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Zacks Small-Cap Research

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Titan International Inc. (NYSE: TWI)

TWI: Titan announced a transformative acquisition and releases 4th quarter and full year 2023 results. We increase our price target to $20.00 per share.

Utilizing a Discounted Cash Flow process containing conservative estimates combined with other valuation methodologies, we believe TWI stock could be worth **$20.00** per share.

Current Price (3/4/24)	$12.43
Valuation	**$20.00**

OUTLOOK

Titan International is a global manufacturer of off-the-road tires, wheels and undercarriages. The company serves the agricultural, earthmoving / construction, and consumer markets. Recent strategic actions have created higher margins in recent years and brought the leverage ratio down to 1.0x. Secular tailwinds exist in the global agricultural, infrastructure and construction markets. The outlook is for positive revenue and earnings growth on average over the long term. On February 29, 2024, the company acquired Carlstar Group for approximately $296 million which is expected to add significant diversity to the company's product lines. We believe TWI stock to be undervalued at this time.

SUMMARY DATA

52-Week High	**$15.33**
52-Week Low	**$9.23**
One-Year Return (%)	**-2.13**
Beta	**2.10**
Average Daily Volume (sh)	**328,086**
Shares Outstanding (mil)	**72.5**
Market Capitalization ($mil)	**$9028**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**80**
Insider Ownership (%)	**18**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**4.8**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**7.8**
P/E using 2023 Estimate	**7.8**
P/E using 2024 Estimate	**7.7**

Risk Level	**Average**
Type of Stock	**Midcap Value**
Industry	**Wheels & Tires**

ZACKS ESTIMATES

Revenue
(in millions of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2021	404 A	439 A	450 A	488 A	1,780 A
2022	556 A	573 A	531 A	510 A	2,169 A
2023	549 A	481 A	402 A	390 A	1,822 A
2024					2,227 E

EPS / Loss Per Share

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2021	$0.07 A	$0.22 A	$0.17 A	$0.39 A	$0.85 A
2022	$0.44 A	$0.79 A	$0.54 A	$0.44 A	$2.21 A
2023	$0.50 A	$0.48 A	$0.31 A	$0.34 A	$1.59 A
2024	$0.45 E	$0.45 E	$0.36 E	$0.35 E	$1.61 E

Quarterly revenues may not equal annual revenues due to rounding.
Quarterly EPS may not equal annual EPS due to rounding or dilution.
EPS may include adjusted, non-GAAP figures.

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WHATS NEW

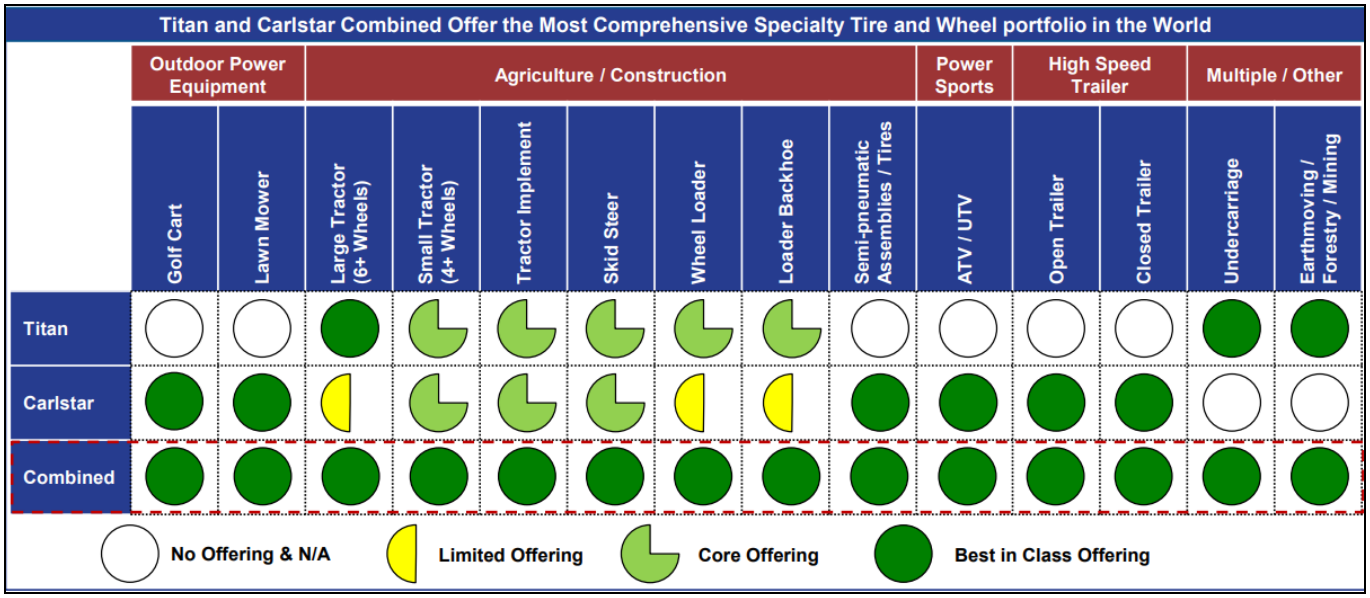
Carlstar Acquisition

On February 29, 2024, Titan announced the acquisition of Carlstar Group LLC for approximately $296 million in a transaction consisting of cash and stock, which closed on the same day. The transaction price represents a multiple of approximately 4x Carlstar's full year 2023 adjusted EBITDA of $73 Million and is expected to be immediately accretive to earnings per share and operating margins in 2024.

Carlstar is a global manufacturer and distributor of specialty tires and wheels for a variety of end-market verticals including outdoor power equipment, power sports, trailers, and small to midsize agricultural and construction equipment. Carlstar operates three manufacturing facilities in the U.S. and one in China. Carlstar also internally manages twelve distribution facilities on a global basis. Carlstar's total 2023 revenues were approximately $615 million.

Carlstar brings significant new customer relationships in multiple channels, including leading wholesale distributors, national retailers, commercial servicing dealers, and OEMs. The acquisition adds further diversification to Titan's product portfolio, especially in outdoor power equipment, power sports and high-speed trailers, where Titan does not currently have a presence.

The combination of Titan and Carlstar will create what the company believes to be the largest pure play specialty tire manufacturer covering commercial and consumer end markets. Carlstar expands Titan's existing wheel/tire assembly capabilities, providing further value for existing and new customers. The acquisition also adds four manufacturing facilities - Aiken, SC; Jackson and Clinton, TN; and Meizhou, China – along with twelve internally managed distribution centers in North America and Europe.



Source: titan-intl.com

Transaction details include:

