

FMC Corporation

Back-half weighted '24 guide carries risk; lowering PO to \$54, stay Underperform

Reiterate Rating: UNDERPERFORM | PO: 54.00 USD | Price: 53.45 USD

Weak 1Q guide = risk to full-year outlook, remain U/P

FMC's 2024 guide was soft, but what concerns us the most is the weak 1Q outlook with sales of \$925-1,075mn (-26% y/y) and EBITDA of just \$135-165mn (-59% y/y). This implies Q2-Q4 sales will grow by ~15% (driven almost exclusively by volume) and EBITDA by ~35%, which we view as optimistic at this juncture with no tangible signs of a recovery. As such we model ~\$4.5bn in 2024 sales vs the \$4.5-4.7bn guide. Note that while peer Corteva is guiding to mid-single digit volume growth in 2024 (BofA +4.1%) vs FMC's low-single digit (BofA +2.7%), that is solely due to a stronger Q1. For Q2-Q4 we project FMC volume growth of +12.5% vs +8.5% for CTVA. Given limited visibility in the following quarter (as we witnessed several times since last summer), we remain cautious on FMC's 2024 outlook and remain Underperform. We also refrain from raising our valuation EV/EBITDA multiple of 10x. As such our PO is lowered to \$54 (From \$57) driven by our reduced 2024E EBITDA estimate of \$1.02bn (from \$1.06bn).

Corrective actions could lead to additional challenges

While restructuring actions are needed, the steep decline in profitability and FCF burn have led FMC to take very aggressive actions; these may be welcome in the short-term especially as we think about leverage, but could impact the company's long-term growth. Among others, capex is cut to \$95-105mn in 2024, and we believe will remain at low levels next year too, or ~2% of sales. That is on the low-end of the company's historical ratio and compares to CTVA's 4-5% for its own Crop Protection business. Additionally, the \$150mn in cost savings will result in a significant 8% workforce reduction, which could impact the remaining staff's morale and workload/performance.

We see EBITDA at low-end of 2026 targets

FMC reiterated its 2026 targets of \$5.5-6.0bn in sales and \$1.3-1.5bn in EBITDA. [We remain cautious on the top-line recovery](#) and project sales of \$5bn. To hit the low-end of its sales target, FMC would need to grow revenues by 8-11% in each of the next two years vs 2024, which we believe would require significant price along with restocking and/or material share gains – all of which look like a tall order especially as generic diamides competition could intensify. We are a bit more constructive on earnings, with an unchanged \$1,326mn EBITDA (vs \$1.3-1.5bn target) driven by cost actions.

Estimates (Dec) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	7.41	3.78	4.10	5.25	6.35
GAAP EPS	5.81	10.52	4.10	5.25	6.35
EPS Change (YoY)	6.9%	-49.0%	8.5%	28.0%	21.0%
Consensus EPS (Bloomberg)			4.18	5.35	6.20
DPS	2.12	2.32	2.32	2.32	2.32
Valuation (Dec)					
P/E	7.2x	14.1x	13.0x	10.2x	8.4x
GAAP P/E	9.2x	5.1x	13.0x	10.2x	8.4x
Dividend Yield	4.0%	4.3%	4.3%	4.3%	4.3%
EV / EBITDA*	7.9x	11.4x	10.9x	9.5x	8.4x
Free Cash Flow Yield*	7.7%	-6.5%	9.1%	9.4%	11.5%

* For full definitions of *IQmethod*SM measures, see page 5.

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Refer to important disclosures on page 6 to 8. Analyst Certification on page 4. Price Objective Basis/Risk on page 4.

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07 February 2024

Equity

Key Changes

(US\$)	Previous	Current
Price Obj.	57.00	54.00
2024E Rev (m)	4,605.6	4,508.2
2025E Rev (m)	4,835.9	4,733.7
2026E Rev (m)	5,077.7	4,970.3
2024E EPS	4.20	4.10
2025E EPS	5.15	5.25
2026E EPS	6.20	6.35

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Stock Data

Price	53.45 USD
Price Objective	54.00 USD
Date Established	7-Feb-2024
Investment Opinion	B-3-7
52-Week Range	49.49 USD - 131.77 USD
Mkt Val (mn) / Shares Out (mn)	6,692 USD / 125.2
Free Float	99.4%
Average Daily Value (mn)	83.23 USD
BofA Ticker / Exchange	FMC / NYS
Bloomberg / Reuters	FMC US / FMC.N
ROE (2024E)	11.3%
Net Dbt to Eqty (Dec-2023A)	82.4%
ESGMeter TM	Medium

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to "BofA ESGMeter Methodology".

