WEST FRASER TIMBER CO. LTD.

Q4 2024 EARNINGS CONFERENCE CALL

FEBRUARY 13, 2024 - 11:30AM ET

CORRECTED TRANSCRIPT

OPERATOR

Good morning, ladies and gentlemen, and welcome to the West Fraser Q4 2024 Results Conference Call. At this time, all lines are in listen-only mode. Following the presentation, we will conduct a question-and-answer session. [Operator Instructions] This call is being recorded on Thursday, February 13, 2025.

During this conference call, West Fraser's representatives will be making certain statements about West Fraser's future financial and operational performance, business outlook, and capital plans. These statements may constitute forward-looking information or forward-looking statements within the meaning of Canadian and United States securities laws. Such statements involve certain risks and uncertainties and assumptions, which may cause West Fraser's actual or future results and performance to be materially different from those expressed or implied in these statements. Additional information about these risk factors and assumptions is included both in the accompanying webcast presentation and in our 2024 annual MD&A and annual information form, which can be accessed on West Fraser's website or through SEDAR+ for Canadian investors and EDGAR for United States investors.

And I would now like to turn the conference over to Mr. Sean McLaren. Thank you. Please go ahead.

SEAN P. MCLAREN, PRESIDENT AND CHIEF EXECUTVE OFFICER

Thank you, Lynn. Good morning, everyone, and thank you for joining our fourth quarter 2024 earnings call. I am Sean McLaren, President and CEO of West Fraser, and joining me today are Chris Virostek, Senior Vice President and Chief Financial Officer, Matt Tobin, Senior Vice President of Sales and Marketing, and other members of our leadership team.

On the earnings call this morning, I will begin with a brief overview of West Fraser's Q4 and fiscal 2024 financial results and then pass the call to Chris for additional comments before I share some thoughts on our outlook and offer concluding remarks.

West Fraser generated $140 million of adjusted EBITDA in the fourth quarter of 2024, representing a 10% margin. Results were varied across our business in Q4 with strength in our North American Engineered Wood Products segment and stronger than expected demand for SPF lumber, offset by reduced southern yellow pine lumber volumes.

In the fourth quarter, levels of new home construction in the U.S. showed further signs of improved stability on the back of recent U.S. Central Bank rate cuts that appeared to be supportive of housing, as well as demand for OSB and SPF lumber. That said, mortgage and interest rates remain relatively elevated, and we believe this continues to shape existing home sales activity and repair and remodeling spending.

For full-year 2024, we generated $673 million of adjusted EBITDA, representing an 11% margin and a meaningful improvement from the $561 million reported in 2023. This level of 2024 EBITDA, while still below our view of mid-cycle EBITDA, was able to cover our capital expenditures, dividends and much of our share buyback program.

On a pro forma basis, with the inclusion of Norbord, our 2024 EBITDA was approximately $430 million higher than that of the significant down cycle in 2019, reflecting positive synergies from the Norbord acquisition, benefits from our capital investment program, proactive acquisitions, and finally, mill portfolio optimization initiatives to improve performance and lower costs. In terms of our balance sheet, we had nearly $1.7 billion of available liquidity at year-end, which offers us the financial flexibility and strength to support a consistent capital allocation strategy through the cycle.

With that overview, I'll now turn the call to Chris for additional detail and comments.

CHRIS VIROSTEK, CHIEF FINANCIAL OFFICER & SENIOR VICE PRESIDENT, FINANCE

Thank you, Sean, and good morning, everyone. A reminder that we report in U.S. dollars and all my references are to US dollar amounts unless otherwise indicated.

The Lumber segment posted adjusted EBITDA of $21 million in the fourth quarter compared to a $62 million adjusted EBITDA loss in the third quarter. This is a significant sequential improvement, even after excluding the $32 million export duty expense in the third quarter, which had related to the 2022 calendar year.

