WEST FRASER TIMBER CO. LTD.

Q3 2026 EARNINGS CONFERENCE CALL

OCTOBER 29, 2026 – 11:00 AM ET

CORRECTED TRANSCRIPT

OPERATOR

Good morning, ladies and gentlemen, and welcome to the West Fraser Q3 2026 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 29, 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 or forward-looking statements within the meaning of the 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 the risk factors and assumptions is included both in 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 over to Sean McLaren, President and Chief Executive Officer. Please go ahead.

SEAN P. MCLAREN, PRESIDENT AND CHIEF EXECUTIVE OFFICER

Thank you, Joelle. Good morning, everyone, and thank you for joining our third quarter 2026 earnings call. I am Sean McLaren, President and CEO of West Fraser. 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 call this morning, I'll begin with a brief overview of West Fraser's third quarter. Then I'll pass the call to Chris for more detail, before I share some thoughts on our outlook and offer concluding remarks.

Our third quarter results reflect varying demand conditions and a mixed pricing environment across our product portfolio. We generated $38 million of adjusted EBITDA. Chris will walk through the financial drivers in more detail shortly.

Operationally, our teams continued to focus on the things within our control. In the U.S. South, our operations continued to benefit from completed capital investments and improved operating performance year-to-date, despite challenging market conditions. In Canada, higher SPF pricing contributed positively to results in the quarter.

Subsequent to quarter end, as outlined in our announcement last night, we have taken steps to better align our operations with customer demand, with the indefinite curtailment of our Huguley OSB mill in Lanett, Alabama, and our lumber mill in Leola, Arkansas.

These decisions are a response to evolving conditions in demand for wood products within new home construction and repair and renovation markets. These mills will be wound down by the end of this year. Our Huguley OSB mill has annual capacity of 500 million square feet on a 3/8 basis, and our Leola lumber mill has annual SYP capacity of 225 million board feet.

I want to thank all of our employees and their families for their hard work and contributions; we are committed to supporting them through this transition.

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

In the third quarter, we generated sales of $1.36 billion and adjusted EBITDA of $38 million, for an adjusted EBITDA margin of approximately 3%. This compares with sales of $1.43 billion and adjusted EBITDA of $59 million in the second quarter.

The Lumber segment generated $34 million of adjusted EBITDA. We recorded a favourable adjustment to our estimated anti-dumping rate this quarter. That adjustment added $12 million to our results.

Pricing was roughly neutral overall: higher SPF prices were offset by lower SYP prices. Total costs were lower, primarily reflecting lower production and shipment volumes, while total costs on a per-unit basis were roughly in line with the second quarter.

In SYP, fluctuations in diesel prices influenced log haul costs, and unit manufacturing costs increased. In SPF, unit manufacturing costs increased due to higher labour and energy costs. These pressures were partly offset by lower SPF log costs as logging resumed after spring break-up. There was also a $5 million favourable swing in inventory valuation in our Lumber segment.

SPF shipments were in line with our expectations for the quarter, and about 5% less than Q2. SYP shipments were up slightly, also in line with slightly higher production.

The North America EWP segment reported adjusted EBITDA of negative $4 million, primarily due to lower OSB prices, as our realizations were influenced by significant regional pricing fluctuations during the quarter. Higher resin costs also weighed on the quarter; however, these were partially offset by lower fibre costs and a $7 million favourable inventory valuation impact as prices rose in September.

In Europe, we generated $4 million of adjusted EBITDA. The change from last quarter was mainly volume-related: higher scheduled maintenance reduced OSB and MDF output, and pricing was modestly lower.

Our Other operating segment, which includes Cariboo Pulp and our 50% interest in Alberta Newsprint, delivered adjusted EBITDA of $5 million, representing a $13 million improvement from Q2. The improvement was driven by reduced fibre and unit manufacturing costs, as well as the impact of a planned maintenance shutdown at Cariboo Pulp in the second quarter.

Bridging Q2 to Q3, lower prices reduced adjusted EBITDA by approximately $23 million, mostly in North America EWP. Releases of inventory valuation reserves across Lumber, North America EWP, and Pulp added approximately $25 million and broadly offset the price impact. Higher costs in Lumber and North America EWP, including resin, labour, and diesel-related log haul, contributed to $13 million of higher costs. This also includes outgoing freight costs, which are charged back to our customers. The majority of the balance was influenced by reduced volumes in Europe and changes in duties and tariffs within the Lumber segment, while we continue to experience the effects of elevated oil-based input costs, particularly in diesel, resin, and wax.

