Walker & Dunlop (WD)

Updated January 3rd, 2025 by Samuel Smith

Key Metrics

Current Price:	$96	**5 Year CAGR Estimate:**	8.5%	**Market Cap:**	$3.22B
Fair Value Price:	$80	**5 Year Growth Estimate:**	10.0%	**Ex-Dividend Date:**	02/28/25
% Fair Value:	120%	**5 Year Valuation Multiple Estimate:**	-3.6%	**Dividend Payment Date:**	03/15/25
Dividend Yield:	2.7%	**5 Year Price Target**	$129	**Years Of Dividend Growth:**	7
Dividend Risk Score:	F	**Retirement Suitability Score:**	F	**Rating:**	Hold

Overview & Current Events

Walker & Dunlop, Inc. (WD) is headquartered in Bethesda, Maryland and provides financing and advisory services for multifamily and commercial real estate across the United States. Operating through Capital Markets, Servicing & Asset Management, and Corporate segments, the company offers various loan products, including first mortgage, construction, mezzanine, and small-balance loans. It specializes in financing for multifamily, affordable, senior, and student housing through programs like Fannie Mae's DUS. Walker & Dunlop also acts as a debt broker, provides property sales brokerage, appraisals, investment banking, and market research services, and manages loans and third-party capital in tax credit equity funds. Founded in 1937, it has a long-standing presence in the real estate finance sector.

Walker & Dunlop delivered strong third quarter 2024 results, reflecting improving conditions in the commercial real estate market. Transaction volume surged 36% year-over-year to $11.6 billion, fueled by increased activity across property sales, debt brokerage, and government-sponsored enterprise (GSE) financing. Notably, property sales climbed 44% to $3.6 billion, and GSE loan volumes grew, with $3.5 billion closed in Q3. This robust performance led to a 33% rise in diluted earnings per share to $0.85.

The company highlighted its strategic focus on key growth areas, including affordable housing and technology-enabled businesses. HUD lending volumes grew over 200% to $272 million, making Walker & Dunlop the second-largest HUD multifamily lender in 2024. Meanwhile, initiatives like Apprise, a valuation technology platform, and Small Balance Lending demonstrated continued scalability, with revenues growing sequentially each quarter. Walker & Dunlop's servicing portfolio expanded to $134 billion, contributing stable recurring revenues. However, challenges within the credit risk portfolio persisted, with seven defaults totaling $60 million and additional reserves established. Despite these headwinds, management expressed confidence in the portfolio's resilience, citing strong underwriting standards and sufficient loss reserves.

Looking ahead, Walker & Dunlop anticipates continued momentum as it navigates a recovering market. Management expects growth in transaction volumes driven by pent-up demand, stabilized rates, and a resurgence in refinancing activity. The company reiterated its full-year guidance for mid-single to low-teens growth in adjusted EBITDA and adjusted core EPS. Walker & Dunlop remains well-positioned to capitalize on the new commercial real estate cycle, leveraging its expanded platform, strong GSE relationships, and innovative technology solutions.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
EPS	$1.61	$2.72	$3.79	$4.63	$4.30	$4.68	$6.65	$7.12	$4.96	$2.75	***$4.43***	***$7.15***
DPS	-	-	-	-	$1.00	$1.20	$1.44	$2.00	$2.40	$2.52	***$2.60***	***$3.50***
Shares	33.3	30.9	30.8	30.8	30.3	30.9	31.5	32.9	33.1	33.5	***33.8***	***35.0***

We forecast 10% annualized earnings per share growth over the next half-decade for Walker & Dunlop. The main growth drivers will likely be strategic acquisitions and employee hires, diversification into emerging sectors as it has done with single-family rentals and build-for-rent in the past, technology improvements to its services, and doubling down its focus on high-growth markets. That said, the company is also going to face its fair share of challenges in accomplishing its growth aims as the commercial real estate finance industry is highly competitive and the sector is pretty economically sensitive. In particular, commercial real estate is facing challenges due to the wall of debt maturing in the coming years that will have to be refinanced at materially higher interest rates.

Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/E	12.2	13.7	14.8	8.7	8.7	12.2	12.6	19.6	15.0	39.4	***21.7***	***18.0***
Avg. Yld.	NA	NA	NA	NA	2.7%	2.1%	1.7%	1.4%	3.2%	2.3%	***2.7%***	***2.7%***

Walker & Dunlop currently trades at 21.7 times its earnings, which seems pretty reasonable based on its recent history. That said, we think that the company's growth will slow over time as pressures from competition in the industry weigh on the company as well as the fact that its growing size will make it more difficult to sustain its growth rate. As a result, we think that over time, a lower valuation multiple of 18x will be warranted.

