NovaRock Global Research

Equity Research Note — Trex Company, Inc. (TREX) — Initiating Coverage

REVIEWED AND APPROVED — 2026-11-06

Current Price	$46.49 (as of 2026-11-06)
Fair Value (DCF Base Case)	$37.59 (as of report date)
Implied vs. Current Price	-19.1%
Rating	HOLD (grid rule; mechanical assumptions) (sensitivity range: $30-$55/share)
Assumptions Used	9.0% discount rate, 3.0% terminal growth
Capital Return	Dividend Yield 0.0% | Buyback Yield 5.6% (Total Shareholder Yield: 5.6%)

Rating Definitions: BUY: every combination in the valuation sensitivity grid implies a fair value above the current price - i.e. even the most conservative reasonable assumptions still suggest the stock is cheap. SELL: every combination implies a fair value below the current price - even the most generous reasonable assumptions still suggest it's expensive. HOLD: the current price falls inside the sensitivity grid's range - reasonable analysts using different defensible assumptions could land on either side, so a confident directional call isn't supported by this analysis. This is a narrower, more literal use of these labels than some research uses - a HOLD here specifically means the valuation math doesn't clear a bar in either direction, not a vague default.

Investment Note

Trex Company, Inc. (TREX) — Research Note

Rating: HOLD by the grid rule. In two sentences: the price of $46.49 (as of 2026-11-06) sits inside the sensitivity grid of $29.91 to $54.57 per share, so the analysis does not support a directional call, while the base-case DCF fair value of $37.59 per share is below the price. The business generates positive free cash flow and returns it through buybacks, but the buyback pace has run ahead of that cash flow and is being met in part with revolver borrowing. The HOLD therefore rests on the width of the grid, not on a base case that supports the current price, and the two should be read together. The base case and grid use MECHANICAL DEFAULT assumptions (a 9.0% discount rate and 3.0% terminal growth, with a stepped growth path); they are model settings, not filing facts. The peer cross-checks in the comparable-companies paragraph disagree with one another and with the DCF base, and that disagreement is part of the finding.

Results: On a trailing-twelve-month basis, net sales were $1,282.1M, operating income was $245.7M, net income was $178.1M and diluted EPS was $1.73, which puts the stock on a trailing P/E of 26.87x. For the latest fiscal year (the 10-K), net sales were $1,174.3M, operating income $258.0M, net income $190.4M and diluted EPS $1.78. For the nine months of the latest 10-Q, net sales were $1,120.9M against $1,013.1M a year earlier, operating income was $242.2M against $254.5M, net income was $175.8M against $188.1M, and diluted EPS was $1.70 against $1.75.

Operating trends: The nine-month comparison shows higher sales alongside lower operating income, net income and EPS than a year earlier, so earnings have come under pressure even as sales grew. Depreciation and amortization was $59.9M for the nine months against $46.1M a year earlier, and the trailing figure is $76.8M. The November 4, 2026 earnings release reports third-quarter net sales up 26.0% to $359.5M and a gross margin of 36.0% against 40.5% a year earlier, and attributes higher Arkansas start-up costs in the quarter to a mechanical issue that has since been resolved; the facility remains on track to have approximately 50% of its existing decking production capacity operational by year-end. We did not find a dollar figure for the start-up costs, and the sales mix behind the growth is not given in the figures used here. Competitive position is not assessed from these figures: they carry no

market-share, pricing or channel data, and the only external reference points used here are the three peers in the comparable-companies paragraph. Operating risks visible in the figures are the earnings compression above, the higher depreciation base, and a capital-expenditure line that has fallen sharply (see the cash flow paragraph), which flatters the free cash flow base if spending returns to the prior level.

Guidance: the November 4, 2026 earnings release raised full-year 2026 guidance: net sales of $1,296M to $1,306M, adjusted EBITDA of $355M to $360M, capital expenditures of about $100M, an effective tax rate of 26.0% to 27.0% and share repurchases of about $300M, with fourth-quarter net sales of $175M to $185M. Nine-month net sales of $1,120.9M plus the fourth-quarter range gives the full-year range. The repurchase guide implies about $91M in the fourth quarter after $208.6M in the first nine months, and the capital expenditure guide implies about $31M against $69.4M so far (our arithmetic). Adjusted EBITDA is company-defined and not comparable with the unadjusted trailing EBITDA of $322.5M used here. The DCF base case does not incorporate this guidance, and no earnings-call transcript was supplied, so no analyst Q&A is cited.

