

## FMC Corp (FMC)

**\$107.01** (As of 08/05/20)

Price Target (6-12 Months): **\$112.00**

Long Term: 6-12 Months

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

(Since: 02/12/19)

Prior Recommendation: Underperform

Short Term: 1-3 Months

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

**3-Hold**

Zacks Style Scores:

VGM:D

Value: D

Growth: F

Momentum: A

### Summary

FMC Corp's adjusted earnings for the second quarter topped the Zacks Consensus Estimate while sales missed. Strong demand for herbicides and insecticides in North and Latin America is likely to support its sales in 2020. Moreover, the company should gain from its efforts to expand product portfolio through new product launches. The acquisition of DuPont's Crop Protection business has also provided a significant growth platform. Synergies from the buyout will drive its earnings. FMC Corp is also committed to boost shareholders' value. However, it faces headwinds from unfavorable currency translation and higher costs due to the coronavirus pandemic. Higher costs will hurt revenues and margins in 2020. Unfavorable currency is also expected to impact FMC Corp's results in 2020. High debt level is another matter of concern.

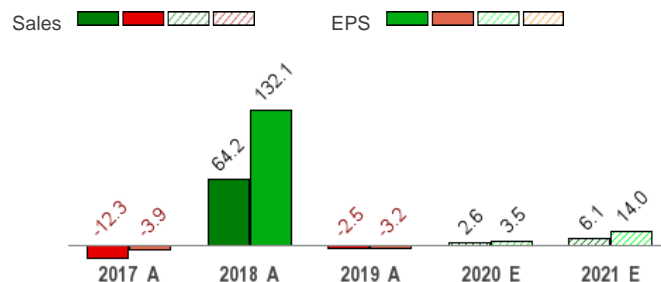
### Price, Consensus & Surprise



### Data Overview

52 Week High-Low	\$111.71 - \$56.77
20 Day Average Volume (sh)	630,116
Market Cap	\$13.9 B
YTD Price Change	7.2%
Beta	1.25
Dividend / Div Yld	\$1.76 / 1.6%
Industry	<a href="#">Chemical - Diversified</a>
Zacks Industry Rank	Bottom 32% (173 out of 253)

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



Last EPS Surprise	4.2%
Last Sales Surprise	-3.5%
EPS F1 Est- 4 week change	1.1%
Expected Report Date	11/03/2020
Earnings ESP	1.0%
P/E TTM	17.1
P/E F1	17.0
PEG F1	1.6
P/S TTM	3.0

### Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	1,322 E	1,281 E	1,116 E	1,332 E	5,015 E
2020	1,250 A	1,155 A	1,042 E	1,236 E	4,728 E
2019	1,192 A	1,206 A	1,014 A	1,197 A	4,610 A

### EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$2.02 E	\$1.95 E	\$1.26 E	\$2.02 E	\$7.18 E
2020	\$1.84 A	\$1.72 A	\$1.03 E	\$1.75 E	\$6.30 E
2019	\$1.72 A	\$1.66 A	\$0.94 A	\$1.76 A	\$6.09 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 08/05/2020. The reports text is as of 08/06/2020.

## Overview

Based in Philadelphia, PA, FMC Corporation is an agricultural sciences company offering innovative solutions to farmers globally. It has a robust product portfolio and a development pipeline in crop protection, plant health, and professional pest and turf management.

The company's portfolio includes insect control products based on Rynaxypyr and Cyazypyr active ingredients; Talstar and Hero branded insecticides; Authority, Boral, Centium, Command and Gamit branded herbicides; flutriafol-based fungicides; and biologicals such as Quartzo and Presence bionematicides. The company generated revenues of roughly \$4.6 billion in 2019.

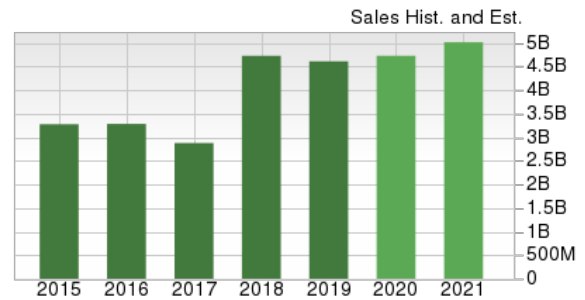
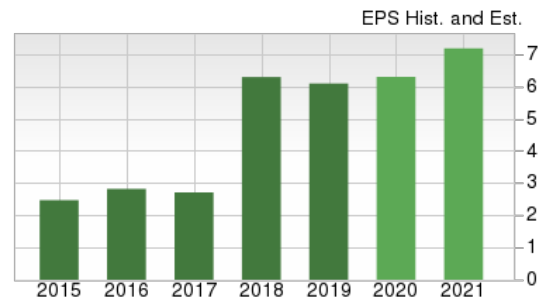
FMC Corp, on Mar 1, 2019, completed the final separation of its Lithium division which has been now rebranded as Livent Corporation. The company spun off its roughly 84% stake in Livent to shareholders of FMC Corp in the form of a pro-rata distribution of Livent shares. The separation marked the transformation of FMC Corp into a pure-play agricultural sciences company.

