



Icahn Enterprises L.P. (IEP)

Updated November 8th, 2022 by Nikolaos Sismanis

Key Metrics

Current Price:	\$54	5 Year CAGR Estimate:	11.7%	Market Cap:	\$17.5 B
Fair Value Price:	\$54	5 Year Growth Estimate:	0.0%	Ex-Dividend Date:	11/17/2022
% Fair Value:	100%	5 Year Valuation Multiple Estimate:	0.0%	Dividend Payment Date:	12/21/2022
Dividend Yield:	14.7%	5 Year Price Target	\$54	Years Of Dividend Growth:	0
Dividend Risk Score:	F	Retirement Suitability Score:	C	Rating:	Buy

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), and Dana Inc. (DAN). 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 70.83% of the company.

Carl Icahn owns 100% of Icahn Enterprises GP, the general partner of Icahn Enterprises and Icahn Enterprises Holdings, and approximately 87% of Icahn Enterprises' outstanding shares.

On November 3rd, 2022, Icahn Enterprises reported its Q3-2022 results for the period ending September 30th, 2022. Net revenues came in at \$3.4 billion, 28.7% higher year-over-year, while the loss per unit was \$0.37, versus the loss per unit of 0.55 in Q3-2021. Improved revenue 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. CVR Energy's revenues in Q3, for instance, grew by 43.6% to \$2.7 billion. Valuations in the energy sector expanded 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	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
EPU	\$3.72	\$9.14	(\$3.08)	(\$9.29)	(\$8.07)	\$14.94	\$11.33	(\$5.38)	(\$7.33)	(\$2.32)	\$8.00	\$8.00
DPS	\$0.40	\$4.50	\$6.00	\$6.00	\$6.00	\$6.00	\$7.00	\$8.00	\$8.00	\$8.00	\$8.00	\$8.00
Units¹	102	111	119	126	137	161	180	200	221	260	324	400

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 87% 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 unit, but only on around 13% of its total units. As a result, every quarter, Mr. Icahn increases his ownership stake (or maintains it by then selling the units) 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	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Now	2027
Avg. P/E	---	---	---	---	---	---	---	---	---	---	6.8	6.8
Avg. Yld.	0.6%	3.2%	5.2%	7.6%	11.3%	11.6%	8.8%	11.3%	16.0%	14.5%	14.7%	14.7%

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 6.8 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 14.7%. 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

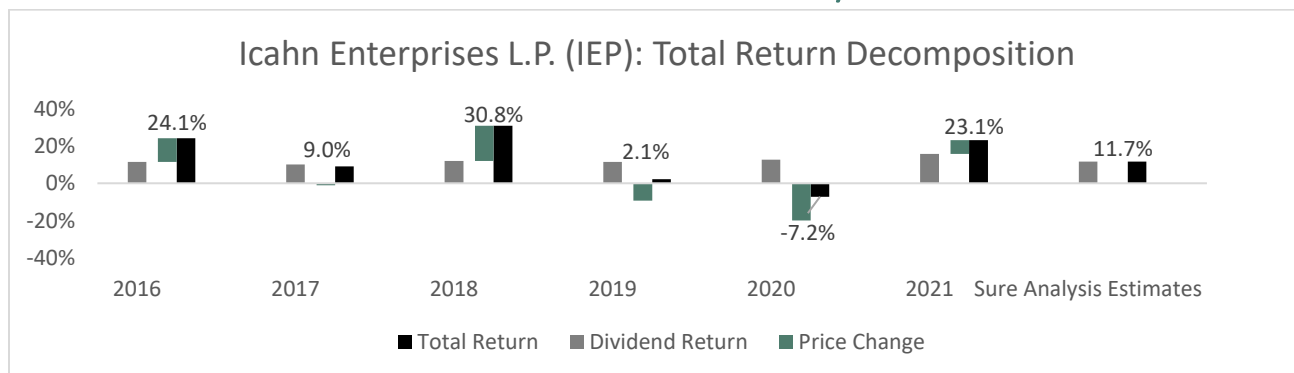
Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Now	2027
Payout	---	---	---	---	---	---	---	---	---	---	100%	100%

