



Lindsay Corporation (LNN)

Updated April 5th, 2023 by Ian Bezek

Key Metrics

Current Price:	\$128	5 Year CAGR Estimate:	10.6%	Market Cap:	\$1.4 B
Fair Value Price:	\$168	5 Year Growth Estimate:	4.0%	Ex-Dividend Date:	05/16/23
% Fair Value:	76%	5 Year Valuation Multiple Estimate:	5.6%	Dividend Payment Date:	05/31/23
Dividend Yield:	1.1%	5 Year Price Target	\$204	Years Of Dividend Growth:	20
Dividend Risk Score:	A	Retirement Suitability Score:	C	Rating:	Buy

Overview & Current Events

Lindsay 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 fiscal year 2022, and the infrastructure segment helps with road and bridge repairs and contributed the other 14%. The conflict in Ukraine has caused a disruption in agricultural activity in that region, leading farmers to plant more intensively in North America. Both irrigation and infrastructure 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 and should boost Lindsay's infrastructure business. Indeed, Lindsay reported a sharp jump in earnings in 2022 as the company saw growth in both of its business segments.

On April 4th, 2023, Lindsay reported Q2 2023 results for the period ending February 28th, 2023. The business saw diluted earnings-per-share of \$1.63, beating analyst estimates and rising from \$1.32 for the same period last year. Revenues, however, declined 17% year-over-year to \$166 million. The revenue decline was due to a sharp drop in irrigation demand, though the company made up for this via rising profit margins and cost-cutting.

While earnings were ahead of expectations, shares sold off sharply on the report. The magnitude of the revenue decline was surprising and suggests that the fall in crop prices seen recently is having a tangible effect on irrigation demand. That said, Lindsay historically has been active in both the Russian and Ukrainian market and sales are understandably pressured there due to the ongoing conflict between those nations. North American irrigation revenues were down much less than international. We remain upbeat on Lindsay's prospects for 2023 and expect further earnings growth in the back half of the year.

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	\$7.00	\$8.52
DPS	\$0.48	\$0.92	\$1.09	\$1.13	\$1.17	\$1.21	\$1.24	\$1.26	\$1.30	\$1.34	\$1.36	\$1.65
Shares	13	12	11	11	11	11	11	11	11	11	11	11

Over the past nine years, Lindsay has seen earnings-per-share grow at an average annualized rate of 0.9%. At first glance, that seems unattractive. However, it's important to note that earnings fell sharply in the mid-2010s before posting a robust recovery since then. To that point, earnings have grown 18.9% per year over the past five years. This speaks to the cyclical nature in demand for agriculture-related products. Regardless, the trend is currently in Lindsay's favor. In 2023, we expect Lindsay to deliver \$7.00 in earnings-per-share, making for another year of double-digit earnings growth for the firm. While the revenue shortfall this past quarter is a concern, Lindsay has managed to boost profit margins considerably, and the infrastructure side of the business remains a tailwind as well.

Over the past 5 years, dividend payments have grown at 2.4% annually, and over the past 9 years, dividends have grown at 12.1% annually. We forecast 4% annual dividend growth going forward, though the company has plenty of room for faster dividend increases if it so wishes. Lindsay Corporation has a track record of 20 years of consecutive dividend increases.

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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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	18.3	24.0
Avg. Yld.	0.6%	1.1%	1.3%	1.6%	1.4%	1.3%	1.4%	1.3%	0.9%	0.8%	1.1%	0.8%

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 29.9. We expect the P/E to rebound from the current 19.3 to around 24. Today, the stock offers a modest 1.1% dividend yield, which may be low for investors who prioritize dividend income. But investors might consider the company for its exposure to favorable trends in the agriculture and infrastructure sectors.

