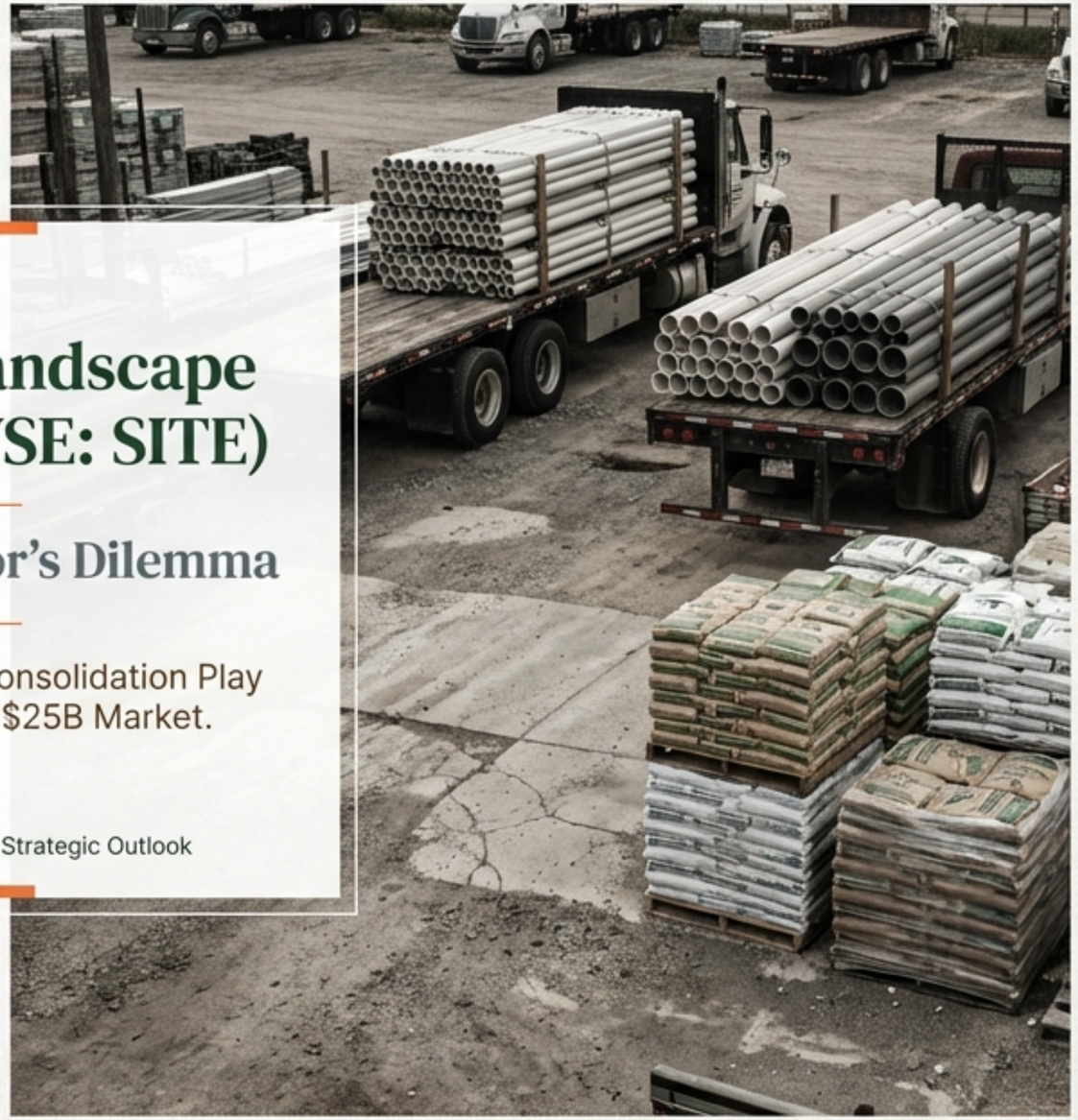


SiteOne Landscape Supply (NYSE: SITE)

The Aggregator’s Dilemma

The Sole National Consolidation Play in a Fragmented $25B Market.

Investment Analysis & Strategic Outlook



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Undisputed Leader

18-19%

Share of $25B TAM

3x larger than nearest competitor.
The only pure-play public vehicle.