Resin and wax costs increased by approximately $3 million sequentially, on top of the $13 million impact we identified in the second quarter. Our long-term supplier contracts continue to protect supply at an advantaged cost relative to the

spot market. Diesel costs have increased by approximately 80% year-to-date, which represents an increase of approximately $15 per thousand board feet on our Lumber log costs in both SYP and SPF. We are managing these impacts on a mill-by-mill basis, and in some areas, we have reduced our logging operations in response to these higher costs. Pulpwood prices have declined significantly, offsetting much of the higher oil-related input costs in OSB.

We generated $72 million of cash from operations in the quarter. The quarter saw continued inventory reduction, resulting in a working capital release. We invested $53 million in capital and paid $25 million in dividends.

In September, we successfully refinanced our $300 million term loan into a new $500 million term loan maturing in September 2029. This maintains largely consistent terms while expanding our financial flexibility. We exited the quarter with just over $200 million of cash and an undrawn $1 billion revolver, giving us liquidity of approximately $1.2 billion, and a net debt to capital ratio of 6%. This flexibility enhances our capacity to effectively navigate the current phase of the cycle.

Turning to duties, on October 14, the U.S. Department of Commerce released final AR7 results, setting our countervailing duty rate at 15.31% and our anti-dumping rate at 4.71%. Our combined cash deposit rate has fallen to 20.02% from 26.47%, effective October 19. This rate is currently the lowest in the industry and is below both the AR6 and preliminary AR7 rates.

We expect North American product shipments, including SPF and SYP lumber, to be toward the lower end of our guidance range of 2.4 to 2.7 billion board feet, and North American OSB shipments to be toward the lower end of the 5.9 to 6.3 billion square feet range on a 3/8 basis. European OSB guidance of 1.0 to 1.25 billion square feet remains intact. Our capital expenditure range of $300 million to $350 million is also unchanged, with $212 million spent year-to-date.

On fibre, we expect B.C. stumpage to remain in line with Q3, while Alberta rates are expected to decrease in Q4 given their quicker link to lumber prices. In the U.S. South, we expect elevated diesel costs and harvesting and hauling constraints to continue affecting regional log costs. In North America EWP, we expect fibre costs to remain relatively stable near term as higher diesel costs are offset by lower pulpwood prices, while resin costs remain exposed to global energy developments.

With that financial 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 offer some concluding remarks.

Demand remains challenging. U.S. housing starts are running at about 1.22 million units annualized. Mortgage rates remain at higher levels, affordability conditions are more constrained, and higher inflation has impacted consumer and builder confidence, all of which are contributing to near-term demand remaining challenged.

But the medium-term drivers remain in place: an aging U.S. housing stock, first-time buyers wanting to enter the housing market, and a renewed policy focus on affordability. We continue to align production with market conditions while focusing on the competitiveness of our mill network and the things within our control.

SYP pricing softened in the quarter and continues to trend down so far in Q4. Log haul costs have risen as a result of increased diesel prices. Our response is to focus on what we can control. As Henderson advances through its 18- to 24-month ramp-up, we expect to see ongoing operating improvements over the period. And the indefinite curtailment of our lumber mill in Leola will allow us to focus our operating footprint more effectively.

In Canada, the lower AR7 cash deposit rate will reduce the duty deposits we pay on U.S. shipments and further support our ability to serve U.S. customers. Combined with the operating leverage across our lumber platform, we are well positioned to benefit when prices improve.

In OSB, prices improved toward the end of the quarter. How quickly the market absorbs expected new supply will depend in part on the pace of recovery in residential construction. We acted quickly and decisively in making the decision to curtail our Huguley OSB mill, helping to focus on our most competitive operations. Our priority is to keep lowering our cost base, run our mills to demand, and manage working capital. The remainder of our EWP portfolio continues to perform consistently well.

In Europe, our business has performed well year-to-date. While we are navigating similar consumer challenges as in North America, we are leveraging sizeable cost advantages. Over the longer term, we continue to see tailwinds from wider adoption of OSB and timber-frame construction.

Stepping back, we believe West Fraser is navigating this part of the cycle from a position of strength. We are nearing the end of a significant investment cycle, with many projects now complete or ramping up and further benefits still to be realized. At the same time, we are taking decisive actions to strengthen our portfolio and maintain financial flexibility. As demand improves, we are confident these initiatives will drive a meaningful performance improvement.

