

# RBC Capital Markets Forest Products Investor Day

**INVESTOR PRESENTATION**

April 16, 2015 Toronto, Ontario



**West Fraser**

# Forward-Looking Statements

This presentation and comments associated with it contain forward-looking statements including statements relating to U.S. housing recovery, the potential for constrained lumber supply, energy-related opportunities, earnings sensitivity and estimated annual capital expenditures. These statements are subject to the cautionary statement which introduces West Fraser's 2014 Annual Management's Discussion & Analysis which can be accessed on the Company website [www.westfraser.com](http://www.westfraser.com).



# Our Goals

- To be a leading forest products manufacturer, focused on solid wood products
- Strong financial results through the business cycle
- Long-term growth and shareholder value enhancement
- Stable, conservative financial structure



# Our Strategy

- Operational excellence
- Diversification
- Product differentiation
- Integration



# Operational Excellence

- Managing to ensure a committed workforce
- Cost control and efficiency
- Continuous reinvestment
- Internal and external benchmarking and competition
- Straightforward, consistent business model



# Product Diversification

## LUMBER

27 mills



SPF 3.9 Bfbm  
SYP 2.3 Bfbm  
Total 6.2 Bfbm

## PANELS

7 mills



Plywood: 830 MMsf3/8"  
MDF: 300 MMsf3/4"  
LVL: 3.2 MMcf

## PULP & PAPER

5 mills

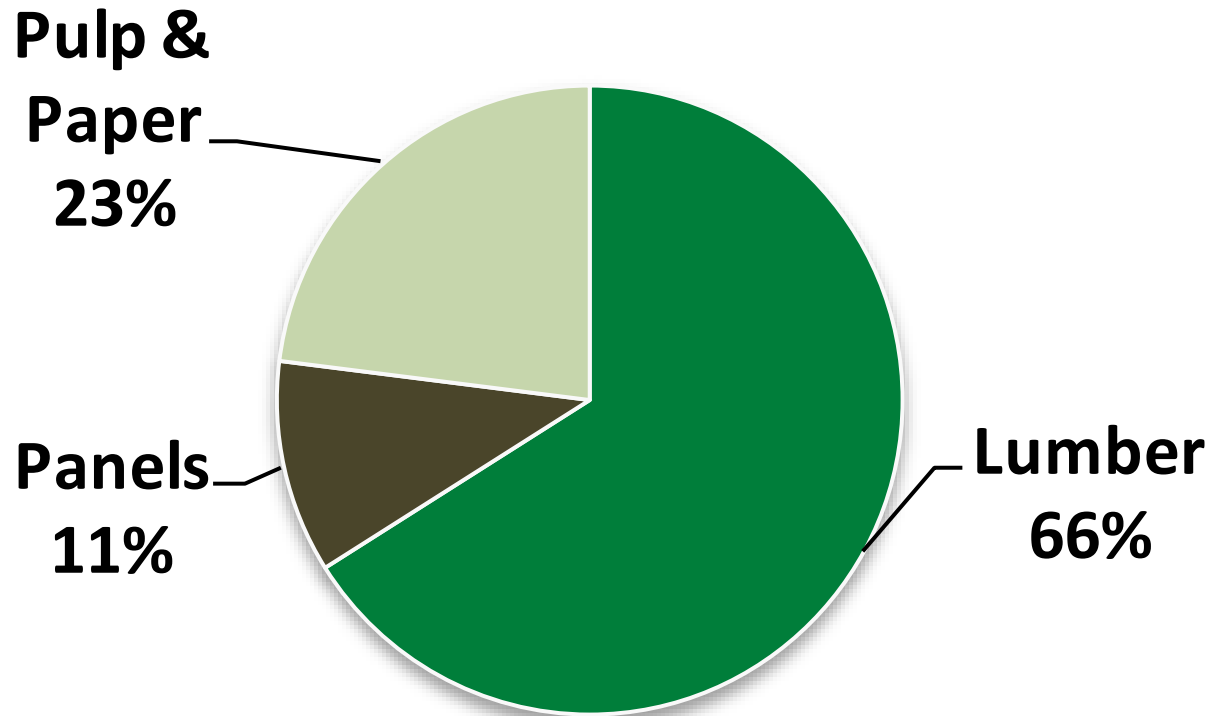


NBSK: 570 Mtonnes  
BCTMP: 650 Mtonnes  
Newsprint: 135 Mtonnes

- North America's largest lumber producer
- Largest plywood producer in Canada
- Third largest pulp producer in Canada



# Trend Sales Mix (\$)



# Operations diversified by geography

## Geographic diversification

### 0 LUMBER

- |                   |                  |
|-------------------|------------------|
| Canada            | U.S.             |
| 1. Quesnel        | 13. Joyce        |
| 2. Williams Lake  | 14. Huttig       |
| 3. Smithers       | 15. Henderson    |
| 4. Chetwynd       | 16. New Boston   |
| 5. Fraser Lake    | 17. Leola        |
| 6. Chasm          | 18. Mansfield    |
| 7. 100 Mile House | 19. Russellville |
| 8. Blue Ridge     | 20. Maplesville  |
| 9. Hinton         | 21. Opelika      |
| 10. Edson         | 22. McDavid      |
| 11. Sundre        | 23. Whitehouse   |
| 12. High Prairie  | 24. Augusta      |
|                   | 25. Newberry     |
|                   | 26. Armour       |
|                   | 27. Seaboard     |

### 0 PULP & PAPER

- 28. Hinton
- 29. Quesnel (2)
- 30. Slave Lake
- 31. Whitecourt

### 0 PLYWOOD

- 32. Edmonton
- 33. Quesnel
- 34. Williams Lake

### 0 MDF

- 35. Blue Ridge
- 36. Quesnel

### 0 VENEER & LVL

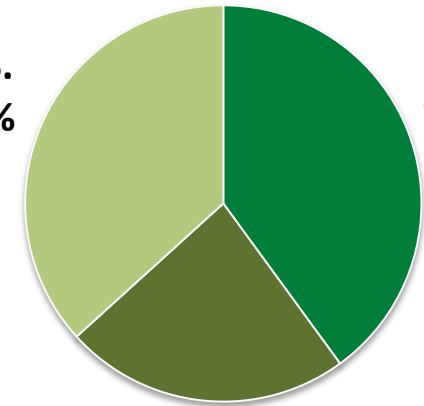
- 37. Rocky Mountain House
- 38. Slave Lake



## Lumber Capacity

U.S.  
37%

B.C.  
40%



Alberta  
23%





# Product Differentiation

- Wood as the best environmental choice
- Renewable resource, sustainable business
- Expanding applications
- Bioenergy, full use of the resource



# Integration (in Canada)

- Lumber, panels, pulp, newsprint and energy
- Substantial fibre self-sufficiency
- Fuller utilization of resource
- Some benefits from counter-cyclicalities
- Better able to respond to new opportunities such as bioenergy



# Earnings Growth Drivers - Lumber

## Demand

- North American housing
- Chinese construction and industrial applications
- Japanese housing

