

# 4Q 2014 Earnings Release Potlatch Corporation

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President and Chief Operating Officer

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Vice President and Chief Financial Officer



January 28, 2015



# Forward-Looking Statements & Non-GAAP Measures

## FORWARD-LOOKING STATEMENTS

This presentation contains certain forward-looking statements within the meaning of the Private Litigation Reform Act of 1995 as amended, including without limitation, statements about our expectations regarding the company's continued strong financial performance in 2015; our outlook for future operating conditions in sawlog, pulpwood, lumber, plywood and real estate markets; recovery of the U.S. housing market and our ability to benefit from our high degree of leverage to the U.S. housing market; expected 2015 housing starts; demand and pricing for sawlogs, pulpwood, lumber, plywood and residuals in the first quarter of 2015 and for the full year; expected first quarter 2015 and 2015 annual harvest volumes in the North and South and expected harvest level range over the next 15 years and beyond; expected flexing of harvests from baseline; expected shift of 200,000 tons of harvest volume from North to South in 2016; expected pulpwood/sawlog mix in the North and South in the first quarter of 2015 and for the full year; capital investment in wood products business in 2015; our intent to continue to have mill performance in the first quartile of margin performance; expected real estate sales in the first quarter of 2015 and for the full year; increase of Southern depletion rates as a result of the acquisition and expected Resource DD&A in the first quarter of 2015; expected earnings and cash flows in our Resource, Wood Products and Real Estate segments in the first quarter of 2015; our expectation that shortfalls in sawlog and pulpwood volumes in the North in the first quarter of 2015 to be made up in succeeding quarters; first quarter 2015 lumber shipments and inventories; estimated basis for real estate sales in 2015; performance of our Resource, Wood Products and Real Estate segments in 2015; 2015 capital expenditures; the company's balance sheet; our expectation that we will not be required to make any contributions to pension plans in 2015; estimated corporate expenses in 2015; liquidity, cash flows and dividend levels; long-term debt maturities; consolidated tax rate in the first quarter 2015 and for the full year; expected GAAP earnings for the first quarter 2015 and 2015 EBITDDA; and related matters. These forward-looking statements are based on current expectations, estimates, assumptions and projections that are subject to change, and actual results may differ materially from the forward-looking statements. Factors that could cause actual results to differ materially include, but are not limited to, changes in timberland values; changes in timber harvest levels on our lands; changes in timber prices; changes in lumber and plywood prices; changes in policy regarding governmental timber sales; changes in the United States and international economies; changes in the level of construction, repair and remodel activity; changes in tariffs, quotas and trade agreements involving wood products; changes in demand for forest products; changes in production and production capacity in the forest products industry; competitive pricing pressures for our products; unanticipated manufacturing disruptions; changes in general and industry-specific environmental laws and regulations; unforeseen environmental liabilities or expenditures; weather conditions; pest infestation; changes in raw material, fuel and other costs; the ability to satisfy complex rules in order to remain qualified as a REIT; changes in tax laws that could reduce the benefits associated with REIT status; and other risks and uncertainties described from time to time in our public filings with the Securities and Exchange Commission. These forward-looking statements are made as of the date of this presentation and we do not undertake to update any forward-looking statements.

## NON-GAAP MEASURES

This presentation presents non-U.S. GAAP financial information. A reconciliation of those numbers to U.S. GAAP is included in this presentation which is available on the company's website at [www.potlatchcorp.com](http://www.potlatchcorp.com).

# 4Q 2014: Total Company Summary

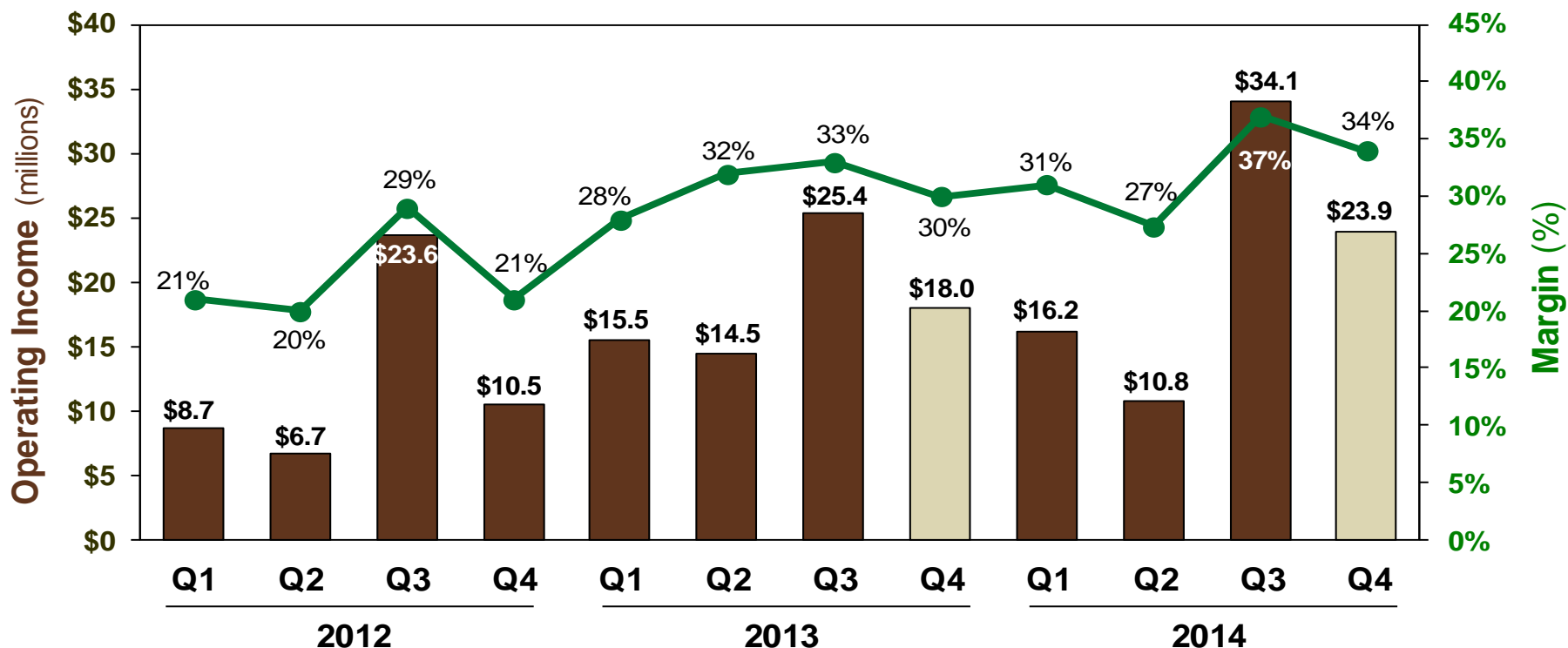
(unaudited, \$ in millions, except per share amounts)

