

The Chemours Company(CC)

\$16.26 (As of 07/14/20)

Price Target (6-12 Months): **\$17.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 07/05/20)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:C

Value: C

Growth: D

Momentum: B

Summary

Chemours is witnessing strong demand for Opteon in mobile applications. The company should also benefit from its cost management actions and strength in the Titanium Technologies unit. Strong demand is likely to continue to drive volumes in Titanium Technologies. However, Chemours 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. Moreover, illegal imports of HFC refrigerants into the European Union from China are expected to hurt volumes and pricing of refrigerants. The Fluoroproducts unit also faces challenges from softer industrial demand. High debt level is another concern. The company has also underperformed the industry in the past year.

Data Overview

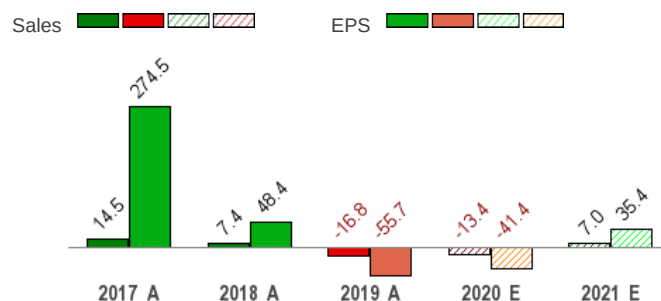
52 Week High-Low	\$20.73 - \$7.02
20 Day Average Volume (sh)	1,809,574
Market Cap	\$2.7 B
YTD Price Change	-10.1%
Beta	2.44
Dividend / Div Yld	\$1.00 / 6.2%
Industry	Chemical - Diversified
Zacks Industry Rank	Top 42% (105 out of 251)

Last EPS Surprise	39.2%
Last Sales Surprise	-2.8%
EPS F1 Est- 4 week change	-0.7%
Expected Report Date	07/30/2020
Earnings ESP	0.0%
P/E TTM	6.3
P/E F1	11.1
PEG F1	0.7
P/S TTM	0.5

Price, Consensus & Surprise



Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021					5,119 E
2020	1,305 A	1,100 E	1,223 E	1,227 E	4,783 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					\$1.99 E
2020	\$0.71 A	\$0.08 E	\$0.34 E	\$0.34 E	\$1.47 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 07/14/2020. The reports text is as of 07/15/2020.

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.

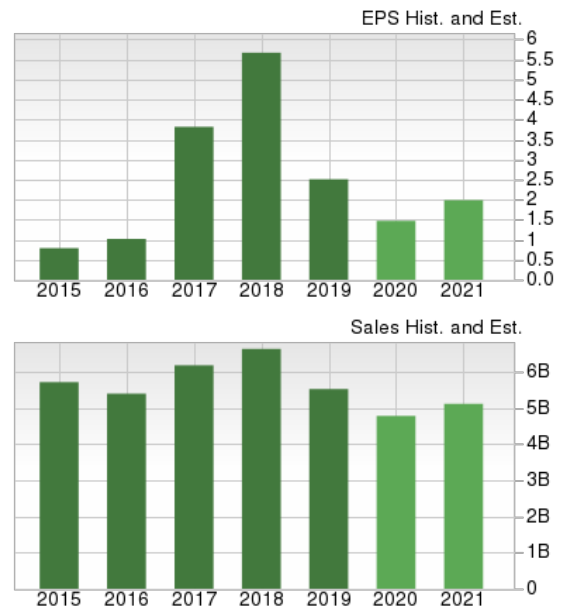
The company's major products include titanium dioxide (TiO₂), refrigerants, industrial fluoropolymer resins and sodium cyanide. The company has 26 manufacturing sites catering to around 4,000 customers across North America, Latin America, Asia-Pacific and Europe.

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 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 benefited from strength in the Titanium Technologies unit in the last reported quarter. Notably, revenues in the Titanium Technologies division were \$613 million, up 10.5% from the prior-year quarter. The increase was attributable to a higher volume of Ti-Pure titanium dioxide. Also, the sales volume was 19% higher in the last reported quarter as compared to the year-ago quarter on account of steady demand across all regions and regaining additional share, primarily in plastics and laminates market. Demand strength is likely to continue to drive volumes moving ahead.
- ▲ 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. In the last reported quarter, Chemours 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.

Chemours should gain from strong demand for Opteon refrigerant and strength in Titanium Technologies. Its cost actions should also support its margins.

