



Q1 2017

Earnings Release

April 27, 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 1.25 – 1.3 million units in 2017; strong repair and remodel markets; lumber demand; implementation of duties in the Canadian lumber trade case; the company's financial performance in the second quarter of 2017 and for the full year; our outlook for future operating conditions, pricing, earnings and EBITTDA in our Resource, Wood Products and Real Estate segments in the second quarter of 2017 and for the full year; robust cedar sawlog market resulting in an increase in EBITDDA compared to 2016; mix and pricing for sawlogs, pulpwood, and hardwood in the North and South regions in the second quarter of 2017; expected lumber prices and lumber shipments in the second quarter of 2017 and for the full year; expected second quarter and full year 2017 harvest volumes in the North and South; expected pulpwood/sawlog mix in the North and South in the second quarter of 2017; expected real estate sales in the second quarter of 2017 and for the full year, expected mix of real estate sales in 2017, and expected pricing and land basis; expected corporate and interest expense per quarter in 2017; expected earnings in the second quarter of 2017; the company's balance sheet; expected capital expenditures for the full year 2017; liquidity, cash flows and dividend levels; debt maturities; expected consolidated tax rate in the second 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; 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.

Q1 2017: Total Company Summary

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

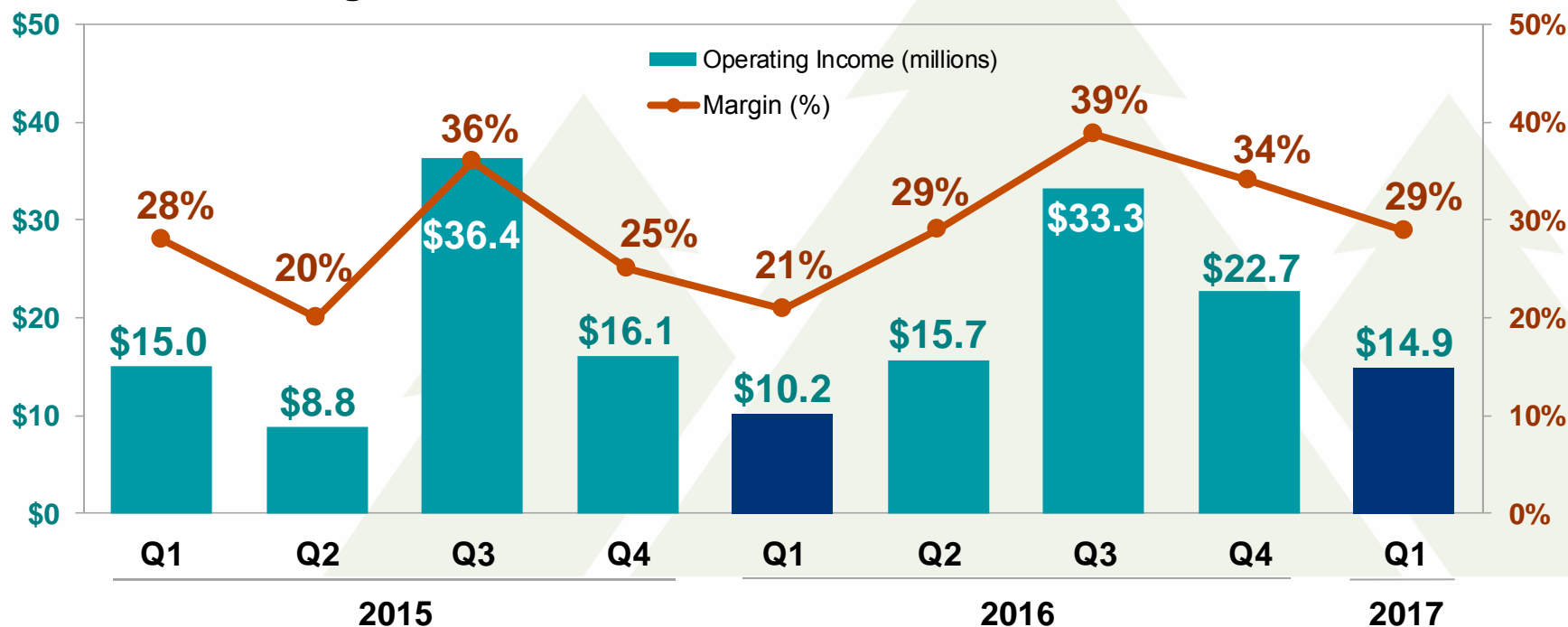
	2016 Q4	2017 Q1
<u>Operating Income</u>		
Resource	\$ 22.7	\$ 14.9
Wood Products	8.3	8.7
Real Estate	6.0	8.6
Eliminations	(1.6)	1.1
Total operating income	35.4	33.3
Corporate	(9.7)	(9.4)
Interest expense, net	(6.9)	(5.0)
Income before taxes	18.8	18.9
Income taxes	(4.4)	(2.0)
Net income	\$ 14.4	\$ 16.9
Diluted earnings per share	\$ 0.35	\$ 0.41
Distributions per share	\$ 0.375	\$ 0.375

