



# The Chemours Company (CC)

Updated October 26<sup>th</sup>, 2022 by Nathan Parsh

## Key Metrics

<b>Current Price:</b>	\$29	<b>5 Year CAGR Estimate:</b>	17.1%	<b>Market Cap:</b>	\$4.5 billion
<b>Fair Value Price:</b>	\$51	<b>5 Year Growth Estimate:</b>	3.0%	<b>Ex-Dividend Date:</b>	11/14/2022
<b>% Fair Value:</b>	57%	<b>5 Year Valuation Multiple Estimate:</b>	11.9%	<b>Dividend Payment Date:</b>	12/15/2022
<b>Dividend Yield:</b>	3.4%	<b>5 Year Price Target</b>	\$59	<b>Years Of Dividend Growth:</b>	0
<b>Dividend Risk Score:</b>	C	<b>Retirement Suitability Score:</b>	C	<b>Rating:</b>	Buy

## Overview & Current Events

The Chemours Company came into existence following a spinoff from DuPont de Nemours effective June 23<sup>rd</sup>, 2015. The company began trading in the public markets on July 1<sup>st</sup>, 2015. The Chemours Company consists of DuPont's Performance Chemicals segment. The company has three distinct business segments: Titanium Technologies, which is the global leader in the production of white pigment titanium dioxide, Thermal & Specialized Solutions, formerly known as Fluoroproducts, which supplies refrigerants and industrial fluoropolymer resins, and Chemical Solutions, which produces industrial and specialty chemicals used in industries such as gold production and oil refining.

On October 25<sup>th</sup>, 2022, the Chemours Company announced third quarter results for the period ending September 30<sup>th</sup>, 2022. Revenue grew 6% to \$1.78 billion, topping estimates by \$110 million. Adjusted earnings-per-share of \$1.24 compared unfavorably to \$1.27 in the prior year, but was \$0.17 above expectations.

Titanium Technologies' revenue decreased 3% to \$908 million. Price increases were a 16% tailwind to results while volume declined 16%. Currency exchange was a 3% drag on results. Thermal & Specialized Solutions grew 31% to a record \$417 million. Price increases added 25% while volume improved 8%. Currency exchange reduced results by 2%. Advanced Performance Materials was up 26% to a record \$450 million, as a 23% contribution from pricing and a 9% gain in volume were only partially offset by a 6% headwind from a stronger dollar.

The Chemours Company is now expected to earn \$5.08 per share in 2022, down from \$5.40 previously. We have updated our forecast accordingly.

## Growth on a Per-Share Basis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
<b>EPS</b>	---	---	---	-\$0.41	\$1.29	\$3.91	\$5.45	-\$0.32	\$1.32	\$3.60	<b>\$5.08</b>	<b>\$5.89</b>
<b>DPS</b>	---	---	---	\$0.03	\$0.12	\$0.12	\$0.84	\$1.00	\$1.00	\$1.00	<b>\$1.00</b>	<b>\$1.00</b>
<b>Shares<sup>1</sup></b>	---	---	---	181	183	183	171	164	164	164	<b>158</b>	<b>155</b>

The Chemours Company has a short, but uneven history of growth. Twice in the company's seven-year history it has had an earnings-per-share loss. This occurred during a strong period for most companies in the market. The Chemours Company operates in a highly specialized area that is at risk during a recession. As seen in the most recent quarter, the company is highly susceptible to lower selling prices when weakness occurs in its end markets. To account for the company's short and varied history, we expect earnings-per-share to grow at a rate of 3% annually through 2027.

The Chemours Company has raised its dividend twice in its history as an independent company. The current dividend payment has remained the same for seventeen consecutive quarters. We do not anticipate a dividend increase in the near term.

<sup>1</sup> In millions of shares

Disclosure: This analyst has no position in any security discussed in this research report and no plans to initiate one in the next 72 hours.



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## Valuation Analysis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Now	2027
Avg. P/E	---	---	---	---	17.1	10.8	8.0	---	12.0	9.3	5.7	10.0
Avg. Yld.	---	---	---	0.4%	1.0%	0.7%	1.9%	3.8%	6.3%	3.0%	3.4%	1.7%

Shares of the Chemours Company have declined \$6, or 17.1%, since our July 31<sup>st</sup>, 2022 report. Using estimates for the year, shares have a forward price-to-earnings ratio of 5.7. We have a target price-to-earnings of 10, which is in-line with the stock's average valuation since becoming an independent company. Reverting to this target P/E by 2027 would add 11.9% to annual returns over this period of time.

While we do not expect the Chemours Company to raise its dividend in the medium-term, the stock does offer a generous dividend yield. The current yield is about 2x the average yield of the S&P 500.

