



Q4 2016

Earnings Release

January 31, 2017

Michael J. Covey
Chairman and Chief Executive Officer

Eric J. Cremers
President and Chief Operating Officer

Jerald W. Richards
Vice President and Chief Financial Officer

www.potlatchcorp.com

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 U.S. housing starts of 1.2 – 1.3 million units in 2017; strong repair and remodel markets; volatility in lumber pricing; the company's financial performance in 2017; our outlook for future operating conditions in sawlog, pulpwood, lumber, plywood and real estate markets; mix and pricing for cedar sawlogs, pulpwood, and hardwood in the North and South regions in the first quarter of 2017; expected lumber prices and lumber shipments in the first quarter of 2017; expected first quarter and full year 2017 harvest volumes in the North and South; expected pulpwood/sawlog mix in the North and South in the first quarter of 2017; expected real estate sales in the first quarter of 2017 and for the full year, expected mix of real estate sales in 2017, and expected pricing and land basis; expected earnings and cash flows in our Resource, Wood Products and Real Estate segments in the first quarter of 2017; estimated effect of about \$4 million on first quarter 2017 EBITDDA due to scheduled maintenance at the Warren, Arkansas mill; expected corporate and interest expense per quarter in 2017; expected earnings in the first quarter of 2017; the company's balance sheet; expected capital expenditures for the full year 2017; expected IRR of investment in a new stacker at the Warren, Arkansas mill; countervailing and antidumping duties on Canadian lumber imports; liquidity, cash flows and dividend levels; expected consolidated tax rate in the first quarter of 2017 and the full year; 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; availability of logging contractors; changes in the United States and international economies; currency fluctuations; 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; unanticipated delays in completing maintenance at Warren, Arkansas mill; changes in general and industry-specific environmental laws and regulations; unforeseen environmental liabilities or expenditures; weather conditions; fire and fire-related restrictions on harvesting; pest infestation; changes in raw material, diesel, other 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; changes in the bond markets; fluctuations in the company's share price; 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 includes non-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.

Q4 2016: Total Company Summary

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

	2016 Q3	2016 Q4	2015	2016
<u>Operating Income</u>				
Resource	\$ 33.3	\$ 22.7	\$ 76.3	\$ 81.9
Wood Products	10.6	8.3	(5.2)	24.6
Real Estate	5.9	6.0	16.8	(29.5)
Eliminations	(1.9)	(1.6)	3.3	(3.0)
Total operating income	47.9	35.4	91.2	74.0
Corporate	(8.9)	(9.7)	(32.3)	(38.5)
Interest expense, net	(7.8)	(6.9)	(32.8)	(28.9)
Income before taxes	31.2	18.8	26.1	6.6
Income taxes	(3.6)	(4.4)	5.6	4.3
Net income	\$ 27.6	\$ 14.4	\$ 31.7	\$ 10.9
Diluted earnings per share	\$ 0.68	\$ 0.35	\$ 0.77	\$ 0.27
Distributions per share	\$ 0.375	\$ 0.375	\$ 1.50	\$ 1.50
<u>Amounts Excluding Central Idaho⁽²⁾</u>				
Adjusted net income				\$ 47.6
Per diluted share				\$ 1.16

	2016 Q3	2016 Q4	2015	2016
<u>EBITDDA⁽¹⁾</u>				
Northern region	\$ 29.4	\$ 19.3	\$ 74.1	\$ 74.6
Southern region	10.3	9.6	31.0	31.4
Total Resource	39.7	28.9	105.1	106.0
Wood Products	12.5	10.2	2.5	32.0
Real Estate ⁽³⁾	7.3	7.3	24.3	27.5
Eliminations	(1.9)	(1.6)	3.3	(3.0)
Corporate	(8.8)	(9.7)	(31.8)	(38.2)
EBITDDA⁽³⁾	\$ 48.8	\$ 35.1	\$ 103.4	\$ 124.3
Sale of central Idaho timberland	-	-	-	111.5
Total EBITDDA	\$ 48.8	\$ 35.1	\$ 103.4	\$ 235.8

(1) Non-GAAP measure. See slide 17 for definition and reconciliation.

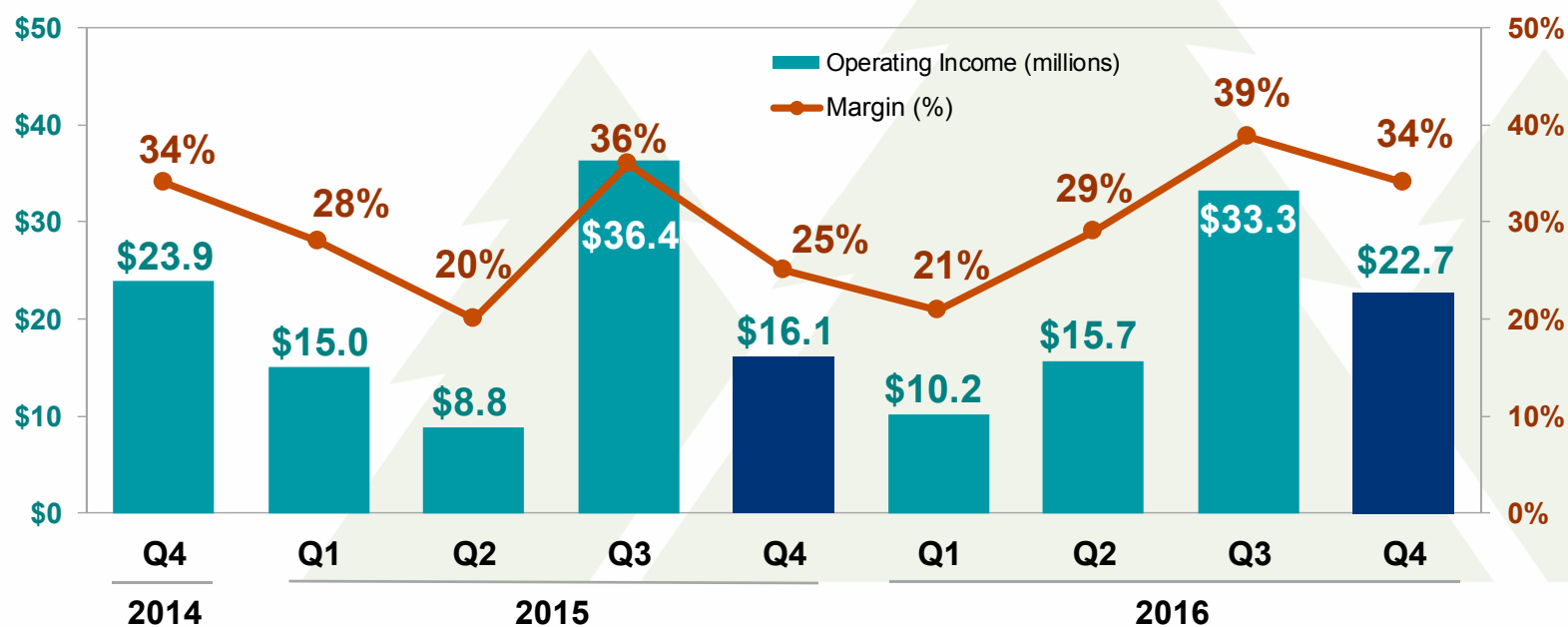
(2) Non-GAAP measure. See slide 18 for reconciliation.

