FMC Corporation (FMC)

Updated February 8th, 2024, by Patrick Neuwirth

Key Metrics

Current Price:	$53	**5 Year CAGR Estimate:**	10.0%	**Market Cap:**	$6.5 B
Fair Value Price:	$59	**5 Year Growth Estimate:**	4.0%	**Ex-Dividend Date[1]:**	03/29/24
% Fair Value:	90%	**5 Year Valuation Multiple Estimate:**	2.0%	**Dividend Payment Date[1]:**	04/19/24
Dividend Yield:	4.4%	**5 Year Price Target**	$71	**Years Of Dividend Growth:**	5
Dividend Risk Score:	C	**Retirement Suitability Score:**	B	**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 6,600 employees.

On February 6th, 2024, FMC released fourth quarter and full year 2023 results for the period ending December 31st, 2023. For the quarter, the company reported revenue of $1.15 billion, down 29% versus the fourth quarter of 2022, and adjusted earnings per diluted share of $1.07, down 55% versus the same quarter previous year.

Quarterly revenue was predominantly driven by a 25% decrease in volume and a 5% decline from price increases in North America, EMEA, and Asia, offset by a 1% foreign exchange effects. North America revenue was down 37% versus the prior-year period due to lower volume. Sales in EMEA fell 24% driven by volume declines due to channel destocking, mainly in herbicides. In Latin America, revenue was down 38% mainly from lower volume from weaker demand, as well as adverse weather in Brazil. Pricing in the region declined by low-double digits. Despite the overall decrease in sales in the region, branded diamide sales in Latin America were essentially flat to prior year, aided by the successful launch of Premio® Star insecticide in Brazil. In Asia, fourth quarter revenue was flat versus prior year period as fungicides grew and branded diamides were essentially flat. For the full year, FMC reported revenue of $4.49 billion, a decrease of 23% compared to 2022. As a result, full year adjusted earnings were $3.78 per diluted share, a decrease of 49% compared to the $7.41 per diluted share in 2022.

FMC's management forecasts full-year 2024 revenues between $4.50 billion and $4.70 billion, indicating a 2.5% increase at the midpoint compared to 2023, mainly fueled by new product growth in the second half. Adjusted EBITDA is set to be $900 million to $1.05 billion, remaining stable year-over-year. Adjusted EPS is expected to range from $3.23 to $4.41, with a slight increase of 1% at the midpoint. Lastly, free cash flow is anticipated to see a substantial rise, aiming for $400 to $600 million.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
EPS	$4.03	$2.47	$2.82	$2.71	$6.29	$6.09	$6.19	$6.93	$7.41	$3.78	***$3.90***	***$4.74***
DPS	$0.60	$0.66	$0.66	$0.66	$0.66	$1.64	$1.80	$1.92	$2.17	$2.32	***$2.32***	***$3.25***
Shares[2]	134	134	135	134	136	132	131	129	126	126	***123***	***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 $7.41 in 2022. We expect the company to grow its earnings-per-share by 4% per year on average over the next five years. The company remains well positioned in its markets and was able to

[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.

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. Furthermore, the crop protection market is in the midst of a global resetting of inventory levels and several and unfavorable weather conditions could impact the business of FMC.

The company has a long history of paying dividends, but has only five 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 7.2%.

Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/E	16.8	20.3	16.1	28.5	13.5	13.9	16.3	15.4	15.8	13.0	***13.6***	***15.0***
Avg. Yld.	1.9%	1.3%	1.5%	0.9%	0.8%	1.9%	1.8%	1.8%	1.9%	4.5%	***4.4%***	***4.6%***

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 13.6. 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 4.4% and the dividend raises in the last few years have boosted total returns.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	15%	27%	23%	24%	10%	27%	29%	28%	29%	61%	***59%***	***69%***

