HUNTSMAN

Enriching lives through innovation

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Investment Report

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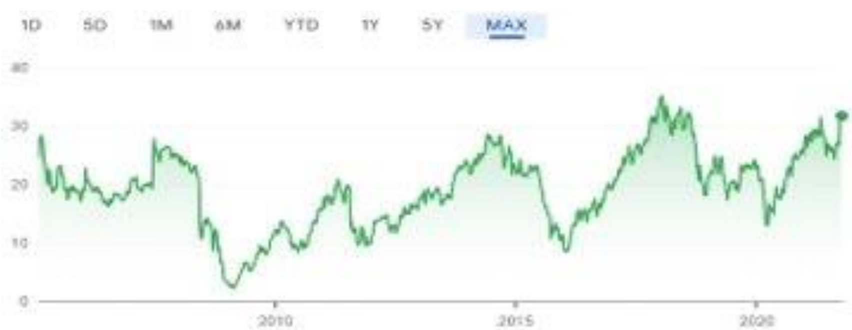
Investment Summary & Thesis

Huntsman Corporation operates one of the leading diversified markets within the chemical industry. Manufacturing and providing goods within thirteen unique markets positions the company to continue growing in an area of the Basic Materials sector which is incredibly difficult to enter and establish a foothold in.

I am initiating a buy order of Huntsman Corp. (HUN) shares with a 12-month target price of $42.85. This price target presents a potential upside of 34% from the original $31.87 price per share.



Source: TD Ameritrade

Price	**31.87**
Market Cap	**6.26 Bil**
Div Yield	**2.35%**
Beta (5yr)	**1.29**
P/E	**9.90**
ROE	**18.10%**
ROA	**7.5%**
ROI	**6.9%**