## Supply

- Fibre limitations
- Residual offtake
- Mill closures
- People

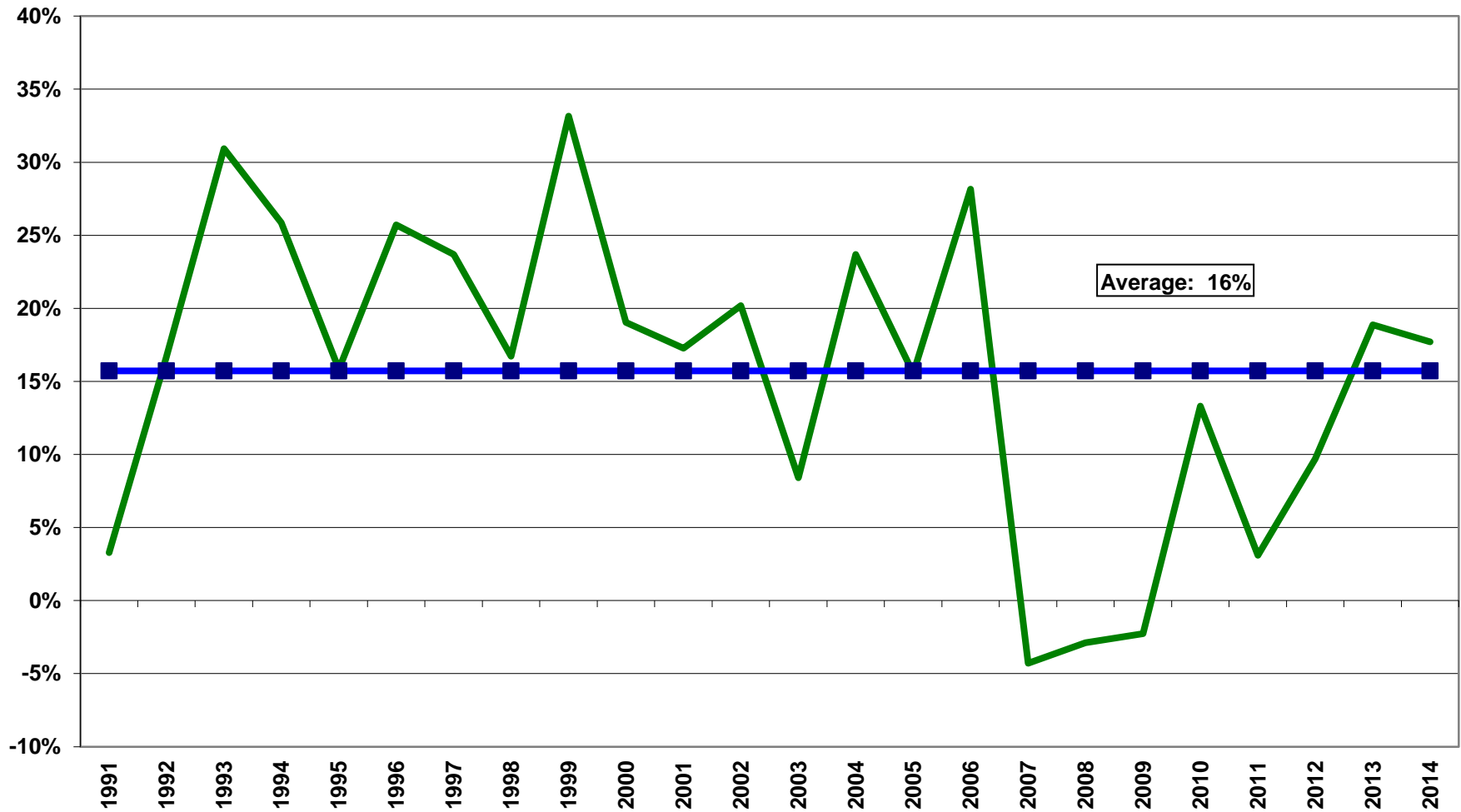
## Efficiency

- Capital investment
- Business model



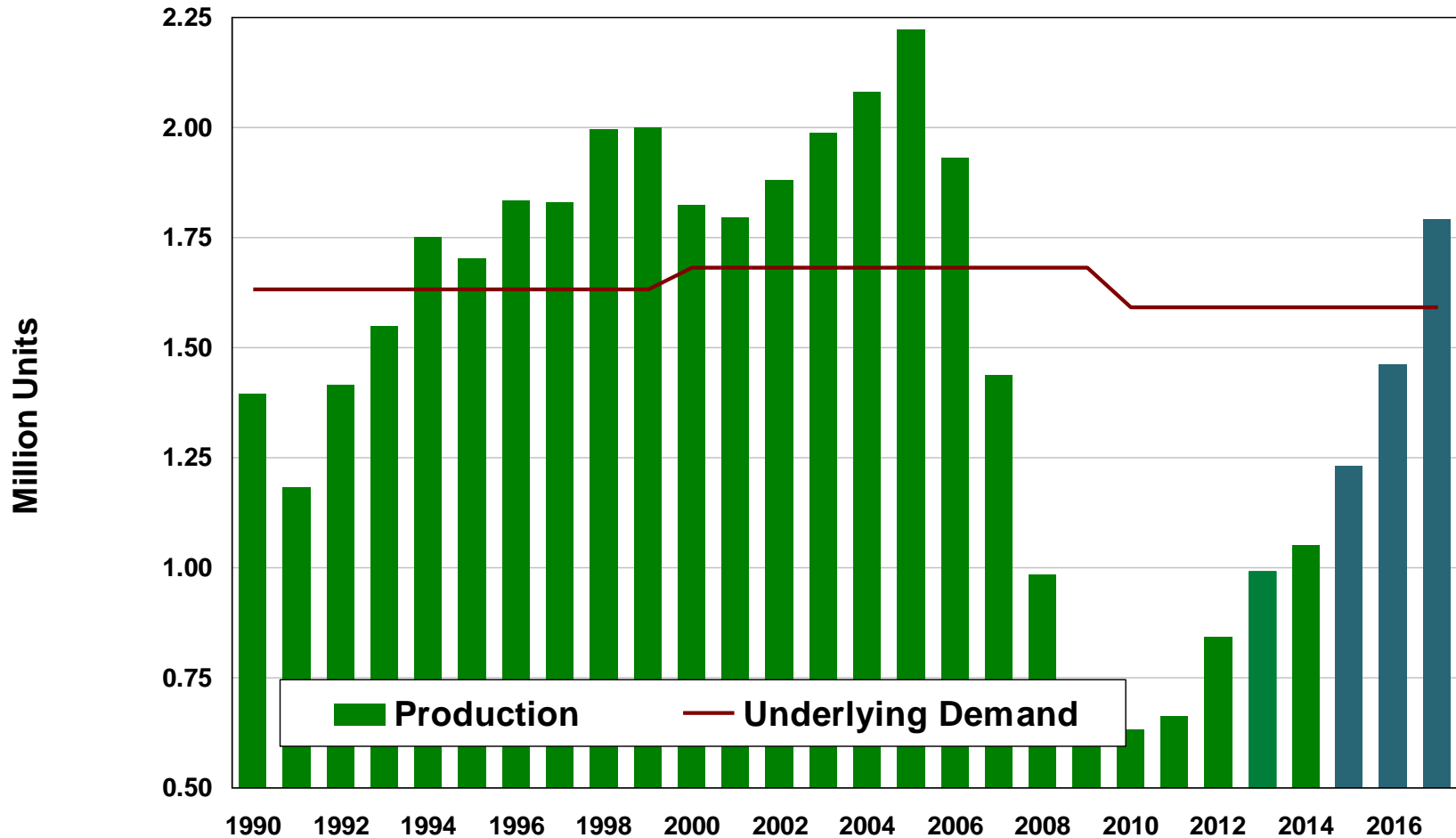
# Returns on Lumber

## EBITDA Margin (%) - Lumber



# U.S. Housing

## Pent Up Housing Demand (conventional + mobile)



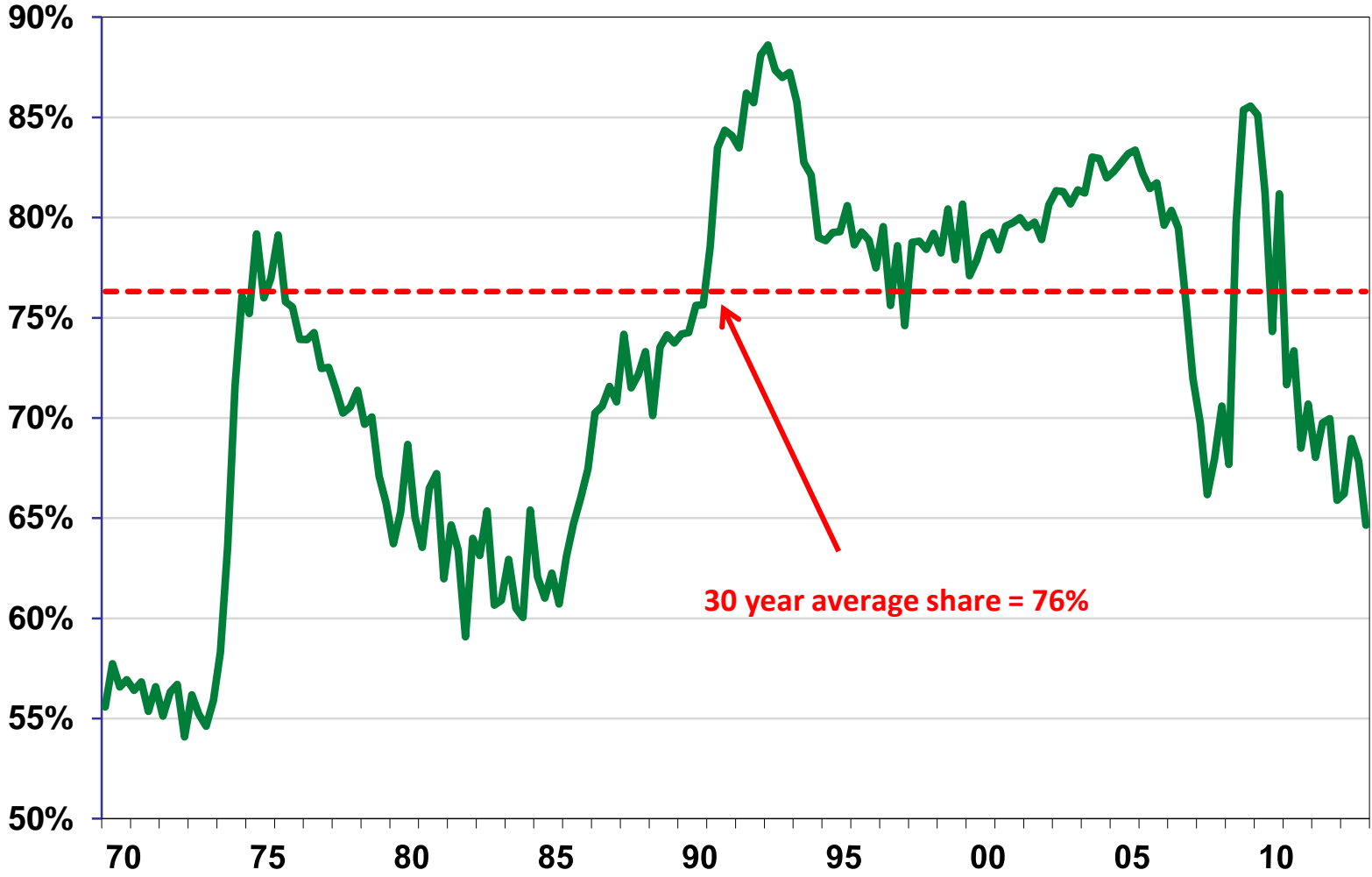
Significant pent up demand bodes well for long-term recovery



