



Griffon Corporation (GFF)

Updated February 23rd, 2025 by Prakash Kolli

Key Metrics

Current Price:	\$73	5 Year CAGR Estimate:	13.9%	Market Cap:	\$3.45B
Fair Value Price:	\$83	5 Year Growth Estimate:	10.0%	Ex-Dividend Date:	02/25/25
% Fair Value:	87%	5 Year Valuation Multiple Estimate:	2.8%	Dividend Payment Date:	03/18/25
Dividend Yield:	1.0%	5 Year Price Target	\$134	Years Of Dividend Growth:	14
Dividend Risk Score:	A	Retirement Suitability Score:	C	Rating:	Buy

Overview & Current Events

Griffon is a diversified consumer and building products company founded in 1959 and went public in 1968. The company's Ames business traces its history to 1774. Today, it sells garage and rolling steel doors, tools, home storage, ceiling fans, and outdoor lifestyle products. The company operates in two segments: Home and Building Products (HBP, ~60% of revenue) and Consumer and Professional Products (CPP, ~40% of revenue). Key brands are Clopay Ideal Door, Holmes, Cornell, Cookson, Ames, True Temper, Jackson, Razorback, Garant, Cyclone, Closetmaid, Hills, Southern Patio, Northcote, Kelkay, La Hacienda, Hunter, and Casablanca. Total revenue was \$2,624M in fiscal year 2024.

Griffon reported Q1 FY 2025 results on February 5th, 2025. Revenue decreased 2% to \$632.4M from \$643.2M, while diluted earnings per share rose to \$1.39 from \$1.07 on a year-over-year basis. The top line was flat because of increased residential but lower commercial demand. Some international markets were weaker. Earnings per share increased because of Global Sourcing Program and higher margins. HBP segment revenue was flat at \$395.4M from \$395.8M in comparable periods on higher residential but lower commercial volumes. CPP segment revenue fell 4% to \$237.0M from \$247.4M on lower demand and volumes in North America and the UK, offset by growth in Australia.

The company is targeting 15% EBITDA margins, higher cash flow, and lower capital expenditures in its CPP segment.

The company is forecasting fiscal 2025 revenue of \$2.6 billion.

Growth on a Per-Share Basis

Year ¹	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$0.73	\$0.84	\$0.87	\$0.76	\$1.08	\$1.62	\$1.86	\$4.07	\$4.54	\$5.12	\$5.56	\$8.95
DPS	\$0.17	\$0.21	\$0.25	\$0.28	\$0.29	\$0.31	\$0.33	\$0.37	\$0.50	\$0.63	\$0.72	\$1.06
Shares²	46.3	43.3	43.3	42.1	43.4	47.3	53.5	52.0	53.7	48.7	48.8	49.4

Griffon's revenue has trended up in the past decade driven by organic growth and many acquisitions. The company usually acquires another tuck-in business every few years to enhance its core categories or provide a runway for future growth. Griffon acquired Closetmaid, Cornell, and Cookson in 2018. This was followed by Hunter Fan in 2022. This strategy has proven successful over time, and earnings per share has climbed. That said, the firm has increased leverage and share count to pay for the acquisitions. However, rising margins and operational execution should permit Griffon to succeed. We are expecting revenue and earnings per share to grow at ~10% annually on average, but this may be low if the firm continues to acquire competitors.

Griffon has paid a dividend since 2011 and has a 14-year streak of increasing it. The payout ratio is conservative at approximately 13%, leaving significant room for future increases. It also provides confidence about the dividend safety in a cyclical industry. We conservatively estimate an ~8% growth rate per year. However, the rate has been in the double-digits in the past decade and returning capital to shareholders is the priority, ahead of reducing leverage, and bolt-on M&A.

¹ All data is in fiscal year, which ends September 30th.

² Share count in millions.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



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Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	18.0	23.3	17.7	11.1	15.5	10.5	13.0	8.1	13.4	13.9	13.1	15.0
Avg. Yld.	1.3%	1.1%	1.6%	3.3%	1.7%	1.8%	1.4%	1.1%	0.8%	0.9%	1.0%	0.8%

Griffon's stock price is flat since our last report on mixed results. We raised our fiscal year 2024 earnings estimate to match consensus. Our fair value multiple is 15X, which is near the 10-year average. Our fair value estimate is now \$83. Our 5-year price target is now \$134.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	23%	25%	29%	37%	27%	19%	18%	9%	11%	12%	13%	12%

Griffon's competitive advantage is its stable of well-known brands and market leadership in garage and steel doors, storage, and residential ceiling fans. It has extensive design, manufacturing, and logistics capabilities that are not easily replicated. Moreover, the firm has well established relationships with supplier and distribution channels.

