



Hyster Yale Inc (HY)

Updated September 11th, 2024, by Yiannis Zourmpanos

Key Metrics

Current Price:	\$58	5 Year CAGR Estimate:	17.9%	Market Cap:	\$1 B
Fair Value Price:	\$77	5 Year Growth Estimate:	10.0%	Ex-Dividend Date:	08/30/2024
% Fair Value:	75%	5 Year Valuation Multiple Estimate:	6.0%	Dividend Payment Date:	09/13/2024
Dividend Yield:	2.4%	5 Year Price Target	\$125	Years Of Dividend Growth:	11
Dividend Risk Score:	A	Retirement Suitability Score:	B	Rating:	Buy

Overview & Current Events

Hyster-Yale Materials Handling (HY) was founded in 1985 and has since become a prominent global player in the materials handling industry. The company designs, manufactures, and sells a comprehensive range of lift trucks and aftermarket parts, serving diverse customers across various sectors, including manufacturing, warehousing, and logistics. HY maintains a strong competitive position with a significant market share due to its reputable brands, Hyster and Yale. The company segments its revenue primarily into three categories: new equipment sales, parts sales, and service revenues. In 2023, HY reported robust financials, demonstrating consistent growth and a diversified revenue stream. On August 6th, 2024, the company announced results for the second quarter of 2024. Safety Insurance Group reported Q2 non-GAAP EPS of \$3.58, beating estimates by \$1.30 and produced revenue of \$1.17 billion, which was up 7.3% year-over-year.

Operating profit surged by 63% to \$95.6 million, driven by improved margins and higher sales prices, particularly in the Americas segment, which saw revenues increase by 12%. Net income grew 65% to \$63.3 million, reflecting higher unit sales and better pricing strategies, with diluted earnings per share rising to \$3.58. The company also benefited from its reduced dealer incentive programs and an increased sales mix in higher-value products, particularly in Class 5 internal combustion engine trucks in the Americas.

Looking ahead, Hyster-Yale remains focused on delivering value through innovative products and technologies like its Operator Assist Systems (OAS), which increase per-unit truck sales value. However, the company expects global lift truck demand to soften in the coming quarters, with a notable decline in the Americas and EMEA markets. North America factory bookings have fallen 56% year-over-year, reflecting a correction from previously elevated pandemic-driven demand. Despite this, Hyster-Yale is optimistic that the market will return to normalized levels by 2025, balancing out the recent decrease in factory bookings. The company remains committed to reducing inventory levels and maintaining a strong balance sheet.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
EPS	\$6.58	\$4.57	\$2.61	\$2.94	\$2.09	\$2.14	\$2.21	-\$10.29	-\$4.38	\$7.24	\$9.69	\$15.61
DPS	\$1.08	\$1.13	\$1.17	\$1.20	\$1.23	\$1.26	\$1.27	\$1.29	\$1.29	\$1.30	\$1.40	\$1.55
Shares¹	16.7	16.4	16.4	16.5	16.6	16.7	16.8	16.8	16.9	17.4	17.5	17.9

HY expects further revenue and profit growth in 2024, given a \$3.1 billion backlog and growing production rates. It looks for an improving booking trend and higher shipments resulting from improved supply chain conditions and labor. With higher product margins, stable revenues are expected at Bolzoni while Nuvera expands on customer engagements and bookings. HY has committed itself to reducing leverage, improving cash flows, and delivering key strategic goals—a 7% operating profit margin in its core businesses. The strong performance this first quarter instills positive momentum across the board for HY into the remainder of 2024 and serves as a bellwether for continued growth and value enhancement for shareholders. Therefore, in line with the analysts' estimates, we expect the company to post EPS of

¹ In millions.

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\$9.69 in 2024, with an EPS growth forecast of 10.0%, leading to our estimated EPS of \$15.61 by 2029. The company's approach to managing its capital supports the payment of competitive cash dividends. Thus, we have assumed an annual growth of 2.0%, slightly lower than its 10-year average.

Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/E	12.8	14.1	23.4	24.8	31.5	26.9	21.3	-6.1	-7.1	6.9	6.0	8.0
Avg. Yld.	1.3%	1.8%	1.9%	1.6%	1.9%	2.2%	2.7%	2.0%	4.2%	2.6%	2.4%	1.2%

HY currently trades at a forward P/E of 6.0, considerably lower than the long-term average P/E of 14.8, but closer to its five-year average P/E of 8.4. We assign a P/E of 8.0 to the stock in-line with its 5-year average, which we believe is a fair reflection of its value. Accordingly, with an EPS of \$15.61 and P/E of 8.0, our target price for the stock stands at \$125 by 2029.

