

# FMC Corporation

## Raising multiple on post-trough outlook, but the pace of recovery has risks

Reiterate Rating: UNDERPERFORM | PO: 58.00 USD | Price: 66.75 USD

### Destocking ending, but competitive pressures remain

FMC maintained its 2024 revenue guidance despite Q1 sales coming in below the low-end of its \$925-1,075mn outlook (\$918mn). With the Q2 guidance in line with Street/our estimates, the weight of reaching the full-year sales outlook of \$4.5-4.7bn falls even more on 2H24. While mgmt had favorable comments on underlying demand, we remain more cautious on the 2H recovery. Note that the volume contraction in Q1 essentially erased the cumulative volume growth from the prior 5 years (Exh 1), and the same applies to 2Q based on the midpoint of the implied volume guide. But to hit the required 23% y/y growth in 2H, FMC's volumes would have to return to 2021 levels, which is plausible, but we see risks from competitive pricing, weakening farmer economics, heavy exposure to LatAm (~44% of sales), and increased generics, as noted by FMC's peers.

### Staying Underperform w/ 2024E revs below guidance

Given Q1 challenges and 2H concerns, we lowered our 2024 revenue estimate to \$4,459mn from \$4,508mn, below the low-end of the \$4.5-4.7bn guidance. We have raised our volume expectations for 2H by 200bps to 16-17% in light of FMC's positive commentary but we are still far short of FMC's forecast. We raised our 2024E EBITDA estimate by \$9mn to \$1,026mn, driven by cost actions achieved in Q1. Our 2025-26 EBITDA estimates are little changed at \$1,181mn and \$1,332mn, respectively (note that FMC's 2026 EBITDA target is \$1.3-1.5bn). Given signs of demand troughing, we are raising our 2024E EBITDA multiple to 10.5x from 10x, thus lifting our FMC PO to \$58 from \$54. However, valuation and our revenue recovery concerns keep us Underperform.

### New products are a compelling growth driver

New product introductions (NPI) within the last 5 years are on track to represent 17% of FMC's sales in 2024, up from 10% in 2021, and with a larger penetration (~25%) in North America. FMC's R&D platform has steadily expanded, particularly into biologicals, and represents a significant longer term growth driver. FMC's pheromone technology (not toxic but block insect mating) will be launched in late-2025. Not only are new modes of action necessary to counter pest resistance development, but Agchem companies have deemphasized crop chemical research in the last couple decades. FMC will participate in [BofA's virtual AgTech conference on June 6](#).

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	3.72	5.25	6.35
EPS Change (YoY)	6.9%	-49.0%	8.5%	28.0%	21.0%
Consensus EPS (Bloomberg)			3.77	5.05	5.86
DPS	2.12	2.32	2.32	2.32	2.32
Valuation (Dec)					
P/E	9.0x	17.7x	16.3x	12.7x	10.5x
GAAP P/E	11.5x	6.3x	17.9x	12.7x	10.5x
Dividend Yield	3.2%	3.5%	3.5%	3.5%	3.5%
EV / EBITDA*	9.1x	13.1x	12.5x	10.8x	9.6x
Free Cash Flow Yield*	6.2%	-5.2%	7.3%	7.8%	8.8%

\* For full definitions of IQmethod<sup>SM</sup> measures, see page 6.

08 May 2024 Corrected

### Equity

#### Key Changes

(US\$)	Previous	Current
Price Obj.	54.00	58.00
2024E Rev (m)	4,508.2	4,458.8
2025E Rev (m)	4,733.7	4,681.7
2026E Rev (m)	4,970.3	4,915.8

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### Stock Data

Price	66.75 USD
Price Objective	58.00 USD
Date Established	8-May-2024
Investment Opinion	B-3-7
52-Week Range	49.49 USD - 114.66 USD
Mrkt Val (mn) / Shares Out (mn)	8,357 USD / 125.2
Free Float	99.3%
Average Daily Value (mn)	105.41 USD
BofA Ticker / Exchange	FMC / NYS
Bloomberg / Reuters	FMC US / FMC.N
ROE (2024E)	11.4%
Net Dbt to Eqty (Dec-2023A)	82.4%

CPC = crop protection chemicals

HSD = high single digit

BofA Securities does and seeks to do business with issuers covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

Refer to important disclosures on page 7 to 9. Analyst Certification on page 5. Price Objective Basis/Risk on page 5.

