

The Chemours Company(CC)

\$21.55 (As of 08/12/20)

Price Target (6-12 Months): **\$23.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 07/03/20)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:B

Value: A

Growth: C

Momentum: D

Summary

Chemours' adjusted earnings and sales for the second quarter beat the respective Zacks Consensus Estimate. The company is witnessing strong demand for Opteon in mobile applications. It should also benefit from its cost management actions. The company also has a strong liquidity position. Chemours has also outperformed the industry in the past year. However, the company is facing pressure in its Chemical Solutions segment. Lower prices are hurting revenues in this segment. The division is also exposed to headwinds from weak global demand in the wake of the coronavirus pandemic and mining operation shutdowns by customers. The Fluoroproducts unit also faces challenges from softer industrial demand and illegal imports of HFC refrigerants into the European Union. Weak demand is also hurting volumes in the Titanium Technologies unit.

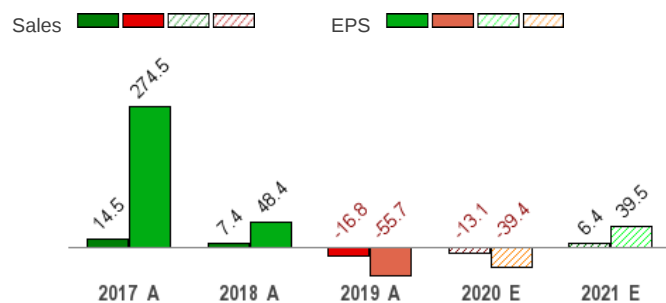
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$21.84 - \$7.02
20 Day Average Volume (sh)	1,759,764
Market Cap	\$3.5 B
YTD Price Change	19.1%
Beta	2.46
Dividend / Div Yld	\$1.00 / 4.6%
Industry	Chemical - Diversified
Zacks Industry Rank	Bottom 22% (197 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	100.0%
Last Sales Surprise	1.4%
EPS F1 Est- 4 week change	4.7%
Expected Report Date	11/02/2020
Earnings ESP	10.3%
P/E TTM	10.6
P/E F1	14.2
PEG F1	0.9
P/S TTM	0.7

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	1,131 E	1,171 E	1,240 E	1,237 E	5,109 E
2020	1,305 A	1,093 A	1,190 E	1,239 E	4,803 E
2019	1,376 A	1,408 A	1,390 A	1,353 A	5,526 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$0.38 E	\$0.42 E	\$0.55 E	\$0.56 E	\$2.12 E
2020	\$0.71 A	\$0.18 A	\$0.29 E	\$0.35 E	\$1.52 E
2019	\$0.63 A	\$0.72 A	\$0.59 A	\$0.56 A	\$2.51 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 08/12/2020. The reports text is as of 08/13/2020.

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.

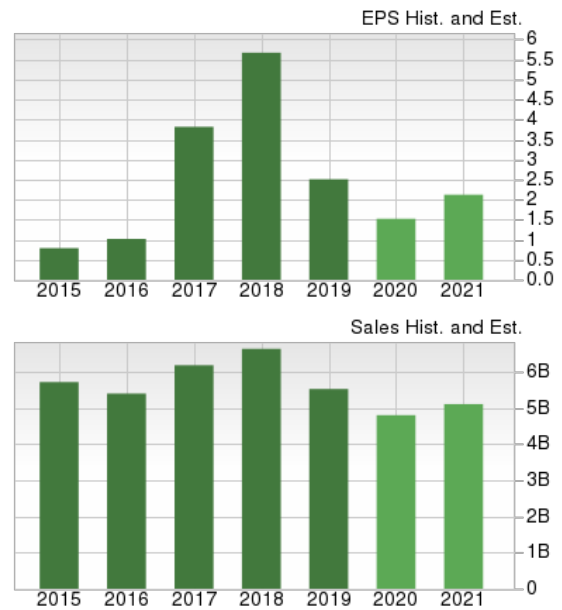
The company's major products include titanium dioxide (TiO₂), refrigerants, industrial fluoropolymer resins and sodium cyanide. The company has 26 manufacturing sites catering to around 4,000 customers across North America, Latin America, Asia-Pacific and Europe.