Summarizing our discussion today, this was a quarter where pricing was softer in OSB and SYP. Our teams responded to this by focusing on what we can control, managing costs, inventory, and other working capital, and taking difficult but necessary actions to align our portfolio with current demand. We remain focused on disciplined execution through the cycle and continue to strengthen the long-term competitiveness of West Fraser.

Thank you again for your time and continued interest. 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 will now begin the question-and-answer session. [Operator Instructions] One moment, please, for your first question. Your first question comes from Ben Isaacson with Scotiabank. Your line is now open.

<Q – Ben Isaacson>: Thank you very much, and good morning, everyone. Just two questions from me. Chris, the first question is, what's the purpose of the increase in debt to expand flexibility? You had about $1 billion of liquidity; now you have $1.2. Why was there a need to increase that?

<A – Christopher Andrew Virostek>: Well, thanks, Ben, and good morning. I think as we navigate through the uncertainty in this market, we want to make sure that we're prepared for all eventualities, whether that's the market stays how it is, or it improves, or it gets worse, and whether there are growth opportunities that present themselves there. So this is really around making sure that we've got full optionality as a management team and as a company to execute on the strategic things that may come our way as the cycle evolves here and to make sure we can focus on running the business as our number one priority and extracting the most value from the business as opposed to a primary consideration being liquidity or debt management. We have a very supportive bank group.

And in fact, going back to $500 million on the term loan, it just takes us back to where we were in 2024. And 6% net debt to capital is an extremely low level, very manageable for us. And so, we tend to manage the balance sheet pretty conservatively. It's a very small increase in debt, and it just gives us the ability to continue to execute our strategy almost agnostic to market conditions.

<Q – Ben Isaacson>: That's perfect. And then just a follow-up question, maybe for you as well, Chris. When you think about all the closures that you have announced this year, and then when you think about the Henderson ramp and your continued efforts on cost optimization, if there was no change to cost structure or pricing, would there be an earnings lift or decline in 2027? I'm just trying to understand the magnitude or the offsets with what's been taken out and what's been added.

<A – Christopher Andrew Virostek>: Well, I think you can see in our numbers, and I think we've talked in some of our earlier presentations, for instance, and I wouldn't isolate it to the journey of sort of one particular asset here or there or decisions that have been made in the current year. If you look at our timeline over the last three to four years around optimizing this portfolio, we can produce basically the same amount of SYP today as we could two or three years ago, but with four or five less sites because we've invested capital in sites that have attributes that make them strong performers over the long term.

I think you can see in our OSB results the impact year-over-year, we've had all this cost inflation, we've had pricing pressure in OSB, but with the decision that we had to take on High Level last year, we've more than mitigated a lot of those challenges on the inflation and other front, right? And so, at the same time as we've reduced the footprint and capacity and reduced cost, we still maintained a high degree, I'll say, of optionality to participate in upside when there is a market recovery.

Now, I don't really want to speculate on what 2027 looks like at this point in time. I think we'll be out later this year with shipment guidance and CapEx guidance. But if there is a market recovery here, we have tremendous ability through operating schedules, through small capital in some of our sites to expand capacity further to capitalize on what's out there. So, this has really been a journey for three or four years of really preparing the company to weather the downside but capitalize on the upside when it comes.

<Q – Ben Isaacson>: That makes sense. Thanks so much.

OPERATOR

Your next question comes from Sean Steuart with TD Cowen. Your line is now open.

<Q – Sean Steuart>: Thanks. Good morning, everyone. Sean, I'll start with the capacity closure announcements first. I am encouraged to see that. Huguley, I think I understand the context there. With respect to the Arkansas sawmill, maybe some detail on why that asset versus others. It's our understanding the fiber basket in Arkansas is attractive for this industry, and I know it's very site-specific, but any context you can give on why that sawmill as opposed to others?

<A – Sean P. McLaren>: Yeah, you bet, Sean. Good morning. I think similar to Huguley, and Chris' comments on the previous question, we're very focused on optimizing our portfolio from a competitive position to meet the demand that we see out there. And so, when we look at Leola, which is in central Arkansas, and really that area services the Texas market, it services west, maybe a little bit to the north too, but it primarily goes west. We have made significant investments in East Texas. We've got, of course, our new mill ramping up in Henderson. We've got additional capacity available at New Boston, and then we've got our modern asset down in Lufkin at Angelina. And so, we are allocating what we see as the available demand to that platform and enabling those mills to run at higher levels, which overall brings our cost down and to service that region.

