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PRESENTATION

Operator

Welcome, and thank you for joining Rayonier's Third Quarter 2023 Teleconference Call. (Operator Instructions) Today's conference is being recorded. If you have any objections, you may disconnect at this time.

Now I will turn the meeting over to Mr. Collin Mings, Vice President, Capital Markets and Strategic Planning.

Collin Philip Mings ***Rayonier Inc. - VP of Capital Markets & Strategic Planning***

Thank you, and good morning. Welcome to Rayonier's investor teleconference covering third quarter earnings. Our earnings statements and financial supplement were released yesterday afternoon and are available on our website at rayonier.com.

I would like to remind you that in these presentations, we include forward-looking statements made pursuant to the safe harbor provisions of federal securities laws. Our earnings release and Forms 10-K and 10-Q filed with the SEC with some of the factors that may cause actual results to differ materially from the forward-looking statements we may make. They are also referenced on Page 2 of our financial supplement.

Throughout these presentations, we will also discuss non-GAAP financial measures, which are defined and reconciled to the nearest GAAP measures in our earnings release and supplemental materials.

With that, let's start our teleconference with opening comments from Dave Nunes, our CEO. Dave?

David L. Nunes ***Rayonier Inc. - CEO & Director***

Thanks, Collin, and good morning, everyone. Before reviewing our results for the third quarter, I'd like to first discuss 2 announcements made concurrent with our earnings release yesterday afternoon. The executive succession plan as well as a review of our initiatives to enhance shareholder value. Then I'll provide some high-level comments on the quarter before turning it over to Mark McHugh, President and Chief Financial Officer, to review our consolidated financial results. We'll then ask Doug Long, Executive Vice President and Chief Resource Officer, to comment on our U.S. and New Zealand timber results. And following the review of our timber segments, Mark will discuss our Real Estate results as well as our outlook for the balance of the year.

As announced yesterday afternoon, I'll be retiring as Chief Executive Officer of Rayonier and a member of our Board effective March 31, 2024. It's been an honor and privilege to lead Rayonier over the last 9 years. We have remarkable people fabulous assets and have cultivated a culture like no other. Since emerging from the spin-off of our specialty pulp manufacturing business in 2014, we have worked to continuously improve the quality of our land and timber portfolio, invested in our people and maintain a relentless focus on driving long-term value for our shareholders to become the leading pure-play timber REIT. I'm very excited about the growth opportunities that lie ahead for the company and its next generation of leadership.

As part of a multiyear succession planning process, Mark will be assuming CEO responsibilities upon my retirement, while continuing his role as President. Mark has served as our President since January of this year, while also maintaining his duties as our Chief Financial

Officer, a position he's held since December 2014. Since bringing on Mark as our CFO nearly 9 years ago, he has been an invaluable partner to me in running Rayonier. His relentless focus on capital allocation combined with his deep understanding of the history of the timber asset class and his financial acumen have helped us to become the company we are today. He has also grown as a respected people leader during this time and has demonstrated that he's ready for this challenge. We're excited about the future of the company under his leadership.

I'd also like to congratulate April Tice, who will assume the position of Senior Vice President and Chief Financial Officer effective April 1, 2024. April has served as our Vice President and Chief Accounting Officer since April 2021 and has held multiple positions of increasing responsibility within the finance and accounting department since she joined Rayonier in 2010. Mark and I are confident that her appointment will translate into a seamless transition for our finance organization. These announcements reflect the culmination of a well-constructed succession plan that has been a priority of the Board for the last several years and one that I believe leaves Rayonier extremely well positioned for the future.

I'd now like to turn to another announcement we released yesterday, which focuses on initiatives to enhance shareholder value as well as the steps that we have already taken to execute on this plan. We began evaluating our asset base earlier this year, looking for opportunities to reduce leverage through the sale of less strategic assets while also allowing us to take advantage of the significant disconnect between private market timberland values and the valuation implied by the company's share price. This valuation disconnect has significantly widened since that time, which ultimately motivated us to commit to a more transformational initiative to drive value accretion for our shareholders. Specifically, we announced a plan to target $1 billion of select asset sales over the next 18 months in order to capitalize on the historically wide disconnect between public and private market timberland values, reinforce the strength of our balance sheet and return meaningful capital to shareholders.

Pursuant to the plan, we are adjusting our leverage target to less than or equal to 3x net debt to adjusted EBITDA, which will allow us to reduce our debt costs and enhance our future capital allocation flexibility. We are confident that this plan will generate significant value accretion for our shareholders while also better positioning the company for the potential of a higher for longer interest rate environment. As an important first step in effectuating this plan, we are pleased to announce that we have entered into an agreement to sell 55,000 acres of Timberland in Southwest Oregon for $242 million or $4,400 per acre to Manulife Investment Management on behalf of clients. Expected to close in the fourth quarter of this year, the Oregon disposition will reduce our leverage and be immediately accretive to CAD per share. We originally acquired this property in 2016 with the intention to rebalance our age class profile in the Pacific Northwest as well as to gain scale in Southwest Oregon over time. However, the opportunity to increase our presence in the region has been limited by the highly competitive market for quality assets coupled with a relatively limited deal flow in the area. As a result, we believe recycling capital out of this asset albeit a high-quality property and directing proceeds towards debt reduction is value enhancing for our shareholders. We expect that the disposition of this property will have minimal impacts on our operating cash flow over the next decade due to its relatively young age class profile and will result in a more concentrated focus on our other Pacific Northwest timberland properties in Washington. We plan to use $150 million from the Oregon disposition to pay down our only floating rate debt. This will translate into interest savings of approximately $9.3 million annually based on the current SOFR rate, making it immediately CAD accretive. The remaining proceeds from the disposition will be retained for future debt repayment or a return of capital to shareholders. Pro forma for the disposition and application of proceeds, leverage will decline to 4.2x net debt to pro forma adjusted EBITDA. Our weighted average cost of debt will decline to approximately 2.8% and 100% of our debt will be fixed until August 2024. In addition, we expect that the disposition and application of proceeds will generate CAD per share accretion of approximately 6%.

