



Mondelez International (MDLZ)

Updated August 2nd, 2021 by Kay Ng

Key Metrics

Current Price:	\$63	5 Year CAGR Estimate:	7.9%	Market Cap:	\$89B
Fair Value Price:	\$57	5 Year Growth Estimate:	8.0%	Ex-Dividend Date:	09/29/21
% Fair Value:	111%	5 Year Valuation Multiple Estimate:	-2.1%	Dividend Payment Date:	09/30/21
Dividend Yield:	2.2%	5 Year Price Target	\$84	Years Of Dividend Growth:	7
Dividend Risk Score:	B	Retirement Suitability Score:	C	Last Dividend Increase:	11.1%

Overview & Current Events

Mondelez was formed in 1989 as a result of the merger between Philip Morris and General Foods Corp. The company has undergone a slew of mergers and spinoffs since that time, including its North American grocery business, which was called Kraft Foods. That unit is now part of Kraft Heinz (KHC) and the remainder of the business is what we know as Mondelez today. The global food processor has more than \$26 billion in annual revenue. The 2020 revenue diversification is as follows: 38% in Europe, 31% in North America, 22% in Asia, Middle East, and Africa, 9% in Latin America.

Mondelez reported Q2 results on 07/27/2021 with a strong rebound in Latin America. For the quarter, net revenue climbed 12.4% year-over-year, driven by organic revenue growth of 6.2%, favorable currency, and acquisitions. In Q2, the net revenue growth of 30.9% was the strongest in Latin America, followed by 17.4% in Asia, Middle East & Africa, then Europe's 15.7% against Q2 2021, supported by decent organic net revenue growth of 16.5% in emerging markets. Adjusted earnings per share ("EPS") rose 8.2% (and 1.6% on a constant currency basis) to \$0.66 for the quarter.

Results from the first half of the year show a more normalized picture. Net revenue growth of 10.0% to \$13.9 billion, helped by 5.0% organic revenue growth. Adjusted EPS climbed 14.1% (and 8.6% on a constant currency basis) to \$1.46.

Mondelez increased its 2021 guidance to 4% organic net revenue growth, high single-digit % adjusted EPS growth on a constant currency basis, and free cash flow of more than \$3 billion. We maintain our 2021 EPS estimate of \$2.85. The company also increased its dividend by 11.1%.

Growth on a Per-Share Basis

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2026
EPS	\$2.29	\$1.40	\$1.51	\$1.76	\$1.75	\$1.94	\$2.14	\$2.43	\$2.47	\$2.59	\$2.85	\$4.19
DPS	\$1.16	\$1.16	\$0.53	\$0.57	\$0.62	\$0.70	\$0.79	\$0.96	\$1.09	\$1.20	\$1.40	\$2.06
Shares¹	1,768	1,778	1,705	1,664	1,580	1,528	1,488	1,470	1,453	1,439	1,416	1,313

Mondelez spun off Kraft Foods in 2012 so results prior to that time and after are not necessarily comparable. However, since the spinoff, Mondelez has seen steady growth – an EPS growth rate of nearly 8%. Generally, it employs buybacks, creating a tailwind to long-term total returns. It paused the stock buyback program during the pandemic but has since resumed it in November 2020. In addition to that growth catalyst, Mondelez' revenue tends to grow organically.

Revenue is the primary driver of earnings growth with margins remaining steady in normal market conditions. Again, in normal market conditions, emerging markets are usually key areas of growth with organic net revenue growth in the high single digits versus the low single-digit growth at the company's developed markets. As the world economies are recovering from the pandemic impacts, emerging markets are seeing greater growth. A weaker U.S. dollar to other currencies also boost results. We estimate a five-year growth rate of 8% assuming the U.S. dollar will normalize its strength against other currencies over time and that international markets will be a growth driven in a more normalized economic environment. We see the dividend continuing a nice pace of growth that matches its earnings growth. That

¹ Estimated dividend dates; Shares in millions.

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should keep the payout ratio roughly congruent with today and allow Mondelez to continue to buy back shares as it sees fit, boosting EPS growth and total returns in the long run.

Valuation Analysis

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Now	2026
Avg. P/E	14.8	23.9	20.4	20.4	23.3	22.1	20.3	17.4	19.4	21.2	22.3	20.0
Avg. Yld.	3.4%	3.5%	1.7%	1.6%	1.5%	1.6%	1.8%	2.3%	2.3%	2.2%	2.2%	2.5%

Mondelez is not the income stock it was before the Kraft spinoff. It has demonstrated its ability to spur organic growth from its international strategy. Its price-to-earnings ratio of 22.3 indicates the stock is a little pricey, as we estimate a fair valuation of 20. The forward yield of 2.2% is quite low, but we see continued stable dividend growth led by Mondelez's decent organic growth in the long haul.

