



Independent Stock Idea

October 29, 2009

rating: buy
s&p 500: 1043

Canadian Oil Sands Trust (COSWF) Operating at Capacity

<i>Symbol</i>	COSWF	<i>Ebitda Next Twelve Months ending 9/30/10 (US\$mm)</i>	1,930
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	-5
<i>Price (US\$/un)</i>	27.96	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	10/28/09	<i>Adjusted Reserves/Production NTM</i>	21.8
<i>Units (mm)</i>	484	<i>EV/Ebitda</i>	7.7
<i>Market Capitalization (US\$mm)</i>	13,500	<i>PV/Ebitda</i>	11.2
<i>Debt (US\$mm)</i>	1,400	<i>Undeveloped Reserves (%)</i>	0
<i>Enterprise Value (EV) (US\$mm)</i>	14,900	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	42.28
<i>Present Value (PV) (US\$mm)</i>	21,700	<i>Present Value Proven Reserves(US\$/boe)</i>	25.56
<i>Net Present Value (US\$/unit)</i>	42	<i>Natural Gas and Oil Ebitda (\$/boe)</i>	56
<i>Debt/Present Value</i>	0.06	<i>Earnings Next Twelve Months (US\$/unit)</i>	2.59
<i>McDep Ratio - EV/PV</i>	0.69	<i>Price/Earnings Next Twelve Months</i>	11
<i>Distribution Yield (%/year)</i>	5.6	<i>Distribution Next Twelve Months (US\$/unit)</i>	1.58
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 46% to a McDep Ratio of 1.0 where stock price would equal Net Present Value (NPV) of US\$42 a share. Third quarter results released late on October 28 indicated Ebitda minus Interest of C\$0.70 a unit, up from a depressed C\$0.14 in the second quarter of 2009 (see table [Next Twelve Months Operating and Financial Estimates](#)). Despite a steep increase in cash flow, management took a more deliberate approach to increasing the quarterly distribution for the fourth quarter by C\$0.10 a unit to C\$0.35 from C\$0.25 for the third quarter and C\$0.15 for the second quarter. Chief Executive Marcel Coutu forecasts full capacity operations, about 350,000 barrels daily, at the Syncrude Joint Venture (36.7% COSWF) for the remainder of 2009. Perhaps looking to the higher profitability of capacity operations and noting high interest by potential buyers, Chief Executive Jim Mulva of ConocoPhillips may sell all or part of the company's 9% of Syncrude. Last week the Korean National Oil Company agreed to buy Canadian refiner/producer Harvest Energy Trust for some \$3 billion. Suncor's 12% of Syncrude, gained in its acquisition of Petro-Canada, may also be available should a stronger market develop. COSWF would be a consolidator of Syncrude holdings if a transaction increases Syncrude ownership per unit on a low risk basis. In any case, we like COSWF as an investment in secure, long-life oil for which the price trend continues positive with futures prices for the next six years above the 40-week average (see chart [Six-Year Commodity Price Meter](#)).

