

Superior Industries (SUP)

\$1.25 (As of 05/12/20)

Price Target (6-12 Months): **\$1.50**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 02/04/20)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:A

Value: C

Growth: A

Momentum: B

Summary

Superior Industries' highly-diversified customer base, significant geographic footprint and extensive array of value-added products bode well. Its cutting-edge R&D capabilities are helping broaden the portfolio for premium wheel finishes. Amid the coronavirus crisis, Superior Industries initiated a series of cost savings, including staffing adjustment and compensation cuts. However, it scrapped its fiscal 2020 guidance as it anticipates that the impact of the coronavirus pandemic will weigh on operations and results. Headwinds surrounding OEM production are likely to take a toll on Superior Industries' in second-quarter 2020. Elevated leverage, lower aluminum prices and unfavorable foreign-currency translation are other headwinds. Hence, investors are recommended to wait for a better entry point.

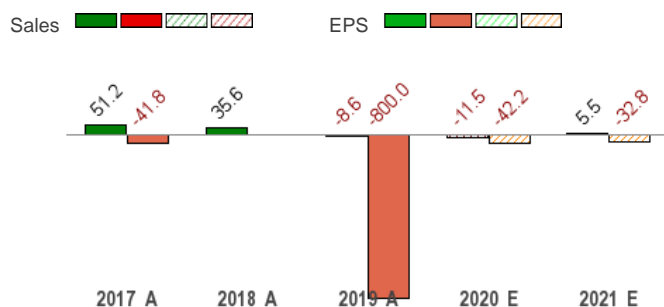
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$5.08 - \$0.90
20 Day Average Volume (sh)	179,374
Market Cap	\$32.0 M
YTD Price Change	-66.1%
Beta	2.29
Dividend / Div Yld	\$0.00 / 0.0%
Industry	Automotive - Original Equipment
Zacks Industry Rank	Bottom 24% (192 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	21.9%
Last Sales Surprise	2.2%
EPS F1 Est- 4 week change	0.0%
Expected Report Date	08/13/2020
Earnings ESP	0.0%

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	321 E	306 E	324 E	332 E	1,282 E
2020	301 A	259 E	328 E	334 E	1,215 E
2019	358 A	353 A	352 A	310 A	1,373 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021					-\$0.85 E
2020	-\$0.25 A	-\$0.25 E	-\$0.08 E	\$0.00 E	-\$0.64 E
2019	-\$0.22 A	-\$0.06 A	-\$0.08 A	-\$0.08 A	-\$0.45 A

*Quarterly figures may not add up to annual.

P/E TTM	NA
P/E F1	NA
PEG F1	NA
P/S TTM	0.0

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 05/12/2020. The reports text is as of 05/13/2020.

Overview

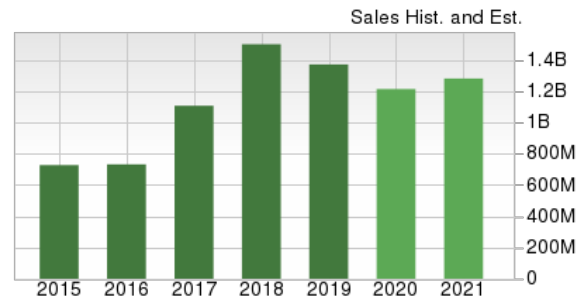
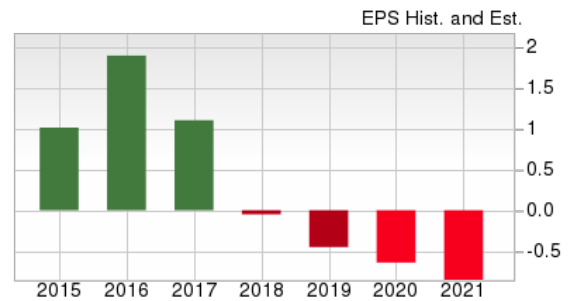
Founded in 1957, Superior Industries International Inc. is one of the world's largest designers and manufacturers of aluminum road wheels for the automotive industry. In first-quarter 2015, the company shifted its headquarters from Van Nuys, CA, to Southfield, MI. It has wheel manufacturing facilities in the United States and Mexico.

The company employs around 8,400 employees, who are engaged in eight manufacturing facilities in North America and Europe. It has a combined annual manufacturing capacity of around 20 million wheels.

Superior Industries' aluminum road wheels are sold to original equipment manufacturers (OEMs). In fact, the OEM aluminum wheels account for about 92% of its sales.