Cash flow and the DCF basis: The free-cash-flow base is trailing operating cash flow of $313.8M less trailing capital expenditure of $112.8M, a free cash flow of $201.1M and a free cash flow yield of 4.33%. For the latest fiscal year, operating cash flow was $358.1M and capital expenditure $223.6M; for the nine months, operating cash flow was $248.4M against $292.6M a year earlier and capital expenditure was $69.4M against $180.2M. The base is levered (operating cash flow is after interest), so net debt is shown for context in the balance-sheet paragraph and is not subtracted from the DCF value per share. The 10-year DCF gives an equity value of $3,756.4M and a base fair value of $37.59 per share, which is -19.1% against the price; the terminal value is $2,158.1M in present value terms, 57.5% of the total. The reverse DCF shows the price implies a starting free cash flow of about $248.7M on the base path, above the $201.1M trailing base: the market is pricing cash generation above what the trailing year delivered.

Balance sheet: The line of credit (revolver) balance is $170.0M at the latest 10-Q against $133.5M at the 10-K year-end, with cash of $3.3M (the 10-K year-end cash was $3.8M), which gives net debt of $166.7M; lease liabilities are not included. Total liabilities are $557.2M against $419.2M at the 10-K year-end, and total stockholders' equity is $1,010.4M against $1,034.3M. The earnings release reports no separate long-term debt line, so the line of credit is the only debt used here. The release says $83M was repaid under the revolving credit facility in the third quarter, so the $170.0M balance reflects both borrowing and repayment during the period, and we do not know what the borrowing funded. Market capitalisation is $4,646.1M and enterprise value is $4,812.8M, which is 14.92x unadjusted trailing EBITDA of $322.5M. Net debt is informational and is not deducted from the DCF fair value.

Comparable companies: Peers are shown individually and no median is used; peer prices are supplied by NovaRock and the multiples come from each peer's own filings. At TREX's trailing EPS, AWI's 24.32x P/E implies $42.07 per share and its 13.99x EV/EBITDA implies $43.48. FBIN's 40.17x P/E implies $69.49 and its 21.98x EV/EBITDA implies $69.26. MAS's 16.49x P/E implies $28.53 and its 11.35x EV/EBITDA implies $34.96. AWI and MAS imply values below the $46.49 price and FBIN implies a value well above it, and the DCF base of $37.59 is below the price as well. FBIN's multiples are outliers and should carry little weight until its earnings row is confirmed. For all three peers the debt row was read only from running text (AWI's revolving credit facility, FBIN's commercial paper, MAS's revolving credit loans), so each peer's net debt and its implied value may be understated. The evidence is mixed and supports the HOLD rating, not a directional one.

Shareholder base and changes: The 2026 proxy statement (record date March 6, 2026, 103,889,031 shares) lists BlackRock at 10,513,943 shares (9.2%, on a Schedule 13G filed April 24, 2025), The Vanguard Group at 10,248,414 (9.0%, on a Schedule 13G filed February 13, 2024) and AllianceBernstein at 6,503,478 (6.0%, on a Schedule 13G/A filed February 17, 2026), with all directors and executive officers as a group (15 persons) at 961,074 shares, under 1% (proxy p.8). Later Schedule 13G filings, shown with their filing dates and never added together: Wellington Management Group reported 9,877,124 shares, 9.5%, on 2026-08-13, after 10.4% on 2026-08-06, 8.0% on 2026-05-15 and 6.7% on 2026-02-10; Millennium Management reported 5,570,532 shares, 5.5%, on 2026-08-07; Vanguard Capital Management reported 5,568,825 shares, 5.36%, on 2026-04-30; The Vanguard Group's

