Miller Industries (MLR)

Updated May 10th, 2024 by Derek English

Key Metrics

Current Price:	$57	**5 Year CAGR Estimate:**	5.4%	**Market Cap:**	$515 M
Fair Value Price:	$67	**5 Year Growth Estimate:**	1.0%	**Ex-Dividend Date:**	06/03/24
% Fair Value:	85%	**5 Year Valuation Multiple Estimate:**	3.3%	**Dividend Payment Date:**	06/10/24
Dividend Yield:	1.4%	**5 Year Price Target**	$70	**Years Of Dividend Growth:**	1
Dividend Risk Score:	C	**Retirement Suitability Score:**	F	**Rating:**	Hold

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 2023, no single distributor accounted for more than 10% of sales.

Miller Industries reported Q1 results on the May 9th, 2024. In the first quarter, net sales reached $349.9 million, marking an increase of 23.9% compared to the first quarter of 2023, which stood at $282.3 million. This year-over-year growth was primarily attributed to sustained strong demand for the company's products orders and supply chain improvements. Gross profit for the first quarter amounted to $44.2 million, equivalent to 12.6% of net sales, a significant rise from $30.4 million, or 10.8% of net sales, recorded in the first quarter of 2023. The increase in gross margin can be attributed to the stabilization of raw material costs. Net income in the quarter increased 84.6% to $17 million, or $1.47 per diluted share, compared to net income of $9.2 million, or $0.81 per diluted share, in the prior year. Again, this can be attributed to the increase in sales from the order backlog.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
EPS	$1.32	$1.41	$1.76	$2.02	$2.96	$3.43	$2.62	$1.42	$1.78	$5.07	***$5.15***	***$5.41***
DPS	$0.60	$0.64	$0.68	$0.72	$0.72	$0.72	$0.72	$0.72	$0.72	$0.72	***$0.76***	***$0.76***
Shares[1]	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 supply chain disruptions. However, the company felt that this drop in earnings was temporary as they had a backlog of orders to fulfil and this resulted in a strong 2023. The main risk is still economic weakness and whether the demand for their products will hold up. We have adjusted our growth estimates through 2029 to 1% from 3% and will likely reaccess after Q1 but management are confident that they will have another record year in 2024. 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 $0.19 per share for the upcoming June 10th, 2024 payment date, which represents their first increase since 2017. We don't anticipate that there will be further increases over the next five years.

[1] Share count in millions

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Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2129
Avg. P/E	12.0	12.8	11.1	11.6	8.1	9.0	11.6	26.4	14.9	8.4	***11.1***	***13.0***
Avg. Yld.	3.8%	3.6%	3.5%	3.1%	3.0%	2.3%	2.4%	1.9%	2.7%	1.7%	***1.4%***	***1.1%***

Miller Industries P/E ratio of 11.1, is below the stock's 10-year average of 12.6. The current share price of $57 is 85% of our fair value estimate of $67. Furthermore, we have calculated an annual valuation multiple tailwinds of 5.4% through 2029 and have a five-year target price of $70. Considering the company's current tailwinds, we expect the P/E ratio to return to closer to its average valuation, which we estimate will give the stock a 1.1% dividend yield by 2029.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	45%	45%	39%	36%	24%	21%	27%	51%	40%	14%	***15%***	***14%***

