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Zacks Small-Cap Research

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Tom Kerr
312-265-9417
tkerr@zacks.com

scr.zacks.com
10 S. Riverside Plaza, Chicago, IL 60606

Titan International Inc. (NYSE: TWI)

TWI: Farmer sentiment improves at the end of 2024. We introduce 2025 quarterly estimates. We continue to believe there may be light at the end of the tunnel of this cyclical ag downturn.

Utilizing a Discounted Cash Flow process containing conservative estimates combined with other valuation methodologies, we believe TWI stock could be worth **$16.00** per share.

Current Price (1/10/25)	$6.66
Valuation	**$16.00**

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 1.9x. Long-term 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 has added 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	**$6.34**
One-Year Return (%)	**-53.4**
Beta	**1.83**
Average Daily Volume (sh)	**775,439**
Shares Outstanding (mil)	**61.1**
Market Capitalization ($mil)	**$413.0**
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 (%)	**N/A**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**N/A**
P/E using 2025 Estimate	**N/A**
P/E using 2026 Estimate	**15.5**

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)
2023	549 A	481 A	402 A	390 A	1,822 A
2024	482 A	532 A	448 A	398 E	1,859 E
2025	478 E	528 E	444 E	394 E	1,844 E
2026					1,970 E

EPS / Loss Per Share

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2023	$0.50 A	$0.48 A	$0.31 A	$0.34 A	$1.59 A
2024	$0.29 A	$0.10 A	-$0.19 A	-$0.14 E	$0.05 E
2025	$0.04 E	$0.14 E	$0.02 E	-$0.06 E	$0.14 E
2026					$0.43 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

Farmer Sentiment

As noted below, sentiment among U.S. farmers plummeted in 2023 and 2024 but surged in October and November of 2024 as it appeared that President Trump would win the November 2024 election.

On December 3, 2024, the Ag Economy Barometer, a survey of 400 farmers in the U.S., skyrocketed in October and November of 2024, on the prospects of a Trump administration restoring the agriculture industry. Apparently, farmers are optimistic about lower tax rates and less environmental regulatory burdens on the agriculture economy in 2025. Also, the desire for capital investment significantly improved alongside a rise in expectations for farm financial performance in 2025.

On the negative side, U.S. farm debt is expected to reach a record in 2024 according to the USDA. Increases in real estate debt have boosted the total, while other debt remains roughly steady. Higher levels of debt repayment are less likely in 2025 as cheaper crops drive down revenue. Rising land values create a cost problem that affects mortgage payments and raises rents for farmers that don't own land.

On January 7, 2025, an updated Ag Economy Barometer report was released. Farmer sentiment slightly weakened in December when compared to the prior two months. There were concerns about the current situation on their farms and U.S. agriculture as the primary driver behind the sentiment decline. However, it was clear that U.S. farmers continued to be more optimistic about the future than they were as recently as September 2024.

Expectations among farmers for more favorable regulatory, estate tax and income tax policies over the next several years explain much of the optimism about the future. However, the possibility that a trade war could break out and have a negative impact on U.S. agricultural exports is a rising concern among farmers.

2025 Estimates

We update our 2025 EPS estimate to $0.14 per diluted share and introduce quarterly 2025 EPS estimates. Our 2026 EPS estimate is $0.43. Our 2025 EBITDA estimate is approximately $93.2 million.

We maintain our price target of **$16.00** at this time as we await the company's 10-K filing in February.



Source: titan-intl.com

OTHER RECENT NEWS

3rd Quarter 2024 Financial and Operating Results

Titan International reported 3rd quarter 2024 financial results which continued to reflect a difficult macro environment in most of its end markets as the OEM destocking story continues to evolve.

Net sales for the 3rd quarter were $448.0 million compared to $401.8 million in the prior year period. The increase was primarily due to the Carlstar acquisition which occurred earlier in 2024 as net sales in both the Agricultural and Earthmoving/Construction declined at double digit rates due to lower levels of end customer demand. The aftermarket business continues to be a strong point and represented 45% of revenues in the quarter.

The Agricultural segment showed a sales decline of 17.6% with sales of $175.4 million compared to $212.9 million in the prior year period. The sales decline was primarily due to the ongoing reduction of global demand for agricultural equipment, particularly in North America, Europe and Brazil which is related to the destocking issue prevalent throughout the year. In addition, despite recent interest rate cuts, higher than average interest rates continue to negatively affect large equipment purchases. High-horsepower agricultural equipment represents a significant purchase for farmers, and they are highly sensitive to higher financing costs. With the possibility of additional rate cuts happening soon, many farmers are choosing to defer major purchases. Agricultural gross profits declined to $16.7 million from $37.1 million and gross margins decreased to 9.5% from 17.4%. The decline in gross profit was attributed to reduced sales volume, lower fixed cost leverage, negative price/mix, and higher material costs.

