The Toro Company (TTC)

Updated March 18th, 2025 by Quinn Mohammed

Key Metrics

Current Price:	$73	**5 Year CAGR Estimate:**	10.4%	**Market Cap:**	$7.3 B
Fair Value Price:	$90	**5 Year Growth Estimate:**	4.0%	**Ex-Dividend Date:**	03/28/2025
% Fair Value:	80%	**5 Year Valuation Multiple Estimate:**	4.4%	**Dividend Payment Date:**	04/12/2025
Dividend Yield:	2.1%	**5 Year Price Target**	$110	**Years Of Dividend Growth:**	16
Dividend Risk Score:	B	**Retirement Suitability Score:**	B	**Rating:**	Buy

Overview & Current Events

The Toro Company was founded in 1914 as an engine manufacturer, providing power to early tractors. The company quickly shifted focus to mowers and in the century since, it has grown to a market capitalization of $7.3 billion and generates $4.6 billion in annual revenue. Toro operates in North America as well as internationally, with three quarters of total revenue coming from the U.S.

In January 2022, Toro acquired the Intimidator Group. The acquisitions added the complementary Spartan line of professional zero-turn mowers to Toro's roster. The addition of the Intimidator Group to Toro's business positions them well to gain customers and geographic exposure.

On December 10th, 2024, Toro increased its dividend for the 16th consecutive year, by 5.6% to $0.38 per share quarterly.

Toro reported first quarter 2025 results on March 6th, 2025. Q1 net sales declined 1% year-over-year to $995 million. Adjusted earnings per diluted share increased by one penny to $0.65 and adjusted operating margin for the quarter was 9.4% compared to 9.2% in the same prior-year period.

Leadership reaffirmed its fiscal 2025 outlook, guiding for 0% to 1% net sales growth, and adjusted EPS of $4.25 to $4.40, however this doesn't take into account any new tariffs for the year.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$1.78	$2.06	$2.41	$2.67	$3.00	$3.02	$3.62	$4.20	$4.21	$4.17	***$4.30***	***$5.23***
DPS	$0.50	$0.60	$0.70	$0.80	$0.90	$1.00	$1.05	$1.20	$1.36	$1.36	***$1.52***	***$2.03***
Shares[1]	112	109	108	107	108	108	108	105	105	105	***103***	***100***

Toro's earnings-per-share had moved higher every year from 2009 until 2024, an impressive feat that not many companies can claim. Indeed, it has managed to grow earnings at an average rate of 9.9% annually since 2015, although the past five years have seen 6.8% annual growth. Toro has managed to grow both organically and through acquisitions over the years, and we see that continuing with average annual earnings-per-share growth of 4.0% moving forward.

Toro will achieve this growth with new acquisitions, like its recent purchase of Intimidator Group and Left Hand Robotics, and previously Charles Machine Works, as well as organic sales increases. We see single digit sales increases as reasonable in a normalized environment along with a small tailwind from buybacks. Additionally, higher volume and acquisition synergies should produce further downward pressure on SG&A costs as a percentage of revenue. In first quarter 2024, Toro announced Amplifying Maximum Productivity (AMP), its multi-year initiative, which would result in $100 million of annualized cost savings expected by fiscal 2027. By the end of Q1 2025, AMP had achieved $64 million in run-rate cost savings, and was on track for its 2027 goal.

The company is prioritizing investments in technology areas such as alternative power, smart connected and autonomous to ensure it can achieve future growth. Toro's historical levels of growth as well as its recent performance are both strong indicators of more earnings upside in the coming years.

[1] 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.

The Toro Company (TTC)

Updated March 18th, 2025 by Quinn Mohammed

We see the dividend growing at a 6% rate, moving up to $2.03 annually from the current $1.52. Toro may be an income stock one day but will not likely be anytime soon; growth is the priority, and it is working.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	19.0	20.6	25.9	22.3	23.8	28.4	29.0	25.0	24.1	21.4	***16.9***	***21.0***
Avg. Yld.	1.5%	1.4%	1.1%	1.3%	1.3%	1.3%	1.0%	1.0%	1.3%	1.6%	***2.1%***	***1.9%***

Toro's price-to-earnings multiple is below our estimate of fair value today at 16.9 times earnings based on our 2025 forecast. We therefore see a tailwind of 4.4% to total annual returns from an expanding valuation over time. We see the yield remaining roughly where it is today as the dividend keeps pace with stock price appreciation.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	28%	29%	29%	30%	30%	33%	29%	29%	32%	33%	***35%***	***39%***