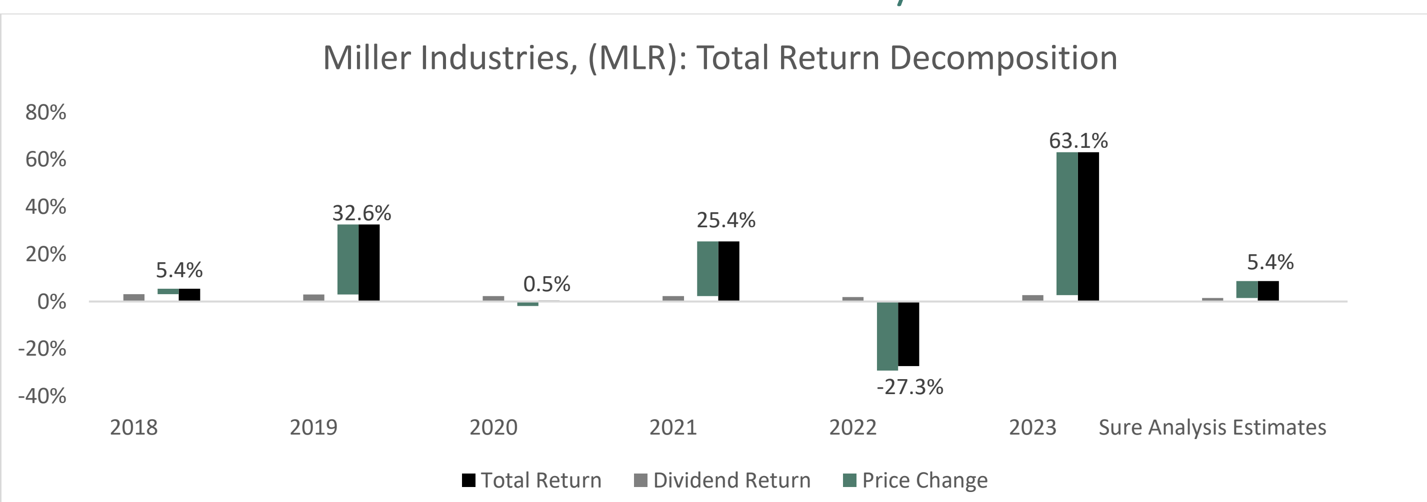
Miller Industries has been steadily growing its earnings since its inception. However, during the last recession in 2008, earnings tumbled from $1.41 to $0.31. The company recovered in 2010 and initiated its dividend policy at this point. We are starting to see the same trend in earnings since the pandemic.

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 this appears to have been temporary, and the company is navigating these challenging times with good management. We estimate an 5.4% annual return over the next five years and rate Miller Industries as a hold.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	493	541	601	615	712	818	651	717	848	1153
Gross Profit	53	58	64	67	83	96	78	70	82	152
Gross Margin	10.8%	10.7%	10.7%	10.9%	11.7%	11.8%	12.0%	9.7%	9.7%	13.2%
SG&A Exp.	28	31	32	36	40	43	40	46	53	73
D&A Exp.	4	4	5	6	8	9	10	11	12	13
Operating Profit	24	26	32	32	44	53	39	24	30	79
Operating Margin	4.9%	4.8%	5.3%	5.1%	6.2%	6.5%	5.9%	3.3%	3.5%	6.9%
Net Profit	15	16	20	23	34	39	30	16	20	58
Net Margin	3.0%	3.0%	3.3%	3.7%	4.7%	4.8%	4.6%	2.3%	2.4%	5.0%
Free Cash Flow	5	8	(4)	(11)	9	18	43	6	(48)	(1)
Income Tax	9	9	11	7	8	11	8	6	5	15.5

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	262	268	297	317	368	392	398	439	501	647
Cash & Equivalents	40	38	31	22	27	26	58	54	40	30
Accounts Receivable	116	109	125	133	149	169	142	154	178	286
Inventories	56	66	64	69	94	88	84	115	154	190
Goodwill & Int. Ass.	12	12	12	12	12	12	12	12	12	20
Total Liabilities	94	94	113	114	141	134	116	150	208	299
Accounts Payable	71	73	85	79	98	96	86	119	126	192
Long-Term Debt	-	-	5	11	16	5	-	-	45	60
Shareholder's Equity	168	174	185	203	228	258	282	289	293	348
LTD/E Ratio	-	-	0.03	0.05	0.07	0.02	-	-	0.15	0.17

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	6.1%	6.0%	7.0%	7.5%	9.8%	10.3%	7.5%	3.9%	4.3%	10.2%
Return on Equity	9.0%	9.3%	11.1%	11.9%	15.7%	16.1%	11.0%	5.7%	7.0%	18.2%
ROIC	9.0%	9.3%	11.0%	11.4%	14.8%	15.4%	10.9%	5.7%	6.5%	15.6%
Shares Out.	11	11	11	11	11	11	11	11	11	11.5
Revenue/Share	43.40	47.62	52.85	54.03	62.47	71.77	57.11	62.88	74.32	100.23
FCF/Share	0.40	0.73	(0.36)	(0.94)	0.75	1.56	3.79	0.54	(4.21)	(0.10)

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