



Heico Corp. (HEI)

Updated May 28th, 2025 by Ian Bezek

Key Metrics

Current Price:	\$291	5 Year CAGR Estimate:	-1.8%	Market Cap:	\$33.2 B
Fair Value Price:	\$150	5 Year Growth Estimate:	12.0%	Ex-Dividend Date:	07/01/25 ¹
% Fair Value:	195%	5 Year Valuation Multiple Estimate:	-12.5%	Dividend Payment Date:	07/15/25 ¹
Dividend Yield:	0.1%	5 Year Price Target	\$264	Years Of Dividend Growth:	9
Dividend Risk Score:	A	Sector:	Industrials	Rating:	Hold

Overview & Current Events

Heico is an aerospace company which makes a wide variety of replacement parts for airplanes. To date, the company has delivered more than 87 million total parts to its customers. Heico offers airlines a key service because its parts are typically cheaper than buying those same pieces from the original equipment manufacturer. Heico estimates that it has more than 50 different customers who save \$1 million or more annually thanks to using the company's replacement parts and repairs instead of other alternatives.

Investors should know that there are two classes of Heico shares. Primary Heico shares trade under ticker symbol HEI and are the basis of the valuation analysis in this report. There are also Heico class A shares, traded as ticker HEI-A. The difference is that HEI shares have a full voting right, whereas HEI-A shares have just 0.1 votes per share. The shares are equal in all other ways including dividend payment amount.

Heico has enjoyed strong operational momentum over the past year as the aerospace sector has bounced back from the pandemic. This surge in activity continued in Heico's Q2 earning report, released May 27th, 2025. In it, the company reported revenues of \$1.10 billion, which were up 15% year-over-year. Earnings per share of \$1.12 cents soared from 88 cents in the same quarter of 2024. This was a strong quarter even by Heico's robust standards, though we think that some of this was driven by customers stocking up on supplies ahead of potential tariff-related price hikes.

Acquisitions are a key piece of Heico's growth strategy. In 2022, Heico acquired Exxelia. At a \$500 million price, this is Heico's largest acquisition to date. In 2024, Heico announced the acquisition of the Boeing 737NG/777 cockpit display support business from Honeywell International (HON). Additionally, over the past six months, Heico deployed a total of \$286 million to complete several smaller acquisitions.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$1.01	\$1.17	\$1.37	\$1.90	\$2.39	\$2.29	\$2.21	\$2.55	\$2.91	\$3.67	\$4.40	\$7.75
DPS	\$0.07	\$0.08	\$0.10	\$0.12	\$0.14	\$0.16	\$0.17	\$0.18	\$0.20	\$0.21	\$0.22	\$0.35
Shares	131	131	132	133	134	135	135	138	139	139	139	145

Heico enjoys some organic growth from the aerospace industry. But it primarily grows through mergers and acquisitions. Heico has rolled up numerous smaller aircraft parts manufacturers, leading to sustained and rapid earnings growth. Specifically, Heico has posted a 15.4% compounded earnings growth rate since 2015. Without the slowdown caused by the global pandemic, this earnings growth rate likely would have been even higher.

The company has funded some of its acquisitions with equity which has led to a modest amount of dilution. However, the dilution has been reasonable in comparison to the amount of earnings growth generated by those deals. Heico's rapid growth rate comes at a cost, however, as there is little excess capital to return to shareholders. The company pays a small dividend in comparison to its earnings power. The dividend has grown at a 7% compounded rate over the past five years and is starting off from a small base amount. Also, Heico pays semi-annual rather than quarterly dividends.

¹ Estimated dates.

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	28.6	26.7	33.9	38.1	45.0	46.3	58.2	58.8	54.2	61.1	66.1	34.0
Avg. Yld.	0.2%	0.3%	0.2%	0.2%	0.1%	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%

Heico has traditionally traded with a P/E ratio of around 30 times. This was understandable, given the company's proven growth track record and secular tailwinds for the global aerospace industry. Since 2018, however, Heico's valuation has become disconnected from its traditional metrics or the valuations of other industry peers. We do not expect Heico shares to be able to maintain a 60+ P/E ratio over the long-term.

Heico began paying a dividend in 2008 and has started to establish a reliable track record of annual payment increases. However, the yield remains so low as to not be a significant piece of the total return picture for the stock.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	7%	7%	7%	6%	6%	7%	8%	7%	7%	6%	5%	5%