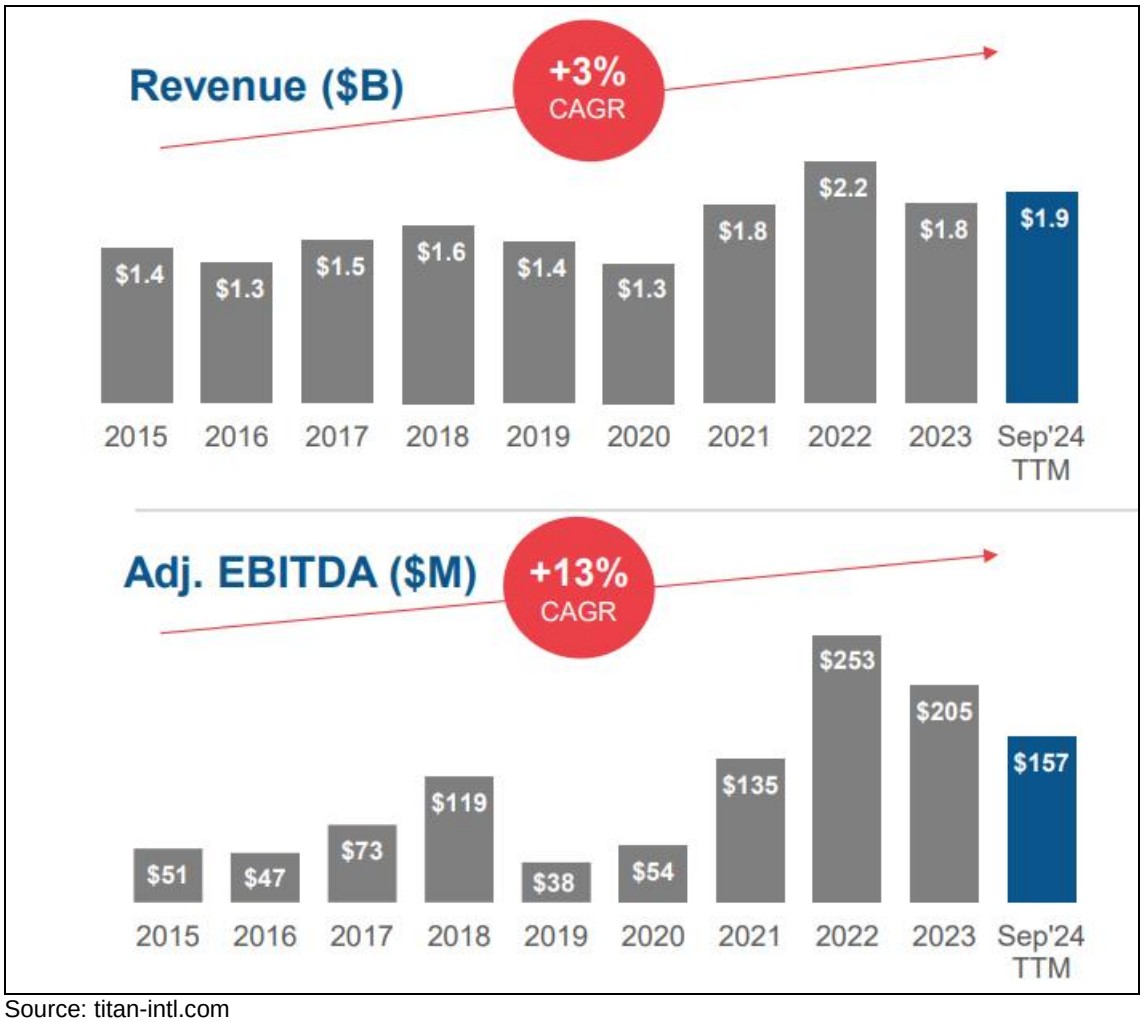
The Earthmoving/Construction segment generated revenues of $136.3 million which was a decrease of 12.1% from $155.1 million in the prior year period. The decrease was primarily due to softer demand from its end markets in North America and Europe. Gross profits declined to $11.6 million from $22.3 million in the prior year period. Gross margins deteriorated to 8.5% from 14.4% in the prior year period. The decrease in gross profit was attributed to lower sales volume in North America and Europe as well as reduced fixed cost leverage.

The Consumer segment generated revenues of $136.2 million which was an increase of 303.4% when compared to $33.8 million in the prior year period. The increase was largely attributed to the revenue contribution from Carlstar. Gross profits increased to $30.4 million from $6.8 million in the prior year period. Gross margins increased to 22.3% from 20.1%. Excluding the impact of the Carlstar purchase price allocation, the adjusted gross margin in the Consumer segment was 22.9% in the 3rd quarter.

Approximately 75% of Carlstar revenues generated during the quarter were in the Consumer segment and 20% in the Agricultural segment with the remaining in the EMC segment.

Adjusted EBITDA was $20.5 million in the 3rd quarter compared to $40.5 million in the prior year period. GAAP loss per share in the 3rd quarter was ($0.25) and the adjusted non-GAAP EPS loss was ($0.19). Adjusted EPS exclude the Carlstar inventory step-up, foreign exchange losses, and an investment loss.

The adjusted net loss of ($13.9) million in the quarter was negatively impacted by higher than normal tax expense of $12.9 million. With lower profitability in the U.S. operations in 2024, the company now faces additional non-deductible interest expense. There are also temporary negative impacts from the tax structure of Carlstar.



