



CONIFEX TIMBER INC.

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FOR IMMEDIATE RELEASE

CONIFEX REPORTS 2019 YEAR-END AND FOURTH QUARTER RESULTS

March 11, 2020, Vancouver, B.C. - Conifex Timber Inc. (“Conifex”, “we” or “us”) (TSX: CFF) today reported 2019 year-end and fourth quarter results.

Continuing Operations and Discontinued Operations

The 2019 fiscal year presented a number of challenges.

In line with our goal to tackle head-on liquidity challenges facing our company in 2019, we sold the following assets:

- our US sawmill business for US\$176.0 million, including estimated working capital, which closed subsequent to year end in February 2020;
- the Fort St. James sawmill (the “FSJ Mill”) in November 2019 for \$38.7 million;
- Lignum Forest Products LLP (“Lignum”) in April 2019 for US\$11.5 million; and
- forward sales of interest in certain countervailing (“CV”) and anti-dumping duties (“AD”) for \$17.5 million.

We also discontinued our third party logistics business operated by a wholly-owned subsidiary (“031 BC”).

The proceeds from the foregoing sales were used to fulfill our goal of paying off, in full, our lumber segment credit facility (the “Credit Facility”). Following such repayment, we had unrestricted cash of approximately \$20.0 million, estimated net debt of \$43.0 million and net debt to capitalization ratio of approximately 25%. Our term loan secured against our power assets represents substantially all of our remaining long-term debt.

All financial information below, unless otherwise stated, represents our continuing operations, primarily consisting of our Mackenzie sawmill and power plant, the FSJ Mill (largely curtailed in May 2019) and corporate costs and unallocated items. Unless otherwise stated, our discontinued operations, including, our US sawmill business, Lignum and 031, are excluded.

2019 Year-End Financial Results

We had a net loss of \$30.4 million in 2019 on revenues of \$157.4 million compared to a net loss of \$7.3 million in 2018 on revenues of \$379.1 million. The lower revenues were attributable mostly to our lumber segment which recorded reduced shipments reflecting lower operating rates at our BC mills, a decline in sales realizations and a decrease in wholesale lumber shipments. Bioenergy segment revenues were 4% lower due primarily to modifications in spring freshet pricing and plant dispatch periods in the comparative periods.

We recorded an operating loss of \$41.4 million in the lumber segment in 2019 and operating earnings of \$19.1 million in 2018. Lumber segment operating results were impacted by the recognition of restructuring costs, lower operating rates and higher unit log and cash conversion costs. Shipments of Conifex produced lumber totaled 212 million board feet in 2019, representing 46% of 2018 shipment volumes of 458 million board feet due to lower operating rates. Bioenergy segment operating earnings declined 7% year over-year and contributed operating earnings of \$8.6 million in 2019 and \$9.2 million in the previous year. Corporate costs were \$7.1 million in 2019, down 9% from the prior year.

Adjusted EBITDA was negative \$24.0 million in 2019 and positive \$32.4 million in 2018 with the year-over-year variance largely attributable to the lumber segment.

Consolidated net loss for 2019 was \$200.2 million and included a net loss of \$169.8 million from discontinued operations, including an impairment loss allocated to goodwill of \$143.1 million. Consolidated net loss for 2018 was \$7.1 million, including net income of \$0.2 million from discontinued operations.

2019 Fourth Quarter Results

We incurred a net loss of \$10.2 million in the fourth quarter of 2019, \$11.6 million in the previous quarter and \$20.2 million in the fourth quarter of 2018. Revenues were \$27.7 million in the fourth quarter of 2019, \$22.9 million in the previous quarter and \$76.0 million in the fourth quarter of 2018. The revenue variability was primarily attributable to our lumber segment as bioenergy segment revenues were generally similar in the comparative quarters. Lumber segment operating results in the fourth quarter of 2018 included shipments and production from the FSJ Mill, which was largely curtailed in May 2019 and sold in November 2019.

We recorded operating losses of \$11.5 million in the fourth quarter of 2019, \$8.6 million in the previous quarter and \$7.8 million in the fourth quarter last year. Production volumes at the Mackenzie Mill increased 45% over the previous quarter to 38 million board feet and reflected an annualized operating rate of 63% compared to an annualized operating rate of 43% in the previous quarter. Increased production, shipment volumes and sales realizations led to a quarter-over-quarter revenue increase of 11% for Conifex produced lumber.

