



Worthington Industries, Inc. (WOR)

Updated January 3rd, 2024, by Yiannis Zourmpanos

Key Metrics

Current Price:	\$57	5 Year CAGR Estimate:	8.3%	Market Cap:	\$2.68 B
Fair Value Price:	\$50	5 Year Growth Estimate:	10.0%	Ex-Dividend Date:	03/14/2024
% Fair Value:	114%	5 Year Valuation Multiple Estimate:	-2.6%	Dividend Payment Date:	03/29/2024
Dividend Yield:	1.1%	5 Year Price Target	\$81	Years Of Dividend Growth:	0
Dividend Risk Score:	C	Retirement Suitability Score:	F	Rating:	Hold

Overview & Current Events

Worthington Industries, Inc. (WOR) is a diversified industrial manufacturing company focused on value-added steel processing and manufactured metal products. Steel processing and pressure cylinders are the two primary business segments of the company. Worthington Industries' metal products include pressure cylinders for liquefied petroleum gas, compressed natural gas, oxygen, refrigerant, and other industrial gas storage.

On December 19th, 2023, Worthington Industries announced Q2 2024 results, reporting non-GAAP EPS of \$0.78 for the quarter, beating market consensus EPS by \$0.17. In addition, the company reported revenue of \$1.09 billion, which was down 7.6% year-over-year.

In its second quarter of fiscal 2024, the company witnessed a decrease in net sales, primarily driven by a \$53.3 million reduction in steel processing due to lower selling prices, partially offset by higher volumes. Other segments experienced a collective decrease of \$35.4 million, influenced by lower selling prices in Building Products and reduced volumes in Sustainable Energy Solutions.

However, the company saw an improvement in its financial performance, with a gross margin increase of \$18.0 million, reaching \$123.7 million. This was primarily due to a decrease in Steel Processing's inventory holding losses. The operating loss improved by \$1.1 million compared to the previous year despite higher costs from business restructuring. Lastly, net interest expense decreased to \$2.2 million, a \$5.4 million reduction from the prior year, owing to higher interest income and lower average debt levels following the redemption of the company's 2026 Notes.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
EPS	\$2.11	\$1.12	\$2.22	\$3.15	\$3.09	\$2.61	\$2.53	\$4.86	\$7.30	\$5.19	\$4.17	\$6.72
DPS	\$0.60	\$0.72	\$0.76	\$0.80	\$0.84	\$0.92	\$0.96	\$1.03	\$1.12	\$1.24	\$0.64	\$0.98
Shares	67.4	64.1	61.5	62.8	58.9	55.5	54.6	51.3	52.3	49.4	47.0	38.3

Worthington Industries has been exceptional at growing its business recently and has achieved EPS growth over the past ten years at a CAGR of 10.5%. In addition, the company has been consistently delivering increasing dividends for the past twelve years. Worthington Industries experienced inventory losses in 2023, but we expect EPS to recover this fiscal year. We forecast an EPS of \$4.17 for the fiscal year 2024, in line with analysts' estimates. The end market demand remains robust, and the company will continue to grow its earnings in the medium-term. As a result, we forecast EPS growth of 10.0%, in line with WOR's EPS long-term growth from the current fiscal year to 2029. Our forecast leads to an estimated EPS of \$6.72 by 2029. Finally, we expect the company to maintain a decent dividend yield and forecast a dividend payment of \$0.98 by 2029.

Regarding the separation of Worthington Enterprises' steel processing segment, a possible reason for the 50% decrease in the company's dividend could be the financial restructuring associated with this spin-off. Separating a significant business unit like the steel processing segment often leads to substantial changes in a company's financial structure and cash flow dynamics. This spin-off could have resulted in a temporary reallocation of resources or a strategic shift in capital allocation priorities, prompting the company to conserve cash or redirect funds towards other operational needs or investment opportunities, leading to a reduced dividend payout.

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.



