

June 23, 2017

Dear clients and colleagues,

Summer is officially here, and one of the favourite pastimes for many is gardening. According to Statistics Canada, on average we spend more than two hours per week doing yard work.

South of the border it is no different. The desire for perfectly manicured lawns has propelled landscaping into a \$76B industry that grows about 3% every year. A recent study by NASA revealed that the US has a total of 63,000 square miles of lawn, an area about the size of Texas.

Portfolio impact?

Global Alpha is taking advantage of our love for lawns. This week we introduce you to SiteOne, which is the largest, and only, national wholesale distributor in the landscape supply industry. Their product lines include irrigation systems, fertilizers, hardscape, control products, etc.

SiteOne Landscape Supply (SITE – \$49.72)

www.siteone.com

Business overview

Based in Roswell, Georgia, SiteOne is the number one distributor of landscape supplies in the US, with a 10% market share. They sell over 100K different stock keeping units (SKUs) in US and Canada. The company provides a one-stop shop for local landscape professionals. It has a leading market share despite being early in its life cycle as an independent distributor.

Target market

- \$17B industry selling irrigation, maintenance, nursery and hardscape products
- Highly fragmented with the top 10 players having 17% of the market share
- Distributors service approximately 475K local customers with products from thousands of suppliers
- The industry is growing, driven by residential and commercial construction, remodel spending, housing turnover and rising home values

Competitive advantages

- Scale – SiteOne’s sales are greater than the next 10 players combined
- One-stop shop – serving landscape maintainers and installers and providing a range of products from irrigation systems to fertilizers and control products
- Largest and only national wholesale distributor for the landscape supply market

Growth strategy

- M&A – acquisitions have provided \$500M in revenue since 2014
- Organic
 - Adding SKUs
 - Increasing presence in other metropolitan areas
 - Cross-sell opportunities with the hardscape and lighting products

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Management

- CEO Doug Black joined the company in 2014. He was previously employed at Oldcastle where he oversaw various product groups, including Oldcastle Materials and Oldcastle Architectural Products

Risks

- Cyclical new construction
- Weather-dependent products

Global small cap companies are not always known by name, but they invariably touch our daily lives in important ways. The next time you switch on that sprinkler system, use mulch on your garden beds or re-pave your driveway, you may be using products sold by SiteOne.

Have a good weekend.

The Global Alpha Team

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