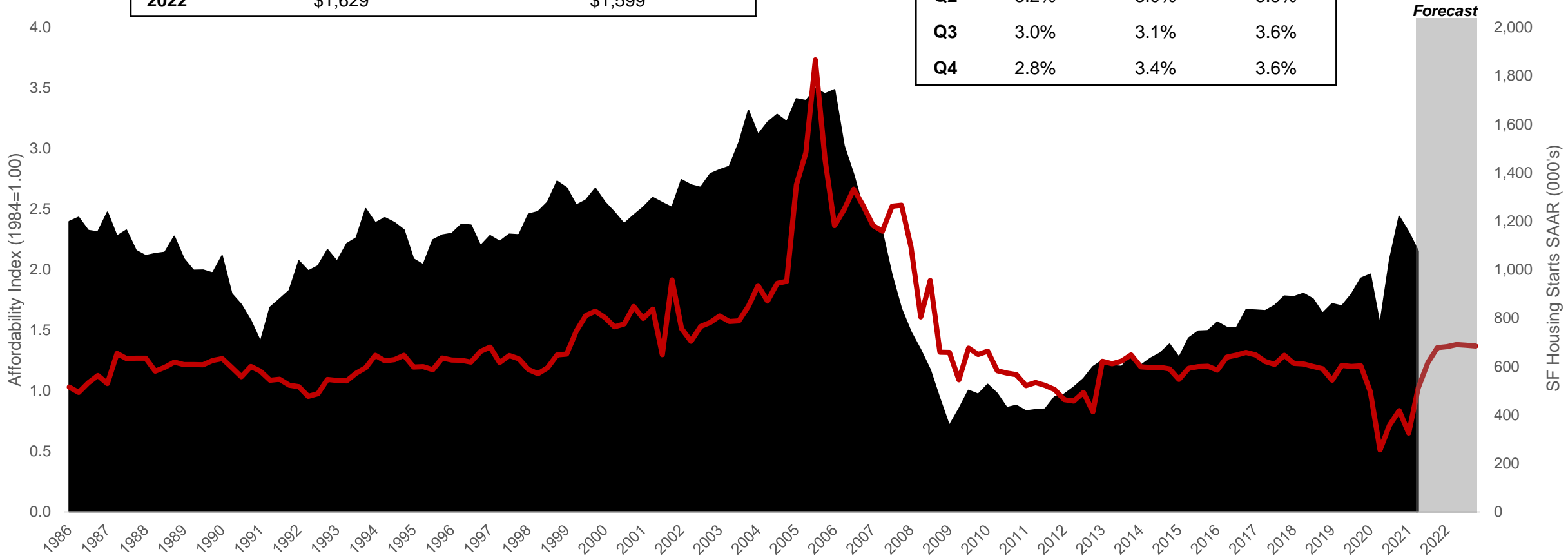
Rapid increases in home prices in 2020 and 2021 pose risk to 1st time buyer market

AN EYE ON NEAR TERM AFFORDABILITY



| Payments to Remain Affordable | | |
|-------------------------------|-----------------------------|----------------------------|
| | Affordable Mortgage Payment | Projected Payment Required |
| 2021 | \$1,602 | \$1,433 |
| 2022 | \$1,629 | \$1,599 |

| 30 Yr. Fixed Interest Rate | | | |
|----------------------------|------|------|------|
| | 2020 | 2021 | 2022 |
| Q1 | 3.5% | 2.9% | 3.5% |
| Q2 | 3.2% | 3.0% | 3.5% |
| Q3 | 3.0% | 3.1% | 3.6% |
| Q4 | 2.8% | 3.4% | 3.6% |



REPAIR & REMODELING – KEY DRIVERS POINT TO SOLID GROWTH



High Level of Homeowner Equity

Increasing existing home prices encourage investment

Homeowners increasingly confident in equity will continue to spend on units

Existing Home Sales

High levels of existing home sales support spending

Existing home sales drive increased R&R spending both pre & post sale

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)