(3) Excludes the sale of central Idaho timberlands.

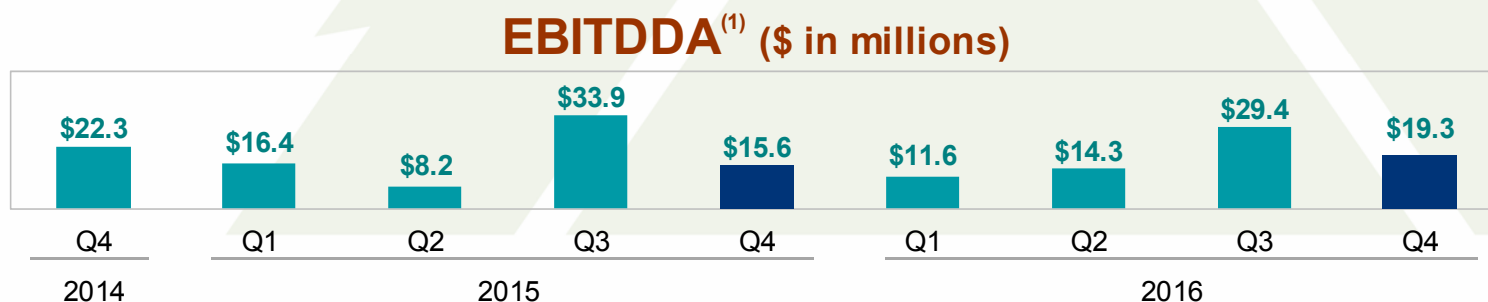
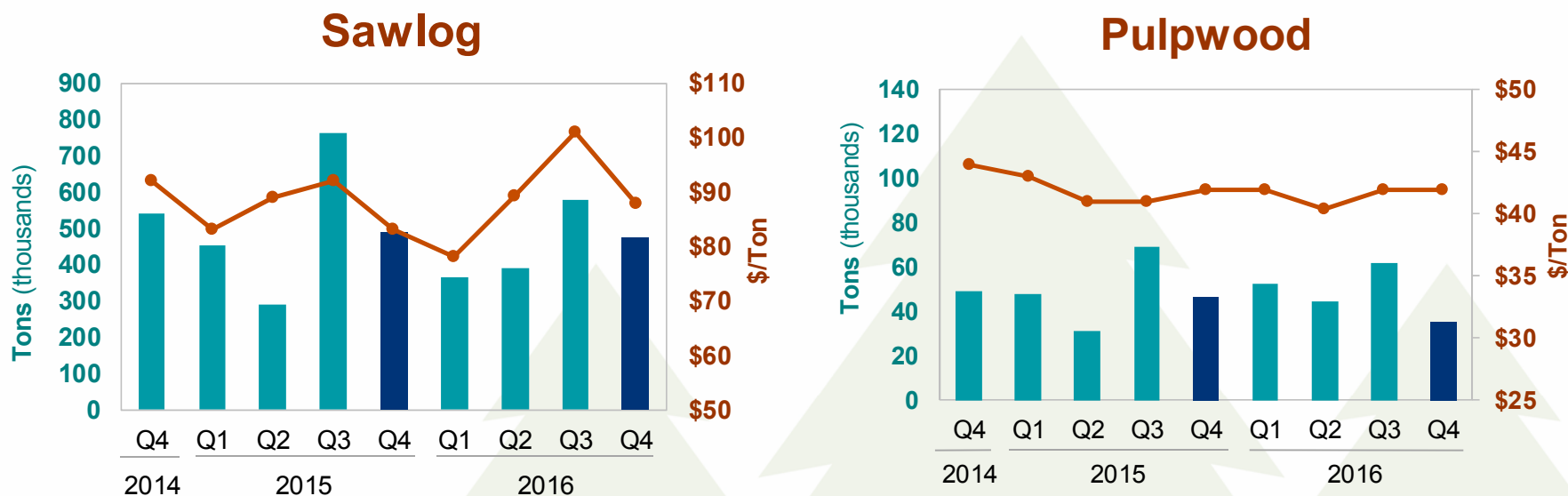
RESOURCE:

Segment Summary

- Northern sawlog prices decreased 13% due largely to a lower mix of cedar sawlogs
- Southern sawlog prices decreased 7%, primarily the result of a seasonal decrease in hardwood logs in the sales mix



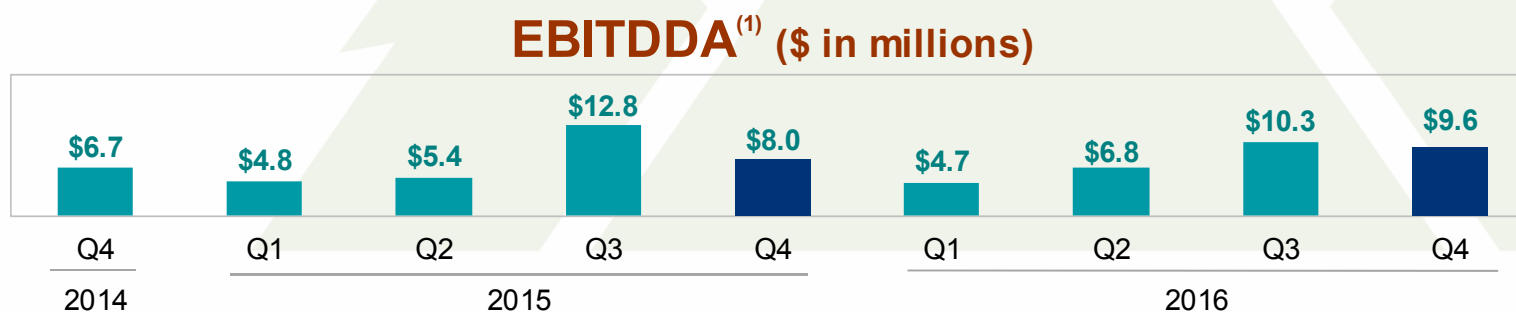
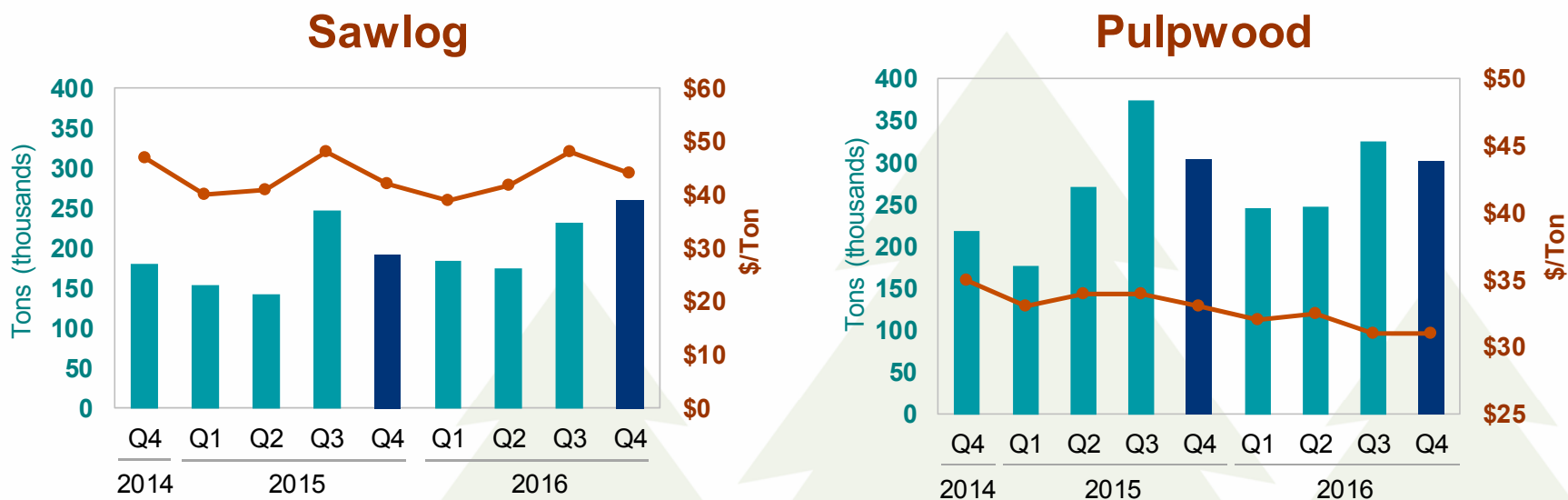
RESOURCE: Northern Region – Volume, Pricing and EBITDDA



(1) Non-GAAP measure. See slide 17 for definition and reconciliation.

