Curtiss-Wright Corporation (CW)

Updated February 17th, 2025 by Prakash Kolli

Key Metrics

Current Price:	$323	**5 Year CAGR Estimate:**	2.5%	**Market Cap:**	$12.17B
Fair Value Price:	$245	**5 Year Growth Estimate:**	8.0%	**Ex-Dividend Date:**	03/27/25
% Fair Value:	132%	**5 Year Valuation Multiple Estimate:**	-5.4%	**Dividend Payment Date:**	04/14/25
Dividend Yield:	0.3%	**5 Year Price Target**	$360	**Years Of Dividend Growth:**	8
Dividend Risk Score:	C	**Retirement Suitability Score:**	F	**Rating:**	Sell

Overview & Current Events

Curtiss-Wright is an industrial conglomerate founded in 1929. Its focus is engineered aviation and defense products, but it operates in other end markets. The company sells electronics, control systems, sensors, actuators, flight test instrumentation, computer modules, avionics, coolant pumps, motors, landing systems, turbines, generators, etc. The company operates in three segments: Aerospace & Industrial, Defense Electronics, and Naval & Power. Aerospace & Defense markets comprise 68% of sales, while Commercial markets are 32%. Total revenue was $3.1B in 2024.

Curtiss-Wright reported solid Q4 2024 results on February 12th, 2025. Revenue increased 5% to $824M from $786M, while adjusted diluted earnings per share rose 3% to $3.27 from $3.16 on a year-over-year basis. Diluted EPS fell to $3.09 from $3.11 on restructuring expenses. The top and bottom lines grew because of growth in two of the three segments and a record backlog. The Aerospace & Industrial segment revenue grew 5% to $251M from $238M in comparable periods on higher defense, commercial aerospace, but lower industrial sales. The Defense Electronics segment revenue declined 5% to $227M from $240M on lower ground and naval defense sales. The Naval & Power segment revenue increased 12% to $346M from $308M on greater naval, and power & process, and commercial nuclear aftermarket, but lower aerospace defense sales. Submarine and aircraft carrier programs are a tailwind for sales.

The firm has $939M in new orders, a 37% increase. The book-to-bill ratio was 1.1X. The total backlog is $3.4B, up 20%.

The company set 2025 guidance at 7% to 8% sales growth and adjusted diluted EPS to $12.10 to $12.40.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$3.74	$4.20	$5.03	$6.38	$7.27	$6.87	$7.34	$8.13	$9.38	$10.90	***$12.25***	***$18.00***
DPS	$0.52	$0.52	$0.56	$0.60	$0.66	$0.68	$0.71	$0.75	$0.79	$0.79	***$0.84***	***$1.07***
Shares[1]	47.6	45.1	44.8	44.3	43.0	42.0	40.6	38.7	38.5	38.4	***38.3***	***37.8***

Curtiss-Wrights' revenue has grown in the past decade driven by mainly organic growth and several acquisitions with some minor downturns in a few years. The company usually acquires another tuck-in business every year on average to enhance its product portfolio. The firm acquired Keronite and Safran Aerosystems Arresting Company in 2022, Pacific Star Communication in 2020, and 901D Holdings and Tactical Communications in 2019. This strategy has proven successful over time, and earnings per share has climbed annually except in 2020 without excessive leverage or a higher share count.

We are expecting revenue and earnings per share to grow at ~8% annually on average because of organic growth, periodic acquisitions, higher margins, and a lower share count.

The company is returning cash to shareholders by share repurchases and dividends. It has paid a dividend since 1989 and has an 8-year streak of increasing it. The payout ratio is extremely conservative at approximately 7%, leaving significant room for future growth. It also provides investor's confidence about the dividend safety in a cyclical industry. We conservatively estimate a ~5% growth rate per year, which is near the 5-year average.

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[1] Share count in millions.

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Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	17.5	22.6	23.5	15.6	18.9	16.7	18.7	20.4	23.7	32.6	***26.4***	***20.0***
Avg. Yld.	0.8%	0.5%	0.5%	0.6%	0.5%	0.6%	0.5%	0.5%	0.4%	0.2%	***0.3%***	***0.3%***

Curtis-Wright's share price is down since our last report because of investor pessimism and potential defense budget cuts. We set our fiscal year 2025 earnings estimate at the mid-point of guidance and accounting for solid execution. Our fair value multiple is 20X, which is slightly below the 5-year and 10-year averages, accounting for budget uncertainties. Our fair value estimate is now $245. Our 5-year price target is now $360.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	15%	14%	12%	11%	9%	9%	10%	10%	9%	8%	***7%***	***6%***

Curtiss-Wright's competitive advantage is its long history in the aerospace and defense markets. The firm also has advantages related to defense contracting, which often requires knowledge of acquisition regulations and accounting standards, particularly for large programs. The company develops and manufactures complex and bespoke systems for the DoD requiring a skilled work force with security clearances that is not easily replicated.