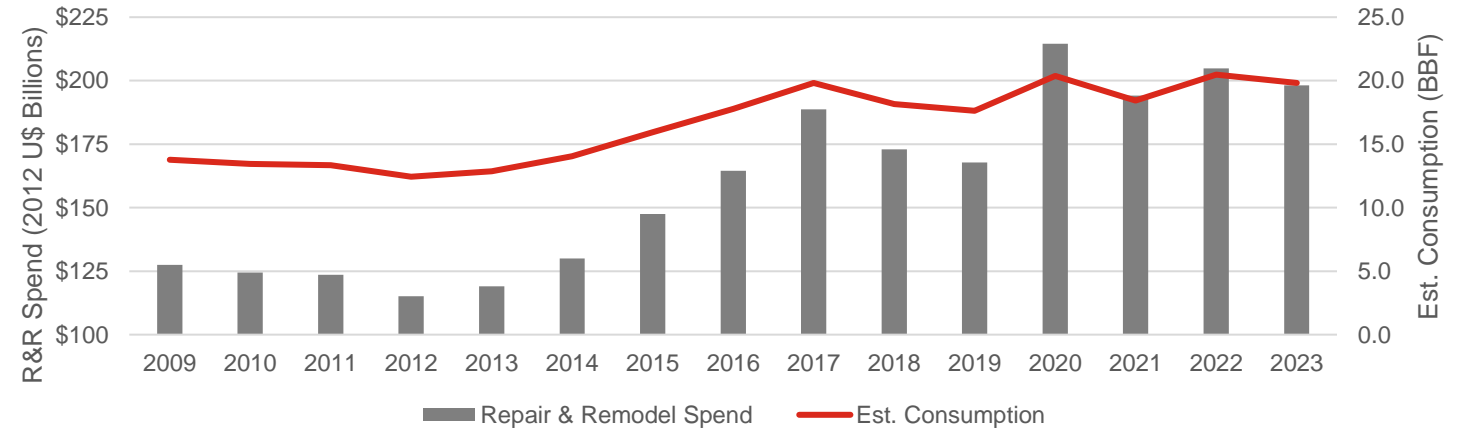
16-35 yrs. indoor projects, >46 yrs. outdoor projects

