

Investors, analysts and other interested parties can access Acadian Timber Corp.'s 2020 Fourth Quarter Results via conference call or webcast on Thursday, February 11, 2021 at 1:00PM ET, please dial 1-866-795-3013 toll free in North America (Canada and the USA), or for overseas calls, please dial 1-409-937-8907 (Conference ID 4656522) at approximately 12:50PM ET. For those unable to participate, a taped rebroadcast will be available until 4:00PM ET March 13, 2021. To access this rebroadcast, please dial 1-855-859-2056 or 1-404-537-3406 (Conference ID 4656522).

ACADIAN TIMBER CORP. REPORTS FOURTH QUARTER AND YEAR-END RESULTS

All figures in Canadian dollars unless otherwise noted

Edmundston, NEW BRUNSWICK – February 10, 2021 – Acadian Timber Corp. (“Acadian” or the “Company”) (TSX:ADN) today reported financial and operating results¹ for the three months and full year ended December 31, 2020.

“Acadian performed well and generated solid results for the year ended December 31, 2020, despite the global pandemic, elevated regional pulpwood inventories and adverse weather events experienced throughout the year. The Company responded to these challenges while protecting margins and growing its customer base,” commented Erika Reilly, Chief Executive Officer. “As we look forward to the year ahead, we are encouraged by the outlook for the end use markets of our key products, and will be focused on continuing to merchandise our products to maximize value while seeking growth and further cost savings opportunities.”

Adjusted EBITDA for the year ended December 31, 2020 was \$21.5 million, compared to \$23.6 million in the prior year, while Adjusted EBITDA margin remained consistent with the prior year at 24%. Low pulpwood sales combined with lower gains on timberland sales were partially offset by lower overall costs and strong softwood sawlogs sales from the New Brunswick operation. Free Cash Flow was \$15.2 million compared to \$18.7 million in 2019.

Acadian declared dividends of \$19.4 million or \$1.16 per share to our shareholders during the year.

Acadian’s balance sheet remains solid with the refinancing of Acadian’s long-term debt complete and \$22.8 million of net liquidity as at December 31, 2020, which includes funds available under our credit facilities.

¹ This news release makes reference to Adjusted EBITDA, Adjusted EBITDA margin, Free Cash Flow and Payout Ratio which are key performance measures in evaluating Acadian’s operations and are important in enhancing investors’ understanding of Acadian’s operating performance. Adjusted EBITDA and Adjusted EBITDA margin 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 the Payout Ratio is used to evaluate Acadian’s ability to fund its distribution using Free Cash Flow. Acadian’s management defines Adjusted EBITDA as earnings before interest, taxes, fair value adjustments, recovery of or impairment of land and roads, realized gain/loss on sale of roads and other fixed assets, unrealized exchange gain/loss on debt, depreciation and amortization and Adjusted EBITDA margin as Adjusted EBITDA as a percentage of its total revenue. 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 fixed assets (selling price less gains or losses included in Adjusted EBITDA). Payout Ratio is defined as dividends declared divided by Free Cash Flow. As these performance measures do not have standardized meanings prescribed by International Financial Reporting Standards (“IFRS”), they may not be comparable to similar measures presented by other companies. As a result, we have provided in this news release reconciliations of net income, as determined in accordance with IFRS, to Adjusted EBITDA, Adjusted EBITDA margin and Free Cash Flow.

Review of Operations

Financial and Operating Highlights

<i>(CAD thousands)</i>	Three Months Ended		Year Ended	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Sales volume (000s m ³)	321.2	339.4	1,138.1	1,251.1
Sales	\$ 24,929	\$ 25,835	\$ 91,031	\$ 100,048
Operating earnings	6,838	6,296	20,829	22,233
Net income / (loss)	15,314	16,228	22,080	17,325
Adjusted EBITDA	\$ 7,288	\$ 6,586	\$ 21,485	\$ 23,604
Adjusted EBITDA margin	29%	25%	24%	24%
Free Cash Flow	\$ 5,648	\$ 5,296	\$ 15,153	\$ 18,722
Dividends declared	4,839	4,839	19,357	19,358
Payout ratio	86%	91%	128%	103%
Per share – basic and diluted				
Net income	\$ 0.92	\$ 0.97	\$ 1.32	\$ 1.04
Free Cash Flow	0.34	0.32	0.91	1.12
Dividends declared	0.29	0.29	1.16	1.16

Acadian generated sales of \$91.0 million, compared to \$100.0 million in the prior year. Sales volume, excluding biomass, decreased 10% mostly due to lower hardwood and softwood pulpwood sales. Acadian's weighted average selling price, excluding biomass, was flat year-over-year with a higher value product mix offset by lower value sawlogs sold in 2020.

