



# A.O. Smith Corporation (AOS)

Updated January 31<sup>st</sup>, 2026 by Jonathan Weber

## Key Metrics

<b>Current Price:</b>	\$73	<b>5 Year CAGR Estimate:</b>	8.7%	<b>Market Cap:</b>	\$10B
<b>Fair Value Price:</b>	\$76	<b>5 Year Growth Estimate:</b>	6.0%	<b>Ex-Dividend Date:</b>	04/20/26 <sup>1</sup>
<b>% Fair Value:</b>	96%	<b>5 Year Valuation Multiple Estimate:</b>	0.8%	<b>Dividend Payment Date:</b>	05/17/26 <sup>2</sup>
<b>Dividend Yield:</b>	2.0%	<b>5 Year Price Target</b>	\$102	<b>Years Of Dividend Growth:</b>	32
<b>Dividend Risk Score:</b>	A	<b>Sector:</b>	Industrials	<b>Rating:</b>	Buy

## 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 fourth quarter earnings results on January 29, the company showed revenues of \$913 million, which was unchanged compared to the prior year's quarter. A.O. Smith's revenues were up by a solid 3% in North America, while the international business saw a revenue decline of 13% compared to the previous year's quarter, mainly due to China sales being down.

A.O. Smith generated earnings-per-share of \$0.90 during the fourth quarter, which was up 6% on a year over year basis. Flat revenues were turned into very solid earnings growth thanks to higher margins and buybacks. A.O. Smith also issued its guidance for 2026: The company is forecasting earnings-per-share in a range of \$3.85 to \$4.15, 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 4% versus the earnings-per-share A.O. Smith generated last year. This performance would be slightly better than in 2025, when earnings-per-share grew by 3%.

## Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
<b>EPS</b>	\$1.85	\$2.17	\$2.61	\$2.23	\$2.12	\$3.02	\$3.14	\$3.81	\$3.73	\$3.85	<b>\$4.00</b>	<b>\$5.35</b>
<b>DPS</b>	\$0.48	\$0.56	\$0.76	\$0.90	\$0.98	\$1.12	\$1.20	\$1.22	\$1.30	\$1.38	<b>\$1.44</b>	<b>\$2.02</b>
<b>Shares<sup>3</sup></b>	173	172	171	164	163	160	153	149	147	142	<b>140</b>	<b>130</b>

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 air pollution in the country, demand for air purifiers remains strong as well. More recently, uncertainties in China's real estate market have 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, we believe.

<sup>1</sup> Estimated date

<sup>2</sup> Estimated date

<sup>3</sup> In Millions

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## Valuation Analysis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Now	2031
Avg. P/E	23.0	25.4	16.5	21.5	25.9	28.5	18.2	21.5	18.2	17.4	<b>18.3</b>	<b>19.0</b>
Avg. Yld.	1.1%	1.0%	1.9%	1.9%	1.8%	1.3%	2.1%	1.6%	1.9%	2.1%	<b>2.0%</b>	<b>2.0%</b>

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 slightly below fair value right now.

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

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	26%	26%	29%	40%	46%	37%	38%	32%	35%	36%	<b>36%</b>	<b>38%</b>

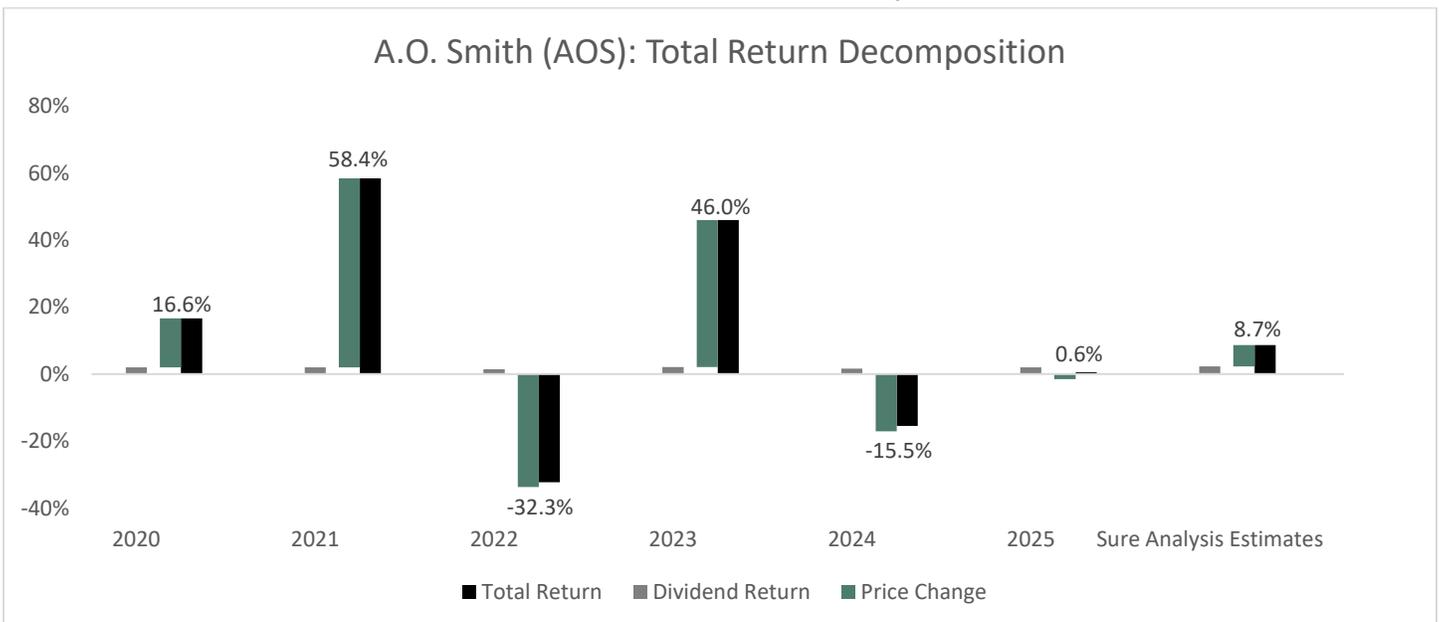
A.O. Smith has raised its dividend at an attractive pace over the last decade, although the relative growth rate has declined to some degree. The payout ratio grew over the last year but is still far from high. A.O. Smith will likely continue to raise the dividend at a solid pace, which will, we believe, result in further growth in the company's payout ratio. Despite the payout ratio increases over the last decade, 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 compelling total returns and trade below our fair value estimate, which is why we rate A.O. Smith a buy today.

