



# Littelfuse, Inc. (LFUS)

Updated May 28<sup>th</sup>, 2024, by Yiannis Zourmpanos

## Key Metrics

<b>Current Price:</b>	\$259	<b>5 Year CAGR Estimate:</b>	7.5%	<b>Market Cap:</b>	\$6.58 B
<b>Fair Value Price:</b>	\$176	<b>5 Year Growth Estimate:</b>	15.0%	<b>Ex-Dividend Date:</b>	05/22/2024
<b>% Fair Value:</b>	147%	<b>5 Year Valuation Multiple Estimate:</b>	-7.4%	<b>Dividend Payment Date:</b>	06/06/2024
<b>Dividend Yield:</b>	1.0%	<b>5 Year Price Target</b>	\$354	<b>Years Of Dividend Growth:</b>	14
<b>Dividend Risk Score:</b>	C	<b>Retirement Suitability Score:</b>	F	<b>Rating:</b>	Hold

## Overview & Current Events

Littelfuse Inc. (LFUS) is a global manufacturer and distributor of circuit protection, power control, and sensing products, operating across the Asia-Pacific, the Americas, and Europe. The company is divided into three segments: Electronics, Transportation, and Industrial. The Electronics segment provides a range of products such as fuses, resettable fuses, suppressors, varistors, and semiconductor components, serving diverse markets like automotive, telecommunications, and alternative energy. The Transportation segment offers fuses, switches, relays, and sensors primarily for heavy-duty vehicles. The Industrial segment specializes in fuses, relays, transformers, and sensors for various applications, including renewable energy, HVAC, and industrial automation, catering to various industries.

On April 30<sup>th</sup>, 2024, the company announced results for the first quarter of 2024. Littelfuse reported non-GAAP EPS of \$1.76, beating the market estimates by \$0.01. Littelfuse reported net sales of \$535 million—the outcome led to a 12% decline organically year-on-year. The GAAP diluted EPS measured revealed an amount of \$1.93, while the adjusted EPS was recorded at \$1.76. On an operating level, the company's cash flows were \$57 million, and the cash flows generated freely were \$42 million. President and CEO Dave Heinzmann explained that performance consistency was driven by diversified market exposure and selective strategic portfolio optimization, limiting inventory's negative repercussions. He also noted the sound cash generation and firm balance sheet, which will put the company in a position for growth in the future.

For the second quarter of 2024, Littelfuse anticipates net sales between \$525 million and \$555 million and adjusted EPS from \$1.65 to \$1.85 based on an effective tax rate of about 23%. Further, the board signed off on a fresh \$300 million stock repurchase program running till April 2027 and declared a dividend of \$0.65 per share, payable on June 6, 2024.

## Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
<b>EPS</b>	\$4.32	\$3.56	\$4.60	\$5.21	\$6.52	\$5.60	\$5.29	\$11.38	\$14.94	\$10.34	<b>\$8.81</b>	<b>\$17.71</b>
<b>DPS</b>	\$0.94	\$1.08	\$1.24	\$1.40	\$1.60	\$1.82	\$1.92	\$2.02	\$2.26	\$2.50	<b>\$2.60</b>	<b>\$4.19</b>
<b>Shares<sup>1</sup></b>	22.7	22.7	22.7	22.9	25.2	24.8	24.6	24.9	25.0	25.1	<b>25.4</b>	<b>26.9</b>

Looking forward, Littelfuse anticipates continuing dynamic macro conditions but remains confident in its improved cost structure, robust balance sheet, and capabilities in optimizing cash flow, setting a positive outlook for 2024. The experienced team at Littelfuse is committed to leveraging its competitive advantages in its evolving and diversified end markets, indicating a strategic approach to navigating the complex business environment.