Source: titan-intl.com

The company continues to maintain a safe and liquid balance sheet with cash of $227.3 million and total debt of $518.5 million as of 9/30/24. Working capital was net positive at $594.4 million at the end of the 3rd quarter. Operating cash flow was $59.9 million in the 3rd quarter and capital expenditures were $18.1 million, which produced free cash flow of $41.8 million. The trailing 12-month leverage ratio was 1.9x. In addition, the company purchased 1,050,000 shares of TWI stock during the 3rd quarter at an average cost of $7.90. As of 9/30/24, Titan had approximately $1.3 million remaining under the current $50.0 million share repurchase program.

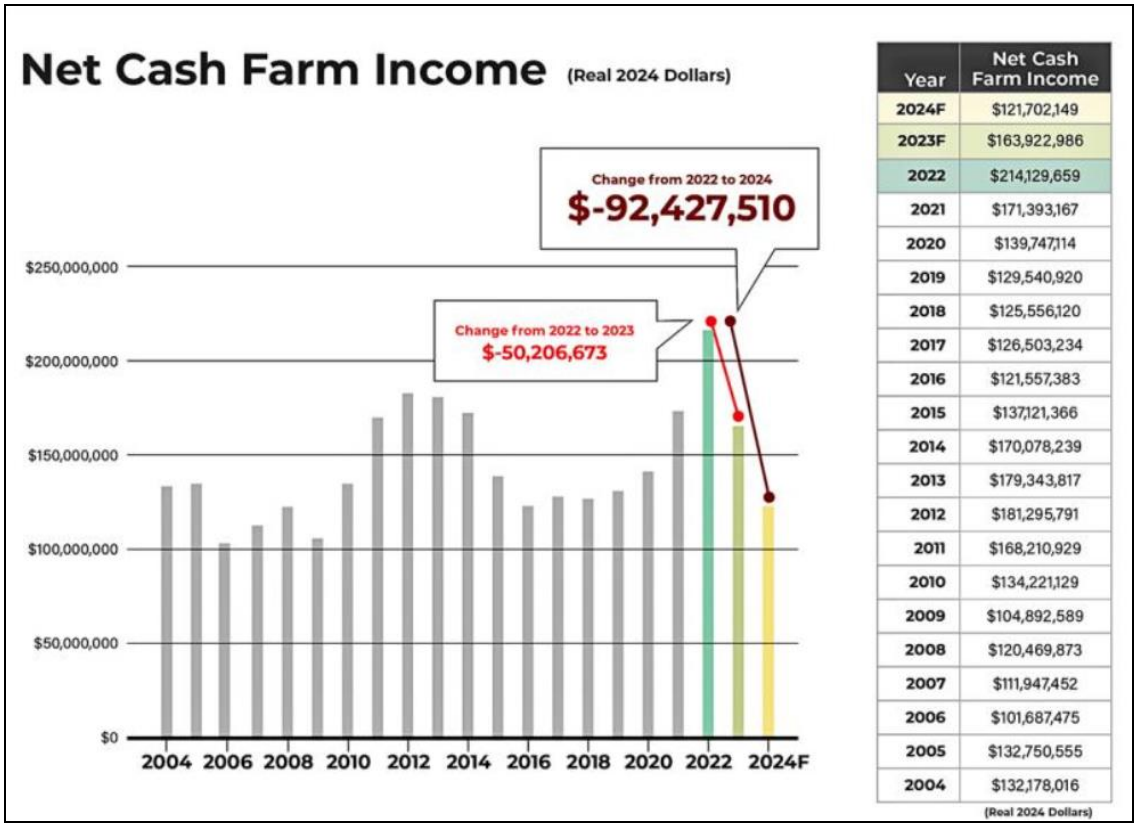
Subsequent to the end of the 3rd quarter, the company repurchased 8.0 million shares from an institutional investor for a total of $57.6 million. The transaction has no impact on the existing share repurchase authorization and was funded using a combination of availability on the company's revolving credit facility and available cash.

The company has been commenting recently on potential future opportunities with the U.S. military. The US Army has used super-single tires on trucks for over 15 years, and Titan will soon be building wheels and tires using LSW technology for the military to test. The Army is looking at newly designed transportation vehicles with production levels potentially totaling 100,000 over ten years.

Current Industry Outlook

CEO Paul Reitz stated that the large agricultural OEMs and dealers have expressed that taking actions to reduce excess inventory levels by the end of 2024. This is potentially positive as it indicated the major destocking actions taken in 2024 may abate by early 2025. Further interest rate declines may also push further purchasing actions as customer financing becomes more affordable.

The decline in farmer incomes has also negatively affected the agricultural markets. It is believed that 2023 and 2024 may represent the two largest declines ever in farmer income. The USDA showed in its June 2024 Grain Stocks report that farmers are still holding much of their 2023 crop inventory. The USDA thinks on-farm storage may be the highest since the 1980s. This is because as commodity prices fall, farmers are reluctant to sell below the cost of production.



