



Patrick Industries, Inc. (PATK)

Updated February 24th, 2025 by Nathan Parsh

Key Metrics

Current Price:	\$90	5 Year CAGR Estimate:	2.2%	Market Cap:	\$3 B
Fair Value Price:	\$61	5 Year Growth Estimate:	8.0%	Ex-Dividend Date:	02/18/25
% Fair Value:	147%	5 Year Valuation Multiple Estimate:	-7.4%	Dividend Payment Date:	03/03/25
Dividend Yield:	1.8%	5 Year Price Target	\$90	Years Of Dividend Growth:	5
Dividend Risk Score:	D	Retirement Suitability Score:	F	Rating:	Sell

Overview & Current Events

Patrick Industries, Inc. provides component solutions for recreational vehicle, marine, powersports, housing, and industrial customers. The company manufactures products used in various end-markets as well as distributes finished products. Reportable business segments include RV (42% of revenue), Marine (14% of revenue), Powersports (9% of revenue), and Housing (35% of revenue). Patrick Industries generates annual sales of nearly \$4 billion and trades with a market capitalization of \$3 billion.

On December 16th, 2024, the company completed its previously announced 3-for-2 stock split. All numbers in the tables reflect the split.

On February 6th, 2025, Patrick Industries reported fourth quarter and full year earnings results for the period ending December 31st, 2024. For the quarter, revenue grew 8.3% to \$846 million, which was \$30.4 million above expectations. Adjusted earnings-per-share of \$0.52 compared unfavorably to \$0.94 in the prior year and was \$0.01 below estimates. For the year, revenue grew 7% to \$3.7 billion while GAAP earnings-per-share of \$4.11 was down from \$4.33 in 2023. Adjusted earnings-per-share of \$4.34 matched the prior year's result.

For the quarter, revenue for the RV business improved 1% to \$358 million as industry shipments were up 3%. Marine fell 17% to \$122 million, which was better than the industry average. Powersports surged 228% to \$78 million, but this was mostly due to an acquisition. Housing grew 12% to \$288 million as unit shipments outweighed housing starts. Patrick Industries repurchased 60K shares at an average price of \$83.33 during the quarter. The company ended the year with \$1.3 billion of debt on its balance sheet, resulting in a total net leverage ratio of 2.7x.

Patrick Industries is expected to earn \$5.11 per share in 2025, which would be a 24% improvement from last year. 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	\$1.21	\$1.62	\$2.32	\$3.29	\$2.57	\$2.80	\$6.42	\$8.99	\$4.33	\$4.11	\$5.11	\$7.51
DPS	---	---	---	---	\$0.17	\$0.69	\$0.78	\$0.96	\$1.27	\$1.50	\$1.60	\$2.35
Shares¹	35	34	37	36	35	35	35	37	33	34	34	32

Patrick Industries has enjoyed strong growth rates over various lengths of time. Since 2015, earnings-per-share have a compound annual growth rate (CAGR) of 14.6%. The growth rate has slowed somewhat over the medium-term, but is still robust 12.8% over the last five years. The company performed about as expected during the 2007 to 2009 period, with an EPS loss each year throughout the Great Recession. Patrick Industries did return to growth in 2010.

Patrick Industries managed to grow its earnings-per-share during the worst of the COVID-19 pandemic. In the following years, pent up consumer demand led to a surge in earnings-per-share in 2021, followed up by peak results in 2022. Since then, earnings-per-share have declined, though we do anticipate growth in 2025. However, industry-wide inventory levels are down as the post-Covid-19 boom has pulled forward much of the industry's sales. Inflation and higher interest

¹ In Millions

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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rates have also contributed to weaker results. Combining this with a pretty high base for earnings estimates for this year, we forecast EPS growth of 8% annually through 2030.

Patrick Industries paid a dividend through much of the 1990s, but eliminated its distribution in mid-2003. The dividend was reinstated in late 2019 and shareholders have seen payments rise with a CAGR of more than 18% over the last five years. We anticipate that dividend growth will match earnings growth over the medium-term.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	16.0	28.1	28.6	6.0	13.6	16.2	8.4	6.3	7.4	20.3	17.6	12.0
Avg. Yld.	---	---	---	---	0.5%	1.5%	1.5%	2.4%	1.9%	1.8%	1.8%	2.6%

Shares of Patrick Industries have gained nearly 10% since the start of the year. The stock has traded with an average price-to-earnings (P/E) ratio of 15.1 over the last decade, but this average drops to 11.7 when looking at just the last five years. The past few years have seen extreme swings in valuation as peak earnings-per-share drove the P/E to mid-single-digits. Last year, the multiple increased to levels not seen since 2017 as EPS fell. We believe 12 times EPS estimates is a fair starting point for our target valuation given the dynamics of the industry. Reverting to our target P/E by 2030 would reduce annual returns by 7.4% annually over this period.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	---	---	---	---	7%	25%	12%	11%	29%	36%	31%	31%

