



The Kraft-Heinz Company (KHC)

Updated May 15th, 2025 by Jonathan Weber

Key Metrics

Current Price:	\$27	5 Year CAGR Estimate:	9.4%	Market Cap:	\$33B
Fair Value Price:	\$31	5 Year Growth Estimate:	2.0%	Ex-Dividend Date:	05/30/25
% Fair Value:	87%	5 Year Valuation Multiple Estimate:	2.9%	Dividend Payment Date:	06/27/25
Dividend Yield:	5.9%	5 Year Price Target	\$34	Years Of Dividend Growth:	0
Dividend Risk Score:	F	Sector:	Consumer Staples	Rating:	Sell

Overview & Current Events

Kraft-Heinz is a processed food and beverages company which owns a product portfolio that includes food products such as condiments, sauces, cheese & dairy, frozen & chilled meals, and infant diet & nutrition. The company was created in 2015 in a merger between Kraft Food Group and H. J. Heinz Company, orchestrated by Warren Buffett's Berkshire Hathaway and 3G Capital. Kraft-Heinz is headquartered in Chicago, IL.

When The Kraft-Heinz Company reported its first quarter earnings results, the company reported that its revenues totaled \$6.0 billion during the quarter, which was down 6.4% compared to the revenues that Kraft-Heinz generated during the previous year's period. This was slightly worse than what the analyst community had expected, as the consensus estimate was missed by \$20 million. Kraft-Heinz' organic sales were down by 4.7%. This was a weaker performance compared to the previous quarter, when organic sales had declined by around 3%.

Kraft-Heinz generated earnings-per-share of \$0.62 during the first quarter, which was above the consensus estimate. Earnings-per-share were down 10% versus the previous year's quarter, which was a weaker result compared to the previous quarter, when earnings-per-share were up 8% year-over-year. Kraft-Heinz' management stated that they see organic net sales declining by around 2.5% in 2025, while management is forecasting earnings-per-share to come in between \$2.51 and \$2.67 for the current year. This would mean a decline of around 15% versus the previous year.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$2.19	\$3.33	\$3.55	\$3.51	\$2.85	\$2.88	\$2.93	\$2.78	\$2.98	\$3.06	\$2.59	\$2.86
DPS	\$1.13	\$2.35	\$2.45	\$2.50	\$1.60	\$1.60	\$1.60	\$1.60	\$1.60	\$1.60	\$1.60	\$1.60
Shares¹	1210	1226	1228	1220	1225	1230	1220	1230	1230	1210	1200	1150

The Kraft-Heinz Company does not have a very long history in the form it currently exists in. The two companies that merged to create Kraft-Heinz both have a very long history, though. Earnings-per-share are higher than they were in Kraft-Heinz' first year in its current form, 2015, but they are below the peak level seen in 2017.

As a food and beverages company, Kraft-Heinz is not operating in a high-growth industry. The company therefore will, in all likelihood, not be able to generate enormous growth rates going forward. Even in a low-growth industry companies can generate positive returns, though. In Kraft-Heinz' case there are several avenues for growth the company can pursue. The first factor is international expansion. Market penetration in many emerging countries is lower compared to the industrial countries Kraft-Heinz is active in. Many emerging countries have huge markets, and they are growing relatively quickly. Due to steadily rising disposable incomes in countries such as China and India, more consumers have the means to purchase consumer goods from Western companies such as Kraft-Heinz, which results in growth potential for Kraft-Heinz' international business. Another factor for earnings growth is margin expansion. We believe that margins will remain high, and they might rise further over the coming years. Finally, Kraft-Heinz should benefit from debt reduction that results in declining interest expenses. On the other hand, changing consumer behavior is a headwind for Kraft-Heinz, mainly in the US, which is why we believe that earnings will not grow at a rapid pace in future years.

