The Timken Co. (TKR)

Updated August 11th, 2025, by Ian Bezek

Key Metrics

Current Price:	$74	**5 Year CAGR Estimate:**	5.8%	**Market Cap:**	$5.2 B
Fair Value Price:	$74	**5 Year Growth Estimate:**	4.0%	**Ex-Dividend Date:**	08/19/25
% Fair Value:	100%	**5 Year Valuation Multiple Estimate:**	0.1%	**Dividend Payment Date:**	08/29/25
Dividend Yield:	1.9%	**5 Year Price Target**	$90	**Years Of Dividend Growth:**	12
Dividend Risk Score:	C	**Sector:**	Industrials	**Rating:**	Hold

Overview & Current Events

Timken is an industrial company focused on making bearings, belts, gear drives, and other such assorted products. The company is heavily involved in vehicles but also sells to aerospace, energy, and agricultural end markets among others. Timken historically was also a significant player in the steel industry, but it spun off that business in 2014.

Timken has generally been viewed as a cyclical company prone to booms and busts. However, management has refocused operations around new verticals, such as renewable energy applications, which should have a more sustained demand growth profile. Timken also completed the acquisition of Spinea in 2022. In 2023, Timken announced additional acquisitions of American Roller Bearing Company, and Nadella, a European firm which makes industrial motion solutions along with a number of additional smaller acquisitions for that industrial motion division.

Timken delivered mixed Q2 earnings figures, which were released on July 30th, 2025. Revenues of $1.17 billion fell 1% year-over-year. Adjusted earnings of $1.42 per share slipped from $1.63 in the year prior. However, both figures topped expectations as Timken demonstrated better pricing power than some analysts had feared.

Timken had a weak 2024, driven by softness in the European market and foreign exchange issues among other headwinds. 2025 is turning into another challenge, as Timken historically has had significant dealings with China and tariffs have cast that business relationship into question. In September 2024, Timken named Tarak Mehta as its new CEO, but he stepped down in March 2025 for personal reasons, which is a fairly quick turnover within the executive suite. Timken pointed to a weaker market outlook for the rest of 2025 as both tariffs and a softening economy are weighing on demand. We are now projecting a slightly larger year-over-year decline in earnings as a result.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$2.21	$1.97	$2.63	$4.18	$4.60	$4.10	$4.72	$5.48	$7.05	$5.79	***$5.30***	***$6.45***
DPS	$1.03	$1.04	$1.07	$1.11	$1.12	$1.13	$1.19	$1.23	$1.30	$1.35	***$1.40***	***$1.62***
Shares	80	77	78	76	76	76	75	73	71	71	***70***	***68***

Timken has had an uneven earnings profile historically. Earnings fell every year sequentially from 2013 through 2016, though this was impacted by the spin-off of the company's former steel business. Earnings jumped dramatically between 2017 and 2019 and have continued rising during the recent pandemic-induced period of economic volatility. The company achieved record results in 2023. But that appears to have been the company's near-term peak, as a more troubled economic environment will limit intermediate-term profit growth.

The company has had a modest approach to capital returns to shareholders. In the early part of the 2010s, Timken repurchased a substantial amount of its stock. Timken continues to operate a share repurchase program today but it has slowed down its pace in recent quarters.

Timken has given investors steady dividend hikes dating back to 2014. They have been conservative in size, though, with the company averaging just a 3% annualized dividend growth rate. The latest dividend hike, announced May 2nd, 2025, was for another 3% increase. Notably, Timken's dividend has been incredibly consistent; it has paid a dividend for 413 consecutive quarters.

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Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	16.1	16.8	17.5	10.9	10.1	12.6	16.4	15.0	11.3	14.3	***14.0***	***14.0***
Avg. Yld.	2.9%	3.1%	2.3%	2.4%	2.4%	2.2%	1.5%	1.6%	1.6%	1.6%	***1.9%***	***1.8%***

Timken stock has rarely received a high P/E multiple from the market; it has had a historical range of 10 to 20 times earnings over the past decade. Today's 14x P/E multiple seems reasonable.

On a yield basis, Timken offered a yield as high as 3% in the wake of the spin-off of the steel business in 2014. However, the yield has settled at or below 2% in recent years. That seems likely to persist, given Timken's increasing focus on growth and M&A of late. The company's current 1.9% dividend yield is in line with our long-term expectations.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	47%	53%	41%	27%	24%	28%	25%	22%	18%	23%	***26%***	***25%***