As there remains a strong bid for timberland assets in the private market, we are in the process of identifying additional disposition targets and how best to achieve our new leverage targets while also returning capital to shareholders. We have posted a supplemental presentation to our website, which outlines our initiatives to enhance shareholder value, provides additional details regarding the Oregon disposition and illustrates the disconnect we currently see between timberland values implied in the public markets and private market transactions. This plan underscores our keen focus on nimble capital allocation, active portfolio management and prudent balance sheet management.

Now I will switch gears and discuss our third quarter results. In the third quarter, we generated adjusted EBITDA of $79 million and pro forma net income of $19 million or $0.13 per share. The total adjusted EBITDA generated by our Timber segments collectively increased

7% relative to the prior year quarter, driven by higher harvest volumes in our Southern Timber segment and higher carbon credit sales in our New Zealand Timber segment. In our Real Estate segment, we achieved adjusted EBITDA of $19 million, up from $8 million in the prior year quarter.

Drilling down further on our operating segment results. Our Southern Timber segment generated third quarter adjusted EBITDA of $38 million, up $1 million from the prior year period. The improvement versus the prior year period reflected a 21% increase in harvest volumes, primarily due to the acquisitions completed in late 2022, which more than offset a 17% decline in net stumpage realizations due to weaker demand and drier weather conditions. In our Pacific Northwest Timber segment, third quarter adjusted EBITDA of $8 million was down $5 million from the prior year quarter, driven by a 6% reduction in harvest volumes and a 10% decline in domestic sawtimber prices. Overall, market conditions in the region were softer than the prior year period due to weaker domestic and export market demand.

Turning to our New Zealand Timber segment. Third quarter adjusted EBITDA of $24 million increased $8 million versus the prior year quarter. The improved results were primarily driven by higher carbon credit revenues as we capitalized on a significant uptick in New Zealand carbon credit pricing during the quarter, partially offset by lower net stumpage realizations, reflecting weaker export and domestic markets compared to the prior year period. In our Real Estate segment, we generated third quarter adjusted EBITDA of $19 million, up $10 million from the prior year period, reflecting both a higher number of acres sold and stronger pricing. As Mark will detail later in the call, we are on track to achieve a higher end of our full year adjusted EBITDA guidance range -- achieve the higher end of our full year adjusted EBITDA guidance range of $275 million to $300 million.

With that, let me turn the call over to Mark for more details on our third quarter financial results.

Mark D. McHugh *Rayonier Inc. - President & CFO*

Thanks, Dave, and thank you for the kind words earlier. I'm truly honored that the Board has entrusted me to lead Rayonier into the future, and I know that I'll have very big shoes to fill. It's been a privilege to work alongside you and the rest of the outstanding team at Rayonier for the past 9 years. And I'm very excited about the opportunities that lie ahead. That said, we still have 1 more earnings call and plenty of work to get done before you retire, so I will save the formal congratulations for next quarter's call. But I did want to take a moment to acknowledge the extraordinary leadership and commitment that you've given to this organization over the past decade. We appreciate you more than you know.

Now moving on to our financial highlights on Page 5 of the supplement. Sales for the third quarter totaled $202 million, while operating income was $35 million and net income attributable to Rayonier was $19 million or $0.13 per share. Pro forma EPS was also $0.13 per share as we had no pro forma items in the quarter. Adjusted EBITDA was $79 million in the third quarter, up from $65 million in the prior year period. On the bottom of Page 5, we provide an overview of our capital resources and liquidity. Our cash available for distribution, or CAD, for the first 9 months of the year was $114 million versus $159 million in the prior year period. The decrease was driven by lower adjusted EBITDA, higher cash interest paid and higher capital expenditures, partially offset by lower cash taxes. A reconciliation of CAD to cash provided by operating activities and other GAAP measures is provided on Page 8 of the financial supplement.

We closed the third quarter with $108 million of cash and $1.5 billion of debt. At quarter end, our weighted average cost of debt was approximately 3.2% and the weighted average maturity on our debt portfolio was approximately 5 years with no significant debt maturities until 2026. Our net debt of approximately $1.4 billion represented 25% of our enterprise value based on our closing stock price at the end of the quarter. Pro forma for the Oregon disposition and the planned paydown of debt, our leverage ratio will decline by 0.7 turns to roughly 4.2x net debt to adjusted EBITDA, an important first step toward achieving our new credit ratio targets. Following this debt pay down, we will have no unhedged floating rate debt, and our weighted average cost of debt will decline to approximately 2.8%. Within the supplemental presentation posted to our website, we detail the key aspects of the Oregon sale as well as provide a detailed review of our debt and interest rate swap maturity profile.

As Dave discussed earlier, we are adjusting our leverage target from less than or equal to 4.5x to less than or equal to 3.0x net debt to adjusted EBITDA. And we are commensurately reducing our net debt to asset value target from less than or equal to 30% to less than or equal to 20%. With a long-dated and well-staggered debt maturity profile as well as a low-cost primarily fixed rate debt structure, we can afford to be selective and opportunistic in achieving our enhanced leverage targets over the next 18 months.

I'll now turn the call over to Doug to provide a more detailed review of our timber results.

