

Sawmill Profitability and Cost Trends

Mapping the Course

January 9, 2017

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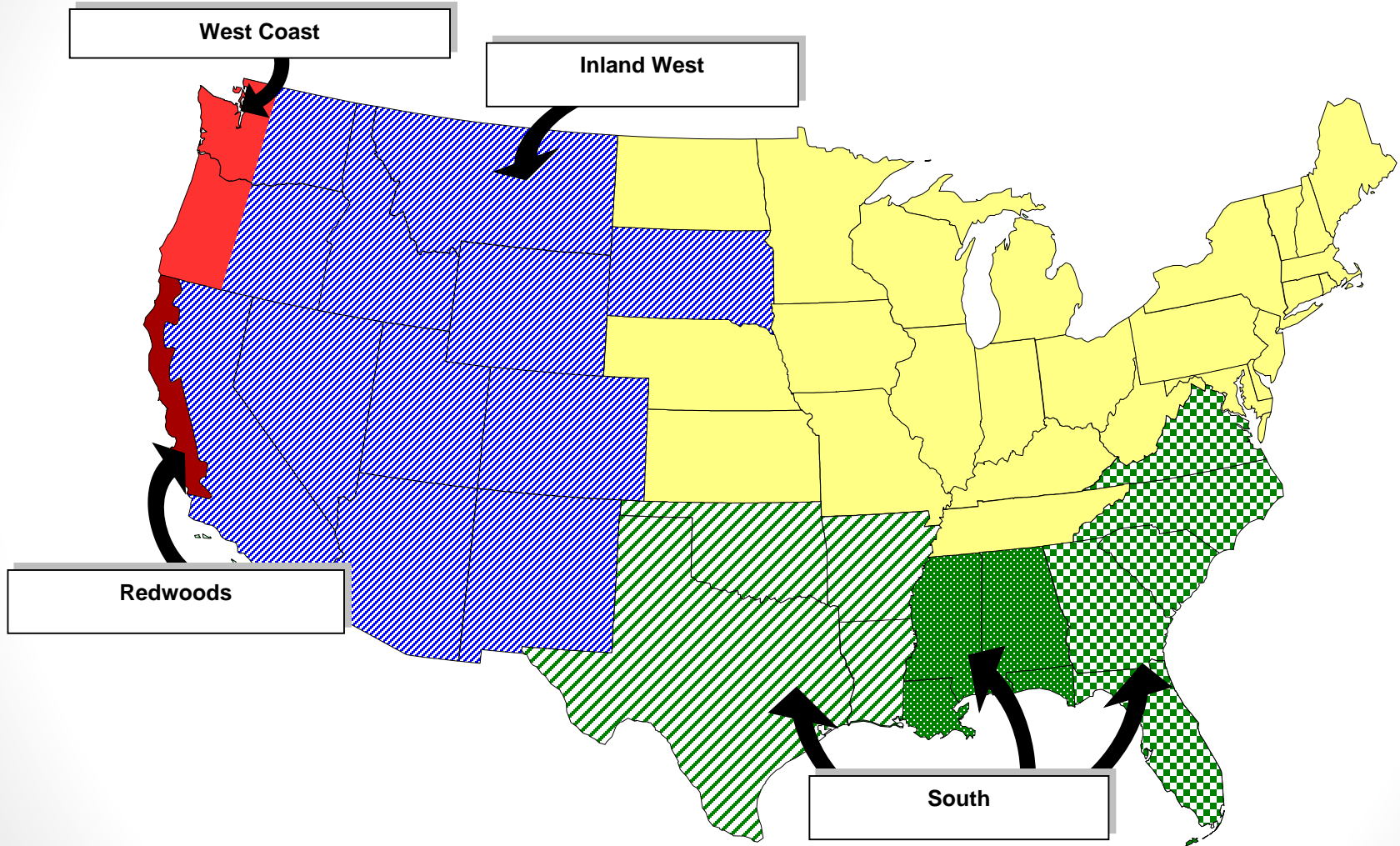
The Beck Group

