



Exceptional people creating bioproducts for a more sustainable world



## **Fiscal Year 2022 Earnings**

**Juan Carlos Bueno; President & CEO**  
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# Forward-looking Statements



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# Q4 and FY 2022 Financial and Operating Highlights

## Record 2022 EBITDA

Supply constraints combined with increased Chinese demand kept pulp prices steady

Lumber markets seeing positive momentum in early 2023

Despite the price cap, European energy prices remain favorable

## Strong pricing, sales volumes drives record 2022 EBITDA



- \$96M in Q4;
- 2022 EBITDA of \$537M



## Steady operations during quarter

- Stendal approaching 100% capacity after Q3 fire
- Planned 21-day shut at Stendal during Q4; none at other mills



## Stable end market conditions

- Pulp prices remained essentially stable due to supply constraints from Western Canada and increasing demand from China
- Slight narrowing in price gap between NBSK and hardwood
- WSPF down in NA and Europe; modest recovery in NA last few weeks
- Energy sales reflect strong generation, and the addition of Torgau; net electricity prices averaged ~\$155/MWh in Q4 for all our mills



## Electricity generation and sales are a hedge

- Windfall tax caps net price at about \$120/MWh; but remains significantly higher than historical prices

# Q4 and FY 2022 Financial and Operating Highlights

**Record 2022 net income**

**Dividend of \$0.075 per share**



## Torgau expected to contribute to EBITDA starting Q1 2023

- Q4 results reflected mark to market adjustment for pellets and pallets
- Modest contribution expected in Q1 2023



## Cash and liquidity, capital allocation

- Q4 cashflow of \$67M; total liquidity of \$636M
- Capital spending of ~\$50M in Q4, totaling ~\$179M for 2022
- 2023 target capital spending of ~\$175M – \$200M



# Q4 and FY2022 Overview

**Torgau integration continues**

**MMT bid velocity increasing quickly**

**Global pulp markets remained resilient**

**Positive pressures on lumber supply-demand fundamentals**



## Torgau integration progressing well



- Annualized synergies of \$6M achieved in Q4; ~\$16M total once fully implemented
- Synergies focus on optimization of fibre amongst the mills

## CLT project bids continue to ramp up



- Over 50 projects in various stages of evaluation or bid

## Pulp: supply constraints coupled with increased demand



- Q4 pulp prices remained steady
- Permanent capacity removal of two pulp mills in 2022 – early 2023; Temporary curtailments in Western Canada
- Increased Chinese demand balancing softening European demand
- Potential expansion of Hardwood-NBSK gap due to new hardwood capacity in 2023

## Lumber: positive momentum, despite volatility today



- Decline in Q4 lumber realizations due to market uncertainty
- Expect mid-term pricing conditions to be improve due to low supply channels coupled with constructive homeowner demographics

# Looking Forward

**Logistical improvements and product mix provides agility to match market conditions**

**2022 capex focused on high-return projects to reduce input cost and carbon emissions**

**2023 projects focus on expanding alternatives which displace carbon-intensive products**

## Flexibility to adapt to market conditions



- Breadth of lumber product mix allows for agility to match market conditions
- Logistics channel improvements reducing reliance on higher cost solutions



## European wood prices expected to decline in Q1 2023

- High pulpwood prices driven by energy sector; price decline that began partway through Q4, expected to continue in Q1 2023
- Modest decreases in sawlog pricing expected



## Fibre supply in Western Canada

- Sawmill curtailments negatively impacting pulpwood prices, fibre supply
- 2022 capital spending focused on projects to reduce wood costs



## Investment in high-return projects

- Majority of 2022 capital spending invested in high-return projects including Celgar and Peace River woodrooms
- 2023 capital expenditures focused on Rosenthal lignin pilot plant, targeted Torgau upgrades and Spokane mass timber plant expansion

# Contact Information

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