Douglas M. Long ***Rayonier Inc. - Executive VP & Chief Resource Officer***

Thanks, Mark. Let's start on Page 9 with our Southern Timber segment. Adjusted EBITDA in the third quarter of $38 million was $1 million or 3% above the prior year quarter, driven by higher volumes and non-timber income, partially offset by lower net stumpage pricing and higher costs. Total harvest volume rose 21% versus the prior year quarter, primarily driven by an increase in pine sawtimber volumes from the successful integration of acquisitions we completed in late 2022. Average sawlog stumpage pricing was $29 per ton, a 13% decrease compared to the prior year period. The moderation in pricing reflected reduced market tension across our operating areas due to drier weather conditions, softer demand from sawmills and less competition from pulp mills for chip-n-saw volume. Meanwhile, pulpwood net stumpage pricing fell 27% versus the prior year quarter to roughly $17 per ton as weaker end market demand and dryer weather conditions contributed to softer market conditions. Overall, weighted average stumpage prices in the third quarter fell 17% versus the prior year quarter to roughly $21 per ton.

Market conditions, particularly for pulpwood, have been challenging this year as customers reduced operating rates to both destock finished product inventories and reduced production levels for a weaker end market demand environment. However, we have been encouraged by recent improvements in mill operating rates, which have led to pricing stabilization across our U.S. South footprint. We believe that the work we've done over the past several years on strategically positioning our Southern portfolio towards the most tension wood baskets will continue to be a competitive advantage.

Moving to our Pacific Northwest Timber segment on Page 10. Adjusted EBITDA of $8 million was $5 million below the prior year quarter. The year-over-year decrease was primarily driven by lower net stumpage realizations, higher costs, lower harvest volumes and lower non-timber income. Volume decreased 6% in the third quarter as compared to the prior year period, primarily driven by a 27% reduction in pulpwood volume. At $108 per ton average delivered domestic solid pricing in the third quarter fell 10% from the prior year period, primarily due to weaker demand from domestic lumber mills, coupled with reduced tension from export markets. Meanwhile, at $33 per ton, pulpwood pricing decreased 35% versus the prior year quarter as end market demand deteriorated relative to the favorable market dynamics seen last year.

Moving to New Zealand. Page 11 shows results and key operating metrics for our New Zealand Timber segment. Adjusted EBITDA in the third quarter of $24 million was $8 million above the prior year quarter. The increase in adjusted EBITDA compared to the prior year period was driven by higher carbon credit sales. This was partially offset by lower net stumpage realizations, lower harvest volumes and unfavorable foreign exchange impacts. Average delivered export sawtimber prices of $95 per ton declined 23% compared to the prior year quarter primarily due to ongoing challenges in the Chinese property sector and a weaker Chinese currency. However, export sawtimber net stumpage realizations declined only 4% as port and freight costs fell significantly from the high levels experienced in the prior year period. Further, we are encouraged by the fact that softwood log port inventories in China have steadily trended lower year-to-date and now sit at an estimated 2.7 million cubic meters, the lowest level we've seen over the past 3 years. That's despite the impact of increased volume from ongoing hurricane Gabrielle salvage operations.

Shifting to the New Zealand domestic market. Third quarter average delivered sawlog prices fell 9% from the prior year period to $63 per ton and declined 7% when excluding foreign exchange impacts. Third quarter non-timber income in New Zealand of $16 million increased $9 million relative to the prior year period as we execute on the sale of carbon credits during the quarter after electing to defer sales earlier in the year amid extraordinary carbon market volatility. While we expect to remain active in the New Zealand card market in the fourth quarter, we anticipate a markedly lower contribution from carbon sales relative to the third quarter. Lastly, in our Trading segment, we posted a slight operating loss in the third quarter. As a reminder, our trading activities typically generate low margins and are primarily designed to provide additional economies of scale to our fee timber export business.

I'll now turn it back over to Mark to cover our Real Estate results.

Mark D. McHugh ***Rayonier Inc. - President & CFO***

Thanks, Doug. As detailed on Page 12, our Real Estate segment delivered strong third quarter results. Real Estate sales totaled $31 million on roughly 4,300 acres sold at an average price of $5,800 per acre. Real Estate segment adjusted EBITDA in the third quarter was $19 million.

Drilling down, Sales in the improved development category totaled $3 million. In our Heartwood development project south of Savannah, Georgia, we closed on $1.8 million of sales during the quarter, consisting of 24 residential lots at an average base price of $45,000 per lot and 1-acre quick service restaurant site for roughly $530,000 per acre. In our Wildlight development project north of Jacksonville, Florida, sales consisted of a 2-acre convenience store site for $1.4 million or roughly $735,000 per acre. We also generated $6.4 million of other revenue, which consisted of deferred revenue recognition upon the completion of post-closing construction obligations as well as lot revenue true-ups in our Wildlight and Heartwood development projects. Overall, we continue to believe that both our Wildlight and Heartwood development projects are well positioned and will continue to benefit from favorable migration and demographic trends, relatively affordable price points and a diverse mix of residential, commercial and industrial end uses that each help to catalyze demand for one another. Unimproved development sales during the quarter consisted of a 10-acre site in Nassau County, Florida for $114,000 or roughly $11,000 per acre.

Turning to the rural category. Third quarter sales totaled nearly $20.5 million, consisting of approximately 3,800 acres at an average price of roughly $5,400 per acre. Key transactions included a 1,300-acre sale in Polk County, Texas for $6.1 million or roughly $4,900 per acre and a 460-acre sale in Walker County, Texas for $2.8 million or roughly $6,100 per acre. Overall, we are encouraged by the continued strong demand for rural land despite the higher interest rate environment. Lastly, during the third quarter, we also closed on $1.1 million of nonstrategic timberland sales consisting of approximately 500 acres at an average price of roughly $2,300 per acre.

Now moving on to our outlook for the balance of the year. As Dave mentioned earlier, we are on track to achieve the higher end of our prior full year adjusted EBITDA guidance of $275 million to $300 million. With respect to our individual segments. In our Southern Timber segment, we expect full year harvest volumes consistent with the 7.2 million to 7.4 million ton range we provided in August. While we remain encouraged by recent conversations with our customers and the stabilization in pricing we've seen across most of the operating areas in the U.S. South, we expect that our weighted average log pricing will soften a bit in the fourth quarter as compared to the third quarter due to a shift in regional sales mix. Overall, we expect to achieve full year adjusted EBITDA in our Southern Timber segment at the higher end of our prior guidance range of $150 million to $155 million, driven by improved outlook for non-timber income.

