Donaldson Company (DCI)

Updated March 17th, 2026, by Josh Arnold

Key Metrics

Current Price:	$85	**5 Year CAGR Estimate:**	10.0%	**Market Cap:**	$9.9 B
Fair Value Price:	$84	**5 Year Growth Estimate:**	9.0%	**Ex-Dividend Date:**	05/12/26[1]
% Fair Value:	101%	**5 Year Valuation Multiple Estimate:**	-0.2%	**Dividend Payment Date:**	05/27/26
Dividend Yield:	1.4%	**5 Year Price Target**	$129	**Years Of Dividend Growth:**	30
Dividend Risk Score:	A	**Sector:**	Industrials	**Rating:**	Hold

Overview & Current Events

Donaldson has been creating filtration solutions for a wide array of applications since 1915. Its sales consist of filters in various engine and industrial applications as core categories, but continuous innovation and acquisitions have expanded the portfolio. The company is expected to produce about $3.8 billion in revenue this year and trades with a current market capitalization of $9.9 billion.

Donaldson posted second quarter earnings on February 26th, 2026, and results were weaker than expected on both the top and bottom lines. Adjusted earnings-per-share came to 83 cents, which was six cents less than estimated. Revenue was up 3% year-over-year to $896 million, missing estimates by $2.6 million. The stock plummeted 17% as an initial reaction to the particularly poor report.

The company sales growth was supported by pricing and favorable forex translation, and partially offset by lower volumes. Mobile Solutions saw revenue rise 1.6%. Off-Road revenue was up 7.8%, On-Road sales fell 9.2% on lower global truck production, and Aftermarket sales were up 1.1%. Industrial Solutions sales were up 2.4%.

Gross margin fell to 33.5% of revenue, off 170 basis points year-over-year. Adjusted operating margin was 14% of revenue, also fractionally lower.

During the quarter, Donaldson said it was acquiring Facet, a fuel and filtration manufacturer, for $820 million in cash. It expects the acquisition to close in the second half of this year.

We see earnings at $4 per share for this year, a nickel lower than prior on weak Q2 earnings.

Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
EPS	$1.42	$1.69	$2.00	$2.05	$2.03	$2.32	$2.68	$3.04	$3.42	$3.68	***$4.00***	***$6.15***
DPS	$0.69	$0.70	$0.76	$0.82	$0.84	$0.86	$0.89	$0.96	$1.04	$1.14	***$1.20***	***$1.68***
Shares[2]	133	131	130	130	128	126	123	121	123	116	***114***	***108***

Donaldson's earnings growth has been inconsistent in the past decade as it is very much beholden to economic conditions around the world. Its customer base is diverse and deep, but growth seems to come in bunches, not in a steady fashion. Looking forward, we are forecasting robust 9% earnings-per-share growth annually. We remain somewhat cautious on the company's ability to grow revenue, as well as expand its margins despite recent pricing increases. However, management is bullish, seeing improvement on the horizon in the near term, and recent results have been supportive of higher revenue and better margins, with the exception of Q2.

The company can grow through a variety of methods. First, sales increases ought to continue from organic growth, pricing increases, and acquisitions, which should amount to mid-single-digit or better growth. We see margin improvement activities as key to the company producing meaningfully higher earnings in the coming years, as well as a rebound in revenue producing leverage on SG&A costs.

---

[1] Estimated date

[2] Share count in millions

Donaldson Company (DCI)

Updated March 17th, 2026, by Josh Arnold

Lastly, Donaldson is buying back stock each year. We forecast moderate dividend growth, but Donaldson is not a high-income stock, choosing instead to use its excess cash for acquisitions and share repurchases. Share repurchases are relatively small in any particular year, but over time, add up to meaningful gains for shareholders. With the new authorization, we expect share repurchases to increase.

Valuation Analysis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Now	2031
Avg. P/E	21.9	24.9	23.9	24.7	24.2	24.6	18.0	20.7	21.9	19.6	***21.3***	***21.0***
Avg. Yld.	2.2%	1.7%	1.6%	1.5%	1.7%	1.5%	1.8%	1.5%	1.4%	1.6%	***1.4%***	***1.3%***

Donaldson's price-to-earnings multiple has been remarkably steady in the past decade. However, given where shares are today, we are forecasting a fractional headwind to total returns as shares are above our estimate of fair value. Shares go for 21.3 times earnings today, up on our fair value estimate of 21 times.

We are forecasting the yield to stay flat in the years to come as the payout and valuation increases. This is not a stock one buys for the current yield, as the company's stated strategy requires the use of excess cash for acquisitions and buybacks.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	48%	41%	38%	38%	41%	37%	33%	32%	30%	31%	***30%***	***27%***