- Forest products planning, consulting & benchmarking services since 1981
- Broad geographic experience
 - U.S. West, South, Alaska
 - Canada
 - Overseas
- Forest Products Industry
 - Lumber
 - Panels/engineered wood
 - Pellets
 - Biomass

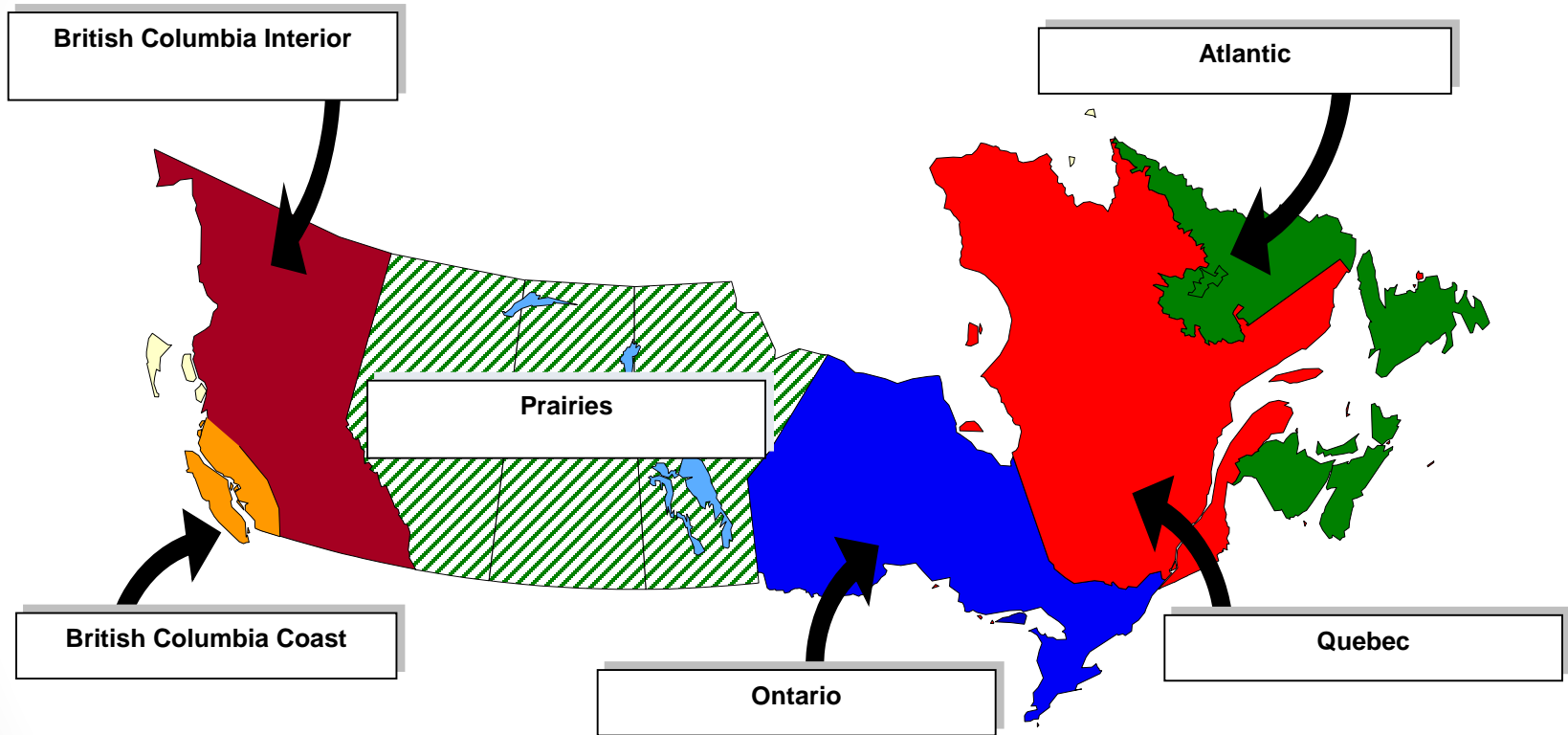
Beck Group Services

- Benchmarking studies
- Mergers and acquisitions
- Due diligence and appraisals
- Feasibility studies
- Capital project planning
- Strategic planning
- Timber procurement systems
- Market research
- Training workshops

