



FMC Corporation (FMC)

Updated November 4th, 2024, by Patrick Neuwirth

Key Metrics

Current Price:	\$63	5 Year CAGR Estimate:	3.6%	Market Cap:	\$7.8 B
Fair Value Price:	\$50	5 Year Growth Estimate:	4.0%	Ex-Dividend Date¹:	12/27/24
% Fair Value:	126%	5 Year Valuation Multiple Estimate:	-4.5%	Dividend Payment Date¹:	01/17/25
Dividend Yield:	3.7%	5 Year Price Target	\$61	Years Of Dividend Growth:	5
Dividend Risk Score:	C	Retirement Suitability Score:	B	Rating:	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 October 29th, 2024, FMC Corporation released its third quarter results for the period ending September 30th, 2024. For the quarter, the company reported revenue of \$1.07 billion, up 9% versus the third quarter of 2023, and adjusted earnings per diluted share of \$0.69, up 57% versus the same quarter of the previous year. Quarterly revenue growth was primarily driven by a 17% increase in volume, particularly strong in North America and Latin America, despite facing a 5% decline from price decreases due to challenging market conditions and a 3% foreign exchange headwind.

North America revenue increased by 48%, largely driven by higher volumes in diamides and improved channel inventory levels. In Latin America, revenue grew by 8% (or 15% excluding FX), driven by strong sales of fluindapyr-based products like Onsuva[®] fungicide and branded diamides, despite pricing challenges in Brazil and Argentina. Asia saw a revenue decline of 10% (or 12% excluding FX), mostly due to lower volumes in India from elevated channel inventory across the industry. Sales in EMEA declined by 7% (or 6% excluding FX), with the region experiencing expected registration losses that offset growth in branded diamides and other areas. FMC's management has updated its full-year 2024 revenue forecast to a range of \$4.33 billion to \$4.44 billion, reflecting a 2% decline at the midpoint compared to 2023, adjusted for the expected sale of the Global Specialty Solutions business and shifting market dynamics. The adjusted EBITDA guidance has been revised to \$885 million to \$915 million, indicating an 8% decline at the midpoint. The adjusted earnings per share outlook has also been revised to a range of \$3.16 to \$3.52, representing a 12% decrease at the midpoint. The free cash flow projection remains unchanged at \$400 million to \$500 million, reflecting improved working capital management but tempered by lower anticipated adjusted EBITDA.

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	\$3.35	\$4.08
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
Shares²	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 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

¹ Estimated date.

² In millions.

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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. The company has not raised its dividend since. Over the last five years, the average annual dividend growth rate is still 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	18.9	15.0
Avg. Yld.	1.9%	1.3%	1.5%	0.9%	0.8%	1.9%	1.8%	1.8%	1.9%	4.5%	3.7%	5.3%

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 18.9. We are using 15 times earnings as a fair value baseline, implying the potential for a valuation headwind. FMC's dividend yield is currently 3.7% 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%	69%	80%

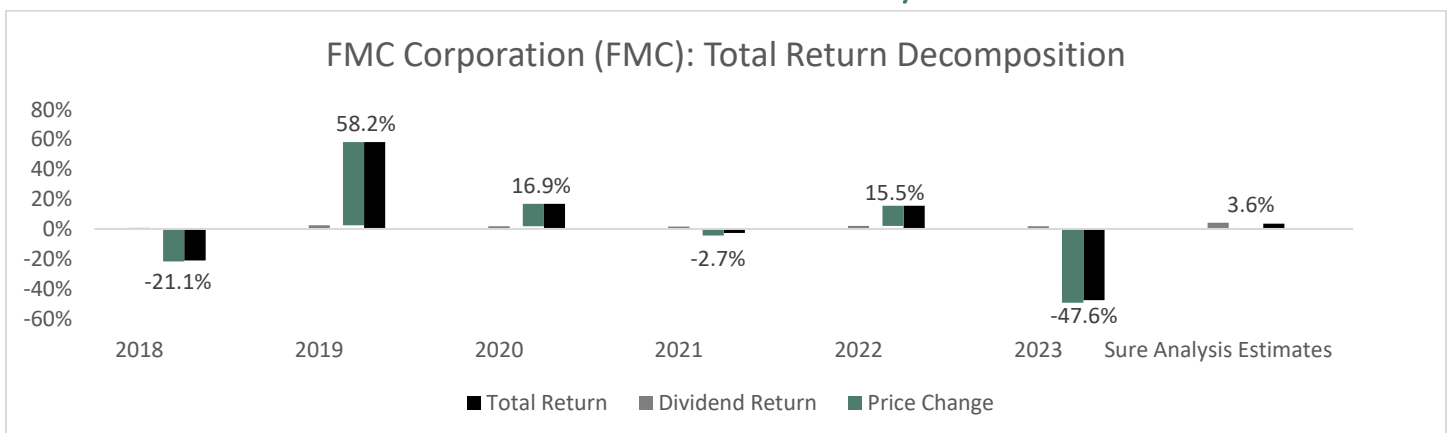
During the past five years, the company's dividend payout ratio has averaged around 23%. With the current payout ratio of 60%, FMC's dividend payments are covered by earnings. Given the expected earnings growth, there is still room for the dividend to continue to grow moving forward while maintaining a payout ratio of around 70%.

