

# Acquisition Updates

November 15, 2018

# Forward-Looking Statements

The presentation contains historical information, descriptions of current circumstances and statements about potential future developments including statements regarding the anticipated timing and benefits of the transactions between the Company and VIDA AB and Elliott Sawmilling Co., anticipated synergies, and the manner of achieving such synergies. The latter, which are forward-looking statements, involve known and unknown risks, uncertainties and other factors that may cause actual results to be materially different from any future results, performance or achievements expressed or implied by such statements. Factors that could have a material impact on any future oriented statements made herein include, but are not limited to: general economic, market and business conditions, product selling prices, raw material and operating costs, foreign exchange rates, interest rates, changes in law and public policy, the outcome of trade and labour disputes, and opportunities available to or pursued by the Company. For further details on these factors and our assumptions and applicable risks and uncertainties, please refer to Canfor Corporation's Annual Reports for the year ended December 31, 2017.

In addition, assumptions on which such forward-looking statements are based include the timely receipt of regulatory approvals and no adverse regulatory decisions, the Company's timely and successful integration of VIDA AB and Elliott Sawmilling Co., and the accuracy and completeness of information provided to the Company in respect of VIDA AB and Elliott Sawmilling Co. There can be no assurance that the proposed transactions will occur or that the anticipated strategic benefits and synergies will be realized in their entirety, in part or at all.

# Canfor Acquires 70% of VIDA

- This acquisition represents **transformational growth and diversification** for Canfor
- **Canfor will become an international manufacturer and provider of wood product solutions** with operations in Canada, the US and Europe
- Our **strategic customers are growing** and they are looking to Canfor to supply their demand for high quality wood products
- To **meet the growing demand** we knew we needed to expand our production capacity
- We looked for a company that would **provide access to a sustainable fibre region and operation platform outside of Canada**, and for a company that shares our corporate strategy of producing high-value specialty products, providing an exceptional customer service experience and maintaining a low cost structure
- **VIDA is the company who can deliver on all of these criteria**

# Overview of VIDA

- Sweden's **largest privately owned sawmill** company
- **9 sawmills** located in Sweden with 1.1 billion board feet of capacity
- **9 value-added facilities** that include premium packaging, modular housing, industrial products and energy
- **Access to significant supply of high quality spruce and pine fibre** in close proximity to sawmills
- Production primarily focused on structural timber, **more than 90% of which is exported to markets other than North America**
- **Excellent management team** across the company
- **Canfor and VIDA are well positioned to capitalize on joint global market opportunities** with significantly enhanced market and geographic diversification