## Total Return Breakdown by Year



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## Income Statement Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>Revenue</b>	2,686	2,997	3,188	2,993	2,895	3,539	3,754	3,853	3,818	3,830
<b>Gross Profit</b>	1,119	1,238	1,305	1,182	1,107	1,312	1,326	1,476	1,454	1,487
<b>Gross Margin</b>	41.7%	41.3%	40.9%	39.5%	38.2%	37.1%	35.3%	38.3%	38.1%	38.8%
<b>SG&amp;A Exp.</b>	659	718	754	716	660	701	671	727	739	759
<b>D&amp;A Exp.</b>	65	70	72	78	80	78	77	78	79	85
<b>Operating Profit</b>	461	520	551	467	446	610	655	748	715	728
<b>Operating Margin</b>	17.2%	17.3%	17.3%	15.6%	15.4%	17.2%	17.4%	19.4%	18.7%	19.0%
<b>Net Profit</b>	327	297	444	370	345	487	236	557	534	546
<b>Net Margin</b>	12.2%	9.9%	13.9%	12.4%	11.9%	13.8%	6.3%	14.4%	14.0%	14.3%
<b>Free Cash Flow</b>	366	232	364	392	505	566	321	598	474	546
<b>Income Tax</b>	136	224	114	102	99	139	(12)	177	167	169

## Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>Total Assets</b>	2,891	3,197	3,072	3,058	3,161	3,474	3,332	3,214	3,240	3,143
<b>Cash &amp; Equivalents</b>	755	820	645	551	690	631	482	363	276	193
<b>Accounts Receivable</b>	519	598	647	590	585	634	581	596	541	
<b>Inventories</b>	251	291	305	303	300	448	516	497	532	479
<b>Goodwill &amp; Int. Ass.</b>	800	825	806	884	871	993	968	970	1,083	1,073
<b>Total Liabilities</b>	1,376	1,549	1,355	1,391	1,312	1,642	1,585	1,370	1,357	1,285
<b>Accounts Payable</b>	529	535	544	510	595	746	626	600	589	504
<b>Long-Term Debt</b>	324	410	221	323	148	219	367	155	217	192
<b>Shareholder's Equity</b>	1,515	1,649	1,717	1,667	1,848	1,832	1,748	1,844	1,883	
<b>LTD/E Ratio</b>	0.21	0.25	0.13	0.20	0.09	0.13	0.22	0.09	0.12	0.10

## Profitability & Per Share Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>Return on Assets</b>	11.8%	9.7%	14.2%	12.1%	11.1%	14.7%	6.9%	17.0%	16.5%	17.1%
<b>Return on Equity</b>	22.1%	18.7%	26.4%	21.9%	19.6%	26.5%	13.2%	31.0%	28.6%	29.2%
<b>ROIC</b>	18.5%	15.2%	22.2%	18.8%	17.2%	23.9%	11.3%	26.9%	25.9%	26.2%
<b>Shares Out.</b>	173	172	171	164	163	160	153	149	147	142
<b>Revenue/Share</b>	15.19	17.16	18.51	17.95	17.81	21.94	24.10	25.51	25.96	26.99
<b>FCF/Share</b>	2.07	1.33	2.11	2.35	3.11	3.51	2.06	3.96	3.22	3.85

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

### Disclaimer

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