Household Formation

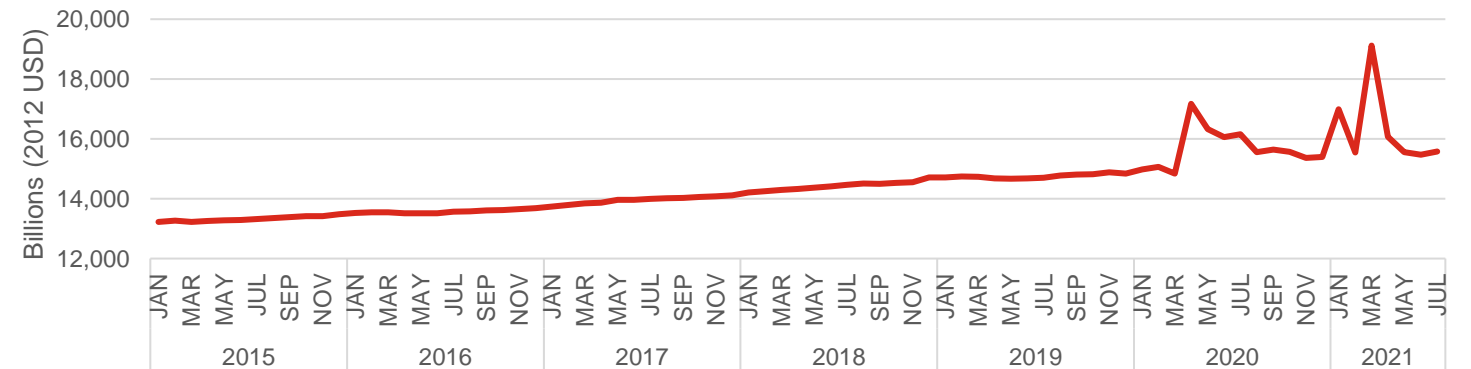
Increase demand

Additional 12.5 million households will form 2015-2025

R&R Spend and Consumption

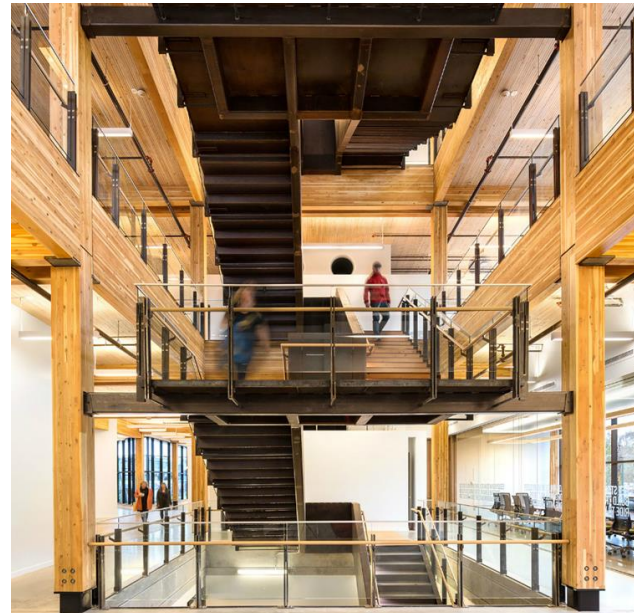


Personal Disposable Income





Global building codes are changing



December 2020 – **1,060** mass timber projects had been constructed or were in design in all 50 states, in the multi-family, commercial, and institutional categories

The number of mass timber buildings is expected to **double** every two years

Emerging Opportunity with potential demand of **12 to 16.5 million m³** by 2035



CAN FUTURE CITIES BE TIMBER CITIES?

Mass Timber a Main Feature at Google-backed Sidewalk Labs
'smart city' proposed for Toronto's waterfront

Envisioned with technology
and **sustainability at its core**

SIDE WALK LABS





China Jiangsu

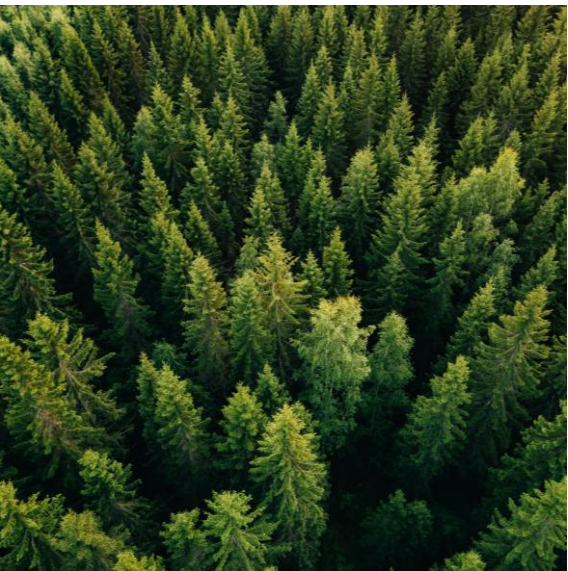
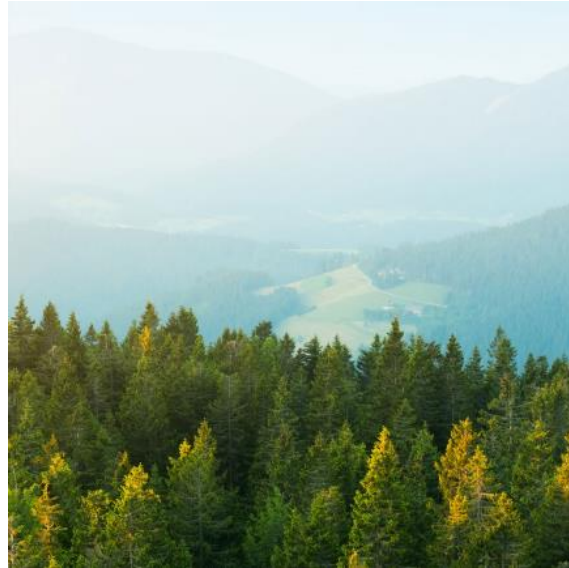
Crown Home
Office Complex