Adjusted EBITDA from continuing operations was negative \$3.9 million for the fourth quarter of 2019, negative \$7.0 million in the previous quarter and negative \$5.0 million for the fourth quarter of 2018.

Consolidated net loss in the fourth quarter of 2019 was \$162.6 million and included a net loss of \$152.4 million from discontinued operations. Consolidated net loss was \$16.6 million in the third quarter of 2019 and included a net loss of \$5.0 million from discontinued operations. In the fourth quarter of 2018, we recorded a consolidated net loss of \$23.1 million, including a net loss from discontinued operations of \$2.9 million.

Selected Financial Highlights⁽¹⁾

The following table summarizes our selected financial information for the comparative periods:

	Q4 2019	Q3 2019	Q4 2018	2019	2018
	(in millions except share, exchange rate, pricing and electricity information)				
Financial Highlights					
Sales – lumber segment	\$ 19.7	\$ 17.8	\$ 68.0	\$ 131.6	\$ 352.3
Sales – bioenergy segment	8.0	5.1	8.0	25.8	26.8
	<u>\$ 27.7</u>	<u>\$ 22.9</u>	<u>\$ 76.0</u>	<u>\$ 157.4</u>	<u>\$ 379.1</u>
Adjusted EBITDA*	\$ (3.9)	\$ (7.0)	\$ (5.0)	\$ (24.0)	\$ 32.4
Operating income (loss).....	\$ (11.5)	\$ (8.6)	\$ (7.8)	\$ (40.2)	\$ 19.8
Net (loss) from continuing operations.....	\$ (10.2)	\$ (11.6)	\$ (20.2)	\$ (30.4)	\$ (7.3)
Net (loss) – total operations	\$ (162.6)	\$ (16.6)	\$ (23.1)	\$ (200.2)	\$ (7.1)
Net (loss) per share – basic and diluted from continuing operations.....	\$ (0.22)	\$ (0.25)	\$ (0.43)	\$ (0.65)	\$ (0.20)
Net (loss) per share – basic and diluted - total operations.....	\$ (3.47)	\$ (0.35)	\$ (0.49)	\$ (4.28)	\$ (0.19)
Shares outstanding – weighted average (millions)	46.9	46.9	46.6	46.6	36.3
Operating Highlights					
Lumber production (MMfbm).....	37.8	26.0	93.5	185.0	453.5
Lumber shipments – Conifex produced (MMfbm).....	38.0	34.8	99.9	211.9	458.2
Lumber shipments – wholesale (MMfbm).....	-	0.3	12.8	22.3	50.8
Electricity production (GWh)	55.1	53.1	54.6	211.0	211.3
Average exchange rate – US\$/Cdn\$ ⁽²⁾	0.758	0.757	0.757	0.754	0.772

Average WSPF 2x4 #2&Btr lumber price (US\$) ⁽³⁾	\$	380	\$	356	\$	327	\$	360	\$	480
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Reconciliation of Adjusted EBITDA to Net (Loss)

Net (loss) from continuing operations.....	\$	(10.2)	\$	(11.6)	\$	(20.2)	\$	(30.4)	\$	(7.3)
Add: Finance costs	\$	21.7	\$	7.0	\$	6.5	\$	42.1	\$	16.6
Amortization	\$	4.8	\$	1.8	\$	3.9	\$	13.2	\$	15.6
Income tax expense.....	\$	0.6	\$	-	\$	-	\$	0.6	\$	-
Deferred income tax expense (recovery)	\$	(4.4)	\$	(4.0)	\$	(6.5)	\$	(11.4)	\$	(1.3)
EBITDA ⁽⁴⁾	\$	12.5	\$	(6.8)	\$	(16.3)	\$	14.1	\$	23.6
Add: Foreign exchange (gain) loss on long-term debt	\$	(2.4)	\$	2.4	\$	11.3	\$	(8.9)	\$	8.8
Restructuring costs	\$	2.6	\$	-	\$	-	\$	2.6	\$	-
Proceeds from insurance claim	\$	(1.1)	\$	-	\$	-	\$	(1.1)	\$	-
Gain on sale of assets	\$	(15.5)	\$	-	\$	-	\$	(15.5)	\$	-
Gain on sale of right to duty refunds	\$	-	\$	(2.6)	\$	-	\$	(15.2)	\$	-
Adjusted EBITDA from continuing operations*	\$	(3.9)	\$	(7.0)	\$	(5.0)	\$	(24.0)	\$	32.4

