



# COMPANY OVERVIEW

## March 2015

# FORWARD-LOOKING STATEMENTS

Information contained herein constitutes forward-looking statements. Forward-looking statements, which include all statements that are not historical facts, are subject to certain risks and uncertainties that could cause actual results to differ materially from those anticipated in or suggested by the forward-looking statements. See additional risks described in the Company's MD&A under "Risks and Uncertainties" in the Company's 2014 Annual Report, which is incorporated by reference. All forward-looking statements made are qualified by these cautionary statements.

Participants should not place undue reliance on the forward-looking statements, which reflect Management's plans, estimates, projections and views only as of the date hereof. The Company undertakes no obligation to publicly revise these forward-looking statements to reflect subsequent events or circumstances.

# THE INTERFOR WAY

We conduct ourselves with honesty and integrity.

We respect, value and engage our employees.

We embrace world-leading safety and environmental standards.

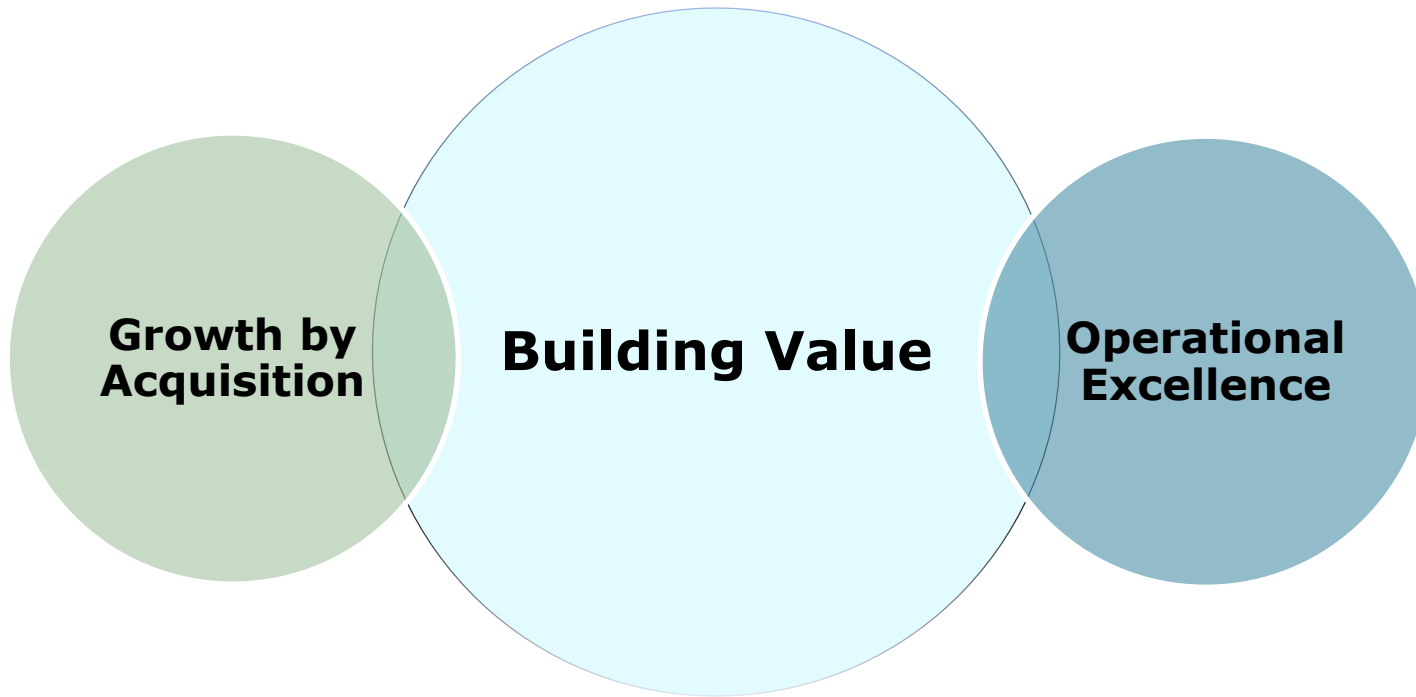
We are strategic, fact-based and proactive.

We strive for excellence in everything we do.

**We are responsible for our own success.**



# INTERFOR STRATEGIC PLAN



# RECENT INITIATIVES/CURRENT FOCUS

## **Simpson Acquisition**

- Integrate operations under Interfor ownership
- Complete Georgetown kiln project
- Implement Tacoma optimization plan

## **Canadian Operations**

- Castlegar sawmill upgrade project

## **US Operations**

- Phase-in the Thomaston 2<sup>nd</sup> shift - - additional 80 MMbf
- Optimize business systems in the US southeast
- Identify other reinvestment opportunities

# PURE PLAY LUMBER – FOUR REGIONS

## BC Coast (Capacity 320 MMbf)

- 2 mills
- Cedar, Hem-Fir, Douglas-Fir
- Specialty

## BC Interior (Capacity 720 MMbf)

- 3 mills
- Douglas-Fir, Hem-Fir, SPF, Cedar
- Dimension

## US Northwest (Capacity 890 MMbf)

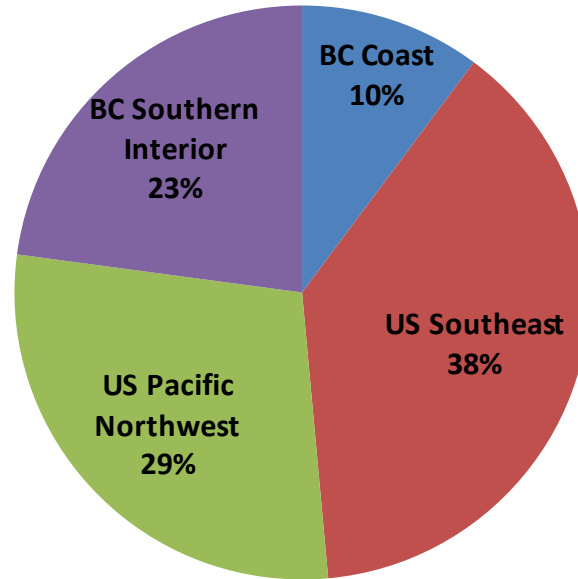
- 5 mills
- Hem-Fir, Douglas-Fir, Speciality Pines
- Studs, Dimension, Speciality

## US Southeast (Capacity 1,210 MMbf)

- 8 mills
- Southern Yellow Pine
- Dimension

# BALANCED PROFILE ACROSS THE REGIONS

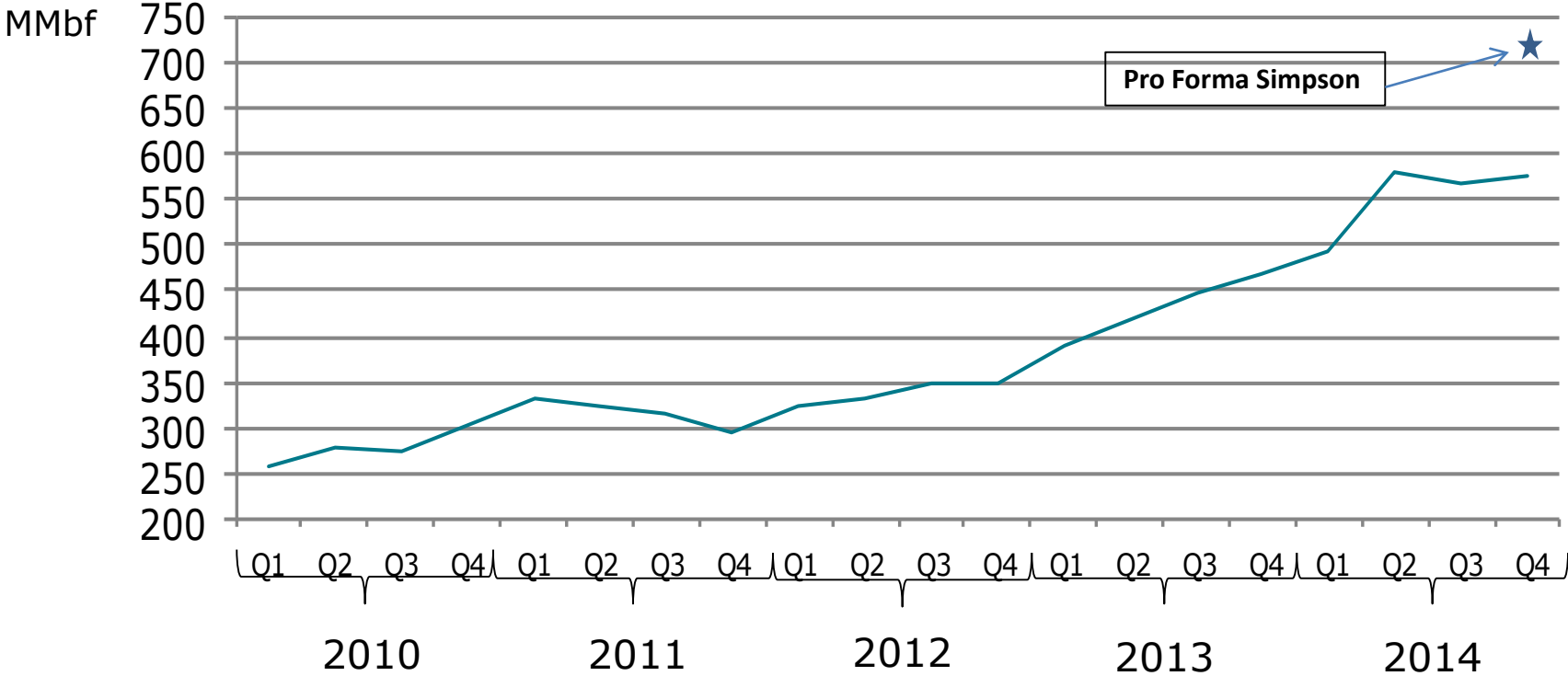
- Approximately 2/3 of Interfor's production capacity is in the US