	2016 Q4	2017 Q1
<u>EBITDDA⁽¹⁾</u>		
Northern region	\$ 19.3	\$ 15.2
Southern region	9.6	4.1
Total Resource	28.9	19.3
Wood Products	10.2	10.5
Real Estate	7.3	13.4
Eliminations	(1.6)	1.1
Corporate	(9.7)	(9.3)
EBITDDA	\$ 35.1	\$ 35.0

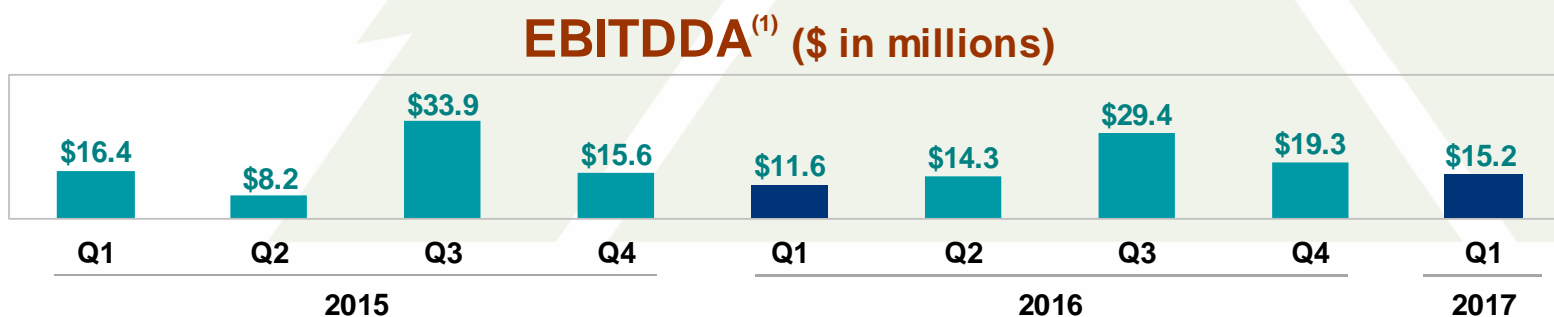
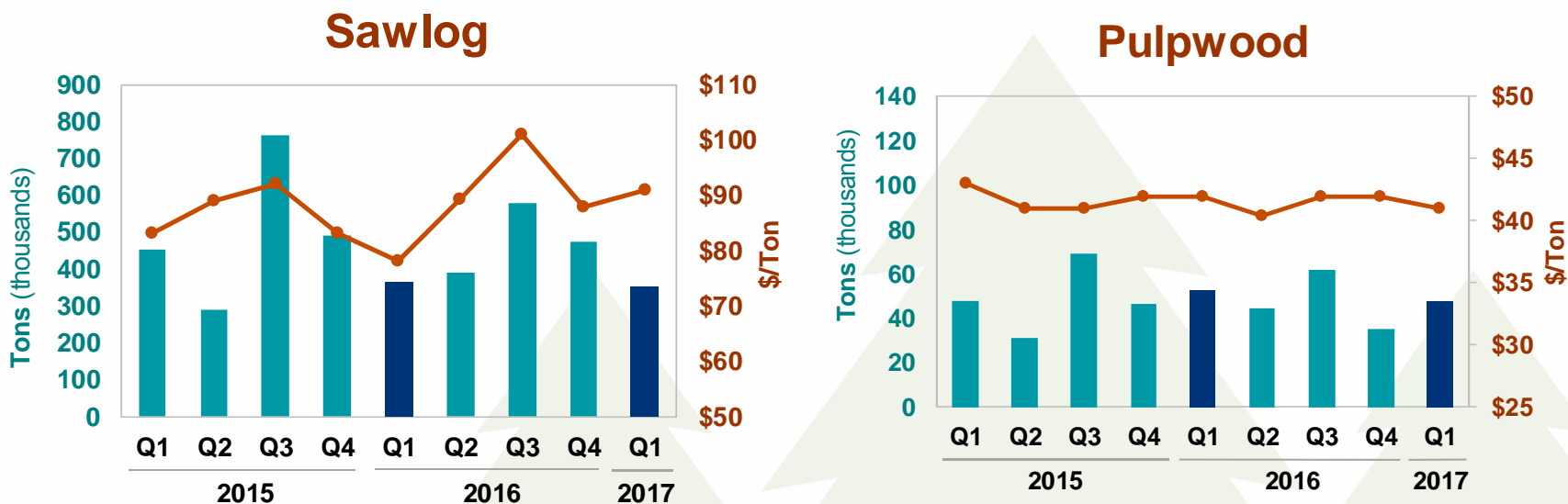
(1) Non-GAAP measure. See slide 17 for definition and reconciliation.