## Safety, Quality, Competitive Advantage, & Recession Resiliency

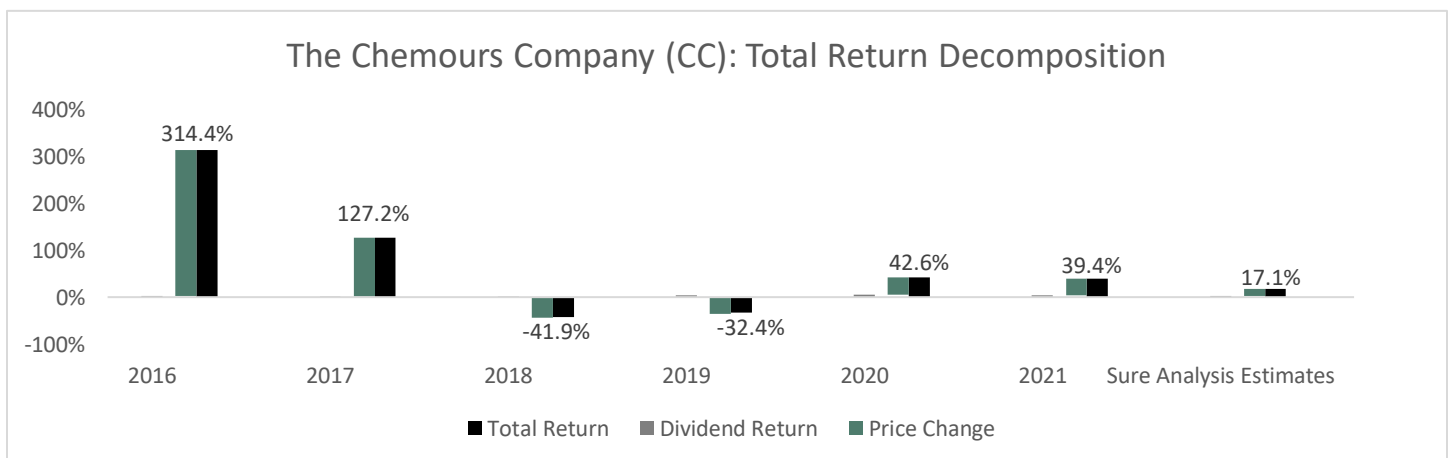
Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
Payout	---	---	---	---	9%	3%	15%	---	76%	28%	20%	17%

The Chemours Company hasn't experienced a recession due to its limited time as a publicly traded company. We forecast that the company would likely struggle. There is evidence to support this when looking at results for the first half of 2020. End markets had much weaker demand for products due to the COVID-19 pandemic, which resulted in a decline in sales. The company also realized lower prices, showing that it may not have pricing power. Extrapolating that to a recessionary environment makes the Chemours Company appear to be a difficult stock to hold during an economic downturn. A major competitive advantage for the Chemours Company is that it is a leader in specialized chemicals.

## Final Thoughts & Recommendation

Following third quarter earnings results, the Chemours Company is expected to offer a total annual return of 17.1% through 2027, up from 14.1% previously. Our projected return stems from an expected earnings growth rate of 3.0%, a starting yield of 3.4%, and a low double-digit contribution from multiple expansion. Chemours Company's quarter saw its largest segment decline slightly, while the remaining businesses showed high rates of growth and produced record results for revenue. Price increases have not caused demand to falter very much, demonstrating the strength of Chemours Company's business model. We have lowered our five-year price target \$4 to \$59 to reflect revised earnings estimates for the year. Shares continue to earn a buy rating due to projected returns.

## Total Return Breakdown by Year



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## Income Statement Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>Revenue (\$B)</b>	7,365	6,859	6,432	5,717	5,400	6,183	6,638	5,526	4,969	6,345
<b>Gross Profit</b>	2,351	1,464	1,360	955	1,103	1,745	1,971	1,063	1,067	1,381
<b>Gross Margin</b>	31.9%	21.3%	21.1%	16.7%	20.4%	28.2%	29.7%	19.2%	21.5%	21.8%
<b>D&amp;A Exp.</b>	747	768	685	632	946	626	657	548	527	592
<b>Operating Profit</b>	266	261	257	267	284	273	284	311	320	317
<b>Op. Margin</b>	1,459	532	532	226	76	1,005	1,232	435	447	674
<b>Net Profit</b>	19.8%	7.8%	8.3%	4.0%	1.4%	16.3%	18.6%	7.9%	9.0%	10.6%
<b>Net Margin</b>	1,057	423	400	(90)	7	746	995	(52)	219	608
<b>Free Cash Flow</b>	14.4%	6.2%	6.2%	-1.6%	0.1%	12.1%	15.0%	-0.9%	4.4%	9.6%
<b>Income Tax</b>	958	360	(99)	(337)	256	229	642	169	540	543

## Balance Sheet Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>Total Assets</b>	5,317	5,621	5,959	6,298	6,060	7,293	7,362	7,258	7,082	7,550
<b>Cash &amp; Equivalents</b>			-	366	902	1,556	1,201	943	1,105	1,451
<b>Acc. Receivable</b>	727	764	746	757	742	847	790	602	449	644
<b>Inventories</b>	977	1,055	1,052	972	767	935	1,147	1,079	939	1,099
<b>Goodwill &amp; Int.</b>	227	215	209	176	170	166	181	174	167	108
<b>Total Liabilities</b>	2,088	2,404	2,286	6,168	5,956	6,428	6,342	6,563	6,267	6,468
<b>Accounts Payable</b>	887	1,026	1,004	945	858	1,008	1,111	901	820	1,141
<b>Long-Term Debt</b>	-	-	-	3,954	3,544	4,112	3,972	4,160	4,026	3,749
<b>Total Equity</b>	3,227	3,214	3,669	126	100	860	1,014	689	813	1,081
<b>LTD/E Ratio</b>	-	-	-	31.38	35.44	4.78	3.92	6.04	4.95	3.47

## Profitability & Per Share Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>Return on Assets</b>		7.7%	6.9%	-1.5%	0.1%	11.2%	13.6%	-0.7%	3.1%	8.3%
<b>Return on Equity</b>		13.1%	11.6%	-4.7%	6.2%	155.4%	106.2%	-6.1%	29.2%	64.2%
<b>ROIC</b>		13.1%	11.6%	-2.3%	0.2%	17.3%	20.0%	-1.1%	4.5%	12.6%
<b>Shares Out.</b>	---	---	---	181	183	183	171	164	164	164
<b>Revenue/Share</b>	40.30	37.53	35.19	31.59	29.44	32.37	36.36	33.53	29.87	37.61
<b>FCF/Share</b>	5.24	1.97	(0.54)	(1.86)	1.40	1.20	3.52	1.03	3.25	3.22

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

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