



The Gorman-Rupp Company (GRC)

Updated February 12th, 2025, by Josh Arnold

Key Metrics

Current Price:	\$38	5 Year CAGR Estimate:	16.6%	Market Cap:	\$989 M
Fair Value Price:	\$46	5 Year Growth Estimate:	11.0%	Ex-Dividend Date:	02/14/25
% Fair Value:	83%	5 Year Valuation Multiple Estimate:	3.9%	Dividend Payment Date:	03/10/25
Dividend Yield:	1.9%	5 Year Price Target	\$78	Years Of Dividend Growth:	52
Dividend Risk Score:	A	Retirement Suitability Score:	B	Rating:	Buy

Overview & Current Events

Gorman-Rupp began manufacturing pumps and pumping systems back in 1933. Since that time, it has grown into an industry leader with annual sales of nearly \$700 million and a market capitalization of ~\$1 billion. Today, Gorman-Rupp is a focused, niche manufacturer of critical systems that many industrial clients rely upon for their own success. Gorman-Rupp generates about one-third of its total revenue from outside of the U.S. The company also has one of the most impressive dividend increase streaks in the market, which currently stands at 52 years. That makes Gorman-Rupp a member of the prestigious Dividend Kings.

Gorman-Rupp posted fourth quarter and full-year earnings on February 7th, 2025, and results were weaker than expected. Adjusted earnings-per-share came to 42 cents, which was three cents light of estimates. Revenue was up 1.3% year-over-year to \$162.7 million, which matched expectations. The increase in sales was primarily attributed to the impact of pricing increases taken in the year-ago period.

Gross profit was \$49.2 million for the quarter, or 30.2% of revenue. These were down from \$50.9 million and 31.7%, respectively, in the same period of 2023. The decline in gross margins of 150 basis points included 220 basis points of increased labor and overhead costs, which were driven by healthcare expenses. That was partially offset by a 70-basis point improvement in cost of materials, which itself was driven by a 140-basis point improvement in selling prices, offset by a 70-basis point decline from inventory costing.

SG&A costs improved by 80 basis points, coming in \$1 million lower than the year-ago period. That meant operating income was \$21.1 million, or 13% of revenue. These were still down from \$21.8 million and 13.6%, respectively, a year earlier.

The backlog stood at \$206 million at the end of December, down from \$218 million a year ago. Incoming orders were \$659 million, up 6.8% year-over-year.

We start 2025 with an estimate of \$2 per share on the strong backlog driving revenue and margin visibility.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$1.06	\$0.95	\$1.22	\$1.53	\$1.37	\$1.11	\$1.32	\$0.94	\$1.37	\$1.75	\$2.00	\$3.37
DPS	\$0.41	\$0.43	\$0.47	\$0.51	\$0.55	\$0.59	\$0.65	\$0.69	\$0.71	\$0.73	\$0.74	\$0.94
Shares¹	26	26	26	26	26	26	26	26	26	26	26	26

Gorman-Rupp's earnings volatility has been very high, and that has translated into a lot of volatility for the stock in the past decade. As the company makes products for industrial and municipal clients, its revenue can swing wildly from one year to another. Margins have been stable over the past decade, but it does experience boom/bust cycles in revenue generation, leading to lots of earnings volatility, as was the case in 2019 and 2020 following a strong performance in 2018. We are forecasting 11% earnings-per-share growth going forward from our earnings estimate but note that recent weakness continues to suggest further volatility moving forward, particularly given current inflationary and supply chain

¹ 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.



The Gorman-Rupp Company (GRC)

Updated February 12th, 2025, by Josh Arnold

challenges. We've boosted our estimate of earnings growth due to profitability momentum, but note we'll need to see sustained progress there.

The company can achieve this result mostly through high single-digit sales growth. Given the company's robust backlog of uncompleted work, we see revenue growth continuing for the near term, which the company says continues to occur. Gorman-Rupp's primary earnings growth driver is certainly revenue as its margins fluctuate over time, and Gorman-Rupp is focusing on cost containment efforts to help combat this while it waits for revenue to rise.

We are forecasting mid-single-digit growth in the dividend as Gorman-Rupp's increases have been lumpy in the past but have picked up in terms of significance lately.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	25.8	28.4	24.7	21.6	24.5	28.8	27.7	27.3	25.9	21.7	19.0	23.0
Avg. Yld.	1.5%	1.6%	1.6%	1.5%	1.6%	1.8%	1.8%	2.7%	2.0%	1.9%	1.9%	1.2%

Gorman-Rupp's price-to-earnings multiple stayed in a narrow range from 2008 to 2014, but in more recent years, investors have been willing to pay more. Shares trade at 19 times our earnings estimate, which is below our estimate of 23 times earnings. As such we are forecasting a sizable positive impact on total returns from the valuation in the coming years. The yield could also decline over time.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	38%	45%	39%	33%	40%	53%	49%	73%	52%	42%	37%	28%

