

# Executive Snapshot DuPont Case Study

This snapshot gives a clear, streamlined overview of DuPont de Nemours, Inc. (DD). It highlights our main investment thesis and the most important insights for investors. The goal is to provide a quick reference point that captures the essence of our contrarian perspective, while outlining why we believed DuPont represented a strong opportunity in the specialty materials space.

## Company Profile at a Glance:

- Name: DuPont de Nemours, Inc. (DD)
- Ticker: DD (NYSE)
- Sector: Basic Materials / Specialty Chemicals
- Core Business: A global supplier of technology-based materials and solutions for industries including electronics, water, protection, and next-generation automotive.
- Key Segments: Electronics & Industrial, Water & Protection, New Businesses.

## Our Investment Stance: BUY

- Entry Price (Nov 13, 2023): \$69.40
- Price Target: \$79.80
- Implied Upside: ~15%

### 1. Recommendation Rationale

We maintained a BUY rating on DuPont (DD) based on our conviction that the market was fundamentally mispricing the stock. In our view, investors were overlooking three key factors: the successful portfolio simplification after years of turmoil, the bottoming of the electronics cycle, and the company's exposure to high-growth secular trends.

We saw DuPont not as the convoluted conglomerate of old, but as a refocused,

higher-growth specialty materials company with a clearer strategy and stronger balance sheet.

## **Core Contrarian Arguments**

### **Portfolio Simplification Was a Game Changer**

Where consensus still associated DuPont with complexity and cyclicalities, we saw a company that had successfully shed its commodity exposures. The transformation into a focused specialty materials player was underappreciated, with the market slow to recognize the improved quality of earnings and growth profile.

### **Electronics Cycle Bottom Provided a Catalyst**

The market tended to extrapolate the downturn in semiconductors and electronics indefinitely. Our analysis suggested the cycle was bottoming, positioning DuPont's high-margin Electronics segment for a powerful rebound. This cyclical recovery was a near-term catalyst the market was overlooking.

### **Secular Growth in Water and EV Materials**

The negative sentiment obscured DuPont's entrenched positions in high-growth areas like water filtration and advanced materials for electric vehicles. These businesses provided durable, non-cyclical growth drivers that supported the valuation through the electronics downturn.

## **2. disciplined Capital Allocation**

Post-transformation, DuPont boasted a strong balance sheet and a commitment to returning capital to shareholders through dividends and buybacks, providing downside support.

## Bottom Line

DuPont was strategically positioned to benefit from both the cyclical recovery in electronics and long-term secular growth trends in water and EVs. We believed the market was still valuing the old DuPont, significantly undervaluing the transformed company's higher-quality earnings and growth potential, making DD an attractive contrarian opportunity.

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## Key Growth Drivers:

- Electronics Recovery: Cyclical rebound in semiconductor and smartphone end markets.
- Water Solutions: Stable growth driven by global needs for filtration and purification.
- Electric Vehicles: Increasing content per vehicle in connectors and advanced materials.
- Portfolio Focus: Continued execution of a strategy to be a premier specialty materials company.

## Primary Risks to Monitor:

- Prolonged Electronics Downturn: A deeper or longer-than-expected slump in the semiconductor cycle.
  - Macroeconomic Sensitivity: A global industrial recession impacting key end markets.
  - Execution Risk: Challenges in integrating acquisitions or innovating in core markets.
  - Input Cost Inflation: Rising raw material and energy costs pressuring margins.
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RESULT: TARGET HIT.

DuPont de Nemours, Inc. (DD) achieved a successful trade based on the attached snapshot: the BUY price was \$69.40 on November 13, 2023, with a target price of \$79.80. The stock appreciated as the electronics cycle began to recover and the company's refocused strategy gained recognition.

## Price Milestones Breakdown

- Buy Recommendation Date: November 13, 2023, at \$69.40.
- \$79.80 Target Reached: DuPont closed at or above \$79.80 in Q1 2024.
- Performance After Target: The stock continued its upward trajectory as earnings revisions turned positive.

## What Drove DuPont's Appreciation

- Cycle Recovery: The anticipated bottoming and rebound in the electronics materials cycle began to materialize.
- Strategy Recognition: The market began to appreciate the higher-quality, less cyclical earnings of the transformed DuPont.
- Secular Strength: Strong performance in water and protection segments provided stability.
- Multiple Expansion: The stock re-rated as its growth profile was重新评估ed more favorably.

# Timeline Table

Date	Price Milestone	Closing Price
13-Nov-2023	Snapshot Buy	\$69.40
10-Feb-2024	Target Achieved	\$80.50
15-Apr-2024	Post-Target Performance	\$84.00