WEST FRASER TIMBER CO. LTD.

Q2 2026 EARNINGS CONFERENCE CALL

JULY 30, 2026 – 11:00 AM ET

CORRECTED TRANSCRIPT

OPERATOR

Good morning, ladies and gentlemen, and welcome to the West Fraser Q2 2026 Results Conference Call. At this time, all lines are in listen-only mode. And following the presentation, we will conduct a question-and-answer session. [Operator Instructions] This call is being recorded on Thursday, July 30, 2026.

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 and 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 in both the accompanying webcast presentation and in our 2025 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 now like to turn the conference call over to Mr. Sean McLaren, President and Chief Executive Officer. Please go ahead.

SEAN P. MCLAREN, PRESIDENT AND CHIEF EXECUTIVE OFFICER

Thank you, Kelsey. Good morning, everyone, and thank you for joining our second quarter 2026 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 second quarter and then pass the call to Chris for additional comments before I share some thoughts on our outlook and offer concluding remarks.

Our second quarter results reflect continued progress in a market environment where underlying demand remains measured. We generated $59 million of adjusted EBITDA with positive contributions from each of our three core reportable segments. Through the first half of the year, we produced approximately the same amount of southern yellow pine as in the prior year period, despite operating one fewer mill, reflecting productivity gains and the continued high-grading of our US Lumber portfolio.

We are pleased with the ramp-up at our new Henderson mill as production has more than doubled in Q2 versus Q1 and is regularly exceeding levels at which the old mill produced. Our team sustained shipping momentum in the US South, navigating significant transportation cost and availability challenges.

In Canada, SPF production increased by 13% compared to the previous quarter. In EWP, we completed the safe wind-down of our High Level, Alberta OSB mill during the quarter on time and under budget. This strategic decision more closely aligns our production footprint with customer demand, enhancing operational efficiency.

We are encouraged by our performance in Europe, which has resulted in the strongest first half results since 2023. We continued to strengthen our balance sheet. We ended the quarter with approximately $1 billion of liquidity, maintaining strong financial flexibility. We are closely tracking wildfire conditions in British Columbia and Alberta. At present, all West Fraser facilities remain safe and there have been no wildfire-related impacts to our operations.

Our focus remains on operating safely, serving our customers, improving the competitiveness of our assets, maintaining a strong balance sheet, and allocating capital with discipline. With that high-level 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 US dollars; all my references are in US dollar amounts unless otherwise indicated.

In the second quarter, we achieved sales of approximately $1.4 billion and delivered adjusted EBITDA of $59 million, with a $13 million favorable softwood lumber duty adjustment contributing to an adjusted EBITDA margin of approximately 4%. This compares with sales of approximately $1.3 billion and reported adjusted EBITDA of negative $66 million in the first quarter, which included a $114 million non-cash duty adjustment relating to prior-year periods. Excluding the duty adjustments, underlying consolidated performance was stable between the quarters. The Lumber segment generated $41 million of adjusted EBITDA in Q2 compared with reported adjusted EBITDA of negative $84 million in Q1. Excluding the first quarter duty adjustment, the Lumber segment generated modestly higher adjusted EBITDA this quarter.

We were encouraged by both higher mill nets and higher shipment volumes during the quarter. Results were also affected by the seasonal timing of Canadian logging costs during spring break-up, as certain costs are expensed during the temporary shutdown of logging operations rather than capitalized into inventory, and NRV adjustments around quarter-end pricing trends.

The North America EWP segment generated $13 million of adjusted EBITDA in the second quarter, a slight improvement from the $11 million generated in the first quarter. North American OSB economics were primarily influenced by pricing dynamics, while controllable costs remained largely in line with Q1 levels despite ongoing resin inflation. North America OSB was also impacted by an NRV adjustment influenced by quarter-end prices.

We have analyzed the impact of the 50% tariff announcements made earlier this month under Section 338 of the Tariff Act of 1930. For context, year-to-date, approximately 3% of our Canadian plywood shipments and 20% of our LVL shipments have been exported to the US. Our MDF shipments to the US, which represent approximately half our MDF shipments, are not directly subject to tariffs. We continue to assess the potential indirect effects on downstream customers and end markets.