The company operates through a single business segment that is focused on developing and marketing all three major classes of crop protection chemicals, insecticides, herbicides and fungicides. These products have agricultural applications to increase crop yield and quality by controlling a vast spectrum of insects, weeds and disease.

FMC Corp, in April 2015, purchased Denmark-based Auriga Industries' fully-owned unit, Cheminova A/S, for \$1.8 billion (including debt). Cheminova, which has a strong foothold in Europe and Latin America, develops and markets crop protection products.

The acquisition is a strategic fit for FMC Corp as Cheminova has a highly complementary product portfolio and technologies as well as geographic footprint. Cheminova has a portfolio of more than 60 active ingredients, more than 2,300 registrations and a pipeline of active ingredients currently under development.

FMC Corp, in 2017, completed the purchase of a major portion of DuPont's Crop Protection business. Under the deal terms, FMC Corp purchased DuPont's Cereal Broadleaf Herbicides and Chewing Insecticides portfolios as well as substantially all of the latter's crop protection research and development pipeline.



---

## Reasons To Buy:

- ▲ FMC Corp is seeing strong demand for its industry leading products. In Latin America, it is witnessing strong demand from sugarcane growers in Brazil as well as solid demand for insecticides and herbicides in Argentina. Strong demand for herbicides and insecticides is also aiding the company's agriculture business in North America. It is seeing strength in Lucento fungicide in that region. In Asia, demand for herbicides also remain strong in India. The company expects the crop protection market in North America to grow in the low single digits factoring in higher crop acreage and a recovery in planting conditions in Canada.
- ▲ FMC Corp remains committed to expand its market position and strengthen its portfolio. Continued market share gains and new product introductions (across corn, soybean and cotton markets) in North and Latin America are expected to support results in the company's agricultural business. The company remains focused on investing in technologies and products in its agriculture business and launching new products with a goal to enhance value to the farmers. The company plans to invest roughly \$40 million on R&D in 2020. New product launches in Europe, North America and Asia are contributing to volume growth. The company anticipates new products to contribute 1.5% of revenue growth in 2020 with the biggest contribution expected from EMEA (Europe, Middle East, and Africa).
- ▲ The company maintains a strategy of growth through acquisitions. The acquisition of Cheminova has expanded FMC Corp.'s access in major agricultural end markets. Moreover, the recently completed acquisition of a major portion of DuPont's Crop Protection business has provided a significant growth platform for the company's Agricultural Solutions unit. The buyout will make the Agricultural Solutions unit the fifth biggest crop protection chemical company in the world by sales and will significantly increase the company's presence in Asia and Europe. The acquisition should contribute to the company's revenues and earnings.
- ▲ FMC Corp remains committed to return value to shareholders leveraging healthy cash flows. It generated free cash flow of \$302 million in 2019. The company, in late 2019, hiked its quarterly dividend by 10% to 44 cents per share. The company also repurchased \$400 million of shares in 2019. The company expects to generate significant free cash flow (of \$425-\$525 million) in 2020 and maintain its dividend payout.

FMC Corp will benefit from its efforts to expand product portfolio and acquisitions. Strong demand for herbicides and insecticides across North and Latin America should also drive its sales.

