Value Line, Inc. (VALU)

Updated March 17th, 2025, by Ian Bezek

Key Metrics

Current Price:	$40	**5 Year CAGR Estimate:**	7.1%	**Market Cap:**	$373 M
Fair Value Price:	$43	**5 Year Growth Estimate:**	3.0%	**Ex-Dividend Date:**	04/25/25[1]
% Fair Value:	93%	**5 Year Valuation Multiple Estimate:**	1.5%	**Dividend Payment Date:**	05/09/25[1]
Dividend Yield:	3.0%	**5 Year Price Target**	$50	**Years Of Dividend Growth:**	10
Dividend Risk Score:	F	**Retirement Suitability Score:**	D	**Rating:**	Hold

Overview & Current Events

Value Line is a financial services company which offers investment research and fund management operations. The company was organized in 1982 as a successor to the Arnold Bernhard & Co., and investors should note that Arnold Bernhard & Co retains control of 91.6% of all outstanding VALU shares. Value Line has long published industry-leading periodicals such as the Value Line Investment Survey and the Value Line 600. The company has adapted to the changing times, offering many of its publications, newsletters, and other such information products through digital channels. Value Line sells subscriptions to various clients including individual investors, professional fund managers, and libraries. In addition, Value Line holds a substantial non-voting interest in EULAV Asset Management, which is the investment advisor and distributor for the Value Line Family of mutual funds.

Value Line is a steady business with a stable, but not meaningfully increasing subscription base. To that point, Value Line generated $36 million in revenues in fiscal year 2015, and $37 million in fiscal year 2024, showing virtually no increase over the past decade. Both Value Line's investment research offerings and mutual fund portfolios face significant competition.

On March 14th, 2025, Value Line reported its financial results for its Q3 fiscal year 2025 period ending January 31st, 2025. Earnings per share of 55 cents fell slightly from the 60 cents earned in the same portion of last year. The core periodicals business saw operating profits drop from $2.2 million to $1.6 million. However, Value Line was able to largely offset that weakness through strong performance from its investment portfolio and asset management operation. Q3 was stronger than our expectations, but Q4 is likely to end the year on a down note given the selloff in asset markets over the past couple of months. As a result, we leave our full-year fiscal 2025 earnings estimate unchanged at $2.15.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$0.74	$0.75	$1.07	$1.52	$1.24	$1.55	$2.43	$2.50	$1.91	$2.02	***$2.15***	***$2.49***
DPS	$0.60	$0.65	$0.69	$0.73	$0.77	$0.81	$0.85	$0.91	$1.03	$1.14	***$1.20***	***$1.39***
Shares	10	10	10	10	10	10	10	9	9	9	***9***	***9***

Value Line has more than doubled its earnings per share over the past decade, and it has posted a 8.2% compounded growth rate over the past five years. At first glance, that seems promising. However, the company has barely grown top-line revenues whatsoever. Rather, it has enjoyed stronger returns on its investment portfolio. As of January 31st, 2025, the company held $49 million in short-term investments along with $27 million in cash. The company actively manages these investments and cash positions and generates a large chunk of its total earnings from its portfolio. Over the past few years, thanks to higher interest rates and strong stock market performance, Value Line has generated more investment income than it did in prior years. We are uncertain if this positive trend will continue. That's especially true if the Federal Reserve cuts interest rates significantly, which could lower Value Line's future returns on its fixed income holdings. As such, we model more conservative 3% earnings growth going forward. We expect 3% annualized dividend growth, in line with its earnings growth.

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[1] Estimated date.

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	19.5	21.9	16.4	12.8	18.6	19.9	12.6	26.1	23.9	17.9	***18.6***	***20.0***
Avg. Yld.	3.6%	4.0%	3.5%	3.6%	3.2%	3.2%	2.8%	2.6%	1.6%	2.5%	***3.0%***	***2.8%***

Value Line has averaged a 19x P/E ratio since 2015 and a 20.1x P/E ratio over the past five years. Given the stability in the company's business and the limited top-line growth prospects, we do not expect any considerable change in its valuation going forward. Value Line has averaged a 3.1% dividend yield since 2015, and we expect shares to continue to offer a similar yield in future years. The current 3.0% yield is in-line with our long-term forecast.

