



Miller Industries (MLR)

Updated November 12th, 2023 by Derek English

Key Metrics

Current Price:	\$39	5 Year CAGR Estimate:	11.1%	Market Cap:	\$451 M
Fair Value Price:	\$60	5 Year Growth Estimate:	1.0%	Ex-Dividend Date:	12/01/23
% Fair Value:	65%	5 Year Valuation Multiple Estimate:	8.8%	Dividend Payment Date:	12/11/23
Dividend Yield:	1.8%	5 Year Price Target	\$63	Years Of Dividend Growth:	0
Dividend Risk Score:	C	Retirement Suitability Score:	D	Rating:	Buy

Overview & Current Events

Miller Industries was founded in 1990 by developing and acquiring well-known towing and recovery equipment manufacturing brands. The company markets its products under brands such as Century, Holmes, and Chevron and provides carriers with deck capabilities of 40,000 lb and recovery units with boom capacities of 75 tons. Miller Industries serves its customers through independent distributors in all 50 States, Canada, and Mexico, generating 90% of its revenue. The company also acquired Jige International S.A. in France and Boniface Engineering from the U.K. to increase its European distribution capabilities significantly. As a result, the company has a stable and loyal distributor network of over 80 distributors worldwide, with the majority engaged in selling Miller Industries for at least ten years. The depth of the network is demonstrated by the fact that in 2022, no single distributor accounted for more than 10% of sales.

Miller Industries reported a strong third quarter of 2023, with net sales reaching \$274.6 million, reflecting a 33.6% increase from the same period in 2022, where sales stood at \$205.6 million. This growth was attributed to the improved delivery of finished goods to "valued" customers. Additionally, the gross profit for Q3 2023 was \$42.9 million, constituting 15.6% of net sales, up from 11.3% of net sales in Q3 2022. This boost in gross margin was driven by enhanced productivity, stabilized raw material costs, and a more favourable product mix. The net income for Q3 2023 reached \$17.5 million, translating to \$1.52 per diluted share, representing a 233.7% increase from the \$5.2 million, or \$0.46 per diluted share, reported in the same period last year.

Growth on a Per-Share Basis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
EPS	\$0.82	\$1.32	\$1.41	\$1.76	\$2.02	\$2.96	\$3.43	\$2.62	\$1.42	\$1.78	\$4.62	\$4.86
DPS	\$0.56	\$0.60	\$0.64	\$0.68	\$0.72	\$0.72	\$0.72	\$0.72	\$0.72	\$0.72	\$0.72	\$0.72
Shares¹	11	11	11	11	11	11	11	11	11	11	11	11

Pre-Covid-19, Miller Industries' earnings-per-share grew at nearly 15% CAGR from \$0.82 in 2012 to \$2.62 in 2020. COVID-19 adversely impacted the company's production and delivery schedules, compounded by the recent supply chain disruptions. However, the company felt that this drop in earnings was temporary as they had a backlog of orders to fulfil. It looks like management has been proven correct, and the company has smashed our original \$1.82 estimate for the year with a strong performance in Q3. The main risk is still economic weakness and whether the demand for their products will hold up. We have adjusted our growth estimates through 2028 to 1% from 3% and will reaccess after full-year results and management forward guidance. After a massive jump in earnings, we want to see if the company can sustain these levels or if we should use 2022 levels as our baseline.

Miller Industries has paid a consistent dividend since 2010, with the last increase coming in 2016. The Board of Directors approved a quarterly cash dividend of \$0.18 per share, payable on December 11th, 2023. We feel the dividend is safe, and we don't expect further increases in the next five years, particularly as the company has a \$45 million credit facility. Additionally, the company currently has a \$55 million credit facility available, which, if needed, could impact the payment

¹ Share count in millions

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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of dividends. However, with over \$26 million in cash and equivalents on the balance sheet, the company will unlikely need to utilize the total amount.

Valuation Analysis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Now	2028
Avg. P/E	16.1	12.0	12.8	11.1	11.6	8.1	9.0	11.6	26.4	14.9	8.5	13.0
Avg. Yld.	4.2%	3.8%	3.6%	3.5%	3.1%	3.0%	2.3%	2.4%	1.9%	2.7%	1.8%	1.1%

Miller Industries' P/E ratio of 8.5, which is based on our 2023 estimate, is below the stock's 10-year average of 13.4. The current share price of \$39 is 65% of our fair value estimate of \$60. Furthermore, we have calculated an annual valuation multiple tailwinds of 8.8% through 2028 and have a five-year target price of \$63. Considering the company's current tailwinds, we expect the P/E ratio to return to its average valuation, which we estimate will give the stock a 1.1% dividend yield by 2028.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
Payout	68%	45%	45%	39%	36%	24%	21%	27%	51%	40%	16%	15%

