



Lindsay Corporation (LNN)

Updated October 27th, 2022, by Thomas Richmond

Key Metrics

Current Price:	\$162	5 Year CAGR Estimate:	6.1%	Market Cap:	\$1.8 B
Fair Value Price:	\$165	5 Year Growth Estimate:	5.0%	Ex-Dividend Date:	11/15/22
% Fair Value:	98%	5 Year Valuation Multiple Estimate:	0.4%	Dividend Payment Date:	11/30/22
Dividend Yield:	0.8%	5 Year Price Target	\$211	Years Of Dividend Growth:	20
Dividend Risk Score:	A	Retirement Suitability Score:	C	Rating:	Hold

Overview & Current Events

Lindsay's Corporation (LNN) provides water management and road infrastructure services in the United States and internationally. The business's Irrigation segment provides irrigation solutions for farmers and contributed 86% of sales in 2021, and the Infrastructure segment helps with road and bridge repairs and contributed 14% of sales in 2022. Right now, agricultural products like corn and soybeans are seeing multi-year price highs; these high prices are likely to lead to an increase in farming production, which will benefit the Irrigation business. Both the Irrigation and Infrastructure businesses benefit from government support payments. The recent Infrastructure Investments and Jobs Act (IIJA) marks the largest federal investment into infrastructure projects in more than a decade – which should act as a tailwind for the Infrastructure business. The legislation introduced \$110 billion in new funding to repair bridges and roads – which the company estimates will lead to increased demand for their transportation safety products. Overall, we think the Irrigation business will benefit from high agriculture prices, and the Infrastructure business will benefit from the new IIJA legislation.

On October 20th, 2022, Lindsay reported Q4 2022 results for the period ending August 31st, 2022. The business saw diluted earnings-per-share of \$1.62, beating analyst estimates by 26 cents, and revenues increased 23.8% year-over-year to \$190.2 million. This strong performance was led by an increase in sales in the Irrigation business, driven by higher average selling prices and higher sales volume. Irrigation's segment revenue increased 20% year-over-year to \$150.5 million, while Infrastructure's revenues increased 40% year-over-year to \$39.7 million. Operating margins increased by 850 basis points year-over-year to 14.6%, with operating income rising to \$27.8 million. After such strong performance in revenues, operating margins, and earnings-per-share, we see a small downside that the backlog has fallen 35% year-over-year to ~\$96.8 million.

Growth on a Per-Share Basis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
EPS	\$5.47	\$4.00	\$2.22	\$2.63	\$2.17	\$2.94	\$1.45	\$3.56	\$3.88	\$5.94	\$6.60	\$8.42
DPS	\$0.48	\$0.92	\$1.09	\$1.13	\$1.17	\$1.21	\$1.24	\$1.26	\$1.30	\$1.34	\$1.36	\$1.47
Shares	13	12	11	11	11	11	11	11	11	11	11	11

Over the past 9 years, Lindsay has seen earnings-per-share grow at an average annualized rate of 0.9%. In 2023, we expect Lindsay to deliver \$6.60 in earnings-per-share. We conservatively forecast that earnings-per-share will grow at a modest rate of 5% annually over the next 5 years.

Over the past 5 years, dividend payments have grown at 3.1% annually, and over the past 9 years, dividends have grown at 12.1% annually. In our model, we conservatively forecast that dividends will grow at 1.5% annually over the next 5 years, fueled by the growth in earnings-per-share. Lindsay Corporation has a track record of 20 years of consecutive dividend increases.



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Valuation Analysis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
Avg. P/E	14.5	20.6	36.9	26.9	37.6	31.3	---	26.7	37.1	24.5	24.5	25.0
Avg. Yld.	0.6%	1.1%	1.3%	1.6%	1.4%	1.3%	1.4%	1.3%	0.9%	0.8%	0.8%	0.7%

Over the past 9 years, Lindsay has averaged a P/E ratio of 28.5, and over the past 5 years, Lindsay has averaged a P/E ratio of 31.4. We estimate that a P/E ratio of 25 should be fair for the business based on past multiples. Today, the stock offers a low 0.8% dividend yield, which is low for investors who prioritize dividend income, but investors might consider the company if they're bullish on agriculture or infrastructure because of the business's exposure to these industries.

