# Graco Inc. (GGG)

*Updated January 26th, 2026, by Kody Kester*

## Key Metrics

| | | | | | |
|---|---|---|---|---|---|
| **Current Price:** | $89 | **5 Year CAGR Estimate:** | 7.4% | **Market Cap:** | $14.6B |
| **Fair Value Price:** | $85 | **5 Year Growth Estimate:** | 7.0% | **Ex-Dividend Date:** | 04/13/26[1] |
| **% Fair Value:** | 104% | **5 Year Valuation Multiple Estimate:** | -0.8% | **Dividend Payment Date:** | 05/06/26[1] |
| **Dividend Yield:** | 1.3% | **5 Year Price Target** | $119 | **Years Of Dividend Growth:** | 29 |
| **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 47.9% of the company's $2.24 billion in total net sales in 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 44.6% of GGG's total net sales in 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 in 2025.

On January 26th, GGG released its financial results for the fourth quarter ended December 26th, 2025. The company's net sales rose by 8.1% year-over-year to $593.2 million in the quarter. This was fueled by net sales growth for the Contractor and Industrial segments during the quarter, ranging from ~8% growth for the former to $265.5 million and ~11% growth for the latter to $284.3 million. These easily offset a ~6% decline in the Expansion Markets segment's net sales to $43.4 million for the quarter. GGG's adjusted diluted EPS climbed 20.3% higher to $0.77 in the quarter. That was $0.01 ahead of the analyst consensus during the quarter. A roughly 160 basis point expansion in the non-GAAP net profit margin to 21.7% and a 2.6% reduction in the weighted average diluted share count is how adjusted diluted EPS growth outpaced net sales growth for the quarter. Last month, GGG upped its quarterly dividend per share by 7.3% to $0.295.

## Growth on a Per-Share Basis

| Year | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2031 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| EPS | $1.18 | $1.43 | $1.88 | $1.90 | $1.95 | $2.44 | $2.63 | $3.04 | $2.77 | $2.95 | ***$3.15*** | ***$4.42*** |
| DPS | $0.44 | $0.48 | $0.53 | $0.64 | $0.71 | $0.77 | $0.84 | $0.94 | $1.02 | $1.10 | ***$1.18*** | ***$1.66*** |
| Shares[2] | 167.5 | 169.3 | 165.2 | 167.3 | 168.6 | 170.3 | 167.7 | 168.0 | 169.4 | 168.1 | ***165.1*** | ***162.0*** |

Over the years, GGG has generated almost 11% adjusted diluted EPS growth. During the past five years, the company has compounded adjusted diluted EPS by about 5% annually. Moving forward, we believe that adjusted diluted EPS growth will grow by 7% annually off an anticipated 2026 base of $3.15. This is because the company can keep growing via new product developments, global expansion, and bolt-on acquisitions.

[1] Estimate based on past dividend dates.

[2] Share count is in millions.

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## Valuation Analysis

| Year | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | Now | 2031 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Avg. P/E | 23.4 | 31.7 | 22.3 | 27.4 | 37.1 | 33.0 | 25.6 | 28.5 | 30.3 | 27.8 | ***28.1*** | ***27.0*** |
| Avg. Yld. | 1.6% | 1.1% | 1.3% | 1.2% | 1.0% | 1.0% | 1.2% | 1.1% | 1.2% | 1.3% | ***1.3%*** | ***1.4%*** |

Since 2016, GGG's shares have been valued at a P/E ratio as low as the low double-digits to as much as the upper 30s. Over that time, the average P/E ratio was approximately 29. In the years ahead, we would argue that the fair value P/E ratio remains around 27. The current P/E ratio of 28.1 remains above our fair value estimate, which implies shares are slightly overvalued right now.

