

## DuPont de Nemours, Inc (DD)

**\$53.48** (As of 07/31/20)

Price Target (6-12 Months): **\$56.00**

Long Term: 6-12 Months

**Zacks Recommendation:**
**Neutral**

(Since: 02/13/20)

Prior Recommendation: Underperform

Short Term: 1-3 Months

**Zacks Rank:** (1-5)

**3-Hold**

Zacks Style Scores:

VGM:B

Value: B

Growth: B

Momentum: D

## Summary

DuPont's adjusted earnings and revenues for the second quarter beat the respective Zacks Consensus Estimate. DuPont will benefit from its investment in innovation and new product development. New product launches across high growth markets will drive the company's top line. DuPont's cost and productivity improvement actions should also support its margins. The company also remains focused on driving cash flow and shareholder value. Actions to divest non-core assets and focus on growth areas should also boost its performance. However, soft demand across a number of markets is likely to hurt DuPont's volumes. Weak nylon pricing is also expected to weigh on its sales and margins. The company also faces headwinds from plant idling costs and unfavorable currency swings. It has also underperformed the industry over a year.

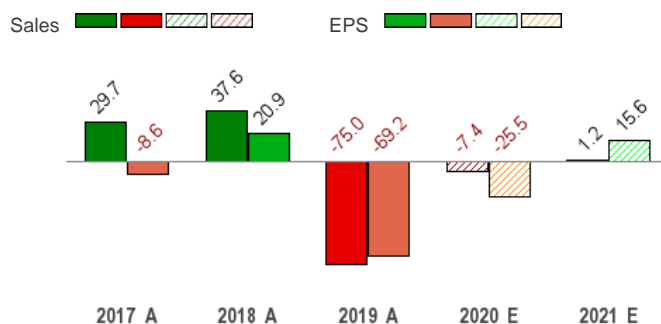
## Price, Consensus & Surprise



## Data Overview

52 Week High-Low	\$73.77 - \$28.33
20 Day Average Volume (sh)	3,737,297
Market Cap	\$39.2 B
YTD Price Change	-16.7%
Beta	1.75
Dividend / Div Yld	\$1.20 / 2.2%
Industry	<a href="#">Chemical - Diversified</a>
Zacks Industry Rank	Top 48% (122 out of 253)

## Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	18.6%
Last Sales Surprise	3.1%
EPS F1 Est- 4 week change	0.3%
Expected Report Date	NA
Earnings ESP	1.3%
P/E TTM	15.5
P/E F1	18.9
PEG F1	1.9
P/S TTM	1.9

## Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	5,367 E	5,108 E	5,241 E	5,119 E	20,176 E
2020	5,221 A	4,828 A	5,033 E	5,053 E	19,929 E
2019	19,649 A	5,468 A	5,426 A	5,204 A	21,512 A

## EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$0.83 E	\$0.77 E	\$0.86 E	\$0.84 E	\$3.27 E
2020	\$0.84 A	\$0.70 A	\$0.71 E	\$0.73 E	\$2.83 E
2019	\$2.52 A	\$0.97 A	\$0.96 A	\$0.95 A	\$3.80 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 07/31/2020. The reports text is as of 08/03/2020.

## Overview

DuPont de Nemours, Inc., which was formerly known as DowDuPont Inc., started trading as a stand-alone company on Jun 3, 2019 following the separation of its Agriculture division through the spin-off of Corteva, Inc. Following the Corteva separation, DuPont now holds the specialty products business of the former DowDuPont.

DuPont provides technology-based materials, ingredients and solutions. It serves markets including electronics, transportation, construction, health and wellness, food and worker safety. The company, which recorded revenues of around \$21.5 billion in 2019, has strong geographic, customer and end-market diversification and leading positions in core markets with businesses aligned with high-growth market trends. The company currently operates in five segments:

