Kenvue Inc. (KVUE)

Updated February 12th, 2025 by Nathan Parsh

Key Metrics

Current Price:	$20.82	**5 Year CAGR Estimate:**	2.1%	**Market Cap:**	$40 B
Fair Value Price:	$16.10	**5 Year Growth Estimate:**	3.0%	**Ex-Dividend Date:**	02/12/25
% Fair Value:	129%	**5 Year Valuation Multiple Estimate:**	-5.0%	**Dividend Payment Date:**	02/26/25
Dividend Yield:	3.9%	**5 Year Price Target**	$19	**Years Of Dividend Growth:**	62
Dividend Risk Score:	A	**Retirement Suitability Score:**	A	**Rating:**	Sell

Overview & Current Events

On May 4th, 2023, Johnson & Johnson (JNJ) completed its split off of its consumer healthcare group, called Kenvue Inc. Kenvue has three segments, including Self Care, Skin Health and Beauty, and Essential Health. Self-Care's product portfolio includes cough, cold, allergy, smoking cessation, and pain care products among others. Skin Health and Beauty holds products such as face, body, hair, and sun care. Essential Health contains products for women's health, wound care, oral care, and baby care. Well-known brands in Kenvue's product line up include Tylenol, Listerine, Band-Aid, Neutrogena, Nicorette, and Zyrtec. These businesses contributed approximately 17% of Johnson & Johnson's annual revenue. While Kenvue is a new, standalone business, it carries Johnson & Johnson's 60+ year dividend increase streak.

On July 25th, 2024, Kenvue announced that it was raising its quarterly dividend 2.5% to $0.205.

On February 6th, 2025, Kenvue announced fourth quarter and full year earnings results for the period ending December 29th, 2024. For the quarter, revenue declined 0.1% to $3.66 billion, which was $109 million less than expected. Adjusted earnings-per-share of $0.26 compared unfavorably to $0.31 last year and was in-line with estimates. For the year, revenue improved 0.1% to $15.5 billion while adjusted earnings-per-share of $1.14 compared to $1.29 in 2023.

Organic sales improved 1.7% for the quarter and 1.5% for the year. For the quarter, pricing and mix added 1% while volume grew 0.7%. Skin Health and Beauty and Self Care were positive for the period, but were offset by weaker results for Essential Health. Gross profit margin expanded 80 basis points to 56.5%.

Kenvue provided guidance for 2025 as well. The company expects revenue growth to be in a range of -1% to 1% and adjusted earnings-per-share to be flat to up 2%. We have initiated our forecast accordingly.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	---	---	---	---	---	---	---	---	$1.29	$1.14	***$1.15***	***$1.33***
DPS	---	---	---	---	---	---	---	---	$0.40	$0.81	***$0.82***	***$0.95***
Shares[1]	---	---	---	---	---	---	---	---	1,919	1,929	***1,929***	***1,920***

Johnson & Johnson produced annual earnings growth of 7% over the last decade as the company's diversification allowed it to be one of the more stable companies in the market place. Kenvue consists of just the consumer products businesses, which often produced the lowest levels of growth. Therefore, we expect that Kenvue will grow earnings-per-share by 3% annually through 2030.

Johnson & Johnson's dividend growth streak of more than six decades is one of the longest in the market place. The company is both a Dividend King and a Dividend Aristocrat. We believe that penchant for dividend growth is in Kenvue's business DNA. The annualized dividend of $0.82 per share represents a dividend yield of 3.9%, which is nearly three times the average of the S&P 500 Index. We also note that this yield is above Johnson & Johnson's 10-year average yield of 2.7% for additional context.

[1] In millions of shares.

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Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	---	---	---	---	---	---	---	---	16.0	18.9	***18.1***	***14.0***
Avg. Yld.	---	---	---	---	---	---	---	---	1.9%	3.8%	***3.9%***	***5.1%***

Shares of Kenvue have decreased 11.3% since our November 8th, 2024 report. The stock is trading at more than 18 times expected earnings-per-share for 2025. For context, Johnson & Johnson shares have an average price-to-earnings ratio of close to 19 over the last decade. Countering the fact that Kenvue holds some of the industry leading brands with the fact that these products were the lower margin businesses within the parent company, we have a target price-to-earnings ratio of 14.0 for the stock. This implies a headwind from multiple contraction. Therefore, valuation could reduce annual returns by 5.0% through 2030.

