

Initiated 2026-09-26 · Price \$178.49 (as of 2026-09-25 close, stockanalysis.com) · Mkt cap \$5.48bn · Materials / cement and gypsum wallboard · Model: verified

Rating: Hold — Conviction: Low

Eagle Materials is a low-cost, well-run cement and wallboard producer. The stock has fallen 21% in a year as wallboard prices dropped and a two-plant capex programme absorbed free cash flow. At ~9.7x EBITDA it is cheap against aggregates peers, but not against its own trough multiples. The base case sits below the price, because FY2027 is the capex peak and wallboard pricing hasn't bottomed. The bull case needs a housing recovery that the current rate path doesn't support. Conviction is Low: the name turns quickly on mortgage rates, and the fall in capex after 2027 is real.

MODEL VALUE RANGE VS PRICE



Business overview

Eagle Materials sells cement, ready-mix concrete and aggregates (Heavy Materials), plus gypsum wallboard and recycled paperboard (Light Materials), from plants in the US interior. FY2026 (year to March) revenue was \$2.31bn. Gross segment revenue was cement \$1.30bn, wallboard \$0.76bn, concrete and aggregates \$0.30bn and paperboard \$0.20bn, before \$254mm of intersegment eliminations. Cement serves public infrastructure and large non-residential projects. Wallboard depends more on housing and carries the highest margin. Earnings turn on three things: wallboard price, cement volume and price in regional markets, and energy cost.

Competition

In wallboard, Eagle competes with USG (Knauf), Georgia-Pacific, CertainTeed and PABCO. North American shipments rose ~1% y/y in Q2 2026 to ~6.8bn sq ft, the first increase after eight straight quarterly declines (Gypsum Association via Walls & Ceilings). Pressure is showing up in price: Eagle's average wallboard price fell 10% y/y to \$209.65/MSF in Q1 FY2027. In cement, it competes with Amrize, Heidelberg, Cemex, Buzzi and imports at Gulf and coastal terminals. Tariffs are in flux. The Supreme Court voided the emergency-powers tariffs on 2026-02-20, a 10% blanket surcharge remains, and a 50% tariff on Canadian cement took effect 2026-08-20 (Global Cement, July 2026). The closest listed cement comparable, Amrize, trades at 9.3x EV/EBITDA. Aggregates-led Vulcan and Martin Marietta trade at 15.6x and 19.1x.

Bull case

1. **Cement demand outruns supply.** Cement volume rose 8% in Q1 FY2027 on public infrastructure and large private non-residential work. The new Laramie kiln (commissioning late calendar 2026) adds low-cost capacity into that demand, and Canadian imports now

- carry a 50% tariff. Plays out if highway funding and data-center and manufacturing construction hold. *Model: rev_growth, ebitda_margin*
2. **Housing recovery re-levers wallboard.** Wallboard earns the highest margin and has the most operating leverage. Industry shipments just turned positive. Plays out if mortgage rates fall enough to lift starts and let producers push price again. *Model: rev_growth, ebitda_margin*
3. **The capex peak passes.** FY2027 capex guidance is \$490–\$525mm, against DD&A of ~\$165mm. After Laramie and Duke (mid-FY2028) finish, base FCF rises from ~\$18mm in Y1 to ~\$390mm in Y3. Plays out if both projects finish on budget. *Model: capex_pct_rev, exit_ev_ebitda*

Bear case

1. **Wallboard pricing is cracking.** Price fell 10% y/y and wallboard operating earnings fell 21% in Q1 FY2027. Plays out if residential stays soft and new or modernised capacity (including Eagle's own Duke expansion) competes for flat volume. *Model: rev_growth, ebitda_margin*
2. **Cement price has turned.** Average cement price fell 2% even as volume rose 8%. Diesel and a Mountain Cement outage (~\$6mm) cut cement earnings 9%. Plays out if new capacity and imports meet slower non-residential demand. *Model: rev_growth, ebitda_margin*
3. **Buybacks are being funded with debt at the capex peak.** TTM FCF was \$171mm against \$395mm of buybacks. Debt rose to \$1.78bn, and net leverage is 2.1x (company) from 1.4x at FY2024. Plays out if the projects overrun or EBITDA keeps falling. *Model: capex_pct_rev*
4. **It stays valued as a cyclical, not a compounder.** The FY2023 trough multiple was 8.7x. Plays out if housing weakness keeps the stock priced with Amrize rather than the aggregates names. *Model: exit_ev_ebitda, wacc*

