

CELANESE CORP (New York: CE, Currency: USD) 166.9 / -1.03% / -1.73
 Bloomberg Rating: IG2 Sector: Materials Industry: Chemicals Sub-Industry: Specialty Chemicals FY End: December 2020 EPS Due: 1/28/2022

Description
 Celanese Corporation operates as a global integrated producer of chemicals and advanced materials. The Company offers products such as acetyl, acetate, vinyl emulsion, and engineered polymers. Celanese operations serves customers worldwide.

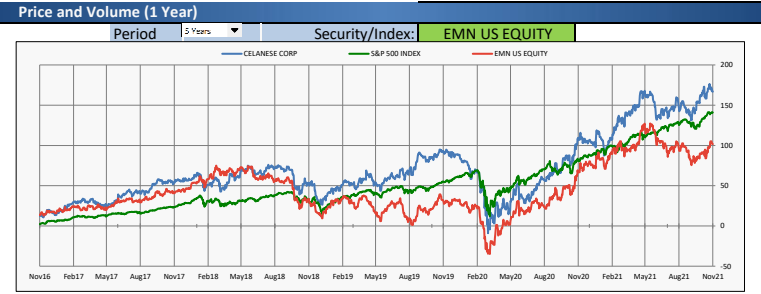
Key Statistics	
52-Week Range	115.42 - 174.04
Avg Daily Vol (3 Mo)	665,847
Market Value	18,170.5
Current Enterprise	21,213.54
Shares Outstanding	108.87 M
Dividend Yield	1.6%
Float %	99.1%
Institutional %	102.6%
Analyst Coverage	25 Analysts
Target Price	193.21
LT Growth Rate	2461.7%
Consensus Rating	4.36
Return on Equity	87.7%

Actual and Estimate Data			
	LTM	12/2021	12/2022
Revenue	7,853.00	8,512.05	8,538.40
% change y/y		50.5%	0.3%
EBITDA	2,002.00	2,853.05	2,457.65
% Margin		93.4%	-13.9%
EPS	15.447268	18.314	15.728
% change y/y		139.7%	-14.1%
EV/Sales	2.5x	2.6x	2.5x
EV/EBITDA	9.7x	7.4x	8.5x
P/Sales	2.4x	2.1x	2.1x
P/Earnings	10.8x	9.1x	10.6x
P/Book	4.6x	4.9x	3.8x

Relative Comps	Mkt Cap	PE (NTM)
Celanese Corp	18.17 B	9.8x
Dow Inc	43.15 B	8.3x
LyondellBasell Industries	30.61 B	5.8x
AdvanSix Inc	1.39 B	10.8x
Kraton Corp	1.47 B	16.4x
Braskem SA	36.35 B	2.9x
Eastman Chemical Co	15.31 B	12.4x
Olin Corp	9.95 B	6.8x
Koppers Holdings Inc	0.71 B	7.0x
Westlake Chemical Corp	12.95 B	6.9x
Methanex Corp	4.22 B	7.3x
DuPont de Nemours Inc	41.08 B	16.7x
Orbia Advance Corp SAB	111.45 B	11.8x
Alpek SAB de CV	44.89 B	8.9x
Huntsman Corp	7.23 B	8.9x

Business Segments (FY: Dec-20)	Revenue
Acetyl Chain	3,055.00
Engineered Materials	2,081.00
Acetate Tow	519.00
Other Activities	

Measure:	Sales/Revenue/Turnover			
	2019	2020	2021	2022
Q1 Mar	1687.00	1460.00	1798.00	2143.46
Q2 Jun	1592.00	1193.00	2198.00	2210.46
Q3 Sep	1586.00	1411.00	2266.00	2117.77
Q4 Dec	1432.00	1591.00	2265.00	2130.42
Year	6297.00	5655.00	8512.05	8538.40
Cal Yr	6297.00	5655.00	8512.05	8538.40
Revision	1 Week	4 Weeks	3 Months	6 Months
Qtr End 12/21	-0.3%	11.8%	16.0%	35.2%
Qtr End 03/22	-1.1%	12.2%	11.4%	18.8%
FY End 12/21	-0.1%	4.4%	5.9%	20.8%
FY End 12/22	-0.3%	3.8%	4.7%	20.3%



Prices/Volume	
YTD Change	28.44%
6 Month Change	11.19%
3 Month Change	7.0%
1 Year Change	89.4%
Daily Volume	457,351
Average Volume 30 Day	671,732
Average Volume 3 Month	665,847
Average Volume 6 Month	706,969
Dividend Yld	1.6%
52 Week Beta	1.07

Recommendation
 We recommend purchase of Celanese Corp (CE) shares based upon strong near-term fundamental improvement, longer-term catalysts, and compelling valuation. We see 50% upside from the current stock price (\$167) to our \$250 DCF derived price target.

