



# Casey's General Stores (CASY)

Updated December 16<sup>th</sup>, 2024 by Quinn Mohammed

## Key Metrics

<b>Current Price:</b>	\$427	<b>5 Year CAGR Estimate:</b>	6.2%	<b>Market Cap:</b>	\$16 B
<b>Fair Value Price:</b>	\$320	<b>5 Year Growth Estimate:</b>	12.0%	<b>Ex-Dividend Date:</b>	02/03/2025
<b>% Fair Value:</b>	133%	<b>5 Year Valuation Multiple Estimate:</b>	-5.6%	<b>Dividend Payment Date:</b>	02/17/2025
<b>Dividend Yield:</b>	0.5%	<b>5 Year Price Target</b>	\$565	<b>Years Of Dividend Growth:</b>	25
<b>Dividend Risk Score:</b>	A	<b>Retirement Suitability Score:</b>	C	<b>Rating:</b>	Hold

## Overview & Current Events

Casey's General Stores (CASY) owns and operates over 2,600 convenience stores under Casey's brand name. Casey's first store opened in 1968 in Iowa; today, the company has branched geographically to 16 Midwestern states and Texas. The business primarily serves rural markets and approximately 50% of Casey's stores are in areas with populations of 5,000 or less. Casey's benefits from vertical integration, because it self-distributes 75% of products sold inside its stores from its three central distribution centers, and delivers about 60% of fuel that it sells from its own tanker fleet. Across the company, Casey's makes about 63% of revenue from selling fuel, 25% from groceries and general merchandise, and 10% from prepared food & dispensed beverages, which includes the company's made-from-scratch pizzas, donuts, subs, and sandwiches.

Casey's increased its quarterly dividend by 16% to \$0.50 per share in June 2024, which marked its 25<sup>th</sup> consecutive annual dividend increase.

On November 1<sup>st</sup>, 2024, Casey's completed its acquisition of Fikes Wholesale, Inc, the owner of CEFCO Convenience Stores. Casey's purchased Fikes for \$1.145 billion in all-cash. Casey's acquired 198 retail stores and a dealer network, which increased the company's store count to roughly 2,900 stores.

On December 9<sup>th</sup>, 2024, Casey's reported Q2 FY 2025 results for the period ending October 31<sup>st</sup>, 2024. The company saw diluted earnings-per-share of \$4.85, up 14% from the year-ago period, and beating analysts' estimate by \$0.58. Additionally, the company saw inside same-store sales increase 4.0% year-over-year at a 42.2% margin.

The total store count reached 2,685 stores on October 31, 2024, after adding 27 net new stores since April 30, 2024.

Management continues to expect inside same-store sales growth of 3% to 5%, and a flat inside margin (~41%) for fiscal 2025. Additionally, the company anticipates adding approximately 270 stores in fiscal 2025.

## Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
<b>EPS</b>	\$4.68	\$5.73	\$4.48	\$3.73	\$5.51	\$7.10	\$8.38	\$9.10	\$11.91	\$13.43	<b>\$14.24</b>	<b>\$25.10</b>
<b>DPS</b>	\$0.86	\$0.96	\$1.04	\$1.16	\$1.28	\$1.30	\$1.38	\$1.43	\$1.52	\$1.72	<b>\$2.00</b>	<b>\$2.94</b>
<b>Shares</b>	39	39	37	37	37	37	37	37	38	37	<b>37</b>	<b>35</b>

Over the last five and nine years, Casey's has seen its earnings-per-share grow at an average annualized rate of 20% and 12%, respectively. For this fiscal year, we expect Casey's to deliver \$14.24 in earnings-per-share driven by the company's expectations to increase same-store inside sales by 3% to 5% for the year and add about 270 stores, offset by increased expenses, depreciation and amortization, and purchase of property and equipment.

From FY 2024 through FY2026, Casey's expects to add approximately 500 stores through new builds and acquisitions. At the same time, inside sales are expected to grow by mid-single digits, and fuel gallons will remain flat or increase by a low single digit.

