



FMC Corporation (FMC)

Updated November 2nd, 2022, by Patrick Neuwirth

Key Metrics

Current Price:	\$120	5 Year CAGR Estimate:	10.7%	Market Cap:	\$15 B
Fair Value Price:	\$126	5 Year Growth Estimate:	8.0%	Ex-Dividend Date¹:	12/29/22
% Fair Value:	95%	5 Year Valuation Multiple Estimate:	1.0%	Dividend Payment Date¹:	01/14/23
Dividend Yield:	1.8%	5 Year Price Target	\$185	Years Of Dividend Growth:	4
Dividend Risk Score:	B	Retirement Suitability Score:	C	Rating:	Buy

Overview & Current Events

FMC Corporation (FMC) is an agricultural sciences company that provides crop protection, plant health, and professional pest and turf management products. Through acquisitions, FMC is now one of the five largest patented crop chemical companies. The company markets its products through its own sales organization and through alliance partners, independent distributors, and sales representatives. It operates in North America, Latin America, Europe, the Middle East, Africa, and Asia. FMC Corporation was founded in 1883, is headquartered in Philadelphia, Pennsylvania, and has about 6,400 employees.

On November 1st, 2022, FMC released its third quarter results for the period ending September 30th, 2022. For the quarter the company reported revenue of \$1.38 billion, an increase of 15% versus the third quarter of 2021, and adjusted earnings per diluted share of \$1.23, down 14% versus the same quarter previous year.

Third quarter revenue growth was driven by a 12% contribution from volume and a 7% contribution from price with a 4% currency headwind, especially in EMEA. FMC achieved higher pricing in all regions, with the highest benefit coming from North America and Latin America. In the US, demand in the Midwest on corn and other crops offset weakness on the West Coast due to challenging weather conditions. Latin America sales grew 35% year over year driven by strong herbicide and insecticide demand.

FMC has a positive outlook for 2022 and raised its guidance during the last earnings report. Revenues are now expected to be in the range of \$5.6 to \$5.8 billion, reflecting 13% growth at the midpoint versus 2021, and adjusted earnings per diluted share are expected in the range of \$7.10 to \$7.60. Furthermore, the company expects to repurchase up to \$200 million of FMC shares in 2022, which includes \$100 million already repurchased in October.

Growth on a Per-Share Basis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
EPS	\$3.48	\$3.88	\$4.03	\$2.47	\$2.82	\$2.71	\$6.29	\$6.09	\$6.19	\$6.93	\$7.40	\$10.87
DPS	\$0.35	\$0.54	\$0.60	\$0.66	\$0.66	\$0.66	\$0.66	\$1.64	\$1.80	\$1.92	\$2.12	\$3.41
Shares²	137	133	133	133	134	134	132	129	129	126	124	122

FMC Corp.'s long-term earnings growth track record shows some instability, with the company's earnings-per-share reaching \$2.71 in 2017 and growing thereafter to \$6.93 in 2021. We expect the company to grow its earnings-per-share by 8% per year on average over the next five years. The company remains well positioned in its markets and was able to increase prices in all regions. We expect rising demand from agricultural markets that will drive strong sales of fertilizer in the years ahead. Growth from emerging geographies should also be particularly healthy. Costs will continue to be a headwind and are driven by inflation. This growth rate is close to the company's expectations.

The company has a long history of paying dividends but has only 4 consecutive years of annual dividend increases. In December 2021, the quarterly dividend increased by 10% from \$0.48 to \$0.53 per share. Over the last five years, the average annual dividend growth rate is an impressive 26.3%.

¹ Estimated date.

² In millions.

Disclosure: This analyst has no position in the 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	2022	2027
Avg. P/E	15.1	16.8	16.8	20.3	16.1	28.5	13.5	13.9	16.3	15.4	16.2	17.0
Avg. Yld.	1.9%	0.8%	0.9%	1.3%	1.5%	0.9%	0.8%	1.9%	1.8%	1.8%	1.8%	1.8%

During the past decade shares of FMC Corporation have traded with an average price-to-earnings ratio of about 17 times earnings and today, it stands at 16.2. We are using 17 times earnings as a fair value baseline, implying the potential for a modest valuation tailwind. FMC's dividend yield is currently 1.8% and the dividend raises in the last few years did boost the total returns.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
Payout	10%	14%	15%	27%	23%	24%	10%	27%	29%	28%	29%	31%

