

FMC Corp (FMC)

\$107.92 (As of 02/06/20)

Price Target (6-12 Months): **\$114.00**

Long Term: 6-12 Months

Zacks Recommendation:
Neutral

(Since: 02/12/19)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

4-Sell

Zacks Style Scores:

VGM:D

Value: C

Growth: D

Momentum: C

Summary

FMC Corp's adjusted earnings and sales for the fourth quarter topped the respective Zacks Consensus Estimate. 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, the company faces headwinds from unfavorable currency translation and higher raw material costs. Higher input costs will hurt revenues and margins. Unfavorable currency is also expected to impact FMC Corp's profits in 2020. High debt level is another matter of concern.

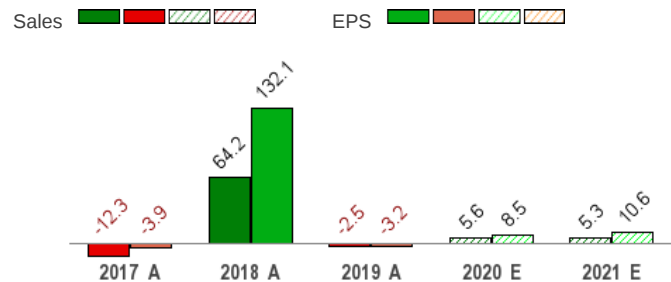
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$108.77 - \$70.21
20 Day Average Volume (sh)	863,226
Market Cap	\$14.0 B
YTD Price Change	8.1%
Beta	1.54
Dividend / Div Yld	\$1.76 / 1.6%
Industry	<u>Chemical - Diversified</u>
Zacks Industry Rank	Bottom 12% (224 out of 255)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	15.0%
Last Sales Surprise	0.2%
EPS F1 Est- 4 week change	-0.3%
Expected Report Date	05/04/2020
Earnings ESP	0.0%
P/E TTM	17.8
P/E F1	16.3
PEG F1	1.5
P/S TTM	3.0

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021					5,128 E
2020		1,257 E	1,054 E	1,255 E	4,869 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					\$7.31 E
2020	\$1.81 E	\$1.85 E	\$1.08 E	\$1.78 E	\$6.61 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 02/06/2020. The reports text is as of 02/07/2020.

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.

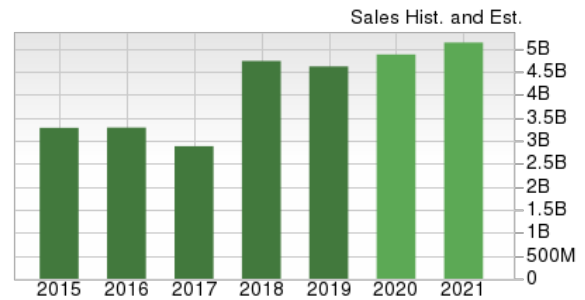
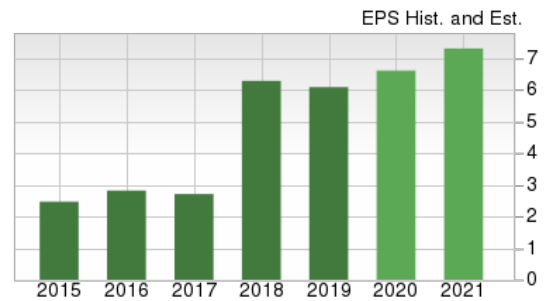
FMC Corp, on Mar 1, 2019, completed the final separation of its Lithium division which has been now rebranded as Livent Corporation. The company spun off its roughly 84% stake in Livent to shareholders of FMC Corp in the form of a pro-rata distribution of Livent shares. The separation marked the transformation 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, which is driving its revenues. In Latin America, FMC Corp is witnessing healthy demand from cotton and sugarcane growers in Brazil as well as solid demand for herbicides in soybean applications in Argentina. Strong demand for herbicides and insecticides is also driving the company's agriculture business in North America. It is seeing strength across Rynaxypyr and Cyazypyr insect control products in that region. Strong demand for insecticides is also driving volumes in Asia. The company expects the crop protection market to grow in the low-single digits in 2020 with strongest growth in Asia. It also expects growth in the crop protection market in Brazil to be driven by soybeans and corn.
- ▲ 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. It expects new products to contribute roughly 1.5% of overall volume growth in 2020. New product launches are also expected to contribute to strong volume growth in first-quarter 2020.
- ▲ 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 and expects free cash flow of \$425-\$525 million in 2020. 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. It also expects to buyback \$400-\$500 million of its shares in 2020.

