



Alamo Group (ALG)

Updated February 28th, 2025 by Nikolaos Sismanis

Key Metrics

Current Price:	\$175	5 Year CAGR Estimate:	14.1%	Market Cap:	\$2.11 B
Fair Value Price:	\$186	5 Year Growth Estimate:	12.0%	Ex-Dividend Date:	04/15/2025 ¹
% Fair Value:	94%	5 Year Valuation Multiple Estimate:	1.3%	Dividend Payment Date:	04/29/2025
Dividend Yield:	0.7%	5 Year Price Target	\$328	Years Of Dividend Growth:	11
Dividend Risk Score:	C	Retirement Suitability Score:	D	Rating:	Buy

Overview & Current Events

Alamo is a leading designer, manufacturer, and service provider of high-quality equipment for vegetation management and infrastructure maintenance, serving governmental, industrial, and agricultural markets. Its extensive product lineup includes tractor-mounted and self-propelled mowers, zero-turn mowers, agricultural implements, forestry and wood recycling equipment, street sweepers, vacuum trucks, and snow removal equipment. Alamo operates 29 plants across North America, South America, Europe, and Australia to produce this equipment. Its products are primarily sold through a network of independent dealers and distributors to government entities, contractors, and commercial customers, with North America, South America, Europe, and Australia as its key markets. Founded in 1969 and headquartered in Seguin, Texas, Alamo generated \$1.69 billion in revenues last year.

On January 2nd, 2025, Alamo raised its dividend by 15.4% to a quarterly rate of \$0.30 per share.

On February 27th, 2025, Alamo released its Q4 and full year results for the period ending December 31st, 2024. For the period, sales declined by 7.7% to \$385.3 million. This was driven by industrial equipment sales growing by 11.0%, which was more than offset by vegetation management sales falling by 25.5%. Backlog is healthy at \$728.8 million. Adjusted EPS was \$2.39 for Q4, down from \$2.63 last year. For the year, EPS adjusted EPS was \$10.12 and GAAP EPS was \$9.69. For FY2025 we expect EPS of \$10.35. All past figures in our table are in GAAP.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$3.81	\$3.50	\$3.84	\$6.30	\$5.38	\$4.91	\$6.78	\$8.58	\$11.42	\$9.69	\$10.35	\$18.24
DPS	\$0.32	\$0.36	\$0.40	\$0.44	\$0.48	\$0.52	\$0.56	\$0.72	\$0.88	\$1.04	\$1.20	\$2.11
Shares²	11.3	11.4	11.5	11.7	11.7	11.8	11.8	11.9	11.9	12.0	12.0	13.0

Alamo EPS growth over the past decade can be mainly attributed to the company's serial-acquisition and integration strategy, organic growth demand, and operational efficiencies. In 2015 and 2017, EPS was relatively stable, hovering around \$3.50, as Alamo focused on smaller acquisitions and refining its operations. The acquisition of Fieldquip in 2014, a manufacturer of rotary cutters and a distributor of various lifestyle products expanded Alamo's presence in Australia and was one of the most noteworthy buyouts at the time.

In 2018, EPS saw a significant jump to \$6.30. This growth was largely driven by the acquisition of Santa Isabel Agro Industria, which strengthened Alamo's position in Brazil's vast agricultural market, and the acquisition of Old Dominion Brush Company. The latter diversified Alamo's product portfolio with leaf collection equipment and replacement brooms for street sweepers, both of which are sold to municipalities.

The years 2019 and 2020 were marked by fluctuations in EPS, with a slight decline to \$4.91 by 2020. This period included the pivotal acquisition of Morbark, which improved Alamo's portfolio in the forestry and recycling sectors. However, the COVID-19 pandemic's impact on global markets caused a temporary setback in the company's earnings.

¹ Estimated dates based on past dividend dates.

² Share count is in millions.

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Recovery began in 2021, with EPS climbing to \$6.78, supported by the successful integration of Morbark and the broader market recovery post-pandemic. The acquisition of Timberwolf in 2021 further contributed to this growth by bolstering Alamo's offerings in the wood chipping market. By 2022, EPS had risen to \$8.58, reflecting rising demand and internal efficiencies, while in 2023 EPS hit a new record at \$11.42. It then normalized to \$9.69 in 2024 due to products from the forestry, tree care and agricultural markets exhibiting softness.

We believe Alamo's medium-term growth will be powered by continued focus on acquisitions, rising infrastructure spending globally, and improving operational efficiencies. We have set an annual growth rate of 12% in our estimates.

Alamo has raised its dividend every year since 2014, achieving a 14% CAGR over the past decade. Payouts were stable from 2013 to 2014, resetting its growth track record. Previously, it remained flat from 2000 to 2012 and was cut in 1999.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	13.3	16.7	21.9	15.8	18.4	22.9	20.8	16.2	14.4	19.4	16.9	18.0
Avg. Yld.	0.6%	0.6%	0.5%	0.4%	0.5%	0.5%	0.4%	0.5%	0.5%	0.6%	0.7%	0.6%

Alamo's valuation has historically fluctuated between the mid-teens and low 20s, in-line with its earnings growth during different periods. Currently, the stock trades at about 16.9 times our projected EPS for the year, which we think slightly undervalues the stock. The dividend yield has been tiny over the years. We anticipate this trend will continue, despite the company's strong potential for dividend growth.

