



Kimberly-Clark Corporation (KMB)

Updated January 27th, 2024, by Josh Arnold

Key Metrics

| | | | | | |
|-----------------------------|-------|--|-------|----------------------------------|-----------------------|
| Current Price: | \$121 | 5 Year CAGR Estimate: | 8.8% | Market Cap: | \$41 B |
| Fair Value Price: | \$123 | 5 Year Growth Estimate: | 5.0% | Ex-Dividend Date: | 03/07/24 ¹ |
| % Fair Value: | 98% | 5 Year Valuation Multiple Estimate: | 0.4% | Dividend Payment Date: | 04/02/24 |
| Dividend Yield: | 4.0% | 5 Year Price Target | \$157 | Years Of Dividend Growth: | 52 |
| Dividend Risk Score: | B | Retirement Suitability Score: | A | Rating: | Hold |

Overview & Current Events

The Kimberly-Clark Corporation is a global consumer products company that operates in 175 countries and sells disposable consumer goods, including paper towels, diapers, and tissues. It operates through two segments that each house many popular brands: Personal Care Segment (*Huggies, Pull-Ups, Kotex, Depend, Poise*) and the Consumer Tissue segment (*Kleenex, Scott, Cottonelle, and Viva*), generating over \$20 billion in annual revenue. Kimberly-Clark trades with a market capitalization of \$41 billion and has increased its dividend for 52 consecutive years, making it a member of the extremely prestigious Dividend Kings.

Kimberly-Clark posted fourth quarter and full-year earnings on January 24th, 2024, and results were weaker than expected on both the top and bottom lines. Adjusted earnings-per-share came to \$1.51, which was three cents light of estimates. Revenue was flat year-over-year at \$4.97 billion, which missed estimates fractionally. Organic sales were up 3% during the quarter, attributable to a 2% gain in pricing and a 1% tailwind from favorable product mix. Organic sales were expected slightly higher at +3.1%.

Gross margin rose by 210bps to 34.9% of revenue, with higher net revenue realization, cost savings, and favorable input costs all contributing. Unfavorable currency impacts and higher manufacturing costs partially offset these tailwinds. On a dollar basis, gross margin rose 7% year-over-year, including \$50 million in cost savings and \$50 million in lower input costs. Operating profits fell by 6%, driven by \$170 million in unfavorable currency impacts.

The company boosted its dividend for the 52nd consecutive year, adding 3.4% to a new annualized payout of \$4.88 per share. We start 2024 with \$6.85 in estimated earnings-per-share.

Growth on a Per-Share Basis

| Year | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2029 |
|---------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------------|---------------|
| EPS | \$3.91 | \$2.77 | \$5.99 | \$6.23 | \$6.61 | \$6.89 | \$7.74 | \$6.18 | \$5.63 | \$6.57 | \$6.85 | \$8.74 |
| DPS | \$3.36 | \$3.52 | \$3.68 | \$3.88 | \$4.00 | \$4.12 | \$4.28 | \$4.56 | \$4.64 | \$4.72 | \$4.88 | \$5.92 |
| Shares² | 365 | 361 | 357 | 351 | 345 | 341 | 339 | 337 | 338 | 337 | 335 | 330 |

While Kimberly-Clark has not meaningfully grown its revenue for years, it has managed to grow its earnings-per-share thanks to share repurchases and its cost reduction programs. With operating margins rising steadily over time, increasing profitability is working to offset somewhat weak revenue numbers. Kimberly-Clark's management team has continuously extended this initiative, aiming for another \$1.5 billion of cumulative savings over the three-year period. This will be a primary growth driver in the upcoming years, particularly as revenue growth topped out after 2020 results. We expect 5% annual earnings growth in the years to come, as we expect volumes to remain largely steady. We note that the massive price increases the company has seen recently aren't sustainable, and the company is lapping a difficult period for pricing power in 2024, introducing a potential growth headwind.

¹ Estimated date

² Share count 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.



Kimberly-Clark Corporation (KMB)

Updated January 27th, 2024, by Josh Arnold

Management has publicly stated targets of mid-single-digit growth in adjusted earnings-per-share annually, -1% to +3% organic sales growth, and dividend growth in-line with earnings-per-share growth. The company's cost saving programs have worked nicely up to this point, but we note that there will be a point when returns from these cost cuts diminish.

We see the dividend rising from the current payout of \$4.88 to \$5.92 as the company continues with slow rates of earnings growth and a relatively high payout ratio.