In our Pacific Northwest Timber segment, we expect full year harvest volumes toward the lower end of the 1.4 million to 1.5 million ton range we provided in August. Following a brief uptick in lumber pricing, which boosted log demand in the third quarter, we expect that fourth quarter weighted average delivered log pricing will decline modestly. However, we expect that lower per unit cut and haul costs will translate to modestly improved net stumpage realizations versus first half levels. Overall, we expect to achieve full year adjusted EBITDA in our Pacific Northwest Timber segment toward the lower end of our prior guidance range of $30 million to $34 million due to continued softness in end market demand and lower anticipated harvest volumes.

In our New Zealand Timber segment, we still expect full year harvest volumes in line with the 2.3 million to 2.5 million ton range we provided in August. We expect that export sawtimber pricing will increase modestly from third quarter pricing levels due to lower Chinese port inventories, but will remain below first half pricing levels due to continued weakness in end market demand. Likewise, in the domestic market, we expect sawtimber pricing will increase modestly from third quarter pricing levels, but remain below first half levels as elevated interest rates in New Zealand continued to constrain the residential construction market.

Turning to the carbon market. While we expect to remain active for the balance of the year following the recent improvement in New Zealand carbon credit pricing, we anticipate a significantly lower contribution from carbon credit sales relative to the third quarter. Overall, we expect the New Zealand Timber segment will generate full year adjusted EBITDA toward the higher end of our prior guidance range of $39 million to $46 million, driven by strong carbon credit sales.

In our Real Estate segment, we expect full year adjusted EBITDA toward the higher end of our prior guidance range of $90 million to

$100 million, as demand for timberland and rural HBU properties remains remarkably strong despite the higher interest rate environment. As we previously communicated, we expect significant transaction activity in the fourth quarter based on the anticipated timing of closings from our sales pipeline.

I'll now turn the call back to Dave for closing comments.

David L. Nunes ***Rayonier Inc. - CEO & Director***

Thanks, Mark. I'd like to wrap up our prepared remarks by first acknowledging the pressure our stock has been under this year and in particular, the second half of the year, in which our share price has declined by approximately 20%. While we can point to a host of potential reasons for this, such as continued macroeconomic headwinds, softening markets for lumber and pulp or the recognition that interest rates will be higher for longer, the bottom line is we can't just sit on our hands. As we have done in the past, we plan to proactively respond to current market dynamics with a view toward building value per share, even if that means shrinking our portfolio over the intermediate term. To this end, the rollout of our initiatives to enhance shareholder value, which I touched on at the outset of the call, is intended to capitalize on the current dislocation in the public markets. As evidenced by the pricing of our pending Oregon sale, there is a wide disconnect between private market timberland values and the public market valuation of Rayonier. Our plan is to sell $1 billion worth of timberland assets is designed to capture some of this value arbitrage and to use the proceeds to reduce future debt refinancing costs, improve our debt metrics and return capital to shareholders.

The scale of our portfolio and our pure play timber REIT structure afford us the flexibility to pursue this plan, and we are confident that we can execute on the objectives that we've laid out. While ambitious in scale, this initiative is entirely consistent with our long-standing commitment to nimble capital allocation and active portfolio management, both of which have always been key cornerstones of our strategy to create long-term value for our shareholders. Importantly, compared to many other capital recycling initiatives companies undertake that ultimately prove dilutive to shareholders, we believe that we are uniquely positioned to engage in a process that will allow Rayonier to reallocate capital and reduce future debt refinancing costs in a manner that will be accretive to both CAD and NAV per share. Fundamentally, while there continues to be challenges presented by the downward pressure on lumber prices, rationalization of pulp production and an uncertain economic outlook, we are seeing encouraging signs of stabilization and improvement across many of the markets served by our timber operations. We are fortunate to be in some of the most tensioned wood baskets in the U.S. South with 72% of our southern acreage located in top quartile markets. We think this provides for both downside protection in soft markets and stronger upside potential in rising markets.

Our Pacific Northwest Timber segment, while facing near-term market headwinds, nevertheless, is well positioned going forward with a heavier concentration in Washington, a strong Douglas fir mix and diversification across both domestic and export markets. In our New Zealand Timber segment, we expect to benefit from lower inventories of both logs and lumber in China, coupled with an improved demand trend over time. Further, the recent recovery in carbon credit pricing has positively impacted our operations during a time of market uncertainty in China. We expect to remain opportunistic on the sale of carbon credits in the future. Meanwhile, the outlook for our Real Estate pipeline remains strong as there continues to be healthy demand for rural land based on positive population migration patterns as well as the fact that a significant component of the buyer pool for these properties are somewhat insensitive to interest rates.

As I discussed last quarter, the absorption at both our Wildlight and Heartwood development projects has exceeded our expectations and momentum has continued to build as we have shifted from finished lot sales to pod sales. These trends have translated into a healthy pipeline of real estate transactions expected over the next few quarters as well as the next several years. Overall, we are very optimistic about the long-term value creation potential of our HBU real estate portfolio. Lastly, the interest in the land-based solutions offered by our timberlands continues to grow, and we've undertaken several important initiatives to advance the set of opportunities that is emerging. We believe these emerging additional -- additional and alternative uses for our lands will be increasingly important to the long-term value proposition moving forward. As we highlighted last quarter, we now have in place wind, solar and carbon capture and storage leases, and we expect these revenue streams to grow significantly over the next several years.