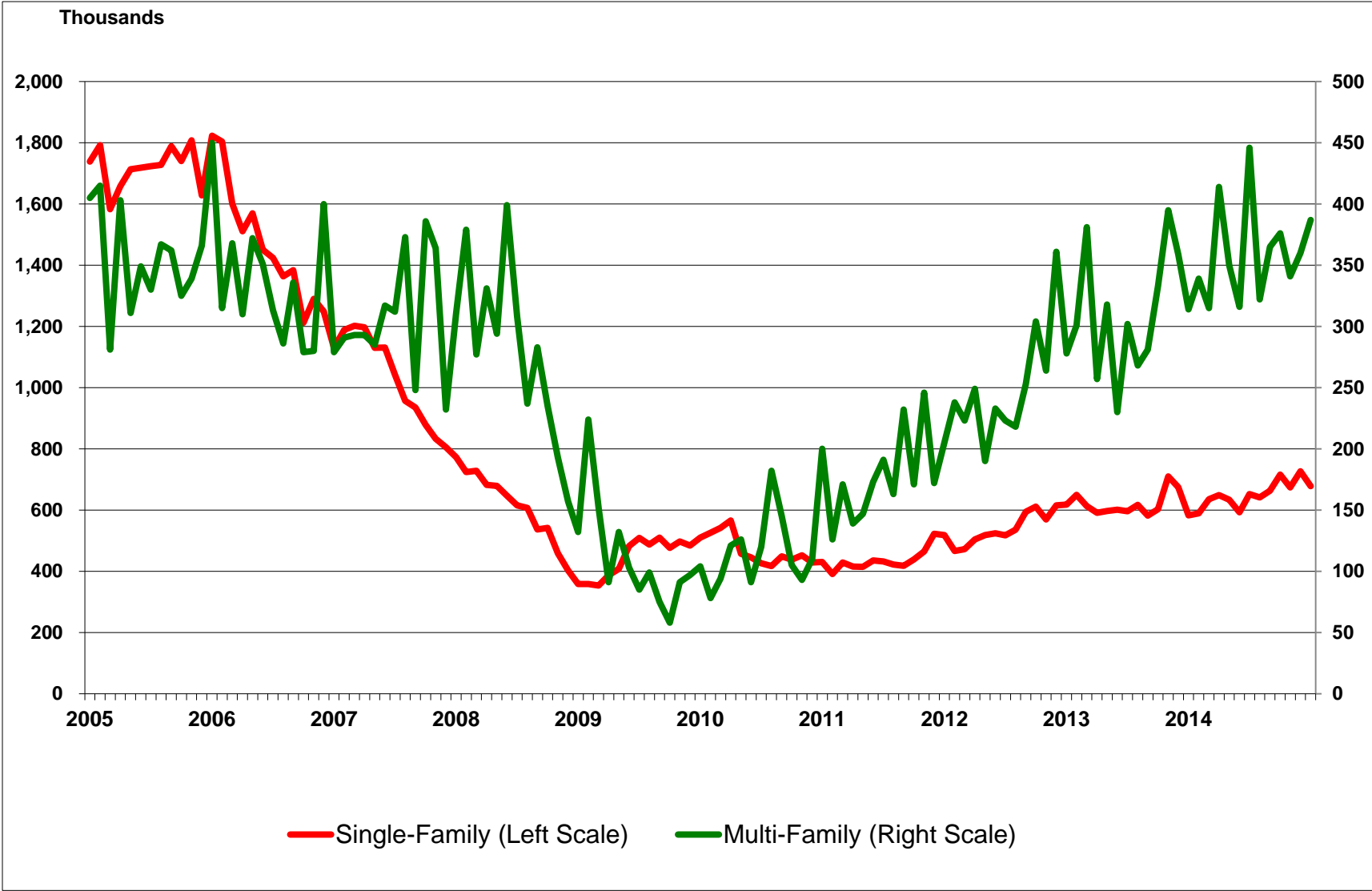
# US Housing

## Single Family Share well below 30 year average

Share of single-family housing starts

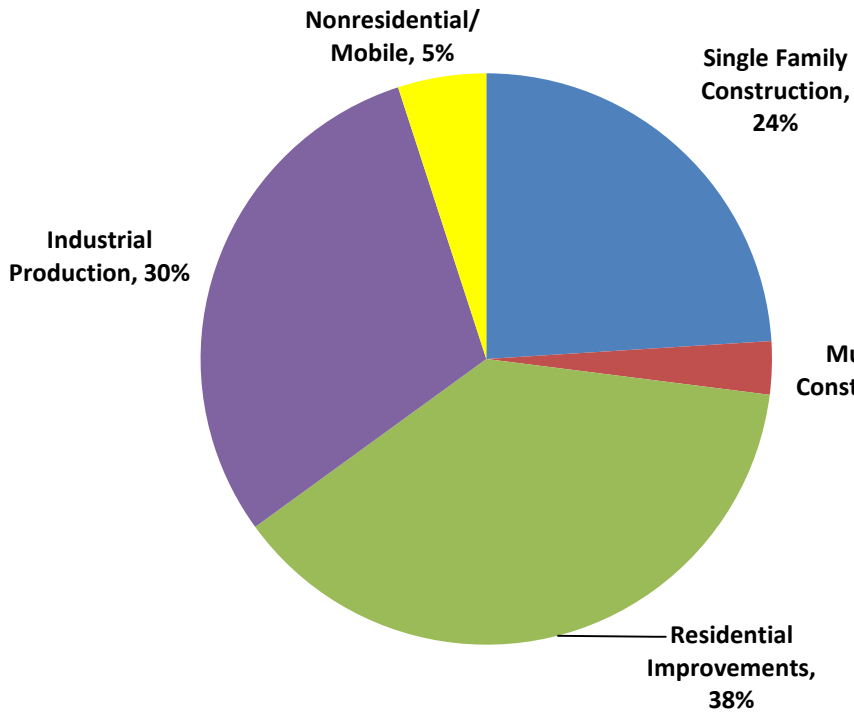


# Unlike Single-Family, Multi-family has Recovered

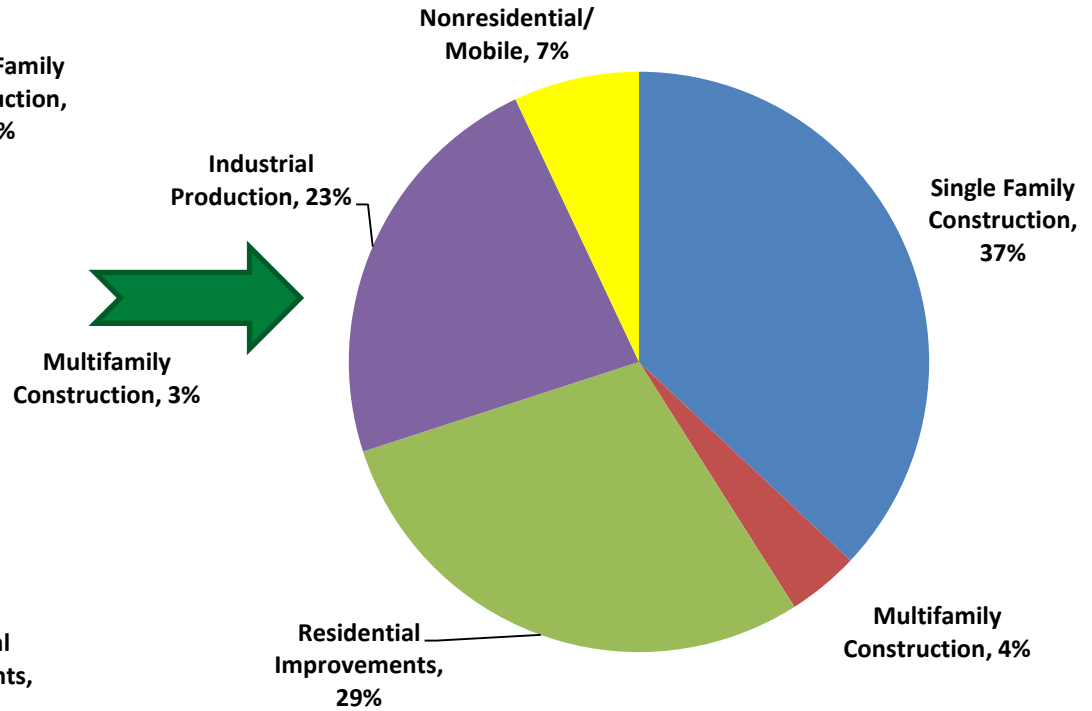


