

Donaldson Company (DCI)

\$91.99 (Stock Price as of 12/18/2025)

Price Target (6-12 Months): **\$93.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 02/25/21)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

2-Buy

Zacks Style Scores:

VGM: B

Value: C

Growth: B

Momentum: C

Summary

Donaldson stands to benefit from solid momentum across its segments. Strength in the aftermarket business, driven by positive market trends and the impact of expanded market share, is driving the Mobile Solutions segment. Growth in demand for new dust collection equipment is boosting the Industrial Solutions unit. An increase in demand for disk drives and food & beverage products is aiding the Life Sciences segment. Acquired assets are another positive factor driving the company's top line. Handsome rewards to its shareholders raise the stock's attractiveness. However, persistent softness in the on-road business remains concerning for the company. Rising cost of sales, owing to high manufacturing costs, is likely to weigh on its bottom line in the near term. Given the company's diverse presence, forex woes may hurt its performance.

Data Overview

52 Week High-Low	\$95.00 - \$57.45
20 Day Average Volume (sh)	813,474
Market Cap	\$10.6 B
YTD Price Change	36.6%
Beta	0.99
Dividend / Div Yld	\$1.20 / 1.3%
Industry	Pollution Control
Zacks Industry Rank	Top 25% (60 out of 243)

Last EPS Surprise	1.1%
Last Sales Surprise	1.3%
EPS F1 Est- 4 week change	0.7%
Expected Report Date	02/26/2026
Earnings ESP	0.2%

P/E TTM	24.3
P/E F1	22.7
PEG F1	2.4
P/S TTM	2.9

Price, Consensus & Surprise⁽¹⁾



Sales and EPS Growth Rates (Y/Y %)⁽¹⁾



Sales Estimates (millions of \$)⁽¹⁾

	Q1	Q2	Q3	Q4	Annual*
2027					3,984 E
2026	935 A	898 E	974 E	1,014 E	3,822 E
2025	900 A	870 A	940 A	981 A	3,691 A

EPS Estimates⁽¹⁾

	Q1	Q2	Q3	Q4	Annual*
2027					4.43 E
2026	0.94 A	0.90 E	1.06 E	1.16 E	4.05 E
2025	0.83 A	0.83 A	0.99 A	1.03 A	3.68 A

*Quarterly figures may not add up to annual.

(1) The data in the charts and tables, including the Zacks Consensus EPS and sales estimates, is as of 12/18/2025.

(2) The report's text and the price target are as of 11/11/2025.

Overview

Headquartered in Bloomington, MN, Donaldson Company, Inc. is engaged in the manufacturing and selling of filtration systems and replacement parts across the world. It was founded in 1915.

Leading filtration technology, strong customer relationships and solid presence across diverse geographies are the company's three core strengths. On a geographical basis, it has operations in the United States and Canada (42.7% of fiscal 2024 net revenues), Europe, Middle East and Africa (29.4%), Asia Pacific (APAC) (17.7%) and Latin America (10.2%). Exiting fiscal 2023, the company had an employee base of 13,000 people.

Donaldson currently has three reportable segments:

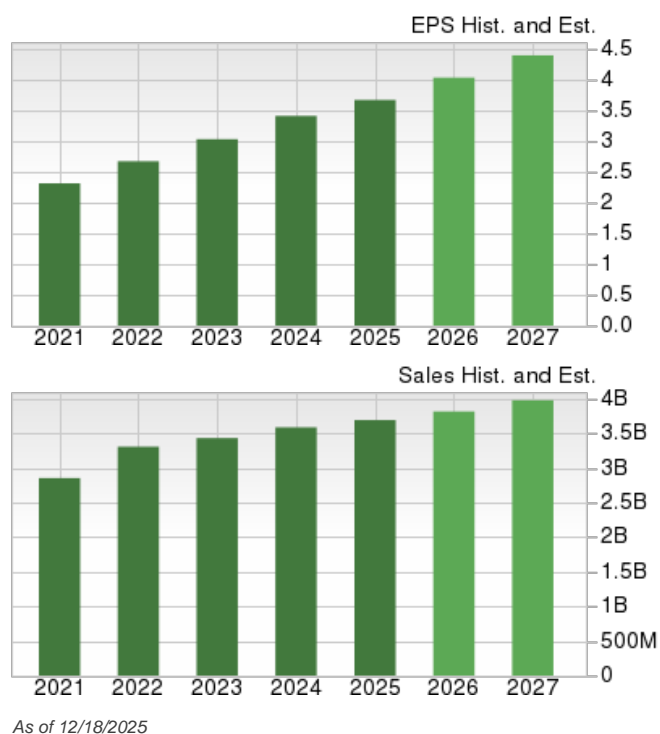
Mobile Solutions Segment (accounted for 62.8% of net sales in fiscal 2024): The Mobile Solutions segment is organized based on a combination of customers and products and consists of the Off-Road, On-Road and Aftermarket business units. Within these business units, products consist of replacement filters for both air and liquid filtration applications as well as exhaust and emissions.

