

# GreenFirst Reports Financial Results for the Third Quarter of 2023

TORONTO--(BUSINESS WIRE)--November 13, 2023--GreenFirst Forest Products Inc. (TSX: GFP) ("GreenFirst" or the "Company") announced results for the third quarter and three quarters ended September 30, 2023. The Company's interim financial statements ("Financial Statements") and related Management's Discussion and Analysis ("MD&A") for the third quarter and three quarters ended September 30, 2023 are available on GreenFirst's website at [www.greenfirst.ca](http://www.greenfirst.ca) and on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

## Highlights

- Third quarter 2023 net earnings from continuing operations was \$2.7 million or \$0.01 per share (diluted), compared to net loss of \$9.7 million or a loss of \$0.05 per share (diluted) in the second quarter of 2023 on the same basis.
- Average lumber prices for Q3 2023 were higher than Q2 2023, with an average selling price of \$642/mfbm compared to \$596/mfbm in Q2 2023. There was strong pricing momentum toward the latter half of the second quarter due to supply related concerns, which benefited results at the beginning of the third quarter. However, volumes in the third quarter were lower than Q2 2023 due to reduced demand given macroeconomic uncertainties.
- The valuation provision for lumber and log inventory was decreased to \$1.9 million from \$8.7 million at the end of Q4 2022, generating a \$6.8 million credit to cost of sales in the three quarters ended September 30, 2023.
- US Department of Commerce's ("US DOC") Final Determination of its Fourth Administrative Review resulted in a final duty rate of 8.05%. The Company stands to benefit from an approximate US\$6.9 million (CAD\$9.2 million) recovery on duties paid in 2021, as recorded in Q3 2023. Additionally, the ongoing lower duty rate has positively impacted the Company's earnings and free cash flow since August 1, 2023.
- There continues to be downward pressure on newsprint and paper products prices.
- A corporate reorganization was initiated this fall to separate the assets from the lumber mills and the paper mill. This reorganization aims to provide for increased alignment of incentives, cost control measures and focus on the unique aspects of each business.
- On November 6, 2023, the company appointed Joel Fournier as its new Chief Executive Officer. Mr. Fournier is a seasoned executive with over two decades of hands-on experience in lumber mills across both Eastern and Western Canada.

"Our business showed resiliency in the third quarter, despite a low pricing environment," said Paul Rivett, GreenFirst's Executive Chair. "Our mill teams continue to focus on productivity gains, particularly the Chapleau team which has broken production records, and we expect further improvements in the coming quarters under the leadership of our new CEO, Joel Fournier."

## Financial Highlights

The following selected financial information is from the Company's financial statements and MD&A:

<i>(In thousands of CAD, except per share amounts)</i>	<b>September 30, 2023</b>	July 1, September 24, 2023	2022 <sup>(2)</sup>
<b>For the quarter ended</b>			
<b>Net sales from continuing operations</b>			
Forest products <sup>(4)</sup>	\$ 63,579\$	73,475 \$	85,444
Paper products	32,121	38,153	26,027
<b>Total net sales from continuing operations</b>	<b>95,700</b>	111,628	111,471
<b>Operating earnings (loss) from continuing operations</b>	<b>3,864</b>	(9,453)	(5,371)
<b>Net earnings (loss)</b>	<b>2,657</b>	(9,671)	(23,259)
<b>Net earning (loss) from continuing operations</b>	<b>2,657</b>	(9,671)	(16,257)
<b>Basic earnings (loss) per share</b>	<b>0.01</b>	(0.05)	(0.13)
<b>Basic earnings (loss) per share from continuing operations</b>	<b>0.01</b>	(0.05)	(0.09)
<b>Diluted earnings (loss) per share</b>	<b>0.01</b>	(0.05)	(0.13)
<b>Diluted earnings (loss) per share from continuing operations</b>	<b>0.01</b>	(0.05)	(0.09)
<b>Adjusted EBITDA from continuing operations<sup>(3)</sup></b>	<b>\$ 7,996\$</b>	(5,012)\$	(2,044)
		<b>September 30,</b>	
<i>(In thousands of CAD)</i>		<b>December 31,</b>	
<b>As at</b>		<b>2023</b>	2021 <sup>(1)</sup>
<b>Total assets</b>	<b>\$ 284,234\$</b>		371,504
<b>Total liabilities</b>		<b>83,745</b>	147,042
<b>Total shareholders' equity</b>	<b>\$ 200,489\$</b>		224,462

<sup>1</sup>Certain prior period amounts have been restated as a result of the Company finalizing its purchase price accounting related to the Rayonier Asset Acquisition, as allowed under IFRS. Please refer to Note 4 - Acquisition of Sawmills and Paper Mill, in the Company's Annual Financial Statements for the year ended December 31, 2022 for further information.