<Q – Sean Steuart>: Okay. Thanks for that, Sean. Second question, curious on your thoughts with respect to the B.C. election outcome. The company hasn't put a lot of discretionary or much at all towards the province in recent years. Does this change any perspective on regional capital allocation for the company going forward with respect to investment in B.C.?

<A – Sean P. McLaren>: Again, obviously very early, and we don't comment on any particular platforms. And I would say, when I think about British Columbia, we're very kind of pleased with our group of assets here in B.C. They're modern. They're integrated. We've got a tremendous workforce. Regardless of the government, we continue to work with our landowner, if you will, to make sure that access to affordable, available timber is not a barrier to operations.

There are enough challenges with market and border measures. And I guess we'll see. We're pleased with the early comments from the newly elected government to continue the journey to bring more wood to market and make sure that is not one of the things that prevents B.C. from being a competitive jurisdiction. Saying all of that, we continue to improve our competitive position in B.C. and feel good about our collection of assets and our integrated model.

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

<A – Sean P. McLaren>: Thanks, Sean.

OPERATOR

Your next question comes from Ketan Mamtora with BMO Capital Markets. Your line is now open.

<Q – Ketan Mamtora>: Good morning, and thanks for taking my question. Maybe just on the markets here a little bit. Sean or Chris, can you talk a little bit about what trends you are seeing here exiting Q3, particularly with mortgage rates moving up here? Are you seeing any signs of impact on activity levels? Not asking for specific numbers, just trying to gauge sort of just the market backdrop.

<A – Sean P. McLaren>: Yeah, I might make just a couple of comments and then maybe ask Matt here to fill in what I miss and add in anything else. From our perspective, I think our customers are sort of reacting the way we are. Supply is readily available, and the sense of urgency to meet the needs of their customers, I think they're able to do that. So, I think there is a tone of caution similar to, obviously, our tone of caution and our adjustments that we're making. So, I think everybody is in a bit of wait-and-see, but clearly the affordability issues around high mortgage rates, along with the other things that are impacting the consumer, are clearly a weight on how it might look going into 2027. I don't know, Matt, what more would you add to that?

<A – Matthew Vincent Tobin>: I think that covers it. I think that affordability remains a headwind, and the high rates and the high diesel rates put customers in a more cautious mode, and they're managing their working capital and servicing their customers as they need, just like we are.

<Q – Ketan Mamtora>: Understood. No, that's helpful. And then just switching to transportation and freight cost. I understand that while just the fuel cost is a component, but also it seems like just the available capacity and other things also having a meaningful impact. Can you talk to what you are seeing at the moment and if things are starting to get better? Or is that still sort of a headwind as we move into Q4 and into 2027?

<A – Matthew Vincent Tobin>: Sure. I can take that one. I would say that we've seen some easing of availability in Q3. Usually that Q2 period is a seasonally tight period for trucking in the U.S. A lot of product starts moving then, produce, et cetera. And so seasonally, I would say, always a bit of a tighter quarter. And then this year we had a few extra cost pressures on top of it with high diesel rates that sort of increased the pressure in Q2. I would say despite costs remaining high, availability has improved in Q3, and usually we expect that to maintain for Q4. And despite the cost pressures, we think that we're over the worst of it, I'd say, for availability.

<Q – Ketan Mamtora>: Understood. That's helpful. I'll jump back in the queue. Good luck.

<A – Sean P. McLaren>: Thanks, Ketan.

OPERATOR

Your next question comes from Hamir Patel with CIBC Capital Markets. Your line is now open.

<Q – Hamir Patel>: Hi, good morning. Sean, for the indefinite curtailments that you announced, are you planning on dismantling any of the sites, or will they both be potential restart candidates when housing eventually recovers?

<A – Sean P. McLaren>: Hamir, we've not made any plans to do anything with the sites other than curtail them at this point. Like our other indefinite curtailments, though, for us to contemplate a restart, you really need a number of things in place. First off, you need a demand environment that would support that additional volume. You need the right fiber supply and residual market conditions. And then really, you need a view that in the next down cycle, like, what are the things that would be different, what investments needed, what would you do differently? And I would say really against that backdrop, Chris kind of covered this early on one of the questions. We would be looking for less expensive ways to reinforce existing assets first. So, again, no plans to change anything in the short term, but the bar is pretty high for a restart.

<Q – Hamir Patel>: Fair enough. And Sean, just turning to your European panel business, any maybe granularity you can give on how the demand conditions there vary by some of the key geographic or product end markets?