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, Pricing and EBITDDA

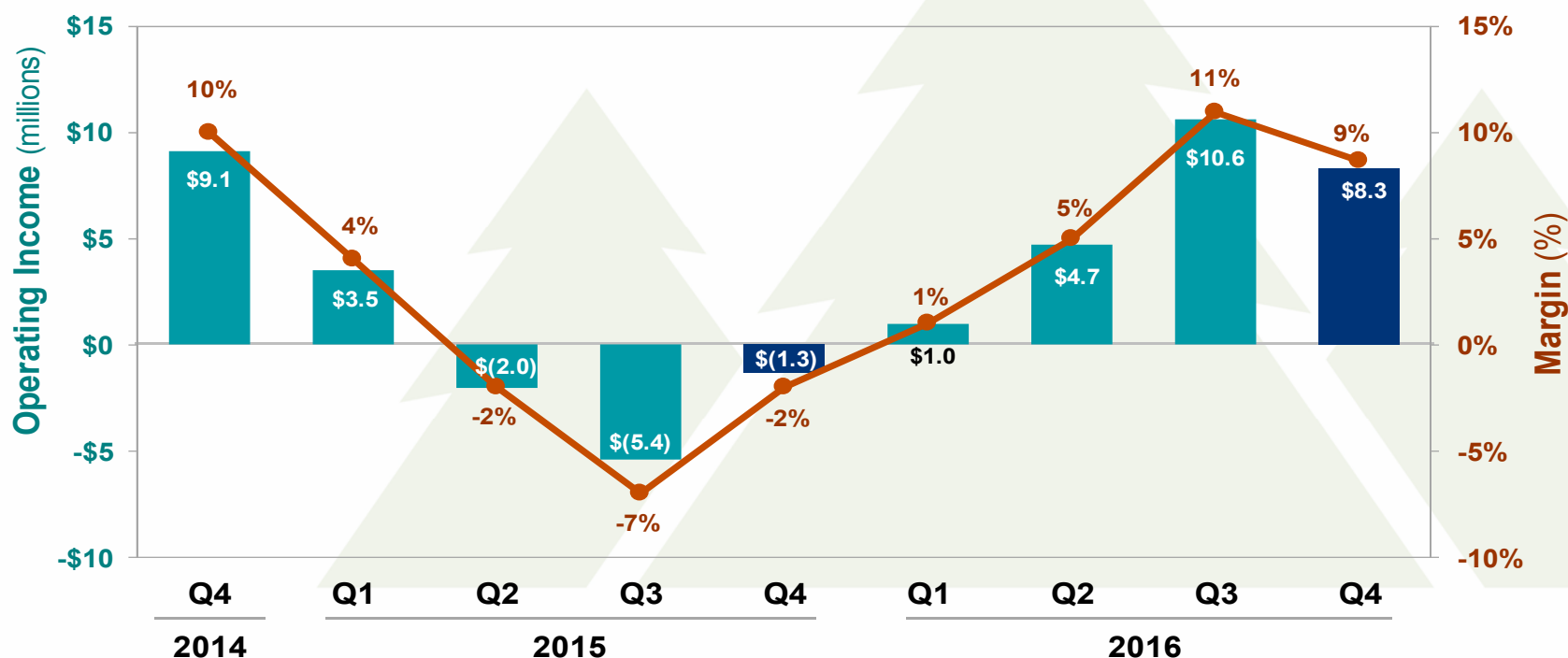


(1) Non-GAAP measure. See slide 17 for definition and reconciliation.

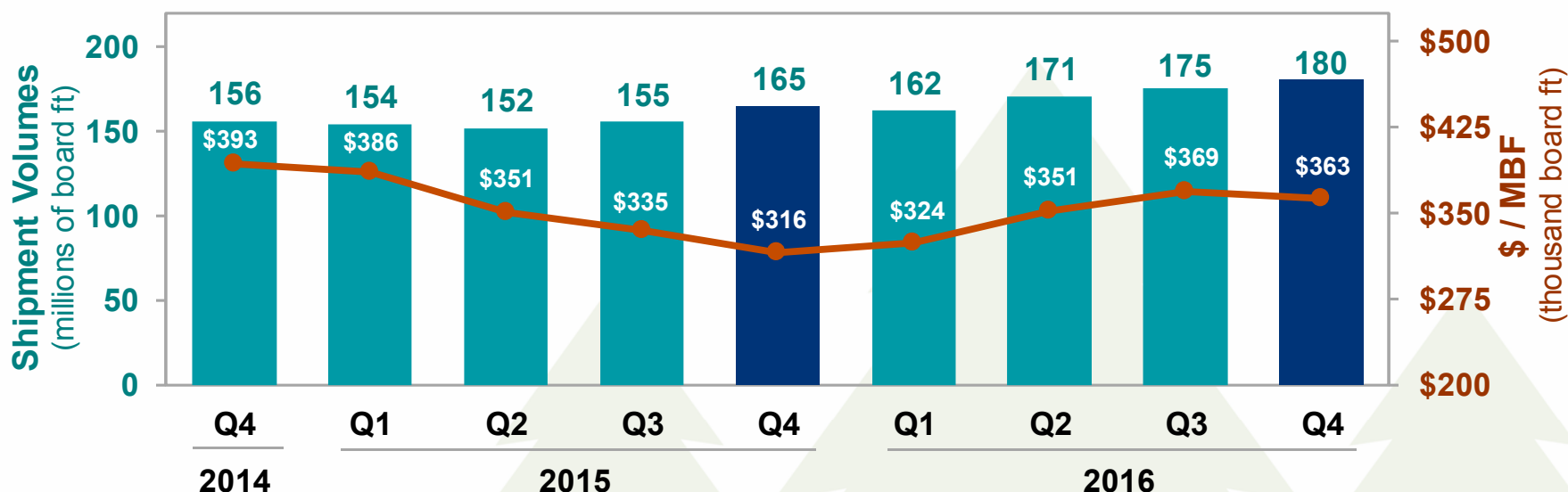
Note: Volumes include tonnage harvested from company-owned fee land, while pricing data includes revenue generated from both company-owned fee land and non-fee stumpage purchased from third parties.

WOOD PRODUCTS: Segment Summary

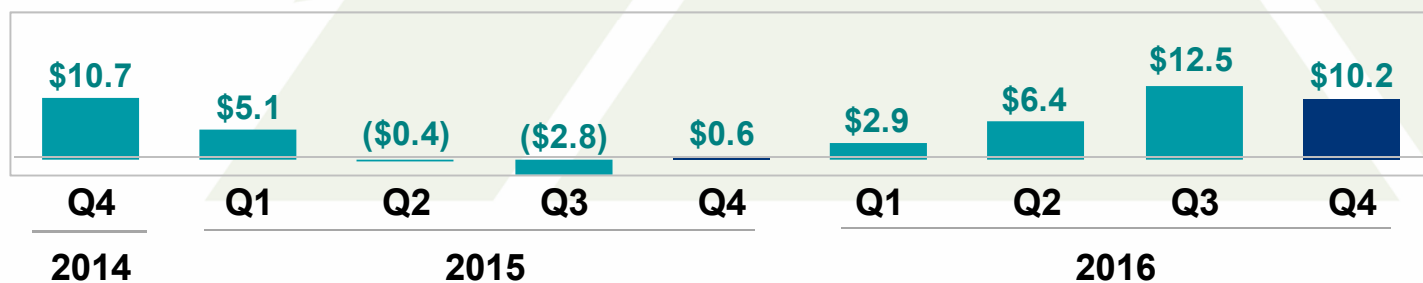
- Wood Products achieved a new quarterly lumber production record in Q4, beating the record just set in Q3
- Lumber shipments increased 3% in Q4
- Average lumber prices were 2% lower in Q4



