

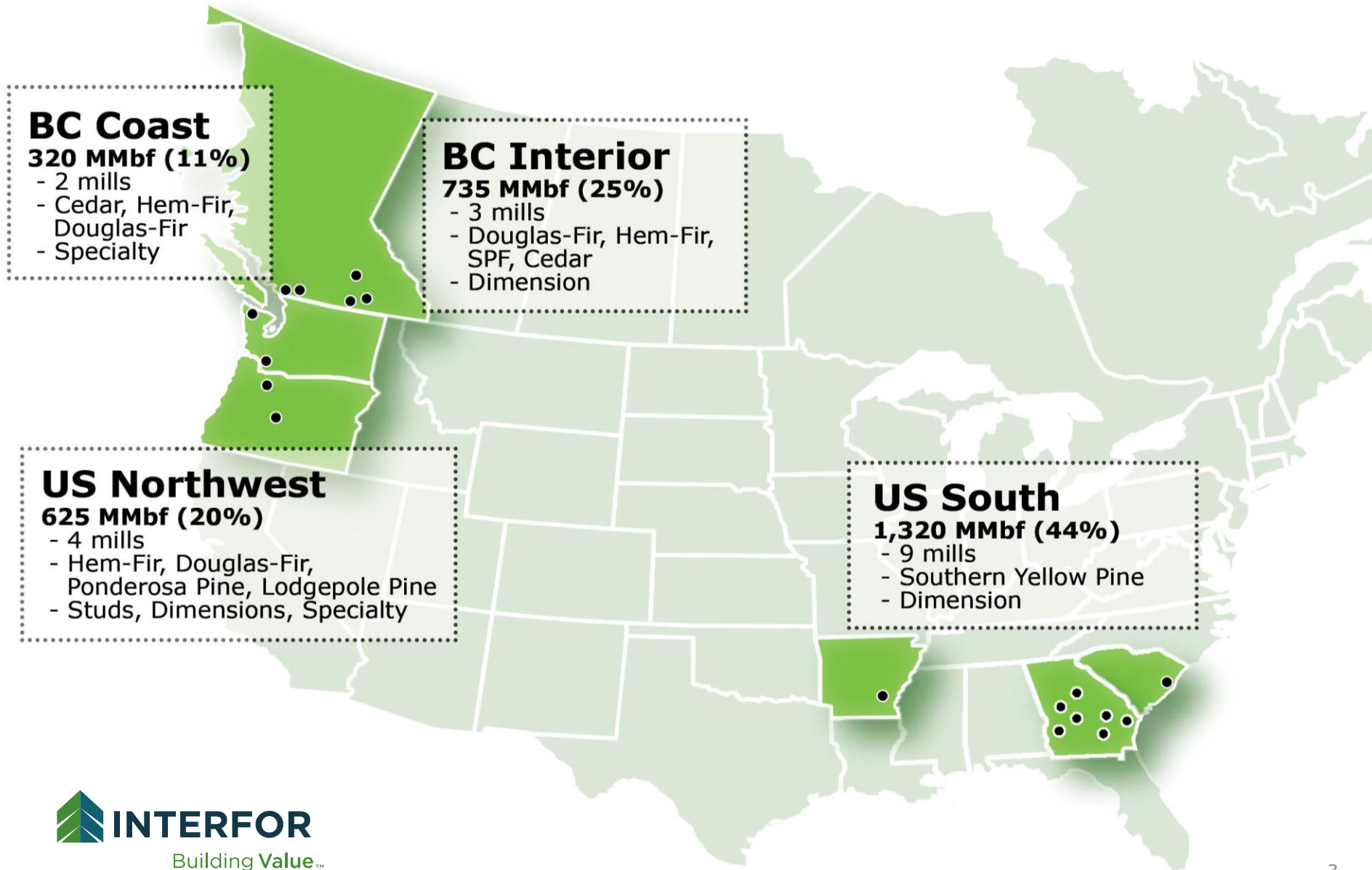


# COMPANY UPDATE JUNE 2016

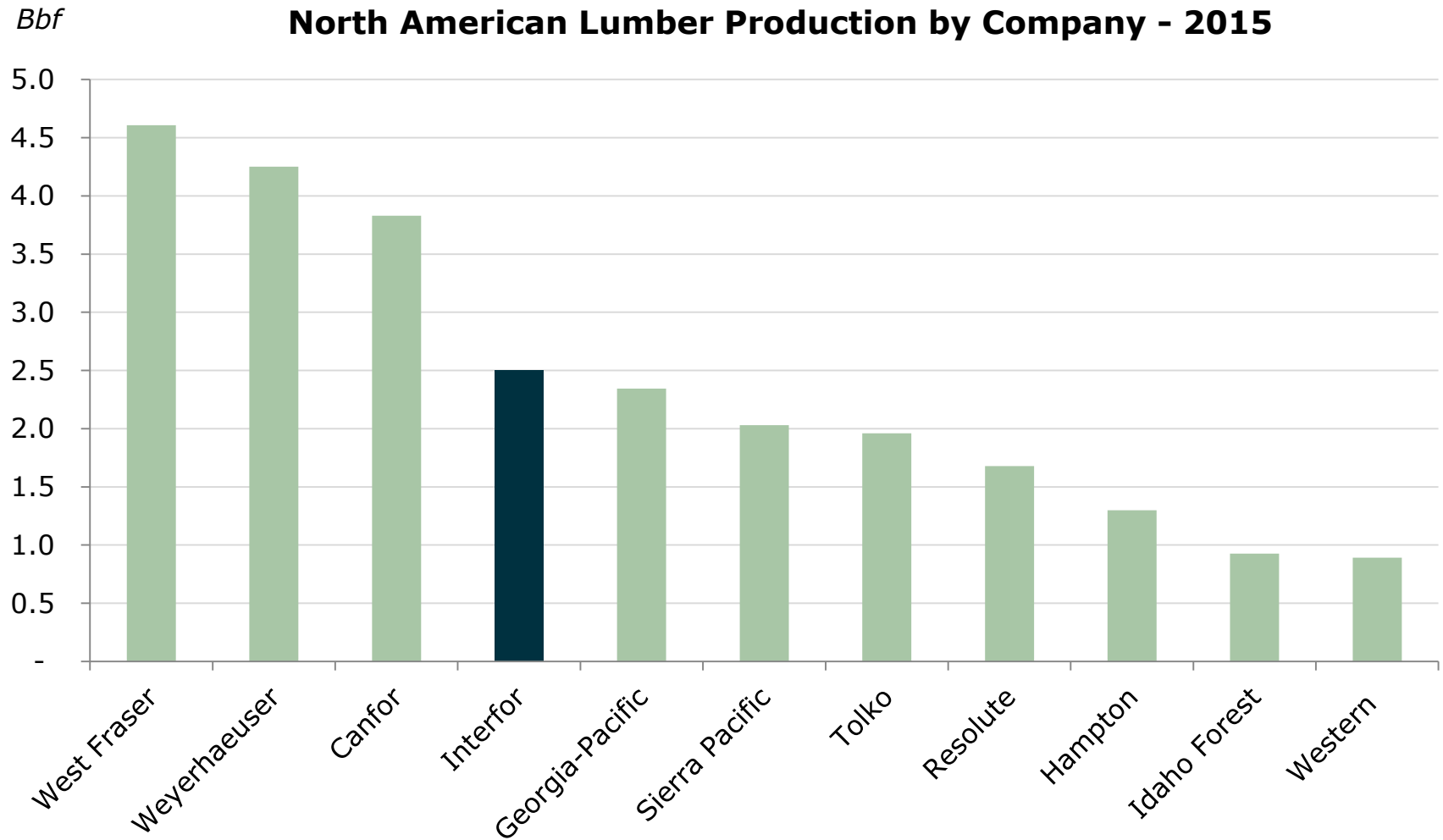
# FORWARD-LOOKING INFORMATION

This presentation contains information and statements that are forward-looking in nature, including, but not limited to, statements containing the words “will”, “is expected”, “forecast”, “annualized”, “target” and similar expressions. Such statements involve known and unknown risks and uncertainties that may cause Interfor’s actual results to be materially different from those expressed or implied by those forward-looking statements. Such risks and uncertainties include, among others: price volatility; competition; availability and cost of log supply; natural or man-made disasters; foreign currency exchange fluctuations; changes in government regulation; export and other trade