RESOURCE: Segment Summary

- Harvest volumes declined seasonally in the North and the South
- Northern sawlog prices increased 3% due largely to strong cedar pricing
- Southern sawlog prices decreased 9%, primarily the result of a seasonal decline in hardwood logs in the sales mix



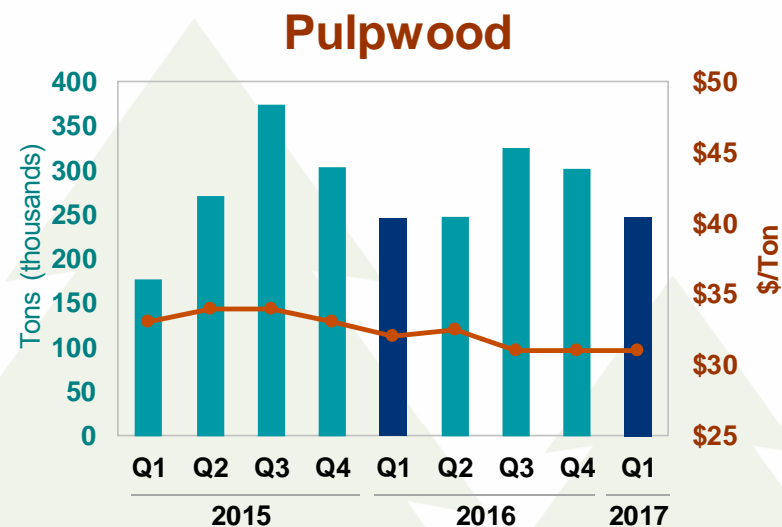
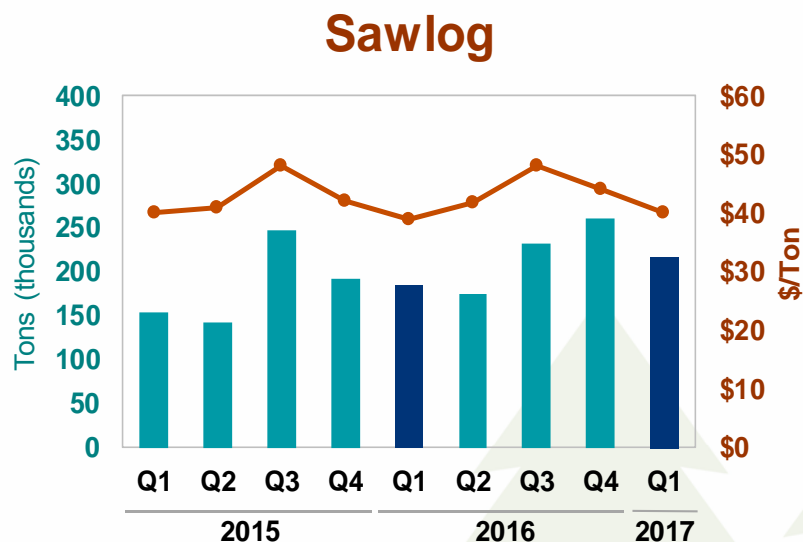
RESOURCE: Northern Region – Volume, Pricing and EBITDDA



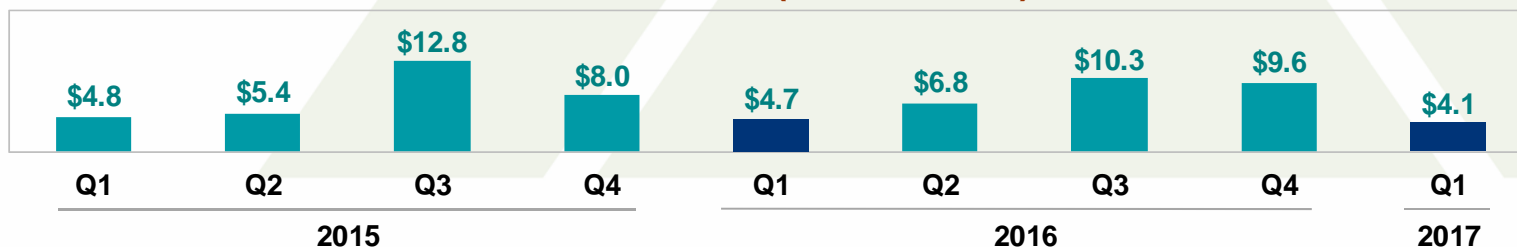
(1) Non-GAAP measure. See slide 17 for definition and reconciliation.

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



EBITDDA⁽¹⁾ (\$ in millions)

