Initiating Coverage:

Carlisle Companies ($CSL)

The Multi-Billion Dollar Bet on The Roofing Industry

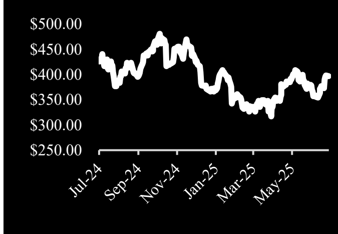
Consortium Research Group
Industrials | Building Materials
July 08th, 2025

Stock Rating:	Overweight
Price Target:	$526

Price:	$400.66
Potential Upside/Downside:	31.32%
Ticker:	$CSL

Market Cap:	$17.33b
Shares Outstanding:	43mm
Free Float (%):	98.6%
Dividend Yield:	1.0%

1 Year History



Industrials Coverage Team

Analyst
Krish Shah
Rutgers University
kas785@scarletmail.rutgers.edu

Key Take-away: Once every few years, we get to see a company make a bold decision that completely changes their business and their outlook. Carlisle Companies is at that crossroads as it tries to position itself as a building envelope business. To achieve this, they have sold four of their major segments in the last seven years. These business segments have ranged from wire and cable to food service equipment, and these segments have made Carlisle Companies one of the oldest conglomerates in the country. This strategic transaction has brought in a lot of cash for Carlisle Companies, which it redirected to buying back stock, strengthening its balance sheet, and acquiring small companies in the building envelope space. The downside of this transition is that it has cost Carlisle a lot of potential revenue, as its revenue has increased only 33% over the last 8 years, but its earnings from the continuing operations have increased 154% in that time. This is one of the biggest turning points for a company that has been around for more than 100 years.

Carlisle Interconnect Technologies: One of the biggest steps in Carlisle's transition has been its sale of Carlisle Interconnect Technologies (CIT) to Amphenol Corporation for approximately $2 billion. CIT worked in the high-performance wire and cable solutions business, serving clients in the aerospace, defense, and medical industries. Even though CIT was an integral part of Carlisle's business and brought in great cash flows, it did not align with Carlisle's pivot to being a building envelope solutions business. The sale of CIT specifically is very important as it was the last and the biggest segment in Carlisle's portfolio that did not align with their new vision. After selling Carlisle Fluid Technologies, Carlisle Brake & Frictions, and now Carlisle Interconnect Technologies, the company has sold off all its non-core businesses for the company's future. So, this was not just a transaction, but it was the final act before Carlisle starts building towards being a building envelope business.

Share Buybacks: Carlisle Companies has had a very aggressive share repurchase program over the past two years, using a total of approximately $3.2 billion to buy back their own shares, a measure of management's confidence in the strength of the company's finances and its ability to create long-term value for shareholders. Beginning mid-2023, Carlisle hastened its Vision 2030 capital return strategy, wherein it repurchased 3.5 million shares for about $900 million in Q4 2023, just days after the company unveiled its Vision 2030 roadmap. This momentum rolled over into 2024, where $700 million was used in the first half, $550 million of which was spent in Q2 alone, and concluded at $1.6 billion of share repurchases for the year, including $420 million in Q4 2024. In Q1 2025, Carlisle continued this rhythm, spending $400 million to repurchase 1.2 million shares, and subsequently boosted its full-year buyback target from $800 million to $1 billion, showing a continued focus on share buybacks. Carlisle has shown huge faith in its long-term journey and deems share repurchases as the most appealing allocation of capital presently. Buybacks of this nature are expressly aligned with the Vision 2030 goal to reach $40 of earnings per share by 2030.

Valuation: We initiate coverage with a $526 PT.