# U.S. Lumber End Use

## U.S. Lumber End-use 2013

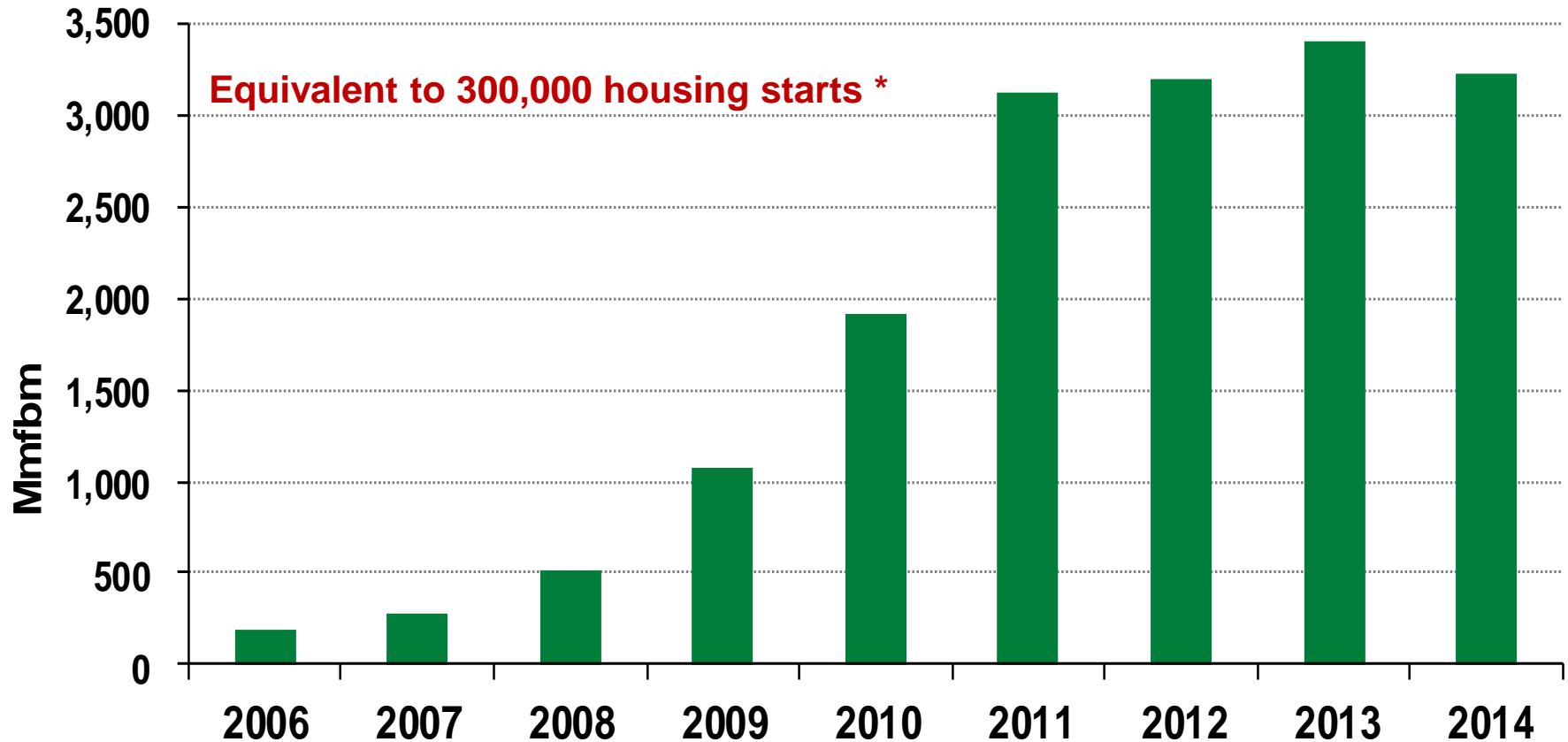


## U.S. Lumber End-use Normalized





# Canadian Shipments to China



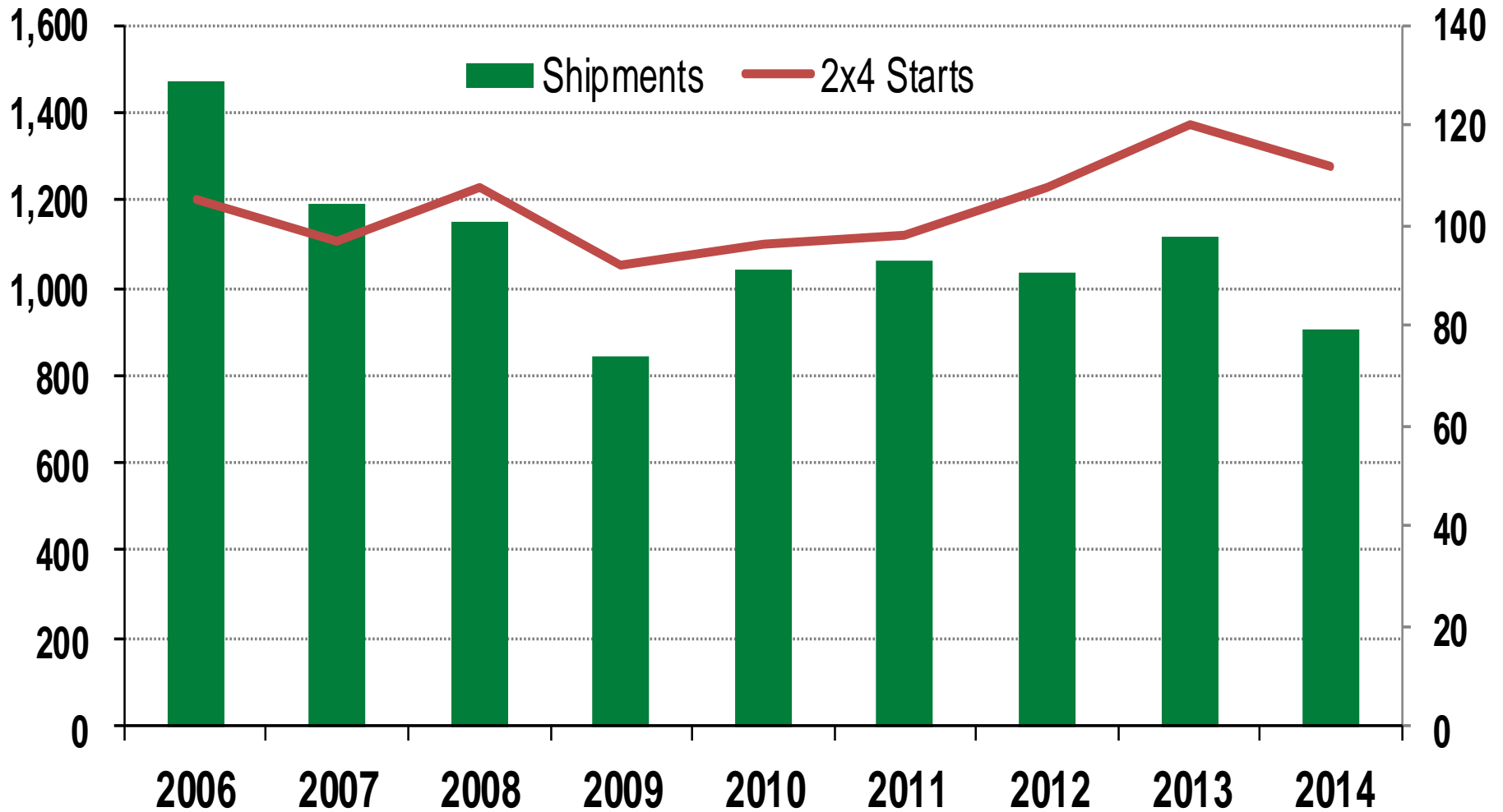
\* Based on consumption of 11.5 Mfbm per U.S. housing start (average mix of single and multi family)



