OmegaFlex (OFLX)

Updated March 11th, 2025 by Samuel Smith

Key Metrics

Current Price:	$38.7	**5 Year CAGR Estimate:**	4.7%	**Market Cap:**	$390M
Fair Value Price:	$29	**5 Year Growth Estimate:**	7.5%	**Ex-Dividend Date:**	04/09/25[1]
% Fair Value:	134%	**5 Year Valuation Multiple Estimate:**	-5.7%	**Dividend Payment Date:**	04/24/25[2]
Dividend Yield:	3.5%	**5 Year Price Target**	$41	**Years Of Dividend Growth:**	7
Dividend Risk Score:	F	**Retirement Suitability Score:**	D	**Rating:**	Hold

Overview & Current Events

Omega Flex, Inc. (OFLX) is based in Exton, Pennsylvania and manufactures and sells flexible metal hoses and accessories for residential, commercial, and industrial applications across North America and internationally. Its products include flexible gas piping, medical tubing, and containment piping, marketed under brands like TracPipe, CounterStrike, and MediTrac. Serving industries such as construction, manufacturing, and healthcare, the company distributes its products through representatives, distributors, wholesalers, and direct sales. Founded in 1975 as Tofle America, Inc., it adopted its current name in 1996.

Omega Flex, Inc. reported a decline in both net sales and net income compared to the previous year. For the full year 2024, net sales decreased by 8.8% to $101.68 million from $111.47 million in 2023. This decline was primarily attributed to lower sales unit volumes, largely due to a downturn in housing starts, which impacted the overall market. Net income for 2024 dropped 13.2% to $18.01 million, down from $20.76 million in the prior year. Earnings per share (EPS) for the year stood at $1.78, compared to $2.06 in 2023. In the fourth quarter of 2024, net sales were $26.97 million, a 4.2% decrease from the same period in the previous year. The company reported a net income of $4.68 million for the quarter, resulting in an EPS of $0.46, slightly lower than the $0.48 reported in the fourth quarter of 2023. Despite these challenges, Omega Flex maintained a strong financial position, with cash and cash equivalents increasing to $51.7 million from $46.4 million, primarily due to income generated from operations. The company also paid dividends totaling $13.53 million during 2024.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$1.44	$1.32	$1.49	$1.64	$1.40	$1.64	$2.17	$1.92	$1.71	$1.51	***$1.60***	***$2.30***
DPS	$0.00	$0.00	$0.66	$0.94	$1.08	$1.12	$1.18	$1.26	$1.31	$1.36	***$1.36***	***$1.55***
Shares	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1	***10.1***	***10.1***

We expect OmegaFlex to grow its earnings per share at an 8.3% CAGR over the next half-decade. The main drivers will be continued product innovation and diversification as it develops new products to replace traditional rigid piping systems, cutting costs and improving operating efficiencies, and increasing its total addressable market. That said, the company faces risks to its growth initiatives as it is susceptible to supply chain disruptions, significant market competition, and broader macroeconomic conditions.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	8.6	10.2	9.8	9.6	12.0	9.4	8.1	9.7	11.4	13.8	***24.2***	***18.0***
Avg. Yld.	0.0%	0.0%	4.5%	6.0%	6.4%	7.3%	6.7%	6.7%	6.7%	6.5%	***3.5%***	***3.8%***

[1] Estimate

[2] Estimate

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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OmegaFlex is currently trading at a P/E ratio of 24.2, significantly above its 10-year historical average of 11.1-12.0. This suggests the stock is priced at a premium, likely due to strong earnings growth or investor optimism. The dividend yield of 3.5% is lower than past levels, indicating that price appreciation has outpaced dividend growth. Looking forward, if earnings remain strong, the P/E multiple could stabilize between 18-22, but a slowdown in growth may cause it to contract toward 15-18. Over the next five years, a reasonable valuation range would be 15-20, depending on economic conditions and earnings performance.

Safety, Quality, Competitive Advantage, & Recession Resiliency

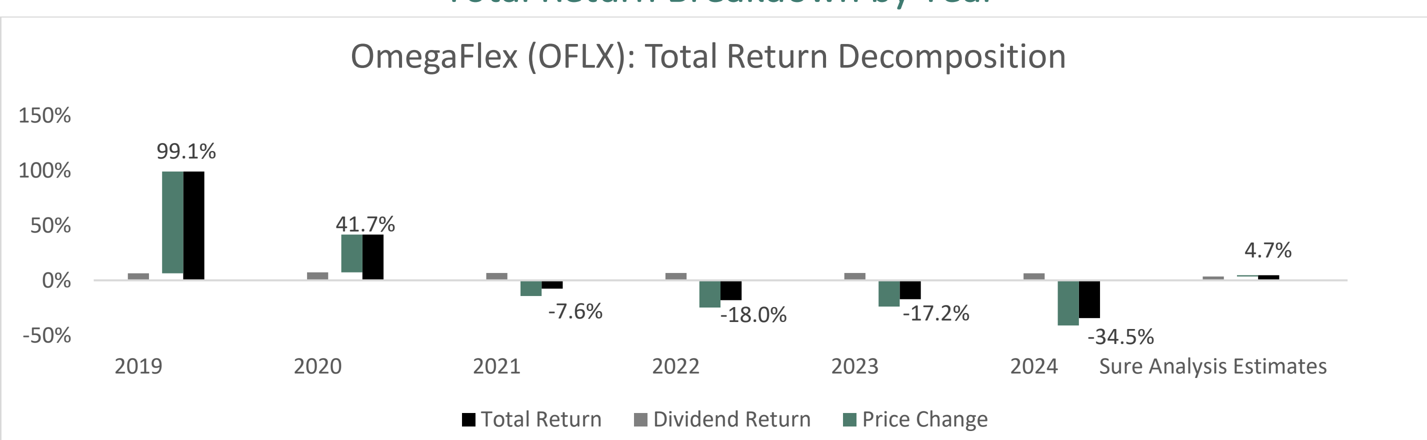
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	0%	0%	44%	57%	77%	68%	54%	66%	77%	90%	***85%***	***67%***