The company recorded net sales of \$5,526 million in 2019. It currently has three reportable segments – Titanium Technologies, Fluoroproducts and Chemical Solutions.

Titanium Technologies (42% of 2019 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 (48% of 2019 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 (10% of 2019 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' shares have gained 79% in the past year, outperforming the industry's 6.8% rise. 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 in 2020. 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 stands to gain from its efforts to reduce costs. It is taking actions to cut costs by reducing overhead, discretionary spend and capital expenditure for 2020. Moreover, the company launched a cost-management program to lower costs by \$160 million for 2020 to enhance financial flexibility. Chemours has also lowered its capital expenditure from \$400 million to \$275 million for 2020. Notably, the reductions will be focused on delaying or canceling growth projects in 2020. Additionally, Chemours is implementing a temporary cut in salaries of senior leadership due to the coronavirus outbreak. The company also remains focused on managing its fixed costs. It is keeping a tight lid on selling, general, and administrative expenses, which should support margins. The company's productivity and operational improvement actions across its businesses are expected to support margins in 2020.
- ▲ The company has a strong liquidity position. It ended the second quarter of 2020 with cash and cash equivalents of roughly \$1 billion and total liquidity of \$1.4 billion. Moreover, its current debt was \$19 million at the end of the quarter. The company also has no near-term senior debt maturities. It has ample liquidity to meet its short-term debt obligations.

Chemours should gain from strong demand for Opteon refrigerant. Its cost actions should also support its margins. The company also has a strong liquidity position.

Reasons To Sell:

- ▼ Chemours 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. These illegal imports are affecting pricing and volumes of refrigerants. The headwind is expected to continue over the near term. The company is also seeing headwind from lower demand due to shutdowns by automotive original equipment manufacturers across North America and Europe and softness in general industrial end-markets resulting from the coronavirus outbreak. The impacts of the downturn in the automotive market are likely to continue in the third quarter of 2020, affecting the company's fluorochemicals business.
- ▼ The company is witnessing pressure on its Chemical Solutions segment. It saw lower prices in the last reported quarter mainly due to regional customer mix. The segment also faced headwind from mining operation shutdowns by customers and demand softness in the wake of the coronavirus pandemic. The impacts of customer mining shutdowns are expected to continue in the third quarter, hurting sales in this segment.
- ▼ The Titanium Technologies unit faces challenges from softer demand in certain markets. Lower volumes due to weak demand across Europe, Latin America and Asia Pacific as a result of the pandemic hurt sales in this segment in the last reported quarter. While the company is seeing a modest recovery of late, demand headwind is likely to continue to impact volumes and sales in this unit in the third quarter.

Weak demand and illegal imports are affecting volumes in the Fluoroproducts unit. Demand weakness due to the pandemic is also hurting Chemical Solutions and Titanium Technologies units.

Last Earnings Report

Chemours' Earnings and Revenues Surpass Estimates in Q2

Chemours logged a profit of \$24 million or 15 cents per share in the second quarter of 2020, down from a profit of \$96 million or 57 cents per share a year ago.

Adjusted earnings were 18 cents per share for the quarter, which surpassed the Zacks Consensus Estimate of 9 cents.

Total revenues fell around 22% year over year to \$1,093 million. The company saw lower volumes across all segments in the quarter. However, revenues beat the Zacks Consensus Estimate of \$1,077.5 million.

Quarter Ending 06/2020

Report Date	Jul 30, 2020
Sales Surprise	1.44%
EPS Surprise	100.00%
Quarterly EPS	0.18
Annual EPS (TTM)	2.04

Segment Highlights

Revenues in the Fluoroproducts segment fell roughly 26% year over year to \$523 million in the reported quarter. The decline was caused by the impacts of the coronavirus outbreak on global automotive original equipment manufacturers and industrial end-markets.