In sum, despite the near-term headwinds we're facing in the disappointing and somewhat confounding stock price performance we've experienced in recent months, I can honestly say that I've never been more optimistic about the future of our land base and the team that we have in place to execute on our plan and create long-term value for our shareholders. To this end, we'll be hosting an Investor Day in

New York on February 28, 2024, which will detail our efforts to grow our land-based solutions business and the cash flow potential of this business, take a deeper dive on the progress and value creation potential of our real estate development portfolio and provide further details on our progress towards achieving $1 billion of timberland dispositions. So be on the lookout for more details regarding this event over the next several weeks.

This concludes our prepared remarks, and I'll now turn the call back over to the operator for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And our first question for today will come from Mark Weintraub of Seaport Research Partners.

Mark Adam Weintraub ***Seaport Research Partners - MD & Senior Research Analyst***

First, Dave, congratulations. I really appreciated your insights and your steadiness over the years. I know you're going to be on for another call, too. So I'll just stop there and obviously, congrats to Mark and April. So first question is, so you -- you're talking about $1 billion in asset sales. Have you, at this point, identified what's likely going to be the acreage that's going to be a part of that program? Or is that more still a conceptual target at this juncture?

David L. Nunes ***Rayonier Inc. - CEO & Director***

This is Dave, and thanks for your opening comments. In terms of that question, I'd say that we're in the process of that identification. It's part of the reason that we laid this out as an 18-month exercise is that we're not announcing this with a known set of targets, but we have a pretty rich array of criteria that we use for all portfolio moves. And so that's the way we're approaching it right now other than the fact that we've obviously closed on this -- or we've reached contract on this Oregon property that was laid out.

Mark Adam Weintraub ***Seaport Research Partners - MD & Senior Research Analyst***

Okay. Great. And can you share with us what some of those key criteria are? And perhaps why $1 billion was the right number in your judgment for the program at this juncture?

David L. Nunes ***Rayonier Inc. - CEO & Director***

I'll touch on the first part, and I'll let Mark kind of pick up on the scaling of the target. But we look at a lot of factors. We talk a lot about understanding optionality. We look at log markets. We look at cost. We look at the tension, the growth drain relationships, the higher and better use land. We look at our scale in the region. We looked at alternative uses for land. And so it's a pretty wide array of things that we will regularly consider when we think about portfolio moves. So all of that will kind of come into play. And I'll let Mark touch on the second part of your question.

Mark D. McHugh ***Rayonier Inc. - President & CFO***

Yes. Sure, Mark. Just in terms of the sizing of that asset disposition program. If you look at -- well, first, I'd start by saying that there are really 2 main objectives. One was to reduce leverage, just simply given the interest rate environment that we believe that it makes sense to maintain a lower leverage profile on the company in this environment. And secondly, obviously, we see a significant disconnect between private market values and public market values today and we felt compelled to capitalize on that. So in terms of the sizing, based on the midpoint of our 2023 EBITDA guidance, and if you assume a pro forma adjustment for dispositions, we would need to deploy about $600 million towards debt pay down to achieve our new leverage target of less than or equal to 3x net debt to EBITDA. So that implies that there could be up to $400 million available for return of capital to shareholders. Of course, we could choose to delever beyond 3 times and our outlook for EBITDA could translate to more or less proceeds being applied toward debt paydown as we look to achieve that new target. It's also worth noting that as a REIT, we generally look to distribute 100% of our REIT taxable income to avoid any corporate-level tax. And to the extent that we sell low-basis assets in this program, that's going to generate significant REIT taxable income, which would also dictate a need for one of more special distributions. And so as we thought about kind of the overall sizing of that program towards kind of both achieving our leverage targets, as well as capitalizing on that disconnect, that felt like the right scale to proceed.

Mark Adam Weintraub ***Seaport Research Partners - MD & Senior Research Analyst***

Okay. That makes a lot of sense. So recognizing that there are going to be some of these special distributions likely required, would you be anticipating there would be also cash available for share repurchase if the stock remains depressed relative to your view of valuation?

Mark D. McHugh ***Rayonier Inc. - President & CFO***

Yes. Sure. We'll look at both alternatives certainly. And given the disconnect that we see today, we recognize the value accretion that can be realized through share buybacks. And so we will continue to evaluate both alternative forms of returning capital to shareholders, really with a view towards building long-term value per share. Just recognizing that some portion, there may be a distribution requirement for certain portions of those assets that we may look to divest.

Mark Adam Weintraub ***Seaport Research Partners - MD & Senior Research Analyst***

Okay. And just to confirm, if you are selling core timberlands, that's considered good REIT income. So for tax purposes, there would -- is it correct to say there would be no tax leakage, if it's in the U.S. I guess...

Mark D. McHugh ***Rayonier Inc. - President & CFO***

Actually is assuming you distribute -- I mean we're required to distribute 90% of our REIT taxable income as a REIT. But to the extent that you retain that 10%, you owe corporate-level taxation on that. And so it doesn't make sense to do that. That leads to tax leakage. And so like I said earlier, generally, we are looking to distribute 100% of that tax income. But yes, portfolio dispositions like this would constitute good REIT taxable income.

Mark Adam Weintraub ***Seaport Research Partners - MD & Senior Research Analyst***

Right. And of course, that's going to be -- the REIT income is the gain, not the entire sale of the timberlands to...

Mark D. McHugh ***Rayonier Inc. - President & CFO***

That's correct. I recognize we have different bases in different regions and different states. And so depending on where we choose to proceed with dispositions, there could be a differential level of income associated with that. There's not sort of 1 percentage that I could give you that would kind of translate to what is the margin on kind of basis relative to sale value.

Operator

The next question will come from Anthony Pettinari of Citibank.