U.S. Producing Regions

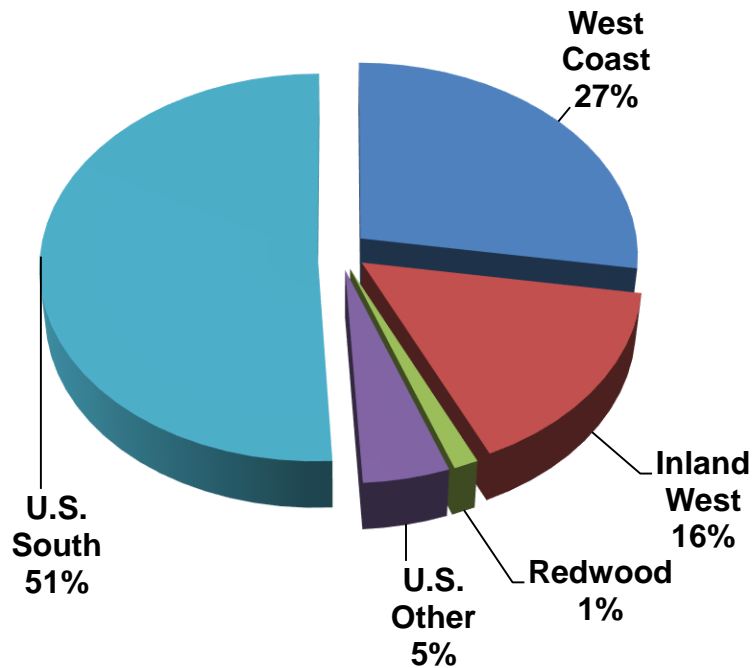


Canadian Producing Regions



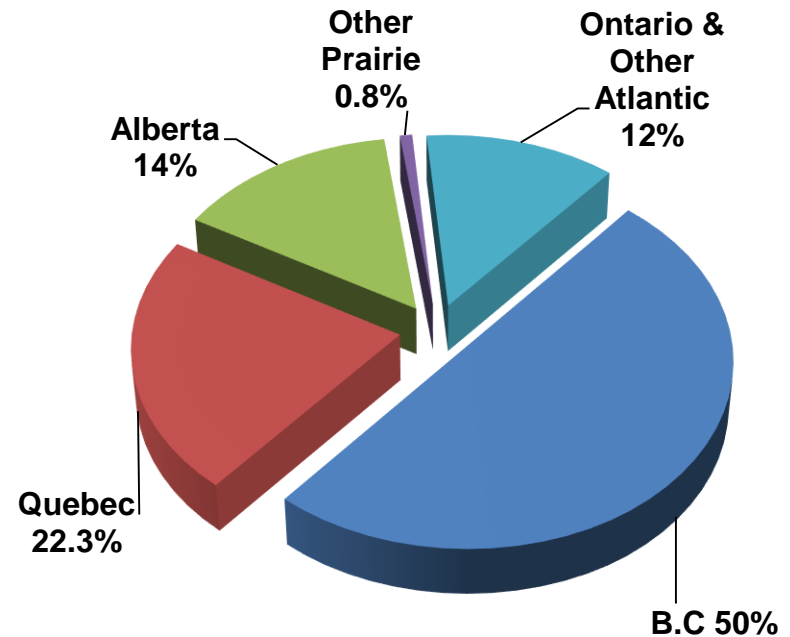