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. The expected total returns for FMC are 3.6% per year, driven by 4% earnings growth, the 3.7% dividend yield, and the potential for a valuation headwind. Shares earn a hold rating based on the projected returns.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	3,259	2,491	2,539	2,531	4,285	4,610	4,642	5,045	5,802	4,487
Gross Profit	1,211	800	931	952	1,880	2,084	2,052	2,172	2,327	1,831
Gross Margin	37.2%	32.1%	36.7%	37.6%	43.9%	45.2%	44.2%	43.0%	40.1%	40.8%
SG&A Exp.	590	661	435	582	790	793	730	714	775	753
D&A Exp.	94	77	101	98	150	150	163	171	169	184
Operating Profit	451	(18)	325	216	780	993	1,034	1,153	1,237	750
Operating Margin	13.8%	-0.7%	12.8%	8.5%	18.2%	21.5%	22.3%	22.9%	21.3%	16.7%
Net Profit	308	489	209	536	502	477	552	737	737	1,322
Net Margin	9.4%	19.6%	8.2%	21.2%	11.7%	10.4%	11.9%	14.6%	12.7%	29.5%
Free Cash Flow	192	(412)	407	297	285	395	581	720	440	(520)
Income Tax	56	5	50	229	71	112	151	92	145	(1,119)

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	5,326	6,326	6,139	9,206	9,974	9,873	10,186	10,581	11,170	11,930
Cash & Equivalents	110	79	64	283	134	339	569	7	572	302
Accounts Receivable	1,603	1,851	1,693	2,044	2,144	2,231	2,330	2,584	2,871	2,703
Inventories	608	800	479	993	1,026	1,017	1,096	1,406	1,652	1,725
Goodwill & Int. Ass.	632	1,650	1,250	3,857	4,233	4,214	4,252	4,129	4,230	4,182
Total Liabilities	3,762	4,418	4,146	6,499	6,764	7,311	7,202	7,529	7,770	7,493
Accounts Payable	378	404	317	714	796	900	947	1,135	1,252	602
Long-Term Debt	1,664	2,149	1,893	3,186	2,693	3,259	3,268	3,173	3,274	3,958
Shareholder's Equity	1,531	1,866	1,958	2,682	3,121	2,532	2,962	3,033	3,378	4,411
LTD/E Ratio	1.09	1.15	0.97	1.19	0.86	1.29	1.10	1.05	0.97	0.90

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	5.8%	8.4%	3.4%	7.0%	5.2%	4.8%	5.5%	7.1%	6.7%	11.4%
Return on Equity	20.2%	28.8%	10.9%	23.1%	17.3%	16.9%	20.1%	24.6%	22.7%	33.7%
ROIC	9.2%	13.4%	5.3%	11.0%	8.5%	8.1%	9.1%	11.8%	11.3%	17.5%
Shares Out.	133	133	134	134	132	129	129	126	126.71	125.53
Revenue/Share	24.27	18.63	18.87	18.85	31.54	34.92	35.55	39.07	45.79	35.74
FCF/Share	1.43	(3.08)	3.02	2.21	2.10	2.99	4.45	5.58	3.47	(4.15)

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

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