Safety, Quality, Competitive Advantage, & Recession Resiliency

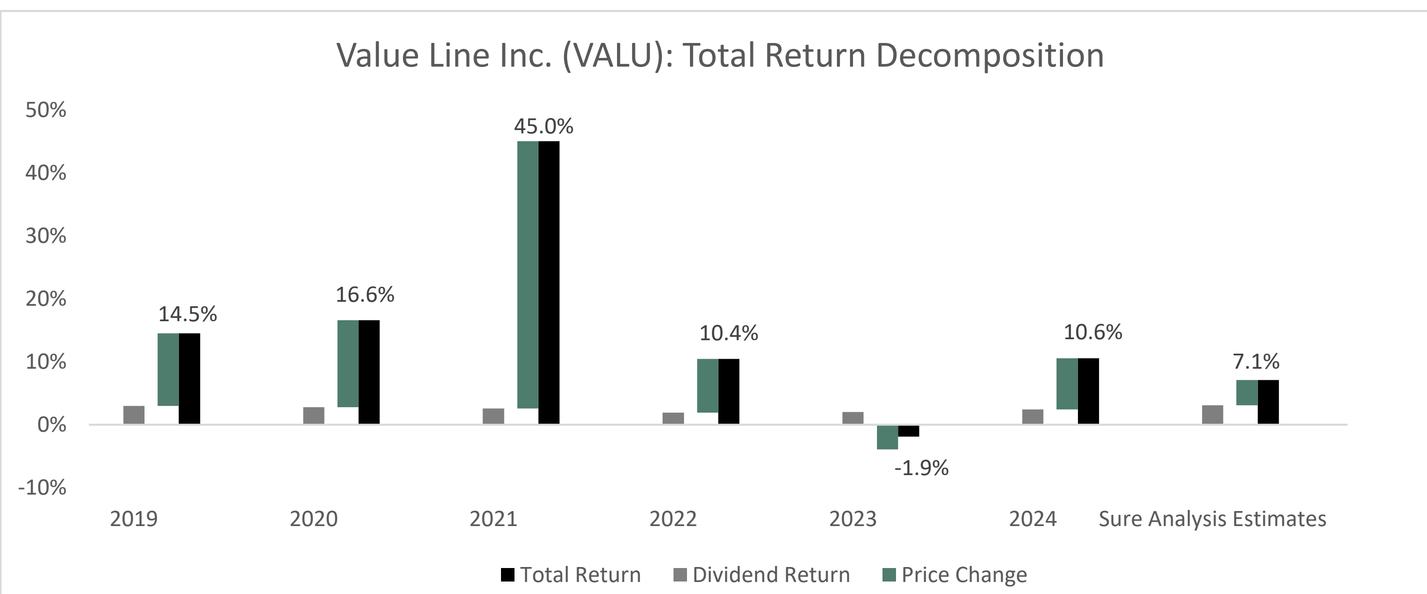
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	81%	87%	64%	48%	62%	52%	35%	36%	54%	56%	***56%***	***56%***

Value Line has a tremendous balance sheet. It has no debt or other meaningful long-term obligations. And on the assets side, it holds a considerable chunk of cash, fixed income, and equity investments in comparison to its market capitalization. The company's subscription-based revenues have proven to be stable throughout various economic climates, and the mutual fund business is also fairly predictable. Over the longer-term, Value Line faces intense competition in both of its business lines, which will limit its growth prospects. However, the company has plenty of resources with which to adapt to the changing financial services landscape.

Final Thoughts & Recommendation

Value Line's stability and strong balance sheet are appealing aspects. However, the company's slow growth rate puts a limit on the firm's forward prospects. Historically, Value Line was able to generate more earnings out of its investment portfolio thanks to higher interest rates and a rapidly rising overall U.S. stock market, but we are not sure investors can count on similar conditions over the next five years. Shares have fallen more than 20 percent over the past quarter, and that decline has positioned shares at a slight discount to fair value. This has lifted the total return outlook to 7.1%, and as a result, we are upgrading VALU stock to a hold rating today.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	36	35	35	36	36	40	40	41	40	37
Gross Profit	20	19	17	17	18	22	22	23	24	23
Gross Margin	55.1%	54.5%	49.5%	48.5%	51.0%	54.9%	53.3%	57.3%	61.7%	60.4%
SG&A Exp.	17	17	18	15	13	13	14	12	13	13
D&A Exp.	3	4	5	1	0	0	1	1	1	1
Operating Profit	2	2	(1)	3	5	9	8	11	11	9
Op. Margin	6.8%	5.4%	-1.9%	7.2%	14.9%	22.6%	18.7%	26.7%	28.9%	24.4%
Net Profit	7	7	10	15	12	15	23	24	18	19
Net Margin	20.5%	21.1%	30.0%	41.1%	33.1%	37.1%	57.6%	58.8%	45.5%	50.7%
Free Cash Flow	(1)	0	2	9	11	14	16	25	18	18
Income Tax	3	3	5	(3)	4	6	7	7	6	6

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	87	87	87	87	92	110	121	129	131	136
Cash & Equivalents	6	13	7	6	6	5	19	30	8	4
Acc. Receivable	1	1	1	1	2	4	4	2	2	1
Goodwill & Int.	7	5	1	0	0	0	0	0	0	0
Total Liabilities	53	52	49	43	44	56	54	49	47	45
Accounts Payable	2	3	1	2	2	2	2	1	1	1
Long-Term Debt	-	-	-	-	-	2	2	-	-	-
Total Equity	34	35	38	44	48	54	67	80	84	91
LTD/E Ratio	-	-	-	-	-	0.04	0.03	-	-	-

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	8.4%	8.4%	12.0%	17.0%	13.4%	14.8%	20.2%	19.1%	13.9%	14.2%
Return on Equity	21.5%	21.1%	28.6%	36.2%	26.4%	29.6%	38.6%	32.5%	22.1%	21.8%
ROIC	21.5%	21.1%	28.6%	36.2%	26.4%	28.9%	37.2%	32.0%	22.1%	21.8%
Shares Out.	10	10	10	10	10	10	10	9	9	9
Revenue/Share	3.62	3.53	3.56	3.70	3.74	4.18	4.21	4.25	4.20	3.98
FCF/Share	(0.12)	0.00	0.24	0.98	1.17	1.42	1.69	2.58	1.91	1.89

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