Softwood Lumber Production

U.S. Production



2014 Production = 31.6 billion board feet

Canadian Production

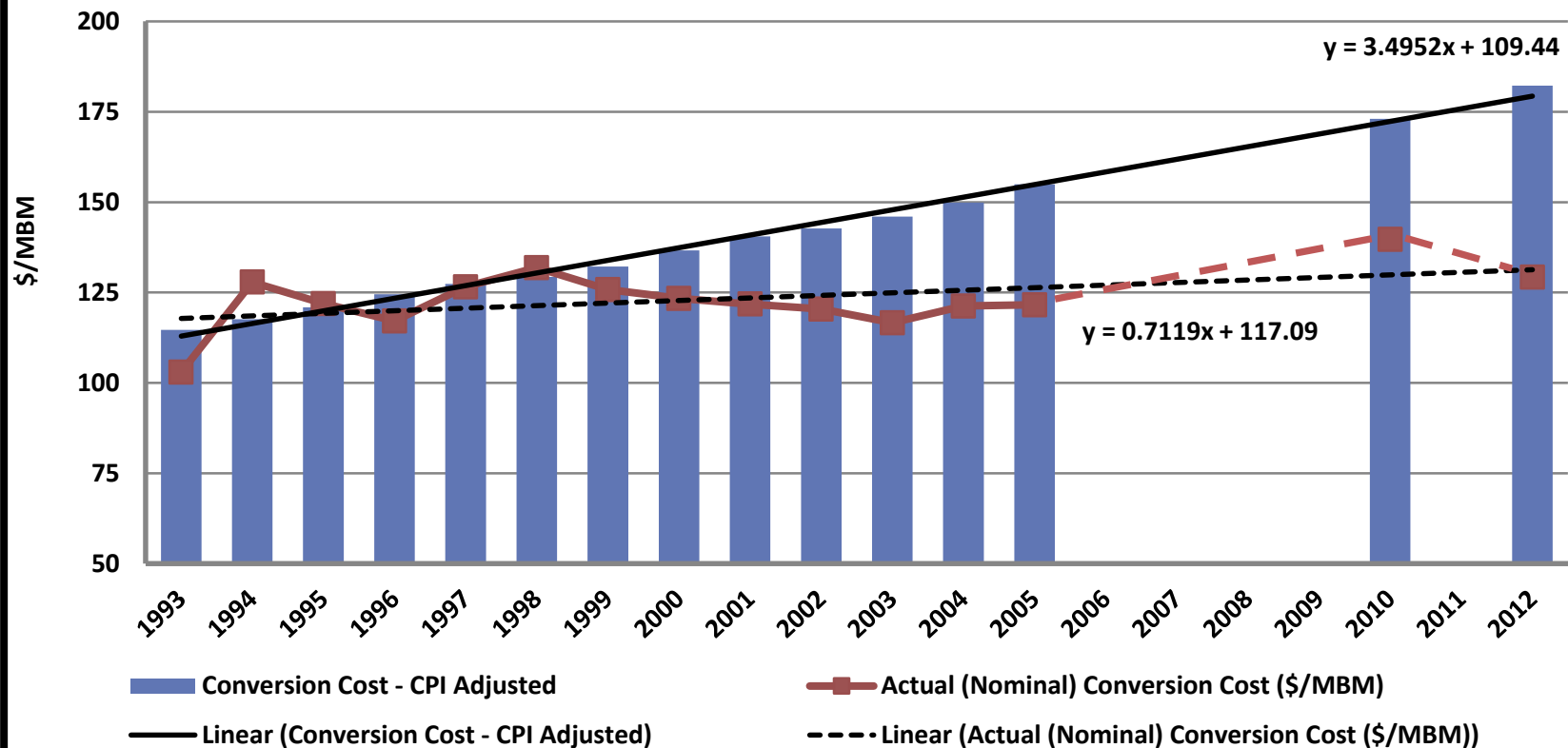


2014 Production = 25.3 billion board feet

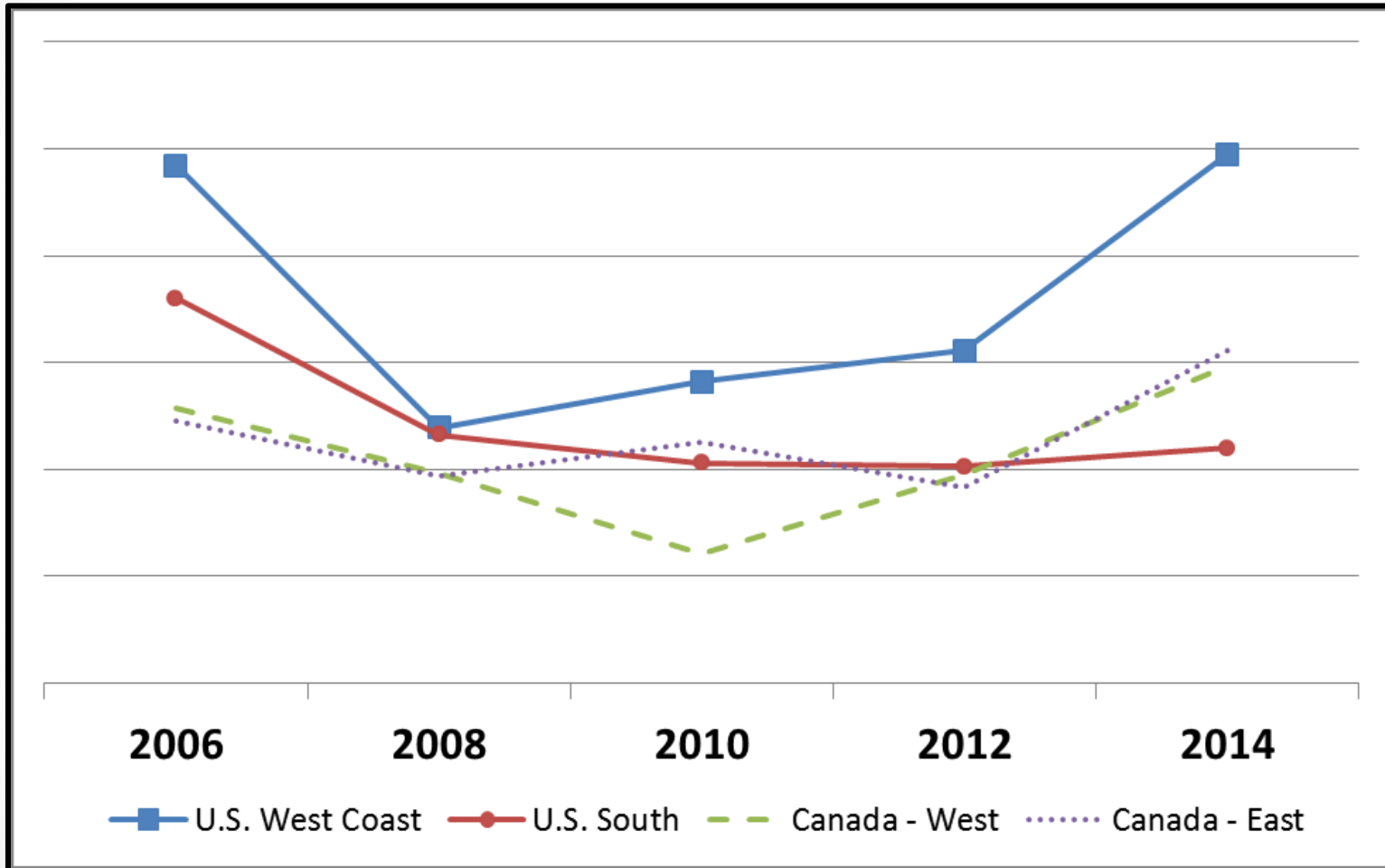
Source: WWPA