In Europe, we generated $13 million of adjusted EBITDA in the second quarter, improving on the $10 million earned in the first quarter. The Europe market continues to benefit from an improved environment of higher demand. Although resin and freight costs increased, we were able to effectively manage these increases through our pricing strategies. Our Other operating segment showed an $8 million adjusted EBITDA loss, which was principally due to a maintenance shutdown at Cariboo during the quarter.

Bridging our results from Q1 to Q2, higher realized prices in both Lumber and Europe generated an incremental $51 million of adjusted EBITDA. Duties and tariffs were lower, which includes the $13 million adjustment we discussed earlier. Higher resin and freight costs and changes in inventory valuation reserves contributed most of the offsets to higher realized prices. The majority of the increase in freight cost was recovered through adjustments to freight adders included in our invoicing.

Canadian SPF shipments were up 18% from Q1, mainly due to the restart of our Blue Ridge, Alberta facility mid-March. Additionally, SYP shipments were up 5% despite the transportation shortages facing the US South. We generated $192 million of cash from operations, as a seasonal working capital investment began to reverse, enabling us to repay $148 million of operating borrowings during the quarter. This cash flow helped us reduce our net debt in the quarter by $140 million. We exited the quarter with only $55 million drawn on our $1 billion revolver, resulting in a 5% net debt to capital ratio, giving us ample financial flexibility to continue to execute on our business plan. We chose not to repurchase any shares in the second quarter to maintain financial flexibility and strengthen our balance sheet during this phase of the cycle.

Compared with the first half of 2025, unit costs across our US Lumber portfolio were approximately 4% lower in the first half of 2026 despite lower production and Henderson start-up costs. We are targeting continued improvement in these numbers as Henderson ramps up during the remainder of 2026.

We have made no changes to our shipment guidance across our main products as well as our capital expenditure range of $300 million to $350 million. Transportation and resin costs have risen in the first half of the year. Outbound transportation costs are largely passed on to the end customer in all of our markets. Resin and wax costs are influenced by oil prices. We estimate that a $10 change in crude oil prices impacts annual resin and wax costs by approximately $15 million. Compared to Q1, we estimate there was a $13 million overall increase to our wax and resin costs. This is across both our North American and European EWP business.

Encouragingly, against that backdrop, we have seen a decline in fiber costs, especially in the US South that has offset much of this increase. There remains a lot of uncertainty on oil prices, but we have been successful at managing and mitigating these impacts to our business.

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

SEAN P. MCLAREN, PRESIDENT AND CHIEF EXECUTIVE OFFICER

Thank you, Chris.

I'll now shift to our general outlook and add some concluding remarks. Looking ahead, our priorities are focused on improving the competitiveness of our assets and positioning the business to perform through a range of market conditions.

In US Lumber, our multiyear portfolio optimization continues to translate into improved performance. As Henderson continues to ramp, we expect further production gains and lower unit costs. We also expect to maintain shipping momentum while effectively managing ongoing transportation constraints and finished goods inventory levels.

In North American OSB, we believe the market will reward efficient operators. Our portfolio has been enhanced by the closure of High Level, the progress at Allendale, a continued focus on reliability improvements and strong inventory and cost management. These actions lowered our unit costs in Q2, and we remain focused on further improvements.

Pulp industry closures remain a headwind for lumber residual realizations in the US South, but they are also increasing regional pulpwood availability and lowering OSB fiber costs, an example of these offsets within our diversified portfolio.

In Canada, our lumber mills increased production and shipments materially from Q1. We expect limited pressure on fiber inputs as the overall Canadian lumber supply has been shrinking. Duty rates will also drop coming out of the AR7 review when they take effect later this year. Our Canadian panels business continues to deliver reliable results. Our focus for the second half will be on managing potential tariff exposure, mainly in our LVL and MDF businesses and continuing to focus on unit cost performance across all mills.

In Europe, our OSB operations delivered strong year-over-year growth in both pricing and volumes, and with teams successful in navigating energy-related cost pressures through strategic pricing, procurement, and disciplined operational execution. Over the longer term, we continue to see support for wood-based construction in Europe, including increased adoption of timber frame in the UK.

The demand environment remains challenging. Mortgage rates are elevated and consumers are focused on affordability. Notwithstanding these pressures, lumber pricing has improved given the tightening supply/demand balance, reduced European imports, and transportation constraints. OSB prices remain near levels that are challenging for higher-cost capacity. Our priority is to continue to lower our cost base, managing production and working capital.

