Hubbell Incorporated (HUBB)

Updated May 26th, 2022, by Thomas Richmond

Key Metrics

Current Price:	$186	**5 Year CAGR Estimate:**	5.0%	**Market Cap:**	$10 B
Fair Value Price:	$167	**5 Year Growth Estimate:**	5.0%	**Ex-Dividend Date:**	05/27/22
% Fair Value:	112%	**5 Year Valuation Multiple Estimate:**	-2.2%	**Dividend Payment Date:**	06/15/22
Dividend Yield:	2.3%	**5 Year Price Target**	$213	**Years Of Dividend Growth:**	15
Dividend Risk Score:	B	**Retirement Suitability Score:**	C	**Rating:**	Hold

Overview & Current Events

Hubbell Incorporated (HUBB) designs, manufactures, and sells electrical and electronic products in the United States and internationally. The business operates through its Utility Solutions and Electrical Solutions segments. In 2021, Utility Solutions made up 56% of sales, while Electrical Solutions made 44% of sales. Historically, Electrical Solutions has made up a bigger portion of revenue than Utility Solutions, but this side of the business saw strong growth in Utility Solutions in 2021. The business is focused on owning a good collection of businesses that can grow organic sales.

On April 26th, 2022, Hubbell Inc reported Q1 2022 results for the period ending March 31st, 2022. The business reported first quarter sales of $1.16 billion, with 21% year-over-year organic revenue growth, a 13.9% operating margin, up 20 basis points year-over-year, and adjusted diluted earnings-per-share of $2.12, up 30% from the year-ago period. These strong results came during a time of change for Hubbell. At the end of October 2021, the business announced that they'd be selling their Commercial and Industrial Lighting business for $350 million, which generated $515 million in sales in 2020. The company's portfolio has been further impacted by Hubbell's acquisition of three companies - one is on the Electrical side of the business making antennas and telecom technology for the 5G technology rollout, one is on the Utility side of the business making enclosures that electric and telecom companies put electronics in at the street level, and the last is also on the Utility side, in the Distribution Automation area. Overall, the company has focused on divesting lower growth and lower margin businesses and acquiring higher growth and higher margin companies.

Growth on a Per-Share Basis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
EPS	$5.00	$5.47	$5.48	$5.07	$5.66	$5.93	$7.29	$8.12	$7.58	$8.39	***$9.25***	***$11.81***
DPS	$1.68	$1.85	$2.06	$2.31	$2.59	$2.87	$3.15	$3.43	$3.71	$3.99	***$4.20***	***$5.36***
Shares	59	58	59	58	56	55	55	55	54	52	***54***	***50***

Over the past 9 years, Hubbell has seen earnings-per-share grow at an average annualized rate of 5.9%. In 2022, we expect Hubbell to deliver $9.25 in earnings-per-share, based on their most recent full-year earnings-per-share guidance for 2022 of $9.00 to $9.40 in earnings-per-share. Over the next 5 years, we forecast 5% annual growth in earnings-per-share. We forecast that the business will benefit from organic sales growth from their recent acquisitions as the business looks to capitalize on megatrends like Grid Modernization, the move to upgrade the power grid to accommodate tech changes, and Electrification, where businesses are looking to replace technologies on fossil fuels with electric technologies.

Over the past 5 years, dividend payments have grown at 10.1% annually. We forecast that dividends will grow at 5% annually over the next 5 years because we estimate that dividends will grow in line with earnings per share. Hubbell has a 15-year track record of increasing its dividend payments.

Hubbell Incorporated (HUBB)

Updated May 26th, 2022, by Thomas Richmond

Valuation Analysis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Now	2027
Avg. P/E	15.8	18.4	21.3	20.4	18.4	20.0	16.2	15.7	18.1	22.5	***20.1***	***18.0***
Avg. Yld.	2.1%	1.8%	1.8%	2.2%	2.5%	2.4%	2.7%	2.7%	2.7%	2.1%	***2.3%***	***2.5%***

Over the past 9 years, Hubbell has averaged a P/E ratio of 18.7 and has averaged a P/E of 18.5 over the past 5 years. Based on the steady history of valuation multiples, we estimate that an 18 P/E ratio is fair for the business, which we used as the basis of our 2027 P/E estimate. Today, the stock offers a 2.3% dividend yield, which is low for investors only interested in dividend income, especially since the risk-free 2-year treasury yield is 2.4% today. Investors might be interested in this business for its organic growth, especially with the business' new and improved portfolio of businesses.