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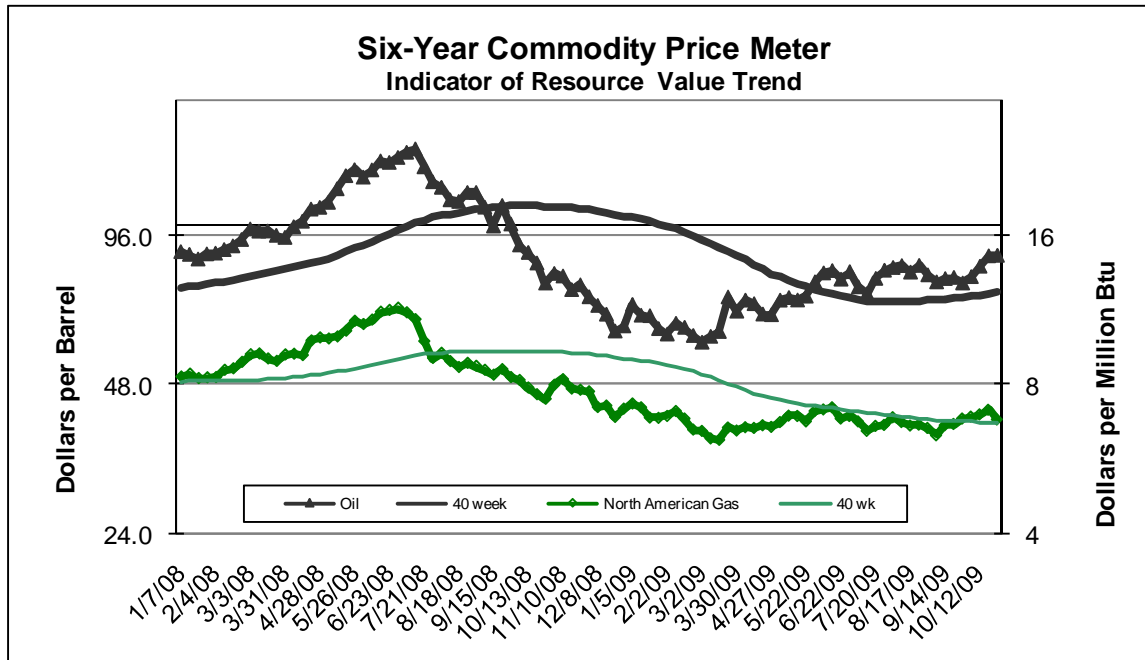
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Canadian Oil Sands Trust									
Next Twelve Months Operating and Financial Estimates									
(Canadian Dollars)									
	Q3	Q2	Q3	Q4E	Year	Q1E	Q2E	Q3E	Next Twelve Months
	9/30/08	6/30/09	9/30/09	12/31/09	2009E	3/31/10	6/30/10	9/30/10	9/30/10
Volume									
Syncrude (mmb)	29.1	18.7	28.7	31.9	104.0	29.7	30.0	30.4	122.0
Syncrude (mbd)	316	206	312	347	285	330	330	330	334
Days	92	91	92	92	365	90	91	92	365
Trust share (%)	36.9	36.7	36.7	36.7	36.9	36.7	36.7	36.7	36.7
Trust Oil (mmb)	10.73	6.88	10.54	11.73	38.4	10.91	11.03	11.15	44.8
Trust Oil (mbd)	116.7	75.6	114.5	127.5	105.2	121.2	121.2	121.2	122.8
Price									
WTI Cushing (US\$/bbl)	117.99	59.52	68.22	77.69	62.10	80.00	81.52	82.60	80.45
Currency (US\$/C\$)	0.96	0.86	0.93	0.93	0.89	0.93	0.93	0.93	0.93
WTI Cushing (C\$/bbl)	122.77	69.38	73.75	83.83	70.10	86.32	87.97	89.13	86.81
Differential	4.78	(1.46)	(0.44)	(4.00)	(0.12)	(4.00)	(4.00)	(4.00)	(4.04)
Trust Oil Price (C\$/bbl)	127.55	67.92	73.31	79.83	69.98	82.32	83.97	85.13	82.77
Henry Hub Nat Gas (US\$/mmbt)	10.25	3.50	3.39	4.48	4.07	5.58	5.61	5.84	5.38
Henry Hub Nat Gas (C\$/mmbt)	10.66	4.08	3.66	4.84	4.59	6.02	6.06	6.31	5.81
AECO Natural Gas (C\$/GJ)	7.86	3.09	2.90	3.69	3.66	4.90	4.59	4.99	4.54
Revenue (C\$m)									
Oil	1,369	467	773	936	2,687	898	926	950	3,711
Transportation & Marketing	9				-				-
Other	(19)	(2)	(0)		(4)				-
Total	1,379	469	773	936	2,691	898	926	950	3,711
Expense (C\$m)									
Production	276	316	266	266	1,156	266	266	266	1,066
Purchased Energy	69	29	27	38	145	50	47	52	186
Crown Royalties	231	23	108	95	230	63	91	94	342
Insurance	2	2	2	2	8	2	2	2	8
Administration	3	6	6	6	24	5	5	5	21
Total	581	376	409	407	1,563	386	411	419	1,623
Ebitda	798	93	364	530	1,128	512	515	530	2,087
Deprec., Deplet., & Amort.	121	81	123	123	433	123	123	132	501
Currency Hedging	(1)				-				
Non-Production	21	39	34	34	140	34	34	33	135
Exchange on U.S. Debt	32	(77)	(90)		(138)				-
Future Income Tax	6	(23)	25		(88)				-
Ebit	619	73	272	373	781	355	358	366	1,452
Interest	16	25	25	25	95	25	25	25	100
Net Income (C\$m)	603	48	247	348	686	330	333	341	1,352
Per Unit (C\$)	1.25	0.10	0.51	0.72	1.42	0.68	0.69	0.70	2.79
Units (millions)	482	484	484	484	484	484	484	484	484
Ebitda minus Interest	782	68	339	505	1,033	487	490	505	1,987
Per Unit (C\$)	1.62	0.14	0.70	1.04	2.14	1.01	1.01	1.04	4.11
Ratios									
Production (C\$/bbl)	25.68	45.94	25.28	22.72	30.12	24.42	24.15	23.89	23.77
Purchased Energy (C\$/bbl)	6.47	4.24	2.52	3.21	3.77	4.56	4.27	4.64	4.15
Prod&Purch En (C\$/bbl)	32.15	50.18	27.80	25.92	33.88	28.98	28.42	28.53	27.93
Crown Royalties & Taxes	17%	5%	14%	10%	9%	7%	10%	10%	9%
Ebitda Margin	58%	20%	47%	57%	42%	57%	56%	56%	56%
Deprec., D, & A (C\$/bbl)	11.27	11.78	11.67	10.49	11.28	11.27	11.15	11.80	11.17
Distribution (C\$/unit)	1.25	0.15	0.25	0.35	0.90	0.45	0.45	0.45	1.70



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