

Investors, analysts and other interested parties may access Acadian Timber Corp.'s 2023 First Quarter Results conference call and webcast on Thursday, May 4, 2023 at 1:00PM ET. Please register [here](#) or follow the link on our website at www.acadiantimber.com/presentations_and_webcasts, to receive your unique PIN. For those unable to participate, a recorded rebroadcast will be available until 4:00PM ET May 4, 2024.

ACADIAN TIMBER CORP. REPORTS FIRST QUARTER RESULTS

Edmundston, NEW BRUNSWICK – May 3, 2023 – Acadian Timber Corp. (“Acadian” or the “Company”) (TSX:ADN) today reported financial and operating results¹ for the three months ended March 25, 2023 (the “first quarter”).

“Regional demand and pricing for both sawlogs and pulpwood remained strong during the first quarter of 2023, but limited contractor availability and an unusually warm winter in Maine resulted in reduced harvest levels and deliveries to customers,” commented Adam Sheparsi, President and Chief Executive Officer. “Our team is focused on increasing contractor capacity, which we expect will allow us to harvest additional volumes over the course of the rest of the year.”

Acadian generated \$3.7 million of Free Cash Flow during the first quarter and declared dividends of \$4.9 million to shareholders. Acadian’s balance sheet remains solid with \$17.2 million of net liquidity as at March 25, 2023, which includes funds available under our credit facilities.

Acadian is committed to health and safety as our number one priority. We believe that emphasizing and achieving good safety performance is a leading indicator of success in the broader business. Acadian’s operations experienced one recordable safety incident during the quarter among employees and none among contractors. The individual has made a full recovery and has returned to work. We remain committed to maintaining a culture across the organization that emphasizes the importance of strong safety performance.

¹ This news release makes reference to Adjusted EBITDA, Adjusted EBITDA margin, Free Cash Flow and Payout Ratios which are key performance measures in evaluating Acadian’s operations and are important in enhancing investors’ understanding of the Company’s operating performance. Adjusted EBITDA and Adjusted EBITDA margin are indicative of the underlying profitability of Acadian’s operating segments and are used to evaluate operational performance. Free Cash Flow is used to evaluate Acadian’s ability to generate sustainable cash flows from our operations while Payout Ratios are used to evaluate Acadian’s ability to fund its distribution using Free Cash Flow. Acadian’s management defines Adjusted EBITDA as net income before interest, income taxes, fair value adjustments, recovery of or impairment of land and roads and depreciation and amortization, and “Adjusted EBITDA margin” as Adjusted EBITDA as a percentage of Acadian’s sales. Free Cash Flow is defined as Adjusted EBITDA less interest paid, current income tax expense, and capital expenditures plus net proceeds from the sale of timberlands and other fixed assets (proceeds less gains or losses). Reference made to “Payout Ratio” is defined as dividends declared divided by Free Cash Flow, and Payout Ratio with DRIP is defined as dividends paid in cash divided by Free Cash Flow. We have provided in this news release reconciliations of net income, as determined in accordance with International Financial Reporting Standards (“IFRS”), to Adjusted EBITDA and Free Cash Flow. Reference is also made to net liquidity which includes cash and funds available under credit facilities less amounts reserved to support the minimum cash balance related to long-term debt. As these measures do not have standardized meanings prescribed by IFRS, they may not be comparable to similar measures presented by other companies. Please refer to Management’s Discussion and Analysis for further details.

Review of Operations

Financial and Operating Highlights

<i>(CAD thousands, except per share information)</i>	March 25, 2023	March 26, 2022
Sales volume (000s m ³)	205.2	301.2
Sales	\$ 22,362	\$ 26,631
Operating income	5,304	6,838
Net income	5,621	4,158
Adjusted EBITDA	\$ 5,601	\$ 6,909
Adjusted EBITDA margin	25%	26%
Free Cash Flow	\$ 3,723	\$ 5,014
Dividends declared	4,918	4,839
Dividends paid in cash	3,721	4,839
Payout Ratio	132%	97%
Payout Ratio with DRIP	100%	n/a
Per share – basic and diluted		
Net income	\$ 0.33	\$ 0.25
Free Cash Flow	0.22	0.30
Dividends declared	0.29	0.29

During the first quarter, Acadian generated sales of \$22.4 million, compared to \$26.6 million in the prior year period. The weighted average selling price, excluding biomass, increased 15% year-over-year benefiting from strong sawlog prices and improved pulpwood prices, driven by strong demand. Sales volume, excluding biomass, decreased 37% primarily due to limited contractor availability and unfavourable weather conditions in Maine. Biomass sales volume increased 23% due to favourable market conditions.

Operating costs and expenses were \$17.1 million during the first quarter, compared to \$19.8 million during the prior year period. This year-over-year decrease reflects lower harvesting activity and lower land management costs, partially offset by increased timber services in New Brunswick. Weighted average variable costs, excluding biomass, increased 14% over the prior year period as a result of higher contractor costs during the first quarter of 2023.

