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OVERVIEW:

Company Summary

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PRESENTATION

Operator

Welcome and thank you for joining Rayonier's third-quarter 2024 conference 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. You may go ahead.

Collin Mings - *Rayonier Inc - Vice President, Capital Markets and 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 list, 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 Mark McHugh, our President and CEO. Mark?

Mark McHugh - *Rayonier Inc - President, Chief Executive Officer, Director*

Thanks Collin. Good morning, everyone. Before reviewing our results for the third quarter, I'd like to first discuss the timberland dispositions we announced concurrent with our earnings release yesterday afternoon.

Then I'll make some high-level comments on the quarter before turning it over to April Tice, Senior Vice 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 US and New Zealand timber results.

And following the review of our timber segments, April will discuss our real estate results and our outlook for the balance of the year. Yesterday afternoon, as part of our previously announced asset disposition and capital structure realignment plan, we announced completed and pending timberland dispositions totaling 200,000 acres for an aggregate purchase price of $495 million.

The total value represents an implied EBITDA multiple of 45 times the trailing three-year average EBITDA from these properties. Illustrating what we continue to believe is a significant disconnect between private market timberland values and the valuation implied by the company's share price.

We expect that the timberland dispositions will generate pro forma CAD per share accretion of approximately 9%, while also further concentrating our portfolio in markets with the strongest cash flow attributes and the most favorable long-term growth prospects.

The timberlands were sold through four separate transactions to high-caliber institutional investors and consist of approximately 91,000 acres in Southeast Oklahoma and 109,000 acres on the Olympic Peninsula in Northwest Washington. Three of these deals which collectively comprise roughly 75% of the total proceeds have already closed during the fourth quarter and the remaining transaction is expected to close before the end of the year.

Importantly, these dispositions are generating significant proceeds for deleveraging. Pro forma for the dispositions, we expect that leverage will decline to approximately 2.8 times net debt to pro forma adjusted EBITDA.

We have already used $90 million of the proceeds to pay down our only unhedged floating rate debt and the remaining proceeds will be used to further reduce leverage, return capital to shareholders, or fund other capital allocation priorities.

As a result of these dispositions, we expect to make a special distribution to meet our REIT taxable income distribution requirements. We plan to announce the details of the special distribution before the end of the year. Since introducing our initiatives to enhance shareholder value last November, we have now completed or announced pending timberland dispositions totaling $737 million. Roughly three quarters of our original $1 billion target.

Our execution of this plan underscores our relentless focus on nimble capital allocation, active portfolio management and prudent balance sheet management. Additional details regarding the dispositions and the pro forma impact for Rayonier are provided in a supplemental presentation posted to our website.

Now let's move on to our third quarter results. Overall, we generated third quarter adjusted EBITDA of $72 million and pro forma net income of $18 million or $0.12 per share. The decline in adjusted EBITDA versus the prior year period was primarily attributable to a lower contribution from our New Zealand Timber segment.

Drilling down further on our timber segment operating results. Our Southern Timber segment generated third quarter adjusted EBITDA of $38 million which was comparable to the prior year period, as significantly higher non-timber income was largely offset by a 13% decline in harvest volumes and 3% lower weighted average net stumpage realizations.

In our Pacific Northwest Timber segment, third quarter adjusted EBITDA of $9 million increased $1 million versus the prior year quarter. As a 10% increase in harvest volumes and favorable costs were partially offset by a 7% decrease in weighted average net stumpage realizations.

Turning to our New Zealand Timber segment. Third quarter, adjusted EBITDA of $15 million decreased $9 million versus the prior year quarter. The decrease in adjusted EBITDA was driven by lower carbon credit sales and a 16% decline in weighted average net stumpage realizations, primarily due to elevated shipping costs.

In our real estate segment, we generated third quarter adjusted EBITDA of $20 million up $1 million from the prior year period, as higher average per acre prices were partially offset by lower acres sold. Based on our year-to-date performance and our expectations for the balance of the year, we are updating our full year adjusted EBITDA guidance range to $275 million to $290 million.

This revision largely reflects the impact of the completed and pending dispositions discussed earlier, as we generally ceased harvesting operations on these timberlands around midyear ahead of the sales process.

With that, let me turn it over to April, for more details on our third quarter financial results.

