



December 22, 2020

Wood Products 2021 Outlook

It feels good to be a Wood Product producer

This year is looking like a "fat pitch" with wood product prices at record levels

We like the setup for lumber and OSB – While 2020 was one for the record books, we think 2021 could be even better due to very strong housing markets and limited capacity to increase production. Below, we highlight some of our key themes for the year:

1. **Get ready for another year of record prices:** The bottom line is that prices are *already* at record levels in what is usually the seasonally slowest time of the year. With dealer inventories at a low level and overall demand likely to be higher y/y due to very strong new residential construction markets, we think 2021 could be another record year.
2. **Expect heightened M&A activity:** The pace of M&A has already picked up, with West Fraser entering an agreement to acquire Norbord last month (click [here](#)). Given that Wood Product producers already have strong balance sheets and are likely to generate record cash flows over the next few months, we think M&A will be an increasingly utilized option.
3. **Mass timber should continue to grow:** In our view, the long-term incremental demand from mass timber construction remains underappreciated by investors. We expect 2021 to be a pivotal year, with the introduction of new standards allowing taller wood buildings likely to spur additional investment in the industry. We think Canfor or Weyerhaeuser are best positioned to benefit.

Stock recommendations into 2021

- In Canada, our Top Idea for 2021 is West Fraser Timber (TSX: WFT). In addition to record lumber pricing, the company should benefit from the acquisition of Norbord sometime in Q1 and a US stock listing, forming the world's largest wood product company. We think US investors will see WFT as the best way to play this cycle. Our top Small Cap idea is Interfor (TSX: IFP), which should benefit from record lumber pricing, particularly in the US South.
- In the US, our Top Idea for 2021 is Louisiana-Pacific (NYSE: LPX). In addition to benefiting from record OSB prices, we think that the company's growing (and highly profitable) siding business remains underappreciated by investors. We view LP as a growing free cash flow generator. Our favorite Timber REIT is Weyerhaeuser (NYSE: WY) due to the company's wood product exposure and high quality timberlands.

Rating and price target revisions

- We increased our rating for Western Forest Products to OP from SP ([Link](#)). We also increase PTs for 11 companies: **1)** Canfor Corporation; **2)** CanWel Building Materials Group; **3)** Conifex Timber; **4)** Interfor; **5)** Norbord; **6)** West Fraser Timber; **7)** Western Forest Products; **8)** CatchMark Timber Trust; **9)** Louisiana-Pacific; **10)** PotlatchDeltic; and **11)** Weyerhaeuser. See Ex. 11, page 9, for details.

Commodity forecast changes

- **Lumber:** We are increasing our lumber price forecasts for 2020, 2021, and 2022 based on increased demand expectations, primarily related to increased new residential construction. We have increased our 2021 W. SPF forecast by 26% to \$588 and our 2022 forecast by 22% to \$545. For SYP, we have increased our 2021 forecast by 21% to \$575 and our 2022 forecast 19% to \$530.
- **Panels:** We are increasing our OSB, plywood, and MDF price forecasts for 2020, 2021, and 2022, reflecting increasingly tight supply-demand fundamentals and the inadequate amount of supply set to come online during our forecast horizon. For OSB NC, we are increasing our 2021 price forecast by 38% to \$450 and our 2022 forecast 5% to \$315.

RBC Capital Markets provided a fairness opinion to the Board of Directors of Norbord in connection with the transaction where West Fraser Timber Co. Ltd will acquire all of the outstanding common shares of Norbord Inc. in an all-stock transaction, as announced on November 19, 2020.



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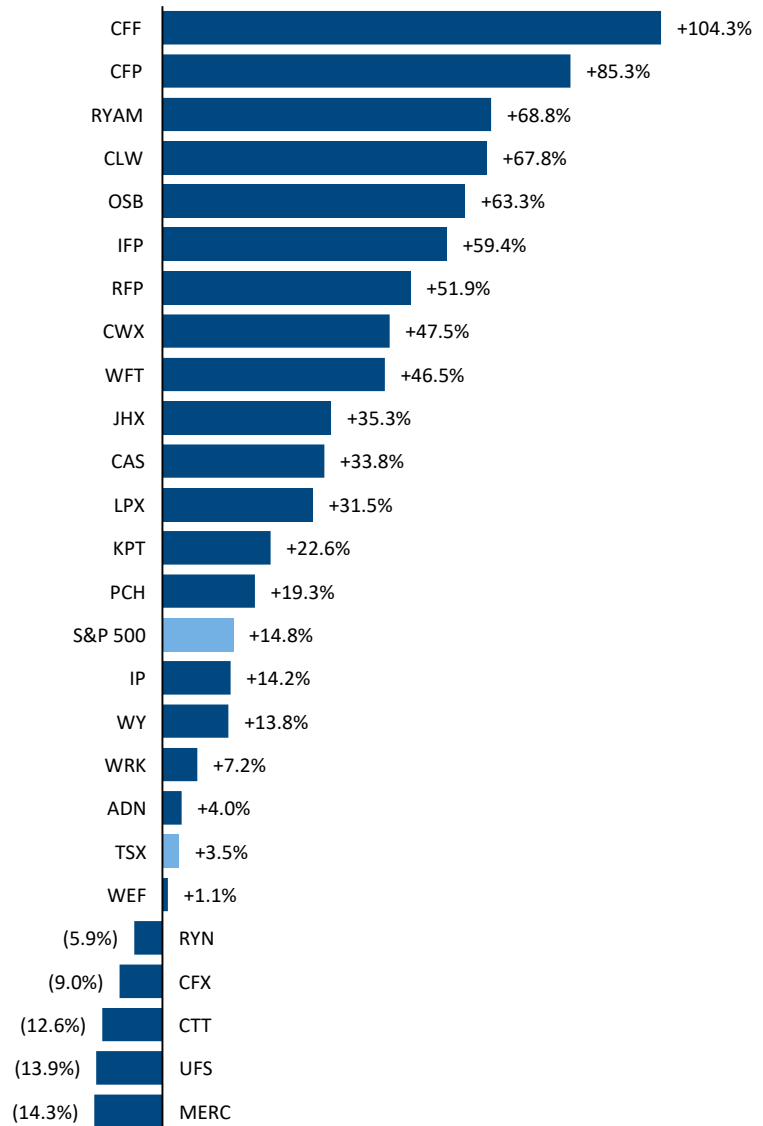
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2020 share price performance

2020 share price performance across the paper, packaging, & forest product sector was mostly positive, with wood product and tissue producers experiencing the largest gains as COVID-19 spurred record Consumer Tissue demand and lumber & OSB prices set new record levels on the back of strong repair & remodel demand. There was also an element of a rebound for some weaker performers in 2019, namely Conifex Timber, Canfor, Rayonier Advanced Materials, and Clearwater Paper.

Exhibit 1: 2020 YTD share price performance



Source: FactSet, RBC Capital Markets



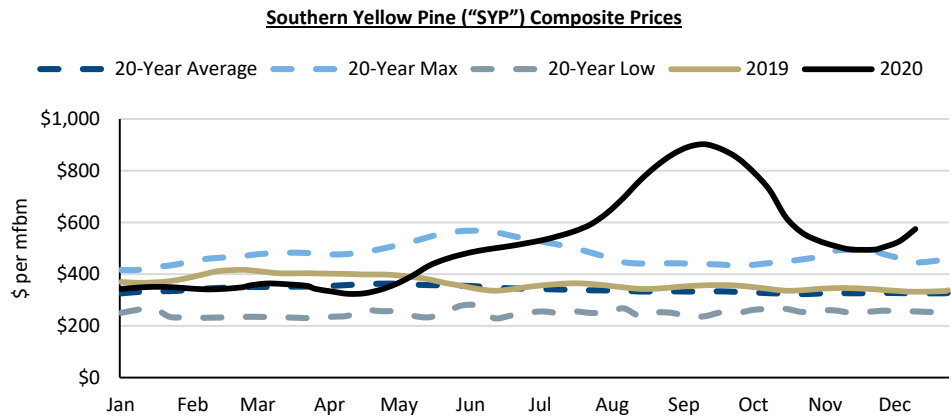
Key themes for 2021

Heading into the New Year, we have identified some key themes to watch in 2021; these include: **1) Get ready for another year of record prices;** **2) Expect heightened M&A activity;** **3) Mass Timber should continue to grow;** **4) Lumber and Plywood imports should rise;** and **5) Expect to see more capacity additions.**

Get ready for another year of record prices

Lumber markets have clearly been on a wild ride in 2020, with COVID-19 putting a temporary halt to construction, only to come roaring back as lockdown restrictions eased. While new residential construction has been supported by record-low interest rates, the story of 2020 was the record level of repair & remodel demand, which strained supply to home centers and left the market short of more consumer-oriented products such as treated lumber.

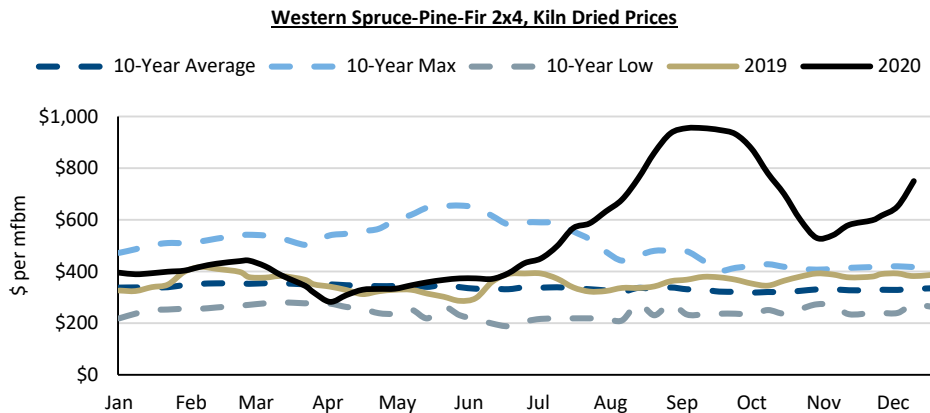
Exhibit 2: SYP prices have begun to rebound



Source: Random Lengths, RBC Capital Markets

As we head into 2021, we have seen unprecedented pricing levels to close out 2020 with both SYP and W. SPF prices moving higher following a pullback in October/November. With demand likely to get stronger as dealers get ready for what should be a very strong spring building season, we expect that prices will remain at a high level during the first half of the year.

Exhibit 3: Western SPF prices have remained at record levels



Source: Random Lengths, RBC Capital Markets

Click on the images below to access related research

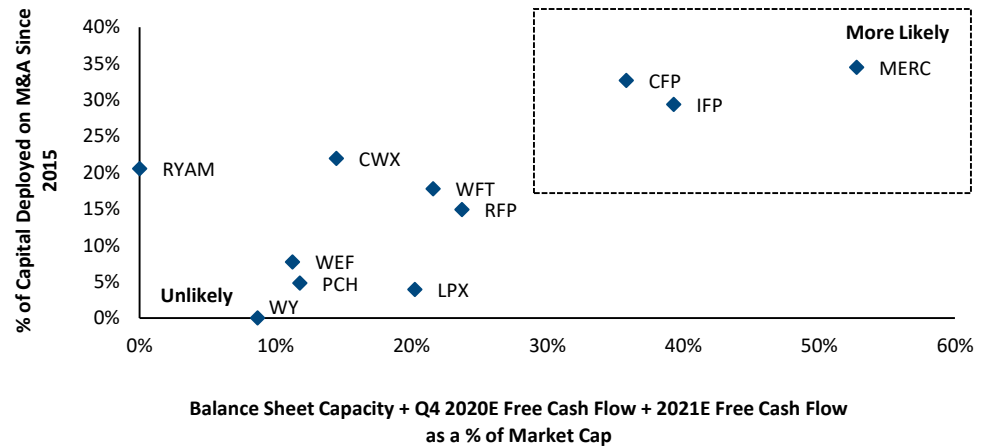
**Forest Products:
Where there's smoke... –
Our Top 10 Wood Products
M&A Ideas**



With strong balance sheets, expect heightened M&A activity

With West Fraser Timber announcing that it plans to acquire Norbord a few weeks ago, we took a step back to assess what other transactions could make strategic sense. Given that most wood product companies now carry strong balance sheets and surplus cash, we expect that management teams have been actively looking for areas in which to invest. While we think some will return capital to shareholders through share repurchase programs and dividends, we expect that many will look to grow their asset base through M&A activity.

Exhibit 4: Balance sheet capacity has improved significantly over the last few months



Source: Company filings, RBC Capital Markets estimates

Below, we highlight what we think each company may look to do with their current asset portfolio over the next year. Overall, we expect that most companies will look to grow their lumber businesses (other than Rayonier Advanced), with selective growth in other market segments where it fits with the company's broader portfolio or strategic needs.

Exhibit 5: Potential targeted end markets

	Lumber	OSB	Plywood	MDF	EWP	Distribution	Pulp	Paper
Canfor	●				○		●	
CanWell	○					●		
Interfor	●							
Louisiana-Pacific		●	○		●			
Mercer	●						●	○
PotlatchDeltic	●		●					
Rayonier Advanced	●							●
Resolute Forest Products	●						○	○
West Fraser	●	○	○	○	○	○	○	○
Western Forest Products	●							
Weyerhaeuser	●	●	●	●	●	●		

Note:
 ● Indicates high priority for M&A
 ○ Indicates low priority for M&A
 ● Indicates potential divestiture

Source: RBC Capital Markets estimates

Click on the images below to access related research

**Mass Timber:
Build it, and they will come**

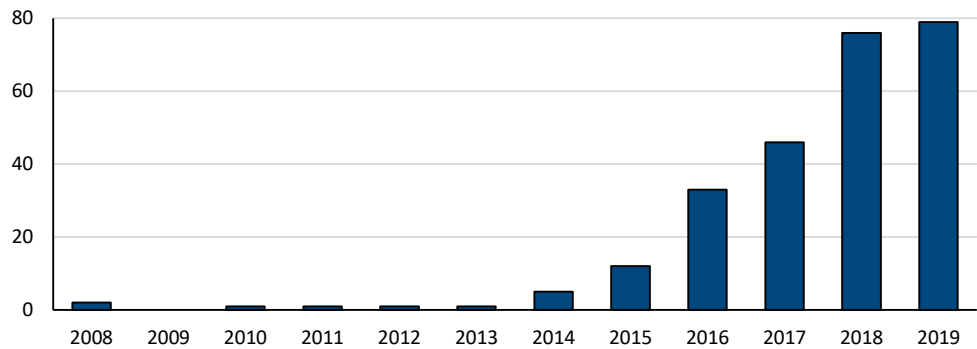


We forecast ~2.8 bbf of lumber demand creation by 2030 in our base case

Mass timber will continue to grow

Mass Timber is a category of framing styles typically characterized by the use of large solid wood panels for wall, floor, and roof construction. Developed in Austria in the 1990s, mass timber is just now making its way into the North American market, spurred by increased understanding of its benefits and its upcoming adoption into the International Building Code, which will allow for mass timber buildings of up to 18 stories (from 6 stories previously). We believe that this change in the building code will help to catalyze growth in North America.

Exhibit 6: North American Mass Timber Projects (2008 to 2019)



Source: Softwood Lumber Board, RBC Capital Markets

We view mass timber as a meaningful growth opportunity for Canfor and Weyerhaeuser and we expect that at least one producer will make a move into the market over the next five years. We see mass timber as an opportunity to create incremental demand and drive more stable returns relative to the historical volatility of commodity lumber markets. In our view, most investors would appreciate long-term investments that aim to stimulate additional demand and reduce the cyclical nature of the business.

Exhibit 7: RBC Capital Markets lumber demand scenario analysis

Year	Bear Case	Base Case	Bull Case
2020	600	600	600
2021	700	700	800
2022	800	900	1,000
2023	900	1,000	1,200
2024	1,000	1,200	1,500
2025	1,200	1,400	1,800
2026	1,300	1,600	2,200
2027	1,400	1,900	2,600
2028	1,500	2,200	3,100
2029	1,700	2,500	3,800
2030	1,800	2,800	4,200
2031	1,900	3,000	4,600
2032	2,000	3,300	5,000
2033	2,000	3,700	5,500
2034	2,200	4,000	6,100
2035	2,300	4,400	6,700

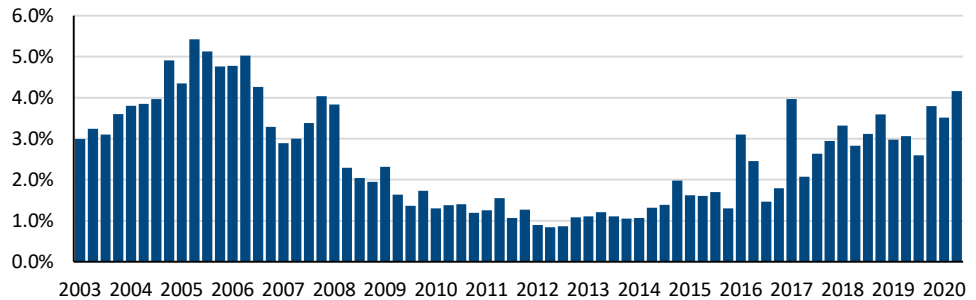
Source: RBC Capital Markets forecasts



Lumber and plywood imports should rise, but not enough to disrupt the pricing

With record pricing in North America and ample supply in Europe due to the spruce bark beetle infestation¹, we expect that some additional production will make its way into North American markets. This could add up to ~1 bbf of supply over the next year. In addition, much of the low-grade lumber is likely to be shipped to China, which will likely result in reduced exports from North America. In our view, this volume is not enough to impact prices.

Exhibit 8: US offshore lumber imports as a % of total consumption [Quarterly]



Source: WWPA, RBC Capital Markets

We expect to see more capacity additions as supply cannot keep up with demand

Over the next two years, we expect that there will be limited capacity additions, with the two largest coming from the re-start of former Klausner Lumber mills by Binderholz in 2021. In 2022, Idaho Forest Products is expected to start-up a greenfield mill in Alabama, while Japer Forest Products (in a JV with Tolko), will add 130 mmfbm to an existing mill. Finally, Hampton Lumber is expected to start up a brownfield mill in Fort St. John, BC.

Exhibit 9: Upcoming lumber capacity additions

Company name	Region	Location	Date	Capacity (mmfbm)	Type / Comment
2021E					
Ashton Lewis Lumber Co.	US South	Ruther Glen, Virginia	n.a.	n.a.	New specialty SYP operation
binderholtz	US South	Suwanee County, Florida	Jan 2021	+350	Sawmill re-start
J.D. Irving	Eastern Canada	Doaktown, New Brunswick	Apr 2021	n.a.	Modernization and expansion
Resolute Forest Products	US South	El Dorado, Arkansas	Apr 2021	+180	Re-start (RBC estimate)
binderholtz	US South	Enfield, North Carolina	Dec 2021	+350	Greenfield
Interfor Corp.	US South	Various	Dec 2021	+90	Phase II Capital Projects
Total expected capacity changes				+970	
2022E					
Florida Parishes Forest Products	US South	St. Helena, Louisiana	n.a.	n.a.	Specialty sawmill
Jasper Forest Products LLC.	US South	Jasper, Alabama	Mar 2022	+130	Expansion
Idaho Forest Group	US South	Lumberton	Jun 2022	+200	Greenfield project (Estimated)
Interfor Corp.	US South	Thomaston, Georgia	Dec 2022	+30	Phase II Capital Project
Interfor Corp.	US South	Eatonton, Georgia	Dec 2022	+30	Phase II Capital Project
Interfor Corp.	US South	Georgetown, South Carolina	Dec 2022	+30	Phase II Capital Project
Hampton Lumber	BC Interior	Fort St. John, BC	Dec 2022	+225	Stud mill
Total expected capacity changes				+645	

Source: Company filings, RBC Capital Markets

¹ A widespread infestation of European spruce bark beetles is destroying millions of hectares of coniferous softwood across Europe, with damages concentrated in Central Europe. The scale of the damage is similar to the Mountain Pine Beetle epidemic in British Columbia during the 2000s.



Q420 Wood Products Earnings Preview

We are updating our earnings estimates for 14 Wood Product companies as well as the associated price targets and investment ratings.

Rating Changes

We are increasing our rating for Western Forest Products to Outperform from Sector Perform.

Price Target Changes

In Canada, we are increasing our price targets for Canfor, CanWel Building Materials, Conifex Timber, Interfor, Norbord, West Fraser, and Western Forest Products.

In the United States, we are increasing our price targets for CatchMark Timber Trust, Louisiana-Pacific, PotlatchDeltic, and Weyerhaeuser.

Key Commodity Deck Changes

Lumber: We are increasing our lumber price forecasts for 2020, 2021, and 2022 based on increased demand expectations, primarily related to increased new residential construction. We have increased our 2021 W. SPF forecast by \$123/mfbm to \$588 and our 2022 forecast by \$100 to \$545. For SYP, we have increased our 2021 forecast by \$110 to \$575 and our 2022 forecast +\$85 to \$530.