The stock's distribution could be considered safe in the sense that only a small part of the company's shares receives the underlying DPU. For context, in FY2021, investing activities reported cash flows of \$507 million, at-the-market unit sales amounted to \$835 million, while the company only paid out \$134 million in distributions. Still, even investing cash flows can often be oddly derived and do not provide a clear 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. Essentially, unitholders are trusting in Mr. Icahn's ability to deliver 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. Units earn a buy rating, but for investors who can adequately digest the partnership's investing strategy, reporting, and financial engineering practices.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenue	15,525	18,773	19,322	15,990	8,580	10,049	11,223	10,386	7,423	10,940
Gross Profit	2,417	2,460	2,224	2,606	1,112	1,311	1,692	1,656	1,103	1,460
Gross Margin	15.6%	13.1%	11.5%	16.3%	13.0%	13.0%	15.1%	15.9%	14.9%	13.3%
SG&A Exp.	1,275	1,417	1,625	1,908	1,001	1,269	1,386	1,376	1,191	1,241
D&A Exp.	635	742	809	863	526	518	508	519	510	517
Operating Profit	1,142	1,020	631	698	111	42	306	280	(575)	(294)
Operating Margin	7.4%	5.4%	3.3%	4.4%	1.3%	0.4%	2.7%	2.7%	-7.7%	-2.7%
Net Profit	396	1,025	(373)	(1,194)	(1,128)	2,454	1,482	(1,098)	(1,653)	(518)
Net Margin	2.6%	5.5%	-1.9%	-7.5%	-13.1%	24.4%	13.2%	-10.6%	-22.3%	-4.7%
Free Cash Flow	671	(444)	(1,801)	(611)	971	(1,664)	651	(1,710)	(615)	16
Income Tax	(81)	(118)	(103)	68	(88)	(532)	(14)	20	(116)	(78)

Balance Sheet Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total Assets	25,932	31,745	35,790	36,407	33,371	31,801	23,489	24,639	24,990	27,750
Cash & Equivalents	3,108	3,262	2,908	2,078	1,833	1,164	2,656	3,794	1,699	2,321
Accounts Receivable	1,854	1,750	1,691	1,685	1,609	473	474	475	502	546
Inventories	1,955	1,902	1,879	2,259	2,983	1,730	1,779	1,812	1,580	1,478
Goodwill & Int. Ass.	3,288	3,187	3,088	2,612	2,252	871	748	713	958	885
Total Liabilities	16,116	18,436	23,400	26,374	25,354	20,433	10,509	13,697	15,730	18,400
Accounts Payable	1,388	1,353	1,387	1,416	1,765	980	832	945	738	805
Long-Term Debt	9,873	9,295	11,588	12,453	11,119	7,372	7,326	8,192	8,059	7,692
Shareholder's Equity	4,669	6,092	5,443	3,987	2,154	5,106	6,560	5,456	3,382	3,544

Profitability & Per Share Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Return on Assets	1.6%	3.6%	-1.1%	-3.3%	-3.2%	7.5%	5.4%	-4.6%	-6.7%	-2.0%
Return on Equity	9.4%	19.1%	-6.5%	-25.3%	-36.7%	67.6%	25.4%	-18.3%	-37.4%	-15.0%
ROIC	3.1%	6.5%	-2.1%	-6.4%	-6.4%	16.0%	10.8%	-8.0%	-12.0%	-3.4%
Shares Out.	102	111	119	126	137	161	180	200	221	260
Revenue/Share	151.40	168.23	161.51	126.90	62.63	62.42	62.35	51.93	33.59	42.08
FCF/Share	6.54	(3.98)	(15.05)	(4.85)	7.09	(10.34)	3.62	(8.55)	(2.78)	0.06

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

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