

# **Wodd – The Forestry industry**

## **Industry Guide**



## Top 10 world's largest Forestry companies

(Ranking based on Revenue)

	Company	Country of Origin	Sales 2013 \$ (mn)	Net Income (Loss) 2013 \$ (mn)	EBITDA as a % of sales	Production m3/Yr
1	Stora Enso	Finland	140001	-94	6%	5960000
2	Weyerhaeuser	U.S.A	7254	794	20%	6449000
3	Arauco	Chile	5146	419	21%	2800000
4	Resolute Forest Products	Canada	4416	-400	-6%	3850000
5	Sumitomo Forestry	Japan	4253	162	8%	N/A
6	West Fraser Timber Co Ltd	Canada	3375	339	15%	7900000
7	Canfor	Canada	3104	243	16%	6900000
8	Universal forest products	U.S.A	2470	46	4%	N/A
9	Interfor	Cananda	1074	41	16%	3030000
10	Yueyang Forest & paper products	China	1027	3	14%	N/A

# HISTORY OF FORESTRY

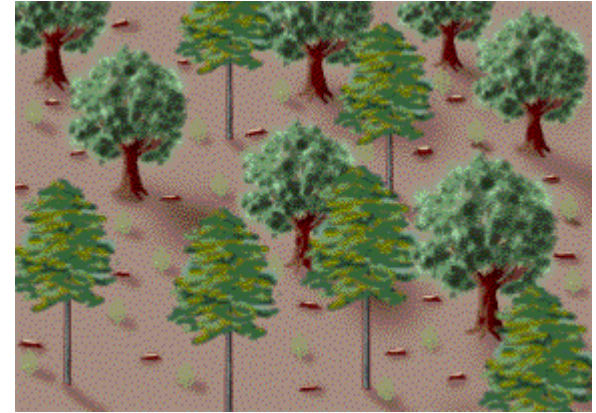
Forestry is the science and craft of creating, managing, using, conserving, and repairing forests and associated resources to meet desired goals, needs, and values for human benefit. Forestry is practiced in plantations and natural stands. The challenge of forestry is to create systems that are socially accepted while sustaining the resource and any other resources that might be affected.

Modern forestry generally embraces a broad range of concerns, in what is known as multiple-use management, including the provision of timber, fuel wood, wildlife habitat, natural water quality management, recreation, landscape and community protection, employment, aesthetically appealing landscapes, biodiversity management, watershed management, erosion control, and preserving forests as 'sinks' for atmospheric carbon dioxide. A practitioner of forestry is known as a forester.

Forestry is an important economic segment in various industrial countries. For example, in Germany, forests cover nearly a third of the land area, wood is the most important renewable resource, and forestry supports more than a million jobs and about billion in yearly turnover.



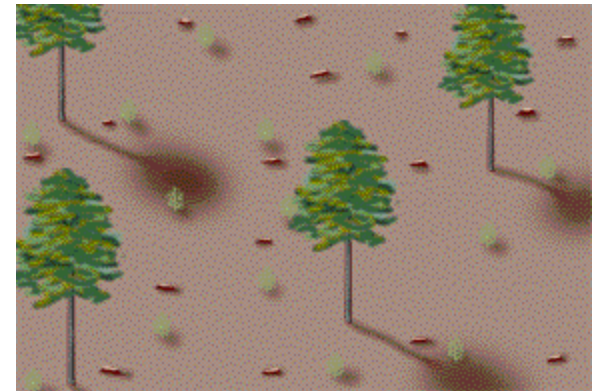
One benefit to shelterwood harvests is that they provide cover and early successional food sources for wildlife. However, this method of harvest is not recommended for trees with shallow root systems because the remaining trees are more susceptible to wind damage after neighboring trees are removed. Another disadvantage to shelterwood cuts is that they require more roads to be built through the forest, and increase the risk of soil disturbance and damage to the remaining trees during harvesting.