	2013	2014				2013	2014
	Q4	Q1	Q2	Q3	Q4		
<b>Operating income</b>							
Resource	\$ 18.0	\$ 16.2	\$ 10.8	\$ 34.1	\$ 23.9	\$ 73.4	\$ 85.0
Wood Products	9.0	12.7	14.9	15.8	9.1	58.9	52.5
Real Estate	4.6	8.3	12.4	4.6	1.6	18.3	26.9
Eliminations and adjustments	(0.8)	0.8	0.8	(2.0)	0.2	(0.9)	(0.2)
Total operating income	30.8	38.0	38.9	52.5	34.8	149.7	164.2
Corporate	(10.2)	(6.7)	(9.2)	(7.6)	(8.2)	(38.6)	(31.7)
Interest expense, net	(5.6)	(5.5)	(5.5)	(5.5)	(6.4)	(23.1)	(22.9)
Environmental remediation charge	-	-	-	-	-	(3.5)	-
Income before taxes	15.0	25.8	24.2	39.4	20.2	84.5	109.6
Income tax provision	(1.3)	(5.5)	(7.9)	(6.2)	(0.1)	(13.9)	(19.7)
<b>Net income</b>	<b>\$ 13.7</b>	<b>\$ 20.3</b>	<b>\$ 16.3</b>	<b>\$ 33.2</b>	<b>\$ 20.1</b>	<b>\$ 70.6</b>	<b>\$ 89.9</b>
<b>Diluted earnings per share</b>	<b>\$ 0.34</b>	<b>\$ 0.50</b>	<b>\$ 0.40</b>	<b>\$ 0.81</b>	<b>\$ 0.49</b>	<b>\$ 1.73</b>	<b>\$ 2.20</b>
<b>Distributions per share</b>	<b>\$ 0.35</b>	<b>\$ 0.35</b>	<b>\$ 0.35</b>	<b>\$ 0.35</b>	<b>\$ 0.375</b>	<b>\$ 1.28</b>	<b>\$ 1.425</b>
<b>EBITDDA<sup>(1)</sup></b>	<b>\$ 28.2</b>	<b>\$ 41.7</b>	<b>\$ 36.5</b>	<b>\$ 53.3</b>	<b>\$ 35.0</b>	<b>\$ 136.0</b>	<b>\$ 166.5</b>

(1) Non-GAAP measure. See slide 16 for reconciliation.

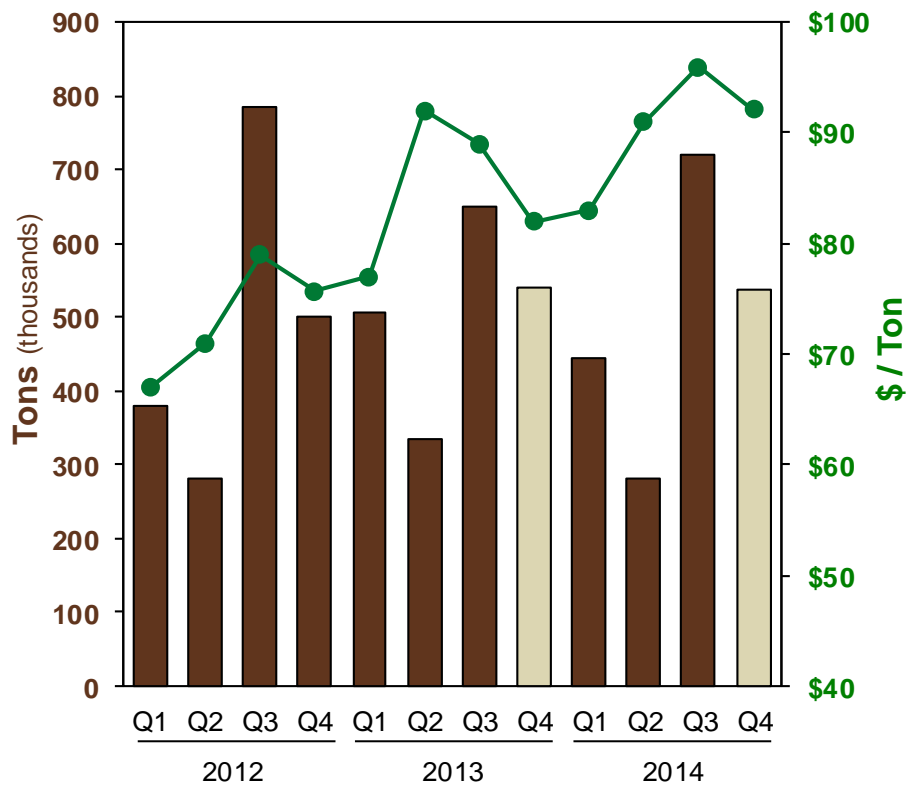
# RESOURCE: Segment Summary

- Northern sawlog prices remain strong
- Southern sawlog price declined due to mix; pine sawlog price remains flat
- Harvest volumes were seasonally lower in Q4