Valuation & balance sheet

Metric (definition)	Current	Own history (range or 5y avg)	Peers	Source, as-of
EV/EBITDA, aggregator (TTM)	10.0x	8.7x (FY2023) – 13.4x (FY2024), FY-end	Martin Marietta 19.1x · Vulcan 15.6x · Amrize 9.3x	stockanalysis.com, 2026-09-25
EV/EBITDA, model basis (EV \$7.10bn incl. all debt, no leases / FY2026 EBITDA \$728.1mm)	9.75x	n/a (not restated)	n/a (peers not restated)	model-inputs.json
Forward P/E (consensus FY2027 EPS \$12.77, 11 analysts)	13.6x	trailing 11.5x–19.6x FY2022–FY2026	Martin Marietta 26.2x · Vulcan 25.0x · Amrize 14.2x	stockanalysis.com, 2026-09-25
FCF yield (TTM)	3.1%	8.7% (FY2022) falling to 3.3% (FY2026)	Martin Marietta 2.4% · Vulcan 3.2% · Amrize 6.4%	stockanalysis.com, 2026-09-25

Model-implied value range (from `model-summary.json` ; generic module, Gordon-growth DCF and exit-EV/EBITDA DCF, midpoints): Bear \$60.68 · Base \$149.20 · Bull \$242.29 per share, i.e. implied returns of –66.0% / –16.4% / +35.7% vs \$178.49. *These ranges show how the bull and bear drivers translate into value; they are not price targets.* The price sits between base and bull, a little closer to base. The market is pricing part of a housing recovery, not a full one.

Re-rating. The two base-case methods differ by more than 10%:

- **Exit-multiple method: \$167.85 (–6%).** It uses 10.0x Year-5 EBITDA against 9.75x today, a ~3% re-rating. Even with the multiple flat, the base case sits below the price.
- **Gordon method: \$130.55.** At a 10.0% WACC (beta 1.37) it implies ~7.9x Year-5 EBITDA (est., backed out from the two methods), a ~19% de-rating.

Tail, quantified. Cement is more than half of gross segment revenue, so a harsher case was run outside the committed model: revenue –5%, –8%, –2%, +2%, +2%; EBITDA margin 28% falling to 25%; capex 24% then 9–16%; NWC 20%; 7.0x exit; 11.5% WACC; 1% terminal growth. That gives **\$26.32 (–85%)**: leverage above 2x turns a housing and pricing slump into a deep equity loss.

Balance sheet: net leverage 2.1x FY2026 EBITDA (model and company basis), EBITDA/interest ~10x. Liquidity: \$233.5mm cash plus a revolver (availability not verified). Nearest material maturity: the ~\$278mm bank term loan (maturity not verified), then \$750mm 2.50% notes due 2031 and \$750mm 5.00% notes due 2036. Ratings: n/a (unverified).

Model note: tier `full`, status `built`, verification `verified` (3,207 formula cells matched in LibreOffice). Unverified input: \$20.4mm "other debt," derived as reported total debt less the listed tranches. The term-loan coupon and maturity are placeholders, and the tax rate (22%) is an estimate. Scenario consistency is `OK` on all 14 rows. Base Y1 EPS of \$11.76 is 8% below the \$12.77 consensus. The model holds FY2027 margin at 30% (TTM 30.3%), charges DD&A at 7.3% of revenue and runs interest on prior-year net debt. Consensus appears to assume margin recovers inside the year. EBITDA includes Texas Lehigh JV equity earnings and is after stock compensation.