# VIDA's Facilities

## 9 sawmills

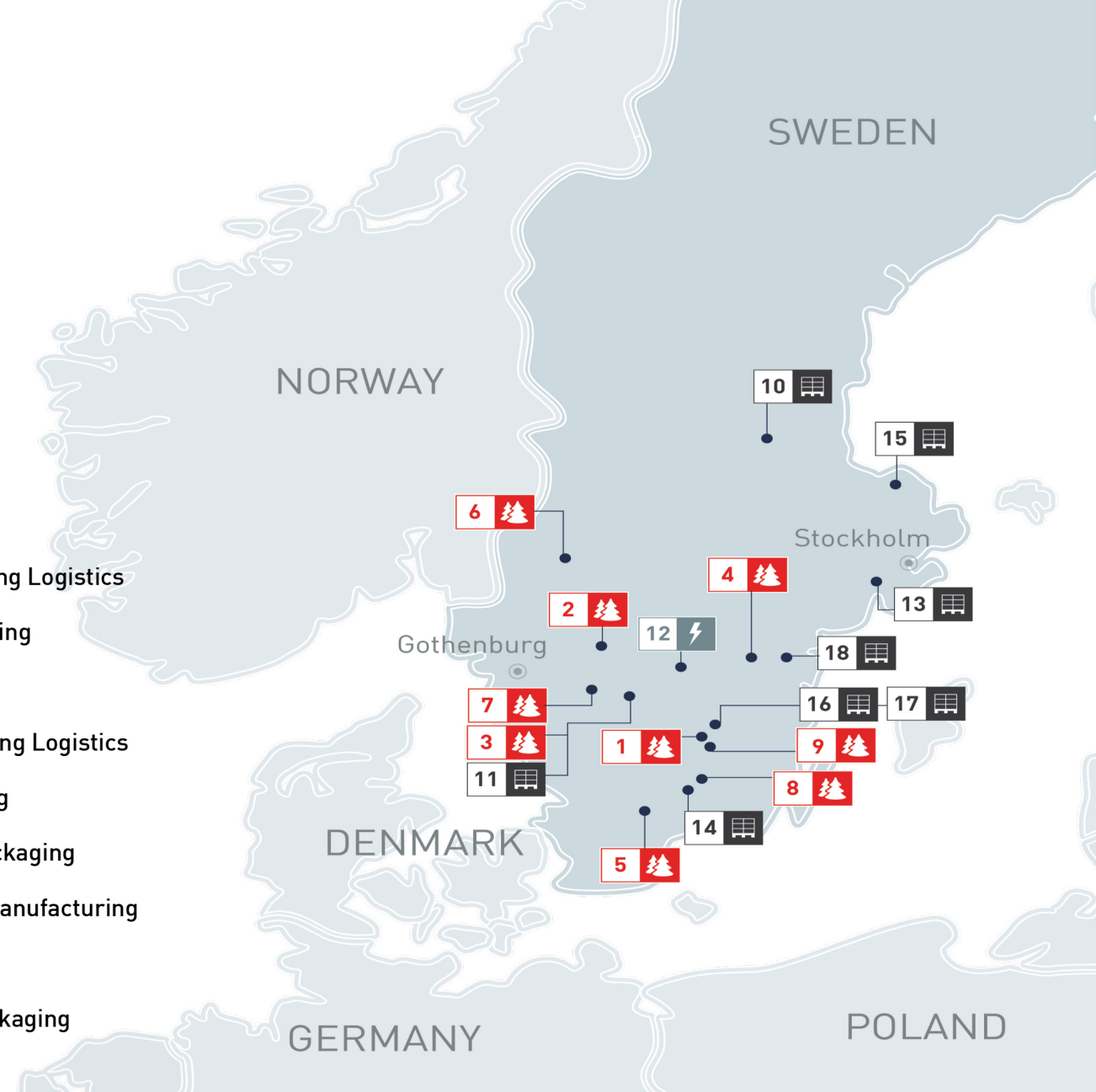
- Access to high-quality, sustainable fibre

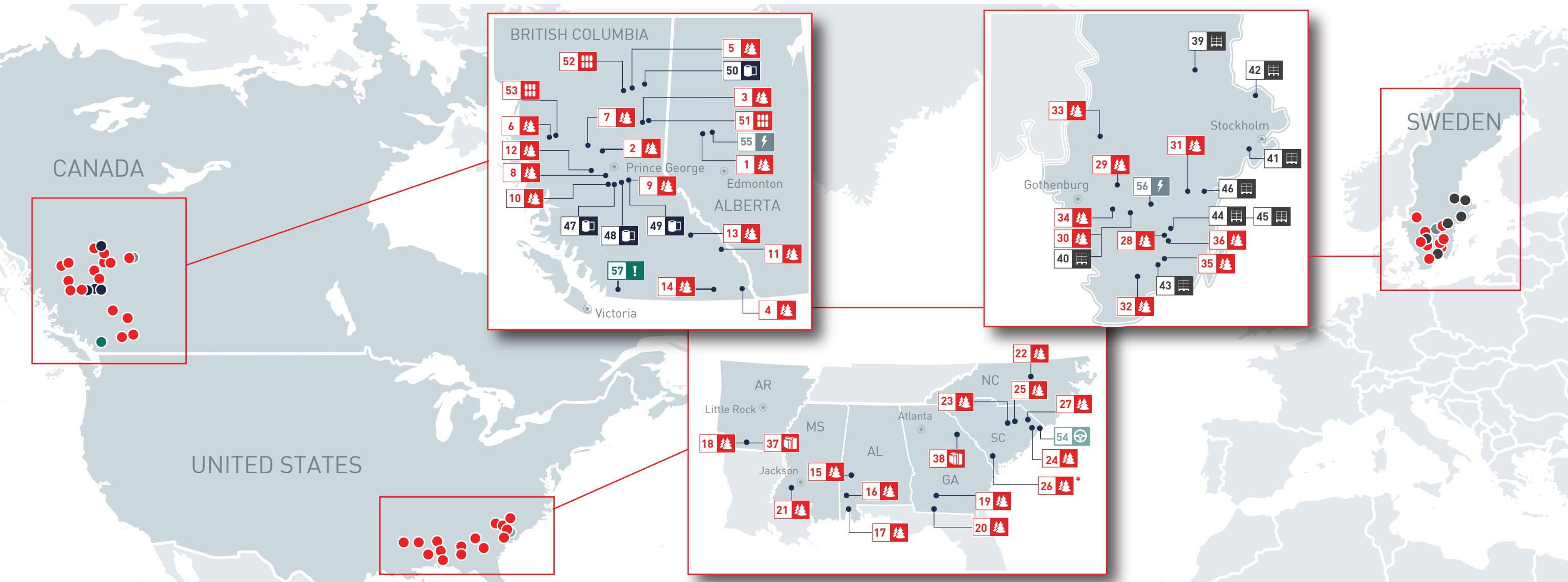
*Annual production of 1.1 billion board feet*

