Toll Brothers, Inc. (TOL)

Published March 4th, 2025 by Quinn Mohammed

Key Metrics

Current Price:	$110	**5 Year CAGR Estimate:**	11.6%	**Market Cap:**	$11 B
Fair Value Price:	$120	**5 Year Growth Estimate:**	9.0%	**Ex-Dividend Date[1]:**	04/04/25
% Fair Value:	92%	**5 Year Valuation Multiple Estimate:**	1.7%	**Dividend Payment Date:**	04/19/25
Dividend Yield:	0.8%	**5 Year Price Target**	$184	**Years Of Dividend Growth:**	5
Dividend Risk Score:	C	**Retirement Suitability Score:**	D	**Rating:**	Buy

Overview & Current Events

Toll Brothers, Inc. is a leading U.S. luxury home builder, the 4th largest by revenues. The company builds homes in more than 60 markets across 24 states. It also operates architectural, engineering, mortgage, title, land development, insurance, home technology and landscape subsidiaries, and develops master-planned and golf course communities. Toll Brothers was founded in 1967, is headquartered in Fort Washington, Pennsylvania, and has a market capitalization of $11 billion. It delivered 10,800 homes in 2024, collecting $10.6 billion of home sales revenues.

On February 18th, 2025, Toll Brothers reported first quarter 2025 results for the period ending January 31, 2025. For the quarter, the company produced $1.84 billion of home sales revenues, down 5% year-over-year. It delivered 1,991 homes for an average purchase price of $925K. Quarterly net income declined from $240 million to $178 million, and EPS fell 22% to $1.75 from $2.25. The backlog at the end of the quarter was valued at $6.94 billion, a 2% decrease over Q1 2024, and comprised 6,312 units, which declined 6%.

Leadership provided its second quarter and FY 2025 outlook. In the next quarter, it expects to deliver 2,500 to 2,700 units at an average price of approximately $950K. For the full year, Toll Brothers expects to deliver 11,200 to 11,600 units at an average price per home of $955K.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$1.97	$2.18	$3.17	$4.85	$4.03	$3.40	$6.63	$10.90	$12.36	$15.01	***$14.07***	***$21.65***
DPS	-	-	$0.24	$0.41	$0.44	$0.44	$0.62	$0.77	$0.83	$0.90	***$0.92***	***$1.48***
Shares[2]	176.4	168.3	162.2	152.0	145.0	130.1	124.1	116.8	110.0	103.7	***101.8***	***83.0***

Toll Brothers' EPS has soared in the last decade. Over the last nine and five years, the company has enhanced its EPS by 25.3% and 30.1% CAGR.

The number of households and families in the United States has been growing at a faster pace than the number of new homes being built. As a result, the U.S. is undersupplied by millions of units, driving scarcity for Toll Brothers' product as the demand remains very high. Furthermore, the current stock of existing homes is aging, making new homes more appealing.

Toll Brothers only started paying a dividend in 2017, but has since increased the dividend every single year except for 2020, in light of the pandemic. However, its dividend is now double what it was during the pandemic, and TOL has increased its dividend at a CAGR of 15.9% over the last five years. Toll Brothers should have little problem in further improving its dividend by 10% annually over the next five years. Its payout ratio is remarkably low and its EPS growth trajectory can support this.

The share count of Toll Brothers has declined at a fast rate over the last decade. It has reduced its float by -5.7% CAGR since 2015. And in FY 2024 and 2023, it repurchased $627 million and $562 million of its common stock. Furthermore,

[1] Estimated date.

[2] In millions.

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.

since 2016, Toll Brothers has repurchased 88 million shares at an average price of $48, which has been highly accretive given the current stock price of TOL is now $110.

We believe Toll Brothers could achieve $14.07 in EPS for 2025, and deliver 9% annual EPS growth through 2030.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	18.7	13.1	12.3	8.0	9.3	11.2	8.9	4.5	5.8	8.6	***7.8***	***8.5***
Avg. Yld.	-	-	0.3%	1.0%	1.2%	1.3%	0.9%	1.5%	1.2%	0.7%	***0.8%***	***0.8%***

Over the last ten and five years, Toll Brothers traded at an average P/E ratio of 10.1 and 7.8, respectively. We peg fair value for the stock at 8.5 times earnings, while it currently trades at 7.8 times earnings. As a result, we forecast a tailwind to total returns from valuation expansion. The dividend is likely to remain below 1% for the foreseeable future, as Toll Brothers is not an income stock, and likely won't be in the near term.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	-	-	8%	8%	11%	13%	9%	7%	7%	6%	*7%*	*7%*

