UFP Industries, Inc. (UFPI)

Updated February 18th, 2025, by Kody Kester

Key Metrics

Current Price:	$114	**5 Year CAGR Estimate:**	10.0%	**Market Cap:**	$6.9B
Fair Value Price:	$120	**5 Year Growth Estimate:**	8.0%	**Ex-Dividend Date:**	03/03/25
% Fair Value:	96%	**5 Year Valuation Multiple Estimate:**	0.9%	**Dividend Payment Date:**	03/17/25
Dividend Yield:	1.2%	**5 Year Price Target**	$176	**Years Of Dividend Growth:**	13
Dividend Risk Score:	C	**Retirement Suitability Score:**	D	**Rating:**	Buy

Overview & Current Events

UFP Industries, Inc. is a holding company that designs, manufactures, and sells wood, non-wood composites, and other materials. Since 1955, UFPI has established itself as the largest converter of softwood lumber in North America.

The company reports its results via the following three similarly sized segments:

UFP Retail Solutions: The segment is organized into the ProWood, Deckorators, and UFP-Edge business units. ProWood sells pressure-treated lumber products like decking and fencing to retailers around the United States. Deckorators sells wood plastic composites and its patented Surestone mineral-based decking and decking accessories (balusters and post caps). The UFP-Edge business unit sells trim and fascia and exterior siding products to home improvement retailers and two-step distributors.

UFP Packaging: The segment is broken down into the Structural Packaging, PalletOne, and Protective Packaging Solutions business units. Structural Packaging engineers and manufactures custom packaging products made of wood and metal. These are sold to global customers in building materials, durable goods, and agricultural industries. PalletOne designs and manufactures pallets mostly consisting of wood and heat-treated wood. These are used by customers to ship a variety of consumer and industrial products. The Protective Packaging Solutions unit sells products to customers, such as corrugation, foam, and labels.

UFP Construction: This segment is made up of Factory-Built Housing, Site-Built Construction, Commercial Construction, and Concrete Forming business units. The Factory-Built Housing unit manufactures roof trusses, plywood, and oriented strand boards for housing manufacturers. The Site-Built Construction unit designs and manufactures roof and floor trusses, wall panels, and lumber packages. The Commercial Construction unit designs, manufactures, and installs highly customized interior fixtures for the healthcare, hospitality, and quick-service restaurant industries. The Concrete Forming unit manufactures and supplies wood forms that are used to set or form concrete for large parking garages, stadiums, and bridges.

On February 17th, UPFI released its fourth-quarter earnings report for the period ended December 31st. The company's net sales decreased by 4.1% year-over-year to $1.46 billion in the quarter. That was driven by a 4% drop in selling prices over the year-ago period. Despite a tough environment, these results imply that volume held strong overall during the quarter. UFPI's diluted EPS dropped by 30.9% year-over-year to $1.12 for the quarter. That fell $0.11 short of the analyst consensus in the quarter. Aside from the decline in revenue, a 210-basis point contraction in the net profit margin to 4.7% during the quarter also played a role in the smaller bottom line. UFPI also announced a 6.1% increase in its quarterly dividend per share to $0.35 with the release of its Q4 earnings.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$1.33	$1.65	$1.83	$2.34	$2.91	$3.99	$8.39	$10.99	$8.07	$6.77	***$7.43***	***$10.92***
DPS	$0.27	$0.29	$0.32	$0.36	$0.40	$0.50	$0.65	$0.95	$1.10	$1.32	***$1.40***	***$2.06***
Shares[1]	60.4	61.0	61.2	60.9	61.4	61.2	61.9	61.6	61.6	60.9	***60.9***	***60.6***

[1] Share count is 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.

UFP Industries, Inc. (UFPI)

Updated February 18th, 2025, by Kody Kester

UFPI continues to target annual unit sales growth of between 7% and 10% over the long term. Considering the fragmented nature of the industries in which the company operates, we remain confident that this is a reasonable growth target. UFPI can use bolt-on acquisitions to meet its annual unit sales growth target, too. The company also has identified $60 million in annualized cost savings from cost and capacity reductions through 2026. This should fuel modest margin expansion in the near term. Opportunistic share repurchases are the final piece of the puzzle. Overall, we're holding our annual diluted EPS growth projection at 8% over the medium term.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Avg. P/E	17.1	20.6	20.6	11.0	16.8	13.9	11.0	7.2	15.6	16.4	***15.4***	***16.1***
Avg. Yld.	1.2%	0.9%	0.9%	1.4%	0.8%	0.9%	0.7%	1.2%	0.9%	1.2%	***1.2%***	***1.2%***

Accounting for valuation peaks and troughs, UFPI's 10-year average P/E ratio has been 16.1. Since we still believe the growth story will hold up, we think that the 10-year average P/E ratio approximates fair value. The current year P/E ratio of 15.4 suggests that shares are slightly undervalued.

