Materion Corporation (MTRN)

Updated May 4th, 2025 by Nikolaos Sismanis

Key Metrics

Current Price:	$82	**5 Year CAGR Estimate:**	14.9%	**Market Cap:**	$1.71 B
Fair Value Price:	$105	**5 Year Growth Estimate:**	9.0%	**Ex-Dividend Date:**	05/22/25[1]
% Fair Value:	78%	**5 Year Valuation Multiple Estimate:**	5.0%	**Dividend Payment Date:**	06/06/25
Dividend Yield:	0.7%	**5 Year Price Target**	$161	**Years Of Dividend Growth:**	12
Dividend Risk Score:	B	**Sector:**	Basic Materials	**Rating:**	Hold

Overview & Current Events

Materion Corporation is an integrated producer of high-performance advanced engineered materials utilized in a wide range of electrical, electronic, thermal, and structural applications. The company's products serve numerous end markets, including semiconductor, where critical materials are supplied for chip manufacturing; aerospace and defense, where alloys enhance aircraft performance; automotive, where thermal management materials improve vehicle efficiency; and consumer electronics, where components ensure reliability in devices like smartphones. Materion also supports the energy sector, as well as telecom and data centers, by providing materials that enhance power efficiency and data transmission.

On May 1st, 2025, Materion posted its Q1 results for the period ending March 28th, 2025. For the quarter, sales came in at $420.3 million, up 9.1% compared to last year. Value-added sales (i.e., sales from which the company subtracts pass-through metal values from net sales to better assess profitability and margins, excluding metal price fluctuations) came in at $259.3 million, up 0.6% compared to last year, primarily driven by growth in the space and energy end markets and improving demand in semiconductor. This increase was partially offset by lower PMI shipments.

Adjusted net income was $23.7 million excluding acquisition amortization, or $1.13 per share, compared to $0.96 per share in the prior year period. GAAP EPS was $0.85, up from $0.64 last year.

For FY2025, management still expects adjusted EPS between $5.30 and $5.70, the midpoint of which implies a year-over-year increase of 3% compared to last year's adjusted EPS of $5.34. Note that all past figures in the table below depict GAAP EPS.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$1.60	$1.29	$0.57	$1.04	$2.62	$0.76	$3.55	$4.19	$4.64	$0.28	***$5.50***	***$8.46***
DPS	$0.36	$0.38	$0.40	$0.42	$0.44	$0.46	$0.48	$0.50	$0.52	$0.54	***$0.54***	***$0.69***
Shares[2]	20.4	20.2	20.4	20.6	20.7	20.6	20.7	20.8	20.9	20.9	***20.9***	***20.9***

Materion's growth over the past decade has been powered by a focus on high-performance materials in industries such as semiconductor, aerospace, and automotive, where demand for advanced materials continues to rise. Note that between 2016 and 2018, the company faced sales and earnings pressure due to a downturn in the consumer electronics market and slower-than-expected adoption of new materials in certain sectors. Further, economic uncertainties and fluctuating commodity prices impacted key markets.

Moving forward, Materion's growth is likely to be driven by increased demand in the semiconductor industry, progress in electric vehicles, and the growing need for lightweight and high-performance materials in aerospace and defense. Continued innovation and expansion into emerging markets are also expected to support Materion's medium-term growth. For this reason, we expect the company's EPS to continue growing by 9% through 2030.

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[1] Estimated dates based on past dividend dates.

[2] Share count is in millions.

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Materion has consistently increased its dividend for the past 12 years, with annual increments of two cents. However, as the dividend has grown, this fixed increase has led to a slowing pace of dividend growth, even as EPS growth has picked up in recent years. As a result, despite our more optimistic EPS projections, we anticipate the dividend will grow at a CAGR of 5% through 2030.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	21.3	22.6	---	---	22.3	---	19.4	19.3	21.4	---	***14.9***	***19.0***
Avg. Yld.	1.1%	1.3%	1.1%	0.8%	0.8%	0.8%	0.7%	0.6%	0.5%	0.5%	***0.7%***	***0.4%***

Materion's P/E ratio has historically hovered around 21 times earnings. On the one hand, Materion's business model is subject to cyclicality because the industries it serves are also cyclical. On the other hand, the market seems to value the company's mission-critical components, assigning a modest premium to the stock. We have set our fair multiple at 19, a bit below the historical average to be cautious. But even then, the stock appears notably undervalued today. Regarding the dividend yield, it has hovered at negligible levels over the past decade. We expect this trend to endure, as there are no indications that management plans to accelerate dividend increases, despite strong dividend coverage.