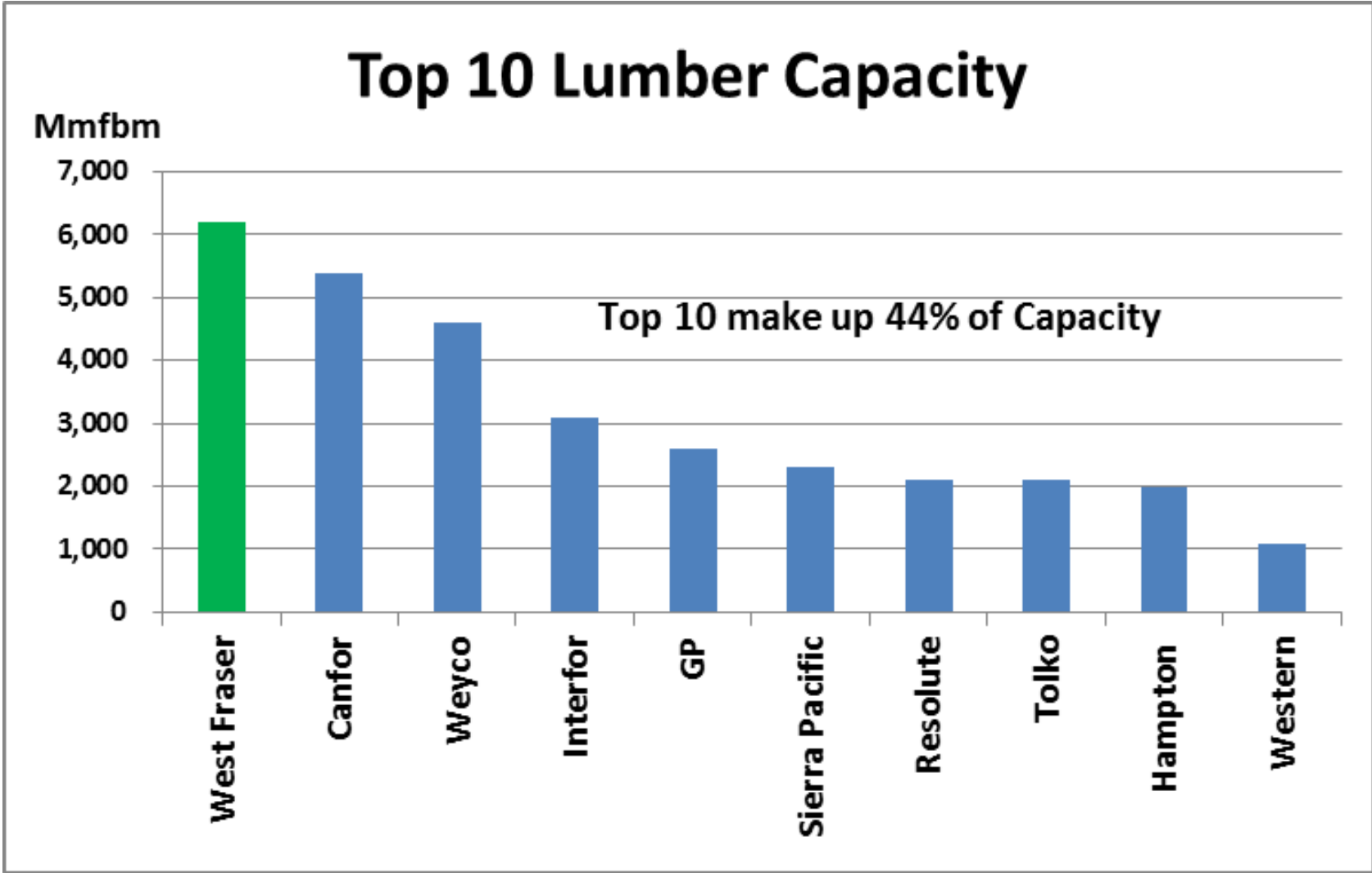
# B.C. Shipments to Japan

Mmfbm

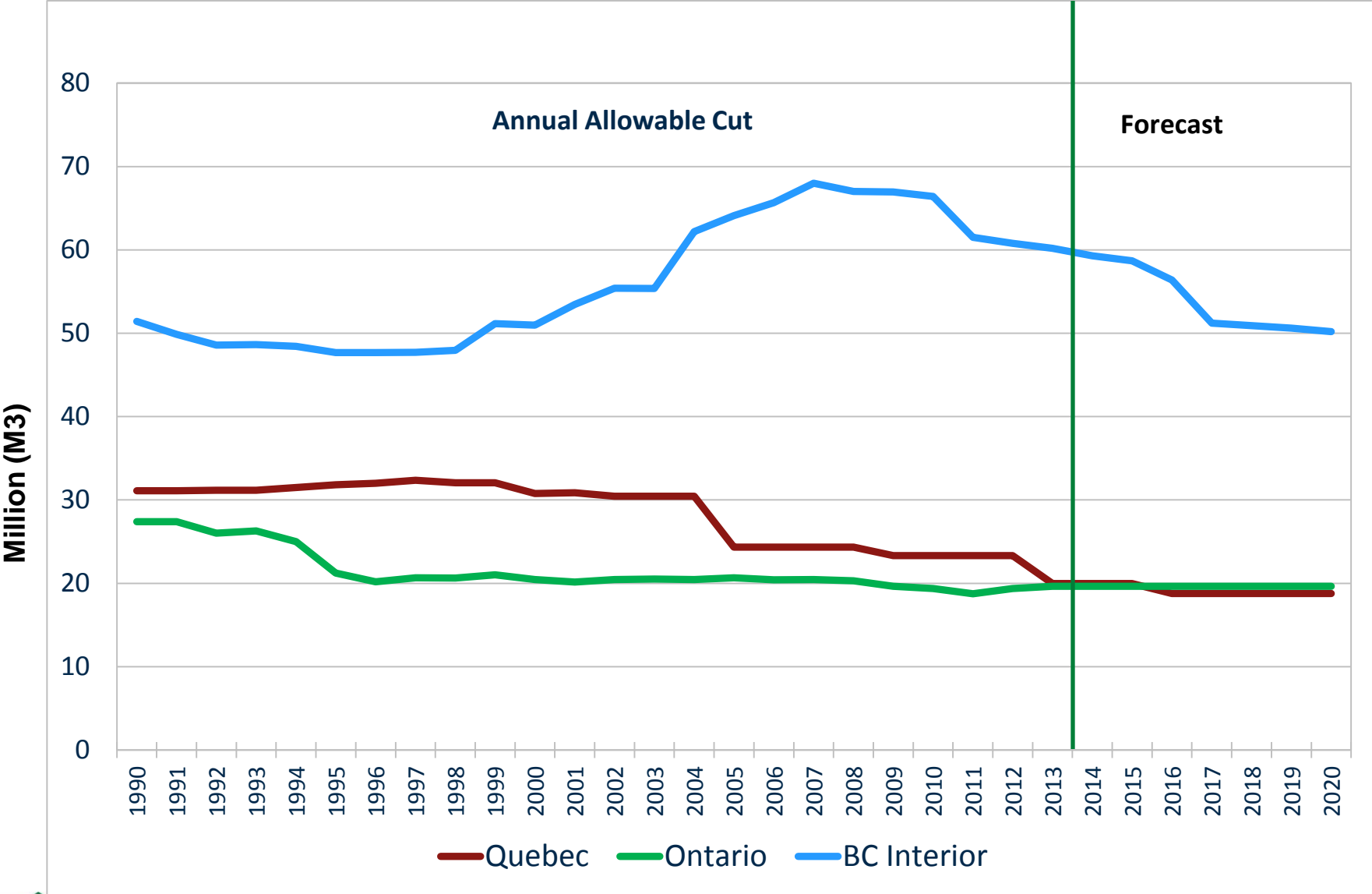
Thousand 2x4 Starts



# North American Lumber Capacity

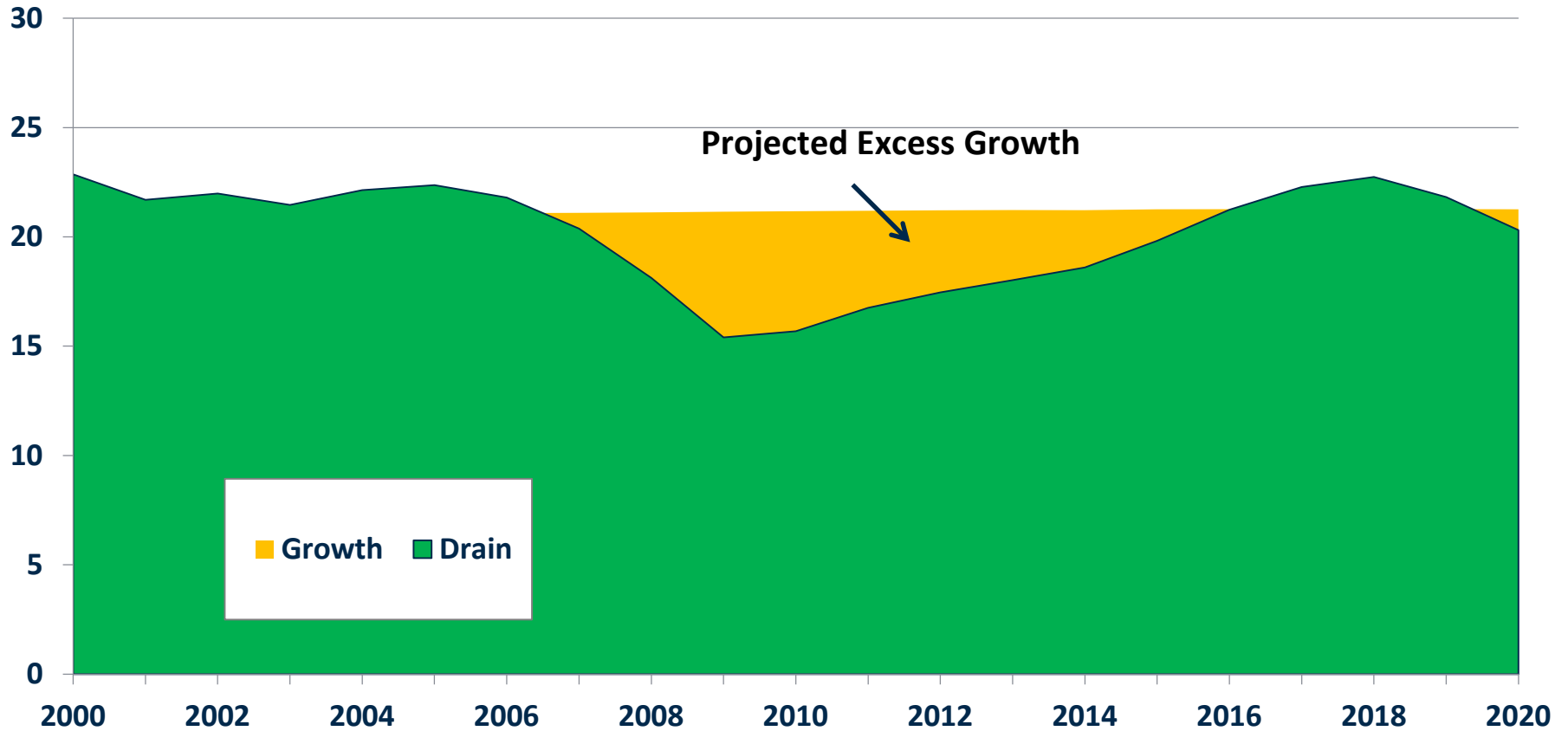


# Canadian Fibre Supply



# U.S. South Positive Timber Inventory

Bfbm Int'l 1/4"