Revenues in the Chemical Solutions unit were \$82 million, down 37% year over year. The company saw lower volumes in the quarter mainly due to coronavirus-related mine closures. Average prices also fell due to regional customer mix.

Revenues in the Titanium Technologies division were \$488 million, down around 14% from the prior-year quarter. The decline was attributable to lower volumes resulting from weaker demand, mainly in Europe, Latin America and Asia. Average selling prices also fell on a year-over-year basis.

Financials

Chemours ended the quarter with cash and cash equivalents of \$1,031 million, up roughly 64% year over year. Long-term debt was \$4,327 million, up around 3% year over year.

Cash provided by operating activities was \$111 million in the quarter while free cash flow was \$50 million.

Outlook

Chemours noted that although its outlook for the second half is improving, it remains uncertain. The company remains focused on executing its short-term response plan and long-term strategy amid the uncertainties. The company aims to cut costs by \$160 million and capital expenditure by roughly \$125 million in 2020.

Recent News

Chemours Gets EPA Nod for Glyclean Cleaner for Coronavirus

Chemours, on **Jun 23, 2020**, reported that Glyclean hard surface cleaner has been approved by U.S. Environmental Protection Agency (EPA) for use against Sars-Cov-2, the virus that causes COVID-19.

Glyclean AM is designed for use in various hard surface cleaning and disinfecting formulations. Moreover, it can also help prevent the spread of coronavirus.

Notably, Glyclean AM is based upon glycolic acid. Hence, it may be utilized as an active ingredient in the formulations of liquid-based disinfectants for use on hard and non-porous surfaces. Moreover, Glyclean can cater to the unique cleaning needs of hospitals, homes and other high-touch, high-traffic facilities with immovable hard surfaces requiring on-site cleaning.

EPA has also registered several other Chemours product formulations that use Glyclean AM including Glyclean Pine Cleaner and Glyclean Bowl Cleaner.

Per management, the company is working closely with customers to ensure that it offers products necessary for slowing and limiting the spread of the coronavirus.

Valuation

Chemours' shares are up 19.1% in the year-to-date period and up 79% over the trailing 12-month period. Stocks in the Zacks Chemical - Diversified industry and Zacks Basic Materials sector are down 6.3% and up 0.4% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry and sector are up 6.8% and up 12.8%, respectively.

The S&P 500 index is up 3.3% in the year-to-date period and up 17.5% in the past year.

The stock is currently trading at 11.5X forward 12-month earnings, which compares to 19.6X for the Zacks sub-industry, 14.95X for the Zacks sector and 22.6X for the S&P 500 index.

Over the past five years, the stock has traded as high as 17.43X and as low as 2.48X, with a 5-year median of 8.24X.

Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$23 price target reflects 12.30X 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	11.5	19.6	14.95	22.6
	5-Year High	17.43	19.6	21.05	22.6
	5-Year Low	2.48	8.97	9.86	15.25
	5-Year Median	8.24	13.15	13.53	17.58
EV/EBITDA TTM	Current	6.75	8.46	10.9	12.55
	5-Year High	24.57	13.12	18.08	12.84
	5-Year Low	4.05	5.24	6.55	8.24
	5-Year Median	8.41	7.49	10.77	10.9
P/B TTM	Current	5.37	1.77	2.42	4.64
	5-Year High	66.72	2.82	3.07	4.68
	5-Year Low	1.8	0.87	1.23	2.83
	5-Year Median	7.94	1.71	2.2	3.74

As of 08/12/2020

Industry Analysis Zacks Industry Rank: Bottom 22% (197 out of 253)