Source: Thompson Reuters: Eikon Refinitiv

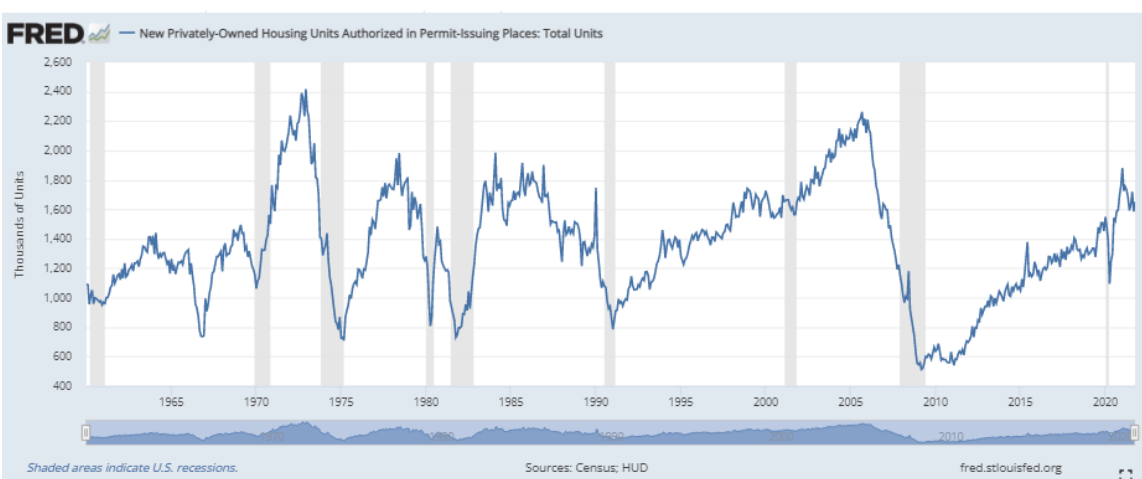
Key Drivers

Working Capital/Investments

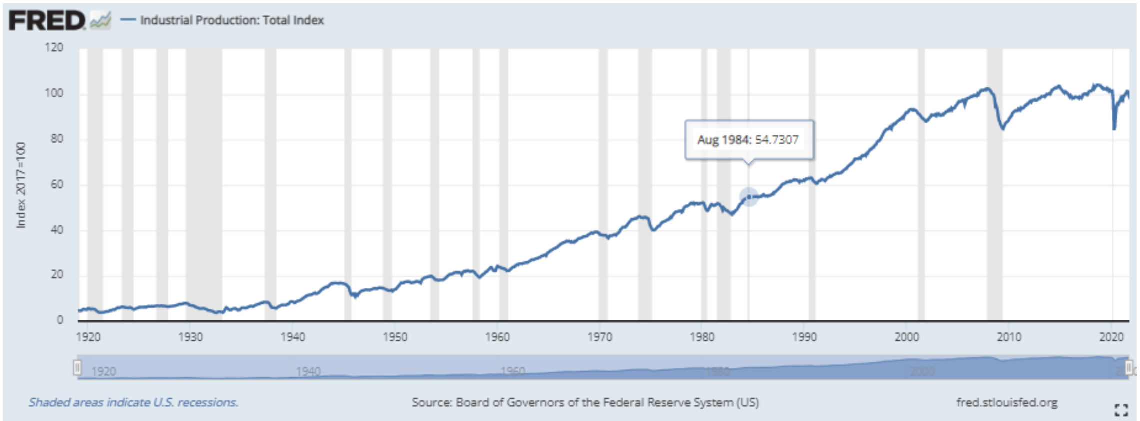
Huntsman has a long history since the company's start in the 1970s of acquiring businesses or manufacturing sites when needed and advantageous, and offloading them when their advantages wane or become obsolete within the company. Two recent investments into these types of operations will be major drivers of the company: expansion of their Hungary facility, and their expansion into South Korea with KPX Chemical to create KPX Huntsman - Polyurethanes Automotive Co., Ltd. (KHPUA). Huntsman's Hungary facility focuses on trademarked amine catalysts, which are in high demand due to the growing need for low emission and odor consumer products. The company believes this expansion positions the for significant growth under growing sustainability trends, and the Hungary government seems to agree after investing a grant of $3.8 million USD into the expansion. KHPUA, is an effort by both allied companies to take full advantage of a growing push toward lightweight and sustainable electric vehicles in the Asian markets, especially in South Korea. Each of these investments will allow the company to push steadily into the future under sustainable frameworks.

Growing client industries

The company has a unique advantage over most businesses across all sectors: the clients of the company are rapidly growing as well. The three main industries where this advantage is demonstrated are semi-conductors, construction, and electric vehicles. According to Yahoo! Finance, the semiconductor market is forecasted to nearly double in market capitalization with a 6.6% CAGR from 430 billion in 2021 to 808.5 billion in 2030. FRED data shows that the construction industry has had continued and especially recent growth under the metrics of New Privately-Owned Housing Units Authorized in Permit-Issuing Places, Industrial Production, and Total Construction Spending: Total Construction in the United States. Electric Vehicles are forecasted to grow at a CAGR of 27.19% from $171.26 billion in 2020, to $725.14 billion in 2026, while the Electric Vehicle Charging Infrastructure Market is expected to grow at a CAGR of 36.64% from 2020 to 2025 by $37.10 billion, according to Yahoo! Finance. Continued and rapid growth in the company's clients will mean the same for Huntsman Corp., which manufactures and provides so many of the materials vital to each of these expanding industries, as long as they keep up with the required growth.



Source: FRED



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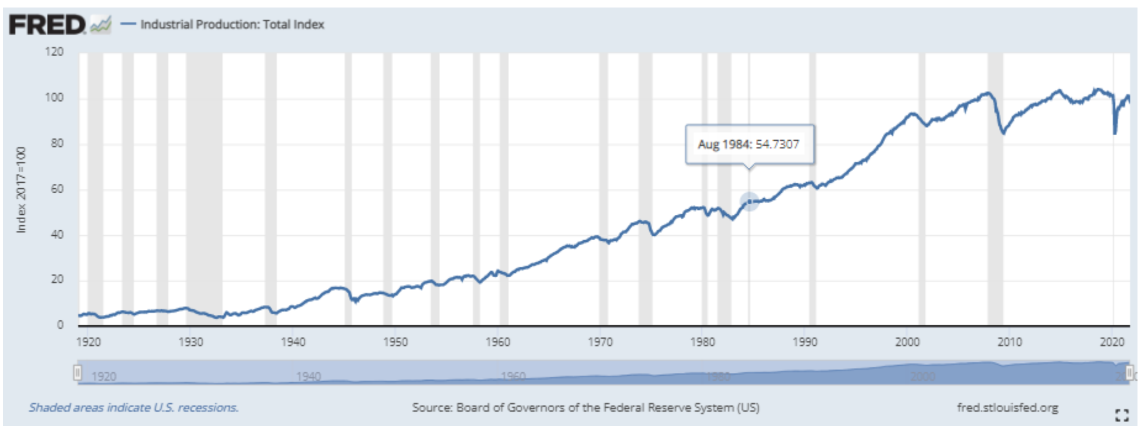


