Enpro Inc. (NPO)

Updated February 19th, 2025 by Nathan Parsh

Key Metrics

Current Price:	$207	**5 Year CAGR Estimate:**	-3.2%	**Market Cap:**	$4.4 Billion
Fair Value Price:	$132	**5 Year Growth Estimate:**	5.0%	**Ex-Dividend Date:**	03/05/25
% Fair Value:	156%	**5 Year Valuation Multiple Estimate:**	-8.6%	**Dividend Payment Date:**	03/19/25
Dividend Yield:	0.6%	**5 Year Price Target**	$169	**Years Of Dividend Growth:**	11
Dividend Risk Score:	C	**Retirement Suitability Score:**	F	**Rating:**	Sell

Overview & Current Events

Formerly known as EnPro Industries, Inc., Enpro Inc. is an industrial company that designs, develops, manufactures, and sells products and solutions to safeguard its customer's critical environments. The company has two reportable segments, including Sealing Technologies and Advanced Surface Technologies, which account for ~67% and ~33% of annual sales respectively. Sealing Technologies sells products used to safeguard environments with critical applications in diverse end markets such as pharmaceutical, aerospace, power generation, and food and beverage. The Advanced Surface Technologies segment provides leading edge precision manufacturing, coatings, cleaning, and refurbishment solutions along with innovative optical filter products. Enpro generates annual revenue of just over $1 billion.

On February 13th, 2025, Enpro announced that it was raising its quarterly dividend 3.3% to $0.31, extending the company's dividend growth streak to 11 consecutive years.

On February 19th, 2025, Enpro announced fourth quarter and full year results for the period ending December 31st, 2024. For the quarter, revenue improved 3.7% to $258.4 million, which topped estimates by $8.3 million. Adjusted earnings-per-share of $1.57 compared favorably to $1.19 in the prior year and was $0.10 more than anticipated. For the year, revenue decreased 1% to $1.05 billion while adjusted earnings-per-share totaled $6.96.

Excluding the benefit of an acquisition that closed earlier in 202, organic revenue improved 1.2% for the quarter, but fell 3.9% for the year. For the quarter, sales for Sealing Technologies grew 10.9% to $163 million. This segment benefited from strong demand in aerospace and nuclear markets while pricing actions also aided results. These gains were offset by lower demand in commercial vehicle OEM sand Asian industrial markets. Advanced Surface Technologies declined 6.4% to $95.6 million, mostly due to weaker demand for semiconductor capital equipment. Solutions serving leading-edge applications was positive for the period.

The company provided guidance for 2025 as well, with Enpro projecting revenue to be higher by a mid-single-digit percentage. Adjusted earnings-per-share are expected to be in a range of $7.00 to $7.70. We have initiated our forecast accordingly.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$(0.92)	$(1.84)	$24.77	$1.14	$1.84	$8.93	$8.55	$9.86	$1.06	$6.96	***$7.35***	***$9.38***
DPS	$0.80	$0.84	$0.88	$0.96	$1.00	$1.04	$1.08	$1.12	$1.16	$1.20	***$1.24***	***$1.58***
Shares[1]	23	22	22	21	21	21	21	21	21	21	***21***	***20***

Enpro has an extremely uneven earnings track record over the long-term with EPS falling almost 4% annually over the last five years. The company has experienced some very lofty highs as well as some periods of steep declines. The company has also remade its business in recent years. This includes the selling of non-core assets, such as its Power Systems business that was sold in 2019 for $450 million in cash, while pursuing an aggressive acquisition strategy. Most recently, Enpro completed its $210 million purchase Advanced Micro Instruments on January 29th, 2024, adding the maker of highly-engineered and application specific analyzers and sensing technologies that monitor infrastructure

[1] In millions of shares.

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.

integrity to the company's business. Given the company's penchant for buying and selling its business segments and the uneven nature of its performance, we are comfortable projecting 5% earnings growth going forward.

Amid its erratic long-term performance, has still managed to raise its dividend for more than a decade. Dividend growth has been just under 4% over the last five years, but we expect increases to match earnings growth through 2030.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	---	---	113.21	52.72	185.6	99.98	13.17	13.6	56.6	24.8	***28.2***	***18.0***
Avg. Yld.	1.8%	1.3%	0.9%	1.6%	1.5%	1.4%	1.0%	1.0%	0.7%	0.7%	***0.6%***	***0.9%***

Shares of Enpro have gained $42, or 25.5%, since our last report. Valuations for the name have experienced massive fluctuations over the last decade, with the average reaching 70 times earnings over the last decade. Shares are current trading at 28.2 times expected earnings-per-share for the year, which is above our target of 18 times earnings. Reverting to our target valuation would reduce annual returns by 8.6% annually through 2030.