Stalled Organic Engine

-1% to +1%

Organic Daily Sales Growth (2024–2025)

Reliant on M&A for top-line. Facing commodity deflation and frozen housing turnover.

The Home Depot Threat

$18.25B

Acquisition of SRS Distribution

Entry of a titan with a $388B balance sheet creates a parallel distribution system.

Priced for Perfection

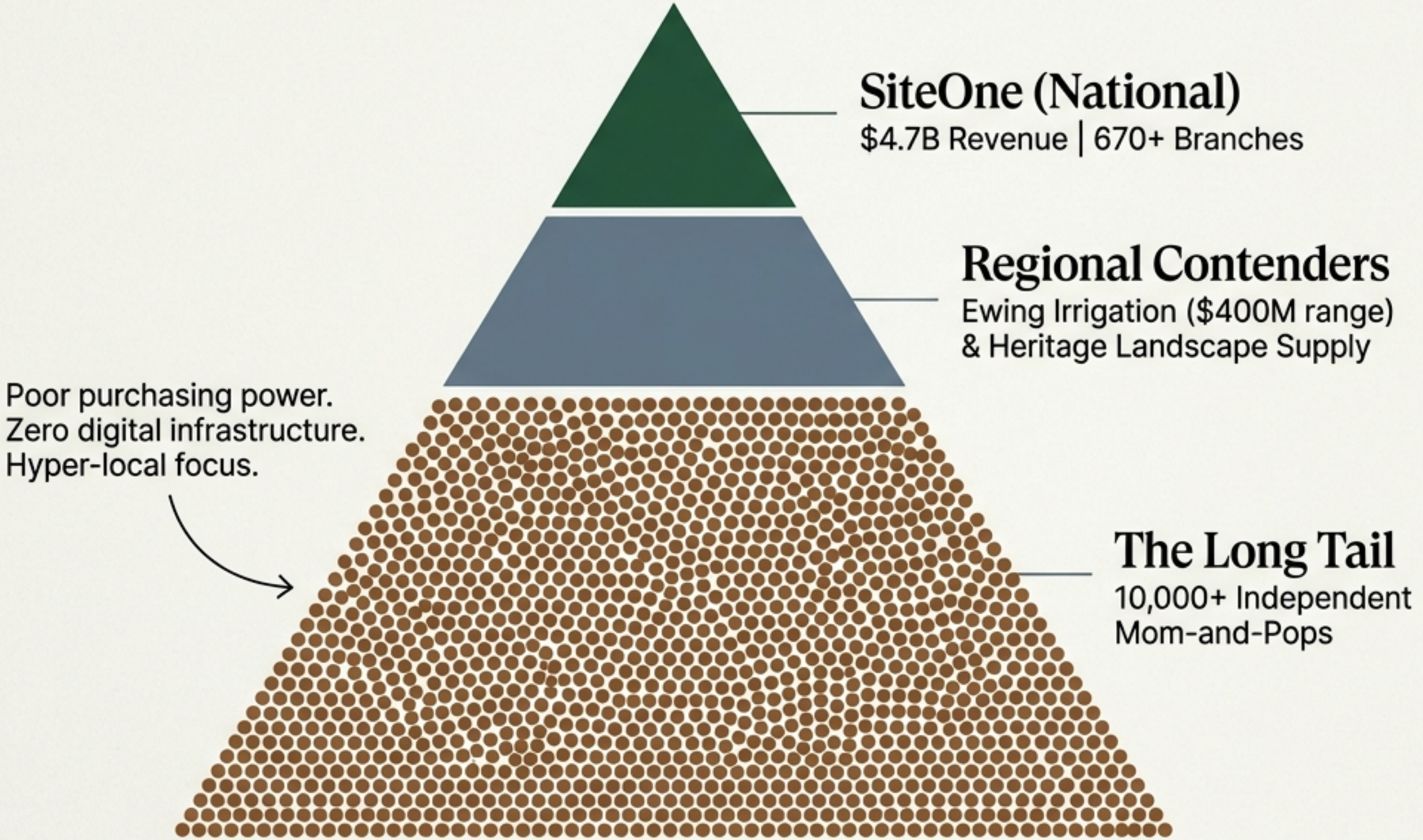
47x

Trailing P/E Ratio

Trading at ~100% premium to sector average despite single-digit ROIC (8.5%).