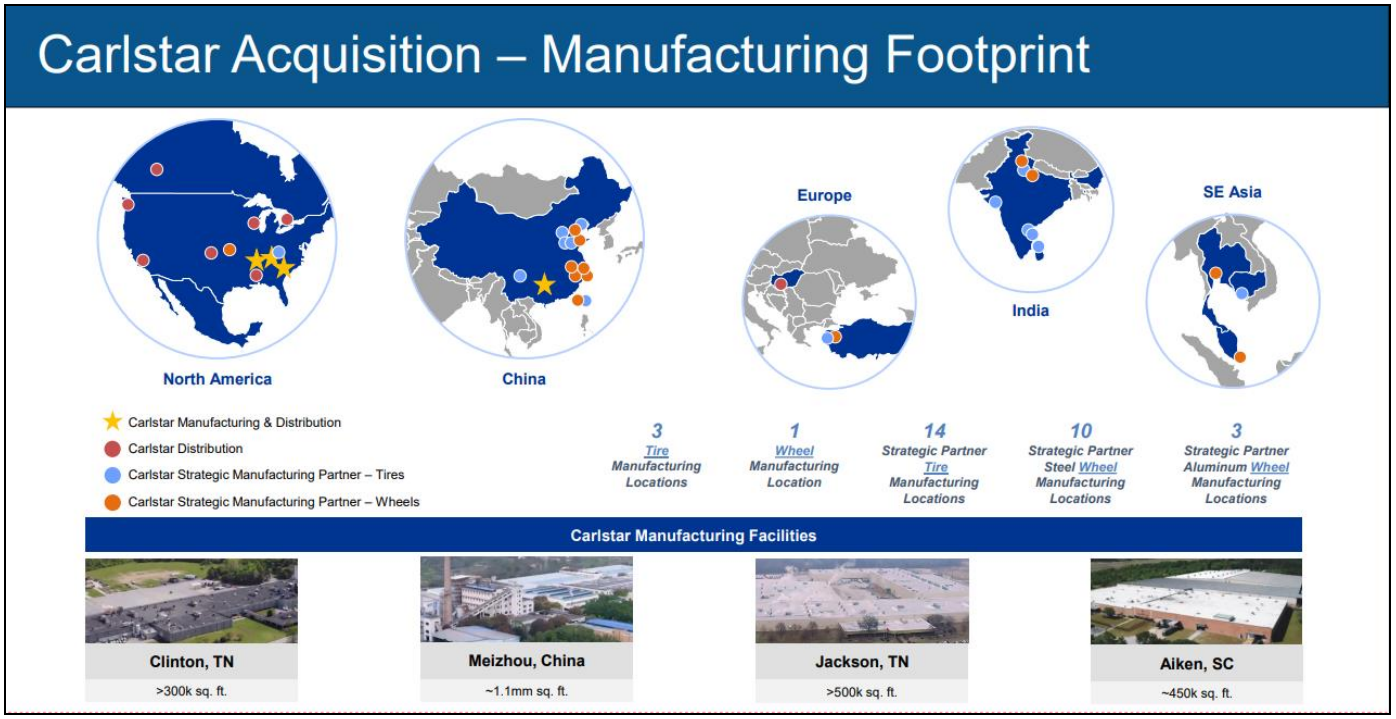
- Purchase price was approximately $296 million which consisted of $127 million of cash and $169 million of TWI equity (approximately 11.9 million shares of Titan's stock). The volume-weighted average price per share for the transactions was $14.43.

- To fund the cash portion of the transaction, Titan entered into a new domestic credit facility, effective February 29, 2024. The new credit facility, with Bank of America as agent, was increased to $225 million from $125 million previously. The credit facility has a five-year term with terms similar to those contained in the previous credit facility, as well as other enhancements to further improve availability within the borrowing base.

- The acquisition multiple is approximately 4x Carlstar's FY 2023 Adjusted EBITDA and is lower with expected synergies.

- Following the closing of the transaction, Titan's proforma net debt to Adjusted EBITDA leverage remained at approximately 1.3x of FY 2023 Adjusted EBITDA for the combined company, allowing the company continued flexibility to pursue its share repurchase program while also prioritizing future debt repayments and growth opportunities.

Titan President and CEO Paul Reitz said, *"I am delighted to announce our acquisition of Carlstar, which closed this morning. This is a transformative deal for Titan as it expands our manufacturing and distribution footprint while also further diversifying our product portfolio and key customer relationships, making Titan a "one-stop shop" within the specialty wheel and tire space. Carlstar's exciting catalogue of products are utilized primarily by consumers, which is a much different market than Ag. In outdoor power equipment and power sports, Carlstar wheels and tires can be found on products such as ATV/UTVs, lawn mowers and golf carts. Their tires can also be found on high-speed trailers where performance is a key differentiator. In the Ag market, Carlstar products are typically found on equipment such as backhoes and small skid-steer units, giving Titan a best in class offering."*



Source: titan-intl.com

Fourth Quarter 2023 Results

Net sales for the 4th quarter ending December 31, 2023, were $390.2 million, compared to $509.8 million in the prior year period in 2022. The decline in sales was across all segments and primarily driven by sales volume decreases caused by elevated inventory levels at customers in the Americas, particularly OEM customers. In addition, there were lower levels of end customer demand in small agricultural equipment and economic softness in Brazil. Net sales change was also impacted by negative price,

primarily due to lower raw material and other input costs, most notably steel, and unfavorable foreign currency translation of (2.0%).

Gross profit for the 4th quarter was $58.3 million, compared to $76.7 million in the comparable prior year period. Gross margin was 14.9%, which was consistent with the 15.0% gross margin in the prior year period. The company was able to maintain margins as a result of lower production input costs and continued productivity initiatives across global production facilities, despite headwinds from the unfavorable impact of fixed cost absorption on a lower revenue base.

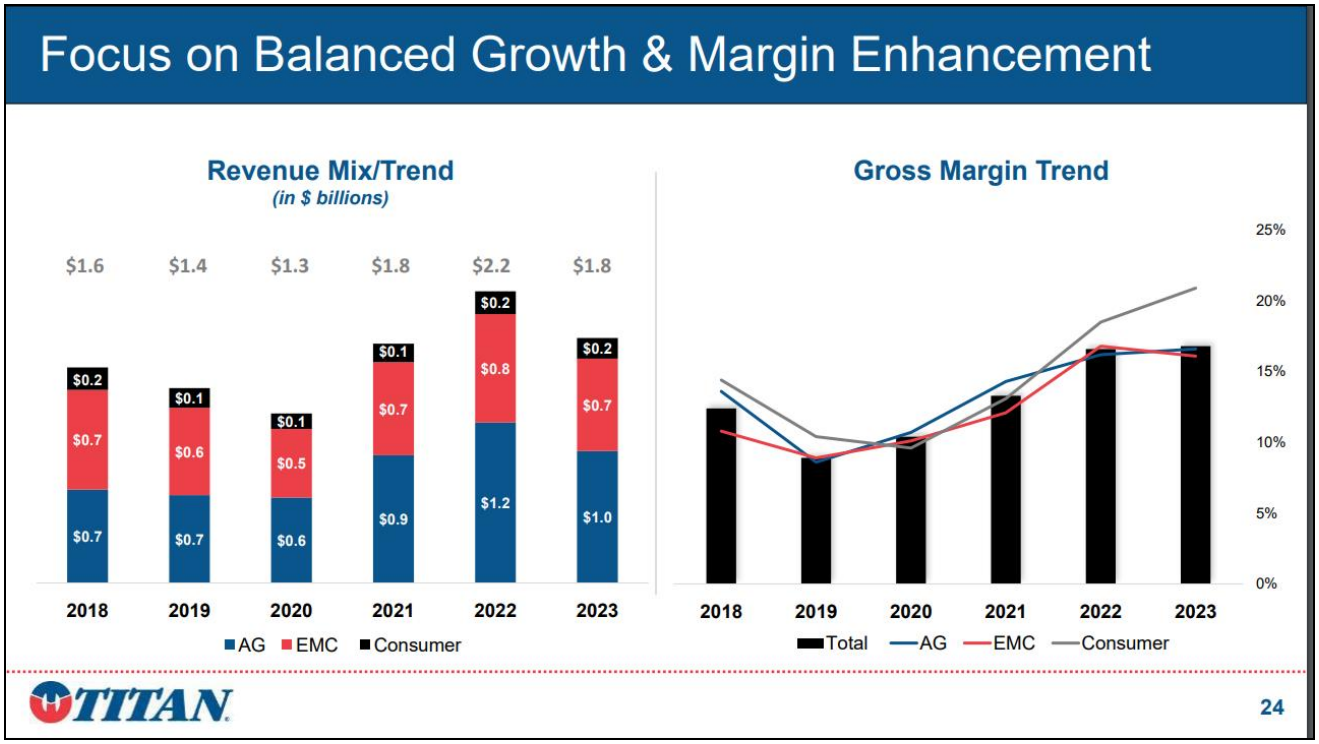
Selling, general, administrative, research and development (SGARD) expenses for the 4th quarter of 2023 were $35.2 million, compared to $33.3 million for the comparable prior year period. For the year ended December 31, 2023, SGARD expenses of $147.5 million increased 3.0% from $143.2 million the prior year due to normal inflation within the various businesses.