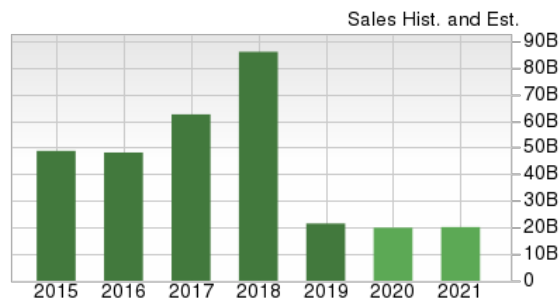
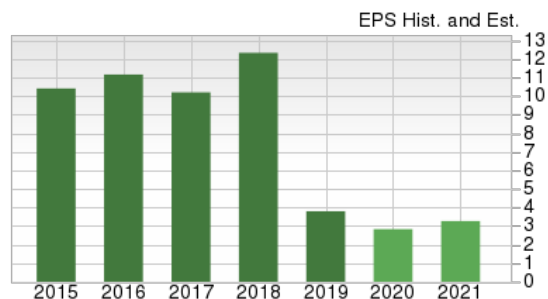
**Electronics & Imaging:** The segment provides the industry's broadest portfolio of semiconductor and advanced packaging materials. It offers differentiated materials and systems for a vast range of consumer electronics. The segment accounted for 17% of 2019 sales.

**Nutrition & Biosciences:** The unit is among the biggest producers of specialty ingredients globally. It offers solutions for home and personal care, food and beverage, dietary supplements, energy, animal nutrition and pharmaceuticals markets. DuPont, in late 2019, agreed to merge this unit with International Flavors & Fragrances. The deal is expected to complete by first-quarter 2021. The division accounted for 28% of 2019 sales.

**Transportation & Industrial:** The segment provides high-performance engineering resins, silicones, lubricants, adhesives and parts in transportation, electronics, healthcare, industrial and consumer end-markets. It accounted for 23% of 2019 sales.

**Safety & Construction:** The unit is a leading provider of engineered products and integrated systems for industries including construction, energy and transportation. It accounted for 24% of 2019 sales.

**Non-Core:** The segment supplies key materials for the production of photovoltaics and solar cells, and components and films for consumer electronics, automotive and aerospace markets. It accounted for 8% of 2019 sales.



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## Reasons To Buy:

- ▲ DuPont remains focused on driving top-line growth through innovation and new product development. New product launches are driving growth in a number of areas including automotive electrification, water and 5G. The company's innovation-driven investment is focused on several high-growth areas. It remains committed to drive returns from its R&D investment. The company plans to invest roughly \$900 million on R&D in 2020.
- ▲ The company is gaining from cost synergy savings and productivity actions. DuPont achieved roughly \$500 million in productivity and cost synergy savings in 2019. DuPont is also taking additional cost actions in 2020, which is expected to deliver \$180 million of savings. A significant portion of this has been targeted at reducing functional general and administrative costs. DuPont delivered \$130 million in cost savings in the last reported quarter. The company's cost actions are expected to contribute to its adjusted earnings per share in 2020.
- ▲ The company remains focused on driving cash flow and shareholder value. It looks to boost cash flow through working capital productivity and earnings growth. The company sees around \$1 billion in multi-year working capital productivity opportunity. It is taking actions to deliver more than \$500 million of working capital improvement in 2020. DuPont also remains committed to effective capital allocation. At the end of 2019, the company returned more than \$1.3 billion to shareholders since Jun 1, 2019. It expects to return roughly \$900 million in dividends this year.
- ▲ DuPont is actively managing its portfolio with an aim for value creation. The company is divesting non-core assets to focus more on high-growth, high-margin businesses. It is making significant progress in its divestiture actions. In sync with its portfolio strategy, DuPont has agreed to combine its Nutrition & Biosciences unit with International Flavors & Fragrances to form a new entity with 55.4% shareholding. Upon the deal's closure, DuPont expects to get one-time cash payment of \$7.3 billion, enabling the company to boost shareholders' returns, repay debts and focus on growth through potential merger and acquisitions. The deal is expected to close in the first quarter of 2021. DuPont has also agreed to sell its silicon wafer business to SK Siltron. The company expects its portfolio actions to boost its underlying performance.
- ▲ The company's efforts to manage its debt load appear encouraging. The company, in April 2020, issued \$2 billion bond offering to satisfy the debt maturities due in November this year. During the first quarter, it also strengthened its liquidity position with \$1 billion revolving credit facility. The company also ended the second quarter with a strong cash position (of around \$3.8 billion). These coupled with \$1.4 billion in available commercial paper, the company has roughly \$6 billion of total available liquidity, which appears to be adequate to meet its short-term debt obligations of roughly \$3.6 billion as of Jun 30, 2020.

DuPont will gain from its investment in innovation and new product development. Its cost and productivity actions should also support margins. DuPont also remains focused on driving shareholder value.