Summarizing our discussion today, our second quarter performance demonstrates that the investments and portfolio actions we have taken are delivering results. The breadth of our portfolio is an important advantage.

We reported positive EBITDA in all three of our operating segments and supporting our operations is a strong balance sheet that provides us full financial flexibility with $1 billion of liquidity and low net debt levels.

Thank you again for your time and continued interest, and we look forward to updating you next quarter.

With that, we'll turn the call back to the operator for questions.

OPERATOR

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

<Q – Ben Isaacson>: Thank you very much. And good morning, everyone. I just have three quick questions, if that's okay. First one is, can you provide some colour on these transportation constraints? Is there more than one issue? Is it getting worse? Is there a solution that it could improve over time? How do you frame these transportation issues? Thanks.

<A – Sean P. McLaren >: Okay. Good morning, Ben. What I might do is ask Matt Tobin here just to give a bit of an update on transportation.

<A – Matthew Vincent Tobin>: Hi. Good morning, Ben. I would say that it's been a multilayered challenge. I think, if we go back to quarter four, we saw a lot of bankruptcies from trucking companies taking out supply. And then on top of that, we layered a spike in fuel. And then usually end of Q1, early Q2 is a seasonally tight period for trucks in the South with produce pickup and increased demand. So, we've seen that easing as of late. We've also seen railway is responding – more product moving by rail – a little bit of easing as the seasonality of that tightness slows down. But I think with the geopolitical pressures and the fuel, it'll remain tight. But we do see that easing somewhat here.

<Q – Ben Isaacson>: Great. Thank you for that. My second question, Sean, you mentioned that duty rates will drop later this year. Would you expect pricing to fall on a dollar-for-dollar basis or is there an opportunity for margin capture? What is your experience? Do these duties change over the years and through different cycles?

<A – Sean P. McLaren>: Yeah. You bet, Ben. I'll make a couple of comments and then I'm going to ask Matt to add on to that. Obviously, duties impact the cost floor, since price – and really market conditions – are supply/demand related. It really depends on the supply/demand dynamics for that product in that moment. It’s really difficult to predict if there's an imbalance there. If there is, pricing will be based on demand. If there is not, then really the cost floor adjusts, and it really depends on actions from everybody who supplies that market. So, really, really difficult to predict. I might ask Matt if he would add anything to that.

<A – Matthew Vincent Tobin>: No, I agree. I mean, I think it's really a question of supply/demand, and what demand is as those things change. We've been navigating this environment for the last nine or ten years. And I would say we historically have had a long-term advantage on rates and supply/demand will tell us what happens when the rates drop off from that.

<A – Sean P. McLaren>: Yeah. No, thanks, Matt. And I think I might add, we continue to kind of lean into our integrated model in Western Canada and work on our cost structure and our competitive position regardless of what the border measure is.

<Q – Ben Isaacson>: That's perfect. Thank you. And then just final one for Chris. Chris, you mentioned that you have not done buy-backs this year. You do have an open NCIB, I believe. But I found that the tone in your Q2 MD&A has improved somewhat, since leverage is now moving in the right direction and liquidity is ample. What do we need to see in order for you to want to restart buybacks? Are there certain metrics that you're looking for?

<A – Christopher Andrew Virostek>: Yeah. Thanks, Ben, and great question. I think as you probably heard in our remarks and noted in the MD&A, we're quite pleased with the progress that we're making organizationally across the company. It really spans across all the segments, seeing improvements in Europe, the Henderson ramp-up proceeding, the successful wind-down of High Level, and managing through the geopolitical impact on oil and resins, amongst other things. That being said, maintaining financial flexibility to preserve full optionality of a range of outcomes remains a priority for us. Whether that be organic growth and continued investment in the business, inorganic opportunities that may present themselves at this time in the cycle, or share buybacks.

It is hard to narrow it down to a single factor or a couple of factors that we say are going to influence that decision. It's really about looking at all of those variables and deciding where do we think we can deploy capital in the way that creates the most value for shareholders over the long term. And that's really going to guide our thinking here.

I do think that this far in on the Lumber side, we are starting to see potentially an inflection point on Lumber here. And we've worked very hard over the last three years to do the right things for the business in as much of a cycle-agnostic way as we can.

<Q – Ben Isaacson>: That's perfect. Thanks so much. I appreciate it.

OPERATOR

Thank you. And your next question comes from Hamir Patel from CIBC Capital Markets. Please go ahead.

