



# FMC Corporation (FMC)

Updated May 6<sup>th</sup>, 2023, by Patrick Neuwirth

## Key Metrics

<b>Current Price:</b>	\$113	<b>5 Year CAGR Estimate:</b>	8.2%	<b>Market Cap:</b>	\$14 B
<b>Fair Value Price:</b>	\$114	<b>5 Year Growth Estimate:</b>	6.0%	<b>Ex-Dividend Date<sup>1</sup>:</b>	06/29/23
<b>% Fair Value:</b>	100%	<b>5 Year Valuation Multiple Estimate:</b>	0.1%	<b>Dividend Payment Date<sup>1</sup>:</b>	07/20/23
<b>Dividend Yield:</b>	2.0%	<b>5 Year Price Target</b>	\$153	<b>Years Of Dividend Growth:</b>	5
<b>Dividend Risk Score:</b>	B	<b>Retirement Suitability Score:</b>	C	<b>Rating:</b>	Hold

## 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 6,600 employees.

On May 2<sup>nd</sup>, 2023, FMC released its first quarter results for the period ending March 31<sup>st</sup>, 2022. For the quarter, the company reported revenue of \$1.34 billion, an increase of 4% versus the first quarter of 2022, and adjusted earnings per diluted share of \$1.77, down 6% versus the same quarter previous year.

First quarter revenue growth was driven by a 7% contribution from price and a 3% decline in volume with a 4% currency headwind, especially in EMEA. The company benefited from strong pricing actions, growth of new products, expanded market access, and cost discipline in the quarter. The highest benefits are coming from North America, sales in North America grew 28% year over year, driven by higher sales of new products, expanded market access and pricing gains. Latin America sales fell 12% year-over-year hurt by dry weather. Revenues were down 22% year over year in Asia in the quarter. The downside was again due to dry conditions in Australia and active management of high channel inventory in India.

FMC has a positive outlook for 2023, revenues are expected to be in the range of \$6.08 to \$6.22 billion, reflecting 6% growth at the midpoint versus 2022, and adjusted earnings per diluted share are expected in the range of \$7.34 to \$7.94. Adjusted earnings per diluted share is expected to be in the range of \$1.66 to \$1.86 in the second quarter, representing a decrease of 9% at the midpoint versus first quarter 2022 due to expected higher interest and tax rates.

## Growth on a Per-Share Basis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
<b>EPS</b>	\$3.88	\$4.03	\$2.47	\$2.82	\$2.71	\$6.29	\$6.09	\$6.19	\$6.93	\$7.41	<b>\$7.60</b>	<b>\$10.17</b>
<b>DPS</b>	\$0.54	\$0.60	\$0.66	\$0.66	\$0.66	\$0.66	\$1.64	\$1.80	\$1.92	\$2.17	<b>\$2.32</b>	<b>\$3.74</b>
<b>Shares<sup>2</sup></b>	136	134	134	135	134	136	132	131	129	126	<b>123</b>	<b>122</b>

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 6% 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. On the short-term earnings will be under pressure due to higher interest rates and taxes.

<sup>1</sup> Estimated date.

<sup>2</sup> In millions.

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The company has a long history of paying dividends but has only 5 consecutive years of annual dividend increases. In December 2022, the quarterly dividend increased by 9.4% from \$0.53 to \$0.58 per share. Over the last five years, the average annual dividend growth rate is an impressive 28.6%.

## Valuation Analysis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
Avg. P/E	16.8	16.8	20.3	16.1	28.5	13.5	13.9	16.3	15.4	15.8	14.9	15.0
Avg. Yld.	1.9%	0.9%	1.3%	1.5%	0.9%	0.8%	1.9%	1.8%	1.8%	1.9%	2.0%	2.4%

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 14.9. We are using 15 times earnings as a fair value baseline, implying the potential for a modest valuation tailwind. FMC's dividend yield is currently 2.0% and the dividend raises in the last few years have boosted total returns.

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

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
Payout	14%	15%	27%	23%	24%	10%	27%	29%	28%	29%	31%	37%

