Moog Inc. (MOG.B)

Published March 6th, 2025 by Quinn Mohammed

Key Metrics

Current Price:	$166	**5 Year CAGR Estimate:**	7.7%	**Market Cap:**	$5.2 B
Fair Value Price:	$148	**5 Year Growth Estimate:**	9.5%	**Ex-Dividend Date[1]:**	05/09/25
% Fair Value:	112%	**5 Year Valuation Multiple Estimate:**	-2.3%	**Dividend Payment Date[1]:**	05/28/25
Dividend Yield:	0.7%	**5 Year Price Target**	$232	**Years Of Dividend Growth:**	5
Dividend Risk Score:	C	**Retirement Suitability Score:**	F	**Rating:**	Hold

Overview & Current Events

Moog designs, manufactures and integrates advanced motion control systems and precision components for aerospace, defense, industrial, and medical applications. It has operating locations in 20 countries and sells components and motion control systems for use in defense vehicles, missile systems, naval ships, submarines, satellites, spacecraft vehicles, flight controls, actuation systems, and more. Moog was founded in 1951 as Moog Valve Company, is headquartered in East Aurora, New York, and has a market capitalization of $5.2 billion. Moog employs a dual-class capital structure, comprised of Class A shares and Class B shares. Class B shares have one vote each, while Class A shares have tenths of a vote each. A minimum of 25% of the Board is elected by Class A, while Class B elects the remaining members.

The company produced $3.6 billion of revenues in 2024 through its four segments, including space and defense (accounting for 28% of 2024 revenue), industrial (27%), military aircraft (23%), and commercial aircraft (22%).

Moog declared a 4% increase to its quarterly dividend to $0.29 per share on January 24th, 2025, marking five consecutive years of dividend raises.

On January 24th, 2025, Moog reported first quarter 2025 results for the period ending December 28, 2024. (Moog's fiscal year ends on the Saturday closest to September 30th). For the quarter, the company's net sales rose 6% year-over-year to $910 million from $857 million thanks to growth in its aerospace and defense segments. Adjusted EPS rose 16% to $1.78 from $1.53 due to higher sales and a 50-basis point improvement in its adjusted operating margin to 11.8%.

Leadership provided guidance for FY 2025, expecting revenue of $3.7 billion, adjusted operating margin of 13%, and $8.20 of adjusted EPS.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$3.35	$3.47	$3.90	$4.57	$4.96	$4.81	$4.88	$5.56	$6.15	$7.80	***$8.20***	***$12.91***
DPS	-	-	-	$0.75	$1.00	$0.75	$1.00	$1.04	$1.08	$1.12	***$1.16***	***$2.14***
Shares[2]	39.3	36.5	36.2	36.1	35.2	33.4	32.3	32.1	32.0	32.4	***32.2***	***30.6***

Moog has delivered a highly consistent earnings growth rate over the last decade, with a solidly upward trajectory in EPS. Its only year-over-year decline in the last ten years was during 2020, amid the pandemic. The company has increased its EPS by 9.8% and 9.5 CAGR during the last nine and five years, respectively.

We are forecasting 2025 EPS at management's guidance, $8.20, and see 9.5% annualized EPS growth over the next five years.

Higher defense sales are being driven by rising geopolitical tensions, which will accelerate growth in the space and defense and military aircraft segments in the near and medium term. And due to the increasing demand for repairs, Moog is also growing its aftermarket business in its commercial aircraft segment. However, a decline in capital equipment orders is causing softness in its industrial division.

[1] Estimated date.
[2] In millions.

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In 2025, Moog expects sales growth in its space and defense, military aircraft, and commercial aircraft businesses, while it expects a sales downturn in its industrial segment. At the same time, it expects adjusted operating margin growth in all its segments other than commercial aircraft, which will likely see an 80-basis point margin decline.

Moog began paying its dividend in 2018 at $0.25 quarterly, which it raised until the pandemic, when it suspended its dividend for one quarter. Since then, it has increased its dividend every year at a 9.1% CAGR. The company's expected payout ratio for 2025 is very modest at just 14%, and we believe the company can grow its dividend at 9% per year.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	20.2	15.7	19.0	17.9	17.5	14.0	16.6	14.8	17.6	22.5	***20.2***	***18.0***
Avg. Yld.	-	-	-	0.4%	1.1%	1.4%	1.1%	1.3%	1.0%	0.6%	***0.7%***	***0.9%***

Moog has traded in a fairly narrow range of valuation multiples in the last decade, from 14.0 times earnings to 22.5 times earnings. Over the last ten and five years, Moog traded at an average P/E ratio of 17.6 and 17.1, respectively. We peg fair value for the stock at 18.0 times earnings, while it currently trades at 20.2 times earnings. As a result, we forecast a headwind to total returns from valuation contraction. While we expect strong dividend growth in the years ahead, the share price is likely to keep up, thus we don't expect the dividend to rise above 1% in the medium term.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	-	-	-	16%	20%	16%	20%	19%	18%	14%	***14%***	***17%***

Moog benefits from its leading position in precision motion controls, as well as its diversified revenue base, which is exposed to both military and commercial aircraft, as well as space and defense and industrial and medical applications. The products that Moog manufactures are critical components in their applications.

