CSW Industrials, Inc. (CSW)

Updated November 25th, 2025 by Josh Arnold

Key Metrics

Current Price:	$261	**5 Year CAGR Estimate:**	15.6%	**Market Cap:**	$4.4 B
Fair Value Price:	$362	**5 Year Growth Estimate:**	8.0%	**Ex-Dividend Date:**	01/31/26[1]
% Fair Value:	72%	**5 Year Valuation Multiple Estimate:**	6.8%	**Dividend Payment Date:**	02/15/26
Dividend Yield:	0.4%	**5 Year Price Target**	$532	**Years Of Dividend Growth:**	7
Dividend Risk Score:	A	**Sector:**	Industrials	**Rating:**	Buy

Overview & Current Events

CSW Industrials is a diversified industrial company that is headquartered in Dallas, Texas. It has three segments: Contractor Solutions, Engineered Building Solutions, and Specialized Reliability Solutions. The Contractor Solutions segment provides condensate pads, pans, pumps, switches, sealants, vents, electrical products, and many more related products. The Engineered Building Solutions segment offers fire and smoke protection devices, pre-engineered and custom-made architectural building components, and related services. The Specialized Reliability Solutions segment provides compounds, lubricants, sealants, filtration products, and more. CSW traces its roots back to 1969, employs about 2,600 people, and should generate over $1 billion in revenue this year.

CSW posted second quarter earnings on October 30th, 2025, and results were mixed. The company posted adjusted earnings-per-share of $2.96, which was 20 cents ahead of estimates. Revenue was up more than 58% year-over-year to $277 million, but missed estimates by $1.44 million. Total revenue was down 5.6% on an organic basis, which was mostly due to headwinds in residential HVAC markets. However, it was aided by a 27% growth rate from acquisitions completed in the past 12 months.

Gross profit was $119 million, up 15% year-over-year. Margin was down from 45.6% of revenue to 43%, which was primarily attributable to acquisition costs and inflation of some raw materials, including from tariffs.

Operating costs were 21.9% of revenue on an adjusted basis, down from 23% a year ago on revenue leverage. Operating income was $58.5 million on an adjusted basis, up from $51.5 million a year ago. As a percentage of revenue, operating income was 21.1%, down from 22.6% a year ago.

We now see $10.35 in adjusted earnings-per-share for this year with two quarters remaining, and would comfortably be a record, if achieved.

Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
EPS	$1.52	$1.17	$2.09	$2.96	$2.99	$2.65	$4.20	$6.20	$6.52	$8.41	***$10.35***	***$15.21***
DPS	---	---	---	$0.41	$0.54	$0.59	$0.66	$0.74	$0.85	$0.96	***$1.08***	***$1.90***
Shares[2]	15.7	15.8	15.8	15.0	14.7	15.7	15.7	15.5	15.5	16.8	***17***	***18***

CSW's earnings growth has been outstanding, if a bit uneven over time. From 2016 to 2025, annual earnings-per-share growth was more than 20% on average. We see something lower than that over the longer-term given the high base of earnings for 2026, but still project 8% growth going forward from fiscal 2026's very high (and record) base. We see M&A as a primary driver of this growth, but also note that margins could have some upside if freight rates decline. CSW's margins are generally quite volatile, so that's something for investors to monitor. Management is focusing on M&A rather than share repurchases or more meaningful dividend payments.

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[1] Estimated date
[2] In Millions

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Valuation Analysis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Now	2031
Avg. P/E	23.3	39.6	23.9	25.0	38.2	41.3	31.9	34.0	50.5	34.7	***25.2***	***35.0***
Avg. Yld.	0.0%	0.0%	0.0%	0.6%	0.5%	0.5%	0.5%	0.4%	0.3%	0.3%	***0.4%***	***0.4%***

Shares have been valued quite highly for the past several years. The 10-year average P/E ratio is about 34, but for the past five years, it's closer to 39. We've settled on 35 times earnings for now as fair value, meaning shares are quite undervalued for now.

The yield is just 0.4%, and we don't see a lot of movement on that going forward given the company's preferred capital allocation strategy of M&A.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	---	---	---	14%	18%	22%	16%	12%	13%	13%	***10%***	***13%***