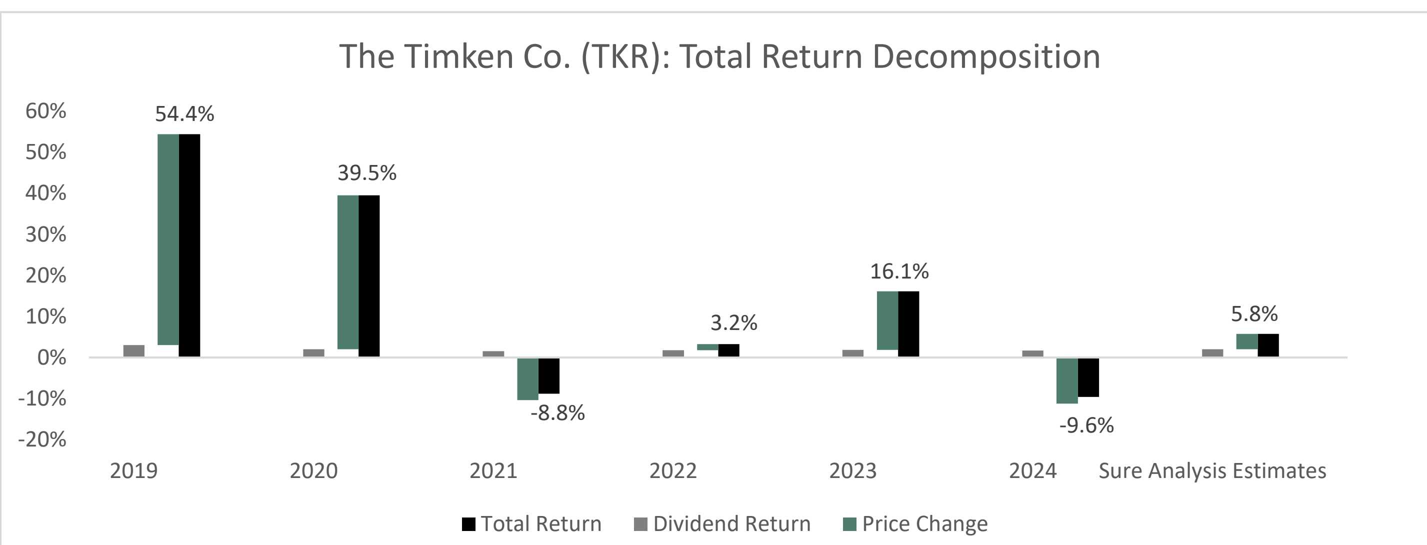
Timken's overall balance sheet is in fine shape with $419 million of cash on hand as of June 30th, 2025, and plenty of total assets to manage its short- and long-term debt obligations. In May 2024, the company priced 600 million Euros of debt, due in 2034, at a modest 4.125% annual interest rate. That is a favorable result given recent credit market conditions and shows overall confidence in Timken's financial situation. Timken's profitability has improved in recent years, and it has the financial capacity to withstand a significant recession.

The company's dividend is also well-covered from earnings. The payout ratio has fallen from a high of 53% in 2016 to just 26% now. This seemingly gives the company room for faster dividend increases in the future.

Final Thoughts & Recommendation

Historically, investors tended to view Timken as a lower-quality cyclical business. For several years coming out of the pandemic, it appeared that Timken was enjoying stronger pricing power and improving business quality. However, 2025's much softer industrial market outlook has put a temporary pause to Timken's longer-term growth strategy. Timken's near-term prospects are muted. Regardless of these concerns, Timken shares have rallied since our last report and no longer appear to be undervalued. At a 5.8% annualized total return outlook, shares earn a hold rating today.

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	2,872	2,670	3,004	3,581	3,790	3,513	4,133	4,497	4,769	4,573
Gross Profit	820	706	812	1,040	1,142	1,010	1,103	1,288	1,509	1,441
Gross Margin	28.5%	26.5%	27.0%	29.0%	30.1%	28.7%	26.7%	28.6%	31.6%	31.5%
SG&A Exp.	578	440	508	581	619	534	581	637	741	752
D&A Exp.	131	132	138	146	161	167	168	164	201	222
Operating Profit	242	266	304	459	523	476	522	651	703	611
Op. Margin	8.4%	10.0%	10.1%	12.8%	13.8%	13.6%	12.6%	14.5%	14.7%	13.4%
Net Profit	189	141	203	303	362	285	369	407	394	353
Net Margin	6.6%	5.3%	6.8%	8.5%	9.6%	8.1%	8.9%	9.1%	8.3%	7.7%
Free Cash Flow	275	266	132	220	410	456	239	285	357	306
Income Tax	26	61	58	103	98	104	95	134	123	119

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	2,784	2,763	3,402	4,445	4,860	5,042	5,171	5,772	6,542	6,411
Cash & Equivalents	130	149	122	133	210	320	257	332	419	373
Acc. Receivable	455	438	525	547	545	581	626	700	672	665
Inventories	543	554	739	836	842	841	1,043	1,191	1,229	1,196
Goodwill & Int.	599	629	932	1,694	1,752	1,789	1,692	1,864	2,401	2,390
Total Liabilities	1,440	1,452	1,928	2,803	2,905	2,816	2,793	3,420	3,839	3,427
Accounts Payable	160	176	265	273	302	351	430	404	367	322
Long-Term Debt	657	659	962	1,682	1,730	1,565	1,465	1,963	2,396	2,063
Total Equity	1,325	1,280	1,443	1,580	1,868	2,153	2,295	2,268	2,582	2,826
LTD/E Ratio	0.50	0.52	0.67	1.06	0.93	0.73	0.64	0.87	0.93	0.73

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	6.5%	5.1%	6.6%	7.7%	7.8%	5.7%	7.2%	7.4%	6.4%	5.5%
Return on Equity	13.0%	10.8%	14.9%	20.0%	21.0%	14.2%	16.6%	17.9%	15.6%	12.4%
ROIC	9.2%	7.1%	9.2%	10.5%	10.3%	7.6%	9.7%	10.0%	8.4%	7.0%
Shares Out.	80	77	78	76	76	76	75	73	72	71
Revenue/Share	33.65	33.70	38.07	45.71	49.29	45.98	53.67	60.50	66.16	64.64
FCF/Share	3.22	3.36	1.67	2.81	5.33	5.97	3.10	3.84	4.96	4.32

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