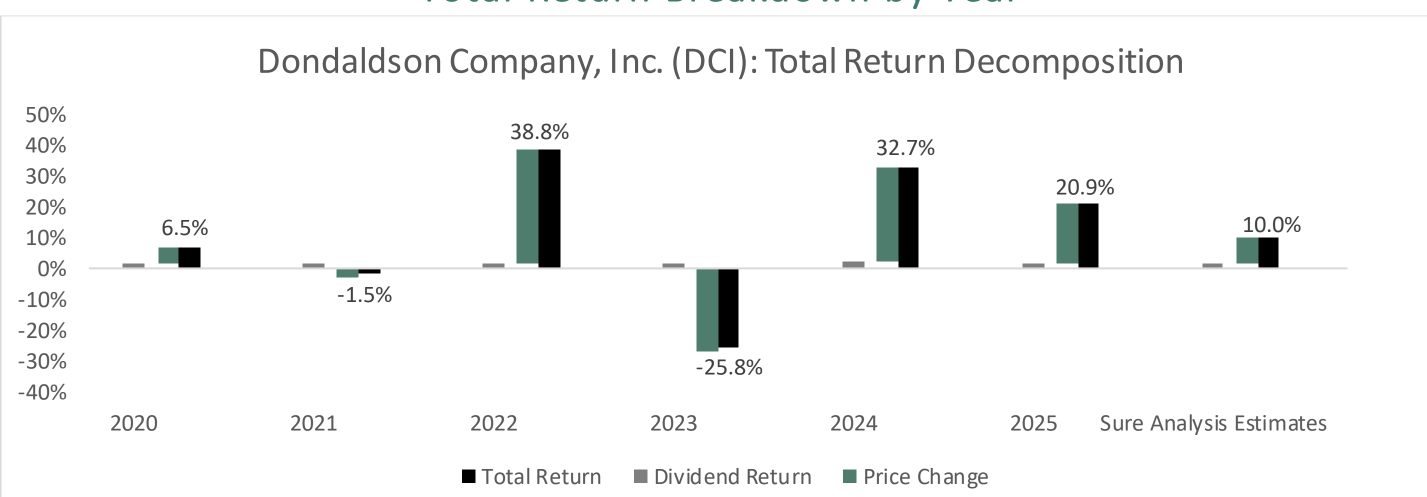
Donaldson's payout ratio remains around 30% of earnings and we expect that is where it will stay for the foreseeable future. As mentioned, Donaldson prefers to use most of its excess cash for acquisitions and a small amount of share repurchases, but it does raise the dividend regularly, as we note a 30-year streak of dividend increases.

Donaldson's recession performance is somewhat of an issue, as you'd expect for an industrial stock, and earnings will likely fall significantly during the next downturn. It does enjoy the competitive advantage of more than 100 years of experience in its field, as well as a strong history of innovation and a sizable installed customer base.

Final Thoughts & Recommendation

Donaldson's stock price is fairly valued after weak Q2 results. We are forecasting total annual returns of 10%, consisting of the current 1.4% yield, a fractional impact from the valuation, and 9% earnings growth. The stock still offers investors growth potential, but the yield is somewhat low for income investors. We're reiterating our hold rating after Q2 results.

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.

Donaldson Company (DCI)

Updated March 17th, 2026, by Josh Arnold

Income Statement Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenue	2,220	2,372	2,734	2,845	2,582	2,854	3,307	3,431	3,586	3,691
Gross Profit	755	821	936	948	872	972	1,067	1,161	1,274	1,279
Gross Margin	34.0%	34.6%	34.2%	33.3%	33.8%	34.0%	32.3%	33.8%	35.5%	34.6%
SG&A Exp.	425	443	499	498	470	519	555	602	637	641
D&A Exp.	75	75	77	81	88	95	94	92	98	100
Operating Profit	274	324	377	388	340	385	444	480	544	574
Operating Margin	12.3%	13.6%	13.8%	13.6%	13.2%	13.5%	13.4%	14.0%	15.2%	15.6%
Net Profit	191	233	180	267	257	287	333	359	414	367
Net Margin	8.6%	9.8%	6.6%	9.4%	10.0%	10.1%	10.1%	10.5%	11.5%	9.9%
Free Cash Flow	218	252	165	195	263	344	168	426	407	340
Income Tax	67	89	183	108	78	94	106	110	121	125

Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Assets	1,787	1,980	1,977	2,143	2,245	2,400	2,600	2,771	2,914	2,977
Cash & Equivalents	243	308	205	178	237	223	193	187	233	180
Accounts Receivable	452	498	535	530	455	553	617	600	630	687
Inventories	234	294	334	333	323	385	502	418	477	514
Goodwill & Int. Ass.	268	279	274	374	384	384	446	669	650	591
Total Liabilities	1,016	1,125	1,119	1,250	1,252	1,263	1,467	1,450	1,425	1,524
Accounts Payable	143	194	201	238	188	294	339	305	379	369
Long-Term Debt	567	611	543	637	627	510	648	656	537	675
Shareholder's Equity	767	850	853	887	987	1,137	1,133	1,321	1,489	1,454
LTD/E Ratio	0.74	0.72	0.64	0.72	0.64	0.45	0.57	0.50	0.36	0.50

Profitability & Per Share Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Return on Assets	10.6%	12.4%	9.1%	13.0%	11.7%	12.4%	13.3%	13.4%	14.6%	12.5%
Return on Equity	24.7%	28.8%	21.2%	30.7%	27.4%	27.0%	29.3%	29.2%	29.5%	24.9%
ROIC	14.2%	16.6%	12.6%	18.2%	16.3%	17.6%	19.4%	19.1%	20.7%	17.2%
Shares Out.	133	131	130	130	128	126	125	124	123	120
Revenue/Share	16.47	17.69	20.68	21.83	20.12	22.26	26.41	27.76	29.25	30.66
FCF/Share	1.62	1.88	1.25	1.50	2.05	2.68	1.34	3.45	3.32	2.82

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