

# ACQUISITION OF SIMPSON SAWMILLS

DECEMBER 18, 2014

# FORWARD-LOOKING STATEMENTS

Information contained herein constitutes forward-looking statements. Forward-looking statements, which include all statements that are not historical facts, are subject to certain risks and uncertainties that could cause actual results to differ materially from those anticipated in or suggested by the forward-looking statements. See additional risks described in the Company's MD&A under "Risks and Uncertainties" in the Company's 2013 Annual Report, which is incorporated by reference. All forward-looking statements made are qualified by these cautionary statements.

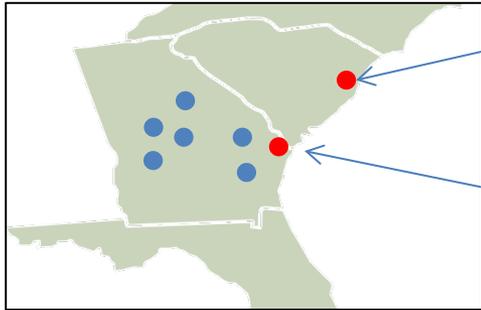
Participants should not place undue reliance on the forward-looking statements, which reflect Management's plans, estimates, projections and views only as of the date hereof. The Company undertakes no obligation to publicly revise these forward-looking statements to reflect subsequent events or circumstances.

# ACQUISITION SUMMARY

- The Simpson assets include 4 sawmills
  - Meldrim, Georgia
  - Georgetown, South Carolina
  - Longview, Washington State
  - Commencement Bay, Washington State
  - Combined capacity of 750 MMBf - 2014 production estimated at 555 MMBf
- Strong operational fit with Interfor's platform
  - Geographic proximity to Interfor's mills and infrastructure in both the US and Canada
- Strong strategic fit with Interfor's core strengths
  - 3 of the mills (Meldrim, Georgetown and Longview) are solid financial contributors with operational upside through focused initiatives and targeted capital projects
  - Commencement Bay is a modern mill that is currently underperforming vs. its potential

# SIMPSON MILL OVERVIEW

## US Southeast Operations



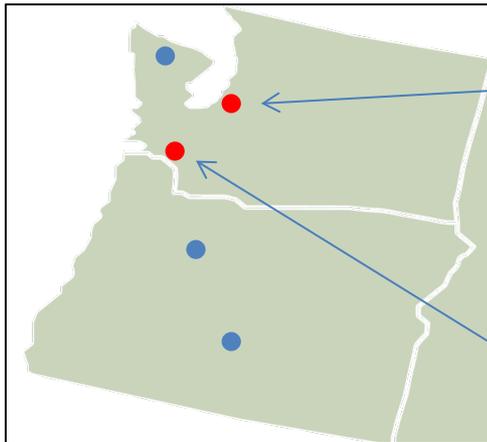
### Georgetown, SC

- Project underway to add dual path kilns – would increase production from 2014E of 90 MMbf to 120 MMbf by late 2015
- Modest additional capital to increase production to 150 MMbf

### Meldrim, GA

- Strong fit with Baxley and Swainsboro
- Potential to increase from current production of 120 MMbf to 180 MMbf with full 2<sup>nd</sup> shift (planer and kilns)

## Pacific Northwest Operations



### Commencement Bay, WA

- Greenfield mill built in 2001
- Total invested capital of US\$90 mm
- Production of almost 400 MMbf in 2004 vs. 165 MMbf in 2014E
- Completing a US\$5 mm capital project to enhance log processing flexibility and operating efficiency
- Significant upside potential – no material capital required

### Longview, WA

- Green only mill
- 2014E production of approximately 180 MMbf

- Interfor sawmills
- Simpson sawmills

# DEAL TERMS

- Purchase price comprised of:
  - Cash price of US\$94.7 mm plus working capital at closing (estimated at approximately US\$30 mm)
  - Contingent future cash payments tied to the financial performance of the Commencement Bay sawmill over the next three years
- Contingent future payments:
  - The contingent payment arrangement is structured as follows:
    - i. Annual payments equal to 0.5x the Commencement Bay mill's EBITDA for each of the 3 years post closing
    - ii. A final payment equal to 2.5x the Commencement Bay mill's average annual EBITDA over the 3 year period

