



Turning Point Brands (TPB)

Updated May 9th, 2025, by Kody Kester

Key Metrics

Current Price:	\$75	5 Year CAGR Estimate:	4.9%	Market Cap:	\$1.3B
Fair Value Price:	\$60	5 Year Growth Estimate:	9.0%	Ex-Dividend Date:	06/20/25
% Fair Value:	123%	5 Year Valuation Multiple Estimate:	-4.1%	Dividend Payment Date:	07/11/25
Dividend Yield:	0.4%	5 Year Price Target	\$93	Years Of Dividend Growth:	8
Dividend Risk Score:	B	Sector:	Cons. Discretionary	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 at more than 220,000 retail locations throughout the U.S. and Canada. TPB 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 position 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 is 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 May 7th, TPB released its first-quarter earnings report for the period ended March 31st, 2025. The company's net sales surged 28.1% year-over-year to \$106.4 million during the quarter. That was led by a 62.7% spike in Stoker's Products segment net sales to \$59.2 million in the quarter. This was fueled by robust growth in Modern Oral sales via FRE and ALP white nicotine pouches, double-digit growth in the moist snuff tobacco product category, and low single-digit growth in the looseleaf product category. The Zig-Zag Products segment posted \$47.3 million in net sales for the quarter, which was up 1.2% over the year-ago period. TPB's adjusted diluted EPS rose by 13.8% year-over-year to \$0.91 during the quarter. That was \$0.13 above the analyst consensus in the quarter.

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	\$3.02	\$4.65
DPS	-	-	\$0.04	\$0.16	\$0.18	\$0.20	\$0.22	\$0.24	\$0.26	\$0.28	\$0.30	\$0.42
Shares¹	-	-	19.2	19.6	19.7	19.1	18.4	17.5	17.6	17.7	17.9	17.9

We think that TPB can deliver 9.0% annual diluted EPS growth over the next five years, which is up slightly from our previous forecast of 8.0%. Momentum from core products in the Zig-Zag Products and Stoker's Products segments looks poised to continue. In Q1 2025, white pouch sales soared nearly 10x over the year-ago period and doubled sequentially. This led TPB to up its nicotine pouch sales guidance for 2025 from a previous midpoint of \$70 million (\$60 million to \$80 million) to \$87.5 million (80 million to \$95 million).

¹ Share count is in millions.



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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	24.7	20.0
Avg. Yld.	-	-	0.2%	0.6%	0.6%	0.4%	0.6%	1.1%	1.0%	0.5%	0.4%	0.5%

Over the years, TPB's valuation multiple has varied from as little as the low teens to as much as the low 30s. That has translated into an average P/E ratio of just above 20. Considering the company's growth prospects, we still think a fair value multiple of 20 represents fair value. After a significant rally in recent months, the current P/E ratio of 24.5 sits far above our fair value multiple.

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%

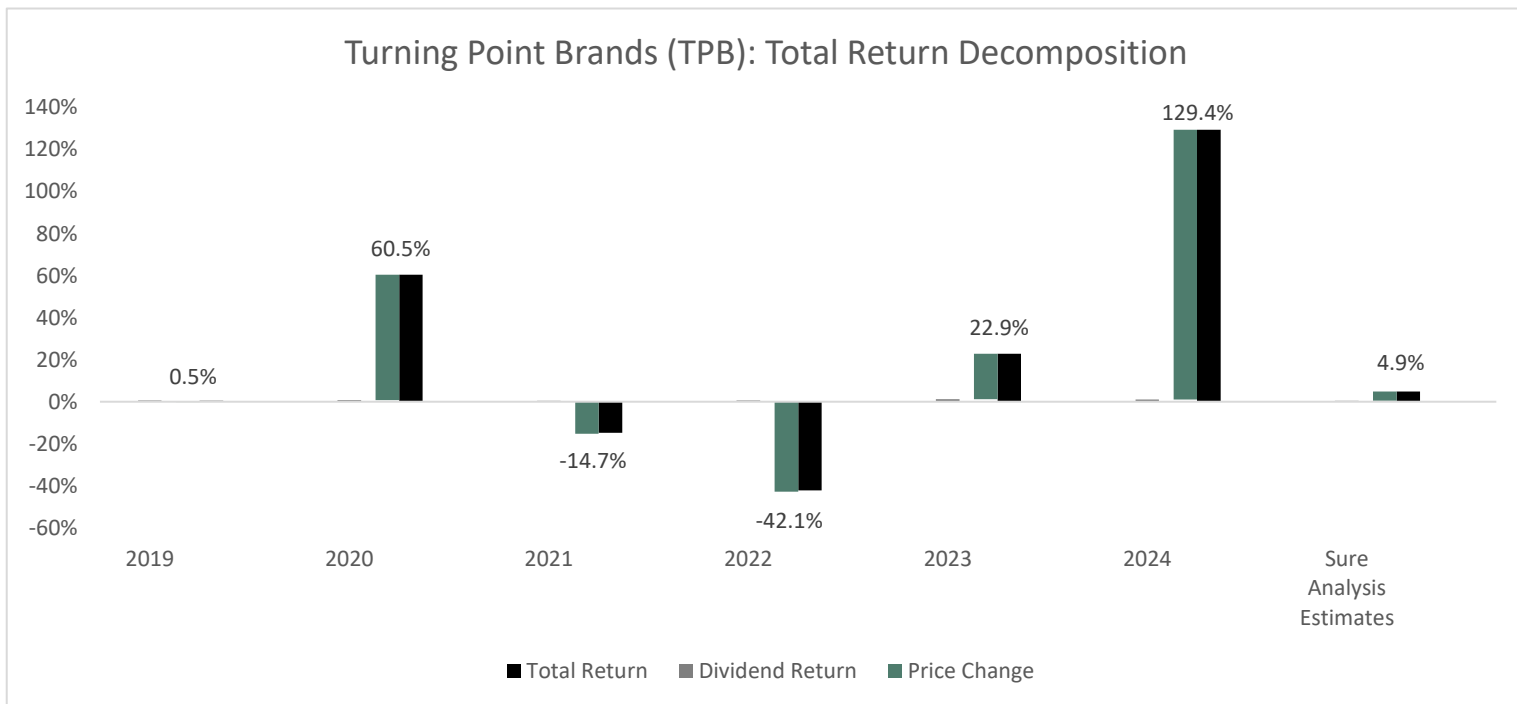
TPB's extensive product offerings resonate with customers, which is why its products are sold in a multitude of retail locations throughout the U.S. and Canada. This has allowed the company to achieve and maintain market-leading status with a handful of brands over the years.