Panels: We are increasing our OSB, plywood, and MDF price forecasts for 2020, 2021, and 2022, reflecting increasingly tight supply-demand fundamentals and the inadequate amount of supply set to come online during our forecast horizon. For OSB NC, we are increasing our 2021 price forecast by \$125 to \$450 and our 2022 forecast +\$15 to \$315.

Exhibit 10: RBC Capital Markets forestry team commodity deck changes

Commodity	2020E			2021E			2022E			RBC Trend			
	New	Old	Change	New	Old	Change	New	Old	Change	New	Old	Change	
Lumber	Random Lengths Composite	560	530	30	575	475	100	530	450	80	380	380	-
	W. SPF 2x4s #2&btr (\$/mfbm)	550	520	30	588	465	123	545	445	100	400	400	-
	E.SPF 2x4 G.L. (\$/mfbm)	640	610	30	678	555	123	635	535	100	485	485	-
	SPF 2x4s 8' KD Studs (\$/mfbm)	505	475	30	555	425	130	500	410	90	315	315	-
	SYP 2x4 West (\$/mfbm)	565	520	45	575	465	110	530	445	85	400	400	-
Panels	OSB (7/16", NC, \$/msf)	440	375	65	450	325	125	315	300	15	260	260	-
	OSB (7/16", SE, \$/msf)	425	360	65	430	315	115	275	275	-	250	250	-
	OSB (7/16", WC, \$/msf)	420	345	75	430	305	125	275	275	-	250	250	-
	Plywood (3/8", \$/msf)	440	425	15	475	400	75	425	400	25	425	425	-
	MDF (3/4", West, \$/msf)	615	605	10	665	625	40	665	625	40	625	625	-
FX	Canadian dollar / US dollar	\$0.75	\$0.75	(0.01)	\$0.75	\$0.75	-	\$0.75	\$0.75	-	\$0.75	\$0.75	-
	US dollar / Euro	€ 0.88	€ 0.90	(0.02)	€ 0.85	€ 0.88	(0.03)	€ 0.85	€ 0.90	(0.05)	\$0.90	€ 0.90	-

Source: RISI, Random Lengths, Valois Vision, Pacific Exchange Rate Service, Bloomberg, RBC Capital Markets estimates



Rating, price target, and estimate revisions

We have increased our price targets for eleven companies, primarily reflecting stronger near-term earnings outlooks and reduced leverage. We also increased our rating for Western Forest Products, reflecting the increasingly positive pricing outlook, which in our view, more than offsets headwinds related to government regulatory pressure.

Exhibit 11: Rating and price target revisions

Change in Rating	Change in Price Target	Company	Ticker	Previous Rating	Current Rating	Price 21-Dec-20	Previous Target	Current Target	Implied Total Return
CANADA									
		Acadian Timber (C\$)	ADN	SP	SP	C\$16.10	C\$16.00	C\$16.00	7%
	↑	Canfor Corp. (C\$)	CFP	O	O	C\$22.50	C\$27.00	C\$36.00	60%
	↑	CanWel Building Materials (C\$)	CWX	O	O	C\$7.13	C\$8.50	C\$10.00	47%
	↑	Conifex Timber (C\$)	CFF	O	O	C\$1.51	C\$2.00	C\$2.50	66%
	↑	Interfor Corp. (C\$)	IFP	O	O	C\$23.53	C\$24.00	C\$34.00	44%
	↑	Norbord Inc. (C\$)	OSB	O	O	C\$55.81	C\$60.00	C\$75.00	36%
	↑	West Fraser Timber Co. (C\$)	WFT	O	O	C\$83.28	C\$90.00	C\$110.00	33%
↑	↑	Western Forest Products (C\$)	WEF	SP	O	C\$1.18	C\$1.00	C\$1.50	27%
AUSTRALIA									
		James Hardie Industries	JHX	O	O	A\$38.17	A\$44.00	A\$44.00	16%
UNITED STATES									
	↑	CatchMark Timber Trust	CTT	O	O	\$9.11	\$10.00	\$11.00	27%
	↑	Louisiana-Pacific (US\$)	LPX	O	O	\$38.21	\$42.00	\$50.00	32%
	↑	PotlatchDeltic (US\$)	PCH	O	O	\$48.44	\$52.00	\$58.00	23%
		Rayonier Inc. (US\$)	RYN	SP	SP	\$29.25	\$30.00	\$30.00	6%
	↑	Weyerhaeuser Company (US\$)	WY	O	O	\$33.33	\$35.00	\$40.00	22%

Note: O – Outperform; SP – Sector Perform
Source: Bloomberg, RBC Capital Markets estimates

Exhibit 12: Adjusted EPS estimate revisions for Canadian coverage

Canadian Companies (C\$)		2019A	Q120	Q220	Q320	Q420E	2020E	Q121E	Q221E	Q321E	Q421E	2021E	2022E
Acadian Timber	current	\$2.12	(\$0.22)	\$0.31	\$0.31	\$0.30	\$0.70	\$0.37	\$0.18	\$0.32	\$0.26	\$1.13	\$1.12
	prior					\$0.30	\$0.70	\$0.37	\$0.18	\$0.32	\$0.26	\$1.13	\$1.12
	consensus					\$0.28	\$0.69	\$0.36	\$0.11	\$0.22	\$0.21	\$0.98	\$1.00
Canfor Corp.	current	(\$0.81)	(\$0.21)	\$0.67	\$2.07	\$1.41	\$3.94	\$1.37	\$2.09	\$0.67	\$0.59	\$4.72	\$4.13
	prior					\$1.40	\$3.93	\$0.66	\$1.08	\$0.49	\$0.28	\$2.51	\$1.79
	consensus					\$1.59	\$3.67	\$0.82	\$0.70	\$0.42	\$0.35	\$2.35	\$1.72
CanWel Building Materials	current	\$0.22	\$0.01	\$0.16	\$0.40	\$0.27	\$0.85	\$0.32	\$0.47	\$0.17	\$0.07	\$1.04	\$0.86
	prior					\$0.20	\$0.78	\$0.21	\$0.22	\$0.19	\$0.14	\$0.76	\$0.67
	consensus					\$0.15	\$0.70	n.a.	n.a.	n.a.	n.a.	\$0.61	\$0.60
Confifex Timber	current	(\$1.32)	(\$0.17)	(\$0.05)	\$0.04	\$0.11	(\$0.06)	\$0.10	\$0.18	\$0.06	\$0.09	\$0.43	\$0.27
	prior					\$0.05	(\$0.12)	\$0.03	\$0.08	\$0.02	\$0.03	\$0.15	\$0.14
	consensus					\$0.04	(\$0.13)	n.a.	n.a.	n.a.	n.a.	\$0.15	\$0.14
Interfor	current	(\$0.86)	\$0.01	\$0.16	\$2.08	\$1.84	\$4.09	\$1.83	\$2.29	\$1.13	\$1.12	\$6.37	\$5.26
	prior					\$1.53	\$3.78	\$0.70	\$0.95	\$0.44	\$0.21	\$2.29	\$1.45
	consensus					\$1.78	\$4.04	\$0.90	\$0.74	\$0.49	\$0.30	\$2.41	\$1.90
Norbord (US\$)	current	(\$0.37)	\$0.26	\$0.38	\$2.52	\$3.14	\$6.30	\$2.34	\$2.51	\$1.89	\$0.48	\$7.22	\$3.38
	prior					\$1.89	\$5.05	\$1.64	\$1.33	\$1.09	\$0.90	\$4.96	\$3.00
	consensus					\$2.62	\$5.68	\$1.55	\$1.42	\$1.05	\$0.72	\$4.57	\$3.58
West Fraser Timber	current	(\$0.31)	\$0.42	\$1.13	\$5.58	\$3.91	\$11.03	\$3.73	\$5.62	\$2.01	\$1.95	\$13.31	\$10.52
	prior					\$3.13	\$10.26	\$2.15	\$2.60	\$1.79	\$1.33	\$7.88	\$7.02
	consensus					\$4.42	\$10.68	\$2.85	\$2.09	\$1.70	\$1.32	\$8.29	\$8.36
Western Forest Products	current	(\$0.12)	(\$0.06)	\$0.02	\$0.03	\$0.03	\$0.02	\$0.04	\$0.05	\$0.04	\$0.04	\$0.17	\$0.17
	prior					\$0.02	\$0.02	\$0.02	\$0.03	\$0.03	\$0.02	\$0.11	\$0.12
	consensus					\$0.03	\$0.02	\$0.03	\$0.04	\$0.03	\$0.03	\$0.12	\$0.11

Note: All values in C\$, with the exception of Norbord, which is US\$
 Source: Company reports, Bloomberg, RBC Capital Markets estimates

Exhibit 13: Adjusted EBITDA estimate revisions for Canadian coverage

Canadian Companies (C\$)		2019A	Q120	Q220	Q320	Q420E	2020E	Q121E	Q221E	Q321E	Q421E	2021E	2022E
Acadian Timber	current	\$23.6	\$8.3	\$1.4	\$4.5	\$6.0	\$20.2	\$7.7	\$3.7	\$6.4	\$5.7	\$23.5	\$23.9
	prior					\$6.0	\$20.2	\$7.70	\$3.70	\$6.40	\$5.70	\$23.5	\$23.9
	consensus					\$6.2	\$20.3	\$8.1	\$3.9	\$5.9	\$5.2	\$23.7	\$23.8
Canfor Corp.	current	\$91.2	\$58.9	\$107.6	\$385.5	\$326.8	\$878.8	\$336.3	\$463.6	\$222.8	\$209.5	\$1,232.2	\$1,151.9
	prior					\$273.2	\$825.2	\$175.1	\$240.7	\$145.7	\$120.7	\$682.2	\$574.3
	consensus					\$375.5	\$963.8	\$256.0	\$216.3	\$186.0	\$162.0	\$834.7	\$765.0
CanWel Building Materials	current	\$86.2	\$16.5	\$32.8	\$57.0	\$40.0	\$146.3	\$44.9	\$61.1	\$28.7	\$18.3	\$153.0	\$132.2
	prior					\$32.4	\$138.7	\$33.5	\$34.3	\$30.2	\$24.8	\$122.5	\$112.1
	consensus					\$29.1	\$131.6	\$27.3	\$36.5	\$33.6	\$21.2	\$113.8	\$112.5
Conifex Timber	current	(\$29.8)	\$0.5	(\$2.1)	\$6.0	\$11.0	\$15.3	\$10.4	\$15.7	\$8.0	\$10.0	\$44.0	\$33.6
	prior					\$7.3	\$11.7	\$6.1	\$9.0	\$5.2	\$5.7	\$26.0	\$25.1
	consensus					\$8.1	\$13.5	\$65.7	\$66.7	\$76.8	\$68.9	\$30.6	\$31.0
Interfor	current	\$61.3	\$34.4	\$30.4	\$217.0	\$205.5	\$487.4	\$200.6	\$241.8	\$136.8	\$135.7	\$714.9	\$613.7
	prior					\$172.3	\$454.1	\$97.7	\$120.8	\$74.2	\$53.1	\$345.8	\$268.7
	consensus					\$194.0	\$492.2	\$117.1	\$102.5	\$79.8	\$62.2	\$362.7	\$312.5
Norbord (US\$)	current	\$138.0	\$75.0	\$84.0	\$322.0	\$373.0	\$854.0	\$295.0	\$315.0	\$247.0	\$96.0	\$953.0	\$560.0
	prior					\$242.0	\$723.0	\$221.0	\$187.0	\$161.0	\$141.0	\$710.0	\$516.0
	consensus					\$335.0	\$818.0	\$216.4	\$206.0	\$165.4	\$124.7	\$689.5	\$598.0
West Fraser Timber	current	\$143.0	\$76.0	\$125.0	\$545.0	\$439.3	\$1,185.3	\$411.6	\$584.3	\$254.1	\$248.5	\$1,498.5	\$1,226.9
	prior					\$368.9	\$1,114.9	\$267.1	\$308.3	\$233.5	\$192.2	\$1,001.2	\$906.9
	consensus					\$439.4	\$1,216.8	\$302.8	\$269.6	\$230.8	\$207.2	\$1,025.0	\$995.8
Western Forest Products	current	(\$1.6)	(\$17.4)	\$18.8	\$31.4	\$27.5	\$60.3	\$33.2	\$36.7	\$31.9	\$28.9	\$130.8	\$131.7
	prior					\$25.9	\$58.7	\$22.40	\$28.50	\$26.50	\$23.60	\$101.0	\$107.0
	consensus					\$26.1	\$67.4	\$27.5	\$31.4	\$29.0	\$26.6	\$111.4	\$113.3

Note: All values in C\$, with the exception of Norbord, which is US\$
Source: Company reports, Bloomberg, RBC Capital Markets estimates

Exhibit 14: Adjusted EPS revisions for US coverage

US/Australian Companies (US\$)		2019A	Q120	Q220	Q320	Q420E	2020E	Q121E	Q221E	Q321E	Q421E	2021E	2022E
CatchMark Timber Trust	current	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
	prior	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
	consensus	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
James Hardie Industries	current	\$0.77	\$0.19	\$0.20	\$0.27	\$0.23	\$0.89	\$0.24	\$0.23	\$0.27	\$0.25	\$0.99	\$0.98
	prior					\$0.19	\$0.79	\$0.20	\$0.27	\$0.23	\$0.24	\$0.94	\$1.02
	consensus					\$0.24	\$0.89	\$0.25	\$0.26	\$0.29	\$0.27	\$1.06	\$1.29
Louisiana-Pacific	current	\$0.37	\$0.34	\$0.43	\$1.56	\$1.69	\$4.02	\$1.66	\$1.67	\$1.06	\$0.52	\$4.92	\$3.59
	prior					\$1.50	\$3.83	\$1.04	\$0.80	\$0.80	\$0.79	\$3.43	\$3.06
	consensus					\$1.55	\$3.80	\$0.91	\$0.88	\$0.79	\$0.60	\$3.12	\$2.87
PotlatchDeltic	current	\$0.80	(\$0.25)	\$0.04	\$1.20	\$1.47	\$2.46	\$1.02	\$1.25	\$0.66	\$0.61	\$3.54	\$3.04
	prior					\$1.47	\$2.46	\$0.72	\$0.71	\$0.60	\$0.50	\$2.52	\$2.36
	consensus					\$1.36	\$2.67	\$0.47	\$0.43	\$0.52	\$0.40	\$1.80	n.a.
Rayonier Inc.	current	\$0.46	(\$0.00)	\$0.11	\$0.06	\$0.04	\$0.20	\$0.07	\$0.05	\$0.04	\$0.05	\$0.22	\$0.39
	prior					\$0.04	\$0.20	\$0.07	\$0.05	\$0.04	\$0.05	\$0.22	\$0.39
	consensus					\$0.05	\$0.21	\$0.06	\$0.06	\$0.05	\$0.06	\$0.23	\$0.36
Weyerhaeuser	current	\$0.38	\$0.19	\$0.11	\$0.52	\$0.58	\$1.40	\$0.61	\$0.80	\$0.38	\$0.28	\$2.07	\$1.68
	prior					\$0.45	\$1.26	\$0.40	\$0.42	\$0.31	\$0.25	\$1.38	\$1.52
	consensus					\$0.40	\$1.19	\$0.28	\$0.29	\$0.25	\$0.19	\$1.06	\$1.21

Note: James Hardie financials presented on a calendar basis for ease of comparability
Source: Company reports, Bloomberg, RBC Capital Markets estimates

Exhibit 15: Adjusted EBITDA estimate revisions for US coverage

US/Australian Companies (US\$)		2019A	Q120	Q220	Q320	Q420E	2020E	Q121E	Q221E	Q321E	Q421E	2021E	2022E
CatchMark Timber Trust	current	\$56.9	\$12.9	\$9.4	\$12.4	\$14.0	\$48.8	\$12.4	\$12.6	\$12.4	\$14.0	\$51.3	\$56.0
	prior					\$14.0	\$48.8	\$13.0	\$13.1	\$12.9	\$14.7	\$53.7	\$56.0
	consensus					\$13.1	\$47.6	\$12.6	\$12.2	\$12.6	n.a.	\$50.7	n.a.
James Hardie Industries	current	\$586.8	\$158.7	\$156.1	\$195.0	\$176.7	\$686.5	\$189.2	\$179.9	\$200.0	\$186.5	\$755.6	\$761.7
	prior					\$158.7	\$618.3	\$156.1	\$195.0	\$176.7	\$189.2	\$716.9	\$772.2
	consensus					\$175.7	\$676.2	\$185.0	\$208.0	\$208.0	\$200.0	\$801.0	\$910.0
Louisiana-Pacific	current	\$206.0	\$83.0	\$97.0	\$273.0	\$289.7	\$742.7	\$285.7	\$287.4	\$194.3	\$113.2	\$880.6	\$679.4
	prior					\$260.8	\$713.8	\$192.1	\$155.2	\$155.0	\$153.5	\$655.8	\$599.4
	consensus					\$269.4	\$709.1	\$171.9	\$170.9	\$154.9	\$127.0	\$596.6	\$318.3
PotlatchDeltic	current	\$178.9	\$47.6	\$35.4	\$135.4	\$164.4	\$382.8	\$116.1	\$133.0	\$91.1	\$84.0	\$424.3	\$372.6
	prior					\$164.0	\$382.4	\$91.7	\$88.5	\$86.1	\$74.6	\$340.9	\$317.5
	consensus					\$152.4	\$368.8	\$65.7	\$66.7	\$76.8	\$68.9	\$275.40	n.a.
Rayonier Inc.	current	\$247.8	\$47.1	\$78.6	\$67.2	\$67.9	\$260.8	\$70.5	\$64.9	\$64.1	\$65.9	\$265.4	\$291.6
	prior					\$67.9	\$260.8	\$70.5	\$64.9	\$64.1	\$65.9	\$265.4	\$291.6
	consensus					\$64.0	\$260.7	\$66.8	\$63.9	\$62.7	\$65.1	\$267.00	n.a.
Weyerhaeuser	current	\$1,276	\$413	\$386	\$745	\$684	\$2,228	\$740	\$905	\$540	\$448	\$2,633	\$2,260
	prior					\$573	\$2,117	\$554.0	\$572.0	\$475.0	\$421.0	\$2,021	\$2,125
	consensus					\$579	\$2,112	\$467.2	\$484.2	\$455.5	\$407.6	\$1,864	\$2,018

Note: James Hardie financials presented on a calendar basis for ease of comparability
Source: Company reports, Bloomberg, RBC Capital Markets estimates



Company profiles

Acadian Timber Corp.



Analyst:	Paul C. Quinn	Rating:	Sector Perform	Market price:	\$16.10
Ticker:	ADN CN	Target price:	\$16.00	Dividend yield:	7.2%
Market cap (\$MM):	\$269	2021E P/E:	14.3x	52-week high:	\$18.62
EV (\$MM):	\$368	2021E EV/EBITDA:	15.7x	52-week low:	\$11.11

Company description

Acadian Timber Corp. ("Acadian") is a leading supplier of primary forest products in Eastern Canada and the Northeastern United States. The company owns and manages approximately 1.1 million acres of freehold timberland in New Brunswick and Maine and provides land management services relating to about 1.3 million acres of Crown licensed timberlands.

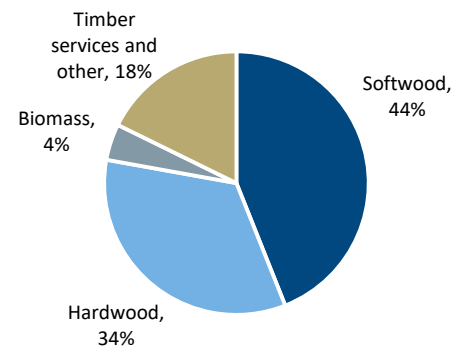
Valuation

Our \$16 price target supports our Sector Perform rating. We value Acadian Timber based on a 15.0x blended EV/EBITDA multiple of our trend EBITDA estimate of \$24.6MM (weighted 85%) and our 2021 EBITDA estimate of \$23.5MM (weighted 15%). Reflecting Acadian's "pure-play" timber REIT status, our target multiple is deservedly above the range for large US paper and forest product companies of 6.0-8.0x.

Risks

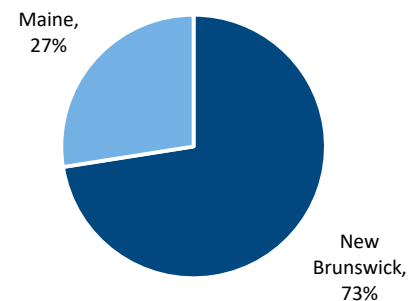
- **Dependence on Twin Rivers Paper Company:** Approximately 10% of Acadian's total sales are derived from lumber, pulp, and paper mills owned by Twin Rivers. The loss of revenue associated with Twin Rivers would reduce free cash flow and potentially result in impairments.
- **Dependence on housing and construction markets:** Demand for logs and wood products is primarily affected by the level of new residential construction activity. A decline in activity would negatively impact lumber mills, which are important customers for Acadian.
- **Currency risk:** All of Acadian's net sales in Maine and a portion of those in New Brunswick are earned in US dollars. As a result, Acadian could be unfavorably impacted by fluctuations in exchange rates.
- **Potential Eastern Spruce budworm infestations:** Every 30-40 years, the insect's population has the potential to reach epidemic levels and cause extensive defoliation of balsam fir and spruce that could kill the trees.

