



# MSA Safety Inc. (MSA)

Updated February 15<sup>th</sup>, 2024 by Nikolaos Sismanis

## Key Metrics

<b>Current Price:</b>	\$178	<b>5 Year CAGR Estimate:</b>	6.4%	<b>Market Cap:</b>	\$6.98 B
<b>Fair Value Price:</b>	\$165	<b>5 Year Growth Estimate:</b>	7.0%	<b>Ex-Dividend Date:</b>	02/14/24
<b>% Fair Value:</b>	108%	<b>5 Year Valuation Multiple Estimate:</b>	-1.5%	<b>Dividend Payment Date:</b>	03/01/24
<b>Dividend Yield:</b>	1.1%	<b>5 Year Price Target</b>	\$231	<b>Years Of Dividend Growth:</b>	53
<b>Dividend Risk Score:</b>	A	<b>Retirement Suitability Score:</b>	B	<b>Rating:</b>	Hold

## Overview & Current Events

MSA Safety Incorporated, formerly Mine Safety Appliances, was established in 1914. Today, it develops and manufactures safety products. Customers come from a variety of industrial markets, including oil & gas, fire service, construction, mining, and the military. MSA Safety's major products include gas and flame detection, air respirators, head protection, fall protection, air purifying respirators, and eye protection gear. The \$6.98 billion market cap company employs about 5,000 people worldwide and has increased its dividend for over 50 years.

On February 14<sup>th</sup>, 2024, MSA released its Q4 and full-year results for the period ending December 31<sup>st</sup>, 2023. For the quarter, revenue came in at \$495.36 million, an 11.8% increase compared to Q4-2022.

More specifically, sales in the Americas segment were up 14%, while sales in the International segment grew by 3%. Adjusted earnings equaled \$81.5 million compared to \$70.9 million in Q4 2022. Importantly, the adjusted operating margin jumped to 23.3% compared to 21.6% in the same period a year ago, which makes for a significant expansion despite most industrial companies incurring rising costs lately.

Thus, adjusted EPS came in at \$2.06 compared to last year's \$1.80. For fiscal 2023, adjusted EPS came in at \$7.03, up 24.4% year-over-year. MSA's management expects the company's strong momentum to last in fiscal 2024. We expect adjusted EPS for the year to land close to \$7.50 based on our initial estimates.

## Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
<b>EPS</b>	\$2.52	\$2.52	\$2.77	\$3.65	\$4.50	\$4.80	\$4.50	\$4.68	\$5.65	\$7.03	<b>\$7.50</b>	<b>\$10.52</b>
<b>DPS</b>	\$1.23	\$1.27	\$1.31	\$1.38	\$1.49	\$1.64	\$1.71	\$1.75	\$1.82	\$1.87	<b>\$1.88</b>	<b>\$2.52</b>
<b>Shares<sup>1</sup></b>	38	37	38	38	39	39	39	39	39	39	<b>39</b>	<b>39</b>

Note that we have used adjusted earnings in the table above. MSA has put together a solid growth record in the past decade, growing by an average rate of 12.1% per year from 2014 through 2023. Results in 2020 fell moderately, with earnings declining by 7%, which was not unexpected given the market conditions (i.e., COVID-19 pandemic) at the time. However, earnings bounced back in 2021 and hit new all-time highs both in 2022 and 2023.

MSA's acquisition of Globe Manufacturing in 2017 boosted the company's revenue growth profile and provided the company with an expansion into new product categories, such as protective clothing for firefighters. Innovations such as the thermal imaging camera in the self-contained breathing apparatus and the company's V-Series line of fall protection have helped as well. In addition, the Sierra Monitor acquisition, Bristol Uniforms acquisition, Bacharach acquisition, and a strong backlog cement the idea of the possibility of continued growth. Most of MSA's products continue to be in high demand in the current environment.

Over the intermediate term, we are assuming a 7% annual growth. MSA has grown its dividend for 53 consecutive years, earning the prestigious title of Dividend King. We believe the company's resilient business model and ample coverage

<sup>1</sup> 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.



# MSA Safety Inc. (MSA)

Updated February 15<sup>th</sup>, 2024 by Nikolaos Sismanis

from earnings is going to sustain continuous dividend increases in the future. We also expect the dividend to grow by 6% per annum through 2029.

## Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/E	21.4	18.5	18.9	20.6	20.7	22.6	28.0	38.1	23.7	20.4	23.7	22.0
Avg. Yld.	2.3%	2.7%	2.5%	1.8%	1.6%	1.5%	1.4%	1.1%	1.4%	1.3%	1.1%	1.1%

Over the past 10 years, shares of MSA Safety have traded hands with an average P/E ratio of about 23 times adjusted earnings. We are using the same multiple as a starting place for a “fair” valuation, taking into both MSA’s robust growth and the ongoing rise in rates. MSA’s P/E now stands at 23.7 based on our expected earnings for the year, which we find slightly rich. We believe the modest premium can be attributed investors appreciating the fact that the MSA’s dividend has been increased every year for over half a century. However, the current 1.1% dividend yield does not add materially to shareholders’ total return potential.

## Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	49%	50%	47%	38%	33%	34%	38%	37%	32%	27%	25%	24%

MSA Safety has several competitive advantages that fuel its growth as the leader across the safety and protection products industry. It has a global reach that competitors cannot match, with roughly a third of annual sales from outside the Americas, and it can invest in growth initiatives to retain its industry leadership.