Aluminum wheels are primarily sold for vehicle models manufactured by BMW-Mini, Daimler AG Company (Mercedes-Benz, AMG and Smart), Fiat Chrysler, Ford, General Motors, Honda, Jaguar-Land Rover, Mazda, Nissan, Renault, Peugeot, PSA, Subaru, Suzuki, Toyota, VW Group (Volkswagen, Audi, Skoda, Porsche and Bentley), and Volvo. The company also sells aluminum wheels to the Europe aftermarket under the brands ATS, RIAL, ALUTEC and ANZIO.

Its principal markets are North America (51.3% of sales in 2019) and Europe (48.7%). It supplies approximately 17% and 13% of the aluminum wheels installed on passenger cars and light-duty trucks in North America and Europe, respectively. Also, the company has a global presence and diversified customer base, comprising North America, Europe and Asia OEMs. It also designs a variety of products for the automotive aftermarket, including custom road wheels and accessories.



Reasons To Buy:

- ▲ Superior Industries' highly-diversified customer base, significant geographic footprint and extensive array of value-added products bode well. The firm's acquisition of UNIWHEELS AG has positioned it as a leading global partner to automotive OEMs located in both North America and Europe. The company expects the buyout to result into \$15 million in annual run-rate synergies in 2020.
- ▲ In order to bolster its strategic position, Superior Industries is investing in new manufacturing processes with finer finishes which have a higher value. The company is committed to serve global customer base by introducing innovative technologies. The strategy is in sync with market trends and customer requirements. Superior Industries' cutting-edge R&D capabilities are aiding the firm to broaden and expand the portfolio for premium wheel finishes. Robust demand from OEMs for complex wheel technologies and designs should boost sales over the coming years.
- ▲ The firm's margin-enhancement efforts in different operating markets bode well. The company's reduction of its manufacturing operation in Fayetteville is likely to reduce overhead. In Mexico, the firm is putting emphasis on improving foundry capabilities inside its plant, while also implementing targeted plans to reduce attrition. Superior Industries is likely to improve its sales mix with program launches likely on larger SUVs and higher priced vehicles.
- ▲ In response to the uncertainty caused by the coronavirus pandemic, Superior Industries initiated a series of cost savings throughout the enterprise, including substantial staffing adjustments, compensation cuts and drawdowns on revolving credit facilities. The company is also leveraging government programs such as participating in the German short-time work program and applying for a €30 million low-cost loan program in Germany. The focus on cost discipline are expected to provide some respite amid the financial crisis.

Superior Industries' highly-diversified customer base, significant geographic footprint and extensive array of value-added products bode well.

Reasons To Sell:

- ▼ The coronavirus pandemic has crippled the auto industry, and will lead to decline in sales and production, hurting the automotive wheel-maker. The COVID-19 has impacted Superior Industries' operations, leading to temporary plant closures, change in processes and cut in production levels, in line with the nationwide campaign addressing the crisis. Such unprecedented challenges have prompted the company to withdraw its 2020 outlook. Weak consumer sentiment amid the virus outbreak is likely to hurt the firm's sales and earnings in the near future.
- ▼ Headwinds surrounding OEM production are likely to take a toll on Superior Industries' in second-quarter 2020. IHS Markit expects a 70% and 60% drop in OEM vehicle production in North America and Europe, respectively, in the upcoming quarter. For full-year 2020, OEM production is projected to decline about 25% in both the regions. In view of such gloomy scenario, Superior Industries is likely to be badly hit. Sales in both Europe and North America are expected to be adversely impacted.
- ▼ Further, unfavorable foreign-currency translations are also likely to act as headwind for Superior Industries. Increased volatility in foreign-exchange rates and a weaker Mexican Peso to the U.S. dollar exchange rate is affecting the profits of the firm. Lower aluminum prices are also a cause of concern.
- ▼ Elevated leverage of the company restricts its financial flexibility to tap on growth opportunities. As of Mar 31, 2020, the company's net debt amounted to \$542 million. Its total debt-to-capital ratio stands at 0.85, higher than its industry's 0.43. Moreover, the company's times interest earned ratio of -5.25X is unfavorable to the industry ratio of 8.68X, escalating the default risk.

The company's elevated leverage restricts its financial flexibility to tap onto growth opportunities.

