Graco Inc. (GGG)

Updated July 28th, 2025, by Kody Kester

Key Metrics

Current Price:	$85	**5 Year CAGR Estimate:**	6.9%	**Market Cap:**	$14.1B
Fair Value Price:	$80	**5 Year Growth Estimate:**	7.0%	**Ex-Dividend Date:**	10/20/25[1]
% Fair Value:	106%	**5 Year Valuation Multiple Estimate:**	-1.2%	**Dividend Payment Date:**	11/05/25[1]
Dividend Yield:	1.3%	**5 Year Price Target**	$112	**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 49.4% of the company's $1.1 billion in total net sales through the first half of 2025.
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 43.1% of GGG's total net sales in the first half of 2025.
3. Expansion Markets: This segment is focused on fueling inorganic growth in new and adjacent markets. That includes environmental, semiconductors, high-pressure valves, electric motors businesses, as well as select future ventures and acquisitions. The segment made up the remaining 7.5% of the company's total net sales through Q2 2025.

On July 23rd, GGG released its financial results for the second quarter ended June 27th, 2025. The company's net sales edged 3.4% higher year-over-year to $571.8 million in the quarter. This was due to significant sales growth in the Contractor segment (+7.2% to $289 million) and modest growth in the Industrial segment (+0.2% to $242.3 million) during the quarter. These gains offset a 2.8% decline in the Expansion Markets segment versus the year-ago period to $40.6 million for the quarter. GGG's diluted EPS fell by 2.6% year-over-year to $0.75 in the quarter. That missed the analyst consensus by $0.04. A 170-basis-point contraction in the non-GAAP net profit margin to 22.2% caused diluted EPS to decrease even as net sales grew.

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	***$2.95***	***$4.14***
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***
Shares[2]	165.4	167.5	169.3	165.2	167.3	168.6	170.3	167.7	168.0	169.4	***165.7***	***163.2***

[1] Estimate based on past dividend 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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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 think that adjusted diluted EPS can grow by 7% annually off an anticipated 2025 base of $2.95. This is because the company has room to grow via new product developments, global expansion, and bolt-on acquisitions. That includes the acquisition announced earlier this month of a global leader in automated dosing systems for powder and liquid applications, Color Service, for 63 million Euros. This deal is expected to close in Q3 2025.

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	***28.8***	***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 been valued 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 would argue that the fair value P/E ratio remains around 27. This is because GGG's growth prospects are holding steady. The current P/E ratio of 28.8 remains above our fair value estimate, which suggests shares are modestly overvalued 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%***

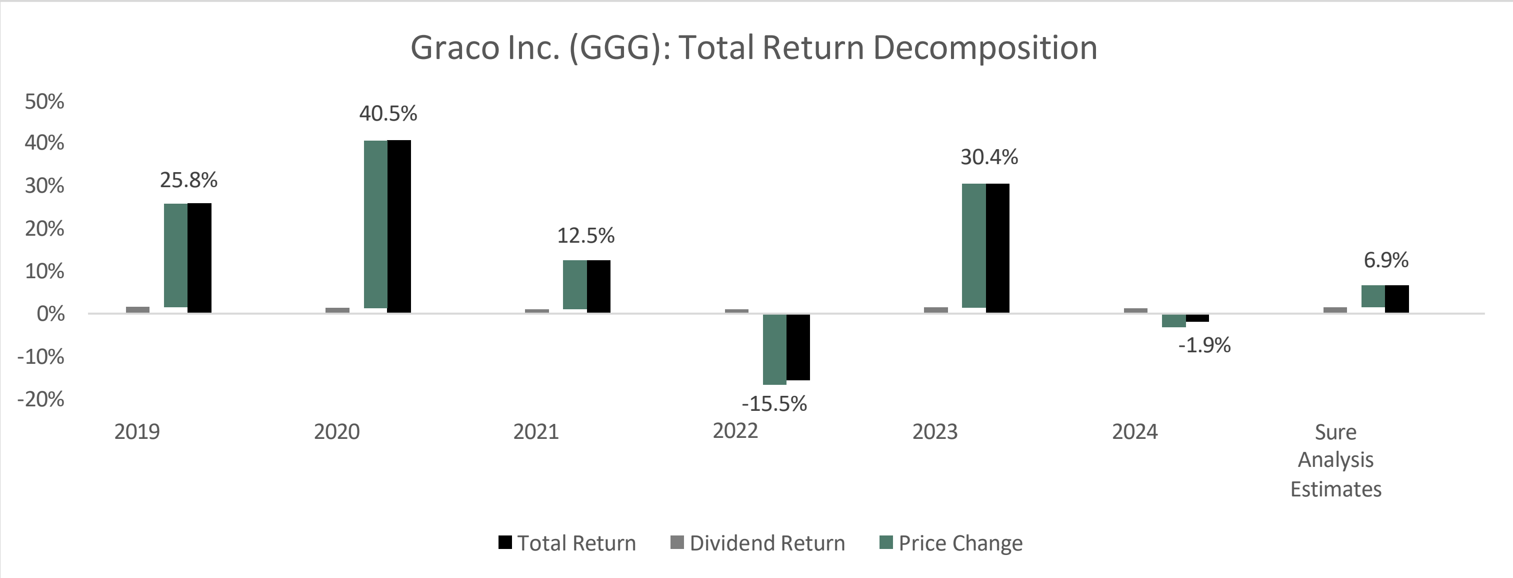
Graco's competitive advantage lies in its combination of best-in-class delivery and dedication to research and development. These factors allow the company to provide exceptional returns on investments to customers, which has led to solid cycle-to-cycle adjusted diluted EPS growth over the years.

From a financial perspective, GGG is also in an enviable position. The company's interest coverage ratio through the first half of 2025 was 220.4. 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 $534.9 million as of June 27th, 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 1.2% annual valuation multiple contraction could generate 6.9% annual total returns through 2030. This is why we're reiterating our 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	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	2224	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.