



# Hyster Yale Inc (HY)

Updated November 26<sup>th</sup>, 2024, by Yiannis Zourmpanos

## Key Metrics

<b>Current Price:</b>	\$57	<b>5 Year CAGR Estimate:</b>	16.3%	<b>Market Cap:</b>	\$1 B
<b>Fair Value Price:</b>	\$71	<b>5 Year Growth Estimate:</b>	10.0%	<b>Ex-Dividend Date:</b>	11/29/2024
<b>% Fair Value:</b>	81%	<b>5 Year Valuation Multiple Estimate:</b>	4.4%	<b>Dividend Payment Date:</b>	12/13/2024
<b>Dividend Yield:</b>	2.5%	<b>5 Year Price Target</b>	\$114	<b>Years Of Dividend Growth:</b>	11
<b>Dividend Risk Score:</b>	A	<b>Retirement Suitability Score:</b>	B	<b>Rating:</b>	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 November 5<sup>th</sup>, 2024, the company announced results for the third quarter of 2024. The company reported Q3 non-GAAP EPS of \$0.97, missing estimates by \$1.00 and produced revenue of \$1.02 billion, which was up 2.0% year-over-year.

The company generated \$70 million in operating cash flow but faced a 44% decline in operating profit, reaching \$33.1 million, as ongoing cost pressures and lower volumes in EMEA and JAPIC weighed on margins. Net income dropped to \$17.2 million from \$35.8 million in Q3 2023, while diluted EPS fell 53% to \$0.97. Despite these headwinds, Lift Truck revenues grew 2%, benefiting from improved pricing and a favorable mix, particularly in the Americas. Bolzoni posted a 114% increase in operating profit, supported by higher-margin product sales.

CEO Rajiv Prasad emphasized Hyster-Yale's focus on operational efficiency and strategic cost management to navigate challenging market conditions. While persistent supply chain disruptions impacted EMEA volumes, Americas' strength offset these challenges, driven by robust demand for higher-capacity lift trucks. The company remains focused on cash generation and strategic initiatives, including modular product designs and manufacturing enhancements, to improve future profitability. Looking ahead, Hyster-Yale expects Q4 2024 revenues and profit levels to align with prior-year results, supported by a strong backlog and disciplined pricing strategies. However, with market bookings moderating, 2025 revenues are anticipated to decline modestly, accompanied by lower operating profit as the company transitions toward normalized demand levels. Strategic investments and efficiency gains are expected to position the company for long-term growth and resilience.

## Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
<b>EPS</b>	\$6.58	\$4.57	\$2.61	\$2.94	\$2.09	\$2.14	\$2.21	-\$10.29	-\$4.38	\$7.24	<b>\$8.85</b>	<b>\$14.24</b>
<b>DPS</b>	\$1.08	\$1.13	\$1.17	\$1.20	\$1.23	\$1.26	\$1.27	\$1.29	\$1.29	\$1.30	<b>\$1.40</b>	<b>\$1.55</b>
<b>Shares<sup>1</sup></b>	16.7	16.4	16.4	16.5	16.6	16.7	16.8	16.8	16.9	17.4	<b>17.5</b>	<b>17.9</b>

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

<sup>1</sup> In millions.

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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 \$8.85 in 2024, with an EPS growth forecast of 10.0%, leading to our estimated EPS of \$14.24 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	---	---	6.9	<b>6.4</b>	<b>8.0</b>
Avg. Yld.	1.3%	1.8%	1.9%	1.6%	1.9%	2.2%	2.7%	2.0%	4.2%	2.6%	<b>2.5%</b>	<b>1.4%</b>

HY currently trades at a forward P/E of 6.4, 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 \$14.24 and P/E of 8.0, our target price for the stock stands at \$114 by 2029.

