



Icahn Enterprises L.P. (IEP)

Updated November 12th, 2021 by Nikolaos Sismanis

Key Metrics

Current Price:	\$57	5 Year CAGR Estimate:	11.2%	Market Cap:	\$15.81 B
Fair Value Price:	\$57	5 Year Growth Estimate:	0.0%	Ex-Dividend Date:	11/15/2021
% Fair Value:	100%	5 Year Valuation Multiple Estimate:	-0.1%	Dividend Payment Date:	12/22/2021
Dividend Yield:	14.0%	5 Year Price Target	\$57	Years Of Dividend Growth:	0
Dividend Risk Score:	F	Retirement Suitability Score:	C	Last Dividend Increase:	N/A

Overview & Current Events

Through its subsidiaries, Icahn Enterprises L.P. operates in investment, energy, automotive, food packaging, metals, real estate and home fashion businesses in the United States and Internationally. The company's Investment segment focuses on finding undervalued companies to allocate capital through its various private investment funds. Significant positions include Cheniere Energy Inc. (LNG), Occidental Petroleum Corporation (OXY), Xerox Corporation (XRX), Newell Brands, Inc. (NWL), Hertz Global Holdings, Inc. (HTZ), Navistar International Corp. (NAV), and Cloudera, Inc. (CLDR). Some of its positions ultimately result in control or complete ownership of the target company. For example, in 2012, the company acquired a controlling interest in CVR Energy (CVI). After continuous stake additions, Icahn Enterprises has ended up owning around 70.82% of the company.

Carl Icahn owns 100% of Icahn Enterprises GP, the general partner of Icahn Enterprises and Icahn Enterprises Holdings, and approximately 95% of Icahn Enterprises' outstanding shares.

On November 2nd, 2021, Icahn Enterprises reported its Q3-2021 results for the period ended September 30th, 2021. Net revenues came in at \$2.64 billion, 265.1% higher year-over-year, while the loss per unit was \$0.55, versus a loss per unit of \$3.14 in Q3-2020. Improved results were due to Icahn's investments performing better than last year, which were heavily impacted by COVID-19 at the time as a result of the company's exposure to the energy sector. Valuations in the energy sector expanded substantially compared to last year, also boosting results.

The company employs a complex accounting method by realizing revenues through its investment funds, not its subsidiaries' actual sales. Consequently, the company posts net losses in operating activities and only profits from its "investment activities" segment of its cash flows. The company does not specifically report investment income per share.

Growth on a Per-Share Basis

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2026
EPU	\$8.35	\$3.72	\$9.14	(\$3.08)	(\$9.29)	(\$8.07)	\$14.94	\$11.33	(\$5.38)	(\$7.33)	\$8.00	\$8.00
DPS	\$0.54	\$0.40	\$4.50	\$6.00	\$6.00	\$6.00	\$6.00	\$7.00	\$8.00	\$8.00	\$8.00	\$8.00
Units¹	93	102	111	119	126	137	161	180	200	221	266	380

Note that we are using earnings per unit (EPU) and distributions per share (DPS) as Icahn Enterprises is structured as an MLP (Master Limited Partnership). The company essentially operates like a hedge fund, making it difficult to forecast net investment income per unit. Distributions have not historically been covered by EPU, though through another complexity, they actually are. Mr. Icahn owns 95% of the units. When the company declares a distribution, Mr. Icahn chooses to be paid in additional units instead of receiving the actual cash payment. Hence the company does pay a huge distribution per share, but only on a fraction of its total units. As a result, every quarter, Mr. Icahn increases his ownership stake in the company through DRIP, as the table above showing units over time illustrates.

¹ Unit count is in millions.

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We have used an underlying earnings power estimate of \$8.00 per unit for our estimates, assuming that the company pays out what it could earn overtime. We assume no EPU or DPU growth in the medium term due to the unpredictable nature of the company's business model.

Valuation Analysis

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Now	2026
Avg. P/E	---	---	---	---	---	---	---	---	---	---	7.1	7.1
Avg. Yld.	1.5%	0.6%	3.2%	5.2%	7.6%	11.3%	11.6%	8.8%	11.3%	16.0%	14.0%	14.1%

Due to the company's obscure reporting, the stock's historical valuation is not meaningful. If we assume that the company distributes all of its potential profits due to its MLP structure, shares are currently trading around 7.1 times its prospective income. We believe this is a fair multiple for the security. Due to Mr. Icahn's strategy to increase his ownership in the company, Icahn Enterprises has been able to grow a sky-high distribution due to not having to pay the majority of the actual payments in cash. Hence shares are currently offering a yield of around 14.0%. Assuming the pattern continues, the yield could increase further, though we have chosen not to estimate such a case. Icahn Enterprises is a truly unique stock and likely one of the most complex we have encountered in terms of reporting.

