A.O. Smith Corporation (AOS)

Updated August 18th, 2026 by Jonathan Weber

Key Metrics

Current Price:	$64	**5 Year CAGR Estimate:**	10.4%	**Market Cap:**	$9B
Fair Value Price:	$72	**5 Year Growth Estimate:**	6.0%	**Ex-Dividend Date:**	10/20/26[1]
% Fair Value:	89%	**5 Year Valuation Multiple Estimate:**	2.3%	**Dividend Payment Date:**	11/17/26[2]
Dividend Yield:	2.3%	**5 Year Price Target**	$96	**Years Of Dividend Growth:**	32
Dividend Risk Score:	A	**Sector:**	Industrials	**Rating:**	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 second quarter earnings results on July 30th, the company showed revenues of $1.0 billion, which was down 1% compared to the prior year's quarter. A.O. Smith's revenues were up by 5% in North America, while the international business saw a revenue decline of 19% compared to the previous year's quarter, mainly due to China sales being down.

A.O. Smith generated earnings-per-share of $1.03 during the second quarter, which fell 4% on a year-over-year basis. Slightly lower revenues and some margin compression outweighed the positive impact of share repurchases over the last year. A.O. Smith reiterated its guidance for 2026: The company is forecasting earnings-per-share in a range of $3.70 to $3.85, which implies a bit of an earnings-per-share pullback this year. Management believes that revenue growth will come in between 2% and 3% this year versus 2025.

Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
EPS	$1.85	$2.17	$2.61	$2.23	$2.12	$3.02	$3.14	$3.81	$3.73	$3.85	***$3.78***	***$5.06***
DPS	$0.48	$0.56	$0.76	$0.90	$0.98	$1.12	$1.20	$1.22	$1.30	$1.38	***$1.44***	***$2.02***
Shares[3]	173	172	171	164	163	160	153	149	147	142	***140***	***130***

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 business, 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. India offers similar opportunities and market dynamics as China, 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.

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[1] Estimated date
[2] Estimated date
[3] In Millions

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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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	***16.9***	***19.0***
Avg. Yld.	1.1%	1.0%	1.9%	1.9%	1.8%	1.3%	2.1%	1.6%	1.9%	2.1%	***2.3%***	***2.1%***

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 elevated 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 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%	***38%***	***40%***