The total of (i) and (ii) is set at a minimum amount equal to US\$10 mm – significant underlying asset value at the mill
- Transaction is subject to regulatory approval - target close in Q1 2015

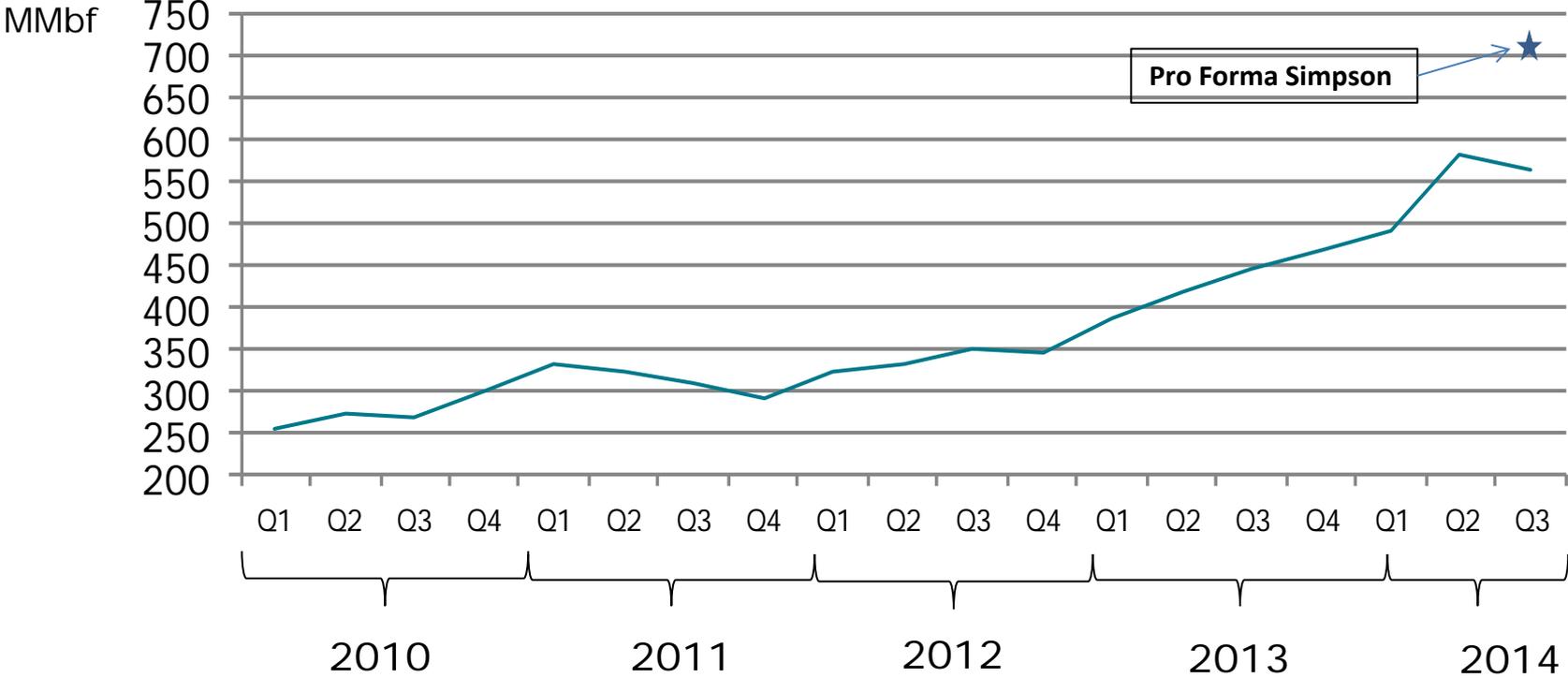
# ECONOMIC SUMMARY

- Two separate economic assessments of the business, as follows:
  1. Meldrim, Georgetown and Longview combined
    - 2014E production of approximately 390 MMbf
    - Mill level EBITDA<sup>1</sup> (unaudited)
      - US\$16 mm for 9 months ended 9/30/14
    - Implied valuation multiples
      - Enterprise Value/Annualized 9 months EBITDA = 5.2x
      - (Enterprise Value-Working Capital)/Mfbm Production = US243/Mfbm
    - Immediately accretive
  2. Commencement Bay
    - 2014E production of approximately 165 MMbf
    - Mill level EBITDA<sup>1</sup> (unaudited)
      - US\$(3) mm for 9 months ended 9/30/14
    - Upfront investment is limited to working capital (approximately US\$13 mm)
    - Balance of purchase price is based on future results