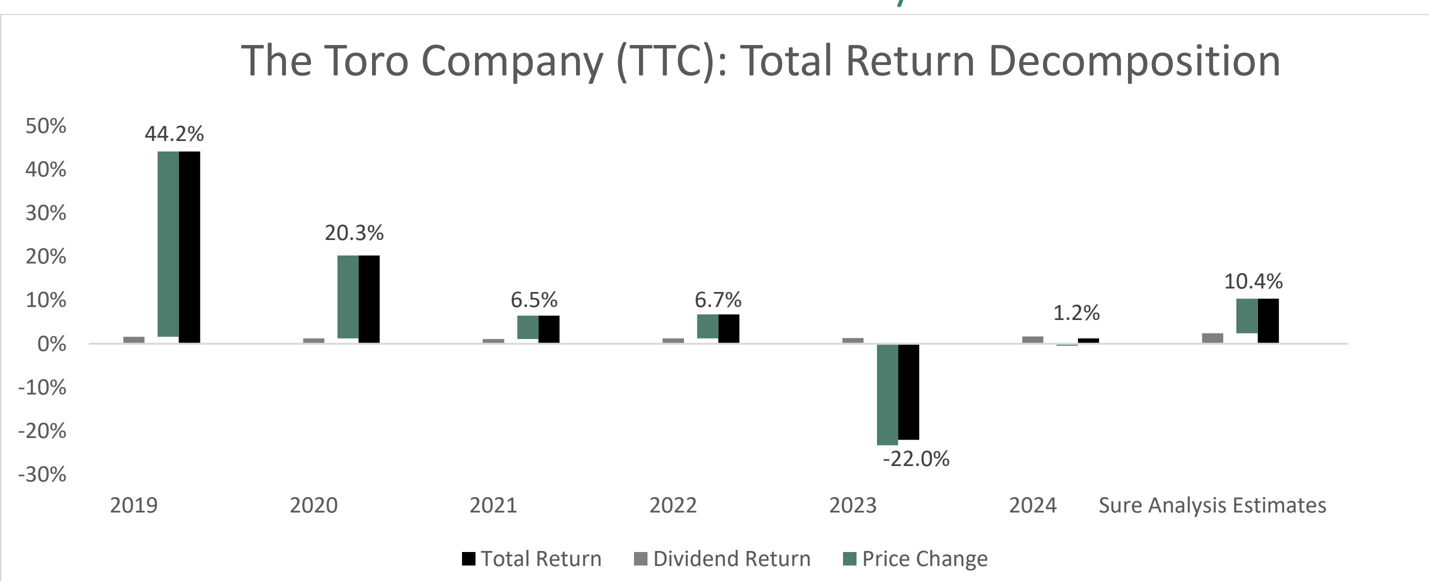
The payout ratio remains about a third of earnings, so the dividend is safe and should continue to grow in the years to come. However, Toro is much more interested in investing for growth than it is in becoming an income stock, so we see the yield remaining around 1.0% to 2.0% for the foreseeable future.

Toro's competitive advantage is its 100-year history in the mowing business. Its reputation and brand are respected and valued in the marketplace, and it remains a powerful player in its niche. That will not save it from economic downturns as the Great Recession certainly took its toll on earnings, but the recovery was swift and strong. While sales did drop a bit during the second quarter of 2020, third and fourth quarter TTC revenue increased, and we saw only a small COVID-19 impact on the business.

Final Thoughts & Recommendation

Toro has underperformed the S&P 500 Index year-to-date, with its share price declining 9% compared to a 4% loss. We are now forecasting total annual returns of 10.4% for the next five years, stemming from the current 2.1% dividend yield, 4.0% EPS growth, and 4.4% P/E multiple expansion. Toro would not be appropriate for investors seeking a strong current yield or deep value, but the stock has an impressive earnings growth history. Toro earns a buy 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.

The Toro Company (TTC)

Updated March 18th, 2025 by Quinn Mohammed

Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	2,391	2,392	2,505	2,619	3,138	3,379	3,960	4,515	4,553	4584
Gross Profit	836	875	921	941	1,048	1,190	1,338	1,505	1,578	1549
Gross Margin	35.0%	36.6%	36.8%	35.9%	33.4%	35.2%	33.8%	33.3%	34.7%	33.8%
SG&A Exp.	537	540	566	568	723	763	820	929	996	1016
D&A Exp.	63	64	65	61	88	96	99	109	119	128
Operating Profit	299	334	355	373	325	426	518	576	582	533
Operating Margin	12.5%	14.0%	14.2%	14.2%	10.4%	12.6%	13.1%	12.8%	12.8%	11.6%
Net Profit	202	231	268	272	274	330	410	443	330	419
Net Margin	8.4%	9.7%	10.7%	10.4%	8.7%	9.8%	10.4%	9.8%	7.2%	9.1%
Free Cash Flow	193	334	302	275	244	461	451	154	157	466
Income Tax	89	99	85	100	48	77	90	109	71	94

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	1,304	1,385	1,494	1,571	2,331	2,853	2,936	3,556	3,644	3583
Cash & Equivalents	126	274	310	289	152	480	406	188	193	200
Accounts Receivable	171	158	176	185	221	223	253	333	350	411
Inventories	335	307	329	358	652	652	738	1,051	1,088	1039
Goodwill & Int. Ass.	315	303	309	331	715	832	842	1,169	991	949
Total Liabilities	841	835	877	902	1,471	1,738	1,785	2,204	2,133	2031
Accounts Payable	152	175	212	257	319	364	503	579	430	453
Long-Term Debt	378	351	332	313	701	791	691	991	1,032	922
Shareholder's Equity	462	550	617	669	860	1,115	1,151	1,352	1,511	1552
LTD/E Ratio	0.82	0.64	0.54	0.47	0.82	0.71	0.60	0.73	0.68	0.59

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	16.2%	17.2%	18.6%	17.7%	14.0%	12.7%	14.2%	13.7%	9.2%	11.6%
Return on Equity	46.3%	45.6%	45.9%	42.3%	35.9%	33.4%	36.2%	35.4%	23.0%	27.4%
ROIC	24.8%	26.5%	28.9%	28.2%	21.6%	19.0%	21.9%	21.2%	13.5%	16.7%
Shares Out.	112	109	108	107	108	108	107.5	105.6	105.3	104.4
Revenue/Share	21.06	21.36	22.52	24.10	29.03	31.09	36.50	42.73	43.24	43.91
FCF/Share	1.70	2.98	2.72	2.53	2.26	4.25	4.16	1.45	1.49	4.47

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