

# Olin Corp

# Aggressive actions continue to support earnings floor; reit Buy with \$78 PO

Reiterate Rating: BUY | PO: 78.00 USD | Price: 55.40 USD

# Relative earnings stability despite moving parts

For 2Q23 mgmt expects a small q/q drop in EBITDA led by CAPV/Epoxy. We already expected a decline in CAPV earnings given the deterioration in caustic prices as well as a decline in chlorine prices (although OLN's realizations are supported by previously disclosed contract resets) – in fact we are somewhat increasing our CAP 2Q forecast. The big surprise is how bad the situation is getting in Epoxy, where we may now test break-even levels at least on an EBIT basis. Q2 Epoxy earnings will suffer as more supply comes online in China and demand remains poor, leading to another surge of exports from Asia. In Winchester, OLN's decisive pull-back in 4Q22 is leading to a faster-than-expected recovery. Net-net our 2Q23E EBITDA is lowered to \$421mn from \$438mn, but our 2023 estimate is essentially unchanged at \$1.7bn – as a ~\$100n decline in our Epoxy EBITDA forecast is offset by increased estimates in the other two segments.

# Aggressive actions yielding results; reit Buy w/ \$78 PO

In late March OLN shut down production of cumene in the Netherlands and solid epoxy resin in South Korea and Brazil. This move has little impact on near-term EBITDA, but notably will also not cap Epoxy's "peak" earnings potential per mgmt. With caustic demand/prices dropping, OLN has slowed CAPV operating rates further, now at ~65%. This has allowed OLN to realize pricing in excess of benchmarks, and put a relatively solid floor on earnings. With the strategy working so far and valuation attractive, we reiterate our Buy rating with an unchanged PO of \$78 (based on 8x 2023E EBITDA).

# Significant downstream integration opportunities

Given the tremendous number of chlorine-derived pathways, we see ripe opportunities for OLN to leverage its chlor alkali capacity and expand into downstream end markets via acquisitions or more likely as a low-capex partnerships. Chlorine is a key reactant in ~15,000 downstream products, with ~60% as organic compounds (polymers, crop chemicals, solvents), ~20% inorganic compounds (metal chlorides, TiO2, glyphosate), and ~20% cleaning compounds (bleach). These end markets have no interest in back integrating into chlorine, thus providing leverage to Olin. For some (e.g. epoxy, urethane), the process generates by-product hydrochloric acid (HCI) by-product, and thus OLN's plans to diversify into HCI recovery would require minimal capex.

Estimates (Dec) (US\$)	2021A	2022A	2023E	2024E	2025E
EPS	7.56	8.75	5.60	8.45	11.70
GAAPEPS	7.96	8.94	5.23	8.45	11.70
EPS Change (YoY)	NM	15.7%	-36.0%	50.9%	38.5%
Consensus EPS (Bloomberg)			5.69	7.55	9.11
DPS	0.80	0.80	0.80	0.80	0.80
Valuation (Dec)					
P/E	7.3x	6.3x	9.9x	6.6x	4.7x
GAAP P/E	7.0x	6.2x	10.6x	6.6x	4.7x
Dividend Yield	1.4%	1.4%	1.4%	1.4%	1.4%
EV / EBITDA*	3.9x	4.0x	5.8x	4.9x	4.3x
Free Cash Flow Yield*	20.7%	22.6%	12.8%	15.1%	17.3%
* For full definitions of <i>IQ</i> method <sup>SM</sup> 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.

Timestamp: 30 April 2023 02:27PM EDT

#### 30 April 2023

# Equity

Key Changes		
(US\$)	Previous	Current
2023E Rev (m)	8,631.3	7,648.3
2024E Rev (m)	9,380.9	8,581.5
2025E Rev (m)	9,792.3	9,352.8
2023E EPS	5.35	5.60
2024E EPS	7.90	8.45
2025E EPS	10.90	11.70

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#### **Stock Data**

Price	55.40 USD
Price Objective	78.00 USD
Date Established	17-Apr-2023
Investment Opinion	C-1-7
52-Week Range	41.33 USD - 67.25 USD
Mrkt Val (mn) / Shares Out	7,446 USD / 134.4
(mn)	
Average Daily Value (mn)	75.87 USD
BofA Ticker / Exchange	OLN / NYS
Bloomberg / Reuters	OLN US / OLN.N
ROE (2023E)	28.7%
Net Dbt to Eqty (Dec-2022A)	93.8%
ESGMeter™	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".