Sales by segment (2021E)



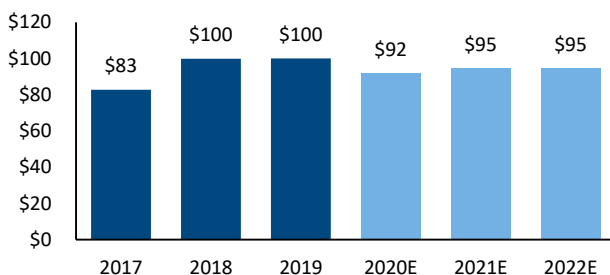
Source: RBC Capital Markets estimates

Sales by geography (2021E)



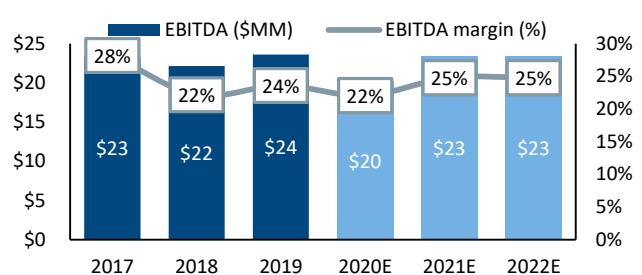
Source: RBC Capital Markets estimates

Sales (C\$, MM)



Source: Company reports, RBC Capital Markets estimates

Adjusted EBITDA (C\$, MM)



Source: Company reports, RBC Capital Markets estimates



Acadian Timber Corp.

Model summary

Acadian Timber Corp. (TSX:ADN)	Fiscal	2016	2017	2018	2019	Q120	Q220	Q320	Q420E	2020E	2021E	2022E
PRICING ASSUMPTIONS												
New Brunswick		\$57	\$56	\$58	\$62	\$63	\$62	\$57	\$58	\$59	\$61	\$61
Maine		\$74	\$70	\$76	\$78	\$79	\$91	\$77	\$77	\$79	\$81	\$78
PRODUCTION												
New Brunswick		939	922	986	927	254	120	237	249	860	865	890
Maine		1,213	1,252	1,307	1,251	375	140	302	339	1,156	1,176	1,191
INCOME STATEMENT												
Revenues	\$MM	\$77	\$83	\$100	\$100	\$31	\$11	\$23	\$26	\$92	\$95	\$96
Cash cost of sales	\$MM	(48)	(53)	(68)	(67)	(21)	(8)	(16)	(18)	(62)	(62)	(63)
SG&A	\$MM	(6)	(8)	(10)	(9)	(2)	(2)	(2)	(2)	(8)	(8)	(8)
Other	\$MM	(0)	2	0	0	(0)	(0)	(1)	0	(1)	(1)	(1)
Adjusted EBITDA	\$MM	\$22.5	\$23.3	\$22.1	\$23.6	\$8.3	\$1.4	\$4.5	\$6.0	\$20.2	\$23.5	\$23.9
Depreciation	\$MM	0	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
EBIT	\$MM	22	21	21	22	8	1	4	6	20	23	23
Interest	\$MM	(3)	(3)	(4)	(4)	(1)	(1)	(1)	(1)	(5)	(4)	(4)
Other	\$MM	2	18	22	4	(9)	7	3	2	3	9	9
EBT	\$MM	21	36	39	22	(2)	7	6	7	18	28	28
Tax rate	%	24%	14%	32%	21%	nm	29%	29%	29%	36%	32%	34%
Adjusted net income	\$MM	\$16	\$31	\$26	\$35	(\$4)	\$5	\$5	\$5	\$12	\$19	\$19
Shares outstanding (FD)	MM	16.7	16.7	16.7	16.7	16.7	16.7	16.7	16.7	16.7	16.7	16.7
Adjusted EPS (FD)	\$/sh	\$0.96	\$1.84	\$1.57	\$2.12	(\$0.22)	\$0.31	\$0.31	\$0.30	\$0.70	\$1.13	\$1.12
Adjusted EBITDA margin	%	29.2%	28.2%	22.2%	23.6%	26.5%	11.8%	19.4%	23.6%	22.1%	24.8%	24.9%
Dividend	\$/sh	\$1.00	\$1.08	\$1.12	\$1.16	\$0.29	\$0.29	\$0.29	\$0.29	\$1.16	\$1.16	\$1.16
CASH FLOW STATEMENT												
CF from ops b/f Δ w/c	\$MM	22	19	16	1	7	(0)	3	7	16	26	26
FFFO	\$MM	19	22	16	(4)	7	4	3	4	17	29	26
Investing cash flow	\$MM	0	1	1	1	(0)	(0)	(0)	(0)	(0)	(1)	(1)
Financing cash flow	\$MM	(17)	(18)	(19)	(12)	(2)	(6)	(5)	(1)	(14)	(28)	(26)
Capex	\$MM	0	1	0	0	0	0	0	0	0	1	1
Free cash flow b/f Δ w/c	\$MM	22	18	16	1	7	(0)	3	7	16	25	26
Free cash flow after Δ w/c	\$/sh	\$18.31	\$20.58	\$15.98	(\$4.23)	\$6.72	\$3.76	\$2.47	\$3.81	\$16.76	\$28.43	\$25.64
BALANCE SHEET												
Cash	\$MM	20	24	22	8	12	10	7	10	10	10	10
Gross debt	\$MM	97	91	97	101	112	108	106	110	110	101	95
Net debt	\$MM	77	67	74	93	100	99	99	100	100	91	85
Net debt-to-cap	%	22%	20%	20%	25%	26%	26%	26%	26%	26%	24%	22%
Net debt : LTM EBITDA	X.X Times	3.4x	2.9x	3.4x	4.0x	4.3x	4.6x	4.8x	4.9x	4.9x	3.9x	3.6x
Shareholders equity	\$MM	\$268	\$274	\$290	\$287	\$290	\$286	\$283	\$285	\$285	\$291	\$298

Source: Company filings, RBC Capital Markets estimates

Canfor Corporation



Analyst:	Paul C. Quinn	Rating:	Outperform	Market price:	\$22.50
Ticker:	CFP CN	Target price:	\$36.00	Dividend yield:	0.0%
Market cap (\$MM):	\$2,817	2021E P/E:	4.8x	52-week high:	\$23.17
EV (\$MM):	\$3,589	2021E EV/EBITDA:	2.9x	52-week low:	\$6.11

Company description

Canfor Corporation (“Canfor”) is an integrated Canadian forest products producer, primarily involved in the lumber business. The company owns lumber assets in Canada, the United States, and a 70% interest in the VIDA Group of Sweden. Canfor also has a 54.8% interest in the pulp & kraft paper business owned by Canfor Pulp Products Inc. (TSX: CFX).

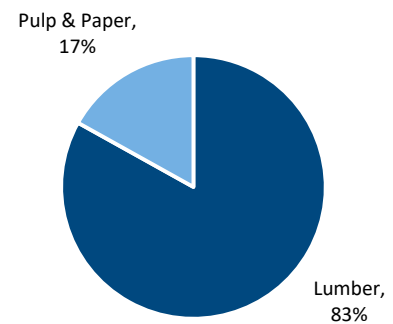
Valuation

Our price target of \$36 supports our Outperform rating. We value Canfor based on a 6.5x blended valuation multiple using our trend EBITDA estimate of \$815M (85% weighting) and our 2021 EBITDA estimate of \$1.2B (15% weighting). We believe the company should trade near the high end of the range for Canadian Paper and Forest Products companies (range 5.0x to 7.0x), reflecting extremely strong lumber markets in North America, its high-quality European franchise, and improving pulp fundamentals.

Risks

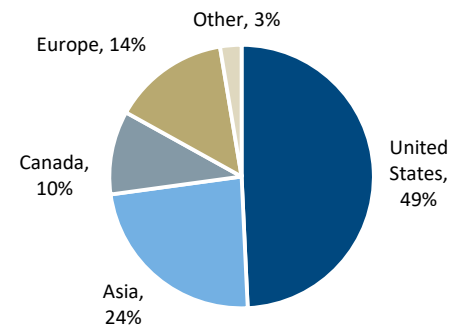
- **Currency risk:** Canfor’s operating results are sensitive to fluctuation in the exchange rate of the Canadian dollar relative to the US dollar. An increase in the value of the Canadian dollar reduces the company’s realized sales, which are mostly priced in US dollars.
- **Cyclicality of lumber pricing:** The Company’s financial performance is dependent upon the selling prices of its products, which has historically been quite volatile. Lumber pricing may be characterized by periods of excess supply due to capacity additions and/or periods of insufficient demand due to weak general economic conditions.
- **Capital requirements:** The forest products industry is capital intensive, with regular capital expenditures to maintain equipment, increase operating efficiency, and comply with environmental laws.

Sales by segment (2021E)



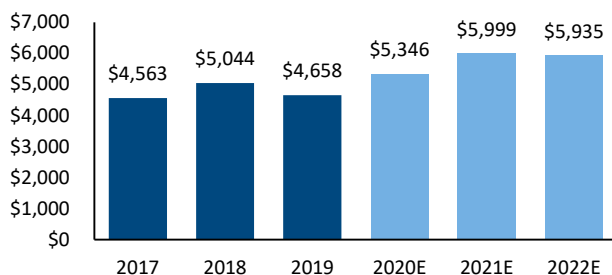
Source: RBC Capital Markets estimates

Sales by geography (2019)



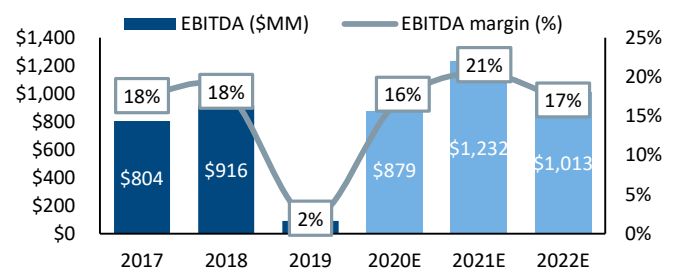
Source: Company reports, RBC Capital Markets

Sales (C\$, MM)



Source: Company reports, RBC Capital Markets estimates

Adjusted EBITDA (C\$, MM)



Source: Company reports, RBC Capital Markets estimates

Canfor Corporation



Model summary

Canfor Corporation		2017	2018	2019	Q120	Q220	Q320	Q420E	2020E	2021E	2022E
TSX: CFP		31-Dec-17	31-Dec-18	31-Dec-19	31-Mar-20	30-Jun-20	30-Sep-20	31-Dec-20	31-Dec-20	31-Dec-21	31-Dec-22
LUMBER SEGMENT											
North American pricing	C\$ per mfbm	\$531	\$630	\$487	\$520	\$528	\$1,015	\$902	\$745	\$778	\$719
European pricing	C\$ per mfbm	n.a.	\$600	\$537	\$465	\$465	\$516	\$519	\$492	\$531	\$531
Shipments – Western SPF Lumber	mmfbm	3,689.0	3,537.9	2,857.5	574.0	531.0	667.0	693.2	2,465.2	2,718.1	2,728.7
Shipments – SYP Lumber	mmfbm	1,399.7	1,413.9	1,409.1	363.0	350.0	429.0	412.4	1,554.4	1,589.1	1,596.1
Shipments – European SPF Lumber	mmfbm	0.0	0.0	854.4	314.0	273.0	275.0	325.7	1,187.7	1,328.6	1,329.7
Total lumber shipments	mmfbm	5,088.7	4,951.8	5,121.0	1,251.0	1,154.0	1,371.0	1,431.2	5,207.2	5,635.8	5,654.5
Sales – Western SPF Lumber (est.)	\$MM	\$2,438	\$2,591	\$1,864	\$420	\$356	\$671	\$614	\$2,060	\$2,434	\$2,390
Sales – SYP Lumber (est.)	\$MM	\$997	\$1,079	\$982	\$247	\$281	\$420	\$384	\$1,334	\$1,392	\$1,359
Sales – European SPF Lumber	\$MM	\$0	\$0	\$725	\$228	\$227	\$233	\$278	\$966	\$1,159	\$1,160
Total lumber sales	\$MM	\$3,435	\$3,670	\$3,571	\$895	\$865	\$1,324	\$1,275	\$4,359	\$4,985	\$4,909
Adjusted EBITDA – North America	\$MM	\$614	\$618	(\$29)	\$26	\$64	\$366	\$280	\$736	\$981	\$883
Adjusted EBITDA – Europe	\$MM	\$0	\$0	\$82	\$22	\$29	\$45	\$67	\$162	\$187	\$167
Adjusted EBITDA – Total	\$MM	\$614	\$618	\$54	\$47	\$93	\$411	\$347	\$899	\$1,169	\$1,050
Adjusted EBITDA											
Lumber	\$MM	\$614	\$618	\$54	\$47	\$93	\$411	\$347	\$899	\$1,169	\$1,050
Pulp & Paper	\$MM	\$229	\$326	\$73	\$17	\$19	(\$16)	(\$15)	\$4	\$88	\$127
Unallocated and Other	\$MM	(\$39)	(\$28)	(\$35)	(\$6)	(\$4)	(\$9)	(\$6)	(\$24)	(\$25)	(\$25)
Adjusted EBITDA	\$MM	\$804	\$916	\$91.2	\$58.9	\$107.6	\$385.5	\$326.8	\$878.8	\$1,232.2	\$1,151.9
INCOME STATEMENT											
Sales	\$MM	\$4,563	\$5,044	\$4,658	\$1,171	\$1,115	\$1,550	\$1,510	\$5,346	\$5,999	\$5,951
Manufacturing and product costs	\$MM	\$2,963	\$3,244	\$3,620	\$946	\$730	\$898	\$936	\$3,510	\$3,890	\$3,911
Freight and other distribution costs	\$MM	\$636	\$644	\$646	\$148	\$137	\$174	\$181	\$640	\$713	\$715
CV and ADD expense, net	\$MM	\$44	\$169	\$179	\$44	\$19	\$51	\$37	\$152	\$45	\$55
Amortization	\$MM	\$250	\$271	\$371	\$94	\$93	\$94	\$93	\$374	\$374	\$374
Selling and administration costs	\$MM	\$115	\$107	\$125	\$26	\$26	\$34	\$29	\$114	\$118	\$118
Restructuring costs, net	\$MM	(\$1)	\$1	\$21	\$1	\$14	\$0	\$0	\$15	\$0	\$0
Operating income (loss)	\$MM	\$557	\$609	(\$303)	(\$89)	\$97	\$300	\$233	\$541	\$859	\$778
Adjusted net income	\$MM	\$363	\$488	(\$101)	(\$26)	\$83	\$259	\$176	\$493	\$591	\$517
Shares outstanding	MM	129.2	128.0	125.2	125.2	125.2	125.2	125.2	125.2	125.2	125.2
Earnings per share	\$ per sh	\$2.81	\$3.82	(\$0.81)	(\$0.21)	\$0.67	\$2.07	\$1.41	\$3.94	\$4.72	\$4.13
CASH FLOW STATEMENT											
Cash from operations	\$MM	\$610	\$536	\$202	(\$7)	\$298	\$423	\$95	\$808	\$1,065	\$965
Cash from financing	\$MM	(\$208)	(\$187)	\$550	\$56	(\$178)	(\$309)	(\$25)	(\$456)	(\$44)	(\$44)
Cash from investing	\$MM	(\$266)	(\$393)	(\$945)	(\$53)	(\$75)	(\$81)	(\$18)	(\$227)	(\$200)	(\$200)
Change in cash	\$MM	\$132	(\$35)	(\$192)	(\$1)	\$45	\$31	\$52	\$126	\$821	\$721
Free cash flow	\$MM	\$327	\$37	(\$178)	(\$75)	\$253	\$391	\$66	\$634	\$821	\$721
BALANCE SHEET											
Book value per share	\$ per sh	\$15.49	\$18.29	\$16.52	\$16.46	\$16.93	\$18.37	\$19.67	\$19.67	\$24.42	\$28.70
Total debt to EBITDA	X.X	0.48x	0.45x	12.60x	13.41x	6.93x	1.41x	0.90x	0.90x	0.64x	0.68x
Net debt to EBITDA	X.X	0.12x	0.17x	11.94x	12.18x	5.92x	1.07x	0.62x	0.62x	(0.22x)	(0.87x)
Net debt to capitalization	%	2.8%	4.0%	24.1%	24.6%	20.6%	13.4%	11.6%	11.6%	(5.2%)	(17.1%)

Source: Company filings, RBC Capital Markets estimates



CanWel Building Materials Group Ltd.

Analyst:	Paul C. Quinn	Rating:	Outperform	Market price:	\$7.13
Ticker:	CWX CN	Target price:	\$10.00	Dividend yield:	6.7%
Market cap (\$MM):	\$556	2021E P/E:	6.9x	52-week high:	\$7.67
EV (\$MM):	\$921	2021E EV/EBITDA:	6.0x	52-week low:	\$2.73

Company description

CanWel Building Materials Group Ltd. ("CanWel") is a national distributor of construction materials and specialty and allied products and a supplier of pressure treating services in Canada. The company also offers building materials distribution, pressure treating, and value-added services through its facilities in California and Hawaii. CanWel's Forestry division manages timberlands, logging, post-peeling, and wood treatment operations in Western Canada.

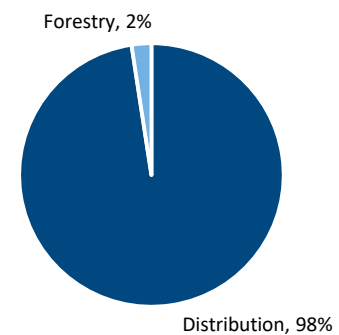
Valuation

Our \$10 price target reflects a 7.5x EV/EBITDA multiple on our 2021E EBITDA of \$153MM. Our valuation multiple is in line with the company's Canadian peers, but modestly below US distributors.

Risks

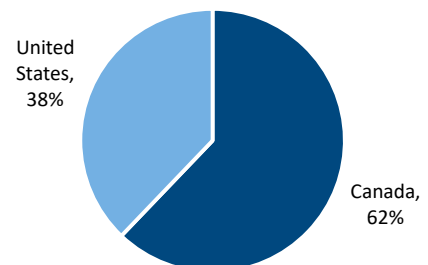
- Dependence on market conditions:** Demand for CanWel's products depends upon the home improvement, new residential and commercial construction markets. A reduction in the level of activity in these markets may result in increased price competition between suppliers, compressing gross margins.
- Margin risk:** As a distributor, CanWel is dependent on its ability to sustain its profit margin. If the company's cost of goods sold increases for products the company has already agreed to sell or if prices fall below purchased cost, or if competitors price more aggressively, CanWel's margins could be negatively affected.
- Customer concentration:** Sales to Home Depot and Lowe's represent nearly 30% of CanWel's total revenue and CanWel does not typically enter into long-term contracts with major customers as is customary in the industry. Therefore, the loss of a major customer would negatively impact results.

Sales by segment (2021E)



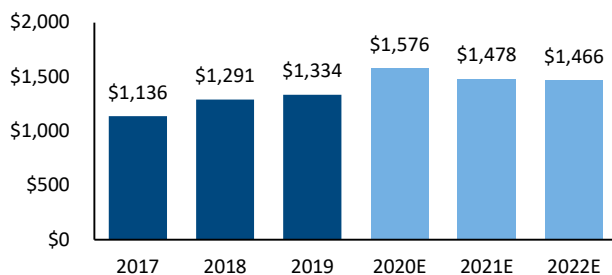
Source: RBC Capital Markets estimates

Sales by geography (2021E)



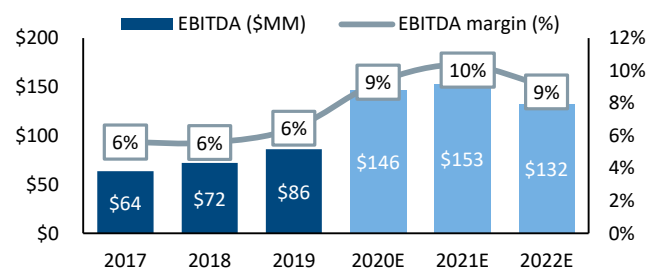
Source: Company reports, RBC Capital Markets estimates

Sales (C\$, MM)



Source: Company reports, RBC Capital Markets estimates

Adjusted EBITDA (C\$, MM)



Source: Company reports, RBC Capital Markets estimates



CanWel Building Materials Group Ltd.