Safety, Quality, Competitive Advantage, & Recession Resiliency

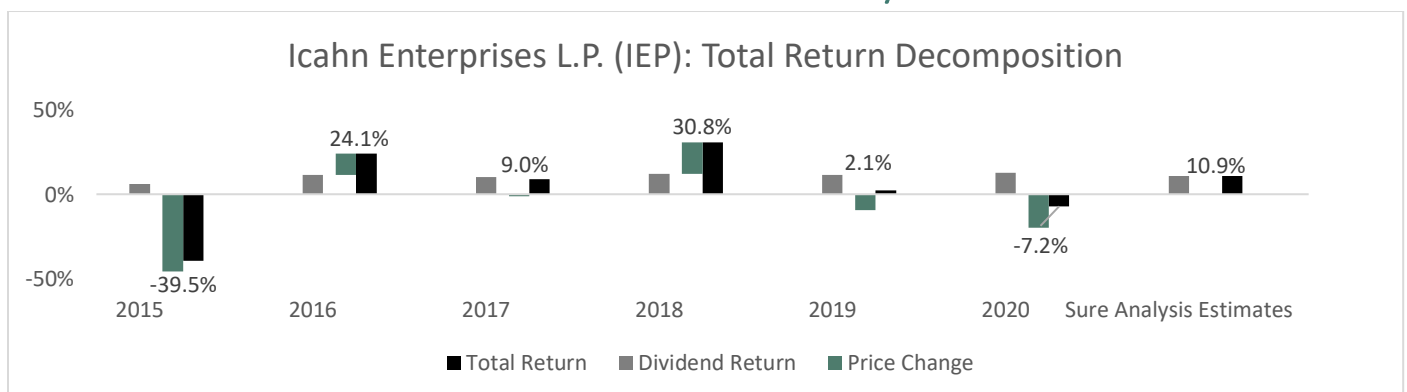
Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2026
Payout	---	---	---	---	---	---	---	---	---	---	100%	100%

The stock's distribution could be considered safe in the sense that only a tiny part of the company's shares receives the underlying DPU. For context, in FY2019 (FY2020 results are not meaningful due to the pandemic's impact on results), investing activities reported cash flows of \$898 million, while the company only paid out \$112 in dividends. Still, even investing cash flows can often be oddly derived and do not provide a clearer picture. The company does not have a competitive advantage, in our view, since it essentially operates like a hedge fund. Shareholders are subject to various risks, including obscure accounting, lack of guidance and no voice in how the operation is run. Shareholders essentially blindly trust Mr. Icahn's ability to deliver them value.

Final Thoughts & Recommendation

Icahn Enterprises is an unusual company. Assuming that the company's complex strategy stays as it is, especially the distribution, we could see investors enjoying double-digit returns going forward. However, the security remains highly speculative, and common unit-holders have no say on how the business is run. Shares earn a hold rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenue	10,060	15,525	18,773	19,322	15,990	8,580	10,049	11,223	10,386	7,423
Gross Profit	1,684	2,417	2,460	2,224	2,606	1,112	1,311	1,692	1,656	1,103
Gross Margin	16.7%	15.6%	13.1%	11.5%	16.3%	13.0%	13.0%	15.1%	15.9%	14.9%
SG&A Exp.	1,237	1,275	1,417	1,625	1,908	1,001	1,269	1,386	1,376	1,191
D&A Exp.	508	635	742	809	863	526	518	508	519	510
Operating Profit	447	1,142	1,020	631	698	111	42	306	280	(575)
Operating Margin	4.4%	7.4%	5.4%	3.3%	4.4%	1.3%	0.4%	2.7%	2.7%	-7.7%
Net Profit	750	396	1,025	(373)	(1,194)	(1,128)	2,454	1,482	(1,098)	(1,653)
Net Margin	7.5%	2.6%	5.5%	-1.9%	-7.5%	-13.1%	24.4%	13.2%	-10.6%	-22.3%
Free Cash Flow	1,588	671	(444)	(1,801)	(611)	971	(1,664)	651	(1,710)	(615)
Income Tax	34	(81)	(118)	(103)	68	(88)	(532)	(14)	20	(116)

Balance Sheet Metrics

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total Assets	25,136	25,932	31,745	35,790	36,407	33,371	31,801	23,489	24,639	24,990
Cash & Equivalents	2,278	3,108	3,262	2,908	2,078	1,833	1,164	2,656	3,794	1,699
Accounts Receivable	1,424	1,854	1,750	1,691	1,685	1,609	473	474	475	502
Inventories	1,344	1,955	1,902	1,879	2,259	2,983	1,730	1,779	1,812	1,580
Goodwill & Int. Ass.	2,026	3,288	3,187	3,088	2,612	2,252	871	748	713	958
Total Liabilities	17,303	16,116	18,436	23,400	26,374	25,354	20,433	10,509	13,697	15,730
Accounts Payable	970	1,388	1,353	1,387	1,416	1,765	980	832	945	738
Long-Term Debt	6,473	9,873	9,295	11,588	12,453	11,119	7,372	7,326	8,192	8,059
Shareholder's Equity	3,755	4,669	6,092	5,443	3,987	2,154	5,106	6,560	5,456	3,382

Profitability & Per Share Metrics

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Return on Assets	3.2%	1.6%	3.6%	-1.1%	-3.3%	-3.2%	7.5%	5.4%	-4.6%	-6.7%
Return on Equity	21.6%	9.4%	19.1%	-6.5%	-25.3%	-36.7%	67.6%	25.4%	-18.3%	-37.4%
ROIC	6.9%	3.1%	6.5%	-2.1%	-6.4%	-6.4%	16.0%	10.8%	-8.0%	-12.0%
Shares Out.	93	102	111	119	126	137	161	180	200	221
Revenue/Share	107.60	151.40	168.23	161.51	126.90	62.63	62.42	62.35	51.93	33.59
FCF/Share	16.98	6.54	(3.98)	(15.05)	(4.85)	7.09	(10.34)	3.62	(8.55)	(2.78)

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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