2026-03-27 amendment shows 0 with no share count, which should be read in the filing rather than taken as an exit; AllianceBernstein reported 6.1% on 2026-02-17 and 202,483 shares, 0.2%, on 2026-09-04. The cover-page share count fell from 105,737,365 (10-K) to 99,936,893 (10-Q). Insider activity in the last 180 days, from Form 4: the SVP, Chief Legal Officer and Secretary sold 1,050 shares at $50.07 on 2026-08-07 (10b5-1 flag: no), and the SVP and Chief Human Resources Officer sold 1,400 shares at $50.00 on 2026-06-25 (10b5-1 flag: yes). An 8-K Item 5.02 filing dated 2026-08-24 reports the appointment of Brian J. Taylor as Senior Vice President and Chief Commercial Officer, effective August 24, 2026.

Capital return: No dividend row was found; the dividend is inferred as zero from the tied cash-flow statement, so the dividend yield is 0.00% and the total shareholder yield equals the gross buyback yield of 5.58%. Trailing gross buybacks were $259.1M (buybacks are gross cash repurchases, not net of share issuance); for the nine months they were $208.6M against $4.0M a year earlier. Total payout is 129% of trailing free cash flow, and over the same period the revolver balance rose from $133.5M to $170.0M, so the programme has depended on balance-sheet capacity as well as operating cash flow. Management guides to about $300M of repurchases for 2026 (see Guidance).

Conclusion: TREX is rated HOLD under the grid rule: the price of $46.49 is inside the $29.91 to $54.57 grid, the DCF base case of $37.59 is below the price, and peer multiples point in opposite directions. The main risks are earnings compression alongside higher depreciation, buybacks running ahead of free cash flow and funded in part by the $170.0M revolver, a trailing P/E of 26.87x that already prices cash generation above the trailing base, and a free cash flow base that benefits from the lower capital expenditure of the latest nine months.

Key Catalysts

• Full-year 2026 guidance raised on November 4: net sales $1,296M to $1,306M, adjusted EBITDA $355M to $360M, capital expenditures about $100M, effective tax rate 26.0% to 27.0%, share repurchases about $300M; fourth-quarter net sales $175M to $185M (earnings release).

• Share repurchases: about 1.2 million shares for $55M in the third quarter; the company anticipates completing its Board-authorized $150 million program by year-end while projecting about $300M of total 2026 repurchases (earnings release).

• Arkansas facility: on track to have approximately 50% of its existing decking production capacity operational by year-end; the release attributes higher third-quarter start-up costs to a mechanical issue that has since been resolved.

• Gross margin: third-quarter gross margin was 36.0% against 40.5% a year earlier (earnings release); whether it recovers is the test for the earnings compression described above.

• Management: Brian J. Taylor became Senior Vice President and Chief Commercial Officer on August 24, 2026 (8-K Item 5.02, accession 0001193125-26-362066).

Comparable Companies Cross-Check

DCF implies -19.1% vs. current price; the peer multiples point in opposite directions and are shown individually with no median or average. AWI and MAS imply values below the price and FBIN well above it; FBIN's multiples are outliers.

Peer / metric	Multiple	TREX value/sh	vs. price	Role
AWI - P/E (TTM)	24.32x	$42.07	-9.5%	Peer's own filings
AWI - EV/EBITDA	13.99x	$43.48	-6.5%	Peer's own filings
FBIN - P/E (TTM)	40.17x	$69.49	+49.5%	Peer's own filings
FBIN - EV/EBITDA	21.98x	$69.26	+49.0%	Peer's own filings
MAS - P/E (TTM)	16.49x	$28.53	-38.6%	Peer's own filings

Peer / metric	Multiple	TREX value/sh	vs. price	Role
MAS - EV/EBITDA	11.35x	$34.96	-24.8%	Peer's own filings

Peer prices are supplied by NovaRock and undated; the multiples come from each peer's own latest filings. TREX trades at 26.87x trailing P/E and 14.92x unadjusted EV/EBITDA (enterprise value $4,812.8M). Implied value per share: P/E multiple x TREX trailing diluted EPS of $1.73; EV/EBITDA multiple x TREX unadjusted trailing EBITDA of $322.5M, less TREX net debt, divided by shares. The vs. price column is our arithmetic. Peer debt was read only from running text, so peer net debt and implied values may be understated.