Safety, Quality, Competitive Advantage, & Recession Resiliency

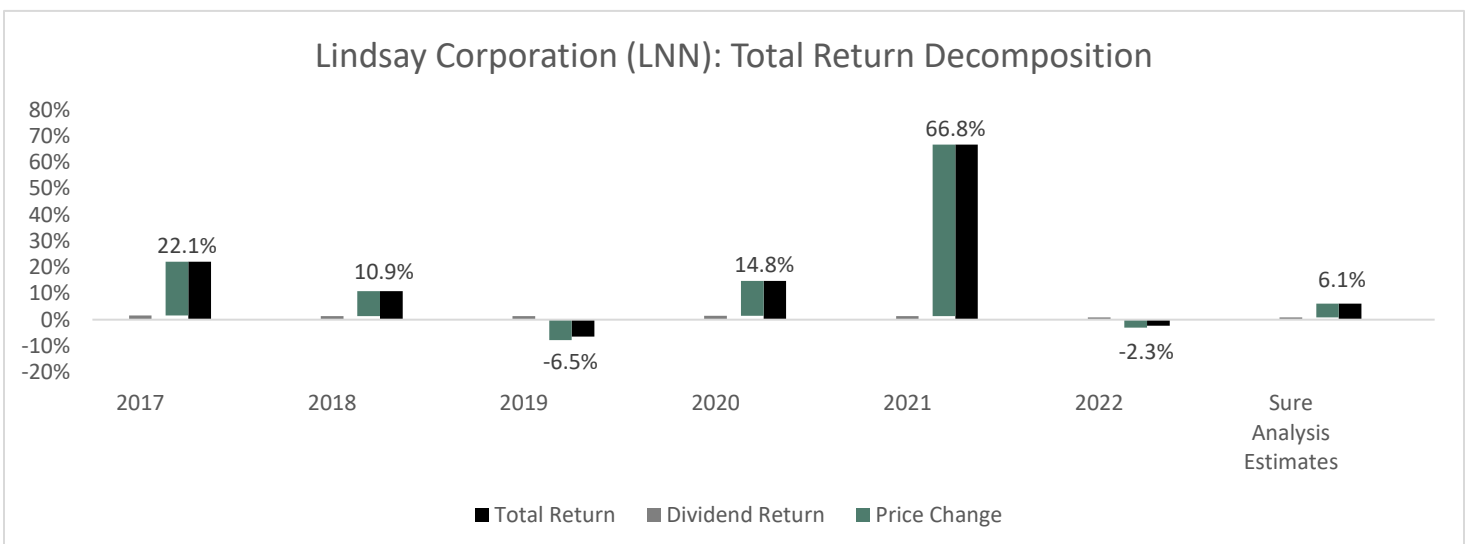
Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
Payout	9%	23%	49%	43%	54%	41%	86%	35%	34%	23%	21%	17%

Lindsay has averaged a payout ratio of 39.6% over the past 9 years. We project that the dividend will be safe since the low payout ratio signifies that the dividend is adequately backed by strong earnings-per-share. Even though the business is in a cyclical industry, Lindsay has a very safe balance sheet, with over \$115 million in cash & equivalents compared to about \$135 million in total debt. The company's current assets exceed total liabilities, which means that the business has a very low chance of going bankrupt.

Final Thoughts & Recommendation

Lindsay Corporation offers investors an opportunity to invest in a business that will indirectly benefit from the rising tides of high agricultural prices for the Irrigation side of the business and new government spending on the Infrastructure side of the business. At today's price, we rate the stock as a Hold because total return prospects come in at 6.1% annually over the next five years, and the dividend yield is just 0.8%. The 6.1% total return prospects come from a 5% annual earnings-per-share growth estimate, a 0.4% annual return from the valuation multiple moving higher, and a 0.8% annual dividend return. While this stock might not be attractive for the average investor due to the Hold rating and the low dividend, investors might be interested in this stock because the business may benefit indirectly from higher agriculture prices and the recent increase in government infrastructure spending.

Total Return Breakdown by Year



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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.



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Income Statement Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenue	551	691	618	560	516	518	548	444	475	568
Gross Profit	149	195	171	156	149	145	151	115	153	150
Gross Margin	26.9%	28.2%	27.7%	27.9%	28.8%	28.0%	27.7%	25.8%	32.1%	26.5%
SG&A Exp.	74	76	82	93	98	87	96	95	84	83
D&A Exp.	12	13	15	16	17	17	17	14	19	19
Operating Profit	66	107	78	51	34	41	39	6	54	54
Op. Margin	11.9%	15.5%	12.7%	9.0%	6.7%	7.8%	7.1%	1.4%	11.4%	9.5%
Net Profit	43	71	52	26	20	23	20	2	39	43
Net Margin	7.9%	10.2%	8.3%	4.7%	3.9%	4.5%	3.7%	0.5%	8.1%	7.5%
Free Cash Flow	43	46	74	34	22	31	23	(19)	25	17
Income Tax	22	37	27	20	9	13	14	(0)	10	8

Balance Sheet Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total Assets	416	512	527	536	488	506	500	500	571	637
Cash & Equivalents	143	152	172	139	101	122	161	127	121	127
Acc. Receivable	83	120	94	74	81	74	69	76	85	94
Inventories	53	69	72	75	75	86	79	92	105	145
Goodwill & Int.	55	73	69	129	124	120	92	89	91	88
Total Liabilities	105	132	144	248	236	236	223	232	272	299
Accounts Payable	31	42	42	39	32	37	31	29	30	45
Long-Term Debt	4	---	--	117	117	117	116	116	116	116
Total Equity	311	381	383	289	252	270	277	268	299	338
LTD/E Ratio	0.01	---	---	0.41	0.47	0.43	0.42	0.43	0.39	0.34

Profitability & Per Share Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Return on Assets	10.9%	15.2%	9.9%	4.9%	4.0%	4.7%	4.0%	0.4%	7.2%	7.1%
Return on Equity	14.8%	20.4%	13.5%	7.8%	7.5%	8.9%	7.4%	0.8%	13.6%	13.4%
ROIC	14.4%	20.3%	13.5%	6.7%	5.2%	6.1%	5.2%	0.6%	9.7%	9.8%
Shares Out.	13	13	12	11	11	11	11	11	11	11
Revenue/Share	43.03	53.55	47.97	47.25	47.25	48.44	50.85	41.08	43.71	51.67
FCF/Share	3.32	3.59	5.75	2.87	1.98	2.86	2.12	(1.80)	2.26	1.59

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

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