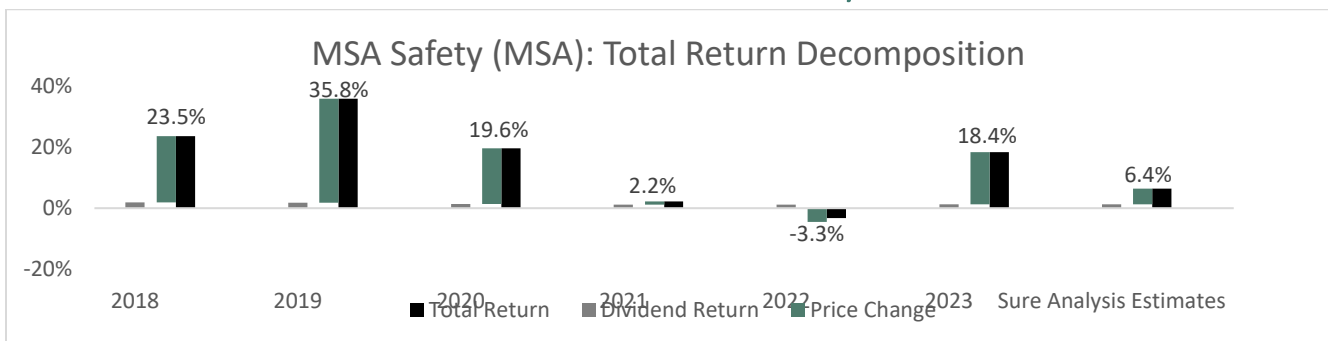
During the Great recession MSA posted earnings-per-share results of \$1.96, \$1.21, \$1.05, and \$1.87 for the 2008 through 2011 stretch. This gives you a fair idea of the cyclical nature inherent in the business – safety is always important, but budgets become squeezed in lesser times. We are somewhat encouraged by the idea that the dividend kept increasing during this time. That was good news for the current income investor, but the payout ratio did become quite elevated for a few years. The current crisis has put MSA’s resilience on display once again.

As of the most recent report, MSA Safety held \$146 million in cash, \$786 million in current assets and \$2.2 billion in total assets against \$333 million in current liabilities and \$1.2 billion in total liabilities. Notably, about a fourth of total assets are made up of goodwill. Long-term debt stood at \$575 million, falling from \$715 million sequentially.

## Final Thoughts & Recommendation

MSA Safety is a strong business with competitive advantages. Moreover, the company also has a reasonable growth profile. Following the stock’s recent correction, we estimate a total return potential of 6.4% per year. This is to be driven by 7% growth and a 1.1% dividend yield, and modest valuation headwinds. Shares earn a hold rating.

## 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.



# MSA Safety Inc. (MSA)

Updated February 15<sup>th</sup>, 2024 by Nikolaos Sismanis

## Income Statement Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Revenue</b>	1112	1134	1131	1150	1197	1358	1402	1348	1400	1528
<b>Gross Profit</b>	497	515	501	522	539	612	637	590	615	674
<b>Gross Margin</b>	44.7%	45.4%	44.3%	45.4%	45.0%	45.1%	45.4%	43.8%	43.9%	44.1%
<b>SG&amp;A Exp.</b>	309	323	315	308	300	325	331	290	333	339
<b>D&amp;A Exp.</b>	31	30	32	35	38	38	38	40	50	56
<b>Operating Profit</b>	142	144	137	167	62	189	220	242	225	278
<b>Operating Margin</b>	12.7%	12.7%	12.1%	14.5%	5.2%	13.9%	15.7%	20.0%	16.1%	18.2%
<b>Net Profit</b>	88	89	71	92	26	124	136	120	21	180
<b>Net Margin</b>	7.9%	7.8%	6.3%	8.0%	2.2%	9.1%	9.7%	8.9%	1.5%	11.8%
<b>Free Cash Flow</b>	74	73	19	109	207	230	128	158	150	114
<b>Income Tax</b>	35	41	44	58	3	37	46	42	2	59

## Balance Sheet Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Total Assets</b>	1234	1265	1423	1354	1685	1608	1740	1872	2396	2377
<b>Cash &amp; Equivalents</b>	96	106	106	114	134	140	152	161	141	163
<b>Accounts Receivable</b>	200	211	233	210	244	245	255	252	254	297
<b>Inventories</b>	137	123	126	103	154	157	185	198	281	338
<b>Goodwill &amp; Int. Ass.</b>	295	284	430	410	605	583	608	604	944	903
<b>Total Liabilities</b>	662	726	906	793	1082	968	1007	1063	1563	1453
<b>Accounts Payable</b>	67	70	68	63	87	78	89	87	107	113
<b>Long-Term Debt</b>	268	252	465	391	475	361	348	307	598	573
<b>Shareholder's Equity</b>	563	530	513	555	594	630	722	798	831	920
<b>LTD/E Ratio</b>	0.47	0.47	0.90	0.70	0.79	0.57	0.48	0.38	0.72	0.62

## Profitability & Per Share Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Return on Assets</b>	7.5%	7.1%	5.3%	6.6%	1.7%	7.5%	8.2%	6.7%	1.0%	7.5%
<b>Return on Equity</b>	17.3%	16.2%	13.6%	17.2%	4.5%	20.3%	20.2%	15.8%	2.6%	20.5%
<b>ROIC</b>	11.1%	10.9%	8.0%	9.5%	2.6%	11.9%	13.1%	10.9%	1.7%	12.3%
<b>Shares Out.</b>	37	38	37	38	38	39	39	39	39.5	39.4
<b>Revenue/Share</b>	29.69	30.05	29.99	30.26	30.93	34.86	35.77	34.32	35.49	38.77
<b>FCF/Share</b>	1.98	1.95	0.50	2.88	5.34	5.90	3.28	4.01	3.80	2.88

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.