



Lindsay Corporation (LNN)

Updated October 29th, 2024 by Ian Bezek

Key Metrics

Current Price:	\$121	5 Year CAGR Estimate:	11.1%	Market Cap:	\$1.3 B
Fair Value Price:	\$140	5 Year Growth Estimate:	7.0%	Ex-Dividend Date:	11/15/24
% Fair Value:	86%	5 Year Valuation Multiple Estimate:	3.0%	Dividend Payment Date:	11/29/24
Dividend Yield:	1.2%	5 Year Price Target	\$197	Years Of Dividend Growth:	22
Dividend Risk Score:	A	Retirement Suitability Score:	B	Rating:	Buy

Overview & Current Events

Lindsay Corporation provides water management and road infrastructure services in the United States and internationally. The business's irrigation segment provides irrigation solutions for farmers and contributed 85% of sales in fiscal year 2024, the infrastructure segment helps with road and bridge repairs and contributed the other 15%. The conflict in Ukraine has caused a disruption in agricultural activity in that region, leading farmers to plant more intensively in North America. Both irrigation and infrastructure benefit from government support payments. The Infrastructure Investments and Jobs Act (IIJA) marked the largest federal investment into infrastructure projects in more than a decade and has boosted Lindsay's infrastructure business. While Lindsay enjoyed a record-breaking 2022, 2023 showed a slowdown in growth and the company's operating results have recently slipped into contractionary territory.

On October 24th, 2024, Lindsay reported Q4 2024 results for the period ending August 31st, 2024. The business saw diluted earnings-per-share of \$1.17 which dropped sharply from the \$1.74 reported the same quarter of last year. Revenues declined 12% year-over-year to \$126 million. While the company's North American's revenues were up slightly, international revenues plunged 23% year-over-year. Lindsay continues to experience exceptionally weak market conditions in Brazil and other Latin American markets. Softness in commodity grain markets has discouraged farmers from investing more heavily in Lindsay's products in recent quarters.

Up until recently, Lindsay had been able to maintain fairly steady profit margins despite the downturn in agricultural market conditions. However, this quarter showed significant deterioration in profit margins as the company couldn't lower fixed expenses quickly enough to match the drop in revenues. Additionally, foreign exchange effects, which previously had benefited Lindsay, have now turned against the company as the U.S. Dollar has rebounded. We expect that Lindsay's business will stabilize in fiscal year 2025, and earnings will fall only slightly from 2024's results.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$2.22	\$2.63	\$2.17	\$2.94	\$1.45	\$3.56	\$3.88	\$5.94	\$6.54	\$6.01	\$5.85	\$8.20
DPS	\$1.09	\$1.13	\$1.17	\$1.21	\$1.24	\$1.26	\$1.30	\$1.34	\$1.37	\$1.41	\$1.44	\$1.75
Shares	11	11	11	11	11	11	11	11	11	11	11	11

Over the last decade, Lindsay has seen earnings-per-share grow at an average annualized rate of 11.7%. While agriculture is a cyclical business, the company has shown fairly steady earnings growth over the past decade. The firm's infrastructure business also helps even out fluctuations. While the firm's core market is in a significant slump, management believes 2025 will turn the corner as conditions appear to be improving in the grain market. Though 2025 will be underwhelming, we expect 7% annualized growth over the longer term.

Over both the past five and ten years, Lindsay has grown its dividend at around a 3% annualized rate. The company announced its latest dividend increase on June 28th, 2024, giving investors a 2.9% increase. This boosted the quarterly dividend from 35 cents to 36 cents per share. There is room for faster dividend increases given the firm's substantial earnings growth over the past few years, but management continues to play it safe for now amid the current industry downturn.

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	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	36.9	26.9	37.6	31.3	62.1	26.7	37.1	24.5	22.0	20.3	20.7	24.0
Avg. Yld.	1.3%	1.6%	1.4%	1.3%	1.4%	1.3%	0.9%	0.8%	1.0%	1.1%	1.2%	0.9%

Over the last decade, Lindsay has averaged a P/E ratio of 32.5, and over the past five years, Lindsay has averaged a P/E ratio of 26.1. We expect the P/E to rebound from the current 20.7 to around 24. Today, the stock offers a modest 1.2% dividend yield, which may be low for investors who prioritize dividend income. But investors might consider the company for its exposure to favorable trends in the agriculture and infrastructure sectors.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	49%	43%	54%	41%	86%	35%	34%	23%	21%	23%	25%	21%