Anthony James Pettinari ***Citigroup Inc., Research Division - Director & US Paper, Packaging & Building Products Analyst***

Congratulations to Dave, Mark and April on the transitions. And Dave, thanks for your leadership really in the industry over the past decade. I guess maybe just on the disposition. I think the sale in Oregon really reduces your presence in the state. And I'm just wondering if you could talk a little bit about the Pacific Northwest footprint, obviously, with the Pope acquisition and I think mostly exiting Oregon. How do you think you're positioned there with the remaining footprint?

David L. Nunes ***Rayonier Inc. - CEO & Director***

We've always liked our footprint in Washington. And certainly, the Pope transaction greatly strengthened that in a number of ways. The move that we did into Southwest Oregon in 2016, when we acquired these assets was really designed to create a beachhead. It was not considered kind of the sufficient scale that we like to see. But it was a nice beachhead and it had some nice age class complementing ages relative to our then legacy holdings. And as we discussed in the prepared remarks, a, there has been less deal flow in that region. And b, it's just been at pretty strong pricing. And so we've been unsuccessful in growing in that region. And so that is why this translated into a good candidate. We still have a small holding in Northwest Oregon that's tributary to Longview that we really like that market. And we think that our Washington Holdings certainly have a nice scale and now an improved Doug-fir mix and lower operating costs with more ground-based logging. And so we think it will be fine in terms of how that Northwest portfolio performs.

Anthony James Pettinari ***Citigroup Inc., Research Division - Director & US Paper, Packaging & Building Products Analyst***

Great. Great. And with the strategic initiatives, can you talk about kind of the long-term positioning of the dividend and the dividend coverage? And the strategic initiatives seem very logical in terms of taking advantage of the arbitrage between public and private markets. But I guess just devil's advocate, looking back at some other timber owners, Plum Creek would sell land and buy back stock, and there was sort of perception that they were selling land to support the dividend. I'm just wondering if you could kind of talk about the dividend and stress testing it into '24?

Mark D. McHugh ***Rayonier Inc. - President & CFO***

I mean, just to start, just to be absolutely clear, we do not intend to include proceeds received from this disposition program as part of our cash available for distribution. We obviously characterize asset portfolio moves like this as large dispositions, which we specifically exclude from adjusted EBITDA and our calculation of cash available for distribution. So this is not a strategy of churning land to generate otherwise unsustainable cash flow. As it relates to the dividend funding, we've been very consistent in our message as well as our actions over the years. Even during the pandemic when visibility was very limited, we maintained our distribution. We previously indicated that we expect our dividend this year to be modestly underfunded. However, with the actions that we've taken, coupled with our updated outlook for EBITDA towards the higher end of the range, we've largely closed that funding gap on a pro forma basis. As we said in the past, our approach to the dividend is one that focuses on a payout ratio over time and not in a given quarter or even a given year. We're really focused on setting the dividend at a level that we believe can be sustained over the long term, recognizing that we're going to go through different business cycles and economic cycles from time-to-time. We also want to have the ability to grow the dividend over time as the cash flow from our portfolio improves, and we certainly see those opportunities over the longer term with growth in our land-based solutions business, in particular. The plan that we announced yesterday is very consistent with the goal of improving our cash flow profile over time. We expect to complete this plan in a way that is going to be accretive to cash available for distribution. And to that end, as we noted in our prepared remarks and illustrated in the presentation on the website, the Oregon disposition and the application of those proceeds is expected to generate CAD per share accretion of approximately 6%. And we expect that these additional dispositions will generate further CAD accretion, which will ultimately accrue to improving dividend funding capacity over time.

Operator

The next question will come from Paul Quinn of RBC Capital Markets.

Paul C. Quinn ***RBC Capital Markets, Research Division - Director of Paper and Forest Products & Paper and Forest Products Analyst***

Congratulations, Dave, on the retirement and Mark on the promotion. Maybe just taking a look at following this Oregon transaction, you'll have no floating debt and it sounds -- and your debt cost is down at 2.8%. Maybe you can just remind us of what you've got over the next couple of years in terms of refinancing.

Mark D. McHugh ***Rayonier Inc. - President & CFO***

Yes. Sure, Paul. I'll take that. We posted a detailed presentation to our website in conjunction with the announcement of the asset disposition and capital structure realignment plan that lays out our debt maturity profile as well as our swap maturity profile over the next several years. And so just to be clear, we have $150 million debt that is currently floating that we intend to repay with the proceeds from the Oregon disposition. We have another $150 million of debt that's actually due 2028, but it becomes floating through a swap maturity next year. So August of 2024. And that's the only floating rate debt exposure that we have through 2025. So our next debt maturity is not until 2026. And so we really feel very well positioned in terms of our ability to manage this targeted leverage reduction and really maintain a very low cost of debt along the way.

Paul C. Quinn ***RBC Capital Markets, Research Division - Director of Paper and Forest Products & Paper and Forest Products Analyst***

Okay. That's helpful. And then I'm just trying to understand this -- these carbon markets in New Zealand. What -- it sounds like the pricing was quite variable and maybe you could just remind us of what you're generating in carbon credits and the volatility of that pricing over time?

David L. Nunes ***Rayonier Inc. - CEO & Director***

Yes. So first of all, we have always sort of taken somewhat of an opportunistic approach on selling carbon credits in New Zealand. And there have been times where we've sold none in a year where we believe the pricing would come up. Part of the volatility that we referenced for this year was there were some government statements that earlier in the year that caused question as to the future of that carbon credit scheme, and that caused prices to really drop dramatically in the earlier this year. Subsequent to that, comments were made that had the reverse and brought back stability in the market and brought pricing back to where it was late last year, and it was really that event that resulted in us kind of getting back into the market, particularly in the third quarter. And depending on exchange rates, we're sort of seeing carbon pricing there that equates to on a U.S. dollar basis sort of in that $35 to $40 per New Zealand unit, which roughly equates to a metric ton of emissions. And so that's why we elected to get back into that market. But it's -- I don't know, Doug, if there's any more color that you'd add to that?

