



December 4th, 2025

**Team Number:** 9 | **Student Names:** Bosco Feng, Eithel Mc Gowen, Yilin Chen

**Long:** Trex Company, Inc. (NYSE:TREX)

**Current Price:** \$31.1 (11/21/2025) | **1Y Price Target:** \$37.7 (+22% Upside)



# Trex Company, Inc. (NYSE:TREX) Overview

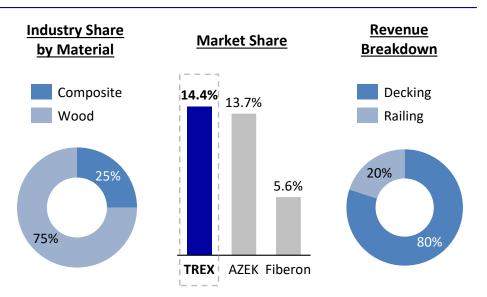
# Leading manufacturer of composite decking and railing

**Net Debt / EBITDA** 

### **Company Overview**

- Trex Company (TREX) is the world's largest manufacturer of composite decking, a category that the company invented in the mid-1990s. The company also produces railing and other outdoor living products.
- <u>Product</u>: Composite decks and railing use recycled plastics and recovered wood; <u>TREX sources 95% recycled inputs</u> with lower material costs, achieving top-tier margins
- <u>Distribution</u>: TREX sells its products through home improvement retailers and distributors, with 6,700 retail locations.
- Market: TREX generates most of its revenue from the US, a \$8bn industry driven by repair & remodel (R&R) demand.

### **Industry Composition & Revenue Breakdown**



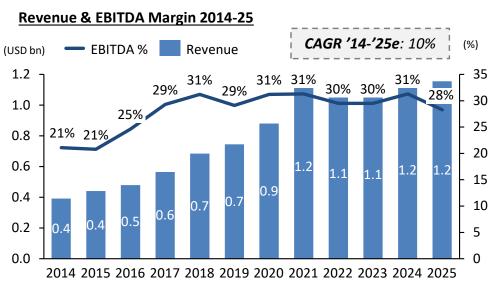
### **Key Financials & Trading Statistics**

2026e - \$ in millions, unless otherwise stated									
Revenue	\$1,251	<b>Current Price</b>	\$31.05						
Gross Margin	38.2%	Market Cap	\$3,333						
Adj. EBITDA Margin	26.8%	Enterprise Value	\$3,433						
Adj. EBITDA	\$335	EV/EBITDA	10.3x						
Net Income	\$186	P/E	17.2x						
ROE	13%	FCFE Yield	4.9%						
ROIC	12%	3M ADTV	\$123						

52 wk High/Low

### **Delivering growth and profitability**

0.4x



\$80.7 / \$29.8



2015

# Trex Company, Inc. (NYSE:TREX) Overview

# What makes this company special?

### Benefitting from structurally growing segment...

#### **Composite Decking Market Share 2014-25**

2020

- TREX and AZEK see composite reaching 50% of decking by ~2035
- Trend accelerating due to introduction of low-tier composite and lumber price inflation

  +6% p.a.

  38%

  22%

  25%

### Driven by better product at lower cost of ownership

2025

2030e

2035e

Durable, low- maintenance surface that stays cooler and looks better year- round	Wood	Composite
Deck 1 Materials	1,050	1,700
Deck 1 Labor	5,350	5,350
Deck 1 Cost	6,400	7,050
Deck 2 Rebuild	6,400	-
Maintenance	2,500	-
Total 25-yr cost*	15,300	7,050

### Strong competitive advantages...



**TREX** is the largest player in the industry, which gives it an edge when sourcing raw materials and negotiating with channel partners.



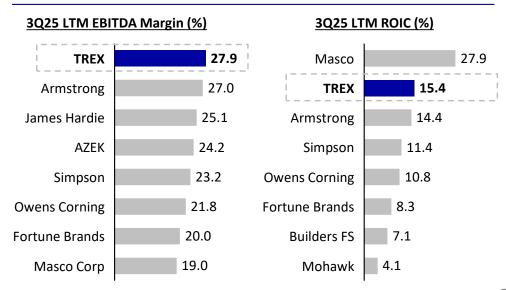
Entrenched relationships with large distributors and home improvement retailers, product availability across +6,700 points of sale. Advantaged logistics with 3 plants across US.



TREX invented the composite deck 30 years ago. **People** refer to the product as "Trex".

"It has been identified as the Coca-Cola of decks, the Kleenex of decks, the Nike of decks" —Former VP at Trex

### ...resulting in best-in-class margins/ROIC vs peers





## **Investments Thesis**

# A high-quality business facing a temporary overhang: macro, competition, and overcapacity

### **Investment Thesis**



**Repair & remodel demand is bottoming** after longest contraction since the GFC

2

**Competition fears are overblown:** Share losses in composite decking will be moderate at best. Wood to composite conversion and railing drive growth



Margins will recover as the company enters harvesting phase following the largest investment cycle in its history

### Where are we different?

Market has hit maximum pessimism. After 4 years of negative R&R, we see signs of a recovery in 2026-27

AZEK acquisition has dominated the narrative, cutting ~10% from consensus revenue estimates. Our research suggests 4-5% upside to FY26-27e revenue

Consensus assumes weak rebound from 2026 margins. We expect stronger performance driven by capacity utilization and new plant efficiencies

### Put together, our view differs from Consensus

		Team E	stimates	Consensus Estimates		
	FY 2025e	FY 2027e	Growth	FY 2027e	Growth	
Revenue (USD M)	1,155	1,349	CAGR: 8.1%	1,287	CAGR: 5.4%	
<b>Operating Margin</b>	22.8%	21.5%	- 130 bps	20.5%	-230 bps	
EPS	\$1.82	\$2.19	CAGR: 9.7%	\$1.89	CAGR: 1.9%	

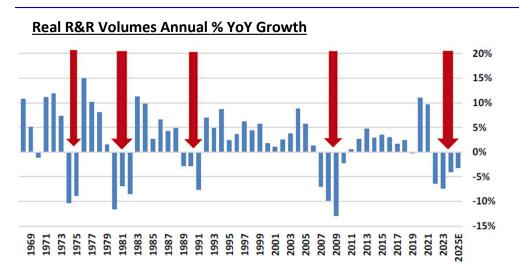
Sources: Factset

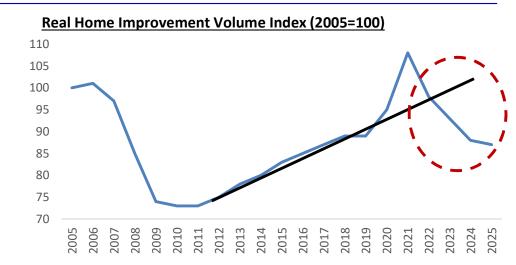


## **Thesis P1**

# Repair and remodel (R&R) demand is bottoming out after 4 years of declines

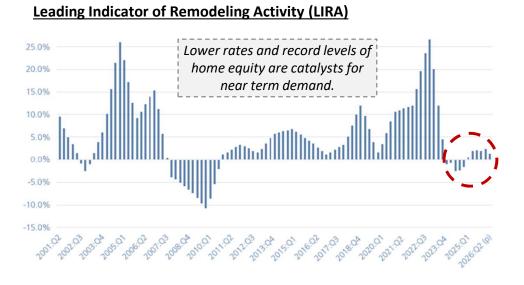
### R&R demand has declined for 4 straight years, longest since 2005-2010; 2025 volume ~18% below trend level