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# iQprofile<sup>SM</sup> FMC Corporation

## iQmethod<sup>SM</sup> – Bus Performance\*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	13.9%	7.8%	7.6%	9.2%	10.5%
Return on Equity	29.1%	12.1%	11.4%	13.7%	15.4%
Operating Margin	21.3%	17.7%	19.0%	21.5%	23.4%
Free Cash Flow	518	(434)	608	650	737

## iQmethod<sup>SM</sup> – Quality of Earnings\*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	0.7x	-0.6x	1.4x	1.2x	1.1x
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%	74.4%	63.2%	56.3%
Interest Cover	8.2x	3.3x	3.6x	4.4x	5.3x

## Income Statement Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	5,802	4,487	4,459	4,682	4,916
% Change	15.0%	-22.7%	-0.6%	5.0%	5.0%
Gross Profit	2,327	1,857	1,779	1,994	2,173
% Change	7.2%	-20.2%	-4.2%	12.1%	9.0%
EBITDA	1,407	978	1,026	1,181	1,332
% Change	6.3%	-30.5%	4.8%	15.2%	12.8%
Net Interest & Other Income	(152)	(237)	(234)	(226)	(216)
<b>Net Income (Adjusted)</b>	<b>939</b>	<b>475</b>	<b>514</b>	<b>660</b>	<b>794</b>
<b>% Change</b>	<b>4.9%</b>	<b>-49.5%</b>	<b>8.4%</b>	<b>28.4%</b>	<b>20.2%</b>

## Free Cash Flow Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	939	475	514	660	794
Depreciation & Amortization	169	184	180	177	180
Change in Working Capital	(425)	(870)	97	(43)	(106)
Deferred Taxation Charge	(53)	(1,293)	(7)	0	0
Other Adjustments, Net	30	1,204	(76)	(25)	30
Capital Expenditure	(142)	(134)	(100)	(120)	(160)
<b>Free Cash Flow</b>	<b>518</b>	<b>-434</b>	<b>608</b>	<b>650</b>	<b>737</b>
<b>% Change</b>	<b>-35.2%</b>	<b>NM</b>	<b>NM</b>	<b>6.8%</b>	<b>13.5%</b>
Share / Issue Repurchase	(100)	(77)	(2)	0	(200)
Cost of Dividends Paid	(268)	(291)	(291)	(292)	(290)
Change in Debt	114	699	(250)	(300)	(100)

## Balance Sheet Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	572	302	278	246	303
Trade Receivables	2,871	2,703	3,203	3,121	3,209
Other Current Assets	1,995	2,124	2,175	2,167	2,203
Property, Plant & Equipment	850	893	821	763	744
Other Non-Current Assets	4,883	5,905	6,021	6,071	6,071
<b>Total Assets</b>	<b>11,171</b>	<b>11,926</b>	<b>12,497</b>	<b>12,368</b>	<b>12,530</b>
Short-Term Debt	541	934	681	381	281
Other Current Liabilities	3,259	2,451	3,181	3,048	3,067
Long-Term Debt	2,733	3,024	3,025	3,025	3,025
Other Non-Current Liabilities	1,238	1,085	1,005	915	825
<b>Total Liabilities</b>	<b>7,770</b>	<b>7,493</b>	<b>7,891</b>	<b>7,369</b>	<b>7,197</b>
<b>Total Equity</b>	<b>3,401</b>	<b>4,433</b>	<b>4,606</b>	<b>4,999</b>	<b>5,333</b>
<b>Total Equity &amp; Liabilities</b>	<b>11,171</b>	<b>11,926</b>	<b>12,497</b>	<b>12,368</b>	<b>12,530</b>

\* For full definitions of iQmethod<sup>SM</sup> measures, see page 6.

