



Nordson Corporation (NDSN)

Updated December 16th, 2024 by Quinn Mohammed

Key Metrics

Current Price:	\$225	5 Year CAGR Estimate:	12.8%	Market Cap:	\$13 B
Fair Value Price:	\$240	5 Year Growth Estimate:	10.0%	Ex-Dividend Date¹:	12/20/24
% Fair Value:	94%	5 Year Valuation Multiple Estimate:	1.5%	Dividend Payment Date¹:	01/02/25
Dividend Yield:	1.4%	5 Year Price Target	\$387	Years Of Dividend Growth:	61
Dividend Risk Score:	A	Retirement Suitability Score:	B	Rating:	Buy

Overview & Current Events

Nordson was founded in 1954 in Amherst, Ohio by brothers Eric and Evan Nord, but the company can trace its roots back to 1909 with the U.S. Automatic Company. Today the company has operations in over 35 countries and engineers, manufactures, and markets products used for dispensing adhesives, coatings, sealants, biomaterials, plastics, and other materials, with applications ranging from diapers and straws to cell phones and aerospace. The \$13 billion market cap company generated \$2.7 billion in sales last fiscal year.

On November 3rd, 2022, Nordson completed its acquisition of CyberOptics Corporation, expanding Nordson's product offering in the semiconductor and electronics industries. CyberOptics Corp. is a global developer and manufacturer of high-precision 3D optical sensing technology solutions. Nordson also completed its acquisition of Atrion in August 2024.

On August 14th, 2024, Nordson increased its dividend by 15% to \$0.78 per share quarterly, marking 61 years of increases.

On December 11th, 2024, Nordson reported fourth quarter results for the period ending October 31st, 2024. For the quarter, the company reported sales of \$744 million, 4% higher compared to \$719 million in Q4 2023, which was driven by a positive acquisition impact, and offset by organic decrease of 3%. Industrial Precision saw sales decrease by 3%, while the Medical and Fluid Solutions and Advanced Technology Solutions segments had sales increases of 19% and 5%, respectively. The company generated adjusted earnings per share of \$2.78, a 3% increase compared to the same prior year period.

For FY 2024, Nordson generated adjusted EPS of \$9.73 compared to \$9.85 in 2023.

The company's backlog equaled \$580 million at the end of the fourth quarter. Nordson initiated its FY 2025 outlook, expecting sales of \$2.75 billion to \$2.87 billion and adjusted EPS of \$9.70 to \$10.50.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$3.58	\$4.68	\$5.37	\$5.94	\$5.87	\$5.48	\$7.74	\$9.43	\$9.85	\$9.73	\$10.10	\$16.27
DPS	\$0.90	\$0.99	\$1.11	\$1.25	\$1.43	\$1.53	\$1.68	\$2.18	\$2.63	\$2.82	\$3.12	\$5.02
Shares²	57	57	58	58	58	58	58	58	58	58	58	58

From FY 2015 through FY 2024, Nordson grew earnings-per-share by a solid 12% annually. However, earnings dipped during the last recession and fell again in 2020, but the company rebounded sharply and produced impressive results in 2021 and beyond. Nordson outlines an investment thesis for itself, citing best-in-class technology that boosts client output while lowering costs, a worldwide service model, a balanced income stream, and an exceptional business track record. Areas for growth include increased use of disposable products, productivity investments, mobile computing, increased medical device usage and lightweight / lean manufacturing of vehicles, all of which benefit from the company's adhesive and coating segments. Additionally, with the acquisition of CyberOptics Corporation and Atrion, Nordson has expanded its position in the semiconductor and electronics industries, and proprietary medical products.

¹ Estimate

² In millions.

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We are using the midpoint of management’s guidance, \$10.10 per share, for our FY 2025 earnings expectation. In addition, we are forecasting 10% growth off 2025 expectations into 2030, driven by top line improvement, small margin growth and a positive impact from acquisitions. This forecast is in line with Nordson’s Ascend strategy, which targets 6% to 8% revenue growth and 10% to 12% adjusted EPS growth from 2025 through 2029.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	21.0	17.0	22.0	22.7	22.8	31.6	28.8	26.9	26.3	25.9	22.3	24.0
Avg. Yld.	1.2%	1.2%	0.9%	0.9%	1.1%	0.9%	0.7%	0.9%	1.1%	1.1%	1.4%	1.3%

Over the past decade, shares of Nordson have traded at an average P/E ratio of about 24, with the multiple picking up materially as of late. We believe a premium valuation is fair considering the company’s strong past and prospects, and the current valuation is below our estimate of fair value. Should shares return to 24 times earnings, this could create a tailwind for future returns.

The dividend does not add materially to the investment thesis, but Nordson has a storied record of dividend increases. The current dividend yield is not impressive, but the low payout ratio and strong underlying profit machine show a clear path to many dividend increases ahead.