<sup>2</sup>Certain prior period amounts have been restated as a result of a change in presentation of the Company's Financial Statements for continuing and discontinued operations under IFRS. Please refer to Note 4 - Discontinued Operations, in the Company's Financial Statements for the third quarter and three quarters ended September 30, 2023 for further information.

<sup>3</sup>Adjusted EBITDA is a Non-GAAP measure and does not have standardized meaning under GAAP or IFRS. As a result, it may not be comparable to information presented by other companies. For an explanation and reconciliation of Adjusted EBITDA to related comparable financial information presented in the Financial Statements prepared in accordance with IFRS, refer to the *Non-GAAP Measures* section in the MD&A for the third quarter and three quarters ended September 30, 2023.

<sup>4</sup>Includes net sales to external parties only.

The Company reported net sales from continuing operations of \$95.7 million during Q3 2023, a decrease of \$15.9 million or 14%, compared to Q2 2023. The decrease in net sales was primarily due to lower volumes shipped as a result of reduced demand driven by increasing economic

uncertainty coupled with high interest rates. Favourable pricing momentum increased toward the end of the second quarter, primarily as a result of forest fire related disruptions, provided some benefits early in the third quarter but subsided toward the latter half of the period.

The Company reported cost of sales of \$89.7 million during Q3 2023, a decrease of \$20.1 million or 18%, compared to Q2 2023. This decrease reflected the impact of lower lumber and paper shipments in the third quarter, partially offset by a lower recovery related to inventory net realizable value recorded and higher maintenance costs at the Kapuskasing paper mill. Additionally, the Company had lower lumber production in the third quarter due to scheduled maintenance downtime.

The initial duty deposit rate, totaling 20.23%, had remained in effect since the Company's acquisition of its sawmill and paper mill assets and has resulted in a higher payment in relation to our Canadian peers as at September 30, 2023, totaling US\$22 million. The Company became eligible for the rate applied to all other lumber exporters from August 1, 2023 onwards, calculated by the US DOC to be 8.05%, following the results of the US DOC's Fourth Administrative Review.

The Company reported selling, general and administration expenses for continuing operations of \$5.2 million during Q3 2023 which was an increase of \$0.3 million compared to Q2 2023. The prior quarter benefited from a recovery on a previously written-off accounts receivable balance related to discontinued operations. Partially offsetting the increase were reduced salaries and benefits and facility related costs in the third quarter.

### **Turnaround of the Paper Mill and Move for Operational Decentralization**

GreenFirst has benefited from improving results at its paper mill during 2023, compared to the prior year in which the mill's contribution remained negative for all four quarters. For the three quarters ended September 30, 2023, the operating income from the paper products segment was \$1.8 million compared to an operating loss of \$11.6 million in the prior year three quarters ended September 24, 2022. This turnaround is primarily driven by the restart and efficiency gains of the second paper machine. However, the paper mill faces many headwinds, including pricing pressures, related to the secular decline of its paper products along with incremental supply pressures relating to wood chips.

GreenFirst's paper mill operation has key operational and performance metrics that are very different from the lumber mill operations. The Board of Directors has determined to separate the lumber mill assets from the paper mill assets. It is believed that this separation of businesses and decentralization of management will provide for more expedient decision-making, better alignment of incentives and more entrepreneurialism. This corporate decentralization has been initiated and it will also result in further reductions of overhead and operating costs.

### **Liquidity and Borrowings**

At September 30, 2023, the Company had \$50.7 million, less \$5.4 million for standby letters of credit, of excess availability under the revolving portion of the Credit Facility. The Company has

made net repayments of \$36.0 million against the Credit Facility during the first three quarters of 2023 and the Company is no longer subject a minimum fixed-charge coverage ratio. Subsequent to Q3 2023 the Company made net borrowings of \$3.0 million against the Credit Facility.

## Outlook

High interest rates and overall macroeconomic concerns continue to negatively impact lumber demand and pricing. There are indications that the US Federal Reserve and Bank of Canada may pause on any further interest rate increases. In the near term, pricing will continue to face headwinds and remain volatile. In the longer-term, record levels of immigration in Canada, aging of homes in the US and demographic driven demand are expected to positively impact lumber markets.