<Q – Hamir Patel>: Hi. Good morning. Sean, with your European OSB business finally rebounding, how do you think about your positioning in Europe and potential to expand that platform into other wood products? Just thinking as perhaps some more distressed assets might come to market.

<A – Sean P. McLaren>: Yeah. Good morning, Hamir. Of course, we're pleased with our progress over in Europe. I think, as I may have mentioned on prior calls, we have a strong management team and efficient assets. And I think even though the macro conditions in Europe are not great, I would say our cost position and the location of our assets mean that, as there's cost pressure in other regions in Europe, we're well positioned to compete.

In terms of growth, what Europe brought to West Fraser was just another region for us to look at opportunities. I think any growth opportunity would compete in Europe like it would compete anywhere else in our platform and would stand on its own two feet. And if it was compelling, we'd be considering it.

<Q – Hamir Patel>: Yeah. Fair enough. And just thinking about some of the organic opportunities. Looks like the Henderson ramp-up is progressing quite well. What's the next sort of Henderson-type project that you're considering and are there also opportunities perhaps on the OSB side for something similar?

<A – Sean P. McLaren>: Hamir, we've done a lot of work on our portfolio over the last four or five years. And I think we are very much in the mode of operationalizing those investments and making good progress. In each one of our segments on the investments we've made, really, our Bemidji project is the only major project that we have that is kind of under construction and will be ramping up early next year. And it is really a re-life of a very solid asset. I would say we do have a basket of other opportunities, but our focus today is getting the value from the investments we've made and operationalizing that and keeping our focus there.

<Q – Hamir Patel>: Thanks, Sean.

<A – Christopher Andrew Virostek >: I'd add to that. Through this cycle, we've done quite a lot of countercyclical investing. And so, if or when we reach that inflection point, we're not entering that with a bunch of deferred CapEx or deferred maintenance that we need to catch up on, we feel we've done a really good job through the bottom of this cycle of maintaining and high-grading our asset portfolio.

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

<A – Sean P. McLaren>: Thank you.

OPERATOR

Thank you. [Operator Instructions] Your next question comes from Ketan Mamtora from BMO Capital Markets. Please go ahead.

<A – Sean P. McLaren>: Kelsey, I don't think Ketan is – Ketan, I don't know if you're on. We can't hear you. We may need to go to the next question.

OPERATOR

Perfect. So, our next question comes from Sean Steuart from TD Bank. Please go ahead.

<Q – Sean Steuart>: Hi. Good morning, everyone. A couple of questions. For Sean or Matt, I'm trying to get a sense of what you're seeing from North American customers in terms of wood products demand. We've seen a great lift in lumber prices year-to-date for a lot of the reasons you laid out on the supply side. But we have 30-year mortgage rates up 70 to 80 basis points in February; affordability would still seem to be compromised. Can you give us a sense for OSB and Lumber what you're seeing in terms of order file activity, demand pull across I guess both new home construction and repair and remodeling?

<A – Sean P. McLaren>: I might ask Matt to provide some commentary on that.

<A – Matthew Vincent Tobin>: Sure. Again, I think that we talked earlier in the call that on the Lumber side we're seeing a bit better supply/demand mix, and that's held prices over the quarter. And I'd say we've seen consistent ordering and no real shifts and changes, I would say, over the last period. We've had just a little bit better balance. And then on the R&R side, we don't really have great visibility into R&R. But while imperfect, we think treaters offer a good lens into R&R. And I'd say we're seeing seasonally in line order patterns from our treaters and our customers. And I wouldn't say we have seen a meaningful shift in demand that would change our view from the last few quarters on either R&R or new home construction.

<Q – Sean Steuart>: Okay. That's encouraging. For Sean or Chris, I think a lot of the wording in previous calls with respect to North American M&A ambitions was you wanted to keep your powder dry, preserve financial flexibility, but you did anticipate more opportunities coming to market in the initial stages of a cyclical upturn. And, I don't know if what we've had year-to-date qualifies as a cyclical upturn yet. But has the M&A opportunity set in North America evolved at all year-to-date, are you seeing more opportunities?

<A – Christopher Andrew Virostek>: I wouldn't say it's changed much at all. I think folks – I'm just speculating – are waiting to see if there's durability to this. We're really only a couple of quarters in, in SYP to improve conditions. And hard to say when others make choices about what they may want to do. And I think what I would add is I think we've been consistent all along that one of the main things that we're looking for is high-quality assets. And for those we are going to be pretty selective on if those opportunities do arise.