Manufacturing Costs Beat Inflation

CPI Adjusted Conversion Cost vs
Total Actual (Nominal) Conversion Cost

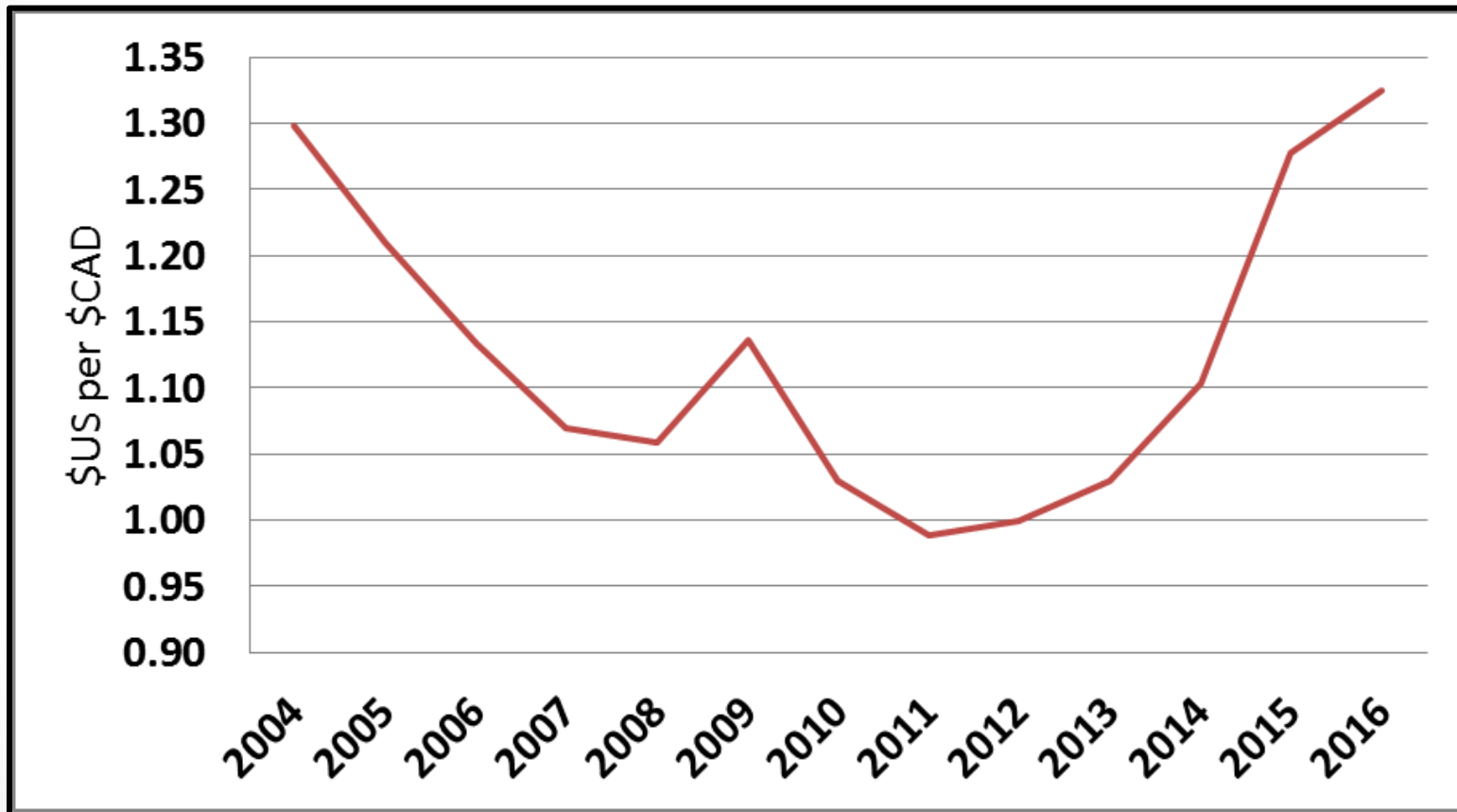