Operating income in the 4th quarter of 2023 was $20.7 million, or 5.3% of net sales, compared to $40.9 million, or 8.0% of net sales, for the 4th quarter of 2022. There was a net loss of ($2.6) million in the 4th quarter compared to net income of $42.0 million in the prior year period.

However, the company experienced several extraordinary items in the quarter, the largest being a $21.9 million foreign exchange loss related to the Argentinian peso as the company adopted hyperinflation accounting rules. In addition, the company recorded a restructuring charge of $1.6 million related to workforce reductions at a European facility.

Adjusted net income for the 4th quarter was $21.0 million, or $0.34 per share, compared to $27.7 million, or $0.44 per share, in the prior year period. Adjusted EBITDA was $38.1 million compared to adjusted EBITDA of $52.8 million in the 4th quarter of 2022.

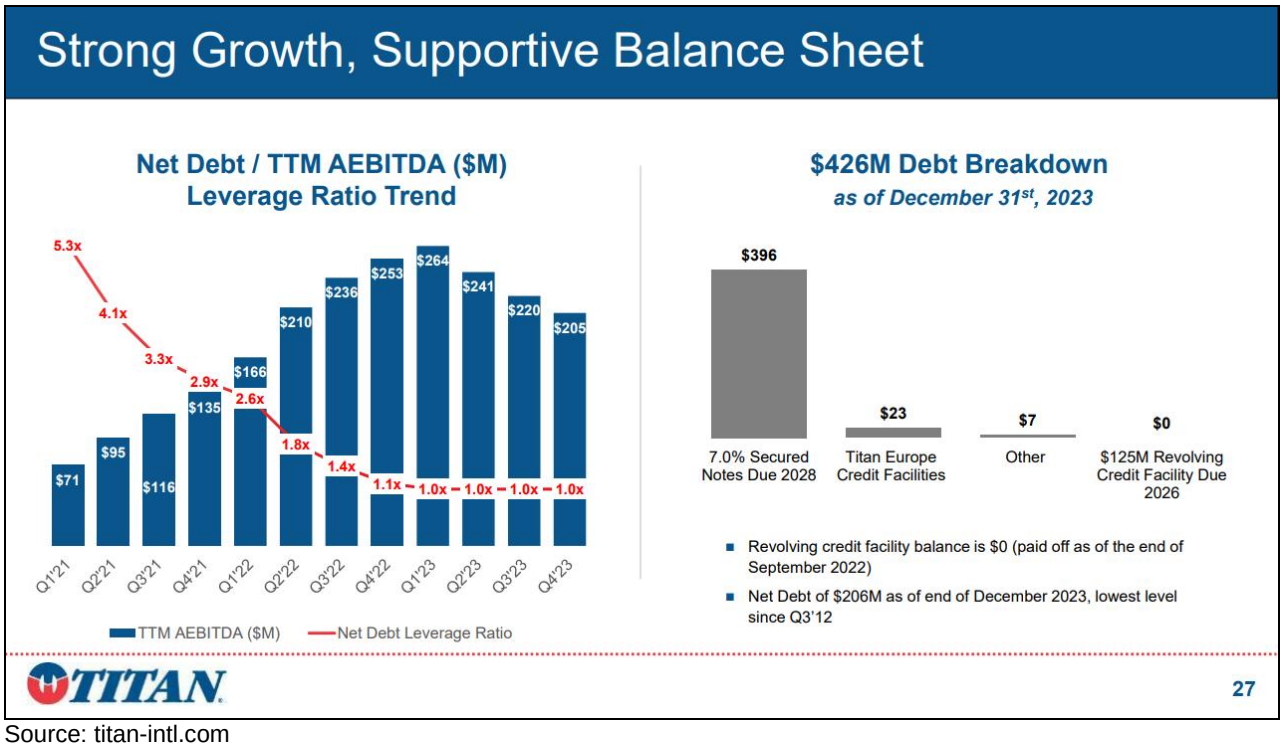
On a segment basis for the 4th quarter, Agricultural net sales declined 29.9%, Earth Moving/Construction net sales declined 18.7%, and Consumer net sales declined 1.6%. Gross margins improved in the Agricultural and Consumer segment but declined in the Earth Moving/Construction segment.



Source: titan-intl.com

The company maintains a safe and liquid balance sheet with cash of $220.3 million and total debt of $426.1 million as of 12/31/23. Working capital was net positive at $504.4 million at the end of 2023. The company continues to generate substantial free cash flow, which totaled $118.4 million for the year. Primary uses of free cash flow include $20.9 million in debt repayments and $32.6 million in share buybacks.

The company's debt is comprised primarily of $396 million in 7.0% secured notes with a maturity in 2028. Although total debt levels are expected to increase due to the Carlstar acquisition.



Source: titan-intl.com

Valuation and Estimates

We adjust our 2024 estimates due to the Carlstar acquisition. Our 2024 full year EPS estimate is $1.61, and our total revenue estimate is $2.23 billion. That puts TWI stock selling at 7.7x current year EPS estimates. We have not introduced formal 2025 estimates at this time as we await further management commentary in 2024.

We increase our price target to **$20.00** based on the expectations that Carlstar will be an accretive acquisition as well as considering the effects of the reduction of company-wide cyclicality on our Discounted Cash Flow calculation.

KEY INVESTMENT POINTS



Source: ir.titan-intl.com/

- Titan International, Inc. (NYSE: TWI) is a global wheel, tire, and undercarriage industrial manufacturer and supplier that primarily services agriculture and construction customers around the world.

- Titan produces a broad range of products to meet the specifications of original equipment manufacturers (OEMs) and aftermarket customers in the agricultural, earthmoving/construction, and consumer markets. Titan manufactures and sells tires under the Goodyear Farm Tire, Titan Tire and Voltyre-Prom Tire brands as well as undercarriages and components, including steel tracks, under the ITM brand.

- On February 29, 2024, the company acquired Carlstar Group LLC for approximately $296 million. The acquisition is expected to add significant diversity to the company's product lines and the acquisition is expected to be accretive in the first full year of operations.

- The Agricultural segment manufactures and markets wheels, tires, and components used on various agricultural equipment such as tractors, combines, skidders, plows, planters, and irrigation equipment.

- The Earth Moving / Construction segment manufactures undercarriage systems and related components as well as wheels and tires for various types of off-the-road vehicles and equipment such as skid steers, aerial lifts, cranes, graders and levelers, scrapers, dump trucks and crawler tractors.

- The Consumer segment manufactures bias truck tires and light truck tires outside of the US, customer mixing of rubber stock in the US, and high speed brakes in Europe. The company also offers various tire products to vehicle and equipment types such as ATVs, side-by-sides, rock climbers, turf, and lawn and garden equipment.

- The company has very longstanding and developed relationships with global OEMs such as Deere & Co, Caterpillar Inc., AGCO Corporation, Hitachi Ltd, and Kubota Corporation.

- The company's products are in high demand due to population growth and the increased food demand as a greater portion of the 3rd world population rises out of poverty. Also, global infrastructure is aging and in need of upgrading which creates demand for construction and earthmoving equipment.

- The company has undergone strategic actions in recent years including optimizing the product portfolio, investing in operational efficiencies, and enhancing working capital management. This has increased the baseline gross margin level as gross margins in 2023 are expected to be similar to 2022 levels despite a double-digit revenue decline.

- The company maintains a strong balance sheet with $220.3 million in cash and $426.1 million in debt as of 12/31/23. The trailing 12-month leverage ratio is 1.0x, which is a reduction from over 10.0x four years ago.

- TWI stock is selling at low valuation levels relative to its peers in the agriculture and construction space.

- We believe TWI stock is worth **$20.00** based on a conservative discounted cash flow (DCF) calculation and a peer multiple comparison.