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

Reasons To Sell:

- ▼ The company is exposed to challenges from higher raw material costs, partly due to supply disruptions from China. The disruptions in that country is likely to be exacerbated by the coronavirus outbreak. The company also faces headwind from higher tariffs. It witnessed an unfavorable impact of \$25 million from raw material cost inflation and tariffs on EBITDA in the last reported quarter. Headwinds related to higher costs were \$167 million in 2019. The company also sees \$32 million cost headwind in the first quarter of 2020, including raw materials and tariffs. FMC Corp envisions raw material cost headwind to persist through the first half of 2020. As such, higher costs will hurt the company's revenues and margins.
- ▼ FMC Corp faces 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 2% on its sales in the most recent quarter and 3% for full-year 2019. Unfavorable impact on EBITDA was \$61 million for 2019. FMC Corp sees currency headwind on EBITDA of \$45 million for full-year 2020. Currency impact for the first quarter is forecast to be \$16 million.
- ▼ The company's high debt level is still a concern. Its current total debt of around \$3.3 billion is significantly higher than its cash and cash equivalent (of around \$339 million). The company has a debt-to-equity ratio of 118.3%, which is higher than the industry average of 65.2%.

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

Last Earnings Report

FMC Corp's Earnings and Revenues Top Estimates in Q4

FMC Corp recorded loss (as reported) of 2 cents per share in fourth-quarter 2019, compared with recast earnings of 24 cents per share a year ago.

Barring one-time items, adjusted earnings per share came in at \$1.76, topping the Zacks Consensus Estimate of \$1.53.

Revenues were \$1,197.3 million for the quarter, up around 9% from the recast figure for the year-ago quarter. It also surpassed the Zacks Consensus Estimate of \$1,194.4 million.

Revenues were aided by high demand across all regions notwithstanding unfavorable weather conditions in Europe and Asia. The company also benefited from its portfolio strength and new technology launches. It saw higher volumes in all regions in the quarter.

Revenue growth was supported by 11% contribution from volume, which was partly offset by a 2% unfavorable impact of currencies. The company achieved higher pricing in Latin America, EMEA (Europe, Middle East, and Africa) and Asia in the reported quarter.

Full-Year Results

For 2019, earnings (as reported) were \$3.62 per share, compared with \$3.69 per share a year ago.

Revenues were \$4.6 billion for the full year, up around 8% from the recast figure for 2018.

Regional Sales Performance

Sales in Latin America rose 10% year over year in the reported quarter. This was driven by strong growth in Argentina.

Sales went up 10% year over year in North America, supported by volume gains and strength in Rynaxypyr and Cyazypyr insect controls. In EMEA, sales expanded 5% year over year. This was driven by increased demand for herbicides and insecticides in France and Russia.

Revenues rose 9% year over year in Asia. Sales rose by double-digits in India, China, Indonesia and Pakistan on the back of strong demand for diamides and new product launches.

Financials

The company had cash and cash equivalents of \$339.1 million at the end of 2019, up 152% year over year. Long-term debt was \$3,031.1 million at the end of the year, up 41% year over year.

The company returned more than \$600 million to shareholders during 2019, including \$400 million in share buybacks.

Guidance

For 2020, FMC sees revenues to be between \$4.8 billion and \$4.95 billion, indicating a rise of 6% at the midpoint versus 2019.

The company also expects adjusted earnings per share in the range of \$6.45-\$6.70. The guidance reflects an increase of 8% at the midpoint compared with 2019.

Moreover, FMC envisions adjusted EBITDA of \$1.3-\$1.34 billion for 2020, indicating 8% growth at the midpoint versus 2019.

For first-quarter 2020, revenues are projected in the band of \$1.23-\$1.27 billion, indicating 5% growth at the midpoint compared with first-quarter 2019. Adjusted earnings are forecast in the range of \$1.76-\$1.86 per share, reflecting 5% growth at the midpoint compared with first-quarter 2019 figure.

Quarter Ending **12/2019**

Report Date	Feb 05, 2020
Sales Surprise	0.24%
EPS Surprise	15.03%
Quarterly EPS	1.76
Annual EPS (TTM)	6.08

Recent News

FMC Corp Announces 10% Hike in Quarterly Dividend – Dec 19, 2019

FMC Corp's board has announced a 10% increase in quarterly dividend. The dividend of 44 cents per share was paid on Jan 16, 2020 to its shareholders of record as of the close of business on Dec 31, 2019.

The company's latest move aligns with the policy of regularly rewarding its shareholders by increasing the dividend at the same rate of growth in net income.

Valuation

FMC Corp's shares are up 28.2% over the trailing 12-month period. Stocks in the Zacks Chemicals-Diversified industry and the Zacks Basic Materials sector are down 23.7% and 2.9% over the past year, respectively.

The S&P 500 index is up 22.1% in the past year.

The stock is currently trading at 16.14X forward 12-month earnings, which compares to 13.11X for the Zacks sub-industry, 13.18X for the Zacks sector and 19.09X for the S&P 500 index.