---

## Reasons To Sell:

- ▼ FMC Corp faces significant headwind from unfavorable currency translation due to strengthening of the U.S. dollar against a number of major foreign currencies. Currency had an unfavorable impact of 3% on its sales for full-year 2019. Unfavorable impact on EBITDA was \$61 million for 2019. Currency also reduced its sales by 7% in the most recent quarter. Impact on adjusted EBITDA was \$62 million for the quarter. FMC Corp now sees currency headwind on EBITDA of \$230 million for full-year 2020, higher than its previous guidance of \$170 million. The impact on revenues is forecast to be 6% in 2020. Currency impact on EBITDA for the third quarter is also projected to be \$60 million.
- ▼ The company is exposed to challenges from higher raw material costs, partly due to supply disruptions from China, exacerbated by the coronavirus outbreak. It also faces headwind from higher logistic costs due to coronavirus-led disruptions. The company sees \$10 million cost headwind on its adjusted EBITDA in the third quarter. Headwind for the fourth quarter is projected to be \$23 million. As such, higher costs are likely to hurt the company's revenues and margins.
- ▼ FMC Corp's high debt level is still a concern. Its long-term debt increased around 41% year over year to \$3,027.5 million at the end of the second quarter of 2020. The company ended the second quarter with cash of roughly \$342.7 million, lower than its current debt of \$505.9 million. Further, its time-interest-earned ratio of 4.9 at the end of the second quarter fell from 5 in the prior quarter and also deteriorated over the last few quarters. As such, the company appears to have a higher default risk.
- ▼ The company's stretched valuation is another concern. Going by the EV/EBITDA (Enterprise Value/ Earnings before Interest, Tax, Depreciation and Amortization) multiple, which is often used to value chemical stocks, the company is currently trading at a trailing 12-month EV/EBITDA multiple of 13.66 compared with the industry average of 7.77. As such, investors might not want to pay more for the stock at present.

FMC Corp is exposed headwind from unfavorable currency translation and higher costs. The company's high debt level is another concern.

## Last Earnings Report

### FMC Corp's Q2 Earnings Top, Revenues Lag Estimates

FMC Corp recorded earnings (as reported) of \$1.41 per share in second-quarter 2020, up around 7% from \$1.32 reported a year ago.

Barring one-time items, adjusted earnings per share came in at \$1.72, topping the Zacks Consensus Estimate of \$1.65.

Revenues were \$1,155.3 million for the quarter, down around 4% from the year-ago quarter. It lagged the Zacks Consensus Estimate of \$1,197 million.

Revenues were affected by a 7% unfavorable impact of currencies, partly offset by a 2% contribution from volume and a 1% contribution from pricing. The company saw lower sales across North America and EMEA. Sales rose in Latin America and Asia in the reported quarter.

### Regional Sales Performance

Sales in Latin America rose 2% year over year in the reported quarter driven by volume gains and favorable pricing that offset currency headwinds.

Sales fell 6% year over year in North America, impacted by the company's actions to reduce channel inventories of pre-emergent herbicides.

In EMEA, sales dropped 13% year over year. Sales were, in part, impacted by poor weather conditions in Northern and Eastern Europe and product rationalizations.

Revenues rose 2% year over year in Asia as currency headwinds were offset by pricing and volume growth across India, Pakistan and Australia.

### Financials

The company had cash and cash equivalents of \$342.7 million at the end of the quarter, a roughly four-fold year-over-year increase. Long-term debt was \$3,027.5 million at the end of the quarter, up around 41% year over year.

### Guidance

For 2020, FMC sees revenues to be between \$4.68 billion and \$4.82 billion, indicating a rise of 3% at the midpoint versus 2019.

The company now expects adjusted earnings per share for 2020 in the range of \$6.28-\$6.62, compared with its prior view of \$6.05-\$6.70. The revised guidance reflects an increase of 6% at the midpoint compared with 2019.

Moreover, FMC now envisions adjusted EBITDA of \$1.265-\$1.325 billion for 2020, compared with \$1.23-\$1.34 billion expected earlier. The guidance indicates a 6% rise at the midpoint versus 2019.

For third-quarter 2020, revenues are projected in the band of \$1.045-\$1.105 billion, reflecting an increase of 6% at the midpoint compared with third-quarter 2019. Adjusted earnings are forecast in the range of \$1.03-\$1.17 per share, indicating a 17% rise at the midpoint versus third-quarter 2019.

Quarter Ending 06/2020

Report Date	Aug 04, 2020
Sales Surprise	-3.48%
EPS Surprise	4.24%
Quarterly EPS	1.72
Annual EPS (TTM)	6.26

## Recent News

### FMC Corp Collaborates With Nutrien Ag Solutions for Arc Farm

FMC Corp, on **Jul 9, 2020**, collaborated with Nutrien Ag Solutions on a pilot program to utilize the new FMC Arc farm intelligence platform.

Notably, the tool offers Nutrien Ag Solutions pest control advisors in California, with real-time pest monitoring and predictions of diamondback moth communities in brassica crops.

Per management, the unique technology is expected to increase the capability of Nutrien Ag Solutions representatives to help farmers manage disruptive diamondback moths through an integrated pest management plan.

