



# Lamb Weston Holdings, Inc. (LW)

Updated December 19<sup>th</sup>, 2025, by Ian Bezek

## Key Metrics

<b>Current Price:</b>	\$44	<b>5 Year Annual Expected Total Return:</b>	14.9%	<b>Market Cap:</b>	\$6.1 B
<b>Fair Value Price:</b>	\$56	<b>5 Year Growth Estimate:</b>	7.0%	<b>Ex-Dividend Date:</b>	01/30/26
<b>% Fair Value:</b>	79%	<b>5 Year Valuation Multiple Estimate:</b>	5.0%	<b>Dividend Payment Date:</b>	02/27/26
<b>Dividend Yield:</b>	3.5%	<b>5 Year Price Target</b>	\$79	<b>Years Of Dividend Growth:</b>	9
<b>Dividend Risk Score:</b>	C	<b>Sector:</b>	Consumer Staples	<b>Rating:</b>	Hold

## Overview & Current Events

Lamb Weston is one of the dominant players in the frozen potato market, with an estimated 40% market share in North America. It primarily sells french fries, tater tots, hash browns, and other potato-based items to restaurants and fast food chains. The company relies on a few key customers to drive sales, with McDonald's (MCD) in particular accounting for about 13% of Lamb Weston's total revenues.

Lamb Weston was founded in 1950 and has long operating ties and local connections in the Pacific Northwest. Its headquarters are in Idaho, and its potato sourcing from that region provides a lasting competitive advantage. However, Lamb Weston was part of packaged foods company Conagra (CAG) until November 2016, when the company was spun off and began trading as a separate entity.

Lamb Weston is now attempting to bounce back from a major slump. The company recently modernized its enterprise resource planning (ERP) program. There was a substantial mistake in this ERP transition process, causing a direct hit of more than \$100 million, along with causing the loss of some customers who were impacted by the ERP system disruptions. Lamb Weston had a huge drop in its FY' 25 earnings tied to these issues. Lamb Weston announced its fiscal Q2 2026 earnings report on Dec. 19<sup>th</sup>, 2025. Lamb Weston's adjusted earnings of \$0.69 beat expectations but slid from the \$0.73 reported in the same quarter of the prior year. Revenues of \$1.62 billion grew 1% year-over-year. While these results seemed okay, the company cut its full-year guidance and warned of unfavorable product mix going forward.

Lamb Weston shares have been volatile over the past year. Poor earnings results have dimmed enthusiasm, however activist investors such as Jana Partners are pushing for major operational changes or an outright sale of the Lamb Weston business. As part of Lamb Weston's turnaround efforts, it appointed a new CEO, Michael Smith, who took over in January. We have reduced our FY'26 outlook based on these lackluster earnings results.

## Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
<b>EPS</b>	\$1.92	\$2.22	\$2.82	\$3.18	\$2.49	\$2.16	\$1.92	\$4.68	\$4.98	\$2.50	<b>\$2.95</b>	<b>\$4.14</b>
<b>DPS</b>	\$0.00	\$0.38	\$0.76	\$0.78	\$0.86	\$0.93	\$0.96	\$1.05	\$1.12	\$1.48	<b>\$1.52</b>	<b>\$2.13</b>
<b>Shares</b>	146	146	146	147	146	146	146	145	145	145	<b>145</b>	<b>145</b>

Lamb Weston has been a successful, if volatile, earnings growth story. The company seized new markets and opportunities once it became fully independent from Conagra. However, the pandemic was a challenge. Lamb Weston's EPS fell three years in a row as the restaurant market was greatly impacted by that crisis. 2023 marked a huge upturn from both organic growth and better pricing along with the acquisition of the remaining 50% of its European business which transformed Lamb Weston's Europe operations from a joint venture into a wholly owned division.