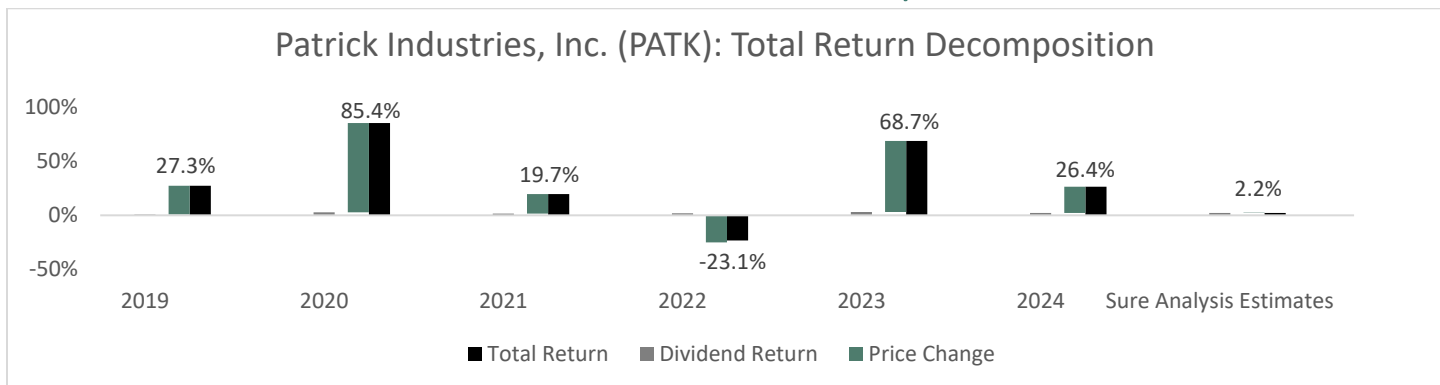
Patrick Industries operates in a highly cyclical industry and is far from recession proof. Following the Covid-19 pandemic, results were very strong, not just for the company, but industry wide. Since then, demand has dropped off as sales had been pulled forward following the pandemic. We do not find Patrick Industries to have significant advantages relative to peers, but we do note that earnings growth has been very good even when accounting for lower results recently.

Patrick Industries' dividend is likely safe as the expected payout ratio is just 31% for 2025. That said, dividend growth could be at risk for slowing as the payout ratio rises.

Final Thoughts & Recommendation

Following 2024 results, we project that Patrick Industries will generate annual returns of 2.2%. This forecast stems from earnings growth of 8% and a starting yield of 1.8% that are offset by a high single-digit headwind from multiple compression. Patrick Industries operates in an industry facing much weaker demand than it was just a few years ago. The company is far from recession proof and the stock does not offer much in the way of income. Shares earn a sell rating 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	920	1,222	1,636	2,263	2,337	2,487	4,078	4,882	3,468	3,716
Gross Profit	152	202	279	416	423	459	801	1,060	782	836
Gross Margin	16.5%	16.6%	17.1%	18.4%	18.1%	18.5%	19.6%	21.7%	22.6%	22.5%
SG&A Exp.	74	98	138	203	233	245	393	491	443	482
D&A Exp.	17	24	34	55	63	73	105	131	145	167
Operating Profit	70	91	122	178	154	173	352	496	260	258
Operating Margin	7.6%	7.4%	7.5%	7.9%	6.6%	7.0%	8.6%	10.2%	7.5%	6.9%
Net Profit	42	56	86	120	90	97	225	328	143	138
Net Margin	4.6%	4.5%	5.2%	5.3%	3.8%	3.9%	5.5%	6.7%	4.1%	3.7%
Free Cash Flow	59	82	77	166	165	128	185	332	347	223
Income Tax	23	28	27	32	28	33	69	107	48	40

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	382	535	867	1,231	1,471	1,753	2,651	2,782	2,562	3,021
Cash & Equivalents	0	6	3	7	139	45	123	23	11	34
Accounts Receivable	38	38	78	82	88	133	157	144	137	149
Inventories	89	120	175	273	254	313	614	668	510	552
Goodwill & Int. Ass.	175	274	472	665	676	852	1,192	1,349	1,289	1,600
Total Liabilities	253	350	496	822	974	1,194	1,883	1,827	1,517	1,893
Accounts Payable	29	47	84	90	96	106	204	143	141	188
Long-Term Debt	204	273	354	631	675	818	1,286	1,284	1,026	1,318
Shareholder's Equity	129	185	371	409	497	559	768	955	1,045	1,128
LTD/E Ratio	1.59	1.47	0.95	1.54	1.36	1.46	1.68	1.34	0.98	1.17

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	13.3%	12.1%	12.2%	11.4%	6.6%	6.0%	10.2%	12.1%	5.3%	5.0%
Return on Equity	36.5%	35.4%	30.8%	30.7%	19.8%	18.4%	33.9%	38.1%	14.3%	12.7%
ROIC	15.7%	14.1%	14.5%	13.6%	8.1%	7.6%	13.1%	15.3%	6.6%	6.1%
Shares Out.	35	34	37	36	35	35	35	37	33	34
Revenue/Share	26.38	35.58	44.25	62.04	66.93	71.80	116.41	133.00	104.97	110.26
FCF/Share	1.69	2.38	2.09	4.54	4.72	3.70	5.29	9.03	10.49	6.63

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

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