Safety, Quality, Competitive Advantage, & Recession Resiliency

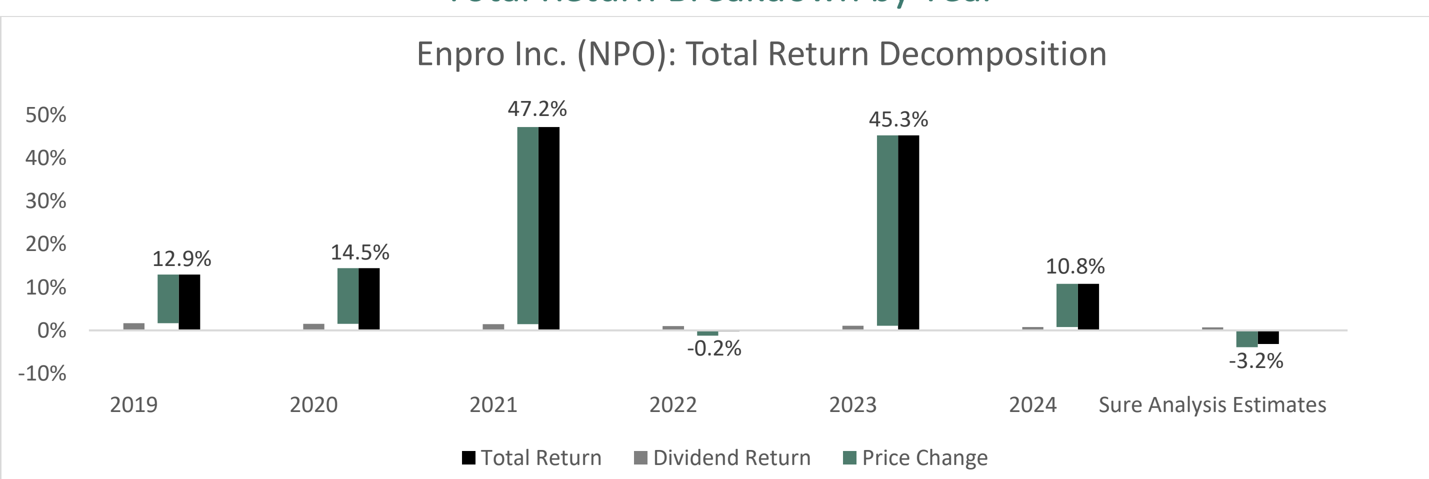
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	---	---	4%	84%	543%	12%	13%	11%	109%	17%	***17%***	***17%***

Enpro benefits from being one of the leading names in industry as its products are mission critical for its customers. That said, Enpro is not immune to the impacts of a recession. The company's earnings-per-share grew did improve 43% to $2.40 in 2008, but turned sharply negative to a loss of almost $7.00 in 2009. With recent additions to the company meant to bolster the semiconductor business, a weakening market for these related products has already had a negative impact on results. We would expect that a recessionary environment would cause demand for products company wide to dry up.

Final Thoughts & Recommendation

After fourth quarter results, Enpro is expected to produce a return of -3.2% annually through 2030, down from our prior estimate of 0.0%. Our forecast stems from earnings growth of 5% and a starting yield of 0.6% that are more than offset by a high single-digit headwind from multiple contraction. Enpro has seen its share of highs and lows over the last decade, with growth hard to come by in consecutive years. The dividend streak is solid and appears to be well covered, but the yield hardly compensates for the times when earnings growth disappears. We have increased our five-year price target $11 to $169, but we continue to rate shares of Enpro as a sell due to projected returns.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	1,204	1,188	1,101	1,274	1,206	800	840	1,099	1,059	1,049
Gross Profit	396	396	385	419	404	286	328	423	427	445
Gross Margin	32.8%	33.3%	35.0%	32.8%	33.5%	35.7%	39.0%	38.5%	40.3%	42.4%
SG&A Exp.	303	303	298	312	315	230	260	283	284	296
D&A Exp.	58	57	59	66	68	57	64	103	95	100
Operating Profit	85	78	70	86	57	29	65	137	138	142
Operating Margin	7.0%	6.5%	6.4%	6.7%	4.7%	3.6%	7.8%	12.5%	13.0%	13.6%
Net Profit	(21)	(40)	540	20	38	178	178	205	22	73
Net Margin	-1.7%	-3.4%	49.0%	1.5%	3.2%	22.2%	21.2%	18.7%	2.1%	7.0%
Free Cash Flow	45	25	16	190	186	37	127	98	174	130
Income Tax	2	(29)	28	20	(4)	(3)	9	24	31	22

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	1,499	1,546	1,886	1,716	2,035	2,084	2,975	2,648	2,500	2,492
Cash & Equivalents	103	112	189	130	121	230	338	334	370	236
Acc. Receivable	213	208	262	164	161	143	145	137	117	116
Inventories	178	175	204	174	157	139	136	152	143	139
Goodwill & Int.	386	378	683	619	952	1,175	1,842	1,664	1,542	1,687
Total Liabilities	1,039	1,188	983	858	1,120	957	1,654	1,235	1,072	1,063
Accounts Payable	102	103	131	96	83	70	72	73	69	66
Long-Term Debt	664	747	619	465	629	491	1,126	791	647	640
Total Equity	460	359	903	858	887	1,079	1,270	1,395	1,410	1,429
LTD/E Ratio	1.44	2.08	0.69	0.54	0.71	0.46	0.89	0.57	0.46	0.45

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	-1.3%	-2.6%	31.5%	1.1%	2.0%	8.6%	7.0%	7.3%	0.9%	2.9%
Return on Equity	-3.9%	-9.8%	85.6%	2.2%	4.3%	17.4%	14.5%	15.0%	1.6%	5.1%
ROIC	-1.8%	-3.6%	41.1%	1.4%	2.7%	11.2%	8.8%	8.8%	1.0%	3.5%
Shares Out.	23	22	22	21	21	21	21	21	21	21
Revenue/Share	53.53	54.99	50.52	60.96	57.97	39.02	40.40	52.59	50.44	49.70
FCF/Share	2.00	1.14	0.75	9.11	8.94	1.81	6.11	4.69	8.28	6.16

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