However, we have revised our EPS estimate downwards to \$8.81 for 2024, matching the midpoints of analysts' estimates. With our EPS growth forecast of 15.0% over the next five years, the estimated EPS by 2029 stands at \$17.71. Moreover, the company has a solid record of paying dividends despite operating in a cyclical sector, as Littelfuse has paid increasing dividends for the past 14 years. We expect the company to maintain its dividend growth and have forecasted a dividend growth of 10.0% through 2029.

<sup>1</sup> The shares are 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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## Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/E	21.3	27.5	27.3	34.1	31.3	31.9	34.3	24.0	16.4	23.3	29.4	20.0
Avg. Yld.	1.0%	1.1%	1.0%	0.8%	0.8%	1.0%	1.1%	0.7%	0.9%	1.0%	1.0%	1.2%

The electronic component manufacturer trades at a forward P/E of 29.4, higher than the long-term average P/E of 27.1 and the five-year average P/E of 26.0. Even though declining steel prices and an uptick in demand will benefit the company in the near term, we assign a P/E of 20.0 to the stock, which we believe is a fair reflection of its value. Accordingly, with an EPS of \$17.71 and an expected P/E of 20.0, our target price for the stock stands at \$354 by 2029.

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

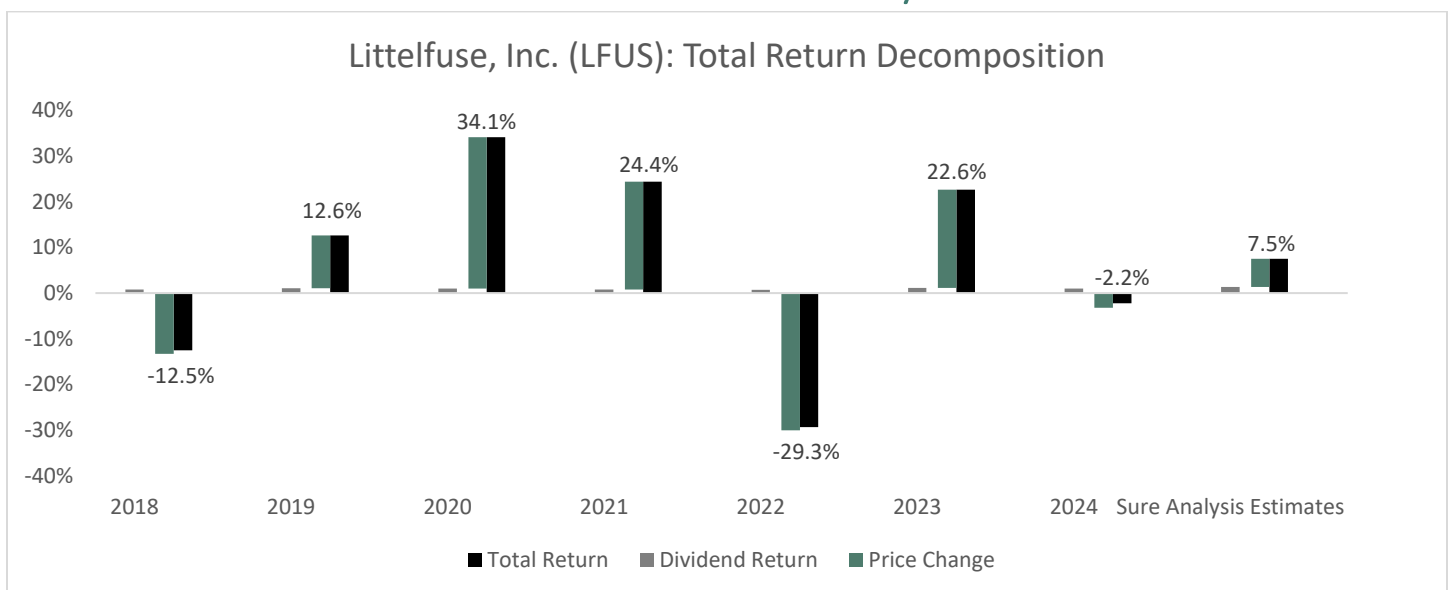
Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	22%	30%	27%	27%	25%	33%	36%	18%	15%	24%	30%	24%