## 9 value-added facilities

- Includes premium packaging, modular housing, industrial products and energy

- |   |  |
|---|--|
| 1. Alvesta, Sweden » VIDA Alvesta Sawmill     | 10. Falun, Sweden » VIDA Packaging Logistics |
| 2. Borgstena, Sweden » VIDA Borgstena Sawmill | 11. Hestra, Sweden » VIDA Packaging          |
| 3. Hestra, Sweden » VIDA Hestra Sawmill       | 12. Hok, Sweden » VIDA Energy                |
| 4. Hjärtevad, Sweden » VIDA Hjärtevad Sawmill | 13. Järna, Sweden » VIDA Packaging Logistics |
| 5. Hästveda, Sweden » VIDA Hästveda Sawmill   | 14. RYD, Sweden » VIDA Packaging             |
| 6. Nössemark, Sweden » VIDA Nössemark Sawmill | 15. Skärplinge, Sweden » VIDA Packaging      |
| 7. Tranemo, Sweden » VIDA Tranemo Sawmill     | 16. Vaxjo, Sweden » VIDA House Manufacturing |
| 8. Urshult, Sweden » VIDA Urshult Sawmill     | 17. Vaxjo, Sweden » VIDA Building            |
| 9. Vislanda, Sweden » VIDA Vislanda Sawmill   | 18. Vimmerby, Sweden » VIDA Packaging        |





## LUMBER

- 1. AB, Grande Prairie » **Grande Prairie Sawmill**
- 2. BC, Bear Lake » **Polar Sawmill**
- 3. BC, Chetwynd » **Chetwynd Sawmill**
- 4. BC, Elko » **Elko Sawmill**
- 5. BC, Fort St. John » **Fort St. John Sawmill**
- 6. BC, Houston » **Houston Sawmill**
- 7. BC, Mackenzie » **Mackenzie Sawmill**
- 8. BC, Prince George » **Isle Pierre Sawmill**
- 9. BC, Prince George » **J.D. Little Forest Centre**
- 10. BC, Prince George » **Prince George Sawmill**
- 11. BC, Radium Hot Springs » **Radium Sawmill**
- 12. BC, Vanderhoof » **Plateau Sawmill**

- 13. BC, Vavenby » **Vavenby Sawmill**
- 14. BC, Wynndel » **WynnWood Sawmill**
- 15. AL, Fulton » **Fulton Sawmill**
- 16. AL, Jackson » **Jackson Sawmill**
- 17. AL, Mobile » **Mobile Sawmill**
- 18. AR, El Dorado » **Urbana Sawmill**
- 19. GA, Moultrie » **Moultrie Sawmill**
- 20. GA, Thomasville » **Thomasville Sawmill**
- 21. MS, Hermanville » **Hermanville Sawmill**
- 22. NC, Graham » **Graham Sawmill**
- 23. SC, Camden » **Camden Sawmill**
- 24. SC, Conway » **Conway Sawmill**

- 25. SC, Darlington » **Darlington Sawmill**
- 26. SC, Estill » **Elliott Sawmill\***
- 27. SC, Marion » **Marion Plant**
- 28. Alvesta, Sweden » **VIDA Alvesta Sawmill**
- 29. Borgstena, Sweden » **VIDA Borgstena Sawmill**
- 30. Hestra, Sweden » **VIDA Hestra Sawmill**
- 31. Hältevad, Sweden » **VIDA Hältevad Sawmill**
- 32. Hästveda, Sweden » **VIDA Hästveda Sawmill**
- 33. Nössemark, Sweden » **VIDA Nössemark Sawmill**
- 34. Tranemo, Sweden » **VIDA Tranemo Sawmill**
- 35. Urshult, Sweden » **VIDA Urshult Sawmill**
- 36. Vislanda, Sweden » **VIDA Vislanda Sawmill**

