

FMC Corp (FMC)

\$98.15 (As of 01/21/20)

Price Target (6-12 Months): **\$103.00**

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:C

Value: C

Growth: D

Momentum: B

Summary

Earnings estimates for FMC Corp for the fourth quarter of 2019 have been stable over the past month. The acquisition of DuPont's Crop Protection business has provided a significant growth platform for the company's agricultural business. Synergies from the buyout will drive earnings in 2019. Strong demand for herbicides and insecticides in North and Latin America is also likely to support sales. Moreover, the company should gain from its efforts to expand product portfolio through new product launches. 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 2019. High debt level is another concern.

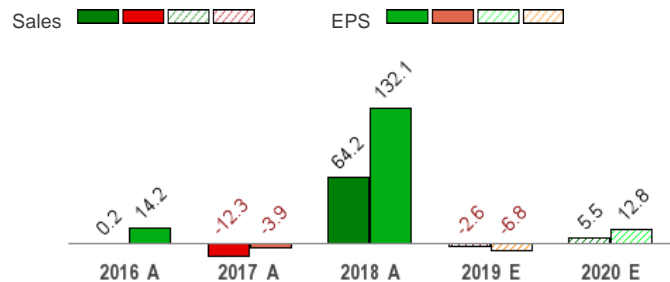
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$101.78 - \$67.53
20 Day Average Volume (sh)	676,035
Market Cap	\$12.7 B
YTD Price Change	-1.7%
Beta	1.51
Dividend / Div Yld	\$1.76 / 1.8%
Industry	<u>Chemical - Diversified</u>
Zacks Industry Rank	Bottom 8% (235 out of 255)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	17.5%
Last Sales Surprise	4.0%
EPS F1 Est- 4 week change	0.0%
Expected Report Date	02/05/2020
Earnings ESP	0.0%
P/E TTM	16.3
P/E F1	14.9
PEG F1	1.4
P/S TTM	2.8

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2020	1,216 E	1,257 E	1,054 E	1,255 E	4,855 E
2019	1,192 A	1,206 A	1,014 A	1,194 E	4,603 E
2018	1,211 A	1,262 A	1,036 A	1,219 A	4,728 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
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	\$1.53 E	\$5.86 E
2018	\$1.84 A	\$1.78 A	\$0.98 A	\$1.69 A	\$6.29 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 01/21/2020. The reports text is as of 01/22/2020.

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.

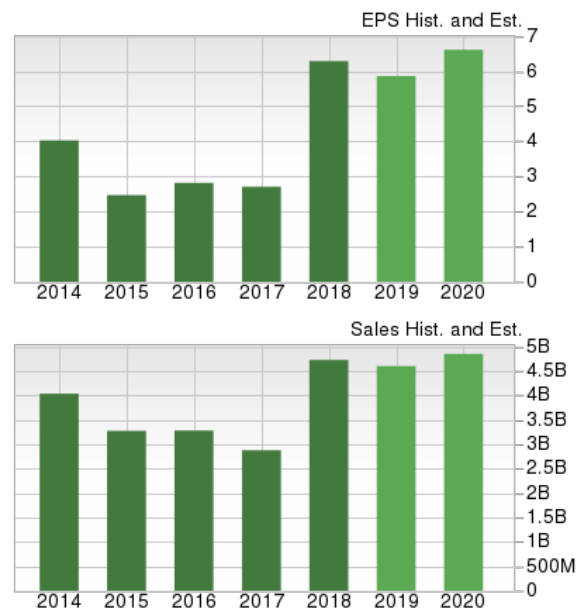
FMC Corp, on Mar 1, 2019, completed the final separation of its Lithium division which has been now rebranded as Livent Corporation. The company spun off its roughly 84% stake in Livent to shareholders of FMC Corp in the form of a pro-rata distribution of Livent shares. The separation marked the transformation 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. Cheminova's complementary insecticide and herbicide technologies expanded the company's fungicide portfolio.

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 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 meaningfully contribute to the company's revenues in 2019.
- ▲ The company is seeing strong demand for its industry leading products, which is driving its revenues. In Latin America, FMC Corp is witnessing strong demand from cotton growers in Brazil and wheat farmers in Argentina as well as solid demand for insecticides in soybean applications. Strong demand for pre-emergent herbicides and insecticides is also driving the company's agriculture business in North America. The company expects solid global demand for pre-emergent herbicide, sales expansion in Brazil and SU herbicide growth in major European countries to contribute to its above market growth in 2019.
- ▲ 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 expects new products to account for around \$60-\$70 million in incremental sales growth in 2019. It also expects contribution of new products to overall sales to be around \$20 million in the fourth quarter.
- ▲ FMC Corp remains committed to return value to shareholders leveraging healthy cash flows. The company, in late 2018, hiked quarterly dividends more than two-fold to 40 cents per share. It also completed shares buyback program worth \$200 million in 2018. The company also expects to repurchase \$400 million of shares in 2019, including \$300 million already purchased this year. It expects to generate free cash flow of \$375-\$475 million in 2019.