CPC = crop protection chemicals

HSD = high single digit

iQprofileSM FMC Corporation

iQmethodSM – Bus Performance*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	13.9%	7.8%	7.5%	9.1%	10.4%
Return on Equity	29.1%	12.1%	11.3%	13.5%	15.2%
Operating Margin	21.3%	17.7%	18.6%	21.1%	23.2%
Free Cash Flow	518	(434)	606	631	773

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	0.7x	-0.6x	1.4x	1.1x	1.2x
Asset Replacement Ratio	0.8x	0.7x	0.6x	0.7x	0.9x
Tax Rate	13.7%	14.5%	15.5%	14.5%	14.5%
Net Debt-to-Equity Ratio	79.4%	82.4%	73.2%	62.6%	55.1%
Interest Cover	8.2x	3.3x	3.7x	4.5x	5.4x

Income Statement Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	5,802	4,487	4,508	4,734	4,970
% Change	15.0%	-22.7%	0.5%	5.0%	5.0%
Gross Profit	2,327	1,857	1,846	2,024	2,209
% Change	7.2%	-20.2%	-0.6%	9.6%	9.2%
EBITDA	1,407	978	1,017	1,174	1,326
% Change	6.3%	-30.5%	3.9%	15.4%	13.0%
Net Interest & Other Income	(152)	(237)	(229)	(222)	(212)
Net Income (Adjusted)	939	475	514	660	798
% Change	4.9%	-49.5%	8.4%	28.3%	20.8%

Free Cash Flow Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	939	475	514	660	798
Depreciation & Amortization	169	184	176	174	173
Change in Working Capital	(425)	(1,033)	65	(57)	(68)
Deferred Taxation Charge	(53)	2	0	0	0
Other Adjustments, Net	30	72	(50)	(25)	30
Capital Expenditure	(142)	(134)	(100)	(120)	(160)
Free Cash Flow	518	-434	606	631	773
% Change	-35.2%	NM	NM	4.2%	22.4%
Share / Issue Repurchase	(100)	(76)	0	0	(200)
Cost of Dividends Paid	(268)	(291)	(291)	(292)	(291)
Change in Debt	114	698	(250)	(300)	(100)

Balance Sheet Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	572	302	283	232	324
Trade Receivables	2,871	2,703	2,929	3,090	3,106
Other Current Assets	1,995	2,124	2,044	1,980	2,048
Property, Plant & Equipment	850	893	816	763	750
Other Non-Current Assets	4,883	5,905	5,980	6,030	6,030
Total Assets	11,171	11,926	12,051	12,094	12,257
Short-Term Debt	541	934	684	384	284
Other Current Liabilities	3,259	2,451	2,662	2,701	2,719
Long-Term Debt	2,733	3,024	3,024	3,024	3,024
Other Non-Current Liabilities	1,238	1,085	1,000	910	820
Total Liabilities	7,770	7,493	7,369	7,019	6,846
Total Equity	3,401	4,433	4,682	5,075	5,411
Total Equity & Liabilities	11,171	11,926	12,051	12,094	12,257

* For full definitions of iQmethodSM measures, see page 5.

Company Sector

Chemicals-Major

Company Description

FMC is a leading producer of crop protection chemicals that generated \$4.5bn in sales in 2023. The company is a leading supplier of insecticides, herbicides and fungicides.

Investment Rationale

After significant 2023 sales pressure from channel destocking, 2024 looks quite challenging as well. We also see potential for price pressure in 2024, driven by increased competitive behavior. The shares have been under pressure from risks of generic competition, as the diamide insecticide platform is reaching patent expiries.