- **Seed Tree**

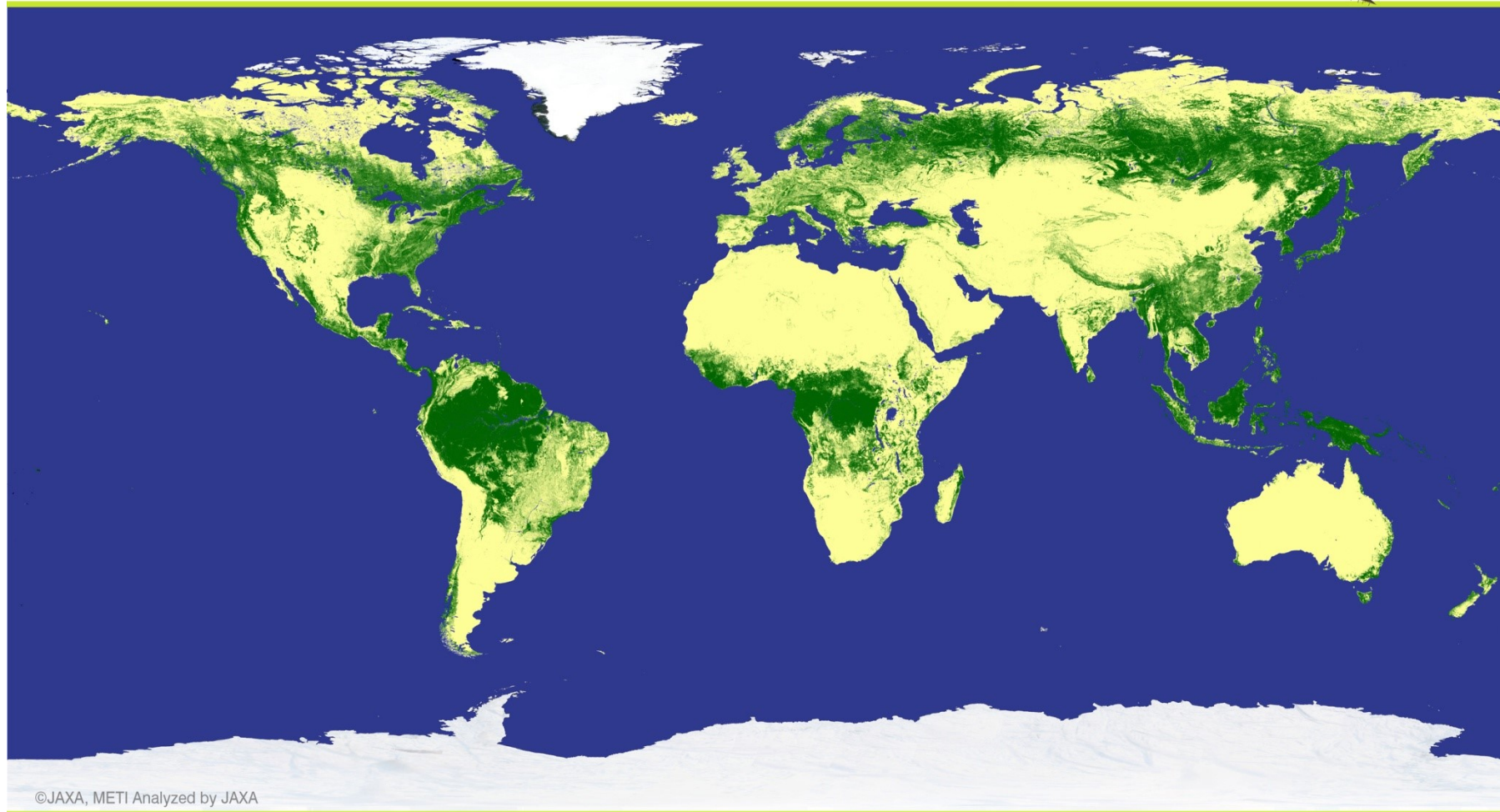
In a seed tree harvest, five or more scattered trees per acre are left in the harvested area to provide seeds for a new forest stand. seedtree.gif (18409 bytes) These trees are selected based on their growth rate, form, seeding ability, wind resistance and future marketability.

Wildlife benefit from seed tree harvests in much the same way as they do from a clearcut harvest, except that they also reap the benefits of the seed trees themselves.





## PALSAR 10m Global Forest/Non-Forest Map 2009



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● : Forest   ● : Non-Forest   ● : Water

# 50+ EXAM FOCUSED INDUSTRY EXAMPLES



# Categories

<b>1</b>	<b>Performance .....</b>	<b>14</b>
<b>2</b>	<b>Competition .....</b>	<b>22</b>
<b>3</b>	<b>New Ventures .....</b>	<b>27</b>
<b>4</b>	<b>Acquisitions &amp; Mergers.....</b>	<b>33</b>
<b>5</b>	<b>Closures .....</b>	<b>42</b>
<b>6</b>	<b>New Markets .....</b>	<b>48</b>
<b>7</b>	<b>Technology .....</b>	<b>52</b>
<b>8</b>	<b>Human Resources .....</b>	<b>58</b>
<b>9</b>	<b>Legal .....</b>	<b>66</b>
<b>10</b>	<b>Ethics &amp; CSR .....</b>	<b>72</b>
<b>11</b>	<b>Suppliers .....</b>	<b>79</b>
<b>12</b>	<b>Other .....</b>	<b>84</b>

# 1. PERFORMANCE





## Stora Enso Fourth Quarter and Full Year Results 2014

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Stora Enso reported yet another stable quarter. Despite some headwind in the market, our sales increased by 1.4% compared to the fourth quarter of 2013, excluding the structurally declining paper business and divested businesses. Today, our growth businesses form already 62% of our total sales. The significant improvement in operational EBIT is a result of our own initiatives to transform our business and improve cost efficiency. Return on capital employed increased from 7.0% to 9.7%. It amounted to 13.1% when excluding our transformational investment projects and we reached our strategic ROCE target of 13%.