Net Wood Cost

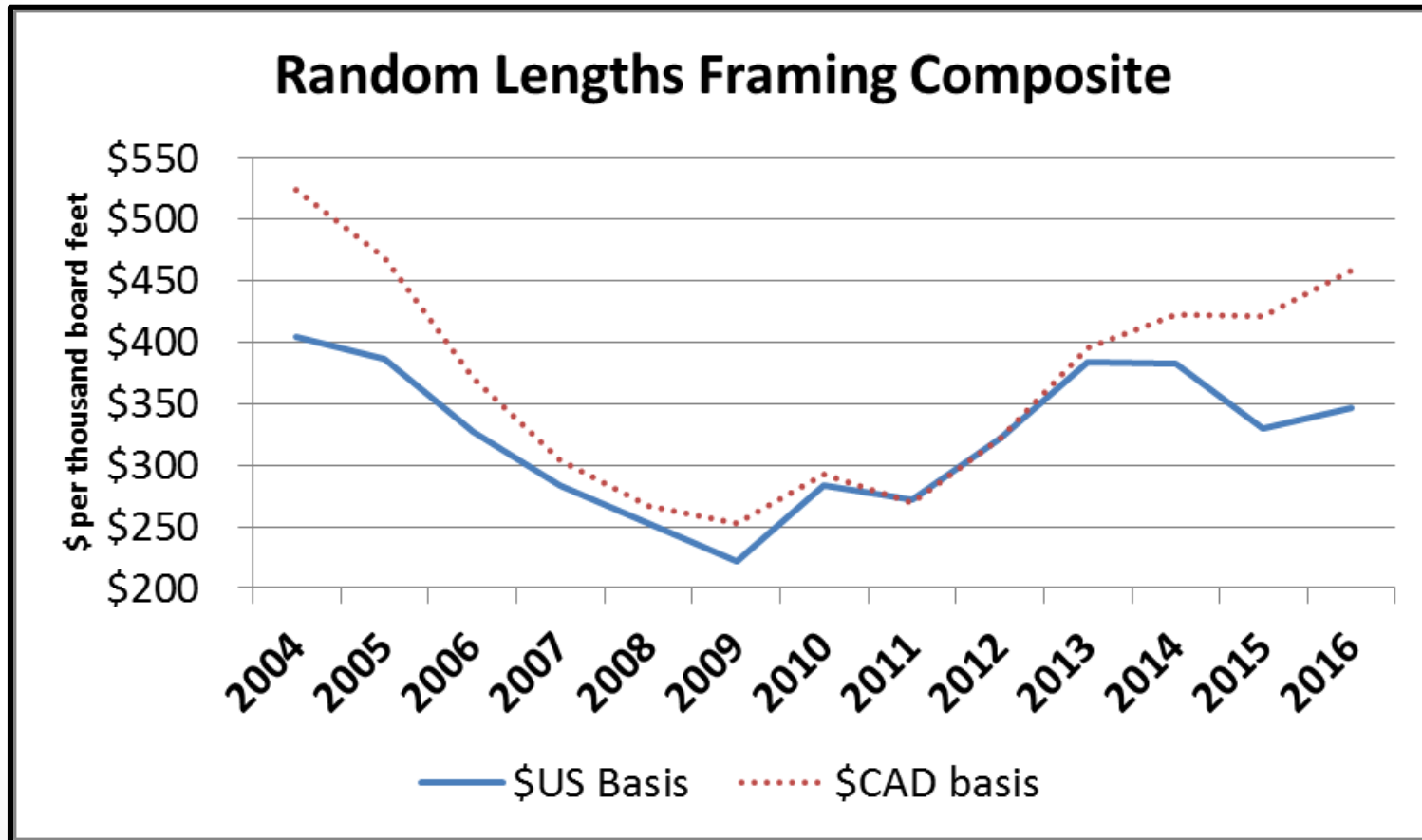


Sources: International Wood Markets (Canada), Beck Group (U.S.)

