



A.O. Smith Corporation (AOS)

Updated August 14th, 2025 by Jonathan Weber

Key Metrics

| | | | | | |
|-----------------------------|------|--|-------------|----------------------------------|-----------------------|
| Current Price: | \$73 | 5 Year CAGR Estimate: | 7.5% | Market Cap: | \$10B |
| Fair Value Price: | \$72 | 5 Year Growth Estimate: | 6.0% | Ex-Dividend Date: | 09/29/25 ¹ |
| % Fair Value: | 101% | 5 Year Valuation Multiple Estimate: | -0.2% | Dividend Payment Date: | 10/16/25 ² |
| Dividend Yield: | 1.9% | 5 Year Price Target | \$97 | Years Of Dividend Growth: | 31 |
| Dividend Risk Score: | A | Sector: | Industrials | Rating: | Hold |

Overview & Current Events

A.O. Smith is a leading manufacturer of residential and commercial water heaters, boilers and water treatment products. A.O. Smith generates two-thirds of its sales in North America, and most of the rest in China, whereas the rest of the world is just a small market for A.O. Smith. A.O. Smith has raised its dividend for 31 years in a row, making the company a Dividend Aristocrat. A.O. Smith was founded in 1874 and is headquartered in Milwaukee, WI.

When A.O. Smith reported its second quarter earnings results, the company showed revenues of \$1.01 billion, which represents a decline of 1% compared to the prior year's quarter. A.O. Smith's revenues were down by 1% in North America, while the international business saw a revenue decline of 2% compared to the previous year's quarter, mainly due to China sales being down.

A.O. Smith generated earnings-per-share of \$1.07 during the second quarter, which was up 1% on a year over year basis. Headwinds from lower revenues were more than offset by tailwinds from higher margins and buybacks. A.O. Smith raised its guidance for 2025: The company is forecasting earnings-per-share in a range of \$3.70 to \$3.90, which reflects that management expects earnings-per-share to be up slightly this year. At the midpoint of the guidance range, A.O. Smith's earnings-per-share would be up 2% versus the earnings-per-share A.O. Smith generated last year. This performance would be better than in 2024, when earnings-per-share declined versus 2023.

Growth on a Per-Share Basis

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2030 |
|---------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------------|---------------|
| EPS | \$1.58 | \$1.85 | \$2.17 | \$2.61 | \$2.23 | \$2.12 | \$3.02 | \$3.14 | \$3.81 | \$3.73 | \$3.80 | \$5.09 |
| DPS | \$0.38 | \$0.48 | \$0.56 | \$0.76 | \$0.90 | \$0.98 | \$1.12 | \$1.20 | \$1.22 | \$1.30 | \$1.36 | \$1.91 |
| Shares³ | 176 | 173 | 172 | 171 | 164 | 163 | 160 | 153 | 149 | 147 | 145 | 130 |

A.O. Smith has grown its earnings-per-share at a strong pace for many years, including over the last decade. The company's profits grew relatively consistently during that time frame. The Great Recession did not have an overly large impact on A.O. Smith's profits, as the company easily remained profitable. A.O. Smith continued to increase its dividend throughout the Great Recession and the pandemic, proving solid resilience.

Thanks to a healthy housing market in the U.S., the company has enjoyed consistent growth in the domestic market throughout most of the last decade. For a long time, A.O. Smith's sales performance was even more impressive in China, where sales have grown at a double-digits pace during the last decade. China's huge population, its robust GDP growth, and the booming of its middle class were major tailwinds in this important market. In addition, thanks to the severe pollution of the country, the demand for air purifiers remains strong as well. More recently, a downturn in China's real estate market has weakened A.O. Smith's performance in that country, however. The same growth factors as in China are in place in India as well, which is why A.O. Smith sees India as an important future growth market. Between sales growth potential and buybacks, A.O. Smith should be able to grow its earnings-per-share at a solid pace going forward.

¹ Estimated date

² Estimated date

³ 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 | Now | 2030 |
|-----------|------|------|------|------|------|------|------|------|------|------|------|------|
| Avg. P/E | 21.6 | 23.0 | 25.4 | 16.5 | 21.5 | 25.9 | 28.5 | 18.2 | 21.5 | 18.2 | 19.2 | 19.0 |
| Avg. Yld. | 1.1% | 1.1% | 1.0% | 1.9% | 1.9% | 1.8% | 1.3% | 2.1% | 1.6% | 1.9% | 1.9% | 2.0% |

A.O. Smith was valued at more than 20 times earnings throughout much of the last decade, but we believe that a 19 times earnings multiple would represent a fair valuation for the company's shares. This is less than the company's long-term median earnings multiple, but since A.O. Smith's growth will not remain at the very high levels seen in the past, we think a somewhat lower fair value multiple is justified. Based on management's earnings-per-share guidance for this year, shares are trading at fair value right now.