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## Reasons To Sell:

- ▼ DuPont's shares are down 19% over a year, underperforming the industry's decline of 1.3%. The company faces headwind from weak demand across some of its businesses. It saw softness across certain markets such as automotive, aerospace, industrial and oil & gas in the last reported quarter. Weakness in the automotive market (reflected by declining global automotive builds amid the coronavirus pandemic) is hurting volumes in the company's Transportation & Industrial unit. Global automotive builds were down 45% in the second quarter and the company expects automotive builds to decline more than 10% in the third quarter. DuPont is also seeing lower demand in commercial construction, industrial and aerospace & defense markets due to the coronavirus outbreak. Oil and gas industry dynamics also remain challenging. While the company is seeing some recovery in automotive, demand weakness across other end-markets is expected to continue to affect the company's organic sales in the third quarter.
- ▼ Weaker pricing is expected to dent the company's organic sales and margins for 2020. The company is facing pressure from lower nylon prices as witnessed in the most recent quarter. Nylon prices remain under pressure partly due to the supply-demand imbalance. Nylon pricing weakness is expected to continue to hurt third-quarter sales as reflected in the company's guidance. DuPont expects overall prices to be down mid-single digits year over year in the Transportation & Industrial division in the third quarter.
- ▼ The company faces earnings headwind from costs associated with idling of plants. DuPont is idling certain facilities, primarily in the Transportation & Industrial segment, to align its supply with market demand. Charges associated with plant shutdowns hurt margins in the Transportation & Industrial division in the second quarter of 2020 and the same is expected to continue in the third quarter.
- ▼ DuPont is slowing down production across most of the industrial businesses in its Safety & Construction unit to drive working capital improvement. This is expected to lead to reduced utilization in a number of businesses within this segment. The company also expects weaker mix in this segment in the third quarter due to supply constraints in its Tyvek platform as it executes routine maintenance on the assets.
- ▼ DuPont is exposed to currency headwinds, which is hurting its organic sales and earnings. Currency contributed to the year-over-year decline in its adjusted earnings for 2019. Headwind from unfavorable currency swings on earnings was 16 cents for the year. The company also saw unfavorable currency impacts on sales across all of its segments in the last reported quarter. Currency is expected to continue to impact its results moving ahead.

Weak demand in certain end-use markets will hurt DuPont's volumes and organic sales. The company also faces headwinds from weak pricing, plant idling costs and unfavorable currency swings.

## Last Earnings Report

### DuPont's Earnings and Revenues Top Estimates in Q2

DuPont recorded a loss (on a reported basis) from continuing operations of \$3.37 per share for second-quarter 2020, wider than a loss of \$1.48 per share in the year-ago quarter.

The bottom line in the reported quarter was hurt by a \$2.5 billion non-cash impairment charge in the company's Transportation & Industrial segment, resulting from the global slowdown in the automotive industry due to the coronavirus pandemic.

Barring one-time items, earnings came in at 70 cents per share for the reported quarter, topping the Zacks Consensus Estimate of 59 cents.

DuPont raked in net sales of \$4,828 million, down 12% from the year-ago quarter. It also surpassed the Zacks Consensus Estimate of \$4,685 million.

Net sales fell 10% on an organic basis as growth in Electronics & Imaging and Nutrition & Biosciences units was more than offset by declines in the other segments.

### Segment Highlights

The company's Electronics & Imaging segment recorded net sales of \$905 million in the reported quarter, up 5% on a year-over-year comparison basis. Organic sales rose 7% on 7% higher volumes. Strong volume gains in Semiconductor Technologies more than offset softer demand across Interconnect Solutions and Image Solutions.

At the Nutrition & Biosciences unit, sales were down 1% year over year to \$1.5 billion. Organic sales rose 1% year over year on 1% higher volumes. The company saw strength across food & beverage and health & wellness end markets.

Net sales for the Transportation & Industrial division were \$832 million in the reported quarter, down 34% year over year. Organic sales fell 33% on 5% lower pricing and 28% volume decline due to weakness in the automotive market.

Net sales in the Safety & Construction unit were \$1.2 billion, down 7% year over year. Organic sales fell 8% as 2% price improvement was offset by 10% lower volume. The company saw strong demand for Tyvek protective garments.

In the non-core reporting segment, net sales fell 30% year over year to \$308 million. Organic sales declined 20%, impacted by 22% lower volumes. Prices rose 2% in the quarter.