Last Earnings Report

Superior Industries Reports Q1 Loss Narrower Than Expected

Superior Industries reported an adjusted first-quarter 2020 loss of 25 cents, narrower than the Zacks Consensus Estimate of a loss of 32 cents. The loss per share, however, widened 13.6%, year on year. Substantial decline in sales volumes in Europe and North America resulted in the dismal performance.

The aluminum-wheel manufacturer reported revenues of \$301 million, beating the Zacks Consensus Estimate of \$295 million. The top line, however, came in lower than the year-ago figure of \$358 million. This downside resulted mainly from lower volumes and lower aluminum prices.

Superior Industries suspended the 2020 guidance as it expects the coronavirus pandemic's impact to strain its operations in the days to come.

Quarter Details

During the first quarter, the company's wheel unit shipments decreased 15% year over year to 4.3 million. This downside primarily stemmed from production declines amid the coronavirus crisis. Shipments in Europe came in at 2.09 million, down from the 2.41 million recorded in first-quarter 2019. In North America, the shipments were 2.22 million, lower than the year-ago figure of 2.62 million.

Sales in the European market came in at \$145.5 million, lower than the \$172.6 million recorded in the year-ago quarter. Sales in the North American market totaled \$155.6 million, down from the prior-year period's \$185.1 million.

The company reported an operating loss of \$183 million as against the operating profit of \$19 million recorded in the year-ago quarter. Selling, general and administrative expenses in the quarter were \$13 million compared with the year-ago quarter's \$14 million.

Net cash provided by operating activities summed \$31 million in the March-end quarter, up from the year-ago quarter's \$29 million. Capital expenditure amounted to \$13.9 million.

During the quarter, Superior Industries paid dividends of \$3 million and purchased \$4 million of shares from minority equity holders of Superior Industries Europe AG.

As of Mar 31, 2020, the company had total liquidity of \$296 million compared with the \$243 million witnessed in the prior-year period. Net debt was \$542 million as of Mar 31, 2020, down from the prior-year quarter's \$626 million.

Quarter Ending **03/2020**

Report Date	May 08, 2020
Sales Surprise	2.18%
EPS Surprise	21.88%
Quarterly EPS	-0.25
Annual EPS (TTM)	-0.47

Valuation

Superior Industries' shares are down 66.1% in the year-to-date period and down 73.4% in the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Auto-Tires-Trucks sector are down 22.7% and 11.2% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry and sector are down 15.1% and up 0.5%, respectively.

The S&P 500 index is down 9.1% in the year-to-date period and up 3.1% in the past year.

The stock is currently trading at 0.03X forward 12-month sales, which compares 0.63X for the Zacks sub-industry, 0.67X for the Zacks sector and 3.3X for the S&P 500 index.

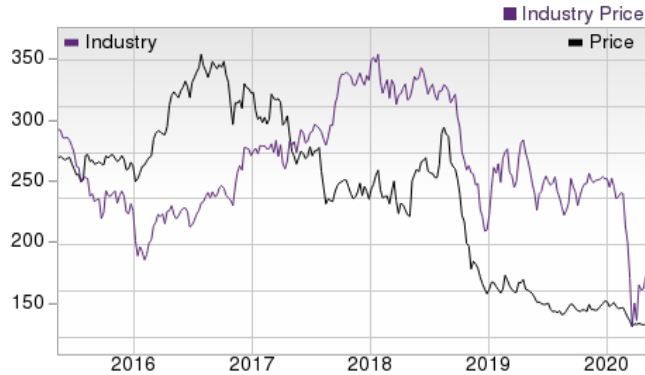
Over the past five years, the stock has traded as high as 1.11X and as low as 0.02X, with a 5-year median of 0.31X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$1.50 price target reflects 0.03X forward 12-month sales.

The table below shows summary valuation data for SUP:

Valuation Multiples - SUP					
		Stock	Sub-Industry	Sector	S&P 500
P/S F12M	Current	0.03	0.63	0.67	3.3
	5-Year High	1.11	0.81	0.76	3.44
	5-Year Low	0.02	0.47	0.5	2.54
	5-Year Median	0.31	0.63	0.62	3.02
EV/EBITDA TTM	Current	4.44	5.22	10.45	10.63
	5-Year High	15.23	8.63	11.26	12.86
	5-Year Low	3.36	4.16	6.82	8.28
	5-Year Median	6.49	6.53	9.22	10.77
P/CF	Current	0.19	5.35	5.88	14.98
	5-Year High	24.69	11.03	7.47	22.7
	5-Year Low	0.14	4.1	4.03	11.68
	5-Year Median	7.07	7.84	5.88	16.37