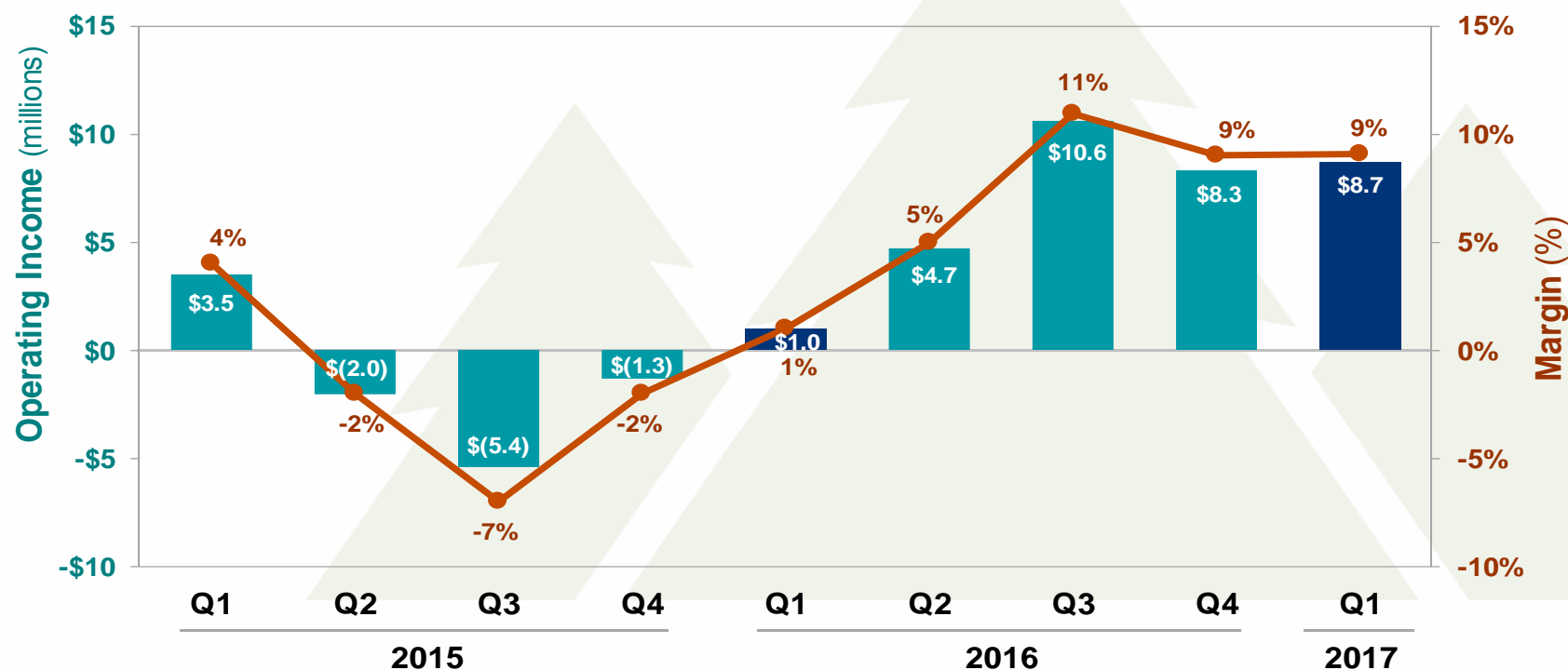


(1) Non-GAAP measure. See slide 17 for definition and reconciliation.

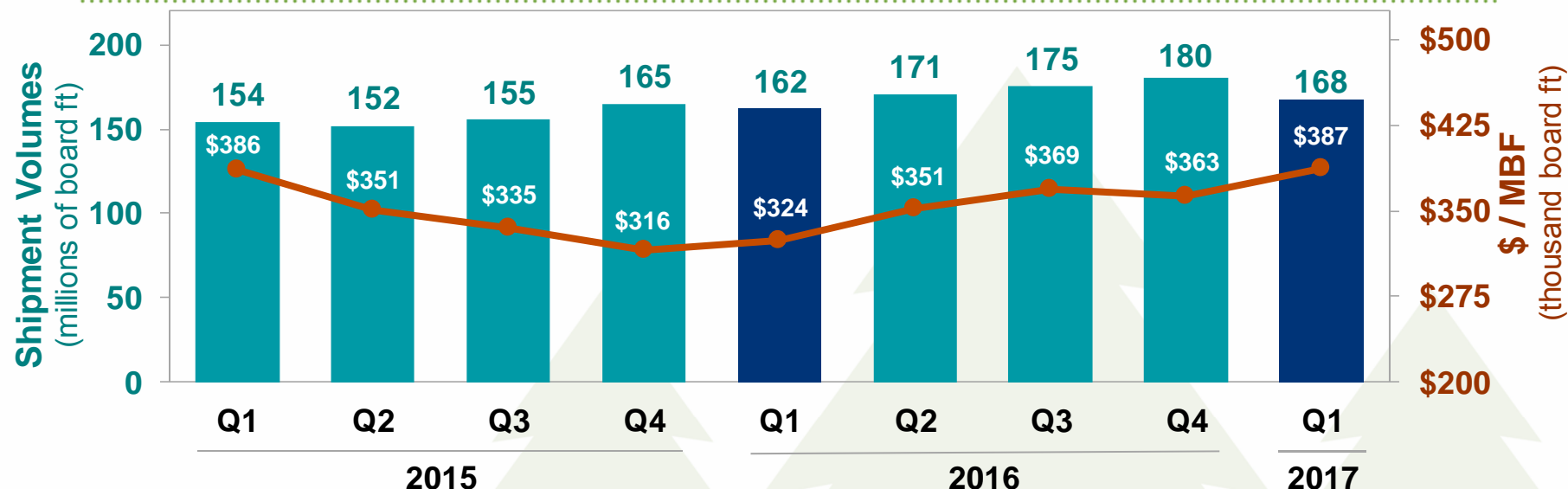
Note: Volumes include tonnage harvested from company-owned fee land, while pricing data includes revenue generated from both company-owned fee land and non-fee stumpage purchased from third parties.

