



Independent Stock Idea

July 27, 2009

rating: buy
s&p 500: 982

Canadian Oil Sands Trust (COSWF) Quarterly Distribution Raised to C\$0.25 a Unit

<i>Symbol</i>	COSWF	<i>Ebitda Next Twelve Months ending 6/30/10 (US\$mm)</i>	1,560
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	-6
<i>Price (US\$/un)</i>	25.02	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	7/27/09	<i>Adjusted Reserves/Production NTM</i>	22.1
<i>Units (mm)</i>	484	<i>EV/Ebitda</i>	8.7
<i>Market Capitalization (US\$mm)</i>	12,100	<i>PV/Ebitda</i>	13.9
<i>Debt (US\$mm)</i>	1,400	<i>Undeveloped Reserves (%)</i>	0
<i>Enterprise Value (EV) (US\$mm)</i>	13,500	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	34.57
<i>Present Value (PV) (US\$mm)</i>	21,800	<i>Present Value Proven Reserves(US\$/boe)</i>	25.68
<i>Net Present Value (US\$/unit)</i>	42	<i>Natural Gas and Oil Ebitda (\$/boe)</i>	52
<i>Debt/Present Value</i>	0.07	<i>Earnings Next Twelve Months (US\$/unit)</i>	1.83
<i>McDep Ratio - EV/PV</i>	0.62	<i>Price/Earnings Next Twelve Months</i>	14
<i>Distribution Yield (%/year)</i>	7.2	<i>Distribution Next Twelve Months (US\$/unit)</i>	1.80
Note: Estimated cash flow and earnings tied to one-year futures prices for oil.			
Estimated present value presumes a long-term price for oil of US\$75 a barrel and natural gas, \$8 a million btu.			
For historical analysis of COS since 2002 see www.mcdep.com/4cos.htm			

Summary and Recommendation

Buy-recommended **Canadian Oil Sands Trust (COSWF)** offers unlevered appreciation potential of 61% to a McDep Ratio of 1.0 where stock price would equal Net Present Value (NPV) of US\$42 a share. Announced late today, the next quarterly distribution will be C\$0.25 a unit, up from C\$0.15 paid most recently. That is less than levered cash flow (Ebitda minus Interest) of C\$0.73 a unit projected for the third quarter and more than C\$0.14 cash flow per unit for the quarter just ended. Major maintenance activity reduced volume and raised costs compared to normal operations (see table Next Twelve Months Operating and Financial Estimates). After peaking at C\$50 a barrel in the latest quarter, operating costs are likely to fall below C\$30 a barrel for the second half of 2009. Management estimates Syncrude volumes at 330 thousand barrels daily (mbd) in the second half, up 60% from the second quarter and near capacity of 350 mbd (see chart Syncrude Monthly Production). On that basis and on current oil futures, we project a double in the distribution in the fall and another 20% increase early next year for a twelve months distribution yield of 7%. Looking further ahead, futures prices for the next six years for oil crossed the 40-week average into an uptrend at the end of May and stand currently at \$81 a barrel (see charts Six-Year Commodity Price Meter and Six-Year and One-Year Natural Gas and Oil Futures).