Company Overview

Strategic Transformation Through Divestitures: Carlisle is undergoing a major turning point in its life cycle by selling its non-core business segments that do not fit their Vision 2030 project. Since 2021, Carlisle Companies has sold Carlisle Brake & Friction, Carlisle Fluid Technologies, and Carlisle Interconnect Technologies in order to make this transition. This leaves them with Carlisle Construction Materials and Carlisle Weatherproofing Technologies, which will help them evolve as a building envelope company. But the sale of these business segments has brought in significant capital, which has allowed Carlisle to repay debt, buy back stock, and acquire small companies in the building envelope space. Most importantly, this transition has given the company a clear identity and direction to move forward in. This transition has aligned Carlisle with the long-term secular tailwinds such as green retrofitting, infrastructure upgrades, and building code modernization.

Core Business Segments: CCM and CWT: Carlisle's current business includes two segments now: Carlisle Construction Materials (CCM) and Carlisle Weatherproofing Technologies (CWT). CCM is a leader in roofing systems, with most of its revenue coming from commercial roofing systems in North America. The segment includes products such as single-ply membranes, polyiso insulation, engineered metal roofing, and installation accessories for new construction and re-roofing applications. What helped CCM become a market leader is its strong brand portfolio, including names like Sure-Seal® and Versico®, but also its ability to offer fully integrated systems that enhance energy efficiency and reduce lifecycle costs. This segment brings in the most revenue and cash flow for the company and has benefited from recurring demand, driven by replacement cycles, energy regulations, and sustainability mandates. CWT helps Carlisle expand into adjacent building envelope solutions such as air and vapor barriers, below-grade waterproofing, coatings, and sealants. It caters to residential and commercial customers and complements CCM in the commercial space, helping Carlisle become the one-stop shop for consumers. CWT is the high-growth segment for Carlisle and allows Carlisle to give a compelling value proposition: complete building envelope coverage, deep contractor relationships, and a growing addressable market supported by regulatory and environmental tailwinds.

Industry Overview

Aging Commercial Roof Inventory from the 2000s Construction Boom: The most important driver for this industry is behind the roofing market's 20-year servicing cycle for the construction boom of the mid-2000s. During the U.S. commercial and residential construction boom, roughly from 2000 to 2008, there were many commercial buildings built or renovated with roofs that typically hold 20-year warranties. All of these constructions are hitting their 20-year mark, which will cause owners to face mandatory replacement or repair obligations, which will create a steady non-discretionary income for Carlisle in the coming years. This period will be critical in the commercial roofing industry, as roofing integrity is critical for a structure and cannot be deferred for long periods of time. These coming years will be very crucial in the commercial roofing marketplace and will allow Carlisle to improve its revenue tremendously.

Increasing Regulatory and Sustainability Requirements: Another powerful industry tailwind is the shift toward more energy-efficient and environmentally resilient buildings, driven by new building codes, ESG mandates, and federal/state-level initiatives for sustainable infrastructure upgrades. Notably, federal requirements such as HUD and USDA's recent adoption of the 2021 International Energy Conservation Code (IECC) for all new federally financed residential construction, and New York City's Local Law 97, which imposes strict carbon emissions limits on large buildings starting in 2024 and tightening significantly by 2030, are making energy-efficient building envelopes a necessity rather than an option. Roofing and building envelope solutions are crucial to reducing emissions and meeting the state mandates. One example of that is the increase in demand for insulated roofing membranes, cool roofs, and vapor barriers, particularly in public infrastructure projects. This helps both CCM and CWT, especially as contractors and owners are prioritizing high-performance systems to comply with the mandates, which also allows Carlisle to exert some of its pricing power in the sector. CWT specifically is predicted to have growth in revenues because of this outlook of the industry.

Fragmented Industry with Opportunities for Consolidation: The North American roofing industry is very fragmented and dominated by a lot of small and medium-sized manufacturers. This has become a great opportunity for Carlisle, as they are one of the few large companies focusing heavily on this industry. They have the opportunity of acquiring and consolidating these mid-sized manufacturers to increase their market share and perform synergies to help the bottom line of the company. Carlisle has shown their intentions of using this strategy by recently acquiring companies in the wall systems and insulation market, as Carlisle tries to become the one-stop shop for its clients. As owners have become more selective on the long-term value of these installations, the bigger players such as Carlisle are preferred compared to mid-sized companies because of their supply chain advantages, reputation, and warranty support. This should see Carlisle Companies grow their market share in this industry and become the leading company to provide building envelope solutions.

