



# Universal Corporation (UUV)

Updated November 23<sup>rd</sup>, 2025 by Jonathan Weber

## Key Metrics

<b>Current Price:</b>	\$53	<b>5 Year CAGR Estimate:</b>	9.5%	<b>Market Cap:</b>	\$1.3B
<b>Fair Value Price:</b>	\$62	<b>5 Year Growth Estimate:</b>	1.5%	<b>Ex-Dividend Date:</b>	01/12/26
<b>% Fair Value:</b>	86%	<b>5 Year Valuation Multiple Estimate:</b>	3.1%	<b>Dividend Payment Date:</b>	02/02/26
<b>Dividend Yield:</b>	6.2%	<b>5 Year Price Target</b>	\$67	<b>Years Of Dividend Growth:</b>	55
<b>Dividend Risk Score:</b>	B	<b>Sector:</b>	Consumer Defensive	<b>Rating:</b>	Buy

## Overview & Current Events

Universal Corporation is the world's largest leaf tobacco exporter and importer. The company is the wholesale purchaser and processor of tobacco that operates between farms and the companies that manufacture cigarettes, pipe tobacco, and cigars. Universal Corporation was founded in 1886 and is headquartered in Richmond, Virginia. With 55 years of dividend increases, Universal Corporation is a Dividend King.

Universal Corporation reported its second quarter earnings results in November. The company generated revenues of \$754 million during the quarter, which was considerably more than the revenues that Universal Corporation generated during the previous period. Revenues were also up on a year-over-year basis. Since Universal Corporation's business results depend on weather to some degree, ups and downs in its quarterly results are to be expected. Universal's cost of goods sold was up versus the previous year's quarter, too.

Universal's adjusted earnings-per-share totaled \$1.36 during the quarter, which was way better than the results seen in the previous quarter, when Universal generated a substantially smaller profit. In all of fiscal 2025, Universal Corporation saw its earnings-per-share pull back by close to 10%. We believe that Universal Corporation will generate slightly better profits in fiscal 2026, relative to the previous year, although weather dependence causes some uncertainty.

## Growth on a Per-Share Basis

Year <sup>1</sup>	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
<b>EPS</b>	\$3.92	\$3.97	\$3.96	\$4.45	\$3.49	\$4.25	\$3.79	\$3.77	\$5.08	\$4.63	<b>\$4.75</b>	<b>\$5.12</b>
<b>DPS</b>	\$2.10	\$2.12	\$2.16	\$3.00	\$3.04	\$3.08	\$3.12	\$3.16	\$3.20	\$3.24	<b>\$3.28</b>	<b>\$3.45</b>
<b>Shares<sup>2</sup></b>	25.3	24.9	25.1	25.1	24.8	24.7	24.7	24.8	24.7	24.9	<b>24.9</b>	<b>24.5</b>

Universal Corporation's earnings-per-share during fiscal 2025 were around 20% higher than the earnings-per-share that Universal generated during fiscal 2016, around one decade earlier. There were some ups and downs in Universal's earnings-per-share over that time frame, with a minor upward trend in place. Depending on factors such as weather, which impacts crops, there can be year-over-year declines from time to time. Overall, Universal grew its earnings-per-share by just around 2% per year over the last decade, which isn't very compelling.

As the leader in a declining industry, we do not expect the company to deliver strong business growth in the future, with some price increases over time being one of the few levers Universal can pull in the long run. The company's earnings-per-share could still rise over the next couple of years, however. Universal Corporation's shares trade at a moderate valuation based on the earnings and cash flows that the company generates, and Universal Corporation also does not need to invest large amounts of money into its business, as the industry is not experiencing any meaningful growth. This gives Universal Corporation the ability to utilize some of its free cash flows for share repurchases. There were years during which Universal's share count declined, although those declines were not overly consistent. We believe that an annual earnings-per-share growth rate in the low-single-digits is achievable for this tobacco corporation, with buybacks likely helping a little over the long run.