Operating costs and expenses were \$70.2 million during 2020, compared to \$77.8 million in the prior year due to lower harvesting activity and administrative costs. Weighted average variable costs, excluding biomass, were flat year-over-year.

Adjusted EBITDA for the year ended December 31, 2020 was \$21.5 million, compared to \$23.6 million in the prior year, while Adjusted EBITDA margin remained consistent with the prior year at 24%.

Net Income for the year ended December 31, 2020 totaled \$22.1 million, or \$1.32 per share, compared to net income of \$17.3 million, or \$1.04 per share, in 2019. The variance from the prior year is primarily due to the termination fee paid to Brookfield in 2019 which, after income tax, reduced net income by \$12.8 million or \$0.77 per share. Net income was also impacted by a combination of non-cash items such as unrealized foreign exchange on long-term debt and fair value adjustments in 2020 compared to 2019.

Segment Performance

New Brunswick Timberlands

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

	Three Months Ended December 31, 2020				Three Months Ended December 31, 2019			
	Harvest (000s m ³)	Sales (000s m ³)	Sales Mix	Results (\$000s)	Harvest (000s m ³)	Sales (000s m ³)	Sales Mix	Results (\$000s)
Softwood	131.1	126.1	51%	\$ 7,846	104.3	108.5	43%	\$ 6,207
Hardwood	81.7	84.2	34%	6,323	109.3	97.1	39%	7,325
Biomass	39.3	39.3	15%	871	44.6	44.6	18%	1,352
	252.1	249.6	100%	15,040	258.2	250.2	100%	14,884
Timber services and other				4,289				3,921
Sales				\$ 19,329				\$ 18,805
Adjusted EBITDA				\$ 6,481				\$ 5,211
Adjusted EBITDA margin				34%				28%

	Year ended December 31, 2020				Year ended December 31, 2019			
	Harvest (000s m ³)	Sales (000s m ³)	Sales Mix	Results (\$000s)	Harvest (000s m ³)	Sales (000s m ³)	Sales Mix	Results (\$000s)
Softwood	413.6	410.3	48%	\$ 24,034	395.7	411.8	44%	\$ 24,024
Hardwood	293.2	307.5	36%	23,585	373.6	371.1	40%	28,174
Biomass	142.5	142.5	16%	4,181	143.6	143.6	16%	4,906
	849.3	860.3	100%	51,770	912.9	926.5	100%	57,104
Timber services and other				16,763				17,068
Sales				\$ 68,533				\$ 74,172
Adjusted EBITDA				\$ 18,382				\$ 18,599
Adjusted EBITDA margin				27%				25%

Sales for New Brunswick Timberlands totaled \$68.5 million, compared to \$74.2 million in 2019. Sales volume, excluding biomass, decreased 8% primarily due to lower hardwood and softwood pulpwood sales, partially offset by higher softwood sawlogs sales. While demand for our softwood sawlogs increased due to a strong softwood lumber market, demand for our hardwood and softwood pulpwood was lower compared to 2019. Biomass sales volume remained relatively stable, and revenues from timber services and other sales decreased 2% due to slightly lower operating activity than in the prior year.

The weighted average selling price, excluding biomass, during the year was \$66.34 per m³, flat year-over-year due to a favourable product mix on softwood, partially offset by lower hardwood pulpwood volumes and price compared to the prior year.

Operating costs and expenses were \$50.3 million during 2020, compared to \$56.2 million in the prior year due to lower harvesting activity and costs. Weighted average variable costs, excluding biomass, decreased 3% due to lower hardwood deliveries and less log processing compared to the prior year.

Adjusted EBITDA for the year ended December 31, 2020 was \$18.4 million, compared to \$18.6 million in the prior year, reflecting the strong softwood sawlogs sales and lower costs, offset by the lower hardwood pulpwood sales and \$0.5 million gain on the sale of timberlands in 2019. The Adjusted EBITDA margin for the year increased to 27% from 25% in the prior year.

There was one recordable safety incident among employees and no incidents among contractors during the fourth quarter.