WOOD PRODUCTS: Segment Summary

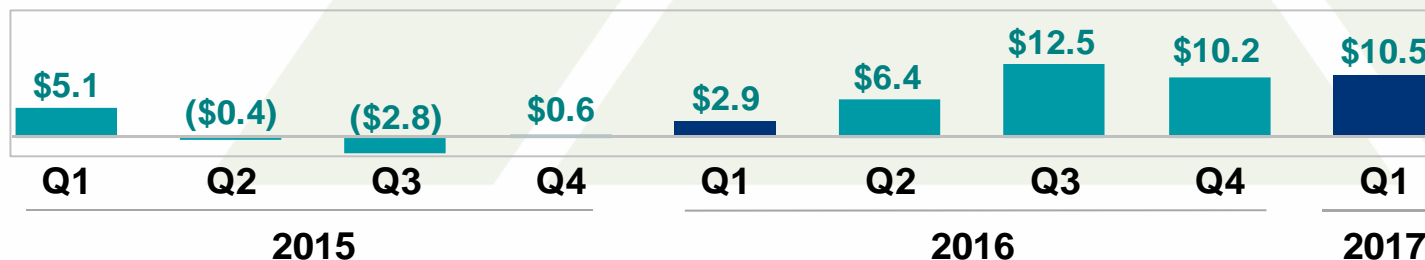
- Three weeks of scheduled downtime was taken during Q1 at the Warren, Arkansas sawmill for boiler maintenance and replacement of pollution control equipment
- Lumber shipments decreased 7% in Q1 due primarily to the down time
- Average lumber prices were 7% higher in Q1



WOOD PRODUCTS: Lumber Sales Prices, Shipments and EBITDDA



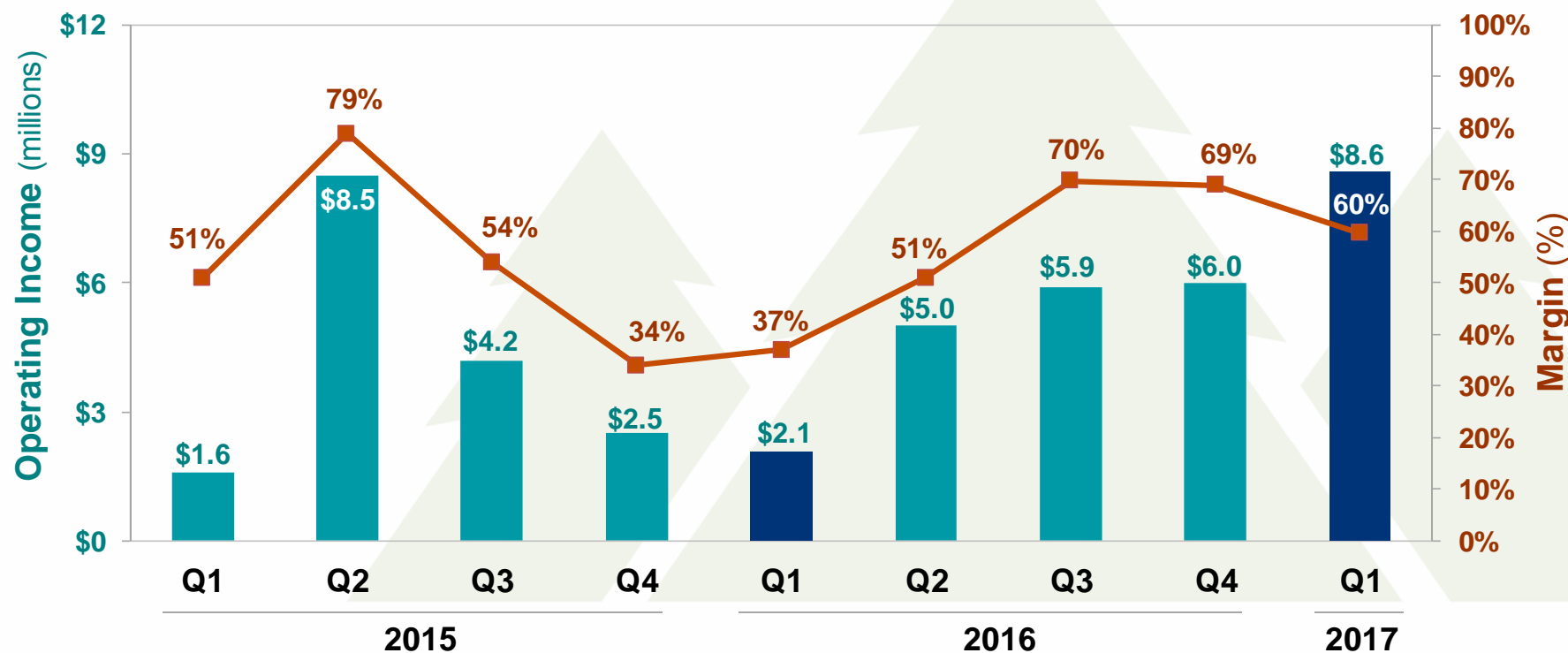
EBITDDA⁽¹⁾ (\$ in millions)



