

Weyerhaeuser Company

(WY)

37.63 -0.23

At close 5/20/2022 04:00PM EDT

CEO	Description
Devin Stockfish	Weyerhaeuser Company, one of the world's largest private owners of timberlands, began operations in 1900. They own or control approximately 11 million acres of timberlands in the U.S. and manage additional timberlands under long-term licenses in Canada. They manage these timberlands on a sustainable basis in compliance with internationally recognized forestry standards. Weyerhaeuser is also one of the largest manufacturers of wood products in North America. The company is a real estate investment trust (REIT). In 2020, they generated \$7.5 billion in net sales and employed approximately 9,400 people who serve customers worldwide. Weyerhaeuser are listed on the Dow Jones Sustainability North America Index.
Sector	
Real Estate	
Industry	
Specialty REIT	
Exchange	
NYSE	

At the end of trading today, Weyerhaeuser finished 2.48 percent above its market price one year ago (36.72, 20-May-21), with a positive 9.67 percent return, including dividend payments. However, it is down 9.22 percent for 2022 (41.45, 3-Jan-22), with a YTD return of -5.28 percent, including dividend payments.

DCF valuation indicates Weyerhaeuser is **undervalued** in the current market. Our target price is between 63.49 – 71.78, which would put Weyerhaeuser into historic highs the likes they haven't seen in over ten years (23-Apr-10 closed 53.30).

The revenue growth rate is just under 11 percent for 2023 through 2026 and I believe are sustainable for the current and forecasted economic climate.

The target lower limit is calculated utilizing Weyerhaeuser's capitalization and the upper limit is based on using comparable firms.

Comparable Companies Unlevered Beta								
		Levered β	MVoDebt	MVoEquity	Debt/Equity	Tax Rate	Unlevered β	WACC
Louisiana-Pacific Corp	LPX	1.539	397.00	7,156.80	5.55%	23.29%	1.476	9.650
Rayonier, Inc.	RYN	0.939	1,461.20	4,105.94	35.59%	32.21%	0.756	5.870
PotlatchDeltic Corp	PCH	1.229	758.26	3,594.62	21.09%	16.73%	1.045	7.650
Boise Cascade Co.	BCC	1.679	531.79	3,025.15	17.58%	24.91%	1.483	9.630
Average		1.347			19.95%	24.29%	1.190	8.200
Median		1.384			19.34%	24.10%	1.261	8.640
Weyerhaeuser Company Relevered Beta								
		Unlevered β	Debt/Equity	Tax Rate	Relevered β			WACC
Relevered Beta		1.190	16.63%	21.38%	1.346			9.147

Weyerhaeuser Company

WY

Target price range: \$69.49 - \$71.78

	2021 0	2022 1	2023 2	2024 3	2025 4	2026 5
EBIT	\$ 3,643,000.0	\$ 2,325,910.5	\$ 2,581,628.9	\$ 2,865,461.9	\$ 3,180,500.4	\$ 3,530,175.4
Tax Expense	778,873.4	519,841.0	576,994.1	640,430.7	710,841.8	788,994.2
NOPLAT	2,864,126.6	1,806,069.5	2,004,634.8	2,225,031.2	2,469,658.6	2,741,181.2
Depreciation	-	-	-	-	-	-
CapEx	-	-	-	-	-	-
Δ NWC	1,522,000.0	(1,218,675.9)	105,801.2	117,433.3	130,344.3	144,674.8
Unlevered FCF	4,386,126.6	587,393.5	2,110,436.0	2,342,464.4	2,600,002.9	2,885,856.0
Terminal Value						73,067,709.7
PV of UFCF	4,386,126.6	538,167.2	1,771,528.9	1,801,511.7	1,832,002.0	49,032,982.5

Enterprise Value \$ 54,976,192.3

Net Debt 3,244,000.0
Implied Equity \$ 51,732,192.3

Outstanding Shares 744,500

Implied Share Price \$69.49 Undervalued

* Using 1.4920 Beta resulting in 9.147% WACC

USD\$ in thousands

	2021 0	2022 1	2023 2	2024 3	2025 4	2026 5
Free Cash Flow	4,386,126.6	587,393.5	2,110,436.0	2,342,464.4	2,600,002.9	2,885,856.0
<i>Discount Factor</i>		0.92	0.85	0.78	0.72	0.66
Present Value of Free Cash Flow		541,096.6	1,790,867.4	1,831,090.8	1,872,217.7	1,914,268.2

Enterprise Value \$ 56,681,203.9

Net Debt 3,244,000.0
Implied Equity \$ 53,437,203.9

Outstanding Shares 744,500

Implied Share Price \$71.78 Undervalued

TV EBITDA 3,643,000.0
Exit Multiple 21.9
Terminal Value (TV) 79,751,243.9

Discount Factor 0.61
PV of TV 48,731,663.1
PV of FCF 7,949,540.8

* Using relevered 1.3460 Beta (based on comparables) resulting in 8.556% WACC

USD\$ in thousands

Assumptions:

- Using standard tax rate of 22% for projected years
- Terminal Value long-term growth rate is 5.00%
- 2.80% Risk free rate
- Weyerhaeuser Company Beta = 1.492
- 4.72% Equity Risk Premium