April Tice - *Rayonier Inc - Chief Financial Officer, Senior Vice President*

Thanks Mark. Moving to the financial highlights on page 5, of the supplement. Sales for the third quarter totaled $195 million while operating income was $28 million and net income attributable to Rayonier was $29 million or $0.19 per share. On a pro forma basis, net income was $18 million or $0.12 per share.

Pro forma items in the third quarter included a $12 million net recovery on legal settlements, $900,000 of costs related to our disposition plan, and a $300,000 pension settlement charge. Adjusted EBITDA was $72 million in the third quarter, down from $79 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 nine months of the year was $106 million versus $115 million in the prior year period.

The decrease was driven by lower adjusted EBITDA partially offset by lower net cash interest paid. 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 $74 million of cash and roughly $1.3 billion of debt. Our net debt to trailing 12 months adjusted EBITDA was approximately 4.5 times. At quarter end, our weighted average cost of debt was approximately 2.9% and the weighted average maturity of our debt portfolio was approximately four years with no significant debt maturities until 2026.

Our net debt to enterprise value based on our closing stock price at the end of the quarter was 20%. As Mark discussed, pro forma for the completed and pending dispositions, we estimate that the reduction in leverage will imply net debt to pro forma adjusted EBITDA of approximately 2.8 times.

Subsequent to quarter end, we used $90 million of the disposition proceeds to pay off our only unhedged floating rate debt which reduced our weighted average cost of debt to approximately 2.7%.

Within the supplemental presentation posted to our website, we detail the key aspects of the Oklahoma and Washington dispositions, as well as provide an overview of our pro forma capital structure and debt maturity profile.

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

Douglas Long - *Rayonier Inc - Executive Vice President, Chief Resource Officer*

Thanks April. Let's start on page 9, with our Southern Timber segment. Adjusted EBITDA in the third quarter of $38 million was comparable to the prior year quarter, as lower harvest volumes, lower net stumpage realizations, and slightly higher costs were offset by higher non-timber revenue.

Total harvest volumes fell 13% versus a strong prior year quarter due to wet ground conditions that constrained production in our Atlantic region, as well as softer demand from lumber mills.

Meanwhile, non-timber revenue increased $6.8 million versus the prior year period driven by higher pipeline easement revenues and growth in our land based solutions business. Average sawlog stumpage pricing was $27 per ton, a 5% decrease compared to the prior year period due to weaker grade markets in a geographic mix shift away from the relatively higher-priced Atlantic region.

Pulpwood net stumpage pricing was 4% higher than the prior year quarter at roughly $17 per ton. Overall, weighted average stumpage prices in the third quarter decreased 3% versus the prior quarter to roughly $21 per ton.

Stable end-market demand and reduced residual sawmill chip supply availability translated into improved pulpwood pricing across most of our markets in the US South. Market pulp prices have improved over the past year and containerboard operating rates have rebounded following the inventory destocking cycle that weighed heavily on demand in 2023.

Turning to grade markets, log demand was soft throughout the third quarter due to continued weakness in southern yellow pine lumber demand.

Encouragingly, there has been a significant rebound in southern yellow pine lumber prices recently, which are now up 18% from September lows when lumber producers responded to weak market conditions with mill curtailments and reduced production levels.

That said, the overall demand picture for lumber remains challenged by continued softness in housing and repair and remodel markets.

As it relates to the hurricanes that impacted the US south during September and October, the direct impact to our portfolio was minor. We currently estimate that roughly 4,000 acres of our timberlands across Florida and Georgia suffered some degree of damage as a result of Hurricane Helene.

We have started salvaged operations on the more severely impacted tracks, some of which were in the process of being thinned and will now be clear cut.

We expect salvage operations to be largely completed by the end of Q4. With respect to Hurricane Milton, there was no notable damage to our timberlands, but the storm did contribute to already wet operating conditions across some of our Florida ownership.

In the short-term, there were some minimal impacts to harvest activity and production at our customers' mills due to the wet weather events, but operations normalized fairly quickly.

However, we expect salvage operations of windthrown timber throughout parts of Georgia and Florida will contribute to elevated supply in these areas for the next couple of quarters.

Moving to our Pacific Northwest Timber segment on page 10, adjusted EBITDA of $9 million was $1 million above the prior quarter. The year over year increase was primarily driven by higher harvest volumes as lower net stumpage realizations were largely offset by lower costs.

