

**March 14, 2025**

## INSTEEL INDUSTRIES, INC (NSDQ: IIN)

**CURRENT PRICE:** \$26.54  
**RATING:** HOLD  
**PRICE TARGET:** N/A  
**CURRENT YIELD:** 0.5%

*Flat 1Q25 Earnings Results*

### Highlights

- 1Q25 earnings of \$0.06/share vs. \$0.06/share during 1Q24
- Shipments rise but average selling prices fall
- Gross margins rise to 7.3% from 5.2%
- 2 recent acquisitions absorbed into IIN's operations
- Maintain HOLD rating

### EPS Estimates - Non-GAAP

	SEP 24A	SEP 25E
1Q	\$0.06	\$0.06A
2Q	\$0.35	\$0.25
3Q	\$0.34	\$0.35
4Q	\$0.24	\$0.33
	<b>\$0.99</b>	<b>\$0.99</b>

### Trading Data

52-WEEK PRICE RANGE: **\$38.40 - \$23.60**  
SHARES OUTSTANDING: **19.55(M)**  
MARKET CAP: **\$518.9(M)**  
AVG. DAILY TRADING VOLUME: **177.4(K)**  
S&P 500: **5,599**

### Valuation Data

BOOK VALUE: **\$17.12**  
PRICE TO BOOK: **1.55x**  
DIVIDEND: **\$2.62**

### Investment Thesis

IIN could be an interesting speculative play for aggressive investors. Since most of IIN's business is related to the US construction market, its stock has been volatile during the past few years as investor's have moved in and out of the shares based on expectations of growth in the construction industry. After earnings growth in FY23, earnings declined in 2024. Going forward, improvement in construction spending, by IIN's customers, may lead to earnings growth for IIN in FY25 &/or FY26. Aggressive and speculative investors should look for attractive entry points into IIN for potential price appreciation based on an improvement in the US construction market.

### Company Summary

Insteel Industries (IIN-\$26.54), headquartered in Mt. Airy NC, is the nation's largest manufacturer of steel wire reinforcing products for concrete construction applications. IIN manufactures/markets PC strand, welded wire reinforcement (WWR) products including engineered structural mesh (ESM), and concrete pipe reinforcement. Products are sold through its sales force, primarily to concrete product manufacturers for use in nonresidential construction. Virtually all of the company's sales are from within the US. Started in 1958, the company has approximately 1,025 employees, and generated total revenues of \$529.1 million during FY24. An estimated 85% of IIN's sales went towards nonresidential construction and 15% to residential construction. IIN is debt free and has a \$150 million revolving credit facility. During 2024, IIN purchased Engineered Wire Products, Inc. (\$67 million) and O'Brien Wire Products (\$5.1 million).

*For Important Disclosure information regarding the Firm's rating system, valuation methods and potential conflicts of interest, please refer to the last two pages of this report.*



# EQUITY RESEARCH

## Recent Earnings

IIN reported flat 1Q25 earnings of \$0.06/share vs. \$0.06 during 1Q24. On a quarter-to-quarter comparison, revenues rose 6.6% to \$129.7 million from \$121.7 million due to an 11.4% increase in shipments. Shipments benefitted from favorable demand metrics in IIN's infrastructure and commercial construction segments, as well as incremental volume increases from the company's recent acquisitions. However, this was partly offset by a 4.3% decline in average selling prices from competitive pressures.

Gross profit margins increased to 7.3% (\$9.53 million) from 5.2% (\$6.27 million) because of the combination of wider spreads between selling prices/raw material costs and higher shipment volumes. This improvement was partly offset by increased conversion costs.

SG& A expense rose to \$7.89 million from \$6.37 million due to the intangible assets purchased from IIN's recent acquisitions and the adjustments for cash value of purchased insurance policies. Restructuring charges increased to \$696,000 from \$0 due to the closure of a facility acquired in the purchase Engineered Wired Products, Inc. (EWP). Acquisition costs were \$271,000 vs. \$0 resulting from IIN's acquisitions of EWP and O'Brien Wire Products during 2024.

Operating activities produced cash of \$19.0 million vs. \$21.8 million as both quarters benefitted from IIN's relative changes in working capital, which provided \$12.3 million during 1Q25 vs. \$16.3 million during 1Q24. Lower working capital came from a reduction in inventories/receivables during 1Q25.

Cap-ex declined to \$2.7 million from \$12.3 million, when comparing 1Q25 to 1Q24. Management stated 2025 cap-ex could be \$22.0 million with a focus on cost/productivity improvement initiatives, in addition to recurring maintenance requirements.

