Albany International Corp. (AIN)

Updated March 4th, 2025, by Aristofanis Papadatos

Key Metrics

Current Price:	$75	**5 Year CAGR Estimate:**	4.5%	**Market Cap:**	$2.4 B
Fair Value Price:	$65	**5 Year Growth Estimate:**	6.0%	**Ex-Dividend Date:**	3/21/25
% Fair Value:	115%	**5 Year Valuation Multiple Estimate:**	-2.8%	**Dividend Payment Date:**	4/7/25
Dividend Yield:	1.4%	**5 Year Price Target**	$87	**Years Of Dividend Growth:**	7
Dividend Risk Score:	D	**Retirement Suitability Score:**	F	**Rating:**	Hold

Overview & Current Events

Albany International is a leading developer and manufacturer of engineered components. It uses advanced materials processing and automation capabilities and operates in two segments: Machine Clothing and Engineered Composites. The former involves the production of consumable belts that are essential for the manufacture of all grades of paper products. The latter involves the production of advanced materials-based engineered components for demanding aerospace applications. The solutions of the company render aircraft lighter and improve the fuel efficiency of engines. Albany International operates 30 facilities in 13 countries. It was founded in 1895, it is headquartered in Rochester, New Hampshire, and trades with a market capitalization of $2.4 billion.

On February 26th, 2025, Albany International reported financial results for the fourth quarter of fiscal 2024. Revenue decreased -11% over the prior year's quarter due to a sharp decrease of sales across commercial and defense programs in the segment of Engineered Composites. Gross profit decreased -25%, partly due to changes in the expected profitability of long-term contracts. Adjusted earnings-per-share declined -52%, from $1.22 to $0.58, missing the analysts' consensus by $0.08. The company has beaten the analysts' estimates in 18 of the last 21 quarters. Management provided guidance for annual revenue of $1.165-$1.265 billion, implying a -1% decrease at the mid-point, and adjusted earnings-per-share of $3.00-$3.40. We expect earnings-per-share of $3.25 this year.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$1.79	$1.64	$1.03	$2.57	$4.10	$3.05	$3.65	$3.89	$4.06	$3.18	***$3.25***	***$4.35***
DPS	$0.67	$0.68	$0.68	$0.69	$0.73	$0.77	$0.81	$0.88	$1.01	$1.05	***$1.08***	***$1.38***
Shares[1]	32.1	32.2	32.2	32.3	32.3	32.4	32.5	31.3	31.3	31.4	***31.4***	***31.5***

As shown in the above table, Albany International has exhibited a volatile performance record. On the bright side, if it meets our earnings-per-share forecast in 2025, it will have grown its earnings-per-share at a 6.1% average annual rate over the last decade. Even better, the company still has ample room for future growth thanks to some major growth drivers. Its Machine Clothing segment is likely to greatly benefit from the secular growth in the global demand for paper packaging amid the sustained boom in e-commerce. Its segment of Engineered Composites is likely to benefit from the recovery in the production rates of aircraft 737 MAX of Boeing and A320Neo of Airbus.

Albany International invests roughly 10% of its gross profit in R&D every year to create innovative solutions for its customers. Thanks to its innovations, it has steadily enhanced its EBITDA margin, from 25% in 2014 to 35%. It also pursues growth via acquisitions, such as the takeover of Heimbach for €153 million in late 2023, which enhanced the geographic footprint of the company in Europe and Asia and created material synergies. We expect similar acquisitions in the future. Overall, we expect Albany International to grow its earnings-per-share by 6.0% per year on average over the next five years. The company may exceed our expectations but we prefer to have a margin of safety given the volatile performance record of the industrial manufacturer.

[1] In millions.

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Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	20.5	24.6	50.7	26.1	19.1	19.1	22.7	22.4	22.7	27.0	***23.1***	***20.0***
Avg. Yld.	1.8%	1.7%	1.3%	1.0%	0.9%	1.3%	1.0%	1.0%	1.1%	1.2%	***1.4%***	***1.6%***

Excluding 2017, in which depressed earnings caused an abnormally high price-to-earnings ratio, Albany International has traded at an average price-to-earnings ratio of 22.7 over the last decade and 22.8 over the last five years. Given the cyclicality of this business, we assume a fair earnings multiple of 20.0. The stock is now trading at an earnings multiple of 23.1. If it trades at our assumed fair valuation level in five years, it will incur a -2.8% annualized valuation drag.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	37%	41%	66%	27%	18%	25%	22%	23%	25%	33%	***33%***	***32%***

