

WEST FRASER TIMBER CO. LTD.
Q3 2025 EARNINGS CONFERENCE CALL
OCTOBER 23, 2025 - 11:30 AM ET
CORRECTED TRANSCRIPT

OPERATOR

Good morning, ladies and gentlemen, and welcome to the West Fraser Third Quarter 2025 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, October 23, 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, 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 accompanying webcast presentation and in our 2024 annual MD&A and annual information form as updated in our quarterly MD&A, which can be accessed on West Fraser's website or through SEDAR+ for Canadian Investors and EDGAR for United States investors.

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

SEAN P. MCLAREN, PRESIDENT AND CHIEF EXECUTIVE OFFICER

Thank you, Mina. Good morning, and thank you for joining our third quarter 2025 earnings call. I am Sean McLaren, President and CEO of West Fraser, and joining me on the call today are Chris Virostek, Executive 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 Q3 2025 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 posted negative \$144 million of adjusted EBITDA in the third quarter of 2025, as we continue to operate within an extended cycle trough. Of note, this quarter included a \$67 million out-of-period duty expense related to the finalization of Administrative Review 6 or AR6. New home construction remains relatively stable during the period, albeit at uninspiring levels. With annualized U.S. housing starts averaging just 1.31 million units through August on a rolling three-month, seasonally-adjusted basis, as mortgage and interest rates continue to present headwinds to U.S. housing demand and affordability. And as we've noted for several quarters, repair and remodeling demand was subdued once again this quarter.

Despite the tough Q3, our balance sheet continues to demonstrate strength as we exited the quarter with nearly \$1.6 billion of available liquidity and a healthy cash position that remains positive net of debt. A strong balance sheet and liquidity profile, along with our investment-grade rating, remain key elements of our defensive capital allocation strategy, which allows us to invest in our business counter-cyclically and take advantage of investment opportunities if and when they arise.

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

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

Thank you, Sean. And a reminder that we report in U.S. dollars and all my references are to U.S. dollar amounts unless otherwise indicated. The Lumber segment posted adjusted EBITDA of negative \$123 million in the third quarter, inclusive of the previously mentioned \$67 million out-of-period duty expense. This is in comparison to \$15 million of adjusted EBITDA reported in the second quarter with the sequential change driven largely by lower pricing and the AR6 duty expense. Of note, operations at our old Henderson site are winding down and the new mill is entering its commissioning phase.

Our North America EWP segment posted negative \$15 million of adjusted EBITDA in the third quarter, down from \$68 million in the second quarter, with the sequential change largely driven by lower OSB pricing.

The Pulp & Paper segment posted negative \$6 million of adjusted EBITDA in the third quarter, compared to negative \$1 million in the second quarter, with the sequential change largely attributable to Cariboo Pulp's annual maintenance shut that occurred in the third quarter. Prior to, and following, the maintenance outage, we are seeing improved operating performance from Cariboo Pulp in terms of daily output.

Finally, our Europe business generated \$1 million of adjusted EBITDA in the third quarter, similar to the \$2 million reported in the second quarter.

In terms of our overall Q3 results, lower product prices for our lumber and North American OSB products were the largest contributing detractors as compared to Q2. We were also buffeted by a number of major maintenance activities during the quarter, most significantly, the Cariboo maintenance shut. Cash flow from operations was \$58 million in the third quarter, with our net cash balance at \$212 million, down from \$310 million in the prior quarter. The relative decrease in our net cash balance reflects lower earnings, offset in part by a reduction of working capital, plus the impact of \$90 million of capital expenditures and approximately \$65 million of cash deployed towards share buybacks and dividends.

In terms of our 2025 shipments guidance, with the demand softness we continue to experience across our lumber product portfolio, we are narrowing our outlook by reducing the top end of the guidance range for both SPF and SYP 2025 shipments, while maintaining the North American OSB and EU OSB shipment guides for 2025. We are also confirming our 2025 CapEx guidance range of \$400 million to \$450 million. All updated views on our 2025 outlook are presented on slide 8.