## Reconciliation of Adjusted EBITDA

References to EBITDA in this document are measures of earnings (loss) before interest and finance costs, income taxes, depreciation and amortization, while references to Adjusted EBITDA reflect EBITDA plus other non-operating costs such as acquisition and transaction-related costs, impact of valuation changes on the Company's investments, the impact of foreign exchange on the Company's long-term debt, loss on extinguishment of debt, gain on sale of assets and other non-operating losses. Management believes that certain lenders, investors, and analysts use EBITDA and Adjusted EBITDA as a common valuation measurement and to measure the Company's ability to service debt and meet other payment obligations. EBITDA and Adjusted EBITDA are not intended to replace net earnings (loss), or other measures of financial performance and liquidity reported in accordance with GAAP. *Please refer to the Company's MD&A for further information on non-GAAP measures.*

(In thousands of CAD)

	September 30, 2023	July 1, September 24, 2023                      2022 <sup>(1)</sup>	
<b>For the quarter ended</b>			
<b>Net earnings (loss) from continuing operations</b>	<b>\$ 2,657</b>	(9,671)\$	(16,257)
<i>Adjustments:</i>			
Finance costs, net	125	478	3,986
Income taxes	1,082	(260)	(14,918)
Depreciation and amortization	4,132	4,441	3,327
<b>EBITDA</b>	<b>7,996</b>	(5,012)	(23,862)
Foreign exchange on long-term debt	—	—	5,311
Loss on extinguishment of debt	—	—	11,187
Other non-operating losses	—	—	5,320
<b>Adjusted EBITDA from continuing operations<sup>(2)</sup></b>	<b>\$ 7,996</b>	(5,012)\$	(2,044)

<sup>1</sup>Certain prior period amounts have been restated as a result of a change in presentation of the Company's Financial Statements for continuing and discontinued operations under IFRS. Please refer to Note 4 - Discontinued Operations, in the Company's Financial Statements for the third quarter and three quarters ended September 30, 2023 for further information.

<sup>2</sup>Adjusted EBITDA is a Non-GAAP measure and does not have standardized meaning under GAAP or IFRS. As a result, it may not be comparable to information presented by other companies. For an explanation and reconciliation of Adjusted EBITDA to related comparable financial information presented in the Financial Statements prepared in

accordance with IFRS, refer to the *Non-GAAP Measures* section in the MD&A for the third quarter and three quarters ended September 30, 2023.

During the third quarter and three quarters ended September 30, 2023, the Company recorded a US\$6.9 million (CAD\$9.2 million) recovery related to 2021 duties recoverable, following the US Department of Commerce's Final Determination of its Fourth Administrative Review.

### **Earnings Conference Call**

GreenFirst will host a conference call to review the third quarter 2023 financial results on Tuesday, November 14, 2023 at 8:30am (Eastern). The live webcast of the earnings conference call can be accessed via web: <http://momentum.adobeconnect.com/greenfirstq3/> and via phone: (+1) 416 764 8658 or (+1) 888 886 7786. A replay of the webcast and presentation slides will be available on GreenFirst's website following the conference call.

### **About GreenFirst**

GreenFirst Forest Products is a forest-first business, focused on sustainable forest management and lumber production. The Company owns four sawmills located in rich wood baskets proudly operating over six million hectares of FSC® certified public Ontario forest lands (FSC®-C167905). The Company believes that responsible forest practices, coupled with the long-term green advantage of lumber, provide GreenFirst with significant cyclical and secular advantages in building products.

### **Forward Looking Information**

Certain information in this news release constitutes forward-looking statements under applicable securities laws. Any statements that are contained in this news release that are not statements of historical fact are forward-looking statements. Forward looking statements are often identified by terms such as “may”, “should”, “anticipate”, “expect”, “potential”, “believe”, “intend”, “estimate” or the negative of these terms and similar expressions. Forward-looking statements are based on certain assumptions and, while GreenFirst considers these assumptions to be reasonable, based on information currently available, they may prove to be incorrect. In addition, forward-looking statements necessarily involve known and unknown risks, including those set out in GreenFirst's public disclosure record filed under its profile on [www.sedarplus.ca](http://www.sedarplus.ca). Readers are further cautioned not to place undue reliance on forward-looking statements as there can be no assurance that the plans, intentions or expectations upon which they are placed will occur. Such information, although considered reasonable by management at the time of preparation, may prove to be incorrect and actual results may differ materially from those anticipated. Forward-looking statements contained in this news release are expressly qualified by this cautionary statement and reflect our expectations as of the date hereof, and thus are subject to change thereafter. GreenFirst disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

**For more information, please visit: [www.greenfirst.ca](http://www.greenfirst.ca) or contact Investor Relations (416) 775 2821**

## **Contacts**

**Investor Relations**  
**(416) 775 2821**