barriers; environmental and community matters; labour disruptions; and other factors referenced herein and in Interfor’s current Annual Report and Management’s Discussion & Analysis, both available on [www.sedar.com](http://www.sedar.com). The forward-looking information and statements contained in this presentation are based on Interfor’s current expectations and beliefs. Readers are cautioned not to place undue reliance on forward-looking information or statements. Interfor undertakes no obligation to update such forward-looking information or statements, except where required by law.

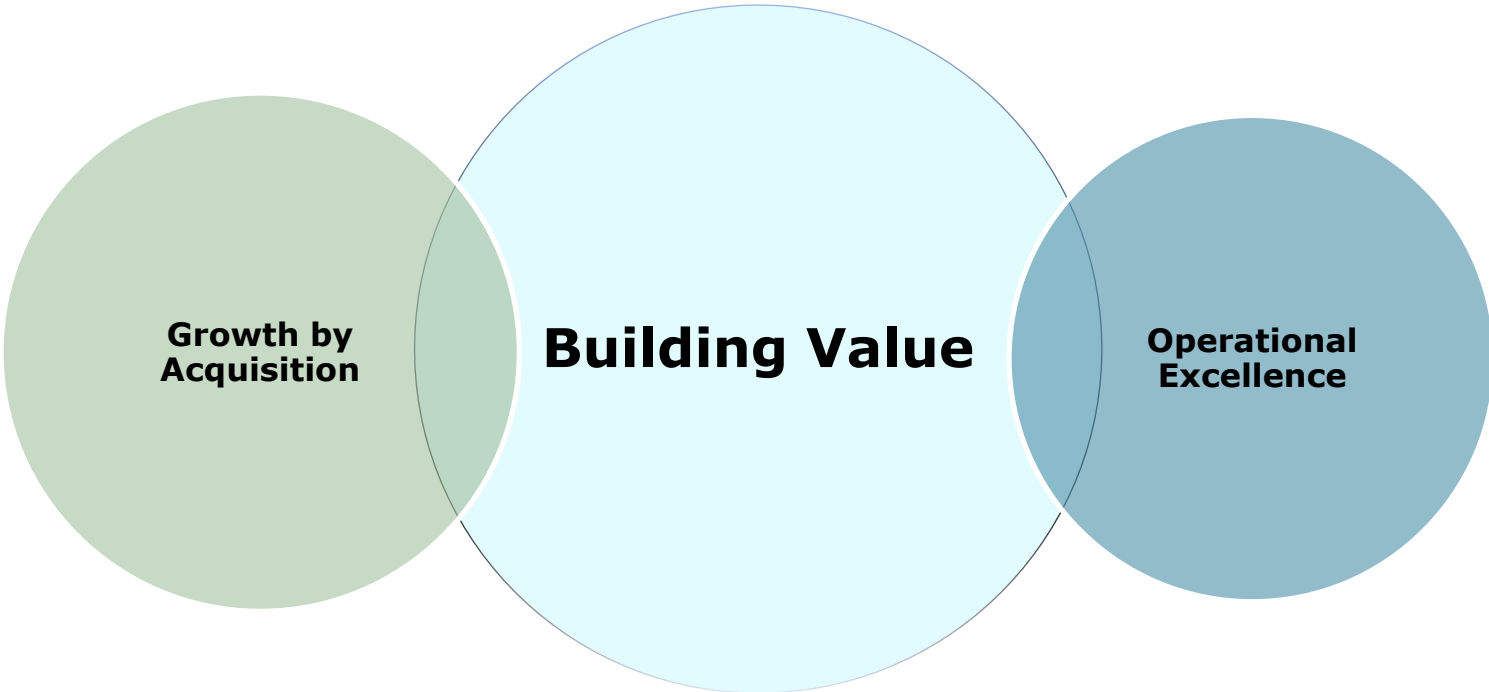
# INTERFOR'S FOUR REGIONS



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



# INTERFOR STRATEGIC PLAN



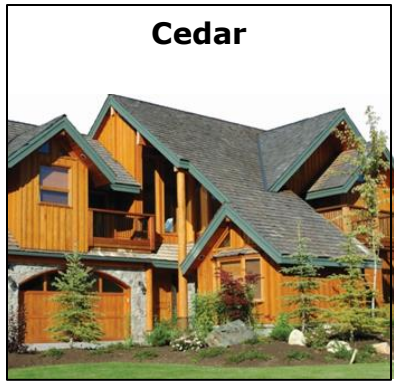
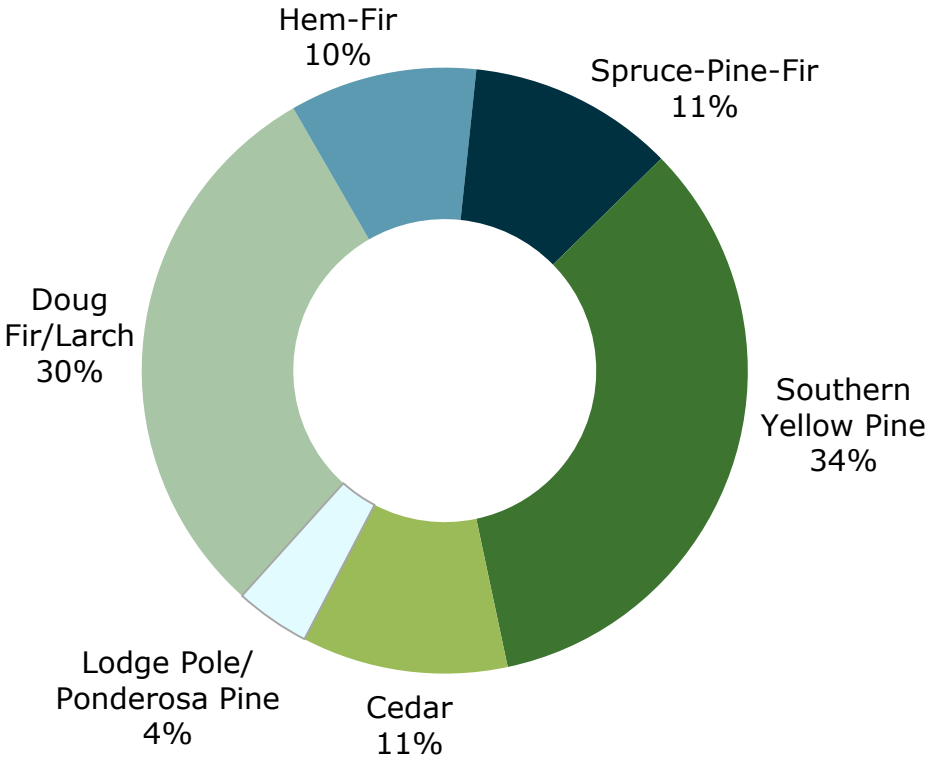