Peer Comparisons

Comparable Companies

$mm

Ticker	Mkt Cap	EV	P/E LTM	Revenue LTM	EBITDA LTM
Owens Corning	$11,439	$17,085	18.8x	$11,488	$2,600
Armstrong World Industries, Inc.	$6,569	$7,085	24.2x	$1,502	$403
Rockwool A/S	$9,672	$9,096	15.6x	$4,504	$1,043
Simpson Manufacturing Co., Inc.	$6,512	$6,845	20.3x	$2,241	$525
Carlisle Companies	$15,403	$17,077	19.8x	$5,003	$1,259

Ticker	LTM EV/EBITDA	Gross Margin	EBITDA Margin	EBIT Margin	1 Yr Rev Growth Rate LF
NYSE:OC	6.6x	29.3%	22.6%	16.6%	22.7%
NYSE:AWI	17.6x	40.4%	26.8%	19.6%	14.6%
CPSE:ROCK B	8.7x	67.1%	23.2%	17.4%	6.1%
NYSE:SSD	13.0x	46.1%	23.4%	19.6%	1.4%
Carlisle Companies	13.6x	37.5%	25.2%	21.5%	4.4%

High	17.59x	67.1%	26.8%	21.5%	22.7%
75th Percentile	13.56x	46.1%	25.2%	19.6%	14.6%
Average	11.90x	44.1%	24.2%	18.9%	9.8%
Median	13.03x	40.4%	23.4%	19.6%	6.1%
25th Percentile	8.72x	37.5%	23.2%	17.4%	4.4%
Low	6.57x	29.3%	22.6%	16.6%	1.4%

General Dynamics Valuation		
Implied Enterprise Value (25th Percentile)	$	10,985
Implied Enterprise Value (Median)	**$**	**16,412**
Implied Enterprise Value (75th Percentile)	$	17,077
Implied Share Price (25th Percentile)	$	215.34
Implied Share Price (Median)	**$**	**340.83**
Implied Share Price (75th Percentile)	$	356.20