Balance Sheet & Leverage

Total debt: $170.0M | Cash & equivalents: $3.3M | Net position: $166.7M net debt

Informational only - not subtracted from the fair value above. This DCF's cash flow base is already levered (post-interest), so a separate net-debt deduction would double-count it. Lease liabilities are not included.

Capital Return Detail

Dividends paid	$0.0M (0.0% yield)
Buybacks (gross cash)	$259.1M (5.6% yield)
Total returned	$259.1M (5.6% of market cap)
Dividend payout ratio (net income)	0.0%
Total payout as % of trailing free cash flow	129%

Gross cash buybacks (not net of share issuance); market cap = price x shares outstanding. Dividends are inferred as zero from the cash flow statement.

Shareholding Pattern & Changes

Period	Shares out.	YoY	Cumulative	Source
2025-12-31	105.74M	-	-	10-K cover
2026-09-30	99.94M	-5.5%	-5.5%	10-Q cover

Beneficial ownership - proxy statement (DEF 14A, record date March 6, 2026) (primary source)

Holder	Shares	% out.	As of	Source
All directors and executive officers as a group (15 persons)	961,074	<1%	March 6, 2026	DEF 14A p.8
Named insider: Bryan H. Fairbanks	231,807	<1%	March 6, 2026	DEF 14A p.8
Named insider: Adam D. Zambanini	269,659	<1%	March 6, 2026	DEF 14A p.8
Named insider: Amy M. Fernandez	76,961	<1%	March 6, 2026	DEF 14A p.8
Named insider: Prithvi S. Gandhi	76,454	<1%	March 6, 2026	DEF 14A p.8
Named insider: Jacob T. Rudolph	56,214	<1%	March 6, 2026	DEF 14A p.8
Named insider: James E. Cline	42,976	<1%	March 6, 2026	DEF 14A p.8
Named insider: Jay M. Gratz	30,874	<1%	March 6, 2026	DEF 14A p.8
Named insider: Kristine L. Juster	12,898	<1%	March 6, 2026	DEF 14A p.8
Named insider: Ronald W. Kaplan	24,566	<1%	March 6, 2026	DEF 14A p.8
Named insider: D. Christian Keffer	3,249	<1%	March 6, 2026	DEF 14A p.8
Named insider: Gena C. Lovett	8,072	<1%	March 6, 2026	DEF 14A p.8
Named insider: Patricia B. Robinson	70,331	<1%	March 6, 2026	DEF 14A p.8
Named insider: B. Andrew Rose	14,183	<1%	March 6, 2026	DEF 14A p.8
Named insider: Irene Tasi	1,256	<1%	March 6, 2026	DEF 14A p.8
Named insider: Gerald Volas	41,574	<1%	March 6, 2026	DEF 14A p.8

Holder	Shares	% out.	As of	Source
BlackRock, Inc.	10,513,943	9.20%	March 6, 2026	DEF 14A p.8 (Schedule 13G filed April 24, 2025)
The Vanguard Group	10,248,414	9.00%	March 6, 2026	DEF 14A p.8 (Schedule 13G filed February 13, 2024)
AllianceBernstein L.P.	6,503,478	6.00%	March 6, 2026	DEF 14A p.8 (Schedule 13G/A filed February 17, 2026)

Individual percentages may overlap through shared voting authority; do not add them. Percentages are against 103,889,031 shares at the record date.

Later SEC filings (after the proxy record date, newest first)

Holder	Shares	% out.	Filed	Source
AllianceBernstein L.P.	202,483	0.2%	2026-09-04	Schedule 13G/A, 0001109448-26-000275
Wellington Management Group LLP	9,877,124	9.5%	2026-08-13	Schedule 13G/A, 0000902219-26-000283
Millennium Management LLC	5,570,532	5.5%	2026-08-07	Schedule 13G, 0001104659-26-092743
Wellington Management Group LLP	10,558,010	10.4%	2026-08-06	Schedule 13G/A, 0000902219-26-000221
Wellington Management Group LLP	8,358,786	8.0%	2026-05-15	Schedule 13G/A, 0000902219-26-000173
Vanguard Capital Management	5,568,825	5.36%	2026-04-30	Schedule 13G, 0002100119-26-001155
The Vanguard Group	none (zero)	0%	2026-03-27	Schedule 13G/A, 0000102909-26-002480
AllianceBernstein L.P.	6,503,478	6.1%	2026-02-17	Schedule 13G/A, 0001109448-26-000079
Wellington Management Group LLP	7,225,389	6.7%	2026-02-10	Schedule 13G, 0000902219-26-000040
T. Rowe Price Associates, Inc.	740,731	0.7%	2025-11-14	Schedule 13G/A, 0000080255-25-000804