# LUMBER MARKETS

# INTERFOR'S DIVERSE LUMBER MIX

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



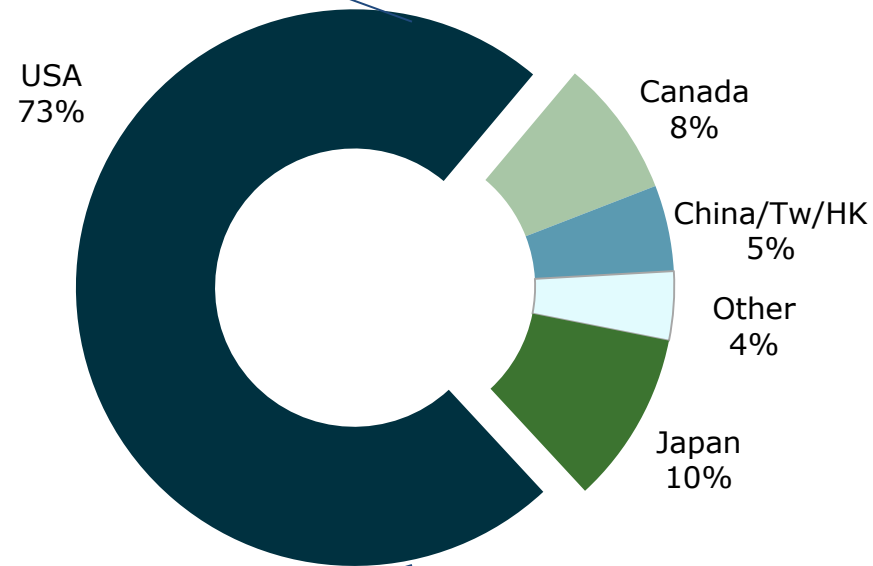
(1) By value for 2015



# NORTH AMERICAN DRIVEN BUSINESS

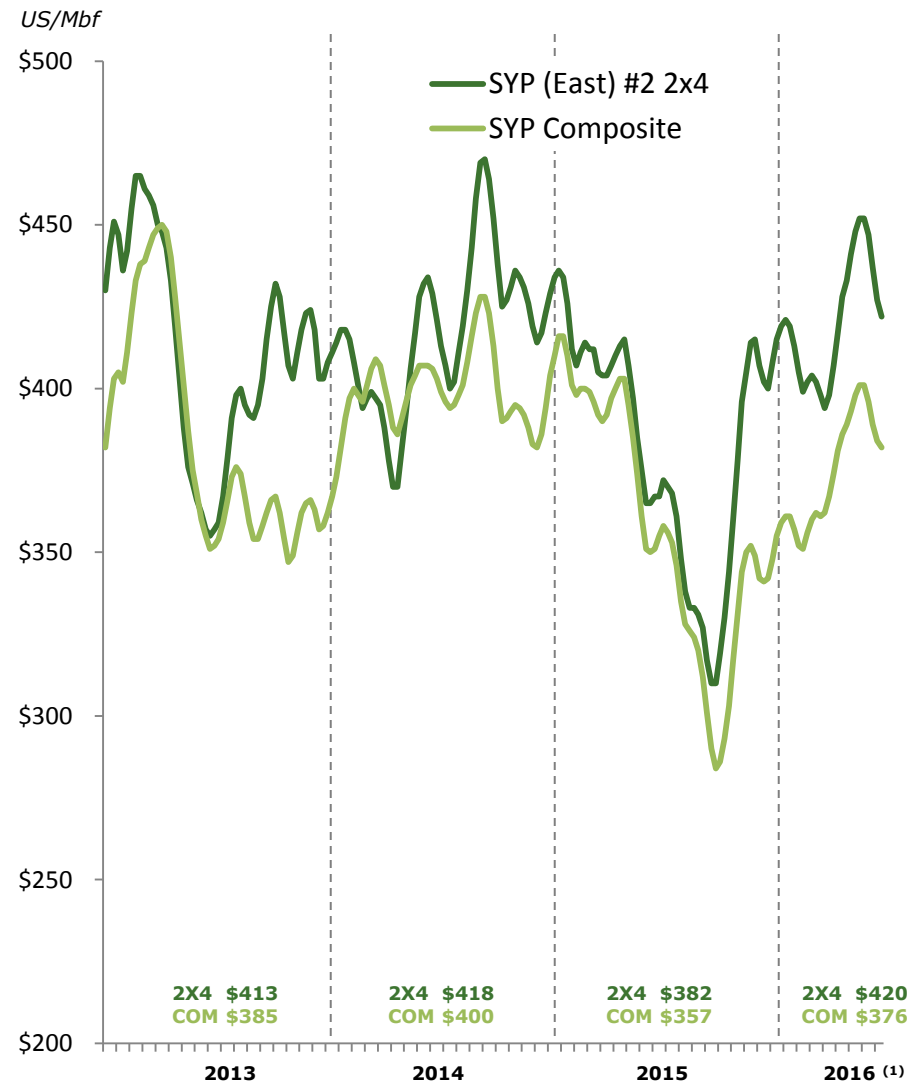
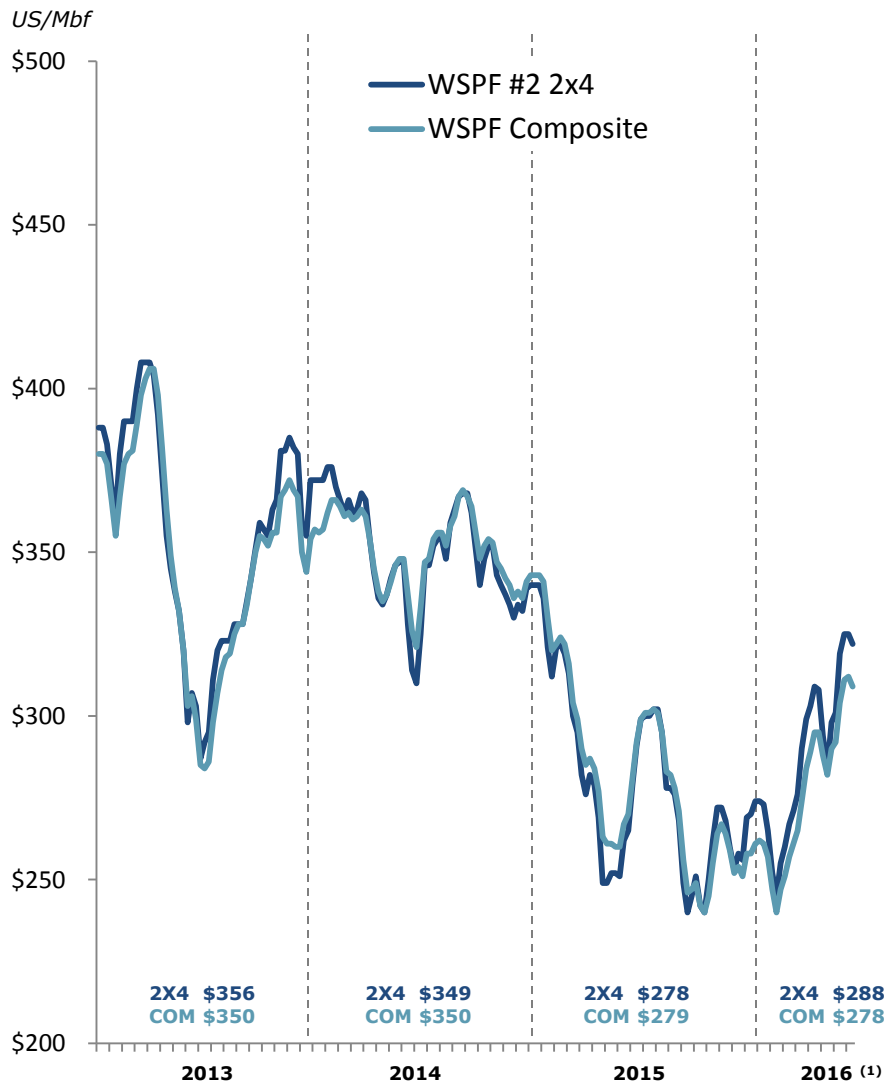


