The Chemours Company(CC)

$14.94 (As of 02/11/20)

Price Target (6-12 Months): **$16.00**

Long Term: 6-12 Months	**Zacks Recommendation:** (Since: 11/25/19) Prior Recommendation: Underperform	Neutral
Short Term: 1-3 Months	**Zacks Rank:** (1-5)	4-Sell
	Zacks Style Scores:	VGM:B
	Value: A | Growth: C | Momentum: D	

Summary

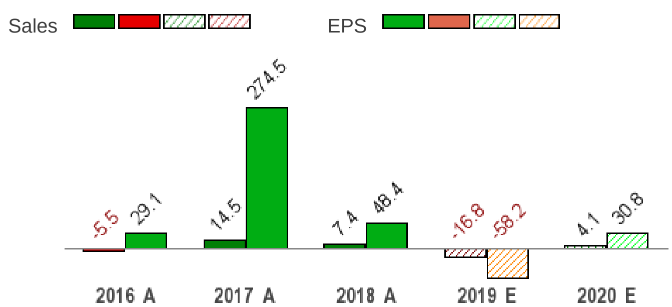
Earnings estimates for Chemours for the fourth quarter of 2019 have been stable of late. Chemours is likely to gain from increasing adoption of the Opteon platform and growing application of fluoropolymers in automotive, electronics and energy end-markets. The company is also witnessing strong demand for Opteon in mobile applications. Chemours should also benefit from its cost management and pricing actions. However, Chemours faces headwind from weak global demand. The company is seeing pressure on Ti-Pure TiO2 volumes due to soft demand and customer destocking amid a challenging business environment. Moreover, illegal imports of HFC refrigerants into the European Union from China are expected to hurt volumes and pricing of refrigerants. The company has also underperformed the industry it belongs to over a year.

Price, Consensus & Surprise

Data Overview

52 Week High-Low	$41.60 - $11.71
20 Day Average Volume (sh)	2,467,281
Market Cap	$2.4 B
YTD Price Change	-17.4%
Beta	2.59
Dividend / Div Yld	$1.00 / 6.7%
Industry	Chemical - Diversified
Zacks Industry Rank	Bottom 17% (212 out of 254)
Last EPS Surprise	5.4%
Last Sales Surprise	-0.2%
EPS F1 Est- 4 week change	0.0%
Expected Report Date	02/13/2020
Earnings ESP	0.0%
P/E TTM	5.0
P/E F1	4.8
PEG F1	0.3
P/S TTM	0.4

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2020					5,752 E
2019	1,376 A	1,408 A	1,390 A	1,370 E	5,525 E
2018	1,730 A	1,816 A	1,628 A	1,464 A	6,638 A

EPS Estimates

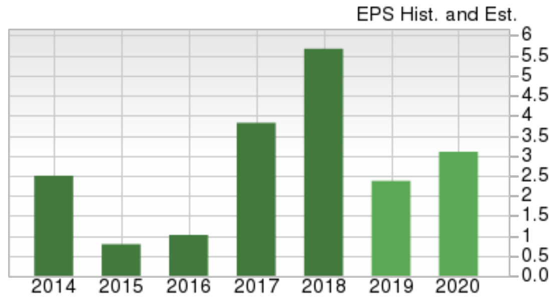
	Q1	Q2	Q3	Q4	Annual*
2020					$3.10 E
2019	$0.63 A	$0.72 A	$0.59 A	$0.43 E	$2.37 E
2018	$1.41 A	$1.71 A	$1.49 A	$1.05 A	$5.67 A

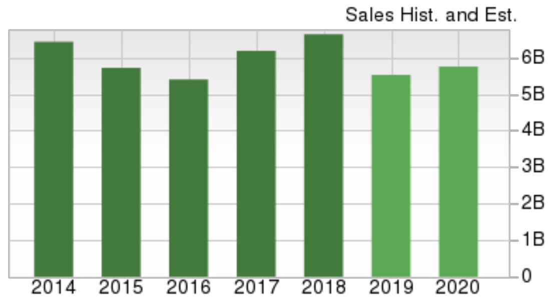
*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 02/11/2020. The reports text is as of 02/12/2020.

Overview

Wilmington, DE-based The Chemours Company is a leading provider of performance chemicals that are key ingredients in end-products and processes across a host of industries.





Chemours started operating as an independent company in July 2015 following its separation from E.I. du Pont de Nemours and Company ("DuPont"). The company offers its customers with solutions across a vast spectrum of industries including plastics and coatings, refrigeration and air conditioning, mining and general industrial manufacturing and electronics.

The company's major products include titanium dioxide (TiO2), refrigerants, industrial fluoropolymer resins and sodium cyanide. The company has 26 manufacturing sites catering to around 4,000 customers across North America, Latin America, Asia-Pacific and Europe.

