HNI Corporation (HNI)

Updated March 9th, 2025 by Nathan Parsh

Key Metrics

Current Price:	$45	**5 Year CAGR Estimate:**	9.4%	**Market Cap:**	$2.1 billion
Fair Value Price:	$48	**5 Year Growth Estimate:**	5.5%	**Ex-Dividend Date:**	05/23/25[1]
% Fair Value:	93%	**5 Year Valuation Multiple Estimate:**	1.4%	**Dividend Payment Date:**	06/12/25[2]
Dividend Yield:	2.9%	**5 Year Price Target**	$63	**Years Of Dividend Growth:**	13
Dividend Risk Score:	B	**Retirement Suitability Score:**	B	**Rating:**	Hold

HNI Corporation was founded in 1944 as an office furniture manufacturer. The company continues to be a leader in that space as it has expanded its portfolio of brands and added a full array of hearth products including fireplaces, inserts and stoves. HNI generates about $2.5 billion in annual revenues.

On May 13th, 2024, HNI Corporation announced that it was increasing its quarterly dividend 3.0% to $0.33, extending the company's dividend growth streak to 13 consecutive years. The company had distributed the same dividend amount for eight consecutive quarters prior to this increase, but due to the timing of past raises, the dividend growth streak remained intact.

On February 20th, 2025, HNI announced fourth quarter and full year results for the period ending December 28th, 2024. For the quarter, revenue declined 5.5% to $642.5 million, which was $14.5 million less than expected. Adjusted earnings-per-share of $0.87 compared unfavorably to $0.98 in the prior year, but this was $0.13 above estimates. For the year, revenue grew 5.3% to $2.53 billion while adjusted earnings-per-share of $3.06 compared to $2.65 in 2023.

HNI is lapping the comparable periods that included its acquisition of Kimbell International. Organic sales for the company declined 5.1% year-over-year. For the quarter, revenue for the Workplace Furnishings decreased 5.7% to $462.9 million as most customer channels saw weaker demand for products. Organic sales for the segment were lower by 4.0% the year. Residential Building Products generated revenue of $179.6 million, which was 5.0% lower than in Q4 2023 as the remodel-retrofit channel was weak. Orders for both segments were up during the quarter. Management now expects that the synergies from the Kimball acquisition and a new facility in Mexico should yield savings of $0.70 to $0.80 per share over the next two years.

HNI provided guidance for 2025 as well with net sales projected to increase by a low to mid-single-digit figure. We expect that the company will produce earnings-per-share of $3.44 in 2025 which would be a 12.4% increase from the prior year.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$2.58	$2.62	$1.97	$2.41	$2.59	$1.79	$1.63	$2.20	$2.65	$3.06	***$3.44***	***$4.50***
DPS	$1.05	$1.09	$1.14	$1.18	$1.21	$1.22	$1.24	$1.27	$1.28	$1.31	***$1.32***	***$1.61***
Shares[3]	44	44	45	44	43	43	43	43	47	49	***49***	***49***

Because of HNI's extreme cyclicality, earnings-per-share have been volatile over the past decade. Importantly, the trend has been up, but growth has been anything but linear. The company has struggled at times with revenue growth due to its cyclicality, which hurts its growth potential. Since 2015, EPS has a compound annual growth rate of 1.9%, but this accelerates to 14% when looking at just the last five years.

We maintain our earnings-per-share growth estimate of to 5.5% per year through 2030. These results may not occur in a linear fashion, but if the company is able to see a reversal in slowing in the Residential Building Products, HNI looks

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[1] Estimated ex-dividend date
[2] Estimated dividend payment date
[3] In millions of shares

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setup for further growth. We see the dividend continuing to rise as well despite the recent pause, given HNI's track record of returning excess cash to shareholders. We forecast dividends per share of $1.61 or so by 2030.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	18.7	16.7	21.2	16.0	14.0	17.5	25.8	12.9	15.8	16.5	***13.1***	***14.0***
Avg. Yld.	2.2%	2.5%	2.7%	3.0%	3.3%	3.9%	2.9%	4.5%	3.0%	2.6%	***2.9%***	***2.6%***

HNI's price-to-earnings multiple has experienced volatility over the last decade, which is something you would expect for a cyclical stock. We are reaffirming our 2030 target price-to-earnings ratio of 14. Shares have declined $5, or 10%, since our October 30th, 2024 report. Based on the current price and earnings estimates for 2025, HNI trades with a P/E ratio of 13.1. Reaching our target valuation by 2030 could lead to a 1.4% annual headwind from multiple compression over this period. Shares offer a current yield of 2.9% which is below the long-term average yield of 3.1%.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	40%	41%	56%	49%	47%	68%	76%	58%	48%	43%	***38%***	***36%***