Capacity - 3.1 Bbf

# PRODUCTION GROWTH > 2.8 Bbf/YEAR

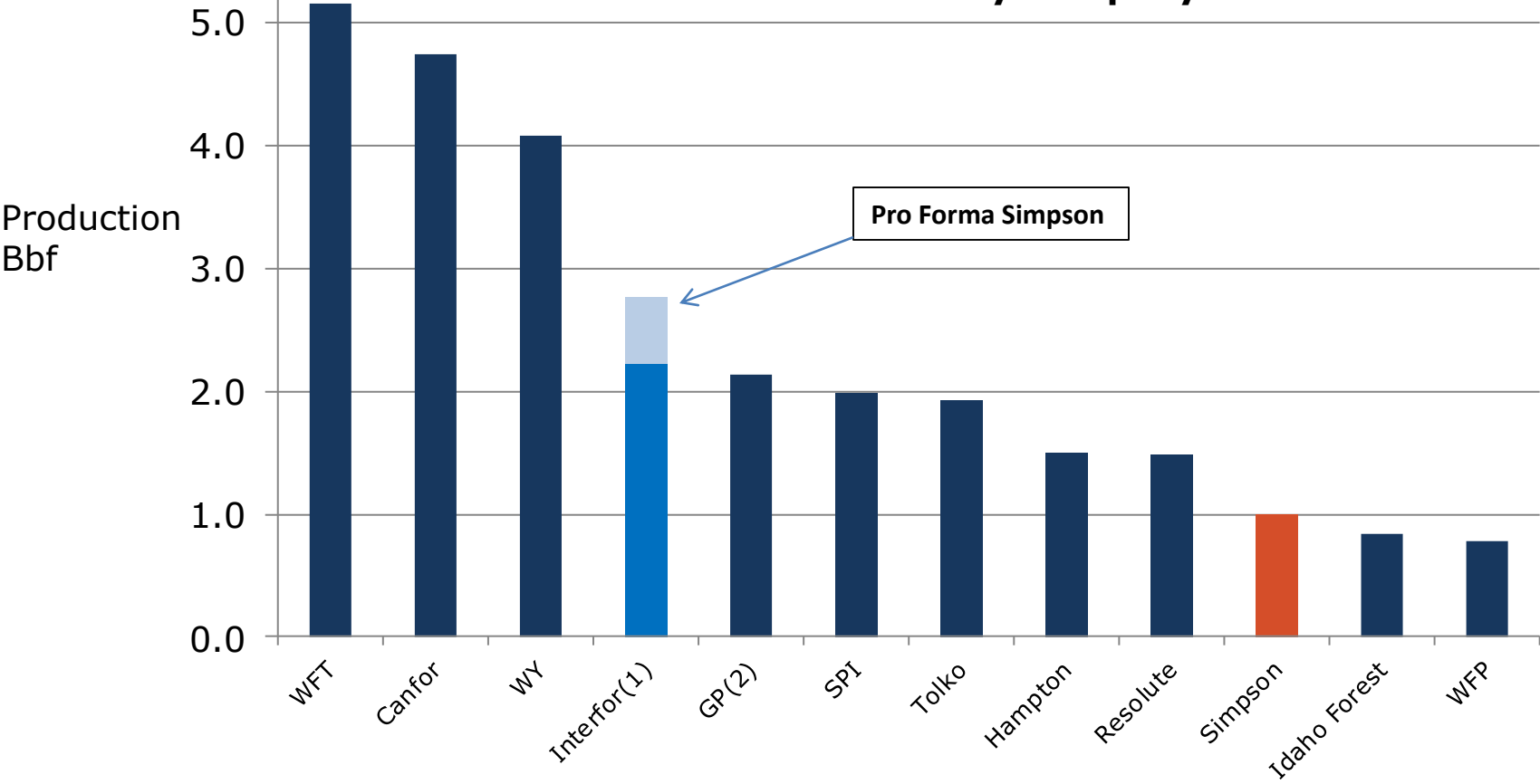
### Quarterly Lumber Production 2010 - 2014





# 4<sup>th</sup> LARGEST LUMBER PRODUCER

**NA Lumber Production by Company**



Source: Wood Markets monthly – March 2014

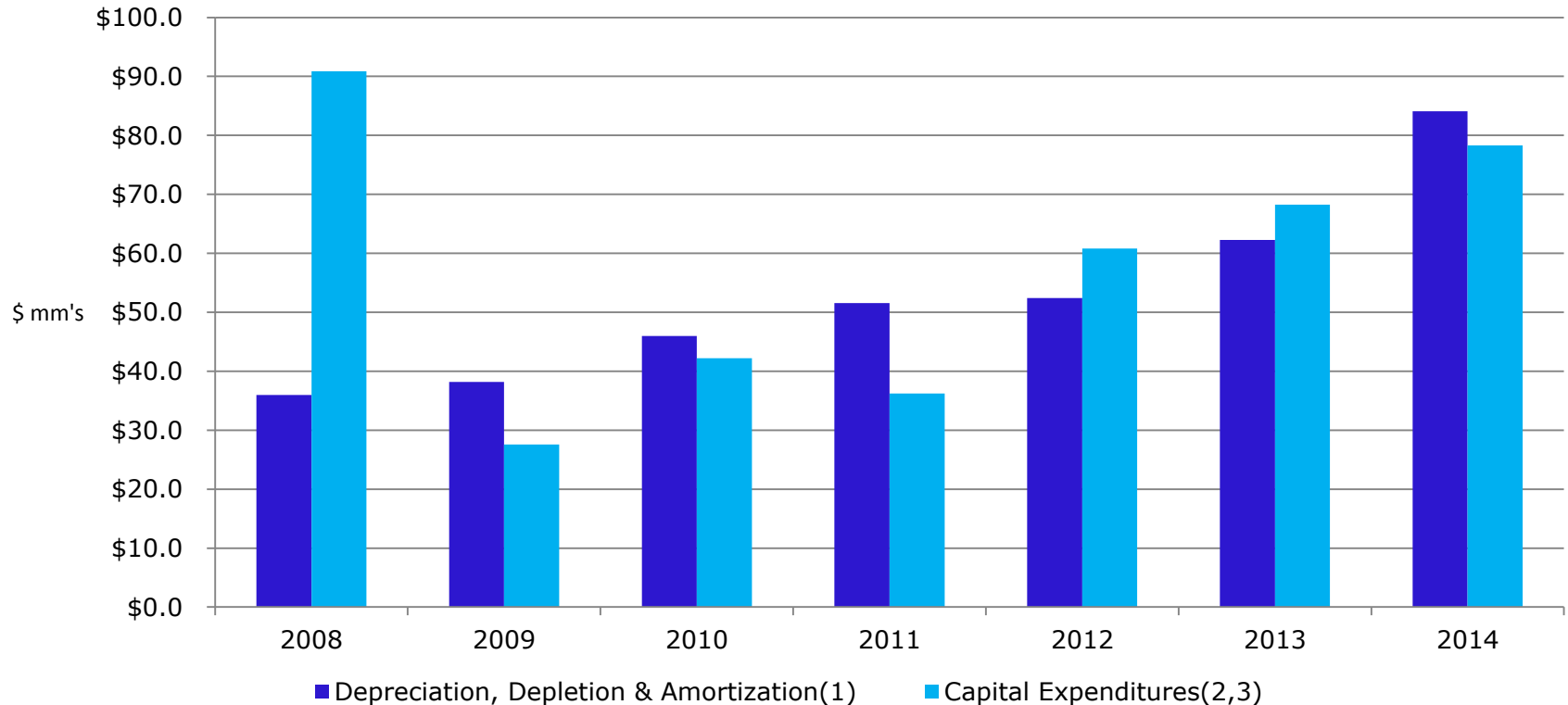
Notes:

- (1) Interfor's 2014 actual production.
- (2) GP includes Temple-Inland.



