



The Western Union Company (WU)

Updated February 6th, 2025 by Prakash Kolli

Key Metrics

Current Price:	\$11	5 Year CAGR Estimate:	14.6%	Market Cap:	\$3.72B
Fair Value Price:	\$16	5 Year Growth Estimate:	1.0%	Ex-Dividend Date:	03/17/25
% Fair Value:	68%	5 Year Valuation Multiple Estimate:	8.0%	Dividend Payment Date:	03/31/25
Dividend Yield:	8.5%	5 Year Price Target	\$17	Years Of Dividend Growth:	0
Dividend Risk Score:	C	Retirement Suitability Score:	A	Rating:	Buy

Overview & Current Events

The Western Union Company is the world leader in the business of domestic and international money transfers. The company has a network of approximately 550,000 agents globally and operates in more than 200 countries. About 90% of agents are outside of the US. Western Union operates two business segments, Consumer Money Transfer (CMT) and Consumer Services (CS), which consists of foreign exchange, prepaid cards, and money orders. Approximately 90% of revenue is now from CMT. Western Union divested the Speedpay (US bill payments) and Paymap (mortgage payments) businesses in 2019, and Business Solutions in 2023. The company had ~\$4.2B in revenue in fiscal 2024.

Western Union reported mixed Q4 2024 results on February 4th, 2025. Companywide revenue increased 1% to \$1,058.2M from \$1,052.3M and diluted GAAP earnings per share increased to \$1.14 in the quarter compared to \$0.35 in the prior year on higher revenue and a \$0.75 tax benefit on reorganizing the international operations. Revenue rose, despite challenges in Iraq on higher Banded Digital transactions and Consumer Services volumes.

CMT revenue fell 4% to \$938.8M from \$975.5M on a year-over-year basis even with 3% higher transaction volumes. Branded Digital Money Transfer CMT revenues increased 7% as transactions rose 13%. Digital revenue is now 25% of total CMT revenue and 32% of transactions. Consumer Services revenue rose 56% to \$119.4M from \$76.8M on new products and expansion of retail foreign exchange offerings. The firm launched a media network business, expanded retail foreign exchange, and grew retail money orders.

The firm is implementing its Evolve 2025 Strategy to return to growth of its retail and branded digital services by improving the customer experience.

The firm set adjusted earnings per share guidance at \$1.75 - \$1.85 and revenue of \$4,115 - \$4,215 million in 2025.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$1.62	\$1.66	\$1.60	\$1.87	\$2.46	\$1.87	\$2.19	\$2.19	\$1.74	\$1.74	\$1.80	\$1.89
DPS	\$0.62	\$0.64	\$0.70	\$0.76	\$0.80	\$0.90	\$0.94	\$0.94	\$0.94	\$0.94	\$0.94	\$0.94
Shares¹	517	494	468	454	431	415	409	388	372	341	334	302

Western Union's traditional CMT business is highly profitable, but it is a mature business. The top and bottom lines have exhibited volatility in the past 10 years because of acquisitions, divestures, COVID-19, and geopolitical conflicts. Digital Money Transfer revenue was growing at a double-digit rate until recently but has slowed. We expect this to increase over the next several years, especially as more consumers use digital payments. We also expect CS to grow as the firm emphasizes other services beside money transfer at its international retail agent locations.

Earnings per share growth has benefited from significant share buybacks. We are estimating at least 2% annual reduction in share count each year out to 2030. We are now expecting flat to slowly growing earnings over the next several years due to intense competition.

The dividend rate has been held constant since 2021. We do not expect dividend growth out to 2030.

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	12.0	11.8	12.3	10.4	12.2	12.9	10.2	9.1	6.9	6.1	6.1	9.0
Avg. Yld.	3.2%	3.3%	3.6%	3.9%	3.6%	4.0%	4.0%	5.8%	7.9%	8.9%	8.5%	5.5%

Western Union’s stock price is up since our last report. We set our 2025 earnings estimate to the midpoint of guidance, which accounts for the divestment of the Business Solutions unit and a difficult business environment. Our fair value multiple is 9X, below the 5-year average and accounting for more competition and growth struggles. Our fair value estimate is now \$16. Our 5-year price target is now \$17.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	39%	44%	41%	33%	48%	48%	43%	53%	54%	54%	52%	50%

