Rockwell Automation (ROK)

Updated March 6th, 2025 by Jonathan Weber

Key Metrics

Current Price:	$272	**5 Year CAGR Estimate:**	1.3%	**Market Cap:**	$31B
Fair Value Price:	$184	**5 Year Growth Estimate:**	7.0%	**Ex-Dividend Date:**	03/22/25[1]
% Fair Value:	148%	**5 Year Valuation Multiple Estimate:**	-7.5%	**Dividend Payment Date:**	04/10/25[2]
Dividend Yield:	1.9%	**5 Year Price Target**	$258	**Years Of Dividend Growth:**	15
Dividend Risk Score:	B	**Retirement Suitability Score:**	C	**Rating:**	Sell

Overview & Current Events

Rockwell Automation is an industrial company that is active in the industrial automation and information segments. Its business units include Architecture & Software as well as Control Products & Solutions. The company was founded in 1928, is headquartered in Milwaukee, WI, and produces more than $8 billion in annual revenue.

Rockwell reported its first quarter (fiscal 2024) earnings results in February. Total revenue was $1.88 billion for the quarter, which was down 8% versus the previous year's quarter. Organic sales were down 8% year-over-year as well, which was a lot better than the much larger decline rate during the previous quarter. Rockwell Automation beat the consensus revenue estimate slightly, as an even larger decline was expected.

Rockwell Automation's first-quarter earnings-per-share came in at $1.83 on an adjusted basis, which was better than what the analyst community had expected. Management believes that business growth will be weak this year, fiscal 2025. Revenues are seen declining by around 2.5% this year compared to last year. Management believes that earnings-per-share growth will be negative as well, as earnings-per-share are seen at $8.60 to $9.80, with a $9.20 guidance midpoint, which would be down around 5% versus the previous year.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$6.09	$5.56	$6.35	$8.11	$8.67	$7.68	$9.43	$9.49	$12.12	$9.71	***$9.20***	***$12.90***
DPS	$2.60	$2.90	$3.04	$3.68	$3.88	$4.13	$4.28	$4.48	$4.72	$5.00	***$5.24***	***$7.18***
Shares[3]	132	129	128	122	118	117	117	115	115	114	***113***	***110***

Between 2015 and 2024, Rockwell Automation grew its earnings-per-share at a solid pace of 5% to 6% a year on average. Profits declined substantially during the Great Recession, and they dipped during the pandemic in 2020. We can expect that results in future years will also be cyclical and dependent upon the global economy.

In the past, Rockwell Automation grew its earnings-per-share via a combination of several contributing factors. Higher sales, margin increases, and a decline in the company's share count explain how the company was able to grow its earnings-per-share in the long run. We believe that these growth drivers will likely remain in place in the future, too.

Overall, many of the markets Rockwell Automation is active in, will keep growing in the long run, which makes for a very solid organic growth outlook. The company has also grown via inorganic expansion, by making tuck-in acquisitions, in the past, and more of that could come in the future, when management is able to craft deals that are attractive for the company. Rockwell sees long-term tailwinds from emerging markets businesses, with exposure to countries like Brazil, Mexico, and other countries in Latin America, where the revenue growth outlook for Rockwell Automation is strong. Between some organic revenue growth, the potential for takeovers, and some buybacks, we believe that Rockwell Automation will grow its earnings-per-share at a mid-to-high-single-digits pace in the future.

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[1] Estimated date
[2] Estimated date
[3] 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	18.7	19.7	23.6	23.4	19.1	19.1	31.2	22.7	23.6	27.6	***29.6***	***20.0***
Avg. Yld.	2.3%	2.7%	2.0%	2.1%	2.3%	2.3%	1.3%	2.1%	1.7%	1.9%	***1.9%***	***2.8%***

Rockwell Automation trades at close to 30 times this year's expected net profits right now, based on management's current guidance midpoint. This means that shares are trading well in excess of our estimate of fair value, which we see at 20 times earnings. We thus forecast substantial multiple compression headwinds to total returns in the coming years, as Rockwell Automation's valuation normalizes back towards a lower valuation.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	42.7%	52.2%	47.9%	45.4%	44.8%	53.8%	45.4%	47.2%	38.9%	51.5%	***57.0%***	***55.6%***