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%	19%	19%

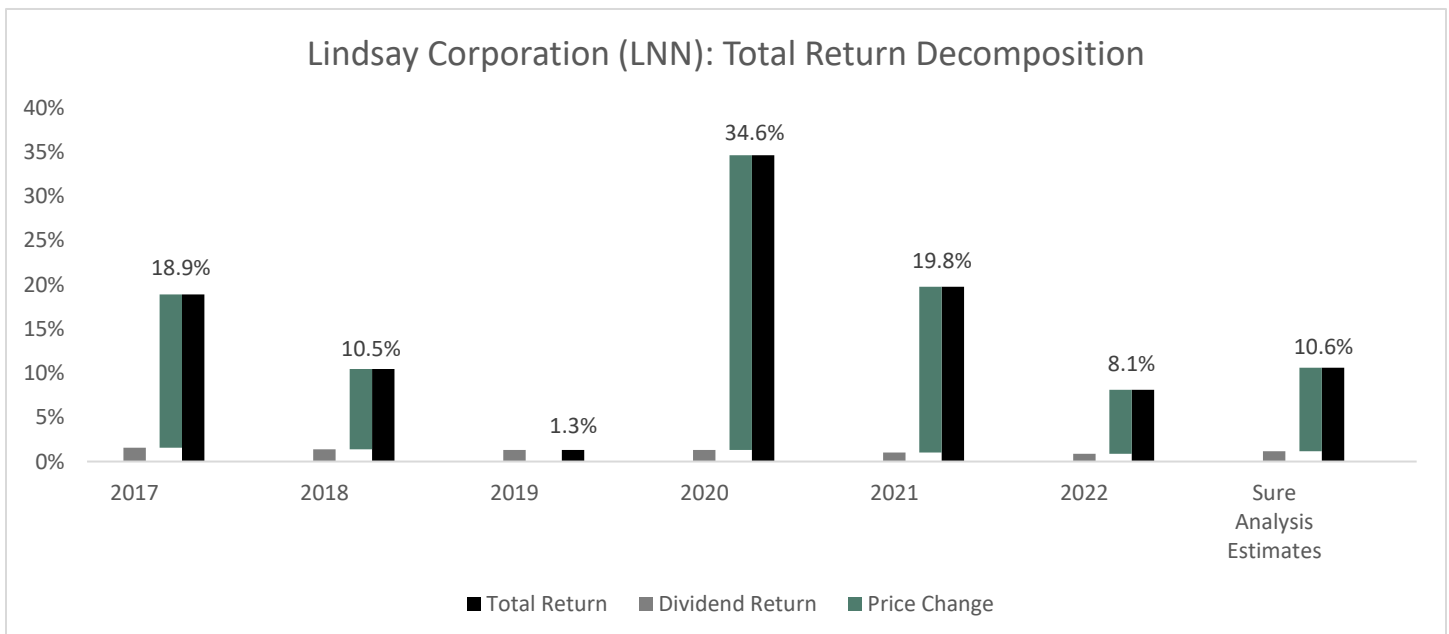
Lindsay has averaged a payout ratio of 40% over the past nine years. It is far below that today. We project that the dividend will be safe since the low payout ratio signifies that the dividend is well-covered from earnings. Furthermore, there is room for more rapid dividend growth if management so chooses.

Even though the business is in a cyclical industry, Lindsay has a very safe balance sheet, with minimal net debt. In addition, the company has remained profitable even during down periods for crop prices which speaks to the firm's stability.

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 infrastructure. Since our last report, Lindsay stock has fallen substantially. This has increased our forward return outlook to 10.6% per year compounded. As such, Lindsay shares earn a buy rating today.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenue	691	618	560	516	518	548	444	475	568	771
Gross Profit	195	171	156	149	145	151	115	153	150	199
Gross Margin	28.2%	27.7%	27.9%	28.8%	28.0%	27.7%	25.8%	32.1%	26.5%	25.8%
SG&A Exp.	76	82	93	98	87	96	95	84	83	89
D&A Exp.	13	15	16	17	17	17	14	19	19	20
Operating Profit	107	78	51	34	41	39	6	54	54	95
Op. Margin	15.5%	12.7%	9.0%	6.7%	7.8%	7.1%	1.4%	11.4%	9.5%	12.3%
Net Profit	71	52	26	20	23	20	2	39	43	65
Net Margin	10.2%	8.3%	4.7%	3.9%	4.5%	3.7%	0.5%	8.1%	7.5%	8.4%
Free Cash Flow	46	74	34	22	31	23	(19)	25	17	(13)
Income Tax	37	27	20	9	13	14	(0)	10	8	22

Balance Sheet Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Assets	512	527	536	488	506	500	500	571	637	711
Cash & Equivalents	152	172	139	101	122	161	127	121	127	105
Acc. Receivable	120	94	74	81	74	69	76	85	94	138
Inventories	69	72	75	75	86	79	92	105	145	194
Goodwill & Int.	73	69	129	124	120	92	89	91	88	85
Total Liabilities	132	144	248	236	236	223	232	272	299	317
Accounts Payable	42	42	39	32	37	31	29	30	45	60
Long-Term Debt	---	--	117	117	117	116	116	116	116	116
Total Equity	381	383	289	252	270	277	268	299	338	393
LTD/E Ratio	---	---	0.41	0.47	0.43	0.42	0.43	0.39	0.34	0.29

Profitability & Per Share Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Return on Assets	15.2%	9.9%	4.9%	4.0%	4.7%	4.0%	0.4%	7.2%	7.1%	9.7%
Return on Equity	20.4%	13.5%	7.8%	7.5%	8.9%	7.4%	0.8%	13.6%	13.4%	17.9%
ROIC	20.3%	13.5%	6.7%	5.2%	6.1%	5.2%	0.6%	9.7%	9.8%	13.6%
Shares Out.	13	12	11	11	11	11	11	11	11	11
Revenue/Share	53.55	47.97	47.25	47.25	48.44	50.85	41.08	43.71	51.67	69.87
FCF/Share	3.59	5.75	2.87	1.98	2.86	2.12	(1.80)	2.26	1.59	(1.14)

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

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