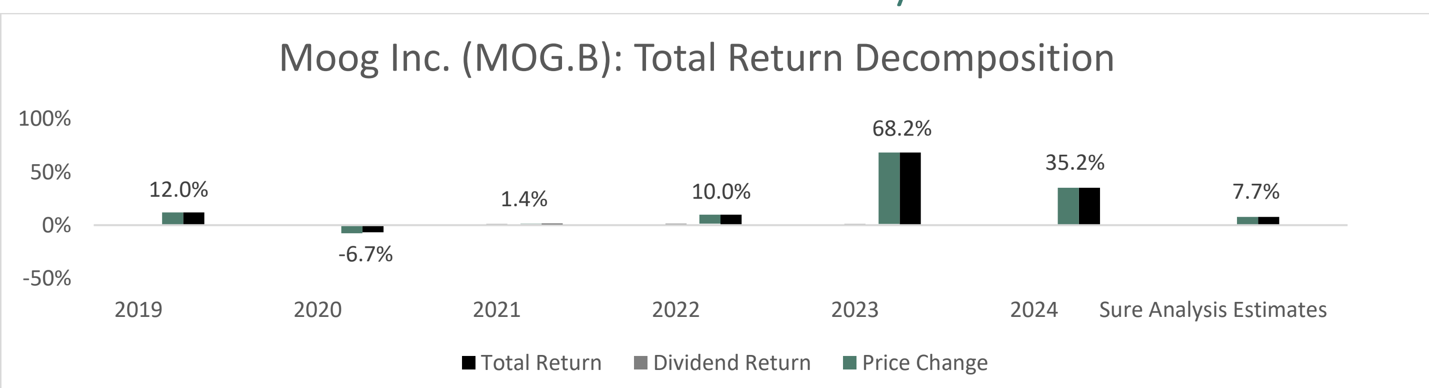
Since it initiated its dividend, Moog's payout ratio has never crept beyond one fifth of earnings. Even now, with a payout ratio of just 14% projected for 2025, Moog is likely to have many years of dividend growth ahead of it.

During the great financial crisis and the pandemic, the share price of MOG.B was slashed by over 50%, demonstrating the volatility of the stock during downturns. Moog even suspended its dividend due to the impact of the pandemic.

Final Thoughts & Recommendation

With geopolitical tensions on the rise, Moog's military aircraft and defense offerings are likely to gain traction. Shares of MOG.B declined by 15% year-to-date, but have increased by 19% in the trailing one-year period. Over the next five years, we see the potential for Moog to generate 7.7% annualized total returns, stemming from 9.5% EPS growth and the 0.7% dividend yield, partly offset by -2.3% P/E multiple compression. MOG.B earns a hold 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.

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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	2,526	2,412	2,498	2,709	2,905	2,885	2,852	3,036	3,319	3,609
Gross Profit	737	712	734	774	816	744	776	821	892	997
Gross Margin	29.2%	29.5%	29.4%	28.6%	28.1%	25.8%	27.2%	27.0%	26.9%	27.6%
SG&A Exp.	371	340	346	388	405	398	412	449	470	495
D&A Exp.	104	99	90	89	85	87	90	88	90	93
Operating Profit	233	224	243	256	285	235	238	263	315	389
Operating Margin	9.2%	9.3%	9.7%	9.4%	9.8%	8.1%	8.4%	8.7%	9.5%	10.8%
Net Profit	132	127	141	95	175	9	157	155	171	207
Net Margin	5.2%	5.3%	5.7%	3.5%	6.0%	0.3%	5.5%	5.1%	5.2%	5.7%
Free Cash Flow	254	149	142	8	63	191	164	107	(37)	46
Income Tax	52	49	41	87	52	(4)	47	48	45	61

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	3,086	3,005	3,091	2,964	3,114	3,226	3,433	3,432	3,808	4,094
Cash & Equivalents	310	325	368	126	90	85	100	102	69	62
Accounts Receivable	405	437	435	452	477	363	396	363	427	389
Inventories	493	479	489	513	535	623	613	588	724	864
Goodwill & Int. Ass.	881	854	883	893	864	907	958	891	893	897
Total Liabilities	2,092	2,017	1,876	1,739	1,792	1,983	2,033	1,995	2,172	2,233
Accounts Payable	166	144	171	207	258	177	201	232	265	293
Long-Term Debt	1,075	1,006	957	863	833	930	904	838	863	874
Shareholder's Equity	995	988	1,214	1,225	1,322	1,243	1,400	1,437	1,636	1,861
LTD/E Ratio	1.08	1.02	0.79	0.70	0.63	0.75	0.65	0.58	0.53	0.47

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	4.2%	4.2%	4.6%	3.1%	5.7%	0.3%	4.7%	4.5%	4.7%	5.2%
Return on Equity	11.3%	12.8%	12.8%	7.8%	13.7%	0.7%	11.9%	10.9%	11.1%	11.9%
ROIC	6.1%	6.2%	6.8%	4.5%	8.2%	0.4%	7.0%	6.8%	7.2%	7.9%
Shares Out.	39.3	36.5	36.2	36.1	35.2	33.4	32.3	32.1	32.0	32.4
Revenue/Share	64.21	66.03	68.94	75.15	82.57	86.27	88.30	94.52	103.58	111.53
FCF/Share	6.45	4.07	3.92	0.22	1.79	5.71	5.09	3.34	(1.17)	1.43

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