Adjusted EBITDA was \$5.6 million during the first quarter compared to \$6.9 million in the prior year period. Adjusted EBITDA margin for the quarter was 25% compared to 26% in the prior year period. Free Cash Flow was \$3.7 million, \$1.3 million lower than the same period in the prior year.

Net income for the first quarter totaled \$5.6 million, or \$0.33 per share, compared to \$4.2 million, or \$0.25 per share, in the same period of 2022. The increase in net income was primarily due to higher fair value adjustments and higher gains on sale of timberlands and other fixed assets, partially offset by lower operating income due to decreased harvesting activity, as compared to the prior year period.

Segment Performance

New Brunswick Timberlands

The table below summarizes operating and financial results for New Brunswick Timberlands for the first quarter.

<i>Three Months Ended March 25, 2023</i>				
<i>(CAD thousands)</i>	Harvest (000s m ³)	Sales (000s m ³)	Sales Mix	Results
Softwood	86.9	85.1	55%	\$ 6,248
Hardwood	62.2	44.2	28%	4,861
Biomass	25.8	25.8	17%	1,310
	174.9	155.1	100%	12,419
Timber services and other sales				5,488
Sales				\$ 17,907
Adjusted EBITDA				\$ 4,883
Adjusted EBITDA margin				27%
<i>Three Months Ended March 26, 2022</i>				
<i>(CAD thousands)</i>	Harvest (000s m ³)	Sales (000s m ³)	Sales Mix	Results
Softwood	128.1	125.6	62%	\$ 8,174
Hardwood	68.2	51.8	25%	4,505
Biomass	26.0	26.0	13%	1,156
	222.3	203.4	100%	13,835
Timber services and other sales				4,174
Sales				\$ 18,009
Adjusted EBITDA				\$ 4,668
Adjusted EBITDA margin				26%

Sales for New Brunswick Timberlands were \$17.9 million compared to \$18.0 million during the prior year period. Sales volume, excluding biomass, decreased by 27%. Softwood sawlog and softwood pulpwood sales volumes decreased by 38% and 8%, respectively, primarily due to reduced trucking capacity. Hardwood sawlog sales volumes increased 3% as a result of merchandising improvements. Hardwood pulpwood sales volumes decreased 20%, also due to reduced trucking capacity. Biomass sales volume remained consistent with the same period in the prior year.

The weighted average selling price, excluding biomass, for the first quarter was \$85.96 per m³, or 20% higher than the prior year period, as a result of strong sawlog and pulpwood pricing, and biomass pricing was up 14% year-over-year, all driven by strong demand.

Operating costs and expenses were \$13.3 million during the first quarter, compared to \$13.4 million in the prior year period primarily due to lower harvesting activity partially offset by higher timber services activity and increased weighted average variable costs. Weighted average variable costs, excluding biomass, increased 19% as a result of higher contractor costs compared to the prior year period.

Adjusted EBITDA for the quarter was \$4.9 million compared to \$4.7 million during the prior year period and Adjusted EBITDA margin was 27% compared to 26% in the prior year period. The Adjusted EBITDA increase was mainly the result of higher timber services activity.

Maine Timberlands

The table below summarizes operating and financial results for Maine Timberlands for the first quarter.

<i>Three Months Ended March 25, 2023</i>				
<i>(CAD thousands)</i>	Harvest (000s m ³)	Sales (000s m ³)	Sales Mix	Results
Softwood	29.3	28.2	56%	\$ 2,636
Hardwood	15.5	15.4	31%	1,551
Biomass	6.5	6.5	13%	60
	51.3	50.1	100%	4,247
Other sales				208
Sales				\$ 4,455
Adjusted EBITDA				\$ 1,099
Adjusted EBITDA margin				25%
<i>Three Months Ended March 26, 2022</i>				
<i>(CAD thousands)</i>	Harvest (000s m ³)	Sales (000s m ³)	Sales Mix	Results
Softwood	77.1	76.9	79%	\$ 6,787
Hardwood	22.3	20.7	21%	1,726
Biomass	0.2	0.2	0%	4
	99.6	97.8	100%	8,517
Other sales				105
Sales				\$ 8,622
Adjusted EBITDA				\$ 2,752
Adjusted EBITDA margin				32%

Sales for Maine Timberlands during the first quarter totaled \$4.5 million compared to \$8.6 million in the prior year period. Sales volume, excluding biomass, decreased 55% reflecting reduced contractor availability and unfavourable weather conditions.

The weighted average selling price, excluding biomass, in Canadian dollar terms was \$96.05 per m³, compared to \$87.29 per m³ during the same period of 2022. In U.S. dollar terms, the weighted average selling price, excluding biomass, was \$70.76 per m³, compared to \$68.86 per m³ in 2022 with higher sawlog and pulpwood prices benefiting from favourable market dynamics.