## 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 1,579,209

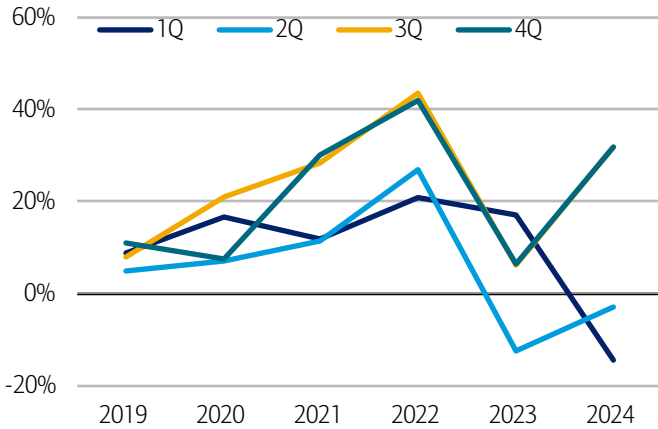
## Quarterly Earnings Estimates

	2023	2024
Q1	1.77A	-0.02A
Q2	0.50A	0.63E
Q3	0.44A	1.14E
Q4	1.07A	1.97E



**Exhibit 1: FMC's cumulative volume trends by quarter**

Volume gain expectations in 3Q and 4Q seem high

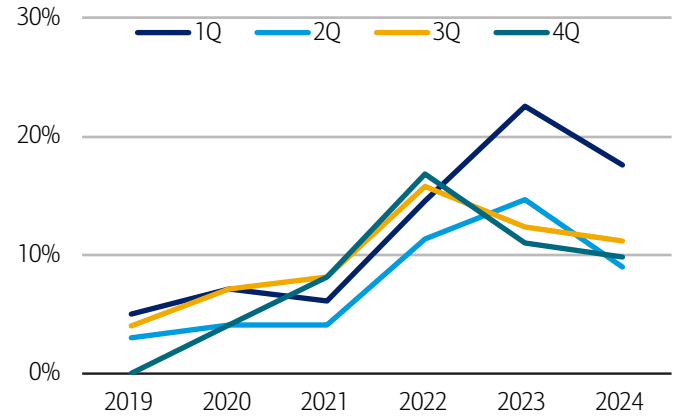


Source: Company data, BofA Global Research

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**Exhibit 2: FMC's cumulative price trends by quarter**

Pricing trends have been negative since mid-2023

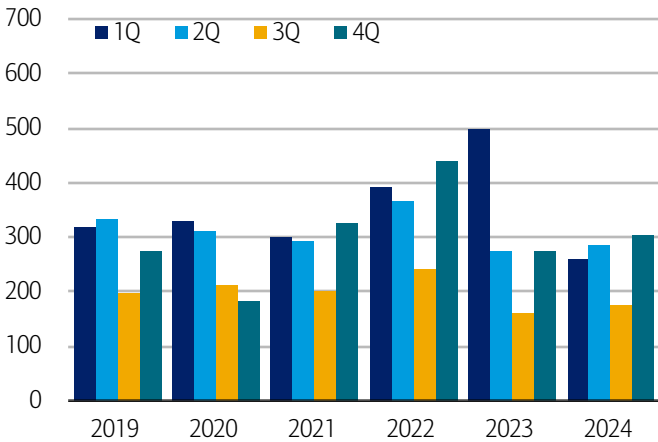


Source: Company data, BofA Global Research

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**Exhibit 3: FMC's North American revenue trends by quarter**