Model summary

CanWel Building Materials Group Ltd. TSX: CWX	Fiscal Calendar	2018 31-Dec-18	2019 31-Dec-19	Q120 31-Mar-20	Q220 30-Jun-20	Q320 30-Sep-20	Q420 31-Dec-20	2020 31-Dec-20	2021 31-Dec-21	2022 31-Dec-22
GEOGRAPHIC REVENUE										
Canada	\$MM	\$946	\$907	\$197	\$279	\$318	\$220	\$1,014	\$918	\$933
United States	\$MM	\$345	\$427	\$129	\$134	\$154	\$143	\$561	\$560	\$533
SEGMENTED REVENUE										
Distribution	\$MM	\$1,241	\$1,286	\$317	\$404	\$464	\$356	\$1,541	\$1,442	\$1,430
Forestry	\$MM	\$51	\$48	\$10	\$9	\$8	\$8	\$35	\$36	\$36
SALES BY PRODUCT GROUP										
Construction materials	\$MM	\$749	\$774	\$203	\$277	\$307	\$236	\$1,023	\$972	\$963
Specialty and allied	\$MM	\$439	\$467	\$105	\$116	\$142	\$105	\$467	\$438	\$436
Forestry and other	\$MM	\$103	\$93	\$20	\$21	\$24	\$22	\$86	\$80	\$80
INCOME STATEMENT										
Net sales	\$MM	\$1,291	\$1,334	\$327	\$413	\$472	\$364	\$1,576	\$1,478	\$1,466
Cost of goods sold	\$MM	\$1,098	\$1,142	\$283	\$354	\$385	\$300	\$1,323	\$1,230	\$1,240
Gross profit	\$MM	\$193	\$192	\$43	\$59	\$87	\$64	\$253	\$248	\$226
SG&A	\$MM	\$121	\$106	\$27	\$26	\$30	\$24	\$107	\$95	\$94
Adjusted EBITDA	\$MM	\$72.0	\$86.2	\$16.5	\$32.8	\$57.0	\$40.0	\$146.3	\$153.0	\$132.2
Depreciation	\$MM	\$18	\$42	\$10	\$11	\$11	\$11	\$43	\$42	\$41
Operating income	\$MM	\$54	\$44	\$6	\$22	\$46	\$29	\$104	\$111	\$91
Interest expense, net	\$MM	(\$12)	(\$22)	(\$5)	(\$4)	(\$3)	\$0	(\$13)	\$0	\$0
Income before taxes	\$MM	\$41	\$22	\$1	\$17	\$43	\$29	\$91	\$111	\$91
Income tax expense	\$MM	\$11	\$5	\$0	\$5	\$12	\$8	\$25	\$30	\$25
Net income	\$MM	\$30	\$17	\$1	\$13	\$31	\$21	\$66	\$81	\$67
Shares outstanding (FD)	MM	77.7	77.7	77.8	77.8	77.9	77.9	77.9	77.9	77.9
Adjusted EPS	\$/sh	\$0.38	\$0.22	\$0.01	\$0.16	\$0.40	\$0.27	\$0.85	\$1.04	\$0.86
Dividend per share	\$/sh	\$0.56	\$0.56	\$0.14	\$0.14	\$0.12	\$0.12	\$0.52	\$0.48	\$0.48
CASH FLOW STATEMENT										
CFO before changes in WC	\$MM	\$51	\$61	\$13	\$29	\$54	\$33	\$127	\$123	\$108
Changes in WC	\$MM	(\$55)	\$7	(\$75)	\$58	\$53	(\$18)	\$18	\$93	(\$15)
Capital expenditures	\$MM	(\$10)	(\$7)	(\$1)	(\$0)	(\$1)	(\$1)	(\$3)	(\$6)	(\$6)
Free cash flow (before WC)	\$MM	\$40	\$30	\$19	\$22	\$47	\$32	\$118	\$117	\$102
BALANCE SHEET										
Total debt	\$MM	\$297	\$409	\$507	\$435	\$369	\$361	\$361	\$335	\$335
Net debt	\$MM	\$297	\$409	\$503	\$431	\$365	\$361	\$361	\$187	\$137
Total debt to EBITDA	X.X	4.1x	4.8x	5.8x	4.7x	3.0x	2.5x	2.5x	2.2x	2.5x
Net debt to EBITDA	X.X	4.1x	4.8x	5.7x	4.6x	2.9x	2.5x	2.5x	1.2x	1.0x
Net debt to cap	%	37%	46%	49%	45%	41%	41%	41%	22%	15%

Source: Company filings, RBC Capital Markets estimates



CatchMark Timber Trust, Inc.



Analyst:	Paul C. Quinn	Rating:	Outperform	Market price:	\$9.11
Ticker:	CTT US	Target price:	\$11.00	Dividend yield:	5.9%
Market cap (\$MM):	\$444	2021E P/E:	n.m.	52-week high:	\$11.69
EV (\$MM):	\$873	2021E EV/EBITDA:	17.0x	52-week low:	\$5.13

Company description

CatchMark Timber Trust, Inc. ("CatchMark") owns and operates timberlands located in the United States and is organized as a REIT for federal income tax purposes. The company engages in the acquisition, ownership, operation, management, and disposition of timberland properties located in the United States. CatchMark generates cash flow from the harvest and sale of timber, as well as non-timber-related revenue from asset management fees and rent from hunting/recreational licenses.

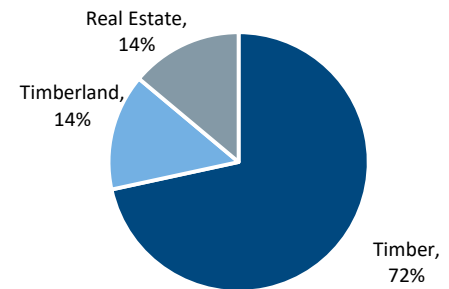
Valuation

Our \$11 price target is based on a ~16.5x multiple on our trend EBITDA estimate of \$58MM (weighted 85%) and our 2021 EBITDA estimate of \$51MM. Reflecting CatchMark's "pure-play" timber REIT model being the "purest" amongst the Timber REIT peer group, our target multiple is deservedly above the range for large US paper & forest product companies (6.0–8.0x).

Risks

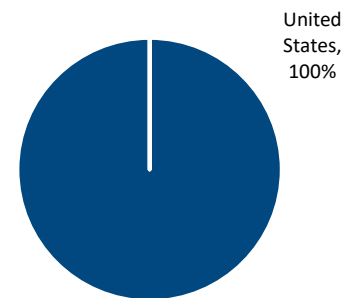
- **Cyclicality of demand:** Demand for timber is affected by the strength of end markets, including lumber, pulp, and paper. Decreases in the level of residential construction activity generally reduce demand for wood products, which can result in lower revenue, profit, and cash flow.
- **Geographic concentration:** Almost all of CatchMark's timberlands are located in the US South, which could expose the company to adverse developments in the region.
- **Customer concentration:** In 2019, WestRock represented 16% of CatchMark's consolidated revenue. The loss of a major customer, such as WestRock, would have an adverse effect on operating results. The loss of either as a customer would have an adverse effect on operating results.

Sales by segment (2021E)



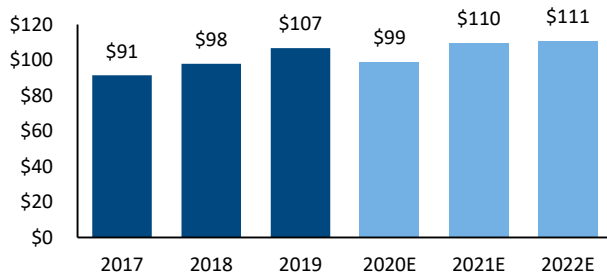
Source: RBC Capital Markets estimates

Sales by geography (2019)



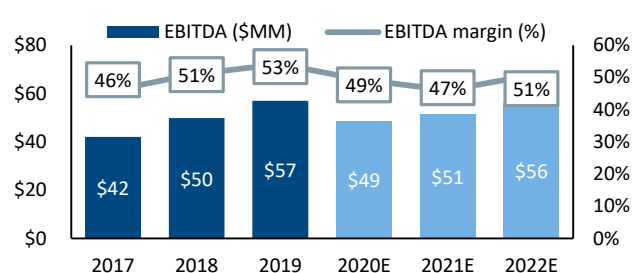
Source: Company reports, RBC Capital Markets

Sales (US\$, MM)



Source: Company reports, RBC Capital Markets estimates

Adjusted EBITDA (US\$, MM)



Source: Company reports, RBC Capital Markets estimates



CatchMark Timber Trust, Inc.



Model summary

CatchMark Timber Trust, Inc.		2016	2017	2018	2019	Q120	Q220	Q320	Q420E	2020E	2021E	2022E
PRICING + VOLUME ASSUMPTIONS												
Timberland Harvest Segment												
Pulpwood Sales Volume	000s tons	1360	1424	1356	1305	324	352	349	346	1371	1400	1250
Sawtimber Sales Volume	000s tons	867	927	817	895	271	195	231	239	936	925	1075
Total Volume	000s tons	2,227	2,351	2,173	2,200	595	547	581	585	2,307	2,325	2,325
Y/Y volume change	%	21%	6%	-8%	1%	23%	14%	-5%	-7%	5%	1%	0%
Pulpwood Sales Volume	%	61%	61%	62%	59%	54%	64%	60%	59%	59%	60%	54%
Sawtimber Sales Volume	%	39%	39%	38%	41%	46%	36%	40%	41%	41%	40%	46%
Avg Pulpwood Net Sales Price	\$/ton	\$14	\$13	\$14	\$14	\$13	\$12	\$13	\$13	\$13	\$13	\$14
Avg Sawtimber Net Sales Price	\$/ton	\$24	\$24	\$24	\$24	\$23	\$23	\$22	\$22	\$23	\$24	\$25
Blended Net Sales Price	\$/ton	\$18	\$17	\$17	\$18	\$18	\$16	\$17	\$17	\$17	\$17	\$19
Y/Y price change	%	-1%	-2%	1%	3%	-5%	-10%	-7%	-6%	-7%	4%	10%
INCOME STATEMENT												
Timberland (Harvest)	\$MM	65	71	69	73	18	16	18	17	69	79	83
Other Timberland harvest and JV fees	\$MM	4	5	11	22	4	5	4	4	17	16	16
Real Estate	\$MM	13	15	18	12	5	1	2	5	13	15	11
Sales	\$MM	82	91	98	107	27.0	21.8	24.6	25.5	98.8	109.7	110.6
Less: Contract logging & hauling costs	\$MM	(26)	(31)	(31)	(31)	(7)	(7)	(8)	(7)	(29)	(38)	(39)
Less: Cost of timberland sales	\$MM	(10)	(11)	(14)	(15)	(3)	(1)	(2)	(3)	(10)	(13)	(12)
Less: Forestry management expenses	\$MM	(6)	(7)	(6)	(7)	(2)	(2)	(2)	(2)	(7)	(7)	(6)
Less: SG&A	\$MM	(9)	(12)	(12)	(13)	(7)	(3)	(3)	(3)	(16)	(13)	(12)
Less: Other expenses	\$MM	(6)	(6)	(7)	(7)	(2)	(2)	(2)	(2)	(7)	(7)	(7)
Add: Basis of timberland sold	\$MM	10	10	13	15	3	2	2	3	10	13	12
Add: D&A	\$MM	1	1	3	2	1	1	1	0	3	1	1
Add: Stock-based compensation	\$MM	2	3	3	3	2	1	1	1	4	3	3
Add: Other EBITDA adjustments	\$MM	(1)	2	4	4	2	(1)	0	1	1	2	6
Adjusted EBITDA	\$MM	36	42	50	57	12.9	9.4	12.4	14.0	48.8	51.3	56.0
Shares outstanding (FD)	MM	38.8	39.8	49.1	49.0	49.0	48.7	48.8	48.8	48.8	48.8	48.8
Dividend	\$/sh	\$0.53	\$0.54	\$0.54	\$0.54	\$0.14	\$0.14	\$0.14	\$0.14	\$0.54	\$0.54	\$0.54
CASH FLOW STATEMENT												
CF from ops b/f Δ w/c	\$MM	31	29	34	36	8	8	10	10	35	34	35
CFFO	\$MM	31	27	30	33	11	9	8	12	39	34	35
Investing cash flow	\$MM	(145)	(68)	(292)	(3)	19	(6)	(1)	(1)	(6)	(4)	(4)
Financing cash flow	\$MM	115	40	181	(50)	(31)	(4)	(8)	(7)	(49)	(26)	(26)
Timberland acquisitions	\$MM	(142)	(52)	(92)	(2)	0	0	0	0	0	0	0
Free cash flow b/f Δ w/c	\$MM	28	23	29	32	5	7	10	8	30	30	30
Free cash flow b/f Δ w/c	\$/sh	\$0.71	\$0.59	\$0.61	\$0.64	\$0.10	\$0.13	\$0.20	\$0.17	\$0.61	\$0.61	\$0.62
BALANCE SHEET												
Cash	\$MM	9	8	6	11	10	9	8	12	12	15	19
Gross debt	\$MM	321	330	472	453	432	437	437	437	437	437	437
Net debt	\$MM	312	322	467	442	422	428	429	425	425	422	418
Net debt-to-cap	%	45%	44%	59%	70%	73%	75%	76%	77%	77%	81%	86%
Net debt to LTM EBITDA	x.x times	8.5x	7.7x	9.4x	7.8x	7.1x	7.9x	8.6x	8.7x	8.7x	8.2x	7.5x

Source: Company filings, RBC Capital Markets estimates

Conifex Timber Inc.



Analyst:	Paul C. Quinn	Rating:	Outperform	Market price:	\$1.51
Ticker:	CFF CN	Target price:	\$2.50	Dividend yield:	0.0%
Market cap (\$MM):	\$71	2021E P/E:	3.5x	52-week high:	\$1.80
EV (\$MM):	\$126	2021E EV/EBITDA:	2.9x	52-week low:	\$0.26

Company description

Conifex Timber Inc. ("Conifex") is a Canadian forestry company that owns and operates a two-line sawmill and a 36-megawatt biomass power generation plant in Mackenzie, BC. In addition, the company holds a forest license with 632,500 cubic meters around Mackenzie, as well as a 50% joint venture, which holds a forest license with a total AAC of 300,000 cubic meters in the same TSA. In 2019, Conifex sold three sawmills in the US South and one in British Columbia to pay down debt.

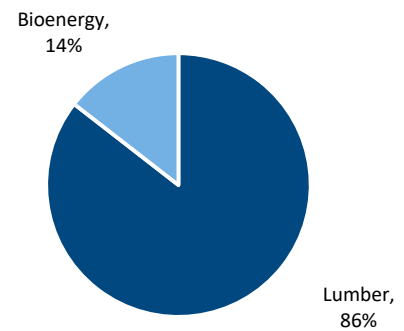
Valuation

Our \$2.50 price target is based on a blended ~5.5x EV/EBITDA multiple on our trend EBITDA (weighted 85%) of \$25MM and our 2021 EBITDA estimate (15% weighting) of \$44MM. We believe the company should trade near the low end of the typical range for Canadian Forest Product companies (range 5.0x to 7.0x), reflecting the company's smaller size, limited operating footprint, and higher relative exposure to British Columbia.

Risks

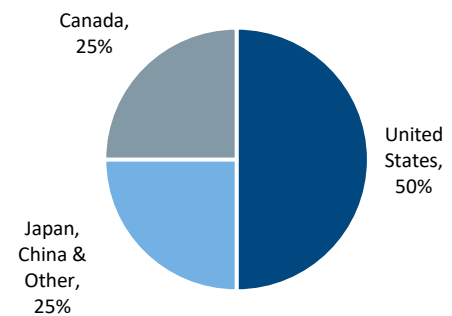
- **Currency risk:** Conifex's operating results are sensitive to fluctuation in the exchange rate of the Canadian dollar relative to the US dollar. An increase in the value of the Canadian dollar reduces the company's realized sales, which are mostly priced in US dollars.
- **Cyclicality of lumber pricing:** The company's financial performance is dependent upon the selling prices of its products, which has historically been quite volatile. Lumber pricing may be characterized by periods of excess supply due to capacity additions and/or periods of insufficient demand due to weak general economic conditions.
- **Capital requirements:** The forest products industry is capital intensive, with regular capital expenditures to maintain equipment, increase operating efficiency, and comply with environmental laws.

Sales by segment (2021E)



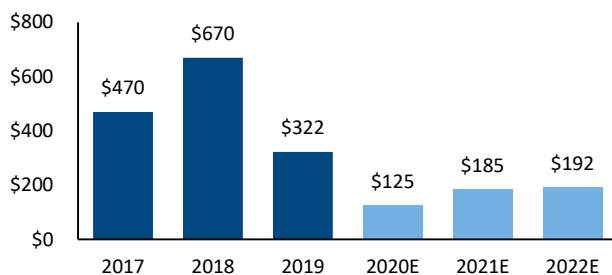
Source: RBC Capital Markets estimates

Sales by geography (2021E)



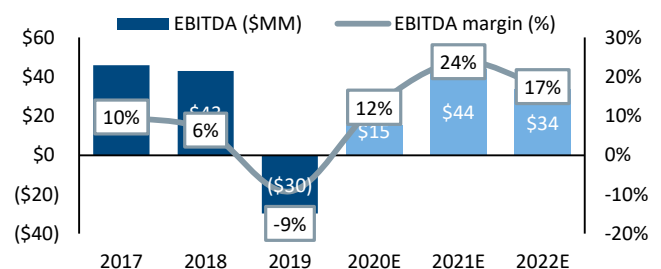
Source: Company reports, RBC Capital Markets estimates

Sales (C\$, MM)



Source: Company reports, RBC Capital Markets estimates

Adjusted EBITDA (C\$, MM)



Source: Company reports, RBC Capital Markets estimates



Conifex Timber Inc.



Model summary

Conifex Timber Inc. (TSX:CFE)		2016	2017	2018	2019	Q120	Q220	Q320	Q420E	2020E	2021E	2022E
KEY ASSUMPTIONS												
Lumber												
Lumber Pricing - W SPF	US\$/mfbm	\$305	\$402	\$481	\$360	\$398	\$357	\$768	\$680	\$551	\$588	\$545
INCOME STATEMENT												
Lumber revenue	\$MM	384	444	585	297	23	6	32	38	99	158	160
Bioenergy revenue	\$MM	25	26	27	26	8	5	6	8	27	27	33
Total revenues	\$MM	\$409	\$470	\$670	\$322	\$31	\$11	\$38	\$46	\$125	\$185	\$192
Cost of goods sold (excl. D&A)	\$MM	(297)	(333)	(512)	(284)	(25)	(8)	(18)	(24)	(74)	(101)	(104)
Freight & distribution costs	\$MM	(59)	(57)	(68)	(39)	(4)	(1)	(5)	(6)	(16)	(23)	(23)
Export tax	\$MM	0	(10)	(25)	(9)	(2)	(0)	(4)	(4)	(10)	(10)	(9)
SG&A	\$MM	(18)	(20)	(23)	(17)	(2)	(2)	(2)	(2)	(7)	(7)	(22)
Adjusted EBITDA	\$MM	\$33.6	\$45.9	\$42.9	(\$29.8)	\$0.5	(\$2.1)	\$6.0	\$11.0	\$15.3	\$44.0	\$33.6
Depreciation	\$MM	(18)	(18)	(26)	(32)	(3)	(1)	(3)	(3)	(10)	(11)	(11)
EBIT	\$MM	18	31	18	(59)	(5)	(1)	7	8	9	33	22
Interest	\$MM	(9)	(8)	(20)	(42)	(3)	(1)	(1)	(1)	(7)	(5)	(5)
EBT	\$MM	70	20	(12)	(73)	(10)	(4)	4	7	(3)	28	17
Tax rate	%	0%	15%	41%	15%	17%	24%	44%	27%	nm	27%	26%
Adjusted net income	\$MM	\$6	\$17	(\$7)	(\$63)	(\$8)	(\$3)	\$2	\$5	(\$4)	\$20	\$13
Shares outstanding (FD)	MM	21.2	25.4	36.5	46.8	46.9	47.0	47.0	47.0	47.0	47.0	47.0
Adjusted EPS (FD)	\$/sh	\$0.30	\$0.63	\$0.04	(\$1.32)	(\$0.17)	(\$0.05)	\$0.04	\$0.11	(\$0.06)	\$0.43	\$0.27
CASH FLOW STATEMENT												
CF from ops b/f Δ w/c	\$MM	39	48	40	(14)	(2)	(1)	5	11	13	44	34
CFFO	\$MM	24	32	52	43	(13)	2	(4)	31	16	43	34
Investing cash flow	\$MM	5	(73)	(250)	12	224	(1)	(1)	(1)	221	(5)	(20)
Financing cash flow	\$MM	(25)	44	197	(107)	(200)	(2)	(2)	0	(204)	0	0
Capex	\$MM	18	73	28	3	0	0	1	1	3	5	20
Free cash flow b/f Δ w/c	\$MM	22	(25)	12	(17)	(3)	(1)	4	10	11	39	14
Free cash flow b/f Δ w/c	\$/sh	\$1.03	(\$1.07)	\$0.47	(\$0.37)	(\$0.05)	(\$0.01)	\$0.09	\$0.21	\$0.23	\$0.83	\$0.30
BALANCE SHEET												
Cash	\$MM	23	26	16	8	19	18	10	40	40	79	93
Gross debt	\$MM	132	170	332	257	66	66	65	65	65	65	65
Net debt	\$MM	109	144	316	250	48	48	55	24	24	(14)	(28)
Net debt-to-cap	%	38%	41%	48%	67%	29%	30%	32%	17%	17%	0%	0%
Shareholders equity	\$MM	\$178	\$210	\$340	\$125	\$116	\$113	\$116	\$122	\$122	\$149	\$169

Source: Company filings, RBC Capital Markets estimates

Interfor Corporation



Analyst:	Paul C. Quinn	Rating:	Outperform	Market price:	\$23.53
Ticker:	IFP CN	Target price:	\$34.00	Dividend yield:	0.0%
Market cap (\$MM):	\$1,583	2021E P/E:	3.7x	52-week high:	\$24.07
EV (\$MM):	\$1,732	2021E EV/EBITDA:	2.4x	52-week low:	\$4.75

Company description

Interfor Corporation ("Interfor") is the fourth largest lumber producer in North America. The company has annual production capacity of ~3.1 billion board feet, with sawmilling operations in British Columbia, Washington, Oregon, Georgia, South Carolina, and Arkansas. The company also owns value-added remanufacturing facilities in Washington and Georgia. Nearly 50% of the company's lumber capacity is in the US South.