<A – Sean P. McLaren>: Yeah. Of course, it's a wide, diverse market over there. And first off, I would say, as we looked at Q3 versus Q2, we had a number, every one of our mills had their annual maintenance shutdown through that period. So, there were some extraordinary things that impacted volume. Beyond that, over the summer, the weather was extremely hot over there. We think that had some impact on demand.

As we see things kind of move into Q3, moving into Q4, I'd say it's kind of a mixed across Europe. Probably the area where we're seeing some structural change is the UK with more conversion to timber frame, and that's using some incremental OSB. Saying that, I think it's a pretty mixed, difficult macro-outlook over in Europe as well. But our assets, as I've mentioned on previous calls, we have good assets and we're well positioned from a raw material base in terms of supporting those markets as we kind of work through uneven demand conditions.

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

<A – Sean P. McLaren>: Thanks, Hamir. [Operator Instructions]

OPERATOR

Your next question comes from Matthew McKellar with RBC Capital Markets. Your line is now open.

<Q – Matthew McKellar>: Hi, good morning. Thanks for taking my question. I think you noted that you're at the end of an investment cycle here, and with that, how do you have us think about the outlook for capital spending over the next couple of years if this environment persists? It sounds like you have some opportunities to deploy capital in maybe smaller increments to expand some capacity. I wouldn't maybe think you need that today, but is there any more significant projects that could still make sense if we're stuck here for, say, another couple of years? Thanks.

<A – Christopher Andrew Virostek>: Yeah. Thanks, Matthew. And I think as Sean and I both have mentioned, right, there has been a lot of projects that have been on the go, and frankly, like, our ability to invest counter-cyclically here through the downturn, I think, has, over the much longer term, proved to be an advantage for us. We're not sitting on a bunch of deferred maintenance or anything like that. We've been able to maintain our assets quite well, invest where it makes sense, and then where difficult decisions are required, like they were yesterday, we're able to sort of mitigate the impact on our customers through that capital spend. That being said, a lot of those projects have either wound down or are in the process of winding down, and we're turning up the operationalization of those.

That's also been a little bit of a drag on us as we go through this process of all these startups on the things that we've spent; that does have an impact. But I think going forward, and as I mentioned, I think we'll be out here before the end of the year with some guidance on capital and shipments as we contemplate next year and things come into focus, I would expect that you'll see our CapEx come down fairly significantly next year. And as I said, we'll be out with that probably before the end of the year for you. But it's largely going to be focused on maintaining the platform, I just don't think there are any large strategic capital projects that are in the hopper that are imminently going to be executed here.

<Q – Matthew McKellar>: Great. Very helpful. Thanks for the detail there. And then second for me, there was a comment in the MD&A about less competition for logs in the South in your procurement regions, but also that you saw limited availability of harvesting crews and hauling capacity with some suppliers parking their equipment, which I guess was largely due to high diesel prices and other inflationary operating cost pressures. Could you maybe just provide a bit more perspective there? Were those contractors who parked equipment not able to pass along kind of the changes in their diesel prices fast enough, and this is essentially transitory? Or is there some risk here of some kind of more structural attrition of capacity that could be a constraint down the road? Thank you.

<A – Sean P. McLaren>: Yeah, you bet, Matthew. I'll take that one. Maybe just a few comments. So, your first comment there on some of the structural changes, I think that's largely related to OSB pulpwood, if you will. As pulp mill closures happen, markets for pulpwood are reduced. As costs increase, stumpage has some ability to adjust, which

can help control that cost on a delivered basis. I would say that the other comment on contractors parking is very regionalized. I think there were a couple examples of that. It's not widespread, and it really depends on alignment of that regional market demand in this case for sawmills and what landowners are prepared to sell that timber for.

And when those things don't align, contractors then don't have the ability to pass on fuel costs, and mills are not prepared to buy at elevated prices because of the lumber market, then you do have a period where there is kind of some supply disruption. I think that, again, when the right set of conditions are in place, that sorts itself out, and I think contractors ebb and flow like our sawmills do, like our customers do, depending on market conditions.

<Q – Matthew McKellar>: Really helpful. Thanks for the perspective. I'll turn it back.

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

OPERATOR

There are no further questions at this time. I will now turn the call over to Sean for closing remarks.

SEAN P. MCLAREN, PRESIDENT AND CHIEF EXECUTIVE OFFICER

Thank you, Joelle. 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 for your participation today. Stay well, and we look forward to reporting on our progress next quarter.

OPERATOR

Ladies and gentlemen, this concludes your conference call for today. We thank you for participating and ask that you please disconnect your lines.