### Financials

DuPont had cash and cash equivalents of \$3,737 million at the end of the quarter. Long-term debt was \$15,608 million.

The company also generated operating cash flow of \$802 million and free cash flow of \$564 million in the reported quarter.

### Outlook

DuPont sees sales to be modestly up in the third quarter on a sequential comparison basis. A recovery in automotive and residential construction is expected to be mostly offset by seasonal patterns in Nutrition & Biosciences and the effects of supply constraints in Tyvek. The company also expects aerospace, industrial, oil & gas commercial construction markets to remain challenged. DuPont expects adjusted earnings per share for the third quarter in the band of 71-73 cents.

Quarter Ending 06/2020

Report Date	Jul 30, 2020
Sales Surprise	3.05%
EPS Surprise	18.64%
Quarterly EPS	0.70
Annual EPS (TTM)	3.45

## Recent News

### DuPont Develops GWP Product to Lower GHG Emissions

DuPont, on **Jul 16, 2020**, announced the phased launch of a reduced global warming potential ("GWP") Styrofoam brand insulation in support of its commitment to lower greenhouse gas ("GHG") emissions, while fostering sustainable innovation.

Notably, starting from Jan 1, 2021, the Styrofoam Brand Insulation family of products is expected to comprise of lower GWP alternatives, advancing DuPont's 2030 Sustainability Goals as well as adhering with state and provincial hydrofluorocarbon regulations across the United States and Canada.

Further, with the latest Styrofoam innovation, the company aims to incorporate a decline in embodied carbon in an updated Environmental Product Declaration, which will be available with the new products.

Notably, the new GWP product, is expected to first launch in states of the United States and Canada, that have adopted hydrofluorocarbon regulations as of Apr 1, 2020, with plans to expand the product offerings moving ahead.

### DuPont's Performance Building Solutions Launch Roof Protector

DuPont, on **Jul 14, 2020**, announced the launch of DuPont Tyvek Roof Protector. Notably, the new product offers a cooler grey colored surface for builders and roofing contractors. Additionally, the product showcases good walkability for safe working conditions.

DuPont Tyvek Roof Protector efficiently holds chalk lines with enhanced visibility. Further, it is geared to protect roof decks from water and wind, with a durable weather barrier. Notably, the product offers the ideal balance of protection and efficiency to get the job completed quickly, effectively and safely.

Notably, this engineered synthetic roofing underlayment has a high strength to weight ratio and is UV resistant for up to three months. The solid tear-resistant features offer high-performing and long-lasting moisture protection for a number of roof designs.

## Valuation

DuPont's shares are down 16.7% in the year-to-date period and 19% over the trailing 12-month period. Stocks in the Zacks Chemical - Diversified industry and Zacks Basic Materials sector are down 12% and 0.1% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry and sector are down 1.3% and up 10%, respectively.

The S&P 500 index is up 1.6% in the year-to-date period and up 15.5% in the past year.

The stock is currently trading at 6.19X trailing 12-month enterprise value-to EBITDA (EV/EBITDA) ratio, which compares to 7.77X for the Zacks sub-industry, 9.97X for the Zacks sector and 12.15X for the S&P 500 index.

Over the past five years, the stock has traded as high as 22.38X and as low as 3.94X, with a 5-year median of 8.81X.

Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$56 price target reflects 18.12X forward 12-month earnings per share.

The table below shows summary valuation data for DD:

Valuation Multiples - DD					
		Stock	Sub-Industry	Sector	S&P 500
EV/EBITDA TTM	Current	6.19	7.77	9.97	12.15
	5-Year High	22.38	13.12	18.37	12.85
	5-Year Low	3.94	5.25	6.5	8.25
	5-Year Median	8.81	7.45	10.35	10.89
P/E F 12M	Current	17.3	18.6	15.71	22.64
	5-Year High	22.08	18.6	21.05	22.64
	5-Year Low	7.61	8.97	9.86	15.25
	5-Year Median	14.74	13.11	13.51	17.55
P/B TTM	Current	1.04	1.72	2.73	4.47
	5-Year High	3.12	2.82	3.07	4.56
	5-Year Low	0.51	0.87	1.23	2.83
	5-Year Median	1.6	1.74	2.2	3.72

