# Westlake Corporation (WLK)

*Updated July 5th, 2025, by Yiannis Zourmpanos*

## Key Metrics

| | | | | | |
|---|---|---|---|---|---|
| **Current Price:** | $81 | **5 Year CAGR Estimate:** | 15.6% | **Market Cap:** | $10.4 B |
| **Fair Value Price:** | $120 | **5 Year Growth Estimate:** | 5.0% | **Ex-Dividend Date:** | 08/20/25[1] |
| **% Fair Value:** | 68% | **5 Year Valuation Multiple Estimate:** | 8.2% | **Dividend Payment Date:** | 09/08/25[2] |
| **Dividend Yield:** | 2.6% | **5 Year Price Target** | $153 | **Years Of Dividend Growth:** | 20 |
| **Dividend Risk Score:** | B | **Sector:** | Materials | **Rating:** | Buy |

## Overview & Current Events

Westlake Corporation (WLK) is a global manufacturer and supplier of petrochemicals, polymers, and building products. Founded by Ting Tsung Chao in 1986, the company operates through two segments: Performance and Essential Materials (PEM) and Housing and Infrastructure Products (HIP). The Performance and Essential Materials segment produces a wide range of products, including polyethylene, polypropylene, specialty polymers, and vinyl resins, used in various consumer and industrial markets such as packaging, automotive, and construction. The Housing and Infrastructure Products segment manufactures and sells a range of building products, including roofing materials, siding, and other products used in construction.

On May 2nd, 2025, Westlake Corporation reported first-quarter 2025 of $0.31 missing market estimates by $0.93 and revenues of $2.85 billion, down 4.4% sequentially.

Westlake Corporation kicked off 2025 with first-quarter net sales of $2.85 billion, essentially flat compared to the previous quarter but down 4% year-over-year. EBITDA for the quarter landed at $288 million with a margin of 10%, down notably from 18% a year ago. Higher North American feedstock and energy costs, along with planned and unplanned plant outages, pressured earnings, especially in the Performance and Essential Materials (PEM) segment. Meanwhile, the Housing and Infrastructure Products (HIP) segment showed some resilience, posting sequential sales growth of 2% on the back of solid demand in key product lines like Compounds and Siding & Trim.

Despite a turbulent macro backdrop, CEO Jean-Marc Gilson emphasized that Westlake's integrated business model, advantaged North American feedstock position, and robust balance sheet with $2.5 billion in cash should provide a buffer during periods of uncertainty. With the Petro 1 ethylene unit turnaround now complete and no major planned shutdowns ahead, the company expects improved operating rates through the rest of 2025. Management remains confident in Westlake's ability to navigate market headwinds and deliver long-term value through disciplined capital deployment and its unbroken track record of quarterly dividends.

## Growth on a Per-Share Basis

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | ***2025*** | ***2030*** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **EPS** | $4.86 | $3.06 | $5.46 | $7.62 | $3.25 | $2.56 | $15.58 | $17.34 | $3.70 | $4.64 | ***$8.00*** | ***$10.21*** |
| **DPS** | $0.69 | $0.74 | $0.80 | $0.92 | $1.03 | $1.07 | $1.14 | $1.31 | $1.71 | $2.05 | ***$2.10*** | ***$3.38*** |
| **Shares[3]** | 130.2 | 128.9 | 129.4 | 128.5 | 128.4 | 127.8 | 127.9 | 127.5 | 128.8 | 128.5 | ***128.3*** | ***127.4*** |

Westlake Corporation remains well-positioned throughout its product range to benefit from structural market trends and deliver greater value when economic conditions improve, even though the adverse environment may persist into the near future. We do not expect a repeat of the unprecedented high EPS 2022 of $17.34 anytime soon, which was driven by the favorable supply-demand dynamics that led to strong demand for the firm.

[1] Estimated ex-dividend date.
[2] Estimated dividend payment date.
[3] The shares are 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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Considering the cyclical nature of the business and the operational challenges we revised our EPS forecast for 2025, using the midpoint of analysts' estimates of $8.00, and believe the firm can grow annually by at least 5.0% for the next five years, suggesting an EPS of $10.21 by 2030. In addition, Westlake Corporation has paid an increasing dividend for the past 19 years, and we expect the company to maintain its dividend growth. We have forecasted a dividend CAGR of 10.0%, leading to a dividend of $3.38 in 2030.