# CAPITAL SPENDING PROFILE

- Interfor has continually reinvested in its assets throughout the cycle
- Current focus is on high-return projects



*Notes:*

- (1) Includes depreciation of plant and equipment and depletion and amortization of logging roads, timbers and other.
- (2) Includes additions to property, plant and equipment, additions to logging roads and additions to timbers and other intangible assets.
- (3) Does not include additions arising from acquisitions.

# STATE OF THE ART OPERATIONS

- Interfor has invested over \$350 million in various strategic capital projects over the past several years, with additional projects now underway.

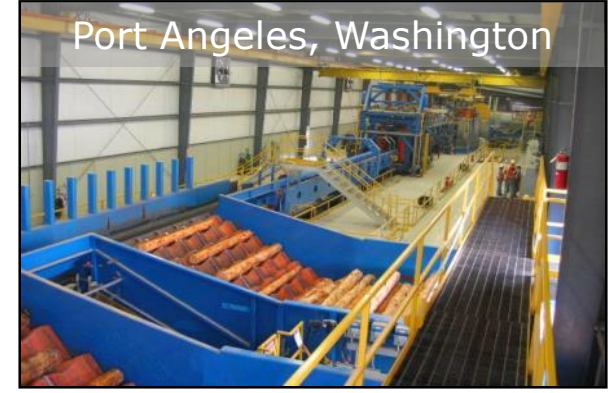
Adams Lake, BC



Grand Forks, BC



Port Angeles, Washington



Tacoma, Washington



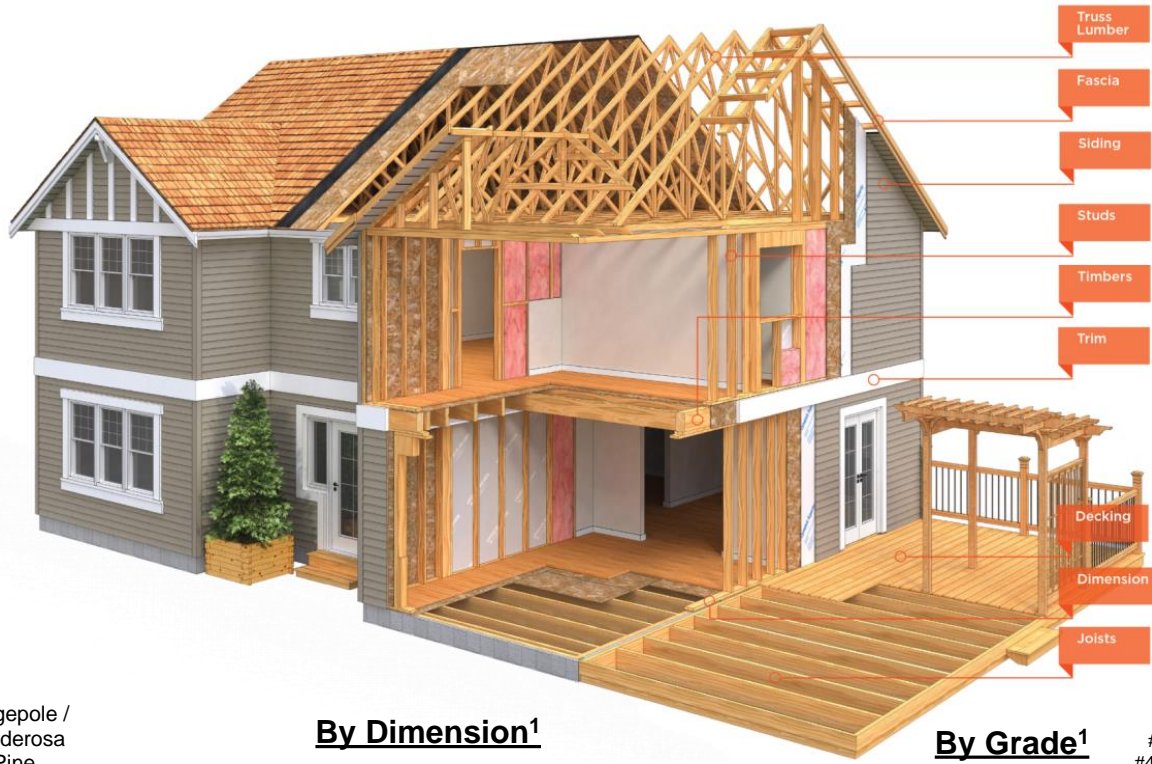
Swainsboro, Georgia



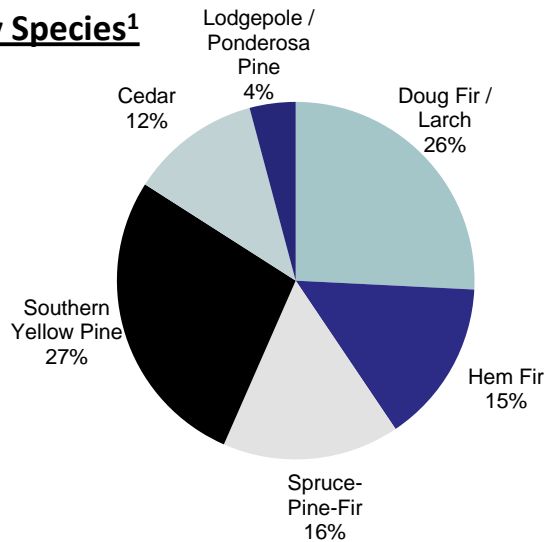
Thomaston, Georgia



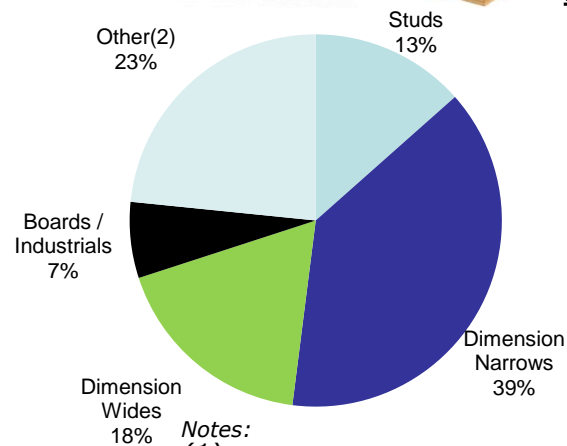
# DIVERSE LUMBER MIX



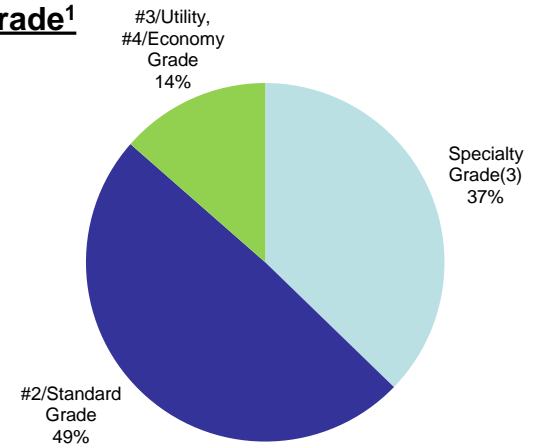
## By Species<sup>1</sup>



## By Dimension<sup>1</sup>



## By Grade<sup>1</sup>



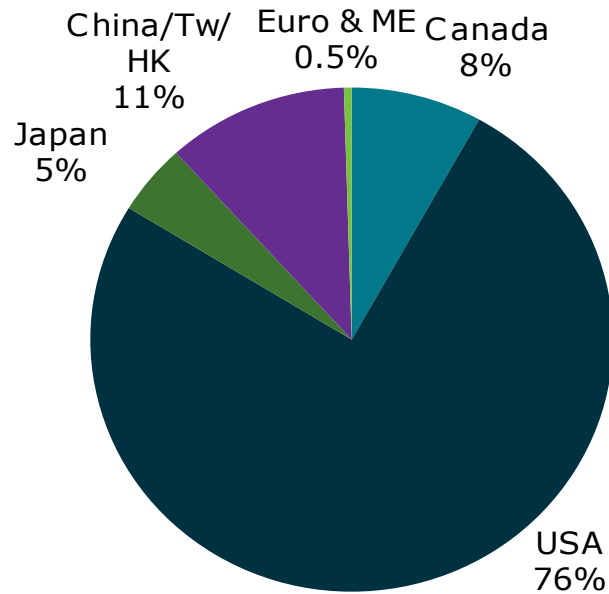
### Notes:

- (1) Figures are broken down by value for the year ending December 31, 2014
- (2) Japan squares, cedar siding/decking/fascia and other export dimensions.
- (3) Machine Stress Rated ("MSR"), J-Grade, Elite, Reserve, etc.

# CUSTOMERS

- A large percentage of Interfor's volume is currently sold into the US

## Pro Forma 2014<sup>(1)</sup> - Volumes



Notes:

(1) Interfor 2014 adjusted to include a full year of shipments resulting from the Tolleson and Simpson acquisitions.