Safety, Quality, Competitive Advantage, & Recession Resiliency

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2030 |
|--------|------|------|------|------|------|------|------|------|------|------|------|------|
| Payout | 24% | 26% | 26% | 29% | 40% | 46% | 37% | 38% | 32% | 35% | 36% | 38% |

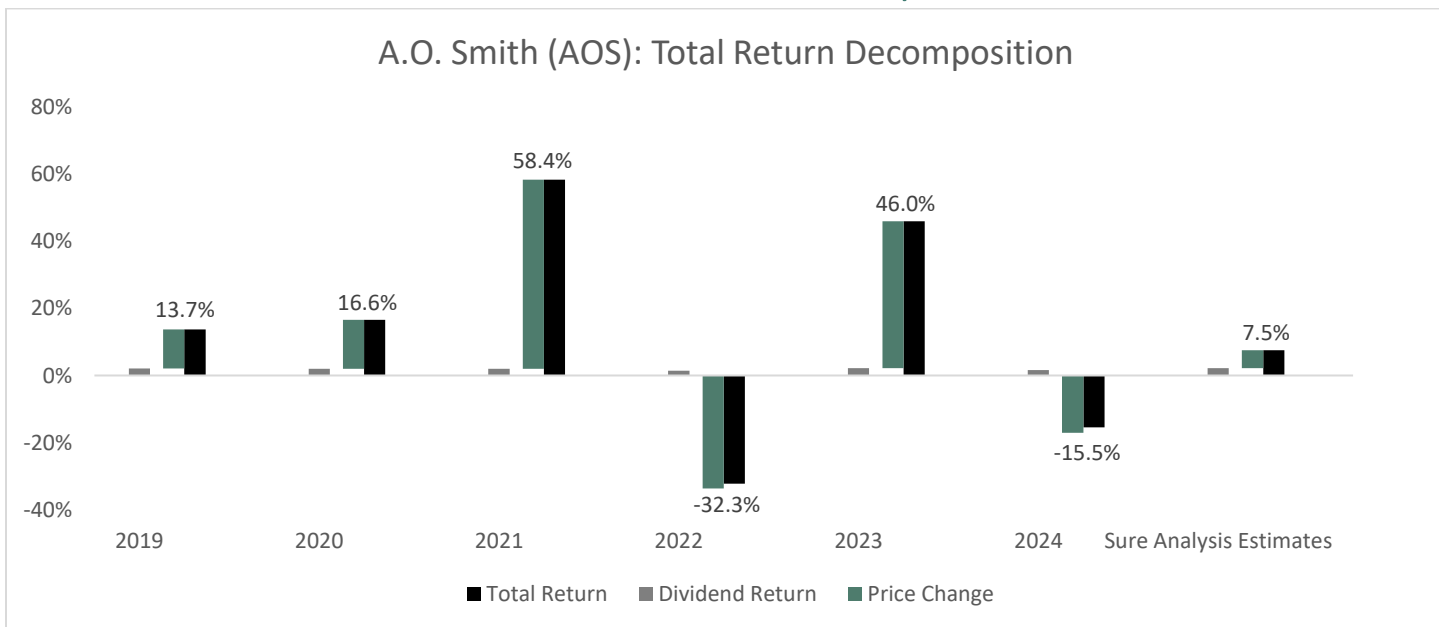
A.O. Smith has raised its dividend at an attractive pace over the last decade, although the relative growth rate has declined to some degree. The payout ratio grew over the last year but is still far from high. A.O. Smith will likely continue to raise the dividend at a solid pace, which will, we believe, result in further growth in the company's payout ratio. Despite the payout ratio increases, the dividend looks pretty safe, we believe.

A.O. Smith has exposure to the housing industry, which means that the company's underlying operations are impacted by troubles in the housing market. A.O. Smith not only sells to homebuilders, however, as replacement demand results in a solid revenue baseline even during downturns.