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

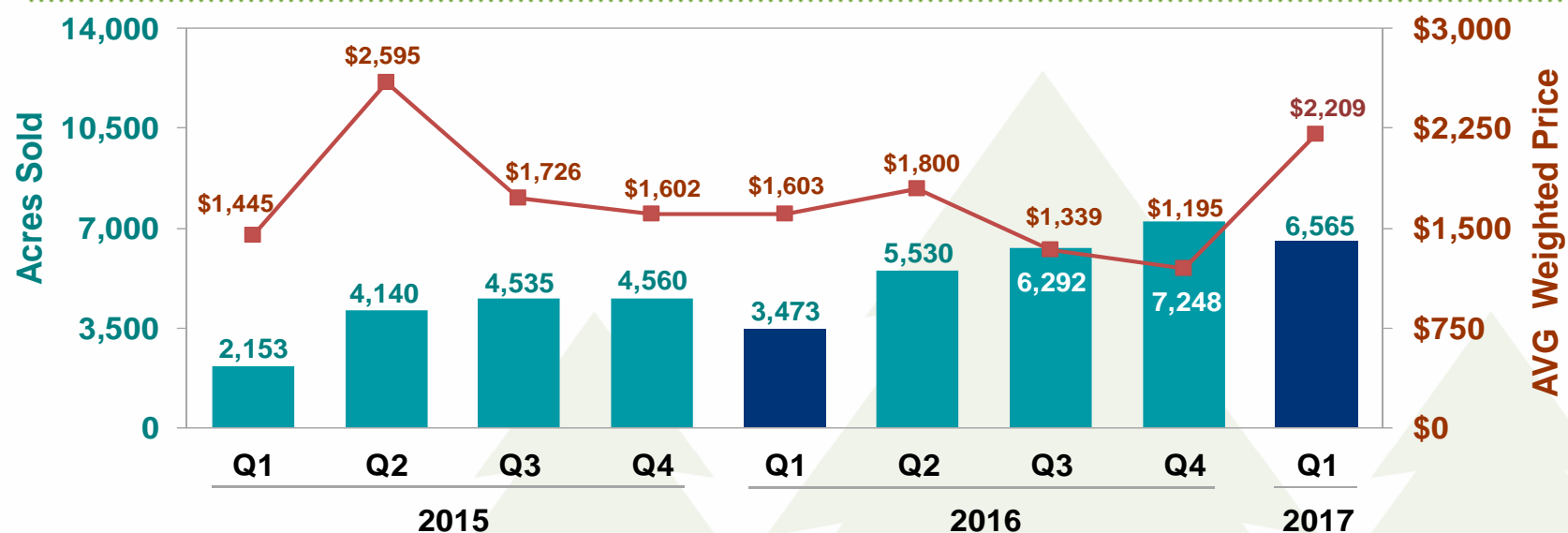
REAL ESTATE: Segment Summary⁽¹⁾

- A conservation sale with an attractive price of almost \$2,600 per acre closed in Q1
- Approximately 70% of Q1 sales were HBU, which have a higher land basis than rural real estate

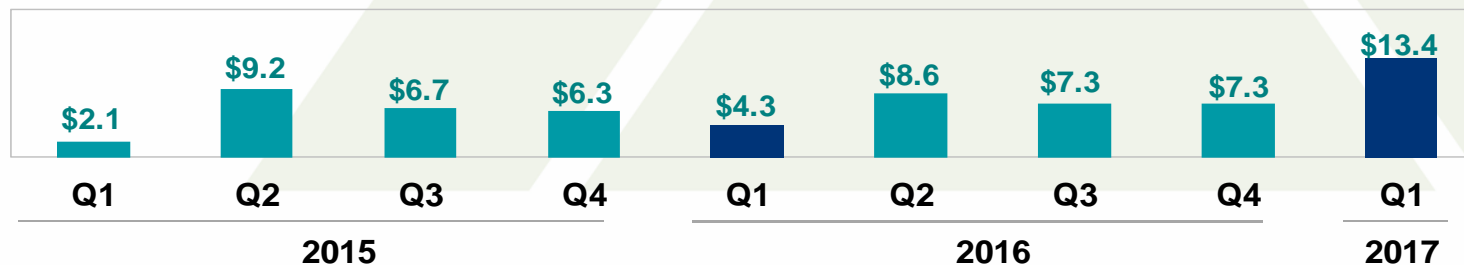


(1) Does not include the Q2 2016 central Idaho timberland sale.

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 March 31, 2017:

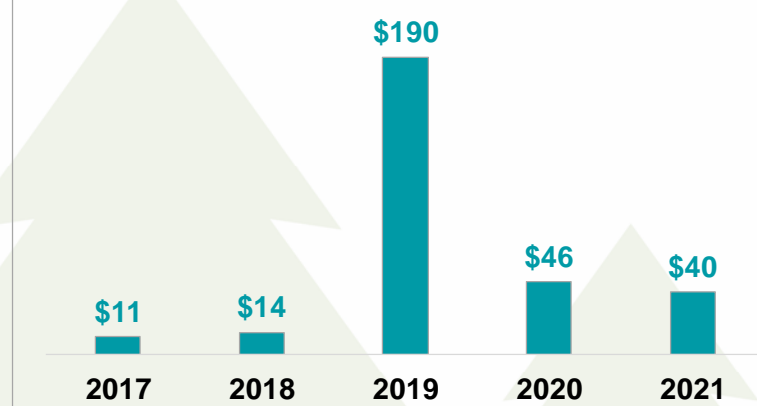
Unaudited, \$ in millions

Cash and cash equivalents	\$ 101.7
Debt	\$ 583.9
Pension & postretirement liability	\$ 123.9
Net debt to enterprise value⁽¹⁾	20.3%
Dividend yield⁽²⁾	3.2%

(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 cash equivalents. Net debt (\$482.2 million) plus market capitalization (\$1.88 billion) equals enterprise value. Market capitalization is as of April 26, 2017.