# SUMMARY INCOME STATEMENT

| C\$ millions                        | 2014    | 2013    |
|-------------------------------------|---------|---------|
| Sales                               | \$1,447 | \$1,105 |
| Adjusted EBITDA <sup>1</sup>        | \$169   | \$134   |
| Adjusted EBITDA Margin <sup>2</sup> | 11.7%   | 12.1%   |
| Adjusted EBITDA/Mbf <sup>2</sup>    | \$73    | \$76    |

Notes:

- (1) Excludes Other Income and Long-term Incentive Compensation expense
- (2) Excludes impacts from discontinued Beaver operations in 2014 as well as impacts from the Company's agency and wholesale business

# INTERFOR'S CAPITAL STRUCTURE

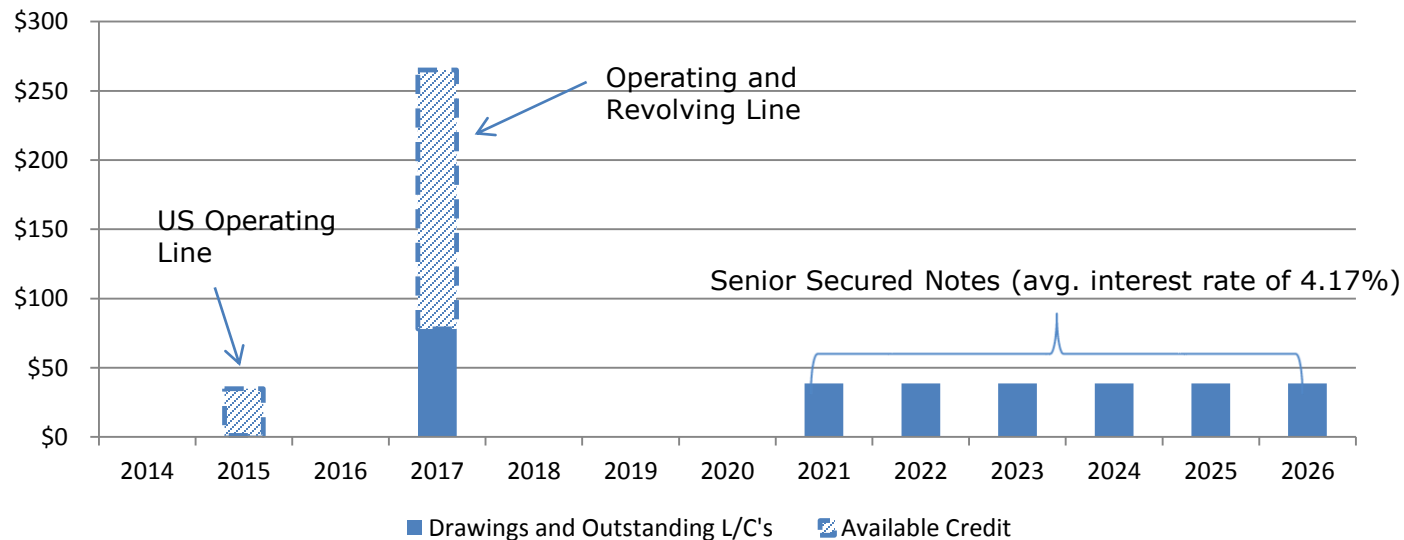
- Interfor is focused on maintaining a prudent capital structure
- Subsequent to year-end, Interfor completed the acquisition of four sawmills from Simpson, as well as two related financings:
  - C\$66 mm of equity
  - US\$100 mm of term debt

| <b>C\$ millions</b>                              | <b>Dec. 31,<br/>2014</b> | <b>Dec. 31,<br/>2013</b> |
|--|--------------------------|--------------------------|
| Net debt   | \$203                    | \$141                    |
| Book Equity                                      | \$636                    | \$515                    |
| Invested capital                                 | \$839                    | \$656                    |
| Net debt / invested capital                      | 24%                      | 21%                      |
| Net debt/Last quarter annualized Adjusted EBITDA | 1.4x                     | 1.0x                     |

# INTERFOR'S DEBT PROFILE

- Total of US\$200 mm of fixed long term debt, repayable in years 2021-2026 -- average 4.17% interest rate.

**Debt Amortization Schedule and Available Credit  
(Pro Forma<sup>(1)</sup> as at Dec. 31/2014, C\$ mm's)**



**Notes:**

(1) Interfor's reported debt as at year-end December 31, 2014, adjusted for the Simpson acquisition, proceeds received from the equity and term debt financings, and adjustments to the Company's bank credit facilities.



# KEY TAKEAWAYS

- Pure play in lumber.
- Track record of growth over the last several years.
  - Acquisitions
  - Strategic capital investments
- Balanced geographic base and diverse product offering.
- Conservative balance sheet with additional financial capacity for future growth.
- Business upside:
  - Internal investments/optimization initiatives
  - External growth
  - Sectoral recovery

# APPENDIX

# CASTLEGAR PROJECT

# CASTLEGAR UPGRADE: PROJECT SUMMARY

- Superior and secure fiber basket.
- Aged infrastructure and outdated technology.
- \$50 million investment
  - Eliminate \$20 mm of maintenance capex over the next 4 years
  - Modernize and convert from 3 line to 2 line operation
  - Increase recovery, production and grade out turns, and reduce conversion costs
- Very attractive payback.
- Timing
  - Construction completion – Q4 2015
  - Ramp-up to full operations – Q1 2016
  - 30 days of operational downtime
- Proven and tested project management team.

**Sawmill will be substantially rebuilt,  
delivering 1<sup>st</sup> quartile results.**

# CASTLEGAR UPGRADE: BEFORE AND AFTER

**Castlegar**



**Grand Forks and Adams Lake**



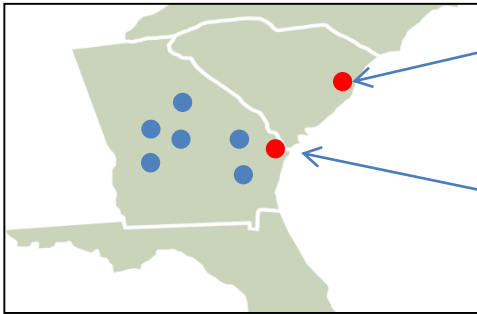
# SIMPSON ACQUISITION

# ACQUISITION SUMMARY

- The Simpson assets include 4 sawmills
  - Meldrim, Georgia
  - Georgetown, South Carolina
  - Longview, Washington State
  - Commencement Bay, Washington State
  - Combined capacity of 750 MMBf - 2014 production estimated at 555 MMBf
- Strong operational fit with Interfor's platform
  - Geographic proximity to Interfor's mills and infrastructure in both the US and Canada
- Strong strategic fit with Interfor's core strengths
  - 3 of the mills (Meldrim, Georgetown and Longview) are solid financial contributors with operational upside through focused initiatives and targeted capital projects
  - Commencement Bay is a modern mill that is currently underperforming vs. its potential

# SIMPSON MILL OVERVIEW

## US Southeast Operations



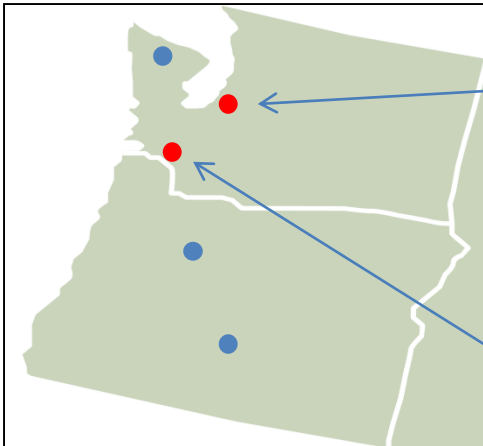
### Georgetown, SC

- Project underway to add dual path kilns – would increase production from 2014E of 90 MMbf to 120 MMbf by late 2015
- Modest additional capital to increase production to 150 MMbf

### Meldrim, GA

- Strong fit with Baxley and Swainsboro
- Potential to increase from current production of 120 MMbf to 180 MMbf with full 2<sup>nd</sup> shift (planer and kilns)

## Pacific Northwest Operations



### Commencement Bay, WA

- Greenfield mill built in 2001
- Total invested capital of US\$90 mm
- Production of almost 400 MMbf in 2004 vs. 165 MMbf in 2014E
- Completing a US\$5 mm capital project to enhance log processing flexibility and operating efficiency
- Significant upside potential – no material capital required

### Longview, WA

- Green only mill
- 2014E production of approximately 180 MMbf

- Interfor sawmills
- Simpson sawmills



# DEAL TERMS

- Purchase price comprised of:
  - Cash price of US\$94.7 mm plus working capital at closing (estimated at approximately US\$30 mm)
  - Contingent future cash payments tied to the financial performance of the Commencement Bay sawmill over the next three years
- Contingent future payments:
  - The contingent payment arrangement is structured as follows:
    - i. Annual payments equal to 0.5x the Commencement Bay mill's EBITDA for each of the 3 years post closing
    - ii. A final payment equal to 2.5x the Commencement Bay mill's average annual EBITDA over the 3 year period