Notably, the pilot program was introduced in late May 2020 and will continue through the middle of September. FMC Arc farm intelligence will visualize the data as detailed maps on a proprietary mobile application. Moreover, FMC intends to refine and validate an advanced pest prediction model for diamondback moths focused on current and historical data.

### FMC Corp Partners With Cyclica to Improve Research Efficiency

FMC Corp, on **Jun 29, 2020**, entered a partnership with Cyclica Inc. to improve and accelerate the efficiency of discovering new crop protection chemistry. The terms of the collaboration with Cyclica have been kept under wraps.

Notably, this is one of the first collaborations that FMC is exploring to extend its research of novel active ingredients that protect crops from diseases and destructive pests.

Per management, augmenting traditional research and screening processes with the power of artificial intelligence will allow the company to recognize and examine more molecules rapidly and with greater accuracy.

Cyclica is a leading biotechnology company that specialized in computational biophysics and artificial intelligence. Notably, the company's proprietary AI platforms such as Ligand Design and Ligand Express will be used by FMC to optimize the discovery of novel compounds at a pace well above traditional chemistry discovery research programs.

## Valuation

FMC Corp's shares are up 7.2% in the year-to-date period and up 27.3% over the trailing 12-month period. Stocks in the Zacks Chemical - Diversified industry and Zacks Basic Materials sector are down 12% and 0.7% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry and sector are down 3% and up 8.3%, respectively.

The S&P 500 index is up 2.6% in the year-to-date period and up 15.1% in the past year.

The stock is currently trading at 15.68X forward 12-month earnings, which compares to 18.56X for the Zacks sub-industry, 15.7X for the Zacks sector and 22.58X for the S&P 500 index.

Over the past five years, the stock has traded as high as 36.36X and as low as 8.78X, with a 5-year median of 14.58X.

Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$112 price target reflects 16.42X forward 12-month earnings per share.

The table below shows summary valuation data for FMC:

Valuation Multiples - FMC					
		Stock	Sub-Industry	Sector	S&P 500
P/E F 12M	Current	15.68	18.56	15.7	22.58
	5-Year High	36.36	18.56	21.05	22.58
	5-Year Low	8.78	8.97	9.86	15.25
	5-Year Median	14.58	13.11	13.51	17.55
EV/EBITDA TTM	Current	13.66	7.77	9.99	12.8
	5-Year High	28.64	13.12	17.94	12.85
	5-Year Low	8.63	5.24	6.55	8.24
	5-Year Median	13.47	7.46	10.72	10.89
P/B TTM	Current	5.13	1.73	2.71	4.52
	5-Year High	6.09	2.82	3.07	4.56
	5-Year Low	1.99	0.87	1.23	2.83
	5-Year Median	3.88	1.74	2.2	3.73

As of 08/05/2020

## Industry Analysis Zacks Industry Rank: Bottom 32% (173 out of 253)



## Top Peers

Company (Ticker)	Rec	Rank
American Vanguard Corporation (AVD)	Neutral	3
BASF SE (BASFY)	Neutral	3
Eastman Chemical Company (EMN)	Neutral	3
Israel Chemicals Shs (ICL)	Neutral	2
Livent Corporation (LTHM)	Neutral	4
Sociedad Quimica y Minera S.A. (SQM)	Neutral	2
Asahi Kasei Corp. (AHKSY)	Underperform	5
Albemarle Corporation (ALB)	Underperform	5