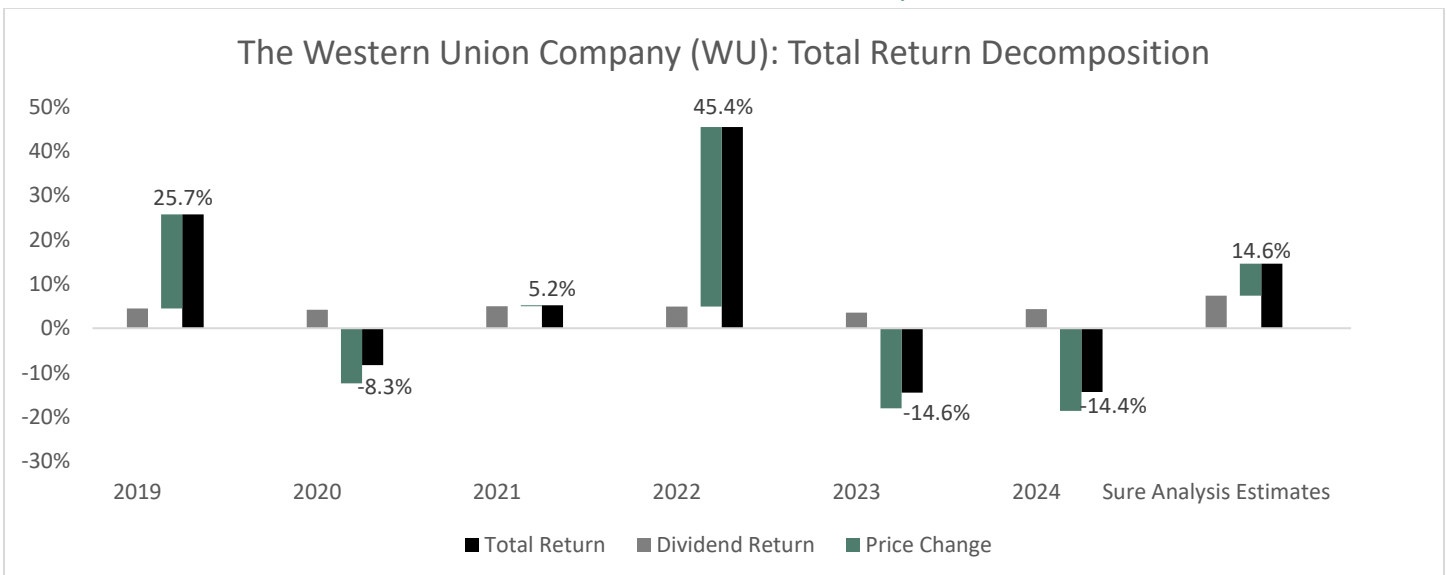
Western Union’s competitive advantage stems from its CMT business and unrivaled network of agents that process transactions. The company strengthens its network effect with partnerships and now with its digital money transfer effort, app, and westernunion.com. Western Union is partnered with Walmart and Visa. However, online competitors have entered the market including Xoom owned by PayPal, Square, Stripe, Zelle, Libra Association, etc. As these platforms gain transactions, Western Union’s CMT business will likely be negatively affected through lower pricing.

The company makes conservative use of debt with only \$2,941M of long-term debt that is offset by \$1,470M of cash and equivalents. Interest coverage is about 6.1X and the leverage ratio is about 1.6X.

Final Thoughts & Recommendation

At present we are forecasting 14.6% annualized total return over the next five years from a dividend yield of 8.5%, 1.0% EPS growth, and 8.0% P/E multiple expansion. Western Union’s organic business is contracting but the sale of the Business Solutions unit, a new CEO, efficiency efforts, and a strategic vision have seemingly refocused the firm. Western Union’s dividend yield is very attractive and supported by acceptable safety metrics. Income investors may want to look at this equity but do not expect significant growth. At the current share price, we have maintained our rating to Buy.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	5484	5423	5524	5590	5292	4835	5071	4476	4357	4210
Gross Profit	2284	2156	2171	2289	2206	2009	2174	1849	1685	1589
Gross Margin	41.7%	39.8%	39.3%	41.0%	41.7%	41.5%	42.9%	41.3%	38.7%	37.8%
SG&A Exp.	1175	1669	1232	1167	1272	1041	1051	964	868	863
D&A Exp.	270	263	263	265	258	226	208	184	184	179
Operating Profit	1109	487	940	1122	934	967	1123	885	818	726
Operating Margin	20.2%	9.0%	17.0%	20.1%	17.6%	20.0%	22.1%	19.8%	18.8%	17.2%
Net Profit	838	253	-557	852	1058	744	809	911	626	934
Net Margin	15.3%	4.7%	-10.1%	15.2%	20.0%	15.4%	15.9%	20.4%	14.3%	22.2%
Free Cash Flow	805	812	565	482	787	721	831	373	635	276
Income Tax	104	89	905	140	263	111	130	98	120	-316

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	9449	9420	9231	8997	8759	9496	8824	8496	8199	8371
Cash & Equivalents	2392	2068	2103	2221	1819	1428	1208	1286	1269	1474
Accounts Receivable	1070	1327	1574	1355	1230	1135	---	---	---	---
Total Liabilities	3869	8517	9723	9307	8798	9310	8468	8019	7720	7402
Accounts Payable	8044	1130	719	565	602	501	450	464	453	408
Long-Term Debt	607	2786	3034	3434	3229	3067	3008	2617	2505	2941
Shareholder's Equity	3216	902	-491	-310	-40	187	356	478	479	969
LTD/E Ratio	1405	3.09	-6.17	-11.08	-81.75	16.44	8.45	5.48	5.23	3.04

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	8.7%	2.7%	-6.0%	9.3%	11.9%	8.2%	8.8%	10.5%	7.5%	11.3%
Return on Equity	61.9%	21.9%	-271%			1012%	297%	219%	131%	129%
ROIC	17.4%	6.1%	-17.9%	30.1%	33.5%	23.1%	24.4%	28.2%	20.6%	27.1%
Shares Out.	502	482	459	441	418	401	409	388	372	341
Revenue/Share	10.61	10.99	11.81	12.30	12.28	11.65	12.40	11.52	11.72	12.34
FCF/Share		1.65	1.21	1.06	1.83	1.74	2.03	0.96	1.71	0.81

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

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