Volumes increased 10% in the third quarter, as compared to the prior period. At $95 per ton average delivered domestic sawlog pricing in the third quarter decreased 12% in the prior period due to a combination of weaker demand from domestic lumber mills and reduced export market tension, as well as a lower proportion of Douglas fir volumes.

Meanwhile, at $30 per ton, pulpwood pricing has remained fairly stable thus far in 2024, but was down 9% versus the prior quarter.

The Pacific Northwest log market continued to face headwinds during the third quarter from both challenging domestic lumber markets and reduced demand for log exports. However, we are optimistic that as lumber prices continue to recover from the lows reached earlier this year, this should translate to higher log prices as we move into 2025.

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 $15 million was $9 million below the prior year quarter.

The decrease in adjusted EBITDA compared to the prior period was primarily driven by lower carbon credit sales and lower net stumpage realizations. Average delivered export sawtimber prices of $104 per ton increased 10% compared to the prior quarter. But these pricing gains were more than offset by higher port and freight costs.

In October, offtake from Chinese ports was approximately 70,000 cubic meters per day. Although up slightly from prior levels, the demand environment remains challenged.

Inventory levels have generally adjusted to the weaker demand environment due to ongoing softness in China's property sector.

As of early November, softwood log inventories at Chinese ports stood at approximately 2.7 million cubic meters comparable to where they were a year ago.

Shifting to the New Zealand domestic market, third quarter average delivered sawlog prices increased 2% from the prior year period.

While economic headwinds in New Zealand persist, we are encouraged by signs of property market stabilization and increased consumer confidence as interest rates have eased. Third quarter non-timber income in New Zealand of $9 million decreased $6 million relative to the prior year period.

The year over year decrease reflects lower carbon credit sales in the current year period, as sales in the third quarter of 2023 were elevated because we had deferred sales from earlier in the year.

We anticipate that we will remain active in the New Zealand carbon market over the remainder of 2024, as pricing has firmed following the announcement of a reduction in the amount of auction credits available in 2025.

Lastly in our trading segment, we registered a breakeven result 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 April, to cover our real estate results.

April Tice - *Rayonier Inc - Chief Financial Officer, Senior Vice President*

Thanks Doug. As detailed on page 12, the contribution from our real estate segment during the third quarter was slightly higher as compared to the prior year period. Real estate revenue totaled $30 million on roughly 2,900 acres sold at an average price of $8,800 per acre. The strong average price per acre reflects the higher proportion of improved development sales closed during the period.

Real estate segment adjusted EBITDA in the third quarter with $20 million. Drilling down, sales in the improved development category totaled $12 million. In our Wildlight development project north of Jacksonville, Florida, we completed two residential pod sales totaling 104 acres for $7.7 million or $74,000 per acre.

We also had two small non-residential sales in Wildlight totaling $200,000. In our Heartwood development project south of Savannah, Georgia, sales consisted of 8.8 acres for $3.6 million or $410,000 per acre.

We also sold an industrial-use parcel in Kitsap County, Washington for $500,000 or $266,000 per acre.

There continues to be healthy interest from homebuilders in both our Wildlight and Heartwood projects as the pace of sales at both remains on a favorable trajectory. In Wildlight, we remain encouraged by the pipeline of future opportunities and expect the first sales within Phase 2 of the project to close next year.

In Heartwood, the Hyundai Mobis manufacturing facility recently opened and we continue to see a long runway of future demand in response to continued economic growth in the area.

Despite the continuing momentum at both projects, as we discussed last quarter, some commercial deals are taking longer to materialize due to the challenges that developers are contending with in the relatively higher interest rate environment.

Turning to the rural category. Third quarter sales totaled $14 million consisting of approximately 2,800 acres at an average price of roughly $4,900 per acre.

The overall demand and pricing for rural properties remains favorable and we have been encouraged to see increased buyer interest in certain markets in recent months. In addition, we continue to see strong interest from conservation focus buyers which contributed to sales activity during the quarter and remains an important component of our sales pipeline as we approach 2025.

That said, continued economic uncertainty coupled with relatively elevated interest rates continue to impact the willingness of some buyers to transact. Overall, we are pleased with the momentum in our real estate business as we head into year end and are optimistic that lower interest rates in 2025 will spur further demand for both development and rural properties.

Now, moving on to our outlook for the balance of 2024. Based on our year-to-date results, recent disposition activity and our expectations for the fourth quarter, we now expect that full year adjusted EBITDA will be in the range of $275 million to $290 million.

