Collin Mings:

Thanks, Mark. Thanks Mark. Our team has been really excited to share these presentations with you today. We're now going to bring all the presenters back up on stage, open it up for Q&A. Similar to the session earlier, please raise your hand and we'll bring you a mic. And then please state your name and company for the webcast. Anthony?

Anthony Pettinari:

Hey, Anthony Pettinari with Citi. I'm just wondering, you have the slide where you talk about US South EBITDA multiples historically being around 40 times EBITDA and it looks like Pacific Northwest in New Zealand would be even higher than that. And if I look at the stock over the last decade, it's traded at least what FactSet says closer to 20 times. And so this gap seems like it's persisted for a long period of time and I'm just wondering if you can give us some context or is it a size discount? And in terms of being tactical about dispositions, I mean if you can get twice the value in the private market, why not dial that up or just if you could help us understand kind of how to reconcile that.

Mark McHugh:

I'll take that Anthony. First for a little bit of context on timber EBITDA multiples, we tend to look at the NCREIF index and the history there to assess what multiple these assets have traded at historically. You recognize when you compare that to Rayonier's overall multiple, that would include our real estate business as well. And so again, they're not necessarily apples to apples. What we attempted to do on that one slide was to more compare just our timber EBITDA to those private market benchmarks, but recognized as well that multiples in this last period are also relatively elevated because we went particularly in the Northwest and New Zealand, EBITDA was depressed.

And so it's not that Northwest assets have traded higher multiples historically, it was just based on 2023 that multiple was elevated because the denominator was lower. But look, we are certainly focused on maximizing value for our shareholders and going about doing that in a number of different ways as it relates to our shareholder value enhancement initiatives.

The objectives of that were really twofold. One was we recognized that we were in higher interest rate environment, and so we felt as though we needed to bring the leverage of the company down to basically prepare for that. We felt it was value destructive to take on six or 7% debt within this asset class, but obviously part of that objective as well was to capitalize on what we saw as this unprecedented disconnect between public and private values. Because a public company, we're always going to be subject to the vagaries of the public capital markets, but I don't believe that there's any basis in the history of the capital markets to suggest that this asset is going to trade at one price in the private market and another completely detached price in the public market. The benefit that we have as a public company is that we're able to arbitrage those opportunities when they exist.

And that's what we did with the value enhancement initiatives and that's what we intended to continue to do. Again, like I said earlier, we've been very nimble and opportunistic in how we've employed our capital allocation approach. We've raised equity when we thought it made sense to

do so. We bought assets when we thought it made sense to do so. We've sold assets and bought back stock and paid down debt when we thought that was the best opportunity for the company. And so we've pivoted, we will continue to pivot always with a view towards maximizing shareholder value.

Collin Mings:

Next question.

Graham Spence:

Hi, I am Graham Spence, J.P. Morgan Asset Management. I was at your 2016 investor day. I was curious. It's an interesting development... Sorry, it's an interesting addition to put in these targets for real estate EBITDA that are directional at least. How do you think about risk in the development pipeline? That was something you spoke to in 2016. It seems like a lot of the trends in your regions are bullish, but there's always cycles to things and you're trying to manage your leverage down. So how do you think about capital at risk? How do you think about the size of the development pipeline as you look to grow?

Mark McHugh:

Yeah, I'm going to take that and then I'll turn it over to Chris to add some more context. We actually think we're at a very favorable point in terms of that risk return balance in the sense that we've made a lot of these upfront investments over the course of the last seven or eight years that have greatly de-risked the project. And so we think we're well beyond peak capital in both wild light and hardwood. And so from here we're investing in the spine infrastructure, but we're really expecting to transition more towards pod sales and away from selling finished lots.

And so again, we think that relative to where we were seven or eight years ago, where this really was more of a, "Hey, we're going to go into this business with the view that we have this significant value creation opportunity, but it's going to take some capital to do it, we're going to have to put some capital at risk to do that." I now think we're in a much better place in terms of how that risk return balance in terms of where that's situated today. Chris, I don't know if you want to add.