## Safety, Quality, Competitive Advantage, & Recession Resiliency

| Year | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2031 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Payout | 37% | 34% | 28% | 34% | 36% | 32% | 32% | 31% | 37% | 37% | ***37%*** | ***37%*** |

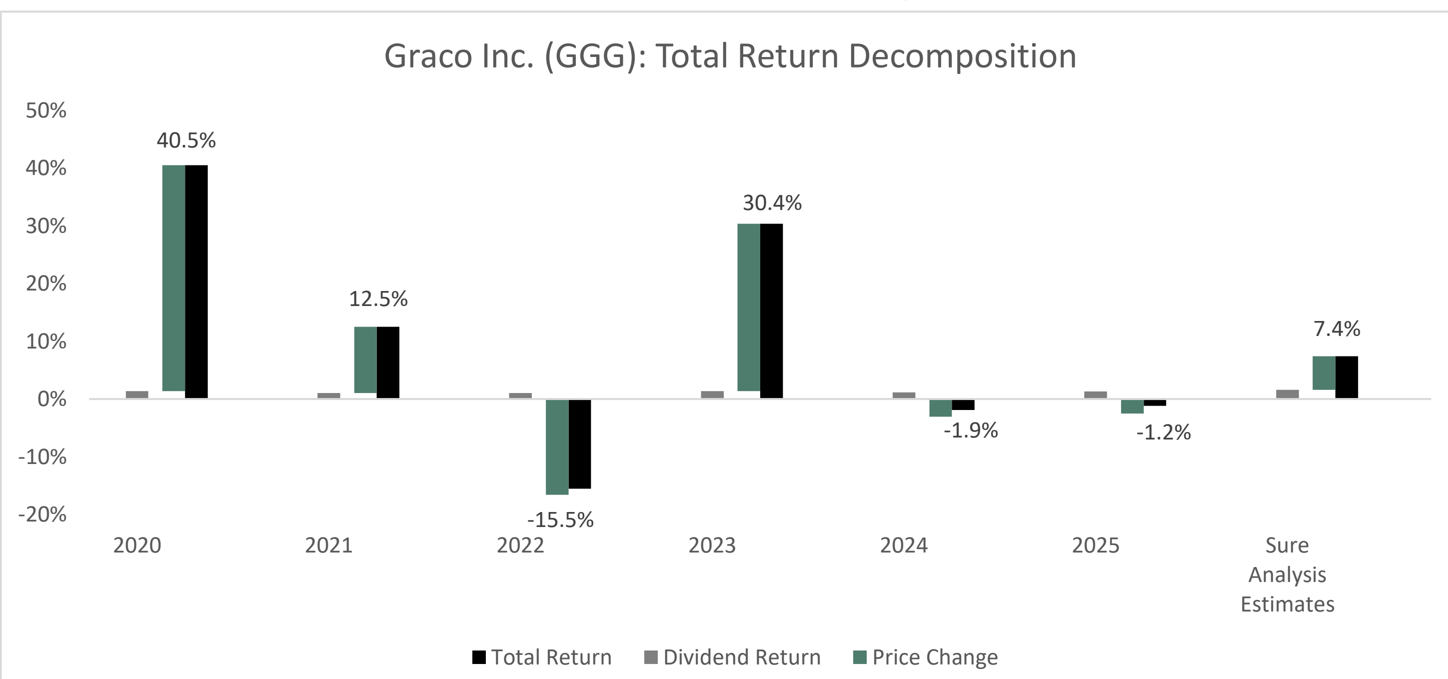
Graco's competitive advantage lies in its combination of best-in-class delivery and dedication to research and development. These factors allow the company to provide exceptional returns on investments to customers, which has led to solid cycle-to-cycle adjusted diluted EPS growth over the years.

From a financial perspective, GGG is also in an enviable position. The company's interest coverage ratio in 2025 was 216. 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 $624.1 million as of December 26th, 2025. The company's payout to shareholders is also very sustainable, with the payout ratio poised to be in the high 30% range in 2026. That's why we believe that GGG can continue to hand out high-single-digit percentage annual dividend raises for the foreseeable future, building on a 29-year dividend growth streak.

## Final Thoughts & Recommendation

GGG's 1.3% dividend yield, 7.0% annual adjusted diluted EPS growth prospects, and 0.8% annual valuation multiple contraction could generate 7.4% annual total returns through 2031. As a result, we're reiterating our Hold rating.

## 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 | 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.*