OVERVIEW



Source: ir.titan-intl.com/

Titan International, Inc. is a global wheel, tire, and undercarriage industrial manufacturer and supplier that primarily serves agriculture and construction customers in both the U.S. and international markets. Titan traces its roots to the Electric Wheel Company in Quincy, Illinois, which was founded in 1890. Titan was incorporated in 1983 and has increased its global footprint and enhanced product offerings through major acquisitions which include the following:

- 1994 – The Pirelli Armstrong Tire facility in Des Moines, IA, specialized in agricultural tires
- 2005 - The Goodyear Tire & Rubber Company's North American farm tire assets, including the factory in Freeport, IL
- 2006 - Off-the-road (OTR) tire assets of Continental Tire North America, including the factory in Bryan, OH
- 2011 - The Goodyear Tire & Rubber Company's Latin American farm tire business in Sao Paulo, Brazil
- 2011 – Goodyear's Union City, TN plant, which specializes in rubber mixing
- 2012 – Acquisition of Titan Europe, Plc, which includes wheel plants in Italy, France, UK and Turkey, as well as the global undercarriage business, known today as ITM
- 2013 - A noncontrolling interest in Voltyre-Prom, a leading producer of agricultural and industrial tires, in Volgograd, Russia. Titan subsequently acquired a controlling interest in Voltyre-Prom.

Titan manufactures wheels, tires, and components for use on various agricultural equipment such as tractors, combines, skidders, plows, planters, and irrigation equipment. These products are sold primarily to large equipment manufacturers such as Deere, CNH, and AGCO.

Titan also manufactures undercarriage systems, tires and wheels for various types of Off-The-Road (OTR) earthmoving, mining, military, construction, and forestry equipment. This includes equipment such as skid steers, aerial lifts, cranes, graders and levelers, scrapers, self-propelled shovel loaders, articulated dump trucks, load transporters, haul trucks, backhoe loaders, and hydraulic excavators.

In addition, Titan manufactures bias truck tires in Latin America and also offers select products for ATVs, side-by-sides, rock climbers, turf, and other products for the lawn and garden segment. The focus for

future growth in this segment will be the development of third-party customer mixing of rubber stock which has strong market potential and has a higher margin profile.

The company has undergone a strategic transformation over the past four years in which EBITDA has increased from $38 million in 2019 to over $200 million in 2023 (estimated). The leverage ratio has decreased from 11.5x in 2019 to approximately 1.0x currently. This transformation included optimizing the product portfolio, selling underperforming assets, strengthening the supply chain, and new product innovation.

The company is experiencing strong secular tailwinds driven by strong agricultural and commodity demand, replacement cycles in agriculture and construction equipment, improving farmer income, and increased infrastructure spending by governments around the world.

As of the end of 2023, the company employed approximately 6,900 people worldwide, including approximately 4,500 located outside the U.S. Approximately 42% of these employees based in the U.S. are covered under collective bargaining agreements which expire on November 16, 2024.

PRODUCT DESCRIPTIONS

Agricultural Segment

Titan manufactures wheels, tires, and components for use on various agricultural equipment such as tractors, combines, skidders, plows, planters, and irrigation equipment. These products are sold directly to OEMs such as Deere, CNH, and AGCO and to the aftermarket as well as through distributors, dealers, and Titan's distribution centers.

The wheels range in diameter from nine inches to 54 inches, with the 54-inch diameter being the largest agricultural wheel manufactured in North America. Basic wheel configurations are combined with different variations such as different centers and a wide range of material thickness, which allows the company to offer a broad line of products to meet customer specifications. Titan's agricultural tires range from approximately one foot to approximately seven feet in outside diameter and from five inches to 55 inches in width. Agricultural tires are sold under the Titan, Goodyear, and Votyre brands with a full portfolio of sizes, load carrying capabilities, and tread patterns necessary for the markets served. The company offers the added value of delivering a complete wheel and tire assembly to OEM and aftermarket customers.



Source: titan-intl.com

Specific business drivers in this segment include strong retail demand due to replacement needs for aging equipment fleets, strong North American farmer sentiment, and net farm income well above

historical levels due to high crop prices. In Europe, pent-up demand levels provide support into 2024 and beyond. The Latin American market remains strong with a significant runway for continued growth due to low inventory levels and positive trends for the global agricultural economy in that region.

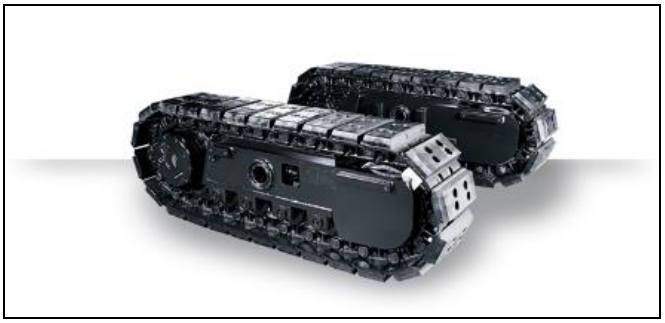
For the calendar year 2023, the agricultural segment represented 54% of total sales and 56% of segment operating income.

Earth Moving / Construction Segment

Source: titan-intl.com

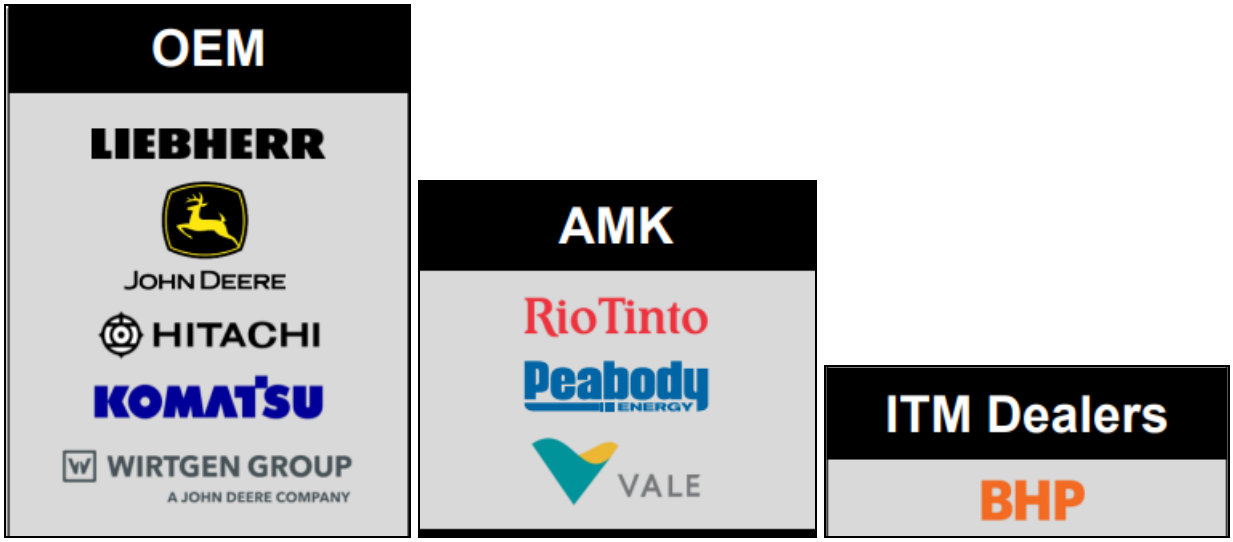
The largest product set in this segment (approximately 60% of revenues) are undercarriage components such as track groups, track and carrier rollers, idler assemblies, and sprockets which are sold under the ITM brand. These products serve a full range and lifecycle of applications for crawling machines primarily in the construction, mining, forestry, road building and agriculture industries. The company has a significant blue-chip OEM customer base in this product line as well as strong relationships in mining aftermarket channels and is expanding into forestry markets.





Source: titan-intl.com

Revenues for undercarriage components are approximately 70% OEM and 30% after-market. All tractor type track groups (up to 250 ton class) produced by the company are built from five major parts: shoes, right and left hand links, pins, bushings and bolts and nuts.