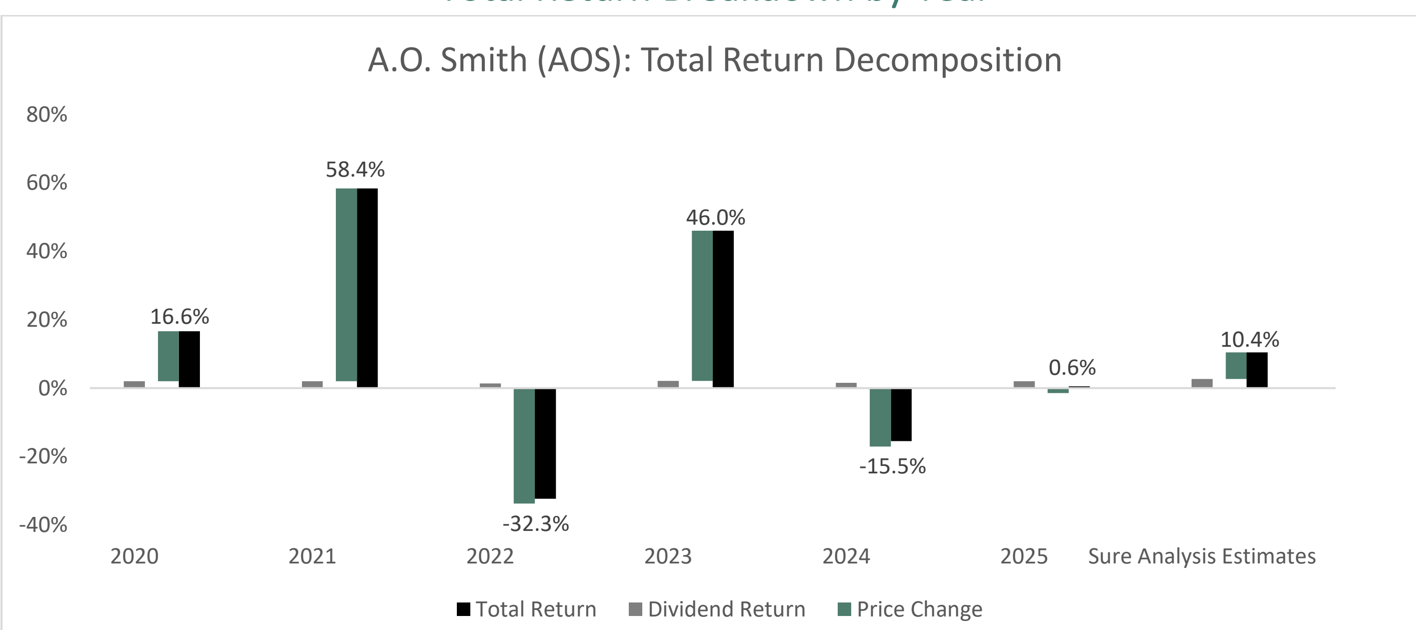
A.O. Smith has raised its dividend at an attractive pace over the last decade, although the relative growth rate has declined to some degree. The payout ratio grew over the last year but is still far from high. A.O. Smith will likely continue to raise the dividend at a solid pace, which will, we believe, result in further growth in the company's payout ratio. Despite the payout ratio increases over the last decade, the dividend looks 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
Revenue	2,686	2,997	3,188	2,993	2,895	3,539	3,754	3,853	3,818	3,830
Gross Profit	1,119	1,238	1,305	1,182	1,107	1,312	1,326	1,476	1,454	1,487
Gross Margin	41.7%	41.3%	40.9%	39.5%	38.2%	37.1%	35.3%	38.3%	38.1%	38.8%
SG&A Exp.	659	718	754	716	660	701	671	727	739	759
D&A Exp.	65	70	72	78	80	78	77	78	79	85
Operating Profit	461	520	551	467	446	610	655	748	715	728
Operating Margin	17.2%	17.3%	17.3%	15.6%	15.4%	17.2%	17.4%	19.4%	18.7%	19.0%
Net Profit	327	297	444	370	345	487	236	557	534	546
Net Margin	12.2%	9.9%	13.9%	12.4%	11.9%	13.8%	6.3%	14.4%	14.0%	14.3%
Free Cash Flow	366	232	364	392	505	566	321	598	474	546
Income Tax	136	224	114	102	99	139	(12)	177	167	169

Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Assets	2,891	3,197	3,072	3,058	3,161	3,474	3,332	3,214	3,240	3,143
Cash & Equivalents	755	820	645	551	690	631	482	363	276	193
Accounts Receivable	519	598	647	590	585	634	581	596	541	
Inventories	251	291	305	303	300	448	516	497	532	479
Goodwill & Int.	800	825	806	884	871	993	968	970	1,083	1,073
Total Liabilities	1,376	1,549	1,355	1,391	1,312	1,642	1,585	1,370	1,357	1,285
Accounts Payable	529	535	544	510	595	746	626	600	589	504
Long-Term Debt	324	410	221	323	148	219	367	155	217	192
Shareholder’s Equity	1,515	1,649	1,717	1,667	1,848	1,832	1,748	1,844	1,883	
LTD/E Ratio	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
Return on Assets	11.8%	9.7%	14.2%	12.1%	11.1%	14.7%	6.9%	17.0%	16.5%	17.1%
Return on Equity	22.1%	18.7%	26.4%	21.9%	19.6%	26.5%	13.2%	31.0%	28.6%	29.2%
ROIC	18.5%	15.2%	22.2%	18.8%	17.2%	23.9%	11.3%	26.9%	25.9%	26.2%
Shares Out.	173	172	171	164	163	160	153	149	147	142
Revenue/Share	15.19	17.16	18.51	17.95	17.81	21.94	24.10	25.51	25.96	26.99
FCF/Share	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.