Ethan Allen Interiors (ETD)

Updated August 24th, 2026, by Aristofanis Papadatos

Key Metrics

Current Price:	$23	**5 Year CAGR Estimate:**	1.5%	**Market Cap:**	$595 M
Fair Value Price:	$14	**5 Year Growth Estimate:**	4.0%	**Ex-Dividend Date:**	8/12/26
% Fair Value:	169%	**5 Year Valuation Multiple Estimate:**	-9.9%	**Dividend Payment Date:**	8/26/26
Dividend Yield:	6.8%	**5 Year Price Target**	$17	**Years Of Dividend Growth**[1]**:**	6
Dividend Risk Score:	F	**Sector:** Consumer Discretionary		**Rating:**	Hold

Overview & Current Events

Ethan Allen Interiors (ETD) is a vertically integrated interior design company that manufactures and sells retail home furnishings, such as beds, dressers, chairs, lighting, mattresses, and decorative pieces. The company sells online and through its network of approximately 302 design centers, of which 161 are independently owned and 141 are company operated. In fiscal 2026, 39% of net sales came from the Wholesale segment, which includes sales from independently owned stores, while the Retail segment generated 61% of sales. It is important to note that this business is in the Consumer Cyclical sector because it sells consumer durables. These are products that tend to last a long time, so people may forego purchasing these products during a recession. The company suffered during the pandemic as it was forced to close its service centers, but it recovered swiftly thanks to pent-up demand amid huge fiscal stimulus packages. However, it is being severely hurt by high inflation, which has made consumers much more price-sensitive. The business follows a build-to-order business model, where orders are customized to the customer's preference.

In late July, Ethan Allen reported (7/29/26) results for the fourth quarter of fiscal 2026. Total sales decreased -8% over last year's quarter. Gross margin contracted from 59.9% to 59.7% and operating margin shrank from 9.7% to 7.4%. As a result, earnings-per-share fell -27%, from $0.49 to $0.36, though they exceeded the analysts' consensus by $0.02. We are concerned over a sustained weak business momentum. Management declared a special dividend of $3.00 to be paid on 9/17/26 but this raises a red flag for us, as management should have prioritized a turnaround plan.

Growth on a Per-Share Basis

Year	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2032
EPS	$1.45	$1.25	$1.56	$0.49	$2.37	$3.93	$4.03	$2.49	$2.01	$1.61	***$1.25***	***$1.52***
DPS	$0.74	$0.76	$0.76	$0.63	$0.96	$1.15	$1.32	$1.50	$1.56	$1.56	***$1.56***	***$1.68***
Shares	27	27	27	25	25	25	26	26	26	26	***26***	***25***

Over the past 9 years, Ethan Allen has failed to grow its earnings-per-share meaningfully due to its weak results in fiscal 2026. It posted record earnings in fiscal 2023 but lower earnings in fiscal 2024-2026 due to tough comparisons and high inflation, which has rendered consumers much more price-conscious. We expect the company to gradually stabilize its performance and grow its bottom line by 4.0% per year on average beyond this year.

Ethan Allen has grown its dividend by 8.6% per year on average over the last decade. However, future dividend growth should be much slower, given the 125% payout ratio and weak business momentum. High interest rates result in high mortgage rates and thus they exert a headwind to sales of new homes. This is a strong headwind for Ethan Allen.

Valuation Analysis

Year	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	Now	2032
Avg. P/E	22.0	21.8	13.3	32.5	8.9	6.3	6.4	11.9	14.4	15.4	***18.4***	***10.9***
Avg. Yld.	2.3%	2.8%	3.7%	4.0%	4.5%	4.6%	5.1%	5.1%	5.4%	6.3%	***6.8%***	***10.1%***

[1] Ethan Allen offers a special dividend of $3.00 in September-2026.

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Excluding 2020, in which depressed earnings resulted in an abnormally high price-to-earnings ratio, Ethan Allen has traded at an average price-to-earnings ratio of 13.4 over the last decade. Due to lackluster growth expectations, we assume a fair price-to-earnings ratio of 10.9 for this stock, in line with its 5-year average. If the stock trades at our assumed fair valuation level in five years, it will incur a -9.9% annualized drag in its returns.