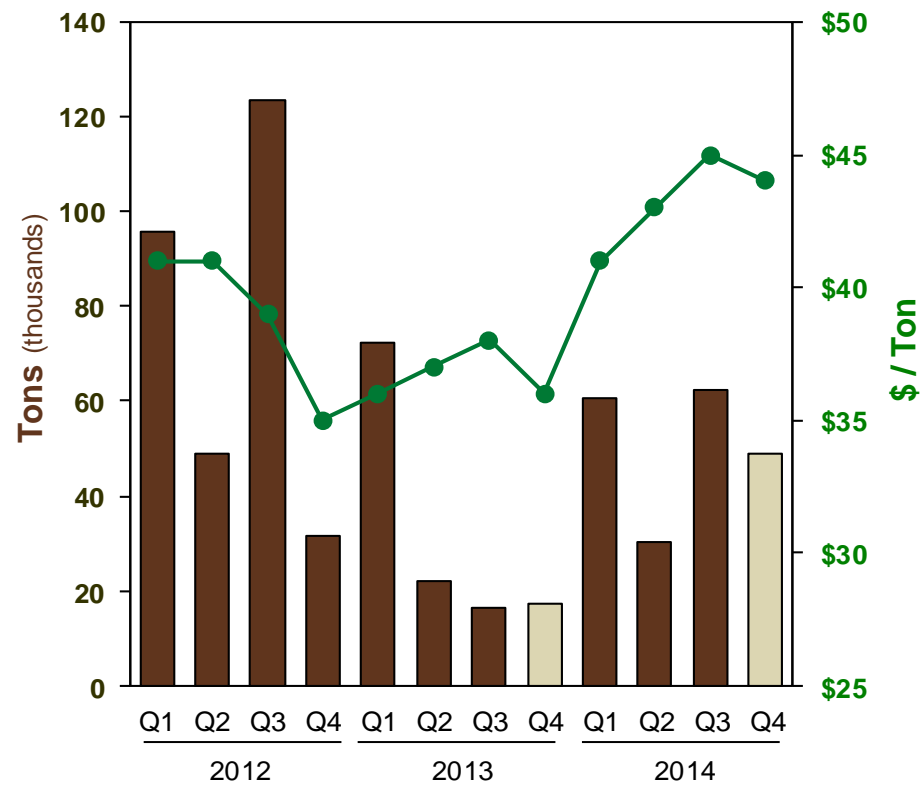


# RESOURCE: Northern Region – Volume and Pricing

## Sawlog



## Pulpwood

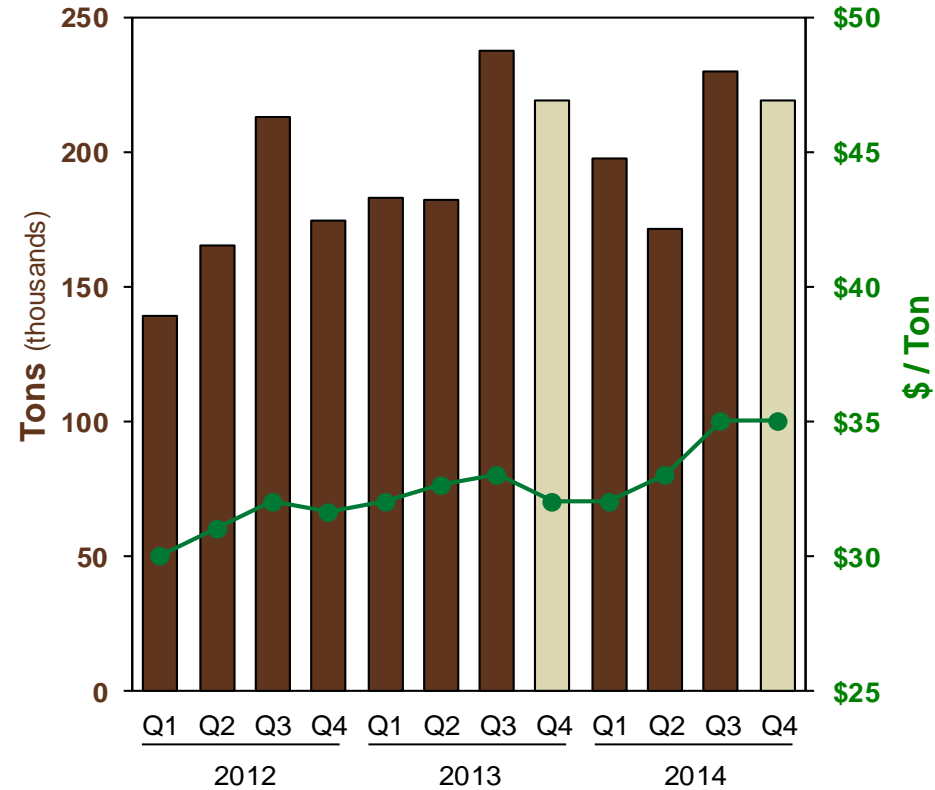
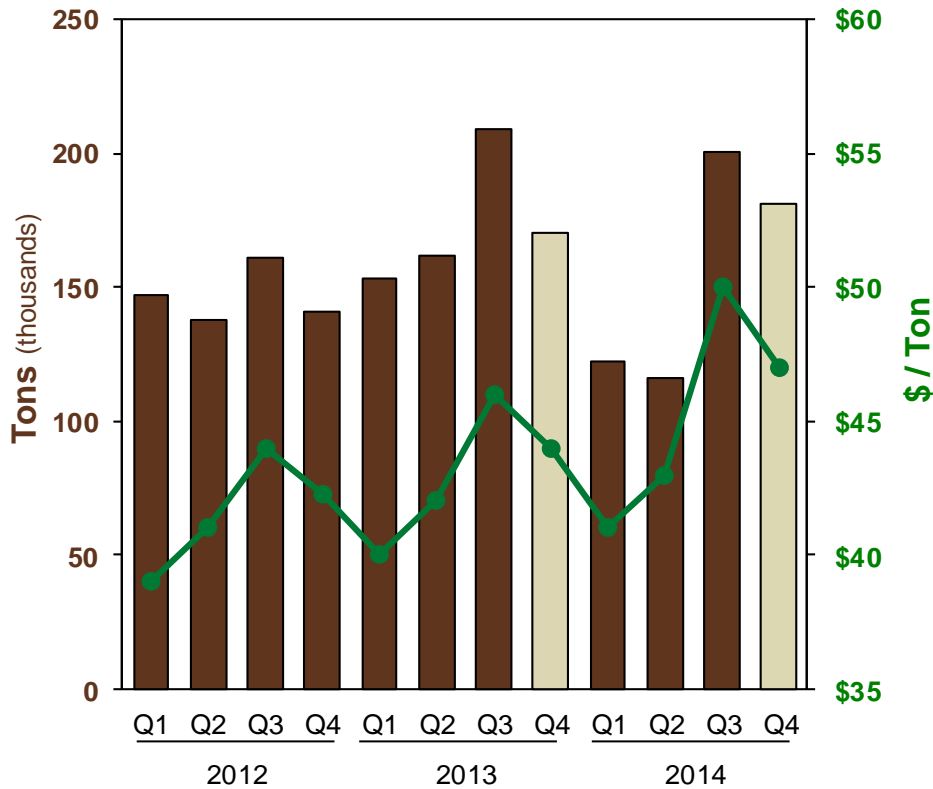


Note: Volumes include tonnage harvested from company-owned fee land, while pricing data includes revenue generated from both company-owned fee land and non-fee stumpage purchased from third parties.