**Lumber Sales By Market <sup>1</sup>**





# BENCHMARK LUMBER PRICE TRENDS



Source: Random Lengths

(1) 2016 includes prices up to June 3<sup>rd</sup>:

- Q1-16 avg: SPF of \$272 & \$262 and SYP of \$407 & \$363 for 2x4 and Composite, respectively.
- Q2-16 avg to date: SPF of \$308 & \$298 and SYP of \$440 & \$393 for 2x4 and Composite, respectively.

# KEY MARKET DRIVERS

	2014 <sup>(1)</sup>	2015 <sup>(1)</sup>	2016E <sup>(1)</sup>	2017E <sup>(1)</sup>
US Housing Starts - Total (mm)	1.0	1.1	1.2	1.4
<i>Change</i>		+11%	+6%	+15%
US Housing Starts - Single Family (mm)	0.6	0.7	0.8	0.9
<i>Change</i>		+10%	+13%	+16%
NA Lumber Consumption (Bft)	48.9	51.6	53.8	57.0
<i>Change</i>		+6%	+4%	+6%
NA Offshore Exports (Bft)	7.6	6.9	6.7	6.1
<i>Change</i>		-9%	-3%	-8%
NA Offshore Imports (Bft)	0.6	0.7	0.8	1.2
<i>Change</i>		+20%	+23%	+37%

(1) Source: Forest Economic Advisors (FEA) forecast published May 2, 2016



# OPERATIONS OVERVIEW



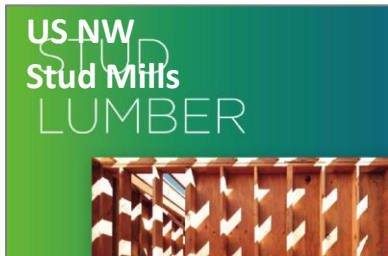
# BUSINESS COMPARISONS



- 3 dimension mills in BC southern interior
- Modern/low cost operations
- Good fiber supply/limited exposure to pine beetle



- 9 dimension mills in Georgia, S. Carolina and Arkansas
- Low cost wood baskets
- Strong geographic fit/significant operational upside



- 3 stud mills in Washington State and Oregon
- Efficient/modern operations
- Margins are more variable than other regions



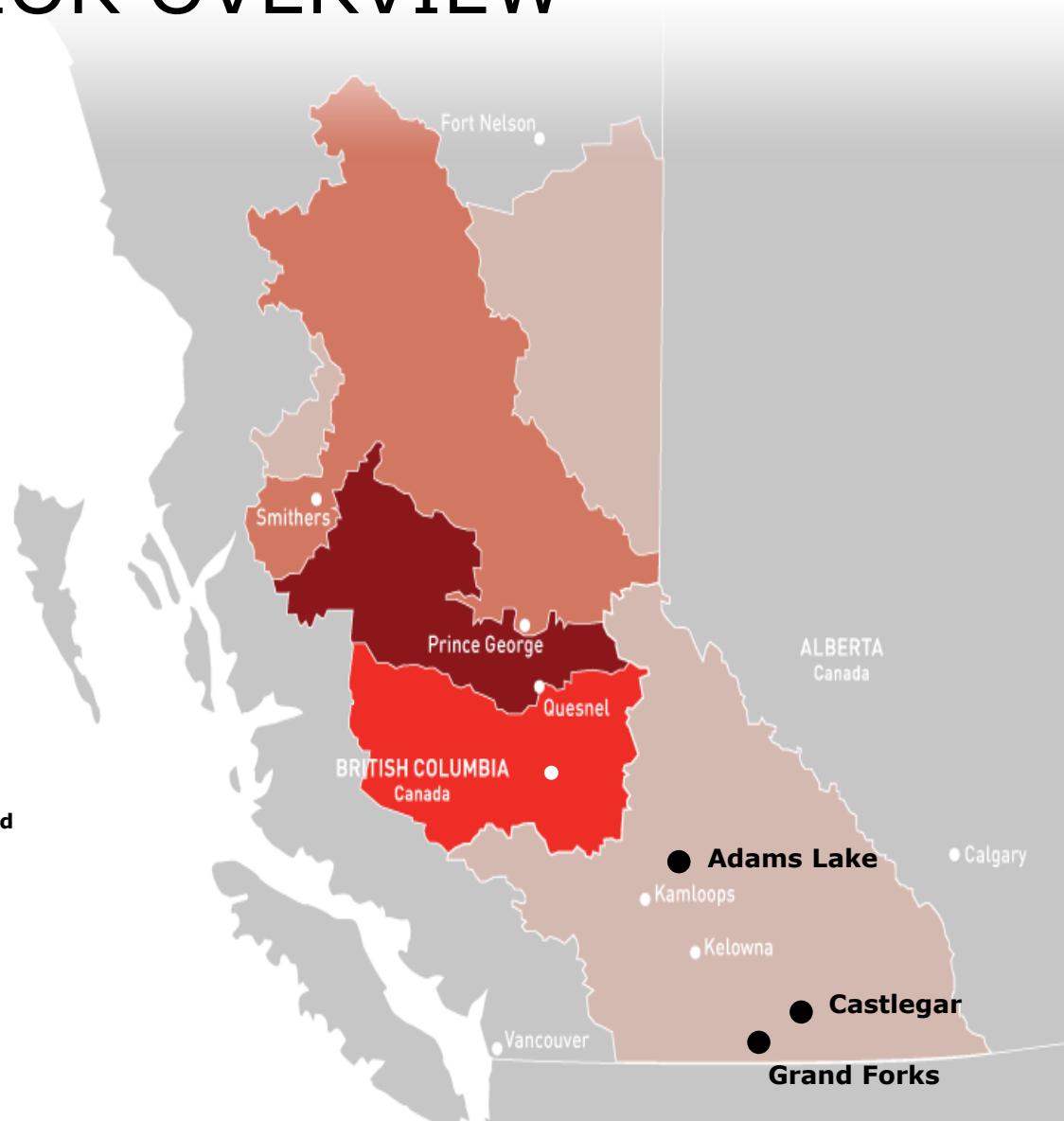
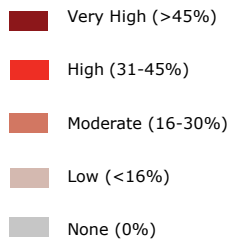
- 3 specialty mills in BC Coast and Oregon
- High value products (eg. cedar, Japanese squares and pine boards)
- More stable prices