1Q23 was a strong quarter in NA but reversed sharply in 1Q24

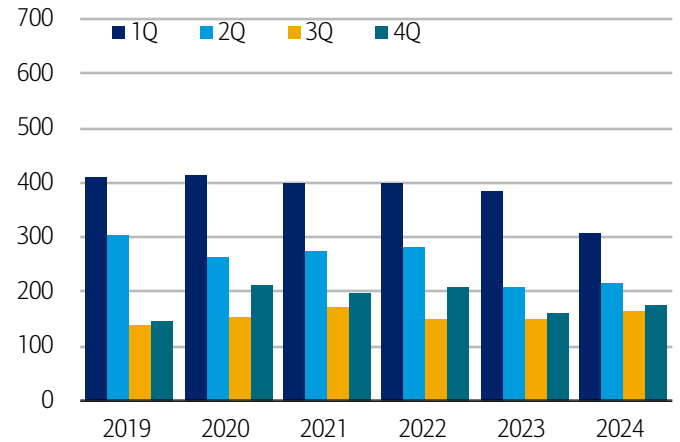


Source: Company data, BofA Global Research

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**Exhibit 4: FMC's European revenue trends by quarter**

FMC's EU business is quite predictable, but fell sharply in 1Q24

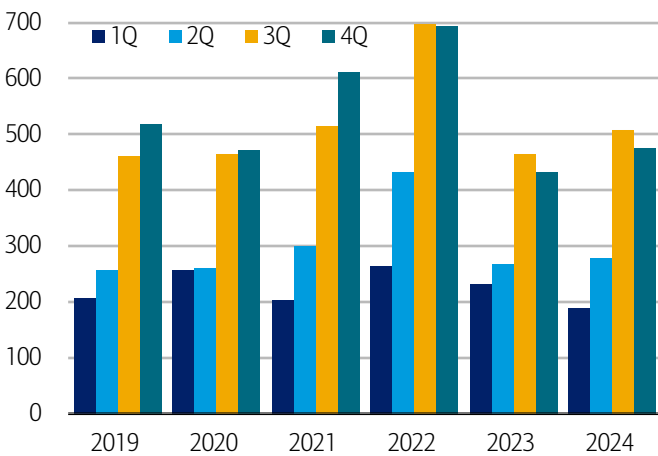


Source: Company data, BofA Global Research

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**Exhibit 5: FMC's Latin American revenue trends by quarter**

FMC's LatAm business represents nearly half sales in 2H

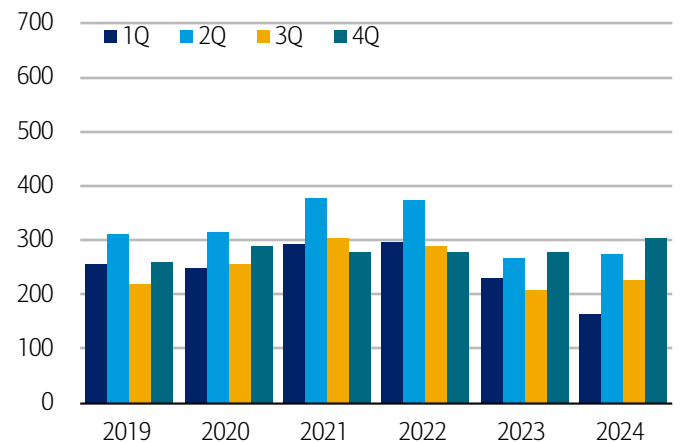


Source: Company data, BofA Global Research

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**Exhibit 6: FMC's Asian revenue trends by quarter**

FMC's Asian business is not very seasonal



Source: Company data, BofA Global Research

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**Exhibit 7: FMC Income Statement Summary**

