



Parker-Hannifin Corporation (PH)

Updated August 20th, 2025 by Aristofanis Papadatos

Key Metrics

Current Price:	\$744	5 Year CAGR Estimate:	1.7%	Market Cap:	\$94 B
Fair Value Price:	\$493	5 Year Growth Estimate:	9.0%	Ex-Dividend Date¹:	8/28/2025
% Fair Value:	151%	5 Year Valuation Multiple Estimate:	-7.9%	Dividend Payment Date:	9/13/2025
Dividend Yield:	1.0%	5 Year Price Target	\$759	Years Of Dividend Growth:	69
Dividend Risk Score:	A	Sector:	Industrials	Rating:	Hold

Overview & Current Events

Parker-Hannifin is a diversified industrial manufacturer specializing in motion and control technologies. The company was founded in 1917 and has grown to a market capitalization of \$94 billion with annual revenues of \$20 billion. Parker-Hannifin has paid a dividend for 72 years and has increased that dividend for a remarkable 69 consecutive years.

On October 29th, 2019, Parker-Hannifin acquired LORD, a leading manufacturer of advanced adhesives and coatings, for \$3.675 billion in cash. On September 16th, 2019, Parker-Hannifin acquired Exotic Metals Forming Company LLC for \$1.725 billion in cash.

On September 13th, 2022, Parker-Hannifin acquired Meggitt, a global leader in aerospace and defense motion and control technologies, for \$8.8 billion in a cash deal. Meggitt offers technology and products on every major aircraft platform and has annual revenues of \$2.3 billion. As the deal value was 23% of the market cap of Parker-Hannifin at the time of the acquisition, it is obviously a major deal for the growth prospects of the company.

In early August, Parker-Hannifin reported (8/7/25) results for the fourth quarter of 2025. Organic sales grew 2% over last year's quarter, as 9% growth in aerospace more than offset a decline in North American Business. Adjusted earnings-per-share grew 14%, from \$6.75 to \$7.69, thanks to strong sales and a wider profit margin in all segments. Parker-Hannifin exceeded the analysts' consensus by \$0.61. Notably, Parker-Hannifin has exceeded the analysts' EPS estimates for 40 consecutive quarters, an eye-opening streak. The company provided positive guidance for fiscal 2026. It expects 3% organic sales growth and adjusted earnings-per-share of \$28.40-\$29.40. We note that management tends to be conservative in its guidance. Given also the exceptional record of Parker-Hannifin in beating estimates, we expect earnings-per-share of \$29.20 this year, above the mid-point of the guidance. The stock has nearly doubled in the last two years thanks to impressive business performance.

Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
EPS	\$6.46	\$8.11	\$10.42	\$11.85	\$12.44	\$15.04	\$18.72	\$21.55	\$25.44	\$27.33	\$29.20	\$44.93
DPS	\$2.52	\$2.58	\$2.81	\$3.16	\$3.52	\$3.67	\$4.42	\$5.47	\$6.07	\$6.79	\$7.20	\$11.60
Shares²	134.0	133.1	132.4	128.5	130.0	131.6	130.2	130.2	130.6	129.0	129.0	129.0

Parker-Hannifin has more than quadrupled its earnings-per-share over the last nine years. The growth trajectory of the company slowed in 2020 due to the global recession caused by the coronavirus. However, Parker-Hannifin has returned to high growth mode in the last five years. Given also its aforementioned acquisition of Meggitt, its record backlog and its consistent business performance, we expect Parker Hannifin to grow its earnings-per-share at a 9.0% average annual rate over the next five years. Parker-Hannifin's growth will come in part from acquisitions. The \$4.3 billion CLARCOR transaction and the three aforementioned acquisitions are examples of this. Parker Hannifin integrates the new products in its system while it achieves significant synergies.

¹ Estimated date.