Regarding softwood lumber duties, earlier in the third quarter, the US Department of Commerce released final CVD and ADD rates for AR6, which are based on the year 2023. These rates were largely as we had anticipated and at a combined rate of 26.5%, West Fraser has the lowest duty rate in the Canadian industry. More recently, the U.S. administration issued a proclamation that imposed Section 232 tariffs of 10% on imported softwood timber and lumber into the U.S., which came into effect on October 14, 2025. This tariff is in addition to the existing softwood lumber duties.

With that financial overview, I'll pass the call back to Sean.

SEAN P. MCLAREN, PRESIDENT AND CHIEF EXECUTIVE OFFICER

Thank you, Chris. Looking forward, we continue to monitor macroeconomic conditions, complicated by shifting trade policies. Despite such a backdrop, the company remains well-positioned to navigate the dynamic and difficult business environment we face today, backstopped by a strong financial position.

As a reminder, we acted early in this down cycle, optimizing our portfolio of assets to create a more resilient company. This included permanently removing 170 million board feet of capacity in our Canadian lumber business in 2022 and 650 million board feet of capacity in 2023 and 2024 through the permanent or indefinite closure of five of our least economic lumber mills in the U.S. and Canada. Combined, these capacity removals account for 820 million board

feet, representing approximately 12% of the company's lumber capacity prior to the actions taken. Considering our shipment guidance for 2025, our implied Q4 operating rate reflects a curtailment of approximately 20% to 25% of that capacity.

Furthermore, we divested three pulp mills for \$124 million in 2024 and acquired high-quality lumber and OSB assets. In the aggregate, all these actions to high-grade the portfolio have made us better at the bottom of the cycle.

Going forward, we will continue to take this approach of managing our asset portfolio to do what is both prudent for the long term and necessary in the short term. You should also expect us to continue to be flexible in our operating strategy, meeting the needs of our customers, and operationalizing the benefits of our strategic capital to drive down costs, all while keeping our focus on a safe working environment for our employees. We are wrapping up a number of capital projects that have been in progress during the current market and expect the start of these projects will continue to lower costs as they are operationalized.

We will also continue to pursue a balanced capital allocation strategy that includes investment in value-enhancing projects, pursuit of opportunistic investments and growth, and the return of capital to shareholders as we leverage the competitive advantage of our balance sheet strength and available liquidity.

In terms of our more general medium- to longer-term outlook, we will continue to lean on our industry knowledge and experience to make the decisions that we believe will not only keep the company resilient in the trough of the cycle, but will also allow the company to be better prepared for the next industry demand recovery whenever that may be.

North American lumber supply has been trending lower in recent years, with a material proportion of that capacity closed permanently due to factors including high-cost fiber supply, legacy technology, shrinking residual markets, and now, more recently, increased duties and tariffs.

When lumber supply/demand dynamics eventually find balance and demand cyclically improves, we expect our ability to add material new supply will face the same significant obstacles: access to economically viable fiber, high capital costs that challenge returns on new investment, and long-term viable outlets for residual products.

Shifting briefly to tariffs. Regardless of what may happen on this front, as we have said before, we continue to monitor the Canada-U.S. trade situation closely and remain agile and ready to respond as needed. And we will continue to work closely with our federal and provincial governments to support discussions when called upon as they relate to softwood lumber.

In closing, at West Fraser, we aim to deliver strong financial results through the business cycle. We achieve this by leveraging our product and geographic diversity, modern well-capitalized assets, and the dedication of our people and culture rooted in cost discipline and a commitment to operate responsibly and sustainably. We remain steadfast in this strategy.

Although we continue to have a challenging near-term outlook, we are optimistic about the longer-term prospects for our industry and for West Fraser, and we look forward to continuing to build one of the world's leading sustainable building products companies.

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] And your first 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, and recognizing that this is a pretty tough backdrop right now. I'm just curious, what's your approach to managing production in both

lumber and North America OSB, particularly in this environment, which increasingly looks like that demand is likely to remain soft here in the near-term? Can you sort of just give us some thoughts on sort of how do you approach sort of managing production, particularly as we are looking at sort of another year where EBITDA could be kind of negative in lumber?