The company recorded net sales of $6,638 million in 2018. It currently has three reportable segments – Titanium Technologies, Fluoroproducts and Chemical Solutions.

Titanium Technologies (48% of 2018 sales) – The segment makes TiO2 pigment, a premium white pigment used to deliver whiteness, brightness, opacity and protection in a range of applications. It is one of the biggest producers of TiO2 globally. The company markets TiO2 under the Ti-Pure brand to roughly 700 customers globally. It has a TiO2 pigment capacity of around 1.25 million metric tons per year.

Fluoroproducts (43% of 2018 sales) – The division is a leading provider of fluoroproducts including refrigerants and industrial fluoropolymer resins. The company markets its fluoroproducts through two primary product groups, Fluorochemicals and Fluoropolymers. A prominent brand in this segment is Opteon – one of the world's lowest global warming potential (GWP) refrigerants. The division serves roughly 2,600 customers and distributors globally.

Chemical Solutions (9% of 2018 sales) – The segment is a leading provider of industrial chemicals that are used in gold production, industrials and consumer applications. The division has operations at three production facilities in North America.

Reasons To Buy:

▲ Chemours is poised to benefit from increasing adoption of the Opteon platform and growing applications of fluoropolymers, especially in automotive, electronics and energy end-markets. Chemours remains committed to drive Opteon adoption. The company is seeing higher demand for Opteon in mobile applications. It plans to ramp up the new low-cost Opteon Corpus Christi facility through 2019. The facility, when fully on stream, will triple the company's Opteon capacity allowing it to meet future demand. The company has also implemented price hikes for certain products, which should drive margins in this segment.

> Chemours should gain from strong demand for Opteon refrigerant. Its cost management and pricing actions should also provide support to its margins.

▲ Higher global average prices for Ti-Pure TiO2 products contributed to the year-over-year rise in revenues in the Titanium Technologies segment in 2018. Chemours should benefit from its actions to increase Ti-Pure TiO2 prices, which is expected to support margins of the division in 2019.

▲ Chemours stands to gain from its efforts to reduce costs, improve cash generation and strengthen the balance sheet. The company remains focused on managing its fixed costs. It is keeping a tight lid on selling, general, and administrative expenses, which should support margins.

Reasons To Sell:

- Chemours' shares have lost 61.4% over a year, underperforming the industry's roughly 26.2% decline. Concerns over the company's exposure to demand weakness in the Titanium Technologies segment and challenges in the Fluoroproducts unit from imports and weak demand are weighing on the stock.

- Chemours is seeing pressure on Ti-Pure TiO2 volumes of late due to customer destocking across end markets. The company witnessed lower volumes for these products through the first half of 2019 due to weak global demand (especially in Europe). The trend continued in the third quarter and is likely to sustain through the remainder of the year amid a challenging macroeconomic environment. As such, lower expected volumes will hurt sales of the Titanium Technologies segment in the fourth quarter.

Chemours is seeing pressure on Ti-Pure TiO2 volumes. Illegal imports are also expected affect volumes and pricing of refrigerants. Chemours' high balance sheet leverage is another concern.

- The company is facing headwind from Illegal imports of HFC refrigerants into the European Union from China, which is hurting sales and margins in its Fluoroproducts segment. It expects earnings in this unit to be down by $125 million in 2019 due to these illegal imports that are hurting pricing and volumes of refrigerants. Lower industrial demand, partly due to weakness in global automotive and electronics industries, is also affecting fluoropolymer volumes and the softness is expected to continue through the balance of 2019.

- While the company is taking steps to de-leverage its balance sheet of late, it continues to operate with a high debt level. Chemours' total debt was around $4.2 billion at the end of the most recent quarter. The company's debt-to-equity ratio is 505.5%, much higher than industry's average of 65.2%. Chemours' free cash flows are not yet sufficient enough to enable it to materially reduce its debt burden.

Last Earnings Report

Chemours' Earnings Top, Revenues Miss Estimates in Q3

Quarter Ending	09/2019
Report Date	Nov 04, 2019
Sales Surprise	-0.19%
EPS Surprise	5.36%
Quarterly EPS	0.59
Annual EPS (TTM)	2.99

Chemours reported profit of $76 million or 46 cents per share in the third quarter of 2019, down 72.4% from profit of $275 million or $1.51 per share a year ago.

Adjusted earnings were 59 cents per share for the quarter, which surpassed the Zacks Consensus Estimate of 56 cents.

Net sales fell 14.6% year over year to $1,390 million, hurt by lower volume in the company's Titanium Technologies unit, and reduced volume and prices in the Fluoroproducts unit. Revenues lagged the Zacks Consensus Estimate of $1,393 million.

