Cognex Corporation (CGNX)

Updated March 1st, 2025 by Prakash Kolli

Key Metrics

Current Price:	$33	**5 Year CAGR Estimate:**	0.7%	**Market Cap:**	$5.57B
Fair Value Price:	$22	**5 Year Growth Estimate:**	8.0%	**Ex-Dividend Date:**	02/27/25
% Fair Value:	151%	**5 Year Valuation Multiple Estimate:**	-7.9%	**Dividend Payment Date:**	03/13/25
Dividend Yield:	1.0	**5 Year Price Target**	$32	**Years Of Dividend Growth:**	9
Dividend Risk Score:	D	**Retirement Suitability Score:**	F	**Rating:**	Sell

Overview & Current Events

Cognex Corporation was founded in 1981, and it went public in 1989. The company focuses on industrial automation leveraging its machine vision systems, sensors, and software. The products are used to inspect and verify parts and assemblies in semiconductor, electronics, and general manufacturing. The product portfolio consists of In-Sight vision system and sensors, VisionPro software, DataMan barcode readers and verifiers, and QuickBuild software. Revenue is divided into Automotive (25%), Logistics (20%), Consumer Electronics (20%), and Other (35%). Cognex has acquired Moritex (2023) and SAC Sirius Advanced Cybernetics (2022). Total sales were $915M in 2024.

Cognex reported Q4 2024 results on February 12th, 2025. After demand bounced back during and after the pandemic, the company is now experiencing significant weakness. Although the semiconductor, medical, and logistics markets are growing, the automotive and EV battery markets are facing difficulties. Expanded sales efforts are impacting margins.

Net sales increased 17% to $230M from $197M on a year-over-year basis but declined sequentially. Adjusted earnings per share climbed 84% to $0.20 in Q4 2024 from $0.11 in Q4 2023 but was flat sequentially from $0.20. Diluted earnings per share increased to $0.16 from $0.07 in the prior year but declined by $0.01 from the preceding quarter. Automotive end market sales are down, Logistics and the Semiconductor businesses are experiencing continued strength.

The Moritex acquisition is adding to the top and bottom lines by increasing revenue growth by about 5%.

Cognex set first quarter guidance at about $200M - $220M in revenue and high-60% adjusted gross margins.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$0.69	$0.86	$1.45	$1.24	$0.78	$1.09	$1.50	$1.31	$0.73	$0.74	***$0.87***	***$1.28***
DPS	$0.105	$0.148	$0.167	$0.185	$0.205	$0.225	$0.246	$0.265	$0.285	$0.305	***$0.32***	***$0.45***
Shares[1]	176.0	174.1	179.6	177.4	175.3	176.6	179.9	174.9	173.4	172.6	***172.2***	***170.0***

Cognex's revenue has trended up over the past decade, interrupted by periods of reduced demand from end users during economic or manufacturing slowdowns, such as from 2018 to 2019 and 2022 to 2023. Earnings per share have followed a similar trend, but fixed costs result in more volatility compared to revenue. The company is growing through acquisitions, especially in deep learning for industrial automation. Cognex is implementing AI-assisted labeling in VisionPro and AI-driven optical character recognition as growth drivers. It is also expanding the sales force to reach underpenetrated customers. That said, the company's revenue and EPS are cyclical, and growth is tied mainly to customer capital expenditures.

We have set our earnings per share growth estimate to 8% out to fiscal 2030 accounting for inflation, economic cycles, and customer demand. But growth will be uneven. Cognex initiated a dividend in 2015 and has increased it annually since then. We have set our estimated growth rate to 7% to FY 2030. The moderate payout ratio of approximately 35% suggests more increases to come and should provide some confidence about safety.

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[1] Share count in millions.

Disclosure: None.

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Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	25.7	34.7	39.7	29.5	68.2	72.1	50.9	35.5	56.8	52.0	***37.7***	***25.0***
Avg. Yld.	2.0%	1.1%	1.0%	0.8%	1.8%	1.2%	1.3%	1.8%	1.5%	0.9%	***1.0%***	***1.4%***

Cognex' stock price is down since second quarter results on a weaker outlook. The company's growth is being impacted by low demand from automotive, EV battery, and consumer electronics manufacturers. We set our 2025 earnings estimate at consensus. We believe a reasonable long-term earnings multiple is 25X, lower than the trailing 10-year average, but accounting for cyclicality. Our fair value estimate is $22. Our 5-year price target is $32.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	15%	17%	12%	15%	26%	21%	16%	20%	39%	41%	***37%***	***35%***

Cognex' main competitive advantage is its intellectual property portfolio and early mover advantage in machine vision. The firm benefits from a well-known suite of products that have a lengthy operating history. The firm's lack of debt and cash position help it acquire companies to maintain its technical edge.