We project earnings per share could grow at a rate of 12% annually over the next five years, with our estimates taking into account organic growth in same-store sales, and inorganic growth from acquiring more stores.

*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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Over the last five and nine years, Casey's saw the dividend per share grow at an average annualized rate of 6% and 8% annually. Over the intermediate term, we forecast 8% annual dividend growth. Casey's has a track record of 25 years of consecutive dividend growth. Management invests operating cash flow in maintenance capital expenditures (store upkeep), paying dividends, acquiring new stores, and occasionally share buybacks. Casey's has repurchased a small number of shares in the last decade, and we do not forecast that management will be buying back a significant number of shares over the next five years.

## Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	18.6	26.8	29.8	21.9	22.3	23.6	23.0	22.0	18.8	24.0	<b>30.0</b>	<b>22.5</b>
Avg. Yld.	0.8%	0.8%	0.9%	1.0%	0.8%	0.8%	0.7%	0.7%	0.7%	0.5%	<b>0.5%</b>	<b>0.5%</b>

Over the past ten years, Casey's has averaged a 23.1 P/E ratio, and over the past five years, Casey's has averaged a 22.3 P/E ratio. We peg fair value for Casey's at 22.5 times earnings as the company benefits from stable cash flows, but the business is forecasted to grow at a lower rate than it has done over the past 5 years. Today, the stock offers a 0.5% dividend yield, which is low for investors who prioritize dividend income, but this capital allocation strategy does benefit shareholders as the company can continue to invest at high rates of return to grow earnings per share.

## Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	18%	17%	23%	31%	23%	18%	16%	16%	13%	13%	<b>14%</b>	<b>12%</b>

Casey's General Stores benefits from being a stable business with a solid business model. The business does have some dependence on economic conditions due to about 63% of revenues coming from fuel sales, and fuel is generally cyclical. However, we can see from 2020 and 2021 sales results that the business held up remarkably during the pandemic.

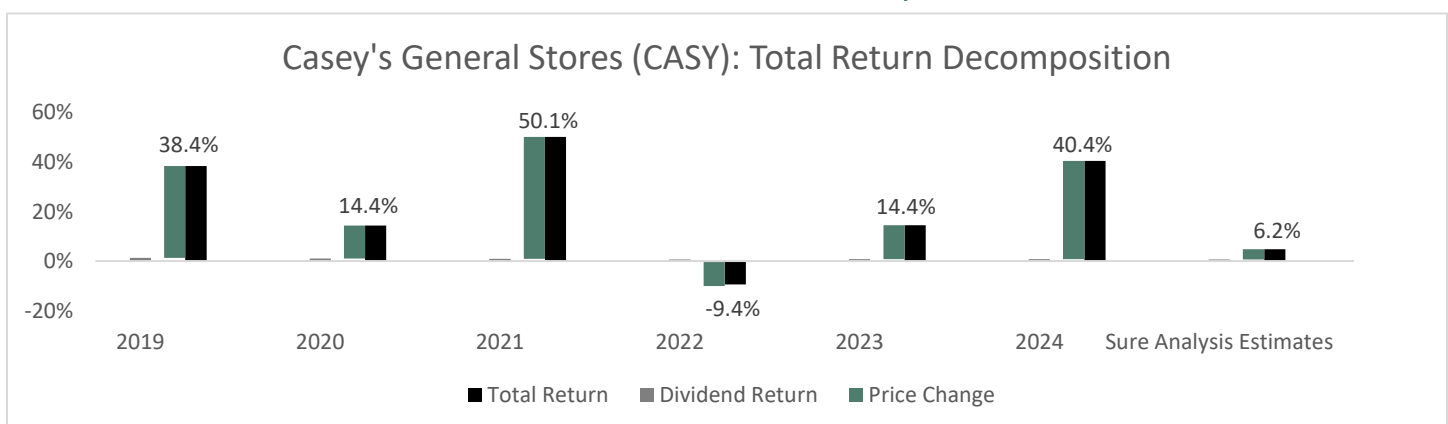
Additionally, Casey's has an advantage in the convenience store market because 63% of convenience store operators own 10 or fewer stores. In a fragmented industry, Casey's has an advantage with large scale in individual rural markets.