Year	Net Cash Farm Income
2024F	$121,702,149
2023F	$163,922,986
2022	$214,129,659
2021	$171,393,167
2020	$139,747,114
2019	$129,540,920
2018	$125,556,120
2017	$126,503,234
2016	$121,557,383
2015	$137,121,366
2014	$170,078,239
2013	$179,343,817
2012	$181,295,791
2011	$168,210,929
2010	$134,221,129
2009	$104,892,589
2008	$120,469,873
2007	$111,947,452
2006	$101,687,475
2005	$132,750,555
2004	$132,178,016

(Real 2024 Dollars)

Source: USDA

However, on December 3, 2024, the Ag Economy Barometer, a survey of 400 farmers in the U.S., skyrocketed in October and November of 2024, on the prospects of a Trump administration restoring the agriculture industry. Apparently, farmers are optimistic about lower tax rates and less environmental regulatory burdens on the agriculture economy in 2025. Also, the desire for capital investment significantly improved alongside a rise in expectations for farm financial performance in 2025.

On another positive note, equipment currently operating in the field continues to be used and will ultimately need to be replaced. Additionally, as Agriculture OEMs (Deere, Caterpillar, AGCO, etc.) continue to introduce new technologies into their products, the Return on Investment that new equipment can produce, including the latest tire technology, will begin to outweigh the higher financing costs and help drive long term demand.

Resource industries like mining continue to be active as a technology dependent world demands an ever-increasing supply of rare earth elements which should underpin solid demand over the mid to long term.

VPO Technology

On October 15, 2024, the company announced the launch of its Variable Pressure Operation (VPO™) Technology. This new flat-proof technology offers a versatile solution as an alternative to tweel wheels (run flat, airless), and other airless polyurethane spoke wheel options. This technology provides the ability to effectively operate machinery at various inflation pressures, even at zero psi.

The pressure adjustability of VPO Technology allows operators to optimize performance and longevity by adapting the inflation pressure to suit different terrains and applications. With this flat-proof technology, an operator can focus on getting more work done without worrying about flats and related down-time.

Additional features of VPO Technology include:

- Shock-absorbing properties — which minimize whole-body vibration, enhancing operator comfort and reducing fatigue.
- Flat-proof design — unlike traditional bias or radial tires, VPO Technology is specifically designed to be flat-proof or zero psi-capable, which significantly increases durability.
- Closed sidewall — prevents debris from getting stuck between the spokes, eliminating sidewall damage, balance issues, and other handling problems.
- Exceptional reliability — extensive testing has shown that tires equipped with VPO Technology can run for hundreds of miles at 30 mph with zero pressure.
- Built for various applications — allowing operation with or without large attachments while using the same set of tires, unlike other tires that must be changed based on application.

When used with VPO Technology, the new Invictus tread pattern provides:

- Balanced traction
- Self-cleaning capabilities
- Better wet traction
- Improved heat dissipation
- Evenly distributed ground pressure
- Enhanced traction and self-cleaning due to split lugs.

LSW Technology

The company’s innovative Low-Side Wall ("LSW") wheel/tire assemblies continue to gain traction in the marketplace according to large customers. These farmers have praised the field performance, reduced soil compaction and highlighted fuel savings - which according to their records, exceeds the 10% to 15% savings that Titan has stated. A recent company visit saw that all of their major equipment on a 25,000 acre farm is using LSWs.

CEO Paul Reitz stated, *"We are also working on tooling up to add the deep drop wheel to our LSW tires, which will improve field performance even further. The bottom line is that I see a big opportunity ahead of us to educate more end-users that LSW is not just for combines and the largest tractors - the technology also works better on almost every piece of equipment, including **mid-size** tractors. That market size is easily another **25,000** new tractors produced annually, so tapping into a fraction of that would move the needle in our sales and EBITDA. There is simply no reason to run duals and we will be increasing our efforts and resources to reach more end-users to create further awareness of the LSW benefits for all sizes of Ag equipment to capture those significant opportunities."*

Valuation and Estimates

The company provided a 4th quarter outlook which calls for sales in the $375-$425 million range and adjusted EBITDA between breakeven and $10 million. As noted, the 4th quarter is typically seasonally light, and OEMs are accelerating efforts to clear out excess inventory.

We update our 2025 EPS estimate to $0.14 per diluted share and introduce quarterly 2025 EPS estimates. Our 2026 EPS estimate is $0.43. Our 2025 EBITDA estimate is approximately $93.2 million.

These transitory depressed earnings in 2024 are not reflective of the steady generation of positive EBITDA and free cash flow that is expected as the cycle turns around. The company has positioned itself in recent years to not only survive cyclical downturns but to also thrive and continue to develop advanced technologies that position them as the industry leader.

We maintain our price target of **$16.00** as we believe 2025 will be the beginning of a more normalized operating year and possibly the return to growth at some point throughout the year, based on industry and macroeconomic uncertainty in most of Titan's markets in which it operates.

The company recently provided a framework for what a normal year could look like financially post the Carlstar acquisition, when expected synergies occur, and when a rebound in its end markets happens. Adjusted EBITDA could range between $250-$300 million and free cash flow of at least $125 million could be generated.

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 services agriculture, construction and consumer 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 had added 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. This segment comprises approximately 45% of consolidated revenues.

- 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. This segment comprises approximately 30% of consolidated revenues.

- 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. After the acquisition of Carlstar, this segment comprises approximately 25% of consolidated revenues.

- 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 is expected to increase baseline gross margins over time.

