



PACCAR Inc. (PCAR)

Updated January 29th, 2025 by Quinn Mohammed

Key Metrics

Current Price:	\$111	5 Year CAGR Estimate:	4.6%	Market Cap:	\$56 B
Fair Value Price:	\$112	5 Year Growth Estimate:	1.0%	Ex-Dividend Date¹:	02/12/25
% Fair Value:	100%	5 Year Valuation Multiple Estimate:	0.1%	Dividend Payment Date¹:	03/05/25
Dividend Yield:	3.9%	5 Year Price Target	\$117	Years Of Dividend Growth:	17
Dividend Risk Score:	D	Retirement Suitability Score:	C	Rating:	Hold

Overview & Current Events

In 1905, William Pigott, Sr. founded Seattle Car Mfg. Co, focusing on railway and logging equipment, which would later become Pacific Car and Foundry Company and eventually PACCAR Inc. Today PACCAR designs and manufactures light, medium and heavy-duty trucks under the Kenworth (U.S., Canada, Mexico & Australia), Peterbilt (U.S. & Canada) and DAF (Netherlands, Belgium, Brazil & UK) nameplates. In addition, the company provides financial services, information technology, and distributes truck parts related to its business. PACCAR is a \$56 billion market cap business that generated \$34 billion in sales in 2024.

On December 6th, 2022, PACCAR announced a 50% stock dividend, with shareholders receiving one additional share for each two shares owned, issued on February 7th, 2023.

On December 10th, 2024, PACCAR increased its dividend by 10% to \$0.33 per share quarterly.

On January 28th, 2025, PACCAR reported Q4 2024 results for the period ending December 31st, 2024. For the quarter, PACCAR generated \$7.91 billion in revenue, down 13% from \$9.08 billion earned in Q4 2023. Parts revenues were \$1.67 billion and financial services generated pretax income of \$104 million. Net income equaled \$872 million, or \$1.66 per share compared to \$1.42 billion, or \$2.70 per share in Q4 2023.

In 2025, PACCAR delivered 185,300 vehicles worldwide compared to 204,200 in 2024. PACCAR spent \$1.25 billion on capital projects and research and development in 2024. For 2025, it expects to invest \$700 to \$800 million in capital projects and \$460 to \$500 million in R&D. It also expects \$600 to \$900 million of investments into its battery JV, Amplify Cell Technologies.

Additionally, the company expects Class 8 industry retail sales in the U.S. and Canada to be between 250,000 and 280,000 trucks in 2025, which compares to 268,000 truck units in 2024 and 297,000 units in 2023.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$4.51	\$3.85	\$4.26	\$6.24	\$6.87	\$3.74	\$5.32	\$5.75	\$8.76	\$7.90	\$7.45	\$7.83
DPS	\$2.32	\$1.56	\$2.19	\$3.16	\$3.58	\$1.98	\$2.84	\$4.19	\$4.24	\$4.17	\$4.32	\$4.31
Shares²	351	351	352	347	346	348	348	349	525	524	523	540

PACCAR has a variable dividend schedule: paying four regular quarterly dividends throughout the year and then supplementing this with a special dividend at yearend. The company has followed this practice every year in the last two decades except for 2009. This method makes sense from a business perspective - only paying what you can afford instead of arbitrarily trying to bump up the payout - but you don't see it occur in practice very often. With that in mind, we are forecasting a \$0.33 quarterly common dividend to go along with a \$3.00 yearend special dividend. It's important to note that the special dividend is far from certain and can vary dramatically.

PACCAR operates in a needed industry: roughly 72% of total U.S. freight is hauled by truck, and the company currently supplies about a third of the heavy-duty market in the U.S., Canada, and Mexico. When economic times are good, the

¹ Estimated date.

² In millions.

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business is well positioned to capture its fair share of demand. Moreover, the company's focus on owner-operators instead of large customers has proven to be an advantage thus far. Further, the company's brands command a premium. Of course, the business is largely cyclical already, depending a great deal on general economic progress. Still, 2021 through 2023 saw a very strong recovery. We are forecasting \$7.45 in earnings-per-share for 2025 to go along with a 1% earnings-per-share growth rate.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	13.3	14.5	15.9	10.5	10.3	20.9	17.0	14.8	12.5	11.6	14.9	15.0
Avg. Yld.	3.9%	2.8%	3.2%	4.8%	5.1%	2.5%	2.3%	1.5%	1.2%	1.1%	3.9%	3.7%

Shares of PACCAR have traded hands with an average P/E ratio of about 15 times earnings, which we are comfortable with as a fair value baseline. With shares trading below this mark, this implies the potential for a valuation tailwind. PACCAR pays a special dividend every year. The company has paid a special dividend of \$3.00, \$3.20, \$2.80, \$1.50, \$0.70, \$2.30, \$2.00, \$1.20, and \$0.60 in the last nine years, demonstrating some of its cyclicity. PACCAR targets a 45% to 55% payout ratio, which we expect to continue in a normalized environment.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	51%	41%	51%	51%	52%	53%	53%	73%	48%	53%	58%	55%