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

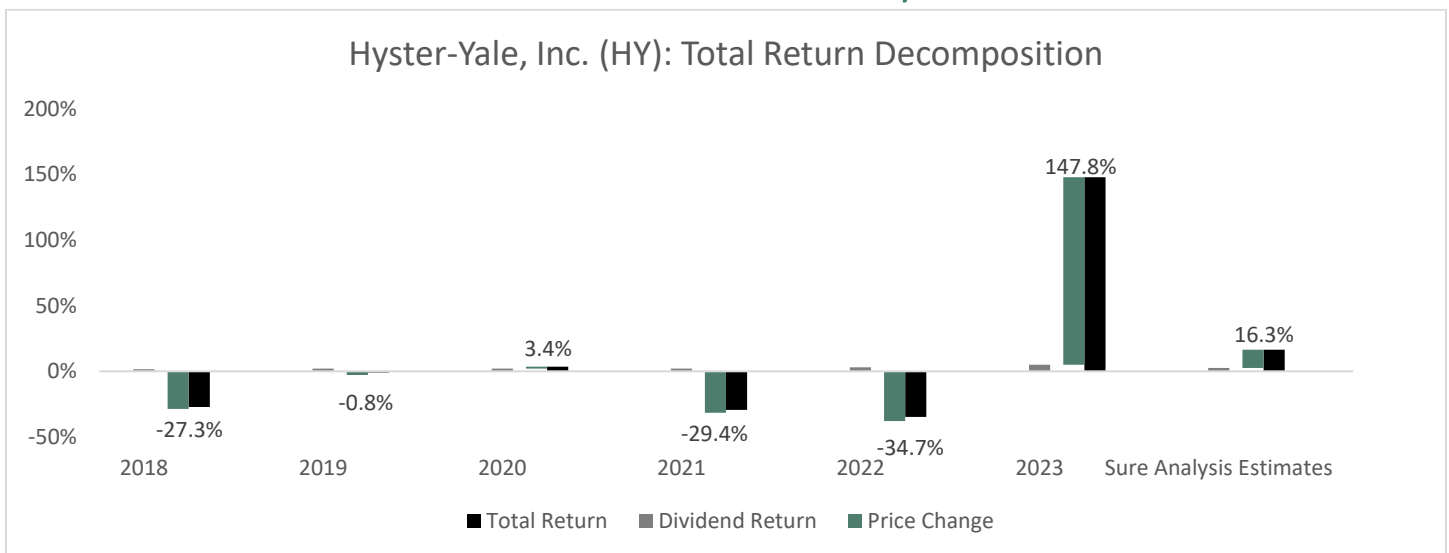
Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	16%	25%	45%	41%	59%	59%	57%	---	---	18%	<b>16%</b>	<b>11%</b>

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.

## 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 16.3% annualized total returns over the medium-term, with forecasted earnings-per-share growth of 10.0%, a 2.5% 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
<b>Revenue</b>	2,767	2,578	2,570	2,885	3,179	3,292	2,812	3,076	3,548	4,118
<b>Gross Profit</b>	448	431	428	503	497	542	465	363	434	786
<b>Gross Margin</b>	16.2%	16.7%	16.6%	17.4%	15.6%	16.5%	16.5%	11.8%	12.2%	19.1%
<b>SG&amp;A Exp.</b>	317	327	395	429	458	488	416	450	473	577
<b>D&amp;A Exp.</b>	30	29	39	43	44	43	43	46	43	45
<b>Operating Profit</b>	131	104	33	74	39	54	50	(87)	(39)	209
<b>Op. Margin</b>	4.7%	4.0%	1.3%	2.6%	1.2%	1.6%	1.8%	-2.8%	-1.1%	5.1%
<b>Net Profit</b>	110	75	43	49	35	36	37	(173)	(74)	126
<b>Net Margin</b>	4.0%	2.9%	1.7%	1.7%	1.1%	1.1%	1.3%	-5.6%	-2.1%	3.1%
<b>Free Cash Flow</b>	52	43	(92)	124	29	27	115	(298)	12	115
<b>Income Tax</b>	40	29	(4)	45	2	11	4	28	9	53

## Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Total Assets</b>	1,121	1,096	1,287	1,648	1,742	1,847	1,860	1,970	2,026	2,079
<b>Cash &amp; Equivalents</b>	111	155	43	220	84	65	151	66	59	79
<b>Acc. Receivable</b>	358	324	375	453	466	468	412	457	524	498
<b>Inventories</b>	343	305	352	412	534	560	509	781	800	816
<b>Goodwill &amp; Int.</b>	4	4	107	115	176	167	173	107	94	93
<b>Total Liabilities</b>	665	633	817	1,076	1,183	1,270	1,208	1,587	1,801	1,672
<b>Accounts Payable</b>	332	280	242	386	416	402	412	517	586	524
<b>Long-Term Debt</b>	32	53	211	291	302	287	289	519	553	494
<b>Total Equity</b>	455	461	464	566	527	544	617	357	204	390
<b>LTD/E Ratio</b>	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
<b>Return on Assets</b>	9.6%	6.7%	3.6%	3.3%	2.0%	2.0%	2.0%	-9.0%	-3.7%	6.1%
<b>Return on Equity</b>	24.2%	16.3%	9.2%	9.3%	6.1%	6.3%	6.0%	-33.5%	-24.4%	39.8%
<b>ROIC</b>	21.8%	14.9%	7.1%	6.3%	4.0%	4.2%	4.1%	-18.8%	-8.8%	15.0%
<b>Shares Out.</b>	16.7	16.4	16.4	16.5	16.6	16.7	16.8	16.8	16.9	17.4
<b>Revenue/Share</b>	165.95	157.63	156.43	174.71	191.49	196.81	167.40	182.88	209.95	236.89
<b>FCF/Share</b>	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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