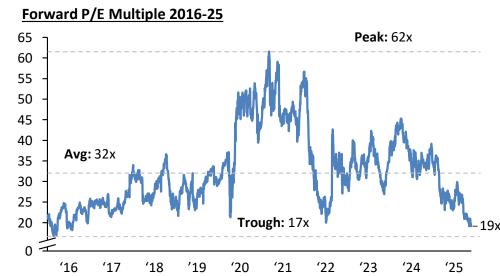




### Leading indicators point to growth in 2026...







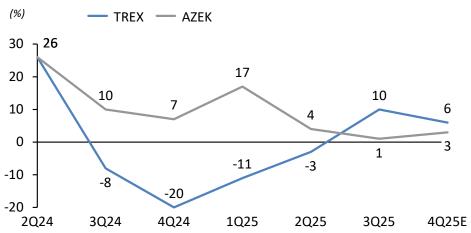


# **Thesis P2 (1/2)**

# Competition fears are overblown. We see +4-5% upside to consensus revenue estimates

### Market share has stabilized after FY24

### **Trailing 6 Months YoY Revenue Growth 2024-25**

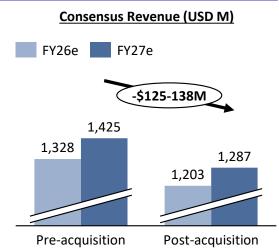


### Market share losses will moderate from FY25E+

- TREX's FY24 share losses stemmed from its distributorlevel railing exclusivity push. This should support growth from FY25E onward without driving further share erosion
- AZEK is approaching share parity with TREX, making additional gains increasingly difficult
- TREX plans to boost marketing in FY26E (18.0% of sales vs. 16.8% in FY25E) to reinforce its position and offset competitive pressure.

### Yet, market expects persisting share losses post JHX

- JHX bought AZEK for a significant premium (22.4× LTM EBITDA vs 15.3× 5Y avg) premised on significant synergies
- This has triggered further share loss concerns and street expectations have reset \$125-138M lower, despite JHX only guiding to ~\$50M synergies from decking



### Our forecasts are +4-5% above consensus in FY26/27E

Revenue Buildup	FY25E	FY26E	FY27E	FY28E
Total Revenue (USD M)	1,155	1,251	1,349	1,453
Growth (%)	0.3%	8.3%	7.9%	7.7%
vs Cons (%)	-	4%	5%	
Decking (USD M)	891	927	964	1,002
Growth (%)		4.0%	4.0%	4.0%
(+) Market growth (%)		3.0%	3.0%	3.0%
(+) Composite conv. (%)		6.0%	6.0%	6.0%
(-) Share loss (%)		-5.0%	-5.0%	-5.0%
Railing (USD M)	264	324	385	451
Growth (%)		23%	19%	17%

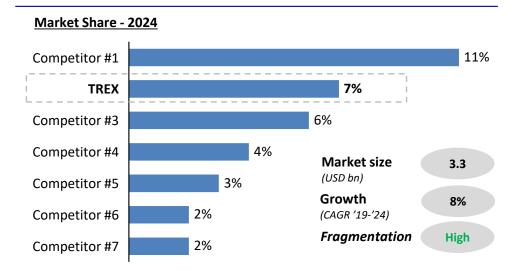
Sources: Company data, team estimates



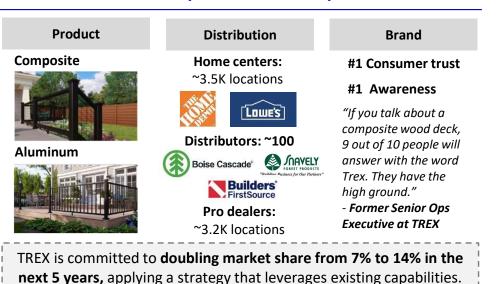
# Thesis P2 (2/2)

# TREX is leveraging its capabilities to capture share in fragmented railing market. Segment will grow at 16% CAGR over next 5 years

### US railing market offers an attractive opportunity...



### ...which TREX is well positioned to capture



### Primary research points to channel strategy working...

Channel checks

- Product: 25-50 year warranty is invalid if product is damaged when installing railing/deck from another provider (according to Kamco Supply Store Manager)
- Brand: positioning at POS in Home Depot and Lowe's

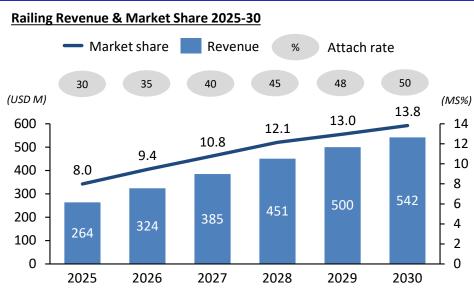
Expert call

Senior Sales Manager at Boise Cascade ~25% of TREX revenue, largest distributor

"We are seeing 30% growth in new (TREX) product lines and railing is a big part of that".

"The attachment rate was 10-12% 4 or 5 years ago. Say 25-30% attach rate now. I expect that to grow by 20-30% in the future. If a distributor or contractor doesn't push railing, they lose incentives from TREX".

### ...with revenue set to grow at 16% CAGR 2025-30





### **Thesis P3**

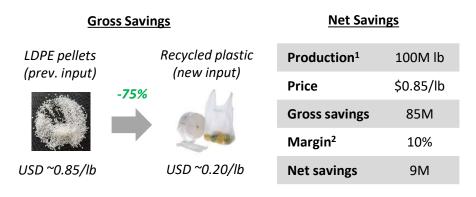
# Margins will recover, driven by higher utilization rate and efficiencies from new Arkansas plant

### Gross margin approaching 10-year lows...

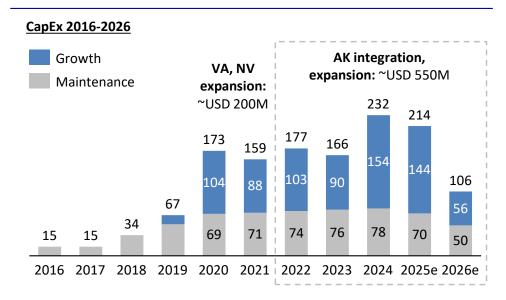


### New Plant will generate raw material cost savings...

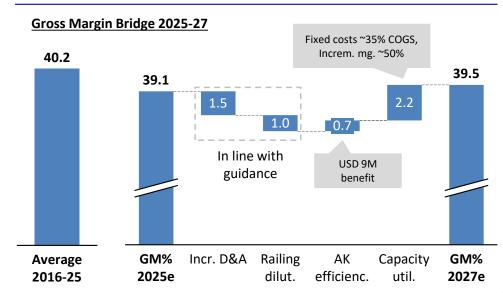
- Plastic purchases represent ~35% of COGS (USD ~240M in 2024)
- New Arkansas plant will reduce need for LDPE pellets (higher-cost, previous input) and allow processing of recycled plastic.