Mobile Solutions sells to original equipment manufacturers (OEMs) in the construction, mining, agriculture and transportation end markets and to independent distributors, OEM dealer networks, private label accounts and large fleets.

Industrial Solutions Segment (29.7%): The segment is organized based on product type and consists of the Industrial Filtration Solutions (IFS) and Aerospace and Defense business units. Within the IFS business unit, products consist of dust, fume and mist collectors, compressed air purification systems, air filtration systems for gas turbines and hydraulic applications as well as gas and liquid filtration for industrial processes.

Aerospace and Defense products consist of air, fuel and lube filtration sold to the aerospace fixed-wing, rotorcraft and defense ground vehicle industries.

Life Sciences Segment (7.5%): The Life Sciences segment consists of micro-environment gas and liquid filtration for food, beverage and industrial processes, bioprocessing equipment, including bioreactors and fermenters as well as specialized air and gas filtration systems for applications including hard disk drives, semiconductor manufacturing, sensors, indicators and monitoring systems.



Reasons To Buy:

- ▲ Donaldson is poised to benefit from the **diversified business structure** that enables it to mitigate the adverse impacts of weakness in one end market with strength across others. The company has a presence in several end markets, including mining, construction, agriculture, food & beverage, aerospace & defense and transportation. Also, its robust product portfolio, consisting of replacement filters for air and liquid filtration applications, dust, fume and mist collectors, compressed air and industrial gases purification systems, hydraulic and lubricated rotating equipment applications and liquid filtration for industrial processes, augurs well for the company's short-term stability and long-term growth.
- ▲ Donaldson is gaining from the **strong performance of the Mobile Solutions, Industrial Solutions and Life Sciences segments**. The Mobile Solutions segment is benefiting from higher volume in the aftermarket business, driven by positive market trends and the impact of expanded market share. Signs of recovery in the off-road business, owing to increased demand in agriculture markets, also bode well. In fiscal 2025, the segment's sales increased 1.8% year over year. The Industrial Solutions segment is driven by strength in the Industrial Filtration Solutions business. Growth in demand for new dust collection equipment in the United States and Europe and power generation project timing are driving the segment's performance. Also, strength in the aerospace and defense business, driven by solid momentum in the commercial aerospace market due to increased demand for new equipment, bodes well. However, the decline of orders in defense markets due to the completion of large projects remains concerning for the segment. The segment's sales increased 3.6% year over year in the fiscal year. An increase in demand for disk drives and food & beverage products in the Asia Pacific region is boosting the Life Sciences segment. The segment's sales rose 9.8% year over year in the fiscal year. Driven by strength across the businesses, Donaldson expects the company's sales to increase 1-3% in fiscal 2025 from the prior-year level.
- ▲ **Acquisitions** have been Donaldson's preferred mode of business expansion to date. In August 2024, Donaldson completed the acquisition of a 49% minority stake in Medica S.p.A. The inclusion of Medica's technology and expertise in filtration products will enable the company to penetrate new markets and diversify its offerings in the medical device and water purification sectors. In June 2023, the company acquired Univercells Technologies, expanding its growing offering in the life sciences industry. Univercells will be added to Donaldson's Life Sciences segment. The company acquired Isolere Bio in February 2023. The Isolere buyout enabled Donaldson to create leading separation and filtration solutions for emerging genetically based drugs and Isolere's revenues are reported within the Donaldson Life Sciences segment.
- ▲ Donaldson is committed to rewarding its shareholders handsomely through **dividends and share buybacks**. Dividend payments totaled \$131.9 million in fiscal 2025 and \$122.8 million in fiscal 2024. The company bought back shares worth \$333.6 million in fiscal 2025 and \$162.7 million in fiscal 2024. It is worth noting that its quarterly dividend was hiked 11.1% to 30 cents per share in May 2025. The company has raised its dividend for 29 consecutive years. In November 2023, its board of directors approved a new repurchase program, authorizing it to repurchase up to 12 million shares of its common stock. The new repurchase program replaced the previous one, which was approved in 2019. For fiscal 2026, Donaldson aims to repurchase 2%-3% of its outstanding shares.