Source: FRED

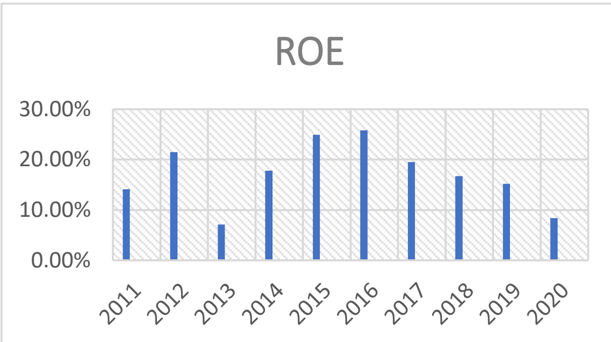
Dividends

Huntsman Corp. has consistently issued steadily growing dividends since it began issuance in 2007. The company pays these dividends steadily, several times per year, and they have nearly doubled since 2007, from 0.1 to 0.188. This will attract dividend investors, as well as investors searching for long established and steadily growing value stocks.

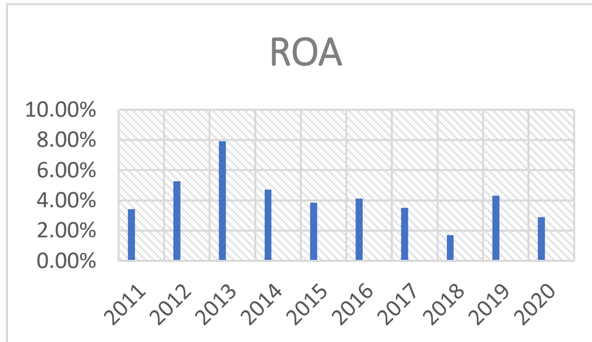
Sustainability

Huntsman Corp. has long known that sustainability is the path forward, and has been issuing sustainability reports on the company since as early as 2010. The company not only knows that their products must be sustainable for clients continued use of their products, and they pride themselves on their ability to deliver on these efforts above their competitors. Many companies specifically seek out Huntsman for their sustainable products, such as their amine catalysts; this is a huge industry advantage over their competitors when the customer base is seeking out their products over the competition.

Financial Analysis



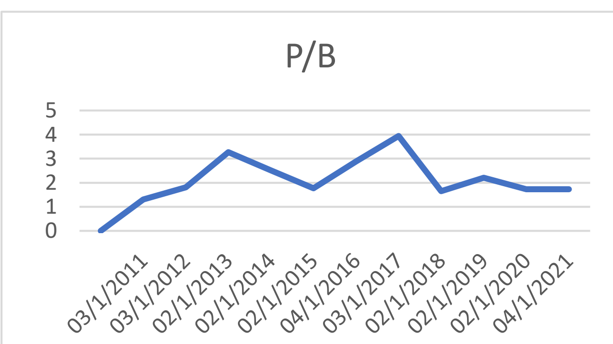
Source: Thompson Reuters: Eikon Refinitiv



Source: Thompson Reuters: Eikon Refinitiv

ROE & ROA

ROE and ROA are the Return on Equity and the Return on Assets ratios for a given security, which are used as a measure for determining potential profitability of a company. ROE and ROE relate net income to the company's total shareholder equity and total assets, respectively. HUN is showing negative CAGRs for both ROE () and ROA () over the last 10 years. ROE is currently above the average of Huntsman's competitors when compared to direct peers in the industry. Both measures are expected to increase with revenues from rapidly expanding clientele industries.