Over the past five years, the stock has traded as high as 36.36X and as low as 8.89X, with a 5-year median of 14.82X.

Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$114 price target reflects 17X 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	16.14	13.11	13.18	19.09
	5-Year High	36.36	15.19	21.14	19.34
	5-Year Low	8.89	8.25	9.77	15.18
	5-Year Median	14.82	12.47	13.7	17.46
EV/EBITDA TTM	Current	12.4	6.9	9.01	11.95
	5-Year High	28.62	12.53	18.18	12.85
	5-Year Low	8.36	5.58	7.34	8.49
	5-Year Median	13.47	7.27	10.57	10.66
P/B TTM	Current	5.22	1.68	2.26	4.54
	5-Year High	6.09	3.54	3.54	4.54
	5-Year Low	1.99	0.89	1.34	2.85
	5-Year Median	3.86	2.52	2.19	3.62

As of 02/06/2020

Industry Analysis Zacks Industry Rank: Bottom 12% (224 out of 255)



Top Peers

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

Industry Comparison Industry: Chemical - Diversified				Industry Peers		
	FMC Neutral	X Industry	S&P 500	ALB Neutral	EMN Underperform	SQM Underperform
VGM Score	D	-	-	C	C	F
Market Cap	13.99 B	2.61 B	24.40 B	9.22 B	10.05 B	7.97 B
# of Analysts	9	3	13	10	7	5
Dividend Yield	1.63%	1.75%	1.75%	1.69%	3.57%	2.16%
Value Score	C	-	-	C	B	D
Cash/Price	0.03	0.07	0.04	0.04	0.02	0.11
EV/EBITDA	15.86	7.20	14.17	9.81	8.90	13.71
PEG Ratio	1.47	1.61	2.05	1.80	1.21	2.44
Price/Book (P/B)	5.46	2.08	3.31	2.30	1.65	3.72
Price/Cash Flow (P/CF)	28.64	6.62	13.63	11.53	6.29	18.16
P/E (F1)	15.91	14.24	19.08	18.21	9.96	24.28
Price/Sales (P/S)	3.03	0.90	2.67	2.62	1.08	3.92
Earnings Yield	6.12%	7.01%	5.24%	5.50%	10.04%	4.13%
Debt/Equity	1.18	0.55	0.71	0.34	0.91	0.62
Cash Flow (\$/share)	3.77	3.59	6.89	7.54	11.76	1.67
Growth Score	D	-	-	B	C	F
Hist. EPS Growth (3-5 yrs)	17.79%	10.15%	10.80%	7.62%	1.77%	11.42%
Proj. EPS Growth (F1/F0)	8.61%	5.15%	7.23%	-21.23%	4.07%	14.08%
Curr. Cash Flow Growth	-52.24%	-2.60%	9.51%	12.42%	-9.97%	2.69%
Hist. Cash Flow Growth (3-5 yrs)	10.67%	6.32%	8.55%	12.24%	1.05%	-1.22%
Current Ratio	1.50	1.83	1.20	1.39	1.65	2.76
Debt/Capital	54.20%	37.78%	42.90%	25.64%	47.73%	38.21%
Net Margin	10.36%	4.69%	11.76%	16.27%	8.19%	15.70%
Return on Equity	29.69%	11.94%	16.98%	15.94%	16.50%	14.96%
Sales/Assets	0.47	0.85	0.54	0.44	0.57	0.45
Proj. Sales Growth (F1/F0)	5.31%	2.37%	4.15%	-2.51%	-0.96%	14.76%
Momentum Score	C	-	-	D	F	C
Daily Price Chg	5.99%	-0.50%	-0.11%	-0.72%	-2.07%	0.10%
1 Week Price Chg	-0.09%	-3.31%	-2.60%	-1.11%	-2.60%	-4.36%
4 Week Price Chg	8.44%	-2.21%	1.51%	19.53%	-1.94%	10.99%
12 Week Price Chg	11.21%	-6.21%	5.63%	32.67%	-7.42%	28.01%
52 Week Price Chg	28.13%	-5.53%	17.01%	7.82%	-6.24%	-28.89%
20 Day Average Volume	863,226	113,683	1,961,054	2,322,762	1,247,631	1,087,349
(F1) EPS Est 1 week change	-0.32%	0.00%	0.00%	0.00%	-1.94%	0.00%
(F1) EPS Est 4 week change	-0.32%	0.00%	-0.00%	-0.54%	-4.01%	-1.58%
(F1) EPS Est 12 week change	-0.69%	-2.08%	-0.16%	-4.98%	-6.70%	-5.88%
(Q1) EPS Est Mthly Chg	0.00%	-3.27%	0.00%	0.00%	-7.42%	-16.13%

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	C
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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