# BC INTERIOR DIMENSION MILLS

# BC INTERIOR OVERVIEW

## Mountain Pine Beetle Cumulative Percentage of Merchantable Forest Volume Killed Since 1999





# BC INTERIOR MODERNIZATION

2008-09



2012



2015



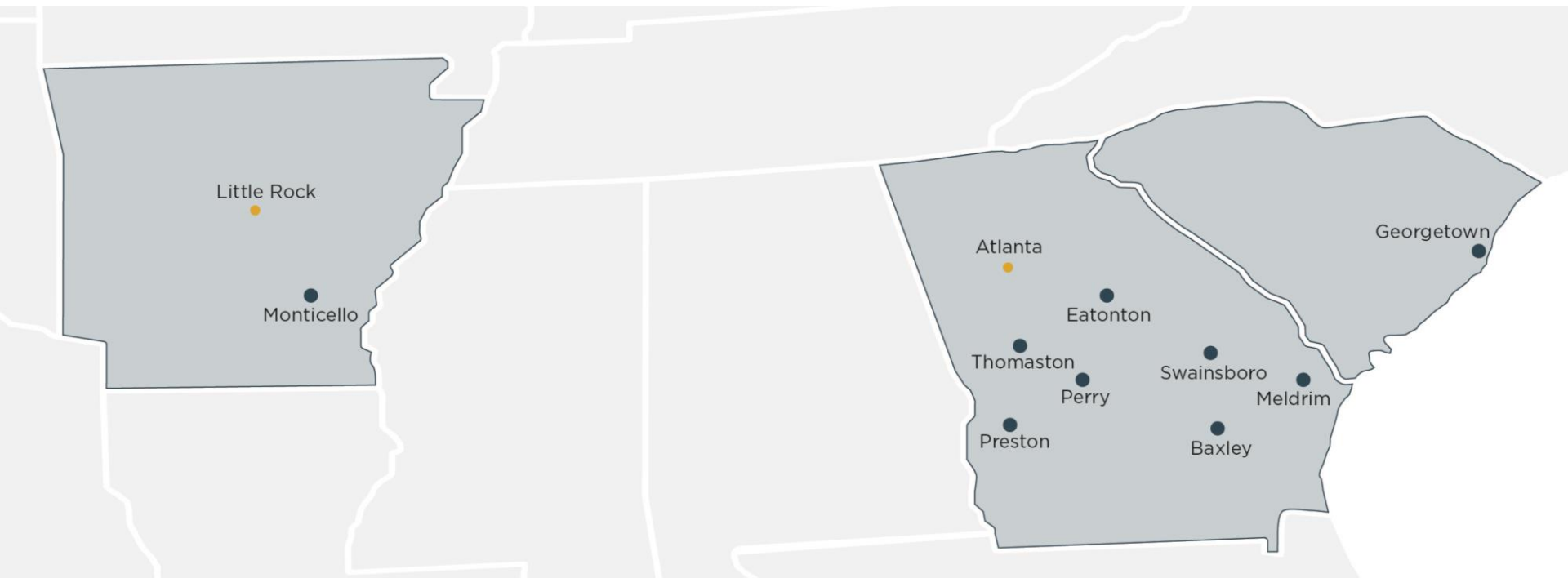
- 3 MODERN MILLS IN GOOD FIBER BASKETS
  - RE-INVESTMENTS ARE COMPLETE
- SIGNIFICANTLY REPOSITIONED THE ASSETS
  - STRONG CASH FLOW AND ROI



# US SOUTH DIMENSION MILLS

# US SOUTH OVERVIEW

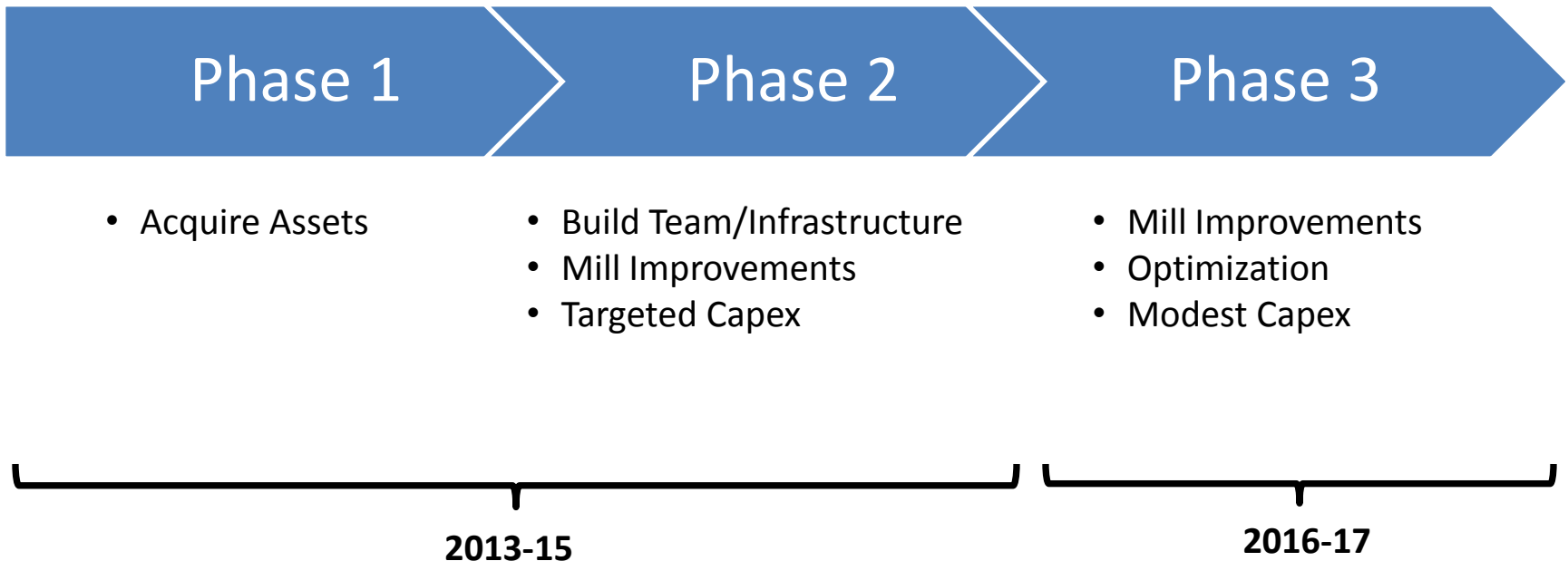
- Invested over US\$400 million since March 2013
  - 5 acquisitions
- 9 mills
- 1.3 Billion feet of lumber capacity across 3 States
  - Largest lumber producer in Georgia
  - 44% of Interfor's capacity is in the South