<A – Sean P. McLaren >: Yeah. Good morning, Ketan. Happy to touch on that. And maybe I'll just start with reinforcing a few things: the actions we took early in the cycle, which were closing either permanently or indefinitely a number of our mills, adjusting our shift configuration, and we have remained nimble in our lumber portfolio after those actions and as you have seen in our guidance as the year's unfolded.

So, we maintain in both of our product lines, but in particular, lumber and OSB, a variable kind of operating strategy that first runs to our economics and our customer demand needs. So, that's how we manage that, and we make those decisions all the time within our platform.

<Q – Ketan Mamtora >: Understood. And then, on OSB, what does the implied Q4 operating rate look like based on what you all have discussed? You talked about sort of 25% temporary curtailment in lumber. How does that look like in OSB?

<A – Sean P. McLaren >: Yeah. I'll let Chris touch on that one.

<A – Chris Virostek >: Yeah. I think, Ketan, as you'll recall, I think when we've discussed this before, right, Q4 is always very heavy for us on maintenance shuts. We strategically take that maintenance downtime in Q4 because it is a weaker seasonal period. So, I think with the shipment guide that is out there, that would imply an operating rate of somewhere around 80% in the fourth quarter.

<Q – Ketan Mamtora >: Understood. And then, just last one from me, on the balance sheet side, clearly, the balance sheet is very strong. You've got a net cash position. I'm curious about sort of how you think about M&A opportunity in this kind of downcycle at the moment. And where do you think you got the most opportunity for inorganic growth?

<A – Chris Virostek >: Yeah, sure. I'll jump in there. And then, Sean, you can add if you like. I think we've been very consistent the last several years in how we've talked about M&A. And for us, it's quality first, right? And I think, clearly, an environment like we're in today necessitates that quality. It just shows how important that quality-first approach is, around all those things that Sean mentioned that are challenges, whether that's residuals supply or asset quality or workforce availability or timber availability.

So, I think the way that we have the balance sheet, we have flexibility to pursue the strategy that we've always had and growth has always been part, inorganic growth has always been part of the company's DNA going back decades. So we're going to be guided first and foremost by quality and things that make the company stronger. And I think you can see that certainly in the actions that we've taken over the last several years. Where we've added to the portfolio, it's been very selective and high quality and we've also removed things from the portfolio that we don't think make us stronger at the bottom of the cycle.

So, I think that'll be the guide as to what we consider opportunities. We've got to be satisfied with the quality that's out there. Sean?

<A – Sean P. McLaren >: No, that's perfect, Chris. Quality and enhancing our strength at the bottom of the cycle – those are the priorities as we think about what might be next for West Fraser.

<Q – Ketan Mamtora >: Understood. No, that's very helpful color. Good luck. I'll jump back in the queue.

<A – Chris Virostek >: Thanks, Ketan.

OPERATOR

Thank you. And your next question comes from the line of Ben Isaacson from Scotiabank. Please go ahead.

<Q – Ben Isaacson >: Good morning and thank you very much. Just two questions for me. Sean, I think last conference call, so three months ago, the federal government was starting to talk about a possible support and conversations around that when it comes to lumber. So, it's been three months and things have not really improved in terms of the macro backdrop. Can you talk about what you're willing to share in terms of how those conversations are going and how federal support for lumber is starting to stack up?

<A – Sean P. McLaren >: I can't remember the – good morning, Ben. And I don't have the exact date in front of me. I believe it was in early August and it was in British Columbia, which was encouraging at a small business in Kelowna, a small lumber business, where the premier rolled out some different support measures. I don't have all the details, they're all in the public domain. But they were providing some level of support for the industry, some level of funding for exploring different markets. But that would all be in the public domain.

I think we – as a mandatory respondent, we continue to – and frankly, with a balance sheet that remains strong, we continue to support those measures for the industry with the government. And at the same time, our kind of maintaining our own balance sheet, which is reinforcing our operations. So, I probably wouldn't add more than that, Ben.

<Q – Ben Isaacson >: Okay, that's fair. And then just second question is perhaps for you or for Matt, with respect to your own customers that you talk to regularly, can you give some kind of sense in terms of how many months or days or weeks of inventory is in the U.S. channel? Again, when it comes to your customers only, relative to normal conditions for mid-October.

<A – Sean P. McLaren >: Go ahead there, Matt.