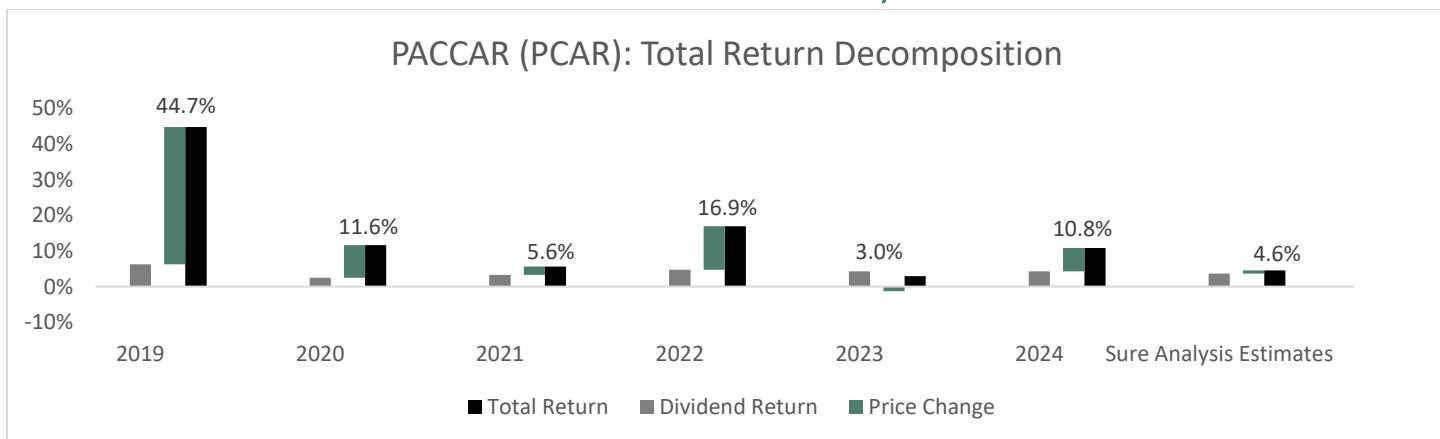
PACCAR currently enjoys a competitive advantage in offering a premium product to owner-operators. This has served the company exceptionally well in the past. Moving forward, this advantage is less certain, as PACCAR will face economic cyclicity and the possibility of consolidation via autonomous vehicles. Both of which could hit its core customer.

The company's last recession performance – generating earnings of \$2.78, \$0.23, \$1.25, and \$2.86 in 2008 through 2011 – is noteworthy. It shows just how far earnings can fall during lesser times, but also gives you some insight into the resilience of the business. Also noteworthy is PACCAR's record of 86 consecutive years of net profit (the Great Recession was close) and paying a dividend every year since 1941 (although the lumpiness should still be considered).

Final Thoughts & Recommendation

Shares are up 6% in the trailing 1-year period, which is below the 23% gain of the S&P 500 Index. PACCAR faces two main risks: poor performance during recessions and autonomous (or other) vehicle disruption. Still, the company has proven to be a quality firm over a business cycle, has a conservative financial stance and a premium product. Total return potential comes in at 4.6% per annum, stemming from a 3.9% expected dividend yield, and 1% EPS growth rate, as well as the potential for a valuation tailwind. We reiterate our hold rating on PACCAR.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue (\$B)	19	17	19	23	26	19	24	28.82	35.13	33.66
Gross Profit	3,121	2,737	2,950	3,656	4,015	3,104	3889	4752	7142	6165
Gross Margin	16.3%	16.1%	15.2%	15.6%	15.7%	16.3%	16.5%	16.5%	20.3%	18.3%
SG&A Exp.	542	543	572	645	699	581	676	726	753	744
D&A Exp.	907	993	1,108	1,054	1,077	1,049	903	790	924	917
Operating Profit	2,328	1,929	2,092	2,689	2,975	1,568	2290	3679	5946	4892
Operating Margin	12.2%	11.3%	10.8%	11.4%	11.6%	8.3%	9.7%	12.8%	16.9%	14.5%
Net Profit	1,604	522	1,675	2,195	2,388	1,298	1852	3012	4601	4162
Net Margin	8.4%	3.1%	8.6%	9.3%	9.3%	6.8%	7.9%	10.4%	13.1%	12.4%
Free Cash Flow	831	336	869	1,040	890	1,349	553	1637	2928	2895
Income Tax	733	609	498	615	711	360	526	837	1117	1239

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	21,110	20,639	23,440	25,482	28,361	28,260	29301	33276	40820	43420
Cash & Equivalents	2,016	1,916	2,365	3,436	---	3,540	3428	6159		
Accts Receivable	10,183	9,700	10,825	12,155	13,250	12,870	13495	1920	2198	1934
Inventories	797	728	928	1,185	1,153	1,222	1768	2199	2577	2367
Total Liabilities	14,169	13,861	15,390	16,890	18,655	17,870	17864	20108	24940	25910
Accounts Payable	1,287	1,334	1,621	1,828	6,013	1,737	2018	7186	9016	8333
Long-Term Debt	8,592	8,475	8,879	9,951	---	10,850	10431	0	15930	17580
Sh. Equity	6,940	6,778	8,051	8,593	9,706	10,390	11437	13167	15880	17510
D/E Ratio	1.24	1.25	1.10	1.16	---	1.05	0.91	0	1.00	1.00

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	7.7%	2.5%	7.6%	9.0%	8.9%	4.6%	6.4%	9.6%	12.4%	9.9%
Return on Equity	23.4%	7.6%	22.6%	26.4%	26.1%	12.9%	17.0%	24.5%	31.7%	24.9%
ROIC	10.5%	3.4%	10.4%	12.4%	16.9%	6.2%	8.6%	17.2%	16.3%	12.8%
Shares Out.	351	351	352	347	348	347	348	349	525	527
Revenue/Share	53.75	48.42	55.13	66.79	73.67	53.91	67.52	82.60	66.91	63.93
FCF/Share	2.34	0.95	2.46	2.96	2.56	3.88	1.59	4.69	5.58	5.50

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

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