Scenario stress test

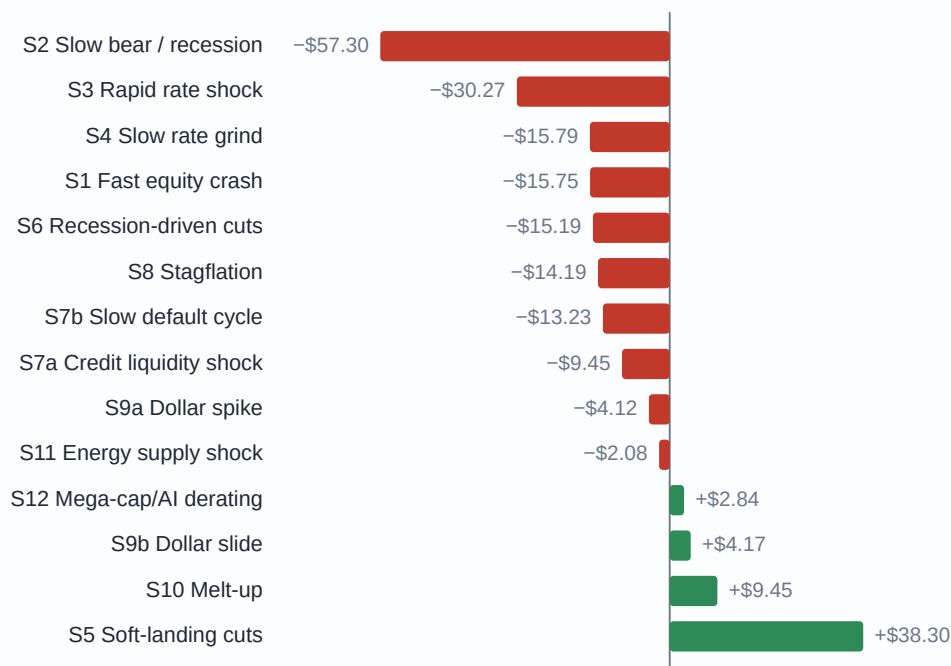
Reasoned from the bull/bear drivers above. The model column comes from the scenario overlays (Base case + shock).

Scenario	Effect	Mechanism	Magnitude	Model Δ value vs Base (\$/sh)
S1 Fast equity crash	–	High-beta cyclical de-rates; no operating channel over weeks	Med	–\$15.75
S2 Slow bear / recession	–	Housing and non-residential fall together; wallboard price and cement volume drop on high fixed costs. Smaller than Base – Bear (\$88.52) on purpose: a recession is transitory, while the bear case is a lasting price reset	High	–\$57.30
S3 Rapid rate shock	–	Mortgage rates hit housing and wallboard; higher discount rate on a 2x-levered cyclical	High	–\$30.27
S4 Slow rate grind	–	Same channels, grinding	Med	–\$15.79
S5 Soft-landing cuts	+	Lower mortgage rates revive starts and wallboard pricing; lower discount rate	High	+\$38.30
S6 Recession-driven cuts	–	Construction volume loss outweighs the rate relief	Med	–\$15.19
S7a Credit liquidity shock	–	Notes are long-dated, but the equity de-rates with credit	Med	–\$9.45
S7b Slow default cycle	–	Homebuilder and developer credit tightens; private construction slows	Med	–\$13.23
S8 Stagflation	–	Kiln fuel, power, gas and diesel costs outrun price increases; higher discount rate	Med	–\$14.19
S9a Dollar spike	–	Cheaper imported cement at Gulf and coastal terminals	Low	–\$4.12
S9b Dollar slide	+	Mirror of S9a	Low	+\$4.17
S10 Melt-up	+	Risk appetite re-rates a de-rated, high-beta cyclical	Med	+\$9.45
S11 Energy supply shock	–	Energy is a large share of cement and wallboard cost; diesel already hit Q1 freight. Modeled as a two-year margin hit only	Low	–\$2.08
S12 Mega-cap/AI derating	±	Data-center construction slows, but rotation toward domestic cyclicals can lift the multiple	Low	+\$2.84

Currently active/on watch per the playbook:

- `state.md` lists S3 as partially active. The macro log records all three legs crossed on 2026-09-24/25 (10Y 5.17%), and S3 is this name's second-largest downside row.
- S8, S10 and S11 are on watch.

MODEL VALUE CHANGE VS BASE, BY SCENARIO



What would change the call

Upgrades if:

- Wallboard price stabilises (flat or up q/q) while shipments keep growing; or
- Laramie commissions on time and FY2028 capex guidance falls below ~\$300mm.

Downgrades if:

- Wallboard price falls again q/q; or
- Cement price declines widen past -3% y/y; or
- Net leverage exceeds 2.5x while buybacks continue.

Watch items

- **W1:** Q2 FY2027 wallboard average price against \$209.65/MSF in Q1. Source: Q2 FY2027 release (late October 2026). *Model: ebitda_margin*
- **W2:** Q2 FY2027 cement volume and price against +8% and -2% y/y in Q1. Source: Q2 FY2027 release. *Model: rev_growth*
- **W3:** Laramie kiln commissioning (late calendar 2026) and any change to FY2027 capex guidance of \$490–525mm. Source: quarterly releases. *Model: capex_pct_rev*
- **W4:** Net leverage against 2.1x, and buybacks against FCF. Source: Q2 FY2027 10-Q. *Model: none*

Sources

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Independent single-name research. Directional characterization, not a price target, execution instruction, or portfolio recommendation.