Fundamentals / Catalysts
 Celanese's product sales, profit margins, earnings and cash flows declined during 2019 due to a broad based macro-economic slowdown in Asia (30% of company sales) especially in China. Business conditions deteriorated even further in 2020 as Covid decimated the global economy. Celanese's fundamentals have rapidly recovered in 2021, however, as the effects of the pandemic dissipated. Revenue and EPS rebounded 50% and 140%, respectively, during 2021. CE exceeded Wall Street forecasts in recent quarters and raised its forward-looking financial guidance several times. A continued cyclical post-Covid recovery in the global economy (especially China) would certainly act as a catalyst for CE shares. From a secular perspective, CE is attempting to transform itself from a basic commodity chemical company (coatings, adhesives) to a faster growing / higher margin specialty chemical firm. Research and Development efforts are focused on increasing exposure to Solar Panels, Electric Vehicles, and 5g end markets which should grow significantly faster than the overall economy.

Balance Sheet / Cash Flow
 While Celanese's debt to capital (50%) is just in line with industry peers (Dow, Eastman, Huntsman), its Ebitda / Interest Expense coverage ratio (10x) is 30% above the competition. CE has consistently generated positive Free Cash Flow in each of the past 10 years. Over the past decade, the company's Cash Flows have been deployed towards steadily increasing dividends, small targeted acquisitions, and a series of large share repurchase programs.

Valuation
 We derived a price target of \$250 (50% upside) based on a 3 stage Discounted Cash Flow (DCF) Model, utilizing conservative growth and discount rate assumptions. Significant upside to our price target exists if the company can successfully execute on its business transformation plan focusing on faster growing and higher margin products. While CE trades at the mid-point of its historical valuation range on a P/E, Ebitda, and FCF basis, and in-line with other basic commodity chemical firms (Dow, Eastman, Huntsman) the company trades at only 1/4 the valuation of faster growing / higher margin specialty chemical peers (Avient, Ashland, Albermarle, Ingevity, RPM, Sensient and Quaker).

Risks
 Key risks include a slowdown in economic growth in Asia, particular China, which is an important end market for Celanese. After rapid growth during the first decade of this century, China's rate of GDP growth has sharply decelerated over the past 10 years. It is unclear whether the faster growth witnessed in 2021 is sustainable or just a short-lived post Covid bounce. Another key risk is the inflation of raw material feedstocks such as natural gas and oil. High input costs combined with the potential inability to raise selling prices would pressure profit margins. And finally, upside to Celanese's stock price is largely contingent upon management's ability to successfully execute its business transformation plan in terms of developing new products and end markets.

Measure:	Diluted EPS Bef X0 Items			
	2019	2020	2021	2022
Q1 Mar	2.64	1.88	2.83	3.93
Q2 Jun	1.67	0.93	4.81	4.08
Q3 Sep	2.17	1.76	4.67	3.82
Q4 Dec	0.35	12.50	5.00	3.66
Year	6.89	16.85	17.45	15.43
Cal Yr	6.89	16.85	17.45	15.43
Revision	1 Week	4 Weeks	3 Months	6 Months
Qtr End 12/21	0.0%	25.6%	39.3%	-
Qtr End 03/22	0.9%	13.6%	11.9%	-
FY End 12/21	-0.1%	6.0%	8.5%	-
FY End 12/22	0.4%	6.7%	11.9%	-