Source: CapIQ

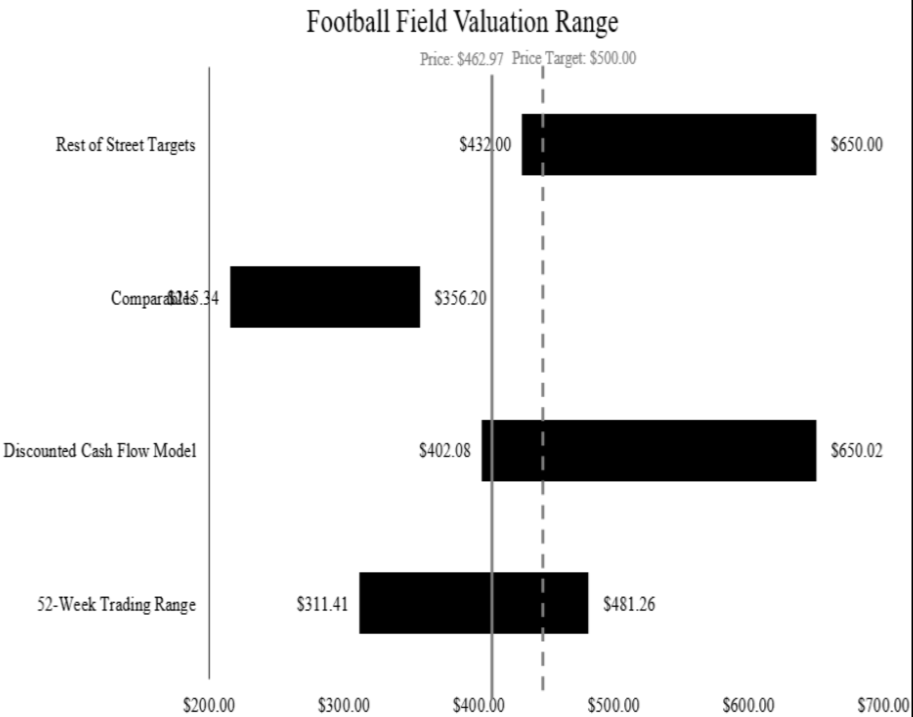
Investment Theses

Strategic Transformation and M&A-Led Growth: Carlisle has generated an immense amount of cash by selling its non-core businesses that do not fit the criteria for its Vision 2030 project. Carlisle has further used this cash to acquire a lot of small companies in the industry, such as MTL Holdings (edge-metal and architectural wall systems), Plasti-Fab//Insulspan (expanded polystyrene insulation), and ThermaFoam (molded EPS insulation). It might take some time for these companies to fully integrate and may cause some operational efficiencies in the start, but will allow Carlisle to exploit a lot of cost and revenue synergies. And having sold off some of its businesses, Carlisle has also strengthened its balance sheet by having a conservative debt ratio of 1.2x. This will help Carlisle in making the acquisitions that it really needs to grow its revenue. Carlisle is predicted to organically grow its revenue in the mid-single digits, but the company plans on improving that through acquiring these mid-sized manufacturers to improve its growth rates. Ultimately, this dual approach of cash-generative efficiency and strategic M&A sets the stage for Carlisle to meet, and potentially exceed, its long-term Vision 2030 targets.

Resilient Roofing Demand Driven by Multi-Decade Replacement Cycle: The roofing business is thought of as one of the cyclical businesses that fall in the industrials category. That is far from the truth, as roofing is a very resilient business because of the repair and replacement work that takes place. IN fact, more than 70% of CCM's revenue comes from repaid and replacement work rather than new construction, making it very stable across economic cycles. Due to the nature of the roofs, if there are ever damages or leaks, the repair can barely be postponed, allowing Carlisle to have a resilient and stable cash flow from CCM. This resilience will be helped by the fact that all the roofs for buildings that were made in the mid-2000 construction boom reach their 25-year point, where they will need to be either repaired or replaced, and will help CCM with higher growth than predicted in the coming years. Additionally, a lot of the re-roofing work that was due during the COVID period has been delayed, due to labor shortages, supply chain issues, and high material costs, and has created a sizeable backlog in the industry. These factors support the view that Carlisle's roofing business is not only defensive in nature but also positioned for steady, multi-year growth.

Price Target & Valuation

Our analysis gives Carlisle Companies a price target of $526 and an overweight rating.



Potential Downsides to Our Rating

Acquisition Integration Risk: Carlisle's pivot toward a focused building products platform includes an ongoing acquisition strategy to drive non-organic growth. However, integration risk remains a big concern as the company expands into adjacent product categories and scales newly acquired operations like MTL Holdings and ThermaFoam. If they fail to integrate these operations effectively, they could expect some delay in the cost synergies and strain internal resources at the same time. These risks are important as they would cause the business to have lower growth rates and lower cash flows.

Customer Concentration and Demand Cyclicality: A significant portion of CCM's revenue is from a concentrated group of large customers. While this helps the business in dealing with fewer clients and allows them to build great relations. It can also introduce a large risk if some of them decide to pull back on the demand or use their pricing power to squeeze Carlisle's profits. And while most of Carlisle's revenue comes from non-cyclical repair jobs, the rest of the business comes from new roofing work, which is more cyclical in nature and can be affected by trade policies, economic outlook, and interest rates.