### ...driven by capacity expansion in Arkansas



### ...to be captured by '27, as margin recovers to ~39.5%





### **Financials & Valuation**

### 12-month price target of \$37.7 in the base case with +22% upside

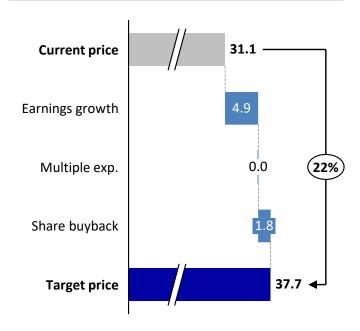
### **Summary Financials & Valuation**

	i	Bas	se	Bu	II	Bear	
	2025e	2026e	2027e	2026e	2027e	2026e	2027e
Revenue (USD M)	1,155	1,251	1,349	1,299	1,428	1,131	1,161
Growth (%)	5%	8%	8%	12%	10%	-2%	3%
vs Consensus (%)	0%	4%	5%	8%	11%	-6%	-10%
EBIT (USD M)	263	252	290	287	339	187	195
Margin (%)	22.8%	20.2%	21.5%	22.1%	23.8%	16.6%	16.8%
Growth (%)	-14%	-4%	15%	9%	18%	-29%	4%
vs Consensus (%)	-1%	6%	10%	21%	28%	-21%	-26%
EPS	\$1.82	\$1.81	\$2.19	\$2.06	\$2.59	\$1.33	\$1.45
Growth (%)	-13%	-1%	22%	13%	26%	-27%	9%
vs Consensus (%)	0%	9%	16%	24%	37%	-20%	-23%
NTM P/E (x)			17.2x		23.0x		15.0>
Value per share	į		\$37.7		\$59.6		\$21.7
Upside/Downside	i		21.5%		92.1%		-30.0%

### **Base Case Rationale**

- Decking revenue: grows ~4% p.a. from wood to composite conversion opportunity, with some implicit share losses to AZEK/JHX
- Railing revenue: grows ~21% p.a. as channel incentives drive higher attachment rates
- Operating margin: compresses ~130 bps, ~100 bps above consensus
- **SG&A expense:** increases to 18% of revenue based on guidance as TREX competes more aggressively with AZEK under JHX ownership
- Capital allocation: TREX redeploys all excess cash into share buybacks. This results in a -8% reduction in average share count vs FY25E

### **Return Drivers**



### Methodology

**P/E multiple**: we assume no multiple expansion. 17.2x NTM is in line with premium peers in Building Products sector

### Risk / Reward

Sensitizing our valuation across a range of assumptions gets us a **3:1 Upside/Downside skew** 

Sources: Factset



# **Trading Comps**

# TREX's growth profile, margins and return on capital support a P/E multiple in line with Premium Peers

### Figures based on Capital IQ and Team estimates

		Mkt Cap	P.	/E	EV/E	BITDA	EV/S	Sales	Revenue	growth	EBITDA	margin	ROIC	ND/EBITDA
Name	Ticker	(USD bn)	1Y	2Y	1Y	2Y	1Y	2Y	3YR CAGR	LTM	3YR AVG	LTM	LTM	LTM
Premium Building Products														
Fortune Brands Innovations, Inc.	FBIN	5.7	11.4x	9.9x	8.8x	8.1x	1.8x	1.8x	18.5%	-3.8%	19.6%	20.0%	8.3%	2.8x
Masco Corporation	MAS	12.9	14.7x	13.2x	10.7x	10.0x	2.1x	2.0x	-4.7%	-3.6%	18.4%	19.0%	24.4%	1.7x
Armstrong World Industries, Inc.	AWI	7.9	21.7x	19.3x	13.5x	12.5x	5.1x	4.8x	9.7%	15.1%	26.1%	27.0%	14.4%	0.9x
Mohawk Industries, Inc.	MHK	6.8	10.9x	9.4x	6.1x	5.6x	0.8x	0.8x	-3.3%	-0.8%	13.0%	12.3%	4.1%	1.1x
James Hardie Industries plc	JHX	10.3	15.6x	12.1x	10.5x	8.9x	3.4x	2.8x	2.1%	4.6%	26.3%	25.1%	6.2%	4.4x
Advanced Drainage Systems, Inc.	WMS	11.4	23.3x	19.8x	12.3x	11.5x	4.0x	3.8x	-2.2%	2.5%	29.0%	29.1%	14.2%	0.7x
Graco Inc.	GGG	13.6	25.9x	23.5x	17.3x	15.8x	5.9x	5.6x	1.0%	2.9%	30.6%	31.2%	13.9%	NM
Simpson Manufacturing Co., Inc.	SSD	6.7	18.3x	_16.5x	12.0x_	11.1x	3.0x	2.9x	3.9%	4.3%	24.7%	23.2%	_11.4%	0.3x
MEDIAN		9.1	17.0x	14.9x	11.3x	10.6x	3.2x	2.8x	1.6%	2.7%	25.4%	24.2%	12.7%	1.1x
Trex Company	TREX	3.3	17.2x	14.1x	10.3x	9.2x	2.7x	2.5x	0.4%	0.3%	30.1%	28.3%	15.8%	0.4x
Commodity Building Products														
Owens Corning	ОС	8.6	9.4x	7.9x	6.7x	6.2x	1.4x	1.4x	6.7%	21.7%	22.6%	21.8%	10.8%	2.0x
American Woodmark Corporation	AMWD	0.7	9.8x	0.0x	6.8x	0.0x	0.7x	0.7x	-5.5%	-8.6%	11.4%	10.6%	5.2%	2.1x
JELD-WEN Holding, Inc.	JELD	0.2	NM	23.8x	10.5x	7.4x	0.5x	0.5x	-10.8%	-15.3%	5.1%	2.5%	-1.7%	8.7x
Builders FirstSource, Inc.	BLDR	11.2	15.7x	11.8x	10.3x	8.8x	1.0x	1.1x	-12.0%	-6.4%	15.0%	10.2%	7.1%	2.7x
UFP Industries, Inc.	UFPI	5.3	15.7x	13.6x	7.8x	6.9x	0.7x	0.7x	-12.8%	-3.9%	10.2%	8.6%	6.9%	NM
Acuity Inc.	AYI	10.6	17.0x	15.6x	12.6x	11.7x	2.5x	2.3x	2.7%	13.1%	16.0%	16.5%	10.9%	0.8x
Whirlpool Corporation	WHR	4.1	10.1x	8.0x	9.6x	8.5x	0.7x	0.8x	-8.9%	-11.4%	8.2%	7.5%	4.7%	5.4x
Boise Cascade Company	BCC	2.7	16.3x	11.3x	7.2x	5.7x	0.4x	0.4x	-8.6%	-4.3%	10.8%	6.4%	6.1%	0.0x
MEDIAN		4.7	15.7x	11.6x	8.7x	7.1x	0.7x	0.7x	-8.8%	-5.3%	11.1%	9.4%	6.5%	2.1x
Trex Company	TREX	3.3	17.2x	14.1x	10.3x	9.2x	2.7x	2.5x	0.4%	0.3%	30.1%	28.3%	<b>15.8</b> %	0.4x