Safety, Quality, Competitive Advantage, & Recession Resiliency

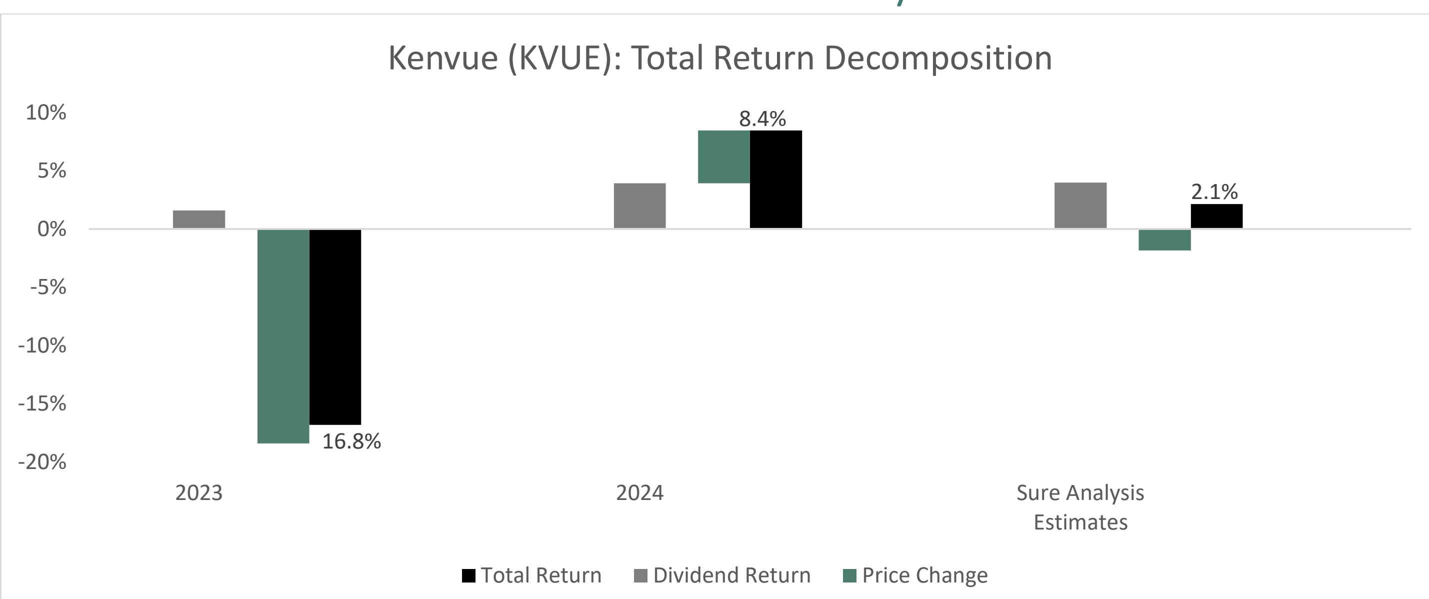
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	---	---	---	---	---	---	---	---	31%	71%	***71%***	***71%***

Johnson & Johnson has proven to be one of the most successful companies at navigating recessions. Though Kenvue no longer benefits from its parent company's diversification, we believe that it would prove equally effective at handling economic downturns. The company's products, such as Band-Aid and Tylenol, are needed regardless of the state of the economy as they deal directly with consumers' health and well-being. As trusted products, they would like continue to perform well even under adverse conditions.

Final Thoughts & Recommendation

Following fourth quarter results, Kenvue is projected to offer an annual return of -0.3% through 2030. This return stems from 3% earnings growth and a starting yield of 3.9% that are offset by a valuation headwind. After decades as part of Johnson & Johnson, Kenvue became an independent entity early in 2023. The company has produced decent results in its infancy as a standalone company. While we find the legacy business to be recession-resistant and the yield to be generous, the total return profile remains unattractive at the current time. We reaffirm our five-year price target of $19 and we continue to view shares of Kenvue as a sell due to projected returns.

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	---	---	---	---	---	14,324	14,467	15,054	14,950	15,444
Gross Profit	---	---	---	---	---	7,662	7,848	8,419	8,220	8,643
Gross Margin	---	---	---	---	---	53.5%	54.2%	55.9%	55.0%	56.0%
SG&A Exp.	---	---	---	---	---	5,198	4,956	5,484	5,767	6,141
D&A Exp.	---	---	---	---	---	709	746	731	644	627
Operating Profit	---	---	---	---	---	2,399	2,988	3,012	2,469	2,484
Operating Margin	---	---	---	---	---	16.7%	20.7%	20.0%	16.5%	16.1%
Net Profit	---	---	---	---	---	1,435	(879)	2,031	1,455	1,664
Net Margin	---	---	---	---	---	10.0%	-6.1%	13.5%	9.7%	10.8%
Free Cash Flow	---	---	---	---	---	2,709	3,168	39	2,150	2,699
Income Tax	---	---	---	---	---	685	(137)	894	454	526

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	---	---	---	---	---		29,177	27,929	27,358	27,851
Cash & Equivalents	---	---	---	---	---		618	740	1,170	1,382
Acc. Receivable	---	---	---	---	---		1,858	2,074	2,034	2,073
Inventories	---	---	---	---	---		1,685	1,702	2,189	1,851
Goodwill & Int.	---	---	---	---	---		21,936	20,511	19,038	18,890
Total Liabilities	---	---	---	---	---		10,821	7,530	16,361	16,640
Accounts Payable	---	---	---	---	---		1,579	1,827	1,821	2,489
Long-Term Debt	---	---	---	---	---	-	-	-	8,930	8,286
Total Equity	---	---	---	---	---		18,356	20,399	10,997	11,211
LTD/E Ratio	---	---	---	---	---		-	-	0.81	0.74

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	---	---	---	---	---			7.1%	5.3%	6.0%
Return on Equity	---	---	---	---	---			10.5%	9.3%	10.7%
ROIC	---	---	---	---	---			10.5%	7.2%	8.4%
Shares Out.	---	---	---	---	---					1,919
Revenue/Share	---	---	---	---	---	7.58	7.66	7.97	7.91	8.35
FCF/Share	---	---	---	---	---	1.43	1.68	0.02	1.14	1.46

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