LCI Industries (LCII)

Updated November 25th, 2024 by Felix Martinez

Key Metrics

Current Price:	$128	**5 Year CAGR Estimate:**	3.6%	**Market Cap:**	$3.1 B
Fair Value Price:	$99	**5 Year Growth Estimate:**	5.0%	**Ex-Dividend Date:**	11/29/24
% Fair Value:	129%	**5 Year Valuation Multiple Estimate:**	-5.0%	**Dividend Payment Date:**	12/13/24
Dividend Yield:	3.6%	**5 Year Price Target**	$126	**Years Of Dividend Growth:**	8
Dividend Risk Score:	F	**Retirement Suitability Score:**	D	**Rating:**	Hold

Overview & Current Events

LCI Industries (NYSE: LCII), founded in 1956, is a leading supplier of engineered components for the recreational vehicle (RV) and transportation industries. Headquartered in Elkhart, Indiana, the company manufactures and distributes a wide range of products, including chassis, awnings, furniture, and appliances, serving both original equipment manufacturers (OEMs) and the aftermarket. LCI Industries has built a reputation for innovation, with its CURT towing and suspension products among its standout offerings. Its market presence spans North America and Europe, making it a key player in the RV and adjacent markets. LCI Industries has a market capitalization of approximately $3.1 billion.

On November 7th , 2024, LCI Industries reported third quarter Fiscal 2024 results. The company delivered strong operating performance in Q3 2024, despite headwinds in the RV and marine industries. The company reported net sales of $915 million, a 5% decline from Q3 2023, reflecting weaker demand from North American marine and utility trailer OEMs. Net income, however, rose 38% to $36 million, or $1.39 per diluted share, bolstered by operational improvements and market share gains in key product categories. EBITDA increased by 8% year-over-year to $85 million, while operating profit margin improved to 5.9% from 4.8%. The company paid $27 million in dividends and maintained a strong liquidity position with $161 million in cash and $383 million in revolving credit availability.

The OEM segment reported Q3 sales of $684 million, a 6% year-over-year decline due to reduced shipments of motorhome RVs and marine products, partially offset by gains in North American travel trailers and automotive aftermarket shares. Operating profit for the segment rose significantly, supported by improved efficiency despite lower sales volumes. Meanwhile, the Aftermarket segment maintained stable sales of $231 million, driven by strength in the automotive aftermarket, which offset softness in RV and marine aftermarkets. Operating profit in the segment declined slightly due to higher labor and facility costs tied to product mix and expansion efforts.

Looking ahead, LCI Industries emphasizes operational excellence and innovation to sustain growth. CEO Jason Lippert highlighted market share expansion across major categories and the introduction of new products as contributors to resilience. The company also plans to leverage strategic acquisitions to diversify revenue streams and strengthen its competitive position. Despite ongoing challenges in the industry, leadership remains optimistic about future performance, underpinned by strong cash flows and disciplined financial management.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
EPS	$2.61	$3.20	$5.20	$5.76	$5.86	$5.84	$6.49	$11.32	$15.48	$2.52	***$5.50***	***$7.02***
DPS	$2.00	$2.00	$1.40	$2.05	$2.35	$2.55	$2.80	$3.45	$4.05	$4.20	***$4.60***	***$5.87***
Shares[1]	24.3	24.7	24.9	25.4	25.5	25.1	25.3	25.4	25.5	25.4	***25.4***	***25.3***

LCI Industries' growth prospects are anchored in its focus on innovation, market share expansion, and strategic diversification. The company has consistently introduced new, high-demand products, such as its CURT towing and suspension lines, which have strengthened its presence across key RV and automotive markets. Additionally, its strategic acquisitions and investment in operational efficiencies position it well to capitalize on a rebound in demand for

[1] Share count is in millions.

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recreational vehicles and marine products. The company earnings over the past ten years has been slightly negative of -(0.4%) Compound Annual growth Rate (CAGR) and over the last 5 year it has been -(1.2)% CAGR. We expect the company to grow earnings by 5% over the next five year.

Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/E	19.1	19.0	20.7	22.6	11.1	18.3	19.9	13.8	6.0	48.5	***23.3***	***18.0***
Avg. Yld.	3.9%	3.3%	1.3%	1.6%	3.5%	2.4%	2.2%	2.2%	4.4%	3.3%	***3.6%***	***4.6%***

The company has a current valuation of 23.3X earnings, higher than its ten-year average of 19.9X earnings. However, a fair PE of 18X earnings is a good base case. Thus, this suggests that the company has a -(5.0)% valuation headwind. The current dividend yield is higher than its ten-year average at 3.6%.

