



NACCO Industries (NC)

Updated March 11th, 2025 by Nathan Parsh

Key Metrics

Current Price:	\$32	5 Year CAGR Estimate:	9.5%	Market Cap:	\$240 M
Fair Value Price:	\$45	5 Year Growth Estimate:	0.0%	Ex-Dividend Date:	03/03/25
% Fair Value:	71%	5 Year Valuation Multiple Estimate:	7.1%	Dividend Payment Date:	03/17/25
Dividend Yield:	2.8%	5 Year Price Target	\$45	Years Of Dividend Growth:	39
Dividend Risk Score:	B	Retirement Suitability Score:	B	Rating:	Hold

Overview & Current Events

NACCO Industries is a holding company for The North American Coal Corporation, which incorporated in 1913. The company supplies coal from surface mines to power generation companies. NACCO Industries is the largest lignite coal producer in the U.S. and ranks among the top ten of all coal producers. NACCO Industries operates in the states of North Dakota, Texas, Mississippi, Louisiana and on the Navajo Nation in New Mexico. The company produces annual revenues of ~\$240 million. The company has been very active in purchasing and spinning off a wide variety of businesses in its history. In 1988 and 1990, NACCO Industries made several purchases that expanded the business to include housewares. In 2012, NACCO Industries spun off its Materials Handling Group (a combination of Yale Materials Handling Corporation and the Hyster Company). The company spun off its housewares-related business on September 29th, 2017.

On May 16th, 2024, NACCO Industries raised its quarterly dividend 4.6% to \$0.2275.

On March 5th, 2025, NACCO Industries announced fourth quarter and full year results for the period ending December 31st, 2024. For the quarter, revenue grew 24.1% to \$70.4 million while earnings-per-share of \$1.02 compared very favorably to -\$5.88 in the prior year. For the year, revenue grew 10.7% to \$238 million while earnings-per-share of \$4.55 compared to -\$5.29 in 2023.

Coal revenue grew 8.81% to \$20.4 million while total tons delivered improved 10.9%. Unconsolidated coal deliveries grew 14.9% to 5.6 million tons while consolidated coal deliveries declined 16.9% to 570K tons. Deliveries from the North American Mining segment were down by 5.5% to 11.8 million tons while revenue grew 31.8% to \$34.9 million. Mineral Management revenue fell 0.5% to \$9.7 million.

The company expects to see deliveries improve modestly this year with policy conditions expected to be positive for fossil fuels. We have assumed earnings-per-share of \$5.00 for 2025.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$3.13	\$4.32	\$4.14	\$5.00	\$5.66	\$2.10	\$6.69	\$10.06	-\$5.29	\$4.55	\$5.00	\$5.00
DPS	\$1.05	\$1.07	\$0.98	\$0.66	\$0.76	\$0.77	\$0.79	\$0.82	\$0.86	\$0.90	\$0.91	\$1.16
Shares¹	7	7	7	7	7	7	7	7	8	7	7	7

NACCO's earnings-per-share have a compound annual growth rate of 4.2% over the last decade, but this accelerates to 18.9% when looking at just the last five years. However, earnings growth has been varied and erratic over the last decade. Given the volatility of the company, we continue to expect flat earnings growth through 2030. Adjusting for its spin-off history, NACCO Industries has raised its dividend for 39 consecutive years. This is an impressive growth streak given the extreme cyclicalities in the company's earnings history. We expect a dividend growth rate of 5% going forward.

NACCO Industries does have some opportunity for growth. For example, the company entered into an agreement in Q2 2020 to become the exclusive contract miner for the Thacker Pass lithium project in northern Nevada. Construction commenced on March 2nd, 2023 with the production of lithium expected to begin in late 2027.

¹ In millions of shares

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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Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	16.8	14.5	18.2	8.7	8.3	12.5	5.4	3.6	---	6.6	6.4	9.0
Avg. Yld.	2.0%	1.7%	1.3%	1.8%	1.6%	2.9%	2.2%	2.3%	2.4%	3.0%	2.8%	2.6%

Shares of NACCO Industries have increased \$1, or 3.2%, since our November 5th, 2024 report. Focusing on just the 2018 to 2024 period, NACCO Industries shares have traded with an average price to earnings multiple of 7.5. This is above the stock's current P/E of 6.4. Investors are just not willing to pay for a company that has an issue growing earnings consistently. NACCO Industries needs to prove it can reliably grow earnings-per-share before it receives a higher multiple. We maintain our 2030 P/E target of 9.0. Reaching our target valuation could add 7.1% to annual returns over the next five years.

