



The St. Joe Company
133 South WaterSound Parkway
WaterSound, Florida 32461

April 1, 2018

Dear Fellow Owners,

When you look closely, you will realize that St. Joe is in the middle of a transformation in the businesses we are in, how each unit generates revenue, and how we create value for owners over the long haul. Our business strategy is now simple and consistent: we manage and develop each asset for the benefit of all other assets. We may also make bolt-on acquisitions to further enhance intrinsic values.

We are moving faster and faster to serve our communities with a lean organization that can now make decisions in hours rather than months. We are growing with our region's needs for residential communities, rental apartments, limited service hotels, entertaining retail, professional services, and high-tech industrial spaces to name just a few. New examples include the proposed Pier Park Crossings apartment complex and TownPlace Suites hotel.

Along with our state, regional, and local partners, we are working diligently to bring high quality jobs like those provided by GKN Aerospace to our communities. High quality jobs are the compound interest of real estate-interest upon interest. There is no area of life that quality jobs do not benefit. We have shovel-ready sites and will build quickly and at attractive rates for enterprises willing to create high quality jobs for our communities and state. Their success is our success.

Today, we have strong pipelines in our commercial, clubs and resorts, and residential segments. While there are no guarantees, we do expect strong revenue growth in each, due to the enhanced recognition of the "can do" attitude and beauty of Northwest Florida.

St. Joe is also giving back by supporting education, health-care, culture and the arts, transportation, and recreation that are necessary for communities to grow and prosper. A recent example is our public-private partnership agreement with the Panama City Beach Convention and Visitors Bureau to facilitate a new \$37 million public sports complex proposed immediately adjacent to 1,100 of our acres in Panama City Beach.

I can't tell you how fast we'll grow revenues, but I can assure you that all of us at St. Joe will act like owners. We are open to all aspects of business, are nimble, and will not engage in any mumbo jumbo. These changes may be hard to see within endless amounts of information received daily. So, here is some context:

- Operating expenses have been reduced from \$33 million in 2015 to \$20 million in 2017.

- Capital expenditures have increased from \$12 million in 2016 to \$39 million in 2017. Our projected budget for 2018 is \$129 million. We see capital spends as a leading indicator for revenue and profits growth.
- Over the last three calendar years, St. Joe repurchased 28% of the company's stock for \$469 million. We believe this to be an efficient way to return excess capital to shareholders while growing our estimates of intrinsic value per share.
- Despite large capital allocations, St. Joe holds nearly \$300 million in cash and/or short-term investments and no significant debt.
- St. Joe owns 177,000 acres of relatively low-cost basis land in Florida with significant entitlements. The Bay-Walton Sector Plan allows the company to build over 170,000 homes and over 22 million square feet of commercial spaces.
- Operating income is growing in a sustainable manner. We are no longer selling large tracts of land or high value commercial properties to generate short-term revenue. As an example, in 2017, we sold 382 acres of timberlands, almost half of which to the Florida Department of Transportation for the construction of a new 4-lane road through the middle of our properties connecting Northwest Florida Beaches International Airport to State Road 79, a major thoroughfare connecting to Interstate 10. This new 4-lane road is scheduled to commence construction in 2018 and we believe it will increase accessibility to our surrounding properties.
- Net leasable square feet have grown from 587,619 in 2015 to 813,597 in 2017, while occupancy levels increased from 83% to 87%.
- St. Joe's statutory corporate tax rate just decreased from 35% to 21%, which is an immediate 14 percentage point improvement to the bottom line.
- Florida is on the cusp of a \$1 trillion economy, is the third most populous state, and has the second fastest growing population - all due in part to no personal state income tax.
- Northwest Florida is primed for further growth as the economy diversifies with manufacturers and related industries that provide quality jobs with high multiplier effects. Walton County, where our corporate headquarters is located, is one of the fastest growing counties in Florida with population growth of about 25% from 2010 to 2017.
- Northwest Florida Beaches International Airport is located within our largest land concentration and had a total passenger traffic count of over 900,000 in 2017 compared to slightly more than 300,000 in 2010. Transportation options are expanding with additional national carriers and direct flights.
- Triumph Gulf Coast, Inc. is a nonprofit corporation organized to award \$1.5 billion for the diversification and enhancement of eight Northwest Florida counties touching the Gulf of Mexico. We have the lion's share of our land holdings in five of the eight counties.

We understand that you have invested capital in anticipation of a return. Converting land assets into earnings assets has a longer time frame than most industries. Thus, St. Joe does not involve a one, two, or three-year measurement process. However, we will strive to continually grow our profitability to achieve the long term returns owners deserve and expect.

I believe that the necessary ingredients for prosperity exist in Northwest Florida and extend a personal invitation for you to judge the opportunities for yourself by visiting.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Jorge Gonzalez', with a stylized flourish at the end.

Jorge Gonzalez

President and Chief Executive Officer