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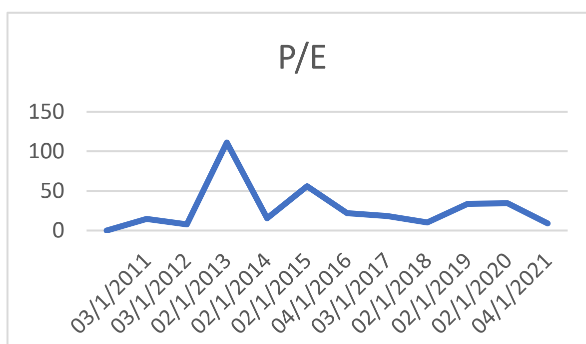
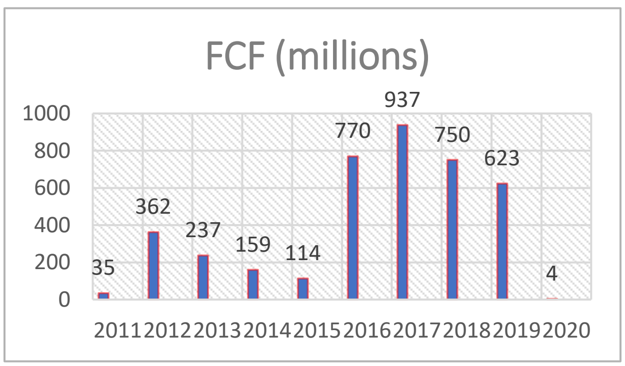


Source: Thompson Reuters: Eikon Refinitiv

P/B & P/E

P/B and P/E are Price to Book and Price to Earnings ratios which pertain to an individual public company, in order to assist in determining the value of the company. These ratios compare the price of the company's shares to the book value and earnings per share, respectively. Huntsman has operated at a P/B between one and three for all but one year (2018) in the last 10 years at 3.9, suggesting that the price maintains a steady relationship with the determined book value of the company. The P/E of Huntsman over the last 10 years is at a CAGR of (), with the lowest P/E seen in the most recent year (2021). This suggests that the stock may be currently undervalued or closer to the company's real value. In addition, this P/E 0f 8.83 in 2021 is more than 50 less than both leading peer competitors (DuPont, FMC) for the same year.



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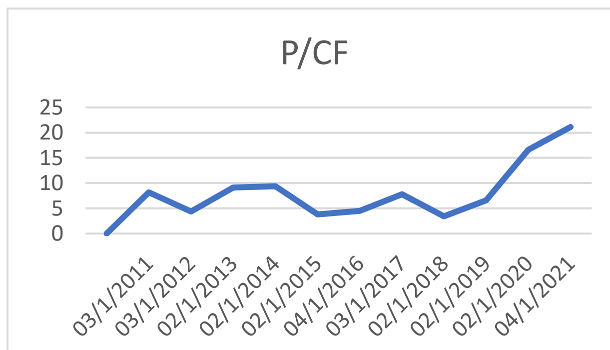
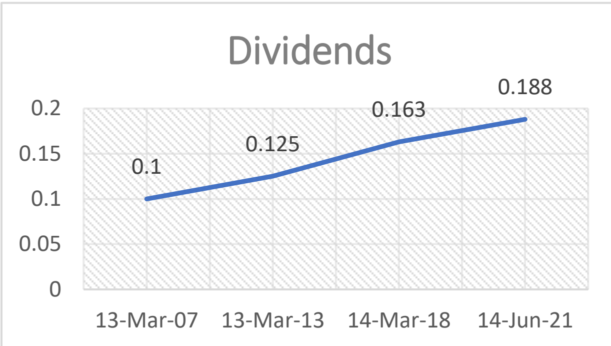


Source: Thompson Reuters: Eikon Refinitiv

FCF & P/CF

Free cash flows are the liquid cash companies hold at a time, while P/CF (Price-to-Cash Flows) is a ratio used to compare the free cash flows of a company to the price of its share, in order to act as a measurement of a company's value. Due to constant mergers, acquisitions, and offloading of those which have become obsolete, HUN has a high fluctuation in free cash flows, with an average of $398.10 (millions) over the previous 10-year period from 2011 to 2020.The company's lowest year of free cash flows was 2020 with $4 million, which can be directly seen in the company's P/CF which shot up in 2020, leaving the normal operating range of 3 to 10 for the first time by over 6. The drop in cash flows is due to recent project investments and payment of long-term debt, and is expected to return back to at least the average of the previous ten years; lowering the P/CF ratio along with it.