## RECENT EARNINGS CONFERENCE CALL

The company said the integration of its recent acquisitions was almost complete as of the end of 1Q25. IIN bought Engineered Wire Products, Inc for \$67 million which produces welded wire reinforcement products. Additionally, O'Brien Wire Products was purchased for \$5.1 million, also a manufacturer of welded wire reinforcement products. Management noted the legacy systems of both acquisitions were disabled & incorporated into IIN's. Furthermore, IIN believes they will capture "significant cost reduction synergies going forward".

Management said they were "encouraged by recovering order activity" during 1Q25 despite the quarter being seasonally weak. Also, IIN is optimistic it's markets could see a recovery in 2025 with its recent acquisitions adding to the positive forces potentially creating an increase in operating results. Additionally, the Trump administration tariffs on aluminum/steel could decrease the impact of competitive low-priced PC strand imports coming into IIN's market. The company stated low priced imports affect 30% of its PC strand business & 10% of overall revenues.



IIIN noted sequential quarterly shipments declined by 4.5% - a smaller decrease than those usually seen between 4Q & 1Q results. This, combined with improved shipment of 11.4%, when comparing 1Q25 and 1Q24, according to management, was driven by higher orders from commercial and infrastructure end markets, and aided by the recent acquisitions of Engineered Wire Products and O'Brien Wire Products. Additionally, 4Q's delayed shipments, due to bad weather, were shipped during 1Q25.

Management stated a sustained improvement in customer demand would be needed for IIIN to ramp up its current production levels. The company is hopeful this could occur given recent positive numbers reported in the Architectural Billing & Dodge Momentum Index and the Dodge Momentum Index. Much will be dependent on the direction of the US economy.

IIIN anticipates investing approximately \$22 million towards broadening product lines, lowering cost of production, improving information systems, and maintaining company facilities. The company anticipates an increase of \$900,000 in spending towards SG&A with total levels coming in between \$32 million - \$35 million.

Management believes the risk to a recovery in its business would be slowdown in the US economy.

## Our Thoughts

During the past few years IIIN's share price has swung up, and down, based upon expectations of either an increase, or decrease in earnings. This was predicated upon trending sales and the spread between the cost of goods and price of goods sold to customers. Unfortunately, the recent decrease in sales and profit margins caused IIIN's stock to fall from its 52-week high of \$38.40/share to its current level of \$26.54. If management is correct, about customer demand cycle possibly bottoming, then higher sales and profit margins, could increase forward earnings. Under this may scenario, investor demand for its stock could increase and push shares higher. However, given the recent volatility in the equity markets, and the potential of a US economic slowdown, due to new Trump administration tariffs, we continue to rate IIIN a HOLD until evidence materializes of an improving business environment improving earnings in 2025 or 2026.



## Risks

There are no guarantees IIIN will be able to grow future earnings. Declining customer orders, rising commodity prices, and rising operating costs could negatively affect the company's profits. An influx of foreign imports, and increase in competition, could cause a decrease in overall revenues. Negative equity markets, rising interest rates, terrorist attacks, and failure to comply with the Sarbanes Oxley Act could cause a decline in IIIN's share price. Given the relatively small amount of daily trading activity in IIIN's stock, any increase in trading volume could significantly accelerate the volatility of its share price movement.

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INSTEEL INDUSTRIES, INC.