- The company maintains a strong balance sheet with $227.3 million in cash and $518.5 million in debt as of 9/30/24 The trailing 12-month leverage ratio is 1.9x, which is a significant reduction from over 10.0x four years ago. The company continues to generate free cash flow in this difficult cyclical downturn in the agricultural markets.

- TWI stock is selling at low valuation levels relative to its peers in the agriculture and construction space. We believe TWI stock is worth **$16.00** 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 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. The leverage ratio has decreased from 11.5x in 2019 to approximately 2.0x 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.

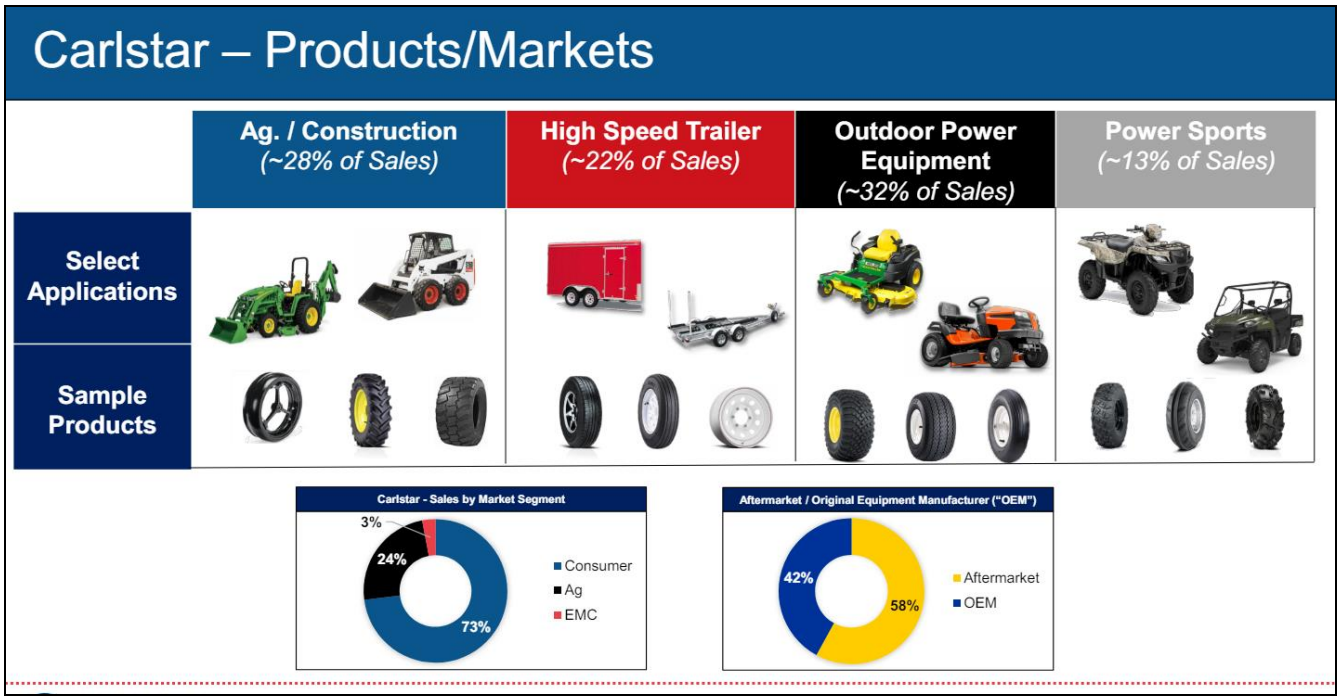
Carlstar Acquisition

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

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. 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.

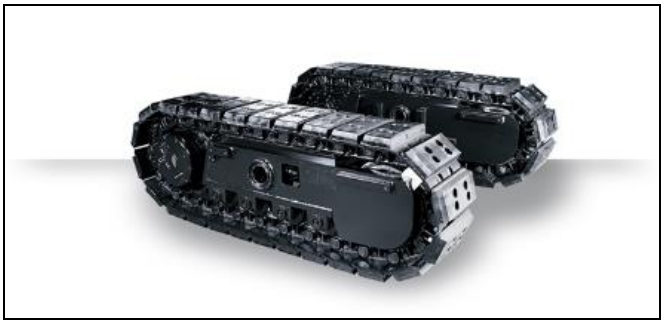
For the calendar year 2023, the agricultural segment represented 54% of total sales and 56% of segment operating income.

Earth Moving / Construction Segment

Source: titan-intl.com

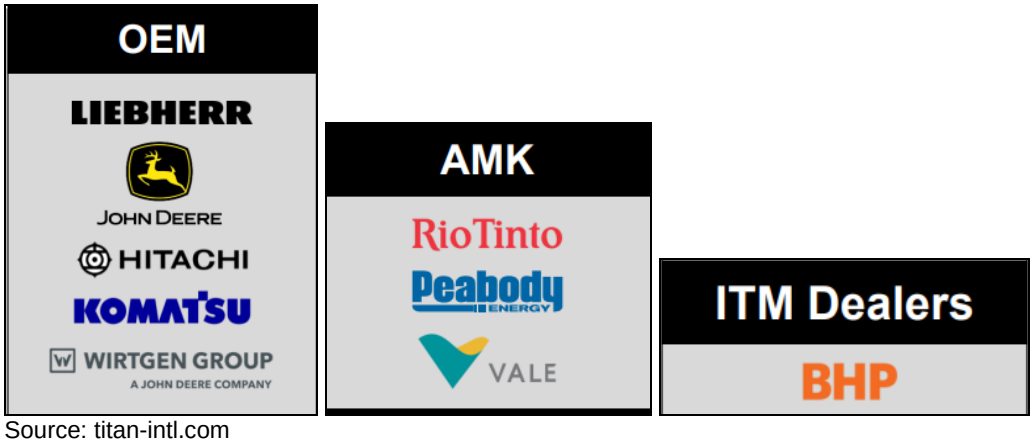
The largest product set in this segment (approximately 60% of revenues) are undercarriage components such as track groups, track and carrier rollers, idler assemblies, and sprockets which are sold under the ITM brand. These products serve a full range and lifecycle of applications for crawling machines 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.