Concentration: no controlling block; the 5%+ holders listed in the proxy total 24.2% of shares; remainder 75.8%. Our arithmetic as of the proxy record date: the sum of the 5%+ holders' percentages in the proxy table. Later Schedule 13G filings (listed separately) may have changed individual holders.

Data Scope & Exclusions

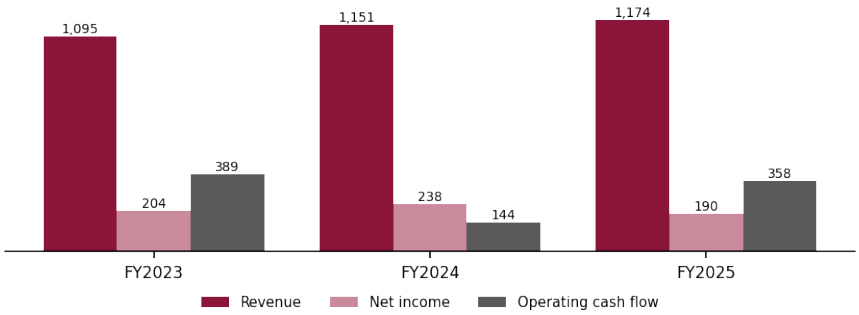
• Ownership rows come from the DEF 14A table (record date March 6, 2026). The BlackRock and Vanguard Group figures rest on Schedule 13G filings dated April 2025 and February 2024, and The Vanguard Group's later Schedule 13G/A (March 27, 2026) shows zero, so the proxy figures may be out of date.

• The later Schedule 13G filings are listed with their filing dates and are not added together; the four Wellington Management entries are successive reports by one holder (6.7%, 8.0%, 10.4% and 9.5%), not four holders.

• Form 4 insider activity is described in the shareholder paragraph above.

Multi-Year Trend

Metric	FY2023	FY2024	FY2025
Revenue	$1,094.8M	$1,151.4M	$1,174.3M
Net income	$204.1M	$238.4M	$190.4M
Operating cash flow	$389.4M	$143.9M	$358.1M



Financial Summary (Most Recent Filings)

Line item	Value (USD thousands)	Source
Revenue (FY2025)	1,174,267	10-K p.F-4
Net income (FY2025)	190,415	10-K p.F-7
Operating cash flow (FY2025)	358,113	10-K p.F-7
Capital expenditures (FY2025)	223,592	10-K p.F-7
Total assets (Dec 31, 2025)	1,453,441	10-K p.F-5
Total equity (Dec 31, 2025)	1,034,264	10-K p.F-5
Cash (Dec 31, 2025)	3,807	10-K p.F-5
Revenue (nine months to Sept 30, 2026)	1,120,926	10-Q p.2
Net income (nine months)	175,772	10-Q p.5
Operating cash flow (nine months)	248,363	10-Q p.5

Valuation Sensitivity — Fair Value per Share ($)

Rows: discount rate. Columns: terminal growth rate.

Discount Rate	2.0%	2.5%	3.0%	3.5%
7.5%	$44	$47	$50	$55
8.0%	$40	$42	$45	$48
8.5%	$37	$39	$41	$44
9.0%	$34	$36	$38	$40
9.5%	$32	$33	$35	$36
10.0%	$30	$31	$32	$34

Scenario & Economic-Profit Analysis

Disclosed analysis on top of the base case; it does not change the rating rule. Every growth path, discount rate and tax assumption is a mechanical NovaRock setting, not a filing figure.