## Jargon buster:

CAPV: Chlor-alkali products and vinyls ECU: Electrochemical unit

# **iQ**profile<sup>™</sup>Olin Corp

(US\$ Millions)	2021A	2022A	2023E	2024E	2025
Return on Capital Employed	21.3%	20.8%	13.2%	17.6%	21.19
Return on Equity	60.0%	50.0%	28.7%	38.1%	45.09
Operating Margin	21.4%	19.5%	14.9%	17.0%	18.99
Free Cash Flow	1,540	1,685	956	1,124	1,29
Qmethod <sup>™</sup> – Quality of Earnings*					
(US\$ Millions)	2021A	2022A	2023E	2024E	2025
Cash Realization Ratio	1.4x	1.5x	1.6x	1.4x	1.3
Asset Replacement Ratio	0.3x	0.4x	0.4x	0.5x	0.6
Tax Rate	21.2%	23.0%	26.0%	25.0%	25.0
Net Debt-to-Equity Ratio	98.0%	93.8%	94.8%	88.0%	76.1
Interest Cover	5.5x	12.9x	6.9x	8.8x	10.4
ncome Statement Data (Dec)					
(US\$ Millions)	2021A	2022A	2023E	2024E	202
Sales	8,911	9,376	7.648	8,582	9,35
% Change	54.8%	5.2%	-18.4%	12.2%	9.0
Gross Profit	2,910	2,822	2,131	2,466	2,7
% Change	174.0%	-3.0%	-24.5%	15.7%	12.3
EBITDA	2,493	2,428	1,700	2,011	2,30
% Change	292.3%	-2.6%	-30.0%	18.3%	14.5
Net Interest & Other Income	(348)	(142)	(166)	(167)	(17
	1,230		723	972	1,19
Net Income (Adjusted)		1,298			
Net Income (Adjusted) % Change	NM	5.5%	-44.3%	34.4%	23.0
% Change Free Cash Flow Data (Dec)	NM	5.5%	-44.3%	34.4%	23.0
% Change Free Cash Flow Data (Dec) (US\$ Millions)	NM 2021A	5.5% 2022A	-44.3% 2023E	34.4% 2024E	23.0
% Change Free Cash Flow Data (Dec) US\$ Millions) Net Income from Cont Operations (GAAP)	2021A 1,295	<b>2022A</b> 1,326	-44.3% 2023E 675	<b>34.4% 2024E</b> 972	23.0 202
% Change Free Cash Flow Data (Dec) US\$ Millions) Net Income from Cont Operations (GAAP) Depreciation & Amortization	2021A 1,295 583	<b>2022A</b> 1,326 599	<b>-44.3% 2023E</b> 675 560	<b>2024E</b> 972 549	<b>23.0 202</b> 1,1'
% Change Free Cash Flow Data (Dec) US\$ Millions) Net Income from Cont Operations (GAAP) Depreciation & Amortization Change in Working Capital	2021A 1,295 583 (226)	<b>2022A</b> 1,326 599 62	-44.3%  2023E  675  560 (45)	<b>2024E</b> 972 549 (179)	<b>23.0 202</b> 1,1: 5. (18
% Change Free Cash Flow Data (Dec) US\$ Millions) Net Income from Cont Operations (GAAP) Depreciation & Amortization Change in Working Capital Deferred Taxation Charge	2021A 1,295 583 (226) (43)	<b>2022A</b> 1,326 599 62 (32)	<b>2023E</b> 675 560 (45) (80)	<b>2024E</b> 972 549 (179) 32	<b>23.0 202</b> 1,1: 5. (18
% Change Free Cash Flow Data (Dec) US\$ Millions) Net Income from Cont Operations (GAAP) Depreciation & Amortization Change in Working Capital Deferred Taxation Charge Other Adjustments, Net	2021A 1,295 583 (226) (43) 132	<b>2022A</b> 1,326 599 62 (32) (33)	-44.3%  2023E  675  560  (45)  (80)  71	<b>2024E</b> 972 549 (179) 32 0	<b>202</b> 1,1' 5 (18
% Change  Free Cash Flow Data (Dec)  US\$ Millions)  Net Income from Cont Operations (GAAP)  Depreciation & Amortization  Change in Working Capital  Deferred Taxation Charge  Other Adjustments, Net  Capital Expenditure	2021A 1,295 583 (226) (43) 132 (201)	<b>2022A</b> 1,326 599 62 (32) (33) (237)	-44.3%  2023E  675  560  (45)  (80)  71  (225)	<b>2024E</b> 972 549 (179) 32 0 (250)	<b>202</b> 1,1 5 (18