Stock Data

Average Daily Volume 1,691,754

Quarterly Earnings Estimates

	2023	2024
Q1	1.77A	0.37E
Q2	0.50A	0.71E
Q3	0.44A	1.14E
Q4	1.07A	1.88E

Exhibit 1: FMC Income Statement Summary

We expect EBITDA to rebound modestly in 2024

	2022	1Q23	2Q23	3Q23	4Q23	2023	1Q24E	2Q24E	3Q24E	4Q24E	2024E	2025E	2026E
Net Sales													
Agricultural Solutions	5,802	1,344	1,015	982	1,146	4,487	1,022	1,061	1,108	1,318	4,508	4,734	4,970
Total Sales	5,802	1,344	1,015	982	1,146	4,487	1,022	1,061	1,108	1,318	4,508	4,734	4,970
Change y-y	15%	0%	-30%	-29%	-29%	-23%	-24%	5%	13%	15%	0%	5%	5%
EBITDA	1,407	362	188	175	254	978	158	213	270	375	1,017	1,174	1,326
Operating Income													
Agricultural Solutions	1,238	317	140	129	208	794	114	169	226	331	841	1,000	1,153
Subtotal	1,238	317	140	129	208	794	114	169	226	331	841	1,000	1,153
Corporate and Other	0	0	0	0	0	0	0	0	0	0	0	0	0
Operating Inc. Before Special Items	1,238	317	140	129	208	794	114	169	226	331	841	1,000	1,153
Change y-y	7%	1%	-56%	-41%	-47%	-36%	-64%	21%	75%	59%	6%	19%	15%
Operating Margin	21.3%	23.6%	13.8%	13.1%	18.2%	17.7%	11.2%	16.0%	20.4%	25.1%	18.6%	21.1%	23.2%
Net Interest Expense	152	51	65	65	57	237	58	63	56	52	229	222	212
Pretax Income	1,086	266	75	64	152	557	56	106	170	279	612	778	941
Pretax Margin	18.7%	19.8%	7.4%	6.6%	13.2%	12.4%	5.5%	10.0%	15.3%	21.2%	13.6%	16.4%	18.9%
Income Tax Expense	149	40	11	10	20	81	9	17	26	43	95	113	136
Tax Rate	13.7%	15.0%	15.0%	14.9%	13.3%	14.5%	15.5%	15.5%	15.5%	15.5%	15.5%	14.5%	14.5%
Noncontrolling Interest	(2)	3	2	(1)	(2)	2	1	1	1	0	3	5	7
Net Income Before Special Items	939	223	63	55	133	475	47	89	143	236	514	660	798
Special Items	(202)	(27)	(32)	(59)	965	847	0	0	0	0	0	0	0
Net Income from Continuing Operations	737	196	31	(3)	1,099	1,322	47	89	143	236	514	660	798
Diluted EPS Before Special Items	\$7.41	\$1.77	\$0.50	\$0.44	\$1.07	\$3.78	\$0.37	\$0.71	\$1.14	\$1.88	\$4.10	\$5.25	\$6.35
Change (Before Special Items)	7%	-6%	-74%	-64%	-55%	-49%	-79%	43%	158%	76%	9%	28%	21%
Special Items	(1.59)	(0.21)	(0.26)	(0.47)	7.71	6.74	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Earnings Per Share	\$5.81	\$1.55	\$0.24	(\$0.03)	\$8.77	\$10.52	\$0.37	\$0.71	\$1.14	\$1.88	\$4.10	\$5.25	\$6.35
Diluted Shares Outstanding (Mil)	126.8	126.1	125.7	125.3	125.2	125.6	125.3	125.3	125.4	125.4	125.3	125.8	125.6
Sales Growth													
Agricultural Solutions	15%	0%	-30%	-29%	-29%	-23%	-24%	5%	13%	15%	0%	5%	5%
EBITDA Margin	24.3%	26.9%	18.5%	17.8%	22.2%	21.8%	15.5%	20.1%	24.4%	28.5%	22.6%	24.8%	26.7%
Operating Margins	21.3%	0.0%	0.0%	0.0%	0.0%	17.7%	0.0%	0.0%	0.0%	0.0%	18.6%	21.1%	23.2%

Source: Company data, BofA Global Research

BofA GLOBAL RESEARCH



Price objective basis & risk

FMC Corporation (FMC)

Our \$54 PO is derived applying a 10x multiple on our 2024E EBITDA estimate. We opt for a multiple of 10x, on the low end of the historical 5-year range of 9-14x, given increased risks to both the crop chemical market and FMC's own diamides franchise.

Upside risks are higher application rates and pricing for crop protection chemicals as supported by macro and weather-related issues, a weaker dollar, a rally in grain prices.

Downside risks are a shift to generic crop chemicals and concerns about litigation risks.