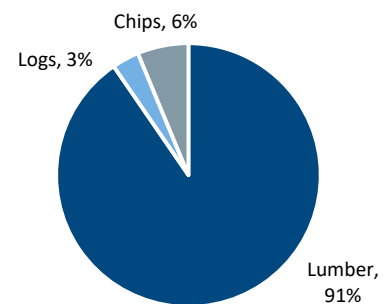
Valuation

Our \$34 price target supports our Outperform rating. We value Interfor on a 6.5x EV/EBITDA multiple on our trend EBITDA estimate of \$275MM (85%) and our 2021 EBITDA estimate of \$715MM (15% weighting). We believe the shares should trade at a multiple near the high end of the typical Canadian Paper & Forest Products company trading range (5.0x to 7.0x).

Risks

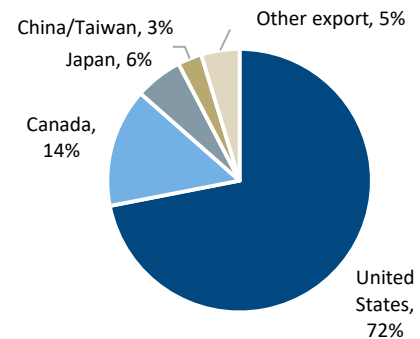
- **Currency risk:** Interfor's operating results are sensitive to fluctuation in the exchange rate of the Canadian dollar relative to the US dollar. An increase in the value of the Canadian dollar reduces the company's realized sales, which are mostly priced in US dollars.
- **Cyclicality of lumber pricing:** The company's financial performance is dependent upon the selling prices of its products, which has historically been quite volatile. Lumber pricing may be characterized by periods of excess supply due to capacity additions and/or periods of insufficient demand due to weak general economic conditions.
- **Capital requirements:** The forest products industry is capital intensive, with regular capital expenditures to maintain equipment, increase operating efficiency, and comply with environmental laws.

Sales by segment (2021E)



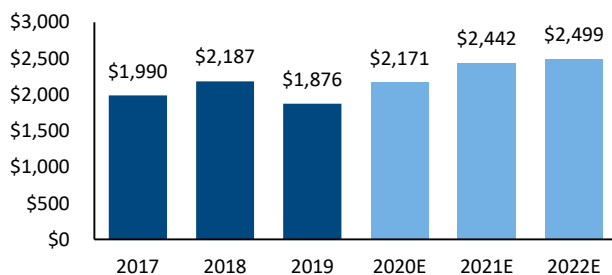
Source: RBC Capital Markets estimates

Sales by geography (2019)



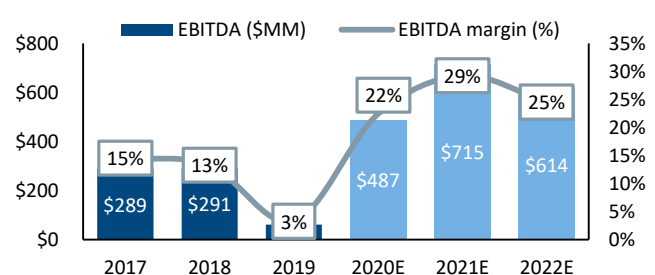
Source: Company reports, RBC Capital Markets

Sales (C\$, MM)



Source: Company reports, RBC Capital Markets estimates

Adjusted EBITDA (C\$, MM)



Source: Company reports, RBC Capital Markets estimates



Interfor Corporation

Model summary

Interfor Corp.		2017	2018	2019	Q120	Q220	Q320	Q420E	2020E	2021E	2022E
INCOME STATEMENT											
Revenues	\$MM	\$1,990	\$2,187	\$1,876	\$480	\$397	\$645	\$649	\$2,171	\$2,442	\$2,499
Cash cost of sales	\$MM	(1,633)	(1,800)	(1,728)	(423)	(337)	(394)	(413)	(1,568)	(1,651)	(1,782)
SG&A	\$MM	(51)	(53)	(39)	(9)	(9)	(12)	(12)	(43)	(40)	(40)
Other	\$MM	(17)	(43)	(47)	(13)	(20)	(21)	(18)	(72)	(37)	(63)
Adjusted EBITDA	\$MM	\$289.1	\$290.8	\$61.3	\$34.4	\$30.4	\$217.0	\$205.5	\$487.4	\$714.9	\$613.7
Depreciation	\$MM	(78)	(80)	(80)	(20)	(16)	(21)	(21)	(77)	(80)	(80)
EBIT	\$MM	149	157	(129)	15	13	171	171	371	595	494
Interest	\$MM	(14)	(10)	(15)	(4)	(5)	(5)	(5)	(19)	(19)	(18)
Equity income	\$MM	0	0	0	0	0	0	0	0	0	0
EBT	\$MM	131	151	(138)	10	4	164	166	343	576	476
Tax rate	%	26%	2%	nm	34%	15%	26%	26%	13%	26%	26%
Adjusted net income	\$MM	\$116	\$114	(\$58)	\$1	\$11	\$140	\$124	\$275	\$428	\$354
Shares outstanding (FD)	MM	70.0	69.7	67.3	67.3	67.3	67.3	67.3	67.3	67.3	67.3
Adjusted EPS (FD)	\$/sh	\$1.66	\$1.62	(\$0.86)	\$0.01	\$0.16	\$2.08	\$1.84	\$4.09	\$6.37	\$5.26
Adjusted EBITDA margin	%	14.5%	13.3%	3.3%	7.2%	7.7%	33.6%	31.7%	22.5%	29.3%	24.6%
Dividend	\$/sh	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Share repurchases	MM	0.0	2.9	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Share repurchases	\$MM	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
CASH FLOW STATEMENT											
CF from ops b/f Δ w/c	\$MM	274	275	46	38	38	215	152	443	548	474
FFFO	\$MM	258	255	28	19	103	175	233	530	539	470
Investing cash flow	\$MM	(91)	(185)	(124)	(84)	(24)	(23)	2	(129)	(170)	(172)
Financing cash flow	\$MM	(53)	(46)	(32)	134	(8)	(7)	(7)	112	(28)	(28)
Capex	\$MM	60	106	159	25	21	20	50	116	150	140
Free cash flow b/f Δ w/c	\$MM	214	169	(113)	14	16	195	102	328	398	334
Free cash flow b/f Δ w/c	\$/sh	\$3.05	\$2.40	(\$1.68)	\$0.20	\$0.24	\$2.90	\$1.52	\$4.87	\$5.92	\$4.97
BALANCE SHEET											
Cash	\$MM	132	166	35	104	170	311	539	539	880	1,150
Gross debt	\$MM	264	287	300	469	462	461	454	454	426	398
Net debt	\$MM	132	121	266	366	293	149	(86)	(86)	(454)	(752)
Net debt-to-cap	%	13%	11%	24%	29%	25%	13%	0%	0%	0%	0%
Net debt : LTM EBITDA	X.X Times	0.5x	0.4x	4.3x	4.4x	3.2x	0.5x	-0.2x	-0.2x	-0.6x	-1.2x
Shareholders equity	\$MM	\$854	\$974	\$831	\$883	\$869	\$983	\$1,107	\$1,107	\$1,535	\$1,890

Source: Company filings, RBC Capital Markets estimates

James Hardie Industries plc



Analyst:	Paul C. Quinn	Rating:	Outperform	Market price:	\$38.17
Ticker:	JHX AU	Target price:	\$44.00	Dividend yield:	0.4%
Market cap (\$MM):	\$12,833	2021E P/E:	30.0x	52-week high:	\$40.63
EV (\$MM):	\$14,501	2021E EV/EBITDA:	19.2x	52-week low:	\$12.54

Company description

James Hardie is the leading provider of fibre cement siding in the US housing market and controls more than 90% of that market. The company also manufactures and distributes fibre and cement in Australia, New Zealand, and the Philippines, and has a growing fiber cement / fiber gypsum business in Europe.

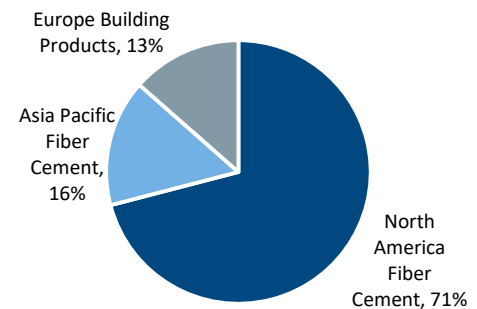
Valuation

Our \$44 price target is based on ~21x our calendar year 2021E EBITDA of \$756 million. Our target multiple is in line with other global high-growth building product peers. We believe that our target valuation multiple fairly reflects James Hardie's strong free cash flow and growth opportunities, somewhat offset by the cyclical nature of building products companies.

Risks

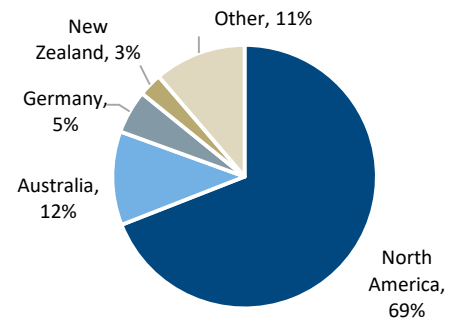
- **Cyclicality of North American construction markets:** The company's financial performance is dependent on both the volume and selling price of its products, and can be influenced by the level and trend of construction activity in North America.
- **A stronger Australian dollar:** James Hardie shares are priced in Australian dollars, but the majority of earnings are generated in US dollars. A stronger Australian dollar relative to the US dollar would make James Hardie's shares less attractive.
- **COVID-19:** It remains difficult to assess the full severity of the impact on the business. James Hardie's end markets can be somewhat cyclical, and a deterioration in economic conditions would likely have a negative impact on pricing and shipments.

Sales by segment (CY2021E)



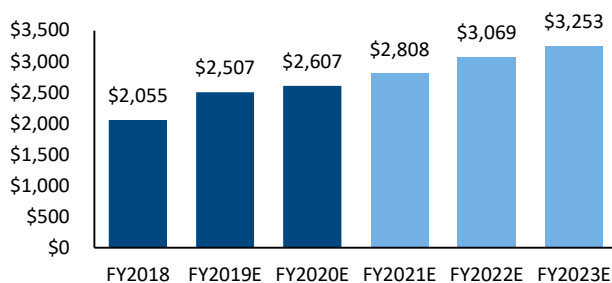
Source: RBC Capital Markets estimates

Sales by geography (CY2019)



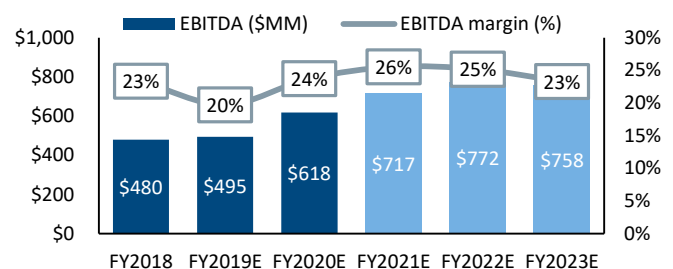
Source: Company reports, RBC Capital Markets

Sales (US\$, MM)



Source: Company reports, RBC Capital Markets estimates

Adjusted EBITDA (US\$, MM)



Source: Company reports, RBC Capital Markets estimates



James Hardie Industries plc



Model summary

James Hardie Industries plc (ASX:JHX)	Fiscal Calendar	2017 Mar 31	2018 Mar 31	2019 Mar 31	2020 Mar 31	Q121 Jun 30	Q221 Sep 30	Q321E Dec 31	Q421E Mar 31	2021E Mar 31	2022E Mar 31
SEGMENT REVENUES											
North America Fiber Cement Segment	\$MM	\$1,493	\$1,578	\$1,677	\$1,817	\$452	\$515	\$480	\$537	\$1,984	\$2,184
Asia Pacific Fiber Cement Segment	\$MM	\$371	\$425	\$447	\$418	\$91	\$122	\$113	\$112	\$439	\$474
Europe Building Products Segment	\$MM	\$41	\$349	\$368	\$371	\$83	\$100	\$91	\$111	\$385	\$411
SEGMENT OPERATING INCOME											
North America Fiber Cement Segment	\$MM	\$344	\$382	\$388	\$471	\$131	\$149	\$134	\$145	\$559	\$568
Asia Pacific Fiber Cement Segment	\$MM	\$95	\$108	\$100	\$95	\$22	\$39	\$32	\$31	\$124	\$119
Europe Building Products Segment	\$MM	n.a.	\$19	\$39	\$17	\$2	\$11	\$9	\$11	\$34	\$41
SEGMENT OPERATING INCOME MARGIN											
North America Fiber Cement Segment	%	23.0%	24.2%	23.1%	25.9%	29.0%	28.9%	28.0%	27.0%	28.2%	26.0%
Asia Pacific Fiber Cement Segment	%	25.7%	25.4%	22.3%	22.7%	24.4%	31.7%	28.0%	28.0%	28.3%	25.0%
Europe Building Products Segment	%	n.a.	5.4%	10.6%	4.5%	2.9%	11.1%	10.0%	10.0%	8.8%	10.0%
INCOME STATEMENT											
Revenues	\$MM	\$1,922	\$2,055	\$2,507	\$2,607	\$626	\$737	\$684	\$761	\$2,808	\$3,069
Cost of goods sold	\$MM	(1,247)	(1,324)	(1,676)	(1,673)	(407)	(468)	(434)	(483)	(1,791)	(1,948)
Selling, general, and administrative	\$MM	(292)	(311)	(404)	(416)	(88)	(98)	(102)	(120)	(407)	(461)
Other	\$MM	54	61	67	100	24	24	28	31	108	112
Adjusted EBITDA	\$MM	\$437.5	\$479.5	\$494.5	\$618.3	\$156.1	\$195.0	\$176.7	\$189.2	\$716.9	\$772.2
Depreciation	\$MM	(\$83)	(\$92)	(\$119)	(\$132)	(\$31)	(\$32)	(\$34)	(\$38)	(\$135)	(\$139)
Adjusted Operating income	\$MM	\$354	\$416	\$434	\$487	\$125	\$163	\$142	\$151	\$582	\$633
Net interest expense	\$MM	(\$28)	(\$30)	(\$50)	(\$54)	(\$12)	(\$13)	(\$12)	(\$12)	(\$49)	(\$48)
Other	\$MM	\$40	(\$212)	(\$83)	(\$144)	(\$75)	(\$17)	\$0	\$0	(\$92)	\$0
EBT	\$MM	\$367	\$174	\$301	\$288	\$37	\$134	\$131	\$139	\$441	\$586
Adjusted net income	\$MM	\$249	\$291	\$301	\$353	\$89	\$121	\$101	\$108	\$419	\$454
Shares outstanding (FD)	MM	444	444	443	444	445	445	445	445	445	445
Adjusted net operating profit	\$MM	\$249	\$291	\$301	\$353	\$89	\$121	\$101	\$108	\$419	\$454
Adjusted EPS	\$/sh	\$0.56	\$0.66	\$0.68	\$0.79	\$0.20	\$0.27	\$0.23	\$0.24	\$0.94	\$1.02
EBITDA margin	%	22.8%	23.3%	19.7%	23.7%	24.9%	26.5%	25.8%	24.9%	25.5%	25.2%
Operating margin	%	18.4%	17.6%	17.3%	18.7%	19.9%	22.1%	20.8%	19.9%	20.7%	20.6%
Dividend	\$/sh	\$0.40	\$0.40	\$0.39	\$0.36	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.36
CASH FLOW STATEMENT											
CF from ops b/f Δ w/c	\$MM	\$367	\$367	\$429	\$618	\$128	\$173	\$135	\$146	\$583	\$593
FFFO	\$MM	\$292	\$295	\$288	\$451	\$189	\$228	\$73	\$26	\$516	\$559
Investing cash flow	\$MM	(\$109)	(\$201)	(\$848)	(\$204)	(\$6)	(\$19)	(\$37)	(\$41)	(\$103)	(\$153)
Financing cash flow	\$MM	(\$213)	\$113	\$364	(\$179)	(\$130)	(\$0)	(\$12)	\$0	(\$142)	(\$160)
Capex	\$MM	(\$102)	(\$204)	(\$301)	(\$194)	(\$27)	(\$18)	(\$37)	(\$41)	(\$123)	(\$153)
Free cash flow b/f Δ w/c	\$MM	\$265	\$163	\$128	\$424	\$101	\$156	\$98	\$105	\$460	\$439
Free cash flow b/f Δ w/c	\$/sh	\$0.60	\$0.37	\$0.29	\$0.95	\$0.23	\$0.35	\$0.22	\$0.24	\$1.03	\$0.99
BALANCE SHEET											
Gross debt	\$MM	\$617	\$884	\$1,380	\$1,355	\$1,234	\$1,255	\$1,243	\$1,243	\$1,243	\$1,243
Gross debt including asbsetos	\$MM	\$1,660	\$1,985	\$2,359	\$2,237	\$2,191	\$2,220	\$2,208	\$2,208	\$2,208	\$2,208
Net debt including asbestos	\$MM	\$1,524	\$1,524	\$1,524	\$1,524	\$1,524	\$1,524	\$1,524	\$1,524	\$1,524	\$1,524
Net debt : LTM EBITDA	X.X Times	3.4x	3.4x	4.5x	3.3x	3.2x	2.7x	2.5x	2.4x	2.4x	1.9x
Net debt : Cap	%	27%	26%	32%	30%	26%	21%	19%	19%	19%	13%
Shareholders equity	\$MM	(\$212)	(\$222)	\$974	\$1,035	\$1,074	\$1,180	\$1,281	\$1,230	\$1,230	\$1,524

Source: Company filings, RBC Capital Markets estimates



Louisiana-Pacific Corporation

Analyst:	Paul C. Quinn	Rating:	Outperform	Market price:	\$38.21
Ticker:	LPX US	Target price:	\$50.00	Dividend yield:	1.5%
Market cap (\$MM):	\$4,318	2021E P/E:	7.8x	52-week high:	\$40.76
EV (\$MM):	\$4,246	2021E EV/EBITDA:	4.8x	52-week low:	\$12.97

Company description

Louisiana-Pacific Corporation (“Louisiana-Pacific” or “LP”) is a leading provider of high-performance building solutions. The company manufactures siding, OSB, and engineered wood products for use in new home construction, repair & remodel, and outdoor structure markets. The company is the second largest producer of both siding and OSB in North America, and the third largest producer of engineered wood products. LP also sells structural panel and siding products in South America.

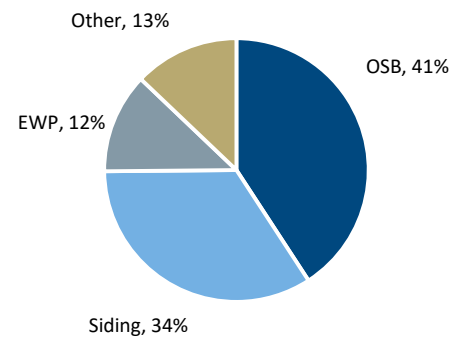
Valuation

Our \$50 price target supports our Outperform rating and is based on a blended 8.0x EV/EBITDA multiple of our trend EBITDA estimate of \$620 million (85%) and our 2021 EBITDA estimate of \$881 million (15%). We believe Louisiana-Pacific should trade at the high end of the typical US Paper & Forest Products trading range (6.0x to 8.0x), reflecting the company's diverse product offering, strong balance sheet and accelerating return of cash to shareholders.

Risks

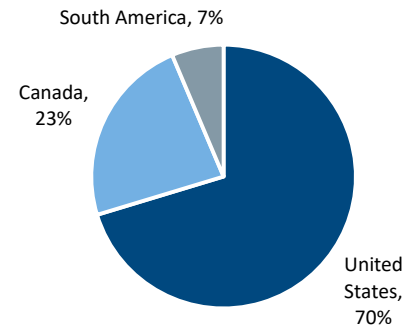
- Downward changes in the level of North American new home construction and repair activity could adversely affect results.
- Weaker economic conditions could have a negative impact on demand for Louisiana-Pacific’s products.
- Economic cyclicality, changes in consumer preferences, or imbalances in supply and demand could negatively affect realized pricing.
- The shortage or increase in pricing of wood fiber or resin would increase the cost of goods sold by LP, negatively impacting results.
- Given that the company offers product warranties, realized claims could be above management expectations, resulting in additional charges.