Performance		2012	2013	2014	2015	2016	2017	2018	2019	2020	5 Yr Avg
Price Change		0.6%	24.2%	8.4%	12.3%	16.9%	36.0%	-16.0%	36.8%	5.5%	15.9%
S&P 500 INDEX		13.4%	29.6%	11.4%	-0.7%	9.5%	19.4%	-6.2%	28.9%	16.3%	13.6%
Industry (INDU Index)		7.3%	26.5%	7.5%	-2.2%	13.4%	25.1%	-5.6%	22.3%	7.2%	12.5%
Div Yield		0.6%	1.0%	1.6%	1.7%	1.8%	1.6%	2.3%	1.9%	1.9%	1.9%
Financials		12/12 Y	12/13 Y	12/14 Y	12/15 Y	12/16 Y	12/17 Y	12/18 Y	12/19 Y	12/20 Y	5 Yr CAGR
Sales		6,418.0	6,510.0	6,802.0	5,674.0	5,389.0	6,140.0	7,155.0	6,297.0	5,655.0	-0.1%
EBITDA		495.0	1,827.0	1,056.0	689.0	1,229.0	1,167.0	1,683.0	1,222.0	1,065.0	9.1%
EBIT		175.0	1,508.0	758.0	326.0	934.0	857.0	1,334.0	827.0	669.0	15.5%
Net Income		372.0	1,101.0	624.0	304.0	900.0	843.0	1,207.0	852.0	1,985.0	45.5%
EPS (Diluted)		2.33	6.91	4.00	2.00	6.18	6.09	8.91	6.84	16.75	53.0%
Dividends per Share		0.27	0.53	0.93	1.15	1.38	1.74	2.08	2.40	2.48	16.6%
Shares for Fully Diluted		159.8	159.3	156.2	152.3	145.7	138.3	135.4	124.7	118.5	-4.9%
Book Value per Share		10.84	17.20	18.43	16.20	18.40	21.26	23.30	20.97	30.88	13.8%
Cash & Near Cash		959.0	984.0	780.0	967.0	638.0	576.0	439.0	463.0	955.0	-0.2%
Total Assets		9,000.0	9,018.0	8,796.0	8,586.0	8,357.0	9,538.0	9,313.0	9,476.0	10,909.0	4.9%
Working Cap		1,484.0	1,637.0	1,360.0	1,237.0	1,395.0	1,233.0	1,095.0	1,011.0	1,790.0	7.7%
LT Debt		2,930.0	2,887.0	2,586.0	2,468.0	2,890.0	3,315.0	2,970.0	3,590.0	3,435.0	6.8%
Cash Flow-Oper Activiti		722.0	762.0	962.0	862.0	893.0	803.0	1,558.0	1,454.0	1,343.0	9.3%
Capital Expenditures		410.0	377.0	678.0	520.0	246.0	267.0	337.0	370.0	364.0	-6.9%
Free Cash Flow		312.0	385.0	284.0	342.0	647.0	536.0	1,221.0	1,084.0	979.0	23.4%
Ratios		12/12 Y	12/13 Y	12/14 Y	12/15 Y	12/16 Y	12/17 Y	12/18 Y	12/19 Y	12/20 Y	5 Yr Avg
Gross Margin		18.4%	21.0%	23.8%	23.2%	26.1%	24.6%	27.6%	25.5%	22.9%	25.3%
EBITDA Margin		7.7%	28.1%	15.5%	12.1%	22.8%	19.0%	23.5%	19.4%	18.8%	20.7%
EBIT Margin		2.7%	23.2%	11.1%	5.7%	17.3%	14.0%	18.6%	13.1%	11.8%	15.0%
Profit Margin		5.8%	16.9%	9.2%	5.4%	16.7%	13.7%	16.9%	13.5%	35.1%	19.2%
Return on Assets		4.2	12.2	7.0	3.5	10.6	9.4	12.8	9.1	19.5	12.3
Return on Com Eqty		24.2	49.7	22.6	11.7	36.2	30.8	41.1	31.0	65.8	41.0
Asset Turnover		0.7	0.7	0.8	0.7	0.6	0.7	0.8	0.7	0.6	0.7
Assets/Equity		5.2	3.3	2.9	3.0	2.8	2.9	2.8	3.3	2.8	2.9
Net Inc per 1000 Empl		49.3	148.2	83.6	42.9	123.4	111.0	157.1	110.4	259.2	152.2
Days Sales Out (DSO)		48.4	47.5	44.8	48.5	51.2	53.1	51.1	54.1	53.1	52.5
Acc Pay Turn Days (DPO)		46.2	50.5	55.0	57.6	55.1	54.3	55.7	62.3	67.1	58.9
Current Ratio		2.1	2.1	2.0	1.8	2.3	1.8	1.6	1.6	1.9	1.8
Quick Ratio		1.4	1.2	1.2	1.1	1.4	1.0	0.8	0.8	1.2	1.0
Total Debts/Total Capiti		64.2	53.2	46.9	51.3	49.9	52.5	51.1	58.7	50.5	52.5
Total Debt/Total Equity		179.1	113.5	88.5	105.4	99.6	110.4	104.5	142.0	101.8	111.7

Valuation Summary				
12/31/2020	5 Year Periodicity: Yearly			
	High	Low	Avg	
P/E (LTM)	17.0x	21.8x	6.2x	14.0x
P/E (NTM)	10.4x	14.0x	8.0x	11.2x
PEG (NTM)	0.4x	3.1x	0.4x	1.9x
P/Bk	4.2x	5.9x	3.9x	4.8x
P/CF	11.4x	18.4x	7.8x	12.6x
P/Sales	2.7x	3.5x	1.7x	2.5x
EV/EBITDA	16.6x	16.6x	8.9x	13.5x
EV/Sales	3.1x	3.1x	2.1x	2.7x
Div Yield	1.9%	2.3%	1.5%	1.8%

Growth Rate (CAGR) Summary				
	1Yr	3Yr	5Yr	10Yr
Sales	-10.2%	-2.7%	-0.1%	-0.5%
EBIT	-19.1%	-7.9%	15.5%	2.9%
EBITDA	-12.8%	-3.0%	9.1%	2.9%
Net Income	133.0%	33.0%	45.5%	18.1%
EPS (Diluted)	144.9%	40.1%	53.0%	21.5%
Dividends	3.3%	12.5%	16.6%	30.0%
BVPS	47.3%	13.2%	13.8%	17.9%
Free Cash Flow	-5.0%	28.8%	29.7%	