% Change Free Cash Flow Data (Dec) US\$ Millions) Net Income from Cont Operations (GAAP) Depreciation & Amortization Change in Working Capital Deferred Taxation Charge Other Adjustments, Net	2021A 1,295 583 (226) (43) 132	<b>2022A</b> 1,326 599 62 (32) (33)	-44.3%  2023E  675  560  (45)  (80)  71	<b>2024E</b> 972 549 (179) 32 0	23.0 202 1,1' 5 (18
% Change  Free Cash Flow Data (Dec)  US\$ Millions)  Net Income from Cont Operations (GAAP)  Depreciation & Amortization  Change in Working Capital  Deferred Taxation Charge  Other Adjustments, Net  Capital Expenditure  Free Cash Flow  % Change	2021A 1,295 583 (226) (43) 132 (201) 1,540	<b>2022A</b> 1,326 599 62 (32) (33) (237) <b>1,685</b>	-44.3%  2023E  675  560  (45)  (80)  71  (225)  956	<b>2024E</b> 972 549 (179) 32 0 (250) <b>1,124</b>	23.0
% Change  Free Cash Flow Data (Dec)  US\$ Millions)  Net Income from Cont Operations (GAAP)  Depreciation & Amortization  Change in Working Capital  Deferred Taxation Charge  Other Adjustments, Net  Capital Expenditure  Free Cash Flow  % Change  Balance Sheet Data (Dec)	2021A 1,295 583 (226) (43) 132 (201) 1,540	<b>2022A</b> 1,326 599 62 (32) (33) (237) <b>1,685</b>	-44.3%  2023E  675  560  (45)  (80)  71  (225)  956	<b>2024E</b> 972 549 (179) 32 0 (250) <b>1,124</b>	202 1,1' 5 (18 (30 1,29
% Change  Free Cash Flow Data (Dec)  US\$ Millions)  Net Income from Cont Operations (GAAP)  Depreciation & Amortization  Change in Working Capital  Deferred Taxation Charge  Other Adjustments, Net  Capital Expenditure  Free Cash Flow  % Change  Balance Sheet Data (Dec)	2021A 1,295 583 (226) (43) 132 (201) 1,540 NM	2022A 1,326 599 62 (32) (33) (237) 1,685 9.4%	-44.3%  2023E 675 560 (45) (80) 71 (225) 956 -43.3%	<b>2024E</b> 972 549 (179) 32 0 (250) <b>1,124 17.6%</b>	23.0 202 1,1' 5 (18 (30 1,29 14.9
% Change  Free Cash Flow Data (Dec)  US\$ Millions)  Net Income from Cont Operations (GAAP)  Depreciation & Amortization  Change in Working Capital  Deferred Taxation Charge  Other Adjustments, Net  Capital Expenditure  Free Cash Flow  % Change  Balance Sheet Data (Dec)  US\$ Millions)	2021A 1,295 583 (226) (43) 132 (201) 1,540 NM	2022A 1,326 599 62 (32) (33) (237) 1,685 9.4%	-44.3%  2023E  675  560 (45) (80)  71 (225)  956  -43.3%	2024E 972 549 (179) 32 0 (250) 1,124 17.6%	23.0 202 1,1' 5 (18 (30 1,29 14.9
% Change  Free Cash Flow Data (Dec)  US\$ Millions)  Net Income from Cont Operations (GAAP)  Depreciation & Amortization  Change in Working Capital  Deferred Taxation Charge  Other Adjustments, Net  Capital Expenditure  Free Cash Flow  % Change  Balance Sheet Data (Dec)  US\$ Millions)  Cash & Equivalents	2021A 1,295 583 (226) (43) 132 (201) 1,540 NM  2021A 181 1,107	2022A 1,326 599 62 (32) (33) (237) 1,685 9.4%  2022A 194 925	-44.3%  2023E 675 560 (45) (80) 71 (225) 956 -43.3%  2023E 216 967	34.4%  2024E  972  549 (179)  32  0 (250)  1,124  17.6%  2024E  284  1,129	23.0  202  1,1 5 (18  (30 1,29 14.9
% Change  Free Cash Flow Data (Dec)  US\$ Millions)  Net Income from Cont Operations (GAAP)  Depreciation & Amortization  Change in Working Capital  Deferred Taxation Charge  Other Adjustments, Net  Capital Expenditure  Free Cash Flow  % Change  Salance Sheet Data (Dec)  US\$ Millions)  Cash & Equivalents  Trade Receivables  Other Current Assets	2021A 1,295 583 (226) (43) 132 (201) 1,540 NM	2022A 1,326 599 62 (32) (33) (237) 1,685 9.4%	-44.3%  2023E 675 560 (45) (80) 71 (225) 956 -43.3%	2024E 972 549 (179) 32 0 (250) 1,124 17.6%	23.0 202 1,1 5 (18 (30 1,29 14.9 202 5 1,2 1,1