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Market Structure: The Consolidation Runway



SiteOne is the Apex Predator in a fragmented ecosystem, but the pool of high-quality targets is finite.

Total Addressable Market: $25 Billion.

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Growth Drivers: A Tug-of-War



Cyclical Drag

- New Residential Construction (20% of Sales). Outlook: Down materially.
- Commercial/Recreational (14% of Sales). Sensitive to interest rates.

Secular Lift

- Maintenance (36% of Sales). Recurring & Non-discretionary. +7% Organic Growth.
- Repair/Upgrade (30% of Sales). Driven by Outdoor Living trends & Water Conservation.

Growth is currently asymmetric—maintenance is carrying the weight while construction creates a drag.

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Decoding The Customer: The Pro



The Constraint

Time & Labor
A crew waiting for materials destroys daily profitability.



The Solution

Just-in-Time Logistics
180,000 SKUs delivered to the job site.



The Financial Bridge

Trade Credit
30-90 day float for cash-strapped contractors.

Contractor Priorities



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Assessing the Economic Moat

Category	Star Rating	Description
Purchasing Scale	★★★★	Sourcing from 6,000 suppliers. Top 10 = 30% of spend. Benefits largely absorbed by SG&A.
Route Density	★★★★★	Critical mass in MSAs. 75-80% sales retention when consolidating branches. The “Stem Mile” advantage.
Switching Costs	☆☆	Low. Contractors maintain accounts with multiple distributors. Brand loyalty is to the local manager, not the corporation.
Brand Equity	★★★	Corporate brand weak, but Private Label products (LESCO) create product-specific lock-in.

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Architectural Editorial

The Margin Engine: Private Label Strategy



KEY DATA POINTS

1. Current Penetration: **~15%** of Total Sales
2. Long-term Target: **25% – 30%** Mix
3. Margin Delta: **+25-30%** higher gross margins than national brands

“A contractor calibrating equipment for LESCO fertilizer cannot easily switch to a competitor’s blend. This creates the stickiness the distribution model otherwise lacks.”

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The Plot Twist: The Home Depot Paradigm Shift

David vs. Goliath (Where David is a Giant)

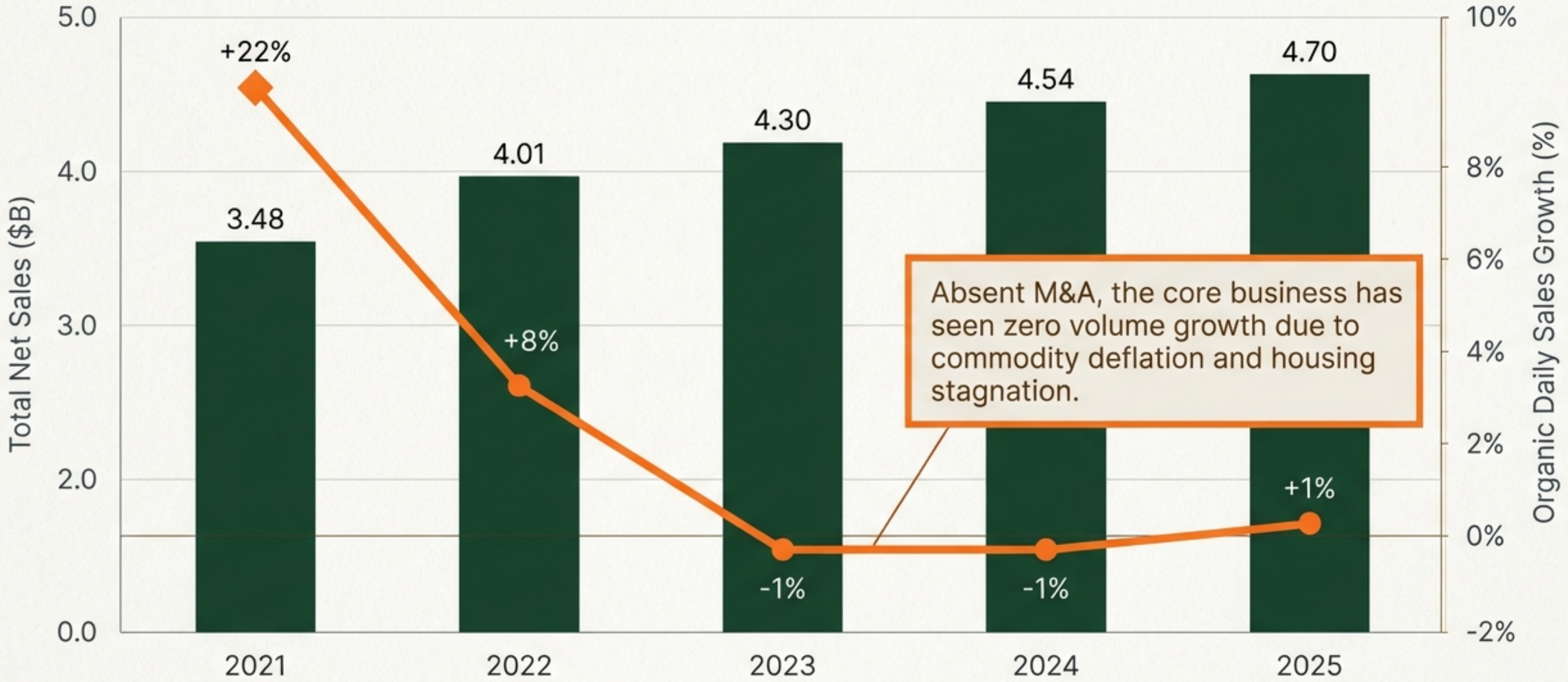
SiteOne (The Incumbent)	Home Depot + SRS + GMS (The New Titan)
Sole national pure-play aggregator.	**The Move:** Acquires SRS ($18.25B) and GMS ($5.5B).
$4.7B Revenue.	**The Arsenal:** $388B Balance Sheet.
670+ Locations.	**Network:** 1,200 Locations, 8,000 Delivery Trucks.
	Strategy: Pivot from DIY to 'Complex Pro'. A parallel distribution system.

