



Graco Inc. (GGG)

Updated May 19th, 2025, by Kody Kester

Key Metrics

Current Price:	\$87	5 Year CAGR Estimate:	6.6%	Market Cap:	\$14.6B
Fair Value Price:	\$81	5 Year Growth Estimate:	7.0%	Ex-Dividend Date:	07/21/25 ¹
% Fair Value:	108%	5 Year Valuation Multiple Estimate:	-1.5%	Dividend Payment Date:	08/06/25 ¹
Dividend Yield:	1.3%	5 Year Price Target	\$113	Years Of Dividend Growth:	28
Dividend Risk Score:	A	Sector:	Industrials	Rating:	Hold

Overview & Current Events

Founded in 1926, Graco Inc. (GGG) is a manufacturing company that designs, manufactures, and markets systems and equipment used to move, measure, control, dispense, and spray fluid and powder materials. It operates through the following segments:

1. **Contractor:** This segment offers sprayers that apply paint to walls and other structures. The users for these products range from DIY homeowners to professional contractors. The segment also manufactures two-component proportioning systems that are used to spray polyurethane foam and polyurea coatings. These are used for insulating water heaters, building walls, roofs, and hot tubs. End users are mostly professional painters in the construction and maintenance industries. This segment accounted for approximately 47% of the company's \$2.11 billion in total 2024 sales.
2. **Industrial:** The Industrial segment markets equipment and solutions for moving and applying paints, powder coatings, sealants, and adhesives. These products serve customers in the wood and metal products, rail, aerospace, farm, and construction industries. The segment comprised another 29% of GGG's total 2024 sales.
3. **Process:** This segment markets pumps, valves, meters, and accessories to move and dispense chemicals, oil and natural gas, water and wastewater, food, and lubricants. End markets include the food and beverage, cosmetics, pharmaceutical, and electronics industries. The segment made up the remaining 24% of the company's total 2024 sales.

On April 23rd, GGG shared its first-quarter earnings report for the period ending March 28th, 2025. The company's net sales rose by 7.3% over the year-ago period to \$528.3 million during the quarter. That was driven by solid sales growth in each of its key geographic areas, ranging from 5% in the Americas to 13% in Asia during the quarter. GGG's adjusted diluted EPS grew by 7.7% year-over-year to \$0.70 for the quarter. This exceeded the analyst consensus by \$0.03 during the quarter. That was fueled by modest share repurchases and a steady non-GAAP net profit margin of 22.8%.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$1.95	\$1.18	\$1.43	\$1.88	\$1.90	\$1.95	\$2.44	\$2.63	\$3.04	\$2.77	\$2.99	\$4.19
DPS	\$0.40	\$0.44	\$0.48	\$0.53	\$0.64	\$0.71	\$0.77	\$0.84	\$0.94	\$1.02	\$1.10	\$1.54
Shares²	165.4	167.5	169.3	165.2	167.3	168.6	170.3	167.7	168.0	169.4	167.2	165.5

¹ Estimate based on past dividend dates.

² Share count is in millions.



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Over the years, GGG has generated respectable adjusted diluted EPS growth. During the past five years, the company has grown adjusted diluted EPS by nearly 9% annually. Moving forward, we believe that adjusted diluted EPS growth will remain reasonably strong at 7% off an anticipated 2025 base of \$2.99. This is because the company has room to grow via new product developments, global expansion, and bolt-on acquisitions.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	12.3	23.4	31.7	22.3	27.4	37.1	33.0	25.6	28.5	30.3	29.2	27.0
Avg. Yld.	1.7%	1.6%	1.1%	1.3%	1.2%	1.0%	1.0%	1.2%	1.1%	1.2%	1.3%	1.4%

Since 2015, GGG's shares have traded at a P/E ratio as low as the low double-digits to as much as the high 30s. Over that time, the average P/E ratio was approximately 27. In the years to come, we believe that the fair value P/E ratio remains around 27. This is because GGG's growth prospects remain intact. The current P/E ratio of 29.2 is slightly above our fair value estimate, which implies shares are fully valued right now.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	21%	37%	34%	28%	34%	36%	32%	32%	31%	37%	37%	37%

