AMETEK (AME)

Updated May 7th, 2025 by Derek English

Key Metrics

Current Price:	$168	**5 Year Annual Expected Total Return:**	5.0%	**Market Cap:**	$39.27B
Fair Value Price:	$147	**5 Year Growth Estimate:**	7.0%	**Ex-Dividend Date:**	06/13/25[1]
% Fair Value:	114%	**5 Year Valuation Multiple Estimate:**	-2.6%	**Dividend Payment Date:**	06/27/25
Dividend Yield:	0.7%	**5 Year Price Target**	$207	**Years Of Dividend Growth:**	6
Dividend Risk Score:	B	**Sector:**	Industrials	**Rating:**	Hold

Overview & Current Events

Headquartered in Berwyn, Pennsylvania, AMETEK, established in 1930 as American Machine and Metals, is a global manufacturer of electronic instruments and electromechanical devices with operations across North America, Europe, Asia, and South America. The company's diverse product offerings are organized into two segments: Electronic Instruments (EIG), which designs advanced instruments for various markets including process, power, industrial, and aerospace; and Electromechanical (EMG), which provides precision motion control solutions, thermal management systems, and specialty metals to sectors such as aerospace, defense, and medical. Approximately 50% of AMETEK's sales are generated outside the U.S., driven by continuous investment in sales and service in key growth regions.

AMETEK released its Q1 2025 results on May 1st, 2025, reporting flat year-over-year sales of $1.73 billion. Operating income rose 2% to $454.8 million, with operating margins expanding to 26.3%. The company generated free cash flow of $394.5 million, with a free cash flow to net income conversion of 112%. Adjusted EPS for the quarter increased 7% year-over-year to $1.75, compared to $1.64 in Q1 2024. The Electronic Instruments Group (EIG) posted $1.14 billion in sales, down 1% from the prior year, while the Electromechanical Group (EMG) saw a 2% increase in sales to a record $588.3 million, supported by strong performance in Paragon Medical and growth across key end markets. For the full year, management continues to expect low single-digit sales growth, driven by resilient demand and solid execution. Adjusted EPS guidance for 2025 remains between $7.02 and $7.18, representing 3% to 5% growth over 2024.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$2.55	$2.30	$2.61	$3.29	$4.19	$3.95	$4.85	$5.68	$6.38	$6.83	***$7.02***	***$9.85***
DPS	$0.36	$0.36	$0.36	$0.56	$0.56	$0.72	$0.80	$0.88	$1.00	$1.12	***$1.24***	***$1.66***
Shares[2]	242	234	232	233	229	231	233	232	232	232	***232***	***230***

Over the past decade, AMETEK has demonstrated significant growth in earnings per share (EPS) and dividends per share (DPS), showcasing its robust financial performance. From 2015 to 2024, AMETEK's EPS increased from $2.55 to $6.83, representing a compound annual growth rate (CAGR) of 11.6%. DPS grew from $0.36 to $1.12 in the same period, with a CAGR of 13.4%. The strong growth can be attributed to AMETEK's strategic acquisitions, which have expanded its technological capabilities and market presence. Standout acquisitions include Gatan in 2019, which enhanced AMETEK’s analytical instrumentation offerings, and Magnetrol International in 2021, bolstering its level and flow measurement technology capabilities. For 2025, AMETEK's outlook remains positive, with overall sales expected to grow in the low double digits compared to 2024. The adjusted EPS for 2025 is projected to be in the range of $7.02 to $7.18, indicating a growth rate of 3% to 5% over 2024. We have estimated at the lower end of their range to be prudent. We expect dividends to continue to grow at the same pace as earnings due to AMETEK's statement that it is committed to paying a consistently increasing cash dividend in the 2023 annual report. Ametek recently raised its dividend by 10.7% to $ 0.31. We estimate a dividend of $1.66 per share by 2030.

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[1] Estimated based on historical dates

[2] Share count is 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	2025	2030
Avg. P/E	19.6	19.6	22.2	21.6	19.8	23.5	26.6	22.0	23.2	26.4	***23.9***	***21.0***
Avg. Yld.	0.7%	0.8%	0.6%	0.8%	0.7%	0.8%	0.6%	0.7%	0.7%	0.6%	***0.7%***	***0.8%***

AMETEK has traded at an average P/E ratio of ~22 over the last ten years due to its strong financial performance and history of strategic acquisitions, which have significantly expanded its product portfolio and market reach. As a result, AMETEK is a leader in several niche markets. We believe a P/E ratio of 21 is reasonable for a company with solid growth prospects in a growing industry. However, this means that even with high single-digit dividend growth, we expect the dividend yield to remain below 1%. We estimate the stock is trading at 114% of its $147 fair value. Our five-year price target is $207, based on annual earnings growth of 7% and a P/E ratio of 21.