Segment Highlights

Revenues in the Fluoroproducts segment fell 6.8% year over year to $636 million in the reported quarter. The favorable impact of the adoption of Opteon refrigerants was more than offset by illegal imports of HFC refrigerants into the European Union and weaker demand for base refrigerants.

Revenues in the Chemical Solutions unit were $140 million, down 9.7% year over year. The company saw lower prices in the quarter mainly on account of mix and lower cost pass-throughs in Performance Chemicals and Intermediates.

Revenues in the Titanium Technologies division were $614 million, down 22.4% from the prior-year quarter. The decline is attributable to lower volume of Ti-Pure TiO2.

Financials

Chemours ended the quarter with cash and cash equivalents of $694 million, down 45.6% year over year. Long-term debt was $4,007 million, up 0.6% year over year.

Cash flows provided by operating activities were $288 million for the third quarter of 2019, down 15.8% year over year.

Outlook

The company expects to witness weaker economic activity, moving ahead. It anticipates initiatives such as application development work in Fluoroproducts and Ti-Pure Value Stabilization to strengthen its relationship with customers.

Recent News

Chemours' Opteon XP10 Refrigerants Chosen by Sharc Energy - Jan 27, 2020

Chemours' Opteon XP10 (R-513A) refrigerants have been selected by Sharc Energy for next-generation Piranha units. Per Sharc Energy, Piranha is the greenest domestic hot water production system globally.

Notably, Opteon XP10 provides a non-ozone depleting and low global warming potential ("GWP") hydrofluoro-olefin ("HFO")-based refrigerant. It was developed with a 56% reduction to replace R-134a refrigerant in positive displacement, direct expansion, medium-temperature commercial, and industrial fixed speed systems, chillers and heat pumps (HP) such as the Piranha. It also offers enhanced energy efficiency, similar capacity and outstanding design compatibility.

Opteon XP10 is non-flammable, with an Ashrae A1 safety classification and has substantially simpler operating envelope management, making HP application easier to manage. Notably, it is an outstanding capacity and efficiency match for R-134a in new systems and for retrofitting existing systems.

Per Management, the partnership would allow Sharc Energy to engage in refrigerant solutions that are more environmentally sustainable, while meeting global regulatory requirements and providing reliable performance.

Chemours Suspends Supply of High-GWP Refrigerants in the EU – Dec 17, 2019

Chemours has announced that it is suspending supply of high GWP refrigerants R-404A (GWP 3922) and R-507A (GWP 3985) in the European Union (EU) effective Jan 1, 2020. The move is aimed at supporting the market transition driven by the EU F-Gas regulation to reduce GWP alternatives and prepare for the next quota phasedown in 2021.

Valuation

Chemours' shares are down 61.4% over the trailing 12-month period. Stocks in the Zacks Chemicals-Diversified industry and the Zacks Basic Materials sector are down 26.2% and 5% over the past year, respectively.

The S&P 500 index is up 21.1% in the past year.

The stock is currently trading at 4.7X forward 12-month earnings, which compares to 13.12X for the Zacks sub-industry, 13.13X for the Zacks sector and 17.82X for the S&P 500 index.

Over the past five years, the stock has traded as high as 17.43X and as low as 2.59X, with a 5-year median of 8.39X.

Our Neutral recommendation indicates that the stock will perform in-line with the market. Our $16 price target reflects 5.03X forward 12-month earnings per share.

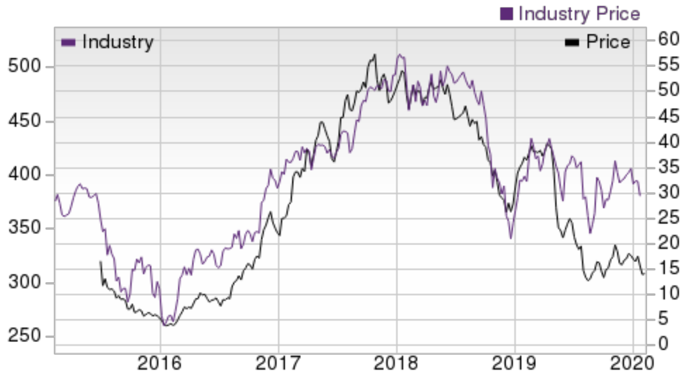
The table below shows summary valuation data for CC:

Valuation Multiples - CC

		Stock	Sub-Industry	Sector	S&P 500
P/E F 12M	Current	4.7	13.12	13.13	17.82
	5-Year High	17.43	15.19	21.12	19.26
	5-Year Low	2.59	8.25	9.77	15.08
	5-Year Median	8.39	12.43	13.61	17.38
EV/EBITDA TTM	Current	3.43	7.09	9.23	11.36
	5-Year High	33.42	12.49	18.36	12.85
	5-Year Low	3.17	5.12	7.34	8.47
	5-Year Median	10.53	7.28	10.61	10.7
P/B TTM	Current	2.9	1.67	2.24	4.33
	5-Year High	66.72	3.54	3.54	4.42
	5-Year Low	2.35	0.89	1.34	2.85
	5-Year Median	8.54	2.51	2.19	3.62

As of 02/11/2020

Industry Analysis **Zacks Industry Rank:** Bottom 17% (212 out of 254)



Top Peers

Celanese Corporation **(CE)**	Neutral
Huntsman Corporation **(HUN)**	Neutral
Kronos Worldwide Inc **(KRO)**	Neutral
Tronox Limited **(TROX)**	Neutral
Univar Inc. **(UNVR)**	Neutral
Venator Materials PLC **(VNTR)**	Neutral
Dow Inc. **(DOW)**	Underperform
Olin Corporation **(OLN)**	Underperform

Industry Comparison Industry: Chemical - Diversified

Industry Peers

	CC Neutral	X Industry	S&P 500	HUN Neutral	KRO Neutral	TROX Neutral
VGM Score	B	-	-	A	A	A
Market Cap	2.44 B	2.73 B	24.31 B	4.89 B	1.30 B	1.24 B
# of Analysts	3	3	13	3	2	2
Dividend Yield	6.69%	1.74%	1.78%	3.05%	6.40%	2.06%
Value Score	A	-	-	A	A	A
Cash/Price	0.30	0.07	0.04	0.09	0.30	0.28
EV/EBITDA	3.65	7.28	13.97	5.01	3.94	9.18
PEG Ratio	0.33	1.58	2.06	1.24	NA	NA
Price/Book (P/B)	2.90	2.10	3.24	1.85	1.54	1.50
Price/Cash Flow (P/CF)	1.92	6.55	13.65	4.41	5.12	3.91
P/E (F1)	5.07	14.06	19.12	11.32	12.71	6.51
Price/Sales (P/S)	0.43	0.91	2.67	0.60	0.76	0.52
Earnings Yield	20.75%	6.95%	5.23%	8.83%	7.82%	15.33%
Debt/Equity	5.05	0.50	0.70	0.97	0.61	3.80
Cash Flow ($/share)	7.77	3.41	6.94	4.83	2.20	2.24
Growth Score	C	-	-	B	C	A
Hist. EPS Growth (3-5 yrs)	45.80%	11.02%	10.85%	11.72%	30.01%	NA
Proj. EPS Growth (F1/F0)	30.70%	5.15%	7.30%	4.83%	14.94%	216.07%
Curr. Cash Flow Growth	30.94%	-3.46%	8.92%	24.70%	-1.74%	65.66%
Hist. Cash Flow Growth (3-5 yrs)	14.17%	6.20%	8.36%	6.55%	60.63%	14.29%
Current Ratio	1.72	1.83	1.22	1.96	5.22	3.26
Debt/Capital	83.48%	35.68%	42.90%	49.18%	37.78%	79.17%
Net Margin	7.24%	5.57%	11.81%	-0.99%	5.95%	-4.79%
Return on Equity	58.38%	12.26%	16.98%	17.06%	11.94%	6.56%
Sales/Assets	0.76	0.85	0.54	0.98	0.89	0.48
Proj. Sales Growth (F1/F0)	4.11%	2.28%	3.90%	-7.76%	3.41%	16.32%
Momentum Score	D	-	-	B	B	C
Daily Price Chg	5.96%	0.72%	0.65%	3.55%	1.72%	5.17%
1 Week Price Chg	1.23%	1.57%	2.47%	2.33%	1.29%	-6.26%
4 Week Price Chg	-17.91%	-2.80%	1.35%	-8.27%	-11.00%	-27.83%
12 Week Price Chg	-13.24%	-5.35%	5.63%	-9.29%	-18.48%	-20.91%
52 Week Price Chg	-61.22%	-7.40%	16.19%	-7.39%	-21.27%	-17.24%
20 Day Average Volume	2,467,281	104,085	1,995,746	1,875,356	236,995	1,418,508
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	0.00%	0.00%	0.00%	-1.16%	0.00%	-2.66%
(F1) EPS Est 12 week change	-2.98%	-2.08%	-0.19%	-1.26%	0.00%	-2.66%
(Q1) EPS Est Mthly Chg	NA%	0.00%	0.00%	-3.27%	NA	NA

Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Value Score	A
Growth Score	C
Momentum Score	D
VGM Score	B

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

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