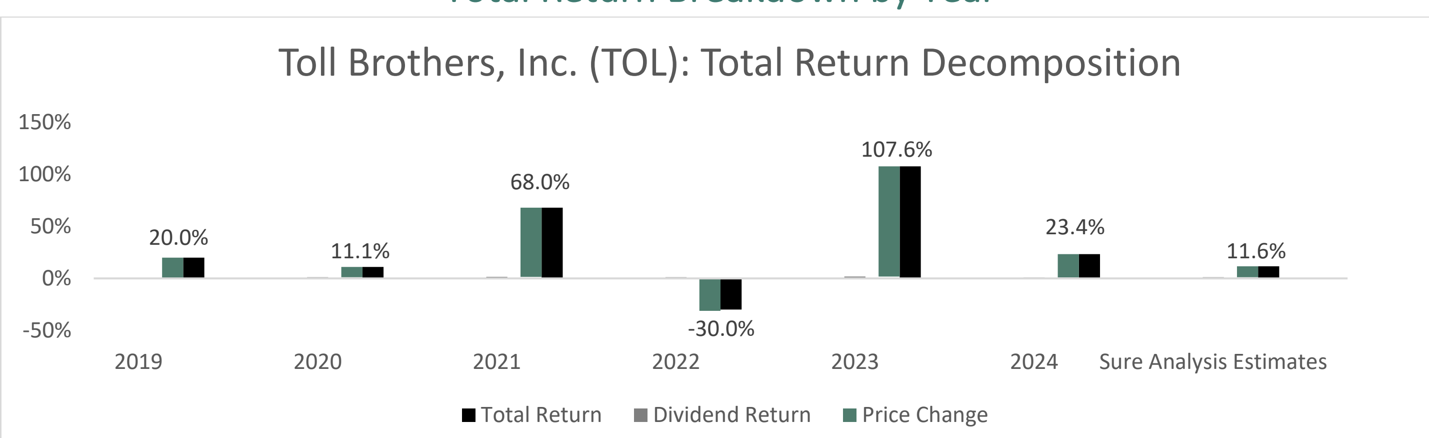
Toll Brothers operates in markets where land approvals are more challenging, which means high barrier to entry for competitors, whereas it already possesses a strong foothold and knowledge in these areas. Furthermore, it caters to a wide range of consumers by offering a varied product line of houses, such as luxury mid- and high-rise urban for-sale communities, luxury first-time homes aimed at millennials, luxury move-up homes, and master-planned communities.

As of February 7th, 2025, the company had $2.74 billion total liquidity, which includes $570 million of cash and equivalents, and a net debt-to-capital ratio of 21.1%. It received a Baa3 credit rating from Moody's, BBB- from S&P and BBB from Fitch. Furthermore, its dividend payout ratio is extremely low at just 7% of EPS, and combined with its strong EPS growth rate, Toll Brothers has the capacity to continue raising the dividend for years to come. Of course, tariffs on lumber are now a headwind to the homebuilding industry which could have a major negative impact on the profitability of the business.

Final Thoughts & Recommendation

Toll Brothers is the 4th largest U.S. homebuilder by revenues. Shares of TOL have declined by 13.4% year-to-date, while the S&P 500 Index declined by only 0.7%. From here on out, we forecast Toll Brothers could deliver 11.6% annualized total returns through 2030, comprised of 9% EPS growth, the 0.8% dividend yield, and 1.7% P/E multiple expansion. We initiate our coverage of Toll Brothers at a buy 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	4,171	5,170	5,815	7,143	7,224	7,078	8,790	10,276	9,995	10,847
Gross Profit	902	1,025	1,253	1,606	1,560	1,418	1,943	2,486	2,634	3,022
Gross Margin	21.6%	19.8%	21.5%	22.5%	21.6%	20.0%	22.1%	24.2%	26.4%	27.9%
SG&A Exp.	455	533	606	820	879	867	922	978	909	982
D&A Exp.	24	23	25	25	72	69	76	77	76	81
Operating Profit	452	498	653	795	681	550	1,021	1,509	1,725	2,040
Operating Margin	10.8%	9.6%	11.2%	11.1%	9.4%	7.8%	11.6%	14.7%	17.3%	18.8%
Net Profit	363	382	535	748	590	447	834	1,287	1,372	1,571
Net Margin	8.7%	7.4%	9.2%	10.5%	8.2%	6.3%	9.5%	12.5%	13.7%	14.5%
Free Cash Flow	51	122	833	560	351	899	1,236	915	1,193	937
Income Tax	172	207	279	186	197	140	267	417	470	514

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	9,207	9,737	9,445	10,245	10,828	11,066	11,538	12,289	12,527	13,368
Cash & Equivalents	919	634	713	1,182	1,286	1,371	1,638	1,347	1,300	1,303
Inventories	6,998	7,354	7,281	7,598	7,873	7,659	7,916	8,733	9,058	9,713
Total Liabilities	4,978	5,502	4,908	5,476	5,709	6,138	6,197	6,267	5,714	5,681
Accounts Payable	237	282	275	362	349	411	562	619	598	492
Long-Term Debt	3,790	3,775	3,220	3,698	3,921	3,958	3,563	3,329	2,860	2,833
Shareholder's Equity	4,223	4,229	4,531	4,760	5,072	4,875	5,295	6,006	6,797	7,671
LTD/E Ratio	0.90	0.89	0.71	0.78	0.77	0.81	0.67	0.55	0.42	0.37

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	4.1%	4.0%	5.6%	7.6%	5.6%	4.1%	7.4%	10.8%	11.1%	12.1%
Return on Equity	9.0%	9.0%	12.2%	16.1%	11.9%	8.9%	16.2%	22.6%	21.4%	21.7%
ROIC	4.8%	4.8%	6.8%	9.2%	6.7%	5.0%	9.4%	14.1%	14.4%	15.6%
Shares Out.	176.4	168.3	162.2	152.0	145.0	130.1	124.1	116.8	110.0	103.7
Revenue/Share	22.58	29.38	34.31	46.32	49.31	53.93	69.87	87.10	90.04	103.61
FCF/Share	0.27	0.70	4.91	3.63	2.39	6.85	9.83	7.76	10.75	8.95

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

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