Safety, Quality, Competitive Advantage, & Recession Resiliency

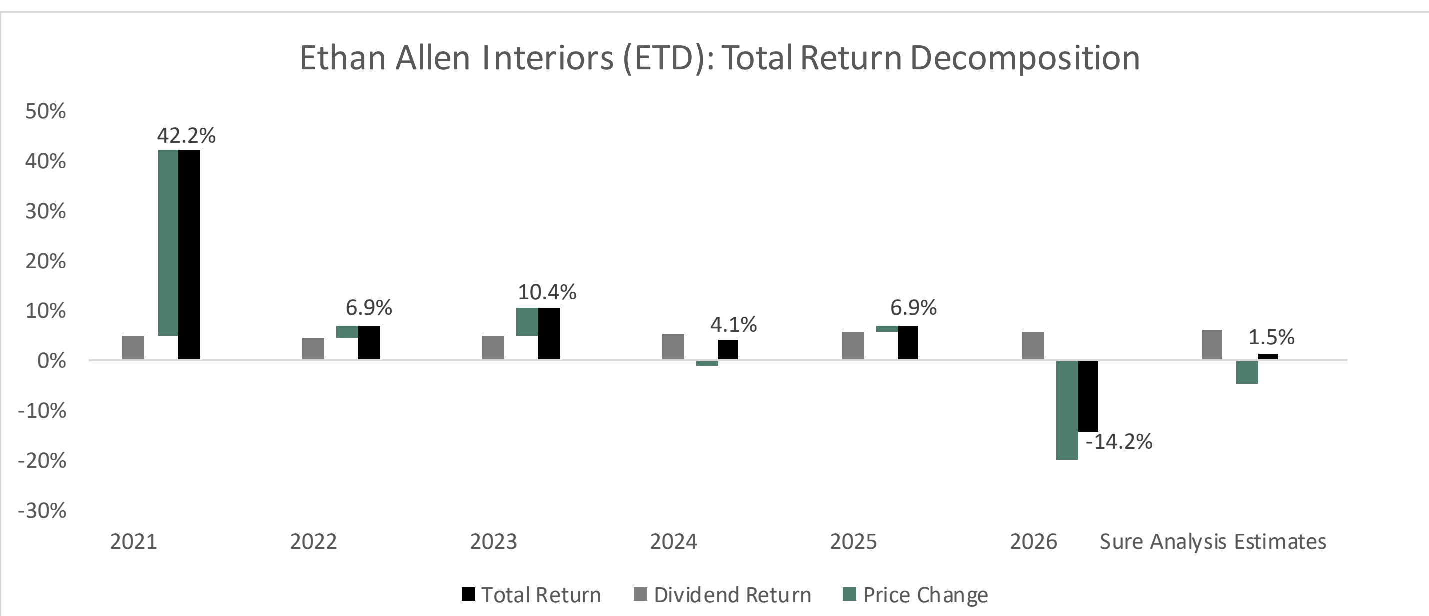
Year	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2032
Payout	51%	61%	49%	129%	41%	29%	33%	60%	78%	97%	***125%***	***111%***

Ethan Allen has averaged a payout ratio of 63% over the past decade. Due to depressed earnings this year, the payout ratio has surged to 125%, which is unsustainable over the long run. If earnings-per-share grow faster than dividends, the payout ratio will somewhat improve over the intermediate term. Nevertheless, the dividend is likely to be cut if business performance does not improve significantly anytime soon. Ethan Allen has no debt, which adds a strong level of safety to the company, but investors should understand that this business is vulnerable to economic downturns. While Ethan Allen is far from the cheapest retailer in its markets, the business has competitive advantages, such as vertical integration, North American manufacturing operations that enable the company to deliver higher quality products, and made-to-order products.

Final Thoughts & Recommendation

Ethan Allen offers investors an opportunity to invest in an established name-brand business that sells high-quality furniture. However, it has lackluster growth prospects while the stock appears richly valued right now. Discretionary consumer spending has slowed down lately due to persistent inflation. The crisis in the Middle East, which has increased economic uncertainty and inflationary pressure, is a headwind for Ethan Allen. The stock could offer a 1.5% average annual total return over the next five years thanks to 4.0% earnings growth and a 6.8% dividend, partly offset by a -9.9% annualized valuation headwind. It thus maintains its hold rating. Moreover, investors should always be aware of the high vulnerability of the company to recessions. The aforementioned extraordinary special dividend is not included in our calculation but we view this dividend as negative, as it does not come from earnings and we believe that management should invest funds in the business.

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
Revenue	763	767	747	590	685	818	791	646	615	579
Gross Profit	420	416	409	323	393	485	480	393	372	355
Gross Margin	55.0%	54.2%	54.8%	54.8%	57.4%	59.3%	60.7%	60.8%	60.5%	61.2%
SG&A Exp.	362	367	357	312	313	351	347	315	311	309
D&A Exp.	20	20	20	17	16	16	16	16	16	---
Operating Profit	58	49	53	12	80	134	133	78	61	46
Op. Margin	7.6%	6.4%	7.0%	2.0%	11.6%	16.4%	16.8%	12.1%	9.9%	8.0%
Net Profit	36	36	26	9	60	103	106	64	52	40
Net Margin	4.7%	4.7%	3.4%	1.5%	8.8%	12.6%	13.4%	9.9%	8.4%	6.9%
Free Cash Flow	61	30	46	37	118	56	87	71	50	---
Income Tax	21	13	8	5	16	35	35	22	17	13

Balance Sheet Metrics

Year	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Total Assets	568	530	510	623	683	720	745	745	737	720
Cash & Equivalents	58	22	21	72	105	110	62	70	136	133
Acc. Receivable	12	12	14	8	9	17	12	7	6	4
Inventories	149	163	162	126	144	177	149	142	141	148
Goodwill & Int.	45	45	45	45	45	45	45	45	45	45
Total Liabilities	167	147	146	295	332	313	274	262	255	248
Accounts Payable	17					37	29	27	22	30
Long-Term Debt	14	-	1	50	-	0	0	0	97	93
Total Equity	401	384	364	328	351	407	471	483	482	---
LTD/E Ratio	0.04	-	0.00	0.15	-	0.00	0	0.27	0.26	0.26

Profitability & Per Share Metrics

Year	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Return on Assets	6.3%	6.6%	4.9%	1.6%	9.2%	14.7%	14.4%	8.6%	7.0%	5.5%
Return on Equity	9.1%	9.3%	6.9%	2.6%	17.7%	27.2%	24.1%	13.4%	10.7%	8.4%
ROIC	8.5%	9.1%	6.9%	2.4%	16.5%	27.2%	24.1%	13.4%	8.5%	6.7%
Shares Out.	27	27	27	25	25	25	26	26	26	25.58
Revenue/Share	27.30	27.76	27.91	22.63	27.03	32.04	30.91	25.64	23.98	22.65
FCF/Share	2.18	1.09	1.72	1.42	4.65	2.19	3.39	2.75	1.97	---

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