



# Advanced Drainage Systems, Inc. (WMS)

Updated May 22<sup>nd</sup>, 2026, by Kody Kester

## Key Metrics

|                             |       |  |             |                                  |          |
|-----------------------------|-------|--|-------------|----------------------------------|----------|
| <b>Current Price:</b>       | \$134 | <b>5 Year CAGR Estimate:</b>               | 14.8%       | <b>Market Cap:</b>               | \$10.3B  |
| <b>Fair Value Price :</b>   | \$148 | <b>5 Year Growth Estimate:</b>             | 12.0%       | <b>Ex-Dividend Date:</b>         | 06/01/26 |
| <b>% Fair Value:</b>        | 90%   | <b>5 Year Valuation Multiple Estimate:</b> | 2.1%        | <b>Dividend Payment Date:</b>    | 06/15/26 |
| <b>Dividend Yield:</b>      | 0.6%  | <b>5 Year Price Target</b>                 | \$261       | <b>Years Of Dividend Growth:</b> | 6        |
| <b>Dividend Risk Score:</b> | A     | <b>Sector:</b>                             | Industrials | <b>Rating:</b>                   | Buy      |

## 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.

ADS routinely executes acquisitions as part of its growth strategy. Last 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 believed that this combination would bring together complementary water management solutions to expand its offering in new segments.

Following the acquisition of National Diversified Sales in February, the company rearranged its reportable segments to better align with the way the chief operating decision maker assesses performance and decides upon resource allocation. The Stormwater segment (the former Pipe, Allied Products & Other, and International segments) comprised most (78.6%) of ADS's \$3.05 billion in total net sales in FY 2026, which ended March 31, 2026. The Wastewater segment (the former Infiltrator segment) made up the remaining 21.4% of total net sales in FY 2026.

On May 21<sup>st</sup>, ADS shared its financial results for the fiscal fourth quarter ended March 31, 2026. The company's net sales rose by 9.9% over the year-ago period to \$676.8 million in the quarter. Growth in the Stormwater segment (+11.7% to \$534.7 million) mostly powered these results during the quarter. That was made possible by \$48.8 million in revenue from the acquisition of NDS and 2% organic growth for the quarter. Wastewater segment sales edged 3.7% higher year-over-year to \$142 million in the quarter. ADS's adjusted diluted EPS increased by 3.9% over the year-ago period to \$1.07 during the quarter. This came in \$0.10 above the analyst consensus for the quarter. On the same day, ADS hiked its quarterly dividend per share by 11.1% from \$0.18 to \$0.20. This will be payable on June 15 to shareholders of record as of June 1.

## Growth on a Per-Share Basis

| Year                      | 2017   | 2018   | 2019   | 2020   | 2021   | 2022   | 2023   | 2024   | 2025   | 2026   | 2027          | 2032           |
|---------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------------|----------------|
| <b>EPS</b>                | \$0.58 | \$0.87 | \$1.22 | \$0.82 | \$3.08 | \$4.29 | \$6.08 | \$6.39 | \$5.89 | \$6.27 | <b>\$6.45</b> | <b>\$11.37</b> |
| <b>DPS</b>                | \$0.24 | \$0.28 | \$0.32 | \$0.36 | \$0.36 | \$0.44 | \$0.48 | \$0.56 | \$0.64 | \$0.72 | <b>\$0.80</b> | <b>\$1.35</b>  |
| <b>Shares<sup>1</sup></b> | 55.6   | 56.3   | 57.6   | 63.8   | 71.6   | 72.9   | 83.3   | 79.0   | 78.1   | 76.8   | <b>76.8</b>   | <b>81.0</b>    |

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 2032, off an anticipated FY 2027 adjusted diluted EPS base of \$6.45, 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.

<sup>1</sup>Share count is in millions.



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## Valuation Analysis

| Year      | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027        | 2032        |
|-----------|------|------|------|------|------|------|------|------|------|------|-------------|-------------|
| Avg. P/E  | 37.8 | 29.9 | 21.2 | 31.2 | 34.9 | 27.9 | 13.9 | 27.0 | 18.4 | 22.0 | <b>20.8</b> | <b>23.0</b> |
| Avg. Yld. | 1.1% | 1.1% | 0.8% | 1.4% | 0.3% | 0.4% | 0.6% | 0.3% | 0.6% | 0.6% | <b>0.6%</b> | <b>0.5%</b> |

ADS' P/E ratio has significantly fluctuated over the years, ranging 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 23. Following the selloff in recent months, this has pushed the current-year P/E ratio down to 20.8. Relative to our fair value, this implies shares are moderately discounted.

