Cummins Inc. (CMI)

Updated May 16th, 2026, by Nathan Parsh

Key Metrics

Current Price:	$697	**5 Year Annual Expected Total Return:**	1.5%	**Market Cap:**	$96 B
Fair Value Price:	$434	**5 Year Growth Estimate:**	10.0%	**Ex-Dividend Date:**	05/22/26
% Fair Value:	161%	**5 Year Valuation Multiple Estimate:**	-9.0%	**Dividend Payment Date:**	06/04/26
Dividend Yield:	1.1%	**5 Year Price Target**	$699	**Years Of Dividend Growth:**	20
Dividend Risk Score:	A	**Sector:**	Industrials	**Rating:**	Hold

Overview & Current Events

Cummins, headquartered in Indiana and founded in 1919, designs, manufactures, distributes and services engines for heavy, medium, and light-duty trucks. The company's products include diesel and natural gas engines, as well as hybrid and electric platforms. Cummins operates five segments: Engines, Distribution, Components, Power Systems, and Accelera, formerly named New Power. Roughly 60% of its business is done in the U.S. and Canada. The company employs about 60,000 people and serves customers in about 190 countries. Cummins generates ~$33 billion in annual revenues.

On July 15th, 2024, Cummins raised its quarterly dividend 9.9% to $2.00, extending the company's dividend growth streak to 20 consecutive years.

On May 5th, 2026, Cummins reported first quarter results for the period ending March 31st, 2026. For the quarter, revenue grew 2.8% to $8.4 billion, which beat estimates by $30 million. Earnings-per-share of $4.71 compared unfavorably to $5.96 in the prior year and was $0.89 less than expected.

For the quarter, North America sales fell 6%. International grew 16% due to higher demand in China. Revenue for the Engine segment declined 4% to $2.7 billion as gains in construction demand in China were offset by weaker results in the U.S. Revenue for Components decreased 5% to $2.5 billion as weakness in North America was only partially offset by results in international markets. Distribution was up 7% to $3.1 billion as sales for power generation products remain in high demand. Power Systems improved 19% to $2.0 billion as data center demand remains elevated in North America, China, and Asia Pacific. Accelera was lower by 2% to $101 million.

Cummins is projected to earn $28.95 per share in 2026, up from $26.48 previously. This would be a 21.7% improvement from 2025. We have updated our forecast accordingly.

Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
EPS	$8.23	$10.63	$13.15	$14.48	$12.01	$14.61	$15.67	$5.19	$28.37	$23.78	***$28.95***	***$46.62***
DPS	$4.00	$4.21	$4.44	$4.90	$5.28	$5.60	$6.04	$6.50	$7.00	$7.64	***$8.00***	***$11.75***
Shares[1]	168	166	163	152	149	144	142	143	138	139	***138***	***135***

Looking at the 2016 to 2025 period, Cummins grew earnings-per-share by an average compound rate of 12.5%. The growth rate has is up to 14.7% annually over the last five year. We raise our expected EPS growth rate to 10% from 8% through 2031 to better reflect the company's long-term performance. 2020 was a difficult one for the company, but Cummins saw a rebound in recent years. Cummins has also benefited from an increase in worldwide emission regulations and fuel efficiency standards. When paired with the company's reliable and superior quality engines, this has afforded the company growth opportunities. This trend is likely to continue, but we believe there is a tipping point whereby the increase in standards starts to be addressed via alternative technologies, such as batteries.

[1] In millions of shares.

Disclosure: This analyst has a long position in the security discussed in this research report.

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Valuation Analysis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Now	2031
Avg. P/E	14.1	15.0	11.4	11.0	16.0	14.9	15.5	12.2	12.3	21.5	***24.1***	***15.0***
Avg. Yld.	3.5%	2.6%	2.9%	3.0%	2.9%	2.6%	2.5%	2.7%	2.0%	1.5%	***1.1%***	***1.7%***

Shares of Cummins have gained $99, or 16.6%, since our February 11th, 2026 report. Shares of Cummins have traded with an average price-to-earnings ratio of 14.4 since 2016 and 15.3 over the last five year. We believe that a target P/E of 15, up from 13, is a reasonable multiple given the company's growth prospects and a fair amount of cyclicality in earnings. Using the current share price and expected earnings-per-share for the year, Cummins trades with a price-to-earnings ratio of 24.1. If shares were to trade at our target multiple by 2031, then valuation would reduce annual returns by 9.0% over this period.

Safety, Quality, Competitive Advantage, & Recession Resiliency

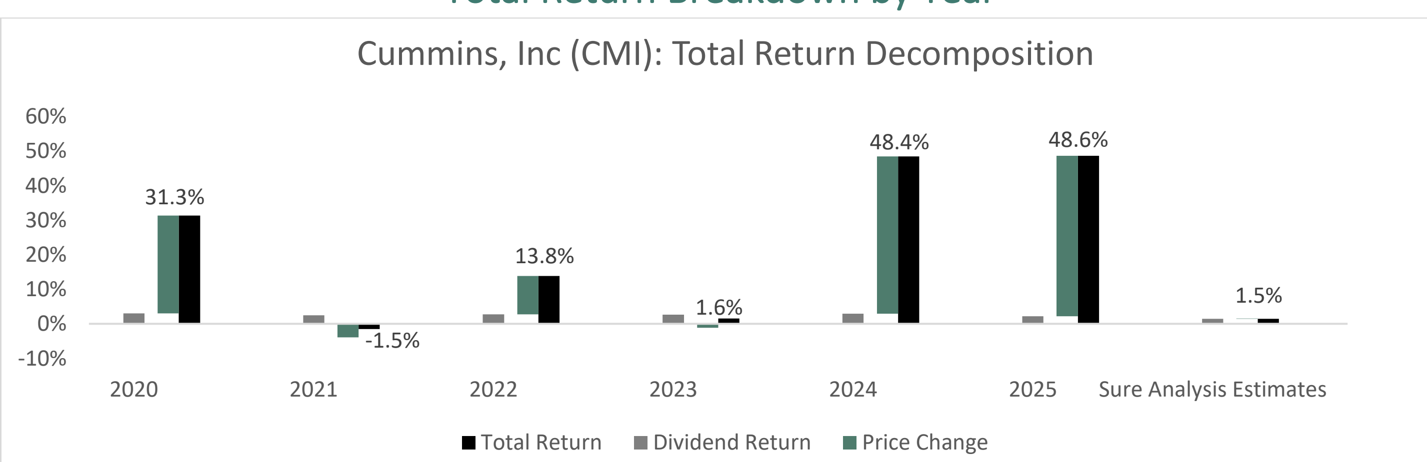
Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	49%	40%	34%	33%	44%	38%	39%	33%	25%	34%	***28%***	***25%***