Worthington Industries, Inc. (WOR)

Updated January 3rd, 2024, by Yiannis Zourmpanos

Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Avg. P/E	18.0	30.6	13.6	640.3	14.9	15.8	13.8	10.7	277.0	9.5	13.7	12.0
Avg. Yld.	1.6%	2.6%	1.8%	1.7%	1.9%	2.4%	2.5%	1.7%	2.3%	2.0%	1.1%	1.2%

Worthington Industries currently trades at a forward P/E of 13.7, lower than its normalized long-term average P/E of 15.9. However, given the nature of the company's business, we believe a P/E ratio of 12.0 would be a fair reflection of its risk/reward profile and will result in a target price of \$81 by fiscal year 2029.

Safety, Quality, Competitive Advantage, & Recession Resiliency

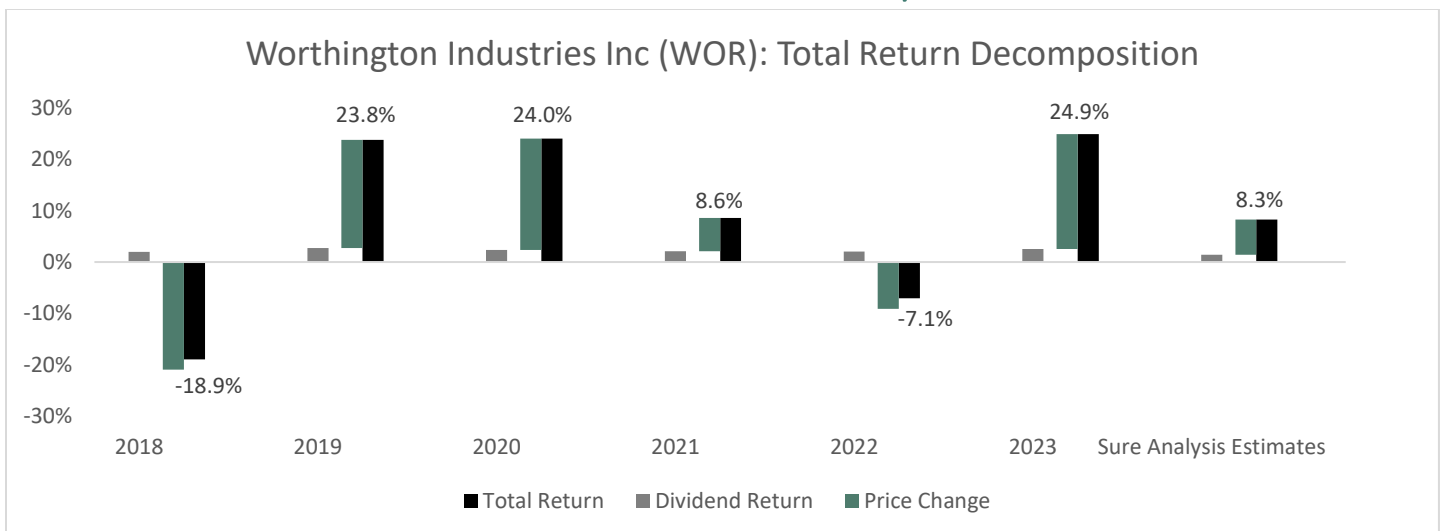
Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	28%	64%	34%	25%	27%	35%	38%	21%	15%	24%	15%	15%

Worthington Industries has a competitive advantage in the steel processing industry due to its innovative technologies and diversified product portfolio. The company has shown resilience during economic downturns and has maintained profitability through cost-cutting measures and strategic acquisitions. WOR has a conservative approach to debt management, with a total debt-to-equity ratio of around 38.0%, which provides a strong financial position to weather market fluctuations and pursue growth opportunities. The company has paid a consistent dividend to its shareholders with a 10-year payout ratio averaging 31%, and we expect the company to maintain its payout ratio in the future. With solid fundamentals and the company's ability to keep delivering value-added solutions and presenting innovative products, it will continue to benefit its stakeholders.