The Risks

1. M&A Bidding Wars (Multiple Inflation)
2. Integrated Trade Credit (Lock-in Effect)
3. Price Wars (Cost of Capital advantage)

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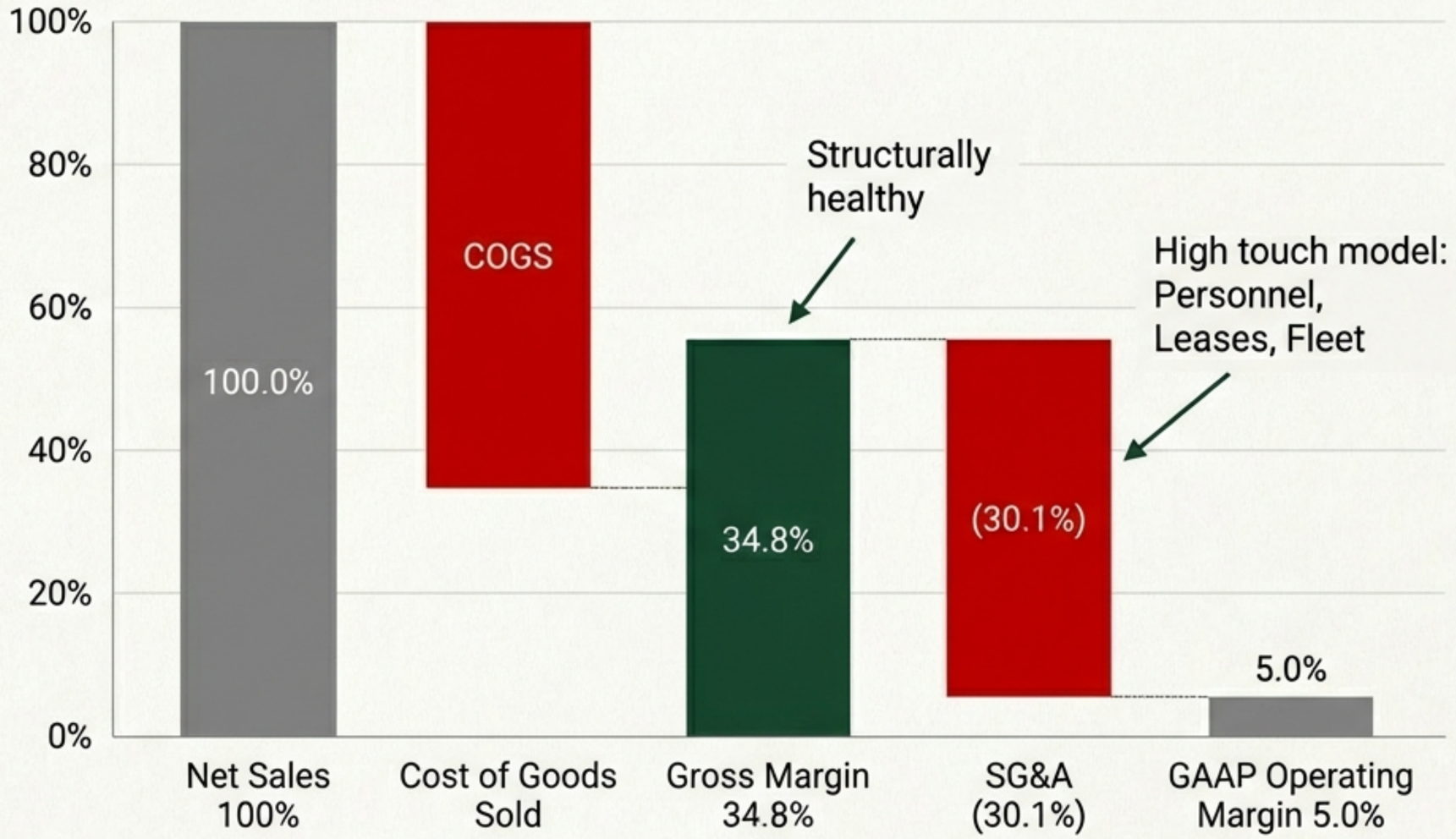
Revenue Quality: The Organic Illusion