## GLULAM

- 37. AR, El Dorado » **Arkansas Laminating Plant**
- 38. GA, Washington » **Georgia Laminating Plant**

## PACKAGING

- 39. Falun, Sweden » **VIDA Packaging Logistics**
- 40. Hestra, Sweden » **VIDA Packaging**
- 41. Järna, Sweden » **VIDA Packaging Logistics**
- 42. Skärplinge, Sweden » **VIDA Packaging**
- 43. RYD, Sweden » **VIDA Packaging**
- 44. Vaxjo, Sweden » **VIDA House Manufacturing**
- 45. Vaxjo, Sweden » **VIDA Building**
- 46. Vimmerby, Sweden » **VIDA Packaging**

## PULP AND PAPER

- 47. BC, Prince George » **Intercontinental Pulp Mill**
- 48. BC, Prince George » **Northwood Pulp Mill**
- 49. BC, Prince George » **Prince George Pulp Mill & Kraft Paper Mill**
- 50. BC, Taylor » **Taylor Pulp Mill**

## PELLETS

- 51. BC, Chetwynd » **Chetwynd Pellet Plant**
- 52. BC, Fort St. John » **Fort St. John Pellet Plant**
- 53. BC, Houston » **Houston Pellet Plant**

## TRUCKING FLEET SERVICE

- 54. SC, Myrtle Beach » **New South Express**  
Trucking fleet serving AL, AR, MS, GA, NC and SC

## GREEN ENERGY

- 55. AB, Grande Prairie » **Canfor Green Energy**
- 56. Hok, Sweden » **VIDA Energy**

## INNOVATION

- 57. BC, Burnaby » **Canfor Pulp, Innovation Centre**

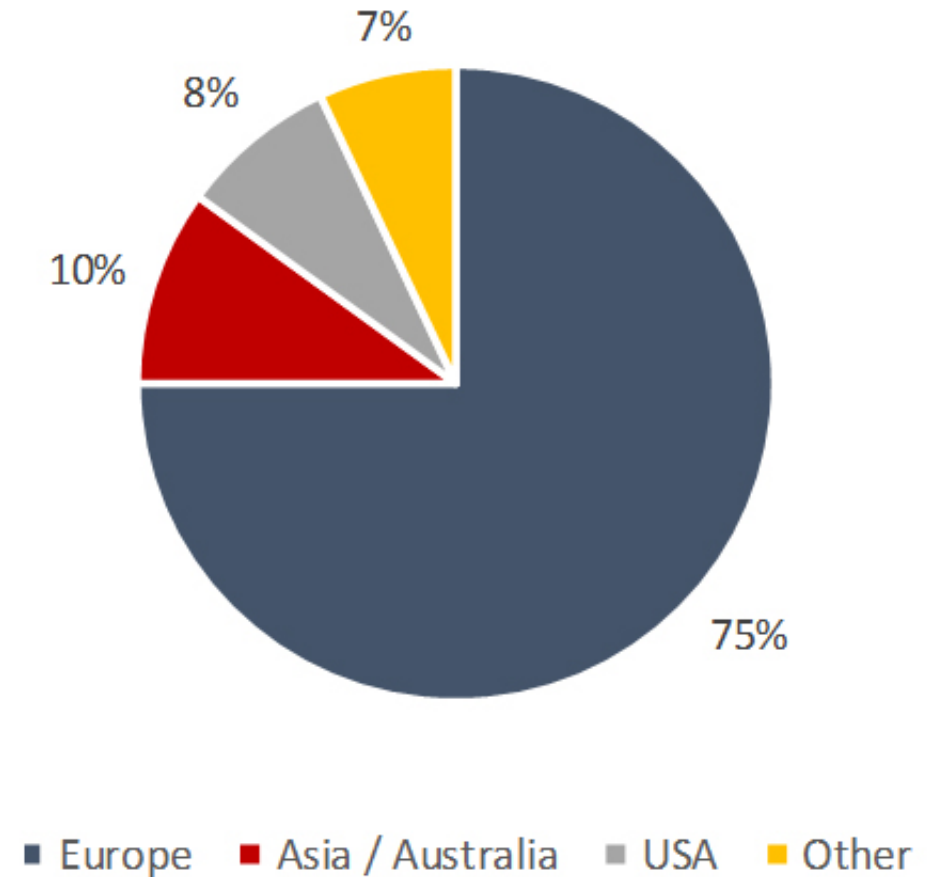
\* This transaction is expected to close in the first half of 2019