Sales by segment (2021E)



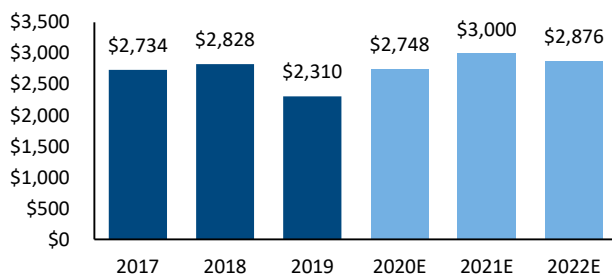
Source: RBC Capital Markets estimates

Sales by geography (2019)



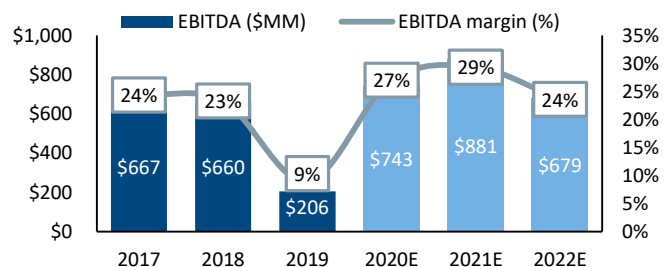
Source: Company reports, RBC Capital Markets

Sales (US\$, MM)



Source: Company reports, RBC Capital Markets estimates

Adjusted EBITDA (US\$, MM)



Source: Company reports, RBC Capital Markets estimates



Louisiana-Pacific Corporation

Model summary

Louisiana-Pacific Corporation		2015	2016	2017	2018	2019	Q120	Q220	Q320	Q420E	2020E	2021E	2022E
NA OSB PRICING + VOLUME ASSUMPTIONS													
OSB Seg. Production (3/8")	mmsf	4,061	4,324	4,355	4,191	3,763	912	819	937	900	3,568	3,700	3,600
OSB in Siding Seg. Production (3/8")	mmsf	104	233	251	196	49	0	0	0	0	0	0	0
Total Production (3/8")	mmsf	4,165	4,557	4,606	4,387	3,812	912	819	937	900	3,568	3,700	3,600
Gross price (3/8")	\$/msf	\$199	\$238	\$299	\$311	\$206	\$241	\$249	\$393	\$443	\$334	\$351	\$292
Cash costs (incl. SG&A) (3/8")	\$/msf	\$196	\$181	\$190	\$210	\$204	\$203	\$193	\$191	\$203	\$198	\$198	\$198
EBITDA margin	%	1%	24%	36%	33%	1%	16%	23%	51%	54%	41%	44%	32%
Mill net price (7/16")	\$/msf	\$193	\$239	\$310	\$325	\$202	\$243	\$252	\$420	\$478	\$351	\$371	\$302
Realizations premium to NC	%	-7%	-11%	-12%	-7%	-3%	-12%	-6%	-25%	-27%	-20%	-18%	-7%
NC 7/16" Benchmark price	\$/msf	\$208	\$269	\$353	\$350	\$209	\$275	\$267	\$562	\$655	\$440	\$450	\$325
SE 7/16" Benchmark price	\$/msf	\$187	\$245	\$330	\$315	\$186	\$257	\$256	\$556	\$632	\$425	\$431	\$275
WC 7/16" Benchmark price	\$/msf	\$169	\$234	\$326	\$307	\$165	\$261	\$223	\$559	\$630	\$418	\$431	\$275
INCOME STATEMENT													
OSB Sales	\$MM	808	1,028	1,303	1,305	776	220	204	368	398	1,190	1,299	1,050
Siding Sales	\$MM	636	752	884	942	963	212	220	268	276	976	1,083	1,192
EWP Sales	\$MM	286	297	384	409	395	99	79	103	91	372	391	399
South America Sales	\$MM	135	137	155	161	159	36	38	45	48	167	183	192
Other Sales	\$MM	29	27	12	11	19	18	7	11	7	43	43	43
Total revenues	\$MM	\$1,893	\$2,233	\$2,734	\$2,828	\$2,310	\$585	\$548	\$795	\$820	\$2,748	\$3,000	\$2,876
Cost of goods sold (excl. D&A)	\$MM	(1,683)	(1,724)	(1,882)	(1,964)	(1,884)	(449)	(403)	(475)	(479)	(1,806)	(1,906)	(1,979)
Selling and administrative	\$MM	(153)	(184)	(190)	(209)	(231)	(55)	(50)	(52)	(52)	(209)	(213)	(217)
OSB EBITDA	\$MM	12	246	459	424	10	35	46	189	216	486	567	338
Siding EBITDA	\$MM	114	154	192	201	177	42	51	76	72	241	293	322
EWP EBITDA	\$MM	6	7	23	26	26	9	3	9	3	24	23	24
South America EBITDA	\$MM	18	26	33	40	34	7	11	11	12	41	46	44
Adjusted EBITDA	\$MM	\$67.3	\$346.2	\$666.7	\$659.8	\$206.0	\$83.0	\$97.0	\$273.0	\$289.7	\$742.7	\$880.6	\$679.4
Depreciation	\$MM	(102)	(113)	(123)	(120)	(123)	(28)	(28)	(28)	(28)	(112)	(112)	(112)
EBIT	\$MM	(63)	204	523	526	(21)	44	53	242	262	601	769	567
Interest	\$MM	(31)	(24)	(9)	2	(8)	(7)	(6)	(5)	(5)	(23)	(19)	(19)
EBT	\$MM	(95)	165	510	524	(23)	42	50	237	257	586	745	544
Tax rate	%	3%	12%	23%	23%	57%	21%	38%	25%	25%	26%	25%	25%
Adjusted net income	\$MM	(\$46)	\$130	\$341	\$397	\$45	\$38	\$49	\$176	\$192	\$455	\$557	\$407
Shares outstanding (FD)	MM	142.4	145.3	146.4	144.5	123.4	113.0	113.0	113.0	113.3	113.1	113.3	113.3
Adjusted EPS (FD)	\$/sh	(\$0.33)	\$0.89	\$2.33	\$2.73	\$0.37	\$0.34	\$0.43	\$1.56	\$1.69	\$4.02	\$4.92	\$3.59
Dividend	\$/sh	\$0.00	\$0.00	\$0.00	\$0.52	\$0.54	\$0.14	\$0.15	\$0.15	\$0.17	\$0.59	\$0.66	\$0.66
CASH FLOW STATEMENT													
CF from ops b/f Δ w/c	\$MM	38	294	531	498	206	59	87	213	220	579	669	519
CCFO	\$MM	28	342	474	508	159	(9)	129	218	236	574	649	526
Investing cash flow	\$MM	(116)	286	(199)	(238)	(137)	(24)	12	(13)	(27)	(52)	(200)	(120)
Financing cash flow	\$MM	(4)	(407)	(9)	(317)	(717)	329	(368)	(45)	(19)	(103)	(74)	(74)
Capex	\$MM	114	125	149	214	162	24	15	14	27	80	200	120
Free cash flow b/f Δ w/c	\$MM	(75)	169	382	284	44	35	72	199	193	499	469	399
Free cash flow b/f Δ w/c	\$/sh	(\$0.53)	\$1.17	\$2.61	\$1.95	\$0.37	\$0.31	\$0.64	\$1.76	\$1.70	\$4.41	\$4.14	\$3.52
BALANCE SHEET													
Cash & investments	\$MM	449	673	941	892	181	488	259	420	611	611	986	1,318
Gross debt (LP calc)	\$MM	361	356	376	352	348	698	381	348	348	348	348	348
Net debt (LP calc)	\$MM	(88)	(317)	(565)	(540)	167	210	122	(72)	(263)	(263)	(638)	(970)
Net debt-to-cap	%	0%	0%	0%	0%	14%	18%	11%	0%	0%	0%	0%	0%
Shareholders equity	\$MM	\$1,017	\$1,196	\$1,605	\$1,700	\$991	\$984	\$1,000	\$1,142	\$1,315	\$1,315	\$1,798	\$2,130
Book value	\$/sh	\$7.14	\$8.34	\$11.11	\$11.89	\$8.08	\$8.79	\$8.93	\$10.20	\$11.72	\$11.74	\$16.02	\$18.98

Source: Company filings, RBC Capital Markets estimates



Norbord Inc.



Analyst:	Paul C. Quinn	Rating:	Outperform	Market price:	\$55.81
Ticker:	OSB CN	Target price:	\$75.00	Dividend yield:	1.4%
Market cap (\$MM):	\$3,513	2021E P/E:	6.0x	52-week high:	\$58.16
EV (\$MM):	\$3,931	2021E EV/EBITDA:	4.1x	52-week low:	\$13.01

Company description

Norbord Inc. (“Norbord”) is primarily involved in the manufacturing, sales, marketing and distribution of panelboards and related products used primarily in the construction of new homes or the renovation and repair of existing structures. The company is the largest manufacturer of oriented strand board (“OSB”) in North America and one of the largest in Europe. Norbord also manufactures particleboard and MDF in Europe. Brookfield Asset Management owns ~43% of the outstanding shares of the company.

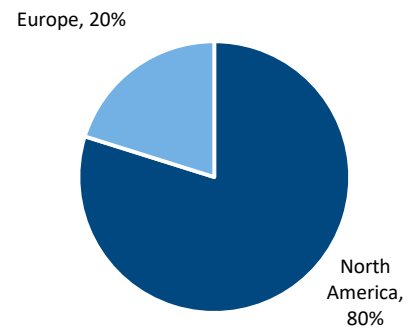
Valuation

Our \$75 price target is based on a blended 7.5x EV/EBITDA multiple on our trend EBITDA estimate of \$550MM (weighted 85%) and our 2021E EBITDA of \$953MM (15% weighting). We believe Norbord should trade at a multiple above the typical Canadian Paper & Forest Products trading range (5.0x to 7.0x), reflecting the very positive supply-demand outlook and Norbord's leadership position in the OSB market. Our price target supports our Outperform rating.

Risks

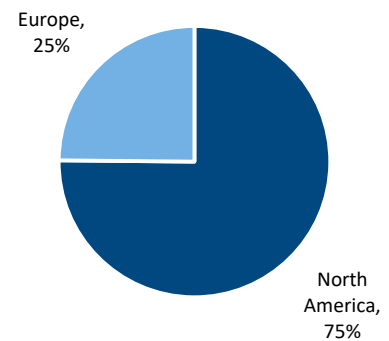
- A slowdown in the pace of the US housing recovery would affect North American OSB industry operating rates and projected pricing.
- Fluctuations in raw material costs, including fiber, energy, and resin, could substantially affect operating costs.
- A contraction in the UK, continental European, and/or Japanese housing markets would reduce the company’s financial performance.
- For Norbord’s Canadian facilities, a strengthening Canadian dollar versus the US dollar would negatively affect operating margins.
- Greater-than-expected OSB capacity additions and/or slower plywood facility closures would reduce average OSB prices.

Sales by segment (2021E)



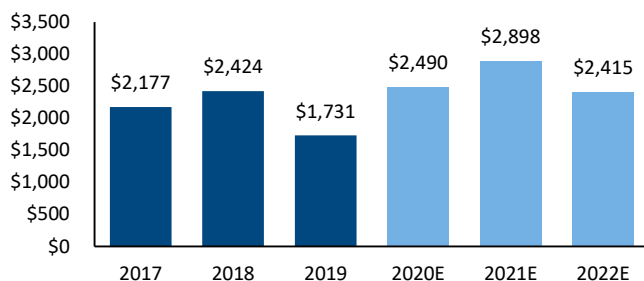
Source: RBC Capital Markets estimates

Shipments by geography (2021E)



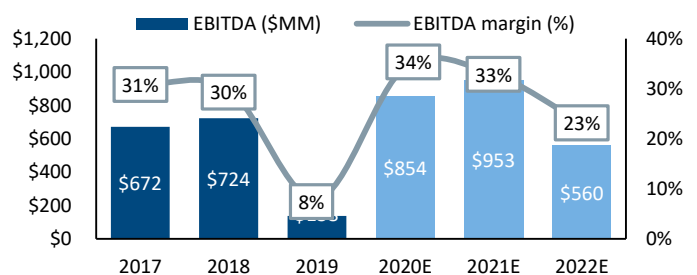
Source: Company reports, RBC Capital Markets estimates

Sales (US\$, MM)



Source: Company reports, RBC Capital Markets estimates

Adjusted EBITDA (US\$, MM)



Source: Company reports, RBC Capital Markets estimates



Norbord Inc.



Model summary

Norbord Inc.		2016	2017	2018	2019	Q120	Q220	Q320	Q420E	2020E	2021E	2022E
PRICING + VOLUME ASSUMPTIONS												
North America												
Shipments (3/8")	mmsf	5,888	6,066	6,484	6,145	1,459	1,400	1,523	1,450	5,832	6,200	6,575
Gross price (3/8")	\$/msf	\$231	\$288	\$294	\$201	\$237	\$236	\$476	\$524	\$370	\$373	\$264
Cash costs (incl. SG&A) (3/8")	\$/msf	\$171	\$183	\$191	\$188	\$191	\$176	\$279	\$275	\$231	\$231	\$193
Europe												
Shipments (3/8")	mmsf	1,779	1,867	1,825	1,831	499	402	493	450	1,844	2,050	2,400
Gross price (3/8")	\$/msf	\$228	\$230	\$283	\$270	\$242	\$226	\$256	\$262	\$247	\$285	\$284
Cash costs (incl. SG&A) (3/8")	\$/msf	\$205	\$209	\$236	\$235	\$222	\$221	\$223	\$220	\$222	\$245	\$240
EBITDA margin	%	10%	9%	17%	13%	8%	2%	13%	16%	10%	14%	16%
INCOME STATEMENT												
North America revenue	\$MM	1,361	1,747	1,907	1,237	346	330	725	760	2,161	2,314	1,733
Europe revenue	\$MM	405	430	517	494	121	91	126	118	456	584	682
Total revenues	\$MM	\$1,766	\$2,177	\$2,424	\$1,731	\$467	\$421	\$725	\$877	\$2,490	\$2,898	\$2,415
Cost of goods sold (excl. D&A)	\$MM	(1,378)	(1,499)	(1,686)	(1,582)	(389)	(335)	(399)	(504)	(1,627)	(1,945)	(1,855)
North America EBITDA	\$MM	352	638	652	82	68	84	300	361	813	881	464
Europe EBITDA	\$MM	41	40	86	64	10	2	16	19	47	82	106
Adjusted EBITDA	\$MM	\$385	\$672	\$724	\$138	\$75	\$84	\$322	\$373	\$854	\$953	\$560
Depreciation	\$MM	(94)	(107)	(134)	(136)	(35)	(32)	(36)	(36)	(139)	(134)	(130)
EBIT	\$MM	280	549	504	(3)	40	52	274	337	703	819	430
Interest	\$MM	(52)	(32)	(33)	(43)	(12)	(10)	(10)	(7)	(39)	(41)	(39)
EBT	\$MM	244	517	471	(69)	28	21	264	330	643	778	391
Tax rate	%	25%	16%	21%	39%	n.m.	14%	23%	23%	23%	25%	30%
Adjusted net income	\$MM	\$175	\$389	\$412	(\$30)	\$21	\$31	\$204	\$254	\$510	\$583	\$274
Shares outstanding (FD)	MM	85.7	86.6	86.9	81.8	81.6	80.7	81.0	80.9	81.1	80.9	80.9
Adjusted EPS (FD)	\$/sh	\$2.03	\$4.49	\$4.73	(\$0.37)	\$0.26	\$0.38	\$2.52	\$3.14	\$6.30	\$7.22	\$3.38
Dividend	\$/sh	\$0.40	\$1.50	\$6.30	\$1.40	\$0.20	\$0.05	\$0.60	\$0.60	\$1.45	\$2.40	\$2.40
CASH FLOW STATEMENT												
CF from ops b/f Δ w/c	\$MM	316	538	601	154	90	49	255	297	691	756	443
FFFO	\$MM	313	608	608	19	39	125	262	404	830	745	460
Investing cash flow	\$MM	(94)	(244)	(211)	(150)	(30)	(16)	(20)	(37)	(103)	(150)	(120)
Financing cash flow	\$MM	(52)	(294)	(505)	20	11	(122)	(25)	(37)	(173)	(145)	(145)
Capex	\$MM	95	240	210	146	29	15	19	37	100	150	120
Cash taxes	\$MM	4	90	81	(47)	(23.0)	27.0	55.0	68.8	127.8	155.6	78.2
Free cash flow b/f Δ w/c	\$MM	221	298	391	8	61	34	236	260	591	606	323
Free cash flow b/f Δ w/c	\$/sh	\$2.58	\$3.44	\$4.49	\$0.09	\$0.75	\$0.42	\$2.91	\$3.22	\$7.30	\$7.50	\$3.99
BALANCE SHEET												
Cash	\$MM	161	241	128	20	30	20	240	569	569	1,019	1,213
Gross debt (std. calc)	\$MM	746	548	550	657	772	657	658	658	658	658	658
Net debt (std. calc)	\$MM	585	307	422	637	742	637	418	89	89	(361)	(555)
Net debt-to-cap (std. calc)	%	47%	23%	34%	48%	53%	48%	32%	7%	7%	0%	0%
Shareholders equity	\$MM	\$650	\$1,019	\$823	\$704	\$666	\$686	\$881	\$1,098	\$1,098	\$1,536	\$1,664

Source: Company filings, RBC Capital Markets estimates

PotlatchDeltic Corporation



Analyst:	Paul C. Quinn	Rating:	Outperform	Market price:	\$48.44
Ticker:	PCH US	Target price:	\$58.00	Dividend yield:	3.4%
Market cap (\$MM):	\$3,270	2021E P/E:	13.7x	52-week high:	\$51.66
EV (\$MM):	\$3,878	2021E EV/EBITDA:	10.4x	52-week low:	\$22.40

Company description

PotlatchDeltic is the third-largest timber REIT with 1.6 million acres of timberland assets in Alabama, Arkansas, Idaho, Mississippi, and Minnesota. Potlatch's other businesses include a Real Estate segment focused on capturing the value from repurposing non-core timberlands for recreational (and occasionally residential and/or commercial) purposes, as well as a wood products division that consists of six sawmills and one plywood mill.

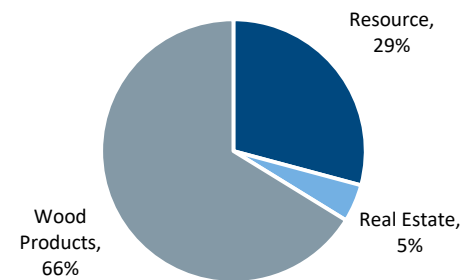
Valuation

Our price target of \$58 supports our Outperform rating. Our price target is based on a blended ~14.0x EV/EBITDA multiple on our trend EBITDA forecast of \$300MM (weighted 85%) and our 2021 EBITDA forecast of \$424MM (weighted 15%). Our valuation multiple is deservedly above the range for large US paper & forest product companies (6.0x to 8.0x), reflecting Potlatch's significant exposure to less cyclical timberland cash flows and favorable REIT tax status.

Risks

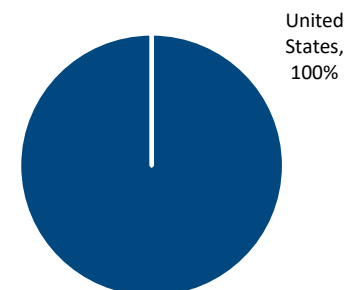
- The primary risks to our price target and rating include the timing of the overall economic recovery and the rebound in the US housing market, as well as the effect of changes in timberland valuations.
- An increase in long-term interest rates would negatively impact timberland asset values.
- Lower-than-anticipated new home building activity would reduce demand for PotlatchDeltic's real estate and wood products.
- Slower-than-expected economic growth in China would also affect the supply/demand balance in North American lumber and log markets.