Source: titan-intl.com

Also in the EMC segment, Titan manufactures wheels and tires for various types of OTR earthmoving, mining, military, construction, and forestry equipment. This equipment includes skid steers, aerial lifts, cranes, graders and levelers, scrapers, self-propelled shovel loaders, articulated dump trucks, load transporters, haul trucks, and backhoe loaders.

The company offers a wide range of products in this segment with wheels ranging in diameter from 15 to 63 inches and in weight from 125 pounds to 7,000 pounds. The 63-inch diameter wheel is the largest manufactured for the global earthmoving/construction market. Titan's earthmoving/construction tires are offered in the Titan brand and range from approximately three feet to approximately 13 feet in outside diameter and in weight from 50 pounds to 12,500 pounds. Earthmoving/construction tires produced by Titan serve almost every off-road application in the industry with some of the highest load requirements in the most severe environments and applications. The company also offers the added value of wheel and tire assembly for certain applications in the earthmoving/construction segment.





Source: titan-intl.com

Key drivers in this segment include high levels of construction demand driven by road construction, infrastructure upgrades, government appropriations, and housing starts. The Construction and Earthmoving markets are in a good position for growth due to expected low inventory levels, solid non-residential construction and mineral commodity prices at relatively high levels.

For the calendar year 2023, the EMC segment represented 38% of total sales and 31% of segment operating income.

Consumer Segment

Titan manufactures bias truck tires outside of the U.S. and also manufactures select products for ATVs, side-by-sides, rock climbers, turf, and also offers products in the lawn and garden segment. This segment also includes sales that do not fall into the other segments, such as custom rubber stock mixing sales to a variety of OEMs in related industries. The focus for future growth in this segment will be the development of third-party customer mixing of rubber stock which has strong market potential and has a higher margin profile.



Source: titan-intl.com

No dedicated manufacturing exists for products in this segment, which provides increased utilization and productivity for existing production facilities and drives above average margins for this segment.

For the calendar year 2023, the consumer segment represented 8% of total sales and 15% of segment operating income.

PRODUCT INNOVATION

LSW Technology

The company has a history of advanced product innovation in the tire and wheel space. One of the most prominent examples is the company's development of Low Sidewall Technology (LSW). LSW assemblies feature a larger rim diameter and smaller tire sidewall than traditional tire and wheel assemblies. LSW technology is helping to eliminate problems that farmers face including road lope, power hop and soil compaction. The lower air pressure on LSW tires and subsequent increased footprint allows the equipment to stay higher and not compact the soil which can negatively affect plantings. Titan is the only company able to design, test and produce both wheels and tires for the agriculture markets.



Source: titan-intl.com

Since the introduction of LSWs in the markets, the company has seen them prove to be a win-win solution to dealer partners, the OEMs, and the company itself. LSW equipped machines create 38% less compaction, can road 30% faster, ride a lot smoother and can save up to 30% in fuel costs compared to conventional tracks. In addition, LSW tires distribute the weight of the tractor over a larger footprint which reduces compaction and the need for tillage, resulting in reduced tractor operating hours and a lower

carbon footprint. This increases crop yields for farmers which results in a relatively quick payback from the purchase of LSW tires. The LSW technology also creates a higher margin product for the company.

LSWs can be a great retrofit for used equipment because it will simply improve the performance of that equipment. Lastly, it will help underpin a strong aftermarket business for Titan in future years.



Source: titan-intl.com

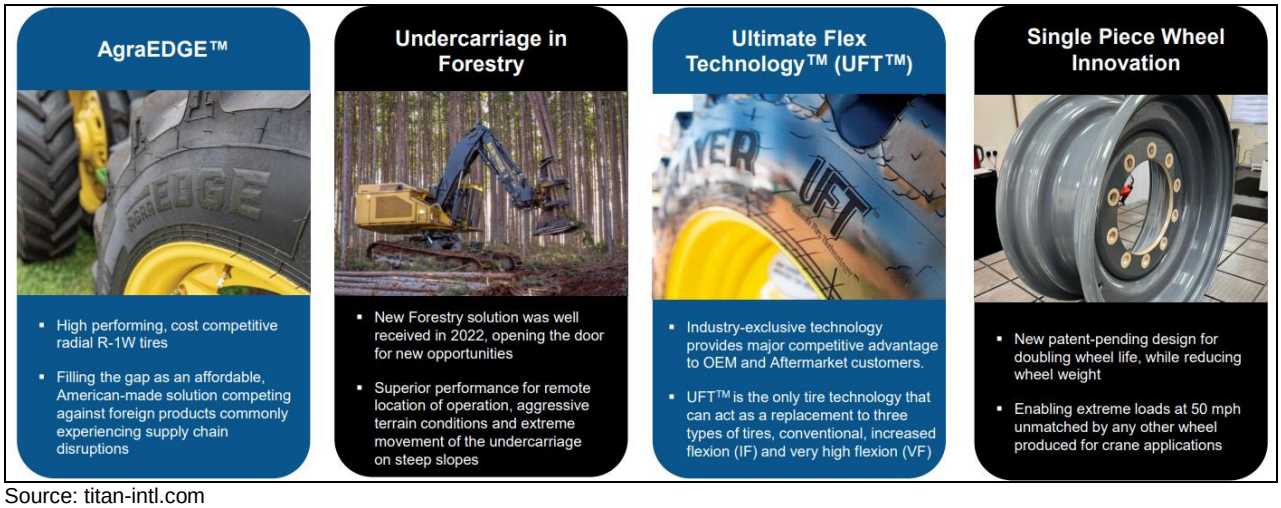
Other Innovations

Other product innovations include AgraEDGE, which is a high performing, cost competitive radial R-1W tire that fills the gap as an affordable, American-made solution competing against foreign products recently experiencing supply chain disruptions.

The company has also led advancements in undercarriage components for the forestry industry. These products were introduced in 2022 and were well received by the industry. The undercarriage creates superior performance for remote locations of operation, aggressive terrain conditions and extreme movement of the undercarriage on steep slopes.

Ultimate Flex TechnologyTM (UFTTM) is an industry-exclusive tire technology that provides a major competitive advantage to OEM and aftermarket customers. UFTTM is the only tire technology that can act as a replacement for three types of tires - conventional, increased flexion (IF) and very high flexion (VF). IF and VF tires aid in reducing topsoil and upper subsoil compaction by allowing a given weight needed at a much lower tire pressure. Excessive soil compaction can cause reduced crop yields, extra fuel costs, decreased water pressure, and decreased fertilizer efficiency. Reduced tire pressures can also have the positive effect of increasing traction.

The company has also been innovative in single wheel technology applications. The company created a new patent-pending design for doubling wheel life, while reducing wheel weight. This enables extreme loads at 50 mph which appears to be unmatched by any other wheel produced for crane applications.



Source: titan-intl.com

ADDRESSABLE MARKET

The U.S. agricultural equipment market had shipments of 831,826 units in 2022 and is expected to reach 1,023,957 units by 2028 which is a CAGR of 3.5%. Last year, the tractor segment accounted for the largest U.S. agricultural equipment market share, a key end-market product for Titan. In addition, the agricultural equipment market is characterized by new technologies and other advancements in which Titan is a key participant. There have also been government incentives to increase farm mechanization among farmers which also boosts demand for these products. Farm mechanization is deemed necessary for the US agriculture sector as it has the potential to improve food production and reduce labor risk.

The heavy construction vehicle market was valued at approximately $72.1 billion in 2022 and this market is expected to grow at a CAGR of 3.4% through 2029 to approximately $91.5 billion. This is driven by factors such as geographical expansion, rapid urbanization, adaptation of advanced OTR equipment and investment in the construction and manufacturing industry. Roughly 2/3rds of construction companies around the world have R&D departments to develop new technologies which is expected to drive market growth in coming years.