OmegaFlex benefits from a strong competitive advantage due to its leadership in flexible gas piping systems, offering innovative and regulatory-compliant solutions for residential, commercial, and industrial applications. The company has built a solid reputation through proprietary products, long-term customer relationships, and steady demand driven by safety regulations. During the Great Recession, OmegaFlex remained relatively stable due to the essential nature of its products, though it faced some construction-related slowdowns. The company also navigated the COVID-19 downturn well, benefiting from the housing boom and infrastructure spending. Its niche market positioning ensures resilience, but industry slowdowns could still impact demand. OmegaFlex maintains a strong balance sheet with minimal debt, ensuring financial flexibility and reducing interest rate risk. The company generates steady cash flow, allowing it to fund operations, dividends, and reinvestments without relying on excessive leverage. This capital-light model provides stability, making it well-positioned to withstand economic downturns. With strong liquidity and interest coverage, OmegaFlex has the ability to invest in growth initiatives while maintaining shareholder returns. While its financial position remains solid, future expansion will depend on maintaining earnings momentum. The company's low debt profile mitigates financial risk, making it a relatively safe investment despite its high valuation. OmegaFlex's payout ratio has increased significantly, reaching 90% in 2024 compared to 44-57% in prior years. This suggests that most of its earnings are being distributed to shareholders rather than reinvested for growth. While a high payout ratio supports dividend stability in the short term, it limits the potential for future increases unless earnings continue rising. If profitability weakens, the company may need to adjust payouts to preserve capital. With earnings growth, the payout ratio could moderate to 70-80%, maintaining dividend stability.

Final Thoughts & Recommendation

Between OFLX's 3.5% dividend yield, expected 7.5% CAGR over the next 5 years, and expected -5.7% valuation multiple CAGR over that same period, we expect a 4.7% total return CAGR over the next half decade, making it a Hold.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	93	94	102	108	111	106	130	125	111	102
Gross Profit	57	58	62	66	70	67	82	78	68	62
Gross Margin	61.3%	61.5%	60.7%	61.0%	63.3%	62.9%	62.7%	62.4%	61.3%	61.2%
SG&A Exp.	31	33	34	35	44	36	42	43	39	37
D&A Exp.	0	0	1	1	1	1	1	1	1	1
Operating Profit	24	22	24	26	22	27	35	31	26	22
Operating Margin	25.2%	23.3%	23.8%	24.3%	19.7%	25.2%	27.0%	24.7%	23.1%	21.2%
Net Profit	16	14	16	20	17	20	26	24	21	18
Net Margin	16.9%	15.3%	15.4%	18.6%	15.5%	18.8%	20.1%	18.8%	18.6%	17.7%
Free Cash Flow	13	15	15	19	15	19	24	14	22	19
Income Tax	8	7	8	6	5	7	9	7	7	6

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	66	71	77	87	61	72	89	98	100	106
Cash & Equivalents	30	35	38	32	16	24	33	38	46	52
Accounts Receivable	17	15	16	16	17	20	21	18	15	14
Inventories	8	7	8	8	11	12	16	18	16	15
Goodwill & Int. Ass.	4	4	4	4	4	4	4	4	4	4
Total Liabilities	25	25	21	21	23	25	28	27	21	23
Accounts Payable	2	2	3	3	2	2	3	2	2	3
Long-Term Debt	-	-	-	-	-	-	-	-	-	-
Shareholder's Equity	41	46	55	66	37	46	60	71	79	83
LTD/E Ratio	-	-	-	-	-	-	-	-	-	-

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	26.0%	21.0%	21.2%	24.6%	23.4%	30.0%	32.6%	25.3%	21.0%	17.5%
Return on Equity	42.0%	33.0%	30.7%	32.9%	33.3%	47.4%	49.0%	35.9%	27.7%	22.2%
ROIC	42.0%	33.0%	30.7%	32.9%	33.3%	47.4%	49.0%	35.9%	27.7%	22.2%
Shares Out.	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1	10.1
Revenue/Share	9.24	9.32	10.09	10.73	11.03	10.48	12.88	12.43	11.04	10.07
FCF/Share	1.25	1.44	1.48	1.90	1.47	1.86	2.40	1.42	2.16	1.87

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