Valuation Analysis

| Year | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | Now | 2029 |
|-----------|------|------|------|------|------|------|------|------|------|------|------|------|
| Avg. P/E | 28.1 | 40.6 | 21.2 | 19.9 | 16.7 | 18.8 | 18.3 | 21.7 | 24.1 | 18.5 | 17.7 | 18.0 |
| Avg. Yld. | 3.1% | 3.1% | 2.9% | 3.1% | 3.6% | 3.2% | 3.0% | 3.4% | 3.4% | 3.9% | 4.0% | 3.8% |

Excluding outlier years, Kimberly-Clark has traded at an average price-to-earnings ratio of about 18 over the last decade. This is in-line with its consumer staple dividend-paying stock competitors over the past few years and is higher than the current price-to-earnings multiple of 17.7. With the valuation below our estimate of fair value, we see a positive impact on total returns. The yield is 4.0%, which is elevated compared to most of the last decade. We forecast the yield falling over time as the valuation rises, driving the yield lower.

Safety, Quality, Competitive Advantage, & Recession Resiliency

| Year | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2029 |
|--------|------|------|------|------|------|------|------|------|------|------|------|------|
| Payout | 86% | 127% | 61% | 62% | 61% | 60% | 55% | 74% | 82% | 72% | 71% | 68% |

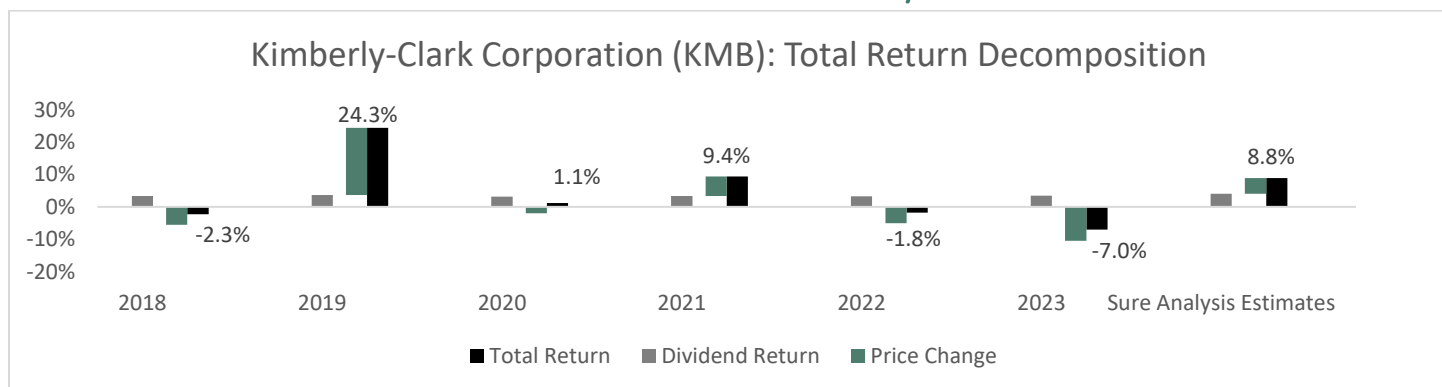
What stands out about Kimberly-Clark's quality metrics is its debt. The company maintains far more leverage than many of its peers in the large-capitalization dividend space. We believe its balance sheet is sound despite the high debt levels that it maintains; we also do not see any meaningful effort by management to reduce leverage at this point, particularly since so much of the company's cash is spent on the dividend payment.

Kimberly-Clark's competitive advantage is in its longstanding dominance with a variety of its brands, which are well known in the marketplace. It should also perform well during recessions as most of its products are consumable staples, which was evidenced during the COVID recession.

Final Thoughts & Recommendation

Kimberly-Clark's total return outlook has declined slightly since our last update. We forecast 8.8% total annual returns, consisting of the current 4% yield, 5% earnings growth and a 0.4% tailwind from the valuation. The stock earns high marks for its dividend history, current yield, and stability, but growth and valuation remain concerns. We reiterate the stock at a hold rating.

Total Return Breakdown by Year



[Click here to rate and review this research report. Your feedback is important to us.](#)

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.