Final Thoughts & Recommendation

A.O. Smith has been a quality growth stock that provided excellent dividend growth and substantial share price gains in the past. Demand for A.O. Smith's products should remain healthy in the long run, which is why we forecast meaningful earnings-per-share growth in the coming years. Shares should provide solid total returns and trade at our fair value estimate, which is why we rate A.O. Smith a hold today.

Total Return Breakdown by Year



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Income Statement Metrics

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Revenue | 2,537 | 2,686 | 2,997 | 3,188 | 2,993 | 2,895 | 3,539 | 3,754 | 3,853 | 3,818 |
| Gross Profit | 1,010 | 1,114 | 1,232 | 1,306 | 1,181 | 1,108 | 1,311 | 1,330 | 1,485 | 1,456 |
| Gross Margin | 39.8% | 41.5% | 41.1% | 41.0% | 39.5% | 38.3% | 37.0% | 35.4% | 38.5% | 38.1% |
| SG&A Exp. | 611 | 663 | 723 | 754 | 716 | 660 | 701 | 671 | 727 | 739 |
| D&A Exp. | 63 | 65 | 70 | 72 | 78 | 80 | 78 | 77 | 78 | 79 |
| Operating Profit | 399 | 452 | 510 | 552 | 465 | 448 | 610 | 659 | 757 | 717 |
| Operating Margin | 15.7% | 16.8% | 17.0% | 17.3% | 15.5% | 15.5% | 17.2% | 17.5% | 19.7% | 18.8% |
| Net Profit | 283 | 327 | 297 | 444 | 370 | 345 | 487 | 236 | 557 | 534 |
| Net Margin | 11.2% | 12.2% | 9.9% | 13.9% | 12.4% | 11.9% | 13.8% | 6.3% | 14.4% | 14.0% |
| Free Cash Flow | 279 | 366 | 232 | 364 | 392 | 505 | 566 | 321 | 598 | 474 |
| Income Tax | 120 | 136 | 224 | 114 | 102 | 99 | 139 | (12) | 177 | 167 |

Balance Sheet Metrics

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|----------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Total Assets | 2,629 | 2,891 | 3,197 | 3,072 | 3,058 | 3,161 | 3,474 | 3,332 | 3,214 | 3,240 |
| Cash & Equivalents | 324 | 330 | 347 | 260 | 374 | 573 | 443 | 391 | 340 | 240 |
| Accounts Receivable | 501 | 519 | 593 | 647 | 590 | 585 | 634 | 581 | 596 | 541 |
| Inventories | 223 | 251 | 297 | 305 | 303 | 300 | 448 | 516 | 497 | 532 |
| Goodwill & Int. Ass. | 712 | 800 | 825 | 806 | 884 | 871 | 993 | 968 | 970 | 1,083 |
| Total Liabilities | 1,187 | 1,376 | 1,553 | 1,355 | 1,391 | 1,312 | 1,642 | 1,585 | 1,370 | 1,357 |
| Accounts Payable | 425 | 529 | 535 | 544 | 510 | 595 | 746 | 626 | 600 | 589 |
| Long-Term Debt | 249 | 324 | 410 | 221 | 284 | 113 | 197 | 345 | 127 | 193 |
| Shareholder's Equity | 1,442 | 1,515 | 1,645 | 1,717 | 1,667 | 1,848 | 1,832 | 1,748 | 1,844 | 1,884 |
| LTD/E Ratio | 0.17 | 0.21 | 0.25 | 0.13 | 0.17 | 0.06 | 0.11 | 0.20 | 0.07 | 0.10 |

Profitability & Per Share Metrics

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Return on Assets | 11.0% | 11.8% | 9.7% | 14.2% | 12.1% | 11.1% | 14.7% | 6.9% | 17.0% | 16.5% |
| Return on Equity | 20.0% | 22.1% | 18.8% | 26.4% | 21.9% | 19.6% | 26.5% | 13.2% | 31.0% | 28.6% |
| ROIC | 17.2% | 18.5% | 15.2% | 22.2% | 19.0% | 17.6% | 24.4% | 11.4% | 27.4% | 26.4% |
| Shares Out. | 176 | 173 | 172 | 171 | 164 | 163 | 160 | 153 | 149 | 147 |
| Revenue/Share | 14.17 | 15.19 | 17.16 | 18.51 | 17.95 | 17.81 | 21.94 | 24.10 | 25.51 | 25.96 |
| FCF/Share | 1.56 | 2.07 | 1.33 | 2.11 | 2.35 | 3.11 | 3.51 | 2.06 | 3.96 | 3.22 |

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

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