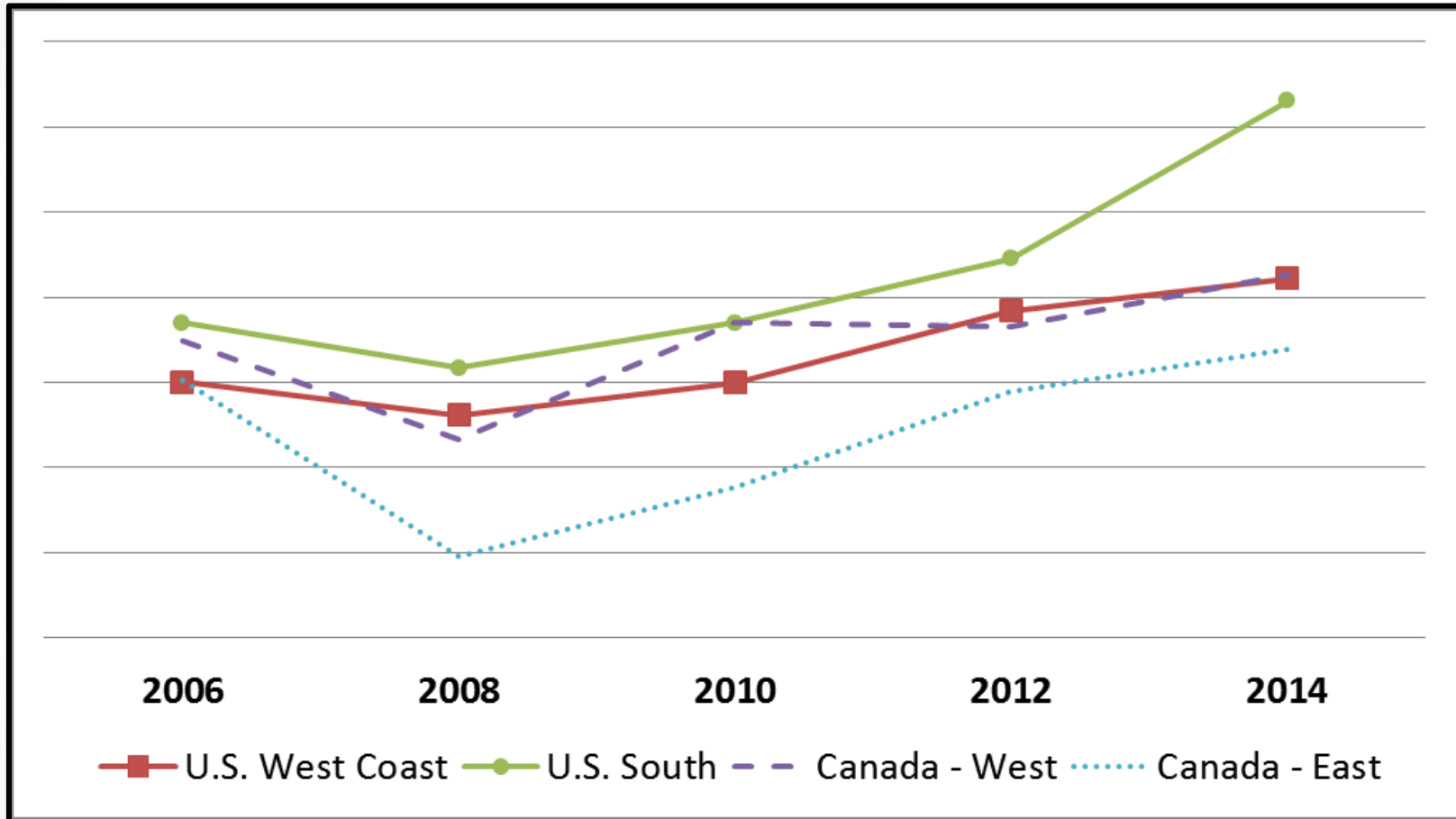
U.S. – Canadian Exchange



Exchange Impact for Canadian Producers



Margins – EBITDA



Sources: International Wood Markets (Canada), Beck Group (U.S.)

2017 Lumber Industry Outlook

- Lumber prices to increase on improving demand and US Duties (beginning in May)
- More lumber price volatility
- Compressed margins in Canada after duties imposed
- Strength of \$US
 - Canadian margins
 - Chinese log demand -> Western U.S. log prices
- Log prices in South will remain relatively low – good mill margins