We believe Lamb Weston's recent growth was supercharged by its dealmaking and the robust inflationary pricing environment. Going forward, we estimate 7% annualized earnings growth. Despite the rough operational stretch, the company has kept its dividend streak intact. On Dec. 19<sup>th</sup>, 2025, the company raised its dividend by 3% to \$1.52 per 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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## Valuation Analysis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Now	2031
Avg. P/E	--	20.7	22.4	18.1	24.0	37.9	48.5	16.6	16.7	24.4	14.9	19.0
Avg. Yld.	--	1.1%	1.0%	1.1%	1.4%	1.5%	1.3%	1.2%	1.3%	2.4%	3.5%	2.7%

Lamb Weston has averaged a 26 times P/E ratio since going public, though this figure is somewhat inflated by the high readouts when earnings were depressed in 2021 and 2022. We believe a 19 P/E ratio is more sustainable, especially given the company's recent missteps. Shares appear to be undervalued following the most recent sell-off

The company's dividend yield currently sits at 3.5%, putting it far above its historical average.

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

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	--	17%	27%	25%	35%	43%	50%	22%	22%	59%	52%	52%

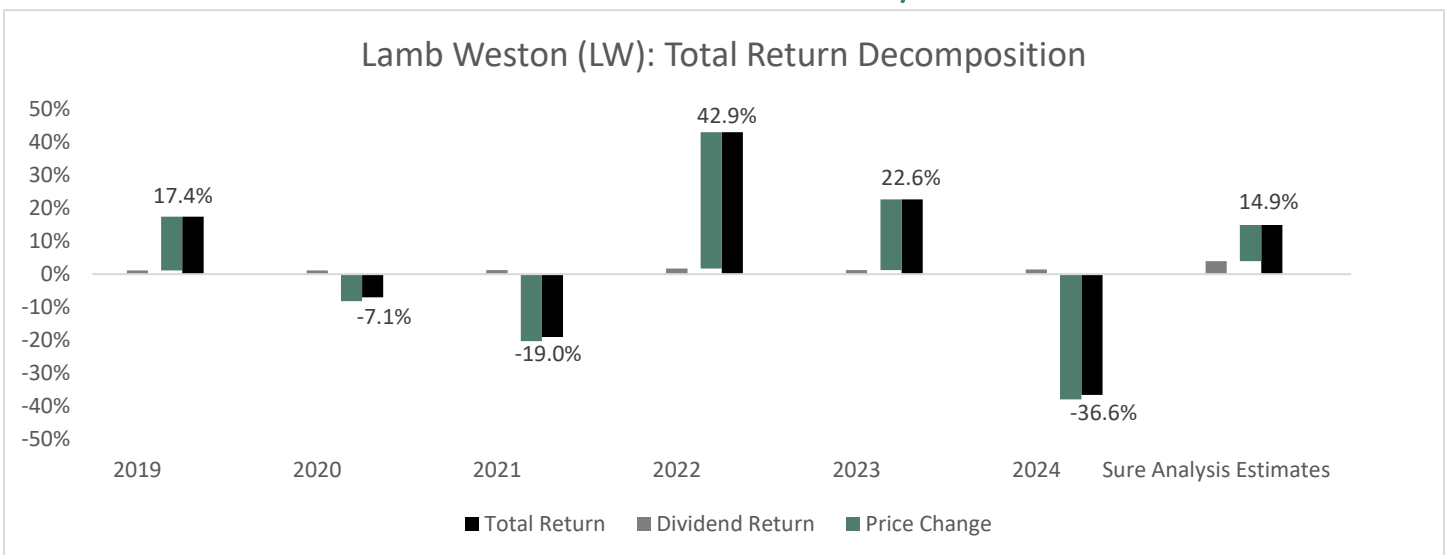
At first glance, Lamb Weston may seem like an undifferentiated commodity product producer, and it faces procurement risk since it doesn't grow its own potatoes. Changes in consumer behavior, such as a decline in french fry demand from weight loss drugs, low-carb diets, or other consumer trends would hit Lamb Weston hard. However, we believe the company's large market share, entrenched position in the key Idaho potato-growing region, and strong relationships with restaurants help protect its competitive position.