The total of (i) and (ii) is set at a minimum amount equal to US\$10 mm – significant underlying asset value at the mill
- Transaction is subject to regulatory approval - target close in Q1 2015

# ECONOMIC SUMMARY

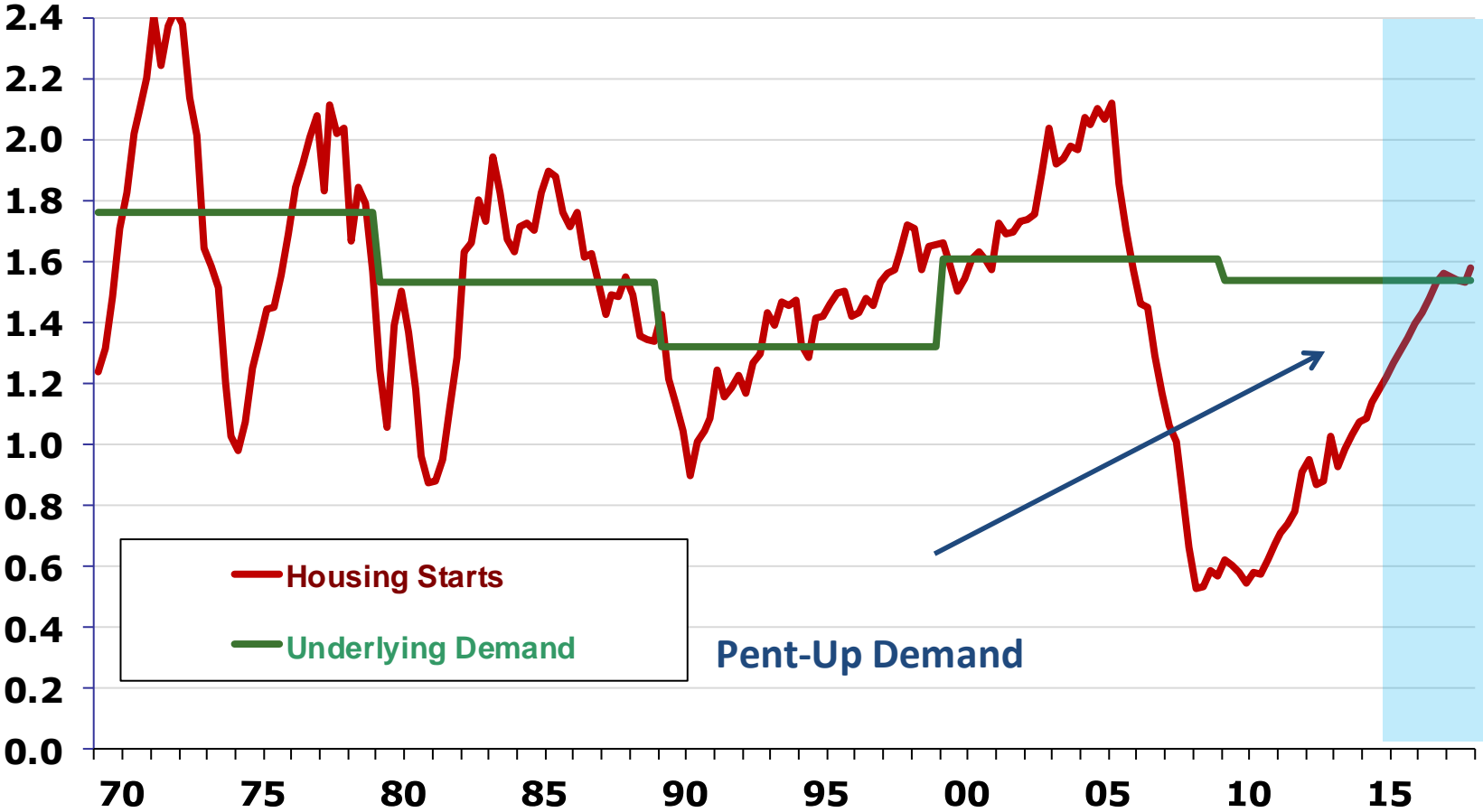
- Two separate economic assessments of the business, as follows:
  1. Meldrim, Georgetown and Longview combined
    - 2014E production of approximately 390 MMbf
    - Mill level EBITDA<sup>1</sup> (unaudited)
      - US\$16 mm for 9 months ended 9/30/14
    - Implied valuation multiples
      - Enterprise Value/Annualized 9 months EBITDA = 5.2x
      - (Enterprise Value-Working Capital)/Mfbm Production = US243/Mfbm
    - Immediately accretive
  2. Commencement Bay
    - 2014E production of approximately 165 MMbf
    - Mill level EBITDA<sup>1</sup> (unaudited)
      - US\$(3) mm for 9 months ended 9/30/14
    - Upfront investment is limited to working capital (approximately US\$13 mm)
    - Balance of purchase price is based on future results

1. Figures are unaudited mill level financials prepared in accordance with Simpson's financial practices and are before corporate costs.

# INDUSTRY INFORMATION

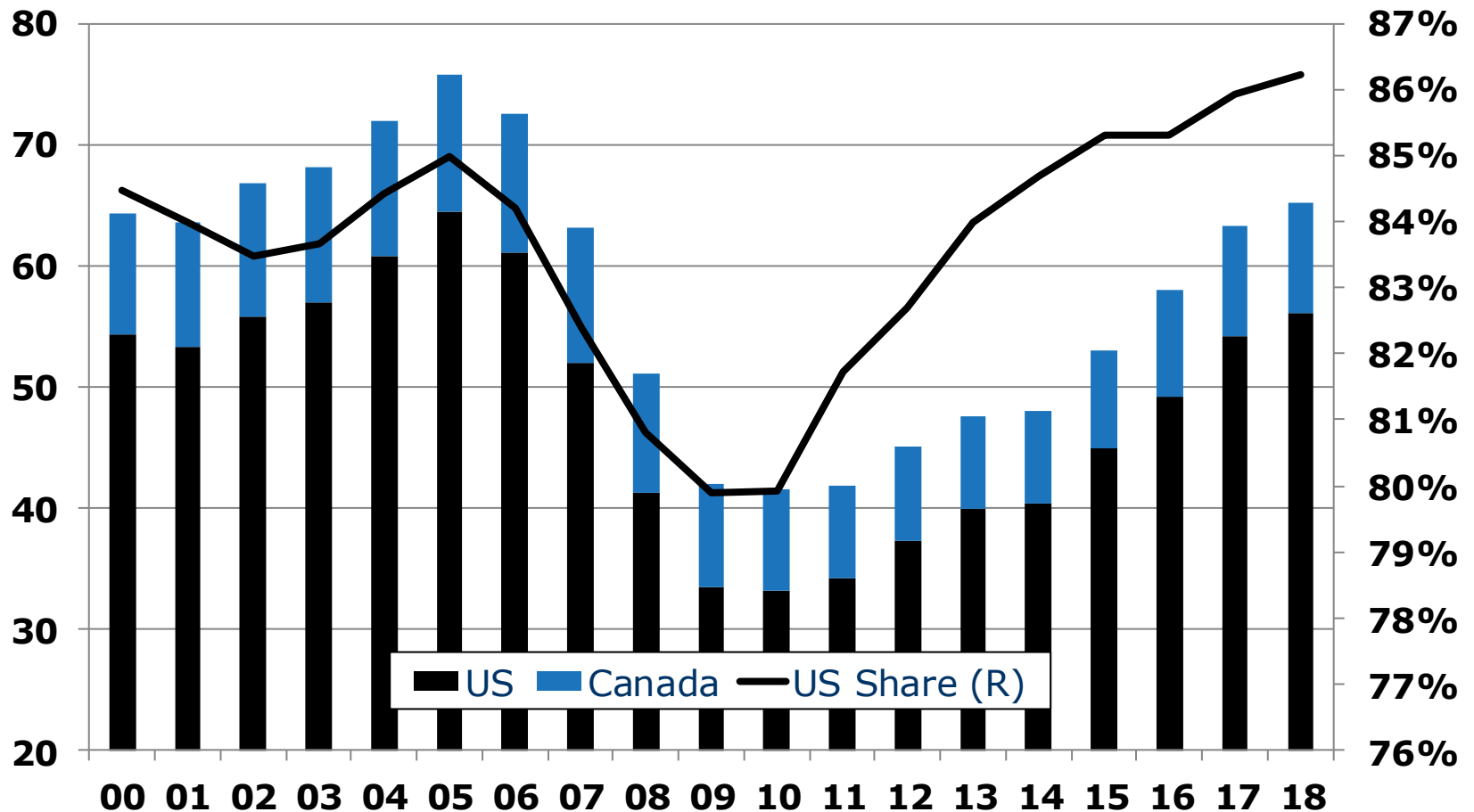
# US HOUSING STARTS

Millions (SAAR)