<sup>1</sup> Note: Universal Corporation's fiscal year ends on March 31. Example: Fiscal 2022 ended on March 31, 2022.

<sup>2</sup> In Millions

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## Valuation Analysis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Now	2031
Avg. P/E	14.3	16.3	16.0	13.0	12.6	13.9	15.3	14.1	10.0	12.1	11.2	13.0
Avg. Yld.	4.0%	3.5%	3.4%	5.2%	6.9%	5.2%	5.4%	6.0%	6.3%	5.8%	6.2%	5.2%

Universal Corporation traded at very low valuations during and following the Great Recession, but shares have become more expensive since then. Today, shares trade at around 11 times fiscal 2026's expected net profits. This is a little below our fair value earnings multiple, we thus think that shareholders could benefit from some multiple expansion in the coming years. Shares offer a relatively generous dividend yield of 6.2% right now.

## Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	54%	53%	55%	67%	87%	72%	82%	84%	63%	70%	69%	67%

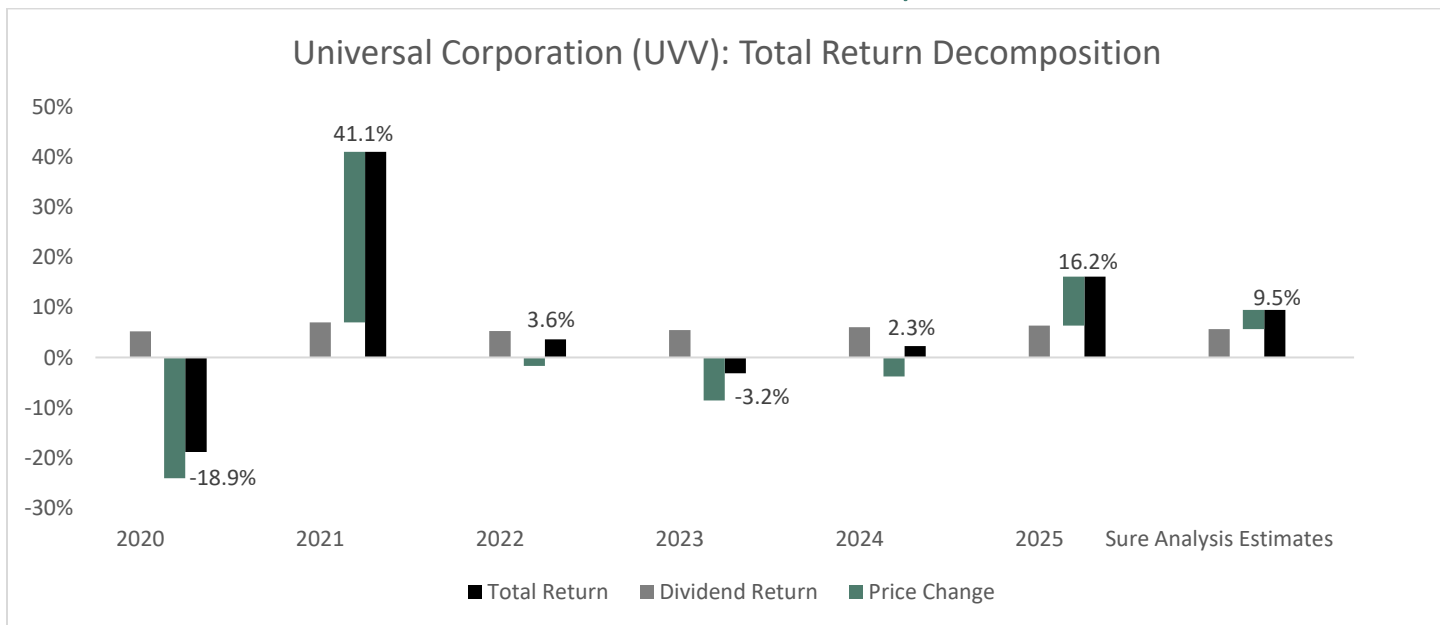
Universal Corporation's dividend payout ratio experienced considerable swings both up and down over the last decade. The dividend increase in 2019, which was the result of management's strategic review and which lifted Universal Corporation's dividend by more than 30%, has made the dividend payout ratio rise to a significantly higher level, compared to the 50s where the dividend payout ratio stood before. We believe that the dividend is reasonably safe right here, and dividend growth, at a slow pace, will likely continue.