Lamb Weston has a fair bit of debt, and its BB+ credit rating from S&P Global puts it slightly below investment grade. A steep economic downturn could stress the company's dividend, that said the company's operations held up alright during the pandemic and the relatively low payout ratio leaves a significant margin of safety today.

## Final Thoughts & Recommendation

Lamb Weston appeared to be firing on all cylinders until last year. At that point, a combination of macroeconomic issues and operational setbacks reset the narrative around LW stock. Lamb Weston appeared to be stabilizing, but this most recent earnings report sent the stock spiraling to new lows. We think the sell-off may be overdone and shares now appear to be significantly undervalued. We forecast 14.9% total annualized returns from here. While that could be an opportunity for risk-tolerant investors, shares earn a hold rating due to the relatively low dividend risk score.

## Total Return Breakdown by Year



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## Income Statement Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>Revenue</b>	2,994	3,168	3,424	3,757	3,792	3,671	4,099	5,351	6,468	6,451
<b>Gross Profit</b>	662	779	880	1,004	895	832	832	1,432	1,767	1,366
<b>Gross Margin</b>	22.1%	24.6%	25.7%	26.7%	23.6%	22.7%	20.3%	26.8%	27.3%	21.2%
<b>SG&amp;A Exp.</b>	289	261	299	335	338	357	388	550	701	634
<b>D&amp;A Exp.</b>	96	109	143	162	182	188	192	223	307	403
<b>Operating Profit</b>	373	518	580	668	557	475	444	882	1,065	838
<b>Op. Margin</b>	12.5%	16.4%	16.9%	17.8%	14.7%	12.9%	10.8%	16.5%	16.5%	13.0%
<b>Net Profit</b>	285	327	417	479	366	318	201	1,009	726	357
<b>Net Margin</b>	9.5%	10.3%	12.2%	12.7%	9.6%	8.7%	4.9%	18.9%	11.2%	5.5%
<b>Free Cash Flow</b>	230	160	174	347	406	406	129	108	(131)	197
<b>Income Tax</b>	145	170	121	134	112	91	72	225	230	143

## Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>Total Assets</b>	2,158	2,486	2,753	3,048	4,662	4,209	4,140	6,520	7,367	7,393
<b>Cash &amp; Equivalents</b>	36	57	56	12	1,364	784	525	305	71	71
<b>Acc. Receivable</b>	187	185	226	340	342	367	447	724	744	782
<b>Inventories</b>	499	525	550	498	487	514	574	932	1,139	1,070
<b>Goodwill &amp; Int.</b>	174	170	171	244	342	371	352	1,151	1,165	1,204
<b>Total Liabilities</b>	758	3,133	3,087	3,053	4,422	3,729	3,779	5,109	5,579	5,655
<b>Accounts Payable</b>	238	295	254	289	244	359	403	637	834	531
<b>Long-Term Debt</b>	143	2,425	2,385	2,327	3,540	2,737	2,728	3,462	3,823	3,860
<b>Total Equity</b>	1,401	(647)	(335)	(5)	240	481	361	1,411	1,788	1,738
<b>LTD/E Ratio</b>	0.10	(3.75)	(7.12)	(51)	14.75	5.70	7.57	2.45	2.14	2.45

## Profitability & Per Share Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>Return on Assets</b>	13.5%	14.1%	15.9%	16.5%	9.5%	7.2%	4.8%	18.9%	10.5%	4.8%
<b>Return on Equity</b>	20.7%	86.8%	--	--	311%	88.2%	47.8%	114%	45.4%	20.3%
<b>ROIC</b>	18.8%	19.7%	21.8%	21.9%	12.0%	9.1%	6.4%	25.3%	13.8%	6.1%
<b>Shares Out.</b>	146	146	146	147	146	146	146	145	146	143
<b>Revenue/Share</b>	20.45	21.61	23.29	25.50	25.78	24.96	28.09	36.85	44.42	45.21
<b>FCF/Share</b>	1.57	1.09	1.19	2.35	2.76	2.76	0.88	0.74	(0.90)	1.38

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

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