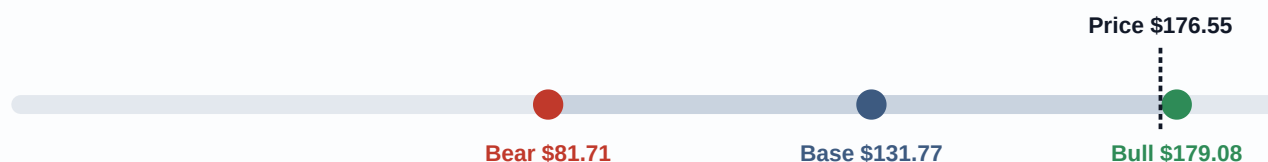


Initiated 2026-09-27 · Price \$176.55 (as of 2026-09-25 close, stockanalysis.com) · Mkt cap \$7.24bn · Industrials / building products (structural connectors and anchors) · Model: verified

Rating: Sell — Conviction: Low

Simpson is the brand leader in structural wood connectors. It has net cash and converts well, but the stock already prices a housing recovery that the company's own outlook doesn't show. Q2 growth was all price (~5pp), volumes fell 1%, and management expects US starts to fall again in 2026, pricing to lap in the second half, and steel and tariffs to weigh on margin. Even the model's bull case barely clears today's price. Conviction is Low because this is a valuation call on a good business: the exit-multiple method is only ~10% below the price, and a turn in mortgage rates would re-rate the stock fast.

MODEL VALUE RANGE VS PRICE



Business overview

Simpson makes Simpson Strong-Tie joist hangers, straps, holdowns and other connectors, plus lateral systems, fasteners, truss software and concrete anchoring and repair products. It sells through dealers, home centers, lumber-truss component manufacturers and OEMs. North America was ~78% of 2025 sales (\$522.3mm in Q2 2026, +6.0%, 30.2% segment operating margin), and Europe was most of the rest (\$143.5mm, +7.6%, record 13.7% margin) (10-K; Q2 release). Earnings depend on three things: US housing starts and repair/remodel volumes, the spread between price and steel cost (steel is the main raw material), and plant absorption after a capex cycle that peaked at 8.1% of sales in 2024. The 2026 guide is a 19.7–20.5% operating margin, which includes a \$10–12mm land-sale gain.

Competition

No single competitor matches Simpson across all lines, according to its 10-K. The one that matters for connectors is MiTek, which has owned USP Structural Connectors since 2011 and is itself owned by Berkshire Hathaway. MiTek markets its catalog as a load-matched, dual-spec alternative, and it also leads in truss plates and software sold to the same component manufacturers. A third-party figure puts Simpson at about half of US connectors, but that figure could not be verified, so no current share number is used here. The best evidence of Simpson's position is pricing: Q2 2026 sales grew ~5pp from 2025 price increases while volume fell 1%. Component-manufacturer volume grew mid-single digits on new customer wins and OEM volume grew high single digits (Q2 2026 call). If pressure comes, it will likely show first as price concessions once steel eases, because dual-spec plans let a contractor substitute brands. No listed pure-play comparable exists. On one definition (stockanalysis TTM EV/EBITDA, 2026-09-25), UFP Industries trades at 8.7x, Gibraltar 12.7x (depressed by a net loss), Louisiana-Pacific 18.7x (depressed OSB earnings) and CSW Industrials 19.9x. The thesis depends on current tariffs only through steel input costs, which management names as a second-half headwind.

Bull case

- 1. **Housing turns and volumes lever.** Volumes are down 1% from an already soft base, so any recovery in starts falls through a fixed plant base. Plays out if mortgage rates fall and single-family starts recover in 2027. *Model: rev_growth, exit_ev_ebitda*
- 2. **Share gains in component manufacturers and OEMs.** New component-manufacturer customers and OEM growth are adding volume even in a flat market. Plays out if these wins persist and national retail merchandising holds. *Model: rev_growth*
- 3. **Margin returns to 2021–22 levels.** The 2025 cost savings and lower capex lift EBITDA margin back to ~26% once volume returns. Plays out if steel stabilizes and price holds. *Model: ebitda_margin*