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% Change  Free Cash Flow Data (Dec)  US\$ Millions)  Net Income from Cont Operations (GAAP)  Depreciation & Amortization  Change in Working Capital  Deferred Taxation Charge  Other Adjustments, Net  Capital Expenditure  Free Cash Flow  % Change  Balance Sheet Data (Dec)  US\$ Millions)  Cash & Equivalents  Trade Receivables  Other Current Assets  Property, Plant & Equipment	2021A 1,295 583 (226) (43) 132 (201) 1,540 NM  2021A 181 1,107 961 2,914 3,356	2022A 1,326 599 62 (32) (33) (237) 1,685 9.4%  2022A 194 925 1,038	-44.3%  2023E 675 560 (45) (80) 71 (225) 956 -43.3%  2023E 216 967 899 2,339	<b>2024E</b> 972 549 (179) 32 0 (250) <b>1,124 17.6% 2024E</b> 284 1,129 968	23.0 202 1,1' 5 (18 (30 1,29 14.9 202 5, 1,2,1,0
% Change  Free Cash Flow Data (Dec)  US\$ Millions)  Net Income from Cont Operations (GAAP)  Depreciation & Amortization  Change in Working Capital  Deferred Taxation Charge  Other Adjustments, Net  Capital Expenditure  Free Cash Flow  % Change  Balance Sheet Data (Dec)  US\$ Millions)  Cash & Equivalents  Trade Receivables  Other Current Assets  Property, Plant & Equipment  Other Non-Current Assets	2021A 1,295 583 (226) (43) 132 (201) 1,540 NM  2021A 181 1,107 961 2,914	2022A 1,326 599 62 (32) (33) (237) 1,685 9.4%  2022A 194 925 1,038 2,674 3,214	-44.3%  2023E 675 560 (45) (80) 71 (225) 956 -43.3%  2023E 216 967 899 2,339 3,246	2024E 972 549 (179) 32 0 (250) 1,124 17.6%  2024E 284 1,129 968 2,041 3,213	23.0 202 1,1' 5 (18 (30 1,29 14.9 202 5 1,2 1,0 1,8 3,1
% Change Free Cash Flow Data (Dec) US\$ Millions) Net Income from Cont Operations (GAAP) Depreciation & Amortization Change in Working Capital Deferred Taxation Charge Other Adjustments, Net Capital Expenditure Free Cash Flow % Change  Balance Sheet Data (Dec) US\$ Millions) Cash & Equivalents Trade Receivables Other Current Assets Property, Plant & Equipment Other Non-Current Assets Total Assets	2021A 1,295 583 (226) (43) 132 (201) 1,540 NM  2021A 181 1,107 961 2,914 3,356 8,518 201	2022A 1,326 599 62 (32) (33) (237) 1,685 9.4%  2022A 194 925 1,038 2,674 3,214 8,044 10	-44.3%  2023E 675 560 (45) (80) 71 (225) 956 -43.3%  2023E 216 967 899 2,339 3,246 7,667 10	2024E 972 549 (179) 32 0 (250) 1,124 17.6%  2024E 284 1,129 968 2,041 3,213 7,634 10	23.0 202 1,1 5 (18 (30 1,29 14.9 202 5 1,2 1,0 1,8 3,1 7,8
% Change  Free Cash Flow Data (Dec)  US\$ Millions)  Net Income from Cont Operations (GAAP)  Depreciation & Amortization  Change in Working Capital  Deferred Taxation Charge  Other Adjustments, Net  Capital Expenditure  Free Cash Flow  % Change  Balance Sheet Data (Dec)  US\$ Millions)  Cash & Equivalents  Trade Receivables  Other Current Assets  Property, Plant & Equipment  Other Non-Current Assets  Total Assets  Short-Term Debt  Other Current Liabilities	2021A 1,295 583 (226) (43) 132 (201) 1,540 NM  2021A 181 1,107 961 2,914 3,356 8,518 201 1,481	2022A 1,326 599 62 (32) (33) (237) 1,685 9.4%  2022A 194 925 1,038 2,674 3,214 8,044 10 1,552	-44.3%  2023E 675 560 (45) (80) 71 (225) 956 -43.3%  2023E 216 967 899 2,339 3,246 7,667 10 1,377	2024E 972 549 (179) 32 0 (250) 1,124 17.6% 2024E 284 1,129 968 2,041 3,213 7,634 10 1,429	23.0 202 1,1' 5. (18 (30 1,29 14.9 202 5,12 1,0 1,8 3,1 7,82