# VIDA – Product & Markets

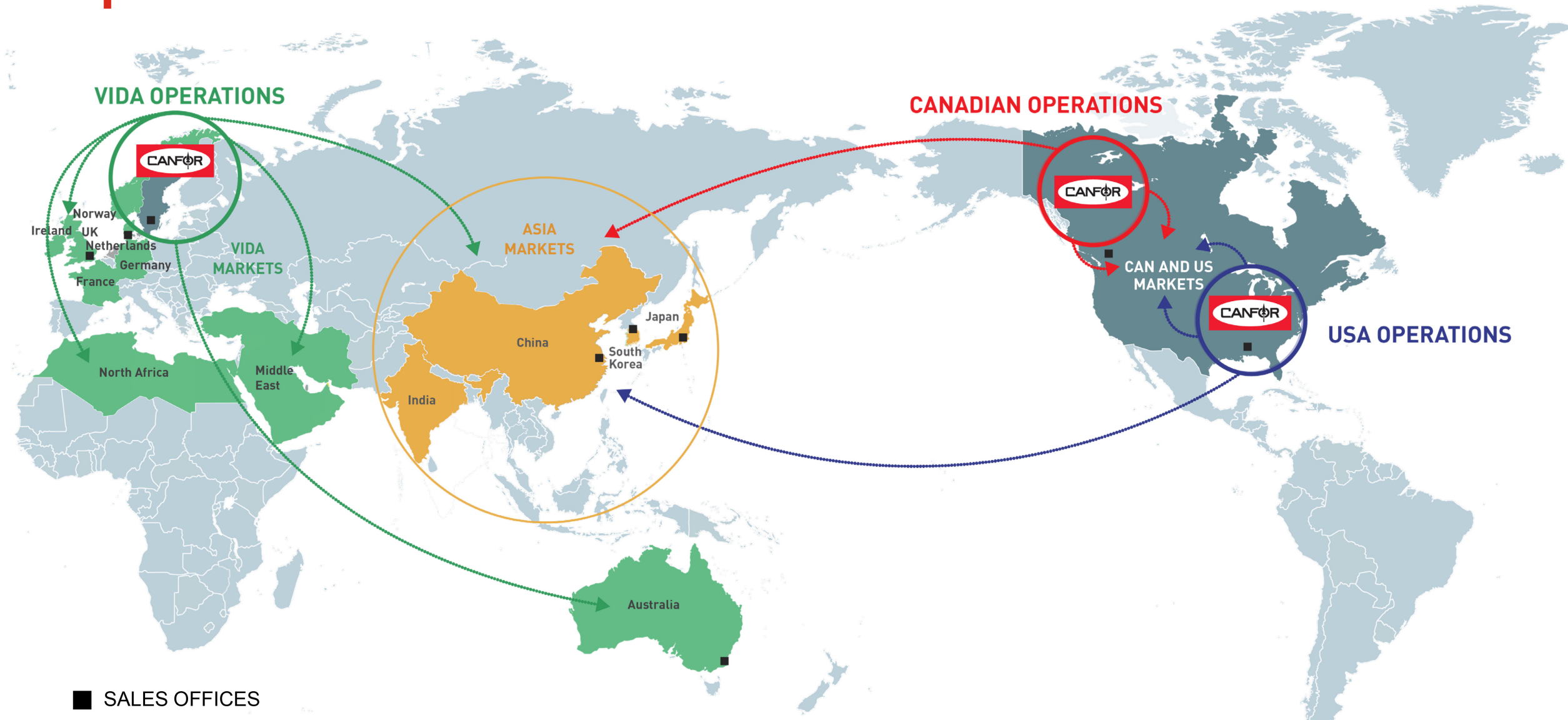
## Timber Products:

- Construction lumber
- DIY appearance grade lumber
- Industrial packaging
- High-value products

