



# Albemarle Corporation (ALB)

Updated February 17<sup>th</sup>, 2025 by Nathan Parsh

## Key Metrics

<b>Current Price:</b>	\$81	<b>5 Year CAGR Estimate:</b>	4.4%	<b>Market Cap:</b>	\$9.5 B
<b>Fair Value Price:</b>	\$63	<b>5 Year Growth Estimate:</b>	7.5%	<b>Ex-Dividend Date:</b>	03/13/25
<b>% Fair Value:</b>	129%	<b>5 Year Valuation Multiple Estimate:</b>	-4.9%	<b>Dividend Payment Date:</b>	04/02/25
<b>Dividend Yield:</b>	2.0%	<b>5 Year Price Target</b>	\$90	<b>Years Of Dividend Growth:</b>	29
<b>Dividend Risk Score:</b>	B	<b>Retirement Suitability Score:</b>	B	<b>Rating:</b>	Hold

Albemarle is the largest producer of lithium and second largest producer of bromine in the world. The two products account for nearly two-thirds of annual sales. Albemarle produces lithium from its salt brine deposits in the U.S. and Chile. The company has two joint ventures in Australia that also produce lithium. Albemarle's Chile assets offer a very low-cost source of lithium. The company operates in nearly 100 countries. Beginning January 1<sup>st</sup>, 2023, the company reorganized into the following segments: Energy Storage, Specialties, and Ketjen. Albemarle produces annual sales of more than \$5 billion.

On July 16<sup>th</sup>, 2024, Albemarle increased its quarterly dividend 1.3% to \$0.405.

On February 12<sup>th</sup>, 2025, Albemarle announced fourth quarter and full year results for the period ending December 31<sup>st</sup>, 2024. For the quarter, revenue fell 48% to \$1.23 billion and was \$110 million less than expected. Adjusted earnings-per-share of -\$1.09 compared very unfavorably to \$1.85 in the prior year and was \$0.42 below estimates. For the year, revenue declined 44% to \$5.4 billion while adjusted earnings-per-share was -\$2.34.

Results were impacted by asset write-offs and weaker average prices for lithium. For the quarter, revenue for Energy Storage was down 63.2% to \$616.8 million. This segment was impact by weaker volumes (-10%) and lower prices (-53%). Revenues for Specialties were lower by 2.0% to \$332.9 million as volume (+3%) was offset by a decrease in pricing (-5%). Ketjen sales of \$245 million decreased 17.4% from the prior year as higher prices (+1%) only partially offset a decline in volume (-19%).

Albemarle provided an outlook for 2025 as well, with the company expecting revenue in a range of \$4.9 billion to \$5.2 billion. The company's expected earnings-per-share for 2025 is -\$0.80, but we believe that Albemarle has earnings power of \$3.50 for the year.

## Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
<b>EPS</b>	\$3.00	\$5.68	\$3.90	\$5.50	\$6.04	\$4.12	\$4.05	\$22.84	\$22.25	-\$2.34	<b>-\$0.80</b>	<b>\$5.02</b>
<b>DPS</b>	\$1.15	\$1.22	\$1.27	\$1.33	\$1.47	\$1.54	\$1.56	\$1.58	\$1.60	\$1.61	<b>\$1.62</b>	<b>\$2.33</b>
<b>Shares<sup>1</sup></b>	112	113	111	106	106	106	117	118	117	118	<b>118</b>	<b>118</b>

Albemarle has experienced very erratic earnings-per-share performance over the last decade. Albemarle has experienced steep drops in profitability in several other years (2012, 2014, 2017, 2020, and 2024). Results will likely be weaker in 2025 as well. Earnings-per-share are down 3.2% over the last five years despite strong results in 2022 and 2023. Higher demand following a recovery from the COVID-19 pandemic allowed for outsized growth in 2022, but estimates have fallen sharply since due to lower prices for lithium. The company also saw a 19% decrease in earnings-per-share during the last recession, before making a new high in 2010. Given the expected low base of earnings-per-share for 2025, we reaffirm our growth outlook of 7.5% from 5.0% as we note the company's leadership positions in the areas of lithium and bromine.