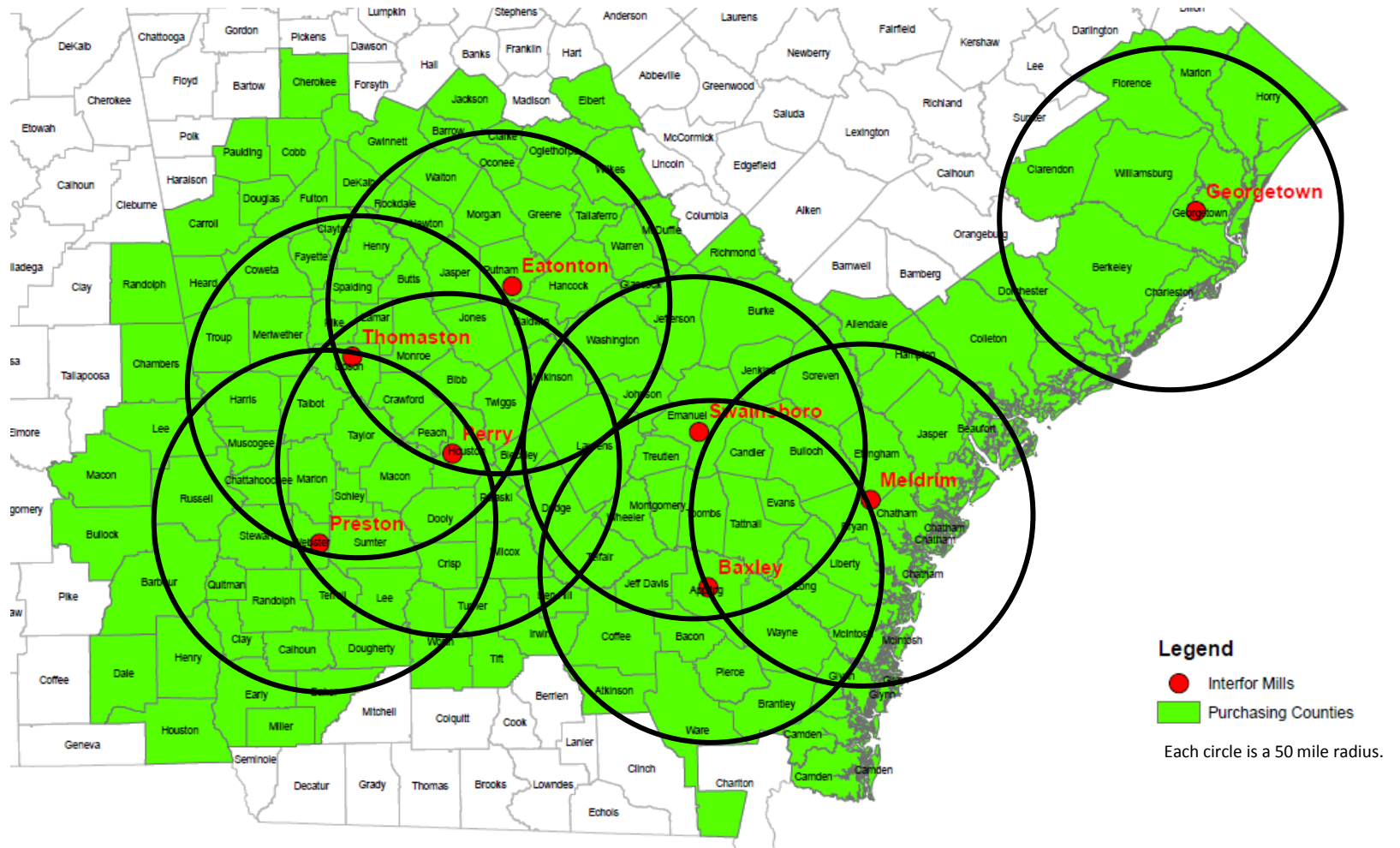


# US SOUTH: STARTED UP IN 2013

## ACQUIRED *ASSETS*...NOW REPOSITIONING THE *BUSINESS*



# LOGISTICS – RIGHT LOG TO RIGHT MILL



# US SOUTH OPPORTUNITY



## US South Competitive Advantages<sup>(1)</sup>

- Log Costs
- Labor Rates

Non-Controllables



## US South Relative Performance<sup>(1)</sup>

- Lumber recovery
- Cash conversion costs
- Product mix/quality/mills nets

Controllables

Interfor's 2016/17 goal is to capture a significant portion of the opportunities in the US South operations:

- $>\$30/\text{mfbm} = >\$35 \text{ mm/year}^{(2)}$
- Minor capital required

Longer term initiatives will involve selected strategic capital investments

(1) Based on a comparison of Interfor's US South operations to Canadian interior operations as of Q1 2016.