# NORTH AMERICAN LUMBER CONSUMPTION

Bbf



# CHINA MARKETS – WOOD FRAME CONSTRUCTION

Wood truss re-roofing  
(east and north China)



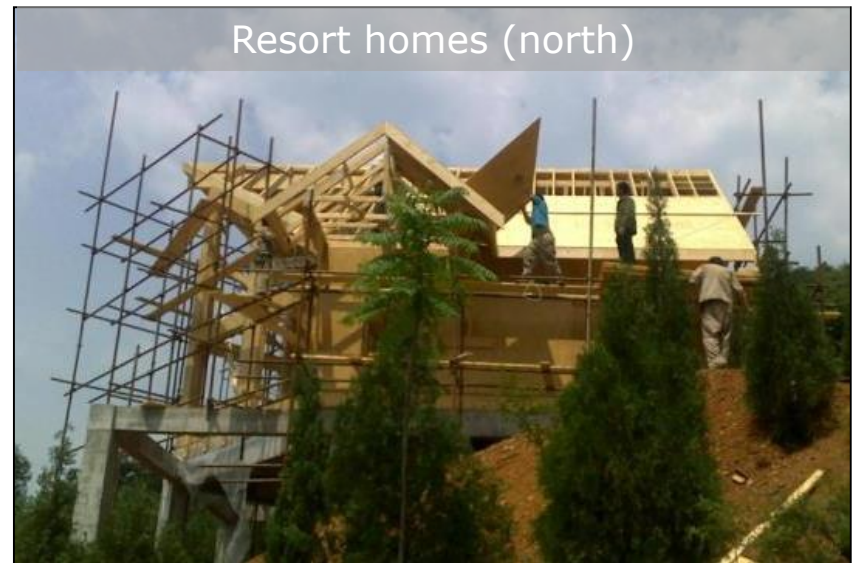
Suburban villas  
(east, north, n-east, s-west)



Low cost rural housing (south-west)



Resort homes (north)



# CHINA MARKETS – SECTORS UNDER DEVELOPMENT

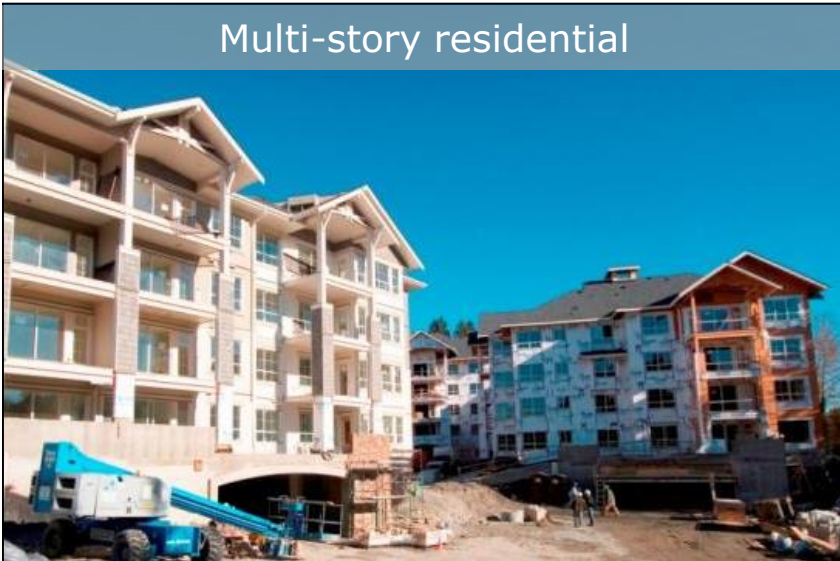
Public buildings



Apartment infill walls / partition walls



Multi-story residential



Mixed-use hybrid



# CHINA MARKETS – USE OF BC WOOD

House framed with SPF lumber



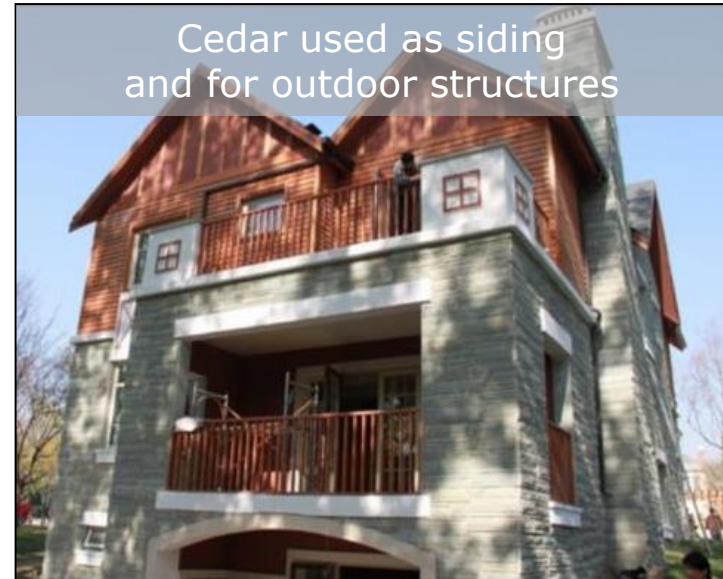
SPF used for furniture frames



Cedar used as siding and for outdoor structures



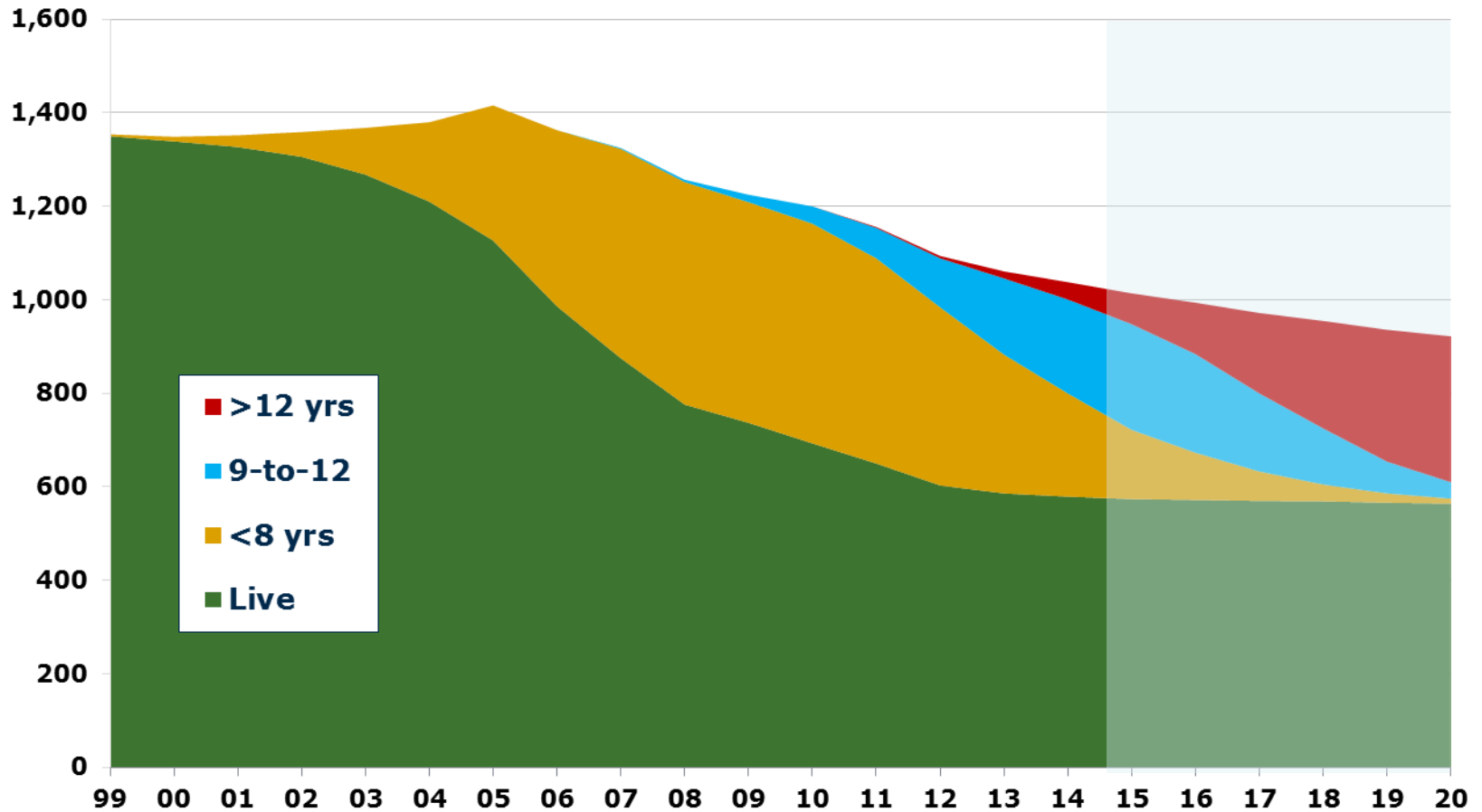
Cedar used as siding and for outdoor structures