# RESOURCE: Southern Region – Volume and Pricing

## Sawlog

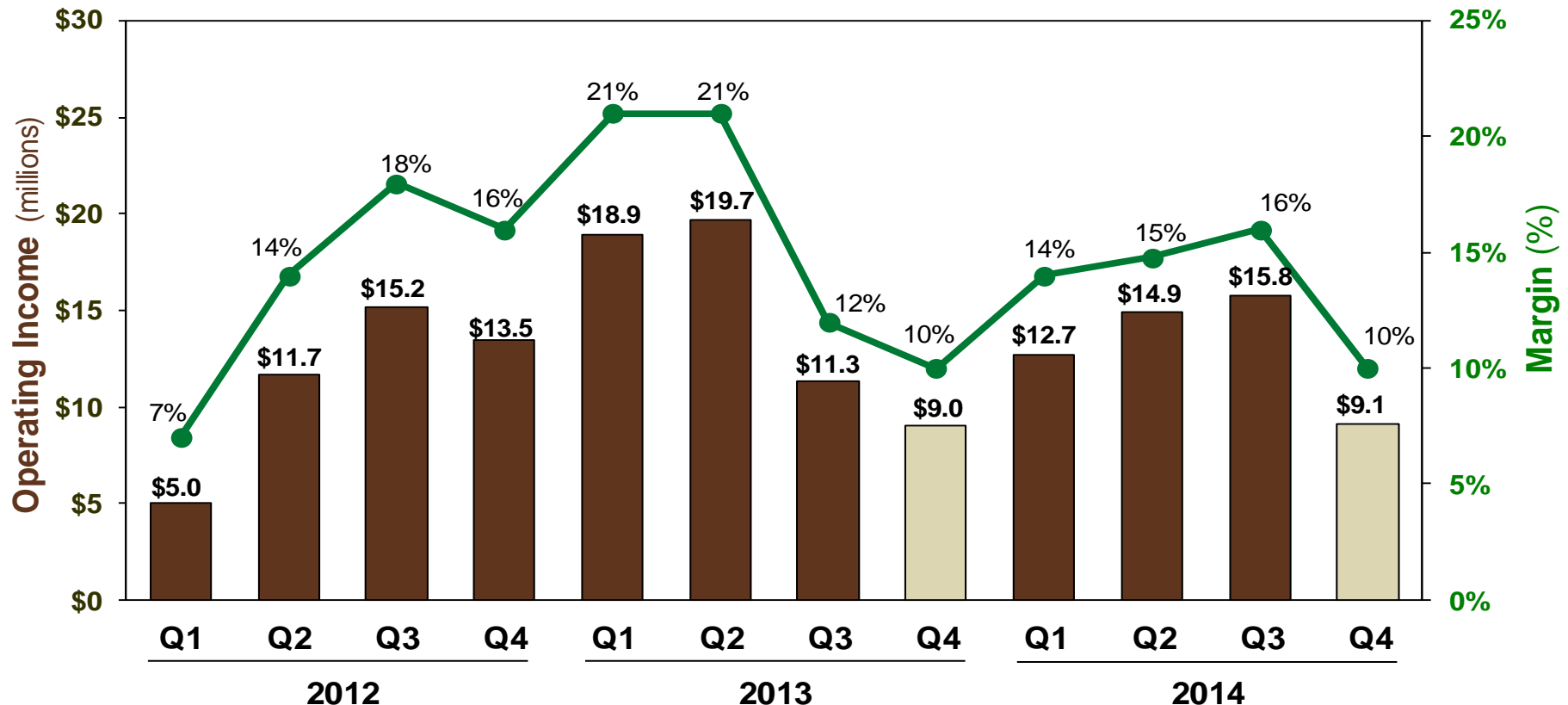
## Pulpwood



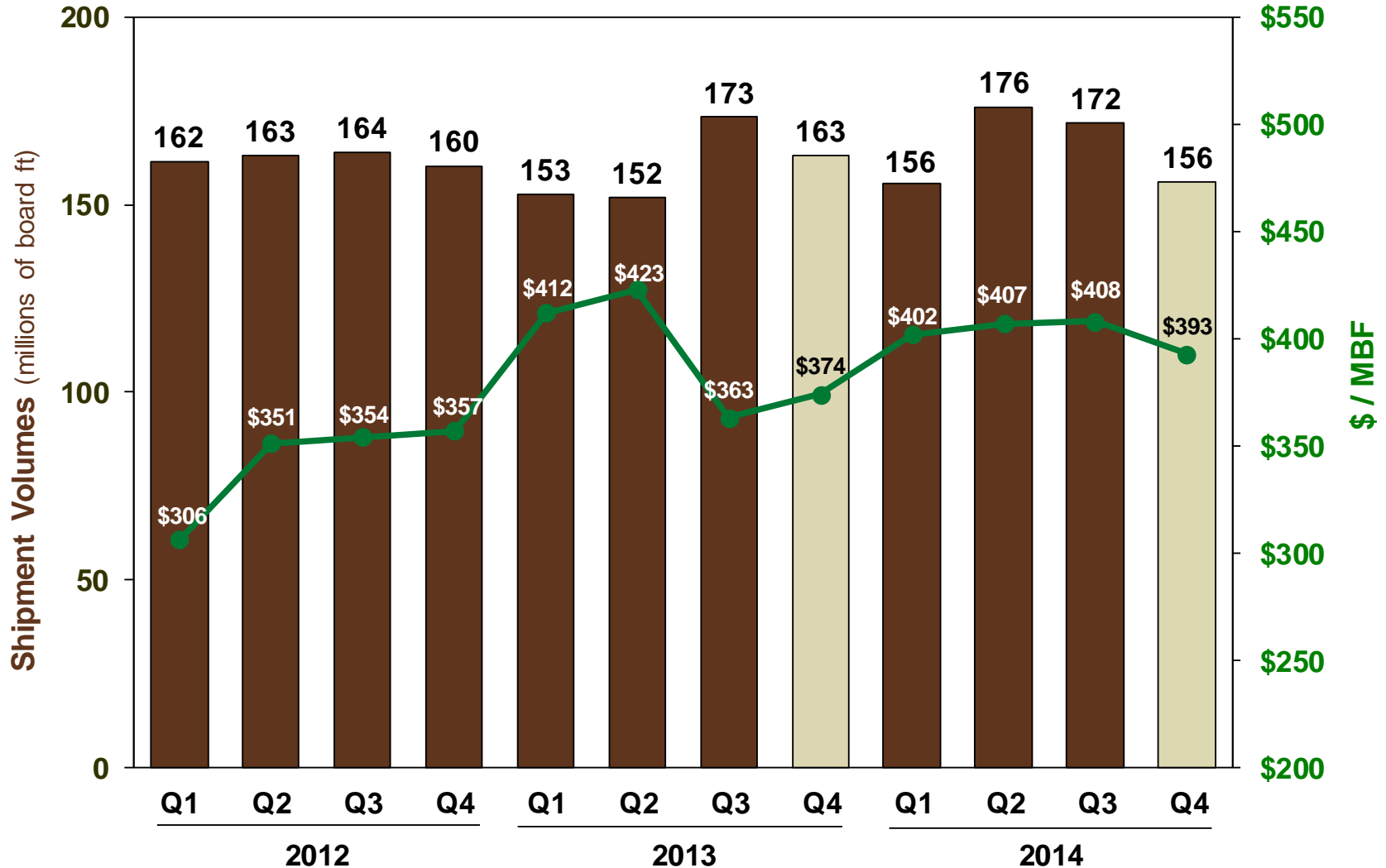
Note: Volumes include tonnage harvested from company-owned fee land, while pricing data includes revenue generated from both company-owned fee land and non-fee stumpage purchased from third parties.