Kurt H. Wulff, CFA



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Canadian Oil Sands Trust									
Next Twelve Months Operating and Financial Estimates									
(Canadian Dollars)									
									Next Twelve Months
	Q2	Q1	Q2	Q3E	Q4E	Year	Q1E	Q2E	6/30/10
	6/30/08	3/31/09	6/30/09	9/30/09	12/31/09	2009E	3/31/10	6/30/10	6/30/10
Volume									
Syncrude (mmb)	24.1	24.6	18.7	30.4	30.4	104.1	29.7	30.0	120.5
Syncrude (mmbd)	265	274	206	330	330	285	330	330	330
Days	91	90	91	92	92	365	90	91	365
Trust share (%)	36.9	37.6	36.7	36.7	36.7	36.9	36.7	36.7	36.7
Trust Oil (mmb)	8.89	9.25	6.88	11.15	11.15	38.4	10.91	11.03	44.3
Trust Oil (mmbd)	97.7	102.8	75.6	121.2	121.2	105.3	121.2	121.2	121.2
Price									
WTI Cushing (US\$/bbl)	123.97	42.96	59.52	67.06	71.33	60.22	73.86	75.58	71.96
Currency (US\$/C\$)	0.99	0.80	0.86	0.93	0.93	0.88	0.93	0.93	0.93
WTI Cushing (C\$/bbl)	125.23	53.43	69.38	72.48	77.10	68.10	79.83	81.69	77.78
Differential	6.09	1.79	(1.46)	(4.00)	(4.00)	(1.57)	(4.00)	(4.00)	(4.02)
Trust Oil Price (C\$/bbl)	131.32	55.22	67.92	68.48	73.10	66.53	75.83	77.69	73.75
Henry Hub Nat Gas (US\$/mmbt)	10.93	4.90	3.50	3.78	4.69	4.22	5.65	5.61	4.93
Henry Hub Nat Gas (C\$/mmbt)	11.04	6.09	4.08	4.08	5.07	4.77	6.10	6.06	5.33
AECO Natural Gas (C\$/GJ)	9.38	4.96	3.09	3.01	3.87	3.73	4.97	4.59	4.11
Revenue (\$mm)									
Oil	1,168	511	467	764	815	2,557	827	857	3,264
Transportation & Marketing	8	-	-	-	-	-	-	-	-
Other	(16)	(1)	(2)	-	-	(4)	-	-	-
Total	1,176	512	469	764	815	2,561	827	857	3,264
Expense									
Production	296	308	316	270	270	1,164	270	270	1,080
Purchased Energy	77	51	29	46	59	186	50	47	203
Crown Royalties	178	4	23	63	69	159	51	81	264
Insurance	1	2	2	2	2	8	2	2	8
Administration	9	6	6	6	6	24	5	5	22
Total	561	371	376	387	406	1,540	379	405	1,577
Ebitda	615	141	93	377	409	1,021	449	453	1,687
Deprec., Deplet., & Amort.	102	106	81	132	132	450	132	132	526
Currency Hedging	(1)	-	-	-	-	-	-	-	-
Non-Production	16	33	39	33	33	138	22	22	110
Exchange on U.S. Debt	(5)	29	(77)	-	-	(48)	-	-	-
Future Income Tax	(10)	(90)	(23)	-	-	(113)	-	-	-
Ebit	513	63	73	212	244	594	295	299	1,051
Interest	16	20	25	24	24	93	22	22	93
Net Income (\$mm)	497	43	48	188	220	501	273	277	958
Per Unit (\$)	1.04	0.09	0.10	0.39	0.46	1.03	0.56	0.57	1.98
Units (millions)	481	482	484	484	484	484	484	484	484
Ebitda minus Interest	599	121	68	353	385	928	426	430	1,595
Per Unit (\$)	1.25	0.25	0.14	0.73	0.80	1.92	0.88	0.89	3.30
Ratios									
Production (\$/bbl)	33.24	33.26	45.94	24.21	24.21	30.27	24.74	24.47	24.40
Purchased Energy (\$/bbl)	8.69	5.54	4.24	4.13	5.31	4.83	4.62	4.27	4.58
Prod&Purch En (\$/bbl)	41.94	38.79	50.18	28.33	29.51	35.10	29.37	28.74	28.99
Crown Royalties & Taxes	15%	1%	5%	8%	8%	6%	6%	9%	8%
Ebitda Margin	52%	28%	20%	49%	50%	40%	54%	53%	52%
Deprec., D.& A (\$/bbl)	11.47	11.45	11.78	11.80	11.80	11.71	12.06	11.93	11.90
Distribution	1.00	0.15	0.15	0.25	0.50	1.05	0.60	0.60	1.95