	P/E		EV/E	BITDA
Trex Company Valuation vs Peers	1Y	2Y	1 <i>Y</i>	2Y
Premium/Discount to Premium Peers	1%	-5%	-9%	-13%
Premium/Discount to Commodity Peers	10%	22%	18%	29%



## **Risks to Valuation**

### **Balancing competitive pressures with TREX's long-term advantages**

Competition

**Risk:** JHX may increase marketing spend and pro channel incentives to capture more market share

**Mitigant:** AZEK's steep acquisition premium makes heavy incentives unlikely, as they would erode future conversion economics. Trex can respond if needed, though with some impact on rebates and SG&A

Moderate

Repair & Remodel Demand

**Risk:** R&R demand could weaken if rates stay elevated or consumer confidence softens, pressuring revenue in FY26/27e

**Mitigant:** An aging housing stock (~50% of decks beyond useful life), and Trex's strong brand pull helps offset cyclical softness, supporting demand even if macro-driven R&R stays soft

Low to Moderate

Wood to Composite Conversion

**Risk:** Declines in wood prices could slow cost-sensitive consumers from trading up to composite, moderating the TREX's long-term conversion opportunity

**Mitigant:** Trex's 25-year total cost of ownership is roughly 50% lower than wood once maintenance and replacement are included, making upfront price gaps less decisive for long-term buyers

Low









# **Appendix**



# **Appendix**

# **Appendix: Value Added Research**



### **Expert Calls / Thirdbridge / InPractice / Tegus**

### **Former Employees**

- Former VP A at Trex
- Former VP B at Trex
- Former VP & COO at Trex
- Former Senior Operations Executive at Trex

### **Competitors**

- Former National Account Manager at Azek
- Former Director of Sales Exteriors at Azek

#### **Distribution Channel Partners**

- National Accounts Sales Manager at Boise Cascade (Call)
- Former President, Building Solutions at Oldcastle Materials
- Former Senior Executive, Merchandising at The Home Depot
- Former Senior Research Executive at Armstrong Flooring
- Former Sales Manager at Louisiana-Pacific
- Former Sales Manager at CertainTeed
- Former Director of Growth at CertainTeed
- Former Executive VP of Strategic Accounts at Builders FirstSource
- Former Category Manager at Builders FirstSource

### **Retail Channel Visit**

- Kamco Supply Brooklyn; Spoke to sales managers (Onsite)
- Lowe's Home Improvement at Brooklyn; Spoke to store managers (Onsite)
- The Home Depot at Brooklyn; Spoke to store managers (Onsite)

### **Channel Checks**

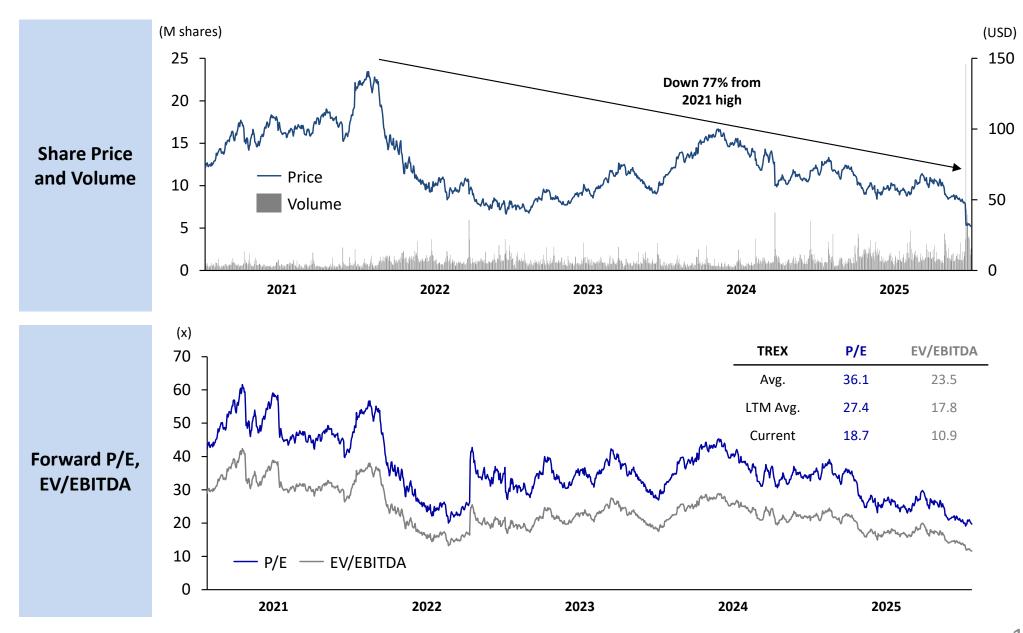
Yipit Data for Trex



Photo credit: Yilin Chen



# **Appendix: Trading History**





# **Appendix: Key Management Overview**

# **Experienced TREX operators enhanced by new strategic talent in Finance & IT**

Name / Title	Years at Trex / in Industry	Experience
Bryan Fairbanks President & CEO	21 / 21	<ul> <li>Long-tenured Trex leader serving as President &amp; CEO since 2020, and previously CFO (2015–2020).</li> <li>Deep internal progression, rising through VP and Executive VP roles after joining Trex in 2004, including leadership in supply chain, international development and FP&amp;A.</li> <li>Prior decade at Ford Motor Company in multiple senior finance positions (1994–2004).</li> </ul>
<b>Prithvi Gandhi</b> SVP, CFO	1 / 15	<ul> <li>Seasoned CFO with leadership roles at Trex, Beacon Roofing Supply, TAMKO, Fast Radius, and Owens Corning.</li> <li>Broad building-products expertise, spanning finance, strategy, corporate development, and operational leadership.</li> <li>Early career includes financial roles at Dover, Zebra Technologies, and investment banking/trading experience at Morgan Stanley.</li> </ul>
Adam Zambanini EVP, COO	20 / 25	<ul> <li>Long-time Trex operator, currently EVP &amp; Chief Operating Officer (since 2023) and previously President of Trex Residential Products (2018–2023).</li> <li>Marketing and product leadership background, serving as VP of Marketing (2011–2018) and earlier as Director of Marketing (2005–2010).</li> <li>Early career at Rubbermaid Commercial Products in product management roles (2000–2005).</li> </ul>
Anand Kangala VP, Chief Information Officer	1/8	<ul> <li>Vice President &amp; Chief Information Officer at Trex since 2024.</li> <li>Previously Senior Director at Home Depot, launching a Transformation Management Office and leading digital strategy for interconnected retail.</li> <li>Earlier leadership roles in business and technology transformation at Edward Jones, Carter's Inc., Cato Corporation, and IBM.</li> </ul>
Jodi Lee SVP, Chief Legal & Sustainability Officer	4/7	<ul> <li>Senior Vice President &amp; Chief Legal Officer at Trex since 2023 and Chief Sustainability Officer (since May 2025).</li> <li>Previously served as VP &amp; General Counsel in 2021 - 2022.</li> <li>Earlier legal leadership roles include General Counsel at Lavazza Professional/Americas (2018–2021), senior legal roles at Mars Inc. (2015–2018), Chief IP Counsel at Armstrong World Industries (2012–2015), and Chief Patent Counsel at Colgate-Palmolive (2008–2012).</li> </ul>



