



Kellanova (K)

Updated May 16th, 2025, by Josh Arnold

Key Metrics

Current Price:	\$82	5 Year CAGR Estimate:	1.1%	Market Cap:	\$28 B
Fair Value Price:	\$61	5 Year Growth Estimate:	4.0%	Ex-Dividend Date:	06/02/25 ¹
% Fair Value:	135%	5 Year Valuation Multiple Estimate:	-5.8%	Dividend Payment Date:	06/13/25
Dividend Yield:	2.8%	5 Year Price Target	\$74	Years Of Dividend Growth:	20 ²
Dividend Risk Score:	D	Sector:	Consumer Staples	Rating:	Hold

Overview & Current Events

Kellanova was founded in 1906, the beginning of what would become a behemoth in the food processing industry. Kellanova has always focused on breakfast, but in recent years the company has also expanded to become an enormous snack producer. The company now derives more than half of its total revenue from non-breakfast categories. Its market capitalization is \$28 billion, and the company produces about \$13 billion in annual revenue.

Kellanova posted first quarter earnings on May 1st, 2025, and results were somewhat weak again, missing estimates for revenue and profits. Kellanova is suffering from weak demand and forex translation losses once again.

Adjusted earnings-per-share came to 90 cents, while revenue was off 3.8% year-over-year to \$3.08 billion. Sales in North America fell 4% on lower volumes, primarily from further softening of snack and frozen category demand. In Europe, sales were off 3% from forex losses and volume declines. Latin America sales plummeted 15% on significant forex losses, as well as volume declines.

Profit margins were also pressured on higher costs and adverse sales mix, as earnings missed estimates by more than 10% during the quarter.

More importantly for shareholders, Mars is still expected to close the \$36 billion purchase of Kellanova in the first half of 2025. This is likely our last update on Kellanova, but we have reduced our estimate of earnings to \$3.80 per share for this year should the transaction not complete as expected.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$3.53	\$3.72	\$4.04	\$4.33	\$3.94	\$3.99	\$4.16	\$4.21	\$3.23	\$3.86	\$3.80	\$4.62
DPS	\$1.86	\$1.91	\$1.99	\$2.06	\$2.12	\$2.14	\$2.17	\$2.20	\$2.23	\$2.26	\$2.28	\$2.64
Shares³	350	351	347	344	343	344	342	342	341	345	345	345

Kellanova's earnings-per-share history is not particularly inspiring as there has been upward movement, but very slowly. It came out of the Great Recession just as well as it went into it but in the years since, we've seen only gradual improvements in profitability until 2023. Revenue growth continues to be a problem, although more recent results have improved thanks to a larger focus on snack foods, as well as innovation via product extensions. In addition, Kellanova has not been afraid to purchase growth. The company's global reach allows it to extend its successes from one side of the globe to the other, as it has with the Pringles brands, among others. We note Kellanova is now a more focused company that is working to reduce costs and optimize margins.

We are forecasting 4% annual earnings-per-share growth going forward, consisting of low single-digit revenue growth as well as some margin improvement from its continued efficiency efforts, but offset by impacts from the spinoff in late-2023. Management has been upbeat about revenue potential, but that's due entirely to inflationary pricing gains. Currency translation has been a tailwind at times, but organic growth has been stronger in recent periods as well.

¹ Estimated date

² Adjusted dividends

³ 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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However, the tailwinds from the pandemic have abated at this point, and Kellanova is back to its prior, very low-growth trajectory on the top line. Margins are headed in the right direction, but the stronger US dollar will create more headaches for revenue and earnings should it remain strong. This was quite evident in the first quarter of 2025.

We expect the dividend will grow in the low- to mid-single-digit range as Kellanova continues to nurture its reputation as an income stock. Consistent earnings should afford it additional space to boost the payout in the coming years. We note the 2024 dividend raise was barely more than 1%.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	18.7	20.5	17.1	15.4	15.2	16.4	15.1	16.9	17.3	21.0	21.6	16.0
Avg. Yld.	3.0%	2.7%	3.1%	3.3%	3.8%	3.5%	3.7%	3.3%	4.2%	2.8%	2.8%	3.6%

Kellanova's valuation has oscillated for much of the past couple of years but today is trading for 21.6 times earnings, a long way ahead of our estimate of fair value. Kellanova's valuation will be driven by the likelihood of the Mars takeover being consummated, but we maintain our fair value estimate of 16 times earnings. We therefore see the stock as overvalued by quite some margin due to the planned acquisition.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	53%	51%	49%	48%	54%	54%	52%	52%	69%	59%	60%	57%