Strength in Mobile Solutions, Industrial Solutions and Life Sciences segments and acquisitions are aiding Donaldson. Handsome rewards to shareholders add to its appeal.

Reasons To Sell:

- ▼ Donaldson has been witnessing **weakness in the on-road business**. Lower levels of global truck production, owing to softness in industrial markets, are affecting the company's on-road business. In fiscal 2025, the on-road business' sales declined 20.9% on a year-over-year basis. This weakness is expected to persist in the near term and hurt the company's performance. The persistence of tariff-related concerns, particularly for steel and aluminum, might also inflate costs and delay the delivery of products to its customers.
- ▼ The company has been dealing with the adverse impacts of **high costs and expenses**. Increasing manufacturing costs are pushing up the cost of sales, which increased 4% year over year to \$2.40 billion in fiscal 2025 and 1.8% to \$2.31 billion in fiscal 2024. The impact of these expenditures is evident in the rise of the cost of sales as a percentage of total revenues (in fiscal 2025), which climbed 100 basis points to reach 65.2%. Also, the overall operating expenses increased 8.3% year over year to \$790.8 million in fiscal 2025 and 7.3% year over year to \$730.3 million in fiscal 2024. The metric, as a percentage of total revenues (in fiscal 2025), increased 100 basis points to 21.4%. For fiscal 2025, we expect continued pressure from rising selling, general and administrative expenses to partially dent the company's bottom line.
- ▼ Donaldson intends to become more competent on the back of overseas business expansion. It has operations in the United States and Canada; Europe, the Middle East, and Africa; the Asia Pacific and Latin America. However, this exposes the company to several economic, political and environmental headwinds as well as movement in **foreign currencies**.
- ▼ Donaldson's operation can be impacted due to **supply-chain disruptions**. The company utilizes a variety of raw materials and components in its businesses and depends on others for the uninterrupted supply of raw materials at reasonable rates. It needs to adjust the prices of its products and services based on any changes in input prices, which might compromise the competitive position of its products and services.

Weakness in on-road business, rising costs and foreign currency woes are concerning for the company.

Last Earnings Report

Donaldson's Q4 Earnings Beat Estimates, Sales Increase Y/Y

Donaldson reported fourth-quarter fiscal 2025 (ended July 31, 2025) adjusted earnings of \$1.03 per share, which beat the Zacks Consensus Estimate of \$1.02. The bottom line increased 9.6% year over year. In fiscal 2025, the company's adjusted earnings were \$3.68 per share, up 7.6% year over year.

Revenue Results

Total revenues of \$981 million beat the Zacks Consensus Estimate of \$954 million. The top line increased 4.8% year over year (up 2.9% at constant currency).

Region-wise, Donaldson's net sales in the United States/Canada increased 0.7% year over year. The metric increased 12.3% year over year in Europe, the Middle East and Africa, and decreased 0.7% in Latin America. Also, net sales in the Asia Pacific improved 6.6%.

In fiscal 2025, the company reported net revenues of \$3.7 billion, which increased 2.9% year over year.

Donaldson reports revenues under three segments, namely Mobile Solutions, Industrial Solutions and Life Sciences.

A brief snapshot of segmental sales is provided below.

The Mobile Solutions segment's (accounting for 60% of net sales) sales were \$588.4 million, indicating a year-over-year increase of 2%. Sales rose 5% in Off-Road and decreased 20% in On-Road businesses during the quarter. Aftermarket sales improved 3% year over year.

Revenues generated from the Industrial Solutions segment (31.6%) were \$309.8 million, up 8% year over year. Industrial Filtration Solutions' sales increased 11% year over year. Sales decline of 6% in the Aerospace and Defense businesses affected the results.

Revenues generated from the Life Sciences segment (8.4%) were \$82.4 million, up 14% year over year. The results benefited from an increase in new equipment and replacement part sales in the food and beverage business.

Donaldson's Margin Profile

In the fiscal fourth quarter, Donaldson's cost of sales increased 6.9% year over year to \$641.9 million. Gross profit declined 1.2% to \$338.8 million. The gross margin of 34.5% declined 130 basis points, due to tariff-related inflation and related inventory valuation headwinds.

Operating expenses declined 0.8% year over year to \$187.1 million. Operating profit increased 3.8% to \$151.7 million. The operating margin was 15.5%, down 10 bps year over year.

The effective tax rate was 23.6% compared with 21.3% in the year-ago quarter.