Safety, Quality, Competitive Advantage, & Recession Resiliency

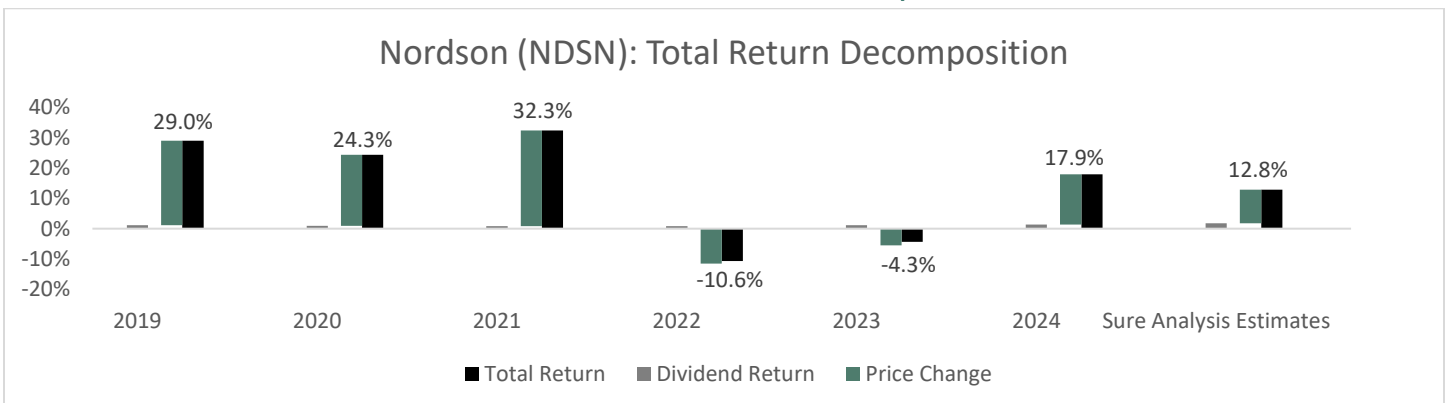
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	25%	21%	21%	21%	24%	28%	22%	23%	27%	29%	31%	31%

Nordson’s main competitive advantage is its enormous installed base of customers around the world. The company provides niche, but critical, pieces involved in a variety of manufacturing processes. As such, it is difficult for competitors to compete away the company’s position. Of course, this does not mean that Nordson is immune from recessions. During the last crisis, earnings fell -32% for the year, before rebounding strongly. Given the company’s dependence on worldwide growth, another downturn could dampen the company’s near-term growth forecasts. Indeed, 2020 proved to be a down year, but fiscal 2021 and 2022 results were very strong.

Final Thoughts & Recommendation

Shares are down 15% year-to-date, which compares unfavorably to the S&P 500 Index’s 28% increase. Nordson is the type of company that you would love to own at the right price. The company’s long-term growth prospects appear solid and Nordson’s past record, both on the earnings and dividend front, are enviable. We are forecasting an annualized total return in the next five years of 12.8%, stemming from a 10% EPS growth rate, a 1.4% dividend yield, and 1.5% P/E multiple expansion. We are upgrading shares from hold to buy following the recent share price decline.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	1689	1809	2067	2255	2194	2121	2362	2590	2629	2690
Gross Profit	914	993	1139	1236	1192	1130	1324	1427	1425	1486
Gross Margin	54.1%	54.9%	55.1%	54.8%	54.3%	53.3%	56.1%	55.1%	54.2%	55.2%
SG&A Exp.	585	605	673	734	709	694	709	724	753	812
D&A Exp.	65	70	91	108	110	113	104	100	112	136
Operating Profit	329	388	466	503	483	437	615	702	673	674
Op. Margin	19.5%	21.5%	22.6%	22.3%	22.0%	20.6%	26.0%	27.1%	25.6%	25.1%
Net Profit	211	272	296	377	337	250	454	513	487	467
Net Margin	12.5%	15.0%	14.3%	16.7%	15.4%	11.8%	19.2%	19.8%	18.5%	17.4%
Free Cash Flow	200	274	285	415	319	452	508	462	607	492
Income Tax	90	97	124	71	94	52	120	136	128	118

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	2360	2421	3415	3421	3516	3675	3791	3820	5252	6001
Cash & Equivalents	50	67	90	96	151	208	300	163	116	116
Accounts Receivable	373	415	491	476	506	445	480	510	548	562
Inventories	226	220	264	264	283	277	327	383	455	477
Goodwill & Int. Ass.	1360	1367	2136	2108	2060	2121	2071	2134	3457	4022
Total Liabilities	1700	1569	2259	1970	1935	1916	1632	1526	2654	3069
Accounts Payable	68	75	86	84	85	71	92	99	106	98
Long-Term Debt	1117	983	1583	1314	1244	1106	816	738	1737	2205
Shareholder's Equity	660	852	1155	1451	1581	1759	2159	2294	2598	2932
D/E Ratio	2.58	1.84	1.96	1.36	1.22	1.09	0.76	0.32	0.67	0.75

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	9.1%	11.4%	10.1%	11.0%	9.7%	6.9%	12.2%	13.5%	10.8%	8.3%
Return on Equity	27.0%	36.0%	29.5%	29.0%	22.2%	14.9%	23.2%	23.0%	19.9%	16.9%
ROIC	12.1%	15.1%	12.9%	13.7%	12.1%	8.8%	15.6%	17.1%	13.2%	9.9%
Shares Out.	57	57	58	58	58	58	58	58	58	58
Revenue/Share	27.61	31.44	35.51	38.26	37.70	36.27	40.22	44.47	45.61	46.69
FCF/Share	3.27	4.76	4.90	7.04	5.47	7.73	8.64	7.93	10.53	8.54

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

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