² 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	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Now	2031
Avg. P/E	16.6	16.3	17.3	14.2	10.2	17.3	15.7	14.2	18.3	23.0	25.5	16.9
Avg. Yld.	2.0%	2.4%	1.8%	1.9%	2.8%	1.4%	1.5%	1.8%	1.3%	1.1%	1.0%	1.5%

Parker-Hannifin has nearly doubled in the last two years and thus it is now trading at a 10-year high price-to-earnings ratio of 25.5, which is much higher than the 5-year average earnings multiple of 16.9 of the stock. If the stock trades at its average valuation level in five years, it will incur a -7.9% annualized drag in its returns.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	39.0%	31.8%	27.0%	26.7%	28.3%	24.4%	23.6%	25.4%	23.9%	24.8%	24.7%	25.8%

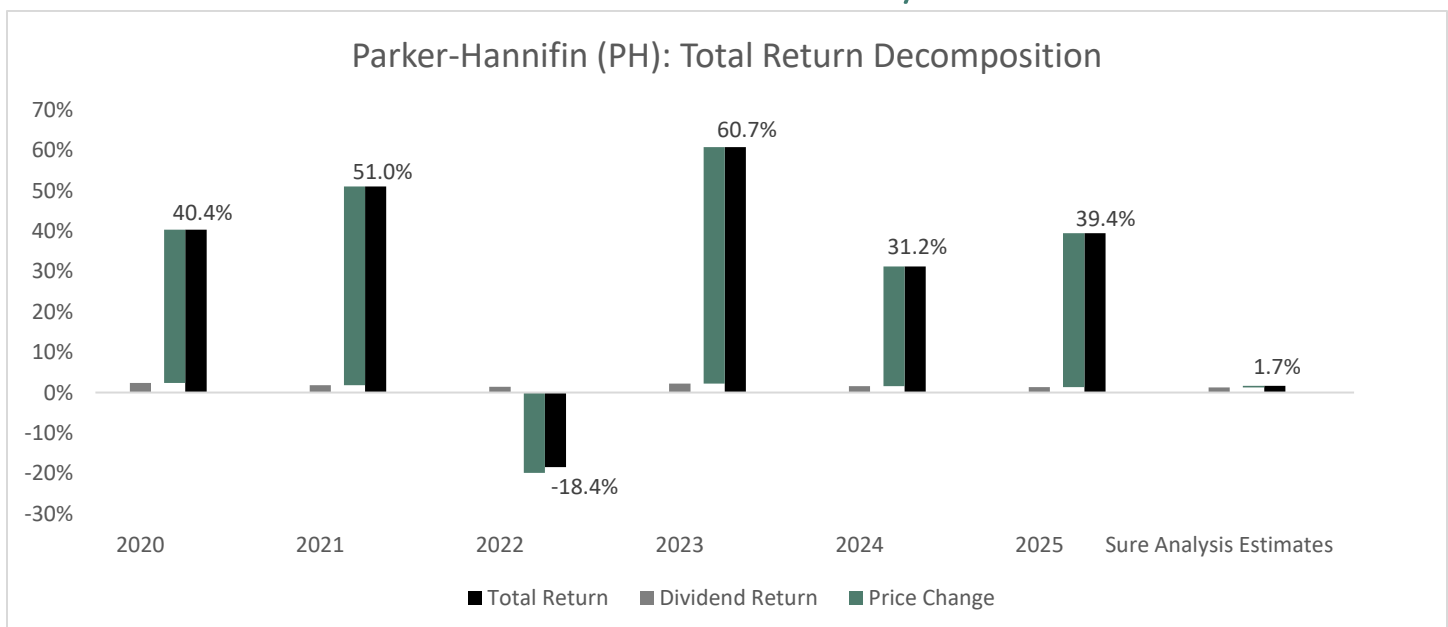
Parker-Hannifin has a number of competitive advantages, including its scale, global distribution network, and technical experience. Parker-Hannifin manufactures components that are relatively obscure yet critical to the operations of heavy machinery, factory equipment, aircrafts, and other large industrial devices. This is appealing because the company operates in a profitable niche that helps discourage large would-be competitors. The competitive advantage of Parker-Hannifin is clearly reflected in its dividend growth record, which is exceptional, particularly given the high cyclicality of the industrial sector. The company has raised its dividend for 69 consecutive years and hence it is a Dividend King.