<A – Matthew Tobin >: Sure, I can answer that. I would say, we don't really have visibility into our customer supply chain or their inventory levels. What I can speak to is our inventory levels and they're lean in both SYP and SPF, which has been intentional in this uncertain market to run our inventories lean.

<Q – Ben Isaacson >: Okay. So, just to be clear, I mean, from the rate of reorder, you don't have a sense as to, in terms of planning, when your customers are going to come back and what their needs will be in the next kind of two to three months?

<A – Matthew Tobin >: No. No, I'd say, they're buying as their needs come to them. And we're ready to service them in whatever regions they're in. But I would say, no fundamental change in visibility to their inventory levels.

<Q – Ben Isaacson >: Okay, great.

<A – Sean P. McLaren >: One thing I might add to that, Ben, is, our customers' products are readily available. So, they're buying what they need as they need it. And I think our guidance would – we're maintaining our inventories in a below average position. And so things are flowing through based on that guidance.

<Q – Ben Isaacson >: Great. Thank you very much.

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, everyone. Sean, I want to follow up on the M&A question and I appreciate your comments around all the assets and building strength at the bottom of the cycle. I guess the follow-on is, we're three years into this lumber downturn in North America. Have you seen more opportunities coming to the surface? And if so, would those opportunities include the types of assets you're looking for? I guess I'm trying to gauge what the opportunity set looks like now and how that's changed over the last three to six months.

<A – Sean P. McLaren >: Yeah. Good morning, Sean. Probably not. I think we maybe had this question on a prior call. Probably not a lot of change this year. I think what you typically see is early in an upswing as people are thinking

about a quality asset to sell, people would then maybe look to market that. And then, I would say in the pipeline, I don't think there's anything any more than normal.

And for sure, higher quality assets typically are being held to a better time to market them. So, all those things saying there wouldn't be anything that is jumping out today that is high quality and available that fits.

<Q – Sean Steuart >: Okay. Thanks for that context. And I also wanted to follow up with your comments on North American supply management on the lumber side and appreciating you've done a lot of work on permanent and indefinite closures over the last three years. Is a part of the decision making for you at this point in the cycle, as we're arguably closer to the end of this downturn than the start at this point, hopefully, is there a reluctance to take more permanent or indefinite shuts at this point when maybe we can see the light at the end of the tunnel as affordability headwinds start to ease? Is that part of the thinking and the thought process when you're gauging sort of rolling downtime versus further indefinite or permanent closures?

<A – Sean McLaren >: Yeah. No, it's a good question. I think we always look at it against the backdrop of how is that asset holding up during the current down cycle and do we have a clear path for the next down cycle? And we make kind of decisions against that backdrop. It's really hard to predict. I mean, I agree with your comments that hopefully, we're here closer to the end than in the middle or the beginning, but we really don't know that.

So, I think we always have to really challenge ourselves, especially in this environment. Is there a better operating model that lowers our cost here and makes us more competitive at the bottom of the cycle? And I would look across our SPF business, Southern Yellow Pine, OSB, our major business lines, and volume is coming out of those businesses and costs are lower. So, that's really the way we look at all those decisions. And really, every asset gets pressure tested in this environment.

<Q – Sean Steuart >: Okay. That's all I have for now. Thanks, guys.

<A – Sean P. McLaren >: Thank you.

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 taking my questions. Appreciate all the detail so far. Firstly, could you maybe just share with us how conditions in the Canadian markets have evolved over the past few months, whether there's anything to call out in terms of differences in demand between the U.S. and Canada? And then, are you seeing any of your competitors behave any differently in the Canadian market since higher U.S. duties and the tariffs took effect? Thanks.

<A – Sean McLaren >: Matt?

<A – Matthew Tobin >: Yeah. I can take that. I would say that Canadian market remains competitive. It's a much smaller market than the U.S. market. So, while it's an important market for us and we service those customers, it generally doesn't drive demand. And I would say, it remains competitive just with where we are in the cycle and in all the other things you've mentioned going on. But I would say nothing unusual, just having to compete every day to service our customers in that market.