As of 05/12/2020

Industry Analysis Zacks Industry Rank: Bottom 24% (192 out of 253)



Top Peers

Company (Ticker)	Rec	Rank
Modine Manufacturing Company (MOD)	Outperform	2
Commercial Vehicle Group Inc (CVGI)	Neutral	3
Dana Incorporated (DAN)	Neutral	3
Dorman Products Inc (DORM)	Neutral	4
Meritor Inc (MTOR)	Neutral	3
Titan International Inc (TWI)	Neutral	3
EnPro Industries (NPO)	Underperform	5
Wabco Holdings Inc (WBC)	Underperform	4

Industry Comparison Industry: Automotive - Original Equipment				Industry Peers		
	SUP	X Industry	S&P 500	CVGI	DORM	MTOR
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	4	3
VGM Score	A	-	-	B	D	A
Market Cap	31.99 M	610.91 M	19.25 B	55.96 M	2.08 B	1.28 B
# of Analysts	1	2.5	14	2	4	3
Dividend Yield	0.00%	0.00%	2.21%	0.00%	0.00%	0.00%
Value Score	C	-	-	C	D	A
Cash/Price	2.13	0.25	0.06	0.60	0.08	0.36
EV/EBITDA	14.65	4.79	11.70	3.60	14.81	3.80
PEG Ratio	NA	1.93	2.61	NA	2.05	NA
Price/Book (P/B)	NA	1.01	2.61	0.43	2.63	3.03
Price/Cash Flow (P/CF)	0.25	3.52	10.36	1.68	18.67	3.52
P/E (F1)	-1.92	20.40	19.13	NA	24.55	26.77
Price/Sales (P/S)	0.02	0.32	1.96	0.06	2.07	0.32
Earnings Yield	-51.20%	3.65%	5.00%	-16.57%	4.08%	3.72%
Debt/Equity	-29.57	0.49	0.75	1.42	0.04	2.84
Cash Flow (\$/share)	5.01	3.46	7.01	1.04	3.44	5.05
Growth Score	A	-	-	A	D	A
Hist. EPS Growth (3-5 yrs)	-10.87%	7.57%	10.82%	37.74%	5.12%	26.99%
Proj. EPS Growth (F1/F0)	-42.22%	-48.30%	-10.31%	-156.86%	-1.32%	-82.64%
Curr. Cash Flow Growth	8.11%	-4.22%	5.83%	-46.58%	-32.85%	15.83%
Hist. Cash Flow Growth (3-5 yrs)	18.89%	5.32%	8.52%	3.44%	1.13%	19.94%
Current Ratio	2.01	1.56	1.27	2.40	2.72	1.64
Debt/Capital	84.33%	37.82%	44.25%	58.65%	3.62%	73.94%
Net Margin	-21.94%	1.98%	10.59%	2.14%	8.27%	10.29%
Return on Equity	8.10%	12.98%	16.33%	14.52%	10.66%	64.86%
Sales/Assets	0.96	1.21	0.55	1.98	0.95	1.36
Proj. Sales Growth (F1/F0)	-11.49%	-13.69%	-2.53%	-27.05%	-4.81%	-36.00%
Momentum Score	B	-	-	F	C	F
Daily Price Chg	-2.34%	-2.96%	-2.55%	-8.85%	-1.31%	-6.67%
1 Week Price Chg	11.72%	5.02%	3.23%	-2.79%	1.43%	1.98%
4 Week Price Chg	-13.79%	5.63%	-0.84%	18.24%	4.17%	14.73%
12 Week Price Chg	-59.68%	-27.01%	-21.82%	-63.47%	-14.33%	-30.76%
52 Week Price Chg	-73.35%	-24.24%	-10.27%	-76.16%	-23.08%	-15.95%
20 Day Average Volume	179,374	203,292	2,520,117	335,466	235,298	886,812
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	0.00%	-19.68%	-6.29%	-363.64%	-8.96%	-48.97%
(F1) EPS Est 12 week change	-190.91%	-63.86%	-16.21%	-142.96%	-32.21%	-75.88%
(Q1) EPS Est Mthly Chg	0.00%	-60.83%	-12.28%	-342.86%	-9.20%	-171.72%

Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we have an excellent balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	C
Growth Score	A
Momentum Score	B
VGM Score	A

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

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