Safety, Quality, Competitive Advantage, & Recession Resiliency

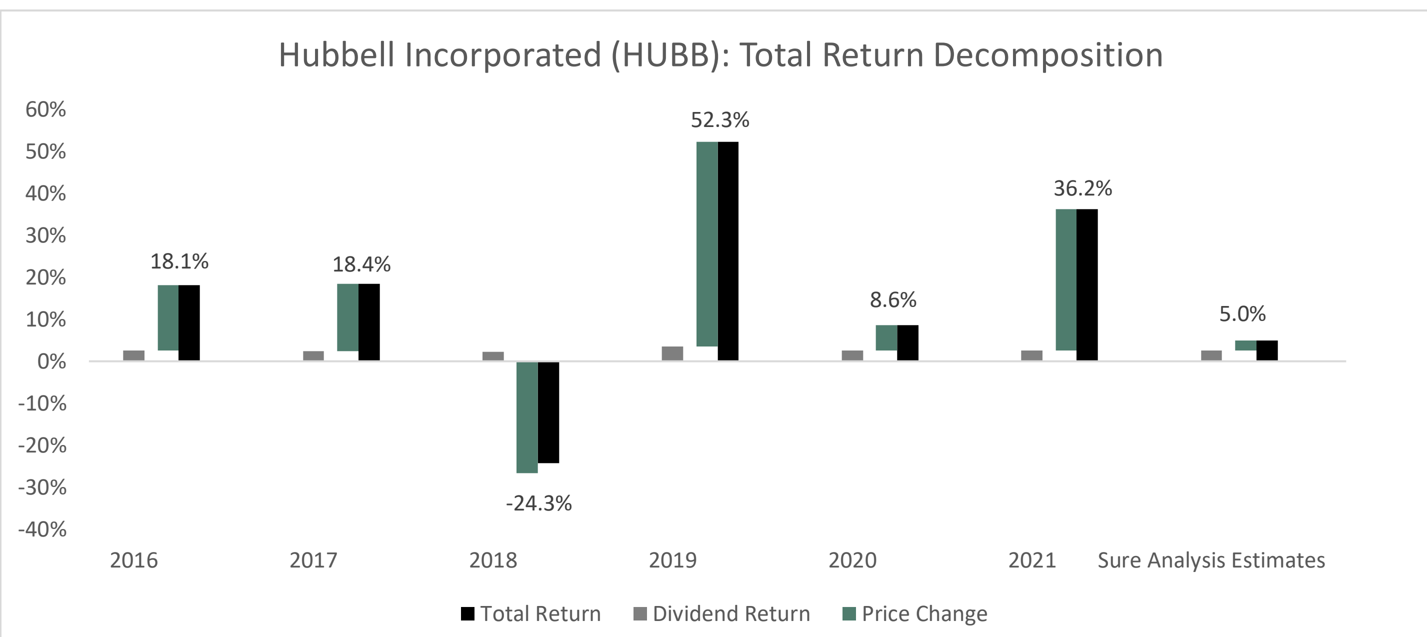
Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
Payout	34%	34%	38%	46%	46%	48%	43%	42%	49%	48%	***46%***	***46%***

Hubbell has averaged a payout ratio of 43% over the past 9 years. We consider this to be a conservative payout ratio, where dividends are well supported by earnings, and we estimate that the business' payout ratio will still be conservative in the future. Additionally, the business has a strong balance sheet, with about $1.9 billion in current assets compared to $962 million in current liabilities, $3 billion in total liabilities, and ~$2.2 billion in shareholders' equity.

Final Thoughts & Recommendation

Hubbell offers investors an opportunity to invest in a business that is a leader in the Utility and Electrical Solutions space and is poised to see organic growth over the intermediate term from Grid Modernization and Electrification tailwinds. At today's price, we rate the stock as a hold because total return prospects come in at 5.0% annually over the next five years. Although the stock doesn't look to offer the best returns at the current stock price, investors might be interested in this stock for the business' organic growth and newer portfolio of higher margin higher growth businesses.

Total Return Breakdown by Year



Click here to rate and review this research report. Your feedback is important to us.

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.

Hubbell Incorporated (HUBB)

Updated May 26th, 2022, by Thomas Richmond

Income Statement Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenue	3,044	3,184	3,359	3,390	3,505	3,669	4,482	3,947	3,683	4,194
Gross Profit	1,012	1,071	1,109	1,092	1,105	1,155	1,300	1,172	1,086	1,152
Gross Margin	33.2%	33.6%	33.0%	32.2%	31.5%	31.5%	29.0%	29.7%	29.5%	27.5%
SG&A Exp.	540	563	592	617	615	636	744	645	591	619
D&A Exp.	67	71	79	85	91	98	148	138	145	149
Operating Profit	472	508	517	475	490	519	557	527	495	532
Op. Margin	15.5%	15.9%	15.4%	14.0%	14.0%	14.1%	12.4%	13.3%	13.4%	12.7%
Net Profit	300	327	325	277	293	243	360	362	330	365
Net Margin	9.8%	10.3%	9.7%	8.2%	8.4%	6.6%	8.0%	9.2%	9.0%	8.7%
Free Cash Flow	300	323	331	262	344	299	421	505	565	454
Income Tax	140	144	158	137	133	193	101	101	90	88

Balance Sheet Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total Assets	2,947	3,187	3,320	3,209	3,525	3,721	4,872	4,903	5,085	5,282
Cash & Equivalents	645	741	654	344	438	375	189	182	259	286
Acc. Receivable	421	461	494	492	566	576	739	697	574	696
Inventories	342	386	442	540	532	635	651	633	527	662
Goodwill & Int.	1,044	1,087	1,198	1,301	1,423	1,549	2,604	2,593	2,644	2,553
Total Liabilities	1,279	1,272	1,384	1,460	1,922	2,073	3,073	2,943	3,000	3,041
Accounts Payable	213	226	244	290	292	327	394	348	339	533
Long-Term Debt	597	598	596	644	994	1,055	1,793	1,571	1,590	1,445
Total Equity	1,661	1,906	1,927	1,741	1,593	1,634	1,781	1,947	2,070	2,230
LTD/E Ratio	0.36	0.31	0.31	0.37	0.62	0.65	1.01	0.81	0.77	0.65

Profitability & Per Share Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Return on Assets	10.3%	10.6%	10.0%	8.5%	8.7%	6.7%	8.4%	7.4%	6.6%	7.0%
Return on Equity	19.2%	18.3%	17.0%	15.1%	17.6%	15.1%	21.1%	19.4%	16.4%	17.0%
ROIC	13.8%	13.7%	12.9%	11.3%	11.7%	9.2%	11.4%	10.1%	9.2%	9.9%
Shares Out.	59	58	59	58	56	55	55	55	54	52
Revenue/Share	50.91	53.42	56.75	58.46	62.93	66.58	81.63	72.15	67.57	76.67
FCF/Share	5.02	5.42	5.59	4.52	6.17	5.43	7.67	9.23	10.37	8.29

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