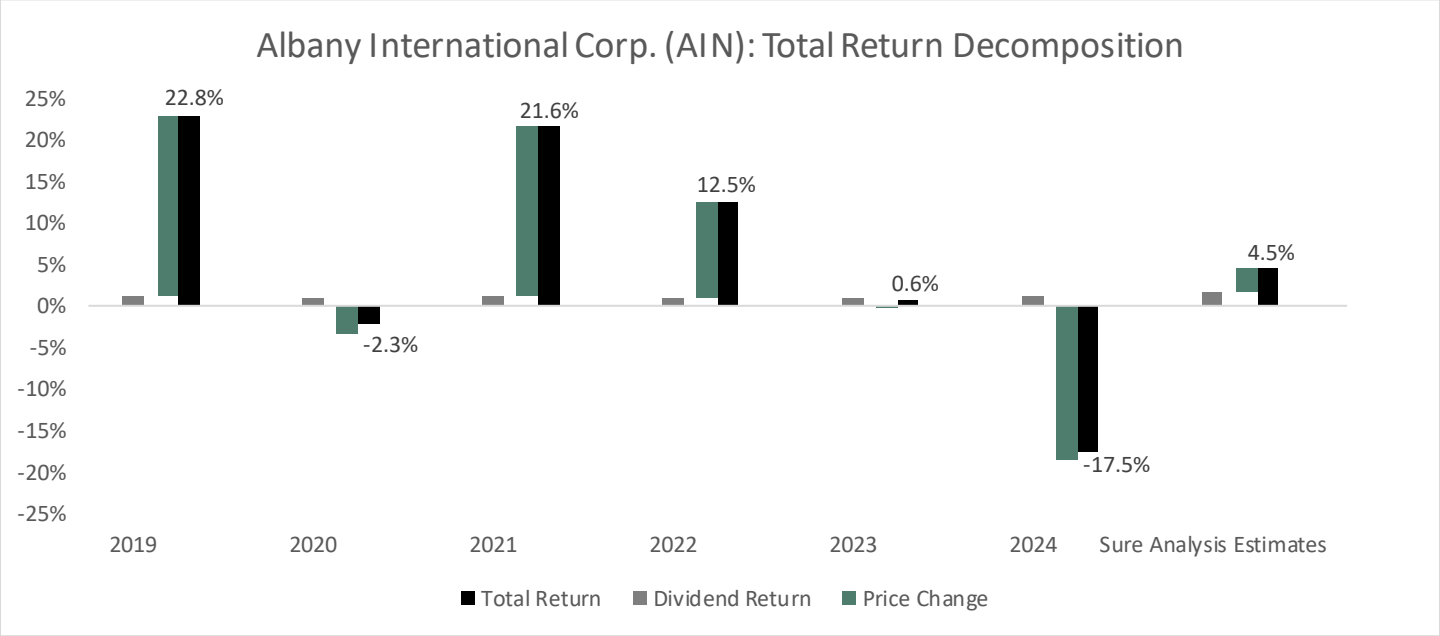
Albany International has raised its dividend for 7 consecutive years. Thanks to its healthy payout ratio of 33% and its promising growth prospects, the company can continue raising its dividend for many more years. On the other hand, the stock is offering a dividend yield of only 1.4% and hence it is not suitable for income-oriented investors.

On the bright side, Albany International has a rock-solid balance sheet. Management has repeatedly stated that it pursues a leverage ratio (Net Debt to EBITDA) below 3.0x but this metric is much better now (0.9x). The company also has a strong interest coverage ratio of 11.5 and net debt of $170 million, which is only 7% of the market cap. The rock-solid balance sheet is a testament to the strength of the business model and the quality of management. Nevertheless, investors should be aware of the cyclicality of this business and its sensitivity to recessions, mostly due to its exposure to the airline industry.

Final Thoughts & Recommendation

Albany International has dramatically underperformed the S&P 500 over the last 12 months (-20% vs. +14%) but it remains richly valued. It could offer just a 4.5% total annual return over the next five years, as 6% growth of earnings and a 1.4% dividend may be partly offset by a -2.8% valuation headwind. The stock receives a hold rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	710	780	864	982	1,054	901	929	1,035	1,148	1,231
Gross Profit	279	301	296	350	398	371	378	390	424	402
Gross Margin	39.3%	38.6%	34.3%	35.6%	37.7%	41.2%	40.7%	37.7%	36.9%	32.6%
SG&A Exp.	146	158	163	158	164	164	160	169	215	211
D&A Exp.	60	67	72	79	71	73	74	69	77	89
Operating Profit	88	103	92	151	196	172	185	181	168	145
Operating Margin	12.4%	13.2%	10.7%	15.4%	18.6%	19.1%	19.9%	17.5%	14.7%	11.8%
Net Profit	57	53	33	83	132	99	118	96	111	88
Net Margin	8.1%	6.8%	3.8%	8.4%	12.6%	10.9%	12.7%	9.3%	9.7%	7.1%
Free Cash Flow	47	7	(23)	50	132	98	164	32	64	137
Income Tax	(6)	25	22	32	45	42	47	35	49	29

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	1,010	1,263	1,361	1,418	1,474	1,550	1,556	1,642	1,835	1,649
Cash & Equivalents	185	182	184	198	196	241	302	292	173	115
Accounts Receivable	123	146	152	211	201	167	168	180	272	231
Inventories	106	134	137	86	95	110	118	139	170	146
Goodwill & Int. Ass.	67	227	222	214	234	234	221	212	225	214
Total Liabilities	507	752	788	810	772	730	678	775	868	700
Accounts Payable	27	43	45	52	65	49	69	70	87	66
Long-Term Debt	266	485	516	525	424	398	350	439	457	319
Shareholder's Equity	499	508	570	605	699	816	874	863	961	944
LTD/E Ratio	0.53	0.96	0.91	0.87	0.61	0.49	0.40	0.51	0.48	0.34

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	5.6%	4.6%	2.5%	6.0%	9.2%	6.5%	7.6%	6.0%	6.4%	5.0%
Return on Equity	11.3%	10.4%	6.1%	14.0%	20.2%	13.0%	14.0%	11.0%	12.1%	9.1%
ROIC	7.4%	6.0%	3.2%	7.5%	11.7%	8.4%	9.7%	7.6%	8.1%	6.5%
Shares Out.	32.1	32.2	32.2	32.3	32.3	32.4	32.5	31.3	31.3	31.3
Revenue/Share	22.12	24.24	26.79	30.42	32.64	27.83	28.62	32.90	36.70	39.27
FCF/Share	1.48	0.23	(0.73)	1.54	4.10	3.02	5.05	1.01	2.03	4.38

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

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