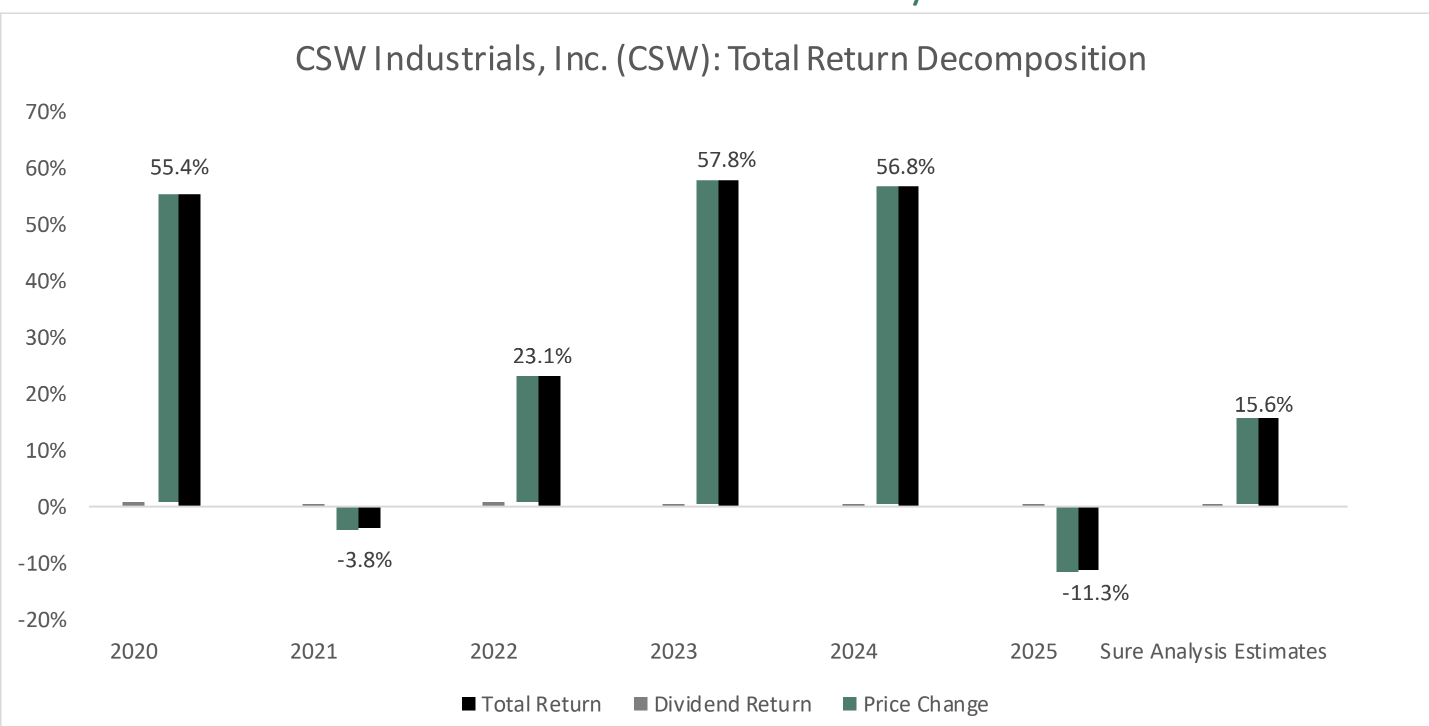
The payout ratio is very low today, and we don't see that changing anytime soon. The company has raised its dividend each year since it began paying it, and we expect that to continue indefinitely. We also see no risk of a dividend cut, even in a recession.

The company's balance sheet is quite clean with strong free cash flows, and a net cash position. We expect further M&A to dominate the company's cash allocation in the coming years.

Final Thoughts & Recommendation

Overall, we see CSW as an undervalued, high-growth industrial name that is buy-rated. Total returns could accrue from the fractional yield, 6.8% tailwind from the valuation, and the 8% projected earnings growth rate. CSW has had a tough 2025 thus far, but we think it should be considered a buying opportunity with outstanding 15.6% total returns forecast.

Total Return Breakdown by Year



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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Income Statement Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenue	267	287	326	350	386	419	626	758	793	878
Gross Profit	135	129	148	161	177	185	256	318	351	388
Gross Margin	50.5%	44.9%	45.3%	46.1%	45.8%	44.0%	40.9%	42.0%	44.2%	44.2%
SG&A Exp.	88	96	98	101	110	125	159	179	192	0
D&A Exp.	12	14	15	14	15	23	37	36	38	43
Operating Profit	46	33	50	60	67	59	97	139	159	185
Operating Margin	17.3%	11.6%	15.2%	17.3%	17.3%	14.1%	15.5%	18.3%	20.1%	21.1%
Net Profit	25	11	(12)	46	46	40	66	96	102	137
Net Margin	9.5%	3.9%	-3.6%	13.0%	11.8%	9.6%	10.6%	12.7%	12.8%	15.7%
Free Cash Flow	32	32	38	52	58	57	53	108	148	152
Income Tax	19	14	16	15	13	11	24	29	38	43

Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Assets	392	398	341	353	369	880	995	1,043	1,043	1,379
Cash & Equivalents	26	23	12	27	18	10	17	18	22	226
Accounts Receivable	53	59	62	65	73	93	121	121	138	151
Inventories	52	44	43	51	54	103	150	162	151	195
Goodwill & Intang.	156	140	135	137	138	502	525	562	566	622
Total Liabilities	134	126	75	89	93	464	511	499	408	287
Accounts Payable	10	10	17	19	22	32	48	41	48	55
Long-Term Debt	90	73	24	31	11	242	253	253	166	69
Shareholder's Equity	258	272	266	264	277	415	469	526	616	1,072
LTD/E Ratio	0.35	0.27	0.09	0.12	0.04	0.58	0.54	0.48	0.27	0.06

Profitability & Per Share Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Return on Assets	7.5%	2.8%	-3.2%	13.1%	12.7%	6.4%	7.1%	9.5%	9.7%	11.4%
Return on Equity	11.0%	4.2%	-4.4%	17.2%	16.9%	11.6%	14.8%	18.8%	17.2%	15.9%
ROIC	8.8%	3.2%	-3.7%	15.6%	15.7%	8.5%	9.5%	12.6%	12.7%	13.7%
Shares Out.	15.7	15.8	15.8	15	14.7	15.7	15.7	15.5	15.5	16.31
Revenue/Share	17.03	18.15	20.82	22.54	25.38	27.71	39.63	48.75	50.89	53.84
FCF/Share	2.06	2.03	2.40	3.36	3.84	3.80	3.38	6.92	9.48	9.32

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