Industry Comparison Industry: Chemical - Diversified				Industry Peers		
	FMC	X Industry	S&P 500	ALB	EMN	SQM
Zacks Recommendation (Long Term)	Neutral	-	-	Underperform	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	5	3	2
VGM Score	D	-	-	D	C	F
Market Cap	13.85 B	2.46 B	22.93 B	9.42 B	9.86 B	8.22 B
# of Analysts	11	3	14	11	9	6
Dividend Yield	1.64%	1.87%	1.76%	1.74%	3.64%	0.00%
Value Score	D	-	-	F	B	D
Cash/Price	0.03	0.12	0.07	0.06	0.07	0.09
EV/EBITDA	17.03	8.28	13.16	14.35	8.42	23.56
PEG Ratio	1.58	3.29	2.99	3.12	3.17	3.16
Price/Book (P/B)	4.86	1.81	3.20	2.33	1.59	3.89
Price/Cash Flow (P/CF)	14.49	6.77	12.45	10.98	6.17	29.56
P/E (F1)	17.02	19.44	21.78	26.59	12.62	31.28
Price/Sales (P/S)	3.00	0.83	2.47	2.79	1.13	4.49
Earnings Yield	5.89%	5.01%	4.33%	3.76%	7.92%	3.20%
Debt/Equity	1.06	0.60	0.77	0.77	0.87	0.81
Cash Flow (\$/share)	7.39	3.41	6.94	8.07	11.76	1.06
Growth Score	F	-	-	C	D	F
Hist. EPS Growth (3-5 yrs)	25.99%	9.75%	10.46%	9.92%	1.66%	6.87%
Proj. EPS Growth (F1/F0)	3.37%	-24.36%	-7.14%	-44.84%	-19.35%	-5.82%
Curr. Cash Flow Growth	-5.09%	-9.82%	5.47%	6.86%	-9.97%	-36.68%
Hist. Cash Flow Growth (3-5 yrs)	8.36%	6.32%	8.55%	14.46%	1.05%	-1.27%
Current Ratio	1.60	1.87	1.32	1.81	1.66	3.24
Debt/Capital	51.50%	37.80%	44.59%	43.45%	46.58%	44.79%
Net Margin	10.35%	3.83%	10.15%	12.99%	6.64%	13.25%
Return on Equity	30.31%	10.94%	14.46%	13.46%	14.02%	11.39%
Sales/Assets	0.46	0.75	0.51	0.36	0.54	0.38
Proj. Sales Growth (F1/F0)	2.57%	-7.43%	-1.68%	-17.70%	-11.56%	1.58%
Momentum Score	A	-	-	C	D	F
Daily Price Chg	-0.49%	1.57%	0.59%	3.83%	2.08%	2.23%
1 Week Price Chg	-1.20%	-2.62%	0.14%	-5.26%	-2.62%	0.96%
4 Week Price Chg	8.04%	5.69%	5.31%	13.66%	3.97%	10.74%
12 Week Price Chg	20.55%	26.62%	19.84%	47.86%	21.34%	42.54%
52 Week Price Chg	26.04%	-2.00%	2.73%	31.08%	7.48%	16.70%
20 Day Average Volume	630,116	70,250	2,098,555	1,227,430	996,048	735,345
(F1) EPS Est 1 week change	0.83%	0.00%	0.00%	0.00%	-2.38%	-2.51%
(F1) EPS Est 4 week change	1.11%	0.00%	1.10%	-1.19%	-3.26%	-1.35%
(F1) EPS Est 12 week change	0.17%	0.00%	1.04%	-17.86%	-2.65%	-6.00%
(Q1) EPS Est Mthly Chg	5.50%	0.00%	0.39%	-1.30%	-4.70%	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	D
Growth Score	F
Momentum Score	A
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.

---

### Disclosures

**This report contains independent commentary to be used for informational purposes only. The analysts contributing to this report do not hold any shares of this stock. The analysts contributing to this report do not serve on the board of the company that issued this stock. The EPS and revenue forecasts are the Zacks Consensus estimates, unless indicated otherwise on the reports first page.** Additionally, the analysts contributing to this report certify that the views expressed herein accurately reflect the analysts personal views as to the subject securities and issuers. ZIR certifies that no part of the analysts compensation was, is, or will be, directly or indirectly, related to the specific recommendation or views expressed by the analyst in the report.

Additional information on the securities mentioned in this report is available upon request. This report is based on data obtained from sources we believe to be reliable, but is not guaranteed as to accuracy and does not purport to be complete. Any opinions expressed herein are subject to change.

ZIR is not an investment advisor and the report should not be construed as advice designed to meet the particular investment needs of any investor. Prior to making any investment decision, you are advised to consult with your broker, investment advisor, or other appropriate tax or financial professional to determine the suitability of any investment. This report and others like it are published regularly and not in response to episodic market activity or events affecting the securities industry.

This report is not to be construed as an offer or the solicitation of an offer to buy or sell the securities herein mentioned. ZIR or its officers, employees or customers may have a position long or short in the securities mentioned and buy or sell the securities from time to time. ZIR is not a broker-dealer. ZIR may enter into arms-length agreements with broker-dealers to provide this research to their clients. Zacks and its staff are not involved in investment banking activities for the stock issuer covered in this report.

ZIR uses the following rating system for the securities it covers. **Outperform-** ZIR expects that the subject company will outperform the broader U.S. equities markets over the next six to twelve months. **Neutral-** ZIR expects that the company will perform in line with the broader U.S. equities markets over the next six to twelve months. **Underperform-** ZIR expects the company will underperform the broader U.S. equities markets over the next six to twelve months.

No part of this report can be reprinted, republished or transmitted electronically without the prior written authorization of ZIR.