

## Weyerhaeuser Co.

# 4Q Flash: Performed well through 4Q, 1Q guide seems below

Maintain Rating: BUY | PO: 37.00 USD | Price: 33.32 USD

## EPS of \$0.16 vs. BofA at \$0.12 and Street at \$0.17

We maintain our Buy rating on Weyerhaeuser (WY) based on upside potential to our PO and the potential for wood products pricing increases to catalyze the shares. WY reported \$0.16 from operations in 4Q23 vs. BofA at \$0.12 and the Street generally at \$0.17 (Visible Alpha). Relative to our model, WY generated a higher EBITDA (\$321mn vs. our estimate of \$309mn). Based on WY's qualitative guidance, 1Q EBITDA looks to be an estimated ~\$380mn, including the impact of to-date pricing (slide #26 of the company's presentation includes WY's sensitivity) and using \$45mn as a placeholder for Unallocated. This compares with our model at \$395mn (and the Street at \$448mn) — we will get additional color from WY's Friday (January 26th) call at 10:00am ET. Dial-in: 877-407-0792 Passcode: 13742026.

## Point for the call: lumber margins, timber realizations

We expect additional details on (a) volume trends in 1Q across WY's segments; (b) profitability trends in lumber; (c) realizations in Western timber; (d) segment guidance for 1Q, including underlying trends in Wood and Timber; (e) details on carbon credits sold and other Climate Solutions developments.

## Wood & REE&NR above; Timber below, good West realizations

At the segment level, Timberlands adj. EBITDA of \$143mn was slightly lower than our \$148mn estimate. Log volumes were lower than our projections by -12.3% in the North, -0.7% in the South, and -12.6% in the West. Log realizations were -0.1% below our forecast in the North, +3.2% above in the South, and +6.4% higher in the West (a very good result given that exports were a big driver, in our view — we'll discuss on the call). As for Wood, adj. EBITDA of \$159mn was higher than our \$151.8mn estimate. Weyerhaeuser seemed to beat our forecasts on manufacturing, Engineered Wood Products (EWP) solid section (SS) realizations, and, perhaps, plywood volumes. Plywood volumes were above our model (+22.1%), while lumber and OSB volumes were below (-7.4%, and -1.7%, respectively). In the meantime, price realizations for plywood, lumber, and OSB trended below our forecasts by -2.8%, -9.1%, and -6.8% respectively. In EWP, volumes were mixed relative to our model, with EWP SS above by +8.0% and Engineered I-joists below by -5.7%. Similarly, EWP price realizations in SS were above our forecast by +2.6% and I-joists were below by -1.2%. Separately, Real Estate, Energy, & Natural Resources (REE&NR) adj. EBITDA of \$67mn was above our \$57.1mn estimate, while Unallocated was in line with our -\$48mn estimate.

26 January 2024

### Equity

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### Stock Data

Price	33.32 USD
Price Objective	37.00 USD
Date Established	21-Dec-2023
Investment Opinion	B-1-7
52-Week Range	27.65 USD - 35.14 USD
Mkt Val (mn) / Shares Out (mn)	24,843 USD / 745.6
Free Float	99.7%
Average Daily Value (mn)	124.37 USD
BofA Ticker / Exchange	WY / NYS
Bloomberg / Reuters	WY US / WY.N
ROE (2023E)	6.7%
Net Dbt to Eqty (Dec-2022A)	32.3%
ESGMeter™	Medium

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OSB: oriented strand board  
PO: price objective  
vs.: versus

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Timestamp: 26 January 2024 08:36AM EST

## Price objective basis & risk

### Weyerhaeuser Co. (WY)

Our \$37 PO is based on the average of (a) an assumed mid-cycle dividend yield of 1.8% and dividend of \$0.80-0.90/share, (b) a 21-25x mid-cycle AFFO multiple, and (c) a sum-of-the-parts (SOTP) value. Our SOTP model values WY's Timberlands business based on our estimates of the per acre values for its timberlands, and values its Wood Products business based on our forecast for mid-cycle EBITDA and applying a 5.5x EV/EBITDA multiple. Meanwhile, we value its Real Estate operations based on the average premium generated over time, and assuming properties sold are ultimately replaced with other timberlands.

Risks to our PO being achieved are (1) weak employment, (2) weak housing fundamentals, (3) regulations on the tax status of REITs - given WY's REIT status, some elements of the company's future performance (i.e., tax rate, corporate expense) could prove difficult to forecast, (4) Emerging market and FX trends, which could impact demand and pricing for WY timber, (5) dividend trends, (6) trends in China. As with all of our stocks, WY will be sensitive to changes in the domestic and global macro outlook, input cost trends, and potential policy and regulatory changes.

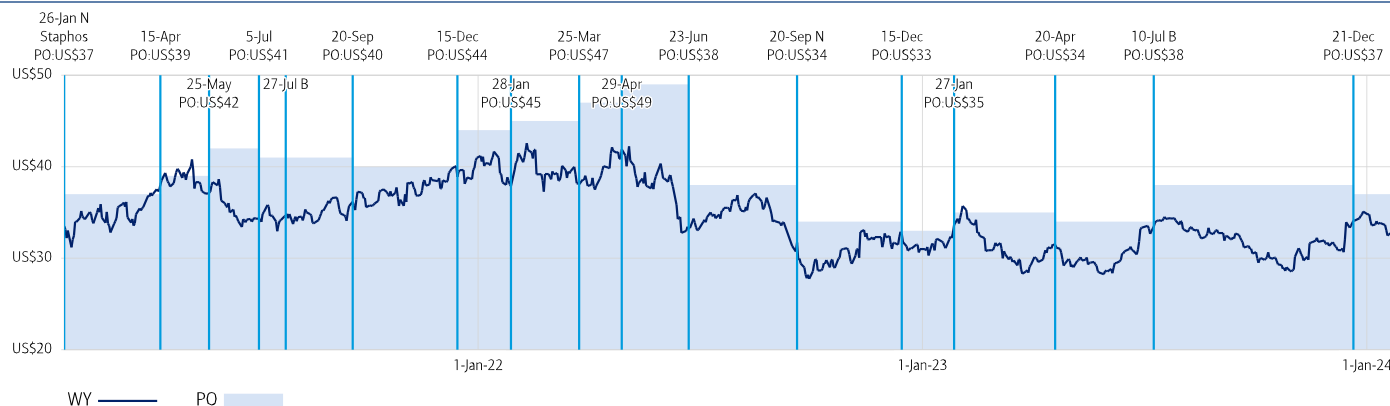
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### Weyerhaeuser Co (WY) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	9	45.00%	Buy	8	88.89%
Hold	2	10.00%	Hold	1	50.00%
Sell	9	45.00%	Sell	5	55.56%

### Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

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Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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