Our North American EWP segment achieved $127 million of adjusted EBITDA in the fourth quarter, up slightly from $121 million in the third quarter. The Pulp & Paper segment incurred a $10 million adjusted EBITDA loss in the fourth quarter compared to $2 million of positive EBITDA reported in the third quarter. The Q4 loss for this segment was largely owing to the previously disclosed major maintenance shutdown at the mill, the first we've undertaken at Cariboo since obtaining 100% control of the facility. With this catch-up on investment, we expect the mill to be well positioned moving forward.

In our Europe business, adjusted EBITDA was $2 million in the fourth quarter versus $1 million in the third quarter as that business continues to face relatively tempered demand markets. You will also have seen that we reported a $70 million non-cash impairment of goodwill in this segment in the fourth quarter, which was driven primarily by weaker macroeconomic conditions in the U.K. and Europe and expectations of an extended recovery to mid-cycle profitability for the business.

In terms of our overall results, higher product prices were the largest factor for the sequential EBITDA improvement across our Lumber and North American Engineered Wood Products businesses, partially offset by lower North American OSB shipments. As noted in recent quarters, our Lumber business continued to benefit from the actions we took earlier in 2024 to curtail production at three of our higher cost mills, essentially replacing that higher cost volume with production from other lower cost mills, which is positive for our overall cost structure. Specifically in the U.S. South, our 2024 SYP shipments declined more than 10% from 2023 levels.

With regard to softwood lumber duties, late in the fourth quarter, the U.S. Department of Commerce issued a tolling notice, extending the deadlines for certain ADD and CVD proceedings, including softwood lumber, of up to 90 days. This extension affects the AR6 preliminary and final determination deadlines for both ADD and CVD cases. As a result of this extension, the preliminary determination decision for AR6 antidumping is expected to be published February 20, 2025 and the CVD preliminary determination decision is anticipated to be published May 7, 2025.

Cash flow from operations was $173 million in the fourth quarter with our cash balance, net of debt and lease obligations at $412 million, moderately below the $463 million reported last quarter. The sequential decrease in our net cash balance reflects higher operating cash flows being more than offset by $156 million of capital expenditures and approximately $50 million of cash deployed toward share buybacks and dividends.

In terms of our outlook for 2025, we are providing initial operational guidance for the year as shown on slide 7 and detailed further in our earnings release where we discuss targeted ranges for key product shipments. We are also providing our forecast for capital expenditures in the range of $400 million to $450 million. This reflects a moderate decrease from 2024 capital spending levels but is still aligned with our strategy of countercyclical investing, representing significant investment in our assets above sustaining capital needs of approximately $225 million per year.

I would note that as the U.S. administration's tariffs and other policies evolve, we will evaluate the impact of the tariffs on our operations and consider whether any revisions to our 2025 forecasts are warranted.

With that overview, I will pass the call back to Sean.

SEAN P. MCLAREN, PRESIDENT AND CHIEF EXECUTVE OFFICER

Thank you, Chris.

We remain confident in our strategy and proud of the company we have built with the geographic and product diversification that has allowed us to weather the challenging lumber markets we've experienced over the last two years. As Chris mentioned earlier and as shown on the left-side figure on slide 8, we generated $673 million of adjusted EBITDA in 2024, an improvement of nearly 3 times the level of pro forma EBITDA we saw at the bottom of the last lumber industry downturn in 2019. A key reason for this strong relative performance was the diversity in our wood building products offering, specifically led by the strength of our North American EWP segment, which has experienced healthy levels of demand during a period of challenging cyclical conditions for our other segments.

Turning to liquidity on slide 9, we have a strong balance sheet with nearly $0.5 billion of net cash and total liquidity approaching $1.7 billion exiting 2024. This financial strength provides a shock absorber to potential economic issues that may unfold in the face of looming tariffs and trade wars while still allowing us to pursue cost improvement objectives and the return of surplus capital to shareholders.

Before I shift to my concluding remarks, I want to briefly reflect upon the history of attractive returns generated for our shareholders. As you can see in the figure at the bottom of slide 10, our shareholders have been rewarded for their patience as we have continued to execute on our plans to grow the business, optimize our portfolio through dispositions and/or closures of highly variable or underperforming assets, and return surplus capital through dividends and buybacks. With a total annualized return approaching 10% since the beginning of 2006, which includes share price appreciation and reinvested dividends, we remain proud of what the West Fraser team has been able to accomplish. And you should expect us to do more of the same on our journey to create future shareholder value.