Operating costs and expenses for the first quarter were \$3.4 million, compared to \$5.9 million during the same period in 2022, primarily due to lower harvesting activity. Weighted average variable costs, excluding biomass, increased 10% in Canadian dollar terms as a result of higher contractor costs and a weaker Canadian dollar.

Adjusted EBITDA for the quarter was \$1.1 million compared to \$2.8 million during the prior year period and Adjusted EBITDA margin was 25% compared to 32% in the prior year period.

Outlook

We remain confident that the stability of the northeastern forestry sector, combined with the long-term demand for new homes and repair and remodel activity, will support the demand for our products. Consensus forecast for U.S. housing starts remains consistent with pre-pandemic levels at approximately 1.24 million starts in 2023. However, we note that inflation concerns persist and U.S. interest rates continue to increase, which has put near-term pressure on end use markets.

Labour shortages throughout the region are expected to continue limiting logging and trucking contractor capacity. The impact of limited contractor capacity on our financial results is being compounded by inflation, through elevated contractor rates and fuel surcharges. The industry in general, and Acadian in particular, is working to recruit and train additional contractors. This will be a long-term initiative, the results of which should start to show later this year.

Because demand for Acadian’s sawlogs is mainly driven by regional supply and demand, the stable demand and pricing regime experienced in the first quarter of 2023 are expected to continue as we progress through the year. Specifically, despite recent weakness in both softwood and hardwood lumber pricing, both softwood and hardwood sawtimber prices are expected to remain stable. Regional inventories of hardwood pulpwood are slowly building, but markets are expected to remain stable in the near term. Softwood pulpwood markets are expected to remain at the improved levels experienced in 2022.

Quarterly Dividend

Based on a strong balance sheet and outlook for the remainder of the year, Acadian is pleased to announce a dividend of \$0.29 per share, payable on July 15, 2023 to shareholders of record on June 30, 2023.

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Acadian Timber Corp. is one of the largest timberland owners in Eastern Canada and the Northeastern U.S. and has a total of approximately 2.4 million acres of land under management. Acadian owns and manages approximately 761,000 acres of freehold timberlands in New Brunswick, approximately 300,000 acres of freehold timberlands in Maine and provides timber services relating to approximately 1.3 million acres of Crown licensed timberlands in New Brunswick. Acadian’s products include softwood and hardwood sawlogs, pulpwood and biomass by-products, sold to approximately 90 regional customers.

Acadian’s business strategy is to maximize cash flows from its existing timberland assets through sustainable forest management and other land use activities while growing its business by acquiring assets and actively managing these assets to drive improved performance.

Acadian’s shares are listed for trading on the Toronto Stock Exchange under the symbol ADN.

For further information, please visit our website at www.acadiantimber.com or contact:

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Cautionary Statement Regarding Forward-Looking Information and Statements

This News Release contains forward-looking information and statements within the meaning of applicable Canadian securities laws that involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of Acadian Timber Corp. and its subsidiaries (collectively, "Acadian"), or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Forward-looking information is included in this News Release and includes statements made in the section entitled "Outlook," and without limitation other statements regarding management's beliefs, intentions, results, performance, goals, achievements, future events, plans and objectives, business strategy, growth strategy and prospects, access to capital, liquidity and trading volumes, dividends, taxes, capital expenditures, projected costs, market trends and similar statements concerning anticipated future events, results, achievements, circumstances, performance or expectations that are not historical facts. All forward-looking statements in this News Release are qualified by these cautionary statements. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, should not be unduly relied upon, and will not necessarily be accurate indications of whether or not such results will be achieved. Actual results may vary. These forward-looking statements include, but are not limited to:

- Expectations regarding product demand and end use markets, including expectations for U.S. housing starts, which may be impacted by changes in interest rates, U.S. population demographics and the inventory of homes for sale. Expectations regarding product demand are based on anticipated market conditions, anticipated regional inventory levels of key customers, and the economic situation of key customers. Estimates for U.S. housing starts are based on forecasts published by major financial institutions.*
- Expectations regarding future contractor availability, which may be impacted by regional supply of trained contractors and changes in the demographics of the available workforce.*

Other risks and factors are discussed under the heading "Risk Factors" in the Annual Report dated February 8, 2023, and in the Annual Information Form dated March 24, 2023 and other filings of Acadian made with securities regulatory authorities, which are available on SEDAR at www.sedar.com. Forward-looking information is based on various material factors or assumptions, which are based on information currently available to Acadian. Readers are cautioned that the preceding list of material factors or assumptions is not exhaustive. Although the forward-looking statements contained in this News Release are based upon what management believes are reasonable assumptions, Acadian cannot assure readers that actual results will be consistent with these forward-looking statements. The forward-looking statements in this News Release are made as of the date of this News Release based on information currently available to management and should not be relied upon as representing Acadian's views as of any date subsequent to the date of this News Release. Acadian assumes no obligation to update or revise these forward-looking statements to reflect new information, events, circumstances or otherwise, except as may be required by applicable law.