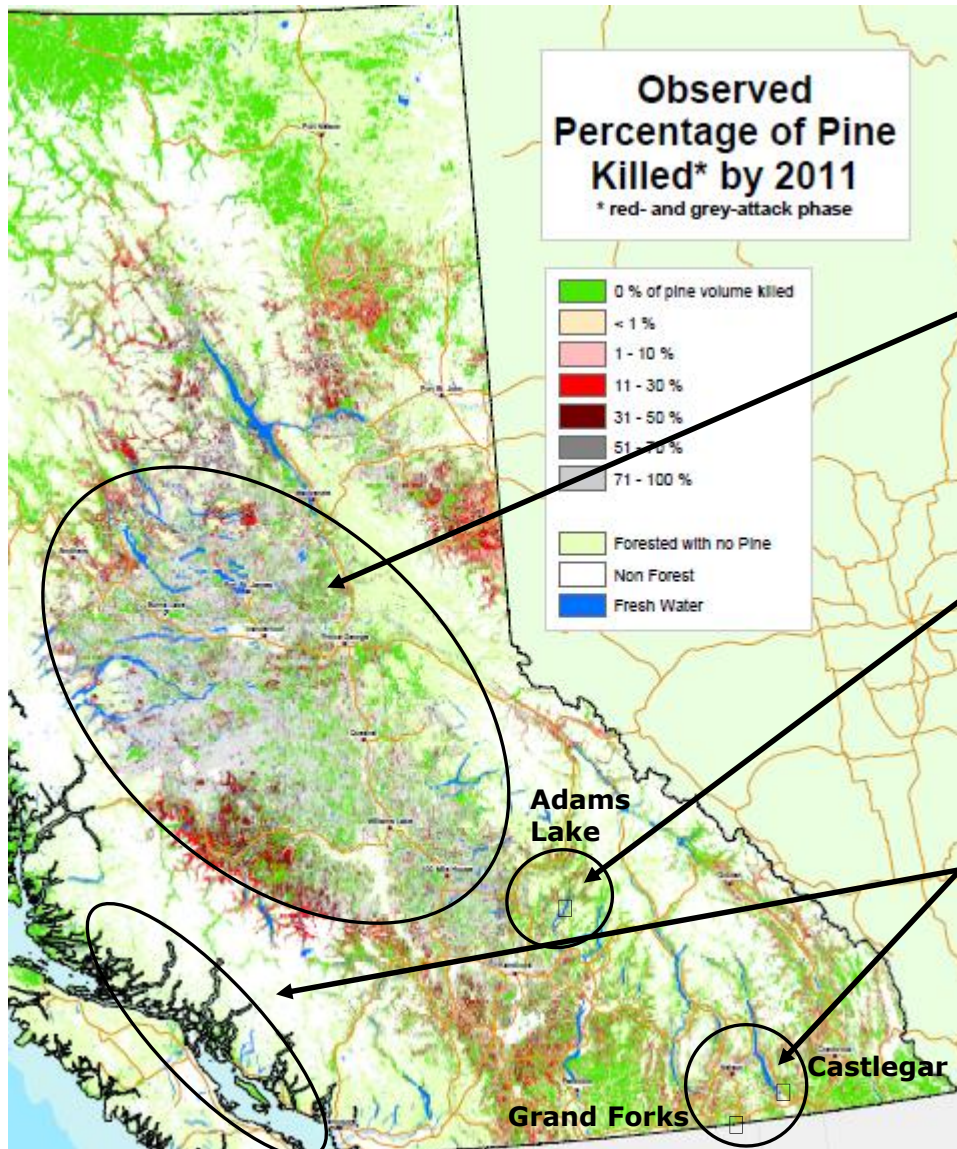
# IMPACT OF MOUNTAIN PINE BEETLE (MPB)

Million m<sup>3</sup>



# MPB – AREA AFFECTED

- Interfor's southern BC Interior wood baskets are less exposed to the MPB than BC's central and northern interior regions; the Coast is not exposed.

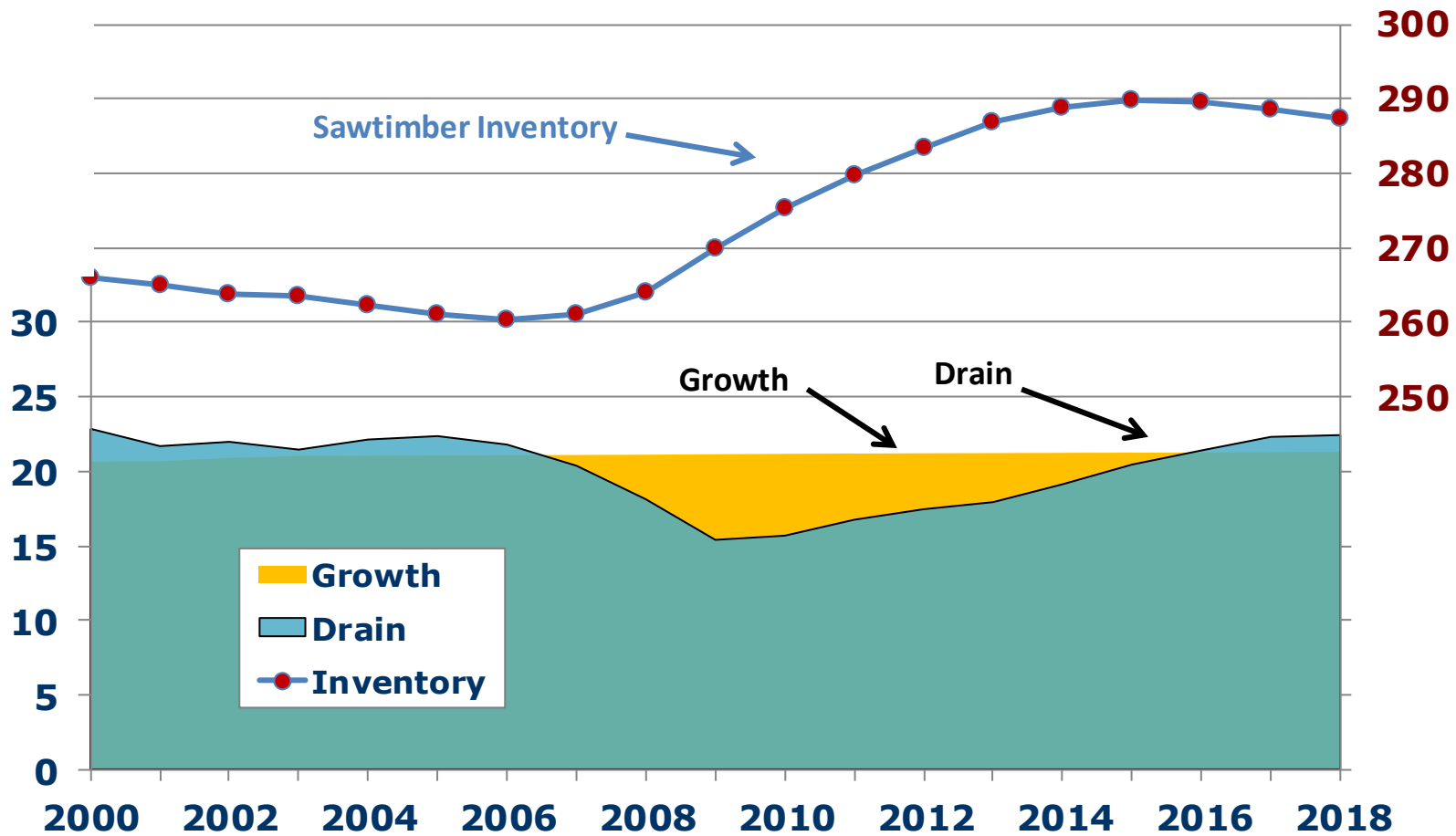


|   | Interfor AAC <sup>1</sup> MMm <sup>3</sup> |
|---|--|
| Central and Northern BC<br><b>50 – 75% Pine</b>               | 0.0  |
| Adams Lake in Southern BC<br>28 – 30% Pine                    | 0.7  |
| Castlegar & Grand Forks in Southern BC<br>17% Pine            | 1.2  |
| Coastal BC Woodlands<br>No Pine                               | 2.0  |
|   | <hr/>                                      |
|   | 3.9  |
| <sup>1</sup> . Annual Allowable Cut (million m <sup>3</sup> ) |  |

# FAVOURABLE LOG SUPPLY IN US SOUTH

Growth & Drain, Bbf Int'1 1/4"

