Louisiana-Pacific Corporation (LPX)

Updated February 23rd, 2025 by Nikolaos Sismanis

Key Metrics

Current Price:	$99	**5 Year CAGR Estimate:**	4.4%	**Market Cap:**	$6.9 B
Fair Value Price:	$82	**5 Year Growth Estimate:**	7.0%	**Ex-Dividend Date:**	02/27/2025
% Fair Value:	120%	**5 Year Valuation Multiple Estimate:**	-3.6%	**Dividend Payment Date:**	03/13/2025
Dividend Yield:	1.1%	**5 Year Price Target**	$116	**Years Of Dividend Growth:**	8
Dividend Risk Score:	C	**Retirement Suitability Score:**	D	**Rating:**	Sell

Overview & Current Events

Louisiana-Pacific Corp is a leading provider of engineered wood building materials, specializing in siding, structural panels, and oriented strand board (OSB). The company serves the construction, remodeling, and industrial markets, offering high-performance solutions designed for durability, efficiency, and sustainability. It operates 23 manufacturing facilities across North and South America, supplying durable, sustainable materials designed to meet the needs of builders and remodelers. LPX generated $2.9 billion in sales last year. It trades with a market cap of $6.9 billion.

On February 14th, Louisiana-Pacific raised its dividend by 7.7% to a quarterly rate of $0.28.

On February 19th, 2025, Louisiana-Pacific released its Q4 and full-year results for the period ending December 31st, 2024. For the quarter, net sales grew by 3% year-over-year to $681 million. Specifically, siding sales increased by 9%, due to 3% higher volumes and 6% higher prices. However, OSB revenue declined by 2%, driven by 7% lower prices, partially offset by 6% higher volumes. Adjusted EBITDA fell 4% to $125 million due to the impact of lower sales and prices in the company's margins. Adjusted EPS was $1.03, up 45% year-over-year. For FY2025, we expect adjusted EPS of $5.49.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	($0.60)	$1.05	$2.71	$2.79	($0.04)	$4.48	$14.19	$13.94	$2.47	$5.91	***$5.49***	***$7.70***
DPS	---	---	---	$0.52	$0.54	$0.58	$0.68	$0.88	$0.96	$1.04	***$1.12***	***$1.57***
Shares[1]	142.4	143.4	144	143	123	111	97	78	72	71	***71.0***	***65.0***

Louisiana-Pacific's EPS history over the past decade reflects the impact of industry cycles and the various operational transformations the company has experienced. EPS was negative in 2015 due to weak OSB prices and a sluggish housing recovery. These losses essentially reflected the challenges LPX faces by operating in a commodity-driven environment, where pricing volatility can massively impact profitability, evident in its highly volatile track record.

A recovery started to take place in 2016 with EPS growing to $1.05 as OSB prices improved and operational efficiency efforts took hold. By 2017 and 2018, EPS grew to $2.71 and $2.79, supported by strong demand for siding and structural products amid a strengthening housing market.

In 2019, EPS turned negative again due to a downturn in OSB prices and the flat housing market, despite growth in high-margin siding sales. Fortunately for the company, the COVID-19 pandemic in 2020 brought a housing boom powered by remodeling and homebuilding, driving EPS to $4.48 as LPX capitalized on surging demand for its products. In 2021, EPS reached a peak of $14.19, reflecting record OSB prices and strong execution in its specialty product segments. In 2022, its divestiture of non-core assets, such as its Engineered Wood Products division, supported its focus on higher-margin segments like siding and structural solutions. Still, as housing demand softened and OSB prices normalized, EPS declined to $13.94 in 2022 and plunged to $2.47 in 2023 as margins got under heavy pressure following declining sales. It then normalized in 2024 following a modest recovery.

[1] Share count is in millions.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

Louisiana-Pacific Corporation (LPX)

Updated February 23rd, 2025 by Nikolaos Sismanis

Moving forward, we project a 7% annual EPS growth rate driven by demand for sustainable building materials, siding capacity expansion, and growth in repair and remodeling, alongside continued share buybacks. Still, we warn that our estimates are speculative due to the unpredictable nature of commodity prices on top of uncertainty in the residential real estate market. We have applied the same growth rate to the dividend, which LPX has raised for 8 consecutive years.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2023	Now	2030
Avg. P/E	---	16.7	8.5	9.7	---	6.2	3.6	4.5	24.6	13.7	***18.0***	***15.0***
Avg. Yld.	---	---	---	1.9%	2.1%	2.1%	1.3%	1.4%	1.6%	1.3%	***1.1%***	***1.4%***

Louisiana-Pacific's P/E ratio has swung notably over the years, due to wild shifts in its earnings and investor sentiment. In 2016, the P/E of 16.7 highlighted market optimism as EPS rebounded after losses in prior years. By 2017 and 2018, LPX's P/E multiple compressed to 8.5 and 9.7, respectively, due to temporarily strong earnings growth from siding and structural solutions. Multiples fell in the single-digits during the pandemic due to one-off earnings jumps as a result of unprecedentedly favorable market conditions. Today's multiple again reflects optimism for earnings growth. Still, we believe that shares would be more fairly valued at a P/E of 15 given the industry's cyclical nature.