We further expect full year net income attributable to Rayonier of $343 million to $359 million, earnings per share of $2.30 to $2.40 and pro forma earnings per share of $0.36 to $0.40. Our revised guidance reflects the reduced volume from the disposition properties as harvest operations generally ceased around mid-year in preparation for the sales process.

As a reminder, our prior financial guidance excluded the potential impact of 2024 asset sales as part of the disposition plan. With respect to our individual segments, in our Southern Timber segment, we expect full year harvest volumes of approximately 7 million tons, which is slightly below the lower end of our prior guidance range due to the Oklahoma disposition, as well as weather-related impacts in certain markets.

Further, we anticipate that pine stumpage realizations will be slightly lower in the fourth quarter as compared to the third quarter due to less favorable geographic mix, lower sawlog prices, and the impact of salvage volume in Florida and Georgia.

Lastly, we remain encouraged by the momentum in our land-based solutions business and we continue to expect higher non-timber income for full year 2024 relative to the full year 2023. Overall, we anticipate full year Southern Timber adjusted EBITDA slightly below the lower end of our prior guidance range.

In our Pacific Northwest Timber segment, we now expect full year harvest volumes of approximately 1.2 million tons, which is below our prior guidance due to the disposition of approximately 109,000 acres in Washington. We further expect modestly lower sawtimber price realizations as compared to the third quarter.

Overall, we expect full year Pacific Northwest Timber adjusted EBITDA to be slightly below the lower end of our prior guidance range.

In our New Zealand Timber segment, we are on track to achieve our full year volume guidance of 2.4 million to 2.5 million tons. However, we expect full year New Zealand Timber adjusted EBITDA to fall modestly below our prior guidance range due to lower carbon credit sales, softer export markets and elevated shipping costs.

In our real estate segment, we continue to expect strong fourth quarter, closing activity and full year adjusted EBITDA within our prior guidance range, contingent on the timing of several large transactions.

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

Mark McHugh - *Rayonier Inc - President, Chief Executive Officer, Director*

Thanks April. As we conclude today's call, I'd like to recognize our team's unrelenting focus on advancing the important strategic initiatives that we communicated over the past year. These initiatives include executing on our asset disposition and capital structure realignment plan, advancing our land-based solutions business, and unlocking the value embedded in our real estate development platform.

We've made significant strides on each of these fronts despite also having to contend with difficult headwinds facing our timber businesses. I'm very proud of how our team has risen to this challenge.

While improved supply demand dynamics for pulpwood in the US South have been a relative bright spot in 2024. This has been more than offset by continued weakness in sawtimber markets across our footprint.

Although macroeconomic headwinds continue to adversely impact and market demand. I'm pleased by how our team has navigated through these challenges to achieve optimal results. I'm also optimistic that an undersupplied US housing market, coupled with further rate cuts, should translate to a relatively improved operating environment as we move into 2025.

On the real estate front, we're poised to finish the year with a very strong quarter based on our anticipated pipeline of closing activity. Our team continues to generate significant premiums to timberland values through the sale of both rural properties and entitled acreage in our development projects. And we remain optimistic that more favorable financing conditions could further bolster the demand we're seeing across our real estate categories.

Meanwhile, consistent with the ambitions we detailed at our investor day earlier this year, we have continued to make significant strides in advancing our land-based solutions business. Specifically, we now have approximately 76,000 acres under lease for carbon capture and storage and expect to have over 40,000 acres under option for solar development by year end.

Our team continues to build a strong pipeline of additional opportunities with high-quality counterparties as we diligently work toward the 2027 and 2030 EBITDA targets that we communicated in February. And lastly, as I detailed at the start of the call, we're very encouraged by the progress we've made toward our $1 billion disposition target.

Consistent with the goals that we laid out when we announced the plan last November, the dispositions completed to date have allowed us to capitalize on the significant disconnect between public and private timberland values, strengthen our balance sheet, return capital to shareholders, and improve our long term growth profile.

We've further been able to execute the plan in a manner that is accretive to both CAD and NAV per share. In sum, notwithstanding the transitory market headwinds our team continues to navigate, I remain quite optimistic that Rayonier is well-positioned to enhance shareholder value and execute on future growth opportunities as we move forward.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Matthew McKellar, RBC Capital Markets.