Universal Corporation is active in an industry that has seen its peak. This means that its growth outlook on a company-wide basis is not positive. On the other hand, this means that there is no need for large investments, which results in relatively high free cash generation. The company does not have to worry about competition from new market entrants.

## Final Thoughts & Recommendation

Universal Corporation does not have an overly convincing long-term growth track record when it comes to profits, but the company should generate at least some earnings-per-share growth in the long run. Shareholders get an above-average dividend yield at current prices. Universal earns a buy recommendation today, since shares promise an attractive combination of dividend yield and total return potential right now.

## Total Return Breakdown by Year



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## Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	2,272	2,120	2,071	2,034	2,227	1,910	1,983	2,104	2,570	2,749
Gross Profit	410	407	395	372	407	357	386	409	458	536
Gross Margin	18.1%	19.2%	19.1%	18.3%	18.3%	18.7%	19.5%	19.4%	17.8%	19.5%
SG&A Exp.	250	227	212	201	225	223	220	241	277	311
D&A Exp.	35	37	36	35	37	38	45	53	57	58
Operating Profit	160	181	183	171	181	134	166	168	181	226
Operating Margin	7.0%	8.5%	8.8%	8.4%	8.1%	7.0%	8.4%	8.0%	7.0%	8.2%
Net Profit	115	109	106	106	104	72	87	87	124	120
Net Margin	5.0%	5.1%	5.1%	5.2%	4.7%	3.8%	4.4%	4.1%	4.8%	4.4%
Free Cash Flow	169	139	215	47	126	(24)	154	(8)	(65)	(141)
Income Tax	38	54	57	51	41	35	29	39	12	31

## Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	2,188	2,231	2,123	2,169	2,133	2,121	2,342	2,586	2,639	2,937
Cash & Equivalents	249	319	284	234	298	107	197	82	65	56
Accounts Receivable	436	431	442	379	399	352	368	390	402	525
Inventories	699	698	634	749	699	807	787	1,017	1,037	1,264
Goodwill & Int. Ass.	99	99	99	99	98	145	245	307	294	283
Total Liabilities	791	778	797	783	753	832	993	1,202	1,202	1,458
Accounts Payable	140	121	154	164	146	140	139	168	83	109
Long-Term Debt	430	435	428	415	423	447	619	701	812	1,035
Shareholder's Equity	1,151	1,203	1,286	1,342	1,337	1,247	1,307	1,341	1,397	1,437
LTD/E Ratio	0.32	0.31	0.33	0.31	0.32	0.36	0.47	0.52	0.58	0.72

## Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	5.1%	4.9%	4.9%	4.9%	4.8%	3.4%	3.9%	3.5%	4.7%	4.3%
Return on Equity	8.2%	7.6%	7.6%	7.8%	7.5%	5.4%	6.6%	6.3%	8.8%	8.2%
ROIC	6.3%	5.9%	5.8%	5.9%	5.8%	4.1%	4.7%	4.3%	5.7%	5.0%
Shares Out.	22.7	25.3	24.9	25.1	25.1	24.8	24.7	24.7	24.8	24.7
Revenue/Share	80.50	76.20	87.14	79.74	87.92	76.08	80.01	84.40	103.02	109.76
FCF/Share	5.99	5.01	9.03	1.85	4.96	(0.97)	6.22	(0.33)	(2.62)	(5.62)

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

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