



# MADISON'S TIMBER PREVIEW

PO Box 2486, Vancouver, BC V6B 3W7 ✦ Tel: 604-984-6838 ✦ Email: madrep@shawcable.com ✦ Web: www.madisonsreport.com

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Two publicly-traded timber companies, several sawmill restarts, a plywood manufacturer which just had a hugely successful Initial Public Offering (IPO), and a privately-held healthcare facility operator have all been making financial news this week.

The most recent announcement comes from Plum Creek Timber, which says it plans to restart production at its Evergreen, MT, stud mill in on April 1. Plum Creek vice president Tom Ray said in a company announcement that a slow but steady improvement in the housing market is leading to the reopening. The plant will operate with one shift and employ 30 people, including several of the 60 who were laid off when it closed in June 2009. Ray said other positions will be filled by people transferring from other company manufacturing plants, and the company is also recruiting to replace several open positions.

Over the past nine months, Plum Creek has added about 60 other jobs at its Flathead County plants, also in Montana, Ray said. That's brought its direct payroll expenses for 2012 to US\$50 million.

"What's really been the changing factor is the dramatic increase in the price of studs," Ray said.

Montana Logging Association Director Keith Olson said to The Missoulian the reopening could help bring some people back to the area.

"It will hopefully encourage some of the folks who've left the area to find employment elsewhere to maybe come home," Olson said. "The timber harvesting community has lost a lot of guys in the woods. And any time a mill closes, too many contractors start chasing too few contracts."

Ray said the Evergreen remanufacturing mill may also resume activity.

That portion of the plant turns defective two-by-four lumber into smaller products like window sashes and wall trim.

In Oregon, the Swanson Group has rehired 200 people out of the 720 positions it eliminated at its area mills during the recession and expects to add an additional 50 by late spring, bringing total employment to 800 compared with 550 in 2009. Another big producer, Seneca Sawmill, says it has restored hours for its 375 employees in the Eugene area, who now are almost back to the five-day work weeks they had before the recession.

Elsewhere, in Saratoga, WY, a private investor in December reopened a sawmill that had been closed for years, providing 80 jobs. In Albertville, AL, Southern Parallel Forest Products said in January it would reopen a sawmill this spring, creating 130 jobs.

In Davenport, NY, Baillie Lumber recently said it would reopen a sawmill that has been closed since 2008. "We feel there's going to be a gradual increase in demand" for lumber, said Jeff Lisk, a general manager of the company to the *Wall Street Journal*.

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On January 28 Plum Creek announced 4Q and 2012 year-end results. Sales were US\$1.3 billion, up 15 per cent from 2011. Operating income was US\$281 million, up 2 per cent from 2011, and net income was US\$203 million, up 5 per cent from 2011. Adjusted EBITDA was US\$530 million, up 19 per cent from 2011.

In 2012, Plum Creek derived about 34 per cent of its EBITDA from timber, 55 per cent from real estate, 7 per cent from wood products, and 4 per cent from other activities.

Cash provided by operations for 2012 was US\$353 million, down 6 per cent from 2011. Total debt was US\$2.95 billion, up 6 per cent from 2011 year-end. Cash on hand is US\$356 million. Cash generation is covering Plum Creek's 3.5 per cent dividend, which was US\$272 million in 2012, the same as 2011.

Deltic Timber, which owns and manages timberland in Arkansas and the Chenal Valley development in west Little Rock, Wednesday reported improved fourth-quarter fiscal performance. Net income for 4Q 2012 was US\$2.4 million, compared to a loss of US\$200,000 one year earlier. The increase was mainly due to a US\$4.6 million improvement in Deltic's mills segment's financial results. When compared to the same period of 2011, the company's average sales price per-unit of lumber sold during this year's fourth quarter increased 29 per cent, and lumber sales volume increased 17 per cent.

For the year of 2012, net income was US\$9.2 million compared to US\$2.7 million for 2011.

For its part, Boise Cascade will host a webcast and conference call March 7 to discuss 4Q 2012 earnings. The company's value jumped 24 per cent in its market debut February 6.

On January 23rd, Boise's preliminary prospectus carried an indicated IPO price range of US\$16-\$18 per share. Due to strong investor demand, the IPO was priced at US\$21 on February 5th. Given the further 29 per cent rise in the shares this month, the shares are now 50-69 per cent above the indicated range of just five weeks ago.

Meanwhile, the latest proposal for the vacant Boise Cascade site in downtown Salem, OR, by Marquis Companies, could bring a US\$13 million medical rehabilitation facility and 50 jobs. For years, the 13-acre Boise property has been touted for its potential for mixed-use development. Boise hasn't yet closed on the purchase of the land. For nearly 150 years, the Boise property had been an industrial site. The last industrial occupant was a Boise paper converting plant. In 2007, the real estate was sold to a development group, headed by Larry Tokarski's Mountain West Investment Corp.

Marquis Companies wants to build a two-storey 38,000-square-foot acute rehabilitation centre on a portion of the Boise site, said Mark Shipman, a Salem attorney who represents the site's owners. The centre would provide inpatient and outpatient care, typically on a short-term basis.

The types of businesses allowed in the South Waterfront Mixed Use Zone aren't as clear cut as other zones in the city, said Nate Boderman, a Salem attorney working with the Boise site's owners. The city's planning commission will review Marquis' proposal and determine if it's a compatible use, he said.

Keta Kosman  
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