Due to the acquisitions of Parker Hannifin in recent years, its interest expense has nearly tripled since 2017. However, its interest expense still consumes only 10% of its operating income. In addition, thanks to its strong free cash flows, Parker-Hannifin is likely to reduce its debt and its interest expense at a fast pace.

Final Thoughts & Recommendation

Parker-Hannifin has proved resilient to COVID-19 and high inflation and has exciting growth prospects ahead. However, the stock has nearly doubled in the last two years and hence it has become much less attractive. It could offer just a 1.7% average annual return over the next five years, as 9.0% earnings growth and its 1.0% dividend may be partly offset by a -7.9% valuation headwind. After having rated the stock as a “buy” for years, we now rate it as a “hold”.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenue	11,361	12,029	14,302	14,320	13,696	14,348	15,861	19,065	19,930	19,850
Gross Profit	2,537	2,910	3,565	3,631	3,403	3,898	4,474	6,429	7,128	7,315
Gross Margin	22.3%	24.2%	24.9%	25.4%	24.8%	27.2%	28.2%	33.7%	35.8%	36.9%
SG&A Exp.	1,359	1,413	1,640	1,544	1,657	1,527	1,627	3,354	3,242	-
D&A Exp.	307	355	466	436	538	595	572	818	927	907
Operating Profit	1,178	1,497	1,925	2,087	1,747	2,371	2,847	3,075	3,886	4,060
Op. Margin	10.4%	12.4%	13.5%	14.6%	12.8%	16.5%	17.9%	16.1%	19.5%	20.5%
Net Profit	807	983	1,061	1,525	1,202	1,746	1,316	2,083	2,844	3,532
Net Margin	7.1%	8.2%	7.4%	10.6%	8.8%	12.2%	8.3%	10.9%	14.3%	17.8%
Free Cash Flow	1,061	1,097	1,349	1,535	1,838	2,365	2,212	2,599	2,984	3,341
Income Tax	308	345	641	424	305	500	298	596	750	575

Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Assets	12,034	15,490	15,320	17,577	19,888	20,341	25,944	29,964	29,298	29,494
Cash & Equivalents	1,222	885	822	3,220	686	733	536	475	422	467
Accounts Receivable	1,594	1,931	2,146	2,131	1,854	2,184	2,342	2,827	2,866	2,910
Inventories	1,173	1,549	1,621	1,678	1,964	2,091	2,215	2,908	2,787	2,839
Goodwill & Int. Ass.	3,826	7,894	7,520	7,237	11,669	11,579	10,876	19,079	18,324	18,068
Total Liabilities	7,455	10,223	9,455	11,609	13,646	11,928	17,084	19,626	17,217	15,803
Accounts Payable	1,035	1,300	1,430	1,413	1,112	1,668	1,732	2,051	1,992	2,126
Long-Term Debt	3,014	5,870	4,957	7,108	8,462	6,585	11,480	12,559	10,560	9,285
Shareholder's Equity	4,575	5,262	5,860	5,962	6,227	8,398	8,848	10,327	12,072	-
LTD/E Ratio	0.66	1.12	0.85	1.19	1.36	0.78	1.30	1.22	0.87	0.68

Profitability & Per Share Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Return on Assets	6.6%	7.1%	6.9%	9.3%	6.4%	8.7%	5.7%	7.5%	9.6%	12.0%
Return on Equity	16.7%	20.0%	19.1%	25.8%	19.7%	23.9%	15.3%	21.7%	25.4%	27.4%
ROIC	10.3%	10.5%	9.7%	12.8%	8.7%	11.8%	7.4%	9.6%	12.5%	15.4%
Shares Out.	134.0	133.1	132.4	128.5	130.0	131.6	130.4	129.8	130.2	130.2
Revenue/Share	82.98	88.74	105.61	108.67	105.51	109.66	121.68	146.86	153.02	152.46
FCF/Share	7.75	8.09	9.96	11.65	14.16	18.08	16.97	20.02	22.91	25.66

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

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