Final Thoughts & Recommendation

The rally in Worthington Industries over the past two years has been driven by the one-off gain from its investments in 2021 and the commodity super cycle in 2022, driving a rally in steel prices. The normalization in steel prices will make repeating recent results difficult for the company in the coming quarters. However, due to the solid fundamental nature of the business, we believe that the company can maintain healthy EPS growth in the medium-term. However, our hold rating on the stock is premised upon the 8.3% annualized total returns for the medium-term, derived from the forecasted earnings-per-share growth of 10.0%, the 1.1% starting dividend yield, and a valuation headwind.

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.



Worthington Industries, Inc. (WOR)

Updated January 3rd, 2024, by Yiannis Zourmpanos

Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	3,384	2,820	3,014	3,582	3,760	3,059	3,171	5,242	4,916
Gross Profit	464	453	536	563	480	443	639	715	663
Gross Margin	13.7%	16.1%	17.8%	15.7%	12.8%	14.5%	20.2%	13.6%	13.5%
SG&A Exp.	296	297	316	367	338	328	351	400	429
D&A Exp.	85	85	87	103	96	93	88		113
Operating Profit	168	155	220	195	142	115	288	315	234
Op. Margin	5.0%	5.5%	7.3%	5.5%	3.8%	3.8%	9.1%	6.0%	4.8%
Net Profit	77	144	205	195	153	79	724	379	257
Net Margin	2.3%	5.1%	6.8%	5.4%	4.1%	2.6%	22.8%	7.2%	5.2%
Free Cash Flow	118	316	267	205	113	241	192		539
Income Tax	26	59	79	8	43	26	176	115	76

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	2,085	2,061	2,325	2,622	2,511	2,332	3,373	3,643	3,651
Cash & Equivalents	31	84	278	122	92	147	640	34	455
Acc. Receivable	474	440	487	573	502	341	640	845	693
Inventories	375	319	354	454	484	405	565	759	608
Goodwill & Int.	358	342	330	559	531	506	591	700	729
Total Liabilities	1,245	1,141	1,251	1,585	1,562	1,365	1,822	2,029	1,829
Accounts Payable	294	290	368	473	394	247	567	668	529
Long-Term Debt	671	581	579	750	749	700	710	696	693
Total Equity	749	793	952	919	831	821	1,398	1,481	1,696
LTD/E Ratio	0.90	0.73	0.61	0.82	0.90	0.85	0.51	0.47	0.41

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	3.5%	6.9%	9.3%	7.9%	6.0%	3.3%	25.4%	10.8%	7.0%
Return on Equity	9.6%	18.6%	23.4%	20.8%	17.5%	9.5%	65.2%	26.4%	16.2%
ROIC	4.9%	9.5%	13.0%	11.3%	8.8%	4.7%	36.9%	16.4%	10.5%
Shares Out.	64.1	61.5	62.8	58.9	55.5	54.6	51.3	50.99	49.39
Revenue/Share	49.42	43.54	46.46	56.81	63.91	54.64	58.82	102.8	99.55
FCF/Share	1.72	4.89	4.12	3.26	1.93	4.31	3.56	(0.48)	10.91

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

Disclaimer

Nothing presented herein is, or is intended to constitute, specific investment advice. Nothing in this research report should be construed as a recommendation to follow any investment strategy or allocation. Any forward-looking statements or forecasts are based on assumptions and actual results are expected to vary from any such statements or forecasts. No reliance should be placed on any such statements or forecasts when making any investment decision. While Sure Dividend has used reasonable efforts to obtain information from reliable sources, we make no representations or warranties as to the accuracy, reliability or completeness of third-party information presented herein. No guarantee of investment performance is being provided and no inference to the contrary should be made. There is a risk of loss from an investment in marketable securities. Past performance is not a guarantee of future performance.