Matthew McKellar - *RBC Capital Markets - Analyst*

Hi, good morning. Thanks for all the detail and congratulations on the transactions. Could you maybe first provide a bit of color on where your process is around evaluating strategic alternatives for your stake in the New Zealand Business?

And then maybe more holistically, how are you evaluating your options for further dispositions to bring you to the $1 billion target?

Mark McHugh - *Rayonier Inc - President, Chief Executive Officer, Director*

Yeah. Hi, Matthew. This is Mark. I'll take that one. You know, first of all, as it relates to the status of the New Zealand evaluation. As we discussed on prior calls, we've been engaged in a full evaluation of strategic alternatives with respect to our joint venture interest in New Zealand.

You know, that process is ongoing, and we don't really have anything new to report on that front at this point. I recall that we previously indicated that the New Zealand evaluation process would be a much longer process, given the governance provisions in the joint venture agreement there.

So again, we're still working through that process, but we're not in a position to comment much further at this point in time. As it relates to kind of the broader plan, any kind of future dispositions that we may evaluate.

You know, as discussed on prior calls, as a general matter, we don't comment on M&A until there's a closed transaction or some type of definitive contract, you know, but we recognize that there is an elevated level of interest and speculation around our disposition plans given the $1 billion target that we laid out last year.

So, you know, we have been very transparent as it relates to what options have been under consideration over the past year. Given where we're at now, having completed three quarters of our original target and still evaluating alternatives in New Zealand. We're not planning to provide any further details around, other alternatives that might be under consideration at this time.

You know, we've essentially achieved much of what we set out to do with the original plan. So we intend to be very opportunistic as it relates to our consideration of any additional dispositions at this point, including New Zealand.

Matthew McKellar - *RBC Capital Markets - Analyst*

Great, thanks for that color. Maybe next, can you comment on your expectations for how the log market in China evolves into 2025 on the supply side, are you seeing reduction in supply from Europe as their beetle affected harvest wanes and then on the demand side, what do you expect in terms of stimulus measures in China and how those flow through to demand? Thanks.

Douglas Long - *Rayonier Inc - Executive Vice President, Chief Resource Officer*

Sure. This is Doug, I'll take that one. Excuse me. Yeah, as you mentioned, on the supply side, we have seen, you know, reduction in supply from Europe in particular and New Zealand has taken up a much greater share of the incoming supply into China.

Right now, as was mentioned before, kind of the demand is, is relatively stable at this point in time, but the supply has come down. So we're seeing some, you know, positive in price movement there. But this past quarter, we did see increased shipping rates so that worked against us.

The stimulus you talked about, the government has pumped more stimulus in and has done what they've created the waitlist for housing. And so that's given us some short term opportunities for people and we're hoping that goes forward, but it's been really you know, unclear as to how long that will go forward.

So right now, we're working on the assumptions we've had with, you know, improvements, but it's kind of steady as she goes. But basically the New Zealand volume is taking up the majority of that volume that's coming in now. So that's been positive for pricing for New Zealand operations.

Matthew McKellar - *RBC Capital Markets - Analyst*

Great. Thanks very much for the color. I'll turn it back.

Operator

Anthony Pettinari, Citi.

Gregory Andreopoulos - *Citi - Analyst*

Hi, good morning, everyone. This is Gregory on Anthony this morning. Just a quick one on the dispositions. So I'm taking a look at the slide deck now, you included a helpful slide on the impact to the Pacific Northwest portfolio site index, mix commercial acreage, operable acreage.

I'm wondering how we should think about the impact of the Oklahoma sale on the Southern portfolio quality. Granted it's a much smaller piece of the pie there or if we should expect any log price tailwinds into next year, if that land is lower on a dollar per ton basis.

Mark McHugh - *Rayonier Inc - President, Chief Executive Officer, Director*

Yeah. That's a good question and we didn't include a pro forma impact on the Southern portfolio. Recognizing that is a much smaller portion of the overall portfolio with respect to the Washington Dispositions. You know, we were talking about, 25% 30% of the overall portfolio.

So there were some pretty material impacts to what that residual portfolio looked like. With respect to Oklahoma, that's you know, 5% of our overall Southern portfolio. So that the impact just wouldn't be all that pronounced.

That said, as a general matter, Oklahoma properties tend to transact at a much lower per acre value than the broader US South. You know, productivity tends to be much lower there, markets are certainly thinner and there's less HBU upside or alternatives in Oklahoma.

