Woodward, Inc. (WWD)

Updated July 30th, 2025 by Josh Arnold

Key Metrics

Current Price:	$262	**5 Year CAGR Estimate:**	9.3%	**Market Cap:**	$15 B
Fair Value Price:	$218	**5 Year Growth Estimate:**	13.0%	**Ex-Dividend Date:**	08/21/2025
% Fair Value:	120%	**5 Year Valuation Multiple Estimate:**	-3.6%	**Dividend Payment Date:**	09/04/2025
Dividend Yield:	0.4%	**5 Year Price Target**	$401	**Years Of Dividend Growth:**	4
Dividend Risk Score:	B	**Sector:**	Industrials	**Rating:**	Hold

Overview & Current Events

Woodward, Inc. is an aerospace and industrial manufacturer that operates globally. It designs, manufactures, and services control solutions for various OEMs in two segments: Aerospace and Industrial. The Aerospace segment provides fuel pumps, actuators, air valves, fuel nozzles, engine parts, and a variety of other aircraft parts for commercial, private, and military customers. The Industrial segment sells similar kinds of products for industrial gas and steam turbines, compressors, and engines through a network of distributors, as well as direct-to-customer. Woodward was founded in 1870, generates about $3.5 billion in annual revenue, and employs just over 9,000 people globally.

Woodward posted third quarter earnings on July 28th, 2025, and results were better than expected on both the top and bottom lines. Earnings came to $1.76, which was a strong 12 cents ahead of expectations. Revenue was up 8% year-on-year to $916 million, and beat estimates by more than $25 million. In addition, sales for the third quarter were a record. Aerospace sales reached $596 million, as defense OEM sales soared 56% and commercial services sales were up 30%. Industrial segment sales were $319 million, down 3%, which was due primarily to China on-highway sales, which fell 69%. Excluding that segment, the industrial segment would have seen double-digit growth.

Net operating cash for the first nine months was $238 million. Capex was $79 million, meaning free cash flow was $159 million. That was down from $225 million a year ago on higher capex.

Woodward returned $172 million to shareholders in the first nine months, with a full-year target of $235 million. We now see $6.40 in adjusted earnings-per-share for this year, with one quarter remaining.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$2.27	$2.34	$2.45	$2.46	$3.13	$3.10	$2.35	$1.92	$2.87	$4.52	***$6.40***	***$11.79***
DPS	$0.38	$0.43	$0.49	$0.55	$0.63	$0.61	$0.57	$0.73	$0.85	$0.97	***$1.12***	***$1.65***
Shares[1]	63.2	61.6	61.2	61.8	62.0	62.8	63.1	59.8	60.0	59.1	***58***	***55***

Woodward has seen somewhat erratic earnings growth over time, including several years where earnings were roughly flat or lower. We think the company has a very bright future ahead driven by both its aerospace and industrial lines of business. We see 13% adjusted earnings-per-share growth in the years ahead, driven by three factors. We believe we'll see 6% or 7% revenue growth, a small tailwind from share repurchases, and the balance from margin expansion. Industrial segment margins should bottom this year, according to management guidance, and that should help profitability going forward. Woodward continues to invest in automation and general operational improvements, with margin tailwinds being the goal.

A risk to growth is production cuts by OEMs, such as Boeing's 737 MAX pause, which has downstream impacts to suppliers like Woodward. But Woodward's product line is broad and deep and we believe overall, its markets are healthy. Woodward maintains flexibility to meet growth in Aerospace OEM and defense demand. Investors should keep in mind also that high utilization of legacy aircraft means lots of service and replacement parts demand.

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[1] Share count is in millions.

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Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	18.0	26.7	31.7	32.0	34.0	26.4	49.0	41.8	43.7	37.1	***40.9***	***34.0***
Avg. Yld.	0.9%	0.7%	0.6%	0.7%	0.6%	0.7%	0.5%	0.9%	0.7%	0.6%	***0.4%***	***0.4%***

The erratic earnings performance we've seen over time has also caused the valuation to move enormously. The 10-year average P/E ratio is 34, while the most recent five years would be closer to 40. We've set our fair value estimate at the long-term average of 34, which is meaningfully below the current 40.9, implying a strong headwind going forward. The yield is pretty insignificant at 0.4%, and we see it remaining in that area going forward.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	17%	18%	20%	22%	20%	20%	24%	38%	30%	21%	***18%***	***14%***