# WOOD PRODUCTS: Segment Summary

- Average lumber price realized decreased slightly
- Lumber shipments down sequentially due to fewer operating days in Q4
- Log costs continue to increase in the Lake States



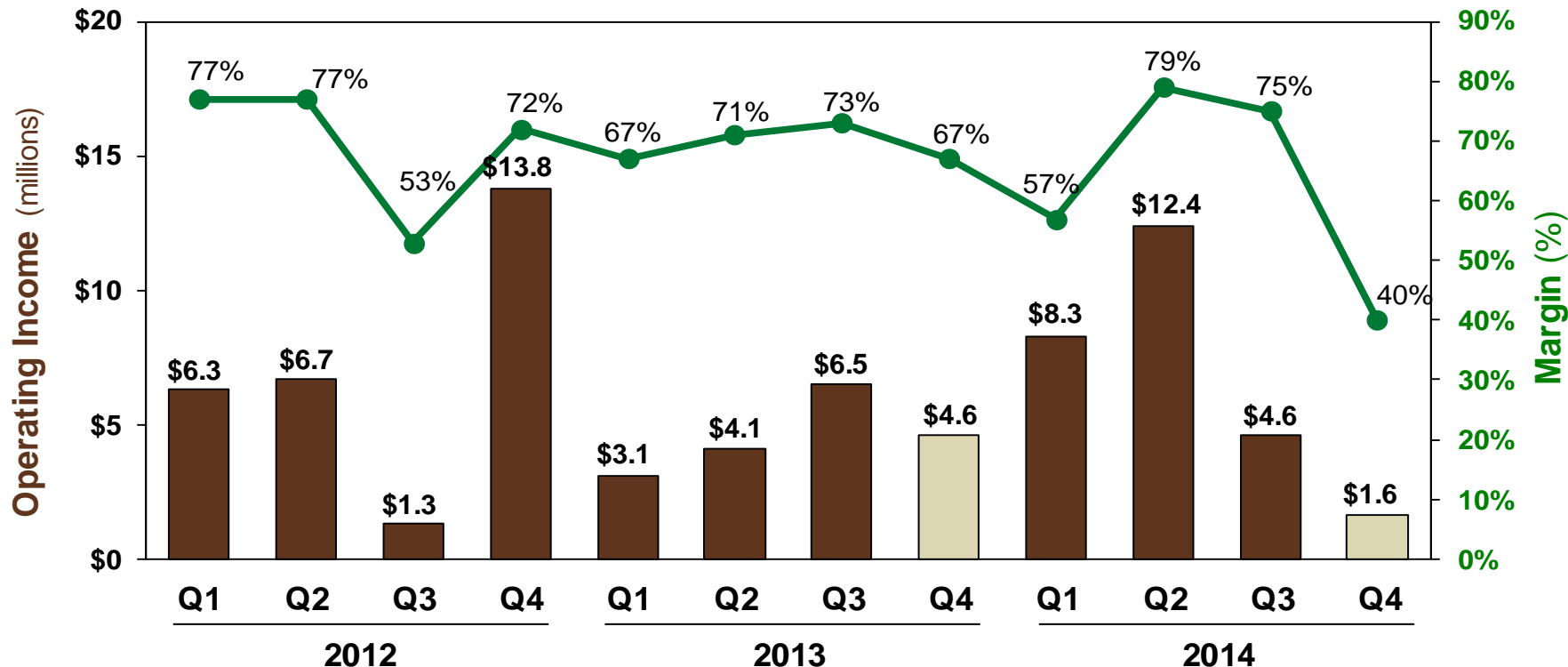
# WOOD PRODUCTS: Lumber – Sales Prices and Shipments





# REAL ESTATE: Segment Summary

- Sold 33,400 acres in 2014, including 20,400 acres in two sales in the first half
- Land basis was 23% of revenue for the year; land basis higher in Q4 due to low level of sales and mix



# FINANCIAL HIGHLIGHTS

## Amounts as of December 31, 2014:

Unaudited, \$ in millions

<b>Cash &amp; short-term investments</b>	\$	31.0
<b>Debt</b>	\$	629.3
<b>Pension &amp; other postretirement liability</b>	\$	115.9
<b>Revolver availability</b>	\$	248.6
<b>Net debt to enterprise value<sup>(1)</sup></b>		26.0%
<b>Dividend yield<sup>(2)</sup></b>		3.6%

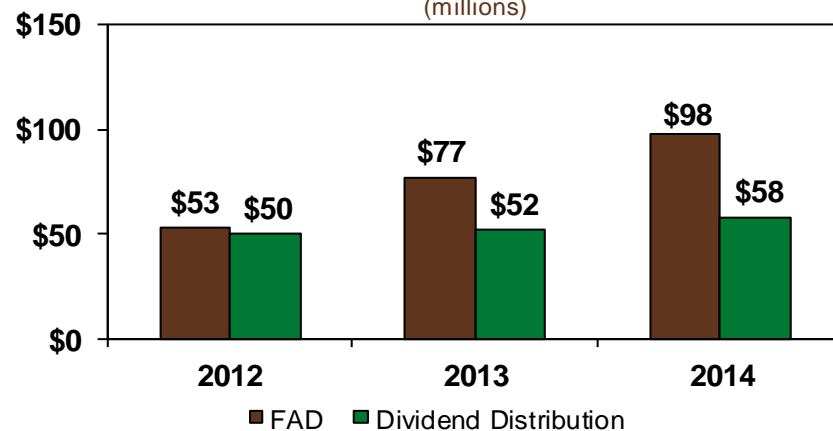
<sup>(1)</sup> Net debt to enterprise value is a non-GAAP measure and is calculated as net debt divided by enterprise value. Net debt is calculated as long-term debt, less cash and short-term investments. Net debt (\$598) plus market capitalization (\$1,700) equals enterprise value. Market capitalization is as of December 31, 2014.

<sup>(2)</sup> Based on the closing stock price of \$41.87 per share as of December 31, 2014.

<sup>(3)</sup> FAD is a non-GAAP measure. See slide 18 for a reconciliation of FAD.