Bear case

- 1. **Housing stays weak longer.** Starts are guided down again, and the 10Y is at 5.17%. Plays out if affordability keeps new builds falling into 2027 and pricing reverses. *Model: rev_growth, wacc*
- 2. **Price laps while costs keep rising.** Management expects gross margin slightly below 2025 as steel, tariffs and mix bite in the second half, after pricing added ~5pp in Q2. Plays out if steel keeps rising while volume stays negative. *Model: ebitda_margin*
- 3. **A housing-cyclical multiple.** In a downturn the market pays a cyclical building-products multiple, near UFP's. *Model: exit_ev_ebitda*

Valuation & balance sheet

Metric (definition)	Current	Own history (range or 5y avg)	Peers	Source, as-of
EV/EBITDA, aggregator (TTM)	12.5x	n/a (unverified)	UFPI 8.7x · ROCK 12.7x · LPX 18.7x · CSW 19.9x	stockanalysis.com, 2026-09-25
EV/EBITDA, model basis (EV \$7.14bn, leases excluded)	13.4x FY2025 · 12.3x TTM	n/a	n/a (peers not restated)	model-inputs.json
Forward P/E (stockanalysis consensus)	19.2x	n/a (unverified)	UFPI 15.5x · ROCK 9.3x · LPX 38.1x · CSW 23.2x	stockanalysis.com, 2026-09-25
FCF yield (TTM)	6.5% (FCF \$468.4mm; capex \$106mm, down from \$161–180mm)	FCF \$158mm FY2024, \$298mm 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 \$81.71 · Base \$131.77 · Bull \$179.08 per share, i.e. implied returns of –53.7% / –25.4% / +1.4% vs \$176.55. *These ranges show how the bull and bear drivers translate into value; they are not price targets.* The price sits on the bull case, so the market is already paying for a volume recovery plus margin back near 26%.

Re-rating. The base exit of 12.5x is a 7% de-rating from 13.4x FY2025 but a 1.5% re-rating on 12.3x TTM, so it is essentially today's multiple. The exit method gives \$158.09 (–10.5%). The Gordon method gives \$105.45, 33% lower, because an 11.4% WACC with 3% terminal growth embeds a lower terminal multiple. Even so, the exit method alone still sits below the price, and its bull case (\$217.85) is the only route to meaningful upside.

Tail. Connectors and fasteners for wood construction are the core of the business, so a downturn sensitivity was run on a scratch copy. Revenue +4% / –12% / –5% / +2% / +3%, EBITDA margin falling to 18–19.5%, NWC 27% of revenue, an 8x exit and a 13% WACC give \$59.13 (–66.5%).

Balance sheet: not meaningful for leverage. Cash of \$450.5mm exceeds \$336.7mm of debt (term loan and revolver, December 2025 facility maturing 2030), for net leverage of –0.2x FY2025 EBITDA and coverage of 28.8x (model Credit). Revolver availability was \$525.8mm at 2025 year-end; the June 2026 figure is n/a (unverified). No agency ratings were found.

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 operating margin, not EPS. Base Y1 (FY2026) EPS of \$9.14 compares with \$9.12 TTM and ~\$9.2 implied by the 19.2x forward P/E (est.). Y1 margin includes ~0.7pp of one-offs (the \$5.5mm eminent-domain settlement and the land-sale gain).
- The debt coupon (5.5%) is an estimate; it affects EPS only.