## Valuation Analysis

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | *Now* | *2030* |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Avg. P/E** | 13.0 | 16.1 | 13.8 | 12.7 | 20.6 | 22.8 | 5.8 | 6.1 | 33.2 | 32.9 | ***10.1*** | ***15.0*** |
| **Avg. Yld.** | 1.1% | 1.5% | 1.1% | 1.0% | 1.5% | 1.8% | 1.3% | 1.2% | 1.4% | 1.3% | ***2.6%*** | ***2.2%*** |

Westlake Corporation trades at a forward P/E of 10.1, higher than its long-term 10-year and five-year average P/E of 17.7 and 20.2, respectively. Following the cyclical downturn of the company, we believe that a P/E multiple of 15.0, below the company's long-term average, is a fair reflection of its value. Accordingly, with an EPS target of $10.21 and a P/E target of 15.0, our target price for the stock stands at $153 by 2030.

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

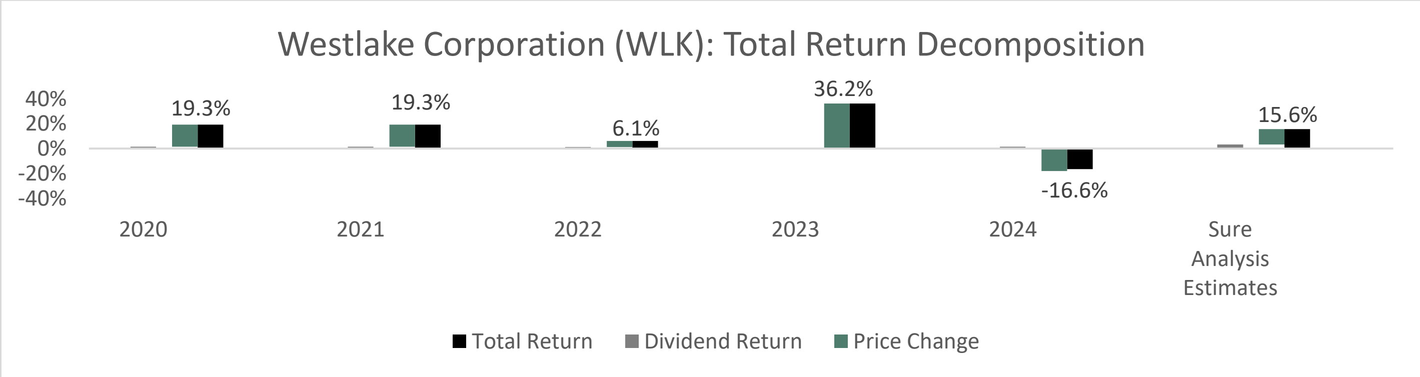
| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | *2025* | *2030* |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Payout** | 14% | 24% | 15% | 12% | 32% | 42% | 7% | 8% | 46% | 44% | ***26%*** | ***33%*** |

Westlake Corporation is a leading global manufacturer and supplier of specialty chemicals, polymers, and building products. The company's competitive advantage lies in its vertically integrated business model and diversified product portfolio, which allows it to control the entire supply chain, reduce production costs, maintain high-quality standards, and provide a competitive advantage in the marketplace. In addition, the company has shown resilience during economic downturns due to its strong financial position and ability to adapt to changing market conditions. Finally, Westlake Corporation has managed its debt well and maintained a solid credit rating, allowing it to access capital at competitive rates and finance strategic investments for future growth. However, Westlake's performance is influenced by the inherent cyclicality of the chemical and building materials industries, with earnings closely tied to global economic conditions, supply-demand dynamics, and raw material price fluctuations. During Q1, Westlake repurchased 279,771 shares during the first quarter of 2025, spending approximately $30 million under its ongoing share buyback program.

## Final Thoughts & Recommendation

Despite Westlake Corporation's resiliency amidst the downturn, it remains a cyclical business, though its dividend growth prospects could remain strong throughout the cycle. Thus, our buy rating is premised upon the 15.6% annualized total returns for the medium-term, derived from the forecasted earnings-per-share growth of 5.0%, 2.6% dividend yield, and a valuation tailwind.

