



MADISON'S TIMBER PREVIEW

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TIMO investors and REITs, hungry for deals, are welcoming rumours that MeadWestvaco (MWV) may soon sell off non-core assets, including considerable US timberlands, according to RISI's Chris Lyddan this week. At the end of 2012, MWV reported owning 654,000 acres (264,000 hectares) of Eastern timberland spread in an arc from Alabama to West Virginia, including long-term development property along the Atlantic coast, plus a separate 135,000 acres (54,000 hectares) in Brazil. Lyddan said an informal tally puts the remaining US acreage (excluding the Charleston area) at 575,000 acres (232,000 hectares) of investor-type timberlands. Applying recent robust valuations per state, the combined timberland value potential ranges up to US\$1 billion, almost half of that in eastern South Carolina, home of its most productive land after decades of lavish investment in genetics and silviculture.

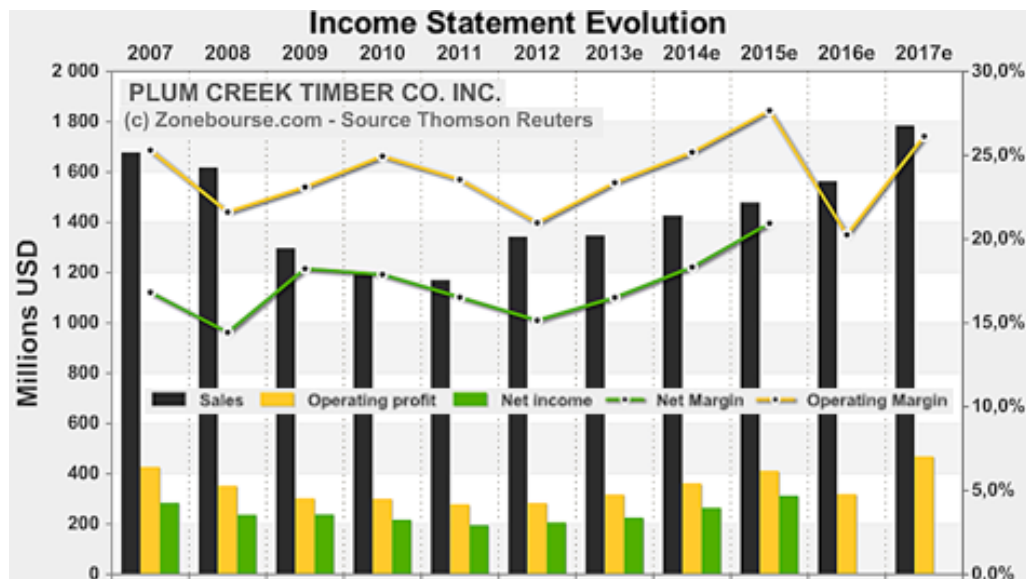
A separate Wall Street estimate from a couple of weeks ago, meanwhile, ran all the way up to US\$1.5 billion, but that included development lands, detailed Lyddan.

One company sure to benefit from an increase in US timberland sales is Plum Creek Timber, which is expected to report quarterly earnings Monday. Wall Street analysts project a profit of 32 cents a share, a rise from 18 cents per share a year ago.

Plum Creek recently purchased an additional 46,000 acres (18,000 hectares) of timberlands in western Georgia and eastern Alabama from the Campbell Group for approximately US\$72 million, the company announced April 22.

The consensus estimate for Plum Creek's share prices has risen from 29 cents over the past three months, according to *Forbes* Thursday. Analysts are expecting earnings of US\$1.41 per share for the fiscal year. A year after being US\$337 million, analysts expect revenue to fall 0.5 per cent year-over-year to US\$335.3 million for the quarter. For the year, revenue is projected to come in at US\$1.34 billion.

The company has been reaping profit in the past eight quarters, and for the last four, it has seen an average of 1.4 per cent growth in profit year-over-year. The biggest gain came in 4Q 2012, with a 29.5 per cent surge.



Also Thursday, Deltic Timber declared a quarterly dividend of 10 cents per share on Monday, June 17th. This represents a \$0.40 dividend on an annualized basis and a yield of 0.64 per cent.

Deltic shares traded up 0.22 per cent on the announcement, hitting US\$62.47 per share. Deltic has a 52-week low of US\$53.47 and a 52-week high of US\$73.97. The stock's 50-day moving average was US\$66.53 Thursday. Deltic has a market cap of US\$791.9 million and a price-to-earnings ratio of 85.38.

Deltic Timber was upgraded Wednesday by analysts at Oppenheimer from a market perform rating to an outperform rating. Oppenheimer currently has \$54.00 target price on the stock.

Elsewhere in the timberland ownership / lumber production space, Potlatch Corp Thursday reported operating income for its resource segment in 1Q 2013 of US\$15.5 million, compared to US\$10.5 million in 4Q 2012 and US\$8.7 million in 1Q 2012. The primary reason for both variances was increased harvest volumes in Potlatch's Northern and Southern regions, combined with higher prices in Idaho, the company said.

Lumber prices continued to strengthen despite lower demand from poor winter weather in much of the country, said Michael Covey, Chair and CEO. Thanks to strong sawlog prices in Idaho, the company moved up planned harvests to the first quarter.

Potlatch's total consolidated revenues for Q1 2013 were US\$139.3 million, compared to US\$143.3 million in 4Q 2012 and US\$112.4 million in 1Q 2012.

Net income for the quarter was US\$15.5 million, compared to US\$13.9 million in Q4 2012 and US\$5.1 million 1Q 2012.

Wood products revenues were US\$91.5 million in 1Q 2013 compared to US\$85.1 million in 4Q 2012 and US\$73.9 million in 1Q 2012. Operating income for the wood products segment totalled US\$18.9 million in 1Q 2013 compared to US\$13.5 million in 4Q 2012 and US\$5.0 million in 1Q 2012. The year-over-year increases in revenues and income were the result of significantly improved prices, partially offset by slightly decreased shipment volumes, the report said. The quarter-over-quarter increases in revenues and income resulted from improved product pricing partially offset by slightly increased costs and modestly lower shipment volumes.

Potlatch's share prices rose 70 cents, or 1.46 per cent, Thursday after the earnings were released, from US\$47.41 Wednesday to US\$48.11 at close Thursday.

The company has a 52-week low of US\$28.02 and a 52-week high of US\$48.08. The stock's 50-day moving average was US\$45.30 Wednesday. Potlatch has a market cap of US\$1.915 billion and a price-to-earnings ratio of 45.34.

As soon as the earnings announcement came out, the Potlatch's stock was promptly upgraded by a couple of ratings agencies. Analysts at UBS AG raised their price target on company shares from US\$31 to US\$33 in a research note to investors on Wednesday. They now have a "sell" rating on the stock.

Potlatch was also upgraded by research analysts at Raymond James from a "market perform" rating to an "outperform" rating in a report released Thursday.

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