

The Chemours Company(CC)

\$10.18 (As of 03/19/20)

Price Target (6-12 Months): **\$12.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 11/25/19)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:B

Value: A

Growth: C

Momentum: F

Summary

Earnings estimates for Chemours for the first quarter of 2020 have been going down over the past month. Chemours is likely to gain from increasing adoption of the Opteon platform. The company is witnessing strong demand for Opteon in mobile applications. Chemours should also benefit from its cost management, operating improvement and productivity actions. It also remains committed to drive cash flows. 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's high debt level is another concern. It has also underperformed the industry over a year.

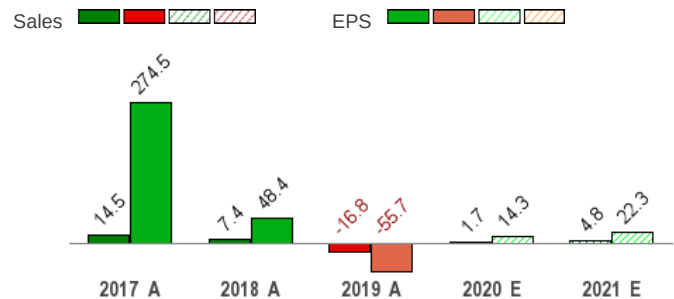
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$41.60 - \$8.01
20 Day Average Volume (sh)	4,183,923
Market Cap	\$1.7 B
YTD Price Change	-43.7%
Beta	2.21
Dividend / Div Yld	\$1.00 / 9.8%
Industry	Chemical - Diversified
Zacks Industry Rank	Bottom 8% (234 out of 254)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	30.2%
Last Sales Surprise	-1.3%
EPS F1 Est- 4 week change	-1.7%
Expected Report Date	05/07/2020
Earnings ESP	-15.9%
P/E TTM	4.1
P/E F1	3.6
PEG F1	0.2
P/S TTM	0.3

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021					5,888 E
2020	1,387 E	1,468 E	1,428 E	1,374 E	5,620 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					\$3.51 E
2020	\$0.58 E	\$0.88 E	\$0.78 E	\$0.63 E	\$2.87 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 03/19/2020. The reports text is as of 03/20/2020.

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.

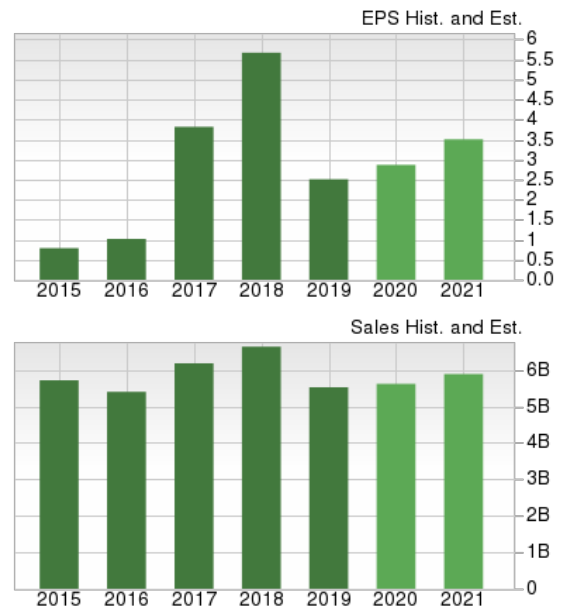
The company's major products include titanium dioxide (TiO₂), refrigerants, industrial fluoropolymer resins and sodium cyanide. The company has 26 manufacturing sites catering to around 4,000 customers across North America, Latin America, Asia-Pacific and Europe.

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 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. The company's productivity and operational improvement actions across its businesses are expected to support margins in 2020.
- ▲ The company generated strong free cash flow of \$304 million in the last reported quarter, a nearly three-fold year-over-year increase. It expects to deliver a significant improvement in free cash flow this year. Chemours expects to lower its capital expenditure by 20% year over year to roughly \$400 million in 2020. Lower capital spending is forecast to more than double its free cash flow from 2019 to more than \$350 million in 2020. The company expects to use a significant portion of this to drive shareholder value this year.

