W.W. Grainger Inc. (GWW)

Updated May 21st, 2025, by Nikolaos Sismanis

Key Metrics

Current Price:	$1,068	**5 Year CAGR Estimate:**	9.4%	**Market Cap:**	$51.3 B
Fair Value Price:	$1,008	**5 Year Growth Estimate:**	10.0%	**Ex-Dividend Date:**	05/12/25
% Fair Value:	106%	**5 Year Valuation Multiple Estimate:**	-1.1%	**Dividend Payment Date:**	06/01/25
Dividend Yield:	0.8%	**5 Year Price Target**	$1.623	**Years Of Dividend Growth:**	53
Dividend Risk Score:	A	**Sector:**	Industrials	**Rating**	Hold

Overview & Current Events

W.W. Grainger, headquartered in Lake Forest, IL, is one of the largest business-to-business distributors of maintenance, repair, and operations ("MRO") supplies in the world. The company was founded in 1927 and generated sales of $17.2 billion in 2024. Grainger trades with a market capitalization of more than $51 billion and is a member of the Dividend Aristocrats Index and the Dividend Kings Index.

On April 30th, 2025, W.W. Grainger raised its dividend by 10% to a quarterly rate of $2.26.

On May 1st, 2025, W.W. Grainger posted its Q1 results for the period ending March 31st, 2025. For the quarter, revenues were $4.31 billion, up 1.7% on a reported basis and up 4.4% on a daily, constant currency basis compared to last year. Results were supported by steady execution in a muted demand environment. The High-Touch Solutions segment saw sales decline slightly by 0.2% on a reported basis, but grew 1.9% on a daily, constant currency basis due to growth across all geographies. In the Endless Assortment segment, sales were up 10.3%. Revenue growth for the segment was driven by strong performance at both MonotaRO and Zoro.

Net income equaled $479 million, up 0.2% compared to Q1-2024. Net income was driven by a 30 basis point expansion in the gross margin to 39.7%, though the operating margin declined by 20 basis points to 15.6%. Favorable product mix and supplier funding benefit in High-Touch, along with margin improvement at Zoro, contributed to gross margin gains. Thus, earnings-per-share came in at $9.86, 2.5% higher year-over-year, and were aided by a lower share count.

For fiscal 2025, the company affirmed its guidance, expecting to post $17.6 billion to $18.1 billion in sales. Further, it sees GAAP EPS ranging between $39.00 and $41.50. However, we believe that this outlook is rather conservative. We expect EPS of $42.00 for the year.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$11.94	$11.58	$11.46	$16.70	$17.29	$16.18	$19.84	$30.06	$36.23	$38.71	***$42.00***	***$67.64***
DPS	$4.59	$4.83	$5.06	$5.36	$5.68	$5.94	$6.39	$6.78	$7.30	$8.01	***$9.04***	***$12.10***
Shares[1]	62.0	58.8	56.3	55.9	53.7	53.7	52.2	51.1	50.1	49.0	***48.2***	***45.0***

Grainger had grown its earnings-per-share at a CAGR of 14.0% between 2015 and 2024. This result was driven by ~5.7% annual revenue growth, an expanding profit margin, and a share count that has been reduced by an average of -2.6% per year. Results stalled in 2019 and 2020 as the company came off a significantly lower tax rate for 2018 and dealt with the COVID-19 pandemic in 2020. Still, results have held up reasonably well in lesser times and surged notably in 2023.

Grainger's strategic shift of lowering its pricing, thereby creating higher demand, and growing its revenues, seems to have worked well. Over the intermediate period, profit growth will be driven not only by rising revenue but also by a reduction in the company's share count. The company repurchased $1.25 billion worth of its stock during 2024.

[1] 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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Moreover, we are encouraged by recent performance, along with the company continuing its 53-year dividend growth streak and providing strong guidance. We are forecasting $42.00 in earnings-per-share this year to go along with a 10% medium-term growth rate. We also forecast dividends per share to grow on average by 6% through 2030.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	19	19.1	17.7	17.9	17	20.4	22	18.7	18	23.7	***25.4***	***24.0***
Avg. Yld.	2.0%	2.2%	2.5%	1.8%	1.9%	1.8%	1.5%	1.2%	1.1%	0.9%	***0.8%***	***0.7%***

Over the past decade, shares of Grainger have traded hands with an average P/E ratio of about 19 times earnings. We are using 24 times earnings as a fair value baseline, taking into consideration a higher expected growth rate and higher margins. With shares presently trading modestly above our fair multiple, we believe there is potential for a valuation headwind. The dividend yield is not especially compelling, but the dividend-per-share's propensity to grow over time is noteworthy.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	38%	42%	44%	32%	33%	37%	32%	23%	20%	21%	***22%***	***18%***