¹In 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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Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	18.5	24.9	24.2	12.3	11.2	11.8	12.3	14.7	12.8	9.8	10.4	12.0
Avg. Yld.	2.8%	2.8%	2.9%	4.9%	5.0%	4.7%	4.4%	3.9%	4.2%	5.3%	5.9%	4.7%

Kraft-Heinz' shares traded at quite high valuations during the first couple of years since the company's IPO. This was not justified, we believe, as Kraft-Heinz has never been a high-growth company, or a company that deserved a 20+ earnings multiple. Impairment charges and weak organic growth have made investors more wary about Kraft-Heinz, which made its valuation decline. Our fair value earnings multiple is not very high, but we believe that there is some upside potential for shares from the current level. The dividend yield is at an appealing level of more than 5%.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	52%	68%	69%	71%	56%	56%	55%	58%	54%	52%	62%	56%

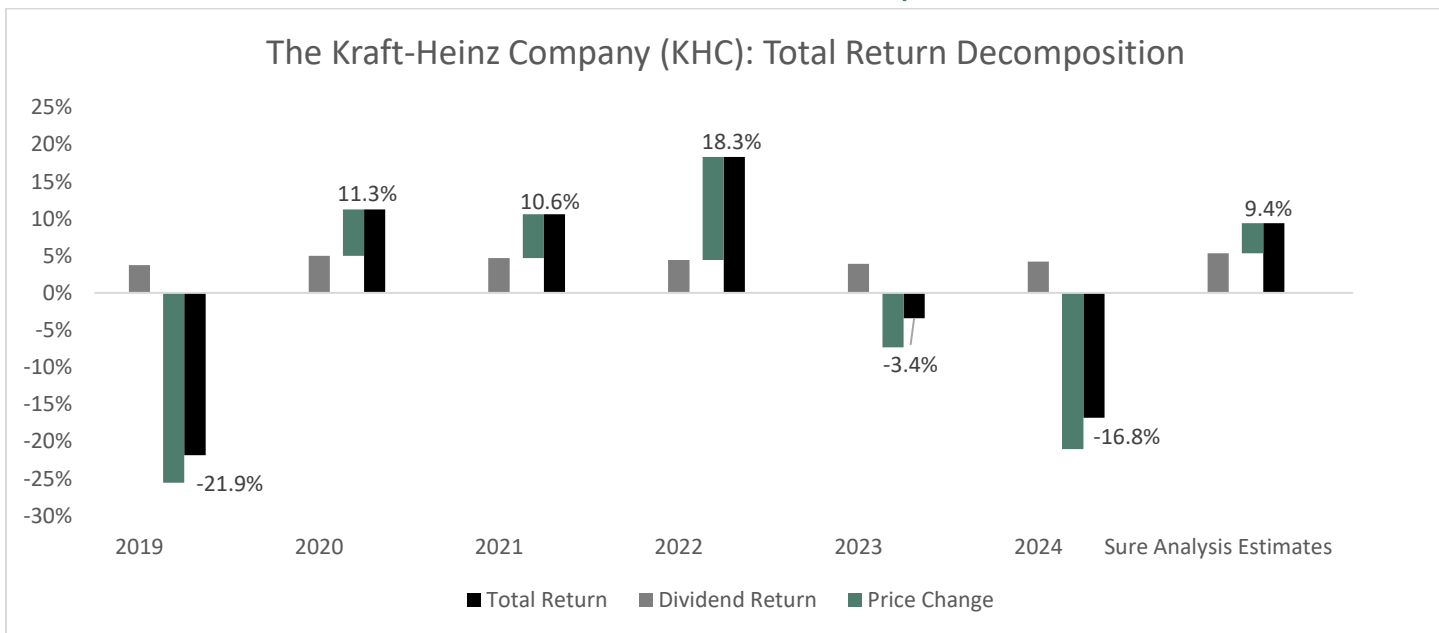
Kraft-Heinz does not have an overly long dividend history, and due to the 2019 dividend cut, its dividend history is not convincing. The dividend payout ratio is not overly high, but not low, either. We are forecasting the payout ratio to decline slightly over time as earnings should rise in the long run.

