

Initiated 2026-09-27 · Price \$91.31 (as of 2026-09-25 close, stockanalysis.com) · Mkt cap \$3.99bn · Industrials / trading companies and distributors (landscape supply) · Model: verified

Rating: Hold — Conviction: Low

SiteOne is the only national player in a fragmented market, and it is improving gross margin through price, private brands and small-customer growth. But volumes are falling in new residential and in repair and upgrade, and FY2026 organic sales are guided flat to +1%. After a 30% fall over the year, the stock trades at ~12x trailing EBITDA. That sits between the base and bull cases: the exit method is modestly above today's price and the Gordon method below it. Conviction is Low because the answer depends almost entirely on when housing turns.

MODEL VALUE RANGE VS PRICE



Business overview

SiteOne distributes irrigation, agronomics (fertilizer, seed, chemicals), hardscapes, nursery goods, outdoor lighting and landscape equipment through a national branch network. It sells mainly to landscape contractors. By end market, maintenance is ~36% of sales, repair and upgrade ~30%, new residential ~20% and new commercial ~14% (Q2 2026 call). Q2 2026 sales rose 5% to \$1,530.7mm. Organic daily sales rose 1%: price added 3% and volume fell about 2%. Gross margin rose 50bp to 36.9%, while SG&A rose 30bp to 24.2% of sales. Earnings depend on contractor volume in residential and repair and upgrade, gross margin (price, commodity deflation, private-brand mix), and branch cost leverage. Growth also comes from acquisitions (two deals with ~\$110mm of annual sales announced in 2026); the model deliberately leaves these out.

Competition

According to SiteOne's FY2024 10-K, regional and local competitors hold ~82% of the landscape supply industry by 2024 sales. That implies SiteOne holds ~18%, the latest share figure retrieved (roughly 18 months old). The named rivals that matter are Heritage Landscape Supply (part of Home Depot through SRS), Horizon Distributors (part of Pool Corp), Ewing and Harrell's. Heritage has the balance sheet to compete on price and to bid for the same acquisition targets. Current pricing evidence is mixed. Overall price was +3% in Q2, but grass seed fell 9% and PVC pipe 4%, so commodity categories would show pressure first, followed by acquisition multiples. The closest listed comparables trade at 11–12x TTM EV/EBITDA (stockanalysis, 2026-09-25): Core & Main at 11.3x and Pool at 11.9x. Ferguson trades at 16.1x and Watsco at 17.6x. The thesis rests on no tariff regime. PVC and fertilizer prices are the relevant input costs, and they pass through with a lag.

Bull case

1. **Housing and repair and upgrade turn.** New residential is down high single digits and repair and upgrade mid-single digits in 2026, so a recovery levers volume through a fixed branch base. Plays out if mortgage rates fall and existing-home turnover recovers in 2027. *Model: rev_growth, exit_ev_ebitda*
2. **Margin initiatives compound.** Pro-Trade private-brand sales are up nearly 50%, siteone.com sales are up >50% year to date, and branch consolidations have kept >80% of transferred sales. Together these lift EBITDA margin back toward FY2021 levels. Plays out if gross margin holds $\geq 36\%$ while SG&A leverages. *Model: ebitda_margin*
3. **Consolidating an 82%-fragmented market.** Acquisitions at sensible multiples keep adding revenue and density. *Model: not in the value range — acquisition spend and acquired revenue are excluded from the drivers*

Bear case

1. **Residential stays weak.** Q2 volume fell $\sim 2\%$, weakest in the Sun Belt, and the Q2 miss prompted a downgrade and a cut to the organic sales guide. Plays out if the 10Y stays above 5% and starts keep falling into 2027. *Model: rev_growth, wacc*
2. **Branch deleverage and commodity deflation.** Healthcare and fuel costs pushed SG&A up 30bp even with positive sales, and seed and PVC prices are falling. Plays out if volume keeps falling while commodity prices deflate. *Model: ebitda_margin*
3. **Distributor de-rating.** A housing-linked distributor with a negative volume trend trades below Core & Main. *Model: exit_ev_ebitda*

Valuation & balance sheet

Metric (definition)	Current	Own history (range or 5y avg)	Peers	Source, as-of
EV/EBITDA, aggregator (TTM, lease-inclusive)	13.0x	n/a (unverified)	CNM 11.3x · POOL 11.9x · FERG 16.1x · WSO 17.6x	stockanalysis.com, 2026-09-25
EV/EBITDA, model basis (EV \$4.61bn, operating leases excluded)	12.3x FY2025 · 11.9x TTM · $\sim 10.5x$ FY2026 adj. guide midpoint (before SBC)	n/a	n/a (peers not restated)	model-inputs.json
Forward P/E (stockanalysis consensus)	19.3x	n/a (unverified)	CNM 13.4x · POOL 14.5x · FERG 18.9x · WSO 25.6x	stockanalysis.com, 2026-09-25
FCF yield (TTM)	6.5% (FCF \$259.3mm, before \$99mm of acquisitions)	FCF \$178–265mm FY2021–FY2025	n/a	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 \$41.45 · Base \$84.30 · Bull \$128.38 per share, i.e. implied returns of -54.6% / -7.7% / $+40.6\%$ vs \$91.31. *These ranges show how the bull and bear drivers translate into value; they are not price targets.* The price sits just above the base case and well below the bull, so the market prices a slow recovery rather than a rebound or a downturn.