Balance Sheet & Cash Flow

Exiting the fiscal fourth quarter, Donaldson's cash and cash equivalents were \$180.4 million compared with \$232.7 million in the fourth quarter of fiscal 2024. Long-term debt was \$630.4 million compared with \$483.4 million in the fourth quarter of fiscal 2024.

In fiscal 2025, the company generated net cash of \$418.8 million from operating activities, indicating a decrease of 15% year over year. Capital expenditure (net) totaled \$76.8 million compared with \$84.9 million in the year-ago fiscal period. Free cash flow decreased 16.1% to \$342.0 million. In the same time frame, management repaid a long-term debt of \$265 million.

It used \$465 million to repurchase stocks and \$95 million to pay out dividends during fiscal 2025.

Donaldson's FY26 Outlook

For fiscal 2026 (ending July 2026), Donaldson expects adjusted earnings per share (EPS) to be in the range of \$3.92-\$4.08 compared with \$3.68 in fiscal 2025. Sales are anticipated to increase 1- 5% from the fiscal 2025 level. Positive pricing is projected to have an accretive impact of 1%.

On a segmental basis, Mobile Solutions' sales are expected to be flat to increase 4% from the fiscal 2025 level. Industrial Solutions' sales are envisioned to jump in the range of 2-6% from the year-ago figure. The company forecasts its Life Sciences segment's sales to increase in the low single-digit range.

Interest expenses are predicted to be approximately \$22-\$23 million, while other income is projected to be in the range of \$14-\$18 million. The effective tax rate is anticipated to be between 23.5% and 25.5%.

Capital expenditure is expected to be between \$65 million and \$85 million. Free cash flow conversion is anticipated to be in the range of 85-95%.

FY Quarter Ending 7/31/2025

Earnings Reporting Date	Dec 04, 2025
Sales Surprise	1.26%
EPS Surprise	1.08%
Quarterly EPS	0.94
Annual EPS (TTM)	3.79

Recent News

Dividend Update — Jul 25, 2025

Donaldson's board of directors approved a quarterly cash dividend of 30 cents per share, payable to shareholders on Aug 27, 2025, of record as of Aug 12, 2025.

The company hiked its quarterly dividend by 11.1% in May 2025.

Valuation

Donaldson's shares are up 30.4% and 13.3% in the year-to-date period and over the trailing 12-month period respectively. Stocks in the Zacks sub-industry are up 7.2% in the year-to-date period, while those in the Zacks Industrial Products sector are up 6.1%. Over the past year, the Zacks sub-industry is down 8.2%, while the sector is down 1.6%.

The S&P 500 index is up 16.1% and up 14.5% in the year-to-date period and over the past year respectively.

The stock is currently trading at 21.29X forward 12-month price-to-earnings, which compares to 20.69X for the Zacks sub-industry, 20.19X for the Zacks sector and 23.30X for the S&P 500 Index.

Over the past five years, the stock has traded as high as 29.01X and as low as 15.29X, with a 5-year median of 19.77X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our price target of \$93 reflects 22.35X forward 12-month earnings.

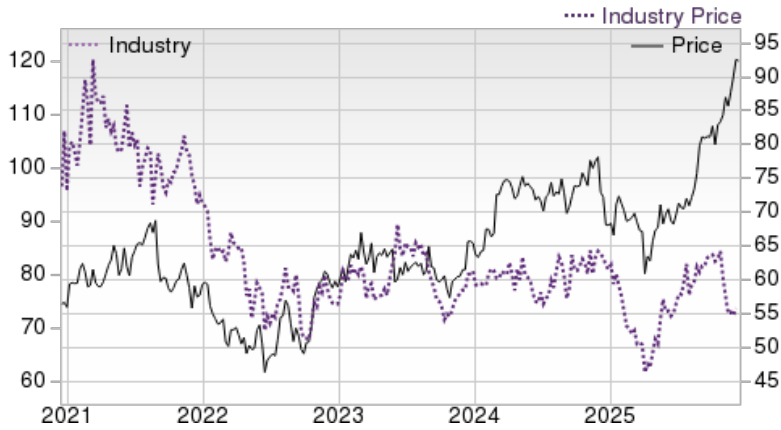
The table below shows summary valuation data for DCI

Valuation Multiples - DCI					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	21.29	20.69	20.19	23.3
	5-Year High	29.01	29.71	22.98	23.81
	5-Year Low	15.29	17.52	13.33	15.73
	5-Year Median	19.77	22.35	18.14	21.2
P/Sales F12M	Current	2.64	2.1	4.08	5.31
	5-Year High	2.97	2.6	4.17	5.52
	5-Year Low	1.64	1.59	2.3	3.84
	5-Year Median	2.21	2.07	3.12	5.06

