

## Louisiana-Pacific Corp.

## 4Q Flash: Solid qtr; '24 guide in-line/positive v. Street, and above us

Maintain Rating: UNDERPERFORM | PO: 65.00 USD | Price: 69.71 USD

## 4Q EPS of \$0.71 vs. BofA /Street at \$0.54

We maintain an Underperform rating on Louisiana-Pacific (LPX) based on its proximity to our PO and our view that wood prices will continue to decelerate along with the risk that housing may moderate overall. LPX reported 4Q23 op. EPS of \$0.71, which compared to BofA and the Street at \$0.54 (Visible Alpha). Overall, adj. EBITDA of \$129mn was above our forecast of \$86.9mn and the Street at \$85.1mn. On balance, we expect positive reception to the results and the current earnings power in oriented strand board (OSB), though Siding's outlook is a touch weaker than our forecasts.

## 1Q EBITDA guided to \$130-145mn, ahead of BofA/Street

Looking out, LPX anticipates 1Q24 adj. EBITDA of \$130-\$145mn (compared to our \$103.3mn estimate and the Street at \$122.5mn). Full-year guidance is \$495-\$525mn versus the street at ~\$505-\$510mn and our \$471mn. Additionally, LPX expects Siding sales to be sequentially higher in 1Q by ~3-5% (we are at +5%) Further, the company expects an 8-10% increase in Siding sales for the year (we are at 10%). Siding EBITDA is guided at \$65-\$70mn and \$280-\$300mn for 1Q and full year, respectively, while we are \$83mn and \$352mn, respectively. OSB EBITDA is guided at \$65-\$75mn and \$215-\$225mn for the quarter and year respectively (2Q-4Q are assumed at cycle-average run rates of \$200 annually). While our existing price forecasts may differ than LPX's we are currently at \$29mn and \$151mn, respectively. Lastly, LPX expects 2024 capex of \$200-\$220mn which includes \$150-\$160mn for maintenance, and \$50-\$60mn for strategic growth projects.

## Segment details, OSB drove 4Q

At the segment level, OSB adj. EBITDA was \$28.3mn higher than our \$30.7mn estimate. Ultimately, volumes were higher than our forecast by 2.2% and price realizations were ~10% ahead of our estimates. OSB volumes were ahead of our forecast by 17.3mnsf at 783mnsf. For the full year 2023, LPX mentioned the decrease in volumes y/y was partly due to the Sagola mill conversion to siding production. That said, EBITDA benefitted from higher OSB prices along with lower mill-related costs. As for the Siding segment, adj. EBITDA was \$72mn compared to our forecast for \$64.5mn, despite somewhat weaker average price realizations. Lastly, in South America, adj. EBITDA of \$11mn was above our \$6.3mn estimate and LPX noted higher volumes and lower costs.

14 February 2024

## Equity

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## Stock Data

Price	69.71 USD
Price Objective	65.00 USD
Date Established	2-Jan-2024
Investment Opinion	C-3-7
52-Week Range	49.47 USD - 79.56 USD
Mrkt Val (mn) / Shares Out (mn)	5,019 USD / 72.0
Free Float	88.7%
Average Daily Value (mn)	44.55 USD
BofA Ticker / Exchange	LPX / NYS
Bloomberg / Reuters	LPX US / LPX.N
ROE (2023E)	14.9%
Net Dbt to Eqty (Dec-2022A)	-1.6%
ESGMeter™	Medium

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Timestamp: 14 February 2024 10:46AM EST

## Price objective basis & risk

### Louisiana-Pacific Corp. (LPX)

Our \$65 PO is based on an average of (a) a normalized free cash flow (FCF) estimate of \$383mn, a calculated cost of equity of 13% and forecast rate of growth of 4%, (b) a SOTP value, using our evaluation of normal EBITDA, which is an average of historical periods 2016-22 and our forecasts through '25E. We project LPX's OSB segment will be valued at 5x our 2024E EBITDA forecast and its Siding segment will be valued at 10x EBITDA given building product/siding peer comps. We apply 6-8x EBITDA multiples to its other businesses. Separately, we value LPX's OSB business at 1.5x sales, its siding business at 2.5x sales and its other businesses at 1-2x sales. We assume the average of our EV/EBITDA and EV/Sales valuations, and then discount this to derive our 12-month PO.

Downside risks: (1) the broader housing picture, (2) weak demand and supply-chain, (3) changes in average home size, (4) OSB supply/demand dynamics, (5) cost volatility (wood fiber, resin, and foreign exchange), (6) operational risks associated with the expansion of LPX's siding segment, (7) should trends reverse in the policy outlook for the current Administration, that would be a source of volatility for the shares, and (8) should the trends in supply/demand for its products prove worse-than-expected, then LPX stock could perform below our forecasts.

Upside risks: Should housing and related demand trends or supply/demand in LPX's various product markets prove better-than-expected, LPX stock could exceed our PO.

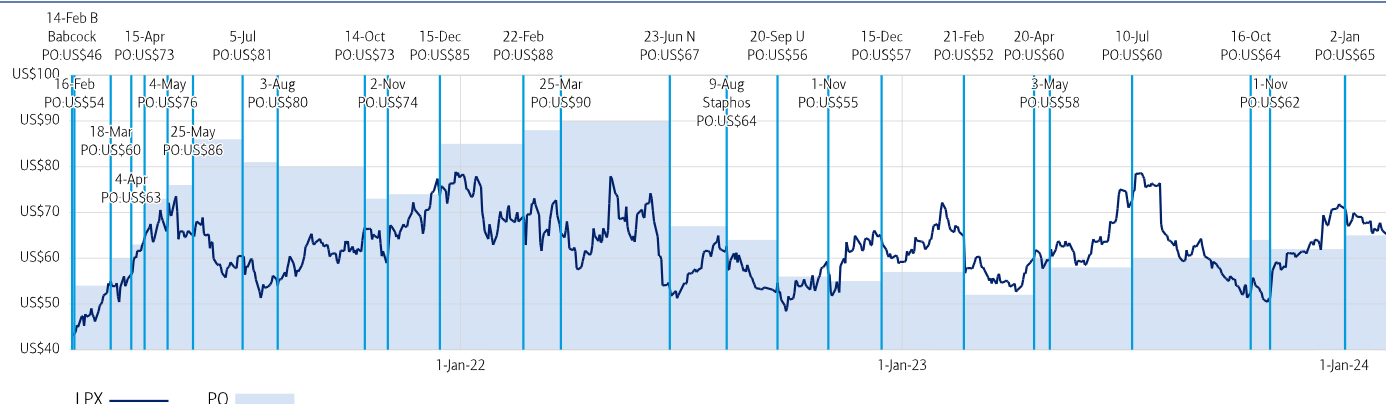
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### Louisiana-Pacific (LPX) Price Chart



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Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	9	45.00%	Buy	8	88.89%
Hold	2	10.00%	Hold	1	50.00%
Sell	9	45.00%	Sell	5	55.56%

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Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
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Sell	807	22.84%	Sell	383	47.46%

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