# **Appendix: Management Compensation Overview**

				1		2			
Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$) <sup>(1)</sup>	Option Awards (\$) <sup>(1) (2)</sup>	Non-Equity Incentive Plan Compensation (\$) <sup>(3)</sup>	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$) <sup>(4)</sup>	Total (\$)
Bryan H. Fairbanks (5)	2024	880,000	_	3,275,900	578,100	1,148,822	_	37,857	5,920,679
President and Chief Executive Officer	2023 2022	747,000 722,000	_	2,783,750 2,125,000	491,250 375,000	1,718,100 —	_	33,679 33,722	5,773,779 3,255,722
Adam D. Zambanini (6)	2024	550,000	_	1,192,550	210,450	499,488	_	33,345	2,485,833
Executive Vice President and	2023	484,000	_	1,049,750	185,250	774,400	_	30,231	2,523,631
Chief Operating Officer	2022	468,000		702,950	_124,050_			459,704	1,754,704
Brenda Lovcik (7)	2024	540,000	_	940,950	166,050	459,756	_	55,991	2,162,747
Senior Vice President and	2023	103,562	300,000	300,000		200,000	_	18,411	921,973
Chief Financial Officer	2022	_	_						
Amy M. Fernandez (8)	2024	450,000	_	669,800	118,200	357,588		33,255	1,628,843
Senior Vice President,	2023	420,000	_	553,350	97,650	588,000	_	31,641	1,690,641
Chief Legal Officer and Secretary	2022					_			

## 1 Stock & Option Awards: 65% of CEO compensation

**Time-based RSUs (35%)**: Vest one-third per year over three years; no shares are issued until each vesting date.

**Performance-based RSUs (50%)**: Vest one-third per year over three years, but the number of units that vest depends on Trex's EBITDA performance vs. annual targets. Payout ranges from 0% to 200% of target units, with vested units delivered as shares at each vesting date. **Stock appreciation rights (15%)**: Upon exercise, the executive receives only the net gain between the market price and grant price, settled in shares. Vest one-third per year over three years.

# 2 Cash Incentive Plan: 19% of CEO compensation

- Cash incentive targets set as % of base salary, which for 2024 were 115% for the CEO, and 60% to 80% for the other named executive officers
- Performance metrics and weighting:

■ Pretax income: 75%

■ Operating cash flow: 25%



# **Appendix: Board of Directors**

Name / Title	Experience
James E. Cline Independent Chairman	<ul> <li>Former President &amp; CEO of Trex (2015-2020) and earlier CFO (2008-2015).</li> <li>Prior senior leadership roles at Harsco GasServ/Harsco Corporation across finance and operations.</li> <li>Earlier 18-year finance career at Huffy Corporation.</li> </ul>
<b>Bryan Fairbanks</b> <i>President, CEO &amp; Director</i>	<ul> <li>President &amp; CEO of Trex since 2020; previously CFO (2015-2020).</li> <li>Joined Trex in 2004, rising through supply chain, international development, FP&amp;A, VP, and EVP roles.</li> <li>Earlier decade in senior finance roles at Ford Motor Company.</li> </ul>
Ronald W. Kaplan Independent Vice Chairman	<ul> <li>Former President &amp; CEO of Trex (2008-2015) and former Trex Chairman (2010-2020).</li> <li>Held major leadership roles at Harsco Corporation, including SVP Operations and Group President.</li> <li>Former CEO of Continental Global Group / Continental Conveyor.</li> </ul>
<b>Jay M. Gratz</b> Independent Director	<ul> <li>Former EVP &amp; CFO of Ryerson Inc. and previously CFO of Inland Steel Industries.</li> <li>Former President of Ryerson's Tull Coil Processing Division.</li> <li>CFO &amp; Director of VisTracks (2010-2018).</li> </ul>
Patricia B. Robinson Lead Independent Director	<ul> <li>Former President of Mead School &amp; Office Products and VP of Corporate Strategy at Mead.</li> <li>21-year leadership career at Mead Corporation across strategy, P&amp;L, and operations.</li> </ul>
<b>Gerald Volas</b> Independent Director	<ul> <li>Former CEO of TopBuild Corp. (2015-2020).</li> <li>Extensive senior leadership career at Masco Corporation (1982-2015).</li> <li>Began career as an auditor at Ernst &amp; Young.</li> </ul>
Kristine L. Juster Independent Director	<ul> <li>CEO of Conair LLC (since 2024) and CEO of Kimball International (since 2018).</li> <li>20+ years at Newell Brands, including President of Global Writing Segment. Former President of Calphalon division.</li> </ul>
<b>David Christian Keffer</b> Independent Director	<ul> <li>CEO &amp; President of STIHL Inc. (since 2023).</li> <li>27-year leadership career at Stanley Black &amp; Decker, including President of Product Management.</li> <li>Led global marketing for a \$6.5B power tools division.</li> </ul>
<b>Dr. Gena C. Lovett</b> <i>Independent Director</i>	<ul> <li>Former VP of Operations at Boeing Defense, Space &amp; Security (2015-2019).</li> <li>Senior manufacturing &amp; diversity leadership roles at Alcoa.</li> <li>Earlier 15-year operations leadership career at Ford Motor Company.</li> </ul>



# **Appendix: Key Products**

## **Decking and Accessories (~80% of sales)**







Railing (~20% of sales)







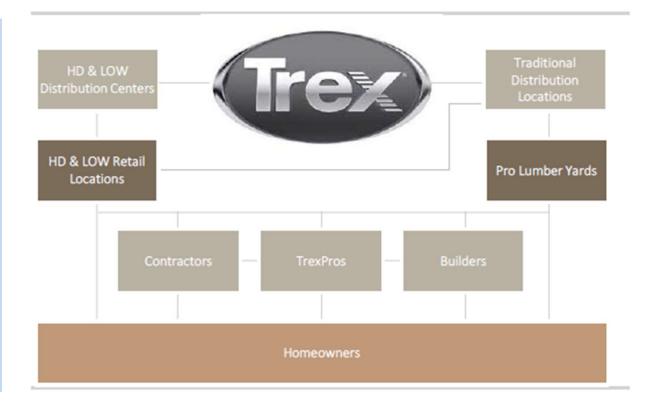




## **Key Assets**

	Square Footage/ Acres	Leased / Owned	Lease Expiration Dates	Location	Purpose
Corporate Headquarters	62,210 SF	Owned	N/A	Virginia	Office Space
Corporate Headquarters	8 Acres	Owned	N/A	Virginia	Land
Trex Residential	2,421,733 SF	Leased	2024 - 2035	Virginia / West Virginia / Nevada/ Arkansas	Warehouse, Research and Development, Storage, Training and Manufacturing Facilities
Trex Residential	1,525,254 SF / 473 Acres	Owned	N/A	Virginia / Nevada / Arkansas	Manufacturing Facilities, Storage and Office Space