As of 07/31/2020

## Industry Analysis Zacks Industry Rank: Top 48% (122 out of 253)



## Top Peers

Company (Ticker)	Rec	Rank
Air Products and Chemicals, Inc. (APD)	Neutral	3
BASF SE (BASFY)	Neutral	3
The Chemours Company (CC)	Neutral	3
Celanese Corporation (CE)	Neutral	3
Dow Inc. (DOW)	Neutral	3
Eastman Chemical Company (EMN)	Neutral	3
LyondellBasell Industries N.V. (LYB)	Neutral	3
PPG Industries, Inc. (PPG)	Neutral	3

Industry Comparison Industry: Chemical - Diversified				Industry Peers		
	DD	X Industry	S&P 500	BASFY	DOW	LYB
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	3	3
VGM Score	B	-	-	B	C	A
Market Cap	39.24 B	2.38 B	22.59 B	50.37 B	30.41 B	20.86 B
# of Analysts	10	3	14	3	10	6
Dividend Yield	2.24%	1.90%	1.83%	4.86%	6.82%	6.72%
Value Score	B	-	-	A	B	A
Cash/Price	0.04	0.11	0.07	0.06	0.12	0.08
EV/EBITDA	11.02	8.00	12.94	6.99	16.97	5.66
PEG Ratio	1.87	3.16	3.04	15.58	15.73	1.99
Price/Book (P/B)	1.04	1.77	3.17	1.06	2.32	2.84
Price/Cash Flow (P/CF)	5.31	6.54	12.51	5.75	5.53	4.41
P/E (F1)	18.71	18.87	21.87	20.88	52.31	13.45
Price/Sales (P/S)	1.90	0.80	2.44	0.77	0.78	0.70
Earnings Yield	5.29%	4.96%	4.31%	4.81%	1.92%	7.44%
Debt/Equity	0.42	0.61	0.75	0.35	1.36	1.82
Cash Flow (\$/share)	10.07	3.41	6.94	2.38	7.43	14.19
Growth Score	B	-	-	C	B	C
Hist. EPS Growth (3-5 yrs)	-10.48%	8.99%	10.85%	-1.82%	NA	-0.32%
Proj. EPS Growth (F1/F0)	-25.45%	-25.58%	-7.75%	-41.37%	-77.76%	-51.70%
Curr. Cash Flow Growth	-56.42%	-9.82%	5.39%	-19.09%	-5.85%	-16.46%
Hist. Cash Flow Growth (3-5 yrs)	1.70%	6.32%	8.55%	-3.10%	NA	-3.48%
Current Ratio	1.50	1.86	1.31	1.87	1.74	1.76
Debt/Capital	29.35%	37.97%	44.32%	26.17%	57.68%	64.71%
Net Margin	-12.31%	4.43%	10.44%	1.81%	-5.05%	8.14%
Return on Equity	6.33%	11.05%	14.73%	6.73%	10.31%	36.24%
Sales/Assets	0.30	0.75	0.52	0.67	0.64	1.09
Proj. Sales Growth (F1/F0)	-44.25%	-7.52%	-1.95%	-5.54%	-16.24%	-23.54%
Momentum Score	D	-	-	D	F	B
Daily Price Chg	-3.17%	-1.75%	-0.92%	-2.95%	-4.11%	-3.96%
1 Week Price Chg	0.06%	0.00%	0.37%	2.08%	-2.43%	0.00%
4 Week Price Chg	-0.45%	3.10%	3.81%	-3.59%	-1.27%	-6.63%
12 Week Price Chg	19.48%	16.41%	11.93%	12.01%	24.99%	16.36%
52 Week Price Chg	-25.40%	-12.36%	-1.92%	-17.36%	-12.36%	-23.28%
20 Day Average Volume	3,737,297	80,672	1,887,986	187,509	3,930,113	1,618,955
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	4.32%	-16.98%	0.00%
(F1) EPS Est 4 week change	0.25%	0.00%	0.38%	-10.65%	-26.29%	-2.50%
(F1) EPS Est 12 week change	-5.18%	-2.63%	-0.07%	-11.06%	-48.99%	-15.60%
(Q1) EPS Est Mthly Chg	1.98%	0.00%	0.16%	-11.77%	-50.00%	0.56%

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## 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.

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### 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	<b>B</b>
Growth Score	<b>B</b>
Momentum Score	<b>D</b>
VGM Score	<b>B</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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