I'll now shift to our outlook and add some concluding remarks. We remain encouraged that the Fed's rate hiking cycle appears to be in the rearview mirror despite the risk of inflationary pressures from a potential trade war between the U.S. and some of its largest trading partners. At West Fraser, we currently view our overall inflation risk to be relatively modest with costs having stabilized across much of our supply chain. In fact, in some instances such as labor availability and capital equipment lead times, we have seen modest improvements in supply chain tension, which is likely to offer disinflationary effects. As such, and based on what we can see today, we do not currently expect to experience meaningful upward cost pressures over the near term.

For our lumber operations in the U.S. South, as we described last quarter, we continue to make progress refining and optimizing our operations by removing costs and looking for additional margin opportunities. And although market conditions for southern yellow pine remain challenging today, we continue to reduce costs, execute on our modernization program, and have our assets well positioned for when supply-demand returns to balance. In Canada, demand for our SPF products continues to improve relative to southern yellow pine as new housing markets appear to be proving more resilient than repair and remodeling markets, in which we tend to see a greater demand pull for our southern pine products.

As a reminder, our portfolio optimization strategy has included the reduction of higher cost capacity across our lumber platform through permanent shift reductions, mill closures, and indefinite curtailments of more than 800 million board feet since the beginning of 2022. We have also reduced the number of shifts or hours of operations at various lumber mills across our platform as a means to manage costs. Taking a proactive approach to portfolio management like this has continued to strengthen our cost position and competitiveness.

In our North American EWP business, we continue to ramp up production at our Allendale OSB mill, where we are pleased with the cost progression of that facility. We expect that mill to be among our lowest cost OSB facilities when it achieves full operating rate.

In conclusion, there is considerable macro uncertainty in the form of potential tariffs and global trade that may impact inflation expectations and demand for our products. However, we believe our low-cost platform and diverse portfolio of lumber and OSB mills situated in the U.S. will help mitigate some of this risk.

In the meantime, we continue to take positive actions that we expect will make us even stronger for the period when industry demand begins its rebound from the current downturn. We will continue to focus on operational excellence in order to build a more robust and sustainable business through the cycle while maintaining the type of financial strength that gives us the flexibility to be able to take advantage of growth opportunities if and as they arise. We remain optimistic about the longer-term demand prospects for West Fraser and look forward to continuing to build one of the world's leading wood building products companies.

And now before we wrap up our prepared remarks, I'd like to briefly address the elephant in the room, which is the prospect of the U.S. administration's new tariffs that were announced earlier this month and that, while on pause for now, have created considerable uncertainty for the outlook of our business. I expect many of you have questions about these potential tariffs and the implications for West Fraser. And while it's fair to say we have many questions too, as this situation continues to evolve, what we can say is the following:

We can confirm that we are taking a number of actions within the company to prepare for potential tariffs. First, we are ensuring that we remain policy current. This situation is fluid, and considerable time and effort is being spent separating fact from fiction so that we may better prepare actionable analysis. This includes maintaining close communications with our provincial and federal governments to ensure we have a handle on the latest engagements between Canada and the U.S. Second, we are actively scenario planning to prepare for a range of outcomes, including U.S. tariffs, Canadian countermeasures and other possibilities. Third, we are preparing our business operations and updating our operational plans, so they can be quickly aligned to various scenarios. We have long maintained a variable operating strategy and recognize certain tariff scenarios may require us to action such plans. And finally, we are preparing and engaging our employees, our communities and our customers for what may lie ahead. While we are unable to provide any kind of certainty to our stakeholders, we believe it's important to be as transparent as possible and to commit to regular communication should events warrant.

Thank you. And with that, we'll turn the call back to the operator for questions.

OPERATOR

Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. [Operator Instructions] Your first question comes from the line of Ben Isaacson from Scotiabank. Please go ahead.