Safety, Quality, Competitive Advantage, & Recession Resiliency

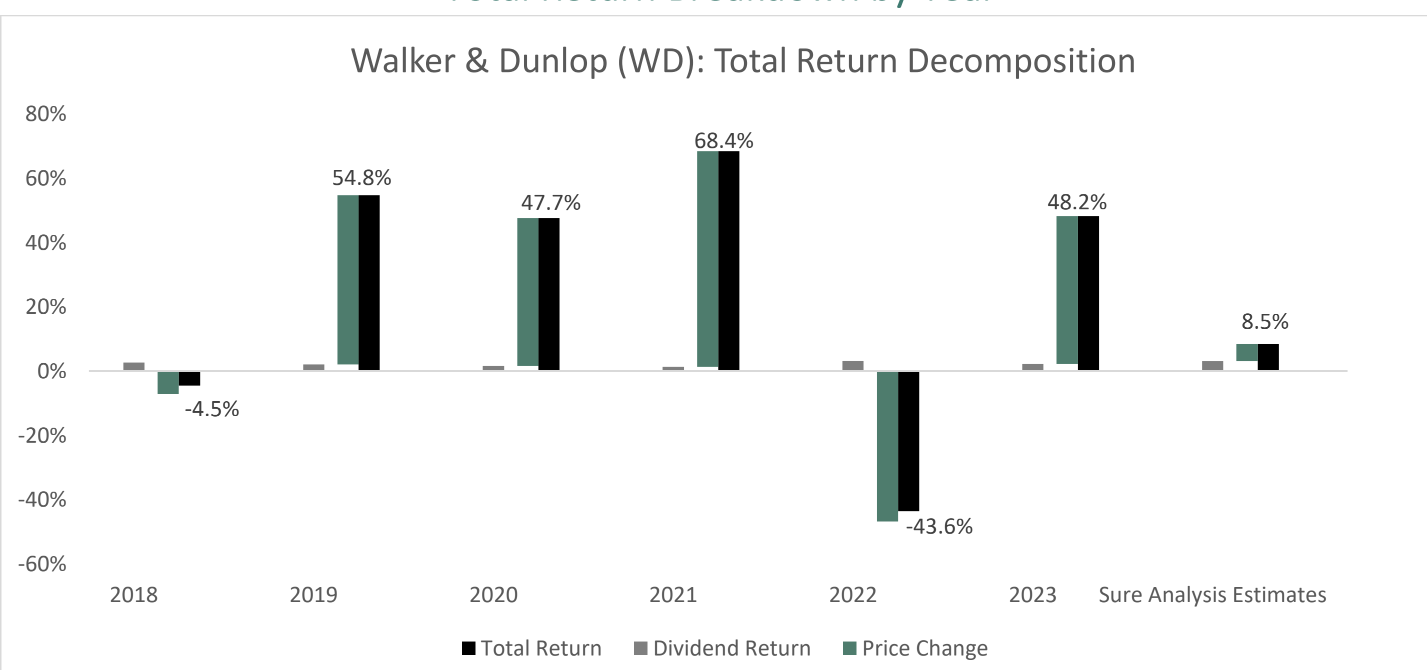
Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	56%	53%	58%	69%	23%	26%	22%	28%	48%	92%	***59%***	***49%***

Walker & Dunlop's competitive advantage is rooted in its comprehensive service offerings and strong relationships with government-sponsored enterprises (GSEs) like Fannie Mae and Freddie Mac. These partnerships enable the company to provide clients with a diverse range of financing solutions, enhancing its market position. Additionally, Walker & Dunlop's investments in technology and data analytics have streamlined operations and improved client services, further distinguishing it from competitors. That said, the company is far from recession-proof as a downturn in the commercial real estate market would likely weigh pretty heavily on the company.

Final Thoughts & Recommendation

We expect that strong growth alongside a decent dividend yield will be partially offset by some valuation multiple compression to result in 8.5% annualized total returns for Walker & Dunlop. As a result, we rate it a Hold.

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	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	361	468	575	712	725	817	1,084	1,259	1,259	1,054
Gross Profit	201	274	338	413	418	457	606	648	617	472
Gross Margin	55.7%	58.5%	58.7%	58.0%	57.6%	55.9%	56.0%	51.4%	49.0%	44.7%
SG&A Exp.	28	32	36	42	50	59	60	73	109	96
D&A Exp.	80	98	111	131	142	152	169	210	235	227
Operating Profit	84	135	186	234	213	230	330	359	251	138
Operating Margin	23.3%	28.9%	32.3%	32.8%	29.3%	28.2%	30.5%	28.5%	20.0%	13.1%
Net Profit	51	82	114	211	161	173	246	266	214	107
Net Margin	14.3%	17.5%	19.8%	29.7%	22.3%	21.2%	22.7%	21.1%	17.0%	10.2%
Free Cash Flow	(706)	(1,340)	757	1,062	59	423	(1,414)	861	1,561	(17)
Income Tax	32	53	71	22	52	57	84	86	56	35

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	2,009	3,515	3,052	2,208	2,782	2,675	4,651	5,206	4,045	4,052
Cash & Equivalents	113	137	119	191	90	121	321	306	226	329
Accounts Receivable	23	24	29	42	50	52	66	212	202	234
Goodwill & Int. Ass.	452	504	619	759	847	902	1,114	1,836	2,134	1,991
Total Liabilities	1,576	3,023	2,437	1,393	1,875	1,633	3,455	3,628	2,329	2,306
Accounts Payable	61	68	93	130						
Long-Term Debt	1,383	2,814	2,154	1,102	1,457	1,200	2,809	2,682	1,242	1,370
Shareholder's Equity	433	488	610	809	902	1,036	1,196	1,550	1,689	1,724
LTD/E Ratio	3.19	5.77	3.53	1.36	1.62	1.16	2.35	1.73	0.73	0.79

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	3.3%	3.0%	3.5%	8.0%	6.5%	6.4%	6.7%	5.4%	4.6%	2.7%
Return on Equity	12.3%	17.7%	20.6%	29.5%	18.7%	17.8%	22.0%	19.2%	13.0%	6.2%
ROIC	3.7%	3.2%	3.7%	9.0%	7.5%	7.5%	7.9%	6.4%	5.9%	3.5%
Shares Out.	33.3	30.9	30.8	30.8	30.3	30.9	31.5	32.9	33.1	33.5
Revenue/Share	11.06	15.13	18.84	22.68	23.11	26.52	34.86	39.93	38.51	32.07
FCF/Share	(21.63)	(43.30)	24.79	33.85	1.89	13.72	(45.50)	27.31	47.75	(0.51)

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