## VIDA Key Markets

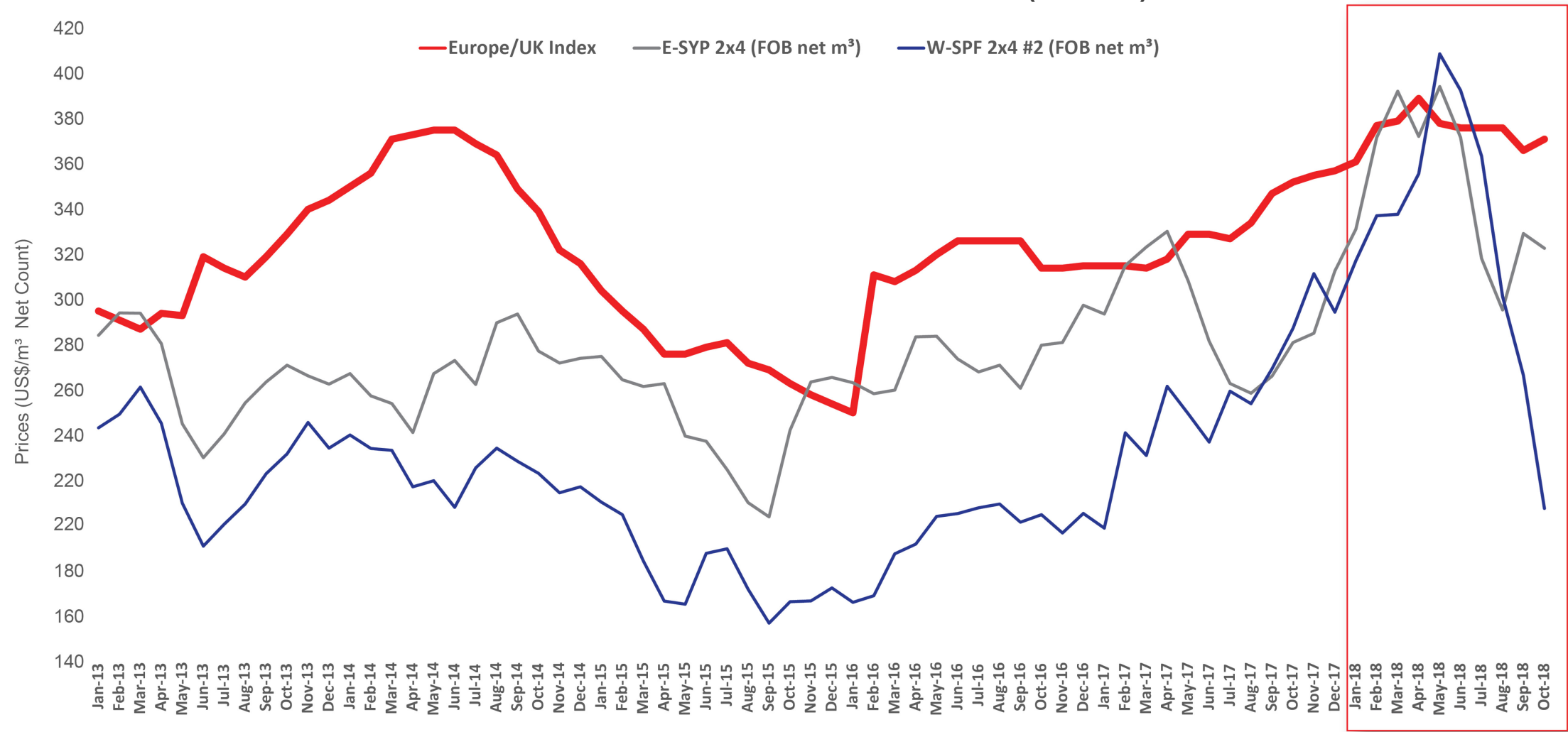


# Expanded Global Markets



# Diversification - markets, products and species limiting exposure to market volatility

Global Softwood Lumber Prices Indices (US\$/M<sup>3</sup>)