Re-rating. The base exit of 12x is a 0.8% re-rating on 11.9x TTM and a 2.4% de-rating on 12.3x FY2025, so it is essentially flat. The exit method gives \$98.94 (+8.4%). The Gordon method gives \$69.66, 30% lower, because a 10.9% WACC with 3% terminal growth embeds a lower terminal multiple. That gap, not a view of deterioration, is why the base midpoint sits below the price, so the negative base return doesn't make this a Sell.

Tail. No customer or product is $\geq 50\%$ of sales, and the bear case is a break rather than a plateau, so no concentration run was required. A downturn sensitivity was run on a scratch copy anyway. Revenue $+3\%$ / -10% / -3% / $+2\%$ / $+3\%$, EBITDA margin falling to 6–6.5%, NWC 21% of revenue, an 8x exit and a 12.5% WACC give \$27.29 (-70.1%).

Balance sheet: net leverage 1.5x FY2025 EBITDA (model Credit; the company reports 1.3x TTM adjusted EBITDA), coverage 10.1x, liquidity $\sim$ \$530mm (\$87.4mm cash plus \$443mm of ABL capacity). Funded debt is a \$505.7mm term loan plus \$137.3mm of finance leases; the ABL was undrawn and runs to April 2031. The term loan's maturity (2030 in the model) and the ratings are n/a (unverified).

Model note:

- Tier **full** on five fiscal years (FY2021–FY2025). Status **built**, verification **verified** (LibreOffice recalculation matched all 3,207 formula cells). No unverified inputs; no assumptions without basis. Scenario consistency **OK** on all 14 rows.
- The company guides adjusted EBITDA, not EPS. Base Y1 (FY2026) GAAP EPS of \$4.01 compares with \$3.64 TTM. The 19.3x forward P/E implies ~\$4.70 of NTM consensus (est.), which is likely on an adjusted basis and runs into FY2027. The model's tax rate (25%), term-loan coupon (6%) and term-loan maturity are estimates. Shares are the 44.4mm Q2 diluted average, above the 43.66mm outstanding after buybacks (conservative).
- Revenue drivers exclude future acquisitions, so both the growth and the cash spent on it are left out.