Analyst Certification

I, Steve Byrne, CFA, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

US - Chemicals Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Axalta Coating Systems	AXTA	AXTA US	Steve Byrne, CFA
	Bunge Limited	BG	BG US	Salvator Tiano, CFA
	CF Industries	CF	CF US	Steve Byrne, CFA
	Dow Inc	DOW	DOW US	Steve Byrne, CFA
	Eastman Chemical Co	EMN	EMN US	Salvator Tiano, CFA
	Element Solutions Inc.	ESI	ESI US	Steve Byrne, CFA
	Green Plains	GPPE	GPPE US	Salvator Tiano, CFA
	Huntsman Corp	HUN	HUN US	Salvator Tiano, CFA
	Linde	LIN	LIN US	Steve Byrne, CFA
	Linde	LINGY	LIN GY	Steve Byrne, CFA
	Nutrien	NTR	NTR US	Steve Byrne, CFA
	Olin Corp	OLN	OLN US	Steve Byrne, CFA
	PPG Industries Inc.	PPG	PPG US	Steve Byrne, CFA
	Sigma Lithium	SGML	SGML US	Steve Byrne, CFA
	The Mosaic Company	MOS	MOS US	Steve Byrne, CFA
NEUTRAL				
	Air Products	APD	APD US	Steve Byrne, CFA
	Albemarle	ALB	ALB US	Steve Byrne, CFA
	Archer-Daniels-Midland Company	ADM	ADM US	Salvator Tiano, CFA
	Corteva	CTVA	CTVA US	Steve Byrne, CFA
	Ecolab Inc	ECL	ECL US	Steve Byrne, CFA
	International Flavors & Fragrances	IFF	IFF US	Salvator Tiano, CFA
	LyondellBasell Industries	LYB	LYB US	Steve Byrne, CFA
	Origin Materials	ORGN	ORGN US	Steve Byrne, CFA
UNDERPERFORM				
	Celanese Corporation	CE	CE US	Salvator Tiano, CFA
	DuPont	DD	DD US	Steve Byrne, CFA
	FMC Corporation	FMC	FMC US	Steve Byrne, CFA
	RPM International Inc	RPM	RPM US	Steve Byrne, CFA
	Sherwin-Williams Company	SHW	SHW US	Steve Byrne, CFA
	Westlake Chemical Partners, LP	WLKP	WLKP US	Steve Byrne, CFA
	Westlake Corp	WLK	WLK US	Steve Byrne, CFA

iQmethodSM Measures Definitions

Business Performance

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill Amortization

Shareholders' Equity

Sales

N/A

N/A

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

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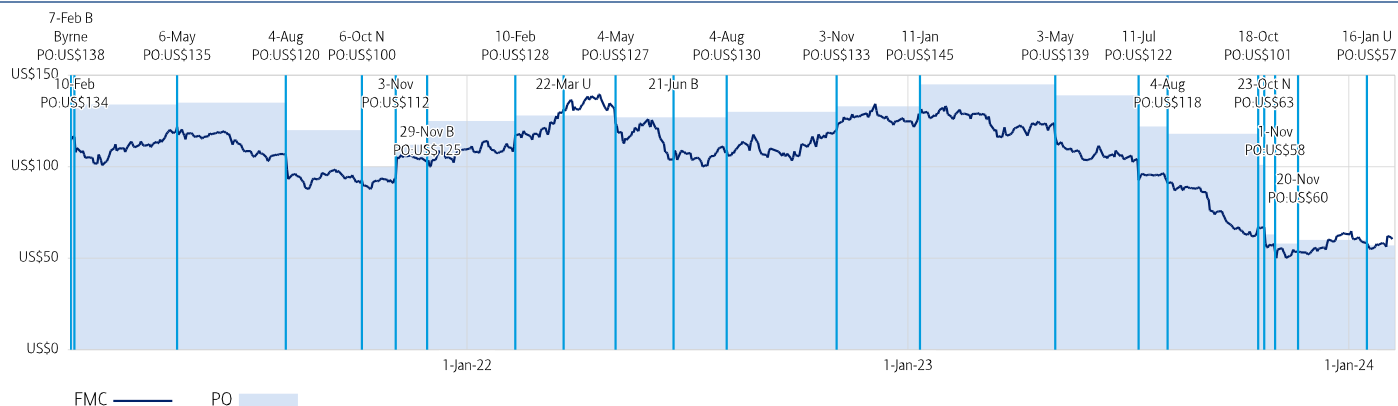
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Disclosures

Important Disclosures

FMC (FMC) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Equity Investment Rating Distribution: Chemicals Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	66	47.83%	Buy	33	50.00%
Hold	33	23.91%	Hold	16	48.48%
Sell	39	28.26%	Sell	20	51.28%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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