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Profitability: The Waterfall

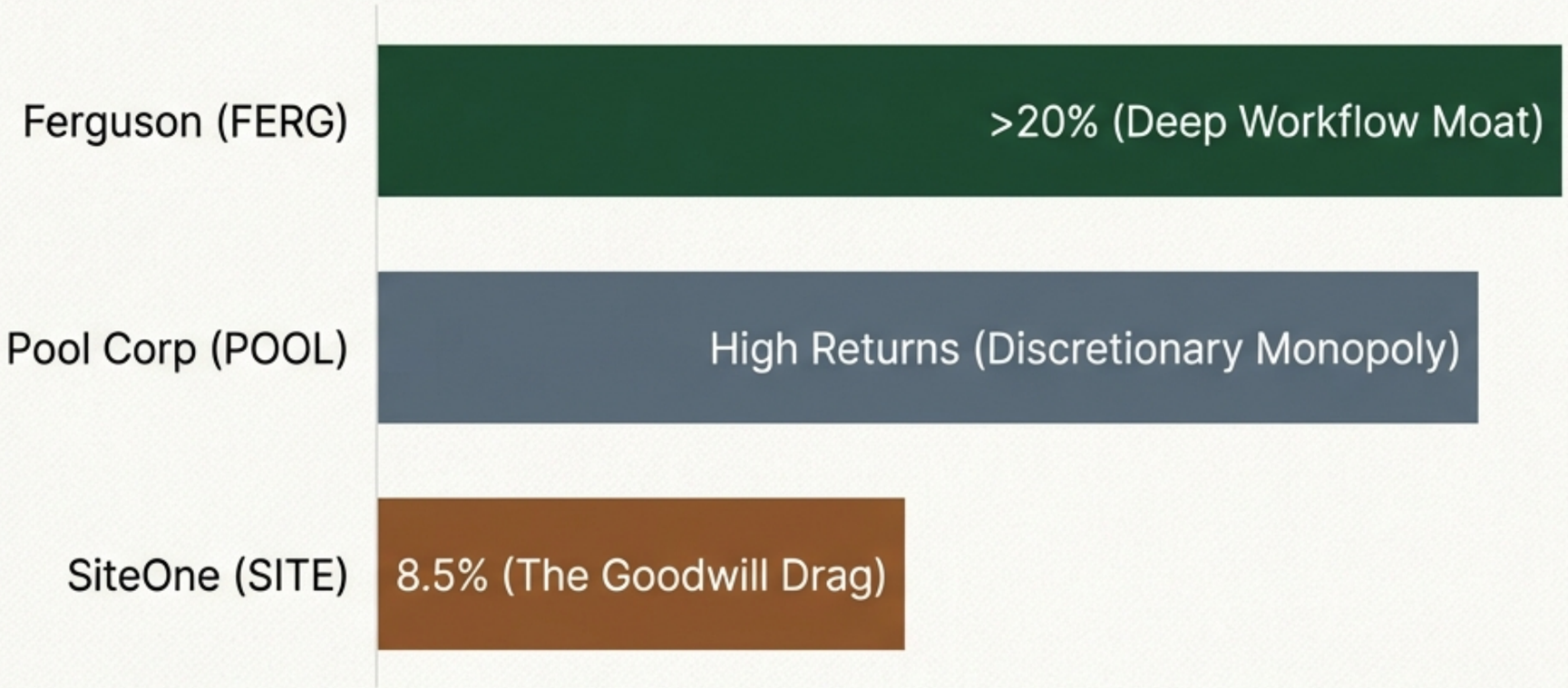
This is a low-margin distribution business, not a high-margin software business. 5% operating margin leaves little room for error against freight spikes or pricing missteps.