Top Peers

Company (Ticker)	Rec	Rank
Celanese Corporation (CE)	Neutral	3
Dow Inc. (DOW)	Neutral	4
Huntsman Corporation (HUN)	Neutral	3
Kronos Worldwide Inc (KRO)	Neutral	2
Tronox Limited (TROX)	Neutral	3
Univar Inc. (UNVR)	Neutral	3
Venator Materials PLC (VNTR)	Neutral	3
Olin Corporation (OLN)	Underperform	5

Industry Comparison Industry: Chemical - Diversified				Industry Peers		
	CC	X Industry	S&P 500	HUN	KRO	TROX
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	2	3
VGM Score	B	-	-	B	B	A
Market Cap	3.54 B	2.54 B	23.75 B	4.64 B	1.49 B	1.35 B
# of Analysts	5	2	14	8	2	3
Dividend Yield	4.64%	1.82%	1.68%	3.09%	5.59%	2.98%
Value Score	A	-	-	A	A	A
Cash/Price	0.32	0.13	0.07	0.29	0.25	0.58
EV/EBITDA	17.47	8.34	13.35	6.88	8.54	10.16
PEG Ratio	0.91	3.38	2.98	9.65	NA	NA
Price/Book (P/B)	5.37	1.86	3.20	1.40	1.86	1.85
Price/Cash Flow (P/CF)	4.77	6.78	12.97	7.75	10.50	3.77
P/E (F1)	14.07	20.29	22.17	51.61	23.02	24.52
Price/Sales (P/S)	0.69	0.93	2.54	0.75	0.92	0.49
Earnings Yield	7.05%	4.49%	4.31%	1.95%	4.34%	4.04%
Debt/Equity	6.91	0.60	0.77	0.58	0.64	4.77
Cash Flow (\$/share)	4.52	3.41	6.94	2.71	1.23	2.49
Growth Score	C	-	-	D	D	C
Hist. EPS Growth (3-5 yrs)	36.34%	8.03%	10.41%	-0.57%	16.90%	90.13%
Proj. EPS Growth (F1/F0)	-39.28%	-23.16%	-6.32%	-73.37%	-25.33%	-18.44%
Curr. Cash Flow Growth	-44.39%	-9.82%	5.22%	-41.39%	-44.25%	28.73%
Hist. Cash Flow Growth (3-5 yrs)	0.80%	6.32%	8.55%	-7.56%	-0.18%	9.01%
Current Ratio	2.35	1.89	1.33	1.53	5.09	3.45
Debt/Capital	87.35%	37.80%	44.59%	36.72%	39.16%	82.68%
Net Margin	-2.28%	3.83%	10.13%	15.78%	4.51%	0.54%
Return on Equity	47.31%	10.94%	14.59%	6.41%	8.98%	12.07%
Sales/Assets	0.72	0.75	0.51	0.75	0.85	0.52
Proj. Sales Growth (F1/F0)	-13.10%	-7.20%	-1.40%	-25.84%	-9.95%	-4.79%
Momentum Score	D	-	-	B	C	C
Daily Price Chg	3.16%	0.88%	0.67%	1.59%	1.82%	1.95%
1 Week Price Chg	7.29%	4.02%	2.30%	7.03%	5.96%	17.72%
4 Week Price Chg	29.98%	4.84%	4.87%	7.57%	16.23%	27.03%
12 Week Price Chg	67.83%	21.67%	13.54%	22.06%	43.54%	41.78%
52 Week Price Chg	78.99%	3.94%	6.06%	10.86%	21.26%	21.60%
20 Day Average Volume	1,759,764	55,407	2,006,991	1,874,934	193,367	1,365,372
(F1) EPS Est 1 week change	0.13%	0.00%	0.00%	0.00%	55.56%	0.00%
(F1) EPS Est 4 week change	4.67%	0.61%	1.95%	34.55%	55.56%	8.49%
(F1) EPS Est 12 week change	-16.15%	0.00%	2.72%	54.19%	12.00%	-18.44%
(Q1) EPS Est Mthly Chg	-7.05%	3.13%	0.84%	147.41%	57.14%	225.00%

Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we have an excellent balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

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.

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.

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

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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