



Kimberly-Clark Corporation (KMB)

Updated February 1st, 2025, by Josh Arnold

Key Metrics

Current Price:	\$130	5 Year CAGR Estimate:	8.6%	Market Cap:	\$43 B
Fair Value Price:	\$135	5 Year Growth Estimate:	4.5%	Ex-Dividend Date:	03/07/25 ¹
% Fair Value:	96%	5 Year Valuation Multiple Estimate:	0.8%	Dividend Payment Date:	04/02/25
Dividend Yield:	3.9%	5 Year Price Target	\$168	Years Of Dividend Growth:	53
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 about \$20 billion in annual revenue. Kimberly-Clark trades with a market capitalization of \$43 billion and has increased its dividend for 53 consecutive years, making it a member of the extremely prestigious Dividend Kings.

Kimberly-Clark posted fourth quarter and full-year earnings on January 28th, 2025, and results were somewhat mixed again. Adjusted earnings-per-share came to \$1.50, missing estimates by a penny. Revenue was off 0.8% year-on-year to \$4.93 billion, but still beating estimates by \$70 million. Organic sales growth was 2.3% for the quarter with the balance of the move in revenue from forex translation and divestitures. Organic sales were driven by volume growth of 1.5%, which was the best performance of the year. Pricing increased 0.6%, and product mix added 0.1%. The company noted all segments grew volume during the quarter.

Adjusted gross margin was up 50 basis point year-on-year to 35.4% of sales, as productivity gains were partially offset by investments and manufacturing cost headwinds. Adjusted operating profit was up 2.1% while EPS fell by a penny.

Full-year cash from operations was \$3.2 billion, down from \$3.5 billion in 2023. The company's capex for the year was \$721 million, down from \$766 million.

Guidance for 2025 was cautious, so we're initiating this year at \$7.50 in estimated adjusted earnings-per-share. We note the strong US dollar is likely to be a meaningful headwind for the foreseeable future.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$2.77	\$5.99	\$6.23	\$6.61	\$6.89	\$7.74	\$6.18	\$5.63	\$6.57	\$7.30	\$7.50	\$9.35
DPS	\$3.52	\$3.68	\$3.88	\$4.00	\$4.12	\$4.28	\$4.56	\$4.64	\$4.72	\$4.88	\$5.04	\$6.12
Shares²	361	357	351	345	341	339	337	338	337	332	326	315

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 4.5% annual earnings growth in the years to come, as we expect volumes to remain largely steady over time. 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. The strong US dollar is another headwind for now.

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.



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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 \$5.04 to \$6.12 as the company continues with slow rates of earnings growth and a relatively high payout ratio.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	40.6	21.2	19.9	16.7	18.8	18.3	21.7	24.1	18.5	18.0	17.3	18.0
Avg. Yld.	3.1%	2.9%	3.1%	3.6%	3.2%	3.0%	3.4%	3.4%	3.9%	3.7%	3.9%	3.6%

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 but is higher than the current price-to-earnings multiple of 17.3. With the valuation below our estimate of fair value, we see a slightly positive impact on total returns. The yield is 3.9%, which is elevated versus most of the last decade. We forecast the yield slightly declining over time.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	127%	61%	62%	61%	60%	55%	74%	82%	72%	67%	67%	66%

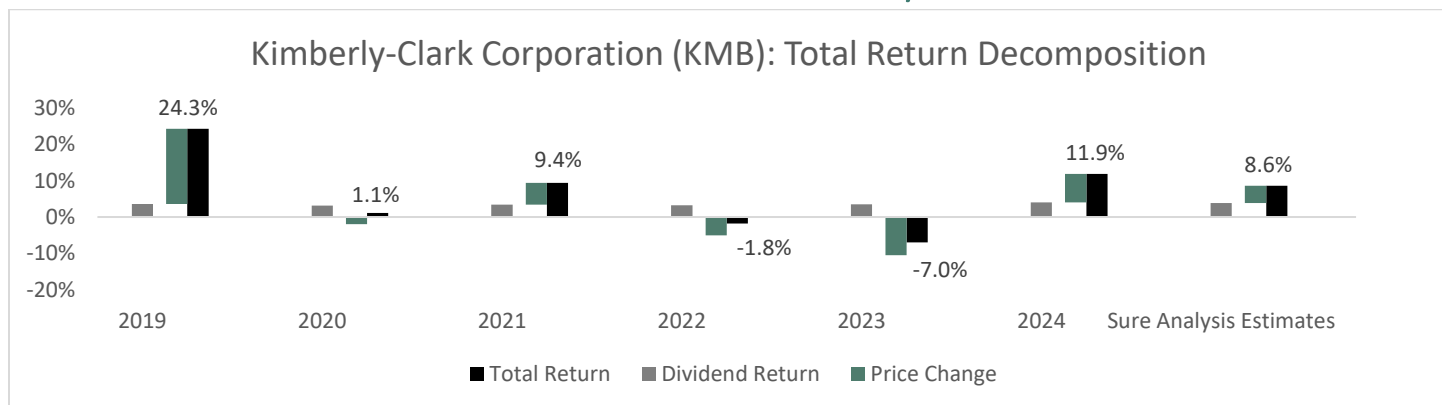
What stands out about Kimberly-Clark's quality metrics is its debt. The company maintains far more leverage than many of its peers in the large-capitalization dividend space. We believe its balance sheet is sound despite the high debt levels that it maintains; we also do not see any meaningful effort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

