Advanced Drainage Systems, Inc. (WMS)

Updated August 21st, 2026, by Kody Kester

Key Metrics

Current Price:	$143	**5 Year CAGR Estimate:**	13.1%	**Market Cap:**	$10.8B
Fair Value Price :	$147	**5 Year Growth Estimate:**	12.0%	**Ex-Dividend Date:**	09/01/26
% Fair Value:	97%	**5 Year Valuation Multiple Estimate:**	0.5%	**Dividend Payment Date:**	09/15/26
Dividend Yield:	0.6%	**5 Year Price Target**	$259	**Years Of Dividend Growth:**	6
Dividend Risk Score:	A	**Sector:**	Industrials	**Rating:**	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 Aug. 6, ADS released its earnings report for the fiscal first quarter ended Jun. 30, 2026. The company's net sales surged 20.6% year-over-year to $1.00 billion during the quarter. Backing out the impact of acquisitions, ADS's organic net sales rose by 9.2% over the year-ago period in the quarter. This was due to ongoing strength and resilience in its diversified water management platform, growth across all product categories and end markets, and some pull-forward of sales from the second quarter ahead of price actions. ADS's adjusted diluted EPS jumped 27.7% year-over-year to $2.49 for the quarter. That topped the analyst consensus during the quarter by $0.37.

Growth on a Per-Share Basis

Year	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2032
EPS	$0.58	$0.87	$1.22	$0.82	$3.08	$4.29	$6.08	$6.39	$5.89	$6.27	***$6.40***	***$11.28***
DPS	$0.24	$0.28	$0.32	$0.36	$0.36	$0.44	$0.48	$0.56	$0.64	$0.72	***$0.80***	***$1.35***
Shares[1]	55.6	56.3	57.6	63.8	71.6	72.9	83.3	79.0	78.1	76.8	***75.4***	***70.0***

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 $6.40, 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.

[1] 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	***22.4***	***23.0***
Avg. Yld.	1.1%	1.1%	0.8%	1.4%	0.3%	0.4%	0.6%	0.3%	0.6%	0.6%	***0.6%***	***0.5%***

ADS' P/E ratio has significantly fluctuated over the years, varying 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. Relative to our fair value, shares are still slightly discounted following a modest rally in recent months.

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%	***13%***	***12%***

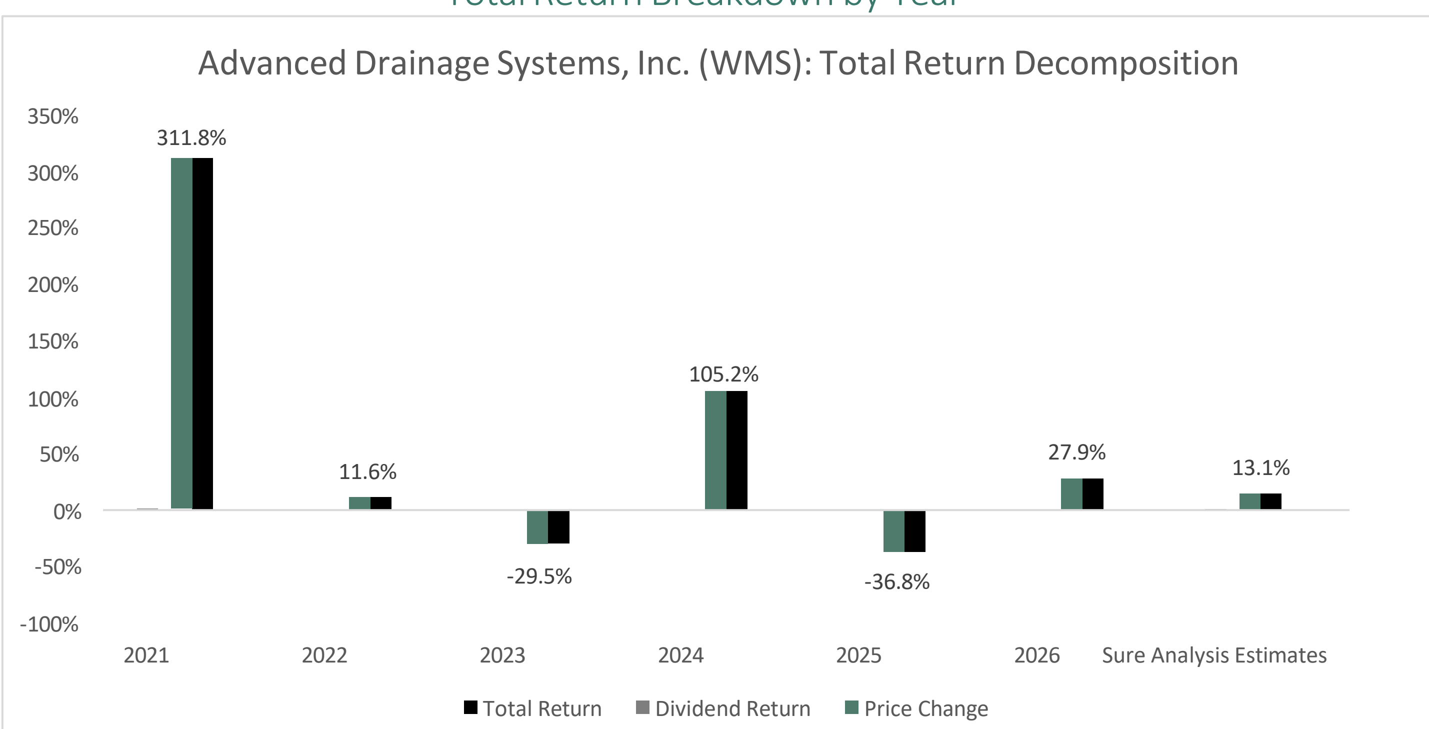
ADS's major advantage in the marketplace boils down to the complementary nature of its product offerings. Its Allied Products are complementary to its Pipe products. Allied Products offers adjacent technologies to its core Pipe offering. This provides customers with a complete drainage solution. That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

