DSR STOCK CARD

01/08/2020

THE CHEMOURS (CC)

Business Model

The Chemours is a global provider of chemicals. It delivers customized solutions with a wide range of industrial and specialty chemical products for various markets. The activities are operated through three segments, namely, Titanium Technologies segment, a producer of TiO_2 pigment, a premium white pigment used to deliver whiteness, brightness, opacity, and protection in a variety of applications; Fluoroproducts segment is provider of fluoroproducts, including refrigerants and industrial fluoropolymer resins; and Chemical Solutions segment provides industrial chemicals which are used in gold production, industrials, and consumer applications.

The Company in a Nutshell

- Chemours is getting hurt on the market due to cyclical business and lawsuits issues.
- CC shows a strong growth perspective, notably in the Consumer Electronics & Communication segment.
- Management has always been generous through dividend increases and share buybacks.

Investment Thesis

Chemours has built a patent fortress around many of its products and is a leader in its markets (notably in fluoroproducts). It is well-diversified geographically with 37% of its revenue coming from North America, 26% from Asia Pacific, 24% from EMEA and Latin America 13%. Fluoroproducts are used for growing markets such as air conditioning, refrigeration, and foam blowing agents markets. Management expect, those markets will grow by double-digits through 2025. There is a risk associated with current lawsuits and chemicals sector down cycle. It's not a slam dunk, but worth considering if you can stomach fluctuations.

VALUATION

Dividend Growth Rate Years 1-10: 6.00% **Terminal Dividend Growth Rate:** 6.00%

	Discount Rate (Horizontal)		
Margin of Safety	9.00%	10.00%	11.00%
20% Premium	$42.40	$31.80	$25.44
10% Premium	$38.87	$29.15	$23.32
Intrinsic Value	$35.33	$26.50	$21.20
10% Discount	$31.80	$23.85	$19.08
20% Discount	$28.27	$21.20	$16.96

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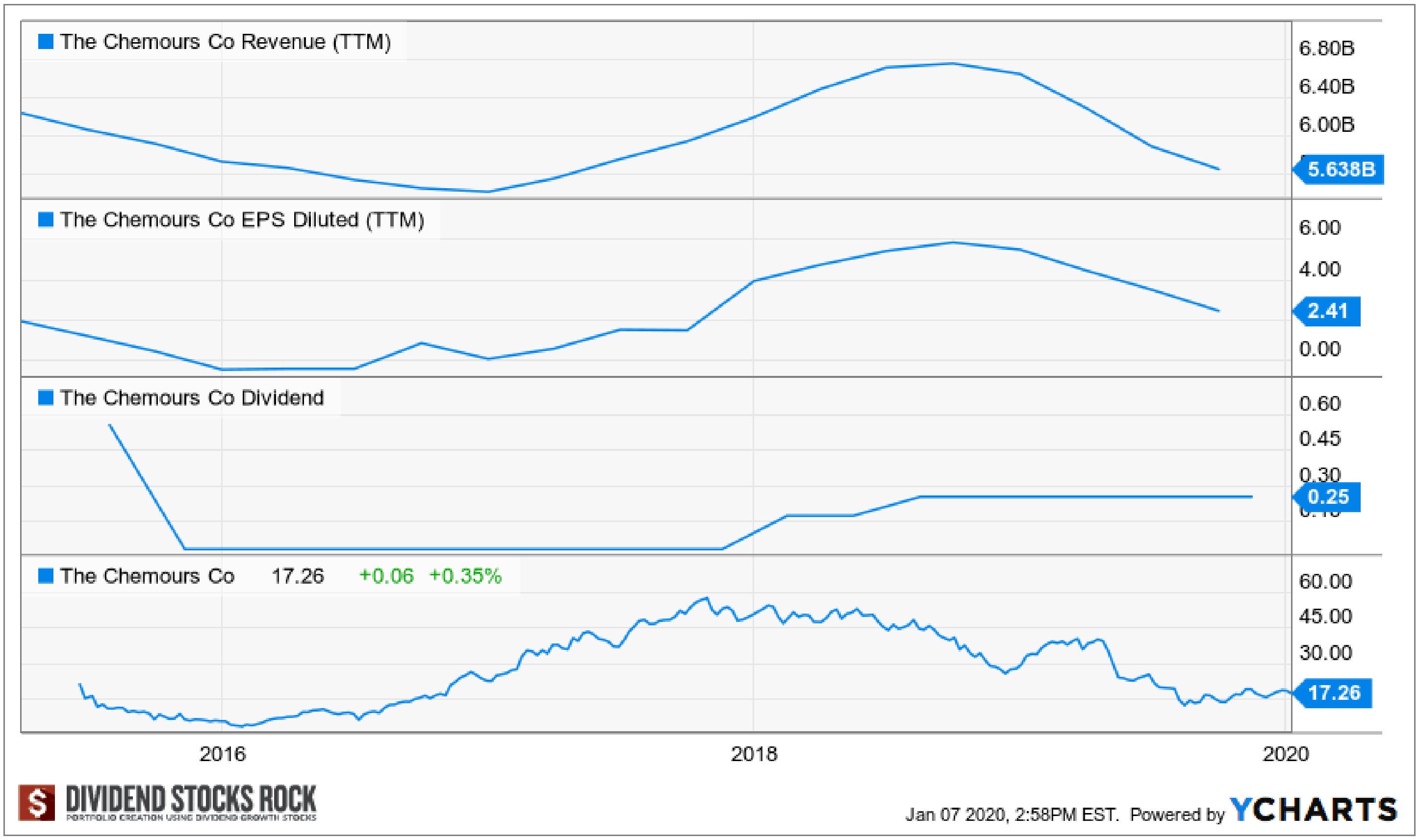

Potential Risks

Worries over titanium oxide (TiO2) demand and potentially harmful litigation arising over environmental issues are real threats. Chemours, for example, claims that it faces more than $200 million in costs to address environmental issues at a North Carolina manufacturing facility. When you have such news around your stock, it tends to go down, rapidly. Combine such concerns with a low-cycle in the chemical sector and you get the perfect recipe for a falling knife. If CC resolves its problems, it may become one of the best plays of 2019. However, there are real risks to consider before entering a position.

Dividend Growth Perspective

Chemours is the result of a spin-off from DuPont in 2015. Since then, the company has proven to be shareholder-friendly through consistent dividend increases and share buybacks. While the dividend history is fairly new, shareholders can expect mid-single-digit dividend growth going forward.