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. It witnessed an unfavorable impact of \$39 million from raw material cost inflation on EBITDA in the last reported quarter. The company expects a \$185 million headwind from higher raw material costs on its EBITDA for full-year 2019. It also sees \$40 million in raw material cost headwind in the fourth quarter. Higher input costs will hurt the company's revenues and margins.
- ▼ FMC Corp faces headwind from unfavorable currency translation. Currency had an unfavorable impact of 2% on the sales in the most recent quarter. FMC Corp sees unfavorable currency impact on EBITDA of \$53 million (up from \$39 million expected earlier) for full-year 2019.
- ▼ The company's high debt level is still a concern. Its current total debt of around \$3.6 billion is significantly higher than its cash and cash equivalent (of around \$420 million). The company has a debt-to-equity ratio of 113.2%, 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 Tops Q3 Earnings Estimates, Ups FY19 View

FMC Corp recorded earnings (as reported) of 69 cents per share in third-quarter 2019, up from 54 cents per share a year ago.

Barring one-time items, adjusted earnings per share came in at 94 cents, topping the Zacks Consensus Estimate of 80 cents. The results were supported by strong operating performance.

Revenues were \$1,014.3 million for the quarter, up around 10% from the recast figure for the year-ago quarter. It also surpassed the Zacks Consensus Estimate of \$975.7 million. Revenues were aided by double-digit organic sales growth across Brazil, Argentina, Mexico, France, India, China and Pakistan.

Revenue growth was supported by 8% contribution from volume along with 4% contribution from price, which was partly offset by a 2% unfavorable impact of foreign currencies. The company achieved higher pricing in all regions in the reported quarter.

Regional Sales Performance

Sales in Latin America climbed 21% year over year and 22% excluding foreign exchange. This was mainly driven by strong sales growth in cotton and sugarcane applications in Brazil, and soybeans in Argentina.

Sales fell 3% year over year in North America, hurt by reduced demand for herbicides in the Midwest and Canada that more than offset strength in diamides and specialty crops.

In EMEA, sales expanded 4% year over year (8% excluding foreign exchange). This was driven by strong contributions from new product introductions, particularly in France.

Revenues rose 5% year over year (9% excluding foreign exchange) in Asia. Sales rose by double-digits on an organic basis across India, China and Pakistan.

Balance Sheet

The company had cash and cash equivalents of \$419.7 million at the end of the third quarter. Long-term debt was \$3,032.4 million at the end of the quarter.

Guidance

The company has raised its revenue and earnings guidance for 2019. For the full year, FMC now sees revenues to be between \$4.58 billion and \$4.62 billion (up from \$4.5 billion and \$4.6 billion), indicating a rise of 7% at the midpoint versus recast 2018.

The company also raised its adjusted earnings per share forecast to the range of \$5.80-\$5.90 from its earlier view of \$5.68-\$5.88. The revised guidance reflects an increase of 12% at the midpoint compared with recast 2018.

For fourth-quarter 2019, revenues are projected in the band of \$1.17-\$1.21 billion, indicating 8% growth at the midpoint compared with recast fourth-quarter 2018. Adjusted earnings are forecast to be in the range of \$1.46-\$1.56 per share, indicating 3% growth at the midpoint compared with recast fourth-quarter 2018 figure.

Quarter Ending 09/2019

Report Date	Oct 29, 2019
Sales Surprise	3.96%
EPS Surprise	17.50%
Quarterly EPS	0.94
Annual EPS (TTM)	6.01

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 23.4% over the trailing 12-month period. Stocks in the Zacks Chemicals-Diversified industry and the Zacks Basic Materials sector are down 21.9% and up 2.8% over the past year, respectively.

The S&P 500 index is up 25.7% in the past year.

The stock is currently trading at 14.75X forward 12-month earnings, which compares to 12.89X for the Zacks sub-industry, 13.76X for the Zacks sector and 19.18X 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 14.8X.

Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$103 price target reflects 15.48X 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 F12M	Current	14.75	12.89	13.76	19.18
	5-Year High	36.36	15.05	21.12	19.34
	5-Year Low	8.89	8.18	9.77	15.17
	5-Year Median	14.8	12.38	13.77	17.44
EV/EBITDA TTM	Current	13.47	7.39	9.67	12.38
	5-Year High	28.62	12.41	18.17	12.86
	5-Year Low	8.36	5.08	7.34	8.48
	5-Year Median	13.46	7.24	10.55	10.67
P/B TTM	Current	4.75	1.74	2.36	4.55
	5-Year High	6.09	3.51	3.54	4.55
	5-Year Low	1.99	0.88	1.33	2.85
	5-Year Median	3.86	2.52	2.18	3.61

As of 01/21/2020

Industry Analysis Zacks Industry Rank: Bottom 8% (235 out of 255)



Top Peers

Asahi Kasei Corp. (AHKSY)	Neutral
Albemarle Corporation (ALB)	Neutral
American Vanguard Corporation (AVD)	Neutral
BASF SE (BASFY)	Neutral
Eastman Chemical Company (EMN)	Neutral
Israel Chemicals Shs (ICL)	Neutral
Livent Corporation (LTHM)	Neutral
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 Neutral	SQM Underperform
VGM Score	C	-	-	C	C	C
Market Cap	12.72 B	2.96 B	24.43 B	8.62 B	10.29 B	7.85 B
# of Analysts	9	3	13	10	8	5
Dividend Yield	1.79%	1.79%	1.75%	1.81%	3.49%	2.20%
Value Score	C	-	-	C	A	C
Cash/Price	0.03	0.06	0.04	0.04	0.02	0.10
EV/EBITDA	14.65	6.48	14.00	9.24	7.28	13.51
PEG Ratio	1.37	1.63	2.06	1.68	1.38	2.40
Price/Book (P/B)	4.75	2.12	3.39	2.15	1.69	3.67
Price/Cash Flow (P/CF)	12.69	6.56	13.69	10.78	5.96	17.88
P/E (F1)	14.79	14.55	19.00	17.03	9.86	23.91
Price/Sales (P/S)	2.75	0.90	2.68	2.45	1.09	3.86
Earnings Yield	6.73%	6.73%	5.26%	5.88%	10.14%	4.19%
Debt/Equity	1.13	0.56	0.72	0.34	0.91	0.62
Cash Flow (\$/share)	7.73	3.41	6.94	7.54	12.71	1.67
Growth Score	D	-	-	B	D	C
Hist. EPS Growth (3-5 yrs)	17.79%	10.15%	10.60%	7.62%	2.30%	11.42%
Proj. EPS Growth (F1/F0)	12.79%	7.23%	7.57%	-21.23%	9.09%	14.08%
Curr. Cash Flow Growth	112.53%	3.75%	14.00%	12.42%	4.53%	2.69%
Hist. Cash Flow Growth (3-5 yrs)	10.67%	6.70%	9.00%	12.24%	4.27%	-1.22%
Current Ratio	1.62	1.81	1.23	1.39	1.65	2.76
Debt/Capital	53.09%	38.75%	42.99%	25.64%	47.73%	38.21%
Net Margin	11.08%	5.57%	11.15%	16.27%	8.12%	15.70%
Return on Equity	27.94%	11.94%	17.16%	15.94%	16.58%	14.96%
Sales/Assets	0.47	0.85	0.55	0.44	0.58	0.45
Proj. Sales Growth (F1/F0)	5.47%	2.01%	4.05%	-2.51%	1.63%	14.76%
Momentum Score	B	-	-	F	F	D
Daily Price Chg	-1.85%	-0.70%	-0.27%	0.52%	-2.25%	-2.80%
1 Week Price Chg	2.04%	0.69%	2.29%	12.21%	3.56%	10.71%
4 Week Price Chg	-2.74%	-3.85%	2.13%	12.44%	-4.19%	7.65%
12 Week Price Chg	15.59%	0.00%	6.99%	29.02%	-3.12%	7.03%
52 Week Price Chg	23.37%	-2.63%	21.25%	7.89%	-4.06%	-29.56%
20 Day Average Volume	676,035	104,209	1,415,064	1,511,390	788,520	874,209
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	-0.54%	-0.65%	0.00%
(F1) EPS Est 4 week change	0.00%	-0.21%	0.00%	-0.54%	-1.19%	-1.58%
(F1) EPS Est 12 week change	-0.37%	-3.79%	-0.34%	-28.16%	-11.34%	-5.88%
(Q1) EPS Est Mthly Chg	0.00%	0.00%	0.00%	0.00%	0.00%	-16.13%

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	D
Momentum Score	B
VGM Score	C

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.