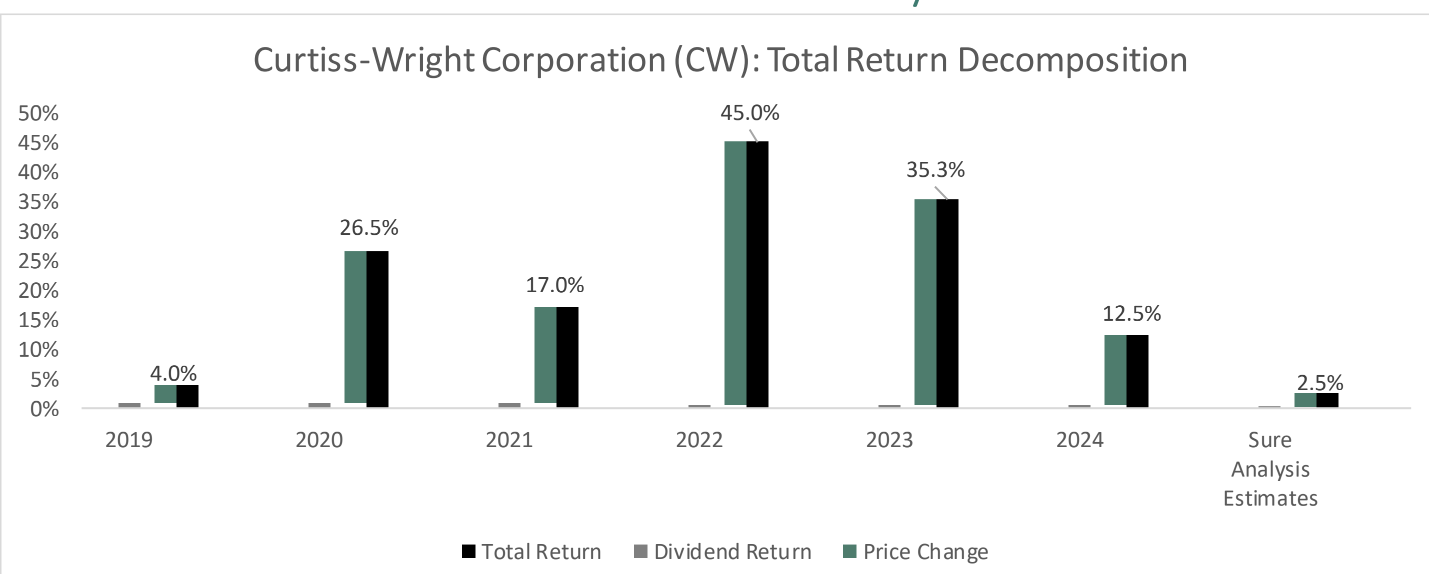
The company is not recession resistant. Its defense and naval portfolio are dependent on federal budgets and programs that can be cut. Also, commercial aviation and industrial markets are cyclical and can decline during recessions.

The company makes conservative use of debt. It has $90M in current long-term debt, and $958.9M of long-term debt that is offset by $385M of cash and equivalents. Interest coverage is about 12.8X, and the leverage ratio is about 1.2X.

Final Thoughts & Recommendation

At present, we are forecasting 2.5% annualized total return over the next five years from a dividend yield of 0.3%, 8% EPS growth, and -5.4% P/E multiple contraction. Curtis-Wright is performing well because of demand in its Aerospace and Naval & Power markets and operational execution. It is returning cash to shareholders through share repurchases and growing dividends supported by a conservative balance sheet. However, the current share price discounts much of the gains we envision over the next five years. We have maintained our sell 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	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	1,855	2,017	1,823	2,118	2,243	2,206	2,109	2,271	2,412	3,121
Gross Profit	606	657	612	736	777	783	735	801	871	1,154
Gross Margin	32.7%	32.6%	33.6%	34.7%	34.6%	35.5%	34.8%	35.3%	36.1%	37.0%
SG&A Exp.	385	408	377	435	426	412	379	414	433	519
D&A Exp.	80	88	94	121	119	101	96	100	103	108
Operating Profit	167	187	181	237	282	311	297	325	374	543
Operating Margin	9.0%	9.3%	9.9%	11.2%	12.6%	14.1%	14.1%	14.3%	15.5%	17.4%
Net Profit	102	126	114	138	113	145	187	215	276	405
Net Margin	5.5%	6.3%	6.2%	6.5%	5.1%	6.6%	8.9%	9.5%	11.4%	13.0%
Free Cash Flow	117	118	68	166	265	127	376	336	283	483
Income Tax	47	48	51	62	77	83	79	85	80	117

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	2,242	2,636	3,115	3,458	3,400	2,990	3,038	3,236	3,255	4,986
Cash & Equivalents	68	194	112	175	450	289	554	475	276	385
Accounts Receivable		362	396	438	358	430	335	356	383	480
Inventories	281	313	397	452	389	380	367	379	423	541
Goodwill	934	1,021	1,432	1,582	1,348	1,283	1,223	1,426	1,518	2,273
Total Liabilities	1,082	1,431	1,802	1,906	1,921	1,734	1,747	1,709	1,725	2,536
Accounts Payable	133	150	158	187	152	163	178	185	233	247
Long-Term Debt	397	586	880	960	954	953	966	814	763	1049
Shareholder's Equity	1,160	1,205	1,313	1,553	1,478	1,255	1,291	1,528	1,531	2,450
LTD/E Ratio	0.34	0.49	0.67	0.62	0.65	0.76	0.75	0.53	0.50	0.43

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	4.7%	5.2%	4.0%	4.2%	3.3%	4.6%	6.2%	6.9%	8.5%	8.4%
Return on Equity	9.3%	10.7%	9.0%	9.6%	7.5%	10.6%	14.7%	15.2%	18.0%	17.0%
ROIC	6.7%	7.5%	5.7%	5.9%	4.6%	6.3%	8.4%	9.3%	11.9%	11.8%
Shares Out.	47.6	45.0	44.8	44.3	43.0	42.0	40.6	38.6	38.5	38.4
Revenue/Share	40.04	42.90	38.46	44.21	45.71	46.32	46.82	50.74	54.42	81.34
FCF/Share	2.53	2.50	1.43	3.46	5.39	2.67	8.36	7.51	6.38	12.59

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