# Distribution Model



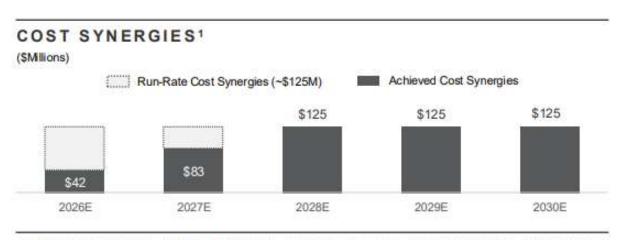
Sources: Company filings



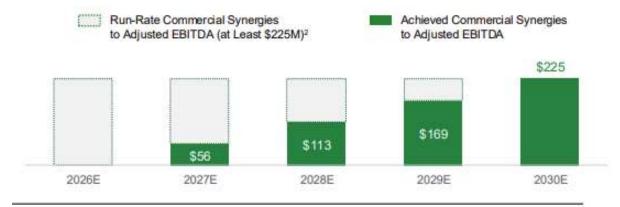
## **Appendix: AZEK Acquisition**

### Full revenue synergies are not expected to be achieved until FY30E

Full Revenue (\$500m) and EBITDA (\$225m) synergies will be achieved by FY30E...

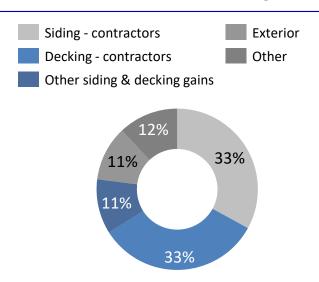


# COMMERCIAL SYNERGIES IMPACT ON ADJUSTED EBITDA<sup>1</sup> (\$Millions)



Estimated \$350M in total costs from 2026 to 2030 to realize synergies

### ...of which ~44% comes from decking



"Cost synergies will be easier to achieve. A figure of \$125 million is appropriate for a deal of this size. The commercial synergies, however, are more challenging. I mentioned to the Australians that the \$500 million is backend loaded in years three, four, and five. An investor chuckled and agreed, noting that by the start of year three, interest tends to wane, and they are already moving on. He said, "Yes, we'll forget all about it by the third year." So, whatever is achieved in the first couple of years will indicate if it is working or not."

- InPractise November 15, 2025



# **Appendix: AZEK Acquisition**

# Expert opinion on the acquisition is divided, suggesting that market share losses may be moderate at best

# Some experts expressed skepticism that the acquisition will lead to market share gains...

# ...while others believed that market share losses would range from 6-15%

#### Siding and decking are two separate markets, execution will be challenging

Former TREX operations executive: "I'm not convinced [Hardies] understood how the market wants to buy the respective products. Brand A is identified with decking, brand B is identified with siding...My hunch is that I'm not convinced that Hardie can embed their siding into the decking business or the decking into the siding business to a point where an estimator inside an installing contractor would get it, would see the value. They are very, very reluctant to change" – 22 July 2025 Third Bridge

#### Focused category leaders will outcompete diversified competition

Former marketing executive at CertainTeed: "Where Trex is a dedicated entity, they're composite decking guys, they're number two. They just took their eye off the ball. They're going to be worried about rearranging their distributors. If you're a Hardie distributor, you're going to get AZEK and probably TimberTech. Whether you're a good distributor for AZEK or TimberTech or not, it's going to be driven by the fiber cement side. I believe ultimately, Trex is going to benefit from this at a channel level. I think long term, again, a focused category leader is going to beat being the number three product in a fiber cement company." – 15 July 2025 AlphaSense

### Tough for AZEK to penetrate despite Home Depot's relationship with Hardies

Former merchandising Home Depot executive: "Typically, Home Depot will take the national brand and then a private label and then that becomes our go-to-market strategy. Right next to Trex is Veranda...even if Home Depot and fiber cement siding are golden, there is not an automatic halo effect...Trex is there because they're half the market. That's the name that I think a lot of customers would recognise. Then Fiberon is there mostly because of the fact that, "Hey, because of the volume that we're pumping through the private label." Next thing you know, the economics work out to have both." – 28 July 2025, Third Bridge

#### Trex expected to lose 6-15% market share over next few years

National account manager at Boise: "I think TimberTech will continue to grow some market share post Hardies. Maybe 5-7% behind them over the next 2-3 years all coming from the TREX side." – 10 November 2025, Direct Call

National account manager at Capital Lumber: "I think [Hardies with Azek] could pick up 10%-20% quickly on Trex at the home centers. They can continue to put pressure on Trex at the pro yards and maybe gain another 5%, 10%... Hardie could come in and say something like, Hey, if you stock both Hardie and AZEK products, we could go to 3% or even 3.5%, 4% on a rebate. That moves the needle big time. For retail dealers, those back-end rebates are huge. It's basically just a nice, fat check at the end of the year that they get back from either the manufacturer or the distributor that puts the deal together." – 29 July 2025 Alphasense

### Hardies can force suppliers to supply AZEK

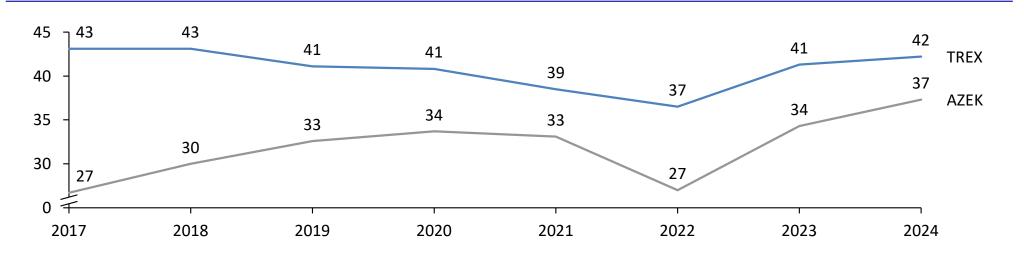
CEO at decking company: [Do you think the acquisition makes sense for Hardies?] "I do...I think Hardie has such a name and presence with the suppliers. If I'm Hardie, I can squeeze the heck out of these suppliers to make sure that AZEK's competitors are in trouble. I think they can squeeze the suppliers, like I mentioned before, going, "Hey, if you want to sell Hardie, you want to sell AZEK, there's going to be some dialogue here about you selling the Trex." I think it gives Hardie tremendous leverage over US LBM, U.S. Lumber, all these guys. At the end of the day, Hardie is such a big SKU for the suppliers. This gives them a ridiculous amount of leverage, in my opinion. If I'm Hardie, I think it's brilliant. It's bad for a lot of other guys" – 16 July 2025, AlphaSense