According to the U.S. Census Bureau, in 2022, the U.S. has invested $350 billion in the construction sector which includes the highways, streets, transportation, communication, and power applications. In other countries such as the U.K., the government has invested over $16 billion since 2021 for construction projects in the energy and utility sectors. New technologies are also expected to play a role in this market as OEMs focus on the design and development of smart, internet-enabled, energy-efficient machinery.

More specifically in the tire market, the global OTR tire market size was valued at $4.5 billion in 2022 and is projected to reach $9.5 billion by 2031 which is a CAGR of 8.7%. This is driven by the factors mentioned above. Off-the-road tires, also known as earthmover or heavy equipment tires, are specially engineered for vehicles and equipment in various off-road applications. These tires are designed to endure the hard circumstances and difficult terrains often encountered in construction, mining, agriculture, and industrial activities. The rising demand for agricultural tractors, construction, and mining equipment as emerging economies invest more in infrastructure creates increasing demand for tire replacement.

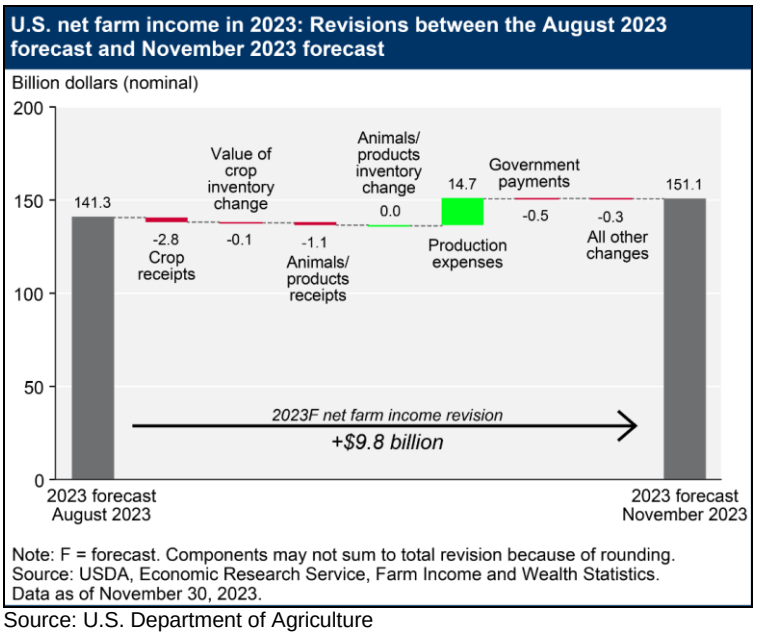
Source: titan-intl.com

INDUSTRY OUTLOOK

Agricultural Market Outlook

Commodity prices continued to remain at historically high levels during the first three quarters of 2023. High farmer income and replacement of an aging large equipment fleet are both market conditions that are anticipated to support continued healthy demand for Titan's products in the mid-to-long term time horizon. The last major agricultural equipment buying boom occurred in 2012. In the near-term, OEM customer demand may be low due to their elevated inventory levels from overstocking in 2022. Softness in the Brazilian economy may also create uncertain demand in the near term.

Domestic farm income expectations for 2023 were recently increased from $141 billion to $151 billion due to lower fuel prices, fertilizer costs, and feed prices.



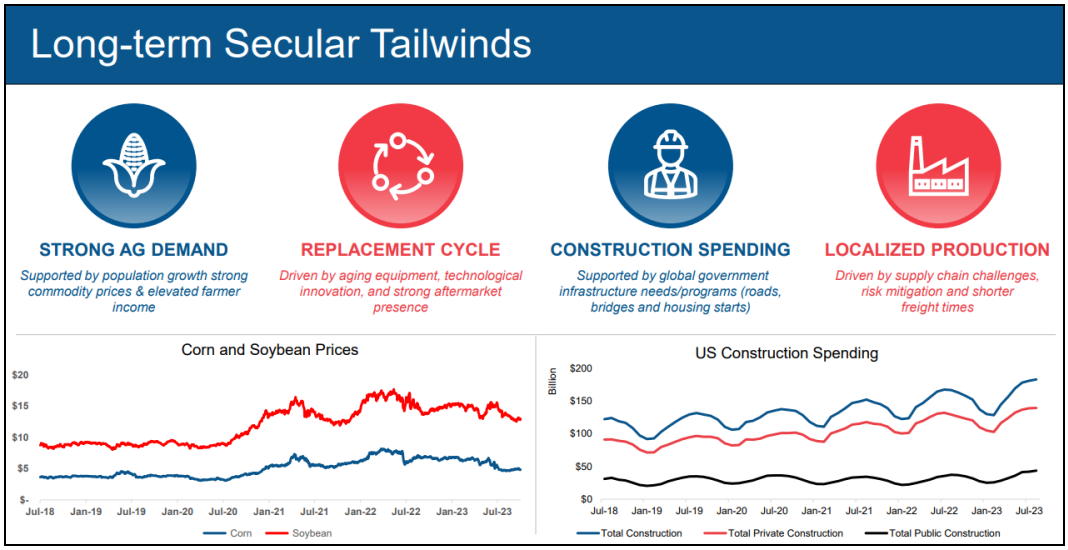
Source: U.S. Department of Agriculture

Earthmoving/Construction Market Outlook

The earthmoving/construction segment is affected by many different variables, including commodity prices, road construction, infrastructure spending, housing starts, and other macroeconomic drivers. The construction market is primarily driven by the GDP in each country and the need for infrastructure upgrades. The earthmoving/construction markets experienced some slowdown in OEM demand in 2023, most notably in the Americas, as a result of elevated inventory levels and some economic softness in Brazil. Mineral commodity prices are at relatively high levels that also currently support growth, while global recession concerns could impact demand in certain global regions.

Consumer Market Outlook

The consumer market for the company consists of several distinct product lines within different regions. These products include light truck tires, turf equipment, specialty products such as custom mixing of rubber stock, and train brakes. The markets remained stable during the first quarter of 2023 but experienced some slowdown during the second and third quarters of 2023 due to elevated inventory levels in Latin America. There are strong initiatives underway to improve opportunities in various specialty products including mixing of rubber stock in the U.S.



Source: titan-intl.com

MANAGEMENT

Paul G. Reitz
Chief Executive Officer

Mr. Reitz joined the company in July 2010 as Chief Financial Officer. Mr. Reitz was appointed President in February 2014. In December 2016, Mr. Reitz was appointed President and Chief Executive Officer. Prior to joining Titan, he was the Chief Accounting Officer for Carmike Cinemas based in Columbus, Georgia. He has also held leadership positions with McLeodUSA Publishing, Yellow Book USA Inc., and Deloitte and Touche LLP. He has an MBA from the University of Iowa and a Bachelor of Business Administration Degree from Northwood University.

David A. Martin
Chief Financial Officer

Mr. Martin joined the company in June 2018 as Chief Financial Officer. Prior to joining Titan, Mr. Martin served from 1993 to 2018 in various roles at Aegion Corporation, a global technology/service provider maintaining, protecting and strengthening infrastructure, primarily pipelines. Mr. Martin's roles included Chief Financial Officer from 2007 to November 2017.

Tony C. Eheli
Chief Accounting Officer

Mr. Eheli joined the company in March 2021 as Vice President and Chief Accounting Officer. Prior to joining Titan, Mr. Eheli served from 2011 to 2021 in various roles at Danaher Corporation, including as a Global Director of Financial Planning and Analysis and as a Global Corporate Controller of two separate divisions of Danaher.

Mike Troyanovich
General Council

Mr. Troyanovich joined Titan in 2011 as Assistant General Counsel. He was appointed Secretary in December 2012. Prior to joining Titan, Mr. Troyanovich was President of Kistner, Troyanovich and Brady, P.C. from September 2001 to August 2011.