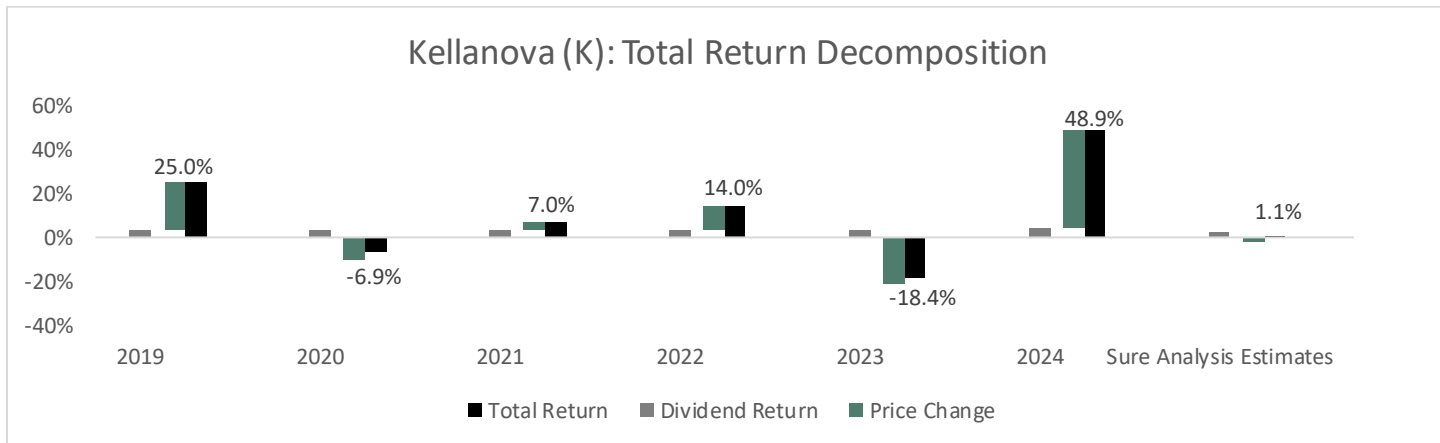
Kellanova's payout ratio is generally close to half of earnings but is above that today. We note current uncertainty around the normalized level of earnings for the new company introduces some risk to dividend growth.

Kellanova's recession performance is very strong, as you'd expect from a highly entrenched consumer staple producer. This company should hold up very well during the next recession and the ones that follow. Its competitive advantages include enormous consumer brands with sizable followings and tremendous market shares, in addition to its very efficient global distribution network. Its massive reach allows for extending products across borders with the ease to expand upon proven success of winners. Its innovation labs also continue to produce unique new products. Kellanova is not just a cereal company; it is a truly global powerhouse in the food industry.

Final Thoughts & Recommendation

Kellanova is trading above our estimate of fair value based upon the takeover offer from Mars, with forecasted total returns of 1.1% per annum. Kellanova could achieve these returns via the current 2.8% dividend yield, a big headwind from the valuation, and 4% earnings growth. With little upside to the Mars price, we rate Kellanova a hold.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	13,525	12,965	12,854	13,547	13,578	13,770	14,181	15,315	13,122	12,749
Gross Profit	4,681	4,834	4,699	4,726	4,381	4,727	4,560	4,615	4,283	4,545
Gross Margin	34.6%	37.3%	36.6%	34.9%	32.3%	34.3%	32.2%	30.1%	32.6%	35.6%
SG&A Exp.	3,590	3,351	3,312	3,020	2,980	2,966	2,808	2,980	2,778	2,672
D&A Exp.	534	517	481	516	484	479	467	478	419	367
Operating Profit	1,091	1,483	1,387	1,706	1,401	1,761	1,752	1,635	1,505	1,873
Op. Margin	8.1%	11.4%	10.8%	12.6%	10.3%	12.8%	12.4%	10.7%	11.5%	14.7%
Net Profit	614	699	1,254	1,336	960	1,251	1,488	960	951	1,343
Net Margin	4.5%	5.4%	9.8%	9.9%	7.1%	9.1%	10.5%	6.3%	7.2%	10.5%
Free Cash Flow	1,138	764	(98)	958	590	1,481	1,148	1,163	968	1,132
Income Tax	159	235	410	181	321	323	474	244	258	304

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	15,251	15,111	16,351	17,780	17,564	17,996	18,178	18,496	15,621	15,628
Cash & Equivalents	251	280	281	321	397	435	286	299	274	694
Acc. Receivable	1,161	1,098	1,240	1,153	1,305	1,253	1,489	1,736	1,230	1,522
Inventories	1,250	1,238	1,217	1,330	1,226	1,284	1,398	1,768	1,243	1,165
Goodwill & Int.	7,236	7,535	8,143	9,411	8,437	8,290	8,180	7,982	7,090	6,763
Total Liabilities	13,113	13,185	14,157	14,621	14,250	14,360	13,963	14,121	12,252	11,746
Accounts Payable	1,907	2,014	2,269	2,427	2,387	2,471	2,573	2,973	2,314	2,236
Long-Term Debt	7,745	7,767	8,615	8,893	7,922	7,475	7,111	6,564	5,873	5,743
Total Equity	2,128	1,910	2,178	2,601	2,747	3,112	3,720	3,941	3,175	3,775
LTD/E Ratio	3.64	4.07	3.96	3.42	2.88	2.40	1.91	1.67	1.85	1.52

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	4.0%	4.6%	8.0%	7.8%	5.4%	7.0%	8.2%	5.2%	5.6%	8.6%
Return on Equity	25.0%	34.6%	61.4%	55.9%	35.9%	42.7%	43.6%	25.1%	24.6%	37.0%
ROIC	6.1%	7.1%	12.2%	11.7%	8.2%	11.2%	13.3%	8.6%	9.4%	14.2%
Shares Out.	350	351	347	344	343	344	342	344	345	346
Revenue/Share	37.99	36.62	36.73	38.93	39.59	39.91	41.34	44.52	38.08	36.85
FCF/Share	3.20	2.16	(0.28)	2.75	1.72	4.29	3.35	3.38	2.81	3.27

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

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