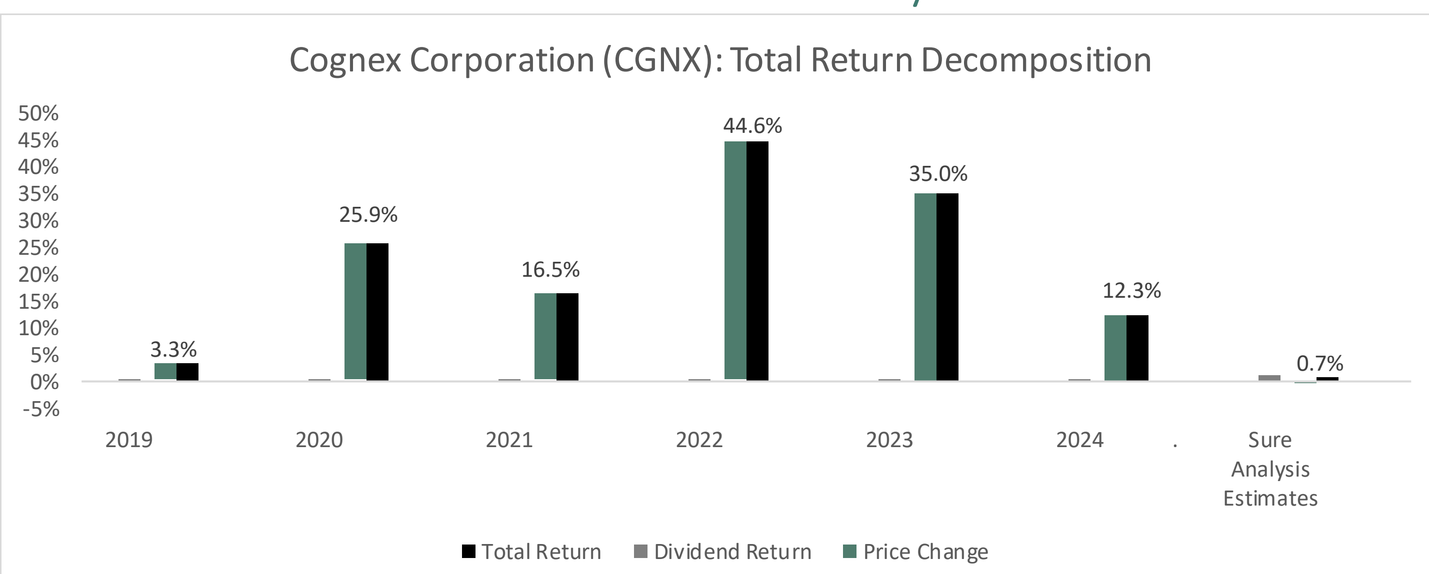
However, Cognex is dependent on customer capital expenditures for growth. In the past, sales have been cyclical, leading to revenue declines and even steeper percentage drops in earnings per share. Consequently, the firm is not recession resistant. Revenue and earnings decreased during the Great Recession and the COVID-19 pandemic. Other concerns are the impact of inflation and high interest rates on customers.

The firm carries no long-term debt and has a net cash position.

Final Thoughts & Recommendation

At present, we are forecasting a 0.7% annualized total return for the next five years from a dividend yield of 1.0%, 8.0% EPS growth, and -7.9% P/E multiple contraction. Despite Cognex's growth in logistics, semiconductors, and medical, the firm is faced with lower demand in the key automotive and EV battery markets. Moreover, inflation and interest rates are likely affecting customers and operating expenditures are trending higher. As a result, customer capital expenditures are lower. At the current share price, we maintained our Sell 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	451	530	766	806	726	811	1,037	1,006	838	915
Gross Profit	348	398	579	600	536	605	760	722	601	626
Gross Margin	77.2%	75.2%	75.6%	74.4%	73.8%	74.5%	73.3%	71.8%	71.8%	68.4%
SG&A Exp.	157	166	221	263	274	268	309	312	339	371
D&A Exp.	14	15	17	22	25	27	20	20	22	33
Operating Profit	122	154	259	221	143	206	315	269	123	115
Op. Margin	27.0%	29.1%	33.8%	27.4%	19.7%	25.4%	30.4%	26.7%	14.7%	12.6%
Net Profit	187	144	177	219	204	176	280	216	113	106
Net Margin	41.5%	27.1%	23.1%	27.2%	28.1%	21.7%	27.0%	21.4%	13.5%	11.6%
Free Cash Flow	100	169	196	186	232	229	299	224	90	134
Income Tax	19	18	90	15	(41)	11	39	35	22	25

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	888	1,039	1,288	1,290	1,886	1,801	2,004	1,958	2,018	1,993
Cash & Equivalents	52	80	107	108	171	269	186	181	203	186
Acct. Recv.	43	55	119	119	103	126	130	125	114	143
Inventories	37	27	68	83	60	61	113	122	162	158
Goodwill & Int. Ass.	88	104	126	123	283	260	254	255	506	476
Total Liabilities	62	76	192	154	530	539	574	520	513	475
Accounts Payable	8	10	23	16	18	16	44	27	21	38
Long-Term Debt	-	-	-	-	-	-	-	-	-	-
Shareholder's Equity	826	963	1,096	1,135	1,356	1,262	1,430	1,438	1,505	1,518
LTD/E Ratio	-	-	-	-	-	-	-	-	-	-

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	21.9%	14.9%	15.2%	17.0%	12.8%	9.6%	14.7%	10.9%	5.7%	5.3%
Return on Equity	24.0%	16.1%	17.2%	19.7%	16.4%	13.5%	20.8%	15.0%	7.7%	7.0%
ROIC	24.0%	16.1%	17.2%	19.7%	16.4%	13.5%	20.8%	15.0%	7.7%	7.0%
Shares Out.	170.7	173.3	172.3	171.2	173.5	176.5	173.4	172.2	171.6	172.6
Revenue/Share	2.56	3.04	4.27	4.55	4.14	4.59	5.76	5.75	4.83	5.30
FCF/Share	0.57	0.97	1.09	1.05	1.32	1.30	1.66	1.28	0.52	0.78

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