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

| Year   | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027       | 2032       |
|--------|------|------|------|------|------|------|------|------|------|------|------------|------------|
| Payout | 41%  | 32%  | 26%  | 44%  | 12%  | 10%  | 8%   | 9%   | 11%  | 11%  | <b>12%</b> | <b>12%</b> |

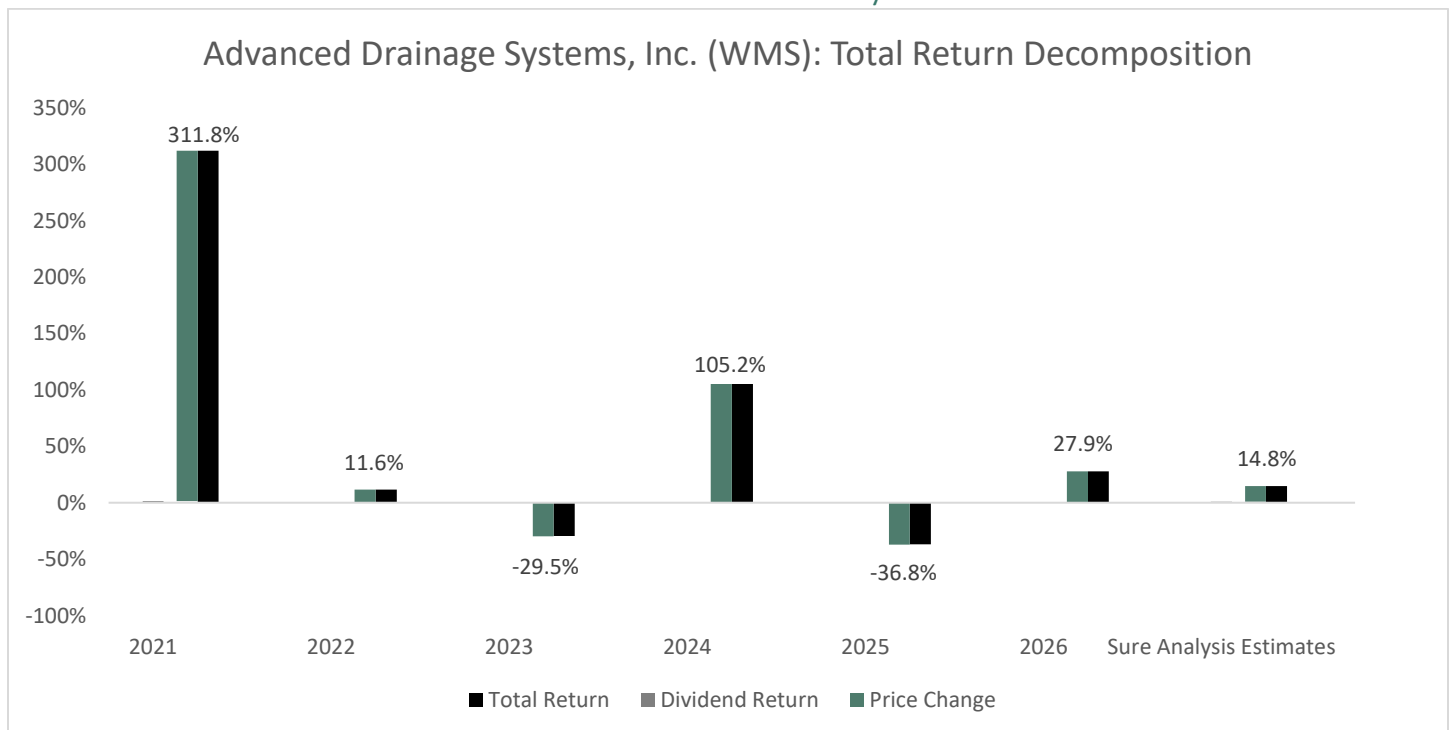
ADS's major advantage in the marketplace boils down to the complementary nature of its product offerings. Its Allied Products are complementary to its Pipe products. Allied Products offers adjacent technologies to its core Pipe offering. This provides customers with a complete drainage solution. That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

As of March 31, 2026, ADS's financial health was also solid. The company had \$963 million in liquidity on its balance sheet. Its leverage ratio stood at 1.6x as well. ADS' dividend is also well-covered, with the payout ratio expected to be in the low double-digits for FY 2027. That should give it plenty of flexibility to build on its six-year dividend growth streak.