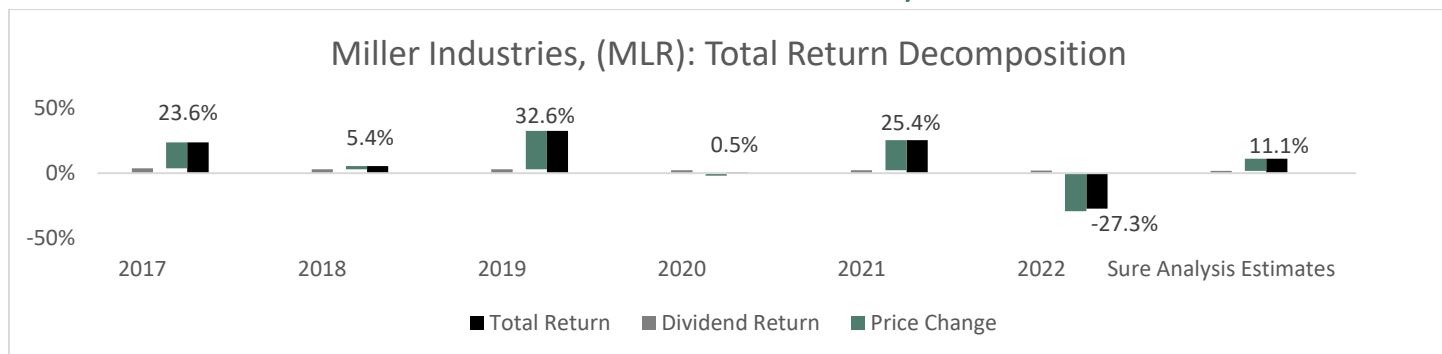
Miller Industries has been steadily growing its earnings since its inception. However, during the last recession in 2008, we saw earnings tumble from \$1.41 to \$0.31. The company recovered in 2010 and initiated its dividend policy at this point. We are starting to see the same trend in earnings since the pandemic. However, this time, we are moving into a high-inflation environment, which can impact the cost of operations for this company. Higher costs of materials and parts and delays in fulfilling orders could lead to cancelled orders and a move to one of its competitors.

On the positive side, the company has strong brand recognition and is the market leader in the towing and recovery market. However, its competitive advantage lies in its distributor network. Over 85% of independent distributors are estimated not to sell the competition's products. Since Miller benefits from its distributor network, it employs sales reps to inform buyers about new products to drive sales to distributors.

Final Thoughts & Recommendations

Miller Industries is a market leader in a niche industry that is not overly saturated. Before the pandemic, the company grew earnings at an impressive rate while keeping the dividend steady. However, the pandemic hit the company hard, and supply chain issues and a high inflationary environment have impacted the business. The good news is that it looks temporary, and the company is navigating these challenging times with good management. We estimate an 11.1% annual return over the next five years and rate Miller Industries as a buy.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenue	404	493	541	601	615	712	818	651	717	848
Gross Profit	42	53	58	64	67	83	96	78	70	82
Gross Margin	10.5%	10.8%	10.7%	10.7%	10.9%	11.7%	11.8%	12.0%	9.7%	9.7%
SG&A Exp.	28	28	31	32	36	40	43	40	46	53
D&A Exp.	4	4	4	5	6	8	9	10	11	12
Operating Profit	14	24	26	32	32	44	53	39	24	30
Operating Margin	3.5%	4.9%	4.8%	5.3%	5.1%	6.2%	6.5%	5.9%	3.3%	3.5%
Net Profit	9	15	16	20	23	34	39	30	16	20
Net Margin	2.3%	3.0%	3.0%	3.3%	3.7%	4.7%	4.8%	4.6%	2.3%	2.4%
Free Cash Flow	(1)	5	8	(4)	(11)	9	18	43	6	(48)
Income Tax	5	9	9	11	7	8	11	8	6	5

Balance Sheet Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Assets	227	262	268	297	317	368	392	398	439	501
Cash & Equivalents	43	40	38	31	22	27	26	58	54	40
Accounts Receivable	81	116	109	125	133	149	169	142	154	178
Inventories	54	56	66	64	69	94	88	84	115	154
Goodwill & Int. Ass.	12	12	12	12	12	12	12	12	12	12
Total Liabilities	65	94	94	113	114	141	134	116	150	208
Accounts Payable	47	71	73	85	79	98	96	86	119	126
Long-Term Debt	-	-	-	5	11	16	5	-	-	45
Shareholder's Equity	162	168	174	185	203	228	258	282	289	293
LTD/E Ratio	-	-	-	0.03	0.05	0.07	0.02	-	-	0.15

Profitability & Per Share Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Return on Assets	4.3%	6.1%	6.0%	7.0%	7.5%	9.8%	10.3%	7.5%	3.9%	4.3%
Return on Equity	5.8%	9.0%	9.3%	11.1%	11.9%	15.7%	16.1%	11.0%	5.7%	7.0%
ROIC	5.8%	9.0%	9.3%	11.0%	11.4%	14.8%	15.4%	10.9%	5.7%	6.5%
Shares Out.	11	11	11	11	11	11	11	11	11	11
Revenue/Share	35.69	43.40	47.62	52.85	54.03	62.47	71.77	57.11	62.88	74.32
FCF/Share	(0.11)	0.40	0.73	(0.36)	(0.94)	0.75	1.56	3.79	0.54	(4.21)

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

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