

FMC Corp (FMC)

\$94.11 (As of 05/07/20)

Price Target (6-12 Months): **\$99.00**

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:B

Value: C

Growth: B

Momentum: C

Summary

FMC Corp's adjusted earnings for the first quarter beat 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.

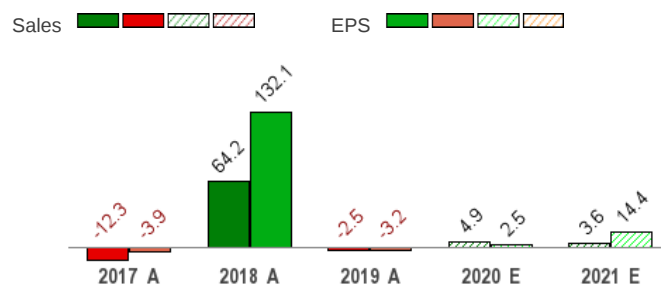
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$108.77 - \$56.77
20 Day Average Volume (sh)	807,903
Market Cap	\$12.2 B
YTD Price Change	-5.7%
Beta	1.26
Dividend / Div Yld	\$1.76 / 1.9%
Industry	<u>Chemical - Diversified</u>
Zacks Industry Rank	Bottom 28% (182 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	1.7%
Last Sales Surprise	-0.1%
EPS F1 Est- 4 week change	0.4%
Expected Report Date	08/04/2020
Earnings ESP	2.1%
P/E TTM	15.2
P/E F1	15.1
PEG F1	1.4
P/S TTM	2.6

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	1,298 E	1,323 E	1,097 E	1,309 E	5,007 E
2020	1,250 A		1,038 E	1,237 E	4,835 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	\$2.01 E	\$2.05 E	\$1.19 E	\$1.95 E	\$7.14 E
2020	\$1.84 A	\$1.66 E	\$0.97 E	\$1.72 E	\$6.24 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 05/07/2020. The reports text is as of 05/08/2020.

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.

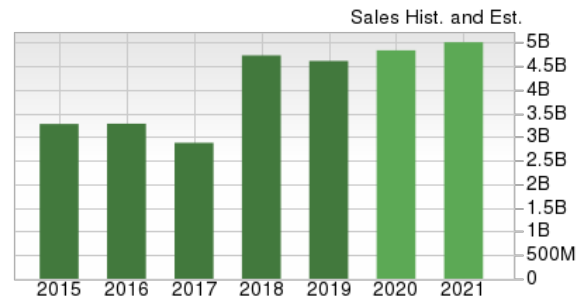
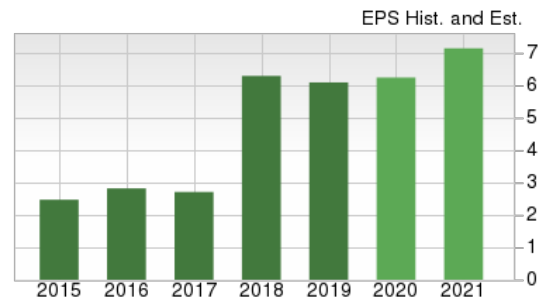
FMC Corp, on Mar 1, 2019, completed the final separation of its Lithium division which has been now rebranded as Livent Corporation. The company spun off its roughly 84% stake in Livent to shareholders of FMC Corp in the form of a pro-rata distribution of Livent shares. The separation marked the transformation 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 insecticides in Argentina. Strong demand for herbicides and insecticides is also driving the company's agriculture business in North America. It is seeing strength in Rynaxypyr insect control product in that region. Demand for fungicides also remain strong in EMEA (Europe, Middle East, and Africa). 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 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.

▲ 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 products contributed roughly 1.5% to overall top line growth in the last reported quarter. The company anticipates new products to contribute 1.5% of revenue growth in 2020 with the biggest contribution expected from EMEA. New product launches in Europe, North America and Asia are also expected to contribute to strong volume growth in the second quarter.

▲ 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. The company expects to generate significant free cash flow (of \$425-\$525 million) in 2020 and maintain its dividend payout.