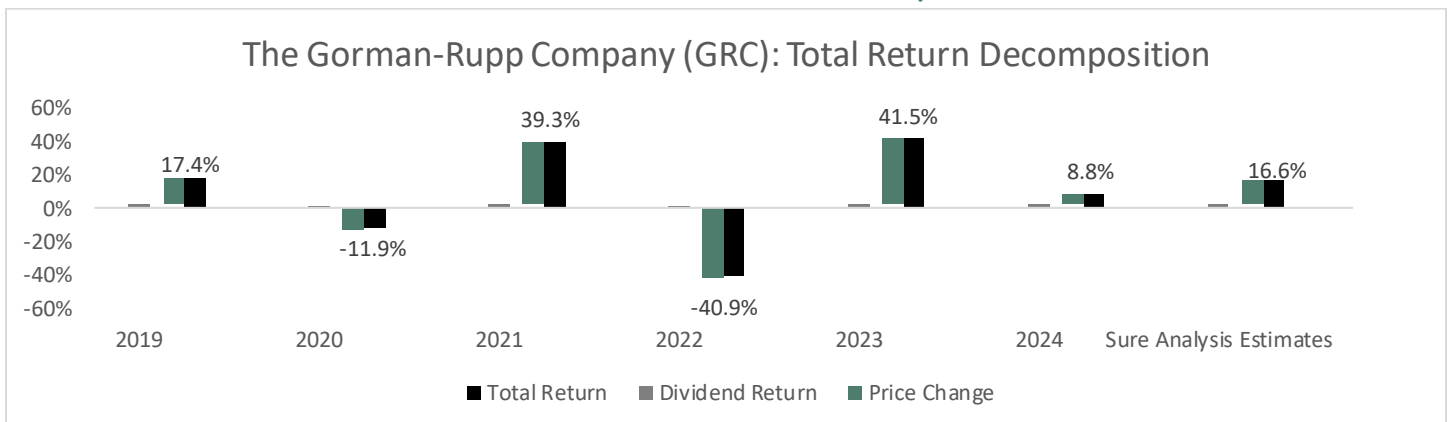
Gorman-Rupp's payout ratio is 37% of earnings for this year following the most recent increase in the dividend, but also higher earnings estimates. We see it declining in the years to come as earnings climb.

The company's competitive advantage is in its many decades of experience in providing innovative solutions for niche, but critical, engineering problems facing its customers. However, it is far from immune to recessions as revenue and earnings both fell very sharply during the Great Recession.

Final Thoughts & Recommendation

Gorman-Rupp is trading at 83% of our estimate of fair value following the Q4 report. The company's level of earnings growth could afford investors 16.6% annual returns in conjunction with the 1.9% yield, aided by a 3.9% potential valuation tailwind. We are reiterating the stock at a buy rating after Q4 results, particularly given its exemplary dividend increase streak.

Total Return Breakdown by Year



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.



The Gorman-Rupp Company (GRC)

Updated February 12th, 2025, by Josh Arnold

Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	406	382	379	414	398	349	378	521	660	660
Gross Profit	93	93	101	110	103	90	96	131	196	204
Gross Margin	22.8%	24.2%	26.7%	26.5%	25.8%	25.7%	25.3%	25.1%	29.8%	31.0%
SG&A Exp.	56	54	55	59	59	54	57	83	97	101
D&A Exp.	15	16	15	14	14	13	12	21	28	28
Operating Profit	36	38	46	51	44	36	39	40	87	91
Operating Margin	9.0%	10.0%	12.1%	12.2%	11.0%	10.2%	10.4%	7.7%	13.2%	13.9%
Net Profit	25	25	27	40	36	25	30	11	35	40
Net Margin	6.2%	6.5%	7.0%	9.6%	9.0%	7.2%	7.9%	2.1%	5.3%	6.1%
Free Cash Flow	32	47	36	30	51	43	36	(4)	77	56
Income Tax	12	12	13	10	9	6	7	3	9	10

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	364	383	395	368	383	394	421	873	890	858
Cash & Equivalents	24	58	80	46	81	108	125	7	31	24
Accounts Receivable	77	71	67	68	65	51	59	93	90	88
Inventories	83	69	75	87	76	83	86	111	104	99
Goodwill & Int. Ass.	41	43	38	36	35	34	33	507	495	482
Total Liabilities	77	80	70	75	75	79	91	542	541	485
Accounts Payable	15	16	16	17	16	9	18	25	23	25
Long-Term Debt	---	---	---	---	---	---	---	437	404	367
Shareholder's Equity	287	303	325	293	308	316	330	331	349	374
LTD/E Ratio	---	---	---	---	---	---	---	1.32	1.16	0.98

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	6.7%	6.7%	6.8%	10.5%	9.5%	6.5%	7.3%	1.7%	4.0%	4.6%
Return on Equity	8.8%	8.4%	8.5%	12.9%	11.9%	8.1%	9.2%	3.4%	10.3%	11.1%
ROIC	8.6%	8.4%	8.5%	12.9%	11.9%	8.1%	9.2%	2.0%	4.6%	5.4%
Shares Out.	26	26	26	26	26	26	26	26	26	26
Revenue/Share	15.51	14.65	14.54	15.87	15.23	13.44	14.45	19.97	25.29	25.16
FCF/Share	1.24	1.78	1.36	1.16	1.96	1.65	1.37	(0.16)	2.97	2.12

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

Disclaimer

Nothing presented herein is, or is intended to constitute, specific investment advice. Nothing in this research report should be construed as a recommendation to follow any investment strategy or allocation. Any forward-looking statements or forecasts are based on assumptions and actual results are expected to vary from any such statements or forecasts. No reliance should be placed on any such statements or forecasts when making any investment decision. While Sure Dividend has used reasonable efforts to obtain information from reliable sources, we make no representations or warranties as to the accuracy, reliability or completeness of third-party information presented herein. No guarantee of investment performance is being provided and no inference to the contrary should be made. There is a risk of loss from an investment in marketable securities. Past performance is not a guarantee of future performance.