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Return on Invested Capital (ROIC)

ROIC Benchmarks



Continuous M&A at market premiums inflates the capital base ($530M Goodwill + $220M Intangibles), structurally compressing returns.

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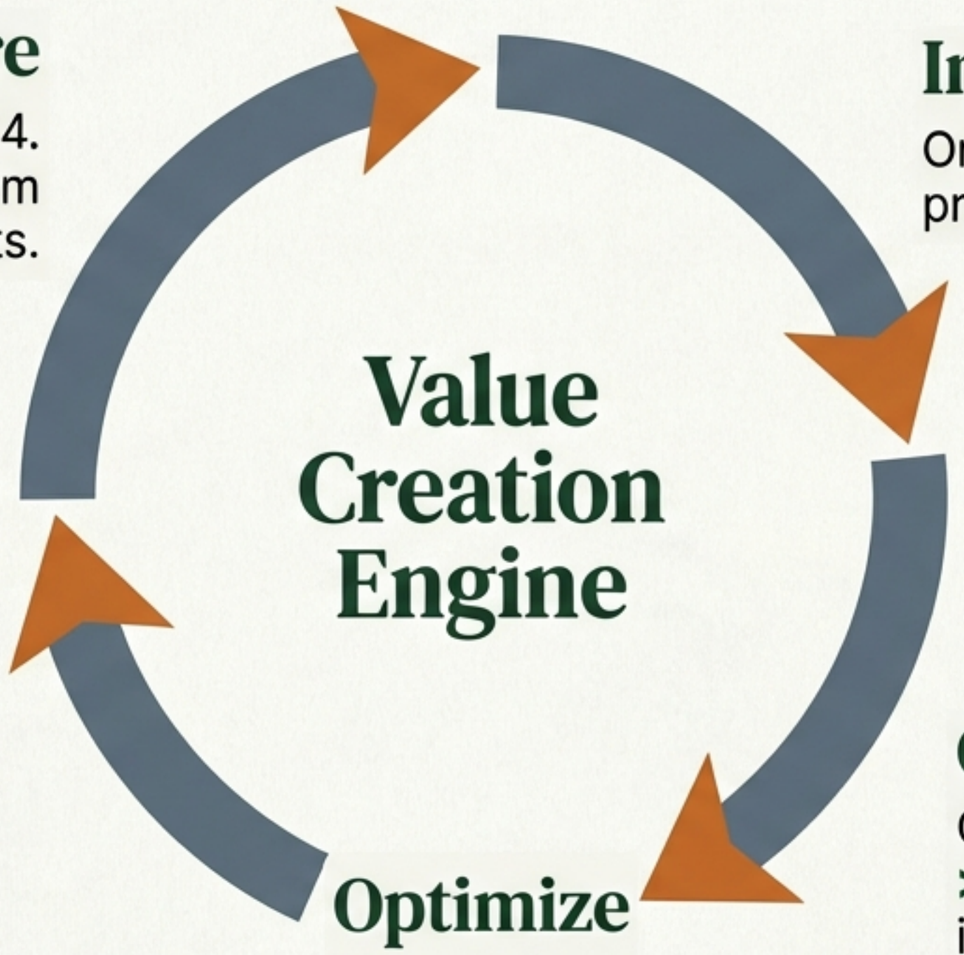
The M&A Machine: The Flywheel

Acquire

107 deals since 2014. Target $15m-$20m revenue independents.

