



## Interfor Corporation

Vancouver, BC

December 18, 2014

### Interfor Continues to Grow in the US

#### *Agreement to Acquire Four Sawmills From Simpson Lumber in US Southeast and Pacific Northwest*

- **Consideration of US\$94.7 million, plus working capital and contingent future payments**
- **Increases Interfor's total capacity by 30%**
- **Increases the US proportion of Interfor's capacity from 57% to 67%**
- **Strong geographic fit with Interfor's operations**
- **Accretive transaction**
- **Significant operational improvement potential**

**INTERFOR CORPORATION** ("Interfor" or the "Company") (TSX: IFP) announced today that it has reached agreement with Simpson Lumber Company, LLC ("Simpson") to acquire Simpson's sawmill operations in Meldrim, GA, Georgetown, SC, Longview, WA and Commencement Bay, WA (collectively the "Sawmill Operations"). The Sawmill Operations are located within geographic proximity of Interfor's sawmills in both the US Southeast and Pacific Northwest and will fit within the Company's existing operating infrastructure.

The Sawmill Operations have a combined annual lumber capacity of 750 million board feet<sup>1</sup> and are expected to produce 555 million board feet in 2014. As a result of this transaction, Interfor's total capacity will increase by 30% to 3.1 billion board feet, reinforcing its position as the fastest growing lumber company in the world. The Company's lumber capacity in the US Southeast and Pacific Northwest will total 1.2 billion board feet and 900 million board feet, respectively, representing 67% of the Company's total pro forma capacity.

For the nine months ended September 30, 2014, the Meldrim, Georgetown and Longview sawmills generated combined EBITDA<sup>2</sup> of US\$16 million. In addition, these sawmills have significant upside potential from capital projects that are currently underway as well as from other operational initiatives.

For the nine months ended September 30, 2014, the Commencement Bay operation generated EBITDA<sup>2</sup> of US\$(3) million. The Commencement Bay sawmill is located at the Port of Tacoma and is a modern sawmill that was built in 2001. The total invested capital

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<sup>1</sup> Based on normal operating hours.

<sup>2</sup> Figures are unaudited and reflect mill level EBITDA as prepared in accordance with Simpson's financial practices and are before corporate costs.

for the sawmill is approximately US\$90 million. In 2004, the sawmill produced almost 400 million board feet, but is expected to produce approximately 165 million board feet in 2014. Simpson is in the final stages of a US\$5 million capital project at Commencement Bay that will enhance the sawmill's log processing flexibility and operating efficiency. Interfor believes there are additional non-capital initiatives that could materially improve the financial performance of the sawmill and further enhance the financial returns from the transaction.

"This transaction is another important milestone for Interfor," said Duncan Davies, Interfor's President and CEO. "The Simpson operations are a great strategic fit with our platforms in the US Southeast and Pacific Northwest, with significant operational and financial upside. Equally important is the deal structure that has two distinct components: (i) the acquisition of three profitable sawmills at values that will create immediate accretion; and (ii) the acquisition of a fourth sawmill using a contingent payment structure that ties the ultimate purchase price of that sawmill to its future results."

### ***Transaction Overview***

Interfor's cash consideration for the Sawmill Operations will be US\$94.7 million plus working capital and adjustments related to Simpson's pre-closing capital expenditure commitments, plus a series of contingent future payments tied to the financial performance of the Commencement Bay sawmill.

The contingent future payments will be calculated over the three years following the closing of the transaction as follows:

- i. An annual payment equal 0.5 times the Commencement Bay sawmill's EBITDA for each of the three years post closing; and
- ii. A final payment at the end of the third year equal to 2.5 times the Commencement Bay sawmill's average annual EBITDA over the three year period.

The minimum total contingent future payments as outlined in (i) and (ii) combined will be US\$10 million.

As of September 30, 2014, Interfor had a Net Debt to Invested Capital ratio of 24%. Currently, the Company has additional liquidity under its bank credit facilities in excess of \$230 million and is able to fund the transaction at closing with its credit facilities. In conjunction with this transaction, Interfor will consider various longer term financing alternatives, including additional fixed rate long term debt and/or equity to enhance its financial flexibility, depending on market conditions.

In addition to the Sawmill Operations, Simpson operates other sawmills in and around the community of Shelton, WA. The Shelton operations are not included in the transaction.

The completion of the transaction is subject to customary conditions and regulatory approvals and is expected to close in the first quarter of 2015.

### **FORWARD-LOOKING STATEMENTS**

This release contains information and statements that are forward-looking in nature, including, but not limited to, statements containing the words "will", "plans" and "is expected" 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: satisfaction of the conditions to the completion of the Sawmill Operations' acquisition in a timely manner, if at all, uncertainties related to the realization of the anticipated benefits of the Sawmill Operations' acquisition, general economic and

business conditions, product selling prices, raw material and operating costs, changes in foreign-currency exchange rates, and other factors referenced herein and in Interfor's Annual Report and Management Information Circular available on [www.sedar.com](http://www.sedar.com). The forward-looking information and statements contained in this report 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.

### **CONFERENCE CALL**

There will be a conference call on Friday, December 19, 2014 at 7:00 AM (Pacific Time)/10:00 AM (Eastern Standard Time) hosted by **INTERFOR CORPORATION** for the purpose of reviewing the announcement. A [presentation](#) will be posted to the [website](#) for review during the conference call.

The dial-in numbers are **1-866-233-4585 or 416-640-5946**. The conference call will also be recorded for those unable to join in for the live discussion, and will be available for 14 days. The numbers to call are **1-866-245-6755 or 416-915-1035, Passcode 670891**.

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### **ABOUT INTERFOR**

Interfor is a growth-oriented lumber company with operations in Canada and the United States. The Company has annual production capacity of more than 2.4 billion board feet and offers one of the most diverse lines of lumber products to customers around the world. For more information about Interfor, visit the website at [www.interfor.com](http://www.interfor.com).

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