Acadian Timber Corp.
Interim Condensed Consolidated Balance Sheets

(unaudited)

<i>As at</i> <i>(CAD thousands)</i>	March 25, 2023	December 31, 2022
Assets		
Current assets		
Cash	\$ 3,751	\$ 6,230
Accounts receivable and other assets	10,280	8,265
Inventory	3,750	1,850
	17,781	16,345
Timber	442,244	437,365
Land, roads, and other fixed assets	88,587	87,986
Intangible asset	6,140	6,140
Total assets	\$ 554,752	\$ 547,836
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities	\$ 11,022	\$ 11,206
Current income taxes payable	690	20
Dividends payable to shareholders	4,918	4,897
	16,630	16,123
Long-term debt	109,720	107,937
Deferred income tax liabilities, net	121,920	120,053
Total liabilities	248,270	244,113
Shareholders' equity	306,482	303,723
Total liabilities and shareholders' equity	\$ 554,752	\$ 547,836

Acadian Timber Corp.
Interim Condensed Consolidated Statements of Net Income

(unaudited)

<i>Three Months Ended</i> <i>(CAD thousands, except per share data)</i>	March 25, 2023	March 26, 2022
Sales	\$ 22,362	\$ 26,631
Operating costs and expenses		
Cost of sales	15,126	17,669
Selling, administration and other	1,858	2,066
Silviculture	1	1
Depreciation and amortization	73	57
	17,058	19,793
Operating income	5,304	6,838
Interest expense, net	(809)	(737)
Other items		
Fair value adjustments and other	3,183	(272)
Gain on sale of timberlands and other fixed assets	224	14
Income before income taxes	7,902	5,843
Income tax expense	(2,281)	(1,685)
Net income	\$ 5,621	\$ 4,158
Net income per share – basic and diluted	\$ 0.33	\$ 0.25

Acadian Timber Corp.
Interim Condensed Consolidated Statements of Comprehensive Income

(unaudited)

<i>Three Months Ended</i> <i>(CAD thousands)</i>	March 25, 2023	March 26, 2022
Net income	\$ 5,621	\$ 4,158
Other comprehensive income / (loss)		
Items that may be reclassified subsequently to net income:		
Unrealized foreign currency translation gain / (loss)	859	(553)
Comprehensive income	\$ 6,480	\$ 3,605

Acadian Timber Corp.
Interim Condensed Consolidated Statements of Cash Flows

(unaudited)

<i>Three Months Ended</i> <i>(CAD thousands)</i>	March 25, 2023	March 26, 2022
Cash provided by (used for):		
Operating activities		
Net income	\$ 5,621	\$ 4,158
Adjustments to net income:		
Income tax expense	2,281	1,685
Depreciation and amortization	73	57
Fair value adjustments and other	(3,183)	272
Gain on sale of timberlands and other fixed assets	(224)	(14)
Income taxes paid	(395)	(336)
Net change in non-cash working capital balances and other	(3,130)	(1,199)
	1,043	4,623
Financing activities		
Dividends paid to shareholders	(3,721)	(4,839)
Investing activities		
Additions to timber, land, roads, and other fixed assets	(31)	(64)
Proceeds from sale of timberlands and other fixed assets	230	14
	199	(50)
Decrease in cash during the period	(2,479)	(266)
Cash, beginning of period	6,230	7,316
Cash, end of period	\$ 3,751	\$ 7,050

Acadian Timber Corp.
Reconciliations to Adjusted EBITDA and Free Cash Flow

(unaudited)

<i>(CAD thousands)</i>	March 25, 2023	March 26, 2022
Net income	\$ 5,621	\$ 4,158
Add / (deduct):		
Interest expense, net	809	737
Income tax expense	2,281	1,685
Depreciation and amortization	73	57
Fair value adjustments and other	(3,183)	272
Adjusted EBITDA	\$ 5,601	\$ 6,909
Add / (deduct):		
Interest paid on debt, net	(779)	(708)
Additions to timber, land, roads, and other fixed assets	(31)	(64)
Gain on sale of timberlands and other fixed assets	(224)	(14)
Proceeds from sale of timberlands and other fixed assets	230	14
Current income tax expense	(1,074)	(1,123)
Free Cash Flow	\$ 3,723	\$ 5,014
Dividends declared	\$ 4,918	\$ 4,839
Dividends paid in cash	\$ 3,721	\$ 4,839
Payout Ratio	132%	97%
Payout Ratio with DRIP	100%	n/a