<Q – Ben Isaacson >: Thank you very much, and good morning, everyone. I have a two-part question on tariffs. So the first question is, what are you doing and what are you seeing from both your peers and those downstream in terms of preparing for the tariffs? Are you seeing lumber move differently than you would normally see it? Are you seeing stockpiling right now? Can you just talk about kind of how the channel is positioning for tariffs?

<A – Sean P. McLaren >: Yeah. Good morning, Ben. I'll maybe make a comment or two here and then Matt to step in. First off, very, very difficult for us to see exactly what others are doing. I would say, from our perspective, we have maintained a normal to below normal inventory levels. We are selling normally in the market every day. Hard to really kind of get good visibility on the channel inventories. And I would say our buying patterns appear, selling patterns appear to be within normal ranges. And I would say our focus is really having our ability to be flexible with our operating schedules given whatever scenarios may come to pass.

But with that, maybe I'd ask Matt to add anything I missed there.

<A – Matthew Tobin >: Thanks, Sean. No, I think that's exactly right. Customer purchasing just appears to be within normal range that we would normally – that we see. No shifts there. And I would just make a comment maybe that generally uncertainty doesn't drive purchasing.

<Q – Ben Isaacson >: Thank you. And then just as my second follow-up question. In your scenario planning for the tariffs, what is the kind of general frame of mind that you have in terms of the U.S. portfolio versus the Canadian portfolio? Do you expect the U.S. portfolio to meaningfully benefit? I mean, I know we don't know exactly what's going to come. But just from a high level, will the US portfolio largely offset any risk in Canada?

<A – Sean P. McLaren >: Yeah, Ben. Really, really difficult to nail that one. I would say, unfortunately, we do have quite a bit of experience dealing with duties, and in particular anti-dumping duties, which can move quite quickly depending on the price in the marketplace. And we react accordingly in our business depending on the demand of our customers. There's a lot of moving parts here. Of course, what actually will be in place, what our customers' preference is, what substitution is available, so it's really hard to predict. I would say we feel like whatever comes, we're well positioned to not only react in Canada if we need to but have some reaction in the U.S. as well to try to meet the needs of our customers.

<Q – Ben Isaacson >: Thanks so much. I appreciate it.

<A – Sean P. McLaren >: Thanks, Ben.

OPERATOR

Thank you. And your next question comes from the line of Sean Steuart from TD Cowen. Please go ahead.

<Q – Sean Steuart >: Thanks. Good morning, guys. A couple questions also starting with the tariff potential. Just want to understand, the SPF and OSB volume guidance for 2025, the bottom end of those ranges do not have any consideration for tariffs. Is that the correct read?

<A – Sean P. McLaren >: I'm going to let Chris to tack on here what I miss, but I think when we thought about the guidance for the year, we thought of current conditions. I think once you overlay any change to a border measure, we have not tried to build in and speculate what that may or may not be. Chris, anything to add to that?

< A – Chris Virostek >: No, that's exactly right. And I think as we've done in the past, as the year goes on and situations evolve, I think we know both of these markets are fluid and have been fluid the last kind of two or three years with interest rate changes and demand profile. And we update that guidance as the year goes on, as the situation clarifies. So, what we've got out there is our target of where we think the range is for the year, and very difficult to sort of piece in one item versus another when there's not even clarity on how some of those uncertainties are going to get resolved. So that's the guidance as it stands today and as the situation evolves, and as we said, if there's a need to update that guidance, then we would update that guidance.

<Q – Sean Steuart >: Okay. Thanks for that, guys. Just a follow-on. It was reported that when it felt like tariffs were imminent at the beginning of the month, you were telling customers that your intent was to increase prices immediately to fully offset a tariff if it were to be imposed. I guess I'd be interested in your perspective on that ability…there's seemingly still slack in wood product markets in North America…perspective on the supply response for lumber or OSB that might be needed to fully offset the tariffs in terms of passing it on to customers.