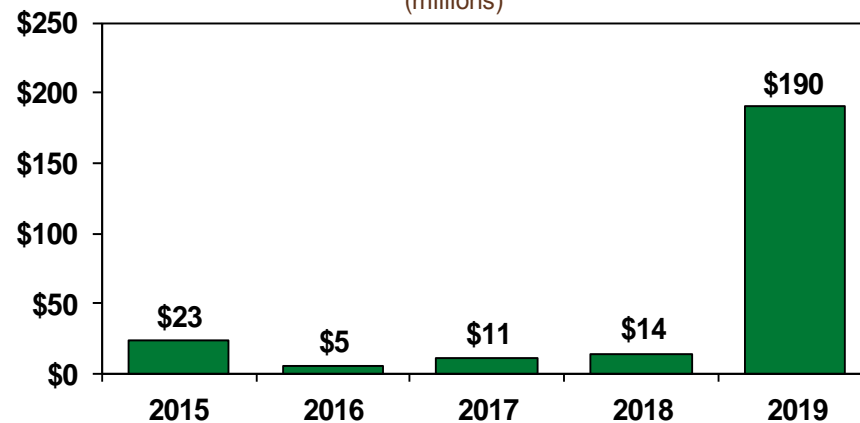
## Funds Available for Distribution<sup>(3)</sup>

(millions)



## Debt Maturities for the Next Five Years

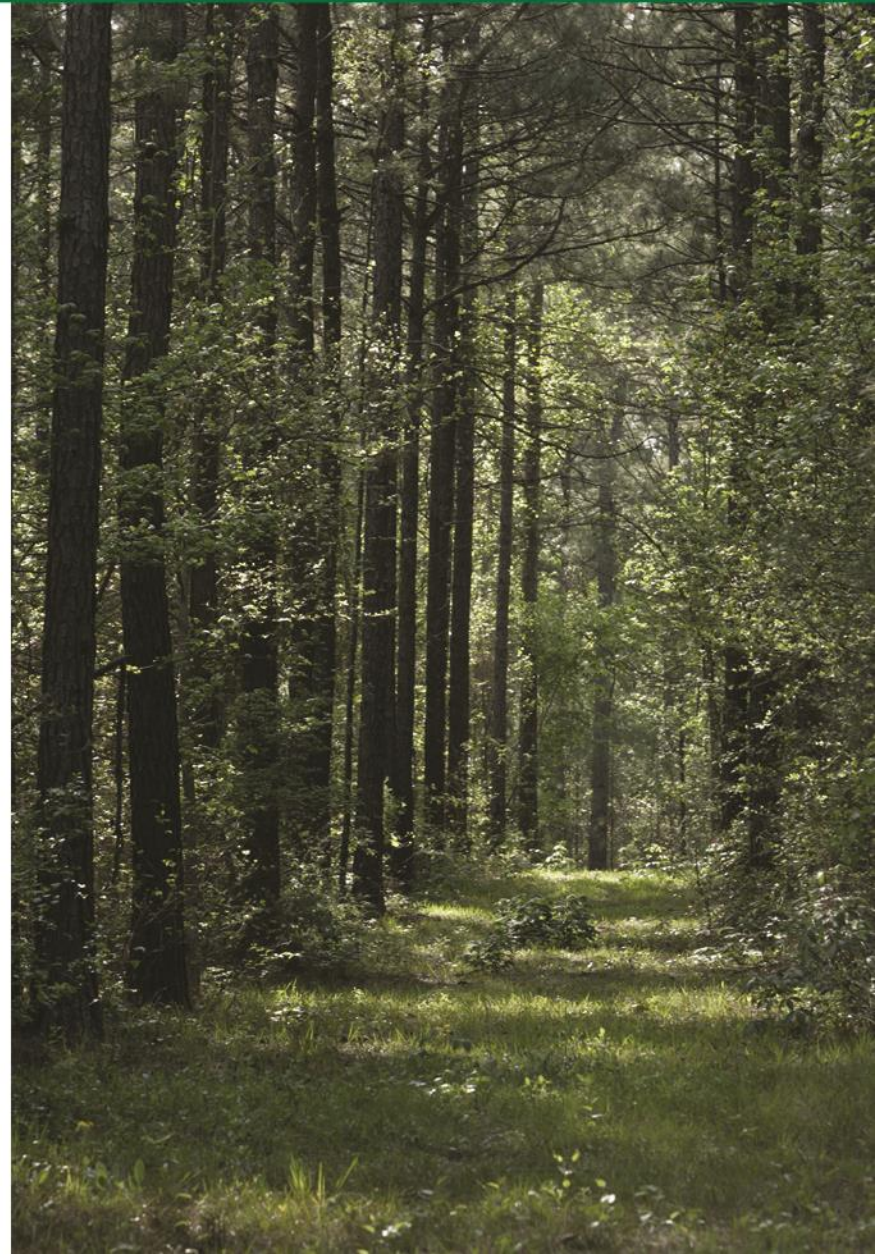
(millions)



# 2015 OUTLOOK

- **Harvest 4.5 million tons**
- **Expect slightly higher sawlog prices in the North and flat pine sawlog prices in the South**
- **Strong demand should translate to another solid year for Wood Products**
- **Plan to sell 20,000 acres of real estate**
- **Land basis is estimated to be 40% to 45%**
- **Consolidated tax rate is estimated to be 15% to 20%**
- **Planned capital spend of \$36 million**