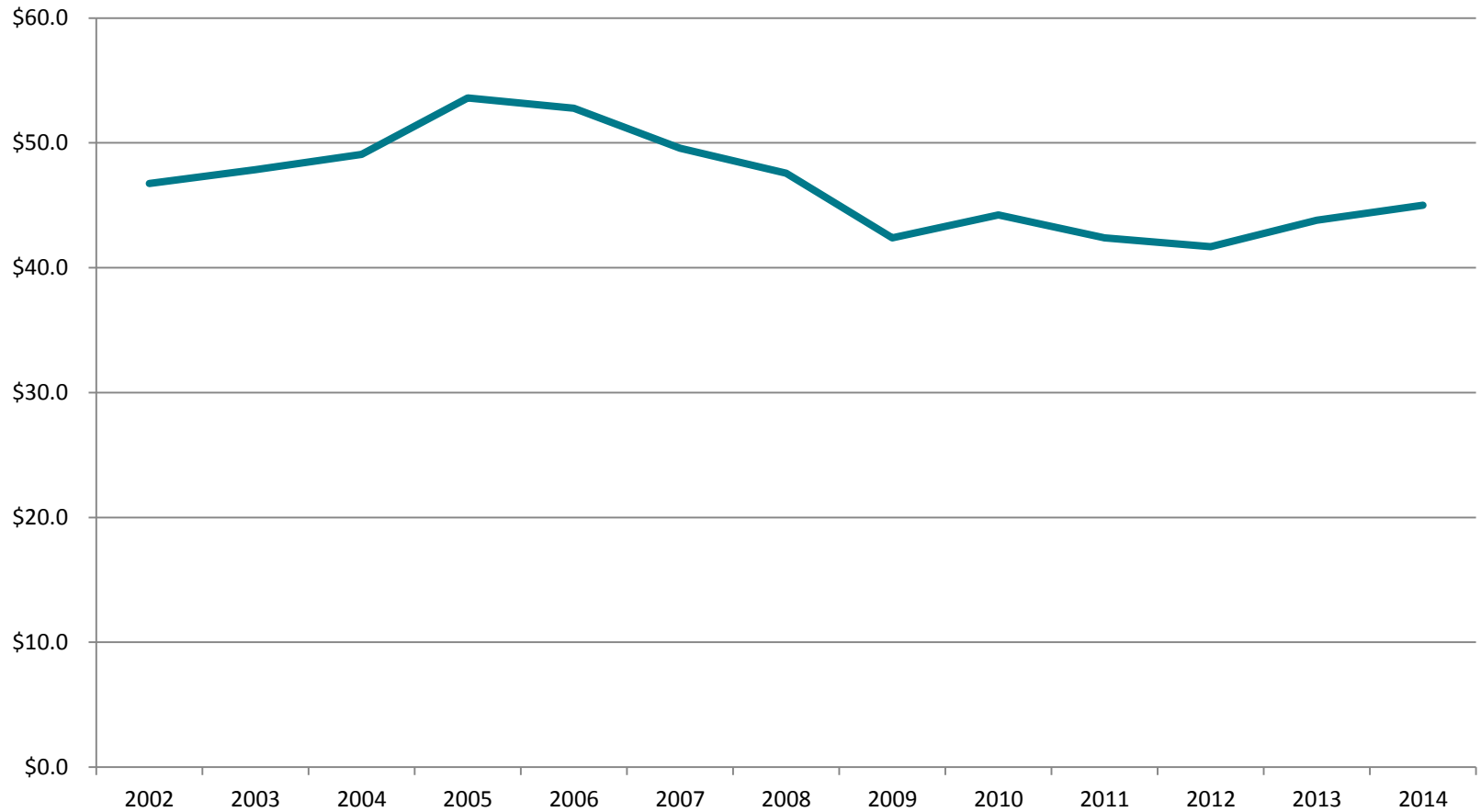
Inventory, Bbf Int'1 1/4"



Source: FEA- December 2014

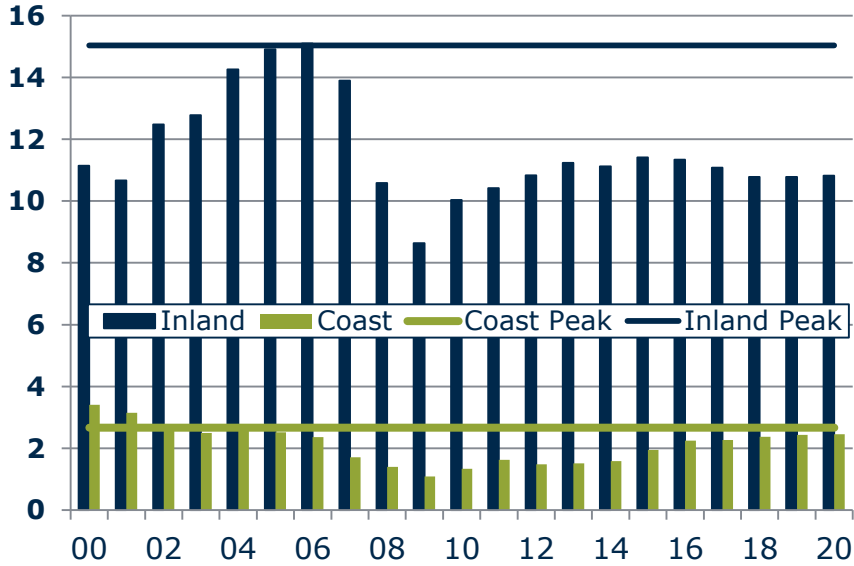
# US SOUTH SAWTIMBER PRICES

US\$/Ton  
(Nominal \$'s)

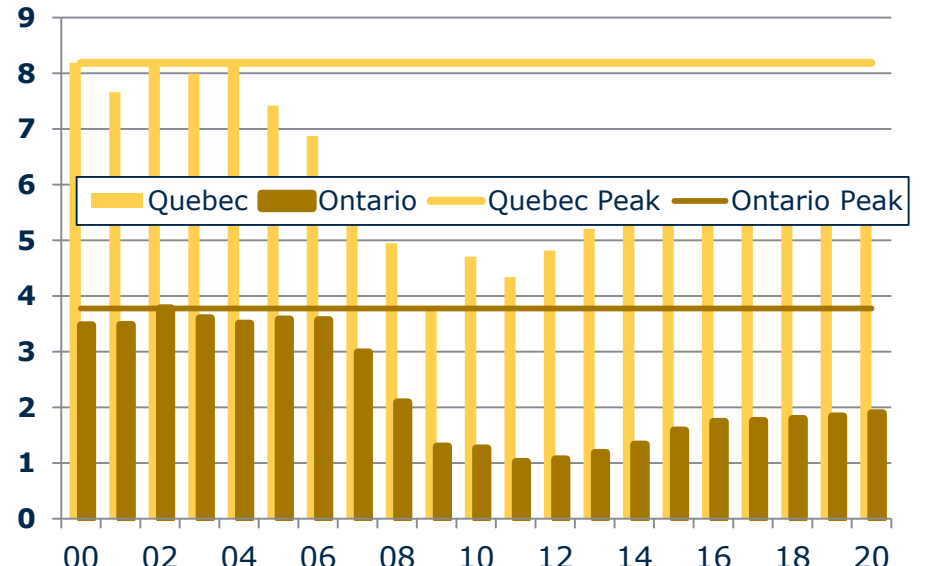


# REGIONAL PRODUCTION VS PEAK (Bbf)

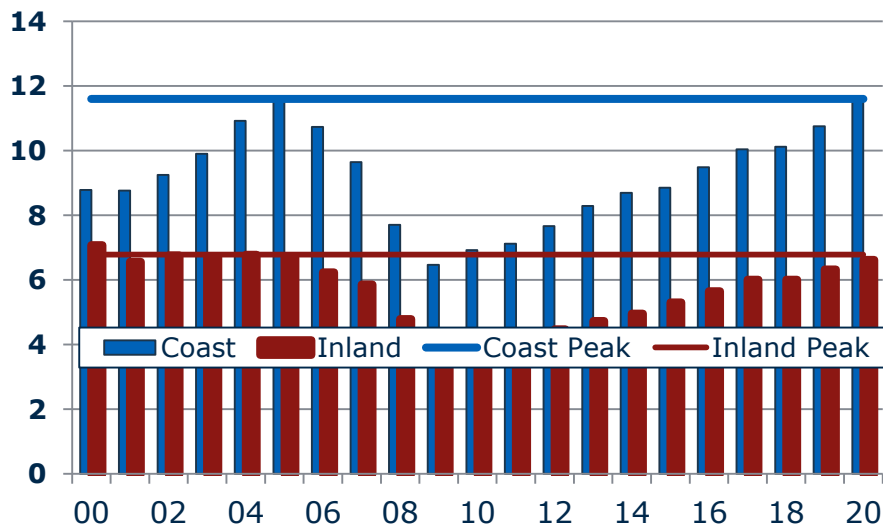
## BC Lumber Production



## Eastern Canada Lumber Production



## US West Lumber Production



## US South Lumber Production