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

Reasons To Sell:

- ▼ Chemours' shares have lost 74.9% over a year, underperforming the industry's roughly 55.6% decline. Chemours is seeing pressure on Ti-Pure TiO₂ volumes due to customer destocking across end markets. The company witnessed lower volumes for these products during 2019 due to weak global demand (especially in Europe). The trend is likely to sustain in the first quarter of 2020 amid a challenging market environment. As such, lower expected volumes will continue to hurt sales of the Titanium Technologies segment.
- ▼ 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. Lower industrial demand, mainly due to weakness in global automotive and electronics industries, is also affecting the Fluoroproducts unit and the softness in these markets is expected to continue in first-quarter 2020.
- ▼ 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 2019. The company's debt-to-equity ratio is 614.5%, much higher than industry's average of 65.5%.

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.

Last Earnings Report

Chemours' Earnings Beat, Revenues Miss Estimates in Q4

Chemours reported a loss of \$317 million or \$1.94 per share in the fourth quarter of 2019 against a profit of \$142 million or 81 cents per share a year ago.

Adjusted earnings were 56 cents per share for the quarter, which surpassed the Zacks Consensus Estimate of 43 cents.

Total revenues fell 7.6% year over year to \$1,353 million, hurt by reduced volume and prices in the company's Titanium Technologies and Fluoroproducts segments. Further, revenues lagged the Zacks Consensus Estimate of \$1,370.1 million.

Quarter Ending 12/2019

Report Date	Feb 13, 2020
Sales Surprise	-1.25%
EPS Surprise	30.23%
Quarterly EPS	0.56
Annual EPS (TTM)	2.50

Segment Highlights

Revenues in the Fluoroproducts segment fell 5.4% year over year to \$614 million in the reported quarter. The decline is attributable to weakness in the electronics and automotive markets as well as the ongoing impact of illegal imports of HFC refrigerants into the European Union.

Revenues in the Chemical Solutions unit were \$129 million, down roughly 13% year over year. The company saw lower prices in the quarter mainly due to lower raw material prices.

Revenues in the Titanium Technologies division were \$610 million, down 8.4% from the prior-year quarter. The decline is attributable to a lower volume of Ti-Pure titanium dioxide.

2019 Highlights

For 2019, the company witnessed a loss of \$52 million or 32 cents per share against a profit of \$995 million or \$5.45 per share recorded in 2018.

Revenues for the year declined 16.8% year over year to \$5,526 million.

Financials

Chemours ended 2019 with cash and cash equivalents of \$943 million, down 27.4% year over year. Long-term debt was \$4,026 million, up 1.7% year over year.

Cash flows provided by operating activities were \$400 million for the fourth quarter of 2019, up 54.4% year over year.

Outlook

For 2020, Chemours projects adjusted EBITDA of \$1.05-\$1.25 billion.

Capital expenditure for the year is anticipated to be approximately \$400 million, while free cash flow is projected to be more than \$350 million.

Adjusted earnings per share are forecast \$2.60-\$3.55 for 2020.

Recent News

Chemours Inaugurates State-of-the-art Innovation Center - Mar 9, 2020

Chemours has inaugurated its innovation center, The Chemours Discovery Hub, on the University of Delaware's Science, Technology and Advanced Research ("STAR") campus.

The Chemours Discovery Hub is one of Delaware's biggest R&D centers and one of the largest R&D facilities in the chemical industry. It has 312,000-square-foot space, comprising more than 130 individual laboratories. Notably, it was built in 24 months, without a single lost-time safety incident. Notably, the facility now houses more than 300 of the company's top scientists and researchers, consolidating most of its U.S. innovation activities into one location to boost collaboration and productivity.

Chemours will strengthen its research partnership with the University of Delaware at the Discovery Hub and conduct experiments along with students and professors to create new usages for its products. Also, the company will use its innovation center to attract, and hire potential interns, co-ops and staff.

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.

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.

Valuation

Chemours' shares are down 74.9% over the trailing 12-month period. Stocks in the Zacks Chemicals-Diversified industry and the Zacks Basic Materials sector are down 55.6% and 42.1% over the past year, respectively.

The S&P 500 index is down 16.8% in the past year.

The stock is currently trading at 3.36X forward 12-month earnings, which compares to 8.82X for the Zacks sub-industry, 8.63X for the Zacks sector and 14.12X 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 8.22X.

Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$12 price target reflects 3.96X 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	3.36	8.82	8.63	14.12
	5-Year High	17.43	15.18	21.12	19.34
	5-Year Low	2.59	8.25	8.63	14.12
	5-Year Median	8.22	12.28	13.51	17.42
EV/EBITDA TTM	Current	4.5	6.06	6.24	8.87
	5-Year High	24.57	13.36	18.35	12.88
	5-Year Low	4.35	5.43	6.24	8.31
	5-Year Median	9.3	7.59	10.55	10.79
P/B TTM	Current	2.4	0.92	1.16	3.23
	5-Year High	66.72	3.55	3.55	4.55
	5-Year Low	2.15	0.89	1.16	2.85
	5-Year Median	8.26	2.41	2.18	3.63

As of 03/19/2020

Industry Analysis Zacks Industry Rank: Bottom 8% (234 out of 254)



Top Peers

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

Industry Comparison Industry: Chemical - Diversified				Industry Peers		
	CC Neutral	X Industry	S&P 500	HUN Neutral	KRO Neutral	TROX Underperform
VGM Score	B	-	-	F	D	A
Market Cap	1.67 B	2.21 B	16.45 B	3.38 B	1.01 B	727.89 M
# of Analysts	4	3.5	13	6	2	3
Dividend Yield	9.82%	2.57%	2.67%	4.33%	8.28%	5.46%
Value Score	A	-	-	C	B	A
Cash/Price	0.56	0.11	0.06	0.15	0.44	0.42
EV/EBITDA	12.37	6.33	10.36	7.01	5.84	7.83
PEG Ratio	0.23	1.33	1.49	1.46	NA	NA
Price/Book (P/B)	2.39	1.25	2.16	1.22	1.23	0.79
Price/Cash Flow (P/CF)	2.25	3.74	8.92	5.53	7.09	2.06
P/E (F1)	3.50	10.35	13.12	10.74	12.89	5.44
Price/Sales (P/S)	0.30	0.58	1.72	0.45	0.58	0.28
Earnings Yield	28.19%	9.32%	7.54%	9.33%	7.82%	18.32%
Debt/Equity	6.15	0.55	0.70	0.91	0.64	3.33
Cash Flow (\$/share)	4.52	3.41	7.01	2.71	1.23	2.49
Growth Score	C	-	-	F	D	A
Hist. EPS Growth (3-5 yrs)	38.87%	9.85%	10.85%	9.15%	27.87%	NA
Proj. EPS Growth (F1/F0)	14.34%	-3.22%	4.90%	-8.71%	-10.00%	100.71%
Curr. Cash Flow Growth	-44.39%	-5.09%	6.03%	-41.39%	-44.25%	28.73%
Hist. Cash Flow Growth (3-5 yrs)	0.80%	5.70%	8.55%	-7.56%	-0.18%	14.29%
Current Ratio	1.80	1.83	1.23	1.87	4.51	2.95
Debt/Capital	86.00%	39.05%	42.57%	47.56%	39.05%	76.90%
Net Margin	-0.92%	5.29%	11.57%	7.42%	5.03%	-4.13%
Return on Equity	52.65%	12.26%	16.74%	14.86%	10.30%	7.76%
Sales/Assets	0.75	0.84	0.54	0.90	0.90	0.51
Proj. Sales Growth (F1/F0)	1.69%	0.00%	3.13%	-12.56%	-1.51%	12.55%
Momentum Score	F	-	-	F	F	C
Daily Price Chg	5.27%	3.58%	1.03%	-0.53%	-2.90%	7.10%
1 Week Price Chg	-23.53%	-16.89%	-11.01%	-12.48%	-13.87%	-23.32%
4 Week Price Chg	-48.33%	-34.20%	-33.45%	-30.14%	-25.64%	-47.71%
12 Week Price Chg	-44.70%	-38.81%	-30.67%	-38.85%	-36.36%	-56.85%
52 Week Price Chg	-74.91%	-43.23%	-23.69%	-34.44%	-39.42%	-60.51%
20 Day Average Volume	4,183,923	189,189	3,981,936	3,497,675	444,152	1,856,729
(F1) EPS Est 1 week change	-0.86%	0.00%	-0.01%	-8.36%	-15.63%	0.00%
(F1) EPS Est 4 week change	-1.71%	-2.92%	-0.85%	-19.35%	-23.73%	-29.78%
(F1) EPS Est 12 week change	-7.34%	-10.32%	-1.70%	-27.11%	-23.73%	-31.64%
(Q1) EPS Est Mthly Chg	-0.43%	-6.17%	-0.88%	-34.27%	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.

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	F
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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