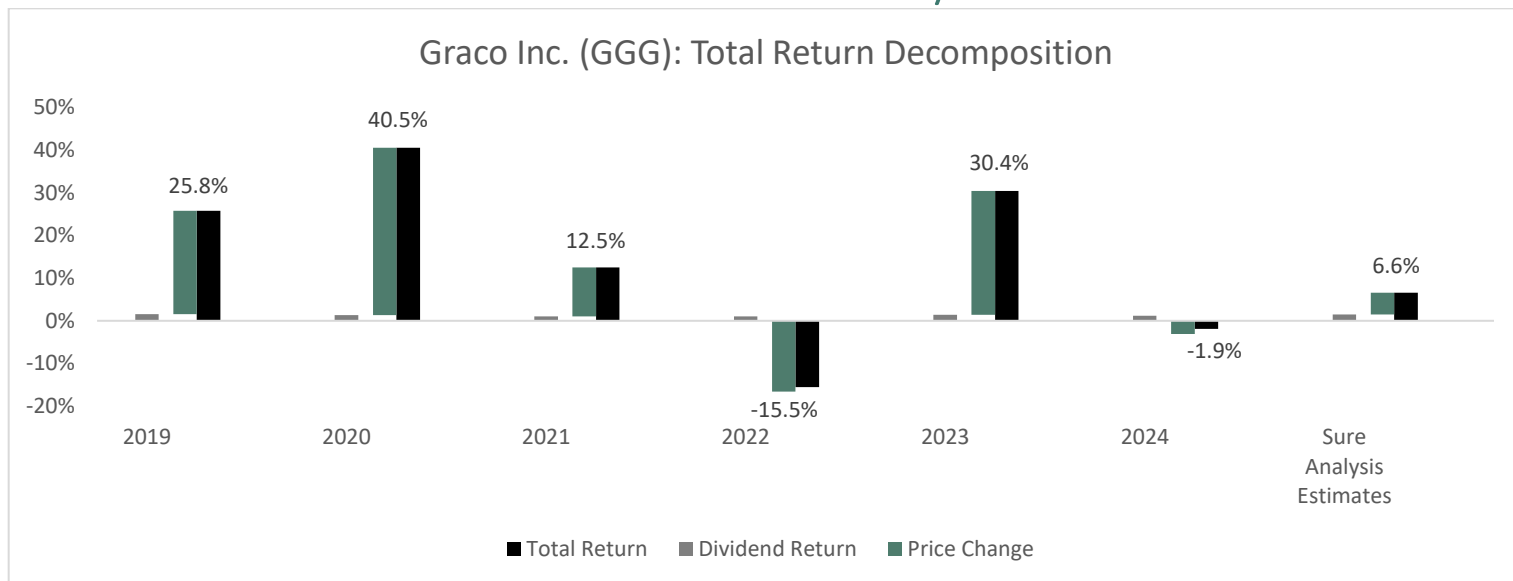
GGG's competitive advantage lies in its combination of best-in-class delivery and dedication to research and development. These factors allow the company to provide exceptional returns on investments to customers, which has led to solid cycle-to-cycle adjusted diluted EPS growth over the years.

From a financial perspective, GGG is also in an enviable position. The company's interest coverage ratio in Q1 2025 was 202. That means GGG can easily cover its interest expenses from earnings. GGG's finances are further boosted by a cash and cash equivalents balance of \$536.1 million as of March 28th, 2025. The company's payout to shareholders is also very sustainable, with the payout ratio poised to be in the high 30% range in 2025. That's why we believe that GGG can continue to hand out high-single-digit percentage annual dividend raises for the foreseeable future.

Final Thoughts & Recommendation

GGG's 1.3% dividend yield, 7.0% annual adjusted diluted EPS growth prospects, and 1.5% annual valuation multiple downside could produce 6.6% annual total returns through 2030. As a result, we're reiterating our hold rating.

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.



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	1,286	1,329	1,475	1,653	1,646	1,650	1,988	2,144	2,196	2,113
Gross Profit	685	711	795	883	860	855	1,034	1,057	1,161	1,122
Gross Margin	53.2%	53.5%	53.9%	53.4%	52.2%	51.8%	52.0%	49.3%	52.9%	53.1%
SG&A Exp.	324	338	357	383	368	356	423	405	432	465
D&A Exp.	45	48	46	48	49	55	59	66	74	87
Operating Profit	302	313	379	436	424	427	531	573	640	570
Operating Margin	23.5%	23.6%	25.7%	26.4%	25.8%	25.9%	26.7%	26.7%	29.1%	27.0%
Net Profit	346	41	252	341	344	330	440	461	507	486
Net Margin	26.9%	3.1%	17.1%	20.6%	20.9%	20.0%	22.1%	21.5%	23.1%	23.0%
Free Cash Flow	150	234	298	314	291	323	323	176	466	515
Income Tax	129	56	95	70	62	44	69	105	102	103

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	1,391	1,243	1,391	1,473	1,692	1,988	2,443	2,439	2,722	3,139
Cash & Equivalents	52	52	104	132	221	379	624	339	538	675
Accounts Receivable	226	218	266	275	267	315	325	346	354	363
Inventories	202	202	239	284	273	286	382	477	438	405
Goodwill & Int.	625	440	464	463	473	511	508	508	499	723
Total Liabilities	756	669	668	721	667	704	734	579	498	555
Accounts Payable	41	40	49	57	54	58	78	84	72	61
Long-Term Debt	409	315	233	277	172	172	193	96	30	0
Shareholder's Equity	636	574	723	752	1,025	1,284	1,709	1,860	2,224	2,584
LTD/E Ratio	0.64	0.55	0.32	0.37	0.17	0.13	0.11	0.06	0.01	0.00

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	23.5%	3.1%	19.2%	23.8%	21.7%	18.0%	19.9%	18.9%	19.6%	16.6%
Return on Equity	56.1%	6.7%	38.9%	46.2%	38.7%	28.6%	29.4%	25.8%	24.8%	20.2%
ROIC	30.6%	4.2%	27.4%	34.4%	30.9%	24.9%	26.2%	23.4%	24.1%	19.9%
Shares Out.	167	168	169	165	167	169	170	173	172	172
Revenue/Share	7.27	7.78	8.46	9.54	9.59	9.59	11.39	12.40	12.75	12.28
FCF/Share	0.85	1.37	1.71	1.81	1.69	1.88	1.85	1.02	2.71	2.99

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

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