% Change  Free Cash Flow Data (Dec)  US\$ Millions)  Net Income from Cont Operations (GAAP)  Depreciation & Amortization  Change in Working Capital  Deferred Taxation Charge  Other Adjustments, Net  Capital Expenditure  Free Cash Flow  % Change  Balance Sheet Data (Dec)  US\$ Millions)  Cash & Equivalents  Trade Receivables  Other Current Assets  Property, Plant & Equipment  Other Non-Current Assets  Total Assets  Short-Term Debt  Other Current Liabilities  Long-Term Debt	2021A 1,295 583 (226) (43) 132 (201) 1,540 NM  2021A 181 1,107 961 2,914 3,356 8,518 201 1,481 2,578	2022A 1,326 599 62 (32) (33) (237) 1,685 9.4%  2022A 194 925 1,038 2,674 3,214 8,044 10 1,552 2,571	-44.3%  2023E 675 560 (45) (80) 71 (225) 956 -43.3%  2023E 216 967 899 2,339 3,246 7,667 10 1,377 2,571	2024E 972 549 (179) 32 0 (250) 1,124 17.6%  2024E 284 1,129 968 2,041 3,213 7,634 10 1,429 2,571	23.0 202 1,1' 5. (18 (30 1,29 14.9 202 5,12 1,0 1,8 3,1 7,82 1,4
% Change  Free Cash Flow Data (Dec)  US\$ Millions)  Net Income from Cont Operations (GAAP)  Depreciation & Amortization  Change in Working Capital  Deferred Taxation Charge  Other Adjustments, Net  Capital Expenditure  Free Cash Flow  % Change  Balance Sheet Data (Dec)  US\$ Millions)  Cash & Equivalents  Trade Receivables  Other Current Assets  Property, Plant & Equipment  Other Non-Current Assets  Total Assets  Short-Term Debt  Other Current Liabilities	2021A 1,295 583 (226) (43) 132 (201) 1,540 NM  2021A 181 1,107 961 2,914 3,356 8,518 201 1,481 2,578 1,605	2022A 1,326 599 62 (32) (33) (237) 1,685 9.4%  2022A 194 925 1,038 2,674 3,214 8,044 10 1,552 2,571 1,368	-44.3%  2023E 675 560 (45) (80) 71 (225) 956 -43.3%  2023E 216 967 899 2,339 3,246 7,667 10 1,377 2,571 1,216	2024E 972 549 (179) 32 0 (250) 1,124 17.6% 2024E 284 1,129 968 2,041 3,213 7,634 10 1,429 2,571 1,013	23.0 202 1,1' 5. (18 (30 1,29 14.9 202 1,0 1,8 3,1 7,82 1,4 2,5 1,0
% Change Free Cash Flow Data (Dec) US\$ Millions)  Net Income from Cont Operations (GAAP) Depreciation & Amortization Change in Working Capital Deferred Taxation Charge Other Adjustments, Net Capital Expenditure Free Cash Flow % Change  Balance Sheet Data (Dec) US\$ Millions) Cash & Equivalents Trade Receivables Other Current Assets Property, Plant & Equipment Other Non-Current Assets Short-Term Debt Other Current Liabilities Long-Term Debt Other Non-Current Liabilities	2021A 1,295 583 (226) (43) 132 (201) 1,540 NM  2021A 181 1,107 961 2,914 3,356 8,518 201 1,481 2,578	2022A 1,326 599 62 (32) (33) (237) 1,685 9.4%  2022A 194 925 1,038 2,674 3,214 8,044 10 1,552 2,571	-44.3%  2023E 675 560 (45) (80) 71 (225) 956 -43.3%  2023E 216 967 899 2,339 3,246 7,667 10 1,377 2,571	2024E 972 549 (179) 32 0 (250) 1,124 17.6%  2024E 284 1,129 968 2,041 3,213 7,634 10 1,429 2,571	23.0 202 1,1' 5 (18 (30 1,29 14.9 202 5, 1,2 1,0 1,8 3,1 7,82