So, again, wouldn't really see it as, you know, driving a significant impact on the overall business as it relates to log pricing just given how small a piece of the overall portfolio it is, but certainly as it relates to how it impacts the residual portfolio, we certainly view it as an upgrade in kind of addition through subtraction.

Gregory Andreopoulos - *Citi - Analyst*

Understood. Thank you for that. And maybe just one more on timberlands cost specifically. So I'm looking at the year over year EBIT bridges for the South and the Pacific Northwest and you had costs flat year over year in the South and maybe a slight tailwind in the Pacific Northwest. So wondering if you can kind of break down the moving pieces there and how we should think about your cost bucket into the fourth quarter.

Douglas Long - *Rayonier Inc - Executive Vice President, Chief Resource Officer*

Sure. You know what you're seeing, as you said, is relatively stable in the US South and in Pacific Northwest, we have seen some reduction in those costs, you know, the operations we had in Oregon were in particular higher cost operations than we had in our Washington operations.

So those had an impact, a positive impact on reducing costs, as well as we've seen some fuel reductions and the operations that we've just recently announced the disposition there are also in some of our steeper higher ground country. And so we'll also expect some opportunities there for cost reductions as we change the harvest operations.

Gregory Andreopoulos - *Citi - Analyst*

Thank you very much. I'll turn it over.

Operator

Mark Weintraub, Seaport Research Partners.

Mark Weintraub - *Seaport Global Securities LLC - Analyst*

Thank you. Congrats on the progress on the disposition program. One real quick follow up on that. You mentioned, obviously, I understand the CAD accretive to CAD. You also said accretive to NAV per share. What did you mean by that exactly?

Mark McHugh - *Rayonier Inc - President, Chief Executive Officer, Director*

I mean, as a general matter, you know, one of the key the underlying this disposition program is that we are seeing, much stronger valuations of timberland assets in the private market versus the public market. And so, obviously we're monetizing properties in the public market and you using those proceeds to, you know, deploy internally, for example, the share buybacks, we would, we generally think that would translate into an NAV accretion. And so that was really more kind of a statement of the overall impact of the plan and how we're approaching capital allocation around deployment of proceeds.

Mark Weintraub - *Seaport Global Securities LLC - Analyst*

Got it. So it was a statement basically relative to what you would say the implied valuations, the public markets were putting on it as opposed to you getting a higher value than per se you perhaps internally were putting on it. That was sort of the clarification, I was just trying to get.

Mark McHugh - *Rayonier Inc - President, Chief Executive Officer, Director*

That's absolutely right. Yes.

Mark Weintraub - *Seaport Global Securities LLC - Analyst*

Okay. Very good. And then recognizing you're not going to be providing specifics on incremental decisions, et cetera. But is it fair to say that, obviously, as you say, you know, roughly 75% to that $1 billion target, does that necessarily preclude the possibility of transactions that might take you meaningfully above the billion and if that were to be the case, would you then look to like be reinvesting them into other acquisition opportunities or how should we be thinking about that?

Mark McHugh - *Rayonier Inc - President, Chief Executive Officer, Director*

You know, it's a great question. You know, and we touched on this in prior calls just in terms of our appetite to potentially overshoot the target because you obviously, as you deduced, being sort of three quarters of the way through the original $1 billion target. And still considering New Zealand, you know, were we to do something around New Zealand that would certainly take us over that.

And, look, you know, I generally think our view on that, you know, relative to how we've talked about it in prior calls hasn't really changed. You know, while we're not deliberately looking to overshoot the $1 billion target, you know, we're certainly not averse to doing so if we're able to achieve compelling values on the asset that we've taken in the market or might take to market in the future.

And if we were to exceed our target, you know, we do have some flexibility to redeploy those proceeds into other timberland acquisitions through like kind exchange transactions for example. Alternatively, we could look to further delever or return incremental capital to shareholders, particularly if we see a compelling buyback opportunity.

You know, look we've always operated with this mindset of nimble capital allocation and active portfolio management, you know, really with a view towards building long term value per share and we intend to adhere to that mindset as we continue to consider other alternatives going forward.

Mark Weintraub - *Seaport Global Securities LLC - Analyst*

Okay, great, very helpful. And then two last quick ones. One, so how much EBITDA this year was associated with the properties being part of the disposition.