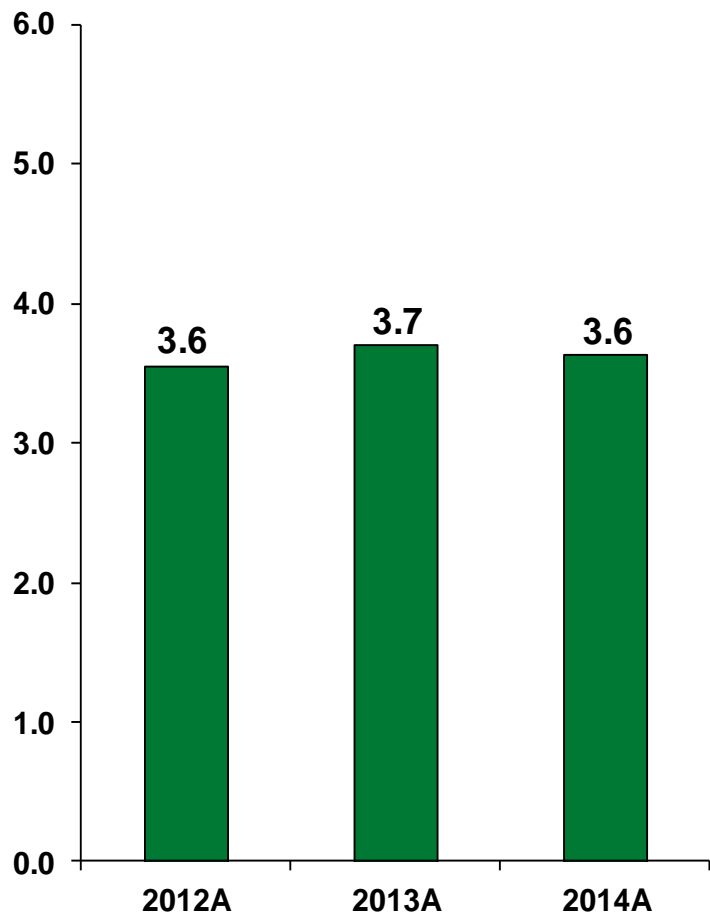
# Appendix



# Long-Term Harvest Profile

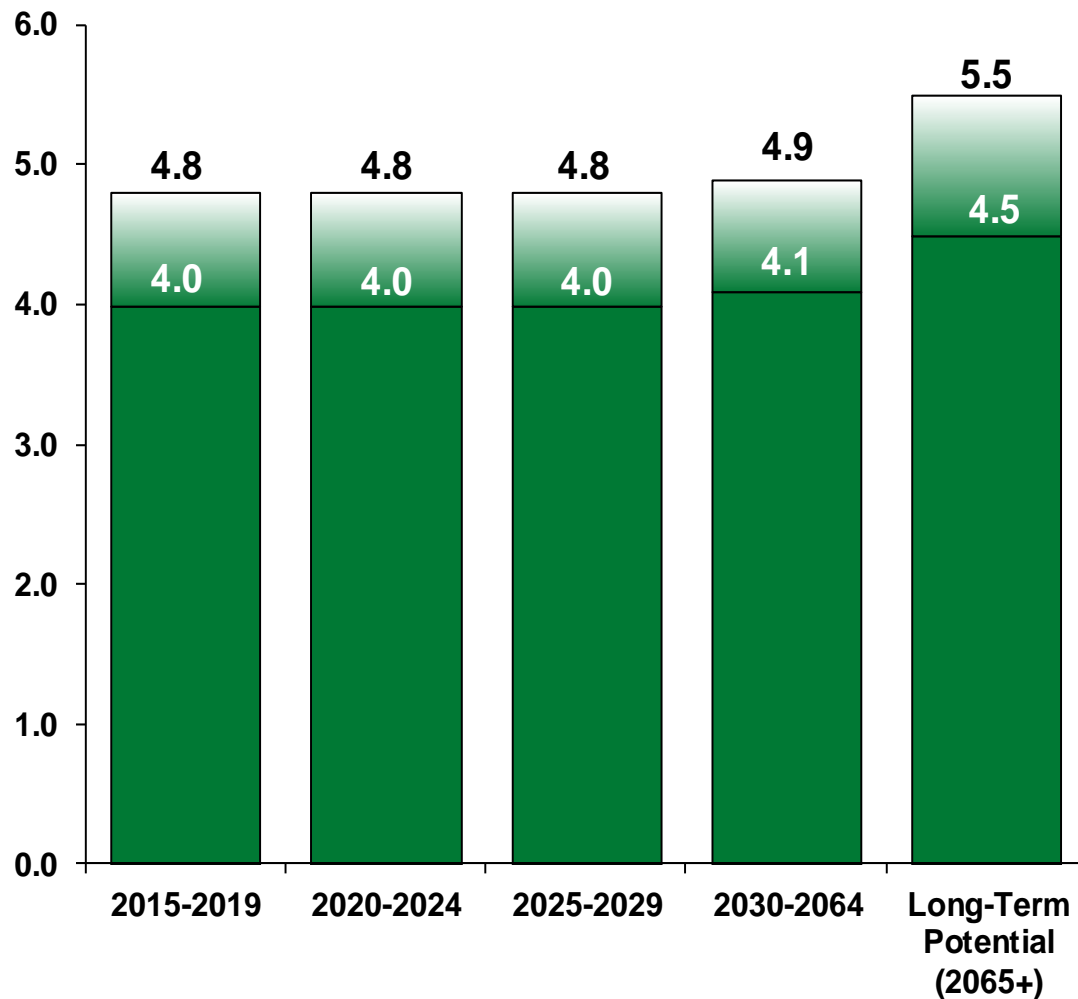
## Annual Harvest

(millions of tons)



## Projected Average Annual Harvest

(millions of tons)



# STATISTICS: Resource

(unaudited)

Fee Volumes (tons)	2013	2014				2013	2014
	Q4	Q1	Q2	Q3	Q4		
<b>Northern Region</b>							
Sawlog	541,304	443,084	279,831	720,460	538,738	2,031,637	1,982,113
Pulpwood	17,197	60,579	30,124	62,340	48,883	127,998	201,926
Stumpage	1,901	10,968	2,475	1,862	1,007	25,397	16,312
Total	560,402	514,631	312,430	784,662	588,628	2,185,032	2,200,351
<b>Southern Region</b>							
Sawlog	170,336	121,910	115,855	200,838	181,147	694,147	619,750
Pulpwood	219,090	197,829	171,136	229,635	218,808	821,781	817,408
Stumpage	8,172	4,975	952	1,095	14,776	8,353	21,798
Total	397,598	324,714	287,943	431,568	414,731	1,524,281	1,458,956
Total Fee Volume	958,000	839,345	600,373	1,216,230	1,003,359	3,709,313	3,659,307
<b>Sales Price/Unit (\$ per ton)</b>							
<b>Northern Region</b>							
Sawlog	\$ 82	\$ 83	\$ 91	\$ 96	\$ 92	\$ 85	\$ 91
Pulpwood	\$ 36	\$ 41	\$ 43	\$ 45	\$ 44	\$ 36	\$ 43
Stumpage	\$ 12	\$ 11	\$ 11	\$ 11	\$ 14	\$ 8	\$ 11
<b>Southern Region</b>							
Sawlog	\$ 44	\$ 41	\$ 43	\$ 50	\$ 47	\$ 43	\$ 46
Pulpwood	\$ 32	\$ 32	\$ 33	\$ 35	\$ 35	\$ 32	\$ 34
Stumpage	\$ 11	\$ 11	\$ 34	\$ 19	\$ 13	\$ 12	\$ 14

# STATISTICS: Wood Products & Real Estate

(unaudited)

	2013	2014				2013	2014
	Q4	Q1	Q2	Q3	Q4		
<b>Wood Products</b>							
Lumber Shipments (MBF)	163,033	155,596	176,046	171,818	156,123	641,217	659,583
Lumber Sales Prices (\$ per MBF)	\$ 374	\$ 402	\$ 407	\$ 408	\$ 393	\$ 392	\$ 402
<b>Real Estate</b>							
<b>Acres Sold</b>							
HBU Development	1,137	68	1,424	1,876	416	4,799	3,784
Rural Real Estate	1,990	13,203	10,821	1,721	2,314	9,494	28,059
Non-Strategic Timberlands	2,283	228	838	202	292	4,669	1,560
	5,410	13,499	13,083	3,799	3,022	18,962	33,403
<b>Revenues by Product Type (millions)</b>							
HBU Development	\$ 2.1	\$ 0.2	\$ 2.9	\$ 3.9	\$ 1.1	\$ 9.8	\$ 8.1
Rural Real Estate	2.5	14.0	12.2	2.2	2.8	12.4	31.2
Non-Strategic Timberlands	2.3	0.2	0.7	0.1	0.2	4.0	1.2
	\$ 6.9	\$ 14.4	\$ 15.8	\$ 6.2	\$ 4.1	\$ 26.2	\$ 40.5
<b>Sales Price per Acre</b>							
HBU Development	\$ 1,813	\$ 2,783	\$ 2,025	\$ 2,096	\$ 2,529	\$ 2,033	\$ 2,129
Rural Real Estate	\$ 1,254	\$ 1,066	\$ 1,125	\$ 1,245	\$ 1,211	\$ 1,310	\$ 1,112
Non-Strategic Timberlands	\$ 1,004	\$ 793	\$ 807	\$ 610	\$ 808	\$ 849	\$ 779
<b>Transactions by Product Type</b>							
HBU Development	16	4	12	15	15	55	46
Rural Real Estate	13	20	25	25	28	104	98
Non-Strategic Timberlands	12	3	5	4	7	41	19
	41	27	42	44	50	200	163