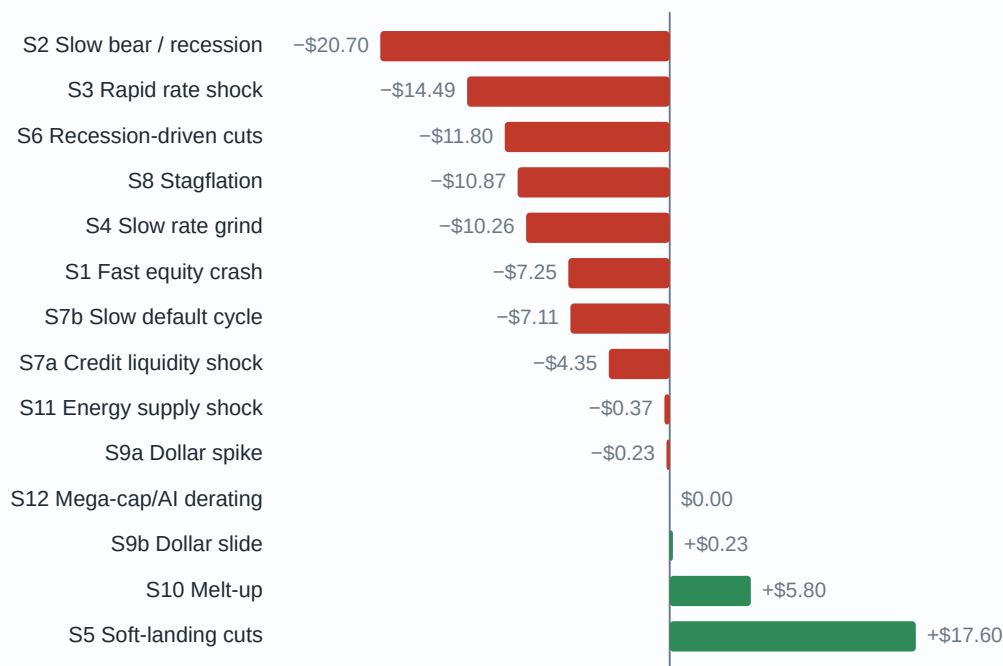
Scenario stress test

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	–	Market de-rating of housing-linked distributors; demand unaffected	Low	–\$7.25
S2 Slow bear / recession	–	Residential, repair and upgrade, and commercial fall together, and branch costs deleverage. About half of Base – Bear (\$42.85) because maintenance (~36% of sales) cushions a transitory recession, whereas the bear case is a permanent margin reset	High	–\$20.70
S3 Rapid rate shock	–	Mortgage rates hit new residential (20%) and home-equity-funded repair and upgrade (30%)	High	–\$14.49
S4 Slow rate grind	–	Same channel, grinding	Med	–\$10.26
S5 Soft-landing cuts	+	Lower rates revive residential and repair and upgrade; volume levers	High	+\$17.60
S6 Recession-driven cuts	–	Construction volume falls faster than lower rates help	Med	–\$11.80
S7a Credit liquidity shock	–	Forced selling; 1.3x leverage and an ABL to 2031 limit funding risk	Low	–\$4.35
S7b Slow default cycle	–	Small contractor customers lose credit; floating term-loan cost rises	Low	–\$7.11
S8 Stagflation	–	Fuel and healthcare costs lift SG&A ahead of price while demand slows	Med	–\$10.87
S9a Dollar spike	–	Small Canadian business translates lower	Low	–\$0.23
S9b Dollar slide	+	Mirror of S9a	Low	+\$0.23
S10 Melt-up	+	Cyclicals re-rate	Low	+\$5.80
S11 Energy supply shock	–	Delivery-fleet fuel and fertilizer costs spike; price follows with a lag. Small because the model applies it for one year	Low	–\$0.37
S12 Mega-cap/AI derating	0	No material effect, not modeled; housing- and maintenance-driven	—	\$0.00

Currently active/on watch per the playbook: `state.md` lists S3 as partially active; the macro log records all three legs crossed from 2026-09-24 (10Y 5.17% on 2026-09-25). S8, S10 and S11 are on watch. S3 is High here, S8 Med, and S10 and S11 Low.

MODEL VALUE CHANGE VS BASE, BY SCENARIO



What would change the call

Upgrades if:

- Organic volume turns positive in Q3 or Q4 2026 while gross margin holds $\geq 36\%$; or
- The price falls toward ~9–10x TTM EBITDA with the FY2026 adjusted EBITDA guide (\$425–455mm) intact.

Downgrades if:

- The FY2026 adjusted EBITDA guide is cut below \$425mm; or
- SG&A deleverage continues (SG&A up as a share of sales for two more quarters) while price turns negative.

Watch items

- W1:** Organic daily sales and the volume/price split (Q2: +1%; price +3%, volume about -2%). Source: Q3 2026 release (late October 2026, date n/a unverified). *Model: rev_growth*
- W2:** FY2026 adjusted EBITDA against the \$425–455mm guide, and adjusted EBITDA margin expansion. Source: Q3 and Q4 2026 releases. *Model: ebitda_margin*
- W3:** Gross margin (Q2: 36.9%) as grass-seed and PVC price increases take effect in the second half. Source: Q3 2026 release. *Model: ebitda_margin*
- W4:** Buybacks and acquisitions versus FCF (YTD buybacks ~\$124mm; net leverage 1.3x). Source: Q3 2026 10-Q. *Model: none*

Sources

- SiteOne statistics, financials, cash flow, balance sheet — <https://stockanalysis.com/stocks/site/statistics/> · <https://stockanalysis.com/stocks/site/financials/> · <https://stockanalysis.com/stocks/site/financials/cash-flow-statement/> · <https://stockanalysis.com/stocks/site/financials/balance-sheet/> — accessed 2026-09-27
- SiteOne Q2 2026 results (8-K ex. 99.1) — https://www.sec.gov/Archives/edgar/data/0001650729/000110465926087746/tm2621404d1_ex99-1.htm — accessed 2026-09-27
- SiteOne Q2 2026 earnings call highlights — <https://finance.yahoo.com/markets/stocks/articles/siteone-landscape-supply-q2-earnings-090407097.html> — accessed 2026-09-27
- SiteOne Q2 2026 guidance and Stifel downgrade coverage — <https://www.investing.com/news/company-news/siteone-landscape-supply-stock-hits-52week-low-at-8985-usd-93CH-4900296> — accessed 2026-09-27 (via search summary)
- Form 10-K FY2024 (competitors; regional/local share ~82%) — <https://www.sec.gov/Archives/edgar/data/1650729/000165072925000004/site-20241229.htm> — accessed 2026-09-27 (via search summary)
- Peer statistics: POOL <https://stockanalysis.com/stocks/pool/statistics/> · CNM <https://stockanalysis.com/stocks/cnm/statistics/> · WSO <https://stockanalysis.com/stocks/wso/statistics/> · FERG <https://stockanalysis.com/stocks/ferg/statistics/> — accessed 2026-09-27
- Daily macro log (10Y, S3 status), `logs/macro-2026-09.md` , 2026-09-24/25 entries

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