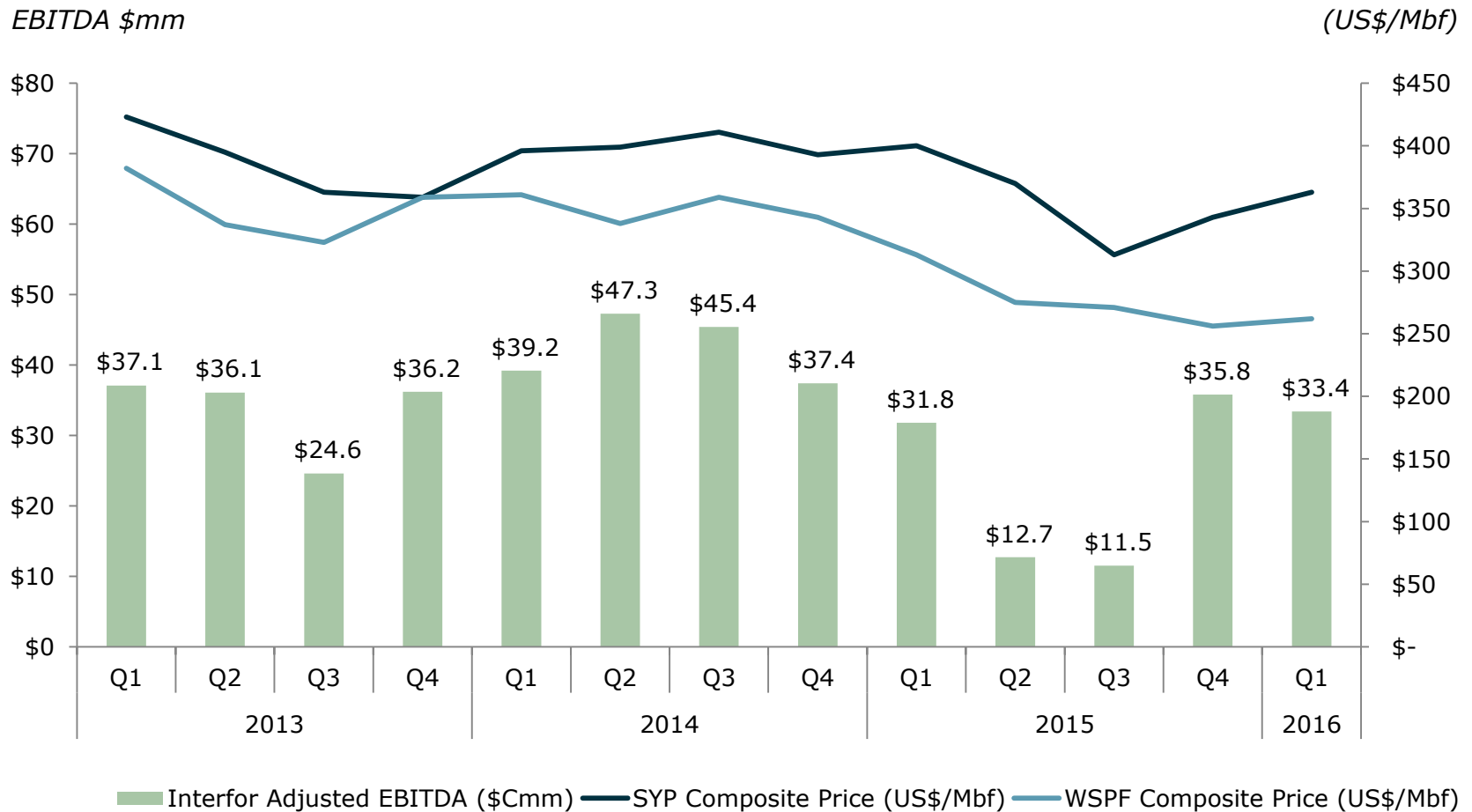
(2) Based on flat lumber prices and fx.