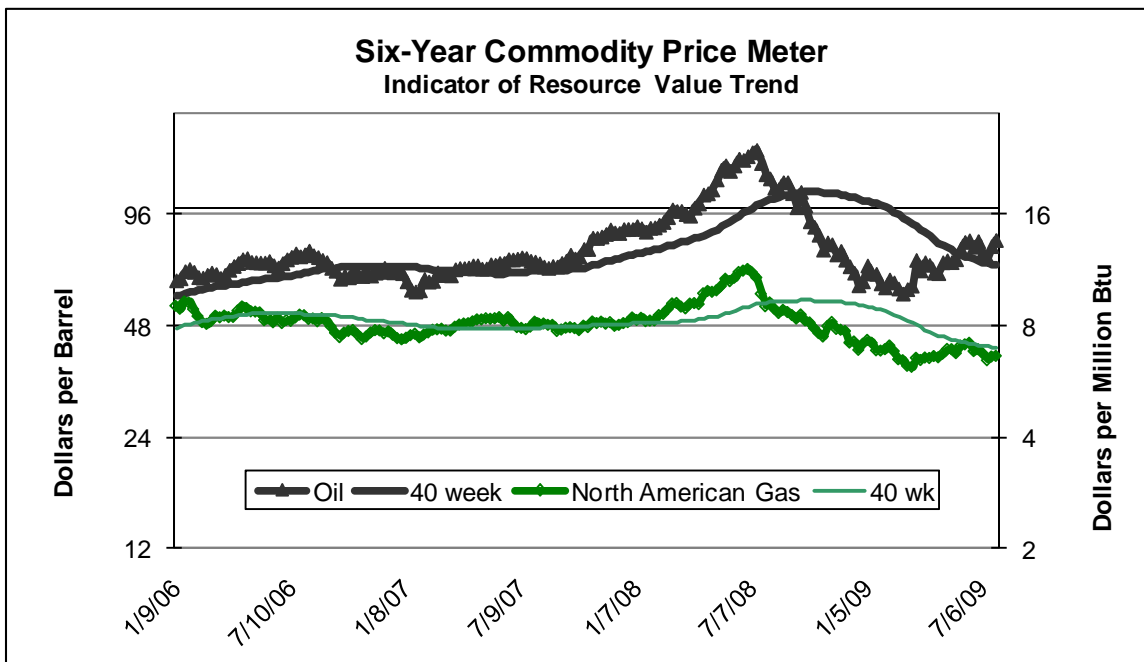
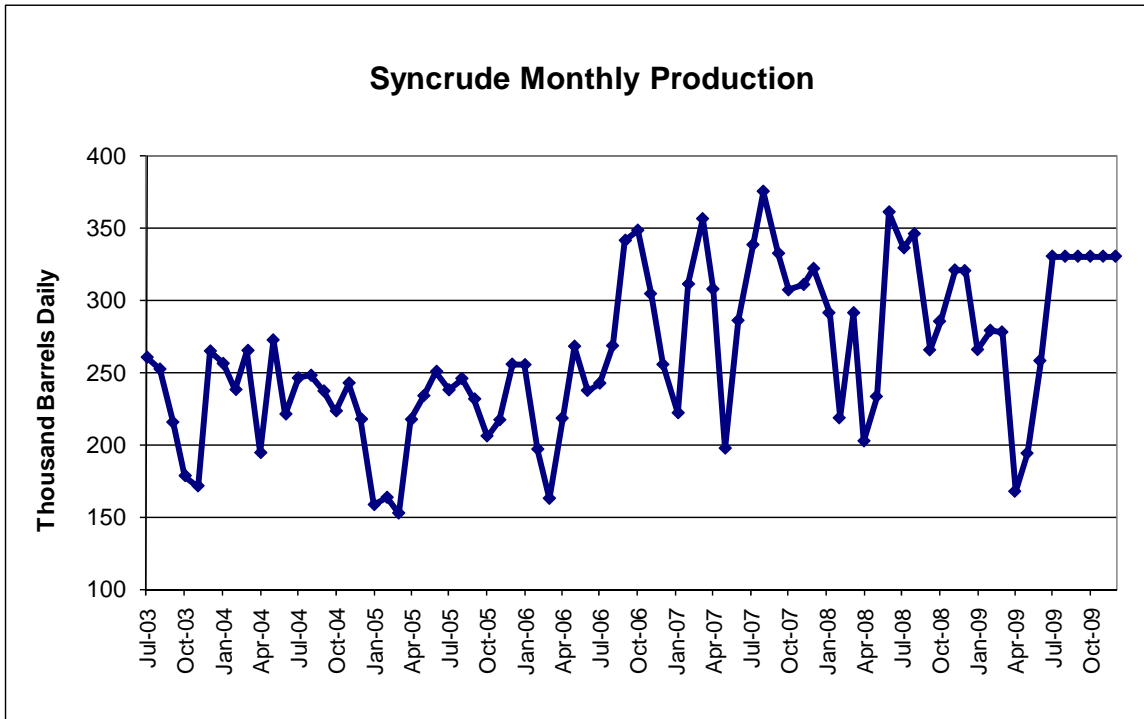
Please see disclosures on the final page.

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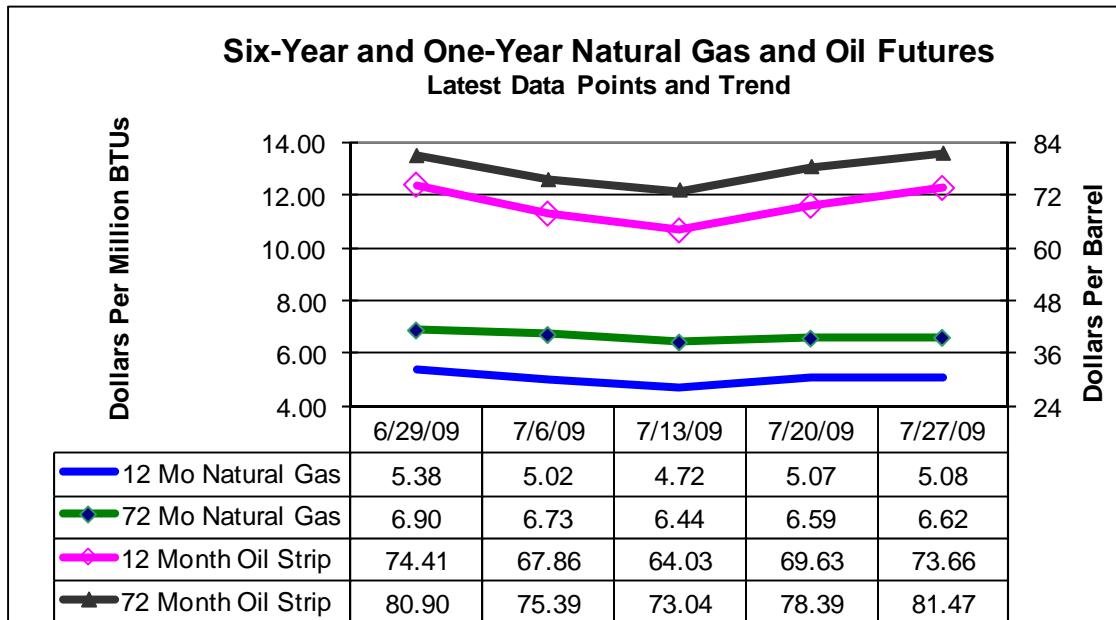
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