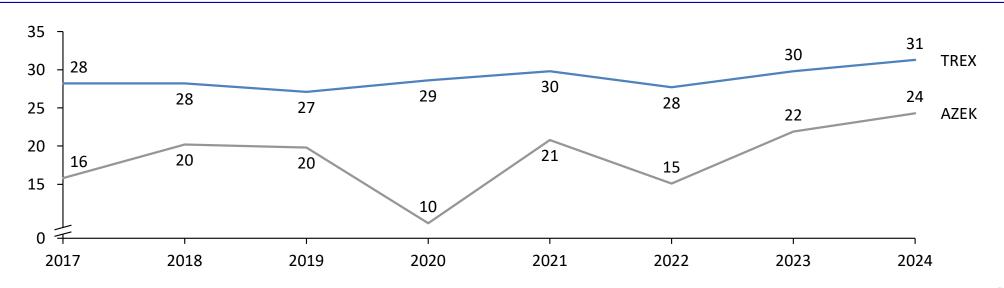
# **Appendix: TREX vs AZEK Margins**

## TREX has generated consistently better margins vs direct competitor

### **Gross Margin 2016-24**



### EBITDA Margin 2016-24

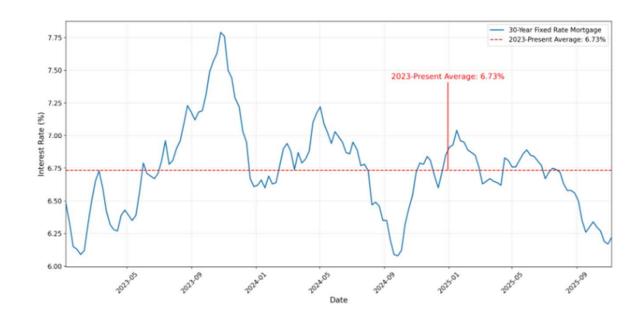




# **Appendix: R&R Demand (1/2)**

### Falling interest rates and HELOC balances bottoming out

30-Year Mortgage Rates (2023present)



Balance of HELOCs (USD M)

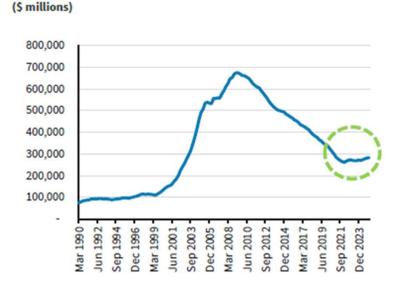
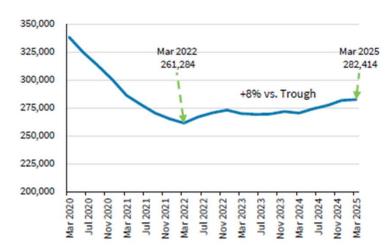


FIGURE 26. Historical Balance of Total Outstanding HELOCs in the U.S.

FIGURE 27. HELOCs are +8% Since March from May 2022 Trough (\$ millions)

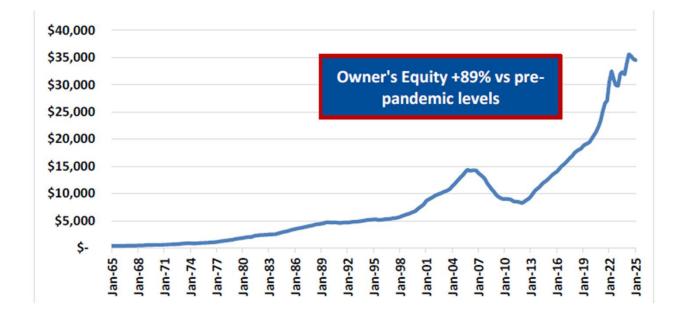




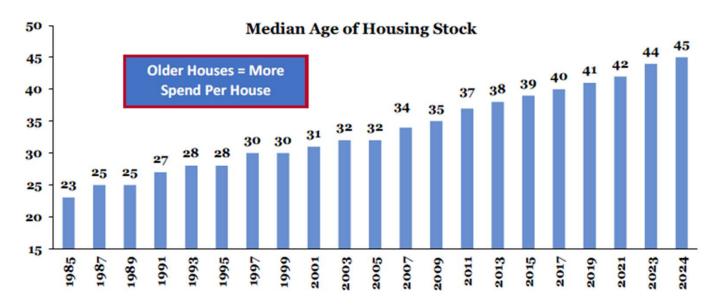
# Appendix: R&R Demand (2/2)

## Long term drivers of R&R spend

Total Owners Equity in Real Estate (USD bn)



Median Age of Housing Stock



Sources: FDIC, Bloomberg, Barclays Research



# **Appendix: Channel Dynamics**

### De-stocking in 2025 hurt top line for building product manufacturers

James
Hardie Sep
2Q25
Earnings Call

### **Keith Chau**

Analyst - Analyst

Sorry, just going back just seeing if you can put a framework or a number around the inventory destocking for the period of the impact going forward, please, in the second quarter? Any hangover into the second quarter?

#### **Aaron Erter**

Executive - Executive

Yes. Look, Q1 inventory aside, we believe we performed in line with market, right, which would be down mid-single digits. That's what I would say. And then Q2 and Q3, we think we continue to see some type of destock out there with our customer partners. And going back to our value proposition, as our customer partners are more cautious and making sure they're really vigilant with their inventory. We do have the supply chain with our localized manufacturing that are able to partner with them and be able to supply what they need when they need it.

Trex Nov 3Q25 Earnings Call

### **Keith Hughes**

Analyst - Analyst

Sell-through is lower than you've anticipated, as you said, but it seems like a pretty drastic reduction in production and ordering from your customers. Are they anticipating business to continue to deteriorate going into next year?

### **Bryan Fairbanks**

Executive - Executive

We are expect -- we had an original expectation that we were going to be 5% to 7%. And instead, we expect that to be in low single-digit levels. So that difference is really what's coming out. We're seeing the largest piece of that, of course, in the fourth quarter of this year. I'm not expecting anybody to be building any inventories as we move into the end of the year. I think the other piece that's important to note is the channel has gotten better in managing inventory. We have a lot of different SKUs between the different decking colors that we have, the different railing products that we have. And our channel partners continue to get more efficient each year in the way they're running their supply chains. So that's why we expect the inventory to be down. As we move out into next year, we're coming off of 3 years of down repair and remodel, more and more pent-up demand out there. And at some point, that's going to break free, and we'll be ready to take advantage of it.





