Johnson Outdoors (JOUT)

Updated December 20th, 2024 by Nikolaos Sismanis

Key Metrics

Current Price:	$37	**5 Year CAGR Estimate:**	0.0%	**Market Cap:**	$377.6 M
Fair Value Price:	$30	**5 Year Growth Estimate:**	0.0%	**Ex-Dividend Date:**	01/09/2025
% Fair Value:	123%	**5 Year Valuation Multiple Estimate:**	-4.1%	**Dividend Payment Date:**	01/23/2025
Dividend Yield:	3.6%	**5 Year Price Target**	$30	**Years Of Dividend Growth:**	11
Dividend Risk Score:	D	**Retirement Suitability Score:**	D	**Rating:**	Sell

Overview & Current Events

Johnson Outdoors is a leading company in the outdoor recreation industry. The company operates through several well-known brands that cater to various aspects of outdoor activities. Old Town Canoes & Kayaks, for example, is renowned for its durable and high-performance watercraft. Minn Kota is a leader in electric trolling motors and boat accessories. Humminbird offers advanced marine electronics, including fish finders and GPS systems. Jetboil has a strong presence in efficient portable cooking systems. Its high-quality products are designed for fishing, boating, and camping enthusiasts. The company generated almost $593 million in revenues last year, and is based in Racine, Wisconsin.

On December 10th, 2024, Johnson Outdoors reported its fiscal Q4 and full-year results for the period ending September 27th, 2024. Note that the company's fiscal year ends every September.

For the quarter, revenues came in at $105.9 million, up 9.9% compared to last year. This growth was driven mainly by an increase in Fishing segment sales, offset by declines in other segments. Despite higher revenues, the company reported an operating loss of $42.8 million, compared to a loss of $22.6 last year. This was primarily attributed unfavorable gross margin factors, such as increased promotional pricing, a shift toward lower-margin products, and significant inventory reserves on slow-moving and obsolete stock. In fact, gross margins fell from 36.8% to 33.9%.

Consequently, the net loss widened significantly to $34.3 million, or $3.35 per diluted share, compared to a loss of $16.0 million, or $1.56 per diluted share, in the same quarter last year. Management appears committed to operational cost savings to navigate the tough market environment. So while the company maintains a strong balance sheet with $162 million in cash and no debt, the outlook for fiscal 2025 remains cautious. We have assumed an EPS power of $2.50 in our estimates, though the company may break even next year.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$1.07	$1.34	$3.51	$4.05	$5.11	$5.47	$8.21	$4.37	$1.90	($2.60)	***$0.01***	***$2.50***
DPS	$0.31	$0.33	$0.37	$0.48	$0.59	$0.72	$0.93	$1.21	$1.26	$1.32	***$1.32***	***$1.46***
Shares[1]	9.7	9.9	9.9	10..0	10.0	10.1	10.1	10.2	10.2	10.2	***10.2***	***11.0***

Over the past decade, Johnson Outdoors has navigated a dynamic market landscape, including multiple successes and challenges. One significant period of increased profitability took place in 2021, during the COVID-19 pandemic. The surge in outdoor activities as people sought socially distant recreation led to a spike in demand for outdoor equipment, benefiting its key segments like kayaks and marine electronics.

That said, Johnson Outdoors has historically faced challenges that have constrained long-term profitability, including in its recent results. In 2018, the company struggled with higher costs and supply chain disruptions, which hurt its margins. The integration of acquired brands, such as the purchase of the kayak brand, Old Town, in 2017, introduced complexities in aligning operations and supply chains. The company's investments in innovation and new product development, while crucial for growth, have also boosted R&D expenditures, affecting profitability in the short term.

[1] Share count is in millions.

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Also, rising raw material costs and operational inefficiencies have continued to pose challenges, evident in varying profit margins despite overall revenue growth. Post-COVID, the company's profitability has plummeted due to the significant drop in demand for Johnson Outdoors' products as the socially distant recreation trend waned, while the cost-increasing factors have stayed. We expect no growth from our EPS power estimate due to high uncertainty regarding the business.

About the dividend, the company has increased it for 11 consecutive years, which is impressive, given the volatile nature of its earnings. We believe the dividend will continue to grow moving forward, though by a much softer rate, which we have set at 2%. This is because management will likely seek to maintain a healthy payout ratio from here.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2029
Avg. P/E	24.8	20.1	13.2	17.9	14.1	13.5	13.4	18.5	30.7	---	***14.8***	***12.0***
Avg. Yld.	1.2%	1.2%	0.8%	0.7%	0.8%	1.0%	0.8%	1.5%	2.2%	2.8%	***3.6%***	***4.9%***

Johnson Outdoors' valuation has fluctuated significantly over the years, mirroring its volatile earnings. The stock is now trading at 14.8 times its potential earnings under "normal" conditions. This multiple reflects investor optimism for a rebound in growth. While we expect earnings to improve, we believe a more conservative multiple of 12 times earnings better accounts for the risks of the company's cyclical business model. The stock's yield has also risen significantly, driven by a growing payout and a declining stock price, and could become even more attractive in the medium term.