Reasons To Sell:

- ▼ Chemours' shares have lost 20.3% in the past year, underperforming the industry's 11.7% decline. Chemours is witnessing pressure on its Chemical Solutions segment. The company saw lower prices in the last reported quarter mainly due to lower raw material price pass-throughs and regional customer mix. Notably, it generated revenues of \$92 million in the last reported quarter, down 31.3% year over year. The segment faces near-term headwind from mining operation shutdowns by customers and demand softness in the wake of the coronavirus pandemic.
- ▼ 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. These illegal imports are affecting pricing and volumes of refrigerants. The headwind is expected to continue over the near term. Notably, Revenues in the Fluoroproducts segment fell 14.5% year over year to \$600 million in the last reported quarter. The decline was mainly caused by the impacts of the coronavirus outbreak in the Asia Pacific. Lower industrial demand mainly due to weakness in global automotive and other end-markets is also affecting the Fluoroproducts unit and the softness in these markets is expected to continue.
- ▼ The company's high debt level is concerning. At the end of the first quarter of 2020, its total long-term debt was \$4,245 million, essentially flat with the year-ago quarter. Moreover, its total debt-to-total capital stood at 86.6% as of Mar 31, 2020, higher than 86.4% as of Dec 31, 2019 as well as its industry's 43.3%. Further, its time-interest-earned ratio of 0.3 at the end of first-quarter 2020 fell from 0.4 in the prior quarter and has also deteriorated over the last several quarters. As such, the company appears to have higher default risk.

Chemours is witnessing pressure on the Chemical Solutions segment. Illegal imports are also affecting volumes and pricing of refrigerants. High debt level is another concern.

Last Earnings Report

Chemours' Earnings Beat, Revenues Miss Estimates in Q1

Chemours registered a profit of \$100 million or 61 cents per share in the first quarter of 2020, up 6.4% from a profit of \$94 million or 55 cents per share a year ago.

Adjusted earnings were 71 cents per share for the quarter, which surpassed the Zacks Consensus Estimate of 51 cents.

Total revenues fell 5.2% year over year to \$1,305 million. Lower volume in the company's Fluoroproducts unit and lower global average prices across all segments more than offset higher volume in the Titanium Technologies unit. Further, revenues lagged the Zacks Consensus Estimate of \$1,342.2 million.

Quarter Ending 03/2020

Report Date	May 05, 2020
Sales Surprise	-2.77%
EPS Surprise	39.22%
Quarterly EPS	0.71
Annual EPS (TTM)	2.58

Segment Highlights

Revenues in the Fluoroproducts segment fell 14.5% year over year to \$600 million in the reported quarter. The decline was mainly caused by the impacts of the coronavirus outbreak in the Asia Pacific and many end markets worldwide.

Revenues in the Chemical Solutions unit were \$92 million, down 31.3% year over year. The company saw lower prices in the quarter mainly due to lower raw material price pass-throughs and regional customer mix.

Revenues in the Titanium Technologies division were \$613 million, up 10.5% from the prior-year quarter. The increase was attributable to a higher volume of Ti-Pure titanium dioxide.

Financials

Chemours ended the quarter with cash and cash equivalents of \$714 million, up 2.4% year over year. Long-term debt was \$4,012 million, up 1.2% year over year.

Cash flows provided by operating activities were \$44 million in the quarter against cash used for operating activities of \$44 million a year ago.

Outlook

The company withdrew its guidance for 2020 due to uncertainties created by the coronavirus outbreak.

Chemours stated that it is taking actions to cut costs by reducing overhead, discretionary spend and capital expenditure for 2020. Notably, the company reduced capital expenditure from \$400 million to \$275 million for 2020. Also, it launched a program to lower costs by \$160 million for 2020 to enhance financial flexibility.

Recent News

Chemours Gets EPA Nod for Glyclean Cleaner for Coronavirus - Jun 23, 2020

Chemours has 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 down 10.1% in the year-to-date period and down 20.3% over the trailing 12-month period. Stocks in the Zacks Chemical - Diversified industry and Zacks Basic Materials sector are down 13.1% and 6% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry and sector are down 11.7% and 4.4%, respectively.

The S&P 500 index is down 1.8% in the year-to-date period and up 5.8% in the past year.

The stock is currently trading at 9.3X forward 12-month earnings, which compares to 18.64X for the Zacks sub-industry, 15.49X for the Zacks sector and 22.45X 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 8.04X.

Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$17 price target reflects 9.72X 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	9.3	18.64	15.49	22.45
	5-Year High	17.43	18.64	21.05	22.45
	5-Year Low	2.48	8.95	9.86	15.25
	5-Year Median	8.04	13.04	13.53	17.52
EV/EBITDA TTM	Current	5.31	7.74	9.51	11.72
	5-Year High	24.57	13.21	18.38	12.86
	5-Year Low	4.05	5.27	6.56	8.25
	5-Year Median	8.53	7.46	10.41	10.87
P/B TTM	Current	4.04	1.71	2.88	4.32
	5-Year High	66.72	2.97	3.07	4.56
	5-Year Low	1.8	0.88	1.23	2.83
	5-Year Median	7.93	1.76	2.21	3.7

As of 07/14/2020

Industry Analysis Zacks Industry Rank: Top 42% (105 out of 251)



Top Peers

Company (Ticker)	Rec	Rank
Celanese Corporation (CE)	Neutral	3
Dow Inc. (DOW)	Neutral	3
Huntsman Corporation (HUN)	Neutral	3
Kronos Worldwide Inc (KRO)	Neutral	4
Olin Corporation (OLN)	Neutral	3
Tronox Limited (TROX)	Neutral	3
Venator Materials PLC (VNTR)	Neutral	3
Univar Inc. (UNVR)	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	4	3
VGM Score	C	-	-	F	D	C
Market Cap	2.67 B	2.67 B	21.89 B	4.08 B	1.22 B	1.03 B
# of Analysts	4	3	14	7	2	3
Dividend Yield	6.15%	1.87%	1.86%	3.51%	6.81%	3.91%
Value Score	C	-	-	D	B	B
Cash/Price	0.28	0.11	0.07	0.41	0.29	0.43
EV/EBITDA	15.35	7.48	12.84	6.35	7.15	8.99
PEG Ratio	0.73	3.01	2.92	11.92	NA	NA
Price/Book (P/B)	4.04	1.76	3.06	1.21	1.56	1.51
Price/Cash Flow (P/CF)	3.60	6.66	11.89	6.81	8.62	2.87
P/E (F1)	11.32	19.74	21.54	63.79	29.39	20.26
Price/Sales (P/S)	0.49	0.78	2.27	0.57	0.71	0.35
Earnings Yield	9.04%	4.70%	4.38%	1.57%	3.40%	4.89%
Debt/Equity	6.42	0.62	0.76	0.71	0.66	4.43
Cash Flow (\$/share)	4.52	3.41	6.94	2.71	1.23	2.49
Growth Score	D	-	-	F	F	C
Hist. EPS Growth (3-5 yrs)	39.47%	9.93%	10.85%	5.99%	26.42%	NA
Proj. EPS Growth (F1/F0)	-41.43%	-30.33%	-9.64%	-81.05%	-52.00%	-24.82%
Curr. Cash Flow Growth	-44.39%	-8.41%	5.51%	-41.39%	-44.25%	28.73%
Hist. Cash Flow Growth (3-5 yrs)	0.80%	6.01%	8.55%	-7.56%	-0.18%	9.01%
Current Ratio	1.93	1.88	1.30	2.13	5.03	2.37
Debt/Capital	86.53%	39.57%	44.46%	41.64%	39.61%	81.57%
Net Margin	-0.82%	4.85%	10.54%	16.10%	4.88%	-1.45%
Return on Equity	56.54%	12.72%	15.75%	12.72%	10.12%	15.41%
Sales/Assets	0.75	0.78	0.54	0.85	0.89	0.57
Proj. Sales Growth (F1/F0)	-13.47%	-7.36%	-2.52%	-26.68%	-11.54%	-3.61%
Momentum Score	B	-	-	B	B	D
Daily Price Chg	4.36%	1.82%	1.60%	2.78%	1.83%	4.22%
1 Week Price Chg	0.89%	0.00%	-0.41%	-2.24%	0.10%	-4.64%
4 Week Price Chg	-0.79%	-0.30%	-0.71%	-3.39%	1.54%	-8.09%
12 Week Price Chg	59.72%	23.62%	15.18%	23.83%	20.09%	17.18%
52 Week Price Chg	-20.33%	-16.25%	-6.45%	-9.76%	-24.10%	-38.28%
20 Day Average Volume	1,809,574	102,485	2,246,780	2,025,653	336,329	1,123,974
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	-0.68%	0.00%	0.00%	9.73%	0.00%	0.00%
(F1) EPS Est 12 week change	-44.53%	-11.65%	-6.22%	-70.96%	-10.00%	-43.32%
(Q1) EPS Est Mthly Chg	3.05%	0.00%	0.00%	100.00%	0.00%	0.00%

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	C
Growth Score	D
Momentum Score	B
VGM Score	C

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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