Notes:

- (1) Unless otherwise noted, financial information reflects results of continuing operations.
- (2) Source: Bank of Canada, www.bankofcanada.ca.
- (3) Source: Random Lengths Publications Inc.
- (4) Conifex's EBITDA calculation represents earnings before finance costs, taxes, depreciation and amortization.

*Adjusted EBITDA is calculated to exclude unusual items or items that are not ongoing and do not reflect ongoing operations of Conifex. Conifex's adjusted EBITDA calculation excludes gains or losses resulting from foreign exchange translation gains or losses on long-term debt, restructuring costs, proceeds from insurance claims, and gains on sale of assets and our sale of duties. Conifex discloses EBITDA and adjusted EBITDA as they are measures used by analysts and by Conifex's management to evaluate Conifex's performance. As EBITDA and adjusted EBITDA are non-GAAP measures, they may not be comparable to EBITDA and adjusted EBITDA calculated by others and are not a substitute for net earnings.

Outlook

We are optimistic that the reduction in lumber shipments from production curtailments from a number of BC lumber producers in 2019, coupled with more normal demand as evidenced by early indications of a strong spring building season, will result in more balanced lumber markets. Provided housing and lumber demand remain relatively stable, we expect some improvement in average lumber prices year-over-year. We continue to believe that the factors that shape the mid-term demand for lumber are solid.

We expect our Mackenzie Mill to achieve annualized operating rates approaching 80% in 2020 and an improvement in operating costs in the second half of the year due to the planned implementation of additional operating hours, lower log costs from the reset of stumpage calculations in July and a more robust harvesting program which is expected to decrease unit fixed costs, and a reduction in softwood lumber duty rates in the third quarter. We expect our Mackenzie power plant to continue to provide a steady diversified source of cash flow and anticipate a dispatch period similar to 2019. We expect a material reduction in corporate costs as we align our resources with our smaller and more geographically focused operations. As a result of the divestment of our US sawmill business and our FSJ Mill, coupled with the integrated nature of our operations at Mackenzie, we plan to report one operating segment commencing in the first quarter of 2020.

Conifex also announced today that Yuri Lewis, Chief Financial Officer, will be retiring effective March 31, 2020. Yuri started at Conifex in June 2010 after a long career with a private lumber distribution company. We sincerely thank Yuri for her many contributions to Conifex over the years and wish her the best in her retirement. Jordan Neeser, Vice President of Finance, will be appointed to the role of Chief Financial Officer effective April 1, 2020.

Conference Call

We will hold a conference on Wednesday, March 11, 2020 at 7:00 AM Pacific time / 10:00 AM Eastern time to discuss the fourth quarter financial and operating results. To participate in the call, please dial 416-340-2219 or toll free 800-478-9326. The call will also be available on instant replay access until April 11, 2020 by dialling 905-694-9451 or 800-408-3053 and entering participant pass code 2408165#.

Our management's discussion and analysis and financial statements for the year ended December 31, 2019 will be available under the Company's profile on SEDAR at www.sedar.com.

For further information, please contact:

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About Conifex Timber Inc.

Conifex and its subsidiaries' primary business currently includes timber harvesting, reforestation, forest management, sawmilling logs into lumber and wood chips, and value added lumber finishing and distribution. Conifex's lumber products are sold in the United States, Chinese, Canadian and Japanese markets. Conifex has expanded its operations to include bioenergy production following the commencement of commercial operations of its power generation facility at Mackenzie, British Columbia.