(2) Based on the closing stock price of \$46.50 per share as of April 26, 2017.

DEBT MATURITIES FOR THE NEXT FIVE YEARS
(in millions)



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

Q2 OUTLOOK

RESOURCE

- **Harvest 775,000 – 825,000 tons Q2**
 - Slightly more than half of the total volume in the South
 - Sawlogs ≈90% of Northern volume and ≈45% of Southern volume
- **Estimated Q2 sawlog prices:**
 - 10% higher in the North
 - Modestly lower in the South

WOOD PRODUCTS

- **Expect to ship record 190 million board feet of lumber Q2**
- **Lumber prices estimated to increase 5% Q2 compared with Q1**

REAL ESTATE

- **Expect to sell just under 5,000 acres Q2:**
 - Average Price of ≈\$1,400 per acre
 - Land basis of 15% – 20% of revenue

OTHER

- **Corporate expected to be just over \$9 million Q2**
- **Interest expense expected to be \$7.5 million in Q2**
- **Consolidated tax rate of 15% – 20% for year, 30% Q2**



Appendix

STATISTICS: Resource

(unaudited)

Fee Volumes (tons)	2015				2016				2017
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Northern Region									
Sawlog	451,548	287,979	762,813	490,625	366,852	388,575	579,837	474,024	354,104
Pulpwood	47,840	31,284	69,329	46,449	52,361	44,497	62,138	35,418	47,785
Stumpage	16,903	3,277	2,604	790	16,207	1,061	1,261	63	10,693
Total	516,291	322,540	834,746	537,864	435,420	434,133	643,236	509,505	412,582
Southern Region									
Sawlog	154,730	142,107	246,566	192,930	185,051	175,498	231,677	261,151	216,097
Pulpwood	177,345	270,518	375,097	304,601	248,152	240,277	325,348	301,870	247,999
Stumpage	39,961	53,176	137,094	90,941	56,079	65,596	68,228	54,298	5,674
Total	372,036	465,801	758,757	588,472	489,282	481,371	625,253	617,319	469,770
Total Fee Volume	888,327	788,341	1,593,503	1,126,336	924,702	915,504	1,268,489	1,126,824	882,352
Sales Price/Unit (\$ per ton)									
Northern Region									
Sawlog	\$ 83	\$ 89	\$ 92	\$ 83	\$ 78	\$ 89	\$ 101	\$ 88	\$ 91
Pulpwood	\$ 43	\$ 41	\$ 41	\$ 42	\$ 42	\$ 40	\$ 42	\$ 42	\$ 41
Stumpage	\$ 9	\$ 6	\$ 13	\$ 13	\$ 13	\$ 11	\$ 12	\$ 4	\$ 13
Southern Region									
Sawlog	\$ 40	\$ 41	\$ 48	\$ 42	\$ 39	\$ 42	\$ 48	\$ 44	\$ 40
Pulpwood	\$ 33	\$ 34	\$ 34	\$ 33	\$ 32	\$ 33	\$ 31	\$ 31	\$ 31
Stumpage	\$ 18	\$ 15	\$ 21	\$ 17	\$ 18	\$ 23	\$ 33	\$ 27	\$ 14

STATISTICS: Wood Products & Real Estate

(unaudited)

	2015				2016				2017
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Wood Products									
Lumber Shipments (MBF)	154,206	152,071	155,388	164,965	161,992	170,829	175,358	180,050	167,559
Lumber Sales Prices (\$ per MBF)	\$ 386	\$ 351	\$ 335	\$ 316	\$ 324	\$ 351	\$ 369	\$ 363	\$ 387
Real Estate⁽¹⁾									
Acres Sold									
HBU Development	243	514	1,750	2,092	1,088	3,348	371	460	4,628
Rural Real Estate	1,122	3,280	2,596	2,038	2,281	1,489	5,708	3,433	1,740
Non-Strategic Timberlands	788	346	189	430	104	693	213	3,355	197
	2,153	4,140	4,535	4,560	3,473	5,530	6,292	7,248	6,565
Revenues by Product Type (millions)									
HBU Development	\$ 0.9	\$ 5.9	\$ 4.2	\$ 4.4	\$ 2.3	\$ 7.6	\$ 1.1	\$ 1.3	\$ 11.7
Rural Real Estate	1.5	4.5	3.5	2.5	3.2	1.8	7.1	3.9	2.6
Non-Strategic Timberlands	0.7	0.3	0.2	0.4	0.1	0.6	0.2	3.4	0.2
	\$ 3.1	\$ 10.7	\$ 7.9	\$ 7.3	\$ 5.6	10.0	8.4	8.6	14.5
Sales Price per Acre									
HBU Development	\$ 3,587	\$ 11,467	\$ 2,420	\$ 2,086	\$ 2,113	\$ 2,263	\$ 3,039	\$ 2,854	\$ 2,523
Rural Real Estate	\$ 1,324	\$ 1,394	\$ 1,328	\$ 1,227	\$ 1,406	\$ 1,215	\$ 1,247	\$ 1,150	\$ 1,510
Non-Strategic Timberlands	\$ 903	\$ 813	\$ 770	\$ 1,021	\$ 565	\$ 818	\$ 842	\$ 1,013	\$ 1,019
Transactions by Product Type									
HBU Development	8	18	10	23	11	16	13	18	18
Rural Real Estate	20	43	41	29	20	26	23	18	9
Non-Strategic Timberlands	6	5	3	3	3	3	4	10	4
	34	66	54	55	34	45	40	46	31