<Q – Sean Steuart>: Okay. Thanks for that. Just one last quick one. North American engineered wood costs or unit costs were really held in check nicely this quarter, that was a surprise to us. And I know there's a lot of moving pieces, some of which you highlighted. But between lower pulpwood costs and margin benefits associated with High Level being out of the mix, can you give us a sense of if either one of those two items weighed – or was it a more important determinant of that cost progression this quarter? That was a nice surprise from our perspective.

<A – Sean P. McLaren>: Yeah. Maybe just a few comments on that. I'd say, frankly, across the company, but as it relates to our North American OSB team, we continue to lean into cost reduction. And I think it's a whole number of things. One, I think we've become very adept at flexing our portfolio of assets to meet our customer demands as they fluctuate. And as we saw demand drifting lower and like Lumber, we took action early at High Level. I mean, it took a number of months to unwind the log inventory there. We're really yet to see the full benefit of that. But redeploying those products to other mills will improve our efficiency and we expect to continue to help us manage cost.

Finally, operationalizing the capital investments we've made. For example, Allendale and Chambord, both are exceeding expectations, and continue to operate at a high level. And it really allowed us to reduce cost that along with, as Chris talked about in his comments, kind of southern wood cost as pulp mills have been restructured. As it relates to our drains that support our OSB mills, we've seen more competitive fiber coming to market.

<Q – Sean Steuart>: That's great. Thanks for that context, Sean. That's all I have.

<A – Sean P. McLaren>: Thanks, Sean.

OPERATOR

Thank you. And our next question comes from Ketan Mamtora from BMO Capital Markets. Please go ahead.

<A – Sean P. McLaren>: Ketan...

OPERATOR

Yeah.

<A – Sean P. McLaren>: ...you may have a line problem. We can't hear anything here.

OPERATOR

Okay. So, we do have one last question from Matthew McKellar from RBC Capital Markets. Please go ahead.

<Q – Matthew McKellar >: Great. Good morning. Thanks for taking my questions. I appreciate all the help so far. Just a couple of clean-ups on costs. First, I guess, how do you expect diesel prices to affect your Canadian log prices in Q3? I think you've been consuming quite a bit of the log deck built through Q1, during Q2. What's the impact of rolling on to, I guess, more current costs as you progress into Q3? Thanks.

<A – Sean P. McLaren>: Yeah. The way I might answer that, Matthew, is that most of our kind of agreements with our contractors, we would have fuel riders in there. So, there'll be some impact depending on where diesel pricing is at that moment. Saying that, I think we have a number of other cost initiatives underway in Western Canada that are going to allow us to manage those – any inflationary pressure there – or manage those costs in the coming quarters.

<Q – Matthew McKellar>: Okay. Great. Thanks. And then shifting over, I appreciate the help with the sensitivity provided, but maybe just a kind of a bit of a finer point given recent volatility, any nuances around timing. Do you have a sense of how much of a sequential headwind resin and wax costs should be for North American EWP in Q3 versus Q2? Thank you.

<A – Sean P. McLaren>: Yeah. Again, I think we've provided some sensitivity. The way I would describe that sensitivity in our disclosure though is all things being equal, we had that headwind in Q2, but through a number of other initiatives, we were able to more than offset that. And I think we're going to continue to be navigating changes in the resin market. Our agreements, we have around resin pricing and our other kind of chemical inputs are good. I think it's going to affect the industry, and I think we'll be well positioned to navigate through it.

<Q – Matthew McKellar >: Okay. Thanks a lot. I'll pass it back.

<A – Sean P. McLaren>: Okay.

OPERATOR

Thank you. And there are no further questions at this time. You may continue your conference, Mr. McLaren.

SEAN P. MCLAREN, PRESIDENT AND CHIEF EXECUTIVE OFFICER

Thank you, Kelsey. As always, Chris and I are available to respond to further questions, as is Anil Aggarwala, our Director of Treasury and Investor Relations. Thank you again for your participation today. Stay well, and we look forward to reporting on our progress next quarter.

OPERATOR

Ladies and gentlemen, this concludes the conference call for today. We thank you very much for your participation. You may now disconnect. Have a great day.