



Huntsman Corporation (HUN)

Updated November 15th, 2024 by Nikolaos Sismanis

Key Metrics

Current Price:	\$19.29	5 Year CAGR Estimate:	10.9%	Market Cap:	\$3.34 B
Fair Value Price:	\$20.63	5 Year Growth Estimate:	5.0%	Ex-Dividend Date:	12/13/2024
% Fair Value:	94%	5 Year Valuation Multiple Estimate:	1.3%	Dividend Payment Date:	12/31/2024
Dividend Yield:	5.2%	5 Year Price Target	\$26	Years Of Dividend Growth:	4
Dividend Risk Score:	F	Retirement Suitability Score:	C	Rating	Buy

Overview & Current Events

Huntsman Corporation manufactures and sells differentiated organic chemical products worldwide. It operates in four segments: Polyurethanes, Performance Products, Advanced Materials, and Textile Effects. The company's products are utilized in various industries, in manufacturing anywhere from aerospace, automotive, and construction products, to packaging, coatings, and power generation. Huntsman Corp. generated \$6.1 billion in sales last year and is based in The Woodlands, Texas.

On November 4th, 2024, Huntsman released its Q3 and results for the period ending September 30th, 2024. For the quarter, revenues grew 2.3% year-over-year to \$1.54 billion.

Specifically, Polyurethanes saw a revenue increase of 4%. Performance Products and Advanced Materials revenues grew by 1% and declined by 3% respectively. Still, the weak total increase in revenues wasn't enough to lift margins. Thus, the company reported an adjusted net loss of \$17 million compared to an adjusted net income of \$27 million last year – also a weak period. On a per-share basis, this translates to adjusted income of \$0.10 versus adjusted income of \$0.15 in Q3-2023. This was despite buybacks notably lowering the per-share result.

We believe the company has an earnings power of about \$1.65 per share, which we have used in our calculations. That said, this result is likely to be notably lower in FY2024, possibly closer to \$0.10.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
EPS	\$1.33	\$0.38	\$1.38	\$2.67	\$1.42	\$2.46	\$4.69	\$4.77	\$2.29	\$0.57	\$0.10	\$2.11
DPS	\$0.50	\$0.50	\$0.50	\$0.50	\$0.65	\$0.65	\$0.65	\$0.73	\$0.85	\$0.95	\$1.00	\$1.34
Shares¹	242	243	236	238	238	229	221	219	201	177	172	160.0

Huntsman Corporation's business model is very cyclical, with its financials highly sensitive to various macroeconomic factors. Changes in the price of raw materials, currency fluctuations (impacting imports/exports), and spending in the industrial sector, which dictates demand for the company's products, and is in itself cyclical, can all affect the total sales. Due to a mix of these issues, Huntsman has seen declining revenue over the past few years, falling from \$11.58 billion in 2014 to \$6.2 billion last year. However, Huntsman's acquisitions have been unlocking synergies over the past decade, resulting in higher gross margins during this time, which has somewhat offset the declining sales.

While EPS has been volatile and is expected to continue to be so, we forecast growth of 5% from our earnings power base of \$1.65 in the medium-term, powered by the company's cost-cutting initiatives, acquisitions, rebounding sales growth trend, and share buybacks. Since initiating its first dividend in 2008, the company has increased it six times in total, usually when business performance makes Huntsman more comfortable with covering a higher amount. We expect DPS growth of around 6% in the medium-term, though investors should not expect annual DPS hikes (which could occur every few years, as has been the case historically).

¹ Share count is 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	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/E	18.8	50.0	9.7	8.2	20.4	9.2	5.1	6.5	13.1	46.0	11.7	12.5
Avg. Yld.	2.0%	2.6%	3.7%	2.3%	2.2%	2.9%	2.7%	2.3%	2.8%	3.6%	5.2%	5.1%

Under normal circumstances, the company's (forward) P/E hovers in the high single-digits to low double-digits, due to Huntsman's volatile business model. We believe that the current multiple of about 11.7 our earnings power estimate is modestly conservative. We believe that a multiple of 12.5 is more suitable for the stock. Also, the stock has historically featured a yield in the range of 2% to 3%. We expect it to hover at higher levels in the coming years as investors demand a higher tangible return in the current market environment.