Safety, Quality, Competitive Advantage, & Recession Resiliency

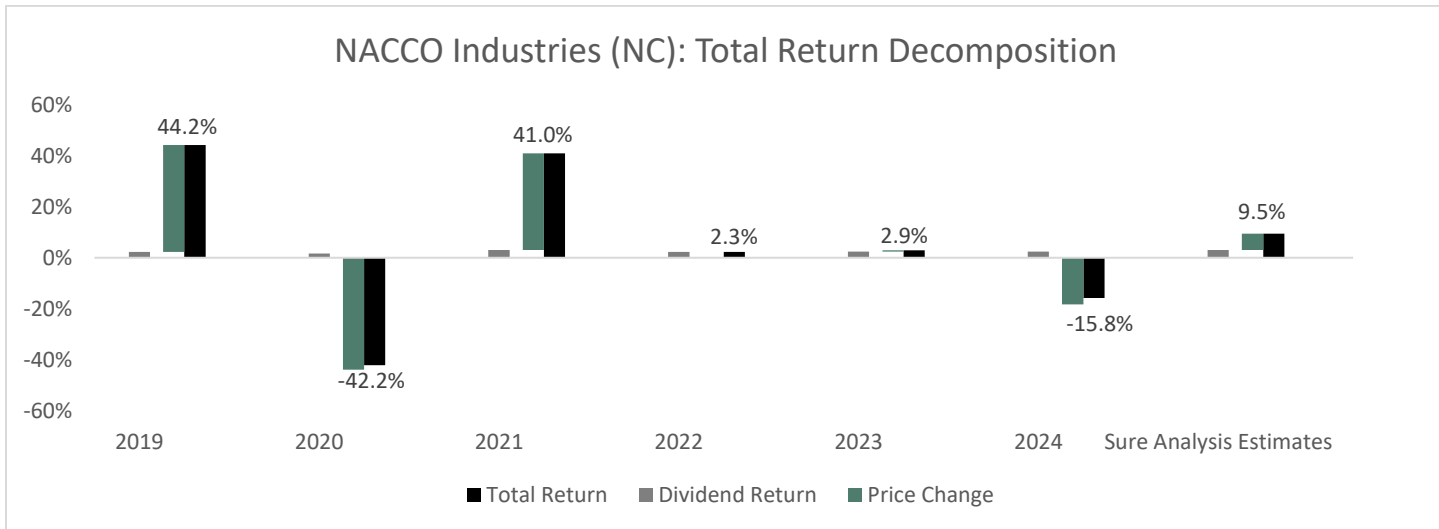
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	34%	25%	24%	13%	13%	37%	12%	8%	---	20%	18%	23%

The previous version of NACCO Industries actually saw earnings improve during the 2007 to 2009 recession, but this is not the same company. NACCO Industries now sees a substantial portion of revenues from coal. As demand for coal fluctuates, so will the company's ability to produce revenue. The company has also kept its payout ratio low in recent years, which is a prudent decision by management as earnings-per-share continues to drop. NACCO Industries' primary competitive advantage is that it does not acquire existing coal mines or mining companies, as this would increase its leverage position. Instead, NACCO Industries focuses on reducing coal production costs and maximizing efficiency and operating capacity at the mine locations.

Final Thoughts & Recommendation

After fourth quarter results, NACCO Industries is expected to return 9.5% annually through 2030, down from our prior estimate of 10.2%. This projected return stems from a starting dividend yield of 2.8% and a high single-digit headwind from multiple expansion. We reaffirm our five-year price target of \$45, but we now view shares of NACCO Industries as a hold due to projected returns. Investors should be aware that the company often has wild swings in its business projections from quarter to quarter. We note again that only investors with a high tolerance for risk should consider owning the name due to the stock's volatile performance.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	148	111	105	135	141	128	192	242	215	238
Gross Profit	(11)	12	17	30	31	17	43	68	15	30
Gross Margin	-7.6%	10.9%	16.1%	22.1%	22.1%	13.2%	22.6%	28.1%	6.8%	12.5%
Operating Profit	40	49	47	49	54	53	56	64	66	70
Operating Margin	(55)	(39)	(34)	(24)	(27)	(40)	(17)	(1)	(58)	(43)
Net Profit	-37.1%	-35.2%	-32.7%	-17.4%	-19.0%	-31.4%	-8.9%	-0.4%	-26.8%	-18.1%
Net Margin	22	30	30	35	40	15	48	74	(40)	34
Free Cash Flow	14.9%	26.7%	29.0%	25.7%	28.1%	11.5%	25.1%	30.7%	-18.4%	14.2%
Income Tax	104	84	26	34	28	(33)	36	25	9	(32)

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	655	668	390	377	445	476	507	568	540	632
Cash & Equivalents	52	69	102	85	123	88	86	111	85	73
Accounts Receivable	114	21	35	29	22	24	31	45	45	55
Inventories	165	29	30	31	40	48	54	71	77	95
Goodwill & Int. Ass.	63	46	44	41	38	35	32	28	6	5
Total Liabilities	454	448	170	126	155	176	155	141	157	227
Accounts Payable	100	11	10	9	10	6	13	13	18	20
Long-Term Debt	170	80	50	11	25	46	21	20	36	100
Shareholder's Equity	201	220	219	251	289	301	352	427	382	405
LTD/E Ratio	0.85	0.36	0.23	0.04	0.09	0.15	0.06	0.05	0.09	0.25

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	3.1%	4.5%	5.7%	9.1%	9.6%	3.2%	9.8%	13.8%	-7.1%	5.8%
Return on Equity	10.7%	14.1%	13.8%	14.8%	14.7%	5.0%	14.7%	19.0%	-9.8%	8.6%
ROIC	5.3%	8.8%	10.6%	13.1%	13.8%	4.5%	13.4%	18.1%	-9.2%	7.3%
Shares Out.	7	7	7	7	7	7	7	7	8	7
Revenue/Share	21.08	16.21	15.24	19.45	20.12	18.20	26.68	32.78	28.72	32.08
FCF/Share	14.75	12.22	3.72	4.84	4.01	(4.63)	4.96	3.42	1.21	(4.37)

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

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