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. After the acquisition of Carlstar, this segment also includes outdoor power equipment such as lawn mowers and utility task vehicles (UTV).



Source: titan-intl.com

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 $1.0 billion, $1.1 billion, and $944.2 million for calendar years 2023, 2022, and 2021, respectively. International sales are a significant proportion of total net sales, accounting for 55%, 50%, and 53% for the calendar years 2023, 2022, and 2021, 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.

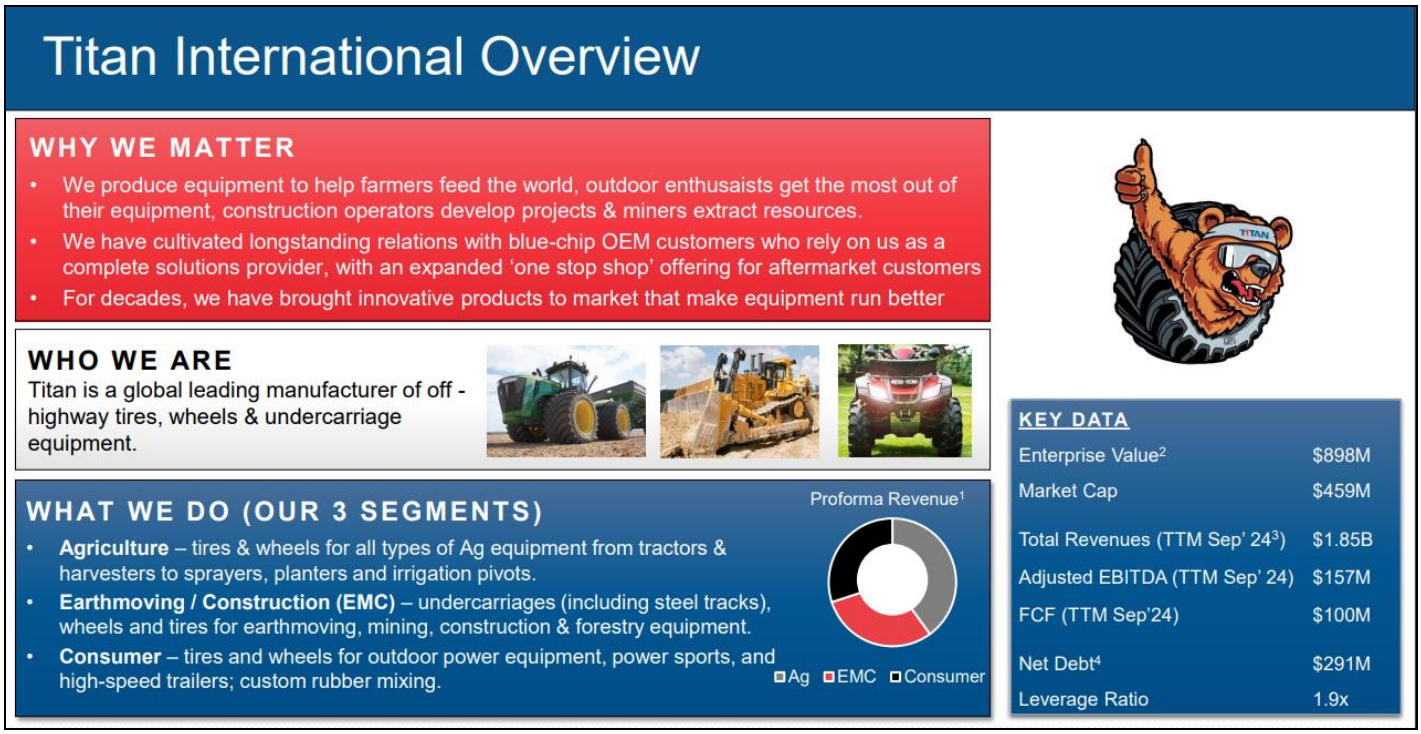
- The company's customer base is relatively concentrated and its ten largest customers, which are primarily original equipment manufacturers (OEMs), accounted for 40%, 43%, and 40% of Titan's net sales for 2023, 2022, and 2021, respectively. Sales to Deere & Company represented 13%, 15%, and 12% of Titan's net sales for 2023, 2022, and 2021 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.

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. Despite the difficult cyclical trough the industry is currently in, the company continues to generate free cash flow.

The company has longstanding and established 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 **$16.00** per share.