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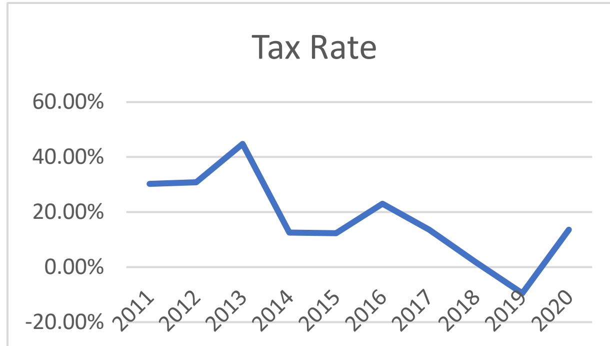

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Dividends & Tax Rate

Huntsman has enjoyed both a positive CAGR () for dividends and a negative CAGR () for their tax rate. The company has consistently paid growing dividends multiple times per year since 2007, a promising reason for long term investment, and suggests the company is operating strong financially in order to make constant and increasing payments. The tax rate for Huntsman in 2020 was more than 26% lower than in 2011, creating a positive overall trend in the company's tax rate. 2020 had a sharp reversal from the previous four-year decline following the reversal of many items from the previous administration's tax plan to the Biden administration presidency, a potential risk for investors if the trend should continue, instead of stabilize around previous rates prior to 2016.

Name	RIC	ACT_FLAG1	Last	PE	Est. PE	EPS	Ccy	DPS	Ccy	Div. Yld (%)	ROE (%)	P/Book	P/Sales	Mcap
Huntsman Corp	HUN		31.78	27.24	11.87	1.17	USD	0.75	USD	2.36	8.41	2.02	1.17	7,057,370,788.20
Sector average (Mean)	--		--	24.87	16.23	-0.70	USD	1.07	USD	1.79	-30.62	2.84	18.80	8,192,450,054.38
Sector median	--		--	23.53	17.69	-0.03	USD	1.03	USD	1.75	-9.42	2.30	1.78	5,026,635,816.65
Dupont De Nemours Inc	DD		70.03	--	18.53	-3.95	USD	1.20	USD	1.73	-7.30	0.94	1.78	36,205,984,220.24
FMC Corp	FMC		88.79	19.82	12.35	4.43	USD	1.92	USD	2.19	21.11	3.82	2.43	11,301,093,172.47
Huntsman Corp	HUN		31.78	27.24	11.87	1.17	USD	0.75	USD	2.36	8.41	2.02	1.17	7,057,370,788.20
Ashland Global Holdings Inc	ASH		94.56	--	19.22	-8.05	USD	1.20	USD	1.29	-14.86	1.86	2.43	5,660,955,739.92
Avient Corp	AVNT.K		48.00	33.02	16.85	1.46	USD	0.85	USD	1.77	9.60	2.59	1.35	4,392,315,893.38
Hawkins Inc	HWKN.O		37.18	19.38	18.56	1.93	USD	0.52	USD	1.39	16.43	2.99	1.33	792,495,637.60
TORtec Group Corp	TRTK.PK		1.25 c	--	--	-0.00	USD	--	--	--	-110.52	--	--	125,093,567.50
Energy and Environmental Services Inc	EESE.PK		0.08	--	--	-0.06	USD	--	--	--	-19.84	--	71.16	4,291,415.73

Source: Thompson Reuters: Eikon Refinitiv

Peer Comparison

Huntsman is in a very large sea of very strong competitors within the Basic Materials sector, however, when directly compared to direct peers within the industry, Huntsman is performing very strongly. The company has the third highest market capitalization out of the nine, an above average ROE and P/B, the highest dividend yield, and the lowest P/S. ROE and P/S of Huntsman compared to the average of its peers is drastically better, over 39% and 17 points respectively. This is a positive outlook for a company within an industry with a high cost of entry and quickly expanding clientele market demands.