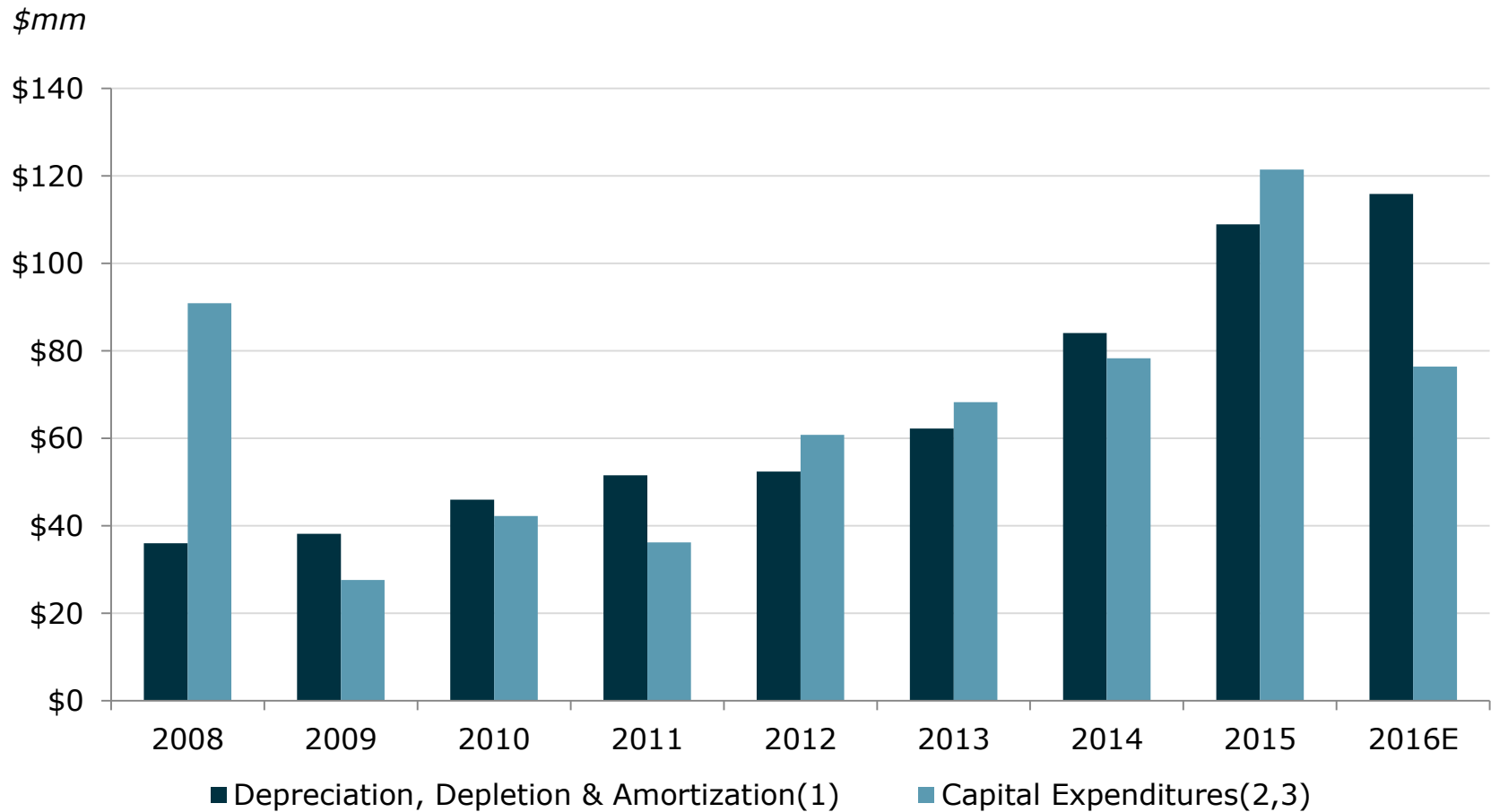


# FINANCIAL REVIEW

# HISTORICAL RESULTS



# CAPITAL SPENDING PROFILE



# CAPITAL STRUCTURE

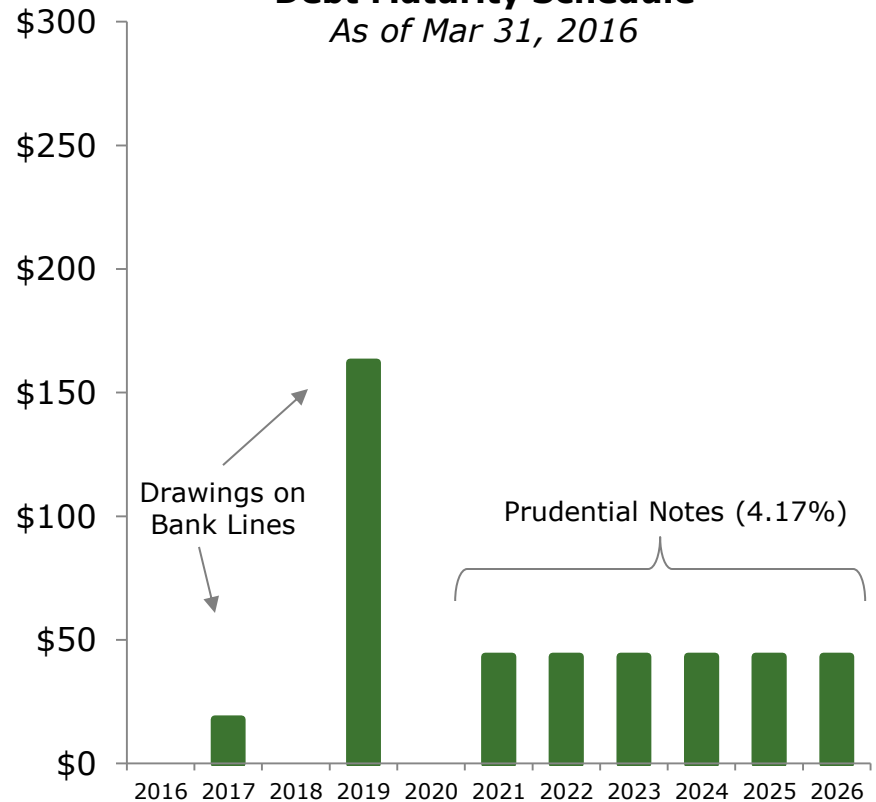
- Interfor has a prudent capital structure.
- Weighted average interest rate < 4%.
- At Mar 31, 2016 - Available liquidity of \$148 mm.

**Capital Structure**  
As of Mar 31, 2016

Net Debt (C\$mm)	\$428
Book Equity (C\$mm)	\$705
Invested Capital (C\$mm)	\$1,133
Net Debt / Invested Capital	38%
Net Debt / Q1 EBITDA (annualized)	3.2x
EBITDA / Interest Expense (Q1)	6.4x

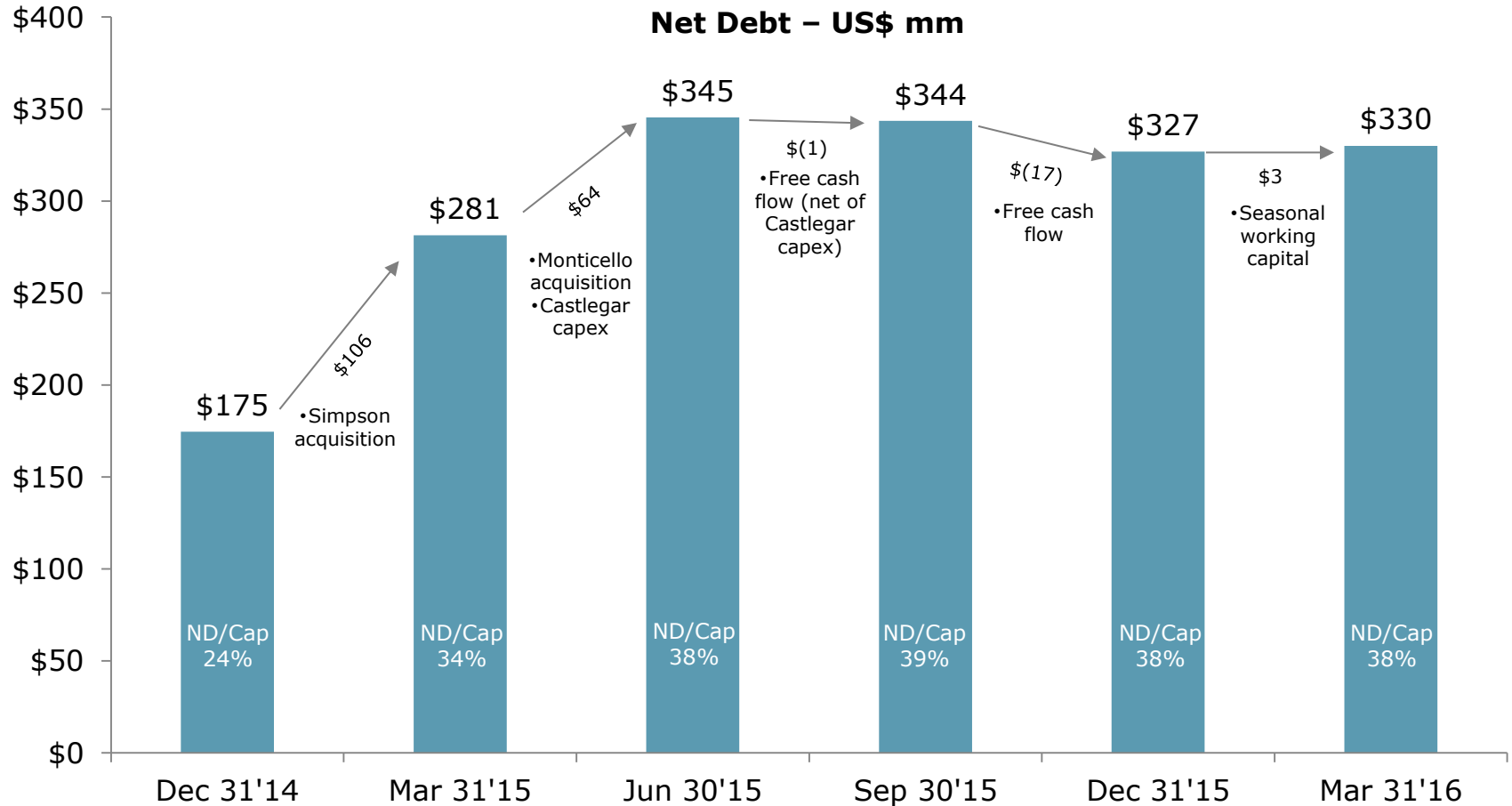
\$mm

**Debt Maturity Schedule**  
As of Mar 31, 2016





# NET DEBT PROFILE



# SUMMARY

## Strong Asset Base With Significant Upside

- 3 modern mills in BC Interior (Castlegar project is complete) - \$10 mm annualized EBITDA impact <sup>(1)</sup>
- Margin improvement initiatives (primarily US South) - \$40 mm annualized EBITDA impact by 2016/17 <sup>(1)</sup>
- “Capital light” approach for 2016

## Prudent Capital Structure

- Debt maturities termed out to 2019-2026
- Low cost debt
- \$148 mm of liquidity
- Proceeds from Tacoma sale expected in 2H 2016

## Improving Industry Fundamentals

- North American housing starts continue to improve
- Industry supply chain appears to be in balance
- Demand dynamics are positive

(1) Excludes the impact from market price changes.