The company has paid a consistent dividend to its shareholders with a 10-year payout ratio averaging 25.3%, and we expect the company to maintain and increase its payout in the future. In Q1, it disbursed \$14.9 million in dividends and recently increased the quarterly cash dividend by 8%, signaling confidence in future earnings. Littelfuse has initiated a new stock repurchase program, authorized by the company's Board of Directors, to buy back up to \$300 million worth of its common stock. This program is set to run from May 1, 2024, to April 30, 2027, replacing the previous three-year program that is expiring. This repurchase authorization allows Littelfuse to return value to shareholders by potentially enhancing earnings per share and shareholder equity through the reduction of the outstanding share count.

## Final Thoughts & Recommendation

While Littelfuse runs an industrial technology manufacturing business, trends in renewables, industrial, electrification, medical, cloud, and AI themes should be a positive catalyst for EPS growth. Indeed, Littelfuse's dividend growth prospects could remain strong throughout the cycle. We revised our rating to hold premised upon the forecasted 7.5% annualized total returns for the medium-term, derived from the expected earnings-per-share growth of 15.0% and the 1.0% dividend yield, offset by a valuation headwind.

## Total Return Breakdown by Year



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## Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	852	868	1,056	1,222	1,718	1,504	1,446	2,080	2,514	2,363
Gross Profit	324	330	413	507	653	546	501	772	1,007	900
Gross Margin	38.1%	38.1%	39.1%	41.5%	38.0%	36.3%	34.7%	37.1%	40.1%	38.1%
SG&A Exp.	147	154	206	213	276	220	205	275	345	355
D&A Exp.	42	42	53	63	103	93	96	99	121	137
Operating Profit	134	134	145	219	238	206	204	388	511	377
Op. Margin	15.7%	15.5%	13.8%	17.9%	13.8%	13.7%	14.1%	18.6%	20.3%	16.0%
Net Profit	98	81	104	120	165	139	130	284	373	259
Net Margin	11.5%	9.3%	9.9%	9.8%	9.6%	9.2%	9.0%	13.6%	14.8%	11.0%
Free Cash Flow	121	122	134	203	257	183	202	283	315	371
Income Tax	34	26	19	85	40	27	31	57	70	69

## Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	1,071	1,065	1,491	1,740	2,614	2,560	2,748	3,152	3,904	3,995
Cash & Equivalents	298	329	275	430	490	531	688	478	563	556
Acc. Receivable	135	143	176	183	233	202	233	275	307	287
Inventories	97	99	114	141	258	238	258	446	548	475
Goodwill & Int.	300	281	617	657	1,188	1,142	1,109	1,337	1,781	1,916
Total Liabilities	343	326	676	813	1,136	1,064	1,139	1,258	1,692	1,515
Accounts Payable	51	52	91	102	126	117	146	222	209	174
Long-Term Debt	207	171	454	496	695	679	687	637	1,001	872
Total Equity	728	739	815	927	1,478	1,496	1,609	1,893	2,211	2,480
D/E Ratio	0.28	0.23	0.56	0.53	0.47	0.45	0.43	0.34	0.45	0.35

## Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	9.4%	7.6%	8.2%	7.4%	7.6%	5.4%	4.9%	9.6%	10.6%	6.6%
Return on Equity	13.9%	11.0%	13.4%	13.7%	13.7%	9.4%	8.4%	16.2%	18.2%	11.1%
ROIC	10.7%	8.8%	9.6%	8.9%	9.2%	6.4%	5.8%	11.8%	13.0%	7.9%
Shares Out.	22.7	22.7	22.7	22.9	25.2	24.8	24.6	24.9	25.0	25.1
Revenue/Share	37.49	38.20	46.47	53.27	68.10	60.60	58.79	83.42	100.61	94.12
FCF/Share	5.32	5.36	5.89	8.86	10.19	7.39	8.21	11.34	12.62	14.79

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

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