



The Gorman-Rupp Company (GRC)

Updated May 21st, 2025, by Josh Arnold

Key Metrics

Current Price:	\$38	5 Year CAGR Estimate:	12.6%	Market Cap:	\$1 B
Fair Value Price:	\$48	5 Year Growth Estimate:	6.0%	Ex-Dividend Date:	08/14/25 ¹
% Fair Value:	79%	5 Year Valuation Multiple Estimate:	4.9%	Dividend Payment Date:	09/10/25
Dividend Yield:	1.9%	5 Year Price Target	\$65	Years Of Dividend Growth:	52
Dividend Risk Score:	A	Sector:	Industrials	Rating:	Hold

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 about \$680 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 first quarter earnings on April 24th, 2025, and results were decent. Earnings came to 46 cents per share, while revenue was up 2.9% year-over-year to \$164 million.

Sales were up \$1.8 million in the municipal market, and up \$3.2 million in the repair market. Sales were up \$2.5 million in the OEM market. These were partially offset by declines of \$2.7 million in construction, \$0.9 million in agriculture, and \$0.9 million in industrial markets.

Gross profit was \$50.3 million in Q1, resulting in gross margin of 30.7% of revenue. These were better than \$48.4 million and gross margin of 30.4% a year ago. The increase in gross margin was primarily driven by the realization of selling price increases, partially offset by increased labor and overhead costs. SG&A costs were \$25.1 million, or 15.3% of sales. These were comparable to \$24.9 million, and 15.6%, respectively, from a year ago.

Operating income was \$22.1 million, or 13.5% of revenue. These were compared to \$20.4 million and 12.8%, respectively, from a year earlier. The gain was again due to higher realized selling prices, partially offset by higher labor and overhead expenses.

We now see \$2.10 in adjusted earnings-per-share for this year, up from our prior estimate of \$2.

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	\$2.10	\$2.81
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
Shares²	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 6% 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 challenges. We've reduced our estimate of earnings growth noting the very high base for 2025.

¹ Estimated date

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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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 more sustainably.

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	18.1	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%	1.5%

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 18.1 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%	35%	34%

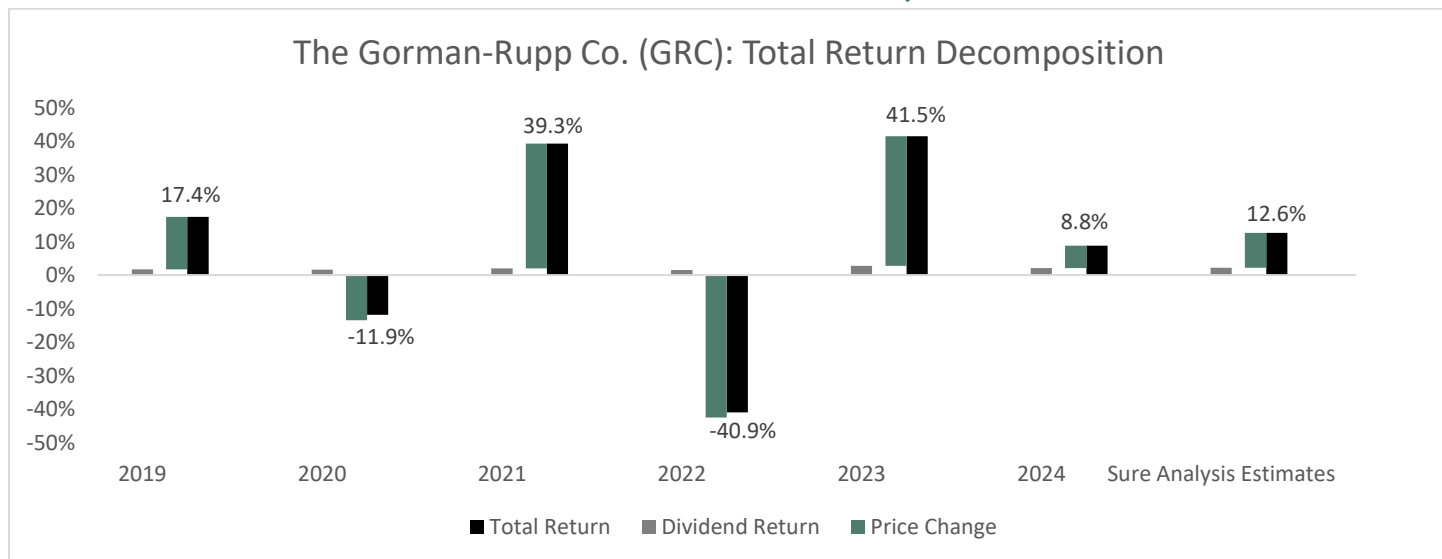
Gorman-Rupp's payout ratio is 35% of earnings for this year following the most recent increase in the dividend, but also higher earnings estimates. We see it declining in the years to come as earnings climb.

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 79% of our estimate of fair value following the Q1 report. The company's level of earnings growth could afford investors 12.6% annual returns in conjunction with the 1.9% yield, aided by a 4.9% potential valuation tailwind. We are moving the stock from buy to hold after Q1 results.

Total Return Breakdown by Year



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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.

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