Integrate

Onboard to ERP. Harmonize pricing matrices.



Integrate

Onboard to ERP. Harmonize pricing matrices.

Optimize

Convert to Private Label. **>200bps** EBITDA improvement in Focus Branches.

Optimize

Network Density

Close underperforming branches to pool volume. Reduced net delivery expense by 40bps.

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Capital Allocation & Balance Sheet

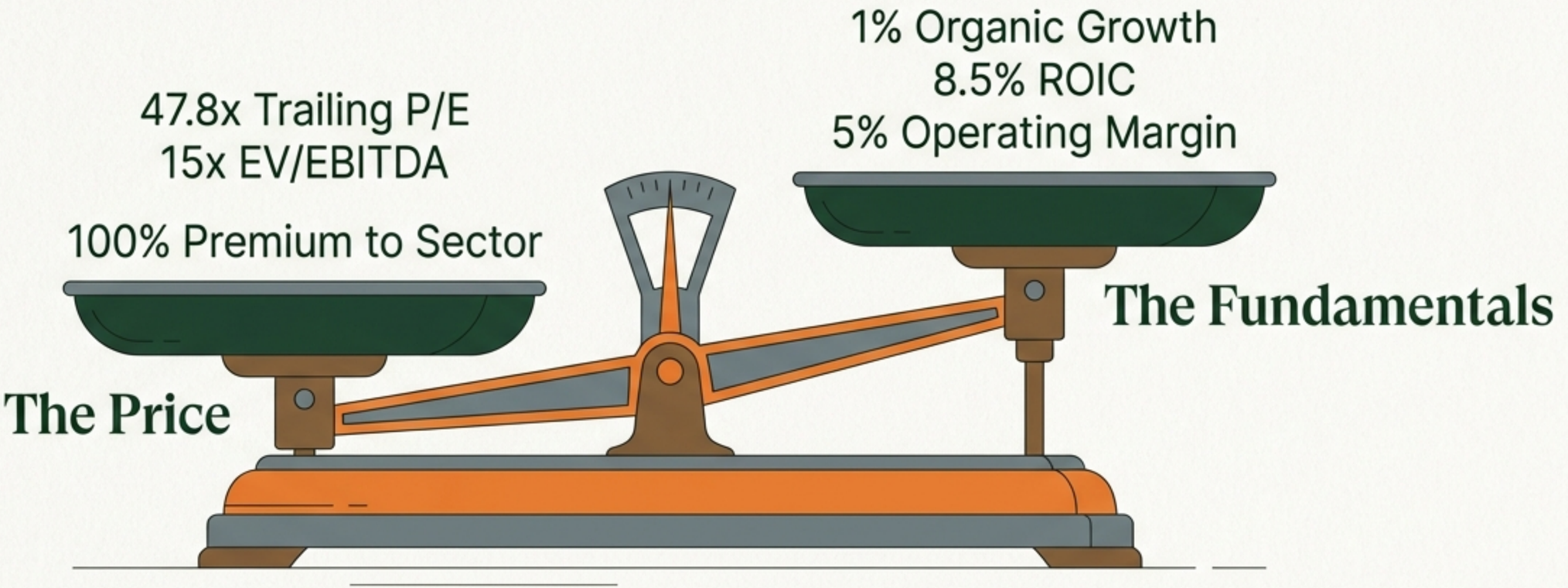


Capital Uses

1. **M&A:** Primary engine, but disciplined.
2. **Share Repurchases:** $97M bought back in 2025 at avg $119.62.
3. **Insider Activity:** Caution—CFO sold shares in Feb 2026.

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Valuation Disconnect: A Scarcity Premium



Market is pricing SITE as a high-growth software compounder.
Priced for perfection in an imperfect market.

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Final Verdict

The Bull Case	The Bear Case
- Best-in-class operator with proven M&A playbook. - Pristine balance sheet (0.8x leverage). - Secular tailwinds in maintenance and water conservation.	- Home Depot/SRS entry alters competitive dynamics. - Housing market stagnation limits volume. - Valuation leaves zero margin of safety.

Analogy: A great house in a tough neighborhood, currently listed at a luxury price.

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