Company Name	LTM Gross Margin %	LTM EBITDA Margin %	LTM EBIT Margin %
Casella Waste Systems, Inc. (NasdaqGS:CWST)	33.7%	21.5%	5.1%
Clean Harbors, Inc. (NYSE:CLH)	31.1%	18.5%	10.9%
Tetra Tech, Inc. (NasdaqGS:TTEK)	20.8%	14.4%	13.1%
Enviri Corporation (NYSE:NVRI)	18.4%	8.7%	0.9%
Waste Connections, Inc. (NYSE:WCN)	42.1%	26.8%	13.6%
Republic Services, Inc. (NYSE:RSG)	43.3%	31.3%	20.2%
Agilyx ASA (OB:AGLX)	38.8%	-	-
GFL Environmental Inc. (TSX:GFL)	20.7%	22.9%	8.0%
Waste Management, Inc. (NYSE:WM)	40.0%	29.4%	18.3%
9 Companies.	10.0 %	23.170	10.3 %
Summary Statistics	LTM Gross Margin %	LTM EBITDA Margin %	LTM EBIT Margin %
High	43.3%	31.3%	20.2%
Low	18.4%	8.7%	0.9%
Mean	31.1%	20.6%	10.3%
Median	32.4%	21.5%	10.9%

Sources: FDIC, Bloomberg, Barclays Research





	Base									
	2022	2023	2024	2025e	2026e	2027e				
Revenue	1,060	1,095	1,151	1,155	1,251	1,349				
Growth (%)	-7%	3%	5%	0%	8%	8%				
COGS	656	642	666	703	773	816				
Gross profit	404	452	486	452	477	533				
Margin (%)	38.1%	41.3%	42.2%	39.1%	38.2%	39.5%				
SG&A	134	180	180	188	225	243				
EBIT	270	272	306	263	252	290				
Margin (%)	25.4%	24.9%	26.5%	22.8%	20.2%	21.5%				
Interest	-0	0	-0	1	1	1				
Profit before tax	247	276	306	249	252	289				
Tax	46	74	79	55	65	75				
Rate (%)	25%	26%	26%	26%	26%	26%				
NPAT	201	203	226	194	186	214				
Growth (%)	-17%	1%	12%	-14%	-4%	15%				
Diluted shares O/S	112	109	108	106	103	97				
Diluted EPS	1.80	1.86	2.09	1.82	1.81	2.19				

	Bull	
2025e	2026e	2027e
1,155	1,299	1,428
0%	12%	10%
703	791	846
452	508	582
39.1%	39.1%	40.8%
188	221	243
263	287	339
22.8%	22.1%	23.8%
1	1	1
249	286	338
55	74	88
26%	26%	26%
194	212	250
-14%	9%	18%
106	103	97
1.82	2.06	2.59

		Bear	
	2025e	2026e	2027e
	1,155	1,131	1,161
	0%	-2%	3%
	703	728	746
	452	402	415
	39.1%	35.6%	35.8%
	188	215	221
	263	187	195
	22.8%	16.6%	16.8%
	1	1	1
	249	187	194
	55	49	50
	26%	26%	26%
	194	138	143
	-14%	-29%	4%
	106	103	99
	1.82	1.33	1.45
_			

Sources: Capital IQ, Team estimates





	Common Stock Equivalent			Change in	<u>%</u>			Portfolio Turnover	Portfolio Turnover	Investment	<u>Calculated</u> <u>Investment</u>	Market Cap			
<u>Holder</u> ▽	<u>Held</u> ▽	% of cso ▽	<u>mm)</u> ▼ ▽	Shares 🗸		Position Date	Source 🗸	Category	√ (%) √	Orientation \	7 Style	Emphasis 5	Owner Type 🗸	Funds 7	History
Lombard Odier Asset Management (Europe) Ltd.	19,594,452	18.269	622.5	19,418,914	11,062.51	Sep-30-2025	13F	Low	34.96	Active	Aggressive Growth	Large cap	Traditional Investment Managers	3	
BlackRock, Inc. (NYSE:BLK)	10,210,082	9.519	324.4	(2,016,961)	(16.50)	Sep-30-2025	13F	Very Low	6.28	Passive	Growth	Large cap	Traditional Investment Managers	46	
The Vanguard Group, Inc.	9,959,834	9.286	316.4	(94,739)	(0.94)	Sep-30-2025	13F	Very Low	2.31	Passive	Growth	Large cap	Traditional Investment Managers	29	
AllianceBernstein L.P.	7,543,925	7.034	239.7	142,215	1.92	Sep-30-2025	13F	Low	24.78	Active	Aggressive Growth	Large cap	Traditional Investment Managers	15	din
Wasatch Advisors LP	5,165,437	4.816	164.1	(20,215)	(0.39)	Sep-30-2025	13F	Low	30.67	Active	Growth	Mid cap	Traditional Investment Managers	7	
State Street Global Advisors, V Inc.	3,185,053	2.970	101.2	(30,064)	(0.94)	Sep-30-2025	13F	Very Low	4.37	Passive	Growth	Large cap	Traditional Investment Managers	20	
ClearBridge Investments, V LLC	2,636,366	2,458	83.8	(312,896)	(10.61)	Sep-30-2025	13F	Very Low	19.57	Active	Growth	Large cap	Traditional Investment Managers	9	
Neuberger Berman Investment Advisers LLC	2,549,652	2.377	81.0	717,802	39.19	Sep-30-2025	13F	Low	22.95	Active	Growth	Large cap	Traditional Investment Managers	4	
Anomaly Capital Management, LP	2,307,739	2.152	73.3	342,571	17.43	Sep-30-2025	13F	High	116.48	Active	Aggressive Growth	Large cap	Hedge Fund Managers (<5% stake)		.ntll
American Century Investment Management Inc	2,191,472	2.043	69.6	53,554	2.51	Sep-30-2025	13F	Low	24.51	Active	Growth	Large cap	Traditional Investment Managers	19	madbill
Wellington Management V Group LLP	1,974,096	1.841	62.7	917,448	86.83	Sep-30-2025	13F	Low	28.15	Active	Growth	Large cap	Traditional Investment Managers	2	
Impax Asset Management Group Plc (AIM:IPX)	1,934,581	1.804	61.5	932,247	93.01	Sep-30-2025	13F	Low	22.63	Active	Growth	Large cap	Traditional Investment Managers	1	noonl
Conestoga Capital V Advisors, LLC	1,894,949	1.767	60.2	(101,581)	(5.09)	Sep-30-2025	13F	Very Low	13.63	Active	Growth	Mid cap	Traditional Investment Managers	4	
Madison Investment Holdings, Inc	1,893,081	1.765	60.1	22,027	1.18	Sep-30-2025	13F	Low	24.42	Active	Growth	Large cap	Traditional Investment Managers	2	





December 4th, 2025

**Team Number:** 9 | **Student Names:** Bosco Feng, Eithel Mc Gowen, Yilin Chen

**Long:** Trex Company, Inc. (NYSE:TREX)

**Current Price:** \$31.1 (11/21/2025) | **1Y Price Target:** \$37.7 (+22% Upside)