



# Westlake Corporation (WLK)

Updated August 12<sup>th</sup>, 2025, by Yiannis Zourmpanos

## Key Metrics

<b>Current Price:</b>	\$86	<b>5 Year CAGR Estimate:</b>	18.1%	<b>Market Cap:</b>	\$10.9 B
<b>Fair Value Price:</b>	\$174	<b>5 Year Growth Estimate:</b>	1.0%	<b>Ex-Dividend Date:</b>	08/19/25
<b>% Fair Value:</b>	49%	<b>5 Year Valuation Multiple Estimate:</b>	15.2%	<b>Dividend Payment Date:</b>	09/04/25
<b>Dividend Yield:</b>	2.5%	<b>5 Year Price Target</b>	\$183	<b>Years Of Dividend Growth:</b>	20
<b>Dividend Risk Score:</b>	C	<b>Sector:</b>	Materials	<b>Rating:</b>	Hold

## 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 August 5<sup>th</sup>, 2025, Westlake Corporation reported second-quarter 2025 of Q2 -\$0.09 missing market estimates by \$0.15 and revenues of \$2.95 billion, which were down 8.1% sequentially.

Included in results were \$130 million in charges tied to the closure of its Pernis epoxy facility in the Netherlands and temporary shutdown of a PVC resin unit in China. Excluding these items, the net loss narrowed to \$12 million, or \$0.09 per share, compared to a profit of \$313 million a year earlier. EBITDA excluding identified items came in at \$340 million, down from \$744 million in the prior year, but up \$52 million sequentially, driven by seasonal strength in the Housing and Infrastructure Products (HIP) segment, where sales rose 16% quarter-over-quarter.

The Performance and Essential Materials (PEM) segment faced a 9% year-over-year sales volume decline, impacted by weaker global demand, tariff uncertainty, and plant outages, contributing to a \$188 million operating loss versus a \$157 million profit last year. CEO Jean-Marc Gilson noted progress on cost-reduction initiatives, with \$75 million of savings achieved toward a \$150–\$175 million 2025 target, now expanded to an additional \$200 million by 2026. The company ended the quarter with \$2.3 billion in cash and remains focused on restoring production levels, reducing controllable costs, and improving profitability into 2026.

## Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
<b>EPS</b>	\$4.86	\$3.06	\$5.46	\$7.62	\$3.25	\$2.56	\$15.58	\$17.34	\$3.70	\$4.64	<b>\$0.07</b>	<b>\$12.20</b>
<b>DPS</b>	\$0.69	\$0.74	\$0.80	\$0.92	\$1.03	\$1.07	\$1.14	\$1.31	\$1.71	\$2.05	<b>\$2.12</b>	<b>\$3.41</b>
<b>Shares<sup>1</sup></b>	130.2	128.9	129.4	128.5	128.4	127.8	127.9	127.5	128.8	128.5	<b>128.3</b>	<b>127.4</b>

Westlake's earnings collapse in 2025 reflects a perfect storm of operational setbacks, weaker demand, and higher costs. Using the midpoint of analyst estimates (\$0.07 EPS for the year), the company is on track for an earnings decline of more than 95% from 2024 levels. The steep drop stems largely from disruptions in the Performance and Essential Materials segment, where planned maintenance turnarounds, unplanned outages, and tariff-related export delays slashed volumes and margins. Higher North American feedstock and energy costs further pressured results, while \$130 million in charges from facility closures and production suspensions added to the pain. Even with modest stability in Housing and Infrastructure Products, these headwinds left full-year profitability at historically low levels, with a forward P/E ratio reflecting the market's expectation of a sharp rebound in 2026.

<sup>1</sup> The shares are in millions.

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Westlake Corporation a global producer of performance and essential materials and housing and infrastructure products, faces cyclical market pressures but remains well-positioned for recovery through cost-reduction initiatives and operational improvements. We value WLK using the earnings power method, applying the company’s total assets to its 10-year average return on assets (ROA) of 7.2%, then dividing by shares outstanding. This yields an earnings power figure of roughly \$11.61 per share, a level that reflects normalized profitability while excluding one-off disruptions such as the 2025 Pernis plant closure. Our 2025 estimate reflects the company’s strong asset base, diversified portfolio, and disciplined capital allocation. Over the next five years, we expect gradual margin recovery, supported by efficiency gains, targeted investments, and steady dividend growth backed by healthy free cash flow.

## 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	7.4	15.0
Avg. Yld.	1.1%	1.5%	1.1%	1.0%	1.5%	1.8%	1.3%	1.2%	1.4%	1.3%	2.5%	1.9%

The forward P/E of 7.4 in 2025 reflects the market’s expectation of a rebound in 2026, making the near-term ratio appear inflated due to the very low current-year profits. 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 earnings power target of \$12.20 and a P/E target of 15.0 by 2030, our target price for the stock stands at \$183 by 2030.

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

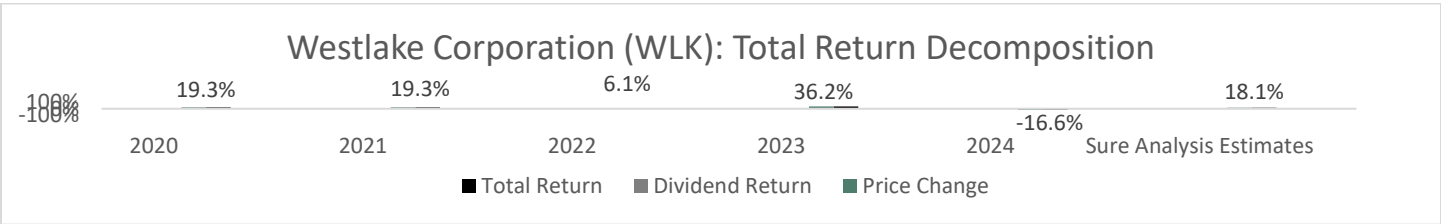
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	14%	24%	15%	12%	32%	42%	7%	8%	46%	44%	18%	28%

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 cyclical nature of the chemical and building materials industries, with earnings closely tied to global economic conditions, supply-demand dynamics, and raw material price fluctuations. During Q2, shares outstanding held steady at 128.3 million in 2025. The company appears to have paused repurchase activity, likely conserving cash amid earnings pressure and elevated dividend commitments.

## 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 hold rating is premised upon the 18.1% annualized total returns for the medium-term, derived from the forecasted earnings-per-share growth of 1.0%, 2.5% dividend yield, a valuation tailwind, and a weak dividend risk score.

## 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.*

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