# EBITDDA RECONCILIATION

(unaudited, \$ in millions)

	2013	2014				2013	2014
	Q4	Q1	Q2	Q3	Q4		
GAAP net income	\$ 13.7	\$ 20.3	\$ 16.3	\$ 33.2	\$ 20.1	\$ 70.6	\$ 89.9
Interest expense, net <sup>(1)</sup>	5.6	5.5	5.5	5.5	6.4	23.1	22.9
Income tax provision	1.3	5.5	7.9	6.2	0.1	13.9	19.7
Depreciation, depletion & amortization	6.6	5.8	4.6	7.9	7.1	25.5	25.4
Basis of real estate sold	1.0	4.6	2.2	0.5	1.3	2.9	8.6
<b>EBITDDA<sup>(2)</sup></b>	<b>\$ 28.2</b>	<b>\$ 41.7</b>	<b>\$ 36.5</b>	<b>\$ 53.3</b>	<b>\$ 35.0</b>	<b>\$ 136.0</b>	<b>\$ 166.5</b>

(1) Interest expense includes amortization of bond discounts and deferred loan fees.

(2) EBITDDA is a non-GAAP measure that management uses to evaluate the cash generating capacity of the company. EBITDDA, as we define it, is net income (loss) adjusted for interest expense, provision (benefit) for income taxes, depreciation, depletion and amortization and basis of real estate sold.



# EBITDDA RECONCILIATION: By Segment

(unaudited, \$ in millions)

	2013	2014				2013	2014
	Q4	Q1	Q2	Q3	Q4		
<b>Resource</b>							
Operating Income	\$ 18.0	\$ 16.2	\$ 10.8	\$ 34.1	\$ 23.9	\$ 73.4	\$ 85.0
Depreciation, depletion and amortization	4.6	3.9	2.8	6.0	5.1	18.1	17.8
Resource EBITDDA	22.6	20.1	13.6	40.1	29.0	91.5	102.8
<b>Wood Products</b>							
Operating income	9.0	12.7	14.9	15.8	9.1	58.9	52.5
Depreciation and amortization	1.6	1.5	1.5	1.5	1.6	6.2	6.1
Wood Products EBITDDA	10.6	14.2	16.4	17.3	10.7	65.1	58.6
<b>Real Estate</b>							
Operating Income	4.6	8.3	12.4	4.6	1.6	18.3	26.9
Basis of land and depreciation	1.2	5.2	2.2	0.6	1.5	3.6	9.5
Real Estate EBITDDA	5.8	13.5	14.6	5.2	3.1	21.9	36.4
Eliminations and adjustments <sup>(1)</sup>	(0.8)	0.8	0.8	(2.0)	0.2	(0.9)	(0.2)
<b>Corporate</b>							
Corporate expense	(10.2)	(6.7)	(9.2)	(7.6)	(8.2)	(38.6)	(31.7)
Environmental remediation charge	-	-	-	-	-	(3.5)	-
Depreciation, amortization and basis of land adjustment	0.2	(0.2)	0.3	0.3	0.2	0.5	0.6
Corporate EBITDDA	(10.0)	(6.9)	(8.9)	(7.3)	(8.0)	(41.6)	(31.1)
<b>EBITDDA<sup>(2)</sup></b>	<b>\$ 28.2</b>	<b>\$ 41.7</b>	<b>\$ 36.5</b>	<b>\$ 53.3</b>	<b>\$ 35.0</b>	<b>\$ 136.0</b>	<b>\$ 166.5</b>

(1) Eliminations and adjustments represent intersegment revenues between the Resource and Wood Products segments.

(2) EBITDDA is a non-GAAP measure that management uses to evaluate the cash generating capacity of the company. EBITDDA, as we define it, is net income (loss) adjusted for interest expense, provision (benefit) for income taxes, depreciation, depletion and amortization and basis of real estate sold.

# FAD RECONCILIATION

(unaudited, \$ in millions)

	2013		2014					2013		2014	
		Q4	Q1	Q2	Q3	Q4					
GAAP net income	\$	13.7	\$ 20.3	\$ 16.3	\$ 33.2	\$ 20.1	\$	70.6	\$	89.9	
Depreciation, depletion & amortization <sup>(1)</sup>		6.9	6.1	4.9	8.3	7.4		27.0		26.7	
Basis of real estate sold		1.0	4.6	2.2	0.5	1.3		2.9		8.6	
Capital expenditures <sup>(2)</sup>		(6.7)	(3.6)	(8.8)	(7.8)	(7.2)		(23.6)		(27.4)	
<b>Funds Available for Distribution<sup>(2)</sup></b>	<b>\$</b>	<b>14.9</b>	<b>\$ 27.4</b>	<b>\$ 14.6</b>	<b>\$ 34.2</b>	<b>\$ 21.6</b>	<b>\$</b>	<b>76.9</b>	<b>\$</b>	<b>97.8</b>	

(1) Depreciation, depletion & amortization includes amortized interest expense from bond discounts and deferred loan fees.

(2) Funds Available for Distribution (FAD), as we define it, is net income (loss) adjusted for depreciation, depletion and amortization, basis of real estate sold, and capital expenditures. For purposes of this definition, capital expenditures exclude all expenditures relating to direct or indirect timberland purchases in excess of \$5 million.

# OPERATING WORKING CAPITAL RECONCILIATION

(unaudited, \$ in millions)

	2013	2014			
	Q4	Q1	Q2	Q3	Q4
Current assets	\$ 130.4	\$ 139.1	\$ 145.1	\$ 144.1	\$ 93.6
Less: Current liabilities	(50.3)	(49.5)	(54.9)	(60.0)	(72.2)
Working capital	80.1	89.6	90.2	84.1	21.4
Less: Cash	(5.6)	(9.4)	(9.3)	(8.3)	(4.6)
Less: Short-term investments	(52.3)	(66.9)	(73.9)	(65.0)	(26.4)
Add: Current installments on long-term debt	-	-	-	-	22.9
<b>Operating Working Capital</b>	<b>\$ 22.2</b>	<b>\$ 13.3</b>	<b>\$ 7.0</b>	<b>\$ 10.8</b>	<b>\$ 13.3</b>