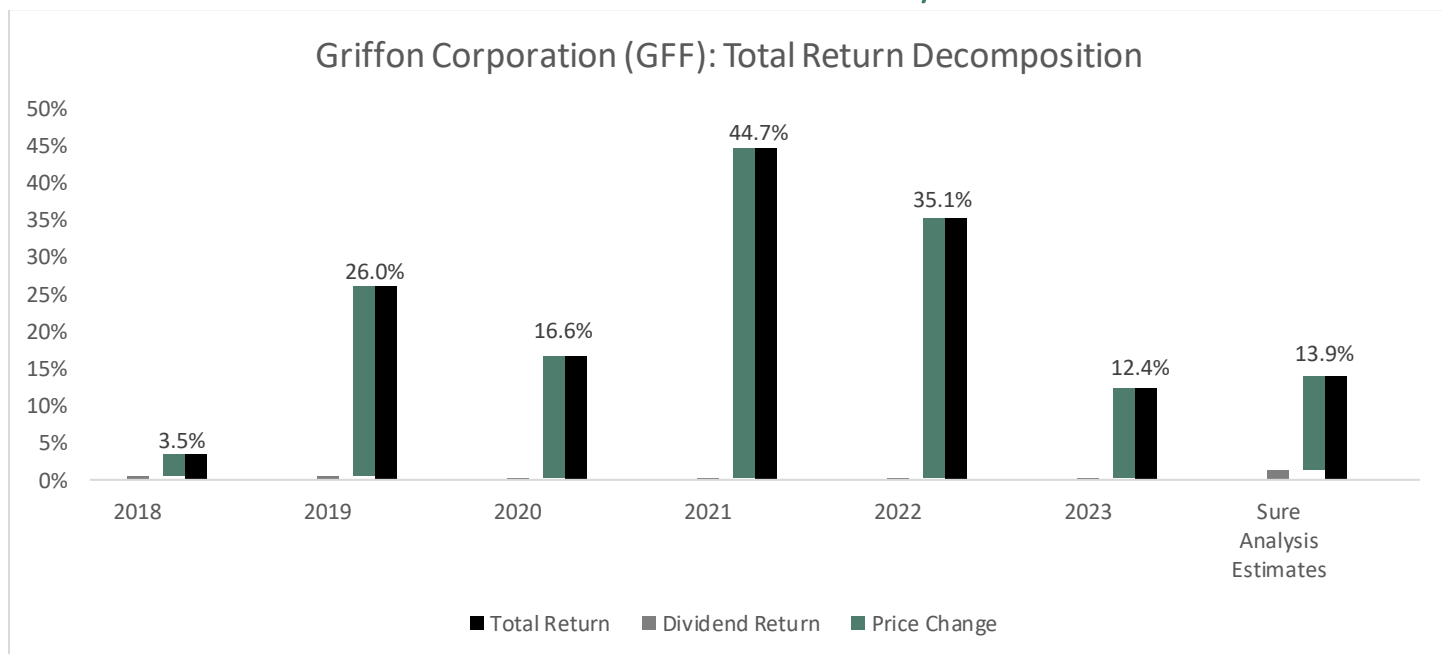
Despite demonstrating long-term growth, the company is not recession resistant. Its end markets are dependent on housing sales and remodeling trends. Both have experienced slowdowns and declines in the past. The company's earnings have declined in the past before recovering.

The company makes use of debt for M&A. It has \$8.1M in current long-term debt, \$1,466.9M of long-term debt that is offset by \$151.9M of cash and equivalents. Interest coverage is about 4.4X, and the leverage ratio is about 2.6X.

Final Thoughts & Recommendation

At present, we are forecasting 13.9% annualized total return over the next five years from a dividend yield of 1.0%, 10% EPS growth, and 2.8% P/E multiple expansion. Griffon is performing well after the Hunter Fan acquisition and sale of its defense electronics business. The firm is focused on improving margins and becoming asset light. It is also returning cash to shareholders through growing dividends and share repurchases. We maintained our buy rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	1,483	1,477	1,525	1,978	1,874	2,067	2,271	2,848	2,685	2,624
Gross Profit	392	401	408	511	517	584	641	937	949	1,020
Gross Margin	26.5%	27.1%	26.8%	25.9%	27.6%	28.3%	28.2%	32.9%	35.3%	38.9%
SG&A Exp.	325	318	341	419	408	444	471	609	643	622
D&A Exp.	46	46	48	56	52	52	52	65	65	61
Operating Profit	67	82	67	93	109	140	171	328	306	398
Operating Margin	4.5%	5.6%	4.4%	4.7%	5.8%	6.8%	7.5%	11.5%	11.4%	15.2%
Net Profit	34	30	15	126	37	53	79	(192)	78	210
Net Margin	2.3%	2.0%	1.0%	6.4%	2.0%	2.6%	3.5%	-6.7%	2.9%	8.0%
Free Cash Flow	29	45	61	(38)	77	93	75	27	365	309
Income Tax	7	12	(1)	1	21	26	40	17	35	87

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	1,713	1,782	1,874	2,085	2,075	2,449	2,605	2,816	2,419	2,371
Cash & Equivalents	52	73	48	70	72	218	249	120	103	114
Accounts Receivable	219	184	208	281	264	278	295	362	312	313
Inventories	326	261	299	398	442	320	473	669	507	425
Goodwill	570	504	524	810	794	778	776	1,098	963	948
Total Liabilities	1,282	1,371	1,475	1,610	1,597	1,748	1,798	2,339	2,104	2,146
Accounts Payable	200	148	184	234	251	173	260	195	117	119
Long-Term Debt	844	911	979	1,121	1,104	1,047	1,046	1,574	1,470	1,524
Shareholder's Equity	431	411	399	474	478	700	807	478	315	225
LTD/E Ratio	1.96	2.22	2.46	2.36	2.31	1.50	1.30	3.30	4.66	6.78

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	1.9%	1.7%	0.8%	6.3%	1.8%	2.4%	3.1%	-7.1%	3.0%	8.8%
Return on Equity	7.1%	7.1%	3.7%	28.8%	7.8%	9.1%	10.5%	-29.8%	19.6%	77.7%
ROIC	2.6%	2.3%	1.1%	8.5%	2.3%	3.2%	4.4%	-9.8%	4.0%	11.9%
Shares Out.	46.9	44.1	43.0	42.4	42.9	45.0	53.4	51.7	54.6	49.7
Revenue/Share	31.60	33.49	35.46	46.62	43.70	45.91	42.55	55.13	49.17	52.82
FCF/Share	0.62	1.02	1.43	(0.89)	1.79	2.06	1.40	0.52	6.69	6.22

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

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