Safety, Quality, Competitive Advantage, & Recession Resiliency

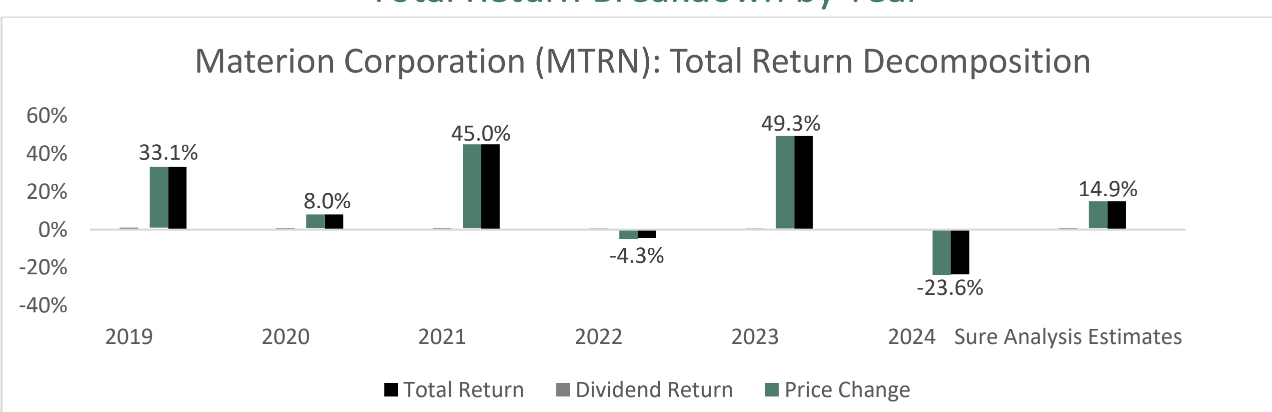
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	23%	29%	70%	40%	17%	61%	14%	12%	11%	191%	***10%***	***8%***

Materion stands out for its advanced engineered materials that are crucial in sectors like aerospace, semiconductor, and automotive. The company's focus on high-performance products and innovation supports its resilience during economic fluctuations. In times of recession, while overall demand may weaken, the essential nature of Materion's materials in critical technologies helps cushion the impact. Certain industries like aerospace and defense, which rely on its products, tend to experience steadier demand compared to more cyclical sectors. On the downside, economic downturns can still lead to reduced capital expenditures and slower growth in some end markets, which may temporarily affect revenues, as was the case between 2015 and 2018. Still, Materion's diverse market presence and operational efficiencies generally provide a buffer against severe downturns, allowing it to navigate recessions more effectively than many peers.

Final Thoughts & Recommendation

Materion has delivered decent results over the years, which has, in turn, led to decent returns for investors. We believe the company will continue to perform well over the next few years. Our total return outlook comes at 14.9% per annum, powered by our growth estimates, the tiny dividend yield, and the possibility of a strong valuation tailwind. We rate the stock as a hold, but caution that the company is vulnerable to the cyclical nature of several industries.

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.

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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	1,025	969	1,139	1,208	1,185	1,176	1,511	1,757	1,665	1,685
Gross Profit	191	185	213	251	263	193	284	344	349	326
Gross Margin	18.6%	19.0%	18.7%	20.8%	22.2%	16.4%	18.8%	19.6%	21.0%	19.3%
SG&A Exp.	130	129	144	153	147	134	164	169	158	146
Operating Profit	36	32	41	69	87	27	78	121	140	134
Operating Margin	3.5%	3.3%	3.6%	5.7%	7.3%	2.3%	5.2%	6.9%	8.4%	8.0%
Net Profit	32	26	11	21	53	15	72	86	96	5.9
Net Margin	3.1%	2.7%	1.0%	1.7%	4.5%	1.3%	4.8%	4.9%	5.7%	0.4%
Free Cash Flow	39	31	39	42	73	34	(13)	38	25	7
Income Tax	11	(0)	25	(4)	12	(7)	5	17	12	9

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	742	741	791	800	898	1,058	1,607	1,692	1,763	1,698
Cash & Equivalents	24	31	42	71	125	26	14	13	13	17
Acct. Recv.	97	101	124	131	155	166	214	215	193	194
Inventories	212	201	220	215	236	251	361	423	442	441
Goodwill & Intang.	100	98	101	97	85	200	475	463	454	373
Total Liabilities	259	247	296	246	253	402	887	892	878	829
Accounts Payable	32	33	49	50	43	56	86	108	126	106
Long-Term Debt	13	4	4	3	2	38	450	432	426	442
Shareholder's Equity	483	494	495	554	646	656	720	800	885	869
LTD/E Ratio	0.03	0.01	0.01	0.01	0.00	0.06	0.62	0.54	0.48	0.51

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	4.3%	3.5%	1.5%	2.6%	6.3%	1.6%	5.4%	5.2%	5.5%	0.3%
Return on Equity	6.8%	5.3%	2.3%	4.0%	8.9%	2.4%	10.5%	11.3%	11.4%	0.7%
ROIC	6.6%	5.2%	2.3%	4.0%	8.9%	2.3%	7.8%	7.2%	7.5%	0.5%
Shares Out.	20.4	20.2	20.4	20.6	20.7	20.6	20.7	20.8	20.9	20.9
Revenue/Share	50.25	47.95	55.81	58.59	57.39	57.09	73.02	84.64	79.63	80.50
FCF/Share	1.91	1.54	1.90	2.04	3.52	1.64	(0.61)	1.85	1.17	0.33

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