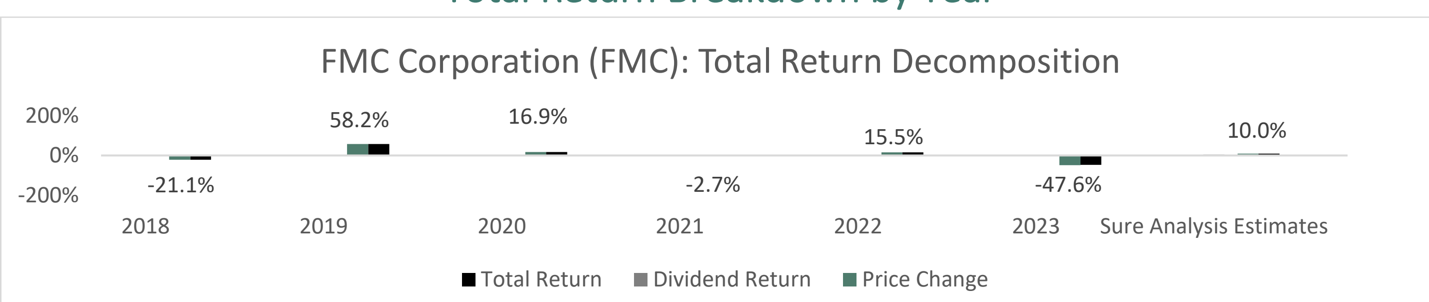
During the past five years, the company's dividend payout ratio has averaged around 23%. With the current payout ratio of 60%, FMC's dividend payments are covered by earnings. Given the expected earnings growth, there is still room for the dividend to continue to grow moving forward while maintaining a payout ratio of around 60%.

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. The crop protection market is currently experiencing a global inventory level reset, and various adverse weather conditions may potentially affect FMC's quarterly earnings and lead to a volatile share price. FMC's shares have lost 52.1% in the past year against a 18.4% decline for the industry. The expected total returns for FMC are 10.0% per year, driven by 4% earnings growth, the 4.4% dividend yield, and the potential for a valuation tailwind. Shares earn a buy rating.

Total Return Breakdown by Year



[Click here to rate and review this research report. Your feedback is important to us.]

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.

FMC Corporation (FMC)

Updated February 8th, 2024, by Patrick Neuwirth

Income Statement Metrics

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

Balance Sheet Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Assets	5,235	5,326	6,326	6,139	9,206	9,974	9,873	10,186	10,581	11,170
Cash & Equivalents	123	110	79	64	283	134	339	569	7	572
Accounts Receivable	1,484	1,603	1,851	1,693	2,044	2,144	2,231	2,330	2,584	2,871
Inventories	688	608	800	479	993	1,026	1,017	1,096	1,406	1,652
Goodwill & Int. Ass.	694	632	1,650	1,250	3,857	4,233	4,214	4,252	4,129	4,230
Total Liabilities	3,663	3,762	4,418	4,146	6,499	6,764	7,311	7,202	7,529	7,770
Accounts Payable	475	378	404	317	714	796	900	947	1,135	1,252
Long-Term Debt	1,852	1,664	2,149	1,893	3,186	2,693	3,259	3,268	3,173	3,274
Shareholder's Equity	1,520	1,531	1,866	1,958	2,682	3,121	2,532	2,962	3,033	3,378
LTD/E Ratio	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
Return on Assets	6.1%	5.8%	8.4%	3.4%	7.0%	5.2%	4.8%	5.5%	7.1%	6.7%
Return on Equity	19.6%	20.2%	28.8%	10.9%	23.1%	17.3%	16.9%	20.1%	24.6%	22.7%
ROIC	9.9%	9.2%	13.4%	5.3%	11.0%	8.5%	8.1%	9.1%	11.8%	11.3%
Shares Out.	133	133	133	134	134	132	129	129	126	126.71
Revenue/Share	23.00	24.27	18.63	18.87	18.85	31.54	34.92	35.55	39.07	45.79
FCF/Share	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.