Simpson Manufacturing Co., Inc. (SSD)

Updated February 11th, 2025, by Kody Kester

Key Metrics

Current Price:	$171	**5 Year CAGR Estimate:**	12.8%	**Market Cap:**	$7.2B
Fair Value Price:	$190	**5 Year Growth Estimate:**	10.0%	**Ex-Dividend Date:**	04/03/25
% Fair Value:	90%	**5 Year Valuation Multiple Estimate:**	2.1%	**Dividend Payment Date:**	04/24/25
Dividend Yield:	0.7%	**5 Year Price Target**	$305	**Years Of Dividend Growth:**	11
Dividend Risk Score:	C	**Retirement Suitability Score:**	F	**Rating:**	Buy

Overview & Current Events

Founded in 1956, Simpson Manufacturing Co., Inc. is a major designer and manufacturer of wood construction products and concrete construction products via the eponymous Simpson Strong-Tie brand. The former product category includes truss plates and fastening systems. The latter category consists of adhesives, specialty chemicals, and mechanical anchors. These products are sold around the world to residential construction customers, commercial construction customers, and the remodeling and do-it-yourself markets.

Additionally, SSD provides engineering/design services and software solutions to support the use of its products.

The company is geographically organized into the following three reporting segments:

1. North America: This segment consists of the company's operations in the United States and Canada. More than three-quarters of total net sales (~78%) were derived from this segment in 2024.
2. Europe: Included in this segment are SSD's operations in various European Union countries, such as Germany, France, and Italy. Non-EU nations consist of the United Kingdom and Norway. This made up another ~21% of the company's total net sales in 2024.
3. Asia/Pacific: The Asia/Pacific segment sells its products and services in China, Taiwan, Vietnam, New Zealand, and Australia. The remaining ~1% of net sales was generated in these markets in 2024.

On February 10th, SSD shared its fourth-quarter earnings report for the period ended December 31st. The company's net sales grew by 3.1% over the year-ago period to $517.4 million in the quarter. This was due to strength in the North America (4.4% net sales growth to $404.8 million) and the Asia/Pacific segments (9.1% net sales growth to $4.6 million) during the quarter. That offset the 1.5% dip in Europe segment net sales to $108.1 million for the quarter. SSD's diluted EPS increased by 2.3% year-over-year to $1.31 in the quarter. This exceeded the analyst consensus by $0.05 during the quarter.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$1.38	$1.86	$1.98	$2.78	$2.98	$4.27	$6.12	$7.76	$8.26	$7.60	***$8.39***	***$13.51***
DPS	$0.60	$0.68	$0.78	$0.86	$0.90	$0.92	$0.96	$1.02	$1.06	$1.10	***$1.12***	***$1.43***
Shares[1]	48.2	47.4	46.5	45.0	44.2	43.3	43.2	42.6	42.3	42.2	***42.2***	***41.2***

Since 2015, SSD has compounded its diluted EPS at nearly 21% annually. This won't be as easy to do in the coming years with a much larger earnings base. However, we continue to see a realistic path to 10% annual diluted EPS growth over the next several years. SSD's product launch schedule for dozens of new products each year is one catalyst.
Facility expansions geared toward increasing production capacity are another. Bolt-on acquisitions are a third catalyst.

[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.

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Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Avg. P/E	24.7	23.5	29.0	19.4	27.2	21.9	22.7	11.4	24.0	21.8	***20.4***	***22.6***
Avg. Yld.	1.8%	1.6%	1.4%	1.6%	1.1%	1.0%	0.7%	1.2%	0.5%	0.7%	***0.7%***	***0.5%***

Dating back to 2015, SSD's valuation multiple has varied from the low double-digits to the high 20s. Throughout that time, the average P/E ratio has been nearly 23. Moving forward, we think this is a reasonable expectation for fair value. That's because SSD's growth prospects appear to be holding up beyond the negative impacts of elevated interest rates and devastating hurricanes this year. Compared to the current P/E ratio of 20.4, shares could be priced at a moderate discount to fair value.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	49%	37%	39%	31%	30%	22%	16%	13%	13%	14%	***13%***	***11%***

SSD has established itself as an industry leader thanks to a few differentiating factors: Product availability with on-demand delivery in 24 to 48 hours. Comprehensive customer support for engineers, contractors, and building officials. Not to mention that SSD has substantial product testing means through its cutting-edge test lab. These variables provide customers with convenience and the utmost confidence in the company's products. This has allowed SSD to grow its diluted EPS for 11 straight years.