Safety, Quality, Competitive Advantage, & Recession Resiliency

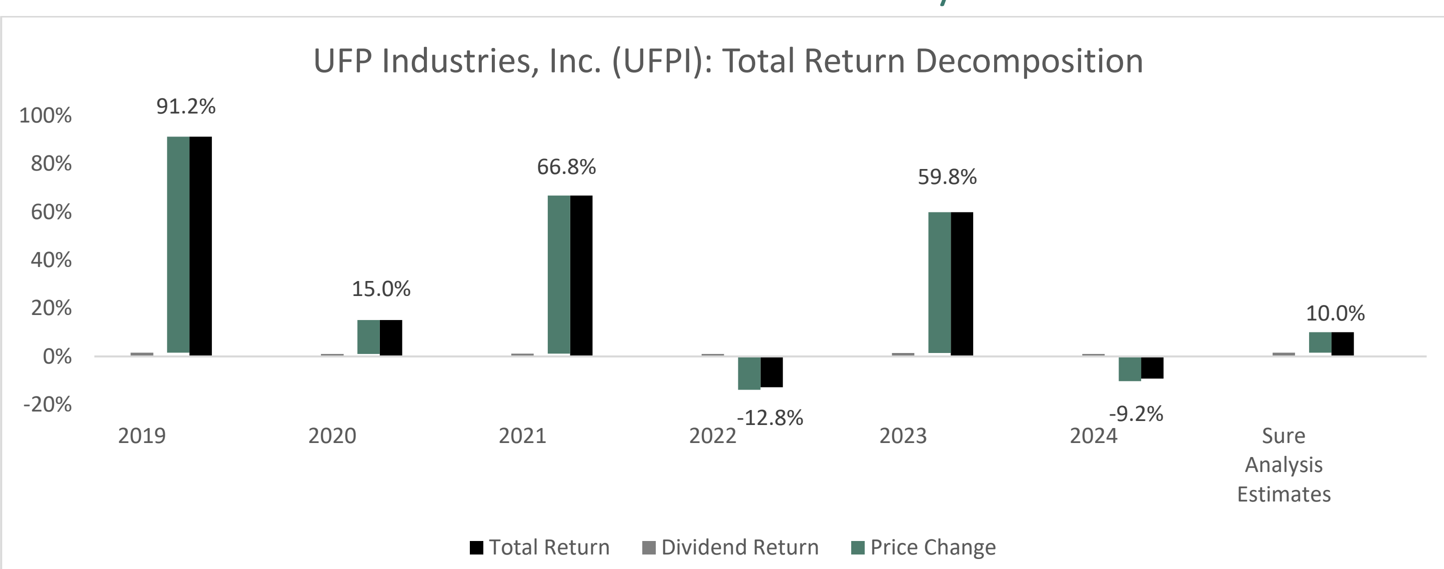
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	20%	18%	17%	15%	14%	13%	8%	9%	14%	19%	***19%***	***19%***

The company's most notable competitive advantage is its size and scale. UFPI is the largest buyer of softwood lumber on the continent. That affords it a great deal of leverage in negotiations with suppliers. This has allowed UFPI to deliver relatively consistent diluted EPS growth to shareholders. The company's $937.9 million net surplus cash balance as of December 31st, is also strong for a company of its size. UFPI's payout ratio set to be in the high teens in 2025 is another factor that helps to back up the dividend.

Final Thoughts & Recommendation

UFPI's 1.2% dividend yield, 8.0% annual diluted EPS growth potential, and 0.9% annual valuation upside could produce 10.0% annual total returns over the next five years. Thanks to the more reasonable valuation now versus in recent months, we're upgrading shares to a buy rating.

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.

UFP Industries, Inc. (UFPI)

Updated February 18th, 2025, by Kody Kester

Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	2,660	2,887	3,240	3,941	4,489	4,416	5,154	8,636	9,627	7,218
Gross Profit	325	400	475	543	593	686	800	1,407	1,789	1,419
Gross Margin	12.2%	13.9%	14.6%	13.8%	13.2%	15.5%	15.5%	16.3%	18.6%	19.7%
SG&A Exp.	230	264	310	362	392	439	445	682	832	767
D&A Exp.	36	41	44	53	61	67	73	98	114	132
Operating Profit	94	136	164	181	201	245	346	738	950	647
Operating Margin	3.5%	4.7%	5.1%	4.6%	4.5%	5.5%	6.7%	8.5%	9.9%	9.0%
Net Profit	58	81	101	120	149	180	247	536	693	514
Net Margin	2.2%	2.8%	3.1%	3.0%	3.3%	4.1%	4.8%	6.2%	7.2%	7.1%
Free Cash Flow	28	125	119	65	21	264	247	361	657	780
Income Tax	34	46	55	52	45	58	87	174	230	157

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	1,024	1,108	1,292	1,465	1,648	1,889	2,405	3,245	3,672	4,018
Cash & Equivalents	-	88	34	28	27	168	437	287	559	1,118
Accounts Receivable	196	223	282	328	343	364	471	738	618	549
Inventories	340	305	397	460	556	487	567	963	973	728
Goodwill & Int. Ass.	192	199	228	255	273	285	332	431	489	519
Total Liabilities	324	341	432	491	559	632	922	1,229	1,068	968
Accounts Payable	89	95	125	140	137	142	212	319	207	203
Long-Term Debt	99	86	131	172	230	164	312	337	278	276
Shareholder's Equity	686	753	849	959	1,073	1,244	1,460	1,979	2,564	3,000
LTD/E Ratio	0.14	0.11	0.15	0.18	0.21	0.13	0.21	0.17	0.11	0.09

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	5.9%	7.6%	8.4%	8.7%	9.5%	10.2%	11.5%	19.0%	20.0%	13.4%
Return on Equity	8.5%	11.0%	12.4%	13.0%	14.4%	15.3%	18.0%	30.6%	30.0%	18.2%
ROIC	7.5%	9.8%	11.0%	11.2%	12.1%	13.1%	15.3%	25.8%	26.5%	16.6%
Shares Out.	60.0	60.4	61.0	61.2	60.9	61.4	61.2	61.9	61.6	61.6
Revenue/Share	44.66	48.23	53.81	65.29	74.28	73.44	86.00	143.09	158.72	119.04
FCF/Share	0.47	2.09	1.97	1.08	0.34	4.40	4.13	5.99	10.84	12.85

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