WOOD PRODUCTS: Lumber Sales Prices, Shipments and EBITDDA



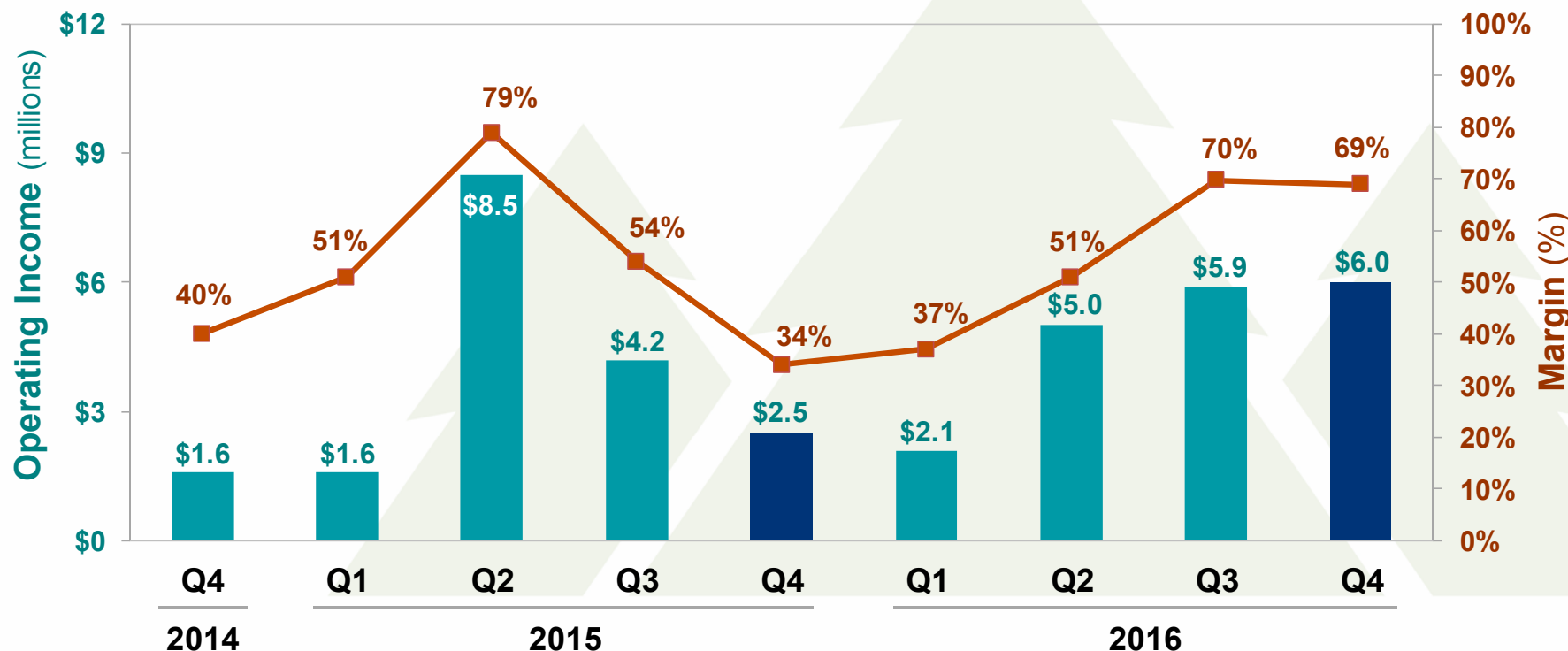
EBITDDA⁽¹⁾ (\$ in millions)



(1) Non-GAAP measure. See slide 17 for definition and reconciliation.