RISKS

- The company's business is exposed to price fluctuations of key commodities such as steel, natural rubber, synthetic rubber, carbon black, bead wire, and fabric. The company does not generally enter into long-term commodity contracts and does not use derivative commodity instruments to hedge exposures to market price fluctuations. The business is also susceptible to increases in other costs such as energy and natural gas prices to run manufacturing facilities.

- The company has international operations and purchases raw materials from foreign suppliers as well. Total aggregate net sales outside the U.S. were approximately $1.1 billion, $944.2 million, and $675.9 million for calendar years 2022, 2021, and 2020, respectively. International sales are a significant proportion of total net sales, accounting for 50%, 53% and 54% for the calendar years 2022, 2021, and 2020, respectively.

- The company's revenues are substantially dependent on three major industries: agricultural equipment, earthmoving/construction equipment, and consumer products. The business activity levels in these industries are subject to specific industry and general economic cycles. Any downturn in these industries or the general economy could have a material adverse effect on Titan's business.

    - The agricultural equipment industry is affected by crop prices, farm income and farmland values,weather, export markets, and government policies.
    - The earthmoving/construction industry is affected by the levels of government and private construction spending and replacement demand. The mining industry, which is within the earthmoving/construction industry, is affected by raw material commodity prices.
    - The consumer products industry is affected by consumer disposable income, weather, competitive pricing, energy prices, and consumer attitudes.

- The company's customer base is relatively concentrated and its ten largest customers, which are primarily original equipment manufacturers (OEMs), accounted for 43%, 40%, and 35% of Titan's net sales for 2022, 2021, and 2020, respectively. Sales to Deere & Company represented 15%, 12%, and 11% of Titan's net sales for 2022, 2021, and 2020 respectively. There is also continuing pressure from OEMs to reduce costs, including the cost of products and services purchased from outside suppliers such as Titan, and in that regard, OEMs may develop in-house tire and wheel capabilities.

VALUATION

Titan appears to have tailwinds in terms of long-term secular trends of strong agricultural demand and an evolving replacement cycle for its OEM customers. We believe Titan can generate average annual revenue growth in the range of 3%-5% over the next 10 years and improve margins over time from current levels.

Our primary valuation tool utilizes a Discounted Cash Flow process. Under the scenario described above, our DCF based valuation target is approximately **$20.00** per share. Our target price may be conservative as it utilizes a high discount rate of 12% due to the unpredictability of earnings and higher prevailing interest rates.

Direct competitors for Titan with similar product lines who are publicly traded are hard to find. However, there are companies whose financial results are driven by similar end-market dynamics such as agricultural equipment manufacturers (not tires or wheels) and the large OEMs themselves.

The first group of peer companies are tire focused, although much of their business is comprised of the auto market, a segment Titan does not participate in. These include Goodyear (GT), Bridgestone (BRDCY) and Michelin (MGDDY). The average P/E ratio for this group based on 2023 estimates is approximately 10.6x.

The second group of peer companies are agricultural equipment focused, although not in the tire and wheel space. These include Valmont (VMI), Alamo Group (ALG), and Lindsay (LNN). The average P/E ratio for this group based on 2023 estimates is approximately 17.0x.

The third group of peer companies are the large OEMs, i.e., Titan's primary customers. These include Deere & Co (DE), Caterpillar (CAT), and AGCO Corporation (AGCO). The average P/E ratio for this group based on 2023 estimates is approximately 11.0x.

This group of peers creates a relative valuation for TWI in the range of $16.75-$26.86, which supports our DCF derived price target of **$20.00**.

INSIDER TRADING AND OWNERSHIP

The following table shows information regarding the beneficial ownership of the company's common stock as of the Record Date by:

(i) each director and nominee for director,
(ii) each of the named executive officers, and
(iii) all directors and executive officers as a group.

	Shares Beneficially Owned	
Name	**Number[a]**	**Percent**
Mark H. Rachesky, MD	8,301,585 [b]	13.2%
Anthony L. Soave	1,233,960 [c]	2.0%
Maurice M. Taylor Jr.	642,168	1.0%
Richard M. Cashin Jr.	739,466	1.2%
Paul G. Reitz	227,413	*
Max A. Guinn	174,176	*
Laura K. Thompson	17,184	*
Michael G. Troyanovich	113,785	*
David A. Martin	174,497	*
Anthony C. Eheli	27,563	*
All executive officers & directors as a group (10 persons)	**11,651,797**	**18.3%**

Source: Titan SEC filings

SUMMARY

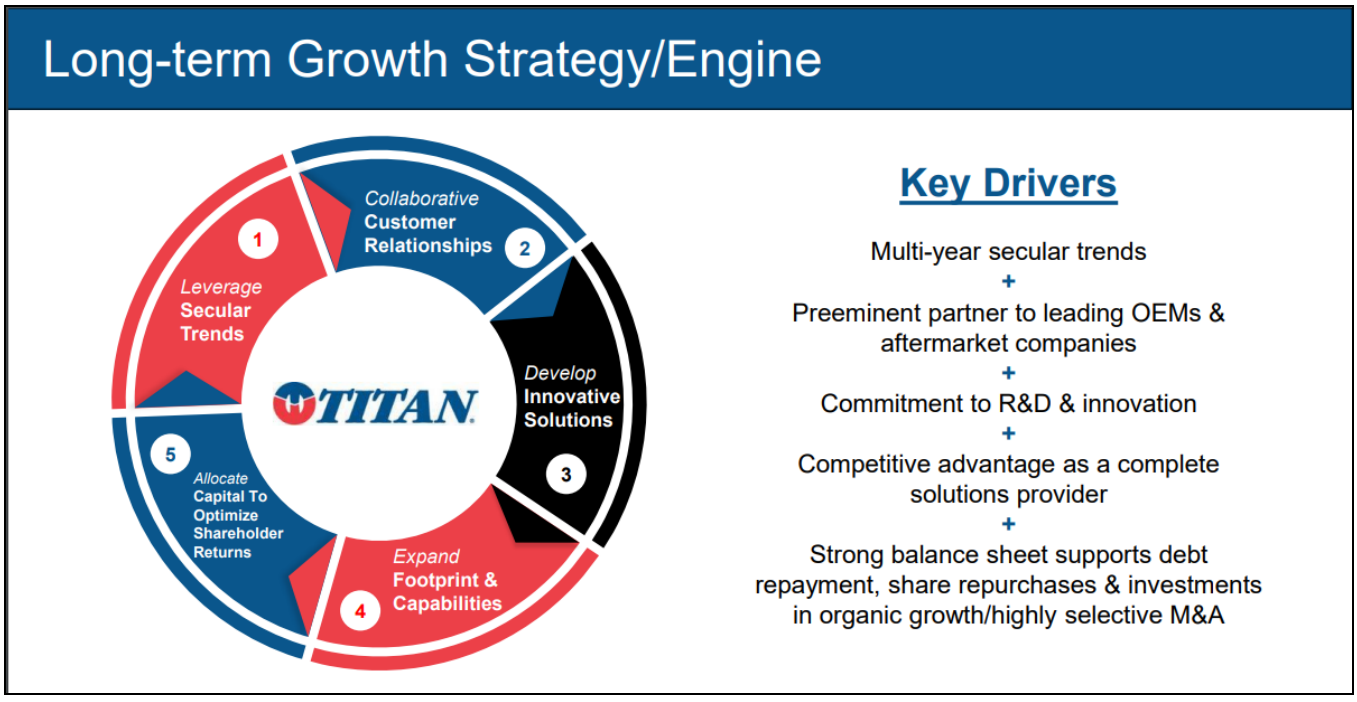
We believe Titan has the potential to generate substantial levels of free cash flow in upcoming years as secular tailwinds continue to drive revenue growth. A continued focus on operational efficiencies has the potential to increase margins going forward. In addition, the company may also be able to enhance shareholder value through selective, value-added acquisitions.

The company has longstanding and developed relationships with global OEMs such as Deere & Co, Caterpillar Inc., AGCO Corporation, Hitachi Ltd, and Kubota Corporation which provide a relatively stable source of long-term revenues.