We expect EBITDA to rebound modestly in 2024

	2022	1Q23	2Q23	3Q23	4Q23	2023	1Q24	2Q24E	3Q24E	4Q24E	2024E	2025E	2026E
<b>Net Sales</b>													
Agricultural Solutions	5,802	1,344	1,015	982	1,146	4,487	918	1,077	1,123	1,341	4,459	4,682	4,916
Total Sales	5,802	1,344	1,015	982	1,146	4,487	918	1,077	1,123	1,341	4,459	4,682	4,916
Change y-y	15%	0%	-30%	-29%	-29%	-23%	-32%	6%	14%	17%	-1%	5%	5%
<b>EBITDA</b>	1,407	362	188	175	254	978	161	202	272	391	1,026	1,181	1,332
<b>Operating Income</b>													
Agricultural Solutions	1,238	317	140	129	208	794	115	156	227	348	846	1,004	1,153
Subtotal	1,238	317	140	129	208	794	115	156	227	348	846	1,004	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	115	156	227	348	846	1,004	1,153
Change y-y	7%	1%	-56%	-41%	-47%	-36%	-64%	11%	76%	67%	6%	19%	15%
Operating Margin	21.3%	23.6%	13.8%	13.1%	18.2%	17.7%	12.5%	14.5%	20.2%	25.9%	19.0%	21.5%	23.4%
Net Interest Expense	152	51	65	65	57	237	62	61	58	53	234	226	216
Pretax Income	1,086	266	75	64	152	557	53	95	169	294	612	778	936
Pretax Margin	18.7%	19.8%	7.4%	6.6%	13.2%	12.4%	5.8%	8.8%	15.1%	22.0%	13.7%	16.6%	19.0%
Income Tax Expense	149	40	11	10	20	81	8	15	26	46	95	113	136
Tax Rate	13.7%	15.0%	15.0%	14.9%	13.3%	14.5%	15.4%	15.5%	15.5%	15.5%	15.5%	14.5%	14.5%
Noncontrolling Interest	(2)	3	2	(1)	(2)	2	(0)	1	1	1	2	5	7
Net Income Before Special Items	939	223	63	55	133	475	45	79	142	247	514	660	794
Special Items	(202)	(27)	(32)	(59)	965	847	(48)	0	0	0	(48)	0	0
Net Income from Continuing Operations	737	196	31	(3)	1,099	1,322	(3)	79	142	247	466	660	794
<b>Diluted EPS Before Special Items</b>	<b>\$7.41</b>	<b>\$1.77</b>	<b>\$0.50</b>	<b>\$0.44</b>	<b>\$1.07</b>	<b>\$3.78</b>	<b>\$0.36</b>	<b>\$0.63</b>	<b>\$1.14</b>	<b>\$1.97</b>	<b>\$4.10</b>	<b>\$5.25</b>	<b>\$6.35</b>
Change (Before Special Items)	7%	-6%	-74%	-64%	-55%	-49%	-80%	27%	157%	85%	9%	28%	21%
Special Items	(1.59)	(0.21)	(0.26)	(0.47)	7.71	6.74	(0.38)	0.00	0.00	0.00	(0.38)	0.00	0.00
Earnings Per Share	\$5.81	\$1.55	\$0.24	(\$0.03)	\$8.77	\$10.52	(\$0.02)	\$0.63	\$1.14	\$1.97	\$3.72	\$5.25	\$6.35
Diluted Shares Outstanding (Mil)	126.8	126.1	125.7	125.3	125.2	125.6	125.2	125.3	125.5	125.6	125.4	125.8	124.9
<b>Sales Growth</b>													
Agricultural Solutions	15%	0%	-30%	-29%	-29%	-23%	-32%	6%	14%	17%	-1%	5%	5%
<b>EBITDA Margin</b>	24.3%	26.9%	18.5%	17.8%	22.2%	21.8%	17.5%	18.7%	24.2%	29.2%	23.0%	25.2%	27.1%
<b>Operating Margins</b>	21.3%	0.0%	0.0%	0.0%	0.0%	17.7%	0.0%	0.0%	0.0%	0.0%	19.0%	21.5%	23.4%

Source: Company data, BofA Global Research

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## Price objective basis & risk

### FMC Corporation (FMC)

Our \$58 PO is derived applying a 10.5x multiple on our 2024E EBITDA estimate. We opt for a multiple of 10.5x, 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 competitive pricing.

