



Rayonier

# Biomass

Strategic Implications for Rayonier

September 2008



Rayonier

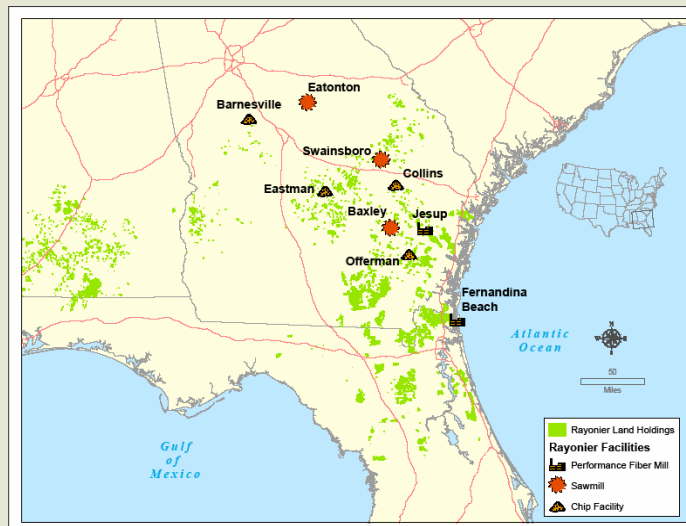
## Agenda

- **Rayonier overview**
- Biomass markets
- Strategic implications for Rayonier

## Company Profile

- Global \$1.2 billion (revenue) forest products company, structured as a tax-efficient REIT
- Three core businesses
  - Timber: 2.6 million acres in the US and New Zealand
  - Real Estate: 200,000 acres in coastal GA and FL
  - Performance Fibers: Specialty cellulose pulp products
- Business mix: increased economic resilience
- Geographic diversity: 40% of sales to customers in 41 countries
- Current annualized dividend of \$2.00/share yields ~4.3%
- Investment-grade debt ratings:
  - S&P BBB (Stable)
  - Moody's Baa3 (Stable)

## Rayonier manufacturing facilities





## Eastern Forest Resources

- 1.9 million acres in seven states
- Run as independent profit center for maximum returns
- Sustainable Management
  - SFI
  - Audited by 3<sup>rd</sup> Party (BVQI)

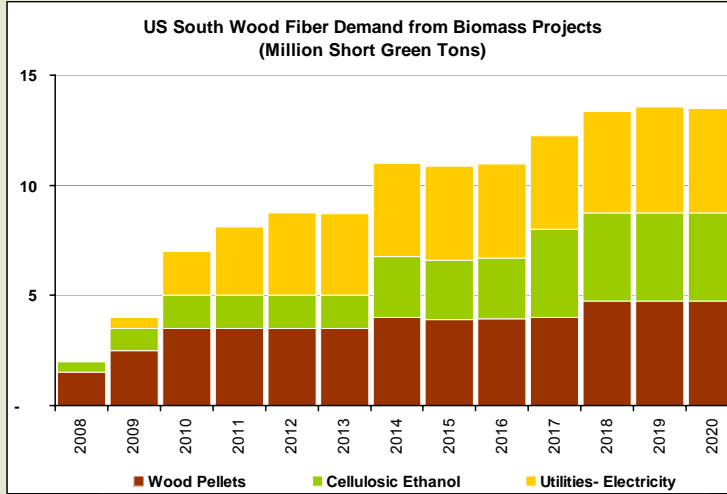


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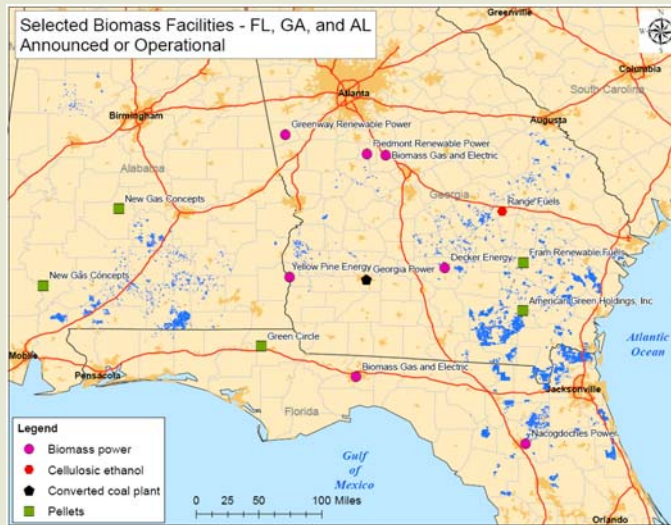
## Demand from Biomass expected to grow rapidly



Source: Forest2Market, 2008.



## Biomass emerging as important new market





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- **Strategic implications for Rayonier**



## Strategic implications by business unit

- Performance fibers
  - Increase in raw material costs from entry of new industry
    - Effect of subsidies for renewable power is unclear
  - Ability to produce energy through increased utilization of fiber
  - Utilization of logistical infrastructure
  - Leverage procurement services expertise
- Real estate
  - Demand for industrial site locations creates opportunity for land base
- Timber
  - Significant new market opportunity, domestic and international
  - Increase in demand for pulpwood
  - Increased fiber utilization
  - Reduced Site preparation costs



## Biomass Value Proposition

- Uncommitted fiber resource (for now)
- Transportation infrastructure gets fiber to the right market
  - Proximity to ports, rail and highways
  - Robust road network in company forests
- Operational expertise in procurement services, logistics and supply chain management
- Site selection capabilities: recent sales to power plants
- Commitment to developing long term partnerships



## Contact information

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