Safety, Quality, Competitive Advantage, & Recession Resiliency

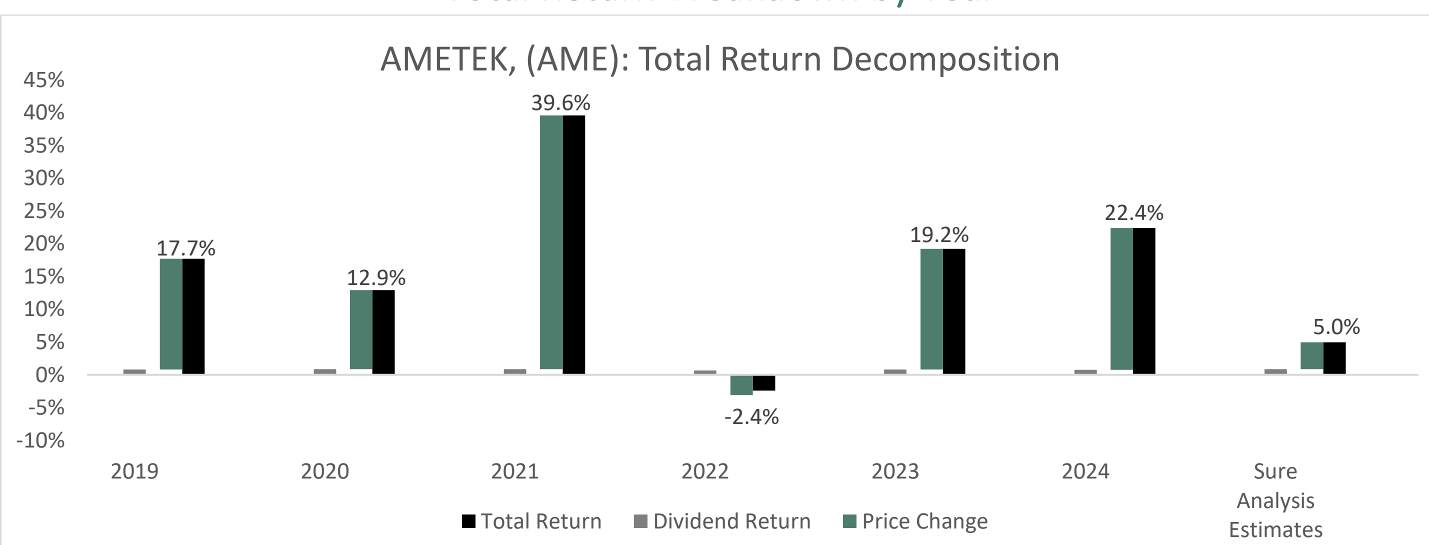
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	14%	16%	14%	17%	13%	18%	16%	15%	16%	16%	***18%***	***17%***

AMETEK's competitive advantage lies within its significant market share, healthy technological innovation, efficient manufacturing operations, and experienced management team, all of which position it well against competitors. The company's growth model emphasizes operational excellence, strategic acquisitions, global market expansion, and new product development, ensuring the ability to adapt to evolving customer needs, particularly in Europe and Asia. During the last recession, AMETEK demonstrated resilience by maintaining its commitment to shareholders through consistent dividend payments, unlike many companies that reduced or suspended dividends in 2008-2009. Even during challenging economic periods, this consistent dividend policy underscores AMETEK's strong financial management and stability, reinforcing investor confidence in the company.

Final Thoughts & Recommendation

AMETEK's impressive earnings growth has driven the company to achieve double-digit total returns in five of the last six years, resulting in a current P/E ratio of 23.9. However, the company is currently trading above our fair value estimate and we anticipate the P/E ratio to revert to the historical average of 21. A low dividend yield and a high share price have led us to project a five-year average return rate of 5%. Therefore, we currently rate AMETEK as a hold.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	3,974	3,840	4,300	4,846	5,159	4,540	5,547	6,151	6,597	6,941
Gross Profit	1,356	1,255	1,439	1,660	1,788	1,544	1,913	2,145	2,384	2,476
Gross Margin	34.1%	32.7%	33.5%	34.2%	34.7%	34.0%	34.5%	34.9%	36.1%	35.7%
SG&A Exp.	449	464	535	584	610	516	604	645	677	697
D&A Exp.	149	180	183	199	234	255	292	319	338	383
Operating Profit	908	791	904	1,076	1,177	1,028	1,309	1,501	1,707	1,780
Operating Margin	22.8%	20.6%	21.0%	22.2%	22.8%	22.6%	23.6%	24.4%	25.9%	25.6%
Net Profit	591	512	681	778	861	872	990	1,160	1,313	1,376
Net Margin	14.9%	13.3%	15.8%	16.1%	16.7%	19.2%	17.9%	18.9%	19.9%	19.8%
Free Cash Flow	603	694	758	843	1,012	1,207	1,050	1,010	1,599	1,702
Income Tax	216	181	115	210	208	210	233	269	293	285

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	6,660	7,101	7,796	8,662	9,845	10,357	11,898	12,431	15,024	14,630
Cash & Equivalents	381	717	646	354	393	1,213	347	345	410	374
Accounts Receivable	603	592	668	733	745	597	829	919	1,013	949
Inventories	514	492	541	625	625	559	769	1,044	1,132	1,022
Goodwill & Int. Ass.	4,380	4,553	5,129	6,016	6,810	6,849	8,607	8,715	10,613	10,470
Total Liabilities	3,406	3,844	3,768	4,420	4,729	4,408	5,026	4,955	6,293	4,976
Accounts Payable	365	370	437	400	377	360	470	497	517	523
Long-Term Debt	1,938	2,342	2,174	2,633	2,769	2,414	2,544	2,385	3,313	2,080
Shareholder's Equity	3,255	3,257	4,028	4,242	5,115	5,949	6,872	7,477	8,730	9,655
D/E Ratio	0.60	0.72	0.54	0.62	0.54	0.41	0.37	0.32	0.38	0.22

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	9.0%	7.4%	9.1%	9.5%	9.3%	8.6%	8.9%	9.5%	9.6%	9.3%
Return on Equity	18.2%	15.7%	18.7%	18.8%	18.4%	15.8%	15.4%	16.2%	16.2%	15.0%
ROIC	11.6%	9.5%	11.6%	11.9%	11.7%	10.7%	11.1%	12.0%	12.0%	11.6%
Shares Out.	242	234	232	233	229	231	233	232	232	232
Revenue/Share	16.45	16.43	18.55	20.82	22.49	19.64	23.82	26.56	28.50	29.90
FCF/Share	2.50	2.97	3.27	3.62	4.41	5.22	4.51	4.36	6.91	7.33

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

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