Valuation Analysis

DDM	FCF1	FCFE1	FCF2	FCF2
Growth Rate 1: 0.68%	Growth Rate 1: 0.68%	Growth Rate 1: 0.68%	Growth Rate 1: 0.68%	Growth Rate 1: 0.68%
Growth Rate 2: 5%	Growth Rate 2: 5%	Growth Rate 2: 5%	Growth Rate 2: 5%	Growth Rate 2: 5%
Dividends per share, LTM: $0.75	Free Cash Flow, LTM: $4.00	Free Cash Flow to Equity, LTM: $207.33	Free Cash Flow, LTM: $398.10	Free Cash Flow to Equity, LTM: $601.43
	Total Debt ($ millions): $2121.00	Net New Debt ($ millions): $268.00	Total Debt ($ millions): $2121.00	Net New Debt ($ millions): $268.00
	Cash ($ in millions): $1593.00	Interest on Debt ($ millions): $90.00	Cash ($ in millions): $1593.00	Interest on Debt ($ millions): $90.00
	WACC: 11.35%	Corporate Tax Rate: 28.14%	WACC: 11.35%	Corporate Tax Rate: 28.14%

Assumptions

Growth rates for all models is determined at two stages, 0.68% for stage one, representing the CAGR of the share since it first went public, and 5% for the second, representing expectations that the future growth will act more similar to the more recent five- and ten-year cycles, rather than the entire period. This growth is expected due to the projected growth of client demand within the next decade. All growth rates were considered linear, and CAGRs directly representing cash flows were not used because the CAGRs represented negative values for cash flows.

DDM

The average of the dividend discount model gave a value of $27.51.

FCF & FCFE 1

These valuation models were used with the most recent year (2020) representing the value of cashflows. Average valuation of these models were $14.89 and $34.57, respectively, for a joined average with the DDM model of $25.66.

FCF & FCF 2

Since the cash flows for 2020 were distinctively low compared to the previous 10-year period, these models were used utilizing that average of $398.10. The respective averages of these models were $42.55 and $100.29. Combined with the DDM model, the average of their valuations was $56.80.

Valuation Determination Process

In an effort to get a more realistic, but conservative valuation of the company, both combined averages were then averaged together themselves. This overall average of the two combined averages gave a target valuation price of $42.85.

Investment Risks

Market Risks

As a manufacturer of goods, Huntsman is highly reliant on both natural gas and growing client markets, especially in housing/construction. Natural gas not only effects the prices of goods through transportation of large amounts of goods, but also in the production of these goods; if natural gas rises in price, so does the price of Huntsman's goods. Should a downturn in an industry such as construction occur, major bottlenecking will be a big consequence for Huntsman. All of the products which will no longer be needed will be sitting around as unsold inventory, taking up space and halting further production.

Technology Risks

Cyber Attacks are a concern for Huntsman Corp. Not only can these attacks directly effect the company and their infrastructure, but recent attacks on pipelines have also shown to be an issue for the company who provides products these pipelines need to work. Disruption in their client's infrastructure could quickly turn into disruption of Huntsman's infrastructure.

Geopolitical Risks

Supply shortages are a major issue for any company which operates globally. For Huntsman, who not only operates globally through manufacturing, but also shipping of mass products, this could mean blockage of both production as well as sale. Huntsman's development of sites among many countries and continents does slightly lower the risks to production on this end, however.

Legal and Regulatory Risks

EPA regulatory guidelines for chemical companies are a factor which Huntsman must always consider. The ways in which they conduct waste disposal and curb their pollution footprint will be paramount in avoiding unnecessary fines and allowance to continue production of chemical products which can cause harm to the surrounding environments.

Personnel Risks

Chemical hazards are a concern which the company must pay extreme caution to. Health risks to employees can not only lead to lawsuits for the company, but can also cause less people to want to work for the company, and less clients willing to work with the company.

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