



Advanced Drainage Systems, Inc. (WMS)

Updated February 7th, 2026, by Kody Kester

Key Metrics

Current Price:	\$174	5 Year CAGR Estimate:	9.3%	Market Cap:	\$13.6B
Fair Value Price:	\$152	5 Year Growth Estimate:	12.0%	Ex-Dividend Date:	03/02/26
% Fair Value:	115%	5 Year Valuation Multiple Estimate:	-2.8%	Dividend Payment Date:	03/16/26
Dividend Yield:	0.4%	5 Year Price Target	\$267	Years Of Dividend Growth:	5
Dividend Risk Score:	A	Sector:	Industrials	Rating:	Hold

Overview & Current Events

Since its founding in 1966, Advanced Drainage Systems, Inc. (hereafter referred to as ADS or WMS) has grown into a leading manufacturer of innovative stormwater and onsite septic wastewater solutions. The company's products include single, double, and triple-wall corrugated polypropylene and polyethylene pipes, septic tanks and accessories, water-quality filters and separators, PVC hubs, and stainless-steel bands. These products are sold to residential, infrastructure and agriculture, and non-residential customers.

The Pipe segment comprised the majority (50.3%) of ADS' \$2.37 billion in total net sales through the first nine months of its FY 2026, which ended December 31st, 2025. The Allied Products & Other segment (additional water management products like storm retention/detention and septic chambers) has contributed another 23.7% to the company's net sales to this point. The Infiltrator segment (e.g., septic tanks and accessories) contributed 23.6% of ADS's YTD net sales. Finally, the International segment chipped in the remaining 6.7% of YTD net sales (percentages don't add up to 100% because of \$102.4 million in intersegment eliminations so far in FY 2026).

ADS routinely executes acquisitions as part of its growth strategy. In September, ADS announced the acquisition of National Diversified Sales for \$1 billion (\$875 million, adjusting for the present value of expected tax benefits). National Diversified Sales is the water management business of Norma Group SE. ADS believes that this combination will bring together complementary water management solutions to expand its offering in new segments. As an update, the acquisition just closed earlier this month.

On February 5th, ADS released its fiscal third-quarter earnings report for the period ended December 31st, 2025. The company's net sales edged 0.4% higher year-over-year to \$693.4 million during the quarter. Growth in Domestic allied products and other sales and Infiltrator sales (+9.4% to \$164.7 million and +1.9% to \$152.9 million) more than offset a slight decline in Domestic pipe sales (-3.8% to \$326.7 million) in the quarter. ADS' adjusted diluted EPS climbed 16.5% higher over the year-ago period to \$1.27 for the quarter. That topped the analyst consensus during the quarter by \$0.16. On the same day, ADS also declared a \$0.18 quarterly dividend per share payable on March 16th to shareholders of record at the close of business on March 2nd.

Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
EPS	\$0.48	\$0.58	\$0.87	\$1.22	\$0.82	\$3.08	\$4.29	\$6.08	\$6.39	\$5.89	\$6.07	\$10.70
DPS	\$0.20	\$0.24	\$0.28	\$0.32	\$0.36	\$0.36	\$0.44	\$0.48	\$0.56	\$0.64	\$0.72	\$1.27
Shares¹	55.2	55.6	56.3	57.6	63.8	71.6	72.9	83.3	79.0	78.1	77.8	85.1

Since its IPO in 2014, ADS has substantially compounded its earnings base. In our view, we still believe the days of 20%+ annual diluted EPS growth are behind the company. We believe that 12% annual adjusted diluted EPS growth through FY 2031, off an anticipated FY 2026 adjusted diluted EPS base of \$6.07, is realistic. This is because ADS operates in a \$15 billion total addressable market in the U.S. and has room for bolt-on acquisitions in the future.

¹Share count is in millions.



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Valuation Analysis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Avg. P/E	52.3	37.8	29.9	21.2	31.2	34.9	27.9	13.7	27.0	18.5	28.7	25.0
Avg. Yld.	0.9%	1.1%	1.1%	0.8%	1.4%	0.3%	0.4%	0.6%	0.3%	0.6%	0.4%	0.5%

ADS' P/E ratio has significantly fluctuated over the years, varying from as low as the low teens to as much as the low 50s. Over the past five years, the company's P/E ratio has averaged just above 24. We still think that ADS's shift to high-margin categories in recent years makes up for the reduced growth prospects due to the law of large numbers. That's why we believe the fair value for ADS is a P/E ratio of 25. Following a 20%+ rally in recent months, the stock is currently trading at a P/E ratio of 28.7.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	42%	41%	32%	26%	44%	12%	10%	8%	9%	11%	12%	12%