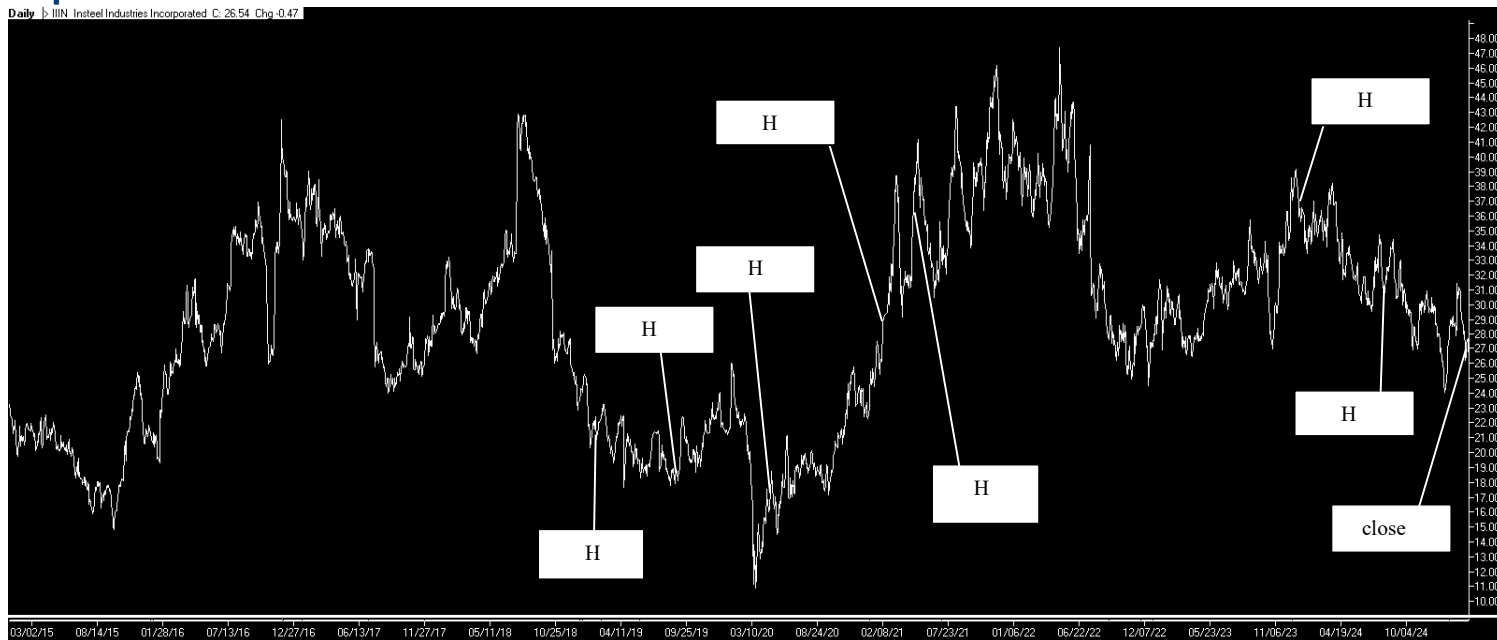
FY ends 9/30

(in thousands except per share amounts)

	1Q24	2Q24	3Q24	4Q24	FY24	1Q25	2Q25e	3Q25e	4Q25e	2025e
Revenues	\$121,725	\$127,394	\$145,775	\$134,304	\$529,198	\$129,720	\$138,427	\$152,276	\$159,128	\$579,551
Cost of sales	115,455	111,679	130,387	122,045	479,566	120,191	124,685	134,917	142,101	521,894
Inventory write-downs										
Gross profit	6,270	15,715	15,388	12,259	49,632	9,529	13,742	17,359	17,027	57,657
SG&A	6,367	7,875	7,879	7,531	29,652	7,887	8,859	9,635	9,478	35,859
Acquisition costs						271				271
Bargain Purchase gain										
Gain on debt extinguishment										
Pension settlement loss										
Restructuring charges						696				696
Other expenses/income	22	9	15	35	37	14	22	8	15	59
Interest expense	29	28	19	13	89	13	14	22	29	78
Interest income	1,659	1,147	1,245	1,382	5,433	786	1,465	1,395	1,136	4,782
Income	1,555	8,950	8,720	6,062	25,287	1,462	6,312	9,089	8,645	25,508
Income taxes	423	2,011	2,155	1,393	5,982	381	1,452	2,277	2,161	6,271
Earnings from continuing Ops.	1,132	6,939	6,565	4,669	19,305	1,081	4,860	6,817	6,484	19,242
Earnings from discount. Ops										
Net Earnings	\$1,132	\$6,939	\$6,565	\$4,669	\$19,305	\$1,081	\$4,860	\$6,817	\$6,484	\$19,242
Net earnings/share	\$0.06	\$0.35	\$0.34	\$0.24	\$0.99	\$0.06	<u>\$0.25</u>	\$0.35	\$0.33	\$0.99
Cash dividends/share	\$2.53	\$0.03	\$0.03	\$0.03	\$2.62	\$1.03	\$0.03	\$0.03	\$0.03	\$1.12
Fully diluted shares outstanding	19,573	19,594	19,568	19,564	19,575	19,550	19,550	19,550	19,550	19,550

## Important Disclosures

Daily b: IIN Insteel Industries Incorporated C: 26.54 Chg: 0.47



3/07/11 \$11.74 Initiate HOLD

Ratings:  
Buy: B  
Hold: H  
Sell: S

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