Forward-Looking Statements

Certain statements in this news release may constitute "forward-looking statements". Forward-looking statements are statements that address or discuss activities, events or developments that the Company expects or anticipates may occur in the future. When used in this news release, words such as "estimates", "expects", "plans", "anticipates", "projects", "will", "believes", "intends" "should", "could", "may" and other similar terminology are intended to identify such forward-looking statements. Forward-looking statements reflect the current expectations and beliefs of the Company's management. Because forward-looking statements involve known and unknown risks, uncertainties and other factors, actual results, performance or achievements of the Company or industry may be materially different from those implied by such forward-looking statements. Examples of such forward-looking information that may be contained in this news release include statements regarding: growth and future prospects of our business; our perceptions of the industry and markets in which we operate and anticipated trends in such markets and in the countries in which we do business; planned capital expenditures and benefits that may accrue to the Company as a result of capital expenditure programs; U.S. benchmark lumber prices; unit cash conversion costs; the Company's net debt to capitalization ratio; the Company's expectations regarding the operation of the Mackenzie Power Plant; the Company's expectations regarding improvements in bioenergy segment revenues; and our expectations for U.S. dollar benchmark prices. Material factors or assumptions that were applied in drawing a conclusion or making an estimate set out in the forward-looking statements may include, but are not limited to, our future debt levels; that we will complete our projects in the expected timeframes and as budgeted; that we will effectively market our products; that capital expenditure levels will be consistent with those estimated by our management that the US housing market will continue to improve; that there will be no unforeseen disruptions affecting the operation of our power generation plant and that we will be able to continue to deliver power therefrom; our ability to obtain financing on acceptable terms, or at all; that interest and foreign exchange rates will not vary materially from current levels; the general health of the capital markets and the lumber industry; and the general stability of the economic environments within the countries in which we operate or do business. Forward-looking statements involve significant uncertainties, should not be read as a guarantee of future performance or results, and will not necessarily be an accurate indication of whether or not such results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including, without limitation: those relating to potential disruptions to production and delivery, including as a result of equipment failures, labour issues, the complex integration of processes and equipment and other factors; labour relations; failure to meet regulatory requirements; changes in the market; potential downturns in economic conditions; fluctuations in the price and supply of required materials, including log costs; fluctuations in the market price for products sold; foreign exchange fluctuations; trade restrictions or import duties imposed by foreign governments; availability of financing (as necessary); shipping or logging disruptions; and other risk factors described in the Company's 2018 annual information form, available on SEDAR at www.sedar.com. These risks, as well as others, could cause actual results and events to vary significantly. Accordingly, readers should exercise caution in relying upon forward-looking statements and the Company undertakes no obligation to publicly revise them to reflect subsequent events or circumstances, except as required by law.

Reconciliation of Operating Income to Adjusted EBITDA – Continuing Operations

	Q4 2019	Q3 2019	Q4 2018	YTD 2019	YTD 2018
Lumber Segment					
(millions of dollars, unaudited)					
Sales – Lumber – Conifex produced	18.0	16.2	50.7	106.2	284.0
– Lumber – wholesale	-	0.2	10.2	15.6	38.2
– By-products	<u>1.7</u>	<u>1.4</u>	<u>7.1</u>	<u>9.8</u>	<u>30.1</u>
Total Sales	<u>19.7</u>	<u>17.8</u>	<u>68.0</u>	<u>131.9</u>	<u>352.3</u>
Adjusted EBITDA	(7.6)	(7.8)	(5.6)	(31.7)	29.0
Restructuring costs	2.2	-	-	2.2	-
Amortization and other	<u>3.1</u>	<u>0.8</u>	<u>2.7</u>	<u>7.5</u>	<u>9.9</u>
Operating income (loss)	<u>(12.9)</u>	<u>(8.6)</u>	<u>(8.3)</u>	<u>(41.4)</u>	<u>19.1</u>
	Q4 2019	Q2 2019	Q4 2018	YTD 2019	YTD 2018
(millions of dollars, other than statistical information, unaudited)					
Bioenergy Segment					
Electricity sales under EPA - GWh	55.1	53.1	54.6	211.0	211.3
Electricity revenues	8.0	5.1	8.0	25.8	26.8
EBITDA	5.0	2.7	4.7	13.9	14.1
Amortization	<u>1.8</u>	<u>0.9</u>	<u>1.7</u>	<u>5.3</u>	<u>5.0</u>
Operating income	<u>3.2</u>	<u>1.8</u>	<u>3.0</u>	<u>8.6</u>	<u>9.2</u>