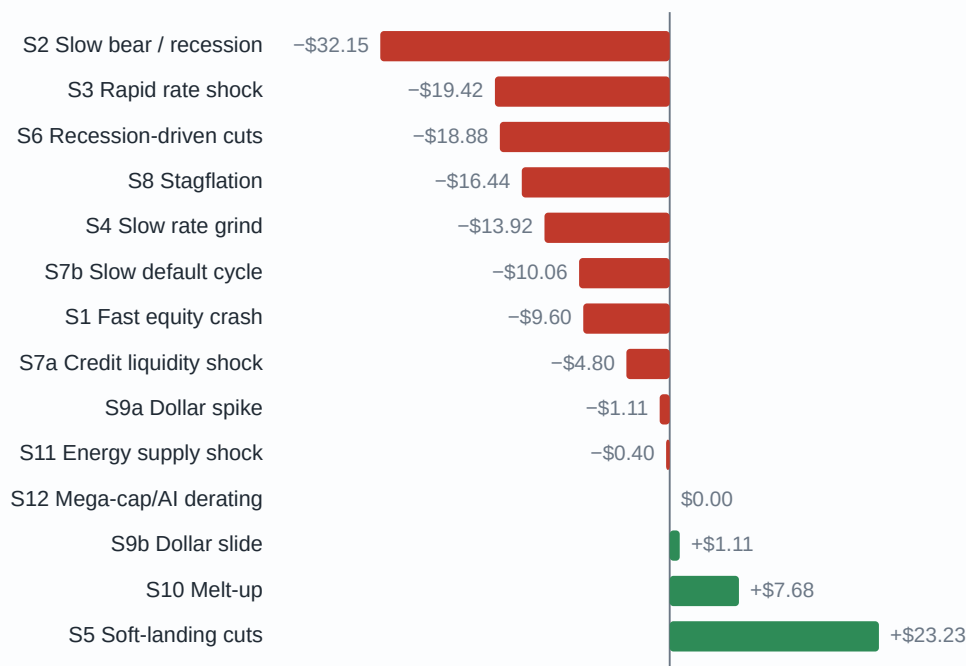
Scenario stress test

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 building products; demand unaffected	Low	–\$9.60
S2 Slow bear / recession	–	Starts and repair/remodel fall together; volume deleverage on fixed plant costs. About 64% of Base – Bear (\$50.06); transitory, where the bear case also compresses the exit multiple	High	–\$32.15
S3 Rapid rate shock	–	Mortgage rates hit single-family starts, the core end market	High	–\$19.42
S4 Slow rate grind	–	Same channel, grinding	Med	–\$13.92
S5 Soft-landing cuts	+	Lower mortgage rates revive starts; volumes lever	High	+\$23.23
S6 Recession-driven cuts	–	Housing volume falls faster than lower rates help	High	–\$18.88
S7a Credit liquidity shock	–	Forced selling hits cyclicals; net cash, no refinancing need	Low	–\$4.80
S7b Slow default cycle	–	Builders and component manufacturers lose credit; starts slow	Med	–\$10.06
S8 Stagflation	–	Steel and freight costs rise ahead of price while housing slows	Med	–\$16.44
S9a Dollar spike	–	Europe (~21% of sales) translates lower	Low	–\$1.11
S9b Dollar slide	+	Mirror of S9a	Low	+\$1.11
S10 Melt-up	+	Cyclicals re-rate	Low	+\$7.68
S11 Energy supply shock	–	Freight, energy and steel surcharges rise; price follows with a lag. Small because the model applies it for one year	Low	–\$0.40
S12 Mega-cap/AI derating	0	No material effect, not modeled; housing-driven, not AI-linked	—	\$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:

- The price falls toward ~10x TTM EBITDA with margins intact; or
- Volumes turn positive (North America volume growth in Q3 or Q4 2026) while pricing holds after lapping 2025's increases.

Downgrades if (to higher conviction):

- The operating-margin guide is cut below 19.7% on steel and tariffs; or
- Q3 2026 North America sales fall year over year once pricing laps.

Watch items

- **W1:** Q3 2026 volume and price split (Q2: price ~+5pp, volume -1%). Source: Q3 2026 release and call (late October 2026, date n/a unverified). *Model: rev_growth*
- **W2:** FY2026 operating margin against the 19.7–20.5% guide, and gross margin versus 2025 as steel and tariffs hit. Source: Q3 and Q4 2026 releases. *Model: ebitda_margin*
- **W3:** US housing starts versus the company's low-single-digit decline assumption (TTM June 2026: 1,359k, -0.6%). Source: Census monthly starts; Q3 release. *Model: rev_growth*
- **W4:** Buyback pace under the \$200mm 2026 authorization. Source: Q3 2026 10-Q. *Model: none*

Sources

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- Peer statistics: UFPI <https://stockanalysis.com/stocks/ufpi/statistics/> · LPX <https://stockanalysis.com/stocks/lpx/statistics/> · ROCK <https://stockanalysis.com/stocks/rock/statistics/> · CSW <https://stockanalysis.com/stocks/csw/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.