

DuPont de Nemours, Inc (DD)

\$44.04 (As of 05/06/20)

Price Target (6-12 Months): **\$46.00**

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:D

Value: B

Growth: F

Momentum: D

Summary

DuPont's adjusted earnings and revenues for the first quarter of 2020 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 including automotive and aerospace 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, lower utilization and unfavorable currency swings.

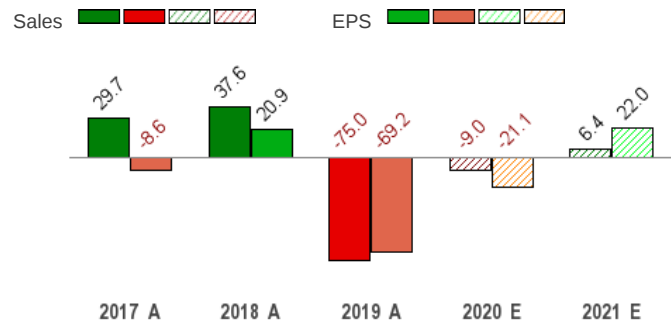
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$77.03 - \$28.33
20 Day Average Volume (sh)	5,982,107
Market Cap	\$32.3 B
YTD Price Change	-31.4%
Beta	1.73
Dividend / Div Yld	\$1.20 / 2.7%
Industry	Chemical - Diversified
Zacks Industry Rank	Bottom 33% (169 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	1.2%
Last Sales Surprise	0.9%
EPS F1 Est- 4 week change	-5.8%
Expected Report Date	08/06/2020
Earnings ESP	-4.6%
P/E TTM	11.8
P/E F1	14.7
PEG F1	1.5
P/S TTM	1.5

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021					20,835 E
2020	5,221 A	4,673 E	4,943 E	5,089 E	19,580 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					\$3.66 E
2020	\$0.84 A	\$0.66 E	\$0.75 E	\$0.74 E	\$3.00 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 05/06/2020. The reports text is as of 05/07/2020.

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:

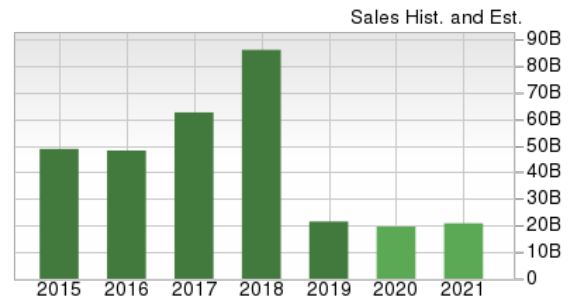
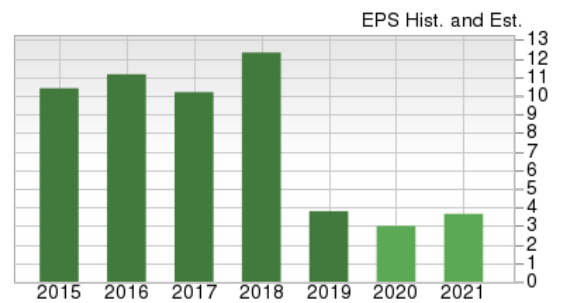
Electronics & Imaging: The segment provides the industry's broadest portfolio of semiconductor and advanced packaging materials. It offers differentiated materials and systems for a vast range of consumer electronics. The segment accounted for 17% of 2019 sales.

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.



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 now expected to deliver \$180 million of savings, up from \$90 million the company expected earlier. A significant portion of this has been targeted at reducing functional general and administrative costs. 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 and \$230 million in share repurchases 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. At the end of the first quarter of 2020, DuPont's long-term debt was \$13,618 million, essentially flat compared with the sequentially prior quarter. 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 first quarter with a strong cash position (of \$1,748 million). These coupled with \$1.3 billion in available commercial paper, the company has roughly \$4 billion of total available liquidity, which appears to be adequate to meet its short-term debt obligations.

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.

Reasons To Sell:

- ▼ DuPont's shares are down 53.7% over a year, underperforming the industry's decline of 30%. 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. DuPont expects global auto builds to decline 40% in the second quarter of 2020. The company is also seeing lower demand in industrial and aerospace & defense markets due to the coronavirus outbreak. Oil and gas industry dynamics also remain challenging. Demand weakness across these end-markets is expected to continue to affect the company's organic sales in the second 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 second-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 second 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 are expected to hurt margins in the Transportation & Industrial division in the second 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 expects lower utilization to exert pressure on margins in Safety & Construction in the second quarter.
- ▼ 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 most 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 plant idling costs, lower utilization and unfavorable currency swings.