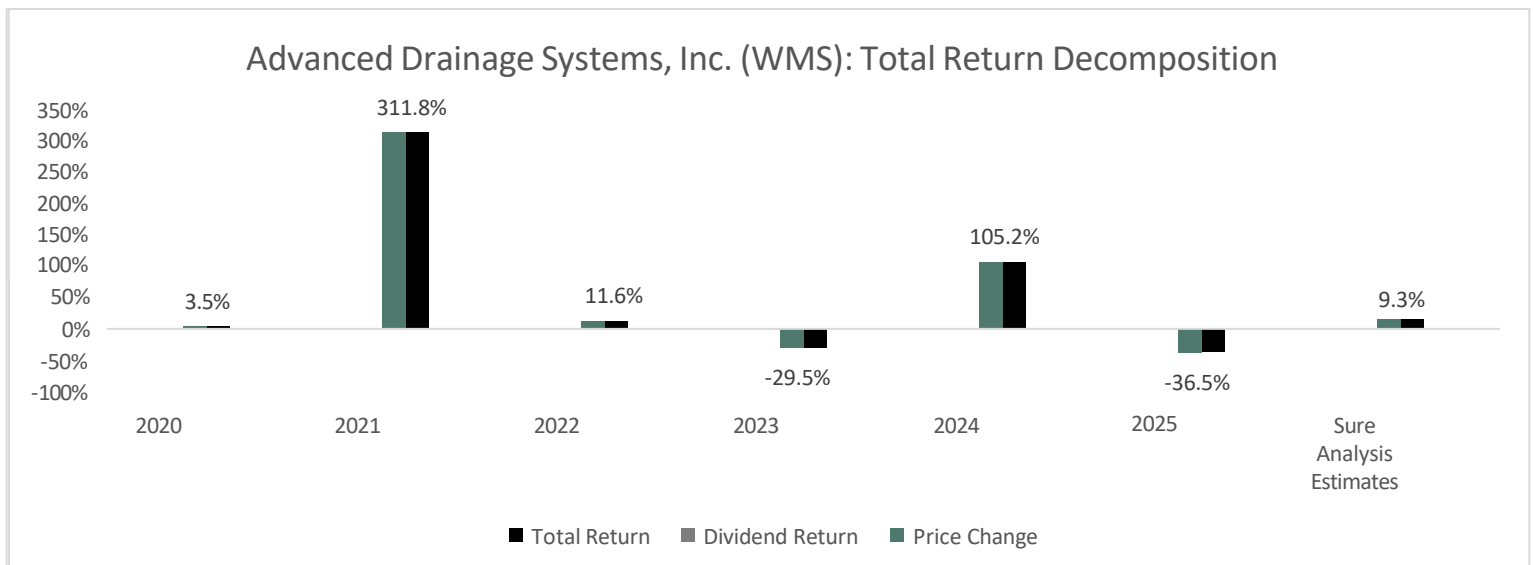
ADS's major advantage in the marketplace boils down to the complementary nature of its product offerings. Its Allied Products are complementary to its Pipe products. Allied Products offers adjacent technologies to its core Pipe offering. This provides customers with a complete drainage solution. That has led to very steady earnings growth for ADS over the years.

As of December 31st, 2025, ADS's financial health was also solid. The company had \$1.6 billion in liquidity on its balance sheet. Its leverage ratio stood at just 0.5x as well. ADS' dividend is also well-covered, with the payout ratio expected to be in the low-double-digits for FY 2026. That should give it plenty of flexibility to build on its five-year dividend growth streak.

Final Thoughts & Recommendation

ADS' 0.4% dividend yield, 12.0% annual EPS growth prospects, and 2.8% annual valuation multiple downside potential could generate 9.3% annual total returns through FY 2031. This makes the stock much less compelling than it was a few months ago, so we're downgrading shares to a Hold rating.

Total Return Breakdown by Year





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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	1,180	1,291	1,257	1,330	1,385	1,674	1,983	2,769	3,071	2,874
Gross Profit	205	285	296	302	327	316	690	800	1,118	1,146
Gross Margin	17.4%	22.1%	23.5%	22.7%	23.6%	18.9%	34.8%	28.9%	36.4%	39.9%
SG&A Exp.	156	181	202	191	186	349	268	321	340	371
D&A Exp.	65	71	72	75	72	125	146	142	145	155
Operating Profit	39	95	85	103	133	(90)	349	415	724	724
Operating Margin	3.3%	7.4%	6.7%	7.8%	9.6%	-5.4%	17.6%	15.0%	23.6%	25.2%
Net Profit	(8)	25	33	62	78	(193)	224	271	507	510
Net Margin	-0.7%	1.9%	2.6%	4.7%	5.6%	-11.5%	11.3%	9.8%	16.5%	17.7%
Free Cash Flow	42	90	53	95	108	239	373	126	541	534
Income Tax	6	23	25	11	30	14	86	110	151	159

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	1,035	1,037	1,046	1,043	1,042	2,370	2,414	2,650	2,901	3,269
Cash & Equivalents	4	7	6	18	9	174	195	20	217	490
Accounts Receivable	142	159	161	159	171	196	234	340	305	319
Inventories	261	230	258	264	265	282	301	494	464	464
Goodwill & Int.	164	168	160	158	153	1,164	1,081	1,042	1,028	970
Total Liabilities	727	730	704	618	542	1,585	1,350	1,545	1,906	1,988
Accounts Payable	112	120	122	106	94	107	171	225	210	254
Long-Term Debt	400	348	349	298	235	1,097	789	928	1,284	1,271
Shareholder's Equity	(29)	(18)	24	117	204	503	809	893	977	1,262
LTD/E Ratio	1.37	1.19	1.07	0.73	0.48	1.42	0.75	0.85	1.31	1.01

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	-0.8%	2.4%	3.2%	5.9%	7.5%	-11.3%	9.4%	10.7%	18.3%	16.5%
Return on Equity	-2.9%	8.1%	10.1%	16.2%	16.8%	-30.1%	24.3%	25.0%	48.3%	44.8%
ROIC	-1.1%	3.7%	4.9%	8.8%	10.7%	-14.8%	12.0%	14.0%	23.5%	21.1%
Shares Out.	51.3	55.2	55.6	56.3	57.6	63.8	71.6	72.9	83.3	79.0
Revenue/Share	22.98	23.39	22.60	23.62	24.04	26.23	27.71	37.98	36.85	36.38
FCF/Share	0.82	1.64	0.95	1.69	1.88	3.74	5.22	1.73	6.49	6.76

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

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