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

Total Company Earnings Summary

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

	2015				2016				2017
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Operating income:									
Resource	\$ 15.0	\$ 8.8	\$ 36.4	\$ 16.1	\$ 10.2	\$ 15.7	\$ 33.3	\$ 22.7	\$ 14.9
Wood Products	3.5	(2.0)	(5.4)	(1.3)	1.0	4.7	10.6	8.3	8.7
Real Estate	1.6	8.5	4.2	2.5	2.1	(43.5)	5.9	6.0	8.6
Eliminations	3.0	0.6	(0.6)	0.3	1.4	(0.9)	(1.9)	(1.6)	1.1
Total operating income	23.1	15.9	34.6	17.6	14.7	(24.0)	47.9	35.4	33.3
Corporate	(9.0)	(8.6)	(6.9)	(7.8)	(9.6)	(10.3)	(8.9)	(9.7)	(9.4)
Interest expense, net	(8.1)	(8.0)	(8.3)	(8.4)	(6.0)	(8.2)	(7.8)	(6.9)	(5.0)
Income (loss) before taxes	6.0	(0.7)	19.4	1.4	(0.9)	(42.5)	31.2	18.8	18.9
Income taxes	(0.3)	1.4	2.4	2.1	1.1	11.2	(3.6)	(4.4)	(2.0)
Net income (loss)	\$ 5.7	\$ 0.7	\$ 21.8	\$ 3.5	\$ 0.2	\$ (31.3)	\$ 27.6	\$ 14.4	\$ 16.9
Diluted earnings (loss) per share	\$ 0.14	\$ 0.02	\$ 0.53	\$ 0.09	\$ -	\$ (0.77)	\$ 0.68	\$ 0.35	\$ 0.41
Distributions per share	\$ 0.375	\$ 0.375	\$ 0.375	\$ 0.375	\$ 0.375	\$ 0.375	\$ 0.375	\$ 0.375	\$ 0.375

NON-GAAP RECONCILIATION: Operating Segment EBITDDA

(unaudited, \$ in millions)

	2015				2016				2017
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Northern Resource									
Operating Income	\$ 12.7	\$ 6.3	\$ 28.6	\$ 11.7	\$ 8.6	\$ 12.3	\$ 26.9	\$ 17.0	\$ 13.4
Depreciation, depletion and amortization	3.7	1.9	5.3	3.9	3.0	2.0	2.5	2.3	1.8
Northern Resource EBITDDA	16.4	8.2	33.9	15.6	11.6	14.3	29.4	19.3	15.2
Southern Resource									
Operating Income	2.3	2.5	7.8	4.4	1.6	3.4	6.4	5.7	1.5
Depreciation, depletion and amortization	2.5	2.9	5.0	3.6	3.1	3.4	3.9	3.9	2.6
Southern Resource EBITDDA	4.8	5.4	12.8	8.0	4.7	6.8	10.3	9.6	4.1
Resource EBITDDA⁽¹⁾	\$ 21.2	\$ 13.6	\$ 46.7	\$ 23.6	\$ 16.3	\$ 21.1	\$ 39.7	\$ 28.9	\$ 19.3
Wood Products									
Operating income	\$ 3.5	\$ (2.0)	\$ (5.4)	\$ (1.3)	\$ 1.0	\$ 4.7	\$ 10.6	\$ 8.3	\$ 8.7
Depreciation, amortization, & eliminations	1.6	1.6	2.6	1.9	1.9	1.7	1.9	1.9	1.8
Wood Products EBITDDA⁽¹⁾	\$ 5.1	\$ (0.4)	\$ (2.8)	\$ 0.6	\$ 2.9	\$ 6.4	\$ 12.5	\$ 10.2	\$ 10.5
Real Estate									
Operating Income	\$ 1.6	\$ 8.5	\$ 4.2	\$ 2.5	\$ 2.1	\$ 5.0	\$ 5.9	\$ 6.0	\$ 8.6
Basis of land and depreciation	0.5	0.7	2.5	3.8	2.2	3.6	1.4	1.3	4.8
Real Estate EBITDDA⁽¹⁾⁽²⁾	\$ 2.1	\$ 9.2	\$ 6.7	\$ 6.3	\$ 4.3	\$ 8.6	\$ 7.3	\$ 7.3	\$ 13.4
Corporate									
Corporate expense	\$ (9.0)	\$ (8.6)	\$ (6.9)	\$ (7.8)	\$ (9.6)	\$ (10.3)	\$ (8.9)	\$ (9.7)	\$ (9.4)
Depreciation and eliminations	0.2	0.2	0.1	-	-	0.2	0.1	-	0.1
Corporate EBITDDA⁽¹⁾	\$ (8.8)	\$ (8.4)	\$ (6.8)	\$ (7.8)	\$ (9.6)	\$ (10.1)	\$ (8.8)	\$ (9.7)	\$ (9.3)

- (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.