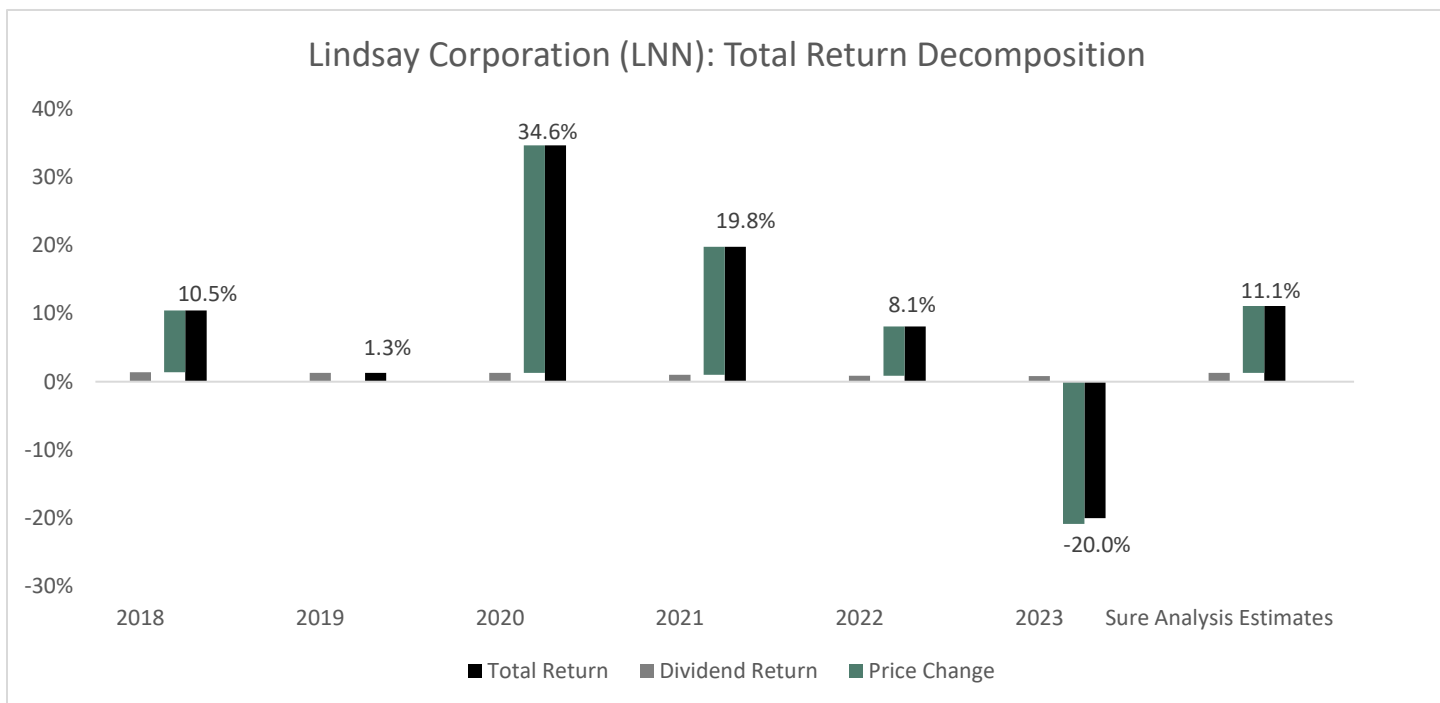
Lindsay has averaged a payout ratio of 41% over the past 10 years. It is far below that today. We project that the dividend will be safe since the low payout ratio signifies that the dividend is well-covered from earnings.

Even though the business is in a cyclical industry, Lindsay has a very safe balance sheet, with minimal net debt. In addition, the company has remained profitable even during down periods for crop prices which speaks to the firm's stability. Lindsay has historically benefited from geographic diversification, but in recent years, it has seen multiple international markets including Ukraine, Russia, and Brazil run into sharp headwinds.

Final Thoughts & Recommendation

Lindsay Corporation offers investors an opportunity to invest in a business that will indirectly benefit from the rising tides of stronger ag prices and new government spending on infrastructure. Lindsay is managing current industry volatility reasonably well, and we believe there is an adequate margin of safety at this price. Our total return outlook is for Lindsay to deliver 11.1% per year compounded. With that favorable view, Lindsay shares earn a buy rating today.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	618	560	516	518	548	444	475	568	771	674
Gross Profit	171	156	149	145	151	115	153	150	199	213
Gross Margin	27.7%	27.9%	28.8%	28.0%	27.7%	25.8%	32.1%	26.5%	25.8%	31.6%
SG&A Exp.	82	93	98	87	96	95	84	83	89	93
D&A Exp.	15	16	17	17	17	14	19	19	20	19
Operating Profit	78	51	34	41	39	6	54	54	95	102
Op. Margin	12.7%	9.0%	6.7%	7.8%	7.1%	1.4%	11.4%	9.5%	12.3%	15.1%
Net Profit	52	26	20	23	20	2	39	43	65	72
Net Margin	8.3%	4.7%	3.9%	4.5%	3.7%	0.5%	8.1%	7.5%	8.4%	10.7%
Free Cash Flow	74	34	22	31	23	(19)	25	17	(13)	101
Income Tax	27	20	9	13	14	(0)	10	8	22	28

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	527	536	488	506	500	500	571	637	711	746
Cash & Equivalents	172	139	101	122	161	127	121	127	105	161
Acc. Receivable	94	74	81	74	69	76	85	94	138	145
Inventories	72	75	75	86	79	92	105	145	194	156
Goodwill & Int.	69	129	124	120	92	89	91	88	85	111
Total Liabilities	144	248	236	236	223	232	272	299	317	290
Accounts Payable	42	39	32	37	31	29	30	45	60	44
Long-Term Debt	--	117	117	117	116	116	116	116	116	115
Total Equity	383	289	252	270	277	268	299	338	393	456
LTD/E Ratio	---	0.41	0.47	0.43	0.42	0.43	0.39	0.34	0.29	0.25

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	9.9%	4.9%	4.0%	4.7%	4.0%	0.4%	7.2%	7.1%	9.7%	9.9%
Return on Equity	13.5%	7.8%	7.5%	8.9%	7.4%	0.8%	13.6%	13.4%	17.9%	17.1%
ROIC	13.5%	6.7%	5.2%	6.1%	5.2%	0.6%	9.7%	9.8%	13.6%	13.4%
Shares Out.	12	11	11	11	11	11	11	11	11	11
Revenue/Share	47.97	47.25	47.25	48.44	50.85	41.08	43.71	51.67	69.87	60.94
FCF/Share	5.75	2.87	1.98	2.86	2.12	(1.80)	2.26	1.59	(1.14)	9.12

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

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