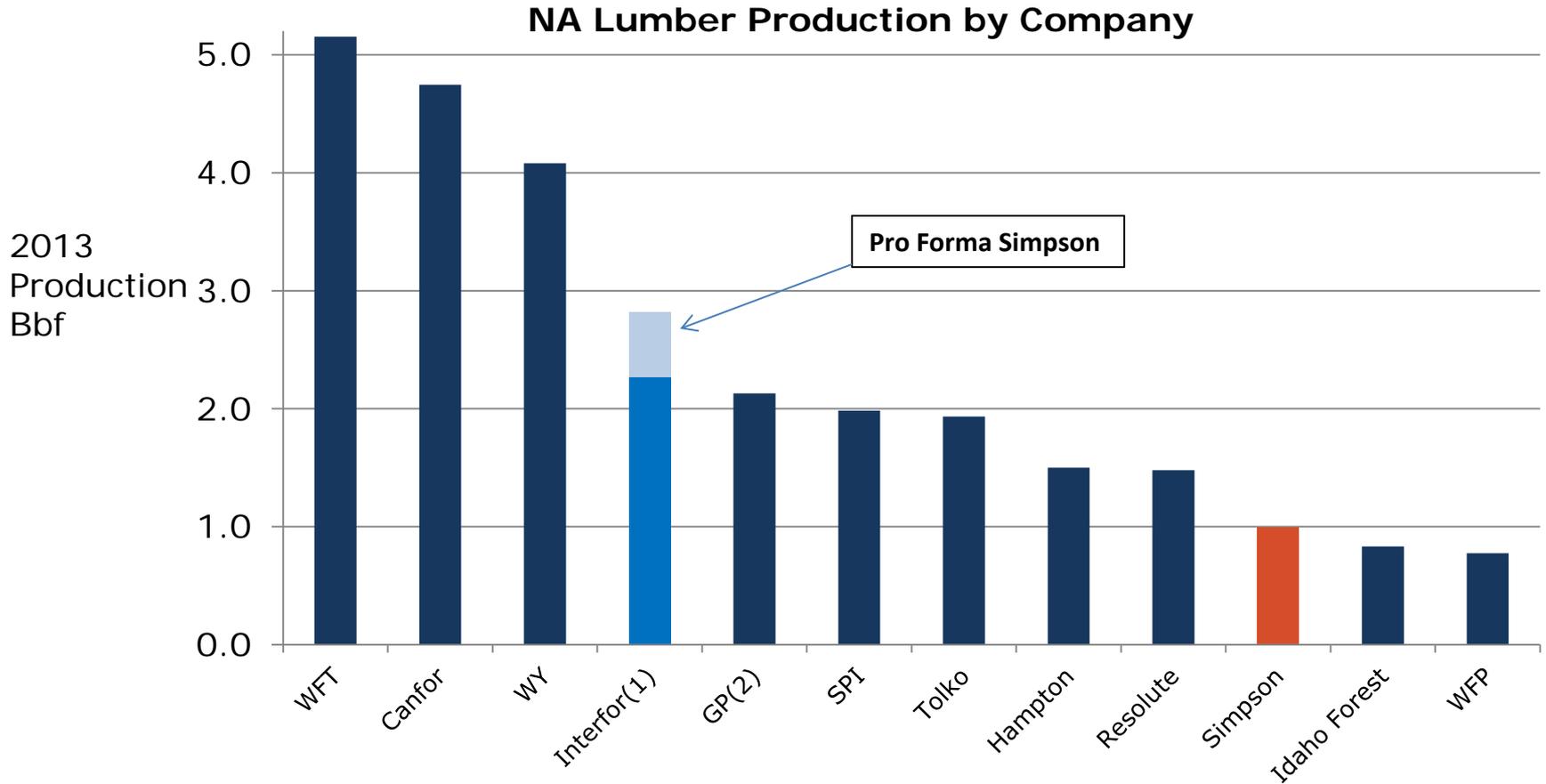
1. Figures are unaudited mill level financials prepared in accordance with Simpson's financial practices and are before corporate costs.