<Q – Matthew McKellar >: Okay, thanks very much. And then, just a couple of cleanups. If we're in an improved but still relatively soft wood products market next year, how should we be thinking about CapEx? Appreciate that Henderson will fade year-over-year. How does that evolve into 2026, in your view? And second would be just the fire at the Cowie facility, can you help us understand what the state of that facility is today? Thank you.

<A – Chris Virostek >: Sure. Yeah. Thanks. So, on CapEx, as we look forward, I think as we said in the comments, right, like we've spent a lot of capital. And I think that's one of the advantages of our strong balance sheet is we've been able to be durable with our capital allocation strategy and invest for the future in what have been pretty difficult markets the last couple of years.

Considering that, as Sean said, we were wrapping up a lot of fairly major projects here, and our focus is shifting to operationalizing those. So, I think you can sort of think about what that means relative to 2026, we'll be out in February with our 2026 CapEx guidance. We have had two pretty busy years with big projects going on.

With respect to Cowie, I think flagged in the materials, right, that incident happened about five weeks before the end of the quarter. Facility's been repaired, back up and running. And I think we're pretty pleased with what we're starting to see in the European segment in terms of maybe some green shoots of things starting to turn around there.

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

OPERATOR

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

<Q – Hamir Patel >: Hi. Good morning. Sean, we don't have access to the U.S. trade data at the moment during the shutdown. But on the ground here, are you seeing any signs of European lumber imports increasing just given that their competitive position is improved relative to Canada with all the duty and tariff changes since August?

<A – Sean McLaren >: I'll ask Matt if there's – I don't think we have a lot of visibility to that, Hamir, without the data coming in. But Matt, would you add anything to that?

<A – Matthew Tobin >: No. I'd say, look, just like you said, no, not a lot of visibility and no meaningful change that we can see in the market.

<Q – Hamir Patel >: Okay. Fair enough. And I just want to ask, in Europe, if you have any comments on, with respect to OSB demand, how things are faring on both the new res. and R&R side?

<A – Sean McLaren >: Yeah. And Chris sort of touched on that, as an unfortunate incident at Cowie, team did an excellent job of making the repairs and getting the mill back up and running. And it kind of shadowed, that event really did shadow some progress in Europe. And we are seeing, hard to say how much is kind of demand driven, some of it still may be supply driven, but kind of sequentially, quarter-over-quarter, we are seeing some price improvement in OSB and seeing some demand improvement there. So, we're looking more optimistically in Europe over the next few quarters and we'll see how all that unfolds.

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

OPERATOR

Thank you. And we have a follow-up question from Mr. Sean Steuart from TD Cowen. Please proceed.

<Q – Sean Steuart >: Thanks. Just one other one. Chris, you guys have done a good job on working capital management, and I appreciate there's seasonality in Q1. You'll have big log deck builds in Canada. Can you speak generally, though, to, I guess, the changes you made in terms of how you're managing working capital over the mid-to long-term, room for more reductions there, ability to pull more cash out of that? Just broader perspective on how you're thinking about that item.

<A – Chris Virostek >: Yeah. Look, I got to give a lot of kudos to the operations teams across the company on this front, right. I think, it spans all elements of the working capital. We manage our credit and receivables very tightly, while still maintaining good relationships with our customers. The cycle there is pretty short.

I think as Matt indicated in his comments, in many of our businesses, we're at or below target levels and operating with fairly lean inventories, which look, presents some challenges from time to time in terms of filling orders. But the teams are doing a remarkable job of managing through that and learning how to operate with lower inventories.

And lots of work, I'll say, going on in terms of the procurement side as well, is vendors and vendor selection and things like that. So, I'd say it spans all aspects of this and I'd say it's not just something that, because of the environment that we're in, that it's getting more focus than it ordinarily does. I think the teams work hard on this stuff all the time. They're probably tired of hearing me talk about working capital, but it's really been a source of strength for us here in the last while really focusing on, frankly, all aspects of the balance sheet. And it helps run a more efficient and effective business.

So, what does that translate into going forward? Hard to say on the way out. But I think some great learnings across the business and a deep focus on strong execution.

<Q – Sean Steuart >: Okay. That's useful. Thanks very much, guys.

OPERATOR

Thank you. And 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 EXECUTIVE OFFICER

Thank you, Mina. 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

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