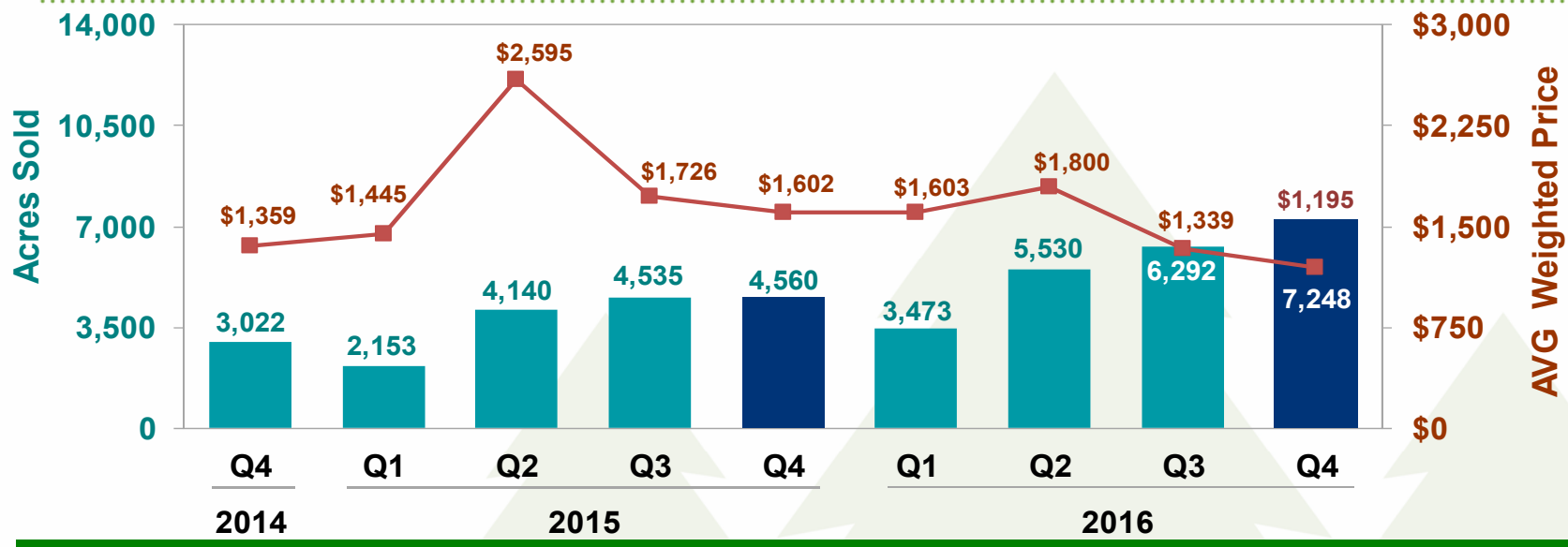
REAL ESTATE: Segment Summary⁽¹⁾

- Real Estate operating income and margins in Q4 were the same as the strong Q3 results
- The effect of the sale of more acres in Q4 was offset by a lower average sale price due to more non-strategic timberland sales in the mix in Q4

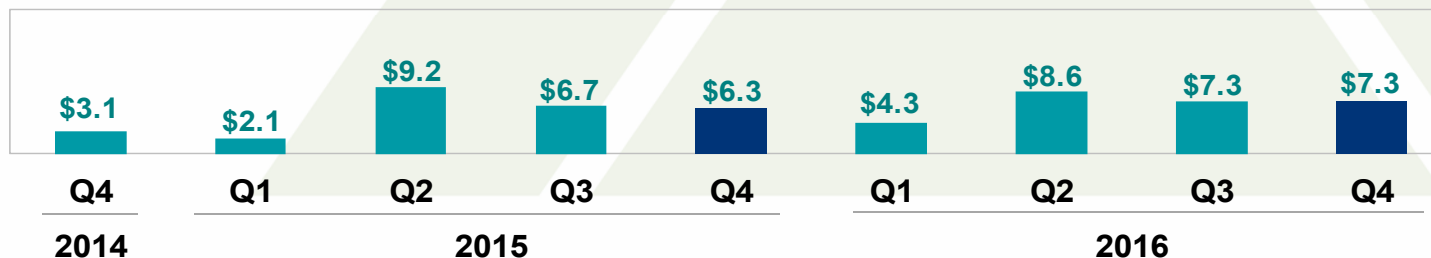


(1) Does not include the Q2 2016 central Idaho timberland sale.

REAL ESTATE: Acres Sold, Average Price and EBITDDA⁽¹⁾



EBITDDA⁽²⁾ (\$ in millions)



(1) Does not include the Q2 2016 central Idaho timberland sale.
 (2) Non-GAAP measure. See slide 17 for definition and reconciliation.

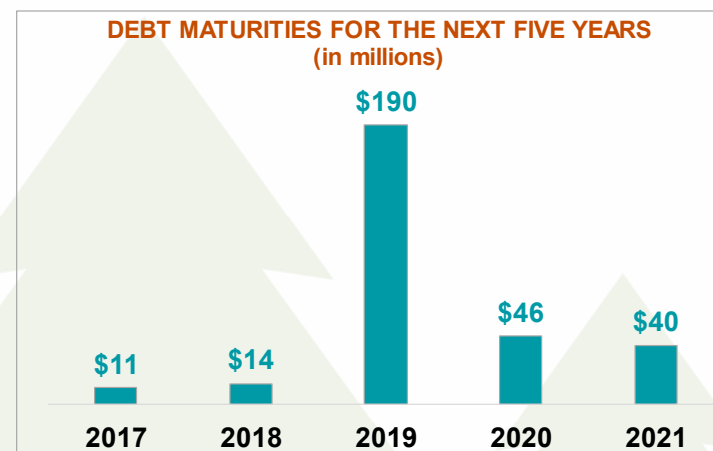
FINANCIAL HIGHLIGHTS

Amounts as of December 31, 2016:

Unaudited, \$ in millions

Cash and cash equivalents	\$ 82.6
Debt	\$ 584.0
Pension & postretirement liability	\$ 123.3
Net debt to enterprise value ⁽¹⁾	22.9%
Dividend yield ⁽²⁾	3.6%

- (1) 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 and revolving line of credit borrowings, less cash and short-term investments. Net debt (\$501 million) plus market capitalization (\$1.69 billion) equals enterprise value. Market capitalization is as of December 30, 2016.
- (2) Based on the closing stock price of \$41.65 per share as of December 30, 2016.