As of 11/10/2025

Source: Zacks Investment Research

Industry Analysis⁽¹⁾ Zacks Industry Rank: Top 25% (60 out of 243)



Top Peers⁽¹⁾

Company (Ticker)	Rec	Rank
Kennametal Inc. (KMT)	Outperform	1
CECO Environmental C...(CECO)	Neutral	3
Casella Waste System...(CWST)	Neutral	3
Energy Recovery, Inc...(ERII)	Neutral	3
Nordson Corporation (NDSN)	Neutral	2
Roper Technologies, ...(ROP)	Neutral	3
Tetra Tech, Inc. (TTEK)	Neutral	2
Zebra Technologies C...(ZBRA)	Underperform	4

Industry Comparison⁽¹⁾ Industry: Pollution Control

	DCI	X Industry	S&P 500	CWST	KMT	TTEK
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Outperform	Neutral
Zacks Rank (Short Term)	2	-	-	3	1	2
VGM Score	B	-	-	B	C	B
Market Cap	10.61 B	49.10 M	38.81 B	6.39 B	2.16 B	9.00 B
# of Analysts	5	2	22	6	3	1
Dividend Yield	1.30%	0.00%	1.41%	0.00%	2.81%	0.75%
Value Score	C	-	-	C	C	C
Cash/Price	0.02	0.06	0.04	0.03	0.05	0.02
EV/EBITDA	16.33	-1.33	14.58	22.77	9.05	15.92
PEG Ratio	2.43	2.27	2.21	NA	4.01	NA
Price/Book (P/B)	7.00	1.85	3.30	4.07	1.63	5.09
Price/Cash Flow (P/CF)	17.74	20.71	15.05	20.01	8.98	15.10
P/E (F1)	22.71	22.73	19.66	89.87	21.11	23.32
Price/Sales (P/S)	2.85	2.74	3.08	3.56	1.09	1.65
Earnings Yield	4.40%	1.73%	5.02%	1.11%	4.75%	4.29%
Debt/Equity	0.44	0.14	0.57	0.72	0.45	0.43
Cash Flow (\$/share)	5.19	0.00	8.99	5.03	3.16	2.29
Growth Score	B	-	-	A	D	A
Hist. EPS Growth (3-5 yrs)	13.04%	13.04%	8.16%	2.68%	6.91%	19.09%
Proj. EPS Growth (F1/F0)	10.05%	51.83%	8.60%	-17.04%	0.75%	-5.13%
Curr. Cash Flow Growth	16.84%	16.84%	6.75%	41.32%	-5.18%	34.58%
Hist. Cash Flow Growth (3-5 yrs)	11.89%	11.89%	7.43%	21.02%	3.95%	20.22%
Current Ratio	2.15	1.55	1.18	1.51	2.60	1.18
Debt/Capital	30.69%	25.54%	38.01%	41.73%	31.05%	30.01%
Net Margin	10.25%	0.23%	12.78%	0.85%	4.76%	4.55%
Return on Equity	30.24%	0.50%	17.00%	5.63%	8.35%	25.79%
Sales/Assets	1.25	0.65	0.53	0.55	0.79	1.28
Proj. Sales Growth (F1/F0)	3.50%	1.77%	5.79%	18.00%	4.30%	-10.20%
Momentum Score	C	-	-	C	B	F
Daily Price Chg	1.60%	0.00%	0.79%	1.16%	-0.25%	-0.09%
1 Week Price Chg	-0.18%	0.00%	-1.83%	4.74%	5.31%	1.23%
4 Week Price Chg	8.26%	0.00%	3.61%	8.14%	11.36%	-1.93%
12 Week Price Chg	14.93%	-1.37%	2.57%	14.03%	36.42%	4.26%
52 Week Price Chg	34.72%	5.17%	15.47%	-4.55%	13.81%	-14.37%
20 Day Average Volume	813,474	97,519	2,770,348	899,749	783,035	2,347,994
(F1) EPS Est 1 week change	0.10%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	0.75%	0.00%	0.00%	1.28%	0.00%	0.00%
(F1) EPS Est 12 week change	0.82%	0.82%	0.69%	10.11%	31.48%	1.37%
(Q1) EPS Est Mthly Chg	-1.75%	0.00%	0.00%	-0.53%	0.00%	0.00%

Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we have an excellent balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	C
Growth Score	B
Momentum Score	C
VGM Score	B

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

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