Source: titan-intl.com

PROJECTED ANNUAL INCOME STATEMENT

Income Statement	Dec-22	Dec-23	Dec-24	Dec-25	Dec-26
Net Sales	**2,169,380**	**1,821,800**	**1,859,258**	**1,843,704**	**1,970,165**
Growth	*21.9%*	*-16.0%*	*2.1%*	*-0.8%*	*6.9%*
Cost of Goods Sold	**1,765,923**	**1,473,517**	**1,537,095**	**1,519,892**	**1,614,292**
%	*81.4%*	*80.9%*	*82.7%*	*82.4%*	*81.9%*
Depreciation & Amort	**42,747**	**42,434**	**52,695**	**50,544**	**50,544**
Gross Profit	**360,710**	**305,849**	**269,469**	**273,268**	**305,329**
Margin	*16.6%*	*16.8%*	*14.5%*	*14.8%*	*15.5%*
SG&A Expenses	**132,792**	**133,301**	**192,546**	**204,643**	**208,828**
% of sales	*6.1%*	*7.3%*	*10.4%*	*11.1%*	*10.6%*
Research & Development	**10,404**	**12,539**	**16,271**	**16,022**	**17,121**
% of sales	*0.5%*	*0.7%*	*0.9%*	*0.9%*	*0.9%*
Royalty Expenses	**11,712**	**9,645**	**9,902**	**9,902**	**10,397**
% of sales	*0.5%*	*0.5%*	*0.5%*	*0.5%*	*0.5%*
Other	**0**	**0**	**6,196**	**0**	**0**
% of sales	*0.0%*	*0.0%*	*0.3%*	*0.0%*	*0.0%*
Operating Income	**205,802**	**150,364**	**44,554**	**42,701**	**68,983**
Margin	*9.5%*	*8.3%*	*2.4%*	*2.3%*	*3.5%*
EBITDA	**248,549**	**192,798**	**103,445**	**93,245**	**119,527**
Margin	*11.5%*	*10.6%*	*5.6%*	*5.1%*	*6.1%*
Other Expenses/(Income)	**(26,347)**	**(5,774)**	**(6,243)**	**(4,460)**	**(2,611)**
%	*-1.2%*	*-0.3%*	*-0.3%*	*-0.2%*	*-0.1%*
EBIT	**232,149**	**156,138**	**50,797**	**47,161**	**71,594**
%	*10.7%*	*8.6%*	*2.7%*	*2.6%*	*3.6%*
Total Interest Exp (net)	**29,796**	**18,785**	**29,779**	**31,800**	**28,149**
%	*1.4%*	*1.0%*	*1.6%*	*1.7%*	*1.4%*
Net Profit Before Tax	**202,353**	**137,353**	**21,018**	**15,361**	**43,445**
%	*9.3%*	*7.5%*	*1.1%*	*0.8%*	*2.2%*
Income Tax	**23,167**	**32,580**	**33,678**	**6,144**	**15,206**
% Effective Rate	*11.4%*	*23.7%*	*160.2%*	*40.0%*	*35.0%*
% Cash Tax Rate	*11.4%*	*23.7%*	*160.2%*	*40.0%*	*35.0%*
Minority Interests or Preferred Stock	**2,884**	**4,956**	**3,046**	**0**	**0**
Net Profit	**176,302**	**99,817**	**(15,706)**	**9,217**	**28,239**
%	*8.1%*	*5.5%*	*-0.8%*	*0.5%*	*1.4%*
Non-recurring income (expense)	(36,117)	(24,140)	(18,878)		
Average Diluted Shares Outstanding	63,691	62,961	68,597	65,176	65,176
Reported FD EPS	2.77	1.29	(0.23)		
Zacks EPS	**2.21**	**1.59**	**0.05**	**0.14**	**0.43**