Sales by segment (2021E)



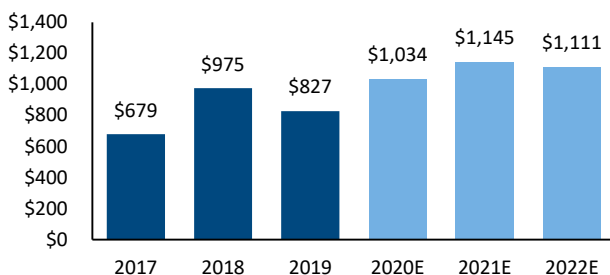
Source: RBC Capital Markets estimates

Sales by geography (2019)



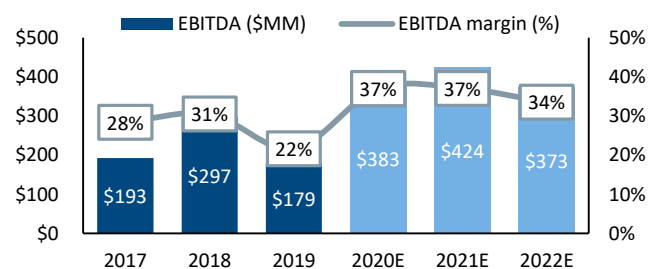
Source: Company reports, RBC Capital Markets

Sales (US\$, MM)



Source: Company reports, RBC Capital Markets estimates

Adjusted EBITDA (US\$, MM)



Source: Company reports, RBC Capital Markets estimates



PotlatchDeltic Corporation



Model summary

PotlatchDeltic Corporation		2016	2017	2018	2019	Q120	Q220	Q320	Q420E	2020E	2021E	2022E
PRICING + VOLUME ASSUMPTIONS												
Resource												
Northern Resource total	000 st	2,022	1,870	1,874	1,856	495	334	585	450	1,864	1,952	1,953
Southern Resource total	000 st	2,213	2,143	3,683	3,731	1,006	963	1,106	995	4,070	4,288	4,231
Total harvest	000 st	4,236	4,013	5,557	5,587	1,501	1,298	1,690	1,445	5,934	6,240	6,184
Northern Resource Weighted Avg	\$/st	\$85	\$105	\$113	\$90	\$87	\$95	\$126	\$154	\$117	\$112	\$106
Southern Resource Weighted Avg	\$/st	\$36	\$36	\$36	\$38	\$33	\$25	\$25	\$26	\$27	\$40	\$43
Real Estate												
Non-strategic timberland	Acres	4,365	3,929	9,125	8,894	2,929	1,064	8,248	0	12,241	2,000	2,000
Rural real estate	Acres	12,911	10,903	8,925	9,969	880	2,216	1,201	73,500	77,797	8,000	8,000
HBU development	Acres	5,267	6,416	5,391	5,077	630	2,257	1,599	1,599	6,085	3,200	3,200
Total	Acres	22,543	21,248	23,441	23,940	4,439	5,537	11,048	75,099	96,123	13,200	13,200
Wood Products												
Lumber shipments	mmfbm	688	737	1,013	1,069	283	249	291	265	1,089	1,150	1,173
Lumber price (gross)	\$/mfbm	\$352	\$425	\$459	\$371	\$396	\$412	\$637	\$569	\$506	\$530	\$492
INCOME STATEMENT												
Revenues	\$MM	\$599	\$679	\$975	\$827	\$209	\$182	\$313	\$331	\$1,034	\$1,145	\$1,111
Cash cost of goods sold	\$MM	(428)	(440)	(624)	(633)	(156)	(133)	(169)	(161)	(619)	(656)	(672)
SG&A	\$MM	(53)	(55)	(60)	(58)	(14)	(17)	(21)	(17)	(69)	(69)	(71)
Resource EBITDA	\$MM	106	127	170	134	35	26	60	62	182	237	234
Real Estate EBITDA	\$MM	28	26	40	63	7	9	13	55	85	26	26
Wood Products EBITDA	\$MM	32	83	131	13	13	11	82	59	164	211	162
Other EBITDA	\$MM	(41)	(42)	(44)	(31)	(8)	(10)	(19)	(11)	(49)	(48)	(49)
Adjusted EBITDA	\$MM	\$124	\$193	\$297	\$178.9	\$47.6	\$35.4	\$135.4	\$164.4	\$382.8	\$424.3	\$372.6
Depreciation	\$MM	(34)	(30)	(73)	(71)	(19)	(18)	(20)	(21)	(77)	(88)	(87)
EBIT	\$MM	36	146	185	96	23	15	110	132	280	332	281
Interest	\$MM	(29)	(27)	(35)	(30)	(4)	(8)	(9)	(9)	(29)	(34)	(33)
EBT	\$MM	7	118	142	57	(28)	3	98	120	193	288	247
Tax rate	%	nm	27%	14%	2%	39%	15%	17%	17%	14%	17%	17%
Adjusted net income	\$MM	\$48	\$106	\$141	\$54	(\$17)	\$3	\$81	\$100	\$166	\$239	\$205
Shares outstanding (FD)	MM	40.9	41.2	61.7	67.7	67.5	67.4	67.5	67.6	67.5	67.5	67.5
Adjusted EPS (FD)	\$/sh	\$1.16	\$2.56	\$2.35	\$0.80	(\$0.25)	\$0.04	\$1.20	\$1.47	\$2.46	\$3.54	\$3.04
Dividend	\$/sh	\$1.50	\$1.53	\$2.30	\$1.60	\$0.40	\$0.40	\$0.40	\$0.41	\$1.61	\$1.67	\$1.80
CASH FLOW STATEMENT												
CF from ops b/f Δ w/c	\$MM	117	155	191	140	48	29	114	136	327	363	329
Capex (excl. timberland acq'ns)	\$MM	19	28	47	57	9	9	9	18	45	48	48
Free cash flow b/f Δ w/c	\$MM	98	126	144	83	38	21	105	119	282	315	281
Free cash flow b/f Δ w/c	\$/sh	\$2.39	\$3.07	\$2.33	\$1.23	\$0.57	\$0.31	\$1.55	\$1.76	\$4.18	\$4.67	\$4.16
BALANCE SHEET												
Cash & short-term investments	\$MM	83	120	79	83	79	81	149	242	242	402	527
Gross debt	\$MM	584	573	755	756	757	757	757	757	757	757	757
Net debt	\$MM	501	453	676	673	677	676	608	515	515	356	231
Net debt-to-cap	%	76%	69%	34%	35%	37%	38%	34%	29%	29%	20%	13%
Shareholders equity	\$MM	\$156	\$201	\$1,315	\$1,227	\$1,150	\$1,125	\$1,196	\$1,270	\$1,270	\$1,405	\$1,497
Book value	\$/sh	\$3.83	\$4.91	\$21.74	\$18.16	\$17.04	\$16.75	\$17.81	\$18.89	\$18.88	\$20.90	\$22.27

Source: Company filings, RBC Capital Markets estimates

Rayonier Inc.



Analyst:	Paul C. Quinn	Rating:	Sector Perform	Market price:	\$29.25
Ticker:	RYN US	Target price:	\$30.00	Dividend yield:	3.7%
Market cap (\$MM):	\$3,988	2021E P/E:	n.m.	52-week high:	\$33.10
EV (\$MM):	\$5,653	2021E EV/EBITDA:	21.3x	52-week low:	\$15.96

Company description

Rayonier Inc. ("Rayonier") is a leading timberland real estate investment trust with assets in the United States and New Zealand. The company invests in and actively manages its timberlands to provide current income and long-term capital appreciation for shareholders. Rayonier owns 2.6 million acres of timberlands, with ~1.8 million acres in the US South, ~378k acres in the US Pacific Northwest, and ~408k gross acres in New Zealand. The company holds a 77% interest in its New Zealand subsidiary, Matariki Forestry Group.

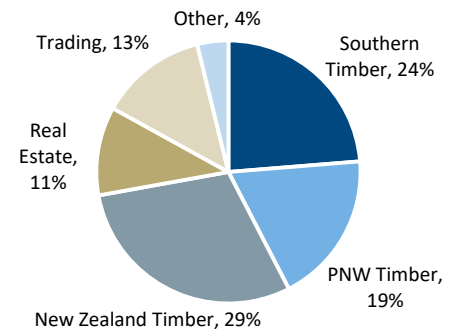
Valuation

Our \$30 price target supports our Sector Perform rating and is based on a blended multiple of ~16x on our trend EBITDA estimate of \$330MM (weighted 85%) and our 2021E EBITDA of \$265MM (15%). Our valuation multiple is deservedly above the range for large US paper & forest product companies (6.0x to 8.0x), reflecting Rayonier's significant exposure to core timberland cash flows and favorable REIT tax status.

Risks

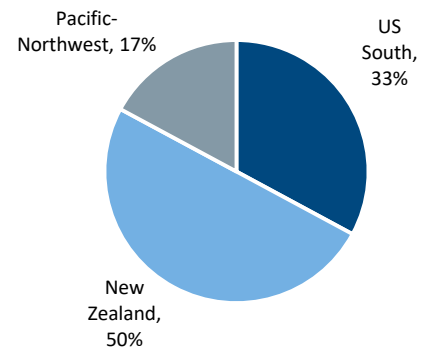
- Many of the end markets for the company's timber (including lumber, pulp, and paper) are cyclical, which could reduce demand for the company's products.
- Extreme weather conditions, such as prolonged wet conditions or forest fires, could limit the company's ability to harvest timber.
- A significant portion of sales are to markets outside of the United States, including China, South Korea, Japan, Taiwan, India, Vietnam, and New Zealand. The negative impact of unfavorable currency movements or protectionist trade policy could negatively impact results.
- The value of timberlands is highly sensitive to the level of interest rates. An increase in interest rates would negatively impact the valuation of the company's assets and demand for its products.

Sales by segment (2021E)



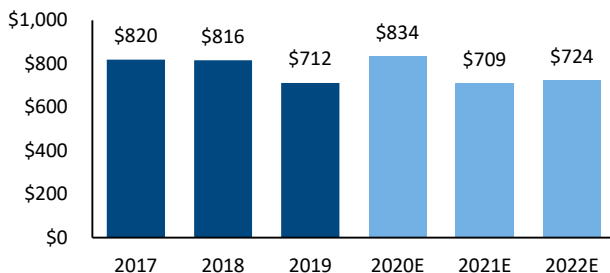
Source: RBC Capital Markets estimates

Sales by geography (2019)



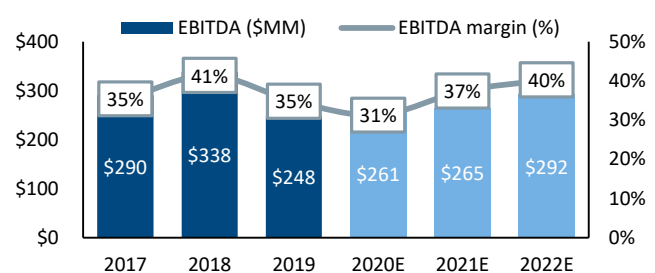
Source: Company reports, RBC Capital Markets

Sales (US\$, MM)



Source: Company reports, RBC Capital Markets estimates

Adjusted EBITDA (US\$, MM)



Source: Company reports, RBC Capital Markets estimates



Rayonier Inc.



Model summary

Rayonier Inc.		2016	2017	2018	2019	Q120	Q220	Q320	Q420E	2020E	2021E	2022E
PRICING + VOLUME ASSUMPTIONS												
Southern timber												
Pine Pulpwood	000 st	3,376	3,103	3,444	3,605	1,133	1,003	881	900	3,917	3,850	3,800
Pine Sawtimber	000 st	1,587	1,933	2,034	2,210	680	497	551	500	2,228	2,300	2,300
Hardwood	000 st	354	278	240	235	30	35	51	30	146	200	250
Pacific Northwest timber												
Northwest pulpwood	000 st	319	276	299	270	82	86	62	100	330	360	320
Northwest sawtimber	000 st	876	971	1,007	930	393	299	284	324	1,300	1,400	1,050
New Zealand timber												
Domestic sawtimber (delivered)	000 st	820	852	864	803	147	106	136	150	539	800	900
Domestic pulpwood (delivered)	000 st	374	448	507	490	101	130	220	170	621	540	450
Export sawtimber (delivered)	000 st	933	1,133	1,209	1,289	216	266	381	375	1,238	1,175	1,130
Real Estate												
HBU Development	Acres	252	1,472	795	1,241	0	692	4	4	700	1,216	1,416
HBU Rural	Acres	6,683	6,344	5,008	7,656	624	7,710	10,482	10,482	29,298	9,000	9,000
Non-Strategic Timberlands	Acres	28,742	16,007	27,811	8,255	0	11,907	75	75	12,057	10,000	10,000
Weighted average	\$/acre	\$2,337	\$2,434	\$4,120	\$4,361	\$1,754	\$2,462	\$2,727	\$2,318	\$2,035	\$3,825	\$3,910
INCOME STATEMENT												
Revenues	\$MM	\$788	\$820	\$816	\$712	\$259	\$196	\$199	\$180	\$834	\$709	\$724
Cost of goods sold (excl. D&A)	\$MM	(410)	(441)	(461)	(430)	(175)	(117)	(141)	(110)	(543)	(424)	(412)
SG&A	\$MM	(43)	(40)	(42)	(42)	(10)	(13)	(15)	(13)	(50)	(52)	(52)
Adjusted EBITDA	\$MM	\$239.8	\$290.4	\$338.0	\$247.8	\$47.1	\$78.6	\$67.2	\$67.9	\$260.8	\$265.4	\$291.6
Depreciation	\$MM	(115)	(127)	(144)	(128)	(34)	(38)	(40)	(38)	(150)	(152)	(144)
EBIT	\$MM	255	216	170	107	39	12	2	19	71	82	116
Interest	\$MM	(33)	(32)	(28)	(27)	(9)	(8)	(11)	(10)	(38)	(42)	(42)
EBT	\$MM	222	183	143	81	30	3	(9)	8	33	40	75
Tax rate	%	2%	12%	18%	16%	15%	85%	15%	15%	26%	15%	15%
Adjusted net income	\$MM	\$68	\$83	\$102	\$59	(\$0)	\$15	\$8	\$5	\$28	\$30	\$53
Shares outstanding (FD)	MM	122.8	127.8	127.8	129.5	129.3	136.0	136.4	136.5	134.5	137.2	137.2
Adjusted EPS (FD)	\$/sh	\$0.55	\$0.64	\$0.79	\$0.46	(\$0.00)	\$0.11	\$0.06	\$0.04	\$0.20	\$0.22	\$0.39
Dividend	\$/sh	\$1.00	\$1.00	\$1.04	\$1.08	\$0.27	\$0.27	\$0.27	\$0.27	\$1.08	\$1.08	\$1.08
CASH FLOW STATEMENT												
CF from ops b/f Δ w/c	\$MM	213	263	312	222	38	53	63	52	206	217	237
Capex	\$MM	59	65	62	64	17	12	15	15	60	61	61
Free cash flow b/f Δ w/c	\$MM	155	198	250	158	21	40	48	36	146	156	175
Free cash flow b/f Δ w/c	\$/sh	\$1.26	\$1.54	\$1.93	\$1.22	\$0.16	\$0.30	\$0.35	\$0.27	\$1.08	\$1.13	\$1.28
BALANCE SHEET												
Cash	\$MM	86	113	148	69	132	88	75	59	59	59	86
Gross debt	\$MM	1,062	1,025	973	1,055	1,055	1,311	1,318	1,318	1,318	1,318	1,318
Net debt	\$MM	976	913	824	986	923	1,223	1,243	1,259	1,259	1,260	1,232
Net debt-to-cap	%	41%	36%	35%	41%	41%	46%	47%	47%	47%	50%	51%
Shareholders equity	\$MM	\$1,412	\$1,593	\$1,557	\$1,440	\$1,313	\$1,457	\$1,429	\$1,398	\$1,398	\$1,280	\$1,186

Source: Company filings, RBC Capital Markets estimates

West Fraser Timber Co. Ltd.



Analyst:	Paul C. Quinn	Rating:	Outperform	Market price:	\$83.28
Ticker:	WFT CN	Target price:	\$110.00	Dividend yield:	1.0%
Market cap (\$MM):	\$5,745	2021E P/E:	6.3x	52-week high:	\$86.50
EV (\$MM):	\$6,209	2021E EV/EBITDA:	4.1x	52-week low:	\$21.60

Company description

West Fraser Timber Co. Ltd. ("West Fraser") is a North American wood products company that produces lumber, panels, pulp, and newsprint. The company is the largest producer of lumber in North America, with operations in British Columbia, Alberta, and the US South. The company's panel operations include plywood, MDF, and LVL production in BC and Alberta. Finally, it owns three pulp mills in Canada and has a 50% interest in Cariboo Pulp & Paper Company and Alberta Newsprint Company.

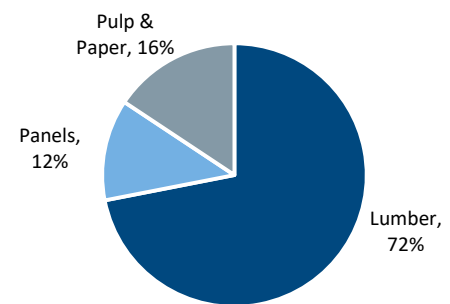
Valuation

Our \$110 price target reflects a blended ~8.0x EV/EBITDA multiple on our trend EBITDA of \$875MM (weighted 85%) and our 2021E EBITDA (weighted 15%) of \$1.5B. We believe West Fraser should trade at a multiple that is above the typical Canadian Forest Products trading range (5.0x to 7.0x), reflecting strong levels of profitability, strong operational performance, a solid balance sheet, and an emphasis on returning capital to shareholders.

Risks

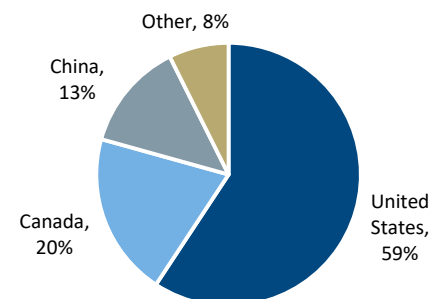
- **Currency risk:** West Fraser's operating results are sensitive to fluctuation in the exchange rate of the Canadian dollar relative to the US dollar. An increase in the value of the Canadian dollar reduces the company's realized sales, which are mostly priced in US dollars.
- **Cyclicality of lumber pricing:** The company's financial performance is dependent upon the selling prices of its products, which has historically been quite volatile. Lumber pricing may be characterized by periods of excess supply due to capacity additions and/or periods of insufficient demand due to weak general economic conditions.
- **Capital requirements:** The forest products industry is capital intensive, with regular capital expenditures to maintain equipment, increase operating efficiency, and comply with environmental laws.

Sales by segment (2021E)



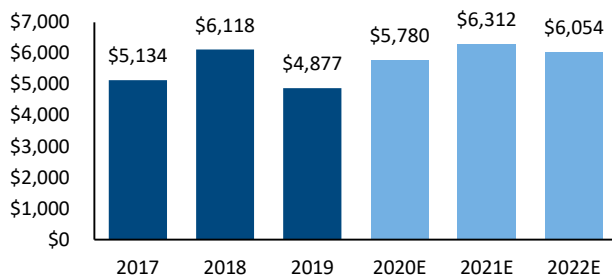
Source: RBC Capital Markets estimates

Sales by geography (2019)



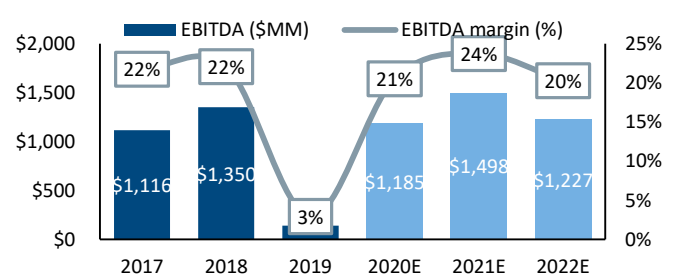
Source: Company reports, RBC Capital Markets

Sales (C\$, MM)



Source: Company reports, RBC Capital Markets estimates

Adjusted EBITDA (C\$, MM)



Source: Company reports, RBC Capital Markets estimates



West Fraser Timber Co. Ltd.

