Turning Point Brands (TPB)

Updated March 10th, 2025, by Kody Kester

Key Metrics

Current Price:	$59	**5 Year CAGR Estimate:**	9.5%	**Market Cap:**	$1.0B
Fair Value Price:	$62	**5 Year Growth Estimate:**	8.0%	**Ex-Dividend Date:**	02/26/25
% Fair Value:	95%	**5 Year Valuation Multiple Estimate:**	0.9%	**Dividend Payment Date:**	04/11/25
Dividend Yield:	0.5%	**5 Year Price Target**	$91	**Years Of Dividend Growth:**	8
Dividend Risk Score:	A	**Retirement Suitability Score:**	C	**Rating:**	Hold

Overview & Current Events

Turning Point Brands' corporate history dates to the leveraged buyout of Lorillard's other tobacco products division in 1988. TPB is a leading manufacturer, marketer, and distributor of branded non-cigarette tobacco products for adults. The company's products are sold in approximately 197,000 retail locations in the U.S. and another 20,000 in Canada. Turning Point Brands is organized into the following two operating segments:

The Zig-Zag Products segment sells Zig-Zag rolling papers and make-your-own cigar wraps, which hold a leading 33% market share in the U.S. and a leading market share in Canada as well. TPB also announced an agreement in February 2022 with lighter manufacturer, Flamagas, to exclusively distribute CLIPPER lighters in the U.S. and Canada. CLIPPER Lighters are the leading reusable lighter brand in the world, with the brand being underrepresented in the U.S. and Canada.

The Stoker's Products segment sells moist snuff tobacco and loose-leaf chewing tobacco under the Stoker's and Beech-Nut brands. This positions TPB as the second-biggest marketer of loose-leaf chew with approximately 37% of the market share.

On March 6th, TPB shared its fourth-quarter earnings report for the period ended December 31st. The company's net sales rose by 12.8% over the year-ago period to $93.7 million in the quarter. The Zig-Zag Products segment logged $45.9 million in net sales during the quarter, which was a 1.8% year-over-year growth rate. That was due to continued strength in its U.S. Papers and Wraps business. The Stoker's Products segment posted $47.8 million in net sales for the fourth quarter, which was a blistering 25.8% growth rate over the year-ago period. This outsized topline growth was driven by strong growth in combined Modern Oral sales and only partially countered by low-single-digit declines in MST from a strong comp in Q4 2023. TPB's diluted EPS fell by 75.5% year-over-year to $0.13 in the quarter. That was because of the $0.40 impact that discontinued operations had on diluted EPS during the quarter. Additionally, TPB upped its quarterly dividend per share last month by 7.1% to $0.075.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	-	-	$1.08	$1.77	$1.86	$1.67	$2.52	$0.64	$2.01	$2.14	***$3.08***	***$4.53***
DPS	-	-	$0.04	$0.16	$0.18	$0.20	$0.22	$0.24	$0.26	$0.28	***$0.30***	***$0.42***
Shares[1]	-	-	19.2	19.6	19.7	19.1	18.4	17.5	17.6	17.7	***17.7***	***17.7***

We still think that TPB can generate 8.0% annual diluted EPS growth over the next five years. Momentum from core products in the Zig-Zag Products and Stoker's Products segments looks poised to continue. FRE sales have quadrupled in the last 12 months and were up 26% sequentially in Q4 2024.

[1] Share count is 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.

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Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Avg. P/E	-	-	19.5	15.8	15.0	26.7	15.0	33.5	13.1	28.1	***19.1***	***20.0***
Avg. Yld.	-	-	0.2%	0.6%	0.6%	0.4%	0.6%	1.1%	1.0%	0.5%	***0.5%***	***0.5%***

Over the years, TPB's valuation multiple has ranged from as low as the low teens to as high as the low 30s. That has translated into an average P/E ratio of nearly 21. Given the company's growth prospects, we believe a fair value multiple of 20 represents fair value. The current P/E ratio of 19.1 sits just below our fair value estimate.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	-	-	4%	9%	10%	12%	9%	38%	13%	13%	***10%***	***9%***