# PRO FORMA '14 PRODUCTION > 2.8 Bbf/YEAR

### Quarterly Lumber Production 2010 - 2014



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



Source: Wood Markets monthly – March 2014

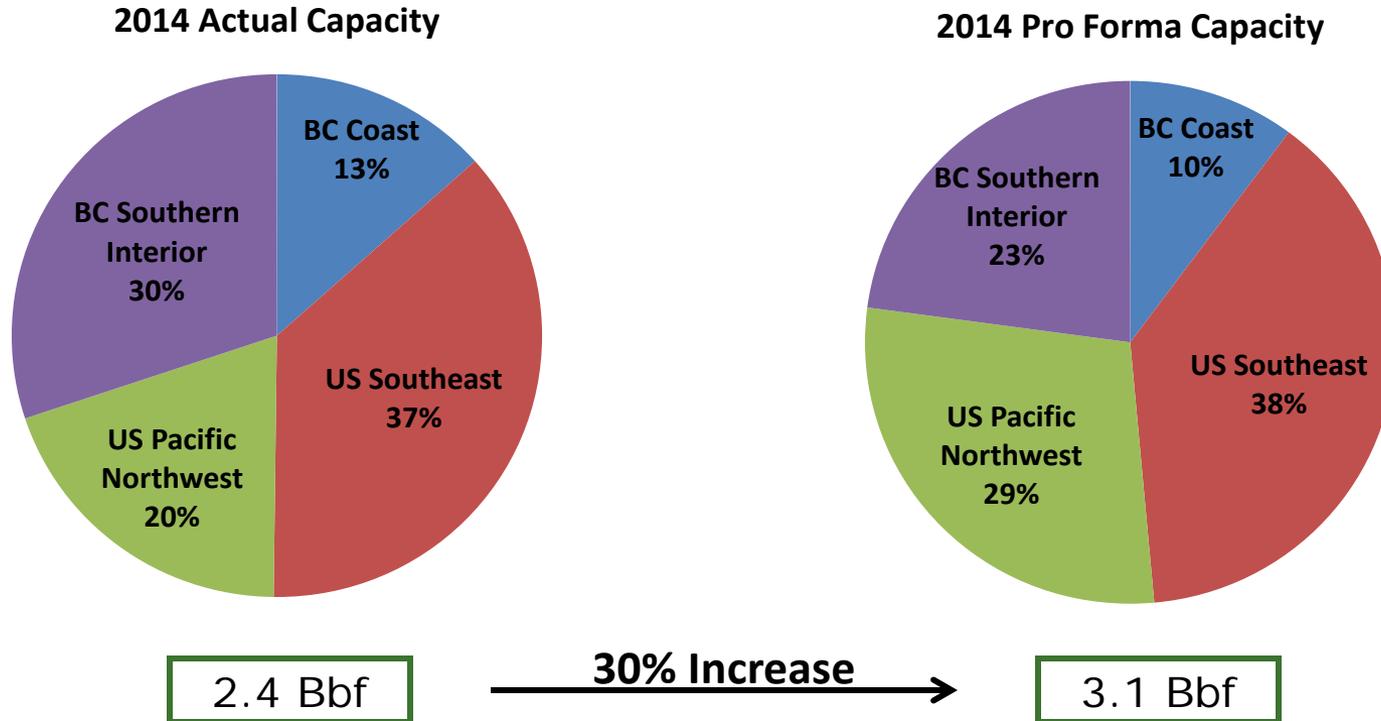
Notes:

(1) Interfor's 3Q 2014 production annualized

(2) GP includes Temple-Inland.

# BALANCED PROFILE ACROSS THE REGIONS

- Approximately 2/3 of Interfor's pro forma capacity will be in the US



# INTERFOR'S CAPITAL STRUCTURE

- On Dec. 17<sup>th</sup>, Interfor closed a US\$50 mm term debt financing with Prudential -- 4.02%, with final maturity in 2023
  - Total of US\$100 mm of long term debt is now place
  - Bank credit facilities remain at same level following the Prudential financing
- Interfor has sufficient liquidity under its existing bank lines to complete the transaction – the ND/IC at Sept. 30/14 would increase from 24% to approximately 35% if financed with debt
  - 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

C\$ millions	Sept. 30, 2014 Actual
Net debt	\$204
Book Equity	\$630
Invested capital	\$834
Net debt / invested capital	24%
Net debt/Last quarter annualized Adjusted EBITDA	1.1x

# QUESTIONS

