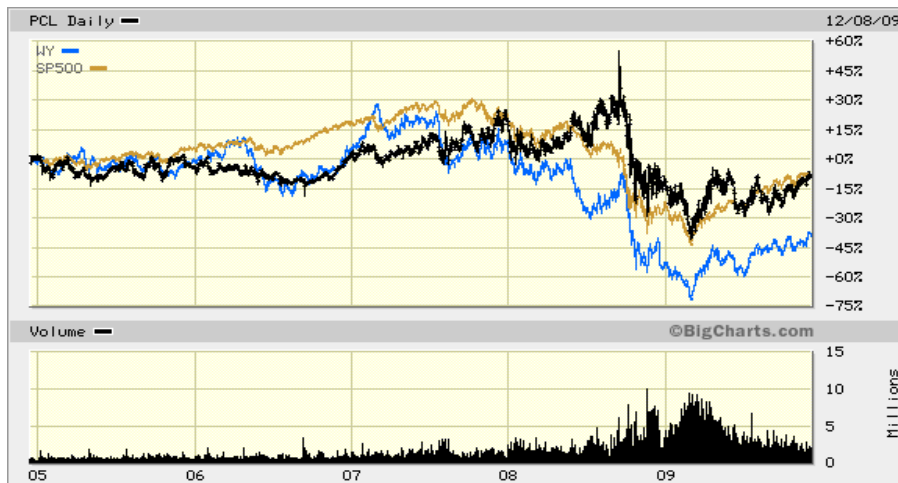


Plum Creek Timber Co. Inc. (PCL) 12/8/09

PCL operates as a timber producer and marketer of timber products, as well as a real estate investment trust (REIT). PCL is the largest private landowner in the US and can generate supplemental revenues by selling low production timber land. PCL was founded in 1989 and headquartered in Seattle, Washington.

Current Price	\$35.12
52 Week High	\$37.89
52 Week Low	\$22.88
One Yr Target	\$38.50
Market Cap (in billions)	\$5.72
P/E (Trailing)	19.08
P/E(1 Yr Forward)	29.76
P/E/G	4.97
ROA	6.61%
ROE	18.45%
EPS	\$1.84
Beta	1.46
Annualized Dividend	\$1.68
Dividend Yield	4.78%
Analyst Consensus	2.40
Debt to Equity	2.02



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Annual EPS

2005	\$1.92	
2006	\$1.79	-6.86%
2007	\$1.64	-8.56%
2008	\$1.40	-14.24%
2009E	\$1.84	31.14%

Annual Revenue (in millions)

2005	\$1,576.00	
2006	\$1,627.00	3.24%
2007	\$1,675.00	2.95%
2008	\$1,614.00	-3.64%

Annual Net Income (in millions)

2005	\$354.00	
2006	\$317.00	-10.45%
2007	\$282.00	-11.04%
2008	\$233.00	-17.38%

Free Cash Flows (in millions)

2005	-\$74.00	
2006	\$359.00	585.14%
2007	\$250.00	-30.36%
2008	\$231.00	-7.60%

Required Rate of Return

13.25%

Dividend Growth Model

Present Value of 2014 Price	\$94.82
Holding Period Return (5 years)	39.01%

Expected Annualized Return Model

Present Value of 2014 Price	\$30.84
Holding Period Return (5 years)	-2.53%

Residual Income Model

Intrinsic Stock Price	\$17.68
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Analysis

Positives

Really solid financial ratios, especially the high Dividend Yield

Negatives

Financial Statements

Income Statement has been getting weaker over years, Interest Expense is hurting Income

Balance Sheet is decent, a bit too much Debt but company does a lot of stock repurchases

Cash Flows are weak, company does a lot of Capital Expenditure purchases

Industry Analysis

Company has better than average financial ratios in a decent sized industry

Industry is cyclical and heavily dependant upon timber market prices

Summary

PCL has solid financial numbers and should have a good outlook of them getting better. The high Dividend Yield is great for value investing, and management's ROE is increasing for the TTM. Revenues for PCL should increase with the return of the cyclical use in paper/timber products and also real estate prices. Some concerns are competition from Chinese and Canadian producers and that they might flood the market with an oversupply of timber, but this should match an increased supply for timber. Because PCL is such a large landowner it can benefit from economies of scale and also are diversified in specific timber species, as well as diversified away from natural disasters such as hurricanes or pine beetles. Overall PCL earns a **buy** rating based on increased outlook in demand for timber products and the increase in real estate prices with a recovering economy.