Kraft-Heinz' brands are strong and recognized by most consumers, and demand for food is not cyclical or dependent on economic conditions. Kraft-Heinz therefore should be able to remain profitable in economic downturns, as do most consumer staples companies. Kraft-Heinz' brands function as a competitive advantage. Shifting consumer preferences are a headwind for Kraft-Heinz, though, as more consumers choose healthier options such as non-processed foods.

Final Thoughts & Recommendation

Kraft-Heinz' shares have moved down since our last update. We believe that, thanks to international growth and price increases, the company could be able to generate some earnings growth in the long run, but Kraft-Heinz will never turn into a high-growth company. Shares trade below our fair value estimate right now, but we still do not recommend holding shares of this company due to the fact that there has not been a dividend increase in years.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	18,338	26,300	26,076	26,268	24,977	26,185	26,042	26,485	26,640	25,846
Gross Profit	5,761	9,146	9,033	8,921	8,147	9,177	8,682	8,122	8,926	8,968
Gross Margin	31.4%	34.8%	34.6%	34.0%	32.6%	35.0%	33.3%	30.7%	33.5%	34.7%
SG&A Exp.	3,122	3,527	2,927	3,150	3,006	3,449	3,374	3,440	3,759	3,486
D&A Exp.	740	1,337	1,031	983	994	969	910	933	961	948
Operating Profit	2,639	5,619	6,106	5,771	5,141	5,728	5,308	4,682	5,167	5,482
Op. Margin	14.4%	21.4%	23.4%	22.0%	20.6%	21.9%	20.4%	17.7%	19.4%	21.2%
Net Profit	634	3,596	10,941	-10,192	1,935	356	1,012	2,363	2,855	2,744
Net Margin	3.5%	13.7%	42.0%	-38.8%	7.7%	1.4%	3.9%	8.9%	10.7%	10.6%
Free Cash Flow	624	1,401	(693)	1,748	2,784	4,333	4,459	1,553	2,963	3,020
Income Tax	366	1,333	(5,482)	(1,067)	728	669	684	598	787	(1,890)

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets (\$B)	122.97	120.48	120.09	103.46	101.45	99.83	93.39	90.51	90.34	88.29
Cash & Equivalents	4,837	4,204	1,629	1,130	2,279	3,417	3,445	1,040	1,400	1,334
Accounts Receivable	1,454	898	1,274	2,129	1,973	2,063	1,957	2,120	2,112	2,147
Inventories	2,618	2,684	2,760	2,667	2,721	2,773	2,729	3,651	3,614	3,376
Goodwill & Int. (\$B)	105.17	103.42	104.26	85.97	84.20	79.76	74.84	73.48	72.91	68.77
Total Liabilities	56,737	62,906	54,016	51,683	49,701	49,587	43,942	41,643	40,617	38,962
Accounts Payable	2,844	3,996	4,362	4,153	4,003	4,304	4,753	4,848	4,627	4,188
Long-Term Debt	25,234	32,404	31,503	31,168	29,244	28,306	21,815	20,070	20,032	19,869
Shareholder's Equity	57,685	57,358	65,863	51,657	51,623	50,103	49,298	48,678	49,526	49,185
LTD/E Ratio	0.38	0.56	0.48	0.60	0.57	0.57	0.44	0.41	0.40	0.40

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	0.9%	3.0%	9.1%	-9.1%	1.9%	0.4%	1.0%	2.6%	3.2%	3.1%
Return on Equity	1.8%	5.8%	17.7%	-17.3%	3.7%	0.7%	2.0%	4.8%	5.8%	5.5%
ROIC	1.2%	4.0%	11.7%	-11.3%	2.4%	0.4%	1.4%	3.4%	4.1%	3.9%
Shares Out.	1210	1226	1228	1220	1225	1230	1220	1230	1230	1210
Revenue/Share	23.33	21.45	21.23	21.55	20.41	21.32	21.28	21.45	21.57	21.27
FCF/Share	0.79	1.14	(0.56)	1.43	2.27	3.53	3.64	1.26	2.40	2.49

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

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