## 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
<b>BUY</b>				
	Air Products	APD	APD US	Steve Byrne, CFA
	Albemarle	ALB	ALB US	Steve Byrne, CFA
	Axalta Coating Systems	AXTA	AXTA US	Steve Byrne, CFA
	Bunge Limited	BG	BG US	Salvator Tiano, 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	GPRE	GPRE 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
<b>NEUTRAL</b>				
	Archer-Daniels-Midland Company	ADM	ADM US	Salvator Tiano, CFA
	CF Industries	CF	CF US	Steve Byrne, 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
<b>UNDERPERFORM</b>				
	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 Corp	WLK	WLK US	Steve Byrne, CFA



## iQmethod<sup>SM</sup> Measures Definitions

<b>Business Performance</b>	<b>Numerator</b>	<b>Denominator</b>
Return On Capital Employed	$\text{NOPAT} = (\text{EBIT} + \text{Interest Income}) \times (1 - \text{Tax Rate}) + \text{Goodwill Amortization}$	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
<b>Quality of Earnings</b>	<b>Numerator</b>	<b>Denominator</b>
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
<b>Valuation Toolkit</b>	<b>Numerator</b>	<b>Denominator</b>
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	$\text{EV} = \text{Current Share Price} \times \text{Current Shares} + \text{Minority Equity} + \text{Net Debt} + \text{Other LT Liabilities}$	Sales
EV / EBITDA	Enterprise Value	Basic EBIT + Depreciation + Amortization

iQmethod<sup>SM</sup> is the set of BofA Global Research standard measures that serve to maintain global consistency under three broad headings: Business Performance, Quality of Earnings, and valuations. 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.

iQdatabase<sup>®</sup> is our real-time global research database that is sourced directly from our equity analysts' earnings models and includes forecasted as well as historical data for income statements, balance sheets, and cash flow statements for companies covered by BofA Global Research.

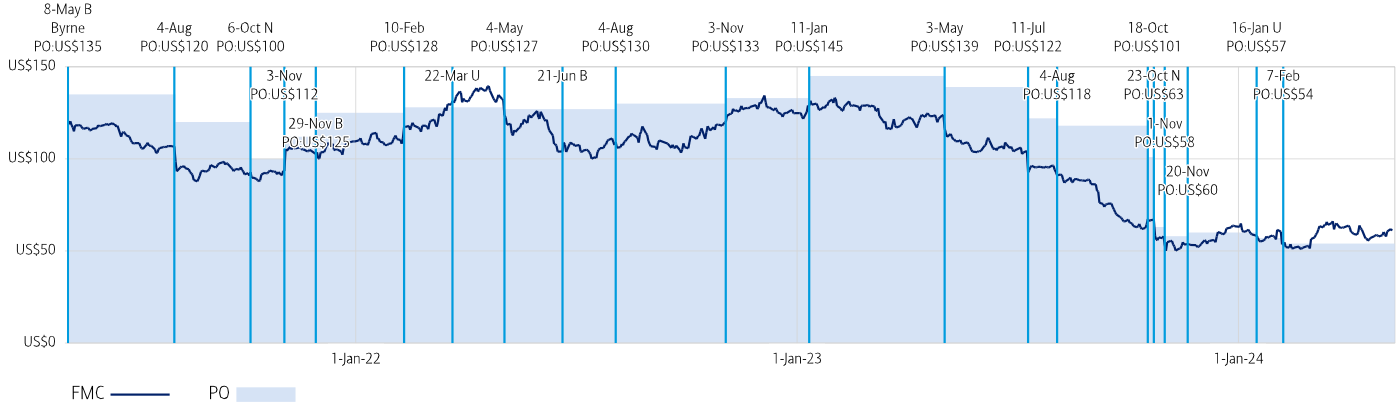
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# Disclosures

## 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 Mar 2024)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	70	48.95%	Buy	33	47.14%
Hold	27	18.88%	Hold	15	55.56%
Sell	46	32.17%	Sell	23	50.00%

### Equity Investment Rating Distribution: Global Group (as of 31 Mar 2024)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	1848	53.43%	Buy	1067	57.74%
Hold	810	23.42%	Hold	468	57.78%
Sell	801	23.16%	Sell	370	46.19%

<sup>R1</sup> 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 <sup>R2</sup>
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

<sup>R2</sup> 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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