Reasons To Sell:

- ▼ The company is exposed to challenges from higher raw material costs, partly due to supply disruptions from China, exacerbated by the coronavirus outbreak. The company also faces headwind from higher logistic costs due to coronavirus-led disruptions. It witnessed an unfavorable impact of \$7 million from cost inflation on EBITDA in the last reported quarter. The company also sees \$26 million cost headwind in 2020, partly reflecting coronavirus-induced impacts on supply chain costs. As such, higher costs are likely to 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 3% on its sales for full-year 2019. Unfavorable impact on EBITDA was \$61 million for 2019. Currency also reduced its sales by 4% in the most recent quarter. Impact on EBITDA was \$45 million for the quarter. FMC Corp now sees currency headwind on EBITDA of \$170 million for full-year 2020, higher than its previous guidance of \$45 million. The impact on revenues is forecast to be 5% in 2020. Currency impact on EBITDA for the second quarter is also projected to be \$45 million.
- ▼ The company's high debt level is still a concern. Its long-term debt was \$3,531.8 million at the end of the first quarter of 2020, higher than \$3,031.1 million at the end of the fourth quarter of 2019. Total debt also increased to \$3,782 million at the end of the first quarter from \$3,258.8 million at the end of the sequentially prior quarter. With a cash balance of just \$436.2 million as of Mar 31, 2020, the company may not be able to meet its debt obligations.

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 Q1 Earnings Top Estimates, Revenues Miss

FMC Corp recorded earnings (as reported) of \$1.58 per share in first-quarter 2020, down from \$1.62 reported a year ago.

Barring one-time items, adjusted earnings per share came in at \$1.84, topping the Zacks Consensus Estimate of \$1.81.

Revenues were \$1,250 million for the quarter, up around 5% from the year-ago quarter. It lagged the Zacks Consensus Estimate of \$1,251.4 million.

Revenue growth was supported by 7% contribution from volume and 2% contribution from pricing, partly offset by a 4% unfavorable impact of currencies. The company saw growth across Latin America, North America and EMEA.

Regional Sales Performance

Sales in Latin America rose 26% year over year in the reported quarter driven by broad-based volume gains.

Sales went up 3% year over year in North America, supported by higher demand for Rynaxypyr insect control and new products.

In EMEA, sales rose 1% year over year. This was driven by strong demand for fungicides and growth in herbicides.

Revenues fell 3% year over year in Asia, impacted by currency headwinds and product rationalizations that more than offset double-digit growth in India and Pakistan.

Financials

The company had cash and cash equivalents of \$436.2 million at the end of the quarter, a roughly four-fold year-over-year increase. Long-term debt was \$3,531.8 million at the end of the quarter, up 65% year over year.

Guidance

For 2020, FMC sees revenues to be between \$4.65 billion and \$4.85 billion, indicating a rise of 3% at the midpoint versus 2019.

The company also expects adjusted earnings per share in the range of \$6.05-\$6.70. The guidance reflects an increase of 5% at the midpoint compared with 2019.

Moreover, FMC envisions adjusted EBITDA of \$1.23-\$1.34 billion for 2020, indicating 5% growth at the midpoint versus 2019.

For second-quarter 2020, revenues are projected in the band of \$1.17-\$1.23 billion, flat at the midpoint compared with second-quarter 2019. Adjusted earnings are forecast in the range of \$1.58-\$1.74 per share, also flat at the midpoint compared with second-quarter 2019 figure.

Quarter Ending 03/2020

Report Date	May 05, 2020
Sales Surprise	-0.11%
EPS Surprise	1.66%
Quarterly EPS	1.84
Annual EPS (TTM)	6.20

Recent News

FMC Corp Issues Update on Liquidity - Apr 22, 2020

FMC Corp announced the amendment of its credit agreement and term-loan facility, which will maximize the leverage ratio permitted under each arrangement. The company stated that the maximum leverage ratio will increase to 4.25 through the period ending Dec 31, 2020.

FMC Corp believes that it will be prudent to boost the maximum leverage ratio permissible under its credit facilities under current economic conditions. Higher leverage ratio is likely to provide support under various scenarios amid the coronavirus pandemic.

Valuation

FMC Corp's shares are down 5.7% in the year-to-date period and up 18.1% over the trailing 12-month period. Stocks in the Zacks Chemicals-Diversified industry and Zacks Basic Materials sector are down 28.7% and 21.1% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry and sector are down 30.2% and 16.5%, respectively.

The S&P 500 index is down 11.5% in the year-to-date period and 1% in the past year.

The stock is currently trading at 14.42X forward 12-month earnings, which compares to 14.37X for the Zacks sub-industry, 14.38X for the Zacks sector and 20.51X 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 14.51X.

Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$99 price target reflects 15.16X 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	14.42	14.37	14.38	20.51
	5-Year High	36.36	15.18	21.06	20.51
	5-Year Low	8.78	8.25	9.79	15.19
	5-Year Median	14.51	12.27	13.46	17.44
EV/EBITDA TTM	Current	12.55	6.7	8.4	10.44
	5-Year High	28.64	13.36	17.84	12.86
	5-Year Low	8.63	5.43	6.53	8.28
	5-Year Median	13.54	7.6	10.84	10.78
P/B TTM	Current	4.76	1.35	1.65	3.78
	5-Year High	6.09	3.55	3.57	4.55
	5-Year Low	1.99	0.89	1.22	2.84
	5-Year Median	3.84	1.8	2.17	3.64

As of 05/07/2020

Industry Analysis Zacks Industry Rank: Bottom 28% (182 out of 253)



Top Peers

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

Industry Comparison Industry: Chemical - Diversified				Industry Peers		
	FMC	X Industry	S&P 500	ALB	EMN	SQM
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	4	3	3
VGM Score	B	-	-	B	D	D
Market Cap	12.18 B	2.25 B	19.51 B	6.35 B	8.22 B	5.96 B
# of Analysts	10	3	14	10	8	5
Dividend Yield	1.87%	2.46%	2.15%	2.58%	4.37%	2.92%
Value Score	C	-	-	C	C	C
Cash/Price	0.03	0.10	0.06	0.10	0.03	0.10
EV/EBITDA	15.92	6.59	11.77	10.60	7.87	17.64
PEG Ratio	1.40	2.59	2.54	1.45	2.37	2.16
Price/Book (P/B)	4.51	1.47	2.67	1.57	1.36	2.79
Price/Cash Flow (P/CF)	12.74	5.15	10.44	7.40	5.14	21.44
P/E (F1)	15.13	15.36	19.30	13.85	10.24	21.33
Price/Sales (P/S)	2.61	0.65	1.99	1.82	0.90	3.07
Earnings Yield	6.63%	5.61%	4.91%	7.21%	9.77%	4.68%
Debt/Equity	1.31	0.52	0.75	0.77	0.93	0.71
Cash Flow (\$/share)	7.39	3.41	7.01	8.07	11.76	1.06
Growth Score	B	-	-	B	C	F
Hist. EPS Growth (3-5 yrs)	22.23%	9.94%	10.87%	8.83%	1.66%	9.67%
Proj. EPS Growth (F1/F0)	2.48%	-23.42%	-9.87%	-28.58%	-17.16%	0.19%
Curr. Cash Flow Growth	-5.09%	-7.54%	5.88%	6.86%	-9.97%	-36.68%
Hist. Cash Flow Growth (3-5 yrs)	8.36%	6.20%	8.55%	14.46%	1.05%	-1.27%
Current Ratio	1.82	1.87	1.24	1.81	1.86	3.45
Debt/Capital	56.65%	35.68%	44.23%	43.45%	48.19%	41.58%
Net Margin	10.02%	5.19%	10.68%	14.50%	8.85%	14.31%
Return on Equity	30.32%	12.74%	16.36%	15.34%	16.88%	13.01%
Sales/Assets	0.47	0.80	0.55	0.39	0.57	0.42
Proj. Sales Growth (F1/F0)	2.54%	-7.19%	-2.26%	-8.81%	-12.76%	5.77%
Momentum Score	C	-	-	C	F	C
Daily Price Chg	2.32%	1.48%	1.52%	3.12%	1.58%	2.77%
1 Week Price Chg	1.95%	1.42%	0.53%	-6.65%	4.80%	0.89%
4 Week Price Chg	4.57%	2.01%	0.73%	-10.86%	1.27%	-0.83%
12 Week Price Chg	-10.74%	-24.08%	-21.09%	-32.06%	-19.41%	-26.34%
52 Week Price Chg	18.07%	-32.61%	-10.17%	-17.73%	-20.14%	-34.46%
20 Day Average Volume	807,903	94,749	2,398,409	1,278,733	1,386,335	633,369
(F1) EPS Est 1 week change	2.15%	0.00%	0.00%	-2.97%	-6.32%	0.00%
(F1) EPS Est 4 week change	0.40%	-5.58%	-6.95%	-5.58%	-11.75%	-0.75%
(F1) EPS Est 12 week change	-4.92%	-27.17%	-15.68%	-9.67%	-20.40%	-14.90%
(Q1) EPS Est Mthly Chg	-6.15%	-23.72%	-13.12%	-8.32%	-30.81%	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	C
Growth Score	B
Momentum Score	C
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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