<A – Sean P. McLaren >: Sean, I'll make a couple of comments here and then ask Matt to just add on or fill in what I miss. So, really not prepared to talk about pricing in any kind of detail. What I would say is that there's a lot of things that go into the cost floor across North America: fiber cost, duty rates, exchange rates, tariffs are another element to that. And all those things impact what people are prepared to buy at, what people are prepared to sell at. And ultimately, those two things have to find each other, find a trading level. So really, really hard to say exactly how it's going to play out. I would say that additional cost is generally not helpful. It's going to add to the cost floor and drive different decisions across the supply chain.

So maybe I'll just leave it there. And, Matt, anything else we might want to add there?

<A – Matthew Tobin >: No. I think for your comments, we're monitoring the situation and talking to our customers. But it's just really too early to say until we have clarity. And I think whatever the outcome of the tariffs, our focus is supplying customers with the products that we make and meeting their needs.

<Q – Sean Steuart >: Understood. One last quick one. Sean, you mentioned potential for modest labour cost relief, which is a little surprising and encouraging. I guess our perception was it was still a really tight labour market in the U.S. in particular. A little more context on what you're seeing? I assume it's specific to the U.S. market relief that you're seeing there, expected magnitude of cost reduction on labour for those sawmills in particular. It feels like this is pretty minor, but any additional context you can give us?

<A – Sean P. McLaren >: Not much to add to that comment. I think it's probably against the backdrop of what we've just come through, which was a lot of pressure on labour, a lot of pressure on cost, a lot of pressure on finding people. We still have the U.S. South in particular kind of meeting our kind of labour needs, but there does feel − it doesn't feel like it has the last two or three years. So, I think that's probably context on that comment.

<Q – Sean Steuart >: That's great. Thanks very much, Sean.

<A – Sean P. McLaren >: Okay. Thanks, Sean.

OPERATOR

Thank you. And your next question comes from the line of Ketan Mamtora from BMO Capital Markets. Please go ahead.

<Q – Ketan Mamtora >: Good morning and thanks for taking my question. Maybe to start with, can you give us a little bit of sort of context in terms of we are seeing a number of these pulp mill closures in the U.S. What sort of impact that is having on sort of the residual income, the chip residuals that you think about sort of the U.S. South sawmills?

<A – Sean P. McLaren >: Yeah. Thanks, Ketan, and good morning. Yeah, it is an issue across U.S. South, and there's really two parts to it. One, you read about the pulp mill closures. But also, as North American lumber supply has contracted in other regions, it's come on in the U.S. South. So, you have more chip volume and less kind of pulp, or pulp capacity or chip consumption. Saying that, it is very regional. So, it'll be – if you happen to be next to one of those pulp mills, the impact is going to be more significant on that particular mill. But I do think it's important, unlike Western Canada and other parts of Canada, the U.S. South is still, or the pulp mills are still largely run on pulp wood. So. chips don't make, they make up the minority, not majority of the furnish in the pulp mills.

So, there is replacement. But what happens is it takes more freight, it takes a lower price. So there is pressure on chip pricing down. And we've seen that now for the last three or four years as chip volumes have ramped up in the South.

<Q – Ketan Mamtora >: Understood. That's helpful. And then just switching to kind of 2025. And correct me if I misunderstood here, but from what I heard, it sounded like your volume guidance does not bake in any potential tariffs impact yet. So, as I think about the low end and the high end of the guidance range both in lumber and in OSB, can you tell us what you are kind of baking in, in terms of new residential construction growth and R&R in the U.S.?

<A – Sean P. McLaren >: Yeah. I think I'm going to ask Matt and Chris to just fill in a little bit more here. I would say we're largely – our guidance largely reflects sort of how we finished the second half of last year and started this year, which is relatively flat, Ketan. So, I think what you see in our guidance is kind of our run rates with some expected volume changes in our portfolio. But it's largely – we're not baking in a big move one way or the other in the demand levels. And we sure haven't tried to speculate on what may or may not be a border measure and what that might do to our volumes.

Chris, anything else there on the guidance?