The company's recent acquisition of Carlstar appears to be a transformative transaction which will diversify the company's products lines significantly and reduce some of the inherent cyclicality of the agricultural and construction markets.

The company's current stock price does not likely reflect that potential level of profitable growth going forward and we believe the stock to be undervalued at this time, particularly when compared to competitors.

We believe multiple valuation methodologies support our DCF valuation which provides a target price of **$20.00** per share.



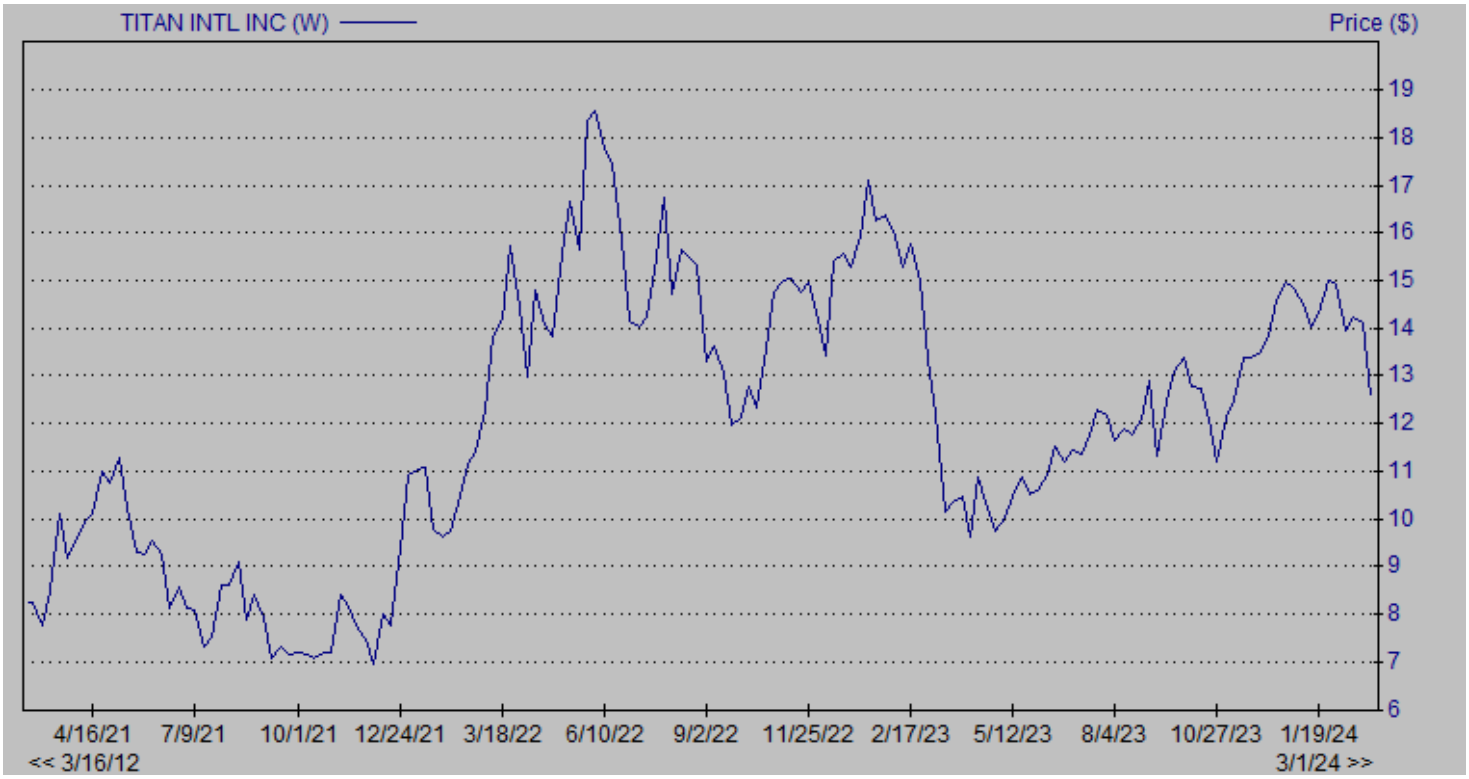
Source: titan-intl.com

PROJECTED INCOME STATEMENT

Income Statement	Dec-21	Dec-22	Dec-23	Dec-24	Dec-25
Net Sales	**1,780,215**	**2,169,380**	**1,821,800**	**2,227,978**	**2,432,655**
Growth	*41.4%*	*21.9%*	*-16.0%*	*22.3%*	*9.2%*
Cost of Goods Sold	**1,494,682**	**1,765,923**	**1,473,517**	**1,806,993**	**1,971,779**
%	*84.0%*	*81.4%*	*80.9%*	*81.1%*	*81.1%*
Depreciation & Amort	**47,991**	**42,747**	**42,434**	**53,009**	**54,334**
Gross Profit	**237,542**	**360,710**	**305,849**	**367,977**	**406,543**
Margin	*13.3%*	*16.6%*	*16.8%*	*16.5%*	*16.7%*
SG&A Expenses	**131,772**	**132,792**	**133,301**	**162,642**	**177,584**
% of sales	*7.4%*	*6.1%*	*7.3%*	*7.3%*	*7.3%*
Research & Development	**10,104**	**10,404**	**12,539**	**12,692**	**13,327**
% of sales	*0.6%*	*0.5%*	*0.7%*	*0.6%*	*0.5%*
Royalty Expenses	**10,491**	**11,712**	**9,645**	**9,432**	**9,903**
% of sales	*14`%*	*0.5%*	*0.5%*	*0.4%*	*0.4%*
Amortization	**0**	**0**	**0**	**0**	**0**
% of sales	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Operating Income	**85,175**	**205,802**	**150,364**	**183,211**	**205,729**
Margin	*4.8%*	*9.5%*	*8.3%*	*8.2%*	*8.5%*
EBITDA	**133,166**	**248,549**	**192,798**	**236,219**	**260,062**
Margin	*7.5%*	*11.5%*	*10.6%*	*10.6%*	*10.7%*
Other Expenses/(Income)	**(14,106)**	**(26,347)**	**(5,774)**	**(944)**	**(442)**
%	*-0.8%*	*-1.2%*	*-0.3%*	*0.0%*	*0.0%*
EBIT	**99,281**	**232,149**	**156,138**	**184,155**	**206,171**
%	*5.6%*	*10.7%*	*8.6%*	*8.3%*	*8.5%*
Total Interest Exp (net)	**32,221**	**29,796**	**18,785**	**28,000**	**28,149**
%	*1.8%*	*1.4%*	*1.0%*	*1.3%*	*1.2%*
Net Profit Before Tax	**67,060**	**202,353**	**137,353**	**156,155**	**178,022**
%	*3.8%*	*9.3%*	*7.5%*	*7.0%*	*7.3%*
Income Tax	**1,509**	**23,167**	**32,580**	**37,477**	**42,725**
% Effective Rate	*2.3%*	*11.4%*	*23.7%*	*24.0%*	*24.0%*
% Cash Tax Rate	*2.3%*	*11.4%*	*23.7%*	*24.0%*	*24.0%*
Minority Interests or Preferred Stock	**305**	**2,884**	**4,956**	**5,132**	**5,132**
Net Profit	**65,246**	**176,302**	**99,817**	**113,546**	**130,165**
%	*3.7%*	*8.1%*	*5.5%*	*5.1%*	*5.4%*
Non-recurring income (expense)	(16,020)	(36,117)	(24,140)		
Average Diluted Shares Outstanding	62,685	63,691	62,961	70,545	70,545
Reported FD EPS	0.79	2.77	1.29		
Zacks EPS	**1.04**	**2.21**	**1.59**	**1.61**	**1.85**

Source: Zacks analyst

HISTORICAL STOCK PRICE


TITAN INTL INC (W)
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