Maine Timberlands

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

	Three Months Ended December 31, 2020				Three Months Ended December 31, 2019			
	Harvest (000s m ³)	Sales (000s m ³)	Sales Mix	Results (\$000s)	Harvest (000s m ³)	Sales (000s m ³)	Sales Mix	Results (\$000s)
Softwood	45.0	45.0	63%	\$ 3,231	71.1	71.0	80%	\$ 5,325
Hardwood	26.2	26.2	37%	2,173	17.9	18.2	20%	1,532
Biomass	0.4	0.4	0%	5	—	—	—	—
	71.6	71.6	100%	5,409	89.0	89.2	100%	6,857
Other sales				191				173
Sales				\$ 5,600				\$ 7,030
Adjusted EBITDA				\$ 1,346				\$ 2,119
Adjusted EBITDA margin				24%				30%

	Year Ended December 31, 2020				Year Ended December 31, 2019			
	Harvest (000s m ³)	Sales (000s m ³)	Sales Mix	Results (\$000s)	Harvest (000s m ³)	Sales (000s m ³)	Sales Mix	Results (\$000s)
Softwood	185.9	186.0	67%	\$ 14,037	234.2	234.3	72%	\$ 17,796
Hardwood	95.7	91.2	33%	7,838	86.6	86.5	27%	7,426
Biomass	0.6	0.6	0%	9	3.8	3.8	1%	12
	282.2	277.8	100%	21,884	324.6	324.6	100%	25,234
Other sales				614				642
Sales				\$ 22,498				\$ 25,876
Adjusted EBITDA				\$ 5,304				\$ 6,713
Adjusted EBITDA margin				24%				26%

Sales for our Maine Timberlands were \$22.5 million compared to \$25.9 million in 2019. Sales volume, excluding biomass, decreased by 14% as customers were slow to take softwood pulpwood deliveries due to continued high inventories in the region and softwood sawlog sales were impacted by unfavourable operating conditions during the fourth quarter.

The weighted average selling price, excluding biomass, in Canadian dollar terms was \$78.90 per m³, compared to \$78.62 per m³ in 2019. In U.S dollar terms, the weighted average selling price, excluding biomass, was \$59.13 per m³, flat year-over-year due to a favourable product mix overall offset by lower quality sawlogs in the mix.

Operating costs and expenses for 2020 were \$17.7 million, compared to \$19.9 million in 2019 primarily due to lower harvesting activity and administrative costs. Weighted average variable costs, excluding biomass, were higher due primarily to more hardwood in the mix and longer hauling distances to market.

Adjusted EBITDA for the year ended December 31, 2020 was \$5.3 million compared to \$6.7 million in the prior year and adjusted EBITDA margin was 24% compared to 26% in 2019. Lower adjusted EBITDA was primarily the result of lower sales volumes and \$0.6 million gain on the sale of timberlands in 2019.

There were no recordable safety incidents among employees or contractors during the fourth quarter.

Market Outlook

The outlook for Acadian’s softwood and hardwood sawlog sales is positive with end use markets showing strength as we head into 2021. Markets for pulpwood and biomass are mixed.

North American softwood lumber consumption is expected to remain strong, with sustained demand from repair and remodeling activity and increased demand from new home construction. Consensus forecast is for approximately 1.44 million U.S. housing starts in 2021 as compared to 1.38 million in 2020. Low interest rates, a large U.S. population entering their home buying years, and a low inventory of homes for sale are key drivers supporting this growth. With this backdrop, Acadian’s softwood sawmill customers are expected to continue to operate at full capacity, providing steady demand for our softwood sawlogs.

End use markets for hardwood lumber are strengthening while hardwood sawlog availability regionally is limited given the heavy focus on cutting softwoods instead of hardwoods. Acadian expects to realize continued strong demand for its hardwood sawlogs as we enter 2021 and to benefit from new customer relationships developed in 2020.

Demand for Acadian’s hardwood pulpwood is improving with increasing customer confidence and market demand for hardwood pulp. We remain cautiously optimistic that this improvement will be sustained through 2021. Meanwhile, markets for softwood pulpwood are expected to remain challenged given elevated regional inventories of both softwood pulpwood and sawmill residuals.

Demand for biomass from Acadian’s New Brunswick operation, which is mostly hardwood, continues to be steady, with several new customer relationships developed in 2020.

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 April 15, 2021 to shareholders of record on March 31, 2021.

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Acadian Timber Corp. (“Acadian”, the “Company” or “we”) is a leading supplier of primary forest products in Eastern Canada and the Northeastern U.S. With a total of approximately 2.4 million acres of land under management, Acadian is one of the largest timberland operators in New Brunswick and Maine.