## Final Thoughts & Recommendation

ADS' 0.6% dividend yield, 12.0% annual EPS growth prospects, and 2.1% annual valuation multiple upside potential could generate 14.8% annual total returns through FY 2032. As a result, we're upgrading shares back to a Buy 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                    | 2017  | 2018  | 2019  | 2020   | 2021  | 2022  | 2023  | 2024  | 2025  | 2026  |
|-------------------------|-------|-------|-------|--------|-------|-------|-------|-------|-------|-------|
| <b>Revenue</b>          | 1,257 | 1,330 | 1,385 | 1,674  | 1,983 | 2,769 | 3,071 | 2,874 | 2,904 | 3,050 |
| <b>Gross Profit</b>     | 287   | 294   | 319   | 430    | 615   | 735   | 1,062 | 1,094 | 1,041 | 1,108 |
| <b>Gross Margin</b>     | 22.8% | 22.1% | 23.0% | 25.7%  | 31.0% | 26.5% | 34.6% | 38.0% | 35.8% | 36.3% |
| <b>SG&amp;A Exp.</b>    | 202   | 191   | 186   | 271    | 268   | 321   | 340   | 371   | 380   | -     |
| <b>D&amp;A Exp.</b>     | 72    | 75    | 72    | 125    | 146   | 142   | 145   | 155   | 183   | 216   |
| <b>Operating Profit</b> | 85    | 103   | 133   | 184    | 349   | 419   | 725   | 725   | 663   | 638   |
| <b>Operating Margin</b> | 6.7%  | 7.8%  | 9.6%  | 11.0%  | 17.6% | 15.1% | 23.6% | 25.2% | 22.8% | 20.9% |
| <b>Net Profit</b>       | 34    | 60    | 76    | (192)  | 187   | 233   | 511   | 513   | 453   | 430   |
| <b>Net Margin</b>       | 2.7%  | 4.5%  | 5.5%  | -11.5% | 9.4%  | 8.4%  | 16.7% | 17.9% | 15.6% | 14.1% |
| <b>Free Cash Flow</b>   | 53    | 95    | 108   | 239    | 373   | 126   | 541   | 534   | 369   | 567   |
| <b>Income Tax</b>       | 25    | 11    | 30    | 14     | 86    | 110   | 151   | 159   | 141   | 135   |

## Balance Sheet Metrics

| Year                          | 2017  | 2018  | 2019  | 2020  | 2021  | 2022  | 2023  | 2024  | 2025  | 2026  |
|-------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| <b>Total Assets</b>           | 1,070 | 1,059 | 1,057 | 2,391 | 2,438 | 2,681 | 2,938 | 3,314 | 3,745 | 4,506 |
| <b>Cash &amp; Equivalents</b> | 6     | 18    | 9     | 174   | 195   | 20    | 217   | 490   | 463   | 223   |
| <b>Accounts Receivable</b>    | 169   | 159   | 171   | 200   | 234   | 337   | 305   | 318   | 314   | 391   |
| <b>Inventories</b>            | 258   | 264   | 265   | 282   | 301   | 494   | 464   | 464   | 488   | 543   |
| <b>Goodwill &amp; Int.</b>    | 160   | 158   | 153   | 1,164 | 1,092 | 1,042 | 1,028 | 970   | 1,168 | 1,891 |
| <b>Total Liabilities</b>      | 720   | 625   | 556   | 1,606 | 1,375 | 1,576 | 1,943 | 2,033 | 2,109 | 2,550 |
| <b>Accounts Payable</b>       | 122   | 106   | 94    | 107   | 171   | 225   | 210   | 254   | 218   | 238   |
| <b>Long-Term Debt</b>         | 429   | 380   | 319   | 1,179 | 864   | 986   | 1,362 | 1,390 | 1,474 | 1,772 |
| <b>Shareholder's Equity</b>   | 223   | 308   | 384   | 526   | 820   | 893   | 824   | 1,153 | 1,525 |       |
| <b>LTD/E Ratio</b>            | 0.82  | 0.63  | 0.48  | 1.49  | 0.82  | 0.92  | 1.41  | 1.11  | 0.92  | 0.92  |

## Profitability & Per Share Metrics

| Year                    | 2017  | 2018  | 2019  | 2020   | 2021  | 2022  | 2023  | 2024  | 2025  | 2026  |
|-------------------------|-------|-------|-------|--------|-------|-------|-------|-------|-------|-------|
| <b>Return on Assets</b> | 3.2%  | 5.7%  | 7.2%  | -11.1% | 7.8%  | 9.1%  | 18.2% | 16.4% | 12.8% | 10.4% |
| <b>Return on Equity</b> | 6.4%  | 10.3% | 11.6% | -25.8% | 19.9% | 21.4% | 48.7% | 45.1% | 31.0% | 23.9% |
| <b>ROIC</b>             | 3.5%  | 6.1%  | 7.6%  | -12.8% | 9.5%  | 11.5% | 22.8% | 20.3% | 15.6% | 12.5% |
| <b>Shares Out.</b>      | 55.6  | 56.3  | 57.6  | 63.8   | 71.6  | 72.9  | 83.3  | 79.0  | 78.1  | 76.8  |
| <b>Revenue/Share</b>    | 22.60 | 23.62 | 24.04 | 26.23  | 27.71 | 37.98 | 36.85 | 36.38 | 37.14 | 38.92 |
| <b>FCF/Share</b>        | 0.95  | 1.69  | 1.88  | 3.74   | 5.22  | 1.73  | 6.49  | 6.76  | 4.71  | 7.24  |

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

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