Chris Corr:

Well, I would just say I think that answers the question, but when you see capital going into real estate development of those projects, now there's revenue attached to it, right? That's the benefit of having these projects mature. And in terms of just outlook, I mean just we always have to keep our ear to the ground and our eyes on the horizon watching markets, making sure that they're continuing to perform the way they have. We love where we're located for all the reasons I described. But cycles, I've seen them, they'll be there and just making sure that we're timing things that appropriately is really important.

Collin Mings:

Next question.

Andrew O'Neill:

Thank you. It's Andrew O'Neill with Central Securities. So this may be for Dave and Mark. You articulated the sustainable harvest rising about 19%, that's sort of a revenue number in a sense or volume number. Over that same period, we have increased the share count by a comparable amount I think, but I think the portfolio pruning has improved, maybe EBITDA and obviously some of these other optionalities in other areas. Could you maybe articulate your value creation algorithm on a per share basis, maybe a little more fully?

Mark McHugh:

That's a lot to unpack in that question. Yeah, I think that the two key mantras that we've operated around have been nimble capital allocation and active portfolio management. And I really think that that is our formula. It is trying to capitalize on these disconnects that we see in markets from time to time. Rhett, walked through three acquisition examples demonstrating where we bought an asset that we thought had outsized potential relative to our underwriting and we were able to realize that. And so I think that's the special sauce.

And then the capital allocation, it is really just not being afraid to pivot. We don't go into any period of time with a prescriptive rote approach of we're going to go acquire $500 million of assets in the next three years. We don't know that because we don't know what the M&A market is going to look like, we don't know where our stock price is going to be and if it's going to make sense to be buying private market assets at that point in time. And so I think if you look at our history over the last decade since Dave and I joined the company, we've always employed that mindset of a never being satisfied with our portfolio and seeking to improve it through both addition and subtraction and always being very flexible, nimble, and opportunistic around capital allocation. And that's how I think we really add value long term.

Dave Nunes:

Yeah, I'd just add two couple points. If you think about creating alpha through the active portfolio management, that's certainly a piece. I think increasingly we view the real estate as having that same element of an increment of alpha and internally we've driven home this message to all our employees of clipping basis points. Everybody's job is to find those really small increments of return. And so that's ingrained in the thinking all the way down to very low levels in the company and they add up. I think the other thing that's not seen in that is the work that we've done from a quality portfolio standpoint is to de-risk where we've got capital at place. So we're in substantially better markets today than we were 10 years ago. And so yes, it's contributing to EBITDA today, but it's also de-risking the future because we're just in that much better market condition going forward.

Collin Mings:

Jesse?

Jesse:

Hey, Jesse with Seaport Global. Just turning back to the 2030 targets you outlined first, how would you have us think about the conversion from EBITDA to CAD? And then secondly, past

2030, how would you have us think about the trajectory going from there for both of the businesses? Is it in a more steady state or is there still avenues for growth beyond that? Thanks.

Mark McHugh:

Yeah, maybe start and then I'll turn it over to Doug add any additional context. One of the things that's really exciting for us around this land-based solutions opportunity is its extraordinary EBITDA free cashflow conversion. We're not investing capital in these businesses. These are businesses that are merging from our legacy timberland assets. And so we expect that that EBITDA to free cashflow conversion will essentially be 100% because we're not putting any capital against it. So that's very promising. And then when we think long-term beyond 2030, look, we don't think that this business stops at 2030. If you look at all of those trends that we talked about regarding the net-zero transition, negative emissions need for carbon removals, that's expected to just continue to grow.

If you look at the forecast for solar for CCS, for voluntary carbon markets beyond 2030, all of those things are projected to grow. What we won't have more of is land and timber, and so that's really going to be the constraint to growing some of these opportunities, but that ultimately benefits us because the supply is constrained, the demand is on a steep upward trajectory.

Collin Mings:

Any additional questions? All right, well thank you everyone for joining us today in person and via the webcast. Have a great afternoon.