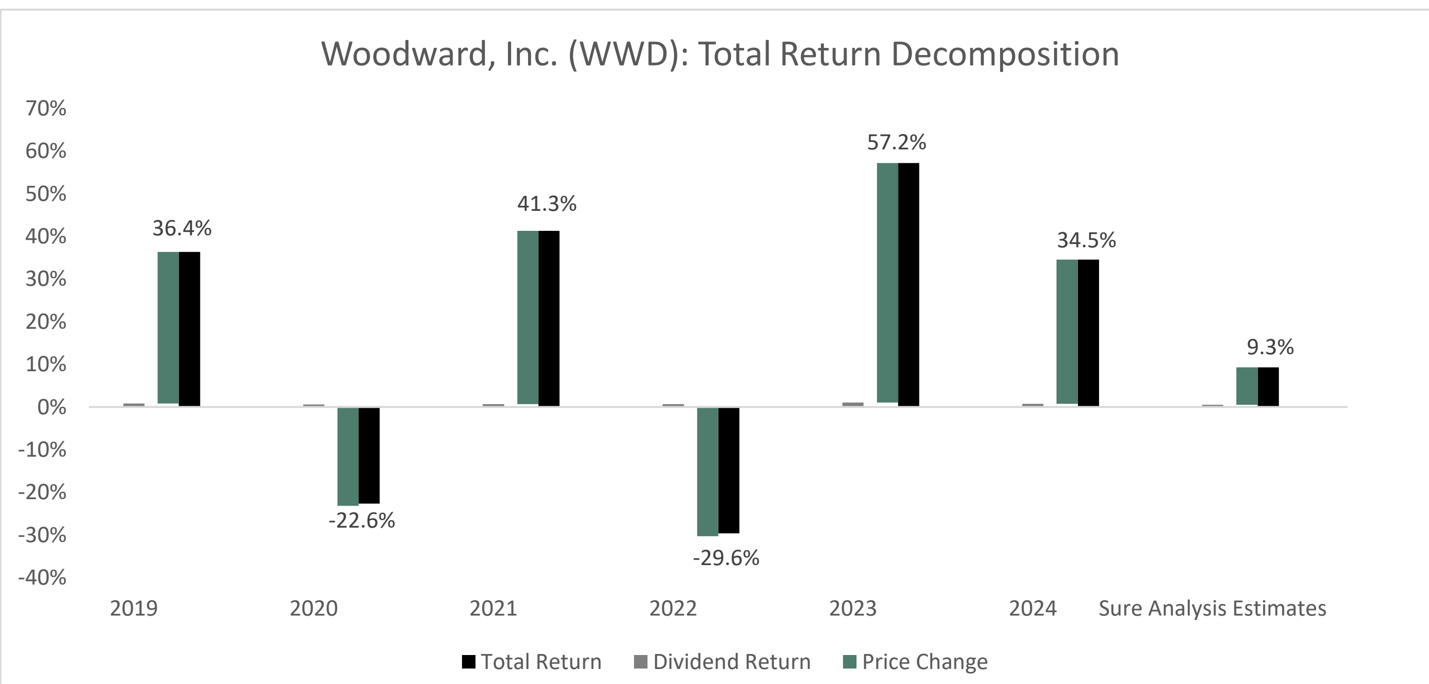
The payout ratio has been maintained generally under 30% of earnings, and we see no risk of a dividend cut anytime soon. We believe the payout ratio should be under 20% for the foreseeable future on strong earnings growth.

Recession risk is significant for Woodward, as those generally bring lower spending on commercial flights. That, in turn, drives lower demand for new aircraft, and lower utilization of existing aircraft that need parts. For now, Woodward is weathering potential headwinds and guidance remains strong for 2025 thus far. But recessions are likely to see Woodward suffer, and something investors should keep a keen eye on.

Final Thoughts & Recommendation

Overall, we think Woodward represents an overvalued, high-growth industrial stock at the moment. The dividend should be very safe, but offers a small yield. We believe Woodward could see average annual returns of 9.3%, mostly attributable to earnings growth and a small dividend yield. Given the huge move up in the stock since our last report, we're moving Woodward from buy to hold.

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	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	2,038	2,023	2,099	2,326	2,900	2,496	2,246	2,383	2,915	3,324
Gross Profit	575	539	571	603	708	640	551	525	678	876
Gross Margin	28.2%	26.6%	27.2%	25.9%	24.4%	25.7%	24.5%	22.0%	23.2%	26.4%
SG&A Exp.	177	174	177	194	211	218	187	203	270	307
D&A Exp.	75	69	81	116	142	131	130	121	120	116
Operating Profit	264	239	267	261	337	289	247	203	276	428
Operating Margin	12.9%	11.8%	12.7%	11.2%	11.6%	11.6%	11.0%	8.5%	9.5%	12.9%
Net Profit	181	181	201	180	260	240	209	172	232	373
Net Margin	8.9%	8.9%	9.6%	7.8%	9.0%	9.6%	9.3%	7.2%	8.0%	11.2%
Free Cash Flow	9	260	215	172	292	302	427	141	232	343
Income Tax	59	46	52	39	61	41	37	28	43	81

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	2,512	2,642	2,757	3,791	3,957	3,903	4,091	3,806	4,010	4,369
Cash & Equivalents	82	81	88	80	98	150	447	108	137	282
Accounts Receivable	326	341	368	423	382	356	322	369	485	457
Inventories	448	462	474	550	517	438	420	514	518	609
Goodwill & Int. Ass.	782	753	728	1,514	1,410	1,415	1,365	1,233	1,244	1,247
Total Liabilities	1,359	1,430	1,386	2,253	2,230	1,911	1,876	1,905	1,939	2,192
Accounts Payable	173	169	233	226	240	134	171	231	234	287
Long-Term Debt	851	727	613	1,246	1,085	838	735	777	722	872
Shareholder's Equity	1,153	1,213	1,371	1,538	1,727	1,993	2,215	1,901	2,071	2,176
LTD/E Ratio	0.74	0.60	0.45	0.81	0.63	0.42	0.33	0.41	0.35	0.40

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	7.4%	7.0%	7.4%	5.5%	6.7%	6.1%	5.2%	4.3%	5.9%	8.9%
Return on Equity	15.7%	15.3%	15.5%	12.4%	15.9%	12.9%	9.9%	8.3%	11.7%	17.6%
ROIC	9.4%	9.2%	10.2%	7.6%	9.3%	8.5%	7.2%	6.1%	8.5%	12.8%
Shares Out.	63.2	61.6	61.2	61.8	62.0	62.8	63.1	59.8	60.0	59.1
Revenue/Share	30.86	31.83	33.04	36.41	44.97	38.87	34.26	37.67	47.41	53.54
FCF/Share	0.14	4.09	3.39	2.70	4.52	4.71	6.51	2.23	3.77	5.52

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