<sup>1</sup> In millions of shares

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Albemarle has increased its dividend for 29 consecutive years, an impressive feat given the cyclical nature of the business. Dividends have grown by an average rate of 3.8% over the last ten years.

## Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	17.8	13.0	29.5	15.6	14.4	25.1	57.7	9.5	9.5	---	23.1	18.0
Avg. Yld.	2.1%	1.7%	1.1%	1.3%	2.0%	1.7%	0.7%	0.7%	1.1%	1.9%	2.0%	2.6%

Shares of Albemarle have decreased \$20, or 19.8%, since our November 11<sup>th</sup>, 2024, report. Based on the current share price and earnings power estimates, the stock has a price-to-earnings ratio of 23.1. Albemarle has traded with an average price-to-earnings ratio of more than 21.0 over the last decade. We reaffirm our target valuation of 18 times as we balance the quality of the company and its leadership position in its industry with the volatile nature of the business. EPS is expected to be negative for the year, but analysts see adjusted earnings-per-share of more than \$2 in 2026. If the stock were to trade with our target P/E by 2030, valuation would be a 4.9% headwind to annual returns over this period.

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

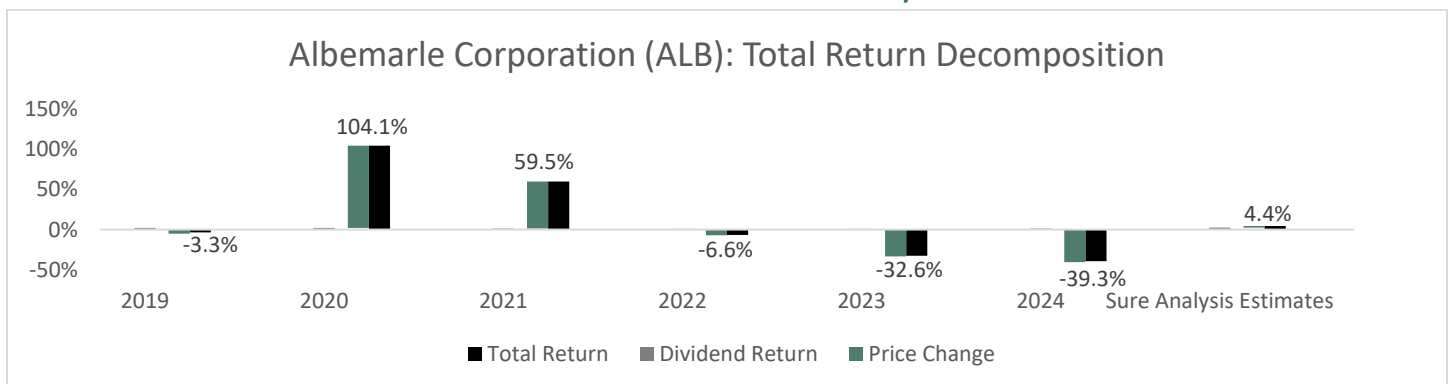
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	38%	21%	33%	21%	24%	37%	39%	7%	7%	---	46%	46%

Albemarle's earnings-per-share declined almost 20% from 2008 to 2009. The company has also had wild swings in profitability in recent years. Therefore, the company cannot be considered recession-proof. We should note that despite the decreases in earnings, Albemarle's dividend payout ratio has only exceeded 50% once over the last ten years. A key competitive advantage of Albemarle is that it ranks as the largest producer of lithium in the world. The metal is used in batteries for electric cars, pharmaceuticals, airplanes, mining, and other applications. Albemarle is also a top producer of Bromine, which is used in the electronics, construction, and automotive industries. The company possesses a size and scale that competitors will struggle to match.