- **No significant maturities until 2019**
- **\$249 million is available on our revolver**
 - Maturity: February 2020
 - Accordion: \$250 million

OUTLOOK

RESOURCE

- **Harvest 4.2 million tons for the year**
 - Slightly more than half of annual volume in the South
 - Sawlogs \approx 90% of Northern volume and \approx 47% of Southern volume
- **Harvest 750,000 – 800,000 tons Q1**
 - Higher prices for cedar sawlogs offset the effect of seasonally heavier logs in the North: price increase 1%
 - Seasonally lower mix of hardwood and a higher percentage of pine sawlogs in weaker markets in the South: price decrease 10% - 15%

WOOD PRODUCTS

- **Expect to ship \approx 690 million board feet for the year and \approx 160 million board feet of lumber Q1**
- **Lumber prices flat Q1 compared to Q4 2016**

REAL ESTATE

- **Expect to sell \approx 20,000 acres for the year,**
- **Land basis to be 25% – 30% of revenue for year**
- **Expect to sell \approx 6,500 acres Q1 at an average price of \approx \$2,000 per acre**

OTHER

- **Corporate expected to be \approx \$9 million per quarter in 2017**
- **Interest expense expected to be \$5 million in Q1 and \$7 million in the remaining 2017 quarters**
- **Consolidated tax rate of 10% – 15% for year, 5% Q1**



Appendix

www.potlatchcorp.com

STATISTICS: Resource

(unaudited)

Fee Volumes (tons)	2014	2015				2016			
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Northern Region									
Sawlog	538,738	451,548	287,979	762,813	490,625	366,852	388,575	579,837	474,024
Pulpwood	48,883	47,840	31,284	69,329	46,449	52,361	44,497	62,138	35,418
Stumpage	1,007	16,903	3,277	2,604	790	16,207	1,061	1,261	63
Total	588,628	516,291	322,540	834,746	537,864	435,420	434,133	643,236	509,505
Southern Region									
Sawlog	181,147	154,730	142,107	246,566	192,930	185,051	175,498	231,677	261,151
Pulpwood	218,808	177,345	270,518	375,097	304,601	248,152	240,277	325,348	301,870
Stumpage	14,776	39,961	53,176	137,094	90,941	56,079	65,596	68,228	54,298
Total	414,731	372,036	465,801	758,757	588,472	489,282	481,371	625,253	617,319
Total Fee Volume	1,003,359	888,327	788,341	1,593,503	1,126,336	924,702	915,504	1,268,489	1,126,824
Sales Price/Unit (\$ per ton)									
Northern Region									
Sawlog	\$ 92	\$ 83	\$ 89	\$ 92	\$ 83	\$ 78	\$ 89	\$ 101	\$ 88
Pulpwood	\$ 44	\$ 43	\$ 41	\$ 41	\$ 42	\$ 42	\$ 40	\$ 42	\$ 42
Stumpage	\$ 14	\$ 9	\$ 6	\$ 13	\$ 13	\$ 13	\$ 11	\$ 12	\$ 4
Southern Region									
Sawlog	\$ 47	\$ 40	\$ 41	\$ 48	\$ 42	\$ 39	\$ 42	\$ 48	\$ 44
Pulpwood	\$ 35	\$ 33	\$ 34	\$ 34	\$ 33	\$ 32	\$ 33	\$ 31	\$ 31
Stumpage	\$ 13	\$ 18	\$ 15	\$ 21	\$ 17	\$ 18	\$ 23	\$ 33	\$ 27

STATISTICS: Wood Products & Real Estate

(unaudited)

	2014	2015				2016			
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Wood Products									
Lumber Shipments (MBF)	156,123	154,206	152,071	155,388	164,965	161,992	170,829	175,358	180,050
Lumber Sales Prices (\$ per MBF)	\$ 393	\$ 386	\$ 351	\$ 335	\$ 316	\$ 324	\$ 351	\$ 369	\$ 363
Real Estate⁽¹⁾									
Acres Sold									
HBU Development	416	243	514	1,750	2,092	1,088	3,348	371	460
Rural Real Estate	2,314	1,122	3,280	2,596	2,038	2,281	1,489	5,708	3,433
Non-Strategic Timberlands	292	788	346	189	430	104	693	213	3,355
	3,022	2,153	4,140	4,535	4,560	3,473	5,530	6,292	7,248
Revenues by Product Type (millions)									
HBU Development	\$ 1.1	\$ 0.9	\$ 5.9	\$ 4.2	\$ 4.4	\$ 2.3	\$ 7.6	\$ 1.1	\$ 1.3
Rural Real Estate	2.8	1.5	4.5	3.5	2.5	3.2	1.8	7.1	3.9
Non-Strategic Timberlands	0.2	0.7	0.3	0.2	0.4	0.1	0.6	0.2	3.4
	\$ 4.1	\$ 3.1	\$ 10.7	\$ 7.9	\$ 7.3	\$ 5.6	10.0	8.4	8.6
Sales Price per Acre									
HBU Development	\$ 2,529	\$ 3,587	\$ 11,467	\$ 2,420	\$ 2,086	\$ 2,113	\$ 2,263	\$ 3,039	\$ 2,854
Rural Real Estate	\$ 1,211	\$ 1,324	\$ 1,394	\$ 1,328	\$ 1,227	\$ 1,406	\$ 1,215	\$ 1,247	\$ 1,150
Non-Strategic Timberlands	\$ 808	\$ 903	\$ 813	\$ 770	\$ 1,021	\$ 565	\$ 818	\$ 842	\$ 1,013
Transactions by Product Type									
HBU Development	15	8	18	10	23	11	16	13	18
Rural Real Estate	28	20	43	41	29	20	26	23	18
Non-Strategic Timberlands	7	6	5	3	3	3	3	4	10
	50	34	66	54	55	34	45	40	46

(1) Does not include the Q2 2016 central Idaho timberland sale.