Safety, Quality, Competitive Advantage, & Recession Resiliency

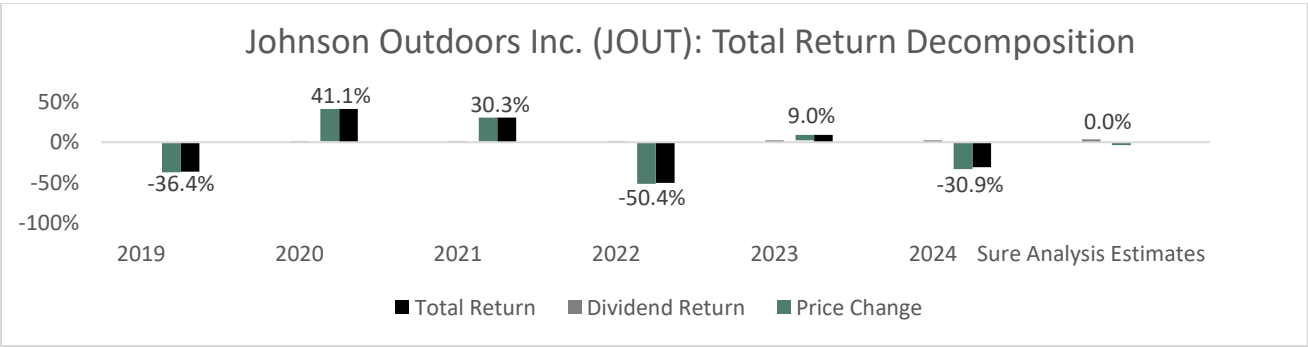
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	29%	25%	11%	12%	12%	13%	11%	28%	66%	---	***53%***	***58%***

Johnson Outdoors' key quality lies in the strength of its brands, such as Humminbird, Minn Kota, and Old Town, which are known for their quality and durability. This has fostered customer loyalty, especially in marine electronics and watercraft. However, the nature of the outdoor recreation market means that Johnson Outdoors faces cyclical demand, which can be influenced by broader economic conditions. That said, the company has shown some recession resiliency. During economic downturns, while discretionary spending on high-end outdoor equipment may decline, the company benefits from its diverse product range, which includes lower-cost items that remain accessible to consumers even in tougher times. We also believe the dividend remains safe for now, and praise the fact that Jonson Outdoors has a net cash position of $162 million, which currently equals about 43% of its market cap.

Final Thoughts & Recommendation

Shares of Johnson Outdoors have yet to recover from the heavy losses they recorded in 2022, remaining under pressure to this day. We don't believe the company has noteworthy prospects ahead, as returns from the dividend yield could be offset by the possibility of a valuation headwind. Earnings growth remains highly speculative. Thus, we rate JOUT a sell.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	425	430	434	491	544	562	594	752	743	664
Gross Profit	169	172	176	211	242	250	265	334	271	244
Gross Margin	39.6%	39.9%	40.7%	43.0%	44.4%	44.4%	44.6%	44.5%	36.5%	36.8%
SG&A Expense	127	137	129	146	158	164	169	197	177	201
D&A	11	12	12	13	13	14	15	13	14	16
Operating Income	25	18	29	46	63	64	71	111	66	12
Operating Margin	5.9%	4.1%	6.7%	9.3%	11.6%	11.3%	12.0%	14.8%	8.9%	1.8%
Net Income	9	11	14	35	41	51	55	83	44	20
Net Margin	2.1%	2.5%	3.1%	7.2%	7.5%	9.1%	9.3%	11.1%	6.0%	2.9%
Free Cash Flow	20	8	32	35	44	29	46	37	(94)	19
Provision for Taxes	8	5	10	13	27	15	18	30	14	6

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	289	299	310	354	396	436	546	674	680	682
Cash & Equivalents	71	69	87	64	122	172	212	240	130	112
Acct. Recv.	44	45	42	47	41	45	67	71	92	43
Inventories	66	80	68	79	89	94	97	167	249	261
Goodwill	27	26	26	25	24	23	20	20	20	20
Total Liabilities	90	101	103	111	117	112	168	216	192	182
Accounts Payable	28	28	25	32	34	30	37	57	54	43
Long-Term Debt	8	7	7	-	-	-	-	-	-	-
Shareholder's Equity	198	198	207	243	279	325	378	459	488	500
LTD/E Ratio	0.04	0.04	0.04	-	-	-	-	-	-	-

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	3.2%	3.6%	4.4%	10.6%	10.9%	12.4%	11.2%	13.7%	6.6%	2.9%
Return on Equity	4.6%	5.4%	6.7%	15.6%	15.6%	17.0%	15.7%	19.9%	9.4%	4.0%
ROIC	4.4%	5.2%	6.4%	15.4%	15.6%	17.0%	15.7%	19.9%	9.4%	4.0%
Shares Out.	9.6	9.7	9.9	9.9	10	10	10.1	10.1	10.2	10.2
Revenue/Share	44.15	44.26	44.01	49.45	54.45	56.12	59.04	74.27	73.23	65.11
FCF/Share	2.07	0.79	3.22	3.50	4.42	2.90	4.56	3.65	(9.24)	1.87

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

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