Acadian owns and manages approximately 761,000 acres of freehold timberlands in New Brunswick (“New Brunswick Timberlands” or “NB Timberlands”), approximately 300,000 acres of freehold timberlands in Maine (“Maine Timberlands”) 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 while growing our business by acquiring assets on a value basis and utilizing our operations-oriented approach 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 MD&A 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, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this MD&A, such forward-looking statements may contain such words as “may,” “will,” “intend,” “should,” “suggest,” “expect,” “believe,” “outlook,” “forecast,” “predict,” “remain,” “anticipate,” “estimate,” “potential,” “continue,” “plan,” “could,” “might,” “project,” “targeting” or the negative of these terms or other similar terminology. Forward-looking information is included in the Letter to Shareholders which precedes this MD&A and includes statements made in this MD&A in sections entitled “Dividend Policy of the Company” and “Market 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. These statements, which reflect management’s current expectations regarding future events and operating performance, are based on information currently available to management and speak only as of the date of this MD&A. All forward-looking statements in this MD&A 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. Factors that could cause actual results to differ materially from the results discussed in the forward-looking statements include, but are not limited to: general economic and market conditions; changes in US housing starts; product demand; concentration of customers; commodity pricing; interest rate and foreign currency fluctuations; seasonality; weather and natural conditions; regulatory, trade or environmental policy changes; changes in Canadian or U.S. income tax law; economic situation of key customers; disease outbreak; Acadian’s ability to source and secure potential investment opportunities; the availability of potential acquisitions that suit Acadian’s growth profile; and other risks and factors discussed under the heading “Risk Factors” in the Annual Report dated February 10, 2021 and in each of the Annual Information Form dated March 27, 2020 and the Management Information Circular dated March 27, 2020, 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. Material factors or assumptions that were applied in drawing a conclusion or making an estimate set out in the forward-looking information may include, but are not limited to: forecasts in the housing market; anticipated financial performance; anticipated market conditions; business prospects; the economic situation of key customers; strategies; regulatory developments; exchange rates; the sufficiency of budgeted capital expenditures in carrying out planned activities; the availability and cost of labour and services; and the ability to obtain financing on acceptable terms. Readers are cautioned that the preceding list of material factors or assumptions is not exhaustive. Although the forward-looking statements contained in this MD&A 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 MD&A are made as of the date of this MD&A, and should not be relied upon as representing Acadian’s views as of any date subsequent to the date of this MD&A. 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.
Consolidated Balance Sheets

(unaudited)

<i>As at</i> <i>(CAD thousands)</i>	December 31, 2020	December 31, 2019
Assets		
Current assets		
Cash	\$ 10,258	\$ 7,601
Accounts receivable and other assets	7,731	11,602
Current income taxes receivable	415	2,245
Inventory	957	1,545
	19,361	22,993
Timber	388,005	377,992
Land, roads and other fixed assets	99,892	91,584
Intangible asset	6,140	6,140
Total assets	\$ 513,398	\$ 498,709
Liabilities and shareholders' equity		
Current liabilities		
Short-term debt	\$ —	\$ 7,793
Accounts payable and accrued liabilities	8,640	9,190
Dividends payable to shareholders	4,839	4,839
Current portion of long-term debt	—	93,084
	13,479	114,906
Long-term debt	101,185	—
Deferred income tax liabilities	105,493	97,102
Shareholders' equity	293,241	286,701
Total liabilities and shareholders' equity	\$ 513,398	\$ 498,709

Acadian Timber Corp.
Consolidated Statements of Net Income

(unaudited)

<i>(CAD thousands, except per share data)</i>	Three Months Ended		Year Ended	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Sales	\$ 24,929	\$ 25,835	\$ 91,031	\$ 100,048
Operating costs and expenses				
Cost of sales	16,193	17,360	60,897	67,260
Selling, administration and other	1,717	2,079	7,991	9,491
Silviculture	107	29	1,034	778
Depreciation and amortization	74	71	280	286
	18,091	19,539	70,202	77,815
Operating earnings	6,838	6,296	20,829	22,233
Interest expense, net	(719)	(1,141)	(4,324)	(4,130)
Other items				
Fair value adjustments and other	8,140	14,494	12,001	15,903
Unrealized exchange gain on long-term debt	5,312	1,826	2,372	4,733
Management agreement termination fee	—	—	—	(18,000)
Gain on sale of timberlands	376	192	376	1,056
Gain on disposal of other fixed assets	—	27	—	29
Earnings before income tax	19,947	21,694	31,254	21,824
Current income tax expense	(839)	(446)	(2,709)	(111)
Deferred income tax expense	(3,794)	(5,020)	(6,465)	(4,388)
Net income	\$ 15,314	\$ 16,228	\$ 22,080	\$ 17,325
Net income per share – basic and diluted	\$ 0.92	\$ 0.97	\$ 1.32	\$ 1.04