Source: Russ Taylor, FEA



# Transaction Overview – VIDA

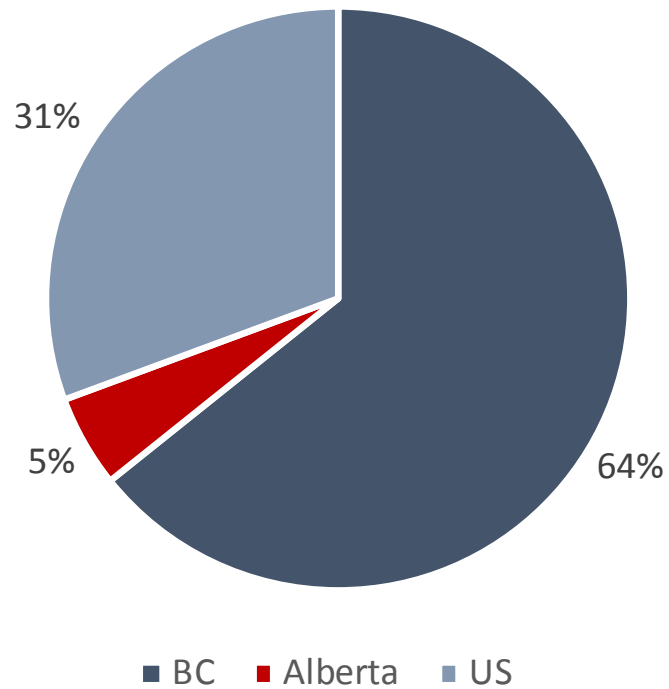
- Implied business valuation of \$830 million CAD; 70% ownership in year 1 (~\$580 million CAD)
- Option to acquire remaining interest in VIDA over the long term
- Pre-synergy acquisition multiple of 5.7x on forecast 2018 EBITDA of \$145 million CAD (4.9x excl. working capital)
- Post-synergy acquisition multiple of ~5.0x (4.3x excl. working capital); includes annual market-related synergies of \$20 million
- Subject to regulatory approval, anticipated to close in Q1 2019
- Purchase price to be funded through combination of cash on hand and existing credit facilities (currently expanding and extending credit facilities)
- Pro forma net debt to capitalization of 25%-30% anticipated at end of Q1 2019

# Elliott Sawmilling Company - Overview

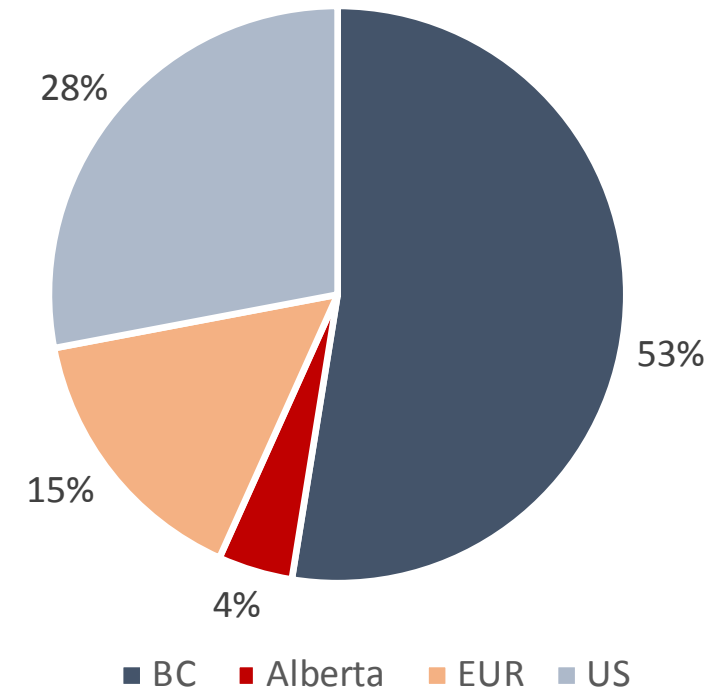
- Sawmill located in Estill, South Carolina, approximately 50 miles north of Savannah, Georgia
- Annual capacity: 210 million board feet of Southern Yellow Pine lumber
- Purchase price: US\$110 million paid in 3 equal instalments
- Pre-synergy acquisition multiple of ~4.3x on LTM EBITDA of US\$26 million
- Ownership transferred in 2 instalments, 49% at the first closing and remaining 51% at the second closing
- First closing anticipated in the second quarter of 2019

# Pro Forma Lumber Capacity

Current Lumber Capacity  
5.9 billion board feet



Pro Forma Lumber Capacity  
7.2 billion board feet



\*Includes 100% of VIDA and Elliott sales

# Summary



Balance sheet supporting significant transaction in Europe and continued growth in the US South



Geographic and market diversification with a focus on high-value products providing strong strategic and cultural alignment



VIDA and Elliott increases Canfor's lumber capacity by ~ 1.3 billion board feet



Solid financial return



Solid operating assets in areas of significant sustainable and competitive timber resources

# Thank You