During the last recession Cummins posted earnings-per-share of $4.08, $2.47, $5.17, and $9.07 during the 2008 through 2011 stretch. Meanwhile, the dividend kept increasing during this time. We view this a microcosm of the business at large. That is, in lesser economic times earnings are likely to falter, but the company has the ability to recover quickly, and the dividend payout ratio is low enough to keep the payment steady. Cummins maintains a competitive advantage in its strong brand name, stemming from reliability and superior quality. In turn, the company maintains a large share of the heavy-duty engine market. Two main risks stick out: a high reliance on a few customers, namely PACCAR, Daimler, Chrysler, and Navistar, which could turn to manufacturing in-house, and the potential for new technologies to disrupt or require increased investment.

Final Thoughts & Recommendation

Cummins is now projected to return a total of 1.5% annually through 2031, down from our prior estimate of 2.9%. Our projected return consists of a 10% earnings growth rate and a starting yield of 1.1%, offset by a high-single-digit headwind from multiple contraction. Cummins' most recent quarter once again showed a continued mixed business results with power generation products continuing to perform well while truck demand remains weak. Shares are up significantly over our last four reports, driving the valuation to levels rarely seen for the company. We have raised our 2031 price target $59 to $699 due to earnings estimates for the year, but we continue to rate shares of Cummins as a hold due to projected returns.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenue	17,536	20,428	23,771	23,571	19,811	24,021	28,074	34,048	34,102	33,670
Gross Profit	4,470	5,088	5,717	5,960	4,872	5,673	6,649	8,099	8,307	8,413
Gross Margin	25.5%	24.9%	24.1%	25.3%	24.6%	23.6%	23.7%	23.8%	24.4%	25.0%
SG&A Exp.	2,046	2,429	2,437	2,454	2,125	2,374	2,687	3,333	3,275	3,125
D&A Exp.	527	580	609	669	670	659	781	1,016	1,053	1,093
Operating Profit	1,788	1,905	2,378	2,505	1,841	2,209	2,684	3,266	3,569	3,892
Op. Margin	10.2%	9.3%	10.0%	10.6%	9.3%	9.2%	9.6%	9.6%	10.5%	11.6%
Net Profit	1,456	994	2,187	2,268	1,811	2,164	2,183	840	4,068	2,957
Net Margin	8.3%	4.9%	9.2%	9.6%	9.1%	9.0%	7.8%	2.5%	11.9%	8.8%
Free Cash Flow	1,341	1,690	1,594	2,406	2,147	1,470	1,046	2,753	279	2,386
Income Tax	474	1,371	566	566	527	587	636	786	835	1,006

Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Assets	15,011	18,075	19,062	19,737	22,624	23,710	30,299	32,005	31,540	33,992
Cash & Equivalents	1,380	1,567	1,525	1,470	3,862	3,187	2,573	2,741	2,264	3,609
Accounts Receivable	3,025	3,618	3,866	3,670	3,820	3,990	5,202	5,583	5,181	5,818
Inventories	2,675	3,166	3,759	3,486	3,425	4,355	5,603	5,677	5,742	5,822
Goodwill & Int. Ass.	812	2,055	2,035	2,289	2,256	2,187	5,030	5,018	4,721	4,391
Total Liabilities	7,837	9,911	10,803	11,272	13,635	14,309	20,074	22,101	20,232	20,584
Accounts Payable	1,854	2,579	2,822	2,534	2,820	3,021	4,252	4,260	3,951	3,800
Long-Term Debt	1,603	1,651	1,642	1,977	3,997	3,964	5,439	5,294	5,853	7,310
Shareholder's Equity	6,875	7,259	7,348	7,507	8,062	8,474	8,975	8,850	10,271	12,349
LTD/E Ratio	0.27	0.28	0.34	0.38	0.57	0.54	0.93	0.81	0.74	0.66

Profitability & Per Share Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Return on Assets	9.7%	6.0%	11.8%	11.7%	8.6%	9.3%	8.1%	2.7%	12.8%	9.0%
Return on Equity	19.5%	13.0%	26.6%	27.1%	20.8%	23.5%	22.2%	8.3%	38.4%	23.9%
ROIC	15.8%	10.4%	20.9%	20.6%	14.5%	15.7%	13.4%	4.7%	22.6%	14.6%
Shares Out.	168	166	163	152	149	144	142	143	138	139
Revenue/Share	103.56	122.13	146.04	151.00	132.96	164.64	197.29	238.60	245.16	242.75
FCF/Share	7.92	10.10	9.79	15.41	14.41	10.08	7.35	19.29	2.01	17.20

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