Safety, Quality, Competitive Advantage, & Recession Resiliency

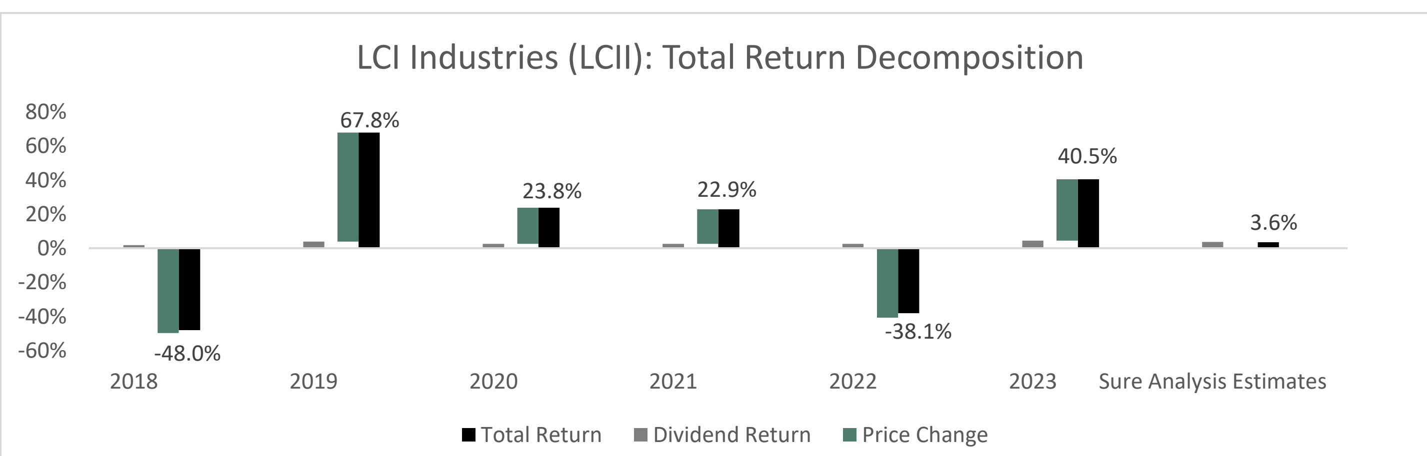
Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	76.6%	62.5%	26.9%	35.6%	40.1%	43.7%	43.1%	30.5%	26.2%	166%	***84%***	***84%***

LCI Industries possesses a competitive advantage through its diverse product portfolio, innovation-driven strategy, and dominant market position in the RV industry. Its ability to capture market share with proprietary products, such as CURT towing systems and RV components, enhances customer loyalty and strengthens its brand. During the Great Recession, the company demonstrated resilience by leveraging its diversified revenue streams, focusing on operational efficiencies, and expanding its aftermarket business to offset weaker OEM demand. Similarly, in recent downturns, LCI Industries has shown adaptability by capitalizing on growth in adjacent markets and sustaining profitability through disciplined cost management and strategic acquisitions. The company as a good book balance. The company has a debt/equity ratio of 0.8 and an interest coverage of 6.2.

Final Thoughts & Recommendation

Investing in LCI Industries carries risks tied to its dependence on the cyclical recreational vehicle (RV) and marine markets, which are highly sensitive to economic downturns and consumer discretionary spending. Additionally, rising interest rates, inflation, and supply chain disruptions could further pressure demand and operational costs. The company's growth prospects also rely on successful innovation and strategic acquisitions, which may not always yield the anticipated returns. We expect the company to have a annually rate of return of 3.6% for the next five years. Thus, we rate the company as a Hold at the current price.

Total Return Breakdown by Year



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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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	1,191	1,403	1,679	2,148	2,476	2,371	2,796	4,473	5,207	3,785
Gross Profit	255	306	429	493	520	539	706	1,043	1,273	776
Gross Margin	21.4%	21.8%	25.5%	23.0%	21.0%	22.7%	25.3%	23.3%	24.5%	20.5%
SG&A Exp.	157	186	228	279	322	339	483	645	720	653
D&A Exp.	33	42	46	55	68	75	98	112	129	132
Operating Profit	97	120	201	214	199	200	223	398	553	123
Operating Margin	8.2%	8.6%	12.0%	10.0%	8.0%	8.4%	8.0%	8.9%	10.6%	3.3%
Net Profit	62	74	130	133	149	147	158	288	395	64
Net Margin	5.2%	5.3%	7.7%	6.2%	6.0%	6.2%	5.7%	6.4%	7.6%	1.7%
Free Cash Flow	65	66	157	65	37	211	174	(210)	472	465
Income Tax	33	40	70	80	44	45	51	94	130	19

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	544	623	787	946	1,244	1,863	2,298	3,288	3,247	2,959
Cash & Equivalents	0	12	86	26	15	35	52	63	47	66
Accounts Receivable	38	42	57	82	122	200	269	320	214	215
Inventories	132	171	189	275	341	394	494	1,096	1,030	768
Goodwill & Int. Ass.	163	185	202	254	357	693	876	1,063	1,070	1,038
Total Liabilities	149	184	237	293	538	1,062	1,390	2,195	1,866	1,604
Accounts Payable	50	30	51	79	78	99	185	282	144	184
Long-Term Debt	16	50	50	50	294	631	738	1,303	1,119	847
Shareholder's Equity	395	439	550	653	706	801	908	1,093	1,381	1,355
D/E Ratio	0.04	0.11	0.09	0.08	0.42	0.79	0.81	1.19	0.81	0.63

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	12.5%	12.7%	18.4%	15.3%	13.6%	9.4%	7.6%	10.3%	12.1%	2.1%
Return on Equity	17.6%	17.8%	26.2%	22.1%	21.9%	19.4%	18.5%	28.8%	31.9%	4.7%
ROIC	17.2%	16.5%	23.8%	20.4%	17.4%	12.0%	10.3%	14.2%	16.1%	2.7%
Shares Out.	24.3	24.7	24.9	25.4	25.5	25.1	25.3	25.4	25.5	25.4
Revenue/Share	48.93	56.92	67.34	84.64	97.23	94.51	110.72	175.90	204.09	148.80
FCF/Share	2.65	2.68	6.30	2.58	1.44	8.42	6.89	(8.26)	18.49	18.28

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