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 risen slightly since our last update. We forecast 8.6% total annual returns, consisting of the current 3.9% yield, 4.5% earnings growth and a 0.8% tailwind from the valuation. The stock earns high marks for its dividend history, current yield, and stability, but growth remains a concern. We reiterate the stock at a hold despite higher estimated total returns.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	18,591	18,287	18,348	18,486	18,450	19,140	19,440	20,175	20,431	20,058
Gross Profit	6,624	6,691	6,587	5,597	6,035	6,822	5,988	6,219	7,032	7,180
Gross Margin	35.6%	36.6%	35.9%	30.3%	32.7%	35.6%	30.8%	30.8%	34.4%	35.8%
SG&A Exp.	3,443	3,300	3,202	3,367	3,254	3,632	3,399	3,581	3,961	4,311
D&A Exp.	746	705	724	882	917	796	766	754	753	781
Operating Profit	1,613	3,383	3,358	2,229	2,991	3,244	2,561	2,681	3,002	3,307
Op. Margin	8.7%	18.5%	18.3%	12.1%	16.2%	16.9%	13.2%	13.3%	14.7%	16.5%
Net Profit	1,013	2,166	2,278	1,410	2,157	2,352	1,814	1,934	1,764	2,545
Net Margin	5.4%	11.8%	12.4%	7.6%	11.7%	12.3%	9.3%	9.6%	8.6%	12.7%
Free Cash Flow	1,250	2,461	2,144	2,093	1,527	2,512	1,723	1,857	2,776	2,513
Income Tax	418	922	776	471	576	676	479	495	453	565

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	14,842	14,602	15,151	14,518	15,283	17,523	17,837	17,970	17,344	16,546
Cash & Equivalents	619	923	616	539	442	303	270	427	1,093	1,021
Acc. Receivable	2,017	2,077	2,203	2,050	2,131	2,132	2,207	2,280	2,135	2,009
Inventories	1,909	1,679	1,790	1,813	1,790	1,903	2,239	2,269	1,955	1,822
Goodwill & Int.	1,540	1,480	1,576	1,474	1,496	2,727	2,650	2,925	2,282	2,051
Total Liabilities	14,802	14,485	14,269	14,564	15,089	16,654	17,100	17,270	16,276	15,571
Accounts Payable	2,612	2,609	2,834	3,190	3,055	3,336	3,840	3,813	3,653	3,715
Long-Term Debt	7,775	7,572	7,425	7,455	7,747	8,364	8,574	8,422	7,984	7,443
Total Equity	(174)	(102)	629	(287)	(33)	626	514	547	915	840
LTD/E Ratio	-44.68	-74.24	11.80	-25.98	-234.8	13.36	16.68	15.40	8.73	8.86

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	6.7%	14.7%	15.3%	9.5%	14.5%	14.3%	10.3%	10.8%	10.0%	15.0%
Return on Equity	365%	---	865%	825%	---	793%	318%	365%	241%	249%
ROIC	12.8%	27.9%	28.5%	17.9%	28.1%	27.4%	19.6%	21.0%	19.4%	29.1%
Shares Out.	361	357	351	345	341	339	337	338	339	337
Revenue/Share	50.75	50.56	51.55	52.88	53.39	55.88	57.38	59.64	60.30	59.52
FCF/Share	3.41	6.80	6.02	5.99	4.42	7.33	5.09	5.49	8.19	7.46

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

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