Safety, Quality, Competitive Advantage, & Recession Resiliency

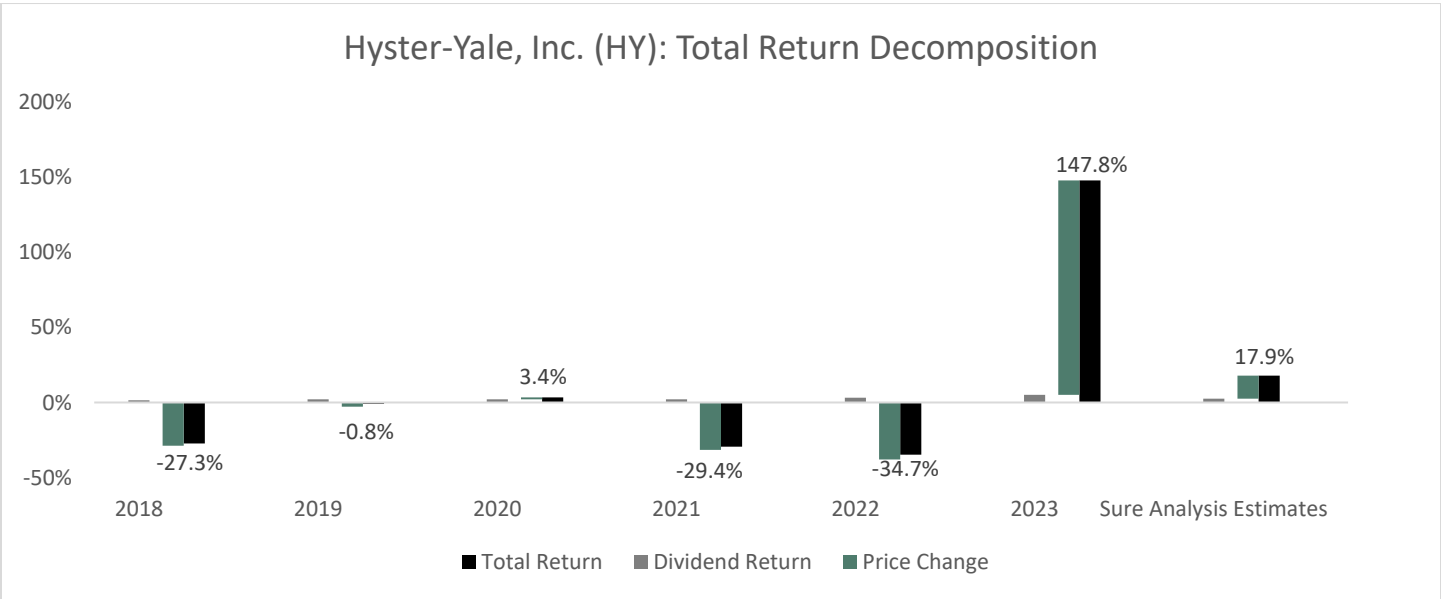
Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	16%	25%	45%	41%	59%	59%	57%	-13%	-29%	18%	14%	10%

The company has paid a consistent dividend to its shareholders with a 10-year payout ratio averaging 27.8%, and we expect the company to maintain and increase its payout in the future. Hyster-Yale's competitive advantage lies in its strong brand reputation, innovative product offerings, and extensive distribution network. During recessions, HY has shown resilience by focusing on aftermarket services and parts, which are less cyclical. The company manages its debt prudently, maintaining a healthy balance sheet to support long-term growth and stability. During Q2 2024, Hyster-Yale returned value to shareholders by repurchasing \$49 million in shares as part of its ongoing capital allocation strategy.

Final Thoughts & Recommendation

Hyster-Yale expects continued revenue and profit growth in 2024, driven by higher production rates, strong backlog, and improving market conditions, with an aim to achieve a 7% operating profit margin in its core businesses. Therefore, our buy rating is premised upon the 17.9% annualized total returns over the medium-term, with forecasted earnings-per-share growth of 10.0%, a 2.4% dividend yield, and a valuation tailwind.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	2,767	2,578	2,570	2,885	3,179	3,292	2,812	3,076	3,548	4,118
Gross Profit	448	431	428	503	497	542	465	363	434	786
Gross Margin	16.2%	16.7%	16.6%	17.4%	15.6%	16.5%	16.5%	11.8%	12.2%	19.1%
SG&A Exp.	317	327	395	429	458	488	416	450	473	577
D&A Exp.	30	29	39	43	44	43	43	46	43	45
Operating Profit	131	104	33	74	39	54	50	(87)	(39)	209
Op. Margin	4.7%	4.0%	1.3%	2.6%	1.2%	1.6%	1.8%	-2.8%	-1.1%	5.1%
Net Profit	110	75	43	49	35	36	37	(173)	(74)	126
Net Margin	4.0%	2.9%	1.7%	1.7%	1.1%	1.1%	1.3%	-5.6%	-2.1%	3.1%
Free Cash Flow	52	43	(92)	124	29	27	115	(298)	12	115
Income Tax	40	29	(4)	45	2	11	4	28	9	53

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	1,121	1,096	1,287	1,648	1,742	1,847	1,860	1,970	2,026	2,079
Cash & Equivalents	111	155	43	220	84	65	151	66	59	79
Acc. Receivable	358	324	375	453	466	468	412	457	524	498
Inventories	343	305	352	412	534	560	509	781	800	816
Goodwill & Int.	4	4	107	115	176	167	173	107	94	93
Total Liabilities	665	633	817	1,076	1,183	1,270	1,208	1,587	1,801	1,672
Accounts Payable	332	280	242	386	416	402	412	517	586	524
Long-Term Debt	32	53	211	291	302	287	289	519	553	494
Total Equity	455	461	464	566	527	544	617	357	204	390
LTD/E Ratio	0.07	0.12	0.46	0.51	0.57	0.53	0.47	1.45	2.71	1.27

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	9.6%	6.7%	3.6%	3.3%	2.0%	2.0%	2.0%	-9.0%	-3.7%	6.1%
Return on Equity	24.2%	16.3%	9.2%	9.3%	6.1%	6.3%	6.0%	-33.5%	-24.4%	39.8%
ROIC	21.8%	14.9%	7.1%	6.3%	4.0%	4.2%	4.1%	-18.8%	-8.8%	15.0%
Shares Out.	16.7	16.4	16.4	16.5	16.6	16.7	16.8	16.8	16.9	17.4
Revenue/Share	165.95	157.63	156.43	174.71	191.49	196.81	167.40	182.88	209.95	236.89
FCF/Share	3.09	2.62	(5.58)	7.49	1.73	1.61	6.86	(17.71)	0.70	6.63

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

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