TPB's interest coverage ratio was 5.3x in Q1 2025. That 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 0.4% dividend yield, 9.0% annual earnings growth potential, and 4.1% annual valuation multiple contraction could generate 4.9% annual total returns over the next five years. Most net sales (75%) came from outsourced production operations. If this production were interrupted, it could hurt the company's fundamentals. In closing, we're reiterating our hold rating as total returns aren't sufficient to justify 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.



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	197	206	286	333	362	405	445	415	405	361
Gross Profit	96	101	125	143	137	190	218	206	203	202
Gross Margin	48.8%	48.8%	43.7%	42.9%	37.9%	46.9%	48.9%	49.5%	50.1%	55.9%
SG&A Exp.	52	57	75	94	110	126	128	130	125	122
D&A Exp.	1	1	2	3	4	5	5	5	6	6
Operating Profit	45	44	50	48	27	64	90	76	83	81
Operating Margi	22.6%	21.3%	17.4%	14.6%	7.5%	15.9%	20.3%	18.2%	20.4%	22.4%
Net Profit	9	27	20	25	16	38	52	12	38	40
Net Margin	4.6%	13.1%	7.1%	7.6%	4.5%	9.4%	11.7%	2.8%	9.5%	11.1%
Free Cash Flow	23	6	28	11	33	38	62	23	61	62
Income Tax	1	(12)	7	6	3	12	14	5	24	17

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	242	285	282	339	447	496	602	572	569	493
Cash & Equivalents	5	3	3	3	95	42	128	106	118	46
Accounts Receivabl	4	2	3	3	7	9	6	8	10	25
Inventories	44	62	63	91	71	86	88	120	99	96
Goodwill & Int.	137	162	161	181	188	239	250	221	223	209
Total Liabilities	324	251	229	257	340	379	468	459	417	303
Accounts Payable	4	9	4	7	14	9	7	8	8	12
Long-Term Debt	292	218	202	221	284	314	414	407	365	249
Shareholder's Equit	(82)	34	53	83	107	113	131	112	151	190
LTD/E Ratio	(3.58)	6.41	3.79	2.67	2.67	2.77	3.15	3.64	2.42	1.31

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	3.7%	10.2%	7.1%	8.1%	4.1%	8.1%	9.5%	2.0%	6.7%	7.5%
Return on Equity			46.3%	37.2%	17.2%	34.1%	41.4%	9.4%	29.0%	23.5%
ROIC	4.2%	11.6%	8.0%	9.1%	4.7%	9.3%	10.6%	2.2%	7.4%	8.1%
Shares Out.	-	-	19.2	19.6	19.7	19.1	18.4	17.5	17.6	19.4
Revenue/Share	11.81	11.45	14.65	16.78	15.58	17.66	19.90	22.99	19.81	18.61
FCF/Share	1.37	0.33	1.42	0.55	1.42	1.64	2.77	1.25	2.99	3.20

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

Disclaimer

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