<u>Our Price Target: $526.00</u>

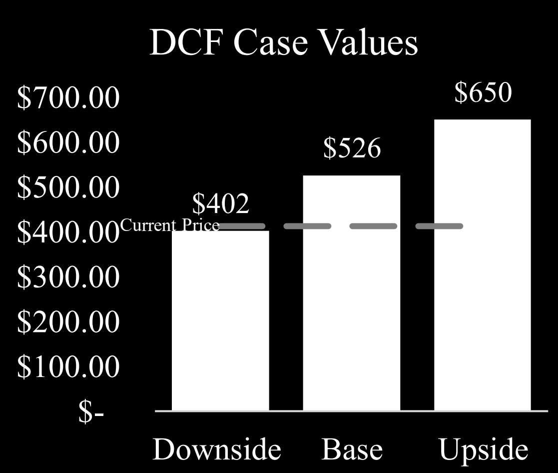
Our Price Target is based on that Carlisle Companies executes a steady pace of acquisitions at reasonable valuations and integrates them effectively, driving modest margin improvement. Organic growth is supported by the 25-year re-roofing cycle from the mid-2000s construction boom, providing a stable, non-discretionary demand backdrop. This scenario assumes disciplined capital allocation and a constructive commercial construction market

<u>Our Upside Case: $650.00</u>

The upside case assumes Carlisle accelerates acquisitions with highly disciplined pricing and achieves strong synergy capture, leading to notable margin expansion. Robust execution, combined with greater-than-expected replacement demand from aging building stock and favorable industry trends, pushes revenue growth and earnings above expectations.

<u>Our Downside Case: $402.00</u>

In the downside case, Carlisle struggles to integrate new acquisitions and faces margin pressure from delayed synergies and higher costs. Organic demand from re-roofing remains but grows slower than anticipated due to macro headwinds, while input cost volatility and competitive pricing weigh further on profitability.



DCF Case Values

Projections

Income Statement ($mm)	2024A	2025E	2026E	2027E	2028E	CAGR%
Revenue	5,004	5,243	5,599	5,993	6,429	8.7%
EBITDA	1,292	1,311	1,344	1,513	1,704	9.7%
EBIT	1,119	1,153	1,176	1,319	1,479	9.7%
NOPAT	428	475	939	773	874	26.8%
Margin & Growth Data	**2024A**	**2025E**	**2026E**	**2027E**	**2028E**	**AVG%**
EBITDA Margin	25.8%	25.0%	24.0%	25.3%	26.5%	25.3%
EBIT Margin	22.4%	22.0%	21.0%	22.0%	23.0%	22.1%
Revenue Growth	9.1%	4.8%	6.8%	7.0%	7.3%	7.0%
EBIT Growth	13.7%	3.0%	1.9%	12.1%	12.2%	8.6%
Valuation Metrics	**2024A**	**2025E**	**2026E**	**2027E**	**2028E**	**AVG%**
P/FCF	23.5x	22.7x	20.9x	16.9x	13.9x	19.6x
EV/Sales	3.8x	3.6x	3.4x	3.2x	3.0x	3.4x
EV/EBITDA	14.7x	14.5x	14.1x	12.6x	11.2x	13.4x
FCF Yield	4.3%	4.4%	4.8%	5.9%	7.2%	5.3%

About $CSL

Carlisle Companies was founded in 1917 as Carlisle Tire and Rubber Company in Carlisle, Pennsylvania. It was initially a manufacturer of inner tubes and industrial rubber products. The company steadily diversified throughout the 20th century, expanding into sectors like construction materials, fluid technologies, brake systems, and aerospace components. Over time, Carlisle evolved into a diversified industrial conglomerate, leveraging its engineering and manufacturing capabilities across a broad range of markets. The company went public in 1960 and continued to grow both organically and through acquisitions, entering new end markets while expanding its footprint across the U.S. and internationally. But over the last decade, Carlisle has shifted away from its conglomerate structure and moved toward a sharper focus on high-margin, cash-generative building envelope business. This transformation laid the groundwork for its Vision 2030 strategy, which is a long-term roadmap aimed at solidifying Carlisle's position as a best-in-class pure-play building solutions company.

Disclosures & Ratings

Consortium Equity Research does not hold any professional relationships with any reported equities. **Overweight** means the analyst team believes the stock price will outperform the coverage industry benchmark (TMT, Healthcare, Industrial, Consumer, FIG, Energy & Sustainability) in the next 6-12 months. **Equal Weight** means the team expects performance in line with the industry benchmark. **Underweight** means the team expects underperformance relative to the industry benchmark.