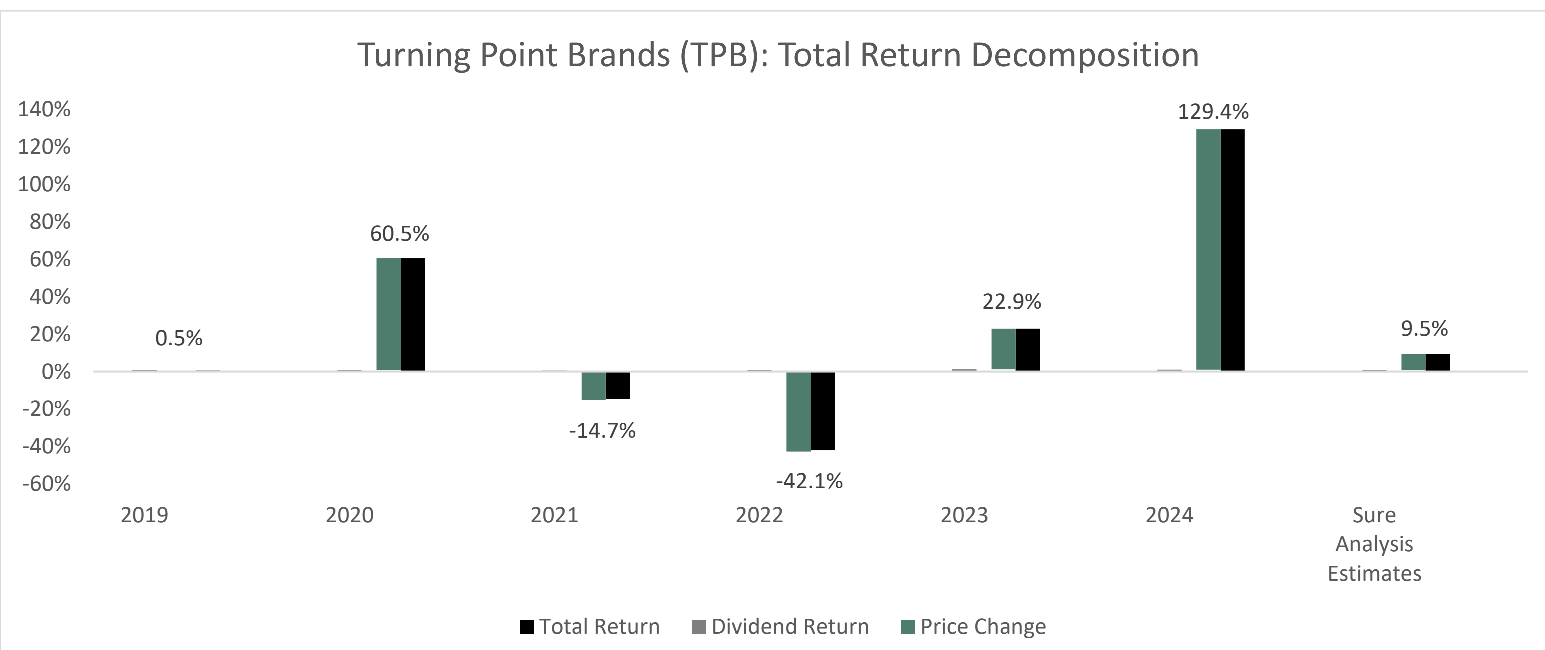
TPB's extensive product offerings resonate with customers, which is why its products are sold in a multitude of retail locations throughout the U.S. and Canada. This has allowed the company to achieve and maintain market-leading status with a handful of brands over the years.

TPB's interest coverage ratio was 5.6x in 2024. This suggests the company is reasonably solvent and could withstand a temporary downturn in profits. The payout ratio is also modest, with it likely to come in at just 10% in 2025.

Final Thoughts & Recommendation

TPB's 0.5% dividend yield, 8.0% annual earnings growth potential, and 0.9% annual valuation multiple expansion could generate 9.5% annual total returns through the next five years. Most net sales (75%) came from outsourced production operations. If this production was interrupted, it could hurt the company's fundamentals. TPB is trading close to fair value, so shares earn a hold rating for now.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	200	197	206	286	333	362	405	445	415	405
Gross Profit	93	96	101	125	143	137	190	218	206	203
Gross Margin	46.5%	48.8%	48.8%	43.7%	42.9%	37.9%	46.9%	48.9%	49.5%	50.1%
SG&A Exp.	45	52	57	75	94	110	126	128	130	125
D&A Exp.	1	1	1	2	3	4	5	5	5	6
Operating Profit	48	45	44	50	48	27	64	90	76	83
Operating Margir	24.0%	22.6%	21.3%	17.4%	14.6%	7.5%	15.9%	20.3%	18.2%	20.4%
Net Profit	(29)	9	27	20	25	16	38	52	12	38
Net Margin	-14.7%	4.6%	13.1%	7.1%	7.6%	4.5%	9.4%	11.7%	2.8%	9.5%
Free Cash Flow	5	23	6	28	11	33	38	62	23	61
Income Tax	0	1	(12)	7	6	3	12	14	5	24

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	250	242	285	282	339	447	496	602	572	569
Cash & Equivalents	8	5	3	3	3	95	42	128	106	118
Accounts Receivable	3	4	2	3	3	7	9	6	8	10
Inventories	46	44	62	63	91	71	86	88	120	99
Goodwill & Int. Ass.	137	137	162	161	181	188	239	250	221	223
Total Liabilities	342	324	251	229	257	340	379	468	459	417
Accounts Payable	2	4	9	4	7	14	9	7	8	8
Long-Term Debt	313	292	218	202	221	284	314	414	407	365
Shareholder's Equity	(92)	(82)	34	53	83	107	113	131	112	151
LTD/E Ratio	(3.41)	(3.58)	6.41	3.79	2.67	2.67	2.77	3.15	3.64	2.42

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	-10.8%	3.7%	10.2%	7.1%	8.1%	4.1%	8.1%	9.5%	2.0%	6.7%
Return on Equity				46.3%	37.2%	17.2%	34.1%	41.4%	9.4%	29.0%
ROIC	-12.8%	4.2%	11.6%	8.0%	9.1%	4.7%	9.3%	10.6%	2.2%	7.4%
Shares Out.	-	-	-	19.2	19.6	19.7	19.1	18.4	17.5	17.6
Revenue/Share	11.99	11.81	11.45	14.65	16.78	15.58	17.66	19.90	22.99	19.81
FCF/Share	0.28	1.37	0.33	1.42	0.55	1.42	1.64	2.77	1.25	2.99

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