Scenarios (same trailing base)

Case	Year-1 growth	Discount	Terminal	Fair value	vs price
Base	+5.0%	9.0%	3.0%	$37.59	-19.1%
Downside / stress	-8.0%	9.5%	2.5%	$25.61	-44.9%
Expansion	+10.0%	9.0%	3.0%	$42.16	-9.3%

Operating drivers: margin change x volume change (fair value per share)

Margin change	Volume -5%	Volume 0%	Volume +5%
-2 pts	$32.18	$33.80	$35.43
-1 pts	$33.98	$35.69	$37.41
+0 pts	$35.77	$37.59	$39.40
+1 pts	$37.57	$39.48	$41.39

ROIC economic-profit fade (ROIC 16.5% held 5 years, faded to the 9.0% cost of capital over 5 more)

Year	ROIC	Invested capital / share	Economic profit / share	PV
1	16.49%	11.78	0.88	0.81
2	16.49%	12.13	0.91	0.76
3	16.49%	12.50	0.94	0.72
4	16.49%	12.87	0.96	0.68
5	16.49%	13.26	0.99	0.65
6	14.99%	13.65	0.82	0.49
7	13.49%	14.03	0.63	0.34
8	12.00%	14.37	0.43	0.22
9	10.50%	14.69	0.22	0.10
10	9.00%	14.97	0.00	0.00

• Downside: year-1 free cash flow -8%, then 2% growth, discount rate +0.5 point, terminal growth -0.5 point. Expansion: year-1 +10%, then 5%. All are mechanical NovaRock settings, not filing figures.

• Reverse DCF: the price implies a starting free cash flow of about $249M on the base path (trailing $201.1M).

• The driver grid moves operating income only (tax 21%, assumed at the 21% US federal statutory rate; no tax rate was supplied); working capital and capex are held at the base.

• Economic-profit value per share is $14.88 with the fade and $24.81 if ROIC persisted (invested capital = book equity + debt - cash = $1,177.1M; NOPAT = operating income x (1 - tax)). This is an enterprise value, so net debt is deducted here.

Methodology & Limitations

• Comps-based relative valuation included above - see Comparable Companies Cross-Check.

• Fair value is highly sensitive to the discount rate / terminal growth pair (see grid above).

• Fair value is an intrinsic-value estimate as of the report date, not a 12-month price target.

• Free cash flow is operating cash flow less capital expenditure; it is not adjusted for stock-based compensation, and per-share values use period-end shares outstanding, not fully diluted shares.

• Data scope & exclusions: (1) the discount rate (9.0%), terminal growth (3.0%), growth paths and the 21% tax rate used in the driver grid are mechanical NovaRock settings, not filing facts; (2) peer prices are supplied by NovaRock and undated, and each peer's debt was read only from running text, so peer net debt and implied values may be understated, and FBIN's multiples are outliers; (3) separate long-term debt and current debt rows, and the 10-Q goodwill and intangibles rows, were not found (the earnings release reports no separate long-term debt line), so the line of credit is the only debt used, and lease liabilities are excluded; (4) dividends paid are inferred as zero from the tied cash-flow statement and SEC company facts, not read from a row, and the release has no dividend statement; (5) guidance figures are from the November 4, 2026 earnings release, adjusted measures are company-defined, and no earnings-call transcript was supplied.

• Revision, 2026-11-09: the outlook, Arkansas, management-appointment, repurchase and proxy-ownership wording was updated to match the November 4, 2026 earnings release, the August 24, 2026 Form 8-K and the 2026 proxy statement, and internal working notes were removed. The valuation figures are unchanged.

• This note reflects NovaRock's structured multi-stage analytical process (Analyst, Risk Review, Final Edit) and was reviewed and approved by Jasvinder Singh, Founder and Principal Analyst, on 2026-11-06.

Disclosures

Full disclosures, methodology notes, and conflicts-of-interest policy are maintained on novarockcorp.com's legal pages and apply to this note. Drafting of this note used AI-assisted research tools. This report has been reviewed, finalized, and approved by Jasvinder Singh, Founder and Principal Analyst, on 2026-11-06.

Approved by: Jasvinder Singh, Founder and Principal Analyst | Date: 2026-11-06 | Rating confirmed: HOLD