## Total Return Breakdown by Year

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## Income Statement Metrics

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|---|---|---|---|---|
| Revenue | 4,463 | 5,076 | 8,041 | 8,635 | 8,118 | 7,504 | 11,778 | 15,794 | 12,550 | 12,140 |
| Gross Profit | 1,185 | 983 | 1,761 | 1,987 | 1,260 | 1,023 | 3,495 | 4,073 | 2,219 | 1,957 |
| Gross Margin | 26.6% | 19.4% | 21.9% | 23.0% | 15.5% | 13.6% | 29.7% | 25.8% | 17.7% | 16.1% |
| SG&A Exp. | 218 | 258 | 399 | 445 | 458 | 449 | 551 | 835 | 865 | 874 |
| D&A Exp. | 246 | 378 | 601 | 641 | 713 | 773 | 840 | 1,056 | 1,097 | 1,114 |
| Operating Profit | 960 | 687 | 1,254 | 1,441 | 693 | 465 | 2,821 | 3,083 | 1,232 | 966 |
| Op. Margin | 21.5% | 13.5% | 15.6% | 16.7% | 8.5% | 6.2% | 24.0% | 19.5% | 9.8% | 8.0% |
| Net Profit | 646 | 399 | 1,304 | 996 | 421 | 330 | 2,015 | 2,247 | 479 | 602 |
| Net Margin | 14.5% | 7.9% | 16.2% | 11.5% | 5.2% | 4.4% | 17.1% | 14.2% | 3.8% | 5.0% |
| Free Cash Flow | 588 | 238 | 951 | 707 | 514 | 772 | 1,736 | 2,287 | 1,302 | 306 |
| Income Tax | 298 | 138 | (258) | 300 | 108 | (42) | 607 | 649 | 178 | 291 |

## Balance Sheet Metrics

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Assets | 5,569 | 10,890 | 12,076 | 11,602 | 13,261 | 13,835 | 18,459 | 20,550 | 21,040 | 20,750 |
| Cash & Equivalents | 663 | 459 | 1,531 | 753 | 728 | 1,313 | 1,908 | 2,228 | 3,304 | 2,919 |
| Acc. Receivable | 439 | 828 | 983 | 969 | 948 | 1,086 | 1,764 | 1,676 | 1,413 | 1,339 |
| Inventories | 434 | 801 | 900 | 1,014 | 936 | 918 | 1,407 | 1,866 | 1,622 | 1,697 |
| Goodwill & Int. | 213 | 1,734 | 1,789 | 1,661 | 1,784 | 1,695 | 3,604 | 3,726 | 3,444 | 3,313 |
| Total Liabilities | 2,007 | 6,998 | 6,707 | 5,526 | 6,858 | 7,257 | 9,931 | 10,085 | 10,270 | 9,707 |
| Accounts Payable | 229 | 496 | 600 | 507 | 435 | 529 | 849 | 870 | 849 | 806 |
| Long-Term Debt | 764 | 3,828 | 3,837 | 2,668 | 3,471 | 3,573 | 5,180 | 4,879 | 4,906 | 4,562 |
| Total Equity | 3,266 | 3,524 | 4,874 | 5,590 | 5,860 | 6,043 | 7,955 | 9,931 | 10,240 | 10,530 |
| D/E Ratio | 0.23 | 1.09 | 0.79 | 0.48 | 0.59 | 0.59 | 0.65 | 0.49 | 0.48 | 0.43 |

## Profitability & Per Share Metrics

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|---|---|---|---|---|
| Return on Assets | 12.0% | 4.8% | 11.4% | 8.4% | 3.4% | 2.4% | 12.5% | 11.5% | 2.3% | 2.9% |
| Return on Equity | 20.9% | 11.8% | 31.1% | 19.0% | 7.4% | 5.5% | 28.8% | 25.1% | 4.5% | 5.5% |
| ROIC | 15.6% | 6.6% | 15.4% | 11.1% | 4.5% | 3.3% | 16.9% | 15.5% | 3.1% | 3.9% |
| Shares Out. | 130.2 | 128.9 | 129.4 | 128.5 | 128.4 | 127.8 | 127.9 | 127.5 | 128.6 | 129.2 |
| Revenue/Share | 33.73 | 39.05 | 62.07 | 66.43 | 63.05 | 58.58 | 91.52 | 122.58 | 97.58 | 93.97 |
| FCF/Share | 4.44 | 1.83 | 7.34 | 5.44 | 3.99 | 6.03 | 13.49 | 17.75 | 10.12 | 2.37 |

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