# **Company Sector**

Chemicals-Specialty

## **Company Description**

Olin is a US-based company with \$8.9bn in 2021 sales from three segments: Chlor Alkali (51% of sales), Epoxy (32%) and Winchester (16%). OLN is the largest global producer of chlorine and caustic soda. Winchester produces small caliber ammunition for commercial, military, law and enforcement. OLN became the largest global producer of chlor-alkali following the transformative acquisition of DOW's Chlorine Business in 2015, tripling its chlor-alkali capacity and adding its Epoxy business.

## **Investment Rationale**

Olin has shown extraordinary leverage to a rebound in its underlying commodity markets. While some of this rebound is undoubtedly cycle driven, and thus potentially a source of eventual downside risk, we believe much can also be attributed to management intervention in the business. While we do see risks to numbers, we believe current valuations more than compensate investors for said risk. We rate shares Buy accordingly.

Stock Data	
Average Daily Volume	1.446.332

## **Quarterly Earnings Estimates**

	2022	2023
Q1	2.49A	1.50A
Q2	2.78A	1.32E
Q3	1.90A	1.34E
Q4	1.48A	1.44E

# **Exhibit 1: Olin summary income statement** \$ Millions, Except Earnings Per Share

Net Sales	2021	1Q22	2Q22	3Q22	4Q22	2022	1Q23	2Q23E	3Q23E	4Q23E	2023E	2024E
Chlor-Alkali	\$4,141	\$1,245	\$1,404	\$1,264	\$1,173	\$5,085	\$1,307	\$1,333	\$1,200	\$1,290	\$5,131	\$5,388
Ероху	3,186	790	773	644	484	2,691	489	541	547	542	2,120	2,544
Winchester	1,584	427	440	414	320	1,601	333	343	352	352	1,380	1,449
Consolidated Net Sales	8,911	2,461	2,616	2,322	1,977	9,376	2,130	2,217	2,100	2,184	8,631	9,381
Change	55%	28%	18%	-1%	-19%	5%	-13%	-15%	-10%	10%	-8%	9%
-												
EBITDA												
Chlor-Alkali	1,464	452	467	375	370	1,664	354	335	296	298	1,283	1,445
Ероху	704	158	160	100	53	472	50	63	81	78	272	367
Winchester	435	125	125	95	52	397	60	67	67	67	261	284
Corporate & Other	(111)	(24)	(25)	(22)	(33)	(105)	(28)	(27)	(28)	(30)	(112)	(112)
Total	2,493	711	727	548	442	2,428	436	438	417	413	1,704	1,984
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Operating Income Before Unusual Items Chlor-Alkali	998	329	347	254	252	1,181	234	215	177	197	823	994
	617	138	140			389	30	43			193	
Epoxy Winchester	412	119	119	80 89	31 46	373	50 54	43 61	61 61	59 62	238	289 262
Corporate & Other	(116)	(26)	(27)	(25)	(35)	(114)	(30)	(29)	(30)	(32)	(121)	(121)
Consolidated Operating Income Before Unusual Items	1,910	559	579	398	293	1,829	288	290	270	285	1,132	1,424
Change	2751%	333	313	330	233	-4%	200	230	270	203	-38%	26%
Change	2/31/0					-470					-30 %	20 70
Interest Expense	348	33	35	36	40	142	38	40	40	41	159	157