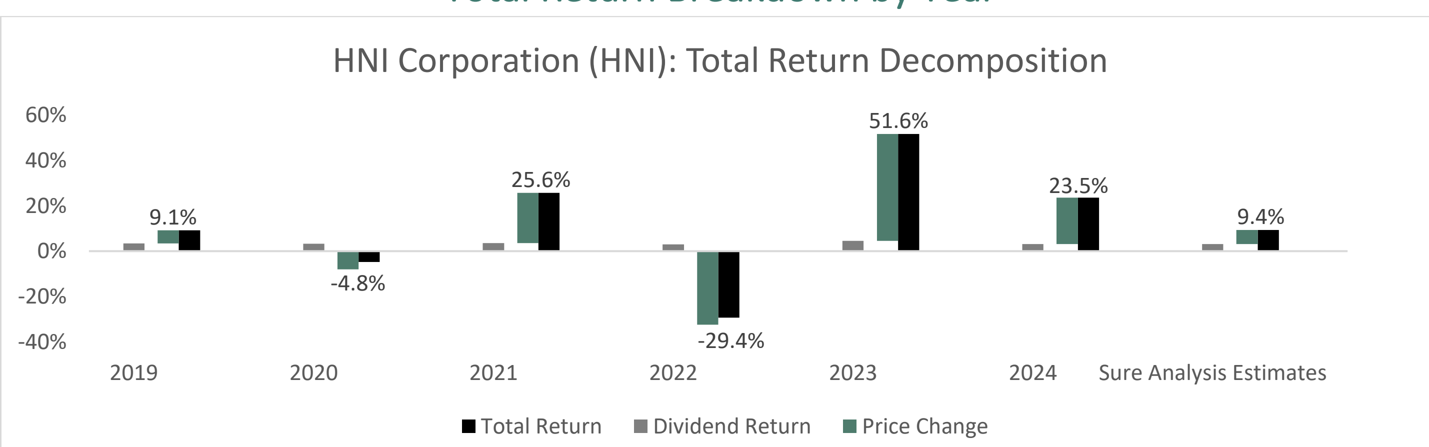
HNI's quality metrics have been somewhat volatile during the past decade but again, its results are expected to be as such. Its balance sheet has looked very much the same in terms of leverage at around 60% debt financing and excluding 2009, its interest coverage has been more than sufficient. The payout ratio has also been reasonable, and we see it moving slightly lower over time as earnings growth outpaces dividend growth by a small margin; this also allows for increased safety of the dividend during the next downturn. Efficiency efforts, price increases, and the closing of the small office furniture business have helped drive margins higher in recent quarters.

HNI's competitive advantage is its scale furniture business, as well as its long operating history and track record with customers. HNI has some of the most recognizable brands in the sector, but that does not save it from recessions; the COVID-19 pandemic caused a sizable downswing in HNI's earnings.

Final Thoughts & Recommendation

After fourth quarter results, HNI Corporation is expected to return 9.4% annually through 2030, up from our prior estimate of 5.6%. Our return projection stems from a 5.5% earnings growth rate, a starting yield of 2.9%, and a small contribution from multiple expansion. HNI had weakness in its business, but cost savings should add materially to EPS over the next few years. Additionally, orders remain positive for both segments. We have raised our five-year target price $5 to $63 due to estimates for the year, but we continue to rate shares of HNI as a hold 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	2,304	2,203	2,176	2,258	2,247	1,955	2,184	2,362	2,434	2,526
Gross Profit	847	835	784	835	834	721	757	835	948	1,033
Gross Margin	36.8%	37.9%	36.0%	37.0%	37.1%	36.9%	34.7%	35.4%	39.0%	40.9%
SG&A Exp.	672	668	672	691	680	621	666	723	813	821
D&A Exp.	58	69	73	75	77	78	83	84	95	108
Operating Profit	175	167	112	144	154	100	92	112	135	213
Operating Margin	7.6%	7.6%	5.2%	6.4%	6.8%	5.1%	4.2%	4.7%	5.6%	8.4%
Net Profit	105	86	90	93	111	42	60	124	49	140
Net Margin	4.6%	3.9%	4.1%	4.1%	4.9%	2.1%	2.7%	5.2%	2.0%	5.5%
Free Cash Flow	58	104	6	123	152	173	65	13	188	174
Income Tax	52	43	(19)	25	32	13	19	23	16	40

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	1,264	1,330	1,392	1,402	1,453	1,418	1,498	1,415	1,929	1,875
Cash & Equivalents	29	36	23	77	52	116	52	17	29	23
Accounts Receivable	243	229	259	255	275	202	237	215	244	246
Inventories	125	118	156	157	163	138	182	180	197	194
Goodwill & Int. Ass.	431	511	491	463	446	459	471	440	652	624
Total Liabilities	787	829	877	839	868	827	908	798	1,167	1,035
Accounts Payable		202	236	221	228	191	234	165	194	190
Long-Term Debt	190	214	277	250	175	175	178	190	436	345
Shareholder's Equity	477	501	514	563	584	590	590	617	761	840
LTD/E Ratio	0.40	0.43	0.54	0.44	0.30	0.30	0.30	0.31	0.57	0.41

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	8.4%	6.6%	6.6%	6.7%	7.7%	2.9%	4.1%	8.5%	2.9%	7.3%
Return on Equity	23.6%	17.5%	17.7%	17.3%	19.3%	7.1%	10.1%	20.5%	7.1%	17.4%
ROIC	16.5%	12.4%	11.9%	11.6%	14.1%	5.5%	7.8%	15.7%	4.9%	11.7%
Shares Out.	44	44	45	44	43	43	43	43	47	49
Revenue/Share	50.71	48.43	48.53	50.94	51.66	45.47	49.65	55.97	53.61	52.09
FCF/Share	1.28	2.28	0.13	2.77	3.51	4.02	1.48	0.30	4.15	3.58

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