# Earnings Growth Drivers - Pulp

## Demand

- China's paper, tissue and packaging demand
- Developing countries' demand
- Price of cotton and similar products

## Supply

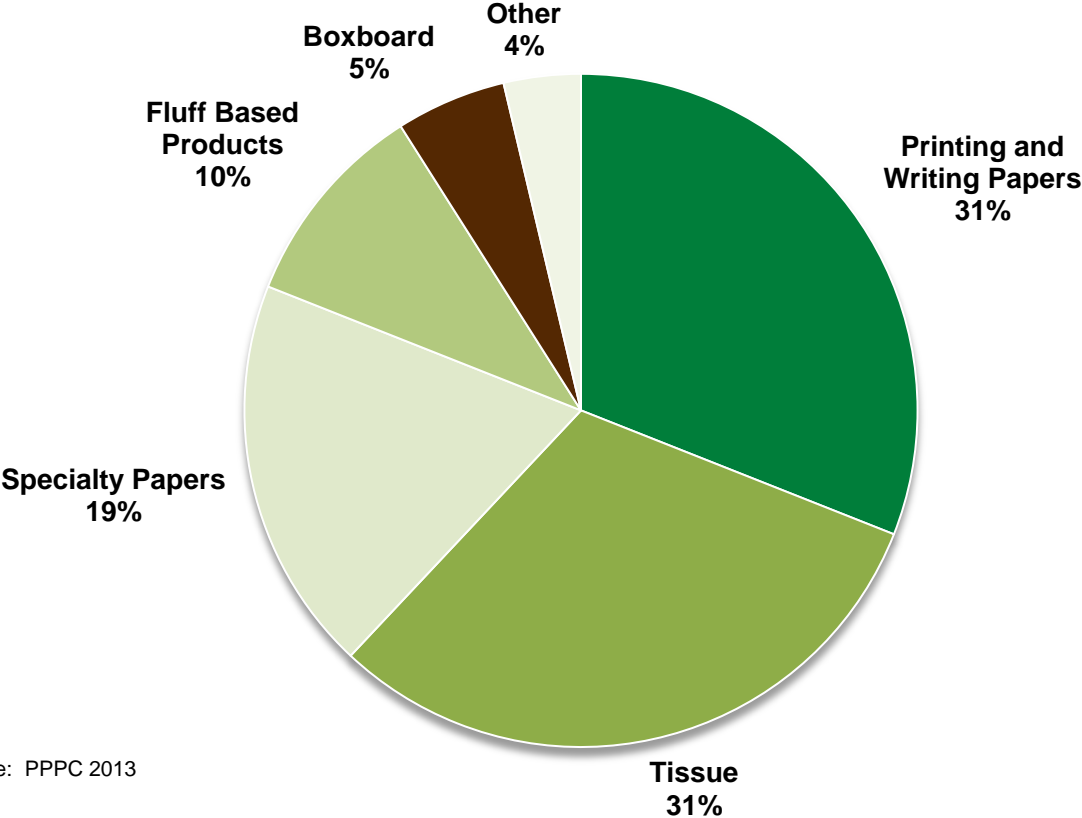
- European paper capacity closures
- Russian and Canadian start ups
- Product diversification  
(e.g. dissolving pulp)
- South American production