Douglas M. Long ***Rayonier Inc. - Executive VP & Chief Resource Officer***

I think you did a good job at that, Dave. I'd just say that like you mentioned earlier on, there were some comments made, there was an election year in New Zealand. So there were some comments made prior to the election that created some concern within the market, but I think now we've seen -- there was a recommendation by the Climate Commission on what carbon pricing should look like. And obviously, with that election coming up, people were making different kind of bets on what might happen. I think since we've seen the election finish and the comments we've heard from the parties afterwards that there's a lot more settling down in the trajectory for those carbon pricing falls more recommend by Climate Exchange Commission, which actually was higher pricing going forward on kind of the levels there.

Paul C. Quinn ***RBC Capital Markets, Research Division - Director of Paper and Forest Products & Paper and Forest Products Analyst***

Okay. Great. And then if we could contrast that with what you're experiencing or what you're seeing in the North American market in terms of carbon pricing and when you expect to monetize some of that?

David L. Nunes ***Rayonier Inc. - CEO & Director***

Yes. Keep in mind that in the North American market, you're dealing with voluntary markets. And the pricing is substantially lower than in the New Zealand market, which is a compliance market. And I think that we are very much in a wait-and-see mode in the U.S. I think there's a lot of the carbon credits that are out in the market in the U.S. right now that have questionable additionality and hence, are priced very low. And I think you're not going to likely see that market firm up until we see a lot of those units sort of go by the wayside. So we're continuing to work on carbon credit projects, but we feel like this is a market that's going to take more time to develop.

Douglas M. Long ***Rayonier Inc. - Executive VP & Chief Resource Officer***

Yes. I would just add that with our experience over a decade in New Zealand with carbon, obviously, a little bit different, but still similar, and we saw the pricing has gone from at the very beginning, $4 type of thing. Well, when start-up higher than that $1 to $4 and it's going back up as Dave mentioned more in the $40 range. And so we've learned to be patient and try to target when we think there's opportune time to enter and as we're waiting for more as Dave mentioned, for kind of some of these lower-quality credits to either be retired to move out the system and start to see the value for the quality credits. And we do have projects in place we're looking at, but at this point in time, don't feel like it's the right time to enter.

Paul C. Quinn ***RBC Capital Markets, Research Division - Director of Paper and Forest Products & Paper and Forest Products Analyst***

All right. That's all I had. Good luck on the asset sales.

Operator

The next question will come from Ketan Mamtora of BMO Capital Markets.

Ketan Mamtora ***BMO Capital Markets Equity Research - VP & Building Products Analyst***

And I'd like to offer my congratulations as well. Dave, we've always enjoyed your thoughtful responses and enjoyed listening to you. And Mark, congratulations as well. Maybe to start with on the asset sale program. Are there any regions or wood baskets that you would think that you think are not part of this asset sale program? Or it really kind of just depends on what kind of value you get out of potential sales from any of these baskets or regions?

David L. Nunes ***Rayonier Inc. - CEO & Director***

Yes. I think right now, our mindset is pretty open, and we expect both some inbound interest as well as our own internal assessment of things. And I'd go back to the range of features that we have described. And certainly, there's areas that tick more of those boxes than others, and that will factor very much into our thinking.

Mark D. McHugh ***Rayonier Inc. - President & CFO***

Yes, I'd just add to that, Ketan. We noted in our release that we expect to concentrate capital in markets with the strongest cash flow attributes and most favorable long-term growth prospects. And certainly, one of the areas that we're seeing long-term growth potential is really around this land-based solutions business and particularly solar and CCS. We're seeing potentially very meaningful opportunities there in the long term. But those opportunities are geographically concentrated in some select areas. And so as we kind of think about where the growth is likely to come in the business, particularly in the U.S. South, certainly, there are specific areas that we would look to preserve really to kind of capture that nature-based solutions upside over time.

Ketan Mamtora ***BMO Capital Markets Equity Research - VP & Building Products Analyst***

Got it. Okay. So is it fair to say that you would also consider New Zealand as well as an option if there were to be the right value? Or is that out of bounds of this program?

Mark D. McHugh ***Rayonier Inc. - President & CFO***

Again, as Dave said, we're still going through the process of looking at which assets are going to best suit our objective. So we're not going to comment beyond that at this time.

Ketan Mamtora ***BMO Capital Markets Equity Research - VP & Building Products Analyst***

Okay. No, that's fair. And then just second question, Mark, you talked about sort of $600 million that would get to sort of the pro forma net leverage target, what you guys just talked about. So should we be thinking about as initial proceeds to all go towards the repayment or not necessarily? It would depend following the $150 million that you talked about already. After that, does it depend on kind of what opportunities do you have? Is that the way we should be thinking about it?

Mark D. McHugh ***Rayonier Inc. - President & CFO***

Yes, absolutely. I mean we've always preached a nimble approach to capital allocation. and we absolutely expect to stick with that during the course of this disposition program. As I said earlier, we have $150 million of the floating rate debt that's currently far and away, our most expensive debt in the portfolio. We expect to retire that immediately upon completion of the Oregon sale. We have another $150 million that will become floating next year. And so certainly, that $300 million of floating rate exposure will be our highest priority for repayment. But again, as I said earlier, we don't have another debt maturity until 2026, and all of our debt will be fixed at very low rates through that period of time. So we have a lot of flexibility in terms of the timing of deployment of these proceeds, and we're going to, of course, focus that allocation of proceeds on whatever way we think is going to build value per share for our shareholders over this period of time.

Operator

The next question will come from Michael Roxland of Truist Securities.