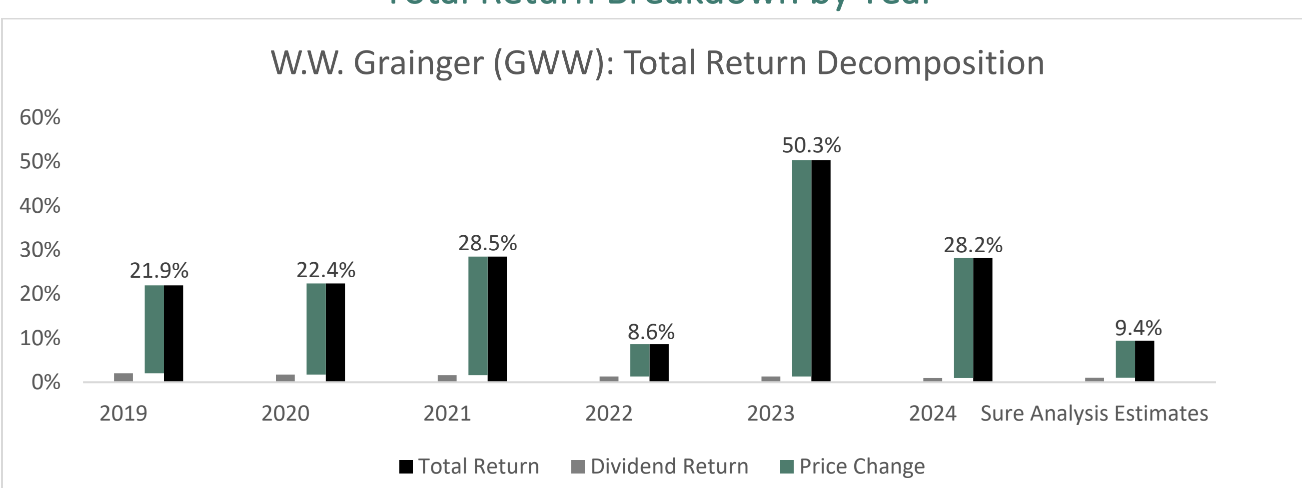
Grainger has an excellent dividend growth track record. Despite increasing its payout every year for over half a century, the company's dividend payout ratio has actually declined in recent years. The low dividend payout ratio and a very long dividend growth track record, coupled with a relatively stable recession performance, make us believe that Grainger's dividend is safe.

The services Grainger provides are essential for other businesses. This makes the business resilient to recessions and economic downturns. During the last recession Grainger posted earnings-per-share of $6.09, $5.25, and $6.81 during the 2008 through 2010 stretch. In 2020-2021, during the COVID-19 pandemic, results proved to be similarly durable.

Final Thoughts & Recommendation

Grainger is a good example of a company in an unspectacular industry that has achieved a strong earnings and dividend growth track record, nevertheless. Total return potential comes in at 9.4% per year, stemming from 10% growth and a 0.8% starting dividend yield, offset by the potential of a 1,1% annual valuation headwind. Therefore, while the stock may not be a suitable pick for income-oriented investors seeking a juicer yield, the resilience of the company, its low payout ratio, and its impressive dividend growth streak are noteworthy. Shares earn a hold rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	9,973	10137	10425	11221	11486	11,800	13,020	15,230	16,480	17,170
Gross Profit	4,231	4,115	4,098	4,348	4,397	4,238	4,720	5,849	6,496	6,758
Gross Margin	42.4%	40.6%	39.3%	38.7%	38.3%	35.9%	36.3%	38.4%	39.4%	39.4%
SG&A Expense	2,931	3,002	3,063	3,190	3,135	3,219	3,173	3,634	3,931	4,121
D&A Expense	228	249	264	257	229	182	185	217	214	237
Operating Profit	1,300	1,113	1,035	1,158	1,262	1,019	1,547	2,215	2,565	2,637
Operating Margin	13.0%	11.0%	9.9%	10.3%	11.0%	8.6%	11.9%	14.5%	15.6%	15.4%
Net Profit	769	606	586	782	849	695	1,043	1,547	1,829	1,909
Net Margin	7.7%	6.0%	5.6%	7.0%	7.4%	5.9%	8.0%	10.2%	11.1%	11.1%
Free Cash Flow	662	740	820	818	821	926	682	1,077	1,586	1,570
Income Taxes	466	386	313	258	314	192	371	533	597	595

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	5,858	5,694	5,804	5,873	6,005	6,295	6,592	7,588	8,147	8,829
Cash & Equivalents	290	274	327	538	360	585	241	325	660	1,036
Accounts Receivable	1,210	1,223	1,325	1,385	1,425	1,474	1,754	2,133	2,192	2,232
Inventories	1,414	1,406	1,429	1,541	1,655	1,733	1,870	2,253	2,266	2,306
Goodwill & Int. Ass.	1,230	1,113	1,113	884	733	619	622	603	604	598
Total Liabilities	3,505	3,789	3,976	3,780	3,945	4,202	4,432	4,853	4,706	5,126
Accounts Payable	583	650	731	678	719	779	816	1,047	954	952
Long-Term Debt	1,989	2,247	2,343	2,220	2,215	2,397	2,362	2,319	2,300	2,778
Shareholders' Equity	2,267	1,798	1,690	1,921	1,855	1,828	2,160	2,440	3,115	3,358
LTD/E Ratio	0.88	1.25	1.39	1.16	1.19	1.31	1.09	0.95	0.74	0.83

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	13.8%	10.5%	10.2%	13.4%	14.3%	11.3%	16.2%	21.8%	23.3%	22.5%
Return on Equity	28.1%	29.8%	33.6%	43.3%	45.0%	37.7%	52.3%	71.7%	59.2%	53.4%
ROIC	19.0%	14.3%	14.1%	18.4%	19.8%	15.9%	23.2%	32.3%	33.9%	31.2%
Shares Out.	62.0	58.8	56.3	55.9	53.7	53.7	52.2	51.1	50.1	49.0
Revenue/Share		166.62	179.74	196.6	209.22	219.68	249.46	298.00	328.9	350.37
FCF/Share		12.16	14.14	14.48	14.95	17.24	13.07	21.08	31.66	32.04

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