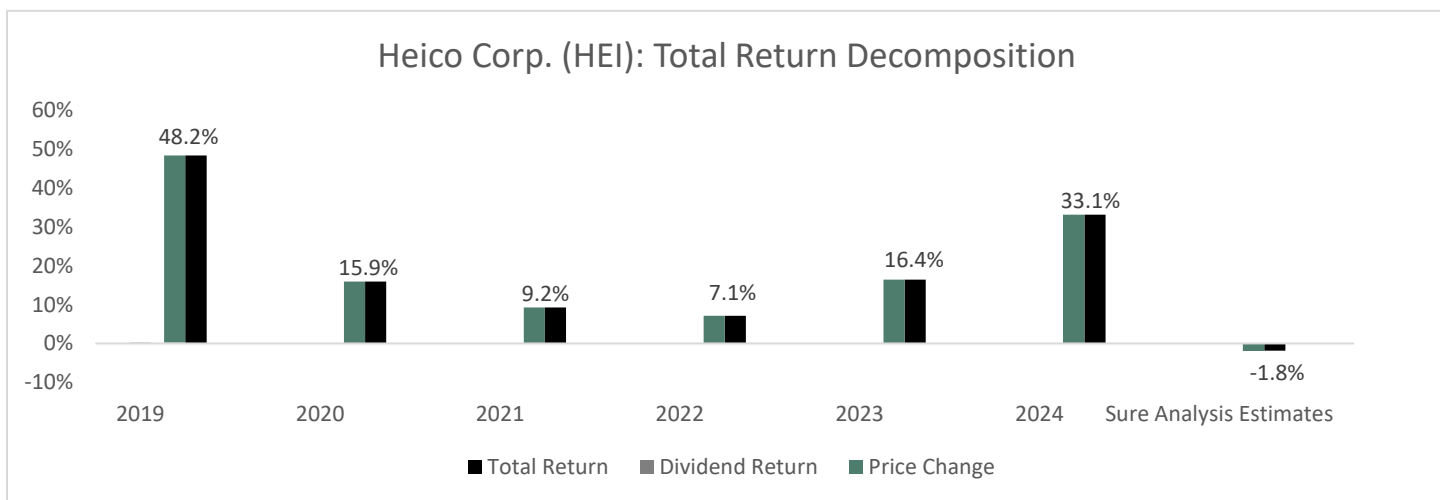
Heico used to have a clean balance sheet, but it raised its net debt/EBITDA ratio from 0.25x to 3.0x in 2023 to fund recent acquisitions. This has dropped back to 1.9x as of April 30th, 2025. This level of leverage, while significant, should be sustainable. The aerospace industry is cyclical, but repair parts tend to be more insulated from economic volatility than businesses tied to the sale of new aircraft. Heico's dividend payout ratio is under 10% of its earnings and there is minimal risk to the safety of the dividend.

Over the longer-term, Heico may face challenges finding additional suitable acquisition targets for its merger-led growth strategy. However, Heico has an attractive niche and has shown excellent managerial skill in its capital allocation.

Final Thoughts & Recommendation

Heico has a superb management team and has delivered remarkable results with its acquisition-focused business model. Unfortunately, the market is fully aware of this operational record, and has driven Heico shares up to a stratospheric valuation. As the P/E ratio returns to more normal levels, this will counteract future earnings growth. Heico shares have rallied since our last update, pushing shares even farther above fair value. Due to significant overvaluation, we see negative 1.8% total annualized returns going forward as multiple compression will offset the firm's future earnings growth. Shares earn a hold rating due to Heico's high level of dividend safety and reliable growth track record.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	1,189	1,376	1,525	1,778	2,056	1,787	1,866	2,208	2,968	3,858
Gross Profit	434	515	575	691	814	682	727	863	1,153	1,502
Gross Margin	36.5%	37.5%	37.7%	38.9%	39.6%	38.2%	39.0%	39.1%	38.8%	38.9%
SG&A Exp.	205	250	268	314	357	305	335	366	528	677
Operating Profit	230	265	307	376	457	377	393	497	625	824
Op. Margin	19.3%	19.3%	20.1%	21.2%	22.2%	21.1%	21.1%	22.5%	21.1%	21.4%
Net Profit	133	156	186	259	328	314	304	352	404	514
Net Margin	11.2%	11.3%	12.2%	14.6%	16.0%	17.6%	16.3%	15.9%	13.6%	13.3%
Free Cash Flow	155	229	262	287	408	386	408	436	399	614
Income Tax	48	60	65	77	83	89	93	96	111	119

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	1,736	1,998	2,512	2,653	2,969	3,548	3,498	4,095	7,195	7,593
Cash & Equivalents	34	43	52	60	57	407	108	140	171	162
Acc. Receivable	182	202	222	237	274	210	245	295	509	538
Inventories	244	286	344	402	420	463	478	582	1,1014	1,171
Goodwill & Int.	1,039	1,233	1,619	1,621	1,819	1,962	2,033	2,406	4,632	4,715
Total Liabilities	752	851	1,133	1,018	1,086	1,316	949	1,120	3,637	3,895
Accounts Payable	65	73	90	107	106	76	86	117	206	198
Long-Term Debt	368	458	674	532	562	740	236	290	2,478	2,229
Total Equity	810	963	1,161	1,398	1,667	1,980	2,263	2,606	3,146	3,637
LTD/E Ratio	0.45	0.48	0.58	0.38	0.34	0.37	0.10	0.11	0.79	0.61

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	8.3%	8.4%	8.2%	10.0%	11.7%	9.6%	8.6%	9.3%	7.2%	7.0%
Return on Equity	17.7%	17.6%	17.5%	20.3%	21.4%	17.2%	14.3%	14.4%	12.4%	14.9%
ROIC	10.7%	10.6%	10.2%	12.3%	14.2%	11.6%	10.6%	11.6%	8.7%	8.9%
Shares Out.	131	131	132	133	134	135	135	138	139	140
Revenue/Share	11.22	10.34	11.25	13.00	14.97	13.02	13.53	16.00	21.37	27.52
FCF/Share	1.46	1.72	1.93	2.10	2.97	2.81	2.96	3.16	2.88	4.38

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

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