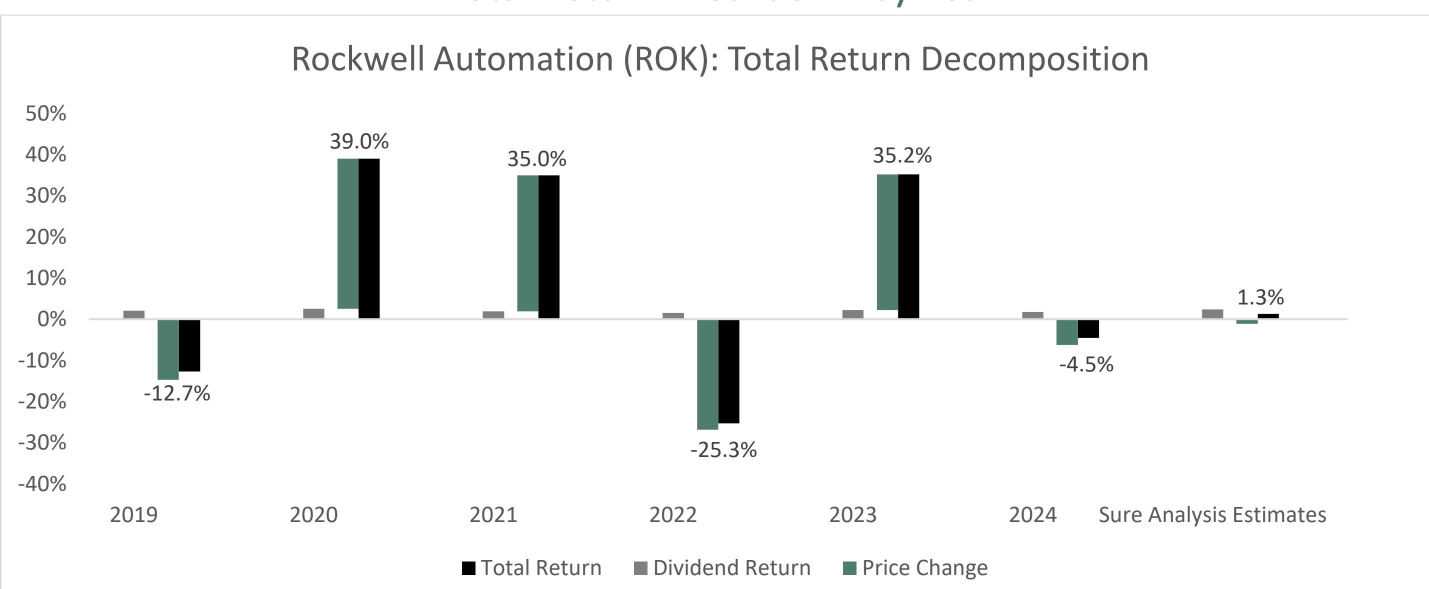
Rockwell's dividend payout ratio has been around 40%-50% throughout much of the last decade. The company did not have to cut its dividend during the Great Recession, which makes us believe that the company's dividend is relatively safe, despite the cyclicality of Rockwell Automation's business.

Rockwell's earnings-per-share dropped by more than 50% from 2008 to 2009, which shows that the company can be relatively vulnerable to broad economic downturns. During the coronavirus pandemic, Rockwell Automation's profits did decline slightly, by around 10%. Rockwell is well positioned internationally, as it generates roughly half of its sales outside of the US. Rockwell's strong position in higher-growth emerging markets could provide a growth advantage versus peers that are more focused on lower-growth markets in industrial countries.

Final Thoughts & Recommendation

Rockwell Automation operates a business that can be quite cyclical, but the company nevertheless managed to generate solid earnings-per-share growth throughout much more than the last decade. The company hit new record profits in 2023, but 2024 was weaker again, and management is also forecasting a profit decline for the current year. We rate the stock a sell right here, as shares continue to trade way ahead of our fair value estimate at current prices, which hurts the total return outlook for the company severely.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	6,308	5,880	6,311	6,666	6,695	6,330	6,997	7,760	9,058	8,264
Gross Profit	2,703	2,476	2,668	2,885	2,900	2,595	2,898	3,102	3,717	3,193
Gross Margin	42.9%	42.1%	42.3%	43.3%	43.3%	41.0%	41.4%	40.0%	41.0%	38.6%
SG&A Exp.	1,506	1,467	1,558	1,588	1,539	1,480	1,680	1,767	2,024	2,003
D&A Exp.	163	172	169	165	152	173	190	239	250	317
Operating Profit	1,197	1,008	1,110	1,297	1,362	1,115	1,218	1,335	1,693	1,191
Operating Margin	19.0%	17.1%	17.6%	19.5%	20.3%	17.6%	17.4%	17.2%	18.7%	14.4%
Net Profit	828	730	826	536	696	1,023	1,344	932	1,387	953
Net Margin	13.1%	12.4%	13.1%	8.0%	10.4%	16.2%	19.2%	12.0%	15.3%	11.5%
Free Cash Flow	1,065	830	892	1,175	1,049	1,007	1,141	682	1,214	639
Income Tax	300	213	212	795	205	113	182	155	331	152

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	6,405	7,101	7,162	6,262	6,113	7,265	10,702	10,759	11,304	11,232
Cash & Equivalents	1,427	1,526	1,411	619	1,018	705	662	491	1,072	471
Accounts Receivable	1,041	1,079	1,136	1,190	1,179	1,249	1,425	1,737	2,167	1,802
Inventories	536	527	559	582	576	584	798	1,054	1,405	1,293
Goodwill & Int. Ass.	1,258	1,329	1,316	1,291	1,265	2,130	4,648	4,426	4,382	5,060
Total Liabilities	4,148	5,111	4,498	4,645	5,709	5,918	8,008	7,742	7,561	7,557
Accounts Payable	522	543	623	713	695	688	890	1,028	1,150	860
Long-Term Debt	1,501	1,965	1,844	1,776	2,257	1,999	3,981	3,836	2,966	3,640
Shareholder's Equity	2,257	1,990	2,664	1,618	404	1,028	2,390	2,726	3,562	3,498
LTD/E Ratio	0.67	0.99	0.69	1.10	5.58	1.95	1.67	1.41	0.83	1.04

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	13.1%	10.8%	11.6%	8.0%	11.2%	15.3%	15.0%	8.7%	12.6%	8.5%
Return on Equity	33.7%	34.4%	35.5%	25.0%	68.8%	117%	66.5%	32.6%	41.0%	25.7%
ROIC	21.7%	18.9%	19.5%	13.6%	23.0%	34.1%	26.8%	13.8%	20.5%	13.6%
Shares Out.	132	129	128	122	118	117	117	115	115	114
Revenue/Share	46.48	44.85	48.59	52.53	56.12	54.29	59.76	66.50	78.36	72.18
FCF/Share	7.85	6.33	6.87	9.26	8.79	8.63	9.74	5.84	10.50	5.58

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