Safety, Quality, Competitive Advantage, & Recession Resiliency

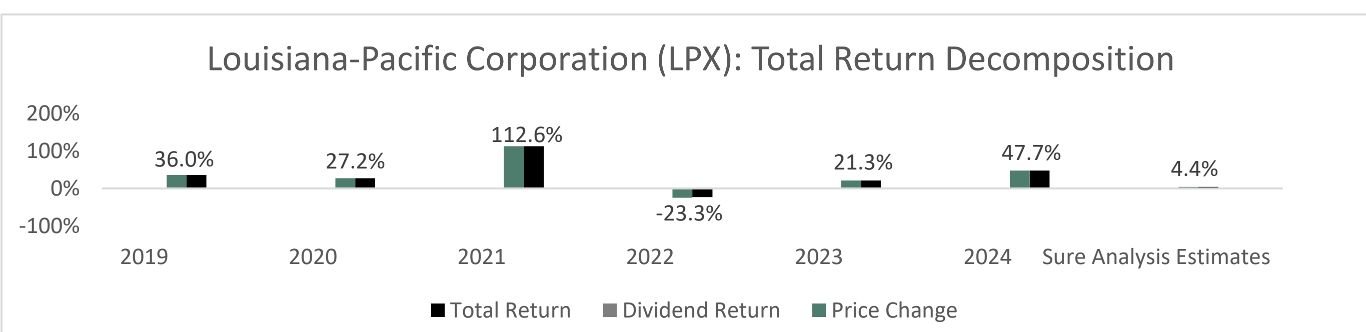
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	---	---	---	19%	---	13%	5%	6%	39%	18%	***20%***	***20%***

Louisiana-Pacific benefits from its focus on high-margin, value-added building products and its operational efficiency and mill conversions in recent years that align production with demand for specialty products. These products offer higher profitability and lower exposure to commodity price volatility compared to traditional OSB products. Still, the building materials industry is highly competitive, with LPX facing challenges from larger, vertically integrated players that benefit from economies of scale and smaller regional manufacturers with niche market focus. Moreover, the industry's inherent susceptibility to market downturns poses risks, as housing and remodeling demand fluctuate with economic conditions. During recessions, reduced construction activity and declining commodity prices can pressure earnings. Earnings turned negative during the Great Financial Crisis and any other period tough conditions in the housing market, despite earnings surging during the COVID-19 pandemic as a result of exceptionally favorable market conditions.

Final Thoughts & Recommendation

Louisiana-Pacific's focus on high-margin specialty products and the growing repair and remodeling market could position it for growth. Still, its earnings outlook is highly speculative and can fluctuate either way based on the underlying market conditions. In any case, we believe the stock may not be able to produce meaningful total returns moving forward, as returns from EPS growth and the dividend could be offset by heavy valuation headwinds. Hence, LPX earns a sell rating.

Total Return Breakdown by Year



Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

Louisiana-Pacific Corporation (LPX)

Updated February 23rd, 2025 by Nikolaos Sismanis

Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	1,935	1,893	2,233	2,734	2,828	2,310	2,788	3,915	3,854	2,581
Gross Profit	177	210	404	736	744	303	867	1,963	1,498	593
Gross Margin	9.1%	11.1%	18.1%	26.9%	26.3%	13.1%	31.1%	50.1%	38.9%	23.0%
SG&A Exp.	150	153	191	201	213	233	212	224	270	257
D&A Exp.	101	102	113	123	120	123	111	119	132	119
Operating Profit	(85)	(61)	196	530	543	81	664	1,738	1,236	335
Operating Margin	-4.4%	-3.2%	8.8%	19.4%	19.2%	3.5%	23.8%	44.4%	32.1%	13.0%
Net Profit	(75)	(88)	150	390	395	(5)	499	1,377	1,086	178
Net Margin	-3.9%	-4.7%	6.7%	14.3%	14.0%	-0.2%	17.9%	35.2%	28.2%	6.9%
Free Cash Flow	(133)	(85)	218	325	297	(4)	582	1,230	730	16
Income Tax	(27)	(3)	20	119	122	(13)	125	402	274	74

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	2,349	2,176	2,031	2,449	2,514	1,835	2,086	2,194	2,350	2,437
Cash & Equivalents	533	435	659	928	878	181	535	358	369	222
Accounts Receivable	96	83	96	125	88	111	161	156	106	104
Inventories	230	222	235	259	273	265	259	277	336	378
Goodwill & Int. Ass.	10	10	10	27	26	50	81	68	64	51
Total Liabilities	1,233	1,159	836	844	814	834	842	955	916	880
Accounts Payable	80	73	90	112	116	127	125	180	178	141
Long-Term Debt	757	754	377	376	352	347	348	346	346	347
Shareholder's Equity	1,116	1,017	1,196	1,605	1,700	991	1,234	1,235	1,434	1,557
LTD/E Ratio	0.68	0.74	0.32	0.23	0.21	0.35	0.28	0.28	0.24	0.22

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	-3.1%	-3.9%	7.1%	17.4%	15.9%	-0.2%	25.5%	64.3%	47.8%	7.4%
Return on Equity	-6.4%	-8.3%	13.5%	27.9%	23.9%	-0.4%	44.5%	110.9%	81.3%	11.9%
ROIC	-3.9%	-4.8%	9.0%	22.0%	19.6%	-0.3%	33.9%	86.7%	64.5%	9.7%
Shares Out.	141	142	143	144	143	123	111	97	78	72
Revenue/Share	13.71	13.29	15.37	18.73	19.64	18.78	24.89	39.95	49.41	35.85
FCF/Share	(0.94)	(0.59)	1.50	2.23	2.06	(0.03)	5.20	12.55	9.36	0.22

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.