



# Lindsay Corporation (LNN)

Updated October 20<sup>th</sup>, 2023 by Ian Bezek

## Key Metrics

<b>Current Price:</b>	\$116	<b>5 Year CAGR Estimate:</b>	13.0%	<b>Market Cap:</b>	\$1.3 B
<b>Fair Value Price:</b>	\$154	<b>5 Year Growth Estimate:</b>	6.0%	<b>Ex-Dividend Date:</b>	11/15/23
<b>% Fair Value:</b>	76%	<b>5 Year Valuation Multiple Estimate:</b>	5.8%	<b>Dividend Payment Date:</b>	11/30/23
<b>Dividend Yield:</b>	1.2%	<b>5 Year Price Target</b>	\$206	<b>Years Of Dividend Growth:</b>	21
<b>Dividend Risk Score:</b>	A	<b>Retirement Suitability Score:</b>	C	<b>Rating:</b>	Buy

## Overview & Current Events

Lindsay Corporation 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. Last year's 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. Lindsay enjoyed a record-breaking 2022 as both business segments flourished.

Despite a more mixed macroeconomic outlook in 2023, earnings have been satisfactory. On October 19<sup>th</sup>, 2023, Lindsay reported Q4 2023 results for the period ending August 31<sup>st</sup>, 2023. The business saw diluted earnings-per-share of \$1.74, which topped analyst estimates and rose from \$1.62 for the same period last year. However, revenues declined 12% year-over-year to \$167 million. The revenue decline was due to a sharp drop in irrigation demand as the company was up against a very strong comparable quarter from last year when grain prices were far higher.

While revenues declined, profits increased as the company kept a tight grip on expenses. Lindsay faces considerable geopolitical risks given its historical sales to Russia, Ukraine, and the Middle East. The slide in commodity prices lately and weakening global economy add further risk. That said, Lindsay has maintained strong operations despite the cloudy macroeconomic backdrop, and as such, we expect earnings to fall only slightly in 2024.

## Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
<b>EPS</b>	\$4.00	\$2.22	\$2.63	\$2.17	\$2.94	\$1.45	\$3.56	\$3.88	\$5.94	\$6.54	<b>\$6.40</b>	<b>\$8.56</b>
<b>DPS</b>	\$0.92	\$1.09	\$1.13	\$1.17	\$1.21	\$1.24	\$1.26	\$1.30	\$1.34	\$1.37	<b>\$1.40</b>	<b>\$1.70</b>
<b>Shares</b>	12	11	11	11	11	11	11	11	11	11	<b>11</b>	<b>11</b>

Over the last decade, Lindsay has seen earnings-per-share grow at an average annualized rate of 5.9%. It's important to note that earnings fell sharply in the mid-2010s before posting a robust recovery since then. To that point, earnings per share have soared over the past five years. This speaks to the cyclicity in demand for agriculture-related products. Regardless, the trend is currently in Lindsay's favor. Lindsay managed to top 2022's record results, with 2023 posting another year of growth. The winning streak may finally come to an end in 2024, as mounting geopolitical and economic headwinds are weighing on Lindsay's outlook. However, the market appears to be overly worried about the near-term outlook, as we don't see a large earnings decline around the corner.

Over the past five years, dividend payments have grown at 2.5% annually, and over the past 10 years, dividends have grown at 4.5% annually. The company just announced its latest dividend increase on July 7<sup>th</sup>, giving investors a 2.9% increase. This boosted the quarterly dividend from 34 cents to 35 cents per share.

*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	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Avg. P/E	20.6	36.9	26.9	37.6	31.3	---	26.7	37.1	24.5	22.0	<b>18.1</b>	<b>24.0</b>
Avg. Yld.	1.1%	1.3%	1.6%	1.4%	1.3%	1.4%	1.3%	0.9%	0.8%	1.0%	<b>1.2%</b>	<b>0.8%</b>

Over the last decade, Lindsay has averaged a P/E ratio of 29.3, and over the past five years, Lindsay has averaged a P/E ratio of 27.6. We expect the P/E to rebound from the current 18.1 to around 24. Today, the stock offers a modest 1.2% 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	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	23%	49%	43%	54%	41%	86%	35%	34%	23%	21%	<b>22%</b>	<b>20%</b>