Acadian Timber Corp.
Consolidated Statements of Comprehensive Income

(unaudited)

<i>(CAD thousands)</i>	Three Months Ended		Year Ended	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Net income	\$ 15,314	\$ 16,228	\$ 22,080	\$ 17,325
Other comprehensive (loss) / income				
Items that may be reclassified subsequently to net income:				
Deferred income tax expense	(2,598)	(2,191)	(2,598)	(2,184)
Gain on revaluation of land and roads	9,040	7,614	9,040	7,591
Unrealized foreign currency translation loss	(7,007)	(2,601)	(2,625)	(7,048)
Comprehensive income	\$ 14,749	\$ 19,050	\$ 25,897	\$ 15,684

Acadian Timber Corp.
Consolidated Statements of Cash Flows

(unaudited)

<i>(CAD thousands)</i>	Three Months Ended		Year Ended	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Cash provided by (used for):				
Operating activities				
Net income	\$ 15,314	\$ 16,228	\$ 22,080	\$ 17,325
Adjustment to net income:				
Deferred income tax expense	3,794	5,020	6,465	4,388
Depreciation and amortization	74	71	280	286
Fair value adjustments and other	(8,140)	(14,494)	(12,001)	(15,903)
Unrealized exchange gain on long-term debt	(5,312)	(1,826)	(2,372)	(4,733)
Gain on sale of timberlands	(376)	(192)	(376)	(1,056)
Gain on disposal of other fixed assets	—	(27)	—	(29)
Accretion of long-term debt	—	274	1,038	1,135
Net change in non-cash working capital balances and other	1,958	(3,439)	5,503	(5,553)
	7,312	1,615	20,617	(4,140)
Financing activities				
Proceeds from short-term debt	—	—	—	7,793
Issuance of long-term debt	86,730	—	106,525	—
Repayment of short-term debt	—	(2,137)	(8,169)	—
Repayment of long-term debt	(86,730)	—	(96,459)	—
Deferred financing costs	(5)	(175)	(532)	(175)
Dividends paid to shareholders	(4,839)	(4,839)	(19,357)	(19,233)
Common shares purchased under NCIB	—	—	—	(37)
	(4,844)	(7,151)	(17,992)	(11,652)
Investing activities				
Additions to timber, land, roads and other fixed assets	1	—	(351)	(86)
Proceeds from sale of timberlands	383	210	383	1,130
Proceeds from sale of other fixed assets	—	27	—	29
	384	237	32	1,073
Increase / (decrease) in cash during the period	2,852	(5,299)	2,657	(14,719)
Cash beginning of period	7,406	12,900	7,601	22,320
Cash end of period	\$ 10,258	\$ 7,601	\$ 10,258	\$ 7,601

Reconciliations to Adjusted EBITDA and Free Cash Flow

<i>(CAD thousands)</i>	Three Months Ended		Year Ended	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Net income / (loss)	\$ 15,314	\$ 16,228	\$ 22,080	\$ 17,325
Add / (deduct)				
Interest expense, net	719	1,141	4,324	4,130
Current income tax expense	839	446	2,709	111
Deferred income tax expense	3,794	5,020	6,465	4,388
Depreciation and amortization	74	71	280	286
Fair value adjustments and other	(8,140)	(14,494)	(12,001)	(15,903)
Management agreement termination fee	—	—	—	18,000
Unrealized exchange gain on long-term debt	(5,312)	(1,826)	(2,372)	(4,733)
Adjusted EBITDA	\$ 7,288	\$ 6,586	\$ 21,485	\$ 23,604
Add / (deduct)				
Interest paid on debt, net	(809)	(785)	(3,279)	(2,834)
Additions to timber, land, roads and other fixed assets	1	—	(351)	(86)
Gain on sale of timberlands	(376)	(192)	(376)	(1,056)
Gain on disposal of other fixed assets	—	(27)	—	(29)
Proceeds on sale of timberlands	383	210	383	1,130
Proceeds on sale of other fixed assets	—	27	—	29
Current tax effect of termination fee	—	(77)	—	(1,925)
Current income tax expense	(839)	(446)	(2,709)	(111)
Free Cash Flow	\$ 5,648	\$ 5,296	\$ 15,153	\$ 18,722
Dividends declared	\$ 4,839	\$ 4,839	\$ 19,357	\$ 19,358
Payout Ratio	86%	91%	128%	103%