Last Earnings Report

DuPont's Earnings & Revenues Surpass Estimates in Q1

DuPont recorded a loss (on a reported basis) of 83 cents per share for first-quarter 2020 against earnings of 69 cents per share in the comparable quarter a year ago. The bottom line was hurt by a higher tax rate, lower segment results and higher merger-related amortization expense.

Barring one-time items, earnings came in at 84 cents per share for the reported quarter, beating the Zacks Consensus Estimate of 83 cents.

DuPont raked in net sales of \$5,221 million, down 4% from the comparable quarter a year ago. It also surpassed the Zacks Consensus Estimate of \$5,173.3 million.

Net sales fell 2% 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 \$884 million in the reported quarter, up 7% on a year-over-year comparison basis. Organic sales rose 8% on 9% higher volumes. Gains volumes were driven by semiconductor technologies.

At the Nutrition & Biosciences unit, sales were up 1% to \$1.5 billion. Organic sales rose 3% year over year on 2% higher pricing and 1% higher volumes. The company saw strength across probiotics and food & beverage businesses.

Net sales for the Transportation & Industrial division were \$1.1 billion in the reported quarter, down 13% year over year. Organic sales fell 12% on 4% lower pricing and 8% volume decline due to weakness in the automotive market. The company also saw softer demand in oil and gas.

Net sales in the Safety & Construction unit were \$1.3 billion, down 1%. Organic sales fell 2% as 2% price improvement was offset by 4% lower volume. The company saw strong demand for Tyvek protective garments. It increased the production of Tyvek garments during the quarter to help combat the coronavirus pandemic.

In the non-core reporting segment, net sales fell 19% to \$366 million. Organic sales declined 10%, impacted by 12% lower volumes. Prices rose 2% in the quarter.

Financials

DuPont had cash and cash equivalents of \$1,748 million at the end of the quarter. Long-term debt was \$13,618 million.

Outlook

DuPont said that it is witnessing strength across personal protection, water filtration, food and beverage, electronics and probiotics markets. However, it is seeing weakness in automotive, oil and gas, and certain industrial end markets. The company is taking actions to improve its cost structure, strengthen its liquidity and optimize working capital amid the coronavirus-induced crisis.

DuPont now sees \$180 million of savings in 2020 from its earlier announced incremental cost actions. It has also implemented actions to mitigate the impact of the coronavirus pandemic. These include actions to deliver more than \$500 million of working capital improvement and reduction of capital expenditures by roughly \$500 million versus the prior year.

Quarter Ending 03/2020

Report Date	May 05, 2020
Sales Surprise	0.92%
EPS Surprise	1.20%
Quarterly EPS	0.84
Annual EPS (TTM)	3.72

Recent News

DuPont Inks Europe Distribution Deal With Endure Walls – Apr 29, 2020

DuPont has entered into a distribution deal with Endure Walls for Tedlar Wallcoverings in Europe. DuPont stated that it is pleased with the expansion of Endure Walls mandate for commercial wallcoverings in the fast-growing European region. Moreover, it envisions that the collaboration would better suit its customers in Europe. Notably, Tedlar Wallcoverings offers stain resistance and durability. Moreover, these are easy to clean.

DuPont Declares Leadership Changes – Feb 18, 2020

DuPont's board has appointed current Executive Chairman Edward D. Breen to the additional role of CEO. Moreover, Lori D. Koch has been named Chief Financial Officer (CFO). As a result of these appointments, Marc Doyle, who has served as CEO, and Jeanmarie Desmond, who has served as CFO, will depart the company. The company made these leadership changes to improve operational performance.

Valuation

DuPont's shares are down 31.4% in the year-to-date period and 53.7% over the trailing 12-month period. Stocks in the Zacks Chemical - Diversified industry and Zacks Basic Materials sector are down 27.8% and 20% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry and sector are down 30% and 15.9%, respectively.

The S&P 500 index is down 10.9% in the year-to-date period and 0.6% in the past year.

The stock is currently trading at 5.06X trailing 12-month enterprise value-to EBITDA (EV/EBITDA) ratio, which compares to 6.76X for the Zacks sub-industry, 8.51X for the Zacks sector and 10.51X 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 9.01X.

Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$46 price target reflects 14.07X 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	5.06	6.76	8.51	10.51
	5-Year High	22.38	13.36	17.84	12.86
	5-Year Low	3.94	5.43	6.53	8.28
	5-Year Median	9.01	7.6	10.84	10.78
P/E F 12M	Current	13.47	14.39	14.55	20.62
	5-Year High	22.08	15.18	21.06	20.62
	5-Year Low	7.61	8.25	9.79	15.19
	5-Year Median	14.74	12.27	13.46	17.44
P/B TTM	Current	0.78	1.37	1.67	3.8
	5-Year High	3.21	3.55	3.57	4.55
	5-Year Low	0.51	0.89	1.22	2.84
	5-Year Median	1.66	1.8	2.17	3.64

As of 05/06/2020

Industry Analysis Zacks Industry Rank: Bottom 33% (169 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	4
Eastman Chemical Company (EMN)	Neutral	3
PPG Industries Inc (PPG)	Neutral	4
Celanese Corporation (CE)	Underperform	4
Dow Inc (DOW)	Underperform	5
LyondellBasell Industries NV (LYB)	Underperform	5

Industry Comparison Industry: Chemical - Diversified				Industry Peers		
	DD	X Industry	S&P 500	BASFY	DOW	LYB
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Underperform	Underperform
Zacks Rank (Short Term)	3	-	-	3	5	5
VGM Score	D	-	-	C	A	C
Market Cap	32.32 B	2.23 B	19.11 B	44.23 B	23.67 B	17.39 B
# of Analysts	9	3	14	3	8	6
Dividend Yield	2.72%	2.53%	2.2%	5.31%	8.76%	8.06%
Value Score	B	-	-	B	C	B
Cash/Price	0.05	0.10	0.06	0.07	0.14	0.10
EV/EBITDA	9.22	6.50	11.69	6.32	14.47	5.05
PEG Ratio	1.47	2.58	2.48	12.42	7.28	1.50
Price/Book (P/B)	0.81	1.42	2.58	0.93	1.76	2.37
Price/Cash Flow (P/CF)	4.38	5.06	10.40	5.05	4.30	3.67
P/E (F1)	14.68	15.12	18.81	16.65	24.21	10.20
Price/Sales (P/S)	1.52	0.63	1.97	0.64	0.57	0.52
Earnings Yield	6.81%	5.79%	4.99%	5.98%	4.13%	9.81%
Debt/Equity	0.34	0.52	0.75	0.35	1.33	1.82
Cash Flow (\$/share)	10.07	3.41	7.01	2.38	7.43	14.19
Growth Score	F	-	-	D	A	C
Hist. EPS Growth (3-5 yrs)	-4.67%	9.94%	10.87%	-1.82%	NA	-0.35%
Proj. EPS Growth (F1/F0)	-21.02%	-22.32%	-9.86%	-35.42%	-62.61%	-46.90%
Curr. Cash Flow Growth	-56.42%	-7.54%	5.88%	-19.09%	-5.85%	-16.46%
Hist. Cash Flow Growth (3-5 yrs)	1.70%	6.20%	8.55%	-3.10%	NA	-3.48%
Current Ratio	1.22	1.87	1.25	1.87	1.63	1.76
Debt/Capital	25.34%	35.68%	44.23%	26.17%	57.13%	64.71%
Net Margin	-3.00%	5.19%	10.87%	13.70%	-4.01%	8.14%
Return on Equity	6.65%	12.74%	16.36%	8.06%	14.68%	36.08%
Sales/Assets	0.31	0.80	0.55	0.69	0.67	1.09
Proj. Sales Growth (F1/F0)	-45.23%	-7.19%	-2.18%	-9.48%	-16.28%	-23.96%
Momentum Score	D	-	-	D	D	C
Daily Price Chg	-1.45%	0.00%	-1.27%	-2.90%	-4.23%	-5.00%
1 Week Price Chg	7.57%	1.42%	0.53%	3.84%	2.45%	10.21%
4 Week Price Chg	13.33%	3.53%	0.68%	-4.37%	-8.13%	-6.06%
12 Week Price Chg	-17.76%	-24.12%	-22.30%	-30.65%	-35.28%	-39.13%
52 Week Price Chg	-53.67%	-32.72%	-11.55%	-35.92%	-39.10%	-37.21%
20 Day Average Volume	5,982,107	106,095	2,470,143	331,778	6,559,587	2,899,606
(F1) EPS Est 1 week change	-1.96%	0.00%	0.00%	-9.21%	-25.84%	-7.22%
(F1) EPS Est 4 week change	-5.82%	-4.33%	-6.52%	-9.21%	-34.73%	-21.93%
(F1) EPS Est 12 week change	-20.58%	-27.17%	-14.84%	-36.18%	-61.80%	-49.59%
(Q1) EPS Est Mthly Chg	-17.50%	-24.29%	-12.48%	-58.82%	-83.78%	-42.04%

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	B
Growth Score	F
Momentum Score	D
VGM Score	D

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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