<A – Chris Virostek >: No, that's a good summary of it, right? I mean, we're not forecasting substantial changes in the underlying demand drivers from where they exist today or any of these other sort of externalities that are hovering out there that have yet to be resolved. And as I said, as the year goes on, we always tighten that band. And probably now we're dealing with more externalities than we normally do at this point in time of the year. So I think it's pretty hard to attribute 100 million board feet to one thing or another as to being included or excluded. So, it's quite reflective of the runrate that we think we're at right now.

<Q – Ketan Mamtora >: Got it. That's very helpful. I'll go back in the queue. Good luck.

<A – Sean P. McLaren >: Thanks, Ketan.

OPERATOR

Thank you. And your next question comes from the line of Matthew McKellar from RBC Capital Markets. Please go ahead.

<Q – Matthew McKellar>: Hi. Good morning. Thanks for all the details so far and for taking my questions. First for me, what are your hopes or expectations for the outcome of the B.C. government's review of its timber sales program, please?

<A – Sean P. McLaren >: Hi. Good morning, Matthew. I'll make a couple of comments on this. I think we always remain hopeful. I would say, in British Columbia, we are not harvesting the level of available fiber, and access and stability at least in our communities is a significant issue. And I know we are rolling up our sleeves with the B.C. government to play whatever role we can to help improve that and improve access. And you'll see a number of initiatives we are doing inside of West Fraser with our indigenous partners to try to improve access and get more visibility and more stability on timber coming to our mills, which is, for long-term viability for our people, for investment, for the industry, that's what's needed. So hopeful and we're prepared to do our part, and we'll just see what happens.

<Q – Matthew McKellar>: Okay. Great. Thanks for the color there. Switching gears a bit and just looking at your quarter-over-quarter waterfall on, I think it's slide 6 and focusing on costs. Are you able to give us a sense of how much of that $30 million headwind quarter-on-quarter was attributable to each of Engineered Wood Products and Lumber? And then regarding the low log inventory issue, can you give us a sense of how this has evolved into Q1, please?

<A – Sean P. McLaren >: Chris, do you want to take that one or...?

<A – Chris Virostek >: Yeah. I think, Matthew, there are some more details in the MD&A. And I recognize there's a whole pile of documents we laid on people yesterday afternoon and maybe haven't had the chance to kind of get through all of them yet. But I would say, there's a couple of things flagged there in Lumber. In Lumber, there was a past service pension adjustment that was one-time in nature that came through on Canadian lumber, really around staying competitive in the labor market. As we finished our planting season through the summer, there was some additional silviculture cost that came through. I think that's flagged in the MD&A as well. Expect that to be largely behind us as well. And then in the fourth quarter, as you know, in EWP, and you'll see it reflected in the lower shipments, that's a bigger portion of where all of our maintenance is done because it's a seasonally softer quarter from a demand standpoint. So, we plan most of our maintenance downtime in EWP in the fourth quarter, and so that results in those fixed costs kind of just flowing straight through in the fourth quarter because we don't have as much production in the fourth quarter.

With respect to the low log inventory, I would say, just in simple terms, how it affects the cost is really on the efficiency side, is when you're feeding the logs directly into the mill almost as you get them, that's not as an efficient way as if you've been able to organize your log yard and feed the mill efficiently with the diameter and the species that you want on a more consistent basis. So, I think it's been, it was a slow start to the logging season. I think we're trying really hard to make up ground here with some colder weather recently. But still challenges around access and things like that. So, we think we're making improvements and we're catching up on that log inventory, but there's still another month and a half to go here before we hit breakup.

<Q – Matthew McKellar>: Great. Very helpful. Thank you. And if I could just sneak in one last cleanup. It just looks like expected CapEx at Henderson is up about $20 million. Can you just help us understand the moving parts there, please?

<A – Sean P. McLaren >: Yeah, you bet, Matthew. So, I would say, so that project – I mean, these projects are big and they take a long time to bring to fruition. And largely, there's kind of a couple of areas. I would say there has been more civil work early in the project than we expected, and it really was the timeline of the project, the construction, the civil work was really impacted by heavy rains we experienced in East Texas right through the first half of last year.