Appendix

Carlisle Companies
Discounted Cash Flow

Active Case:	**2 Base**
Current Share Price	$400.66

DCF Analysis ($mm)	**FY2020 12/31/2020**	**FY2021 12/31/2021**	**FY2022 12/31/2022**	**FY2023 12/31/2023**	**FY2024 12/31/2024**	**FY2025 12/31/2025**	**FY2026 12/31/2026**	**FY2027 12/31/2027**	**FY2028 12/30/2028**	**FY2029 12/30/2029**	**FY2030 12/31/2030**
Stub						0.52	1.52	2.52	3.52	4.52	5.52
Discount Period						0.24	0.98	1.98	2.98	3.98	4.98
Revenue	3,970	3,837	5,449	4,587	5,004	5,243	5,599	5,993	6,429	6,911	7,445
Revenue Growth	*0%*	*-3%*	*42%*	*-16%*	*9%*	*5%*	*7%*	*7%*	*7%*	*8%*	*8%*
CCM	2,335	2,846	3,885	3,253	3,704	3,852	4,084	4,349	4,653	5,003	5,403
CWT	660	991	1,564	1,334	1,299	1,390	1,515	1,644	1,776	1,909	2,043
CIT	732	-	-	-	-	0	0	0	0	0	0
EBIT	507	579	1,205	985	1,119	1,153	1,176	1,319	1,479	1,659	1,861
EBIT Margin	*13%*	*15%*	*22%*	*21%*	*22%*	*22%*	*21%*	*22%*	*23%*	*24%*	*25%*
Tax Expense	79	104	266	212	246	231	235	264	296	332	372
Effective Tax Rate	*15%*	*18%*	*22%*	*21%*	*22%*	*20%*	*20%*	*20%*	*20%*	*20%*	*20%*
NOPAT	428.30	474.50	939.10	773.10	873.50	922.72	940.63	1,054.81	1,182.97	1,326.99	1,489.04
D&A	202	226	251	205	173	157	168	195	225	259	298
Capex	96	135	184	142	113	157	168	165	161	156	149
Changes in NWC	(86)	344	(513)	(178)	194	160	112	60	0	(69)	(149)
UFCF	621	222	1,520	1,014	739	763	829	1,025	1,247	1,500	1,787
PV of FCF						748	766	875	983	1,092	1,201

Terminal Value	
Perpetuity Growth Method	
2034 FCF	$1,787
Growth	4.00%
Terminal Value	$41,511
PV of Terminal Value	$27,897
PV of Projection Period	$5,665
PV of Terminal Value	$27,897
Implied TEV	$33,562
(-) Debt	$1,891
(+) Cash	$220
Implied Equity Value	$31,891
Basic Shares Outstanding	43
Implied Share Price	$737.31
Upside/Downside	84.02%

Implied Exit BF EV/EBIT	18.0x

Terminal Value	
Exit Multiple Method	
2034 EBIT	$1,861
EV/EBIT Exit Multiple	15.0x
Terminal Value	$27,920
PV of Terminal Value	$18,763
PV of Projection Period	$5,665
PV of Terminal Value	$18,763
Implied TEV	$24,428
(-) Debt	$1,891
(+) Cash	$220
Implied Equity Value	$22,757
Diluted Shares Outstanding	43
Implied Share Price	$526.14
Upside/Downside	31.3%

Implied PGR	-1.1%

Weighted Average Cost of Capital ($mm)	
Market Risk Premium	4.33%
Beta	1.05
Risk Free Rate	4.39%
Cost of Equity	8.06%
Weighted Average Cost of Debt	3.04%
Tax Rate	20.00%
Cost of Debt	0.24%
Total Equity	$17,330
Total Debt	$1,670
Equity/Total Capitalization	90.15%
Debt/Total Capitalization	9.85%
WACC	8.30%

Blended Share Price	
Perpetutity Growth Method	0%
Exit Multiple Method	100%
Blended Share Price	$526.14
Upside/Downside	31.32%