Model summary

West Fraser Timber (TSX: WFT)		2016	2017	2018	2019	Q120	Q220	Q320	Q420E	2020E	2021E	2022E
PRICING ASSUMPTIONS												
W. SPF Lumber	\$/Mfbm	305	401	481	360	398	353	769	680	550	588	545
SYP Lumber	\$/Mfbm	409	432	501	384	370	423	749	714	564	575	531
MDF	\$/Msf (3/4")	614	621	625	625	625	625	625	625	625	665	625
Plywood	\$/Msf (3/8")	326	394	430	346	326	338	455	520	410	500	500
BCTMP	\$/tonne	590	654	767	680	660	660	660	660	660	725	775
Newsprint-US	\$/tonne	560	584	690	693	669	645	650	650	654	675	700
NBSK-US	\$/tonne	978	1106	1337	1239	1127	1158	1133	1137	1139	1200	1250
LVL	\$/cf	15	15	15	15	15	15	15	15	15	15	15
VOLUME ASSUMPTIONS												
W. SPF Lumber	Mmfbm	3879	3714	3790	3364	699	884	791	750	3124	3150	3200
SYP Lumber	Mmfbm	2126	2388	2925	2692	727	707	716	700	2850	3000	3100
MDF	Mmsf 3/4"	167	182	215	222	54	45	55	55	225	225	215
Plywood	Mmsf 3/8"	826	827	845	815	192	172	202	214	780	840	840
BCTMP	Mtonnes	654	669	675	701	163	165	172	172	710	720	700
Newsprint-US	Mtonnes	129	123	122	125	28	26	27	27	125	125	125
NBSK-US	Mtonnes	526	497	510	455	117	108	128	120	473	525	540
LVL	Mcf	2226	2601	2155	2150	485	375	588	450	1898	2200	2400
INCOME STATEMENT												
Revenues	\$MM	\$4,450	\$5,134	\$6,118	\$4,877	\$1,195	\$1,276	\$1,690	\$1,619	\$5,780	\$6,312	\$6,054
Cash cost of sales	\$MM	2,971	3,124	3,617	3,652	846	854	838	849	3,387	3,682	3,733
SG&A	\$MM	176	197	231	211	54	54	72	56	236	224	224
Other	\$MM	624	733	941	914	212	220	227	271	930	895	858
Adjusted EBITDA	\$MM	\$658	\$1,116	\$1,350	\$143	\$76	\$125	\$545	\$439.3	\$1,185.3	\$1,498.5	\$1,226.9
Depreciation	\$MM	197	210	257	259	70	65	66	66	267	264	240
EBIT	\$MM	482	870	1,072	(159)	13	83	487	376	959	1,246	999
Interest	\$MM	(29)	(31)	(37)	(49)	(16)	(13)	(11)	(9)	(49)	(30)	(38)
EBT	\$MM	444	846	1,072	(219)	9	67	465	356	897	1,218	963
Cash Tax rate	%	0%	12%	26%	-42%	11%	11%	0%	0%	1%	25%	25%
Adjusted net income	\$MM	\$329	\$659	\$946	(\$21)	\$28	\$79	\$386	\$268	\$761	\$914	\$722
Shares outstanding	MM	81.1	78.9	75.1	69.2	68.8	68.7	69.0	69.0	68.9	69.0	69.0
Adjusted EPS (Basic)	\$/sh	\$4.12	\$8.44	\$12.54	(\$0.31)	\$0.42	\$1.13	\$5.58	\$3.91	\$11.03	\$13.31	\$10.52
Adjusted EBITDA margin	%	15.1%	21.7%	21.9%	2.7%	7.7%	10.6%	32.9%	27.1%	21.1%	23.7%	20.3%
Dividend	\$/sh	\$0.28	\$0.36	\$0.70	\$0.80	\$0.20	\$0.20	\$0.20	\$0.20	\$0.80	\$0.80	\$0.80
CASH FLOW STATEMENT												
CF from ops b/f Δ w/c	\$MM	599	916	983	50	114	223	557	422	1,316	1,178	962
Capex	\$MM	273	336	370	410	59	60	60	71	250	300	300
Free cash flow b/f Δ w/c	\$MM	326	580	613	(360)	55	163	497	351	1,066	938	722
Free cash flow b/f Δ w/c	\$/sh	\$4.02	\$7.35	\$8.16	(\$5.20)	\$0.80	\$2.37	\$7.21	\$5.09	\$15.48	\$13.60	\$10.47
BALANCE SHEET												
Cash	\$MM	35	258	147	0	94	127	313	356	356	259	556
Gross debt	\$MM	428	636	766	1,050	1,402	1,050	677	677	677	85	85
Net debt	\$MM	393	378	619	1,050	1,308	923	364	321	321	(174)	(471)
Net debt-to-cap	%	15%	11%	17%	30%	32%	26%	10%	9%	9%	-4%	-10%
Net debt : LTM EBITDA	X.X Times	0.6x	0.3x	0.3x	7.3x	9.0x	3.7x	0.5x	0.3x	0.3x	-0.1x	-0.4x
Shareholders equity	\$MM	\$2,241	\$2,726	\$2,896	\$2,474	\$2,629	\$2,470	\$2,816	\$3,070	\$3,070	\$3,929	\$4,597
Book value	\$/sh	\$27.93	\$34.91	\$38.90	\$35.92	\$39.44	\$35.97	\$41.01	\$44.71	\$45.04	\$57.22	\$66.93

Source: Company filings, RBC Capital Markets estimates

Western Forest Products Inc.



Analyst:	Paul C. Quinn	Rating:	Outperform	Market price:	\$1.18
Ticker:	WEF CN	Target price:	\$1.50	Dividend yield:	0.0%
Market cap (\$MM):	\$443	2021E P/E:	6.9x	52-week high:	\$1.41
EV (\$MM):	\$584	2021E EV/EBITDA:	4.5x	52-week low:	\$0.58

Company description

Western Forest Products Inc. (“Western”) is an integrated forest product company operating on the coast of British Columbia and Washington state. The business includes eight sawmills with annual production capacity of ~1.1 bbf, four re-manufacturing facilities, and timberland operations.

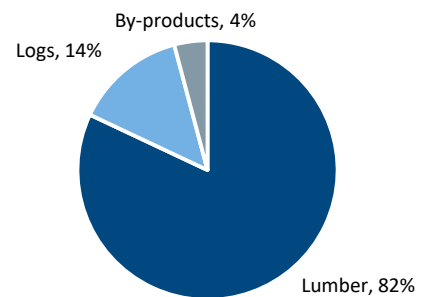
Valuation

Our \$1.50 price target reflects a blended 6.0x EV/EBITDA multiple on our trend EBITDA of \$115MM (85% weighting) and our 2021 EBITDA estimate (weighted 15%) of \$131MM. We believe the shares should trade at a multiple near the middle of the typical Canadian Paper & Forest products trading range (5.0x to 7.0x), reflecting structural challenges to the Coastal forest products industry, partially offset by extremely strong cedar markets.

Risks

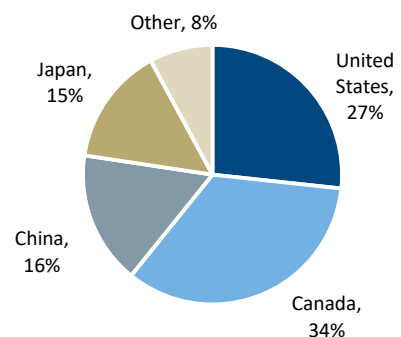
- **Currency risk:** Western’s operating results are sensitive to fluctuation in the exchange rate of the Canadian dollar relative to the US dollar. An increase in the value of the Canadian dollar reduces the company’s realized sales, which are mostly priced in US dollars.
- **Cyclicality of lumber pricing:** The company’s financial performance is dependent upon the selling prices of its products, which has historically been quite volatile.
- **Capital requirements:** The forest products industry is capital intensive, with regular capital expenditures to maintain equipment, increase operating efficiency, and comply with environmental laws.
- **Labour relations:** The majority of the company’s Canadian workforce is unionized, with the most recent strike beginning in July 2018. An extended disruption would negatively impact short-term profitability and potentially impair long-term productivity.

Sales by segment (2021E)



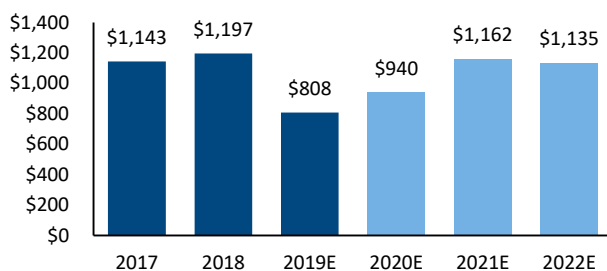
Source: RBC Capital Markets estimates

Sales by geography (2019)



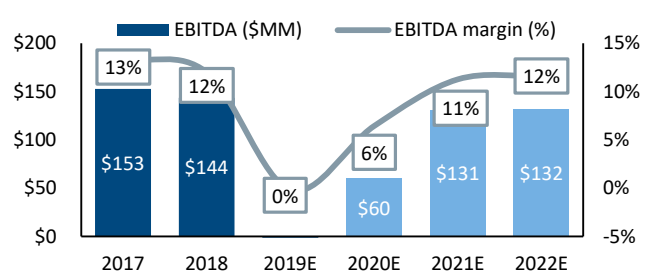
Source: Company reports, RBC Capital Markets

Sales (C\$, MM)



Source: Company reports, RBC Capital Markets estimates

Adjusted EBITDA (C\$, MM)



Source: Company reports, RBC Capital Markets estimates



Western Forest Products Inc.



Model summary

Western Forest Products Inc.		2015	2016	2017	2018	2019	Q120	Q220	Q320	Q420E	2020E	2021E	2022E
PRICING + VOLUME ASSUMPTIONS													
Lumber													
Commodity shipments (RBCe)	mmfbm	392	379	334	450	228	17	51	82	85	235	400	340
Japan shipments (RBCe)	mmfbm	145	170	168	139	102	15	27	30	30	102	115	160
Niche shipments (RBCe)	mmfbm	108	116	88	86	79	11	21	30	30	92	140	120
WRC shipments (RBCe)	mmfbm	238	276	254	205	139	21	44	50	45	160	220	200
Total shipments	mmfbm	883	942	840	880	548	64	143	192	190	589	875	820
Gross price	\$/mfbm	\$872	\$938	\$1,022	\$1,083	\$1,147	\$1,300	\$1,242	\$1,254	\$1,112	\$1,175	\$1,089	\$1,102
Mill net price	\$/mfbm	\$768	\$835	\$880	\$931	\$979	\$1,139	\$1,127	\$913	\$956	\$1,003	\$952	\$964
Logs													
Shipments	000 m ³	2,599	2,103	1,663	1,509	1,286	141	587	679	679	2,086	1,400	1,400
Price	\$/m ³	\$94	\$112	\$129	\$106	\$112	\$91	\$103	\$109	\$109	\$106	\$115	\$115
INCOME STATEMENT													
Lumber revenue	\$MM	770	884	858	953	628	83	189	209	211	692	953	904
Log revenue	\$MM	243	236	215	160	144	13	61	74	74	221	161	161
By-products revenue	\$MM	69	68	70	84	35	3	7	8	8	27	48	70
Total revenues	\$MM	\$1,082	\$1,187	\$1,143	\$1,197	\$808	\$99	\$256	\$291	\$294	\$940	\$1,162	\$1,135
Cost of goods sold (excl. D&A)	\$MM	(850)	(919)	(838)	(882)	(686)	(100)	(192)	(214)	(225)	(730)	(870)	(848)
Export tax	\$MM	(4)	0	(16)	(43)	(28)	(4)	(8)	(11)	(7)	(30)	(18)	(17)
Freight	\$MM	(88)	(97)	(103)	(91)	(64)	(6)	(20)	(22)	(23)	(71)	(102)	(97)
SG&A	\$MM	(26)	(28)	(33)	(32)	(31)	(6)	(8)	(10)	(10)	(35)	(42)	(42)
Adjusted EBITDA	\$MM	\$117	\$148	\$153	\$144	(\$1.6)	(\$17.4)	\$18.8	\$31.4	\$27.5	\$60.3	\$130.8	\$131.7
Depreciation	\$MM	(31)	(34)	(36)	(40)	(45)	(11)	(14)	(14)	(14)	(53)	(39)	(39)
EBIT	\$MM	78	131	104	97	(56)	(27)	14	18	13	18	92	93
Interest	\$MM	(5)	(4)	(3)	(3)	(8)	(2)	(2)	(2)	(2)	(8)	(6)	(4)
EBT	\$MM	73	127	101	95	(63)	(29)	12	16	12	10	86	88
Tax rate	%	11%	26%	27%	27%	26%	29%	29%	28%	28%	27%	27%	27%
Adjusted net income	\$MM	\$72	\$97	\$73	\$71	(\$47)	(\$21)	\$9	\$12	\$9	\$8	\$63	\$65
Shares outstanding (FD)	MM	399.1	399.1	399.7	397.7	379.2	375.2	375.2	375.6	375.6	375.4	375.4	375.4
Adjusted EPS (FD)	\$/sh	\$0.18	\$0.24	\$0.18	\$0.18	(\$0.12)	(\$0.06)	\$0.02	\$0.03	\$0.03	\$0.02	\$0.17	\$0.17
Dividend	\$/sh	\$0.08	\$0.08	\$0.08	\$0.09	\$0.09	\$0.02	\$0.00	\$0.00	\$0.00	\$0.02	\$0.04	\$0.04
CASH FLOW STATEMENT													
CF from ops b/f Δ w/c	\$MM	106	154	129	133	(29)	(19)	39	36	26	82	112	114
CFFO	\$MM	99	128	134	118	11	(13)	(8)	40	47	67	85	118
Investing cash flow	\$MM	(62)	(56)	(48)	(92)	(63)	(1)	(4)	(5)	(15)	(24)	(40)	(52)
Financing cash flow	\$MM	(50)	(63)	(70)	(53)	46	13	12	(36)	(32)	(43)	(37)	(15)
Capex	\$MM	62	56	55	84	37	2	5	5	15	26	40	52
Free cash flow b/f Δ w/c	\$MM	43	98	74	49	(67)	(20)	34	32	11	56	72	62
Free cash flow b/f Δ w/c	\$/sh	\$0.11	\$0.25	\$0.18	\$0.12	(\$0.18)	(\$0.05)	\$0.09	\$0.08	\$0.03	\$0.15	\$0.19	\$0.17
BALANCE SHEET													
Net debt	\$MM	54	15	(35)	(2)	116	158	175	141	109	109	79	28
Net debt-to-cap	%	11%	3%	0%	0%	19%	26%	27%	23%	19%	19%	13%	5%
Shareholders equity	\$MM	\$456	\$523	\$563	\$573	\$483	\$460	\$462	\$471	\$480	\$480	\$527	\$577

Source: Company filings, RBC Capital Markets estimates

Weyerhaeuser Company



Analyst:	Paul C. Quinn	Rating:	Outperform	Market price:	\$33.33
Ticker:	WY US	Target price:	\$40.00	Dividend yield:	2.0%
Market cap (\$MM):	\$24,946	2021E P/E:	16.1x	52-week high:	\$34.71
EV (\$MM):	\$30,033	2021E EV/EBITDA:	11.4x	52-week low:	\$13.10

Company description

Weyerhaeuser Company (“Weyerhaeuser”) is one of the world’s largest private owners of timberlands, controlling over ~12 million acres in the US and managing an additional 14 million acres in Canada under long-term licenses. The company is also one of the largest manufacturers of wood products in North America, with substantial positions in lumber, oriented strand board (“OSB”), and engineered wood products. Weyerhaeuser is structured as a real estate investment trust (“REIT”).

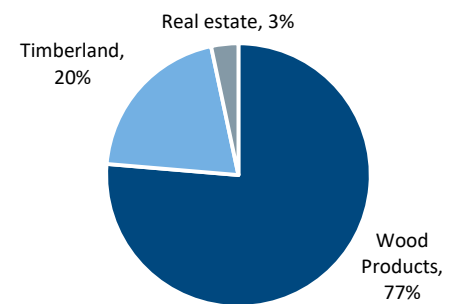
Valuation

Our price target of \$40 supports our Outperform rating and is based on a blended ~13.5x EV/ EBITDA multiple on our trend EBITDA forecast of \$2.5B (85%) and our 2021 EBITDA forecast of \$2.6B (15% weight). Our valuation multiple is above the range for US paper & forest product companies (6.0x to 8.0x), reflecting Weyerhaeuser's significant exposure to less cyclical timberland cash flows and favorable REIT tax status.

Risks

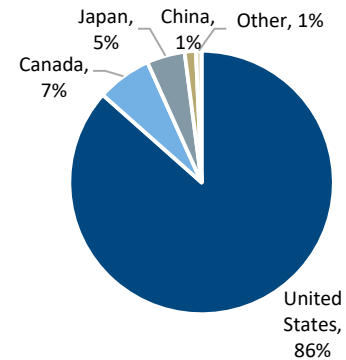
- Weaker economic conditions could have a negative impact on demand for Weyerhaeuser’s products.
- Economic cyclicality, changes in consumer preferences, or imbalances in supply and demand could negatively affect realized pricing for timber, lumber, OSB, and engineered wood products.
- Extreme weather conditions, such as prolonged wet conditions or forest fires, could limit the company’s ability to harvest timber.
- The value of timberlands is highly sensitive to the level of interest rates. An increase in interest rates would negatively impact the valuation of the company’s assets and demand for its products.

Sales by segment (2021E)



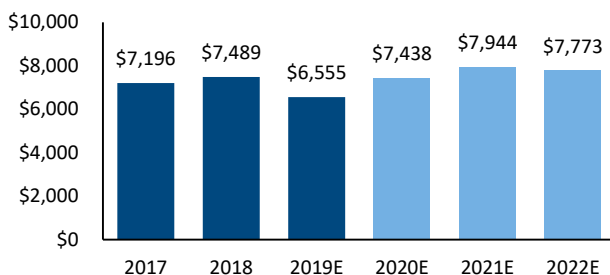
Source: RBC Capital Markets estimates

Sales by geography (2019)



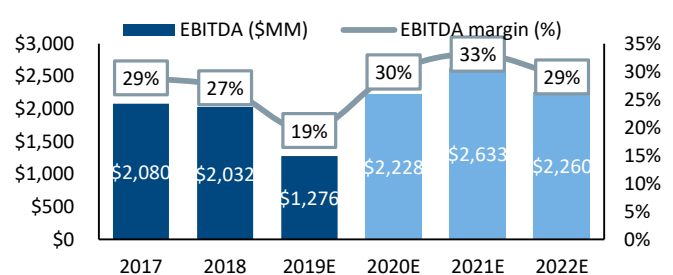
Source: Company reports, RBC Capital Markets

Sales (US\$, MM)



Source: Company reports, RBC Capital Markets estimates

Adjusted EBITDA (US\$, MM)



Source: Company reports, RBC Capital Markets estimates



Weyerhaeuser Company



Model summary

Weyerhaeuser Co. (NYSE: WY)	2017	2018	2019	Q120	Q220	Q320	Q420E	2020E	2021E	2022E	
INCOME STATEMENT											
Wood Products Revenue	\$MM	4,974	5,267	4,623	1,235	1,207	1,696	1,582	5,720	6,065	5,778
Timberland Revenue	\$MM	1,942	1,915	1,618	381	359	345	343	1,428	1,615	1,722
Real estate revenue	\$MM	280	307	314	112	65	69	44	290	264	273
Total revenues	\$MM	7,196	7,489	6,555	1,728	1,631	2,110	1,969	7,438	7,944	7,773
Wood Products EBITDA	\$MM	1,017	987	476	184	198	615	579	1,576	1,903	1,481
Timberland EBITDA	\$MM	937	902	680	173	140	130	148	591	733	769
Real estate EBITDA	\$MM	241	264	274	101	57	60	16	234	237	250
Unallocated EBITDA	\$MM	(114)	(121)	(154)	(45)	(9)	(60)	(60)	(174)	(240)	(240)
Total EBITDA	\$MM	\$2,080	\$2,032	\$1,276	\$413	\$386	\$745	\$684	\$2,228	\$2,633	\$2,260
Depreciation	\$MM	520	486	510	123	117	115	112	467	464	452
EBIT	\$MM	1,560	1,426	766	290	269	630	572	1,761	2,169	1,808
Interest	\$MM	393	375	378	85	103	111	80	379	320	305
EBT	\$MM	716	819	(213)	147	132	392	485	1,156	1,821	1,475
Tax rate	%	19%	7%	64%	-2%	45%	28%	10%	19%	15%	15%
Adjusted net income	\$MM	\$789	\$781	(\$135)	\$138	\$77	\$386	\$436	\$1,037	\$1,548	\$1,254
Average shares outstanding (FD)	MM	756.6	756.9	746.3	745.9	746.2	748.5	747.9	747.9	747.9	747.9
Adjusted EPS (FD)	\$/sh	\$1.15	\$1.19	\$0.38	\$0.19	\$0.11	\$0.52	\$0.58	\$1.40	\$2.07	\$1.68
Dividend	\$/sh	\$1.25	\$1.32	\$1.36	\$0.34	\$0.00	\$0.00	\$0.17	\$0.51	\$0.68	\$0.71
CASH FLOW STATEMENT											
CF from ops b/f Δ w/c	\$MM	1,400	1,780	991	279	329	565	597	1,770	2,103	1,779
CFFO	\$MM	1,201	1,124	966	86	391	608	663	1,748	2,086	1,792
Investing cash flow	\$MM	359	(440)	187	441	(65)	(65)	(81)	230	(300)	(300)
Financing cash flow	\$MM	(1,420)	(1,162)	(1,348)	792	(1,141)	(346)	(127)	(822)	(508)	(526)
Capex	\$MM	358	368	327	47	55	56	66	224	240	240
Free cash flow b/f Δ w/c	\$MM	1,042	1,412	664	232	274	509	531	1,546	1,863	1,539
Free cash flow b/f Δ w/c	\$/sh	\$1.38	\$1.87	\$0.89	\$0.31	\$0.37	\$0.68	\$0.71	\$2.07	\$2.49	\$2.06
BALANCE SHEET											
Cash & cash equivalents	\$MM	824	334	139	1,458	643	787	1,242	1,242	2,521	3,487
Gross debt	\$MM	5,930	5,419	6,147	7,426	6,299	5,974	5,974	5,974	5,974	5,974
Net debt	\$MM	5,106	5,085	6,008	5,968	5,656	5,187	4,732	4,732	3,453	2,487
Net debt-to-cap	%	36%	36%	42%	42%	41%	38%	35%	35%	26%	19%
Shareholders equity	\$MM	\$8,899	\$9,046	\$8,177	\$8,082	\$8,202	\$8,527	\$8,836	\$8,836	\$9,877	\$10,604

Source: Company filings, RBC Capital Markets estimates

Required disclosures

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