That, combined with, even though we have seen general contractor availability improve, equipment delivery times improve, the one area that seems to not have, we're not seeing the same type of improvement, is the electrical installation. So those are the two main issues, the civil work delay due to rain and some weather conditions as well as pressure on electrical costs relative to what we had planned them to be a couple of years ago.

<Q – Matthew McKellar>: Okay. Thanks very much for the help. I'll turn it back.

OPERATOR

Thank you. [Operator Instructions] Your next question comes from the line of Hamir Patel from CIBC. Please go ahead.

<Q – Hamir Patel >: Hi. Good morning. Sean, over the course of the current lumber five dispute, have lumber customers in Canada generally paid the same prices as U.S. customers? Or has there been a discount there at times just given where the duties are? And then kind of related to that, if there are additional tariffs applied, would you expect a greater discount, if any, for Canadian customers?

<A – Sean P. McLaren >: I'm going to hand this one over to Matt to make a few comments on Canada.

<A – Matthew Tobin >: I guess I would say about that is really, Canada is an important market for us. And certainly, we have to compete in that market every day for our customer spend. And we're going to focus on doing that through whatever tariffs or situations that we find ourselves in, so...

<Q – **Hamir Patel** >: Okay. Fair enough. But over the course of the current dispute, has there been much of a discount?

<A – Matthew Tobin >: I would say, I guess the price fluctuates over a normal course of business. And we really just have to focus on each market to compete. And so, both of those things, I guess, just change over time.

<A – Sean P. McLaren >: And I would say, Hamir – I'll add a little more to that, Hamir, that clearly, as it gets more expensive to go across the border into the U.S., whether that's duties, tariffs, what have you, there is separation between those markets.

<Q – Hamir Patel >: Right. Okay. Fair enough. And then are you able to tell us how much of your Canadian OSB goes to the U.S.? And on the lumber side, I think you disclose it sort of looks like it was 60% in 2024. But just curious on the OSB side.

<A – Sean P. McLaren >: Again, I don't have the exact disclosure in front of me. So, Chris, just help me out here. But 40% of our production volumes in Canada, 90% of our total North American production ends up in the U.S.. So, you can infer from that a large majority of our Canadian production crosses the border. I don't think we disclosed the exact number, but that's what our disclosure is. Chris, any more on that one?

<A – Chris Virostek >: Yeah. We added a couple – anticipating that this was going to be sort of a point of interest for folks, there's a disclosure there in the AIF around that. About 40% of our OSB capacity is in Canada. And then the destination of shipments of OSB is in the MD&A. That's not sort of historically been there, but it's been added in. So, I think there's enough there between those two data points that you can get to pretty close to what the number is there. And it does fluctuate from time to time based on the relative strength in the different markets and seasonal factors and things like that, but I think there's enough there to piece it together.

<Q – Hamir Patel >: Okay. Great. Thanks, Chris. And just the last question I had was, again, kind of tariff-related. Sean, if we did see tariffs come in, do you think we could see adjustments to provincial stumpage systems with respect to how they kind of incorporate product pricing?

<A – Sean P. McLaren >: I think really too early to talk about that, what I would say, as you can imagine, the government is, I'm sure, both federally and provincially with the prospect of broad-based tariffs across all industries, doing specific measures for one particular industry. Not that that might not happen, but I think that there's so many things to talk about. It's really too soon to predict any policy changes as it relates to tariffs.

<Q – Hamir Patel >: Fair enough. Thanks. That's all I had. I'll turn it over.

<A – Sean P. McLaren >: Thanks, Hamir.

OPERATOR

Thank you. There are no further questions at this time. I will now hand the call back to Mr. Sean McLaren for any closing remarks.

SEAN P. MCLAREN, PRESIDENT AND CHIEF EXECUTVE OFFICER

Thank you, Lynn. As always, Chris and I are available to respond to further questions, as is Robert Winslow, our Director of Investor Relations and Corporate Development. Thank you for your participation today. Stay well, and we look forward to reporting on our progress next quarter.

OPERATOR

Thank you. And this concludes today's call. Thank you for participating. You may all disconnect.