China Shandong

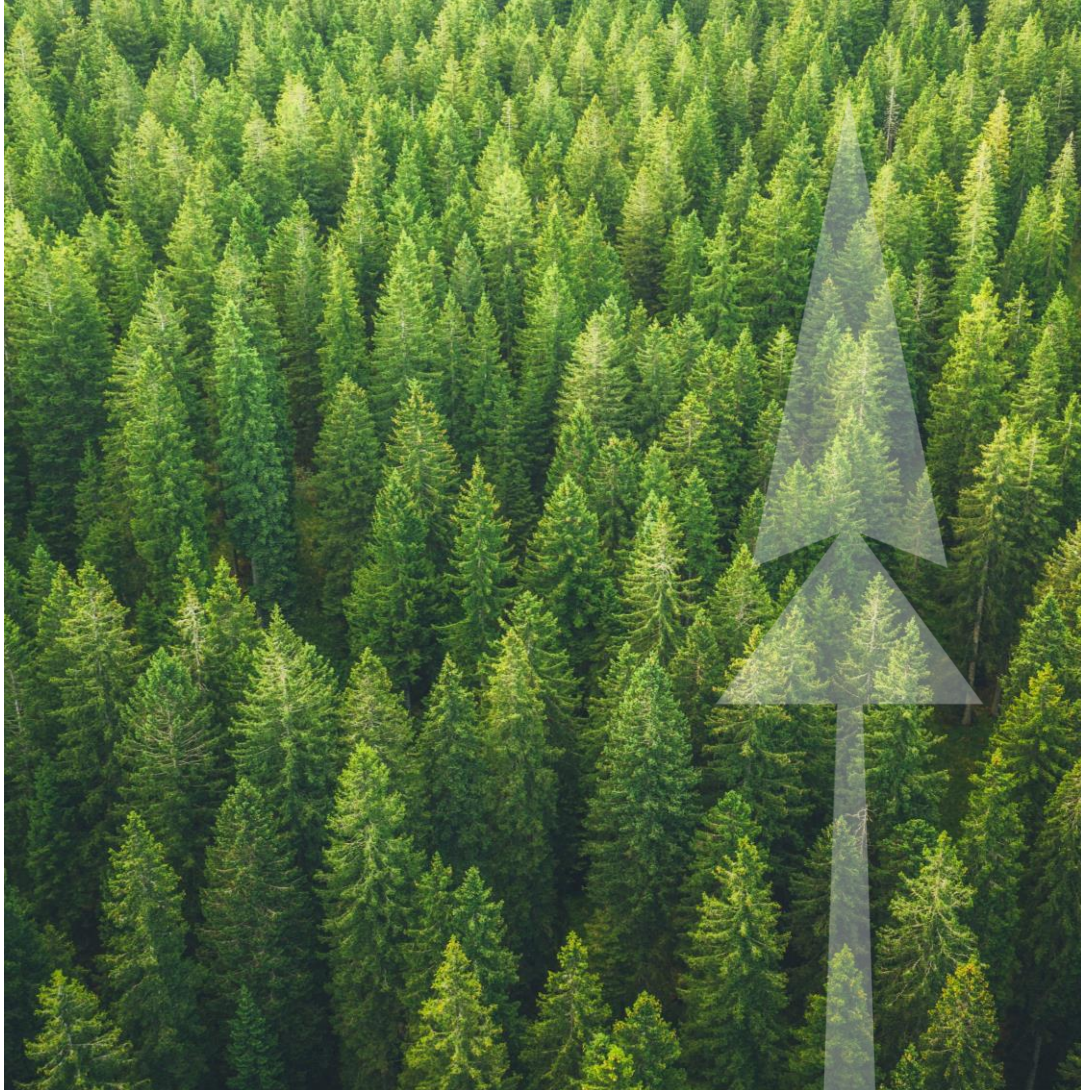
Dench Wood
Tourist Information Center

- Asian markets, particularly China — **growing strongly**
- Driven by **rising incomes, urbanization, infrastructure investments** and **manufacturing**
- China's GDP to grow **by 9% per year in 2021 to 2025**



“There is no future without addressing climate change, and forests are a key component to achieve the goals of the Paris Agreement.” — THE UNITED NATIONS

- Our products are powerful tools for **climate action** and central to securing our **net-zero carbon future**
- Building tall with wood, innovating in the bioeconomy and providing low-carbon alternatives are ways we help



Our vision is to create **a future as sustainable as the forests.**

Canfor's bold path to becoming a global leader in sustainability holds great potential for positive impact.

It's **our responsibility** and **our opportunity.**



Thank you.

canfor.com