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

Regional Lumber Capacity

- BC: 40%
- US South*: 22%
- US South: 34%
- Other: 4%

VIDA OPERATIONS
- CANADIAN OPERATIONS
- USA OPERATIONS
- EXPANDED GLOBAL MARKETS: GROWTH & DIVERSIFICATION
PRICE TRENDS & OUTLOOK

2017 BC Forest Fires
1.2 M ha.
(July - Sept)

2018 Severe Winter Railcar shortage

Curtailment Announcements

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Curtailment Announcements

Source: RISI/Random Lengths
### Volume (Billion fbm)

<table>
<thead>
<tr>
<th>Region</th>
<th>Production</th>
<th>Demand</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canada</td>
<td>9</td>
<td>25</td>
</tr>
<tr>
<td>Europe</td>
<td>61</td>
<td>70</td>
</tr>
<tr>
<td>Russia</td>
<td>6</td>
<td>28</td>
</tr>
</tbody>
</table>

### Global Supply and Demand*

<table>
<thead>
<tr>
<th>Bfbm</th>
<th>2018</th>
<th>2020</th>
<th>2025</th>
</tr>
</thead>
<tbody>
<tr>
<td>Demand</td>
<td>204</td>
<td>211</td>
<td>223</td>
</tr>
<tr>
<td>Supply</td>
<td>208</td>
<td>205</td>
<td>223</td>
</tr>
<tr>
<td>Supply Deficit</td>
<td>4</td>
<td>-6</td>
<td>0</td>
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</table>

### Demanding Regions

<table>
<thead>
<tr>
<th>Region</th>
<th>Demand</th>
<th>Production</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>57</td>
<td>42</td>
</tr>
<tr>
<td>China</td>
<td>30</td>
<td>12</td>
</tr>
<tr>
<td>Japan</td>
<td>12</td>
<td>8.5</td>
</tr>
</tbody>
</table>

* 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 m$^3$ of BC forests; eliminating 15 years of timber supply.

Wildfires have burned about 34,000 km$^2$ 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 m$^3$ annually, from a peak of 90 million m$^3$ in 1987.
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

Key Drivers

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

2. **Suburban Migration**
   In light of COVID-19, we have seen a marked shift in home preference for suburban areas

3. **Increased Tenure**
   Older homeowners are staying in their homes an average of 5 years longer

4. **New Home Affordability**
   New home premium over existing homes reaches 9 year low at $4/sqft

5. **Affordability – 1st Time Homebuyer**
   Rapid increases in home prices in 2020 and 2021 pose risk to 1st time buyer market

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**Source:** US Census Bureau, Canfor, Redfin, Zillow
AN EYE ON NEAR TERM AFFORDABILITY

### Payments to Remain Affordable

<table>
<thead>
<tr>
<th>Year</th>
<th>Affordable Mortgage Payment</th>
<th>Projected Payment Required</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>$1,602</td>
<td>$1,433</td>
</tr>
<tr>
<td>2022</td>
<td>$1,629</td>
<td>$1,599</td>
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</table>

### 30 Yr. Fixed Interest Rate

<table>
<thead>
<tr>
<th>Year</th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>3.5%</td>
<td>3.2%</td>
<td>3.0%</td>
<td>2.8%</td>
</tr>
<tr>
<td>2021</td>
<td>2.9%</td>
<td>3.0%</td>
<td>3.1%</td>
<td>3.4%</td>
</tr>
<tr>
<td>2022</td>
<td>3.5%</td>
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<td>3.6%</td>
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**AN EYE ON NEAR TERM AFFORDABILITY**

- **Affordable Mortgage Payment**
- **Projected Payment Required**

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**30 Yr. Fixed Interest Rate**

- **Year**: 2020, 2021, 2022
- **Quarter**: Q1, Q2, Q3, Q4

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**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

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**Source:** US Census Bureau, Canfor
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
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
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.