Safety, Quality, Competitive Advantage, & Recession Resiliency

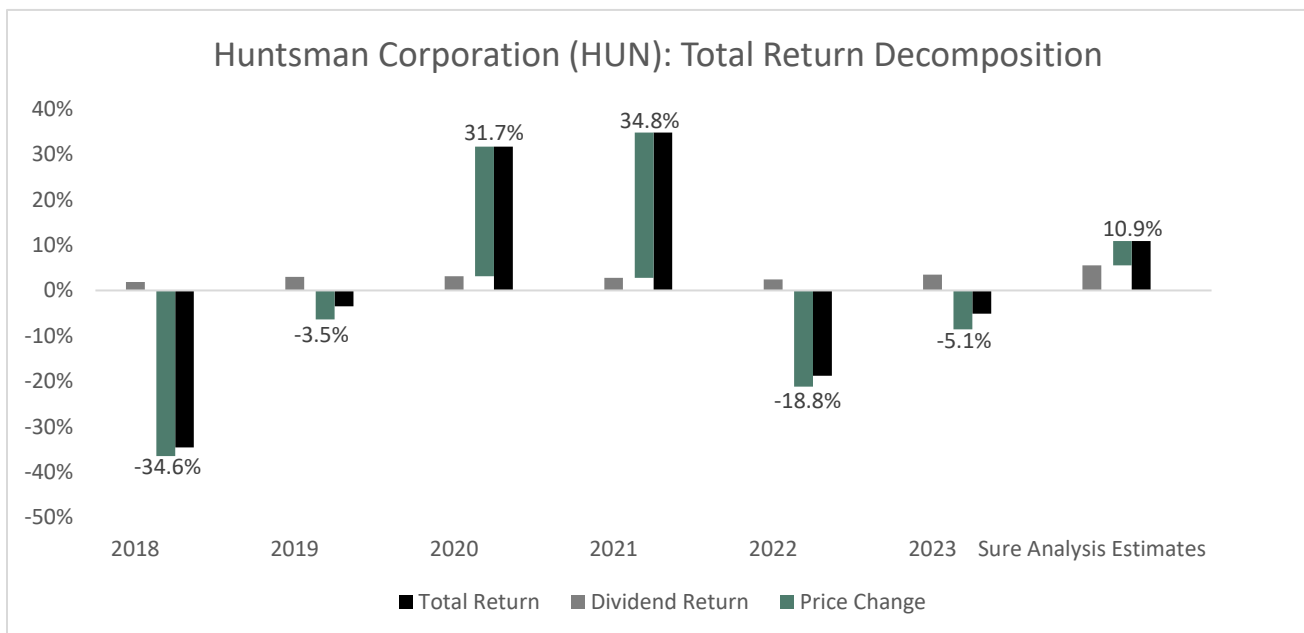
Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	38%	132%	36%	19%	46%	26%	14%	15%	37%	167%	61%	64%

Huntsman has increased its payouts prudently and accordingly to its future earnings expectations. The current payout ratio remains healthy despite a declining in earnings too. We consider the dividend safe, despite Huntsman's volatile performance. Amongst the company's greatest qualities is its ability to maximize the value of its acquisitions resulting in expanding margins. However, on top of the industry's cyclical performance, the company is subject to numerous risks, including severe competition. Global giants such as BASF, Delamine, Dow, and Evonik, are constantly competing for increased market share in what is a low-margin business model. Overall, due to reduced spending in industrial activities during one, a potential recession could materially affect the company's financials and future profitability.

Final Thoughts & Recommendation

Lower sales volumes across all segments and growing expenses driven by elevated inflation levels have hurt Huntsman's performance lately. That said, we believe the company's earnings will resume growth. Overall, we forecast annualized returns of 10.9% through 2029, powered by our earnings growth estimate of 5%, the 5.2% yield, and the possibility of a small annual valuation tailwind. Shares earn a speculative buy rating. Investors should expect volatility in the share price.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	11,578	8,139	7,518	6,845	7,604	6,797	6,018	8,453	8,023	6,111
Gross Profit	1,919	1,734	1,518	1,651	1,764	1,382	1,100	1,775	1,546	906
Gross Margin	16.6%	21.3%	20.2%	24.1%	23.2%	20.3%	18.3%	21.0%	19.3%	14.8%
SG&A Exp.	974	791	772	759	789	786	775	851	711	689
D&A Exp.	445	298	318	236	255	270	283	296	281	278
Operating Profit	791	800	710	776	822	428	235	807	758	102
Operating Margin	6.8%	9.8%	9.4%	11.3%	10.8%	6.3%	3.9%	9.5%	9.4%	1.7%
Net Profit	323	93	326	636	337	562	1,034	1,045	460	101
Net Margin	2.8%	1.1%	4.3%	9.3%	4.4%	8.3%	17.2%	12.4%	5.7%	1.7%
Free Cash Flow	159	114	770	985	956	623	4	610	642	(21)
Income Tax	51	60	109	20	45	(38)	46	209	186	64

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	10,923	9,820	9,189	10,244	7,953	8,320	8,713	9,392	8,220	7,248
Cash & Equivalents	860	257	385	470	340	525	1,593	1,041	654	540
Accounts Receivable	1,707	1,449	1,183	1,283	1,183	953	910	1,186	834	753
Inventories	2,025	1,692	918	1,073	1,000	914	848	1,201	995	867
Goodwill & Int. Ass.	217	202	164	196	488	473	986	1,119	1,066	1,031
Total Liabilities	8,972	8,191	7,722	6,873	5,204	5,496	5,040	4,833	4,380	3,770
Accounts Payable	1,275	1,061	790	964	793	822	876	1,208	961	719
Long-Term Debt	5,127	4,796	4,173	2,298	2,320	2,389	2,121	1,550	1,737	1,688
Shareholder's Equity	1,778	1,442	1,287	2,620	2,520	2,687	3,519	4,378	3,624	3,251
LTD/E Ratio	2.88	3.33	3.24	0.88	0.92	0.89	0.60	0.35	0.48	0.52

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	3.2%	0.9%	3.4%	6.5%	3.7%	6.9%	12.1%	11.5%	5.2%	1.3%
Return on Equity	17.2%	5.8%	23.9%	32.6%	13.1%	21.6%	33.3%	26.5%	11.5%	2.8%
ROIC	4.9%	1.4%	5.4%	11.2%	6.3%	10.9%	18.8%	17.6%	7.9%	1.9%
Shares Out.	242.1	242.8	236.3	238.4	238.1	228.9	220.6	221	203	177
Revenue/Share	47.07	33.17	31.38	28.06	31.47	29.48	27.12	38.18	39.52	34.45
FCF/Share	0.65	0.46	3.21	4.04	3.96	2.70	0.02	2.78	3.16	(0.12)

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

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