Safety, Quality, Competitive Advantage, & Recession Resiliency

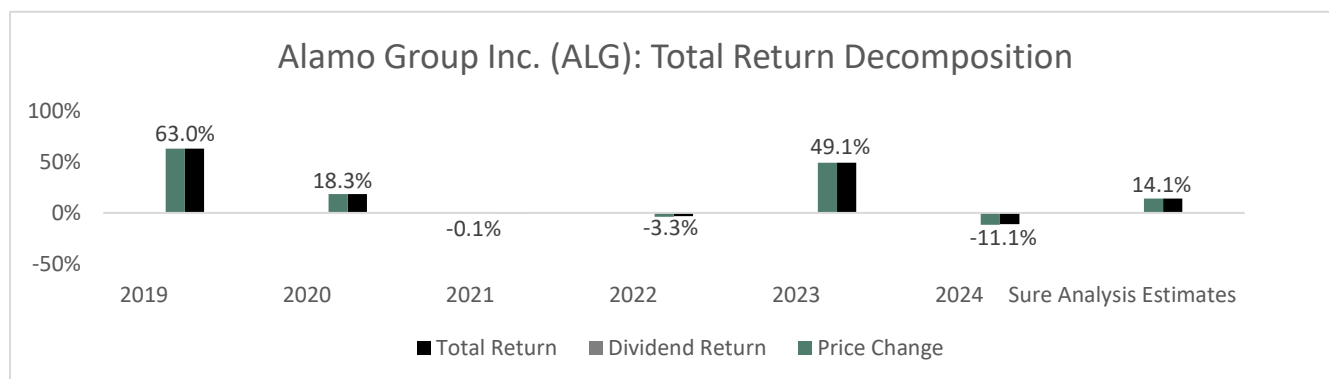
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	8%	10%	10%	7%	9%	11%	8%	8%	8%	11%	12%	12%

Alamo Group has strong competitive advantages, including a diverse product portfolio, a global presence, and a focus on niche markets like vegetation management and infrastructure maintenance. Its serial acquisition strategy has expanded its offerings and fortified its market position, creating a solid moat. Also, its customer base, particularly in government adds stability, contributing to its resilience during economic downturns. Evidently, Alamo remained profitable during the Great Financial Crisis and quickly recovered from the COVID-19 pandemic. However, it remains somewhat vulnerable to economic cycles, particularly in sectors reliant on government spending. In any case, we believe its dividend is very safe.

Final Thoughts & Recommendation

Alamo has managed to grow consistently over the years, executing a proven serial-acquisition strategy. We expect that the company's strong momentum will be sustained moving forward, with EPS and DPS estimated to grow at a CAGR of 12%. Along with the tiny yield, we project annualized returns of 14.1% through 2030. Thus, shares earn a buy rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	839	880	845	912	1,009	1,119	1,163	1,334	1,514	1,690
Gross Profit	189	202	205	235	256	273	294	335	377	454
Gross Margin	22.6%	23.0%	24.3%	25.7%	25.4%	24.4%	25.2%	25.1%	24.9%	26.8%
SG&A Exp.	127	136	137	143	152	173	184	203	213	240
D&A Exp.	13	22	21	20	23	30	44	44	47	48
Operating Profit	63	67	68	89	101	95	95	117	149	198
Operating Margin	7.5%	7.6%	8.0%	9.7%	10.0%	8.5%	8.1%	8.8%	9.8%	11.7%
Net Profit	41	43	40	44	73	63	58	80	102	136
Net Margin	4.9%	4.9%	4.7%	4.9%	7.3%	5.6%	5.0%	6.0%	6.7%	8.1%
Free Cash Flow	20	37	66	57	(14)	57	166	24	(17)	93
Income Tax	19	24	22	38	21	21	22	29	32	39

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	633	604	553	640	722	1,213	1,122	1,206	1,309	1,409
Cash & Equivalents	40	27	17	25	34	42	50	42	47	52
Accounts Receivable	175	178	170	206	228	238	209	238	318	362
Inventories	166	151	136	156	177	268	243	321	353	377
Goodwill & Int. Ass.	133	128	125	138	132	404	388	386	367	375
Total Liabilities	295	243	165	191	214	643	487	500	523	477
Acct. Payables	48	45	43	56	54	82	75	101	98	100
Long-Term Debt	191	144	70	60	85	444	285	270	302	235
Shareholder's Equity	338	360	388	449	507	570	635	706	785	933
LTD/E Ratio	0.56	0.40	0.18	0.13	0.17	0.78	0.45	0.38	0.38	0.25

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	7.7%	7.0%	6.9%	7.4%	10.8%	6.5%	5.0%	6.9%	8.1%	10.0%
Return on Equity	12.0%	12.4%	10.7%	10.6%	15.4%	11.7%	9.6%	12.0%	13.7%	15.9%
ROIC	9.4%	8.4%	8.3%	9.2%	13.3%	7.9%	6.0%	8.5%	9.9%	12.1%
Shares Out.	11.9	11.3	11.4	11.5	11.7	11.7	11.8	11.8	11.9	11.9
Revenue/Share	69.69	76.60	73.04	78.10	85.78	94.84	98.22	112.16	126.83	140.96
FCF/Share	1.69	3.22	5.71	4.91	(1.17)	4.86	14.05	2.05	(1.41)	7.79

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

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