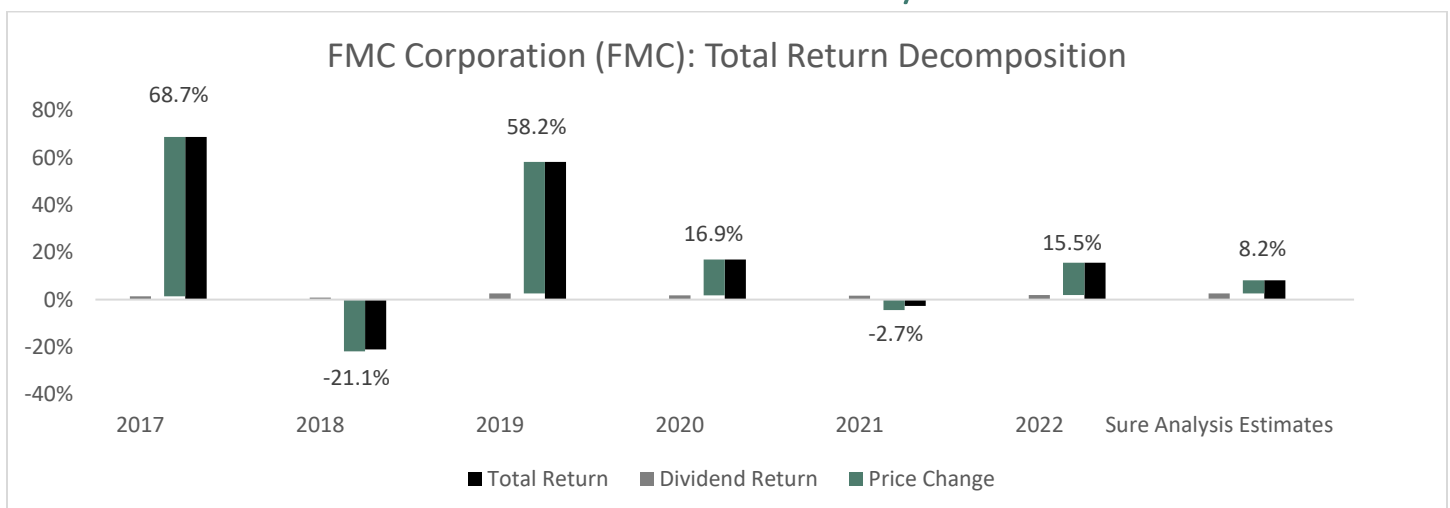
During the past five years, the company's dividend payout ratio has averaged around 23%. With the current payout ratio of 31%, FMC's dividend payments are well covered by earnings. Given the expected earnings growth, there is still room for the dividend to continue to grow moving forward while maintaining a payout ratio of around 35%.

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 6% per year on average over the next five years. The expected total returns for FMC are 8.2% per year, driven by earnings growth, a 2.0% dividend yield, and the potential for a valuation tailwind. Shares earn a hold rating.

## Total Return Breakdown by Year



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## Income Statement Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Revenue</b>	3,131	3,259	2,491	2,539	2,531	4,285	4,610	4,642	5,045	5,802
<b>Gross Profit</b>	1,201	1,211	800	931	952	1,880	2,084	2,052	2,172	2,327
<b>Gross Margin</b>	38.4%	37.2%	32.1%	36.7%	37.6%	43.9%	45.2%	44.2%	43.0%	40.1%
<b>SG&amp;A Exp.</b>	496	590	661	435	582	790	793	730	714	775
<b>D&amp;A Exp.</b>	88	94	77	101	98	150	150	163	171	169
<b>Operating Profit</b>	583	451	(18)	325	216	780	993	1,034	1,153	1,237
<b>Operating Margin</b>	18.6%	13.8%	-0.7%	12.8%	8.5%	18.2%	21.5%	22.3%	22.9%	21.3%
<b>Net Profit</b>	294	308	489	209	536	502	477	552	737	737
<b>Net Margin</b>	9.4%	9.4%	19.6%	8.2%	21.2%	11.7%	10.4%	11.9%	14.6%	12.7%
<b>Free Cash Flow</b>	164	192	(412)	407	297	285	395	581	720	440
<b>Income Tax</b>	132	56	5	50	229	71	112	151	92	145

## Balance Sheet Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Total Assets</b>	5,235	5,326	6,326	6,139	9,206	9,974	9,873	10,186	10,581	11,170
<b>Cash &amp; Equivalents</b>	123	110	79	64	283	134	339	569	7	572
<b>Accounts Receivable</b>	1,484	1,603	1,851	1,693	2,044	2,144	2,231	2,330	2,584	2,871
<b>Inventories</b>	688	608	800	479	993	1,026	1,017	1,096	1,406	1,652
<b>Goodwill &amp; Int. Ass.</b>	694	632	1,650	1,250	3,857	4,233	4,214	4,252	4,129	4,230
<b>Total Liabilities</b>	3,663	3,762	4,418	4,146	6,499	6,764	7,311	7,202	7,529	7,770
<b>Accounts Payable</b>	475	378	404	317	714	796	900	947	1,135	1,252
<b>Long-Term Debt</b>	1,852	1,664	2,149	1,893	3,186	2,693	3,259	3,268	3,173	3,274
<b>Shareholder's Equity</b>	1,520	1,531	1,866	1,958	2,682	3,121	2,532	2,962	3,033	3,378
<b>LTD/E Ratio</b>	1.22	1.09	1.15	0.97	1.19	0.86	1.29	1.10	1.05	0.97

## Profitability & Per Share Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Return on Assets</b>	6.1%	5.8%	8.4%	3.4%	7.0%	5.2%	4.8%	5.5%	7.1%	6.7%
<b>Return on Equity</b>	19.6%	20.2%	28.8%	10.9%	23.1%	17.3%	16.9%	20.1%	24.6%	22.7%
<b>ROIC</b>	9.9%	9.2%	13.4%	5.3%	11.0%	8.5%	8.1%	9.1%	11.8%	11.3%
<b>Shares Out.</b>	133	133	133	134	134	132	129	129	126	126.71
<b>Revenue/Share</b>	23.00	24.27	18.63	18.87	18.85	31.54	34.92	35.55	39.07	45.79
<b>FCF/Share</b>	1.20	1.43	(3.08)	3.02	2.21	2.10	2.99	4.45	5.58	3.47

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

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