We believe dividends are safe and will continue to grow due to the company's strong balance sheet and low payout ratio. Despite the benefits of Casey's stable business model, the stock does have a low current dividend yield of 0.5%.

## Final Thoughts & Recommendation

Casey's General Stores offers investors an opportunity to invest in a stable and familiar business model with a company that is expected to continue growing earnings per share. At today's price, we rate the stock as a hold as total return prospects come in at 6.2% annually over the next five years, and the dividend yield is just 0.5%.

## Total Return Breakdown by Year



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## Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>Revenue</b>	7,767	7,122	7,507	7,472	9,353	9,175	8,707	12,953	15,090	14,860
<b>Gross Profit</b>	1,440	1,614	1,681	1,769	1,955	2,145	2,356	2,763	3,072	3,348
<b>Gross Margin</b>	18.5%	22.7%	22.4%	23.7%	20.9%	23.4%	27.1%	21.3%	20.4%	22.5%
<b>D&amp;A Exp.</b>	156	171	198	221	244	251	265	304	313	350
<b>Operating Profit</b>	323	389	311	265	319	395	454	498	639	710
<b>Op. Margin</b>	4.2%	5.5%	4.1%	3.6%	3.4%	4.3%	5.2%	3.8%	4.2%	4.8%
<b>Net Profit</b>	181	226	177	318	204	264	313	340	447	502
<b>Net Margin</b>	2.3%	3.2%	2.4%	4.3%	2.2%	2.9%	3.6%	2.6%	3.0%	3.4%
<b>Free Cash Flow</b>	(12)	80	26	(158)	136	65	363	462	405	371
<b>Income Tax</b>	101	123	92	(103)	60	78	94	101	141	154

## Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>Total Assets</b>	2,470	2,726	3,020	3,470	3,731	3,944	4,460	5,506	5,943	6,347
<b>Cash &amp; Equivalents</b>	49	76	77	54	63	78	337	159	379	206
<b>Acc. Receivable</b>	23	28	43	45	38	49	80	108	121	152
<b>Inventories</b>	197	205	202	242	273	236	287	396	376	429
<b>Goodwill &amp; Int.</b>	127	129	133	140	157	161	161	613	615	653
<b>Total Liabilities</b>	1,595	1,643	1,829	2,199	2,323	2,301	2,528	3,265	3,283	3,332
<b>Accounts Payable</b>	227	241	294	321	335	185	355	589	561	570
<b>Long-Term Debt</b>	854	838	924	1,347	1,375	1,405	1,364	1,688	1,673	1,636
<b>Total Equity</b>	875	1,083	1,191	1,271	1,409	1,643	1,933	2,241	2,661	3,015
<b>LTD/E Ratio</b>	0.98	0.77	0.78	1.06	0.98	0.85	0.71	0.75	0.63	0.54

## Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>Return on Assets</b>	7.6%	8.7%	6.2%	9.8%	5.7%	6.9%	7.4%	6.8%	7.8%	8.2%
<b>Return on Equity</b>	22.9%	23.1%	15.6%	25.8%	15.2%	17.3%	17.5%	16.3%	18.2%	17.7%
<b>ROIC</b>	11.0%	12.4%	8.8%	13.4%	7.5%	9.0%	9.9%	9.4%	10.8%	11.2%
<b>Shares Out.</b>	39	39	37	37	37	37	37	37	38	37
<b>Revenue/Share</b>	198.63	180.66	189.66	195.95	252.95	246.74	233.09	346.73	402.31	397.72
<b>FCF/Share</b>	(0.31)	2.02	0.65	(4.13)	3.68	1.76	9.71	12.37	10.80	9.93

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

## Disclaimer

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