Other Expense (Income)	0	0	0	0	0	0	0	0	0	0	0	0
Pretax Income	1,563	527	544	363	254	1,687	250	250	230	244	973	1,267
Income Taxes	331	131	119	88	50	389	69	69	63	67	268	317
Tax Rate	21.2%	24.9%	21.9%	24.3%	19.7%	23.0%	27.5%	27.5%	27.5%	27.5%	27.5%	25.0%
Minority Interest	0	0	0	0	0	0	0	0	0	0	0	0
Income Before Nonrecurring items	1,231	395	425	275	204	1,298	181	181	166	177	705	950
Nonrecurring Items	64	(2)	(3)	41	(8)	28	0	0	0	0	0	0
Net Income	1,295	393	422	315	196	1,326	181	181	166	177	705	950
Diluted FDC Defense Names and	ć7.F.C	ć2.40	ć2.70	ć1 00	ć1 40	ĆO CE	ć1 22	ć1 2 4	ć1 27	ć1 41	ĆE OF	ć7.00
Diluted EPS Before Nonrecurring	\$7.56	\$2.49	\$2.78	\$1.90	\$1.48	\$8.65	\$1.33	\$1.34	\$1.27	\$1.41	\$5.35	\$7.90
Change Before Gains/(Charges)	-420%	62%	61%	-21%	-22%	14%	-47%	-52%	-33%	-5%	-38%	48%
Diluted Shares Outstanding (Million)	162.8	158.6	152.8	144.3	137.7	148.4	136.1	134.7	131.0	125.7	131.9	120.3
Diluted Shales Odistanding (Million)	102.0	130.0	132.0	144.5	137.7	170.7	130.1	134.7	131.0	123.7	131.5	120.5
Segment Sales Growth:												
Chlor-Alkali	39.9%	43.6%	45.1%	18.9%	-5.7%	22.8%	5.0%	-5.0%	-5.0%	10.0%	0.9%	5.0%
Epoxy	70.3%	19.2%	-9.1%	-26.6%	-39.1%	-15.6%	-38.0%	-30.0%	-15.0%	12.0%	-21.2%	20.0%
Winchester	70.8%	9.6%	8.9%	3.5%	-18.1%	1.1%	-22.0%	-22.0%	-15.0%	10.0%	-13.8%	5.0%
EBITDA Margins Before Special Items												
Chlor-Alkali	35.4%	36.3%	33.3%	29.7%	31.5%	32.7%	27.1%	25.1%	24.7%	23.1%	25.0%	26.8%
Ероху	22.1%	20.1%	20.7%	15.6%	10.9%	17.5%	10.2%	11.6%	14.8%	14.4%	12.8%	14.4%
Winchester	27.5%	29.3%	28.5%	22.9%	16.3%	24.8%	18.0%	19.4%	19.0%	19.0%	18.9%	19.6%
Total	28.0%	28.9%	27.8%	23.6%	22.3%	25.9%	20.5%	19.7%	19.8%	18.9%	19.7%	21.1%
Operating Margins Refere Items												
Operating Margins Before Items Chlor-Alkali	24.1%	26.4%	24.7%	20.10/	21 En/	22 20/	17 00/	16 10/	14.8%	15 20/	16.0%	18.5%
Ероху	19.4%	26.4% 17.5%	24.7% 18.1%	20.1% 12.4%	21.5% 6.3%	23.2% 14.4%	17.9% 6.2%	16.1% 7.9%	14.8%	15.2% 10.8%	9.1%	11.3%
Winchester	26.0%	27.9%	27.1%	21.5%	14.3%	23.3%	16.2%	17.8%	17.3%	17.5%	17.2%	18.1%
Consolidated Operating Income Before Unusual Items	21.4%	22.7%	22.1%	17.1%	14.8%	19.5%	13.5%	13.1%	12.8%	13.0%	13.1%	15.2%
Consolidated Operating Income before Orlustian Items	Z 1.7 /0	ZZ.1 70	ZZ. 1 70	17.170	17.070	1 3.3 70	10.070	13.170	12.070	13.070	13.170	13.2 /0

**Source:** Company reports, BofA Global Research

BofA GLOBAL RESEARCH



# Price objective basis & risk

# Olin Corp (OLN)

Our \$78 price objective is based on a 8x 2023E EV/EBITDA multiple. This is 0.5 turns above the average 5 year forward EBITDA multiple at OLN of 7.5x. We see the premium as warranted, given what appears to be a trough in 2023 and a more robust earnings profile in 2024.