As of Jun. 30, 2026, ADS's financial health was also solid. The company had $900.9 million in liquidity on its balance sheet. Its leverage ratio stood at 1.5x 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 0.5% annual valuation multiple upside potential could generate 13.1% annual total returns through FY 2032. This is why we're maintaining our 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
Revenue	1,257	1,330	1,385	1,674	1,983	2,769	3,071	2,874	2,904	3,050
Gross Profit	287	294	319	430	615	735	1,062	1,094	1,041	1,108
Gross Margin	22.8%	22.1%	23.0%	25.7%	31.0%	26.5%	34.6%	38.0%	35.8%	36.3%
SG&A Exp.	202	191	186	271	268	321	340	371	380	-
D&A Exp.	72	75	72	125	146	142	145	155	183	216
Operating Profit	85	103	133	184	349	419	725	725	663	638
Operating Margin	6.7%	7.8%	9.6%	11.0%	17.6%	15.1%	23.6%	25.2%	22.8%	20.9%
Net Profit	34	60	76	(192)	187	233	511	513	453	430
Net Margin	2.7%	4.5%	5.5%	-11.5%	9.4%	8.4%	16.7%	17.9%	15.6%	14.1%
Free Cash Flow	53	95	108	239	373	126	541	534	369	567
Income Tax	25	11	30	14	86	110	151	159	141	135

Balance Sheet Metrics

Year	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Total Assets	1,070	1,059	1,057	2,391	2,438	2,681	2,938	3,314	3,745	4,506
Cash & Equivalents	6	18	9	174	195	20	217	490	463	223
Accounts Receivable	169	159	171	200	234	337	305	318	314	391
Inventories	258	264	265	282	301	494	464	464	488	543
Goodwill & Int.	160	158	153	1,164	1,092	1,042	1,028	970	1,168	1,891
Total Liabilities	720	625	556	1,606	1,375	1,576	1,943	2,033	2,109	2,550
Accounts Payable	122	106	94	107	171	225	210	254	218	238
Long-Term Debt	429	380	319	1,179	864	986	1,362	1,390	1,474	1,772
Shareholder's Equity	223	308	384	526	820	893	824	1,153	1,525	
LTD/ERatio	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
Return on Assets	3.2%	5.7%	7.2%	-11.1%	7.8%	9.1%	18.2%	16.4%	12.8%	10.4%
Return on Equity	6.4%	10.3%	11.6%	-25.8%	19.9%	21.4%	48.7%	45.1%	31.0%	23.9%
ROIC	3.5%	6.1%	7.6%	-12.8%	9.5%	11.5%	22.8%	20.3%	15.6%	12.5%
Shares Out.	55.6	56.3	57.6	63.8	71.6	72.9	83.3	79.0	78.1	76.8
Revenue/Share	22.60	23.62	24.04	26.23	27.71	37.98	36.85	36.38	37.14	38.92
FCF/Share	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.