## Reliability

- Capital
- Technology



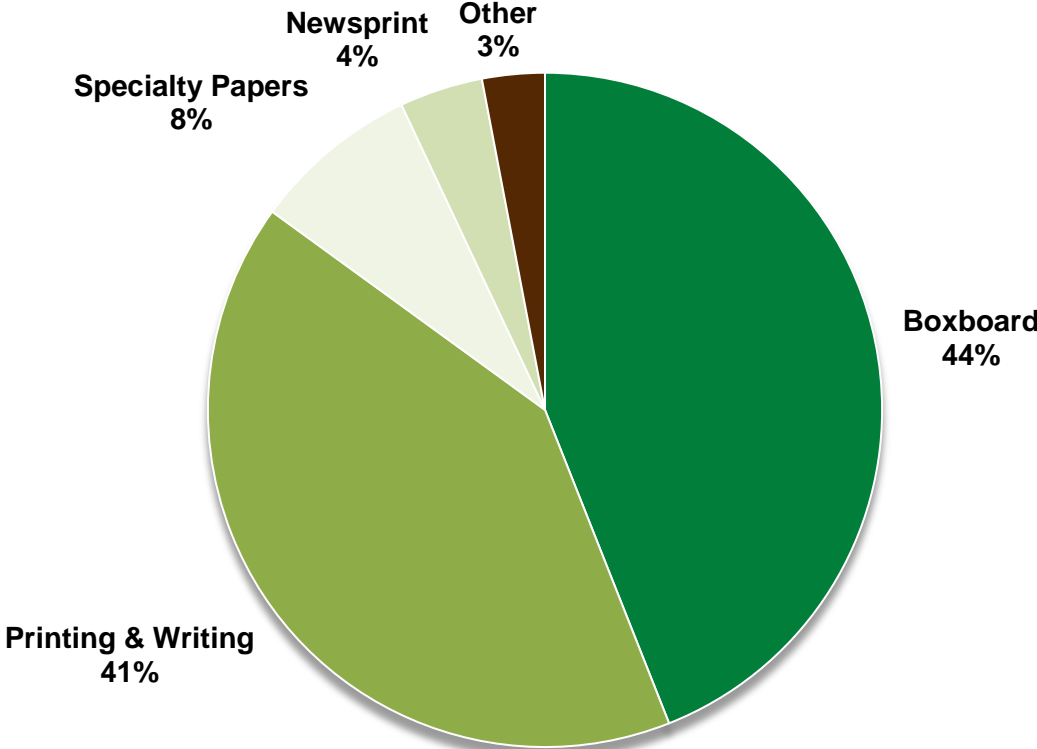
# Chemical Pulp End-Use Products



Source: PPPC 2013



# BCTMP Pulp End-Use Products

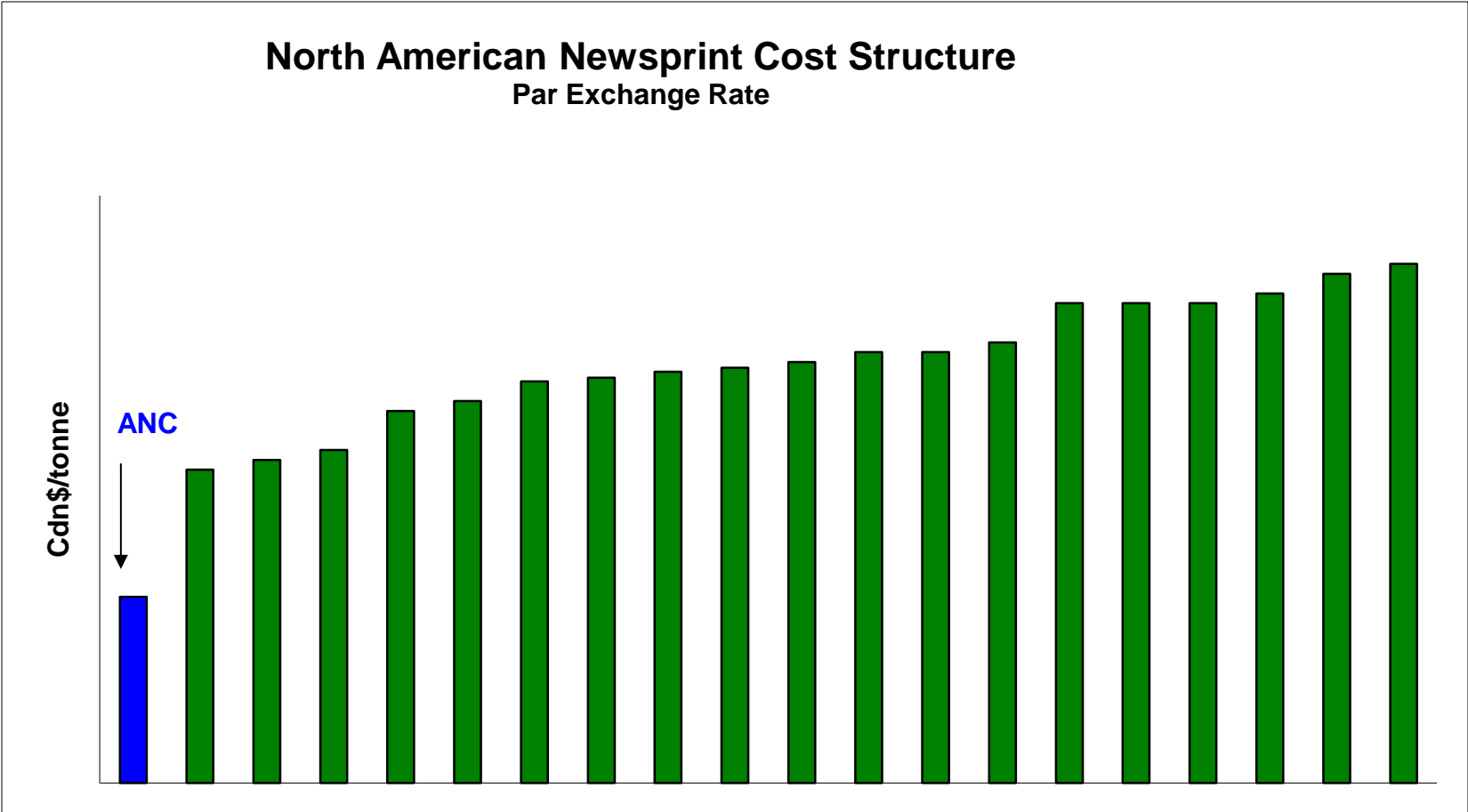


Source: PPC 2013





# Paper — Newsprint



**Alberta Newsprint is the lowest cost newsprint producer in North America and a positive contributor to the profitability of our pulp and paper business**



# Energy Opportunities

- Woodwaste to produce heat and steam to dry wood products and for electricity and steam for pulp mills
- Woodwaste to produce electricity to be used or sold
- Pulp mill effluent as a source for biogas-electricity generation
- Expanding opportunities to generate and sell electricity leveraging off current business



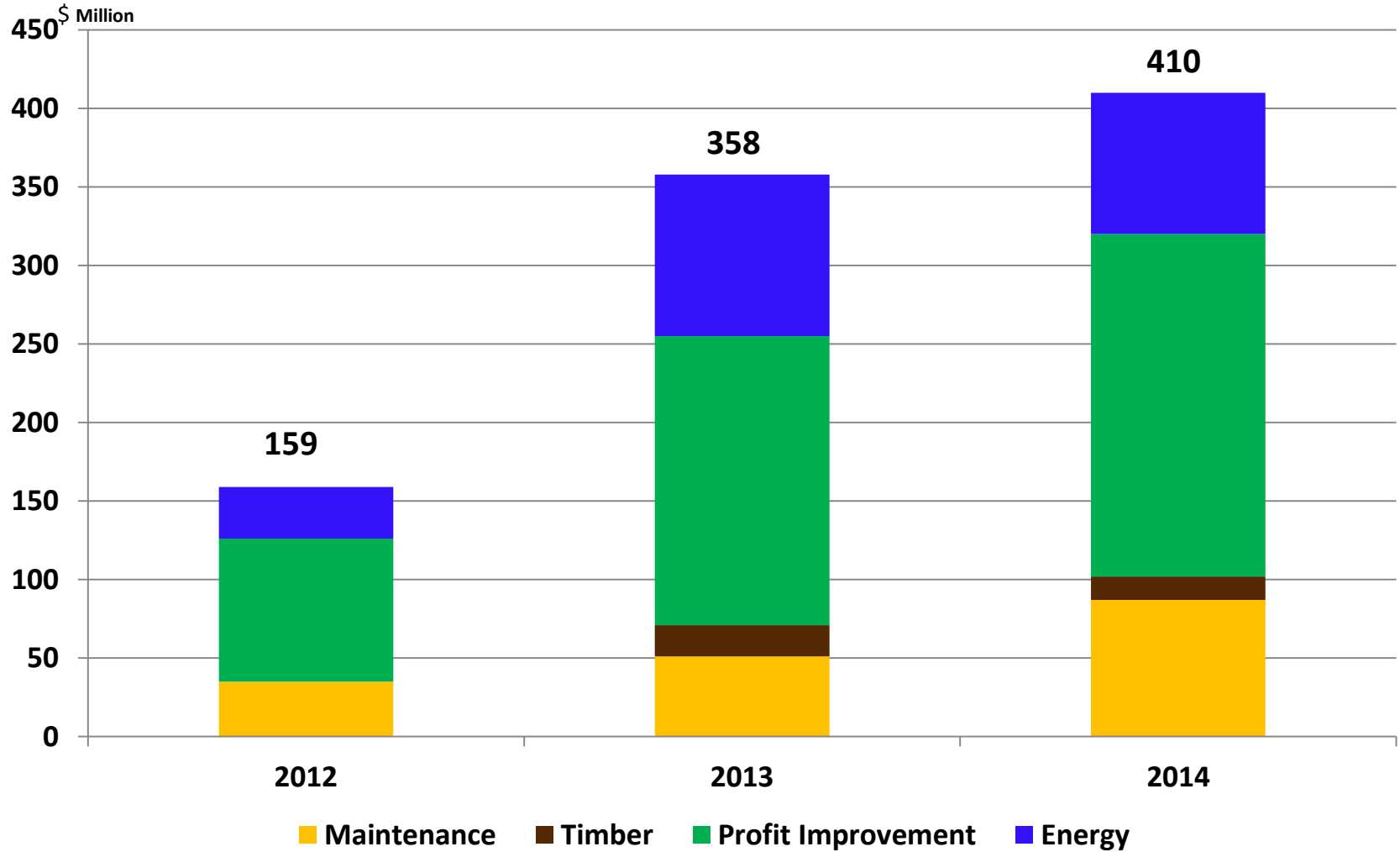
# Capital Strategy

- Reinvest profits to lower costs, improve efficiency through technology and improved processes
- Estimate normalized annual capital spending between \$150 and \$225 million
- Capital spending in 2014 of \$410 million and spending in 2015 to approximate \$300 million
- Growth through opportunistic acquisitions focused on solid wood



# West Fraser Capital

Capital Spending



# Why Invest in West Fraser?

- Proven ability to generate strong cash flow even in worst markets
- Consistent, straightforward business plan
- Loyal, long-term employee and management base
- Conservative financial management coupled with proven ability to grow strategically
- Strong historical shareholder returns