Total Company Earnings Summary

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

	2014	2015				2016				2015	2016
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
Operating income:											
Resource	\$ 23.9	\$ 15.0	\$ 8.8	\$ 36.4	\$ 16.1	\$ 10.2	\$ 15.7	\$ 33.3	\$ 22.7	\$ 76.3	\$ 81.9
Wood Products	9.1	3.5	(2.0)	(5.4)	(1.3)	1.0	4.7	10.6	8.3	(5.2)	24.6
Real Estate	1.6	1.6	8.5	4.2	2.5	2.1	(43.5)	5.9	6.0	16.8	(29.5)
Eliminations and adjustments	0.2	3.0	0.6	(0.6)	0.3	1.4	(0.9)	(1.9)	(1.6)	3.3	(3.0)
Total operating income	34.8	23.1	15.9	34.6	17.6	14.7	(24.0)	47.9	35.4	91.2	74.0
Corporate	(8.2)	(9.0)	(8.6)	(6.9)	(7.8)	(9.6)	(10.3)	(8.9)	(9.7)	(32.3)	(38.5)
Interest expense, net	(6.4)	(8.1)	(8.0)	(8.3)	(8.4)	(6.0)	(8.2)	(7.8)	(6.9)	(32.8)	(28.9)
Income (loss) before taxes	20.2	6.0	(0.7)	19.4	1.4	(0.9)	(42.5)	31.2	18.8	26.1	6.6
Income taxes	(0.1)	(0.3)	1.4	2.4	2.1	1.1	11.2	(3.6)	(4.4)	5.6	4.3
Net income (loss)	\$ 20.1	\$ 5.7	\$ 0.7	\$ 21.8	\$ 3.5	\$ 0.2	\$ (31.3)	\$ 27.6	\$ 14.4	\$ 31.7	\$ 10.9
Diluted earnings (loss) per share	\$ 0.49	\$ 0.14	\$ 0.02	\$ 0.53	\$ 0.09	\$ -	\$ (0.77)	\$ 0.68	\$ 0.35	\$ 0.77	\$ 0.27
Distributions per share	\$ 0.375	\$ 0.375	\$ 0.375	\$ 0.375	\$ 0.375	\$ 0.375	\$ 0.375	\$ 0.375	\$ 0.375	\$ 1.50	\$ 1.50

NON-GAAP RECONCILIATION:

Operating Segment EBITDDA

(unaudited, \$ in millions)

	2014	2015				2016				2015	2016
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
Northern Resource											
Operating Income	\$ 18.4	\$ 12.7	\$ 6.3	\$ 28.6	\$ 11.7	\$ 8.6	\$ 12.3	\$ 26.9	\$ 17.0	\$ 59.3	\$ 64.8
Depreciation, depletion and amortization	3.9	3.7	1.9	5.3	3.9	3.0	2.0	2.5	2.3	14.8	9.8
Northern Resource EBITDDA	22.3	16.4	8.2	33.9	15.6	11.6	14.3	29.4	19.3	74.1	74.6
Southern Resource											
Operating Income	5.5	2.3	2.5	7.8	4.4	1.6	3.4	6.4	5.7	17.0	17.1
Depreciation, depletion and amortization	1.2	2.5	2.9	5.0	3.6	3.1	3.4	3.9	3.9	14.0	14.3
Southern Resource EBITDDA	6.7	4.8	5.4	12.8	8.0	4.7	6.8	10.3	9.6	31.0	31.4
Resource EBITDDA⁽¹⁾	\$ 29.0	\$ 21.2	\$ 13.6	\$ 46.7	\$ 23.6	\$ 16.3	\$ 21.1	\$ 39.7	\$ 28.9	\$ 105.1	\$ 106.0
Wood Products											
Operating income	\$ 9.1	\$ 3.5	\$ (2.0)	\$ (5.4)	\$ (1.3)	\$ 1.0	\$ 4.7	\$ 10.6	\$ 8.3	\$ (5.2)	\$ 24.6
Depreciation, amortization, & eliminations	1.6	1.6	1.6	2.6	1.9	1.9	1.7	1.9	1.9	7.7	7.4
Wood Products EBITDDA⁽¹⁾	\$ 10.7	\$ 5.1	\$ (0.4)	\$ (2.8)	\$ 0.6	\$ 2.9	\$ 6.4	\$ 12.5	\$ 10.2	\$ 2.5	\$ 32.0
Real Estate											
Operating Income, minus central Idaho	\$ 1.6	\$ 1.6	\$ 8.5	\$ 4.2	\$ 2.5	\$ 2.1	\$ 5.0	\$ 5.9	\$ 6.0	\$ 16.8	\$ 19.0
Basis of land and depreciation	1.5	0.5	0.7	2.5	3.8	2.2	3.6	1.4	1.3	7.5	8.5
Real Estate EBITDDA⁽¹⁾⁽²⁾	\$ 3.1	\$ 2.1	\$ 9.2	\$ 6.7	\$ 6.3	\$ 4.3	\$ 8.6	\$ 7.3	\$ 7.3	\$ 24.3	\$ 27.5
Corporate											
Corporate expense	\$ (8.2)	\$ (9.0)	\$ (8.6)	\$ (6.9)	\$ (7.8)	\$ (9.6)	\$ (10.3)	\$ (8.9)	\$ (9.7)	\$ (32.3)	\$ (38.5)
Depreciation and eliminations	0.2	0.2	0.2	0.1	-	-	0.2	0.1	-	0.5	0.3
Corporate EBITDDA⁽¹⁾	\$ (8.0)	\$ (8.8)	\$ (8.4)	\$ (6.8)	\$ (7.8)	\$ (9.6)	\$ (10.1)	\$ (8.8)	\$ (9.7)	\$ (31.8)	\$ (38.2)

- (1) EBITDDA is a non-GAAP measure and is net income adjusted for interest expense, provision for income taxes, depreciation, depletion and amortization, basis of real estate sold and non-cash asset impairment and eliminations.
- (2) Does not include net proceeds of \$111.5 million from central Idaho timberland sale in Q2 2016.

NON-GAAP RECONCILIATION:

Adjusted Net Income

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

<u>Adjusted Net Income</u>	2016	
	Amount	Per share
As reported	\$ 10.9	\$ 0.27
Central Idaho timberland sale:		
Loss on sale	48.5	1.18
Income tax benefit	(11.8)	(0.29)
As adjusted	\$ 47.6	\$ 1.16