When it comes to outlook, the first quarter 2015 sales are estimated to be roughly similar to the amount of EUR 2 552 million in the fourth quarter of 2014. Operational EBIT is expected to be in line with the amount of EUR 209 million recorded in the fourth quarter of 2014.”

**Reference:** <http://globenewswire.com/news-release/2015/02/04/702927/0/en/Stora-Enso-Fourth-Quarter-and-Full-Year-Results-2014.html>

## Weyerhaeuser Named Top Dividend Stock With Insider Buying and 4.50% Yield (WY)

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The chart shows the one year performance of WY shares, versus its 200 day moving average:

Looking at the chart above, WY's low point in its 52 week range is \$26.84 per share, with \$37.04 as the 52 week high point — that compares with a last trade of \$27.25. By comparison, below is a table showing the prices at which insider buying was recorded over the last six months:



The DividendRank report noted that among the coverage universe, WY shares displayed both attractive valuation metrics and strong profitability metrics. The report also cited the strong quarterly dividend history at Weyerhaeuser Co., and favorable long-term multi-year growth rates in key fundamental data points.

**Reference:** <http://www.forbes.com/sites/dividendchannel/2015/09/24/weyerhaeuser-named-top-dividend-stock-with-insider-buying-and-4-50-yield-wy/>

## Wild fires threatens Weyerhaeuser's productivity

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Federal Way-based Weyerhaeuser Co. (NYSE: WY) is one of the world's largest private owners of timberlands, owning or controlling nearly 7 million acres. Nearly 2.7 million of those acres are in Washington and Oregon.

Some of its tall timber was burning as part of the Chiwaukum Creek Fire near the Okanogan/Wenatchee National Forest. Though, Weyerhaeuser spokesman Anthony Chavez says that no fires are currently burning on Weyerhaeuser properties. Other areas, because of high fire dangers, are off limits for logging.

During Weyerhaeuser's July earnings call, company executives said that most of the company's acreage is under some level of fire restriction and said that the outlook for the company's third quarter earnings from its timberlands segment would suffer due to lower harvest volumes as a result of the prolonged fire season.



### Reference:

<http://www.bizjournals.com/seattle/blog/2015/08/worst-wild-fire-season-on-record-threatens.html>

## Rising demand lightens future for battered, falling lumber stocks

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Lumber stocks have taken a beating so far this year amid falling prices for the key construction commodity, but some investors see it as a buying opportunity, betting the U.S. housing market will bounce back and growth in Asia will remain steady.

Lumber prices are down about 20 per cent since late last year amid a slump in North American housing starts, due in part to severe winter weather that has slowed building activity, and weaker exports to China.

Canadian lumber stocks have also fallen by an average of about 20 per cent so far this year. The drop is prompting analysts and fund managers to take a harder look at the sector as a potential place to make profit in a market where many stocks are considered too expensive.

**Reference:** <http://www.theglobeandmail.com/globe-investor/investment-ideas/rising-demand-brightens-future-for-battered-lumber-stocks/article23581760/>





## Universal Forest Products CEO 'walking on sunshine' after earnings report

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Universal Forest Products CEO Matthew J. Missad said he was "walking on sunshine" on Thursday, April 16, after the company reported a 41 percent increase in first quarter profits on a 14.3 percent increase in sales.

"Growth with our retail customers, success with new product introductions, and significant gains in our industrial business aided by strong results from new acquisitions were among the drivers that helped us deliver these results," he said.

Missad said the company's sales grew as a result of its two latest acquisitions and from "organic" sales growth. He said the company continues to look for acquisition opportunities in the U.S., Mexico and Australia.

**Reference:** [http://www.mlive.com/business/west-michigan/index.ssf/2015/04/universal\\_forest\\_products\\_exec.html](http://www.mlive.com/business/west-michigan/index.ssf/2015/04/universal_forest_products_exec.html)



## Western Forest Products net income falls 35%

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Western Forest Products (TSX:WEF) had net income of \$19.1 million in 2015's second quarter – down 35% compared with \$29.2 million in the same period last year. Revenue for the period ending June 30 was \$289.2 million, compared with \$296.2 million for the second quarter last year.

" The company's earnings before interest, taxes, depreciation and amortization of \$29.2 million in the second quarter — though down from \$40.9 million a year ago — were helped by an improved lumber sales mix, led by growth in specialty product shipments, and an increase in export log shipments.

**Reference:** <https://www.biv.com/article/2015/8/western-forest-products-net-income-falls-35/>





## 2. COMPETITION