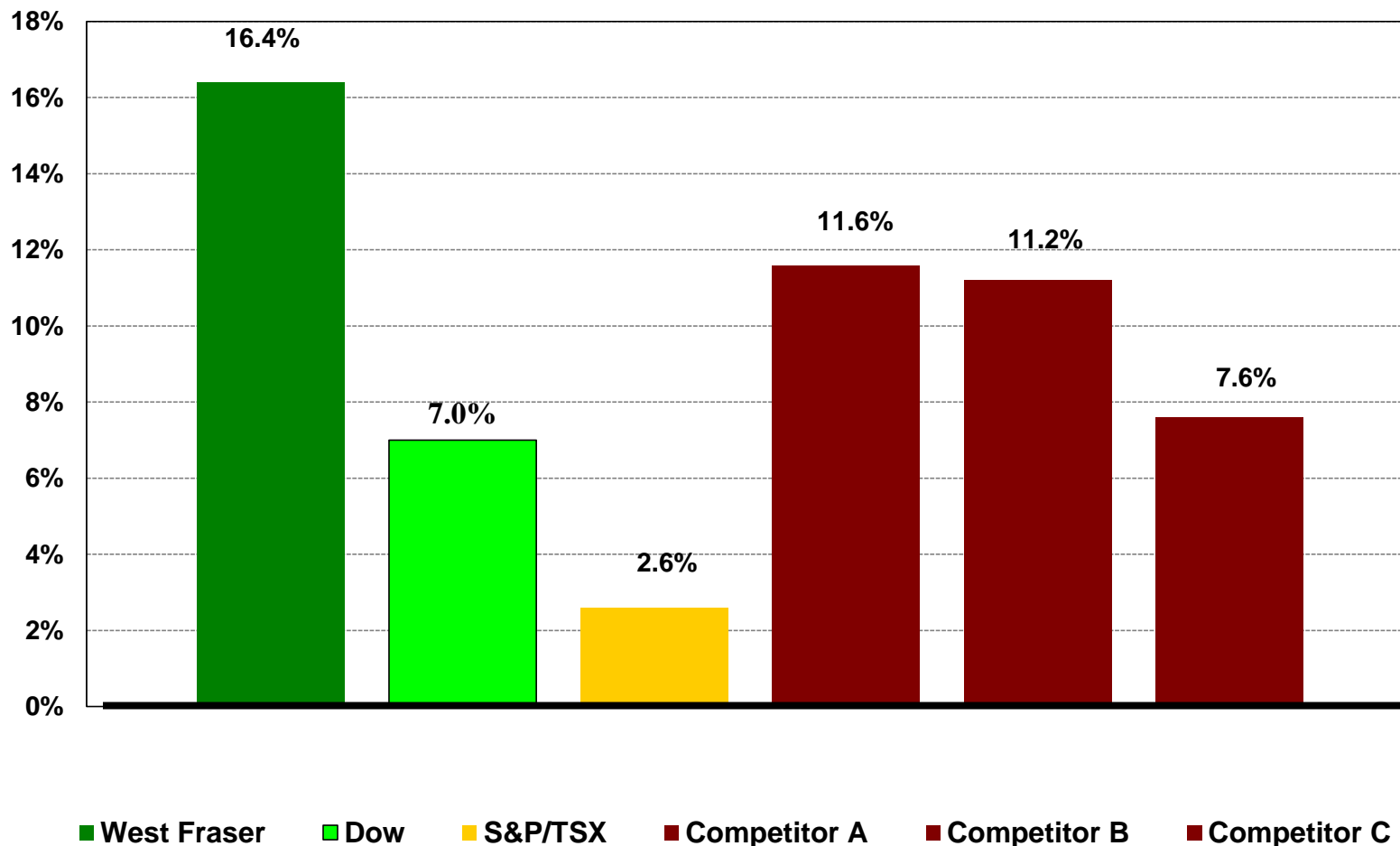
# Strong Cash Generation (\$millions)

	<b>Total</b>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>Cash from Operations</b>	<b>1,595</b>	<b>475</b>	<b>419</b>	<b>195</b>	<b>85</b>	<b>421</b>
<b>Capital Expenditures</b>	<b>1,229</b>	<b>410</b>	<b>358</b>	<b>159</b>	<b>213</b>	<b>89</b>
<b>Acquisitions</b>	<b>238</b>	<b>208</b>	<b>-</b>	<b>30</b>	<b>-</b>	<b>-</b>



# Annualized Shareholder Return (Cdn\$)

June 2006\* – March 31, 2015

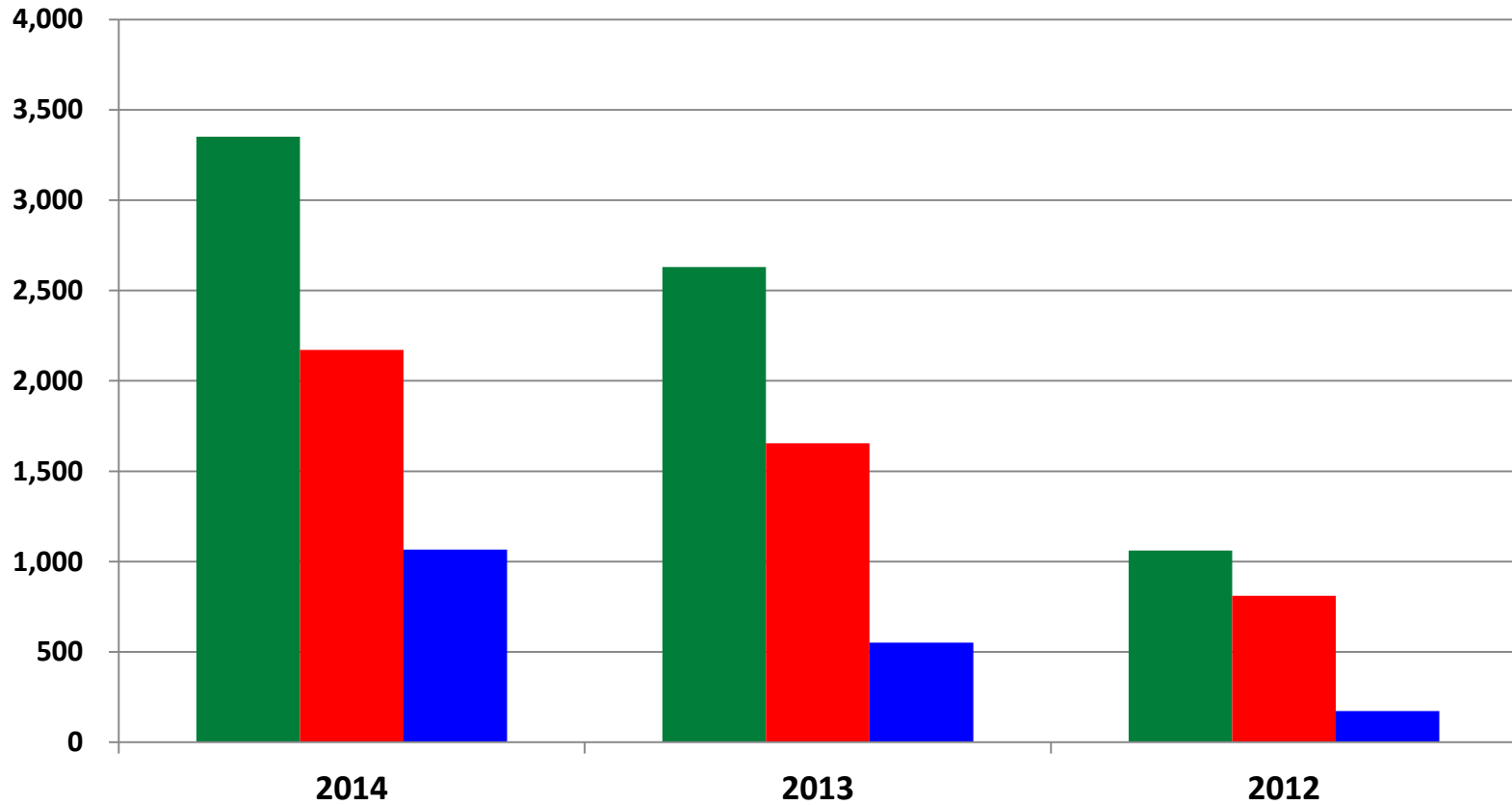


\* June 2006 marked the beginning of the steep decline in U.S. housing starts



# Share Value Traded

Cdn\$ Million



■ WFT ■ CFP ■ IFP





# “WFT” – Toronto Stock Exchange

[www.WestFraser.com](http://www.WestFraser.com)

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# APPENDIX



# Earnings Sensitivity to Key Variables (2014)

## Estimated Earnings Sensitivity to Key Variables<sup>1</sup>

(based on 2014 production- \$ millions)

Factor	Variation	Change in pre-tax earnings
Lumber price	US\$10 (per Mfbm)	61
Plywood price	Cdn\$10 (per Msf)	8
NBSK price	US\$10 (per tonne)	5
BCTMP price	US\$10 (per tonne)	7
U.S. – Canadian \$ exchange rate <sup>2</sup>	US\$0.01 (per Cdn \$)	24

1. Each sensitivity has been calculated on the basis that all other variables remain constant and assumes year end foreign exchange rates.
2. Excludes exchange impact of translation of U.S. dollar - denominated debt and other monetary items. Reflects the amount of the initial US\$0.01 change; additional changes are substantially, but not exactly, linear.

