



Owens Corning (OC)

Updated February 29th, 2024, by Yiannis Zourmpanos

Key Metrics

Current Price:	\$150	5 Year CAGR Estimate:	8.2%	Market Cap:	\$13.3 B
Fair Value Price:	\$129	5 Year Growth Estimate:	10.0%	Ex-Dividend Date:	03/01/2024
% Fair Value:	116%	5 Year Valuation Multiple Estimate:	-3.0%	Dividend Payment Date:	04/04/2024
Dividend Yield:	1.6%	5 Year Price Target	\$208	Years Of Dividend Growth:	10
Dividend Risk Score:	A	Retirement Suitability Score:	B	Rating:	Hold

Overview & Current Events

Owens Corning (OC), a global company, produces and sells insulation, roofing, and fiberglass materials across diverse markets. Operating in Composites, Insulation, and Roofing segments, it manufactures and sells glass reinforcements, fiber products, thermal insulation, foam sheathing, roofing shingles, and components used in construction and various industries. Its wide distribution network directly supplies manufacturers, installers, retailers, and distributors.

On February 14th, 2024, the company announced results for the fourth quarter of 2023. Owens Corning reported Q4 non-GAAP EPS of \$2.80, which missed market estimates by \$0.06, and revenue of \$2.3 billion that was up 0.8% compared to the prior year.

On the strategic front, Owens Corning announced a definitive agreement to acquire Masonite International Corporation to enhance its position in the building and construction materials industry. This purchase is one component of the company's previously discussed determination to explore strategic alternatives for its global glass reinforcements business, which has annualized sales of about \$1.3 billion. All such moves are in unison with the core focus areas of the company and a reinforcement of its commitment to innovation. The company has a 39-product lineup launched that was refreshed in 2023. In addition, Owens Corning was recognized for its sustainability, including its 14th placement in a row in the Dow Jones Sustainability World Index.

Heading into 2024, Owens Corning remains cautiously optimistic and expects stable conditions for most of its building and construction end markets despite various global economic headwinds. First-quarter net sales are expected to be slightly behind those of 2023's first-quarter, but with maintained mid-teen margins. This view reflects strategic positioning and operational resilience for Owens Corning, with ongoing investment in growth and shareholder returns highlighting a continued focus on maintaining a balance between the two along with the investment grade balance sheet, all while delivering value through dividends and repurchasing shares.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
EPS	\$1.91	\$2.79	\$3.41	\$2.55	\$4.89	\$3.68	-\$3.53	\$9.54	\$12.70	\$13.27	\$14.32	\$23.06
DPS	\$0.64	\$0.68	\$0.74	\$0.81	\$0.85	\$0.90	\$0.98	\$1.13	\$1.57	\$2.16	\$2.40	\$3.53
Shares¹	118.3	118.2	115.4	113.2	111.4	110.1	108.6	104.3	97.7	91.0	88.4	76.5

For the company's EPS estimate for 2024, we used the midpoint of analysts' estimates at \$14.32, and with a 10.0% annual growth through 2029, it leads to our estimated EPS of \$23.06. Moreover, the company has a solid record of paying dividends despite operating in an industrial sector, as Owens Corning has paid increasing dividends for the past 10 years. We expect the company to maintain its dividend growth and have forecasted a dividend CAGR of 8.0%, leading to a dividend of \$3.53 in 2029.

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	Now	2029
Avg. P/E	19.7	15.4	14.6	27.7	13.0	15.4	-17.0	9.6	6.9	9.1	10.5	9.0
Avg. Yld.	1.7%	1.6%	1.5%	1.1%	1.3%	1.6%	1.6%	1.2%	1.8%	1.8%	1.6%	1.7%

The building products manufacturer trades at a forward P/E of 10.5, lower than the long-term average P/E of 11.4, but well above the five-year average P/E of 4.8. Even though the stable volumes and demand will benefit the company in the near term, we assign a P/E of 9.0 to the stock, which is a fair reflection of its value in our view. Accordingly, with an EPS of \$23.06 and P/E of 9.0, our target price for the stock stands at \$208 by 2029.