Mark McHugh - *Rayonier Inc - President, Chief Executive Officer, Director*

You know, we haven't disclosed the contribution this year just because you again recognize that any sort of short term period with respect to a particular property of that scale isn't going to be all that relevant just given the, seasonality of harvest patterns in different areas and the like and so.

You know, rather we showed that on a three-year look back and then compared, you know, that multiple to, similarly situated multiples in the NCREIF indices.

But you know, as a general matter, we indicated that three-year average was, you know, $11 million that we generally ceased harvesting around midyear. So as a general matter, you can kind of think of it as you know, roughly half of that $11 million contribution is how we were thinking about the partial year contribution.

Mark Weintraub - *Seaport Global Securities LLC - Analyst*

Got you helpful. Thank you. And then lastly, you mentioned 76,000 CCS, 40,000 solar by the end of the year. Do you expect any of these projects particularly in solar potentially being exercised coming to beginning to come to fruition next year or are those still a little further down the road?

Douglas Long - *Rayonier Inc - Executive Vice President, Chief Resource Officer*

Yeah, this is Doug, I'll take that question. Yeah, as we've talked about before, these options typically take two or three years at least before going into being exercised. And right now, I think we're still in that process of looking at where those go.

So I don't see anything immediate that's going to be turning into a lease. But there are some of the developments in basically the soil area that give us some confidence that we'll see some improvement going forward and pretty excited about. So there are the Federal Energy Regulatory Commission issued an order that basically is going to reduce some of the backlog.

Right now, there's about a 26-month backlog in the queue for getting these things processed. And they've implemented this new order and it's going to improve the process as we go forward. And what it really does is it aims to make sure people have done due diligence before they enter into it.

And so that's been a key challenge before, is folks just essentially got control of some land. And then said here we are, here's our plan, but the new order it focuses on, are you ready? Do you have everything in place? And so it implements basically a deposit at the time when they start.

So you got to put some money upfront when you go in, a penalty if you withdraw, and then also if you missed deadlines to the process penalties. So we expect that this kind of temporary backlog will start to work through more quickly and hope to see some of these shift over from options into exercising into the leases here in the next year or so.

But we still do have a backlog there that we're working through at this point in time. But we see this as very positive for the sector and an opportunity to reduce that amount as well believe the conversion rates should improve as you go forward. You know, before we've talked about kind of in that 25% to 35% with the rate that we've seen as an industry average thinking we're going to be on the higher end of that.

But with this, now that folks have to put down a lot more money and then the penalties and these penalties, you know, depending on the size of the project are in the millions of dollars, we think that's going to, you know, reduce that backlog and also improve conversion rates.

Mark McHugh - *Rayonier Inc - President, Chief Executive Officer, Director*

And I'll just add on to that. I mean, what we've seen really in the last year is that, the process to get properties under option is quite a bit more arduous again, like to refer to based on these queue forms that have occurred, you know, a lot more that due diligence work is now occurring at the front end.

But the byproduct of that is that we expect that that conversion rate will be considerably higher than what we anticipated a year ago. I think in our Investor Day, we communicated 25% to 40% is our estimate of that conversion rate. We're certainly anticipating that to be higher, given what's happened with queue reform.

Mark Weintraub - *Seaport Global Securities LLC - Analyst*

Would that apply to your existing backlog or would that just be for anything that comes in the future?

Douglas Long - *Rayonier Inc - Executive Vice President, Chief Resource Officer*

Yeah, I feel good about the bulk of our existing backlog. So we really have been focusing on high quality developers in large scale. So we believe the folks we've been working with already have good projects in line. And we entered in some options very early in 2017 that have now rolled off and are no longer on our books.

But that we're probably more in the developer space, but now we're working with these large, you know, we kind of producers of electricity can also be consumers of electricity and sellers. And so we feel good about where we're at.

So that conversion rate we believe will be applied to it doesn't mean there still won't be some that do roll off. But the bulk of what we have now, we feel strongly about that, they have good conversion rates.

Mark Weintraub - *Seaport Global Securities LLC - Analyst*

Much appreciate it.

Operator

Thank you. And there are no further questions at this time. I will turn the call back to Collin Mings, for closing remarks.

Collin Mings - *Rayonier Inc - Vice President, Capital Markets and Strategic Planning*

All right, this is Collin Mings. I'd like to thank everybody for joining us. Please contact us with any follow up questions.

Operator

Thank you. That does conclude today's conference. Thank you all for participating. You may disconnect at this time.