

• <b>Company: Weyerhaeuser Cop.</b>	<b>Ticker: WY</b>	<b>Current Price: \$ 36.98</b>	<b>Industry: RE</b>	<b>Sub Industry: REITS - Specialty</b>
Target Price: \$ 46.28 Stop Loss: \$30 52 Week High/ Low: \$40.79 / \$27.29	TTM P/E: 11.2 Forward P/E: 14.62 EPS: \$0.60		Beta: 1.62 Credit Rating: B (S&P) Rating Outlook: Stable	Market Cap: \$26.76b Avg Vol (12 M): 3.85m Dividend Yield: 3.19%

#### Company Background:

Weyerhaeuser, one of the world's largest integrated forest products companies, is primarily engaged in growing and harvesting timber, as well as in the production, distribution, and sale of wood and paper products. The wood products business produces and sell softwood and hardwood lumber, plywood and veneer, composite panels, oriented strand board, and engineered lumber. About 70% of these products are used in new residential construction for floor and roof joists, structural framing, sheathing and subflooring. Other lumber products are used in furniture, cabinets, decking, and pallet

#### Industry Outlook:

- The Covid-19 outbreak was a strong tailwind for data center operators and was expected to continue to see elevated levels of investment, even as the world returns to normal, to cope with the exponential growth in data traffic.
- CFRA now has a positive fundamental outlook for self-storage REITs, an upgrade from the previously neutral view. Now they see an increased demand for self-storage as people are reevaluating living and working situations post-pandemic.
- CFRA thinks timber REITs' revenue growth will remain robust due to high demand and supply shortages pushing up pricing. Strong housing markets continue to keep demand high while supply chain issues have kept prices high as well.
- The Specialized REIT sub-industry was up 18.3% year-to-date through June 30, compared to the broader Real Estate sector up 20.3% and the S&P 1500 index up 14.8%.

#### Investment Thesis:

- The revenue growth accelerating into 2021, growing at around 33% Y/Y, up from 2020 when revenue grew 15%, driven by a strong housing market and rising lumber prices. The operating margins improving to 34% in 2021 from 2020's 21% due to strong average price increases.
- WY is one of the largest timber companies among peers with debt levels near the peer average.
- WY made \$100 million in operational cost improvements in 2020, well above the initial projections of \$50-\$60 million.
- The capital expenditures will be elevated in 2021 and 2022 as capacity ramps up and delayed projects are restarted.
- Previously forecasted little room in free cash flow for additional share repurchases in 2020 before Covid-19, and WY subsequently suspended its dividend to preserve liquidity during the pandemic.

#### Investment Risks:

- Increasing risk of housing market softening and deteriorating housing environment
- Higher hedged mortgage rate
- Significant decrease in wood product and pulp price
- Increasing labor and transportation expense

#### 3-5 take away from last quarter investor call transcript:

- Weyerhaeuser (WY) continues to be a leader in wood and paper production market. Its stock edged up from 94 to a near perfect 96.
- Weyerhaeuser Company announced an expansion of Weyerhaeuser's product portfolio with AZEK Building Products, a wholly owned subsidiary of The AZEK Company.
- Weyerhaeuser (WY) came out with quarterly earnings of \$0.60 per share, beating the Zacks Consensus Estimate of \$0.56 per share.
- Weyerhaeuser have more number of shares purchased by insiders than there were sold and increased their holdings by 46% last year.

#### Financial Performance:

	2015	2016	2017	2018	2019	2020	Last 12M
Revenue	5.25b	6.37b	7.20b	7.48b	6.55b	7.53b	10.06b
Operating Profit	-0.24b	-0.07b	0.55b	0.14b	-0.34b	0.35b	2.26b
Net Income	0.51b	1.03b	0.58b	0.75b	-0.08b	0.80b	2.48b
Revenue Growth %	12.35%	12.75%	10.98%	10.70%	10.02%	4.18%	6.39%
EBITDA%	18.26%	17.95%	15.07%	73.49%	7.62%	0.45%	4.22%
Operating Profit %	-1.89%	-0.69%	-8.44%	-0.74%	-3.42%	-2.01%	5.51%
Net Income Margin	9.65%	16.14%	8.09%	10.01%	-1.16%	10.58%	-
D/E	108.89	77.58	70.73	70.13	79.89	64.23	50.63
EPS	0.74	0.76	1.29	1.21	0.38	1.29	3.36
PE Ratio	40.58	39.82	27.43	18.05	79.04	26.03	11.15
Current Ratio	2.75	1.34	1.47	0.83	1.60	1.69	2.75
ROE	10.46	15.02	6.44	8.34	-0.88	9.43	26.28
ROA	3.89	6.43	3.12	4.24	-0.45	4.87	14.42
Dividend Per share	1.20	1.24	1.25	1.32	1.36	0.51	0.68
FCF	1.15b	0.31b	1.04b	0.91b	0.78b	1.67b	3.54b

#### Discounted Cash Flow

	2011-15	2016-20
Avg Revenue growth	-7.15%	3.19%
Avg EBITDA Margin	19.86%	23.43%
Avg Net Income Margin	12.49%	8.73%
Avg Debt/Equity	103.09%	72.51%
Avg FCF / Margin	9.76%	9.80%
Cost of Debt		3.02%
Tax Rate		18.84%
Cost of Equity		6.67%
WACC		5.35%
Perpetuity growth rate		4.5%

#### Analyst Opinion

	Rating	Target
S&P Net Advantage	Hold	\$38
Morning Star	***	\$38.06
Value Line	Timeliness:2	\$27-82

#### Relative Valuation

	Weyerhaeuser Cop.(WY)	Potlatchdeltic Corp.	Acadian Timber Corp.	Rayonier Inc.
P/E	11.16	7.92	21.48	54.41
P/B	2.71	2.28	4.10	3.28
Dividend Yield	3.14	2.91	6.20	2.76
PEG Ratio	2.28	1.58	-	7.43
EPS	0.6	0.92	-0.07	0.35
Revn Grth	11.14	(8.21)	(2.49)	83.39
NI Grth	70.32	(18.94)	(98.34)	(36.36)
Operating Margin	27.68	28.75	20.98	33.81
Debt / Equity	50.63%	46.69%	34.76%	75.90%
Market Cap	28.13b	3.79b	0.31b	5.61b

#### Total Return

	WY	RE sector	S&P 500
YTD	14.45	32.64	26.73
2020	12.88	36.94	17.05
Last 3 Years	57.57	47.93	75.14
Last 5 Years	30.93	61.01	67.80

#### CSR Characteristics

	WY	Industry
Governance Disclosure Score	64	22
ESG Disclosure:	57.44	36.57
Social Disclosure Score	63	14
Environmental Disclosure Score	67	17

Revenue TTM	10.06b	1.43b	0.09b	1.05b	Prepared by Yukun Zhang (Nov 10, 2021) using Bloomberg, Value Line, S&P Net Advantage, Morning Star, Yahoo Finance
Net Income TTM	2.48b	0.48b	0.03b	0.15b	
FCF TTM	2.80b	0.56b	0.02b	0.22b	