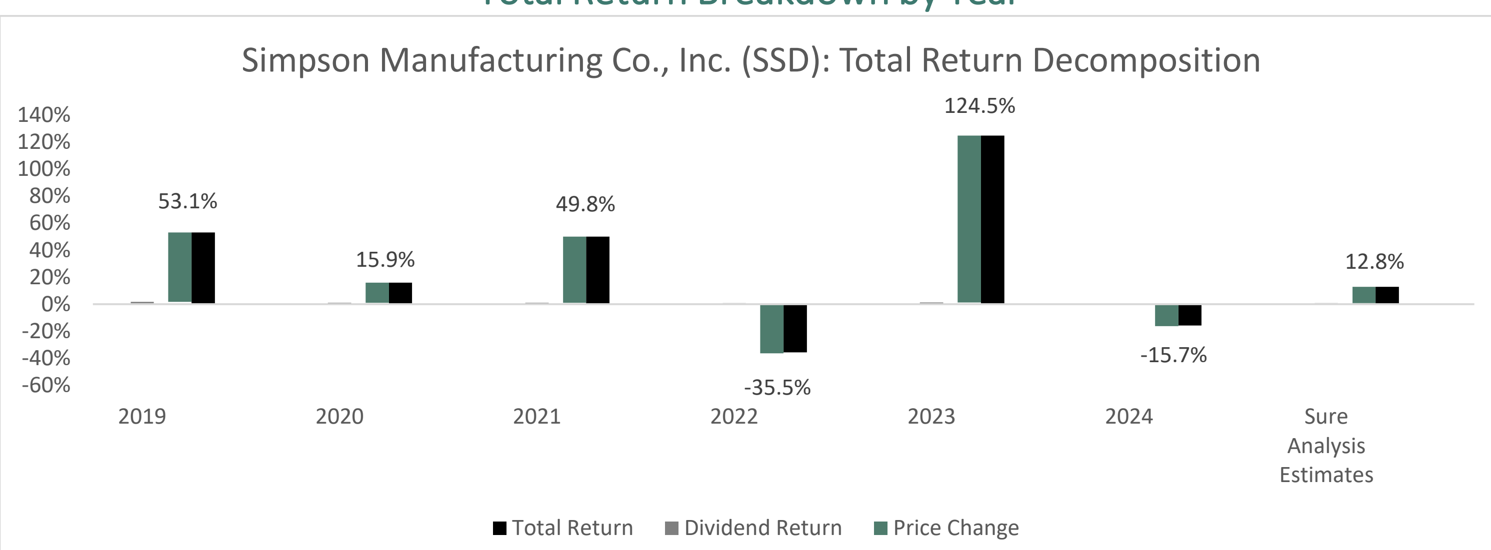
The company's financial health is also enviable. In 2024, it posted $5.3 million in interest income. Generating net interest income in this high-rate environment is a testament to SSD's overall financial health.

The company's appeal doesn't stop at its consistent EPS growth and robust balance sheet, either. Simpson Manufacturing's EPS payout ratio is poised to be in the low teens in 2025. This puts the company in a position to extend its 11-year dividend growth streak for the foreseeable future.

Final Thoughts & Recommendation

SSD's 0.7% dividend yield, 10.0% annual diluted EPS growth forecast, and 2.1% annual valuation multiple upside potential could help it to post 12.8% annual total returns over the next five years. As a result, we're reiterating our buy rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	752	794	861	977	1,079	1,137	1,268	1,573	2,116	2,214
Gross Profit	342	359	410	443	480	492	576	755	941	1,044
Gross Margin	45.5%	45.2%	47.6%	45.4%	44.5%	43.3%	45.5%	48.0%	44.5%	47.1%
SG&A Exp.	204	204	223	258	268	270	274	328	398	472
D&A Exp.	28	27	28	34	39	38	39	42	61	75
Operating Profit	99	109	140	138	169	175	252	367	475	480
Operating Margin	13.2%	13.7%	16.3%	14.1%	15.6%	15.4%	19.9%	23.4%	22.5%	21.7%
Net Profit	64	68	90	93	127	134	187	266	334	354
Net Margin	8.4%	8.5%	10.4%	9.5%	11.7%	11.8%	14.7%	16.9%	15.8%	16.0%
Free Cash Flow	44	84	57	61	131	168	170	102	333	338
Income Tax	36	41	49	52	45	44	63	92	114	123

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	973	961	980	1,038	1,022	1,095	1,233	1,484	2,504	2,705
Cash & Equivalents	260	259	227	169	160	230	275	301	301	430
Accounts Receivable	92	106	112	136	146	139	165	231	269	284
Inventories	217	196	232	253	276	252	284	444	557	552
Goodwill & Int. Ass.	156	152	147	166	155	157	163	160	859	868
Total Liabilities	110	111	114	153	166	203	252	300	1,091	1,025
Accounts Payable	23	21	28	32	34	33	48	57	98	108
Long-Term Debt	0	-	-	-	-	-	-	-	577	481
Shareholder's Equity	863	850	866	885	856	892	981	1,184	1,413	1,680
D/E Ratio	-	-	-	-	-	-	-	-	0.41	0.29

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	6.6%	7.0%	9.2%	9.2%	12.3%	12.7%	16.1%	19.6%	16.7%	13.6%
Return on Equity	7.5%	7.9%	10.5%	10.6%	14.6%	15.3%	20.0%	24.6%	25.7%	22.9%
ROIC	7.5%	7.9%	10.5%	10.6%	14.6%	15.3%	20.0%	24.6%	21.0%	17.1%
Shares Out.	49.0	48.2	47.4	46.5	45.0	44.2	43.3	43.2	42.6	42.3
Revenue/Share	15.29	16.15	17.82	20.45	23.18	25.30	28.92	36.14	49.16	51.68
FCF/Share	0.88	1.70	1.18	1.28	2.81	3.74	3.87	2.34	7.73	7.90

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