Safety, Quality, Competitive Advantage, & Recession Resiliency

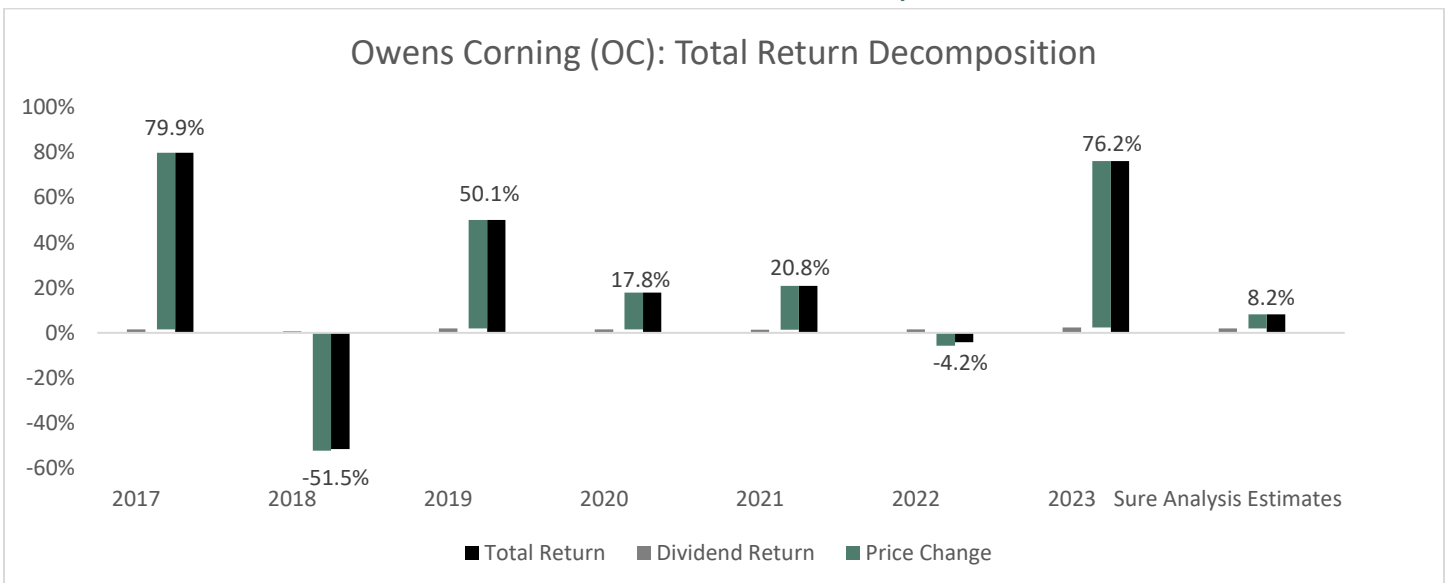
Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	34%	24%	22%	32%	17%	24%	-28%	12%	12%	16%	17%	15%

Owens Corning possesses robust liquidity, holding \$1.6 billion in Cash and cash equivalents as of the end of 2024. The company has paid a consistent dividend to its shareholders with a 10-year payout ratio averaging just 17%, and we expect the company to maintain its payout around these levels in the future. The demand for the company's product has been stable in recent quarters, and we expect the company to be in a much better position in the future than it is today. A fair amount of the free cash flow was returned to investors through \$812 million composed of dividends and share repurchases. The above results display the company's robust operation and strategic implementation skills that add more shareholder value.

Final Thoughts & Recommendation

We expect subdued economic growth due to higher interest rates and geopolitical tensions. Building and construction markets in the US and Europe likely remain steady in 2024. Owens Corning may experience slightly lower net sales, but the company aims for mid-teen EBIT margins, signaling stable performance amid these economic and geopolitical challenges. Hence, our hold rating is premised upon 8.2% annualized total returns for the medium-term, derived from the forecasted earnings-per-share growth of 10.0%, the 1.6% dividend yield, and a valuation headwind.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenue	5,295	5,260	5,350	5,677	6,384	7,057	7,160	7,055	8,498	9,761
Gross Profit	966	976	1,153	1,377	1,569	1,632	1,609	1,610	2,217	2,616
Gross Margin	18.2%	18.6%	21.6%	24.3%	24.6%	23.1%	22.5%	22.8%	26.1%	26.8%
SG&A Exp.	530	487	525	584	620	700	698	664	757	803
D&A Exp.	332	304	300	343	371	433	457	493	502	531
Operating Profit	385	392	548	697	797	807	787	806	1,438	1,584
Op. Margin	7.3%	7.5%	10.2%	12.3%	12.5%	11.4%	11.0%	11.4%	16.9%	16.2%
Net Profit	204	226	330	393	289	545	405	(383)	995	1,241
Net Margin	3.9%	4.3%	6.2%	6.9%	4.5%	7.7%	5.7%	-5.4%	11.7%	12.7%
Free Cash Flow	72	78	341	570	679	266	590	828	1,087	1,314
Income Tax	68	5	120	188	269	156	186	129	319	373

Balance Sheet Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Assets	7,647	7,542	7,326	7,741	8,632	9,771	10,006	9,481	10,015	10,752
Cash & Equivalents	57	67	96	112	246	78	172	717	959	1,099
Accounts Receivable	683	674	709	678	806	794	770	919	939	961
Inventories	810	817	644	710	841	1,072	1,033	855	1,078	1,334
Goodwill & Int. Ass.	2,206	2,185	2,166	2,474	2,867	3,728	3,653	2,656	2,607	2,985
Total Liab.	3,817	3,812	3,547	3,852	4,428	5,447	5,335	5,540	5,680	6,131
Accounts Payable	547	542	535	615	834	851	815	875	1,095	1,345
Long-Term Debt	2,028	2,012	1,871	2,102	2,405	3,362	2,986	3,126	2,960	2,992
Total Equity	3,793	3,692	3,739	3,849	4,162	4,283	4,631	3,901	4,296	4,575
LTD/E Ratio	0.53	0.55	0.50	0.55	0.58	0.79	0.64	0.80	0.69	0.65

Profitability & Per Share Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Return on Assets	2.7%	3.0%	4.4%	5.2%	3.5%	5.9%	4.1%	-3.9%	10.2%	12.0%
Return on Equity	5.6%	6.0%	8.9%	10.4%	7.2%	12.9%	9.1%	-9.0%	24.3%	28.0%
ROIC	3.5%	3.9%	5.8%	6.8%	4.6%	7.6%	5.3%	-5.2%	13.9%	16.6%
Shares Out.	119.1	118.3	118.2	115.4	113.2	111.4	110.1	108.6	104.3	97.7
Revenue/Share	44.46	44.46	45.26	49.19	56.40	63.35	65.03	64.96	81.48	99.91
FCF/Share	0.60	0.66	2.88	4.94	6.00	2.39	5.36	7.62	10.42	13.45

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

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