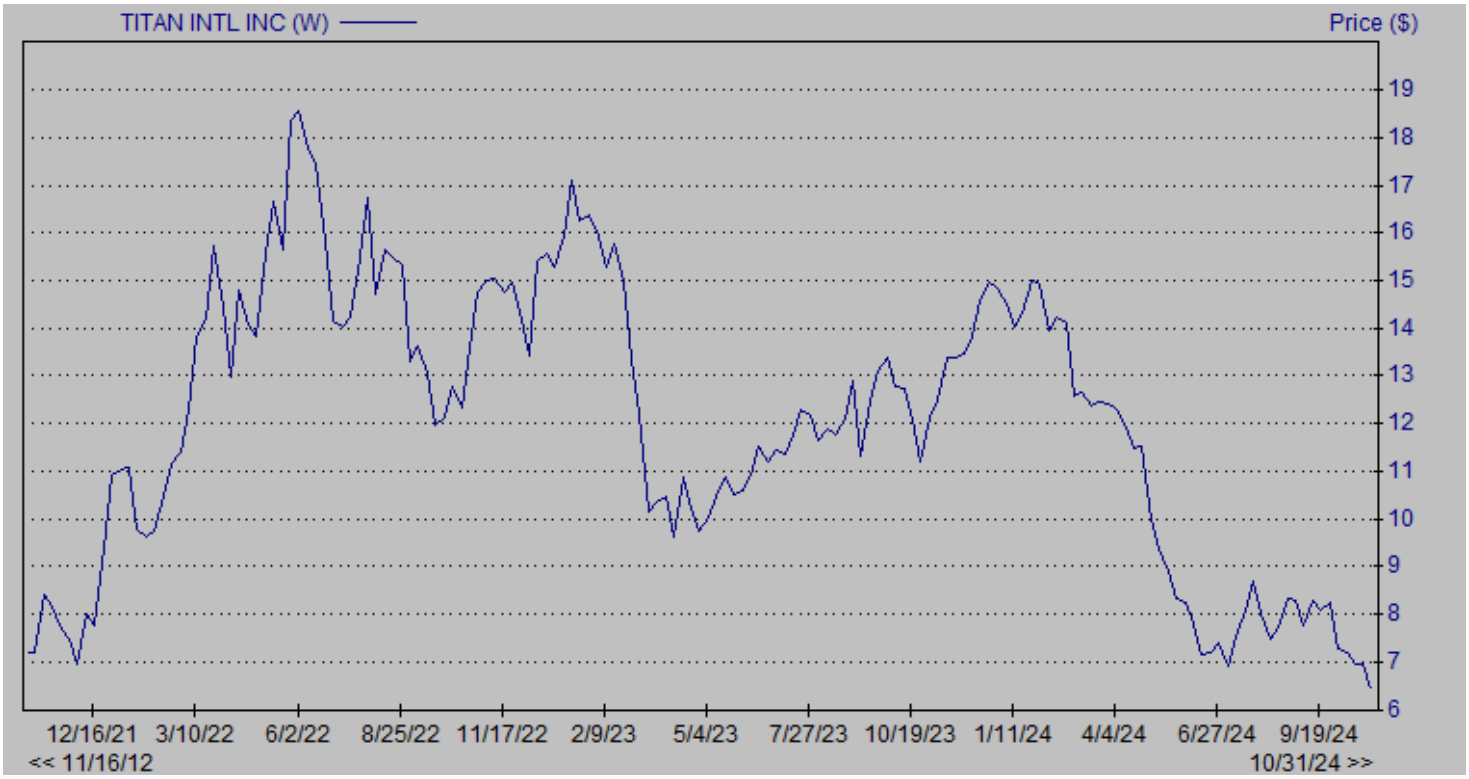
Source: Zacks analyst
Zacks EBITDA may not match Titan EBITDA

PROJECTED QUARTERLY INCOME STATEMENT

Income Statement	Q1/25E	Q2/25E	Q3/25E	Q4/25E
Net Sales	**478,183**	**527,723**	**444,240**	**393,557**
Cost of Goods Sold	**395,457**	**435,372**	**365,166**	**323,897**
%	*82.7%*	*82.5%*	*82.2%*	*82.3%*
Depreciation	**12,636**	**12,636**	**12,636**	**12,636**
Gross Profit	**70,090**	**79,716**	**66,439**	**57,024**
%	*14.7%*	*15.1%*	*15.0%*	*14.5%*
SG&A Expenses	**52,010**	**51,583**	**51,000**	**50,050**
%	*10.9%*	*9.8%*	*11.5%*	*12.7%*
Research & Development	**3,754**	**4,118**	**4,100**	**4,050**
%	*0.8%*	*0.8%*	*0.9%*	*1.0%*
Royalty Expenses	**3,028**	**2,319**	**2,266**	**2,289**
%	*0.6%*	*0.4%*	*0.5%*	*0.6%*
Other	**0**	**0**	**0**	**0**
%	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Operating Income	**11,298**	**21,696**	**9,073**	**635**
%	*2.4%*	*4.1%*	*2.0%*	*0.2%*
EBITDA	**23,934**	**34,332**	**21,709**	**13,271**
%	*5.0%*	*6.5%*	*4.9%*	*3.4%*
Other Expenses/(Income)	**(900)**	**(1,080)**	**(1,296)**	**(1,184)**
%	*-0.2%*	*-0.2%*	*-0.3%*	*-0.3%*
EBIT	**12,198**	**22,776**	**10,369**	**1,819**
%	*2.6%*	*4.3%*	*2.3%*	*0.5%*
Total Interest Exp. (net)	**8,100**	**8,000**	**7,900**	**7,800**
%	*1.7%*	*1.5%*	*1.8%*	*2.0%*
Net Profit Before Tax	**4,098**	**14,776**	**2,469**	**(5,981)**
%	*0.9%*	*2.8%*	*0.6%*	*-1.5%*
Income Tax	**1,639**	**5,910**	**988**	**(2,392)**
% Effect Rate	*40.0%*	*40.0%*	*40.0%*	*40.0%*
Minority Interest & Preferred Stock	**0**	**0**	**0**	**0**
Net Profit	**2,459**	**8,865**	**1,481**	**(3,589)**
%	*0.5%*	*1.7%*	*0.3%*	*-0.9%*
Non-recurring income (expense)				
Shares Outst.	65,704	65,000	65,000	65,000
Reported FD EPS				
Fully Diluted Adjusted EPS	**0.04**	**0.14**	**0.02**	**(0.06)**

Source: Zacks analyst
Zacks EBITDA may not match Titan EBITDA

HISTORICAL STOCK PRICE



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