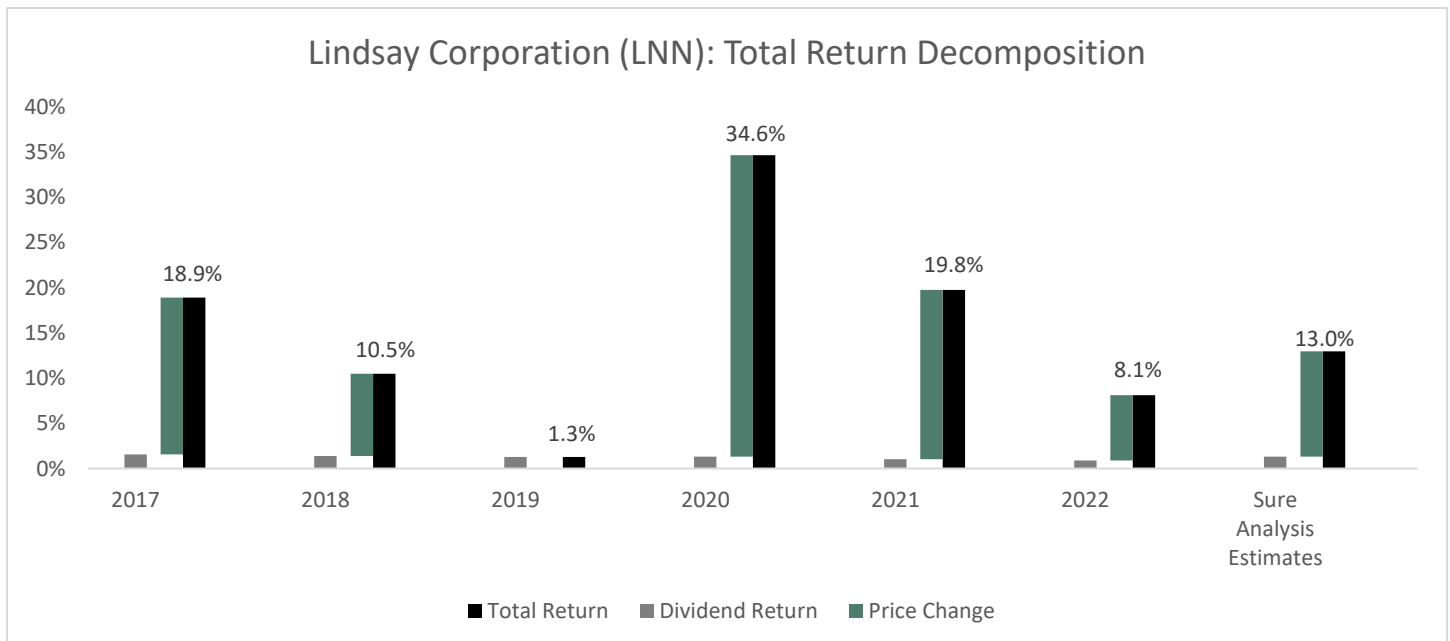
Lindsay has averaged a payout ratio of 41% over the past nine years. It is far below that today. We project that the dividend will be safe since the low payout ratio signifies that the dividend is well-covered from earnings. Furthermore, there is room for more rapid dividend growth if management so chooses.

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. Lindsay shares are down sharply year-to-date and offer substantial value at current prices. Our forward return outlook is for Lindsay to deliver 13.0% 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	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenue	618	560	516	518	548	444	475	568	771
Gross Profit	171	156	149	145	151	115	153	150	199
Gross Margin	27.7%	27.9%	28.8%	28.0%	27.7%	25.8%	32.1%	26.5%	25.8%
SG&A Exp.	82	93	98	87	96	95	84	83	89
D&A Exp.	15	16	17	17	17	14	19	19	20
Operating Profit	78	51	34	41	39	6	54	54	95
Op. Margin	12.7%	9.0%	6.7%	7.8%	7.1%	1.4%	11.4%	9.5%	12.3%
Net Profit	52	26	20	23	20	2	39	43	65
Net Margin	8.3%	4.7%	3.9%	4.5%	3.7%	0.5%	8.1%	7.5%	8.4%
Free Cash Flow	74	34	22	31	23	(19)	25	17	(13)
Income Tax	27	20	9	13	14	(0)	10	8	22

## Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Assets	527	536	488	506	500	500	571	637	711
Cash & Equivalents	172	139	101	122	161	127	121	127	105
Acc. Receivable	94	74	81	74	69	76	85	94	138
Inventories	72	75	75	86	79	92	105	145	194
Goodwill & Int.	69	129	124	120	92	89	91	88	85
Total Liabilities	144	248	236	236	223	232	272	299	317
Accounts Payable	42	39	32	37	31	29	30	45	60
Long-Term Debt	--	117	117	117	116	116	116	116	116
Total Equity	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	2014	2015	2016	2017	2018	2019	2020	2021	2022
Return on Assets	9.9%	4.9%	4.0%	4.7%	4.0%	0.4%	7.2%	7.1%	9.7%
Return on Equity	13.5%	7.8%	7.5%	8.9%	7.4%	0.8%	13.6%	13.4%	17.9%
ROIC	13.5%	6.7%	5.2%	6.1%	5.2%	0.6%	9.7%	9.8%	13.6%
Shares Out.	12	11	11	11	11	11	11	11	11
Revenue/Share	47.97	47.25	47.25	48.44	50.85	41.08	43.71	51.67	69.87
FCF/Share	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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