Upside risks to our PO are a further acceleration in caustic soda, chlorine and EDC pricing, higher than expected demand growth, lower natural gas prices, and a faster than expected recovery in Epoxy segment earnings. Downside risks to our PO are the potential for near-term caustic price headwinds and EDC price headwinds, higher natural gas prices and a slower than expected recovery in Epoxy earnings.

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

# **US - Chemicals Coverage Cluster**

Investment rating	Company	Bof A Ticker	Bloomberg symbol	Analyst
RSTR				
	Diversey Holdings	DSEY	DSEY US	Steve Byrne, CFA

# **Q**method <sup>™</sup> Measures Definitions

Business Performance	Numerator	Denominator
Return On Capital Employed	NOPAT = (EBIT + Interest Income) $\times$ (1 - Tax Rate) + Goodwill Amortization	Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill
		Amortization
Return On Equity	Net Income	Shareholders' Equity
Operating Margin	Operating Profit	Sales
Earnings Growth	Expected 5 Year CAGR From Latest Actual	N/A
Free Cash Flow	Cash Flow From Operations – Total Capex	N/A
Quality of Earnings	Numerator	Denominator
Cash Realization Ratio	Cash Flow From Operations	Net Income
Asset Replacement Ratio	Capex	Depreciation
Tax Rate	Tax Charge	Pre-Tax Income
Net Debt-To-Equity Ratio	Net Debt = Total Debt - Cash & Equivalents	Total Equity
Interest Cover	EBIT	Interest Expense
Valuation Toolkit	Numerator	Denominator
Price / Earnings Ratio	Current Share Price	Diluted Earnings Per Share (Basis As Specified)
Price / Book Value	Current Share Price	Shareholders' Equity / Current Basic Shares
Dividend Yield	Annualised Declared Cash Dividend	Current Share Price
Free Cash Flow Yield	Cash Flow From Operations – Total Capex	Market Cap = Current Share Price × Current Basic Shares
Enterprise Value / Sales	EV = Current Share Price × Current Shares + Minority Equity + Net Debt +	Sales
	Other LT Liabilities	
EV / EBITDA	Enterprise Value	Basic EBIT + Depreciation + Amortization

\*\*Monethod Shis the set of BofA Global Research standard measures that serve to maintain global consistency under three broad headings: Business Performance, Quality of Earnings, and validations. The key features of iQmethod are: A consistently structured, detailed, and transparent methodology. Guidelines to maximize the effectiveness of the comparative valuation process, and to identify some common pitfalls.

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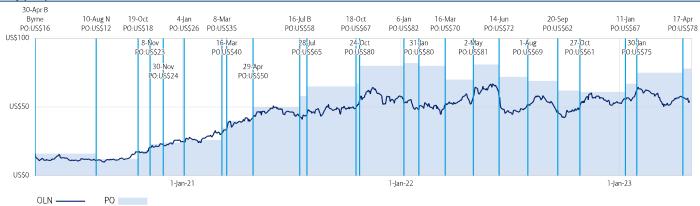
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# **Disclosures**

# **Important Disclosures**

## Olin Corp (OLN) 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 Mar 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships R1	Count	Percent
Buy	68	51.52%	Buy	32	47.06%
Hold	31	23.48%	Hold	19	61.29%
Sell	33	25.00%	Sell	18	54.55%

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

Coverage Universe	Count	Percent	Inv. Banking Relationships R1	Count	Percent
Buy	1869	53.01%	Buy	1030	55.11%
Hold	827	23.45%	Hold	476	57.56%
Sell	830	23.54%	Sell	389	46.87%

Issuers that were investment banking dients 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 Buy Neutral Total return expectation (within 12-month period of date of initial rating) ≥ 10% ≥ 0% Ratings dispersion guidelines for coverage cluster®2 ≤ 70% ≤ 30%

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