Kimberly-Clark Corporation (KMB)

Updated January 27th, 2024, by Josh Arnold

Income Statement Metrics

| Year | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Revenue | 19,724 | 18,591 | 18,287 | 18,348 | 18,486 | 18,450 | 19,140 | 19,440 | 20,175 | 20,431 |
| Gross Profit | 6,683 | 6,624 | 6,691 | 6,587 | 5,597 | 6,035 | 6,822 | 5,988 | 6,219 | 7,032 |
| Gross Margin | 33.9% | 35.6% | 36.6% | 35.9% | 30.3% | 32.7% | 35.6% | 30.8% | 30.8% | 34.4% |
| SG&A Exp. | 3,709 | 3,443 | 3,300 | 3,202 | 3,367 | 3,254 | 3,632 | 3,399 | 3,581 | 3,961 |
| D&A Exp. | 862 | 746 | 705 | 724 | 882 | 917 | 796 | 766 | 754 | 753 |
| Operating Profit | 2,521 | 1,613 | 3,383 | 3,358 | 2,229 | 2,991 | 3,244 | 2,561 | 2,681 | 3,002 |
| Op. Margin | 12.8% | 8.7% | 18.5% | 18.3% | 12.1% | 16.2% | 16.9% | 13.2% | 13.3% | 14.7% |
| Net Profit | 1,526 | 1,013 | 2,166 | 2,278 | 1,410 | 2,157 | 2,352 | 1,814 | 1,934 | 1,764 |
| Net Margin | 7.7% | 5.4% | 11.8% | 12.4% | 7.6% | 11.7% | 12.3% | 9.3% | 9.6% | 8.6% |
| Free Cash Flow | 1,806 | 1,250 | 2,461 | 2,144 | 2,093 | 1,527 | 2,512 | 1,723 | 1,857 | 2,776 |
| Income Tax | 856 | 418 | 922 | 776 | 471 | 576 | 676 | 479 | 495 | 453 |

Balance Sheet Metrics

| Year | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|--------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Total Assets | 15,526 | 14,842 | 14,602 | 15,151 | 14,518 | 15,283 | 17,523 | 17,837 | 17,970 | 17,344 |
| Cash & Equivalents | 789 | 619 | 923 | 616 | 539 | 442 | 303 | 270 | 427 | 1,093 |
| Acc. Receivable | 2,079 | 2,017 | 2,077 | 2,203 | 2,050 | 2,131 | 2,132 | 2,207 | 2,280 | 2,135 |
| Inventories | 1,892 | 1,909 | 1,679 | 1,790 | 1,813 | 1,790 | 1,903 | 2,239 | 2,269 | 1,955 |
| Goodwill & Int. | 1,737 | 1,540 | 1,480 | 1,576 | 1,474 | 1,496 | 2,727 | 2,650 | 2,925 | 2,282 |
| Total Liabilities | 14,527 | 14,802 | 14,485 | 14,269 | 14,564 | 15,089 | 16,654 | 17,100 | 17,270 | 16,276 |
| Accounts Payable | 2,616 | 2,612 | 2,609 | 2,834 | 3,190 | 3,055 | 3,336 | 3,840 | 3,813 | 3,653 |
| Long-Term Debt | 6,956 | 7,775 | 7,572 | 7,425 | 7,455 | 7,747 | 8,364 | 8,574 | 8,422 | 7,984 |
| Total Equity | 729 | (174) | (102) | 629 | (287) | (33) | 626 | 514 | 547 | 915 |
| LTD/E Ratio | 9.54 | -44.68 | -74.24 | 11.80 | -25.98 | -234.8 | 13.36 | 16.68 | 15.40 | 8.73 |

Profitability & Per Share Metrics

| Year | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Return on Assets | 8.9% | 6.7% | 14.7% | 15.3% | 9.5% | 14.5% | 14.3% | 10.3% | 10.8% | 10.0% |
| Return on Equity | 54.6% | 365% | --- | 865% | 825% | --- | 793% | 318% | 365% | 241% |
| ROIC | 16.2% | 12.8% | 27.9% | 28.5% | 17.9% | 28.1% | 27.4% | 19.6% | 21.0% | 19.4% |
| Shares Out. | 365 | 361 | 357 | 351 | 345 | 341 | 339 | 337 | 338 | 339 |
| Revenue/Share | 52.26 | 50.75 | 50.56 | 51.55 | 52.88 | 53.39 | 55.88 | 57.38 | 59.64 | 60.30 |
| FCF/Share | 4.79 | 3.41 | 6.80 | 6.02 | 5.99 | 4.42 | 7.33 | 5.09 | 5.49 | 8.19 |

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

Disclaimer

Nothing presented herein is, or is intended to constitute, specific investment advice. Nothing in this research report should be construed as a recommendation to follow any investment strategy or allocation. Any forward-looking statements or forecasts are based on assumptions and actual results are expected to vary from any such statements or forecasts. No reliance should be placed on any such statements or forecasts when making any investment decision. While Sure Dividend has used reasonable efforts to obtain information from reliable sources, we make no representations or warranties as to the accuracy, reliability or completeness of third-party information presented herein. No guarantee of investment performance is being provided and no inference to the contrary should be made. There is a risk of loss from an investment in marketable securities. Past performance is not a guarantee of future performance.