## Final Thoughts & Recommendation

Following fourth quarter earnings, Albemarle is now projected to produce a return of 4.4% annually through 2030, up from our prior estimate of -0.1%. This expected return is based on earnings growth of 7.5% and a starting yield of 2.0% that are partially offset by multiple compression. Albemarle can be a volatile name as seen by results over the last decade and the swings in guidance from quarter-to-quarter. Still, the company is a leader in its industry. That said, lithium pricing is expected to remain low, which will greatly impact results this year. We reaffirm our five-year price target of \$90 due to earnings power estimates for the year. We now rate shares of the company as a hold due to projected returns.

## Total Return Breakdown by Year



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## Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>Revenue</b>	2,826	2,677	3,072	3,375	3,589	3,129	3,328	7,320	9,617	5,378
<b>Gross Profit</b>	860	970	1,106	1,217	1,258	995	998	3,075	1,186	63
<b>Gross Margin</b>	30.4%	36.2%	36.0%	36.1%	35.0%	31.8%	30.0%	42.0%	12.3%	1.2%
<b>SG&amp;A Exp.</b>	300	354	450	446	533	430	441	524	910	618
<b>D&amp;A Exp.</b>	260	226	197	201	213	232	254	301	430	589
<b>Operating Profit</b>	471	536	572	701	666	506	502	2,478	190	(642)
<b>Operating Margin</b>	16.7%	20.0%	18.6%	20.8%	18.6%	16.2%	15.1%	33.9%	2.0%	-11.9%
<b>Net Profit</b>	335	644	55	694	533	376	124	2,690	1,573	(1,179)
<b>Net Margin</b>	11.8%	24.0%	1.8%	20.6%	14.9%	12.0%	3.7%	36.7%	16.4%	-21.9%
<b>Free Cash Flow</b>	133	539	(14)	(154)	(132)	(52)	(609)	646	(824)	(984)
<b>Income Tax</b>	11	96	432	145	88	54	29	391	430	87

## Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>Total Assets</b>	9,598	8,161	7,751	7,582	9,861	10,451	10,974	15,457	18,271	16,610
<b>Cash &amp; Equivalents</b>	214	2,270	1,137	555	613	747	439	1,499	890	1,192
<b>Accounts Receivable</b>	398	486	534	606	613	531	557	1,191	1,213	742
<b>Inventories</b>	440	450	593	701	769	750	799	2,076	2,161	1,503
<b>Goodwill &amp; Int. Ass.</b>	1,844	1,895	2,032	1,953	1,933	2,015	1,907	1,905	1,892	1,813
<b>Total Liabilities</b>	6,197	4,219	3,933	3,823	5,767	5,982	5,169	7,266	8,606	6,410
<b>Accounts Payable</b>	240	282	419	523	574	483	648	2,052	2,088	944
<b>Long-Term Debt</b>	3,817	2,369	1,837	1,705	3,050	3,572	2,394	3,217	4,167	3,516
<b>Shareholder's Equity</b>	3,254	3,795	3,675	3,585	3,932	4,268	5,625	7,983	9,412	7,726
<b>LTD/E Ratio</b>	1.17	0.62	0.50	0.48	0.78	0.84	0.43	0.40	0.44	0.35

## Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>Return on Assets</b>	4.5%	7.2%	0.7%	9.0%	6.1%	3.7%	1.2%	20.4%	9.3%	-6.8%
<b>Return on Equity</b>	13.7%	17.5%	1.4%	18.3%	13.6%	8.8%	2.4%	38.4%	17.6%	-11.9%
<b>ROIC</b>	5.8%	9.5%	0.9%	12.5%	8.5%	4.9%	1.5%	27.4%	12.5%	-8.6%
<b>Shares Out.</b>	112	113	111	106	106	106	117	118	117	118
<b>Revenue/Share</b>	25.34	23.64	27.34	30.83	33.76	29.29	28.56	62.14	81.66	45.76
<b>FCF/Share</b>	1.19	4.76	(0.12)	(1.41)	(1.25)	(0.48)	(5.23)	5.49	(7.00)	(8.37)

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

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