Unidentified Analyst

This is [Niko Pacini] on for Mike. We had conflicting calls today. Congratulations, Dave. And Mark, I was hoping you could comment on what's happening with pulpwood pricing, particularly in the South. Just given the backdrop and some of the comments we've heard from the major paper players given potentially improving demand looking forward and in the face of capacity closures or some economic downtime. And again, saying the stocking is like included. Could you just talk about how it's played out during the quarter and how you maybe see it playing out into 4Q?

Douglas M. Long ***Rayonier Inc. - Executive VP & Chief Resource Officer***

Sure. This is Doug. I'll take that question. So as we discussed on our last call, while there's been some fluctuations kind of imported pricing based on geography or harvest type or mix. We think on an apples-to-apples basis, that pricing period to bottom out in Q2, and we're increasingly encouraged by some of the signs we're seeing in our price negotiations through Q3 and really into Q4. And so I think has historically been the case, we're going to see a shift of volume that goes to our Gulf states from our Atlantic kind of states in Q4. So that improvement pricing that we have seen in some places will be moderated because of the shift and we typically have lower price in the Gulf states. But overall, we feel like we kind of saw the bottom in Q2. Q3 was moving forward in the right direction. And we've seen with some of the mill announcements, you mentioned some of the closures, we've also seen some of the current ones that are an operating area actually step back up and move from 60% to 100% capacity. So we've actually seen increased demand in some of our wood baskets with those closures. And thankfully, our direct exposure to most of the mills that announced closures there was very limited. And so we have seen the upside being portrayed in some of the mills that we do have closer relationships too.

Unidentified Analyst

Perfect. That's very helpful. And then you guys -- we've touched on it briefly during the call today, but could you give maybe a more detailed update on your land-based solutions pipeline or any progress you made during the quarter?

Douglas M. Long ***Rayonier Inc. - Executive VP & Chief Resource Officer***

Yes. Sure. Happy to do that. We're going to have an earnings call in February, so I won't go too in depth, but we've continued negotiations with the counterparties, both on the carbon capture storage as well as the solar that Mark mentioned. And those continue to go well and extreme interest in those. We're pleased with where that process goes. Like I said, probably we're really talking more about this in February, so I don't have a lot to quote. We have had increased options on our solar. So we've increased another 2,000 acres added over the quarter and our solar business, bringing us up to about 28,000 acres to the our lease or options. So we have had some move in our solar business.

Mark D. McHugh ***Rayonier Inc. - President & CFO***

Again, just to reiterate that point, we do expect our land-based solutions business and kind of the upside potential we see there as being a focal point of our Investor Day that we announced for February 28 of next year. So more to come on that front.

Operator

And our last question for today will come from Buck Horne of Raymond James.

Buck Horne ***Raymond James & Associates, Inc., Research Division - SVP of Equity Research***

Most of my questions are answered, but also congrats to everybody on the team and all their promotions and David for all the hard work over the past decade. Just on the Oregon transaction, do you guys have an expectation for a taxable gain or loss versus your cost basis and what you think the total IRR on that transaction versus the 2016 purchase is going to work out to be?

Mark D. McHugh ***Rayonier Inc. - President & CFO***

Yes. We won't disclose the basis around that transaction until it's ready to close, but there will be a substantial gain on that transaction. Recognize that when we acquired that asset, it was pooled with our broader portfolio in the Pacific Northwest. And so that won't necessarily be reflective of a book gain on that specific asset, but rather the pooling effect of combining that asset with the other lands in the Pacific Northwest. And recognize as well that this was a subset of the broader acquisition of the Menasha properties in 2016. And so we haven't provided any specific details around the IRR on that.

David L. Nunes ***Rayonier Inc. - CEO & Director***

The balance of that being in Washington, but...

Buck Horne ***Raymond James & Associates, Inc., Research Division - SVP of Equity Research***

Got it. Got it. That's helpful. And I guess a broader question about just longer-term dividend sustainability. I understand you're certainly going to be CAD accretive paying down this first tranche of floating rate debt, I think I had to define it for the next tranche, that certainly probably is cash flow accretive as well. But then the rest of the proceeds potentially paying down fairly low-cost fixed-rate debt and/or quite a few large portion of those proceeds also going to special distributions. How you reconcile the longer-term dividend sustainability post the full disposition program?

David L. Nunes ***Rayonier Inc. - CEO & Director***

Yes. So keep in mind that a lot of this design is really not necessarily around the existing debt portfolio. During COVID, we restructured almost all of our debt portfolio, extending the maturity and lowering the cost and essentially other than this 1 tranche of floating, it was all hedged. And so we feel like we have a very attractive cost of debt today. The issue is as that debt matures and we have to refinance it if we are still in a higher longer interest rate environment, it will substantially change the character of funding that debt. And so what we're trying to do by this measure is get out ahead of that and really prepare for that and have that flexibility, and that's part of why we plan to do this over 18 months. We do not have a gun to our head. We're simply trying to do this in a very thoughtful and deliberate way over that time period.

Mark D. McHugh ***Rayonier Inc. - President & CFO***

And Buck, I'd just kind of add to that. As we said in the prepared remarks, we expect to execute this plan in a way that will be CAD accretive on a per share basis. And if you just look at the assets that we just sold in this Oregon transaction and the EBITDA that we've generated over the last 3 years from that asset. It's very much in line with what we're seeing in private market valuations that those asset level yields can be as low as 2%, 2.5%, 3%. And so as we're looking to execute this disposition program, like we said, we're going to be focusing on concentrating capital in markets that have the strongest cash flow attributes and really looking to divest of markets that have weaker cash flow attributes. And so we do believe that this will be accretive to CAD per share as we move through this program.

Operator

And that was our final question for today.

Collin Philip Mings ***Rayonier Inc. - VP of Capital Markets & Strategic Planning***

This is Collin Mings. I'd like to thank everybody for joining us. Please contact us with any follow-up questions.

Operator

Thank you all for your participation on today's conference call. At this time, all parties may disconnect.