Safety, Quality, Competitive Advantage, & Recession Resiliency

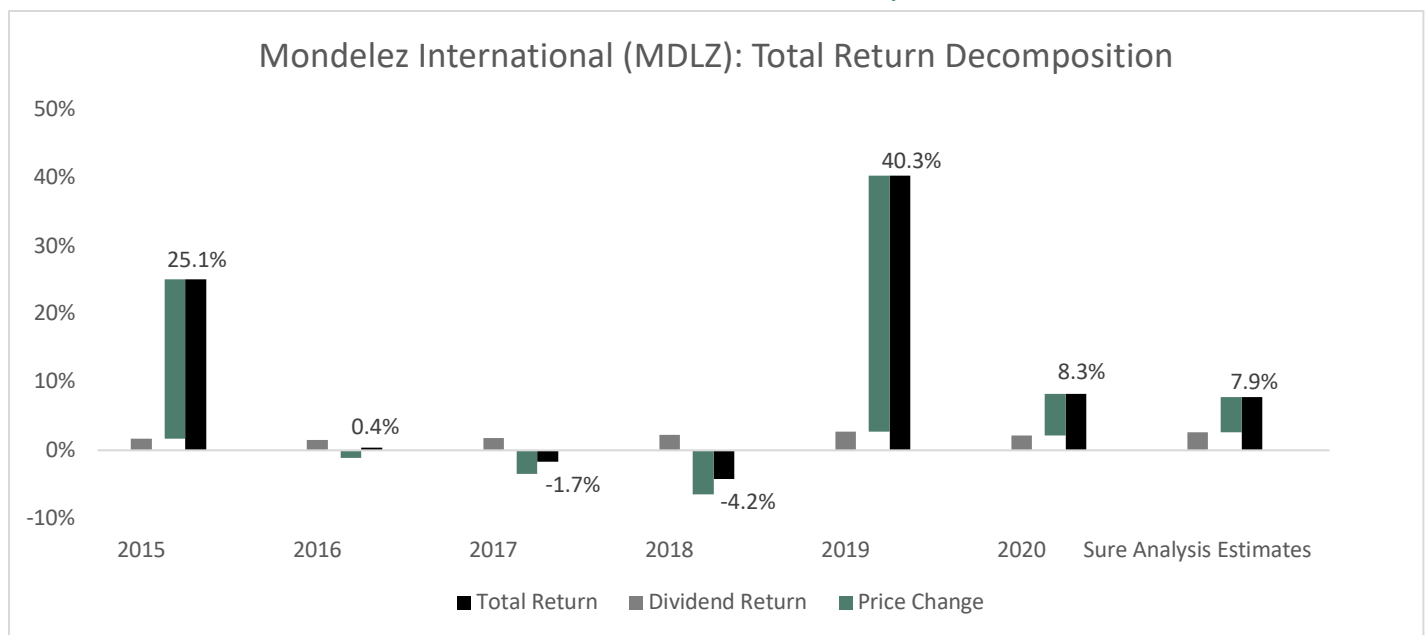
Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2026
Payout	51%	83%	35%	32%	35%	36%	37%	40%	44%	46%	49%	49%

Mondelez' dividend payout ratio is about 50% of earnings today. The payout is safe, so we don't expect a dividend cut to be a material risk, even in a recession. Given Mondelez's operating history and the consumer staple products it sells, it should be resilient to recessions. Its competitive advantages include its broad assortment of consumer favorites as well as its diverse distribution base and global supply chain. Mondelez is a true market leader in processed foods worldwide.

Final Thoughts & Recommendation

Mondelez stock is a little expensive. We expect total annual returns of 7.9% for the next five years, consisting of a forward 2.2% yield, a -2.1% headwind from a small P/E compression, and 8% earnings growth. We rate Mondelez a hold at current prices and a buy on meaningful dips.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenue	35810	35015	35299	34244	29636	25923	25896	25938	25868	26581
Gross Profit	13100	13076	13110	12597	11512	10104	10034	10352	10337	10446
Gross Margin	36.6%	37.3%	37.1%	36.8%	38.8%	39.0%	38.7%	39.9%	40.0%	39.3%
SG&A Exp.	9382	9176	8679	8457	7577	6546	5938	6475	6136	6098
D&A Exp.	1485	1345	1077	1059	894	823	816	811	1047	1116
Operating Profit	3493	3683	4214	3934	3754	3382	3918	3701	4027	4154
Operating Margin	9.8%	10.5%	11.9%	11.5%	12.7%	13.0%	15.1%	14.3%	15.6%	15.6%
Net Profit	3554	3067	3915	2184	7267	1635	2828	3317	3929	3555
Net Margin	9.9%	8.8%	11.1%	6.4%	24.5%	6.3%	10.9%	12.8%	15.2%	13.4%
Free Cash Flow	2749	2313	4788	1920	2214	1614	1579	2853	3040	3101
Income Tax	116	168	60	353	593	114	666	773	2	1224

Balance Sheet Metrics

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total Assets	93837	75477	72515	66771	62843	61538	62957	62729	64515	67810
Cash & Equivalents	1974	4475	2622	1631	1870	1741	761	1100	1291	3619
Accounts Receivable	6361	6129	4463	3802	2634	2611	2691	2262	2212	2297
Inventories	5706	3741	3743	3480	2609	2469	2557	2592	2546	2647
Goodwill & Int. Ass.	62483	48292	47591	43724	39432	38377	39724	38727	38805	40377
Total Liabilities	58509	43061	39983	38918	34743	36323	36883	37016	37198	40156
Accounts Payable	5525	4642	5345	5299	4890	5318	5705	5794	5853	6209
Long-Term Debt	26931	19425	17079	16656	15398	17199	17652	18372	18303	19790
Shareholder's Equity	35217	32276	32373	27750	28012	25161	25994	25637	27241	27578
D/E Ratio	0.76	0.60	0.53	0.60	0.55	0.68	0.68	0.72	0.67	0.72

Profitability & Per Share Metrics

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Return on Assets	3.8%	3.6%	5.3%	3.1%	11.2%	2.6%	4.5%	5.3%	6.2%	5.4%
Return on Equity	10.0%	9.1%	12.1%	7.3%	26.1%	6.1%	11.1%	12.8%	14.9%	13.0%
ROIC	5.6%	5.4%	7.7%	4.6%	16.5%	3.8%	6.6%	7.6%	8.8%	7.6%
Shares Out.	1768	1778	1705	1664	1580	1528	1488	1470	1453	1439
Revenue/Share	20.21	19.57	19.73	20.04	18.10	16.48	16.91	17.45	17.74	18.45
FCF/Share	1.55	1.29	2.68	1.12	1.35	1.03	1.03	1.92	2.09	2.15

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

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