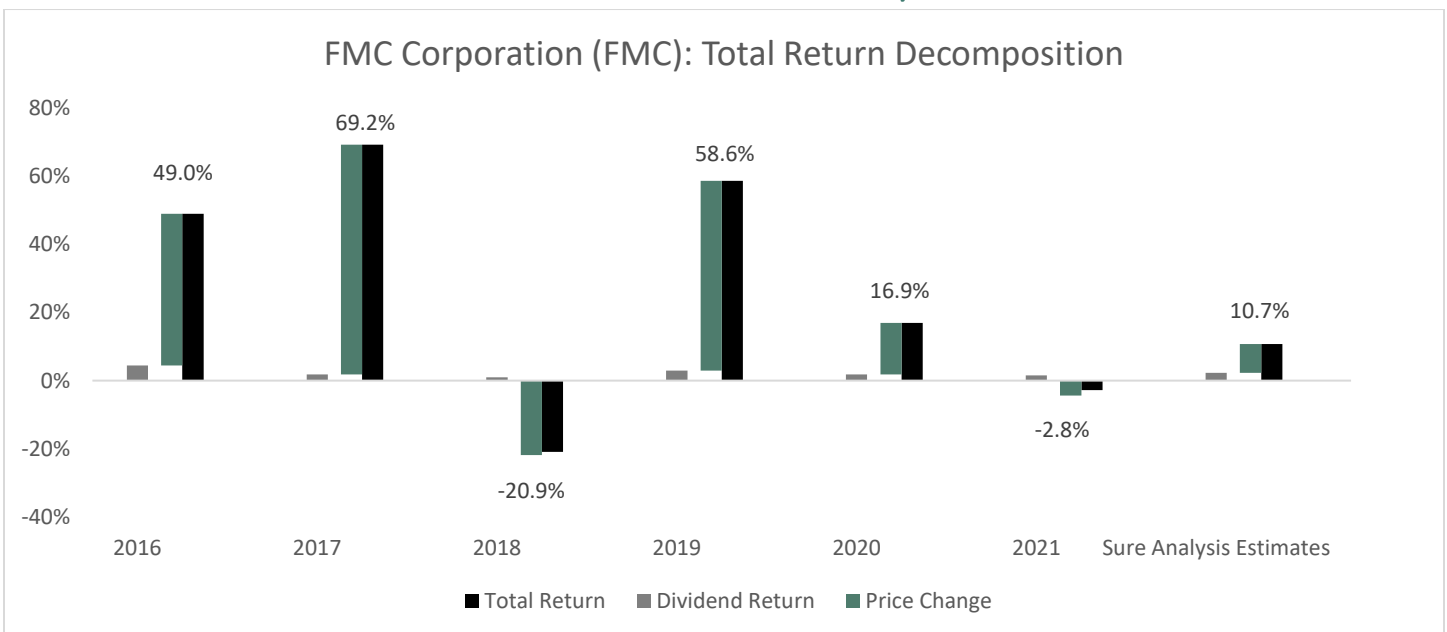
During the past five years, the company's dividend payout ratio has averaged around 23%. With the current payout ratio of 29%, FMC's dividend payments are well covered by earnings. Given the expected earnings growth, there is still room for the dividend to continue to grow moving forward while maintaining a payout ratio of around 30%.

Pricing gains along with strong volume growth of higher-margin products have supported FMC's revenues and earnings. The company's robust research and development pipeline will support stable growth in the years to come. Approximately \$120 million in additional revenues were generated from products launched in 2021 and \$400 million from products launched in the last five years. Partnerships with key technology leaders, such as Chr. Hansen and Novozymes are in place.

Final Thoughts & Recommendation

FMC Corporation has a strong globalized business model, and a robust research and development pipeline. We expect FMC to grow its earnings-per-share by 8% per year on average over the next five years. The expected total returns for FMC are 10.7% per year, driven by earnings growth, a 1.8% dividend yield, and the potential for a valuation tailwind. Shares earn a buy rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenue	3,410	3,131	3,259	2,491	2,539	2,531	4,285	4,610	4,642	5,045
Gross Profit	1,268	1,201	1,211	800	931	952	1,880	2,084	2,052	2,172
Gross Margin	37.2%	38.4%	37.2%	32.1%	36.7%	37.6%	43.9%	45.2%	44.2%	43.0%
SG&A Exp.	490	496	590	661	435	582	790	793	730	714
D&A Exp.	116	88	94	77	101	98	150	150	163	171
Operating Profit	661	583	451	(18)	325	216	780	993	1,034	1,153
Operating Margin	19.4%	18.6%	13.8%	-0.7%	12.8%	8.5%	18.2%	21.5%	22.3%	22.9%
Net Profit	416	294	308	489	209	536	502	477	552	737
Net Margin	12.2%	9.4%	9.4%	19.6%	8.2%	21.2%	11.7%	10.4%	11.9%	14.6%
Free Cash Flow	182	164	192	(412)	407	297	285	395	581	720
Income Tax	135	132	56	5	50	229	71	112	151	92

Balance Sheet Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total Assets	4,374	5,235	5,326	6,326	6,139	9,206	9,974	9,873	10,186	10,581
Cash & Equivalents	77	123	110	79	64	283	134	339	569	7
Accounts Receivable	1,074	1,484	1,603	1,851	1,693	2,044	2,144	2,231	2,330	2,584
Inventories	642	688	608	800	479	993	1,026	1,017	1,096	1,406
Goodwill & Int. Ass.	516	694	632	1,650	1,250	3,857	4,233	4,214	4,252	4,129
Total Liabilities	2,819	3,663	3,762	4,418	4,146	6,499	6,764	7,311	7,202	7,529
Accounts Payable	404	475	378	404	317	714	796	900	947	1,135
Long-Term Debt	964	1,852	1,664	2,149	1,893	3,186	2,693	3,259	3,268	3,173
Shareholder's Equity	1,480	1,520	1,531	1,866	1,958	2,682	3,121	2,532	2,962	3,033
LTD/E Ratio	0.65	1.22	1.09	1.15	0.97	1.19	0.86	1.29	1.10	1.05

Profitability & Per Share Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Return on Assets	10.3%	6.1%	5.8%	8.4%	3.4%	7.0%	5.2%	4.8%	5.5%	7.1%
Return on Equity	30.6%	19.6%	20.2%	28.8%	10.9%	23.1%	17.3%	16.9%	20.1%	24.6%
ROIC	17.9%	9.9%	9.2%	13.4%	5.3%	11.0%	8.5%	8.1%	9.1%	11.8%
Shares Out.	137	133	133	133	134	134	132	129	129	126
Revenue/Share	24.56	23.00	24.27	18.63	18.87	18.85	31.54	34.92	35.55	39.07
FCF/Share	1.31	1.20	1.43	(3.08)	3.02	2.21	2.10	2.99	4.45	5.58

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

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